

2015 Annual Report

IDEMITSU PETROLEUM NORGE AS



MESSAGE FROM THE MANAGING DIRECTOR

My name is Hiroshi Arikawa, and I am honoured to take over the helm of Idemitsu Petroleum Norge from this April.

2015 was hectic year in Idemitsu despite the continuation of the low oil price situation. Production start-up on Knarr this March was an important milestone boosting our daily production numbers quite significantly. In addition, we had several interesting discoveries in the Barents Sea which could further increase production in the future.

As the challenging times for the oil industry continues, Idemitsu is as committed as ever to cutting costs as well as improving efficiency and profitability in all our projects. Even though we firmly believe that the oil price will rise again in the not so distant future, it is clear to us that the entire industry will have to adapt to a more sustainable cost regime ahead. And this is a responsibility we share with all of the companies that are active on the NCS.

With our professional and dedicated team I look forward to continue to grow as a company, and to manifest our position as a reliable, skilled partner for the companies we are collaborating with. We work hard to secure the highest possible standards in everything we do, and my hope is that we will continue to meet and exceed the expectation of owners, partners and authorities alike.



Yours sincerely,

HIROSHI ARIKAWA

Managing Director

KEY DATA

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|-------|--------|---------|---------|-------|
| | 1 000 | 5 404 | 5 4 7 0 | 1 0 1 0 | 5 700 |
| OPERATING REVENUES (MILLION NOK) | 4 228 | 5 461 | 5 172 | 4 918 | 5 792 |
| OPERATING PROFIT (MILLION NOK) | -679 | 1 012 | 2 009 | 2 080 | 1 950 |
| PROFIT AFTER TAX (MILLION NOK) | 48 | 473 | 592 | 557 | 491 |
| DAILY OIL PRODUCTION, THOUSAND BARRELS | 27.6 | 21.2 | 20.1 | 18.6 | 21.6 |
| INVESTMENTS (MILLION NOK) | 744 | 2 418 | 2 355 | 1 146 | 692 |
| EQUITY RATIO (YEAR END) | 54 % | 43 % | 41 % | 42 % | 39 % |
| CASH FLOW BEFORE FINANCING (MILLION NOK) | -289 | -1 137 | -748 | -129 | 1 382 |
| CRUDE OIL RESERVES (MILLION Sm ³) | 12.9 | 14.4 | 12.1 | 11.7 | 12.4 |
| RETURN ON EQUITY | 1 % | 11 % | 16 % | 16 % | 15 % |

DEFINITIONS

Daily oil production = Average daily oil production, Idemitsu share Investments = Offshore investments excl. production rights Crude oil reserves = Probable, commercially recoverable resources in producing fields Return = Annual after tax profit Equity = Equity at the beginning of the year



EXPLORATION

2015: IDEMITSU E&A ACTIVITIES FIRMING UP BARENTS SEA RESOURCES.

As a result of Awards in Pre-defined Areas 2014 (APA 2014), the company was awarded production license (PL) 373 BS in January 2015. The license is located in the Northern North Sea and positioned stratigraphically above our producing Knarr field.

Idemitsu (IPN) also submitted applications for exploration acreage in the 23rd Licensing Round in December 2015.

Of the nine exploration and appraisal wellbores (including sidetracks) drilled in 2015, five encountered hydro-

carbons. All of these were located in our Loppa High license PL 609 of the Barents Sea, containing the Alta oil and gas discovery: The Alta II appraisal well and geological sidetrack (7220/11-2, 7220/11-2 A) and Alta III appraisal well, technical sidetrack and geological sidetrack (7220/11-3, -3 T2 and -3 AT2). Three exploration wells with IPN participation proved dry. These included the Jordbær South East (34/3-4 S/A) and the Jordbær South (34/3-5) wildcat wells, both located close to the Knarr field in the North Sea, and the Bjaaland (7324/8-2) wildcat well, located close

to our PL 537 Wisting discovery in the Barents Sea. The Neiden wildcat well (7220/6-2), located in the Barents Sea neighbouring the Alta discovery, was temporarily suspended and abandoned prior to reaching its primary reservoir target, as the drilling season came to a close. The well will be re-entered in 2016 as will the Alta III appraisal.

In PL 057 (block 34/4; 9.6 % IPN interest), the license was granted an extension to 31 December 2016 and prospect evaluation continued.

In PL 089 (block 34/7; 9.6 % IPN interest), prospect evaluation also continued.



In PL 090 and 090 E (blocks 35/11 and 31/2; 15 % IPN interest), the C-Øst oil discovery was matured towards development. Efforts to mature further discoveries and rank exploration potential were also undertaken.

In PL 090 B (block 35/11; 15 % IPN interest), evaluation of the Astero oil discovery continued.

In PL 090 C (block 35/11; 15 % IPN interest), efforts were spent on Vega South production-related issues.

In PL 090 F and 090 G (block 35/11; 40 % IPN interest), prospect evaluation continued. In PL 090 HS (block 35/11; 15 % IPN interest), evaluation of the Astero oil discovery continued, and efforts were spent on Fram H-Nord productionrelated issues.

In PL 293 (blocks 34/12, 35/10; 15 % IPN interest), technical feasibility studies concerning the Afrodite gas discovery were conducted.

In PL 293 B (block 35/10; 20 % IPN interest), exploration potential was evaluated.

In PL 318, 318 B and 318 C (blocks 35/2, 4, 35/5, 6203/10; 20 % IPN interest), development of the Peon gas discovery is awaiting commercial and technical solutions. Well 35/2-1 was permanently plugged and abandoned.



In PL 373 S (block 34/3; 25 % IPN interest), evaluation of the Knarr oil field development wells and further prospectivity continued. Selected parts of the license acreage were relinquished, and the wells Jordbær South East (34/3-4 S/A) and Jordbær South (34/3-5) drilled during 2015 were classified as dry.

PL 373 BS (block 34/3; 25 % IPN interest) was awarded as part of APA 2014. Prospectivity evaluation was carried out.

In PL 420 (block 35/9; 20 % IPN interest), the Titan appraisal well (35/9-11 S, -11 A) was permanently plugged and abandoned. Remaining prospectivity was evaluated.



In PL 537 (blocks 7324/7, 8; 20 % IPN interest), the Bjaaland prospect was drilled (7324/8-2). The well was classified as dry. A partial relinquishment of 165 km² was made. Evaluation of the Bjaaland well, well preparations for the Central Wisting II well and evaluation of further prospectivity and development feasibility continued.

In Idemitsu-operated PL 578 (block 35/6; 40 % IPN interest), the initial licensing period was extended by one year and the drill-or-drop milestone was extended with 1.5 years. A seismic reprocessing project of the 3D seismic was initiated and completed. The resource potential of the prospects was carefully evaluated through execution of comprehensive geological and geophysical studies.



In PL 609 and 609 B (blocks)

7120/1. 2. 7220/6. 9. 11. 12. 7221/4: 30 % IPN interest), the Alta discovery was appraised by the Alta II appraisal well and geological sidetrack (7220/11-2, 7220/11-2A) as well as the Alta III appraisal well, technical sidetrack and geological sidetrack (7220/11-3, 7220/11-3T2 and 7220/11-3AT2). The appraisal wells confirmed the hydrocarbon contacts of the discovery well. The Neiden well (7220/6-2) further north in PL 609 was temporarily plugged and abandoned. The Alta discovery technical evaluation was updated after the 2015 appraisal drilling campaign, and

planning of new appraisal and exploration wells have taken place.

In PL 614 (blocks 7324/9, 7325/7; 40 % IPN interest), evaluation of the Mercury well and remaining prospect evaluation have taken place. Continued exploration is seen in conjunction with the evaluation of the Wisting and Hanssen discoveries.

In PL 630 (blocks 31/1, 35/10; 20
IPN interest), the initial licensing period was extended by two years.
Broadband seismic was acquired and prospect evaluation continued.

In PL 636 (block 36/7; 30 % IPN interest), prospect evaluation continued and preparations for drilling were initiated.





PL 638 (blocks 34/2, 34/3, 34/6, 35/1, 35/4; 20 % IPN interest) is surrounding PL 373 S, and exploration is seen in conjunction with the Knarr field activities.

PL 686 (block 36/4; 20 % IPN interest) was relinquished without drilling.

PL 711 (blocks 7218/4, 5, 6, 7;
20 % IPN interest) was relinquished without drilling.

In PL 756 (blocks 6407/7, 10; 25 % IPN interest), a technical evaluation was conducted after acquiring new 3D seismic data. Idemitsu maintains a long-term view on NCS prospectivity, and the company will continue to expand and strengthen its exploration activities further in the years to come. The company aims to achieve this primarily through balanced organic growth, via acquisition of promising exploration acreage in licensing rounds, as well as through pursuit of selected exploration farm-in opportunities, as appropriate.











PRODUCTION AND OPERATIONS



TAMPEN AREA

Five of Idemitsu's producing fields are located in the Tampen Area of the North Sea.

Snorre

Spanning blocks 34/4 and 34/7, the Snorre field has been producing since August 1992 when the Snorre A platform started production. The Snorre B platform went onstream in 2001.

