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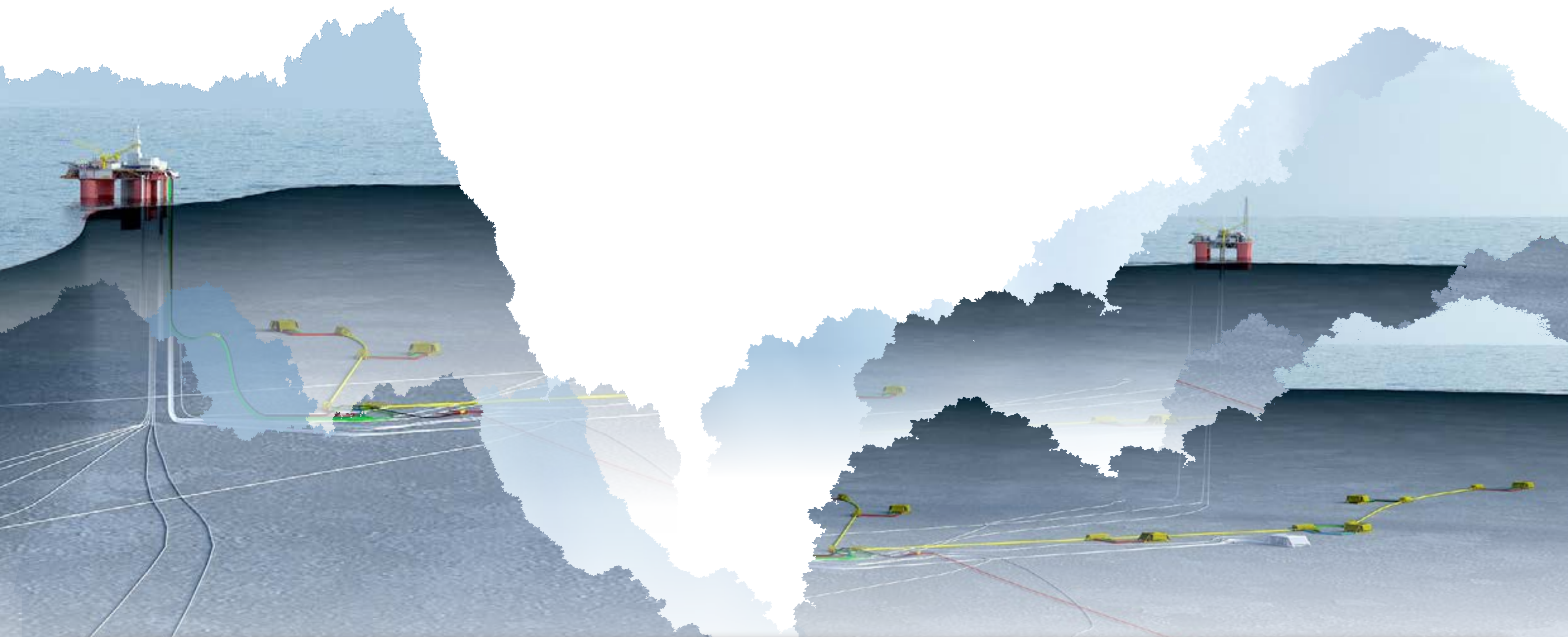
2017
ANNUAL REPORT

IDEMITSU PETROLEUM NORGE AS



MESSAGE FROM THE MANAGING DIRECTOR

After some challenging years for the entire industry, things took a slight turn for the better in 2017.

For Idemitsu, that means we can look back on a year of good and stable production and a healthier profit.

Two major project milestones were reached during the year, both of which are intended to secure long term production for our company in the years to come.

One is the Snorre Expansion Project (SEP), which submitted a PDO before Christmas. The aim is to prolong the life of the Snorre field for another 25 years and recover almost additonal 200 million boe from the field. We are pleased to see that a revised concept means lower investment cost and better profitability in a time when smarter and more cost-efficient ways to work are becoming the norm.

In addition, the decision made in agreement with the Troll partners to invest in a new gas module on the Troll C platform will help to increase oil production and gas export from the Fram field for a long time. This will enable production of oil and gas reserves in the Fram area that was considered stranded reserves before the decision was made.

Exploration and appraisal activity during 2017 focused on appraising and maturing our Alta, Cara, Peon and Wisting discoveries towards commercialisation. Two wellbores were drilled in the Alta discovery, in preparation for a 2018 extended well test (EWT). Also, an appraisal/geomechanical well was drilled in the Wisting discovery.

The management principles for the Idemitsu Group encourage group companies to take social responsibility in the communities in which they operate. Here in Norway, this has manifested itself by a sponsorship agreement with the world-renowned Munch museum dating all the way back to 1991. At the turn of the year, we enthusiastically renewed our agreement with the museum for another five years and we look forward to being part of the journey to their new location in Bjørvika.

Our aim is to continue contributing to Norwegian society through maintaining our level of activity on the Norwegian continental shelf in many years to come.

HIROSHI ARIKAWA
Managing Director

KEY DATA

	2017	2016	2015	2014	2013
OPERATING REVENUES, MILLION NOK	5379	4856	4 228	5 461	5 172
OPERATING PROFIT, MILLION NOK	1925	651	-679	1 012	2 009
PROFIT AFTER TAX, MILLION NOK	560	327	48	473	592
DAILY OIL PRODUCTION, THOUSAND BARRELS	27.3	32	27.6	21.2	20.1
INVESTMENTS, MILLION NOK	592	545	744	2 418	2 355
EQUITY RATIO (YEAR-END)	54 %	55 %	54 %	43 %	41 %
CASH FLOW BEFORE FINANCING, MILLION NOK	1193	1 974	-289	-1 137	-748
CRUDE OIL RESERVES, MILLION SM^3	14.4	12.7	12.9	14.4	12.1
RETURN ON EQUITY	13 %	7 %	1 %	11 %	16 %

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

IDEMITSU CAN LOOK BACK ON A YEAR OF GOOD AND STABLE PRODUCTION AND A HEALTHIER PROFIT.

EXPLORATION

2017: A YEAR OF BARENTS SEA APPRAISAL AND EXPLORATION.

Following applications for exploration acreage in "Awards in Pre-defined Areas 2016" in September 2016, Idemitsu (IPN) was among the 26 companies receiving license awards when these were announced on 17 January 2017. The company received a license additional to its northern North Sea PL 630, located north-west of the Fram field (IPN 15 %).

Idemitsu also applied for acreage in the 24th licensing round in December 2017.

Of Idemitsu's four exploration and appraisal wellbores in 2017, three encountered hydrocarbons. Three of the four wells were located in the Loppa High license PL 609 in the Barents Sea. The first well, 7220/11-4, was an appraisal of the Alta discovery, and testing was successfully under-taken. A geological sidetrack, 7220/11-4 A, was then drilled towards the north-northeast, to secure further geological information. Wellbore number three, 7324/8-3, was yet another successful appraisal well in the Wisting oil discovery. The last wellbore, wildcat 7220/6-3, drilled the Børselv prospect in Paleozoic carbonates on the Loppa High. The well was dry with oil shows.

