

CONCEDO ASA
Annual Report 2018

Directors' report
&
Financial Statements

20.03.2019

Directors' Report 2018

The general activity level in the Norwegian oil and gas industry increased only moderately in 2018, but number of wells increased by almost 50%. The oil companies experienced a significantly lower cost base than in the previous high-oil-price regime and there were new exploration and business models, providing additional support for a positive trend on the NCS.

The oil price has been volatile. In May 2018, the price rose to a record USD 80 per barrel two days after the United States pulled out of the Iran nuclear agreement and reinstated sanctions. In November, it dropped to less than USD 60 per barrel as oil shale production increased. In December 2018, OPEC decided to cut production for six months with the aim of bringing the price up to USD 70 a barrel by the early autumn of 2019.

With the large Johan Sverdrup field development and other projects coming up, the Norwegian Petroleum Directorate believes the activity level will increase by at least 10% in 2019. However, due to fewer large discoveries in recent years and the time taken from discovery to production, reduced field development activity is expected in the following four years.

In this scenario, the Norwegian authorities will certainly encourage a high level of exploration as indicated by the record-large number of licences awarded in APA 2018. Concedo was awarded three new licences in this licensing round.

The Rolvsnes discovery and production test confirmed an interesting new exploration model on the NCS. This reservoir consists of fractured granite, so-called weathered basement. Lundin Petroleum completed appraisal well 16/1-28S in licence PL 358C on Utsira High in the North Sea and a production test of the Rolvsnes discovery was performed successfully. Concedo's geologists followed this production test with great interest, as the positive well result de-risks the similar on-trend prospectivity in the adjacent PL 815, where Concedo holds a 20% interest. A well is planned in the Goddo prospect in PL815 in the summer of 2019. The combined Rolvsnes and Goddo prospective area has a potential to contain gross resources of more than 250 MMboe.

The Rolvsnes well is located 3km from the Edvard Grieg platform. This reservoir's long-term production behaviour needs to be better understood and options are being assessed in order to conduct an extended well test of this horizontal well. Rolvsnes is considered a potential tie-back to Edvard Grieg and this arrangement is also likely for an eventual Goddo discovery.

On 29 October 2018, Wellesley Petroleum announced the successful appraisal of the Grosbeak discovery in the Northern North Sea by wells 35/11-21S and 35/11-21A. The updated range of recoverable resources in the Grosbeak discovery is 53-115 million barrels of oil plus 7.7-12.2 GSm³ of gas. Part of the Grosbeak discovery is located in the adjacent licence PL 925, in which Concedo holds a 10% interest. A minor discovery was made in this licence earlier in 2018 and was appraised by the Kallåsen well 35/12-6S and the Kallåsen sidetrack 35/12-6A. A dry well, Serin 35/12-7, was also drilled near the Grosbeak discovery.

For Concedo, the Grosbeak discovery is a very positive outcome of our participation in the PL 925 drilling campaign. The volumes are expected to be substantial enough for future commercial development.

The wells in PL 925 were drilled very efficiently, with a focus on risk management and major accident prevention. Concedo is very satisfied with the operator's drilling of these wells.

Several of the licences in our portfolio are subject to ongoing drill or drop decisions. Only the Goddo well in licence PL 815 is planned for drilling in 2019. Concedo has high expectations, as the Rolvsnes well de-risked the area, and hence making a commercial discovery highly probable.

A positive drilling decision is expected in PL 882, where Concedo has a 30% interest. The well will probably be in 2020. If a commercial discovery is made, this is a candidate for a tie-in to the Snorre field.

The company's strategy remains robust. Concedo will continue to focus on exploration on the NCS and submit applications in the annual licensing rounds targeting participation in one to three exploration wells per year. The positive results in the Rolvsnes and Grosbeak wells may lead to substantial value creation for Concedo.

Objectives and strategy

Concedo's ambition is to have one of the best exploration teams on the NCS, capitalising 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 the form of dividend and paid-in capital. The company has not yet required more capital as it has been able to monetize assets.