Although the Snorre field has a long production history, production is still expected to last for another 25-30 years. Plans are being developed to secure continued operation of the field in a long-term perspective.

Tordis

The Tordis field is developed by subsea installations tied into the Gullfaks C platform located ten kilometres away for processing. The production from Tordis started in 1994. The field is now in a declining phase, but is still expected to produce for many years. The subsea facilities have been upgraded with new production flow lines and a control system to extend field lifetime.

Vigdis

The Vigdis field is a subsea development tied back to the Snorre A platform seven kilometres away for processing. Vigdis started production in 1997.



In 2009, an oil discovery was made in exploration well 34/7-34 (Vigdis Nordøst).The Vigdis Nordøst discovery is developed as a subsea tie-in to the existing Vigdis subsea installations. Production started early in 2013.

Statfjord Satellites

Statfjord Øst and Sygna are subsea satellite fields tied into the Statfjord C platform.

Sknarr

Knarr is located 40 kilometres north of the Snorre field and was discovered in 2008. The PL 373 S license delivered a PDO in December 2010 for a stand-alone development with subsea wells and a leased FPSO vessel (Floating, Production, Storage and Offloading) only two years after



the discovery was made. In addition to the Knarr Central discovery, the PDO covers the nearby Knarr West discovered in 2011. The development of Knarr West was decided in 2012 and is included in the Knarr development. The production facilities will have the flexibility to handle additional production from other prospects in the area. A 100 kilometre new gas pipeline will evacuate the gas via the FLAGS system to the terminal at St. Fergus in the UK. Production started up in 2015.

FRAM AREA

In 2002, Idemitsu purchased a 15 % share in the PL 090 license. Today, the Fram area is among the focus areas for the company.

Fram field

The Fram field is located 20 kilometres north of the Troll C platform, and started production in October 2003. The Fram field is developed with subsea templates tied back to the Troll C platform for processing. The gas located in the field is transported in a pipeline to the Kollsnes gas terminal for processing and further export.

The Fram H-Nord discovery was unitised with the neighbouring PL 248 in 2013 and is developed as a tieback to Fram and further to Troll C. Fram H-Nord started production in 2014.

During 2015, the Fram partners approved the development of the C-Øst discovery. C-Øst will be developed by one production well





drilled from the Fram Øst template and produced through Fram Øst to Troll C. The C-Øst production well will be drilled in 2016.

Vega field

The Vega field started production in November 2010. Vega is developed with three subsea templates tied back to the Gjøa platform. The field was unitised in 2011 by the PL 248 (Vega North and Vega Central) in addition to PL 090 C (Vega Sør) where Idemitsu holds a share. The gas from the Vega field is transported via the FLAGS system to the terminal at St. Fergus, while condensate is exported to Mongstad.

Discoveries

Idemitsu has made several discoveries currently being evaluated for development. Among them are the Peon (PL 318) and Astero (PL 090) discoveries. The discoveries are in different stages of maturity, but are expected to make a valuable contribution to the Idemitsu portfolio of producing fields in the years to come.

IDEMITSU GROUP

IDEMITSU IS A WORLDWIDE CORPORATION WITH OVER 8800 EMPLOYEES.

What began as a lubricant oil sales business more than a century ago has grown into a group of more than 100 companies engaging in a wide range of activities.

Oil exploration and production in Norway, United Kingdom and South East Asia form an important part of the resource businesses in the group. Other business areas include crude transport, refineries, petrochemical products, coal and uranium mining, renewable energy, as well as development and manufacturing of functional electronic materials.

Last November, Idemitsu Kosan Co., Ltd. announced plans for a possible business integration with rival oil distributor Showa Shell Sekiyu K.K. Negotiations are currently ongoing.



THE IDEMITSU MUNCH CONNECTION

IDEMITSU HAS BEEN PROUD SPONSOR OF THE MUNCH MUSEUM SINCE 1991.

One of the key management principles for all Idemitsu group companies is to give back to the local communities in which they operate. Therefore, supporting the Munch museum has been a natural choice for IPN – a choice we are certain that Idemitsu founder and art collector Sazo Idemitsu would have applauded. The close bond we share with Munch's art and the museum serves as an inspiration for employees and business associates alike.



Workers in snow, 1913-1915

ANNUAL REPORT OF THE BOARD OF DIRECTORS 2015



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INTRODUCTION

Idemitsu Petroleum Norge AS (Idemitsu) is engaged in exploration for and development and production of crude oil and natural gas on the Norwegian Continental Shelf (NCS). Idemitsu was founded on 25 September 1989. On 2 October 1989, a 9.6 % interest in production licenses (PL) 057 and 089 was acquired from Statoil. These production licenses are located in the Tampen area in the northern North Sea, and comprise the Snorre, Tordis, Statfjord Øst, Sygna, and Vigdis fields.

In 2002 Idemitsu acquired a 15 % share in the Fram area as part of a State Direct Financial Interest (SDFI) divestment. Fram Vest and Fram Øst production started in 2003 and 2006, respectively. The Vega Sør development in PL 090 C was completed in 2010, and production of oil and gas commenced via the Gjøa platform. Idemitsu holds a 4.38 % share in the unitised Vega field. In 2013 Idemitsu acquired a 25 % share in the carved-out areas PL 090 G and H from ExxonMobil. The acquisition gave Idemitsu a total share of 28.8 % in the unitised Fram H-Nord field, which started production in September 2014. In March 2015, the production started from the Knarr field in the northern North Sea, a field in which IPN holds a 25 % share.

Idemitsu is a part of the Japanese Idemitsu Kosan group. Idemitsu Snorre Oil Development Co., Ltd. (ISD), a Japanese company registered in Tokyo, owns all the shares. An owner share in ISD of 50.5 % is held by the Idemitsu Kosan group. The remaining 49.5 % is held by the holding company Osaka Gas Summit Resources Co., Ltd, which is owned by fellow Japanese companies Osaka Gas (70 %) and Sumitomo (30 %).

Idemitsu's mission is to explore, develop, produce and sell hydrocarbons with the best possible economic return to the shareholders. Idemitsu's office is located in Oslo.

EXPLORATION & PORTFOLIO

In 2015, Idemitsu was awarded one new license share. In the 2014 Awards in Predefined Areas (APA) Idemitsu was awarded a 25 % share in PL 373 BS, which is operated by BG and located in the North Sea. Idemitsu participated in nine exploration and appraisal wellbores (including sidetracks) in 2015. Of these, five encountered hydrocarbons, and all of these were located in Loppa High license PL 609 of the Barents Sea. containing the Alta oil and gas discovery: The Alta II appraisal well and geological sidetrack (7220/11-2, 7220/11-2 A) and Alta III appraisal well, technical sidetrack and geological sidetrack (7220/11-3, -3 T2 and -3 AT2). According to the operator Lundin, a preliminary estimate of the size of the discovery is between 14 and 50 Sm³ of recoverable oil. and between 5 and 17 billion Sm³ of recoverable gas. Idemitsu holds a 30 % share in the license.

Three exploration wells with IPN participation proved dry. These included the PL 373 S Jordbær South East (34/3-4 S/A) and Jordbær South (34/3-5) wildcat wells, both located close to the Knarr field in the North Sea, and the PL 537 Bjaaland (7324/8-2) wildcat well, located close to our Wisting/Hanssen discoveries in the Barents Sea. The PL 609 Neiden wildcat well (7220/6-2), also located in the Barents Sea, neighbouring the Alta discovery, was temporarily suspended and abandoned prior to reaching its primary reservoir target, as the drilling season came to a close. The well will be re-entered in 2016 as will the Alta III appraisal.

There is a number of promising discoveries in Idemitsu's portfolio, and the company is actively working with the operators to find development solutions which are robust in the current low oil price environment. The Board of Directors is pleased that the project base of Idemitsu is expanding, and regards the potential on the NCS as being good. Idemitsu intends to take an active part in coming licensing rounds and will continue to seek further investment opportunities on the NCS.

PRODUCTION & OPERATIONS

The total net oil production from Idemitsu's producing fields in 2015 was significantly higher than in 2014. The production in the Fram area has been stable, while the fields in the Tampen area have produced better than expected.

The Knarr field started production in March 2015 from the leased FPSO Petrojarl Knarr. The production volume has gradually increased during a phased start-up, and is expected to reach around 55 000 b/d in 2016. Idemitsu has a 25 % share in the Knarr project, which is operated by BG.

RESEARCH & DEVELOPMENT (R&D)

Idemitsu executes most of its R&D projects as common industry projects,

with relevance for the company's activities in open and licensed exploration areas and in producing fields. Idemitsu also contributes with significant amounts to general and specific R&D activities undertaken by the operators of our partneroperated fields.

HEALTH, SAFETY, ENVIRONMENT & QUALITY (HSE&Q)

HSE&Q remains important as Idemitsu develops as an exploration company, as a partner in producing assets and a partner in development projects. By strengthening the company's competence as an operator, the contribution in licenses as a partner is improved as well. This has been demonstrated in the follow-up of several partner-operated activities in 2015, within exploration, field development and production. For field development and production, the follow-up work related to the start-up of the Knarr field has been given a high priority. For exploration, the main focus has been toward activities in the Barents Sea, both for appraisal drilling and license application preparations.

