



ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

CONDENSED CONSOLIDATED INTERIM REPORT

FOR THE 6 MONTHS ENDED 30th JUNE 2014

OPERATIONS IN PROLIFIC AREAS

NORTH WEST EUROPE FOCUSED

Atlantic Petroleum is a full cycle E&P company. Our portfolio of assets spans the full-cycle E&P value chain of exploration, appraisal, and development through to production and is located in some of the world's most prolific hydrocarbon basins. Our main focus is on offshore North West Europe where we can provide steady growth from the existing asset base and be prepared to acquire new assets.

UK

3 licences in UK Central North Sea with fields in production. 25 exploration, appraisal & development licences in the UK sector of the North Sea, Central North Sea, Southern North Sea & West of Shetland. One UK field has been sanctioned for development, and two are near development

NORWAY

9 exploration & appraisal licences in Norwegian Sea, the Barents Sea and the Norwegian sector of North Sea. Potential to increase significantly through licensing rounds and farm-ins (one licence has been relinquished but formalities not yet finalized)

FAROE ISLANDS

2 exploration licences

IRELAND

2 exploration & appraisal licences

NETHERLANDS

4 exploration licences

A total of 45 oil & gas licences at report date covering 125 blocks/part blocks which provide viability for organic growth from within the portfolio.

Find more information on our licences and projects on our website

WWW.PETROLEUM.FO



2014 DRILLING ACTIVITIES

1Q

NORWAY



PL659 – Well 722/11-2
The Langlitinden Exploration Well encountered oil-bearing sands of Triassic age.

2Q

FAROE ISLANDS



L006 – Well 6104/21-2
Brugdan II Exploration Well. No hydrocarbons were found in the intervals drilled.

UNITED KINGDOM



P317, P273 & P1580 - Well 20/02a-B3
Blackbird Production Well
Production testing achieved sustained rates of over 7,000 bbls/day, which was constrained by surface equipment.

3Q

UNITED KINGDOM



P1724 – Well 43/13b-7
Pegasus West Exploration Well spudded in July. The rig is expected to be on location for over two months.

4Q

NORWAY



PL528/528B
Ivory Exploration Well (Committed)

SECURING THE LONG TERM SUCCESS

1H HIGHLIGHTS & OUTLOOK

Atlantic Petroleum is a well-funded Group with a significant cash balance, low debt and a strong cash flow from three producing fields. EBITDAX for the first 6 months was DKK 81.2MM which is in line with expectation. Cash position at the end of June was DKK 194.6MM slightly higher than anticipated.

Production was in line with guidance and the average realised oil price of USD 108.3 was higher than expected. An extended annual shutdown on the Aoka Mizu FPSO commenced in June and production has now been re-instated. A production well on the Blackbird field was spudded in April and successfully tested in July. The well has been tied back to the Aoka Mizu FPSO and this will boost production. With extensions of lease contracts on the Hummingbird and Aoka Mizu FPSO significant production is secured for the next few years.

The Group's significant exploration portfolio has several high profile prospects and this year's drilling programme started off with the Langlitinden well in Norway followed by the re-entry of the Faroes Brugdan II well and now continues with the UK Pegasus well spudded in July and later in the year the high profile Ivory well in Norway will be drilled. The Ivory well is expected to be spudded in September.

PRODUCTION

Production for the first 6 months was 319,000 boe corresponding to an average of 1,762 boepd net which is within target

Chestnut

The Hummingbird FPSO contract and hence Chestnut field life has been extended, enabling production to at least March 2017. Further contract extensions are being evaluated along with other long term options for the field

Ettrick

The Aoka Mizu FPSO contract was extended to March 2016. Further extension rights exist which can be exercised in future years. The field is producing again following a planned extended shutdown over the summer to help extend field life

Blackbird

The 20/02a-B3 production well was spudded in April and successfully completed and tested in July achieving rates of over 7,000 bbls/day. The well has now been tied back into the Aoka Mizu FPSO facilities and production has commenced

DEVELOPMENT

The Group has currently three UK fields under development or near development

Orlando

The field was sanctioned for development in 2013. Discussions are in progress with the operator of the Ninian Central Platform to secure commercial terms for the modifications to the platform. First oil is expected in 2016

Kells

Work is on-going to re-submit an FDP in 2014, with first oil planned in late 2016 or 2017. Atlantic Petroleum holds 25% in this licence

Perth

Joint studies ongoing between Faroe Petroleum (operator of Lowlander) and the Perth group to determine the feasibility of a joint Perth/Dolphin/Lowlander development. This appraisal phase is expected to be complete by year end 2014. Owners have agreed the commercial and ownership framework and a Heads of Agreement for the Joint Development of the fields signed, which covers equity alignment or "Unitisation" process, budget and management of the joint near term work programme, and plans for securing finance for the project.

EXPLORATION

Atlantic Petroleum's exploration portfolio has several high profile prospects identified.

Ivory

Atlantic Petroleum holds 9% of the participating interest in this high profile well. The well is expected to be spudded in September with the West Navigator

Pegasus

The well spudded in July and is currently drilling. If successful the well will be tested. This will have a large impact on the future potential of the Pegasus complex. Result of the well is expected in September

Likely 2015 wells

Aurora

Large intra-carboniferous prospect located in the Southern North Sea, close to the Breagh Field

Skerryvore

Prospect located in Central North Sea which is expected to be drilled in 2H 2015

FINANCIAL

The Group is well funded with a significant cash balance, low debt and strong cash flow from three producing fields.

