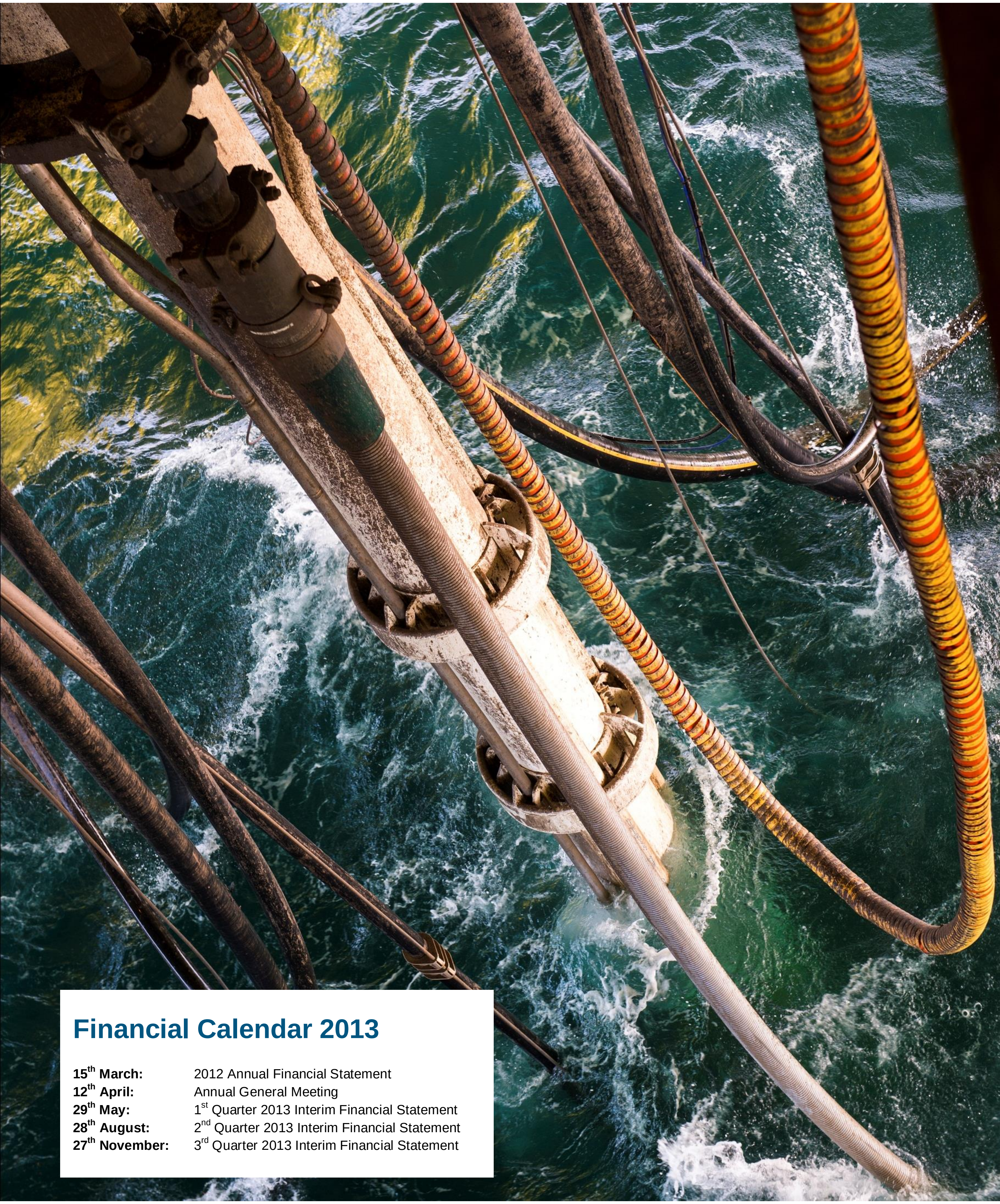
Faroese Company Registration/VAT No.: 2695/475653

P/F ATLANTIC PETROLEUM

ANNUAL AND CONSOLIDATED REPORT AND ACCOUNTS

Year to 31st December 2012

ATLANTIC PETROLEUM



Exploration drilling Faroes Brugdan II 2012. Photo courtesy of Ole Jørgen Bratland, Statoil

Financial Calendar 2013

15th March:	2012 Annual Financial Statement
12th April:	Annual General Meeting
29th May:	1st Quarter 2013 Interim Financial Statement
28th August:	2nd Quarter 2013 Interim Financial Statement
27th November:	3rd Quarter 2013 Interim Financial Statement

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Significant Growth Achieved in 2012

A Year of Delivery

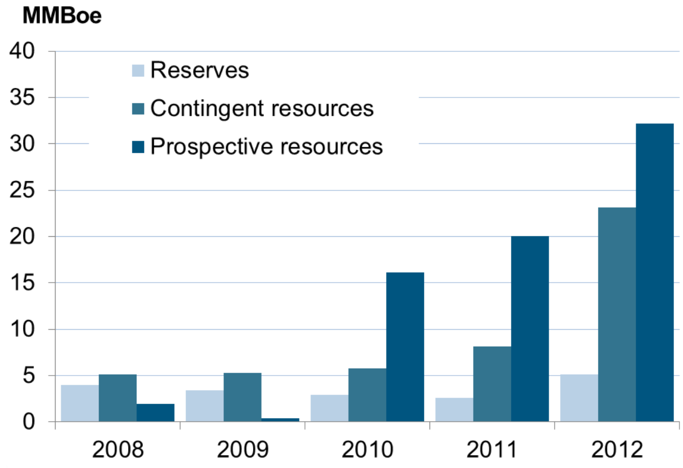
2012 was a record breaking year for Atlantic Petroleum. We achieved a record operating profit with the highest ever revenues and highest ever net cash flow from operating activities. Our entry into Norway and the Netherlands and the 15 licences acquired through farm-in or licence rounds significantly grew and improved the portfolio and doubled our reserves. 2012 was a year of delivery:

Highlights

- Revenues of DKK 596.7MM in 2012 (2011: DKK 434.8MM). Average realised oil price in 2012 was USD 112.3 per barrel (2011: USD 108.7)
- Gross profit of DKK 321.9MM in 2012 (2011: DKK 173.6MM)
- Operating profit (EBIT) of DKK 246.8MM in 2012 (2011: DKK 126.3MM)
- Profit before taxation of DKK 227.7MM in 2012 (2011: DKK 127.5MM)
- Profit after taxation of DKK 66.7MM (2011: DKK 66.6MM)
- Net cash flow from operating activities in 2012 of DKK 367.6MM (2011: DKK 269.9MM)
- Total assets of DKK 1,121.8MM (2011: DKK 776.9MM)
- Total equity of DKK 537.1MM (2011: DKK 429.3MM)
- Bank debt was DKK 78.0MM by year end 2012 of which DKK 58.5MM was long term. A total of DKK 27.0MM was repaid in 2012
- Acquired Emergy Exploration AS (Now Atlantic Petroleum Norge AS) adding Company presence in Norway and two Norwegian licences
- Acquired 25% interest in licences P1606 and P1607 containing the Orlando and Kells discoveries. With the acquisition reserves (2P), contingent and prospective resources more than doubled
- Net production to Atlantic Petroleum was 928,000 boe in 2012 (2011: 737,000 boe)
- Awarded interest in four licences in Dutch sector of Southern Gas Basin
- Awarded four licences in UKCS 27th Licence Round
- Four exploration/appraisal wells drilled: Orchid, Brugdan II, Spaniards & Polecat
- Acquired a 20% interest in P1610 & P1766 containing the Magnolia prospect. Well was spudded in February 2013

Outlook

- Total production for 2013 is estimated to be between 700,000 – 800,000 boe net for the year
- Earnings Before Interest, Taxes, Depreciation, Amortisation and Exploration Expenses (EBITDAX) is predicted in the range of DKK 200.0MM - 250.0MM based on an expected average oil price of 100 USD/barrel and exchange rates USD/DKK 5.8 and GBP/DKK 8.8
- Capital expenditures DKK 280.0MM
- Operational expenditures DKK 160.0MM



Fugro Robertson CPR 1st January 2013. Includes Orlando & Kells. Agreement was signed 13th December and completion occured in February prior to report date.

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, 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 year end 2012 Atlantic Petroleum held a total of 40 oil and gas licences in the UK, Faroe Islands, Ireland, Norway & 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

The business model is clear and consistent. We achieve growth by developing existing licences and by farming in to new licences. This requires extensive geological/geophysical knowledge and insight, commercial skills and financial preparedness.

Atlantic Petroleum is continuously screening for and identifying new farm-in and acquisition opportunities and assessing the viability of possible investments. Focus is primarily on small 'niche' fields outside the focus area of oil majors which are in advanced development stages and with 'short time to cash'. Ideal ownership stake is 10-20%.

Building on our partnerships is key to obtain high impact opportunities.

Strategy & Building Blocks

GROWTH THROUGH DEVELOPMENT

Create organic growth through development of existing asset base

GROWTH BY FARM-IN & ACQUISITIONS

Increase portfolio through selective farm-ins and acquisitions

PARTNERSHIPS

Strong partnerships with major international partners

STRONG TEAM

Atlantic Petroleum has a strong technical team

Chairman's Statement

2012 was a good year for Atlantic Petroleum. Oil prices were volatile, but remained above USD 100 for most of the year, having touched both USD 118 and USD 93 in the process. Once again the European debt crisis was the centre of attention, but strong initiatives from the ECB and European political leaders managed to put a damper on the fears of a Euro collapse. Towards the end of the year the world economy showed signs of modest growth especially in China and in the US, whereas the European area is still lagging.

In 2012 Atlantic Petroleum produced 928,000 boe which by far exceeded initial expectations. The combination of high oil prices and strong production resulted in a record breaking economic performance for the Company.

Despite upturns and downturns driven by the development associated with the debt crisis, 2012 ended up being a solid year for equities. The shares of Atlantic Petroleum gained 17% in 2012 which was second quartile performance compared to the peer group.

The Board of Atlantic Petroleum is pleased to acknowledge that several steps were taken in 2012 to secure the long term success of Atlantic Petroleum.

Most noticeable is the entry into Norway which enables Atlantic Petroleum to participate in areas where significant oil discoveries are still on the agenda.

The addition of the Norwegian oil company Emergy along with Volantis in 2011 and coupled with acquisition of key personnel has added significant strength to the organisational depth of Atlantic Petroleum. The Company is thus well equipped to meet the rising challenges the planned growth expansion brings.

The addition of further licences is also key to future success, as these are the foundation for the long term growth of Atlantic Petroleum. In 2012 Atlantic Petroleum added 15 new licences to the portfolio. Atlantic Petroleum now has interest in 39 licenses in the UK, Netherlands, Ireland, Faroe Islands and Norway.

Furthermore Atlantic Petroleum executed a drilling programme where 4 wells were drilled in 2012, a level that will be maintained and possibly increased in coming years.

The acquisition of a 25% interest in the Orlando & Kells discoveries is of major strategic importance to Atlantic Petroleum, as it ensures strong production beyond existing producing assets.

On the backdrop of a decent balance sheet and strong cash flow generation, Atlantic Petroleum's staff of deeply committed professionals are well positioned to create value for its shareholders.

Strategically Atlantic Petroleum will continue its policy of careful portfolio balancing and prudent financial management, but the increased financial strength and solid financial backing gives room for larger exposure to more opportunities with high impact potential than ever before in the history of Atlantic Petroleum.

Yours sincerely

Birgir Durhuus
Chairman of the Board
Copenhagen 15th March 2013

"

Atlantic Petroleum is well equipped to meet the rising challenges the planned growth expansion brings

Chief Excecutive Officer's Statement

2012 was a year of record growth for the Company combined with a very strong financial performance.

Our 2012 production was significantly above our initial expectations for the year. Good operatorship combined with successful workovers and water injection on Ettrick have increased production levels and reserves on the field. Chestnut has consistently performed above expectations resulting in production capacity being increased and the FPSO contract being extended. This has resulted in a significant reserves upgrade on the field. This means that in spite of producing 928,000 boe our net reserves on the producing assets only decreased around 500,000 boe.

With the inclusion of Orlando, which was acquired last year and which has now completed, our net reserves are 5.1 MMBoe according to the latest Fugro Robertson CPR report. This is a reserves replacement rate of 369% compared to previously announced reserves figures for Atlantic Petroleum.

This is an achievement we are proud of, and we will work hard to keep the momentum going in our efforts to grow the Company further.

With regards to exploration and appraisal activity, Atlantic Petroleum proved itself to be one of the most active small independent companies in North West Europe by spudding four exploration and appraisal wells in 2012.

Business development was a focus area in 2012 and also within this field Atlantic Petroleum was one of the most active small companies in North West Europe. The new country entries into Norway and the Netherlands, 15 licences acquired through farm-in or licence rounds significantly grew and improved the portfolio.

Atlantic Petroleum is now delivering on the growth strategy set out in 2010. The strategy focuses on near term growth to strengthen production and near term cashflow combined with the longer term goal of gaining exposure to high impact exploration that can change the Company significantly.

Our two biggest transactions in 2012 demonstrate how we deliver on our strategy. The Norway entry and the UK Orlando & Kells acquisitions mean that Atlantic Petroleum will grow and strengthen the solid platform of short- to mid-term cashflow whilst adding to our already well diversified exploration portfolio in the Faroes, UK, Ireland and the Netherlands by accessing Norway which has the most prolific exploration potential in North West Europe.

Ben Arabo
CEO
Tórshavn 15th March 2013

"

Atlantic Petroleum is now delivering on the growth strategy set out in 2010

Operations in Prolific Areas

Focus on North West Europe

UK

3 licences in UK Central North Sea with fields in production. 26 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

3 exploration licences with significant potential

Ireland

1 exploration & appraisal licence with several identified prospects

Netherlands

4 exploration licences

Norway

2 exploration & appraisal licences in Norwegian Sea and Norwegian sector of North Sea. Potential to increase significantly through licensing rounds and farm-ins (numerous interesting opportunities identified)

A total of 39 licences at report date. See page 21 for an overview of licences at year end 2012

Our Production Facilities

Hummingbird FPSO

Chestnut, Central UK sector North Sea
Water depth: 120 m
Production startup: September 2008
Overall length: 66 m
Accommodation: 44 persons
Liquid production capasity: 30,000 bbl/day
Crude storage capacity: 270,000 bbls/43,000 m3

Aoka Mizu FPSO

Ettrick & Blackbird, Central UK sector North Sea
Water depth: 115 m
Production startup: August 2009 Ettrick, November 2011 Blackbird
Overall length: 248 m
Accommodation: 90 persons
Liquid production capacity: 35,000 bbl/day
Crude storage capacity: 618,000 bbls/98,000 m3

A Well Balanced

Project Portfolio

The Atlantic Petroleum Group entered two new countries in 2012, Norway and the Netherlands. The Emergy Exploration AS acquisition allows the Company to have exposure to the highly prospective Norwegian Continental Shelf with two licences PL270 and PL559 coming as part of the acquisition. We also entered the Netherlands, with the award of four licences in the E-blocks area of the Dutch SNS. To maintain and grow the short to mid term production of the Company, a 25% interest in P1606 & P1607 the Orlando and Kells discoveries was acquired in 2012. Atlantic Petroleum also completed farm-ins to P1100 Polecat and P1610/P1766 Magnolia. A further 4 licences were added through the UK 27th Round award.

Our portfolio of assets spans across all four stages of exploration, appraisal, development and production. At report date a total of 39 licences with several identified projects.

Licence	Block	Area	Field/Prospect/Lead	Operator	P50 net MMBoe *	AP %	Exploration	Appraisal	Development	Production
P354	22/2a	UK	Chestnut Field	Centrica	0.7	15.00				
P273 & P317	20/2a,3a	UK	Ettrick Field	Nexen	0.9	8.27				
P273, P317 & P1580	20/2a,3a,3f	UK	Blackbird Field	Nexen	0.5	9.40				
P1606	3/3b	UK	Orlando Field [1)]	Iona	3.0	25.00				Est. 2014
P1607	3/8d	UK	Kells Field [1)]	Iona	3.7	25.00			Near devopment	Est. 2015
P218 & P588	15/21a,c	UK	Perth Field [2)]	Parkmead	2.9	13.35			Near devopment	Est. TBA
P218 & P1655	15/21a Gamma subarea & 15/21g	UK	Gamma Central Discovery	Premier	0.3	3.24				
P218	15/21a	UK	North East Perth Discovery	Parkmead	0.4	13.35				
P218	15/21a	UK	Dolphin Discovery	Parkmead	1.1	13.35				
P273	20/3a	UK	Bright Discovery	Nexen	0.5	8.27				
P1100	20/4a	UK	Polecat Discovery	Nexen	4.2	20.00				
P1556	29/1c	UK	Orchid Discovery	Summit	-	10.00				
P1673	44/28a	UK	Fulham & Arrol Discoveries	Centrica	0.8	5.00				
P1724	43/13b	UK	Pegasus North Discovery	Centrica	0.3	10.00				
P1727	43/17b,18b	UK	Harmonia Flank & Browney Discoveries	Centrica	-	10.00				
P1933	205/23	UK	Bombardier Discovery [3)]	Parkmead	-	43.00				
PL 270	35/9	NO	Agat Discovery	VNG Norge	8.6	15.00				
SEL 2/07	50/11 (part)	IR	Hook Head Discovery	Providence	-	18.33				
SEL 2/07	49/9 (part)	IR	Helvick Main Discovery	Providence	0.3	18.33				
SEL 2/07	50/5 (part) & 50/7 (part)	IR	Dunmore Discovery	Providence	-	18.33				
P588	15/21c	UK	North West Perth Prospect	Parkmead	0.7	13.35				
P218	15/21a	UK	East Perth Prospect	Parkmead	0.4	13.35				
P1610 & P1766	13/23a,22d	UK	Magnolia Prospect	Dana	0.8	20.00				
P1610	13/23a	UK	Albacora	Dana	-	20.00				
P1610	13/23a	UK	Minos	Dana	-	20.00				
P1724	43/13b	UK	Pegasus West Prospect	Centrica	0.3	10.00				
P1724	43/13b	UK	Pegasus Flanks Prospect	Centrica	0.3	10.00				
P1734	48/8c	UK	Selene Prospect	Centrica	0.3	10.00				
P1734	48/8c	UK	Endymion Prospect	Centrica	-	10.00				
P1766	13/22d	UK	Magnolia West / Ensign	Dana	-	20.00				
P1767	14/9,14a	UK	Anglesey Prospect	Bridge Energy	1.1	30.00				
P1767	14/15	UK	Wines Prospects	Bridge Energy	-	30.00				
P1791	21/30e	UK	Cracker Lead	Bridge Energy	-	20.00				
P1791	21/30e	UK	Jaffa Lead	Bridge Energy	-	20.00				
P1828	36/27,28,29	UK	Area Y Leads	Centrica	-	10.00				
P1883	37/5,10a, 38/1,6a	UK	Dogger sub basin	Atlantic Petroleum	-	100.00				
P1899	44/4a,5,45/1	UK	Lead B	Centrica	-	10.00				
P1905	44/30b	UK	Pilot	Centrica	-	10.00				
P1906	47/2b,3g,7a,8d	UK	A,B,C,E, W of York & Westminister Leads	Centrica	0.4	10.00				
P1924	44/17e	UK	Ketch Wedge Lead A	Atlantic Petroleum	-	100.00				
P1927	48/13c,14b,18e,19d	UK	Eldon Prospect	Atlantic Petroleum	-	100.00				
P1933	205/24,25	UK	Eddystone Prospect [3)]	Parkmead	-	43.00				
P1993	15/16e	UK	Birnam Prospect [3)]	Parkmead	2.2	33.00				
P2069	205/12	UK	Davaar [3)]	Parkmead	5.3	30.00				
P2082	30/12c,13c,18c	UK	Skerryvore [3)]	Parkmead	1.2	30.50				
PL 270	35/9	NO	Turitella Prospect	VNG Norge	4.6	15.00				
PL 559	6608/10, 6008/11	NO	Hendricks Prospect	Rocksource	-	10.00				
E4		NL	Hals Prospect	Centrica	-	6.00				
E1 & E2		NL	Maes Prospect	Centrica	-	6.00				
E1 & E4		NL	Vermeer Prospect	Centrica	-	6.00				
E1		NL	Rembrandt & Steen Prospects	Centrica	-	6.00				
E4 & E5		NL	Metsu Prospect	Centrica	-	6.00				
E5		NL	Van Goyen Prospect	Centrica	-	6.00				
L006	6104/16a,21, 6105/25	FO	Brugdan Deep Prospect	Statoil	1.2	1.00				
L014	6104/14	FO	Marselius Lead	Valiant	-	40.00				
L016	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	FO	Kúlubøkan Prospect	Statoil	11.5	10.00				

[1] Acquisition completed in February 2013, and field development for Orlando sanctioned in February 2013

[2] Perth Field Development plan submitted to the Authorities

[3] 27th Round licence with start date 1st January 2013

Abbreviations:
MMBoe = million barrels of oil equivalents

Note: The four phases have not been categorised into sub-phases

* Fugro Robertson CPR as at 1st January 2013

A Year of Strong Performance

Development & Production

Producing Assets

In 2012, Atlantic Petroleum produced a total of 928,000 boe from the Chestnut, Ettrick and Blackbird fields. This equates to an average production of 2,536 boepd within the latest 2012 guidance of 900,000 to 940,000 boe. Strong production performance from the Ettrick and Chestnut fields resulted in a 2012 production above budgeted production.