- In **PL 057** (block 34/4; 9.6 % IPN interest) prospect evaluation continued.

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

- In **PL 090** and **090 E** (blocks 35/11 and 31/2; 15 % IPN interest) efforts were spent to mature discoveries and remaining prospectivity.

- 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) remaining exploration potential was evaluated.

In **PL 293** (blocks 34/12, 35/10; 15 % IPN interest) Idemitsu surrendered its license equity.

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

In **PL 318, 318 B** and **318 C** (blocks 35/2, 4, 5, 6203/10; 20 % IPN interest) the resources of the Peon discovery were evaluated. A development decision for this shallow gas discovery is still awaiting commercial and technical solutions.

In **PL 373 S** (block 34/3; 25 % IPN interest) evaluation of remaining prospectivity continued, and a decision was made to drill the Tyttebær prospect during 2018.

In **PL 537** (blocks 7324/7, 8; 20 % IPN interest), P-Cable 3D seismic data was interpreted and utilised in locating the Wisting Central III appraisal well. The well was successfully tested and important reservoir and geomechanical data were acquired. Static and dynamic reservoir models were also established.

In **PL 609** and **609 B** (blocks 7120/1, 2, 7220/6, 9, 11, 12, 7221/4; 30 % IPN interest) appraisal of the Alta discovery continued with the Alta 4 and Alta 4 A wellbores. Alta 4 performed a successful drill-stem test (DST) that provided important information about the reservoir. In the northernmost part of PL 609, a wildcat well was drilled on the Paleozoic carbonates of the Børselv prospect, north-northwest of the PL 609 Neiden oil and gas discovery that was made in 2016. The Børselv well was, however, dry with oil shows. PL 609 and PL 609 B were granted a 1-year extension of the initial licensing period.

In **PL 609 C** (blocks 7220/12, 7221/10; 30 % IPN interest) prospect evaluation continued. Special seismic processing revealed a potential for improving imaging of the subsurface. PL 609 C was granted an 18-month extension of the initial licensing period.

In **PL 614** (blocks 7324/9, 7325/7; 40 % IPN interest) evaluation of remaining license prospectivity continued, and the license was granted a 1-year extension of the initial licensing period.

In **PL 630** (blocks 31/1, 35/10; 20 % IPN interest) Idemitsu surrendered its ownership.

PL 630 BS (block 35/10; 20 % IPN interest) was awarded in APA 2016 and Idemitsu's interest subsequently surrendered, as a consequence of the surrender of the mother license, PL 630 .

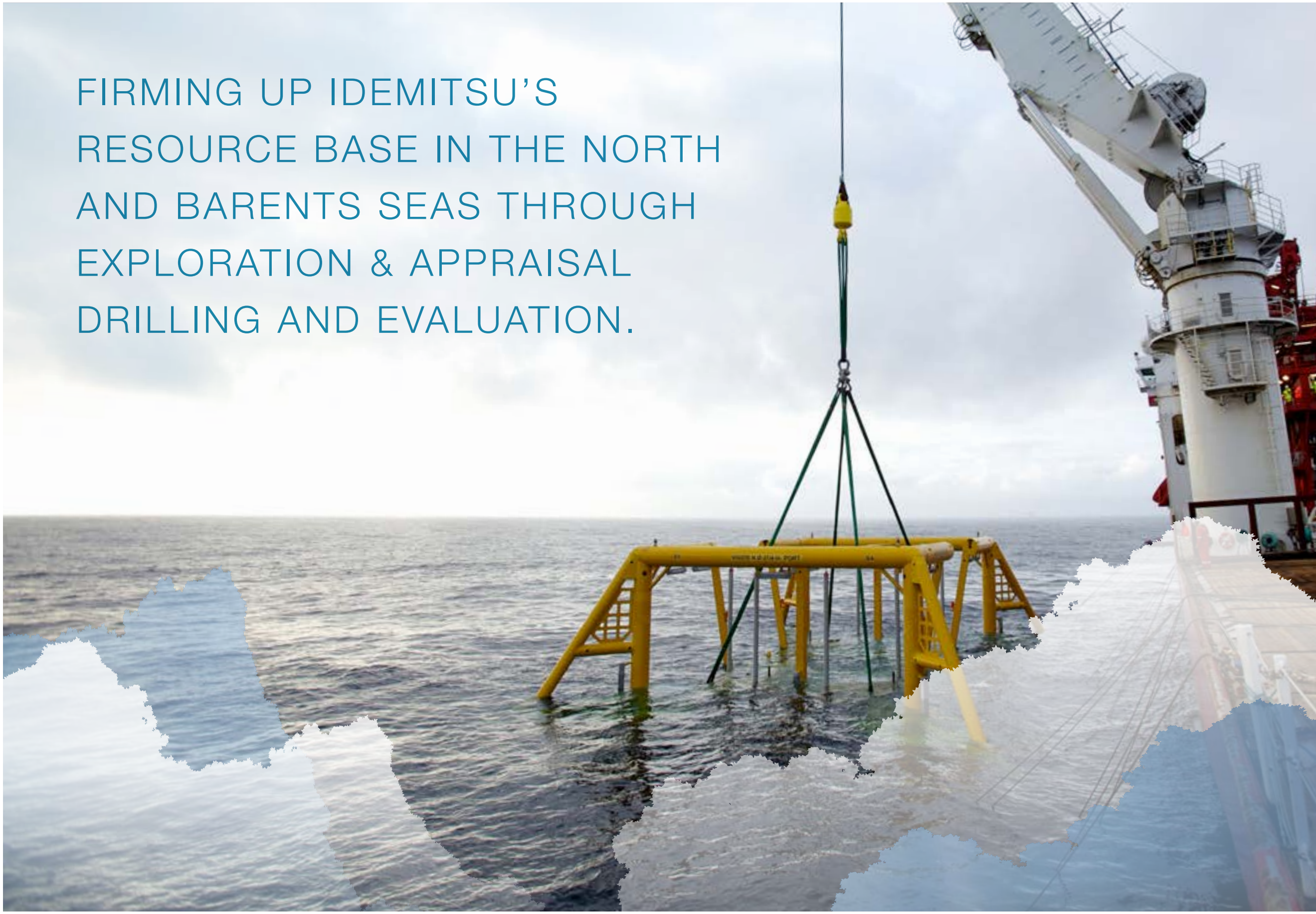
In **PL 636** (block 36/7; 30 % IPN interest) a Decision of Concretisation concerning the Cara discovery north-east of the Gjøa field was decided, and the remaining exploration potential was evaluated.

