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**FOR IMMEDIATE RELEASE**

12 December 2018

**DNO ASA PUBLISHES CASH OFFER FOR FAROE PETROLEUM  
PLC**

Oslo, 12 December 2018 - DNO ASA's ("DNO") Board of Directors today published and will post to the shareholders of Faroe Petroleum plc ("Faroe") (other than Faroe Shareholders in certain Restricted Jurisdictions) an all-cash offer originally announced on 26 November 2018, to acquire the whole of the issued and to be issued share capital of Faroe for 152 pence per share (exclusive of the 105,247,866 Faroe Shares already held by DNO, representing 28.22 percent of Faroe's issued share capital) (the "Offer").

"This full and fair offer provides Faroe shareholders a rare opportunity to exit their relatively illiquid AIM-listed positions at an attractive price in a volatile and uncertain market for oil and equities," said Bijan Mossavar-Rahmani, Executive Chairman of DNO. "DNO is paying a significant premium of 44.8 percent for Faroe on the basis of the unaffected share price on 3 April 2018, ahead of speculation about a possible DNO takeover," he added. "Faroe has failed to deliver consistent shareholder returns over the last 15 years in part as a consequence of dilutive share issues, dilutive options schemes and recent growth-dilutive asset transfers."

The offer document containing the full terms and conditions of the Offer and the procedures for its acceptance (the "Offer Document"), together with the Form of Acceptance, will be posted today. For information purposes only, the Offer Document will also be sent, or made available, to holders of options over Faroe Shares and persons with information rights.

Acceptances to the Offer must be received by 1.00 p.m. (London time) on 2 January 2019, being the first closing date of the Offer, unless the acceptance period is extended in accordance with the Offer Document.

The background to and reasons for DNO's Offer are set out in the Offer Document as follows:

On 18 June 2003, in a Dow Jones interview just before Faroe's IPO, CEO Graham Stewart is reported to have described Faroe's end game as becoming an attractive buyout play for one of the major oil companies, such as BP, or Royal Dutch/Shell Group, or one of the smaller U.S. independent companies.

"It may be three years, seven years, maybe longer, maybe shorter, but we have to be attractive (to buyers). Otherwise, where's our exit?", he asked. Fifteen years on, DNO is offering that exit.

DNO's all-cash Offer of 152 pence per share provides Faroe shareholders with a rare opportunity to exit their relatively illiquid AIM-listed positions at an attractive price in a volatile and uncertain market for oil and equities. This full and fair Offer amply rewards the Faroe directors and provides the rest of the experienced team with an exciting growth-focussed future with Norway's oldest oil and gas company.

- 1. DNO is making an offer valued on a fully diluted basis at approximately £445 million (\$559 million). Approximately £50 million (\$63 million) of the £445 million offer value is payable to Faroe directors, management and employees in respect of various options, matching share schemes (on the basis of full vesting) and ordinary shares held by directors. The balance of £395 million (\$496 million) is payable to the remaining Faroe shareholders (other than shares held by DNO and the Faroe Employee Benefit Trust). DNO's Offer values the fully diluted share capital of Faroe, including shares already held by DNO, at approximately £610 million (\$764 million).**
- 2. DNO is paying a significant premium of 44.8 percent for Faroe on the basis of the unaffected share price on 3 April 2018, ahead of speculation about a possible DNO takeover. Before DNO's purchase of its 28.7 percent stake (since diluted to 28.2 percent through the exercise of share options and awards), Faroe shares had traded in the range of 43 pence to 114 pence since December 2014.**
- 3. Faroe has failed to deliver consistent shareholder returns over the last 15 years in part as a consequence of dilutive share issues, dilutive options schemes and recent growth-dilutive asset transfers. The total equity raised from public markets of £362 million compares to an unaffected market capitalization of £385 million on the issued share capital as of 3 April 2018.**
- 4. The swap deal with Equinor is further evidence of Faroe's inability to capitalise fully on its assets. DNO is concerned about the implications for Faroe's future growth -- and its attractiveness -- of a material transaction in which Faroe jettisoned a crown jewel asset for mature production and did so without shareholder consultations.**
- 5. DNO has concerns about Faroe's capacity to deliver its "flagship" Brasse development project in Norway on time and on budget.**
- 6. DNO's Offer is in line with prevailing market sentiment, as evidenced by the share price performance in the past two weeks and sell-downs by long-term investors, notwithstanding the predictable campaign by Faroe directors and advisors to tease out an even higher premium.**
- 7. DNO has set its Acceptance Condition at a shareholding of one share more than 57.5 percent of Faroe's issued share capital, representing more than 50 percent of Faroe's fully diluted share capital.**
- 8. DNO notes that if its Offer lapses, it cannot make a new offer for another 12 months (subject to the exceptions in the Code) and**

