



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2018 - 31.12.2018

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: 19.03.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

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	2018	2017
RESULTATREGNSKAP			
Inntekter			
Driftsinntekter oljesalg	3	15 242 964 000	12 375 115 000
Driftsinntekter gassalg	3	1 577 972 000	1 277 657 000
Tariff inntekter	4	239 100 000	179 000 000
Andre inntekter	3	37 952 000	15 054 000
Sum inntekter	3	17 097 988 000	13 846 826 000
Kostnader			
Produksjonskostnader	4	1 526 728 000	1 248 908 000
Letekostnader		1 080 394 000	1 086 462 000
Lønns og lønnsavhengige kostnader	5	49 610 000	44 613 000
Ordinære avskrivninger	8	3 377 207 000	4 052 877 000
(Gevinst)/Tap ved salg av eiendeler		-1 957 000	174 423 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	8	49 903 000	-107 218 000
Andre driftskostnader	5	359 418 000	315 212 000
Sum kostnader		6 441 303 000	6 815 277 000
Driftsresultat		10 656 685 000	7 031 549 000
Finansinntekter og finanskostnader			
Finansinntekter renter	6	9 061 000	8 146 000
Sum finansinntekter		9 061 000	8 146 000
Finanskostnader	6	547 868 000	1 072 056 000
Sum finanskostnader		547 868 000	1 072 056 000
Netto finans		-538 807 000	-1 063 910 000
Ordinært resultat før skattekostnad		10 117 878 000	5 967 639 000
Skattekostnader	7	7 457 864 000	4 321 941 000
Ordinært resultat etter skattekostnad		2 660 014 000	1 645 698 000
Årsresultat		2 660 014 000	1 645 698 000
Overføringer og disponeringer			



Resultatregnskap

Beløp i: NOK	Note	2018	2017
Overført til/fra annen egenkapital		2 660 014 000	1 645 698 000
Sum overføringer og disponeringer		2 660 014 000	1 645 698 000



Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Olje- og gassfelt	8	42 214 498 000	37 084 291 000
Maskiner, inventar o.l	8	34 336 000	30 274 000
Varelager	8	288 395 000	242 849 000
Sum varige driftsmidler		42 537 229 000	37 357 414 000
Sum anleggsmidler		42 537 229 000	37 357 414 000
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer		494 848 000	277 853 000
Andre fordringer	11	915 907 000	1 143 012 000
Konsernfordringer		789 262 000	1 226 970 000
Sum fordringer		2 200 017 000	2 647 835 000
Bankinnskudd, kontanter og lignende			
Kontanter og kontantekvivalenter	10	121 895 000	106 175 000
Sum bankinnskudd, kontanter og lignende		121 895 000	106 175 000
Sum omløpsmidler		2 321 912 000	2 754 010 000
SUM EIENDELER		44 859 141 000	40 111 424 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	13	493 000 000	493 000 000
Overkurs		214 641 000	214 641 000



Balanse

Beløp i: NOK	Note	2018	2017
Sum innskutt egenkapital		707 641 000	707 641 000
Opptjent egenkapital			
Annen egenkapital		3 871 411 000	3 369 397 000
Sum opptjent egenkapital		3 871 411 000	3 369 397 000
Sum egenkapital	13	4 579 052 000	4 077 038 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7	12 202 183 000	5 499 167 000
Fjerning og nedstengningsforpliktelser	16	4 257 732 000	3 374 440 000
Sum avsetninger for forpliktelser		16 459 915 000	8 873 607 000
Annen langsiktig gjeld			
Langsiktig konserngjeld	14,17	21 315 464 000	25 038 578 000
Sum annen langsiktig gjeld		21 315 464 000	25 038 578 000
Sum langsiktig gjeld		37 775 379 000	33 912 185 000
Kortsiktig gjeld			
Leverandørgjeld		506 595 000	443 206 000
Betalbar skatt	7	635 375 000	527 000
Kortsiktig konserngjeld		32 349 000	44 139 000
Annen kortsiktig gjeld	11	1 330 391 000	1 634 329 000
Sum kortsiktig gjeld		2 504 710 000	2 122 201 000
Sum gjeld		40 280 089 000	36 034 386 000
SUM EGENKAPITAL OG GJELD		44 859 141 000	40 111 424 000
POSTER UTENOM BALANSEN			
Garantistillelser	15		
Pantstillelser	16		



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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 in Norway. The Statutory Accounts are presented in Norwegian kroner (NOK) and are prepared on an historical cost basis.

Joint operations

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

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

Foreign currency

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

Classification

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

Principles of revenue recognition

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

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

Production expenses

Production expenses are costs which can be directly attributed 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 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. Net revenue from test production is capitalised as part of the investment.

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 discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset.



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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 55% for 2018 (adjusted to 56% from 1st January 2019). The special tax is applied to relevant income in addition to the ordinary offshore income tax, which was levied at 23% for 2018 (adjusted to 22% from 1st January 2019), resulting in a steady 78% marginal tax rate on income subject to petroleum tax.

The basis for computing the special petroleum tax is the same as for income subject to ordinary income tax, except for onshore losses which are not deductible against the special petroleum tax. In addition, a tax-free allowance (uplift) of 5.3%, is granted. The uplift allowance was reduced from 7.5% to 5.5% per year as at May 5th 2013, and has been further reduced in line with the increase of the SPT rate. For investments after 1st January 2019, the uplift rate is 5.2%. However, during an interim period, certain fields are applicable for the 7.5% uplift rate per year. The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting from the year in which the capital expenditures incurred. Uplift benefit is recorded in the year of investment. Unused uplift may be carried forward indefinitely, with an annual interest addition.

