AGM SPEECH – MAY 12 2016

Alex Schneiter – President and CEO

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Good afternoon everyone and welcome to Lundin Petroleum's 2016 shareholders meeting. It's a great privilege for me to be standing here in front of you all for my first AGM as CEO of the company.

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The world has presented me with a challenging market environment since I assumed my position as CEO of Lundin Petroleum in October 2015. For the first quarter of this year the oil price averaged only USD 35 per barrel, with a low of USD 26 per barrel reached in late January, a level not witnessed since November 2003. It has been truly a challenging period but at the same time a very rewarding one. There is no question in my mind that we have laid solid foundations to deliver significant sustainable value growth for you, our shareholders, as we also move towards a more favorable oil market environment

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But let me first say a few words about the current environment and in particular about the world oil supply. The growth in the US shale oil production has been nothing short of a revolution for the industry. A decade ago the US shale oil production was barely noticeable but as you can see on this graph the significant investment in onshore US shale reserves has accelerated production levels to above 5.5 million barrels a day at its peak in early 2015. Whilst this production growth trend became clear some time ago, most people were taken by surprise how quickly production levels grew.

This production ramp up, combined with OPEC's desire to retain market share, led to the dramatic drop in oil prices that we have witnessed since mid-2014.

There is no question that without the $100/bbl oil price environment over recent years and the availability of cheap debt, the US shale oil revolution would not have come about. However, what is equally clear is that the recent collapse in oil price is having a material impact on the US shale production which has already fallen by around 700,000 bopd since its peak in March 2015. This drop in production is a direct consequence of the significant reduction of horizontal drilling rigs operating in the shale oil basins. Since its peak in December 2014 the number of rigs in operation has dropped from 1100 rigs to around 300 rigs in April 2016 – a drop of 70 percent.

With the rig count at historically low levels I believe the recent decline in onshore US shale oil production will continue for some time. I also believe that oil price have to significantly increase from current levels before the shale oil companies can justify increasing their drilling activities again.

Whilst all the talk has been centred on the onshore US shale oil industry it actually accounts for only around 5% of the world's production. Few talk about the industry which we are involved in, namely the offshore industry, which accounts for close to 30% of the world's production.

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So let us turn to the offshore industry and look at how it may impact future oil supplies.

The world's supply and demand balance has been reshaped over the last two years. The oil price increased dramatically from $65/bbl in 2006 to $100/bbl in 2014 and this led the industry to take some very aggressive investment decisions in an attempt to capitalise from an ever increasing oil price. Annual capital budgets doubled over this period from $325 bn to $660 bn. In terms of offshore production you can see that despite a 75% investment increase from 2006 to 2014, offshore production actually declined. So the message is that more and more investment is required just keep the world's production flat.

Wood Mackenzie, an industry consultancy group, estimates that the recent oil price collapse has resulted in almost 70 offshore projects being cancelled or deferred indefinitely. This corresponds to around $380 billion of capital investment cuts. Since around 30 percent of the world's oil production comes from offshore oil fields, these cuts are a major concern for the supply and demand balance in the years ahead. Cuts today are expected to reduce supply levels towards the end of the decade by 3 million barrels of oil per day. This equates to around 5 Johan Sverdrup sized projects.

To reverse this trend, one of two things needs to happen – either oil prices need to rise or costs needs to come down.

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The world's demand for oil remains extremely robust as the world economy continues to grow. An ever increasing proportion of the world's population is demanding a life-style which we in the developed economy have become so accustomed to. China has been the engine for demand growth over recent years and this year's GDP growth forecast for China remains above a very healthy 6 percent. As China gets increasingly urbanised items such as car usage is on the increase. In fact over a twelve year period from 2004 to 2015 the demand for cars increased from 5 million vehicles per year to 25 million vehicles in 2015 which corresponds to an annual increase of 15 percent - such increases obviously lead to an increase in the demand for oil.

