



ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

CONDENSED CONSOLIDATED INTERIM REPORT

FOR THE 3 MONTHS ENDED 31st MARCH 2014

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Financial Calendar 2014

14th March:	2013 Annual Financial Statement
9th April:	Annual General Meeting
21st May:	1 st Quarter 2014 Interim Financial Statement
27th August:	2 nd Quarter 2014 Interim Financial Statement
12th November:	3 rd Quarter 2014 Interim Financial Statement

A FULL CYCLE EXPLORATION & PRODUCTION COMPANY

ABOUT ATLANTIC PETROLEUM

THE ATLANTIC PETROLEUM GROUP IN BRIEF

Atlantic Petroleum is a full cycle E&P company. Our portfolio of assets spans the full-cycle E&P value chain of exploration, appraisal, and development through to production and is located in some of the world's most prolific hydrocarbon basins.

Our main focus is on offshore North West Europe where we can provide steady growth from the existing asset base and be prepared to acquire new assets.

At end of 1Q 2014 Atlantic Petroleum held a total of 45 oil and gas licences covering 125 blocks and part blocks in the UK, Norway, Faroe Islands, Ireland & the Netherlands, producing oil & gas from three fields in the UK part of the North Sea. Three fields are under development or near development. We participate in joint ventures containing around 30 high quality partners.

With a strong operating cash flow Atlantic Petroleum is well positioned for further growth.

BUSINESS MODEL FOR LONG TERM GROWTH

Atlantic Petroleum has a balanced portfolio where exploration and development is underpinned by a solid production base.

Broad exposure to North West Europe exploration in existing portfolio – balanced between high and moderate risk opportunities.

Solid cash flow and balance sheet.

Strong management team with proven track record and a competent technical team.

A high number of reputable partners.

Atlantic Petroleum is continuously screening for and identifying new farm-in and acquisition opportunities and assessing the viability of possible investments.

STRATEGY & BUILDING BLOCKS

Steady organic growth from development of existing asset base	Cash flow from producing assets fund exploration activities Low risk profile Attractive asset base with exploration opportunities
Growth by farm-ins and acquisitions	Access through broad industrial network Ability to quickly screen and evaluate opportunities Proven ability to close farm-in deals Proven ability to successfully acquire and integrate companies
Strong partnerships	Partnerships with over 30 reputable international oil companies Diversification and risk sharing Sharing of geological and operational knowledge
Strong team of professionals	Efficient organisation with proven track record Core in-house technical and commercial skills Network of qualified external advisers and technical consultants

REPORT FOR FIRST QUARTER

2014

KEY METRICS	3 months to 31 st March 2014	3 months to 31 st March 2013	Full year 2013
DKK 1,000			
Profit and loss:			
Revenue	112,706	121,719	417,421
Gross profit	38,812	54,212	195,655
Exploration expenses	-81,333	-35,719	-119,647
EBITDAX	47,451	69,753	223,748
Operating loss (EBIT)	-64,020	-991	-1,629
Depreciations	-30,139	-35,025	-105,729
Loss/Profit before taxation	-68,483	8,137	-11,623
Loss/Profit after taxation	-12,687	6,069	-25,674
Financial position:			
Non-current assets	935,438	892,177	921,804
Current assets	418,792	189,101	315,375
Total assets	1,354,230	1,081,278	1,237,179
Current liabilities	232,805	129,467	141,541
Non-current liabilities	526,560	432,537	498,293
Total liabilities	759,365	562,004	639,834
Net assets/Equity	594,865	519,274	597,345
Cash flow and net cash:			
Cash generated from operations	-32,719	60,785	219,146
Change in cash and cash equivalents	-12,535	-169,425	-54,183
Cash and cash equivalents	173,165	73,096	184,613
Bank debt	119,280	78,000	103,058
Financial statement related key figures:			
Gross Margin	34.4%	44.5%	46.9%
EBIT Margin	-56.8%	-0.8%	-0.4%
EBITDAX Margin	42.1%	57.3%	24.9%
Return on Equity	-2.1%	1.1%	-5.0%
Share related key figures:			
Earnings per share Basic	-3.43	2.31	-9.54
Earnings per share Diluted	-3.43	2.27	-9.67
Share price in DKK on OMX CPH/IS and Oslo Stock Exchange (From 3Q 2013)	100/NA & 102	165/190 & NA	129/145 & 128
Other key numbers/figures:			
Full time equivalent positions	28	25	27

