

# Operations & Financial Update

## First Six Months 2017

Alex Schneider, President & CEO  
Teitur Poulsen, CFO  
2 August 2017



# First Six Months 2017

## Highlights

### Strong Production

- 1H 2017: 86.1 Mboepd
- Q2 2017: 89.5 Mboepd
- Revised guidance for the year to 80 – 85 Mboepd

### Low Operating Cost

- 1H of 4.09 USD/boe (Q2 of 4.14 USD/boe)
- Revised guidance for the year to 4.60 USD/boe

### Johan Sverdrup progress

- Phase 1 over 50% complete – first oil 2019
- First jacket successfully installed 27<sup>th</sup> July

### Growth Opportunities

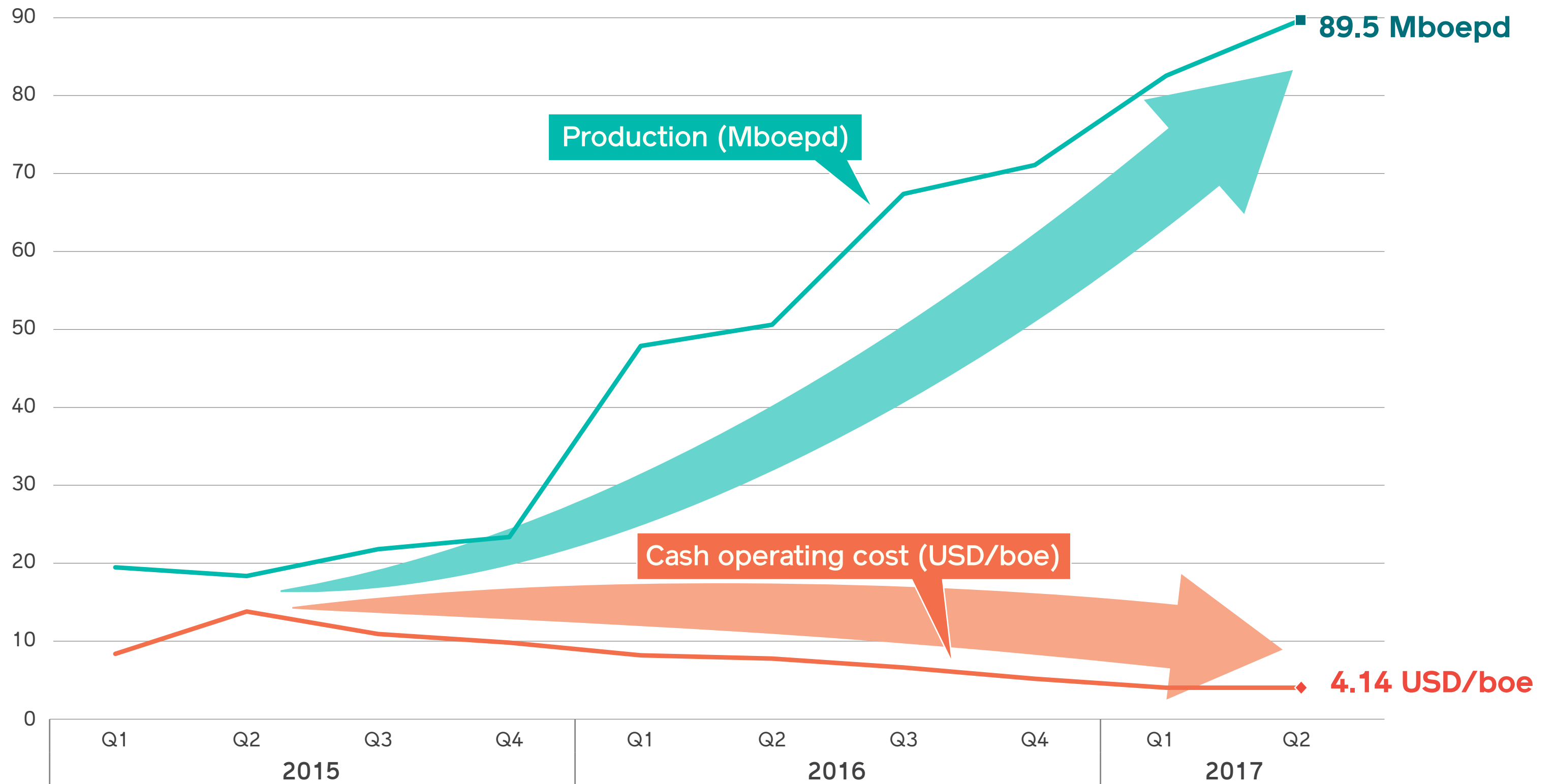
- Alta-4 appraisal confirmed very good reservoir and good pressure communication
- 4 further high impact exploration wells planned in 2017
- Year-end reserve upgrade anticipated

### Successful IPC Spin-off

- Spin-off of IPC completed – dividend distribution through IPC shares of MUSD 410 to Lundin Petroleum's shareholders

# Lundin Petroleum

## Production vs Operating Costs

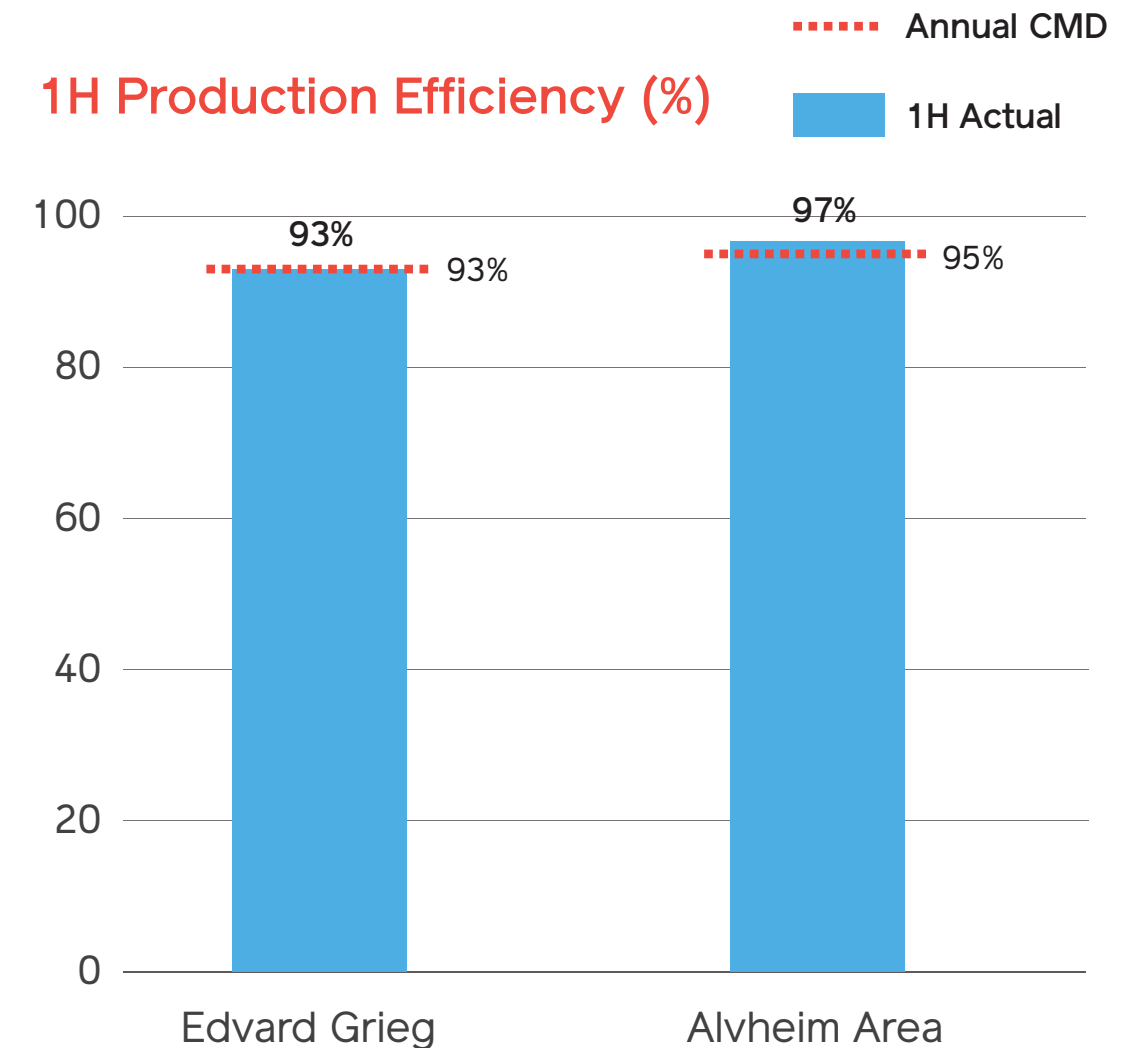
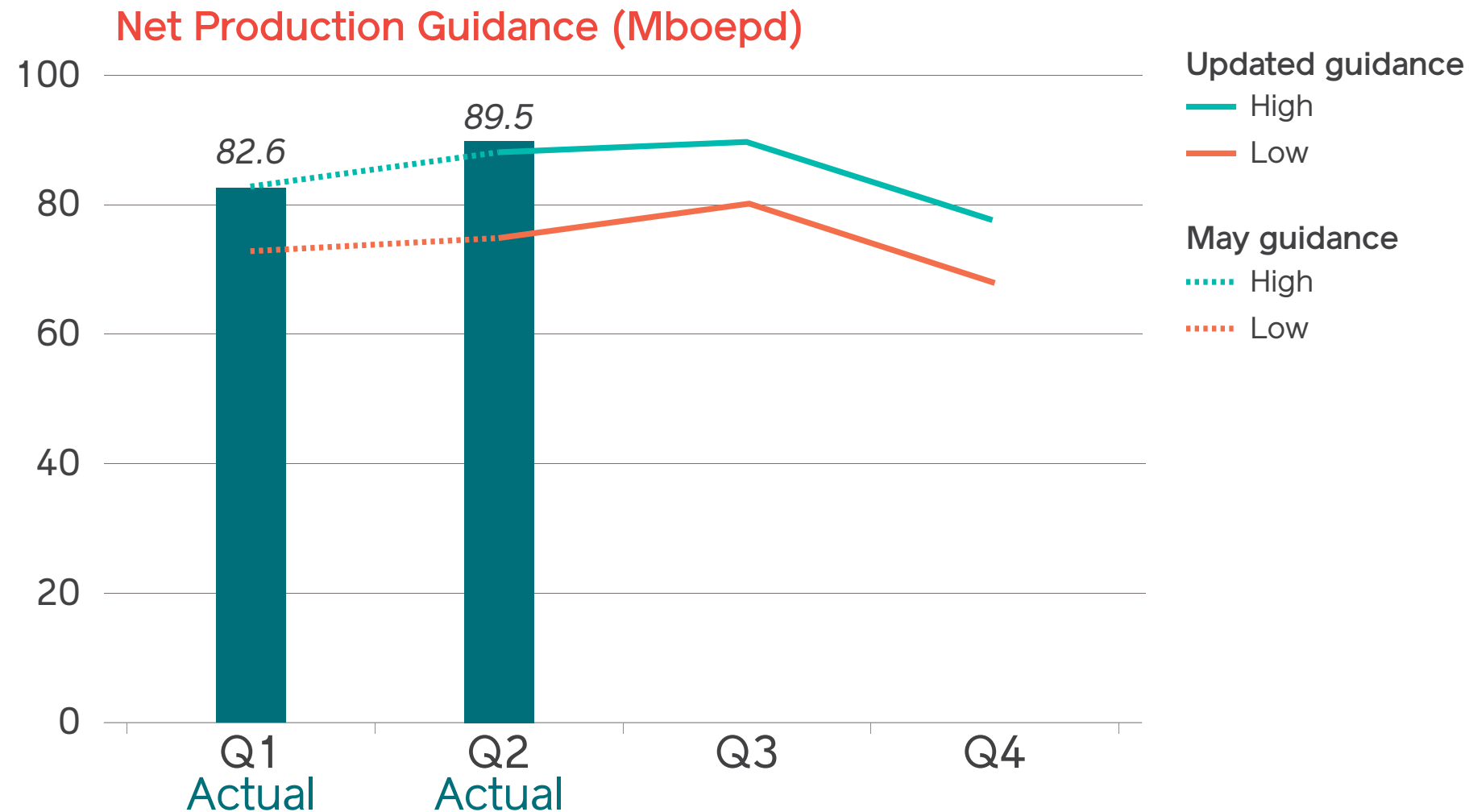
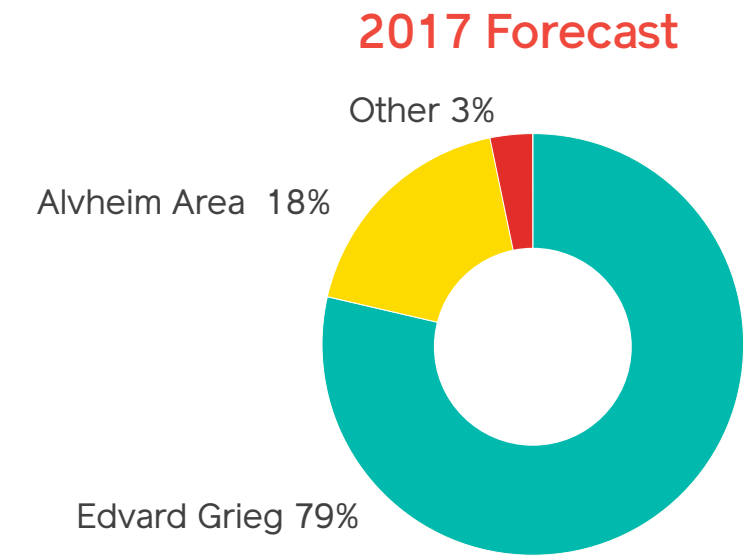