Highlights in 2018

Three wells were drilled in PL 925. This took place at below expected costs and without any incidents that could cause damage, injuries or environmental impact.

The Grosbeak discovery added probable recoverable resources to PL 925.

The Rolvsnes drilling and testing de-risked the Goddo prospect in advance of drilling in licence PL 815.

Concedo sold part of its licence share in PL768 to Equinor.

Concedo was awarded five licences in the APA 2017 licensing round and a further three licences in APA 2018. Three licences have been relinquished, bringing the company's total to 19 licences at the end of the first quarter 2019. Further six licences are expected to be relinquished in 2019.

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

Drilling

Wellesley Petroleum AS, the operator of production licence 925 (Concedo 10%), completed the drilling of wildcat well 35/12-6S, appraisal well 35/12-6A and wildcat well 35/12-7 in the North Sea. The wells are in an area near to the Grosbeak discovery, 80 km west of Florø.

Well 35/12-6S in the Kallåsen prospect encountered a total oil column of about 40 metres in the Fensfjord formation, about five metres of which was an effective reservoir consisting of sandstone layers with moderate reservoir quality. Preliminary estimates of the size of the discovery are between 0.5 and 1.3 million standard cubic metres (Sm³) of recoverable oil. The licensees will consider the discovery along with other nearby prospects and discoveries with regard to further follow-up.

Well 35/12-6A, drilled as a sidetrack to well 35/12-6S, appraised the Kallåsen prospect and encountered about five metres of aquiferous sandstone with moderate reservoir quality in the Fensfjord formation. The well is classified as dry.

Well 35/12-7 encountered two units of sandstone in the Heather formation. The well is classified as dry.

Financing

Concedo benefits from the Norwegian state`s scheme for exploration financing. In 2018, the company exercised a one-year option regarding the MNOK 350 exploration finance facility established with DNB.

A new MNOK 350 exploration facility has been established with Sparebank 1 SR Bank., replacing the DNB facility. This will provide the level of working capital needed for the exploration programme going forward to 2020.

Business office

Concedo has renewed the lease on 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. In pace with assignments and the number of licences in the company's portfolio, the team grew 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, and three licences in APA 2018, resulting in a portfolio of about 19 licences spread over areas from the North Sea to the Barents Sea. The Kallåsen discovery (well 35/12-6S) and Grosbeak discovery drilled by the adjacent licence were made in 2018. Concedo divested part of PL 768 to Equinor in 2018.

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, sedimentology committee and 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 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 2018.

As a licensee on the NCS, Concedo bears responsibility for, and makes conscious choices designed to minimise, risks to itself and its partners. Concedo actively supports operators by

providing 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 2018, our employees participated in health and environment activities to prevent injuries. The sick leave in 2018 was 336 days or 1.3% of the total working hours.

Gender equality

At the end of 2018, Concedo had 13 employees, three women and 10 men. The Board of Directors has five members, two women and three men. Concedo is committed to 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, minimise 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 its management system with respect to the new EU General Data Protection Regulation (GDPR). The company's system of reporting on ethical values re-evaluated in light of recent sexual harassment issues reported in the press.

Corporate governance

The corporate governance and management system is in accordance with Norwegian recommendations. Where relevant, Concedo complies with the Norwegian Code of Practice for Corporate Governance (NUES).

The Board of Directors held seven meetings in 2018. Key strategic and operational issues that were discussed include:

A review of the impact of the oil price and international political situation. 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 wells in PL925 and awards in licensing rounds.

Strategic balancing of the portfolio of exploration licences and assessment of licence applications in APA 2018.

Assessment of investment and divestment opportunities.

Supervision of risk management processes and internal control reporting.

Reporting of payments to governments

Information about payments to government in accordance with the Norwegian Accounting Act § 3-3 d is included in the note 18 to the Financial Statements.

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 2018

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 of 31 December 2018 or the result for 2018 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 of 31 December 2018 and of the result and cash flows for the year.

