ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

ANNUAL AND CONSOLIDATED REPORT AND ACCOUNTS

YEAR TO 31ST DECEMBER 2014

Faroese Company Registration No/VAT No: 2695/475653

VISION/MISSION

Our vision is to be recognised as a Company and partner of choice in the European oil and gas industry for delivering on our promises, pioneering new opportunities and approaches and bringing value to our industry, shareholders and community.

We strive to make long-term difference in our industry and earn the trust of our partners and shareholders.

HIGHLIGHTS

2014 PERFORMANCE

- **Produced 586,000 boe**
- **Commercial gas discovery on Pegasus West in September 2014 – Tested at 15,000 boepd**
- **Gas discovery on Norway PL528/PL528B Ivory – Results being analysed assessing commerciality**
- **EBITDAX of DKK 124MM**
- **Contract extensions and future opportunities on Ettrick and Chestnut**
- **3 exploration/appraisal well successes**
- **Doubling of contingent resources**
- **Response to low oil price environment**
  - **Re-focussing exploration: From 5 countries to 3**
  - **Deferral of 2015 exploration drilling programme to manage costs**
  - **Rationalise exploration portfolio**
  - **Negotiating cost reductions across the supply chain**
  - **Commenced sales and farm out process of certain assets**
  - **Overhead reduction including the closure of the Faroes office**
  - **Pursuit of new funding options**

2015 TARGETS

PRODUCTION	DEVELOPMENT	EXPLORATION	FINANCIAL
560,000 boe	Orlando development for 2016 first oil	Drill Norway Roald Rygg Well on PL602	**Positive EBITDAX**

PERFORMANCE SUMMARY

KEY NUMBERS/FIGURES DKK 1,000	**3 months 31st Dec 2014**	**3 months 31st Dec 2013**	**Full year 31st Dec 2014**	**Full year 31st Dec 2013**	Full year 31st Dec 2012	Full year 31st Dec 2011	Full year 31st Dec 2010
INCOME STATEMENT							
Revenue	**81,558**	89,126	**343,146**	417,421	596,745	434,831	422,470
Impairment on producing assets	**209,085**	0	**209,085**	0	0	0	0
Gross loss/profit	**-264,747**	25,952	**-186,856**	195,655	321,857	173,634	166,030
Exploration expenses	**-58,338**	-5,872	**-214,862**	-119,647	-27,209	-17,812	-370
taxes)	**-314,444**	1,267	**-454,073**	-1,629	246,771	126,319	147,331
EBITDAX (EBIT before depreciation & amortisation and exploration expenses)	**21,412**	39,710	**124,358**	223,748	412,452	259,681	276,806
Depreciations	**125,613**	32,571	**154,484**	105,729	138,472	115,551	129,105
Loss/profit before taxation	**-325,808**	-3,848	**-484,215**	-11,623	227,658	127,526	163,083
Loss/profit after taxation	**-141,755**	-1,649	**-218,257**	-25,674	66,660	66,635	109,107
FINANCIAL POSITION							
Non-current assets	**698,261**	921,804	**698,261**	921,804	733,982	576,967	513,298
Current assets	**374,808**	315,375	**374,808**	315,375	387,834	199,976	158,524
Total assets	**1,073,068**	1,237,179	**1,073,068**	1,237,179	1,121,816	776,943	671,821
Current liabilities	**262,080**	141,541	**262,080**	141,541	149,479	106,917	113,458
Non-current liabilities	**387,807**	498,293	**387,807**	498,293	435,196	240,719	180,463
Total liabilities	**649,887**	639,834	**649,887**	639,834	584,676	347,636	293,921
Net assets/equity	**423,181**	597,345	**423,181**	597,345	537,140	429,307	377,901
CASH FLOW, CASH & DEBT							
Cash generated from operations	**103,765**	90,705	**96,795**	219,146	367,561	269,934	239,686
Change in cash and cash equivalents	**-37,043**	140,842	**-69,426**	-54,183	127,018	29,048	55,054
Cash and cash equivalents	**111,989**	184,613	**111,989**	184,613	242,521	114,313	54,532
Bank debt - excluding exploration finance facility	**58,500**	78,000	**58,500**	78,000	78,000	104,968	162,303
FINANCIAL STATEMENT RELATED FIGURES							
Gross Margin % (Gross profit or loss / Sales)	**-324.6%**	29.1%	**-54.5%**	46.9%	53.9%	39.9%	39.3%
EBIT Margin % (Operating Margin) (EBIT/Sales)	**-385.5%**	1.4%	**-132.3%**	-0.4%	41.4%	29.1%	34.9%
EBITDA Margin % (EBITDA/Sales)	**-45.3%**	38.0%	**-26.4%**	24.9%	64.6%	55.6%	65.4%
Return on Equity (ROE) (%) (Profit for the period excl. Minorities/Average Equity excl. Minorities)	**-28.3%**	-0.3%	**-42.8%**	-5.0%	13.8%	16.5%	33.2%
SHARE RELATED FIGURES							
Earnings per share Basic DKK	**-38.33**	-0.57	**-59.03**	-9.54	26.68	26.19	41.54
Earnings per share Diluted DKK	**-38.33**	-0.58	**-59.03**	-9.67	26.54	26.19	41.54
Share price at end of period DKK/Share OMX CPH/IS & Oslo Stock Exchange (from 3Q 2013)	**42/- & 45**	129/145 & 128	**42/- & 45**	129/145 & 128	184/184	157/153	217/217,50
OTHER KEY NUMBERS/FIGURES							
Full time equivalent positions	**27**	30	**27**	27	16	11	8

CHAIRMAN'S STATEMENT

2014 was a difficult year for the oil industry and a challenging year for Atlantic Petroleum as the results today demonstrate. The sharp decline in oil prices in the final months of 2014 has had a significant impact on the upstream sector and Atlantic Petroleum is no exception.

Since 2011 the price of oil on average has traded above USD 100 per barrel supported by increasing demand in China and emerging markets. This has led to a significant increase in the global production of oil from approximately 88 MMbbls/d in 2011 to more than 93 MMbbls/d in 2015. The high prices have spurred companies to start drilling for new, more costly, hard-to-extract crude in shale formations, deep sea and oil sands leading to rapidly increasing supplies.

The continued growth of shale oil in North America has been a significant factor to the current over supply of crude into the market. Production has grown in this region by approximately 4 MMbbls/d in the space of just 4 years. This is the equivalent of adding a new OPEC country into the supply mix. The surplus crude in the market and OPEC's decision to maintain its market share has resulted in the current market weakness. The low oil price has already led to a significant pullback from high cost projects across the globe, which is expected to impact oil supply in the coming years.

The strategy of Atlantic Petroleum had been to focus on growth and strengthen both near term production and cashflow combined with the longer term goal of gaining exposure to high impact exploration which has the potential to transform the Group.

With oil prices now hovering around the average cost of production, the strategy has required adjustment; the focus has shifted to cost cutting and asset sales. The Group has taken steps in reducing costs in its operations and will also be looking at monetizing assets, combined with other options to ensure funding of core development projects. This is evidenced by the closure of the Tórshavn office which was a difficult decision for us as a Faroese company, but it is a necessary response to the current severe industry environment and the lack of remaining upstream potential in Faroese waters in the short term. The industry as a whole is responding in a positive and realistic manner; several of our key suppliers have entered into negotiations to re-structure contracts. In March of this year we announced cost and rate reductions on the Ettrick and Blackbird fields.

It is my firm belief that the companies that survive the present glut in the market will be rewarding for investors during the subsequent oil price recovery, as the cost base will be significantly lower across the entire production chain.

Even though the recent developments in the energy prices somewhat overshadowed other events, Atlantic Petroleum made a number of positive strides in 2014. Atlantic Petroleum doubled its contingent resources in 2014 and increased prospective resources.

Pegasus West was a commercial discovery – one of the best in the UK. Our Norway portfolio is being built up. The Company has recently concluded a commercial agreement with Statoil on a number of licences in the Norwegian Sea which illustrates the quality of the licences that Atlantic Petroleum has secured. Norway thus is about securing long term growth opportunities.

In the short term, Orlando is still the most important asset in the Company. Funding will be the key issue in 2015. Project economics are still robust even in the current price environment.

Finally it is important again to remind ourselves, that Atlantic Petroleum has low debt and commercial flexibility in the asset base, which is of essence should oil prices continue at present levels for much longer.

Birgir Durhuus
Chairman of the Board
Copenhagen 25th March 2015

CHIEF EXECUTIVE OFFICER'S STATEMENT

A UNIQUE OPPORTUNITY SET

2014 was a positive year in many areas for Atlantic Petroleum. The Group made a commercial gas discovery in the UK - Pegasus West tested at over 90MMscf/d which makes it one of the most significant discoveries in the UK in 2014. In addition to this we made two discoveries in Norway that are being further analysed.

The contingent resources increased significantly and the exploration portfolio was further high graded with new high potential licences.

2014 has also been a challenging year. The business environment has deteriorated significantly in terms of the oil price and this has had a large impact on Atlantic Petroleum's balance sheet. We have written down DKK 209.1MM on our producing assets as a direct consequence of the low oil prices.

The near term outlook on the oil price remains bearish and we have taken steps to minimise our exploration spending and have made G&A savings in the Company. The activity is now focusing purely on Norway and the UK. The Faroese licences and the Netherlands licences have been relinquished and the Faroes office is being closed.

The current business environment is challenging for producing assets but it also brings opportunities for cost savings. We see contractor rates and rig rates coming down, which means that developments become cheaper and exploration wells will become cheaper to drill. Our operators and our contractors are addressing the challenges in a co-operative spirit with the common goal of reducing costs on our producing assets where significant progress has been made on cost savings and efficiency gains.

The UK Government's recent announcements of various incentives for the industry including a reduction in Supplementary Tax from 32% to 20% and the introduction of a universal investment allowance is very positive for the industry. It also demonstrates that the UK Government can respond quickly to macro economic changes.

We are prioritising our efforts. Atlantic Petroleum has a robust programme in 2015 in spite of spending less on exploration in the short term. We have the ongoing Orlando development and we will be drilling one exploration well this year on Norway PL602. The well follows a farm down deal with Statoil where we have farmed down our stake in PL603 for cash which is expected to cover our 2015 exploration spend in Norway. The deal shows the quality of Atlantic Petroleum's portfolio and we look forward to getting the result of the Roald Rygg well on Norway PL602.

We are focused to maintain and grow the potential in our portfolio and to deliver the production potential over the next 2 - 3 years. We are maturing development plans for the Pegasus discovery. The development of Perth and Kells oil fields remain under consideration as does the potential further development of the Chestnut oil field. Nonetheless, the current price environment is a challenge and to finance all the development options in our portfolio will be difficult Financing and portfolio optimisation will be key going forward. Atlantic Petroleum has a portfolio that can deliver multiple projects which could produce at over 6,000 boepd in 2017/18.

The opportunity set is quite unique with a large portfolio and low debt. The building blocks for a mid-size North Sea exploration and production company are in place.

Ben Arabo
CEO
Tórshavn 25th March 2015

A EUROPEAN OIL COMPANY

ATLANTIC PETROLEUM GROUP STRUCTURE

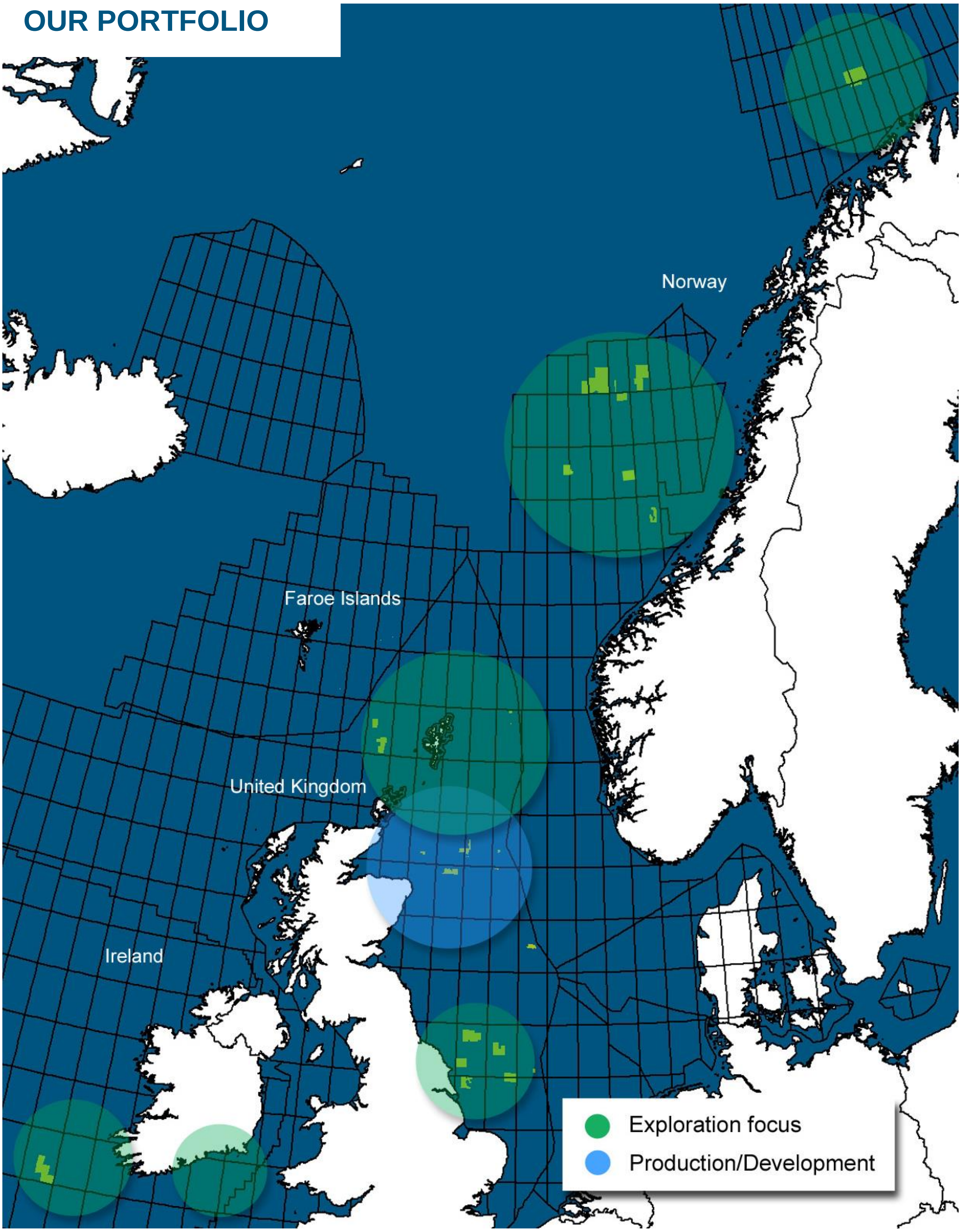
The Atlantic Petroleum Group comprises the Faroes based parent company P/F Atlantic Petroleum and its five 100% owned subsidiaries in UK, Norway, Ireland and Netherlands.

