



Faroe Petroleum plc

Interim Results
18 September 2018

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Interim results 2018: operational highlights

Full-cycle business delivering significant shareholder value

Production

- ❖ H1 production 12,400 boepd (62% oil)
- ❖ Guidance for 2018: 12-14,000 boepd

Development

- ❖ Brasse concept studies awarded and underway, DG2 during 2019
- ❖ Tambar in-fills on production
- ❖ Oda drilling ongoing, first oil on-track for mid-2019

Exploration

- ❖ Largest discovery in Faroe history at Iris/Hades adding 2C resources of 42 mmboe (net)
- ❖ Six exploration wells targeting 80-150 mmboe (net)*
- ❖ Eight new APA licences in Norway awarded in Jan-18, plus one in the UK 30th Licence Round
- ❖ Farmed into Agar/Plantain exploration well UK



Interim results 2018: financial highlights

Strong financial performance



£ millions	H1-18	H1-17	Commentary
Total Production (boepd)	12,402	14,800	Lower rates reflect temporary shut-ins of Tambar & Trym Q1-18
Adjusted Revenue	102.2	95.5	Higher commodity prices
EBITDAX	77.2	44.0	Lower opex, better commodity prices, higher Oda compensation income
Profit/(loss) after tax	42.4	(2.9)	Includes gain on Fenja disposal of £24.5 million
Capex	98.6	55.4	Due to increase in development capex with a number of projects now in progress and ramping up: Tambar, Oda and Njord Future
Gross Cash	158.6	149.1	Strong EBITDAX and Fenja consideration receipt, offset by development and E&A investments
Net Cash	82.6	75.0	As above
Realised Price (\$/bbl)	73.6	53.2	Continued recovery in Brent boosting realised oil prices
Realised Price (p/Therm)	47.7	42.2	Net of realised hedging losses. Stronger gas market boosting realised gas prices
Opex (\$/boe)	27	26	For assets on production only (H1-17 excludes one-off payments)
DD&A (\$/boe)	7.5	10.0	Decrease due to 2017 impairments and reallocation of book values

Investing in our future

Transformational year

Largest investment programme ever

- ❖ Total 2018 capital spend of £225 million
- ❖ A total of seven E&A wells drilling this year
- ❖ Norwegian tax synergies for development expenditure

Balance sheet robust

- ❖ Higher oil prices and Fenja partial-sale have deferred RBL debt facility drawdown until 2019
- ❖ Option to fund new projects through exercise of RBL accordion feature
- ❖ Financial ratios to be well within mandated levels

Hedging protects against downside risk

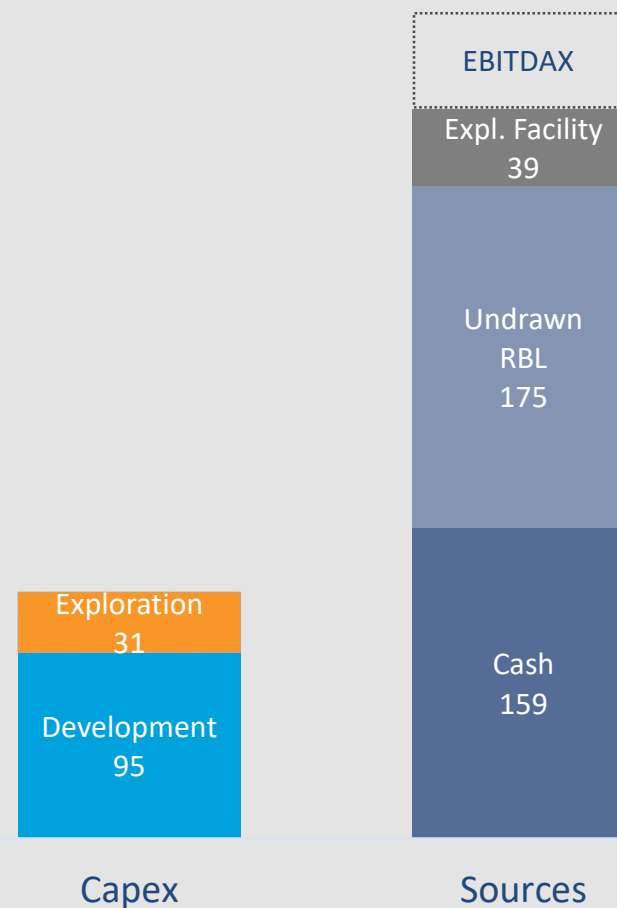
- ❖ Commodity hedge book executed via Puts giving full access to current oil price upside while limiting downside risk
- ❖ Locking in advantageous FX currency rates

Fully funded for all committed projects

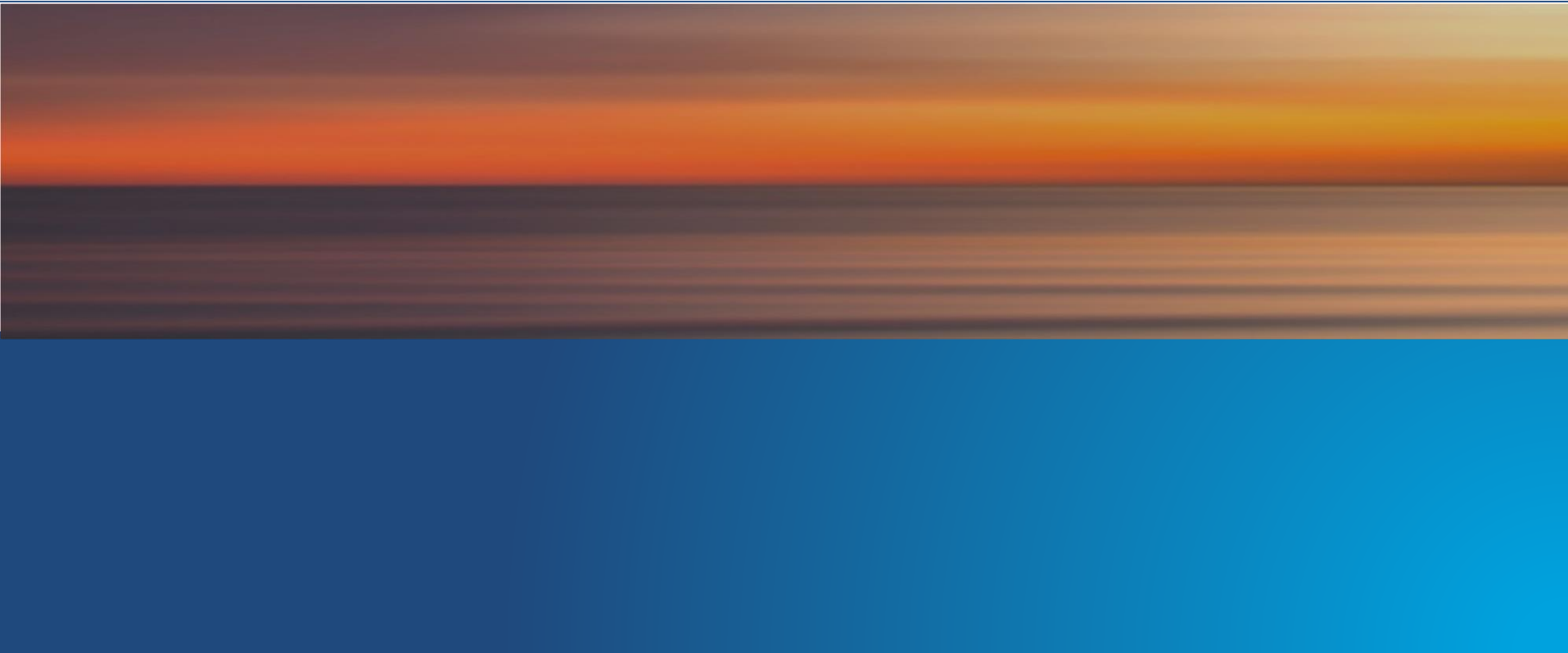
- ❖ No need to dilute from existing W1% to deliver near term production growth – strong position
- ❖ Managing incremental capex without overstretching

Funded Capital Investment H2-18*

(£ millions)

