

DIRECTORS' REPORT 2014

General

In a generally turbulent world with falling oil prices, Concedo has worked incessantly throughout 2014 with the aim of achieving its long-term objective – making new oil discoveries. The company has made use of the year to become a still better exploration company. Its most important tool is its exploration team. This team has been further optimised with regard to specialisation in knowledge and expertise. Here we can mention specialisation and improvement in use of new and traditional technology in its exploration activities. Apart from use of ordinary seismic, the company employs several technologies, such as electro-magnetic methods, special processing of seismic and special studies. The company is not tied to one particular technology, but the key is use of the right technology in the right place.

The great fluctuations in oil prices during the year do not affect the company's operations. The objective is the same and the company is in an even better position to tackle the challenges that face an exploration company. Oil prices are at exactly the same level now as they were when Concedo started its operations 8 years ago. Low oil prices give the company new possibilities in the form of lower exploration costs.

The improvements in the exploration team and our knowledge described here, have already given good results in the work on applications in the APA 2014 round of applications. Concedo was awarded five licences that the company is very satisfied with. The company now has after the award a portfolio of 17 licences that give high probability of future discoveries. The award of Licences in Norway is primarily based on technical performance in the applications at a low application fee.

2014 was a very active year, with participation in three wells. One of these resulted in a discovery but it was not commercially viable alone. All wells are being analysed in detail with a view to new possibilities and knowledge building.

Concedo holds all-together seventeen exploration licences, eleven in North Sea, two in the Norwegian Sea and four in the Barents Sea. This portfolio is a strong starting point to pursue exploration prospects. The company is financially healthy and well positioned to pursue these opportunities.

Objectives and strategy

Concedo's wants to be one of the best exploration teams on the Norwegian Continental Shelf (NCS). This means capitalising on the team's excellent knowledge of leads and unmapped resources on the NCS, working in those areas most aligned with the strengths of the technical team and creating value by selling discoveries prior to development. The company avoids capital-intensive investments in development projects.

Highlights 2014

Focus has been on improving the operations of the exploration team, use of dedicated technologies and obtain good exploration Licences. The company was awarded five Licences in APA 2014, which with further work will have a good chance of success. It was drilled three wells in 2014 of which one was discovery. The discovery is none-commercial on its own. The company is financially sound.

Drilling

The following three wells were drilled in 2014:

In January 2014 the Novus well proved a small oil and gas discovery. The **Novus** exploration well 6507/10-2S in Production Licence 645 was spudded on 11 November 2013 and completed in February 2014. It was targeting the Jurassic reservoirs of the Garn, Ile, and Tilje formations on the Novus prospect. Concedo has 10% working interest in the Licence.

The proven hydrocarbon volumes in Novus declared to be of a none-commercial size on a stand-alone basis.

In April 2014 GDF SUEZ E&P Norge AS, operator of Production Licence 607, concluded drilling of the **Byrkje** well 7217/8-1. Concedo had 20% working interest in the Licence.

The well was drilled about 65 kilometres southwest of the oil and gas discovery Johan Castberg and 130 km northwest of the Snøhvit field in the Barents Sea. The well's primary exploration target was to prove petroleum in Upper Cretaceous reservoir rocks.

The well encountered shallow siltstone layers in the Kviting formation with elevated gas readings in a gross interval of about 35 meters. Mobile gas was detected in a sandy siltstone layer. Reservoir rocks were not encountered in the Kolmule formation. The well was classified as dry, with traces of gas.

Statoil Petroleum AS, operator of production licence 393 B, completed drilling of the **Ensis** well 7125/4-3 near the Nucala discovery. The well is dry. The well was drilled about four kilometres south of the Nucula oil and gas discovery and about 105 kilometres northeast of Hammerfest.

The exploration target for the well was to prove petroleum in Early Cretaceous reservoir rocks (intra-Knurr formation). The Ensis well encountered approx. 35-meter thick reservoir rocks with poor reservoir quality in the Knurr formation.

New Licences

Concedo was awarded five partnerships in licences in January 2015 of the APA 2014 round, which was encouraging and aligned with the priorities of the company. Four Licences are in the North Sea and one in the Barents Sea. Three Licences are located just south of the Johan Sverdrup field, an area with potential oil migration. The Concedo staff has significant experience in this promising area. One Licence is located next to the Frigg-Gamma-Delta discovery. In the Barents sea, Concedo received a Licence close to the Goliath field.

The Concedo organisation is excited about the new areas and promising prospects. Below is a short summary of the licences awarded:

North Sea

PL 776 (20%) – in the blocks 16/5, 6, 8 and 9. The work programme is reprocessing of 3D seismic and drill or drop decision after one year. Tullow is operator.

PL 775 (20%) - in the block 16/7, 8. The work programme is reprocessing of 3D seismic, and drill or drop decision after one year. Tullow is the operator.

PL 774 (30%) - in the block 16/7. The work programme includes carrying out G&G studies, drill or drop decision after two years. Tullow is the operator.

PL 784 (20%) – in Blocks 25/3,6. The work programme is acquisition of 3D seismic and two years before drill or drop decision. Tullow is the operator

Barents Sea

PL 804 (30%) – in Block 7121/10,11,12. The work programme is reprocessing of 3D seismic, and two years before drill or drop decision. Winthershall is the operator.

Other licence activities in 2014:

PL393B (20%): The drilling of the Ensis prospect.

PL 616 (20%): A drill decision of the Haribo well has been taken. The drilling will take place in the summer of 2015.

PL 629: The Licence will be relinquished.

PL 645 (10%): Evaluation after the Novus well and evaluation of additional prospectivity in the Licence.

PL 670: Interpretation and re-processing of seismic is ongoing.

