

The Board of Directors' statement to the revised dividend proposal to the Annual General Meeting 2020

The Board of Directors hereby presents the following statement regarding its assessment of whether the revised proposal for a dividend is justifiable with regards to the provisions of Chapter 17, section 3, paragraphs 2 and 3 of the Swedish Companies Act.

The proposed dividend of USD 1.00 per share (corresponding to a total of approximately MUSD 284) represents approx. 5.5 percent of the funds at disposal of the AGM. The dividend represents approx. 22 percent of the Group's free cash flow and 34 percent of the net result for 2019. The equity of the Company is MSEK 55,242.8 before the proposed dividend and approx. MSEK 52,278.1 after the proposed dividend and the equity of the Group is MUSD 1,598.8 negative before the proposed dividend and approx. MUSD 1,882.9 negative following the proposed dividend. The Board of Directors considered that there is negative equity at Group level, however such equity is based on historical accounting determinations of book value, depreciations, foreign exchange results and the redemption of 54,461,831 shares during 2019, and does not take into account the fair market value of the assets held by the Group.¹

Following the proposed dividend, the liquidity of the Company and the Group remains at an adequate level and the proposed dividend does not affect the Company's or the Group's ability to meet its financial obligations including debt repayments or necessary investments. The Board of Directors has also assessed the scenario where there is a significant change in the USD to SEK exchange rate leading to the cap of SEK 5.188 billion being reached. Such a scenario does not affect the conclusions that the proposed dividend does not affect the Company's or the Group's ability to meet its financial obligations including debt repayments or necessary investments.

The Board of Directors considers that the proposed dividend is justifiable taking into account the financial position of the Company and the Group as a whole. The financial position of the Company and the Group is stated in the 2019 annual report available on the Company's website www.lundin-petroleum.com.

The Company's business does not entail higher risks than the risks associated with running a business in the oil industry in general. The Company is not affected by trade conditions in a way that deviates from its peers in the oil industry. Reference is also made to the Directors' report contained in the 2019 annual report. Since 31 December 2019 the coronavirus (covid-19) has spread across the world resulting in a significant threat to the global economy and financial markets, as well as adverse effects to oil and gas prices, which have also been compounded by the inability of OPEC+ to reach an agreement on supply constraints. The revised dividend proposal reflects these developments and no other significant events have occurred after 31 December 2019 that would affect the Company's ability to distribute a dividend.

Based on a comprehensive review of the financial position of the Company and the Group as a whole, as well as the proposed authorisation to repurchase shares, the Board of Directors is of the opinion that the proposed dividend is justifiable in view of the requirements that the nature and scope of, and risks involved in the Company's operations, place on the size of the Company's and Group's equity, as well as their consolidation needs, liquidity and position in other respects.

¹ The dividend is based on the number of shares in circulation on the record date and the total dividend amount may change by the record date as a result of repurchases of own shares or issue of new shares. The dividend is USD denominated, fluctuations in the USD to SEK exchange rate will have an impact on the total dividend amount.

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Lundin Petroleum AB (publ)
The Board of Directors

