

Dear Shareholders, colleagues and friends,

I am pleased to announce another period of strong operational and financial performance across the business in the first quarter of 2020. However, what we have witnessed from both an industry and global macro perspective since February is unprecedented, with the coronavirus crisis, its economic impact and the recent oil price collapse providing an exceptionally challenging market backdrop.

In reaction to the potential threat from coronavirus, we have been focussed on reducing the risk to our operations and safeguarding the well-being of the Company's employees and contractors, whilst at the same time minimising the potential impact on the business. To date, we have had no disruptions to production. A key decision has been to down-man offshore facilities while maintaining a minimum level of activity to allow production, and the most important project activities to continue. I am pleased to note that with the operational flexibility available within the business, we have not had to change our growing production guidance.

It is in these times more than any other, where our high quality, low cost, low carbon assets, which are resilient to a low oil price environment, clearly differentiates our ability to weather the storm. Following the downturn in the oil market, the Company has taken decisive action to ensure we maintain our financial strength and flexibility. Total expenditure has been re-phased and reduced by MUSD 300 (more than a 20 percent reduction compared to the original CMD expenditure guidance), with further options available to defer or reduce expenditure, should low oil prices persist; we are also revising down our 2020 operating cost to USD 2.80 per boe from USD 3.40 per boe.

Operationally, one of the stand out successes since the start of the year has been the performance at Johan Sverdrup. The accelerated ramp up was complemented by the higher established processing capacity, which has enabled the phase 1 plateau production rate to be increased from 440 Mbopd gross to 470 Mbopd (and as a result full field plateau to increase to 690 Mbopd), two months ahead of schedule and 7 percent above original plateau guidance. I would also like to mention that both Edvard Grieg and Alvheim again delivered above expectations during the quarter with a production efficiency of 99 and 98 percent respectively.

Whilst the end of the quarter was marked by severe market uncertainty, we delivered a very robust financial performance with free cash flow of over MUSD 400 and ending the period with a net debt of MUSD 3,694. Our recently agreed MUSD 340 corporate facility, expenditure savings and dividend reduction, has improved the pre-tax liquidity position in 2020 by over MUSD 780 to date.

As we head into the second quarter we will continue to apply very strict capital discipline across the Company, to preserve the liquidity position and provide financial flexibility should opportunities arise for us to capitalise on and I remain convinced, that we are in one of the best positions to trade through the current environment.



Alex Schneiter
President & CEO of Lundin Energy