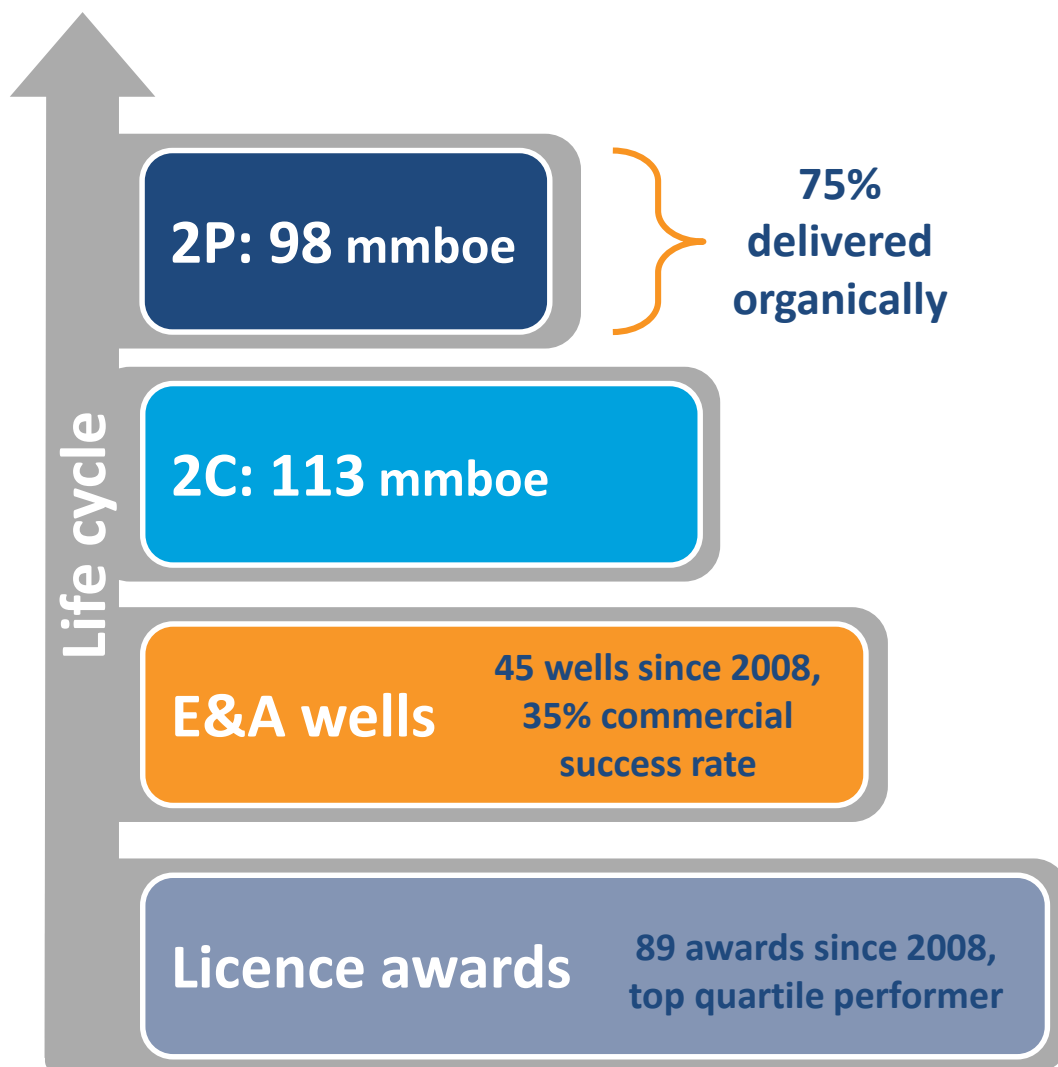


Strongly positioned for growth

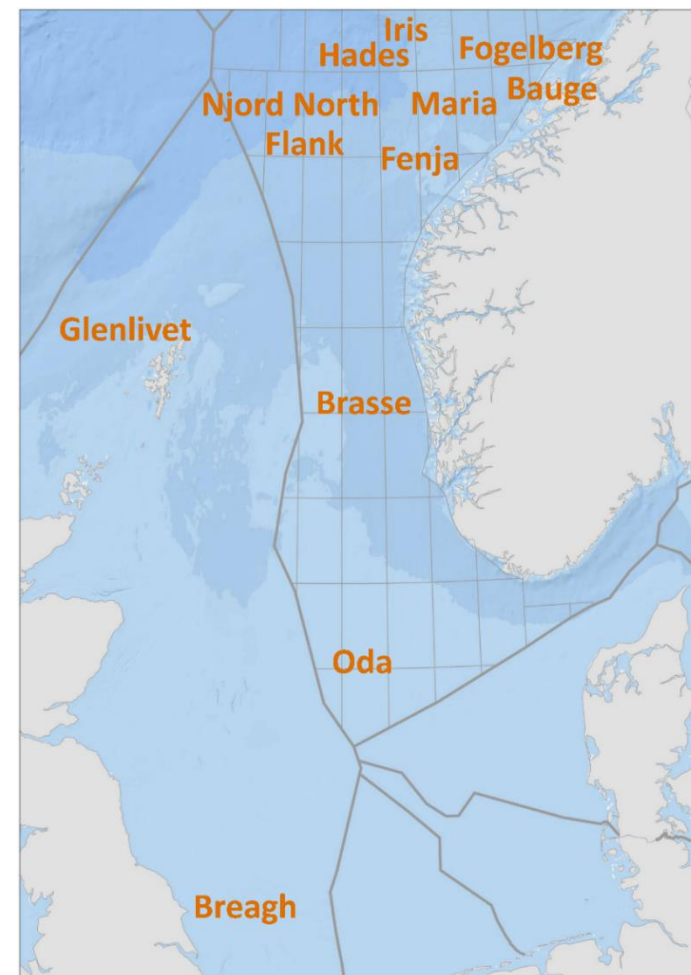


Repeatable business model

Sustainably delivering reserve growth year-on-year



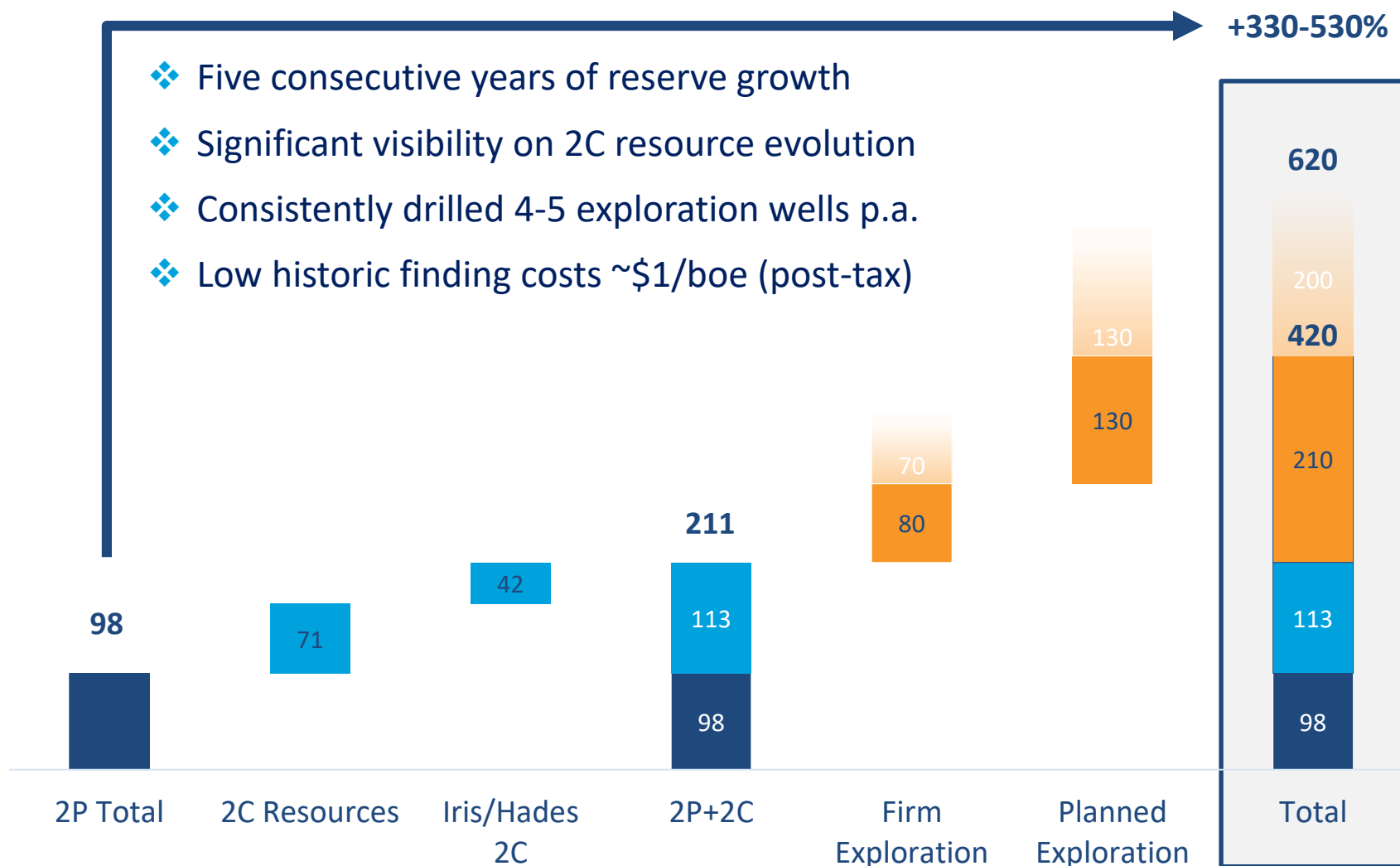
Faroe discoveries since 2008*



*Notes: Njord North Flank includes two wells (NF2, NF3), Fenja includes the 'Bue' discovery (2014)