EBITDAX DKK 81.2MM (1H 2013 DKK 120.7MM)

Cash and cash equivalents DKK 194.6MM (End 2013 DKK 184.6MM)

Revenue DKK 198.2MM (1H 2013 DKK 214.2MM)

Exploration expense DKK 104.1MM (1H 2013 DKK 74.5MM)

General and administration costs DKK 25.4MM (1H 2013 DKK 28.0MM)

Result after taxation DKK -36.0MM (1H 2013 DKK -2.5MM)

2014 TARGETS

Production average per day between 1,650 – 1,900 boepd net for the year

Drill 4 exploration/ appraisal wells in 2014 targeting 86MMboe of net unrisks resources

EBITDAX in the range DKK 125MM - 175MM

REPORT FOR 1H 2014

► KEY METRICS

DKK 1,000	3 months to 30 th June 2014	3 months to 30 th June 2013	6 months to 30 th June 2014	6 months to 30 th June 2013	Full year 2013
Profit and loss					
Revenue	85,472	92,513	198,178	214,232	417,421
Gross profit	23,572	36,617	62,384	90,829	195,655
Exploration expenses	-22,781	-38,784	-104,114	-74,503	-119,647
EBITDAX	33,721	50,977	81,172	120,730	223,748
Operating loss (EBIT)	-17,964	-20,766	-81,984	-21,757	-1,629
Depreciations	-28,903	-34,908	-59,042	-67,984	-105,729
Loss before taxation	-31,424	-23,160	-99,908	-15,023	-11,623
Loss after taxation	-23,287	-8,527	-35,974	-2,459	-25,674
Financial position					
Non-current assets	954,427	856,639	954,427	856,639	921,804
Current assets	418,390	203,383	418,390	203,383	315,375
Total assets	1,372,816	1,060,021	1,372,816	1,060,021	1,237,179
Current liabilities	168,984	105,698	168,984	105,698	141,541
Non-current liabilities	617,310	450,815	617,310	450,815	498,293
Total liabilities	786,294	556,513	786,294	556,513	639,834
Net assets/Equity	586,522	503,508	586,522	503,508	597,345
Cash flow and cash					
Cash generated from operations	51,716	23,234	19,105	84,522	219,146
Change in cash and cash equivalents	16,114	-3,174	6,244	-183,280	-54,183
Cash and cash equivalents	194,608	59,240	194,608	59,240	184,613
Bank debt –excluding drawdown on the exploration finance facility	78,000	78,000	78,000	78,000	78,000
Financial statement related key figures:					
Gross Margin	27.6%	39.6%	31.5%	42.4%	46.9%
EBIT Margin	-21.0%	-22.4%	-41.4%	-10.2%	-0.4%
EBITDAX Margin	39.5%	55.1%	41.0%	56.4%	24.9%
Return on Equity	-3.9%	-1.7%	-6.1%	-0.5%	-5.0%
Share related key figures:					
Earnings per share Basic	-6.32	-3.25	-9.73	-0.94	-9.54
Earnings per share Diluted	-6.32	-3.25	-9.73	-0.94	-9.67
Share price in DKK on OMX CPH/IS and Oslo Stock Exchange (From 3Q 2013)	85/NA & 83	166/190 & NA	85/NA & 83	166/190 & NA	129/145 & 128
Other key numbers/figures					
Full time equivalent positions	28	24	28	25	27

A ROBUST PROGRAMME GOING FORWARD

STATUS ON KEY LICENCES

Our portfolio of assets spans across all four stages of exploration, appraisal, development and production. The following section presents the status on some key licences at end of 1H 2014.

UNITED KINGDOM

DEVELOPMENT & PRODUCTION

Licence P354, Block 22/2a, Chestnut (15.00%)

Chestnut production was within expectation in 1H 2014. Studies are underway to update the existing reservoir models to produce improved forecasts and reserve estimates. A contract extension for the Hummingbird PFSO was announced in May, enabling production to at least March 2017. Further contract extensions are being evaluated along with other long term options for the field.

Licences P273 & P317, Blocks 20/3a & 20/2a, Ettrick (8.27%)

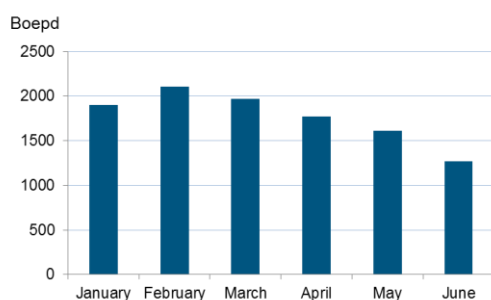
Ettrick field production was within expectation in 1H 2014. The partnership exercised an option in the Aoka Mizu FFSO contract to extend use of the vessel to March 2016. Further extension rights exist which can be exercised in future years. The field will undergo a planned extended shutdown over the summer to help extend field life.

Licences P273, P317 & P1580, Blocks 20/3a, 20/2a & 20/3f, Blackbird (9.40%)

Blackbird production was at the low end of expectation in 1H 2014, due to delay, relative to plan, in first oil from the B3 well and minor process trips on the Aoka Mizu. The 20/02a-B3 production well was spudded at the end of April and is expected to be in production by August 2014. The investment in the Blackbird production well will qualify for the Brown Field Allowance under the UK taxation system.

Licence P1606 Block 3/3a, Orlando (25.00%) Discussions have been in progress with the operator of the Ninian Central Platform to secure commercial terms for the modifications to the platform. The negotiations are proving to be slower to conclude than expected. DECC is aware of the situation and is assisting in finding a resolution of the outstanding issues. First oil is now expected in 2016.

