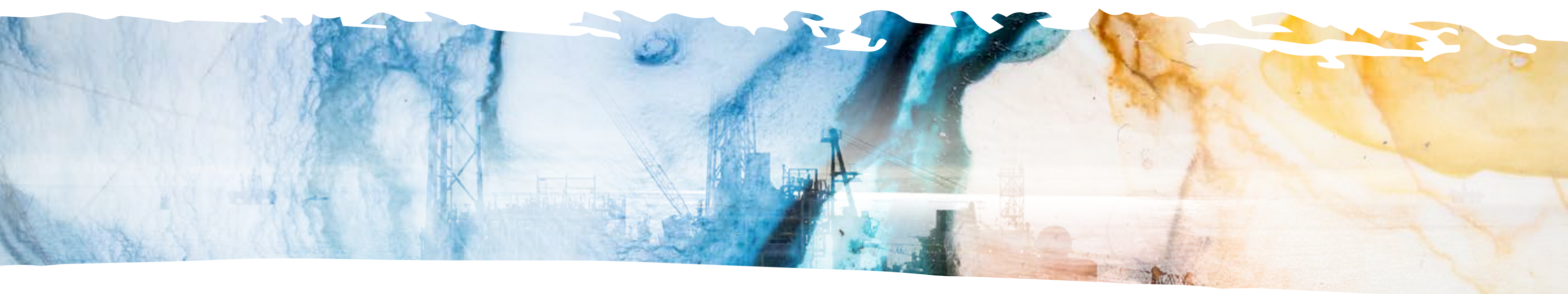
2018
ANNUAL REPORT

IDEMITSU PETROLEUM NORGE AS



MESSAGE FROM THE MANAGING DIRECTOR

As these lines are being written, we are celebrating 30 years of business on the Norwegian Continental Shelf.

From the acquisition of interest in the Snorre field in the autumn of 1989, we are now partner in 23 licenses in the Northern North Sea and in the Barents Sea.

Our daily production is a stable 25 000 b/day and profits are finally healthier after a few difficult years for the whole industry.

The most promising discoveries currently in a maturation stage include Alta, Wisting and Duva (formerly Cara). In 2018, we were pleased to note a successful completion of the Alta EWT as well as reaching DG2 decision in the Duva development project.

Another interesting milestone was the initiation of the Tampen Hywind project as the first ever attempt at supplying platforms with power from floating offshore wind. The project will reduce the emission of greenhouse gas on the NCS and facilitate new industrial opportunities as the technology is further developed. A decision to develop the Hywind project is planned for 2019.

Going forward, our focus will be on evaluating exploration opportunities as well as continued maturation of several exciting discoveries.

We continue our strong relationship with the Munch museum, a bond that we are proud to say has lasted since 1991.

Our achievements in the last 30 years in Norway have given us the confidence to continue building a sustainable business that will thrive for many years to come. We are very grateful for the hard work, dedication and support of employees past and present.

HIROSHI ARIKAWA
Managing Director

KEY DATA

	2018	2017	2016	2015	2014
OPERATING REVENUES, MILLION NOK	5 547	5 379	4 856	4 228	5 461
OPERATING PROFIT, MILLION NOK	2 096	1 925	651	(679)	1 012
PROFIT AFTER TAX, MILLION NOK	484	560	327	48	473
DAILY OIL PRODUCTION, THOUSAND BARRELS	22.2	27.3	32	27.6	21.2
INVESTMENTS, MILLION NOK	603	592	545	744	2 418
EQUITY RATIO (YEAR-END)	56 %	54 %	55 %	54 %	43 %
CASH FLOW BEFORE FINANCING, MILLION NOK	658	1 193	1 974	(289)	(1 137)
CRUDE OIL RESERVES, MILLION SM^3	14.1	14.4	12.7	12.9	14.4
RETURN ON EQUITY	10 %	13 %	7 %	1 %	11 %

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

FROM THE ACQUISITION OF INTEREST IN THE SNORRE FIELD IN THE AUTUMN OF 1989, WE ARE NOW PARTNER IN 23 LICENSES IN THE NORTHERN NORTH SEA AND IN THE BARENTS SEA.

EXPLORATION

Following applications for exploration acreage in the APA 2017 Idemitsu was awarded a license share in PL 090 I, additional area to PL 090 (IPN 15 %). In the 24th licensing round Idemitsu (IPN) was also among the companies receiving license awards. The company was awarded the license PL 537 B, additional to its Barents Sea PL 537 Wisting discovery (IPN 20 %).