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.

Deferred tax assets relating to petroleum activity on the Norwegian Continental Shelf are not dependant on continued operation of the Company. Any unused tax losses carried forward



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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.

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

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

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

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

Farm-in/farm-out agreements



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

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.



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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



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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.

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 2018

In 2018 the following transactions were completed:

In January 2018 the Company acquired a 10 percent working interest in each of PL539 and PL860 and a 30 percent working interest in each of PL820S and PL825 from Fortis Petroleum and also acquired a 20 percent working interest in PL860 from Equinor, increasing the Company's working interest in PL860 to 40 percent and in PL539 to 20 percent.

In May 2018, the Company concluded a license swap with DNO to create an initial entry position in the Tampen/Horda Platform area of the Norwegian North Sea. The Company received a 10 percent working interest in each of PL926 and PL929 and 15 percent in each of PL921 and PL924 in exchange for DNO receiving 10 percent working interests in each of PL767, PL825, PL902 and PL950.

In June 2018, the Company concluded a license swap with Edison in the southern Barents Sea where the Company received a 10 percent working interest in PL850, in exchange for Edison receiving a 10 percent working interest in PL952. In October 2018, the Company acquired a further 20 percent working interest in PL850 from Lime Petroleum, increasing the Company's working interest in PL850 to 30 percent.

In October 2018, the Company acquired Equinor's 15 percent working interest in PL359 containing the Luno II oil discovery. The transaction involved a cash consideration payable to Equinor as well as the Company transferring its remaining interest in PL825 to Equinor.

In January 2019, the Company entered into a sales and purchase agreement involving the acquisition of Lime Petroleum's 30 percent working interest in each of PL338C and PL338E and 20 percent working interest in PL815, which contain the Rolvsnes oil discovery and Goddo prospect. The transaction will increase the Company's working interest in each of PL338C and PL338E to 80 percent and in PL815 to 60 percent. The transaction involves a cash consideration payable to Lime Petroleum and is subject to customary government approvals.

The following licenses were relinquished in 2018: PL 674CS, PL700, PL700B, PL805. The following licenses went from Lundin being operator to partner: PL758 and PL800.

In January 2019, the Company was awarded fifteen exploration license interest in the 2018 Norwegian Licensing Round (APA 2018), nine as an operator. The awarded licenses includes eight licenses in the North Sea, two licenses in the Norwegian sea and five licenses in the Southern Barents Sea.

Note 3 Revenue and segment reporting

In NOK 1,000	2018	2017
Operating revenues, oil sales	15 242 964	12 375 115
Operating revenues, gas and NGL sales	1 577 972	1 277 657
Tariff revenue 1)	239 100	179 000
Other income	37 952	15 054
Total operating revenues	17 097 988	13 846 826

1) see note 4

The company's activity are entirely related to exploration, development and production of oil, NGL and gas.

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

Note 4 Production and transportation expenses

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

Gross revenue from tariffs is NOK 561.8 million in 2018. The net tariff revenue is NOK 239.1 million.

Gross tariff cost is NOK 608.7 million. Net Tariff cost is NOK 286.0 million.

Note 5 Remunerations

In NOK 1,000	2018	2017
Salaries	550 966	510 656
Social security tax	100 106	90 608
Pension costs	62 747	59 943
Other benefits	113 015	82 330
Reclassification to exploration/production expenses	(777 223)	(698 924)
Payroll and payroll related costs	49 610	44 613

Average no. of employees: **367** **354**

In NOK 1,000	2018	2017
Rent, electricity, cleaning	52 220	54 460
External services	209 121	147 721
Computer expenses	67 789	87 993
Office expenses	9 537	10 373
Travel	2 936	2 958
Other expenses	17 813	11 707
Other operating expenses	359 416	315 212

Remuneration to Executive officers in 2018 (in NOK 1,000)	Salaries 1)	Pension	Other remuneration
Managing director	14 984	157	21

1) NOK 11.3 million from Performance Based Incentive Plan included.

Remuneration to the Board of Directors

NOK 45 000 was paid in remuneration to the Board in 2018. NOK 15 000 to each employees' representative Board Member.

In 2018 the Chairman of the Board received NOK 0 compared to 2017 where the Chairman of the Board received NOK 300 000.



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

Auditor's remuneration

In NOK 1,000	2018	2017
Auditor's fee	2 334	1 134
Other assurance services	166	225
Other advisory services	50	66
Total auditor's remuneration	2 550	1 425

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 2018 and 2017 the contributions made by the Company for pensions and pension insurance amounted to NOK 67.5 million and NOK 54.9 million respectively. The Company's pension commitments are limited to the annual contributions made.

