ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

ANNUAL AND CONSOLIDATED REPORT AND ACCOUNTS

YEAR TO 31ST DECEMBER 2018

Faroese Company Registration No/VAT No: 2695/475653

PERFORMANCE SUMMARY

KEY METRICS DKK 1,000	3 months to 31st Dec 2018	3 months to 31st Dec 2017	Full year 2018	Full year 2017
Income statement				
Revenue	0	0	0	0
Impairment on producing assets	0	0	0	0
Gross loss/profit	0	0	0	0
Exploration expenses	-798	-502	-1,232	-5,762
EBITDAX	14,961	-9,975	24,005	162,986
Operating loss (EBIT)	14,163	-10,523	22,772	157,224
Depreciations	-23	-46	-23	-87
Loss before taxation	22,827	45,124	32,679	149,150
Profit/Loss after taxation	15,954	-12,946	23,962	145,089
Financial position				
Non-current assets	153,768	104,877	153,768	104,877
Current assets	37,746	56,914	37,746	56,914
Total assets	191,513	161,791	191,513	161,791
Current liabilities	70,279	73,402	70,279	73,402
Non-current liabilities	49,875	28,313	49,875	28,313
Total liabilities	120,154	101,715	120,154	101,715
Net assets/Equity	71,359	60,076	71,359	60,076
Cash flow and cash				
Cash provided by operating activities	-18,353	31,969	-19,871	31,451
Change in cash and cash equivalents	14,431	4,530	12,764	-3,810
Cash and cash equivalents	260	446	260	446
Bank debt – excluding drawdown on the exploration finance facility	52,304	51,697	52,304	51,697
Share related key figures				
Earnings per share Basic	4.31	-3.50	6.48	39.24
Earnings per share Diluted	4.31	-3.50	6.48	39.24
Share price in DKK on OMX CPH and Oslo Stock Exchange	6/14	8/10	6/14	8/10

CHAIRMAN'S STATEMENT

2018, the year of balance sheet strengthening.

At the end of 2017 Atlantic Petroleum's Annual Report showed a business that had survived the battering of an industry down turn unprecedented in depth or term. By making difficult decisions the Company survived, but only just. Nevertheless, based upon projections made with the best facts and knowledge relative to retained and sold assets available, the Company reported as a going concern with financial support from London Oil and Gas.

Since that time, the Danish Business Authority (the "Authority") questioned the Company's basis for making the going concern opinion in its 2017 accounts. A detailed review of the decision, and a review of the process the Company adopted in deciding the position it took, although the Company is not in agreement with the Authority's view it has decided to adopt that view in developing, this the 2018 Annual Report for the p/f Atlantic Petroleum group. Accordingly, some adjustments have been necessary to 2017 account numbers.

Nevertheless, when further accounting adjustments are taken into account as a result of a new audited approach by the UK subsidiaries in the way Orlando and Pegasus revenues are treated as well as balance sheet liabilities for Blackbird and Ettrick we treated, the Company sees a much stronger financial position emerge that further strengthens the Company's view of last year.

The recent collapse of London Oil and Gas into administration however casts a shadow moving forward. This matter, and its effect on the Company, is discussed further on in this report and although it is a cloud on the horizon of the Company none the less is able to give a very positive report on 2018 activity.

In 2018 we managed:

- To dispose of Blackbird and Ettrick license obligations removing the Company from liability for past, present and future field liabilities including decommissioning;
- Posting a positive effect on balance sheet relative to the above;
- Removing the Company from liabilities and major cost contribution on the Aurora field allowing creditor balances to be reduced to zero;
- Extending the Badger license for re-evaluation purposes and finally relinquishing participation as cost/success risk did not justify;
- Revising the UK company audit process for a less costly solution that created "fresh set of eyes" benefits.

This means that the final legacy issues from North Sea activities are now resolved as was committed at the end of 2017.

In closing I'd like to thank Graeme Fawcett for his captaincy during 2018 as well as my Board colleagues for their efforts and support throughout 2018.

Henrik Olesen
Chairman of the Board
29th March 2019

CHIEF EXECUTIVE OFFICER'S STATEMENT

2018 was a busy year despite Atlantic Petroleum Group (the "Group") not participating in new venture projects mainly because it continued to restructure activities during the period. This was made possible by the presence of the convertible loan provided by London Oil and Gas Limited (the "LOG Facility") since May 2016. As reported previously the LOG facility is for GBP 8.00MM of which up to GBP 3.00MM is available for general running costs of the Group with the balance being available for project related activities. At of December 2018 GBP 3.86MM had been physically drawn and spent from the overall facility.

The LOG facility is scheduled to commence repayment in May 2019 with further sums drawn down within the loan categories. However, the Company has recently been advised that LOG has entered into administration (an insolvency term within the United Kingdom) and is unable to advance further funds under the facility agreement. The terms of the LOG facility are restrictive on the Company's ability to seek alternate funding. However, this restriction has been lifted by LOG's administrators. This leaves a hole in the Company's cash flow as Orlando revenues will not flow until 3rd quarter 2019. Nevertheless, my Chairman and I are confident that replacement future funding can be obtained in the short term to ensure that the Company can proceed as a going concern business with shareholder value preserved.

On the 31st December 2018, the Company concluded, (as committed in its 2017 Annual Report 12 commitment), the relinquishment of its licence interests in the North Sea fields of Blackbird and Ettrick. Nexen and Dana have acquired Atlantic Petroleum North Sea Limited's (APNS) 8.27% interest in Ettrick and 9.39773% interest in Blackbird. The terms of the relinquishment agreement required APNS to make payment totalling GBP 935k to Nexen and Dana upon completion, with a further future obligation of GBP 1.15MM due to Nexen. Nexen and Dana have in return assumed responsibility for past and future obligations under the licenses including de-commissioning. This has reduced the associated liabilities of APNS and therefore the Group by GBP 8,428,384 – strengthening the Company's balance sheet and financial health. This gain on relinquishment is recorded as other operating income in FY 2017, after instructions from the Danish Business Authorities.

To achieve a settlement agreement with the Partners on the Blackbird and Ettrick licences (see below) the Company secured a financial guarantee from LOG. Initially this was by agreeing to a GBP 1.00MM variation to the existing LOG facility. However, the variation was not executed as it was determined the inclusion of Blackbird and Ettrick obligations was originally contemplated as being within the scope of the initial LOG facility total. The LOG guarantee amount and whether it can be relied upon will need to be considered when the Company seeks future replacement funding in place of LOG.

The Company has retained an economic interest in the Orlando Field; sold in 2017 to Decipher Energy. The operator anticipates production from the Orlando field to commence end Q1 2019. Under the Sale and Purchase Agreement, The Company, via APNS the SPA party, is due to receive deferred considerations from the sale proceeds from the first 5,000,000 barrels of Orlando petroleum and an amount equalling 4.35% of the Orlando petroleum in excess of the first 5,000,000 barrels. Initial production is expected to be in the region of between 8,000 and 10,000 bopd and to be cash generating by Q3 2019.

The Company also retains an economic interest in the Pegasus West field and adjacent discoveries via the sale of its interest to Third Energy Offshore in 2015 for a cash payment plus GBP 9.00MM in deferred milestone payments. The first, a GBP 2.50MM payment milestone, is to be paid on Pegasus West FDP approval. As of 25th November 2018, FDP has been submitted to the OGA and on its approval, expected in Q2 2019, the first payment is due to the Company. As a result, the Company has now realised a gain of GBP 3.77MM (shown in adjusted FY2017 numbers and carrying through into FY2017) due to the expectation of receiving the first milestone deferred consideration. For 2018 a gain of GBP 0.38MM is reflected caused by an adjustment in the time value of money.

At subsidiary level within the Group (APUK and APNS) there were certain loans which were outstanding. In view of the Group situation the Management considers that full recovery will not be achieved and consequently has written down the loans to their estimated recoverable amounts. The effect of this is rolled up into Group accounts.

Through economic interests held in the Orlando and Pegasus fields, the Company now has a clear line-of-sight to secure positive cashflows in 2019. After several years of restructuring and efforts to improve the Company's financial health, the Group at large, is prepared to enter a period of growth.

The 2018 Group results positively reflect past hard decisions taken by the Board and Management of p/f Atlantic Petroleum necessary to secure the Company's survival. As a goal stated last year 2018 was to make it the year when the effort and pain behind the decisions along with good work by the financial team shows there is now a foundation for growth and success.

The passing of London Oil and Gas into UK administration is a hurdle for the Company to negotiate in 2019 but with the results reported here, low cost base in place, and revenue realisation from Orlando in 2019 suggests finding a new financial partner should occur quickly.

The oil and gas arena continues to show opportunity and the Group remains well placed to take advantage of this. Once stabilised the Company will be looking to participate in, or near production projects in low political risk arenas in the Northern Hemisphere so as to make 2019 p/f Atlantic Petroleum's growth and success year.

Graeme FAWCETT
CEO & General Manager
London 29th March 2019

2019 OUTLOOK

Replacement of the LOG Convertible loan facility is a priority activity for the Group.

The Group continues to expect by the end Q1 2019 the confirmation that production is underway from its sold Orlando license and based on this royalty revenue commencement within Q2 2019.

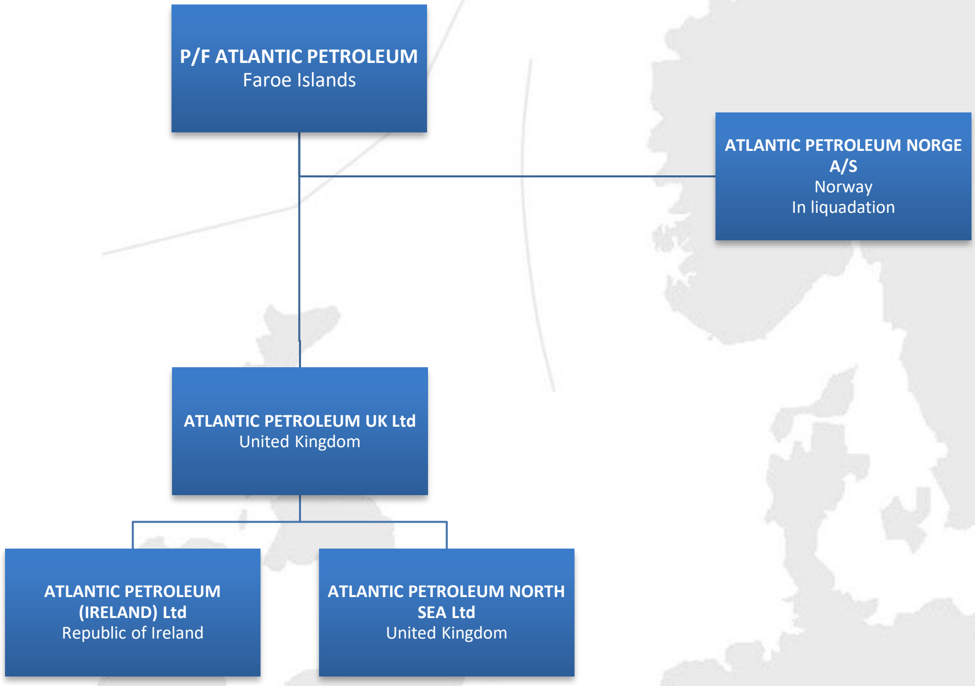
Deferred revenue payments from Pegasus are also expected during Q2 2019 which will enable part of the surviving Eik Bank debt taken over by Betri Bank to be paid.

Otherwise, within revenue and financing constraints the Group will be actively pursuing growth through participation in near production, or at production project targets in low political risk countries in the Northern Hemisphere. The group expects this to deliver positive results in 2019 potentially allowing a return to dividend payments from 2020.

ATLANTIC PETROLEUM GROUP STRUCTURE

The Atlantic Petroleum Group comprises the Faroes based parent company P/F Atlantic Petroleum and its four 100% owned subsidiaries in UK, Norway and Ireland. Unless 2018 sees opportunity for the Norwegian region Atlantic Petroleum Norge AS will be dissolved during the year.