Excludes international assets

# Lundin Petroleum

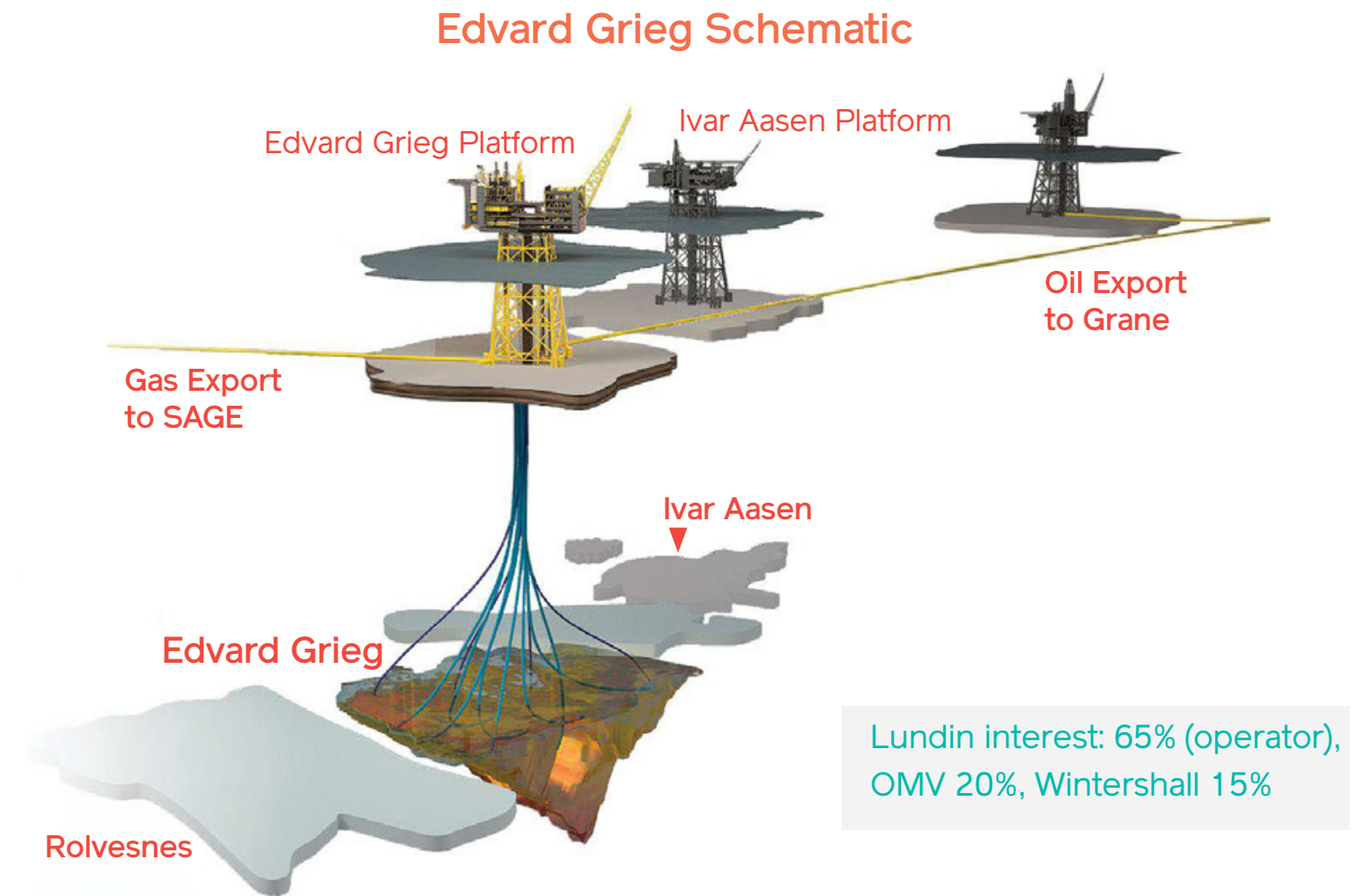
## 2017 Production

- 1H production of 86.1 Mboepd
  - Q2 production of 89.5 Mboepd exceeds upper end of guidance
  - Reservoir and facilities outperformance
  - Increased Edvard Grieg facilities capacity
  
- Full year production guidance updated:
  - Updated guidance – August: 80 – 85 Mboepd
  - Updated guidance – May: 75 – 85 Mboepd
  - Original guidance – January: 70 – 80 Mboepd



# Edvard Grieg

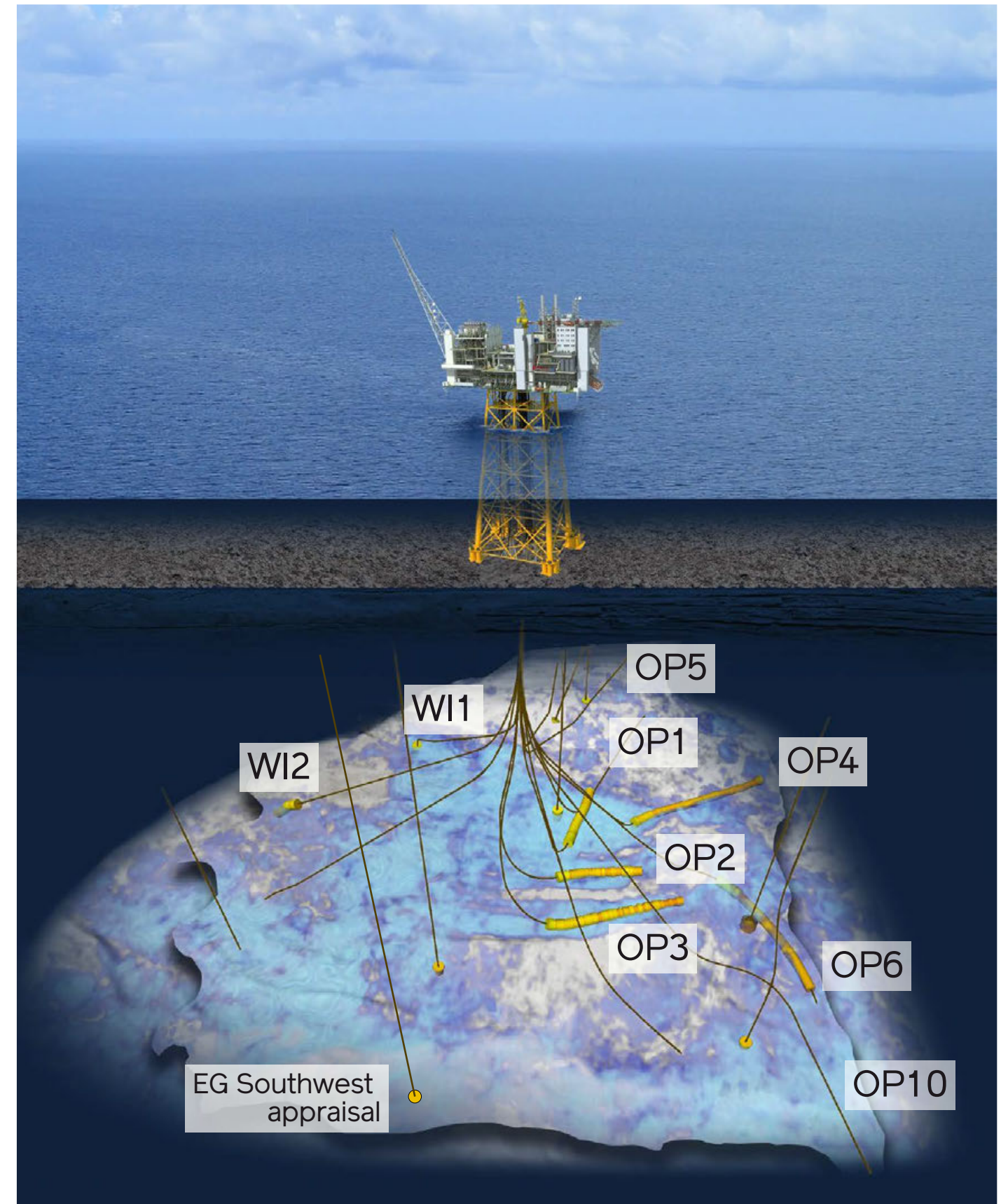
- Facilities able to produce 15% above design capacity level
  - ➔ 6 producing wells on stream
  - ➔ 2 water injection wells online
  - ➔ Reservoir performance better than expectation
- Drilling 14 wells from jack-up rig
  - ➔ 7<sup>th</sup> producer well currently drilling
  - ➔ 2 further wells to be drilled in 2017
- Further 2P reserves increase expected from current 223 MMboe gross 2P reserves
- 1H 2017 operating costs 4.66 USD/boe (3.95 USD/boe including tariff netting)



