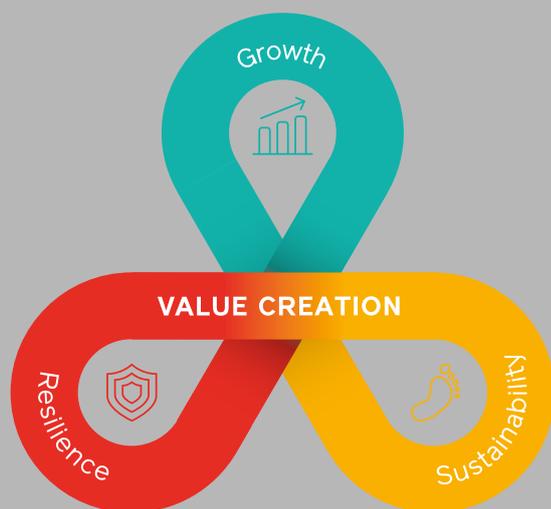


ANNUAL REPORT 2020

AR 2020

**resilience
sustainability
growth**

Lundin Energy is an experienced Nordic oil and gas company that explores for, develops and produces resources economically, efficiently and responsibly. We focus on value creation for our shareholders and wider stakeholders through three strategic pillars: Resilience, Sustainability and Growth. Our high quality, low cost assets mean we are resilient to oil price volatility, and our organic growth strategy, combined with our sustainable approach and commitment to decarbonisation, firmly establishes our leadership role in a lower carbon energy future.



Annual Report 2020

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Sustainability Report 2020

Read more about Lundin Energy's performance and management approach on environmental, social and governance issues in the Sustainability Report available on www.lundin-energy.com.

This report constitutes the Annual Report for Lundin Energy AB (publ), company registration number 556610-8055.

Lundin Energy AB ("Lundin Energy" or "the Company") is a Swedish public limited liability company listed on Nasdaq Stockholm with ticker LUNE.

Highlights 2020

- Strong financial performance with free cash flow generation of MUSD 448, operating cost below guidance at USD 2.69 per boe and reduced net debt to USD 3.9 billion
- Balance sheet re-financed with USD 5 billion corporate facility with significantly improved terms
- Board of Directors propose to increase 2020 dividend by 80 percent to USD 1.80 per share corresponding to MUSD 512, raising it back to the original 2019 dividend proposal pre-COVID-19
- Record quarterly production in the fourth quarter of 185 Mboepd and 2021 production guidance set between 170 to 190 Mboepd
- Johan Sverdrup Phase 1 plateau production raised to 500 Mbopd gross, with expectation to increase up to 535 Mbopd by mid-2021
- Edvard Grieg reserves increased by 50 MMboe to 350 MMboe gross 2P ultimate recovery, extending plateau by a further year to late 2023
- Delivering growth with resource additions of 210 percent of production in 2020 and pipeline of potential new projects with net resources of approximately 200 MMboe being matured for development within the temporary tax incentives
- Acceleration of Decarbonisation Strategy achieving carbon neutrality from 2025 from operational emissions

	2020	2019
Production in Mboepd	164.5	93.3
Revenue and other income in MUSD	2,564.4	2,948.7
CFFO in MUSD	1,528.0	1,378.2
<i>Per share in USD</i>	5.38	4.36
EBITDAX in MUSD¹	2,140.2	1,918.4
<i>Per share in USD¹</i>	7.53	6.07
Free cash flow in MUSD	448.2	1,271.7
<i>Per share in USD</i>	1.58	4.03
Net result in MUSD	384.2	824.9
<i>Per share in USD</i>	1.35	2.61
Adjusted net result in MUSD	280.0	252.7
<i>Per share in USD</i>	0.99	0.80
Net debt in MUSD	3,911.5	4,006.7

¹ Excludes the reported after tax accounting gain of MUSD 756.7 in 2019 on the divestment of a 2.6 percent working interest in the Johan Sverdrup project.

CEO's review

The past year was incredibly challenging for all, with the impact of COVID-19 on people's health, society more widely and the global economy.

We know that some of these challenges will continue through 2021 and at Lundin Energy we continue to handle any impact with agility and flexibility, safeguarding our people's well-being whilst keeping our main business priorities on course. Thanks to the hard work of our dedicated team, I am pleased to report that in 2020 Lundin Energy delivered strong results and our key projects remain on track, despite the impact of COVID-19 and unprecedented oil price volatility, demonstrating the resilience of our industry leading low-cost business.

As I step into the CEO role of this exciting Company, we are in strong shape and well placed for our next phase of growth. Our main strategy will continue to be organic growth focused value creation, complemented by industry leading low costs and low carbon emissions. This powerful combination positions us well to deliver resilient, sustainable, growth into the future.

Our world class assets continue to outperform, with 2020 production at the top of the original guidance range and a record of 185 Mboepd in the fourth quarter. Edvard Grieg reserves were raised to 350 MMboe gross, almost double the original project sanction level. Alongside the Solveig and Rolvsnes tie-back developments, which will start-up in 2021, this extends the production plateau to end 2023, which I anticipate will go further with upsides and area exploration opportunities. Johan Sverdrup continues to deliver good news, with Phase 1 reaching plateau production ahead of schedule and the facilities capacity being lifted significantly with an expectation of reaching up to 535 Mbopd gross from mid-2021. The full field plateau, when Phase 2 starts up in the fourth quarter of 2022, should now increase to 720 Mbopd. The result of both these factors is that the Company's production is set to exceed 200 Mboepd by 2023.

Our growth strategy continues to deliver results, with total resource additions in 2020 of over two times our produced volumes. A pipeline of nine potential new projects, accelerated by the recent tax incentives, are being progressed towards development. And we remain one of the most active explorers in Norway, continuing to drill through the oil price cycle.

Financially we had a strong year, despite record low oil prices, delivering free cash flow of over 1.4 times our dividend payments, whilst at the same time maintaining investment to

grow the business. This is underpinned by long-term operating costs of USD 3 to 4 per barrel and free cash flow break-even of approximately USD 10 per barrel, before dividends and averaged over the next six years, making the business resilient to low oil prices. Liquidity was further strengthened with the successful refinancing of the business with a USD 5 billion committed corporate facility with significantly improved terms. I am pleased that the Board of Directors has recommended a 80 percent increased dividend of USD 1.80 per share (in total MUSD 512), clearly demonstrating our commitment to sustain and increase shareholder returns. The Company's policy remains to pay a sustainable dividend even below an oil price of USD 50 per barrel.

In 2020 we have also delivered on our Decarbonisation Strategy, which clearly sets out our path to become a carbon neutral business in the production of our barrels. It is supported by real action, 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 to offset and replace the electricity we use and natural carbon capture projects. It continues to develop at pace and we are on track to achieve industry leading low carbon intensity of less than 2 kg CO₂ per barrel by 2023. We can therefore now achieve carbon neutrality from 2025, as one of the first companies to do so in the upstream industry.

Looking forward I am excited by the growth outlook for the business coupled with delivering some of the best barrels in the world: lower carbon, efficient, safe and responsibly produced. Showing we can deliver both profitable economic growth as well as environmental benefits, positioning us as an industry leader in the energy transition.

Such great results, during these challenging times, would not have been possible without my colleagues, to whom I express my sincerest thanks for their hard work and commitment. I would also like to express my deep gratitude to Alex Schneiter, for providing exceptional leadership at the helm over the past five years as CEO. His foresight and ambition has meant that Lundin Energy is, and will continue to be, an industry leader. Finally, I would also like to thank our shareholders, stakeholders and the Board of Directors for your continued strong support.

We have a big programme for 2021 and I very much look forward to reporting on our activities in what is shaping up to be another exciting year for Lundin Energy!

Nick Walker
President and CEO

Words from the Chairman

As we moved from 2020 to 2021 the infection rates of the COVID-19 virus were still high across the world. Lockdowns were being extended and new measures being introduced. As the current wave of the pandemic continues we can expect another year of economic challenges around the world.

However, it is important we stay hopeful and thanks to the introduction of several vaccines there is light at the end of the tunnel. We wait to see the efficacy of these vaccines, especially with new strains and of course the logistics of mass vaccinations have to be overcome, but Israel for example vaccinated more than 10 percent of the population in less than two weeks. This will hopefully allow individuals, companies and countries to get back on their feet and able to become socially and economically active again for the benefit of all.

Within the energy sector, OPEC+ is showing real signs of discipline and a true willingness to stabilise the market for the benefit of both producers and consumers. A Brent price around USD 60 seems to be holding without encouraging uneconomic and environmentally unfriendly projects from being sanctioned. The industry has been able to adapt to many new situations due mainly to the volatility of the market but now it is facing an even greater challenge which is to be accepted as a socially and environmentally responsible actor.

The question is not whether the world needs oil and gas resources to allow humanity to prosper and improve living conditions for all; it does. The question is whether these resources can be developed and produced in an economically, environmentally and socially sound manner. At Lundin Energy we believe we have the answer; yes, we can.

As of 1st January 2021 Nick Walker took over from Alex Schneider as CEO. The Board of Directors and I very much look forward to working with Nick in his new capacity as CEO. With his expert knowledge, not only of our assets but the offshore oil and gas industry as a whole, he is the ideal leader to take the Company into the next, exciting phase of our organic growth story and as one of the first E&P companies to reach our goal of becoming carbon neutral in our operations from 2025.

Alex has played a major role in the success of the Company not just as CEO, but throughout his career with Lundin Energy and the wider Lundin Group, for almost 30 years. His contribution has been outstanding, both as a technical expert and explorer, and as a CEO and leader of the teams across all the jurisdictions in which we have operated. I wish him all the best in his future endeavours and look forward to continuing to work with him on the Board of Directors.

On behalf of the Board of Directors I would also like to say how sad we were to hear of the passing of Hans Christen Rønnevik in early 2021. Hans Christen was not only a true pioneer in the early development of the oil and gas industry in Norway, but was an architect of the original success of Lundin Energy there. It was he who developed the model for exploration of the Utsira High and, with his team, discovered both Edvard Grieg and Johan Sverdrup. Whilst he will be missed by all who knew him, his legacy will continue for decades to come.

Finally I would like to thank all our devoted and loyal employees for their dedication and hard work without which we would not be in our current position as best in class with such an amazing asset base. And to you my fellow shareholders and stakeholders, thank you for sticking with us and for being part of this great adventure.

Ian H. Lundin
Chairman of the Board

Directors' Report

Lundin Energy AB (publ) Reg No. 556610-8055

The address of Lundin Energy AB's registered office is Hovslagargatan 5, Stockholm, Sweden.

Lundin Energy is an independent oil and gas exploration and production company with operations focused on Norway.

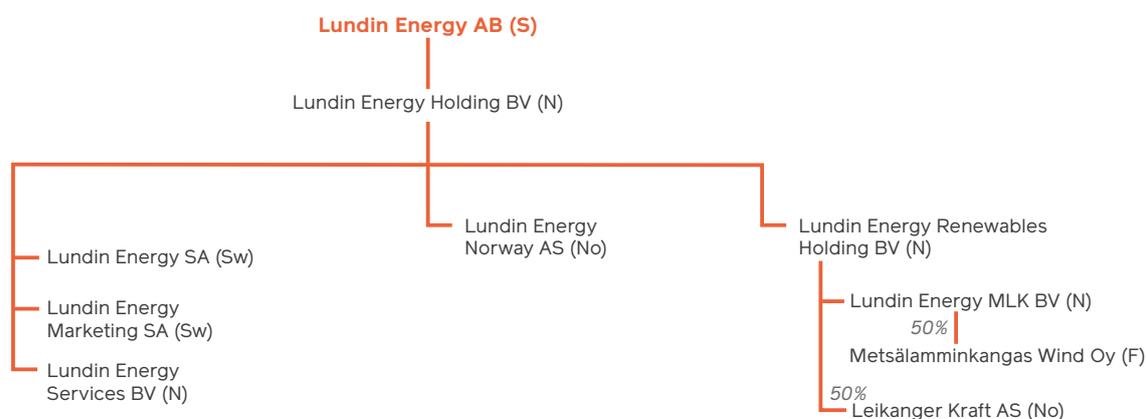
The Parent Company has no foreign branches.

Changes in the Group

In January 2020, Lundin Energy completed a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the Metsälamminkangas (MLK) wind farm project, in mid Finland. In March 2020, Lundin Energy completed a transaction with Sval Energi AS (Sval), a portfolio company of HitecVision, to farm down 50 percent of its MLK wind farm project. The 50 percent interest in MLK is recognised as an investment in a joint venture in the consolidated accounts of the Group.

In June 2020, Lundin Energy completed a transaction with Sognekraft AS to acquire a 50 percent non-operated interest in the Leikanger hydropower project, in mid-west Norway. The 50 percent interest in Leikanger is recognised as an investment in a joint venture in the consolidated accounts of the Group.

Corporate structure as at 31 December 2020



Jurisdiction	
(F)	Finland
(N)	Netherlands
(No)	Norway
(S)	Sweden
(Sw)	Switzerland

Note: The Group structure shows significant subsidiaries only. See the Parent Company Financial Statements Note 8 for full legal names and all subsidiaries. Subsidiaries are 100% owned unless otherwise stated.

Operational review

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

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.

Lundin Energy 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. Total expenditure reductions and deferrals in 2020 were over MUS\$ 360 from original guidance, including capital expenditures, operating costs and G&A.

Reserves and resources

Lundin Energy has 671 million barrels of oil equivalent (MMboe) of proved plus probable net reserves (2P) and 826 MMboe of proved plus probable plus possible net reserves (3P) as at 31 December 2020, as certified by an independent third party. Lundin Energy has additional oil and gas resources which classify as contingent resources (2C) and the best estimate net contingent resources amounted to 275 MMboe as at 31 December 2020. The total resource, which is 2P reserves plus 2C resources, are 946 MMboe as at 31 December 2020. For more information see page 87.

Production

Production was 164.5 Mboepd, which was above the upper end of the updated guidance range for the year of between 161 and 163 Mboepd, and at the top end of the original guidance range of between 145 and 165 Mboepd. Fourth quarter production was 185.1 Mboepd due to increased facilities capacity and high uptime performance at Edvard Grieg and Johan Sverdrup.

In May 2020, the Norwegian Government announced oil production restriction measures as a response to the oil price collapse and oversupply in the global market. However, in the fourth quarter 2020, the authorities increased the production permits for certain fields, which benefitted the Johan Sverdrup, Edvard Grieg and Alvheim fields.

Operating cost, including netting off tariff income, was USD 2.69 per boe, which is below the updated guidance of USD 2.80 per boe.

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 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 Extended Well Test (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

Development					
Project	WI	Operator	Estimated gross reserves	Production start expected	Expected gross plateau production
Johan Sverdrup Phase 2	20%	Equinor	2.2 – 3.2 Bn boe ¹	Q4 2022	720 Mbopd ¹
Solveig Phase 1	65%	Lundin Norway	57 MMboe	Q3 2021	30 Mboepd
Rolvsnes EWT	80%	Lundin Norway	–	Q3 2021	3 Mboepd

¹ Johan Sverdrup full field

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.

Development

The development expenditure in 2020 was MUSD 640 which was slightly below the updated guidance of MUSD 650.

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 break-even 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 CO₂ emitting offshore fields in the world with CO₂ 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 break-even oil price of below 20 USD per boe, based on the tax incentives announced in 2020. 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 EWT project, which was approved by the authorities in July 2019, will be conducted through a 3km 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 excess 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.

2020 appraisal well programme

Licence	Operator	WI	Well	Spud Date	Status
PL894	Wintershall DEA	10%	Balderbrå	January 2020	Completed February 2020

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 time-line of the tax incentives.

Exploration

The re-phased and scaled back 2020 exploration drilling programme involved five wells, with the drilling of the Merckx exploration well delayed to 2021. The exploration and appraisal expenditure in 2020 was MUSD 153, slightly below the updated guidance of MUSD 160.

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 was 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.

Decarbonisation Strategy and renewable energy projects

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

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

In 2019, Lundin Energy signed an agreement with Sognekraft AS to acquire a 50 percent non-operated interest in the Leikanger

2020 exploration well programme

Licence	Operator	WI	Well	Spud Date	Result
PL917	ConocoPhillips	20%	Hasselbaink	January 2020	Dry
PL820S ¹	MOL	40%	Evra/Iving	November 2019	Two oil & gas discoveries
PL609/PL1027	Lundin Energy	47.5%	Polmak	October 2020	Dry
PL960	Equinor	20%	Spissa	November 2020	Dry
PL533	Lundin Energy	40%	Bask	December 2020	Dry

¹ Lundin Energy's working interest in Licence PL820S will increase to 41 percent on closing of the Wintershall DEA transaction

run-of-river hydropower project, with the transaction closing in June 2020. Leikanger will produce around 208 GWh per annum gross and initial power generation commenced on schedule in June 2020, with performance ahead of expectations, and the project will become fully operational in mid-2021. Net electricity generation from Leikanger during the reporting period was approximately one third of the Company's net electricity usage at Johan Sverdrup over the same period.

In January 2020, Lundin Energy completed a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the MLK onshore wind farm project, which will produce around 400 GWh per annum gross once it is operational in early 2022. The MLK operations will be managed by OX2. In March 2020, Lundin Energy completed a farm-down of 50 percent of the MLK project to Sval Energi AS, a portfolio company of HitecVision, on equivalent terms that the Company acquired the project from OX2. Construction of the wind farm started in April 2020 and is progressing according to plan.

Lundin Energy's total investment commitments in renewable energy projects amounts to approximately MUSD 160 over the period 2020/2021. The renewables expenditure in 2020 was MUSD 96 which was in line with the updated guidance of MUSD 95.

In January 2021, Lundin Energy announced the acceleration of its Decarbonisation Strategy to achieve carbon neutrality for operational emissions from 2025, from the original target of 2030. This change is underpinned by the good progress on the electrification and renewables projects, coupled with a partnership with Land Life Company B.V., to invest MUSD 35 to plant approximately eight million trees between 2021 and 2025, capturing 2.6 million tonnes of CO₂.

Decommissioning

The decommissioning plan for the Brynhild field was approved by the UK authorities in June 2020 and by the Norwegian authorities in September 2020. In October 2020, the Rowan Viking jack-up rig completed operations to abandon the four Brynhild sub-sea wells. The contract for the removal of the subsea facilities has been awarded to DeepOcean, with operations planned in the third quarter of 2021.

The Gaupe field ceased production in 2018 and preparation of the decommissioning plan for the field is ongoing.

The decommissioning expenditure in 2020 was MUSD 53 which was in line with the updated guidance of MUSD 50. Following completion of Brynhild and Gaupe decommissioning, the Company has no further planned decommissioning spend until around 2035.

Research and Development

The Company invested MUSD 13.9 in research and development (R&D) in 2020. The main goal for the R&D is to maximise the value of the existing assets, improve operational preparedness in new areas of operation and developing platforms for future business opportunities. This means improvement of subsurface understanding which benefits both exploration and

development activities. Approximately one-third of the R&D investments have been used to focus on external environment, energy efficiency and CO₂ emissions reduction.

Licence awards and transactions

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

In March 2020, Lundin Energy 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 Lundin Energy's working interest to 60 percent in PL1057 and the Company has become the operator of the licence.

In September 2020, Lundin Energy 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, Lundin Energy 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 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 Lundin Energy'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, Lundin Energy 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 to 41 percent on completion.

In December 2020, Lundin Energy 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 licences 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.

Health, safety and environment

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. During the reporting period, one further lost time incident and three medical treatment incidents occurred, resulting in a Lost Time Incident Rate of 1.1 per million hours worked and a Total Recordable Incident Rate of 2.8 per million hours worked. There were no material environmental incidents during the reporting period.

Financial review

Result

The operating profit for the year amounted to MUSD 1,420.7 (MUSD 1,970.7), with the decrease compared to the comparative period mainly driven by a MUSD 756.7 after tax accounting gain on the sale of 2.6 percent of Johan Sverdrup during the comparative period. The operating profit for the comparative period excluding this accounting gain amounted to MUSD 1,214.0 with the increase during the year mainly driven by higher sales volumes. Sales volumes increased by 77 percent compared to the comparative period as a result of the startup of production from the Johan Sverdrup field in October 2019, but this was partly offset by lower oil prices and higher depletion charges during the year. Operating profit was also positively impacted by the fact that there were no impairment charges during the year compared to MUSD 128.3 in the comparative period.

The net result for the year amounted to MUSD 384.2 (MUSD 824.9), representing earnings per share of USD 1.35 (USD 2.61). Net result was impacted by a foreign currency exchange gain during the year of MUSD 171.0 (MUSD -131.7), a MUSD 756.7 after tax accounting gain in the comparative period on the sale of 2.6 percent of Johan Sverdrup and a MUSD 128.3 impairment charge in the comparative period. Adjusted net result for the year amounted to MUSD 280.0 (MUSD 252.7), representing adjusted earnings per share of USD 0.99 (USD 0.80). Adjusted net result separates out the effects of accounting gains/losses from asset sales, loan modification gains, foreign currency exchange results, impairment charges and the tax impacts from these items and better reflects the net result generated by the Company's operational performance for the year.

Earnings before interest, tax, depletion, amortization and exploration expenses (EBITDAX) for the year amounted to MUSD 2,140.2 (MUSD 1,918.4) representing EBITDAX per share of USD 7.53 (USD 6.07), with the increase compared to the comparative period mainly caused by higher sales volumes, partly offset by lower oil prices. Cash flow from operating activities (CFFO) for the year amounted to MUSD 1,528.0 (MUSD 1,378.2), representing CFFO per share of USD 5.38 (USD 4.36) with the increase compared to the comparative period, again impacted by higher sales volumes, partly offset by lower oil prices, further positively impacted by working capital changes during the year but partially offset by higher tax payments during the year. Free cash flow for the year

amounted to MUSD 448.2 (MUSD 1,271.7), representing free cash flow per share of USD 1.58 (USD 4.03), with the decrease compared to the comparative period mainly impacted by the cash inflow of MUSD 959.0 from the sale of 2.6 percent of Johan Sverdrup during the comparative period. Free cash flow for the comparative period excluding this cash inflow amounted to MUSD 312.7 with the increase during the year mainly impacted by higher CFFO.

The above mentioned numbers on a per share basis are, compared to the comparative period, positively impacted by the redemption of approximately 54.5 million shares during the third quarter of 2019.

Norwegian tax changes

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

Changes in the Group

In January 2020, Lundin Energy completed a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the Metsälamminkangas (MLK) wind farm project, in mid Finland. In March 2020, Lundin Energy completed a transaction with Sval Energi AS (Sval), a portfolio company of HitecVision, to farm down 50 percent of its MLK wind farm project. MLK will produce around 400 GWh per annum gross, once it is fully operational in early 2022, from 24 onshore wind turbines. The MLK operations will be managed by OX2. The investment to Lundin Energy, including the acquisition cost, is approximately MUSD 110 over 2020 and 2021 and the project is anticipated to be free cash flow positive from 2022. The 50 percent interest in MLK is recognised as an investment in a joint venture in the consolidated accounts of the Group.

In June 2020, Lundin Energy completed a transaction with Sognekraft AS to acquire a 50 percent non-operated interest in the Leikanger hydropower project, in mid-west Norway. Leikanger will produce around 208 GWh per annum gross, once it is fully operational in 2021, from a river run off hydropower generation scheme. The investment to Lundin Energy, including the acquisition cost, is approximately MUSD 50 and the project

is estimated to be free cash flow positive from 2022. The 50 percent interest in Leikanger is recognised as an investment in a joint venture in the consolidated accounts of the Group.

In October 2020, Lundin Energy 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 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 Lundin Energy'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 MUS\$ 125, and was completed in November 2020.

Revenue and other income

Revenue and other income for the year amounted to MUS\$ 2,564.4 (MUS\$ 2,948.7) and was comprised of net sales of oil and gas and other revenue as detailed in Note 1.

Net sales of oil and gas for the year amounted to MUS\$ 2,533.2 (MUS\$ 2,158.6). The average price achieved by Lundin Energy for a barrel of oil equivalent from own production, amounted to USD 38.35 (USD 61.00) and is detailed in the following table. The average Dated Brent price for the year amounted to USD 41.84 (USD 64.21) per barrel.

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

Sales from own production		
Average price per boe expressed in USD	2020	2019
Crude oil sales		
– Quantity in Mboe	54,263.6	29,769.7
– Average price per boe	39.96	65.16
Gas and NGL sales		
– Quantity in Mboe	6,013.2	4,235.7
– Average price per boe	23.80	31.77
Total sales		
– Quantity in Mboe	60,276.8	34,005.4
– Average price per boe	38.35	61.00

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

Net sales of crude oil from third party activities for the year amounted to MUS\$ 221.5 (MUS\$ 84.3) and consisted of crude oil purchased from outside the Group by Lundin Energy Marketing SA and sold to the market. Revenue from sale of oil and gas are recognised when control of the products is transferred to the customer.

Other income for the year amounted to MUS\$ 31.2 (MUS\$ 33.4) and mainly included tariff income of MUS\$ 23.2 (MUS\$ 27.2), which is due to net income from Ivar Aasen tariffs paid to

Edvard Grieg. Other income for the year also included MUS\$ 0.8 (MUS\$ –) relating to Dated Brent differential derivatives.

Gain from sale of assets in the comparative period amounted to MUS\$ 756.7 and related to the sale of 2.6 percent of Johan Sverdrup.

Production costs

Production costs including under/over lift movements and inventory movements for the year amounted to MUS\$ 177.2 (MUS\$ 164.8) and are detailed in Note 2. The total production cost per barrel of oil equivalent produced is detailed in the table below:

Production costs	2020	2019
Cost of operations		
– In MUS\$	134.5	118.1
– In USD per boe	2.24	3.47
Tariff and transportation expenses		
– In MUS\$	50.7	46.3
– In USD per boe	0.84	1.36
Operating costs		
– In MUS\$	185.2	164.4
– In USD per boe ¹	3.08	4.83
Change in under/over lift position		
– In MUS\$	-2.7	-0.9
– In USD per boe	-0.05	-0.03
Change in inventory position		
– In MUS\$	-11.2	-2.8
– In USD per boe	-0.19	-0.08
Other		
– In MUS\$	5.9	4.1
– In USD per boe	0.10	0.12
Production costs		
– In MUS\$	177.2	164.8
– In USD per boe	2.94	4.84

Note: USD per boe is calculated by dividing the cost by total production volume for the period.

¹ The numbers in this table are excluding tariff income netting. Lundin Energy's operating cost for the year of USD 3.08 (USD 4.83) per barrel is reduced to USD 2.69 (USD 4.03) when tariff income is netted off.

The total cost of operations for the year amounted to MUS\$ 134.5 (MUS\$ 118.1) and the total cost of operations excluding operational projects amounted to MUS\$ 127.8 (MUS\$ 108.6). The increase compared to the comparative period related to the start up of production from the Johan Sverdrup field in October 2019, partly offset by a weaker Norwegian Krone.

The cost of operations per barrel for the year amounted to USD 2.24 (USD 3.47) including operational projects and USD 2.12 (USD 3.19) excluding operational projects. The lower unit costs compared to the comparative period are mainly relating to the start up of the Johan Sverdrup field, which has a lower unit operating cost, in addition to a weaker Norwegian Krone.

Tariff and transportation expenses for the year amounted to MUS\$ 50.7 (MUS\$ 46.3) or USD 0.84 (USD 1.36) per barrel. The

decrease on a per barrel basis compared to the comparative period, is again driven by the start up of production from the Johan Sverdrup field in October 2019, in addition to a weaker Norwegian Krone.

Sales quantities in a period can differ from production quantities as a result of permanent and timing differences. Timing differences can arise due to under/over lift of entitlement, inventory, storage and pipeline balances effects. The change in under/over lift position is valued at production cost including depletion cost, and amounted to MUSD -2.7 (MUSD -0.9) in the year due to the timing of the cargo liftings compared to production. The change in inventory position is also valued at production cost including depletion cost, and amounted to MUSD -11.2 (MUSD 2.8) in the year due to a cargo lifting at the end of the year that was sold in early 2021. Sales quantities and production quantities are detailed in the table below:

Change in over/underlift position in Mboepd	2020	2019
Production volumes	164.5	93.3
Johan Sverdrup inventory movements	-1.7	-0.7
Production volumes excluding inventory movements	162.8	92.6
Sales volumes from own production	164.7	93.2
Change in overlift position	-1.9	-0.6

Other costs for the year amounted to MUSD 5.9 (MUSD 4.1) and related to the business interruption insurance.

Depletion and decommissioning costs

Depletion and decommissioning costs for the year amounted to MUSD 607.7 (MUSD 443.8) at an average rate of USD 10.09 (USD 13.03) per barrel and are detailed in Note 9. The lower depletion costs for the year compared to the comparative period, is due to the start up of production from the Johan Sverdrup field at a lower depletion rate per barrel. The depletion costs are further positively impacted by a lower depletion rate per barrel in USD terms, as the depletion rate per barrel is calculated in Norwegian Krone with the Norwegian Krone having weakened against the USD compared to the comparative period.

Exploration costs

Exploration costs expensed in the income statement for the year amounted to MUSD 104.9 (MUSD 125.6) and are detailed in Note 9. Exploration and appraisal costs are capitalised as they are incurred. When exploration and appraisal drilling is unsuccessful, the capitalised costs are expensed. All capitalised exploration costs are reviewed on a regular basis and are expensed when facts and circumstances suggest that the carrying value of an exploration and evaluation asset may exceed its recoverable amount.

Impairment costs of oil and gas properties

No impairment costs were charged to the income statement during the period. Impairment costs charged to the income statement in the comparative period amounted to MUSD 128.3 and related to certain licences in the Barents Sea of which future economic development is considered uncertain. A non-cash

pre-tax impairment charge of MUSD 128.3 was recognised with an offsetting MUSD 101.3 deferred tax credit recognised in the income statement, yielding a net after tax charge of MUSD 27.0.

Purchase of crude oil from third parties

Purchase of crude oil from third parties for the year amounted to MUSD 217.8 (MUSD 84.3) and related to crude oil purchased from outside the Group.

General, administrative and depreciation expenses

The general administrative and depreciation expenses for the year amounted to MUSD 36.1 (MUSD 31.2), which included a charge of MUSD 4.8 (MUSD 4.6) in relation to the Group's long-term incentive plans (LTIP), see also Note 29. Fixed asset depreciation expenses for the year amounted to MUSD 6.9 (MUSD 6.7).

Finance income

Finance income for the year amounted to MUSD 172.3 (MUSD 27.5) and is detailed in Note 4.