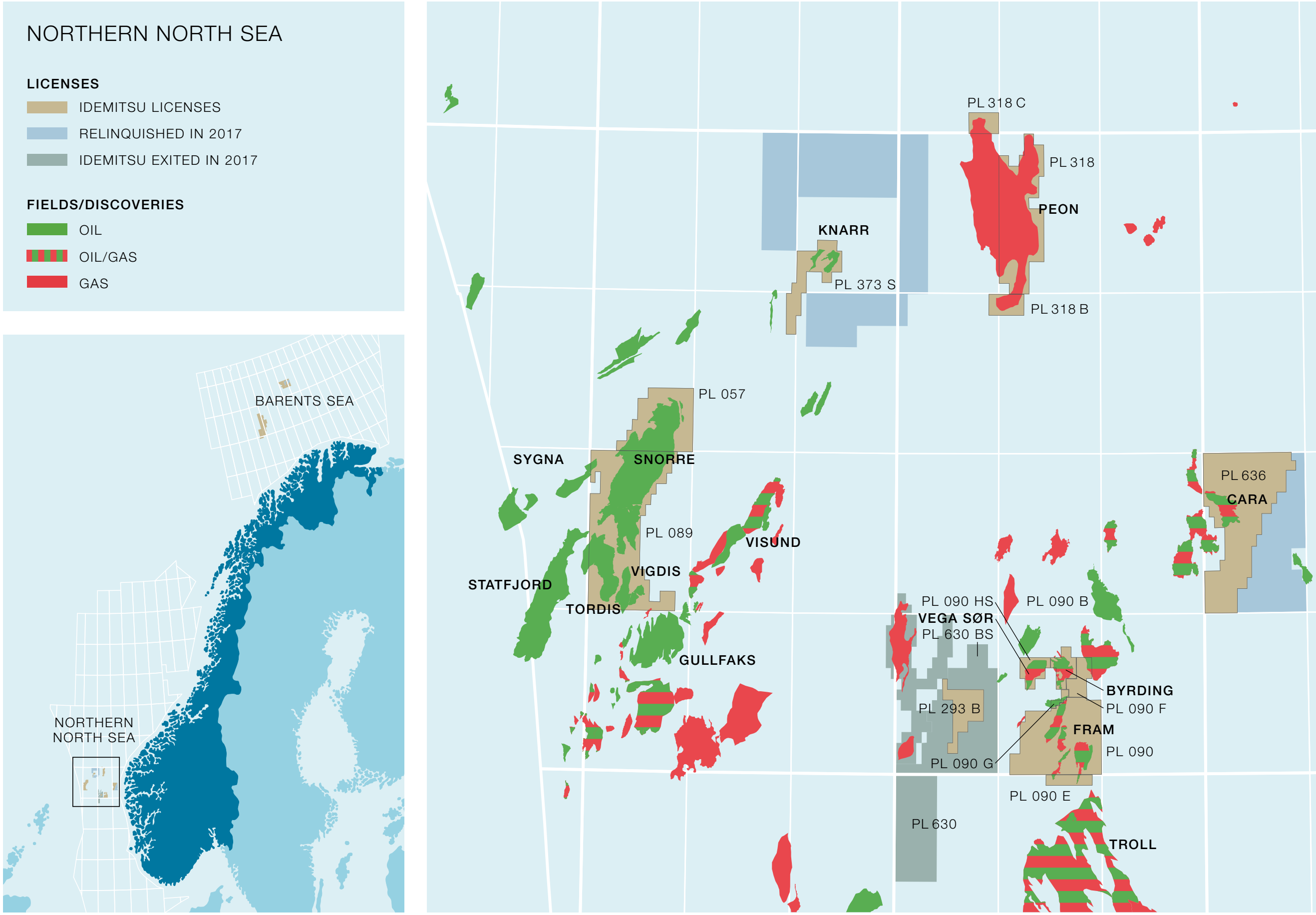
The **PL 638** (blocks 34/2, 3, 6, 35/1, 4; 20 % IPN interest) was surrendered by the licensees.

In **PL 851** (blocks 7220/9, 7221/7, 8; 30 % IPN interest) prospect evaluation continued.

Idemitsu prepares for careful and continued sustainable growth via acquisition of promising exploration acreage in licensing rounds, as well as through pursuit of selected exploration farm-in opportunities or asset acquisitions, as appropriate.

FIRMING UP IDEMITSU'S RESOURCE BASE IN THE NORTH AND BARENTS SEAS THROUGH EXPLORATION & APPRAISAL DRILLING AND EVALUATION.




NORTHERN NORTH SEA
LICENSES
IDEMITSU LICENSES
RELINQUISHED IN 2017
IDEMITSU EXITED IN 2017
FIELDS/DISCOVERIES
OIL
OIL/GAS
GAS
BARENTS SEA
NORTHERN NORTH SEA
PL 318 C
PL 318
PEON
KNARR
PL 373 S
PL 318 B
PL 057
SYGNA
SNORRE
PL 089
VISUND
VIGDIS
STATFJORD
TORDIS
GULLFAKS
PL 636
CARA
PL 090 HS
VEGA SØR
PL 630 BS
PL 090 B
BYRDING
PL 090 F
PL 293 B
FRAM
PL 090
PL 090 G
PL 090 E
PL 630
TROLL