IPN is following up exploration, field development and production activities through independent work and review of applications and plans, participation in partner workshops and audit of partners to verify that the activities where IPN is partner are planned and executed in accordance with Norwegian regulations and own expectations. This follow-up activity has a sharpened focus toward environmental management when the activity may influence vulnerable areas, or in areas where the environmental consequences are uncertain. For incident statistics and environmental reporting from partner-operated activities, reference is made to the respective operators' annual reports.

At the end of 2015 there were 54 permanent employees in IPN. The total sick leave for 2015 was 2.4 % (2 460 hours). This is a reduction compared with the 4.25 % sick leave in 2014, mainly due to a reduction in long-term sick leave. The company continues to focus on ergonomics and work-life balance, and the staff is provided with opportunities for maintaining a healthy lifestyle in order to prevent and mitigate long-term sick leave. One medical treatment case and one first aid case were reported in 2015.

Idemitsu has a policy of equal opportunity. In 2015 there were no women in the Board of Directors. No women are currently part of the Management. The number of female staff at the end of the year is 33 %.

There are inherent risks in offshore exploration and production activities. HSE&Q is therefore a core activity in the company, contributing to achieving the objectives set by the Managing Director through the company policies. HSE&Q has the active support from the Management. Idemitsu is committed to continual improvement, and the learning from our operator activities will be used to continue to improve, both in our operator activities and in our partneroperated activities on the NCS.

FINANCIAL RESULT (1) Profit and loss statements

Idemitsu posted a profit after tax of 48 million NOK in 2015. This is a decrease of around 90 % compared to 2014. Total sales income has decreased by 23 % from 2014. The decrease is due to lower crude oil and gas prices.

Operating expenses have increased by 10 %. The main reason for the increase is the impairment losses. In light of the

current low oil price environment, the company has carefully reviewed all its producing fields and exploration assets for potential impairment loss. For the Knarr and Fram H-Nord fields the company has booked impairment loss of 1 035 million NOK and 33 million NOK respectively, total 1 068 million NOK. For Knarr the impairment loss has also been affected by a reduction of the reserves estimate.

Operating expenses have also been affected by the decrease in exploration cost. The number of exploration wells has been lower than in 2014, and some of the drilled wells have been capitalised. Also the cost related to the income sharing agreement with Statoil has decreased significantly due to the lower oil price. On the other hand, the high field opex and depreciation cost has increased the operating cost. The increase in field opex and depreciation cost is mainly due to the production start at Knarr.

(2) Balance sheets

Idemitsu has no long term loans at present. Extraordinary dividend of 358.6 million NOK was paid in December 2015. Equity represents 54 % of total assets at 31.12.15.

Capitalised 'Successful efforts exploration wells' increased by 544 million NOK in 2015. This is mainly due to the capitalization of the drilling cost of the Alta appraisal wells and the Neiden exploration well.

Knarr investment has been transferred from 'Production facilities under development' to 'Production facilities in operation'.

Abandonment accruals have been significantly reduced due to lower decommissioning estimates from the operators.

(3) Cash flow statements

Total investment in production facilities in 2015 was 744 million NOK, compared to 2 418 million NOK in 2014. Around 300 million NOK was invested in the final stage of the Knarr development. There have also been substantial investments in producing fields, especially Snorre, in order to maintain production at the highest possible level.

Cash flow from operation is significantly higher than the operating profit. Depreciation and tax payments are the main differences between cash flow from operation and operating profit. In addition, impairment loss and changes in inventory have reduced the operating profit compared to cash flow.

The 2015 financial statement is given under the 'going concern' assumption. The Board of Directors confirms that this assumption is still valid.

FINANCIAL RISK Market risk

Idemitsu is fully exposed to the oil price fluctuation risk. The company has most of its income in USD and cost in NOK. Most of the USD to NOK currency exchange risk was covered by short term foreign exchange contracts. Risk reductions by using the mentioned financial instruments will never exceed the actual risk position.

Liquidity risk

Idemitsu has no long term loans and a comfortable cash position. The cash flow from fields in production is strong and sufficient to cover the company's obligations even when the crude oil price is fairly low. It is expected that the company has substantial loan capacity based on the security of its producing assets.

Credit risk

The customers and banks which are doing business with Idemitsu are large and solid corporations. The company spreads its financial assets among several banks.

PAYMENTS TO AUTHORITIES

The company has prepared a report about payments to authorities which has been published on the company's web page, www.idemitsu.no.

OUTLOOK

Idemitsu's annual profits are closely linked to the crude oil price and exchange rates. These elements, especially the crude oil price, are difficult to estimate. Idemitsu expects the crude oil price to remain at low levels in 2016 and 2017. Due to the stable income from fields with low/ moderate cost level, Idemitsu can be profitable even at fairly low crude oil price. The company's liquidity is robust, and cash flow forecast is positive at current oil price levels.

The crude oil production and sales volume also affect the annual results.

The production start on Knarr has significantly increased the company's daily oil production. The Board of Directors is not aware of any significant matters not already presented in this report or in the financial statements.

ALLOCATION OF THE ANNUAL PROFIT

THE PROFIT FOR THE YEAR OF NOK 48,165,012 IS PROPOSED ALLOCATED AS FOLLOWS:

| DIVIDENDS | 0 |
|-------------------|------------|
| RETAINED EARNINGS | 48,165,012 |
| TOTAL ALLOCATED | 48,165,012 |

Oslo, 12 April 2016

KATSUHIKO SAKAMOTO

HIROSHI ARIKAWA

TORGEIR VINJE

Chairman

FINANCIAL Statement



PROFIT AND LOSS STATEMENTS

| | NOTE | 2015 | 2014 |
|---|-------|---------------|---------------|
| | | | |
| Operating revenue | | | |
| Sales of crude oil | 1, 12 | 3 691 176 966 | 4 868 325 543 |
| Sales of NGL | 1 | 237 219 568 | 208 073 326 |
| Sales of dry gas | 1 | 277 414 057 | 361 242 322 |
| Tariff income and other revenue | 1 | 22 610 077 | 23 346 099 |
| Total operating revenues | | 4 228 420 667 | 5 460 987 290 |
| Operating expenses | | | |
| Production cost, processing tariff, CO ² fee | | 1 226 408 737 | 733 346 635 |
| Gas and transportation costs | | 43 484 528 | 47 439 189 |
| Income sharing agreement | 7 | 292 321 843 | 967 397 552 |
| Changes in inventory and over- / underlift | 9 | - 295 178 223 | 53 286 203 |
| Exploration costs | 17 | 461 498 915 | 997 160 731 |
| Salaries, social security, pension payments | 2, 3 | 124 330 611 | 100 328 053 |
| Other operating and administrative costs | 3, 18 | 53 384 105 | 50 458 912 |
| Ordinary depreciation | 4, 5 | 1 832 547 798 | 1 217 040 611 |
| Ordinary depreciation of production rights | 5, 7 | 100 780 678 | 53 597 285 |
| Impairment loss | 5 | 1 068 000 000 | 229 000 000 |
| Total operating expenses | | 4 907 578 993 | 4 449 055 170 |
| OPERATING PROFIT | | - 679 158 326 | 1 011 932 121 |

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| | NOTE | 2015 | 2014 |
|----------------------------------|--------|---------------|---------------|
| Financial income and expenses | | | |
| Interest income | | 21 967 948 | 18 868 801 |
| Interest expense | 10 | 113 343 554 | 121 477 275 |
| Capitalized interest | | 414 625 | 46 856 |
| Net foreign exchange gain (loss) | 11, 12 | - 93 393 080 | - 28 036 910 |
| Net financial items | | - 184 354 061 | - 130 598 528 |
| PROFIT BEFORE TAXES | | -863 512 386 | 881 333 592 |
| Taxes on ordinary result | 6 | - 911 677 398 | 408 163 976 |
| PROFIT FOR THE YEAR | | 48 165 012 | 473 169 616 |
| Proposed dividend | | 0 | 0 |
| Allocated to retained earnings | | 48 165 012 | 473 169 616 |
| Total allocated | | 48 165 012 | 473 169 616 |

BALANCE SHEETS

| | NOTE | 31.12.2015 | 31.12.2014 |
|---|----------|---------------------|---------------|
| FIXED ASSETS | | | |
| Intangible fixed assets | | | |
| | F 17 | 1 212 841 614 | 660 141 520 |
| Successful efforts exploration wells | 5, 17 | 1 2 1 2 8 4 1 6 1 4 | 669 141 539 |
| Total intangible fixed assets | | 1 212 841 614 | 669 141 539 |
| Tangible fixed assets | | | |
| Production facilities in operation | 5, 8, 10 | 5 690 595 113 | 4 385 513 225 |
| Production facilities under development | 5 | 9 603 576 | 4 263 775 142 |
| Furniture, fixtures and cars | 5 | 16 224 577 | 15 431 555 |
| Total tangible fixed assets | | 5 716 423 267 | 8 664 719 922 |
| Financial fixed assets | | | |
| Employee long term receivables | | 36 169 648 | 30 407 621 |
| Other long term receivables | 15 | 104 972 108 | 123 057 391 |
| Total financial fixed assets | | 141 141 756 | 153 465 012 |
| TOTAL FIXED ASSETS | | 7 070 406 637 | 9 487 326 472 |

