

Item 19: Resolution for the 2020 Long-term, Performance-based Incentive Plan

The Board of Directors proposes that the Annual General Meeting resolves to establish a long-term, performance-based incentive plan (“**LTIP 2020**”) in respect of Group Management and a number of key employees of Lundin Petroleum AB (publ) (“**Lundin Petroleum**” or the “**Company**”), which follows similar principles as the long-term, performance-based incentive plan approved by the 2014 - 2019 Annual General Meetings, as set forth below.

The primary reason for establishing LTIP 2020 is to align the interests of Group Management and other key employees with the interests of the shareholders, and to provide market appropriate reward reflecting performance and commitment. The Board of Directors also believes that the proposed LTIP 2020 will provide Lundin Petroleum with a crucial component to a competitive total compensation package to attract and retain executives who are critical to Lundin Petroleum’s on-going success. Participants in the LTIP 2020 will not be entitled to receive any new awards under any of the Company’s other long term incentive (“**LTI**”) plans in the same year.

The Board of Directors intends to propose to future Annual General Meetings to establish LTI plans based on principles corresponding to the currently proposed LTIP 2020. In order to be eligible to participate in such future LTI plans, each participant needs to build towards a meaningful shareholding in Lundin Petroleum, meaning that a certain portion of any allotted shares pursuant to LTIP 2020 (and any future LTI plans) shall be retained until the required level of shareholding has been met.

Implementation of LTIP 2020

The Board of Directors proposes that the Annual General Meeting 2020 resolves on the implementation of the LTIP 2020 in accordance with the terms and conditions set out below.

Terms and conditions

- (a) Awards under LTIP 2020 are proposed to be made to approximately 20 permanent employees of the Lundin Petroleum Group (the “**Participants**”), comprising the CEO and other members of Group Management as well as certain other key employees within the Lundin Petroleum Group. The Board of Directors may, within the total number of shares available under LTIP 2020, invite a limited number of additional Participants in LTIP 2020 following recruitment to the Lundin Petroleum Group.
- (b) LTIP 2020 gives the Participants the possibility to receive shares in Lundin Petroleum subject to uninterrupted employment and to the fulfilment of a performance condition over a three year performance period normally commencing on 1 July 2020 and expiring on 30 June 2023 (the “**Performance Period**”). The performance condition (the “**Performance Condition**”) is based on the share price growth and dividends (“**Total Shareholder Return**”) of the Lundin Petroleum share compared to the Total Shareholder Return of a peer group of companies (the “**Peer Group**”). At the beginning of the Performance Period, the Participants will, free of charge, be granted awards (“**LTIP Awards**”) which, to the extent that i.a. the Performance Condition is met, entitle the Participant to be allotted, also free of charge, shares in Lundin Petroleum (“**Performance Shares**”) as soon as reasonably practicable following the end of the Performance Period.
- (c) The LTIP Award (i.e. the number of Performance Shares that a Participant may be allotted following the expiration of the Performance Period, provided that i.a. the Performance Condition is met) to be awarded to each Participant shall be calculated as follows:

LTIP Award = A multiplied by B divided by C multiplied by D, where

A is the Participant’s monthly gross base salary applicable as at the date of grant of the LTIP Award;

B is a number of months as determined by the Board of Directors in respect of each Participant, taking into account such factors as industry benchmarking and the Participant's position within the Lundin Petroleum Group (but in any case, not exceeding 36 months);

C is the average closing price of the Lundin Petroleum share on Nasdaq Stockholm for the three month period immediately prior to the Performance Period (the "**Initial Share Price**"); and

D is the product of the factors representing the proportional increases in the number of Performance Shares under award, calculated by dividing the value of the Lundin Petroleum share at closing on the ex-dividend date plus the declared dividend by the value of the share at closing on the ex-dividend date, for each dividend until allotment.

Fractions of allotted Performance Shares shall be rounded-off to the immediate lower whole number.