P/F Atlantic Petroleum is listed on NASDAQ OMX Copenhagen under the ticker ATLA DKK and on Oslo Stock Exchange under the ticker ATLA NOK.

OPERATIONS IN PROLIFIC AREAS

NORTH WEST EUROPE FOCUSED

OUR PORTFOLIO



SUBSTANTIAL PIPELINE OF OPPORTUNITIES

PROJECT PORTFOLIO

Atlantic Petroleum's portfolio of assets covers the full exploration and production spectrum, from frontier exploration to mature production. We have made large efforts in the last two years to increase and highgrade the number of opportunities available, specifically in exploration and development. As a result of this work the Company is in the process of directing its efforts to operations in UK, Norway and Ireland leading to a withdrawal from activities in the Faroes and Netherlands.

BROAD EXPOSURE TO NW EUROPE EXPLORATION IN EXISTING PORTFOLIO

At report date a total of 37 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	0.6	8.27				
P273, P317 & P1580	20/2a,3a,3f	UK	Blackbird Field	Nexen	0.4	9.40				
P1606	3/3b	UK	Orlando Field	Iona	3.8	25.00				Est. End 2016
P1607	3/8d	UK	Kells Field	Iona	2.2	25.00			Near	Est. End 2017
P218 & P588	15/21a,c	UK	Perth Field [1]	DEO	6.4	13.35			Near	Est. TBA
P218	15/21a	UK	Dolphin Discovery	DEO	0.8	13.35			Near	Est TBA
P1724	43/13b	UK	Pegasus West Discovery	Centrica	1.2	10.00			Near	Est. 2017
P1724	43/13b	UK	Pegasus North Discovery	Centrica	1.7	10.00			Near	Est TBA
P2218	20/4a	UK	Polecat Discovery	Parkmead	10.4	50.00				
P2218	20/3c	UK	Marten Discovery	Parkmead	3.4	50.00				
P273	20/3a	UK	Bright Discovery	Nexen	1.5	8.27				
P1610	13/23a	UK	Liberator extension Discovery	Dana	1.9	20.00				
P1611	13/23a	UK	Wester Ross Discovery	Dana	0.5	20.00				
P218	15/21a	UK	North East Perth Discovery	MOL	1.6	13.35				
P218 & P1655	15/21a Gamma subarea & 15/21g	UK	Gamma/Spaniards Discovery	MOL	0.6	3.24				
P1673	44/28a	UK	Fulham & Arrol Discoveries	Centrica	0.4	5.00				
P1727	43/17b,18b	UK	Harmonia Flank & Browney Discoveries	Centrica	-	10.00				
P1933	205/23a	UK	Bombardier Discovery	Parkmead	-	43.00				
SEL 2/07	50/11 (part)	IR	Hook Head Discovery	Providence	6.4	18.33				
SEL 2/07	49/9 (part)	IR	Helvick Main Discovery	Providence	0.4	18.33				
SEL 2/07	50/5 (part) & 50/7 (part)	IR	Dunmore Discovery	Providence	0.1	18.33				
PL659	7121/3,7122/1,2,7221/10,12,7222/11,12	NO	Langlitinden Discovery	Det norske	1.8	10.00				
PL659	7121/3,7122/1,2,7221/10,12,7222/11,12	NO	Caurus Discovery	Det norske	2.1	10.00				
PL528 & PL528B	6707/8,9,10,11	NO	Ivory Discovery	Centrica	2.0	9.00				
P588	15/21c	UK	North West Perth prospect	DEO	4.8	13.35				
P218	15/21a	UK	East Perth Prospect	DEO	0.6	13.35				
P1610	13/23a	UK	Albacora Prospect	Dana	-	20.00				
P1610	13/23a	UK	Minos Prospect	Dana	-	20.00				
P1724	43/13b	UK	Pegasus South & East Prospects	Centrica	0.6	10.00				
P1906	47/3g	UK	Apollo North	Centrica	0.4	10.00				
P1906	47/2b, 7a	UK	Waterloo	Centrica	0.6	10.00				
P1906	47/2b	UK	Westminster	Centrica	0.5	10.00				
P1906	47/2b,7a	UK	Wallace South	Centrica	0.4	10.00				
P1906	47/2b	UK	Wallace North	Centrica	0.5	10.00				
P1933	205/24a,25a	UK	Eddystone Prospect	Parkmead	71.4	43.00				
P2069	205/12	UK	Davaar Prospect	Parkmead	47.7	30.00				
P2082	30/12c,13c,18c	UK	Skerryvore Prospect	Parkmead	4.9	30.50				
P2082	30/12c,13c,18c	UK	Skerryvore Chalk Prospect	Parkmead	20.1	30.50				
P2108	42/21,22a	UK	Prometheus Prospect	Centrica	2.9	20.00				
P2112	43/29a,30b, 44/4b,5a	UK	Badger Prospect	Centrica	-	20.00				
P2126	42/2b,43/3b,42/7,8b,9b	UK	Aurora Prospect	Centrica	6.2	10.00				
P2126	42/9b	UK	Braeburn Prospect	Centrica	9.6	10.00				
P2126	42/8	UK	Bonnie Brae Prospect	Centrica	2.3	10.00				
P2126	42/7, 8	UK	Eureka Prospect	Centrica	0.3	10.00				
P2128	43/12	UK	Andromeda North Prospect	Centrica	1.4	10.00				
P2128	43/12	UK	Andromeda South Prospect	Centrica	1.3	10.00				
P2154	14/25a	UK	Perth West Prospect	DEO	1.5	13.35				
PXXXX	48/4a	UK	Badger Prospect	Parkmead	1.5	50.00				
FEL 3/04	44/24,29	IR	Dunquin South Prospect	ExxonMobil	19.5	4.00				
PL704	6704/12, 6705/10	NO	Kjerag Prospect	E.ON Ruhrgas	-	30.00				
PL705	6705/7 (part),8,9,10	NO	Surna Prospect	Repsol	17.4	30.00				
PL763	6606/2,3	NO	Karius Prospect	Repsol	31.2	30.00				
PL763	6606/2,3	NO	Baktus Prospect	Repsol	28.6	30.00				
PL602	6706/10,11,12	NO	Roald Rygg Prospects	Statoil	11.6	10.00				
PL659	7121/3,7122/1,2,7221/10,12,7222/11,12	NO	Snøtinden Prospects	Det Norske	1.5	10.00				

[1] Joint studies are ongoing for a joint Perth/Dolphin/Lowlander development.

Abbreviations:
MMBoe = million barrels of oil equivalents

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

* Gaffney, Cline & Associates CPR as at 31st December 2014. P50 Reserves for Development & Production assets. Contingent Resource or Net Unrisked Prospective resources for Exploration & Appraisal assets.

A YEAR OF NEW RESOURCES

DEVELOPMENT & PRODUCTION

PRODUCING ASSETS

In 2014, Atlantic Petroleum produced a total of 586,000 boe from the Chestnut, Ettrick and Blackbird fields, which equates to an average daily production of 1,605 boepd. This is slightly above the revised production guidance of 1,520 – 1,600 boepd but lower than the original production guidance of 1,650 – 1,900 boepd.

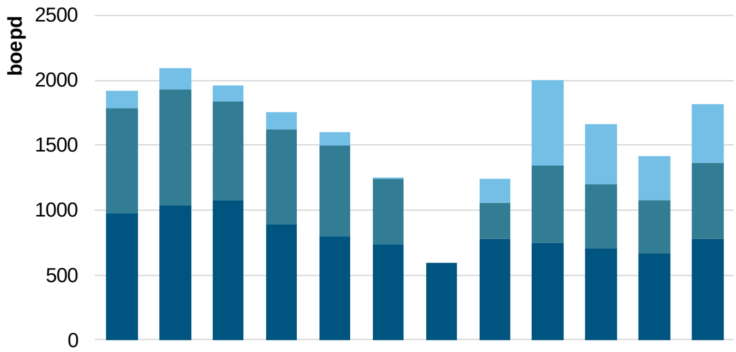
Chestnut remains the main producing asset for Atlantic Petroleum, contributing approximately half of the total production in 2014. Production during the year was slightly impacted by scale squeeze operations which had not been originally planned. Recent studies performed by the operator have shown that significant volumes are still to be produced from the field. In May 2014, it was announced that Centrica Energy on behalf of the Chestnut joint venture had entered into a further agreement with Teekay Hummingbird Production Limited, to secure the use of the Hummingbird Spirit FPSO until end March 2017 - thereby extending the Chestnut field life by a further year. Atlantic Petroleum believes field life will extend beyond the current FPSO contract and the operator is currently evaluating possibilities for infill drilling to add significant additional reserves along with other long term options for the field. The operator is working with its suppliers to identify and secure means to reduce the operating costs of the field.

The Aoka Mizu FPSO, which provides production services to Ettrick and Blackbird underwent an extended shut-down over the summer to help extend field life. In addition, an option was exercised to extend the Aoka Mizu contract for the first option period, securing services to March 2016. During 2014, the operator commenced negotiations with Bluewater for a further contract extension. At the time of writing, the contract amendment had been signed for the second option period, which will allow the use of the Aoka Mizu beyond March 2016 and combined with other cost saving efforts reduce the overall operating expenditure by a significant amount.

A second Blackbird production well was spudded in April and was successfully brought on-stream in August, after the Aoka Mizu shut-down. This was slightly later than budgeted and contributed to the final production being behind the original plan.

The Ettrick field production was relatively stable and within expectations. The joint venture is investing in a gas import system on the Aoka Mizu FPSO which will help maintain the good operating efficiency on the FPSO.

At year end 2014, 2P reserves (as reported by GCA CPR) stood at 5.4 MMBoe (excluding Kells). This does not include any recognition of the reserves possible from future Chestnut infill drilling.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Blackbird	129	167	130	126	105	12	0	186	654	460	339	453
Ettrick	815	894	759	732	695	501	0	275	593	487	412	586
Chestnut	977	1033	1076	894	804	742	598	778	753	712	666	776

DEVELOPMENT & NEAR DEVELOPMENT

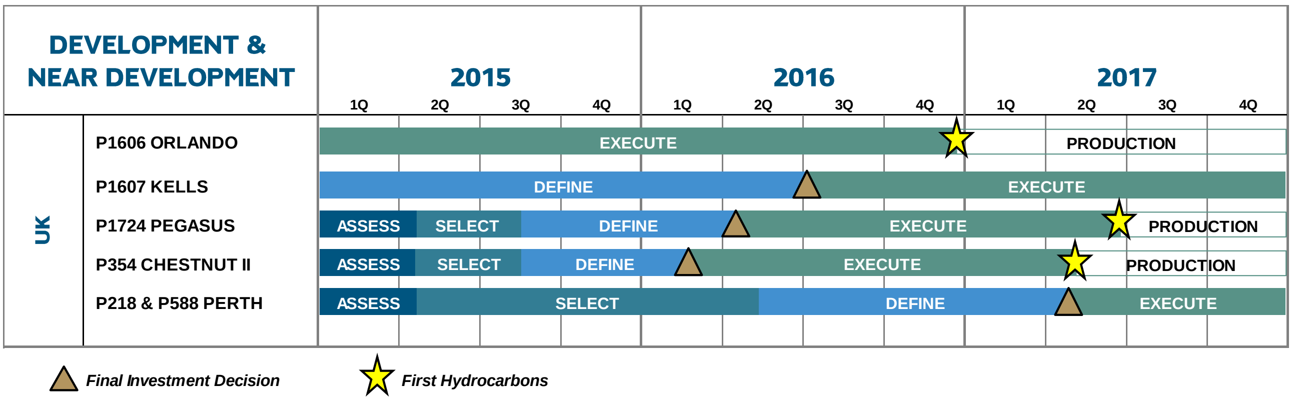
Significant progress was made with P1606 Orlando (25%) development during the year when the commercial agreements to allow the tie-in and export of Orlando fluids through the Ninian Platform were signed. Works are progressing on the Ninian platform and Iona, the Orlando operator, is re-examining the project costs with an aim to benefit from reducing contractor prices. The expected initial rate from Orlando is 10,000+ bopd gross and according to the latest Gaffney Cline & Associates CPR report the Orlando field contains 3.84MMBoe resources net to Atlantic Petroleum (25% Working Interest).