DECC approved an increased flare consent on the Chestnut field allowing higher production rates. An extension to the Hummingbird FPSO contract was also agreed, allowing production to continue until March 2015. Development continued on the Blackbird field with the water injector being drilled. Blackbird water injection has commenced in early 2013.

On the Ettrick field the second water injector commenced water injection and a well intervention campaign was successfully carried out. Ettrick operator, Nexen, also provided an updated estimate of the Ettrick and Blackbird abandonment costs and these have been adopted by the Group.

In the most recent Competent Persons Report (CPR) Chestnut reserves estimates have increased despite the 2012 production, due to the better than expected reservoir performance and FPSO contract extension. Ettrick reserves have decreased slightly due to the reserve upgrade partially offsetting production. Blackbird reserves in the CPR were decreased.

> **“In 2014 first oil from Orlando will add significant production**

Development & Near Development

At the end of 2012, Atlantic Petroleum acquired a 25% interest in P1606 & P1607. The deal completion was announced on the 20th February 2013. These licences contain the Orlando and Kells discoveries. The Orlando development has since been sanctioned by the partners, with first oil expected second half of 2014. Orlando will be produced via a sub-sea tie back to the Ninian Central Platform. According to the CPR the Orlando field contains 3MMBoe reserves net to Atlantic Petroleum. The Kells discovery contains in the region of 3.7MMBoe resources net to Atlantic Petroleum. Development planning is underway and first oil is expected towards the end of 2015.

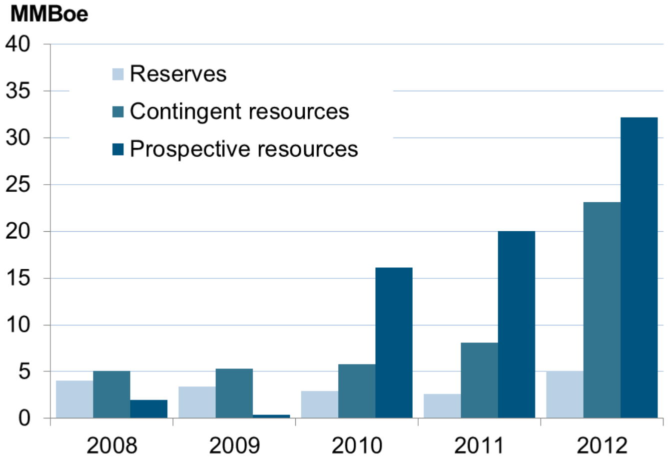
The Perth Field operator DEO was purchased by the Parkmead Group, which has delayed progress on the Perth Field development. The plan for 2013 is to drill an appraisal/producer well, subject to the operator securing a rig. This will later form part of the full field development.

	PRODUCTION			SANCTIONED FOR DEVELOPMENT	NEAR DEVELOPMENT	
	Chestnut	**Ettrick**	**Blackbird**	**Orlando**	**Kells**	**Perth**
Discovery	1986	1981	2008	1989	1985	1992
Entry date by Atlantic Petroleum	2003	2003	2003	2013	2013	2003
Atlantic Petroleum equity	15.00%	8.27%	9.39%	25.00%	25.00%	13.35%
Reserves & Resources [1)]	0,7MMBoe	0,9MMBoe	0,5MMBoe	3MMBoe	3,7MMBoe	2,9MMBoe
Production start	2008	2009	2011	2014	2015 [2)]	TBA
Partners	Centrica Dana	Nexen Dana	Nexen	Iona	Iona	Parkmead Faroe Petroleum

[1)] Reserves and resources estimated by Fugro Robertson 1st January 2013

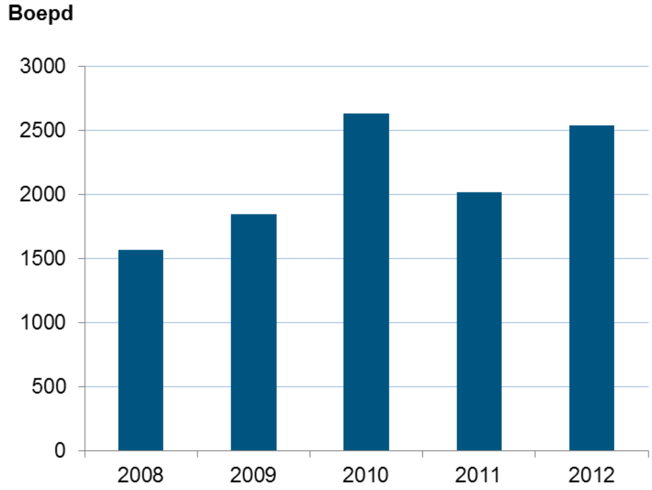
[2)] Not sanctioned

Reserves & Resources



Fugro Robertson CPR 1st January 2013. Includes Orlando & Kells. Agreement was signed 13th December and completion occured in February prior to report date.

Production 2,536 boepd in 2012



Exploration Programme Leads to Rapid Resources Growth

High Impact Exploration Programme

Atlantic Petroleum continues to improve its portfolio of exploration and appraisal licences. By year end 2012 the Group held a total of 40 licences. The acquisition of Emergy Exploration AS brought with it a technical organisation in Norway and two Norwegian licences.

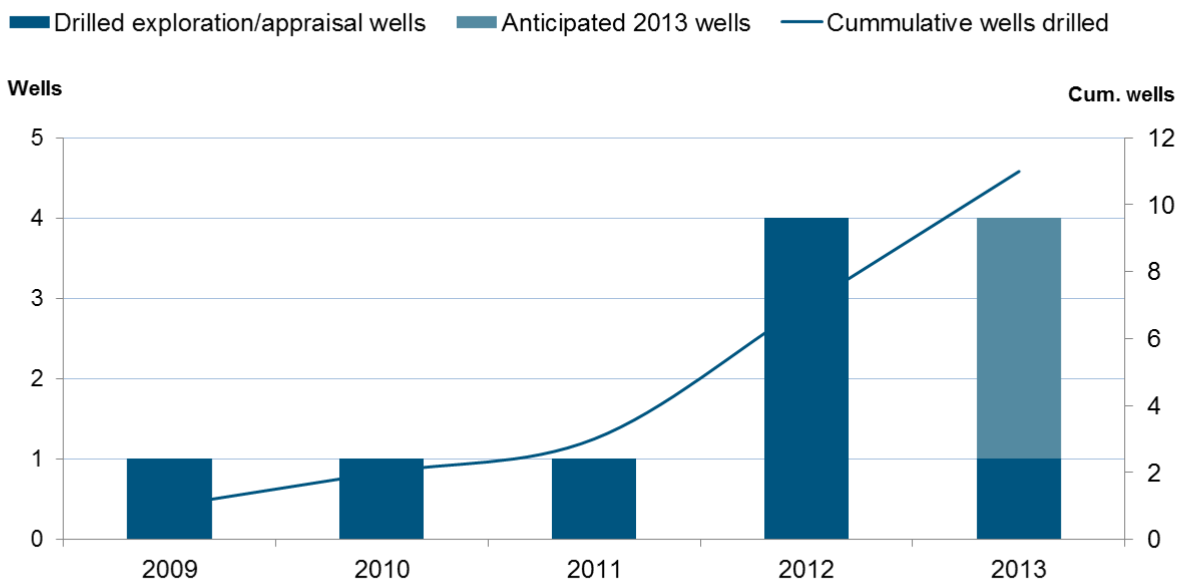
The Group now has exposure to the significant exploration potential of the Norwegian Continental Shelf, with the desire to drill 4-5 exploration/appraisal wells per year, spread across North West Europe.

The 2012 drilling programme had mixed results, with the Orchid discovery well, the Brugdan II well being suspended, the carried Spaniards well being a dry hole and the Polecat appraisal well resulting in the addition of around 4.2 MMBoe of net 2C resources (Fugro CPR estimate). Nexen, the operator of the Polecat discovery is currently considering the potential for development options.

Exploration drilling Faroes Brugdan II 2012. Photo courtesy of Ole Jørgen Bratland, Statoil

In 2012 a significant improvement in the exploration and appraisal portfolio was achieved. Four new licences were awarded in the UK 27th Licensing Round. With the acquisition of Emergy Exploration AS two new licences were added in Norway. Four licences were added when the Company entered into the Netherlands and a further five licences were added through farm-in in the UK. We are still awaiting news on the award of a further five applications in the UK 27th Round and will continue to grow the portfolio to deliver high impact exploration opportunities. This activity has resulted in 2C resources increasing from 8.1 to 23.1 MMBoe and Prospective Resources increasing from 202.9 to 275.5 MMBoe on an unrisked basis.

Exploration & Appraisal Wells

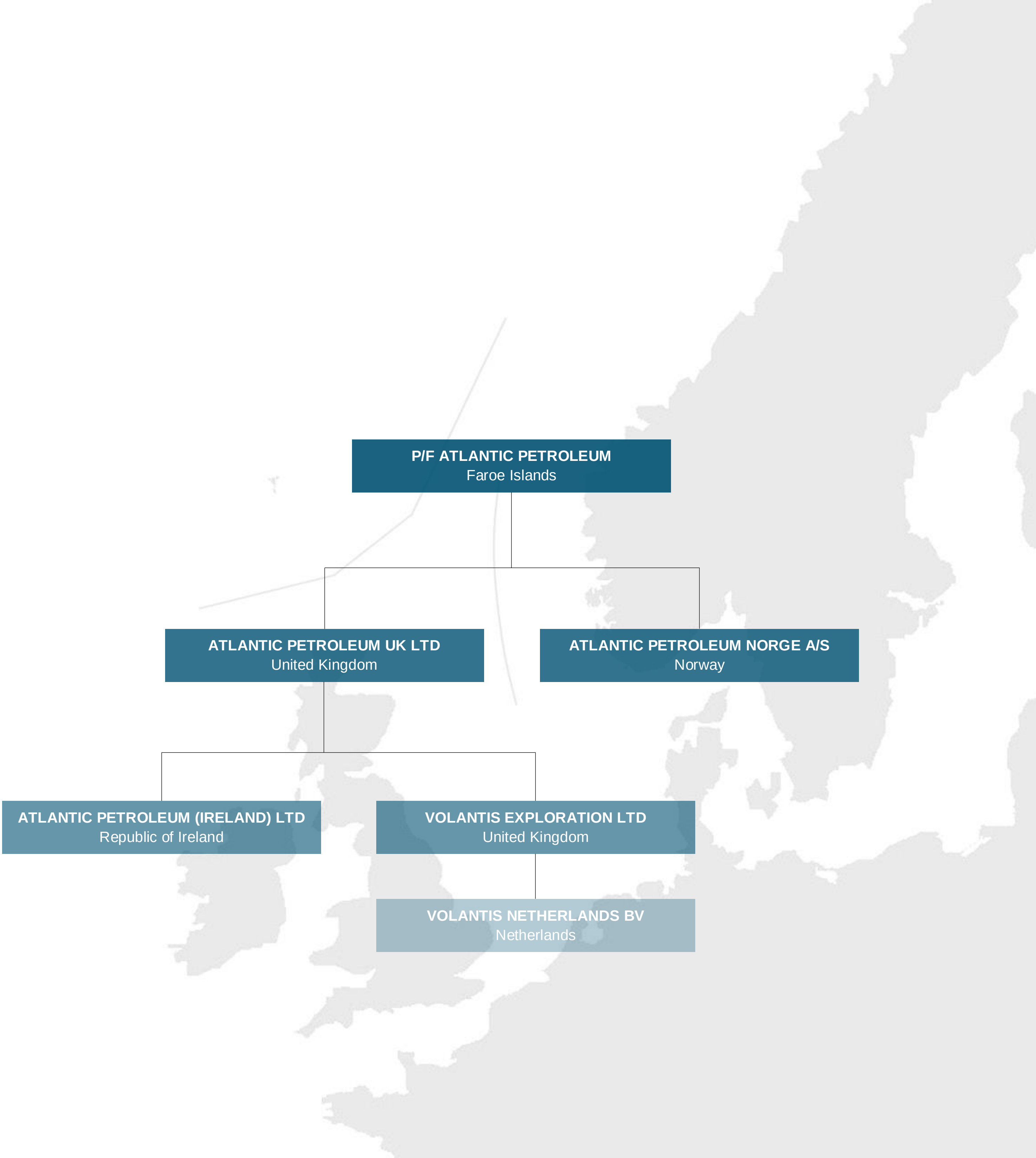


Planned Activities (2013 to 2014)				2013				2014			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Faroe Islands	Exploration & Appraisal	L006 Brugdan	Exploration well								
UK		P218 & P588 Perth	Exploration well								
		P1610 & 1766 Magnolia	Exploration well								
		P1724 Pegasus West	Exploration well								
		P1734 Emdymion	Exploration well								
		P1899 Lead B	3D Seismic								
		P1906 Greater York	3D Seismic								
Norway		PL270 (Tentative)	Exploration well								
		PL559 (Tentative)	Exploration well								

An European Oil Company

Atlantic Petroleum Group Structure

The Atlantic Petroleum Group comprises the Faroes based parent company P/F Atlantic Petroleum and its five 100% owned subsidiaries in UK, Norway, Ireland and Netherlands.



Director's Report

Financial Review

Key numbers/figures DKK 1,000	3 months 31st December 2012	3 months 31st December 2011	Full year 31st December 2012	Full year 31st December 2011	Full year 31st December 2010	Full year 31st December 2009	Full year 31st December 2008	Full year 31st December 2007
Profit and loss:								
Revenue	159,433	97,851	596,745	434,831	422,470	219,252	43,267	0
Gross profit	141,833	38,527	321,857	173,634	166,030	54,613	16,449	0
Operating profit (EBIT - Earnings before interest and taxes)	113,828	17,243	246,771	126,319	147,331	-75,621	-5,623	-50,330
EBITDAX (EBIT before Depreciation & Amortisation and Exploration expenses)	98,716	48,012	412,452	259,681	276,806	103,076	10,380	-16,369
Profit before taxation	112,032	25,884	227,659	127,526	163,083	-60,442	-145,419	-76,072
Profit after taxation	28,911	25,936	66,661	66,635	109,107	-54,870	-89,657	-76,074
Balance sheet:								
Non-current assets	733,982	576,967	733,982	576,967	513,298	510,566	621,797	387,263
Current Assets	387,834	199,976	387,834	199,976	158,524	136,283	21,082	23,597
Total assets	1,121,816	776,943	1,121,816	776,943	671,821	646,848	642,879	410,860
Current liabilities	149,479	106,917	149,479	106,917	113,458	154,729	436,786	106,308
Non-current liabilities	435,196	240,719	435,196	240,719	180,463	213,159	39,267	77,400
Total liabilities	584,676	347,637	584,676	347,637	293,921	367,888	476,053	183,708
Net assets/equity	537,140	429,306	537,140	429,306	377,901	278,960	166,827	227,152
Cash flow and debt:								
Cash generated from operations	48,634	35,203	367,561	269,934	239,686	54,036	-6,283	-12,456
Change in cash and cash equivalents	-59,444	-43,979	127,018	29,048	55,054	14,617	102	-168,133
Net cash	164,521	9,345	164,521	9,345	-107,771	-264,902	-361,284	-75,558
Bank debt	78,000	104,968	78,000	104,968	162,303	283,705	365,261	80,424
Financial statement related key figures:								
Gross Margin % (Gross profit or loss / Sales)	89.0%	39.4%	53.9%	39.9%	39.3%	24.9%	38.0%	N/A
EBIT Margin % (Operating Margin) (EBIT/Sales)	71.4%	17.6%	41.4%	29.1%	34.9%	-34.5%	-13.0%	N/A
EBITDA Margin % (EBITDA/Sales)	55.7%	37.6%	64.6%	55.6%	65.4%	-2.7%	18.8%	N/A
Return on Equity (ROE) (%) (Profit for the period excl. Minorities/Average Equity excl. Minorities)	5.6%	6.2%	13.8%	16.5%	33.2%	-24.6%	-45.5%	N/A
Share related key figures:								
Earnings per share Basic DKK	11.18	10.04	26.68	26.19	41.54	-34.79	-79.64	-67.58
Earnings per share Diluted DKK	11.17	10.04	26.54	26.19	41.54	-	-	-
Share price at end of period DKK/Share OMX CPH/IS	184/184	157/153	184/184	157/153	217/217,50	162/160	362/520	1,244/1,972
Other key numbers/figures:								
Full time equivalent positions	19	15	16	11	8	9	10	8
Average realised oil price USD/bbl								

Consolidated Income Statement

The result after tax for 2012 was a net profit of DKK 66.7MM (2011: DKK 66.6MM) and DKK 28.9MM for the last quarter of 2012 (4Q 2011: DKK 25.9MM). In 2012 net oil production to Atlantic Petroleum from the Ettrick, Chestnut and Blackbird fields was 928,000 boe (2011: 737,000 boe).

Operating profit (EBIT) was DKK 246.8MM in 2012 (2011: DKK 126.3MM).

At the outset of 2012 the Company provided a guidance on expected earnings before interest, taxes, depreciation, amortisation and exploration expenses (EBITDAX) and production of oil equivalents (boe) in 2012. Guidance on production was in the range 700,000 – 800,000 boe and the range for EBITDAX was DKK 200.0MM - 270.0MM.

Production in 2012 was higher than expected the primary reason being improved production from Ettrick following a well intervention and increased production on Chestnut following increased flare limit. EBITDAX was DKK 412.5MM - significantly higher than anticipated.

Revenue generated from sale of hydrocarbons in 2012 reached record levels of DKK 596.7MM (2011: DKK 434.8MM) driven by a higher than expected crude oil price and better than anticipated production. Average realised oil price was 112.3 USD/bbl (2011: 108.7 USD/bbl). Crude oil share of revenue in 2012 was 98 per cent.

Costs of sales amounted to DKK 274.9MM (2011: DKK 261.2MM). Cost of sales relates primarily to the operating cost of the Hummingbird and Aoka Mizu FPSO vessels, depreciation of producing fields and costs related to sale of hydrocarbons.

Gross profit was DKK 321.9MM in 2012 (2011: DKK 173.6MM).