PL 670B: Administered with PL 670

PL 727: Prospect mapping and evaluation is ongoing based on new 3D seismic.

PL 737s: Reprocessing of 3D seismic is ongoing.

PL 746s: Prospect mapping and evaluation is ongoing.

PL 759: Prospect mapping and evaluation is ongoing.

PL 768: 2D seismic has been acquired. Prospect mapping and evaluation is ongoing.

PL 769: Reprocessing of 3D seismic is ongoing.

PL531, 541 and 680 have been relinquished and **PL 607 (20%)** was divested in 2014.

Financing

The company decided to utilize a one-year extension option of the exploration Finance Facility with DNB of NOK 350 mill in 2014. This will meet the level of working capital needed for the exploration program going forward in 2015.

Business office

Concedo has modern offices in Asker outside Oslo.

History

Concedo was established as an exploration company and pre-qualified as a Licensee on the Norwegian Continental Shelf in 2007. From the beginning, the company had a strong team of eight experienced and competent employees. The team has grown in pace with assignments and number of licences in our portfolio. In 2014 Concedo had 13 employees. The first discovery (gas) was made in 2008, the Galtvort prospect and in 2009 oil was found in the Gygrid prospect, both in licence PL 348. Concedo's interest in this licence was sold to Statoil in 2010. In 2010, Maria discovery was proven oil-bearing, just south of the Smørbukk South field. This was sold to the operator Wintershall in 2011. The Novus discovery was made in the early 2014, but was declared non-commercial. In 2014 Concedo divested the PL 607 to Total E&P.

Research and Development

Concedo is a member of FORCE (Forum for Reservoir Characterisation, Reservoir Engineering and Exploration). FORCE is organised by the Norwegian Petroleum Directorate to stimulate industrial cooperation, to improve exploration processes and to enhance recovery of resources on the Norwegian shelf. Concedo contributes actively; with members in the technical committee, the sedimentology committee and the structural geology group.

Since 2008, Concedo has been involved in a development programme for the seismic tool GIM and has used this technology in the latest licensing rounds and in several of the company's exploration areas. The development of GIM is now completed. Concedo has over several years tested out several new exploration technologies, and has concluded on which technologies are most suited for the different exploration areas.

Concedo has also been an active participant in the Norwegian Oil and Gas committee for licensing policies and in the Norwegian Oil and Gas Scout Group.

Health, Safety and the Environment

The company's aim is that all activities shall be carried out without injury to human beings or the environment. Safeguarding people, the environment and economic assets is an integral part of our management system and daily operations. There were no spills, no injuries or accidents in 2014.

As a licensee on the Norwegian shelf, Concedo bears responsibility for and makes conscious choices designed to minimise risk for itself and its partners. Concedo actively supports the operator with expertise and experience in preventing undesirable incidents while participating in drilling operations. In the planning of drilling operations on the Ronaldo, Darwin, Brattholmen and Novus prospects, Concedo was actively involved in risk assessment and audit meetings.

The working environment is considered good and there is a continuous effort to improve it further. In 2014, the employees participated in health and environment activities to prevent injuries.

Sick leave in 2014 was 36 days or 1,12% of total work hours.

An HSE audit of the company's management system and compliance with it was carried out in March 2014 by AGR. The conclusion was that Concedo maintained operations in line with the descriptions in the Business Management Manual and the underlying procedures. Concedo works to maintain an agile organisation with low bureaucracy and a creative and good working environment. Concedo is pro-active in licences and focuses continually on risk and safety.

Gender equality

By the end of 2014 there were thirteen employees, three women and ten men. The Board of Directors has five directors, two women and three men. Concedo emphasises equality between the genders and the equal treatment of all employees.

Sustainability and responsibility

Concedo integrates and incorporates its Corporate Social Responsibility (CSR) through the daily work routines and by use of its management system.

It is an integral part of our business to ensure respect for human rights, take responsibility as an employer, minimize our effect on the environment, fight corruption, and enhance a transparent corporate culture towards all our stakeholders. We consider this necessary and a natural part of the way we carry out our business operations.

To generate and sustain support from shareholders as well as stakeholders we must at all times:

- Continuously improve our business practices in compliance with the Norwegian Authorities' requirements and expectations
- Maintain an open and reflective dialogue with stakeholders
- Make decisions based on how they affect our interests and the interests of society
- Identify gaps between our goals and actual performance, and improve

The Board of Directors is focused on strengthening the Corporate Responsibility (CR) policies and performance, taking in both internal and external feedback.

Concedo maintains simple and transparent systems that enable us to implement and meet internal and external sustainability expectations on an operational level.

Our key areas that constitute the Company's CSR platform as part of the business strategy:

- Improve and develop HSE issues
- Have a zero-emissions tolerance related to the harm of the environment in our operations
- Support and respect the protection of human rights in all operations
- Comply with Norwegian legislation
- Have a zero-tolerance against both the giving and receiving of bribes or other ways of corruption, including extortion
- Have a zero-tolerance on discrimination

Our management system and routines cover the issues described above related to our CSR policy.

Corporate Governance

The company's management system for owner control and management are in accordance with Norwegian recommendations. Concedo complies, where relevant, with the Norwegian Code of Practice (NUES) regarding Corporate Governance.

The Board of Directors held 8 meetings in 2014. Key strategic and operational issues that were covered include:

- Close monitoring of operational and financial performance, including Quality, Health, Safety and Environment. Lessons-learned discussions after completion of important activities such as drilling of wells and awards in concession rounds.
- Strategic balancing of portfolio of exploration licences and assessment of licence applications in APA 2014 and 22nd licensing rounds
- Assessment of investment opportunities
- Supervision of risk management processes and internal control reporting

Salaries for management and employees

The Board of Concedo ASA has prepared guidelines for determining salaries and other remuneration for the company's management and employees, in accordance with section 6-16a of the Act relating to Public Limited Liability companies.