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| | NOTE | 31.12.2015 | 31.12.2014 |
|----------------------------------|-------|---------------|----------------|
| CURRENT ASSETS | | | |
| Stocks and underlift | | | |
| Inventory and underlift | 9 | 427 090 526 | 298 234 401 |
| Debtors | | | |
| Accounts receivable | | 41 629 246 | 42 241 176 |
| Receivables from group companies | 16 | 207 692 125 | 530 870 993 |
| Other current assets | | 531 561 166 | 299 055 057 |
| Total debtors | | 780 882 536 | 872 167 226 |
| Bank | | | |
| Bank and cash | 3, 14 | 84 202 782 | 590 882 351 |
| TOTAL CURRENT ASSETS | | 1 292 175 843 | 1 761 283 978 |
| TOTAL ASSETS | | 8 362 582 481 | 11 248 610 450 |

BALANCE SHEETS

| | NOTE | 31.12.2015 | 31.12.2014 |
|---------------------|------|---------------|---------------|
| EQUITY | | | |
| Restricted equity | | | |
| Share capital | 13 | 727 900 000 | 727 900 000 |
| Retained earnings | | | |
| Retained earnings | 13 | 3 767 747 020 | 4 074 753 708 |
| TOTAL EQUITY | | 4 495 647 020 | 4 802 653 708 |
| LIABILITIES | | | |
| Provisions | | | |
| Pension liabilities | 2 | 38 577 622 | 48 652 772 |
| Deferred tax | 6 | 447 863 285 | 1 386 182 654 |
| Abandonment accrual | 10 | 2 233 388 786 | 2 894 029 443 |
| Total provisions | | 2 719 829 692 | 4 328 864 869 |

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| | NOTE | 31.12.2015 | 31.12.2014 |
|--|----------|---------------|----------------|
| Current liabilities | | | |
| Short term bank loan | | 140 944 000 | 0 |
| Suppliers payable | | 129 291 831 | 119 631 057 |
| Payables group companies | 16 | 9 913 482 | 562 020 |
| Accrued payroll taxes, VAT, etc. | | 39 355 175 | 7 530 742 |
| Taxes payable | 6 | 0 | 100 974 038 |
| Other current liabilities and overlift | 7, 9, 14 | 827 601 281 | 1 888 394 017 |
| Total current liabilities | | 1 147 105 769 | 2 117 091 874 |
| TOTAL LIABILITIES | | 3 866 935 462 | 6 445 956 743 |
| TOTAL EQUITY AND LIABILITIES | | 8 362 582 481 | 11 248 610 450 |

Oslo, 12 April 2016

KATSUHIKO SAKAMOTO

HIROSHI ARIKAWA

TORGEIR VINJE

Chairman

CASH FLOW STATEMENTS

| | | 2015 | 2014 |
|---|-------|----------------|----------------|
| Cash generated from / used in operating activities | | | |
| Profit / (loss) before taxes for the year | | - 863 512 386 | 881 333 592 |
| Taxes paid | | - 464 952 371 | -1 159 584 181 |
| Ordinary depreciation | 5 | 1 933 328 476 | 1 270 637 896 |
| Interest expense, asset ret. obligation | 10 | 90 018 509 | 87 053 336 |
| Pension accrual | 2 | 5 508 032 | 2 461 787 |
| Impairment loss | | 1 068 000 000 | 229 000 000 |
| Previously capitalized wells expensed | | 50 741 735 | 194 288 605 |
| Decommissioning expense | | - 39 245 558 | - 456 057 |
| (Gain) / loss on sale of fixed assets | | 0 | - 21 749 |
| Change in inventory and short term assets and liabilities | | | |
| (excl. dividend payment) | | - 710 022 765 | 213 869 155 |
| Net cash flow from operations | А | 1 069 863 672 | 1 718 582 385 |
| Cash flow used for investments | | | |
| Investment in furniture and fixtures and cars | 5 | - 11 375 287 | - 6 294 558 |
| Proceeds from sales of fixtures and cars | | 189 568 | 21 749 |
| Investment in production rights | | 0 | 0 |
| Investment in production facilities | 5 | - 743 656 129 | -2 418 456 920 |
| Investment in successful exploration wells | 5, 17 | - 604 045 393 | - 429 045 580 |
| Change in other long term assets/liabilities | | 0 | - 1 778 918 |
| Net cash flow to investments | В | -1 358 887 241 | -2 855 554 228 |

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| | | 2015 | 2014 |
|---------------------------------------|-------|----------------|----------------|
| Cash flow used for financing | | | |
| Share capital increases / (decreases) | | 0 | 0 |
| Paid dividend | 13 | - 358 600 000 | 0 |
| New loans | | 1 757 837 861 | 0 |
| Loan repayments | | -1 616 893 861 | 0 |
| Net cash flow to financing | C | - 217 656 000 | 0 |
| NET MOVEMENT IN BANK AND CASH | A+B+C | - 506 679 569 | -1 136 971 843 |
| Bank and cash at 1 January | | 590 882 351 | 1 727 854 195 |
| BANK AND CASH AT 31 DECEMBER | | 84 202 782 | 590 882 351 |

ACCOUNTING PRINCIPLES

GENERAL

The financial statements of IPN have been prepared in accordance with Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway. The accounting language for Idemitsu is English. The accounting currency is NOK.

The 2015 accounts were approved by the Board of Directors on 12 April 2016.

CLASSIFICATIONS

Assets linked to the flow of goods, receivables falling due within one year, and assets not determined for permanent ownership and use are classified as current assets. Other assets are classified as non-current. Liabilities falling due within one year are classified as current liabilities. Other liabilities are classified as non-current. Cash and cash equivalents include bank deposits.

INTERESTS IN OIL AND GAS LICENSES

The company's interests in oil and gas licenses on the Norwegian Continental Shelf are booked under the respective lines in the profit and loss statements and the balance sheets.

REVENUES

Revenues from the production of oil and gas properties in which Idemitsu has an interest with other companies are recognised on the basis of volumes lifted and sold to customers during the period (sales method). When Idemitsu has lifted and sold more than the ownership interest, an accrual is recognised for the cost of the overlift. When Idemitsu has sold less than the ownership interest, costs are deferred for the underlift. Tariff revenue and other revenue is recognised when title and risk pass to the customer.

DEFERRED TAXES / TAX EXPENSE

Tax expense comprises payable tax and deferred tax. The deferred tax asset or liability is calculated based upon net temporary differences between assets and liabilities recognised in the financial statements and their bases for tax purposes after offsetting for tax loss carry-forwards and special tax deductions. The full liability method is followed and the asset or liability is not discounted to a net present value. Tax rates adopted for 2016 (25 % for corporate tax and 53 % for special tax) are used when calculating deferred tax.

For tax purposes, offshore development costs are depreciated straight line over 6 years. From May 2013, capital expenses on the Norwegian Continental Shelf earn 22 % uplift on the total capital expenses; previously the uplift rate was 30 %. Uplift can be deducted from the special income tax base over a period of four years from the time of investment. The effect of uplift is recognized as earned in the year it becomes deductible and included in payable tax calculation. Uplift reduces the special petroleum tax paid by oil companies under the current tax regime. No deferred tax asset is recognised for uplift that will become deductible in the future. Current tax rates are 27 % corporate tax and 51 % special tax.

DEVELOPMENT COSTS, DEPRECIATION AND IMPAIRMENT

All offshore development costs are capitalised from the time when a discovery is deemed to give future commercial production. Development costs are depreciated using the Unit of Production (U.O.P.) method. Under this method, the annual depreciation charge is based on the percentage of the remaining estimated producible reserves of an oil field actually extracted in a given year. Certain future investments are required to produce the remaining estimated producible reserves. These future investments are included in the depreciation base. The resulting U.O.P. depreciation charge is estimated to be equal to the depreciation of current investments over the reserves exploitable from the current investments.

PP&E and other non-current assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indications of impairment may be decline in oil price, change in future investments or changes in reserve estimates.

If the net recorded value after deduction of accumulated depreciation for a field exceeds its net present value (calculated as future cash flows discounted at the weighted average cost of capital), an impairment loss is charged. For the purpose of impairment testing, assets are grouped together at the lowest possible level at which asset-specific cash flows can be identified. Oil and gas prices are based on the group's own long-term price expectations, USD/NOK rate at the balance sheet date and long-term forecasts for production and expenditure. Previous impairment is reversed if the basis for impairment is no longer present.

CAPITALISED INTEREST COSTS

All interest costs associated with the development of production fields are capitalised up to production start and are thereafter depreciated using the U.O.P. method.
CAPITALISED GENERAL AND ADMINISTRATIVE COSTS

All direct general and administrative costs associated with the development of petroleum fields are capitalised according to man hours spent on each field up to production start and are thereafter depreciated using the U.O.P. method.

PRODUCTION RIGHTS

Production rights (cost related to the acquisition of licenses) related to unproved property are initially classified as intangible assets. Production rights are reclassified from Intangible assets to Production facilities under development after the plan for development has been approved. Production rights are depreciated using the U.O.P. method from startup of production together with the field development costs.