According to BP's statistical review, oil consumption has grown every year for 30 years with the exception of 1993 and during the financial crisis in 2008/2009. This relentless increase is set to continue. Last year the demand for oil grew by 1.8 million bopd. This year's estimate suggests a growth of 1.16 million bopd and next year's forecast another 1.2 million bopd of growth. The combined growth in demand over these three years amounts to 4.2 million bopd or 6 Johan Sverdrup-sized projects. No one has found another Johan Sverdrup since we did in 2010.

Most agree that oil will be the largest primary energy source for decades to come. Even by 2040 more oil will be consumed than what is consumed today so it would appear that the oil-sceptics are somewhat premature with their statements that the oil-age is over.

Whilst oil will continue to feature prominently in the energy mix for decades it is unquestionable that the renewable energy source will account for an ever increasing share of the future energy mix. Seeing higher output from renewable energy sources is good news and this trend should be embraced by everyone involved in the business of producing energy as we have a collective responsibility to continue to meet the world's energy demand with as low an CO_2 emission as possible.

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The dramatic investment cuts I referred to earlier have also resulted in costs levels falling significantly across the board as the demand for goods and services collapsed.

One prime example is the cost of hiring drilling rigs in Norway. As you can see on the picture to the left from one of the fjords in Norway, there are multiple rigs out of work at present and this has resulted in rig owners being forced to reduce their rig rates down to cash break-even levels below $200,000/day compared to a couple of years ago when these rates were above $500,000/day. Whilst lower rig rates are hurting the rig owners they are of course benefiting the oil companies, including Lundin Petroleum. We recently secured a rig for drilling in our successful southern Barents Sea area at rates significantly below $200,000/day. I will comment further on the southern Barents Sea later.

Our biggest project, the Johan Sverdrup field, is clearly benefitting from the falling costs as most of the Johan Sverdrup contracts have been awarded in this deflationary cost environment. We have seen cost reductions in all areas, be it the construction of the steel jackets, the drilling of the development wells or the construction of the topsides. So far the Phase 1 development has locked-in around $5 billion of gross capital investment savings and I believe there is more to come.

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The good news is that Lundin Petroleum has and will continue to be able to deal with lower oil price. The market clearly believes in us and you can see from this graph that our share price has significantly outperformed our peers. This outperformance has been achieved as a result of the high value and quality of our assets such as the world class Johan Sverdrup and Edvard Grieg projects. Secondly, we have achieved our objective to more than double our 2015 production levels with a solid production growth for the years to come. Thirdly, we benefit from a combination of low and falling cash operating costs in addition to paying minimal cash taxes which allows us to generate strong cash flow. Fourthly, we have a strong balance sheet giving us continued access to liquidity to fund our growth projects. This was further reinforced back in January of this year with the signing of a new reserve base lending facility of USD 5 billion. Finally and foremost, there is no question in my mind that we have absolutely the best team one can wish for. Their enthusiasm, entrepreneurship and hardworking culture has positioned the company on such a solid footing that we can emerge from this downturn stronger than ever.

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Hydrocarbons will continue to be the primary source of energy for generations to come and our industry will need to continue to make the necessary investments to explore, develop and produce the world's hydrocarbon resources. In this context, the future of Lundin Petroleum looks very exciting.

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My optimism is not just driven by an oil price recovery scenario…..something in any event we have no control over. My optimism is driven by the quality of our assets and the significant growth profile ahead of us with Lundin Petroleum today holding more than 1 billion barrels of reserves and resources.

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In 2016 we will be producing well in excess of 60'000 barrels of oil equivalent per day. During the first quarter of this year we have achieved an average production rate of 62,400 barrels of oil equivalent per day. This is well ahead of our guidance and an all-time record for Lundin Petroleum since our journey started back in 2001. This will increase to well over 100'000 barrels of oil equivalent per day by the time Johan Sverdrup first oil comes on stream towards the end of 2019 and will reach over 150'000 barrels of oil equivalent per day by the time Johan Sverdrup phase 2 is completed. This excludes any further successes in our Organic growth story, which is hard to imagine considering what has been achieved so successfully in the past.