Operator Iona continued with pre-sanction work on the P1607 Kells field in 2014, but the focus for the year has been on Orlando. Iona's well publicized problems with meeting the covenants under its Bond Financing have hampered our efforts to secure financing for the development. Iona's announcement on March 12th of a Summons to its Bondholders is likely to bring a resolution to its problems and should remove some of the impediments to securing finance for ourselves.

As announced in November 2014, UK P1724/7 Pegasus West (10%) appraisal well in the SNS Gas Basin encountered three high quality gas bearing sands and was tested at rates of over 90MMscf/d. The well has been suspended as a future producer. Operator Centrica is working on a development scheme for the Pegasus West gas discovery in which the Company has a 10% interest. Planning is underway with the aim of reaching Final Investment Decision on the development in 1Q 2016 with first gas in mid-2017. The well lies adjacent to the existing Pegasus North and Browney discoveries and the area contains several other undrilled prospects, including the Andromeda prospect. As well as the development, the joint venture is evaluating the optimal forward programme for future exploration and appraisal. Gaffney Cline & Associates (CPR end 2014) have indicated that the Pegasus discoveries have gross 2C resources of 176Bcf (17.6Bcf net to Atlantic Petroleum).

Joint studies to determine the feasibility of a joint Perth/Dolphin/Lowlander (13.35%) development were undertaken by the Perth and Lowlander groups. The concept is to bring together a series of sour oil discoveries in the Moray Firth area and jointly develop them through an FPSO. It is estimated that around 1Bn barrels of STOIIP are stranded in the sour oil discoveries of the Moray Firth.

As part of the efforts to unlock the sour oil potential, the Company applied for and was awarded a 50% non-operated interest in the Polecat and Marten licence which is located in the Ettrick area of the Moray Firth. With Operator Parkmead, the Company will evaluate the development options for the several discoveries contained in and around the licence. In Ireland, Licence SEL 2/07 the group has applied to the PAD to convert the licence into a Licence Undertaking where development options will be evaluated.



At year end 2014, 2C contingent resources (as reported by GCA CPR) stood at 45.8MMBoe (including Kells) which is more than double the YE 2013 estimate.

SUCCESSFUL YEAR WITH THE DRILL-BIT

EXPLORATION & APPRAISAL SUCCESS

2014 proved a very successful year with the drill-bit for Atlantic Petroleum with the announcement of three discoveries, two in Norway and one in the UK.

In November 2014, the Company announced the results of the P1724/7 Pegasus West well, as described above.

Earlier in the year, the Company announced that the Norwegian PL659 Langlitinden well was an oil discovery but reservoir properties at the drill location were not interpreted to be sufficient to merit testing. Further analysis of the discovery is ongoing and new 3D has been acquired on this oil prone licence in the Barents Sea to evaluate numerous other prospects.

Atlantic Petroleum farmed in to the licence PL528B in April 2014 and acquired 15% of the participating interest in PL528/528B. The Company subsequently farmed down 6% to Repsol Exploration Norge prior to drilling the Ivory well. At the end of 2014, it was announced that the well had discovered gas close to the Aasta Hansteen development. The results of the well are still being reviewed by the partnership but the proximity of the discovery to the ongoing development means the economic threshold volumes required are relatively low.

The Company had one disappointing exploration well result during the year, when the Faroes Licence 006, Blocks 6104/16a,21, 6105/25 Brugdan II (1%) re-entry failed to reach its intended target due to operational challenges.

IMPROVING FOCUS OF EXPLORATION

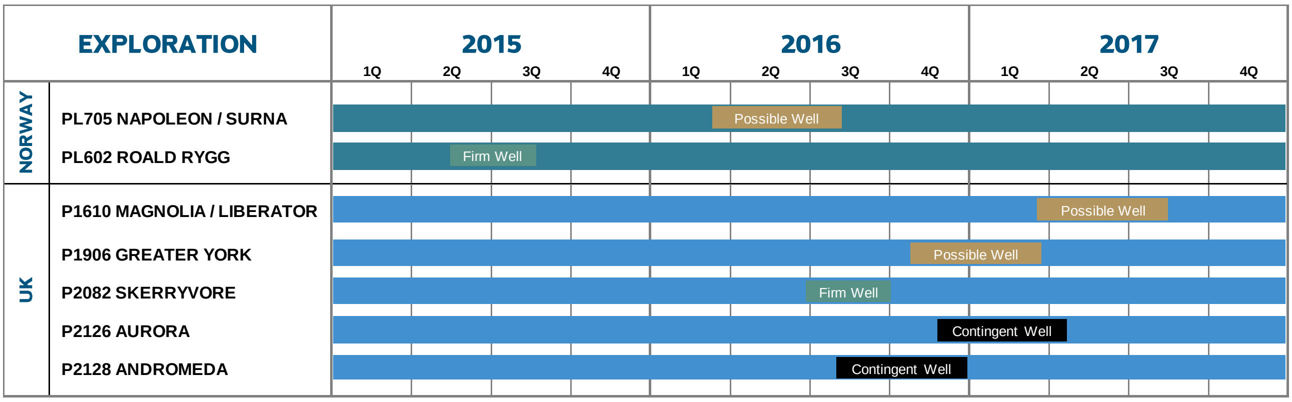
2014 saw Atlantic Petroleum continue to high grade its portfolio of exploration and appraisal licences. Several non-core licences were either relinquished or handed back, including the E-blocks in the Netherlands, Licences 006 and 016 in the Faroes, PL559 and PL270B in Norway, and 7 licences in the UK. The Company has reduced its active exploration portfolio from 5 countries to 3. By year end 2014 the Group held a total of 38 licences. By report date this number had moved to 37 licences.

The Company added 4 new licences on the highly prospective Norwegian Continental Shelf during 2014, and announced in January 2015 it was offered 2 further licences in the APA 2014 Licensing round. Of special note is the award of PL796 , which is located in the Norwegian Sea on the Halten Terrace. The licence surrounds the Mikkel Field and in addition to several prospects and leads identified, the licence also contains the 6407/5-2 S discovery that is being re-evaluated. The Company also continues to focus efforts in Norway around the Aasta Hansteen development, which is the area where 3 of the new awards were made. In the 28th UK Continental Shelf Licensing Round, the Company was offered for award six new licences. Several of these are extensions to existing licences and the Company has re-acquired the Polecat and Marten discoveries, which were relinquished at the end of 2013.

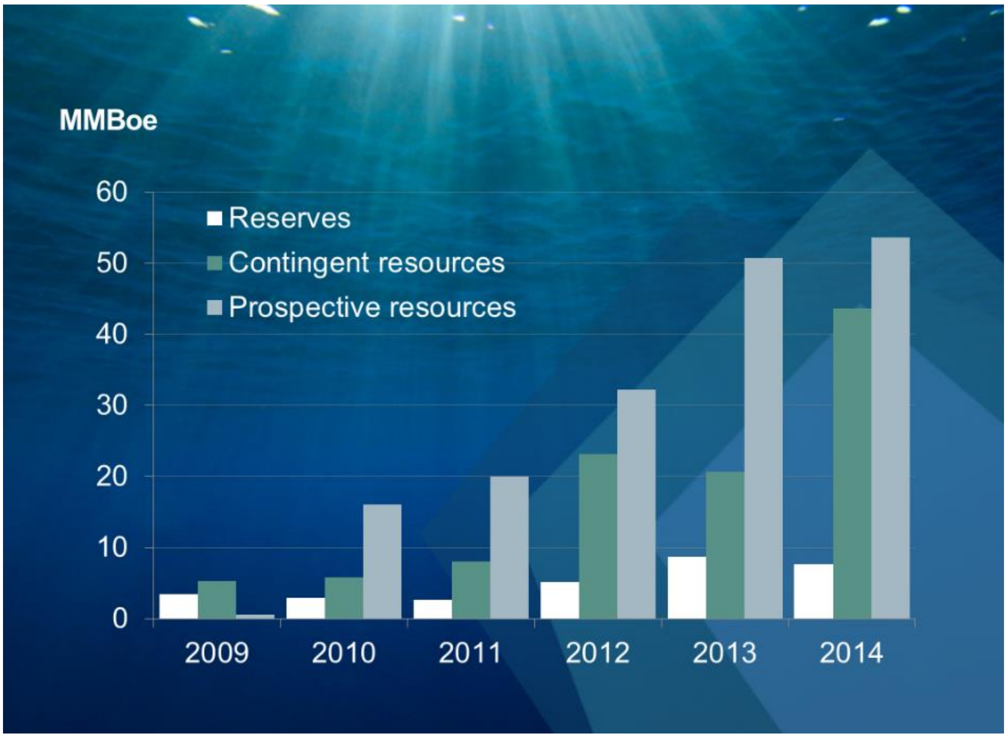
In light of the deteriorating oil price in the second half of 2014, the 2015 exploration programme was significantly reduced in scope to manage costs. The Company has been successful in deferring several wells until 2016 and beyond and has only one well planned for 2015 at the time of writing, which is the Roald Rygg well in PL602 Norway. Also to optimise costs, the Company successfully farmed down 6% ownership in PL528B to Repsol Exploration Norge. In February 2015, the Company announced two deals with Statoil which will cover the costs of the Roald Rygg well and other exploration costs in Norway.

Atlantic Petroleum's current ongoing liabilities include: Skerryvore in P2082 which is the only firm commitment well in the UKCS portfolio and two contingent commitment wells on P2128 Andromeda and P2126 Aurora.

The Norway PL602 Roald Rygg well is the only firm well on the drilling schedule in 2015. The UK Skerryvore well P2082 is the only firm well in 2016 but it is expected that PL704 Napoleon/Surna, P2126 Aurora, P2128 Andromeda and P1906 Greater York will generate viable exploration targets for drilling in 2016-17. An appraisal well on the Liberator discovery in P1610 is also likely in the same time frame. Work continues on the other licences which may well generate drillable prospects both in the UK and Norway.



At year end 2014, Risked Prospective resources (as reported by GCA CPR) stood at 53.6 MMBoe - an increase of approximately 6% on YE 2013.



DIRECTORS’ REPORT

Financial Review

Consolidated Income Statement

The result after tax for 2014 was a net loss of DKK 218.3MM (2013: Loss of DKK 25.7MM) and loss of DKK 141.8MM for the last quarter of 2014 (4Q 2013: Loss of DKK 1.6MM). The loss in 2014 was principally caused by impairment charges of DKK 209.1MM on our producing fields, arising from current low oil price environment and the exploration expenditure of DKK 214.9MM related to unsuccessfull exploration and relinquishment of licences. In 2014 net oil production to Atlantic Petroleum from the Ettrick, Chestnut and Blackbird fields was 586,000 boe (2013: 720,000 boe).

Operating profit (EBIT) was a loss of DKK 454.1MM in 2014 (2013: Loss of DKK 1.6MM).

At the outset of 2014 the Company provided a guidance on expected earnings before interest, taxes, depreciation, amortisation and exploration expenses (EBITDAX) and production of oil equivalents (boe) in 2014. Guidance on production was in the range 600,000 – 700,000 boe (1,650 to 1,900 boepd). In November 2014 the guidance on production was revised to 555,000 - 585,000 boe. Full year production was 586,000 boe, slightly above revised guidance due to the scale squeeze operations on Chestnut being deferred into 2015. The range for EBITDAX was DKK 125.0MM - 175.0MM. EBITDAX of DKK 124.4MM was slightly below the guidance provided largely as a result of the weakening oil price.

Revenue generated from sale of hydrocarbons in 2014 was DKK 343.1MM (2013: DKK 417.4MM). Average realised oil price was 101.0 USD/bbl (2013: 109.2 USD/bbl).

Cost of sales amounted to DKK 530.0MM (2013: DKK 221.8MM). Cost of sales relates usually primarily to the operating cost of the Hummingbird and Aoka Mizu FPSO vessels and depreciation of producing fields but also cost related to sale of hydrocarbons. In 2014 impairment on producing assets amounted to DKK 209.1MM (2013: DKK Nil).

Gross loss was DKK 186.9MM in 2014 (2013: Profit of DKK 195.7MM).

Exploration cost amounted to DKK 214.9MM in 2014 (2013: DKK 119.6MM). The exploration expenditures written off in 2014 relate mainly to the impairment of the Norwegian Langlitinden well costs, Orchid in the UK and the relinquishement of the Faroese licences.

General and administration costs amounted to DKK 58.2MM in 2014 (2013: DKK 66.6MM) of this amount DKK 16.7MM is depreciation (2013: DKK 8.2MM). The depreciation is mainly on Norwegian seismic.

Other operating income arises from unrealised gains on futures contracts regarding oil price hedges. The unrealized gains or losses have in past years been accounted for under equity.

Interest revenue and finance gains totalled DKK 1.2MM (2013: DKK 1.5MM).

Interest expenses and other finance costs amounted to DKK 31.3MM (2013: DKK 11.4MM). Part of this amount is unrealized cost on intercompany accounts that have increased in the year.

Loss before taxation totalled DKK 484.2MM (2013: Loss of DKK 11.6MM).

In 2014 taxation amounted to an income of DKK 266.0MM (2013: Cost of DKK 14.1MM) due to deferred tax following the asset impairment charges.

The result after tax in 2014 was a loss of DKK 218.37MM (2013: Loss of DKK 25.7MM).

Basic earnings per share were DKK -59.03 (2013: -9.54). Diluted earnings per share were DKK -59.03 (2013: -9.67).

Consolidated Statement of Financial Position
Total assets at the end of 2014 amounted to DKK 1,073.1MM (2013: DKK 1,237.2MM).

Consolidated Assets

Goodwill amounted to DKK 51.9MM (2013: DKK 54.4MM) pertaining to 2012 acquisition of Emergy Exploration AS and Volantis Exploration Limited in 2011. 25% of the Goodwill in the Norwegian company was impaired.

