DIRECTORS' REPORT 2017

The recent annual licensing round, APA 2017 (Awards in Pre-defined Areas), revealed a great interest in exploration in Norway. Never before have so many production licences been awarded in an APA round. Thirty-nine companies submitted applications. Thirty-four companies were offered 74 new production licences on the Norwegian Continental Shelf (NCS). The authorities have shown support for exploration in mature areas on the NCS, where there are opportunities to exploit existing infrastructure. Another interesting trend was that new plays were identified based on using a new type of seismic and new technology.

Once again, Concedo was awarded satisfactory licences in APA 2017 - two in the Barents Sea and three in the North Sea. One of the licences commits to two fixed wells which will be drilled in 2018.

Signs of an upturn in the oil and gas industry now seem to be emerging, with the oil price rising to 60-70 USD/barrel. During the downturn, which led to a decline in exploration and upstream development activity, drilling companies were hit by lower revenue, cancelled or renegotiated contracts and reduced rates. Oil and gas upstream and service companies have now started to implement strategies to improve their performance in order to be more resilient to future oil price cycles. In Norway, we are seeing more oil field projects coming on stream at a lower break-even cost and drilling contracts at a lower price level - 150,000- 350,000 USD/day, instead of the 400,000 – 600,000 USD/day before the downturn.

The signs of a larger number of projects, increased exploration and lower drilling rates are very positive for the Concedo value chain; explore, discover and sell. They mean a good licence base, an opportunity for lower exploration costs and an improved market for selling assets. Following the APA 2017 awards in January 2018, Concedo has interests in 22 licences, many near existing infrastructure, some few to be relinquished and several with the possibility of being drilled. The company will maintain its strategy to take advantage of future market opportunities due to a higher oil price and lower cost base.

In 2017, 34 exploration wells were completed on the NCS, three fewer than in the previous year. Eleven discoveries were made, compared to 18 in 2016. All the discoveries were relatively small, but several could become profitable if tied into existing infrastructure.

Concedo participated in one well in 2017, in the Goliat Eye prospect in the Barents Sea. The well was unfortunately declared dry, but with oil shows. The detailed information from the well will be studied and further work on the licence is necessary before any new well is drilled. The Goliat Eye prospect is near to the Goliat Field and could be a potential tie-in development if commercial.

A downturn in the industry often leads to more innovation and creativity. In APA 2017, the authorities clearly indicated that new plays had been created by new seismic and technology. New ways of thinking contributed to the large Johan Sverdrup discovery. Innovation in exploration means to try, work on understanding, improve old technologies and use the technologies in different ways. Concedo is cooperating with technology suppliers in the use of new technologies and improving the process of de-risking prospects. One of its goals is to be even more efficient at finding new discoveries.

Several of the licences in our portfolio have drill or drop decisions to be made in 2019. Currently, there is only a commitment to drill two wells in licence PL 925. These two wells are in an area with the potential for commercial discovery and can be developed as either tie-ins or stand-alone projects. The licence also includes part of the Grosbeak discovery.

Concedo holds the PL 815 licence between the Edvard Grieg and Johan Sverdrup fields, which has a new type of play. Drilling by Lundin in the licence next to it will assist in de-risking this licence. Concedo see this licence as a very interesting prospect.

On PL 697 Goliat Eye, the up-dip potential is being evaluated and the licence has applied for a one-year extension of the drill or drop decision.

The company's strategy remains robust and Concedo will continue to focus on the NCS and submit applications in the annual licensing rounds. Further, Concedo will participate in one to three exploration wells per year.

The award of five APA 2016 licences to Concedo in January 2017 reinforced the company's focus on its priority areas. The exploration team believes there are good possibilities in these areas and continues to build knowledge of the geology and use of new technology. The proximity to existing fields makes discoveries more likely to be commercial.

Objectives and strategy

Concedo's ambition is to be one of the best exploration teams on the NCS, capitalizing on the team's excellent knowledge of leads and unmapped resources on the NCS and working in areas aligned with the team's strengths. We create value by selling discoveries prior to development, thus avoiding capital-intensive investments in field development. Concedo's strategy is to preserve its financial strength so it can sell discoveries at the best possible time and be regarded as an attractive partner by other oil companies. In 2012, Concedo returned the capital initially invested in 2006 to its investors in form of dividend and paid-in capital.