# Edvard Grieg

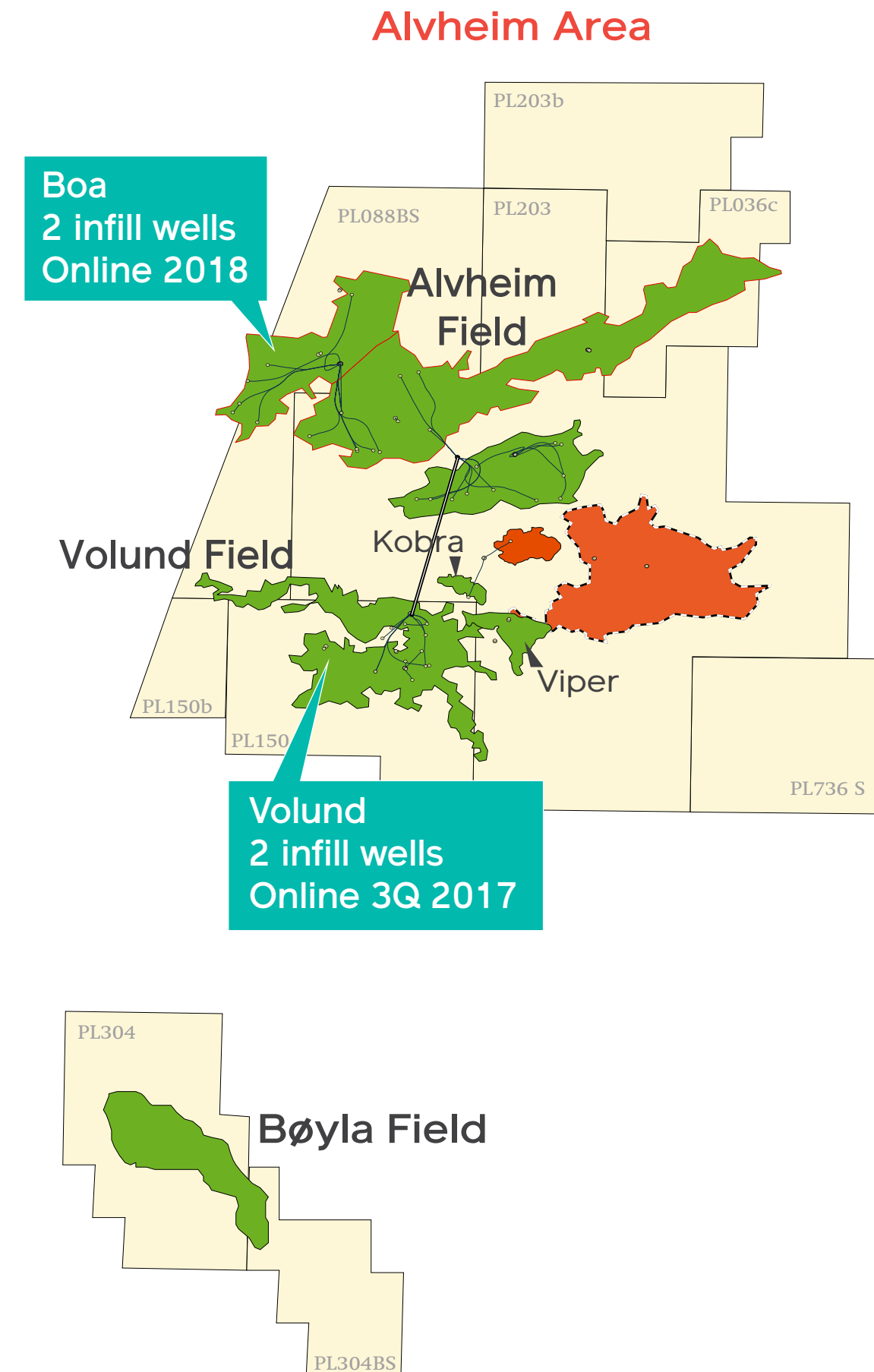
## Reservoir Performance

- Southwest appraisal well
  - ➔ 10 – 30 MMboe gross resource upside
  - ➔ Potential resource upside in other areas of the field
- OP6 – first conglomerate well
  - ➔ Results as prognosis
  - ➔ Communication with rest of field
  - ➔ OP10 follow-up well currently drilling
- OP5 – northern Tellus area
  - ➔ Results as prognosis
  - ➔ Contribution from weathered/fractured basement
  - ➔ Communication with rest of field
- Reservoir depletion rate more favourable than anticipated
  - ➔ No water production (expected late 2016)
- Reservoir model being updated
  - ➔ Updated reserves and profiles end 2017



# Alvheim Area

- ➔ 1H 2017 operating costs 3.41 USD/boe
- ➔ **Alvheim**
  - ➔ Viper/Kobra producing above expectations
  - ➔ 2 Boa infill wells in 2017 – online 2018
- ➔ **Volund**
  - ➔ 2 wells completed – results as expected
  - ➔ First well online and second expected on production by mid-August



# Johan Sverdrup

## Phase 1

- ➔ Construction ongoing at 22 sites
- ➔ Project on schedule and over 50% complete
- ➔ Riser Platform Jacket installed end July
- ➔ Pre-drilled wells ahead of schedule
  - ➔ 8 producers completed
  - ➔ 10 water injectors commenced
- ➔ Capex reduced by ~30% compared to PDO<sup>(1)</sup>
- ➔ Gross resources increased to 2.0 – 3.0 billion boe
- ➔ First oil late 2019

Working Interest – Johan Sverdrup Unit	
Statoil	40.0267%
<b>Lundin</b>	<b>22.6000%</b>
Petoro	17.3600%
Aker BP	11.5733%
Maersk	8.4400%



<sup>(1)</sup> (1) FX assumption USD:NOK 8.25

<sup>(2)</sup> As per Statoil's latest guidance March 2017



# Johan Sverdrup

## Phase 1 - Riser Platform Jacket Installation

- ➔ First major offshore installation milestone delivered on schedule
- ➔ Remainder of platforms are scheduled for installation in 2018/2019

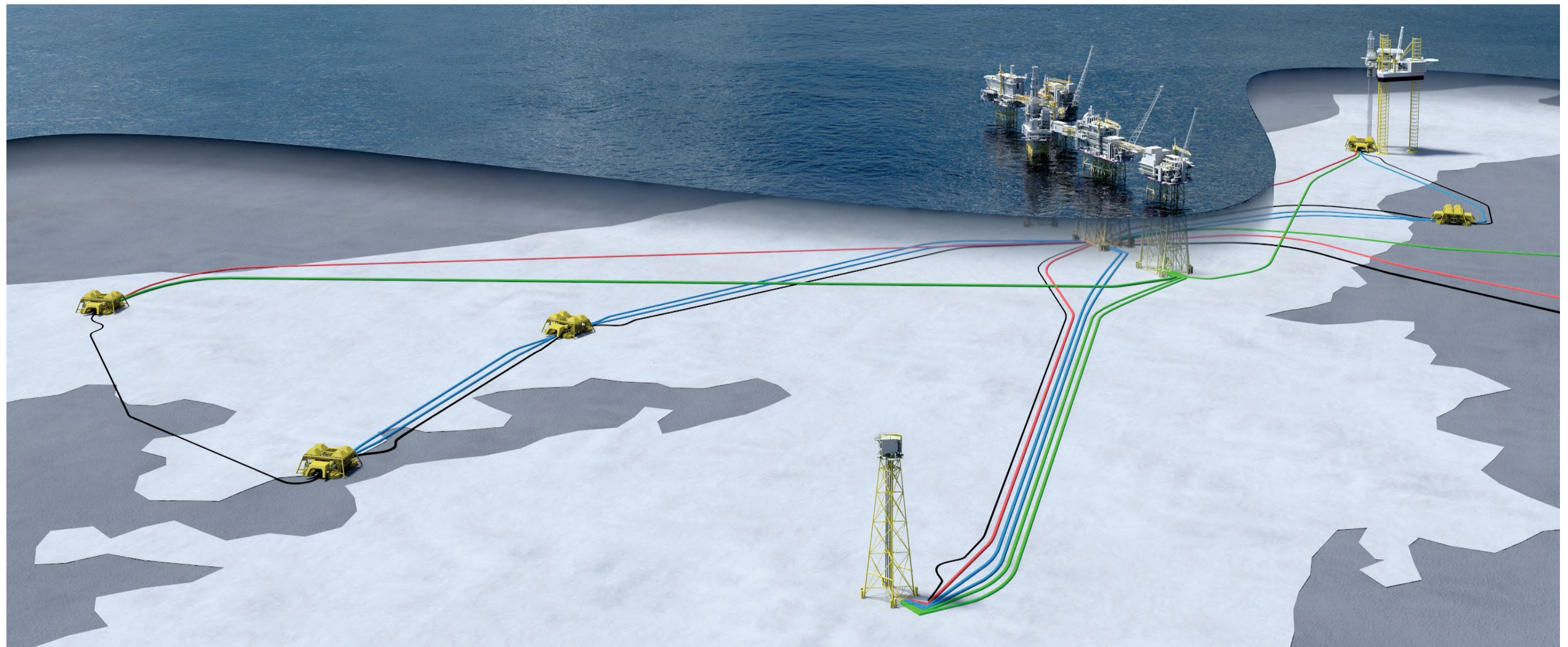


Photographer: Jan Arne Wold - Statoil

# Johan Sverdrup

## Phase 2

- Concept Selection (DG2) decided upon
  - ➔ FEED contracts awarded
- Phase 2 PDO 2H 2018 and First Oil 2022
- Costs ~50% reduced from original Phase 1 PDO
- Full field breakeven oil price < 25 USD/bbl



