

The cover features a photograph of a satellite in space. The satellite is a complex, multi-faceted structure with various instruments and antennas. It is positioned in the lower-left quadrant of the frame. The background is a vast, dark blue space with a large, bright, partially illuminated Earth in the upper-left corner. The horizon of the Earth is visible, showing a mix of blue and white. The overall composition is clean and professional, with a focus on space exploration and technology.

concedo

Annual Report

2019

«Exploration under changing conditions
– opportunities and threats»

Directors' Report 2019

Concedo continued its exploration strategy in 2019.

Last year marked the 50th anniversary of the oil industry in Norway, initiated with the discovery of Ekofisk in October 1969.

The players on the Norwegian Continental Shelf (NCS) were for many years the major international oil companies and two-three Norwegian companies, including Statoil (Equinor). This changed 15 years ago, when small and medium-sized companies began entering the NCS. Recently, some large international companies have divested from the NCS and private-equity-backed companies have entered. Private-equity-backed transactions were among the largest ones in 2019. While the major international companies were following long-term strategies, the new companies have shorter investment cycles, making the E&P market more dynamic with more transactions and more diverse players. Commercial discoveries will be attractive in this dynamic market where the focus is on development and production.

In 2019, the larger oil companies invested more in renewables and divested some assets with particularly high carbon emissions. Once the Utsira-High fields have electricity supplied from land, more than 40 per cent of the NCS production will be operated using shore power. The capture and storage of carbon dioxide (CO₂) is another important measure to reduce emissions.

Political discussions continue on the Norwegian tax system, which currently encouraging exploration, and this makes the future more uncertain for pure exploration companies.

The number of discoveries on the NCS in 2019 was about the same as 20 years earlier. However, the average size of the discoveries fell from 130 MMboe to 50 MMboe during this period. This is because most of the major discoveries have been developed. Smaller discoveries are more likely to be commercial when they can be tied into existing production facilities. Concedo has therefore a focus on near-field exploration.

When discoveries become smaller, the industry must achieve commerciality with a smaller resource base. This has so far been successful. More discoveries are being developed and activity on the NCS is high. Innovation in technology and operational solutions means it is easier to make smaller discoveries commercial.

New discoveries are essential to maintaining high production in the long term. In 2019, 57 exploration wells were drilled on the NCS, resulting in 17 new discoveries. High exploration activity is also expected in 2020.

Concedo participated in one well in 2019 - in licence PL 815, the North Sea's Goddo prospect on the Utsira High, in which Concedo holds a 20% interest. This exploration well discovered oil, and further work in the licence will be done during 2020 and 2021 in order to evaluate the recoverable resources and whether the discovery can be developed into proven reserves. The Goddo discovery is in an area with infrastructure close to it and can be tied into the nearby Edvard Grieg field. The timing depends on the Edvard Grieg's production capacity and the long-term test production of the Rolvsnes discovery, which will start in mid-2021. The Rolvsnes reservoir is the same type as Goddo, thus providing useful insight. The well cost capitalised in PL815 is NOK 85 million before tax. Concedo sold its 10% share in PL 925 to Neptune Energy in 2019. PL 925 contains part of the Grosbeak discovery. Wellesley Petroleum announced the successful appraisal of this discovery in 2018 by wells 35/11-21S and 35/11-21A.

Several of the licences in our portfolio are subject to ongoing drill-or-drop decisions. A drilling decision has been made on the Dugong prospect in PL 882, in which Concedo holds a 20% interest, and this will be drilled this summer. If a commercial discovery is made, this is a candidate for a tie-in to the Snorre field.

A drilling decision has also been made on the Rødhette prospect in PL 901, just north of the Goliat field in the Barents Sea. Rødhette will be drilled in the autumn of 2020.

Concedo was awarded four new licences in the annual licensing round APA 2019 - two in the North Sea and two in the Barents Sea, close to the Goliat field.

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. Positive results in Dugong and Rødhette may provide substantial value to 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 work-

ing 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 so far not required more equity, as it has been able to monetize assets.

