

**resilience
sustainability
growth**

Lundin Energy

21

**Annual
Report**



Lundin
Energy



Annual Report 2021

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.



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Sustainability Report 2021

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 2021

- Board of Directors of Lundin Energy and Aker BP agreed on a combination to create the leading European independent E&P company, with completion of the transaction anticipated around mid 2022
- Record financial performance in 2021, with free cash flow generation of USD 1.6 billion and net debt reduced to USD 2.7 billion
- Board of Directors proposes to increase 2021 quarterly dividend by 25 percent to USD 0.5625 per share until completion of the Aker BP transaction
- Record quarterly production for the fourth quarter of 195 Mboepd and 2022 production guidance set between 180 and 200 Mboepd
- Key projects progressing on schedule, with Johan Sverdrup Phase 2 set for first oil in the fourth quarter of 2022 and five new projects heading towards sanction within the temporary tax incentives
- Delivering growth with resource additions of 200 percent of production in 2021
- On track with Decarbonisation Plan to achieve carbon neutrality by 2023 from operational emissions

Financial summary¹	2021	2020
Production in Mboepd	190.3	164.5
Revenue and other income in MUSD	5,484.7	2,564.4
CFFO in MUSD	3,058.0	1,528.0
<i>Per share in USD</i>	10.75	5.38
EBITDAX in MUSD	4,822.8	2,140.2
<i>Per share in USD</i>	16.96	7.53
Free cash flow in MUSD	1,645.5	448.2
<i>Per share in USD</i>	5.79	1.58
Net result in MUSD	493.8	384.2
<i>Per share in USD</i>	1.74	1.35
Adjusted net result in MUSD	795.7	280.0
<i>Per share in USD</i>	2.80	0.99
Net debt in MUSD	2,747.9	3,911.5

¹ All numbers in this table relate to continuing and discontinued operations combined. For a further breakdown between continuing and discontinued operations, reference is made to pages 90–92.

CEO's review

As the next chapter in this great story unfolds, I am convinced that we can look forward to many more years of outstanding value creation.

I'm pleased to report that in 2021 our company delivered record production and financial results, underpinned by continued excellent operational performance and strong oil and gas prices. The strength that we saw in the oil and gas markets during 2021 has gained further momentum in the beginning of 2022, which has resulted in the price of our commodities hitting levels not seen since 2014.

Even more importantly, our world class assets continue to outperform by all measures - with industry leading production efficiency and low operating costs. We exited the year with production at just under 200 Mboepd and full year production came in above the top of our original guidance range.

The giant Johan Sverdrup field, discovered by Lundin Energy more than a decade ago, keeps on delivering above expectations and Phase 2 of the project, which will lift production to 755 Mbopd gross, is making excellent progress and is firmly on track for first oil in the fourth quarter of 2022.

At the Greater Edvard Grieg Area, the completion of the infill drilling programme and the Solveig and Rolvsnes tie-back projects, together with several new projects being planned, will keep the facilities full for the foreseeable future. This is a prolific area where I see great opportunity to further extend the production plateau.

We completed the acquisition of a further interest in the major Wisting oil development project, taking our share to 35 percent, which will help sustain the production profile of the business long term with a significant addition of low carbon emissions barrels. The Wisting development concept has been decided upon and the project is heading towards sanction at the end of 2022.

Our growth strategy continues to deliver results with total resource additions in 2021 of 200 percent of produced volumes, supported by further reserves growth in the Greater Edvard Grieg Area and the above-mentioned additional interest in Wisting. I see multiple opportunities to continue to grow the business with significant potential resource upside at Johan Sverdrup, a pipeline of new projects being progressed towards development and an active exploration programme.

At the same time, we are making great progress on our industry leading Decarbonisation Plan and are set to become carbon neutral by 2023 from operational emissions, with around 60 percent of our production already being carbon neutral. I see this as something that has been and continues to be a key value differentiator for Lundin Energy.

Financially we had a record year, delivering free cash flow of USD 1.6 billion, covering our 2021 dividend three times and allowing us to reduce net debt to USD 2.7 billion. I'm pleased to note that the Board of Directors is recommending a 25 percent increase in the quarterly dividend, clearly demonstrating our commitment to long-term growth of shareholder returns.

An announcement of significant importance not only for our shareholders, but also for Norway and our entire industry came as the year was about to end, when we made public that the Board of Directors of Lundin Energy and Aker BP had reached an agreement to combine our two very successful businesses. This deal creates the leading European independent E&P company. Value creation is at the heart of our business and this deal is a unique opportunity to create a world class company, with significant scale, production growth and strong free cashflow generation into the next decade. Coupled with that is a business with industry leading low costs and low carbon emissions. I am convinced that the combination proposal with Aker BP is a "win-win" outcome for both sets of shareholders, as it creates a business that is positioned to prosper through the energy transition and deliver increased and sustainable dividends. For Lundin Energy shareholders, this will deliver a significant up-front cash consideration, the opportunity to become a shareholder in the leading European E&P company and a retained interest in a renewables business that is positioned for growth. We are anticipating that the proposed combination will be completed around the middle of 2022.

I would like to thank all our stakeholders for their continued support over the last year, and our employees for their tremendous efforts in delivering these record results - year after year. It has been an honour for me to serve as the CEO of our fantastic company, second to none in this industry and I will proudly continue to do so until the merger with Aker BP has been completed. As the next chapter in this great story unfolds, I am convinced that we can look forward to many more years of outstanding value creation.

Nick Walker
President and CEO

Words from the Chairman

I have mixed emotions writing this year's Chairman's letter, for what has been one of the most significant years in the history of the Company.

We delivered record results on all fronts in 2021, production hit 200 Mboepd at times and at the end of the year the Board proposed a combination of our great business with Aker BP's to create the leading European E&P company.

During the past two decades, Lundin Energy has grown into something none of us dared to dream about when the Company was listed on the First North Exchange in September 2001. After an initial financing of 350 million SEK (at SEK 3 per share) the per share value has grown over 100 times providing a compound annual return to shareholders of 28 percent per year for over 20 years.

Through hard work and perseverance and above all a strong management team, with the right skill set, the Company flourished into one of the leading E&P companies globally. Not only leading in terms of resource growth and operating performance but even more importantly, we are setting the standard in the field of decarbonisation by becoming the first company in our industry to be carbon neutral from operational emissions by 2023.

I am particularly happy that we have been able to fulfill the vision of my father, the founder, Adolf Lundin, who dreamed of discovering a giant oil field (with more than 1 billion barrels of recoverable oil reserves). So how did we get here? In a nutshell, Lundin Energy was among the first independent E&P companies to establish itself on the Norwegian Continental Shelf (NCS) after Norway changed the entry rules in order to promote competition. The first break came with the discovery of the Edvard Grieg field, our first operated well in Norway. Although the Greater Edvard Grieg Area is today one of the largest producing complexes on the NCS it pales in comparison to Johan Sverdrup, the true giant. Discovered in 2010 by Lundin Energy's legendary exploration team it is truly a world class asset that unlocked the enormous resource potential of the Utsira High. We have always said that big fields tend to get bigger over time, and this has certainly been true in the case of Johan Sverdrup – which with total gross reserves of between 2.2 and 3.2 billion barrels and production set to grow to 755 Mbopd by the fourth quarter of 2022, is a testament to this, as it will represent more than a third of Norway's total oil production in 2022.

As with all success stories Lundin Energy has had its fair share of hard times. Fresh in our memories is the oil price collapse of 2020, driven by fear of what the effects of the COVID-19 pandemic on global growth would be. From where we stand today, it is easy to forget that it is less than two years ago that the Dated Brent price dipped to under 20 USD per barrel and the WTI (West Texas Intermediate) even briefly went into

negative territory, something never experienced before. This was of course a testing time for all of us, but also a time when it became clear what a resilient world class business we had built at Lundin Energy.

Just before the start of the festive period in late December 2021, the Board of Directors of Lundin Energy and Aker BP were able to announce a combination of the two companies' businesses – a merger that will serve to create the leading European E&P company and the third largest company by market capitalisation on the Oslo Stock Exchange. Through the merger of Lundin Energy's oil and gas assets with Aker BP, a world class company with production growth into the next decade, and industry leading low operating cost and carbon intensity business is born. The combined business is perfectly placed to prosper through the energy transition, where scale and quality will ensure the best barrels are continued to be used, in a country with probably the most forward-thinking energy policy from a fiscal, regulatory and environmental perspective. In addition, the combined business will be able to access a unique talent pool when Lundin Energy's fantastic team in Norway is integrated with Aker BP's successful organisation. The Board and I believe that it is the right time to combine our two great companies to ensure continued strong production growth and thus sustainable dividend growth. Value creation and long-term growth is at the heart of the Lundin Energy ethos and that is what this deal is all about.

My belief is that the oil price will remain strong for quite some time to come. This is mainly because our sector has been underinvested for a few years now - and renewable energy is still very far from taking over from fossil fuels as the world's main source of energy. The high energy prices we have experienced this winter are at least partly as a result of low electricity generation due to the intermittency of renewable power.

As a result, I am convinced that unique investment opportunities will be created in the global energy transition, and we will be involved in creating continued shareholder value from this process. The birth of our new Lundin Energy with a focus on renewable energy and opportunities stemming from the energy transition that is now being created is no exception. I'm quite excited about the opportunities ahead, as we ensure that we do exactly what we did with Lundin Energy - to build the best possible team to be able to seize the opportunities.

Finally I would like to thank our employees and our shareholders for all your support over the years. I also hope that you, just like me and my family will remain shareholders of both the combined entity as we merge Lundin Energy with Aker BP and of the renewables-focused company that will be created using the Lundin Energy platform. Exciting times lie ahead!

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.

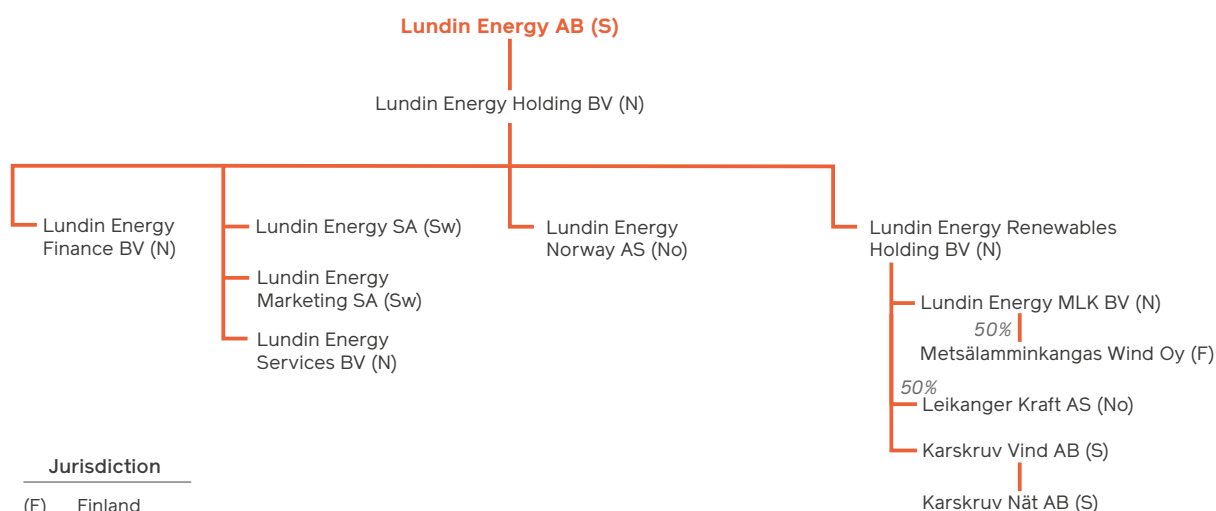
Changes in the Group

In April 2021, the Company completed a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the Karskröv onshore wind farm project in southern Sweden.

In October 2021, Lundin Energy entered into a sales and purchase agreement for the acquisition of OMV Norge's 25 percent working interest in the Wisting discovery. The transaction increased the Company's working interest to 35 percent.

In December 2021, Lundin Energy announced that it had entered into an agreement with Aker BP whereby Aker BP will absorb Lundin Energy's E&P business through a cross-border merger in accordance with Norwegian and Swedish law. Consequently Lundin Energy presents its E&P business as discontinued operations in the consolidated Income Statement and presents the asset and liabilities associated with the E&P business as assets and liabilities held for distribution in the consolidated Balance Sheet.

Corporate structure as at 31 December 2021



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 ending 31 December 2021 unless otherwise specified.

COVID-19 crisis

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

Discontinued Operations

Discontinued operations represents all of Lundin Energy AB's E&P business.

Reserves and resources

Lundin Energy has 639 million barrels of oil equivalent (MMboe) of proved plus probable net reserves (2P) and 799 MMboe of proved plus probable plus possible net reserves (3P) as at 31 December 2021, as certified by an independent third party. Lundin Energy has an additional 380 MMboe net oil and gas resources, which classify as best estimate contingent resources (2C) as at 31 December 2021. The total resource base, made up of 2P reserves plus 2C contingent resources, is 1.0 Bn boe as at 31 December 2021.

Production

Production was 190 thousand barrels of oil equivalent per day (Mboepd), at the top end of both the original guidance range of 170 to 190 Mboepd, and the updated guidance range of 180 to 195 Mboepd, released in June 2021.

Operating costs, net of tariff income, were USD 3.14 per boe for 2021, which was slightly above guidance. The increase was mainly driven by increased environmental taxes and higher electricity prices in the latter half of the year, a stronger NOK and somewhat offset by higher production volumes.

Production in Mboepd	2021	2020
Crude oil	177.4	152.7
Gas	12.9	11.8
Total production	190.3	164.5

Production in Mboepd	WI ¹	2021	2020
Johan Sverdrup	20%	106.3	87.6
Greater Edvard Grieg Area ²	65 – 80%	72.9	63.6
Ivar Aasen	1.385%	0.6	0.8
Alvheim Area	15 – 35%	10.5	12.5
Quantity in Mboepd		190.3	164.5

¹ Lundin Energy's working interest (WI)

² Consisting – Edvard Grieg, Solveig and Rolvsnes EWT

The Johan Sverdrup field continues to exceed expectations, with high uptime, increased processing capacity, excellent reservoir performance and well productivities. Production from Johan Sverdrup Phase 1 has delivered in line with mid-year guidance with a production efficiency of 97 percent. In May 2021, the Phase 1 processing capacity was increased from 500 to 535 thousand barrels of oil per day (Mbopd), followed by upgrades to the water injection system to support the increased offtake. The Company's 2P reserves at year end 2021 includes for the first time a contribution from eight infill wells (previously contingent resources), extending the plateau production period. The Company recognises that there is upside resource potential in several parts of the field which will be realised through further infill drilling, optimised reservoir management and increased facilities capacity. A total of five wells were drilled and completed in 2021, with results in line with expectations. 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 0.1 kg per boe for the year. Operating costs were USD 1.78 per boe.

Edvard Grieg has continued to perform above expectations during 2021, consistently delivering above guidance with a production efficiency of 98 percent. All three infill wells on Edvard Grieg, including the Company's first multi-lateral and fishbone wells, were completed on time and below budget. The first well came on stream in the second quarter, while the last two came on stream in the fourth quarter. The innovative "Fishbones" technology was successfully deployed on two of the wells, resulting in a significant increase in well productivities. The 2021 reservoir performance has also resulted in an increase in the gross 2P reserves of 29 MMboe. The gross ultimate recovery for Edvard Grieg is now 379 MMboe, which is an increase of over 100 percent since the PDO.

First oil from the Solveig Phase 1 tie-back project was achieved in the third quarter of 2021. The drilling programme has been progressing as planned with four out of five wells completed and results are ahead of expectations. The Edvard Grieg hub, including the Solveig and Rolvsnes fields, has an excess of well capacity, and production will be optimized between all three fields to ensure maximum throughput from the hub. During the fourth quarter, Edvard Grieg production was prioritized over Solveig, leading to higher than expected rates from the Edvard Grieg field and lower than expected rates from the Solveig field. Drilling results and early production performance on the Solveig Phase 1 development has resulted in a reserves increase of 11 MMboe gross, representing a 20 percent increase in 2P reserves. The Rolvsnes Extended Well Test (EWT) commenced production in the third quarter and reservoir performance has continued in line with expectations. Overall, the Greater Edvard Grieg Area has a gross ultimate recovery of 450 MMboe with a 97 percent replacement ratio of its production in 2021. Operating costs for the Greater Edvard Grieg Area, net of tariff income, were USD 4.25 per boe.

Power from shore at Edvard Grieg is expected to be completed in late 2022, with the project progressing on schedule. The power cable has been installed on Edvard Grieg and laid on the seabed at Johan Sverdrup, awaiting arrival of the Phase 2 processing platform in 2022. The retirement of the existing gas turbine power generation system on the platform and installation of electric boilers to provide process heat is on schedule and is

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	755 Mbopd ¹
Solveig Phase 1	65%	Lundin Norway	69 MMboe	Sept 2021	30 Mboepd
Rolvnes EWT	80%	Lundin Norway	3 MMboe	Aug 2021	3 Mboepd
Kobra East/Gekko (KEG)	15%	Aker BP	39 MMboe	Q1 2024	28 Mboepd
Frosk	15%	Aker BP	9 MMboe	Q2 2023	13 Mboepd
Wisting	35%	Equinor	500 MMboe	Q2 2028	150 Mboepd

¹ Johan Sverdrup full field

expected to be operational in late 2022. It is also estimated that the Company will benefit from a 10 percent increase in gas sales from Edvard Grieg compared to current gas sales, due to the removal of the turbine power generation.

Production from the Alvheim Area was slightly ahead of guidance with a production efficiency of 95 percent. Two infill wells came on stream during 2021, with performance ahead of expectations. First oil from the third infill well is expected in February 2022. Operating costs for the Alvheim Area were USD 7.79 per boe.

Development

Total development expenditure was MUSD 738, compared to latest guidance of MUSD 770, as updated at the time of the third quarter results. The reduction is due to better than expected drilling performance at Edvard Grieg and Solveig, as well as cost reductions and re-phasing of Johan Sverdrup costs into 2022.

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, Kvitsoy 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 Johan Sverdrup gross field reserves are in the range of 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. In June 2021, the Company announced that the full field gross processing capacity will be increased to 755 Mbopd once Phase 2 comes on stream. The increase is a result of debottlenecking work on the Phase 2 topsides and studies to optimise the full field integrated processing and export capacity. The full field breakeven oil price for Johan Sverdrup, including past investments, is less than USD 15 per boe.

The Phase 2 capital expenditure is estimated at gross NOK 41 billion (nominal), which is unchanged from the Phase 2 PDO estimate in 2019. The three modules that constitute the second processing platform topsides were successfully assembled in May 2021, the Jacket for the second processing platform was successfully installed offshore in June 2021 and the new module on the existing riser platform was successfully installed offshore in July 2021. The operation to install the second processing platform topsides on the jacket is planned for March 2022. The subsea facilities and flowlines installation work is progressing as per schedule and will be completed early 2022, with drilling operations on the subsea wells having commenced in January 2022. First oil remains on schedule for fourth quarter 2022, with project progress now approximately 70 percent complete.

Greater Edvard Grieg Area tie-back projects

Solveig Phase 1 came on stream in September 2021, on schedule and is the first Edvard Grieg subsea tie-back development. Drilling of the Phase 1 development wells are almost complete, with three production wells and one injection well completed in 2021 and the final water injection well scheduled for completion in the first quarter of 2022. The capital cost for the Phase 1 development is below the PDO estimate of MUSD 810 gross, with a breakeven oil price below USD 20 per boe.

The Rolvsnes EWT project, has been developed through a 3 km subsea tie-back of the existing Rolvsnes horizontal well to the Edvard Grieg platform. The EWT will provide important reservoir data to support a decision on the potential of the Rolvsnes full field development and it holds important information on the general basement potential for the Utsira High. The project has been developed in conjunction with the Solveig project, to take advantage of contracting and implementation synergies. The project achieved first oil, on schedule and below budget, in August 2021 with reservoir performance since start up in line with expectations..

Wisting

The Wisting project is scheduled to be one of the next Barents Sea production hubs and will be a significant contributor to sustaining the Company's long term production profile. With the acquisition of a further 25 percent working interest announced on 28 October 2021, the Company's working interest in the project has increased to 35 percent and will add material pre-development resources in a strategic core area for the Company, with significant surrounding prospectivity. In November 2021, the project development concept was approved by the licence partners, with the project on track for PDO submission by end 2022, allowing the project to benefit from the temporary tax incentives established by the Norwegian Government in June 2020. The Wisting project has strong economics, and the development plan is aligned with Lundin Energy's Decarbonisation Plan, with a power from shore solution being matured as part of the PDO. In addition, in December 2021, Lundin Energy concluded a cooperation agreement with Equinor for the Wisting development, whereby Equinor will retain operatorship of the Wisting development into the operations phase. The cooperation agreement also gives the Company operatorship in the exploration licences surrounding Wisting (PL1133 and PL1134), including an increase in working interests to 35 percent. The agreement also covers licences applied for in the 2021 APA round. It has also been agreed that employees from the Company will be placed in key technical and operational positions within the Wisting project. This agreement further strengthens the relationship between Equinor and Lundin Energy and sets out a strong collaboration for exploration and operations in what will be the next Barents Sea production hub.

