Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2017 - 31.12.2017

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Kristin Færøvik
Dato for fastsettelse av årsregnskapet:	16.04.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert

År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

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

Brønnøysundregistrene, 06.11.2020

Resultatregnskap

Beløp i: NOK	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Driftsinntekter oljesalg	3	12 375 115 000	7 564 879 000
Driftsinntekter gassalg	3	1 277 657 000	611 178 000
Tariff inntekter	3	179 000 000	2 937 000
Andre inntekter		15 054 000	
Sum inntekter		**13 846 826 000**	**8 178 994 000**
Kostnader			
Produksjonskostnader	4	1 248 908 000	1 410 680 000
Letekostnader		1 086 462 000	921 317 000
Lønns og lønnsavhengige kostnader	5	44 613 000	43 880 000
Ordinære avskrivninger	8	4 052 877 000	2 841 530 000
Tap ved salg av eiendeler		174 423 000	
Nedskrivning av varige driftsmidler og immaterielle eiendeler	8	-107 218 000	-20 749 000
Andre driftskostnader	5	315 212 000	223 230 000
Sum kostnader		**6 815 277 000**	**5 419 888 000**
Driftsresultat		**7 031 549 000**	**2 759 106 000**
Finansinntekter og finanskostnader			
Finansinntekter renter	6	8 146 000	19 640 000
Sum finansinntekter		**8 146 000**	**19 640 000**
Finanskostnader	6	1 072 056 000	1 449 921 000
Sum finanskostnader		**1 072 056 000**	**1 449 921 000**
Netto finans		**-1 063 910 000**	**-1 430 281 000**
Ordinært resultat før skattekostnad		**5 967 639 000**	**1 328 825 000**
Skattekostnader	7	4 321 941 000	553 924 000
Ordinært resultat etter skattekostnad		**1 645 698 000**	**774 901 000**
Årsresultat		**1 645 698 000**	**774 901 000**
Overføringer og disponeringer			

Resultatregnskap

Beløp i: NOK	Note	2017	2016
Overført til/fra annen egenkapital		1 645 698 000	774 901 000
Sum overføringer og disponeringer		**1 645 698 000**	**774 901 000**

Balanse

Beløp i: NOK	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Olje- og gassfelt	8	37 084 291 000	31 325 770 000
Maskiner, inventar o.l	8	30 274 000	38 058 000
Varelager	8	242 849 000	227 829 000
Sum varige driftsmidler		**37 357 414 000**	**31 591 657 000**
Finansielle anleggsmidler			
Utsatt skattefordel	7		84 536 000
Sum finansielle anleggsmidler			**84 536 000**
Sum anleggsmidler		**37 357 414 000**	**31 676 193 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer		277 853 000	570 032 000
Andre fordringer	11	1 143 012 000	1 101 889 000
Inntektsskatt refusjon	7		662 788 000
Konsernfordringer		1 226 970 000	847 386 000
Sum fordringer		**2 647 835 000**	**3 182 095 000**
Bankinnskudd, kontanter og lignende			
Kontanter og kontantekvivalenter	10	106 175 000	144 136 000
Sum bankinnskudd, kontanter og lignende		**106 175 000**	**144 136 000**
Sum omløpsmidler		**2 754 010 000**	**3 326 231 000**
SUM EIENDELER		**40 111 424 000**	**35 002 424 000**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2017	2016
Egenkapital			
Innskutt egenkapital			
Aksjekapital	13	493 000 000	493 000 000
Overkurs		214 641 000	214 641 000
Sum innskutt egenkapital		**707 641 000**	**707 641 000**
Opptjent egenkapital			
Annen egenkapital		3 369 397 000	2 523 699 000
Sum opptjent egenkapital		**3 369 397 000**	**2 523 699 000**
Sum egenkapital		**4 077 038 000**	**3 231 340 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7	5 499 167 000	
Fjerning og nedstengningsforpliktelse	16	3 374 440 000	2 724 640 000
Sum avsetninger for forpliktelser		**8 873 607 000**	**2 724 640 000**
Annen langsiktig gjeld			
Langsiktig konserngjeld	14,17	25 038 578 000	26 383 178 000
Sum annen langsiktig gjeld		**25 038 578 000**	**26 383 178 000**
Sum langsiktig gjeld		**33 912 185 000**	**29 107 818 000**
Kortsiktig gjeld			
Leverandørgjeld		443 206 000	833 063 000
Betalbar skatt	7	527 000	
Kortsiktig konserngjeld		44 139 000	9 169 000
Annen kortsiktig gjeld	11	1 634 329 000	1 821 034 000
Sum kortsiktig gjeld		**2 122 201 000**	**2 663 266 000**
Sum gjeld		**36 034 386 000**	**31 771 084 000**
SUM EGENKAPITAL OG GJELD		**40 111 424 000**	**35 002 424 000**
POSTER UTENOM BALANSEN			
Garantistillelser	15		
Pantstillelser	16		

Balanse

Beløp i: NOK	Note	2017	2016

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Note 1 Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

Impairment tests are performed annually or when there are facts and circumstances that suggest that the carrying amount of the asset may exceed its recoverable amount. Exploration costs of wells with discovery of reserves may remain capitalised for longer than one year, if the proven reserves depend on major investments to be justified. Exploration expenses may remain capitalised under conditions where firm plans exist for future drilling in the licence, or where a development decision is planned for the near future.

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

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

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

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

Oil and gas fields in production
When a field commence the production of oil and gas, the capitalised costs for the oil and gas properties, including reclassified exploration costs and all development costs, are depreciated using the unit-of-production method. The rate of depreciation is equal to the ratio of oil and gas production for the period over proved and probable reserves. The future development expenditures necessary to bring those reserves into production are included in the basis for depreciation, and are estimated by the management based on current period end un-escalated price levels. Any changes in the reserves and cost estimates that affect unit-of-production rates are dealt with prospectively.

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

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

A previously recognised impairment loss is reversed through the income statement only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss reversal is recognised in the income statement as a reversal of previous expensed values. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value.

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

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

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

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

Companies engaged in petroleum production and pipeline transportation on the Norwegian Continental Shelf are subject to the Norwegian oil taxation regime. Under this regime, a Special Petroleum Tax (SPT) on profits is attributable. The special petroleum tax rate is 54% for 2017 (adjusted to 55% from 1st January 2018).The special tax is applied to relevant income in addition to the ordinary offshore income tax, which was levied at 24% for 2017 (adjusted to 23% from 1st January 2018), resulting in a steady 78% marginal tax rate on income subject to petroleum tax.

The basis for computing the special petroleum tax is the same as for income subject to ordinary income tax, except for onshore losses which are not deductible against the special petroleum tax. In addition, a tax-free allowance (uplift) of 5.4%, is granted. The uplift allowance was reduced from 7.5% to 5,5% per year as at May 5th 2013, and was further reduced in 2017 due to the increase of the SPT rate. For investments after 1st January 2018, the uplift rate is 5,3%. However, during an interim period, certain fields are applicable for the 7.5% uplift rate per year. The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting from the year in which the capital expenditures incurred. Uplift benefit is recorded in the year of investment. Unused uplift may be carried forward indefinitely, with an annual interest addition.