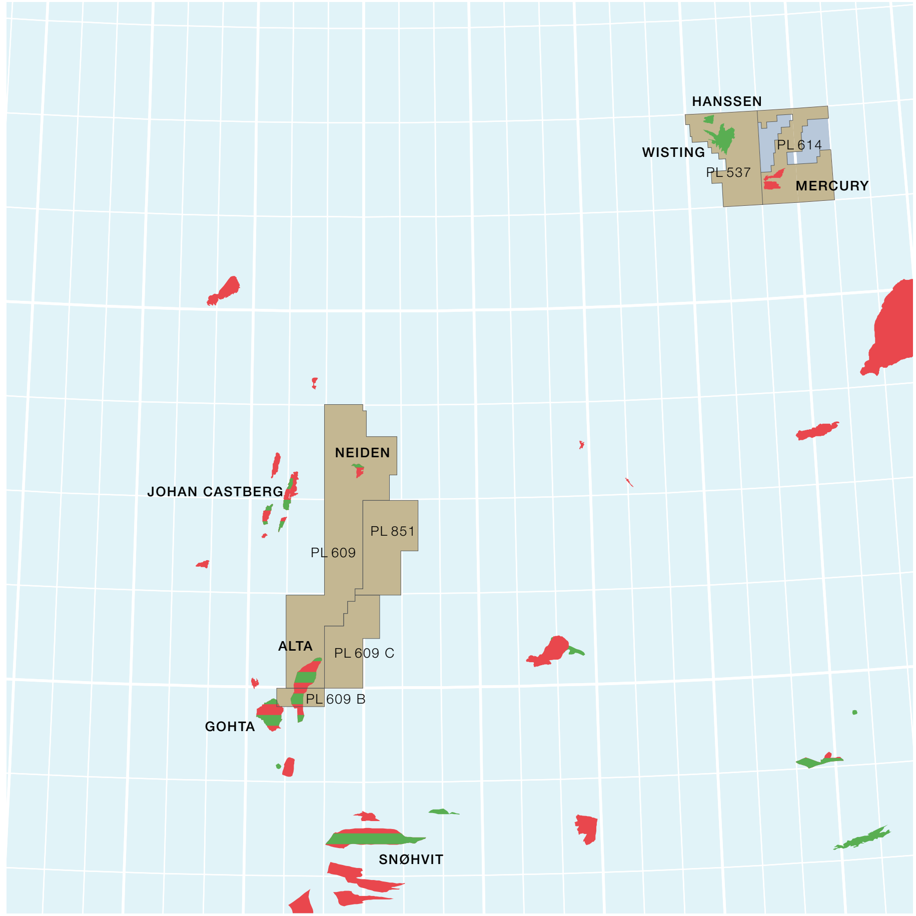
BARENTS SEA

LICENSES

- IDEMITSU LICENSES
- RELINQUISHED IN 2017

FIELDS/DISCOVERIES

- OIL
- OIL/GAS
- GAS



OVERALL PRODUCTION FROM IDEMITSU PORTFOLIO OF PRODUCING FIELDS EXCEEDED EXPECTATIONS IN 2017.

PRODUCTION AND DEVELOPMENT

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 have been developed to secure continued operation of the field in a long-term perspective. The Snorre Expansion Project consists of six new subsea templates which will be tied back to Snorre A. An investment decision was approved late 2017 with submission of an updated PDO.

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 another 10-15 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. The field is now in a declining phase, but is expected to produce for another 10-15 years.

Statfjord Satellites

Statfjord Øst and Sygna are subsea satellite fields tied into the Statfjord C platform. Both fields are in the tail-end production phase, but may still produce for another 5-10 years.

Knarr

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 Vest discovered in 2011. The development of Knarr Vest was decided in 2012 and is included in the Knarr development. The production facilities have the flexibility to handle additional production from other prospects in the area. A 100 kilometre new gas pipeline evacuates 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. During 2015, the Fram partners approved the development of the C-Øst discovery. C-Øst was developed and put on production in 2016 by one production well drilled from the Fram Øst template, and is produced through Fram Øst to Troll C.

Fram H-Nord

The Fram H-Nord discovery was unitised with the neighbouring PL 248 in 2013 and is developed as a tie-back to Fram and further to Troll C. Fram H-Nord started production in 2014. In 2017, the production from H-Nord was shut in due to slugging problems when producing in combination with Byrding. Production from H-Nord is anticipated to come back in 2018 as the pressure in the Byrding-H-Nord and Fram Vest flowline is gradually reduced.

Byrding

During 2016, the PL 090 B partners approved the development of the Byrding (Astero) discovery. Byrding was put on production in July 2017 with one dual branch production well drilled from the H-Nord template, and is produced through Fram Vest to Troll C.

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) and 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 being evaluated for development

Idemitsu has made several discoveries currently being evaluated for development. Among them are Alta (PL 609), Wisting (PL 537), Peon (PL 318) and Cara (PL 636). 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 9 100 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 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.

For more information about our parent company, please visit www.idemitsu.com.

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 to. The close bond we share with Munch's art and the museum serves as an inspiration for employees and business associates alike. As of 1 January 2018, our sponsorship agreement with the museum was extended for another five years, which means we will follow them to Bjørvika and beyond.

ANNUAL REPORT OF THE BOARD OF DIRECTORS 2017

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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 2014, production started from the unitised Fram H-Nord field, where IPN has a 28.8 % interest. In March 2015, the production started from the Knarr field in the northern North Sea, a field in which IPN holds a 25 % share. In 2017, the development of the Byrding field was completed, and production commenced in August. With Byrding in production, IPN has a share in 10 producing fields on the NCS.

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 Bærum.

EXPLORATION & PORTFOLIO
In 2017, Idemitsu was awarded one new license share in the APA 2016 (PL 630 BS). Idemitsu participated in four exploration and appraisal well-

bores (including sidetracks) in 2017. Three of the four wells encountered hydrocarbons.

The Wisting III appraisal well (7324/8-3) encountered hydrocarbons in the Stø and Fruholmen formations, and successfully tested the possibility for water injection.

On the Loppa High, exploration and evaluation activity is high in the PL 609 license where the Alta discovery was made in 2014. The license is operated by Lundin, and Idemitsu has a 30 % share. In 2017, the appraisal well 7220/11-4 was drilled with a side track (7220/11-4 A). The purpose of the well was to delineate the eastern flank of the Alta discovery. Both wellbores encountered hydrocarbons as expected. A formation test was conducted in well 7220/11-4, and good reservoir properties were proved. Also, the wildcat well 7220/6-3 was drilled in 2017. The well was dry.

In PL 636, the Cara discovery passed the "Concretisation Decision", which is the feasibility decision gate in the Norwegian petroleum system. The planned development concept is based on a tie-back to the Gjøa platform. PL 636 is operated by Neptune Energy, and Idemitsu holds a 30 % share in the license.

In December 2017, IPN signed an Amendment and Settlement agreement with Statoil. According to this agreement, the income sharing clause from the 1989 Assignment Agreement shall terminate with effective date from 31.12.15 and a one-time settlement shall be paid from Idemitsu to Statoil. The transaction was subject to governmental approval which was obtained on 9 January 2018. The completion date of this transaction is in 2018.

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 2017 was slightly lower than in 2016. The production in the Fram area has been stable with Byrding adding to the production in 2017, while Knarr and the Tampen fields are in a declining stage.

In the Snorre area, the PDO for the Snorre Expansion Project (SEP) was approved and submitted to the government in December 2017. The project consists of several new subsea templates which will be tied back to Snorre A. Production start is planned in 2021.

In the Fram area, the investment in a new gas module on Troll C was sanctioned in 2017. The purpose is to increase the production capacity for the fields in the Fram area.

The Byrding development was completed in August 2017, within planned time frame and budget. The Byrding well was drilled from the Fram H-Nord template, and the well stream is processed on Troll C where the oil is exported through the Troll pipeline as Troll Blend.

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 partner-operated fields.

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

HSE&Q remains important for Idemitsu as a partner in producing assets, development projects and exploration drilling. We are pleased to see that it is possible to make efficiency gains, and at the same time motivate to work together for safe operations. No serious incidents have been reported in any of our licenses in 2017.

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 2017, there were 57 employees in IPN. The total sick leave for 2017 was 2.8 %. The company continues to focus on ergonomics and work-life balance, and staff is provided with opportunities for maintaining a healthy lifestyle in order to prevent and mitigate long-term sick leave. One minor work related incident was reported in 2017.

Idemitsu has a policy of equal opportunity, and will take this into account in its recruiting and HR policies. In 2017, there were no women in the Board of Directors. No women are currently part of the Management. The percentage of female staff at the end of the year is 30 %.