Financial Performance 2014

Financial statements are prepared in accordance with the law on public limited liability companies, the Norwegian Accounting Act and generally accepted accounting principles in Norway. To the best of the Directors' knowledge, there are no circumstances of significance for judging the company's position as of 31.12.2014 or the result for 2014 that are not set forth in the annual report and financial statements.

The Directors consider that the annual accounts give a true presentation of Concedo's financial position as of 31.12.2014 and of the result and cash flows during the fiscal year.

Revenues and profits

In 2014 the company had NOK 32 mill in revenue, mainly from sales of Licence PL 607. The operating loss was NOK 269 mill. The year's loss after tax was NOK 43 mill. The company continued investments in exploration activities for a sum totalling NOK 284 mill. in 2014. The company claims reimbursement of the tax value of the exploration cost of NOK 215 mill. Exploration activities consist of the company's operating expenses, licence costs, seismic surveys and exploration wells. Costs related to preparation of drilling exploration wells are recognised in the balance sheet. The capitalized cost related to drilling depends on whether commercial reserves are discovered or not. Three no-commercial wells were drilled during 2013/2014 and the cost was expensed. Exploration expenses connected to the preparation of wells in the licences PL 616 and PL 746 have been capitalised with NOK 5 mill.

Balance sheet and liquidity

At year-end 2014, the company's booked equity amounted to NOK 241 mill, an equity ratio of 53 %.

The company's interest bearing debt originates from the loan facility of NOK 350 mill of which NOK 200 mill was utilised as of 31st December 2014. The debt is secured by the tax related reimbursement of the exploration cost.

It is expected that the tax-related reimbursement resulting from exploration activities in 2014 will be NOK 216 mill. The company has a loan facility for NOK 350 mill with DNB, i.e. NOK 200 mill utilised.

Cash flow

Net cash outflow in 2014 was NOK 79 mill from operational activities. This included tax refund of NOK 253 mill. Net cash inflow from investing activities was NOK 26 mill. Net cash outflow from finance activities was NOK 58 mill.

Distribution of profit

No dividend was distributed in 2014

Risk related to operations, financial risks and market risks

Our strategy is to obtain revenues through sale of interests in discoveries. Central risks and elements of uncertainty in our operations are linked with the results of exploratory operations and the possibility of achieving earnings from them.

The company is exposed to market risks connected with fluctuations in oil prices and the dollar rate. The company has interest-bearing debts and is exposed to changes in interest levels. At present Concedo does not have any contracts for hedging market risks.

Credit risks

The company has few receivables. The risk of debtors and our collaborating partners not being able to fulfil their obligations to Concedo is low.

Liquidity risks

The company has cash reserves and a loan facility that provides financial flexibility. The Directors consider the liquidity to be good.

Going concern

The financial statements have been prepared based on the going concern assumption. In compliance with section 3-3a of the Accountancy Act, we confirm that the requirements for a going concern are satisfied.

Future prospects

Concedo's exploration team is in a good position to make new discoveries.

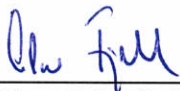
According to Norwegian Directorate of Petroleum, 37% of the resources on the Norwegian Continental Shelf remain to be discovered, so that there is still a great deal to be found. The North Sea has given the greatest surprises and substantial discoveries in an area that was allocated for the

first time in the very first licensing round on the Norwegian shelf in 1965. Johan Sverdrup is one of the larger finds that will be developed on the Norwegian shelf. The last licences awarded to Concedo are in this highly interesting area of the North Sea, just south of Johan Sverdrup, where we have high hopes of making discoveries.

In 2015 Concedo will participate in drilling a well in licence PL 616, farther south in the North Sea. The well is situated about 9 km west of the Vallhall field. The well is to confirm the reservoir in porous chalk of a type similar to that in the Vallhall Field.

Among Concedo's 17 licences, only this well has been committed. So far, the company will participate actively and contribute knowledge so that wells will be drilled in more of the licences in coming years. The exploration team is motivated by the opportunities and believe that these possibilities will lead to more discoveries for Concedo in the not too distant future.

Asker, 9th March 2015



Olav Fjell, Chairman



Erik Klausen, Director



Karen Sund, Director



Hege Wullum, Director



Nirav Dagli, Director



Geir Lunde, CEO

Profit and loss account 2014

CONCEDO ASA

	Note	2014	2013
Sales revenue	2	1 854 552	0
Other operating revenues	2	29 874 987	0
Total operating revenues		31 729 538	0
Depreciation on fixed and intangible assets	4	-445 908	-467 867
Exploration expenses	3,10,14	-299 819 089	-328 876 470
Total operating expenses		-300 264 997	-329 344 336
Operating profit/loss		-268 535 459	-329 344 336
Other interest received		7 033 691	9 500 740
Other financial income		9 446 744	1 778 720
Total financial income		16 480 434	11 279 461
Other interest paid		-12 716 598	-11 982 495
Other financial expenses		-8 527 594	-2 272 881
Total financial expenses		-21 244 192	-14 255 377
Net financial items		-4 763 758	-2 975 916
Pre-tax profit/loss on ordinary activities		-273 299 217	-332 320 252
Tax cost on profit on ordinary activities	7	229 872 295	256 490 373
Ordinary profit/loss		-43 426 922	-75 829 880
Income/loss for the year		-43 426 922	-75 829 880
Allocations			
Other reserves	6	-43 426 922	-75 829 880
Total		-43 426 922	-75 829 880