Kobra East/Gekko (KEG)

In June 2021, the PDO for the joint development of the two discoveries Kobra East and Gekko was submitted to the Norwegian Ministry of Petroleum and Energy and was approved in January 2022. The development will be a subsea tie-back to the Alvheim FPSO and phase one of the development will include four tri-lateral production wells targeting the oil zones of the two discoveries. Phase two of the development consists of a gas production well targeting the gas cap at Gekko, which will be drilled at a later stage once gas processing capacity is available on the Alvheim FPSO. Drilling operations are expected to commence in early 2023, with first oil planned in the first quarter of 2024. Total gross 2P reserves for the project amount to 39 MMboe and the development will provide gross peak production of approximately 28 Mboepd. This project will be developed under the Norwegian temporary tax regime and has a breakeven oil price of less than USD 30 per boe.

Frosk

In September 2021, the PDO for the development of the Frosk discovery was submitted to the Norwegian Ministry of Petroleum and Energy. The development will be a subsea tie-back to the Alvheim FPSO through the existing Bøyla Manifold. The development includes the drilling of two new wells. Drilling operations are expected to commence in 2022, with first oil planned in the first half of 2023. Total gross reserves for the project amount to approximately 9 MMboe and the development will provide gross peak production of approximately 13 Mboepd, with a breakeven oil price of less than USD 25 per boe.

Exploration and appraisal

The 2021 exploration and appraisal programme consisted of eight wells. Discoveries were made in the Segment D of the Solveig field and at Lille Prinsen. The exploration and appraisal expenditure guidance for 2021 was updated due to increased scope at the Segment D, Iving, Lille Prinsen wells and the additional 25 percent working interest in Wisting, effective from 1 January 2021. Total exploration and appraisal expenditure for 2021 was MUSD 301 which is below the updated guidance of MUSD 325.

In March 2021, the Segment D prospect, located north of the Solveig field on the Utsira High in the Norwegian North Sea in PL359, was drilled yielding an oil discovery. A 10 metre oil column was encountered in Triassic reservoir sandstones and the discovery is estimated to hold gross recoverable resources of 3 to 9 MMboe. A development will be evaluated in parallel with a potential future phase development at Solveig.

In July 2021, a two-well appraisal drilling campaign was completed on the Iving discovery located in the Central North

Sea close to the Balder and Ringhorne fields. The results were below expectation and the project has been assessed as non-commercial.

In September 2021, the exploration and appraisal programme on Lille Prinsen in PL167, located on the Utsira High in the Norwegian part of the North Sea, was successfully completed. The wells confirmed a combined gross resource range of 12 to 60 MMboe. A development solution is currently being matured, aiming for project sanction in 2022.

In 2020, the Norwegian Government introduced temporary tax incentives aiming to increase activity on the Norwegian Continental Shelf, which applies to projects with PDO's submitted before the end of 2022. These tax incentives significantly improve project economics, and the Company has taken steps to accelerate activities for the potential projects, which could benefit from this opportunity. Further projects to be de-risked include Solveig Phase 2 (incorporating the Segment D discovery) and Rolvsnes Full Field, both of which require production experience to mature development solutions. At both Lille Prinsen and Trell and Trine, the field development and concept select studies are progressing well with an aim to submit the PDO's for both projects before the end of 2022.

Decarbonisation

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

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

2021 exploration and appraisal well programme

Licence	Operator	WI	Well	Spud Date	Result
PL359	Lundin Energy	65%	Segment D	February 2021	Oil discovery
PL722	Equinor	20%	Shenzhou	April 2021	Dry
PL820S	MOL	41%	Iving (2 wells)	May 2021	Non-commercial oil discovery
PL167	Lundin Energy	40%	Lille Prinsen	July 2021	Oil discovery
PL981	Lundin Energy	60%	Merckx	September 2021	Dry
PL976	Lundin Energy	40%	Dovregubben	September 2021	Dry
PL1041	Aker BP	15%	Lyderhorn	October 2021	Non-commercial oil discovery
PL886	Lundin Energy	60%	Melstein	January 2022	Dry

In September 2021, Lundin Energy signed a partnership with EcoPlanet Bamboo WA ll. The Company will invest MUSD 9 in sustainable bamboo plantations where over 1 million bamboo clumps will be planted on degraded land between 2022–2024, capturing approximately 1.7 million tonnes of CO₂ over 10 years. All of Lundin Energy's carbon capture projects will transfer to Aker BP after completion of the proposed combination.

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

Certified carbon neutrally produced crude oil sale

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

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

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

Decommissioning

The Brynhild field ceased production in 2018 and the decommissioning plan was approved by Norwegian and UK authorities in 2020. Abandonment of the four Brynhild subsea wells was completed in 2020 and the marine campaign for removal of the subsea facilities was completed in July 2021. The Gaupe field ceased production in 2018 and preparation of the decommissioning plan for the field is ongoing, with decommissioning activities expected to commence in 2023. Following completion of Brynhild and Gaupe decommissioning, the Company has no further planned decommissioning spend until around 2035. The decommissioning expenditure in 2021 was MUSD 12.

Research and development

The Company invested MUSD 18.8 in research and development (R&D) in 2021. The main goal for 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 2021, the Company was awarded 19 licences in the 2020 APA licencing round, of which seven are as operator.

In February 2021, Lundin Energy entered into a sales and purchase agreement with Aker BP involving the acquisition of a six percent working interest in licences PL036E, PL036F, PL102H, PL102F, PL102D and PL102G which includes the Trell and Trine Unit. The transaction included the sale of a five percent working interest in PL869 and a 15 percent working interest in PL1041. In January 2022 Lundin Energy entered into a sales and purchase agreement with MOL involving the acquisition of a ten percent working interest in licences PL102F and PL102G, which includes the Trell discovery and Trell Nord prospect, equivalent to 6.84 percent in the Trell and Trine Unit, bringing Lundin Energy's total working interest to 12.84 percent in the Unit.

In May 2021 Lundin Energy entered into a sales and purchase agreement with One-Dyas involving the divestment of a ten percent working interest in PL976.

In June 2021, Lundin Energy was awarded two licences in the 25th licencing round.

In October 2021, Lundin Energy entered into a purchase agreement with OMV Norge AS involving the acquisition of an additional 25 percent working interest in licence PL537, which includes the Wisting discovery, bringing Lundin Energy's working interest to 35 percent. The transaction, which completed in December 2021, is effective from January 2021 and adds estimated net contingent resources of approximately 131 MMboe for a cash consideration of MUSD 320. An additional consideration may become payable contingent upon whether there is a reduction in the project's estimated capital investment as stipulated in the final PDO compared to the current estimated capital investment, thus enabling both parties to share the benefits of further capital investment reductions.

Lundin Energy increased its interests in PL917 from 20 percent to 40 percent and acquired a 20 percent interest in PL956 and a 10 percent interest in PL985, through two transactions, one with ConocoPhillips and one with Vår Energi. PL917 contains interesting follow up potential to the King discovery that was made in the neighbouring licence. An exploration well is planned to be drilled on the Ringhorne Ty prospect in 2023 and PL985 contains attractive prospectivity north of the PL956.

In January 2022, the Company was awarded 10 licences in the 2021 APA round, of which five are as operator.

The Company currently holds 97 licences in Norway.

Health, safety and environment

During the year, there were no lost time incidents, resulting in a Lost Time Incident Rate of zero per million hours worked for 2021. The Total Recordable Incident Rate for the year was 2.14 per million hours worked. There were no process safety or material environmental incidents during the year.

Continuing operations

Continuing operations represents Lundin Energy AB's renewable energy portfolio of onshore assets in the Nordics. In addition, the Company will retain certain non-Norwegian potential liabilities related to past operations.

Renewable energy generation portfolio

In April 2021, the Company completed a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the Karskröv onshore wind farm project in southern Sweden. The construction works on the wind farm have already commenced and are progressing on schedule with the facility planned to be operational in late 2023 with production of an estimated 290 GWh per annum, from 20 onshore wind turbines. The total investment in Karskröv, including the acquisition cost, will amount to MEUR 130 with the majority of the spend occurring in 2022 and 2023 and the project will be cash flow positive from 2024.

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

The project works are progressing well on the Metsälamminkangas (MLK) wind farm in Finland, with most of the construction work completed. Power has already started to be generated with the first wind turbine online in early October. Commercial handover of the wind farm to the Company was originally planned for late fourth quarter 2021 but has been pushed into the first half of 2022 with final commissioning taking longer than first anticipated. Lundin Energy is covered by liquidated damages in the year up to commercial handover for the entire delay period.

The Company has now committed to three renewable projects, with a combined net power generation capacity of around 600 GWh per annum from late 2023 and these investments will remain in the Company after the combination with Aker BP with an aim to become a platform for growth. Renewable energy expenditure for 2021 was MUSD 79 compared to the guidance of MUSD 100, due to the delayed completion of the MLK project.

Financial review

Aker BP transaction

On 21 December 2021, Lundin Energy announced that it had entered into an agreement (the transaction) with Aker BP whereby Aker BP will absorb Lundin Energy's E&P business through a cross-border merger in accordance with Norwegian and Swedish law. Before completion of the cross-border merger, the shares in the company holding Lundin Energy's E&P business will be distributed to Lundin Energy shareholders. Consequently Lundin Energy presented its E&P business as discontinued operations in the consolidated Income Statement and presented the asset and liabilities associated with the E&P business as assets and liabilities held for distribution in the consolidated Balance Sheet. Once the transaction with Aker BP is completed, the renewable business, which is reported as continuing operations, will be debt free and have a cash balance of MUSD 130, to cover capital expenditure and other working capital items. The renewable business is expected to be free cash flow positive from late 2023, when the renewable portfolio has been fully built out and all projects are operational.

Under the agreement with Aker BP, in exchange for Lundin Energy's E&P business, shareholders will be entitled to a cash consideration totaling BUSD 2.22 (approximately SEK 71.0 per share after conversion from USD at 20 December 2021 exchange rates), 271,910,019 Aker BP shares (representing 0.951 Aker BP share for every 1 Lundin Energy share, equivalent to SEK 279.3 per share at 20th December 2021) and will retain their existing shareholding in Lundin Energy and its renewables business (detail on business plan, management and governance will be published by 7 March 2022). Accordingly following the completion of the transaction, (subject to shareholder approval at the Company's AGM on 31 March 2022, shareholder approval by Aker BP's General Meeting and receipt of necessary governmental approvals), the shareholders of Lundin Energy will hold 43 percent of the total shares and votes of Aker BP, (based on a total of 360,113,509 shares and votes in Aker BP).

Result

The numbers in this financial review section refer to the continuing and discontinued operations combined unless stated otherwise. For a further breakdown between continuing and discontinued operations of the key financial data, reference is made to pages 90–92.

The Company generated record high revenue and other income for the year of MUSD 5,484.7 (MUSD 2,564.4) with the increase compared to the comparative period mainly driven by higher sales volumes and higher oil and gas prices. Sales volumes increased by 19 percent compared to the comparative period caused by better production performance, inventory movements and overlift movements during the year. Realised prices per boe increased by 85 percent compared to the comparative period with realised gas and NGL prices for the year being almost four times higher compared to 2020.

The net result for the year amounted to MUSD 493.8 (MUSD 384.2), representing earnings per share of USD 1.74 (USD 1.35). Net result was driven by the higher revenue and other income and negatively impacted by higher cost of sales, a largely non-cash foreign currency exchange loss during the year of MUSD 216.3 (MUSD -171.8) and higher income tax charges. Adjusted net result for the year amounted to MUSD 795.7 (MUSD 280.0), representing adjusted earnings per share of USD 2.80 (USD 0.99). Adjusted net result separates out the effects of loan modification gains, foreign currency exchange results, ineffective interest rate hedge contracts and other non recurring finance costs, and the tax impacts from these items and better reflects the net result generated by the Company's operational performance for the year.

The Company generated earnings before interest, tax, depletion, amortization and exploration expenses (EBITDAX) for the year of MUSD 4,822.8 (MUSD 2,140.2) representing EBITDAX per share of USD 16.96 (USD 7.53), with the increase compared to the comparative period mainly caused by the higher sales volumes and higher oil prices. Cash flow from operating activities (CFFO) for the year amounted to MUSD 3,058.0 (MUSD 1,528.0), representing CFFO per share of USD 10.75 (USD 5.38) with the increase compared to the comparative period, again impacted by higher sales volumes and higher oil prices, but negatively impacted by working capital changes and higher tax payments during the year. Free cash flow for the year amounted to MUSD 1,645.5 (MUSD 448.2), representing free cash flow per share of USD 5.79 (USD 1.58), with the increase compared to the comparative period mainly impacted by higher CFFO partly offset by higher investments in oil and gas properties. Driven

by the strong free cash flow generation during the year, the Company reduced its net debt from MUS\$ 3,911.5 as per the end of 2020 to MUS\$ 2,747.9 as per the end of 2021, a reduction of approximately BUS\$ 1.2.

Changes in the Group

In April 2021, the Company completed a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the Karskröv onshore wind farm project in southern Sweden. The wind farm will become operational in late 2023 and will produce an estimated 290 GWh per annum, from 20 onshore wind turbines. The total investment in Karskröv, including the acquisition cost, will amount to MEUR 130 with the majority of the spend occurring in 2022 and 2023.

In October 2021, Lundin Energy entered into a sales and purchase agreement for the acquisition of OMV Norge's 25 percent working interest in licence PL537, which contain the Wisting discovery. The transaction increased the Company's working interest to 35 percent. The transaction involved a cash consideration payable to OMV Norge of MUS\$ 320.0 and was completed in December 2021, with economic effect from 1 January 2021. The transaction was accounted for as an asset acquisition.

On 21 December 2021, Lundin Energy announced the transaction with Aker BP as mentioned above resulting in the E&P business presented as discontinued operations in the consolidated Income Statement and the asset and liabilities associated with the E&P business presented as assets and liabilities held for distribution in the consolidated Balance Sheet.

Revenue and other income

Revenue and other income for the year amounted to MUS\$ 5,484.7 (MUS\$ 2,564.4) and was comprised of net sales of oil and gas and other revenue as detailed in Note 19.1. Revenue and other income fully related to the discontinued operations.

Net sales of oil and gas for the year amounted to MUS\$ 5,452.9 (MUS\$ 2,533.2). The average price achieved by Lundin Energy for a barrel of oil equivalent (boe) from own production, amounted to USD 71.01 (USD 38.35) and is detailed in the following table. The average Dated Brent price for the year amounted to USD 70.91 (USD 41.84) per barrel.

Net sales of oil and gas from own production for the year are detailed in Note 19.3 and were comprised as follows:

Sales from own production Average price per boe expressed in USD	2021	2020
Crude oil sales		
– Quantity in Mboe	65,381.1	54,263.6
– Average price per boe	69.36	39.96
Gas and NGL sales		
– Quantity in Mboe	6,281.8	6,013.2
– Average price per boe	88.10	23.80
Total sales		
– Quantity in Mboe	71,662.9	60,276.8
– Average price per boe	71.01	38.35

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

The sales of crude oil from third party activities for the year amounted to MUS\$ 364.4 (MUS\$ 221.5) 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\$ 31.8 (MUS\$ 31.2) and mainly included tariff income of MUS\$ 21.6 (MUS\$ 23.2), which is due to net income from Ivar Aasen tariffs paid to Edvard Grieg. Other income for the year also included a gain of MUS\$ 2.0 (MUS\$ 0.8) relating to short-term oil price derivatives.

Production costs

Production costs including under/over lift movements and inventory movements for the year amounted to MUS\$ 265.4 (MUS\$ 177.2) and are detailed in Note 19.2. Production costs fully related to the discontinued operations. The total production cost per barrel of oil equivalent produced is detailed in the table below:

Production costs	2021	2020
Cost of operations		
– In MUS\$	167.5	134.5
– In USD per boe	2.41	2.24
Tariff and transportation expenses		
– In MUS\$	71.9	50.7
– In USD per boe	1.03	0.84
Operating costs		
– In MUS\$	239.4	185.2
– In USD per boe ¹	3.44	3.08
Change in under/over lift position		
– In MUS\$	7.9	-2.7
– In USD per boe	0.11	-0.05
Change in inventory position		
– In MUS\$	11.5	-11.2
– In USD per boe	0.17	-0.19
Other		
– In MUS\$	6.5	5.9
– In USD per boe	0.09	0.10
Production costs		
– In MUS\$	265.4	177.2
– In USD per boe	3.81	2.94

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

¹ The numbers in this table are excluding tariff income netting. Lundin Energy's operating cost for the year of USD 3.44 (USD 3.08) per barrel is reduced to USD 3.14 (USD 2.69) when tariff income is netted off.

The total cost of operations for the year amounted to MUS\$ 167.5 (MUS\$ 134.5) and the total cost of operations excluding operational projects amounted to MUS\$ 160.2 (MUS\$ 127.8). The cost of operations per barrel for the year amounted to USD 2.41 (USD 2.24) including operational projects and USD 2.31 (USD 2.12) excluding operational projects. The higher unit costs compared to the comparative period are mainly caused by higher electricity prices and environmental taxes in the latter half of the year and a stronger Norwegian Krone which is partly offset by higher production volumes.

Tariff and transportation expenses for the year amounted to MUSD 71.9 (MUSD 50.7) or USD 1.03 (USD 0.84) per boe. The increase on a per barrel basis compared to the comparative period is caused by a stronger Norwegian Krone and an increase in a few crude and gas unit tariffs.

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 7.9 (MUSD -2.7) 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 11.5 (MUSD -11.2) in the year due to a cargo in transit at the end of 2020 that was sold in early 2021. Sales quantities and production quantities are detailed in the table below:

Change in over/underlift position in Mboepd	2021	2020
Production volumes	190.3	164.5
Johan Sverdrup inventory movements	1.7	-1.7
Production volumes excluding inventory movements	192.0	162.8
Sales volumes from own production	196.3	164.7
Change in overlift position	-4.3	-1.9

Other costs for the year amounted to MUSD 6.5 (MUSD 5.9) and related to the business interruption insurance.

Depletion and decommissioning costs

Depletion and decommissioning costs for the year amounted to MUSD 703.0 (MUSD 607.7), at an average rate of USD 10.12 (USD 10.09) per boe and are detailed in Note 3 and fully related to the discontinued operations. Depletion costs on a per barrel basis compared to the comparative period were stable consisting of a lower depletion rate per barrel in Norwegian Krone as a result of increased reserves in Norway offset by a stronger Norwegian Krone as the depletion rate per boe is calculated in Norwegian Krone. Following the announcement of the Aker BP transaction on 21 December 2021 and the subsequent reclassification of the E&P business as assets and liabilities held for distribution in the consolidated Balance Sheet, the company ceased depletion as per IFRS5 from the date of the deal announcement on 21 December 2021.

Exploration costs

Exploration costs expensed in the income statement for the year amounted to MUSD 258.1 (MUSD 104.9) and are detailed in Note 3 and fully related to the discontinued operations. 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.

Purchase of crude oil from third parties

Purchase of crude oil from third parties for the year amounted to MUSD 361.7 (MUSD 217.8) and related to crude oil purchased from outside the Group. Purchase of crude oil from third parties and fully related to the discontinued operations.

General, administrative and depreciation expenses

The general administrative and depreciation expenses for the year amounted to MUSD 41.9 (MUSD 36.1) of which MUSD 19.4 (MUSD 16.4) related to the continuing operations and MUSD 22.5 (MUSD 19.7) to the discontinued operations. The general administrative and depreciation expenses included a charge of MUSD 6.1 (MUSD 4.8) in relation to the Group's long-term incentive plans (LTIP), see also Note 27. Fixed asset depreciation expenses for the year amounted to MUSD 7.1 (MUSD 6.9).

Finance income

Finance income for the year amounted to MUSD 3.8 (MUSD 173.1) of which MUSD 2.6 (MUSD 0.5) related to the continuing operations and MUSD 1.2 (MUSD 172.6) to the discontinued operations and is detailed in Notes 1 and 19.4.

Finance costs

Finance costs for the year amounted to MUSD 473.0 (MUSD 319.4) of which MUSD 0.2 (MUSD 0.9) related to the continuing operations and MUSD 472.8 (MUSD 318.5) to the discontinued operations and is detailed in Notes 2 and 19.5.

The net foreign currency exchange loss for the year amounted to MUSD 216.3 (MUSD -171.8). 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 22.9 (MUSD 65.6). As a result of the Aker BP transaction, part of the outstanding foreign currency exchange instruments are no longer considered effective under hedge effectiveness testing resulting in an additional non-cash charge to the income statement of MUSD 15.5 based on the marked-to-market foreign exchange rates as of 31 December 2021.

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

Interest expenses for the year amounted to MUSD 52.5 (MUSD 104.4) and represented the portion of interest charged to the income statement. An additional amount of interest of MUSD 23.6 (MUSD 25.8), mainly associated with the funding of the Norwegian development projects was capitalised during the year. The total interest expenses for the year decreased compared to the comparative period as a result of a lower LIBOR rate, a lower interest rate margin over LIBOR following the refinancing in December 2020 and a lower average outstanding debt relative to the comparative period.