P/F Atlantic Petroleum is listed on NASDAQ OMX Copenhagen under the ticker ATLA DKK and on Oslo Stock Exchange under the ticker ATLA NOK however the Board will investigate the delisting of the Oslo secondary list on the basis of continued cost saving.



PROJECT PORTFOLIO

SECURING REMAINING VALUE

Atlantic Petroleum has further rationalized its portfolio in 2018 and will look to further rationalise on best commercial terms for the Group. Nevertheless, the strategy for 2019 will be to pursue near or at production opportunities in low political risk countries in the Northern Hemisphere that bring low liability and strong upside.

As of January 1st 2019 the status of Group holds assets is:

Country	License	Field/Discovery/Prospect	Company	Equity	Comments
UK	P.2112	Badger	AP UK	0%	Relinquished
UK	P.2126	Aurora	AP UK	0%	Relinquished
UK	P.273	Ettrick	AP NS	0%	Relinquished
UK	P.317	Ettrick, Jarvis	AP NS	0%	Relinquished
UK	P.317	Blackbird	AP NS	0%	Relinquished
UK	P.1580	Blackbird	AP NS	0%	Relinquished
Ireland	SEL 2/07	Hook Head/Dunmore/Helvick	AP I	18.33%	Commerciality being reassessed

DEVELOPMENT & PRODUCTION

PRODUCING ASSETS

The Group does not hold producing assets.

DEVELOPMENT & NEAR DEVELOPMENT

The Group holds no Development of near Development assets.

EXPLORATION & APPRAISAL

Atlantic Petroleum has no exploration activity planned for 2019 and does not consider exploration a fiscally acceptable risk fo the Group in the near future.

DIRECTORS' REPORT

Financial Review

Going Concern

The Company has earlier addressed the scope and extent of the LOG convertible loan facility and that it is scheduled to commence repayment from May 2019.

It was advised on the 22nd of March that LOG has entered into administration (an insolvency term within the United Kingdom) and will not advance further funds under that facility agreement.

The terms of the LOG facility restrict the Company from seeking alternate funding means, however it can be reported that those restrictions have been lifted by LOG's administrators.

Unless a new financing source can be provided in short order shortly the Board has to emphasise that the Company future, due to lack of liquidity, faces a serious and critical situation that will question its ability to continue as going-concern.

Nevertheless, the Company, its Board and Management are confident that a replacement of the facility provided by LOG can be found quickly so as to be in place prior to the arrival of revenues in the second half 2019 from the Orlando field given that short term cash is needed to support settling the LOG facility and interest, supporting obligations with Betri under their surviving loan agreement as well as day to day operating costs for an Exchange listed company.

This action is receiving encouraging responses which on conclusion into a formal agreement and with the LOG administrator's agreeing with the Company a reasonable exit value will mean the Company can proceed as a going concern business and shareholder value preserved. At this stage such a funding solution seems realistic with potential lenders expressing an interest to provide the required financing shortly.

The Management of Atlantic Petroleum is fully aware of the urgency of the situation and the need to act pragmatically to ensure survival of the Company and based on the above fully expects to have resolved the finance situation before the Company's AGM.

On this basis, the Company's Board and Management find that the financial position represented in this 2018 Annual Report is correct and reflects a positive note has changed a lot in a positive way during 2018 which in itself will go a long way to ensure that a new financing arrangement will be less of a challenge to obtain.

Consequently, and to our best judgement at this stage, the Board overall maintains that the p/f Atlantic Petroleum company continues as a going-concern business.

In the event that adequate additional funding is not forthcoming, and the group is unable to continue to trade, significant downward adjustments would be required to the fair value of the group's economic interest in the Orlando and Pegasus assets to present the value of these assets on a break up basis.

Adjustment as ordered by "Erhvervsstyrelsen" to Financial statements 2017

CONSOLIDATED INCOME STATEMENT

DKK 1,000	Original 2017	Adjusted 2017	Change
Revenue	0	0	0
Costs of sales	0	0	0
Gross profit/loss	**0**	**0**	**0**
Exploration expenses	-5,762	-5,762	0
Pre-licence exploration cost	-293	-293	0
General and administration cost	-10,025	-10,025	0
Depreciation PPE and intangible assets	-87	-87	0
Other operating cost/income	-43,829	173,392	-217,221
Operating loss	**-59,997**	**157,224**	**-217,221**
Interest income and finance gains	0	0	0
Interest expenses and other finance costs	-8,075	-8,075	0
Loss before taxation	**-68,071**	**149,150**	**-217,221**
Taxation	347	-4,061	4,408
Profit/Loss after taxation	**-67,724**	**145,089**	**-212,813**

DKK 1,000	2017	2017	
Items that may be recycled in P/L:			
Profit/loss for the period	-67,724	145,089	-212,813
Exchange rate differences	684	-1,721	2,405
Total comprehensive Income/loss in the period	**-67,040**	**143,368**	**-210,408**

The changes in income statement consists of a re-evaluation on the Orlando deferred consideration receivable. The assessment is based on a production profile based on 2P Reserves (mid-point on Operators 2018 revenue estimate and 2014 Competent Persons Report); and Discount factor of 10% based on current cost of capital to Atlantic Petroleum group.

Additionally, there is a re-evaluation of the Ettrick & Blackbird Abandonment liability, this is based on the fact that Atlantic Petroleum North Sea ltd, was in negotiation regarding relinquish of the fields, the deal concluded in December 2018, Atlantic Petroleum is out of all obligations regarding Ettrick & Blackbird, there is however a new liability. The liability was originally GBP 2.085MM and is partly payed and is as of 31st December 2018 GBP 1.15MM.

The change in Taxation is due to deferred tax regarding the relinquishment of the Orlando Field.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Original 31st Dec 2017	Adjusted 31st Dec 2017	Change
Non-current assets			
Intangible assets	0	0	0
Intangible exploration and evaluation assets	0	0	0
Tangible development and production assets	0	0	0
Property plant and equipment	159	159	0
Other receivables	0	98,624	-98,624
Tax repayable	0	0	0
Deferred tax asset	6,094	6,094	0
	6,253	**104,877**	**-98,624**
Current assets			
Trade and other receivables	56,468	56,468	0
Cash and cash equivalents	446	446	0
	56,914	**56,914**	**0**
Total assets	**63,167**	**161,791**	**-98,624**
Current liabilities			
Exploration finance facility	0	0	0
Short term bank debt	51,697	51,697	0
Trade and other payables	103,656	21,705	81,951
Current tax payable	0	0	0
	155,353	**73,402**	**81,951**
Non-current liabilities			
Exploration finance facility	0	0	
Long term bank debt	0	0	
Loan facility	11,936	11,936	0
Long term provisions	46,123	11,932	34,191
Deferred tax liability	87	4,445	-4,358
	58,146	**28,313**	**29,833**
Total liabilities	**213,499**	**101,715**	**111,784**
Net assets	**-150,332**	**60,076**	**-210,408**
Equity			
Share capital	3,698	3,698	0
Share based bonus schemes – LTIP	0	0	
Translation reserves	101,893	99,488	2,405
Retained earnings	-255,923	-43,110	-212,813
Total equity shareholders´ funds	**-150,332**	**60,076**	**-210,408**

The changes in consolidated financial position are:

The change in Non-current other receivables is due to deferred consideration from Orlando, less trust accounts regarding Ettrick & Blackbird, according to relinquish settlement.

Trade and other payables, the change is payables regarding Ettrick & Blackbird existing payables reversed and new payables according to settlement, also short-term abandonment liability is reversed, according to relinquish settlement.

The change in long term provisions is reversal of long-term abandonment liability regarding Ettrick & Blackbird, according to relinquish settlement.

The change in deferred tax liability is due to deferred tax regarding the relinquishment of the Orlando Field.

Consolidated Income Statement

The result after tax for 2018 was a net profit of DKK 24.0MM (2017: profit of DKK 145.1MM) and a net profit of DKK 16.0MM for the last quarter of 2018 (4Q 2017: Loss of DKK 12.9MM).

The company had a gross profit of DKK 0MM in 2018 (2017: Gross profit of DKK 0MM).

Exploration cost amounted to DKK 1,2MM in 2018 (2017: DKK 5.8MM). The severe trading conditions has resulted in the Group writing off all exploration expenditures in 2018.

General and administration costs amounted to DKK 11.3MM in 2018 (2017: DKK 10.0MM).

Profit before taxation totalled DKK 32.7MM (2017: Profit of DKK 149.2MM).

Total shareholders' equity amounted to DKK 71.4MM at the end of 2018 (2017: DKK 60.1MM).

Net cash provided from operating activities amounted to DKK -19.9MM (2017: DKK 31.5MM).

Cash and cash equivalents totalled DKK 0.3MM at the end of 2018 (2017: DKK 0.4MM).

Consolidated Statement of Financial Position

Total assets at the end of 2018 amounted to DKK 191.5MM (2017: DKK 161.8MM).

Consolidated Assets

Exploration and evaluation assets amounted to DKK 0 at the end of 2018 (2017: DKK 0MM).

Development and production assets amounted to DKK 0MM at the end of 2018 (2017: DKK 0MM).

Trade and other receivables were DKK 191.1MM at the end of 2018 (2017: DKK 155.1MM). All trade and other receivables are due within one year except for the Orlando and Pegasus deferred consideration DKK 190.5MM, of which 36.9MM is expected to be due within one year.

Cash and cash equivalents were at DKK 0.3MM at the end of 2018 (2017: DKK 0.4MM).

Consolidated Liabilities

Total liabilities amounted to DKK 120.2MM at the end of 2018 (2017: DKK 101.7MM).

Total current liabilities totalled DKK 70.3MM at the end of 2018 (2017: DKK 73.4MM).

Short-term debt amounted to DKK 52.3MM (2017: DKK 51.7MM). The short-term debt increased due to the Group's inability to make the scheduled repayment and interest of the loan with Eik Bank. Trade and other payables amounted to DKK 18.0MM (2017: DKK 21.7MM).

Total non-current liabilities amounted to DKK 49.9MM at the end of 2018 (2017: DKK 28.3MM).

Deferred tax liability totalled DKK 6.8MM at the end of 2018 (2017: DKK 4.4MM)

Non-current liabilities also consist of long-term provision for abandonment costs of three wells in Ireland.

Consolidated Equity

The total shareholders' equity amounted to DKK 71.4MM at the end of 2018 (2017: DKK 60.1MM).

Cash Flow

Net cash provided from operating activities amounted to DKK -19.9MM (2017: DKK 31,5MM).

Capital expenditures in the period were DKK 12.8MM (2017: DKK 4.9MM).

Net cash proceeds from financing activities amounted to DKK 19.9MM (2017: Proceeds of DKK -30.4MM).

Cash and cash equivalents totalled DKK 0.3MM at the end of 2018 (2017: DKK 0.4MM).

Net Cash Position

At the start of 2018, the net cash position, excluding the exploration finance facility, amounted to DKK -51.3MM. At year end 2018 this had increased to a net cash position of DKK -52.0MM (2017: DKK -51.3MM) comprising DKK 0.3MM (2017: DKK 0.4MM) of cash and cash equivalent balances, short term bank loans of DKK 52.3MM (2017: DKK 51.7MM) and a long term bank loan of DKK 0MM (2017: DKK 0MM).

Significant Events after the Balance Sheet Date

On March 18th 2019 London Oil and Gas (LOG) entered into administration. Atlantic Petroleum has received a convertible loan facility from LOG, along with a Loan facility which insured that the Atlantic Petroleum group could function as a going concern. The management of Atlantic Petroleum is actively seeking new loan facilities to replace the loan facility provided by LOG.