# Exploration

## Searching for the Next Elephant



Alvheim

Edvard Grieg

Johan Sverdrup

Alta / Gohta

Neiden

Filicudi (Discovery)

Børselv

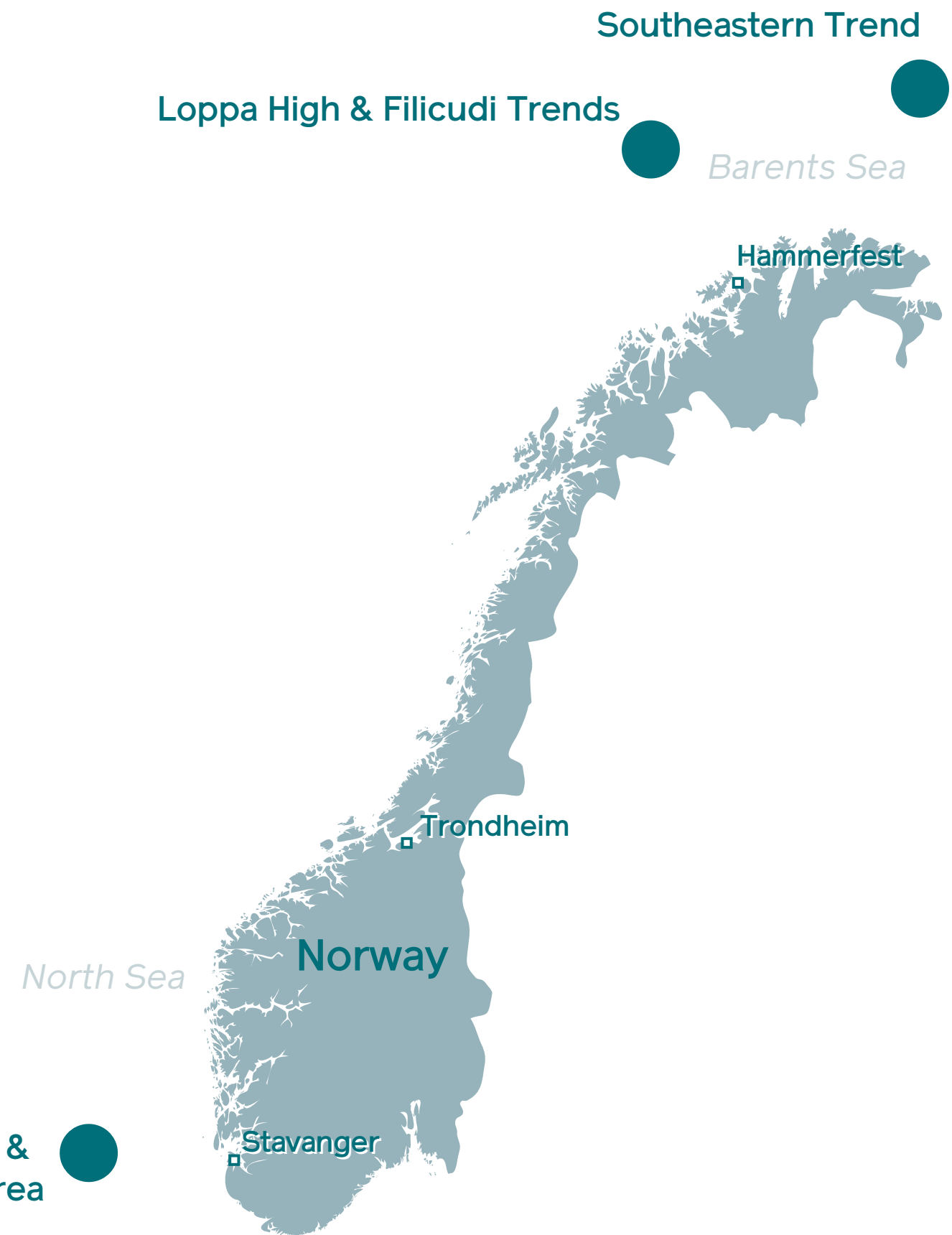
Hufsa

Hurri

Korpfjell

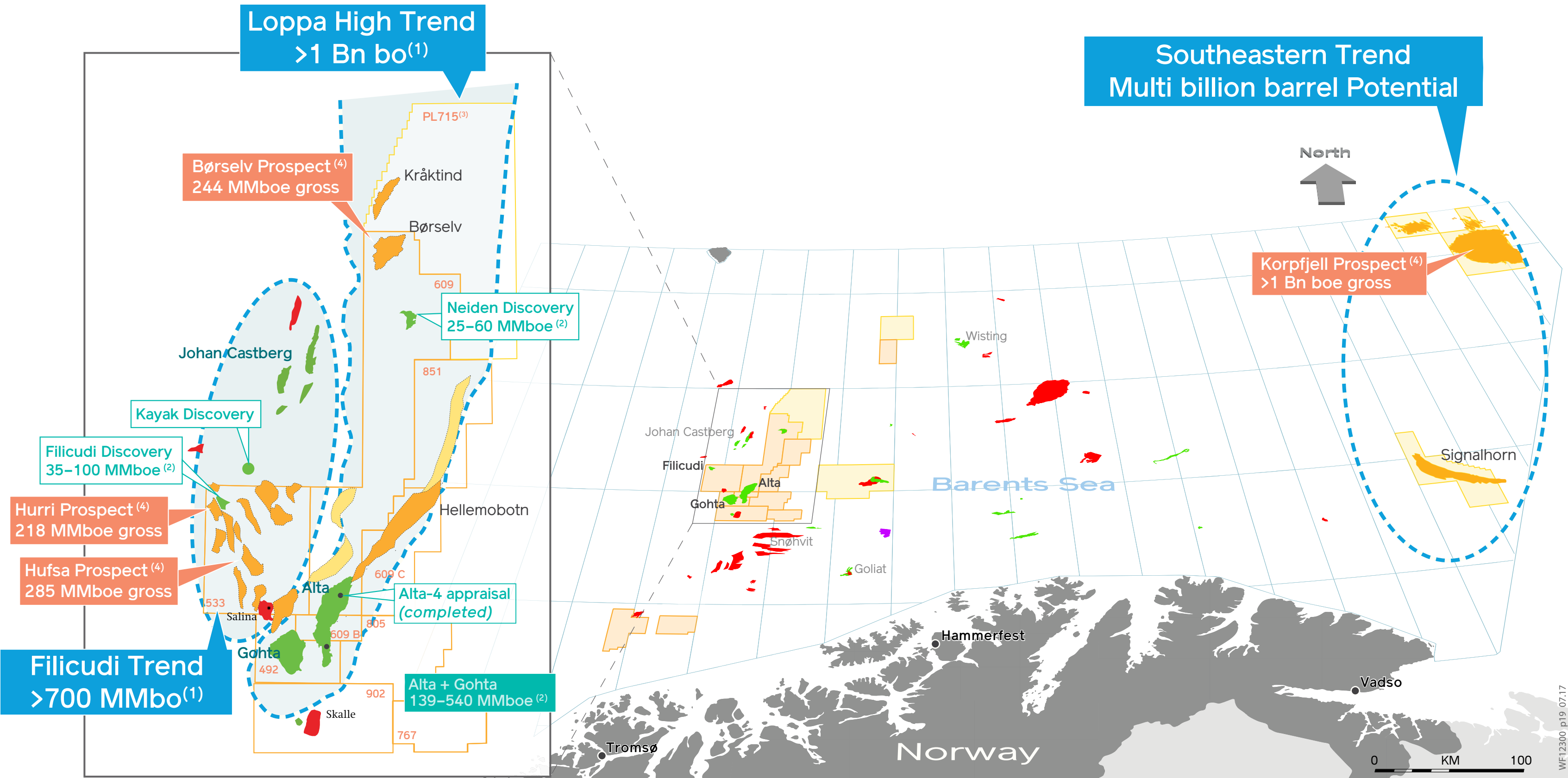
# Lundin Petroleum Exploration Strategy

- Focus on organic growth
- 3 high impact trends in southern Barents Sea
  - Continuous activity
- Utsira High, Alvheim Area and Norwegian Sea
  - Maturing further prospects
- 2017 exploration drilling
  - 4 further exploration wells in the southern Barents Sea
  - >500 MMboe net unrisked prospective resources targeted