The result on interest rate hedges for the year amounted to a loss of MUSD 122.0 (MUSD 44.5), as a result of the lower LIBOR rate, which included a MUSD 71.0 charge to the income statement in relation to interest rate hedge contracts no longer considered effective under hedge effectiveness testing and of which MUSD 53.4 was non-cash. The Company issued USD 2 billion of Senior Notes in June 2021 with a fixed interest rate and used the net proceeds, in combination with cash on hand, to repay USD 2 billion of the corporate credit facility term loans with a floating interest rate. The company repaid a further USD 0.3 billion of the corporate credit facility in November 2021 and as a result, part of the outstanding interest rate hedge contracts are no longer effective under hedge effectiveness testing. As a result of the Aker BP transaction, additional outstanding interest rate hedge contracts are no longer considered effective under hedge effectiveness testing.

The amortisation of the deferred financing fees for the year amounted to MUSD 35.5 (MUSD 37.6) and related to the expensing of the fees incurred in establishing the credit facility over the year of usage of the facility. In addition, the unamortised portion of the capitalised financing fees incurred in relation to the repaid USD 2.3 billion corporate credit facility term loans were expensed during the year. As a result of the Aker BP transaction, additional capitalised financing fees were expensed during the year. Following the successful refinancing in December 2020, unamortised capitalised financing fees in relation to the reserve-based lending facility, the MUSD 160 revolving credit facility and the MUSD 340 unsecured corporate facility were expensed during the comparative period.

Loan facility commitment fees for the year amounted to MUSD 7.2 (MUSD 11.5) and related to commitment fees for the undrawn amounts under the revolving corporate credit facility which was undrawn at the end of the year.

The unwinding of the loan modification gain in the comparative period amounted to MUSD 99.7 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. Following the successful refinancing in December 2020, the remaining portion of the capitalised loan modification gain was expensed during the comparative period.

Share in result of joint ventures

Share in result of joint ventures for the year amounted to MUSD 0.9 (MUSD -0.1) and related to the 50 percent non-operated interest in the Leikanger hydropower project in Norway. Share in result of joint ventures fully related to the continuing operations.

Tax

The overall tax charge for the year amounted to MUSD 2,892.5 (MUSD 890.1) of which MUSD — (MUSD 1.0) related to the continuing operations and MUSD 2,892.5 (MUSD 889.1) to the discontinued operations. The tax charge relating to the discontinued operations is detailed in Note 19.6.

The current tax charge for the year amounted to MUSD 2,562.8 (MUSD 511.8) 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 paid tax instalments in Norway during the year amounted to MUSD 1,387.3, 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 end 2020, from MUSD 444.4 to MUSD 1,573.7.

On 19 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 2020 and 2021 and an increase in deferred taxes.

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

The deferred tax charge for the year amounted to MUSD 329.7 (MUSD 378.3) 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 decreased for the year due to the temporary tax changes for the Special Petroleum Tax in Norway enacted in June 2020, 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 loss and the expensed interest rate hedge contracts which are no longer considered effective under hedge effectiveness testing. The effective tax rate on the adjusted net results for the year amounted to 78 percent.

Balance sheet - continuing operations

Non-current assets

Renewable energy properties amounted to MUSD 31.5 (MUSD —) and related to the fully consolidated 100 percent interest in the Karskrav onshore wind farm project in southern Sweden and is detailed in Note 4.

Investments in joint ventures amounted to MUSD 108.7 (MUSD 110.6) and related to the 50 percent interest in the Metsälamminkangas (MLK) wind farm project in Finland and the 50 percent interest in the Leikanger hydropower project in Norway which are not fully consolidated and reported as investments in joint ventures and are detailed in Note 7.

Receivables from joint ventures amounted to MUS\$ 35.1 (MUS\$ —) and related to long term interest bearing loans provided to the joint ventures holding the investments in the Metsälamminkangas (MLK) wind farm project in Finland and the Leikanger hydropower project in Norway and are detailed in Note 8.

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

Renewable investment in MUS\$	2021	2020
Karskröv Windfarm – Sweden	30.9	–
MLK Windfarm – Finland	40.0	46.3
Leikanger Hydropower – Norway	1.2	49.8
Natural Carbon Capture	5.6	–
Renewables investments	78.7	96.1

The Natural Carbon Capture projects as included in the table will be part of the discontinued operations.

Current assets

Assets held for distribution amounted to MUS\$ 7,468.2 (MUS\$ —) and is detailed in Note 19.

Trade and other receivables amounted to MUS\$ 5.3 and related mainly to working capital balances within the continuing operations and are detailed in Note 11.

Receivable from discontinued operations amounted to MUS\$ 128.6 (MUS\$ —) and equals the dividend liability as approved by the AGM held on 30 March 2021 in Stockholm which is paid in quarterly instalments and are detailed in Note 12. The discontinued operations have committed to fund the dividend and this receivable was settled early 2022 when the fourth quarterly dividend was paid to the shareholders.

Cash and cash equivalents amounted to MUS\$ 130.0 (MUS\$ 82.5) and related to the cash balance which will be retained by the continuing operations to cover capital expenditure and other working capital items, see also Note 13.

The renewable business is expected to be free cash flow positive from late 2023, when the renewable portfolio has been fully built out and all projects are operational.

Current liabilities

Liabilities held for distribution amounted to MUS\$ 9,194.0 (MUS\$ —) and is detailed in Note 19.

Dividends amounted to MUS\$ 128.6 (MUS\$ 72.3) and related to the cash dividend approved by the AGM held on 30 March 2021 in Stockholm, paid in quarterly instalments.

Trade and other payables amounted to MUS\$ 4.2 and are detailed in Note 18 and related mainly to working capital balances within the continuing operations.

Balance sheet – discontinued operations

All balance sheet items relating to the discontinued operations have been reclassified as assets held for distribution and liabilities held for distribution as detailed in Note 19.

Comparative numbers have not been reclassified under IFRS and therefore not included in Note 3.

Assets held for distribution

Oil and gas properties amounted to MUS\$ 6,222.2 and are detailed in Note 3. Oil and gas properties included Right of use assets as per IFRS16 and amounted to MUS\$ 5.3 relating to a drilling rig recognised under IFRS 16 during the year.

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

Development expenditure in MUS\$	2021	2020
Norway	738.4	639.8
Development expenditures	738.4	639.8

Development expenditure of MUS\$ 738.4 (MUS\$ 639.8) was incurred in Norway during the year, primarily on the Johan Sverdrup, Edvard Grieg, Solveig and Rolvsnes fields. In addition an amount of MUS\$ 23.1 (MUS\$ 25.8) of interest was capitalised.

Exploration and appraisal expenditure in MUS\$	2021	2020
Norway	300.6	152.9
Exploration and appraisal expenditure	300.6	152.9

Exploration and appraisal expenditure of MUS\$ 300.6 (MUS\$ 152.9) 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 MUS\$ 42.0 and are detailed in Note 5. Other tangible fixed assets included Right of use assets as per IFRS 16 and amounted to MUS\$ 27.2.

Goodwill associated with the accounting for the Edvard Grieg transaction during 2016 amounted to MUS\$ 128.1 and is detailed in Note 6.

Financial assets amounted to MUS\$ 12.7 and are detailed in Note 19.7. 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.

Inventories amounted to MUS\$ 55.7 and included both well supplies and hydrocarbon inventories and are detailed in Note 19.8.

Trade and other receivables amounted to MUS\$ 657.2 and are detailed in Note 19.9. Trade receivables, which are all current, amounted to MUS\$ 523.9. Underlift amounted to MUS\$ 23.2 and was attributable to an underlift position on the producing fields, mainly relating to oil from the Edvard Grieg field. Joint operations debtors relating to various joint venture receivables amounted to MUS\$ 36.2. Prepaid expenses and accrued income amounted to MUS\$ 68.7 and included MUS\$ 44.2 related to cargo liftings during the year not yet invoiced and prepaid operational and insurance expenditure. Other current assets amounted to MUS\$ 5.2.

Derivative instruments amounted to MUS\$ 18.5 and related to the marked-to-market valuation of outstanding currency hedge contracts and are detailed in Note 20.

Current tax assets amounted to MUSD 9.7 and related to payments of tax instalments outside Norway during the year and are expected to be recovered in the future, see also Note 19.6.

Cash and cash equivalents amounted to MUSD 322.1. Cash balances are mainly held to meet ongoing operational funding requirements as well as to provide headroom liquidity, see also Note 19.10.

Liabilities held for distribution

Financial liabilities amounted to MUSD 3,211.5 and are detailed in Note 19.11. The Company issued USD 2 billion of Senior Notes in June 2021 consisting of USD 1 billion 2.0 percent Senior Notes due in 2026 at a price equal to 99.827 percent and USD 1 billion 3.1 percent Senior Notes due in 2031 at a price equal to 99.81 percent with interest payable semi-annually. Capitalised financing fees relating to the bonds issuance amounted to MUSD 16.7 and are being amortised over the expected life of the bonds. Bank loans amounted to MUSD 1,200.0 and related to the outstanding term loans under the corporate credit facility. The Company repaid USD 2 billion of the corporate credit facility term loans in June 2021 following the bonds issuance and repaid a further USD 0.3 billion in November. Capitalised financing fees relating to the establishment of the credit facility amounted to MUSD 2.4 and are being amortised over the expected life of the facility. The lease commitments amounted to MUSD 34.0 and related to the lease commitments under IFRS 16.

Provisions amounted to MUSD 664.7 and are detailed in Note 16. The provision for site restoration amounted to MUSD 650.8 and related to the future decommissioning obligations. The provision for Lundin Energy's Unit Bonus Plan amounted to MUSD 10.3.

Deferred tax liabilities amounted to MUSD 3,120.6 and are detailed in Note 19.6. 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.

Trade and other payables amounted to MUSD 404.2 and are detailed in Note 19.12. Trade payables amounted to MUSD 80.4. Overlift amounted to MUSD 27.0 and was attributable to an overlift position on the producing fields, mainly relating to oil from the Solveig field. Joint operations creditors and accrued expenses amounted to MUSD 209.0 and related to activity in Norway. Other accrued expenses amounted to MUSD 63.7 and other current liabilities amounted to MUSD 24.1.

Derivative instruments amounted to MUSD 90.7 and related to the marked-to-market valuation of outstanding interest rate and currency hedge contracts and are detailed in Note 20.

Current tax liabilities amounted to MUSD 1,573.7 and related to Norway and are detailed in Note 19.6. The current tax liabilities have increased during the year mainly due to a current tax charge for the year of MUSD 2,562.8 offset by cash tax payments of MUSD 1,387.3 during the year.

Payables to continuing operations amounted to MUSD 128.6 and equals the dividend liability as approved by the AGM held on 30 March 2021 in Stockholm which is paid in quarterly instalments. The discontinued operations have committed to fund the dividend and this payable was settled early 2022 when the fourth quarterly dividend was paid to the shareholders, see also Note 12.

Statement of cash flows

Changes in working capital

Changes in working capital for the year, as included in the consolidated statement of cash flows, amounted to MUSD -229.2 (MUSD 61.4). Working capital increases mainly related to higher receivables at the end of the year as a result of increasing oil and gas prices, partly offset by higher payables.

Share information

For the number of shares outstanding and the repurchases of own shares, see Note 14.1.

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

Dividend

Ordinary cash dividend

As communicated by the Company on 29 October 2021 and in accordance with the dividend policy, the Board of Directors will propose to the 2022 Annual General Meeting a quarterly dividend of USD 0.5625 per share, corresponding to USD 160 million (rounded off) per quarter, which reflects a 25 percent increase compared to the 2020 dividend. Before payment, each quarterly dividend of USD 0.5625 per share will 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) prior to each record date. 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 prior to each record date.

The first dividend payment is expected to be paid around 7 April 2022, with an expected record date of 4 April 2022 and expected ex-dividend date of 1 April 2022. The second dividend payment is expected to be paid around 12 July 2022, with an expected record date of 7 July 2022 and expected ex-dividend date of 6 July 2022. The third dividend payment is expected to be paid around 7 October 2022, with an expected record date of 4 October 2022 and an expected ex-dividend date of 3 October 2022. The fourth dividend payment is expected to be paid around 11 January 2023, with an expected record date of 5 January 2023 and an expected ex-dividend date of 4 January 2023.

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 dividend has been set to a cap of SEK 7.040 billion. If the total dividend would exceed the cap of SEK 7.040 billion, the dividend will be automatically adjusted downwards so that the dividend corresponds to the cap of SEK 7.040 billion.

On 21 December 2021, the Company entered into an agreement regarding a combination of Aker BP and the Company's E&P business. Completion of the combination with Aker BP is subject to certain terms and conditions, including approval by the Annual General Meeting of the Company and Aker BP receiving necessary governmental clearances. The Board of Directors proposes to the Annual General Meeting that quarterly dividends as per the above shall only be payable for as long as the Company owns the E&P business. Accordingly, no quarterly dividends shall be paid

by the Company after the completion of the combination with Aker BP. According to a preliminary timetable, completion of the combination is planned to occur in late Q2 2022.

For details on the dividend policy, see page 22.

Lex Asea distribution of the E&P business

The combination with Aker BP will be carried out as a statutory cross-border merger in accordance with Norwegian and Swedish law, through which Aker BP will absorb a company (“LEAB MergerCo”) that will contain Lundin Energy’s E&P business. Shortly before the completion of the combination with Aker BP, the shares in LEAB MergerCo will be distributed to the shareholders of Lundin Energy through a so-called lex asea dividend. The merger consideration that thereafter will be payable to the (new) shareholders of LEAB MergerCo will consist of a mix of cash and shares in Aker BP.

The Board of Directors proposes to the 2022 Annual General Meeting that all shares in LEAB MergerCo are distributed to the shareholders, whereby one share in the Company shall entitle to one share in LEAB MergerCo.

Proposed disposition of unappropriated earnings

The 2022 Annual General Meeting has an unrestricted equity at its disposal of MSEK 62,760.7, including the net result for the year of MSEK 12,956.5.

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

MSEK	
	The Board of Directors proposes that the shareholders are paid a quarterly dividend of USD 0.5625 per share ¹ 6,091.9
	The Board of Directors proposes a distribution of all shares in LEAB MergerCo ² 55,118.9
	Brought forward 1,549.9
	Unrestricted equity 62,760.7

¹ The quarterly dividend shall only be payable for as long as the Company owns all shares in LEAB MergerCo. Accordingly, no quarterly dividends shall be paid by the Company after the completion of the combination with Aker BP. The amount included in the table above is based on four quarterly dividend payments but will change if less than four quarterly dividends have been paid when the Company ceases to own all shares in LEAB MergerCo. The completion of the combination with Aker BP is currently expected to occur end of June which would result in one quarterly dividend payment. The amount is based on the USD to SEK exchange rate published by Sweden’s central bank (Riksbanken) as at 24 February 2022. The amount is based on the number of shares in circulation on 24 February 2022 and the total dividend amount may change by the record dates as a result of repurchases of own shares, sale of treasury 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 2022 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, and once the assessment has been made that the condition for payment has been fulfilled in relation to each quarterly payment the dividend will be recorded as a liability in USD and the SEK equivalent of any USD liability recognised will fluctuate between the date it is recognised until it is converted from USD to SEK.

² The value of the shares in LEAB MergerCo is determined based on the book value of Lundin Energy Holding BV at the end of 2021 with the book value of the newly incorporated LEAB MergerCo as per distribution date expected to be the same following internal restructuring steps prior to completion of the Aker BP transaction. The value might change up until the distribution of the shares in LEAB MergerCo but will never, in combination with the proposed quarterly dividend, exceed the unrestricted equity of the Company.

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 dividends are 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 will be positive after completion of the Aker BP transaction. 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 2022 AGM, all the current members of the Board of Directors will be proposed for re-election by the Nomination Committee.

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 39–77.

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 78–84.

Subsequent events

Subsequent events are detailed in Note 29.

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 places risk management responsibility at all levels to continually identify, understand and manage threats and opportunities affecting our business. This enables the Company to make informed decisions and to prioritise control activities and resources to deal effectively with any potential threats and opportunities.

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 to 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, effects of the pandemic 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 on time and on schedule. The partner operated Johan Sverdrup Phase 2 project is progressing well and is on schedule for first oil in the fourth quarter of 2022, 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, achieved first oil as planned in 2021.

Evaluation of reserves and resources

Risk: Uncertainty in the evaluation of 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.

Health, Safety, Environment and Quality

Risk: Major accidents and the pandemic can affect our operations, our people and the environment. Examples of such are a significant fire, process safety, collisions or well control issues, which are all significant risks within the oil and gas industry.

Response: Lundin Energy has a strong Health, Safety, Environment and Quality (HSEQ) management system and industry leading standards to reduce the risk and impact of such incidents, which is subject to incident investigations and audits. The Company maintains a robust HSEQ culture, and focus on business continuity 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. The Company focuses on preventative action including continuous training on information security risks and the establishment of a group-wide Information Security Advisory Committee.

Operational risks continued

Replacing reserves

Risk: Long-term inability to target and mature unrisks resources and replace reserves through exploration success or non-organic growth can affect 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 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 exploration and appraisal activities to create the possibility of continued growth.

Supply chain

Risk: The post pandemic supply chain delays could lead to strained capacity and resources in all industries with long lead times in manufacturing causing delays for spare parts and development projects.

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. We have regular discussions and long-term agreements with some of our key suppliers to ensure that they are able to procure spare parts and execute projects with the attention, quality and results expected in this current market environment.

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 Gaupe field, the Company has no further decommissioning spend planned 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.

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.

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 volatility in oil and gas prices, the effect of the pandemic 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: Even though the oil and gas sector is used to the highs and lows of economic and price cycles, 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

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 by 2023 in our operational emissions and will have an industry leading low carbon intensity of less than 1 kg CO₂/boe by 2023. The Company is investing MUSD 800 to reach these goals, in electrification to receive power from shore for its main producing assets, replacing its net electricity usage through direct 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. We align with the recommendations of the Task Force on Climate Related Financial Disclosures in our annual Sustainability Report.

Ethics and compliance

Risk: Risk of non-compliance with legal regulations such as Anti-corruption, Anti-Money Laundering and Data Protection, as well as non-ethical business practices like fraud, bribery and corruption. Non-compliance could lead to investigations and litigation, as well as negative impacts on reputation with shareholders, lenders and other stakeholders.

Response: Lundin Energy operates according to the highest level of legal and 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 legal compliance and 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, tax regulations and legislation, or complexity thereof, could negatively affect the Company, lead to investigations, litigation, 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 indictment by the Swedish Prosecution Authority into past activities in Sudan (1999 – 2003), and preliminary investigation concerning allegations of interference of judicial proceedings, are a direct risk to the Director and the Chairman, and pose reputational, and potential financial risks for the Company. 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 will continue to actively defend its interests both through the Swedish legal process and in the public domain, and maintains transparent and effective engagement with key stakeholders to ensure an open and informed dialogue as we challenge the legal basis for the Swedish Prosecution Authority's criminal charges. The Company is convinced that it did nothing wrong and that there are no grounds for any allegations of wrongdoing by any of its representatives. 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 2021. 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.

2022 Annual General Meeting

The 2022 Annual General Meeting (AGM) will be held on 31 March 2022 at 13.00 CEST at the Hotel at Six, Brunkebergstorg 6, in Stockholm. The Board of Directors has decided, pursuant to the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations that shareholders shall have the right to exercise their voting rights by postal voting. Consequently, shareholders may choose to exercise their voting rights at the Annual General Meeting by attending in person, through a proxy or by postal voting. 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
- Swedish Rules on Remuneration of the Board and Executive Management and on Incentive Programmes

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 2021

On 21 December 2021 the Company entered into an agreement with Aker BP regarding the combination of the Company's E&P business with Aker BP in return for cash and shares in Aker BP. The Company will retain its investments in renewable energy.

Adam I. Lundin appointed as a new Board member at the AGM held on 30 March 2021.

Inaugural bond issuance of USD 2 billion senior notes in two tranches of USD 1 billion each with maturity in 2026 and 2031, respectively.

Further accelerating the Company's Decarbonisation Plan to achieve carbon neutrality for operational emissions by 2023, from the previous target of 2025.

other regulations such as the Rule Book for Issuers, the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes and good practice on the securities market.

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 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), Compliance, Human Rights, Stakeholder Relations, Legal, Corporate Security, Information Security, Crisis Management, Diversity, Whistleblowing, Tax, Insurance & Risk Management, Human Resources, Inside Information and Corporate Communications & Investor Relations. All policies, procedures and guidelines are continuously reviewed and updated at a local and group level when required, and are continuously integrated into local management systems. During 2021 several new policies were added, some policies were removed and others were updated. A number of 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 2021, the Company did not purchase any own shares and held as per 31 December 2021 1,356,436 own shares in total.

At the end of 2021, Lundin Energy had a total of 40,702 shareholders listed with Euroclear Sweden, which represents a decrease of 5,103 compared to the end of 2020, i.e. a decrease of approximately 11 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 2021	Number of shares	Percent (rounded)
Nemesia ¹	95,478,606	33.39
BlackRock	10,044,086	3.51
Vanguard	6,494,118	2.27
State Street Global Advisors	5,459,719	1.91
T. Rowe Price	4,744,871	1.66
Norges Bank	4,730,352	1.65
OM Asset Management	4,572,141	1.60
JPMorgan	4,228,709	1.48
Amundi	3,924,943	1.37
Janus Henderson Group	3,667,501	1.28
Other shareholders	142,579,568	49.88
Total	285,924,614	100.00

¹ An investment company wholly owned by Lundin family trusts.

Source: Q4 Inc.

Shareholders' meeting

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 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.

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.