The net foreign currency exchange gain for the year amounted to MUSD 171.0 (MUSD -131.7). Foreign exchange movements occur on the settlement of transactions denominated in foreign currencies and the revaluation of working capital and loan balances to the prevailing exchange rate, at the balance sheet date where those monetary assets and liabilities are held in currencies other than the functional currencies of the Group's reporting entities. Lundin Energy is exposed to exchange rate fluctuations relating to the relationship between US Dollar and other currencies. Lundin Energy has entered into derivative financial instruments to address this exposure for exchange rate fluctuations for capital expenditure amounts and Corporate and Special Petroleum Tax amounts. For the year, the net realised exchange loss on these settled foreign exchange instruments amounted to MUSD 65.6 (MUSD 60.9).

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

Finance costs

Finance costs for the year amounted to MUSD 318.6 (MUSD 322.5) and are detailed in Note 5.

Interest expenses for the year amounted to MUSD 104.3 (MUSD 93.4) and represented the portion of interest charged to the income statement and includes MUSD 9.1 interest expenses in relation to the Idemitsu deal and 2019 taxes paid during the year in Norway. An additional amount of interest of MUSD 25.8 (MUSD 85.7), associated with the funding of the Norwegian development projects was capitalised in the year. The total interest expenses for the year decreased compared to the comparative period as a result of a lower LIBOR rate since the second quarter of 2020 and partly offset by higher average debt relative to the comparative period.

The result on interest rate hedge settlements amounted to a loss of MUSD 44.5 (gain of MUSD 25.7), as a result of the lower LIBOR rate.

The amortisation of the deferred financing fees for the year amounted to MUSD 37.6 (MUSD 19.7) and related mainly to the expensing of the fees incurred in establishing the reserve-based lending facility over the period of usage of the facility. In addition, the unamortised portion of the capitalised financing fees incurred in establishing the reserve-based lending facility, the MUSD 160 revolving credit facility for the renewable power projects and the MUSD 340 unsecured corporate facility were expensed during the year following the successful refinancing in December 2020.

Loan facility commitment fees for the year amounted to MUSD 11.6 (MUSD 10.9) and include commitment fees in relation to the revolving credit facility for the financing of the renewable power projects and the MUSD 340 unsecured corporate facility.

The unwinding of the loan modification gain for the year amounted to MUSD 99.7 (MUSD 41.5) and related to the expensing of the accounting gain from the re-negotiated improved borrowing terms in 2018 for the reserve-based lending facility over the period of usage of the facility. In addition, the remaining portion of the capitalised loan modification gain was expensed during the year following the successful refinancing in December 2020.

Share in result of joint ventures and associated company

Share in result of joint ventures and associated company for the year amounted to MUSD -0.1 (MUSD -1.8) and related to the 50 percent non-operated interest in the Leikanger hydropower project in Norway, with the project commencing production during the second quarter 2020 and is detailed in Note 6. The loss in the comparative period related to the share in the result of the investment in Mintley Caspian Ltd. and this company is now liquidated.

Tax

The overall tax charge for the year amounted to MUSD 890.1 (MUSD 849.0) and is detailed in Note 7.

The current tax charge for the year amounted to MUSD 511.8 (MUSD 405.8) and mainly related to Norway. The current tax charge for Norway for the year related to both Corporate Tax and Special Petroleum Tax (SPT). The SPT tax losses were fully utilised during the fourth quarter of 2019, which resulted in increased current tax charges for the year and the current tax charge for Norway for the comparative period related therefore, to Corporate Tax only. The paid tax instalments in Norway during the year amounted to MUSD 426.0, which has in combination with the current tax charge for the year and exchange rate movements resulted in an increase in current tax liabilities compared to the end of last year from MUSD 343.3 to MUSD 444.4.

On 19th June 2020 certain temporary changes in the Norwegian Petroleum Tax Law were enacted. The temporary changes allow investments incurred in 2020 and 2021 to be fully deducted against SPT in the year of investment compared to a six year linear depreciation for the ordinary tax regime. There is a further deduction available against the SPT in the form of an uplift. For the years 2020 and 2021, the uplift has been changed to 24 percent of the investment incurred in the year and is fully deductible in the year the investment is incurred, versus the previous uplift treatment which stipulated that the investment incurred during the year qualified for an uplift of 5.2 percent annually over four years (i.e. 20.8 percent uplift). The temporary changes in the Petroleum Tax Law also apply for Plan for Development and Operations submitted within 2022. These tax rules changes resulted in a reduction on current taxes for the year and an increase in deferred tax for the year.

The deferred tax charge for the year amounted to MUSD 378.3 (MUSD 443.2) and related to Norway. A deferred tax amount arises primarily where there is a difference in depletion for tax and accounting purposes, with the deferred tax charge increased for the year due to the temporary tax changes for the Special Petroleum Tax in Norway as outlined above.

The Group operates in various countries and fiscal regimes where corporate income tax rates are different from the regulations in Sweden. Corporate income tax rates for the Group vary between 13.7 and 78 percent. The effective tax rate for the year is affected by items which do not receive a full tax credit such as the reported net foreign currency exchange results, Norwegian financial items and by the uplift allowance applicable in Norway for development expenditures against the offshore tax regime. The effective tax rate for the year was mainly impacted by the reported foreign currency exchange gain and the effective tax rate on the adjusted net results for the year amounted to 77 percent.

Balance sheet

Non-current assets

Oil and gas properties amounted to MUSD 5,902.4 (MUSD 5,473.2) and are detailed in Note 9.

Development, exploration and appraisal expenditure incurred for the year was as follows:

Development expenditure in MUSD	2020	2019
Norway	639.8	672.3
Development expenditures	639.8	672.3

Development expenditure of MUSD 639.8 (MUSD 672.3) was incurred in Norway during the year, primarily on the Johan Sverdrup and Solveig fields. In addition an amount of MUSD 25.8 (MUSD 85.7) of interest was capitalised.

Exploration and appraisal expenditure in MUSD	2020	2019
Norway	152.9	298.4
Exploration and appraisal expenditure	152.9	298.4

Exploration and appraisal expenditure of MUSD 152.9 (MUSD 298.4) was incurred in Norway during the year, primarily for the exploration and appraisal wells as summarised on page 7.

Other tangible fixed assets amounted to MUSD 45.2 (MUSD 49.4) and are detailed in Note 10.

Goodwill associated with the accounting for the Edvard Grieg transaction during 2016 amounted to MUSD 128.1 (MUSD 128.1) and is detailed in Note 11.

Investments in joint ventures amounted to MUSD 110.6 (MUSD —) and related to the 50 percent interest held by Lundin Energy in the Metsälamminkangas (MLK) wind farm project in Finland and the Leikanger hydropower project in Norway and is detailed in Note 12.

The net investments by the Company in the renewable energy business, through its joint ventures, for the year was at follows:

Renewables investments in MUSD	2020	2019
MLK Windfarm – Finland	46.3	–
Leikanger Hydropower – Norway	49.8	–
Renewables investments	96.1	–

Financial assets amounted to MUSD 13.5 (MUSD 14.3) and are detailed in Note 13. The sale of 2.6 percent of Johan Sverdrup during 2019 included a contingent consideration based on future reserve reclassifications and is due in 2026. This contingent consideration was fair valued by the Company and amounted to MUSD 12.7 (MUSD 12.4).

Trade and other receivables amounted to MUSD 17.3 (MUSD —) and related to prepayments with a long-term nature and are detailed in Note 15.

Derivative instruments amounted to MUSD 3.8 (MUSD 2.7) and related to the marked-to-market gain on outstanding currency hedge contracts due to be settled after twelve months and are detailed in Note 21.

Current assets

Inventories amounted to MUSD 59.1 (MUSD 40.7) and included both well supplies and hydrocarbon inventories. Hydrocarbon inventories included a cargo lifting at the end of the year that was sold in early 2021 and are detailed in Note 14.

Trade and other receivables amounted to MUSD 278.6 (MUSD 349.5) and are detailed in Note 15. Trade receivables, which are all current, amounted to MUSD 215.5 (MUSD 305.1) with the decrease mainly caused by lower oil prices partly offset by higher sales volumes in December 2020. Underlift amounted to MUSD 5.7 (MUSD 2.0) and was attributable to an underlift position on the producing fields, mainly relating to oil from the Johan Sverdrup field. Joint operations debtors relating to various joint venture receivables amounted to MUSD 21.8 (MUSD 11.4). Prepaid expenses and accrued income amounted to MUSD 26.5 (MUSD 23.9) and represented mainly prepaid operational

and insurance expenditure. Other current assets amounted to MUSD 9.1 (MUSD 7.1).

Derivative instruments amounted to MUSD 12.1 (MUSD 11.3) and related to the marked-to-market gain on outstanding currency hedge contracts due to be settled within twelve months and are detailed in Note 21.

Cash and cash equivalents amounted to MUSD 82.5 (MUSD 85.3). Cash balances are mainly held to meet ongoing operational funding requirements, see also Note 16.

Non-current liabilities

Financial liabilities amounted to MUSD 3,983.9 (MUSD 3,888.4) and are detailed in Note 18. Bank loans amounted to MUSD 3,994.0 (MUSD 4,000.0) and related to the long-term portion of the outstanding bank loans. Capitalised financing fees relating to the establishment of the facilities amounted to MUSD 37.1 (MUSD 37.1) and are being amortised over the expected life of the facilities. The lease commitments amounted to MUSD 27.0 (MUSD 31.1) and related to the long-term portion of the lease commitments under IFRS 16. The short-term portion of the lease commitments was classified as current liabilities.

Provisions amounted to MUSD 565.6 (MUSD 528.1) and are detailed in Note 19. The provision for site restoration amounted to MUSD 560.5 (MUSD 522.2) and related to the long-term portion of the future decommissioning obligations. The short-term portion of the future decommissioning obligations was classified as current liabilities and amounted to MUSD 16.0 (MUSD 49.2). The increase in site restoration is mainly caused by additional liability following installations for the development projects in combination with the strengthening of the Norwegian Krone during the year partly offset by decommissioning work done on the Brynhild field.

Deferred tax liabilities amounted to MUSD 2,893.9 (MUSD 2,412.7) and are detailed in Note 7. The provision mainly arises on the excess of book value over the tax value of oil and gas properties. Deferred tax assets are netted off against deferred tax liabilities where they relate to the same jurisdiction.

Derivative instruments amounted to MUSD 144.7 (MUSD 110.8) and related to the marked-to-market loss on outstanding interest rate and currency hedge contracts due to be settled after twelve months and are detailed in Note 21.

Current liabilities

Current financial liabilities amounted to MUSD 6.1 (MUSD 97.5) and are detailed in Note 18. Current financial liabilities related mainly to the short-term portion of the outstanding lease commitments and included in the comparative period MUSD 92.0 relating to the short-term portion of the outstanding bank loans.

Dividends amounted to MUSD 72.3 (MUSD 106.0) and related to the cash dividend approved by the AGM held on 31 March 2020 in Stockholm, paid in quarterly instalments.

Trade and other payables amounted to MUSD 202.5 (MUSD 177.4) and are detailed in Note 20. Overlift amounted to MUSD 1.6 (MUSD 0.9) and was attributable to an overlift position mainly in relation to NGL from the Johan Sverdrup and Edvard Grieg fields. Joint operations creditors and accrued expenses amounted to MUSD 151.3 (MUSD 133.6) and related to activity in Norway. Other accrued expenses amounted to MUSD 31.7 (MUSD 16.6) and other current liabilities amounted to MUSD 9.2 (MUSD 8.5).

Derivative instruments amounted to MUSD 87.6 (MUSD 33.2) and related to the marked-to-market loss on outstanding interest rate and currency hedge contracts due to be settled within twelve months and are detailed in Note 21.

Current tax liabilities amounted to MUSD 444.4 (MUSD 343.3) and related mainly to Norway and are detailed in Note 7.

Current provisions amounted to MUSD 21.3 (MUSD 55.9) and are detailed in Note 19. The short-term portion of the future decommissioning obligations amounted to MUSD 16.0 (MUSD 49.2) mainly relating to the Brynhild field. The short-term portion of the provision for Lundin Energy's Unit Bonus Plan amounted to MUSD 5.3 (MUSD 6.7).

Share information

For the number of shares outstanding and the repurchases of own shares, see Note 17.1.

For the AGM resolution on the authorisation to issue new shares, see page 22, Corporate Governance Report.

Dividend

In accordance with the dividend policy, the Board of Directors propose that the Annual General Meeting resolves on a dividend for 2020 of USD 1.80 per share, corresponding to USD 512 million (rounded off), to be paid in quarterly instalments of USD 0.45 per share, corresponding to USD 128 million (rounded off). Before payment, each quarterly dividend of USD 0.45 per share shall be converted into a SEK amount, and paid out in SEK, based on the USD to SEK exchange rate published by Sweden's central bank (Riksbanken) four business days prior to each record date (rounded off to the nearest whole SEK 0.01 per share). The final USD equivalent amount received by the shareholders may therefore slightly differ depending on what the USD to SEK exchange rate is on the date of the dividend payment. The SEK amount per share to be distributed each quarter will be announced in a press release four business days prior to each record date.

The first dividend payment is expected to be paid around 8 April 2021, with an expected record date of 1 April 2021 and expected ex-dividend date of 31 March 2021. The second dividend payment is expected to be paid around 7 July 2021, with an expected record date of 2 July 2021 and expected ex-dividend date of 1 July 2021. The third dividend payment is

expected to be paid around 7 October 2021, with an expected record date of 4 October 2021 and an expected ex-dividend date of 1 October 2021. The fourth dividend payment is expected to be paid around 11 January 2022, with an expected record date of 5 January 2022 and an expected ex-dividend date of 4 January 2022.

In order to comply with Swedish company law, a maximum total SEK amount shall be pre-determined to ensure that the dividend distributed does not exceed the available distributable reserves of the Company and such maximum amount for the 2020 dividend has been set to a cap of SEK 7.636 billion (i.e., SEK 1.909 billion per quarter). If the total dividend would exceed the cap of SEK 7.636 billion, the dividend will be automatically adjusted downwards so that the total dividend corresponds to the cap of SEK 7.636 billion.

For details of the dividend policy, see page 22.

Proposed disposition of unappropriated earnings

The 2021 Annual General Meeting has an unrestricted equity at its disposal of MSEK 54,215.2, including the net result for the year of MSEK 2,641.9.

Based on the proposed dividend, the Board of Directors propose that the Annual General Meeting dispose of the unrestricted equity as follows:

MSEK	
The Board of Directors proposes that the shareholders are paid a dividend of USD 1.80 per share ¹	4,236.6
Brought forward	49,978.6
Unrestricted equity	54,215.2

¹ The amount is based on the USD to SEK exchange rate published by Sweden's central bank (Riksbanken) as at 24 February 2021. The amount is based on the number of shares in circulation on 24 February 2021 and the total dividend amount may change by the record dates as a result of repurchases of own shares or as a result of issue of new shares. The dividend is USD denominated, fluctuations in the USD to SEK exchange rate between 24 February 2021 and approval of the dividend proposal by the Annual General Meeting will have an impact on the total dividend amount reported in SEK. If the dividend proposal is approved by the Annual General Meeting, the dividend will be recorded as a liability in USD on the date of the Annual General Meeting and the SEK equivalent of the USD liability will fluctuate until the fourth tranche is converted from USD to SEK.

Based on a comprehensive review of the financial position of the Company and the Group as a whole, as well as the proposed authorisation to repurchase shares, the Board of Directors is of the opinion that the proposed dividend is justifiable in view of the requirements that the nature and scope of, and risks involved in the Company's operations, place on the size of the Company's and Group's equity, as well as their consolidation needs, liquidity and position in other respects. The Board of Directors considered that there is negative equity at Group level, however such equity is based on historical accounting determinations of book value, depreciations and foreign exchange results, and does not take

into account the fair market value of the assets held by the Group. The Board of Directors' full statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act is available on www.lundin-energy.com.

Changes in Board of Directors

At the 2021 AGM, all the current members of the Board of Directors will be proposed for re-election by the Nomination Committee. In addition, the Nomination Committee proposes that the size of the Board of Directors be increased to ten members and that Adam I. Lundin will be elected as a new member of the Board of Directors.

Financial statements

The result of the Group's operations and financial position at the end of the financial year are shown in the income statement, statement of comprehensive income, balance sheet, statement of cash flow, statement of changes in equity and related notes, which are presented in US Dollars on pages 39–72.

The Parent Company's income statement, balance sheet, statement of cash flow, statement of changes in equity and related notes presented in Swedish Krona can be found on pages 73–78.

Subsequent events

Subsequent events are detailed in Note 31.

Sustainability Report

Lundin Energy has issued a Sustainability Report, which is separate from the Financial Statements. The Sustainability Report is available on www.lundin-energy.com.

Report on Payments to Government

Lundin Energy has issued a Report on Payments to Government, which is separate from the Financial Statements. The Report on Payments to Government is available on www.lundin-energy.com.

Risk management

Lundin Energy uses a standardised risk management methodology to perform risk assessments. This enables the Company to make informed decisions and to prioritise control activities and resources to deal effectively with any potential opportunities and threats.

Risk areas

Lundin Energy's primary risks fall into three areas, which also include external risks that could influence the Company's business operations or reputation; operational risks, financial risks and strategic risks.

Operational risks

Concentration of operations

Risk: All of our production comes from a few assets on the Norwegian Continental Shelf. This concentration of operations increases the vulnerability for long-term production shutdowns due to unexpected events.

Response: Highly skilled and experienced operational teams are employed throughout the organisation, the facilities are built and maintained to a high standard and critical spares are held in inventory. Insurance partially covering the cash flow impact on the Company from a loss of production is subscribed for our main producing assets, reducing the financial impact of any unexpected long-term shutdowns.

Delay of development projects

Risk: Oil and gas projects may be curtailed or delayed for many reasons such as health and safety incidents, changes in installation schedules or missed targets. This includes the risk of cost overruns and a delay in production that could affect liquidity.

Response: Lundin Energy has a robust project management system in place and highly competent project management teams that have a proven track record of safely and successfully delivering development projects. The partner operated Johan Sverdrup Phase 2 project is progressing well and is on schedule for first oil in the fourth quarter of 2022 as planned, with cost estimates unchanged since project sanction. The Solveig Phase 1 and Rolvsnes extended well test projects, which are tie-backs to the Edvard Grieg facility, are also progressing well with first oil planned in the third quarter of 2021, later than the original plan due to project activities being deferred to manage the COVID-19 risk. This deferral has no negative impact on the Company's net production in 2021 and 2022, and therefore limited financial impact.

Health, Safety, Environment and Quality

Risk: Operational incidents such as major accidents involving impact on people and the environment, a significant fire, process safety, collisions or well control issues are a significant risk within the oil and gas industry.

Response: Lundin Energy has a strong Health, Safety, Environment and Quality (HSEQ) management system to reduce the risk and impact of such incidents, which is subject to incident investigations and audits. The Company maintains a robust HSEQ culture throughout the organisation to ensure safety and security for people and the environment.

Information and cyber security

Risk: As in all industries, there is potential for cyber intrusion leading to financial loss, information data loss, data privacy infringement and system irregularities.

Response: Security risks are regularly monitored and audited. Business continuity plans are in place, networks are built and monitored to prevent and remedy any external cyber attacks and the Company focuses on preventative action including continuous training on information security.

Organic growth

Risk: Long-term inability to target and mature unrisks resources and replace reserves through exploration success, affecting stakeholder value creation. The Company may not achieve its strategic objectives of successfully replacing reserves as they are produced.

Response: Lundin Energy cultivates business opportunities in our existing market of Norway, where there is excellent resource potential supporting our organic growth strategy. The combination of technical expertise, latest and new subsurface technology and an entrepreneurial culture allows for the creation and continued portfolio of attractive exploration prospects. The Company has good dialogue with Norwegian authorities to continue to obtain access to good quality acreage. The Company also continues to allocate material capital towards E&A to create the possibility of continued organic growth.

Reserves and resources

Risk: Uncertainty in estimates of economically recoverable reserves and inability to bring estimates into resources and reserves.

Response: Reserves and resources evaluations are performed according to international industry standards and undergo a comprehensive internal peer review in addition to an annual reserves audit process by an external independent reserves auditor.

Financial risks

Asset retirement

Risk: Incorrect financial estimates of future decommissioning costs for fields at the end of the economic life cycle could lead to a negative financial impact, with an increased liability from removal and other implications of abandonment and reclamation.

Response: Decommissioning cost estimates are reviewed on an annual basis throughout an asset's life cycle, including in the development phase, according to the Company's policy on asset retirement liability. Following completion of decommissioning of the minor Brynhild and Gaupe fields, the Company has no further planned decommissioning spend until around 2035.

Financial reporting

Risk: Delayed or inaccurate financial reporting impacting external reporting requirements. The Company may face the risk of regulatory action, fiscal uncertainty, shareholder lawsuits and loss of investor confidence.

Response: Lundin Energy maintains robust internal controls and reporting processes to mitigate this risk. Financial reporting is subject to internal controls, a monthly management reporting process and is verified by internal and external audits. The Company has attractive fiscal terms for a full cycle strategy.

Interest and currency

Risk: As a result of the Company carrying debt, a rise in interest rates carries a risk of affecting the Company's earnings and free cash flow potential. A foreign exchange risk exists in relation to market fluctuations of foreign currencies, given that the underlying value of the Company's assets is predominantly USD denominated, whilst certain costs are denominated in other currencies.

Response: The exposure to interest rate and currency risk is continuously assessed and monitored. Hedging instruments are used to manage this risk according to the Company's Hedging Policy and Procedure, which is also subject to robust internal controls.

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: Access to debt capital markets is achieved through a proactive banking relationship to ensure optimal debt availability. Access to the equity capital markets is achieved through an active investor relations strategy. Lundin Energy also strives to maintain a good asset management strategy to ensure continued asset performance levels to maximise cash flow and borrowing capacity.

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: Lundin Energy 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 in Norway reduces the post-tax impact on the Company's financial performance due to the 78 percent marginal tax rate.

Strategic risks

Business interruption and personnel health and safety in relation to COVID-19

Risk: Effect of COVID-19 on projects and operations causing delays, production interruptions, higher costs, variation orders and health risks (to personnel, change of manning, ways of working, etc.).

Response: Lundin Energy has good procedures in place including testing of offshore personnel and keeping a strong focus on health and safety of all employees and contractors. The Company follows strict rules of safety including social distancing, remote working and has a robust health and safety culture.

Climate change

Risk: The impacts from climate change and the role of oil and gas companies in the energy transition present a range of strategic risks. Investors and lenders are demanding more transparency on climate change impacts and risks, and divestment may occur in the absence of evidence of decarbonisation. Stricter climate regulations and policies may impact the Company, whether directly through carbon costs and taxes, or indirectly through technology developments. In addition, a negative public opinion of oil and gas companies can lead to reputational impacts, share price erosion and an inability to attract new talent.

Response: Lundin Energy will become carbon neutral from 2025 from operational emissions and aims to have an industry-leading low carbon intensity of less than 2 kg CO₂/boe by 2023. The Company is investing MUS\$ 750 to reach these goals, in electrification to receive power from shore for its main producing assets, replacing its net electricity usage through investments in renewable electricity generation, and to develop proprietary natural carbon capture projects. Our sustainability reporting provides transparency of the Company's performance in relation to carbon emissions and how we manage and mitigate climate change related risks. This year's Sustainability Report has also been aligned with the recommendations of the Task Force on Climate Related Financial Disclosures.

Ethical business conduct

Risk: Risk of non-compliance with ethical business practices, fraud, bribery and corruption. Non-compliance could lead to investigations and litigation, loss of legal or social licence to operate and negative impacts on reputation with shareholders, lenders and other stakeholders.

Response: Lundin Energy operates according to the highest level of ethical standards, ensured through the consistent application of its Code of Conduct and policies and procedures. Mandatory awareness training is conducted to communicate expectations of ethical business conduct to staff and reference to the Code of Conduct is integrated into business supplier contracts.

Laws and regulations

Risk: Changes to applicable laws and regulations, or complexity of legislation, could negatively affect the Company, lead to investigations, litigation, tax impact, negative financial impact, reputational damage and cancellation or modification of contractual rights.

Response: Lundin Energy adheres to applicable laws and regulations and has a robust corporate governance framework in place to ensure it acts in accordance with good oilfield practice and high standards of corporate citizenship. Lundin Energy operates in Norway, a country with a world-leading regulatory framework for oil and gas activities.

Legal process in Sweden

Risk: The preliminary investigation by the Swedish Prosecution Authority into past activities in Sudan (1997–2003), and allegations of interference of judicial proceedings, are a direct risk to the former CEO and Chairman and pose reputational, and potential financial, risks for the Company, especially if they proceed to indictment and trial. These could include financial penalties, negative investor and bank perception leading to divestments and critical media coverage of the Company and its directors.

Response: The Company actively defends its interests both through the Swedish legal process and in the public domain, and maintains transparent and effective engagement with key stakeholders to ensure open and informed dialog. More information on the case, why we believe it is unfounded and the ongoing legal process can be found on page 31.



This summary gives an overview of Lundin Energy's risk universe, however other risks may also exist or arise.

More information on how Lundin Energy works to address risks related to maintaining a sustainable and ethical business can be found in the Sustainability Report.

Corporate governance

Corporate Governance Report

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This Corporate Governance Report has been prepared in accordance with the Swedish Companies Act (SFS 2005:551), the Annual Accounts Act (SFS 1995:1554) and the Swedish Corporate Governance Code and has been subject to a review by the Company's statutory auditor.

Lundin Energy reports no deviations from the Corporate Governance Code in 2020. There were no infringements of applicable stock exchange rules during the year, nor any breaches of good practice on the securities market.

Lundin Energy AB (publ), company registration number 556610-8055, has its corporate head office at Hovslagargatan 5, 111 48 Stockholm, Sweden and the registered seat of the Board of Directors is Stockholm, Sweden. The Company's website is www.lundin-energy.com.

2021 Annual General Meeting

The 2021 Annual General Meeting (AGM) will be held on 30 March 2021 at 1 p.m. As a consequence of the global COVID-19 pandemic, the Board of Directors has decided to hold the AGM as a virtual meeting combined with proxy and postal voting options, in accordance with the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (SFS 2020:198). Shareholders who wish to attend the meeting must be recorded in the share register maintained by Euroclear Sweden on the day falling six business days prior to the meeting and must notify the Company of their intention to attend the AGM no later than the date set out in the notice of the AGM.

Further information about registration to and attendance at the AGM, as well as voting by mail or proxy, can be found in the notice of the AGM, available on the Company's website.

Lundin Energy's corporate governance framework seeks to ensure that the business is conducted efficiently and responsibly, that responsibilities are allocated in a clear manner and that the interests of shareholders, management and the Board of Directors remain fully aligned.

Guiding principles of corporate governance

Since its creation in 2001, Lundin Energy has been guided by general principles of corporate governance, which form an integral part of the Company's business model. Lundin Energy is an experienced Nordic oil and gas company that explores for, develops and produces resources economically, efficiently and responsibly. We focus on value creation for our shareholders and wider stakeholders through three strategic pillars: Resilience, Sustainability and Growth. Our high quality, low cost assets mean we are resilient to oil price volatility, and our organic growth strategy, combined with our sustainable approach and commitment to decarbonisation, firmly establishes our leadership role in a lower carbon energy future. To achieve such sustainable value creation, Lundin Energy applies a governance structure that favours straightforward decision making processes, with easy access to relevant decision makers, while nonetheless providing the necessary checks and balances for the control of the activities, both operationally and financially. Lundin Energy's principles of corporate governance seek to:

- Protect shareholder rights
- Provide a safe and rewarding working environment to all employees and contractors
- Ensure compliance with applicable laws and best industry practice
- Ensure activities are carried out competently and sustainably
- Sustain the well-being of local communities in areas of operation

As a Swedish public limited company listed on Nasdaq Stockholm, Lundin Energy is subject to the Rule Book for Issuers of Nasdaq Stockholm, which can be found on www.nasdaqomxnordic.com. In addition, the Company abides by principles of corporate governance found in a number of internal and external documents. Abiding to corporate governance principles builds trust in Lundin Energy, which results in increased shareholder value. By ensuring the business is conducted in a responsible manner, the corporate governance structure ultimately paves the way to increased efficiency.

Corporate governance rules and regulations Swedish Corporate Governance Code

The Corporate Governance Code is based on the tradition of self-regulation and the principle of "comply or explain". It acts as a complement to the corporate governance rules contained in the Swedish Companies Act, the Annual Accounts Act, EU rules and

Lundin Energy – governance structure



Main external rules and regulations for corporate governance at Lundin Energy

- Swedish Companies Act
- Swedish Annual Accounts Act
- Nasdaq Stockholm Rule Book for Issuers
- Swedish Corporate Governance Code

Main internal rules and regulations for corporate governance at Lundin Energy

- The Articles of Association
- The Code of Conduct
- Policies, Procedures and Guidelines
- The HSEQ Leadership Charter
- The Rules of Procedure of the Board, instructions to the CEO and for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee
- Code of Internal Audit Activity
- Nomination Committee process

Highlights 2020

The 2020 AGM approved a change of the Company's Articles of Association with the effect of amending the name from Lundin Petroleum AB to Lundin Energy AB, to better reflect the operating context of the Company.

Nick Walker was appointed as the Company's Chief Executive Officer, and Daniel Fitzgerald was appointed as the Chief Operating Officer, effective as of 1 January 2021.

The 2020 AGM resolved to declare a reduced cash dividend of USD 1.00 per share, to be paid in quarterly instalments, in accordance with a revised proposal of the Board of Directors as a response to the global COVID-19 pandemic.

Accelerating the Company's Decarbonisation Strategy to achieve carbon neutrality for operational emissions from 2025, from the original target of 2030.

other regulations such as the Rule Book for Issuers and good practice on the securities market. The Corporate Governance Code can be found on www.bolagsstyrning.se. A revised version of the Corporate Governance Code applies as of 1 January 2020 and new rules on remuneration for management and on incentive schemes applies from 1 January 2021.

Lundin Energy's Articles of Association

The Articles of Association contain customary provisions regarding the Company's governance and do not contain any limitations as to how many votes each shareholder may cast at shareholders' meetings, nor any special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association. The 2020 AGM approved the change of the Company's Articles of Association with the effect of amending the name of the Company from Lundin Petroleum AB to Lundin Energy AB, as well as certain editorial amendments. The Articles of Association are available on the Company's website.

Lundin Energy's Code of Conduct

Lundin Energy's Code of Conduct is a set of principles formulated by the Board to give overall guidance to employees, contractors and partners on how the Company is to conduct its activities in an economically, socially and environmentally responsible way, for the benefit of all stakeholders, including shareholders, employees, business partners, host and home governments and local communities. The Company applies the same standards to all of its activities to satisfy both its commercial and ethical requirements and strives to continuously improve its performance and to act in accordance with good oilfield practice and high standards of corporate citizenship. The Code of Conduct is an integral part of the Company's contracting procedures and any violations of the Code of Conduct will be the subject of an inquiry and appropriate remedial measures. In addition, performance under the Code of Conduct and sustainability is regularly reported to the Board. The Code of Conduct is available on the Company's website.