Exploration costs amounted to DKK 27.2MM in 2012 (2011: DKK 17.8MM). The exploration expenditures written off in 2012 relate mainly to the relinquishment of Faroes Licence 014 and impairment of the Marten licence in the UK.

Pre-licence exploration costs amounted to DKK 8.0MM (2011: 1.8MM).

General and administration costs amounted to DKK 39.9MM in 2012 (2011: DKK 27.7MM) principally due to the full year effect of the Volantis acquisition completed June 2011.

Operating profit equalled DKK 246.8MM (2011: DKK 126.3MM).

Interest revenue and finance gains totalled DKK 2.7MM (2011: DKK 29.5MM).

Interest expenses and other finance costs amounted to 21.8MM (2011: DKK 28.3MM).

Profit before taxation totalled DKK 227.7 (2011: DKK 127.5MM).

In 2012 taxation amounted to DKK 161.0MM (2011: DKK 60.9MM).

The result after tax in 2012 was a net profit of DKK 66.7MM (2011: DKK 66.6MM)

Basic earnings per share were DKK 26.68 (2011: 26.19). Diluted earnings per share were DKK 26.54 (2011: 26.19).

Consolidated Statement of Financial Position

Total assets at the end of 2012 amounted to DKK 1,121.8MM (2011: DKK 776.9MM).

Consolidated Assets

Goodwill amounted to DKK 57.7MM (2011: DKK 37.9MM) pertaining to 2012 acquisition of Atlantic Petroleum Norge AS and Volantis Exploration Limited in 2011.

Exploration and evaluation assets amounted to DKK 215.8MM at the end of 2012 (2011: DKK 90.4MM).

Development and production assets, comprising commercial discoveries, amounted to DKK 440.8MM at the end of 2012 (2011: DKK 446.6MM). The decrease in booked value reflects that investments were lower than the depreciations of the producing fields. The depreciation amounted to DKK 140.4MM (2011: DKK 125.2MM).

Property, plant and equipment amounted to DKK 2.6MM at the end of 2012 (2011: DKK 1.4MM).

Deferred tax asset amounted to DKK 0.5MM at the end of 2012.

Inventories at year end 2012 are at DKK 14.0MM (2011: DKK 1.9MM). This amount is equal to the value of sales value associated with oil produced but not sold at year end.

Trade and other receivables were DKK 125.4MM at the end of 2012 (2011: DKK 83.7MM). These mainly relate to ordinary contracts regarding sale of oil and gas in November and December 2012. All outstanding balances have been settled.

Cash and cash equivalents were at DKK 242.5MM at the end of 2012 (2011: DKK 114.3MM).

Consolidated Liabilities

Total liabilities amounted to DKK 584.7MM at the end of 2012 (2011: DKK 347.6MM).

Total current liabilities totalled DKK 149.5MM at the end of 2012 (2011: DKK 106.9MM).

Short term debt amounted to DKK 19.5MM (2011: DKK 40.0MM). Trade and other payables amounted to DKK 108.9MM (2011: DKK 66.9MM). These relate primarily to the operator capex cost and also to the operating costs of producing fields.

Total non-current liabilities amounted to DKK 435.2MM at the end of 2012 (2011: DKK 240.7MM).

Deferred tax liability amounted to 215.7MM (2011: DKK 60.9MM), In 2012 Atlantic Petroleum took into account in Profit and Loss UK and Norwegian deferred tax amounting to DKK 154.3MM (2011: 64.4MM).

Non-current liabilities also consist of a long term bank loan and of long term provision for abandonment costs for the Chestnut, Ettrick and Blackbird fields and two other drilled wells in the UK and the Hook Head, Helvick and Dunmore wells in Ireland. The amounts provided in UK have been included in the cost of development and production assets and in the cost of exploration and evaluation assets and in regard to Ireland these amounts have been impaired as per 3Q 2009. Additional amounts since the impairment have been included in exploration and evaluation assets.

Consolidated Equity

The total shareholders' equity amounted to DKK 537.1MM at the end of 2012 (2011: DKK 429.3). Atlantic Petroleum's nominal share capital amounts to DKK 262.7MM consisting of 2,626,703 shares each with a nominal value of DKK 100 or multiples thereof.

Cash Flow

Net cash provided by operating activities amounted to DKK 367.6MM (2011: DKK 269.9MM).

In order to secure a more stable revenue stream, the Company engaged in oil price hedging during 2012. The Company realised a loss on oil price hedging of DKK 4.3MM by hedging 23% of average monthly production. In 2013 20% of expected oil production is hedged at an average oil price of USD 112/bbl.

Capital expenditures in the period were DKK 213.6MM (2011: DKK 163.2MM) principally relating to the cash investments in exploration and development activities undertaken in 2012.

Net cash used in financing activities amounted to DKK 27.0MM (2011: DKK 77.6MM).

Cash and cash equivalents totalled DKK 242.5MM at the end of 2012 (2011: DKK 114.3MM).

Investments

The additional capitalised investments in exploration and appraisal in 2012 amounted to DKK 150.7MM (2011: DKK 93.2MM) hereof DKK 51.3MM from the Emergy Exploration AS acquisition. Total booked value at the end of 2012 amounted to DKK 215.8MM (2011: DKK 90.4MM).

During 2012 Atlantic Petroleum continued investments in the Chestnut, Ettrick and Blackbird developments. The additional investments in development and production assets amounted to DKK 123.3MM in 2012 (2011: DKK 50.6MM). At the end of 2012, the booked value of development and production assets amounted to DKK 440.8MM (2011: DKK 446.6MM). The booked value is after deduction of depreciation.

Net Cash Position

At the start of 2012, the net cash position amounted to DKK 9.3MM. At year-end 2012 this had increased to a net cash position of DKK 164.5MM comprising DKK 242.5MM (2011: 114.3MM) of cash and cash equivalent balances, a short term bank loan of DKK 19.5MM (2011: 40.0MM) and a long term bank loan of DKK 58.5MM (2011: 65.0MM).

Significant Events after the Balance Sheet Date

The following significant events have occurred after the end of the financial year and prior to the approval of the financial statement for 2012:

- **On 20th February 2013** Atlantic Petroleum announced the completion of the acquisition of 25% working interest in the Orlando and Kells discoveries (P1606 and P1607) entered into and announced 13th December 2012. Atlantic Petroleum has through its fully owned subsidiary Volantis Exploration Limited committed to pro-rata funding of the Orlando & Kells developments commensurate with its 25% working interest. The development of Orlando has been sanctioned by Atlantic Petroleum and Iona. Orlando will be developed as a subsea tie back to the Ninian Central Platform in the Northern North Sea.

- **On 25th February 2013** Atlantic Petroleum announced that the 13/23a-7 Magnolia exploration well on UK Licence P1610 had been spudded the day before. The well was being drilled with the Diamond Offshore Ocean Nomad semi-submersible rig in a water depth of about 360 ft. The Magnolia prospect lies in the Inner Moray Firth close to the producing Captain Field with predicted Lower Cretaceous stacked reservoirs. The well was expected to take around one month to complete. The well was operated by Dana who holds a 45% interest in the licence. Atlantic Petroleum has 20% equity, with the remaining equity held by Summit 25% and Trap Oil 10%.

- **On 7th March 2013** Atlantic Petroleum announced that its fully owned Norwegian subsidiary Atlantic Petroleum Norge AS had entered into a NOK 300MM bank credit facility with DnB to finance the Company's growth plans in Norway. The 3 year facility is put in place to finance Atlantic Petroleum's planned Norwegian exploration and appraisal programme. Under the terms of the credit facility, approx. 74% of all the Company's exploration, appraisal and supporting expenditure in Norway will be met by DnB, thereby substantially increasing the Company's capital available for investment in Norway activity. The facility will be fully repaid by funds received from the Norwegian Government under the 78% cash back regime in relation to all exploration and appraisal cost on the Norwegian Continental Shelf.

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Operational Review

North West European Licence Interests at 31st December 2012

	Licence	Block(s)	Operators	Partners
United Kingdom	P218 & P588	15/21a (part),b,c,f	Parkmead 52.03%	Faroe Petroleum 34.62%, Atlantic Petroleum 13.35%
	P218	15/21a Gamma subarea	Premier 28%	Serica 21%, Cairn 21%, Parkmead 12.624%, Faroe Petroleum 8.4%, Maersk 5.736%, Atlantic Petroleum 3.24%
	P317 & P273	20/2a,3a	Nexen 79.73%	Dana 12%, Atlantic Petroleum 8.27%
	P317	20/2a Blackbird	Nexen 90.60227%	Atlantic Petroleum 9.39773%
	P354	22/2a	Centrica 69.875%	Dana 15.125%, Atlantic Petroleum 15%
	P1100	20/4a,9a	Nexen 80%	Atlantic Petroleum 20%
	P1580	20/3f	Nexen 79.73%	Dana 12%, Atlantic Petroleum 8.27%
	P1556	29/1c	Summit 45%	Valiant Causeway 30%,Trap Oil 15%, Atlantic Petroleum 10%
	P1610	13/23a	Dana 45%	Summit 25%, Atlantic Petroleum 20%, Trap Oil 10%
	P1655	15/21g	Premier 28%	Serica 21%, Cairn 21%, Parkmead 12.624%, Faroe Petroleum 8.4%, Maersk 5.736%, Atlantic Petroleum 3.24%
	P1673	44/28a	Centrica 95%	Atlantic Petroleum 5%
	P1716	49/29e,30b	Tullow 65%	Atlantic Petroleum 35%
	P1724	43/13b	Centrica 90%	Atlantic Petroleum 10%
	P1727	43/17b,18b	Centrica 90%	Atlantic Petroleum 10%
	P1734	48/8c	Centrica 90%	Atlantic Petroleum 10%
	P1747	49/2c	Centrica 90%	Atlantic Petroleum 10%
	P1748	49/4d,9d	Centrica 90%	Atlantic Petroleum 10%
	P1766	13/22d	Dana 50%	Summit 30%, Atlantic Petroleum 20%
	P1767	14/9,14a,15	Bridge Energy 70%	Atlantic Petroleum 30%
	P1791	21/30e	Bridge Energy 40%	Idemitsu 40%, Atlantic Petroleum 20%
	P1828	36/23a,24a,27,28,29	Centrica 45%	GdF Suez 45%, Atlantic Petroleum 10%
	P1857	49/30f	Atlantic Petroleum 50%	SEQ 50%
	P1858	42/24a,25c	Atlantic Petroleum 100%	
	P1860	47/9d,10d	Atlantic Petroleum 100%	
	P1883	37/5,10a & 38/1,6a	Atlantic Petroleum 100%	
	P1899	44/4a,5,45/1	Centrica 45%	GdF Suez 45%, Atlantic Petroleum 10%
	P1905	44/30b	Centrica 90%	Atlantic Petroleum 10%
	P1906	47/2b,3g,7a,8d	Centrica 52.5%	Serica 37.5%, Atlantic Petroleum 10%
	P1924	44/17e	Atlantic Petroleum 100%	
	P1927	48/13c,14b,18e,19d	Atlantic Petroleum 100%	
Norway	PL270	35/9	VNG Norge 85%	Atlantic Petroleum 15%
	PL559	6608/10, 6008/11	Rocksource 90%	Atlantic Petroleum 10%
Republic of Ireland	SEL 2/07	part block 49/9	Providence Resources 62.5%	Atlantic Petroleum 18.333%, Lansdowne Oil & Gas 10%, Sosina 9.167%
		part blocks 49/13,14,18,19	Providence Resources 54.375%	Cairn 25%, Atlantic Petroleum 13.75%, Sosina 6.875%
		part blocks 50/5,7	Providence Resources 72.5%	Atlantic Petroleum 18.333%, Sosina 9.167%
		part block 50/11	Providence Resources 72.5%	Atlantic Petroleum 18.333%, Sosina 9.167%
Netherlands	E1		Centrica 54%	EBN 40%, Atlantic Petroleum 6%
	E2		Centrica 54%	EBN 40%, Atlantic Petroleum 6%
	E4		Centrica 54%	EBN 40%, Atlantic Petroleum 6%
	E5		Centrica 54%	EBN 40%, Atlantic Petroleum 6%
Faroe Islands	L006	6104/16a,21, 6105/25	Statoil 50%	ExxonMobil 49%, Atlantic Petroleum 1%
	L014	6104/14	Valiant 60%	Atlantic Petroleum 40%
	L016	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	Statoil 60%	DONG 30%, Atlantic Petroleum 10%

See page 11 for an overview of projects

In 2012, Atlantic Petroleum produced a total of 928,000 boe from the Chestnut, Ettrick and Blackbird fields.

This equates to an average production of 2,536 boepd and is within the latest guidance of 900,000 to 940,000 boe.

Strong production performance from the Ettrick and Chestnut fields resulted in a 2012 production above budgeted production. On Ettrick, the second water injector commenced water injection and a well intervention campaign was successfully carried out.

Development drilling continued on the Blackbird field with the water injector being drilled. Blackbird water injection is expected to commence in early 2013.

DECC approved an increased flare consent on the Chestnut field allowing higher production rates.

In November 2012 Atlantic Petroleum announced the entry into the Norwegian Continental Shelf through the acquisition of Emergy Exploration AS. Through the acquisition Atlantic Petroleum received 15% interest in license PL270 operated by VNG Norge AS containing 3 discoveries including the Agat gas discovery and 10% interest in license PL559 operated by Rocksource ASA containing numerous exploration prospects with significant resource potential.

In December 2012, Atlantic Petroleum announced that it had entered into a definite agreement to acquire a 25% non-operated working interest from Iona Energy Limited in the Orlando and Kells development assets. Fugro Robertson CPR gives the Company net 2P reserves of 3 MMBoe for Orlando and 3.7 MMBoe P50 Contingent Resources for Kells.

Atlantic Petroleum announced its entrance into the Netherlands in December 2012 by obtaining a 6% interest in E1, E2, E4 & E5 offshore Netherlands. The licences are operated by Centrica and lie adjacent to the UK/Netherlands border in approximately 35 - 40m of water.

Atlantic Petroleum is committed to a strategy of delivering new development projects in the near term, to maximise value from the three producing fields (Chestnut, Ettrick and Blackbird) and to further expand a balanced portfolio of high quality exploration licences.

Reserves

Atlantic Petroleum contracted Fugro Robertson to prepare an independent assessment of the petroleum reserves and resources as of 31st December 2012. The assessment was based on technical data and information provided by Atlantic Petroleum up to that date.

The table below shows the proven, contingent and prospective resources, on a working interest basis, as of 31st December 2012, based on P50 estimates. Risks and uncertainties are incorporated into the evaluation of prospective resources.

RESERVES & RESOURCES	P50 reserves MMBoe	Contingent resources MMBoe	Prospective resources (risked) MMBoe
Start of 2012	**2.6**	**8.1**	**16.2**
Production	-0.93		
Net additions & revisions	3.43	15.0	16.0
End of 2012	**5.1**	**23.1**	**32.2**

P50 remaining reserves have increased significantly from 2.6 to 5.1 MMBoe. The majority of this increase comes from the addition of the Orlando discovery part of the IONA transaction completed in February 2013. Chestnut reserves actually increased despite the 2012 production, due to the better than expected reservoir performance and FPSO contract extension. Remaining Ettrick reserves decreased slightly due to the reserve upgrade partially offsetting production. Blackbird reserves were decreased in the 2013 CPR and are now in line with internally held numbers.

P50 Contingent resources have increased by a total of 15 MMBoe primarily due to additional discovered resources added in Polecat, Kells and Agat in Norway.

P50 Risked Prospective resources have increased by 16 MMBoe to 32.2 MMBoe due to the inclusion of the prospectivity within the 26th and 27th UK Licence Round Blocks awards, new farm-ins and the Norwegian portfolio.

Production

Chestnut (15%), Licence P354, Block 22/2a

Chestnut production was ahead of budget throughout the year mainly due to DECC approving an increased flare limit which allowed higher production rates. Also good uptime contributed to higher production than anticipated. Chestnut production for the year was 324,000 bbls net or 885 bbls/day. Negotiations to extend the Hummingbird FPSO contract successfully resulted in options to extend production into 2015.

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

The second Ettrick water injector was completed and commenced injection in 2012 and a successful well intervention campaign was carried out. Both contributed to production above expectation. Ettrick produced 465,000 boe or 1,270 boepd in 2012. To further improve recovery and add reserves, it has been decided to drill a new production well in 2Q 2013.

Blackbird (9.4%), Licences P273, P317 & P1580, Blocks 20/2a,3a,3f

Blackbird produced 139,000 boe net or 380 boepd in 2012, below budget. The water injector was drilled in 2012 to provide pressure support and is expected to start water injection in early 2013. A second production well is currently being planned with expected spud in 3/4Q 2013.

Near Development

Orlando (25%), Licence P1606 Block 3/3b

Atlantic Petroleum acquired a 25% interest in this licence at the end of 2012 from Iona Energy. The Orlando discovery contains 12 MMBoe 2P reserves (Fugro Robertson CPR 1st January 2013) and will be produced via a sub-sea tie back to the Ninian Central Platform. Development activities are underway and first oil is expected towards the end of 2014.

Kells (25%), Licence P1607 Block 3/8d

Atlantic Petroleum acquired a 25% interest in this licence at the end of 2012 from Iona Energy. The Kells discovery contains in the region of 14.8 MMBoe 2c resources (Fugro Robertson CPR 1st January 2013) and will be produced via a sub-sea tie back to the Ninian Central Platform. Development planning is underway and first oil is expected towards the end of 2015.

Perth (13.35%), Licence P218 & P588 Blocks 15/21a and c

New licence operator Parkmead has taken over former operator DEO Petroleum. This has delayed progress on the Perth Field development. The forward plan is to drill an appraisal well in 2013 that will then be kept as the first production well for the field development.

Exploration and Appraisal

Faroe Islands
Atlantic Petroleum holds an interest in 3 Faroese licences.

Brugdan Deep (1%), Licence 006, Blocks 6104/16a,21, 6105/25
The 'Brugdan Deep' 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 for re-entry in 2013.

Marselius (40%), Licence 014, Block 6104/14
The work programme for 2012 to shoot infill 2D seismic data over licence was completed. The licence expired in January 2013, and has been written off.

Kúlubøkan (10%), Licence 016, Blocks 6201/1, 2, 6, 6202/4, 5, 6, 7, 8, 9, 10, 11, 12, 13a, 14, 15, 16, 17, 18, 21, 22, 6203/13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25
The 2012 3D seismic survey was acquired.

United Kingdom
Atlantic Petroleum currently holds interests in 30 licences in the UK, which have exploration or appraisal potential. The key activities on the UK licences are described in the following section.

Spaniards/Gamma (3.24%), Licences P218 and P1655, Blocks 15/21a (part),g
The Spaniards appraisal well was drilled in 2012, with Atlantic Petroleum's costs being carried. The well was a dry hole.

Polecat (20%), Licence P1100 Block 20/4a and 20/9c
Atlantic Petroleum acquired a 20% interest in this licence through part funding of an appraisal well, 20/04a-11. The well was designed to test the upside potential of the existing Polecat accumulation. Subsequent to drilling, the contingent resources are in the range 10 – 21 - 36 MMBO. Operator Nexen is currently considering the economics of potential development option.

Orchid (10%), P1556, Block 29/1c
The Orchid prospect was announced as a discovery on 3rd May 2012. The partnership is discussing plans for future appraisal.

Pegasus (10%), P1724, Block 43/13b
Planning for an appraisal/exploration well is ongoing, with a likely spud in 3Q 2013.

Harmonia & Browney (10%), Licence P1727, Blocks 43/17b & 43/18b
This licence lies next to the Pegasus licence. The well to be drilled on the Pegasus structure in 3Q 2013 has been approved by DECC to count towards the drill or drop obligation on this licence.

Endymion & Selene (10%), Licence P1734, Block 48/8c
Seismic intepretation continues on this licence with a view to making a decision on the licence obligation of a contingent well.