Highlights in 2017

One well was drilled. This took place at below expected costs and without any incidents that could cause damage, injuries or environmental impact.

Concedo was awarded five licences in 2017 and has been awarded a further five licences so far in 2018. Three licences have been relinquished, bringing the company's total to 19 licences at the end of the first quarter 2018.

Concedo is maintaining its support agreement with Geocore AS, giving us additional capacity in the licensing rounds and to evaluate our own licences.

Drilling

Eni Norge AS, the operator of PL 697, completed the drilling of wildcat well 7122/10-1 S in the summer of 2017. The well was located about 10 kilometres southwest of the Goliat field.

The well's primary exploration target was to prove petroleum in Middle Triassic reservoir rocks (Kobbe formation). Secondary exploration targets were to prove petroleum in Upper Triassic to Lower Jurassic reservoir rocks (Realgrunnen and Snadd formation) and, depending on the well result, in Lower Triassic reservoir rocks (Klappmyss formation).

In the Kobbe formation, the well encountered about 35 metres of reservoir rocks with moderate to good reservoir quality. As regards the secondary exploration target, the well encountered about 35 metres of sandstone reservoir with good reservoir quality in the Realgrunn sub-group, and about 80 metres of sandstone reservoir with moderate to good reservoir quality in the Snadd formation. There were traces of oil in the Realgrunn sub-group, and a core was taken. The Snadd and Kobbe formations are aquiferous.

The well was classified as dry. Samples have been taken and extensive volumes of data have been acquired.

Financing

In 2018, the company is exercising a one-year option regarding the NOK 350 million exploration finance facility established with DNB. This will provide the level of working capital needed for the exploration programme going forward to 2019.

Business office

Concedo has renewed the lease of its existing offices in Asker outside Oslo.

History

Concedo was established as an exploration company in 2006 and pre-qualified as a licensee on the NCS in 2007. From the beginning, the company had a strong team of eight experienced employees. The team grew, in pace with assignments and the number of licences in the company's portfolio, to 13 employees in 2015. The first discovery (gas) was made in 2008 - the Galtvort prospect - and in 2009 oil was found in what is now known as the Hyme Field, both in licence PL 348. Concedo's interest in this licence was sold to Statoil in 2010. Also in 2010, the Maria discovery, just south of the Smørbukk South field, was proven to be oil-bearing. This was sold to the operator Wintershall in 2011. The Novus discovery was made in early 2014, but was declared non-commercial. In 2014, Concedo divested PL 607 to Total E&P. In 2015, Concedo acquired a 10% working interest share in PL 697 in the Barents Sea. Concedo was awarded five licences in each of APA 2016 and APA 2017, resulting in a portfolio of about 20 licences spread over areas from the North Sea to the Barents Sea.

Research and development

Concedo is a member of FORCE (Forum for Reservoir Characterization, Reservoir Engineering and Exploration), which was set up by the Norwegian Petroleum Directorate to stimulate industrial cooperation, improve exploration processes and enhance the recovery of resources on the NCS. Concedo contributes actively and its representatives are members of the technical committee, the sedimentology committee and the structural geology group.

Over the years, the company has tested out many new exploration technologies and chosen the ones most suitable for the different exploration areas.

Concedo has also been an active participant in the Norwegian Oil and Gas Association's network for Exploration Managers and in the Norwegian Oil Company Scout Group.

Health, safety and the environment

The company ensures that all its activities are carried out without causing harm to humans or the environment. Safeguarding people, the environment and financial assets is an integral part of our management system and daily operations. Our activities caused no spills, injuries or accidents in 2017.

As a licensee on the NCS, Concedo bears responsibility for, and makes conscious choices designed to minimize, risks to itself and its partners. Concedo actively supports the operator with expertise and experience in preventing undesirable incidents while participating in drilling operations. Concedo has been actively involved in risk assessments and audit meetings.

The working environment is considered good and we make continuous efforts to improve it further. In 2017, our employees participated in health and environment activities to prevent injuries. The sick leave in 2017 was 336 days or 1.3% of the total working hours.

Gender equality

At the end of 2017, Concedo had 13 employees, three women and 10 men. The Board of Directors has five members, two women and three men. Concedo emphasizes gender equality, equal conditions and the equal treatment of all employees.

