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FOR IMMEDIATE RELEASE

**12 December 2018**

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

**Statement regarding Offer by DNO ASA ("DNO")**

The Board of Faroe (the "Board", "we") notes the announcement made by DNO today of the posting of an offer document containing the full terms and conditions 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"), which follows DNO's announcement on 26 November 2018 pursuant to Rule 2.7 of City Code on Takeovers and Mergers (the "Takeover Code").

The Board reaffirms its previous statement that the Offer is opportunistic and substantially undervalues Faroe, and encourages all shareholders to take no action. Furthermore, the Board believes that DNO's offer document contains no substantial new information or arguments to support its Offer.

**DNO's opportunistic Offer seeks to exploit the recent oil price fall to acquire Faroe on the cheap**

The Offer price of 152p per share represents a:

- premium of only 21% to the closing share price prior to the Offer announcement, which is about half the average premium paid on all UK takeovers over the last 10 years;<sup>1</sup>
- premium of only 1% to the three month volume weighted average share price (VWAP) prior to the Offer announcement;<sup>2</sup>
  - DNO's presentation of the premium that it is offering with reference to Faroe's share price on 3 April fails to recognise the significant achievements the Company has delivered since then, including the Iris/Hades and Agar discoveries and the recently announced Equinor asset swap; and
- discount of c.45% to the average price paid recently for comparable North Sea (in particular, Norwegian Continental Shelf) portfolios measured on a per barrel of 2P reserves basis.<sup>3</sup>

**DNO's unsolicited Offer ignores Faroe management's proven track record and the Company's exciting independent future, which has been further enhanced by the recently announced Equinor asset swap**

- Faroe has one of the best exploration track records on the NCS. In the last 12 months alone Faroe has drilled three exploration wells and made two commercial discoveries: Iris/Hades and Agar. Iris/Hades is one of the world's largest discoveries in the year to date;
- Faroe is currently in the midst of the largest drilling campaign in its history with two exploration wells ongoing (Brasse East and Cassidy), four committed exploration & appraisal wells (Pabow, Iris/Hades appraisal, Snadd Outer Outer/Cape Vulture and

Bergknapp) and a further five wells being planned (Agar appraisal, Alpha, SE Tor/Gomez, Canela and Brasse Extension) in the next 12-15 months; and

- The recently announced asset swap with Equinor clearly demonstrates the value your Company creates through active portfolio management, as it has previously done with:
  - the acquisition of DONG E&P's Norwegian assets in 2016, which boosted Faroe's production base and created a new strategic hub around the Ula platform; and
  - the Petoro asset swap in 2011, in which Faroe swapped its interest in Maria within 18 months of its discovery for a high quality production portfolio.

**The Board believes DNO's criticisms of Faroe are unfounded and purely a tactic to distract from the simple fact that its Offer substantially undervalues the Company**

- DNO has criticised Faroe's share price performance, financial flexibility, remuneration policy and corporate governance. The Board believes these criticisms are wholly without substance noting that:
  - Faroe's share price has outperformed the FTSE AIM Oil & Gas Index and Brent price over the three year period up to 3 April 2018 (the day before DNO announced its first acquisition of Faroe shares) and 23 November 2018 (the day before DNO's Offer announcement);<sup>4</sup>
  - Faroe has a robust balance sheet that has been further strengthened by the recently announced Equinor asset swap which allows the Board to give careful consideration to the optimal mix of reinvestment in the existing portfolio, potential M&A opportunities and returning capital to shareholders following completion of the Equinor transaction;
  - Faroe's remuneration policy is in line with its UK E&P peers and at this year's AGM, with the exception of DNO, the Directors Remuneration Report was approved by 99.9% of other shareholders who voted; and
  - Faroe is widely recognised for its strong corporate governance culture in line with UK corporate governance best practice.

**John Bentley, Non-Executive Chairman of Faroe, commented:**

*"DNO's highly opportunistic offer is not only at a substantial discount to the value of the Company but also at a substantial discount to comparable portfolio transactions and a substantial discount to the average of all UK takeovers in the last 10 years. Faroe is widely regarded as one of the pre-eminent North Sea E&P companies with a high quality, full cycle and diversified asset base and a management team that, time and again, has demonstrated its ability to create value through exploration and active portfolio management. As such, Faroe would solve DNO's strategic challenges and Faroe shareholders should receive an appropriate premium which is not currently reflected in DNO's Offer."*

The Board of Faroe will write to shareholders with its detailed views on the Offer in due course. **In the meantime, Faroe shareholders are strongly urged to take no action in relation to their Faroe shares.**

- Ends -

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## Footnotes

- 1) 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
- 2) As of 23 November 2018, Faroe's three month VWAP was 151p per share
- 3) Assumes a USD:GBP exchange rate of 1.25 as at 11 December 2018, fully diluted number of shares outstanding of 398.3m, latest reported Faroe net cash balance of £82.6m as at 30 June 2018 and Faroe 2P reserves of 98mboe and 2C resources of 113mboe. Average price paid recently for comparable UK and Norway deals over US\$300m on a per barrel of 2P reserves basis are based on a Wood Mackenzie report ("Wood Mackenzie Report") commissioned by the Board to consider historical upstream mergers and acquisitions and determine an appropriate benchmark against which to value Faroe. The Wood Mackenzie Report can be viewed on the Company's website at [www.fp.fo](http://www.fp.fo). Transaction multiples are based on relevant UK and Norway deals as outlined in the Wood Mackenzie report
- 4) Market performance over the three year period up to 3 April 2018: Faroe 30%, FTSE AIM Oil & Gas Index -14% and Brent 24%. Market performance over the three year period up to 23 November 2018: Faroe 129%, FTSE AIM Oil & Gas Index 4% and Brent 31%.

## 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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## 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](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**

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.

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