Revenues and profits

Concedo made an operating loss of NOK 131 million in 2018. The year's loss after tax was NOK 30 million. The company is claiming NOK 100 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 recognised in the balance sheet. The capitalised cost related to drilling depends on whether or not commercial reserves are discovered. The exploration costs connected to the wells in PL 925 have been expensed.

Balance sheet and liquidity

At year-end 2018, the company's book equity amounted to NOK 102 million, equal to an equity ratio of 50 %.

The company's interest-bearing debt originates from the NOK 350 million loan facility, of which NOK 97 million had been utilised as of 31 December 2018. The debt is secured by the tax-related refund of exploration costs. This is expected to be NOK 100 million for 2018.

Cash flow

The net cash flow from operating activities in 2018 was NOK (8) million. This includes a tax refund of NOK 116 million. The net cash flow from financing activities was NOK 19 million.

Distribution of profit

No dividend was paid in 2018.

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 the oil price and 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

Activity on the Norwegian Continental Shelf has created huge values, helped by a stable and

predictable political framework over 50 years with supportive governments and broad parliamentary support for the oil industry.

In recent years, we have experienced growing scepticism to the oil industry also among politicians, e.g. related to new acreage and favourable financing for exploration. There is, therefore, a risk that the regulatory scheme for the oil industry may be less predictable going forward. Concedo have considered ways to mitigate the risk of potential changes in the exploration refund system.

Liquidity risks

The company has cash reserves and a loan facility are providing financial flexibility through to 2020. The Directors consider the company's liquidity as sufficient to support the working commitments, but is continuing to evaluate future needs.

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. Large parts of the company's costs are in NOK.

Risk of low oil price

A short-term low oil price has some positive effects for Concedo, as exploration costs tend to be significantly reduced, e.g. lower rig rates. However, the low oil price has lessened 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.

Part of Concedo's strategy is to always have a strong balance sheet. Following a period of several years with no sale of major discoveries, the board is now considering alternative ways of strengthening the balance sheet, e.g. sale of assets or raising new equity.

Future prospects

The Grosbeak/Kallåsen discoveries and promising development of the Rolvsnes well may result in substantial recoverable resources for Concedo. We believe that these assets can be sold to give Concedo additional financial strength.

Financial strength is important in order to have the flexibility to sell discoveries at the optimum time and be an attractive partner for other oil companies and the authorities.


Concedo's exploration portfolio normally contains 15-20 licences due to annual licensing round awards and drop decisions. New opportunities appear continuously. The Concedo team works hard to mature its licence portfolio prospects into drilling decisions. The total number of discoveries on the NCS increased in 2018, showing that there are still many opportunities for future drilling successes. The company will continue to pursue its existing strategy.

The licences in our portfolio are favourable with regard to commercialisation as they may be candidates for tie-ins to existing fields.

The future work towards the commercial development of Grosbeak is promising and we are looking forward to the higher-potential Goddo well. We will continue the annual licensing round work to maintain a good portfolio. Financially our strategy will still be to maintain strength and flexibility, making it possible to optimise the company's assets.

The Concedo team has had a good year and is enthusiastic and motivated by our current and future opportunities.