Balance Sheet as of 31 December 2014
CONCEDO ASA

	Note	2014	2013
ASSETS			
Fixed assets			
Intangible assets			
Deferred tax assets	7	14 379 241	0
Capitalised exploration expenses and licences	4	4 778 392	20 414 948
Total intangible assets		19 157 633	20 414 948
Tangible fixed assets			
Operating equipment, FF&E etc.	4	617 413	165 521
Total tangible fixed assets		617 413	165 521
Total fixed assets		19 775 046	20 580 469
Current assets			
Receivables			
Other receivables	9	220 328 752	255 193 352
Total receivables		220 328 752	255 193 352
Bank deposits, cash-in-hand etc.	8	216 203 730	326 452 033
Total bank deposits, cash-in-hand etc.		216 203 730	326 452 033
Total current assets		436 532 482	581 645 385
Total assets		456 307 528	602 225 854

Balance Sheet as of 31 December 2014
CONCEDO ASA

	Note	2014	2013
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY			
Called up and fully paid share capital			
Share capital	5,6	2 430 066	2 380 412
Treasury shares		-158 379	-108 725
Share premium	6	4 567 126	1 410 458
Total called up and fully paid share capital		6 838 813	3 682 145
Retained earnings			
Other reserves	6	234 110 753	285 820 721
Total retained earnings		234 110 753	285 820 721
Total Equity		240 949 566	289 502 866
Liabilities			
Provisions for liabilities and charges			
Deferred tax	7	-	36 373
Total provisions for liabilities and charges		0	36 373
Total long-term liabilities		0	36 373
Current liabilities			
Owed to credit institutions	11,13	200 015 122	251 635 267
Trade creditors		717 238	874 426
Unpaid government charges etc.		1 730 750	1 547 866
Other current liabilities	12	12 894 853	58 629 057
Total current liabilities		215 357 963	312 686 615
Total liabilities		215 357 963	312 722 988
Total Equity and Liabilities		456 307 528	602 225 854

Asker, 9th March 2015

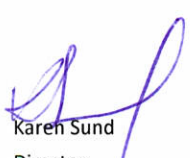

Olav Fjell

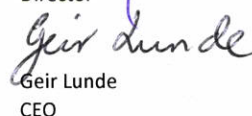
Chairman of the Board


Hege Wullum
Director


Erik Klausen
Director


Nirav Dagli
Director


Karen Sund
Director


Geir Lunde
CEO

Cash Flow Statement

CONCEDO ASA

	Note	2014	2013
OPERATING ACTIVITIES			
Pre-tax result		-273 299 217	-332 320 252
<u>Adjustments for reconciling current year's result with cash flow from operating activities:</u>			
Gain from sale of licence interests		-29 874 987	-
Depreciation, amortisation and write-downs	4	445 908	467 867
Capitalised exploration costs expensed		20 412 753	13 223 554
Other items having no cash effect – subscription rights		766 627	1 727 600
Tax reimbursement received in period	7	252 550 338	136 160 645
<u>Change in working capital (except for cash and cash equivalents):</u>			
(Increase) reduction in trade debtors and other receivables		-2 229 058	816 299
Increase (reduction) in trade creditors and other current debts		-47 361 991	51 964 435
Cash flow from operating activities		-78 589 626	-127 959 852
INVESTMENT ACTIVITIES			
Investments in fixed assets	4	-897 800	-188 198
Capitalised exploration expenses	4	-4 776 196	-16 724 689
Sale of assets	2	31 528 470	6 598 411
Cash flow spent on investment activities		25 854 473	-10 314 476
FINANCING ACTIVITIES			
Share issue	6	3 206 322	110 594
Purchase of treasury shares	6	-9 099 328	-23 070 124
New interest-bearing short-term debt	11	90 500 000	127 000 000
Repayments short-term debt	11	-142 120 145	-8 364 733
Cash flow spent on financing activities		-57 513 151	95 675 737
Net increase (reduction) in cash and cash equivalents		-110 248 303	-42 598 592
Cash and cash equivalents at beginning of year		326 452 033	369 050 625
Cash and cash equivalents at end of year		216 203 730	326 452 033

Concedo ASA

Note 1 Accounting Principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway.

Main principles for valuing and classifying assets and liabilities

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. Classification of current and long-term liabilities is based on the same criteria.

Fixed assets are carried at historical cost net of accumulated depreciation. Fixed assets that have a limited economic life are depreciated according to a reasonable schedule. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Current assets are valued at the lower of historical cost and fair value.

Other long-term and current liabilities are valued at their nominal value.

Interests in oil and gas licenses

Ownership in oil and gas licenses are recognised by including Concedo's share of assets, liabilities, income and expense in the license on a line by line basis (gross method).

Accounting for exploration costs

The company follows the «successful efforts» method of accounting for exploration costs in oil and gas operations. Costs for acquiring mineral interests in oil and gas areas and for drilling exploration wells, are capitalised pending determinations of whether recoverable reserves have been found. Costs for drilling exploration wells where no recoverable reserves are found, geological and geophysical costs and other exploration costs, are expensed.

Exploration wells that have shown reserves, but where classification as proven reserves depends on whether substantial investments are justified, may remain capitalised for more than one year. Capitalised exploration wells and acquisition costs are reviewed continuously for impairment.

Receivables

Trade receivables and other receivables are recognised at their nominal value less provision for expected loss.

Bank deposits, cash in hand, etc.

Bank deposits, cash in hand and cash equivalents include cash in hand, bank deposits and other means of payment having maturity of less than three months from the date of purchase.

Revenue

Revenue is recognised when it is earned, i.e. when both the risk and control have been transferred to the customer.

Expenses

Expenses are generally entered in the same period as the corresponding income.