Strong position + significant near term growth potential

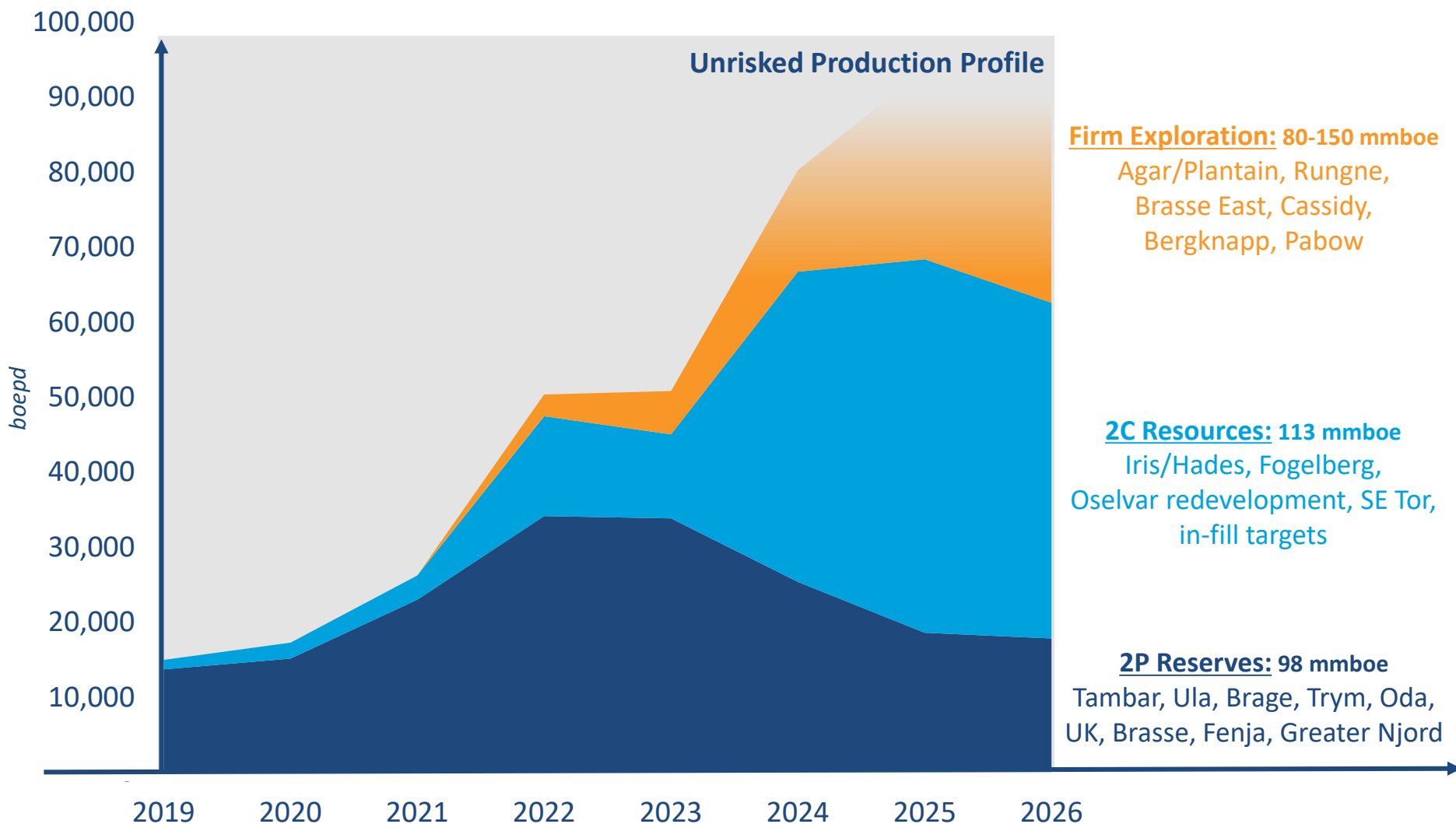
Opportunity to accelerate near-term upside* through drill bit



*Note: all figures unrisked and based on operator figures and management estimates; planned exploration figures preliminary and subject to change

Transformational production growth already underway

35,000 boepd in near to medium term with significant upside*



Production growth delivery on track

Key near-and medium-term milestones

				2018		2019		2020	
		WI%	Op	H1	H2	H1	H2	H1	H2
2P Reserves	Tambar	45.0%	AkerBP	infills		gas lift			
	Brage	14.3%	Wintershall	Infills		infills			
	Brasse	50.0%	Faroe			DG2	PDO	EPCI	
	Fenja	7.5%	Neptune	PDO				drilling	
	Oda	15.0%	Spirit			first oil			
	Greater Njord	7.5%	Equinor				drilling		first oil
2C Res	Fogelberg	15.0%	Spirit			PDO			
	Iris/Hades	20.0%	OMV			appraisal			PDO
	Brage	14.3%	Wintershall				infills		

Existing assets all conventional projects with ability to deliver ~4x production growth in medium term

Brasse – flagship operated development project

Robust, conventional subsea development project near infrastructure

PL740 Brasse: Faroe 50% and operator

Discovered in Jul-16, appraised in Jul-17

- ❖ Very good reservoir properties, in communication with discovery
- ❖ DST flowed at a maximum stable rate of 6,187 bopd
- ❖ Successful side-track confirmed high quality sands

Matured to 2P reserves within 18 months

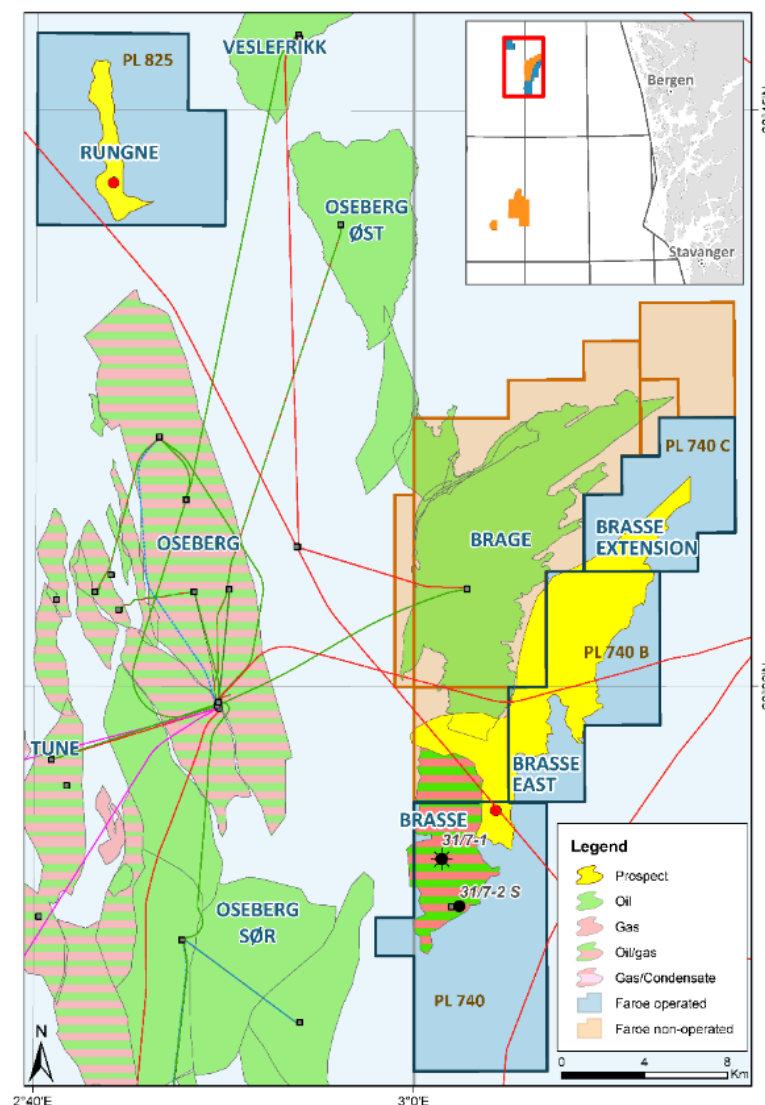
- ❖ 31 mmboe net (oil: 25mmbbl; gas: 34 bcf)
- ❖ Four penetrations to date, DST + extensive data

2018 exploration wells may add further resources

- ❖ Faroe-operated wells Rungne and Brasse East to be drilled back-to-back in H2 2018
- ❖ Brasse East to de-risk Brasse Extension prospect

Concept Select 2018; first oil target 2021/22

- ❖ Preliminary net capex estimates of £240 million (assuming a five-well subsea tie back development)
- ❖ Two competing hosts: Brage & Oseberg Central (~13 km)



Ula Area – proving the ‘hub’ approach

Focus on valuable incremental volumes

Ula (20%), Tambar (45%), Oda (15%), Blane UK (44.5%), Oselvar (55%)

Successful Tambar revitalisation underway

- ❖ Two new Tambar infills brought on stream
- ❖ Gas lift installation project underway
- ❖ New 4D seismic acquired 2017, assist in identifying Ula infill targets drilling 2019/2020

Oda development on-track

- ❖ Short subsea tie-back (14km) to Ula via Oselvar riser
- ❖ Subsea work offshore substantially complete Q1-19
- ❖ First oil scheduled for mid 2019

Blane (UK)