Exploration and evaluation assets amounted to DKK 258.7MM at the end of 2014 (2013: DKK 216.7MM).

Development and production assets amounted to DKK 369.1MM at the end of 2014 (2013: DKK 621.5MM). The decrease in booked value reflects that all the producing assets in the UK were impaired in the year. The amount was DKK 209.1MM. The depreciation amounted to DKK 137.8MM (2013: DKK 97.6MM).

Inventories at year end 2014 are at DKK 17.0MM (2013: DKK 38.8MM). This represents the value of produced oil, not lifted, at the year end.

Trade and other receivables were DKK 81.4MM at the end of 2014 (2013: DKK 48.5MM). These mainly relate to ordinary contracts regarding sale of oil and gas in November and December 2014. All outstanding balances have been settled except for the Ettrick and Blackbird Trust accounts. Tax repayable in Norway amounted to DKK 145.4MM (2013: DKK 43.5MM).

Cash and cash equivalents were at DKK 112.0MM at the end of 2014 (2013: DKK 184.6MM).

Consolidated Liabilities

Total liabilities amounted to DKK 649.9MM at the end of 2014 (2013: DKK 639.8MM).

Total current liabilities totalled DKK 262.1MM at the end of 2014 (2013: DKK 141.5MM).

Short term debt amounted to DKK 165.7MM (2013: DKK 44.6MM). Trade and other payables amounted to DKK 92.2MM (2013: DKK 94.8MM). These relate primarily to the operator capex cost and also to the operating cost of producing fields.

Total non-current liabilities amounted to DKK 387.8MM at the end of 2014 (2013: DKK 498.3MM).

Deferred tax liability amounted to 161.4MM (2013: DKK 267.0MM). In 2014 Atlantic Petroleum had a UK and Norwegian deferred tax credit of DKK 112.7MM (2013: DKK 59.5MM).

Non-current liabilities also consist of a long term bank loan and of long term provision for abandonment costs for the Chestnut, Ettrick, Blackbird and Orlando fields and two UK exploration wells and the three wells in Ireland. The amounts provided have been included in the cost of development and production assets and in the cost of exploration and evaluation assets. Some of the Irish costs incurred pre 3Q 2009 were subsequently impaired.

Consolidated Equity
The total shareholders' equity amounted to DKK 423.2MM at the end of 2014 (2013: DKK 597.3MM).

Cash Flow
Net cash provided from operating activities amounted to DKK 96.8MM (2013: DKK 219.1MM).

In order to secure a more stable revenue stream, the Company engaged in oil price hedging during 2014. Consequently the Company realised a gain on oil price hedging of DKK 6.0MM (2013: Loss of DKK 0.5MM). In 2014, 41% of expected oil production was hedged at an average oil price of USD 109.6/bbl.

Capital expenditures in the period were DKK 272.3MM (2013: DKK 408.8MM) principally relating to investment in our producing and development assets.

Net cash proceeds from financing activities amounted to DKK 106.1MM (2013: Proceeds of DKK 135.4MM).

Cash and cash equivalents totalled DKK 112.0MM at the end of 2014 (2013: DKK 184.6MM).

Investments

The additional capitalised investments in exploration and appraisal in 2014 amounted to DKK 239.4MM (2013: DKK 150.0MM). Total booked value at the end of 2014 amounted to DKK 258.7MM (2013: DKK 216.7MM).

During 2014 Atlantic Petroleum continued investments in the Ettrick and Blackbird producing fields and also invested in the Orlando, Kells and the Perth field developments. The additional investments in development and production assets amounted to DKK 63.6MM in 2014 (2013: DKK 289.7MM). At the end of 2014, the booked value of development and production assets amounted to DKK 369.1MM (2013: DKK 621.5MM). The booked value is after deduction of depreciation and impairment of the producing fields.

Net Cash Position

At the start of 2014, the net cash position, excluding the exploration finance facility, amounted to DKK 106.6MM. At year end 2014 this had decreased to a net cash position of DKK 53.5MM (2013: DKK 106.6MM) comprising DKK 112.0MM (2013: DKK 184.6MM) of cash and cash equivalent balances, short term bank loans of DKK 19.5MM (2013: DKK 19.5MM) and a long term bank loan of DKK 39.0MM (2013: DKK 58.5MM).

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 2014:

- **On 21st January 2015** Atlantic Petroleum announced that Atlantic Petroleum Norge AS (a wholly owned subsidiary of P/F Atlantic Petroleum) had been awarded two new licences in the APA 2014 Licensing Round on the Norwegian Continental Shelf. This had been announced by the Norwegian Ministry of Oil and Energy. The licences PL796 and PL802 both contain prospects where nearby wells have proven hydrocarbons in the same geological play models. The mapped prospects have significant resource potential, and have been de-risked prior to application. Following the awards Atlantic Petroleum will have 10 licences on the Norwegian Continental Shelf, and this marks another significant milestone in the Company's effort to build a high value portfolio in Norway following the entrance to the Norwegian Shelf approximately two years ago.

- **On 30th January 2015** Atlantic Petroleum announced that the Company will re-locate its finance function to Bergen and close down the Torshavn office. In connection with this re-location the Company's CFO Mourits Joensen left the Company with immediate effect and Nigel Thorpe, currently Business Development Director, became Interim CFO. The transfer of the finance function will be fully implemented by the end of the second quarter.

- **On 23rd February 2015** Atlantic Petroleum announced that the Company had entered into a commercial farm-down agreement with Statoil Petroleum AS ("Statoil") related to the PL602 licence. PL602 is located in the Vøring Basin, close to the Aasta Hansteen Field Development. The licence contains several prospects and leads within the same play model as that already proven by the Luva, Haklang and Snefrid discoveries. Atlantic Petroleum entered into this license in December 2014 through a farm in agreement with Ithaca, and the company currently holds 10% working interest. Through the farm-down deal Statoil will purchase 2.5% participating interest in PL602 from Atlantic Petroleum for a post–tax cash consideration. After the deal is completed Atlantic Petroleum will have a 7.5% working interest in PL602.

- **On 23rd February 2015** Atlantic Petroleum announced that the Company had entered into a farm-down option deal with Statoil Petroleum AS ("Statoil") related to the PL704, PL705 and PL802 licences in the Vøring Basin. Atlantic Petroleum currently holds 30% in PL704 and PL705, and 20% in PL802. PL704, PL705 and PL802 are located in the western part of the Vøring Basin, close to the Asterix gas discovery. All the licenses contain several prospects and leads, within the same play model as proven by Asterix. A drill or drop decision will be taken by the partnership during the spring 2015 for the PL705 licence, and given a positive decision, a well is planned for 2016. For PL802 and PL704 the deadline for taking a drill or drop decision is in 2017. Through the farm-down option deal Statoil shall have the right to purchase up to twenty percent (20%) participating interest in PL705. The option is valid until April 30th 2015. Should the option be exercised by Statoil, there will be a carry associated with the cost related to the drilling of the first exploration well. For PL704 Statoil shall have the right to acquire up to twenty percent (20%) participating interest, and for PL802 Statoil shall have the right to acquire up to ten percent (10%) participating interest. The options are independent and valid until April 30th 2015.

- **On 23rd February 2015** Atlantic Petroleum announced that the PL602 partnership had decided to drill a well to test the Roald Rygg Prospect in PL602. The well is planned to be drilled in 2015. PL602 is located in the Vøring Basin, immediately close to the Luva, Snefrid and Haklang discoveries which will be developed as the Aasta Hansteen Field. In addition to the Roald Rygg prospect the PL602 license contains several other prospects and leads that provide exiting follow up potential.

- **On 12th March 2015** Atlantic Petroleum announced that Atlantic Petroleum North Sea Limited had announced that Nexen Petroleum UK Ltd, a wholly owned subsidiary of CNOOC Limited, on behalf of the Ettrick joint venture had signed a significant amendment agreement with Bluewater Ettrick Production (UK) Ltd, to secure the use of the Aoka Mizu FPSO beyond March 2016. The amendment will mean that the FPSO operating day rate will reduce after March 2016, extending the economic life of the fields and combined with other cost saving initiatives, result in a substantial reduction in the overall operating costs for the Ettrick and Blackbird fields.

- **On 17th March 2015** Atlantic Petroleum announced its Summary Year End 2014 Competent Persons Report compiled by Gaffney, Cline & Associates (GCA) with respect to its Exploration, Development and Production assets in the UK, Norway and Ireland.

- **On 23rd March 2015** Atlantic Petroleum announced that drilling of the Roald Rygg well 6706/12-3 commenced 22nd March 2015 with the Transocean Spitsbergen rig. 6706/12-3 is planned to drill to a total depth of around 3420 m TVD and operations are anticipated to take 35 days. The Nise Formation is the main target for the well, while the Kvitnos Formation represents the secondary target.

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 Group 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 2014 a total of 41% of the annual oil production was hedged at an average price of USD 109.6/bbl. The Company did not engage in other commodity hedging.

Oil price hedging continues in 2015. Any further hedging beyond this will be considered in the light of the prevailing oil price.

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 Group 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 Group 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 covering equipment, subsurface facilities and operation. In addition the Group has insurance cover on offshore pollution and third party liability. The insurance package also includes business interruption coverage, covering a proportion of the cash flow arising from the producing fields. Atlantic Petroleum has in addition an insurance covering office and staff.

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

Going concern

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 or to initiate activities to address any likely shortfall. 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. In the event that shortfalls are identified the Group will take what-ever action it can to maintain the Group as a Going Concern. This may include asset sales, raising further debt, reducing operating and capital costs. However, there is no guarantee that the Group will be successful in realizing sufficient new capital to redress any shortfall.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) Policy

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

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

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

Environment, Health and Safety (EHS) Policy

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

Atlantic Petroleum is committed to:

- Comply with all applicable Environment, Health and Safety (EHS) laws, regulations and standards and to apply responsible standards where legislation is inadequate or does not exist.
- A systematic framework of hazard identification and risk assessment through which safe operations can be managed.
- Develop effective EHS management systems to identify and manage risks associated with its activities by focusing on risk avoidance and prevention.
- Establish accountability and responsibility for EHS within organisational line management.

- Provide training, equipment and facilities necessary to maintain a safe and healthy worksite.
- Practice pollution prevention and seek viable ways to minimize the environmental impact of operations, reduce waste, conserve resources and respect biodiversity.
- Protect and minimise any harm to the environment in our oil and gas activities, and continuously focus on improving our environmental procedures.
- Monitor and review our CSR and EHS policies and procedures as appropriate to ensure suitability and effectiveness.
- Ensure that partners and contractors' policies and activities are compliant with our own standards, and recognise that all working on our behalf can impact our operation and reputation and that we all share a common responsibility for our safety.

Shareholder Information

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

Board of Directors

Birgir Durhuus, Chairman
Jan E Evensen, Deputy Chairman
Barbara Y Holm
Diana Leo
David A MacFarlane

Management

Ben Arabo, CEO,
Mourits Joensen, CFO – Resigned effective 30th January 2015
Nigel Thorpe, Business Development Director and Interim CFO effective from 30th January 2015
Wayne J Kirk, Technical Director
Jonny Hesthammer, Managing Director Atlantic Petroleum Norge AS

At year end 2014 Atlantic Petroleum was listed on NASDAQ OMX Copenhagen, and on Oslo Stock Exchange. In February 2014 Atlantic Petroleum was officially delisted from NASDAQ OMX Iceland. Following the delisting the primary listing is on NASDAQ OMX Copenhagen. Trading in Atlantic Petroleum shares can be done by contacting:

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

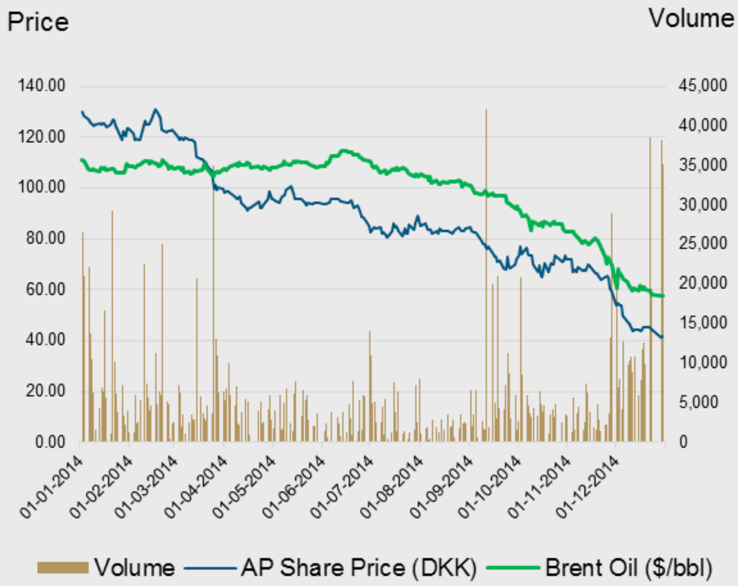
NASDAQ OMX ticker:	ATLA DKK
OSLO:	ATLA NOK
Bloomberg ticker:	ATLA IR
Reuters ticker:	FOATLA.IC

Financial calendar

25th March 2015:	2014 Annual Financial Statement
24th April 2015:	Annual General Meeting
27st May 2015:	1st Quarter 2015 Interim Financial Statement
27th August 2015:	2nd Quarter 2015 Interim Financial Statement
25th November 2015:	3rd Quarter 2015 Interim Financial Statement

Share Price 2014

Following the delisting from NASDAQ OMX Iceland in February 2014 P/F Atlantic Petroleum has its main listing on NASDAQ OMX Copenhagen and from mid December 2013 secondary listing on Oslo Stock Exchange. The performance of Atlantic Petroleum's shares on NASDAQ OMX Copenhagen in 2014 is shown in the figure below:



The year 2014 started with a share price of DKK 130,00 which trended downwards throughout the year. The closing price at year end was DKK 42,00 - a decrease of 68% compared to the beginning of the year.