2021 AGM

The 2021 AGM was held on 30 March 2021. As a consequence of the global COVID-19 pandemic, the Board of Directors decided to hold the AGM online 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). The AGM was attended by 830 shareholders, personally or by proxy, representing 54.3 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 a video link, to be able to answer potential questions from the shareholders. Other Board members followed the AGM online.

The resolutions passed by the 2021 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 2020 and resolving to declare a dividend of USD 1.80 per share to be paid out in four quarterly instalments with record dates of 1 April 2021, 2 July 2021, 4 October 2021 and 5 January 2022. Before payment, each quarterly dividend of USD 0.45 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 2020.
- Approval of the Remuneration Report prepared by the Board.
- Approval of the remuneration of USD 130,000 to the Chairman of the Board and USD 62,000 to other Board members 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 and election of Adam I. Lundin as a new Board member.
- Re-election of Ian H. Lundin as Chairman of the Board.
- Approval of the remuneration of the statutory auditor.
- Re-election of the registered accounting firm Ernst & Young AB as the Company's statutory auditor until the 2022 AGM, authorised public accountant Anders Kriström being the designated auditor in charge.
- Approval of a long-term incentive plan (LTIP) 2021 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 2021 LTIP.
- 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.
- Approval of an extraordinary cash compensation to a Board member, equally the former CEO.
- Rejection of two shareholder proposals, which were put to the meeting by a minority shareholder.

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 is the registered accounting firm Ernst & Young AB, which was first elected as the Company's statutory auditor at the 2020 AGM. The auditor's fees are described in the notes to the financial statements, see Note 28 on page 77 and Note 6 on page 82. 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 generally 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 2022 AGM

The members of the Nomination Committee for the 2022 AGM were announced and posted on the Company's website on 24 June 2021. The Nomination Committee has held five 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 2022 AGM.
- Considering Board and statutory auditor remuneration issues and proposals to the 2022 AGM, including additional Board remuneration for 2021 tied to the increased workload during the year.
- Considering a proposal to appoint an external independent Chairman for the 2022 AGM.
- 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, as well as the indictment of two Board members and announced transaction with Aker BP.
- Discussing succession planning matters.
- 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 Cecilia Vieweg, Grace Reksten Skaugen, Jakob Thomasen and C. Ashley Heppenstall to discuss the work and functioning of the Board.

The full Nomination Committee report, including the final proposals to the 2022 AGM, is available on the Company's website.

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.

Nomination Committee for the 2022 AGM

Member	Representing	Meeting attendance	Shares represented as at 1 Jun 2021	Shares represented as at 31 Dec 2021	Independent of the Company and Group management	Independent of the Company's major shareholders
Aksel Azrac	Nemesia S.å.r.l	5/5	33.4%	33.4%	Yes	No ¹
Oscar Börjesson	Livförsäkringsbolaget Skandia, ömsesidigt	5/5	0.6%	0.5%	Yes	Yes
Ian H. Lundin	Chairman of the Board of Lundin Energy	5/5	N/a ²	N/a ²	Yes	No ²
			Total 34.0%	Total 33.9%		

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

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

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 2021 AGM was requested by the major shareholder of the Company to consider the nomination of Adam I. Lundin as a new Board member considering his wide range of skills in both finance and the extractive industries, and due to succession planning considerations. The Nomination Committee considered that a Board size of ten members would be appropriate 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 2021 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 30 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 would be slightly reduced as a result of the proposed appointment of Adam I. Lundin, the Nomination Committee considered that the skills and broad experience of the Board members, as well as succession planning considerations, 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 but decided that no increase should be proposed as a result of the uncertainty surrounding the ongoing COVID-19 pandemic.

Board meetings and work in 2021

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 2021, 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.

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.

Principal tasks of the Board of Directors

- Establishing the overall goals and strategy of the Company.
- Making decisions regarding the supply and allocation 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.

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 and the separate Remuneration Report available on the Company's website.

Compensation Committee work during 2021:

- Ongoing review of the performance management process through various meetings across the year.
- Preparing the Remuneration Report for Board and AGM approval and considering enhancements for the 2021 Remuneration Report.
- Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration.
- Review of the Policy on Remuneration adopted by the 2020 AGM and decision not to propose any changes to the 2022 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 proposal for LTIP 2021 for Board and AGM approval through various work sessions and preparation discussions.
- Review of fulfilment of LTIP 2018 performance conditions and confirmation of vesting.
- Review of the CEO's proposals for remuneration and other terms of employment of the other members of Group management for Board approval.
- Review of the CEO's proposals for the principles of compensation of other employees.
- Review and approval of the CEO's proposals for 2021 LTIP awards.
- Preparation of proposals for the CEO's remuneration.
- Frequent contacts, ongoing dialogue and decisions outside of formal meetings to provide oversight and approvals for remuneration issues as presented by Group management.

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 2021:

- Assessment of the 2020 year end report and the 2021 half year report for completeness and accuracy and recommendation for approval to the Board.
- Assessment and approval of the first and third quarter reports 2021 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 2022 AGM.
- Reviewing the 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 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 2021 includes:

- Review of material local and corporate sustainability risks and management responses, including risks imposed by COVID-19 and prevention measures.
- Discussion on how to protect the workforce against risks posed by COVID-19.
- Review of the Company's Decarbonisation Plan and overall sustainability performance.
- Discussion on strategy for carbon neutrality and actions required, including acceleration of carbon neutrality commitment to 2023, adoption of a 50% absolute emissions reduction target and investments in natural carbon capture projects.
- Discussion on the growing focus of sustainability disclosures and investment landscape in light of evolving stakeholder expectations and increased investor/lender focus on ESG.
- Review of refreshed materiality assessment and investor perception study.
- Discussion on the evolving regulatory landscape to ensure readiness for necessary disclosures, namely the EU Green Taxonomy and the Draft EU Corporate Due Diligence and Accountability Directive.
- Discussion and proposal to align external reporting with the recommendations of the Sustainability Accounting Standards Board.

Remuneration of Board members

The remuneration of the Chairman and other Board members follows the resolution adopted by the AGM. The Board members, are not employed by the Company, do not receive any salary from the Company and are not eligible for participation in incentive programmes for Group management and other employees. 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 26 on pages 74–75.

Evaluation of the Board's work

An external review of the work of the Board was conducted in the autumn through an online survey specifically tailored for the Company. The purpose of the external review was to build on last year's external review and assess areas of improvement. 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. The Board contributes well to the overall strategy of the Company and collaborates effectively with Group management. The Board is considered to have the knowledge and experience required to support delivery of the strategy and exhibits diversity and breadth in respect of qualifications, experience and background. Sustainability matters are regularly included in the Board meeting agendas and all Board Committees are working well.

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
- Approval of the annual Report on Payments to Governments
- 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 2021

The Board's work in 2021 was unusually time consuming and demanding, with 19 board meetings held and substantial deliberations and contacts in-between meetings. 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:

- Considering several strategic opportunities for the business and recommendation to the AGM to approve the combination of the Company's E&P business with Aker BP in return for cash and shares in Aker BP, subject to customary approvals, whilst retaining the Company's investments in renewable energy after completion of the combination.
- Discussing in detail the Company's performance in 2020 and resolving to propose to the 2021 AGM that an increased cash dividend of USD 1.80 per share should be paid to the shareholders.
- Considering an anticipated dividend proposal to the AGM 2022 to increase the 2021 dividend by 25 percent to USD 2.25 per share, given the favourable market conditions and should such conditions prevail for the rest of the year.
- Considering in detail Company strategy and evaluating several potential business opportunities.
- Reviewing the Company's oil and gas reserves and resources positions.
- Considering the Company's production and asset performance, business forecasts and future outlook.
- Considering and discussing the Johan Sverdrup performance and cost expectation, capacity increase, remaining Phase 2 project risks and schedule, including the electrification of the Phase 2 platform and Utsira High through power from shore.
- Considering the development projects in the Greater Edvard Grieg Area, including the production start-up on Solveig Phase 1 and the Rolvsnes extended well test, as well as further potential with the Greater Edvard Grieg Area.
- Discussing the Company's exploration position, including approving licence applications and acquisitions, to optimise the Company's acreage position and ensure future organic growth opportunities.
- Considering and approving the acquisition of an additional 25 percent working interest in the Wisting development.
- Considering potential upcoming Norwegian tax changes and their impact on the Company's development portfolio.
- 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 Plan achieving carbon neutrality by 2023 from operational emissions, sustainability trends and initiatives, and the partnerships with Land Life Company and EcoPlanet Bamboo to invest in high quality re-forestation projects.
- Considering the added value of carbon neutrally produced crude, including the world's first certified carbon neutrally produced crude sale from the Edvard Grieg field, and the sales of Johan Sverdrup crude on a carbon neutral basis.
- Reviewing the progression of the Company's renewable assets, including completion of the Leikanger hydropower project and first power from the Metsälamminkangas (MLK) wind farm.
- Considering and approving an agreement to acquire and invest in the Karskröv wind farm in Sweden.
- Considering and discussing the Company's HSEQ performance, including incidents that occurred during the year and HSEQ audits.
- Considering the proposal for a performance based long-term incentive plan (LTIP) 2021, following similar principles as the previous LTIPs approved by the 2014–2020 AGMs, including continued stakeholder engagement discussions, revising the applicable peer group, approving participants, allocating individual awards and approving the detailed plan rules, subject to 2021 AGM approval.
- 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.
- Reviewing and approving the inaugural offering of USD 2 billion senior notes in two tranches of USD 1 billion each with maturity in 2026 and 2031, respectively.
- Discussions regarding the Company's risk management, including in respect of the COVID-19 pandemic.
- Discussing the Swedish Prosecution Authority's preliminary investigation and decision to bring charges against the Chairman of the Board, Ian H. Lundin, and Director, Alex Schneider, for alleged complicity in crime against international law, gross crime, in Sudan during 1999–2003 and 2000–2003, respectively.
- Assessing in detail the impact of an indictment for the Company, including the notified claims regarding a company fine and forfeiture of economic proceeds.

DIRECTORS' REPORT | Corporate Governance Report

Board of Directors:	Ian H. Lundin	Alex Schneider	Peggy Bruzelius	C. Ashley Heppenstall	Adam I. Lundin
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	Director Elected 2021 Born 1987
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.	Studies in Mining Technology and Marketing Management at the British Columbia Institute of Technology.
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 2002 – 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.	CEO & President of Josemaria Resources, former CEO & President of Filo Mining Corp. Co-head of the London office for an international investment bank.
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.	Chairman of the board of Filo Mining Corp, member of the board of NGEx Minerals, Josemaria Resources and Lundin Foundation.
Shares as at 31 December 2021	Nil ²	521,126	8,000	Nil ⁴	Nil ⁵
Attendance					
Board	17/19	18/19	19/19	18/19	13/15 ⁵
Audit Committee	–	–	7/7	7/7	–
Compensation Committee	9/9	–	–	–	–
Sustainability Committee	–	–	–	–	–
Remuneration¹					
Board and Committee work	USD 144,700	Nil	USD 82,300	USD 76,700	USD 31,000
Special assignments outside the directorship	USD 114,197	Nil	Nil	Nil	Nil
Independent of the Company and Group management	Yes	No ³	Yes	Yes	Yes
Independent of major shareholders	No ²	Yes	Yes	Yes	No ⁵

1 See also Note 26 on pages 74–75.

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.à.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 1,142,618 shares in Lundin Energy AB through an investment company, Rojafi.

5 Adam I. Lundin is a member of the Board of Directors as of 30 March 2021. Adam I. Lundin is in the Nomination Committee's and the Company's opinion not deemed independent of the Company's major shareholder as Adam I. Lundin is a member of the Lundin family that holds, through a family trust, Nemesia S.à.r.l., which holds 95,478,606 shares in the Company.

6 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.à.r.l., which holds 95,478,606 shares in the Company.

Lukas H. Lundin	Grace Reksten Skaugen	Torstein Sanness	Jakob Thomassen	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 1999–2018. 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. 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 Carbon Transition ASA.	Chairman of the DHI Group, ESVAGT, RelyOn Nutec and Hovedstadens Letbane.	–
425,000 ⁶	6,000	93,310	8,820	5,000
16/19 – – –	18/19 – 9/9 2/2	18/19 – – 2/2	19/19 7/7 – 2/2	19/19 – 9/9 –
USD 62,000	USD 97,000	USD 76,700	USD 91,400	USD 82,300
Nil	Nil	Nil	Nil	Nil
Yes	Yes	Yes	Yes	Yes
No ⁶	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, 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 Investor Relations and Communications, Edward Westropp, who is responsible for investor relations and financial and strategic communications within the Group, the Vice President Sustainability, Zomo Fisher, who is responsible for the Group's corporate sustainability strategy and the Vice President Commodities Trading and Marketing, David Michelis, who is responsible for the marketing strategy and the physical commodities trading of the Group.
- 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 2021

- Reviewing several strategic opportunities and negotiating the terms of the agreement to combine the Company's E&P business with Aker BP in return for cash and shares in Aker BP. The agreement is subject to customary approvals and the Company will retain its investments in renewable energy after completion of the combination.
- Overseeing the continuing development of Johan Sverdrup, including production matters, reservoir performance and optimisation, capacity increases and progress on Phase 2 development.
- Overseeing the progress and production start of the Edvard Grieg tie-back projects Solveig Phase 1 and Rolvsnes extended well test, including senior engagement with key contractors and suppliers.
- Overseeing the infill drilling campaign on Edvard Grieg.
- Discussing and negotiating the terms for the acquisition of an additional 25 percent working interest of the Wisting development project from OMV (Norge) AS, including negotiation with Equinor regarding operatorship and exploration acreage.
- 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.
- Considering new ventures and opportunities.
- Overseeing the Group's marketing of crude oil.
- Overseeing the Decarbonisation Plan, including negotiating and contracting the natural carbon capture projects and managing the progress to reach carbon neutrality by 2023.
- Analysis of climate change risks and opportunities for the business.
- Negotiating the terms for the acquisition of 100 percent interest in the Karskröv wind farm project in Sweden.
- Considering in detail operational safety matters.
- Discussing and managing 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.
- Reviewing and assessing change in performance on external ESG ratings.
- Overseeing the framework for capital allocation throughout the Group.
- Management of the work associated with receiving additional public investment grade credit ratings from Moody's and Fitch Ratings.
- Negotiating the inaugural offering of USD 2 billion senior notes in two tranches of USD 1 billion each with maturity in 2026 and 2031, respectively.
- Considering and managing the implications of the Swedish Prosecution Authority's decision to bring charges in relation to past operations in Sudan including as a result of notified claims against the Company.

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. Weekly 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. Under normal operations, 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 long-term sustainable 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

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.

On 11 November 2021, the Swedish Prosecution Authority brought criminal charges against the Chairman of the Board, Ian H. Lundin, and Director, Alex Schneider, in relation to past operations in Sudan from 1999–2003 and 2000–2003, respectively. The charges also included claims against the Company for a corporate fine of SEK 3,000,000 and forfeiture of economic benefits of SEK 1,391,791,000, which according to the Swedish Prosecution Authority represents the value of the gain of SEK 720,098,000 that the Company made on the sale of the business in 2003. The amount of the claim regarding forfeiture of economic benefits is approximately half of the amount originally notified by the Swedish Prosecution Authority in 2018. Any potential corporate fine or forfeiture could only be imposed after the conclusion of a trial.

The Company refutes that there are any grounds for allegations of wrongdoing by any of its representatives and does not foresee any impact on the operational and financial guidance that the Company has set out previously. The Company has also challenged the legal basis of the criminal charges and pointed out the fundamental flaws of the Swedish Prosecution Authorities decision to indict. The Company carried out fully legitimate and responsible business operations in Sudan as part of an international consortium. It operated within a framework of constructive engagement in the country as endorsed by the UN, EU and Sweden. There are no valid grounds for allegations of complicity by any Company representatives. The Company remains confident that both the defence and the extensive deficiencies in the conduct of the investigation will be considered by the Court process in determining that its representatives did nothing wrong.

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 Schneider have been interviewed by the Swedish Prosecution Authority and have been notified of the suspicions that form the basis for the investigation.

More information regarding the past activities in Sudan during 1997–2003 can be found on www.lundinsudanlegalcase.com.

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 and the Group undertake yearly benchmarking studies. For each study, a peer group of international oil and 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 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 these peer groups.

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 once every four years. The Board does not propose any changes to the Policy on Remuneration for Group management as approved by the 2020 AGM, which is reproduced below. The Remuneration Report, which can be found on the Company's website, describes in more detail outcomes and how decisions were taken by the Compensation Committee during 2021.

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 Policy on Remuneration approved in 2020, the Board of Directors can 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 this discretion is important to accommodate the uncertainties and cyclical nature of the oil and gas industry. The Board made two such decisions that are reported in the Remuneration Report and noted in Note 26 on pages 74–75. The Board determined that it was reasonable to recognise the excellent performance of two members of Group management in relation to projects linked to legal and communication matters.

Long-term incentive plan 2021

The 2021 AGM resolved to approve a performance based LTIP 2021, that follows similar principles as the previously approved LTIPs 2014–2020, 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 2021 and expiring on 30 June 2024. 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 2021 and the total LTIP award made in respect of 2021 was 262,902.

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 2021, 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 2021 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 2021, 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 Remuneration Report, for approval by the Board and the AGM, on the application of the Policy on Remuneration and the evaluation of Group management remuneration. 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.

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

2021 was a milestone year for the Company's financial performance with record EBITDAX and Free Cash Flow generation. The combination of production volumes being at the upper end of guidance at 190 mboepd coupled with a robust macro environment with good oil and gas prices resulted in an EBITDAX of USD 4.8bn and Free cash flow of USD 1.6bn. This strong financial performance meant that the Company's Free cash flow covered the cash dividends by over 3.5 times and resulted in net debt reduced by USD 1.2bn to a year-end net debt of USD 2.7bn.

During 2021 the Company also successfully issued two bonds of USD 1bn each at investment grade terms and with very attractive coupon rates. This has diversified the Company's capital structure as well as termed out the maturity of the debt profile with the bonds having a maturity of 5 and 10 years respectively.

Since its inaugural cash dividend declared in 2018 the Company has paid a cumulative cash dividend of USD 1.4bn. With the strong cash generation during 2021 the Company's Board of Directors is proposing a continued progressive dividend profile with a 25 percent dividend increase to USD 2.25 per share to be paid quarterly until the E&P combination with Aker BP has completed.

The Company's balance sheet is very robust and with its industry leading low cost of operations per barrel of between USD 3 - USD 4 coupled with a low capex intensity per barrel, the outlook for continued Free cash flow generation remains very strong. This financial position provides a very good fit with Aker BP's financial position and thus setting up a pathway for the combined entity of continued strong operational performance with a strong Free cash flow profile into the next decade.

	2021	2020
Production in Mboepd	190.3	164.5
Revenue and other income in MUSD	5,484.7	2,564.4
CFFO in MUSD	3,058.0	1,528.0
<i>Per share in USD</i>	10.75	5.38
EBITDAX in MUSD	4,822.8	2,140.2
<i>Per share in USD</i>	16.96	7.53
Free cash flow in MUSD	1,645.5	448.2
<i>Per share in USD</i>	5.79	1.58
Net result in MUSD	493.8	384.2
<i>Per share in USD</i>	1.74	1.35
Adjusted net result in MUSD	795.7	280.0
<i>Per share in USD</i>	2.80	0.99
Net debt	2,747.9	3,911.5

¹ All numbers in this table relate to continuing and discontinuing operations combined. For a further breakdown between continuing and discontinuing operations, reference is made to pages 90–92.

Aker BP transaction

On 21 December 2021, Lundin Energy announced that it had entered into an agreement (the transaction) with Aker BP whereby Aker BP will absorb Lundin Energy's E&P business through a cross-border merger in accordance with Norwegian and Swedish law. Before completion of the cross-border merger, the shares in the company holding Lundin Energy's E&P business will be distributed to Lundin Energy shareholders. Consequently Lundin Energy presented its E&P business as discontinued operations in the consolidated Income Statement and presented the asset and liabilities associated with the E&P business as assets and liabilities held for distribution in the consolidated Balance Sheet. Once the transaction with Aker BP is completed, the renewable business, which is reported as continuing operations, will be debt free and have a cash balance of MUSD 130, to cover capital expenditure and other working capital items. The renewable business is expected to be free cash flow positive from late 2023, when the renewable portfolio has been fully built out and all projects are operational.

Under the agreement with Aker BP, in exchange for Lundin Energy's E&P business, shareholders will be entitled to a cash consideration totaling BUSD 2.22 (approximately SEK 71.0 per share after conversion from USD at 20 December 2021 exchange rates), 271,910,019 Aker BP shares (representing 0.951 Aker BP share for every 1 Lundin Energy share, equivalent to SEK 279.3 per share at 20th December 2021) and will retain their existing shareholding in Lundin Energy and its renewables business (detail on business plan, management and governance will be published by 7 March 2022). Accordingly following the completion of the transaction, (subject to shareholder approval at the Company's AGM on 31 March 2022, shareholder approval by Aker BP's General Meeting and receipt of necessary governmental approvals), the shareholders of Lundin Energy will hold 43 percent of the total shares and votes of Aker BP, (based on a total of 360,113,509 shares and votes in Aker BP).