Interest expenses on interest-bearing debts are distributed between onshore and offshore activities. The tax allowance for the offshore debt interests are calculated as interest expense multiplied by 50% of the ratio between the tax value of the offshore-asset and average interest-bearing debt. The remaining net financial expenses are allocated to onshore, and if no other onshore income, these are reallocated back to the offshore ordinary tax basis.

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Deferred tax assets relating to petroleum activity on the Norwegian Continental Shelf are unconditional in terms of contingent operation of the Company. Any unused tax losses carried forward related to the Norwegian Continental Shelf will be refunded to the Company in cash, including interest on the balance. There is no time limit associated with the right to carry forward tax losses in Norway.

Property plant and equipment

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

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

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

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amounts of the property, plant and equipment. Gains and losses on disposal of property, plant and equipment are recorded in the income statement. Transactions on the Norwegian continental shelf is normally settled on an after tax basis. Income taxes related to transactions where the consideration is settled on an after tax basis and the majority of the sales consideration is attributable to future tax deductions, is recognised as part of gains and losses on disposals.

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

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

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

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

Farm-in/farm-out agreements
A farm-in/farm-out agreement involves a situation where a licence owner transfers all or a portion of its working interest to another party and the buyer commits to carry a portion of seller's exploration, and/or development costs in return. Typically, the buyer is taking over a licence interest in return for a share of the sellers expenses related to the drilling of a well. The Company accounts for such farm-in agreements on a historical cost basis, as the fair value is often difficult to determine. In accordance with the purchase agreement, there is a pro & contra settlement at the completion date, settling the costs in the period between the effective date and the completion date of the agreement. Normally there are no gains or losses incurring related to the settlement. As a buyer, the Company is recognising the exploration, drilling and development costs as incurred, in accordance with the "Successful efforts method". There are no accruals for future expenditures in farm-in/out agreements in the exploration phase.

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

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

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

Over/under-lifting of hydrocarbons
Over-lifting of hydrocarbons is presented as current liabilities, accrued on the basis of sales value, less estimated cost to sell. On the same basis of measurement, under-lifting of hydrocarbons is presented as current receivables. The change in the over/under-lift position is reflected in the income statement as revenue.

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

Share capital and share premium
Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are recognised directly in equity.

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

Provisions

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

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

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

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

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

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

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

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

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

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

a) Hydrocarbon reserve and resource estimates

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

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

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

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

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

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

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

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Note 2 Major transactions during 2017

In 2017 the following transactions were completed:
The Company divested a 39 percent working interest in the Brynhild Filed to CapeOmega with an effective date of 1 January 2017 and a completion date of 30th November 2017. The transaction resulted in a net after tax loss of NOK 180 million.

Cash consideration	773 600
Interim period revenue/cost related to transaction	31 626
Net book value Site Restoration	264 463
Gain from sale of exploration licenses	5 705
Gain on sale of assets	1 075 394
Tax value on sale of asset	-1 249 817
Loss from sale of assets	-174 423

In accordance with the Norwegian Petroleum Tax Act the consideration is paid on after tax basis. The remaining tax balances for the divested 39 percent working interest, were transferred from the Company to CapeOmega. The Company is therefor not liable to tax payments for the consideration received.

During the year, a licence exchange was completed with Engie to swap 10 percent of the Company's working interest in PL778 for Engie's 20 percent working interest in both PL715 and PL722. The acqusitions of Shell's 20 percent working interest in PL 715 and North E&P's 40 percent working interest in PL805 were completed. In addition, the Company completed a farm-in with Fortis Petroleum for a 10 percent working interest each in PL539 and PL860 on the Mandal High in the Norwegian North Sea. Subsequent to which the Company agreed the acquisition of a package of licenses from Fortis Petroleum including a further 10 percent interest in each of PL539 and PL860 and 30 percent working interest in each of PL820S and PL825. The Company has agreed a licence swap arrangement to acquire Statoil's 20 percent working interest in PL860 which is subject to government approval and upon completion will increase the Company's working interest in PL860 to 40 percent. The Company farmed out its 20 percent working interest in PL685 to Wellesley Petroleum and farmed out a 15 percent interest and transferred operatorship in each of PL758 and PL800 to Capricorn.

In January 2017 the Company was awarded four exploration license interests in the 2016 Norwegian Licensing Round (APA 2016), two as an operator. In November 2017, the Company applied for licenses in the 24th licensing round and awards are anticipated to be announced in mid 2018.
The following licenses were relinquished in 2017: PL 410, PL 579, PL 625, PL 653, PL 674BS, PL 678, PL 715, PL 736S, PL 765, PL 766, PL 778 and PL 789. Notices were also provided to relinquish PL 700, PL 700B and PL 805, which will become effective in 2018.

As per 31 December 2017, the Company has 48 (61) licenses, of which 26 (34) as operator.

In January 2018, the Company was awarded fourteen exploration license interest in the 2017 Norwegian Licensing Round (APA 2017), six as an operator. The awarded licenses includes six licenses in the North Sea, four licenses in the Norwegian sea and four licenses in the Southern Barents Sea.

Note 3 Revenue and segment reporting

In NOK 1,000	2017	2016
Operating revenues, oil sales	12 375 115	7 564 879
Operating revenues, gas sales	1 277 657	611 178
Tariff revenue 1)	179 000	2 937
Other income	15 054	-
Total operating revenues	**13 846 826**	**8 178 994**

1) see note 4

The company's activity are entirely related to exploration, development and production of oil , NGL and gas.
The company's activities are considered to have a homogeneous risk and rate of return before tax and are therefore considered as one operating segment and also one geographical segment.

Note 4 Production and transportation expenses

Tariff income is received on Alvheim field, whilst tariff is paid on the Volund and Bøyla fields. As the Company's ownership share is 35 percent in the Volund field and 15 percent in the Alvheim field and the Bøyla field, a net expense is recorded in production expenses for the year. Volund receives tariff payment from the Alvheim field for Viper-Kobra hydrocarbons. The Edvard Grieg oil pipeline and Utsira High gas pipeline receives tariff income from the Edvard Grieg field and the Ivar Aasen unit. The Edvard Grieg field receive tariff income from the Ivar Aasen unit.
Total revenue from tariffs is NOK 434.7 million in 2017. The net tariff revenue is NOK 179.0 million.
Total tariff cost is NOK 568.7 million. Net Tariff cost is NOK 313.0 million.

Note 5 Remunerations

In NOK 1,000	2017	2016
Salaries	510 656	498 405
Social security tax	90 608	88 616
Pension costs	59 943	51 574
Other benefits	82 330	92 722
Reclassification to exploration/production expenses	(698 924)	(687 438)
Payroll and payroll related costs	**44 613**	**43 880**
Average no. of employees:	**354**	**342**

In NOK 1,000	2017	2016
Rent, electricity, cleaning	54 460	53 211
External services	235 714	139 354
Office expenses	10 373	10 209
Travel	2 958	2 209
Other expenses	11 707	18 247
Other operating expenses	**315 212**	**223 230**

Lundin Norway AS
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Remuneration to Executive officers in 2017 (in NOK 1,000)	Salaries	Pension	Other remuneration
Managing director	5 182	153	11

Remuneration to the Board of Directors

NOK 330.000 was paid in remuneration to the Board in 2017. NOK 300.000 to the Chairman of the Board and NOK 15.000 to each employees' representative Board Member. In 2016 the Chairman of the Board received NOK 600.000.