NET BARRELS PRODUCED PER DAY 1H 2014



2014 production target 1,650-1,900 boepd

NEAR DEVELOPMENT

Licence P1607, Block 3/8d, Kells (25.00%)

Atlantic Petroleum holds a 25% interest in this licence which contains the Kells discovery. Work is on-going to re-submit an FDP in 2014, with first oil planned in late 2016 or 2017.

Licences P218 & P588, Blocks 15/21a, b, c & f, Perth (13.35%)

Joint studies are now ongoing between Faroe Petroleum (operator of Lowlander) and the Perth group to determine the feasibility of a joint Perth/Dolphin/Lowlander development. This appraise phase is expected to be complete by year end 2014. Owners have agreed the commercial and ownership framework and a Heads of Agreement for the Joint Development of the fields signed, which covers equity alignment or "Unitisation" process, budget and management of the joint near term work programme, and plans for securing finance for the project.

EXPLORATION & EVALUATION

Licences P1610 & P1766, Blocks 13/23a & 13/22d, Magnolia (20.00%)

Work is on-going and the partnership is looking at further exploration on the blocks, especially in the light of the announcement by Dana of the Liberator discovery in the block adjacent to 13/23a.

Licence P1724, Block 43/13b, Pegasus (10.00%)

An appraisal well on Pegasus West was drilled and tested in July-August 2014. The well result will have a large impact on the future potential of the Pegasus complex.

Licence P1727, Blocks 43/17b & 43/18b, Harmonia & Browney (10.00%)

A well is currently being drilled in 2014 on the Pegasus West structure which extends into this licence.

Licence P1899, Blocks 44/4a, 44/5 & 45/1, Lead B (10.00%)

This is a 26th Licensing Round licence award and lies next to the Dutch E Block acreage. The Group acquired new 3D data over the licence in 2013 which is currently being interpreted.

Licence P1906, Blocks 47/2b, 47/3g, 47/7a & 47/8d, Greater York area (10.00%)

These blocks lie adjacent to the Centrica operated York field which came on stream in March 2013. A 3D seismic survey was acquired in 2013 and the data is currently being interpreted. A well could possibly be drilled in 4Q 2015 to 1Q 2016.

Licence P2126, Blocks 42/2 (split), 42/3 (split), 42/7, 42/8b, 42/9b & 43/3b, Orchards/Aurora (10.00%)

New 3D seismic data has been acquired over this licence and is currently being interpreted. The licence has a contingent

well commitment. A well could possibly be drilled in 4Q 2015 to 1Q 2016.

Licence P2082, Blocks 30/12c, 30/13c & 30/18c, Skerryvore (30.50%)

New seismic data has been purchased and a seismic data inversion completed. These data are being interpreted and drilling planning has started.

FAROE ISLANDS

EXPLORATION & EVALUATION

Licence 006, Blocks 6104/16a,21 & 6105/25, Brugdan Deep (1.00%)

The Brugdan II well re-entry started in May 2014. It was announced in June 2014 that the well did not encounter hydrocarbons.

Licence 016, Blocks 6202/6a,7,8,9,10a,11,12,13,14,15, 16,17,18,21a,22a, 6203/14a,15a,16,17,18,19,20,21,22,23, 24a,25a, Kúlubøkan (10.00%)

3D seismic survey was acquired in 2013 and is currently being interpreted. The partnership has up to six years from award in December 2008 to decide whether or not to drill an exploration well. The partnership is considering whether to extend the licence.

NETHERLANDS

EXPLORATION & EVALUATION

Blocks E1, E2, E4 & E6 (6.00%)

The licences are operated by Centrica and lie adjacent to UK/Netherlands border in approximately 35 - 40m of water. The area is also adjacent to UKCS Licence P1899, awarded in December 2012 to Atlantic Petroleum, Centrica and GdF Suez in the UKCS 26th Round. The licence group has been granted extensions, to allow more time to evaluate the licences.

NORWAY

EXPLORATION & EVALUATION

Licence PL270/270B, Block 35/3, Agat (15.00%)

PL270 was acquired in December 2012 from the operator VNG, and in February 2014 PL270 B was awarded as an extension of the licence (APA 2013 round). Three gas discovery wells have been drilled within the current licence boundaries. A technical and commercial evaluation is ongoing.

Licence PL704, Blocks 6704/12 & 6705/10 (part), Napoleon South (30.00%)

PL704 was awarded in the 22nd Licensing Round on the Norwegian Continental Shelf (NCS). The licence contains multiple high potential prospects and given a discovery the reserves could be tied in to the Aasta Hansteen Field. Prospectivity is mapped on 2D and 3D seismic data within several geological play models. The technical work is ongoing. E.ON is the operator for this licence.

Licence PL705, Blocks 6705/7 (part),8,9,10 (part), Napoleon North (30.00%)

PL705 was awarded in the 22nd Licensing Round on the Norwegian Continental Shelf (NCS). The licence contains multiple high potential prospects and given a discovery the reserves could be tied in to the Aasta Hansteen Field. The technical work is ongoing. Repsol is the operator for this licence.

Licence PL763, Blocks 6606/2 & 6606/3 (parts), Karius (30.00%)

PL763 was awarded in APA 2013 (Awards in predefined areas) 7th February 2014. The licence contains multiple prospects and given a discovery the reserves could be tied in to the Aasta Hansteen Field located 10-15 km away. The technical work is ongoing, and the first phase of the work program is to reprocess seismic. Repsol is the operator for this licence.