Sustainability and responsibility

It is an integral part of our business to ensure respect for human rights, take responsibility as an employer, minimize our impact on the environment, fight corruption and ensure a transparent corporate culture when dealing with all our stakeholders. We consider this a necessary and natural part of the way we carry out our business operations. Corporate Social Responsibility (CSR) is part of the company's management system. The company has reviewed the management system with respect to the new EU regulations on General Data Protection Regulation (GDPR). The reporting system on ethical values in the company is under revision in light of the recent press issues on sexual harassment.

Corporate governance

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

The Board of Directors held eight meetings in 2017. Key strategic and operational issues that were discussed include:

- A review of the impact of the low oil price and political situation internationally. An evaluation of the capital situation and capital requirements in the coming years.
- Close monitoring of the company's operational and financial performance, including Quality, Health, Safety and the Environment. Lessons-learned discussions after the completion of important activities, such as the drilling of the Goliat well and awards in licensing rounds.
- Strategic balancing of the portfolio of exploration licences and assessment of licence applications in APA 2017.
- Assessment of investment and divestment opportunities.
- Supervision of risk management processes and internal control reporting.

Management and employee salaries

In accordance with section 6-16a of the Norwegian Public Limited Companies Act, the Board of Concedo ASA has prepared guidelines for determining the salaries and other remuneration of the company's management and employees.

Financial performance 2017

Financial statements are prepared in accordance with the Public Limited Companies Act, the Accounting Act and generally accepted accounting principles in Norway. To the best of the Directors' knowledge, there are no circumstances of significance for assessing the company's position as at 31 December 2017 or the result for 2017 that are not set forth in the annual report and financial statements.

The Directors believe that the annual accounts give a true presentation of Concedo's financial position as at 31 December 2017 and of the result and cash flows for the fiscal year.

Revenues and profits

The company made an operating loss of NOK 151 million. The year's loss after tax was NOK 36 million. It is claiming NOK 116 million as a refund of the tax value of exploration costs. The exploration costs consist of the company's operating expenses and the costs of licences, seismic surveys and exploration wells. Costs related to preparations for drilling exploration wells are recognized in the balance sheet. The capitalized cost related to drilling depends on whether or not commercial reserves are discovered. The exploration costs connected to the preparation of the Goliat well in the PL 697 licence have been expensed.

Balance sheet and liquidity

At year-end 2017, the company's book equity amounted to NOK 131 million, equal to an equity ratio of 51%.

The company's interest-bearing debt originates from the NOK 350 million loan facility, of which NOK 116 million had been utilized as at 31 December 2017. The debt is secured by the tax-related refund of exploration costs. This is expected to be NOK 116 million for 2017.

Cash flow

The net cash flow from operating activities in 2017 was NOK (47) million. This includes a tax refund of NOK 109 million. The net cash flow from financing activities was NOK 18 million.

Distribution of profit

No dividend was paid in 2017.

Operational, financial and market risks

Our strategy is to obtain revenues through the sale of interests in discoveries. Key risks and uncertainties in our operations are related to the results of exploration work and the potential earnings from them.

The company is exposed to market risks from oil prices and the US dollar exchange rate. The company has interest-bearing debts and is exposed to changes in interest levels. At present, Concedo does not have any contracts to hedge market risks.

Credit risks

The company has few receivables, so the risk of our debtors or partners being unable to fulfil their obligations to Concedo is low.

Political Risks

A challenge to the Norwegian petroleum tax system has been raised to the European Surveillance Authority (ESA) when it comes to exploration refund. The outcome is uncertain. If the tax refund is considered to be not compliant with EU rules, the next step would be an EFTA case against Norway, which might impact this taxation system.

Liquidity risks

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

Currency risks

Some of the exploration costs are in USD. The Board has evaluated the situation related to USD versus NOK and decided not to hedge the currencies. A large part of the company's costs are in NOK.

Risk of low oil price

Short-term low oil prices have some positive effects for Concedo, as exploration costs tend to be significantly reduced, e.g. lower rig rates. However, the low oil price has reduced the price obtained for new discoveries.

In the longer term, a higher oil price is desirable, as this will increase the value of the oil and gas discovered.

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 have been satisfied.

Future prospects

Concedo's strategy is to preserve its financial strength in order to have the flexibility to sell discoveries at the optimum time and to be regarded as an attractive partner by other oil companies and the authorities. Concedo will continue to apply for licences, preferably close to infrastructure and with a drilling depth of less than 4,000m.