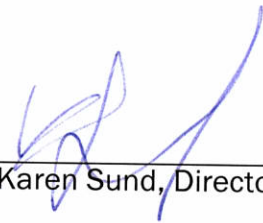
Asker, 20 March 2019



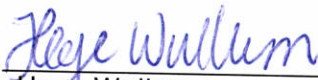
Olav Fjell, Chairman



Erik Klausen, Director



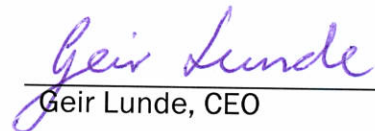
Karen Sund, Director



Hege Wullum
Director



Nirav Dagli, Director



Geir Lunde, CEO

Concedo ASA

Profit and loss account 2018

Figures are given in the Norwegian currency NOK		Note	2018	2017
Total operating revenues			3 409 370	0
Depreciation on fixed and intangible assets	3		-168 567	-129 450
Exploration expenses	2,9,13,14		-130 648 898	-150 896 675
Total operating expenses			-130 817 466	-151 026 124
Operating profit/loss			-127 408 096	-151 026 124
Other interest received			1 088 275	1 158 031
Other financial income			1 067 305	1 771 117
Total financial income			2 155 580	2 929 148
Other interest paid			-5 083 865	-4 414 874
Other financial expenses			-704 581	-1 858 829
Total financial expenses			-5 788 446	-6 273 703
Net financial items			-3 632 867	-3 344 556
Pre-tax profit/loss on ordinary activities			-131 040 963	-154 370 680
Tax cost on profit on ordinary activities	6		101 366 952	118 121 511
Ordinary profit/loss			-29 674 011	-36 249 169
Income/loss for the year			-29 674 011	-36 249 169
Allocations				
Other reserves	5		-29 674 011	-36 249 169
Total			-29 674 011	-36 249 169

Concedo ASA

Balance Sheet as of 31 December 2018

Figures are given in the Norwegian currency NOK

ASSETS	Note	2018	2017
Fixed assets			
Intangible assets			
Deferred tax assets	6	22 950 064	21 399 818
Capitalised exploration expenses and licences	3	2 234 074	2 808 700
Total intangible assets		25 184 138	24 208 518
Tangible fixed assets			
Furniture, fixtures & machinery	3	326 903	235 144
Total tangible fixed assets		326 903	235 144
Total fixed assets		25 511 041	24 443 663
Current assets			
Receivables			
Other receivables	8	102 146 394	123 232 950
Total receivables		102 146 394	123 232 950
Bank deposits, cash-in-hand etc.	7	77 858 485	106 362 570
Total bank deposits, cash-in-hand etc.		77 858 485	106 362 570
Total current assets		180 004 880	229 595 520
Total assets		205 515 921	254 039 183

Concedo ASA

Balance Sheet as of 31 December 2018

Figures are given in the Norwegian currency NOK

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2018	2017
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	2 726 048	1 925 449
Total paid-in capital		9 564 861	8 764 262
Retained earnings			
Other reserves	5	92 373 862	122 047 872
Total retained earnings		92 373 862	122 047 872
Total Equity		101 938 723	130 812 134
Current liabilities			
Owed to credit institutions	10,12	97 326 680	116 413 342
Trade creditors		1 887 327	2 525 817
Unpaid government charges etc.		1 895 314	1 876 000
Other current liabilities	11	2 467 877	2 411 890
Total current liabilities		103 577 198	123 227 049
Total liabilities		103 577 198	123 227 049
Total Equity and Liabilities		205 515 921	254 039 183

Asker, 20 March 2019


Olav Fjell


Chairman of the Board


Hege Wullum
Director


Erik Klausen
Director


Nirav-Dagli
Director


Karen Sund
Director


Geir Lunde
CEO

Concedo ASA

Cash Flow Statement

OPERATING ACTIVITIES	Note	2018	2017
Pre-tax result		-131 040 963	-154 370 680
Adjustments for reconciling current year's result with cash flow from operating activities:			
Gain from sale of licence interests		-3 409 370	-
Depreciation, amortisation and write-downs	3	168 567	129 450
Capitalised exploration costs expensed		2 740 351	1 126 659
Other items having no cash effect – subscription rights		800 599	774 782
Tax reimbursement received in period	6	116 332 033	108 753 330
Change in working capital (except for cash and cash equivalents):			
(Increase) reduction in trade debtors and other receivables		4 571 229	-3 724 111
Increase (reduction) in trade creditors and other current debts		1 807 116	371 108
Cash flow from operating activities		-8 030 438	-46 939 463
INVESTMENT ACTIVITIES			
Investments in fixed assets	3	-260 326	-103 371
Capitalised exploration expenses	3	-1 126 659	-68 349
Cash flow spent on investment activities		-1 386 985	-171 720
FINANCING ACTIVITIES			
New interest-bearing short-term debt	10	77 800 000	121 300 100
Repayments short-term debt	10	-96 886 662	-102 858 642
Cash flow spent on financing activities		-19 086 662	18 441 458
Net increase (reduction) in cash and cash equivalents		-28 504 085	-28 669 725
Cash and cash equivalents at beginning of year		106 362 570	135 032 295
Cash and cash equivalents at end of year		77 858 485	106 362 570