Assuming a share price of the Lundin Petroleum share as of 26 February 2020 of SEK 274, the total number of Performance Shares that may be allotted under LTIP 2020 as at the date of award (assuming 100 per cent vesting) is approximately 350,000, corresponding to approximately 0.12 per cent of the current total number of shares and votes in Lundin Petroleum. Since LTIP Awards are intended to be awarded in July 2020 and the share price of the Lundin Petroleum share may fluctuate until the Initial Share Price is determined, and considering additional Participants (if any) following recruitment and increased awards due to dividends, it is proposed that the total number of Performance Shares under LTIP 2020 shall not exceed 560,000.

- (d) Allotment of Performance Shares will be determined by the Board of Directors after the expiration of the Performance Period on the basis of LTIP Awards made and is conditional on (i) the Participant retaining his or her uninterrupted employment in the Lundin Petroleum Group until the expiry of the Performance Period and (ii) the extent to which (if any) the Performance Condition has been met. The LTIP Award will as in previous years compensate for dividends distributed, however, to ensure further alignment with shareholders' interests, LTIP 2020 will do so by increasing the number of Performance Shares under award proportionally during the award period through the formula described in (c) above, entailing also a reinvestment of dividends received during the award period. The Board of Directors may reduce (including reduce to zero) allotment of Performance Shares at its discretion, should it consider the underlying performance not to be reflected in the outcome of the Performance Condition, for example, in light of operating cash flow, reserves, and health and safety performance.
- (e) A minimum and a maximum level for the Performance Condition to be fulfilled have been established by the Board of Directors. In order for the LTIP Awards to give entitlement to the maximum number of Performance Shares, the maximum level for the Performance Condition must have been fulfilled. The Performance Condition calculation will be made based on a comparison of Total Shareholder Return of the Lundin Petroleum share to the Peer Group, comparing the period of three months prior to the commencement of the Performance Period with the period of three months prior to the end of the Performance Period. The LTIP Awards will vest based on the comparative Total Shareholder Return of the Lundin Petroleum share from no vesting below the 50th percentile performance and with vesting at or above the 50th percentile performance (i.e. on a straight line basis) from one-third entitlement at the 50th percentile performance to 100 per cent vesting at the 75th percentile performance or above. The Performance Condition calculation will be performed by the Board of Directors. Lundin Petroleum intends to present the level of fulfilment of the LTIP 2020 Performance Condition in the 2023 Annual Report.

- (f) The Participants will not be entitled to transfer, pledge or dispose of the LTIP Award or any rights or obligations under LTIP 2020, or exercise any shareholders' rights regarding the LTIP Awards during the Performance Period.
- (g) Shares allotted under LTIP 2020 (or any future LTI plans) shall be subject to certain disposition restrictions meaning that the Participants shall be building towards a meaningful shareholding in Lundin Petroleum. The required level of shareholding will be either 50 per cent or 100 per cent (200 per cent for the CEO) of the Participant's annual gross base salary based on the Participant's position within the Lundin Petroleum Group. Notwithstanding this requirement, the Company may pay part or whole of the allotment of Performance Shares in cash in order to facilitate the payment of the Participant's tax liabilities. However, a minimum of 50 per cent of the allotted Performance Shares (after taxes and social security charges) under LTIP 2020 will be required to be retained until the required level of shareholding has been met.
- (h) Recalculation of the Performance Condition and the LTIP Awards, including the number of Performance Shares allotted, shall take place in the event of an intervening dividend in kind, bonus issue, split, preferential rights issue and/or other similar corporate events.

Structure and administration

The Board of Directors of Lundin Petroleum will be responsible for the structure and administration of LTIP 2020, as well as for the detailed terms and conditions applicable between Lundin Petroleum and the Participants. The detailed terms and conditions will be adopted within the scope of the terms and conditions and guidelines stated herein. In connection therewith, the Board of Directors will be entitled to adopt different terms and conditions for LTIP 2020 regarding, among other things, the Performance Period and allotment of Performance Shares in the event of commencement or termination of employment during the Performance Period, e.g. due to new recruitments, illness, disability, death, redundancy, contractual retirement and other exceptional circumstances determined by the Board of Directors.