Risk Management

Evident from the preceding pages of this year's report, the challenges seen since 2015 have resulted in a stronger basis from which the Group can operate. However, this is clouded by the status of London Oil and Gas and its ability to honour its funding commitments. The Board will pursue an alternative arrangement to fill the future funding requirements alongside projected revenues in order to protect shareholder value.

Atlantic Petroleum is typically exposed to a number of different market and operational risks arising from core business activities. The risks can be internal as well as external in nature.

Market risks also include changes in currency exchange rates and interest rates. The changes can affect the value of the assets, liabilities and future cash flows.

Foreign currency

The Group reports in DKK, which means exchange rate exposure related to USD, GBP, NOK and EUR. Operational currency risks relate to oil sales, gas sales and operating costs. On the investment side, the Group is also exposed to fluctuations in USD, GBP, NOK and EUR exchange rates as the Group's most material investments in oil and gas assets are made in these currencies.

Credit risk

Where Atlantic Petroleum has sums deposited in short-term bank accounts in USD, GBP, NOK and DKK there may be a currency and a credit risk attached to such cash balances (bank deposits).

Operational risk

Through its core business Atlantic Petroleum may become exposed to operational risk including the possibility that the Group may experience, among other things, a loss in oil and gas production or an offshore catastrophe.

The Company works with and will monitor operators and partners to ensure that HSE and asset integrity are given the highest priority. The Group also has an insurance programme in place to cover the potential impact of any catastrophic events.

Atlantic Petroleum has traditionally operated in the, United Kingdom, the Republic of Ireland, and Norway and the political climate in these countries is perceived as being stable.

Insurance

The Group had in place an insurance package covering equipment, subsurface facilities and operation and as and when required, the Group had insurance cover on offshore pollution and third-party liability.

In view of the Company having relinquished its last operational license in the UK and as the licenses in Irish waters are not yet subject to appraisal or development the Company has, as a cost reducing level and based on advice, decided to suspend the above elements of its programme for 2019.

The Company does however continue to hold coverage that includes business interruption coverage, covering a proportion of the cash flow arising from revenue producing fields. Atlantic Petroleum has in addition an insurance covering office and staff.

The Group is confident that its insurance policies cover the overall insurance requirement of the current business and provides insurance cover for the Group's general and standard risk exposure in relation to property damage, personal injury and liability.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) Policy

Atlantic Petroleum's culture and operating activities are conducted with a high priority for ethical standards. Being a responsible company in all of our operations is an integral part of Atlantic Petroleum and we continue to implement high ethical and practical standards in all our activities.

Atlantic Petroleum is committed to the review and continuous improvement of corporate social responsibility and environment, health and safety performance. To meet these commitments, we will operate in accordance with the following principles:

- Conduct our business activity in compliance with the law.
- Act openly and honestly in business dealings.
- Comply with best practice in our corporate governance.
- Behave responsibly and with sensitivity to local communities in all areas where we operate.
- Provide sustainable benefits and avoid the creation of a dependency culture.
- Integrate CSR and EHS responsibility throughout our activities.
- Recognise that all parties working on Atlantic Petroleum's behalf can impact our operation and reputation and that we all share a common responsibility.
- Ensure, wherever possible, that our partners' approach to CSR is compliant with our own standards.
- Monitor and review our CSR and EHS policies and procedures as appropriate to ensure suitability and effectiveness.
- Use continuous assessment to ensure our CSR activities meet identified performance objectives.

Environment, Health and Safety (EHS) Policy

Atlantic Petroleum's activities are undertaken with integrity, responsibility and respect for the environment and the community in which these activities take place. This entails conducting operations in an ethically and practically sound manner that minimises risks and places high priority on the safety of those involved in Atlantic Petroleum's oil and gas operations.

Atlantic Petroleum is committed to:

- Comply with all applicable Environment, Health and Safety (EHS) laws, regulations and standards and to apply responsible standards where legislation is inadequate or does not exist.
- A systematic framework of hazard identification and risk assessment through which safe operations can be managed.
- Develop effective EHS management systems to identify and manage risks associated with its activities by focusing on risk avoidance and prevention.
- Establish accountability and responsibility for EHS within organisational line management.
- Provide training, equipment and facilities necessary to maintain a safe and healthy worksite.
- Practice pollution prevention and seek viable ways to minimize the environmental impact of operations, reduce waste, conserve resources and respect biodiversity.
- Protect and minimise any harm to the environment in our oil and gas activities, and continuously focus on improving our environmental procedures.
- Monitor and review our CSR and EHS policies and procedures as appropriate to ensure suitability and effectiveness.
- Ensure that partners and contractors' policies and activities are compliant with our own standards, and recognise that all working on our behalf can impact our operation and reputation and that we all share a common responsibility for our safety.

Shareholder Information

Atlantic Petroleum aims to maintain a regular dialogue with the shareholders through the formal channel of stock exchange announcements, interim reports, annual reports, Annual General Meetings and presentations to investors and analysts.

Group Board
Henrik Olesen, Chairman
Charles Hendry, Deputy Chairman
Yves Paletta – Board Member

Management
Graeme Fawcett, Interim CEO,

At year end 2018 Atlantic Petroleum was listed on NASDAQ OMX Copenhagen (primary), and on Oslo Stock Exchange (secondary). Trading in Atlantic Petroleum shares can be done by contacting:

- Members of NASDAQ OMX Copenhagen
- Members of Oslo Stock Exchange
- A stockbroker or a financial institution

NASDAQ OMX ticker:	ATLA DKK
OSLO:	ATLA NOK
Bloomberg ticker:	ATLA IR
Reuters ticker:	FOATLA.IC

Financial calendar

- April 2019: the Company's Annual General Meeting will occur 30th April in Torshavn, Faroe Isles – see website for details.

- May, 2019: (an interim commitment) 1st Quarter Condensed and Consolidated Report to be issued by the last working Friday of the month.
- August 2019: Half Year Condensed and Consolidated Interim Report to be issued by the last working Friday of the month.
- November 2019: (an interim commitment) 3rd Quarter Condensed and Consolidated Report to be issued by the last working Friday of the month.

Share Price 2018

P/F Atlantic Petroleum has its main listing on NASDAQ OMX Copenhagen and secondary listing on Oslo Stock Exchange. The year 2018 started with a share price of DKK 8.00. The closing price at year end was DKK 6.00 – a decrease of 20% compared to the beginning of the year

Further information about the Group is available on Atlantic Petroleum's website www.petroleum.fo.

Please address enquiries related to the stock market and investor relations to:

Atlantic Petroleum
Tel.: + 44 208 879 0524
E-mail: petroleum@petroleum.fo

Auditors

The consolidated accounts for 2018 have been audited by JANUAR State Authorised Public Accountants P/F. The financial statements of the subsidiary companies for the year ended 31st December 2018, Atlantic Petroleum UK and Atlantic Petroleum North Sea were audited by Anderson Anderson & Brown LLP in Aberdeen and Atlantic Petroleum (Ireland), for the year ended 31st December 2018, were audited by KPMG in Dublin. Atlantic Petroleum Norge AS was audited by Ernst & Young Norway.

Results and Dividends

The Group's result after taxation for the year amounted to a profit of DKK 24.0MM (2017: Profit of DKK 145.1MM). Payment of a dividend is not proposed.

Shareholders Capital and Vote

The issued share capital in Atlantic Petroleum is DKK 3,697,860 consisting of 3,697,860 fully paid shares, each with a nominal value of DKK 1.

Each share holds one vote and all shares have the same rights. For more details, please refer to the articles of associations of the Parent Company which can be found on the Company's website www.petroleum.fo.

Dematerialisation of paper shares

In October 2005, Atlantic Petroleum commenced dematerialisation of paper shares. All shares issued before 2004 (paper shares) have been called in for electronic registration. As at 31st December 2018, there were paper shares in issue with the nominal value of DKK 6,665 The process to convert the shares into electronic registration will continue in 2019.

Distribution of Share capital

By year end 2017 Atlantic Petroleum had around 7,400 shareholders representing more than 30 countries. The majority of the share capital was represented by Danish and Faroese investors.

Substantial Shareholders

At 31st December 2018, the following shareholders are listed according to §28 b in the Companies Act:

TF Holding Group:

- P/F Eik Banki & P/F TF Íløgur

The listed shareholder above holds interests in excess of 5% of the issued ordinary share capital of the Parent Company.

Director Profiles

Henrik Olesen

Chairman of the Board of P/F Atlantic Petroleum

Henrik is licensed as State Authorised Public Accountant in Denmark and was with PwC for 37 years until, as Partner, he retired from the firm in 2014. Today Henrik is active as board member and shareholder in a number of companies. Besides these activities he is advises on different kinds of structured financing. Among his many business skills are a focusing on optimizing and development of business opportunities. During his long professional business life he has established a bespoke cross-border business network. Henrik graduated candidate from AAU University as cand.merc.aud.

Charles Hendry

Deputy Chairman of P/F Atlantic Petroleum

Charles Hendry was UK Minister of State for Energy from May 2010 until September 2012. Since leaving ministerial office he has undertaken a wide range of roles, including as President of the British Institute of Energy Economics, chair of the Forewind Consortium from 2013-2015, and in 2016 he was appointed by the UK Government to lead a review into the strategic case for tidal lagoons and their role in the UK energy mix. Charles Hendry was nominated for the Atlantic Petroleum Board by London Oil and Gas.

Yves Paletta

Board Member of P/F Atlantic Petroleum

Yves Paletta is a senior executive with a 25-year track record managing businesses in leading global organizations. He is experienced in building businesses and turning around difficult situations across international markets. Mr Paletta currently serves as Chief Executive Officer of ClearStream Energy Services, a publicly listed, Calgary-based Canadian Oil Field Service company providing Maintenance and Turnaround Services to Oil&Gas facilities across Canada. From 2014 to 2017, Mr. Paletta was the President & Chief Executive Officer of Denmark-based Logstor Group, a PE backed business providing pre-insulated pipelines and fittings for Municipal, Industrial and Oil&Gas markets. Mr Paletta previously served as Managing Director of Rotterdam-based SBM Offshore, a provider of Floating Production and Mooring Systems (FPSO) for the Oil&Gas industry. Mr. Paletta was also Senior Vice President for Bredero Shaw, first based in Houston, Texas, and then in London, England, an Energy Services Provider of pipe coating services to the Oil&Gas industry.

As a matter of Corporate Governance, the independence of the Directors is evaluated yearly.

All of the Board members are independent of the Company.

Board Meetings

In 2018, the Board of P/F Atlantic Petroleum held 4 board meetings, including tele meetings.

Management Profiles

Graeme Fawcett

Interim CEO of the Atlantic Petroleum Group

Graeme brings significant expertise and know-how to the Company having worked in the oil and gas industry for over 35 years. Over this time, he has worked throughout the world with major operators, as well as leading EPCI Contractors, gaining wide expertise in a range of commercial, technical and legal activities, both on onshore and offshore oil and gas developments, including the creation, execution and completion of project and investment strategies. He holds Mechanical Engineering and Legal qualifications.

Directors' Interests and Remuneration

Beneficial interests of the Board of Directors holding office at the year-end, related parties and indirect holdings of the Group are set out below:

There are no Board of Director beneficial interest of holding during the period.

The Board of Directors do not receive any share related compensation from the Group.

CEO's Interests and Remuneration

Beneficial interests of the CEO holding office at the year-end, related parties and indirect holdings of the Group are set out below:

There has been no CEO beneficial interest or holding during the period

Stock Exchange Announcements 2018

Please refer to www.petroleum.fo where the announcements to the stock exchanges can be read in full.

CORPORATE GOVERNANCE REPORT

As a Faroese registered company listed on NASDAQ OMX Copenhagen, and on Oslo Stock Exchange, Atlantic Petroleum is obliged to comply with Faroese, Danish, and Norwegian securities law and stock exchange rules. The stock exchange rules require listed companies to take a position on corporate governance recommendations on a "comply or explain" basis. As a dual listed company, Atlantic Petroleum has chosen to base the corporate governance policy on the highest standard and thus follows both the recommendations on NASDAQ OMX Copenhagen, and Oslo Stock Exchange, with the exemptions summarised below: Atlantic Petroleum has reviewed and implemented recent changes and recommendations on Corporate Governance.