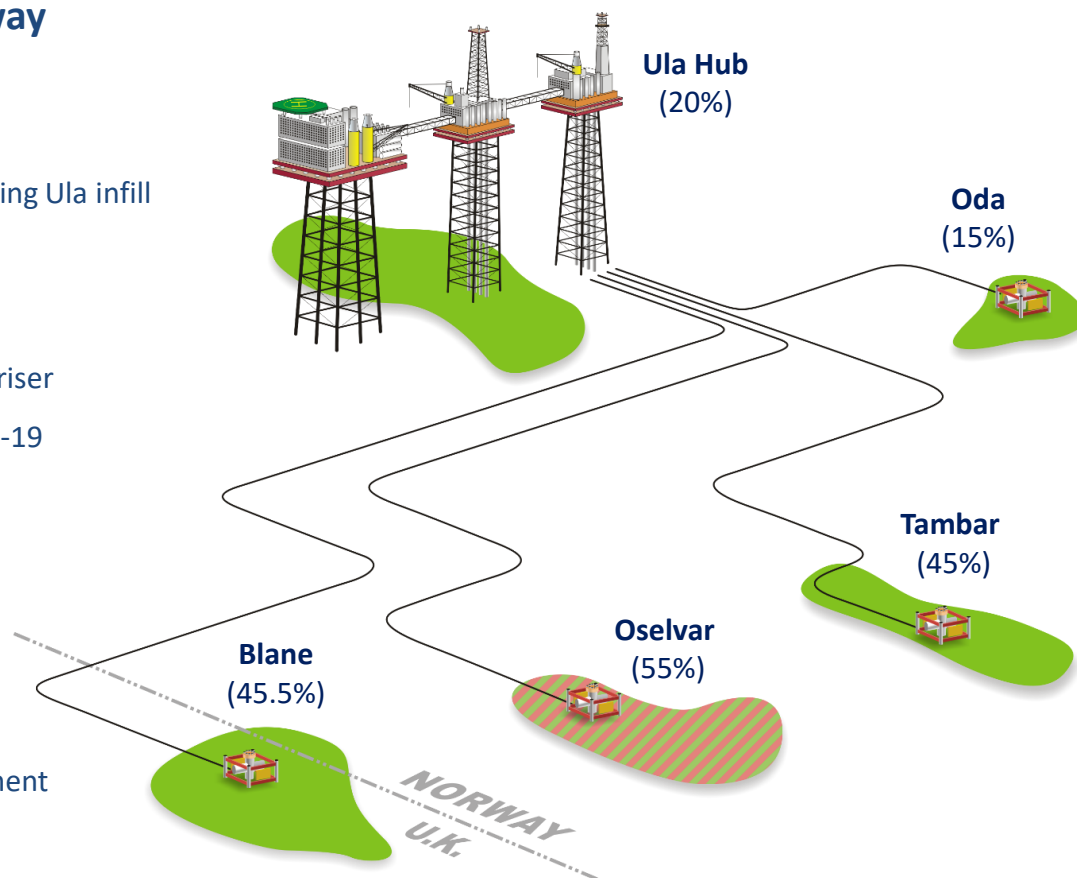
- ❖ Actively working up 2019 infill opportunity

Oselvar

- ❖ Preliminary work underway for field redevelopment

Cassidy

- ❖ Exploration well scheduled for 2019 - Oda look-alike



Iris-Hades – key appraisal well

Licence PL644: Faroe 20%, OMV 30% operator, Equinor 40%, Spirit 10%

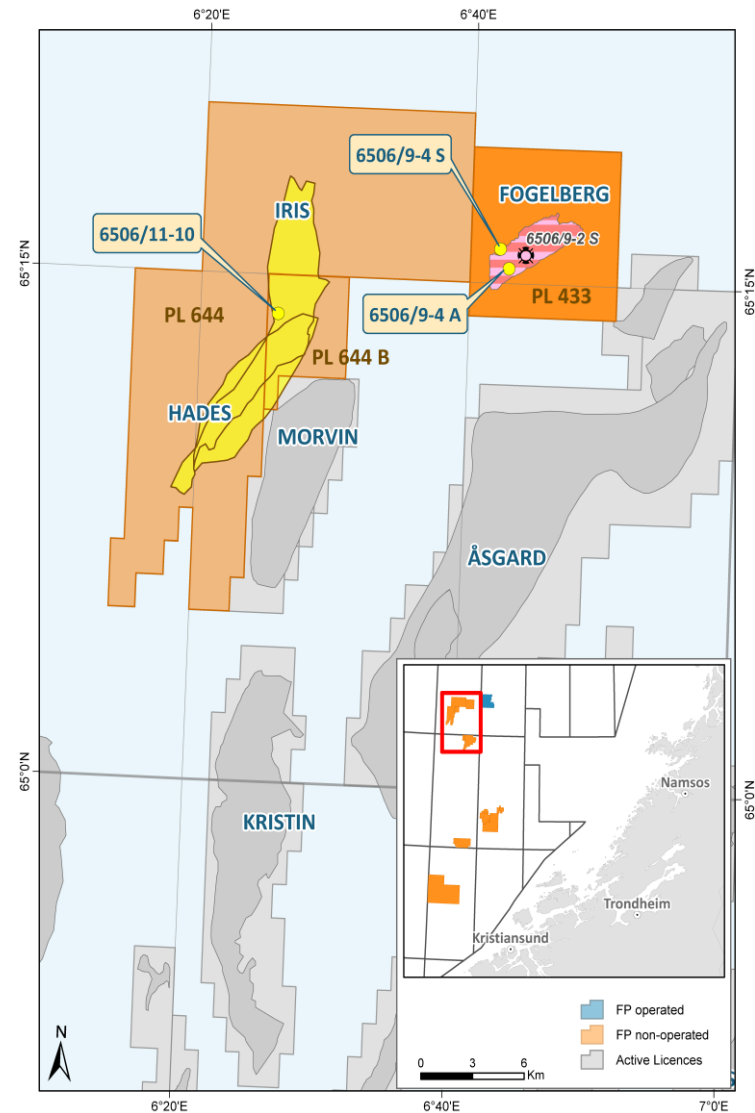
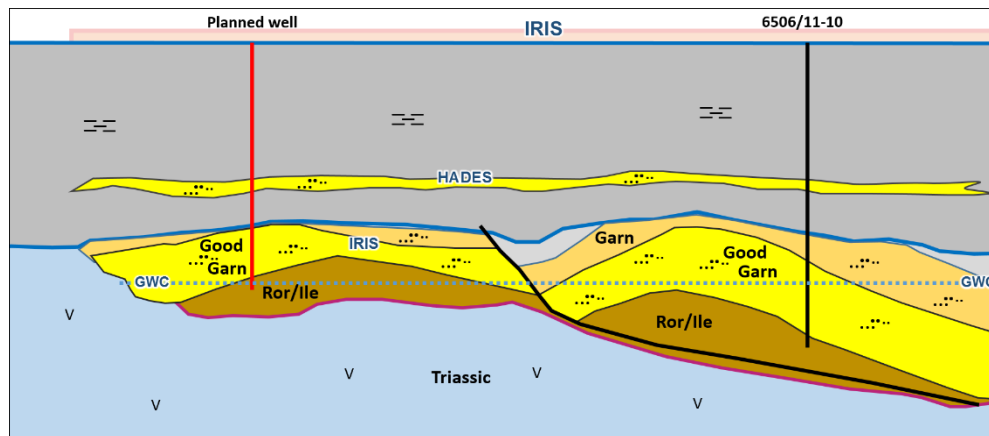
- ❖ Prospects identified by Faroe: original award in APA 2009
- ❖ Reapplied as an extension to in APA 2015 (previously Aerosmith)

One of largest global discoveries in H1-18*

- ❖ Lange sandstones of moderate to good quality
- ❖ Thick (218m) Garn, moderate to excellent reservoir
- ❖ Recoverable estimates : 63 – 322 mmboe (25% condensate)

Key appraisal well in H1-19

- ❖ Appraisal well to target area near crest of the structure to the south
- ❖ Fast track development options being considered



Step-change exploration programme underway

Key near- and medium-term milestones

				Gross	2018		2019		2020
		WI%	Op	mmboe*	Q3	Q4	H1	H2	
Firm Exploration	Agar/Plantain	25.0%	Azinor	60-98					
	Rungne	40.0%	Faroe	70-110					
	Brasse East	50.0%	Faroe	13					
	Pabow	20.0%	Equinor	70-200					
	Cassidy	15.0%	Spirit	50-110					
	Iris/Hades (appraisal)	20.0%	OMV	210-322 (2C)					
	Bergknapp (Yoshi)	30.0%	Wintershall	30-60					
Planned	Gomez	85.0%	Faroe	50-115					
	Canela	40.0%	Faroe	70-120					
	Brasse Extension	50.0%	Faroe	40-70					
	Edinburgh**	100%	Faroe	40-75					
	Ula Area	45.0%	AkerBP	tbd					

Firm wells alone offer potential to deliver
80-150 mmboe of net resources in next 12 months*

*Note: all figures unrisked and based on operator figures and management estimates; planned exploration figures preliminary and subject to change