Licence PL659, Blocks/part blocks 7121/3, 7122/1,2, 7221/10,12, 7222/11,12, Langlitinden (10.00%)

PL659 was awarded in February 2012 (APA 2011). Atlantic Petroleum farmed in to PL659 through a deal with the operator, Det norske prior to drilling the Langlitinden well.

7222/11-2 proved a significant oil column, but the reservoir has lower permeability than expected. The commerciality of this discovery is still not concluded. Significant prospectivity remains in the licence, in various targets. The next step in the licence is to evaluate newly acquired 3D seismic. The licence consists of 7 blocks/part blocks and covers 1,462 km². PL659 also includes a small oil and gas discovery made in 2008 (7222/11-1, Caurus).

Licence PL528/528B, Blocks 6707/8, 6707/9, 6707/11, 6707/10 (part), Ivory (9.00%)*

In 2013 the Company entered into a farm-in option agreement with Rocksource ASA regarding the PL528/528B licence in the Norwegian Sea. In April 2014 Atlantic Petroleum decided to utilize the full option and acquired 15% of the participating interest in PL528/528B. The PL528 licence contains the Ivory prospect sanctioned for drilling with West Navigator in 4Q 2014. Centrica is the operator for this licence. *Atlantic Petroleum has farmed out 6% to Repsol. The transaction is subject to government approval.

IRELAND

Licence SEL 2/07, Part Blocks 50/6, 7, 11, 49/9, 13, 14, 18 & 19 (18.33/13.75%)

The licence group is in the process of application with the PAD to convert the licence into a Licence Undertaking where development options will be studied. In November 2013, it was announced that the joint venture had agreed a phased farm-in by ABT Oil & Gas into the Helvick and Dunmore oil discoveries. Under the agreed terms of the farm-in, ABT Oil & Gas will carry out a work programme which will include an assessment of commerciality and, as appropriate, submission of plans for field development to first oil, using ABT Oil & Gas' low cost development solutions. Upon completion of agreed work programme ABT Oil & Gas will earn a 50% interest in the discoveries.

Licence FEL 3/04, Blocks 44/18, 44/23, 44/24, 44/29 & 44/30, Dunquin (4.00%)

Dunquin North well was spudded in April 2013. It was plugged and abandoned in July 2013. The well has indicated a working hydrocarbon system, which is positive for the surrounding area, including the Dunquin South prospect. Post well evaluation is ongoing.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

THE FOLLOWING SIGNIFICANT EVENTS HAVE OCCURRED AFTER 30TH JUNE 2014:

- **On 14th July** Atlantic Petroleum announced that drilling had commenced on the 43/13b-7 Pegasus West well on UK Licence P1724. The well is being drilled by the Noble Julie Robertson jackup rig in a water depth of about 95 feet. Pegasus West is being drilled approximately 7 km WSW of the 43/13b-6Z Pegasus North discovery well. This well was drilled in 2010 by Centrica Energy and Volantis Exploration, now a subsidiary of Atlantic Petroleum, and was plugged and abandoned in January 2011 having encountered gas in the Carboniferous. The Pegasus West prospect lies in the Southern North Sea, close to the producing Cavendish Field, and has a Carboniferous gas target. The rig is expected to be on location for over two months.
- **On 15th July** Atlantic Petroleum announced that the Blackbird Field 2nd production well had been tested. The initial production testing from the Blackbird Field second production well, 20/02a-B3, achieved sustained rates of over 7,000 bbls/day (c. 660 bbls/day net to Atlantic Petroleum), which was constrained by surface equipment. The well was drilled and tested using the Noble Ton V Langeveld drilling rig. It will now be tied into the Aoka Mizu FPSO facilities and full production will commence following the ongoing planned shutdown.
- **On 22nd August** Atlantic Petroleum announced that the Group had entered into a commercial agreement to farm out 6% of its 15% ownership in licence PL528/528B. This leaves Atlantic Petroleum with 9% ownership. The deal is subject to government approval.
- **On 28th August** Atlantic Petroleum announced that Atlantic Petroleum Norge AS signed a Sales and Purchase Agreement for the Norwegian licences PL601 and PL602. The deal is subject to government approval.

ENDORSEMENT AND SIGNATURES OF THE MANAGING DIRECTOR AND THE BOARD OF DIRECTORS

The Condensed Consolidated Interim Report for the first six months of 2014 comprises the Consolidated Statement of Financial Position of P/F Atlantic Petroleum and its subsidiaries. The Condensed Consolidated Interim Report is prepared in accordance with International Financial Reporting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

We consider the accounting policies used to be appropriate, such that the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 30th June 2014, and of the results of the Group's operations and cash flow for the period 1st January – 30th June 2014.

Tórshavn 29th August 2014

Management:

Ben Arabo
CEO

Board of Directors:

Birgir Durhuus
Chairman

Jan E. Evensen
Deputy Chairman

Diana Leo

David A. MacFarlane

Barbara Y. Holm

AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF P/F ATLANTIC PETROLEUM

According to agreement with the Company's Board of Directors, we have reviewed the accompanying condensed consolidated interim Statement of Financial Position of P/F Atlantic Petroleum and its subsidiaries as of 30th June 2014, and the related condensed consolidated statements of income and cash flows and notes for the six months ended 30th June 2014.

These condensed consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

Basis of Opinion

We conducted our review in accordance with generally accepted review standard ISA 2410 as applied in the Faroe Islands. This Standard requires that we plan and perform the review to obtain limited assurance as to whether the preliminary financial information is free of material misstatements. A review is limited primarily to

Inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Report does not give a true and fair view of the financial position of the Group as of 30th June 2014, and of the results of its operations and its cash flows for the six months ended 30th June 2014 in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" as adopted by the European Union.