SECURING THE LONG TERM SUCCESS OF THE COMPANY

HIGHLIGHTS & OUTLOOK

Production was in line with guidance and the oil price was higher than expected at the beginning of the year. A production well is currently being drilled on the Blackbird field with production from the well expected later this summer. The Chestnut field continues to perform above expectations and field life has been extended a further year.

Atlantic Petroleum is well funded with a strong cash flow, cash position and low debt. EBITDAX in 1Q 2014 was DKK 47.0MM which was in line with expectation. The quarter was marked by the write-down of the Langlitinden exploration well drilled during the quarter. The majority of the costs will however be tax deductible in Norway.

The Group's significant exploration portfolio has several high profile prospects and this year's drilling programme started off with the Langlitinden well in Norway and now continues with the Faroes Brugdan II re-entered in May and the UK Pegasus well expected to spud in June. Later this year the Ivory well in Norway will be drilled.

- Production in 1Q 2014 amounted to 179,000 boe corresponding to an average of 1,993 boepd net to the Group which is slightly above the guidance
- Revenue in 1Q 2014 DKK 112.7MM (1Q 2013 DKK 121.7MM). Average realised oil price was USD 108.3
- EBITDAX DKK 47.4MM (1Q 2013 DKK 69.8MM)
- Exploration expense for the first three months of 2014 was DKK 81.3MM. Although the Langlitinden well discovered hydrocarbons it is not deemed to be commercial at this stage and hence the costs related to the well have been expensed during the period
- General and administration costs 1Q 2014 DKK 14.2MM (1Q 2013 DKK 14.2MM) and depreciation of PPE & Intangible assets was DKK 3.9MM (1Q 2013 DKK 2.0MM)
- Cash and cash equivalents at end 1Q 2014 was DKK 173.2MM (end 2013 DKK 184.6MM)
- The Chestnut field produced at stable rates at the high end of expectation. In May the Hummingbird FPSO contract and hence field life was extended for yet another year
- Blackbird field production has been stable and the second production well was spudded in April. The well is expected to provide a significant production boost for the field. The investment in the well qualifies for the Brown Field Allowance under the UK taxation system
- Production from the Ettrick field was relatively stable. The new production well was drilled and came on-stream in the 4Q 2013. It has increased the rate of production and has added further reserves to the field
- The Orlando field development continues and currently there are discussions with the operator of the Ninian Central Platform to secure commercial terms for the modifications to the platform. First oil is expected to slip into 2016

TARGETS 2014

EXPLORATION

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

PRODUCTION

Production in 2014 average per day between 1,650 – 1,900 boepd net for the year

FINANCIAL

EBITDAX in the range DKK 125MM - 175MM (Earnings Before Interest, Taxes, Depreciation, Amortisation and Exploration Expenses)

OPERATIONS IN PROLIFIC AREAS

NORTH WEST EUROPE FOCUSED

A TOTAL OF 45 LICENCES AT REPORT DATE COVERING 125 BLOCKS/PART BLOCKS

UK

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

FAROE ISLANDS

2 exploration licences with significant potential

IRELAND

2 exploration & appraisal licences with several identified prospects

NETHERLANDS

4 exploration licences

NORWAY

9 exploration & appraisal licences in Norwegian Sea and Norwegian sector of North Sea. Potential to increase significantly through licensing rounds and farm-ins (including 2 licence extensions, and farm-ins subject to authority approval).