Consolidated Income Statement

for the Financial Year Ended 31 December

Expressed in MUSD	Note	2021	2020
General, administration and depreciation expenses		-19.4	-16.4
Operating profit		-19.4	-16.4
Net financial items			
Finance income	1	2.6	0.5
Finance costs	2	-0.2	-0.9
		2.4	-0.4
Share in result of joint ventures	7	0.9	-0.1
Loss before tax		-16.1	-16.9
Income tax	17	—	-1.0
Net result from continuing operations		-16.1	-17.9
Discontinued operations			
Net result - E&P business	19	509.9	402.1
		493.8	384.2
Attributable to:			
Shareholders of the Parent Company		493.8	384.2
Earnings per share – USD			
From continuing operations	14.4	-0.06	-0.06
From discontinued operations	14.4	1.80	1.41
		1.74	1.35
Earnings per share fully diluted – USD			
From continuing operations	14.4	-0.06	-0.06
From discontinued operations	14.4	1.79	1.41
		1.73	1.35

FINANCIAL STATEMENTS AND NOTES

Consolidated Statement of Comprehensive Income

for the Financial Year Ended 31 December

Expressed in MUSD	2021	2020
Net result	493.8	384.2
Items that may be subsequently reclassified to profit or loss:		
Exchange differences foreign operations	181.2	-210.1
Cash flow hedges	183.5	-63.4
Other comprehensive income, net of tax	364.7	-273.5
Total comprehensive income	858.5	110.7
Attributable to:		
Shareholders of the Parent Company	858.5	110.7

Consolidated Balance Sheet

for the Financial Year Ended 31 December

Expressed in MUSD	Note	2021	2020
ASSETS			
Non-current assets			
Oil and gas properties	3	—	5,902.4
Renewable energy properties	4	31.5	—
Other tangible fixed assets	5	0.1	45.2
Goodwill	6	—	128.1
Investments in joint ventures	7	108.7	110.6
Receivables from joint ventures	8	35.1	—
Financial assets	9	—	13.5
Trade and other receivables	11	—	17.3
Derivative instruments	20	—	3.8
Total non-current assets		175.4	6,220.9
Current assets			
Assets held for distribution	19	7,468.2	—
Inventories	10	—	59.1
Trade and other receivables	11	5.3	278.6
Derivative instruments	20	—	12.1
Receivable from discontinued operations	12	128.6	—
Cash and cash equivalents	13	130.0	82.5
Total current assets		7,732.1	432.3
TOTAL ASSETS		7,907.5	6,653.2
EQUITY AND LIABILITIES			
Equity			
Share capital	14.1	0.5	0.5
Additional paid in capital	14.1	321.1	323.7
Other reserves	14.2	-404.5	-769.2
Retained earnings	14.3	-1,830.2	-1,708.3
Net result	14.3	493.8	384.2
Total equity		-1,419.3	-1,769.1
Liabilities			
Non-current liabilities			
Financial liabilities	15/21/22	—	3,983.9
Provisions	16	—	565.6
Deferred tax liabilities	17	—	2,893.9
Derivative instruments	20	—	144.7
Total non-current liabilities		—	7,588.1
Current liabilities			
Liabilities held for distribution	19	9,194.0	—
Financial liabilities	15/21/22	—	6.1
Dividends		128.6	72.3
Trade and other payables	18	4.2	202.5
Derivative instruments	20	—	87.6
Current tax liabilities	17	—	444.4
Provisions	16	—	21.3
Total current liabilities		9,326.8	834.2
Total liabilities		9,326.8	8,422.3
TOTAL EQUITY AND LIABILITIES		7,907.5	6,653.2

FINANCIAL STATEMENTS AND NOTES

Consolidated Statement of Cash Flow

for the Financial Year Ended 31 December

Expressed in MUSD	Note	2021	2020
Cash flows from operating activities			
Net result from continuing operations		-16.1	-17.9
Net result from discontinued operations		509.9	402.1
Adjustments for:			
Exploration costs		258.1	104.9
Depletion, depreciation and amortisation		703.2	614.6
Current tax		2,562.8	511.8
Deferred tax		329.7	378.3
Long-term incentive plans		6.1	9.5
Foreign currency exchange gain/ loss		186.4	-230.3
Interest expense		52.0	104.3
Unwinding of loan modification gain		—	99.7
Amortisation of deferred financing fees		35.5	37.6
Ineffective hedging contracts		68.9	—
Other		38.2	6.3
Interest received		1.2	0.8
Interest paid		-50.9	-126.6
Income taxes paid / received		-1,397.8	-428.5
Changes in working capital:			
Changes in inventories		-8.1	-7.2
Changes in underlift position		-17.5	-3.7
Changes in receivables		-463.7	94.2
Changes in overlift position		25.4	0.7
Changes in liabilities		234.7	-22.6
Total cash flows from operating activities		3,058.0	1,528.0
- of which relates to continuing operations		-17.7	-18.1
- of which relates to discontinued operations		3,075.7	1,546.1
Cash flows from investing activities			
Investment in oil and gas properties		-1,319.5	-919.7
Investment in renewable energy business ¹		-77.3	-99.8
Investment in other fixed assets		-4.1	-2.4
Decommissioning costs paid		-11.6	-57.9
Total cash flows from investing activities		-1,412.5	-1,079.8
- of which relates to continuing operations		-71.7	-99.8
- of which relates to discontinued operations		-1,340.8	-980.0
Cash flows from financing activities			
Senior Notes	21	1,996.4	—
Net drawdown/repayment of corporate credit facility	21	-2,794.0	3,994.0
Net drawdown/repayment of reserve-based lending facility	21	—	-4,092.0
Repayment of principal portion of lease commitments	21	-26.6	-3.2
Financing fees paid	21	-21.3	-36.8
Dividends paid		-455.0	-318.2
Total cash flows from financing activities		-1,300.5	-456.2
- of which relates to continuing operations		-455.0	-318.2
- of which relates to discontinued operations		-845.5	-138.0
Change in cash and cash equivalents		345.0	-8.0
Cash and cash equivalents at the beginning of the period		82.5	85.3
Currency exchange difference in cash and cash equivalents		24.6	5.2
Cash and cash equivalents at the end of the period		452.1	82.5
- of which is included in assets held for distribution continuing		322.1	—
- of which excludes assets held for distribution		130.0	82.5

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

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	Share capital ¹	Additional paid-in capital	Other reserves ²	Retained earnings	Total equity
Balance at 1 January 2020	0.5	326.0	-495.7	-1,429.6	-1,598.8
Comprehensive income					
Net result	—	—	—	384.2	384.2
Currency translation differences	—	—	-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 ³	—	-9.6	—	—	-9.6
Value of employee services ⁴	—	—	—	5.4	5.4
Total transaction 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
Comprehensive income					
Net result	—	—	—	493.8	493.8
Currency translation differences	—	—	181.2	—	181.2
Cash flow hedges	—	—	183.5	—	183.5
Total comprehensive income	—	—	364.7	493.8	858.5
Transactions with owners					
Cash distributions	—	—	—	-511.8	-511.8
Issuance of treasury shares	—	6.4	—	—	6.4
Share based payments ³	—	-9.0	—	—	-9.0
Value of employee services ⁴	—	—	—	5.7	5.7
Total transaction with owners	—	-2.6	—	-506.1	-508.7
Balance at 31 December 2021	0.5	321.1	-404.5	-1,336.4	-1,419.3

¹ Lundin Energy AB's issued share capital described in detail in Note 14.1.

² Other reserves are described in detail in Note 14.2 including breakdown between continuing and discontinued operations.

³ Represents the cost to hedge the equity-settled share-based long-term incentive plan as described in Note 27.

⁴ 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 27.

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 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 2021, Lundin Energy has not applied any new accounting standards.

New accounting standards issued but which become effective after 2021 are not expected to have a material impact on the financial statements of the Group.

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 95–96 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 2021		31 December 2020	
	Average	Period end	Average	Period end
1 USD equals NOK	8.5904	8.8194	9.4146	8.5326
1 USD equals EUR	0.8450	0.8829	0.8762	0.8149
1 USD equals SEK	8.5765	9.0502	9.2092	8.1772

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.

Non-current assets held for sale or distribution and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or distribution if their carrying amounts will be recovered principally through a sale transaction or distribution rather than through continuing use. Non-current assets and disposal groups classified as held for sale or distribution are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale or distribution classification is regarded as met only when the sale or distribution is highly probable, and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the decision to sell or distribute will be withdrawn. Management must be committed to the plan to sell or distribute the asset and the sale or distribution expected to be completed within one year from the date of the classification.

Oil and gas properties, other tangible fixed assets and intangible assets are not depleted, depreciated or amortised anymore once classified as held for sale or distribution. Assets and liabilities classified as held for sale or distribution are presented separately as current items in the statement of financial position. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Leasing

The company recognises in the balance sheet for each contract, with some exceptions, that meets the definition of a lease, a right of use asset and lease liability. Lease payments are reflected as interest expense and a reduction of lease liability. 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.

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.

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. For the Rolvsnes field, Contingent Resources are also included as the investment decision is built on Rolvsnes full field. 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.

Renewable energy properties

Renewable energy properties are recorded at historical cost less depletion. Depletion is based on cost and is calculated on a straight line basis over the estimated economic life of the renewable energy properties.

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.

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 when entered into. 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 and is continuously reassessed.

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 had 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. The obligation under the defined benefit plan no longer exists as per end 2021.

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 and only included for discontinued operations due to the size of the discontinued operations and no revenues generated by the continuing operations. Segmental information is presented in Note 19.3 and Note 19.6.

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. Depletion for oil and gas assets ceased on 21 December 2021 when the E&P business was reclassified to assets

held for distribution as per IFRS5. 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 94 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 3.

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 until 21 December 2021 when the oil and gas properties and goodwill were reclassified to assets held for distribution as per IFRS5. Lundin Energy performed yearly impairment testing for goodwill. Following the reclassification to assets held for distribution, impairment is assessed for the entire group of assets held for distribution when impairment triggers are identified.

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 19.3.

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 16.

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.

Reclassification to held for sale

The criteria for held for sale or distribution classification is regarded as met only when the sale or distribution is highly probable, and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the decision to sell or distribute will be withdrawn. Management must be committed to the plan to sell or distribute the asset and the sale or distribution expected to be completed within one year from the date of the classification. Management has assessed this to be the date of the signing of the transaction agreement with Aker BP being 21 December 2021.

Ongoing COVID-19 crisis

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

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. Due to our industry-leading low operating costs, our portfolio is highly resilient under a range of different climate scenarios, including the IEA's Sustainable Development Scenario, which is in line with goals of the Paris Agreement. Furthermore, in the IEA Sustainable Development Scenario, our 2P reserves estimate is only 1.7 percent lower than in our base case. In the Announced Pledges Scenario (which is aligned with a 2.7 degree temperature rise), our 2P reserves are not impacted at all. In relation to operating costs, these are also largely insulated against carbon pricing. In 2021, direct carbon costs were 6.6 percent of our opex per barrel, but once we have electrified our assets, this will drop to 2.4 percent of opex in 2023.

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) and based on 2P of 33 USD per boe, which is well below the long-term oil price outlook under the IEA's Sustainable Development Scenario of 50 USD per boe, allowing us room to continue servicing debt and paying dividends.

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 29.

Notes to the Financial Statements of the Group

Note 1 Finance Income

MUSD	2021	2020
Foreign currency exchange gain, net	0.2	—
Interest income	1.0	0.5
Other	1.4	—
Finance income	2.6	0.5

Other relates to the release of a pension provision under a defined benefit plan.

Note 2 Finance Costs

MUSD	2021	2020
Foreign currency exchange loss, net	—	0.8
Other	0.2	0.1
Finance costs	0.2	0.9

Note 3 Oil and Gas Properties

MUSD	31 December 2021	31 December 2020
Production cost pools	—	3,776.9
Non-production cost pools	—	2,125.5
Right of use assets	—	—
	—	5,902.4

Production cost pools MUSD	Norway 2021	Norway 2020
Cost		
1 January	7,897.3	7,451.5
Additions	413.5	172.8
Reclassification from non-production cost pools	1,061.7	25.1
Change in estimates	-4.7	7.3
Reclassification to assets held for distribution	-9,079.2	—
Currency translation difference	-288.6	240.6
31 December	—	7,897.3
Depletion		
1 January	-4,120.4	-3,386.2
Depletion charge for the year	-696.1	-605.6
Reclassification to assets held for distribution	4,663.9	—
Currency translation difference	152.6	-128.6
31 December	—	-4,120.4
	—	3,776.9

Depletion amounted to MUSD 696.1 (MUSD 605.6) and is included within the depletion and decommissioning costs line in the income statement of the discontinued E&P business, see Note 19.

Producing oil and gas properties amounted to MUSD 4,415.3 and were reclassified to assets held for distribution following the announcement of the Aker BP transaction on 21 December 2021.

Note 3 continued

Non-production cost pools MUSD	Norway 2021	Norway 2020
1 January	2,125.5	1,407.9
Additions	1,050.9	788.7
Reclassification to production cost pools	-1,061.7	-25.1
Expensed exploration costs	-258.1	-104.9
Change in estimates	0.6	0.1
Reclassification to assets held for distribution	-1,801.6	—
Currency translation difference	-55.6	58.8
31 December	—	2,125.5

Non-producing oil and gas properties amounted to MUSD 1,801.6 and were reclassified to assets held for distribution following the announcement of the Aker BP transaction on 21 December 2021. Non-production oil and gas properties consisted of MUSD 794.4 assets under development and MUSD 1,007.2 capitalised exploration and appraisal expenditure.

Right of use assets MUSD	Norway 2021	Norway 2020
1 January	—	—
Recognition right of use assets	28.8	—
Usage right of use assets	-22.3	—
Reclassification to assets held for distribution	-5.3	—
Currency translation difference	-1.2	—
31 December	—	—

Right of use assets relate to a drilling rig recognised under IFRS 16 during the year.

Right of use assets amounted to MUSD 5.3 and were reclassified to assets held for distribution following the announcement of the Aker BP transaction on 21 December 2021.

Impairment

Lundin Energy carries out impairment tests of individual cash-generating units when impairment triggers are identified. No impairment triggers were identified until 21 December 2021 when the E&P business was reclassified as assets held for distribution.

Capitalised borrowing costs

During 2021, MUSD 23.1 (MUSD 25.8) 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 based on the weighted average interest rate for the year and amounted to approximately 2.5 percent (4.2 percent).

Development expenditure commitments

The Group is contractually committed to development projects with a remaining commitment as at 31 December 2021 of approximately USD 1.2 billion (USD 1.5 billion), mainly relating to the Johan Sverdrup Phase 2 project and excluding the Wisting development as no PDO has been submitted for this project yet and excluding the renewable power projects. The development expenditure commitments are part of the discontinued E&P business.

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 2021 are estimated to be MUSD 166.3 (MUSD 149.2) of which third parties who are joint operations partners will contribute approximately MUSD 115.1 (MUSD 103.8) resulting in a net commitment of approximately MUSD 51.2 (MUSD 45.4). The exploration and appraisal expenditure commitments are part of the discontinued E&P business.

Contracted drilling rigs commitments

The Group has entered into lease contracts for drilling. A lease liability is recognised in the balance sheet for one lease contract as right of use asset as at 31 December 2021. For lease commitments that have not commenced yet as at 31 December 2021 or that have a short-term nature, no lease liability is recognised in the balance sheet as at 31 December 2021. The commitments under these contracts are estimated to be MUSD 80.1 (MUSD 204.5) of which third parties who are joint operations partners will contribute approximately MUSD 61.0 (MUSD 73.0). The net lease commitment of approximately MUSD 19.1 (MUSD 131.5) is already included in the above mentioned development and exploration and appraisal expenditure commitments as at 31 December 2021. The contracted drilling rigs commitments are part of the discontinued E&P business.

Note 4 Renewable Energy Properties

MUSD	2021	2020
1 January	—	—
Additions	32.5	—
Currency translation difference	-1.0	—
31 December	31.5	—

The renewable energy properties relate to the Karskrav onshore wind farm project in southern Sweden. The wind farm will become operational in late 2023 and will produce an estimated 290 GWh per annum, from 20 onshore wind turbines. The total investment in the project will amount to MEUR 130 with the majority of the spend occurring in 2022 and 2023.

Impairment

Lundin Energy carries out impairment tests of individual cash-generating units when impairment triggers are identified. No impairment triggers were identified for 2021.

Capitalised borrowing costs

During 2021, MUSD 0.5 (MUSD —) of capitalised interest costs were added to renewable energy properties and relate to the Karskrav development project in Sweden.

Development expenditure commitments

The Group is contractually committed to development the Karskrav project in Sweden with a remaining commitment as at 31 December 2021 of approximately USD 123 million. The development expenditure commitments are part of the continuing operations.

Note 5 Other Tangible Fixed Assets

MUSD	2021			2020		
	Real estate	Other	Total	Real estate	Other	Total
Cost						
1 January	51.5	37.3	88.8	51.2	33.7	84.9
Additions	—	4.0	4.0	—	2.3	2.3
Change in right of use asset	1.5	—	1.5	-0.8	—	-0.8
Reclassification to assets held for distribution	-51.6	-39.9	-91.5	—	—	—
Currency translation difference	-1.4	-1.3	-2.7	1.1	1.3	2.4
31 December	—	0.1	0.1	51.5	37.3	88.8
Depreciation						
1 January	-10.0	-33.6	-43.6	-5.5	-30.0	-35.5
Depreciation charge for the year	-4.8	-2.3	-7.1	-4.4	-2.5	-6.9
Reclassification to assets held for distribution	14.8	34.7	49.5	—	—	—
Currency translation difference	—	1.2	1.2	-0.1	-1.1	-1.2
31 December	—	—	—	-10.0	-33.6	-43.6
Net book value	—	0.1	0.1	41.5	3.7	45.2

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.

Other tangible fixed assets which related to the E&P business amounted to MUSD 42.0 and were reclassified to assets held for distribution following the announcement of the Aker BP transaction on 21 December 2021.

Note 6 Goodwill

MUSD	2021	2020
1 January	128.1	128.1
Reclassification to assets held for distribution	-128.1	—
31 December	—	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. No impairment triggers were identified until 21 December 2021 when goodwill was reclassified to assets held for distribution as per IFRS5. Until goodwill was reclassified to assets held for distribution, impairment testing has been based on value in use. In the assessment Lundin Energy used a combination of the oil price forward curve and the price deck as used by ERCE for the reserves certification process as a basis for its price forecast, a future cost inflation factor of 2 percent per annum and a discount rate of 8 percent to calculate the future post-tax cash flows.

Goodwill which related to the E&P business amounted to MUSD 128.1 and was reclassified to assets held for distribution following the announcement of the Aker BP transaction on 21 December 2021.

Note 7 Investments in Joint Ventures

	31 December 2021		31 December 2020	
	Number of shares	Share %	Book amount MUSD	Book amount MUSD
Metsälamminkangas Wind Oy, Finland	1,250	50.0	84.7	53.8
Leikanger Kraft AS, Norway	289,000	50.0	24.0	56.8
			108.7	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.

Development expenditure commitments

The Group is contractually committed to development the MLK wind farm project in Finland with a remaining commitment as at 31 December 2021 of approximately USD 20 million. The development expenditure commitments are part of the continuing operations.

Note 8 Receivables from Joint Ventures

The Group provided long term interest bearing loans to its joint ventures holding the investments in the Metsälamminkangas (MLK) wind farm project in Finland and the Leikanger hydropower project in Norway. The interest rates on the loans amounted to the applicable reference rate of the loan (EURIBOR and NIBOR) plus a margin of 2.5 percent per annum.

Note 9 Financial Assets

MUSD	31 December 2021	31 December 2020
Contingent consideration	—	12.7
Associated companies	—	0.3
Other	—	0.5
	—	13.5

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.

Financial assets which related to the E&P business were reclassified to assets held for distribution following the announcement of the Aker BP transaction on 21 December 2021, see also Note 19.7.

Note 10 Inventories

MUSD	31 December 2021	31 December 2020
Hydrocarbon inventories	—	17.4
Drilling equipment and consumable materials	—	41.7
	—	59.1

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

Inventories which related to the E&P business were reclassified to assets held for distribution following the announcement of the Aker BP transaction on 21 December 2021, see also Note 19.8.

Note 11 Trade and Other Receivables

MUSD	31 December 2021	31 December 2020
Non-current:		
Prepaid expenses and accrued income	—	17.3
		17.3
Current:		
Trade receivables	—	215.5
Underlift	—	5.7
Joint operations debtors	—	21.8
Prepaid expenses and accrued income	0.2	26.5
Other	5.1	9.1
	5.3	278.6
	5.3	295.9

Trade and other receivables which related to the E&P business were reclassified to assets held for distribution following the announcement of the Aker BP transaction on 21 December 2021, see also Note 19.9.

Note 12 Receivables from Discontinued Operations

Receivables from discontinued operations equals the dividend liability as approved at the AGM held on 30 March 2021 in Stockholm which is paid in quarterly installments. The discontinued operations have committed to fund the dividend and this receivable was settled early 2022 when the fourth quarterly dividend was paid to the shareholders. No quarterly dividends shall be paid after completion of the combination with Aker BP and accordingly, there will be no receivable from discontinued operations in relation to the funding of dividends after closing of the transaction with Aker BP.

Note 13 Cash and Cash Equivalents

Cash and cash equivalents include only cash at hand or on bank and related to the cash balance which will be retained by the continuing operations to cover capital expenditure and other working capital items.