FURNITURE, FIXTURES AND CARS

Fixed assets are recorded in the balance sheet at cost after deduction of accumulated ordinary depreciation. Ordinary depreciation is based on cost and is calculated on a straight line basis over the estimated economic life of the asset, which is 3 or 5 years.

EXPLORATION COSTS

Exploration costs are accounted for in accordance with the Successful efforts method. Under this method, all costs associated with the exploration of licenses are expensed as incurred, with the exception of drilling and testing costs of exploration wells where a commercial discovery is made. Exploration wells where the status of a discovery is pending are initially capitalised as Intangible assets, and impaired fully if the discovery is later deemed noncommercial. If a pending well turns out to be dry or non-commercial after the balance sheet date but before the account closing date, such information is recognised as a subsequent event and the drilling and testing cost for the well is fully expensed.

Exploration costs can remain capitalized for more than one year. The main criteria for continued capitalization are that there must be concrete plans for future drilling in the license, a development decision is expected in the near future, or the well is pending capacity on existing infrastructure.

If the wells discover commercial reserves, the capitalised exploration costs are reclassified to Production facilities under development after the plan for development has been approved. Exploration costs are depreciated using the U.O.P. method from start-up of production together with the field development costs.

ASSET RETIREMENT COST

Obligations related to future abandonment and decommissioning of production facilities are recorded at net present value (NPV) in the balance sheets. According to the net present value method, the company records as liability the net present value of future abandonment and decommissioning cost with a corresponding amount recognised as increase to the related property, plant and equipment. The discount rate used is a risk free rate adjusted for a credit premium. Any change in the estimated present value is reflected as an adjustment to the liability and the corresponding asset, and is depreciated along with this asset. Interest cost related to the time value of the liability is booked as financial cost.

LEASING ARRANGEMENTS

Significant lease contracts that meet the definition of finance leases

(i.e leases on conditions which mainly transfer economic risk and control to the company), are recognised as PP&E (asset) and depreciated on a systematic basis over the lease period. Operational leases are expensed as incurred.

SALARY PRESENTATION IN PROFIT AND LOSS STATEMENTS

The Accounting Act § 6-1 requires salaries to be presented separately in the profit and loss statements. Such detailed information is not available in the license accounts, and salaries from the license accounts are therefore included in the respective lines in the income statement.

PENSION COSTS

The company finances a collective defined benefit retirement plan which covers all its local employees. This plan is administered by a Norwegian insurance company. In accordance with actuarial calculations the net present value of the future pension obligations are estimated and compared with the value of all funds paid and previously saved. The difference is shown in the balance sheets under 'Other long term liabilities' or 'Financial fixed assets'. Paid pension premiums and changes in net liability are recorded under 'Salaries, social security, pension payments' in the profit and loss statements, except for Remeasurement gain/loss which is booked directly to equity.

Pension obligations are recorded in accordance with IAS 19.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the exchange rates prevailing at the time of the transaction. Unrealized gains and losses arising from the individual revaluation of long term assets and liabilities at year-end rates are recognised through the profit and loss statement. Short term assets and liabilities are revalued individually at year-end rates, and unrealised gains and losses are recognised through the profit and loss statement.

FINANCIAL INSTRUMENTS

Financial instruments, which

- > are classified as current assets,
- > are included in a trading portfolio, and held with the intention to sell
- > are traded on a stock exchange, authorised market or equivalent regulated foreign market, and
- > have satisfactory diversity of ownership and liquidity are recognised at fair value on the balance sheet date. Other investments are recognised at the lower of average acquisition cost and fair value at the balance sheet date.

ACCOUNTS RECEIVABLE

Trade receivables and other receivables are recognised at nominal value, less the accrual for expected losses of receivables. The accrual for losses is based on an individual assessment of each receivable.

INVENTORIES AND OVER-/UNDERLIFT OF PETROLEUM PRODUCTS

Inventories are recognised at the lower of cost and net realizable value and booked under 'Current assets'. Liabilities arising from lifting more than the company's share of the field's petroleum production (overlifting) are valued at production cost, and booked under 'Other current liabilities and overlift'. Full production cost including indirect cost is used for crude oil. For natural gas liquids and dry gas, full production cost after separation from crude oil is included.

RESEARCH AND DEVELOPMENT

The company's research and development costs are expensed as incurred.

MAINTENANCE

Maintenance costs are expensed as incurred. Significant costs incurred in order to increase production capacity or extend the useful economic life of production facilities are capitalised.

CASH FLOW MODEL

The indirect model is used. 'Cash and bank' includes bank deposits available for use at year-end, except as noted for restricted funds.

NOTES TO THE ACCOUNTS

NOTE 1) SALES

CRUDE OIL

All of the company's crude oil production is sold to the ultimate parent company, Idemitsu Kosan Co., Ltd (IKC), except 3 commissioning cargos for the Knarr field which were sold to BG. The crude oil is sold on a FOB (Free On Board) basis. Idemitsu Kosan Co., Ltd. sells this oil directly on to European buyers. Idemitsu Petroleum Norge AS receives the norm price linked price less a margin for Idemitsu Kosan Co., Ltd. This margin covers all sales and transportation and shipping activities as well as swapping arrangements to secure crude oil supply to Japan. In 2015, a total of 8.7 million barrels was sold (2014: 8.0 million barrels).

NGL

All NGL from Tampen and Fram is sold FOB Kårstø/Kollsnes on long term contracts. NGL from the Vega Unit and Knarr fields is sold to UK buyers.

DRY GAS

All dry gas from Tampen and Fram is sold at exit Kårstø/Kollsnes on long term

contracts. Dry gas from the Vega Unit and Knarr fields is sold in UK.

TARIFF INCOME

Vigdis well stream is processed at the Snorre TLP. Idemitsu has a 9.6 % share of both fields. The processing tariff revenue and cost, which are booked under 'Tariff income' and 'Production cost, processing tariff' respectively, have no net profit impact on the company's accounts.

| REVENUE SPLIT BY GEOGRAPHIC AREA (BY PLACE OF DELIVERY) (NOK) | 2015 | 2014 |
|---|---------------|---------------|
| | | |
| Norway | 4 069 206 959 | 5 197 997 904 |
| U.K. | 159 213 708 | 262 989 386 |
| Total | 4 228 420 667 | 5 460 987 290 |

1 customer (IKC) accounts for more than 10 % of the sale.

NOTE 2) PENSIONS

Pension rights for Japanese employees are covered in Japan by group companies. Idemitsu has a group pension insurance with Vital covering 42 local employees. The group pension insurance is in accordance with the requirements stated in Norwegian pension legislation. Net pension obligations are recorded under 'Provisions' in the Balance sheets. The annual change in net obligation is recorded as expense under 'Other operating and administrative costs' in the Profit and loss statements, except Remeasurement gain/loss which is booked directly to equity. Accounting of pension cost is done in accordance with IAS 19. The company has adopted the revised IAS 19 Employee Benefits for NGAAP.

| | BELOW 12G | | ABOVE 12G | |
|---|-------------|------------|------------|-----------|
| (ALL AMOUNTS IN NOK) | 2015 | 2014 | 2015 | 2014 |
| | | | | |
| Service cost | 18 195 002 | 12 336 921 | 4 474 424 | 3 053 943 |
| Financial cost | 809 647 | 540 636 | 103 067 | 108 205 |
| Net pension cost | 19 004 649 | 12 877 557 | 4 577 491 | 3 162 148 |
| REMEASUREMENTS LOSS (GAIN) BOOKED TO EQUITY | -14 143 464 | 17 989 221 | -1 440 118 | 3 933 557 |

| | BELOW 12G | | ABOVE 12G | |
|---|-------------|-------------|------------|------------|
| | 31.12.15 | 31.12.14 | 31.12.15 | 31.12.14 |
| | | | - | |
| Estimated pension obligations | 86 464 766 | 83 932 014 | 25 360 464 | 23 977 877 |
| Pension plan assets (market value) | 52 438 080 | 42 781 067 | 20 809 528 | 16 476 052 |
| Net pension obligation - overfinanced / (underfinanced) | -34 026 686 | -41 150 947 | -4 550 936 | -7 501 825 |

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| \checkmark | BELOW 1 | 2G | ABOVE 12G | i |
|---|---------|--------|-----------|--------|
| ECONOMICAL ASSUMPTIONS | 2015 | 2014 | 2015 | 2014 |
| Discount rate (OMF rate) | 2.50 % | 2.30 % | 2.50 % | 2.30 % |
| Expected compensation increase | 2.50 % | 2.30 % | 2.50 % | 2.30 % |
| Expected return on pension plan assets | 2.50 % | 2.75 % | 2.50 % | 2.75 % |
| Adjustments in National Insurance base rate | 2.25 % | 2.50 % | 2.25 % | 2.50 % |
| Adjustments in pensions | 2.25 % | 2.50 % | 0.00 % | 0.00 % |

NOTE 3) ADMINISTRATION COSTS

There were no non-employed directors in 2015. One of the employed Directors has received a remuneration of NOK 30 000. Total compensation to the Managing Director was 2.9 million NOK in 2015 (2014: 3.0 million NOK).