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	2018	2017
Salaries		
Employers payroll tax	18 404 077	17 947 983
Pension costs	2 883 032	2 798 997
Share-based remuneration	1 571 090	1 526 807
Other benefits	800 599	774 782
Total	238 294	116 320
	23 897 092	23 164 890
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)			35 309
Olav Fjell (Chairman)	1 579 474	52 086	150 000
Erik Klausen (Director and HSE Manager)			21 800
Hege Wullum (Director)	1 510 931	92 844	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. Consultancy 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 436 533 subscription rights to the employees which was outstanding as of 1 January 2018. During 2018 no subscription rights were declared or exchanged into shares and 19 778 subscription rights expired. On 12 December 2018, the Directors decided to issue another 650 322 subscription rights in accordance with the guidelines for remuneration of senior management. As of 31.12.2018 a total of 1 067 077 subscription rights were outstanding.

In 2018 NOK 800 599 was expensed in the profit and loss statement related to vested subscription rights in this period. At December 31 2018, the estimated amount of share-based remuneration cost yet to be expensed throughout the vesting period is NOK 3 729 662.

The fair value of the subscription rights awarded and outstanding as of 31.12.2018, calculated according to Black & Scholes option pricing model, was NOK 6 068 085.

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

	2018	2017
Outstanding as of 1 January		
Awarded during year	436 533	349 662
Forfeited during year	650 322	116 278
Exercised during year	0	0
Expired during year	0	0
Outstanding as of 31 December	-19 778	-29 407
	1 067 077	436 533

Average gross exercise price is NOK 13,1 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 2018:

The Board established guidelines for 2018 for Managing Director, other senior executives and the Board members. The guidelines were processed at the company's annual general meeting in 2018.

Managing Director and other Senior Executives

For the year 2018 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 11 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	11	54 544
Erik Klausen	11	52 203
Morten Hedemark	11	52 203
Ole H Fjelltn	11	52 203
Odd E Baglo	11	52 203
Elisabet Malmquist	11	52 203
Enric Leon	11	52 203
Sebastian Scheel	11	30 514
Anders Finstad	11	46 289
Juergen Sclaf	11	44 428
Ane M Skaug Rasmussen	11	45 771
Hilde Alnæs	11	38 143
Tommi Rafael Rautakorpi	11	38 143
Total	11	611 050

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 2018 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 11 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	11	13 091
Erik Klausen	11	0
Karen Sund	11	8 727
Hege Wullim	11	8 727
Nirav Dagli	11	8 727
Total	11	39 272

In total, 650 322 subscription rights were allocated in 2018 that can be exercised after 3 years and before 5 years, pursuant to Board Resolution of 12 December 2018 on the basis of the approved guidelines for 2018 and detailed conditions to be approved by the Annual General Meeting (AGM) 2019.

Guidelines for 2019:

At the AGM 2019, the Directors will present the following statement regarding pay for the CEO, other senior staff and the Directors in 2019:

(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):

	2018	2017
Statutory audit		
Audit-related services	169 000	250 500
Certification services	0	0
	0	13 500

Note 3 Tangible/ Intangible assets

	Furniture & Fixtures	Plant & Machinery	License interests, exploration wells	Total
Cost at 1 January	3 639 943	77 725	2 808 700	6 526 368
Additions	260 326	-	1 126 659	1 386 985
Expensed dry wells, previously capitalised			-2 740 351	-2 740 351
Disposals			1 039 065	1 039 065
Cost 31 December	3 900 269	77 725	2 234 074	6 212 068
Acc. depreciation at 1 January	3 404 798	77 725		3 482 523
Current year's depreciation	168 567	-		168 567
Acc. Depreciation 31 December	3 573 366	77 725		3 651 091
Book value as of 31 December	326 903	-	2 234 074	2 560 977