# Southern Barents Sea

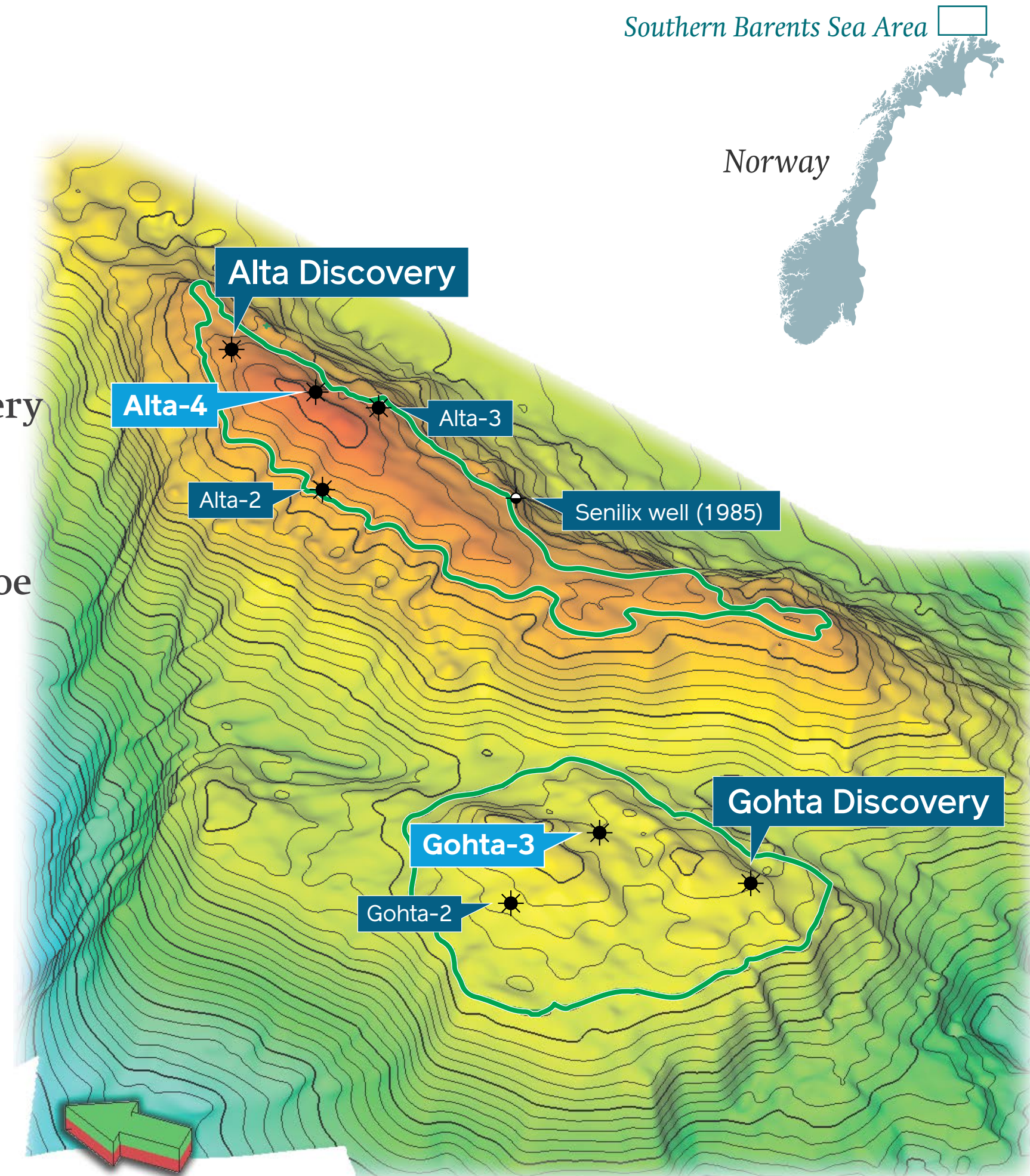
## 3 High Impact Exploration Trends



<sup>(1)</sup> Gross contingent plus prospective resource potential <sup>(2)</sup> Gross contingent resources <sup>(3)</sup> Subject to government approval <sup>(4)</sup> 2017 drilling

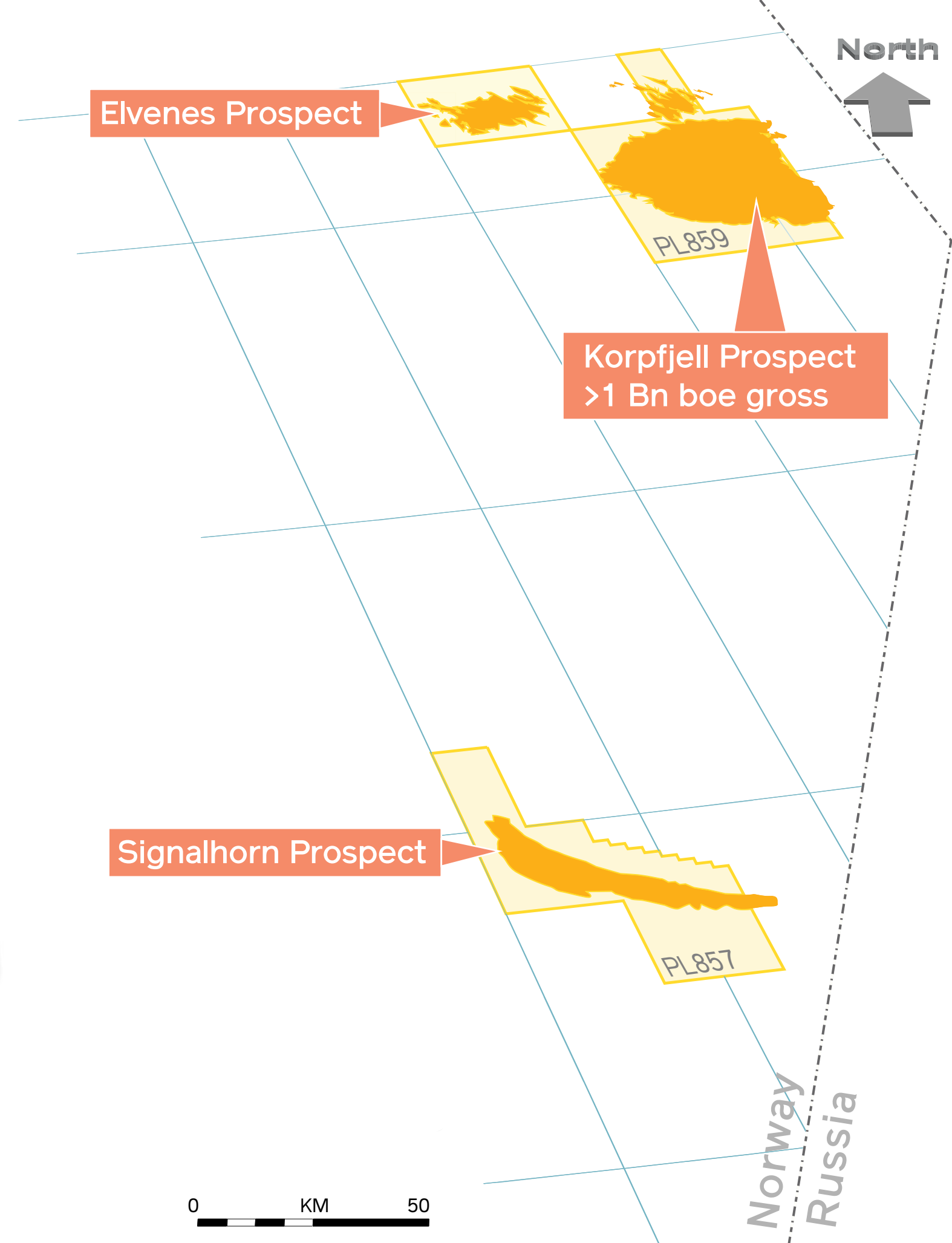
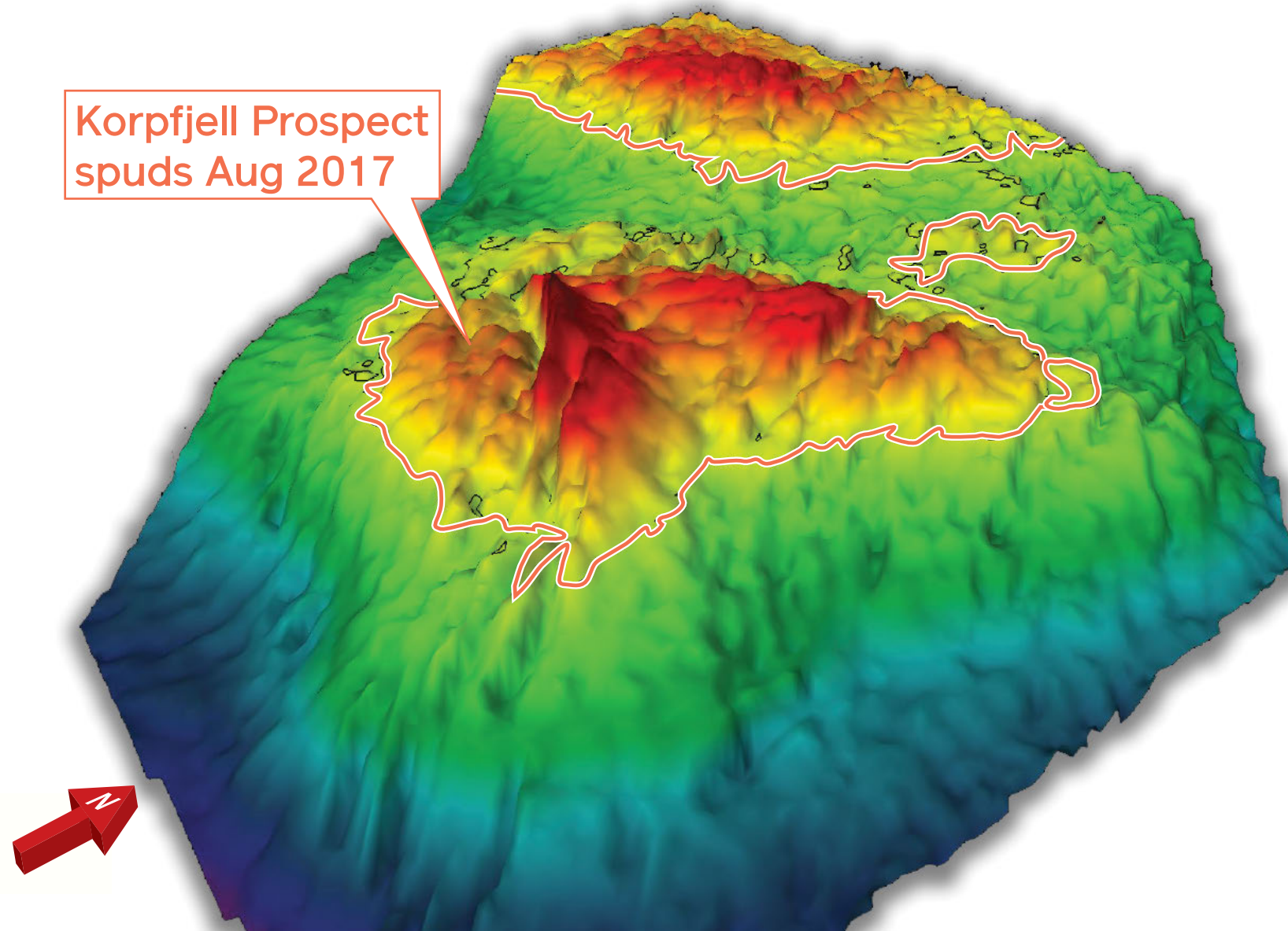
# Southern Barents Sea Alta / Gohta

- ➔ Gohta-3 appraisal well
  - ➔ Poor reservoir quality
  - ➔ Downgrades resource estimate – update at year end
- ➔ Gohta considered as satellite to larger Alta discovery
  - ➔ No impact on Alta appraisal and conceptual development plans
- ➔ Alta gross contingent resources – 125 to 400 MMboe
- ➔ Alta-4 appraisal well
  - ➔ 48 metres gross hydrocarbon column
  - ➔ Tested 6,050 bopd
  - ➔ Very good reservoir and good communication across accumulation
  - ➔ Sidetrack to assist with placement of horizontal well for possible Extended Well Test (EWT)
- ➔ Alta programme:
  - ➔ New “high-spec” 3D seismic – currently ongoing
  - ➔ Planning for EWT in 2018



# Southeastern Barents Sea Korpfjell Prospect

- PL859 (Statoil operator, Lundin 15%)
- Multi-billion barrel resource potential
- Structure aerial closures 3–4 times the size of Johan Sverdrup
- 2017 drilling