| SPLIT OF COMPENSATION TO MANAGING DIRECTOR (NOK) | 2015 | 2014 |
|--|-----------|-----------|
| Salary | 2 038 126 | 2 126 354 |
| Retirement allowance | 8 617 | 5 340 |
| Other allowances | 804 326 | 835 068 |
| Total salary Managing Director | 2 851 069 | 2 966 762 |

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No employee has options, profitsharings or severance pay agreements. There are no loans or pledges of security to the Managing Director or board members. The amount of loan to employees was 36.2 million NOK at 31 December 2015 (31 December 2014: 30.4 million NOK). The company had 54 employees at the end of 2015 (2014: 47 employees). The company has a restricted bank account for employee withholding tax. The balance on this bank account was 5.3 million NOK at 31 December 2015.

| SPLIT OF PAYROLL EXPENSES (NOK) | 2015 | 2014 |
|--------------------------------------|-------------|-------------|
| Wages and salaries | 87 683 627 | 73 590 310 |
| Social security tax | 14 907 711 | |
| Pensions including pension liability | 21 287 105 | 14 341 207 |
| Allowances | 452 168 | 206 585 |
| Total | 124 330 611 | 100 328 053 |

| SPLIT OF FEES TO AUDITORS (NOK EX VAT) | 2015 | 2014 |
|--|-------------|---------|
| | • • • | |
| Deloitte, audit fee | 402 000 | 390 000 |
| Deloitte, other services* | 954 033 | 674 861 |

* Other services include quarterly reviews, review of internal control and JV audit services.

NOTE 4) RESERVES - UNAUDITED

The reserve numbers shown below are the estimated total producable remaining reserves in the currently producing and developing fields. The estimates represent the company's share of proven and probable reserves (P50). Estimates of proven and probable reserve quantities are uncertain and change over time as new information becomes available. Contingent resources that may become proven in the future are excluded from the reserve numbers in the table below.

RESERVE NUMBERS (UNAUDITED)

The Idemitsu net remaining reserves (P50) at the end of 2015 are broken down as follows:

| | MILLION Sm ³ | MMBOE |
|-----------------------|-------------------------|-------|
| | | 22 |
| Snorre | 6.2 | 39 |
| Tordis | 0.7 | 4.4 |
| Vigdis | 1.1 | 7 |
| Statfjord Øst & Sygna | 0.1 | 0.6 |
| Fram area | 1.6 | 10 |
| C-Øst | 0.1 | 0.9 |
| Vega Unit | 1.0 | 6.5 |
| Fram H-Nord | 0.1 | 0.5 |
| Knarr | 2.0 | 12.6 |
| Total (31.12.15) | 12.9 | 82 |

The net remaining reserves at the beginning of 2015 were 14.4 million Sm³ (90 mmboe). During 2015, 1.61 million Sm³ (10.1 mmboe) of net crude oil was produced. Net NGL and dry gas production from Fram and Vega was 0.29 million Sm³oe in 2015 (1.8 mmboe). Effects of changes to new projects such as the C-Øst, infill wells and re-evaluation of the reserves have increased the volume by 0.11 million Sm³ (0.7 mmboe). Thus, the

remaining reserves at the end of 2015 is 12.9 million Sm³ (82 mmboe) with a net decrease of 1.5 million Sm³ (9.4 mmboe) during 2015.

Idemitsu accounts only for reserves of crude oil in the Tampen fields and in Knarr, where reserves of NGL and dry gas have very little net economic value for the company. In Fram and Vega the natural gas liquids and dry gas are included.

NOTE 5) FIXED ASSETS (1 000 NOK)

| A) PRODUCTION FACILITIES UNDER DEVELOPMENT | 2015 | 2014 |
|--|------------|-----------|
| Cost 1.1 | 4 263 775 | 3 096 336 |
| Additions in the year | 216 509 | 1 651 382 |
| Transfered from Successful efforts exploration wells | 9 604 | - |
| Transfer to fields in operation | -4 480 284 | -483 943 |
| BOOK VALUE 31.12 | 9 604 | 4 263 775 |

Depreciation method: No depreciation before production

| B) PRODUCTION FACILITIES IN OPERATION | 2015 | 2014 |
|--|-------------|-------------|
| Cost 1.1 | 18 607 712 | 16 466 736 |
| Additions in the year | -184 266 | 1 657 033 |
| Disposal in the year | - | - |
| Transfered from facilities under development | 4 480 284 | 483 943 |
| Cost 31.12 | 22 903 730 | 18 607 712 |
| Accumulated depreciation 1.1 | -13 993 198 | -12 733 575 |
| Depreciation, production facilities | -1 822 155 | -1 206 026 |
| Depreciation, production rights | -100 781 | -53 597 |
| Depreciation on disposed assets | - | - |
| Accumulated depreciation 31.12 | -15 916 134 | -13 993 198 |
| Accumulated impairment loss 1.1 | -229 000 | - |
| Impairment loss Fram H-Nord | -33 000 | -229 000 |
| Impairment loss Knarr | -1 035 000 | - |
| Accumulated impairment loss 31.12 | -1 297 000 | -229 000 |
| BOOK VALUE 31.12 INCL. PRODUCTION RIGHTS | 5 690 595 | 4 385 514 |
| Book value 31.12 production rights | 288 759 | 389 540 |

Depreciation method: Unit of production

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Impairment testing

Impairment testing of each cashgenerating unit is performed when impairment triggers are identified. At 31.12.15 the significant reduction of crude oil prices and the reduced reserve estimate in Knarr are considered to be triggers. An impairment loss is recognized if the book value of an asset exceeds its value in use. The following assumptins have been used for calculation of Value in use:

| Discount rate (post tax) | 7% |
|--------------------------|-----------------------------------|
| Inflation | 2% |
| Crude oil price | Group long term price assumptions |

| C) SUCCESSFUL EFFORTS EXPLORATION WELLS | 2015 | 2014 |
|---|-----------|----------|
| Cost 1.1 | 669 142 | 434 384 |
| Additions in the year | 604 045 | 406 110 |
| Expensed in the year | -50 742 | -171 352 |
| Transfer to Production facilities under development or in operation | -9 604 | |
| BOOK VALUE 31.12 | 1 212 842 | 669 142 |

Depreciation method: No depreciation before production

| D) FURNITURE, FIXTURES AND CARS | 2015 | 2014 |
|---------------------------------|---------|---------|
| | | |
| Cost 1.1 | 55 115 | 51 389 |
| Additions in the year | 11 257 | 6 367 |
| Disposals in the year | -95 | -2 641 |
| Cost 31.12 | 66 277 | 55 115 |
| Accumulated depreciation 1.1 | -39 683 | -31 238 |
| Depreciation in the year | -10 393 | -11 014 |
| Depreciation on disposed assets | 24 | 2 569 |
| Accumulated depreciation 31.12 | -50 052 | -39 683 |
| BOOK VALUE 31.12 | 16 225 | 15 432 |

Depreciation method: Linear 3/5 years

NOTE 6) TAXES (NOK)

| DIFFERENCE BETWEEN PROFIT BEFORE TAX AND TAX BASIS | 2015 | 2014 |
|--|----------------|--------------|
| | | |
| Profit (-loss) before tax | -863 512 386 | 881 333 592 |
| Permanent differences | 4 507 415 | 23 214 765 |
| Movement temporary differences | | |
| Movement temporary differences - fixed assets | 2 337 776 072 | -741 697 448 |
| Movement temporary differences - others | -1 183 146 964 | 749 806 642 |
| Tax basis - corporate tax (27%) | 295 624 136 | 912 657 551 |
| - financial items w/o special tax effect | 32 065 702 | -126 568 947 |
| - uplift | -327 689 838 | -441 860 176 |
| Tax basis - special tax (51%) | - | 344 228 428 |

| TAX COST OF THE YEAR | 2015 | 2014 |
|------------------------|--------------|-------------|
| | | |
| Payable tax | 79 818 517 | 421 974 037 |
| Correction prior years | -32 261 757 | -7 484 889 |
| Change deferred tax | -959 234 158 | -6 325 172 |
| TOTAL TAX COST | -911 677 398 | 408 163 976 |

| DEFERRED TAX LIABILITY RELATED TO TEMPORARY DIFFERENCES 31.12 | | 2015 | | 2014 |
|---|-----|---------------|-----|----------------|
| | | | | |
| Fixed assets | | 1 551 591 810 | | 3 871 996 869 |
| Other temporary differences | | -902 249 837 | | -2 094 839 620 |
| Net temporary differences corporate tax | | 649 341 973 | | 1 777 157 248 |
| Carry forward uplift | | -110 610 291 | | - |
| Net temporary differences special tax | | 538 731 683 | | 1 777 157 248 |
| | | | | |
| Deferred corporate tax | 25% | 162 335 494 | 27% | 479 832 458 |
| Deferred special tax | 53% | 285 527 792 | 51% | 906 350 197 |
| TOTAL DEFERRED TAX | | 447 863 285 | | 1 386 182 654 |

| RECONCILIATION OF NOMINAL AND EFFECTIVE TAX RATE 2015 | INCOME | TAX AMOUNT | EFFECTIVE TAX RATE |
|---|--------|------------|--------------------|
| | (MNOK) | (MNOK) | |
| Profit (-loss) before tax | -864 | -674 | 78.0 % |
| Uplift | -438 | -223 | 25.9 % |
| Permanent differences | 5 | 4 | -0.4 % |
| Financial items applied onshore only | 32 | 16 | -1.9 % |
| Effect of change in tax rates | | -2 | 0.2 % |
| Tax adjustment prior years | | -32 | 3.7 % |
| Total | | -911 | 105.5 % |

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| RECONCILIATION OF PAYABLE TAX 31.12 (MNOK) | 2015 | 2014 |
|--|------|------|
| | | |
| Payable tax for the income year | 80 | 422 |
| Paid installment tax | 405 | 321 |
| Payable (-receivable) tax in balance sheet | -325 | 101 |

NOTE 7) LICENSE INTERESTS

The Petroleum Act states that transfer of interest in production licenses is subject to approval by the Norwegian government. The government can set certain conditions for approval related to the tax treatment of the transfer of interest (§10 ruling).