Leasing agreements

Significant lease contracts that are classified as financial leases are recognised as assets and depreciated using the straight-line method based on the estimated useful life. Operational leases are expensed as incurred.

Pensions

The company is required to maintain an occupational pension scheme in accordance with the Norwegian Act relating to mandatory pensions ("Lov om obligatorisk tjenestepensjon"). The company's pension scheme satisfies the requirements in that Act.

Contribution plans are accounted for according to the matching principle. The year's contribution to the pension scheme is expensed.

Share-based remuneration

The company has a remuneration plan based on payment in shares. The fair value of the services the company has received from the employees in return for the awarded subscription rights is entered as an expense. The total sum expensed over the earning period is calculated on the fair value of the subscription rights awarded.

At each balance sheet date, the company re-estimates the number of subscription rights likely to be exercised. The company enters the effect of any change in the original estimates in the P/L account with a corresponding adjustment of equity capital. After deduction of attributable transaction costs, payments received when rights are exercised are credited to share capital (nominal value) and the share premium account when subscription rights are exercised.

Taxes

Tax expenses are matched with book income before tax.

Tax expenses consist of payable tax (tax on the year's direct taxable income), change in net deferred tax and anticipated reimbursements related to exploration costs.

Deferred tax and deferred tax benefits in the same tax regime are presented net in the balance sheet.

Deferred tax benefit is recognised in the balance sheet provided that the future use is rendered probable.

Cash flow analysis

The cash flow analysis is prepared using the indirect method.

Note 2 Sales revenues

	2014	2013
Consulting services/ Income in Norway	1 854 551	0
Gain from sale of license	29 874 987	0
Total	31 729 538	0

Gain from sale of license relates to sale of 20% share in PL607.

Note 3 Payroll costs, number of employees, benefits etc.

Company payments to and pension costs for employees are presented in the following table:

Payroll costs	2014	2013
Salaries	16 863 048	14 464 255
Employers payroll tax	2 451 497	1 732 887
Pension costs	1 171 062	903 916
Share-based remuneration	766 627	1 727 600
Other benefits	74 630	170 880
Sum	21 326 864	18 999 538

Number of man-years employed during the financial year 13 13

*) Employers payroll tax comprises of tax on payroll and exchange of subscription rights as part of the incentive scheme.

Concedo ASA has adopted a contribution-based pension scheme, which has an individual choice of investment. The scheme covers a total of 13 employees.

Remuneration paid to directors and management	Salary	Pension costs	Other remuneration
Geir Lunde (CEO)	1 503 325	97 410	736 416
Olav Fjell (Chairman of the Board)			150 000
Erik Klausen (Director and HSE manager)	1 435 112	89 310	703 275
Hege Wullum (Director)			100 000
Karen Sund (Director)			100 000
Nirav Dagli (Director)			100 000

The CEO has a severance pay contract under which he, if he leaves at the company's request, is entitled to salary for 6 months after his period of notice expires. For subscription rights awarded to the CEO and directors in connection with the incentive scheme, see Note 5. Consultant services of NOK 249 996 excl. VAT were purchased from Fjellvit AS, a company owned by the Chairman of the Board.

Share-based remuneration

With the approval of the AGM, the Directors of Concedo have awarded the employees 347 808 subscription rights as of 1 January 2014. During 2014 the amount of 239 456 subscription rights were exchanged into shares. On 11 December 2014, the Directors decided to distribute 78 991 subscription rights in accordance with the guidelines for remuneration of senior management.

The fair value of the subscription rights awarded, calculated according to Black & Scholes option pricing model, was NOK 9 832 860. NOK 766 627 was expensed in 2014. At December 31, 2014, the estimated amount of share-based remuneration cost yet to be expensed throughout the vesting period is NOK 1. 071.092.

The calculation is based on a risk-free interest (Government bonds with 3-5 years maturity), and expected exercise of subscription rights after 48 months. The standard deviation from the expected yield is estimated at 50 %.

Number of subscription rights	2014	2013
Outstanding as of 1 January	347 808	861 363
Awarded during year	78 991	19 778
Forfeited during year	0	0
Exercised during year	-239 456	-533 333
Expired during year	0	0
Outstanding as of 31 December	187 343	347 808

Average gross exercise price is NOK 40.1 per share. According the prevailing conditions related to the subscription rights the exercise price is adjusted for distribution of dividends.

Board of Director's statement regarding remuneration of senior management in Concedo ASA.

In accordance with section 6-16a of the Norwegian Public Companies Act, the Directors of Concedo ASA have drawn up guidelines for determining the salaries and remuneration for senior management and employees in the company. These guidelines cover the basic pay for officers and employees, remuneration in the form of subscription rights in the company and a bonus programme that may be used in exceptional cases.

These guidelines are binding for the Board in so far as concerns schemes involving allocation of shares, subscription rights and other forms of remuneration that are linked with shares or developments in the price of the company's shares. Otherwise, the guidelines are intended as guidance to the Board. If in any contract the Board departs from these guidelines, the reason for doing so shall be recorded in the Board Meeting minutes.

The Norwegian Code of Practice for Corporate Governance provides that a company's guidelines for remunerating senior staff should each year be submitted to the General Meeting for its information. Pursuant to this Code of Practice, the framework for allocating options and shares to employees should be subject to prior approval by the General Meeting. Therefore, the company presents these guidelines and the proposed incentive programme to the annual general meeting of Concedo ASA.

The guidelines provide that remuneration in Concedo ASA shall consist of a fixed basic pay plus a variable consisting of an incentive programme and a bonus scheme, respectively.

The guidelines and compliance in 2014:

The Board established guidelines for 2014 for Managing Director, other senior executives and the Board members. The guidelines were processed at the company's annual general meeting in 2014 and described in the Concedo Annual Report 2013.