Highlights in 2019

The part of the Grosbeak discovery that is in PL 925 was successfully sold.

One discovery well was drilled in the Goddo prospect in PL 815. This took place without any incidents that could cause damage, injuries or environmental impact.

Concedo was awarded three licences in the APA 2018 licensing round and a further four licences in APA 2019. Seven licences have been relinquished, bringing the company's total to 15 licences at the end of the first quarter 2020.

Concedo divested one-third of a 30% share in licence PL 882 with effect from 1 January 2019. This was part of a well carry cost agreement with Idemitsu Petroleum.

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

A young geoscientist, Jens Fredrik Kolnes, joined Concedo in 2019.

Financing

A new MNOK 350 exploration facility with Sparebank 1 SR Bank was established in 2019, replacing the DNB facility. This will provide the level of working capital needed for the exploration programme going forward to the end of 2020.

Business office

Concedo has a five-year lease on its existing offices in Asker, up to the end of 2021, and this can be renewed.

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.

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.

In 2010, the Maria discovery, just south of the Smørbukkk South field, was proven to be oil-bearing. Concedo sold the Maria discovery to the operator Wintershall in 2011.

The Novus discovery was made in early 2014, but was declared non-commercial.

The Kallåsen discovery (well 35/12-6S) and Grosbeak appraisal drilled by the adjacent licence took place in 2018. Concedo divested part of the Grosbeak discovery in licence PL 925.

The Goddo discovery was made in 2019.

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 is an active contributor 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.

During 2019, Concedo worked actively with TIE (The Innovation Effect) and a student team on a machining learning project.

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 2019.

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 2019, our employees participated in health and environment training to further prevent injuries. The sick leave in 2019 was 45 days or 1.5 % of the total working hours.

Gender equality

At the end of 2019, Concedo had 14 employees, three women and 11 men. The Board of Directors has five members, two women and three men. Concedo is committed to gender equality, equal conditions, respect for cultural diversity 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) and to Corporate Social Responsibility (CSR).

Corporate governance

Concedo's management system is based on the Norwegian Code of Practice for Corporate Governance (NUES).

The Board of Directors held 13 meetings in 2019. Key strategic and operational issues that were discussed include:

- A review of the impact of the oil price and political situation, both domestic and international, on the oil industry.
- An evaluation of the capital situation and capital requirements in the coming years.
- Liquidity risks.
- 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 PL815 and awards in licensing rounds.
- Strategic balancing of the portfolio of exploration licences and assessment of licence applications in APA 2019.
- An assessment of investment and divestment opportunities.
- Supervision of risk management processes and internal control reporting.
- A review and updating of remuneration models for the management and employees.

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 2019

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 2019 or the result for 2019 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 2019 and of the result and cash flows for the fiscal year.

Revenues and profits

Concedo made an operating loss of NOK 52 million in 2019. The year's profit after tax was NOK 11.3 million. The profit includes the sale of licences. The company received NOK 137.5 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. 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 resources are discovered. The exploration costs connected to the well in PL 815 have been capitalised.

Balance sheet and liquidity

At year-end 2019, the company's book equity amounted to NOK 114 million, equal to an equity ratio of 38.4%.

The company's interest-bearing debt is from the NOK 350 million-loan facility, of which NOK 127.5 million was utilised as of 31 December 2019.

Cash flow

The net cash flow from operating activities in 2019 was NOK (8) million. This includes a tax refund of NOK 100 million. The net cash flow from financing activities was NOK 30 million.

Distribution of profit

No dividend was paid in 2019.

Payments/refund of tax and payments to governments

In accordance with section 3-3 d) of the Norwegian Accounting Act, companies engaged in activities within the extractive industries shall, annually, prepare and publish information about their payments to governments at country and project level, ref Note 20 in the annual statement.

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 relating to 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 for 50 years, with supportive governments and broad parliamentary backing for the oil industry.