The company has the financial strength to pursue its strategy. The oil price seems to be stabilizing at a higher level and optimism is returning to the industry. The drillrig rate has been lowered for the two wells where Concedo is participating in 2018.

The current portfolio establishes a sound foundation. Concedo has carried out a lot of work on its licences. In addition, in the case of a discovery, all the licences are favourable with regard to commercialization as they may be candidates for tie-ins to existing fields.

Concedo is cooperating with suppliers to test out new technologies in order to improve exploration efficiency. Concedo has successfully been awarded licences in recent APA rounds and has a satisfactory number of good prospects for potential future drilling activities. The five licences awarded in APA 2017 are in attractive areas. Two wells will be drilled in 2018 and many other licences are being evaluated for a drilling decision in 2019. The awards in APA 2017 provide greater potential for drilling additional wells.

The Concedo team is very enthusiastic and motivated by the future opportunities.

Asker, 8 March 2018

Olav Fjell		
Olav Fjell, Chairman	Erik Klausen, Director	Karen Sund, Director
Hege Wullum		Geir Lunde
Hege Wullum Director	Nirav Dagli, Director	Geir Lunde, CEO

Concedo ASA

Profit and loss account 2017

Figures are given in the Norwegian currency NOK	Note	2017	2016
Depreciation on fixed and intangible assets	3	-129 450	-258 490
Exploration expenses	2,9,13,14	-150 896 675	-139 174 807
Total operating expenses		**-151 026 124**	**-139 433 296**
Operating profit/loss		**-151 026 124**	**-139 433 296**
Other interest received		1 158 031	1 896 482
Other financial income		1 771 117	1 520 970
Total financial income		**2 929 148**	**3 417 451**
Other interest paid		-4 414 874	-7 668 918
Other financial expenses		-1 858 829	-6 355 032
Total financial expenses		**-6 273 703**	**-14 023 950**
Net financial items		**-3 344 556**	**-10 606 499**
Pre-tax profit/loss on ordinary activities		**-154 370 680**	**-150 039 795**
Tax cost on profit on ordinary activities	6	118 121 511	110 939 692
Ordinary profit/loss		**-36 249 169**	**-39 100 103**
Income/loss for the year		**-36 249 169**	**-39 100 103**
Allocations			
Other reserves	5	-36 249 169	-39 100 103
Total		**-36 249 169**	**-39 100 103**

Concedo ASA

Balance Sheet as of 31 December 2017

Figures are given in the Norwegian currency NOK

ASSETS	Note	2017	2016
Fixed assets			
Intangible assets			
Capitalised exploration expenses and licences	3	2 808 700	3 867 010
Total intangible assets		**24 208 518**	**23 494 492**
Tangible fixed assets			
Furniture, fixtures & machinery	3	235 144	261 223
Total tangible fixed assets		**235 144**	**261 223**
Total fixed assets		**24 443 663**	**23 755 715**
Current assets			
Receivables			
Other receivables	8	123 232 950	111 912 994
Total receivables		**123 232 950**	**111 912 994**
Bank deposits, cash-in-hand etc.	7	106 362 570	135 032 295
Total bank deposits, cash-in-hand etc.		**106 362 570**	**135 032 295**
Total current assets		**229 595 520**	**246 945 289**
Total assets		**254 039 183**	**270 701 004**

Concedo ASA

Balance Sheet as of 31 December 2017

Figures are given in the Norwegian currency NOK

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2017	2016
EQUITY			
Paid-in capital			
Share capital	4,5	2 430 066	2 430 066
Treasury shares	5	-158 379	-158 379
Share premium	5	4 567 126	4 567 126
Other paid in capital	5	1 925 449	1 150 667
Total paid-in capital		**8 764 262**	**7 989 480**
Retained earnings			
Other reserves	5	122 047 872	158 297 042
Total retained earnings		**122 047 872**	**158 297 042**
Total Equity		**130 812 134**	**166 286 521**
Current liabilities			
Owed to credit institutions	10,12	116 413 342	97 971 884
Trade creditors		2 525 817	2 180 459
Unpaid government charges etc.		1 876 000	1 798 410
Other current liabilities	11	2 411 890	2 463 729
Total current liabilities		**123 227 049**	**104 414 483**
Total liabilities		**123 227 049**	**104 414 483**
Total Equity and Liabilities		**254 039 183**	**270 701 004**