Please visit our website for a full assets overview

PLANNED ACTIVITIES 2014

LICENCE				2014				2015
				1Q	2Q	3Q	4Q	1Q
Exploration	UK	P1724 Pegasus West (Committed)	Exploration well					
	Norway	PL528 Ivory (Committed)	Exploration well					
		PL659 Langlitinden (Committed)	Exploration well					
	Faroe Islands	L006 Brugdan II (Committed)	Exploration well					
Production	UK	P317, P273, & P1580 Blackbird (Committed)	Production well					

A ROBUST PROGRAMME GOING FORWARD

STATUS ON KEY LICENCES

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

UNITED KINGDOM

DEVELOPMENT & PRODUCTION

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

Chestnut production was as expected in 1Q 2014. The field's reserves were upgraded in the YE 2013 CPR report to 1.1 MMbbls net remaining 2P reserves. Studies are underway to update the existing reservoir models to produce improved forecasts and reserve estimates. It is Atlantic Petroleum's view that the oil initially in place in the Chestnut field could be as much as 70MMBoe, and given a recovery factor based on fields of a similar geologic age, the reserves in the field are likely to increase significantly. Further contract extensions on the Hummingbird FPSO are being completed along with other long term options for the field.

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

A new production well on the Ettrick field was successfully drilled and completed and came on-stream in 4Q 2013, which was slightly behind schedule. The well increases the rate of production in the near term and adds further reserves to the field. Ettrick production was on expectation in 1Q 2014.

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

Blackbird production was also as expected in 1Q 2014. In December 2013, Atlantic Petroleum announced that DECC had approved the Blackbird Field Development Plan Addendum. The FDP Addendum will result in the drilling of a second production well. The well was spudded at the end of April and is expected to be in production by mid-2014. The investment in the Blackbird production well will qualify for the Brown Field Allowance under the UK taxation system.

Licence P1606 Block 3/3a, Orlando (25.00%)

Discussions have been in progress with the operator of the Ninian Central Platform to secure commercial terms for the modifications to the platform. The negotiations are proving to be slower to conclude than expected. DECC is aware of the situation and is assisting in finding a resolution of the outstanding issues. It is our expectation that first oil will slip into 2016.

NEAR DEVELOPMENT

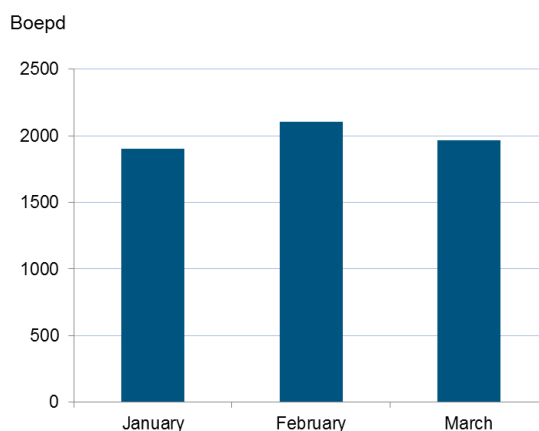
Licence P1607, Block 3/8d, Kells (25.00%)

Atlantic Petroleum holds a 25% interest in this licence which contains the Kells discovery. Work is on-going to re-submit an FDP in 2014, with first oil planned in late 2016 or 2017. The plan is to redevelop the field (formerly known as Staffa) as a subsea tie-back to the Ninian Central platform in the Northern North Sea. The expected initial rate from Kells is 2,600 bopd net to Atlantic Petroleum. Field life could extend out to 2025, but the majority of the reserves will be produced in the first 4 years.

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

Joint studies are now ongoing between Faroe Petroleum (operator of Lowlander) and the Perth group to determine the feasibility of a joint Perth/Lowlander development.

NET BARRELS PRODUCED PER DAY 1Q 2014



EXPLORATION & EVALUATION**Licences P1610 & P1766, Block 13/23a & 13/22d, Magnolia (20.00%)**

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

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

An appraisal well on Pegasus West will be spudded in June 2014. The well will be tested if successful. This will have a large impact on the future potential of the Pegasus complex.

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

A well will be drilled in 2014 on the Pegasus West structure which extends into this licence. The authorities have agreed that this well, which will be drilled on the adjacent P1724 licence, will fulfil the licence commitment for P1727.

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

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

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

These blocks lie adjacent to the Centrica operated York field which came on stream in March 2013. A 3D seismic survey was acquired in 2013 and the data is currently being interpreted.