In recent years, we have experienced growing scepticism to the oil industry among politicians, especially related to new acreage and the favourable exploration tax regime. There is therefore a risk that the regulatory scheme for the oil industry may change, although the current government is clear that it will not make changes. Concedo has considered ways to mitigate the risk of potential changes in the exploration refund system.

Liquidity risks

The company has cash reserves, and an exploration facility is providing financial flexibility through to the end of 2020. The Directors are monitoring the company's liquidity as it becomes more critical and have a close dialogue with shareholders to minimise the liquidity risk.

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. Revenues from the sale of discoveries are often oil-linked, with an indirect USD exposure. Currently, the USD is rising relative to the 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 sales of major discoveries, the Board is now considering alternative ways of strengthening the balance sheet, e.g. sale of assets or raising new equity. The company has capital to finance its activities in 2020, but equity is needed for additional reserves and further activities.

Future prospects

The potential Dugong and Rødhette discoveries and the promising development of Goddo may give Concedo substantial recoverable resources. We believe these assets can be sold at attractive prices, giving Concedo additional financial strength.

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 is constantly converting its licence portfolio prospects into drilling decisions. The company will continue to pursue its existing strategy, as there is still potential for success with new discoveries.

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

The future work towards the commercial development of Goddo is promising. 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, 4 March 2020


Olav Fjell
Chairman of the Board


Erik Klausen
Director


Karen Sund
Director


Hege Wullum
Director


Nirav-Dagli
Director


Geir Lunde
CEO

Concedo ASA

Profit and loss account 2019

Figures are given in the Norwegian currency NOK

	Note	2019	2018
Sales revenue		180 500	0
Other operating revenues	6	40 937 614	3 409 370
Total operating revenues		41 118 114	3 409 370
Depreciation on fixed and intangible assets	3	-202 204	-168 567
Exploration expenses	2,10,14,15	-92 974 532	-130 648 898
Total operating expenses		-93 176 736	-130 817 466
Operating profit/loss		-52 058 623	-127 408 096
Other interest received		1 612 093	1 088 275
Other financial income		1 526 556	1 067 305
Total financial income		3 138 649	2 155 580
Other interest paid		-8 252 979	-5 083 865
Other financial expenses		-1 416 621	-704 581
Total financial expenses		-9 669 600	-5 788 446
Net financial items		-6 530 951	-3 632 867
Pre-tax profit/loss on ordinary activities		-58 589 574	-131 040 963
Tax cost on profit on ordinary activities	7	69 819 087	101 366 952
Ordinary profit/loss		11 229 514	-29 674 011
Income/loss for the year		11 229 514	-29 674 011
Allocations			
Other reserves	5	11 229 514	-29 674 011
Total		11 229 514	-29 674 011

Concedo ASA

Balance Sheet as of 31 December 2019

Figures are given in the Norwegian currency NOK

ASSETS	Note	2019	2018
Fixed assets			
Intangible assets			
Deferred tax assets	7	0	22 950 064
Capitalised exploration expenses and licences	3	91 261 296	2 234 074
Total intangible assets		91 261 296	25 184 138
Tangible fixed assets			
Furniture, fixtures & machinery	3	594 982	326 903
Total tangible fixed assets		594 982	326 903
Total fixed assets		91 856 278	25 511 041
Current assets			
Receivables			
Other receivables	9	148 343 208	102 146 394
Total receivables		148 732 219	102 146 394
Bank deposits, cash-in-hand etc.	8	55 244 649	77 858 485
Total bank deposits, cash-in-hand etc.		55 244 649	77 858 485
Total current assets		203 976 868	180 004 880
Total assets		295 833 146	205 515 921