Remuneration to Executive officers in 2016 (in NOK 1,000)	Salaries	Pension	Other remuneration
Managing director	5 046	137	15

Auditor's remuneration

In NOK 1,000	2017	2016
Auditor's fee	1 134	1 791
Other assurance services	225	-
Other advisory services	66	243
Total auditor's remuneration	**1 426**	**2 033**

Salaries and other remuneration related to participation in licences

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

Pensions

Lundin Norway is subject to the law about mandatory membership in the Norwegian Pension Scheme. All employees in the Company are members of a contribution-based pension scheme. In 2017 and 2016 the contributions made by the Company for pensions and pension insurance amounted to NOK 59.9 million and NOK 51.6 million respectively. The Company's pension commitments are limited to the annual contributions made.

Severance pay

In 2014, through its membership in the NHO employer organisation, the Company has joined the collective agreement "Sluttvederlagsavtalen". Under this agreement, employees may be entitled to redundancy payment subject to certain conditions related to health, redundancy or bankruptcy.

Sharebased payments

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

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

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

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

Note 6 Financial items

In NOK 1,000	2017	2016
Financial income		
Interest income	8 146	19 640
Total Financial income	**8 146**	**19 640**
Financial expenses		
Interest expense	-895 295	-1 304 636
Other interest expense	-2 312	-82 467
Other financial expenses	-12 906	-4 698
Interest accretion on decommissioning liability	-112 873	-97 275
Total Financial expenses	**-1 023 386**	**-1 489 076**
Foreign Exchange gain/-loss		
Realised foreign exchange gain	203 425	144 622
Realised foreign exchange loss	-222 163	-115 505
Unrealised foreign exchange gain/-loss	-29 932	10 038
Net foreign exchange gain/-loss	**-48 670**	**39 155**
Total financial items	**-1 063 910**	**-1 430 280**

Note 7 Tax

a) Tax expense for the period

in NOK 1,000	2017	2016
Current tax	-	-662 788
Current tax previous years	-11 944	-
Changes in deferred tax	4 333 885	1 216 712
Tax expense for the period	**4 321 941**	**553 924**
Current tax / (tax receivable) at 1 January	-674 733	-2 303 881
Tax refund received previous years	675 260	2 303 881
Tax receivable for the year	-	-662 788
Current tax / (tax receivable) at 31 Dec	527	-662 788

b) Effective tax rate

in NOK 1,000	2017	2016
Income before tax	5 967 639	1 328 825
Company tax	1 432 233	332 206
Special petroleum tax	3 222 525	704 277
Tax effect of uplift	-828 085	-1 127 834
Net financial revenue/expense onshore	514 310	492 004
Tax effect of permanent differences	100 792	289 684
Interest on loss carry forward	-29 305	-43 164
Adjustment prior years	-11 474	-20 251
Change in tax rate	-79 056	-72 999
Total tax expense for the period *	**4 321 941**	**553 924**
Effective tax rate (incl. change in deferred tax)	72,4 %	41,7 %

c) Deferred tax

The tax effect of temporary differences:

in NOK 1,000	2017	2016
Fixed assets	13 656 155	9 164 711
Earned uplift	-4 563 740	-4 620 974
Other long-term items (receivables, decommissioning, etc.)	-2 756 884	-2 206 312
Gain and loss account	7 371	9 214
Tax loss carry forward	-1 109 818	-2 764 670
Other short-term items	266 083	333 495
Total deferred tax	**5 499 167**	**-84 536**

* Excluding tax effect of Brynhild transaction (NOK 1 250 million), which is netted against gain (ref note 2)

Note 8 Property, plant and equipment

In NOK 1,000	Capitalised exploration costs and licence rights	Development assets	Production assets	Oil and gas fields Total	Machinery and office equipment	Total
Acquisition cost at 31 Dec 2016	3 242 956	9 704 794	35 637 409	48 585 159	153 615	48 738 774
Additions	967 496	6 502 578	2 727 024	10 197 098	11 101	10 208 199
Purchase	3 528	-	-	3 528	-	3 528
Expensed capitalised wells previous periods	-515 330	-	-	-515 330	-	-515 330
Relinquished/Disposals [1]	-224 843	-	-3 553 857	-3 778 700	-	-3 778 700
Acquisition cost at 31 Dec 2017	**3 473 806**	**16 207 372**	**34 810 576**	**54 491 755**	**164 716**	**54 656 471**
				-		
Accumulated depreciation at 31 Dec 2016	-	-	7 825 601	7 825 601	115 556	7 941 157
Depreciation	-	-	4 033 991	4 033 991	18 886	4 052 877
Disposals	-	-	-86 548	-86 548	-	-86 548
Accumulated depreciation at 31 Dec 2017	**-**	**-**	**11 773 044**	**11 773 044**	**134 442**	**11 907 486**
Accumulated impairment at 31 Dec 2016	331 960	-	9 101 830	9 433 790	-	9 433 790
Impairment 2)	-	-	-107 218	-107 218	-	-107 218
Relinquished/Disposals	-224 843	-	-3 467 309	-3 692 152	-	-3 692 152
Accumulated impairment at 31 Dec 2017	**107 117**	**-**	**5 527 303**	**5 634 420**	**-**	**5 634 420**
Net book value at 31 Dec 2017	**3 366 689**	**16 207 372**	**17 510 230**	**37 084 291**	**30 274**	**37 114 565**
Depreciation plan:	3)		Unit of production		Linear, 3-5 years	

Lundin Norway AS
Notes to the Annual Financial Statements

Impairment in 2017:
The impairment testing at 31 December was carried out in conjunction with the annual reserve audit process and the value of each cash generating unit (CGU) was assessed on an after tax basis. The company used a forward curve for 2018 and 2019, starting with oil prices at $66.72/bbl.
From 2020 the Company have used ERCE long term forecast for oil price. A post-tax discount rate of 8 percent and NOK/USD exchange rate of 8.0 has been applied in the year-end impairment testing.
The calculation show that the recoverable amount for production-, development- and exploration licenses is greater than the carrying amount for all assets except Brynhild and Gaupe. However, these assets have no remaining book value.
For Gaupe field we have reversed previous impairments of NOK 30.0 million and for Brynhild field we have reversed NOK 77.2 million, both based on reduced future removal estimate.