The volumes of shares traded on NASDAQ OMX Copenhagen in 2014 were slightly higher than in 2013.

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 Copenhagen, NASDAQ OMX Iceland (delisted in February 2014) and Oslo Stock Exchange on the handling of insider information and insider transactions are followed through.

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 2014 have been audited by JANUAR State Authorised Public Accountants P/F. The financial statements of the subsidiary companies for the year ended 31st December 2014, Atlantic Petroleum UK and Atlantic Petroleum North Sea are audited by Ernst & Young in Aberdeen and Atlantic Petroleum (Ireland), for the year ended 31st December 2014, will be audited by KPMG in Dublin. Volantis Netherlands B.V. for year end 31st December 2014 will be audited by Ernst & Young in Netherlands. Atlantic Petroleum Norge AS is audited by Ernst & Young Norway.

Results and Dividends

The Group's result after taxation for the year amounted to a loss of DKK 218.3MM (2013: Loss of DKK 25.7MM). Payment of a dividend is not proposed.

The Company´s investments will be allocated towards existing licences and in particular the development of our existing discoveries. The Company is seeking to deliver future share price growth for shareholders through exploration success and production growth.

Shareholders Capital and Vote

In January 2014 Carnegie AS exercised an Over-Allotment Right to subscribe for 21,157 new shares in Atlantic Petroleum. The issued share capital in Atlantic Petroleum following the share issue is DKK 369,786,000 consisting of 3,697,860 fully paid 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 which can be found on the Company's website www.petroleum.fo.

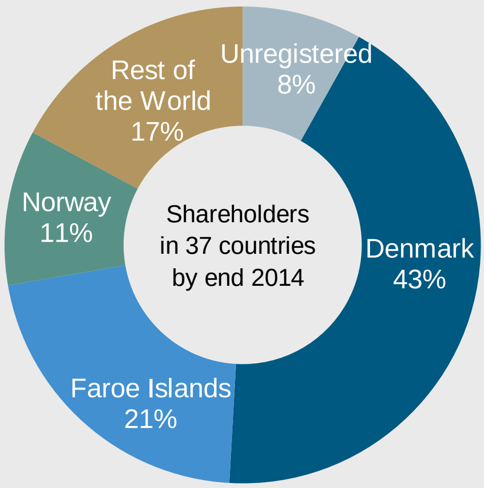
Dematerialisation of paper shares

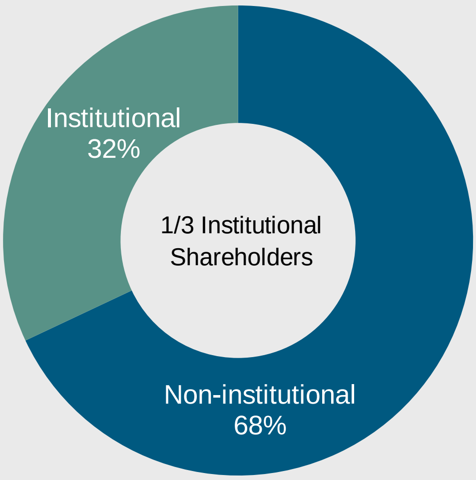
In October 2005, Atlantic Petroleum commenced dematerialisation of paper shares. All shares issued before 2004 (paper shares) have been called in for electronic registration. As at 31st December 2014, there were paper shares in issue with the nominal value of DKK 666,500. The process to convert the shares into electronic registration will continue in 2015.

Distribution of Share capital

By year end 2014 Atlantic Petroleum had around 8,000 shareholders representing more than 30 countries. The majority of the share capital was represented by Danish, Faroese and Norwegian investors.

The geographical distribution of share capital, and the distribution between private and institutional sharecapital as at 31st December 2014 are shown in the figures below.





Substantial Shareholders

At 31st December 2014, 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:
25 years of managerial experience from the financial sector in Denmark

First elected to the Board:
3rd July 2009

Expiry of current term:
AGM 2015

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:
38 years international career within the oil and gas industry

First elected to the Board:
3rd July 2009

Expiry of current term:
AGM 2015

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, Atlantic Petroleum North Sea 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:
20 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 2015

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 2015

Current key offices:
Atlantic Petroleum: Chairman, Audit & Remuneration Committee; Circle Oil plc, Non Excutive Director, Trinity Exploration & Production plc (London AIM): Chairman, Audit Committee and member of Remuneration Committee; Energy Assets Group plc (London): Senior independent Director Chairman Audit Committee and member of Remuneration Committee, Governor of University of Aberdeen.

Barbara Y Holm

Boardmember of P/F Atlantic Petroleum

Date and year of birth:
15th April 1966

Primary occupation:
Oil & gas professional / Company Director

Principal work experience:
Over 15 years of commercial and financial experience in the global E&P industry

First elected to the Board:
12th April 2013

Expiry of current term:
AGM 2015

Current key offices:
None.

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

All of the Board members are independent of the Company.

The Directors whose current term expires at the Annual General Meeting 2015 are Mr Birgir Durhuus, Jan E Evensen, Barbara Y Holm, Diana Leo, and David MacFarlane.

Board Meetings

In 2014, the Board of P/F Atlantic Petroleum held 10 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, Atlantic Petroleum North Sea 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
(Resigned effective 30th January 2015)

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 the Atlantic Petroleum Group

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 Atlantic Petroleum North Sea 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 , Atlantic Petroleum North Sea Ltd and Volantis Netherlands BV.

BUSINESS DEVELOPMENT DIRECTOR

Nigel Thorpe

Business Development Director of the Atlantic Petroleum Group and Interim CFO effective 30th January 2015

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 Atlantic Petroleum North Sea 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, Atlantic Petroleum North Sea 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 (co-founder), geoscientist and manager in Statoil (Norway), geologist in Husky Oil (Canada), CTO in Rocksource (co-founder) 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.

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	Position	Number of Shares	Related Parties	Indirect Holdings	Remuneration 2014	Remuneration 2013
Birgir Durhuus	Chairman of the Board	4,768	0	0	480,000	480,000
Jan E Evensen	Deputy Chairman	0	0	2,554	360,000	360,000
Diana Leo	Board Member	1,250	0	0	240,000	240,000
David A MacFarlane	Board Member	357	0	0	360,000	360,000
Barbara Y Holm *	Board Member	0	0	0	240,000	172,000
Poul R Mohr **	Former Board Member	1,346	233	0	0	68,000
Total		**7,721**	**233**	**2,554**	**1,680,000**	**1,680,000**

* Was elected to the Board at the AGM on 12th April 2013
** Resigned from the Board at the AGM on 12th April 2013

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 incl. pension 2014	Bonus 2014	Share based payment in bonus 2014	Remuneration 2014	Remuneration 2013	Value of LTIP 2014	Value of LTIP 2013
Ben Arabo	CEO	1,521	10	1,404	1,980,503	0	0	1,980,503	2,293,662	877,415	734,497

Stock Exchange Announcements 2014 – (most recent first)

No	Date	Subject
53/2014	30th December	Financial Calendar 2015
52/2014	17th December	Atlantic Petroleum provides asset update and guidance for 2015
51/2014	12th December	Conference Call 17th December 2014 at 9.30 AM CET - Asset Update & 2015 Guidance
50/2014	2nd December	Operations update November 2014
49/2014	2nd December	Gas Discovery in Ivory well 6707/10-3S in PL528 B
48/2014	12th November	Production 1,597 boepd and EBITDAX DKK 102.9MM for the first nine months in 2014.
47/2014	12th November	Pegasus West gas discovery tested at combined rate of over 90 MMscfpd
46/2014	7th November	Invitation to presentation of third quarter and first nine months of 2014 results
45/2014	6th November	Six licences offered for award in the UK 28th Round
44/2014	4th November	Operations update October 2014
43/2014	8th October	Orlando Field Development update
42/2014	6th October	Atlantic Petroleum announces that drilling of the Ivory well (6707/10-3 S) in PL 528B has commenced
41/2014	2nd October	Operations update September 2014
40/2014	12th September	Gas found in Pegasus West
39/2014	11th September	Atlantic Petroleum presenting at the Pareto Oil & Offshore Conference
38/2014	2nd September	Operations update August 2014
37/2014	29th August	Grant of Options
36/2014	29th August	Production 1,762 boepd and EBITDAX DKK 81.2MM in 1H 2014. Atlantic Petroleum maintains its 2014 guidance for production and EBITDAX
35/2014	28th August	Atlantic Petroleum acquirers interest in licences PL601 and PL602 located in the Norwegian Sea
34/2014	22nd August	Invitation to presentation of second quarter and first half 2014 results
33/2014	22nd August	Atlantic Petroleum farms-out 6% equity in PL528/528B
32/2014	1st August	Operations update July 2014
31/2014	15th July	Blackbird Field 2nd production well tested
30/2014	14th July	Drilling commences on the 43/13b-7 Pegasus West well on UK Licence P1724
29/2014	7th July	Reissued 2014 Financial Calendar
28/2014	1st July	Operations update June 2014
27/2014	27th June	Drilling concluded on the re-entry of the 6104/21-2 Brugdan II exploration well on Faroes Licence 006
26/2014	2nd June	Operations update May 2014
25/2014	21st May	Production 1,993 boepd and EBITDAX DKK 47.5MM in 1Q 2014. Atlantic Petroleum maintains its 2014
24/2014	20th May	Live Webcast/Conference Call 21st May 2014
23/2014	15th May	Chestnut FPSO contract and field life extended for another year
22/2014	12th May	Operations commence on the re-entry of the 6104/21-2 Brugdan II exploration well on Faroes Licence 006
21/2014	6th May	Change ticker
20/2014	5th May	Operations update April 2014
19/2014	29th April	Atlantic Petroleum acquires 15% of Norwegian Licence PL528/PL528B containing the Ivory Prospect
18/2014	28th April	Blackbird Field 2nd production well spudded
17/2014	9th April	Result of Annual General Meeting 9th April 2014
16/2014	1st April	Operations update March 2014
15/2014	17th March	Summons for the Annual General Meeting of P/F Atlantic Petroleum
14/2014	14th March	Significant Milestones Achieved in 2013
13/2014	13th March	Live webcast 14th March 2014
12/2014	3rd March	Operations update February 2014
11/2014	21st February	Oil discovery on Langlitinden - Hydrocarbons proven in several reservoir zones throughout the Kobbe
10/2014	11th February	Reissued 2014 Financial Calendar
09/2014	10th February	Update on the Langlitinden exploration well in the Barents Sea
08/2014	4th February	Delisting from NASDAQ OMX Iceland accepted
07/2014	3rd February	Operations update January 2014
06/2014	21st January	Successful APA 2013 award for Atlantic Petroleum
05/2014	14th January	Atlantic Petroleum announces that drilling of the Langlitinden well (7222/11-2) in PL 659 has commenced.
04/2014	13th January	Registration of share capital increase
xx/2014	10th January	End of stabilisation period and exercise of over-allotment right
03/2014	10th January	Exercise of Over-Allotment Right
02/2014	6th January	Operations update December 2013
01/2014	2nd January	Atlantic Petroleum announces farm-in option agreement to Norwegian Licence PL528 containing the Ivory

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

CORPORATE GOVERNANCE REPORT

As a Faroese registered company listed on NASDAQ OMX Copenhagen, NASDAQ OMX Iceland (delisted in February 2014) and on Oslo Stock Exchange, Atlantic Petroleum is obliged to comply with Faroese, Danish, Icelandic and Norwegian securities law and stock exchange rules. The stock exchange rules require listed companies to take a position on corporate governance recommendations on a "comply or explain" basis. As a dual listed company, Atlantic Petroleum has chosen to base the corporate governance policy on the highest standard and thus follows both the recommendations on NASDAQ OMX Copenhagen, NASDAQ OMX Iceland and Oslo Stock Exchange, with the exemptions summarised below: Atlantic Petroleum has reviewed and implemented recent changes and recommendations on Corporate Governance.

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

Openness and Transparency

Information and publication of information:

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

Retirement Age

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

Election Period

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

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD:

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 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 pay-out will only be earned by executives for achieving exceptional levels of performance. Mr. Ben Arabo's maximum cash bonus target is 100% of his base salary.

The structure of any bonuses paid to 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.

No bonuses were paid for the 2014 Financial Year.

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

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 awarded in 2012, 2013 and 2014 to the participants are as follows:

Issued to	Number of plan shares		
Year:	2012	2013	2014
Ben Arabo, CEO	8,849	5,871	8,576
Members of Management & Senior Employees	13,503	15,935	15,165

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

For the CEO, Ben Arabo, the options granted in 2014 were equal to 67% of the annual base salary, the options granted in 2013 were equal to 67% of the annual base salary and the options granted in 2012 were equal to 100% of the annual base salary.

The option granted in 2014 was calculated by reference to a price of DKK 125 per share, broadly in line with the share price as at the initial public offering on the Oslo Stock Exchange on 10th December 2013.

The option granted in 2013 was calculated by reference to a price of DKK 171.2 per share, being the three month average closing share price of the Company's shares to 25th April 2013 on NASDAQ OMX Copenhagen. The option in 2012 was calculated by references to a price of DKK 169.5 per share, being the closing share price of the Company's shares the 23rd March 2012 on the NASDAQ OMX Copenhagen. The number of shares shown above represents the figure that may be acquired by the participants, if the Group'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.

No award is currently expected to be made when the 2012 award vests in 2015.

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.

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 2014 to 31st December 2014.