Concedo ASA

Balance Sheet as of 31 December 2019

Figures are given in the Norwegian currency NOK

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2019	2018
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	3 152 055	2 726 048
Total paid-in capital		9 990 868	9 564 861
Retained earnings			
Other reserves	5	103 603 375	92 373 862
Total retained earnings		103 603 375	92 373 862
Total equity		113 594 243	101 938 723
Long-term liabilities			
Provisions for liabilities and charges			
Deferred tax	7	44 770 364	0
Total provisions for liabilities and charges		44 770 364	0
Total long-term liabilities		44 770 364	0
Current liabilities			
Owed to credit institutions	11,13	127 573 982	97 326 680
Trade creditors		5 018 938	1 887 327
Unpaid government charges etc.		1 970 405	1 895 314
Other current liabilities	12	2 905 213	2 467 877
Total current liabilities		137 468 538	103 577 198
Total liabilities		182 238 902	103 577 198
Total Equity and Liabilities		295 833 146	205 515 921

Asker, 4 March 2020

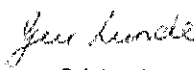

Olav Fjell
Chairman of the
Board


Erik Klausen
Director


Karen Sund
Director


Hege Wullum
Director


Nirav Degli
Director


Geir Lunde
CEO

Concedo ASA

Cash Flow Statement

OPERATING ACTIVITIES	Note	2019	2018
Pre-tax result		-58 589 574	-131 040 963
Adjustments for reconciling current year's result with cash flow from operating activities:			
Gain from sale of licence interests		-40 937 614	-3 409 370
Depreciation, amortisation and write-downs	3	202 204	168 567
Capitalised exploration costs expensed		-	2 740 351
Other items having no cash effect - subscription rights		426 007	800 599
Tax reimbursement received in period	7	99 816 705	116 332 033
Change in working capital (except for cash and cash equivalents):			
(Increase) reduction in trade debtors and other receivables		-8 863 015	4 571 229
Increase (reduction) in trade creditors and other current debts		258 798	1 807 116
Cash flow from operating activities		-7 686 488	-8 030 438
INVESTMENT ACTIVITIES			
Investments in fixed assets	3	-470 283	-260 326
Capitalised exploration expenses	3	-89 027 222	-1 126 659
Sale of assets		44 322 854	-
Cash flow spent on investment activities		-45 174 651	-1 386 985
FINANCING ACTIVITIES			
New interest-bearing short-term debt	11	121 595 504	77 800 000
Repayments short-term debt	11	-91 348 202	-96 886 662
Cash flow spent on financing activities		30 247 302	-19 086 662
Net increase (reduction) in cash and cash equivalents		-22 613 836	-28 504 085
Cash and cash equivalents at beginning of year		77 858 485	106 362 570
Cash and cash equivalents at end of year		55 244 649	77 858 485

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

Payroll costs	2019	2018
Salaries	19 024 921	18 404 077
Employers payroll tax	2 979 035	2 883 032
Pension costs	1 629 294	1 571 090
Share-based remuneration	426 007	800 599
Other benefits	199 931	238 294
Total	24 259 189	23 897 092

Number of man-years employed during the financial year	14	13
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*) 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 14 employees.

Remuneration paid to directors and management	Salary	Pension costs	Other remuneration
Geir Lunde (CEO)	1 614 758	101 959	285 341
Olav Fjell (Chairman)			150 000
Erik Klausen (Director and HSE Manager)	1 545 476	87 450	25 346
Hege Wullum (Director)			100 000
Karen Sund (Director)			100 000
Nirav Dagli (Director)			100 000

The CEO has a severance pay contract under which he, if he leaves at the company's request, is entitled to salary for 6 months after his period of notice expires. For subscription rights awarded to the CEO and directors in connection with the incentive scheme, see Note 5. Consultancy services of NOK 250 000 excl. VAT were purchased from Fjellvit AS, a company owned by the Chairman of the Board.

Guidelines and adherence to the guidelines in 2019

In 2019, the company's remuneration policy has been in accordance with the guidelines described in the Annual Report for 2018, except that the incentive and bonus scheme has not been effective in 2019 according the description given.

Guidelines for 2020

The Board has established guidelines for 2019 for salaries and other remuneration to the Chief Executive Officer and other senior executives. The guidelines will be reviewed at the company's annual general meeting in 2020.

Senior executives receive a basic salary, adjusted annually. The company's senior executives participate in the general arrangements applicable to all the company's employees as regards pension plans and other payments in kind, such as subsidized fitness centre fees. No incentive and bonus scheme has been established for 2020.