Note 4 Share capital and shareholders

As of 31.12.18, 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	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
Employees and Directors	650 322	11	7 153 542	12th December 2018
Total	1 067 077		13 946 734	

The above figures include 90 271 subscription rights allocated to Geir Lunde, 86 397 to Erik Klausen, 21 884 to Olav Fjell, 14 592 to Karen Sund, 14 592 to Hege Wullum and 14 592 to Nirav Dagli in connection with the incentive scheme.

Ownership structure

The ten largest shareholders as of 31.12.2018

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
BANK JULIUS BÄR & CO. AG	570 000	5,2 %	CHE
HEATHLANDS HOLDINGS	503 967	4,6 %	CYP
KNUTSEN JOHN ERIC TA	250 000	2,3 %	GBR
KOCHAR KHANNA	170 000	1,6 %	GBR
FJELLVIT AS	154 529	1,4 %	NOR
GILBO INVEST AS	120 924	1,1 %	NOR
FRUCHTMANN URI	93 920	0,9 %	GBR
Other Shareholders	1 114 645	10,2 %	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	1 925 449	122 047 872	130 812 134
Subscription rights				800 599		800 599
Share issue	-					-
Equity at 31 December	2 430 066	-158 379	4 567 126	2 726 048	92 373 862	101 938 723

The value of subscription rights expensed in 2018 of NOK 800 599 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:

	2018	2017
Adjustment for tax refund earlier years	-	-17 142
Change in deferred tax	-1 550 246	-1 772 336
Tax value of exploration costs (See Note 8)	-99 816 706	-116 332 033
Tax on ordinary income	-101 366 952	-118 121 511

Reconciling nominal and actual tax rates:

	2018	2017
Pre-tax profit/loss	-131 040 963	-154 370 680
Anticipated income tax at nominal rate (23%/24%)	-30 139 421	-37 048 963
Anticipated income tax at special surtax rate (55%/54%)	-72 072 529	-83 360 167
Tax effect of following items:		
Adjustment for tax earlier years	0	-17 142
Non-deductible expenses	-304 894	216 922
Tax effect of interest on loss for carrying forward (24%/54%)	-162 987	-34 304
Change in tax rate	56 642	20 408
Effect of surtax (55%/54%)	1 256 237	2 101 735
Income tax	-101 366 952	-118 121 511
Effective tax rate	77,4 %	76,5 %

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

	2018		2017	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Exploration expenses and license costs		1 464 392		1 837 869
Provisions for liabilities				
Loss to be carried forward	24 414 456		23 237 687	
Total	24 414 456	1 464 392	23 237 687	1 837 869
Of which netted	-1 464 392	-1 464 392	-1 837 869	-1 837 869
Net deferred tax asset/ liability	22 950 064	0	21 399 818	0

Profit from oil and gas operations on the Norwegian shelf is taxed in accordance with the Norwegian Petroleum Tax Act. A special 55% (2017: 54%) surtax is levied in addition to the ordinary 23% (2017: 24%) 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 2019 the Corporate tax rate is 22% (2018: 23%) and the special tax rate is 56% (2018: 5%). The tax rate effective from 1 January 2019 has been used in calculation of deferred tax at 31 December 2018.

Note 7 Bank deposits

Bank deposits, cash in hand etc. includes non-distributable withheld tax in the sum of NOK 1 106 056 (2017: NOK 1 110 259) and a rental deposit of NOK 962 833 (2017: NOK 957 567)

Note 8 Other receivables

For the 2018 tax assessment the company claims reimbursement of the tax value of petroleum exploration costs totalling NOK 99 816 706 (2017: NOK 116 332 033), 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 1 564 368 (2017: 1 549 030), which relates to rent for the office premises in Asker. The tenancy was renewed towards 30.10.2021; the remaining period of tenancy being 3 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%. With effect from 28th February 2019, the Company has entered into a new credit line for NOK 350 000 000 with SpareBank 1 SR-Bank ASA.