Idemitsu had one exploration and one appraisal wellbores in 2018. The PL 373 S exploration well 34/5-2S, Tyttebær well, south of the Knarr field was dry. The PL 609 appraisal well 7220/11-5 S, Alta EWT (Extended Well Test) was an appraisal of the Alta discovery, and horizontal drilling in challenging carbonate reservoir as well as a long-term testing was successfully undertaken giving valuable information about the Alta discovery.

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

- In **PL 089** (block 34/7; 9.6 % IPN interest) Tordis-Statfjord well was approved for 2019 drilling, also a Lomre well was approved for drilling, probably for 2020, prospect evaluation continued.

- In **PL 090**, **090 E** and **090 I** (blocks 35/11 and 31/2; 15 % IPN interest) the Echino Sør was approved for drilling in 2019 and efforts were spent to mature discoveries and remaining prospectivity.

- In **PL 090 F** and **090 G** (block 35/11; 40 % IPN interest) the new license **PL 090 JS** was carved out from **PL 090 F** with Wellesley as new operator for all of the Grosbeak discovery that has been revitalised after the **PL 248 I** 2018 wells. In addition, prospect evaluation continued.

- In **PL 090 HS** (block 35/11; 15 % IPN interest) remaining exploration potential was evaluated.

- 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) a DG1 is awaited.

In **PL 373 S** (block 34/3; 25 % IPN interest) the Tyttebær well was drilled and was classified as dry. Due to the Tyttebær well result the area outside the PDO area of the Knarr field was subsequently relinquished.

In **PL 537** and **537 B** (blocks 7324/7, 8; 20 % IPN interest) a static model was completed and a 1-year extension of the initial licensing period was approved.

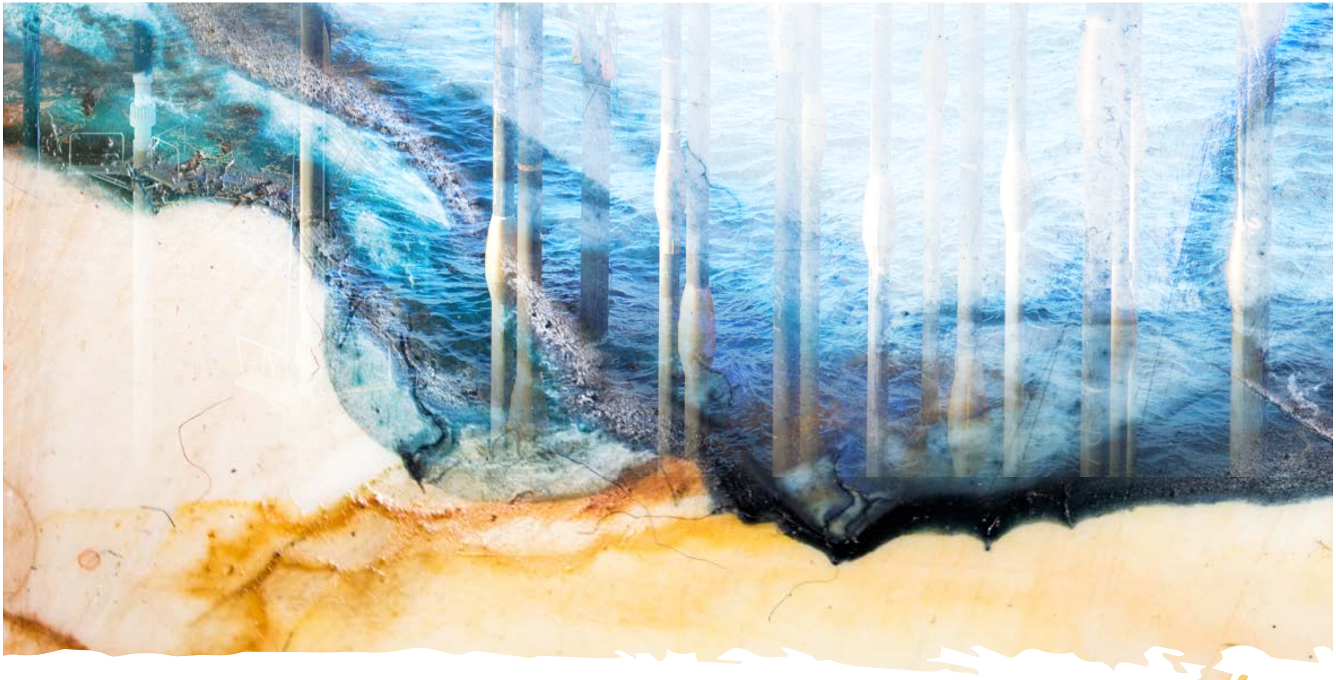
In **PL 609** and **609 B** (blocks 7120/1, 2, 7220/6, 9, 11, 12, 7221/4; 30 % IPN interest) appraisal of the Alta discovery continued with the Alta EWT wellbore. The well proved that it is possible to drill horizontal wells in the challenging reservoir and the long-term test gave important information about the carbonate reservoir. The new TopSeis 3D dataset was also successfully completed enhancing imaging of the reservoir. A project investigating the neighbouring prospectivity to the West of the Loppa High gave valuable information of the new discoveries and recent wells in this region. The remaining prospectivity evaluation of the large PL 609 resulted in a relinquishment of close to half of the license acreage. PL 609 and PL 609 B were granted another 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 was performed.