# First Six Months 2017

## Financial Highlights from Continuing Operations

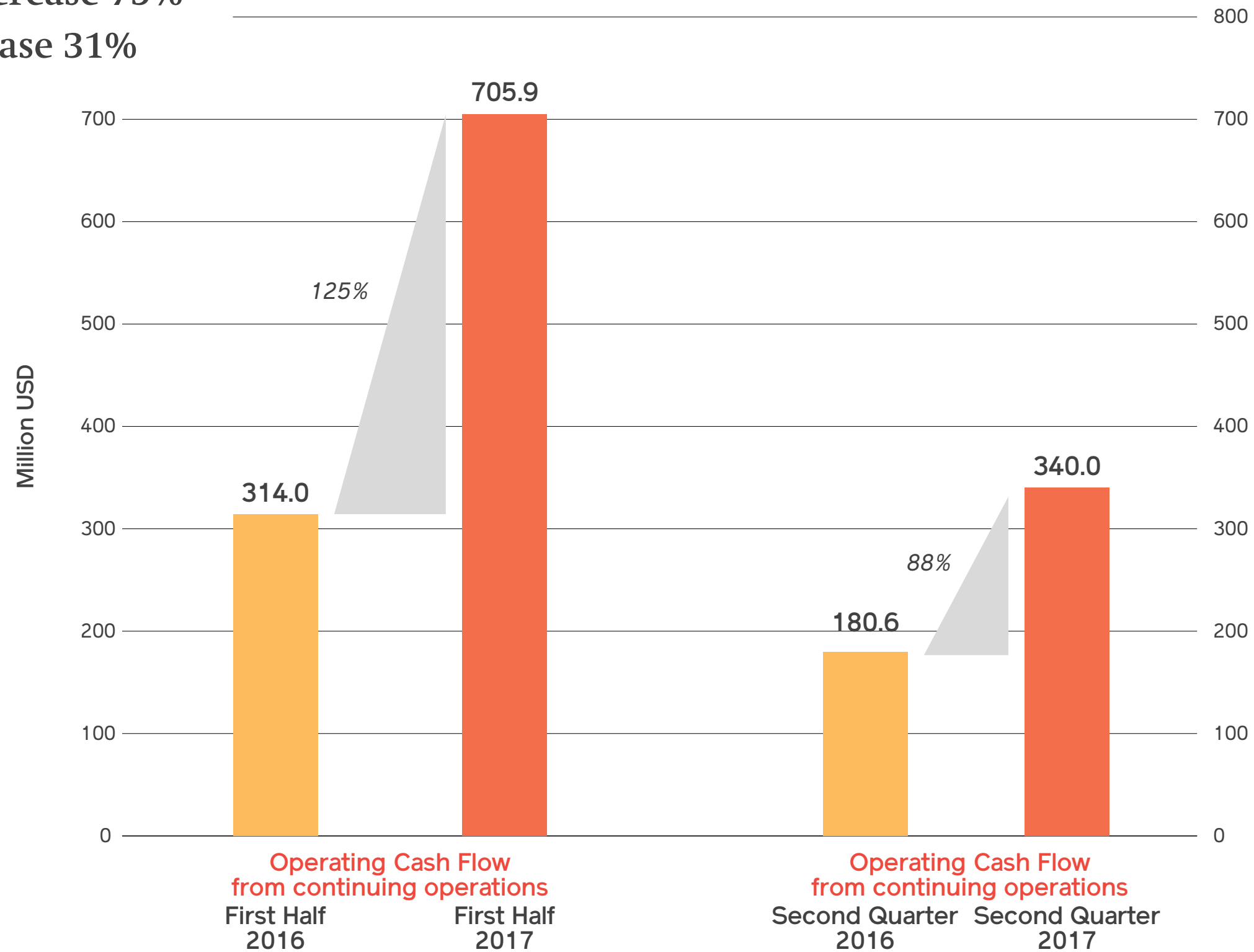
	Second Quarter 2017	First Half 2017
Production (boepd)	89.5	86.1
Average Brent oil price (USD/boe)	49.75	51.80
Cash operating costs (USD/boe)	4.14	4.09
EBITDA (MUSD)	333.5	689.3
Operating cash flow (MUSD)	340.0	705.9
Net result (MUSD)	145.6	204.8



# First Six Months 2017

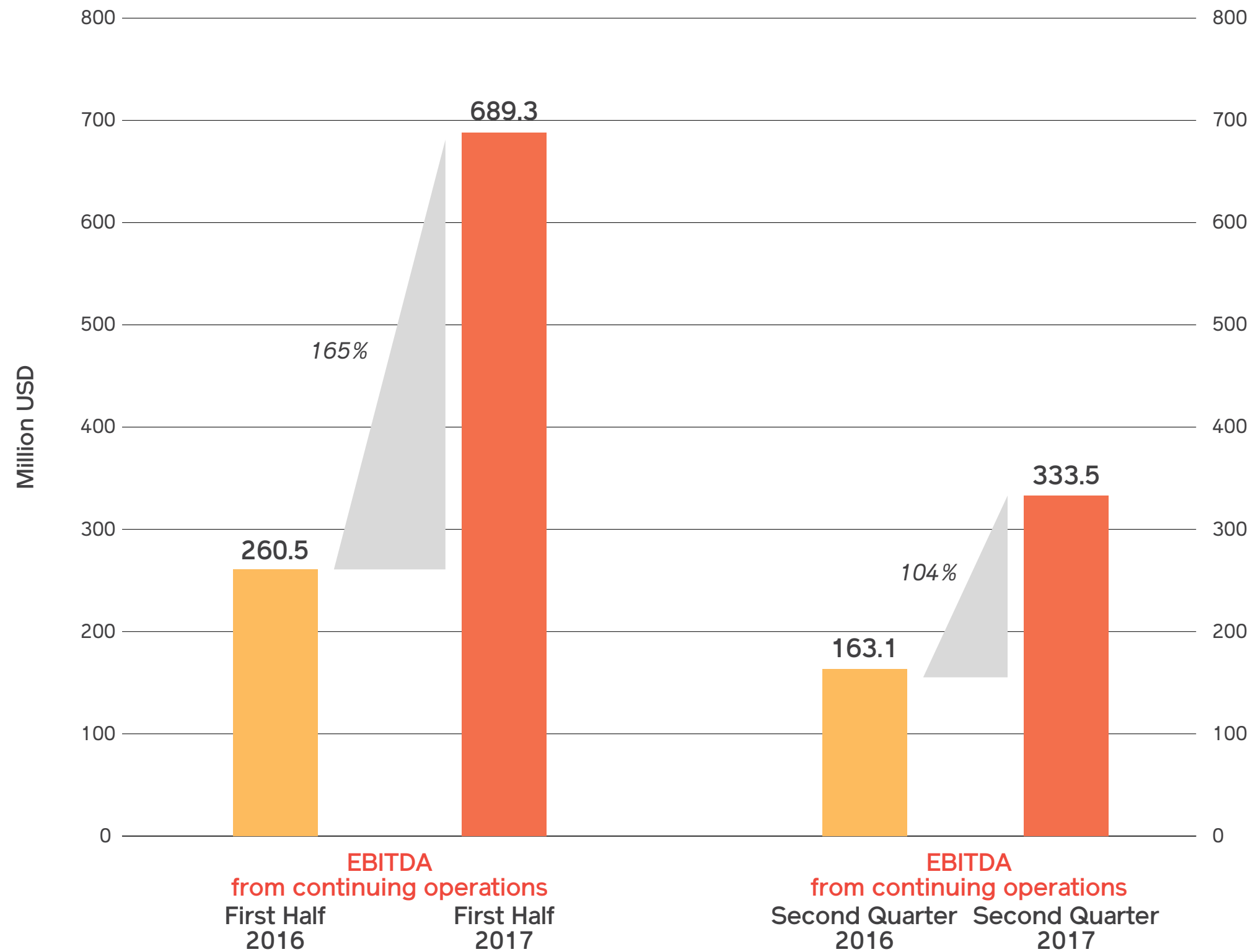
## Financial Results from Continuing Operations