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Today's oil industry is very much focused upon controlling costs and optimising production efficiency. In this regards I am very pleased with our recent performance with last quarter's production being at an all-time record and near to record low operating costs. And as you can see from this chart production will continue to grow and costs continuing to fall. It's my firm belief that we will also continue to generate further significant shareholder value through our ability to find new resources at low finding costs per barrel.

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At the time of our last AGM in 2015, three projects were successfully and safely completed; the Brynhild, Boyla and the Bertam projects. Since then, our fourth and largest ever-operated project, Edvard Grieg, was successfully completed, safely on budget and on schedule at the end of last year. This is a remarkable achievement by our Norwegian project team, our contractors and subcontractors. It was also made possible by the excellent support we received from our partners and the Government in Norway. At times images do replace a thousand words and the movie I'm about to show you perhaps best represents this extraordinary achievement.

(MOVIE)

I think you will all agree with me that Edvard Grieg showcases our impressive engineering skills and faultless project execution. Something we should all be very proud of. This field will generate tremendous value for Lundin Petroleum in the years to come. It will also provide the company the required cash flow to build our other extraordinary project, Johan Sverdrup.

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Taking a step back Edvard Grieg best represents the hugely successful organic growth strategy which we have followed since our journey started. The Edvard Grieg discovery kick-started the development of the Utsira High area and since then the evolution of the area has been nothing short of spectacular. The field was discovered in 2007 with Lundin Petroleum's first operated exploration well in Norway. At that time the Utsira High was estimated to hold just over 100 million barrels of oil. We continued to believe in our geological model and kept looking for more oil and by 2010 the resources in the area had grown to 400 million barrels. By the end of last year the gross resource base stood at an impressive 2.7 billion barrels. The success Lundin Petroleum has had in this area means that we have discovered more oil than anyone else in Norway over the last decade. This success story is the result of a very knowledgeable and innovative Team, a focused approach and a well thought-out strategy. If you add to this a good dose of perseverance and lots of enthusiasm then great things really can happen.

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Whichever way you look at Edvard Grieg's early performance since its start-up you will be able to draw one conclusion, well beyond expectation. Gross estimated reserves at the time of the submission of the plan of development were 187 million barrels and first oil was achieved 4 years later. Already, the field has grown by around 10% to 206 million barrels and I'm confident this upward trend in reserves will continue. Edvard Grieg was also a key discovery to unlock the secret code that lead to the discovery of Johan Sverdrup.

Today, Edvard Grieg is performing exceptionally well, driven by a combination of excellent facilities uptime performance in excess of 96 per cent as well as excellent well productivity well beyond our initial plan of development assumptions. A remarkable achievement by our operational team in Norway executed with the highest level of health and safety performance.

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And this nicely leads me to talk about the recently announced proposal by Lundin Petroleum to acquire Statoil's fifteen per cent interest in the Edvard Grieg field in exchange for newly issued shares in the company. We will benefit by increasing our exposure to this world class asset which we operate, adding additional reserves, production and cash flow and also increasing our exposure to additional growth potential right in the heart of one of our core areas in Norway. We also welcome Statoil as the second major shareholder and for its vote of confidence. The two companies will continue to operate independently with Statoil remaining supportive of Lundin Petroleum's management, its Board of Directors and strategy.

I'm absolutely convinced that this additional exposure in Edvard Grieg at the bottom of the industry cycle is the right thing to do and will lead Lundin Petroleum to emerge stronger than ever and ready to build upon the transformational growth already well under way.

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And when we mention future transformational growth we think primarily about Johan Sverdrup. In August last year the Johan Sverdrup phase 1 development plan was approved by the Norwegian Government. An historic day for both Norway and of course Lundin Petroleum. Johan Sverdrup will be one of the largest fields developed in the North Sea for the years to come. By the time it reaches its plateau production in excess of 600'000 barrels of oil per day, the field will account for about 40 percent of Norwegian oil production. The approval of the plan of development also meant that the company was able to book 513 million barrels of additional reserves, an increase of 292 percent compared to the previous year. I am sure you will agree with me that this is a phenomenal transformational growth.