Severance pay

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

Sharebased payments

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

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

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

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

Performance Based Incentive Plan

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

Note 6 Financial Items

In NOK 1,000	2018	2017
Financial income		
Interest income	8 998	8 146
Other financial income	64	-
Total Financial income	9 061	8 146
Financial expenses		
Interest expense	-502 701	-895 295
Other interest expense	-12 233	-2 312
Other financial expenses	-18 137	-12 906
Interest accretion on decommissioning liability	-133 480	-112 873
Total Financial expenses	-866 551	-1 023 386
Foreign Exchange gain/-loss		
Realised foreign exchange gain	290 569	203 425
Realised foreign exchange loss	-212 456	-222 163
Unrealised foreign exchange gain/-loss	40 570	-29 932
Net foreign exchange gain/-loss	118 683	-48 670
Total financial items	-538 807	-1 063 910

Note 7 Tax

a) Tax expense for the period

In NOK 1,000	2018	2017
Current tax	731 453	-
Current tax previous years	23 395	-11 944
Changes in deferred tax	6 703 016	4 333 885
Tax expense for the period	7 457 864	4 321 941



Lundin Norway AS
Notes to the Annual Financial Statements

Current tax / (tax receivable) at 1 January	527	-674 733
Current tax paid (term 1, 2 og 3 current year)	-120 000	-
Tax payable	754 848	675 260
Current tax / (tax receivable) at 31 Dec	635 375	527

b) Effective tax rate

In NOK 1,000	2018	2017
Income before tax	10 117 879	5 987 639
Company tax	2 327 112	1 432 233
Special petroleum tax	5 564 833	3 222 525
Tax effect of uplift	-635 793	-828 085
Net financial revenue/expense onshore	218 706	514 310
Tax effect of permanent differences	10 905	100 792
Interest on loss carry forward	-14 031	-29 305
Adjustment prior years	41 988	-11 474
Change in tax rate	-55 855	-79 056
Total tax expense for the period *	7 457 864	4 321 941
Effective tax rate (incl. change in deferred tax)	73,7 %	72,4 %

c) Deferred tax

The tax effect of temporary differences: In NOK 1,000	2018	2017
Fixed assets	17 794 203	13 348 437
Earned and future uplift	-2 775 412	-4 563 740
Other long-term items (receivables, decommissioning, etc.)	-3 169 403	-2 483 430
Tax loss carry forward	-	-1 109 818
Other short-term items	352 796	307 718
Total deferred tax	12 202 183	6 499 167



Lundin Norway AS
Notes to the Annual Financial Statements

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 2017	3 473 806	16 207 372,02	34 810 576	54 491 755	164 716	54 656 471
Additions	1 511 897	5 823 013	1 206 865	8 541 775	23 974	8 565 749
Purchase	384 661	-	-	384 661	-	384 661
Expensed capitalised wells previous periods	-389 031	-	-	-389 031	-	-389 031
Reclassified to production assets ¹⁾	-23 462	-	23 462	-	-	-
Acquisition cost at 31 Dec 2018	4 957 871	22 030 385	36 040 903	63 029 160	188 690	63 217 850
Accumulated depreciation at 31 Dec 2017	-	-	11 773 044	11 773 044	134 442	11 907 486
Depreciation	-	-	3 357 295	3 357 295	19 912	3 377 207
Disposals	-	-	-	-	-	-
Accumulated depreciation at 31 Dec 2018	-	-	15 130 339	15 130 339	154 354	15 284 693
Accumulated impairment at 31 Dec 2017	107 117	-	5 527 303	5 634 420	-	5 634 420
Impairment ²⁾	-	-	49 903	49 903	-	49 903
Relinquished/Disposals	-	-	-	-	-	-
Accumulated impairment at 31 Dec 2018	107 117	-	5 577 206	5 684 323	-	5 684 323
Net book value at 31 Dec 2018	4 850 754	22 030 385	15 333 359	42 214 488	34 336	42 248 834
Depreciation plan:	3)		Unit of production		Linear, 3-5 years	

Impairment in 2018:

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 2019 and 2020, starting with oil prices at \$53.8/bbl.

From 2021 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 and are therefore not subject to impairment.

Due to increased future removal estimates, the Company has written off NOK 37.6 million on Gaupe and NOK 12.3 million on Brynhild field in 2018.

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	3 242 958	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	

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.



Lundin Norway AS
Notes to the Annual Financial Statements

Note 9 Spare parts

In NOK 1,000	2018	2017
Spare parts and drilling equipment	288 396	242 649

Note 10 Cash and cash equivalents

In NOK 1,000	2018	2017
Cash and cash equivalents, non-restricted	54 974	43 694
Tax withholding balance, restricted cash	66 921	62 482
Total Cash and cash equivalents	121 895	106 176

Note 11 Short-term receivables and other current liabilities

Other short-term receivables in NOK 1,000	2018	2017
Receivables, joint ventures	232 182	207 725
Joint venture overcall	376 766	422 190
Underlift	39 608	240 985
Crude storage	28 651	33 569
VAT receivable	19 287	18 603
Prepayments	27 134	74 866
Prepayments, joint ventures	192 279	147 073
Total other short-term receivables	915 907	1 143 012

Other current liabilities in NOK 1,000	2018	2017
Other taxes and social security costs	95 472	90 074
Overlift	46 549	104 666
Accruals	164 436	155 615
Accruals, joint ventures	970 641	1 223 438
Other current liabilities	48 536	60 536
Total other current liabilities	1 325 633	1 634 329

Note 12 Shares

Company	Book value in NOK	Ownership interest
Alvheim AS *)	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 2018 Annual General Meeting of Alvheim AS is per date of the Lundin Norway AS Annual Financial Statements not held. In 2017 the Net income after tax was NOK 462. - At 31 Dec. 2017 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 2017	493 000	214 641	2 523 698	3 231 339
Dividend - additional dividends declared and paid in 2017	-	-	-800 000	-800 000
Result for the year	-	-	1 645 698	1 645 698
Equity at 31 Dec 2017	493 000	214 641	3 369 396	4 077 038
Equity at 1 Jan 2018	493 000	214 641	3 369 396	4 077 038
Additional dividends declared and paid in 2018	-	-	-2 158 000	-2 158 000
Result for the year	-	-	2 660 014	2 660 014
Equity at 31 Dec 2018	493 000	214 641	3 871 410	4 579 052

Share capital at 31 Dec:

	2018	2017
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, Amellestraat 3-5, 2514 JC Haag, Netherlands.
The Group 2018 Annual financial statements are available on the Group web site: www.lundin-petroleum.com.