- ➔ Production increase 75%
- ➔ Oil price increase 31%



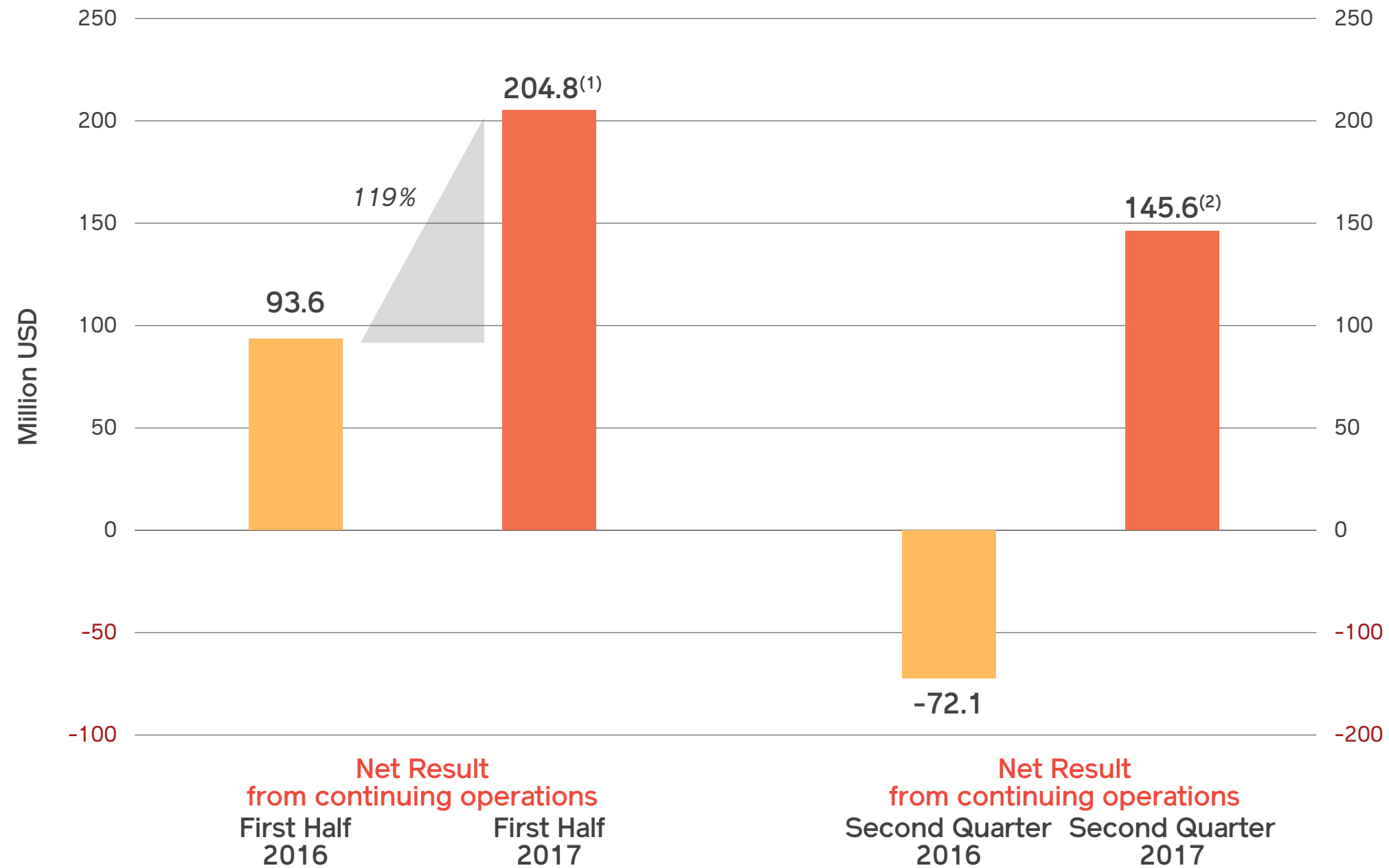
# First Six Months 2017

## Financial Results from Continuing Operations



# First Six Months 2017

## Financial Results from Continuing Operations

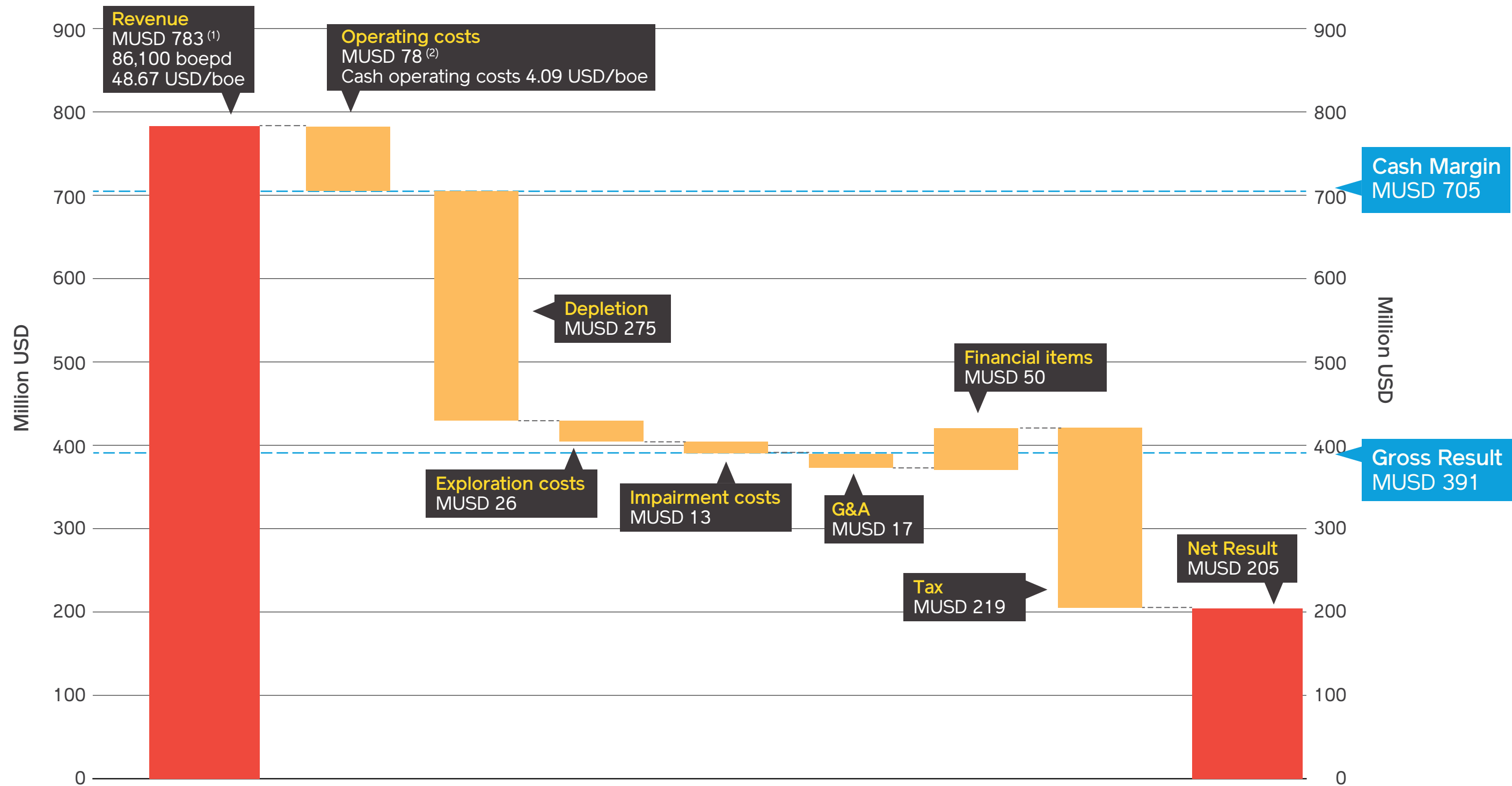


<sup>(1)</sup> Includes increase in net foreign exchange gain compared to first half 2016 of MUSD 29.0

<sup>(2)</sup> Includes increase in net foreign exchange gain compared to second quarter 2016 of MUSD 196.9

# First Six Months 2017

## Financial Results from Continuing Operations



<sup>(1)</sup> Revenue includes changes in under/overlift positions and excludes revenue from third party activities

<sup>(2)</sup> Operating costs excludes costs relating to third party activities

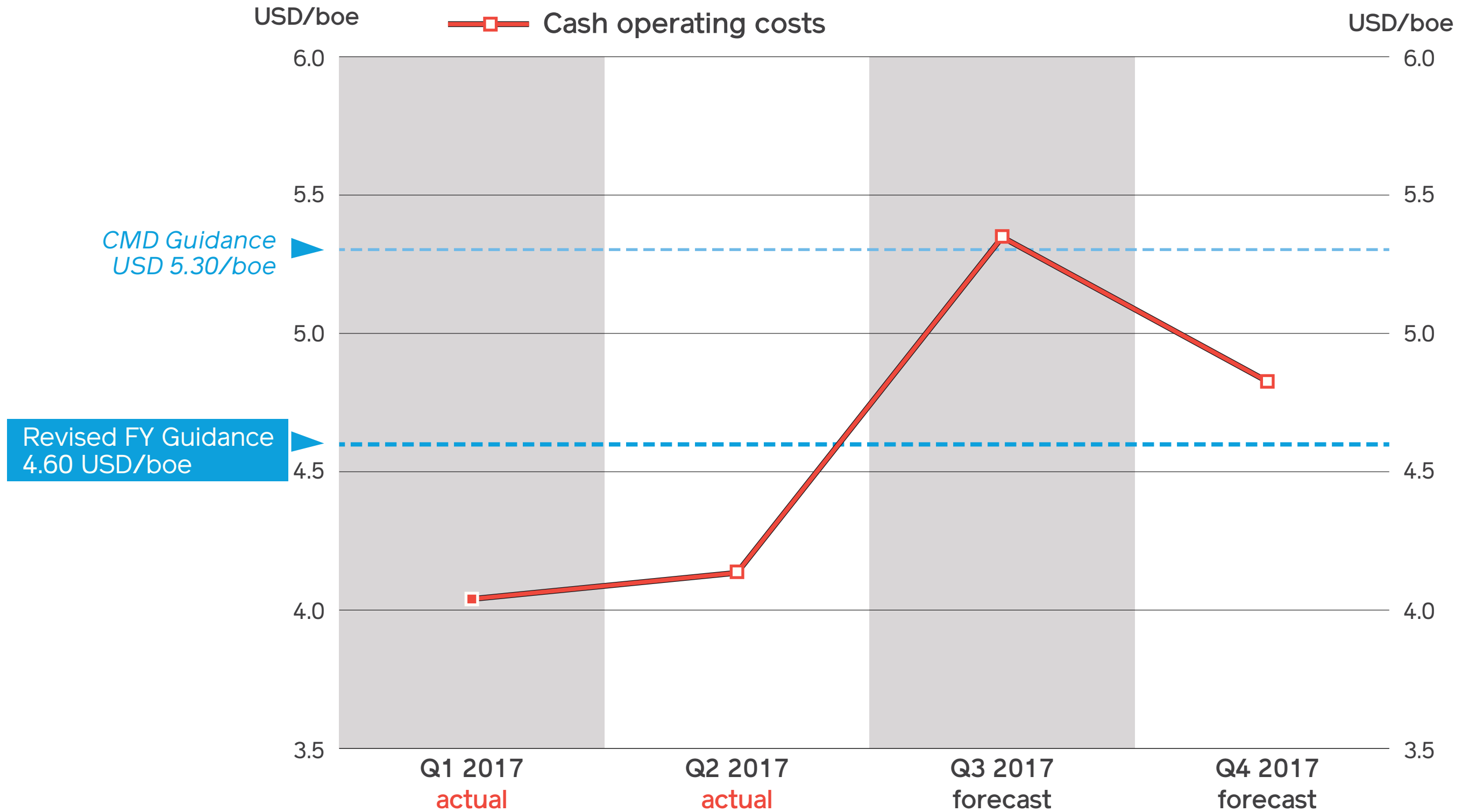
# First Six Months 2017

## Netback (USD/boe) from Continuing Operations

	(1) Adjusted for depreciation	Second Quarter 2017	First Half 2017
<i>Average Brent oil price USD/boe</i>		49.75	51.80
<b>Revenue</b>		46.70	48.67
Cost of operations	- Base	-3.23	-3.29
	- Projects	-0.31	-0.26
Tariff & transportation		-0.60	-0.54
Inventory movements		-0.01	0.03
Other		-0.40	-0.37
<b>Cash Margin</b>		42.15	44.24
Cash taxes		0.17	0.07
<b>Operating Cash Flow</b>		42.32	44.31
General and administration costs (1)		-0.63	-0.99
<b>EBITDA</b>		41.52	43.25

# Forecast 2017

## Cash Operating Costs from Continuing Operations



# First Six Months 2017

## Exploration and Impairment Costs from Continuing Operations

	First Half 2017 MUSD	First Half 2017 after Tax MUSD
Norway (Mainly PL492 Gohta-3 and PL150 Volund West)	25.1	5.5
Russia	0.8	0.8
<b>Exploration Costs</b>	<b>25.9</b>	<b>6.3</b>
<b>Impairment Costs (Norway PL148 Brynhild <sup>(1)</sup>)</b>	<b>13.2</b>	<b>2.9</b>