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

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

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

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

FAROE ISLANDS**EXPLORATION & EVALUATION****Licence 006, Blocks 6104/16a,21 & 6105/25, Brugdan Deep (1.00%)**

The Brugdan II well was spudded in 2012 targeting a prospect with a resource estimate up to 1 billion barrels.

Weather and operational problems resulted in the well being suspended, but the partners have agreed to return to the Brugdan II location to complete the well objectives. The re-entry started in May 2014.

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

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

NETHERLANDS**EXPLORATION & EVALUATION****Blocks E1, E2, E4 & E6 (6.00%)**

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

NORWAY**EXPLORATION & EVALUATION****Licence PL 270, Block 35/3, Agat (15.00%)**

PL 270 was acquired in December 2012 from the operator VNG, and in February 2014 PL 270 B was awarded as an extension of the licence (APA 2013 round). The licence is located in the North Sea 50 km North of the Gjøa field and c. 50 km offshore the western coast of Norway. The work program in the licence is fulfilled. Three gas discovery wells have been drilled within the current licence boundaries. A technical and commercial evaluation is ongoing.

Licence PL 704, Blocks 6704/12 & 6705/10 (part), Gjallar South (30.00%)

PL 704 was awarded in the 22nd Licensing Round on the Norwegian Continental Shelf (NCS). The licence contains multiple high potential prospects and given a discovery the reserves could be tied in to the Aasta Hansteen Field. Licence PL 704 is located immediately south of PL 705, and immediately west of the Asterix discovery, and covers an area of 646 km². Prospectivity is mapped on 2D and 3D seismic data within several geological play models. The technical work is ongoing. Eon is the operator for this licence.

Licence PL 705, Blocks 6705/7 (part),8,9,10 (part), Gjallar North (30.00%)

PL 705 was awarded in the 22nd Licensing Round on the Norwegian Continental Shelf (NCS). The licence contains multiple high potential prospects and given a discovery the reserves could be tied in to the Aasta Hansteen Field. The licence is located on the northern part of the Gjallar Ridge in the Vøring Basin (Norwegian Sea), immediately north of PL 704 the Asterix discovery and south west of the Naglfar Discovery. The licence covers an area of 1,039 km², and several prospects have been mapped and de-risked using 3D seismic data. The prospects have potential targets at multiple reservoir levels. The technical work is ongoing. Repsol is the operator for this licence.

Licence PL 763, Blocks 6606/2 & 6606/3 (parts), Karius (30.00%)

PL 763 was awarded in APA 2013 (Awards in predefined areas) 7th February 2014. The licence contains multiple prospects and given a discovery the reserves could be tied in to the Aasta Hansteen Field located 10-15 km away. The licence is located on the southern flank of the Vema Dome in the Vøring Basin (Norwegian Sea), immediately southwest of the Luva, Snefrid and Haklang discoveries. Several prospects are identified within the same play as proven in the discoveries. The licence covers an area of 390 km², and the prospects have been mapped 3D seismic data. The prospects have potential targets at multiple reservoir levels. The technical work is ongoing, and the first phase of the work program is to reprocess seismic. Repsol is the operator for this licence.

Licence PL 659, Blocks/part blocks 7121/3, 7122/1,2, 7221/10,12, 7222/11,12, Langlitinden (10.00%)

PL 659 was awarded in February 2012 (APA 2011) with a firm well + 3D seismic commitment (minimum 350 km²). Just before spudding the Langlitinden well Atlantic Petroleum farmed in to PL 659 through a deal with the operator, Det norske. The transaction was approved by the authorities 31st March 2014.

The firm well commitment was fulfilled with the drilling of 7222/11-2 Langlitinden (spud January 2014/completed February 2014). 7222/11-2 proved a significant oil column, but the reservoir has lower permeability than expected. The commerciality of this discovery is still not concluded as all data has not been analysed. Significant prospectivity remains in the licence, in various targets. The next step in the licence is to acquire 3D seismic over additional prospectivity. The licence consists of 7 blocks/part blocks and covers 1,462 km². PL 659 also includes a small oil and gas discovery made in 2008 (7222/11-1, Caurus).