A summary of Atlantic Petroleum's non-compliance procedure and recommendations are stated below. Further information is available on the Company's website, www.petroleum.fo

Openness and Transparency
Information and publication of information:

Because of the Group's international operations, all information is published in English and, where required, Faroese.

Retirement Age
The Supervisory Board has not found it necessary to lay down a retirement age for the Supervisory Board members. The annual report contains information about the age of the Supervisory Board members.

Election Period
The members of the Supervisory Board are elected for 1 year at a time. Re-election is allowed. For the time being there is no limit of how often Board members can be re-elected.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD:
Whilst the undernoted Group remuneration policies remain, they were in effect **suspended** throughout 2018 given the market conditions, the challenges facing the Group and the downsizing activities undertaken. The key actions on remuneration in 2018 were, where-ever possible, to freeze management and staff salaries and board fees, make no bonus award nor make any LTIP awards for 2018.

Remuneration Policy
Remuneration to the members of the Supervisory Board and the Executive Board is on the same level as comparable companies in order to attract, retain and motivate the members of the Supervisory Board.

Remuneration Policy for Senior Executives of Atlantic Petroleum

Overall Aim
The aim of Atlantic Petroleum's (the "Company") Remuneration Policy for senior executives is to provide a reward framework which ensures that key executives are appropriately attracted, retained and motivated and which is fit for purpose in the markets in which the Company operates and where it and its peer groups are listed.

Remuneration Strategy
The Company's remuneration strategy is to provide a competitive remuneration package which rewards Directors and employees fairly and responsibly for their contributions and aims to deliver superior remuneration for superior performance.

The total reward package will consist of elements such as Salary, Annual Performance Bonuses, Long Term Incentives and Pension Contributions and Other Benefits.

The guiding principles behind the setting and implementation of this policy are that:

Balanced
There should be an appropriate balance between fixed and performance-related elements and the provision of equity over the longer-term and which focuses executives on delivering the business strategy;

Competitive
Remuneration packages should be sufficiently competitive taking into account the level of remuneration paid in respect of comparable positions in similar companies within the industry;

Equitable

There should be an appropriate level of gearing in the package to ensure that executives receive an appropriate proportion of the value created for shareholders while taking into account pay and conditions throughout the remainder of the group and where the Company operates and is listed;

Risk-weighted

Remuneration should not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. More generally, the overall remuneration policy should not encourage inappropriate operational risk; and

Aligned

Executives will be encouraged to build a meaningful holding in the Company to further align their interests with those of shareholders.

The Remuneration Committee will review on an annual basis whether its remuneration policy remains appropriate for the relevant financial year. Factors taken into account by the Remuneration Committee will include:

- overall corporate performance;
- market conditions affecting the Company;
- the recruitment market in the Company's sector;
- changing market practice; and
- changing views of institutional shareholders and their representative bodies.

Base Salary

No salaried staff are employed

Annual Performance Bonus

No bonuses were paid for the 2018 Financial Year.

Long Term Incentive Plans

No Longterm Incentive Plans existed during the 2018 Financial Year

Share Based Payments

No Share Based payments were made during the 2018 Financial Year

Additional Benefits

No additional benefits were applied during the 2018 Financial Year.

Non-Executive Directors Fees

The Non-Executive Director ("NED") fees will be structured as follows:

- A base fee will be paid for carrying out day to day duties as an NED; and
- Additional fees will be provided for extra responsibilities, for example chairing the Audit, Nominations or Remuneration committees.

Fees should be sufficiently competitive taking into account the level of remuneration paid to Non-Executives in similar companies within the industry.

These policies were implemented in 2012.

STATEMENT BY MANAGEMENT ON THE ANNUAL AND CONSOLIDATED REPORT AND ACCOUNTS

The Management and Board of Directors have today considered and approved the Annual and Consolidated Report and Accounts of P/F Atlantic Petroleum for the financial year 1st January 2018 to 31st December 2018.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU, the financial reporting requirements of NASDAQ OMX in Copenhagen, the financial reporting requirements of the Oslo Stock Exchange and additional Faroese disclosure requirements for annual reports of listed companies.

In our opinion, the accounting policies used are appropriate and the Annual and Consolidated Report and Accounts give a true and fair view of the Group's financial positions at 31st December 2018 as well as the results of the Group's activities and cash flows for the financial year 1st January 2018 to 31st December 2018.

Tórshavn 29th March 2019

Management:

Graeme Fawcett
CEO

Board of Directors:

Henrik Olesen	Charles Hendry	Yves Paletta
Chairman	*Deputy Chairman*	*Director*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of P/F Atlantic Petroleum

Our opinion

In our opinion the Annual and Consolidated Financial Statements give a true and fair view of the Parent Company's and the Group's financial position at 31 December 2018 and of the results of the Parent Company's and the Group's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Business Act.

As presented in note 2.2 on page 36, in our opinion the Annual and Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Business Act, as altered by order of the Danish Supervisory Body (Erhvervsstyrelsen).

What we have audited

The Consolidated Financial Statements and the Parent Company Financial Statements of Atlantic Petroleum P/F for the financial year 1 January to 31 December 2018 which comprise the income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and cash flow statement for the Group. Moreover, we have audited the altered Consolidated Statement of Financial Position at 31 December 2017 and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows for the period 1 January to 31 December 2017 as altered by order of the Danish Supervisory Body (Erhvervsstyrelsen). Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA's) and the additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements in Denmark and the Faroe Islands. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material uncertainty regarding Going Concern

As the board and management have stated in note 1.1 to the annual accounts, the group's present source of operational funding has informed the group, that they are no longer able to make available the necessary financial means to finance the continued operations of the group. Management is actively seeking alternative sources of finance, and are in the process of negotiating new credit facilities. The negotiations are not concluded, and it remains uncertain whether a new finance agreement can be reached, however the board and management are confident that this will be the case.

Hence there is a material uncertainty relating to the group's status as a going concern.

If a new finance agreement can not be successfully negotiated, the Group has no alternative but to seize operations. Forced realizations of all assets is the only alternative, and material impairment write downs is the most likely eventuality. This issue has not caused any modification of our opinion.

Emphasis of matter

By order of the Danish Supervisory Body, Erhvervsstyrelsen, the company is obligated to recognize part of the contingent sales consideration in 2017 which the company initially considered too unreliable to recognize, and publish a separate balance presenting the alterations to the financial year 2017. The balance forms the basis for altered comparison figures in the 2018 financial report, and is presented in note 2.2 to the accounts. Our opinion remains unchanged because of this.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018. These matters are addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Going Concern	
Atlantic Petroleum signed a loan agreement with an investor in May 2016, securing financial support for the running cash requirements up until May 2019. The borrower has informed the group, that it will no longer be able to provide funding. This has left the group with no secure source of funding in the short term, and is endangering the groups status as a going concern in the short term. In the medium term, the group is expecting revenues from the sale of the Orlando. The size and timing of these revenue inflows are uncertain however, and the Group will have to secure funding up until such revenue payments commence.	We have obtained the board's and management's going concern assessment, including the preconditions, which the assumption is based on. We assessed the external documentation supporting the assessment, and the reasonability of these preconditions. Further we have examined budgets and projections in order to satisfy ourselves that they are sound and based on ascertainable preconditions. We further examined evidence supporting the probability that new funding agreements can be entered.
Sale of development facilities	
In March 2017, Atlantic Petroleum farmed out its last remaining development and production asset, Orlando The consideration structure is a combination of down payment settled at signing the SPA, and payments falling due based on the progress of production volumes from Orlando, and will have significant impact on the group's financial position. Our focus has been on this issue as a significant share of the consideration will be contingent upon preconditions which are highly uncertain, such as production plans, size of reservoirs, oil prices at production and interest rates, as well as the internal priorities of the purchaser to develop and produce hydrocarbons from the field. .	We have studied the SPA, with particular emphasis on assessing the probability and timing of the contingent consideration provisions in terms of recognition provisions in IFRS 15. We assessed the management's assumptions relating to the measurement criteria of the conditional consideration in terms of IFRS 15. Further, we tested the management assumption for estimating the sales price, which is dependent estimated oil reservoirs, field development progress and production plans of the purchaser, which, combined with future oil price estimates, are the basis for estimates of future payments. We specifically assessed if these assumptions seem to be reasonable, well substantiated and the degree of uncertainty of the above-mentioned preconditions, with the object of satisfying ourselves that the recognition and measurement criteria can be considered met, and the sales revenues can be measured with a reasonable degree of certainty, as stipulated in IFRS 15.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Further our responsibility is to read the narrative and tables regarding the altered financial information for 2017, presented on page 12 by the management and board.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Business Act and for the preparation of Parent Company and Group Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for preparing altered Income Statement regarding the period 1 January to 31 December 2017 and altered Statement of Financial Position as ordered by the Danish Supervisory Board.

In preparing the Financial Statements, Management is responsible for assessing the Parent Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in the Faroe Islands will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in the Faroes Islands, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue

as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Obtain sufficient appropriate audit evidence regarding the financial information on the changes to the financial information in the 2017 Financial Report according to the Guidelines of the Danish Supervisory Board regarding decisions on alterations to financial information in annual- and interim financial reports.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tórshavn, 29. March 2019

Januar P/F
løggilt grannskoðanarvirki
State authorized Public Accountants
Company reg.no. 5821

Heini Thomsen
State Authorised Public Accountant
mne33274

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2018

DKK 1,000	Note	2018	2017
Revenue	3	0	0
Costs of sales	4	0	0
Gross profit/loss		**0**	**0**
Exploration expenses		-1,232	-5,762
Pre-licence exploration cost		-81	-293
General and administration cost	6,7,8	-11,311	-10,025
Depreciation PPE and intangible assets	10	-23	-87
Other operating cost/income	9	35,420	173,392
Operating loss	**3**	**22,772**	**157,224**
Interest income and finance gains	5	15,806	0
Interest expenses and other finance costs		-5,900	-8,075
Loss before taxation		**32,679**	**149,150**
Taxation	11	-8,716	-4,061
Profit/Loss after taxation		**23,962**	**145,089**
Earnings per share (DKK):			
Basic		6.48	39.24
Diluted		6.48	39.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2018

DKK 1,000	**2018**	**2017**
Items that may be recycled in P/L:		
Profit/loss for the period	23,962	145,089
Exchange rate differences	-12,679	-1,721
Total comprehensive Income/loss in the period	**11,284**	**143,368**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	At 31st Dec 2018	At 31st Dec 2017
Non-current assets			
Intangible assets	14	0	0
Intangible exploration and evaluation assets	15	0	0
Tangible development and production assets	16	0	0
Property plant and equipment	17	134	159
Other receivables	19	153,634	98,624
Tax repayable		0	0
Deferred tax asset	25	0	6,094
		153,768	**104,877**
Current assets			
Trade and other receivables	19	37,485	56,468
Cash and cash equivalents	24	260	446
		37,746	**56,914**
Total assets		**191,513**	**161,791**
Current liabilities			
Exploration finance facility	21,24	0	0
Short term bank debt	21,24	52,304	51,697
Trade and other payables	20	17,974	21,705
Current tax payable		0	0
		70,279	**73,402**
Non-current liabilities			
Exploration finance facility		0	0
Long term bank debt	21	0	0
Loan facility		31,841	11,936
Long term provisions	23	11,238	11,932
Deferred tax liability		6,796	4,445
		49,875	**28,313**
Total liabilities		**120,154**	**101,715**
Net assets		**71,359**	**60,076**
Equity			
Share capital	26	3,698	3,698
Share based bonus schemes – LTIP			0
Translation reserves		86,809	99,488
Retained earnings		-19,147	-43,110
Total equity shareholders´ funds		**71,359**	**60,076**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2018