Asker, 8 March 2018

Olav Fjell
Chairman of the Board

Erik Klausen
Director

Karen Sund
Director

Hege Wullum
Director

Nirav Dagli
Director

Geir Lunde
CEO

Concedo ASA

Cash Flow Statement

OPERATING ACTIVITIES	Note	2017	2016
Pre-tax result		-154 370 680	-150 039 795
Adjustments for reconciling current year's result with cash flow from operating activities:			
Depreciation, amortisation and write-downs	3	129 450	258 490
Capitalised exploration costs expensed		1 126 659	27 063
Other items having no cash effect – subscription rights		774 782	619 427
Tax reimbursement received in period	6	108 753 330	123 121 522
Change in working capital (except for cash and cash equivalents):			
(Increase) reduction in trade debtors and other receivables		-3 724 111	12 589 452
Increase (reduction) in trade creditors and other current debts		371 108	-1 788 142
Cash flow from operating activities		**-46 939 463**	**-15 211 983**
INVESTMENT ACTIVITIES			
Investments in fixed assets	3	-103 371	-358 723
Capitalised exploration expenses	3	-68 349	-1 084 357
Cash flow spent on investment activities		**-171 720**	**-1 443 080**
FINANCING ACTIVITIES			
New interest-bearing short-term debt	10	121 300 100	88 299 993
Repayments short-term debt	10	-102 858 642	-110 080 968
Cash flow spent on financing activities		**18 441 458**	**-21 780 975**
Net increase (reductjon) in cash and cash equivalents		-28 669 725	-38 436 037
Cash and cash equivalents at beginning of year		135 032 295	173 468 333
Cash and cash equivalents at end of year		**106 362 570**	**135 032 295**

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 Payroll costs, number of employees, benefits etc.

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

Payroll costs	2017	2016
Salaries	17 947 983	17 304 094
Employers payroll tax	2 798 997	2 693 669
Pension costs	1 526 807	1 389 258
Share-based remuneration	774 782	619 427
Other benefits	116 320	234 350
Total	23 164 890	22 240 797
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)	1 549 221	104 532	34 236
Olav Fjell (Chairman)			150 000
Erik Klausen (Director and HSE Manager)	1 482 751	91 914	37 010
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 month s after his period of notice expires. For subscription rights awarded to the CEO and directors in connection with the incentive scheme, see Note 5. Consul tancy 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 in total had issued 349.662 subscription rights to the employees which was outstanding as of 1 January 2017. During 2017 no subscription rights were declared or exchanged into shares and 29.407 subscription rights expire d. On 19 December 2017, the Directors decided to issue another 116 278 subscription rights in accordance with the guidelines for remuneration of seni or management. As of 31.12.2017 a total of 436.533 subscription rights were outstanding.

In 2017 NOK 774 782 was expensed in the profit and loss statement related to vested subscription rights in this period. At De cember 31 2017, the estimated amount of share- based remuneration cost yet to be expensed throughout the vesting period is NOK 1.428.612.

The fair value of the subscription rights awarded and outstanding as of 31.12.2017, calculated according to Black & Scholes o ption pricing model, was NOK 3.303.557.

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 volatility rated used has been between 50-60%.

Number of subscription rights	2017	2016
Outstanding as of 1 January	349 662	298 086
Awarded during year	116 278	110 743
Forfeited during year	0	0
Exercised during year	0	0
Expired during year	-29 407	-59 167
Outstanding as of 31 December	436 533	349 662

Average gross exercise price is NOK 17,5 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 2017:
The Board established guidelines for 2017 for Managing Director, other senior executives and the Board members. The guidelines were processed at the company's annual general meeting in 2017.

Managing Director and other Senior Executives
For the year 2017 subscription rights were allocated for the value equivalent to 21 % 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 13 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	13	9 819
Erik Klausen	13	9 398
Morten Hedemark	13	9 398
Ole H Fjelltun	13	9 398
Odd E Baglo	13	9 398
Elisabet Malmquist	13	8 458
Enric Leon	13	5 493
Dirk van der Wel	13	8 333
Anders Finstad	13	7 998
Juergen Sclaf	13	8 240
Ane M Skaug Rasmussen	13	6 867
Hilde Alnæs	13	6 867
Tommi Rafael Rautakorpi	**13**	9 398
Total	**13**	109 065

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 2017 subscription rights for the equivalent of 21 % 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 13 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	13	2 404
Erik Klausen	13	0
Karen Sund	13	1 603
Hege Wullim	13	1 603
Nirav Dagli	13	1 603
Total	**13**	**7 213**

In total, 116 278 subscription rights were allocated in 2017 that can be exercised after 3 years and before 5 years, pursuant to Board Resolution of 19 December 2017 on the basis of the approved guidelines for 2017 and detailed conditions to be approved in the General Meeting 2018.