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.

FINANCIAL RESULT

(1) Profit and loss statements

Idemitsu posted a profit after tax of 560 million NOK in 2017. This is a large increase compared to 2016. Total sales income has increased by 11 % from 2016. The increase is mainly due to higher oil price.

Operating expenses have decreased by 18 %. The main reason for the decrease is the impairment losses. The company has carefully reviewed all its producing fields and exploration assets for potential impairment loss. In 2017, no impairment loss was booked on IPN's producing fields. Impairment loss of 69 million NOK was booked on one capitalised exploration well (Peon).

Operating expenses have also been affected by the decrease in exploration cost. The number of exploration wells has been lower than in 2016, and some of the drilled wells have been capitalised. Also the depreciation cost has decreased significantly due to the lower production volume. On the other hand, cost related to the income sharing agreement with Statoil has increased due to the higher oil price.

(2) Balance sheets

Idemitsu has no long term loans at present. Extraordinary dividend of 371.6 million NOK was paid in December 2017. Equity represents 54 % of total assets at 31.12.17.

Capitalised 'Successful efforts exploration wells' increased by 206 million NOK in 2017. This is mainly due to the capitalisation of the drilling cost of the Wisting and Alta appraisal wells. At the same time, ´Production facilities in operation´ has decreased significantly due to substantial depreciation.

Abandonment accruals have decreased due to lower decommissioning estimates from the operators.

(3) Cash flow statements

Total investment in productions facilities in 2017 was 592 million NOK, compared to 545 million NOK in 2016. A large part of the investments has been made in Snorre and PL 089 in order to maintain production at the highest possible level in the years to come. In addition, the Byrding development has been completed in the Fram area.

Cash flow from operation is slightly 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 2017 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 around current levels in 2018 and 2019. 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 even at oil prices significantly below current levels.

The crude oil production and sales volume also affect the annual results. All the company's producing fields are in a declining stage, but the company has sanctioned and planned developments in its portfolio which will contribute to maintaining the production levels in future years.

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 560,068,449 IS PROPOSED ALLOCATED AS FOLLOWS:	
DIVIDENDS	0
RETAINED EARNINGS	560,068,449
TOTAL ALLOCATED	**560,068,449**

Bærum, 18 April 2018

MAKOTO HIRAI
Chairman

EIJI HAGIWARA

HIROSHI ARIKAWA

TORGEIR VINJE

SHOGO HIRAHARA

FINANCIAL STATEMENT

PROFIT AND LOSS STATEMENTS

	NOTE	2017	2016
Operating revenue			
Sales of crude oil	1, 12	4 803 658 953	4 421 177 356
Sales of NGL	1	218 658 782	255 114 719
Sales of dry gas	1	340 059 145	160 449 631
Tariff income and other revenue	1	16 796 694	18 797 100
Total operating revenues		**5 379 173 574**	**4 855 538 806**
Operating expenses			
Production cost, processing tariff, CO_2 fee		1 073 570 666	1 254 233 728
Gas and transportation costs		47 678 681	42 595 684
Income sharing agreement	7	336 467 809	72 167 788
Changes in inventory and over- / underlift	9	179 941 252	148 236 957
Exploration costs	17	231 086 570	329 633 106
Salaries, social security, pension payments	2, 3	130 947 902	112 133 266
Other operating and administrative costs	3, 18	64 198 165	46 184 459
Ordinary depreciation	4, 5	1 292 103 473	1 894 532 858
Ordinary depreciation of production rights	5, 7	28 920 299	66 514 321
Impairment loss	5	68 552 318	238 000 000
Total operating expenses		**3 453 467 136**	**4 204 232 166**
OPERATING PROFIT		**1 925 706 438**	**651 306 640**

	NOTE	2017	2016
Financial income and expenses			
Interest income		36 917 562	25 175 639
Interest expense	10	88 563 374	82 000 140
Net foreign exchange gain (loss)	11, 12	17 870 905	14 253 569
Net financial items		**- 33 774 907**	**- 42 570 932**
PROFIT BEFORE TAXES		**1 891 931 531**	**608 735 707**
Taxes on ordinary result	6	1 331 863 082	282 125 198
PROFIT FOR THE YEAR		**560 068 449**	**326 610 510**
Proposed dividend		0	0
Allocated to retained earnings		560 068 449	326 610 510
Total allocated		**560 068 449**	**326 610 510**

BALANCE SHEETS

	NOTE	31.12.2017	31.12.2016
FIXED ASSETS			
Intangible fixed assets			
Successful efforts exploration wells	5, 17	1 655 421 614	1 449 228 321
Total intangible fixed assets		**1 655 421 614**	**1 449 228 321**
Tangible fixed assets			
Production facilities in operation	5, 8, 10	3 109 567 140	3 891 649 157
Production facilities under development	5	0	95 627 598
Furniture, fixtures and cars	5	8 477 859	8 647 397
Total tangible fixed assets		**3 118 044 999**	**3 995 924 152**
Financial fixed assets			
Employee long term receivables		29 151 510	31 475 903
Deferred tax asset	6	187 466 792	0
Other long term receivables	15	107 233 917	94 621 658
Total financial fixed assets		**323 852 219**	**126 097 561**
TOTAL FIXED ASSETS		**5 097 318 832**	**5 571 250 034**

	NOTE	31.12.2017	31.12.2016
CURRENT ASSETS			
Stocks and underlift			
Inventory and underlift	9	97 866 822	273 998 801
Debtors			
Accounts receivable		781 519 572	54 458 748
Receivables from group companies	16	0	234 030 515
Other current assets		218 380 579	407 991 763
Total debtors		**999 900 151**	**696 481 026**
Bank			
Bank and cash	3, 14	2 368 549 713	1 547 035 349
TOTAL CURRENT ASSETS		**3 466 316 685**	**2 517 515 177**
TOTAL ASSETS		**8 563 635 518**	**8 088 765 211**

BALANCE SHEETS

	NOTE	31.12.2017	31.12.2016
EQUITY			
Restricted equity			
Share capital	13	727 900 000	727 900 000
Retained earnings			
Retained earnings	13	3 911 690 750	3 727 116 064
TOTAL EQUITY		**4 639 590 750**	**4 455 016 064**
LIABILITIES			
PROVISIONS			
Pension liabilities	2	43 070 043	26 275 800
Deferred tax	6	0	58 863 818
Abandonment accrual	10	2 051 830 905	2 138 728 868
Other long term liabilities	15	42 120 000	0
Total provisions		**2 137 020 947**	**2 223 868 485**