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 option.

As of 31 December 2018 withdrawals totalled NOK 97 326 680. According to the loan agreement, 95% of the estimated tax reimbursement amounts to NOK 94 825 871. The difference of NOK 2 500 809 has been included in the settlement with DNB on the 28th February 2019. The loan agreement is from this date transferred to Sparebanken 1 SR Bank. The tax reimbursement is estimated to NOK 99 816 706, 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

	2018	2017
Working capital liabilities in joint ventures		
Wages, holiday pay and bonus	155 262	0
Accrued expenses	2 063 592	1 959 957
Other current liabilities	249 023	451 931
Total	0	2
	2 467 877	2 411 890

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:

	2018	2017
Payroll costs, ref note 2		
Seismic, drilling and general licence expenses	-	23 164 890
Other operating costs linked with exploration	92 571 055	112 656 153
Total	14 180 753	15 075 632
	106 751 808	150 896 675

Exploration expenses eligible for tax refunds amount to NOK 127 970 135 in 2018 (2017: NOK 149 143 632).

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 2018 the company sponsored the following:

Asker Fotball NOK 10 000
Norsk Geologisk Forening NOK 10 000
Petroleumskvelden NOK 10 000
Støtteforeningen for kreftrammede, Asker: NOK 10 000
Asker Skøyteklubb NOK 6 000
Natteravnmagasinet Gatelangs NOK 5 000
Redningsselskapet NOK 5000
Universitetet i Bergen NOK 5 000
Bærum Schakselskap NOK 5000
Sjømannskirken NOK 4 525

Note 15 Licenses

North Sea

- PL 775 (20%):** in blocks 16/7 and 16/8. Operator is ConocoPhillips Scandinavia AS. Two years extension of initial period, The Licence has decided to relinquish.
- PL 775B (20%):** in blocks 16/4,5. Operator is ConocoPhillips Scandinavia AS. Extension to PL 775 awarded in APA 2017. Work program as for PL 775. The Licence has decided to relinquish.
- PL 776 (20%):** in blocks 16/5, 6, 8 and 16/9. Wintershall Norge AS is Operator. Well drilled on the Rome prospect in 2016. The well was dry. Applied for extension of BOK (Decision on Concretisation) to August 2019.
- PL 815 (20%):** in block 16/5. Lundin Norway AS is Operator. The 3D seismic processing included in the work program has already been fulfilled. A well is decided for drilling in 2019 (Goddø prospect).
- PL 826 (30%):** in blocks 29/3, 30/1 and 33/12. Vår Energi AS (Point Resources AS) is Operator. Reprocessing of 3D seismic is finalised. Geological and geophysical evaluation is ongoing. The Licence will be relinquished in 2019.
- PL 746S (30%):** in block 29/3. Vår Energi AS (Point Resources AS) is Operator. Geological and geophysical analysis is ongoing. The licence will be relinquished in 2019
- PL 784 (20%):** in blocks 25/3, 6. Operator is Aker BP ASA. G&G work ongoing. Applied for extension of Drill Or Drop (DOD) decision to February 2020.
- PL 882 (30%):** in blocks 33/6 and 34/4. Neptune Energy Norge AS (VNG Norge AS) is Operator. Awarded in APA 2016. New 3D seismic has been acquired and reprocessed. A drilling decision has been made in the licence.
- PL 925 (10%):** in blocks 35/9,12. Wellesley Petroleum AS is Operator. Awarded in APA 2017. Two firm wells and a side track was drilled in 2018. A small oil discovery in Kallåsen prospect well 35/12-6S, but the sidetrack 35/12-6A was dry. The Serin prospect well 35/12-7 was dry. Part of the Grosbeak discovery is situated within PL925.
- PL 926 (30%):** in blocks 33/9,12 and 34/10. Faroe Petroleum AS is operator. Awarded in APA 2017. The work program includes acquire and or reprocess 3D seismic. DOD is by February 2020.