Cash and cash equivalents which related to the E&P business were reclassified to assets held for distribution following the announcement of the Aker BP transaction on 21 December 2021, see also Note 19.10.

Note 14 Equity
Note 14.1 Share Capital and Share Premium

MUSD	Share capital			Additional paid in capital
	Number of shares	Par value MSEK	Par value MUSD	MUSD
1 January 2020	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
Issuance of treasury shares	—	—	—	6.4
Share based payments	—	—	—	-9.0
Movements	—	—	—	-2.6
31 December 2021	285,924,614	3.5	0.5	321.1

Included in the number of shares issued at 31 December 2021 are 1,356,436 shares (1,573,143 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. During 2021, Lundin Energy used 216,707 of the purchased own shares for settlement of the 2018 performance based incentive plan resulting in 1,356,436 of its own shares held at the end of the year.

Note 14.2 Other Reserves

MUSD	Hedge reserve	Currency translation reserve	Total
1 January 2020	-138.9	-356.8	-495.7
Other comprehensive income	-63.4	-210.1	-273.5
31 December 2020	-202.3	-566.9	-769.2
Other comprehensive income	183.5	181.2	364.7
31 December 2021	-18.8	-385.7	-404.5

The company reclassified MUSD 18.0 within other reserves between hedge reserve and currency translation reserve which has been reflected in the balance on 1 January 2020 with no impact on the total amount of other reserves.

MUSD	Hedge reserve	Currency translation reserve	Total
Relating to continuing operations	—	11.9	11.9
Relating to discontinued operations	-18.8	-397.6	-416.4
31 December 2021	-18.8	-385.7	-404.5

Note 14.3 Retained Earnings

MUSD	2021	2020
1 January	-1,324.1	-1,429.6
Net result for the year	493.8	384.2
Distributions	-511.8	-284.1
Value of employee services	5.7	5.4
31 December	-1,336.4	-1,324.1

The AGM of Lundin Energy held on 30 March 2021 in Stockholm approved a cash dividend distribution for the year 2020 of USD 1.80 per share, to be paid in quarterly instalments of USD 0.45 per share. Based on the number of shares outstanding, excluding own shares held by the Company, the dividend distribution amounted to MSEK 4,467.2, equaling MUSD 511.8 based on the exchange rate on the date of AGM approval. The first dividend payment was made on 8 April 2021, the second dividend payment was made on 7 July 2021, the third dividend payment was made on 7 October 2021 and the fourth dividend payment was made on 11 January 2022.

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.

Note 14.4 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.

	2021	2020
Net result from continuing operations, MUSD	-16.1	-17.9
Net result from discontinued operations, MUSD	509.9	402.1
Net result attributable to shareholders of the Parent Company, MUSD	493.8	384.2
Weighted average number of shares for the year	284,444,685	284,177,604
Earnings per share from continuing operations, USD	-0.06	-0.06
Earnings per share from discontinued operations, USD	1.80	1.41
Earnings per share, USD	1.74	1.35
Weighted average diluted number of shares for the year	285,126,595	284,830,491
Earnings per share fully diluted from continuing operations, USD	-0.06	-0.06
Earnings per share fully diluted from discontinued operations, USD	1.79	1.41
Earnings per share fully diluted, USD	1.73	1.35

Note 15 Financial Liabilities

MUSD	31 December 2021	31 December 2020
Non-current:		
Bank loans	—	3,994.0
Capitalised financing fees bank loans	—	-37.1
Lease liabilities	—	27.0
	—	3,983.9
Current:		
Lease liabilities	—	5.7
Others	—	0.4
	—	6.1
	—	3,990.0

Note 15 continued

Capitalised financing fees 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 are being amortised over the duration of the facility.

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

Financial liabilities which related to the E&P business were reclassified to liabilities held for distribution following the announcement of the Aker BP transaction on 21 December 2021, see also Note 19.11.

Note 16 Provisions

MUSD	Site Restoration	LTIP	Pension provision	Other	Total
1 January 2021	576.5	7.6	1.3	1.5	586.9
Additions	84.5	10.9	0.2	3.1	98.7
Changes in estimates	2.0	—	-1.4	-0.5	0.1
Payments	-11.6	-7.9	-0.1	-0.5	-20.1
Unwinding of discount	20.8	—	—	—	20.8
Reclassification to liabilities held for distribution	-650.8	-10.3	—	-3.6	-664.7
Currency translation difference	-21.4	-0.3	—	—	-21.7
31 December 2021	—	—	—	—	—
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

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 2021 mainly relate to the liability associated with Norwegian development projects. Based on the estimates used in calculating the site restoration provision, when the provision was reclassified to liabilities held for distribution, approximately 73 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 27.

Provisions which related to the E&P business amounted to MUSD 664.7 and were reclassified to liabilities held for distribution following the announcement of the Aker BP transaction on 21 December 2021.

Note 17 Taxes

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

MUSD	2021	2020
Loss before tax from continuing operations	-16.1	-16.9
Tax calculated at the corporate tax rate in Sweden 21.4% (21.4%)	3.4	3.6
Tax effect of expenses non-deductible for tax purposes	-0.4	-1.9
Tax effect of creation of unrecorded tax losses	-3.0	-1.7
Adjustments to prior year tax assessments	—	-1.0
Tax from continuing operations per income statement	—	-1.0

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

Note 17 continued

Corporation tax liability - current and deferred MUSD	Current		Deferred	
	2021	2020	2021	2020
Norway	–	444.3	–	2,893.9
Switzerland	–	0.1	–	–
Total	–	444.4	–	2,893.9

Specification of deferred tax assets and tax liabilities ¹ MUSD	2021	2020
Deferred tax assets		
Temporary differences	–	54.2
	–	54.2
Deferred tax liabilities		
Accelerated allowances	–	2,934.1
Deferred tax on excess values	–	14.0
	–	2,948.1

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.

Current and deferred tax liabilities which related to the E&P business were reclassified to liabilities held for distribution following the announcement of the Aker BP transaction on 21 December 2021, see also Note 19.6.

Unrecognised tax losses

The Group has Swedish tax loss carry forwards of approximately MUSD 164 (MUSD 141). 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 18 Trade and Other Payables

MUSD	31 December 2021	31 December 2020
Trade payables	–	8.7
Overlift	–	1.6
Joint operations creditors and accrued expenses	–	151.3
Other accrued expenses	2.6	31.7
Other	1.6	9.2
	4.2	202.5

Trade and other payables which related to the E&P business were reclassified to liabilities held for distribution following the announcement of the Aker BP transaction on 21 December 2021, see also Note 19.12.

Note 19 – Discontinued Operations – E&P Business

On 21 December 2021, Lundin Energy announced that it had entered into an agreement with Aker BP whereby Aker BP will absorb Lundin Energy's E&P business through a cross-border merger in accordance with Norwegian and Swedish law. Before completion of the cross-border merger, the shares in the company holding Lundin Energy's E&P business will be distributed to Lundin Energy shareholders. The results of the E&P business are included in Lundin Energy's financial statements in the reporting period and are shown as discontinued operations. The assets and liabilities associated with the E&P business are presented as assets and liabilities held for distribution in the consolidated balance sheet.

Note 19 continued

The financial performance of the discontinued operations and net assets held for distribution is as follows:

Expressed in MUSD	Note	2021	2020
Revenue and other income			
Revenue		5,452.9	2,533.2
Other income		31.8	31.2
	19.1	5,484.7	2,564.4
Cost of sales			
Production costs	19.2	-265.4	-177.2
Depletion and decommissioning costs	3	-703.0	-607.7
Exploration costs	3	-258.1	-104.9
Purchase of crude oil from third parties	19.3	-361.7	-217.8
Gross profit		3,896.5	1,456.8
General, administration and depreciation expenses		-22.5	-19.7
Operating profit		3,874.0	1,437.1
Net financial items			
Finance income	19.4	1.2	172.6
Finance costs	19.5	-472.8	-318.5
		-471.6	-145.9
Profit before tax		3,402.4	1,291.2
Income tax	19.6	-2,892.5	-889.1
Net result from discontinued operations		509.9	402.1

Expressed in MUSD	Note	2021	2020
Oil and gas properties	3	6,222.2	–
Other tangible fixed assets	5	42.0	–
Goodwill	6	128.1	–
Financial assets	19.7	12.7	–
Inventories	19.8	55.7	–
Trade and other receivables	19.9	657.2	–
Derivative instruments	20	18.5	–
Current tax assets	19.6	9.7	–
Cash and cash equivalents	19.10	322.1	–
Total assets held for distribution		7,468.2	–
Liabilities held for distribution			
Financial liabilities	19.11/22	3,211.5	–
Provisions	16	664.7	–
Deferred tax liabilities	19.6	3,120.6	–
Trade and other payables	19.12	404.2	–
Derivative instruments	20	90.7	–
Current tax liabilities	19.6	1,573.7	–
Payable to continuing operations	12	128.6	–
Total liabilities held for distribution		9,194.0	–
Net assets held for distribution		-1,725.8	–
Amounts included in accumulated other comprehensive income:			
Foreign currency translation reserve		-397.6	–
Hedging reserves		-18.8	–
Reserves of disposal Group classified as held for distribution		-416.4	–

Note 19.1 Revenue and Other Income – Discontinued Operations

MUSD	2021	2020
Revenue		
Crude oil from own production	4,535.1	2,168.5
Crude oil from third party activities	364.4	221.5
NGL	113.5	63.8
Gas	439.9	79.4
Net sales of oil and gas	5,452.9	2,533.2
Other income	31.8	31.2
Revenue and other income	5,484.7	2,564.4

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

Note 19.2 Production Costs – Discontinued Operations

MUSD	2021	2020
Cost of operations	167.5	134.5
Tariff and transportation expenses	71.9	50.7
Change in under/over lift position	7.9	-2.7
Change in inventory position	11.6	-11.2
Other production costs	6.5	5.9
Production costs	265.4	177.2

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

Note 19.3 Segment Information – Discontinued Operations

The Group operates its E&P business 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, gross profit/loss and certain asset and liability information regarding the Group's business segments. In addition segment information is reported in Note 19.6.

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 30 percent of the total revenue is contracted with one customer. The Parent Company is included in Other in the following table.

Note 19.3 continued

MUSD	2021	2020
Norway		
Crude oil from own production	4,535.1	2,168.5
NGL	113.5	63.8
Gas	439.9	79.4
Net sales of oil and gas	5,088.5	2,311.7
Other income	31.8	30.3
Revenue and other income	5,120.3	2,342.0
Production costs	-265.4	-177.2
Depletion and decommissioning costs	-703.0	-607.7
Exploration costs	-258.1	-104.9
Gross profit	3,893.8	1,452.2
Other		
Crude oil from third party activities	364.4	221.5
Revenue	364.4	221.5
Other income	—	0.9
Revenue and other income	364.4	222.4
Purchase of crude oil from third parties	-361.7	-217.8
Gross profit	2.7	4.6
Total		
Crude oil from own production	4,535.1	2,168.5
Crude oil from third party activities	364.4	221.5
NGL	113.5	63.8
Gas	439.9	79.4
Net sales of oil and gas	5,452.9	2,533.2
Other income	31.8	31.2
Revenue and other income	5,484.7	2,564.4
Production costs	-265.4	-177.2
Depletion and decommissioning costs	-703.0	-607.7
Exploration costs	-258.1	-104.9
Purchase of crude oil from third parties	-361.7	-217.8
Gross profit	3,896.5	1,456.8

For further information on revenue and other income, production costs, depletion and decommissioning costs and exploration costs, see the Directors Report on pages 10–11.

Note 19.4 Finance Income – Discontinued Operations

MUSD	2021	2020
Foreign currency exchange gain, net	—	171.8
Interest income	1.2	0.8
Finance income	1.2	172.6

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

Note 19.5 Finance Costs – Discontinued Operations

MUSD	2021	2020
Foreign currency exchange loss, net	216.3	–
Interest expense	52.5	104.4
Loss on interest rate hedge settlement	122.0	44.5
Unwinding of site restoration discount	20.8	19.2
Amortisation of deferred financing fees	35.5	37.6
Loan facility commitment fees	7.2	11.5
Unwinding of loan modification gain	–	99.7
Other	18.5	1.6
Finance costs	472.8	318.5

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 a subsidiary using a functional currency other than USD. For further information on the foreign exchange movement, see the Directors Report on page 11.

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

Note 19.6 Income Taxes – Discontinued Operations

Tax charge MUSD	2021	2020
Current tax		
Norway	2,562.5	510.0
Switzerland	0.3	0.8
Current tax	2,562.8	510.8
Deferred tax		
Norway	329.7	378.3
Deferred tax	329.7	378.3
Income taxes	2,892.5	890.1

On 19 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 2020 and 2021 and an increase in deferred taxes.

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

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

Note 19.6 continued

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

MUSD	2021	2020
Profit before tax from discontinued operations	3,402.4	1,291.2
Tax calculated at the corporate tax rate in Sweden 21.4% (21.4%)	-728.1	-276.3
Effect of foreign tax rates	-2,163.3	-687.0
Tax effect of expenses non-deductible for tax purposes	-124.3	-103.3
Tax effect of uplift on expenses	132.1	140.2
Tax effect of income not subject to tax	—	23.7
Tax effect of utilisation of unrecorded tax losses	—	12.8
Tax effect of creation of unrecorded tax losses	-6.5	-3.1
Adjustments to prior year tax assessments	-2.4	3.9
Tax from discontinued operations per income statement	-2,892.5	-889.1

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.

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

Corporation tax assets - current MUSD	2021	2020
Netherlands	9.1	—
Switzerland	0.6	—
Total	9.7	—

Corporation tax liability - current and deferred MUSD	Current		Deferred	
	2021	2020	2021	2020
Norway	1,573.7	—	3,120.6	—
Total	1,573.7	—	3,120.6	—

Specification of deferred tax assets and tax liabilities ¹ MUSD	2021	2020
Deferred tax assets		
Temporary differences	41.5	54.2
	41.5	54.2
Deferred tax liabilities		
Accelerated allowances	3,161.8	2,934.1
Deferred tax on excess values	0.3	14.0
	3,162.1	2,948.1

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 0.8 billion as at 31 December 2021.

Note 19.6 continued

Unrecognised tax losses

The Group has Dutch tax loss carry forwards of approximately MUSD 73 (MUSD 66) within its discontinued operations. The Dutch tax authorities disagree with the interpretation by the Group of a specific article of the Dutch Corporate Income Tax Act which has been brought to Courts. The Group was successful at the Lower Court and the decision by the Lower Court has been appealed by the Dutch tax authorities. The Group has not provided for any costs in relation hereto as per 31 December 2021 as it believes that, based on the decision of the Lower Court and legal advice obtained, the proceedings will lead to no liability for the Group. In case the Group is ultimately unsuccessful in the proceedings, there will be no tax loss carry forward balances as per 31 December 2021 and the current tax asset amounting to MUSD 9.1 as per 31 December 2021 will be expensed. No deferred tax asset has been recognised in relation to the tax loss carry forwards due to the uncertainty of the timing and extent of the utilisation of the tax losses.

Note 19.7 Financial Assets – Assets Held for Distribution

MUSD	31 December 2021	31 December 2020
Contingent consideration	12.4	–
Associated companies	0.3	–
	12.7	–

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 19.7.1 Associated Companies – Assets Held for Distribution

	31 December 2021		31 December 2020
	Number of shares	Share %	Book amount MUSD
Johan Sverdrup Eiendom DA	N/A	20.0	0.3
			0.3

Note 19.8 Inventories – Assets held for distribution

MUSD	31 December 2021	31 December 2020
Hydrocarbon inventories	5.7	–
Drilling equipment and consumable materials	50.0	–
	55.7	–

Note 19.9 Trade and Other Receivables – Assets Held for Distribution

MUSD	31 December 2021	31 December 2020
Trade receivables	523.9	–
Underlift	23.2	–
Joint operations debtors	36.2	–
Prepaid expenses and accrued income	68.7	–
Other	5.2	–
	657.2	–

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 19.10 Cash and Cash Equivalents – Assets Held for Distribution

Cash and cash equivalents include cash at hand or on bank including short-term deposits.

Note 19.11 Financial Liabilities – Liabilities Held for Distribution

MUSD	31 December 2021	31 December 2020
Senior Notes 2.0% (21/26) - maturity July 2026	1,000.0	—
Senior Notes 3.1% (21/31) - maturity July 2031	1,000.0	—
Discount on bonds issuance	-3.4	—
Capitalised financing fees bonds	-16.7	—
Bank loans	1,200.0	—
Capitalised financing fees bank loans	-2.4	—
Lease liabilities	34.0	—
	3,211.5	—

The Company issued USD 2bn of Senior Notes in June 2021 consisting of USD 1bn 2.0 percent Senior Notes due in 2026 at a price equal to 99.827 percent and USD 1bn 3.1 percent Senior Notes due in 2031 at a price equal to 99.81 percent with interest payable semi-annually. Capitalised financing fees relating to the bonds issuance amounted to MUSD 16.7 and are being amortised over the expected life of the bonds.

Bank loans amounted to MUSD 1,200.0 and related to the outstanding term loans under the corporate credit facility. Capitalised financing fees relating to the establishment of the credit facility amounted to MUSD 2.4 and are being amortised over the expected life of the facility.

Lease liabilities amounted to MUSD 34.0 and related to the lease commitments under IFRS 16.

Note 19.12 Trade and Other Payables – Liabilities Held for Distribution

MUSD	31 December 2021	31 December 2020
Trade payables	80.4	—
Overlift	27.0	—
Joint operations creditors and accrued expenses	209.0	—
Other accrued expenses	63.7	—
Other	24.1	—
	404.2	—

Note 20 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 which include both continuing and discontinuing operations:

31 December 2021 MUSD	Total	Receivables at amortised cost	Financial assets at amortised cost	Fair value recognised in profit/loss	Derivatives used for hedging
Receivables from joint ventures	35.1	—	35.1	—	—
Contingent consideration	12.4	—	—	12.4	—
Derivative instruments	18.5	—	—	13.4	5.1
Joint operations debtors	36.2	36.2	—	—	—
Other current receivables ¹	543.9	543.9	—	—	—
Cash and cash equivalents	452.1	452.1	—	—	—
	1,098.2	1,032.2	35.1	25.8	5.1

Receivables from joint ventures amounting to MUSD 35.1, other current receivables amounting to MUSD 5.1 and cash and cash equivalents amounting to MUSD 130.0, all included in the table above, do relate to continuing operations with the rest relating to discontinued operations.

Note 20 continued

31 December 2021 MUSD	Total	Other liabilities at amortised cost	Financial liabilities at amortised cost	Fair value recognised in profit/loss	Derivatives used for hedging
Financial liabilities	3,211.5	–	3,211.5	–	–
Derivative instruments	90.7	–	–	79.4	11.3
Joint operations creditors	209.0	209.0	–	–	–
Other current liabilities ²	1,679.8	1,679.8	–	–	–
	5,191.0	1,888.8	3,211.5	79.4	11.3

Other current liabilities of MUSD 1.6 included in the table above do relate to continuing operations with the rest relating to discontinued operations.

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

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.

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

31 December 2021 MUSD	Level 1	Level 2	Level 3
Assets held for distribution			
Contingent consideration	–	–	12.4
Derivative instruments	–	18.5	–
	–	18.5	12.4
Liabilities held for distribuion			
Derivative instruments	–	90.7	–
	–	90.7	–

Note 20 continued

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	–

The outstanding derivative instruments can be specified as follows:

Fair value of outstanding derivative instruments in the balance sheet MUSD	31 December 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	12.1	63.3	15.9	46.2
Foreign currency contracts	6.4	27.4	–	186.1
Total	18.5	90.7	15.9	232.3
Non-current	–	–	3.8	144.7
Current ¹	18.5	90.7	12.1	87.6
Total	18.5	90.7	15.9	232.3

¹ The outstanding derivative instruments are classified as assets and liabilities held for distribution following the announcement of the Aker BP transaction on 21 December 2021. Assets and liabilities held for distribution are classified as current.

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 fair value of the interest rate swap as at 31 December 2021 amounted to a net payable of MUSD 51.2 (MUSD 30.3). The fair value of the foreign currency contracts is calculated using the forward exchange rate curve applied to the outstanding foreign currency contracts. The fair value of the foreign currency contracts as at 31 December 2021 amounted to a net payable of MUSD 21.0 (MUSD 186.1).

Note 21 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 2021	Cash flows	Non-cash changes			At 31 December 2021	
			Amortisation of deferred financing fees	Unwinding of loan modification gain	Initial recognition lease under IFRS16		Foreign exchange movement
Financial liabilities	3,990.0	-845.5	35.5	–	30.3	1.2	3,211.5

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

Note 22 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. This Note relates to the continuing and discontinued operations combined.

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 2021	31 December 2020
Bank loans	3,200.0	3,994.0
Cash and cash equivalents	-452.1	-82.5
Net debt	2,747.9	3,911.5

The decrease in net debt compared to 2020 is mainly due to the positive free cash flow generated during 2021 partly offset by the paid dividends during 2021. Once the transaction with Aker BP is completed, the renewable business, which is reported as continuing operations, will be debt free and have a cash balance of MUSD 130.