Licence PL 528/528 B, Blocks 6707/8, 6707/9, 6707/11, 6707/10 (part), Ivory (15.00% subject to government approval)

In 2013 the Company entered into a farm-in option agreement with Rocksource ASA regarding the PL 528 licence in the Norwegian Sea. Through the farm-in option agreement, Atlantic Petroleum could purchase between 5-15% of the participating interest in PL 528. In April 2014 Atlantic Petroleum decided to acquire 15% of the participating interest in PL 528/528B. The PL 528 licence

contains the Ivory prospect sanctioned for drilling with West Navigator in 4Q 2014. Centrica is the operator for this licence.

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

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

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

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

THE FOLLOWING SIGNIFICANT EVENTS HAVE OCCURRED AFTER 31ST MARCH 2014:

- **On 28th April** Atlantic Petroleum announced that the Blackbird Field second production well has spudded using the Noble Ton V Langeveld drilling rig.
- **On 29th April** With reference to stock exchange notice issued 2nd January 2014 regarding a farm-in option agreement with Rocksource ASA for the PL528 licence in the Norwegian Sea, Atlantic Petroleum announced that the Group had decided to acquire 15% of the participating interest in PL 528/PL 528B.
- **On 6th May** Atlantic Petroleum announced that the Company's ticker on NASDAQ OMX Copenhagen as of 7th May would be changed to: ATLA DKK and on Oslo Stock Exchange the ticker on Thursday 8th May would be changed to: ATLA NOK.
- **On 12th May** Atlantic Petroleum announced that operations regarding the re-entry of the 6104/21-2 Brugdan II exploration well on Faroes Licence 006 had commenced.
- **On 15th May** Atlantic Petroleum Centrica Energy on behalf of the Chestnut joint venture (Licence P354) has entered into a further agreement with Teekay Hummingbird Production Limited, to secure the use of the Hummingbird Spirit FPSO until end March 2017 (from the current March 2016) and thereby extend the Chestnut Field life by at least a further year.

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

The Condensed Consolidated Interim Report for the first three months of 2014 comprises the Consolidated Financial Statements of P/F Atlantic Petroleum and its subsidiaries. The Condensed Consolidated Interim Report is prepared in accordance with International Financial Reporting Standards 34 “Interim Financial Reporting” as adopted by the European Union.

We consider the accounting policies used to be appropriate, such that the interim report gives a true and fair view of the Group’s assets, liabilities and financial position at 31st March 2014, and of the results of the Group’s operations and cash flow for the period 1st January – 31st March 2014.

Tórshavn 21st May 2014

Management:

Ben Arabo
CEO

Board of Directors:

Birgir Durhuus
Chairman

Jan E. Evensen
Deputy Chairman

Diana Leo

David A. MacFarlane

Barbara Y. Holm

AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF P/F ATLANTIC PETROLEUM

According to agreement with the Company's Board of Directors, we have reviewed the accompanying condensed consolidated interim balance sheet of P/F Atlantic Petroleum and its subsidiaries as of 31st March 2014, and the related condensed consolidated statements of income and cash flows and notes for the three months ended 31st March 2014.

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

Basis of Opinion

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

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

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Report does not give a true and fair view of the financial position of the Group as of 31st March 2014, and of the results of its operations and its cash flows for the three months ended 31st March 2014 in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" as adopted by the European Union.