Norwegian Sea

- PL 887 (20%):** in blocks 6507/7,8,10 and 11. PGNiG Upstream Norge AS is Operator. Awarded in APA 2016. 3D seismic has been acquired. Applied for extension of DOD decision to February 2020.
- PL 889 (40%):** in blocks 6507/8 and 6507/9. Neptune Energy Norge AS (VNG Norge AS) is Operator. 3D seismic has been acquired and reprocessed. Applied for extension of DOD decision to August 2019.

Barents Sea

- PL 768 (25/10%):** in blocks 7123/5,6,7,8,9 and 7124/4, 7, 8. Wintershall Norge AS is Operator. Seismic interpretation based on 2D seismic is finalised. 3D seismic has been acquired 2017 together with PL768B. DOD decision has been extended to November 2019. Concedo sold 15% of its interest to Equinor in 2018.
- PL 768B (25/10%):** in blocks 7122/8, 9. Wintershall Norge AS is operator. Same activity as PL 768. Concedo sold 15% of its interest to Equinor in 2018.
- PL 697 (10%):** in block 7122/10. Vår Energi AS (Eni Norge AS) is Operator. The Goliat Eye Prospect was drilled in 2017. The well was dry. Applied for one year extension of BOK decision to February 2019. The licence will be relinquished in 2019.
- PL900 (10%):** in the blocks 7122/8 and 9. Vår Energi AS (Eni Norge AS) is Operator. Awarded in APA 2016. 3D seismic has been acquired and DOD decision in February 2019. The licence will be renquished in 2019.
- PL 901 (20%):** in blocks 7122/5 and 7122/6. Equinor Norge AS is Operator. Awarded in APA 2016. 3D seismic has been acquired and reprocessing will be finalised in 2018. Decision to drill has been taken.
- PL 951 (20%):** in blocks 7121/5,6,8,9 and 7122/4,7. Aker BP ASA 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 Norge AS is Operator. Awarded in APA 2017. Acquire new 2D seismic and then decision on 3D seismic before DOD by 2022.

Note 16 Relinquished Licences 2018

North Sea

- PL 816 (30%):** in blocks 17/4 and 17/7. Vår Energy AS (Eni Norge AS) is Operator. Acquisition and processing of 3D seismic is ongoing. The licence was relinquished 2018.
- PL 824 (30%):** in blocks 31/4 and 31/5. Vår Energi AS (Point Resources AS) is Operator. New 3D seismic acquired. G&G ongoing. The licence was relinquished 2018.

Note 17 New awarded Licences 2019 (APA 2018)

North Sea

- PL 989 (30%):** in block 36/7. DEA Norge AS is Operator. Acquisition of broadband seismic before DOD February 2021.
- PL 992 (30%):** in blocks 33/6,9. Neptune Energy AS is Operator. Acquire and reprocess 3D seismic before DOD 2021.

Barents Sea

- PL 1022 (30%):** in blocks 7121/9 and 7122/7. Aker BP ASA is Operator. Reprocess 3D seismic before DOD February 2021

Note 18 Payments/refund of tax and payments to Government

In accordance with the Norwegian Accounting Act Section § 3-3 d), companies engaged in activities within the extractive industries shall annually prepare and publish information about their payments to governments at country and project level. The Company has only activity on the Norwegian Continental Shelf and taxes in Norway are levied on company basis and not project basis. The table set out below, shows the payments to and refund from the Norwegian Government, related to tax and other fees, derived from the Company's business on the Norwegian Continental Shelf. Payments from Joint Venture where the Company participate, are done by the operator, and are not included in the payments below.

	2018	2017
Tax refund received		
Interest on Tax refund, received	116 332 033	108 753 330
Payments of other fees	527 478	460 339
Total payments/refund to/from the Norwegian Government	-898 000	-1 008 711
	115 961 511	108 204 958

For information about investments, revenue and purchases of goods and services, reference is made to the Income Statement and the related notes. The Company has no production or petroleum revenue.