	NOTE	31.12.2017	31.12.2016
Current liabilities			
Suppliers payable		139 340 771	87 827 130
Payables group companies	16	2 149 715	2 460 771
Accrued payroll taxes, VAT, etc.		16 186 566	12 404 297
Taxes payable	6	972 394 426	573 514 481
Other current liabilities and overlift	7, 9, 14	656 952 343	733 673 983
Total current liabilities		**1 787 023 821**	**1 409 880 661**
TOTAL LIABILITIES		**3 924 044 768**	**3 633 749 147**
TOTAL EQUITY AND LIABILITIES		**8 563 635 518**	**8 088 765 211**

Bærum, 18 April 2018

MAKOTO HIRAI
Chairman

EIJI HAGIWARA

HIROSHI ARIKAWA

TORGEIR VINJE

SHOGO HIRAHARA

CASH FLOW STATEMENTS

		2017	2016
Cash generated from / used in operating activities			
Profit / (loss) before taxes for the year		1 891 931 531	608 735 707
Taxes paid		-1 165 508 590	216 727 403
Ordinary depreciation	5	1 321 023 772	1 961 047 179
Interest expense, asset ret. obligation	10	68 439 324	67 895 019
Pension accrual	2	- 904 679	1 600 609
Impairment loss		68 552 318	238 000 000
Previously capitalised wells expensed		0	106 412 509
Decommissioning expense		- 262 802	- 586 413
(Gain) / loss on sale of fixed assets		180 271	25 716
Change in inventory and short term assets and liabilities (excl. dividend payment)		- 117 191 790	- 242 439 644
Net cash flow from operations	**A**	**2 066 259 355**	**2 957 418 085**
Cash flow used for investments			
Investment in furniture and fixtures and cars	5	- 6 326 997	- 2 282 635
Investment in production facilities	5	- 592 072 382	- 544 847 317
Investment in successful exploration wells	5, 17	- 274 745 611	- 436 211 565
Net cash flow to investments	**B**	**- 873 144 990**	**- 983 341 517**

		2017	2016
Cash flow used for financing			
Share capital increases / (decreases)		0	0
Paid dividend	13	- 371 600 000	- 370 300 000
New loans		0	0
Loan repayments		0	- 140 944 000
Net cash flow to financing	**C**	**- 371 600 000**	**- 511 244 000**
NET MOVEMENT IN BANK AND CASH	**A+B+C**	**821 514 365**	**1 462 832 568**
Bank and cash at 1 January		1 547 035 349	84 202 782
BANK AND CASH AT 31 DECEMBER		**2 368 549 713**	**1 547 035 349**

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 2017 accounts were approved by the Board of Directors on 18 April 2018.

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 2018 (23 % for corporate tax and 55 % for special tax) are used when calculating deferred tax.

For tax purposes, offshore development costs are depreciated straight line over 6 years. Capital expenses on the Norwegian Continental Shelf earn uplift on the total capital expenses. The uplift rate for 2017 was 21.6 %. 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 recognised 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 24 % corporate tax and 54 % 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 start-up 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 non-commercial. 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 capitalised for more than one year. The main criteria for continued capitalisation 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. Unrealised 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 realisable 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 Statoil ASA and Shell International Trading & Shipping on long term contracts. In 2017, a total of 10.7 million barrels was sold (2016: 12.0 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) (MILLION NOK)	2017	2016
Norway	5 080	4 606
U.K.	299	249
TOTAL	**5 379**	**4 856**

2 customers (Statoil and Shell) account for more than 10% of the sale each.

NOTE 2) PENSIONS

Pension rights for Japanese employees are covered in Japan by group companies. Idemitsu has a group pension insurance with DNB covering 48 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)	2017	2016	2017	2016
Service cost	13 107 366	9 268 550	3 664 036	4 056 649
Financial cost	526 682	655 833	-76 987	59 007
Net pension cost	**13 634 048**	**9 924 383**	**3 587 049**	**4 115 656**
REMEASUREMENTS LOSS (GAIN) BOOKED TO EQUITY	**11 924 428**	**-9 901 109**	**5 774 494**	**-4 001 322**

	BELOW 12G		ABOVE 12G	
	31.12.17	31.12.16	31.12.17	31.12.16
Estimated pension obligations	104 619 038	83 543 514	34 607 859	25 852 681
Pension plan assets (market value)	64 702 560	57 494 950	31 454 295	25 625 445
Net pension obligation - overfinanced / (underfinanced)	**-39 916 478**	**-26 048 564**	**-3 153 564**	**-227 236**

ECONOMICAL ASSUMPTIONS	BELOW 12G 2017	BELOW 12G 2016	ABOVE 12G 2017	ABOVE 12G 2016
Discount rate (OMF rate)	2.30 %	2.60 %	2.30 %	2.60 %
Expected compensation increase	2.50 %	2.25 %	2.50 %	2.25 %
Expected return on pension plan assets	2.30 %	2.60 %	2.30 %	2.60 %
Adjustments in National Insurance base rate	2.25 %	2.00 %	2.25 %	2.00 %
Adjustments in pensions	2.25 %	2.00 %	0.40 %	0.00 %

NOTE 3) ADMINISTRATION COSTS

All the board members are employees of IPN or related group companies. One of the employed Directors has received a remuneration of NOK 30 000. Total compensation to the Managing Director was 3.4 million NOK in 2017 (2016: 3.2 million NOK).

SPLIT OF COMPENSATION TO MANAGING DIRECTOR (NOK)	2017	2016
Salary	2 863 188	2 475 611
Retirement allowance	37 324	39 519
Other allowances	522 886	712 868
Total salary Managing Director	**3 423 398**	**3 227 998**

No employee has options, profit sharings 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 29.2 million NOK at 31 December 2017 (31 December 2016: 31.5 million NOK). The company had 57 employees at the end of 2017 (2016: 56 employees).

The company has a restricted bank account for employee withholding tax. The balance on this bank account was 5.4 million NOK at 31 December 2017.

SPLIT OF PAYROLL EXPENSES (NOK)	2017	2016
Wages and salaries	100 620 806	86 414 800
Social security tax	15 440 830	13 606 236
Pensions including pension liability	14 378 150	11 695 677
Allowances	508 116	416 553
Total	**130 947 902**	**112 133 266**

SPLIT OF FEES TO AUDITORS (NOK EX VAT)	2017	2016
Deloitte, audit fee	415 000	415 000
Deloitte, other audit related services*	663 225	764 163

* 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 producible 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 2017 are broken down as follows:

	MILLION Sm^3	MMBOE
Snorre	8.71	54.8
Tordis	0.66	4.2
Vigdis	0.59	3.7
Statfjord Øst & Sygna	0.05	0.3
Fram area	1.97	12.4
Byrding	0.35	2.2
Vega Unit	0.76	4.8
Fram H-Nord	0.03	0.2
Knarr	1.24	7.80
Total (31.12.17)	**14.36**	**90.4**

The net remaining reserves at the beginning of 2017 were 12.7 million Sm^3 (80 mmboe). During 2017, 1.61 million Sm^3 (10.1 mmboe) of net crude oil was produced. Net NGL and dry gas production from Fram and Vega was 0.22 million Sm^3oe in 2017 (1.4 mmboe). Effects of changes to new projects such as the Byrding, Snorre Expansion update and Fram model update, infill wells and re-evaluation of the reserves have increased the volume by 3.49 million Sm^3 (22.0 mmboe). Thus, the remaining reserves at the end of 2017 is 14.36 million Sm^3 (90.4 mmboe) with a net increase of 1.66 million Sm^3 (10.4 mmboe) during 2017.