Magnolia (20%), Licence P1767, Blocks 14/9,14a,15
On 25th September 2012 the Company announced that it had acquired a 20% interest in licences P1610 & P1766 containing the Magnolia prospect. The Magnolia exploration well was spudded on 24th February 2013.

Lead B (10%), Licence P1899, Blocks 44/4a, 44/5 & 45/1
This is a 26th Licensing Round licence award and lies next to the Dutch E Block acreage. The Group will be acquiring 3D sesimc data over the licence in 2013.

Greater York Area (10%), Licence P1906, Blocks 47/26, 47/3g, 47/7a & 47/8
These blocks lie near to the York field and the Rough storage facility. A 3D seimsic survey will be acquired in 2013.

UK 27th Round Awards
On 26th October 2012, the Company anounced that it had been offered the award of four licences in the 27th UKCS Licensing Round. The licence details are as follows:

- P1933. Blocks 205/23, 205/24, 205/25, 205/28, 205/29 & 205/30. Parkmead (Operator) 43%, Atlantic Petroleum UK 43% and Dyas 14%
- P1993. Block 15/16e. DEO (now Parkmead) (Operator) 34%, Atlantic Petroleum UK 33% and Faroe Petroleum 33%
- P2069. Block 205/12. Parkmead (Operator) 30%, Atlantic Petroleum UK 30%, Summit 26%, Dyas 14%
- P2082. Blocks 30/12c, 30/13c & 30/18c. Parkmead (Operator) 30.5%, Atlantic Petroleum UK 30.5%, Bridge 25% and Dyas 14%

P2082 is notable in that it contains a firm well commitment to drill the Skerryvore prospect.

Ireland

Licence SEL 2/07(18.33/13.75%), Part Blocks 50/6, 7, 11, 49/9, 13, 14, 18 & 19
The Joint Venture has applied to the PAD (Petroleum Affairs Division) for Lease Undertaking Once awarded would last up to 4 years.

Netherlands

Blocks E1, E2, E4 & E5 (6%)
On 7th December 2012, the Company announced it was entering the Netherlands. 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.

Norway
Atlantic Petroleum currently holds, through its subsidiary Atlantic Petroleum Norge AS, interests in 2 licences on the Norwegian Continental Shelf, which have exploration or appraisal potential.

Agat (15%), Licence PL270 Block 35/3
VNG Norge AS is the operator with 85% ownership. The licence was acquired in December 2012 and the work program in the licence is fulfilled. Three gas discovery wells have been drilled within the current licence boundaries and the licence partners will evaluate new 3D seismic data prior to deciding the next step forward.

Licence PL559 (10%), Blocks 6608/10 and 6608/11
Rocksource ASA is the operator with 60% ownership. Other partners are VNG (20%) and Skagen 44 (10%). The licence is located on the western part of the Nordland Ridge in near vicinity to several fields and discoveries. The work program in the licence is fulfilled. Several prospects have been identified within the licence with prospectivity present at multiple reservoir levels.

Risk Management

As a participant in the upstream oil and gas industry, Atlantic Petroleum is exposed to a wide range of risks in the conduct of its operations. The risks can be internal as well as external in nature. Management of the risks facing the Group is anchored in a risk management system. The most significant risks and mitigation plans are consolidated into a key risk overview. The key risks facing the Group are discussed with the Group's Executive Board on a regular basis.

Atlantic Petroleum is exposed to a number of different market and operational risks arising from core business activities. The Company is also exposed to external risk.

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

Commodity prices

Short term volatility in oil prices is a risk facing the Group and can have a significant impact on the Group´s cash flow. In order to mitigate short term oil price volatility the Group engaged in oil price hedging. In 2012 with a total of 23% of annual production hedged. The Company did not engage in other commodity hedging.

Oil price hedging continues in 2013 and the Group will lock-in oil price for a proportion of expected future production in order to provide a sensible downside protection ensuring the operational and capital expenditure program are adequately funded.

Currently in 2013 20% of expected oil production is hedged at an average oil price of USD 112/bbl.

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.

The Company has not yet engaged in currency hedging on cash flows but has this under review.

Credit risk

Atlantic Petroleum has a significant balance deposited in short-term bank accounts in USD, GBP, NOK and DKK. There is a currency and a credit risk attached to these cash balances (bank deposits).

Operational risk

Through its core business Atlantic Petroleum is exposed to operational risk including the possibility that the Goup may experience, among other things, a loss in oil and gas production or an offshore catastrophe. The Company works with and monitors 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 operates in the Faroe Islands, United Kingdom, the Republic of Ireland, the Netherlands and Norway and the political climate in these countries is perceived as being stable.

Insurance

The Group has in place a significant insurance package to mitigate covering equipment, subsurface facilities and operation. In addition the Group has insurance cover on offshore pollution and third party liability. Included in the insurance package is business interruption cover purchased for a proportion of the cash flow arising from the producing fields the Group´s cash flow is most sensitive to.

Going concern

Over the last years Atlantic Petroleum has strengthened its financial position and the Group is committed to monitor its cash and capital position regularly throughout the year to ensure that it has sufficient funds to meet cash requirements. Sensitivities are run to reflect latest development of income and expenditures in order to avoid risk of shortfall of funds or covenant breaches to ensure the Group´s ability to continue as a going concern.

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

Information to shareholders has high priority at Atlantic Petroleum. Therefore, 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.

Board of Directors

Birgir Durhuus, Chairman
Jan E Evensen, Deputy Chairman
Poul R Mohr
Diana Leo
David A MacFarlane

Management

Ben Arabo, CEO,
Mourits Joensen, CFO
Nigel Thorpe, Business Development Director
Wayne J Kirk, Technical Director
Jonny Hesthammer, Managing Director Atlantic Petroleum Norge AS

Atlantic Petroleum is listed on NASDAQ OMX Iceland and on NASDAQ OMX Copenhagen. Trading in Atlantic Petroleum shares can be done by contacting:

- Members of NASDAQ OMX Iceland
- Members of NASDAQ OMX Copenhagen
- A stockbroker or a financial institution

NASDAQ OMX ticker:	FO-ATLA & FO-ATLA CSE
Bloomberg ticker:	ATLA IR
Reuters ticker:	FOATLA.IC

Financial calendar

15th March 2013:	2012 Annual Financial Statement
12th April 2013:	Annual General Meeting
29th May 2013:	1st Quarter 2013 Interim Financial Statement
28th August 2013:	2nd Quarter 2013 Interim Financial Statement
27th November 2013:	3rd Quarter 2013 Interim Financial Statement

Share price

Atlantic Petroleum is main listed on NASDAQ OMX Iceland and is dual-listed on NASDAQ OMX Copenhagen. The performance of Atlantic Petroleum's shares in 2012 is shown in the figure below:

The year 2012 started with a share price of 156.5. Highest share price was in late February when the shares were sold for DKK 205. From here the price slightly decreased till mid August, when the price increased quite a bit and mainly stayed at the higer level throughout the rest of the year. The closing price at year end was DKK 184, which was an increase of 17%. Compared to peer groups this was second quartile performance.

The volumes of shares traded on NASDAQ OMX Copenhagen in 2012 were lower than the previous year. On NASDAQ OMX Iceland trading volumes were still very low, as this market is still recovering from the financial crisis.

The price referred to above is the closing price on NASDAQ OMX Copenhagen. Due to the low trading volumes on the Icelandic market the share price on this market could be misleading.

Compliance Officer

The Compliance Officer for Atlantic Petroleum continuously ensures that relevant persons observe the Group's rules on trading Atlantic Petroleum's shares. The Parent Company's Board of Directors appoints the Compliance Officer, including his or her deputy. The Compliance Officer's responsibility is to monitor adherence to the Group's internal rules.

The Compliance Officer also ensures that the duty of information in relation to the rules of the NASDAQ OMX Iceland and the NASDAQ OMX Copenhagen on the handling of insider information and insider transactions are followed through. The current Compliance Officer is Mary-Ann Thomsen. Deputy Compliance Officer is Mourits Joensen.

Contact

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.: + 298 350100
Fax: + 298 350101
E-mail: petroleum@petroleum.fo

Auditors

The consolidated accounts for 2012 have been audited by Sp/f Inpact, løggilt grannskoðanarvirki. The financial statements of the subsidiary companies for the year ended 31st December 2012, Atlantic Petroleum UK and Volantis Exploration will be audited by Ernst & Young in Aberdeen and Atlantic Petroleum (Ireland), for the year ended 31st December 2012, will be audited by KPMG in Dublin. Volantis Netherlands B.V. for the first eigtheen months at year end 31st December 2013 will be audited by Ernst & Young in Netherlands. Atlantic Petroleum Norge AS will be audited by Deloitte Norway. It is the intention to appoint a single auditor for all subsidiaries in 2013.

Results and Dividends

The Group's result after taxation for the year amounted to DKK 66.7MM (2011: DKK 66.6MM). Payment of a dividend is not proposed.

The Company´s investments will be allocated towards assets on own licences, as well as on internally generated assets, farm-ins to new licences and acquisitions by utilising free cash flow. Shareholders will obtain their return on investment by the accumulation of equity value in Atlantic Petroleum which, over time, is expected to be reflected in the value of the shares of the Company.

Shareholders Capital and Vote

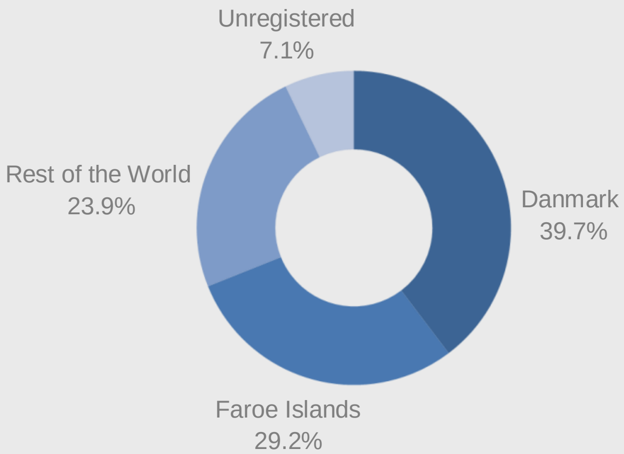
Atlantic Petroleum's nominal share capital amounts to DKK 262,670,300 consisting of 2,626,703 shares each with a nominal value of DKK 100. Each share holds one vote and all shares have the same rights. For more details, please refer to the articles of associations of the Parent Company.

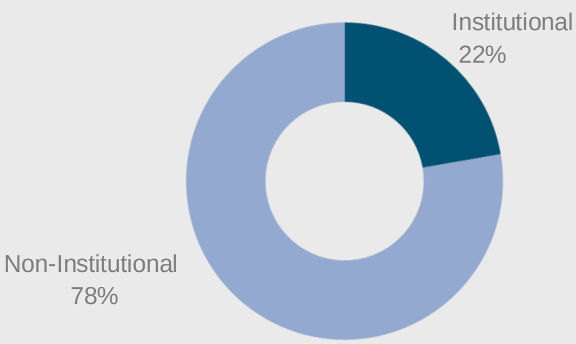
In October 2005, Atlantic Petroleum commenced dematerialisation of paper shares. All shares issued before 2004 (paper shares) have been called in for electronic registration. As at 31st December 2012, there were paper shares in issue with the nominal value of DKK 686,500. The process to convert the shares into electronic registration will continue in 2013.

Distribution of Share capital

By year end 2012 Atlantic Petroleum had more than 8,500 shareholders representing more than 30 countries. The majority of the share capital was represented by Danish and Faroese investors.

The geographical distribution of share capital, and the distribution between private and institutional sharecapital as at 31st December 2012 are shown in the figures below.





Substantial Shareholders

At 31st December 2012, 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

Birgir Durhuus

Chairman of the Board of P/F Atlantic Petroleum

Date and year of birth: 10th September 1963

Primary occupation:
Head of External Solutions & Risk Management at Danske Capital

Principal work experience:
23 years of managerial experience from the financial sector in Denmark

First elected to the Board:
3rd July 2009

Expiry of current term:
AGM 2013

Current key offices:
Atlantic Petroleum: Remuneration Committee

Jan E Evensen

Deputy Chairman of the Board of P/F Atlantic Petroleum

Date and year of birth: 5th May 1951

Primary occupation:
Chief Technical Officer at Rock Energy AS

Principal work experience:
36 years international career within the oil and gas industry

First elected to the Board:
3rd July 2009

Expiry of current term:
AGM 2014

Current key offices:
Partner, MD and Board member of MoVa AS, COB of Kviknehytta AS, and CTO/COB of Rock Energy AS. Owner and COB of Evenco AS. Non Executive director of Atlantic Petroleum UK Ltd, Atlantic Petroleum (Ireland) Ltd, Volantis Exploration Ltd, Atlantic Petroleum Norge AS.

Diana Leo

Boardmember of P/F Atlantic Petroleum

Date and year of birth: 3rd June 1966

Primary occupation:
Head of Operations & Facilities (Director) at DONG Energy E&P

Principal work experience:
18 years of experience as a production engineer within the oil and gas industry

First elected to the Board:
3rd July 2009

Expiry of current term:
AGM 2014

Current key offices:
None

David A MacFarlane

Boardmember of P/F Atlantic Petroleum

Date and year of birth: 3rd February 1957

Primary occupation:
Chartered Accountant / Company Director

Principal work experience:
More than 30 years experience in financial control & management in the upstream oil and gas business

First elected to the Board:
19th March 2011

Expiry of current term:
AGM 2014

Current key offices:
Atlantic Petroleum : Chairman, Audit & Remuneration Committee; Trinity Exploration & Production plc (London AIM): Chairman, Audit Committee and member of Remuneration Committee; Energy Assets Group plc (London) : Chairman, Audit & Remuneration Committee, Senior Independent Director; Kentz Corporation Limited (London) : Member of Audit Committee.

Poul R Mohr

Boardmember of P/F Atlantic Petroleum

Date and year of birth: 22nd August 1929

Primary occupation: Assosiated advisor

Principal work experience:
25 years as CEO of P/F Tórshavnar Skipasmiðja

First elected to the Board:
11th February 1998

Expiry of current term:
AGM 2013

Current key offices:
None

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

The Board members are independent of the Company except Poul R Mohr who has been on the Board for more than 12 years.

The Directors whose current term expires at the Annual General Meeting 2013 are Mr Birgir Durhuus and Mr Poul Mohr.

Board Meetings

In 2012, the Board of P/F Atlantic Petroleum held 12 board meetings, including tele meetings.

Management Profiles

CEO

Ben Arabo

CEO of the Atlantic Petroleum Group

Date and year of birth: 1st September 1973

Primary occupation:
CEO of the Atlantic Petroleum Group

Principal work experience:
Exploration Business Manager for Hess in South East Asia. Management committee member for Hess in exploration ventures in Asia, North Africa and North West Europe. Branch manager of Hess' activities on the Faroe Islands

Joined Atlantic Petroleum:
August 2010

Current key offices:
Executive Director of Atlantic Petroleum UK Ltd, Atlantic Petroleum (Ireland) Ltd, Volantis Exploration Ltd and Chairman of Atlantic Petroleum Norge AS. Non Executive Director of P/F Eik Banki

CFO

Mourits Joensen

CFO of the Atlantic Petroleum Group

Date and year of birth: 17th April 1974

Primary occupation:
CFO of the Atlantic Petroleum Group

Principal work experience:
Has held the position as Finance and Administration Manager of the Faroese Employment Service Fund, and prior to that he worked with Eik Bank and Hagstova Føroya (Statistics Faroe Islands)

Joined Atlantic Petroleum:
March 2010

Current key offices:
None

Technical Director
Wayne J Kirk

Technical Director of P/F Atlantic Petroleum, Atlantic Petroleum UK Ltd, Atlantic Petroleum (Ireland) Ltd, Volantis Exploration Ltd and Volantis Netherlands BV

Date and year of birth: 4th May 1965

Primary occupation:
Technical Director of P/F Atlantic Petroleum, Atlantic Petroleum UK Ltd, Atlantic Petroleum (Ireland) Ltd and Volantis Exploration Ltd

Principal work experience:
Over 20 years exploration, development and production experience in the North Sea, West of Shetlands, Brazil and New Zealand

Joined Atlantic Petroleum:
December 2011

Current key offices:
Executive Director of Atlantic Petroleum UK Ltd, Atlantic Petroleum (Ireland) Ltd , Volantis Exploration Ltd and Volantis Netherlands BV.

Business Dev. Director
Nigel Thorpe

Business Development Director of P/F Atlantic Petroleum, Atlantic Petroleum UK Ltd, Atlantic Petroleum (Ireland) Ltd, Volantis Exploration Ltd and Volantis Netherlands BV

Date and year of birth: 18th August 1956

Primary occupation:
Business Development Director of P/F Atlantic Petroleum, Atlantic Petroleum UK Ltd, Atlantic Petroleum (Ireland) Ltd and Volantis Exploration Ltd

Principal work experience:
Mr Thorpe has more than 30 years international E&P experience. He previously held positions as CEO of Volantis Exploration Ltd, COO of a private Malaysian E&P Company and MD of Eni Lasmo Indonesia

Joined Atlantic Petroleum:
June 2011

Current key offices:
Executive Director of Atlantic Petroleum UK Ltd, Atlantic Petroleum (Ireland) Ltd, Volantis Exploration Ltd, Volantis Netherlands BV and Atlantic Petroleum Norge AS

Managing Director
Jonny Hesthammer

Managing Director of Atlantic Petroleum Norge AS

Date and year of birth: 7th March 1965

Primary occupation:
Managing Director Atlantic Petroleum Norge AS

Principal work experience:
More than 20 years petroleum industry experience in Norway and internationally. Previously held positions as CEO of Emergy Exploration AS, geoscientist and manager in Statoil (Norway), geologist in Husky Oil (Canada), CTO in Rocksource Geotech (Norway) and professor at the University of Bergen (Norway).

Joined Atlantic Petroleum:
December 2012

Current key offices:
MD Atlantic Exploration Norge AS. Prof. II at the University of Bergen, Norway. Chairman of the Board of GeoContrast AS and Jonny Hesthammer AS.