Lundin Energy's policies, procedures, guidelines and HSEQ Leadership Charter

Corporate policies, procedures and guidelines have been developed to outline specific rules and controls, to increase efficiency and improve performance by facilitating compliance. They cover areas such as Operations, Accounting and Finance, Health and Safety, Environment and Quality (HSEQ), Anti-Fraud, Anti-Corruption, Anti-Money Laundering, Human Rights, Stakeholder Relations, Legal, Corporate Security, Information Security, Remuneration, Crisis Management, Competition, Diversity, Whistleblowing, Tax, Insurance & Risk Management, Human Resources, Inside Information and Corporate Communications. All policies, procedures and guidelines are continuously reviewed and updated as and when required and have been integrated into local management systems. During 2020, a complete review of all policies, procedures and guidelines was undertaken and updates and changes were implemented, including removing some and adopting several new ones. Several policies are available on the Company's website.

Lundin Energy's Corporate HSEQ Leadership Charter, sets out the governance framework as well as operational governance for managing the business in accordance with the highest standards.

The Charter sets out four core foundation themes: leadership, risk and opportunity management, continuous improvement and implementation and is applicable across the organisation. It further details how these themes are to be operationalised.

Lundin Energy's Rules of Procedure of the Board

The Rules of Procedure of the Board contain the fundamental rules regarding the division of duties between the Board, the Committees, the Chairman of the Board and the Chief Executive Officer (CEO). The Rules of Procedure also include instructions to the CEO, instructions for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee. The Rules of Procedure are reviewed and approved annually by the Board.

Share capital and shareholders

The shares of Lundin Energy are listed on Nasdaq Stockholm. The total number of shares is 285,924,614. Each share has a quota value of SEK 0.01 (rounded-off) and the registered share capital of the Company is SEK 3,478,713 (rounded-off). All shares of the Company carry the same voting rights and the same rights to a share of the Company's assets and earnings. The Board has been authorised by previous Annual General Meetings (AGMs) to decide upon repurchases and sales of the Company's own shares as an instrument to optimise the Company's capital structure and to secure the Company's obligations under its incentive plans. During 2020, the Company did not purchase any own shares and held as per 31 December 2020 1,573,143 own shares in total.

At the end of 2020, Lundin Energy had a total of 45,805 shareholders listed with Euroclear Sweden, which represents an increase of 12,692 compared to the end of 2019, i.e. an increase of approximately 38 percent. Shares in free float amounted to approximately 67 percent and exclude shares held by an entity associated with the Lundin family.

The 10 largest shareholders as at 31 December 2020	Number of shares	Percent (rounded)
Nemesia ¹	95,478,606	33.39
BlackRock	8,721,222	3.05
Vanguard	6,919,173	2.42
T. Rowe Price	6,061,550	2.12
Miura	5,894,976	2.06
Norges Bank	4,568,838	1.60
State Street Global Advisors	3,989,593	1.40
Saudi Arabian Monetary Agency	3,303,444	1.16
Amundi	2,975,644	1.04
JPMorgan	2,900,438	1.01
Other shareholders	145,111,130	50.75
Total	285,924,614	100.00

¹ An investment company wholly owned by Lundin family trusts.
Source: Q4 Inc.

Shareholders' meetings

The shareholders' meeting is the highest decision-making body of Lundin Energy where the shareholders exercise their voting rights and influence the business of the Company. The AGM is held each year before the end of June at the seat of the Board in Stockholm. The notice of the AGM is announced in the Swedish Gazette (Post- och Inrikes Tidningar) and on the Company's

Dividend Policy

Lundin Energy's objective is to create attractive shareholder returns by investing through the business cycle with capital investments allocated to exploration, development and production assets. The Company's expectation is to create shareholder returns both through share price appreciation and by distributing a sustainable yearly dividend - paid in quarterly instalments and denominated in USD - with the plan of maintaining or increasing the dividend over time in line with the Company's financial performance and being sustainable even below an oil price of USD 50 per barrel. The dividend shall be sustainable in the context of allowing the Company to continue to pursue its organic growth strategy and to develop its contingent resources whilst maintaining a conservative gearing ratio and retaining an appropriate liquidity position within its available credit lines.

website no more than six and no less than four weeks prior to the meeting. The documentation for the AGM is provided on the Company's website in Swedish and in English at the latest three weeks prior to the AGM and all proceedings are simultaneously translated from Swedish to English and from English to Swedish.

2020 AGM

The 2020 AGM was held on 31 March 2020 at Grand Hôtel in Stockholm. The AGM was attended by 773 shareholders, personally or by proxy, representing 57.8 percent of the share capital. Due to the extraordinary circumstances as a result of the global COVID-19 pandemic, and as also supported by the Corporate Governance Board through permitted deviations to the Corporate Governance Code, the Chairman of the Board, also as a member of the Nomination Committee, and the CEO attended the meeting via a video link. Some of the Board members also attended the meeting via the video link, to be able to answer potential questions from the shareholders. Other Board members followed the AGM through a livestream.

The resolutions passed by the 2020 AGM include:

- Election of advokat Klaes Edhall as Chairman of the AGM.
- Adoption of the Company's income statement and balance sheet and the consolidated income statement and balance sheet for 2019 and resolving to declare a dividend of USD 1.00 per share to be paid out in four quarterly instalments with record dates of 2 April 2020, 3 July 2020, 2 October 2020 and 4 January 2021. Before payment, each quarterly dividend of USD 0.25 per share were to be converted into a SEK amount based on the USD to SEK exchange rate published by Sweden's central bank (Riksbanken) four business days prior to each record date (rounded off to the nearest whole SEK 0.01 per share).
- Discharge of the Board and the CEO from liability for the administration of the Company's business for 2019.
- Approval of the remuneration of USD 130,000 to the Chairman of the Board and USD 62,000 to other Board members, except for the CEO, and USD 20,300 to each Committee Chair and USD 14,700 to other Committee members with the total fees for Committee work, including fees for the Committee Chairs not to exceed USD 193,200.

- Re-election of Peggy Bruzelius, C. Ashley Heppenstall, Ian H. Lundin, Lukas H. Lundin, Grace Reksten Skaugen, Torstein Sanness, Alex Schneider, Jakob Thomasen and Cecilia Vieweg as Board members.
- Re-election of Ian H. Lundin as Chairman of the Board.
- Approval of the remuneration of the statutory auditor.
- Election of the registered accounting firm Ernst & Young AB as the Company's new statutory auditor until the 2021 AGM, authorised public accountant Anders Kriström being the designated auditor in charge.
- Approval of the Company's 2020 Policy on Remuneration for Group management.
- Approval of a long-term incentive plan (LTIP) 2020 for members of Group management and a number of key employees.
- Approval of the transfer of treasury shares held by the Company to the participants under the 2017, 2018, 2019 and 2020 LTIPs.
- Authorisation for the Board to issue new shares and/or convertible debentures corresponding to in total not more than 28.5 million new shares, with or without the application of the shareholders pre-emption rights.
- Authorisation for the Board to decide on repurchases and sales of the Company's own shares on Nasdaq Stockholm, where the number of shares held in treasury from time to time shall not exceed ten percent of all outstanding shares of the Company.
- Rejection of two shareholder proposals, which were put to the meeting by a minority shareholder.
- Approval of the change of the Company's Articles of Association with the effect of amending the name of the Company from Lundin Petroleum AB to Lundin Energy AB, as well as certain editorial amendments.

All AGM materials, in Swedish and English, are available on the Company's website, together with the Chairman's statement to the AGM.

External auditors of the Company

Statutory auditor

Lundin Energy's statutory auditor audits annually the Company's financial statements, the consolidated financial statements, the Board's and the CEO's administration of the Company's affairs and reports on the Corporate Governance Report. The auditor also reviews the Sustainability Report to confirm that it contains the required information. In addition, the auditor performs a review of the Company's half year report and issues a statement regarding the Company's compliance with the Policy on Remuneration approved by the AGM. The Board meets at least once a year with the auditor without any member of Group management present at the meeting. In addition, the auditor participates regularly in Audit Committee meetings, in particular in connection with the Company's half year and year end reports. Group entities outside of Sweden are audited in accordance with local rules and regulations.

The Company's statutory auditor was the registered accounting firm PricewaterhouseCoopers AB up until the 2020 AGM where the registered accounting firm Ernst & Young AB was elected as the Company's new statutory auditor. The auditor's fees are described in the notes to the financial statements, see Note 30 on page 72 and Note 6 on page 77. The auditor's fees also detail payments made for assignments outside the regular audit mandate. Such assignments are kept to a minimum to ensure

the auditor's independence towards the Company and require prior approval of the Company's Audit Committee.

Independent qualified reserves auditor

Lundin Energy's independent qualified reserves auditor certifies annually the Company's oil and gas reserves and certain contingent resources, i.e. the Company's core assets, although such assets are not included in the Company's balance sheet. The current auditor is ERC Equipoise Ltd. For further information regarding the Company's reserves and resources, see the Operations Review on page 5.

Nomination Committee

The Nomination Committee is formed in accordance with the Company's Nomination Committee Process approved at the 2020 AGM. According to the Process, the Company shall invite a minimum of three and a maximum of four of the larger shareholders of the Company based on shareholdings as per 1 June each year to form the Nomination Committee, however, the members are, regardless of how they are appointed, required to promote the interests of all shareholders of the Company.

The tasks of the Nomination Committee include making recommendations to the AGM regarding the election of the Chairman of the AGM, election of Board members and the Chairman of the Board, remuneration of the Chairman and other Board members, including remuneration for Board Committee work, election of the statutory auditor and remuneration of the statutory auditor. Shareholders may submit proposals to the Nomination Committee by e-mail to nomcom@lundin-energy.com.

Nomination Committee for the 2021 AGM

The members of the Nomination Committee for the 2021 AGM were announced and posted on the Company's website on 16 June 2020. The Nomination Committee has held four meetings during its mandate so far. At the first meeting, Aksel

Azrac was unanimously elected as Chairman of the Nomination Committee. To prepare the Nomination Committee for its tasks and duties and to familiarise the members with the Company, the Chairman of the Board, Ian H. Lundin, commented at the meetings on the Company's business operations and future outlook, as well as on the oil and gas and energy industry in general.

Summary of the Nomination Committee's work during their mandate:

- Considering the recommendation received through the Company's Audit Committee regarding the election of statutory auditor at the 2021 AGM.
- Considering Board and statutory auditor remuneration issues and proposals to the 2021 AGM.
- Considering a proposal to appoint an external independent Chairman for the 2021 AGM.
- Considering amendments to the Nomination Committee Process and that no changes should be imposed.
- Considering the size and composition of the Board in light of the diversity recommendations in the Corporate Governance Code, including gender balance, age, educational and professional backgrounds and the proposed Board members' individual and collective qualifications, experiences and capabilities in respect of the Company's current position and expected development.
- Considering the results of the external assessment of the Board and the functioning of its work.
- Members of the Nomination Committee met and had discussions with current Board members Alex Schneiter and Jakob Thomasen to discuss the work and functioning of the Board, and also met with the new proposed Board member Adam I. Lundin.

The full Nomination Committee report, including the final proposals to the 2021 AGM, is available on the Company's website.

Nomination Committee for the 2021 AGM

Member	Representing	Meeting attendance	Shares represented as at 1 Jun 2020	Shares represented as at 31 Dec 2020	Independent of the Company and Group management	Independent of the Company's major shareholders
Aksel Azrac	Nemesia S.à.r.l	4/4	33.4%	33.4%	Yes	No ¹
Filippa Gerstädt	Nordea Funds	4/4	1.2%	0.9%	Yes	Yes
Ian H. Lundin	Chairman of the Board of Lundin Energy	4/4	N/a ²	N/a ²	Yes	No ²
			Total 34.6%	Total 34.3%		

¹ Nemesia S.à.r.l holds 33.4 percent of the shares in Lundin Energy.

² For details, see schedule on pages 28 – 29.

Board of Directors

The Board of Directors of Lundin Energy is responsible for the organisation of the Company and management of the Company's operations. The Board is to manage the Company's affairs in the interests of the Company and all shareholders with the aim of creating long-term sustainable shareholder value. To achieve this, the Board should at all times have an appropriate and diverse composition considering the current and expected development of the operations, with Board members from a wide range of backgrounds that possess both individually and collectively the necessary experience and expertise.

Composition of the Board

The Board of Lundin Energy shall, according to the Articles of Association, consist of a minimum of three and a maximum of ten directors with a maximum of three deputies, and the AGM decides the final number each year. The Board members are elected for a period of one year. There are no deputy members and no members appointed by employee organisations. In addition, the Board is supported by a corporate secretary, the Company's Vice President Legal Henrika Frykman, who is not a Board member.

The Nomination Committee for the 2020 AGM considered that a Board size of nine members would be appropriate and that the Board size should not be increased taking into account the nature, size and complexity of the Company's business. The Nomination Committee considered that the Board as proposed and elected by the 2020 AGM is a broad and versatile group of knowledgeable and skilled individuals who are motivated and prepared to undertake the tasks required of the Board in today's international business environment. The Board members possess substantial expertise and experience relating to the oil and gas industry globally and specifically Norway, being Lundin Energy's core area of operation, public company financial matters, Swedish practice and compliance matters and sustainability and HSEQ matters. The Nomination Committee considered that the proposed Board fulfilled the requirements regarding independence in relation to the Company, Group management and the Company's major shareholders.

Gender balance was specifically discussed and the Nomination Committee noted that 33 percent of the proposed Board members were women. The Company aims to promote diversity at all levels of the Company, and the Nomination Committee applies the diversity requirements of the Corporate Governance Code. The recommendation of the Swedish Corporate Governance Board is that larger listed Swedish companies should strive to achieve a 35 percent Board representation of the least represented gender by 2018, which had been achieved by the Company from 2015 to 2018, and 40 percent beyond 2020. Whilst the percentage of women on the proposed Board was slightly below the recommendation, the Nomination Committee considered that the skills and broad experience of the Board members outweighed such variance. The Nomination Committee supports the ambition of the Swedish Corporate Governance Board regarding levels and timing of achieving gender balance and believes that it is important to continue to strive for gender balance when future changes in the composition of the Board are considered. The Nomination Committee further reviewed the remuneration of the Board and to achieve alignment with the Company's USD denominated business, considered that it is rational to propose that fees payable to the members of the Board of Directors and to the Chairman of the Board of Directors also be USD denominated.

Board meetings and work in 2020

The Chairman of the Board, Ian H. Lundin, is responsible for ensuring that the Board's work is well organised and conducted in an efficient manner. He upholds the reporting instructions for management, as drawn up by the CEO and as approved by the Board, however, he does not take part in the day-to-day decision-making concerning the operations of the Company. The Chairman maintains close contacts with the CEO to ensure the Board is at all times sufficiently informed of the Company's operations and financial status.

To continue developing the Board's knowledge of the Company and its operations, generally at least one Board meeting per year is held in an operational location and is combined with visits to the operations, industry partners and other business interests. During 2020, it was however not considered possible to hold a Board meeting in an operational location due to the global COVID-19 pandemic. Group management attended Board meetings during the year to present and report on specific questions and a monthly operational report was further circulated to the Board.

Principal tasks of the Board of Directors

- Establishing the overall goals and strategy of the Company.
- Making decisions regarding the supply of capital.
- Identifying how the Company's risks and business opportunities are affected by sustainability aspects.
- Appointing, evaluating and, if necessary, dismissing the CEO.
- Ensuring that there is an effective system for follow-up and control of the Company's operations and the risks to the Company that are associated with its operations.
- Ensuring that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations, as well as the application of internal guidelines.
- Defining necessary guidelines to govern the Company's conduct in society, with the aim of ensuring its long-term value creation capability.
- Ensuring that the Company's external communications are characterised by openness, and that they are accurate, reliable and relevant.
- Ensuring that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general include satisfactory systems of internal control.
- Continuously evaluating the Company's and the Group's economic situation, including its fiscal position.

Board committees

To maximise the efficiency of the Board's work and to ensure a thorough review of specific issues, the Board has established a Compensation Committee, an Audit Committee and a Sustainability Committee. The tasks and responsibilities of the Committees are detailed in the terms of reference of each Committee, which are annually adopted as part of the Rules of Procedure of the Board. Minutes are kept at Committee meetings and matters discussed are reported to the Board. In addition, informal contacts take place between ordinary meetings as and when required by the operations.

Compensation Committee

The Compensation Committee assists the Board in Group management remuneration matters and receives information and prepares the Board's and the AGM's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The objective of the Committee in determining compensation for Group management is to provide a compensation package that is based on market conditions, is competitive and takes into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the individual. The Committee's tasks also include monitoring and evaluating programmes for variable remuneration, the application of the Policy on Remuneration as well as the current remuneration structures and levels in the Company. The Compensation Committee may request advice and assistance of external reward consultants. For further information regarding Group remuneration matters, see the remuneration section of this report on pages 31 – 35.

Compensation Committee work during 2020:

- Ongoing review of the performance management process through various meetings across the year.
- Based on the previous changes in Swedish legislation as a result of the European Union Shareholder Rights Directive II and the new Policy on Remuneration that was prepared for and adopted by the 2020 AGM, the Committee has overseen the development of the first Remuneration Report for Board and AGM approval.
- Review of the Policy on Remuneration adopted by the 2020 AGM and decision not to propose any changes to the 2021 AGM.
- Review and discussion on remuneration levels and practices throughout the Company for consideration in relation to Group management remuneration.
- Review of the performance of the CEO and Group management as per the performance management process.
- Preparing a report regarding the Board's evaluation of remuneration in 2019.
- Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration.
- Consultation and meetings with Company stakeholders, regarding the proposed long-term incentive plan (LTIP) 2020 and Company remuneration practices.
- Preparing a proposal for LTIP 2020 for Board and AGM approval through various work sessions and preparation discussions.

- Review of fulfilment of LTIP 2017 performance conditions and confirmation of vesting.
- Preparing a proposal for remuneration and other terms of employment for the new CEO for Board approval.
- Review of the CEO's proposals for remuneration and other terms of employment of the other members of Group management for Board approval, including the new COO.
- Review of the CEO's proposals for the principles of compensation of other employees.
- Review and approval of the CEO's proposals for 2020 LTIP awards and in principle awards for 2021 LTIP.
- Frequent contacts, ongoing dialogue and decisions outside of formal meetings to provide oversight and approvals for remuneration issues as presented by Group management.
- Review of the Group management succession plan.
- Review of the LTIP performance targets and decision to propose a revised peer group for LTIP 2021 to the Board.
- Performing a mid-year review of performance targets as a consequence of the impact of the COVID-19 pandemic and the oil price downturn.
- Proposal for the compensation arrangement of the previous CEO in connection with him stepping down for Board approval.

Audit Committee

The Audit Committee assists the Board in ensuring that the Company's financial reports are prepared in accordance with International Financial Reporting Standards (IFRS), the Swedish Annual Accounts Act and accounting practices applicable to a company incorporated in Sweden and listed on Nasdaq Stockholm. The Audit Committee supervises the Company's financial reporting and gives recommendations and proposals to ensure the reliability of the reporting. The Committee also supervises the efficiency of the Company's financial internal controls, internal audit and risk management in relation to the financial reporting and provides support to the Board in the decision making processes regarding such matters. The Committee monitors the audit of the Company's financial reports and also reports thereon to the Board. In addition, the Committee is empowered by the Committee's terms of reference to make decisions on certain issues delegated to it, such as review and approval of the Company's first and third quarter reports on behalf of the Board. The Audit Committee also regularly liaises with the Group's statutory auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. The Audit Committee further assists the Company's Nomination Committee in the preparation of proposals for the election of the statutory auditor at the AGM.

The Audit Committee members have extensive experience in financial, accounting and audit matters. Peggy Bruzelius' current and previous assignments include high level management positions in financial institutions and companies and she has chaired Audit Committees of other companies. C. Ashley Heppenstall is the Company's previous CFO and CEO and Jakob Thomasen was previously CEO of Maersk Oil, and both have extensive experience in financial matters.

Audit Committee work during 2020:

- Assessment of the 2019 year end report and the 2020 half year report for completeness and accuracy and recommendation for approval to the Board.
- Assessment and approval of the first and third quarter reports 2020 on behalf of the Board.
- Evaluation of accounting issues in relation to the assessment of the financial reports.
- Follow-up and evaluation of the results of the internal audit and risk management of the Group.
- Three meetings with the statutory auditor to discuss the financial reporting, internal controls, risk management, etc.
- Evaluation of the audit performance and the independence and impartiality of the statutory auditor.
- Review and approval of statutory auditor's fees.
- Assisting the Nomination Committee in its work to propose a statutory auditor for election at the 2021 AGM.
- Reviewing the amended dividend proposal and sharing a recommendation to the Board.
- Reviewing and approving various matters in relation to risk management including proposals on hedging and business interruption insurance

Sustainability Committee

The Sustainability Committee (previously the ESG/H&S Committee) assists the Board to monitor the performance and key risks that the Company faces in relation to environmental, social and governance matters. It also makes recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. The Sustainability Committee's tasks further include reviewing and monitoring sustainability policies, as well as considering sustainability issues, risks, strategies and responses to climate change issues. The Sustainability Committee reviews Group management's proposals on sustainability targets and goals, monitors the appropriateness of sustainability audit strategies and plans, the execution and results of such plans and reviews and makes recommendations to the Board.

The Sustainability Committee's work during 2020 includes:

- Review the investigation findings for all serious safety incidents.
- Review of key local and corporate sustainability risks and management responses, including risks imposed by COVID-19.
- Discussion on strategy for carbon neutrality and actions required, including investment in developing natural carbon capture projects.
- Accelerating the Company's Decarbonisation Strategy to achieve carbon neutrality for operational emissions from 2025, from the original target of 2030.
- Review of external ESG Ratings.
- Discussion and recommendation to align external reporting with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).
- Review of overall sustainability performance with particular focus on trends and performance improvement.
- Review of the sustainability audits and actions carried out during the year.
- Review of the Sustainability Committee's terms of reference and changing the name of the Committee.

Remuneration of Board members

The remuneration of the Chairman and other Board members follows the resolution adopted by the AGM. The Board members, with the exception of the CEO, are not employed by the Company, do not receive any salary from the Company and are not eligible for participation in the Company's incentive programmes. The Policy on Remuneration approved by the AGM also comprises remuneration paid to Board members for work performed outside the directorship.

The Board has implemented a policy for share ownership by Board members and each Board member is expected to own, directly or indirectly, at least 5,000 shares of the Company. The level shall be met within three years of appointment and during such period, Board members are expected to allocate at least 50 percent of their annual Board fees towards purchases of the Company's shares. All Board members fulfil the policy requirement.

The remuneration of the Board, including for work performed outside the directorship, is detailed further in the schedule on pages 28 – 29 and in the notes to the financial statements, see Note 28 on pages 68 – 69.

Evaluation of the Board's work

An external review of the work of the Board was conducted in the fall through an on-line survey specifically tailored for the Company. The purpose of the external review was to assess if the Board functions in an efficient manner and to enable the Board to improve on matters which may be raised. The results were also reported to the Nomination Committee.

The overall feedback from the external review was positive and showed that the Board functions well. Drivers for shareholder value creation are clearly connected to the Company's strategy, and the Board is quick to respond to changing business conditions and the Chairman is well qualified to lead the Board. The Board frequently assesses how strategies are implemented by Group management and sustainability matters are regularly included in the Board meeting agendas. Internal financial controls were considered as working well and investments are given appropriate and robust reviews. The composition of the Board was considered appropriate and the Board members collectively exhibit diversity and breadth in respect of their qualifications, experience and background.

Board's yearly work cycle

Q1 / Q2 activities

- Approval of the year end report
- Consideration of recommendation to the AGM to declare a dividend
- Approval of remuneration proposals regarding variable remuneration
- Approval of the Annual Report
- Review of the auditor's report
- Approval of the Policy on Remuneration for submission to the AGM (if applicable)
- Approval of the Remuneration Report
- Determination of the AGM details and approval of the AGM materials
- Statutory meeting following the AGM to confirm Board fees, Committee compensation, signatory powers, appointment of corporate secretary
- Audit Committee report regarding the first quarter report
- Approval of the annual Sustainability Report
- Meeting with the auditor without management present to discuss the audit process, risk management and internal controls
- Review of the Rules of Procedure

Q3 / Q4 activities

- Executive session with Group management
- Adoption of the budget and work programme
- Consideration of the Board evaluation to be submitted to the Nomination Committee
- Audit Committee report regarding the third quarter report
- Performance assessment of the CEO
- Consideration of the performance review of Group management and Compensation Committee remuneration proposals
- Detailed discussion of strategy issues
- In-depth analysis of the Company's business
- Adoption of the half year report, reviewed by the statutory auditor

Board of Directors work 2020

16 board meetings were held in 2020 and in addition to the topics covered by the Board as per its yearly work cycle, the following significant matters were addressed by the Board during the year:

- Discussing in detail the Company's performance in 2019 and 2020 and resolving to propose to the 2020 AGM that an increased cash dividend of USD 1.80 per share should be paid to the shareholders, as well as subsequent discussions and decision to amend the proposal to USD 1.00 per share based on the uncertainties caused by the global COVID-19 pandemic.
- Discussing and deciding to propose to the 2020 AGM that the Company's Articles of Association shall be changed with the effect of amending the name of the Company from Lundin Petroleum AB to Lundin Energy AB.
- Reviewing and approving a short-term bridge facility to provide increased liquidity during uncertain market conditions.
- Reviewing and approving a revolving credit facility for renewable investments.
- Considering the temporary Norwegian tax incentives and their impact on the Company's development portfolio.
- Discussions regarding the Company's risk management.
- Considering the Company's production performance, forecasts and future outlook.
- Considering and discussing in detail the Johan Sverdrup project and remaining project risks, time schedule, production and capacity increases, Phase 2 development progress, operator performance and cost expectations.
- Considering the reserves revision in relation to the Edvard Grieg field and the ensuing reserves increase, as well as the tie-back projects for Solveig Phase 1 and Rolvsnes extended well test.
- Considering and approving the acquisition of a Barents Sea portfolio from Idemitsu Petroleum Norge AS.
- Discussing the Company's licence position and approving several licence acquisitions and divestments to optimise the Company's acreage position and ensure future organic growth opportunities.
- Considering several business acquisition opportunities in Norway.
- Reviewing the Company's oil and gas reserves and resources positions.
- Discussing the Swedish Prosecution Authority's ongoing preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003, as well as the preliminary investigation into alleged instigation of interference in a judicial matter.
- Considering and discussing sustainability matters, including operations in the Barents Sea, climate change and the Company's efforts to reduce its carbon footprint and environmental impact, including approving an accelerated Decarbonisation Strategy achieving carbon neutrality from 2025 from operational emissions, the Company's partnership with the Lundin Foundation and sustainability trends and initiatives, as well as further investment opportunities into renewable energy assets.
- Considering and approving an agreement to invest in the Metsälamminkangas windfarm in Finland as well as divest 50 percent to Sval Energi AS.
- Considering and discussing the Company's HSEQ performance, including incidents that occurred during the year, HSEQ audits, and the HSEQ Leadership Charter.
- Considering the proposal for a performance based long-term incentive plan (LTIP) 2020, following similar principles as the previous LTIPs approved by the 2014–2019 AGMs, including continued stakeholder engagement discussions, revising the applicable peer group, approving participants, allocating individual awards and approving the detailed plan rules, subject to 2020 AGM approval.
- Reviewing the Company's new investment grade credit rating and discussing the implications thereof.
- Considering the stepping down of the Company's previous CEO Alex Schneiter and discussing the succession plan in place, as well as appointing Nick Walker as the new CEO as per 1 January 2021.
- Discussing in detail the financing of the Company, including the Company's financial risk management, cash flows, sources of funding, foreign exchange movements, hedging strategy and liquidity position and reviewing and approving a new corporate USD 5 billion facilities agreement with sustainability linked key performance indicators to replace the previous USD 5 billion reserve-based lending facility.

Board of Directors:	Ian H. Lundin	Alex Schneider	Peggy Bruzelius	C. Ashley Heppenstall
Function	Chairman (since 2002) Elected 2001 Born 1960 Compensation Committee member	Director Elected 2016 Born 1962	Director Elected 2013 Born 1949 Audit Committee chair	Director Elected 2001 Born 1962 Audit Committee member
Education	B.Sc. Petroleum Engineering from the University of Tulsa.	M.Sc. Geophysics and degree in Geology from the University of Geneva.	M.Sc. Economics and Business from the Stockholm School of Economics.	B.Sc. Mathematics from the University of Durham.
Experience	CEO of International Petroleum Corp. 1989–1998. CEO of Lundin Oil AB 1998–2001. CEO of Lundin Energy 2001–2002.	Various positions within Lundin related companies since 1993. COO of Lundin Energy 2001–2015. CEO of Lundin Energy 2015–2020.	Managing Director of ABB Financial Services AB 1991–1997. Head of the asset management division of Skandinaviska Enskilda Banken AB 1997–1998.	Various positions within Lundin related companies since 1993. CFO of Lundin Oil AB 1998–2001. CFO of Lundin Energy 2001–2002. CEO of Lundin Energy 2002–2015.
Other board duties	Member of the board of Etrion Corporation and member of the advisory board of Adolf H. Lundin Charitable Foundation (AHLCF).	–	Chair of the board of Lancelot Asset Management AB and member of the board of International Consolidated Airlines Group S.A. and Skandia Liv.	Chairman of the board of International Petroleum Corp. and Josemaria Resources Inc. and member of the board of Lundin Gold Inc. and Lundin Mining Corp.
Shares as at 31 December 2020	Nil ²	444,142	8,000	Nil ⁴
Attendance				
Board	16/16	16/16	16/16	16/16
Audit Committee	–	–	7/7	7/7
Compensation Committee	5/5	–	–	–
Sustainability Committee	–	–	–	–
Remuneration¹				
Board and Committee work	USD 72,350 and SEK 426,667	Nil	USD 41,150 and SEK 243,733	USD 38,350 and SEK 226,667
Special assignments outside the directorship	USD 52,632 and SEK 333,333	Nil	Nil	Nil
Independent of the Company and Group management	Yes	No ³	Yes	Yes
Independent of major shareholders	No ²	Yes	Yes	Yes

1 See also Note 28 on pages 68–69.

2 Ian H. Lundin is in the Nomination Committee's and the Company's opinion not deemed independent of the Company's major shareholder as Ian H. Lundin is a member of the Lundin family that holds, through family trusts, Nemesia S.å.r.l., which holds 95,478,606 shares in the Company.

3 Alex Schneider is in the Nomination Committee's and the Company's opinion not deemed independent of the Company and Group management since he was the President and CEO of Lundin Energy up until the end of 2020.