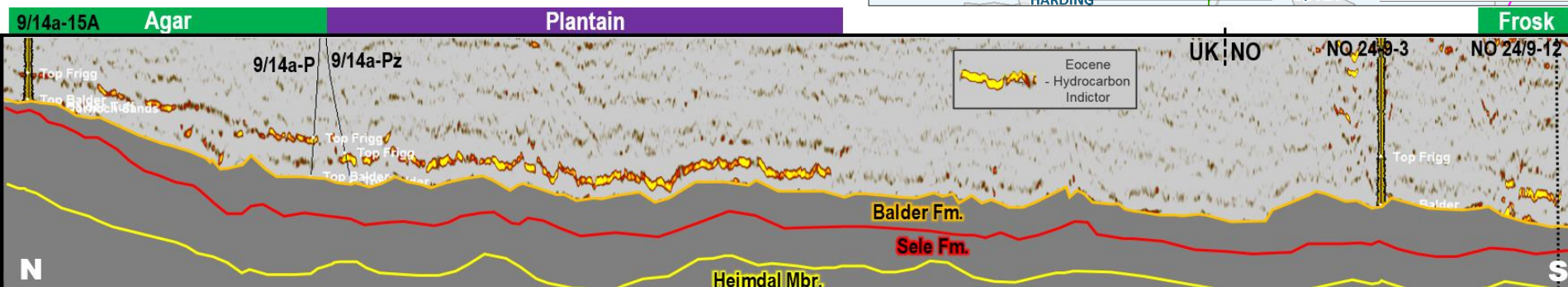
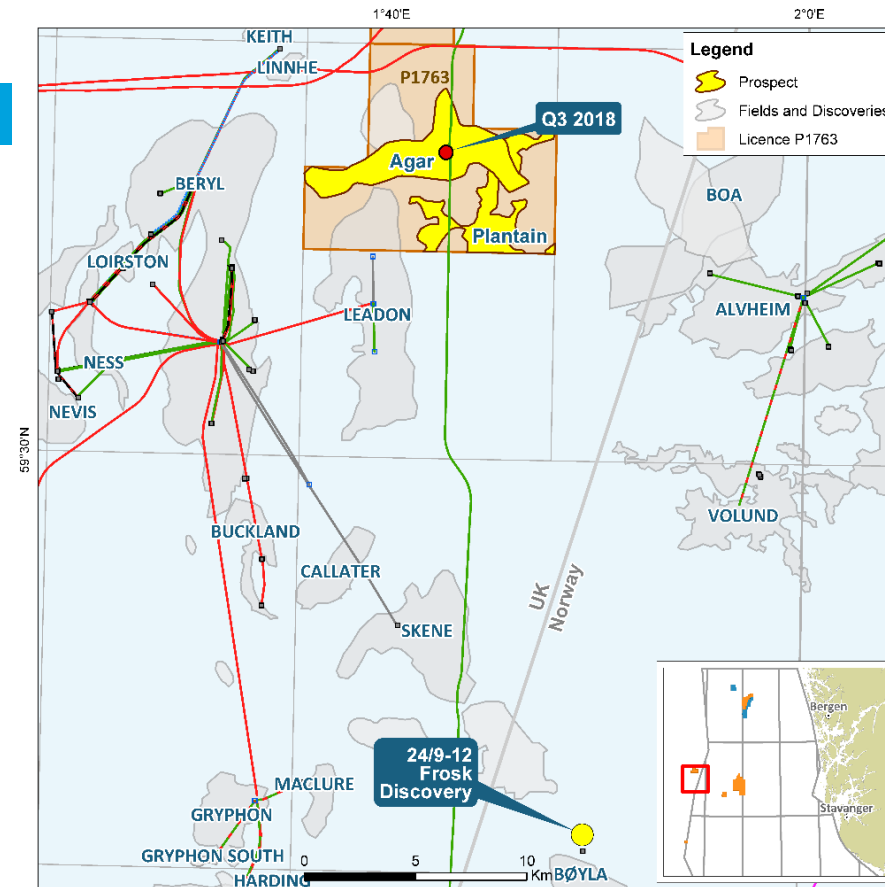
** Note: Based only on volumes in 30/14b

Agar Plantain exploration well – UK

Drilling underway

Licence P1763: Faroe 25%, Azinor 25% operator, Cairn 50%

- ❖ UK exploration well – applying key knowledge from Norwegian side
- ❖ Seismic anomaly followed from recent Frosk discovery in Norway across the border to Plantain and Agar – prospect is also a Catcher field analogue
- ❖ Oil prospect: 60 – 98 mmboe gross (unrisked)
- ❖ Potential subsea development – multiple tie-back options
- ❖ Drilling ongoing – results expected end September
- ❖ Plantain exploration primary objective – possible sidetrack into Agar

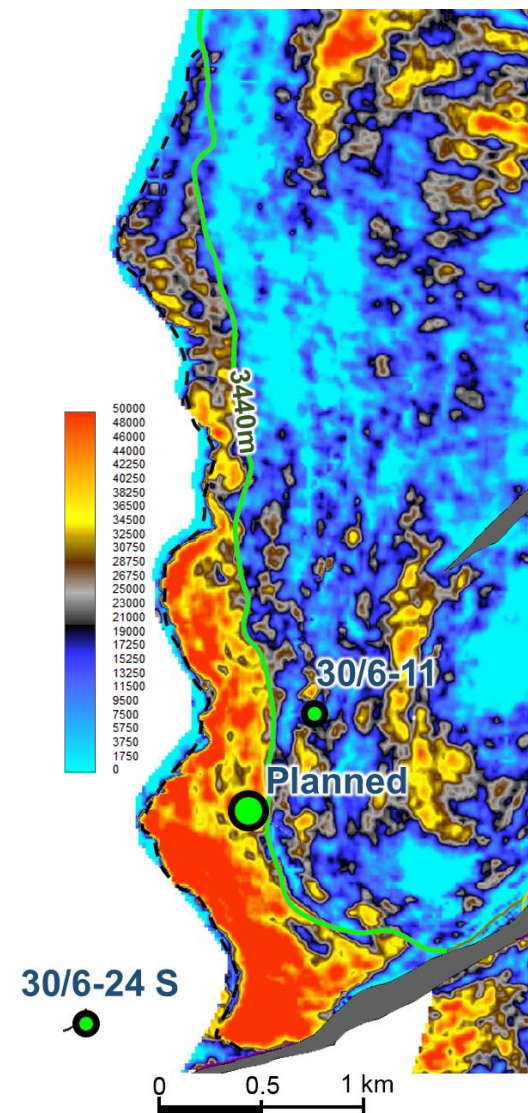
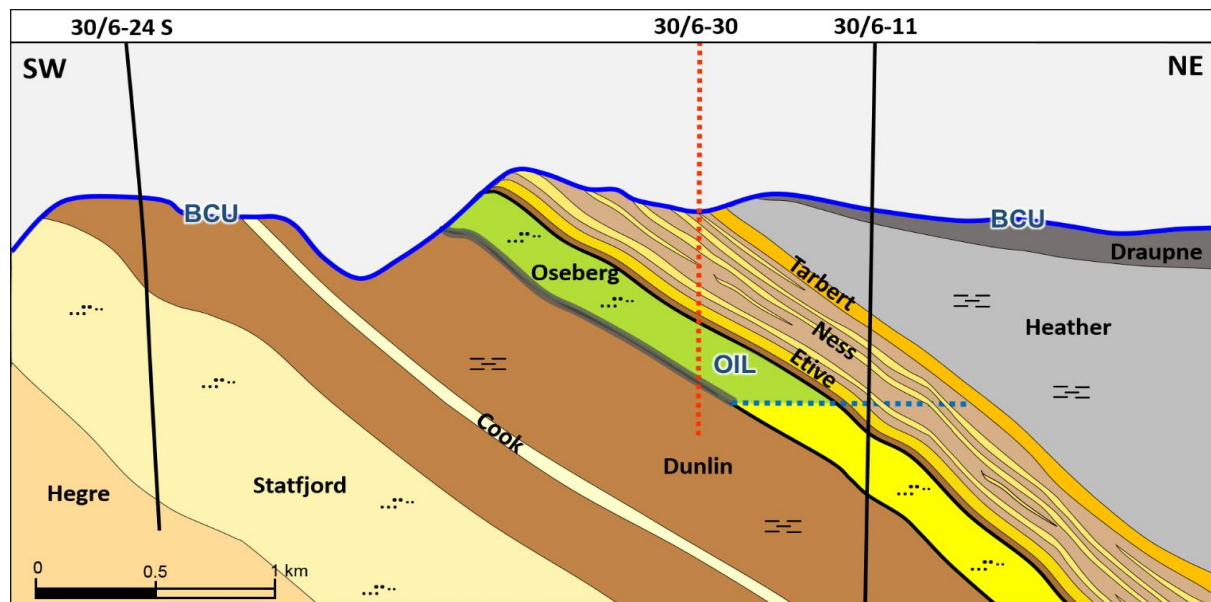


Rungne exploration well – Norway

Drilling 2018

Licence PL825: Faroe 40% and operator

- ❖ Faroe operated exploration well in a very prolific oil province
- ❖ Located near Brasse and immediately to the north of Oseberg
- ❖ Seismic AVO anomaly is hydrocarbon indicator – high chance of success
- ❖ Oil prospect: 70 – 110 mmboe gross unrisked resource
- ❖ Potential subsea development – significant synergy with Brasse
- ❖ Spud expected in late September 2018 with Transocean Arctic



Delivering value for all shareholders

Strongly positioned



a well funded, sustainable business...