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, Byrding and Vega the natural gas liquids and dry gas are included.

NOTE 5) FIXED ASSETS (1 000 NOK)

A) PRODUCTION FACILITIES UNDER DEVELOPMENT	2017	2016
Cost 1.1	95 628	9 604
Additions in the year	140 349	6 018
Transferred from Successful efforts exploration wells	-	93 412
Transfer to fields in operation	-235 976	-13 407
BOOK VALUE 31.12	**-**	**95 628**

Depreciation method: No depreciation before production

B) PRODUCTION FACILITIES IN OPERATION	2017	2016
Cost 1.1	23 293 997	22 903 730
Additions in the year	280 216	376 861
Disposal in the year	-	-
Transferred from Successful efforts exploration wells	16 433	-
Transferred from facilities under development	235 976	13 407
Cost 31.12	23 826 622	23 293 997
Accumulated depreciation 1.1	-17 867 347	-15 916 134
Depreciation, production facilities	-1 285 787	-1 884 699
Depreciation, production rights	-28 920	-66 514
Accumulated depreciation 31.12	-19 182 055	-17 867 347
Accumulated impairment loss 1.1	-1 535 000	-1 297 000
Impairment loss Fram H-Nord	-	-
Impairment loss Knarr	-	-238 000
Accumulated impairment loss 31.12	-1 535 000	-1 535 000
BOOK VALUE 31.12 INCL. PRODUCTION RIGHTS	**3 109 568**	**3 891 650**
Book value 31.12 production rights	*193 324*	*222 245*

Depreciation method: Unit of production

Impairment testing
Impairment testing of each cash-generating unit is performed when impairment triggers are identified. At 31.12.17 the low crude oil prices is considered to be a potential trigger.

An impairment loss is recognised if the book value of an asset exceeds its value in use. The following assumptions have been used for calculation of Value in use:

Discount rate (post tax)	7 %
Inflation	2 %

CRUDE OIL PRICE (USD/BBL)	
2018	62
2019	64
2020	66
2021	70
2022	73
2023	75
2024	77
2025	79
2026->	CPI adjustment

C) SUCCESSFUL EFFORTS EXPLORATION WELLS	2017	2016
Cost 1.1	1 449 228	1 212 842
Additions in the year	258 313	436 212
Transferred to facilities in operation	16 433	-
Expensed/impaired in the year	-68 552	-106 413
Transfer to Production facilities under development or in operation	-	-93 412
BOOK VALUE 31.12	**1 655 422**	**1 449 228**

Depreciation method: No depreciation before production

D) FURNITURE, FIXTURES AND CARS	2017	2016
Cost 1.1	68 396	66 277
Additions in the year	6 356	2 283
Disposals in the year	-647	-163
Cost 31.12	74 105	68 397
Accumulated depreciation 1.1	-59 749	-50 052
Depreciation in the year	-6 316	-9 834
Depreciation on disposed assets	438	137
Accumulated depreciation 31.12	-65 627	-59 749
BOOK VALUE 31.12	**8 478**	**8 647**

Depreciation method: Linear 3/5 years

NOTE 6) TAXES (NOK)

DIFFERENCE BETWEEN PROFIT BEFORE TAX AND TAX BASIS	2017	2016
Profit (-loss) before tax	1 891 931 531	608 735 707
Permanent differences	9 772 961	15 412 605
Movement temporary differences		
Movement temporary differences - fixed assets	155 896 358	939 034 551
Movement temporary differences - FX contracts	-8 592 061	
Movement temporary differences - others	145 157 774	-328 251 508
Tax basis – corporate tax (24 %) (2016: 25 %)	**2 194 166 564**	**1 234 931 354**
- financial items w/o special tax effect	-32 558 353	684 506
- movement temporary difference FX contracts (corp. tax only)	8 592 061	
- uplift	-255 766 111	-511 879 530
Tax basis - special tax (54%) (2016: 53%)	**1 914 434 161**	**723 736 331**

TAX COST OF THE YEAR	2017	2016
Payable tax	1 560 394 423	692 313 094
Correction prior years	4 314 708	-1 706 793
Change deferred tax	-232 846 049	-408 481 103
TOTAL TAX COST	**1 331 863 082**	**282 125 198**

DEFERRED TAX LIABILITY RELATED TO TEMPORARY DIFFERENCES 31.12		2017		2016
Fixed assets		464 080 301		619 976 659
Other temporary differences		-698 363 838		-544 510 225
Net temporary differences corporate tax		**-234 283 537**		**75 466 434**
Temporary difference FX contracts		-8 592 061		-
Net temporary differences special tax		**-242 875 597**		**75 466 434**
Deferred corporate tax (2018 rate applied for year end 2017)	23 %	-53 885 213	24 %	18 866 609
Deferred special tax (2018 rate applied for year end 2017)	55 %	-133 581 579	54 %	39 997 210
TOTAL DEFERRED TAX LIABILITY (-ASSET)		**-187 466 792**		**58 863 818**

RECONCILIATION OF NOMINAL AND EFFECTIVE TAX RATE 2017	INCOME	TAX AMOUNT	EFFECTIVE TAX RATE
	(MNOK)	(MNOK)	
Profit (-loss) before tax	1 892	1 476	78.0 %
Uplift earned	-256	-138	-7.3 %
Permanent differences	10	8	0.4 %
Financial items applied onshore only	-33	-18	-0.9 %
Tax adjustment prior years		4	0.2 %
Total		**1 332**	**70.4 %**

RECONCILIATION OF PAYABLE TAX 31.12 (MNOK)	2017	2016
Payable tax for the income year	1 560	692
Receivable tax prior years	-	5
Paid installment tax	588	114
Payable (-receivable) tax in balance sheet	**972**	**573**

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 2017, 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 2017 was 455.0 million NOK, booked as a liability 31.12.17 (liability 31.12.16: 126.3 million NOK).

In December 2017, IPN signed an Amendment and Settlement agreement with Statoil. According to this agreement, the income sharing clause from the 1989 Assignment Agreement shall terminate with effective date from 31.12.15 and a one-time settlement shall be paid from Idemitsu to Statoil. The transaction was subject to governmental approval which was obtained on 9 January 2018. The completion date of this transaction is in 2018. The liability booked at 31.12.17 for the income sharing clause will be booked against the one-time settlement following the completion of the transaction in 2018.