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 based on the weighted average interest rate for the year and amounted to approximately 2.5 percent (4.2 percent). 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 2021 amounted to MUSD 76.1 which included MUSD 23.6 of capitalised interest related to borrowings for the Group's development activities and also included MUSD 4.4 interest expenses in relation to the Wisting deal and 2020 taxes paid during the year in Norway. The Company issued USD 2 billion Senior Notes in June 2021 with a fixed interest rate and used the net proceeds to repay USD 2 billion of the corporate credit facility term loans with a floating interest rate. The company repaid a further USD 0.3 billion of the corporate credit facility in November 2021 and as a result of these transactions, the Group had outstanding interest rate hedges for the second half of 2021 above the outstanding debt levels with a floating interest rate. As a result of this, 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 -5.2, taking into account the Group's interest rate hedges for 2021

The Group has entered into interest rate hedging as follows:

Borrowings MUSD	Fixing of floating LIBOR Rate per annum	Settlement period
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

As a result of the Aker BP transaction, outstanding interest rate hedge contracts are no longer considered effective under hedge effectiveness testing.

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.

Note 22 continued

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 tables below.

Buy	Sell	Average contractual exchange rate	Settlement period
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

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

Under IFRS 9, subject to hedge effectiveness testing, changes to the fair value of effective hedges are reflected in other comprehensive income and changes to the fair value of ineffective hedges are reflected directly in the income statement. As a result of the Aker BP transaction, outstanding foreign currency exchange instruments with a contractual settlement date post the expected closing date of the Aker BP transaction are no longer considered effective under hedge effectiveness testing.

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 2021.

Sensitivity analysis foreign exchange exposure:

Operating result from continuing operations, MUSD		-19.4	-19.4
Operating result from discontinued operations, MUSD		3,874.0	3,874.0
Operating result for the year, MUSD		3,854.6	3,854.6
Shift of currency exchange rates	Average rate 2021	10% USD weakening	10% USD strengthening
EUR/USD	0.8450	0.7681	0.9294
SEK/USD	8.5765	7.7927	9.4291
NOK/USD	8.5904	7.8069	9.4463
Total effect on operating result, MUSD		-67.1	61.0

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 521.1 foreign exchange loss in the income statement and relates to the discontinued operations.

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 and Senior Notes denominated in US Dollar.

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.

Note 22 continued

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 2021.

Sensitivity analysis oil price exposure:

Net result from continuing operations, MUSD	-16.1	-16.1
Net result discontinued operations, MUSD	509.9	509.9
Net result for the year, MUSD	493.8	493.8
Possible shift	-25%	25%
Total effect on net result, MUSD	-279.9	279.9

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 2021, the Group did enter into some oil price hedging contracts for specific oil sales whereby there was a concentration of oil sales in a short period of time or whereby the pricing towards the customer was not based on Brent pricing. There are no oil price hedging contracts outstanding as at 31 December 2021.

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 2021, the Group's trade receivables amounted to MUSD 523.9 (MUSD 215.5). 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 2021. 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 June 2021, Lundin Energy issued USD 2 billion of Senior Notes consisting of USD 1 billion 2.0 percent Senior Notes due in 2026 at a price equal to 99.827 percent and USD 1 billion 3.1 percent Senior Notes due in 2031 at a price equal to 99.81 percent. Interest will be payable semi-annually and none of the bonds have financial covenants. The Company used the net proceeds, in combination with cash on hand, to repay USD 2.0 billion of the corporate credit facility term loans entered into in December 2020. On 15 July 2021, the Senior Notes were listed on the Securities Official List of the Luxembourg Stock Exchange.

In December 2020, Lundin Energy entered into a five year corporate credit facility of USD 5 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 with USD 2.0 billion term loans being repaid in June 2021 and USD 0.3 billion term loans being repaid in November 2021 leaving USD 1.2 billion term loans, split across three, four and five year maturities. The facility 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 Plan and the 2023 carbon neutrality target. The Company achieved a lower interest rate margin over LIBOR during the year based on the ESG KPIs incorporated in the margin structure. The structure of the Facility is such, that it is compatible with the issued unsecured bonds through the debt capital markets at pari passu terms. The size of the remaining facility will reduce from USD 3.7 billion 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 facilities agreement provides that an "event of default" occurs where the Group does not comply with certain material covenants or where certain events occur as specified in the agreement, as are customary in financing agreements of this size and nature. Two of the main financial covenants are the net debt to EBITDAX and the EBITDAX to financial charges testing the ability to repay debt. In addition, certain events (including the lex asea distribution of the shares in LEAB MergerCo as part of the transaction with Aker BP) will technically lead to events of default under the facilities agreement. The Company is therefore seeking a waiver from the external lenders for the events of defaults that would otherwise have been triggered by the transaction with Aker BP. The waiver is expected to be granted in good order given that post completion of the transaction, the credit profile of Aker BP will in all likelihood strengthen. Nevertheless, the Company has also secured a separate commitment to replace the facilities agreement if the above-mentioned waiver would not be granted under the facilities agreement. If an event of default occurs and subject to any applicable cure periods, the external lenders may take certain specified actions, including accelerating the repayment of outstanding amounts under the facilities agreement.

Note 22 continued

Once the transaction with Aker BP is completed, the renewable business, which is reported as continuing operations, will be debt free and have a cash balance of MUSD 130, to cover capital expenditure and other working capital items. The renewable business is expected to be free cash flow positive from late 2023, when the renewable portfolio has been fully built out and all projects are operational.

The Company currently has Baa3, BBB- and BBB- credit ratings from Moody's, S&P and Fitch respectively, all 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 with all these items being classified as liabilities held for distribution. The Group has further financial liabilities in relation to interest on the five year corporate credit facility and in relation to the five and ten year Senior Notes. The size of the interest payments under the five year corporate credit facility depends on the outstanding loan balance under the facility and the applicable LIBOR rate. The size of the yearly interest payments under the five year Senior Notes amounts to MUSD 20.0 payable semi-annually in January and July. The size of the yearly interest payments under the ten year Senior Notes amounts to MUSD 31.0 payable semi-annually in January and July.

MUSD	31 December 2021	31 December 2020
Repayment within 6 months:		
– Lease liabilities	8.1	2.9
– Trade payables	80.4	8.7
– Others	–	0.4
– Tax liabilities	1,530.7	362.2
– Joint operations creditors	209.0	151.3
– Other current liabilities	25.7	9.2
– Derivative instruments	38.5	41.6
Repayment after 6 months:		
– Lease liabilities	2.9	2.8
– Tax liabilities	43.0	82.2
– Derivative instruments	39.0	46.0
Repayment within 1–2 years:		
– Lease liabilities	5.3	5.3
– Derivative instruments	11.5	88.8
Repayment within 2–5 years:		
– Senior Notes 2.0% (21/26)	1,000.0	–
– Bank loans	1,200.0	3,994.0
– Lease liabilities	14.9	14.6
– Derivative instruments	1.7	55.9
Repayment after 5 years:		
– Senior Notes 3.1% (21/31)	1,000.0	–
– Lease commitments	2.8	7.1
	5,213.5	4,873.0

Note 23 Contingent Liabilities and Assets

In November 2021 the Swedish Prosecution Authority brought criminal charges against Chairman of the Board Ian H. Lundin and Director Alex Schneider in relation to past operations in Sudan from 1999–2003 and 2000–2003, respectively. The charges also include claims against the Company for a corporate fine of SEK 3,000,000 and forfeiture of economic benefits of SEK 1,391,791,000, which according to the Swedish Prosecution Authority represents the value of the gain of SEK 720,098,000 that the Company made on the sale of the business in 2003. Any potential corporate fine or forfeiture could only be imposed after the conclusion of a trial. The Company refutes that there are any grounds for allegations of wrongdoing by any of its representatives and does not foresee any impact on the operational and financial guidance that the Company has set out previously. The Company considers this to be a contingent liability and therefore no provisions has been recognised. This contingent liability will remain with the continuing operations.

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 2021 as it does not believe the proceedings will lead to any liability for the Company. This contingent liability will remain with the continuing operations.

The Company's past operations in Russia were held through a Canadian holding structure when acquired back in 2006. The tax filings in Canada since 2006 in relation to both corporate income tax and withholding tax are under review by the Canadian Tax Office. The Company has not provided for any costs in relation hereto as per 31 December 2021 and this contingent liability will remain with the continuing operations.

Note 24 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	2021	2020
Sale of services	3.0	3.8
Purchase of services	4.4	2.5
Interest income	1.0	0.5

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 26.

During the year, the Group entered into a sponsorship agreement with Team Tilt SA, a Swiss sailing racing team, for their participation in the SailGP high-speed racing catamaran series. The sponsorship agreement spans over three years, with an annual payment of between MUSD 2.6 to MUSD 3.5, with the first payment of MUSD 2.0 made during the year and included in purchase of services.

Team Tilt SA's majority owner is Sebastien Schneider, an internationally recognised sailor who has represented Switzerland at European, World and Olympic events. Sebastien Schneider is a close family member of the Company's current Board member and former CEO Alex Schneider. The sponsorship agreement with Team Tilt SA is part of discontinued operations.

Note 25 Average Number of Employees

Average number of employees per country	2021		2020	
	Total employees	of which men	Total employees	of which men
Parent Company in Sweden	3	2	4	2
Subsidiaries abroad				
Norway	412	303	405	296
Switzerland	46	29	45	29
Netherlands	2	2	2	2
Total subsidiaries abroad	460	334	452	327
Total	463	336	456	329

Board members and Group management	2021		2020	
	Total at year end	of which men	Total at year end	of which men
Parent Company in Sweden				
Board members ¹	10	7	8	5
Subsidiaries abroad				
Group management	8	7	7	6
Total Group	18	14	15	11

¹ Alex Schneider, Chief Executive Officer during 2020 (CEO) and Board Member is only included in Group management in 2020.

Note 26 Remuneration to the Board of Directors, Group Management and Other Employees

Salaries, other remuneration and social security costs TUSD	2021		2020	
	Salaries and other remuneration	Social security costs	Salaries and other remuneration	Social security costs
Parent Company in Sweden				
Board members	744	147	575	146
Employees	709	367	689	354
Subsidiaries abroad				
Group management	10,516	1,489	16,355	2,273
Other employees	96,963	24,843	81,389	20,383
Total	108,932	26,846	99,008	23,156
of which pension costs		10,262		9,252

2021 Salaries and other remuneration for the Board members and Group management TUSD	Fixed Board remuneration/ base salary	Other benefits ¹	Short-term variable remuneration ³	Performance based incentive plan ⁴	Remuneration for Committee work	Remuneration outside of directorship	Pension	Total 2021
Parent Company in Sweden								
Board members								
Ian H. Lundin	130	—	—	—	15	114	—	259
Adam I. Lundin	31	—	—	—	—	—	—	31
Alex Schneider	—	—	—	—	—	2,555 ⁵	—	2,555
Peggy Bruzelius	62	—	—	—	20	—	—	82
C. Ashley Heppenstall	62	—	—	—	15	—	—	77
Lukas H. Lundin	62	—	—	—	—	—	—	62
Grace Reksten Skaugen	62	—	—	—	35	—	—	97
Jakob Thomasen	62	—	—	—	29	—	—	91
Cecilia Vieweg	62	—	—	—	20	—	—	82
Torstein Sanness	62	—	—	—	15	—	—	77
Total Board members	595⁶	—	—	—	149	2,669	—	3,413
Subsidiaries abroad								
Group management								
Nick Walker	875	94	875	1,621	—	—	189	3,654
Teitur Poulsen	551	30	551	1,058	—	—	166	2,356
Daniel Fitzgerald ²	492	15	492	19	—	—	80	1,098
Other ⁷	1,449	283	1,355	756	—	—	192	4,035
Total Group management	3,367	422	3,273	3,454	—	—	627	11,143

¹ Other benefits may include, but are not limited to, school fees and health insurance for Group management.

² Daniel Fitzgerald was appointed COO on 1 January 2021. As part of his recruitment Lundin Energy agreed with his former employer International Petroleum SA that he would retain the right to payment of outstanding awards granted under the "IPC Performance and Restricted Share Plan" and that Lundin Energy will reimburse International Petroleum SA for such costs.

³ Bonus consideration above 12 months base salary has been approved for Vice President Legal and Vice President Corporate Affairs.

⁴ Performance Based Incentive Plan 2018 and Unit Bonus Plan 2018, awarded in 2018 and vested in 2021.

⁵ The performance based incentive plan that was awarded in 2018 when Alex Schneider was the CEO of the Company vested in 2021. The amount mentioned in the table above relates to this award and does not relate to his work as Board Member.

⁶ Board remuneration is reported on a cash basis.

⁷ Comprises Vice President Sustainability, Vice President Legal, Vice President Corporate Affairs, Vice President Investor Relations and Communications and Vice President Commodities Trading and Marketing promoted to VP in August 2021.

Note 26 continued

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	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.

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 860 (TCHF 853). 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 32 – 36 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 2021.

Note 27 Long-term Incentive Plans

The Company maintains the long-term incentive plans (LTIP) described below which relates to the discontinued operations.

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 2021 was SEK 287.84.

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 2021 and the year in which the units will vest.

Unit Bonus Plan	Plan				Total
	2018	2019	2020	2021	
Outstanding at the beginning of the period	69,653	123,184	266,737	–	459,574
Awarded during the period	–	–	–	262,792	262,792
Forfeited during the period	-1,123	-3,507	-8,188	-42,823	-55,641
Exercised during the period	-68,530	-60,224	-87,019	–	-215,773
Outstanding at the end of the period	–	59,453	171,530	219,969	450,952
Vesting date					
31 May 2022	–	59,453	85,765	73,323	218,541
31 May 2023	–	–	85,765	73,323	159,088
31 May 2024	–	–	–	73,323	73,323
Outstanding at the end of the period	–	59,453	171,530	219,969	450,952

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

Unit Bonus Plan MUSD	2021	2020
2017	–	-0.1
2018	0.8	0.5
2019	1.9	1.7
2020	4.9	2.3
2021	2.9	–
	10.5	4.4

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 2021 amounted to MUSD 10.3 (MUSD 7.6). The provision is calculated based on Lundin Energy's share price at the balance sheet date. The closing share price at 31 December 2021 was SEK 324.50.

Performance Based Incentive Plan

The 2014–2021 AGMs resolved a long-term performance based incentive plan in respect of Group management and a number of key employees.

The 2021 plan is effective from 1 July 2021 and the 2021 award has been accounted for from the second half of 2021. The awards made in respect of 2021 vests over three years from 1 July 2021 subject to certain performance conditions being met. Each award was fair valued at the date of grant at SEK 173.10 using an option pricing model.

The 2020 plan is effective from 1 July 2020 and 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. Based on the performance conditions of the 2018 plan, the 2018 plan vested in full in 2021 with Lundin Energy's total shareholder return (TSR) ranking 2nd in the peer group for the 2018 plan.

The following table shows the number of units issued under the LTIPs, the amount outstanding as at 31 December 2021 and the year in which the awards will vest.

Note 27 continued

Performance Based Incentive Plan	Plan				Total
	2018	2019	2020	2021	
Outstanding at the beginning of the period	260,055	328,077	406,139	—	994,271
Awarded during the period	—	—	—	262,902	262,902
Increase due to dividends ¹	—	12,924	16,000	3,208	32,132
Forfeited during the period	—	—	-7,975	-11,321	-19,296
Exercised during the period	-260,055	—	—	—	-260,055
Outstanding at the end of the period	—	341,001	414,164	254,789	1,009,954
End of performance period					
30 June 2022	—	341,001	—	—	341,001
30 June 2023	—	—	414,164	—	414,164
30 June 2024	—	—	—	254,789	254,789
Outstanding at the end of the period	—	341,001	414,164	254,789	1,009,954

¹ As from the 2019 plan, the number of performance shares are increased to reflect dividends. For the 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	2021	2020
2017	—	0.7
2018	0.9	1.7
2019	1.9	1.9
2020	2.1	1.1
2021	0.9	—
	5.8	5.4

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 2021 amounted to MUSD 8.8 (MUSD 8.3). The effect on equity is calculated based on the fair value at date of grant.

Note 28 Remuneration to the Group's Auditors

TUSD	2021	2020
EY / PwC		
Audit fees	702	532
Out of which to Ernst & Young	702	480
Out of which to PricewaterhouseCoopers	—	52
Audit related	357	11
Out of which to Ernst & Young	357	11
Out of which to PricewaterhouseCoopers	—	—
Tax advisory services	6	5
Out of which to Ernst & Young	6	5
Out of which to PricewaterhouseCoopers	—	—
Other fees	102	90
Out of which to Ernst & Young	102	90
Out of which to PricewaterhouseCoopers	—	—
Total EY / PwC	1,167	638
Out of which to Ernst & Young	1,167	586
Out of which to PricewaterhouseCoopers	—	52
Remuneration to other auditors than Group's auditor	215	54
Total audit fees	1,382	692
Out of which to Ernst & Young	1,382	586
Out of which to PricewaterhouseCoopers	—	52

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 the bonds issuance process, licence audits and PSC audits. Other fees include the review of the sustainability report.

Note 29 Subsequent Events

There are no subsequent events to report.

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 12,956.5 (MSEK 2,641.9) for the year. The net result for the year included MSEK 13,310.2 (MSEK 2,867.8) financial income as a result of received dividends from a subsidiary. The net result excluding received dividends amounted to MSEK -353.7 (MSEK -225.9).

The net result included general and administrative expenses of MSEK 240.7 (MSEK 240.1) and net finance costs of MSEK 133.4 (MSEK 5.3) when excluding the received dividends as mentioned above.

In November 2021 the Swedish Prosecution Authority brought criminal charges against Chairman of the Board Ian H. Lundin and Director Alex Schneider in relation to past operations in Sudan from 1999–2003 and 2000–2003, respectively. The charges also include claims against the Company for a corporate fine of SEK 3,000,000 and forfeiture of economic benefits of SEK 1,391,791,000, which according to the Swedish Prosecution Authority represents the value of the gain of SEK 720,098,000 that the Company made on the sale of the business in 2003. Any potential corporate fine or forfeiture could only be imposed after the conclusion of a trial. The Company refutes that there are any grounds for allegations of wrongdoing by any of its representatives and does not foresee any impact on the operational and financial guidance that the Company has set out previously. The Company considers this to be a contingent liability and therefore no provisions has been recognised. This contingent liability will remain with the continuing operations.

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 44–50.

Parent Company Income Statement

for the Financial Year Ended 31 December

Expressed in MSEK	Note	2021	2020
Revenue		20.4	19.5
General and administration expenses		-240.7	-240.1
Operating loss		-220.3	-220.6
Result from financial investments			
Finance income	1	13,310.2	2,867.8
Finance cost	2	-133.4	-5.3
		13,176.8	2,862.5
Profit before tax		12,956.5	2,641.9
Income tax	3	—	—
Net result		12,956.5	2,641.9

Parent Company Comprehensive Income Statement

for the Financial Year Ended 31 December

Expressed in MSEK	2021	2020
Net result	12,956.5	2,641.9
Other comprehensive income	—	—
Total comprehensive income	12,956.5	2,641.9
Attributable to:		
Shareholders of the Parent Company	12,956.5	2,641.9
	12,956.5	2,641.9

Parent Company Balance Sheet

for the Financial Year Ended 31 December

Expressed in MSEK	Note	2021	2020
ASSETS			
Non-current assets			
Shares in subsidiaries	8	55,118.9	55,118.9
Other tangible fixed assets		0.4	0.5
Total non-current assets		55,119.3	55,119.4
Current assets			
Prepaid expenses and accrued income		2.8	1.0
Other receivables	4	9,811.1	567.5
Cash and cash equivalents		44.3	26.6
Total current assets		9,858.2	595.1
TOTAL ASSETS		64,977.5	55,714.5
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		6,599.0	6,542.8
Retained earnings		43,205.2	45,030.5
Net result		12,956.5	2,641.9
Total unrestricted equity		62,760.7	54,215.2
Total equity		63,625.5	55,080.0
Non-current liabilities			
Provisions		1.6	0.9
Total non-current liabilities		1.6	0.9
Current liabilities			
Dividends		1,163.9	591.5
Payables to Group companies		27.8	30.2
Accrued expenses and prepaid income	5	152.3	11.1
Other liabilities		6.4	0.8
Total current liabilities		1,350.4	633.6
TOTAL EQUITY AND LIABILITIES		64,977.5	55,714.5

Parent Company Statement of Cash Flow

for the Financial Year Ended 31 December

Expressed in MSEK	2021	2020
Cash flow from operating activities		
Net result	12,956.5	2,641.9
Adjustment for		
Foreign currency exchange loss	0.8	5.1
Dividends from subsidiary	-9,774.7	-717.0
Other	1.9	0.9
Changes in working capital:		
Changes in current assets	528.6	1,032.8
Changes in current liabilities	145.4	-25.5
Total cash flow from operating activities	3,858.5	2,938.2
Cash flow from investing activities		
Investments in other fixed assets	-0.1	-0.2
Total cash flow from investing activities	-0.1	-0.2
Cash flow from financing activities		
Dividends paid	-3,898.5	-3,003.1
Issuance of treasury shares	56.2	63.1
Total cash flow from financing activities	-3,842.3	-2,940.0
Change in cash and cash equivalents	16.1	-2.0
Cash and cash equivalents at the beginning of the year	26.6	31.7
Currency exchange difference in cash and cash equivalents	1.6	-3.1
Cash and cash equivalents at the end of the year	44.3	26.6

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 2020	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
Total comprehensive income	–	–	–	12,956.5	12,956.5	12,956.5
Transactions with owners						
Cash distributions	–	–	–	-4,467.2	-4,467.2	-4,467.2
Issuance of treasury shares	–	–	56.2	–	56.2	56.2
Total transactions with owners	–	–	56.2	-4,467.2	-4,411.0	-4,411.0
Balance at 31 December 2021	3.5	861.3	6,599.0	56,161.7	62,760.7	63,625.5

Notes to the Financial Statements of the Parent Company

Note 1 Finance Income

MSEK	2021	2020
Dividend	13,310.2	2,867.8
	13,310.2	2,867.8

Note 2 Finance Costs

MSEK	2021	2020
Foreign exchange loss	0.8	5.1
Other	132.6	0.2
	133.4	5.3

Note 3 Income Tax

MSEK	2021	2020
Net result before tax	12,956.5	2,641.9
Tax calculated at the corporate tax rate in Sweden 21.4% (21.4%)	-2,772.7	-565.4
Tax effect of received dividend	2,848.4	613.7
Tax effect of expenses non-deductible for tax purposes	-4.7	-4.4
Increase unrecorded tax losses	-71.0	-43.9
	—	—

Note 4 Other Receivables

MSEK	31 December 2021	31 December 2020
Due from Group companies	9,803.8	564.7
VAT receivable	3.0	2.1
Other	4.3	0.7
	9,811.1	567.5

Note 5 Accrued Expenses and Prepaid Income

MSEK	31 December 2021	31 December 2020
Social security costs	1.0	1.4
Directors fees	2.0	1.7
Audit fees	1.4	1.0
Outside services	147.9	7.0
	152.3	11.1

Note 6 Remuneration to the Auditor

MSEK	2021	2020
EY / PwC		
Audit fees	1.3	1.4
Audit related	0.3	—
Other fees	0.7	0.5
	2.3	1.9

Lundin Energy changed its auditor as from 2020 replacing PricewaterhouseCoopers with Ernst & Young. There has been no remuneration to any auditor other than Ernst & Young in 2021 and there has been no remuneration to any auditors other than PricewaterhouseCoopers and Ernst & Young in 2020.