In NOK 1,000	Capitalised exploration costs and licence rights	Development assets	Production assets	Oil and gas fields Total	Machinery and office equipment	Total
Acquisition cost at 31 Dec 2015	3 078 772	4 235 724	29 618 198	36 932 694	144 818	37 077 512
Additions	642 475	5 715 669	2 157 651	8 515 795	8 797	8 524 592
Purchase	-	-	3 614 961	3 614 961	-	3 614 961
Expensed capitalised wells previous periods	-478 291	-	-	-478 291	-	-478 291
Reclassified to production assets	-	-246 599	246 599	-	-	-
Reclassified to development assets	-	-	-	-		-
Acquisition cost at 31 Dec 2016	**3 242 956**	**9 704 794**	**35 637 409**	**48 585 159**	**153 615**	**48 738 774**
				-		
Accumulated depreciation at 31 Dec 2015	-	-	5 006 520	5 006 520	93 106	5 099 627
Depreciation	-	-	2 819 081	2 819 081	22 450	2 841 531
Accumulated depreciation at 31 Dec 2016	-	-	**7 825 601**	**7 825 601**	**115 556**	**7 941 157**
Accumulated impairment at 31 Dec 2015	331 960	-	9 122 579	9 454 539	-	9 454 539
Impairment	-	-	-20 749	-20 749	-	-20 749
Accumulated impairment at 31 Dec 2016	**331 960**	-	**9 101 830**	**9 433 790**	-	**9 433 790**
Net book value at 31 Dec 2016	**2 910 996**	**9 704 794**	**18 709 979**	**31 325 769**	**38 059**	**31 363 827**
Depreciation plan:	3)		Unit of production		Linear, 3-5 years	

1) Ivar Aasen Unit was reclassified to production assets at start of production in December 2016.
2) Impairment tests are carried out on basis of the expected proved and developed (2P) hydrocarbon reserves and resources.
3) Capitalised exploration costs and licence rights and development assets are not depreciated until start of production.

Note 9 Spare parts

In NOK 1,000	2017	2016
Spare parts and drilling equipment	**242 849**	**227 829**

Note 10 Cash and cash equivalents

In NOK 1,000	2017	2016
Cash and cash equivalents, non-restricted	43 694	85 375
Tax withholding balance, restricted cash	62 482	58 761
Total Cash and cash equivalents	**106 175**	**144 136**

Note 11 Short-term receivables and other current liabilities

Other short-term receivables

In NOK 1,000	2017	2016
Receivables, joint ventures	207 725	304 874
Joint venture overcall	422 190	324 341
Underlift	240 985	241 031
Crude storage	33 569	25 068
VAT receivable	16 229	27 171
Prepayments	74 866	101 864
Prepayments, joint ventures	147 073	77 540
Total other short-term receivables	**1 143 012**	**1 101 889**

Other current liabilities

In NOK 1,000	2017	2016
Other taxes and social security costs	90 074	85 541
Overlift	104 666	257 507
Accruals	155 615	155 080
Accruals, joint ventures	1 223 438	1 266 204
Prepayments	-	-
Other current liabilities	60 536	56 702
Total other current liabilities	**1 634 329**	**1 821 034**

Lundin Norway AS
Notes to the Annual Financial Statements

Note 12 Shares

Company	Book value in NOK	Ownership interest
Alvheim AS [1]	0	15 %

*) The sole business of Alvheim AS is to act as a legal owner of "MST Alvheim", the floating production facility which is used to produce oil and gas from the Alvheim and the surrounding fields. The 2017 Annual General Meeting of Alvheim AS is per date of the Lundin Norway AS Annual Financial Statements not held. In 2016 the Net income after tax was NOK 620.-. At 31 Dec. 2016 total equity of Alvheim AS was NOK 83,553.

Note 13 Shareholders equity

Changes in equity

in NOK 1,000	Share capital	Share premium reserve	Other equity	Total
Equity at 1 Jan 2016	493 000	214 641	1 748 797	2 456 438
Total income (loss) 1 Jan - 31 Dec	-	-	774 901	774 901
Equity at 31 Dec 2016	**493 000**	**214 641**	**2 523 698**	**3 231 339**
Equity at 1 Jan 2017	493 000	214 641	2 523 698	3 231 339
Dividend	-	-	-	-
Additional dividends declared and paid in 2017			-800 000	-800 000
Total income (loss) 1 Jan - 31 Dec	-	-	1 645 698	1 645 698
Equity at 31 Dec 2017	**493 000**	**214 641**	**3 369 397**	**4 077 038**

Share capital at 31 Dec:

	2017	2016
Share capital, in NOK 1,000	493 000	493 000
No. of shares issued	4 930 000	4 930 000
Face value per share, in NOK	100	100

Lundin Norway AS was founded on 24 Oct 2003 and is part of the Lundin Group.
100% of the shares in Lundin Norway AS are owned by Lundin Petroleum Holding BV, Amaliestraat 3-5, 2514 JC Haag, Netherlands.
The Group 2017 Annual financial statements are available on the Group web site: www.lundin-petroleum.com.

Note 14 Interest-bearing debt

In NOK 1,000	2017	2016
Long-term interest-bearing debt, group [1]	-25 653 964	-27 143 361
Capitalised loan fees [2]	615 386	760 183
Net Group receivables/(-payables)	**-25 038 578**	**-26 383 178**

1) In July 2016 the Company amended and restated the intercompany loan agreement of 2012/2014 with Lundin Petroleum Holding BV. At 31 December 2017 the Company's Loan facility amounted to USD 4.550 billion. Drawdowns are translated to NOK at the date of drawdown. The maturity date of the intercompany loan agreement is 31 December 2022. The interest rate is set quarterly at 3 month NIBOR plus a margin of 3.15%.

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

Note 15 Pledged assets and joint mortgage security

None of the Company's licenses are pledged as security of debt. The Company's shares, however, are pledged as security for the Group's loan facility, see note 14. Lundin Norway AS and the other Group companies are under the terms of the loan facility jointly responsible for the covenants attached to the loan facility. Bank accounts for receivables from the hydrocarbon sales are pledged.

Note 16 Guarantees and commitments

a) Provision for site restoration
Per 31 Dec 2017 the Company has recorded a provision for future decommissioning and removal cost of NOK 3,374.4 million (2016: NOK 2,724.6 mill).
In calculating the present value of the provision, a pre-tax discount rate of 3.5% (2016: 3.5%) was used, which is based on long-term risk-free interest rate projections. The change in net present value of NOK 112.9 million in 2017 is expensed under financial items (2016: NOK 97.3 million).
The effect of changes in estimates are capitalised under oil and gas assets, and charged to ordinary depreciation. The provision is based on the Company's own evalutaions and operators' estimate.

In relation to the Brynhild divestment, CapeOmega's decommissioning cost are limited at NOK 305 million (2016-real) for the 39 percent share.

In NOK million	2017	2016
Accrued at 1 January	2 724,6	2 306,2
Accrued for the year	411,8	312,6
Changes in estimates	416,6	-185,4
Disposal/aquesition	-286,1	202,4
Used	-3,4	-8,4
Discounting effect	112,9	97,3
Accrued at 31 December	**3 374,4**	**2 724,6**

b) Contractual commitments/ commitments to future investments
Through its ownership interests in oil and gas-fields the Company has the following commitments:

In NOK thousands	2018	2019	2020
Rig, vessel and flotel contracts	772 407	315 973	-
Total	**772 407**	**315 973**	**-**

Lundin Norway AS
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The largest single contract is for the hire of the Rowan Viking Rig. Amounting to NOK 294 million for Lundin in 2017. The second largest commitment is for the Johan Sverdrup with a total of MNOK 201 for Lundin in 2017

c) Leasing commitments
The Company has no financial leasing obligations, nor any leasing obligations through partner operated oil and gasfields.
The Company has 2 operating lease agreements for office property. The rent amounted to NOK 49.7 million in 2017 (2016: NOK 48.7 milllion).
The rent agreements for the current office location for the Lysaker office in Strandveien 4-8 started in August 2015 and the rent period is 12 years.
The rent agreement for the Company's office in Harstad expired 31 December 2017 and the Company entered into a new rent agreement, with the same owner, for 27 month and with an option for 3 more years at the time.
The Company's leasing commitments for office properties, machinery and equipment in 2018 amount to NOK 50.6 million.