Managing Director and other Senior Executives

For the year 2014 subscription rights were allocated for the value equivalent to 25 % of the achievable target in accordance with the guidelines. Each subscription right carries the right to purchase one share in the company at a price corresponding to an estimated market price of NOK 22 per share evaluated by an independent expert. In accordance with the guidelines, company employees thus have an opportunity to subscribe shares as follows:

Name	Price/share (NOK)	Subscription Rights
Geir Lunde	22	6 760
Erik Klausen	22	6 470
Morten Hedemark	22	6 470
Ole H Fjelltn	22	6 470
Odd E Baglo	22	6 470
Elisabet Malmquist	22	6 470
Enric Leon	22	3 782
Dirk van der Wel	22	3 882
Anders Finstad	22	5 506
Juergen Sclaf	22	5 673
Ane M Skaug Rasmussen	22	4 727
Hilde Alnæs	22	4 727
Tommi Rafael Rautakorpi	22	6 470
Total	22	73 877

The incentives to the members of the Board, as described below, follow the guidelines drawn up for the company's employees.

Directors of the Board

For the year 2014 subscription rights for the equivalent of 25 % of the achievable target.were allocated in accordance with the guidelines. Every subscription right gives the right to issue one share in the company at a price corresponding to an estimated market price of NOK 22 per share. The members of the Board of the company thus have an opportunity to subscribe shares according to the guidelines:

Name	Price/share (NOK)	Subscription Rights
Olav Fjell	22	1 705
Erik Klausen	22	0
Karen Sund	22	1 136
Hege Wullim	22	1 136
Nirav Dagli	22	1 136
Total	22	5 114

In total, 78 991 subscription rights were allocated in 2014 that can be exercised after 3 years and before 5 years, pursuant to Board Resolution of 17 December 2014 on the basis of the approved guidelines for 2014 and detailed conditions to be decided in the General Meeting 2014.

Guidelines for 2015:

At the annual general meeting in 2015, the Directors will present the following statement regarding pay for the CEO, other senior staff and the Directors in 2015:

- (i) Basic pay:
Pursuant to the guidelines, basic pay shall be determined by the CEO based on what is considered good, competitive normal pay in the market. The CEO's salary shall be determined by the Directors. Directors' fees shall be determined by the AGM.

- (ii) Incentive programme:
In addition to the fixed basic pay, the Directors propose that the present incentive programme with subscription rights in the company, be continued. The incentive programme shall normally be allocated each year and the subscription rights allocated by the Directors, based on recommendations from the CEO within the framework of the resolution adopted by the general meeting. Subscription rights under this scheme shall be allocated according to specifically designated targets achieved by the company, and shall normally be issued to all employees.

Pursuant to the Directors' guidelines, the number of subscription rights shall be calculated by dividing a percentage – maximum 40% -of the annual pay earned by the employee during the year, by the market price of the shares. The maximum number of subscription rights for each employee will therefore be equivalent in value to up to 40% of the employee's earnings during the year, divided by the market price of the shares. The market price of the shares will be determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter. Subscription rights can at the earliest be exercised at IPO or if the company is sold. Otherwise, the subscription rights may be exercised at any time whatsoever in the period between 3 and 5 years after the allocation date. It is a condition for exercise of subscription rights, however, that the person concerned is still an employee of the company or a pensioner.

For Directors who are not employed by the company, the number of subscription rights shall, pursuant to the Board guidelines, be calculated by dividing a part – maximum 100% - of the annual fee by the market price of the shares. The maximum number of subscription rights for each Director will therefore be equivalent in value to up to 100% of that Director's fee during the year, divided by the market price of the shares. The market price of the shares will be determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter. Subscription rights can at the earliest be exercised at IPO or in the event of sale of the company. Subscription rights can otherwise be exercised at any time between 3 and 5 years from the allocation. Exercise of subscription rights is not dependent on whether he or she is the member of the Board of the company or not.

Nothing is paid for the subscription rights issued. Each of these subscription rights entitles the person to subscribe for one share in the company at a price corresponding to the average market price of the shares at the end of the year for which the incentive decision applies, as the price of the shares is determined by an arm's length public accountant or other arm's length person having expert knowledge of the matter.

The new shares issued when subscription rights are exercised, carry a right to dividend from the date of issue, i.e. a right to dividend, if any, for the financial year prior to the year of issue.

- (iii) Bonus scheme:
The other variable element proposed by the Directors, is a bonus scheme. It is the intention that the bonus scheme shall be reserved for situations where it is highly probable that the employee(s) efforts have contributed towards creating extremely high added value and bonus may be awarded only when the added value exceeds NOK 100 million.

Normally, the bonus shall be divided equally and awarded to employees at discretion. However, the CEO may also distribute bonus as an individual reward.

Bonus will not normally be awarded in the form of money, but as subscription rights in the company. In the same way as under the incentive programme, maximum 40% of the person's pay from the company may be

given per year as a bonus and therefore the subscription rights given as bonus shall be calculated by dividing the appropriate percentage of the employee's earnings by the market price of the shares. The market price of the shares shall be determined by an independent public accountant or other independent person having expert knowledge of the matter. Subscription rights may be exercised at the earliest by stock market introduction or by sale of the company. Otherwise, subscription rights can be exercised at any time during the period from 3 years to 5 years from the time of assignment.