Share-based remuneration

The 2019 AGM did not approve the issue of employee subscription rights proposed by the board of directors. Consequently the employee incentive system has been terminated and no subscription rights granted for 2019, nor proposed for 2020.

In 2019 NOK 426 007 was expensed in the profit and loss statement related to vested subscription rights in this period. At December 31 2019, the estimated amount of share-based remuneration cost yet to be expensed throughout the vesting period is NOK 202 006.

The fair value of the subscription rights awarded and outstanding as of 31.12.2019, calculated according to Black & Scholes option pricing model, was NOK 2 282 970

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	2019	2018
Outstanding as of 1 January	1 067 077	436 533
Awarded during year	0	650 322
Forfeited during year	0	0
Cancelled during year	-650 322	0
Exercised during year	0	0
Expired during year	-78 991	-19 778
Outstanding as of 31 December	337 764	1 067 077

Auditor

Remuneration for Deloitte AS is as follows (excl. VAT):	2019	2018
Statutory audit	200 000	169 000
Audit-related services	0	0
Certification services	0	0

Note 3

Tangible/ Intangible assets

	Furniture & Fixtures	Plant & Machinery	License interests, exploration wells	Total
Cost at 1 January	3 900 269	77 725	2 234 074	6 212 068
Additions	470 283	-	89 027 222	89 497 505
Expensed dry wells, previously capitalised			-	-
Disposals			-	-
Cost 31 December	4 370 552	77 725	91 261 296	95 709 572
Acc. depreciation at 1 January	3 573 366	77 725		3 651 091
Current year's depreciation	202 204	-		202 204
Acc. Depreciation 31 December	3 775 570	77 725		3 853 295
Book value as of 31 December	594 982	-	91 261 296	91 856 278

Note 4

Share capital and shareholders

As of 31.12.19, 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	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	337 764		5 055 390	

The above figures include 28 967 subscription rights allocated to Geir Lunde, 27 724 to Erik Klausen, 7 092 to Olav Fjell,

Ownership structure

The ten largest shareholders as of 31.12.2019

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
Cremonesi Tomaso	115 000	1,0 %	ESP
Other Shareholders	1 093 565	10,0 %	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	2 726 048	92 373 862	101 938 723
Subscription rights				426 007		426 007
Share issue	-		-			-
Transfer	-		-			-
Treasury shares purchased			-			-
Dividends and repayment if paid-in capital				-	-	-
Current year's profit/(loss)					11 229 514	11 229 514
Equity at 31 December	2 430 066	-158 379	4 567 126	3 152 055	103 603 375	113 594 243

The value of subscription rights expensed in 2019 of NOK 426 007 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

Other operating revenue

Other operating revenue	2019	2018
Gain sale licenses	40 937 614	3 409 370
Other operating revenue	40 937 614	3 409 370

Note 7

Income tax

Income tax for the current year is calculated as follows:	2019	2018
Adjustment for tax refund earlier years	-	-
Change in deferred tax	67 720 428	-1 550 246
Tax value of exploration costs (See Note 8)	-137 539 515	-99 816 706
Tax on ordinary income	-69 819 087	-101 366 952
Reconciling nominal and actual tax rates:	2019	2018
Pre-tax profit/loss	-58 589 574	-131 040 963
Anticipated income tax at nominal rate (22%/23%)	-12 889 706	-30 139 421
Anticipated income tax at special surtax rate (56%/55%)	-32 810 161	-72 072 529
Tax effect of following items:		
Adjustment for tax earlier years	0	0
Non-deductible expenses	423 276	-304 894
Non taxable income, 78%	-28 177 500	0
Tax effect of interest on loss for carrying forward (23%/54%)	-219 732	-162 987
Change in tax rate	0	56 642
Effect of surtax (56%/55%)	3 854 736	1 256 237
Income tax	-69 819 087	-101 366 952
Effective tax rate	119,2 %	77,4 %