Tórshavn 21st May 2014

JANUAR

State Authorized Public Accountants P/F

Jógvan Amonsson

State Authorized Public Accountant

Fróði Sivertsen

State Authorized Public Accountant

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK 1,000	Note	3 months to 31 st March 2014	3 months to 31 st March 2013	Full year 2013
Revenue	4	112,706	121,719	417,421
Costs of sales	3	-73,894	-67,507	-221,767
Gross profit		38,812	54,212	195,655
Exploration expenses		-81,333	-35,719	-119,647
Pre-licence exploration costs		-3,451	-3,357	-11,064
General and administration costs		-14,188	-14,152	-58,410
Depreciation PPE & Intangible assets		-3,860	-1,974	-8,162
Operating loss	4	-64,020	-991	-1,629
Interest income/expenses and finance gains/costs	5	-4,463	9,128	-9,994
Loss/profit before taxation		-68,483	8,137	-11,623
Taxation	6	55,796	-2,068	-14,051
Loss/profit after taxation		-12,687	6,069	-25,674
Earnings per share (DKK):				
Basic	13	-3.43	2.31	-9.54
Diluted	13	-3.43	2.27	-9.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	3 months to 31 st March 2014	3 months to 31 st March 2013	Full year 2013
Items that may be recycled in P&L:			
Loss/profit for the period	-12,687	6,069	-25,674
Exchange rate differences	6,736	-19,449	-19,530
Value of Futures contracts	174	-4,804	-6,776
Total comprehensive income in the period	-5,777	-18,184	-51,980

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	At 31 st March 2014	At 31 st March 2013	At 31 st December 2013
Non-current assets				
Goodwill	7	55,111	56,001	54,354
Intangible assets	8	28,332	14,757	26,482
Intangible exploration and evaluation assets	9	235,484	424,252	216,682
Tangible development and production assets	10	613,886	394,799	621,504
Property plant and equipment	11	2,625	2,368	2,782
		935,438	892,177	921,804
Current assets				
Inventories		31,106	18,028	38,759
Trade and other receivables		90,470	96,919	48,493
Tax repayable		124,051	0	43,509
Financial assets		0	1,059	0
Cash and cash equivalents		173,165	73,096	184,613
		418,792	189,101	315,375
Total assets		1,354,230	1,081,278	1,237,179
Current liabilities				
Short term bank debt		60,780	19,500	44,558
Short term liabilities		0	0	116
Trade and other payables		170,157	89,713	94,836
Financial liabilities		739	0	914
Current tax payable		1,129	20,255	1,117
		232,805	129,467	141,541
Non-current liabilities				
Long term debt		58,500	58,500	58,500
Long term provisions		174,998	157,751	172,790
Deferred tax liability		293,062	216,286	267,003
		526,560	432,537	498,293
Total liabilities		759,365	562,004	639,834
Net assets		594,865	519,274	597,345
Equity				
Share capital		369,786	262,670	367,670
Share premium account		233,470	227,527	232,903
Share based bonus scheme - LTIP	14	3,737	1,632	3,123
Futures Contracts Value		-739	1,059	-914
Translation reserves		19,171	12,309	12,435
Retained earnings		-30,560	14,077	-17,873
		594,865	519,274	597,345

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Share premium account	Share based Payments LTIP and Bonus	Futures contracts value	Translation reserves	Retained earnings	Total
At 1st January 2013	262,670	227,527	1,314	5,863	31,966	7,801	537,140
Changes in Futures contracts value	0	0	0	-4,804	0	0	-4,804
LTIP awarded in the period	0	0	318	0	0	0	318
Change in translation reserves	0	0	0	0	-19,657	0	-19,657
Result for the period	0	0	0	0	0	6,277	6,277
At 31st March 2013	262,670	227,527	1,632	1,059	12,309	14,077	519,274
Capital raise	105,000	5,376	0	0	0	0	110,376
LTIP and bonus awarded i the period	0	0	1,491	0	0	0	1,491
Changes in Futures contracts value	0	0	0	-1,973	0	0	-1,973
Translation reserves	0	0	0	0	126	0	126
Result for the period	0	0	0	0	0	-31,950	-31,950
At 1st January 2014	367,670	232,903	3,123	-914	12,435	-17,873	597,345
Capital raise	2,116	567	0	0	0	0	2,683
Changes in Futures contracts value	0	0	0	174	0	0	174
LTIP awarded in the period	0	0	614	0	0	0	614
Translation reserves	0	0	0	0	6,736	0	6,736
Result for the period	0	0	0	0	0	-12,687	-12,687
At 31st March 2014	369,786	233,470	3,737	-739	19,171	-30,560	594,865