Tórshavn 29th August 2014

JANUAR

State Authorized Public Accountants P/F

Jógvan Amonsson

State Authorized Public Accountant

Fróði Sivertsen

State Authorized Public Accountant



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30th JUNE 2014

CONSOLIDATED INCOME STATEMENT

DKK 1,000	Note	3 months to 30 th June 2014	3 months to 30 th June 2013	6 months to 30 th June 2014	6 months to 30 th June 2013	Full year 2013
Revenue	3	85,472	92,513	198,178	214,232	417,421
Costs of sales	4	-61,900	-55,896	-135,794	-123,403	-221,767
Gross profit		23,572	36,617	62,384	90,829	195,655
Exploration expenses		-22,781	-38,784	-104,114	-74,503	-119,647
Pre-licence exploration costs		-3,255	-2,711	-6,706	-6,068	-11,064
General and administration costs		-11,164	-13,851	-25,352	-28,002	-58,410
Depreciation PPE and intangible assets		-4,335	-2,039	-8,195	-4,013	-8,162
Operating loss	4	-17,964	-20,766	-81,984	-21,757	-1,629
Interest income and finance gains		232	-624	232	13,052	1,454
Interest expenses and other finance costs	5	-13,693	-1,770	-18,156	-6,317	-11,448
Loss before taxation		-31,424	-23,160	-99,908	-15,023	-11,623
Taxation	6	8,137	14,632	63,933	12,564	-14,051
Loss after taxation		-23,287	-8,527	-35,974	-2,459	-25,674
Earnings per share (DKK):						
Basic	13	-6.30	-3.25	-9.75	-0.94	-9.54
Diluted	13	-6.30	-3.25	-9.75	-0.94	-9.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	3 months to 30 th June 2014	3 months to 30 th June 2013	6 months to 30 th June 2014	6 months to 30 th June 2013	Full year 2013
Items that may be recycled in Income statement:					
Loss for the period	-23,287	-8,527	-35,974	-2,459	-25,674
Exchange rate differences	18,773	-10,419	25,508	-29,869	-19,530
Value of Futures contracts	-4,458	2,917	-4,284	-1,888	-6,776
Total comprehensive loss in the period	-8,972	-16,029	-14,750	-34,216	-51,980

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	At 30 th June 2014	At 30 th June 2013	At 31 st December 2013
Non-current assets				
Goodwill	7	56,015	54,551	54,354
Intangible assets	8	24,685	13,270	26,482
Intangible exploration and evaluation assets	9	235,098	225,701	216,682
Tangible development and production assets	10	636,241	560,465	621,504
Property plant and equipment	11	2,387	2,652	2,782
		954,427	856,639	921,804
Current assets				
Inventories		30,999	27,036	38,759
Trade and other receivables		60,067	74,115	48,493
Tax repayable		132,715	39,016	43,509
Financial assets		0	3,975	0
Cash and cash equivalents		194,608	59,240	184,613
		418,390	203,383	315,375
Total assets		1,372,816	1,060,021	1,237,179
Current liabilities				
Exploration finance facility		43,598	0	25,058
Short term bank debt		19,500	19,500	19,500
Short term liabilities		0	0	116
Trade and other payables		99,524	66,202	94,836
Financial liabilities		5,198	0	914
Current tax payable		1,165	19,996	1,117
		168,984	105,698	141,541
Non-current liabilities				
Exploration finance facility		73,097	27,907	0
Long term bank debt		58,500	58,500	58,500
Long term provisions		181,054	157,768	172,790
Deferred tax liability		304,659	206,640	267,003
		617,310	450,815	498,293
Total liabilities		786,294	556,513	639,834
Net assets		586,522	503,508	597,345
Equity				
Share capital		369,786	262,670	367,670
Share premium account		233,444	227,542	232,903
Share based bonus schemes - LTIP	14	4,394	1,882	3,123
Futures Contracts Value		-5,198	3,975	-914
Translation reserves		37,944	2,097	12,435
Retained earnings		-53,847	5,342	-17,873
		586,522	503,508	597,345

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Own shares	Share premium account	Share based	Futures contracts value	Translation reserves	Retained earnings	Total
				Payments LTIP and Bonus				
At 1st January 2013	262,670	0	227,527	1,314	5,863	31,966	7,801	537,140
Own shares bought (1,521 shares)	0	-263	0	0	0	0	0	-263
Own shares sold (1,521 shares)	0	263	0	0	0	0	0	263
Changes in Capital gains/losses on shares bought/sold	0	0	15	0	0	0	0	15
Changes in Futures contracts value	0	0	0	0	-1,888	0	0	-1,888
Changes in share based bonus schemes	0	0	0	568	0	0	0	568
Changes in translation reserves	0	0	0	0	0	-29,869	0	-29,869
Result for the period	0	0	0	0	0	0	-2,459	-2,459
At 30th June 2013	262,670	0	227,542	1,882	3,975	2,097	5,342	503,508
Capital raise	105,000	0	5,362	0	0	0	0	110,362
Changes in share based bonus schemes	0	0	0	1,241	0	0	0	1,241
Changes in Futures contracts value	0	0	0	0	-4,889	0	0	-4,889
Translation reserves	0	0	0	0	0	10,338	0	10,338
Result for the period	0	0	0	0	0	0	-23,215	-23,215
At 1st January 2014	367,670	0	232,903	3,123	-914	12,435	-17,873	597,345
Capital raise	2,116	0	541	0	0	0	0	2,657
Changes in Futures contracts value	0	0	0	0	-4,284	0	0	-4,284
Changes in share based bonus schemes	0	0	0	1,271	0	0	0	1,271
Translation reserves	0	0	0	0	0	25,508	0	25,508
Result for the period	0	0	0	0	0	0	-35,974	-35,974
At 30th June 2014	369,786	0	233,444	4,394	-5,198	37,944	-53,847	586,522