Note 7 Proposed Disposition of Unappropriated Earnings

The 2022 Annual General Meeting has an unrestricted equity at its disposal of MSEK 62,760.7, including the net result for the year of MSEK 12,956.5.

Ordinary cash dividend

As communicated by the Company on 29 October 2021 and in accordance with the dividend policy, the Board of Directors propose that the Annual General Meeting resolves on a quarterly dividend of USD 0.5625 per share, corresponding to USD 160 million (rounded off) per quarter, which reflects a 25 percent increase compared to the 2020 dividend. Before payment, each quarterly dividend of USD 0.5625 per share will 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) prior to each record date. 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 prior to each record date.

The first dividend payment is expected to be paid around 7 April 2022, with an expected record date of 4 April 2022 and expected ex-dividend date of 1 April 2022. The second dividend payment is expected to be paid around 12 July 2022, with an expected record date of 7 July 2022 and expected ex-dividend date of 6 July 2022. The third dividend payment is expected to be paid around 7 October 2022, with an expected record date of 4 October 2022 and an expected ex-dividend date of 3 October 2022. The fourth dividend payment is expected to be paid around 11 January 2023, with an expected record date of 5 January 2023 and an expected ex-dividend date of 4 January 2023.

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 dividend has been set to a cap of SEK 7.040 billion. If the total dividend would exceed the cap of SEK 7.040 billion, the dividend will be automatically adjusted downwards so that the dividend corresponds to the cap of SEK 7.040 billion.

On 21 December 2021, the Company entered into an agreement regarding a combination of Aker BP and the Company's E&P business. Completion of the combination with Aker BP is subject to certain terms and conditions, including approval by the Annual General Meeting of the Company and Aker BP receiving necessary governmental clearances. The Board of Directors proposes to the Annual General Meeting that quarterly dividends as per the above shall only be payable for as long as the Company owns the E&P business. Accordingly, no quarterly dividends shall be paid by the Company after the completion of the combination with Aker BP. According to a preliminary timetable, completion of the combination is planned to occur in late Q2 2022.

FINANCIAL STATEMENTS AND NOTES | Notes to the Financial Statements of the Parent Company

Note 7 continued

Lex Asea distribution of the E&P business

The combination with Aker BP will be carried out as a statutory cross-border merger in accordance with Norwegian and Swedish law, through which Aker BP will absorb a company ("LEAB MergerCo") that will contain Lundin Energy's E&P business. Shortly before the completion of the combination with Aker BP, the shares in LEAB MergerCo will be distributed to the shareholders of Lundin Energy through a so-called lex asea dividend. The merger consideration that thereafter will be payable to the (new) shareholders of LEAB MergerCo will consist of a mix of cash and shares in Aker BP.

The Board of Directors proposes to the 2022 Annual General Meeting that all shares in LEAB MergerCo are distributed to the shareholders, whereby one share in the Company shall entitle to one share in LEAB MergerCo.

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

MSEK	
The Board of Directors proposes that the shareholders are paid a quarterly dividend of USD 0.5625 per share ¹	6,091.9
The Board of Directors proposes a distribution of all shares in LEAB MergerCo ²	55,118.9
Brought forward	1,549.9
Unrestricted equity	62,760.7

¹ The quarterly dividend shall only be payable for as long as the Company owns all shares in LEAB MergerCo. Accordingly, no quarterly dividends shall be paid by the Company after the completion of the combination with Aker BP. The amount included in the table above is based on four quarterly dividend payments but will change if less than four quarterly dividends have been paid when the Company ceases to own all shares in LEAB MergerCo. The completion of the combination with Aker BP is currently expected to occur end of June which would result in one quarterly dividend payment. The amount is based on the USD to SEK exchange rate published by Sweden's central bank (Riksbanken) as at 24 February 2022. The amount is based on the number of shares in circulation on 24 February 2022 and the total dividend amount may change by the record dates as a result of repurchases of own shares, sale of treasury 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 2022 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, and once the assessment has been made that the condition for payment has been fulfilled in relation to each quarterly payment the dividend will be recorded as a liability in USD and the SEK equivalent of any USD liability recognised will fluctuate between the date it is recognised until it is converted from USD to SEK.

² The value of the shares in LEAB MergerCo is determined based on the book value of Lundin Energy Holding BV at the end of 2021 with the book value of the newly incorporated LEAB MergerCo as per distribution date expected to be the same following internal restructuring steps prior to completion of the Aker BP transaction. The value might change up until the distribution of the shares in LEAB MergerCo but will never, in combination with the proposed quarterly dividend, exceed the unrestricted equity of the Company.

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 dividends are 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 will be positive after completion of the Aker BP transaction. 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 2021
Directly owned						
Lundin Energy Holding BV	68246226	The Hague, Netherlands	100	100	EUR 1.00	55,118.9
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 Finance BV	82927561	The Hague, Netherlands	100	100	EUR 1.00	
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	
- Karskuv Vind AB	559211-6106	Stockholm, Sweden	500	100	EUR 9.88	
- Karskrub Nät AB	559036-7289	Stockholm, Sweden	1,000	100	SEK 100.00	
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 25 February 2022, the Board of Directors and the President of Lundin Energy AB have adopted this annual report for the financial year ended 31 December 2021.

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, 25 February 2022

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

Adam I. Lundin
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 25 February 2022

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 2021. The annual accounts and consolidated accounts of the company are included on pages 4–85 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 2021 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 2021 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.

Assets Held for Sale – transaction agreement between Lundin Energy AB and Aker BP ASA

Description	How our audit addressed this key audit matter
<p>On December 21, 2021, Lundin Energy AB and Aker BP ASA entered into a transaction agreement to combine the exploration and production activities of the two companies. Upon completion of the transaction agreement, Lundin Energy AB's exploration and production-related assets will be combined with Aker BP ASA through a statutory merger. The transaction is expected to close in mid-2022.</p> <p>The completion of the transaction agreement is subject to, among other things, approval by the shareholders of Lundin Energy AB and Aker BP ASA at their respective general meetings and obtaining the necessary regulatory approvals (including competition authorities, the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance).</p> <p>Under IFRS 5, non-current assets and disposal groups shall be classified as Assets Held for Sale if management considers that their carrying amount will be recovered mainly through a sales transaction rather than through continuous use and presented as Discontinued operations if the assets held for sale represent a separate major line of business.</p> <p>Furthermore, there are significant accounting issues and judgement related to the transaction agreement and in the long run, the termination of the exploration and production activities of the company such as hedge accounting, accounting for amortized cost of financial liabilities, transaction-related costs and share-based payments.</p> <p>We believe that the classification of assets held for sale and presentation of discontinued operations together with the above-mentioned related accounting issues constitutes a key audit matter in the audit due to the element of judgement and assumptions, the importance of the transaction agreement and the complexity of the related accounting issues.</p> <p>For further information, see the Accounting Policies section and Note 19.</p>	<p>We have taken this key audit matter into account in our audit through the following main procedures:</p> <ul style="list-style-type: none"> - We have established an understanding of the transaction agreement as well as the facts and circumstances associated with the combination. This has included an understanding of the legal structure of the proposed combination and the assets and liabilities included in the disposal group. - We have audited the accounting of the non-current assets held for sale and discontinued operations against the applicable criteria in accordance with IFRS 5. - We have audited management's assessments and assumptions regarding how the termination of the exploration and production activities affects hedge accounting, accounting for amortized cost of financial liabilities, transaction-related costs and share-based payments. The audit procedures have included verification and assessment of the terms and conditions of the underlying agreements for the above-mentioned areas and examination of how the company have considered the effects of the transaction agreement in the accounting. <p>We have audited the information provided in the annual report in respect of assets held for sale and presentation of discontinued operations.</p>

Accounting for current and deferred income tax

Description	How our audit addressed this key audit matter
<p>For the year ended 31 December 2021 the Company's income tax expense amounted to USD 2,892.5 million. As of 31 December 2021, the Company has recognized a deferred tax liability of USD 3,120.6 million and a current tax liability of USD 1,573.7 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 19.6 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>For information, see the Accounting Policies section and Note 19.6.</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.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–3 and 90–99. 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 Revisors-inspektionen'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 2021 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.

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 ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Lundin Energy AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[\(fad773e7ee80db45730d1459689ebadcbafba84c30eb61c9476da43bfe02ca26\)](#) has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Lundin Energy AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the

economic decisions of users taken on the basis of the Esef report. The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

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 30 March 2021 and has been the company's auditor since 2020.

Stockholm 25 February, 2022
Ernst & Young AB

Anders Kriström
Authorized Public Accountant

ADDITIONAL INFORMATION

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 92. Definitions of the performance measures are provided under the key ratio definitions on page 93.

Financial data MUSD	2021	2020
Revenue and other income		
From continuing operations	—	—
From discontinued operations	5,484.7	2,564.4
	5,484.7	2,564.4
Operating cash flow		
From continuing operations	—	-1.0
From discontinued operations	2,294.8	1,658.6
	2,294.8	1,657.6
CFFO		
From continuing operations	-17.7	-18.1
From discontinued operations	3,075.7	1,546.1
	3,058.0	1,528.0
EBITDAX		
From continuing operations	-19.4	-16.4
From discontinued operations	4,842.2	2,156.6
	4,822.8	2,140.2
Free cash flow		
From continuing operations	-89.4	-117.9
From discontinued operations	1,734.9	566.1
	1,645.5	448.2
Net result		
From continuing operations	-16.1	-17.9
From discontinued operations	509.9	402.1
	493.8	384.2
Adjusted net result		
From continuing operations	-16.3	-17.1
From discontinued operations	812.0	297.1
	795.7	280.0
Net debt	2,747.9	3,911.5

Data per share		
USD	2021	2020
Operating cash flow per share		
From continuing operations	–	-0.00
From discontinued operations	8.07	5.83
	8.07	5.83
CFFO per share		
From continuing operations	-0.06	-0.06
From discontinued operations	10.81	5.44
	10.75	5.38
EBITDAX per share		
From continuing operations	-0.07	-0.06
From discontinued operations	17.03	7.59
	16.96	7.53
Free cash flow per share		
From continuing operations	-0.31	-0.42
From discontinued operations	6.10	2.00
	5.79	1.58
Earnings per share		
From continuing operations	-0.06	-0.06
From discontinued operations	1.80	1.41
	1.74	1.35
Earnings per share fully diluted		
From continuing operations	-0.06	-0.06
From discontinued operations	1.79	1.41
	1.73	1.35
Adjusted earnings per share		
From continuing operations	-0.06	-0.06
From discontinued operations	2.86	1.05
	2.80	0.99
Adjusted earnings per share fully diluted		
From continuing operations	-0.06	-0.06
From discontinued operations	2.85	1.04
	2.79	0.98
Shareholders' equity per share	-4.99	-6.22
Dividend per share ¹	1.60	1.12
Yield	4	4
Number of shares issued at period end	285,924,614	285,924,614
Number of shares in circulation at period end	284,568,178	284,351,471
Weighted average number of shares for the period	284,444,685	284,177,604
Weighted average number of shares for the period fully diluted	285,126,595	284,830,491
Share price		
Share price at period end in SEK	324.50	222.30
Share price at period end in USD ²	35.86	27.19
Key ratios from continuing operations³		
Return on equity (%)	-6	-10
Return on capital employed (%)	-6	-9
Net debt/equity ratio (%)	–	–
Net debt/EBITDAX ratio	–	–
Equity ratio (%)	70	76
Share of risk capital (%)	70	76
Interest coverage ratio	–	–
Operating cash flow/interest ratio	–	–

¹ Dividend per share represents the actual paid out dividend per share.

² 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.

³ Key ratios from continuing operations are calculated based on equity attributable to the continuing operations only instead of equity as presented in the consolidated balance sheet and based on no debt attributable to the continuing operations.

ADDITIONAL INFORMATION

Relevant Reconciliations of Alternative Performance Measures

EBITDAX MUSD	2021	2020
From continuing operations		
Operating profit	-19.4	-16.4
EBITDAX from continuing operations	-19.4	-16.4
From discontinued operations		
Operating profit	3,874.0	1,437.1
Add: depletion of oil and gas properties	703.0	607.7
Add: exploration costs	258.1	104.9
Add: depreciation of other tangible assets	7.1	6.9
EBITDAX from discontinued operations	4,842.2	2,156.6
Operating cash flow MUSD		
From continuing operations		
Revenue and other income	–	–
Minus: current taxes	–	-1.0
Operating cash flow from continuing operations	–	-1.0
From discontinuing operations		
Revenue and other income	5,484.7	2,564.4
Minus: production costs	-265.4	-177.2
Minus: purchase of crude oil from third parties	-361.7	-217.8
Minus: current taxes	-2,562.8	-510.8
Operating cash flow from discontinued operations	2,294.8	1,658.6
Free cash flow MUSD		
From continuing operations		
Cash flows from operating activities (CFFO)	-17.7	-18.1
Minus: cash flows from investing activities	-71.7	-99.8
Free cash flow from continuing operations	-89.4	-117.9
From discontinuing operations		
Cash flows from operating activities (CFFO)	3,075.7	1,546.1
Minus: cash flows from investing activities	-1,340.8	-980.0
Free cash flow from discontinued operations	1,734.9	566.1
Adjusted net result MUSD		
From continuing operations		
Net result	-16.1	-17.9
Adjusted for foreign currency exchange gain or loss	-0.2	0.8
Adjusted net result from continuing operations	-16.3	-17.1
From discontinuing operations		
Net result	509.9	402.1
Adjusted for unwinding of loan modification gain	–	99.7
Adjusted for foreign currency exchange gain or loss	216.1	-171.8
Adjusted for ineffective interest rate hedge contracts	71.0	–
Adjusted for other non recurring finance costs	15.4	–
Adjusted for tax effects of above mentioned items	-0.4	-32.9
Adjusted net result from discontinued operations	812.0	297.1
Net debt MUSD		
Senior notes	2,000.0	–
Bank loans	1,200.0	3,994.0
Minus: cash and cash equivalents	-452.1	-82.5
Net debt	2,747.9	3,911.5

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.

ADDITIONAL INFORMATION

Reserve and Resource Quantity Information

Proved plus probable reserves (2P) ¹	Oil MMbbl	Gas Bn scf	Oil and gas ³ MMboe
1 January 2021	640.2	184.2	670.9
Changes during the year			
- Production	-67.1	-23.7	-71.0
+ Acquisitions/ - Dispositions	—	—	—
+ Revisions	31.5	46.6	39.3
31 December 2021	604.6 ²	207.2	639.1

¹ Numbers may not add up due to rounding

² The year end 2021 2P oil reserves reported include 20.2 MMbbl of NGL's.

³ The factor of 6,000 is used by the Company to convert one scf to one boe.

Proved plus probable plus possible reserves (3P) ¹	Oil MMbbl	Gas Bn scf	Oil and gas ³ MMboe
1 January 2021	785.1	245.3	826.0
Changes during the year			
- Production	-67.1	-23.7	-71.0
+ Acquisitions/ - Dispositions	—	—	—
+ Revisions	36.1	50.2	44.5
31 December 2021	754.1 ²	271.8	799.4

¹ Numbers may not add up due to rounding

² The year end 2021 3P oil reserves reported include 25.5 MMbbl of NGL's.

³ The factor of 6,000 is used by the Company to convert one scf to one boe.

Best estimate contingent resources (2C) ¹	Oil and gas ² MMboe
1 January 2021	275.5
Changes during the year	
+ Acquisitions/ - Dispositions	136.9
+ Revisions/Discoveries	-32.3
31 December 2021	380.0

¹ Numbers may not add up due to rounding

² 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 2021	WI ¹ 31 December 2020
PL036C		15	15
PL036E	Trell & Trine	6	–
PL036F	Trell & Trine	6	–
PL088BS		15	15
PL102D	Trell & Trine	6	–
PL102F	Trell & Trine	6	–
PL102G	Trell & Trine	6	–
PL102H	Trell & Trine	6	–
PL148	Brynhild	51	51
PL150	Volund	35	35
PL167	Lille Prinsen	40	20 (40)
PL167B		40	20 (40)
PL167C		40	20 (40)
PL203	Alvheim	15	15
PL229E		50	50
PL229G		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	Bøyla & 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	40
PL533B		40	40
PL537	Wisting	35	10
PL537B		35	10
PL609	Alta	55	55
PL609B		55	55
PL609C		–	55
PL609D		55	55
PL695		–	40
PL722		–	20
PL815		60	60
PL820S		41	40 (41)
PL820SB		41	–
PL830		40	40
PL851		–	55
PL860		–	40
PL869		15	20
PL886		60	60
PL886B		60	60
PL894		10	10
PL896		30	30

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

ADDITIONAL INFORMATION | Investments in Joint Operations

Licence	Field / Discovery	WI ¹ 31 December 2021	WI ¹ 31 December 2020
PL902		—	40
PL902B		—	40
PL904		—	20
PL914S		1.385	1.385
PL917		20	20
PL917B		20	20
PL919		15	15
PL924		15	15
PL926		—	10
PL929		10	10
PL934		—	40
PL935		20	20
PL936		—	30
PL954		—	40
PL960		20	20
PL962		—	20
PL965		—	60
PL976		40	50
PL981		60	60
PL987		—	20
PL987B		—	20
PL988		—	40
PL989		30	30
PL991		—	40
PL998		—	30
PL1023		—	50
PL1027		40	40
PL1029		40	40
PL1032		40	40
PL1041		15	30
PL1045		15	15
PL1045B		15	—
PL1048		50	50
PL1051		40	40
PL1057		60	60
PL1069		50	50
PL1082		50	50
PL1083		40	40
PL1084		60	—
PL1087		50	—
PL1089		50	—
PL1090		30	—
PL1091		40	—
PL1092		50	—
PL1094		60	—
PL1095		50	—
PL1097		30	—
PL1099		30	—
PL1102		60	—
PL1104		40	—
PL1106		20	—
PL1126		30	—
PL1129		30	—
PL1131		20	—
PL1133		20	—
PL1134		30	—

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
CO ₂	Carbon dioxide
CO ₂ e	Carbon dioxide equivalents

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
MEUR	Million Euro
BUSD	Billion USD

ADDITIONAL INFORMATION

Share Data

Share data

Since Lundin Energy was incorporated in May 2001 and up to 31 December 2021 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:

- | | |
|-------------------|--|
| · 27 April 2022 | Three month report (January – March 2022) |
| · 27 July 2022 | Six month report (January – June 2022) |
| · 26 October 2022 | Nine month report (January – September 2022) |
| · 31 January 2023 | 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 31 March 2022 at 13.00 CEST at the Hotel at Six, Brunkebergstorg 6, in Stockholm. The Board of Directors has decided, pursuant to the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations that shareholders shall have the right to exercise their voting rights by postal voting. Consequently, shareholders may choose to exercise their voting rights at the Annual General Meeting by attending in person, through a proxy or by postal voting.

Attendance at the meeting

Shareholders wishing to attend the meeting shall:

- be recorded in the share register maintained by Euroclear Sweden AB on Wednesday 23 March 2022; and
- notify Lundin Energy of their intention to attend the AGM no later than Friday 25 March 2022 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 23 March 2022, at the latest.

ADDITIONAL INFORMATION

These materials do not constitute an offer of securities for sale or a solicitation of an offer to purchase the securities described in such materials in the United States. In particular, any securities referred to in these materials have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”), or under the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of securities in the United States.

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 1 March 2022.

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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