Note 14 Interest-bearing debt



Lundin Norway AS
Notes to the Annual Financial Statements

In NOK 1,000	2018	2017
Long-term interest-bearing debt, group ¹⁾	-21 890 403	-25 653 964
Capitalised loan fees ²⁾	574 939	815 386
Net Group receivables/(-payables)	-21 315 464	-25 038 578

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

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

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

Note 15 Pledged assets and joint mortgage security

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

Note 16 Guarantees and commitments

a) Provision for site restoration

Per 31 Dec 2018 the Company has recorded a provision for future decommissioning and removal cost of NOK 4,257.7 million (2017: NOK 3,374.4 mill). In calculating the present value of the provision, a pre-tax discount rate of 3.5% (2017: 3.5%) was used, which is based on long-term risk-free interest rate projections. The change in net present value of NOK 133.5 million in 2018 is expensed under financial items (2017: NOK 112.9 million). The effect of changes in estimates are capitalised under oil and gas assets, and charged to ordinary depreciation. The provision is based on the Company's own evaluations and operators' estimate.

In relation to the Brynhild divestment, CapeOmega's decommissioning cost are limited at NOK 305 million (2016-real) for the 39 percent share. At the end of 2018, the total decommissioning cost is not expected to exceed the limited amount.

In NOK million	2018	2017
Accrued at 1 January	3 374,4	2 724,6
Accrued for the year	907,5	411,8
Changes in estimates	-142,9	416,6
Disposal/aquisition	-	-288,1
Used	-14,8	-3,4
Accretion	133,5	112,9
Accrued at 31 December	4 257,7	3 374,4

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	2019	2020	2021
Rig, vessel and fleet contracts	614 069	22 826	14 148
Total	614 069	22 826	14 148

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 50.1 million in 2018 (2017: NOK 49.7 million). The rent agreements for the current office location for the Lysaker office in Strandveien 4-8 started in August 2015 and the rent period is 12 years. The rent agreement for the Company's office in Harstad expired 31 December 2017 and the Company entered into a new rent agreement, with the same owner, for 27 month and with an option for 3 more years at the time. The Company's leasing costs for office properties, machinery and equipment in 2018 amount to NOK 51.1 million.

d) Liability for damage and pollution / Insurance coverage

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

e) Legal disputes

The Company is not involved in any material legal disputes.



Lundin Norway AS
Notes to the Annual Financial Statements

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.

Note 18 Transactions with related parties

NOK 1,000

In 2018, the Company has been invoiced NOK 205.0 million from the parent Lundin Petroleum Holding BV for recharges and services in 2018 (2017: NOK 166.7 million), and have invoiced Lundin Petroleum Marketing SA NOK 15,000 million (2017: NOK 9,954 million) for sale of oil. The Company is financed through intercompany loans from the parent. At 31 December 2018, the intercompany loan balance equalled NOK 21,890 million (at 31 December 2017: NOK 25,654 million). The interest charged for intercompany loans amounted to NOK 853.3 million in 2018 (2017: NOK 1,086.5 million). Interest on intercompany loans are based on current USDLIBOR/EURIBOR/NIBOR 3 month and agreed margin of 2.25 - 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 2018. 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 (mmboc)
Total calculated proved and probable reserves at 31 December 2017	726,3
Revisions, incl discoveries and extensions	49,2
Acquisitions and sales of reserves	0,0
Production of salable quantities in 2018	-30,1
Total calculated proved and probable reserves at 31 December 2018	745,4
The proved and probable reserves are attributable to the following fields:	
Johan Sverdrup	604,7
Edvard Grieg	115,9
Alvheim (incl. Viper Kobra)	14,9
Volund	6,7
Bøyla	1,5
Ivar Aasen unit	1,7
Total	745,4

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
Brynild (PL 148)	51 %	2024
Edvard Grieg (PL 338)	65 %	2029
Ivar Aasen unit	1,385%	2036
Bøyla (PL 340)	15 %	2029



Skattedirektoratet

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

LUNDIN NORWAY AS
Postboks 247
1326 LYSAKER

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

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

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

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

Bakgrunn

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

Skattedirektoratets vurdering

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

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

Postadresse Postboks 9200 Grønland 0134 Oslo	Besøksadresse: Se www.skattedetaten.no Org.nr: 996250318 E-post: skattedetaten.no/sendepost	Sentralbord 800 80 000 Telefaks 22 17 08 60
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”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	2018	2017
Operating activities			
Net income before tax		10 117 879	5 967 639
Adjustment for financial items	6	1 158 899	1 510 359
Interest received	6	8 998	8 146
Interest paid		-864 422	-1 257 568
Taxes received/-paid	7	-120 000	675 260
(Gains)/Losses on sale of assets and other items		-1 956	174 422
Depreciation, amortisation and impairment	8	3 427 110	3 945 659
Decommissioning payments	16	-14 832	-3 357
Expensed dry wells, capitalised previous periods	8	389 031	515 330
Change in spare parts	9	-45 547	-15 020
Change in trade receivables	11	-216 995	292 179
Change in other short-term receivables/liabilities	11	412 474	-962 294
Net cash flow from in operating activities		14 250 639	10 850 756
Investing activities			
Investment in assets	8	-7 801 105	-9 371 828
Purchase of assets	8	-384 661	-3 528
Disposal of assets		1 956	779 305
Net cash used in investing activities		-8 183 810	-8 596 051
Financial activities			
Net changes internal credit facilities	14	-3 890 768	-1 489 397
Dividends paid	13	-2 158 000	-800 000
Net cash flow used in/(from) financing activities		-6 048 768	-2 289 397
Net changes in cash and cash equivalents		18 061	-34 693
Cash and cash equivalents at 1 January		106 176	144 136
Net foreign exchange difference on cash and cash equivalents		-2 341	-3 267
Cash and cash equivalents at 31 December		121 895	106 176