The Board of Directors will be entitled to make adjustments in order to comply with special rules or market conditions abroad. In the event that delivery of Performance Shares to Participants cannot take place under applicable law or at a reasonable cost and employing reasonable administrative measures, the Board of Directors will be entitled to decide that Participants may, instead, be offered a cash settlement. In the event of a change of control, the vesting of any LTIP Awards under LTIP 2020 will be accelerated, based upon performance up to such time.

Peer Group

The Board of Directors has reviewed the Peer Group and determined that it shall consist of the following companies for LTIP 2020: Aker BP, Apache Corporation, BP, Cairn Energy, ConocoPhillips, ENI, Equinor, Galp Energia, Hess Corporation, Kosmos Energy, MOL Group, Oil Search, OMV, Premier Oil, Repsol, Santos, Total, Tullow Oil and Vermilion Energy. The Board of Directors shall have the power to amend the Peer Group in order to maintain a representative and relevant group of companies during the Performance Period.

Delivery of shares, costs etc.

The LTIP Awards entitle Participants to receive free of charge already existing Lundin Petroleum shares.

Under items 21 and 23 of the proposed agenda, the Board of Directors proposes that the Annual General Meeting resolves to authorise the Board of Directors to acquire own shares for the purposes of securing delivery of shares and covering costs, including social security charges, that may arise as a result of LTIP 2020 and that the Annual General Meeting resolves on a transfer of a maximum of 560,000 own shares for the purposes of securing delivery of shares to participants in LTIP 2020. As an alternative to acquisitions and transfers of own shares, the Board of Directors may resolve to hedge the

Company's obligations under LTIP 2020 by entering into an equity swap arrangement with a third party on terms in accordance with market practice, whereby the third party in its own name shall be entitled to acquire and transfer shares in the Company.

The LTIP 2020 will be accounted for in accordance with the accounting standard IFRS 2 and the costs will be charged to the income statement over the Performance Period.

The maximum cost for granting LTIP Awards under LTIP 2020 (assuming 100 per cent vesting), excluding costs related to delivery of the Performance Shares, is approximately USD 9.7 million (approximately SEK 94.2 million), excluding social security charges. On this basis, the maximum cost for social security charges is estimated to be approximately USD 1.0 million (approximately SEK 9.5 million) assuming 100 per cent vesting.

Effects on key figures

Under the assumptions set out in item (c) above and upon full allotment of Performance Shares, the number of shares under LTIP 2020 amounts to approximately 350,000 shares in Lundin Petroleum (subject to final determination of the Initial Share Price and adjustments for dividends), corresponding to approximately 0.12 per cent of the current total number of shares and votes in the Company. If the total number of Performance Shares under LTIP 2020 reaches the cap of 560,000 shares in Lundin Petroleum, it will correspond to approximately 0.2 per cent of the current total number of shares and votes in the Company. LTIP 2020 is expected to have only marginal effects on Lundin Petroleum's key figures.

Preparation of the proposal

The proposal for LTIP 2020 has been prepared by the Compensation Committee and resolved on by the Board of Directors.

Other incentive schemes in Lundin Petroleum

For a description of the Company's other LTI plans, reference is made to the Company's Annual Report for 2019, note 28, and the Company's website, www.lundin-petroleum.com. In addition to the plans described there, no other LTI plans have been implemented in Lundin Petroleum.

Majority requirement

The proposal to implement LTIP 2020 requires the affirmative support of shareholders holding more than half of the votes represented at the Annual General Meeting.

For information on the majority requirements that apply to the proposed acquisitions and transfers of own shares, see the Board of Directors' proposals under items 21 and 23 of the proposed agenda.

Stockholm in February 2020
Lundin Petroleum AB (publ)
The Board of Directors