<sup>(1)</sup> Divestment 39% of Brynhild with further loss on closing of the deal to be reported of approximately MUSD 16 after tax

# First Six Months 2017

## G&A / Financial Items from Continuing Operations

	Second Quarter 2017 MUSD	First Half 2017 MUSD
<b>General &amp; Administration Expenses</b>		
General & administration	5.0	14.9
Long Term Incentive Plan	0.7	1.8
	<b>5.7</b>	<b>16.7</b>
<b>Net Financial Items</b>		
Foreign exchange gain <sup>(1)</sup>	118.8	139.2
Interest expense <sup>(2)</sup>	-29.5	-58.1
Interest expense hedge	-5.0	-11.0
Loan commitment fees	-2.6	-5.4
Amortisation of loan fees	-4.2	-8.5
Other	-3.0	-6.4
	<b>74.5</b>	<b>49.8</b>

<sup>(1)</sup> Includes MUSD 6.2 loss on settled currency hedges

<sup>(2)</sup> An additional amount of interest expense of MUSD 26.6 has been capitalised in the reporting period



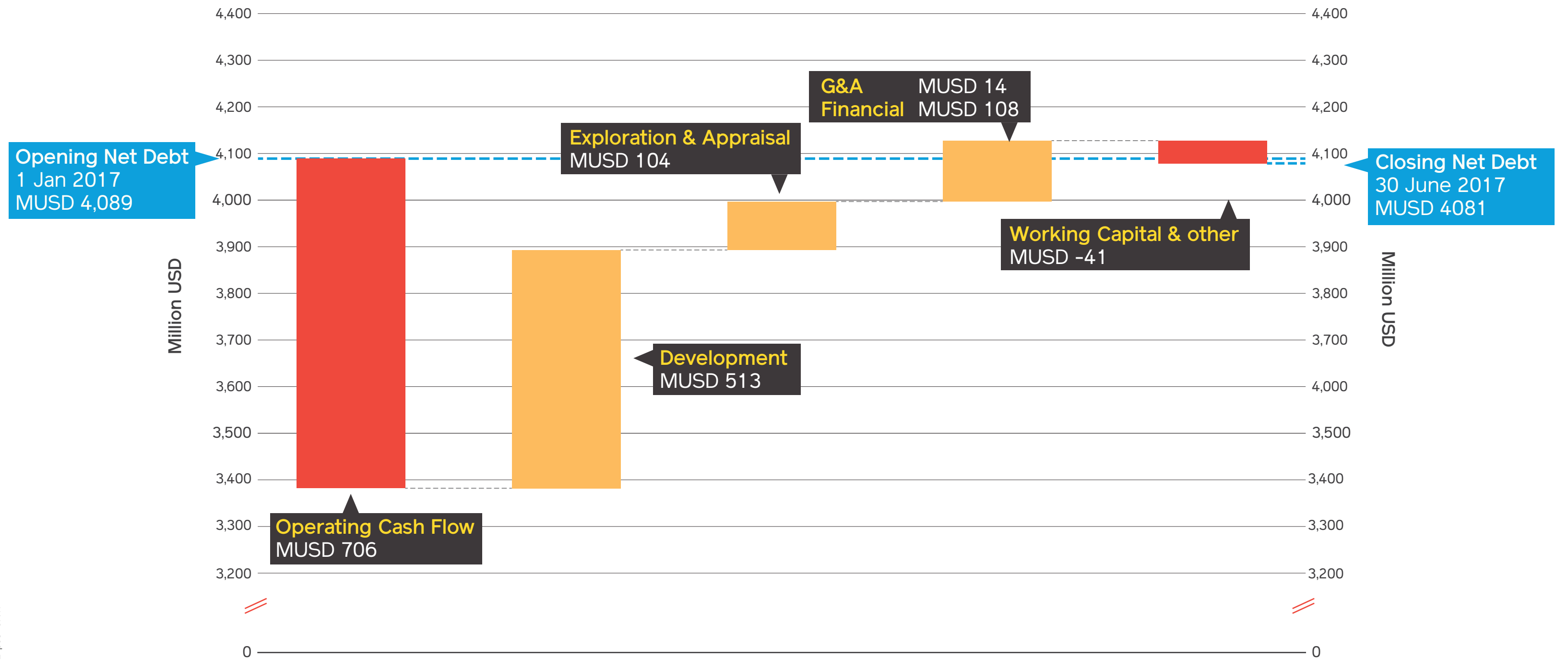
# First Six Months 2017

## Tax from Continuing Operations

	<i>USD/boe</i>	Second Quarter 2017	First Half 2017
Current tax		-0.17	-0.07
Deferred tax		10.35	14.12
		<b>10.18</b>	<b>14.05</b>

# First Six Months 2017

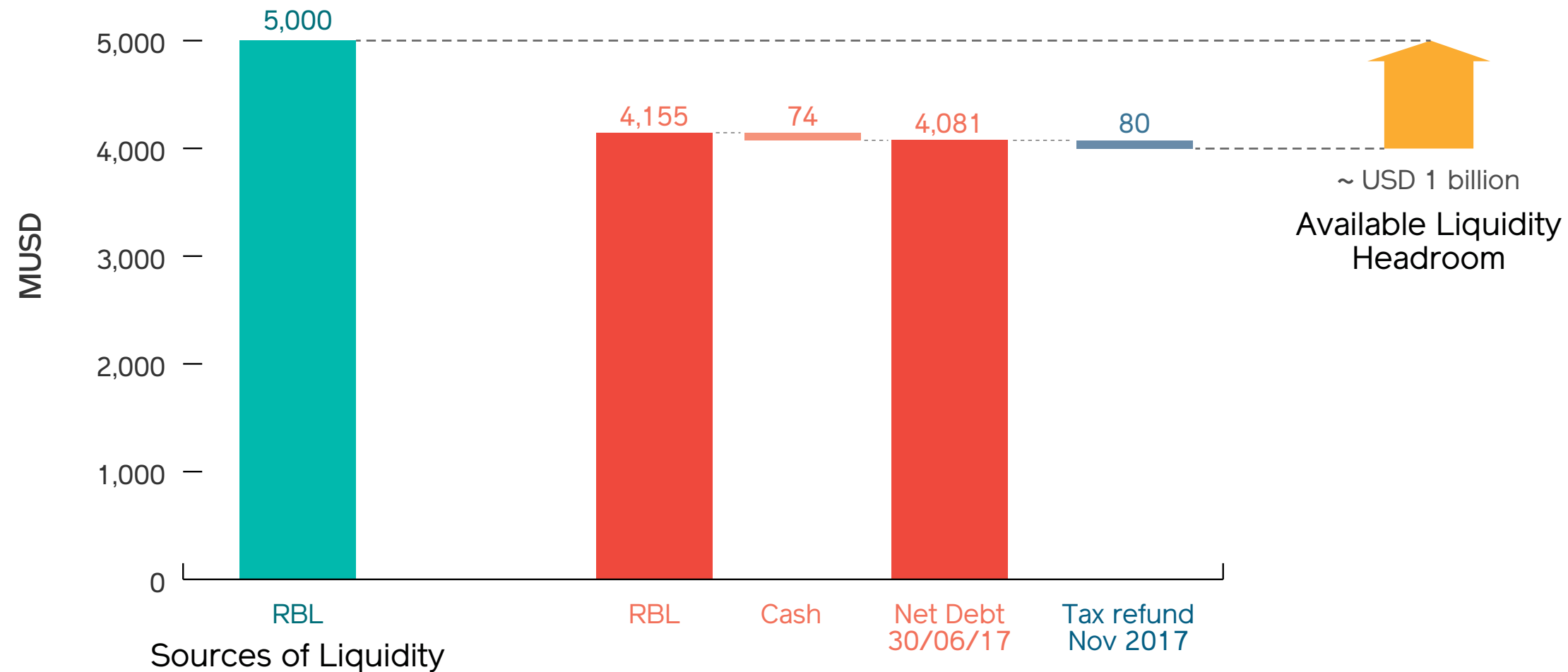
## Debt Position from Continuing Operations



# 2017 Funding

## Liquidity and Net Debt

- 7 year USD 5.0 billion RBL secured in February 2016 - fully committed
- Attractive margin: 315 bps
- 5 year grace period (no amortisation until end 2020)



- Fully funded up to Johan Sverdrup first oil at average Brent price of ~40 USD/boe

# Hedges

as at 30 June 2017

	Currency		
	BUY MNOK	SELL MUSD	Average rate NOK : USD
Q3–Q4 2017	1,744.6	211.2	8.26
2018	3,493.0	424.2	8.23
2019	1,672.4	200.4	8.35
	6,910.0	835.8	8.27

	Interest rate	
	Borrowings MUSD	Floating LIBOR rate per annum
Q3–Q4 2017	3,000	1.66%
2018	3,000	1.87%
2019	3,000	1.42%

# First Six Months 2017

## Summary

- ➔ Record 1H production of 86.1 Mboepd above top end of guidance
- ➔ Further increased production guidance to 80–85 Mboepd
- ➔ Record low 1H operating costs of 4.09 USD/boe
- ➔ Further reduced operating cost guidance to 4.60 USD/boe
- ➔ Edvard Grieg reservoir outperforming
- ➔ Johan Sverdrup project on schedule and capex reduced by ~30% compared to PDO. Further cost reductions likely
- ➔ Alta-4 appraisal confirms very good reservoir and communication across large Alta structure
- ➔ High impact exploration drilling – Filicudi success, 4 further wells in 2017
- ➔ Strong HSE track record

# Disclaimer

## Forward-Looking Statements

Certain statements made and information contained herein constitute "forward-looking information" (within the meaning of applicable securities legislation). Such statements and information (together, "forward-looking statements") relate to future events, including the Company's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to estimates of reserves and/or resources, future production levels, future capital expenditures and their allocation to exploration and development activities, future drilling and other exploration and development activities. Ultimate recovery of reserves or resources are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements". Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations and assumptions will prove to be correct and such forward-looking statements should not be relied upon. These statements speak only as on the date of the information and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. These forward-looking statements involve risks and uncertainties relating to, among other things, operational risks (including exploration and development risks), production costs, availability of drilling equipment, reliance on key personnel, reserve estimates, health, safety and environmental issues, legal risks and regulatory changes, competition, geopolitical risk, and financial risks. These risks and uncertainties are described in more detail under the heading "Risks and Risk Management" and elsewhere in the Company's annual report. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive. Actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements are expressly qualified by this cautionary statement.

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