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

e) Legal disputes
The Company is not involved in any legal disputes.

Note 17 Financial instruments and risk management

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

In 2014, The Company entered into a derivative financial instrument arrangement which involves a portion of the operating expenses for the Brynhild field production facility. Under this arrangement, the oil price is the key input factor and the Company paid a smaller portion of operating expenses at an oil price below USD 100 per barrel and, equivalently, higher operating expenses at an oil price above USD 100 per barrel. The market value per 31.12.2017 is 0 MNOK (25.5 MNOK 31.12.2016) since the arrangement was completed 1st June 2017.

Note 18 Transactions with related parties

NOK 1.000
In 2017, the Company has been invoiced NOK 166.7 million from the parent Lundin Petroleum Holding BV for recharges and services in 2017 (2016: NOK 107.3 million), and have invoiced Lundin Petroleum Marketing SA NOK 9,964 million (2016: NOK 5,212 million) for sale of oil.
The Company is financed through intercompany loans from the parent. At 31 December 2017, the intercompany loan balance equalled NOK 25,654 million (at 31 December 2016: NOK 27,143 million). The interest charged for intercompany loans amounted to NOK 1,086.5 million in 2017 (2016: NOK 996.2 million).
Interest on intercompany loans are based on current USDLIBOR/EURIBOR/NIBOR 3 month and agreed margin of 3.15%

Note 19 Oil and gas reserves (not audited by PWC)

The table below shows Lundin Norway AS' estimated proved and probable oil and gas reserves (2P) and change in such estimates during 2017.
The reserves have been audited by ERCE, an independent qualified reserves auditor.
Proved and probable reserves are to be interpreted as defined by the SPE PRMS guidelines of the Society of Petroleum Engineers (SPE), WPC, AAPG and SPEE.
Evaluation of reserves is associated with a degree of uncertainty and estimates may change over time as new information becomes available.

Proved and probable reserves	**Oil equivalents million barrels (mmboe)**
Total calculated proved and probable reserves at 31 December 2016	**714,1**
Revisions, incl discoveries and extensions	45,8
Acquisitions and sales of reserves	-1,7
Production of salable quantities in 2017 *	-31,9
Total calculated proved and probable reserves at 31 December 2017	**726,3**
The proved and probable reserves are attributable to the following fields:	
Johan Sverdrup	562,6
Edvard Grieg	134,9
Brynhild	0,9
Alvheim (incl. Viper Kobra)	16,6
Volund	8,0
Bøyla	1,4
Ivar Aasen unit	2,0
Total	**726,3**

The Company has ownership interests in the following licences with PDO approval:

Fields	**Ownership share**	**Maturity**
Johan Sverdrup Unit	22,6%	2037
Alvheim (PL 203)	15 %	2032
Volund (PL 150)	35 %	2024
Gaupe (PL 292)	40 %	2026
Brynhild (PL 148)	51 %	2024
Edvard Grieg (PL 338)	65 %	2029
Ivar Aasen unit	1,385%	2036
Bøyla (PL 340)	15 %	2029

* Reserves are measured in salable quantities (salable oil, natural gas liquids and dry gas converted to oil equivalents), which may differ from production volumes provided in corporate reports which are given in wellhead production quantities (oil and rich gas converted to oil equivalents).

Skattedirektoratet

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

LUNDIN NORWAY AS
Postboks 247
1326 LYSAKER

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

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

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

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

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

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

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

Postadresse
Postboks 9200 Grønland
0134 Oslo

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

Sentralbord
800 80 000
Telefaks
22 17 08 60

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

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

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

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

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer

Lundin Norway AS

Statement of Cash flows (in NOK 1,000)

	Note	2017	2016
Operating activities			
Net income before tax		5 967 639	1 328 825
Adjustment for financial items	6	1 507 092	1 671 035
Interest received		8 146	19 640
Interest paid		-1 257 568	-1 267 174
Taxes received/-paid	7	675 260	2 303 881
(Gains)/Losses on sale of assets and other items		75 994	-
Depreciation, amortisation and impairment	8	3 945 659	2 820 781
(Gains) and losses on foreign currency balances		3 267	-293
Expensed dry wells, capitalised previous periods	8	515 330	478 291
Change in spare parts		-15 020	-122 107
Change in trade receivables	11	292 179	-460 213
Change in other short-term receivables/liabilities	11	-962 295	-733 469
Net cash flow from in operating activities		**10 755 683**	**6 039 197**
Investing activities			
Investment in assets	8	-9 375 185	-8 203 428
Purchase of assets	8	-3 528	-3 867 463
Disposal of assets		779 305	-
Net cash used in investing activities		**-8 599 408**	**-12 070 891**
Financial activities			
Net changes internal credit facilities	14	-1 489 397	6 087 291
Proceeds from interest-bearing borrowings	14	-	1 392 183
Repayments of interest-bearing borrowings		-	-1 392 183
Dividends paid		-800 000	-
Net cash flow used in/(from) financing activities		**-2 289 397**	**6 087 291**
Net changes in cash and cash equivalents		**-133 122**	**55 596**
Cash and cash equivalents at 1 January		144 136	88 247
Net foreign exchange difference on cash and cash equivalents		-3 267	293
Cash and cash equivalents at 31 December		**7 747**	**144 136**

pwc

To the General Meeting of Lundin Norway AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lundin Norway AS showing a profit of NOK 1 645 698 000. The financial statements comprise the balance sheet as at 31 December 2017, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Stavanger, 16 April 2018
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

Lundin Norway AS

Org. No.: 986209409

ANNUAL REPORT 2017

OPERATIONAL REVIEW

Lundin Norway AS is an oil and gas exploration and production company. The activity is located on the Norwegian Continental Shelf. Including the license awards in January 2018, the company has 62 production licenses of which 32 as operator. 2P reserves are 726 million boe and contingent resources are 203 million boe. Production in 2017 was 31.4 million boe. The Company has its main office at Lysaker and holds a branch office in Harstad.

GOING CONCERN

The Company has an ownership interest in seven producing fields the Edvard Grieg, Brynhild, Alvheim, Volund, Bøyla, Gaupe and Ivar Aasen. The Edvard Grieg is the main production contributor for the Company followed by the Alvheim hub. These fields have produced over expectations with high regularity at very low operation costs. The Brynhild field has had production until mid 2017 and the plan is to restart production from the field during the first half of 2018. The Gaupe field produces on an ad hoc basis. The Johan Sverdrup field, which was discovered by the Company in 2010, is under development and expected to be in production late 2019. Based on the company's plans and budget, it is confirmed that the criteria in order to be able to prepare the accounts under the going concern assumption are met in accordance with the Norwegian Accounting Act § 3-3. The Board maintains that there is a sufficient level of equity available, ref. The Norwegian Ltd. Liability Companies Act § 3-4.

WORKING ENVIRONMENT AND PERSONNEL

The Company had 361 employees as of 31.12.2017 compared to 344 at end 2016. In 2017 there were 9.0 man-years of absence due to illness of a total of 346 man-years, constituting an absence-ratio of 2.6% against 1.7% the previous year. The working environment is considered to be good.