4 C. Ashley Heppenstall holds 1,442,618 shares in Lundin Energy AB through an investment company, Rojafi.

5 Lukas H. Lundin is in the Nomination Committee's and the Company's opinion not deemed independent of the Company's major shareholder as Lukas H. Lundin is a member of the Lundin family that holds, through family trusts, Nemesia S.å.r.l., which holds 95,478,606 shares in the Company.

Lukas H. Lundin	Grace Reksten Skaugen	Torstein Sanness	Jakob Thomasen	Cecilia Vieweg
Director Elected 2001 Born 1958	Director Elected 2015 Born 1953 Sustainability Committee chair Compensation Committee member	Director Elected 2018 Born 1947 Sustainability Committee member	Director Elected 2017 Born 1962 Audit Committee member Sustainability Committee member	Director Elected 2013 Born 1955 Compensation Committee chair
Graduate (engineering) from the New Mexico Institute of Mining and Technology.	MBA from the BI Norwegian School of Management, Ph.D. Laser Physics and B.Sc. Honours Physics from Imperial College of Science and Technology at the University of London.	M.Sc. Engineering in geology, geophysics and mining engineering from the Norwegian Institute of Technology in Trondheim.	Graduate of the University of Copenhagen, Denmark, M.Sc. in Geoscience and completed the Advanced Strategic Management programme at IMD, Switzerland.	L.L.M. from the University of Lund.
Various key positions within companies where the Lundin family has a major shareholding.	Former Director of Corporate Finance with SEB Enskilda Securities in Oslo. Board member/deputy chair of Statoil ASA 2002–2015. Member of HSBC European Senior Advisory Council.	Various positions in Saga Petroleum 1972–2000. Managing Director of Det Norske Oljeselskap AS 2000–2004. Managing Director of Lundin Norway AS 2004–2015.	Former CEO of Maersk Oil and a member of the Executive Board of the Maersk Group 2009–2016.	General Counsel and member of the Executive Management of AB Electrolux 1999–2017. Senior positions in AB Volvo Group 1990–1998. Lawyer in private practice. Member of the Swedish Securities Council 2006–2016.
Chairman of the board of Lundin Mining Corp., Lucara Diamond Corp., Lundin Gold Inc., Lundin Foundation and Bukowski Auktioner AB and member of the board of Filo Mining Corp.	Member of the board of Investor AB, Euronav NV and PJT Partners, founder and board member of the Norwegian Institute of Directors, trustee and council member of the International Institute for Strategic Studies in London.	Chairman of the board of Magnora ASA, deputy chairman of Panoro Energy ASA and member of the board of International Petroleum Corp. and TGS Nopec ASA.	Chairman of the DHI Group, ESVAGT, RelyOn Nutec and Hovedstadens Letbane.	–
425,000 ⁵	6,000	93,310	8,820	5,000
16/16 – – –	15/16 – 5/5 2/2	16/16 – – 2/2	16/16 7/7 – 2/2	15/16 – 5/5 –
USD 31,000 and SEK 183,333 Nil	USD 48,500 and SEK 286,667 Nil	USD 38,350 and SEK 226,667 Nil	USD 45,700 and SEK 270,000 Nil	USD 41,150 and SEK 243,333 Nil
Yes	Yes	Yes	Yes	Yes
No ⁵	Yes	Yes	Yes	Yes



More information on the Board members can be found on www.lundin-energy.com

Group management

Management structure

Lundin Energy's Group and local management consists of highly experienced individuals with extensive worldwide oil and gas experience. The Company's CEO, Nick Walker, replaced on 1 January 2021 the Company's previous CEO, Alex Schneider, who stepped down from his position after having worked with the Company since its inception in 2001, and as its CEO since 2015. The CEO is responsible for the management of the day-to-day operations of Lundin Energy. He is appointed by, and reports to, the Board. He in turn appoints the other members of Group management, who assist the CEO in his functions and duties, and in the implementation of decisions taken and instructions given by the Board, with the aim of ensuring that the Company meets its strategic objectives and continues to deliver responsible growth and long-term shareholder value.

The Company's Investment Committee consists of, in addition to the CEO, the Chief Operating Officer (COO), Daniel Fitzgerald, who is responsible for Lundin Energy's exploration, development and production operations and HSEQ, and the Chief Financial Officer (CFO), Teitur Poulsen, who is responsible for the financial reporting, internal control, risk management, treasury function, commercial and economics. The Investment Committee assists the Board in discharging its responsibilities in overseeing the Company's investment portfolio. The role of the Investment Committee is to determine that the Company has a clearly articulated investment policy, to develop, review and recommend to the Board investment strategies and guidelines in line with the Company's overall policy, to review and approve investment transactions and to monitor compliance with investment strategies and guidelines. The responsibilities and duties include considering annual budgets, supplementary budget approvals, investment proposals, commitments,

relinquishment of licences, disposal of assets and performing other investment related functions as the Board may designate.

In addition to the members of the Investment Committee, Lundin Energy's Group management comprises:

- The Vice President Legal, Henrika Frykman, who is responsible for all legal and tax matters within the Group, the Vice President Corporate Affairs, Alex Budden, who is responsible for corporate affairs and strategic communications within the Group, the Vice President Investor Relations Edward Westropp, who is responsible for investor relations and financial communications within the Group and the Vice President Sustainability, Zomo Fisher who is responsible for the Group's corporate sustainability strategy.
- Local management, who are responsible for the day-to-day operational activities.

Group management tasks and duties

The tasks of the CEO and the division of duties between the Board and the CEO are defined in the Rules of Procedure and the Board's instructions to the CEO. In addition to the overall management of the Company, the CEO's tasks include ensuring that the Board receives all relevant information regarding the Company's operations, including profit trends, financial position and liquidity, as well as information regarding important events such as significant disputes, agreements and developments in important business relations. The CEO is also responsible for preparing the required information for Board decisions and for ensuring that the Company complies with applicable legislation, securities regulations and other rules such as the Corporate Governance Code. Furthermore, the CEO maintains regular contacts with the Company's stakeholders, including shareholders, the financial markets, business partners and public authorities. To fulfil his duties, the CEO works closely with the Chairman of the Board to discuss

Major topics addressed by Group management in 2020

- Overseeing the Johan Sverdrup project, including production matters, capacity increases and progress on Phase 2 development.
- Overseeing the reserves revision in relation to the Edvard Grieg field and the ensuing reserves increase.
- Overseeing the progress on the Edvard Grieg tie-back projects Solveig Phase 1 and Rolvsnes extended well test.
- Discussing and negotiating the terms for the acquisition of a Barents Sea portfolio from Idemitsu Petroleum Norge AS.
- Management of the Norwegian acreage position through active licence acquisition and divestment management to optimise the Norwegian licence portfolio.
- Management of the ongoing exploration activities, development projects, appraisal activities and production operations.
- Consideration of organisational changes and improvements.
- Considering new ventures and opportunities.
- Developing an updated Decarbonisation Strategy, including to reach carbon neutrality from 2025.
- Analysis of climate change risks and implications to the business, and alignment with the recommendations of the Task Force on Climate Related Financial Disclosures.
- Considering several further investment opportunities into renewables projects.
- Negotiating the terms for the acquisition of 100 percent interest in the Metsälamminkangas wind farm project in Finland as well as the subsequent divestment of 50 percent to Sval Energi AS.
- Considering in detail operational safety incidents that occurred including mitigating actions for the future.
- Discussing the impact of the global COVID-19 pandemic and taking necessary actions to ensure the safety of employees and to mitigate the impact on the Company's operations.
- Focussing on cost control measures to mitigate the impact of COVID-19, including through cost reductions and phasing of operations.
- Negotiating a short-term bridge facility to provide increased liquidity during uncertain market conditions.
- Negotiating a revolving credit facility for renewable investments.
- Negotiating and overseeing the refinancing of the existing reserve-based lending facility agreement into a new corporate facilities agreement with sustainability linked key performance indicators.
- Preparing and implementing an inaugural public credit rating from S&P Global Ratings.
- Defence of the Swedish Prosecution Authority's ongoing preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003 as well as the preliminary investigation into alleged instigation of interference in a judicial matter.

the Company's operations, financial status, up-coming Board meetings, implementation of decisions and other matters.

Under the leadership of the CEO, Group management is responsible for ensuring that the operations are conducted in compliance with the Code of Conduct, all Group policies, procedures and guidelines and the HSEQ Leadership Charter in a professional, efficient and responsible manner. Regular management meetings are held to discuss all commercial, technical, sustainability, financial, legal and other issues within the Group to ensure the established short- and long-term business objectives and goals will be met. A detailed weekly operations report is circulated to Group management summarising the operational events, highlights and issues of the week in question. Group management also travel frequently to oversee the ongoing operations, seek new business opportunities and meet with various stakeholders, including business partners, suppliers and contractors, government representatives and financial institutions. In addition, Group management liaises continuously with the Board, and in particular the Board Committees, in respect of ongoing matters and issues that may arise, and meets with the Board at least once a year at the executive session held in connection with a Board meeting in one of the operational locations.

Internal audit

The internal audit function is responsible for providing independent and objective assurance in order to systematically evaluate and propose improvements for more effective governance, internal control and risk management processes. This work includes regular audits performed in accordance with an annual risk based internal audit plan, which is approved by the Audit Committee. The audit plan is derived from an independent risk assessment conducted by the Internal Audit function and is designed to address the most significant risks identified within the Group. The audits are executed using a

methodology for evaluating the design and effectiveness of internal controls to ensure that risks are adequately addressed and processes are operated effectively. Opportunities for improving the efficiency of the governance, internal control and risk management processes which have been identified through the internal audits are reported to management for action.

The Internal Audit Manager has a direct reporting line to the Audit Committee and submits regularly reports on findings identified in the audits together with updates on the status of management's implementation of agreed actions. For additional information on internal control, see page 36.

Remuneration

Group principles of remuneration

Lundin Energy aims to offer all employees compensation packages that are competitive and in line with market conditions. These packages are designed to ensure that the Group can recruit, motivate and retain highly skilled individuals and reward performance that enhances shareholder value.

The Group's compensation packages consist of four elements, being (i) base salary; (ii) annual variable remuneration; (iii) long-term incentive plan (LTIP); and (iv) other benefits. As part of the yearly assessment process, a performance management process has been established to align individual and team performance to the strategic and operational goals and objectives of the overall business. Individual performance measures are formally agreed and key elements of variable remuneration are clearly linked to the achievement of such stated and agreed performance measures.

To ensure compensation packages within the Group remain competitive and in line with market conditions, the Compensation Committee undertakes yearly benchmarking studies. For each study, a peer group of international oil and

Sudan

In June 2010, the Swedish Prosecution Authority began a preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003. The Company has cooperated extensively and proactively with the investigation by providing information regarding its operations in Block 5A in Sudan during the relevant time period. We remain convinced that there is no link between Lundin and the alleged primary crimes, and that the company was a force for good for the development of Sudan. Ian H. Lundin and Alex Schneiter have been interviewed by the Swedish Prosecution Authority and have, together with the Company, been notified of the relevant suspicions and received final notice of the investigation, which is being reviewed and commented on by the defence.

In 2018, the Company was notified by the Swedish Prosecution Authority that the Company may be liable to a corporate fine of SEK 3 million and forfeiture of economic benefits from the alleged offense in the amount of SEK 3,282 million, based on the profit of the sale of the Block 5A asset in 2003 of SEK 720 million. Any potential corporate fine or forfeiture could only be imposed after the conclusion of a trial, should one occur.

In 2018, the Swedish Prosecution Authority also began a preliminary investigation into alleged interference in a judicial matter as a result of allegations of witness harassment. The Company and its representatives are not aware of any details of the alleged actions, despite several requests for information, and reject any knowledge of, or involvement in, any wrongdoing. Ian H. Lundin and Alex Schneiter have been interviewed by the Swedish Prosecution Authority and have been notified of the suspicions that form the basis for the investigation.

Neither investigation means that charges have been, or will be, brought against any individuals or the Company. Lundin Energy knows that there are absolutely no grounds for any allegations of wrongdoing by the Company or any Company representatives in respect of any of these allegations. More information regarding the past activities in Sudan during 1997–2003 can be found on www.lundinsudanlegalcase.com.

gas companies of similar size and operational reach is selected, against which the Group's remuneration practices are measured. The levels of base salary, annual variable remuneration and long-term incentives are set at the median level, however, in the event of exceptional performance, deviations may be authorised. As the Group continuously competes with the peer group to retain and attract the very best talent in the market, both at operational and executive level, it is considered important that the Group's compensation packages are determined primarily by reference to the remuneration practices within this peer group. Due to the fact that no salary increases would be made and considering the uncertain times, it was decided not to undertake a benchmarking study in 2020.

Policy on Remuneration for Group management

The remuneration of Group management follows the principles that are applicable to all employees, however, these principles must be approved by the shareholders at the AGM. The Compensation Committee therefore prepares for approval by the Board and for submission for final approval to the AGM, a Policy on Remuneration for Group management when any changes are proposed or at least every four years. No changes are proposed to the 2020 Policy on Remuneration as approved by the 2020 AGM.

The yearly variable remuneration for Group management is assessed against annual performance targets that reflect the key drivers for value creation and growth in shareholder value. These annual performance targets include delivery against specific production of oil and gas, reserves and resource replacement, financial, health and safety, sustainability, carbon dioxide gas emissions and strategic targets. Each member of Group management is set different performance weightings against each of the specific targets reflecting their influence on the performance outcome. The performance target structure and specific targets are reviewed annually by the Compensation Committee to ensure that it aligns with the strategic direction and risk appetite of the Company and the performance target structure and specific targets are approved by the Board.

Within the 2020 Policy on Remuneration, the Board of Directors could approve annual variable remuneration in excess of 12 months' base salary up to a cap of 18 months' base salary in circumstances or in respect of performance which it considered to be exceptional. To have had this discretion was important to accommodate the uncertainties and cyclical nature of the oil and gas industry. The Board has made two such decisions that are reported in Note 28 on pages 68 – 69. The Board determined that it was reasonable to recognise the excellent performance of the CEO during a year which presented exceptional challenges, and equally the performance of the CFO for his efforts in ensuring a successful refinancing of the existing reserve-based lending facility into a new corporate facilities agreement under the challenging circumstances.

Long-term incentive plan 2020

The 2020 AGM resolved to approve a performance based LTIP 2020, that follows similar principles as the previously approved LTIPs 2014 – 2019, for Group management and a number of key employees of Lundin Energy, which gives the participants the possibility to receive shares in Lundin Energy subject to the fulfilment of a performance condition under a three year performance period commencing on 1 July 2020 and expiring

on 30 June 2023. The performance condition is based on the share price growth and dividends (Total Shareholder Return) of the Lundin Energy share compared to the Total Shareholder Return of a peer group of companies.

At the beginning of the performance period, the participants were granted awards which, provided that among others the performance condition is met, entitle the participant to be allotted shares in Lundin Energy at the end of the performance period. The number of performance shares that may be allotted to each participant is limited to a value of three times his/her annual gross base salary for 2020 and the total LTIP award made in respect of 2020 was 393,113.

The Board of Directors may reduce (including reduce to zero) the allotment of performance shares at its discretion, should it consider the underlying performance not to be reflected in the outcome of the performance condition, for example, in light of operating cash flow, reserves and HSE performance. The participants will not be entitled to transfer, pledge or dispose of the LTIP awards or any rights or obligations under LTIP 2020, or perform any shareholders' rights regarding the LTIP awards during the performance period.

The LTIP awards entitle participants to acquire already existing shares. Shares allotted under LTIP 2020 are further subject to certain disposition restrictions to ensure participants build towards a meaningful shareholding in Lundin Energy. The level of shareholding expected of each participant is either 50 percent or 100 percent (200 percent for the CEO) of the participant's annual gross base salary based on the participant's position within the Group.

Performance monitoring and review

The Board is responsible for monitoring and reviewing on a continuous basis the work and performance of the CEO and shall carry out at least once a year a formal performance review. In 2020, an external review of the CEO's performance was undertaken through an online survey, and the results were reported to and discussed by the Board. The Board also considered proposals regarding the compensation of the CEO and other members of Group management. Neither the CEO nor other members of Group management were present at the Board meetings when such discussions took place.

The tasks of the Compensation Committee also include monitoring and evaluating the general application of the Policy on Remuneration, as approved by the AGM, and the Compensation Committee prepares in connection therewith a yearly report, for approval by the Board, on the application of the Policy on Remuneration and the evaluation of remuneration of Group management. As part of its review process, the statutory auditor of the Company also verifies on a yearly basis whether the Company has complied with the Policy on Remuneration. Both reports are available on the Company's website.

Board's proposal for remuneration to Group management to the 2021 AGM

The Board does not propose any changes to the Policy on Remuneration for Group management as approved by the 2020 AGM.

POLICY ON REMUNERATION FOR GROUP MANAGEMENT AS APPROVED BY THE 2020 AGM¹

Application of the Policy

This Policy on Remuneration (the “Policy”) applies to the remuneration of “Group Management” at Lundin Energy AB (“Lundin Energy” or the “Company”), which includes (i) the President and Chief Executive Officer (the “CEO”), (ii) the Deputy CEO, who from time to time will be designated from one of the other members of Group Management, and (iii) the Chief Operating Officer, Chief Financial Officer and Vice President level employees. The Policy also applies to members of the Board of Directors (the “Board”) of the Company where remuneration is paid for work performed outside the directorship.

Background to the changes to the 2020 Policy compared to the Policy approved in 2019

The Policy approved by the 2020 AGM was the result of a review to comply with revised Swedish legislation resulting from the European Union Shareholder Rights Directive II and the 2020 revised Swedish Corporate Governance Code. Few material changes were made to how the Company manages executive remuneration matters, however the new legislation, together with discussions with shareholders’ representatives, led to some changes to the Policy that were submitted to the shareholders for approval. The differences between the 2020 Policy and the Policy approved by the 2019 AGM were as follows:

- the 2020 Policy is more explicit than the 2019 Policy on the links to strategy, long-term performance and sustainability and requires that the Compensation Committee (the “Committee”) takes shareholders’ opinions into account, as well as remuneration across the broader employee population, when making its decisions and recommendations to the Board.
- The Board can continue to award annual variable remuneration worth up to 12 months’ base salary but the 2020 Policy provides more clarity by imposing a cap of 18 months’ base salary for occasions when individuals have delivered outstanding performance.
- The 2020 Policy describes the design and governance of different elements of remuneration in more detail than the 2019 Policy, as well as their relative proportions of total remuneration.
- There is more information on terms and decision making processes and considerations, including how the Company can deviate from the Policy.

The 2020 Policy is, together with previous years’ Policies, available on the Company’s website www.lundin-energy.com and it will remain available for ten years.

Key remuneration principles at Lundin Energy

Lundin Energy’s remuneration principles and policies are designed to ensure responsible and sustainable remuneration decisions that support the Company’s strategy, shareholders’ long-term interests and sustainable business practices. It is the aim of Lundin Energy to recruit, motivate and retain high calibre executives capable of achieving the objectives of the

Company and to encourage and appropriately and fairly reward executives for their contributions to Lundin Energy’s success.

Remuneration to members of the Board

In addition to Board fees resolved by the AGM, remuneration as per prevailing market conditions may be paid to members of the Board for work performed outside the directorship.

Compensation Committee

The Board has established the Compensation Committee to support it on matters of remuneration relating to the CEO, the Deputy CEO, other members of Group Management and other key employees of the Company. The objective of the Committee is to structure and implement remuneration principles to achieve the Company’s strategy, the principal matters for consideration being:

- the review and implementation of the Company’s remuneration principles for Group Management, including this Policy which requires approval by the General Meeting of Shareholders;
- the remuneration of the CEO and the Deputy CEO, as well as other members of Group Management, and any other specific remuneration issues arising;
- the design of long-term incentive plans that require approval by the General Meeting of Shareholders; and
- compliance with relevant rules and regulatory provisions, such as this Policy, the Swedish Companies Act and the Swedish Corporate Governance Code.

When the Committee makes decisions, including determining, reviewing and implementing the Policy, it follows a process where:

- the Board sets and reviews the terms of reference of the Committee;
- the Chair of the Committee approves the Committee’s agenda;
- the Committee considers reports, data and presentations and debates any proposal. In its considerations the Committee will give due regard to the Company’s situation, the general and industry specific remuneration environment, the remuneration and terms of employment of the broader employee population, feedback from different stakeholders, relevant codes, regulations and guidelines published from time to time;
- the Committee may request the advice and assistance of management representatives, other internal expertise and of external advisors. However, it shall ensure that there is no conflict of interest regarding other assignments that any such advisors may have for the Company and Group Management;
- the Committee ensures through a requirement to notify and recuse oneself that no individual with a conflict of interest will take part in a remuneration decision that may compromise such a decision;
- once the Committee is satisfied that it has been properly and sufficiently informed, it will make its decisions and, where required, formulate proposals for approval by the Board; and
- the Board will consider any items for approval or proposals from the Committee and, following its own discussions, make decisions, proposals for a General Meeting of Shareholders and/or further requests for the Committee to deliberate on.

¹ At the time of approval of the Policy, the Company was named “Lundin Petroleum AB”, herein replaced throughout with references to the Company’s new name “Lundin Energy AB”. The Policy has also been updated to reflect the fact that the Policy has been approved by the 2020 AGM and is no longer a proposal.

Elements of remuneration for Group Management

There are four key elements to the remuneration of Group Management:

	Description, purpose and link to strategy and sustainability	Process and governance	Relative share of estimated/maximum total reward ¹
a) Base salary	<ul style="list-style-type: none"> Fixed cash remuneration paid monthly. Provides predictable remuneration to aid attraction and retention of key talent. 	<ul style="list-style-type: none"> The Committee reviews salaries every year as part of the review of total remuneration (see below for a description of the benchmarking process). 	30% / 20%
b) Annual variable remuneration	<ul style="list-style-type: none"> Annual bonus is paid for performance over the financial year. Awards are capped at 18 months' base salary, paying up to 12 months' base salary for ranges of stretching performance requirements. Any value over 12 months' base salary is paid for delivering outstanding performance. Signals and rewards the strategic and operational results and behaviours expected for the year that contribute to the long-term, sustainable value creation of the Company. 	<ul style="list-style-type: none"> The annual review of total remuneration also considers annual bonus awards, outcomes, target structure, weightings of targets and specific target levels of performance. Measurable financial and non-financial performance requirements are identified according to position and responsibilities and include delivery against production of oil and gas, reserves and resource replacement, financial, health and safety, ESG, carbon dioxide gas emissions and strategic targets. The Committee reviews the design of annual variable remuneration separately. 	20% / 25%
c) Long-term incentive plan	<ul style="list-style-type: none"> Performance share plan that aligns the interests of participants with those of shareholders through awards in shares worth up to 36 months' base salary on award, vesting after 3 years subject to performance. Relative Total Shareholder Return ("TSR") summarises the complex set of variables for long-term sustainable success in oil and gas exploration and production into a single performance test relative to peers that the Company competes with for capital. 	<ul style="list-style-type: none"> Annual review of total remuneration considers long-term incentive awards, outcomes, TSR peer group and targets. Participants are required to build a significant personal shareholding of up to 200% of base salary over time by retaining shares until a predetermined limit has been achieved. The Committee reviews the design of long-term incentives separately. 	40% / 50%
d) Benefits	<ul style="list-style-type: none"> Predictable benefits to help facilitate the discharge of each executive's duties, aiding the attraction and retention of key talent. 	<ul style="list-style-type: none"> The Committee reviews benefits and contractual terms regularly to ensure that the Company does not fall behind the market. Benefits are set with reference to external market practices, internal practices, position and relevant reference remuneration. 	10% / 5%
Total			100% / 100%

¹ Estimated reward shows the percentage of total reward where proportions are estimated assuming 50 percent of maximum annual bonus and 50 percent of the long-term incentive without any share price or dividend effect. Proportions of maximum reward assume full vesting of both annual variable remuneration and the long-term incentive but without any share price or dividend effect. Different actual awards and the variable nature of incentives means that the actual proportions for an individual may be different.

Review and benchmarking

Every year the Committee undertakes a review of the Company's remuneration policies and practices considering the total remuneration of each executive as well as the individual components. Levels are set considering:

- the total remuneration opportunity;
- the external pay market;
- the scope and responsibilities of the position;
- the skills, experience and performance of the individual;
- the Company's performance, affordability of reward and general market conditions; and
- levels and increases in remuneration, as well as other terms of employment, for other positions within the Company.

External benchmarks for total remuneration are found from one or more sets of companies that compete with Lundin Energy for talent, taking into consideration factors like size, complexity, geography and business profile when determining such peer groups.

Variable remuneration

The Company considers that variable remuneration forms important parts of executives' remuneration packages, where associated performance targets reflect the key drivers for pursuing the Company's strategy, and to achieve sustainable value creation and growth in long-term shareholder value. The Committee ensures that performance and design align with the strategic direction and risk appetite of the Company before incentives are approved by the Board.

There is no deferral of incentive payments, however, the Board can recover annual bonuses paid in the unlikely event of outcomes based on information which is subsequently proven to have been manifestly misstated. The Board can also in exceptional circumstances reduce long-term incentive awards, including reducing them to zero, should it consider the vesting outcome to incorrectly reflect the true performance of the Company.

Benefits

Benefits provided shall be based on market terms and shall facilitate the discharge of each executive's duties. The pension provision is the main benefit and follows the local practice of the geography where the individual is based. The pension benefits consist of a basic defined contribution pension plan, where the employer provides 60 percent and the employee 40 percent of an annual contribution of up to 18 percent of the capped pensionable salary and a supplemental defined contribution pension plan where the employer provides 60 percent and the employee 40 percent of a contribution up to 14 percent of the capped pensionable salary.

Severance arrangements

Executives have rolling contracts where mutual notice periods of between three and twelve months apply between the Company and the executive, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for executives that give rise to compensation in the event of termination of employment due to a change of control of the Company. Such compensation, together with applicable notice periods, shall not exceed 24 months' base salary.

The Board is further authorised, in individual cases, to approve severance arrangements, in addition to the notice periods and the severance arrangements in respect of a change of control of the Company, where employment is terminated by the Company without cause, or otherwise in circumstances at the discretion of the Board. Such severance arrangements may provide for the payment of up to 12 months' base salary; no other benefits shall be included.

In all circumstances, severance payments in aggregate (i.e. for notice periods and severance arrangements) shall be limited to a maximum of 24 months' base salary.

Authorisation for the Board

In accordance with Chapter 8, Section 53 of the Swedish Companies Act, the Board shall be authorised to approve temporary deviations from the Policy on any element of remuneration described in this Policy, except from the maximum award of annual variable remuneration, which shall at all times be limited to 18 months' base salary. Deviations shall be considered by the Committee and shall be presented to the Board for approval. Deviations may only be made in specific cases if there are special reasons outside of normal business that make it necessary to increase reward in order to help secure the Company's long-term interests, financial viability and/or sustainability by recognising exceptional contributions. The reasons for any deviation shall be explained in the remuneration report to be submitted to the AGM.

Outstanding remunerations¹

Remunerations outstanding to Group Management comprise awards granted under the Company's previous long-term incentive programs and include 258,619 shares for awards under the LTIP 2017, 195,658 shares for awards under the LTIP 2018, 222,148 shares for awards under LTIP 2019 and 2,746 unit bonus awards under the 2017 Unit Bonus Plan. Further information about these plans is available in Note 28 of the Company's Annual Report 2019.

¹ As at the 2020 AGM

Internal control over financial reporting

The control environment is the foundation of Lundin Energy's system for internal control over financial reporting.

According to the Swedish Companies Act and the Corporate Governance Code, the Board has overall responsibility for establishing and monitoring an effective system for internal control. The purpose of this report is to provide shareholders and other parties with an understanding of how internal control is organised at Lundin Energy.

Lundin Energy's system for internal control over financial reporting is based on the Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are control environment, risk assessment, control activities, information and communication and monitoring activities.

Control environment

The control environment is the foundation of Lundin Energy's system for internal control over financial reporting and is characterised by the fact that the main part of the Group's operations is located in Norway where the Company has carried out operations for many years using well established processes. The control environment is defined by the Company's policies and procedures, guidelines and codes as well as its responsibility and authority structure. In the area of control activities Lundin Energy has documented all critical, financial processes and controls in the Group. The business culture established within the Group is also fundamental to ensure highest level of ethics, morals and integrity.

Risk assessment

Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee. The Group's risk assessment process is used as a means to monitor that risks are managed and consists in identifying and evaluating risks and also determining the potential impact on the financial reporting. Regular reviews on local level as well as on Group level are made to assess any changes made in the Group that may affect internal control.

Control activities

Control activities range from high level reviews of financial results in management meetings to detailed reconciliation of accounts and day to day review and authorisation of payments. The monthly review and analysis of the financial reporting made on Company level and Group level are important control activities performed to ensure that the financial reporting does not contain any significant errors and also to prevent fraud. In addition, it is common in the oil and gas industry that projects are organised through joint ventures, where the partners have audit rights over the joint venture. Regular audits control that costs are allocated and accounted for in accordance with the joint operating agreement.

Information and communication

Lundin Energy has processes in place aiming to ensure effective and correct information in regards to financial reporting, both internally within the organisation as well as externally to the public to meet the requirements for a listed company. All information regarding the Company's policies, procedures and guidelines is available on the Group's intranet and any updates and changes to reporting and accounting policies are issued via email and at regular finance meetings. In addition, the Communications- and Investor Relations policies ensure that the public is provided with accurate, reliable, and relevant information concerning the Group and its financial position at the right time.

Monitoring

Monitoring of control activities is made at different levels of the organisation and involves both formal and informal procedures performed by management, process owners or control owners. In addition, the Group's Internal Audit function maintains test plans and performs independent testing of selected controls to identify any weaknesses and opportunities for improvement. Controls that have failed the testing must be remediated which means establishing and implementing actions to correct weaknesses. The results from the testing are presented to the external auditors who determine to what extent they can rely on this testing for the Group audit.

The Internal Audit Manager has a direct reporting line to the Audit Committee and submits regularly reports on findings identified in the audits together with updates on the status of management's implementation of agreed actions. The Audit Committee assists the Board in their role to ensure that steps are taken to address any weaknesses revealed in internal and external audits and to implement proposed actions.

Joint venture audits

It is common in the oil and gas industry that projects are organised through joint ventures with production licences awarded to a group of companies forming a joint venture. When entering into an exploration licence there is no guarantee that oil or gas will be found and in a joint venture the risk is shared between the partners. One partner is appointed to be the operator and is responsible for managing the operations, including the accounting for the joint venture. All partners have audit rights over the joint venture to ensure that costs are incurred in accordance with the joint operating agreement and that accounting procedures are followed.