CONSOLIDATED CASH FLOW STATEMENT

DKK 1,000	6 months to 30 th June 2014	6 months to 30 th June 2013	Full year 2013
Operating activities			
Operating loss	-81,984	-21,757	-1,629
Allocated consolidated capitalised interest	1,129	-1,948	2,541
Impairment on exploration and evaluation assets	103,884	36,762	70,833
Relinquishment/Disposal of licences	102	37,595	48,814
Depreciation, depletion and amortisation	57,913	67,984	103,189
Change in inventories	9,205	-13,692	-24,695
Change in trade and other receivables	-93,324	10,318	25,955
Change in trade and other payables	-50,455	-46,005	-41,321
Interest revenue and finance gains received	232	15,402	1,454
Interest expenses and other finance costs paid	-18,156	-8,337	-11,448
Income taxes	90,558	8,219	45,454
Net cash inflow from operating activities	19,105	84,541	219,146
Investing activities			
Capital expenditure	-107,103	-295,709	-408,763
Net cash outflow from investing activities	-107,103	-295,709	-408,763
Financing activities			
Change in share capital	2,116	0	105,000
Change in share premium cost/cost of capital raise	541	0	5,376
Change in short term debt	18,489	0	25,058
Change in long term debt	73,097	27,888	0
Net cash outflow from financing activities	94,242	27,888	135,434
Change in cash and cash equivalents	6,244	-183,280	-54,183
Cash and cash equivalents at the beginning of the period	184,613	231,446	242,521
Currency translation differences	3,751	11,075	-3,725
Total cash and cash equivalents at the beginning of the period	188,364	242,521	238,796
Cash and cash equivalents at the end of the period	194,608	59,240	184,613

NOTES TO THE ACCOUNTS

ACCOUNTING POLICY

GENERAL INFORMATION

P/F Atlantic Petroleum is a limited company incorporated and domiciled in the Faroe Islands and listed on NASDAQ OMX Copenhagen and on Oslo Stock Exchange.

The principal activities of the Company and its subsidiaries (the Group) are oil and gas exploration, appraisal, development and production in the UK, Ireland, Norway, Netherlands and the Faroe Islands.

The Annual and Consolidated Report and Accounts of the Group as at and for the year ended 31st December 2013 are available upon request from the Company's registered office at Yviri við Strond 4, 3rd Floor, P.O. Box 1228, FO-110 Tórshavn, Faroe Islands or at www.petroleum.fo.

This Condensed Consolidated Interim Report is presented in DKK.

1 STATEMENT OF COMPLIANCE

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. It does not include all of the information required for full Annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31st December 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31st December 2013.

3 GEOGRAPHICAL SEGMENTAL ANALYSIS

DKK 1,000	6 months to 30th June 2014	6 months to 30th June 2013	Full year 2013
Revenues by origin:			
Faroe Islands	0	0	0
United Kingdom	197,331	214,232	417,421
Norway	847	0	0
Other	0	0	0
	198,178	214,232	417,421
Operating profit/loss by origin:			
Faroe Islands	-19,545	-10,198	-5,459
United Kingdom	44,048	5,299	93,765
Norway	-106,119	-16,114	-48,963
Other	-368	-744	-40,973
	-81,984	-21,757	-1,629

4 COST OF SALE

DKK 1,000	6 months to 30th June 2014	6 months to 30th June 2013	Full year 2013
Operating costs	75,743	71,269	148,894
Produced oil in inventory at market value	9,205	-13,787	-24,695
Amortisation and depreciation, plant and equipment:			
Oil and gas properties	50,846	65,920	97,567
	135,794	123,403	221,767

5 INTEREST INCOME & EXPENSE AND FINANCE GAINS & COSTS

DKK 1,000	6 months to 30th June 2014	6 months to 30th June 2013	Full year 2013
Interest income and finance gains:			
Short term deposits	232	64	586
Exchange differences	0	12,988	867
	232	13,052	1,454
Interest expense and other finance costs:			
Bank loan and overdrafts	5,653	3,773	8,992
Creditors	0	5	7
Unwinding of discount on decommissioning provision	1,602	2,140	2,036
Unwinding of discount on liabilities	0	331	259
Others	220	68	153
Exchange differences	10,679	0	0
	18,156	6,317	11,448

6 TAXATION

DKK 1,000	6 months to 30th June 2014	6 months to 30 th June 2013	Full year 2013
Current tax :			
Tax payable in UK	0	-65,446	-1,565
Tax repayable in Norway	90,558	14,472	47,019
Total current tax	90,558	-50,974	45,454
Deferred tax:			
Deferred tax cost in UK	-28,512	0	-97,452
Deferred tax income in UK	6,796	62,199	50,687
Deferred tax cost in Norway	-4,909	0	-12,739
Deferred tax income in Norway	0	1,339	0
Total deferred tax	-26,625	63,538	-59,504
Tax credit on loss on ordinary activities	63,933	12,564	-14,051

As at 30th June 2014, the Group has a net deferred tax asset of DKK 29.9MM (31st December 2013: DKK 20.2MM).