The Company has not experienced any incidents resulting in serious HSE consequences during the year. The injuries recorded in our annual reportable statistics in 2017 have minor consequences and are slightly above the industry average figures.

The working environment committees for Lundin Norway AS, Edvard Grieg and our drilling rigs have conducted meetings as planned and the employee/workforce cooperation has functioned well throughout 2017. No major issues have been raised in these committees related to working environment challenges. In addition to working environment committee meetings, separate meetings with in-house union representatives have been conducted as required. The Company has facilitated and monitored its activities to ensure a safe and healthy working environment for the workforce. The sick leave has been below industry average.

EQUAL OPPORTUNITY AND DIVERSITY

The Company's policy is to be a work place where there is gender equality. There shall be no discrimination based on gender as regards to salaries, promotions or recruitment. The Company recruits personnel from areas where there is an overrepresentation of men and this is reflected in the Company's gender balance. Of the 361 employees in the Company, 91 are women, compared to 86 women previous year. The share of women is 25%. Women are represented in the Company's Board and management.

The Company promotes gender equality and equal treatment, and has a recruitment- and personnel policy that shall give equal possibilities and rights, and prevent discrimination due to ethnicity, nationality, colour of the skin, language, religion and philosophy.

EXTERNAL ENVIRONMENT

Lundin Norway AS has throughout 2017 improved its efforts to raise the environmental awareness and minimize the impacts on the environment due to our activities. The Company continues to recognize the potential impacts on humans and the environment by our operations and the inherent nature by use of oil and gas. We are committed to explore for and produce oil and gas in an economically, socially and environmentally responsible way. The Company is constantly working towards reductions of greenhouse gas emissions and promote energy efficiency in our activities. Through 2017 we have increased this focus by refining the environmental strategy document. The strategy includes a set of environmental goals and targets recognizing the need for continuous emission reductions, energy efficiency and reduction in waste generation. Furthermore, we continuously monitor our emissions when conducting operations and have earmarked a significant portion of our research and development projects with the aim of achieving additional reductions of emissions. On the Edvard Grieg platform we continuously monitor the emissions during operation, seeking emission reducing and more energy efficient measures.

Lundin Norway AS considers conservation of biodiversity as a key element of sustainable development. Environmental management is an integrated part of the Company's overall management system. As an operator on the Norwegian Continental Shelf, the company is strictly regulated from an environmental and safety point of view by Norwegian laws and regulations. Evaluation of potential environmental impacts is based on comprehensive knowledge of the affected area, type of activity and accessible technology as well as operational standards. Through 2017, we have performed an environmental impact assessment for the Alta production test, assessing the potential impacts from these activities. We have conducted an environmental field survey around the Brynhild field, documenting a healthy ecosystem surrounding the field. A similar survey is currently being planned on the Edvard Grieg field for 2018, in addition to conducting environmental baseline surveys at Luno II. Environmental site surveys have been conducted around all exploration wells, documenting the biological resources and ecological status in the area prior to conducting any activities.

The Company invested NOK 100 million in research and development (R&D) in 2017. The main goal for the R&D is to maximize our value of existing business, preparing for operations in new operations in new environments and developing platforms for future business opportunities. That means improvement of subsurface understanding with both exploration and development. A large portion of the R&D investments have been used to focus on protection of the natural environment and operations in the Barents Sea and at Artic conditions.

COUNTRY-BY-COUNTRY REPORTING

Upstream exploration and production companies are required to report payments to authorities. The group has issued a "Report on Payments to Governments", which is separate from the 2017 group consolidated financial statements and includes payments related to Lundin Norway AS. The Report on Payments to Governments is available on www.lundin-petroleum.com

2017 AND THE OUTLOOK

The 2017 results was record setting. We delivered above expectations both in terms of high production and low cash operating costs, which resulted in the highest operating cash flow and EBITDA for the Company to date. These great results were driven by continued strong facilities and reservoir performance from our core producing assets, the Edvard Grieg field and the Alvheim Area, which generated a production for 2017 that exceeded guidance. The increase in reserves is another positive update, driven by the success from the Edvard Grieg field. The Johan Sverdrup development is progressing well and production start is late 2019. Exploration activity was high in 2017 and with the awards of new licences and inorganic activity the 2018 exploration activity is targeting net unrisked resources of more than 500 million boe.

Development
In 2017, NOK 6 502 million was capitalized as development assets on Johan Sverdrup. LNAS has a 22.6% share in the field.
Phase 1 of the Johan Sverdrup project is on schedule with over 65 percent completed at the end of 2017. Construction on all elements of Phase 1 of the project is underway with over 50 million direct man-hours having been worked to date. With the good progress on the project, Phase 1 costs continue to be reduced.

Construction of the steel jacket for the riser platform was completed at the Kværner Verdal yard in Norway and was installed offshore at the end of July 2017. This is the first major offshore installation milestone and was achieved on schedule. The remaining three jackets and the four topsides are scheduled for installation in 2018 and 2019.

Construction of the remaining three steel jackets is underway at the Kværner Verdal yard in Norway and at the Dragados yard in Spain. Construction of the drilling platform and living quarters, through EPC contracts, is underway in Norway by Aibel and Kværner respectively and construction of the riser platform and processing platform is ongoing at Samsung Heavy Industries in Korea with Aker Solutions being contracted for the procurement and engineering of the riser platform and processing platform. The three large modules making up the drilling platform topsides were assembled on a barge on schedule in September 2017 and are currently located in Haugesund in Norway for hook-up and final completion. Installation of the four subsea water injection drilling templates and associated flowlines has been completed. In addition, civil engineering works are underway on the onshore power system at Haugsneset and for the oil export pipeline landfall at Mongstad.

The pre-drilling of development wells commenced in March 2016 with eight production wells completed in 2016 with results in line with expectations. Three pilot wells have been drilled to assist with the placement of the development wells with results in line with or better than prognosis. In addition, the pre-drilling of nine water injection wells was completed in 2017 with results in line with expectations. Pre-drilling activities were completed significantly ahead of schedule.

At the time of submitting the Phase 1 PDO in 2015, the capital expenditure for Phase 1 was estimated at gross NOK 123 billion (nominal). Due to improvements in project execution and delivery the latest cost estimate, as released by Statoil in February 2018, is NOK 88 billion (nominal). This represents a saving of almost 30 percent compared to the original estimate in the PDO. The gross oil production capacity for Phase 1 of the project is estimated at 440 Mbopd and is scheduled to start production in late 2019.

The Johan Sverdrup partnership has decided on concept selection (DG2) for Phase 2 of the project, which will involve the installation of an additional processing platform bridge linked to the Phase 1 field centre and additional subsea facilities to allow the tie-in of 28 additional wells to access the Avaldsnes, Kvitsøy and Geitungen satellite areas of the field. These additional facilities will take the full field gross plateau level to 660 Mbopd. Phase 2 costs are estimated at below NOK 45 billion (nominal) and represent more than a 50 percent reduction compared to the estimate in the original PDO for Phase 1, which is due to a combination of market conditions and optimisation of the Phase 2 facilities concept. Front End Engineering Design (FEED) contracts in connection with Phase 2 of the project have been awarded to Aker Solutions for the processing platform, Kværner for the jacket and Siemens for the expansion of the power from shore facilities. Additionally, procurement activities are being progressed for long-lead equipment items for Phase 2. The PDO submission for Phase 2 is scheduled for the second half of 2018 and Phase 2 is scheduled to come onstream in 2022.

