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FOR IMMEDIATE RELEASE

3 January 2019

Faroe Petroleum plc (the “Company” or “Faroe”)

DNO Offer fails to secure sufficient acceptances, moves to mandatory offer

The Board of Faroe (the “Board”, “we”) notes the announcement by DNO ASA (“DNO”) on 3 January 2019 that it has received acceptances of 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”) of 48, 986, 566 Faroe shares, representing approximately 13.1% of the existing issued share capital of Faroe. The Board also notes that DNO has this morning purchased a further 372,890 Faroe shares, taking DNO’s total share of the existing issued share capital of Faroe to 30%, and has moved its Offer to a mandatory cash offer.

The Board notes DNO’s failure to secure sufficient acceptances for its Offer to be declared unconditional by the first closing date of 2 January 2019 and reiterates the Board’s position that DNO’s Offer price of 152p per share is opportunistic and substantially undervalues Faroe. This is further reinforced by the independent valuation report on Faroe’s assets by Gaffney, Cline & Associates (“GCA”) that Faroe published yesterday, which implies a valuation for Faroe in the range of 186p to 225p per share¹.

The Board further notes that DNO has chosen to extend its Offer until 1.00pm London time on 18 January 2019 at the same Offer price of 152p per share, clearly suggesting that it has every intention to pursue its unsolicited Offer despite its earlier statements raising the prospect that the Offer may lapse if sufficient acceptances were not received by the first closing date of 2 January 2019. DNO’s further market purchases also highlight this.

The Board is concerned at DNO’s increasing attacks on Faroe’s outstanding exploration track record and its implied criticism of our technical team which boasts one of the best exploration track records on the NCS. It is a particularly puzzling criticism given that Faroe would provide DNO with a high quality, full cycle and diversified North Sea asset base that stands in stark contrast to DNO’s existing business. In fact, DNO’s statement that it is “not going away” demonstrates the attractiveness of Faroe to DNO. As such, Faroe would solve DNO’s strategic challenges and shareholders should receive an appropriate premium which is not currently reflected in DNO’s Offer.

The Board reiterates the following observations in relation to the Offer timetable, as established by the UK Takeover Code:

- DNO has until 27 January 2019 to improve or otherwise change its Offer, should it wish to do so
- DNO has until 10 February 2019 to achieve sufficient acceptances for its Offer to become unconditional
- If the Offer at any time becomes or is declared unconditional, DNO must keep it open for acceptance for at least another 14 days

Shareholders are encouraged not to take any action in relation to the Offer and not to sell their shares in the market. Shareholders who sell their shares in the market or to DNO would not receive any increase in the Offer consideration should DNO revise its Offer.

– Ends –

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Footnotes

- 1) The implied valuation for Faroe in the range of 186p to 225p per share is based on GCA's valuation range of Faroe's oil and gas assets of US\$879m to US\$1,076m, converted assuming a USD:GBP exchange rate of 1.27 as at 31 December 2018, adjusted for Faroe's net cash balance of £49.6m as at 30 September 2018 (unaudited management estimate) and assumes a fully diluted number of shares outstanding of 398.3m

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.

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.