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Financial Summary

Financial summary

Lundin Energy's financial resilience has excelled through what has been an exceptionally challenging year in terms of global market prices due to the COVID-19 outbreak. The Company's world class assets with industry-leading low unit costs and high quality oil has generated an EBITDAX margin of in excess of 90 percent for the third consecutive year. Despite a drop of 37 percent in the realised sales price during 2020 compared to 2019 the Company has posted a record EBITDAX of USD 2.1 billion and a FCF before dividends of USD 0.45 billion and thus covering the dividend payments by 1.4x.

During 2020 the Company gained its inaugural public credit rating from S&P Global Rating with a BBB- rating and also successfully re-financed its balance sheet through a USD 5 billion corporate credit facility at significantly improved terms including certain ESG-linked KPIs. The Company de-levered its debt levels during 2020 with a year-end net debt level of USD 3.9 billion and a net debt/EBITDAX ratio of 1.8x. With a continued outperformance from all the key producing assets in combination with an outlook of continued strong credit metrics, the 2020 dividend proposal has been set at USD 1.80 per share representing an 80 percent increase on 2019.

	2020	2019
Production in Mboepd	164.5	93.3
Revenue and other income in MUSD	2,564.4	2,948.7
CFFO in MUSD	1,528.0	1,378.2
<i>Per share in USD</i>	5.38	4.36
EBITDAX in MUSD ¹	2,140.2	1,918.4
<i>Per share in USD¹</i>	7.53	6.07
Free cash flow in MUSD	448.2	1,271.7
<i>Per share in USD</i>	1.58	4.03
Net result in MUSD	384.2	824.9
<i>Per share in USD</i>	1.35	2.61
Adjusted net result in MUSD	280.0	252.7
<i>Per share in USD</i>	0.99	0.80
Net debt	3,911.5	4,006.7

¹ Excludes the reported after tax accounting gain of MUSD 756.7 in 2019 on the divestment of a 2.6 percent working interest in the Johan Sverdrup project.

Consolidated Income Statement

for the Financial Year Ended 31 December

Expressed in MUSD	Note	2020	2019
Revenue and other income			
Revenue		2,533.2	2,158.6
Gain from sale of assets	8	—	756.7
Other income		31.2	33.4
	1	2,564.4	2,948.7
Cost of sales			
Production costs	2	-177.2	-164.8
Depletion and decommissioning costs	9	-607.7	-443.8
Exploration costs	9	-104.9	-125.6
Impairment costs of oil and gas properties	9	—	-128.3
Purchase of crude oil from third parties	3	-217.8	-84.3
Gross profit		1,456.8	2,001.9
General, administration and depreciation expenses		-36.1	-31.2
Operating profit		1,420.7	1,970.7
Net financial items			
Finance income	4	172.3	27.5
Finance costs	5	-318.6	-322.5
		-146.3	-295.0
Share in result of joint ventures and associated company	6	-0.1	-1.8
Profit before tax		1,274.3	1,673.9
Income tax	7	-890.1	-849.0
Net result		384.2	824.9
Earnings per share – USD			
Earnings per share – USD	17.4	1.35	2.61
Earnings per share – fully diluted – USD	17.4	1.35	2.61
Adjusted earnings per share – USD			
Adjusted earnings per share – USD	17.5	0.99	0.80
Adjusted earnings per share fully diluted – USD	17.5	0.98	0.80

Consolidated Statement of Comprehensive Income

for the Financial Year Ended 31 December

Expressed in MUSD	2020	2019
Net result	384.2	824.9
Items that may be subsequently reclassified to profit or loss:		
Exchange differences foreign operations	-210.1	29.0
Cash flow hedges	-63.4	-82.5
Other comprehensive income	-273.5	-53.5
Total comprehensive income	110.7	771.4
Attributable to:		
Shareholders of the Parent Company	110.7	771.4
Non-controlling interest	—	—
	110.7	771.4

Consolidated Balance Sheet

for the Financial Year Ended 31 December

Expressed in MUSD	Note	2020	2019
ASSETS			
Non-current assets			
Oil and gas properties	9	5,902.4	5,473.2
Other tangible fixed assets	10	45.2	49.4
Goodwill	11	128.1	128.1
Investments in joint ventures	12	110.6	–
Financial assets	13	13.5	14.3
Trade and other receivables	15	17.3	–
Derivative instruments	21	3.8	2.7
Total non-current assets		6,220.9	5,667.7
Current assets			
Inventories	14	59.1	40.7
Trade and other receivables	15	278.6	349.5
Derivative instruments	21	12.1	11.3
Cash and cash equivalents	16	82.5	85.3
Total current assets		432.3	486.8
TOTAL ASSETS		6,653.2	6,154.5
EQUITY AND LIABILITIES			
Equity			
Share capital	17.1	0.5	0.5
Additional paid in capital	17.1	323.7	326.0
Other reserves	17.2	-769.2	-571.8
Retained earnings	17.3	-1,708.3	-2,178.4
Net result	17.3	384.2	824.9
Total equity		-1,769.1	-1,598.8
Liabilities			
Non-current liabilities			
Financial liabilities	18/22	3,983.9	3,888.4
Provisions	19	565.6	528.1
Deferred tax liabilities	7	2,893.9	2,412.7
Derivative instruments	21	144.7	110.8
Total non-current liabilities		7,588.1	6,940.0
Current liabilities			
Financial liabilities	18/22	6.1	97.5
Dividends		72.3	106.0
Trade and other payables	20	202.5	177.4
Derivative instruments	21	87.6	33.2
Current tax liabilities	7	444.4	343.3
Provisions	19	21.3	55.9
Total current liabilities		834.2	813.3
Total liabilities		8,422.3	7,753.3
TOTAL EQUITY AND LIABILITIES		6,653.2	6,154.5

Consolidated Statement of Cash Flow

for the Financial Year Ended 31 December

Expressed in MUSD	Note	2020	2019
Cash flows from operating activities			
Net result		384.2	824.9
Adjustments for:			
Gain from sale of assets		—	-756.7
Exploration costs		104.9	125.6
Depletion, depreciation and amortisation		614.6	450.5
Impairment of oil and gas properties		—	128.3
Current tax		511.8	405.8
Deferred tax		378.3	443.2
Long-term incentive plans		9.5	14.7
Foreign currency exchange gain/loss		-230.3	70.8
Interest expense		104.3	93.4
Unwinding of loan modification gain		99.7	41.5
Amortisation of deferred financing fees		37.6	19.7
Other		6.3	17.8
Interest received		0.8	1.8
Interest paid		-126.6	-177.4
Income taxes paid		-428.5	-132.7
Changes in working capital:			
Changes in inventories		-7.2	-4.2
Changes in underlift position		-3.7	-0.1
Changes in receivables		94.2	-140.3
Changes in overlift position		0.7	-0.8
Changes in liabilities		-22.6	-47.6
Total cash flows from operating activities		1,528.0	1,378.2
Cash flows from investing activities			
Investment in oil and gas properties		-919.7	-1,057.8
Investment in renewable energy business ¹		-99.8	-1.2
Investment in other fixed assets		-2.4	-2.5
Investment in financial assets		—	-0.3
Disposal of fixed assets ²		—	959.0
Decommissioning costs paid		-57.9	-3.7
Total cash flows from investing activities		-1,079.8	-106.5
Cash flows from financing activities			
Net drawdown/repayment of corporate credit facility	22	3,994.0	—
Net drawdown/repayment of reserve-based lending facility	22	-4,092.0	627.0
Repayment of principal portion of lease liabilities	22	-3.2	-3.4
Financing fees paid	22	-36.8	-3.3
Dividends paid		-318.2	-355.6
Share redemption		—	-1,517.2
Total cash flows from financing activities		-456.2	-1,252.5
Changes in cash and cash equivalents		-8.0	19.2
Cash and cash equivalents at the beginning of the year		85.3	66.8
Currency exchange difference in cash and cash equivalents		5.2	-0.7
Cash and cash equivalents at the end of the year		82.5	85.3

¹ Includes incurred cost relating to the acquisition of the renewable energy business and working capital funding

² Cash received on the divestment of a 2.6 percent working interest in the Johan Sverdrup field on closing including interest and pro and contra funding settlement from effective date to completion date as well as working capital balances and incurred expenses

The effects of currency exchange differences due to the translation of foreign group companies have been excluded as these effects do not affect the cash flow. Cash and cash equivalents comprise cash and short-term deposits maturing within less than three months.

Consolidated Statement of Changes in Equity

for the Financial Year Ended 31 December

Expressed in MUSD	Attributable to owners of the Parent Company				Total equity
	Share capital ¹	Additional paid-in-capital	Other reserves ²	Retained earnings	
Balance at 1 January 2019	0.5	339.7	-518.3	-205.7	-383.8
Reclassification currency translation reserves ³	–	–	76.1	-76.1	–
Restated equity at 1 January 2019	0.5	339.7	-442.2	-281.8	-383.8
Comprehensive income					
Net result	–	–	–	824.9	824.9
Currency translation difference	–	–	29.0	–	29.0
Cash flow hedges	–	–	-82.5	–	-82.5
Total comprehensive income	–	–	-53.5	824.9	771.4
Transactions with owners					
Cash distributions	–	–	–	-501.0	-501.0
Share redemption	-0.1	–	–	-1,476.9	-1,477.0
Bonus issue (sw. fondemission)	0.1	–	–	-0.1	–
Share based payments ⁴	–	-13.7	–	–	-13.7
Value of employee services ⁵	–	–	–	5.3	5.3
Total transactions with owners	–	-13.7	–	-1,972.7	-1,986.4
Balance at 31 December 2019	0.5	326.0	-495.7	-1,429.6	-1,598.8
Comprehensive income					
Net result	–	–	–	384.2	384.2
Currency translation difference	–	–	-210.1	–	-210.1
Cash flow hedges	–	–	-63.4	–	-63.4
Total comprehensive income	–	–	-273.5	384.2	110.7
Transactions with owners					
Cash distributions	–	–	–	-284.1	-284.1
Issuance of treasury shares	–	7.3	–	–	7.3
Share based payments ⁴	–	-9.6	–	–	-9.6
Value of employee services ⁵	–	–	–	5.4	5.4
Total transactions with owners	–	-2.3	–	-278.7	-281.0
Balance at 31 December 2020	0.5	323.7	-769.2	-1,324.1	-1,769.1

¹ Lundin Energy AB's issued share capital described in detail in Note 17.1.

² Other reserves are described in detail in Note 17.2.

³ In accordance with IAS8 in relation to the deconsolidation of the Russian operations back in 2017.

⁴ Represents the cost to hedge the equity-settled share-based long-term incentive plan as described in Note 29.

⁵ Represents the fair value at the date of grant of the equity-settled share-based long-term incentive plan that is recognised over the vesting period as described in Note 29.

Accounting Policies

Basis of preparation

Lundin Energy's annual report has been prepared in accordance with prevailing International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted by the EU Commission and the Swedish Annual Accounts Act (1995:1554). In addition, RFR 1 "Supplementary Rules for Groups" has been applied as issued by the Swedish Financial Reporting Board. The Parent Company applies the same accounting policies as the Group, except as specified in the Parent Company accounting policies on page 73.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed under the headline "Critical accounting estimates and judgements". The consolidated financial statements have been prepared under the historical cost convention, except for items that are required to be accounted for at fair value as detailed in the Group's accounting policies. Intercompany transactions and balances have been eliminated.

Accounting standards, amendments and interpretations

As from 1 January 2020, Lundin Energy has not applied any new accounting standards. As from 1 January 2019, Lundin Energy applied the following new accounting standard:

IFRS 16 Leases, the standard requires recognition in the balance sheet for each contract, with some exceptions, that meets the definition of a lease as a right of use asset and lease liability, while lease payments are to be reflected as interest expense and a reduction of lease liability. Effective from 1 January 2019, the Group has made the following transition choices in relation to IFRS 16: (a) application of the modified retrospective method, (b) right of use assets will be measured at an amount equal to the lease liability and (c) leases with a less than 12 months remaining lease term at year end 2018 will not be reflected as leases. The Group has made the following application policy choice: short-term leases (less than 12 months) and leases of low value assets will not be reflected in the balance sheet, but will be expensed as incurred. Lundin Energy has assessed the impact of IFRS 16 on the financial statements of the Group and only identified one relevant contract containing a lease with no material impact on the financial statements of the Group. The Company accounted for right of use assets and lease liabilities amounting to MUS\$ 36.6 per effective date 1 January 2019.

The company may enter into lease contracts as an operator on behalf of a licence, and will for such leases only recognise its net share of the related lease liability. The company may also enter into lease contracts in its own name at the initial signing, and subsequently allocate the related right of use asset to operated licences. In such cases, the licence allocation will normally be the basis for determining both the commencement and the duration of the lease, and application of the short-term lease exemption.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the

entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the Group's control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The non-controlling interest in a subsidiary represents the portion of the subsidiary not owned by the Group. The equity of the subsidiary relating to the non-controlling shareholders is shown as a separate item within equity for the Group. The Group recognises any non-controlling interest on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Joint arrangements

Oil and gas operations are conducted by the Group as co-licences in unincorporated joint operations with other companies. These joint operations are a type of joint arrangement whereby the parties have joint control. The Group's financial statements account for the production, capital costs, operating costs and current assets and liabilities relating to its working interests in joint arrangements.

For information about unincorporated joint arrangements, see pages 88 – 89 Investments in joint operations.

Joint ventures

An investment in a joint venture is an investment in an undertaking where the Group has joint control, generally accompanying a shareholding of not more than 50 percent of the voting right. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Such investments are accounted for in the consolidated financial statements in accordance with the equity method and are initially recognised at cost. The difference between the acquisition cost of shares in a joint venture and the net fair value of the assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the joint venture and is assessed for impairment as part of the investment. The Group's share in the post-acquisition results of the joint venture is recognised in the income statement and the Group's share in post-acquisition movements in other comprehensive income of the joint venture are recognised

directly in other comprehensive income of the Group. When the Group's accumulated share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's percentage in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associated companies

An investment in an associated company is an investment in an undertaking where the Group exercises significant influence but not control, generally accompanying a shareholding of at least 20 percent but not more than 50 percent of the voting rights. Such investments are accounted for in the consolidated financial statements in accordance with the equity method and are initially recognised at cost. The difference between the acquisition cost of shares in an associated company and the net fair value of the assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The Group's share in the post-acquisition results of the associated company is recognised in the income statement and the Group's share in post-acquisition movements in other comprehensive income of the associated company are recognised directly in other comprehensive income of the Group. When the Group's accumulated share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's percentage in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in US Dollars, which is the currency the Group has elected to use as the presentation currency.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and foreign exchange currency differences are recognised in the income statement. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in finance income/costs in the income statement except deferred exchange differences on qualifying cash flow hedges which are recorded in other comprehensive income.

Presentation currency

The balance sheets and income statements of foreign Group companies are translated for consolidation purposes. All assets and liabilities are translated at the balance sheet date rates of

exchange, whereas the income statements are translated at average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction. The translation differences which arise are recorded directly in the foreign currency translation reserve within other comprehensive income. Upon disposal of a foreign operation, the translation differences relating to that operation will be transferred from equity to the income statement and included in the result on sale.

For the preparation of the annual financial statements, the following currency exchange rates have been used.

	31 December 2020		31 December 2019	
	Average	Period end	Average	Period end
1 USD equals NOK	9.4146	8.5326	8.8003	8,7803
1 USD equals EUR	0.8762	0.8149	0.8932	0.8902
1 USD equals SEK	9.2092	8.1772	9.4581	9,2993

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.

Oil and gas properties

Oil and gas properties are recorded at historical cost less depletion. All costs for acquiring concessions, licences or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalised on a field area cost centre basis.

Costs directly associated with an exploration well are capitalised. If it is determined that a commercial discovery has not been achieved, these exploration costs are charged to the income statement. During the exploration and development phases, no depletion is charged. The field will be transferred from the non-production cost pool to the production cost pool within oil and gas properties once production commences, and accounted for as a producing asset. Routine maintenance and repair costs for producing assets are expensed as production costs when they occur.

Net capitalised costs to reporting date, together with anticipated future capital costs for the development of the proved and probable reserves determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proved and probable reserves of oil and gas, in accordance with the unit of production method. Depletion of a field area is charged to the income statement through cost of sales once production commences.

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 indicate are less likely to be recovered than Proved reserves but more certain to be recovered than Possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the actual quantities recovered will equal or exceed the 2P estimate.

Proceeds from the sale or farm-out of oil and gas concessions in the exploration stage are offset against the related capitalised costs of each cost centre, with any excess of net proceeds over the costs capitalised included in the income statement. In the event of a sale in the exploration stage, any deficit is included in the income statement.

Impairment tests are performed annually or when there are facts and circumstances that suggest that the carrying value of an asset capitalised costs within each field area less any provision for site restoration costs, royalties and deferred production or revenue related taxes is higher than the anticipated future net cash flow from oil and gas reserves attributable to the Group's interest in the related field areas. Capitalised costs cannot be carried unless those costs can be supported by future cash flows from that asset. Provision is made for any impairment, where the net carrying value, according to the above, exceeds the recoverable amount, which is the higher of value in use and fair value less costs to sell, determined through estimated future discounted net cash flows using prices and cost levels used by Group management in their internal forecasting. If there is no decision to continue with a field specific exploration programme, the costs will be expensed at the time the decision is made.

Other tangible fixed assets

Other tangible fixed assets 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 of 20 years for real estate and three to five years for office equipment and other assets.

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 Group and the cost of the item can be measured reliably. The net book value of any replaced parts is written off. Other additional expenses are deemed to be repair and maintenance costs and are charged to the income statement when they are incurred.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets acquired, the difference is recognised in profit or loss.

Goodwill is also recognised as the offsetting accounting entry to the deferred tax liability booked on the difference between the assigned fair value of an asset and the related tax base acquired in a business combination.

Impairment of assets including goodwill

At each balance sheet date the Group assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or when impairment testing for an asset is required, the Group makes a formal assessment of the recoverable amount. Where the carrying value of a cash generating unit (CGU) exceeds its recoverable amount the CGU is considered impaired and is written down to its recoverable amount. A CGU is an individual field or a group of fields with shared infrastructure in the development or production phase. Goodwill relating to acquisitions of oil and gas properties is tested for impairment at least once a year and is measured at CGU level.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is calculated by discounting estimated future cash flows to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When the recoverable amount is less than the carrying value an impairment loss is recognised with the expensed charge to the income statement. If indications exist that previously recognised impairment losses no longer exist or are decreased, the recoverable amount is estimated. When a previously recognised impairment loss is reversed the carrying amount of the asset is increased to the estimated recoverable amount but the increased carrying amount may not exceed the carrying amount after depreciation that would have been determined had no impairment loss been recognised for the asset in prior years.

Financial assets and liabilities

Assets and liabilities are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost unless stated otherwise. Financial assets are derecognised when the rights to receive cash flows from the investments have expired, or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Lundin Energy recognises the following financial assets and liabilities:

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group's loans and receivables consist of fixed or determined cash flows related solely to principal and interest amounts or contractual sales of oil and gas. The Group's intent is to hold these receivables until cash flows are collected. Loans are recognised initially at fair value, net of any transaction costs incurred and subsequently measured at amortised cost.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortised cost or at fair value through other comprehensive income.

Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL, or the Group has opted to measure them at FVTPL. Borrowings and accounts payable are recognised initially at fair value, net of any transaction costs incurred, and subsequently at amortised cost using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities measured at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortised cost.

Impairment of financial assets

The measurement of impairment of financial assets is based on the expected credit losses model. For the trade and other receivables, the Group applies the simplified approach which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Group considered historical industry default rates as well as credit ratings of major customers. Additional disclosure related to the Group's financial assets is included in Note 21.

Derivatives used for hedging

Derivative financial instruments are used to manage economic exposure to market risks relating to foreign currency exchange rates and interest rates. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Where specific financial instruments are executed, The Group assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction.

All cash flow hedges entered into by the Group qualify for hedge accounting. The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion, if any, is recognised immediately in the income statement. Amounts accumulated in other comprehensive income are transferred to the income statement in the period when the hedged item will affect the income statement. When a hedging instrument no longer meets the requirements for hedge accounting, expires or is sold, any accumulated gain or loss recognised in other comprehensive income remains in shareholders' equity until the forecast transaction no longer is expected to occur, at which point it is transferred to the income statement.

Inventories

Inventories of consumable well supplies are stated at the lower of cost and net realisable value, cost being determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories of hydrocarbons and under or overlift positions of hydrocarbons are stated at the lower of cost and net realisable value. An underlift of production from a field is included in the current receivables and an overlift of production from a field is included in the current liabilities.

Cash and cash equivalents

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

Equity

Share capital consists of the registered share capital for the Parent Company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. Excess

contribution in relation to the issuance of shares is accounted for in the item additional paid-in-capital.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until these shares are cancelled or sold. Where these shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is included in equity attributable to the Company's equity holders.

The change in fair value of hedging instruments which qualify for hedge accounting is accounted for in the hedge reserve. Upon settlement of the hedge instrument, the hedged item will be transferred to the income statement. The currency translation reserve contains unrealised translation differences due to the conversion of the functional currencies into the presentation currency.

Retained earnings contain the accumulated results attributable to the shareholders of the Parent Company.

Provisions

A provision is reported when the Company has a legal or constructive obligation as a consequence of an event and 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 and the discount rate used in the calculation is the risk-free rate with the addition of a credit risk element. The increase in the provision due to passage of time is recognised as finance costs.

On fields where the Group is required to contribute to site restoration costs, a provision is recorded to recognise the future commitment. 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 field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognises the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to financial expenses. Changes in site restoration costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period where appropriate.

Revenue

Revenues from the sale of oil and gas are recognised in the income statement based on the sales method. Sales of oil and gas are recognised upon delivery of products and customer acceptance. Incidental revenues from the production of oil and gas are also recognised as revenue.

Service income, generated by providing technical and management services to joint operations, is recognised upon performance of services and is recognised as other income.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets. Qualifying assets are assets that take a substantial period of time to complete for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending to be used for the qualifying asset, is deducted from the borrowing costs eligible for capitalisation.

This applies on the interest on borrowings to finance fields under development which is capitalised within oil and gas properties until production commences. All other borrowing costs are recognised in the income statement in the period in which they occur. Interest on borrowings to finance the acquisition of producing oil and gas properties is charged to the income statement as incurred.

Employee benefits

Short-term employee benefits

Short-term employee benefits such as salaries, social premiums and holiday pay, are expensed when incurred.

Pension obligations

Pensions are the most common long-term employee benefits. The pension schemes are funded through payments to insurance companies. The Group's pension obligations consist mainly of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they are due.

The Group has one obligation under a defined benefit plan. The relating liability recognised in the balance sheet is valued at the discounted estimated future cash outflows as calculated by an external actuarial expert. Actuarial gains and losses are recognised in other comprehensive income. The Group does not have any designated plan assets.

Share-based payments

Cash-settled share-based payments are recognised in the income statement as expenses during the vesting period and as a liability in relation to the long-term incentive plan. The liability is measured at fair value and revalued using the Black & Scholes pricing model at each balance sheet date and at the date of settlement, with any change in fair value recognised in the income statement for the period. Equity-settled share-based payments are recognised in the income statement as expenses during the vesting period and as equity in the Balance Sheet. The option is measured at fair value at the date of grant using an options pricing model and is charged to the income statement over the vesting period without revaluation of the value of the option.

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 other comprehensive income or directly in equity, in which case it is matched.

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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by 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. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are offset against deferred tax liabilities in the balance sheet where they relate to the same jurisdiction.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker being Group management, which, due to the unique nature of each country's operations, commercial terms or fiscal environment, is at a country level. Information for segments is only disclosed when applicable. Segmental information is presented in Note 3 and Note 7.

Critical accounting estimates and judgements

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

Estimates in oil and gas reserves

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, see page 87 Reserve and Resource Quantity Information. Changes in estimates of 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.

Information about the carrying amounts of the oil and gas properties and the amounts charged to income, including depletion, exploration costs, and impairment costs is presented in Note 9.

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. Lundin Energy therefore only performed impairment testing for goodwill.

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 3 and Note 9.

Provision for site restoration

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 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 Group uses its best estimates and judgement, actual results could differ from these estimates.

Information about the carrying amounts of the Provision for site restoration is presented in Note 19.

Income tax

A tax liability is recognised when a future payment, in application of a tax regulation, is considered probable and can be reasonably estimated. The exercise of judgment is required to assess the impact of new events on the amount of the liability.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Estimation and judgement is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

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.

Lundin Energy 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. Total expenditure reductions and deferrals in 2020 were over MUS\$ 360 from original guidance, including capital expenditures, operating costs and G&A.

Strategic response to climate risks

Lundin Energy faces both physical climate change risks as well as energy transition risks. As an efficient offshore operator, we assess physical risks from climate change as essentially non-material to our business, due to the fact that our assets were designed to withstand acute and chronic physical impacts, such as sea level rise and extreme weather. However, transition risks require more focus and active management, with the top risk for Lundin Energy being the changing long-term demand for oil.

Our portfolio is highly resilient in the IEA's Sustainable Development Scenario (SDS), which is considered a 'well below 2 degrees C' scenario. We have modelled impacts of a lower oil price and higher carbon taxes, both of which do not have any material impacts on the economic resilience of our assets.

Long-term oil price outlook

Being one of the lowest cost operators with world class assets means that our portfolio is highly resilient under lower oil price scenarios, with low oil price free cash flow break-even (before dividend and debt repayment). Our assets have a remaining life of field break-even (pre-tax, debt repayment and dividend) of 31 USD/boe, which is well below the long-term oil price outlook under the IEA's Sustainable Development Scenario of 53 USD/boe in 2040, allowing us room to continue servicing debt and paying dividends. The economic cut off of our assets is also not materially impacted under lower oil price scenarios.

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. Subsequent events are presented in Note 31.

Notes to the Financial Statements of the Group

Note 1 Revenue and Other Income

MUSD	2020	2019
Revenue		
Crude oil from own production	2,168.5	1,939.8
Crude oil from third party activities	221.5	84.3
NGL	63.8	41.4
Gas	79.4	93.1
Net sales of oil and gas	2,533.2	2,158.6
Gain from sale of assets	—	756.7
Other income	31.2	33.4
Revenue and other income	2,564.4	2,948.7

For further information on revenue, see the Directors Report on page 10.

Note 2 Production Costs

MUSD	2020	2019
Cost of operations	134.5	118.1
Tariff and transportation expenses	50.7	46.3
Change in under/over lift position	-2.7	-0.9
Change in inventory position	-11.2	-2.8
Other production costs	5.9	4.1
Production costs	177.2	164.8

For further information on production costs, see the Directors Report on pages 10 – 11.

Note 3 Segment Information

The Group operates within several geographical areas with a focus on Norway. Operating segments are reported at country level which is consistent with the internal reporting provided to Group management.

The following tables present segment information regarding; revenue and other income, production costs, depletion and decommissioning costs, exploration costs, impairment costs of oil and gas properties, loss from sale of assets, other cost of sales, gross profit/loss and certain asset and liability information regarding the Group's business segments. In addition segment information is reported in Note 7.

Revenues are derived from various external customers. There were no intercompany sales or purchases in the year or in the previous year other than to Lundin Energy Marketing SA which performs marketing activities for Norway. These intercompany transactions are reported into segment Norway and therefore there are no reconciling items towards the amounts stated in the income statement. Within each segment, revenues from transactions with a single external customer amount to ten percent or more of revenue for that segment. Approximately 28 percent of the total revenue is contracted with one customer. The Parent Company is included in Other in the following table.

Note 3 continued

MUSD	2020	2019
Norway		
Crude oil from own production	2,168.5	1,939.8
NGL	63.8	41.4
Gas	79.4	93.1
Net sales of oil and gas	2,311.7	2,074.3
Gain from sale of assets	—	756.7
Other income	30.3	33.4
Revenue and other income	2,342.0	2,864.4
Production costs	-177.2	-164.8
Depletion and decommissioning costs	-607.7	-443.8
Exploration costs	-104.9	-125.6
Impairment costs of oil and gas properties	—	-128.3
Gross profit	1,452.2	2,001.9
Other		
Crude oil from third party activities	221.5	84.3
Revenue	221.5	84.3
Other income	0.9	—
Revenue and other income	222.4	84.3
Purchase of crude oil from third parties	-217.8	-84.3
Gross profit	4.6	0.0

MUSD	2020	2019
Total		
Crude oil from own production	2,168.5	1,939.8
Crude oil from third party activities	221.5	84.3
NGL	63.8	41.4
Gas	79.4	93.1
Net sales of oil and gas	2,533.2	2,158.6
Gain from sale of assets	—	756.7
Other income	31.2	33.4
Revenue and other income	2,564.4	2,948.7
Production costs	-177.2	-164.8
Depletion and decommissioning costs	-607.7	-443.8
Exploration costs	-104.9	-125.6
Impairment costs of oil and gas properties	—	-128.3
Purchase of crude oil from third parties	-217.8	-84.3
Gross profit	1,456.8	2,001.9

MUSD	Assets		Equity and Liabilities	
	2020	2019	2020	2019
Norway	6,500.1	6,114.2	6,174.9	5,774.0
Sweden	72.8	122.5	77.6	109.2
Other	227.6	296.0	220.4	299.6
Corporate	2,367.6	2,399.7	4,464.3	4,348.4
Intercompany balance elimination	-2,514.9	-2,777.9	-2,514.9	-2,777.9
Assets/liabilities per country	6,653.2	6,154.5	8,422.3	7,753.3
Shareholders' equity	N/A	N/A	-1,769.1	-1,598.8
Total equity for the Group	N/A	N/A	-1,769.1	-1,598.8
Total consolidated	6,653.2	6,154.5	6,653.2	6,154.5

For further information on revenue and other income, production costs, depletion and decommissioning costs, exploration costs, impairment costs of oil and gas properties, loss from sale of assets and other cost of sales, see the Directors Report on pages 10–11.

Note 4 Finance Income

MUSD	2020	2019
Foreign currency exchange gain, net	171.0	–
Interest income	1.3	1.8
Gain on interest rate hedge settlement	–	25.7
Finance income	172.3	27.5

Exchange rate variations result primarily from fluctuations in the value of the USD currency against a pool of currencies which mainly includes, amongst others, EUR and NOK. Lundin Energy has USD denominated debt recorded in subsidiaries using a functional currency other than USD. For further information on the foreign exchange movement, see the Directors Report on pages 11.

For further information on finance income, see the Directors Report on page 11.

Note 5 Finance Costs

MUSD	2020	2019
Foreign currency exchange loss, net	–	131.7
Interest expense	104.4	93.4
Loss on interest rate hedge settlement	44.5	–
Unwinding of site restoration discount	19.2	17.9
Amortisation of deferred financing fees	37.6	19.7
Loan facility commitment fees	11.5	10.9
Unwinding of loan modification gain	99.7	41.5
Other	1.7	7.4
Finance costs	318.6	322.5

For further information on finance costs, see the Directors Report on pages 11 – 12.