To the General Meeting of Lundin Norway AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lundin Norway AS, which comprise the balance sheet as at 31 December 2018, 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 2018, 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 information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

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

PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger

T: 02316, org. no.: 987 009 713 VAT, www.pwc.no

State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Auditors Report - Lundin Norway AS



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

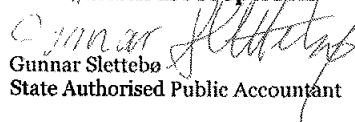
Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Stavanger, 12 March 2019
PricewaterhouseCoopers AS


Gunnar Slettebø
State Authorised Public Accountant

(2)



Lundin Norway AS
Org. No.: 986209409

ANNUAL REPORT 2018



BOARD OF DIRECTORS REPORT

OPERATIONAL REVIEW

Lundin Norway AS (“the Company”) is an oil and gas exploration and production company. The activity is located on the Norwegian Continental Shelf. Including the license awards in January 2019, the company has 82 production licenses of which 33 as operator. 2P reserves are 745.4 million boe and contingent resources are 225 million boe. Production in 2018 was 29.6 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 five producing fields the Edvard Grieg, Alvheim, Volund, Bøyla 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 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 373 employees as of 31.12.2018 compared to 361 at end 2017. In 2018 there were 7.3 man-years of absence due to illness compared to a total of 368 man-years, constituting an absence-ratio of 2.0% compared to 2.6% the previous year. The working environment is considered to be good.

The Company has not experienced any serious HSE incidents during the year. We registered two reportable personal injuries in 2018, both with minor consequences. This is an improvement compared to 2017 and expected to be below the average figure for our industry in 2018.

The working environment committees for Lundin Norway AS, Edvard Grieg and our drilling rigs have conducted meetings as planned and the employee/workforce cooperation has continued to function well throughout 2018. No major issues have been raised in these committees related to working environment challenges. In addition to working environment committee meetings, separate meetings with in-house union representatives have been conducted as required. The Company has facilitated and monitored its activities to ensure a safe and healthy working environment for the workforce.

EQUAL OPPORTUNITY AND DIVERSITY

The Company'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 373 employees in the Company, 99 are women, compared to 91 women previous year. The percentage of women is 27%. 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

The Company continues to improve its systematic efforts to raise the environmental awareness and minimize the impacts on the environment from our activities. We are committed to perform our exploration, construction and production activities 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. Our environmental strategy includes a set of environmental goals and targets recognizing the need for continuous emission reductions, energy efficiency and reduction in waste generation. In all material respects, these goals and targets were met in 2018. Furthermore, we continuously monitor our emissions when conducting operations and we are spending a significant portion of our research and development projects with the aim of reducing our environmental footprint. In 2018, the Edvard Grieg-platform installed an online energy monitoring system which displays real-time energy consumption on the platform, providing analytics to monitor the energy flow and identify energy efficient measures.

The Company 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. We conducted all our activities with due considerations to the environment in accordance with established plans in 2018.

The Company invested NOK 102 million in research and development (R&D) in 2018. The main goal for the R&D is to maximize our value of existing business, improve operational preparedness in new areas of operation 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 Arctic 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 2018 group consolidated financial statements and includes payments related to the Company. The Report on Payments to Governments is available on www.lundin-petroleum.com.

2018 AND THE OUTLOOK

The 2018 results were 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 2018 that exceeded guidance. The increase in reserves is another positive update, driven by the Johan Sverdrup Field. The Johan Sverdrup development is progressing well and production start is scheduled for late 2019. Exploration activity was high in 2018 and with the awards of new licences and inorganic activity the 2019 exploration activity is targeting net un-risked resources of 750 million boe.

Licence awards and transactions

The Company continues to grow its exploration acreage position through licence rounds. In January 2018, the Company was awarded 14 licences in the 2017 APA licensing round, of which six as operator. In June 2018, the Company was awarded three licences in the 24th licensing round, of which one as operator. In January 2019, the Company was awarded 15 licences in the 2018 APA licensing round, of which nine as operator. Currently, the Company holds 82 licences in Norway, compared to 49 licences at the beginning of January 2018, which is an increase of approximately 70 percent.

In January 2018, the Company acquired a 10 percent working interest in each of PL539 and PL860 and a 30 percent working interest in each of PL820S and PL825 from Fortis Petroleum and also acquired a 20 percent working interest in PL860 from Equinor, increasing the Company's working interest in PL860 to 40 percent and in PL539 to 20 percent.

In May 2018, the Company concluded a licence swap with DNO to create an initial entry position in the Tampen/Horda Platform area of the Norwegian North Sea. The Company received a 10 percent working interest in each of PL926 and PL929 and 15 percent in each of PL921 and PL924 in exchange for DNO receiving 10 percent working interests in each of PL825, PL767, PL902 and PL950.