Guidelines for 2018:
At the annual general meeting in 2018, the Directors will present the following statement regarding pay for the CEO, other se nior staff and the Directors in 2018:

(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 th e company, be continued. The incentive programme shall normally be allocated each year and the subscription rights allocated by the Directors, based on recommendati ons from the CEO within the framework of the resolution adopted by the general meeting. Subscription rights under this scheme shall be allocated accordin g 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 shar es 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 th e 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 th e 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 e arliest 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 on e 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 t he 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 r eserved 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 o nly 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 bon us 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 bonu s 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 ear liest 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):	2017	2016
Statutory audit	250 500	178 000
Audit-related services	0	14 000
Certification services	13 500	20 400

Note 3 Tangible/ Intangible assets

	Furniture & Fixtures	Plant & Machinery	License interests, exploration wells	Total
Cost at 1 January	3 536 572	77 725	3 867 010	7 481 307
Additions	103 371	-	68 349	171 720
Expensed dry wells, previously capitalised			-1 126 659	-1 126 659
Disposals			-	-
Cost 31 December	**3 639 943**	**77 725**	**2 808 700**	**6 526 368**
Acc. depreciation at 1 January	3 275 349	77 725		3 353 074
Current year's depreciation	129 450	-		129 450
Acc. Depreciation 31 December	**3 404 798**	**77 725**		**3 482 523**
Book value as of 31 December	**235 144**	**-**	**2 808 700**	**3 043 845**

Note 4 Share capital and shareholders

As of 31.12.17, 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 and Directors	19 778	42	830 676	17th December 2013
Employees and Directors	78 991	22	1 737 802	11th December 2014
Employees and Directors	110 743	16	1 771 888	13th December 2015
Employees and Directors	110 743	16	1 771 888	15th December 2016
Employees and Directors	116 278	13	1 511 614	19th December 2017
Total	**436 533**		**7 623 868**	

The above figures include 37 429 subscription rights allocated to Geir Lunde, 35 823 to Erik Klausen,9 239 to Olav Fjell, 6 163 to Karen Sund,6163 to Hege Wullum and 6 163 to Nirav Dagli in connection with the incentive scheme.

Ownership structure

The ten largest shareholders as of 31.12.2017

Name	**Quantity of shares**	**Percentage interest**	**Home country**
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
UBS SWITZERLAND AG	527 500	4,8 %	CHE
HEATHLANDS HOLDINGS	503 967	4,6 %	CYP
KNUTSEN JOHN ERIC TA	250 000	2,3 %	GBR
SIX SIS AG	220 000	2,0 %	CHE
FJELLVIT AS	154 529	1,4 %	NOR
GILBO INVEST AS	120 924	1,1 %	NOR
FRUCHTMANN URI	93 920	0,9 %	GBR
Other Shareholders	1 107 145	10,1 %	Miscellaneous
Total	10 955 116	100 %	

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

Shares owned by Directors and CEO:

Name	**Position**	**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
Geir Lunde	CEO	22 000
Nirav Dagli	Director	12 000
Erik Klausen through Catellas AS	Director	24 796
Karen Sund through Sund Energy AS	Director	2 307

Note 5 Equity

	Share capital	Treasury shares	Share Premium	Other paid in capital	Other	Total
Equity at 1 January	2 430 066	-158 379	4 567 126	1 150 667	158 297 042	166 286 521
Subscription rights				774 782		774 782
Current year's proft/(loss)					-36 249 169	-36 249 169
Equity at 31 December	2 430 066	-158 379	4 567 126	1 925 449	122 047 872	130 812 134

The value of subscription rights expensed in 2017 of NOK 774 782 has been calculated according to the Black-Scholes formula.
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 6 Income tax