This is made up of the following amounts: Effect of capital allowances in excess of depreciation: DKK 2.1MM (31st December 2013: DKK 5.5MM) and effect of tax loss available: DKK 32.1MM (31st December 2013: DKK 25.7MM).

The loss can be carried forward indefinitely.

7 GOODWILL

DKK 1,000	At 30th June 2014	At 30 th June 2013	At 31 st December 2013
At 1 st January	54,354	57,693	57,693
Exchange movements	1,661	-3,142	-3,339
At end of period	56,015	54,551	54,354

8 INTANGIBLE ASSETS

DKK 1,000	At 30th June 2014	At 30 th June 2013	At 31 st December 2013
Costs			
At 1 st January	33,834	17,227	17,227
Exchange movements	187	-1,151	-2,101
Additions	5,654	1,231	18,707
At end of period	39,674	17,308	33,834
Amortisation and depreciation			
At 1 st January	7,351	638	638
Exchange movements	-58	-23	-513
Charge this period	7,696	3,423	7,225
At end of period	14,989	4,038	7,351
Net book value at end of period	24,685	13,270	26,482

9 INTANGIBLE EXPLORATION AND EVALUATION (E&E) ASSETS

DKK 1,000	At 30th June 2014	At 30 th June 2013	At 31 st December 2013
Costs			
At 1 st January	216,682	215,777	215,777
Exchange movements	6,648	-9,642	-9,846
Additions	115,891	93,557	149,679
Traded during the year	0	0	-9,654
Disposal/relinquishment of licences	0	-73,918	-48,742
Explorations expenditures written off	-103,893	0	-77,752
Consolidated interest written off	-230	-73	-2,780
At end of period	235,098	225,701	216,682

10 TANGIBLE DEVELOPMENT AND PRODUCTION (D&P) ASSETS

DKK 1,000	At 30th June 2014	At 30 th June 2013	At 31 st December 2013
Costs			
At 1 st January	1,211,488	943,017	943,017
Exchange movements	50,656	-43,011	-21,226
Additions	40,490	205,333	289,697
At end of period	1,302,634	1,105,339	1,211,488
Amortisation and depreciation			
At 1 st January	589,984	502,175	502,175
Exchange movements	25,564	-22,781	-9,759
Charge	50,846	65,480	97,567
At end of period	666,394	544,874	589,984
Net book value at end of period	636,241	560,465	621,504

11 PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	At 30th June 2014	At 30 th June 2013	At 31 st December 2013
Costs			
At 1 st January	5,914	4,993	4,993
Exchange movements	122	-178	-348
Additions	68	636	1,270
At end of period	6,104	5,450	5,914
Amortisation and depreciation			
At 1 st January	3,133	2,437	2,437
Exchange movements	84	-70	-241
Charge this period	499	430	937
At end of period	3,717	2,798	3,133
Net book value at end of period	2,387	2,652	2,782

12 DIVIDENDS

No interim dividend is proposed. (30th June 2013: DKK nil)

13 EARNINGS PER SHARE

	Profit after tax		Weighted average number of shares		Earnings per share	
	2014 DKK 1,000	2013 DKK 1,000	2014 1,000	2013 1,000	2014 DKK	2013 DKK
Basic						
3 months to 30th June	-23,287	-8,527	3,698	2,627	-6.30	-3.25
Diluted						
3 months to 30th June	-23,287	-8,527	3,698	2,627	-6.30	-3.25
Basic						
6 months to 30th June	-35,974	-2,459	3,696	2,627	-9.73	-0.94
Diluted						
6 months to 30th June	-35,974	-2,459	3,696	2,627	-9.73	-0.94

The calculation of basic earnings per share is based on the profit after tax and on the weighted average number of ordinary shares in issue during the period.

**14 SHARE BASED PAYMENT SCHEMES
-LONG TERM INCENTIVE PLAN (LTIP)**

	At 30 th June 2014		At 31 st December 2013	
	Number of options	Weighted average exercise price DKK	Number of options	Weighted average exercise price DKK
1st January	44,156	163.57	22,352	169.50
Granted during the period	0	0	21,804	157.50
Lapsed during the period	0	0	0	0
Exercised during the period	0	0	0	0
Outstanding at end of period	44,156	163.57	44,156	163.57
Exercisable at end of period	0	0	0	0

The total fair value of the options granted in 2012 is estimated to be DKK 4.1MM provided that all the options are exercised by 24th March 2015. The total fair value of the options granted in 2013 is estimated to be DKK 3.1MM provided that all the options are exercised by 26th April 2016.

15 CAPITAL COMMITMENTS AND GUARANTEES

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations which its fully owned subsidiary Atlantic Petroleum UK Limited has in connection with the farm-in agreement with Iona Ltd regarding UK licences P1606, Block 3/3b and P1607, Block 3/8d.

15 CAPITAL COMMITMENTS AND GUARANTEES - CONTINUED

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations the wholly owned subsidiary Atlantic Petroleum (Ireland) Limited, has in connection with the sale and purchase agreement with ExxonMobil Exploration and Production Ireland (Offshore) Limited and the related Joint Operating Agreement regarding Irish Continental Shelf Petroleum Exploration Licence No. 3/04 (Frontier) relating to Blocks 44/18, 44/23, 44/24, 44/29 and 44/30.

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations its wholly owned subsidiary Atlantic Petroleum UK Limited has in connection with the share purchase agreement with the vendors of the entire issued share capital of Atlantic Petroleum North Sea Limited (formerly Volantis Exploration Limited).

