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FOR IMMEDIATE RELEASE

27 December 2018

Faroe Petroleum plc (the "Company" or "Faroe")

Response to DNO's announcement and intention to publish an Independent Expert's asset valuation

The Board of Faroe (the "Board", "we") notes the announcement made today by DNO ASA ("DNO") in relation to its unsolicited offer for the entire issued and to be issued share capital of Faroe not already owned by DNO at 152p per share in cash (the "Offer").

The Board believes that there is nothing substantially new in DNO's announcement and notes that DNO continues to seek to justify its Offer based on a premium referenced to Faroe's share price on 3 April 2018, which fails to recognise the significant achievements Faroe has delivered since then, including the Iris/Hades and Agar discoveries, and the recently announced Equinor asset swap. The reality is that the DNO Offer represents a premium of only:

- 1% to the undisturbed three month volume weighted average share price (VWAP)¹
- 21% to the closing share price prior to the Offer announcement – about half the average premium paid on all UK takeovers over the last 10 years²

The Board notes DNO's statement that if DNO does not receive sufficient acceptances by 1 pm London time on 2 January 2019 for its Offer to be unconditional, DNO has the choice either to lapse the Offer or to extend it. This choice is DNO's alone, as was the timing for the announcement of its unsolicited Offer.

For the sake of clarity, the Board makes the following observations in relation to the Offer timetable, as established by the UK Takeover Code (the "Code"):

- DNO has until 10 February 2019 to achieve sufficient acceptances for its offer to become unconditional
- The Board of Faroe has until 20 January 2019 to announce material new information in relation to the Offer
- DNO has until 27 January 2019 to improve or otherwise change its Offer, should it wish to do so
- If the Offer at any time becomes or is declared unconditional, DNO must keep it open for acceptance for at least another 14 days

The Board of Faroe has engaged Gaffney, Cline & Associates ("GCA") to prepare an independent valuation of Faroe's assets in accordance with Rule 29 of the Code. For Code purposes, GCA's independent valuation report needs be a "current" valuation of the assets and therefore must reflect the latest available information on Faroe's assets as at the report date which will therefore include the latest Brasse East drilling results subject to completion of drilling operations. As noted above, under the Code timetable Faroe has until 20 January 2019 to announce material new information in relation to the Offer and the Board intends to publish GCA's independent valuation report ahead of this date.

The Board notes DNO's focus on recent uncertain oil and equities markets as a reason to justify its Offer. Faroe remains fully funded to pursue its near to medium term production growth target of 35,000boepd and its largest ever drilling campaign, while the additional financial flexibility created by the

recent Equinor asset swap – adding £96 million³ of incremental cash flow in the next two years – would allow Faroe to exploit suitable opportunities that might arise from any short term weakness in the oil price.

The Board reaffirms its previous statements that the Offer is opportunistic and substantially undervalues Faroe, and encourages all shareholders to take no action.

– Ends –

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Footnotes

- 1) As of 23 November 2018, Faroe's three month VWAP was 151p per share
- 2) 43% average premium on all UK takeovers over the last 10 years based on the average pre-bid speculation premium achieved in UK public market takeovers in the ten years to 20 November 2018. This data is exported from M&A Monitor (criteria: a) Target Nation: UK; b) Deal Status: Announced or Completed; c) Deal Type: Public Offers (all categories except partial, minority and squeeze-out offers)). The export was then adjusted to exclude deals categorised as "Public Transaction (partial offer)" under the "Type of deal" category. 40% average premium on all UK takeovers in the E&P space over the last 10 years based on the average pre-bid speculation premium achieved in UK E&P public market takeovers in the ten years to 20 November 2018. This data is exported from M&A Monitor (criteria: a) Target Nation: UK; b) Deal Status: Announced or Completed; c) Deal Type: Public Offers (all categories except partial, minority and squeeze-out offers)). The export was then filtered for 'Oil & Gas' under the 'Industrial Sector' category
- 3) References to the additional £96 million incremental cash flow in the next two years are Quantified Financial Benefit Statements under the Takeover Code that have been reported on in full in our Response Circular being published on 20 December 2018 (and which is available on www.fp.fo). Further information supporting the Quantified Financial Benefit Statements, including the bases of belief, principal assumptions and sources of information, is set out in Part A of Appendix 1 to the Response Circular. The Quantified Financial Benefit Statements have been reported on under the Takeover Code by BDO and by Rothschild & Co. Copies of their letters are included in Parts B and C of Appendix 1 to the Response Circular. References in this announcement to the additional £96

million incremental cash flow in the next two years should be read in conjunction with those parts of the Response Circular

Further information

N M Rothschild & Sons Limited (“Rothschild & Co”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Faroe and no one else in connection with the above and will not be responsible to anyone other than Faroe for providing the protections offered to clients of Rothschild & Co nor for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.

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The information contained within this announcement is considered to be inside information prior to its release, as defined in Article 7 of the Market Abuse Regulation No. 596/2014, and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously

been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Publication on website and hard copies

A copy of this announcement and the documents required to be published by Rule 26 of the Takeover Code will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Faroe's website at <https://www.fp.fo/> by no later than 12 noon on the Business Day following the date of this announcement. For the avoidance of doubt, the content of the website is not incorporated into and does not form part of this announcement.

If you receive the Response Circular in electronic form or by it being published on Faroe's website, you may request a copy of it in hard copy form if so entitled in accordance with Rule 30.3 of the Takeover Code. Hard copies will be sent only where valid requests are received from such persons. Requests for hard copies are to be submitted to the Registrars, Link Asset Services on 0871 664 0300 (or if calling from outside the UK +44 (0) 371 664 0300). Calls are charged at the standard geographic rate and will vary by provider. Calls made from outside the United Kingdom will be charged at the applicable international rate. A hard copy of the Response Circular and any other document referred to in the Response Document will not be sent to you unless so requested. You may also request that all future documents, announcements and information to be sent to you in relation to the Offer should be in hard copy form.

Please be aware that addresses, electronic addresses and certain other information provided by shareholders and persons with information rights and other relevant persons for the receipt of communications from Faroe may be provided to DNO during the offer period as required by the Takeover Code.

Forward Looking Statements

This announcement contains certain statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. The words "believe", "anticipate", "expect", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not current or historical facts. By their nature, forward-looking statements involve risks and uncertainties because such statements relate to events and depend on circumstances that may or may not occur in the future. Forward-looking



statements are not indicative of future performance and Faroe's actual results of operations, financial condition and liquidity, and the development of the industry in which Faroe operates, may differ materially from those made in or suggested by the forward- looking statements contained in this announcement. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that Faroe, or persons acting on its behalf, may issue.