**there can be no assurances as to DNO's long-term ambitions. What it can make assurances about is that DNO will redouble efforts to achieve board representation for the owners of Faroe to ensure improvement of corporate governance practices, to ensure greater shareholder "say on pay", to ensure greater scrutiny and proper oversight of further dilutive actions, including generous options awards to directors, and to ensure implementation of a culture of shareholder value creation.**

### **Important Information for Faroe Shareholders:**

The procedure for acceptance is set out in paragraph 14 of Part I of the Offer Document and in Parts D and E of Appendix I of the Offer Document and, in respect of certificated Faroe Shares, as further described in the Form of Acceptance. Acceptances of the Offer in respect of Faroe Shares held in certificated form (that is, not in CREST) should be made by completing and returning the Form of Acceptance accompanying the Offer Document as soon as possible and, in any event, so as to be received by Equiniti Limited by no later than 1.00 p.m. (London time) on 2 January 2019. Acceptances in respect of uncertificated Faroe Shares should be made electronically through CREST so that the TTE instruction settles no later than 1.00 p.m. (London time) on 2 January 2019. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

The Offer Document and the Form of Acceptance will be made available on DNO's website at [https://www.dno.no/en/investor-relations/offer\\_announcement\\_26November](https://www.dno.no/en/investor-relations/offer_announcement_26November). Further copies of the Offer Document and the Form of Acceptance may be obtained by contacting Equiniti Limited on 0333 207 6399 or +44 121 415 0973 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays).

### **Enquiries:**

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### ***Further information***

*The terms and conditions of the Offer are set out in the Offer Document and accompanying Form of Acceptance. Defined terms used but not defined in this announcement have the meanings given in the Offer Document unless the context requires otherwise.*

*This announcement is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Offer or otherwise, nor shall there be any sale, issuance or transfer of securities of Faroe in any jurisdiction in contravention of applicable law. The Offer will be made solely by means of the Offer Document and (in respect of Faroe Shares held in certificated form) the Form of Acceptance accompanying the Offer Document, which will, together, contain the full terms and conditions of the Offer including details of how it may be accepted.*

*Please be aware that addresses, electronic addresses and certain other information provided by Faroe Shareholders, 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 under Section 4 of Appendix 4 of the Code to comply with Rule 2.11 of the Code.*

*Lambert Energy Advisory Limited, which is authorised and regulated in the UK by the FCA, is acting exclusively for DNO and no-one else in connection with the Offer and will not be responsible to anyone other than DNO for providing the protections afforded to clients of Lambert Energy Advisory Limited nor for providing advice in relation to the Offer or any other matters referred to in the Offer Document, this announcement or otherwise.*

*Pareto Securities AS is acting exclusively for DNO and no-one else in connection with the Offer and will not be responsible to anyone other than DNO for providing the protections afforded to clients of Pareto Securities AS nor for providing advice in relation to the Offer or any other matters referred to in the Offer Document, this announcement or otherwise.*

### ***Overseas jurisdictions***

*The availability of the Offer to Faroe Shareholders who are not resident in and citizens of the UK or the US may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in the UK or the US should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions. Further details in relation to Overseas Shareholders are contained in the Offer Document.*

*The release, publication or distribution of this announcement in or into jurisdictions other than the UK or the US may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK or the US should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies*

*and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person. This announcement has been prepared for the purposes of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside of England.*