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

In our opinion, the accounting policies used are appropriate and the Annual and Consolidated Report and Accounts give a true and fair view of the Group's financial positions at 31st December 2014 as well as the results of the Group's activities and cash flows for the financial year 1st January 2014 to 31st December 2014.

The rapid decline in the commodity price environment in recent months has had a significant impact on the upstream sector and Atlantic Petroleum is no exception. Should the anticipated recovery in oil price not exceed USD 75+ within the next 12 months, then the Group will have an additional funding requirement not covered under the current arrangements. The Group has instigated closure of the Faroese office and is considering various further options including farm-down or sales of certain assets, negotiation of reductions in capital and operating budgets, further G&A reductions and exploring re-financing opportunities to cover the funding shortfall. Through these initiatives, Management and the Board intend to stabilise the business such that the Group will be a going concern in a USD 60/bbl oil environment and therefore continues to adopt the going concern basis in preparing the financial statements.

Tórshavn 25th March 2015

Management:

Ben Arabo
CEO

Board of Directors:

Birgir Durhuus *Chairman*	Jan E Evensen *Deputy Chairman*
Diana Leo	David A. MacFarlane
Barbara Y. Holm	

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of P/F Atlantic Petroleum

Report on Consolidated Financial Statements

We have audited the consolidated financial statements of P/F Atlantic Petroleum for the financial year 1st January to 31st December 2014, which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow and notes to the consolidated accounts, including summary of significant accounting policies, for the Group. The consolidated 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

The Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and 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 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 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 are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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, 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 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.

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 give a true and fair view of the Group's financial position at 31st December 2014 and of the results of the Group's operations and cash flows for the financial year 1st January to 31st December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1.1 "Going Concern" in the consolidated financial statements, which describe the impact the rapid decline in oil price has had on the Group. Should the anticipated recovery in oil price not exceed USD 75+ within the next 12 months, then the Group will have an additional funding requirement not covered under the current arrangements.

We refer to note 1.1 "Going Concern" for further description

Statement on the Directors' report

Pursuant to the Faroese Financial Statements Act, we have read the Directors' report. We have not performed any further procedures in addition to the audit of the consolidated financial statements.

On this basis, it is our opinion that the information provided in the Director's report is consistent with the consolidated financial statements.

Tórshavn 25th March 2015

JANUAR
State Authorised Public Accountants P/F

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2014

DKK 1,000	Note	**2014**	2013
Revenue	3	343,146	417,421
Cost of sales	4	-530,002	-221,767
Gross loss/profit		**-186,856**	195,655
Exploration expenses	5	-214,862	-119,647
Pre-licence exploration cost		-12,631	-11,064
General and administration cost	6,7,8,10, 25	-41,548	-58,410
Depreciation PPE & Intang Assets		-16,675	-8,162
Other operating income	9	18,500	0
Operating loss		**-454,073**	-1,629
Interest revenue and finance gains	11	1,181	1,454
Interest expenses and other finance cost	11	-31,323	-11,448
Loss before taxation		**-484,215**	-11,623
Taxation	12	265,958	-14,051
Loss after taxation		**-218,257**	-25,674
Earnings per share (DKK):			
Basic	14	**-59.03**	-9.54
Diluted	14	**-59.03**	-9.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2014

DKK 1,000	**2014**	2013
Loss for the year	-218,257	-25,674
Exchange rate differences	37,880	-19,530
Value of Future Contracts	914	-6,776
Total comprehensive loss for the year	**-179,464**	-51,980

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2014

DKK 1,000	Note	2014	2013
Non-current assets			
Goodwill	15,32	51,917	54,354
Intangible assets	16	16,576	26,482
Intangible exploration and evaluation assets	17	258,653	216,682
Tangible development and production assets	18	369,079	621,504
Property plant and equipment	19	2,036	2,782
		698,261	921,804
Current assets			
Inventories	21	17,019	38,759
Trade and other receivables	22	81,398	48,493
Tax repayable		145,374	43,509
Financial asset	27	19,027	0
Cash and cash equivalents	24,27	111,989	184,613
		374,808	315,375
Total assets		**1,073,068**	1,237,179
Current liabilities			
Exploration facility	24,27	146,238	25,058
Short-term debt	24,27	19,500	19,500
Short-term liabilities		40	116
Trade and other payables	23	92,198	94,836
Current tax payable		4,104	1,117
Financial liabilities	27	0	914
		262,080	141,541
Non-current liabilities			
Deferred tax liability	28	161,426	267,003
Long-term debt	24,27	39,000	58,500
Long-term provisions	26	187,381	172,790
		387,807	498,293
Total liabilities		**649,887**	639,834
Net assets		**423,181**	597,345
Equity			
Share capital	29	369,786	367,670
Share based payment schemes		5,766	3,123
Value of futures contracts		0	-914
Share premium account		233,444	232,903
Translation reserves		50,316	12,435
Retained earnings		-236,131	-17,873
Total equity shareholders' funds		**423,181**	597,345

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2014

DKK 1,000	Share capital	Share premium account	Share based Payments LTIP and bonus	Value of futures contracts	Translation reserves	Retained earnings	Total
At 1st January 2013	**262,670**	**227,527**	1,314	**5,863**	**31,966**	**7,801**	**537,140**
Own Shares bought (52,500 shares)	0	0	0	0	0	0	0
Own Shares sold (183,014 shares)	0	0	0	0	0	0	0
Capital loss of shares sold	0	5,376	0	0	0	0	5,376
Value of futures contracts	0	0	0	-6,776	0	0	-6,776
Share based payments - LTIP and bonus	0	0	1,809	0	0	0	1,809
Translation reserves	0	0	0	0	-19,530	0	-19,530
Loss for the year	0	0	0	0	0	-25,674	-25,674
At 1st January 2014	**367,670**	**232,903**	**3,123**	**-914**	**12,435**	**-17,873**	**597,345**
Shares issued	2,116	0	0	0	0	0	2,116
Change in share premium account/cost of capital raise	0	541	0	0	0	0	541
Value of futures contracts	0	0	0	914	0	0	914
Share based payments - LTIP and bonus	0	0	2,643	0	0	0	2,643
Translation reserves	0	0	0	0	37,880	0	37,880
Loss for the year	0	0	0	0	0	-218,257	-218,257
At 31st December 2014	**369,786**	**233,444**	**5,766**	**0**	**50,316**	**-236,131**	**423,181**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2014

DKK 1,000	Note	**2014**	2013
Operating activities			
Operating loss		-454,073	-1,629
Allocated consolidated capitalised interest	18	2,291	2,541
Unrealised gains on futures contracts - oil price hedging		-18,493	0
Relinquishment and disposal of licence	5	70,578	48,814
Impairment on exploration and evaluation assets	5	144,284	70,833
Depreciation, depletion and amortisation	16,18,19	152,193	103,189
Impairment on producing licences	18	209,085	0
Change in inventories		23,644	-24,695
Change in trade and other receivables		-127,768	25,955
Change in trade and other payables		-28,101	-41,321
Interest revenue and finance gains		1,181	1,454
Interest expenses and other finance costs		-31,323	-11,448
Income taxes		153,297	45,454
Net cash provided by operating activities		**96,795**	**219,146**
Investing activities			
Capital expenditure		-272,318	-408,763
Net cash used in investing activities		**-272,318**	-408,763
Financing activities			
Change in share capital		2,116	105,000
Change in share premium account/cost of capital raise		541	5,376
Change in short-term debt		122,940	25,058
Change in long-term debt		-19,500	0
Net cash provided from financing activities		**106,097**	**135,434**
Decrease in cash and cash equivalents		**-69,426**	**-54,183**
Cash and cash equivalents at the beginning of the period		184,613	242,521
Currency translation differences		-3,198	-3,725
Cash and cash equivalents at the end of the period	24	**111,989**	**184,613**

NOTES TO THE CONSOLIDATED ACCOUNTS

1.1 – Going concern

The rapid decline in the commodity price environment in recent months has had a significant impact on the upstream sector and Atlantic Petroleum is no exception. Should the anticipated recovery in oil price not exceed USD 75+ within the next 12 months, then the Group will have an additional funding requirement not covered under the current arrangements. The Group has instigated closure of the Faroese office and is considering various further options including farm-down or sales of certain assets, negotiation of reductions in capital and operating budgets, further G&A reductions and exploring re-financing opportunities to cover the funding shortfall. Through these initiatives, Management and the Board intend to stabilise the business such that the Group will be a going concern in a USD 60/bbl oil environment and therefore continues to adopt the going concern basis in preparing the financial statements.

2.1 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 2014 was authorised for issue in accordance with a resolution of the Directors on 25th March 2015.

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

2.2 Basis of preparation

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

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

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

Note 2.2 - Continued

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.

2.3 Significant accounting judgements, estimates and assumptions

Estimation uncertainty

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

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

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

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

• determination of 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.

Note 2.3 - Continued

The Group's intangible exploration and evaluation assets, amounts to DKK 258.7MM (2013: DKK 216.7MM) and the Group's development and production assets amounts to DKK 369.1MM at 31st December 2014 (2013: DKK 621.5MM). The Group's abandonment obligations as of 31st December 2014 amounts to DKK 187.4MM (2013: DKK 172.8MM).

2.4 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 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.

Note 2.4 - Continued

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.

Note 2.4 - Continued

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

Cost of Sales

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

Pre-licence Exploration Cost

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

Exploration Expenses

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

General and Administration Cost

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

Financial Income and Expenses

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

Taxation

Income tax

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

Deferred tax

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

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

Note 2.4 - Continued

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 Emergy Exploration AS – now 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.

Note 2.4 - Continued

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

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

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

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

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

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

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

Tangible Assets

Development and Production Assets

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

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

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

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

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

Note 2.4 - Continued

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

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

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

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

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

Operating assets and office equipment   3 – 10 years

The residual value is reassessed annually.

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

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 Group.

Bank Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowings are classified as

Note 2.4 - Continued

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.

2.5 Changes in accounting 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 applied in the previous financial year.

There were a number of new standards and interpretations, effective from 1st January 2014, that the Group applied for the first time in the current year. These included IFRS 10, IFRS 12 and IAS 27 Investment Entities, IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19, IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32, IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36, IAS 39 Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39, IFRIC 21 Levies (Amendments). None of these standards required a restatement of previous financial statements or did result in disclosures being changed.

Several other amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new relevant standard and/or amendment is described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRS 10 Consolidated Financial Statement

IFRS 10 replaced the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In the standard an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard did not have any effect for the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

The application of IFRS 11 and IAS 28 did not impact the Group’s accounting for its interests in joint arrangements because the Group determined that its joint arrangements that were previously classified as jointly controlled assets, were classified as joint operations under IFRS 11. As a result, the group’s previous methods of accounting for its joint arrangements continue to be appropriate under IFRS 11.

IFRS 12

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. The new disclosures will assist the users of the financial statements to make their own assessment of the financial impact in cases where management were to reach a different conclusion regarding consolidation — by providing more information about unconsolidated entities. The standard did not have any significant effect for the Group.

IAS 36 Impairment of Assets

IAS 36 is amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The change is not considered to have any major impact on the Group, as the Group does not use fair value less cost of disposal to estimate recoverable amount. The amendment also removes the requirement for an entity to disclose the recoverable amount of

Note 2.5 – Continued

every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated, instead such disclosure is required when an impairment loss has been recognised or reversed.

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.

2.6 Standards issued but not yet effective

There are no standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements 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.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application permitted, but is not endorsed by the EU yet. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 from 2009, 2010 and 2013 is permitted if the date of initial application is before 1st February 2015. The adoption of IFRS 9 may have an effect on the classification and measurement of the Group's financial assets, but is not expected to impact the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1st January 2017 with early adoption permitted, but it is not endorsed by the EU yet. There have been some early indicators that the entitlement method currently applied by the Group will not be allowed under IFRS 15, but this has not yet been concluded. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1st January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group, as acquisitions in scope of

Note 2.6 - Continued

the amendments have been treated as business combinations under the current accounting policies of the Group.

Annual improvements 2010-2012, 2011-2013 and 2012-2014 cycles

The changes are primarily in order to remove inconsistencies and to clarify the wording of standards and interpretations. There are separate transition provisions for each standard (and the 2012-2014 cycle is not yet approved by the EU). The changes are not expected to have significant effect for 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		Norway		Other		Total	
DKK 1,000	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Revenue										
Oil sales	0	0	337,646	409,869	0	0	0	0	337,646	409,869
Gas sales	0	0	4,398	7,329	0	0	0	0	4,398	7,329
Income Manpower and recharges	0	0	263	224	839	0	0	0	1,102	224
Total revenue	**0**	0	**342,306**	417,421	**839**	0	**0**	0	**343,146**	417,421
Results										
Operating loss	-30,145	-5,459	-245,418	93,765	-173,987	-48,963	-4,522	-40,973	-454,073	-1,629
Interest revenue and finance gains	363	41	2,975	6,796	818	453	0	566	4,155	7,856
Interest expenses and other finance costs	-5,298	-4,907	-7,890	-2,255	-17,779	-9,219	-3,331	-1,469	-34,297	-17,850
Profit /loss before tax	**-35,081**	-10,325	**-250,333**	98,306	**-190,949**	-57,728	**-7,853**	-41,876	**-484,215**	-11,623
Taxation	**0**	0	**151,695**	-48,330	**114,276**	34,280	**-12**	0	**265,958**	-14,051
Net profit/loss	**-35,081**	-10,325	**-98,639**	49,975	**-76,673**	-23,448	**-7,865**	-41,876	**-218,257**	-25,674
Assets and liabilities										
Segment assets	28,468	123,219	727,052	912,179	**294,387**	177,474	**23,161**	24,307	1,073,068	1,237,179
Total segment assets	**28,468**	123,219	**727,052**	912,179	**294,387**	177,474	**23,161**	24,307	**1,073,068**	1,237,179
Total segment liabilities	**62,405**	97,786	**352,716**	463,412	**227,546**	72,395	**7,221**	6,241	**649,887**	639,834
Other segment information										
Capitalised additions to intangible and tangible assets	**5,088**	2,697	**133,728**	366,615	**168,814**	26,586	**1,468**	39,388	**309,098**	435,286
Depreciations and amortisation	**-581**	-488	**-139,145**	-98,336	**-14,492**	-6,905	**0**	0	**-154,217**	-105,729
Disposal and exploration expenditures written off	**-24,732**	-270	**-49,082**	-71,369	**-131,377**	-11,057	**-3,615**	-39,744	**-208,807**	-122,440

The Group manages its operations on a geographical basis. During 2014 the Group's operations were based in four main geographical areas being Faroe Islands, UK, Norway and Other, comprising the Netherlands and the Reublic of Ireland .