In February 2018, Statoil also provided an update on resources for the Johan Sverdrup field with gross resources increasing to between 2.1 and 3.1 billion boe with 95 percent of the resources being oil.
Full field breakeven oil price is estimated at below 20 USD per barrel.

Production
For fields in production, the company has invested NOK 2 825 million in 2017. Main investments are in the Edvard Grieg field with NOK 1 925 million and NOK 359 million in the Alvheim fields.

The Company produced 31.4 million barrels of oil equivalents (boe) in 2017. The Company's proven and probable reserves were in 2017, 726.3 million boe, an increase by net 12.2 million boe mainly due to reserves increase in Edvard Grieg and the Johan Sverdrup Unit.

Total cash operating cost for the year, including netting off tariff income, was USD 4.25 per barrel This performance is due to a combination of reduced costs and the increased production volumes.
The production was comprised as follows:

Production in Mboepd	1 Jan 2017-31 Dec 2017 12 months	1 Jan 2016-31Dec 2016 12 months
Crude oil	77.6	53.2
Gas	8.5	6.1
Total production	86.1	59.3
Quantity in Mboe	31,4	21,7

Production in Mboepd	WI[1]	1 Jan 2017-31Dec 2017 12 months	1 Jan 2016-31Dec 2016 12 months
Edvard Grieg	65%[2]	66.7	42.0
Ivar Aasen	1.385%	0.7	–
Alvheim	15%	12.4	10.0
Volund	35%	3.9	2.7
Bøyla	15%	1.1	1.7
Brynhild	51%[3]	1.2	2.6
Gaupe	40%	0.2	0.3
		86.1	59.3

1 Lundin Norway AS working interest (WI)
2 WI 50% up to 30 June 2016
3 WI 90% up to 30 November 2017

Net production from the Edvard Grieg field during the year was higher than forecast at 66.7 Mboepd due to increased facilities capacity, good production efficiency and strong reservoir performance. The Ivar Aasen field, which produces through the Edvard Grieg facilities, commenced production in December 2016 and the combined fields have been producing with a strong level of reliability, with Edvard Grieg production efficiency of 94 percent for the year. Capacity testing of the Edvard Grieg facilities confirmed that the facilities are able to produce at rates 15 percent above design levels at 145 thousand barrels of oil per day (Mbopd) combined from Edvard Grieg and Ivar Aasen. The current production fully utilises this higher facilities capacity whilst also honouring the contractual allocation of facilities capacity between the Edvard Grieg and the Ivar Aasen fields.

The total operating cost for the Edvard Grieg field was USD 4.61 per barrel for the year and cash operating cost, including netting off tariff income, was USD 3.71 per barrel for the year.

In April 2017, Lundin Norway AS announced the successful Edvard Grieg Southwest appraisal well 16/1-27 which encountered a 15 metres gross oil column with significantly better sand quality and thickness compared to prognosis. The well results confirmed additional reserves in this area of the field, which combined with the results from the other wells drilled during the year and the strong reservoir performance, which has seen no water production to date, has resulted in the field's best estimate gross ultimate recovery increasing by 51 MMboe to 274 MMboe as at year end 2017, which is a 47 percent increase on the original estimate in the Plan for Development and Operation (PDO).

The Edvard Grieg development drilling plan within the PDO has been optimised within the same number of planned wells to access the southwest area of the field with one production well and one water injection well targeting this area of the field. During the year, three production wells and two water injection wells were successfully drilled on the Edvard Grieg field with results in line or better than expectations. One further production well has been successfully drilled in January 2018. To date, 13 out of a total of 14 development wells have been completed with drilling operations planned to continue into the second quarter of 2018. The production capacity from the eight production wells drilled so far exceeds expectations and significantly exceeds the available facilities capacity.

Net production from the Ivar Aasen field during the year was in line with forecast at 0.7 Mboepd. Water injection commenced during the second quarter of 2017 and the PDO drilling programme was completed during the third quarter of 2017.

Production during the year from the Alvheim area, consisting of the Alvheim, the Volund and the Bøyla fields, was ahead of expectations due to reservoir performance continuing to be better than expected as well as higher than expected Alvheim FPSO production efficiency of 97 percent. The total operating cost for the Alvheim area was USD 3.70 per barrel for the year.
Net production from the Alvheim field during the year was better than forecast at 12.4 Mboepd. The reservoir continues to outperform with the most recent infill well A5 as well as the Viper and Kobra wells, which came on stream in 2016, all continuing to produce ahead of expectations. Drilling of two infill wells on the Boa area of the field were completed during the year with results in line with expectations.

Net production from the Volund field during the year was ahead of forecast at 3.9 Mboepd. Two new Volund infill wells were completed during the year and came on stream in the third quarter, with production from both wells exceeding expectations.

Net production from the Bøyla field during the year was in line with forecast at 1.1 Mboepd.

Net production from the Brynhild field during the year was lower than forecast at 1.2 Mboepd. The field has been shut-in since July 2017 due to a flow restriction that developed in the pipeline between the Brynhild subsea wells and the Haewene Brim FPSO. The restriction was due to an oil-water emulsion that developed in the pipeline due to a failure of the subsea emulsion inhibitor chemical injection system. Operations to clear the restriction are being progressed and the plan is to re-start production from the field during the first half of 2018. The water injection system was re-instated in February 2017. Terms for a revised processing and operations service agreement were agreed with Shell, which reduces future operating costs for the field.

In June 2017, Lundin Petroleum announced that it had entered into an agreement to divest a 39 percent working interest in the Brynhild field to CapeOmega. Lundin Norway has retained operatorship of the Brynhild field and following completion of the transaction at the end of November 2017 has a 51 percent working interest in the field. The economic effective date of the transaction was 1 January 2017.

Despite no remaining reserves being attributed to the Gaupe field, the field is producing intermittently subject to favourable economic conditions and net production during the year was in line with forecast at 0.2 Mboepd.

Exploration and Appraisal

Exploration
The Norwegian Continental Shelf has a significant potential for future discoveries and the Company has a high exploration and appraisal activity. In 2017, the capitalized exploration and appraisal expenses were NOK 967 million, and write-downs amounted to NOK 515 million. Capitalized exploration and appraisal expenses were NOK 3 367 million as at 31.12.2017.

In February 2017, Lundin Norway announced a discovery on the Filicudi prospect in PL533 in the southern Barents Sea. The well, which was drilled approximately 40 km southwest of the Johan Castberg discovery in PL532, encountered a 129 metres hydrocarbon column, with 63 metres of oil and 66 metres of gas, in high quality Jurassic and Triassic sandstone reservoirs. A sidetrack well was drilled that also confirmed the reservoir and hydrocarbon column. After full review of the well data the discovery is estimated to contain gross contingent resources of 23 MMboe with additional upside potential in the eastern area of the discovery that would require further appraisal drilling.

In June 2017, the Volund West prospect in PL150B in the North Sea, to the west of the Volund field, was drilled and was dry. While the well encountered good reservoir sands there were poor hydrocarbon shows.