Director Profiles – Atlantic Petroleum Subsidiaries

Richard Hardman

Non-Excecutive Director

Date and year of birth: 2nd May 1936

Primary occupation:
Consultant, oil and gas exploration

Principal work experience:
A career in international oil and gas exploration over the past 50 years. In the United Kingdom, his career encompasses almost the whole history of exploration of the North Sea, 1969 to present

First elected to the Board:
12th August 2003

Expiry of current term:
No fixed term

Current key offices:
Director and Technical Adviser to the Board of FX Energy Inc,

Atlantic Petroleum Norge AS

Name	Position	First Elected to the Board	Expiry of current Term	CV
Jan Edin Evensen	Non-Executive Director	12th January 2013	No fixed term	See Board Members of P/F Atlantic Petroleum
Ben Arabo	Chairman of the Board	12th January 2013	No fixed term	See Management Pofiles, CEO
Nigel Thorpe	Executive Director	12th January 2013	No fixed term	See Management Pofiles, Business Dev. Director

Atlantic Petroleum UK Ltd

Jan Edin Evensen	Non-Executive Director	26th August 2009	No fixed term	See Board Members of P/F Atlantic Petroleum
Ben Arabo	Executive Director	1st September 2010	No fixed term	See Management Pofiles, CEO
Richard Hardman	Non-Executive Director	12th August 2003	No fixed term	See Director Profiles - Atlantic Petroleum Subsidiaries
Nigel Thorpe	Executive Director	31st August 2011	No fixed term	See Management Pofiles, Business Dev. Director
Wayne Kirk	Executive Director	1st February 2012	No fixed term	See Management Pofiles, Technical Director

Atlantic Petroleum (Ireland) Ltd

Jan Edin Evensen	Non-Executive Director	20th November 2009	No fixed term	See Board Members of P/F Atlantic Petroleum
Ben Arabo	Executive Director	1st September 2010	No fixed term	See Management Pofiles, CEO
Richard Hardman	Non-Executive Director	20th November 2009	No fixed term	See Director Profiles - Atlantic Petroleum Subsidiaries
Nigel Thorpe	Executive Director	31st August 2011	No fixed term	See Management Pofiles, Business Dev. Director
Wayne Kirk	Executive Director	1st January 2012	No fixed term	See Management Pofiles, Technical Director

Volantis Exploration Ltd

Jan Edin Evensen	Non-Executive Director	14th June 2011	No fixed term	See Board Members of P/F Atlantic Petroleum
Ben Arabo	Executive Director	14th June 2011	No fixed term	See Management Pofiles, CEO
Richard Hardman	Non-Executive Director	14th June 2011	No fixed term	See Director Profiles - Atlantic Petroleum Subsidiaries
Nigel Thorpe	Executive Director	1st January 2011	No fixed term	See Management Pofiles, Business Dev. Director
Wayne Kirk	Executive Director	1st January 2012	No fixed term	See Management Pofiles, Technical Director

Volantis Netherlands BV				
Wayne Kirk	Executive Director	10th July 2012	No fixed term	See Management Pofiles, Technical Director
Vistra B.V.	Trust	10th July 2012	No fixed term	

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:

Board of Directors The Group	Position	Number of Shares	Related Parties	Indirect Holdings	Remuneration 2012	Remuneration 2011
Birgir Durhuus	Chairman of the Board	1,733	250	0	441,000	408,992
Jan E Evensen	Deputy Chairman	0	0	0	330,750	290,740
Poul R Mohr	Board Member	1,346	233	0	220,500	220,500
Diana Leo	Board Member	0	0	0	220,500	204,496
David A MacFarlane	Board Member	0	0	0	305,262	172,488
Total		**3,079**	**483**	**0**	**1,518,012**	**1,297,216**

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:

Management The Group	Position	Number of Shares	Related parties	Indirect Holdings	Salary 2012	Bonus 2012	Share based payment in bonus 2012	LTIP 2012	Remuneration 2012	Remuneration 2011
Ben Arabo	CEO	0	10	920	1,728,375	900,000	262,500	136,497	3,027,372	1,880,800

In addition to the remuneration to the CEO total benefits add up to DKK 5,500.

The Bonus is split up in cash DKK 637,500 and 1,521 shares at a share price of DKK 172.55

Stock Exchange Announcements 2012 – (most recent first)

Date	Subject
21st December	Financial Calendar of Atlantic Petroleum 2013
19th December	Director´s dealings
19th December	Transaction of Own Shares
13th December	Atlantic Petroleum Acquires UK Development Assets
7th December	Atlantic Petroleum Entering the Netherlands
4th December	Changes in Major Shareholders Holdings
4th December	Acquisition of Own Shares
4th December	Operations update November 2012
28th November	Record performance for the Group in 3Q 2012.
27th November	Live webcast/Conference call 28th November 2012
27th November	Atlantic Petroleum announces that the Brugdan II well is temporarily suspended
23rd November	Atlantic Petroleum completes acquisition of Emergy Exploration AS
13th November	Atlantic Petroleum enters the Norwegian Continental Shelf through acquisition of Emergy Exploration AS
6th November	Exploration drilling update – Spaniards East
1st November	Operations update October 2012
26st October	Four licences offered for award in the UK 27th Round
23rd October	Polecat Well Spud
15th October	Spaniards East Well Spud
1st October	Operations update September 2012
25th September	Atlantic Petroleum announces farm-ins to UK P1100 Polecat discovery and P1610 & P1766 containing the Magnolia
3rd September	Operations update August 2012
29th August	Record performance for Atlantic Petroleum in 1H 2012. The Group increases its 2012 guidance for production and
28th August	Live webcast/Conference call 29th August 2012
2nd August	Operations update July 2012
25th July	Expiry of UK Licence P1047 Marten
6th July	Flagging of P/F TF Holding indirect holding of Atlantic Petroleum shares
5th July	Changes in Major Shareholders Holdings
2nd July	Operations update June 2012
17th June	Drilling commences on the 6104/21-2 Brugdan II exploration well on Faroes Licence 006
1st June	Operations update May 2012
30th May	Operating profit in 1Q 2012 of DKK 65.3MM (1Q 2011: DKK 26.7MM)
29th May	Live webcast/Conference call 30th May 2012 at 12:00 noon GMT
3rd May	Operations update April 2012
2nd April	Operations update March 2012
24th March	Grant of Options
24th March	Result of Annual General Meeting 24th March 2012
23th March	Changes in Major Shareholders Holdings
8th March	Orchid Well Operations
1st March	Summons for the Annual General Meeting of P/F Atlantic Petroleum
24th February	EBIT for 4Q 2011 of DKK 17.2MM and full year EBIT 2011 of DKK 126.3MM
22th February	Live webcast/Conference call 24th February 2012 at 12.00 noon GMT
2nd February	Operations update January 2012
4th January	Operations update December 2011

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 the NASDAQ OMX Iceland and NASDAQ OMX Copenhagen, P/F Atlantic Petroleum is obliged to comply with Faroese, Icelandic and Danish securities law and Stock Exchange rules. The Stock Exchange rules require listed companies to take a position to 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 standards and thus follow both the rules on NASDAQ OMX Iceland and on NASDAQ OMX Copenhagen.

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 2 years, 2 members every second year and 3 members every second year which ensures continuity. 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:

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
The Remuneration Committee's policy is to provide a lower quartile salary relative to an appropriate benchmark on appointment to the Board which based on appropriate levels of individual and corporate performance will be increased to the median position with experience gained over time.
Any subsequent salary increases when an individual has attained the median benchmark will take into account factors such as:

- the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity in the E&P sector;
- the performance of the individual; and
- pay and conditions throughout the Company.

Annual Performance Bonus
Senior executives will participate in an annual bonus arrangement which focuses on the delivery of the short-term business/strategic objectives across the following key areas:
- exploration/production targets;
- operational milestones;
- financial management and performance; and

- personal objectives

In addition to ensure affordability of any bonus, a pre-determined level of EBITDAX must be achieved before any funding is made available. These targets will be set by the Remuneration Committee each year.

The maximum bonus opportunity for key executives will be set at a rate competitive to the market – however maximum bonus payout will only be earned by executives for achieving exceptional levels of performance.

The structure of any bonuses paid for the CEO and other key executives will be as follows:

- any bonus of up to 25% of salary will be payable immediately in cash;
- 50% of the balance of any bonus earned above 25% of salary must be deferred in shares which will vest at the end of a two year holding period. An individual may also elect to further defer up to an additional 25% of salary, from the remaining cash element of the bonus into Company shares; and
- deferred shares which vest will be matched on a one for one basis provided that the Company's share price has not fallen over the two year holding period and there is continuity of employment.

For all other employees any bonus earned will be paid in cash or shares at the discretion of the Remuneration Committee. Any awards made in shares to UK based employees may be satisfied through a HRMC approved tax efficient all employee share plan called a Share Incentive Plan ("SIP").

Long Term Incentive Plans

The Remuneration Committee believes that a key component of the remuneration package is the provision of equity awards to senior executives through the Long-Term Incentive Plan ("LTIP") to ensure that:

- key executives become meaningful shareholders of the Company and share in its success;
- it aligns the interests of shareholders and those of executives;
- it develops a culture which encourages strong corporate performance both on an absolute and relative basis; and
- total remuneration levels are highly attractive and competitive against the market

Share Based Payments

A new share based policy was adopted by the Company on 24th March 2012. Nil-cost options over ordinary shares in the Company were granted to members of management and senior staff under the Atlantic Petroleum Long Term Incentive Plan (LTIP).

The options are capable of vesting after a three year period subject to continued employment and meeting stretching corporate performance conditions.

The LTIP awards form part of the Company's remuneration strategy to provide a competitive remuneration package that rewards Directors and employees fairly and responsibly for their contributions and aims to deliver superior remuneration for superior performance, whilst maintaining alignment with shareholder's interests.

We set out the two corporate performance conditions below:

Comparative Total Shareholder Return ("TSR"):
The Company's comparative TSR is compared to a comparator group of 24 quoted oil and gas exploration and production companies and;

25% of the option will vest for median performance against the comparator group;

100% of the option will vest for upper quartile performance against the comparator group; and

The option will vest on a straight-line basis for TSR performance between these levels.

Share price multiplier:
The vesting level achieved under the comparative TSR element can be multiplied upwards if the Company achieves absolute share price growth of more than 15% p.a. over the three year performance period. A maximum multiplier of three times can be achieved for 45% p.a. absolute share price growth and awards vest on a straight-line basis between these share price performance levels.

The options granted to the participants are as follows:

Issued to	Number of plan shares
Ben Arabo, CEO	8,849
Members of Management & Senior Employees	13,503

For the CEO, Ben Arabo, the initial award granted options equal to 100% of the annual base salary.

The option was calculated by reference to a price of DKK 169.5 per share, being the closing price of the Company's shares on 23rd March 2012 on Nasdaq OMX Copenhagen. The number of shares shown above represents the figure that may be acquired by the participants, if the Company's TSR is in the upper quartile TSR of its comparator group. Where the Company's absolute share price growth is 45% p.a. or more over the performance period, the participants would be entitled to exercise their option in respect of three times as many shares as stated above.

All Employee Share Plan

In addition, the Remuneration Committee may introduce an all employee share plan in which all employees of the Company can participate in order to:

- encourage a focus on longer-term performance and alignment of interests with shareholders;
- encourage individual share ownership for all employees; and
- allow the cost-effective delivery of annual bonuses.

Additional Benefits

In addition to salary, annual bonus and the long-term incentives, the Company, where appropriate will also provide a pension contribution and other competitive benefits.
A competitive level of pension contributions (or cash equivalent) and other ancillary benefits will be provided for all senior executives in line with market rates.

Shareholding Guidelines

The Remuneration Committee has established formal shareholding guidelines that will encourage the CEO and other participants of long-term incentive plan to retain no less than 50% of the net of tax value of awards vesting under the company's annual bonus and long-term incentive arrangements, until such time as they have achieved a holding worth 100 per cent of salary in the case of the CEO and 50 per cent of salary for other participants. Adherence to these guidelines is a condition of continued participation in the long-term incentive arrangements. This policy ensures that the interests of executives and those of shareholders are closely aligned.

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 with the exception of the all Employee Share Plan which is planned for implementation in 2013.

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 2012 to 31st December 2012.

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 Iceland, the financial reporting requirements of the NASDAQ OMX in Copenhagen 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 and Parent's financial positions at 31st December 2012 as well as the results of the Group's and the Parent's activities and cash flows for the financial year 1st January 2012 to 31st December 2012.

Tórshavn 15th March 2013

Management:

Ben Arabo

CEO

Board of Directors:

Birgir Durhuus
Chairman

Jan E Evensen
Deputy Chairman

David A MacFarlane

Poul R Mohr

Diana Leo

Independent Auditor's Report

To the Shareholders of P/F Atlantic Petroleum

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the consolidated financial statements and parent company financial statements of P/F Atlantic Petroleum for the financial year 1st January to 31st December 2012, which comprise income statement, comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

The Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies and for such internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Faroese Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the consolidated financial statements and the parent company financial statements.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31st December 2012 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1st January to 31st December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

Statement on the Management's review

Pursuant to the Faroese Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements.

On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Tórshavn 15th March 2013

Sp/f Grannskoðaravirkið INPACT
løggilt grannskoðaravirki

Jógvan Amonsson State Authorised Public Accountant	Fróði Sivertsen State Authorised Public Accountant

Consolidated Income Statement

For the year ended 31st December 2012

DKK 1,000	Note	2012	2011
Revenue	3	596,745	434,831
Cost of sales	4	-274,888	-261,196
Gross profit		**321,857**	173,634
Exploration expenses	5	-27,209	-17,812
Pre-licence exploration costs		-7,962	-1,828
General and administration costs	6,7,8,10, 25	-39,930	-27,676
Other operating income	*9*	14	0
Operating profit		**246,771**	126,319
Interest revenue and finance gains	11	2,681	29,474
Interest expenses and other finance costs	11	-21,793	-28,267
Profit before taxation		**227,659**	127,526
Taxation	12	-160,998	-60,891
Profit after taxation		**66,661**	66,635
Earnings per share (DKK):			
Basic	14	**26.68**	26.19
Diluted	14	**26.54**	26.19

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2012

DKK 1,000	2012	2011
Profit for the year	66,661	66,635
Exchange rate differences	10,267	5,100
Value of Future Contracts	5,914	6,977
Share based payments - LTIP and Bonus	1,314	0
Capital gains/losses reg shares bought/sold	-3,627	0
Own shares bought	-9,450	-36,036
Own shares sold	36,756	8,730
Total comprehensive income for the year	**107,834**	51,405

Consolidated Statement of Financial Position

As at 31st December 2012

DKK 1,000	Note	**2012**	2011
Non-current assets			
Goodwill	15,32	57,693	37,851
Intangible assets	16	16,589	684
Intangible exploration and evaluation assets	17	215,777	90,432
Tangible development and production assets	18	440,842	446,621
Property plant and equipment	19	2,555	1,378
Deferred tax asset	28	526	0
		733,982	576,967
Current assets			
Inventories	21	14,004	1,949
Trade and other receivables	22	125,447	83,714
Financial asset		5,863	0
Cash and cash equivalents	24,27	242,521	114,313
		387,834	199,976
Total assets		**1,121,816**	776,943
Current liabilities			
Short-term debt	24,27	19,500	39,968
Short term liabilities		116	0
Trade and other payables	23	108,888	66,898
Current tax payable		20,975	0
Financial liabilities		0	51
		149,479	106,917
Non-current liabilities			
Deferred tax liability	28	215,710	60,886
Long-term debt	24,27	58,500	65,000
Long-term provisions	26	160,986	114,833
		435,196	240,719
Total liabilities		**584,676**	347,637
Net assets		**537,140**	429,306
Equity			
Share capital	29	262,670	262,670
Own shares	30	0	-27,306
Share based payment schemes		1,314	0
Value of futures contracts		5,863	-51
Share premium account		227,527	231,154
Translation reserves		31,966	21,699
Retained earnings		7,801	-58,860
Total equity shareholders' funds		**537,140**	429,306

Consolidated Statement of Changes in Equity

For the year ended 31st December 2012

DKK 1,000	Share capital	Own shares	Value of futures contracts	Share premium account	Share based Payments LTIP and bonus	Retained earnings	Translation reserves	Total
At 1st January 2011	262,670	0	6,843	231,154	0	-132,163	9,396	377,901
Own Shares bought (173,250 shares)	0	-36,036	0	0	0	0	0	-36,036
Own Shares sold (42,736 shares)	0	8,730	0	0	0	0	0	8,730
Value of futures contracts	0	0	-6,894	0	0	0	0	-6,894
Translation reserves	0	0	0	0	0	0	12,303	12,302
Profit for the year	0	0	0	0	0	73,303	0	73,303
At 1st January 2012	262,670	-27,306	-51	231,154	0	-58,860	21,699	429,306
Own Shares bought (52.500)	0	-9,450	0	0	0	0	0	-9,450
Own Shares sold (183,014 shares)	0	36,756	0	0	0	0	0	36,756
Capital loss of shares sold	0	0	0	-3,627	0	0	0	-3,627
Value of futures contracts	0	0	5,914	0	0	0	0	5,914
Share based payments LTIP and bonus	0	0	0	0	1,314	0	0	1,314
Translation reserves	0	0	0	0	0	0	10,267	10,267
Profit for the year	0	0	0	0	0	66,661	0	66,661
At 31st December 2012	**262,670**	**0**	**5,863**	**227,527**	**1,314**	**7,801**	**31,966**	**537,140**

Consolidated Statement of Cash Flows

For the year ended 31st December 2012

DKK 1,000	Note	2012	2011
Operating activities			
Operating profit		246,771	126,319
Allocated consolidated capitalised interest		-3,735	5,947
Impairment on non-current assets		24,261	11,236
Relinquishment/Disposal of licence		1,973	6,576
Depreciation, depletion and amortisation		138,472	115,551
Change in inventories		-12,004	9,884
Change in trade and other receivables		-13,124	-15,044
Change in trade and other payables		24,776	17,947
Interest revenue and finance gains received		2,681	19,528
Interest expenses and other finance costs paid		-21,427	-28,008
Income taxes paid		-21,083	0
Net cash provided by operating activities		**367,561**	**269,934**
Investing activities			
Capital expenditure		-213,574	-163,252
Net cash used in investing activities		**-213,574**	-163,252
Financing activities			
Change in short-term debt		-20,468	-45,134
Change in long-term debt		-6,500	-32,500
Net cash used in financing activities		**-26,968**	**-77,634**
Increase/Decrease in cash and cash equivalents		**127,018**	**29,048**
Cash and cash equivalents at the beginning of the period		114,313	85,242
Currency translation differences		1,190	22
Cash and cash equivalents at the end of the period	24	**242,521**	**114,313**

Notes to the Consolidated Accounts

1 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 2012 and the separate financial statements for the Parent Company according to the requirement in the Faroese Company Accounts Act, were authorised for issue in accordance with a resolution of the Directors on 15th March 2013.

P/F Atlantic Petroleum is a public limited company incorporated and domiciled in the Faroe Islands and listed on the exchanges on NASDAQ OMX Iceland and NASDAQ OMX Copenhagen. 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, Netherlands and Ireland. Financial statements for the Group's ultimate parent are presented on page 74-96.

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 Iceland and NASDAQ OMX Copenhagen for listed companies.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for:

Crude Inventory

"The difference between cumulative production and lifted (sold) volumes is crude inventory and will be valued at the market rate at the period end with the inventory adjustments being posted through Cost of Sales. Previously crude inventories were measured at the lower of costs and net realisable value."

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 othewise 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 govern 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 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 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 215.8MM (2011: DKK 90.4MM) and the Group's development and production assets amounts to DKK 440.8MM at 31st December 2012 (2011: DKK 446.6MM). The Group's abandonment obligations as of 31st December 2012 amounts to DKK 161.0MM (2011: DKK 114.8MM).

2.3 Summary of significant accounting policies

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of

the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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 costs 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.

Exploration Expenses

Exploration expenses comprise costs 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. The impairment of exploration and evaluation assets and relinquished licences are also recognised in Exploration expenses.

General and Administration Costs

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

Other Income

Revenue in Parent Company from services rendering to the subsidiaries is recognised in the income statement when the services are rendered.

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.

By the acquisition of Atlantic Petroleum Norge AS, the Group is subject to the Norwegian oil taxation regime for the operations on the Norwegian Continental shelf. Under this regime oil companies which are not in a tax paying position may claim a 78% refund of their exploration costs, limited to the taxable loss for the current year. The tax refund is unconditional in terms of contingent operation of the companies concerned. The refund is paid out in December in the following year. The portion of the tax receivable which is due to be received within one year from the balance sheet date is classified as a current asset.

Statement of Financial Position

Goodwill

Goodwill is initially recognised and measured as the difference between on the one hand, the cost price of the acquired company, the value of minority interests in the acquired company and the acquisition-date fair value of previously held equity interests, and, on the other hand, the fair value of the acquired assets, liabilities and contingent liabilities.

When recognising goodwill, the goodwill amount is allocated to those of the Group's activities that generate independent cash flows (cash flow generating units). The definition of cash generating units is in accordance with the internal managerial accounting and reporting in the Group. Goodwill is not amortised but is tested for impairment at least once a year.

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, costs of technical services and studies, seismic acquisition, exploratory drilling and testing and other directly attributable costs.

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 profit and loss account.

Costs 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 profit and loss account under Exploration Expenses.

If commercial reserves have been discovered, the carrying value of the relevant E&E asset is reclassified as a tangible asset as a development and production asset. Before the reclassification the asset will be tested for indications of impairment. If however, the commercial reserves have not been found, the capitalised costs 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, expected derived from 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 profit and loss account 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	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.