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

	2019		2018	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Exploration expenses and license costs	0	71 005 422	0	1 464 392
Provisions for liabilities	0	0	0	0
Loss to be carried forward	26 235 058	0	24 414 456	0
Total	26 235 058	71 005 422	24 414 456	1 464 392
Of which netted	-26 235 058	-26 235 058	-1 464 392	-1 464 392
Net deferred tax asset/ liability	0	44 770 364	22 950 064	0

Profit from oil and gas operations on the Norwegian shelf is taxed in accordance with the Norwegian Petroleum Tax Act. A special 56% (2018: 55 %) surtax is levied in addition to the ordinary 22% (2018 23%) corporate tax. The taxpayer may claim payment from the government for the tax value of direct and indirect expenses (with the exception of financing expenses) for petroleum exploration, provided that the sum does not exceed the year's loss on, respectively, ordinary income in the shelf tax district and the basis for surtax.

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

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

Note 8

Bank deposits

Bank deposits, cash in hand etc. includes non-distributable withheld tax in the sum of NOK 1 128 605 (2018: NOK 1 106 056) and a rental deposit of NOK 968 129 (2018: NOK 962 833)

Note 9

Other receivables

For the 2019 tax assessment the company claims reimbursement of the tax value of petroleum exploration costs totalling NOK 137 539 516

(2018: NOK 99 816 706), see Petroleum Tax Act, 5th paragraph of section 3c.

Outstanding accounts with operators and others are also in the financial line item "Other receivables".

Note 10

Leasing agreements

Annual rental for non-capitalised assets amounts to NOK 1 634 450 (2018: 1 564 368), which relates to rent for the office premises in Asker.

The tenancy was renewed towards 30.10.2021; the remaining period of tenancy being 2 years.

Note 11

Debt to financial institutions

The company has a credit line for NOK 350 000 000 in SpareBank 1 SR-Bank ASA. The interest rate is NIBOR plus a margin of 1,9 %.

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 2019 a new loan agreement for two years and with an one year option.

As of 31 December 2019 withdrawals totalled NOK 127 573 982. According to the loan agreement, 95% of the estimated tax reimbursement amounts to NOK 130 662 540. The tax reimbursement is estimated to NOK 137 539 516, 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 12

Other current liabilities

	2019	2018
Working capital liabilities in joint ventures	0	155 262
Wages, holiday pay and bonus	2 133 856	2 063 592
Accrued expenses	771 358	249 023
Other current liabilities	0	0
Total	2 905 213	2 467 877

Note 13

Financial market risk

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

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

Note 14

Exploration costs

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

	2019	2018
Payroll costs, ref note 2	24 259 189	23 897 092
Seismic, drilling and general licence expenses	52 954 978	92 571 055
Other operating costs linked with exploration	15 760 365	14 180 753
Total	92 974 532	130 648 900

Exploration expenses eligible for tax refunds amount to NOK 176 332 712 in 2019 (2018: NOK 127 970 135).

Note 15

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 2019 the company sponsored the following:

Natteravnmagasinet Gatelangs NOK 20 000
 Asker Fotball NOK 10 000
 Norsk Geologisk Forening NOK 10 000
 Støtteforeningen for kreftrammede, Asker: NOK 10 000

Asker Skøyteklubb NOK 6 000
 Petroleumskvelden NOK 5 000
 Redningsselskapet NOK 5 000
 UnFrelsesarmeen NOK 2 500

Note 16

Licences

North Sea

PL 815 (20%): in block 16/5. Lundin Norway AS is Operator. Well 16/5-8S, drilled in August 2019 into the Goddo prospect and proved oil in weathered basement. The discovery will be further evaluated, in particular, in relation with the results from the long-term test of 16/1-12 (Rølfnes) oil discovery.

PL 784 (20%): in blocks 25/3, 6. Operator is Aker BP ASA. G&G work ongoing. It was decided to apply for one year extension of DoD until February 2021.

PL 882 (20%): in blocks 33/6 and 34/4. Neptune Energy 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. Well 34/4-15S is planned drilled in the summer 2020 into the Dugong prospect.