Note 6 Share in Result of Joint Ventures and Associated Company

MUSD	2020	2019
Group's share of net result of joint ventures	-0.1	–
Group's share of net result of associated company	–	-1.8
Share in result of joint ventures and associated company	-0.1	-1.8

For further information on share in result of joint ventures and associated company, see the Directors Report on page 12.

Note 7 Income Taxes

Tax charge MUSD	2020	2019
Current tax		
Norway	510.0	405.2
Switzerland	0.9	0.6
Other	0.9	–
Current tax	511.8	405.8
Deferred tax		
Norway	378.3	443.2
Deferred tax	378.3	443.2
Income taxes	890.1	849.0

On 19th June 2020, certain temporary changes in the Norwegian Petroleum Tax Law were enacted. The temporary changes allow investments incurred in 2020 and 2021 to be fully deducted against the Special Petroleum Tax (SPT) in the year of investment, compared to a six year linear depreciation for the ordinary tax regime. There is a further deduction available against the SPT in the form of an uplift. For the years 2020 and 2021, the uplift has been changed to 24 percent of the investment incurred in the year and is fully deductible in the year the investment is incurred, versus the previous uplift treatment which stipulated that the investment incurred during the year qualified for an uplift of 5.2 percent annually over four years (i.e. 20.8 percent uplift). The temporary changes in the

Note 7 continued

Petroleum Tax Law also apply for Plan for Development and Operations submitted within 2022. These tax rules changes resulted in a reduction on current taxes for the year and an increase in deferred taxes for the year. The changes for the Norwegian SPT will reduce the Company's current tax charge for the years 2020 and 2021 with the cashflow impact spread over the period 2020 to 2022, due to the phasing of the tax instalments in Norway.

For further information on income taxes, see the Directors Report on page 12.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of Sweden as follows:

MUSD	2020	2019
Profit before tax	1,274.3	1,673.9
Tax calculated at the corporate tax rate in Sweden 21.4% (21.4%)	-272.7	-358.2
Effect of foreign tax rates	-687.0	-1,091.6
Tax effect of expenses non-deductible for tax purposes	-105.2	-85.1
Tax effect of uplift on expenses	140.2	83.1
Tax effect of income not subject to tax	23.7	615.4
Tax effect of utilisation of unrecorded tax losses	12.8	0.6
Tax effect of creation of unrecorded tax losses	-4.8	-6.1
Adjustments to prior year tax assessments	2.9	-7.1
Tax per income statement	-890.1	-849.0

The tax rate in Norway is 78 percent and is the primary reason for the effect of foreign tax rates in the table above. The effect of non-deductible expenses mainly relates to non-deductible foreign currency exchange losses and interest charges. The uplift on expenses relates to uplift on development expenses for oil and gas assets in Norway. 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 8.

There is no tax charge/credit relating to components of other comprehensive income.

Corporation tax liability - current and deferred MUSD	Current		Deferred	
	2020	2019	2020	2019
Norway	444.3	342.7	2,893.9	2,412.7
Switzerland	0.1	0.6	—	—
Total	444.4	343.3	2,893.9	2,412.7

Specification of deferred tax assets and tax liabilities ¹ MUSD	2020	2019
Deferred tax assets		
Temporary differences	54.2	44.0
	54.2	44.0
Deferred tax liabilities		
Accelerated allowances	2,934.1	2,456.2
Deferred tax on excess values	14.0	0.5
	2,948.1	2,456.7

¹ The specification of deferred tax assets and tax liabilities does not agree to the face of the balance sheet due to the netting off of balances in the balance sheet when they relate to the same jurisdiction.

The deferred tax liability arises mainly on accelerated allowances, being the difference between the book and the tax value of oil and gas properties in Norway. The deferred tax liability will be released over the life of the assets as the book value is depleted for accounting purposes.

Tax value Norwegian Oil and Gas properties

The future tax value from historical development expenses by tax depreciations and uplift amounts to approximately USD 1.1 billion as at 31 December 2020.

Unrecognised tax losses

The Group has Dutch tax loss carry forwards of approximately MUSD 66 (MUSD 36). The tax losses can be carried forward and utilised varying from six years up to nine years. The related deferred tax asset has not been recognised due to the uncertainty of the timing and extent of the utilisation of the tax losses.

The Group also has Swedish tax loss carry forwards of approximately MUSD 141 (MUSD 106). The related deferred tax asset has not been recognised due to the uncertainty of the timing and extent of the utilisation of the tax losses.

Note 8 Gain from Sale of Assets

In July 2019, Lundin Energy entered into a sales and purchase agreement for the sale of a 2.6 percent working interest in the Johan Sverdrup development project to Equinor. The transaction decreased the Company's working interest in the Johan Sverdrup development project to 20 percent. The transaction involved a cash consideration payable by Equinor of MUSD 962.0, which includes a nominal MUSD 52.0 contingent payment on future reserve reclassifications. The transaction was completed in August 2019, with economic effect from 1 January 2019. The transaction was accounted for at closing resulting in a net after tax accounting gain of MUSD 756.7 arising from the difference between the consideration received and the book value of the associated assets being divested. The accounting gain is reported as gain from sale of assets as detailed in the following table. The gain from the sale is presented on an after tax basis as the consideration is determined net after tax based on the Norwegian Petroleum Tax regulations. There are no gains or losses from sale of assets in 2020.

MUSD	2019
Assets	
Oil and gas properties	343.7
Total assets divested	343.7
Liabilities	
Site restoration provision	16.2
Deferred tax liabilities	108.9
Working capital	4.0
Total liabilities divested	129.1
Net assets divested	214.6
Consideration received ¹	974.0
Incurred expenses	-2.7
Net after tax accounting gain	756.7

¹ Includes fair value of the contingent consideration on future reserve reclassifications, received interest and pro and contra funding settlement from effective date to completion date as well as working capital balances.

Note 9 Oil and Gas Properties

MUSD	31 December 2020	31 December 2019
Production cost pools	3,776.9	4,065.3
Non-production cost pools	2,125.5	1,407.9
	5,902.4	5,473.2

Production cost pools MUSD	Norway 2020	Norway 2019
Cost		
1 January	7,451.5	4,751.3
Additions	172.8	95.5
Reclassification from non-production cost pools	25.1	2,687.9
Change in estimates	7.3	2.3
Currency translation difference	240.6	-85.5
31 December	7,897.3	7,451.5
Depletion		
1 January	-3,386.2	-2,992.0
Depletion charge for the year	-605.6	-424.4
Currency translation difference	-128.6	30.2
31 December	-4,120.4	-3,386.2
Net book value	3,776.9	4,065.3

Depletion amounted to MUSD 605.6 (MUSD 424.4) and is included within the depletion and decommissioning costs line in the income statement.

Note 9 continued

Non-production cost pools MUSD	Norway 2020	Norway 2019
1 January	1,407.9	3,581.8
Additions	788.7	1,115.4
Reclassification to production cost pools	-25.1	-2,687.9
Disposals	—	-343.7
Expensed exploration costs	-104.9	-125.6
Impairment costs of oil and gas properties	—	-128.3
Change in estimates	0.1	1.4
Currency translation difference	58.8	-5.2
31 December	2,125.5	1,407.9

Non-production cost pools at 31 December 2020 consisted of MUSD 1,216.1 (MUSD 652.2) assets under development and MUSD 909.4 (MUSD 755.7) capitalised exploration and appraisal expenditure.

Impairment

Lundin Energy carries out impairment tests of individual cash-generating units when impairment triggers are identified. No impairment triggers were identified for 2020. Non-cash impairment costs amounted to MUSD — (MUSD 128.3) with the impairment costs in 2019 relating to certain licences in the Barents Sea of which future economic development is considered uncertain.

Capitalised borrowing costs

During 2020, MUSD 25.8 (MUSD 85.7) of capitalised interest costs were added to oil and gas properties and relate to Norwegian development projects. The interest rate for capitalised borrowing costs is calculated at the external facility borrowing rate of LIBOR plus a margin of between 1.6 percent to 2.5 percent.

Development expenditure commitments

The Group is contractually committed to development projects with a remaining commitment as at 31 December 2020 of approximately USD 1.5 billion (USD 2.0 billion), mainly relating to the Johan Sverdrup Phase 2 project and excluding the renewable power project.

Exploration and appraisal expenditure commitments

The Group participates in joint operations with third parties in oil and gas exploration and appraisal activities. The Group is contractually committed under various concession agreements to complete certain exploration and appraisal programmes. The commitments as at 31 December 2020 are estimated to be MUSD 149.2 (MUSD 107.0) of which third parties who are joint operations partners will contribute approximately MUSD 103.8 (MUSD 71.5) resulting in a net commitment of approximately MUSD 45.4 (MUSD 35.5).

Contracted drilling rigs commitments

The Group has entered into lease contracts for drilling. As the leases have not commenced yet as at 31 December 2020 or have a short-term nature, no lease liability is recognised in the balance sheet for these contracts as at 31 December 2020. The commitments under these contracts are estimated to be MUSD 204.5 (MUSD 290.7) of which third parties who are joint operations partners will contribute approximately MUSD 73.0 (MUSD 109.8). The net lease commitment of approximately MUSD 131.5 (MUSD 180.9) is already included in the above mentioned development and exploration and appraisal expenditure commitments as at 31 December 2020.

Note 10 Other Tangible Fixed Assets

MUSD	2020			2019		
	Real estate	Other	Total	Real estate	Other	Total
Cost						
1 January	51.2	33.7	84.9	10.6	32.0	42.6
Additions	—	2.3	2.3	41.0	2.0	43.0
Change in right of use asset	-0.8	—	-0.8	—	—	—
Currency translation difference	1.1	1.3	2.4	-0.4	-0.3	-0.7
31 December	51.5	37.3	88.8	51.2	33.7	84.9
Depreciation						
1 January	-5.5	-30.0	-35.5	-1.2	-27.8	-29.0
Depreciation charge for the year	-4.4	-2.5	-6.9	-4.3	-2.4	-6.7
Currency translation difference	-0.1	-1.1	-1.2	—	0.2	0.2
31 December	-10.0	-33.6	-43.6	-5.5	-30.0	-35.5
Net book value	41.5	3.7	45.2	45.7	3.7	49.4

Note 10 continued

The depreciation charge for the year is based on cost and an estimated useful life of three to five years for office equipment and other assets. Real estate is depreciated using an estimated useful life of 20 years and taking into account its residual value. Depreciation is included within the general, administration and depreciation line in the income statement. Real estate additions in the comparative period mainly relate to office premises that fall under IFRS16 which is depreciated based on the remaining contractual life of the office lease.

Note 11 Goodwill

MUSD	2020	2019
1 January	128.1	128.1
Change	—	—
31 December	128.1	128.1

The Group's goodwill arose from the acquisition of a further 15 percent interest in the Edvard Grieg field in 2016 and is tested for impairment at least annually. Impairment is recognised when the book value of an asset or a cash-generating unit, including associated goodwill, exceeds the recoverable amount. Impairment testing has been based on value in use. In the assessment Lundin Energy used a combination of the oil price forward curve at year end and the price deck as used by ERCE for the year-end 2020 reserves certification process as a basis for its price forecast, a future cost inflation factor of 2 percent (2 percent) per annum and a discount rate of 8 percent (8 percent) to calculate the future post-tax cash flows.

Note 12 Investments in Joint Ventures

	31 December 2020			31 December 2019
	Number of shares	Share %	Book amount MUSD	Book amount MUSD
Metsälamminkangas Wind Oy, Finland	1,250	50.0	53.8	—
Leikanger Kraft AS, Norway	289,000	50.0	56.8	—
			110.6	—

The 50 percent interest held in Metsälamminkangas Wind Oy relates to the wind farm project in Finland and the 50 percent interest held in Leikanger Kraft AS relates to the hydropower project in Norway.

Note 13 Financial Assets

MUSD	31 December 2020	31 December 2019
Contingent consideration	12.7	12.4
Associated companies	0.3	0.3
Other	0.5	1.6
	13.5	14.3

The sale of 2.6 percent of Johan Sverdrup in 2019 included a contingent consideration based on future reserve reclassifications and is due in 2026. This contingent consideration was fair valued by the Company and amounted to MUSD 12.4.

Note 13.1 Associated Companies

	31 December 2020			31 December 2019
	Number of shares	Share %	Book amount MUSD	Book amount MUSD
Johan Sverdrup Eiendom DA	N/A	20.0	0.3	0.3
			0.3	0.3

Note 14 Inventories

MUSD	31 December 2020	31 December 2019
Hydrocarbon inventories	17.4	6.1
Drilling equipment and consumable materials	41.7	34.6
	59.1	40.7

Hydrocarbon inventories included a cargo lifting on 31 December 2020 that was sold in early 2021.

Note 15 Trade and Other Receivables

MUSD	31 December 2020	31 December 2019
Non-current:		
Prepaid expenses and accrued income	17.3	–
	17.3	–
Current:		
Trade receivables	215.5	305.1
Underlift	5.7	2.0
Joint operations debtors	21.8	11.4
Prepaid expenses and accrued income	26.5	23.9
Other	9.1	7.1
	278.6	349.5
	295.9	349.5

Non-current trade and other receivables relates to prepayments with a long-term nature. Trade receivables relate mainly to hydrocarbon sales to a limited number of independent customers from whom there is no recent history of default. The trade receivables balance is current and the provision for bad debt is nil.

Note 16 Cash and Cash Equivalents

Cash and cash equivalents include only cash at hand or on bank. No short-term deposits are held as at 31 December 2020.

Note 17 Equity

Note 17.1 Share Capital and Share Premium

MUSD	Share capital			Additional paid in capital
	Number of shares	Par value MSEK	Par value MUSD	MUSD
1 January 2019	340,386,445	3.5	0.5	339.7
Share redemption	-54,461,831	-0.6	-0.1	–
Bonus issue (sw. fondemission)	–	0.6	0.1	–
Share based payments	–	–	–	-13.7
Movements	–	–	–	-13.7
31 December 2019	285,924,614	3.5	0.5	326.0
Issuance of treasury shares	–	–	–	7.3
Share based payments	–	–	–	-9.6
Movements	–	–	–	-2.3
31 December 2020	285,924,614	3.5	0.5	323.7

Included in the number of shares issued at 31 December 2020 are 1,573,143 shares (1,873,310 shares) which Lundin Energy holds in its own name. During 2017, Lundin Energy purchased 1,233,310 of its own shares at an average price of SEK 186.14 based on the approval granted at the AGM 2017. During 2018, Lundin Energy purchased an additional 640,000 of its own shares at an average price of SEK 186.77 based on the approval granted at the AGM 2018. During 2020, Lundin Energy used 300,167 of the purchased own shares for settlement of the 2017 performance based incentive plan resulting in 1,573,143 of its own shares held at the end of the year.

The EGM of Lundin Energy held on 31 July 2019 in Stockholm approved the redemption of 54,461,831 shares previously held by Equinor, amounting to 16 percent of the outstanding shares at a price of SEK 266.40 per share. The total number of shares in issue decreased because of the share redemption from 340,386,445 shares to 285,924,614 shares. The issued share capital includes a bonus issue (sw. fondemission) to restore the share capital of Lundin Energy to the same amount as immediately prior to the share redemption.

Note 17.2 Other Reserves

MUSD	Hedge reserve	Currency translation reserve	Total
1 January 2019	-74.4	-367.8	-442.2
Total comprehensive income	-82.5	29.0	-53.5
31 December 2019	-156.9	-338.8	-495.7
Total comprehensive income	-63.4	-210.1	-273.5
31 December 2020	-220.3	-548.9	-769.2

Note 17.3 Retained Earnings

MUSD	2020	2019
1 January	-1,429.6	-281.8
Net result for the year	384.2	824.9
Distributions	-284.1	-501.0
Share redemption	—	-1,476.9
Bonus issue (sw. fondemission)	—	-0.1
Value of employee services	5.4	5.3
31 December	-1,324.1	-1,429.6

The AGM of Lundin Energy held on 31 March 2020 in Stockholm approved a cash dividend distribution for the year 2019 of USD 1.00 per share, to be paid in quarterly instalments of USD 0.25 per share. Based on the number of shares outstanding, excluding own shares held by the Company, the dividend distribution amounted to MSEK 2,867.8, equaling MUSD 284.1 based on the exchange rate on the date of AGM approval. The first dividend payment was made on 7 April 2020, the second dividend payment was made on 8 July 2020, the third dividend payment was made on 7 October 2020 and the fourth dividend payment was made on 8 January 2021.

The AGM of Lundin Energy held on 29 March 2019 in Stockholm approved a cash dividend distribution for the year 2018 of USD 1.48 per share, to be paid in quarterly instalments of USD 0.37 per share. Based on the number of shares outstanding, excluding own shares held by the Company, the dividend distribution amounted to MSEK 4,638.7, equaling MUSD 501.0 based on the exchange rate on the date of AGM approval. The actual paid out dividend subsequently reduced to MUSD 460.7 following the redemption of 54,461,831 shares in August 2019. The first dividend payment was made on 5 April 2019, the second dividend payment was made on 8 July 2019, the third dividend payment was made on 7 October 2019 and the fourth dividend payment was made on 9 January 2020.

The EGM of Lundin Energy held on 31 July 2019 in Stockholm approved the redemption of 54,461,831 shares previously held by Equinor, amounting to 16 percent of the outstanding shares at a price of SEK 266.40 per share. The share redemption adjusted for outstanding dividends amounted to MSEK 14,124.2, equaling MUSD 1,476.9 based on the exchange rate on the date of EGM approval.

Note 17.4 Earnings Per Share

Earnings per share are calculated by dividing the net result attributable to shareholders of the Parent Company by the weighted average number of shares for the year.

	2020	2019
Net result attributable to shareholders of the Parent Company, MUSD	384.2	824.9
Weighted average number of shares for the year	284,177,604	315,833,140
Earnings per share, USD	1.35	2.61
Weighted average diluted number of shares for the year	284,830,491	316,551,300
Earnings per share fully diluted, USD	1.35	2.61

Note 17.5 Adjusted earnings Per Share

Adjusted earnings per share are calculated by dividing the adjusted net result attributable to shareholders of the Parent Company by the weighted average number of shares for the year. For the calculation of adjusted net result, reference is made to page 84.

	2020	2019
Adjusted net result attributable to shareholders of the Parent Company, MUSD	280.0	252.7
Weighted average number of shares for the year	284,177,604	315,833,140
Adjusted earnings per share, USD	0.99	0.80
Weighted average diluted number of shares for the year	284,830,491	316,551,300
Adjusted earnings per share fully diluted, USD	0.98	0.80

Note 18 Financial Liabilities

MUSD	31 December 2020	31 December 2019
Non-current:		
Bank loans	3,994.0	4,000.0
Capitalised financing fees	-37.1	-37.1
Capitalised loan modification gain	—	-105.6
Lease liabilities	27.0	31.1
	3,983.9	3,888.4
Current:		
Bank loans	—	92.0
Lease liabilities	5.7	5.5
Others	0.4	—
	6.1	97.5
	3,990.0	3,985.9

The short-term portion of the bank loans which is due within 1 year is classified as current liabilities.

Capitalised financing fees amounted to MUSD 37.1 (MUSD 37.1) and related to the establishment costs of the five year corporate facility of USD 5.0 billion entered into in December 2020. The capitalised financing fees in the comparative period related to the establishment costs of the reserve-based credit facility with the unamortised portion of these fees being expensed during 2020 following the successful refinancing in December 2020. The capitalised financing fees are being amortised over the duration of the facility.

Capitalised loan modification gain amounted to MUSD — (MUSD 105.6) and related to the re-negotiated improved borrowing terms for the reserve-based credit facility. The capitalised loan modification gain is being amortised over the duration of the facility with the remaining portion of the capitalised loan modification gain being expensed during 2020 following the successful refinancing in December 2020.

Lease liabilities relates to leased office premises with the short-term portion of the lease liabilities classified as current liabilities.

For further information, see Note 21.

Note 19 Provisions

MUSD	Site Restoration	LTIP	Pension provision	Other	Total
1 January 2020	571.4	9.4	1.2	2.0	584.0
Additions	19.9	4.3	0.1	—	24.3
Changes in estimates	5.0	—	—	-0.2	4.8
Payments	-57.9	-6.3	-0.1	-0.3	-64.6
Unwinding of discount	19.2	—	—	—	19.2
Currency translation difference	18.9	0.2	0.1	—	19.2
31 December 2020	576.5	7.6	1.3	1.5	586.9
Non-current	560.5	2.3	1.3	1.5	565.6
Current	16.0	5.3	—	—	21.3
Total	576.5	7.6	1.3	1.5	586.9

MUSD	Site Restoration	LTIP	Pension provision	Other	Total
1 January 2019	490.5	8.3	1.2	1.6	501.6
Additions	65.6	8.9	0.1	1.1	75.7
Changes in estimates	23.0	—	—	—	23.0
Disposals	-16.2	—	—	—	-16.2
Payments	-3.7	-7.7	-0.1	-0.6	-12.1
Unwinding of discount	17.9	—	—	—	17.9
Currency translation difference	-5.7	-0.1	—	-0.1	-5.9
31 December 2019	571.4	9.4	1.2	2.0	584.0
Non-current	522.2	2.7	1.2	2.0	528.1
Current	49.2	6.7	—	—	55.9
Total	571.4	9.4	1.2	2.0	584.0

Site Restoration provision

In calculating the present value of the site restoration provision, a pre-tax discount rate of 3.5 percent (3.5 percent) was used. The additions in 2020 mainly relate to the liability associated with Norwegian development projects. Based on the estimates used in calculating the site restoration provision as at 31 December 2020, approximately 75 percent of the total amount is expected to be settled after more than 15 years.

LTIP provision

For more information on the Group's LTIP, see Note 29.

Pension provision

In May 2002, the Compensation Committee recommended to the Board of Directors, and the Board of Directors approved, a pension to be paid to Adolf H. Lundin upon his resignation as Chairman of the Board of Directors and his appointment as Honorary Chairman. It was further agreed that upon the death of Adolf H. Lundin, the monthly payments would be paid to his wife, Eva Lundin, for the duration of her life.

Pension payments totalling an annual amount of TCHF 138 (TCHF 138) are payable to Eva Lundin. The Company may, at its option, buy out the obligation to make the pension payments through a lump sum payment in the amount of TCHF 1,800 (TCHF 1,800).

Note 20 Trade and Other Payables

MUSD	31 December 2020	31 December 2019
Trade payables	8.7	17.8
Overlift	1.6	0.9
Joint operations creditors and accrued expenses	151.3	133.6
Other accrued expenses	31.7	16.6
Other	9.2	8.5
	202.5	177.4

Note 21 Financial Assets and Liabilities

Financial assets and liabilities by category

The accounting policies for financial assets and liabilities have been applied to the line items below:

31 December 2020 MUSD	Total	Loan receivables and other receivables at amortised cost	Financial assets at amortised cost	Fair value recognised in profit/loss	Derivatives used for hedging
Contingent consideration	12.7	–	–	12.7	–
Other non-current financial assets	0.5	–	0.5	–	–
Derivative instruments	15.9	–	–	–	15.9
Joint operations debtors	21.8	21.8	–	–	–
Other current receivables ¹	224.6	224.6	–	–	–
Cash and cash equivalents	82.5	82.5	–	–	–
	358.0	328.9	0.5	12.7	15.9

31 December 2020 MUSD	Total	Other liabilities at amortised cost	Financial liabilities at amortised cost	Derivatives used for hedging
Financial liabilities	3,990.0	–	3,990.0	–
Derivative instruments	232.3	–	–	232.3
Joint operations creditors	151.3	151.3	–	–
Other current liabilities ²	462.3	462.3	–	–
	4,835.9	613.6	3,990.0	232.3

31 December 2019 MUSD	Total	Loan receivables and other receivables at amortised cost	Financial assets at amortised cost	Fair value recognised in profit/loss	Derivatives used for hedging
Contingent consideration	12.4	–	–	12.4	–
Other non-current financial assets	1.6	–	1.6	–	–
Derivative instruments	14.0	–	–	–	14.0
Joint operations debtors	11.4	11.4	–	–	–
Other current receivables ¹	312.2	312.2	–	–	–
Cash and cash equivalents	85.3	85.3	–	–	–
	436.9	408.9	1.6	12.4	14.0

31 December 2019 MUSD	Total	Other liabilities at amortised cost	Financial liabilities at amortised cost	Derivatives used for hedging
Financial liabilities	3,985.9	–	3,985.9	–
Derivative instruments	144.0	–	–	144.0
Joint operations creditors	133.6	133.6	–	–
Other current liabilities ²	369.6	369.6	–	–
	4,633.1	503.2	3,985.9	144.0

¹ Prepayments and underlift are not included in other current assets, as prepayments and underlift are not deemed to be financial instruments.

² Accruals and overlift are not included in other current liabilities, as accruals and overlift are not deemed to be financial instruments.

The fair value of loan receivables and other receivables is a fair approximation of the book value.

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

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

Note 21 continued

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

31 December 2020			
MUSD	Level 1	Level 2	Level 3
Assets			
Contingent consideration	—	—	12.7
Derivative instruments – non-current	—	3.8	—
Derivative instruments – current	—	12.1	—
	—	15.9	12.7
Liabilities			
Derivative instruments – non-current	—	144.7	—
Derivative instruments – current	—	87.6	—
	—	232.3	—

31 December 2019			
MUSD	Level 1	Level 2	Level 3
Assets			
Contingent consideration	—	—	12.4
Derivative instruments – non-current	—	2.7	—
Derivative instruments – current	—	11.3	—
	—	14.0	12.4
Liabilities			
Derivative instruments - non-current	—	110.8	—
Derivative instruments - current	—	33.2	—
	—	144.0	—

The outstanding derivative instruments can be specified as follows:

Fair value of outstanding derivative instruments in the balance sheet	31 December 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
MUSD				
Interest rate swap	15.9	46.2	0.2	66.7
Foreign currency contracts	—	186.1	13.8	77.3
Total	15.9	232.3	14.0	144.0
Non-current	3.8	144.7	2.7	110.8
Current	12.1	87.6	11.3	33.2
Total	15.9	232.3	14.0	144.0

The fair value of the interest rate swap is calculated using the forward interest rate curve applied to the outstanding portion of the swap transaction. The effective portion of the interest rate swap as at 31 December 2020 amounted to a net payable of MUSD 30.3 (MUSD 66.5). The fair value of the foreign currency contracts is calculated using the forward exchange rate curve applied to the outstanding foreign currency contracts. The effective portion of the foreign currency contracts as at 31 December 2020 amounted to a net payable of MUSD 186.1 (MUSD 63.5).

Note 22 Changes in Liabilities with Cash Flow Movements from Financing Activities

The changes in liabilities whose cash flow movements are disclosed as part of financing activities in the cash flow statement are as follows:

	At 1 January 2020	Cash flows	Non-cash changes			Foreign exchange movement	At 31 December 2020
			Amortisation of deferred financing fees	Unwinding of loan modification gain	Initial recognition lease under IFRS16		
Financial liabilities	3,985.9	-138.0	37.6	99.7	—	4.8	3,990.0

	At 1 January 2019	Cash flows	Non-cash changes			Foreign exchange movement	At 31 December 2019
			Amortisation of deferred financing fees	Unwinding of loan modification gain	Initial recognition lease under IFRS16		
Financial liabilities	3,262.0	623.6	19.7	41.5	40.5	-1.4	3,985.9

Note 23 Financial Risks, Sensitivity Analysis and Derivative Instruments

As an international oil and gas exploration and production company, Lundin Energy is exposed to financial risks such as currency risk, interest rate risk, credit risks, liquidity risks as well as the risk related to the fluctuation in the oil price. The Group seeks to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil price, interest rate and foreign exchange hedges. Lundin Energy uses financial instruments solely for the purpose of minimising risks in the Group's business.

For further information on risks in the financial reporting, see the section Internal Control over financial reporting in the Corporate Governance report on page 36 and Risk Management on pages 16 – 18.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to meet its committed work programme requirements in order to create shareholder value. The Group may put in place new credit facilities, repay debt, or other such restructuring activities as appropriate. Group management continuously monitors and manages the Group's net debt position in order to assess the requirement for changes to the capital structure to meet objectives and to maintain flexibility. Lundin Energy is not subject to any externally imposed capital requirements.

Lundin Energy monitors capital on the basis of net debt and financial agreements. Net debt is calculated as bank loans less cash and cash equivalents.

MUSD	31 December 2020	31 December 2019
Bank loans	3,994.0	4,092.0
Cash and cash equivalents	-82.5	-85.3
Net debt	3,911.5	4,006.7

The decrease in net debt compared to 2019 is mainly due to the positive free cash flow generated during 2020 partly offset by the paid dividends during 2020.

Interest rate risk

Interest rate risk is the risk to the earnings due to uncertain future interest rates.

Lundin Energy is exposed to interest rate risk through the corporate credit facility, see also Liquidity risk below. The interest rate for capitalised borrowing costs is calculated at the corporate credit facility borrowing rate of LIBOR plus a margin of approximately 1.6 percent per annum. The interest rate for capitalised borrowing costs up until refinancing in December 2020 was calculated at the reserve-based credit facility borrowing rate of LIBOR plus a margin of 2.25 percent to 2.5 percent per annum. Lundin Energy will assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the Group, then Lundin Energy may choose to enter into an interest rate hedge.

The total interest expense for 2020 amounted to MUSD 130.1 which included MUSD 25.8 of capitalised interest related to borrowings for the Group's development activities and also included MUSD 9.1 interest expenses in relation to the Idemitsu deal and 2019 taxes paid during the year in Norway. A 100 basis point increase in the interest rate would have resulted in a change in the total interest expense for the year of MUSD 5.8, taking into account the Group's interest rate hedges for 2020.

Note 23 continued

The Group has entered into interest rate hedging as follows:

Borrowings MUSD	Fixing of floating LIBOR Rate per annum	Settlement period
3,100	2.28%	Jan 2021 – Dec 2021
3,200	2.20%	Jan 2022 – Dec 2022
2,700	1.38%	Jan 2023 – Dec 2023
2,200	1.47%	Jan 2024 – Dec 2024
1,400	0.71%	Jan 2025 – Dec 2025
1,100	0.81%	Jan 2026 – Jun 2026

Currency risk

Lundin Energy is a Swedish company which is operating globally and therefore attracts substantial foreign exchange exposure, both on transactions as well as on the translation from functional currency for entities to the Group's presentational currency of the US Dollar. The main functional currencies of Lundin Energy's subsidiaries are Norwegian Krone (NOK) and Euro (EUR), as well as US Dollar, making Lundin Energy sensitive to fluctuations of these currencies against the US Dollar.

Transaction exposure

Lundin Energy's policy on currency rate hedging is, in case of currency exposure, to consider setting the rate of exchange for known costs in non-US Dollar currencies to US Dollars in advance so that future US Dollar cost levels can be forecasted with a reasonable degree of certainty. The Group will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge.