Inventories

The difference between cumulative production and lifted (sold) volumes is crude inventory and will be valued at the market rate at the period end with the inventory adjustments being posted through Cost of Sales.

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.

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.

Share Based Payments

Equity-settled share-based payments are initially measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of nonmarket-based vesting conditions.

The fair value is determined by using generally accepted valuation techniques, such as the Monte Carlo model.

Cancellations or settlements of equity settled share-based payments are treated as an acceleration of vesting and as a result any amounts that otherwise would have been recognised for services received over the remainder of the vesting period are recognised immediately in the income statement. When options are exercised the payments from employees are recognised as an increase in the Group's share capital and share premium reserve.

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.

2.4 Changes in accunting policies and disclosures

New and amended standards and interpretation

The Consolidated Financial Statements are presented in accordance with the accounting policies adopted previous financial years and which are consistent with those of the previous financial year.

There are no new and amended standards and interpretations that impact either the financial position, financial results, disclosures or stated accounting policies of the Group.

2.5 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements listed below, are those that the Group reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations, if applicable when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Group's financial position or performance.

The amendments to IAS 1 are effective for annual periods beginning on or after 1st July 2012 and, therefore, will be applied in the Group's annual report for 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12 (refer below), what remains in IAS 27 is limited to accounting for subsidiaries, joint arrangements and associates in separate financial statements. The Group does present a separate financial statement for the parent company.

The amendment is effective for annual periods beginning on or after 1st January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. This amendment will have no impact on the Group.

The revised standard is effective for annual periods beginning on or after 1st January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 (as issued) reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1st January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1st January 2015.

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities.

The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. Management believes that implementation of these standards and interpretations do not have a material affect on the Consolidated Financial Statements of the Group.

3 Geographical segmental analysis

Group

Segmental reporting follows the Group's internal reporting structure, and accordingly its primary segment reporting is geographical. In the opinion of the directors the operations of the Group comprise one class of business; the production and sale of hydrocarbon.

	Faroe Islands		**United Kingdom**		**Other**		**Total**	
DKK 1,000	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Revenue								
Oil sales	0	0	583,622	424,818	0	0	583,622	424,818
Gas sales	0	0	12,318	9,556	0	0	12,318	9,556
Income Manpower and recharges	0	0	856	457	-51	0	805	457
Total revenue	**0**	0	**596,796**	434,831	**-51**	0	**596,745**	434,831
Results								
Operating profit	-12,633	-7,051	264,010	133,708	-4,606	-338	246,771	126,319
Interest revenue and finance gains	1,363	5,403	1,077	23,945	241	126	2,681	29,474
Interest expenses and other finance costs	-6,742	-11,882	-14,755	-16,078	-296	-307	-21,793	-28,267
Profit /loss before tax	**-18,012**	-13,530	**250,332**	141,575	**-4,661**	-519	**227,659**	127,526
Taxation	**0**	0	**-162,609**	-60,891	**1,611**	0	**-160,998**	-60,891
Net profit/loss	**-18,012**	-13,530	**87,723**	80,684	**-3,051**	-519	**66,661**	66,635
Assets and liabilities								
Segment assets	37,659	92,384	951,142	676,052	133,015	8,507	1,121,816	776,943
Total segment assets	**37,659**	92,384	**951,142**	676,052	**133,015**	8,507	**1,121,816**	776,943
Total segment liabilities	**86,651**	107,164	**457,431**	227,648	**40,594**	12,825	**584,676**	347,637
Other segment information								
Capitalised additions to intangible and tangible assets	**19,495**	2,990	**200,820**	118,945	**2,126**	2,157	**222,441**	124,091
Depreciations and amortisation	**-274**	-78	**-141,093**	-125,887	**-137**	0	**-141,505**	-125,965
Disposal and exploration expenditures written off	**-9,242**	-6,494	**-17,867**	0	**0**	0	**-27,109**	-6,494

The Group manages its operations on a geographical basis. During 2012 the Group's operations were based in three main geographical areas being Faroe Islands, UK and Other, comprising Norway, the Netherlands and the Republic of Ireland.

4 Cost of sales

DKK 1,000	**2012**	2011
Operating costs	133,754	140,157
Amortisation and depreciation, plant and equipment:		
Oil and gas properties	141,134	121,039
	274,888	261,196

5 Exploration expenses

DKK 1,000	**2012**	2011
Relinquishment of licences	2,460	6,655
Exploration expenditures written off	24,748	11,156
	27,209	17,812

The exploration expenditures 2012 are the relinquishment the Faroes Licence 013 originally relinquished in 2011 but the additional cost in 2012 are relinquished this year and Volantis' licences P1729 Trent West, P 1747 Marjan, P1748 Dory, P1857 Fizzy, P1858 Ptelea, P1860 Rose East, P1883 Dogger, P1730 North of Cygnus, P1827 Lead K, part of P1828 Area Y, Block 43/22b and 48/7f which some are partly impaired earlier this year and then relinquished at year end. The UK Licence P1716 Foxtrot is written off. L014 in the Faroes has expired in January 2012 and is therfore written off.

The directors have reviewed the carrying amounts for the intangible exploration and evaluation assets and have decided that no other impairment provision shall be made in 2012.

6 Auditors' remuneration

DKK 1,000	2012	2011
Audit services:		
Statutory and Group audit, parent company auditor	408	335
Review of Interim Financial Statements	240	225
Audit subsidiaries	560	297
	1,207	857
Tax services:		
Consulting and advisory services	49	49
	49	49
Other services:		
Consultancy other services	77	37
	77	37

In the Statutory and Group audit, parent company auditor line, DKK 62,500 is regarding the 2011 audit.

7 Employee cost

DKK 1,000	2012	2011
Staff costs, including executive directors:		
Wages and salaries		
Board of Directors*	1,518	1,329
Managing Director - CEO***	1,728	1,506
Technical Director - COO	0	800
Administration, technical staff and other employees	13,780	7,842
	17,027	11,477
Bonus:		
Managing Director - CEO****	900	375
Administration, technical staff and other employees	2,343	885
	3,243	1,260
Share based payement - LTIP accounting charge:		
Managing Director - CEO	418	0
Administration, technical staff and other employees	636	0
	1,054	0
Pension costs:		
- defined benefit	0	0
- defined contribution:		
Technical Manager - COO	0	125
Administration, technical staff and other employees	1,506	907
	1,506	1,032
Social security costs	1,701	860
	1,701	860
Total employee costs	**24,532**	14,629

	2012	2011
Average number of employees during the year**:		
Technical and operations	10	6
Management and administration	6	5
	16	11

* The Board of Directors' remuneration by person is disclosed in the section regarding shareholders information.
** Staff numbers include managers.
***In addition to salaries to CEO total benefits add upp to DKK 5,500.
**** The Bonus is split up in cash DKK 637,500 and 1,521 shares at a share price of DKK 172.55
The notice of termination for the CEO is one year.

8 Share based payments

"A new share based policy was adopted by the Company on 24th March 2012. Nil-cost options over ordinary shares in the Company were granted to members of management and senior staff under the Atlantic Petroleum Long Term Incentive Plan (LTIP). The options are capable of vesting after a three year period subject to continued employment and meeting stretching corporate performance conditions.
The LTIP awards form part of the Company's remuneration strategy to provide a competitive remuneration package that rewards Directors and employees fairly and responsibly for their contributions and aims to deliver superior remuneration for superior performance, whilst maintaining alignment with shareholder's interests.

There are set out the two corporate performance conditions below:
*Comparative Total Shareholder Return ("TSR"):
The Company's comparative TSR is compared to a comparator group of 24 quoted oil and gas exploration and production companies and
25% of the option will vest for median performance against the comparator group;
100% of the option will vest for upper quartile performance against the comparator group; and
The option will vest on a straight-line basis for TSR performance between these levels.
*Share price multiplier:
The vesting level achieved under the comparative TSR element can be multiplied upwards if the Company achieves absolute share price growth of more than 15% p.a. over the three year performance period. A maximum multiplier of three times can be achieved for 45% p.a. absolute share price growth and awards vest on a straight-line basis between these share price performance levels.

*The options granted to the participants are as follows:

Issued to	Number of plan shares
Ben Arabo, CEO	8,849
Members of Management & Senior Employees	13,503

For the CEO, Ben Arabo, the initial award granted options equal to 100% of the annual base salary.

Issued options:

	2012		2011	
	Options nominal value DKK 100	**Weighted average exercise price DKK**	Options nominal value DKK 100	Weighted average exercise price DKK
Authorised during the year	22,352	169.5	0	0
Outstanding 1st January	0	0	0	0
Authorised but not issued during the year	**22,352**	**169.5**	0	0
Granted during the period	22,352	169.5	0	0
Lapsed during the period	0	0	0	0
Exercised during the period	0	0	0	0
Outstanding 31st December	**0**	**0**	0	0
Exercisable 31st December	**0**	**0**	0	0
Authorised but not issued 31st December	**0**	**0**	0	0

The fair value of one of these LTIP awards is DKK 184.24. Please note that the fair value is more than 100% of the share at grant as a result of the LTIP Schemes share price multiplier potentially permitting up to three times the number of initial awards to vest. This results in a total charge of DKK 4,118,236, which will be accounted for as follows:

DKK 1,000	**2012**	2013	2014	2015	**Total**
IFRS 2 p&l charge (DKK)	1,061	1,373	1,373	312	4,118

Set out below are the assumptions and methodology used when arriving at the fair value for this award.

Assumptions:

Date of Grant:	24th March 2012
Share Price at grant:	DKK 169.50 (sourced from DataStream as at date of grant)
Number of options awarded:	22,352 (APFO 9,919; APUK 12,442)
Dividend Yield:	0% (sourced from DataStream as at date of grant)
Exercise Price:	Nil (as per award documentation)
Expected Life:	3 years (provided by the Company)
Risk Free Rate:	0.43% (Denmark Government Bonds 3 Year Note Generic Bid Yield)
Volatility:	38.63% (Calculated using the Company's historic share price data and its comparators over a term commensurate with the new management team being put in place (Ben August 2010), and applied to the expected life of the award)
Marketability Discount:	to reflect there is not a deep or liquid market for the company's shares and there is typically a significant bid/offer spread, a 5% marketability discount to the fair value has been applied to replicate the price a willing market participant would be prepared to pay for a share in the Company. This reflects the discount a participant may have to take when selling any award on vesting/exercise,

Methodology
Monte-Carlo valuation model has been used to calculate the fair value of the awards. The fair value takes account of the likelihood of meeting the relative TSR and share price multiplier conditions. These conditions must be included in the date of grant of fair value due to their market based nature.
The model projects the TSR of the Company and the comparator group to the end of the performance period at which point it places a value on the award taking into account the Company's TSR ranking against the comparator group, the absolute share price of the Company against the multiplier targets and the associated increase/decrease in the share price.
This simulation is replicated c10,000 times to provide a realistic range of performance scenarios taking account of the volatility of the Company's shares. The average projected payout from the awards is calculated and then discounted at the risk free rate of interest to the date of grant. This is the fair value provided.
Please note that lapses and forfeitures have been ignored in the calculations. If any awards are forfeited or lapsed during the performance period then any charge accrued to that point may be credited in the year the event takes place.

The LTIP awards have not been hedged by the Group.

9 Other operating income

DKK 1,000	**2012**	**2011**
Other operating income is related to a demurrage claim	14	0
	14	0

10 Depreciation

DKK 1,000	2012	2011
Depreciations included in general and administrations costs	1,073	458
	1,073	458

11 Interest revenue and expenses & finance gains and cost

DKK 1,000	2012	2011
Interest revenue and finance gains:		
Short-term deposits	2,587	1,394
Unwinding of discount on decommissioning provision	0	2,010
Exchange differences	94	26,070
	2,681	29,474

DKK 1,000	2012	2011
Finance expenses and other finance costs:		
Bank loan and overdrafts	6,666	9,375
Creditors	9	7
Unwinding of discount on decommissioning provision	7,307	0
Unwinding of discount on liabilities	366	0
Others	148	135
Exchange differences	7,298	18,750
	21,793	27,624

12 Tax

DKK 1,000	2012	2011
Current tax:		
Tax payable in UK	-23,973	0
Tax repayable Norway	2,890	0
Total current tax	**-21,083**	0
Deferred tax:		
Deferred tax cost in UK	-143,605	-60,891
Deferred tax income in UK	4,969	0
Deferred tax cost in Norway	-1,279	0
Total deferred tax	**-139,915**	-60,891
Tax on profit on ordinary activities	**-160,998**	-60,891

As at 31st December 2012, the Group has a net deferred tax asset of DKK 15.3MM (2011: DKK 13.3MM) which has not been recognised in the Group's accounts.
This is made up of the following amounts:

Effect of capital allowances in excess of depreciation: DKK 8.5MM (2011: DKK 4.4MM)
Effect of tax losses available: DKK 23.9MM (2011: DKK 17.7MM)
The losses can be carried forward indefinitely.

The charge for the year can be reconciled to the result per the income statement as follows:

	2012	2011
Group result on ordinary activities before tax	227,659	127,526
	227,659	127,526
Corporation tax on profits	77,992	43,539
Hydrocarbon taxes	83,006	46,460
	160,998	89,998
Tax effect off:		
Income not taxable for tax purposes – fixed assets	12	-331
Expenses not deductible for tax purposes	6,677	2,291
Income not taxable for tax purposes - tax adjustments	-507	-10,055
Ring fence expenditure supplements	0	-319
Capital allowances in excess of depreciation	3,312	-3,000
Unrelieved tax losses and other deductions arising in the period	1,189	5,963
Tax credits	-399	0
Depreciation in excess of capital allowances	-17,091	7,567
Utilisation of tax losses and other deductions	-135,328	-92,114
Other short term timing differences	2,220	0
Tax expense for the year	**21,083**	**0**

13 Dividend

No interim dividend is proposed. (2011: DKK Nil)

14 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	Profit after tax		Weighted average number of shares		Earnings per share	
	2012	2011	**2012**	2011	**2012 DKK**	2011 DKK
Basic	**66,661**	66,635	**2,498,680**	2,544,562	**26.68**	26.19
Diluted	**66,319**	66,635	**2,498,680**	2,544,562	**26.54**	26.19

15 Goodwill

DKK 1,000	2012	2011
At 1st January	37,851	0
Exchange movements	987	1,886
Additions during the year	18,856	35,965
At 31st December	**57,693**	37,851

The goodwill in 2011 arises from the acquisition of Volantis Exploration Ltd and the addition in 2012 arises from the acquisition of Emergy Exploration AS (Now Atlantic Petroleum Norge AS).

16 Intangible assets

DKK 1,000	Faroe Islands	United Kingdom	Other	Total
Costs				
At 1st January 2011	208	551	0	759
Additions during the year	170	0	0	170
At 31st December 2011	378	551	0	929
Exchange movements	0	14	0	14
Additions during the year	120	0	16,164	16,284
At 31st December 2012	**498**	**565**	**16,164**	**17,227**
Amortisation and depreciation				
At 1st January 2011	-53	-191	0	-244
At 31st December 2011	-53	-191	0	-244
Exchange movements	0	-5	0	-5
Charge for the year	-130	-158	-100	-389
At 31st December 2012	**-183**	**-355**	**-100**	**-638**
Net book value				
At 31st December 2011	325	359	0	684
At 31st December 2012	**315**	**210**	**16,064**	**16,589**

17 Oil and gas – Intangible exploration and evaluation assets

	Oil and gas properties			
DKK 1,000	**Faroe Islands**	**United Kingdom**	**Other**	**Total**
Costs				
At 1st January 2011	20,177	85,731	3,575	109,483
Exchange movements	0	2,180	-10	2,170
Additions during the year	3,119	66,762	2,157	72,038
Additions during the year from business combin	0	21,124	0	21,124
Moved to development and production assets	0	-104,063	0	-104,063
Disposal of licences	-6,494	0	0	-6,494
Consolidated interest written off/moved to devel	-162	-3,665	0	-3,826
At 31st December 2011	16,641	68,069	5,722	90,432
Exchange movements	0	1,733	20	1,753
Additions during the year	20,310	76,923	2,126	99,359
Additions during the year from business combin	0	0	51,341	51,341
Disposal of licences	-57	-1,905	0	-1,963
Explorations expenditures written off	-9,023	-14,713	0	-23,736
Consolidated interest written off	-162	-1,249	0	-1,410
At 31st December 2012	**27,710**	**128,857**	**59,210**	**215,777**

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.

18 Oil and gas – Tangible development and production assets

	Oil and gas properties			
DKK 1,000	**Faroe Islands**	**United Kingdom**	**Other**	**Total**
Costs				
At 1st January 2011	0	625,195	0	625,195
Exchange movements	0	16,154	0	16,154
Additions during the year	0	50,556	0	50,556
Additions moved from exploration and evaluatior	0	104,063	0	104,063
Consolidated interest moved from exploration ar	0	3,665	0	3,665
At 31st December 2011	0	799,633	0	799,633
Exchange movements	0	20,040	0	20,040
Additions during the year	0	123,344	0	123,344
At 31st December 2012	**0**	**943,017**	**0**	**943,017**
Amortisation and depreciation				
At 1st January 2011	0	-222,080	0	-222,080
Exchange movements	0	-5,746	0	-5,746
Charge for the year	0	-125,185	0	-125,185
At 31st December 2011	0	-353,012	0	-353,012
Exchange movements	0	-8,803	0	-8,803
Charge for the year	0	-140,360	0	-140,360
At 31st December 2012	**0**	**-502,175**	**0**	**-502,175**
Net book value				
At 31st December 2011	0	446,621	0	446,621
At 31st December 2012	**0**	**440,842**	**0**	**440,842**

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 underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Management uses established industry 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.

19 Property, plant and equipment assets

DKK 1,000	Faroe Islands	United Kingdom	Other	Total
Costs				
At 1st January 2011	749	615	0	1,364
Exchange movements	0	17	0	17
Additions during the year	32	1,627	0	1,659
At 31st December 2011	781	2,258	0	3,039
Exchange movements	0	54	0	54
Additions during the year	595	554	0	1,148
At 31st December 2012	**1,376**	**2,865**	**0**	**4,241**
Amortisation and depreciation				
At 1st January 2011	-566	-306	0	-872
Exchange movements	0	-8	0	-8
Charge for the year	-78	-702	0	-780
Disposals	0	0	0	0
At 31st December 2011	-645	-1,016	0	-1,660
Exchange movements	0	-21	0	-21
Additions from business combination	0	0	752	752
Charge for the year	-144	-575	-37	-755
At 31st December 2012	**-788**	**-1,612**	**714**	**-1,686**
Net book value				
At 31st December 2011	136	1,242	0	1,378
At 31st December 2012	**587**	**1,253**	**714**	**2,555**

20 Investments and associates

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

Name of Company	Business and area of operation	Country of incorporation or 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
Volantis Exploration Limited*	Exploration, development and production, UK	England and Wales
Volantis Netherlands B.V.*	Exploration, development and production, Netherlands	Netherlands

* Held through subsidiary undertaking.

21 Inventories

DKK 1,000	2012	2011
Chestnut	3,949	133
Ettrick	9,397	1,753
Blackbird	658	63
Net assets	**14,004**	1,949

Produced but not sold oil at year end, valued at fair value.

22 Trade and other receivables

DKK 1,000	2012	2011
Trade receivables	63,369	73,935
Prepayments and accrued income	25,337	5,420
Other taxes and vat receivable	30,147	1,723
Other receivables	6,594	2,636
	125,447	83,714

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.

23 Trade and other payables

DKK 1,000	2012	2011
Trade payables	71,455	39,988
Accrued expenses	3,915	2,052
Other taxes and vat payable	1,913	0
Other payables	31,605	24,858
	108,888	66,898

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.