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations the wholly owned subsidiary of Atlantic Petroleum UK Limited, Atlantic Petroleum North Sea Limited (formerly Volantis Exploration Limited), has in connection with the sale and purchase agreement with Iona Energy Company (UK) Ltd regarding UK licence P1606, block 3/3b and P1607, block 3/8d.

P/F Atlantic Petroleum has provided guarantees on behalf of Atlantic Petroleum Norge AS to the Norwegian government for liabilities relating to its exploration and appraisal activities.

P/F Atlantic Petroleum has provided guarantees on behalf of Atlantic Petroleum Norge AS to DnB the lender of the bank credit facility established in March 2013 to finance the Company's growth plans in Norway. P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations Atlantic Petroleum UK Limited has in connection with the farm-in agreement with Summit Petroleum Ltd regarding UK Licence P1556, block 29/1c.

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations Atlantic Petroleum UK Limited has in connection with the purchase of assets from Premier Oil.

P/F Atlantic Petroleum has provided a parent guarantee to the UK Department for Energy and Climate Change in connection with Atlantic Petroleum UK Limited assets in the UKCS:

- (i) the parent will always provide necessary finance to enable Atlantic Petroleum UK Limited to fulfil its obligations in the UK area
- (ii) the parent will not alter Atlantic Petroleum UK Limited legal rights, so that the Company cannot fulfil its obligations
- (iii) the parent will undertake Atlantic Petroleum UK Limited financial obligations if the Company fails to do so

P/F Atlantic Petroleum has a senior secured loan agreement with P/F Eik Banki. The Company has offered the following security to lender in connection with the loan agreement:

- (i) shares in Atlantic Petroleum UK Limited
- (ii) receivables from Atlantic Petroleum UK Limited
- (iii) charge over proceeds from insurance coverage

The Company has provided lender with a negative pledge and investment in new ventures shall be endorsed by the lender.

The Group had capital expenditure committed to, but not provided for in these accounts at 30th June 2014 of approximately DKK 275.7MM. The capital expenditure is in respect of the Group's interests in its exploration and development production licences.

16 CONTINGENT CONSIDERATIONS

In addition to the payments to Iona Energy Ltd for 25% equity in Orlando and Kells, pursuant to the agreement, Atlantic Petroleum has committed to pay:

- (i) USD 1.25MM upon Kells FDP approval
- (ii) Staged payments commencing six months after first production from Orlando of USD 1.8MM, USD 1.8MM, USD 0.925MM and USD 0.925MM made every six months thereafter respectively and
- (iii) A proportionate share of royalties payable to the previous owner of the Kells field, Fairfield Energy.

17 RELATED PARTY TRANSACTIONS

Intra-group related party transactions, which are eliminated on consolidation, are not required to be disclosed in accordance with IAS 24.

GLOSSARY

Appraisal well	A well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field.
BOEPD	Barrels of Oil Equivalent per Day
BOE	Barrels of Oil Equivalent
BOPD	Barrels of Oil per Day
Brown Field Allowance	A UK tax allowance for certain mature fields, known as brown fields, will shield a portion of income from the Supplementary Charge, encouraging companies to invest in getting the very most out of existing fields and infrastructure in the UK Continental Shelf.
DECC	UK Department of Energy & Climate Change
DKK	Danish kroner. The currency used in the Kingdom of Denmark
EBIT	Operating Profit - Earnings before Interest and Taxes
EBITDAX	Earnings before Interest, Taxes, Depreciation, Amortizations and Exploration Expenses
EBIT Margin	% (Operating Margin) (EBIT/Sales)
EBITDAX Margin	% (EBITDAX/Sales)
E&P	Exploration & Production
Exploration	A general term referring to all efforts made in the search for new deposits of oil and gas.
Exploration well	A well drilled in the initial phase in petroleum exploration
Farm out	A contractual agreement with an owner who holds a working interest in an area to assign all or part of that interest to another party in exchange for payment or fulfilling contractually specified conditions.
FDP	Field Development Plan
FPSO	A Floating Production, Storage and Offloading unit used by the offshore oil and gas industry for the processing of hydrocarbons and for storage of oil.
Gross Margin	% (Gross profit or loss/Sales)
ISA	International Standard on Auditing
IFRS	International Financial Reporting Standards
Lead	Areas thought to contain hydrocarbons.
Ltd	A limited liability company
MM	Million
NCS	Norwegian Continental Shelf
Net Cash	Cash and cash equivalents less Short & Long Term Debt
Oil field	An accumulation of hydrocarbons in the subsurface.
PPE	Property, Plant and Equipment
Prospect	An area of exploration in which hydrocarbons have been predicted to exist in economic quantity.
Return on Equity	(ROE) (%) (Profit for the period excl. Minorities/Average Equity excl. Minorities)
ROE	Return on Equity
Spud	To start drilling a well
TSR	Total Shareholder Return
Water injector well	A well into which water is pumped in order to increase the yield of adjacent wells
2D/3D	2D and 3D seismic is an acoustic measuring technology which generates a cross-section of the deep seabed and is used primarily when initially reconnoitering for the presence of oil or gas reservoirs. 3D has a narrower grid, which gives a better map of the area.
Wildcat	An exploration well drilled in an unproven area to find out whether petroleum exists in a prospect.

CONTACTS

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SUBSIDIARIES

- **Atlantic Petroleum UK Ltd**
- **Atlantic Petroleum North Sea Ltd**
- **Volantis Netherlands BV**
- **Atlantic Petroleum (Ireland) Ltd**
- **Atlantic Petroleum Norge AS**

For subsidiary's contact details please see company website