Auditor

Remuneration for Deloitte AS is as follows (excl. VAT):

	2014	2013
Statutory audit	180 000	160 000
Audit-related services	55 000	37 800
Certification services	0	5 100

Note 4 Tangible/ Intangible assets

	Furniture & Fixtures	Plant & Machinery	License acquisition costs and exploration wells	Total
Cost at 1 January	2 280 049	77 725	20 414 948	22 772 722
Additions	897 800		4 776 196	5 673 996
Expensed dry wells, previously capitalised			-20 412 753	-20 412 753
Disposals				
Cost 31 December	3 177 849	77 725	4 778 392	8 033 966
Acc. depreciation at 1 January	2 120 330	71 923		2 192 253
Current year's depreciation	440 106	5 802		445 908
Acc. Depreciation 31 December	2 560 436	77 725		2 638 161
Book value as of 31 December	617 413	-	4 778 392	5 395 805

Note 5 Share capital and shareholders

As of 31.12.14, the company's share capital consisted of one class of shares, all of which bear the same voting rights. Acquisition of shares by purchase or as a gift or by any other means requires board approval.

	Number of shares	Nominal value	Book value
Shares	11 718 893	0.2073631	2 430 066
Total	11 718 893		2 430 066

Subscription rights

The right to exercise subscription rights lapses in the event of the company being listed on the stock exchange. The subscription rights may be exercised during a period of from 3 to 5 years from the date of allocation.

An overview of the subscription rights in the company is shown below.

Name	Number of rights	Subscription price (NOK)	Total Price (NOK)	Allocation date
Employees	59 167	60	3 550 020	16th December 2011
Employees and Directors	29 407	47,5	1 396 833	14th December 2012
Employees and Directors	19 778	42	830 676	17th December 2013
Employees and Directors	78 991	22	1 737 802	11th December 2014
Total	187 343		7 515 331	

The above figures include 17 196 subscription rights allocated to Geir Lunde, 16 461 to Erik Klausen, 4 607 to Olav Fjell, 3 071 to Karen Sund, 3 071 to Hege Wullum and 1 434 to Nirav Dagli in connection with the incentive scheme.

Ownership structure

The ten largest shareholders as of 31.12.2014:

Name	Quantity of shares	Percentage interest	Home country/registration
H. M. STRUCTURES LIM	3 220 682	29.4 %	CYP
EUROCLEAR BANK S.A./	2 580 000	23.6 %	BEL
MEGABAS AS	2 176 449	19.9 %	NOR
HEATHLANDS HOLDINGS	503 967	4.6 %	CYP
KAS Bank NV	307 500	2.8 %	NLD
KNUTSEN JOHN ERIC TA	250 000	2.3 %	GBR
UBS AG	220 000	2.0 %	CHE
Six SIS AG	220 000	2.0 %	CHE
FJELLVIT AS	154 529	1.4 %	NOR
Gilbo invest	120 924	1.1 %	NOR
Other Shareholders	437 288	4.0 %	
Total	10 955 116	100.0 %	

Concedo holds in addition to the above 763 777 (treasury shares) own shares in the company.

Shares owned by Directors and CEO

Name	Office	Number of shares
Olav Fjell through 100% in Fjellvit AS	Board Chairman	154 529
Geir Lunde through 22,4% in Megabas AS	CEO	487 525
Erik Klausen through 16,4% in Megabas AS	Director	356 938
Nirav Dagli	Director	12 000
Erik Klausen through Safeway AS	Director	24 796
Karen Sund through Sund Energy AS	Director	2 307

Note 6 Equity

	Share capital	Share premium	Other contributed capital	Other reserves	Total
Equity at 1 January	2 271 687	1 410 458	0	285 820 721	289 502 864
Subscription rights			766 627		766 627
Share issue	49 654	3 156 668			3 206 322
Treasury shares purchased	-49 654		-766 627	-8 283 047	-9 099 328
Profit/Loss for the year				-43 426 922	-43 426 922
Equity at 31 December	2 271 687	4 567 126	0	234 110 753	240 949 566

The value of subscription rights expensed in 2014 of NOK 766 627 has been calculated according to the Black-Scholes formula. On 18th June 2014 subscription rights were exchanged into shares at the price of NOK 13.39 per share giving a share capital increase of NOK 49 654 at a nominal value of NOK 0,207363131 per share. In addition; to secure the functioning of the incentive scheme, the company acquired 239 456 treasury shares at a price of NOK 9 099 328 during the year.

The share capital at the end of the year is NOK 2 430 066 consisting of 11 718 893 shares at a nominal value of 0.207363131, including 763 777 treasury shares.

Note 7 Income tax

Income tax for the current year is calculated as follows:	2014	2013
Adjustment for tax refund earlier years	108 125	-23 735
Change in deferred tax	-14 415 615	-3 905 013
Tax value of exploration costs (See Note 8)	-215 564 806	-252 561 625
Tax on ordinary income	-229 872 295	-256 490 372

Reconciling nominal and actual tax rates:

	2014	2013
Pre-tax profit/loss	- 273 299 217	- 332 320 249
Anticipated income tax at nominal rate (27%)	-73 790 789	-93 049 670
Tax effect of following items:		
Adjustment for tax earlier years	108 125	-18 866
Non-deductible expenses	225 776	521 610
Non-taxable income	-6 750 000	0
Tax effect of interest on loss for carrying forward (51%)	-220 093	-155 379
Change in tax rate	0	-174 835
Effect of surtax (51%)	-149 445 314	-163 613 233
Income tax	-229 872 295	-256 490 372
Effective tax rate	84%	77%

Specification of tax effect of temporary differences and loss for carrying forward:

	2014		2013	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Exploration expenses and license costs		3 289 768		15 462 609
Provisions for liabilities			753 323	
Loss to be carried forward	17 669 009		14 672 913	
Total	17 669 009	3 289 768	15 426 236	15 462 609
Of which netted	-3 289 768	-3 289 768	-15 426 236	-15 426 236
Net deferred tax asset/ liability	14 379 241			36 373

Profit from oil and gas operations on the Norwegian shelf is taxed in accordance with the Norwegian Petroleum Tax Act. A special 51% (2013: 50%) surtax is levied in addition to the ordinary 27% (2013 28%) corporate tax. The taxpayer may claim payment from the government for the tax value of direct and indirect expenses (with the exception of financing expenses) for petroleum exploration, provided that the sum does not exceed the year's loss on, respectively, ordinary income in the shelf tax district and the basis for surtax.

