

1 July 2008

Northern Petroleum

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	PE (x)	Yield (%)
12/06	0.3	(1.7)	(2.8)	0.0	N/A	N/A
12/07	4.1	19.4	(7.7)	0.0	N/A	N/A
12/08e	4.9	0.3	0.3	0.0	N/A	N/A
12/09e	19.7	9.4	8.4	0.0	17.5	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: AGM statement

Yesterday Northern's Chairman, Richard Latham briefed investors at the company's Annual General Meeting and mentioned several new developments relating to the company's future plans for its Italian subsidiary ATI Oil, its storage assets in the Netherlands and its UK onshore business.

ATI becoming more independent

In Italy, he mentioned the transformation of Northern's position in which it has a 37.05% shareholding. Specifically, Northern see the strengthening of ATI's board as a starting point of a "future life for ATI more independent from Northern". He also emphasised Northern's belief in the hydrocarbon potential of Italy by announcing that competent persons reports (CPRs) are underway on a number of key Italian licences and prospects outside the Southern Adriatic. Northern is accelerating its activity with its first well, Savio 1x, scheduled for drilling later this year, and that plans for new seismic and an extensive drilling campaign for the next two years are at an advanced stage.

Sale of Dutch gas storage

Another key development was Northern's decision to sell its Dutch underground gas storage interests, since: 1) it is considered non-core; 2) the market for storage supports strong asset values; 3) it would take a long time before its planned project would generate positive cash flow and; 4) proceeds from a selling its storage asset could immediately be put to good use, whereas continuing with the project would require substantial capex.

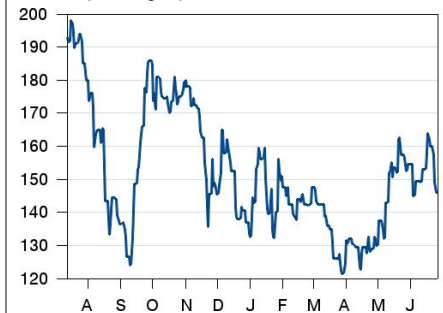
Further deals will highlight value

The general tone of the Chairman's statement highlighted Northern's determination to deliver value and have that value reflected in its share price which, according to the statement, has been the source of intense frustration for the company and its shareholders over the last 12 months. His emphasis on third party deals would point to the company potentially being more active in trading assets which could provide clear market benchmarks and read-through values for its assets.

Price 147.0p

Market Cap £104m

Share price graph



Share details

Code	NOP
Listing	AIM
Sector	Oil & Gas
Shares in issue	70.89m

Price

52 week	High	Low
	202.5p	121.0p

Balance Sheet as at 31 December 2007

Debt/Equity (%)	N/A
NAV per share (p)	58.1
Net cash (£m)	22.2

Business

Northern Petroleum is an oil and gas production, development, exploration and asset trading company with a political exposure limited to countries in the European Union.

Valuation

	2007	2008e	2009e
P/E relative	N/A	N/A	171%
P/CF	N/A	17.0	9.4
EV/Sales	19.9	19.8	5.6
ROE	N/A	N/A	15%

Geography based on revenues

UK	Europe	US	Other
0%	100%	0%	0%

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Exhibit 1: Financials

Year end 31 December	£'000s	2005	2006	2007	2008 ^a	2009 ^a
PROFIT & LOSS						
Revenue		495	307	4,086	4,948	19,687
Cost of Sales		(322)	(169)	(3,680)	(2,146)	(4,777)
Gross Profit		173	138	406	2,802	14,910
EBITDA		(889)	(1,992)	(720)	2,802	14,910
Operating Profit (before GW and except.)		(942)	(2,117)	(3,019)	(325)	9,385
Goodwill Amortisation		0	0	0	0	0
Exceptionals		441	0	0	0	0
Other		(80)	(2)	20,255	0	0
Operating Profit		(581)	(2,119)	17,236	(325)	9,385
Net Interest		164	415	2,173	608	15
Profit Before Tax (norm)		(858)	(1,704)	19,409	283	9,401
Profit Before Tax (FRS3)		(417)	(1,704)	19,409	283	9,401
Tax		(13)	0	(4,467)	(105)	(3,478)
Profit After Tax (norm)		(871)	(1,812)	(5,424)	178	5,923
Profit After Tax (FRS3)		(430)	(1,704)	14,942	178	5,923
Average Number of Shares Outstanding (m)		53.8	63.9	70.5	70.8	70.8
EPS - normalised (p)		(1.6)	(2.8)	(7.7)	0.3	8.4
EPS - FRS3 (p)		(0.8)	(2.7)	21.2	0.3	8.4
Gross Margin (%)		34.9%	45.0%	9.9%	56.6%	75.7%
EBITDA Margin (%)		(179.6%)	(648.9%)	(17.6%)	56.6%	75.7%
Operating Margin (before GW and except.) (%)		(190.3%)	(689.6%)	(73.9%)	(6.6%)	47.7%
BALANCE SHEET						
Fixed Assets		4,066	9,669	20,935	30,732	49,993
Intangible Assets		3,208	6,643	7,460	10,519	14,371
Tangible Assets		663	2,146	7,855	20,092	35,501
Investment in associates		195	130	121	121	121
Unquoted investments		0	750	5,499	0	0
Current Assets		3,007	17,799	32,856	26,132	27,682
Stocks		27	27	73	27	27
Debtors		1,076	1,818	10,604	11,072	12,652
Cash		1,904	15,954	22,179	15,033	15,003
Other		0	0	0	0	0
Current Liabilities		(930)	(3,381)	(3,972)	(7,849)	(17,052)
Creditors		(930)	(3,381)	(3,382)	(7,849)	(13,574)
Other creditors		0	0	(590)	0	(3,478)
Short term borrowings		0	0	0	0	0
Minority interests		0	0	0	0	0
Long Term Liabilities		(27)	(230)	(8,853)	(8,933)	(20,383)
Long term borrowings		0	0	0	(8,933)	(20,383)
Other long term liabilities		(27)	(230)	(8,853)	0	0
Net Assets		6,116	23,857	40,966	40,083	40,241
CASH FLOW						
Operating Cash Flow		(540)	414	(2,765)	6,130	11,083
Net Interest		164	415	779	608	15
Tax		(13)	0	0	(4,467)	(105)
Capex		(2,806)	(5,299)	(3,843)	(17,866)	(22,900)
Acquisitions/disposals		(88)	0	11,681	0	0
Financing		53	18,527	(750)	0	0
Dividends		0	0	0	0	0
Other		(6)	(7)	379	1	0
Net Cash Flow		(3,236)	14,050	5,481	(15,594)	(11,906)
Opening net debt/(cash)		(5,140)	(1,904)	(15,954)	(22,179)	(6,100)
HP finance leases initiated		0	0	0	0	0
Other		0	0	744	(484)	426
Closing net debt/(cash)		(1,904)	(15,954)	(22,179)	(6,101)	5,380

Source: Company accounts/Edison Investment Research

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