CONSOLIDATED CASH FLOW STATEMENT

DKK 1,000	3 months to 31 st March 2014	3 months to 31 st March 2013	Full year 2013
Operating activities			
Operating profit	-64,020	-991	-1,629
Allocated consolidated capitalised interest	636	-1,053	2,541
Impairment on non-current assets	81,103	35,719	70,833
Relinquishment/Disposal of licences	102	0	48,814
Depreciation, depletion and amortisation	29,503	35,025	103,189
Change in inventories	8,066	-4,505	-24,695
Change in trade and other receivables	-100,655	29,789	25,955
Change in trade and other payables	-61,694	-42,259	-41,321
Interest revenue and finance gains received	0	14,482	1,454
Interest expenses and other finance costs paid	-4,463	-5,354	-11,448
Income taxes	78,705	-68	45,454
Net cash inflow from operating activities	-32,719	60,785	219,146
Investing activities			
Capital expenditure	1,817	-230,211	-408,763
Net cash outflow from investing activities	1,817	-230,211	-408,763
Financing activities			
Change in share capital	2,116	0	105,000
Change in share premium cost/cost of capital raise	567	0	5,376
Change in short term debt	15,684	0	25,058
Net cash outflow from financing activities	18,367	0	135,434
Change in cash and cash equivalents	-12,534	-169,425	-54,183
Cash and cash equivalents at the beginning of the period	184,613	234,522	242,521
Currency translation differences	1,086	7,998	-3,725
Total cash and cash equivalents at the beginning of the period	185,699	242,521	238,796
Cash and cash equivalents at the end of the period	173,165	73,096	184,613

NOTES TO THE ACCOUNTS

ACCOUNTING POLICY

GENERAL INFORMATION

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

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

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

This Condensed Consolidated Interim Report is presented in DKK.

1 STATEMENT OF COMPLIANCE

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

3 COST OF SALE

DKK 1,000	3 months to 31st March 2014	3 months to 31 st March 2013	Full year 2013
Operating costs	39,550	37,880	148,894
Produced oil in inventory at market value	8,066	-4,477	-24,695
Amortisation and depreciation, plant and equipment: Oil and gas properties	26,278	34,104	97,567
	73,894	67,507	221,767

4 GEOGRAPHICAL SEGMENTAL ANALYSIS

DKK 1,000	3 months to 31st March 2014	3 months to 31 st March 2013	Full year 2013
Revenues by origin and destination:			
Faroe Islands	0	0	0
United Kingdom	111,865	121,719	417,421
Norway	840	0	0
Other	0	0	0
	112,706	121,719	417,421
Operating profit/loss by origin:			
Faroe Islands	-1,325	-4,997	-5,459
United Kingdom	29,059	12,611	93,765
Norway	-91,570	-8,458	-48,963
Other	-185	-146	-40,973
	-64,020	-991	-1,629

5 INTEREST INCOME & EXPENSE AND FINANCE GAINS & COSTS

DKK 1,000	3 months to 31st March 2014	3 months to 31 st March 2013	Full year 2013
Interest income and finance gains:			
Short term deposits	0	0	586
Exchange differences	0	13,675	867
Unwinding of discount on decommissioning provision	0	0	0
	0	13,675	1,454
Interest expense and other finance costs:			
Bank loan and overdrafts	2,621	1,524	8,992
Creditors	0	2	7
Unwinding of discount on decommissioning provision	815	2,978	2,036
Unwinding of discount on liabilities	0	0	259
Others	57	43	153
Exchange differences	971	0	0
	4,463	4,547	11,448

6 TAXATION

DKK 1,000	3 months to 31st March 2014	3 months to 31 st March 2013	Full year 2013
Current tax :			
Tax payable in UK	0	-35,108	-1,565
Tax repayable Norway	78,705	6,254	47,019
Total current tax	78,705	-28,854	45,454
Deferred tax:			
Deferred tax cost in UK	-25,485	0	-97,452
Deferred tax income in UK	9,315	26,700	50,687
Deferred tax cost in Norway	-6,739	0	-12,739
Deferred tax income in Norway	0	86	0
Total deferred tax	-22,908	26,785	-59,504
Tax on profit on ordinary activities	55,796	-2,068	-14,051

As at 31st March 2014, the Group has a net deferred tax asset of DKK 20.1MM (31st December 2013: DKK 18.2MM).