In August 2017, the Korpfjell prospect in PL859 in the southeastern Barents Sea was drilled and proved a small non-commercial gas discovery. The well encountered a gas column of 34 metres in sandstones with good reservoir quality in the shallow Jurassic age target with estimated gross resources of between 40 and 75 MMboe. Further drilling is planned in 2018 in PL859 to test the deeper prospectivity on the block.

In September 2017, the Børselv prospect in PL609 located on-trend north of the Alta and Neiden oil discoveries in the southern Barents Sea was drilled and was dry. The well encountered a 380 metres thick sequence of Permian-Carboniferous carbonates with medium to poor reservoir quality with oil shows, but the reservoir was water bearing.

In November 2017, the Hufsa prospect in PL533 in the southern Barents Sea on trend with the Filicudi oil discovery in the same block was drilled. The well encountered Jurassic and Triassic reservoir sands. A non-commercial gas discovery was made in the main well while the sidetrack was dry.

In January 2018, the Hurri prospect in PL533 in the southern Barents Sea on trend with the Filicudi oil discovery in the same block was drilled. The well encountered good quality Jurassic reservoir sands but was dry.

In January 2018, drilling commenced on the Frosk prospect in PL340 in the North Sea, located northwest of the Bøyla field, targeting injectite sands of similar geology to the Volund field. The well was a discovery.
Additionally, acquisition of a large TopSeis 3D survey, the first commercial survey of this type, was completed in September 2017 over the Alta, Gohta and Filicudi discoveries and associated prospectivity. Processed seismic data from the survey will be available in 2018.

Appraisal
In February 2017, the Tonjer well testing a possible northern extension of the Johan Sverdrup field was announced to have encountered an oil column of 16 metres in Draupne reservoirs of lower quality compared to the main Johan Sverdrup reservoir. This result has no impact on the Johan Sverdrup development or the resources and the partnership will assess the results of the well as regards to possible future development.

In April 2017, Lundin Norway AS announced the completion of the Edvard Grieg Southwest appraisal well with results as reported above.

In May 2017, Lundin Norway announced that the Gohta-3 appraisal well located in PL492 some 4 km north of the original discovery well encountered a 300 metres gross sequence of Permian age carbonates with poor reservoir quality. The resource estimate for the discovery has been reduced as a consequence of this well. Gohta is considered a possible joint development opportunity together with the larger adjacent Alta discovery.

In July 2017, Lundin Norway AS announced that the Alta-4 appraisal well located approximately 2 km south of the original Alta discovery well had encountered a gross hydrocarbon column of 48 metres, comprising 4 metres of gas and 44 metres of oil in a sequence of Permian-Triassic carbonate sediments of varying reservoir characteristics. Pressure data show the same fluid contacts and gradients as observed in previous wells drilled on the Alta discovery, confirming good communication across the large Alta structure. A production test confirmed very good reservoir properties and good lateral continuity within the Permian-Triassic clastic reservoirs. In August 2017, a geological sidetrack was completed approximately 900 metres north of the Alta-4 well which confirmed the reservoir sequence and fluid contacts. An extended well test will be conducted at Alta in 2018 to reduce the uncertainty around the recovery mechanism in this complex reservoir and provide the basis for development studies.
Lundin Petroleum has a rig contract with Ocean Rig for the charter of the Leiv Eiriksson semi-submersible rig on a flexible basis which has drilled all of the operated wells in the southern Barents Sea in 2017 and will be used to conduct the Alta extended well test in 2018.

The Company has a rig contract with COSL Offshore Management for the charter of the COSL Innovator semi-submersible rig for a flexible term with multiple well option slots for a well programme in the Utsira High area in 2018. The rig has successfully completed the appraisal wells at Luno II in PL359 resulting in higher resource expectations. The rig is now drilling the appraisal well 16/1-28S on the nearby Rolvsnes oil discovery in PL338C. Both Luno II and Rolvsnes are possible subsea tie-back development opportunities to the Edvard Grieg facilities. Drilling operations at Luno II commenced in February 2018.

The Company's reserves and resources, strong cash flow from production, development of fields, the exploration portfolio and the loan from parent gives, in the opinion of the Board, a solid position and financial strength to meet future exploration-, development- and operation challenges.

FINANCIAL RISK

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

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

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

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

FINANCIAL INFORMATION/ALLOCATION OF RESULTS

It is the Board's opinion, that the presented Annual Accounts for 2017 correctly represent the Company's assets and liabilities, its financial standing and results.

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

The Company's income from the sale of oil, gas and NGL in 2017, was NOK 13 653 million, compared to NOK 8 176 million in 2016. The increased revenue is due to both increased production and higher sales price. The production in 2017 was 31.4 million barrels of oil equivalents (boe), 9.7. million boe higher than in 2016. The average price per boe was NOK 434 in 2017, an increase of NOK 58 compared to 2016.

Production expenses including maintenance, tariffs, processing and insurance were NOK 1 249 million.

The company's exploration expenses of NOK 1 086 million are mainly related to drilling of Filicudi, Hufsa and Hurri (PL533), Korpfjell (PL859), Børselv (PL609), Volud West (PL150B) and Frosk (PL340).

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

The operating gain in 2017 was NOK 7 032 million as compared to an operating gain of NOK 2 759 million in 2016. This year's net financial items were NOK -1 064 million against NOK -1 430 million for 2016.

In 2017, the Company recorded a tax expense of NOK 4 322 million. In 2016 the tax expense was NOK 554 million. Taxes receivable at the end of the year amounted to NOK 0 million, in 2016 tax receivable was NOK 663 million.

Net income for the year amounted to NOK 1 646 million against a net income in 2016 of NOK 775 million.

Cash used for investment activities in 2017 amounted to NOK 8 599 million, against NOK 12 071 million in 2016. Net cash from operational activities in 2017 were NOK 10 854 million against NOK 6 039 million in 2016. The Company's liquid funds per 31.12.2017 were NOK 106 million against NOK 144 million per 31.12.2016. The Company is well positioned to finance its own investments through cash flow from operation and access to the loan facility of the Group. The debt to the parent company has decreased from NOK 27 143 million to NOK 25 654 million in 2017. The Company paid dividends of NOK 800 million to the parent during 2017.

The Company's equity ratio per 31.12.2017 was 10.16 % against 9.23 % per 31.12.2016. Short-term debt was per 31.12.2017 6% and 8% in 2016. Long-term debt inclusive liabilities were 94% per 31.12.2017 against 92% per 31.12.2016. The total balance increased by NOK 5 109 million in 2017, 15 % higher than at the end of 2016.

Allocation of profit/coverage of loss
The board's proposal to the Annual General Assembly is that the net profit after tax of NOK 1 646 million is to be allocated to other equity. Following the Board's proposal for distribution of this year's profit, the equity constitutes NOK 4 077 million against NOK 3 231 million for the previous year.

Oslo, April 16th 2018

Alexandre Jean Marie Schneiter
Chairman of the Board

Teitur Poulsen
Board member

Kristin Færøvik
MD and Board member

Nicholas John Robert Walker
Board member

Vigdis Løvø
Board member

Grete Eli Berg
Board member

Baard-Christian Strand
Board member