DKK 1,000	Share capital	Share based Payments LTIP and Bonus	Translation reserves	Retained earnings	Total
At 1st January 2017	**3,698**	**619**	**101,209**	**-188,199**	**-82,673**
LTIP awarded in the period, net	0	-619	0	0	**-619**
Translation reserves	0	0	-1,721	0	**-1,721**
Result for the period	0	0	0	145,089	**145,089**
At 1st January 2018	**3,698**	**0**	**99,488**	**-43,110**	**60,076**
LTIP awarded in the period, net	0		0	0	**0**
Translation reserves	0	0	-12,679	0	**-12,679**
Result for the period	0	0	0	23,962	**23,962**
At 31st Dec. 2018	**3,698**	**0**	**86,809**	**-19,147**	**71,359**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2018

DKK 1,000	2018	2017
Operating activities		
Operating loss	22,772	157.224
Impairment on exploration and evaluation assets	2,475	5.762
Relinquishment and disposal of licences	0	-94
Depreciation, depletion and amortisation	25	94
Impairment on producing licences	0	61.527
Change in inventories	0	0
Change in trade and other receivables	-36,027	-102.712
Change in trade and other payables	-3,731	-101.154
Interest revenue and finance gain received	0	0
Interest expenses and other finance cost	-5,385	-8.075
Income taxes	0	18.877
Net cash flow provided by operating activities	**-19,871**	**31.451**
Investing activities		
Capital expenditure	12,817	-4.890
Net cash used in investing activities	**12,817**	**-4.890**
Financing activities		
Change in short term debt	607	2.276
Change in long term debt	19,211	-32.647
Net cash flow provided from financing activities	**19,819**	**-30.371**
Change in cash and cash equivalents	**12,764**	**-3.810**
Cash and cash equivalents at the beginning of the period	446	4,924
Currency translation differences	-12,950	-668
Total cash and cash equivalents at the beginning of the period	**-12.505**	**4,256**
Cash and cash equivalents at the end of the period	**260**	**446**

NOTES TO THE CONSOLIDATED ACCOUNTS

Note 1.1 Going Concern

The Company has earlier addressed the scope and extent of the LOG convertible loan facility and that it is scheduled to commence repayment from May 2019.

It was advised on the 22nd of March that LOG has entered into administration (an insolvency term within the United Kingdom) and will not advance further funds under that facility agreement.

The terms of the LOG facility restrict the Company from seeking alternate funding means, however it can be reported that those restrictions have been lifted by LOG's administrators.

Unless a new financing source can be provided in short order shortly the Board has to emphasise that the Company future, due to lack of liquidity, faces a serious and critical situation that will question its ability to continue as going-concern.

Nevertheless, the Company, its Board and Management are confident that a replacement of the facility provided by LOG can be found quickly so as to be in place prior to the arrival of revenues in the second half 2019 from the Orlando field given that short term cash is needed to support settling the LOG facility and interest, supporting obligations with Betri under their surviving loan agreement as well as day to day operating costs for an Exchange listed company.

This action is receiving encouraging responses which on conclusion into a formal agreement and with the LOG administrator's agreeing with the Company a reasonable exit value will mean the Company can proceed as a going concern business and shareholder value preserved. At this stage such a funding solution seems realistic with potential lenders expressing an interest to provide the required financing shortly.

The Management of Atlantic Petroleum is fully aware of the urgency of the situation and the need to act pragmatically to ensure survival of the Company and based on the above fully expects to have resolved the finance situation before the Company's AGM.

On this basis, the Company's Board and Management find that the financial position represented in this 2018 Annual Report is correct and reflects a positive note has changed a lot in a positive way during 2018 which in itself will go a long way to ensure that a new financing arrangement will be less of a challenge to obtain.

Consequently, and to our best judgement at this stage, the Board overall maintains that the p/f Atlantic Petroleum company continues as a going-concern business.

In the event that adequate additional funding is not forthcoming, and the group is unable to continue to trade, significant downward adjustments would be required to the fair value of the group's economic interest in the Orlando and Pegasus assets to present the value of these assets on a break up basis.

Note 1.2 Corporate information

The consolidated financial statements of the Group, which comprise P/F Atlantic Petroleum, as the parent, and all its subsidiaries, for the year ended 31st December 2018 was authorised for issue in accordance with a resolution of the Directors on 29th March 2019.

P/F Atlantic Petroleum is a public limited company incorporated and domiciled in the Faroe Islands and listed on the exchanges on NASDAQ OMX Copenhagen and Oslo Stock Exchange. The principal activities of the Company and its subsidiaries (the Group) are Oil & Gas exploration, appraisal, development and production in the Faroe Islands, United Kingdom, Norway, and Ireland. Financial statements for the Group's ultimate parent are presented on the Group's website: www.petroleum.fo.

2.1 Basis of preparation

Accounting Convention

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the Council of the European Union (EU) and the additional Faroese disclosure requirements according to the Faroese Company Accounts Act, the financial reporting requirements of NASDAQ OMX Copenhagen and Oslo Stock Exchange for listed companies.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The financial information has been prepared on a historical cost basis and fair value conventions on the basis of the accounting policies set out below. The consolidated financial statements are presented in DKK and all values rounded to the nearest thousand, except where otherwise indicated.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of P/F Atlantic Petroleum and entities controlled by P/F Atlantic Petroleum (its subsidiaries) made up at the end of each accounting period.

Control is achieved where P/F Atlantic Petroleum has the power to control the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The interests in the subsidiaries are eliminated with the Parent Company's proportionate ratio of the fair value of the subsidiaries' assets, liabilities and provisions measured at the date of acquisition or establishment of the subsidiary.

2.2 Adjustment as ordered by "Erhvervsstyrelsen" to Financial statements 2017

CONSOLIDATED INCOME STATEMENT

DKK 1,000	Original 2017	Adjusted 2017	Change
Revenue	0	0	0
Costs of sales	0	0	0
Gross profit/loss	**0**	**0**	**0**
Exploration expenses	-5,762	-5,762	0
Pre-licence exploration cost	-293	-293	0
General and administration cost	-10,025	-10,025	0
Depreciation PPE and intangible assets	-87	-87	0
Other operating cost/income	-43,829	173,392	-217,221
Operating loss	**-59,997**	**157,224**	**-217,221**
Interest income and finance gains	0	0	0
Interest expenses and other finance costs	-8,075	-8,075	0
Loss before taxation	**-68,071**	**149,150**	**-217,221**
Taxation	347	-4,061	4,408
Profit/Loss after taxation	**-67,724**	**145,089**	**-212,813**

DKK 1,000	2017	2017	
Items that may be recycled in P/L:			
Profit/loss for the period	-67,724	145,089	-212,813
Exchange rate differences	684	-1,721	2,405
Total comprehensive Income/loss in the period	**-67,040**	**143,368**	**-210,408**

The changes in income statement consists of a re-evaluation on the Orlando deferred consideration receivable. The assessment is based on a production profile based on 2P Reserves (mid-point on Operators 2018 revenue estimate and 2014 Competent Persons Report); and Discount factor of 10% based on current cost of capital to Atlantic Petroleum group.

Additionally, there is a re-evaluation of the Ettrick & Blackbird Abandonment liability, this is based on the fact that Atlantic Petroleum North Sea ltd, was in negotiation regarding relinquish of the fields, the deal concluded in December 2018, Atlantic Petroleum is out of all obligations regarding Ettrick & Blackbird, there is however a new liability. The liability was originally GBP 2.085MM and is partly payed and is as of 31st December 2018 GBP 1.15MM.

The change in Taxation is due to deferred tax regarding the relinquishment of the Orlando Field.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Original 31st Dec 2017	Adjusted 31st Dec 2017	Change
Non-current assets			
Intangible assets	0	0	0
Intangible exploration and evaluation assets	0	0	0
Tangible development and production assets	0	0	0
Property plant and equipment	159	159	0
Other receivables	0	98,624	-98,624
Tax repayable	0	0	0
Deferred tax asset	6,094	6,094	0
	6,253	**104,877**	**-98,624**
Current assets			
Trade and other receivables	56,468	56,468	0
Cash and cash equivalents	446	446	0
	56,914	**56,914**	**0**
Total assets	**63,167**	**161,791**	**-98,624**
Current liabilities			
Exploration finance facility	0	0	0
Short term bank debt	51,697	51,697	0
Trade and other payables	103,656	21,705	81,951
Current tax payable	0	0	0
	155,353	**73,402**	**81,951**
Non-current liabilities			
Exploration finance facility	0	0	
Long term bank debt	0	0	
Loan facility	11,936	11,936	0
Long term provisions	46,123	11,932	34,191
Deferred tax liability	87	4,445	-4,358
	58,146	**28,313**	**29,833**
Total liabilities	**213,499**	**101,715**	**111,784**
Net assets	**-150,332**	**60,076**	**-210,408**
Equity			
Share capital	3,698	3,698	0
Share based bonus schemes – LTIP	0	0	
Translation reserves	101,893	99,488	2,405
Retained earnings	-255,923	-43,110	-212,813
Total equity shareholders´ funds	**-150,332**	**60,076**	**-210,408**

The changes in consolidated financial position are:

The change in Non-current other receivables is due to deferred consideration from Orlando, less trust accounts regarding Ettrick & Blackbird, according to relinquish settlement.

Trade and other payables, the change is payables regarding Ettrick & Blackbird existing payables reversed and new payables according to settlement, also short-term abandonment liability is reversed, according to relinquish settlement.

The change in long term provisions is reversal of long-term abandonment liability regarding Ettrick & Blackbird, according to relinquish settlement.

The change in deferred tax liability is due to deferred tax regarding the relinquishment of the Orlando Field.

2.3 Significant accounting judgements, estimates and assumptions

Estimation uncertainty

Determining the carrying amount of some assets and liabilities requires estimation of the effects of future events on those assets and liabilities at the balance sheet date.

In the opinion of Atlantic Petroleum's management, the following estimates and associated judgements are material for the financial reporting:

• determination of underground oil and gas reserves. The assessment of reserves is a complex process involving various parameters such as analysis of geological data, commercial aspects, etc., each of which is subject to uncertainty. The assessment is material to the determination of the recoverable amount and depreciation profile for oil and gas assets,

• determination of the recoverable amount and depreciation profile for production assets. Determination of the recoverable amount is based on assumptions concerning future earnings, oil prices, interest rate levels, etc., each of which is subject to uncertainty. The depreciation profile has been determined on the basis of the expected use of the production assets, and is consequently subject to the same risks relating to reserves, future earnings, etc., as apply to the determination of the value of the production assets,

• determination of the deferred consideration receivable. The assessment is based on a production profile based on 2P Reserves (mid-point on Operators 2018 revenue estimate and 2014 Competent Persons Report); and Discount factor of 10% based on current cost of capital to Atlantic Petroleum group.

• determination of abandonment obligations. Provisions for abandonment obligations are subject to particular uncertainty as far as concerns the determination of the costs associated with removal of the production assets, and the timing of the removal,

• and assessment of contingent liabilities and assets.

The estimates applied are based on assumptions which are sound, in management's opinion, but which, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unforeseen events or circumstances may occur. Moreover, the Atlantic Petroleum Group is subject to risks and uncertainties that may cause actual results to differ from these estimates. Special risks for the Atlantic Petroleum Group are described in the section Director's Report under Risk Management.

Assumptions for forward-looking statements and other estimation uncertainties at the balance sheet date that involve a considerable risk of changes that may lead to a material adjustment in the carrying amount of assets or liabilities within the coming financial year are disclosed in the notes.

The Group's intangible exploration and evaluation assets, amounts to DKK 0MM (2017: DKK 0MM) and the Group's development and production assets amounts to DKK 0MM at 31st December 2018 (2017: DKK 0MM). The Group's abandonment obligations as of 31st December 2018 amounts to DKK 11.2MM (2017: DKK 11.9MM).