Income tax for the current year is calculated as follows:	**2017**	**2016**
Adjustment for tax refund earlier years	-17 142	19 838
Change in deferred tax	-1 772 336	-2 223 342
Tax value of exploration costs (See Note 8)	-116 332 033	-108 736 188
Tax on ordinary income	**-118 121 511**	**-110 939 692**

Reconciling nominal and actual tax rates:	**2017**	**2016**
Pre-tax profit/loss	-154 370 680	-150 039 795
Anticipated income tax at nominal rate (24%)	-37 048 963	-37 509 949
Tax effect of following items:		
Adjustment for tax earlier years	-17 142	19 838
Non-deductible expenses	216 922	197 088
Tax effect of interest on loss for carrying forward (24%/54%)	-34 304	-171 561
Change in tax rate	20 408	-12 609
Effect of surtax (54%)	-81 258 432	-73 462 499
Income tax	-118 121 511	-110 939 692
Effective tax rate	77 %	74 %

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

	2017		2016	
	Deferred tax asset	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**
Exploration expenses and license costs		1 837 869		2 550 419
Provisions for liabilities				
Loss to be carried forward	23 237 687		22 177 901	
Total	23 237 687	1 837 869	22 177 901	2 550 419
Of which netted	-1 837 869	-1 837 869	-2 550 419	-2 550 419
Net deferred tax asset/ liability	21 399 818	0	19 627 482	0

Profit from oil and gas operations on the Norwegian shelf is taxed in accordance with the Norwegian Petroleum Tax Act. A special 54% (2016: 53%) surtax is levied in addition to the ordinary 24% (2016 25%) 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.
With effect from 1 January 2018 the Corporate tax rate is 23% (2017: 24%) and the special tax rate is 55% (2017: 54%). The tax rate effective from 1 January 2018 has been used in calculation of deferred tax at 31 December 2017.

Note 7 Bank deposits

Bank deposits, cash in hand etc. includes non-distributable withheld tax in the sum of NOK 1 110 259 (2016: NOK 1 065 323) and a rental deposit of NOK 957 567 (2016: NOK 952 329)

Note 8 Other receivables

For the 2017 tax assessment the company claims reimbursement of the tax value of petroleum exploration costs totalling NOK 116 332 033 (2016: NOK 108 736 188), 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 9 Leasing agreements

Annual rental for non-capitalised assets amounts to NOK 1 549 030 (2016: 1 396 214), which relates to rent for the office premises in Asker.
The tenancy was renewed towards 30.10.2021; the remaining period of tenancy being 4 years.

Note 10 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 1,55%.

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 the beginning of 2016 a new loan agreement for two years and with an one year opt ion.

As of 31 December 2017 withdrawals totalled NOK 116 413 342. According to the loan agreement, 95% of the estimated tax reimbursement amounts to NOK 110 515 431. The difference (NOK 5 897 911) has been settled on the 22nd February 2018. We have calculated the tax reimbursement as being NOK 116 332 033 see notes 6 and 8.

The loan is secured by the tax reimbursement scheme and balances thereon, and monetary claims in respect of all present and future Insurances.

Note 11 Other current liabilities

	2017	2016
Working capital liabilities in joint ventures	0	281 295
Wages, holiday pay and bonus	1 959 957	1 876 342
Accrued expenses	451 931	209 252
Other current liabilities	2	96 840
Total	2 411 890	2 463 729

Note 12 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 13 Exploration costs

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

	2017	2016
Payroll costs, ref note 3	23 164 890	22 240 797
Seismic, drilling and general licence expenses	112 656 153	102 866 878
Other operating costs linked with exploration	15 075 632	14 067 131
Total	**150 896 675**	**139 174 807**

Exploration expenses eligible for tax refunds amount to NOK 149 143 632 in 2017 (2016: NOK 139 405 369).

Note 14 Sponsorships

In line with the company's Anti-bribery and corruption procedures the information on sponsorships shall be given in the notes of the Annual report. In 2017 the company sponsored the following:

Asker Svømmeklubb NOK 10 000
Asker Fotball NOK 10 000
Asker Skøyteklubb NOK 12 000
Drammen Klatreklubb NOK 5000
Støtteforreningen for kreftrammede, Asker: NOK 10 000
Petroleumskvelden NOK 5000
Redningsselskapet NOK 5000
Bellona CCS program NOK 23 500

Note 15 Licenses

North Sea

PL 775 (20%): in blocks 16/7 and 16/8. Operator is ConocoPhillips. Two years extension of initial period, New Drill or Drop (DoD) deadline is by February 2019.