The Group has entered into derivative financial instruments to address its exposure for exchange rate fluctuations for capital expenditure amounts relating to its committed field development projects and Corporate and Special Petroleum Tax amounts as summarised in the table below.

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

Under IFRS 9, subject to hedge effectiveness testing, all of the hedges are treated as effective and changes to the fair value are reflected in other comprehensive income. At 31 December 2020, a net current payable of MUSD 75.5 (MUSD 21.9) and a net non-current payable of MUSD 140.9 (MUSD 108.1) have been recognised representing the fair value of the outstanding currency and interest rate hedges.

Foreign exchange exposure

The following table summarises the effect that a change in these currencies against the US Dollar would have on operating profit through the conversion of the income statements of the Group's subsidiaries from functional currency to the presentation currency US Dollar for the year ended 31 December 2020.

Sensitivity analysis foreign exchange exposure:

Operating result in the financial statements, MUSD		1,420.7	1,420.7
Shift of currency exchange rates	Average rate 2020	10% USD weakening	10% USD strengthening
EUR/USD	0.8762	0.7965	0.9638
SEK/USD	9.2092	8.3542	10.1086
NOK/USD	9.4146	8.4749	10.2546
Total effect on operating result, MUSD		-83.3	64.4

The foreign currency risk to the Group's income and equity from conversion exposure is not hedged.

As described in the Directors' report on page 11, the foreign exchange result in the income statement is mainly impacted by foreign exchange movements on the revaluation of the loan and working capital balances. A 10 percent strengthening in the US Dollar currency rate against the other Group currency rates would result in an additional, mainly non cash, MUSD 426.7 foreign exchange loss in the income statement.

The impact on the foreign exchange result from a change in the US Dollar currency compared to the other Group currencies is mainly due to the bank loan denominated in US Dollar.

Note 23 continued

Price of oil and gas

Price of oil and gas are affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, economic conditions, political instability or conflicts or actions by major oil exporting countries. Price fluctuations can affect Lundin Energy's financial position.

The table below summarises the effect that a change in the oil price would have had on the net result and equity at 31 December 2020.

Sensitivity analysis oil price exposure:

Net result in the financial statements, MUSD	384.2	384.2
Possible shift	-25%	25%
Total effect on net result, MUSD	-127.1	127.1

The impact on the net result from a change in oil price is reduced due to the 78 percent tax rate in Norway.

Lundin Energy's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances, Lundin Energy will assess the benefits of forward hedging monthly sales contracts for the purpose of establishing cash flow. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge.

For the year ended 31 December 2020, the Group did not enter into oil price hedging contracts and there are no oil price hedging contracts outstanding as at 31 December 2020. The Group did enter into some Dated Brent Differential derivatives contracts during the year.

Credit risk

Lundin Energy's policy is to limit credit risk by limiting the counter-parties to major banks and oil companies. Where it is determined that there is a credit risk for oil and gas sales, the policy is to require an irrevocable letter of credit for the full value of the sale. The policy on joint operations parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the joint operations partner's share of production for non-payment of cash calls or other amounts due.

As at 31 December 2020, the Group's trade receivables amounted to MUSD 215.5 (MUSD 305.1). There is no recent history of default and there are no expected losses. Other long-term and short-term receivables are considered recoverable and no provision for bad debt was accounted for as at 31 December 2020. Cash and cash equivalents are maintained with banks having strong long-term credit ratings.

Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. Group treasury is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks and related processes and policies are overseen by Group management.

In December 2020, Lundin Energy entered into a five year corporate facility of USD 5.0 billion. The facility is a combination of a five-year USD 1.5 billion revolving credit facility and USD 3.5 billion term loans, split across two, three, four and five year maturities. The facility has a weighted average interest rate margin over LIBOR of 1.6 percent which is 0.9 percentage points lower compared to the previous financing. The facility also includes the option to bring in additional commitments in an accordion option of up to USD 1 billion. In line with the Company's best in class environmental profile, ESG KPIs on carbon intensity and renewable electricity generation have been incorporated into the margin structure, providing further financial incentives for the delivery of the Decarbonisation Strategy and the 2025 carbon neutrality target. The structure of the Facility is such, that it is compatible with unsecured bond issuances through the debt capital markets at pari passu terms, which could be utilised at an appropriate time to diversify the Company's capital structure. The facility is secured by a pledge over the shares of Lundin Energy Norway AS, a pledge over the Company's working interest in some production licences and a charge over a bank account of the pledged company. The size of the facility will reduce from USD 5.0 billion to USD 4.5 billion as per 11 December 2022, to USD 3.5 billion as per 11 December 2023 and to USD 2.5 billion as per 11 December 2024 with a final maturity on 11 December 2025.

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

The Company received on 29 July 2020 its inaugural public credit rating from S&P Global Rating, with a rating of BBB- with a stable outlook.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The Group has further financial liabilities in relation to interest on the five year corporate credit facility of USD 5.0 billion. The size of these interest payments depends on the outstanding loan balance under facility and the applicable LIBOR rate.

Note 23 continued

MUSD	31 December 2020	31 December 2019
Non-current		
Repayment within 1 – 2 years:		
– Bank loans	–	1,500.0
– Lease liabilities	5.3	5.3
– Derivative instruments	88.8	85.4
Repayment within 2 – 5 years:		
– Bank loans	3,994.0	2,500.0
– Lease liabilities	14.6	14.5
– Derivative instruments	55.9	25.4
Repayment after 5 years:		
– Lease commitments	7.1	11.3
	4,165.7	4,141.9
Current		
Repayment within 6 months:		
– Lease liabilities	2.9	2.7
– Trade payables	8.7	17.8
– Others	0.4	–
– Tax liabilities	362.2	58.7
– Joint operations creditors	151.3	133.6
– Other current liabilities	9.2	8.5
– Derivative instruments	41.6	16.6
Repayment after 6 months:		
– Bank loans	–	92.0
– Lease liabilities	2.8	2.8
– Tax liabilities	82.2	284.6
– Derivative instruments	46.0	16.6
	707.3	633.9

Note 24 Pledged Assets

In December 2020, Lundin Energy entered into a five year corporate facility of USD 5.0 billion as mentioned in note 23. The facility is a combination of a five-year USD 1.5 billion revolving credit facility and USD 3.5 billion term loans, split across two, three, four and five year maturities. The facility is secured by a pledge over the shares of Lundin Energy Norway AS, a pledge over the Company's working interest in some production licences and a charge over a bank account of the pledged company.

Note 25 Contingent Liabilities and Assets

The Swedish Prosecution Authority issued a notification of a corporate fine and forfeiture of economic benefits against Lundin Energy in relation to past activities in Sudan from 1997 to 2003. The notification indicated that the Prosecutor might seek a corporate fine of MSEK 3 and forfeiture of economic benefits from the alleged offense in the amount of MSEK 3,282, based on the profit of the sale of the Block 5A asset in 2003 of MSEK 720. Any potential corporate fine or forfeiture would only be imposed after the conclusion of a trial, should one occur. The investigation is in its eleventh year and Lundin remains convinced that there are absolutely no grounds for any allegations of wrongdoing by any Company representative and the Company will firmly contest any corporate fine or forfeiture of economic benefits. The Company considers this to be a contingent liability and therefore no provision has been recognised.

As part of the IPC spin-off that was completed on 24 April 2017, the Company has indemnified IPC for certain legal proceedings related to the period before spin-off. The Company has not provided for any costs in relation hereto as per 31 December 2020 as it does not believe the proceedings will lead to any liability for the Company.

Note 26 Related Party Transactions

Lundin Energy recognises the following related parties: associated companies, jointly controlled entities, key management personnel and members of their close family or other parties that are partly, directly or indirectly, controlled by key management personnel or of its family or of any individual that controls, or has joint control or significant influence over the entity.

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

MUSD	2020	2019
Sale of oil and related products	—	107.3
Sale of services	3.8	4.0
Purchase of services	2.5	1.5
Interest income	0.5	0.2

Following the redemption of 16 percent of the outstanding Lundin Energy shares previously held by Equinor, as approved at the Extraordinary General Meeting of Lundin Energy held on 31 July 2019, the Equinor Group is no longer considered a related party. Until end July 2019, the Group has sold oil and related products to the Equinor group on an arm's-length basis amounting to MUSD 107.3.

The related party transactions include other parties that are controlled by key management personnel. Key management personnel include members of the Board of Directors and Group management. The remuneration to the Board of Directors and Group management is disclosed in Note 28.

Note 27 Average Number of Employees

Average number of employees per country	2020		2019	
	Total employees	of which men	Total employees	of which men
Parent Company in Sweden	4	2	5	2
Subsidiaries abroad				
Norway	405	296	389	285
Switzerland	45	29	41	25
Netherlands	2	2	2	2
Total subsidiaries abroad	452	327	432	312
Total	456	329	437	314

Board members and Group management	2020		2019	
	Total at year end	of which men	Total at year end	of which men
Parent Company in Sweden				
Board members ¹	8	5	8	5
Subsidiaries abroad				
Group management	7	6	8	6
Total Group	15	11	16	11

¹ Alex Schneider, Chief Executive Officer (CEO) and Board Member is only included in Group management.

Note 28 Remuneration to the Board of Directors, Group Management and Other Employees

Salaries, other remuneration and social security costs TUSD	2020		2019	
	Salaries and other remuneration	Social security costs	Salaries and other remuneration	Social security costs
Parent Company in Sweden				
Board members	575	146	654	125
Employees	689	354	646	339
Subsidiaries abroad				
Group management	16,355	2,273	15,187	1,959
Other employees	81,389	20,383	83,394	21,271
Total	99,008	23,156	99,881	23,694
of which pension costs		9,252		9,058

2020 Salaries and other remuneration for the Board members and Group management TUSD	Fixed Board remuneration/ base salary	Other benefits ¹	Short-term variable remuneration ²	Performance based incentive plan ³	Remuneration for Committee work	Remuneration for special assignments outside of directorship	Pension	Total 2020
Parent Company in Sweden								
Board members								
Ian H. Lundin	105	—	—	—	12	91	—	208
Peggy Bruzelius	50	—	—	—	16	—	—	66
C. Ashley Heppenstall	50	—	—	—	12	—	—	62
Lukas H. Lundin	50	—	—	—	—	—	—	50
Grace Reksten Skaugen	50	—	—	—	28	—	—	78
Jakob Thomasen	50	—	—	—	24	—	—	74
Cecilia Vieweg	50	—	—	—	16	—	—	66
Torstein Sanness	50	—	—	—	12	—	—	62
Total Board members	455⁴	—	—	—	120	91	—	666
Subsidiaries abroad								
Group management								
Alex Schneider	913	1,931	1,423	2,926	—	—	365	7,558
Nick Walker	668	83	623	1,665	—	—	179	3,218
Teitur Poulsen	536	45	688	1,087	—	—	159	2,515
Other ⁵	1,497	734	864	672	—	—	229	3,996
Total Group management	3,614	2,793	3,598	6,350	—	—	932	17,287

¹ Other benefits may include, but not limited to, severance and notice period payments, school fees and health insurance for Group management. The Board has decided that Alex Schneider on stepping down as President and CEO on 1 January 2021 will be eligible for one year's salary notice and one year's salary severance payments in accordance with the Policy on Remuneration.

² The Board determined that it was reasonable to recognise the excellent performance of Alex Schneider during a year which presented exceptional challenges, and equally the performance of Teitur Poulsen for his efforts in ensuring a successful refinancing of the existing reserve-based lending facility into a new corporate facilities agreement under the challenging circumstances, and awarded short-term variable remuneration beyond 12 months base salary.

³ Performance Based Incentive Plan 2017 and Unit Bonus Plan 2017, awarded in 2017 and vested in 2020.

⁴ Board remuneration is reported on a cash basis. The timing of board remuneration payments was changed during 2020 resulting in payment of ten months of board remuneration during the year.

⁵ Comprises Vice President Sustainability, Vice President Legal, Vice President Corporate Affairs, Vice President Investor Relations and Vice President Human Resources and Shared Services.

Note 28 continued

2019 Salaries and other remuneration for the Board members and Group management TUSD	Fixed Board remuneration/ base salary	Other benefits ¹	Short-term variable remuneration ²	Performance based incentive plan	Remuneration for Committee work	Remuneration for special assignments outside of directorship	Pension	Total 2019
Parent Company in Sweden								
Board members								
Ian H. Lundin	120	—	—	—	13	106	—	239
Peggy Bruzelius	57	—	—	—	19	—	—	76
C. Ashley Heppenstall	57	—	—	—	13	—	—	70
Lukas H. Lundin	57	—	—	—	—	—	—	57
Grace Reksten Skaugen	57	—	—	—	32	—	—	89
Jakob Thomasen	57	—	—	—	26	—	—	83
Cecilia Vieweg	57	—	—	—	19	—	—	76
Torstein Sanness	57	—	—	—	13	—	—	70
Total Board members	519	—	—	—	135	106	—	760
Subsidiaries abroad								
Group management								
Alex Schneider	798	30	927	4,464	—	—	173	6,392
Nick Walker	622	71	601	2,358	—	—	169	3,821
Other ³	2,065	316	1,554	1,381	—	—	372	5,688
Total Group management	3,485	417	3,082	8,203	—	—	714	15,901

¹ Other benefits may include, but not limited to, severance and notice period payments, school fees and health insurance for Group management.

² This column shows bonuses awarded for achievements in 2019, including a discretionary award to the CEO and some other members of Group management.

³ Comprises Chief Financial Officer, Vice President Corporate Responsibility, Vice President Legal, Vice President Corporate Affairs, Vice President Investor Relations and Vice President Human Resources and Shared Services.

Board members

There are no severance pay agreements in place for any non-executive directors and such directors are not eligible to participate in any of the Group's incentive programmes.

Group management

The pension contribution for Group management is between 15 percent and 18 percent of the qualifying income for pension purposes. The Company provides for 60 percent of the pension contribution and the employee for the remaining 40 percent. Qualifying income is defined as annual base salary and short-term variable remuneration and is capped at approximately TCHF 853 (TCHF 846). The typical contractual retirement age for men is 65 years and for women 64 years.

A mutual termination period of between three months and twelve months applies between the Company and Group management, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for executives that give rise to compensation, up to two years' base salary, in the event of termination of employment due to a change of control of the Company. The Board of Directors is further authorised, in individual cases, to approve severance arrangements, in addition to the notice periods and the severance arrangements in respect of a change of control of the Company, where employment is terminated by the Company without cause, or otherwise in circumstances at the discretion of the Board. Such severance arrangements may provide for the payment of up to one year's base salary; no other benefits shall be included. Severance payments in aggregate (i.e. for notice periods and severance arrangements) shall be limited to a maximum of two years' base salary.

See page 31 – 35 of the Corporate Governance report for further information on the Group's principles of remuneration and the Policy on Remuneration for the Group management for 2020.

Note 29 Long-term Incentive Plans

The Company maintains the long-term incentive plans (LTIP) described below.

Unit Bonus Plan

In 2008, Lundin Energy implemented an LTIP scheme consisting of a Unit Bonus Plan which provides for an annual grant of units that will lead to a cash payment at vesting. The LTIP has a three year duration whereby the initial grant of units vested equally in three tranches: one third after one year; one third after two years; and the final third after three years. The cash payment is conditional upon the holder of the units remaining an employee of the Group at the time of payment. The share price for determining the cash payment at the end of each vesting period will be the average of the Lundin Energy closing share price for the five trading days prior to and following the actual vesting date adjusted for any dividend payments between grant date and vesting date. The exercise price at vesting date 31 May 2020 was SEK 235.80.

LTIPs that follow the same principles as the 2008 LTIP have subsequently been implemented each year.

The following table shows the number of units issued under the LTIPs, the amount outstanding as at 31 December 2020 and the year in which the units will vest.

Unit Bonus Plan	Plan				Total
	2017	2018	2019	2020	
Outstanding at the beginning of the period	89,508	143,492	188,425	–	421,425
Awarded during the period	–	–	–	267,601	267,601
Forfeited during the period	-2,174	-3,716	-3,352	-864	-10,106
Exercised during the period	-87,334	-70,123	-61,889	–	-219,346
Outstanding at the end of the period	–	69,653	123,184	266,737	459,574
Vesting date					
31 May 2021	–	69,653	61,463	88,819	219,935
31 May 2022	–	–	61,721	88,819	150,540
31 May 2023	–	–	–	89,099	89,099
Outstanding at the end of the period	–	69,653	123,184	266,737	459,574

The costs associated with the Unit Bonus Plan are as given in the following table.

Unit Bonus Plan MUSD	2020	2019
2016	–	0.8
2017	-0.1	2.4
2018	0.5	3.4
2019	1.7	2.2
2020	2.3	–
	4.4	8.8

LTIP awards are recognised in the financial statements pro rata over their vesting period. The total carrying amount for the provision for the Unit Bonus Plan including social costs at 31 December 2020 amounted to MUSD 7.6 (MUSD 9.4). The provision is calculated based on Lundin Energy's share price at the balance sheet date. The closing share price at 31 December 2020 was SEK 222.30.

Performance Based Incentive Plan

The 2014–2020 AGMs resolved a long-term performance based incentive plan in respect of Group management and a number of key employees.

The 2020 plan is effective from 1 July 2020 and the 2020 award has been accounted for from the second half of 2020. The awards made in respect of 2020 vests over three years from 1 July 2020 subject to certain performance conditions being met. Each award was fair valued at the date of grant at SEK 147.10 using an option pricing model.

The 2019 plan is effective from 1 July 2019 and vests over three years from 1 July 2019 subject to certain performance conditions being met. Each award was fair valued at the date of grant at SEK 169.00 using an option pricing model.

The 2018 plan is effective from 1 July 2018 and vests over three years from 1 July 2018 subject to certain performance conditions being met. Each award was fair valued at the date of grant at SEK 167.10 using an option pricing model.

Note 29 continued

The 2017 plan was effective from 1 July 2017 and vested on 30 June 2020. Each original award was fair valued at the date of grant at SEK 100.10 using an option pricing model. Based on the performance conditions of the 2017 plan, the 2017 plan vested in full in 2020 with Lundin Energy's total shareholder return (TSR) ranking well above the upper quartile level as 2nd of 17 peers. The TSR movements of peers that were taken over were measured by the acquiring companies post acquisition.

The following table shows the number of units issued under the LTIPs, the amount outstanding as at 31 December 2020 and the year in which the awards will vest.

Performance Based Incentive Plan	Plan				Total
	2017	2018	2019	2020	
Outstanding at the beginning of the period	350,419	271,159	324,578	—	946,156
Awarded during the period	—	—	—	393,113	393,113
Increase due to dividends ¹	—	—	18,894	13,026	31,920
Forfeited during the period	-436	-11,104	-15,395	—	-26,935
Exercised during the period	-349,983	—	—	—	-349,983
Outstanding at the end of the period	—	260,055	328,077	406,139	994,271
End of performance period					
30 June 2021	—	260,055	—	—	260,055
30 June 2022	—	—	328,077	—	328,077
30 June 2023	—	—	—	406,139	406,139
Outstanding at the end of the period	—	260,055	328,077	406,139	994,271

¹ As from the 2019 plan, the number of performance shares are increased to reflect dividends. For the 2017 and 2018 plan, the dividend equivalent on vested shares is paid in cash at vesting.

The costs associated with the Performance Based Incentive Plan are as given in the following table.

Performance Based Incentive Plan MUSD	2020	2019
2016	—	0.6
2017	0.7	1.5
2018	1.7	1.7
2019	1.9	1.0
2020	1.1	—
	5.4	4.8

LTIP awards are recognised in the financial statements pro rata over their vesting period. The total effect on equity for the Performance Based Incentive Plan at 31 December 2020 amounted to MUSD 8.3 (MUSD 7.3). The effect on equity is calculated based on the fair value at date of grant.

Note 30 Remuneration to the Group's Auditors

TUSD	2020	2019
EY / PwC		
Audit fees	532	536
<i>Out of which to Ernst & Young</i>	480	–
<i>Out of which to PricewaterhouseCoopers</i>	52	536
Audit related	11	22
<i>Out of which to Ernst & Young</i>	11	–
<i>Out of which to PricewaterhouseCoopers</i>	–	22
Tax advisory services	5	6
<i>Out of which to Ernst & Young</i>	5	–
<i>Out of which to PricewaterhouseCoopers</i>	–	6
Other fees	90	90
<i>Out of which to Ernst & Young</i>	90	–
<i>Out of which to PricewaterhouseCoopers</i>	–	90
Total EY / PwC	638	654
<i>Out of which to Ernst & Young</i>	586	–
<i>Out of which to PricewaterhouseCoopers</i>	52	654
Remuneration to other auditors than Group's auditor	54	68
Total audit fees	692	722
<i>Out of which to Ernst & Young</i>	586	–
<i>Out of which to PricewaterhouseCoopers</i>	52	654

Lundin Energy changed its auditor as from 2020 replacing PricewaterhouseCoopers with Ernst & Young.

Audit fees include the review of the half year report. Audit related costs include special assignments such as licence audits and PSC audits. Other fees include the review of the sustainability report.

Note 31 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.

Annual Accounts of the Parent Company

Parent Company

The business of the Parent Company is investment in and management of oil and gas assets and renewable energy projects. The net result for the Parent Company amounted to MSEK 2,641.9 (MSEK 18,885.5) for the year. The net result for the year included MSEK 2,867.8 (MSEK 19,148.4) financial income as a result of received dividends from a subsidiary. The net result excluding received dividends amounted to MSEK -225.9 (MSEK -262.9).

The net result included general and administrative expenses of MSEK 240.1 (MSEK 248.1) and net finance expenses of MSEK 5.3 (MSEK 33.7) when excluding the received dividends as mentioned above.

The Swedish Prosecution Authority issued a notification of a corporate fine and forfeiture of economic benefits against Lundin Energy in relation to past activities in Sudan from 1997 to 2003. The notification indicated that the Prosecutor might seek a corporate fine of MSEK 3 and forfeiture of economic benefits from the alleged offense in the amount of MSEK 3,282, based on the profit of the sale of the Block 5A asset in 2003 of MSEK 720. Any potential corporate fine or forfeiture would only be imposed after the conclusion of a trial, should one occur. The investigation is in its eleventh year and Lundin Energy remains convinced that there are absolutely no grounds for any allegations of wrongdoing by any Company representative and the Company will firmly contest any corporate fine or forfeiture of economic benefits. The Company considers this to be a contingent liability and therefore no provision has been recognised.

Accounting Policies

The financial statements of the Parent Company are prepared in accordance with accounting policies generally accepted in Sweden, applying RFR 2 issued by the Swedish Financial Reporting Board and the Annual Accounts Act (1995: 1554). RFR 2 requires the Parent Company to use similar accounting policies as for the Group, i.e. IFRS to the extent allowed by RFR 2. The Parent Company's accounting policies do not in any material respect deviate from the Group policies, see pages 44 – 49.

Parent Company Income Statement

for the Financial Year Ended 31 December

Expressed in MSEK	Note	2020	2019
Revenue		19.5	18.9
General and administration expenses		-240.1	-248.1
Operating loss		-220.6	-229.2
Result from financial investments			
Finance income	1	2,867.8	19,148.5
Finance cost	2	-5.3	-33.8
		2,862.5	19,114.7
Profit before tax		2,641.9	18,885.5
Income tax	3	—	—
Net result		2,641.9	18,885.5

Parent Company Comprehensive Income Statement

for the Financial Year Ended 31 December

Expressed in MSEK	2020	2019
Net result	2,641.9	18,885.5
Other comprehensive income	—	—
Total comprehensive income	2,641.9	18,885.5
Attributable to:		
Shareholders of the Parent Company	2,641.9	18,885.5
	2,641.9	18,885.5

Parent Company Balance Sheet

for the Financial Year Ended 31 December

Expressed in MSEK	Note	2020	2019
ASSETS			
Non-current assets			
Shares in subsidiaries	8	55,118.9	55,118.9
Other tangible fixed assets		0.5	0.4
Total non-current assets		55,119.4	55,119.3
Current assets			
Prepaid expenses and accrued income		1.0	2.4
Other receivables	4	567.5	1,105.0
Cash and cash equivalents		26.6	31.7
Total current assets		595.1	1,139.1
TOTAL ASSETS		55,714.5	56,258.4
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		3.5	3.5
Statutory reserve		861.3	861.3
Total restricted equity		864.8	864.8
Unrestricted equity			
Other reserves		6,542.8	6,479.7
Retained earnings		45,030.5	29,012.8
Net result		2,641.9	18,885.5
Total unrestricted equity		54,215.2	54,378.0
Total equity		55,080.0	55,242.8
Non-current liabilities			
Provisions		0.9	1.0
Total non-current liabilities		0.9	1.0
Current liabilities			
Dividends		591.5	985.7
Payables to Group companies		30.2	0.3
Accrued expenses and prepaid income	5	11.1	27.5
Other liabilities		0.8	1.1
Total current liabilities		633.6	1,014.6
TOTAL EQUITY AND LIABILITIES		55,714.5	56,258.4

Parent Company Statement of Cash Flow

for the Financial Year Ended 31 December

Expressed in MSEK	2020	2019
Cash flow from operating activities		
Net result	2,641.9	18,885.5
Adjustment for		
Foreign currency exchange loss	5.1	0.2
Dividends from subsidiary	-717.0	-1,159.5
Other	0.9	1.4
Changes in working capital:		
Changes in current assets	1,032.8	137.9
Changes in current liabilities	-25.5	-4.9
Total cash flow from operating activities	2,938.2	17,860.6
Cash flow from investing activities		
Investments in other fixed assets	-0.2	-0.1
Total cash flow from investing activities	-0.2	-0.1
Cash flow from financing activities		
Dividends paid	-3,003.1	-3,347.6
Share redemption	—	-14,510.3
Issuance of treasury shares	63.1	—
Total cash flow from financing activities	-2,940.0	-17,857.9
Change in cash and cash equivalents	-2.0	2.6
Cash and cash equivalents at the beginning of the year	31.7	29.5
Currency exchange difference in cash and cash equivalents	-3.1	-0.4
Cash and cash equivalents at the end of the year	26.6	31.7

Parent Company Statement of Changes in Equity

for the Financial Year Ended 31 December

Expressed in MSEK	Restricted Equity		Unrestricted Equity			Total equity
	Share capital	Statutory reserve	Other reserves	Retained earnings	Total	
Balance at 1 January 2019	3.5	861.3	6,479.7	47,776.3	54,256.0	55,120.8
Total comprehensive income	—	—	—	18,885.5	18,885.5	18,885.5
Transactions with owners						
Cash distributions	—	—	—	-4,638.7	-4,638.7	-4,638.7
Share redemption	-0.6	—	—	-14,124.2	-14,124.2	-14,124.8
Bonus issue (sw. fondemission)	0.6	—	—	-0.6	-0.6	—
Total transactions with owners	—	—	—	-18,763.5	-18,763.5	-18,763.5
Balance at 31 December 2019	3.5	861.3	6,479.7	47,898.3	54,378.0	55,242.8
Total comprehensive income	—	—	—	2,641.9	2,641.9	2,641.9
Transactions with owners						
Cash distributions	—	—	—	-2,867.8	-2,867.8	-2,867.8
Issuance of treasury shares	—	—	63.1	—	63.1	63.1
Total transactions with owners	—	—	63.1	-2,867.8	-2,804.7	-2,804.7
Balance at 31 December 2020	3.5	861.3	6,542.8	47,672.4	54,215.2	55,080.0

Notes to the Financial Statements of the Parent Company

Note 1 Finance Income

MSEK	2020	2019
Dividend	2,867.8	19,148.4
Interest income	—	0.1
Foreign exchange gain	—	—
	2,867.8	19,148.5

Note 2 Finance Costs

MSEK	2020	2019
Interest expenses	—	0.2
Foreign exchange loss	5.1	0.2
Other	0.2	33.4
	5.3	33.8

Note 3 Income Tax

MSEK	2020	2019
Net result before tax	2,641.9	18,885.5
Tax calculated at the corporate tax rate in Sweden 21.4% (21.4%)	-565.4	-4,041.5
Tax effect of received dividend	613.7	4,097.8
Tax effect of expenses non-deductible for tax purposes	-4.4	-4.3
Increase unrecorded tax losses	-43.9	-52.0
	—	—

Note 4 Other Receivables

MSEK	31 December 2020	31 December 2019
Due from Group companies	564.7	1,101.3
VAT receivable	2.1	1.7
Other	0.7	2.0
	567.5	1,105.0

Note 5 Accrued Expenses and Prepaid Income

MSEK	31 December 2020	31 December 2019
Social security costs	1.4	1.7
Directors fees	1.7	0.6
Audit fees	1.0	1.4
Outside services	7.0	23.8
	11.1	27.5

Note 6 Remuneration to the Auditor

MSEK	2020	2019
EY / PwC		
Audit fees	1.4	1.8
Audit related	—	—
Other fees	0.5	0.7
	1.9	2.5

Lundin Energy changed its auditor as from 2020 replacing PricewaterhouseCoopers with Ernst & Young. There has been no remuneration to any auditors other than PricewaterhouseCoopers and Ernst & Young.

Note 7 Proposed Disposition of Unappropriated Earnings

The 2021 Annual General Meeting has an unrestricted equity at its disposal of MSEK 54,215.2, including the net result for the year of MSEK 2,641.9.

In accordance with the dividend policy, the Board of Directors propose that the Annual General Meeting resolves on a dividend for 2020 of USD 1.80 per share, corresponding to USD 512 million (rounded off), to be paid in quarterly instalments of USD 0.45 per share, corresponding to USD 128 million (rounded off). Before payment, each quarterly dividend of USD 0.45 per share shall be converted into a SEK amount, and paid out in SEK, based on the USD to SEK exchange rate published by Sweden's central bank (Riksbanken) four business days prior to each record date (rounded off to the nearest whole SEK 0.01 per share). The final USD equivalent amount received by the shareholders may therefore slightly differ depending on what the USD to SEK exchange rate is on the date of the dividend payment. The SEK amount per share to be distributed each quarter will be announced in a press release four business days prior to each record date.

The first dividend payment is expected to be paid around 8 April 2021, with an expected record date of 1 April 2021 and expected ex-dividend date of 31 March 2021. The second dividend payment is expected to be paid around 7 July 2021, with an expected record date of 2 July 2021 and expected ex-dividend date of 1 July 2021. The third dividend payment is expected to be paid around 7 October 2021, with an expected record date of 4 October 2021 and an expected ex-dividend date of 1 October 2021. The fourth dividend payment is expected to be paid around 11 January 2022, with an expected record date of 5 January 2022 and an expected ex-dividend date of 4 January 2022.