2.4 Summary of significant accounting policies

Interest in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Acquisitions of oil and gas properties are accounted for under the purchase method where the transaction meets the definition of a business combination. Transactions involving the purchases of an individual field interest, or a group of field interests, that do not qualify as a business combination are treated as asset purchases, irrespective of whether the specific transactions involved the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific exploration and evaluation asset or development and production asset disposed of and any surplus is recorded as a gain on disposal in the income statement.

Investments in joint ventures are recognised by proportionate consolidation at the share of the jointly controlled assets and liabilities, classified by nature, and the share of revenue from the sale of the joint product, along with the share of the expenses incurred by the jointly controlled operation. Liabilities and expenses incurred in respect of the jointly controlled operation are also recognised.

Translation of Foreign Currencies

For each individual entity, which is recognised in the consolidated accounts, a functional currency is determined in which the entity measures its results and financial position. The functional currency is the currency of the primary economic environment in which the entity operates. Transactions in other currencies than the functional currency are transactions in a foreign currency.

A foreign currency transaction is, on initial recognition, recorded in the functional currency, at the spot exchange rate between the functional currency and the foreign currency on the date of the transaction.

At each balance sheet date receivables, payables and other monetary items in foreign currency are translated to the functional currency using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items, at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, shall be recognised in the income statement under financial revenues and expenses.

On consolidation the results and financial position of the Group's individual entities with different functional currencies than the Group's presentation currency (DKK) are translated into the Group's presentation currency using the following procedure:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet.
- Income and expenses are translated at exchange rates at the dates of the transactions.

All resulting exchange differences are recognised directly in equity as a separate component of equity.

For practical reasons an average rate for the period that approximates the exchange rates at the dates of the transactions is used.

Income Statement

Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, sales taxes, excise duties and similar levies. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Sale of hydrocarbons is recognised when transfer of risk to the buyer has taken place. Sale of hydrocarbons is measured at fair value and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Cost of Sales

Cost of sales comprises cost directly related to the operation of oilfields, cost of goods sold, depreciations, lease payments and other costs related to the operation of producing oil fields. Rentals payable for assets under operating leases are charged to the income statement on a straight-line basis over the lease term. Impairment of development and production assets is also recognised here.

Pre-licence Exploration Cost

Pre-licence exploration expenses comprise cost incurred prior to having obtained the legal rights to explore an area and other general exploration costs which are not specifically directed to a licence and economic use is of less than a year.

Exploration Expenses

Exploration expenses comprise the cost of the impairment of exploration and evaluation assets and relinquishment cost.

General and Administration Cost

Administrative expenses comprise employment costs to the management and administration, staff, depreciations and other costs related to the general administration of the Group.

Financial Income and Expenses

Financial income and expenses comprise interests, currency differences, dividend income from investments and amortisation of financial assets and liabilities.

Taxation

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off corporation tax assets against corporation tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Statement of Financial Position

Intangible Assets

Intangible Assets
Items of intangible assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement under General and Administration costs item on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Office equipment 3 – 10 years

The residual value is reassessed annually.

Exploration and Evaluation Assets
The Group applies the successful efforts method of accounting for Exploration and Evaluation (E&E) costs, having regard to the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources.

Under the successful efforts method of accounting all licence acquisition, exploration and appraisal costs are initially capitalised at cost in well, field or specific exploration cost centres as appropriate, pending determination. Expenditure, incurred during the various exploration and appraisal phases, is then written off unless commercial reserves have been established or the determination process has not been completed.

The amounts capitalised include payments to acquire the legal right to explore, licence fees, cost of technical services and studies, seismic acquisition, exploratory drilling and testing and other directly attributable cost.

Finance costs that are directly attributable to E&E assets are capitalised in accordance with IAS 23. In the Parent Company these costs are expensed to the Income Statement.

Cost incurred prior to having obtained the legal rights to explore an area (pre-licence cost) are expensed directly to the income statement under Pre-licence exploration cost as they have incurred.

E&E assets are not amortised prior to the conclusion of appraisal activities.

Intangible E&E assets related to each exploration licence/prospect are carried forward, until the existence (or otherwise) of commercial reserves has been determined subject to certain limitations including review for indications of impairment. Every year or if there otherwise are indications of impairment the assets will be tested for impairment. Where, in the opinion of the Directors, there is impairment, E&E assets are written down accordingly, through the Income Statement under Exploration Expenses.

If commercial reserves have been discovered and a field development plan has been approved by the authorities, the carrying value of the relevant E&E asset is reclassified as a tangible asset, development and production asset. Before the reclassification the asset will be tested for indications of impairment. If however, commercial reserves have not been found, the capitalised cost are charged to the profit and loss account under Exploration Expenses after conclusion of appraisal activities.

Tangible Assets

Development and Production Assets

Development and production assets are accumulated generally on a field by field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in the accounting policy for E&E assets above.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provisions for future restoration and decommissioning. In the Parent Company finance costs are expensed to the profit and loss account.

The net book values of producing assets are depreciated generally on a field-by-field basis using the unit-of-production (UOP) method by reference to the ratio of production in the period and the related commercial reserves of the field.

An impairment test is performed once a year or whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows, derived from expected production of commercial reserves.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement under the relevant item. The cash-generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single cash-generating unit where the cash flows of each field are interdependent. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The depreciation and impairment are charged to the Income Statement under Cost of sales.

Decommissioning

Provision for decommissioning is recognised in full when the liability occurs. The amount recognised is the present value of the estimated future expenditure. A corresponding tangible fixed asset is also created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement under General and Administration costs item on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Operating assets and office equipment   3 – 10 years

The residual value is reassessed annually.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and Other Receivables

Trade and other receivables are recognised at amortised costs and are reduced by appropriate allowances for estimated irrecoverable amounts.

Bank Deposits (Cash and Cash-Equivalents)

Cash and cash equivalent includes cash in hand and deposits held at call with banks with maturity dates of less than three months.

Equity, Translation Reserve

The translation reserve comprises foreign exchange rate adjustments arising on translation of the financial statements of foreign entities with a functional currency that is different from the presentation currency (DKK) of Atlantic Petroleum Group.

Bank Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other Payables

Other payables are stated at their nominal value.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Included in the item Provisions is provision for decommissioning costs.

Segment Reporting

In the opinion of the directors the operations of the Group comprise one class of business, the production and sale of hydrocarbons. Its primary segment reporting will be by geographical region.

Cash Flow Statement

The cash flow statement is prepared according to the indirect method and presents cash flow from operations, investments and financing activities.

Cash Flow from Operating Activities

Cash flows from operating activities are presented using the indirect method, whereby the net profit or loss for the period is adjusted for the effects of non-cash transactions, accruals, tax-payments and items of income or expense associated with investing or financing cash flows.

Cash Flow from Investment Activities

Cash flows from investment activities comprises cash flows in conjunction with buying and selling entities and activities, buying and selling intangible, tangible and other non-current assets and buying and selling securities which are not recognised as cash and cash equivalents.

Cash Flow from Financing Activities

Cash flows from financing activities comprise the raising of new share capital and loans, amortisation on loans and payment of dividends.

3 Geographical segmental analysis

DKK 1,000	2018	2017
Revenues by origin:		
United Kingdom	0	0
	0	**0**
Operating loss/profit by origin:		
Faroe Islands	-5,809	-6,626
United Kingdom	27,693	-49,890
Norway	-303	650
Other	1,192	-4,131
	22,772	**-59,997**

4 Cost of sales

DKK 1,000	2018	2017
Operating costs	0	0
Produced oil in inventory at market value	0	0
Amortisation and depreciation, PPE:		
Oil and gas properties	0	0
Impairment	0	0
	0	**0**

5 Interest income & expense and finance gain & cost

DKK 1,000	2018	2017
Interest income and finance gain:		
Short term deposits	0	0
Time Value	14,462	0
Unwinding of discount on decommissioning provision	0	0
Exchange differences	1,345	0
	15,806	**0**
Interest expense and other finance cost:		
Bank loan and overdrafts	2,849	3,346
Creditors	0	1
Time Value	515	0
Unwinding of discount on decommissioning provision	0	1,627
Others	2,536	252
Exchange differences	0	2,849
	5,900	**8,075**

6 Auditors’ remuneration

DKK 1,000	**2018**	**2017**
Audit services:		
Statutory and Group audit, parent company auditor	250	320
Review of interim Financial Statements	0	0
Audit subsidiaries	111	550
	361	**870**
Tax services:		
Consulting and advisory services	45	103
	45	**103**

7 Employee cost

DKK 1,000	**2018**	**2017**
Staff costs, including executive directors:		
Wages and salaries		
Board of directors	929	767
Managing Director – CEO***	1,552	1,764
Administration, technical staff and other employees		0
	2,481	**2,531**
Share based payment – LTIP accounting charge****:		
Managing Director – CEO	0	-619
Administration, technical staff and other employees	0	0
	0	**-619**
Pension costs:		
Managing Director – CEO	0	54
Administration, technical staff and other employees	0	
	0	**54**
Social security costs	20	126
Other staff costs	0	0
	20	**126**
Total employee costs	**2,501**	**2,092**

	2018	**2017**
Average number of employees during the year:		
Technical and operations	**0**	**0**
Management and administration	**1**	**1**
	1	**1**

There remains one full time employee of Atlantic Petroleum.

* The Board of Directors' remuneration by person and the CEO's remuneration is disclosed in the Director's Report - Directors' Interests and Remuneration.

** Staff numbers include Managers.

*** The notice of termination for the CEO is one year.

**** See also note Share based payments below.

8 Share based payments

	2018	2017
Number of options		
1st January	0	18,526
Lapsed during the period	0	0
Expired during the period	0	-18,526
At 31st December	**0**	**0**
Weighted average exercise price DKK		
1st January	0	119
Lapsed during the period	0	119
Expired during the period	0	119
At 31st December	**0**	**0**

9 Other operating cost/income

DKK 1,000	2018	2017
Orland, Ettrick & Blackbird	8	172,039
Pegasus	35,412	0
Other operating income related to sales of licenses	0	94
Other operating income rela*ted* to sales of activity	0	1,259
	35,420	173,392

Production from the Orlando field, (sold to Decipher Energy Limited in 2017), is expected to commence in the second quarter this 2019. This field's sale agreement includes payment of deferred consideration from the Operator on its oil production to Atlantic Petroleum. Accordingly, these payments will commence in 2019. Therefore, an estimated deferred consideration at net present value of GBP 17.16MM in FY2017 due to the expectation of receiving the deferred consideration agreed under the Orlando Sale and Purchase Agreement.

On the 31st December 2018, the Company's concluded the relinquishment of licence interests in the North Sea fields of Blackbird and Ettrick. Nexen and Dana have acquired APNS's 8.27% interest in Ettrick and 9.39773% interest in Blackbird. The terms of the relinquishment agreement required APNS to make payment totalling GBP 935k to Nexen and Dana upon completion with a further future obligation of GBP 1.15 MM due to Nexen. Nexen and Dana have assumed responsibility for past and future obligations, this reducing the associated liabilities of APNS by an amount of GBP 8,428,324.

As of 25th November 2018, FDP has been submitted by Sprit Energy for the development of Pegasus West; sold by APUK to Third Energy Offshore in 2015. Therefore, approval is expected in 2Q 2019 which will trigger a milestone payment of GBP 2.50MM from Third Energy Offshore to the Company. Additionally, if FDP is approved, first gas will be expected in late 2021; triggering the second milestone payment of GBP 2.50MM. APUK has therefore realised a gain of GBP 4.11MM due to the expectation of receiving the deferred consideration agreed under the Pegasus Sale and Purchase Agreement.