4 Cost of sales

DKK 1,000	**2014**	2013
Operating costs	183,109	124,199
Oil and gas properties:		
Amortisation and depreciation, plant and equipment	137,809	97,567
Impairment	209,085	0
	530,002	221,767

5 Exploration expenses

DKK 1,000	**2014**	2013
Relinquishment of licences	70,578	48,742
Exploration expenditures written off	144,284	70,906
	214,862	119,647

L006 was impaired in June 2014 and L016 was relinquished in November 2014 and was written off in 2014. Also additional cost in 2014 has been written off. In the UK the cost of disposal are related to Angelsey, Bisquits, Polecat, Lead B and Area Y. The exploration cost is mainly the impairment of Orchid and the Pegasus liability in connection with the provision for the liability of payment to the former Volantis Exploration owners. Also Magnolia, Spaniards and Birnam costs are impaired and in addition to these costs, some other smaller amounts have been impaired during the year. In the Netherlands the four exploration licences that the Company had were all relinquished in 2014 and in Norway licences PL270 and PL559 were relinquished. The additional costs during the year have been impaired as well as 90% of own cost and the cost for drilling the Langlitinden well.

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 2014.

6 Auditors' remuneration

DKK 1,000	2014	2013
Audit services:		
Statutory and Group audit, parent company auditor	385	432
Review of Interim Financial Statements	300	250
Audit subsidiaries	921	282
	1,606	963
Tax services:		
Consulting and advisory services	45	48
	45	48
Other services:		
Consultancy other services	67	12
	67	12

In the Audit subsidiaries, DKK 651,607 is regarding 2013 audit. This is mainly regarding the UK companies, but also the Netherlands subsidiary was audited in 2014 for the first time for the period July 2012 to year end 2013 and the Norwegian subsidiary changed auditor from 2013 to 2014.

7 Employee cost

DKK 1,000	2014	2013
Staff costs, including executive directors:		
Wages and salaries		
Board of Directors*	1,680	1,680
Managing Director - CEO***	1,957	1,942
Administration, technical staff and other employees	32,957	30,267
	36,595	33,888
Bonus:		
Managing Director - CEO	0	352
Administration, technical staff and other employees	0	1,535
	0	1,887
Share based payement - LTIP accounting charge:		
Managing Director - CEO	877	734
Administration, technical staff and other employees	1,665	1,298
	2,543	2,033
Pension costs:		
- defined benefit	0	0
- defined contribution:		
Board of Directors	0	0
Managing Director - CEO	23	0
Administration, technical staff and other employees	450	2,691
	473	2,691
Social security costs	5,566	4,842
Other staff costs	1,733	1,437
	7,300	6,278
Total employee costs	**46,910**	46,778

	2014	2013
Average number of employees during the year**:		
Technical and operations	17	17
Management and administration	10	10
	27	27

* The Board of Directors' remuneration by person is disclosed in the section regarding shareholders information.
** Staff numbers include managers.
*** The notice of termination for the CEO is one year.

8 Share based payments

The companies have share option schemes under which options have been granted to the CEO and members of employees and management, for shares in the parent company. The options are capable of vesting after a three year period subject to continued employment and meeting stretching corporate performance conditions.

Movements during the period	**2014**		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1st January	44,156	163.57	22,352	169.50
Granted during the period	23,741	84.00	21,804	157.50
Forfeited during the period	0	0.00	0	0.00
Exercised during the period	0	0.00	0	0.00
Expired during the period	0	0.00	0	0.00
Outstanding at end of period	**67,897**	**135.75**	44,156	**163.57**
Exercisable at end of period	0		0	
Authorised but not issued at end of period	0		0	

The range of exercise prices for options outstanding at the end of the year was DKK 84.00 to DKK 169.50.

The weighted average contractual life for the share options outstanding as at end of the year 2014 is 1.29 years (2013: 2.27 years).

The weighted average fair value of the options granted during the year is DKK 47.00. For the options granted in 2013 it is DKK 146.00 and for 2012 it is DKK 184.24.

The fair value of one of these LTIP awards awarded in 2012 is DKK 184.24 and in 2013 it is DKK 146.00. Please note that the fair value is more than 100% for the 2012 awards accordingly 93% for the 2013 awards and for he 2014 awards the fair value is DKK 47.00 and that is circa 56% of the share at grant (this is considerably lower than the 2013 fair value, mainly as a result of the increased difficulty of achievement against the share price multiplier condition, i.e. The base price for the kicker calculation is DKK 125.00, where as the share price at grant is DKK 84.00) and is 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 8,348,539, which will be accounted for as follows:

DKK 1,000 **Charges to the income statement**	**LTIP Awarded 2014 DKK**	**LTIP Awarded 2013 DKK**	**LTIP Awarded 2012 DKK**	**Total DKK**
2012 Charges	**-**	**-**	1,061	1,061
2013 Charges	**-**	709	1,373	2,082
2014 Charges	**145**	**1,040**	**1,373**	**2,558**
2015 Charges	427	1,040	312	1,779
2016 Charges	428	333	-	762
2017 Charges	107	**-**	**-**	107
	1,107	3,123	4,118	8,349

Inputs to the models	**LTIP Awarded 2014 DKK**	**LTIP Awarded 2013 DKK**	**LTIP Awarded 2012 DKK**
Dividend yield in %	0.00	0.00	0.00
Expected volatility in %	29.50	34.50	39.63
Risk-free interest rate in %	0.11	0.24	0.43
Date of Grant	29th August 2014	26th April 2013	24th March 2012
Expected life of share options in years	2.6	3	3
Share price at grant in DKK	84.00	157.50	169.50
Model used	Monte Carlo	Monte Carlo	Monte Carlo
Number of options awarded	23,741	21,804	22,352

9 Other operating income

DKK 1,000	**2014**	**2013**
Other operating income is related to unrealised gains on futures	18,500	0
	18,500	0

10 Depreciation

DKK 1,000	**2014**	2013
Depreciations included in general and administration costs	16,675	8,583
	16,675	8,583

11 Interest revenue and expenses & finance gains and cost

DKK 1,000	2014	2013
Interest revenue and finance gains:		
Short-term deposits	1,181	586
Exchange differences	0	867
	1,181	1,454

DKK 1,000	2014	2013
Finance expenses and other finance costs:		
Bank loan and overdrafts	12,073	8,992
Creditors	1	7
Unwinding of discount on decommissioning provision	4,238	2,036
Unwinding of discount on liabilities	0	259
Others	385	153
Exchange differences	14,626	0
	31,323	11,448

12 Tax

DKK 1,000	2014	2013
Current tax:		
Tax payable in UK	-4,013	-1,565
Tax repayable Norway	157,323	47,019
Tax payable in Ireland	-12	0
Total current tax credit	**153,297**	45,454
Deferred tax:		
Deferred tax cost in UK	0	-97,452
Deferred tax income in UK	155,708	50,687
Deferred tax cost in Norway	-43,047	-12,739
Total deferred tax credit	**112,661**	-59,504
Tax credit on loss on ordinary activities	**265,958**	-14,051

As at 31st December 2014, the Group has a net deferred tax asset of DKK 59.4MM (2013: DKK 20.2MM) 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 0.1MM (2013: DKK 5.5MM)
Effect of tax losses available: DKK 59.6MM (2013: DKK 25.7MM)
The losses can be carried forward indefinitely.

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

	2014	2013
Group result on ordinary activities before tax	**-484,215**	-11,623
Corporation tax on profits	-116,873	12,673
Hydrocarbon taxes	-159,576	703
	-276,449	13,376
Tax effect off:		
Fixed assets - capital allowances - other adjustments	-17,839	0
Other short term timing differences	2,696	0
Expenses not deductible for tax purposes	3,672	5,703
Net onshore income	7,788	5,409
Income taxed at lower rate	0	-1,833
Adjustments to opening balance due to change in tas rates or laws	0	729
Restriction on relief on deconmissioning costs	305	-6
Prior year adjustments	337	424
Change in brownfield/smallfield allowances	13,193	-3,654
Interests in Norway	-186	-90
Ringe fence expenditure supplement charge	0	-5,004
Deferred tax on financial posts	524	-1,004
Tax expense for the year	**-265,958**	14,051

13 Dividend

No interim dividend is proposed. (2013: 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	
	2014	2013	**2014**	2013	**2014 DKK**	2013 DKK
Basic	**-218,257**	-25,674	**3,697,109**	3,697,863	**-59.03**	-9.54
Diluted	**-218,257**	-26,015	**3,697,109**	3,697,863	**-59.03**	-9.67

15 Goodwill

DKK 1,000	2014	2013
At 1st January	54,354	57,693
Impairment	-3,817	0
Exchange movements	1,379	-3,339
At 31st December	**51,917**	54,354

16 Intangible assets

DKK 1,000	Faroe Islands	United Kingdom	Norway	Other	Total
Costs					
At 1st January 2013	498	565	16,164	0	17,227
Additions during the year	899	2,406	15,402	0	18,707
Exchange movements	0	-13	-2,087		-2,101
At 1st January 2014	1,397	2,958	29,479	0	33,834
Additions during the year	71	909	5,224	0	6,204
Exchange movements	0	197	-2,071	0	-1,873
At 31st December 2014	**1,467**	**4,064**	**32,632**	**0**	**38,164**
Amortisation and depreciation					
At 1st January 2013	-183	-355	-100	0	-638
Exchange movements	0	-253	-6,636	0	-6,889
Charge for the year	-336	4	508	0	176
At 1st January 2014	-519	-604	-6,228	0	-7,351
Charge for the year	-427	-1,195	-14,074	0	-15,697
Exchange movements	0	-75	1,535	0	1,461
At 31st December 2014	**-946**	**-1,874**	**-18,767**	**0**	**-21,587**
Net book value					
At 31st December 2013	878	2,354	23,251	0	26,482
At 31st December 2014	**521**	**2,190**	**13,865**	**0**	**16,576**

17 Oil and gas – Intangible exploration and evaluation assets

	Oil and gas properties				
DKK 1,000	**Faroe Islands**	**United Kingdom**	**Norway**	**Other**	**Total**
Costs					
At 1st January 2013	27,710	128,857	51,341	7,869	215,777
Exchange movements	0	-4,041	-5,805	0	-9,846
Additions during the year	1,631	74,361	19,835	53,851	149,679
Traded during the year	-9,654	0	0	0	-9,654
Disposal of licences	0	-37,684	-11,057	0	-48,742
Exploration expenditures written off	-124	-37,883	0	-39,744	-77,752
Consolidated interest written off/moved to devel	-73	-2,708	0	0	-2,780
At 1st January 2014	19,490	120,902	54,314	21,976	216,682
Exchange movements	0	6,539	4,336	311	11,187
Additions during the year	5,013	69,495	163,385	1,468	239,361
Disposal of licences	-7,378	-7,943	-21,886	-3,592	-40,799
Explorations expenditures written off	-17,022	-41,012	-109,491	-23	-167,548
Consolidated interest written off	-102	-128	0	0	-230
At 31st December 2014	**0**	**147,854**	**90,658**	**20,140**	**258,653**

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**	**Norway**	**Other**	**Total**
Costs					
At 1st January 2013	0	943,017	0	0	943,017
Exchange movements	0	-21,226	0	0	-21,226
Additions during the year	0	289,697	0	0	289,697
At 1st January 2014	0	1,211,488	0	0	1,211,488
Exchange movements	0	78,824	0	0	78,824
Additions during the year	0	63,553	0	0	63,553
At 31st December 2014	**0**	**1,353,864**	**0**	**0**	**1,353,864**
Amortisation and depreciation					
At 1st January 2013	0	-502,175	0	0	-502,175
Exchange movements	0	9,759	0	0	9,759
Charge for the year	0	-97,567	0	0	-97,567
At 1st January 2014	0	-589,984	0	0	-589,984
Exchange movements	0	-47,908	0	0	-47,908
Charge for the year	0	-137,809	0	0	-137,809
Impairment	0	-209,085	0	0	-209,085
At 31st December 2014	**0**	**-984,785**	**0**	**0**	**-984,785**
Net book value					
At 31st December 2013	0	621,504	0	0	621,504
At 31st December 2014	**0**	**369,079**	**0**	**0**	**369,079**

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**	**Norway**	**Other**	**Total**
Cost					
At 1st January 2013	1,376	2,865	752	0	4,993
Exchange movements	0	-189	0	0	-189
Additions during the year	167	151	952	0	1,270
At 1st January 2014	1,543	2,828	1,703	0	6,073
Exchange movements	0	116	-210	0	-94
Additions during the year	4	-229	205	0	-19
At 31st December 2014	**1,547**	**2,715**	**1,698**	**0**	**5,960**
Amortisation and depreciation					
At 1st January 2013	-788	-1,612	-37	0	-2,437
Exchange movements	0	183	20	0	204
Charge for the year	-152	-516	-269	0	-937
At 1st January 2014	-940	-1,944	-286	0	-3,170
Exchange movements	0	-99	57	0	-41
Charge for the year	-154	-141	-417	0	-712
At 31st December 2014	**-1,094**	**-2,183**	**-647**	**0**	**-3,924**
Net book value					
At 31st December 2013	603	884	1,417	0	2,903
At 31st December 2014	**453**	**531**	**1,052**	**0**	**2,036**