In connection with Idemitsu's 1989 acquisition of a 9.6 % interest in PL 057 and PL 089 from Statoil, such a § 10 ruling was made. In the ruling 1 019 million NOK was classified as Production rights with no depreciation for tax. In the Assignment Agreement for the purchase of the shares in PL 057 and PL 089, Idemitsu and Statoil agreed that Statoil shall receive 50 % of the excess monthly value of petroleum production from these licenses if the norm price exceeds USD 20/bbl, inflation adjusted from 1989. There is a cap on the total amount. In 2015, the norm price exceeded this level in all months. The cost related to the income sharing agreement is expensed on a monthly basis and accrual is made in the Balance sheets under 'Other current liabilities and overlift' until payment is made. The payment due under this agreement for 2015 was 338.5 million NOK, booked as a liability 31.12.15 (liability 31.12.14: 1 165.9 million NOK).

NOTE 8) INTERESTS IN NORWEGIAN PRODUCTION LICENSES (31.12.15)

| PRODUCTION LICENSE | BLOCK(S) | EXPIRY YEAR | PRODUCING FIELDS | OPERATOR | INTEREST | |
|--------------------|----------------|-------------|------------------------|----------|----------|----|
| 057 | 34/4 | 2016 | Snorre | Statoil | 9.6 % | |
| 089 | 34/7 | 2024 | Snorre, Tordis, Vigdis | Statoil | 9.6 % | |
| | | | Statfjord Øst | Statoil | 4.8 % | 1) |
| | | | Sygna | Statoil | 4.32 % | 2 |
| 090 | 35/11 | 2024 | Fram | Statoil | 15 % | |
| 090 B | 35/11 | 2024 | | Statoil | 15 % | |
| 090 C | 35/11 | 2024 | Vega Unit | Statoil | 15 % | з |
| 090 E | 31/2 | 2024 | | Statoil | 15 % | |
| 090 F | 35/11 | 2024 | | Statoil | 40 % | - |
| 090 G | 35/11 | 2024 | | Statoil | 40 % | |
| 090 HS | 35/11 | 2024 | | Statoil | 15 % | |
| 293 | 34/12, 35/7,10 | 2039 | | Eni | 15 % | - |
| 293 B | 35/10 | 2039 | | Statoil | 20 % | |
| 318 | 35/2 | 2044 | | Statoil | 20 % | |
| 318 B | 35/4,5 | 2044 | | Statoil | 20 % | : |
| 318 C | 6203/10 | 2044 | | Statoil | 20 % | |
| 373 S | 34/2,3,5,6 | 2038 | Knarr | BG | 25 % | |

1) According to current unitisation agreement where PL 089 and PL 037 each has 50 % interest.

2) According to first and final unitisation agreement between PL 089 and PL 037.

3) According to the redetermination effective from 1 January 2015, Idemitsu holds a 4.38 % share in the unitized Vega field.

| PRODUCTION LICENSE | BLOCK(S) | EXPIRY YEAR | PRODUCING FIELDS | OPERATOR | INTEREST |
|--------------------|------------------------------|-------------|---|----------|----------|
| 373 BS | 34/2,3,5,6 | 2019 | | BG | 25 % |
| 420 | 35/9 | 2017 | | RWE Dea | 20 % |
| 537 | 7324/7,8 | 2016 | | OMV | 20 % |
| 578 | 35/6 | 2021 | | Idemitsu | 40 % |
| 609 | 7220/6,9,11,12 7221/4 | 2017 | | Lundin | 30 % |
| 609 B | 7120/1,2 | 2017 | | Lundin | 30 % |
| 614 | 7324/9, 7325/7 | 2017 | | Statoil | 40 % |
| 630 | 31/1, 35/10 | 2019 | | Statoil | 20 % |
| 636 | 36/7 | 2019 | | GDF SUEZ | 30 % |
| 638 | 34/2, 34/3, 34/6, 35/1, 35/4 | 2019 | | BG | 20 % |
| 756 | 6507/7,10 | 2021 | 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 | PGNiG | 25 % |

NOTE 9) INVENTORY AND OVER-/UNDERLIFT

| ALL NUMBERS IN MNOK | | | 2015 | 2014 |
|---|---|-----|-----------------|-----------------|
| | Ĭ | | | |
| CRUDE OIL UNDERLIFT AND INVENTORY | | | INVENTORY VALUE | INVENTORY VALUE |
| Value recorded as asset 31.12 | | А | 329 | 158 |
| Stock of spare parts etc. held by operators | | В | 98 | 141 |
| TOTAL INVENTORY VALUE | | A+B | 427 | 298 |

| ALL NUMBERS IN MNOK | | 2015 | 2014 |
|--|-----|---------------|---------------|
| | × · | | |
| CRUDE OIL OVERLIFT | | NET LIABILITY | NET LIABILITY |
| Value recorded as Other current liabilities and overlift 31.12 | | 9 | 133 |
| TOTAL OVERLIFT | | 9 | 133 |

NOTE 10) ASSET RETIREMENT COSTS

The Norwegian government may, at the termination of production or expiration of a license, require Idemitsu to remove offshore installations. Given reserve estimates at license expiry, Idemitsu finds it unlikely that the Norwegian government will exercise its option to take over the installations. With current and expected future fishery and environmental concerns, it is likely that the Norwegian government or international institutions and legislation will require the installations to be removed. It is also necessary to close down all production and injection wells as their use is completed. Furthermore, Idemitsu is required to cover its share of removal of Gassled pipelines and installations.

Abandonment and decommissioning obligations are recorded at net present value. Reference is made to Accounting Principles.

| ALL NUMBERS IN MNOK | 2015 | 2014 |
|---|-------|-------|
| | | |
| Provision for abandonment liability 1 January | 2 894 | 1 917 |
| Addition of Knarr and Fram H-Nord fields | - | 261 |
| Change of estimate | -734 | 43 |
| Effect of changed discount rate | 23 | 586 |
| Actual decommissioning expenditure | -40 | |
| Interest effect on the NPV obligation | 90 | 87 |
| Provision for abandonment liability 31 December | 2 233 | 2 894 |

In the calculation of net present value at year end 2015, an inflation rate of 2 % and a discount rate of 3.04 % have been used. At year end 2014 the discount rate was 3.11 %. All the liability is long term.

There are significant uncertainties inherent in the calculations of

abandonment and decommissioning costs, which is highly dependent upon future technology levels and the degree of removal required. Idemitsu obtains abandonment and decommissioning cost estimates from the operators. The estimates are reviewed by Idemitsu's own technical staff. The removal estimates are based upon complete removal and onshore disposal of any installations not below the seabed. Pipelines will be cleaned and left buried. Well closure cost includes cleaning wells and installing cement plugs in the permeable zones and upper part of the well.

NOTE 11) FINANCIAL INSTRUMENTS

Revenues are largely denominated in USD, while investments and operating costs generally accrue in NOK. Idemitsu uses forward exchange contracts to minimise this NOK exposure. All foreign exchange contracts entered into are spot or short term. Idemitsu had no forward exchange contracts outstanding as of 31.12.15.

Idemitsu is aiming to keep a neutral exposure in USD financial assets/ liabilities. Excess USD is exchanged to NOK on a monthly basis.

NOTE 12) FINANCIAL RISK

MARKET RISK

Idemitsu is fully exposed to the oil price fluctuation risk. The company has most of its income in USD and cost in NOK. Most of the USD to NOK currency exchange risk was covered by short term foreign exchange contracts. Risk reductions by using the mentioned financial instruments will never exceed the actual risk position.

LIQUIDITY RISK

The company has no long term loans and a comfortable cash position. The cash flow from fields in production is strong and sufficient to cover the company's obligations even when the crude oil price is fairly low. It is expected that the company has substantial loan capacity based on the security of its producing assets.

CREDIT RISK

The customers and banks which are doing business with the company are large and solid corporations. The company is spreading its financial assets among several banks.