24 Cash, short and long term debt

DKK 1,000	2012	2011
Amounts falling due within one year:		
Bank loans	19,500	39,968
Other loans	0	0
Total borrowings	**19,500**	39,968
Cash:		
Cash at bank and in hand	242,521	114,313
Total cash	**242,521**	114,313

The borrowings are repayable as follows:

DKK 1,000	2012	2011
Bank loans analysed by maturity:		
In one to five years	58,500	65,000
Over five years	0	0
Total borrowings	**58,500**	65,000

The Group had one long-term facility of DKK 58.5MM at year end 2012 (2011: DKK 65.0MM). At year end 2012 the total short- and long-term loans amounted to DKK 78MM (2011: DKK 105MM).

25 Obligations under leases

DKK 1,000	2012	2011
Minimum lease payments under operating leases recognised in the income statement for the year	44,503	41,649
	44,503	41,649
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follow:		
Within one year	44,403	41,283
In one to five years	14,626	34,747
Over five years	0	0
	59,029	76,030

Outstanding operating lease commitments represent the group's share of rentals payable by the group for production facilities, and for certain of its office properties.

In accordance with the Group's participation in joint arrangements with other companies, an agreement has been signed whereby the Group was party to a two and a half year charter contract for the use of a floating production, storage and offloading platform. Payments under the contact began approx 1st October 2008. The extension periode was six months each time, but the latest renewal from March 2013 is nine months with the Group's annual commitment being estimated at USD 5MM.

Also, in accordance with the Group's participation in joint arrangements with other companies, an agreement has been signed whereby the Group is party to a five year charter contract for the use of a floating production, storage and offloading platform. Payments under the contact began in 3rd quarter 2009, with the Group's annual commitment being estimated at USD 3.5MM.

The lease commitments have been discounted at a discount rate of 6.7%.

26 Provisions for long-term liabilities and charges

DKK 1,000	2012	2011
Deferred provision:		
At 1st January	13,104	0
Exchange movements	342	0
Additions during the year	363	13,104
At 31st December	**13,809**	13,104
Decommissioning costs:		
At 1st January	101,729	82,963
Exchange movements	2,495	1,679
Addition of future decommissioning costs during the year	35,756	16,999
Unwinding of discount on decomissioning provision	7,197	89
At 31st December	**147,177**	101,729
Total provision	**160,986**	114,833

The deferred provision represents a deferred payment for the acquisition of certain licences. The licences have had development plans approved and consequently a provision has been made for the potential deferred consideration that is expected to be paid in respect of these licences. These amounts have been included in tangible assets. A deferred provision for one certain licence has been transferred to short term deferred provisions.

The decommissioning provision represents the present value of decommissioning costs relating to the oil and gas interests, which are expected to be incurred between 2013 and 2018. 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.

27 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. The Group does use derivative financial instruments to hedge certain of these risk exposures

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	Fixed rate	Floating rate	Total
2012			
DKK	0	78,000	78,000
Total	**0**	**78,000**	**78,000**
2011			
DKK	0	104,968	104,968
GBP	0	0	0
USD	0	0	0
Total	0	104,968	104,968

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 0.9MM (2011: DKK 2.0MM) 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	Fixed rate	Floating rate	Total
2012			
Cash and short-term deposits:			
Held in DKK	0	111,252	111,252
Held in GBP	0	19,261	19,261
Held in USD	0	111,211	111,211
Held in EUR	0	168	168
Held in NOK	0	629	629
Total	**0**	**242,521**	**242,521**
2011			
Held in DKK	0	68,499	68,499
Held in GBP	0	31,200	31,200
Held in USD	0	14,581	14,581
Held in EUR	0	33	33
Total	0	114,313	114,313

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

Borrowing facilities

The Group had borrowing facilities of which the undrawn amount available at the year end was:

DKK 1,000	2012	2011
Expiring within one year	0	27,532
In one to five years	0	0
Over five years	0	0
	0	27,532

The Group has one loan DKK 78MM (2011: DKK 105MM).

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

DKK 1,000	**Carrying amount 2012**	**Estimated fair value 2012**	Carrying amount 2011	Estimated fair value 2011
Primary financial instruments held or issued to finance the Group's operations:				
Cash and short-term deposits	242,521	242,521	114,313	114,313
Bank loans and overdraft facility	-19,500	-19,500	-39,968	-39,968
Long term bank loan	-58,500	-58,500	-65,000	-65,000
Derivative financial instruments held or issued to hedge the Group's exposure on expected future sales:				
Forward commodity contracts – net	5,863	5,863	-51	-51

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.

28 Deferred tax

DKK 1,000	**2012**	2011
Deferred tax liabilities	-215,710	-60,886
Deferred tax assets*	526	0
	-215,185	-60,886

DKK 1,000	Faroese hydrocarbon tax	Faroese Corporation tax	Overseas tax	Total
At 1st January 2011	0	0	3,512	3,512
Charge to income	0	0	-60,891	-60,891
Exchange movements	0	0	-3,507	-3,507
At 1st January 2012	0	0	-60,886	-60,886
Charge to income	0	0	-139,137	-139,137
Exchange movements	0	0	-1,587	-1,587
Addition from Business combination	0	0	-10,712	-10,712
Tax losses utilised between subsidiaries	0	0	-2,863	-2,863
At 31st December 2012	**0**	**0**	**-215,185**	**-215,185**

*See note 12 for net defered tax assets not provided for.

29 Share capital

DKK 1,000	**2012**	2011
Balance at 1st January	262,670	262,670
Shares issued	0	0
Balance at 31st December	**262,670**	262,670

Ordinary Shares:

DKK 1,000	**2012 100 DKK shares**	**2012**	2011 100 DKK shares	2011
Ordinary Shares:				
Authorised	3,240,951	324,095	3,240,951	324,095
Called up, issued and fully paid	2,626,703	262,670	2,626,703	262,670

30 Own shares

DKK 1,000	**2012**	2011
At 1st January	27,306	0
Acquired in the period	9,450	36,036
Sold in the period	-36,756	-8,730
At 31st December	**0**	27,306

Atlantic Petroleum has acquired 52,500 and sold 183,014 of its own shares during 2012 (2011: DKK acquired 173,250 and sold 42,736)

31 Analysis of changes in net debt/cash

DKK 1,000	Note	**2012**	2011
a) Reconciliation of net cash flow to movement in net debt/cash:			
Movement in cash and cash equivalents		128,208	40,016
Proceeds from short-term loans		20,468	44,600
Proceeds from long-term loans	24	6,500	32,500
Increase/decrease in net cash in the period		**155,176**	117,116
Opening net cash		9,345	-107,771
Closing net cash/debt		**164,521**	9,345
b) Analysis of net cash/debt:			
Cash and cash equivalents	24	242,521	114,313
Short-term debt	24,27	-19,500	-39,968
Long-term debt	24	-58,500	-65,000
Total net cash/debt		**164,521**	9,345

32 Business combinations

DKK 1,000	DKK 1,000 Fair value recognised on aquisition at 22nd November 2012	NOK 1,000 Fair value recognised on aquisition at 22nd November 2012
Intangible assets - licences	48,300	49,174
Intangible assets - software etc.	797	811
Property, plant and equipment	94	96
Cash and short term deposits	3,709	3,776
Trade receivables	25,037	25,491
Trade payables	-13,062	-13,298
Intercompany accounts	114	116
Deferred tax liabilities	-10,727	-10,921
Total identifiable net assets at fair value	**54,262**	**55,244**
Goodwill arising on aquisition	18,882	19,223
Goodwill	**18,882**	**19,223**
Total purchase consideration transferred	**73,144**	**74,467**
Purchase considerations:		
Fair value of shares issued (183,014 shares at DKK 181.02)	33,129	33,729
Cash	40,014	40,739
Total purchase consideration	**73,144**	**74,467**
Analysis of cash flow on aquisition:		
Transaction costs of the aquisition 2012:	571	582
Net cash acquired with the subsidiary	-3,709	-3,776
Cash payments	40,014	40,739
Net cash Flow on acquisition	**36,877**	**37,544**

All the amounts above are related to the acquisition of Emergy Exploration AS (now Atlantic Petroleum Norge AS).

33 Pro-forma financials

Atlantic Petroleum Norge AS joined the Atlantic Petroleum Group on 22nd of November 2012. P/F Atlantic Petroleum acquired 100% of the share capital.

The following Pro-Forma financial statement presents the P&L as if the merger took place on 1st January 2012 and presents the joint activity as one reporting entity for the period. The Pro-Forma figures are based on the actual financial figures of the Group. Internal trades and balances have been eliminated.

DKK 1,000	Pro-Forma
Revenue	598,542
Cost of sales	-274,888
Gross profit	**323,654**
Exploration expenses	-27,209
Pre-licence exploration costs	-8,515
General and administration costs	-53,936
Other operating income	14
Operating profit	**234,008**
Interest revenue and finance gains	2,798
Interest expenses and other finance costs	-21,814
Profit before taxation	**214,992**
Taxation	-147,785
Profit after taxation	**67,207**

34 Capital comittments and guarantees

In connection with Atlantic Petroleum UK Ltd.'s assets in the UKCS, P/F Atlantic Petroleum has pledged as security to the UK Department of Energy and Climate Change:

1. A security that P/F Atlantic Petroleum can always provide the necessary finance to enable Atlantic Petroleum UK Ltd. to fulfil its obligations in the UK area.
2. A security that P/F Atlantic Petroleum will not change Atlantic Petroleum UK Ltd.'s legal rights, so that this company can not fulfil its obligations
3. A security that if Atlantic Petroleum UK Ltd. fails to fulfil its financial obligations, P/F Atlantic Petroleum will undertake to do so.

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations which Atlantic Petroleum UK Limited has in connection with purchase of assets from Premier Oil in accordance with the "Sales and Purchase Agreement".

P/F Atlantic Petroleum has provided a parent guarantee to fulfill all obligations which Atlantic Petroleum UK Limited has in connecton with the farm-in agreement with Summit Petroleum Limited regarding UK Licence P1556, block 29/1c

P/F Atlantic Petroleum has provided a parent guarantee to fulfill all obligations which Atlantic Petroleum UK Limited has in connecton with the farm-in agreement with Iona Limited regarding UK Licence P1606, block 3/3b and P1607, block 3/8d.

In its participation in Joint Ventures, Atlantic Petroleum and Joint Venture Partners are jointly liable to all commitments made by the Joint Venture.

The Group had capital expenditure committed to, but not provided for in these accounts at 31st December 2012 of approximately DKK 37.0MM. The capital expenditure is in respect of the Group's interests in its exploration and development production licences.

P/F Atlantic Petroleum has a loan facility with the following bank: P/F Eik Banki of DKK 78.0MM. The loan will be repaid in four equal installments due at 11th december each year. The loan will be fully repaid in 2016.

In connection with the loan facilities, P/F Atlantic Petroleum has pledged as security to the lenders:
(i) its shares in its wholly owned subsidiary Atlantic Petroleum UK Limited; and
(ii) its inter-company receivables from Atlantic Petroleum UK Limited
(iii) that before P/F Atlantic Petroleum initiates new/other investments, P/F Eik Banki shall approve these
(iv) P/F Atlantic Petroleum has provided the lenders with a negative pledge.
(v) to the extent possible have charges over insurance coverage's of the lenders and it subsidiaries without any undue delay

In relation to the development of the Orlando field in the UK, P/F Atlantic Petroleum has issued a parent guarantee on behalf of its fully owned subsidiary Volantis Exploratoin Limited.

In relation to the Norwegian fully owned subsidiary Atlantic Petroleum Norge AS has entered into a NOK 300MM bank credit facility with DnB P/F Atlantic Petroleum has issued a parent guarentee to DnB.

35 Contingent considerations

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

1. USD 1.25MM upon Kells FDP approval;
2. Staged payments commencing six months after first production from Orlando of USD 1.8MM, USD 1.8MM, USD 1.8MM, USD 0.925MM, and USD 0.925MM made every six months thereafter respectively; and
3. a proportionate share of royalties payable to the previous owner of the Kells field, Fairfield Energy.

36 Related party disclosures

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

As part of the bonus of DKK 900,000 to the CEO he receives 1,521 shares at a share price of DKK 172.55.

Parent Company Income Statement

For the year ended 31st December 2012

DKK 1,000	Note	2012	2011
Revenue		0	0
Costs of sales		0	0
Gross profit		**0**	0
Exploration expense	3	-9,080	-6,494
Pre-licence exploration costs		-703	-76
General and administration costs	4,5,8,19	-17,294	-15,066
Other income - Income from subsidiaries	7	15,854	14,747
Operating profit		**-11,223**	-6,889
Interest revenue and finance gains	9	1,363	5,403
Interest expenses and other finance costs	9	-6,742	-11,882
Profit before taxation		**-16,602**	-13,368
Taxation	10	0	0
Profit after taxation		**-16,602**	-13,368
Distribution of profit:			
Retained earnings		-16,602	-13,368
Distribution in total		**-16,602**	-13,368

Parent Company Statement of Comprehensive Income

For the year ended 31st December 2012

DKK 1,000	2012	2011
Loss for the year	-16,602	-13,368
Share based payment schemes - LTIP	731	0
Own shares bought	-9,450	8,730
Own shares sold	36,756	-36,036
Capital gains/losses on shares transactions	-3,627	0
Total comprehensive income for the year	**7,808**	-40,674

Parent Company Balance Sheet

As at 31st December 2012

DKK 1,000	Note	**2012**	2011
Non-current assets			
Intangible assets	13	315	325
Intangible exploration and evaluation assets	14	27,534	16,305
Property plant and equipment	15	587	136
Investment in subsidiary	12	363,553	290,409
		391,989	307,175
Current assets			
Trade and other receivables	16	520	596
Receivables from subsidiaries	16	25,831	6,176
Cash and cash equivalents	18,20	8,527	68,847
		34,878	75,618
Total assets		**426,867**	382,793
Current liabilities			
Short-term debt	18,20	19,500	39,968
Short-term liabilities		116	0
Trade and other payables	17	8,535	2,196
		28,151	42,164
Non current liabilities			
Long-term debt - intercompany		56,779	0
Long-term debt	18	58,500	65,000
		115,279	65,000
Total liabilities		**143,429**	107,164
Net assets		**283,438**	275,629
Equity			
Share capital	22	262,670	262,670
Own shares	24	0	-27,306
Share premium account		227,527	231,154
Share based payments - LTIP and Bonus		731	0
Retained earnings		-207,491	-190,889
Total equity shareholders' funds	23	**283,438**	275,629

Parent Company Statement of Changes in Equity

For the year ended 31st December 2012

DKK 1,000	Share capital	Share premium account	Share based payment reserve	Profit and loss reserves	Total
At 1st January 2011	262,670	231,154	0	-177,521	316,304
Shares issued	0	0	0	0	0
Transaction costs	0	0	0	0	0
Own shares bought	-36,036	0	0	0	-36,036
Own shares sold	8,730	0	0	0	8,730
Loss for the year	0	0	0	-13,368	-13,368
At 1st January 2012	**235,364**	**231,154**	**0**	**-190,889**	**275,629**
Share transactions - capital gains/losses	0	-3,627	0	0	-3,627
Share based payment - LTIP and Bonus	0	0	731	0	731
Own shares bought	-9,450	0	0	0	-9,450
Own shares sold	36,756	0	0	0	36,756
Loss for the year	0	0	0	-16,602	-16,602
Balance at 31st December 2012	**262,670**	**227,527**	**731**	**-207,491**	**283,438**

Parent Company Cash Flow Statement

For the year ended 31st December 2012

DKK 1,000	Note	**2012**	2011
Operating activities			
Operating profit		-11,223	-6,889
Impairment on non-current assets		9,023	0
Relinquishment of licence		57	6,494
Depreciation, depletion and amortisation		274	131
Change in trade and other receivables		76	134
Change in trade and other payables		6,339	-44
Interest revenue and finance gains received		1,363	5,403
Interest expenses and other finance costs paid		-6,742	-11,882
Income taxes paid		0	0
Net cash provided by operating activities		**-833**	-6,653
Investing activities			
Capital expenditure		-21,025	-272,237
Investment in subsidiary		-73,144	268,915
Net cash used in investing activities		**-94,168**	-3,321
Financing activities			
Change in own shares		23,679	-27,306
Change in short term liabilities		116	0
Change in short-term debt		-20,468	-24,835
Change in long-term debt		-6,500	-32,500
Change in share based payments scheme		731	0
Change in intercompany accounts Total		37,124	89,997
Net cash used in financing activities		**34,682**	5,356
Increase/Decrease in cash and cash equivalents		**-60,320**	-4,619
Cash and cash equivalents at the beginning of the period		68,847	73,466
Cash and cash equivalents at the end of the period	18	**8,527**	68,847

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 2012, according to the requirement in the Faroese Company Accounts Act, were authorised for issue in accordance with a resolution of the directors on 15th March 2013.

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

2.1 Basis of preparation

Accounting Convention

The 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 Iceland and NASDAQ OMX Copenhagen 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 othewise indicated.

2.2 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,

• 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, P/F Atlantic Petroleum is subject to risks and uncertainties that may cause actual results to differ from these estimates. Special risks for P/F Atlantic Petroleum 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 Company's intangible exploration and evaluation assets, amounts to DKK 27.5MM (2011: DKK 16.3MM).

2.3 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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 Company 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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Exploration Expenses

Exploration expenses comprise costs 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. The impairment of exploration and evaluation assets and relinquished licences are also recognised in Exploration expenses.

General and Administration Costs

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

Other Income

Revenue from services rendering to the subsidiaries is recognised in the income statement when the services are rendered.

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 Company'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 Company 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

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 Company 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, costs of technical services and studies, seismic acquisition, exploratory drilling and testing and other directly attributable costs.

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 profit and loss account.

Costs 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 profit and loss account under Exploration Expenses.

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

Tangible Assets

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	3 – 10 years

The residual value is reassessed annually.

Investments in Subsidiary Companies
Investment in subsidiaries is recognised at costs. If the cost-value of the shares exceeds the shares recoverable amount, the shares will be written down to the recoverable amount.

The recoverable amount is the higher of the shares' fair value less costs to sell and the shares value in use. At each reporting date it will be assessed whether there is any indication that the shares may be impaired. If any such indication exists, the recoverable amount will be estimated.

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.

Receivables and payables from Subsidiaries
Intercompany receivables and payables from subsidiaries are recognised at amortised costs.

If the nominal value of the receivable exceeds the receivables recoverable amount, the receivable will be written down to the recoverable amount.

The recoverable amount is the higher of the receivables fair value less costs to sell and the receivables value in use. At each reporting date it will be assessed whether there is any indication that the receivable may be impaired. If any such indication exists, the recoverable amount will be estimated.

Receivables from subsidiaries are not recognised as a net investment in a foreign operation because the repayment is planned to be as soon as the subsidiary has the funds for repayment. Therefore currency exchange differences are recognised in the income statement under financial income and expenses.

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.

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 Company 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.

Share Based Payments

Equity-settled share-based payments are initially measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of nonmarket-based vesting conditions.

The fair value is determined by using generally accepted valuation techniques, such as the Monte Carlo model.

Cancellations or settlements of equity settled share-based payments are treated as an acceleration of vesting and as a result any amounts that otherwise would have been recognised for services received over the remainder of the vesting period are recognised immediately in the income statement. When options are exercised the payments from employees are recognised as an increase in the Group's share capital and share premium reserve.

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.

2.4 Changes in accunting policies and disclosures

New and amended standards and interpretation

The Consolidated Financial Statements are presented in accordance with the accounting policies adopted previous financial year and which are consistent with those of the previous financial year.

There are no new and amended standards and interpretations that impact either the financial position, financial results, disclosures or stated accounting policies of the Company.

2.5 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements listed below, are those that the Company reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Company's financial position or performance.