In June 2018, the Company concluded a licence swap with Edison in the southern Barents Sea where the Company received a 10 percent working interest in PL850, in exchange for Edison receiving a 10 percent working interest in PL952. In October 2018, the Company acquired a further 20 percent working interest in PL850 from Lime Petroleum, increasing the Company's working interest in PL850 to 30 percent.

In October 2018, the Company acquired Equinor's 15 percent working interest in PL359 containing the Luno II oil discovery. The transaction involved a cash consideration payable to Equinor as well as the Company transferring its remaining interest in PL825 to Equinor.

In January 2019, the Company entered into a sales and purchase agreement involving the acquisition of Lime Petroleum's 30 percent working interest in each of PL338C and PL338E and 20 percent working interest in PL815, which contain the Rolvsnes oil discovery and Goddo prospect. The transaction will increase the Company's working interest in each of PL338C and PL338E to 80 percent and in PL815 to 60 percent. The transaction involves a cash consideration payable to Lime Petroleum and is subject to customary government approvals.

Development

In 2018, NOK 5 823 million was capitalized in total as development assets of which NOK 5 731 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 approximately 85 percent completed. With the good progress, the expected schedule for Phase 1 first oil is November 2019.

2018 was a key installation year for Phase 1 of the Johan Sverdrup project and the programme for the year was completed as planned. All of the four steel jackets have now been successfully installed offshore, as well as the topsides for the drilling platform and the riser platform. The power from shore cable has been installed and power supply from shore to the offshore facilities commenced in October 2018. Installation of the oil and gas export pipelines has been completed. Two accommodation units are located offshore and at peak approximately 800 personnel have



been working on the hook-up of the installed offshore facilities, which is progressing on schedule.

Of the last two remaining topsides, the process platform topside sailed away from the Samsung Heavy Industries yard in South Korea in December 2018 and arrived at the Kværner Stord yard in Norway in February 2019. Construction of the living quarters topside at the Kværner yard has been completed and both these topsides are on schedule for installation in spring 2019.

Pre-drilling operations were completed significantly ahead of schedule with a total of eight pre-drilled producers and twelve water injectors completed. In December 2018, the drilling platform commenced tie-back operations on the eight pre-drilled production wells.

The latest capital expenditure estimate for Phase 1 is gross NOK 86 billion (nominal) compared to the Phase 1 PDO estimate in 2015 of gross NOK 123 billion (nominal), representing a saving of over 30 percent, excluding additional foreign exchange rate savings in US dollar terms. The gross production capacity of Phase 1 is estimated at 440 Mbopd.

The Phase 2 PDO was submitted to the Norwegian Ministry of Petroleum and Energy in August 2018, with Phase 2 first oil scheduled in the fourth quarter 2022. Phase 2 involves an additional processing platform bridge linked to the Phase 1 field centre, additional subsea facilities to allow the tie-in of additional wells to access the Avaldsnes, Kvitsøy and Geitungen satellite areas of the field and implementation of full field water alternating gas injection (WAG) for enhanced recovery. 28 new wells are planned to be drilled in connection with the Phase 2 development. These additional facilities will take the gross plateau production capacity to 660 Mbopd. With the inclusion of WAG, the gross resource range has been further increased to between 2.2 and 3.2 billion boe.

The Phase 2 capital expenditure is estimated at gross NOK 41 billion (nominal), which represents over a 50 percent saving from the original estimate in the phase 1 PDO, and is due to a combination of market conditions and optimisation of the Phase 2 facilities. The major topsides contracts and the jacket contract for the Phase 2 facilities have been awarded and detailed engineering is progressing to plan. Full field breakeven oil price is estimated at below 20 USD per barrel.

Production

For fields in production, the company has invested NOK 1 207 million in 2018. Main investments are in the Edvard Grieg field with NOK 1 020 million and NOK 160 million in the Alvheim fields.

The Company's proven and probable reserves were in 2018, 745.4 million boe, an increase by net 19 million boe mainly due to reserves increase in the Johan Sverdrup Field.

Total cash operating cost for the year, including netting off tariff income, was USD 3.66 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 2018- 31 Dec 2018 12 months	1 Jan 2017- 31 Dec 2017 12 months
Crude oil	71.9	77.6
Gas and NGL	9.2	8.5
Total production	81.1	86.1



Production in Mboepd	WI ¹	1 Jan 2018- 31Dec 2018 12 months	1 Jan 2017- 31Dec 2017 12 months
Edvard Grieg	65%	63.6	66.7
Ivar Aasen	1.385%	0.9	0.7
Alvheim	15%	9.3	12.4
Volund	35%	6.5	3.9
Bøyla	15%	0.7	1.1
Brynhild	51% ²	0.0	1.2
Gaupe	40%	0.1	0.2
		81.1	86.1

¹ Lundin Norway AS working interest (WI)

² WI 90% up to 30 November 2017

Production was 81.1 thousand barrels of oil equivalent per day (Mboepd) (compared to 86.1 Mboepd for 2017) which was at the upper end of the updated guidance for the year of between 78 and 82 Mboepd and 4 percent above the mid-point of the original production guidance of between 74 and 82 Mboepd. This performance was due to strong facilities and reservoir performance at both the Edvard Grieg field and the Alvheim area. The 2019 production guidance is between 75 and 95 Mboepd.

Operating cost, including netting off tariff income, was USD 3.66 per barrel which was below the revised full year guidance of less than USD 3.80 per barrel and 12 percent below the original guidance of USD 4.15 per barrel. This performance was due to a combination of reduced costs, increased production volumes and the termination of production from the Brynhild field during the year. The 2019 operating cost guidance, including netting off tariff income, is USD 4.25 per barrel.