*The Offer is not being made, directly or indirectly, in, into or from any jurisdiction where to do so would violate the laws in that jurisdiction. Accordingly, copies of this announcement and formal documentation relating to the Offer will not be and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction.*

#### **Notice to US Faroe Shareholders**

*The Offer is being made for the securities of an English company and is subject to UK disclosure requirements, which are different from those of the US. The financial information included in the Offer Document has been prepared in accordance with IFRS and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US.*

*The Offer will be made in the US pursuant to an exemption from US tender offer rules provided by Rule 14d-11 under the US Exchange Act and otherwise in accordance with the requirements of the Code. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, that are different from those applicable under US domestic tender offer procedures and law. If the Offer is instead implemented by means of a scheme of arrangement as provided for under English law it will not be subject to the tender offer rules of the US Exchange Act. Accordingly, the Offer would be subject to disclosure requirements and practices applicable in the UK to schemes of arrangement which differ from the disclosure requirements of US tender offer rules.*

*The receipt of cash pursuant to the Offer by a US Faroe Shareholder will likely be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Faroe Shares is urged to consult his/her independent professional advisor immediately regarding the tax consequences of acceptance of the Offer.*

*It may be difficult for US Faroe Shareholders to enforce their rights and any claim arising out of the US federal securities laws, since DNO is located in a country other than the US, and some or all of their officers and directors may be residents of countries other than the US. US Faroe Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.*

*In accordance with normal UK practice, DNO or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Faroe Shares outside the US, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com).*

## **Forward looking statements**

*This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Offer, and other information published by DNO contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of DNO about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this announcement include statements relating to the expected effects of the Offer on DNO and Faroe, the expected timing and scope of the Offer and other statements other than historical facts.*

*Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although DNO believes that the expectations reflected in such forward-looking statements are reasonable, DNO can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction of the Conditions, as well as additional factors, for example, oil and gas operations, particularly those relating to development stage assets which are subject to varying inputs that may impact timing, including, inter alia, permitting; environmental regulation; changes to regulators and regulation; third party manufacturers and service providers; the weather and asset partner and operator actions. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. DNO, its associates, directors, officers and advisers provide no representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with its legal or regulatory obligations DNO is under no obligation, and DNO expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

## **No profit forecasts or quantified benefits statement**

*No statement in this announcement is intended as a profit forecast, profit estimate or qualified benefits statement and no statement in this announcement should be interpreted to mean that earnings per Faroe Share or DNO share for the current or future financial years would necessarily match or exceed the respective historical published earning per Faroe Share or DNO share or to mean that the enlarged group's earnings in the first 12 months following the Offer, or in any subsequent period, would necessarily match or be greater than those of Faroe or DNO for the relevant preceding financial period or any other period.*

## **Dealing disclosure requirements**

*Under Rule 8.3(a) of the Code, any person who is interested in 1 percent 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 p.m. (London time) on the 10<sup>th</sup> business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10<sup>th</sup> 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 Code, any person who is, or becomes, interested in 1 percent 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 p.m. (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 Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://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 Code is and will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on DNO's website [https://www.dno.no/en/investor-relations/offer\\_announcement\\_26November](https://www.dno.no/en/investor-relations/offer_announcement_26November). For the avoidance of doubt, the contents of such website are not incorporated into and do not form part of this announcement.*

*You may request a hard copy of this announcement by contacting Equiniti Limited on 0333 207 6399 or +44 121 415 0973 (if calling from outside the UK) or by submitting a request in writing to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that Equiniti Limited cannot provide advice on the merits of the Offer nor give financial, tax, investment or legal advice. If you have received this announcement in electronic form, copies of this announcement and any document or information incorporated by reference into this announcement will not be provided unless such a request is made.*

***About DNO***

*DNO is a Norwegian oil and gas operator focused on the Middle East and North Sea. Founded in 1971 and listed on the Oslo Stock Exchange, DNO holds stakes in onshore and offshore licences at various stages of exploration, development and production in the Kurdistan region of Iraq, Norway, Oman, the UK and Yemen.*

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