Shelf loss may be utilized against a possible future shelf gain. Alternatively, the tax value of loss carry forwards connected to operations on the Norwegian Shelf will be received in the event of a possible termination of the business.

Deferred tax effect has been capitalised to the extent future realisation is deemed probable.

Note 8 Bank deposits

Bank deposits, cash in hand etc. includes non-distributable withheld tax in the sum of NOK 1 013 381 (2013: NOK 852 726) and a rental deposit of NOK 938 173 (2013: NOK 637 091)

Note 9 Other receivables

For the 2014 tax assessment the company claims reimbursement of the tax value of petroleum exploration costs totalling NOK 215 564 806 (2013: NOK 252 561 525), see Petroleum Tax Act, 5th paragraph of section 3c. Outstanding accounts with operators and others are also in the financial line item "Other receivables".

Note 10 Leasing agreements

Annual rental for non-capitalised assets amounts to NOK 1 260 946 (2013: 959 064), which relates to rent for the office premises in Asker. The tenancy was renewed towards the end of 2011; the remaining period of tenancy being 3 years.

Note 11 Debt to financial institutions

The company has a credit line for NOK 350 000 000 in DNB ASA. The interest rate is NIBOR plus a margin of 2.2%.

Withdrawals are limited to 95% of the tax value of petroleum exploration expenses. Repayments coincide with the reimbursement of exploration expenses from the tax authorities. Concedo signed in 2014 an option agreement for extension of the utilization until the end of 2015

As of 31 December 2014 withdrawals totalled NOK 200 015 122. We have calculated the tax reimbursement as being NOK 215 564 806, see notes 7 and 9. 95% of the estimated tax reimbursement amounts to NOK 204 786 566.

The loan is secured by the tax reimbursement scheme and pledges in 20% in PL 531, 20% in PL616, 20% in PL629, 30% in PL 759, 30% in PL737s, 30% in PL727 and 20% in PL670. Due to the trade in PL 607, the license was exempt in agreement with DNB and License PL 531 was relinquished in 2014. Under the loan agreement a mortgage is also given on the company's offshore insurances relating to exploration activities. The company plan to renegotiate the loan agreement by the end of 2015.

Note 12 Other current liabilities

	2014	2013
Working capital liabilities in joint ventures	1 895 322	34 953 863
Wages, holiday pay and bonus	1 827 065	1 419 619
Accrued expenses	9 075 626	21 289 776
Other current liabilities	96 840	965 799
Total	12 894 853	58 629 057

Note 13 Financial market risk

The company employs financial instruments such as bank loans and deposits. The purpose of these instruments is to procure capital for the investments required for the company's activities. Other financial instruments are trade debtors etc. that are directly linked with everyday operations. The company does not trade in derivatives.

The most significant financial risks the company is exposed to are related to oil prices, interest rates, capital needs and loan terms. The risk of trade debtors and partners being unable to fulfil their obligations towards Concedo is considered to be low. The company is to a limited degree exposed to currency risk. The company has not entered into any contracts to offset the risks.

Note 14 Exploration costs

Exploration costs in the profit and loss statement consist of the following:

	2014	2013
Salary and other payroll, ref note 3	21 326 864	18 999 538
Seismic, drilling and general license expenses	265 747 998	294 824 538
Other operating costs linked with exploration	12 744 228	15 052 393
Total	299 819 089	328 876 470

Exploration expenses eligible for tax refunds amount to NOK 276 365 136 in 2014 (2013: NOK 323 796 955).

Note 15 Licenses

Licence activities in 2014:

PL393B (20%): The drilling of the Ensis prospect.

PL 616 (20%): A drill decision of the Haribo well has been taken. The drilling will take place in the summer of 2015.

PL 629: The Licence will be relinquished.

PL 645 (10%): Evaluation after the Novus well and evaluation of additional prospectivity in the Licence.

PL 670: Interpretation and re-processing of seismic is ongoing.

PL 670B: Administered with PL 670

PL 727: Prospect mapping and evaluation is ongoing based on new 3D seismic.

PL 737s: Reprocessing of 3D seismic is ongoing.

PL 746s: Prospect mapping and evaluation is ongoing.

PL 759: Prospect mapping and evaluation is ongoing.

PL 768: 2D seismic has been acquired. Prospect mapping and evaluation is ongoing.

PL 769: Reprocessing of 3D seismic is ongoing.

Note 16 Subsequent events

Concedo was awarded five licenses in APA 2014:

North Sea

PL 776 (20%) – in the blocks 16/5, 6, 8 and 9. The work programme is reprocessing of 3D seismic and drill or drop decision after one year. Tullow is operator.

PL 775 (20%) - in the block 16/7, 8. The work programme is reprocessing of 3D seismic, and drill or drop decision after one year. Tullow is operator.

PL 774 (30%) - in the block 16/7. The work programme includes carrying out G&G studies, drill or drop decision after two years. Tullow is operator.

PL 784 (20%) – in Blocks 25/3,6. The work programme is acquisition of 3D seismic and two years before drill or drop decision. Tullow is operator

Barents Sea

PL 804 (30%) – in Block 7121/10,11,12. The work programme is reprocessing of 3D seismic, and two years before drill or drop decision. Winthershall is operator.