Production from the Edvard Grieg field was above forecast, supported by continued strong production efficiency at 98 percent. The PDO development drilling programme was completed in the middle of the year with all development well results in line with or better than prognosis and the overall drilling programme was completed below budget. Edvard Grieg reservoir performance continues to exceed expectations with significantly slower build-up of water production than anticipated, leading to around a six month extension of plateau production to mid-2020. The 4D seismic survey that has been acquired over the Edvard Grieg field as part of the reservoir monitoring programme, indicates that the water injection flood front is further away from the main production wells than predicted by the current reservoir models. This information is still under review and has not been incorporated into the reservoir models used to support the year end 2018 reserves estimate. An infill drilling programme is being planned at Edvard Grieg commencing in 2020 and sanction of this project is anticipated during 2019. Operating cost for the Edvard Grieg field, including netting off tariff income, was USD 3.95 per barrel.

Production from the Ivar Aasen field was slightly below forecast. During the second quarter 2018, two new water injection wells were successfully drilled to improve pressure support to the eastern area of the field.

Production from the Alvheim area, consisting of the Alvheim, Volund and the Bøyla fields, was slightly ahead of forecast, supported by the strong reservoir performance and continued strong production efficiency for the Alvheim FPSO of 97 percent. The results of the infill well in the Kameleon area of the Alvheim field were in line with expectations and the well was brought on line ahead of schedule during the fourth quarter 2018. Combined with the two infill wells in the Boa area of the field, brought on line at the beginning of the year, this largely offsets the natural production decline from the area. Operating cost for the Alvheim area was USD 4.96 per barrel.



For the Brynhild field, the decision has been taken to permanently shut-in production and work on a cessation plan is ongoing, which will be submitted in due course to the authorities for approval. The remaining book value for the field was written off at year end 2017.

Despite no remaining reserves being attributable to the Gaupe field, the field has produced intermittently subject to favourable economic conditions. As it is no longer economic to continue with Gaupe field production, the decision was taken in October 2018 to cease production from the field.

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 2018, the capitalized exploration and appraisal investment were NOK 1 512 million, and write-downs amounted to NOK 389 million. Capitalized exploration and appraisal investments were NOK 4 851 million as at 31.12.2018.

The 2018 exploration drilling programme was impacted by changing rig schedules and priorities, which resulted in a number of wells moving into 2019. Five exploration wells were completed in 2018 resulting in two potential commercial discoveries, Frosk and Lille Prinsen. Exploration and appraisal expenditure in 2018 was MUSD 311.

In February 2018, the Frosk prospect in the North Sea, located northwest of the Bøyla field, proved an oil discovery. The discovery is estimated to contain gross resources of between 30 and 60 MMboe, which is significantly more than the pre-drill estimates and has a positive impact on the assessment of further exploration potential in the area. Two follow-up wells on the Froskelår Main and Rumpetroll prospects in the adjacent PL869 will be drilled in the first half of 2019. The first of these wells, Froskelår Main, was drilled in February 2019 resulting in an oil and gas discovery with resources within the pre-drill estimate of 45 to 153 MMboe gross of which part may straddle the UK-Norwegian boundary in the North Sea. Operations are continuing at Froskelår Main with the drilling of two appraisal sidetracks. Additionally, a production test well on the Frosk discovery, to be tied into the Bøyla subsea facilities, will be drilled in the first half of 2019.

In May 2018, the Svanefjell prospect in PL659 in the southern Barents Sea proved a minor, non-commercial gas discovery. In June 2018, the Lille Prinsen prospect in the North Sea, located northeast of the Ivar Aasen field, proved an oil discovery. The discovery is estimated to contain gross resources of between 15 and 35 MMboe and with significant appraisal upside potential of over 100 MMboe. It is expected that Lille Prinsen will be economic to develop and an appraisal well is planned for 2019.

In December 2018, the Silfari prospect in PL830 located in the Froan Basin area of the Norwegian Sea encountered good quality Jurassic reservoir sands but with no hydrocarbon indications and the second Permian carbonate target encountered no reservoir intervals or hydrocarbons. The potential of the undrilled, adjacent Frøya High area is unaffected by the Silfari result.

In January 2019, the Driva/Oppdal dual target prospect in PL860 located in the Mandal High area of the North Sea was drilled and was dry. While the well encountered Paleocene and Rotliegendes reservoirs there were no hydrocarbons present. The second Mandal High area dual target well, Vinstra/Otta on the adjacent PL539 licence, will be drilled in 2019.

The Gjøkåsen prospect in PL857 located in the southern Barents Sea is a large, multi-horizon structure, remote from well control and as the deeper reservoir targets offset the shallow targets, it requires two wells to fully test the prospect. In February 2019, the Gjøkåsen Shallow prospect



was drilled and was dry. The result of the Gjøkåsen Shallow well has no impact on the prospectivity of the Gjøkåsen Deep target which is currently drilling.

In January 2019, drilling commenced on the Pointer/Setter prospect in PL767 located southeast of the Alta and Gohta discoveries in the southern Barents Sea. The well has been permanently plugged and abandoned and classified as dry. Drilling was conducted by the Leiv Eiriksson rig which is under a flexible contract with sufficient option slots to meet the Company's operated 2019 drilling programme.