successful exploration track record

regular top quartile licence round performer

balance sheet robust, multiple sources of financing

effective portfolio management (Fenja/Suncor, DONG)

production growth to 35,000 boepd and beyond

75% of 2P reserves delivered through drill-bit

targeting 80-150 mmboe in next 12 months

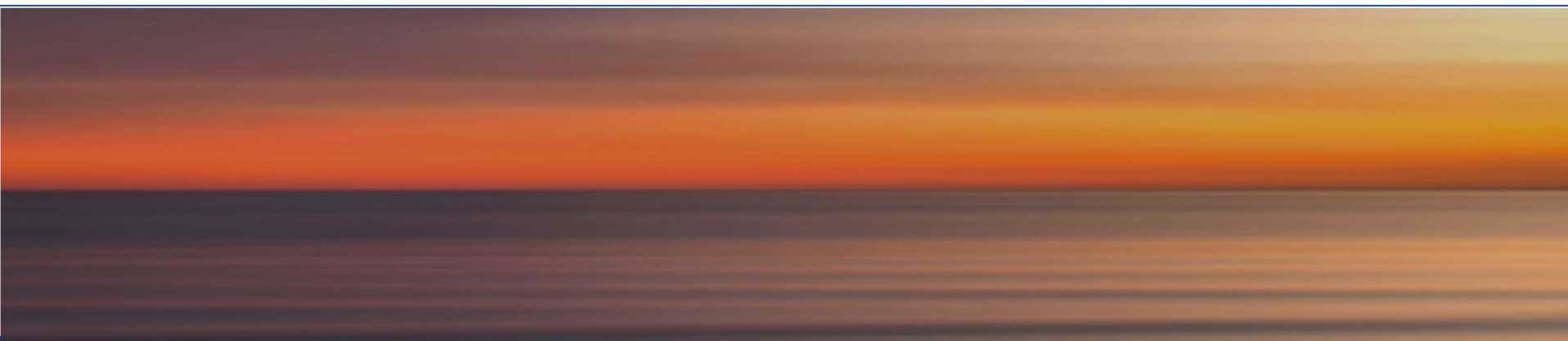
fully funded development programme

supporting growth with M&A

generating significant cash flow

...delivering material, near term value growth

Additional materials



ESG & diversity

Committed to high environmental and governance standards

Safety performance

- ❖ No reported breaches of HSE by Faroe staff in 2017

Environment

- ❖ Committed to respect and preserve the natural environment
- ❖ Annual GHG emissions reported to Norwegian Environment Agency and BEIS in UK

Ethics

- ❖ Faroe's core principles are working with integrity and transparency

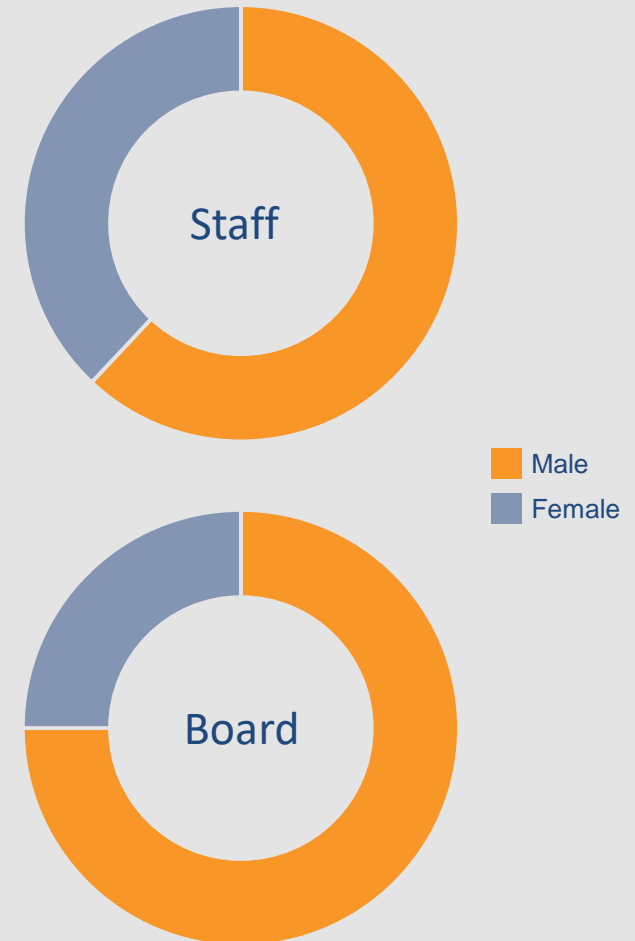
Community

- ❖ Faroe has a process for engaging with its various stakeholders
- ❖ Strong relationship with academia, sponsoring geological and geophysical studies at the universities of Bergen and Stavanger

Corporate governance & diversity

- ❖ Faroe committed to high standards of corporate governance which manifests itself through openness, honesty and transparency
- ❖ Faroe staff are 62% male, 38% female and the Board is 75% male, 25% female

Staff & Board Gender Split



H1 2018 detailed results summary

Increased profitability and cash flow from operations

Financial Summary (£M)	H1 2018	H1 2017		Explanation
Adjusted revenue	102.2	95.5	↑	Includes underlift movement & realised hedging. Higher commodity prices partly offset by lower production
Operating costs	(46.3)	(69.5)	↓	2017 included one-off payments in respect Ula and Schooner & Ketch. Also lower production in H1'18
Compensation income	21.3	18.1	↑	In respect of Oselvar and Oda
EBITDAX	77.2	44.0	↑	See above
Impairment	-	(3.0)	↓	Impairment charge recognised on Schooner & Ketch in H1'17 due to acceleration of cessation of production
DDA	(12.2)	(20.5)	↓	Partly due to lower production volumes
Administrative expenses	(5.3)	(2.0)	↑	Due to employee phantom share options, NI costs with option excise and timewriting charge-out rates
Exploration & evaluation expenses	(2.0)	(22.8)	↓	No significant E&E write-off in H1 2018. Kvalross cost written off in H1 2017
Unrealised hedging gains	0.3	4.0	↓	Due to increase in commodity prices
Gain on disposal of asset	24.5	-	↑	Relates to the part-disposal of Fenja and is stated on a post-tax basis
Operating profit	82.5	(0.3)	↑	See above
Finance costs	(10.2)	(6.1)	↑	Due mainly to the interest on the bond which was issued in November 2017
Finance income	0.6	0.2	↑	Due to higher interest rates
Loss before tax	72.9	(6.2)	↑	See above
Tax (charge)/credit	(30.5)	3.2	↓	Non-cash movement of deferred tax - mainly due to increased profitability
Profit/(loss) for the period	42.4	(3.0)	↑	See above
Realised Oil price (\$/bbl)	73.6	53.2	↑	Continued recovery in Brent boosting realised oil prices
Realised Gas Price (p/Therm)	47.7	42.2	↑	Net of realised hedging losses. Stronger gas market boosting realised gas prices
Opex (\$/boe)	27.0	26.0	↑	For assets on production only (H1'17 excludes one-off payments)
DDA (\$/boe)	7.5	10.0	↓	Decrease due to 2017 impairments and reallocation of book values

Njord Area – a major NCS (re)development project

Aligned interest across entire area

Njord, Hyme, Bauge & Fenja (all 7.5%)

Significant resource base remaining in Njord Area

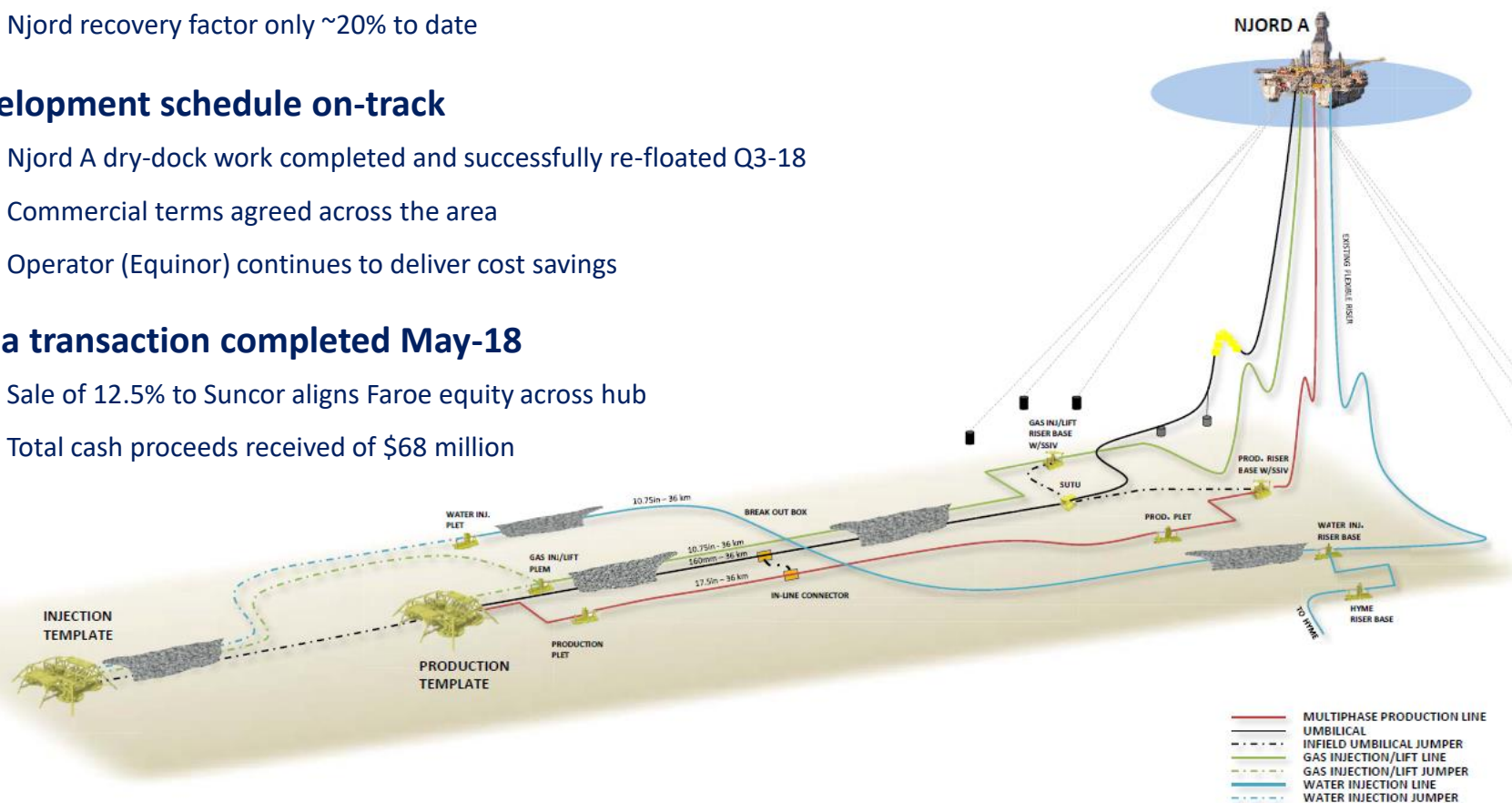
- ❖ Gross reserves of ~345 mmboe and peak production of 130,000 boepd
- ❖ Njord recovery factor only ~20% to date