The amendments to IAS 1 are effective for annual periods beginning on or after 1st July 2012 and, therefore, will be applied in the Company's fist annual report after becoming effective.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. This amendment will have no impact on the Group.

The revised standard is effective for annual periods beginning on or after 1st January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 (as issued) reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1st January 2013, but Amendments to IFRS 9

Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1st January 2015.

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities.

The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. Management believes that implementation of these standards and interpretations do not have a material affect on the Consolidated Financial Statements of the Company.

3 Exploration expenses

DKK 1,000	2012	2011
Relinquishment of licences	57	6,494
Explorations expenditures expired/written off	9,023	0
	9,080	6,494

In 2011 the Company relinquished Licence L013. In 2012 there were additional costs of 57,228 that also were relinquished.
L014 expired in January 2013 and has been written off.
The directors have reviewed the carrying amounts for the intangible exploration and evaluation assets and have decided that no other impairment provision shall be made in 2012.

4 Auditors' remuneration

DKK 1,000	2012	2011
Audit services:		
Statutory audit	408	335
Review of interim financial statements	240	225
	648	560
Tax services:		
Consultancy and advisory services	13	13
	13	13
Other services:		
Consultancy and other services	77	37
	77	37

In the Statutory and Group audit, parent company auditor line, DKK 62,500 is regarding the 2011 audit.

5 Employee cost

DKK 1,000	2012	2011
Staff costs, including executive directors:		
Wages and salaries:		
Board of Directors*	1,518	1,329
Managing Director - CEO***	1,728	1,506
Technical Diector - COO	0	800
Administration, technical staff and other employees	4,080	2,934
	7,326	6,569
Bonus:		
Managing Director - CEO****	900	375
Administration, technical staff and other employees	700	372
	1,600	747
Share based payement - LTIP accounting charge*****:		
Managing Director - CEO	418	0
Administration, technical staff and other employees	50	0
	469	0
Pension costs:		
- defined benefit	0	0
- defined contribution:		
Technical Manager - COO	0	125
Administration, technical staff and other employees	290	351
	290	476
Social security costs	298	248
	298	248
Total employee costs	**9,982**	8,040

	2012	2011
Average number of employees during the year**:		
Technical and operations	1	1
Management and administration	6	5
	7	6

* 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.

*** In addition the CEO has received benefits at a taxable value of DKK 5,500. The notice of termination for the CEO is one year.

**** The Bonus is split up in cash DKK 637,500 and 1,521 shares at a share price of DKK 172.55

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

6 Share based payments

"A new share based policy was adopted by the Company on 24th March 2012. Nil-cost options over ordinary shares in the Company were granted to members of management and senior staff under the Atlantic Petroleum Long Term Incentive Plan (LTIP). The options are capable of vesting after a three year period subject to continued employment and meeting stretching corporate performance conditions.
The LTIP awards form part of the Company's remuneration strategy to provide a competitive remuneration package that rewards Directors and employees fairly and responsibly for their contributions and aims to deliver superior
remuneration for superior performance, whilst maintaining alignment with shareholder's interests.

There are set out the two corporate performance conditions below:
*Comparative Total Shareholder Return ("TSR"):
The Company's comparative TSR is compared to a comparator group of 24 quoted oil and gas exploration and production companies and
25% of the option will vest for median performance against the comparator group;
100% of the option will vest for upper quartile performance against the comparator group; and
The option will vest on a straight-line basis for TSR performance between these levels.
*Share price multiplier:
The vesting level achieved under the comparative TSR element can be multiplied upwards if the Company achieves absolute share price growth of more than 15% p.a. over the three year performance period. A maximum multiplier of three times can be achieved for 45% p.a. absolute share price growth and awards vest on a straight-line basis between these share price performance levels.
*The options granted to the participants are as follows:

Issued to	Number of plan shares
Ben Arabo, CEO	8,849
Members of Management & Senior Employees	1,061

For the CEO, Ben Arabo, the initial award granted options equal to 100% of the annual base salary.

Issued options:

	2012		2011	
	Options nominal value DKK 100	**Weighted average exercise price DKK**	Options nominal value DKK 100	Weighted average exercise price DKK
Authorised during the year	9,910	169.5	0	0
Outstanding 1st January	0	0	0	0
Authorised but not issued during the year	**9,910**	**169.5**	0	0
Granted during the period	9,910	169.5	0	0
Lapsed during the period	0	0	0	0
Exercised during the period	0	0	0	0
Outstanding 31st December	**0**	**0**	0	0
Exercisable 31st December	**0**	**0**	0	0
Authorised but not issued 31st December	**0**	**0**	0	0

The fair value of one of these LTIP awards is DKK 184.24. Please note that the fair value is more than 100% of the share at grant as a result of the LTIP Schemes share price multiplier potentially permitting up to three times the number of initial awards to vest. This results in a total charge of DKK 4,118,236, which will be accounted for as follows:

DKK 1,000	**2012**	2013	2014	2015	**Total**
IFRS 2 p&l charge (DKK)	470	609	609	138	1,826

Set out below are the assumptions and methodology used when arriving at the fair value for this award.

Assumptions:

Date of Grant:	24th March 2012
Share Price at grant:	DKK 169.50 (sourced from DataStream as at date of grant)
Number of options awarded:	22,352 (APFO 9,919; APUK 12,442)
Dividend Yield:	0% (sourced from DataStream as at date of grant)
Exercise Price:	Nil (as per award documentation)
Expected Life:	3 years (provided by the Company)
Risk Free Rate:	0.43% (Denmark Government Bonds 3 Year Note Generic Bid Yield)
Volatility:	38.63% (Calculated using the Company's historic share price data and its comparators over a term commensurate with the new management team being put in place (Ben August 2010), and applied to the expected life of the award.)
Marketability Discount:	To reflect there is not a deep or liquid market for the company's shares and there is typically a significant bid/offer spread, a 5% marketability discount to the fair value has been applied to replicate the price a willing market participant would be prepared to pay for a share in the Company. This reflects the discount a participant may have to take when selling any award on vesting/exercise.

Methodology

Monte-Carlo valuation model has been used to calculate the fair value of the awards. The fair value takes account of the likelihood of meeting the relative TSR and share price multiplier conditions. These conditions must be included in the date of grant of fair value due to their market based nature.
The model projects the TSR of the Company and the comparator group to the end of the performance period at which point it places a value on the award taking into account the Company's TSR ranking against the comparator group, the absolute share price of the Company against the multiplier targets and the associated increase/decrease in the share price. This simulation is replicated c10,000 times to provide a realistic range of performance scenarios taking account of the volatility of the Company's shares. The average projected payout from the awards is calculated and then discounted at the risk free rate of interest to the date of grant. This is the fair value provided.
Please note that lapses and forfeitures have been ignored in the calculations. If any awards are forfeited or lapsed during the performance period then any charge accrued to that point may be credited in the year the event takes place.

The LTIP awards have not been hedged by the Company.

7 Other operating income

DKK 1,000	2012	2011
Service rendering to subsidiaries	15,854	14,747
Other operating income	0	0
Total	**15,854**	14,747

8 Depreciation

DKK 1,000	2012	2011
Depreciations included in general and administration costs	274	131
	274	131

9 Interest revenue and expenses & finance gain and cost

DKK 1,000	2012	2011
Interest revenue and finance gains:		
Short-term deposits	1,291	1,393
Exchange differences	72	4,009
	1,363	5,403

DKK 1,000	2012	2011
Finance costs and other finance expenses:		
Bank loan and overdrafts	6,659	9,375
Creditors	9	7
Others	74	50
Exchange differences	0	2,449
	6,742	11,882

10 Tax

DKK 1,000	2012	2011
Current tax:		
Faroese corporation tax	0	0
Faroese petroleum tax	0	0
Total current tax	**0**	0
Deferred tax:		
Faroese corporation tax	0	0
Faroese petroleum tax	0	0
Overseas tax	0	0
Total deferred tax	**0**	0
Tax on profit on ordinary activities	**0**	0

As at 31st December 2012, the Company has a net deferred tax asset of DKK 13.5MM (2011: DKK 12.0MM), which has not been recognised in the Company's accounts. This is made up of the following amounts:

Effect of capital allowances in excess of depreciation: DKK 8.5MM (2011: DKK 4.4MM)
Effect of tax losses available: DKK 22.1MM (2011: DKK 16.4MM)
The losses can be carried forward indefinitely.

11 Dividend

No interim dividend is proposed. (2011: DKK Nil)

12 Investment in subsidiaries

	2012 DKK	2011 DKK
Cost and net book value		
At 1st January	290,409,037	21,493,753
Additions during the year	73,143,570	268,915,283
At 31st December	**363,552,607**	290,409,037

P/F Atlantic Petroleum aquired Emergy Exporation AS (Atlantic Petroleum Norge AS) in 2012.

The principal subsidiary undertakings of the Company, which are 100 per cent owned, are as follows:

Name of Company	Business and area of operation	Country of incorporation or 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
Volantis Exploration Limited*	Exploration, development and production, UK	England and Wales
Volantis Netherlands B.V.*	Exploration, development and production, Netherlands	Netherlands

* Held through subsidiary undertaking.

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.

13 Intangible assets

DKK 1,000	
Costs	
At 1st January 2011	208
Additions during the year	170
At 31st December 2011	378
Additions during the year	120
At 31st December 2012	**498**
Amortisation and depreciation	
At 1st January 2011	-53
At 31st December 2011	-53
Charge for the year	-130
At 31st December 2012	**-183**
Net book value	
At 31st December 2011	325
At 31st December 2012	**315**

14 Intangible assets Oil and Gas exploration and evaluation assets

DKK 1,000	
Costs	
At 1st January 2011	19,679
Additions during the year	3,119
Disposals	-6,494
At 31st December 2011	16,305
Additions during the year	20,310
Disposals	-57
Explorations expenditures written off	-9,023
At 31st December 2012	**27,534**

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.

15 Property, plant and equipment

DKK 1,000	
Costs	
At 1st January 2011	749
Additions during the year	32
At 31st December 2011	781
Additions during the year	595
At 31st December 2012	**1,376**
Amortisation and depreciation	
At 1st January 2011	-566
Charge for the year	-78
At 31st December 2011	-645
Charge for the year	-144
At 31st December 2012	**-788**
Net book value	
At 31st December 2011	136
At 31st December 2012	**587**

16 Trade and other receivables

DKK 1,000	2012	2011
Trade receivables	14	14
Prepayments and accrued income	0	346
Other taxes and vat receivable	314	217
Other receivables	192	19
Receivables from subsidiaries	25,831	6,176
	26,351	6,771

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 securitythe intra-company receivables from Atlantic Petroleum UK Limited. See note regarding capital commitments and guarantees.

17 Trade and other payables

DKK 1,000	2012	2011
Trade payables	2,578	942
Accrued expenses	1,762	1,034
Other payables	4,195	221
	8,535	2,196

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.

The amount due from subsidiary undertakings relates to balances, which bears no interest and are payable upon request.

18 Cash, short and long-term debt

DKK 1,000	2012	2011
Amounts falling due within one year:		
Bank loans	19,500	39,968
Total borrowings	**19,500**	39,968
Cash:		
Cash at bank and in hand	8,527	68,847
Total cash	**8,527**	68,847

The borrowing are repayable as follows:

DKK 1,000	2012	2011
Bank loans analysed by maturity:		
In one to five years	58,500	65,000
Over five years	0	0
Total borrowings	**58,500**	65,000

The Company had one long term facility of DKK 58.5MM at year end 2012 (2011: DKK 65.0MM). At year end 2012 the total short and long term loans amounted to DKK 78.0MM (2011: DKK 105.0MM).

19 Obligations under leases

DKK 1,000	2012	2011
Minimum lease payments under operating leases recognised in the income statement for the year	545	326
	545	326
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follow:		
Within one year	288	358
In one to five years	12	81
Over five years	0	0
	300	439

Outstanding operating lease commitments represent the Company's rentals payable for certain of its office properties.
The lease commitments have been discounted at a discount rate of 6.7 %.

20 Financial instruments

The Company's activities expose it to financial risks of changes, primarily in oil and gas prices, but also foreign currency exchange and interest rates. The Company does not use derivative financial instruments to hedge certain of these risk exposures. The Company plans to use derivatives within the foreseeable future. Accordingly there will be established policies.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Company as at 31st December 2011 was:

	Fixed rate DKK	Floating rate DKK	Total DKK
2012			
DKK	0	78,000,000	78,000,000
Total	**0**	**78,000,000**	**78,000,000**
2011			
DKK	0	104,968,085	104,968,085
Total	0	104,968,085	104,968,085

The floating rate comprises bank borrowings bearing interest at rates set by reference to DKK CIBOR, exposing the Company 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 1.6MM (2011: DKK 1.3MM) on the result and equity.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Company as at 31st December 2012 was:

	Fixed rate DKK	Floating rate DKK	Total DKK
2012			
Cash and short-term deposits:			
Held in DKK	0	8,406,615	8,406,615
Held in GBP	0	109,946	109,946
Held in USD	0	10,925	10,925
Total	**0**	**8,527,486**	**8,527,486**
2011			
Held in DKK	0	69,086,187	69,086,187
Held in GBP	0	957	957
Held in USD	0	4,378,765	4,378,765
Total	0	73,465,909	73,465,909

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

Borrowing facilities

The Company had borrowing facilities of which the undrawn amount available at the year-end was:

	2012 DKK	2011 DKK
Expiring within one year	0	27,531,915
In one to five years	0	0
Over five years	0	0
	0	27,531,915

The Company has one borrowing facility of DKK 0MM. At year end 2012 the total loans amounted to DKK 78.0MM (2011: DKK 105.0MM).

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

	2012 Carrying amount DKK	**2012 Estimated fair value DKK**	2011 Carrying amount DKK	2011 Estimated fair value DKK
Primary financial instruments held or issued to finance the Company's operations:				
Cash and short-term deposits	8,527,486	8,527,486	73,465,909	73,465,909
Bank loans and draft facility	19,500,000	19,500,000	39,968,085	39,968,085
Long term debt	58,500,000	58,500,000	65,000,000	65,000,000
Derivative financial instruments held or issued to hedge the Company's exposure on expected future sales:				
Forward commodity contracts – net	0	0	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.

21 Deferred tax

DKK 1,000	**2012**	2011
Deferred tax liabilities	0	0
Deferred tax assets*	0	0
	0	0

*See note 10 for net defered tax assets not provided for.

22 Share capital - Company

DKK 1,000	**2012**	2011
Balance at 1st January	262,670	262,670
Shares issued	0	0
Balance at 31st December	**262,670**	262,670

Ordinary Shares:

	2012 100 DKK shares	**2012 DKK**	2011 100 DKK shares	2011 DKK
Authorised	3,240,951	324,095,100	3,240,951	324,095,100
Called-up, issued, and fully-paid	2,626,703	262,670,300	2,626,703	262,670,300

23 Reconcilliation of movements in shareholders' funds

DKK 1,000	**2012**	2011
Opening shareholders' funds	**275,629**	316,304
Own shares bought	-9,450	-36,036
Own shares sold	36,756	8,730
Capital gains/costs in connection with share transactions	-3,627	0
Share based payments schemes - LTIP and bonus	731	0
Loss for the year	-16,602	-13,368
Net increase in shareholders' funds	**7,808**	-40,674
Closing shareholders' funds	**283,438**	**275,629**

24 Own shares

DKK 1,000	**2012**	2011
At 1st January	27,306	0
Acquired in the year	9,450	36,036
Sold in the year	-36,756	-8,730
At 31st December	**0**	27,306

Atlantic Petroleum has acquired 52,500 and sold 183,014 of its own shares during 2011 (2011: aquired 173,250/sold 42,736)

25 Analysis of changes in net cash/debt

DKK 1,000	Note	**2012**	2011
a) Reconciliation of net cash flow to movement in net debt/cash:			
Movement in cash and cash equivalents		-60,320	-4,619
Proceeds from short-term loans		20,468	24,835
Proceeds from long-term loans	15	6,500	32,500
Increase/decrease in net cash in the period		**-33,352**	52,717
Opening net cash		-36,121	-88,837
Closing net cash/debt		**-69,473**	-36,121
b) Analysis of net cash/debt:			
Cash and cash equivalents	15	8,527	68,847
Short-term debt	15,17	-19,500	-39,968
Long-term debt		-58,500	-65,000
Total net cash/debt		**-69,473**	-36,121

26 Capital committments and guarantees

In connection with Atlantic Petroleum UK Ltd.'s assets in the UKCS, P/F Atlantic Petroleum has pledged as security to the UK Department of Energy and Climate Change:

1. A security that P/F Atlantic Petroleum can always provide the necessary finance to enable Atlantic Petroleum UK Ltd. to fulfil its obligations in the UK area.
2. A security that P/F Atlantic Petroleum will not change Atlantic Petroleum UK Ltd.'s legal rights, so that this company can not fulfil its obligations
3. A security that if Atlantic Petroleum UK Ltd. fails to fulfil its financial obligations, P/F Atlantic Petroleum will undertake to do so.

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations which Atlantic Petroleum UK Limited has in connection with purchase of assets from Premier Oil in accordance with the “Sales and Purchase Agreement".

P/F Atlantic Petroleum has provided a parent guarantee to fulfill all obligations which Atlantic Petroleum UK Limited has in connecton with the farm-in agreement with Summit Petroleum Limited regarding UK Licence P1556, block 29/1c

P/F Atlantic Petroleum has provided a parent guarantee to fulfill all obligations which Atlantic Petroleum UK Limited has in connecton with the farm-in agreement with Iona Energy Company Limited regarding UK Licence P1606, block 3/3b and P1607, block 3/8d.

In its participation in Joint Ventures, Atlantic Petroleum and Joint Venture Partners are jointly liable to all commitments made by the Joint Venture.

The Group had capital expenditure committed to, but not provided for in these accounts at 31st December 2012 of approximately DKK 37.0MM. The capital expenditure is in respect of the Group's interests in its exploration and development production licences.

P/F Atlantic Petroleum has a loan facility with the following bank: P/F Eik Banki of DKK 78.0MM. The loan will be repaid in four equal installments due at 11th december each year. The loan will be fully repaid in 2016.

In connection with the loan facilities, P/F Atlantic Petroleum has pledged as security to the lenders:
(i) its shares in its wholly owned subsidiary Atlantic Petroleum UK Limited; and
(ii) its inter-company receivables from Atlantic Petroleum UK Limited
(iii) that before P/F Atlantic Petroleum initiates new/other investments, Eik Banki P/F shall approve these
(iv) P/F Atlantic Petroleum has provided the lenders with a negative pledge.
(v) to the extent possible have charges over insurance coverage’s of the lenders and it subsidiaries without any undue delay

In relation to the development of the Orlando field in the UK, P/F Atlantic Petroleum has issued a parent guarantee on behalf of its fully owned subsidiary Volantis Exploratoin Limited.

In relation to the Norwegian fully owned subsidiary Atlantic Petroleum Norge AS has entered into a NOK 300MM bank credit facility with DnB P/F Atlantic Petroleum has issued a parent guarentee to DnB.

27 Related party transactions

During the year the Company received income of DKK 15.9MM (2011: DKK 14.7MM) from wholly owned subsidiary undertakings in respect of management charges. Amounts due to the Company by subsidiaries amounts to DKK 25.8MM (2011: DKK 6.2MM) and amounts owed to subsidiaries 56.8MM (2011: DKK Nil). No interest is calculated on inter-company balances. Included in the inter-company accounts is DKK 90,000,000 that has been set aside to potential future losses. The parent company has in 2011 converted the intercompany balance with Atlantic Petroleum UK Limited to Equity.

Apart from the fact that no interest has been calculated on the inter-company balances, all transaction between related parties are based on arms length.

The Parent Company has provided guarantees on behalf of Atlantic Petroleum UK Ltd. See note regarding capital commitments and guarantees.

As part of the bonus of DKK 900,000 to the CEO he receives 1,521 shares at a share price of DKK 172.55.

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