This is made up of the following amounts: Effect of capital allowances in excess of depreciation: DKK 5.6MM (31st December 2013: DKK 7.6MM) and effect of tax loss available: DKK 25.7MM (31st December 2013: DKK 23.9MM).

The loss can be carried forward indefinitely

7 GOODWILL

DKK 1,000	At 31st March 2014	At 31 st March 2013	At 31 st December 2013
At 1 st January	54,354	57,693	57,693
Exchange movements	757	-1,692	-3,339
Additions	0	0	0
At end of period	55,111	56,001	54,354

8 INTANGIBLE ASSETS

DKK 1,000	At 31st March 2014	At 31 st March 2013	At 31 st December 2013
Costs			
At 1 st January	33,834	17,227	17,227
Exchange movements	664	-326	-2,101
Additions	4,961	231	18,707
At end of period	39,459	17,132	33,834
Amortisation and depreciation			
At 1 st January	7,351	638	638
Exchange movements	177	-14	-513
Charge this period	3,598	1,750	7,225
At end of period	11,127	2,375	7,351
Net book value at end of period	28,332	14,757	26,482

9 INTANGIBLE EXPLORATION AND EVALUATION (E&E) ASSETS

DKK 1,000	At 31st March 2014	At 31 st March 2013	At 31 st December 2013
Costs			
At 1 st January	216,682	215,777	215,777
Exchange movements	2,469	-5,405	-9,846
Additions	98,596	249,599	149,679
Traded during the year	0	0	-9,654
Disposal/relinquishment of licences	0	0	-48,742
Explorations expenditures written off	-82,033	-35,719	-77,752
Consolidated interest written off	-230	0	-2,780
At end of period	235,484	424,252	216,682

10 TANGIBLE DEVELOPMENT AND PRODUCTION (D&P) ASSETS

DKK 1,000	At 31st March 2014	At 31 st March 2013	At 31 st December 2013
Costs			
At 1 st January	1,211,488	943,017	943,017
Exchange movements	12,588	-31,334	-21,226
Additions	12,132	3,010	289,697
At end of period	1,236,208	914,693	1,211,488
Amortisation and depreciation			
At 1 st January	589,984	502,175	502,175
Exchange movements	6,060	-16,596	-9,759
Charge	26,278	34,315	97,567
At end of period	622,322	519,894	589,984
Net book value at end of period	613,886	394,799	621,504

11 PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	At 31st March 2014	At 31 st March 2013	At 31 st December 2013
Costs			
At 1 st January	5,914	4,993	4,993
Exchange movements	64	-106	-348
Additions	69	84	1,270
At end of period	6,047	4,970	5,914
Amortisation and depreciation			
At 1 st January	3,133	2,437	2,437
Exchange movements	28	-49	-241
Charge this period	262	214	937
At end of period	3,422	2,602	3,133
Net book value at end of period	2,625	2,368	2,782

12 DIVIDENDS

No interim dividend is proposed. (31st March 2013: DKK nil)

13 EARNINGS PER SHARE

	Profit after tax		Weighted average number of shares		Earnings per share	
	1Q 2014 DKK 1,000	1Q 2013 DKK 1,000	1Q 2014 1,000	1Q 2013 1,000	1Q 2014 DKK	1Q 2013 DKK
	Basic					
3 months to 31st March	-12,687	6,069	3,698	2,627	-3.43	2.31
Diluted						
3 months to 31st March	-12,687	5,957	3,698	2,627	-3.43	2.27

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

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

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

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

15 CAPITAL COMMITMENTS AND GUARANTEES

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

15 CAPITAL COMMITMENTS AND GUARANTEES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

The Group had capital expenditure committed to, but not provided for in these accounts at 31st March 2014 of approximately DKK 220.1MM. The capital expenditure is in respect of the Group's interests in its exploration and development production licences.

16 CONTINGENT CONSIDERATIONS

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

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

17 RELATED PARTY TRANSACTIONS

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

GLOSSARY

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

CONTACTS

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SUBSIDIARIES

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

For subsidiary's contact details please see company website