NOTE 8) INTERESTS IN NORWEGIAN PRODUCTION LICENSES (31.12.17)

PRODUCTION LICENSE	BLOCK(S)	EXPIRY YEAR	PRODUCING FIELDS	OPERATOR	INTEREST	
057	34/4	2018	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	Byrding	Statoil	15 %	
090 C	35/11	2024	Vega Unit	Wintershall	15 %	3)
090 E	31/2	2024		Statoil	15 %	
090 F	35/11	2024		Statoil	40 %	
090 G	35/11	2024	Fram H-Nord	Statoil	40 %	4)
090 HS	35/11	2024		Statoil	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	Shell	25 %	
537	7324/7,8	2018		OMV	20 %	

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 2017, Idemitsu holds a 4.38 % share in the unitised Vega field.

4) According to the final unitisation agreement with PL 248 E, IPN holds a 28.8 % share in the unitised Fram H-Nord field.

PRODUCTION LICENSE	BLOCK(S)	EXPIRY YEAR	PRODUCING FIELDS	OPERATOR	INTEREST
609	7220/6,9,11,12 7221/4	2018		Lundin	30 %
609 B	7120/1,2	2018		Lundin	30 %
609 C	7220/12, 7221/10	2020		Lundin	30 %
614	7324/9, 7325/7	2018		Statoil	40 %
636	36/7	2019		Engie / Neptune	30 %
851	7220/9, 7221/7, 7221/8	2021		Lundin	30 %

NOTE 9) INVENTORY AND OVER-/UNDERLIFT

ALL NUMBERS IN MILLION NOK		2017	2016
CRUDE OIL UNDERLIFT AND INVENTORY		INVENTORY VALUE	INVENTORY VALUE
Value recorded as asset 31.12	A	18	180
Stock of spare parts etc. held by operators	B	80	94
TOTAL INVENTORY VALUE	**A+B**	**98**	**274**

ALL NUMBERS IN MILLION NOK	2017	2016
CRUDE OIL OVERLIFT	NET LIABILITY	NET LIABILITY
Value recorded as Other current liabilities and overlift 31.12	26	9
TOTAL OVERLIFT	**26**	**9**

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 MILLION NOK	2017	2016
Provision for abandonment liability 1 January	2 139	2 233
Change of estimate	-155	-108
Effect of changed discount rate	0	-53
Actual decommissioning expenditure	0	-1
Interest effect on the NPV obligation	68	68
Provision for abandonment liability 31 December	**2 052**	**2 139**

In the calculation of net present value at year end 2017, an inflation rate of 2 % and a discount rate of 3.20 % have been used. At year-end 2016 the discount rate was also 3.20 %. 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 several open forward contracts for selling USD / buying NOK at year-end 2017, totaling 56 million USD. The contracts are recognised at market value 31.12.17 in the balance sheets.

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	
Retained earnings 31.12.16	3 727 116 064
Profit 2017	560 068 449
Extraordinary dividend	-371 600 000
Remeasurement booked to equity (Pension)	-3 893 763
Retained earnings 31.12.17	**3 911 690 750**

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 1 230 million NOK for 100 % share. The deductible is 82 million NOK. Liabilities arising from well blow-outs are covered up to 2 214 million NOK for a 100 % share. In case that liabilities arising from well blow-outs of which the water depth is more than 3,000 ft or located in the Barents sea, those are covered up to 3 280 million NOK for a 100 % share, with a deductible of 82 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 106 million NOK at 31 December 2017, related to one exploration well in the PL 373 S license. Furthermore, Idemitsu has committed to investments in the Snorre Expansion Project (SEP) and Troll C Gas module (TCGM). Based on latest investment estimates, the remaining committed investment for SEP as of 31 December 2017 was 2 397 million NOK (Idemitsu share). The remaining committed investment for TCGM was 189 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'. Operating leases include the lease agreement in PL 373 S with Teekay for the Petrojarl Knarr FPSO. The lease obligations are as follows (million USD, IPN share):

	2018	2019	2020	2021
Minimum lease	40.8	39.0	36.5	26.7

In the Knarr license there is an open contract with Mitsui for purchase of casing on closed consignment. If the surplus of casing cannot be resold or used for additional wells in the license, the license has an obligation to pay for the remaining stock, including interest. The maximum exposure for Idemitsu for this obligation is 1.6 million USD.

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 pre-payment will be recovered through lower tariff at Gjøa during the production period for Vega.

Byrding prepayment of well slot fee to Fram H-Nord has been recorded as ‘Other long term receivables’ in the Balance sheet.

The received prepayment in Fram H-Nord has been recorded as ‘Other long term liabilities’ in the Balance sheets.

NOTE 16) TRANSACTIONS WITH GROUP COMPANIES

PAYABLE / RECEIVABLE 31.12 (EXCEEDING 100 000 NOK)

COMPANY	ACCOUNTS PAYABLE 2017		ACCOUNTS PAYABLE 2016	
	JPY	NOK	JPY	NOK
Idemitsu Kosan Co. Ltd	29 494 206	2 149 715	7 779 532	572 830

COMPANY	ACCOUNTS RECEIVABLE 2017		ACCOUNTS RECEIVABLE 2016	
	USD	NOK	USD	NOK
Idemitsu Kosan Co. Ltd	-	-	27 149 712	234 030 515

SALES AND PURCHASES GROUP COMPANIES (NOK)

COMPANY	2017		2016	
	SALES	PURCHASES	SALES	PURCHASES
Idemitsu Kosan Co., Ltd	274 314 033	6 780 958	4 421 177 356	7 245 407
Idemitsu Petroleum U.K.		2 194 726		2 285 472

NOTE 17) EXPLORATION COST

Drilling and testing cost for wells with commercial discoveries or where status of discovery is pending is capitalised. Following are the expensed and capitalised exploration costs in 2017 and 2016. Capitalised exploration is the gross capitalised amount, before transfer of exploration wells to Production facilities under development or in production.

ALL NUMBERS IN 1000 NOK	2017		2016	
	EXPENSED	CAPITALISED	EXPENSED	CAPITALISED
License exploration cost	221 794	206 193	313 291	463 212
Internal exploration cost	9 293		16 342	-
Total	**231 087**	**206 087**	**329 633**	**436 312**

NOTE 18) R&D

The R&D activity consists mainly of participation in common industry projects. Some of the R&D expense is charged to Idemitsu's operated license 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	2017	2016
R&D expense	190	678

AUDITOR'S REPORT 2017

AUDITOR'S REPORT 2017

Deloitte.

To the General Meeting of Idemitsu Petroleum Norge AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Idemitsu Petroleum Norge AS showing a profit of NOK 562 058 449. The financial statements comprise the balance sheet as at 31 December 2017, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is

our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 April 2018
Deloitte AS

Mette Herdlevær
State Authorised Public Accountant (Norway)

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André Osmundsen / Statoil (page 8, 13)
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Idemitsu (page 15)
Jarle Nyttingnes (page 17, 24, 38, 64)
Munchmuseet (page 16)
Statoil (page 1, 7, 11)
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