NOTE 13) EQUITY

The share capital consists of 7 279 shares of NOK 100 000, all fully paid. All shares are owned by Idemitsu Snorre Oil Development Co. Ltd. in Japan. Group accounts are prepared by the ultimate parent company, Idemitsu Kosan Co, Ltd. and are available at www.idemitsu.co.jp. The parent company is located in Tokyo, Japan.

| CHANGES IN EQUITY | |
|--|----------------|
| | 4 07 4 750 700 |
| Retained earnings 31.12.14 | 4 074 753 708 |
| Profit 2015 | 48 165 012 |
| Extraordinary dividend | -358 600 000 |
| Remeasurement booked to equity (Pension) | 3 428 300 |
| Retained earnings 31.12.15 | 3 767 747 020 |

NOTE 14) OTHER LIABILITIES AND COMMITMENTS

Idemitsu, as all other oil companies operating on the Norwegian Continental Shelf, has unlimited liability for possible compensation claims arising from its offshore operations, including pollution. To cover these liabilities, Idemitsu has obtained insurance covering such liabilities up to 1 065 million NOK for 100 % share. The deductible is 60 million NOK. Liabilities arising from well blow-outs are covered up to 1 916 million NOK for a 100 % share, with a deductible of 60 million NOK.

Offshore assets are insured at replacement value with third party insurance companies.

Through its license ownership interests, Idemitsu has certain obligations for future investments and drilling activities. Total committed investment for exploration well drilling was 627 million NOK at 31 December 2015, related to 6 exploration wells in the licenses PL 636, PL 609 and PL 537. Furthermore, Idemitsu has committed to investments in the C-East development, which is scheduled to be completed in 2016. Based on latest investment estimates, the remaining committed investment for C-East as of 31 December 2015 was 190 million NOK (Idemitsu share). There are also substantial investments planned in fields where PDOs are not yet submitted or approved by the government.

Idemitsu does not have any leasing agreements that can be defined as financial leases. Current leasing agreements are operational and the expenses are included under 'Other operating and administrative costs'. In addition, operating leases include the lease agreement in PL 373 S with Teekay for the Petrojarl Knarr FPSO. Idemitsu is committed to certain dry gas delivery, transportation, and processing obligations as an integral part of the license activity. These obligations are not in excess of planned future production. The company has obtained a bank guarantee towards Gassco for the committed tariff payments in Gassled over the two coming years. In relation to this guarantee, the company has a mortgaged deposit of 49.7 million NOK in DNB.

NOTE 15) OTHER LONG TERM RECEIVABLES

Prepaid tariff from Vega Sør to Gjøa has been recorded as 'Other long term receivables' in the Balance sheets. This prepayment will be recovered through lower tariff at Gjøa during the production period for Vega.

NOTE 16) TRANSACTIONS WITH GROUP COMPANIES

PAYABLE/ RECEIVABLE 31.12 (EXCEEDING 100 000 NOK)

| COMPANY | ACCOUNTS P | AYABLE 2015 | ACCOUNTS PA | AYABLE 2014 |
|----------------------------|------------|-------------|-------------|-------------|
| | JPY | NOK | JPY | NOK |
| Idemitsu Oil & Gas Co, Ltd | 7 355 783 | 538 245 | 6 320 929 | 392 650 |

| COMPANY | ACCOUNTS P | AYABLE 2015 | ACCOUNTS P | AYABLE 2014 |
|------------------------|------------|-------------|------------|-------------|
| | USD | NOK | USD | NOK |
| Idemitsu Kosan Co. Ltd | 1 124 770 | 9 908 099 | - | - |

| COMPANY | | ACCOUNTS PAYA | BLE 2015 | ACCOUNTS PAY | ABLE 2014 |
|-------------------------|---|---------------|----------|--------------|-----------|
| | * | GBP | NOK | GBP | NOK |
| Idemitsu Petroleum U.K. | | - | - | 14 577 | 169 371 |

 \checkmark

| COMPANY | ACCOUNTS REC | EIVABLE 2015 | ACCOUNTS REC | EIVABLE 2014 |
|------------------------|--------------|--------------|--------------|--------------|
| | USD | NOK | USD | NOK |
| Idemitsu Kosan Co, Ltd | 23 517 931 | 207 169 451 | 71 394 669 | 530 690 855 |

| COMPANY | ACCOUNTS RECEIVABLE 2015 ACCOUNTS RECEIVABLE 2014 | | |
|-----------------------------|---|---------|--|
| | NOK | NOK | |
| Idemitsu Oil & Gas, Vietnam | 332 545 | 180 138 | |

SALES AND PURCHASES GROUP COMPANIES (NOK)

| COMPANY | 2015 | 5 | 201 | 4 |
|-----------------------------|------------------------|------------------------|------------------------|-----------|
| Idemitsu Kosan Co, Ltd | SALES 3 502 979 401 | PURCHASES 6 700 225 | SALES 4 868 325 543 | |
| Idemitsu Petroleum U.K. | | 101 737 | | 220 943 |
| Idemitsu Oil & Gas Co, Ltd* | | - | | 1 766 596 |

* Idemitsu Oil & Gas Co., Ltd was merged with Idemitsu Kosan Co., Ltd in 2015.

NOTE 17) EXPLORATION COST

Drilling and testing cost for wells with commercial discoveries or where status of discovery is pending is capitalized. Following are the expensed and capitalised exploration costs in 2015 and 2014. Capitalised exploration includes reduction resulting from transfer of exploration wells to Production facilities under development or in production.

| ALL NUMBERS IN 1000 NOK | 20 | 15 | 20 | 14 |
|---------------------------|----------|-------------|----------|-------------|
| | EXPENSED | CAPITALISED | EXPENSED | CAPITALISED |
| License exploration cost | 423 452 | 604 045 | 894 562 | 406 110 |
| Internal exploration cost | 38 047 | - | 102 598 | - |
| Total | 461 499 | 604 045 | 997 159 | 460 110 |

NOTE 18) R&D

The R&D activity consists mainly of participation in common industry projects. Most of the R&D expense is charged to Idemitsu's operated licenses under the sliding scale rules. Idemitsu will also pay R&D charged to the partner operated licenses under the sliding scale rules by other operators.

| ALL NUMBERS IN 1000 NOK | 2015 | 2014 |
|-------------------------|------|------|
| | | |
| R&D expense | 647 | 573 |

AUDITOR'S REPORT 2015

AUDITOR'S REPORT 2015

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To the Annual Shareholders' Meeting of Idemitsu Petroleum Norge AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Idemitsu Potroleum Norge AS, showing a profit of NOR 48.165.012. The financial statement comprises of the halance sheet ns at December 31, 2015, and the income statement, and eash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The floard of Directors in all the Manging Director's Responsibility for the Funescial Statements The Floard of Directors and the Manging Director are expossible for the persparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and secounting standards and practices grant and exposed on Norway, and for subfismancial statements that are for fer how and externing the statement of the statement financial statements that are for fer how material missistance, whether due to finand or zerore.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our sudit. We conducted our audit in accrediance with laws, regulations, and rubting structures and practices generally accrediated in Norway, including theremational Standards on Auditing Theorematic standards require that we comply with ethical requirements and plan and perform the audit to obtain ressonable assurance about whether the financial statements are free from meterial misstatement.

An audit involves performing procedures to othical audit evidence about the amounts and disclosures in the financial statements. The proceedures selected depend on the auditor's adjurrent, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error in making those; risks assessments the auditor considers internal control relevant to the enrify symptomic and fair presentation of the financial statements in order to design audit procedures that are appropriate the extramolity of the interpret of expension gas options on the ferciliveness of the enrify and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the ensurial statements are prepared in accordance with the law and regulations and give a time of the reverse of the financial position of the finance provided in the provided of the provided of the state of the reverse of the financial performance and scale flows for the year then ended in accordance with the Norwegian According and accounting standards and provided sequence of the provided of

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Mastermer ander renis Eksischbering
Disanse onnummer (980-711-382)

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Independent Auditor's Report to the Associal Shareholders' Meeting of Identition Petroleum Norge AS

Date: 3

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our sudit of the financial statements as described above, it is our opinion that the information presented in the Board of Directory' report concerning the financial statements, the going concern assumption and the purposal for the allocation of the profit is consistent with the financial statements and complex with the faw and regulations.

Opinion on Registration and Documentation

Based on our oxide of the financial statements as described above, and control procedures we have considered necessary in accordance with the laterational Slandard on Assurance Engagement (SIAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Informations, it is our orpionin that management has fulfilled is dively to produce a popera ratio clarryls vol. are distributed decumentation of the company's accounting information in accordance with the law and beokkeeping trandards and practices generally accepted in Norway.

Oslo, April 12, 2016 Deloitte AS

Mette Heallin

Mette Herdlevær State Authorised Public Accountant (Norway)

PHOTO:

Idemitsu (page 2,17) Shutterstock (page 1, 4, 9, 13, 15, 26, 40, 65, 67) Birgitte Heneide and Jarle Nyttingnes (page 6) Jarle Nyttingnes and Birgitte Heneide (page 7) Birgitte Heneide (page 8) Statoil/Harald Pettersen (page 14) Statoil/Harald Pettersen and Statoil/André Osmundsen (page 16) Munch/Ellingsen/BONO (page 18) Charlotte Sverdrup (page 19)

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