In order to comply with Swedish company law, a maximum total SEK amount shall be pre-determined to ensure that the dividend distributed does not exceed the available distributable reserves of the Company and such maximum amount for the 2020 dividend has been set to a cap of SEK 7.636 billion (i.e., SEK 1.909 billion per quarter). If the total dividend would exceed the cap of SEK 7.636 billion, the dividend will be automatically adjusted downwards so that the total dividend corresponds to the cap of SEK 7.636 billion.

Note 7 continued

Based on the above, the Board of Directors propose that the Annual General Meeting dispose of the unrestricted equity as follows:

MSEK	
The Board of Directors proposes that the shareholders are paid a dividend of USD 1.80 per share ¹	4,236.6
Brought forward	49,978.6
Unrestricted equity	<u>54,215.2</u>

¹ The amount is based on the USD to SEK exchange rate published by Sweden's central bank (Riksbanken) as at 24 February 2021. The amount is based on the number of shares in circulation on 24 February 2021 and the total dividend amount may change by the record dates as a result of repurchases of own shares or as a result of issue of new shares. The dividend is USD denominated, fluctuations in the USD to SEK exchange rate between 24 February 2021 and approval of the dividend proposal by the Annual General Meeting will have an impact on the total dividend amount reported in SEK. If the dividend proposal is approved by the Annual General Meeting, the dividend will be recorded as a liability in USD on the date of the Annual General Meeting and the SEK equivalent of the USD liability will fluctuate until the fourth tranche is converted from USD to SEK.

Based on a comprehensive review of the financial position of the Company and the Group as a whole, as well as the proposed authorisation to repurchase shares, the Board of Directors is of the opinion that the proposed dividend is justifiable in view of the requirements that the nature and scope of, and risks involved in the Company's operations, place on the size of the Company's and Group's equity, as well as their consolidation needs, liquidity and position in other respects. The Board of Directors considered that there is negative equity at Group level, however such equity is based on historical accounting determinations of book value, depreciations and foreign exchange results, and does not take into account the fair market value of the assets held by the Group. The Board of Directors' full statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act is available on www.lundin-energy.com.

Note 8 Shares in Subsidiaries

MSEK	Registration number	Registered office	Total number of shares issued	Percentage owned	Nominal value per share	Book amount 31 Dec 2020
Directly owned						
Lundin Energy Holding BV	68246226	The Hague, Netherlands	100	100	EUR 1.00	<u>55,118.9</u>
Indirectly owned						
Lundin Energy Norway AS	986 209 409	Lysaker, Norway	4,930,000	100	NOK 100.00	
Lundin Energy Marketing SA	660.6.133.015-6	Collonge-Bellerive, Switzerland	1,000	100	CHF 100.00	
Lundin Energy SA	660.0.330.999-0	Collonge-Bellerive, Switzerland	1,000	100	CHF 100.00	
Lundin Energy Renewables Holding BV	76493202	The Hague, Netherlands	100	100	EUR 1.00	
- Lundin Energy MLK BV	77530004	The Hague, Netherlands	100	100	EUR 1.00	
Lundin Energy Services BV	68359985	The Hague, Netherlands	100	100	EUR 1.00	
Lundin Russia BV	27290574	The Hague, Netherlands	18,000	100	EUR 1.00	
- Lundin Russia Ltd.	656565-4	Vancouver, Canada	55,855,414	100	CAD 1.00	

Board Assurance

As at 1 March 2021, the Board of Directors and the President of Lundin Energy AB have adopted this annual report for the financial year ended 31 December 2020.

Board Assurance

The Board of Directors and the President & CEO certify that the annual financial report for the Parent Company has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the financial position and profit of the Company and the Group and provides a fair review of the performance of the Group's and Parent Company's business, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, 1 March 2021

Lundin Energy AB (publ) Reg. Nr. 556610-8055

Ian H. Lundin
Chairman of the Board

Nick Walker
President and CEO

Alex Schneider
Board Member

Peggy Bruzelius
Board Member

C. Ashley Heppenstall
Board Member

Lukas H. Lundin
Board Member

Torstein Sanness
Board Member

Grace Reksten Skaugen
Board Member

Jakob Thomasen
Board Member

Cecilia Vieweg
Board Member

Our audit report was issued on 1 March 2021

Ernst & Young AB

Anders Kriström
Authorised Public Accountant
Lead Partner

Auditor's Report

To the general meeting of the shareholders of Lundin Energy AB (publ), corporate identity number 556610-8055

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Lundin Energy AB (publ) except for the corporate governance statement on pages 19–36 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 4–79 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 19–36. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recoverable amounts of oil and gas properties and goodwill

Description

Oil and gas properties represent a significant part of the Company's assets and amounted to USD 5,902.4 million as of 31 December 2020. Goodwill amounted to USD 128.1 million as of December 31, 2020. Oil and gas properties and goodwill are tested for impairment when impairment indicators are identified. Goodwill is tested for impairment at least annually.

As disclosed in the Accounting Policies and note 9 and note 11 to the consolidated financial statements, assessing the recoverable amounts of the assets involves significant judgement. When estimating the recoverable amount, the expected cash flow approach is applied. The estimates of recoverable amounts are prepared for each cash generating unit. The individual fields or fields with shared infrastructure represent the cash generating units for producing assets and assets under development, while for capitalized exploration and appraisal expenditure the cash generating unit is the field cost pool or the individual exploration well. The assumptions used in forecasting future cash flows include assessing the cash generating units, future price assumptions, future expected production volumes and capital and operating expenses and discount rates. These critical assumptions are judgmental and forward-looking and may be influenced by future market developments and economic developments.

We therefore consider management's impairment indicator assessment and the impairment test of oil and gas properties and goodwill to be a key audit matter given the significance of the accounts on the balance sheet and the complexity and uncertainty of the estimates and assumptions used by management in the cash flow models.

How our audit addressed this key audit matter

We have obtained an understanding of the Company's process, evaluated the design and tested the operating effectiveness of controls regarding the assessment of impairment indicators and the estimation of recoverable amounts of oil and gas properties and goodwill. We have further evaluated management's methodology; assessment of cash generating units and tested the clerical accuracy of the models used and assessed the reasonableness of the discount rates applied. We involved valuation specialists in this assessment.

To assess the inputs to the discounted cash flow models we evaluated management's methodology to determine future commodity prices and compared such assumptions to analysts' forecasts and those applied by other international oil companies; compared reserve volumes to external verifications of expected reserves; and compared the capital and operating expenditure profiles to prior period profiles. For capitalized exploration and appraisal expenditure we have in addition evaluated the conditions for continued capitalization by assessing management's future plans and commitments and considered available corroborative information.

We have assessed the appropriateness of the information provided in the annual report relating to oil and gas properties and goodwill. For information see accounting principles, note 9 and note 11.

Accounting for current and deferred income tax

Description	How our audit addressed this key audit matter
<p>For the year ended 31 December 2020 the Company's income tax expense amounted to USD 890.1 million. As of 31 December 2020, the Company has recognized a deferred tax liability of USD 2 893.9 million and a current tax liability of USD 444.4 million. The income tax expense and the tax liabilities are primarily related to the Norwegian subsidiary Lundin Energy Norway AS which is subject to the Norwegian Petroleum Tax Act. Refer to Accounting Policies note and note 7 to the consolidated financial statements. The Norwegian Petroleum Tax Act is complex in nature and application of the tax regulations leads to complexity in the calculation of current and deferred tax. Given the tax rate of 78% for petroleum activities in Norway the income tax amounts involved are significant.</p> <p>We consider the calculation of current and deferred income tax to be a key audit matter given the complexity in the tax calculations and the significance of the related accounts.</p>	<p>We have obtained an understanding of the Company's process, evaluated the design and tested the operating effectiveness of controls over the income tax calculation. We have further tested the clerical accuracy of the tax calculation model. We agreed the book and tax bases to accounting records and tax returns, we tested the effective tax rate calculation and assessed application of tax regulations. Uncertain tax positions were investigated by inspecting correspondence with tax authorities and assessing the compliance with tax regulations. We involved our tax specialists in our audit procedures.</p> <p>We have assessed the appropriateness of the information provided in the annual report relating to income tax. For information see note 7.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–3 and 83–93. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, 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 the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Lundin Energy AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other matters

The audit of the annual accounts for 2019 was performed by another auditor who submitted an auditor's report dated 2 March 2020, with unmodified opinions in the Report on the annual accounts.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 19–36 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, P.O Box 7850 103 99 Stockholm, was appointed auditor of Lundin Energy AB (publ) by the general meeting of the shareholders on the 31 March 2020 and has been the company's auditor since 2020.

Stockholm 1 March, 2021

Ernst & Young AB

Anders Kriström
Authorized Public Accountant

Key Financial Data

Lundin Energy discloses alternative performance measures as part of its financial statements prepared in accordance with ESMA's (European Securities and Markets Authority) guidelines. Lundin Energy believes that the alternative performance measures provide useful supplement information to management, investors, security analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Lundin Energy's business operations and to improve comparability between periods. Relevant reconciliations of alternative performance measures are provided on page 84. Definitions of the performance measures are provided under the key ratio definitions below.

Financial data from continuing operations MUSD	2020	2019	2018	2017	2016
Revenue and other income	2,564.4	2,948.7	2,640.7	1,997.0	950.0
Operating cash flow ¹	1,657.6	1,537.1	1,864.1	1,530.0	857.9
CFFO	1,528.0	1,378.2	1,718.3	1,299.3	668.7
EBITDAX ¹	2,140.2	1,918.4	1,932.5	1,501.5	752.5
Free cash flow	448.2	1,271.7	663.0	203.7	-328.2
Net result	384.2	824.9	225.7	380.9	-399.3
Adjusted net result	280.0	252.7	295.3	156.5	28.6
Net debt	3,911.5	4,006.7	3,398.2	3,883.6	4,075.5
Data per share from continuing operations USD					
Shareholders' equity per share	-6.22	-5.63	-1.13	-1.03	-0.70
Operating cash flow per share ¹	5.83	4.87	5.51	4.50	2.63
CFFO per share	5.38	4.36	5.07	3.82	2.05
EBITDAX per share ¹	7.53	6.07	5.71	4.41	2.31
Free cash flow per share	1.58	4.03	1.96	0.60	-1.01
Earnings per share	1.35	2.61	0.67	1.13	-0.79
Earnings per share fully diluted	1.35	2.61	0.66	1.13	-0.79
Adjusted earnings per share	0.99	0.80	0.87	0.46	0.09
Adjusted earnings per share fully diluted	0.98	0.80	0.87	0.46	0.09
Dividend per share ²	1.12	1.11	0.45	1.21	—
Number of shares issued at year end	285,924,614	285,924,614	340,386,445	340,386,445	340,386,445
Number of shares in circulation at year end	284,351,471	284,051,304	338,513,135	339,153,135	340,386,445
Weighted average number of shares for the year	284,177,604	315,833,140	338,592,250	340,237,772	325,808,486
Weighted average number of shares for the year fully diluted	284,830,491	316,551,300	339,513,634	341,380,316	326,738,233
Share price					
Share price in SEK	222.30	318.30	221.40	187.80	198.10
Share price in USD ³	27.19	34.23	24.72	22.88	21.86
Key ratios from continuing operations (%)					
Return on equity ⁴	—	—	—	—	—
Return on capital employed	22	35	28	16	-9
Net debt/equity ratio ⁴	—	—	—	—	—
Net debt/EBITDAX ratio ¹	1.8	2.1	1.8	2.6	5.4
Equity ratio	-27	-26	-7	-6	-17
Share of risk capital	17	13	29	17	-3
Interest coverage ratio	8	20	17	6	-2
Operating cash flow/interest ratio ¹	11	16	21	12	5
Yield	4	3	2	5	n/a

¹ Excludes the reported after tax accounting gain of MUSD 756.7 in 2019 on the divestment of a 2.6 percent working interest in the Johan Sverdrup project and excludes the reported after tax accounting loss of MUSD 14.4 in 2017 on the divestment of a 39 percent working interest in the Brynhild field.

² Dividend per share represents the actual paid out dividend per share.

³ Share price at period end in USD is calculated based on quoted share price in SEK and applicable SEK/USD exchange rate as per period end.

⁴ As the equity at 31 December 2020, 31 December 2019, 31 December 2018, 31 December 2017 and 31 December 2016 is negative, these ratios have not been calculated.

Relevant Reconciliations of Alternative Performance Measures

EBITDAX MUSD	2020	2019	2018	2017	2016
Operating profit	1,420.7	1,970.7	1,418.7	812.4	-244.7
Minus: gain from sale of assets	—	-756.7	—	—	—
Add: depletion of oil and gas properties	607.7	443.8	458.0	568.4	386.2
Add: exploration costs	104.9	125.6	53.2	73.1	101.9
Add: impairment costs of oil and gas properties	—	128.3	—	30.6	506.1
Add: loss from sale of assets	—	—	—	14.4	—
Add: depreciation of other tangible assets	6.9	6.7	2.6	2.6	3.0
EBITDAX	2,140.2	1,918.4	1,932.5	1,501.5	752.5
Operating cash flow					
MUSD					
Revenue and other income	2,564.4	2,948.7	2,640.7	1,997.0	950.0
Minus: gain from sale of assets	—	-756.7	—	—	—
Minus: production costs	-177.2	-164.8	-152.4	-164.2	-168.4
Minus: purchase of crude oil from third parties	-217.8	-84.3	-533.8	-303.3	-2.1
Minus: current taxes	-511.8	-405.8	-90.4	0.5	78.4
Operating cash flow	1,657.6	1,537.1	1,864.1	1,530.0	857.9
Free cash flow					
MUSD					
Cash flows from operating activities (CFFO)	1,528.0	1,378.2	1,718.3	1,299.3	668.7
Minus: cash flows from investing activities	-1,079.8	-106.5	-1,055.3	-1,095.6	-996.9
Free cash flow	448.2	1,271.7	663.0	203.7	-328.2
Adjusted net result					
MUSD					
Net result	384.2	824.9	225.7	380.9	-399.3
Adjusted for gain or loss from sale of assets	—	-756.7	—	14.4	—
Adjusted for impairment costs of oil and gas properties	—	128.3	—	30.6	506.1
Adjusted for impairment of other shares	—	—	—	11.2	—
Adjusted for loan modification gain	—	—	-183.7	—	—
Adjusted for unwinding of loan modification gain	99.7	41.5	26.1	—	—
Adjusted for foreign currency exchange gain or loss	-171.0	131.7	164.9	-255.3	4.2
Adjusted for tax effects of above mentioned items	-32.9	-117.0	62.3	-25.3	-82.4
Adjusted net result	280.0	252.7	295.3	156.5	28.6
Net debt					
MUSD					
Bank loans	3,994.0	4,092.0	3,465.0	3,955.0	4,145.0
Minus: cash and cash equivalents	-82.5	-85.3	-66.8	-71.4	-69.5
Net debt	3,911.5	4,006.7	3,398.2	3,883.6	4,075.5

Key Ratio Definitions

Adjusted earnings per share: Adjusted net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year.

Adjusted earnings per share fully diluted: Adjusted net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year after considering any dilution effect.

Adjusted net result: Net result adjusted for the following items:

- **Gain or loss from sale of assets** is adjusted since the gain or loss does not give an indication of future or periodic performance.
- **Impairment and reversal of impairment** is adjusted since this affects the economics of an asset for the lifetime of that asset, not only the period in which it is impaired or the impairment is reversed.
- **Other items of income and expenses** are adjusted when the impact on net result in the period is not reflective of the company's underlying performance in the period. Such items may be unusual or infrequent transactions but they may also include transactions that are significant which would not necessarily qualify as either unusual or infrequent.
- **Foreign currency exchange gain or loss** is adjusted since the gain or loss does not give an indication of future or periodic performance as currency exchange rates change between periods.
- **Tax effects** of the above mentioned adjustments to net result

CFFO per share: Cash flow from operating activities (CFFO) divided by the weighted average number of shares for the year.

Dividend per share: Paid out dividends per share for the year.

Earnings per share: Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year.

Earnings per share fully diluted: Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year after considering any dilution effect.

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

EBITDAX per share: EBITDAX divided by the weighted average number of shares for the year.

Equity ratio: Total equity divided by the balance sheet total.

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

Free cash flow per share: Free cash flow divided by the weighted average number of shares for the year.

Interest coverage ratio: Result after financial items plus interest expenses plus/less currency exchange differences on financial loans divided by interest expenses.

Net debt: Bank loan less cash and cash equivalents.

Net debt/EBITDAX ratio: Bank loan less cash and cash equivalents divided by EBITDAX of the last four quarters.

Net debt/equity ratio: Bank loan less cash and cash equivalents divided by shareholders' equity.

Operating cash flow: Revenue and other income less production costs less purchase of crude oil from third parties less current taxes and less gain on sale of assets.

Operating cash flow per share: Operating cash flow divided by the weighted average number of shares for the year.

Operating cash flow/interest ratio: Operating cash flow divided by the interest expense for the year.

Return on capital employed: Income before tax plus interest expenses plus/less currency exchange differences on financial loans divided by the average capital employed (the average balance sheet total less current liabilities).

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

Shareholders' equity per share: Shareholders' equity divided by the number of shares in circulation at year end.

Share of risk capital: The sum of the total equity and the deferred tax provision divided by the balance sheet total.

Weighted average number of shares for the year: The number of shares at the beginning of the year with changes in the number of shares weighted for the proportion of the year they are in issue.

Weighted average number of shares for the year fully diluted: The number of shares at the beginning of the year with changes in the number of shares weighted for the proportion of the year they are in issue after considering any dilution effect.

Yield: Dividend per share in relation to quoted share price at the end of the year.

Five Year Financial Data

Income statement summary¹					
MUSD	2020	2019	2018	2017	2016
Revenue from own production	2,311.7	2,074.3	2,071.8	1,654.8	973.8
Revenue from third party activities	221.5	84.3	536.1	303.5	2.1
Gain from sale of assets	—	756.7	—	—	—
Other income	31.2	33.4	32.8	38.7	-25.9
Production costs	-177.2	-164.8	-152.4	-164.2	-168.4
Depletion and decommissioning costs	-607.7	-443.8	-458.0	-567.3	-386.2
Exploration costs	-104.9	-125.6	-53.2	-73.1	-101.9
Impairment costs of oil and gas properties	—	-128.3	—	-30.6	-506.1
Loss from sale of assets	—	—	—	-14.4	—
Other cost of sales	-217.8	-84.3	-533.8	-303.3	-2.1
Gross profit/loss	1,456.8	2,001.9	1,443.3	844.1	-214.7
General, administration and depreciation expenses	-36.1	-31.2	-24.6	-31.7	-30.0
Operating profit/loss	1,420.7	1,970.7	1,418.7	812.4	-244.7
Net financial items	-146.3	-295.0	-153.2	70.1	-218.8
Share in result of joint ventures and associated company	-0.1	-1.8	-1.3	-0.4	—
Profit/loss before tax	1,274.3	1,673.9	1,264.2	882.1	-463.5
Income tax	-890.1	-849.0	-1,038.5	-501.2	64.2
Net result from continuing operations	384.2	824.9	225.7	380.9	-399.3
Net result from discontinued operations	—	—	—	46.5	-100.0
Net result	384.2	824.9	225.7	427.4	-499.3
Net result attributable to the shareholders of the Parent Company:	384.2	824.9	225.7	431.2	-356.7
Net result attributable to non-controlling interest:	—	—	—	-3.8	-142.6
Net result	384.2	824.9	225.7	427.4	-499.3
Balance sheet summary					
MUSD	2020	2019	2018	2017	2016
Tangible fixed assets	5,947.6	5,522.6	5,354.7	4,950.3	4,542.5
Other non-current assets	273.3	145.1	131.2	161.3	168.0
Current assets	432.3	486.8	353.9	417.2	491.6
Total assets	6,653.2	6,154.5	5,839.8	5,528.8	5,202.1
Shareholders' equity	-1,769.1	-1,598.8	-383.8	-350.8	-238.6
Non-controlling interest	—	—	—	—	-113.6
Total equity	-1,769.1	-1,598.8	-383.8	-350.8	-352.2
Non-current provisions	3,604.2	3,051.6	2,657.8	1,725.9	1,119.1
Non-current liabilities	3,983.9	3,888.4	3,262.0	3,880.0	4,082.1
Current liabilities	834.2	813.3	303.8	273.7	353.1
Total shareholders' equity and liabilities	6,653.2	6,154.5	5,839.8	5,528.8	5,202.1

¹ The above table is based on continuing operations only (excluding the discontinued IPC operations following the spin-off in 2017 and excluding the discontinued Russian onshore assets following the sale in 2014). The result from discontinued operations is reported separately in the income statement.

Reserve and Resource Quantity Information

Proved plus probable reserves (2P)	Oil MMbbl	Gas Bn scf	Oil and gas ² MMboe
1 January 2020	661.2	192.4	693.3
Changes during the year			
- Production	-58.0	-21.7	-61.6
+ Acquisitions/ - Dispositions	0.0	0.0	0.0
+ Revisions	37.0	13.6	39.3
31 December 2020	640.2¹	184.2	670.9

¹ The year end 2020 2P oil reserves reported include 20.5 MMbbl of NGL's.

² The factor of 6,000 is used by the Company to convert one scf to one boe.

Proved plus probable plus possible reserves (3P)	Oil MMbbl	Gas Bn scf	Oil and gas ² MMboe
1 January 2020	814.5	258.3	857.5
Changes during the year			
- Production	-58.0	-21.7	-61.6
+ Acquisitions/ - Dispositions	0.0	0.0	0.0
+ Revisions	28.6	8.7	30.0
31 December 2020	785.1¹	245.3	826.0

¹ The year end 2020 3P oil reserves reported include 26.0 MMbbl of NGL's.

² The factor of 6,000 is used by the Company to convert one scf to one boe.

Best estimate contingent resources (2C)	Oil and gas ¹ MMboe
1 January 2020	185.3
Changes during the year	
+ Acquisitions/ - Dispositions	78.4
+ Revisions/Discoveries	11.8
31 December 2020	275.5

¹ The factor of 6,000 is used by the Company to convert one scf to one boe.

Investments in Joint Operations

Licence	Field / Discovery	WI ¹ 31 December 2020	WI ¹ 31 December 2019
PL036C		15	15
PL088BS		15	15
PL148	Brynhild	51	51
PL150	Volund	35	35
PL167	Lille Prinsen	20 (40)	20
PL167B		20 (40)	20
PL167C		20 (40)	20
PL203	Alvheim, Kobra East, Gekko	15	15
PL229E		50	—
PL265	Johan Sverdrup ²	7.384	7.384
PL292	Gaupe	40	40
PL292B		40	40
PL338	Edvard Grieg	65	65
PL338BS		50	50
PL338 C	Rolvnes	80	80
PL338DS		65	65
PL338E		80	80
PL340	Boyla & Frosk	15	15
PL340BS		15	15
PL359	Solveig	65	65
PL492	Gotha	40	40
PL501	Johan Sverdrup ²	37.384	37.384
PL501B		37.384	37.384
PL533		40	35 (40)
PL533B		40	35 (40)
PL537	Wisting	10	—
PL537B		10	—
PL609	Alta	55	40
PL609B		55	40
PL609C		55	40
PL609D		55	—
PL695		40	40
PL722		20	20
PL758		—	20
PL764		—	40
PL767		—	50
PL767B		—	50
PL800		—	20
PL815		60	60
PL820S	Iving	40 (41)	40
PL830		40	40
PL850		—	30
PL851		55	40
PL853		—	60
PL857		—	20
PL859		—	15
PL860		40	40
PL869		20	20
PL886		60	40 (60)
PL886B		60	40 (60)

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

² Lundin Energy's working interest (%) in the Johan Sverdrup field amounts to 20 percent

Licence	Field / Discovery	WI ¹ 31 December 2020	WI ¹ 31 December 2019
PL894		10	– (10)
PL896		30	30
PL902		40	40
PL902B		40	40
PL904		20	20
PL914S		1.385	1.385
PL916		–	20
PL917		20	20
PL917B		20	–
PL919		15	15
PL921		–	15
PL924		15	15
PL926		10	10
PL929		10	10
PL934		40	40
PL935		20	20
PL936		30	30
PL950		–	40
PL952		–	50
PL954		40	40
PL960		20	20
PL962		20	20
PL965		60	60
PL976		50	50
PL981		60	60
PL987		20	20
PL987B		20	–
PL988		40	40
PL989		30	30
PL991		40	40
PL998		30	30
PL1011		40	40
PL1023		50	50
PL1027		40	40
PL1029		40	40
PL1032		40	–
PL1041		30	–
PL1045		15	–
PL1048		50	–
PL1051		40	–
PL1057		60	–
PL1069		50	–
PL1082		50	–
PL1083		40	–

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

Definitions and Abbreviations

Reserves defined

Lundin Energy estimates reserves and resources according to 2018 Petroleum Resources Management System (PRMS) Guidelines of the Society of Petroleum Engineers (SPE), World Petroleum Congress (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE). Lundin Energy's reserves are audited by ERC Equipoise Ltd. (ERCE), an independent reserves auditor. Reserves are defined as those quantities of petroleum which are anticipated to be commercially recovered by application of development projects to known accumulations from a given date forward under defined conditions. Estimation of reserves is inherently uncertain and to express an uncertainty range, reserves are subdivided into Proved, Probable and Possible categories. Unless stated otherwise, Lundin Energy reports its Proved plus Probable (2P) reserves and its Proved plus Probable plus Possible (3P) reserves.

2P Reserves		3P Reserves
Proved reserves	Probable reserves	Possible reserves
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 indicate are less likely to be recovered than Proved reserves but more certain to be recovered than Possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated 2P reserves. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the actual quantities recovered will equal or exceed the 2P estimate.	Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of 3P reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10 percent probability that the actual quantities recovered will equal or exceed the 3P estimate.

Resources defined

Contingent resources

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. 2C is the best estimate of the quantity that will actually be recovered from the accumulation by the project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate. Unless stated otherwise, Lundin Energy reports its 2C contingent resources.

Prospective resources

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and chance of development.

Oil related measurements

bbbl	Barrel (1 barrel = 159 litres)
bcf	Billion cubic feet (1 cubic foot = 0.028 m ³)
Bn	Billion
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
Bn boe	Billion barrels of oil equivalent
Mbbl	Thousand barrels
Mboe	Thousand barrels of oil equivalent
Mboepd	Thousand barrels of oil equivalent per day
Mbopd	Thousand barrels of oil per day
MMboe	Million barrels of oil equivalent
MMbbl	Million barrels
MMbopd	Million barrels of oil per day
Mcf	Thousand cubic feet
MMscf	Million standard cubic feet
Bn scf	Billion standard cubic feet
NGL	Natural Gas Liquids

Currency abbreviations

CHF	Swiss Franc
CAD	Canadian Dollar
EUR	Euro
GBP	British Pound
NOK	Norwegian Krone
SEK	Swedish Krona
USD	US Dollar
TCHF	Thousand CHF
TSEK	Thousand SEK
TUSD	Thousand USD
MSEK	Million SEK
MUSD	Million USD

Share Data

Share data

Since Lundin Energy was incorporated in May 2001 and up to 31 December 2020 the Parent Company share capital has developed as shown below.

Share data	Year	Quota value SEK	Change in number of shares	Total number of shares	Total share capital SEK
Formation of the Company	2001	100.00	1,000	1,000	100,000
Share split 10,000:1	2001	0.01	9,999,000	10,000,000	100,000
New share issue	2001	0.01	202,407,568	212,407,568	2,124,076
Warrants	2002	0.01	35,609,748	248,017,316	2,480,173
Incentive warrants	2002–2008	0.01	14,037,850	262,055,166	2,620,552
Valkyries Petroleum Corp. acquisition	2006	0.01	55,855,414	317,910,580	3,179,106
Cancellation of shares/Bonus issue	2014	0.01	-6,840,250	311,070,330	3,179,106
New share issue	2016	0.01	29,316,115	340,386,445	3,478,713
Cancellation of shares/Bonus issue	2019	0.01	-54,461,831	285,924,614	3,478,713
Total			285,924,614	285,924,614	3,478,713

Shareholder Information

Lundin Energy will publish the following interim reports:

- | | |
|-------------------|--|
| · 29 April 2021 | Three month report (January – March 2021) |
| · 28 July 2021 | Six month report (January – June 2021) |
| · 28 October 2021 | Nine month report (January – September 2021) |
| · 1 February 2022 | Year end report |

The reports are available on www.lundin-energy.com in Swedish and English directly after public announcement.

Annual General Meeting

The Annual General Meeting (AGM) is held within six months from the close of the financial year. All shareholders who are registered in the shareholders' register and who have duly notified their intention to attend the AGM may do so and vote in accordance with their level of shareholding. Shareholders may also attend the AGM through a proxy and a shareholder shall in such a case issue a written and dated proxy. A proxy form is available on www.lundin-energy.com.

Lundin Energy's AGM is to be held on Tuesday 30 March 2021 at 13.00 CEST. As a consequence of the global COVID-19 pandemic, the Board of Directors have decided to hold the AGM as a virtual meeting combined with proxy and postal voting options, in accordance with the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (SFS 2020:198).

Attendance at the meeting

Shareholders wishing to attend the meeting shall:

- be recorded in the share register maintained by Euroclear Sweden AB on Monday 22 March 2021; and
- notify Lundin Energy of their intention to attend the AGM no later than Wednesday 24 March 2021 through the website www.lundin-energy.com (only applicable to individuals) or by mail to Computershare AB, "Lundin Energy AB's AGM", Box 5267, 102 46 Stockholm, Sweden, by telephone Int +46-8-518 01 554 or by e-mail info@computershare.se

Shareholders whose shares are registered in the name of a nominee must temporarily register, through the nominee, the shares in their own names in order to be entitled to attend the AGM. Such registration must be effected by 22 March 2021, at the latest.

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This information is information that Lundin Energy AB is required to make public pursuant to the Swedish Securities Markets Act. The information was submitted for publication at 08.00 CET on 3 March 2021.

Forward-looking statements

Certain statements made and information contained herein constitute “forward-looking information” (within the meaning of applicable securities legislation). Such statements and information (together, “forward-looking statements”) relate to future events, including Lundin Energy’s future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to estimates of reserves and/or resources, future production levels, future capital expenditures and their allocation to exploration and development activities, future drilling and other exploration and development activities. Ultimate recovery of reserves or resources are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions) are not statements of historical fact and may be “forward-looking statements”. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations and assumptions will prove to be correct and such forward-looking statements should not be relied upon. These statements speak only as on the date of the information and Lundin Energy does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. These forward-looking statements involve risks and uncertainties relating to, among other things, operational risks (including exploration and development risks), production costs, availability of drilling equipment, reliance on key personnel, reserve estimates, health, safety and environmental issues, legal risks and regulatory changes, competition, geopolitical risk, and financial risks. These risks and uncertainties are described in more detail under the heading “Risk management” and elsewhere in Lundin Energy’s Annual Report. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive. Actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements are expressly qualified by this cautionary statement.



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