Lundin Petroleum

Reg No. 556610-8055

Report on payments to governments

Year ended 31 December 2016

Introduction

This report gives an overview of payments to governments made by Lundin Petroleum AB and its subsidiaries during the year 2016. Lundin Petroleum is committed to the highest standards of corporate governance and transparency and supports the concept of transparency in revenue flows from oil and gas activities in natural resource owning countries. The Company believes that this help empower citizens of resource-owning countries to hold their governments accountable for the wealth generated by those resources.

To further demonstrate the Company's commitment to the concept of transparency Lundin Petroleum became a supporting company of the Extractive Industries Transparency Initiative (EITI) in 2013 and engages with the EITI secretariat on a regular basis.

Basis of preparation

This report is prepared in accordance with the Swedish regulations regarding report on payments to governments (Lag (2015:812) om rapportering av betalningar till myndigheter). This law applies to companies involved in extractive activities and applies for financial years starting after 31 December 2015.

Payments shown in this report are presented in TUSD.

Reporting entities
Payments made to governments that relate to subsidiaries of Lundin Petroleum AB involved in extractive activities such as exploration, development, and production of oil and gas are included in this report.

Government
Government includes any national, regional or local authority of a country, and includes a department, agency or entity that is a subsidiary of a government, which includes as well national oil companies. A state owned company that undertakes activities outside of its home jurisdiction is not considered to be a government.

Cash basis
Payments are reported on a cash basis, meaning that they are reported in the period in which they are paid, which is not necessarily the same period as the liabilities arise. Refunds are also reported in the period they are received by Lundin Petroleum and are shown as negative amounts in the Report. Where payments in kind are made to a government they have been valued and footnotes are included to help explain the valuation method and any related volumes.

Materiality
The Regulations require that payments made as a single payment or as part of a series of related payments exceeding TSEK 860 (approximately TUSD 100) within one financial year be included in this Report.

Payment types
Taxes
These are taxes paid by Lundin Petroleum on its profits or production. Payments are reported net of refunds. Taxes levied on consumption such as value added taxes, personal income taxes, sales taxes, property and environmental taxes are excluded.

Royalties
These are payments for the rights to extract oil and gas resources.

Fees
These are fees and other sums paid as consideration for acquiring a licence or concession for gaining access to an area where extractive activities are performed.

Production entitlement
These are the host government's share of production and are relevant for projects operated by Lundin Petroleum. A production sharing contract is a common type of agreement between a government and an oil and gas company and under these contracts the host government is entitled to a share of the oil or gas produced. These entitlements are commonly paid in kind. In this Report such volumes are reported on a lifting basis. In 2016 Lundin Petroleum was engaged in production sharing contracts in Malaysia.

Payments overview

Country in TUSD	Taxes	Royalties	Fees	Production entitlement	Total
Norway	-271,577.8	–	25,488.1	–	-246,089.7
France	-687.7	–	–	–	-687.7
Netherlands	-1,353.3	170.6	167.8	–	-1,014.9
Malaysia	–	–	–	20,495.8	20,495.8
Total	-273,618.8	170.6	25,655.9	20,495.8	-227,296.5

Payments by country

Norway

Governments in TUSD	Taxes	Royalties	Fees	Production entitlement	Total
Oljeskattekontoret	-275,945.4	–	–	–	-275,945.4
Oljedirektoratet	4,367.6	–	25,488.1	–	29,855.7
Total	-271,577.8	–	25,488.1	–	-246,089.7

Per Project in TUSD	Taxes	Royalties	Fees	Production entitlement	Total
Non attributable	-275,945.4[1]	–	–	–	-275,945.4
PL148	–	–	-424.0[2]	–	-424.0
PL338	4,367.6	–	603.4	–	4,971.0
PL338 C	–	–	643.2	–	643.2
PL359	–	–	9,122.4	–	9,122.4
PL410	–	–	2,169.6	–	2,169.6
PL438	–	–	-4,804.7[2]	–	-4,804.7
PL492	–	–	4,822.5	–	4,822.5
PL501	–	–	-3,985.9[2]	–	-3,985.9
PL519	–	–	-618.0[2]	–	-618.0
PL533	–	–	18,214.3	–	18,214.3
PL544	–	–	-254.7[2]	–	-254.7
Total	-271,577.8	–	25,488.1	–	-246,089.7

[1] The refund is due to the Norway exploration tax refund due to the significant level of exploration and appraisal expenditure in the prior year.

[2] The negative amounts reflect refunds of area fees paid in previous years for licenses that have been relinquished or where parts of the area of licensing have been relinquished during the year.

France

Governments in TUSD	Taxes	Royalties	Fees	Production entitlement	Total
Trésor Public	-687.7 [1]	–	–	–	-687.7
Total	-687.7	–	–	–	-687.7

Per Project in TUSD	Taxes	Royalties	Fees	Production entitlement	Total
Paris Basin	-687.7	–	–	–	-687.7
Total	-687.7	–	–	–	-687.7

[1] The negative amount reflects the cash payment of current year production tax TUSD 2,839.0 which was more than offset by refunds of taxes paid for prior years.

Netherlands

Governments in TUSD	Taxes	Royalties	Fees	Production entitlement	Total
Belastingdienst Nederland	-1,353.3	170.6	167.8	–	-1,014.9
Total	-1,353.3	170.6	167.8	–	-1,014.9

Per Project in TUSD	Taxes	Royalties	Fees	Production entitlement	Total
Non attributable	-1,353.3	–	–	–	-1,353.3
Onshore licences	–	170.6	110.3	–	280.8
Offshore licences	–	–	57.6	–	57.6
Total	-1,353.3	170.6	167.8	–	-1,014.9

Malaysia

Governments in TUSD	Taxes	Royalties	Fees	Production entitlement	Total
Petronas Nasional Berhad	–	–	–	20,495.8	20,495.8 [1]
Total	–	–	–	20,495.8	20,495.8

Per Project in TUSD	Taxes	Royalties	Fees	Production entitlement	Total
Offshore Malaysia PM307	–	–	–	20,495.8	20,495.8
Total	–	–	–	20,495.8	20,495.8

[1] Includes payment in kind of TUSD 20,495.8 for 454.1 MMboe valued at market price.