Development schedule on-track

- ❖ Njord A dry-dock work completed and successfully re-floated Q3-18
- ❖ Commercial terms agreed across the area
- ❖ Operator (Equinor) continues to deliver cost savings

Fenja transaction completed May-18

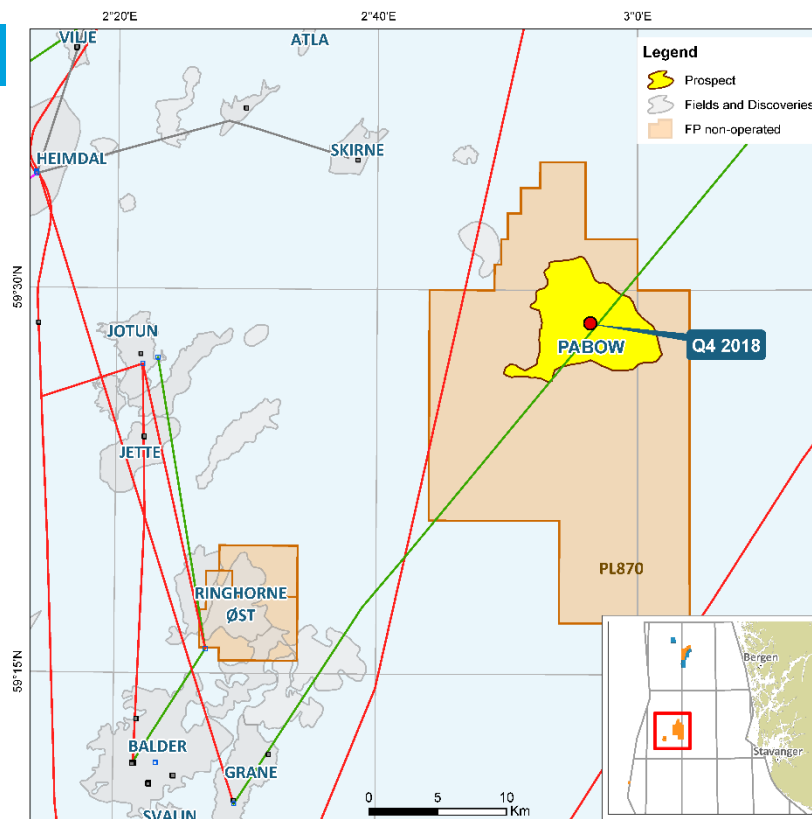
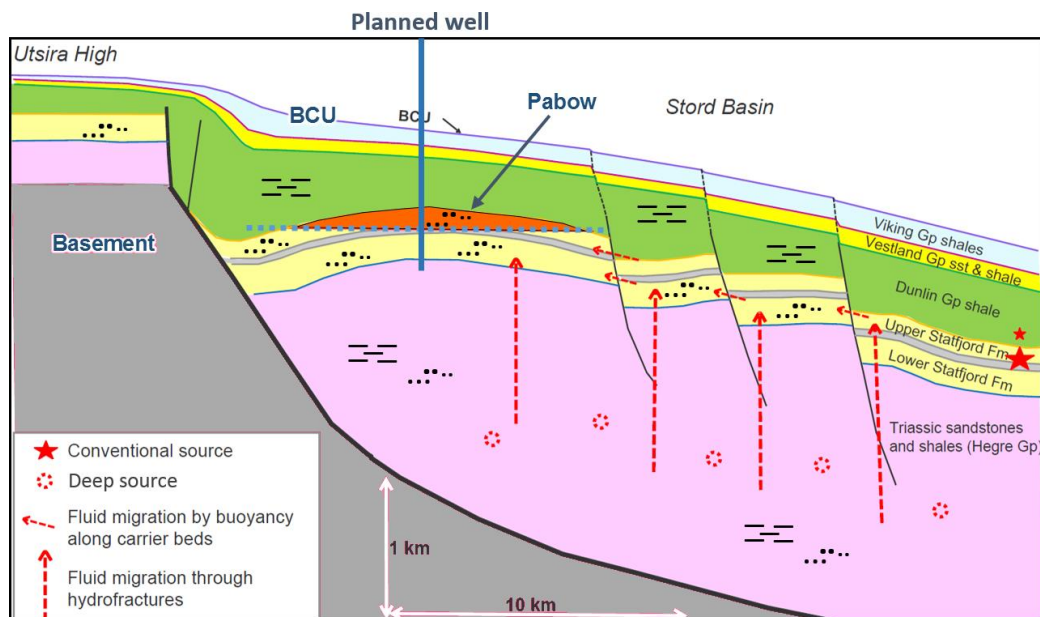
- ❖ Sale of 12.5% to Suncor aligns Faroe equity across hub
- ❖ Total cash proceeds received of \$68 million



Pabow exploration well - Norway

Licence PL870: Faroe 20%, Equinor 80% and operator

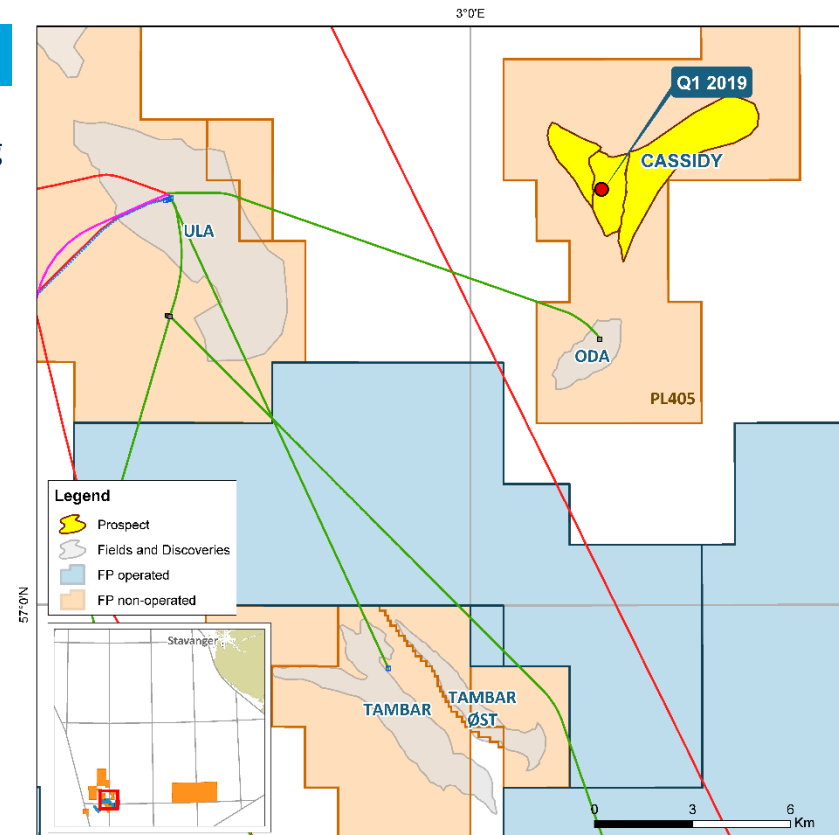
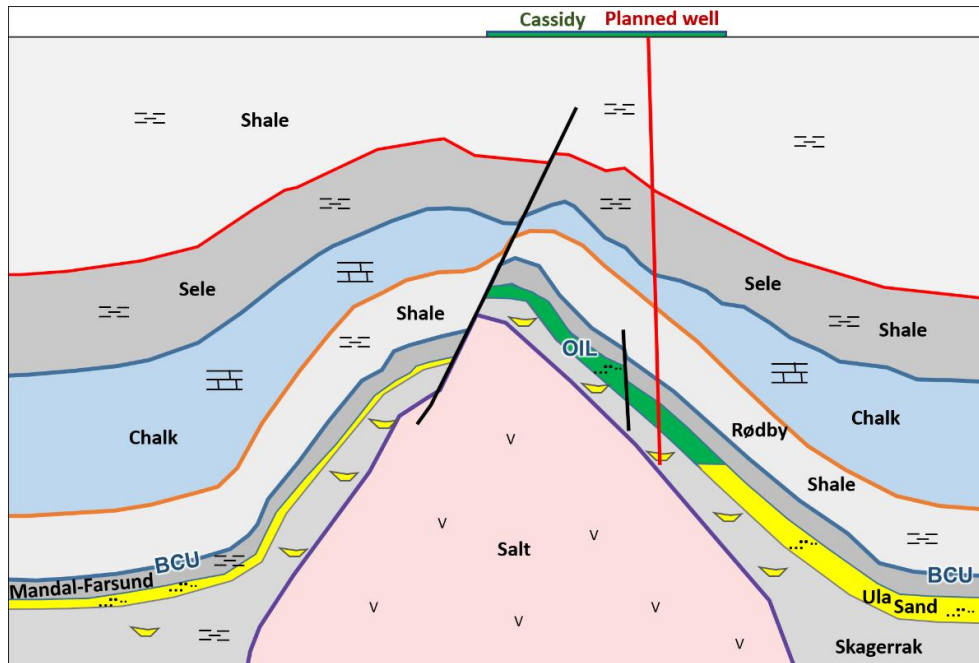
- ❖ Equinor operated exploration well east of Utsira High
- ❖ Testing new source rock and migration model – needed to explain giant Troll and Johan Sverdrup fields - huge follow up potential
- ❖ Gas prospect: 70 – 200 mill boe gross unrisked resource
- ❖ Multiple development options – subsea or stand-alone
- ❖ Spud expected towards year-end