PL 775B (20%): in blocks 16/4,5. Operator is ConocoPhillips. Extension to PL 775 awarded in APA 2017. Work program as for PL 775. DOD decision is by February 2020.

PL 776 (20%): in blocks 16/5, 6, 8 and 16/9. Wintershall has taken over operatorship from Tullow. Well drilled on the Rome prospect in 2016. The well was dry. Applied for extension of BOK decision to February 2019.

PL 815 (20%): in block 16/5. Lundin is operator. The 3D seismic processing included in the work program has already been fulfilled. DOD decision is by February 2019.

PL 816 (30%): in blocks 17/4 and 17/7. Eni is operator. Acquisition and processing of 3D seismic is ongoing. Will be relinquished 2018.

PL 824 (30%): in blocks 31/4 and 31/5. Point is operator. New 3D seismic acquired. G&G ongoing. Will be relinquished 2018.

PL 826 (30%): in blocks 29/3, 30/1 and 33/12. Point is operator. Reprocessing of 3D seismic is finalised. Geological and geophysical evalutaion is ongoing. DOD decision is by February 2019.

PL 727 (30%): in blocks 3/5, 3/6, 3/8 and 3/9. The licence was relinquished 2018.

PL 746S (30%): in block 29/3. Point is Operator. Geological and geophysical analysis is ongoing. DoD decision is by February 2019.

PL 784 (20%): in blocks 25/3, 6. Operator is Aker BP. G&G work ongoing. DOD decision is by February 2019.

PL 882 (30%): in blocks 33/6 and 34/4. VNG is operator. Awarded in APA 2016. New 3D seismic has been acquired. DOD decision is by February 2019.

PL 925 (10%): in blocks 35/9,12. Wellesley is operator. Awarded in APA 2017. Two firm wells to be drilled in 2018.

PL 926 (30%): in blocks 33/9,12 and 34/10. Faroe Petroleum is operator. Awarded in APA 2017. Aquire and or reprocess 3D seismic. DOD is by February 2020.

Norwegian Sea

PL 887 (20%): in blocks 6507/7,8,10 and 11. PGNIG is operator. Awarded in APA 2016. 3D seismic has been acquired. DOD decision is by February 2019.

PL 889 (40%): in blocks 6507/8 and 6507/9. VNG is operator. 3D seismic has been acquired and reprocessed. DOD decision is February 2019.

Barents Sea

PL 768 (25%): in blocks 7123/5,6,7,8,9 and 7124/4, 7, 8. Wintershall is operator. Seismic interpretation based on 2D seismic is finalised. 3D seismic has been acquired 2017 together with PL768B. DoD decision is by February 2019.

PL 768B (25%): in blocks 7122/8, 9. Wintershall is operator. Same activity as PL 768. DoD decision is 2019.

PL 697 (10%): in block 7122/10. Site survey completed autumn 2016. The Goliat Eye Prospect was drilled in 2017. The well was dry. Applied for one year extension of BOK decison to February 2019.

PL900 (10%): in the blocks 7122/8 and 9. Eni is operator. Awarded in APA 2016. 3D seismic has been acquired and DOD decision in February 2019.

PL 901 (20%): in blocks 7122/5 and 7122/6. Statoil is operator. Awarded in APA 2016. 3D seismic has been acquired and reprocessing will be finalised in 2018. DOD decision is February 2019.

PL 951 (20%): in blocks 7121/5,6,8,9 and 7122/4,7. Aker BP is operator. Awarded in APA 2017. Acquire and/or reprocess 3D seismic. DOD decision is by February 2020.

PL 953 (30%): in blocks 7122/2,3,5,6 and 7123/1,2,4. Wintershall is operator. Awarded in APA 2017. Acquire new 2D seismic and then decision on 3D seismic before DOD by 2022.

Note 16 Relinquished Licences 2017

North Sea

PL 774 (30%): in block 16/7. Tullow is operator. The licence was relinquished in 2017.

PL 774B (30%): in block 16/10. Tullow is operator. The licence was relinquished in 2017.

Barents Sea

PL 804 (30%): in blocks 7121/10, 11 and 12. Wintershall is operator. The lisence was relinquished in 2017.