10 Depreciation

DKK 1,000	2018	2017
Depreciations included in general and administration costs	23	87
	23	**87**

11 Tax

DKK 1,000	2018	2017
Current tax:		
Tax repayable/(payable) in UK	0	-435
Tax repayable/(payable) in NO	0	0
Tax repayable/(payable)	1	0
Total current tax	**1**	**-435**
Deferred tax:		
Deferred tax cost in UK	2,459	4,496
Deferred tax	6,257	0
Total deferred tax	**8,715**	**4,496**
Tax credit/tax on loss/profit on ordinary activities	**8,716**	**4,061**

12 Dividend

No dividend is proposed. (2017: DKK Nil)

13 Earnings per share

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 year.

Basic and diluted earnings per share are calculated as follows:

DKK 1,000	2018	2017
Basic		
Profit/loss after tax	23,962	-67,724
Weighted average number of shares	3,697,863	3,697,863
Earnings per share	6	-18,31
Diluted		
Profit/loss after tax	23,962	-67,724
Weighted average number of shares	3,697,863	3,697,863
Earnings per share	6	-18,3

14 Intangible assets

DKK 1,000	2018	2017
Costs		
At 1st January	12,260	6,738
Exchange movements	0	-240
Additions/Adjustments	0	5,762
At end of period	**12,260**	**12,260**
Amortisation and depreciation		
At 1st January	12,260	6,704
Exchange movements	0	-202
Charge this period	0	5,758
At end of period	**12,260**	**12,260**
Net book value at end of period	**0**	**0**

15 Oil and gas – Intangible exploration and evaluation assets

DKK 1,000	2018	2017
Costs		
At 1st January	0	0
Exchange movements	0	0
Additions	2,475	0
Disposal/relinquishment of licences	0	0
Explorations expenditures written off/sold	-2,475	0
At end of period	**0**	**0**

The amounts for intangible E&E assets represent the active exploration projects. These amounts will be written off to the income statement as exploration expense unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain.

16 Oil and gas – Tangible development and production assets

DKK 1,000	2018	2017
Costs		
At 1st January	786,046	1,098,455
Exchange movements	0	-35,901
Disposal/Additions	-786,046	-276,508
At end of period	**0**	**786,046**
Amortisation and depreciation		
At 1st January	786,046	1,036,150
Exchange movements	0	-31,353
Depreciation, charge	0	0
Impairment, charge	-786,046	-218,751
At end of period	**0**	**786,046**
Net book value at end of period	**0**	**0**

Depreciation and amortisation for oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves at the end of the period plus production in the period, on a field-by-field basis. Proved and probable reserve estimates are based on a number of techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

17 Property, plant and equipment assets

DKK 1,000	2018	2017
Costs		
At 1st January	2,673	2,736
Exchange movements	-26	-63
Additions	0	0
At end of period	**2,647**	**2,673**
Amortisation and depreciation		
At 1st January	2,514	2,517
Exchange movements	-24	-56
Charge this period	23	53
At end of period	**2,513**	**2,514**
Net book value at end of period	**134**	**159**

18 Investments and associates

Principal subsidiary undertakings of the Parent Company, all of which are 100 percent owned, are as follow:

Name of Company	Business and area of operation	Country of registration
Atlantic Petroleum Norge AS**	Exploration, development and production, Norway	Norway
Atlantic Petroleum UK Limited	Exploration, development and production, UK	England and Wales
Atlantic Petroleum (Ireland) Limited*	Exploration, development and production, Ireland	Republic of Ireland
Atlantic Petroleum North Sea Limited*	Exploration, development and production, UK	England and Wales

*Held through subsidiary undertaking
** Atlantic Petroleum Norge AS is under liquidation

19 Trade and other receivables

DKK 1,000	2018	2017
Non-Current		
Other receivables	153,634	98,624
	153,634	98,624
Current		
Trade receivables	360	17,421
Prepayments and accrued income	0	369
Other taxes and VAT receivable	221	284
Other receivables	36,905	38,393
	37,485	56,467
Net receivables	191,119	155,091

All trade and other receivables are due within one year except for the Orlando and Pegasus deferred consideration DKK 190.5MM, of which DKK 36.9MM is expected to be due within one year

The carrying values of the trade and other receivables are equal to their fair value as at the balance sheet date.

Under the Sale and Purchase Agreement regarding Orlando, APNS is due to receive deferred considerations equalling 2% of the sale proceeds from the first 5,000,000 barrels of Orlando petroleum and an amount equalling 4.35% of the Orlando petroleum in excess of the first 5,000,000 barrels. The operator anticipates production from the Orlando field to commence in April 2019.

Under the Sale and Purchase Agreement regarding Pegasus, APUK is due to receive differed milestone payments:

- £2.5MM to be paid on Pegasus West FDP approval;
- £2.5MM to be paid on Pegasus West first gas; and
- £4.0MM to be paid on any subsequent FDP approval on the 3 licenses sold.

As of 25th November 2018, FDP has been submitted by the Licence Partners. Therefore, approval is expected in 2Q 2019 which will trigger the first payment to the Company. Additionally, if the FDP is approved, first gas will be expected in late 2021; triggering the second milestone payment.

20 Trade and other payables

DKK 1,000	2018	2017
Trade payables	7,976	19,840
Accrued expenses	486	468
Other payables*	9,513	1,397
	17,974	21,705

All trade and other payables are due within one year.

The carrying values of the trade and other payables are equal to their fair value as at the balance sheet date.
* Other payables 2018 consist of a liability regarding the settlement Ettrick & Blackbird, the liability is DKK 9.51MM (GBP 1.15MM). London Oil & Gas Limited has provided a guarantee in the sum of GBP 1.15MM in favour of the beneficiaries.

21 Cash, short and long term debt

DKK 1,000	2018	2017
Cash:		
Cash at bank and in hand	260	446
Total cash	260	446
Short term debt:		
Short term bank loans	52,304	51,697
Total short term borrowings	52,304	51,697
Long term debt:		
Long term bank loans	0	0
Total long term borrowings	0	0

The borrowings are repayable as follows:

DKK 1,000	2018	2017
Bank loans analysed by maturity		
Within one year	52,304	51,697
In one to five years	0	0
	52,304	51,697

At year end 2017 the total short- and long-term loans amounted to DKK 52.3MM (2017: DKK 51.7MM).

22 Obligations under leases

There are no remaining production installation leases that Atlantic Petroleum is a party to.

23 Provisions for long-term liabilities and charges

DKK 1,000	2018	2017
Decommissioning costs:		
At 1st January	11,932	49,962
Exchange movements	36	-1,403
Reversal E&B	0	-34,191
Reversal APIR 2017	-1,212	0
Addition of future decommissioning costs during the year	483	-2,436
At 31st December	11,238	11,932
Total provision	11,238	11,932

The decommissioning provision represents the present value of decommissioning costs relating to the oil and gas interests, which are expected to be incurred between 2018 and 2031. These provisions have been created based on operators' estimates. Based on the current economic environment, assumptions have been made which the management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time.

Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

24 Financial instruments

The Group's activities expose it to financial risks of changes, primarily in oil and gas prices, but also foreign currency exchange and interest rates.

Interest rate risk profile of financial liabilities
The interest rate profile of the financial liabilities of the Group as at 31st December was:

DKK 1,000	2018	2017
Floating rate		
DKK	52,304	51,697
NOK	0	0
Total	**52,304**	**51,697**

The floating rate comprises bank borrowings bearing interest at rates set by reference to DKK CIBOR exposing the Group to a cash flow interest rate risk.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the group as at 31st December was:

DKK 1,000	**2018**	**2017**
Floating rate		
Held in DKK	19	405
Held in GBP	233	29
Held in USD	1	4
Held in EUR	1	1
Held in NOK	6	6
Total	**260**	**445**

The floating rate cash and short-term deposits consists of cash held in interest-bearing current accounts by reference to DKK CIBOR.
The fair values of the financial assets and financial liabilities are:

DKK 1,000	**2018**	**2017**
Carrying amount		
Cash and short-term deposits	260	446
Bank loans and credit facility	-52,304	-51,697
Long-term bank loan	0	0
Fair value		
Cash and short-term deposits	260	446
Bank loans and credit facility	-52,304	-51,697
Long-term bank loan	0	0

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are indicative and will not necessarily be realised. Non-interest bearing financial instruments, accounts receivable from customers, and accounts payable are recorded materially at fair value reflecting their short-term maturity and are not shown in the above table.

Currency risk
No currency exposures were hedged during the year and thus there is a currency risk.
Please see risk management section for currency risk exposures.

25 Deferred tax

DKK 1,000	2018	2017
Deferred tax assets	0	6,094
	0	**6,094**

DKK 1,000	2018	2017
Deferred tax liability	6,796	4,445
	6,796	**4,445**

The Group has DKK 210.1MM of tax credits and allowances in its UK companies however in the absence of certainty over the availability of future taxable profits the value of these has been discounted to zero.

The deferred tax asset relates mainly to the carried forward tax losses that will be realized on the closure of the Norway activities.

26 Share capital

DKK 1,000	2018	2017
Balance at 1st January	3,698	3,698
Shares issued		
Balance at 31st December	3,698	3,698

Ordinary Shares

	2018	2017
1DKK shares		
Authorised	8,626,703	8,626,703
Called up, issued and fully paid	3,697,860	3,697,860
DKK 1,000		
Authorised	8,627	862,670
Called up, issued and fully paid	3,698	3,698

27 Analysis of changes in net debt/cash

DKK 1,000	2018	2017
a) Reconciliation of net cash flow to movement in net debt/cash:		
Movement in cash and cash equivalents	-187	-4,478
Proceeds from long-term loans	-19,905	-11,936
Proceeds from short-term loans	-607	-4,473
Increase/decrease in net cash in the period	**-20,699**	**-20,887**
Opening net cash	-63,186	-42,299
Closing net cash/debt	**-83,885**	**-63,186**
b) Analysis of net cash/debt:		
Cash and cash equivalents	260	446
Short-term debt	-52,304	-51,696
Long-term debt	-31,841	-11,936
Total net cash/debt	**-83,885**	**-63,186**

28 Capital commitments and guarantees

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 (was known as Volantis Exploration Limited).

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 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 and Atlantic Petroleum North Sea 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.

Atlantic Petroleum UK Limited had a loan facility at year end 2018 with the following bank: P/F Betri of DKK 49 MM. P/F Atlantic Petroleum has provided a parent guarantee for this loan facility.

The Company has offered security to lender in connection with the loan agreement in receivables from the Pegasus contingent asset.

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

29 Contingent considerations

Under the Sale and Purchase Agreement regarding Orlando, APNS is due to receive deferred considerations equalling 2% of the sale proceeds from the first 5,000,000 barrels of Orlando petroleum and an amount equalling 4.35% of the Orlando petroleum in excess of the first 5,000,000 barrels. The operator anticipates production from the Orlando field to commence in April 2019.

Under the Sale and Purchase Agreement regarding Pegasus, APUK is due to receive differed milestone payments:

- £2.5MM to be paid on Pegasus West FDP approval;
- £2.5MM to be paid on Pegasus West first gas; and
- £4.0MM to be paid on any subsequent FDP approval on the 3 licenses sold.

As of 25th November 2018, FDP has been submitted by the Licence Partners. Therefore, approval is expected in 2Q 2019 which will trigger the first payment to the Company. Additionally, if the FDP is approved, first gas will be expected in late 2021; triggering the second milestone payment.