PL 926 (30%): in blocks 33/9,12 and 34/10. DNO Norge AS is operator. Awarded in APA 2017. The work program includes acquire and/or reprocess 3D seismic. DOD is by February 2020. It was decided to extend the DoD for one year until March 2021.

PL 989 (30%): in block 36/7. Wintershall 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.

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.

Barents Sea

PL 901 (20%): in blocks 7122/5, 7122/6 and 7123/4. Equinor Norge AS is Operator. Awarded in APA 2016. 3D seismic has been acquired and reprocessed (2018). Decision to drill has been taken. The Rødhette prospect will be drilled autumn 2020.

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. The licence has applied for DOD extension for half a year to September 2020 which has been approved by the authorities.

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

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

Note 17

Relinquished Licences

North Sea

PL 746S (30%): in block 29/3. Vår Energi AS is Operator. The Licence was relinquished 07.02.19.

PL 768 (10%) : in blocks 7123/5,6,7,8,9 and 7124/4,7,8. Wintershall Dea Norge AS is Operator. The licence was relinquished November 2019.

PL 768B (10%): in blocks 7122/8,9. Wintershall DEA Norge AS is Operator. The License was relinquished November 2019.

PL775 (20%): in blocks 16/7 and 16/8. Operator is Conoco-Phillips Scandinavia AS. Two years extension of initial period. The Licence was relinquished 06.02.19.

PL 775B (20%): in blocks 16/4, 5. Operator is ConocoPhillips Scandinavia AS. Extension to PL 775 awarded in APA 2017. The Licence was relinquished 06.02.19.

PL 776 (20%): in blocks 16/5, 6, 8 and 16/9. Wintershall Dea Norge AS is Operator. Well drilled on the Rome prospect in 2016. The well was dry. Applied for extension of BOK decision to August 2019. The Licence was relinquished 06.08.19.

PL 826 (30%): in blocks 29/3, 30/1 and 33/12. Vår Energi AS is Operator. Reprocessing of 3D seismic is finalised. The Licence was relinquished in February 2019.

Barents Sea

PL 697 (10%): in block 7122/10. Vår Energi 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 was relinquished in February 2019.

PL 900 (10%): in the blocks 7122/8 and 9. Vår Energi AS is Operator. Awarded in APA 2016. 3D seismic has been acquired. Negative DOD decision in February 2019. The licence was relinquished February 2019.

Note 18

Transferred interests in 2019

North Sea

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. Part of the Grosbeak discovery is situated within PL925. The Concedo share was sold to Neptun Energy Norge AS.

PL 882 (20%): Concedo divested 10% interest of a 30% share in the licence PL 882 with effective date 01.01.2019. This was part of a well-carry cost agreement with Idemitsu Petroleum.

NorwegianSea

PL 889 (40%): in blocks 6507/8 and 6507/9. Neptune Energy Norge AS is Operator. Concedo transferred its interest to Neptune as Concedo considered it to be of high risk.

Note 19

New awarded Licences 2020 (APA 2019)

North Sea

PL 1043 (30%): in blocks 25/7 and 25/8. Operator is Vår Energy. Acquire modern 3D seismic. DoD within 2 years.

PL 1047 (20%): in blocks 30/4, 5, 7 and 30/8. Aker BP is Operator. Acquire and reprocess modern 3D seismic. EM feasibility. DoD February 2022.

Barents Sea

PL 1074 (20%): in blocks 7121/10, 11,12 and 7122/10. Operator is Vår Energy. Reprocessing 3D/acquisition of new 3D. DoD within two years

PL 1075 (40%): block 7123/4, 5. Operator is Vår Energy. Acquire 3D seismic before DoD within two years.

Note 20

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.

	2019	2018
Tax refund received	99 816 705	116 332 033
Interest on Tax refund, received	680 941	527 478
Payments of other fees	-806 204	-898 000
Total payments/refund to/from the Norwegian Government	99 691 442	115 961 511

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.