Cassidy exploration well - Norway

Licence PL405: Faroe 15%, Spirit 40% (Op), Suncor 30%, AkerBP 15%

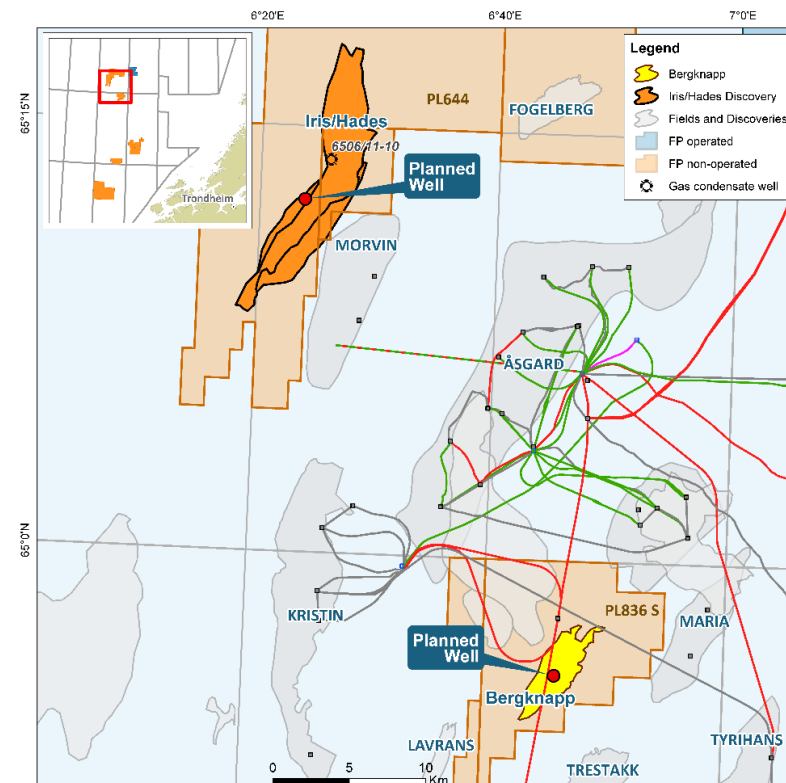
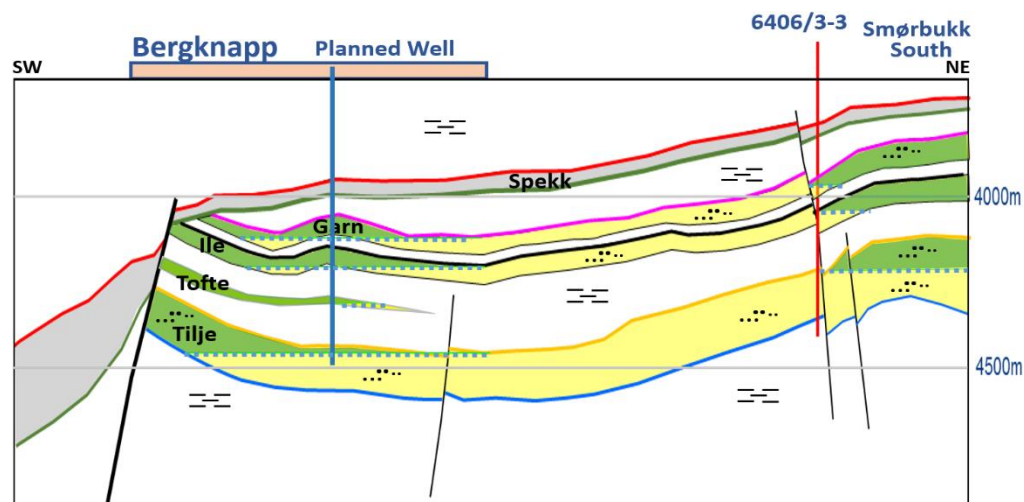
- ❖ Exploration well to be drilled following Oda development drilling
- ❖ Located north of Oda – in similar salt dome setting
- ❖ Oil prospect: 50 – 110 mill boe gross unrisked resource
- ❖ Potential subsea development – piggy back to Oda
- ❖ Spud expected in early 2019 with Mærsk Innovator



Bergknapp (formerly Yoshi) exploration well - Norway

Licence PL836 S: Faroe 30%, Wintershall operator

- ❖ Exploration well in the very prolific Åsgard area, where Faroe has made the Maria, Fogelberg, Iris and Hades discoveries
- ❖ Located immediately to the south of the Smørbukk South field targeting the same reservoirs
- ❖ Oil prospect: 30 – 60 mill boe gross unrisked resource
- ❖ Multiple subsea development options
- ❖ Spud expected in mid-2019



Faroe's executive team



Graham Stewart
Chief Executive Officer

- Instrumental in founding Faroe Petroleum in 1998
- Over 30 years' experience in oil and gas technical and commercial affairs
- Previously finance director and commercial director at Dana Petroleum 1997 to 2002
- Experience with Schlumberger, DNV Technica, Petroleum Science & Technology Institute
- Offshore Engineering degree (Heriot-Watt University) and MBA (University of Edinburgh)



Helge Hammer
Chief Operating Officer

- Joined Faroe Petroleum in 2006
- Over 30 years' technical & business experience, incl. Shell (Norway, Oman, Australia and Holland)
- Managing Director of wholly owned Norwegian subsidiary, Faroe Petroleum Norge AS
- Previously Asset Manager and Deputy Managing Director at Paladin Resources
- Economics degree (Institut Français du Pétrole, Paris)
- Petroleum Engineering degree (NTH University of Trondheim)



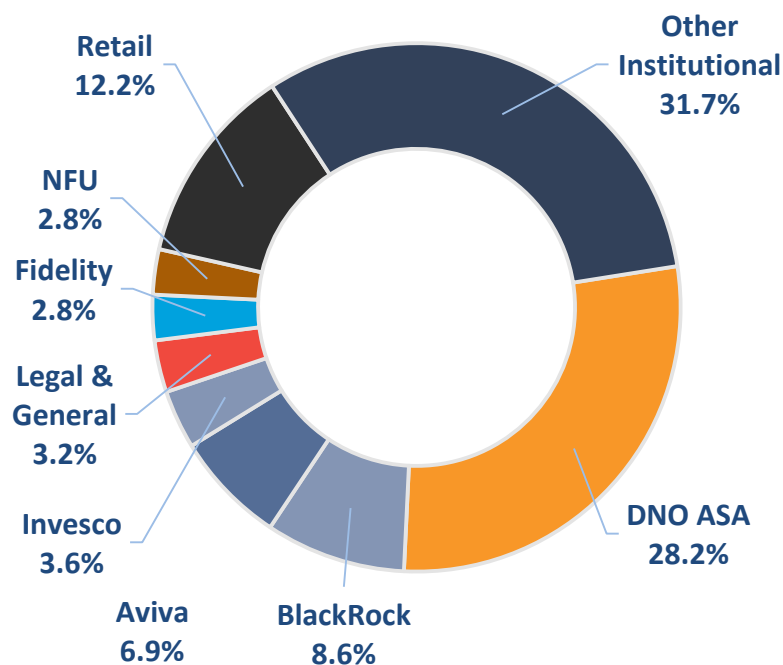
Jonathan Cooper
Chief Financial Officer

- Joined Faroe Petroleum as Chief Financial Officer in 2013
- Former Finance Director of Gulf Keystone Petroleum and Sterling Energy and CFO of Lamprell plc
- Former Director of the Oil and Gas Corporate Finance Team of Dresdner Kleinwort Wasserstein
- Broad range of experience from mergers and acquisitions, public offerings and financing
- Chartered accountant by training having qualified with KPMG
- PhD Mechanical Engineering (University of Leeds)

Strong and supportive institutional shareholder base

Shareholder overview

Major Shareholders



Shareholder Geographic Split