Today, the project is well under way with now over 90 percent of the phase 1 contracts being awarded. We have entered the execution phase of the project with the ongoing development drilling and construction of the jackets as well as the topsides, which includes a drilling, accommodation, processing and a riser platform. We are on target to achieve first oil by the end of 2019.

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I used to say that the Johan Sverdrup project sits nicely in a perfect market environment right at the low of an oil cycle and at the time where all major contracts are being awarded. Today, I'm pleased to say that we do already see the benefit of being so well positioned in the market place with costs of phase 1 having been reduced by 12 percent. This cost trend, I'm convinced, will continue and we are going to see further costs reduction as we move towards phase two concept selection towards year end. In addition, we also see further optimization of the phase one facilities with gross production capacity increasing to about 440'000 barrels of oil per day compared to our previous guidance of 315'000 to 380'000 barrels of oil per day. To put things into perspective, this latest production optimization almost equates to a new Edvard Grieg field production wise!

Ultimately, this will lead to phenomenal value creation. There are only few fields in the world with such high quality and value and this, undoubtedly, will be the cornerstone of our company for many years to come. Johan Sverdrup is truly a unique world-class asset.

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In my first letter to shareholders I stated that the overall strategy of the company will not change and will continue to be primarily driven by organic growth and our ability to find new resources through successful exploration. This has generated tremendous value over the years with over 830 million barrels of reserves and resources discovered by Lundin Norway to date. In our industry you need to take a long-term view and along the way, whilst we will drill unsuccessful exploration wells, I remain confident in our ability to continue to find new resources within our core exploration areas. We have a great team of people, a clear strategy and some very exciting acreage positions. We will continue to generate significant shareholder value through our ability to find new resources at low costs per barrel.

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And when I mention further value creation, the Southern Barents Sea is clearly in the forefront of our minds. Over the years we have built an industry leading acreage position, which has so far produced two significant discoveries, Alta and Gotha, located in an area we call the Loppa High. Both discoveries are undergoing further appraisal and feasibility studies. This year, as in previous years, we will be one of the most active, if not the most active, company with further exploration and appraisal drilling activities. In addition, we are proactively working towards increasing our acreage position and have been very active participant in the latest 23rd bidding round which opens up a completely new and exciting area towards the east of the Southern Barents Sea. It’s anticipated the Government of Norway will announce the awards in the summer of this year. There is no question in my mind that the Southern Barents Sea will become another significant producing area in Norway with already over a billion barrels of oil resources discovered to date. More importantly, Lundin Petroleum will be part of that process and I’m confident that our exploration team will continue to find more oil in this region.

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When I wake up in the morning I think of two things: how can we do better, finding and producing more oil, maximising value and ensuring our people go home safely and feeling they have made a difference. Corporate Social Responsibility, Health, Safety and Environmental best practice are embedded in our culture and this is something we all take very seriously at Lundin Petroleum.

With our main producing assets and future developments in Norway, we are extremely well positioned from an energy efficiency point of view. While some would decry the high level of carbon taxes, what we have found is that it has pushed us to become more innovative in the way of reducing both costs and our impact on the environment.

I'm also happy to announce that we have just published our first stand-alone Sustainability report. The fact that Corporate Responsibility is integrated into our strategy and management approach is not new; what is new is that we are now reporting according to an internationally recognized sustainability standards (GRI G4). In the report, we show you how we manage issues such as Health and Safety, Labor Standards, Anti-Corruption, Human Rights and the environment, by giving you both facts and figures so our performance can be measured against that of our peers.

We are proud about the way we do things and I hope that as shareholders, you are proud of us too.

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And finally there is not a day that I don't think how lucky we are to have such a great team of people, because individually and collectively they are the ones who make it possible for this company to keep on innovating, finding new solutions everyday and getting better at doing it! So, a big thank you to the Lundin Petroleum Team worldwide for making this company such a great success. To the Board and the Lundin Family for your confidence, continued support and above all for giving me the opportunity to take the helm of such an extraordinary company. To you, fellow shareholders, I am very grateful for your continued support.

So, for now, fasten your seatbelts, it's going to be full steam ahead from here on!

Thank You.

Alex Schneiter

President and CEO