30 Related party disclosures

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

PARENT COMPANY INCOME STATEMENT

For the year ended 31st December 2018

DKK 1,000	Note	2018	2017
Revenue		0	0
Costs of sales		0	0
Gross profit/loss		**0**	**0**
Exploration expenses		0	0
Pre-licence exploration cost		-81	0
General and administration cost	2,3	-5,728	-6,342
Depreciation PPE and intangible assets	6	0	0
Other operating cost/income	5	0	0
Operating loss		**-5,809**	**-6,343**
Interest income and finance gains	7	832	0
Interest expenses and other finance costs	7	-2,893	-1,001
Loss before taxation		**-7,870**	**-7,343**
Taxation		-1	0
Profit/Loss after taxation		**-7,871**	**-7,343**
Distribution of profit:			
Retained earnings		-7,871	-7,343
Distribution in total		**-7,871**	**-7,343**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2018

DKK 1,000	2018	2017
Items that may be recycled in P/L:		
Profit/loss for the period	-7,871	-7,343
Total comprehensive Income/loss in the period	**-7,871**	**-7,343**

PARENT COMPANY FINANCIAL POSITION

31st December 2018

DKK 1,000	Note	At 31st Dec 2018	At 31st Dec 2017
Non-current assets			
Intangible assets	10	0	0
Property plant and equipment	11	0	0
Investment in subsidiary	9	51,868	51,868
		51,868	**51,868**
Current assets			
Trade and other receivables	12	391	311
Receivables from subsidiary	12	7,903	0
Cash and cash equivalents	24	19	394
		8,313	**705**
Total assets		**60,181**	**52,573**
Current liabilities			
Exploration finance facility		0	0
Short term bank debt	21	2,336	2,337
Trade and other payables	13	1,908	2,091
Current tax payable		0	0
		4,244	**4,428**
Non-current liabilities			
Long term debt – intercompany		118,255	122,497
Long term bank debt		0	0
Loan facility		31,841	11,936
		150,095	**134,433**
Total liabilities		**154,339**	**138,861**
Net assets		**-94,158**	**-86,288**
Equity			
Share capital		3,698	3,698
Share based bonus schemes – LTIP	4		0
Retained earnings		-97,856	-89,986
Total equity shareholders´ funds		**-94,158**	**-86,288**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2018

DKK 1,000	Share capital	Share based Payments LTIP and Bonus	Retained earnings	Total
At 1st January 2017	**3,698**	**284**	**-82,643**	**-78,661**
LTIP awarded in the period, net	0	-284	0	**-284**
Result for the period	0	0	-7,343	**-7,343**
At 1st January 2018	**3,698**	**0**	**-89,986**	**-86,288**
Result for the period	0	0	-7,871	**-7,871**
At 31st Dec. 2018	**3,698**	**0**	**-97,857**	**-94,159**

PARENT COMPANY CASH FLOW STATEMENT

For the year ended 31st December 2018

DKK 1,000	2018	2017
Operating activities		
Operating loss	-5,809	-6.343
Depreciation, depletion and amortisation	0	0
Change in trade and other receivables	-80	64
Change in trade and other payables	-83	-4.236
Interest revenue and finance gain received	832	0
Interest expenses and other finance cost	-2,893	-1.001
Income taxes	-1	0
Net cash flow provided by operating activities	**-8,134**	**-11.515**
Investing activities		
Capital expenditure	0	0
Net cash used in investing activities	**0**	**0**
Financing activities		
Change in intercompany accounts	-12,145	65.249
Change in short term debt	-1	-44.887
Change in long term debt	19,905	-8.665
Net cash flow provided from financing activities	**7,758**	**11.697**
Change in cash and cash equivalents	**-375**	**182**
Cash and cash equivalents at the beginning of the period	394	212
Total cash and cash equivalents at the beginning of the period	**394**	**212**
Cash and cash equivalents at the end of the period	**19**	**394**

PARENT COMPANY NOTES TO THE ACCOUNTS

1 Corporate information

The financial statements for the Company P/F Atlantic Petroleum for the year ended 31st December 2018, according to the requirement in the Faroese Company Accounts Act, were authorised for issue in accordance with a resolution of the directors on 29th March 2018.

P/F Atlantic Petroleum is a public limited company incorporated and domiciled in the Faroe Islands and listed on the exchanges on NASDAQ OMX Copenhagen and Oslo Stock Exchange. The principal activities of the Company are Oil & Gas exploration, and appraisal in the Faroe Islands.

2 Auditors' remuneration

DKK 1,000	2018	2017
Audit services:		
Statutory and Group audit, parent company auditor	250	320
Review of interim Financial Statements	0	0
	250	**320**

3 Employee cost

DKK 1,000	2018	2017
Staff costs, including executive directors:		
Wages and salaries		
Board of directors	929	767
Managing Director – CEO***	1,552	1,764
Administration, technical staff and other employees		0
	2,481	**2,531**
Share based payment – LTIP accounting charge****:		
Managing Director – CEO	0	-284
Administration, technical staff and other employees	0	0
	0	**-284**
Pension costs:		
Managing Director – CEO	0	54
Administration, technical staff and other employees	0	0
	0	**54**
Social security costs	20	127
Other staff costs	0	0
	20	**127**
Total employee costs	**2,501**	**2,428**

	2018	2017
Average number of employees during the year:		
Technical and operations	**0**	**0**
Management and administration	**1**	**1**
	1	**1**

* The Board of Directors' remuneration by person and the CEO's remuneration is disclosed in the Director's Report - Directors' Interests and Remuneration and in Management's Interests and Remuneration.

** Staff numbers include Managers.

*** See also note Share based payments below.

The notice of termination for the CEO is one year.

4 Share based payments

	2018	2017
Number of options		
1st January	0	18,526
Lapsed during the period	0	0
Expired during the period	0	-18,526
At 31st December	**0**	**0**
Weighted average exercise price DKK		
1st January	0	118.79
Lapsed during the period	0	118.79
Expired during the period	0	118.79
At 31st December	**0**	**0**

5 Other operating income

DKK 1,000	**2018**	**2017**
Service rendering to subsidiaries	0	0
	0	0

6 Depreciation

DKK 1,000	**2018**	**2017**
Depreciations included in general and administration costs	0	0
	0	**0**

7 Interest revenue and expenses & finance gain and cost

DKK 1,000	2018	2017
Interest income and finance gain:		
Short term deposits	0	0
Exchange differences	832	0
	832	**0**
Interest expense and other finance cost:		
Bank loan and overdrafts	136	865
Others	2,531	32
Exchange differences	225	104
	2,893	**1,001**

8 Dividend

No interim dividend is proposed. (2017: DKK Nil)

9 Investment in subsidiaries

DKK 1,000	2018	2017
Costs		
At 1st January	51,869	51,869
At end of period	**51,869**	**51,869**

Principal subsidiary undertakings of the Parent Company, all of which are 100 percent owned, are as follow:

Name of Company	Business and area of operation	Country of registration
Atlantic Petroleum Norge AS**	Exploration, development and production, Norway	Norway
Atlantic Petroleum UK Limited	Exploration, development and production, UK	England and Wales
Atlantic Petroleum (Ireland) Limited*	Exploration, development and production, Ireland	Republic of Ireland
Atlantic Petroleum North Sea Limited*	Exploration, development and production, UK	England and Wales

*Held through subsidiary undertaking
** Atlantic Petroleum Norge AS is under liquidation

In connection with the debt facility, P/F Atlantic Petroleum has pledged as security to the lenders the shares in the wholly owned subsidiary Atlantic Petroleum UK Limited. See note regarding capital commitments and guarantees.

10 Intangible assets

DKK 1,000	**2018**	**2017**
Costs		
At 1st January	1,467	1,467
Additions/Adjustments	0	0
At end of period	**1,467**	**1,467**
Amortisation and depreciation		
At 1st January	1,467	1,467
Charge this period	0	0
At end of period	**1,467**	**1,467**
Net book value at end of period	**0**	**0**

11 Property, plant and equipment

DKK 1,000	**2018**	**2017**
Costs		
At 1st January	850	850
Additions	0	0
At end of period	**850**	**850**
Amortisation and depreciation		
At 1st January	850	850
Charge this period	0	0
At end of period	**850**	**850**
Net book value at end of period	**0**	**0**

12 Trade and other receivables

DKK 1,000	2018	2017
Trade receivables	304	229
Other taxes and VAT receivable	87	81
Receivables from subsidiary	7,903	0
Net assets	8,294	310

All trade and other receivables are due within one year.

The carrying values of the trade and other receivables are equal to their fair value as at the balance sheet date.

The amount due from subsidiary undertakings relates to balances, which bears no interest and are payable upon request. In connection with the Company´s debt facility, P/F Atlantic Petroleum has pledged as security the intra-company receivables from Atlantic Petroleum UK Limited. See note regarding capital commitments and guarantees.

13 Trade and other payables

Trade payables*	1,639	1,678
Accrued expenses	269	220
Other payables	0	193
	1,908	2,091

All trade and other payables are due within one year.

The carrying values of the trade and other payables are equal to their fair value as at the balance sheet date.

14 Cash, short and long-term debt

DKK 1,000	2018	2017
Cash:		
Cash at bank and in hand	19	394
Total cash	19	394
Short term debt:		
Short term bank loans	2,336	2,337
Total short term borrowings	2,336	2,337
Long term debt:		
Long term bank loans	0	
Total long term borrowings	0	0

The borrowings are repayable as follows:

DKK 1,000	2018	2017
Bank loans analysed by maturity		
Within one year	2,336	2,337
In one to five years	0	0
	2,336	2,337

18 Financial instruments

The Group's activities expose it to financial risks of changes, primarily in oil and gas prices, but also foreign currency exchange and interest rates.

Interest rate risk profile of financial liabilities
The interest rate profile of the financial liabilities of the Group as at 31st December was:

DKK 1,000	2018	2017
Floating rate		
DKK	2,336	14,273
NOK	0	0
	2,336	14,273
Total	**2,336**	**14,273**

The floating rate comprises bank borrowings bearing interest at rates set by reference to DKK CIBOR exposing the Group to a cash flow interest rate risk.

A 1 per cent point change per annum in the interest would have a hypothetic effect of DKK 0,02MM (2017: DKK 0,1MM) on the result and equity.

Interest rate risk profile of financial assets
The interest rate profile of the financial assets of the group as at 31st December was:

DKK 1,000	2018	2017
Floating rate		
Held in DKK	19	405
Held in GBP	0	29
Held in USD	0	4
Held in EUR	0	1
Held in NOK	0	6
	19	445
Total	**19**	**445**

The floating rate cash and short-term deposits consists of cash held in interest-bearing current accounts by reference to DKK CIBOR.

The fair values of the financial assets and financial liabilities are:

DKK 1,000	2018	2017
Carrying amount		
Cash and short-term deposits	19	446
Bank loans and credit facility	-2,336	-51,697
Long-term bank loan	0	0
Fair value		
Cash and short-term deposits	19	446
Bank loans and credit facility	-2,336	-51,697
Long-term bank loan	0	0

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are indicative and will not necessarily be realised. Non-interest bearing financial instruments, accounts receivable from customers, and accounts payable are recorded materially at fair value reflecting their short-term maturity and are not shown in the above table.

Currency risk

No currency exposures were hedged during the year and thus there is a currency risk.
Please see risk management section for currency risk exposures.

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.
BCF	Billions of cubic feet
Bn	Billion
BOEPD	Barrels of Oil Equivalent per Day
BOE	Barrels of Oil Equivalent
BOPD	Barrels of Oil per Day
DECC	UK Department of Energy & Climate Change
DKK Danish kroner.	The currency used in the Kingdom of Denmark
EBIT	Earnings before Interest and Taxes (Operating Profit)
EBITDAX	Earnings before Interest, Taxes, Depreciation, Amortizations and Exploration Expenses
EBIT Margin	% (Operating Margin) (EBIT/Sales)
EBITDAX Margin	% (EBITDAX/Sales)
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)
Lead	Areas thought to contain hydrocarbons.
Ltd	A limited liability company
MM	Million
Monte Carlo	The Monte Carlo method approximate solutions to quantitative problems by employing statistical sampling that calculates a representative range of resulting values. Monte Carlo simulation results are pre-determined by the possible values of the underlying input variables, which can encompass multiply source of uncertainties.
NCS	Norwegian Continental Shelf
Net Cash	Cash and cash equivalents less Short & Long Term Debt
Oil field	An accumulation of hydrocarbons in the subsurface.
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

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