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
Atlantic Petroleum North Sea 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	2014	2013
Chestnut	5,120	14,170
Ettrick	6,489	22,393
Blackbird	5,410	2,196
Net assets	**17,019**	38,759

22 Trade and other receivables

DKK 1,000	2014	2013
Trade receivables	31,873	30,688
Prepayments and accrued income	47,598	10,276
Other taxes and VAT receivable	1,655	2,375
Other receivables	272	5,154
	81,398	48,493

All trade and other receivables are due within one year except for the Ettrick and Blackbird Trust funds DKK 41.8MM in prepayments.
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	2014	2013
Trade payables	25,119	52,855
Accrued expenses	631	5,162
Other taxes and vat payable	1,870	3,365
Other payables	64,579	33,454
	92,198	94,836

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	2014	2013
Cash:		
Cash at bank and in hand	111,989	184,613
Total cash	**111,989**	184,613
Short term bank loans	165,738	44,558
Other short term loans	0	0
Total short term borrowings	**165,738**	44,558
Long term bank loans	39,000	58,500
Other long term loans	0	0
Total long term borrowings	**39,000**	58,500

The borrowings are repayable as follows:

DKK 1,000	2014	2013
Bank loans analysed by maturity:		
In one to five years	39,000	58,500
Over five years	0	0
Total borrowings	**39,000**	58,500

The Group had one long-term facility of DKK 58.5MM at year end 2014 and a borrowing facility of NOK 300MM. (2013: one long-term facility of DKK 58.5MM at year end 2013 and a borrowing facility of NOK 300MM).
At year end 2014 the total short- and long-term loans amounted to DKK 204.7MM (2013: DKK 103.1MM).

25 Obligations under leases

DKK 1,000	2014	2013
Minimum lease payments under operating leases recognised in the income statement for the year	27,864	50,332
	27,864	50,332
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follow:		
Within one year	**49,084**	51,464
In one to five years	**8,168**	6,070
Over five years	**0**	0
	57,252	57,534

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 charter contract for the use of a floating production, storage and offloading platform. Payments under the contract began approximately 1st October 2008. Renewals were made every 6 months. The latest renewal from 1st January 2015 secures the vessel for 1 full year, with an additional 5x three months optional extension periods, taking the potential hire of the vessel out to end March 2017. The Company's annual commitment is estimated at USD 3.8MM.

Also, in accordance with the Group's participation in joint arrangements with other companies, an agreement was signed whereby the Group was party to a five year charter contract for the use of a floating production, storage and offloading platform. An agreement has now been reached to enter the first extension term of contract taking the firm lease period to 4th March 2016. The Group's annual commitment to March 2016 is estimated at USD 4.1MM. The Joint Venture has also reached agreement with Bluewater on the mechanism to exercise on options beyond the first extension period i.e. beyond March 2016. The Group will have three month rolling options where only a minimum production tariff is paid.

The lease commitments have been discounted at a discount rate of 3.1 %.

26 Provisions for long-term liabilities and charges

DKK 1,000	2014	2013
Deferred provision:		
At 1st January	0	13,809
Exchange movements	0	-321
Additions during the year	0	-13,488
At 31st December	**0**	0
Decommissioning costs:		
At 1st January	172,790	147,177
Exchange movements	15,319	-3,273
Addition of future decommissioning costs during the year	-5,084	26,861
Unwinding of discount on decomissioning provision	4,356	2,024
At 31st December	**187,381**	172,790
Total provision	**187,381**	172,790

The decommissioning provision represents the present value of decommissioning costs relating to the oil and gas interests, which are expected to be incurred between 2015 and 2031. These provisions have been created based on operators' estimates. Based on the current economic environment, assumptions have been made which the management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time.

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

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
2014			
DKK	0	58,500	58,500
NOK		146,238	146,238
Total	**0**	**204,738**	**204,738**
2013			
DKK	0	78,000	78,000
NOK	0	25,058	25,058
Total	0	103,058	103,058

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 1.5MM (2013: DKK 0.9MM) 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
2014			
Cash and short-term deposits:			
Held in DKK	0	70,525	70,525
Held in GBP	0	1,238	1,238
Held in USD	0	18,108	18,108
Held in EUR	0	128	128
Held in NOK	0	21,958	21,958
Total	**0**	**111,958**	**111,958**
2013			
Held in DKK	0	100,463	100,463
Held in GBP	0	4,089	4,089
Held in USD	0	48,488	48,488
Held in EUR	0	131	131
Held in NOK	0	31,443	31,443
Total	0	184,613	184,613

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	2014	2013
Expiring within one year	0	0
In one to five years	0	0
Over five years	0	0
	0	0

The Group has two loans DKK 204.7MM (2013: DKK 103.1MM).

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

DKK 1,000	Carrying amount 2014	Estimated fair value 2014	Carrying amount 2013	Estimated fair value 2013
Primary financial instruments held or issued to finance the Group's operations:				
Cash and short-term deposits	111,989	111,989	184,613	184,613
Bank loans and credit facility	-165,738	-165,738	-44,558	-44,558
Long term bank loan	-39,000	-39,000	-58,500	-58,500
Derivative financial instruments held or issued to hedge the Group's exposure on expected future sales:				
Forward commodity contracts – net	19,027	19,027	-914	-914

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	2014	2013
Deferred tax liabilities	-161,426	-267,003
Deferred tax assets*	0	0
	-161,426	-267,003

DKK 1,000	Faroese hydrocarbon tax	Faroese Corporation tax	Overseas tax	Total
At 1st January 2013	0	0	-215,710	-215,710
Charge to income	0	0	-57,714	-57,714
Exchange movements	0	0	6,422	6,422
At 31st December 2013	0	0	-267,003	-267,003
Charge to income	0	0	112,661	112,661
Exchange movements	0	0	-7,084	-7,084
At 31st December 2014	**0**	**0**	**-161,426**	-161,426

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

29 Share capital

DKK 1,000	2014	2013
Balance at 1st January	367,670	262,670
Shares issued	2,116	105,000
Balance at 31st December	**369,786**	367,670

Ordinary Shares:

DKK 1,000	2014 100 DKK shares	2014	2013 100 DKK shares	2013
Ordinary Shares:				
Authorised	8,626,703	862,670	8,626,703	862,670
Called up, issued and fully paid	3,697,860	369,786	2,626,703	262,670

30 Analysis of changes in net debt/cash

DKK 1,000	Note	2014	2013
a) Reconciliation of net cash flow to movement in net debt/cash:			
Movement in cash and cash equivalents		-72,624	-57,907
Proceeds from short-term loans		-121,180	-25,058
Proceeds from long-term loans	24	19,500	0
Increase/decrease in net cash in the period		**-174,304**	-82,966
Opening net cash		81,555	164,521
Closing net cash/debt		**-92,749**	81,555
b) Analysis of net cash/debt:			
Cash and cash equivalents	24	111,989	184,613
Short-term debt	24,27	-165,738	-44,558
Long-term debt	24	-39,000	-58,500
Total net cash/debt		**-92,749**	81,555

31 Capital comittments and guarantees

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

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

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

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

P/F Atlantic Petroleum has provided guarantees on behalf of Atlantic Petroleum Norge AS to DnB the lender of the bank credit facility established in March 2013 to finance the Company's growth plans in Norway.

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

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

P/F Atlantic Petroleum has provided a guarantee dated 30th October 2014 in favour of Centrica North Sea Gas Limited for the due and punctual payment of all sums which Atlantic Petroleum UK Limited is obliged to pay from time to time under Licences P1724 and P1727 and under the Joint Operating Agreement dated 24th May 2013 in respect of the Licences.

P/F Atlantic Petroleum has provided a guarantee dated 30th October 2014 in favour of Third Energy Offshore Limited for the due and punctual payment of all sums which Atlantic Petroleum UK Limited is obliged to pay from time to time under Licences P1724 and P1727 and under the Joint Operating Agreement dated 24th May 2013 in respect of the Licences.

P/F Atlantic Petroleum has provided a guarantee dated 11th November 2014 in favour of Centrica North Sea Oil Limited for the due and punctual payment of all sums which Atlantic Petroleum North Sea Limited is obliged to pay from time to time under Licence P354 and under the Joint Operating Agreement dated 27th August 1982 in respect of the Licence.

P/F Atlantic Petroleum has provided a guarantee dated 11th November 2014 in favour of Dana Petroleum (BVUK) Limited for the due and punctual payment of all sums which Atlantic Petroleum North Sea Limited is obliged to pay from time to time under Licence P354 and under the Joint Operating Agreement dated 27th August 1982 in respect of the Licence.

P/F Atlantic Petroleum has provided a guarantee dated 16th December 2014 in favour of Dana Petroleum (BVUK) Limited for the due and punctual payment of all sums which Atlantic Petroleum North Sea Limited is obliged to pay from time to time under Licences P273, P317 and P1580 and under the Ettrick Field Area Operating Agreement dated 7th February 2006 in respect of the Licences in so far as they relate to the Rest of Block Sub-Areas.

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

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

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

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

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

The Group had capital expenditure committed to, but not provided for in these accounts at 31st December 2014 of approximately DKK 131.2MM. The capital expenditure is in respect of the Group's interests in its exploration and development production licences.

32 Contingent considerations

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

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

33 Related party disclosures

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

Glossary

Appraisal well	A well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field.
BCF	Billions of cubic feet
Bn	Billion
BOEPD	Barrels of Oil Equivalent per Day
BOE	Barrels of Oil Equivalent
BOPD	Barrels of Oil per Day
DECC	UK Department of Energy & Climate Change
DKK Danish kroner.	The currency used in the Kingdom of Denmark
EBIT	Earnings before Interest and Taxes (Operating Profit)
EBITDAX	Earnings before Interest, Taxes, Depreciation, Amortizations and Exploration Expenses
EBIT Margin	% (Operating Margin) (EBIT/Sales)
EBITDAX Margin	% (EBITDAX/Sales)
Exploration	A general term referring to all efforts made in the search for new deposits of oil and gas.
Exploration well	A well drilled in the initial phase in petroleum exploration
Farm out	A contractual agreement with an owner who holds a working interest in an area to assign all or part of that interest to another party in exchange for payment or fulfilling contractually specified conditions.
FDP	Field Development Plan
FPSO	A Floating Production, Storage and Offloading unit used by the offshore oil and gas industry for the processing of hydrocarbons and for storage of oil.
Gross Margin	% (Gross profit or loss/Sales)
Lead	Areas thought to contain hydrocarbons.
Ltd	A limited liability company
MM	Million
Monte Carlo	The Monte Carlo method approximate solutions to quantitative problems by employing statistical sampling that calculates a representative range of resulting values. Monte Carlo simulation results are pre-determined by the possible values of the underlying input variables, which can encompass multiply source of uncertainties.
NCS	Norwegian Continental Shelf
Net Cash	Cash and cash equivalents less Short & Long Term Debt
Oil field	An accumulation of hydrocarbons in the subsurface.
Prospect	An area of exploration in which hydrocarbons have been predicted to exist in economic quantity.
Return on Equity (ROE)	(%) (Profit for the period excl. Minorities/Average Equity excl. Minorities)
ROE	Return on Equity
Spud	To start drilling a well
TSR	Total Shareholder Return
Water injector well	A well into which water is pumped in order to increase the yield of adjacent wells

Contacts

Headquarter

*P/F Atlantic Petroleum
P.O.Box 1228
Yviri við Strond 4
FO-110 Tórshavn
Faroe Islands
Telephone +298 350 100
Fax +298 350 101
E-mail: petroleum@petroleum.fo
www.petroleum.fo
VAT/Tax No. Faroes 475.653
Reg. No. Faroes 2695

Atlantic Petroleum UK Ltd / Atlantic Petroleum North Sea Ltd
26/28 Hammersmith Grove
London W6 7BA
United Kingdom
Telephone +44 (0) 20 8834 1045
Fax +44 (0) 20 8834 1125

Registered address
c/o 38 Hertford Street
Mayfair
London W1J 7SG
United Kingdom

Atlantic Petroleum Norge AS
Edvard Griegsvei 3C
5059 Bergen
Norway

Volantis Netherlands BV
Registered address
Burgemeester de Manlaan 2
4837 BN Breda
the Netherlands

Atlantic Petroleum (Ireland) Ltd
Registered address
First Floor
Fitzwilton House
Wilton Place
Dublin 2

Auditors Parent Company
JANUAR, State Authorised Public Accountants P/F
P.O.Box 30, Hoyviksvegur 5
FO-110 Tórshavn
Faroe Islands
Telephone +298 314 700
Fax +298 351 701
E-mail: januar@januar.fo
www.januar.fo

Auditors Subsidiaries

Atlantic Petroleum UK Ltd/ Atlantic Petroleum North Sea Ltd:
Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen AB15 4DT
United Kingdom

Atlantic Petroleum (Ireland) Ltd:
KPMG
Stokes Place
St Stephens Green
Dublin 2
Ireland

Atlantic Petroleum Norge AS
Ernst & Young AS
Dronning Eufemias gate 6
Postboks 20
0051 Oslo
Norway

Volantis Netherlands BV
Ernst & Young Accountants LLP
Boompjes 258
3011 XZ
Rotterdam
The Netherlands

*The Faroese office will be closing during the year 2015