Appraisal

All four wells in the 2018 appraisal drilling and testing programme were successful. Combined with two new exploration discoveries that were made during 2018, this means that the Company has seven potential projects being moved through the appraisal phase. These positive results contributed to increasing the booked contingent resources at year end 2018.

The Luno II appraisal well in PL359 on the Utsira High was successfully completed in March 2018 and encountered a gross oil column of 22 metres in Triassic sandstones with very good reservoir quality, which was significantly better than expected. Following the positive well results, the gross resource range for the Luno II discovery has been increased to between 40 and 100 MMboe. The development concept for Luno II is a subsea tie-back to the nearby Edvard Grieg platform. Phase 1 of the Luno II development project is expected to be sanctioned and the PDO submitted in the first quarter of 2019. To create commercial and operational alignment between the Edvard Grieg and Luno II partnerships, the Company has acquired Equinor's 15 percent interest in Luno II, increasing the working interest to 65 percent.

Appraisal drilling and production testing operations on the Rolvsnes basement oil discovery in PL338C in the Utsira High area of the North Sea were completed in August 2018. The horizontal well confirmed good productivity from fractured and weathered basement reservoirs and achieved a constrained production rate of 7,000 bopd. The successful well and testing operations have led to a substantial increase in gross resources for Rolvsnes to between 14 and 78 MMboe from previously 3 to 16 MMboe. The long-term production behavior from this reservoir needs to be understood better and the next step is to conduct an extended well test via a subsea tie-back of the suspended appraisal well to the Edvard Grieg platform. It is expected that the extended well test will be sanctioned in the first quarter of 2019 and implementation will be in parallel with the Luno II development project. The positive well result at Rolvsnes de-risks the similar on-trend prospectivity on the adjacent PL815 licence where an exploration well will be drilled on the Goddo prospect in 2019. The combined Rolvsnes and Goddo prospective area is estimated to contain gross potential resources of more than 250 MMboe.

The extended production testing on the Alta discovery in the southern Barents Sea was successfully completed in September 2018. The well was produced over a period of about two months with a maximum production rate of 18,000 bopd constrained by the surface facilities and with a total of approximately 660,000 barrels of oil produced to a tanker. The results were better than expected, demonstrating excellent reservoir productivity and connectivity to a large volume of oil. The large amount of new information from the positive results from the Alta extended production test and latest generation 3D seismic survey (Topseis) over the entire Alta and Gohta area is still being evaluated. The contingent resources for the Alta and Gohta discoveries are therefore unchanged from year end 2017 and will be updated during 2019 when the future appraisal plans for the area is defined and all the additional data has been processed.

The Gekko appraisal well located to the southeast of the Alvheim field was successfully completed in October 2018. The objective of the two branch well was to test the potential for improved reservoir quality away from the Gekko discovery well and determine the thickness of the oil column. Both well branches encountered good quality Heimdal sands with an approximately 6 metre oil rim below gas. Following the positive well results, the gross resource range for the Gekko discovery is between 28 and 52 MMboe. Options for the economic development of Gekko are being assessed.



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 2018 correctly represent the Company's assets and liabilities, its financial standing and results.

For subsequent events, see under section "Exploration" for information regarding the wells Pointer/Setter and Gjøkåsen. In January 2019, the Froskelår Main well discovered hydrocarbons.

Agreement for purchase of licences from Lime Petroleum was made in January 2019, see section "Licence awards and transactions".

The Company's income from the sale of oil, gas and NGL in 2018, was NOK 16 821 million, compared to NOK 13 653 million in 2017. The increased revenue is due to higher sales price. The production in 2018 was 29.6 million barrels of oil equivalents (boe), 1.8 million boe lower than in 2017. The average price per boe was NOK 535 in 2018, an increase of NOK 101 compared to 2017.

Production expenses including maintenance, tariffs, processing and insurance were NOK 1 527 million.

The company's exploration expenses of NOK 1 080 million are mainly related to drilling of exploration wells.

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 2018 was NOK 10 657 million as compared to an operating gain of NOK 7 032 million in 2017. This year's net financial items were NOK - 539 million against NOK - 1 064 million for 2017.

In 2018, the Company recorded a tax expense of NOK 7 458 million. In 2017 the tax expense was NOK 4 322 million. Taxes payable at the end of the year amounted to NOK 635 million, in 2017 tax was NOK 1 million.

Net income for the year amounted to NOK 2 660 million against a net income in 2017 of NOK 1 646 million.

Cash used for investment activities in 2018 amounted to NOK 8 199 million, against NOK 8 599 million in 2017. Net cash provided by operational activities in 2018 were NOK 14 265 million against NOK 10 854 million in 2017. The Company's liquid funds per 31.12.2018 were NOK 122 million compared to NOK 106 million per 31.12.2017. 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 25 654 million to NOK 21 890 million in 2018. The Company paid dividends of NOK 2 158 million to the parent during 2018.

The Company's equity ratio per 31.12.2018 was 10.21 % against 10.16 % per 31.12.2017. Short-term debt was per 31.12.2018 6 % and 6% in 2017. Long-term debt inclusive liabilities were 84% per 31.12.2018 against 85% per 31.12.2017. The total balance increased by NOK 4 748 million in 2018, 12 % higher than at the end of 2017.

Allocation of profit/coverage of loss

The board's proposal to the Annual General Assembly is that the net profit after tax of NOK 2 660 million is to be allocated to other equity. Following the Board's proposal for distribution of this year's profit, the equity constitutes NOK 4 579 million against NOK 4 077 million for the previous year.

Oslo, March 12th 2019

Alexandre Jean Marie Schneider

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