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, awaiting relevant results from new wells in the area.

In **PL 636** (block 36/7; 30 % IPN interest) an APA 2018 application was delivered for an additional area east of the PL 636 license to be included. Idemitsu performed a seismic inversion on behalf of the license improving the imaging of the subsurface.

In **PL 851** (blocks 7220/9, 7221/7,8; 30 % IPN interest) prospect evaluation continued, and a 1-year extension of the drill-or-drop decision was granted.



GOING FORWARD, OUR FOCUS WILL BE ON EVALUATING EXPLORATION OPPORTUNITIES AS WELL AS CONTINUED MATURATION OF SEVERAL EXCITING DISCOVERIES.

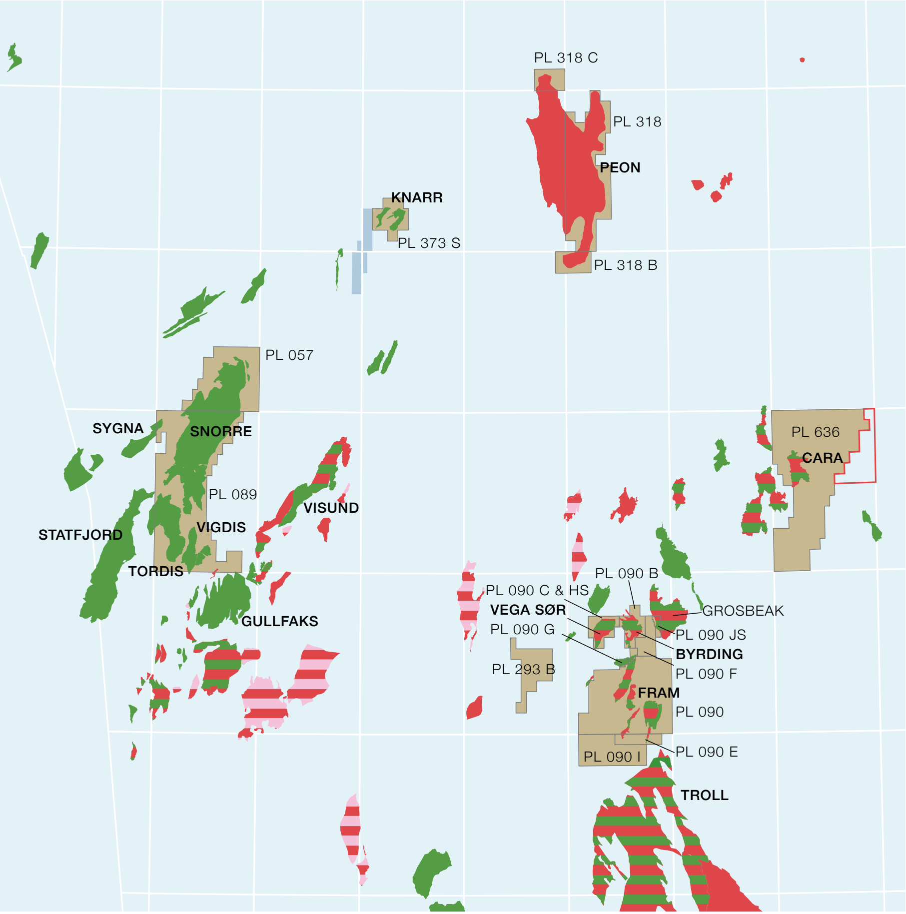
NORTHERN NORTH SEA

LICENSES

- IDEMITSU LICENSES
- RELINQUISHED IN 2018
- APA APPLIED FOR 2018

FIELDS/DISCOVERIES

- OIL
- OIL/GAS
- GAS



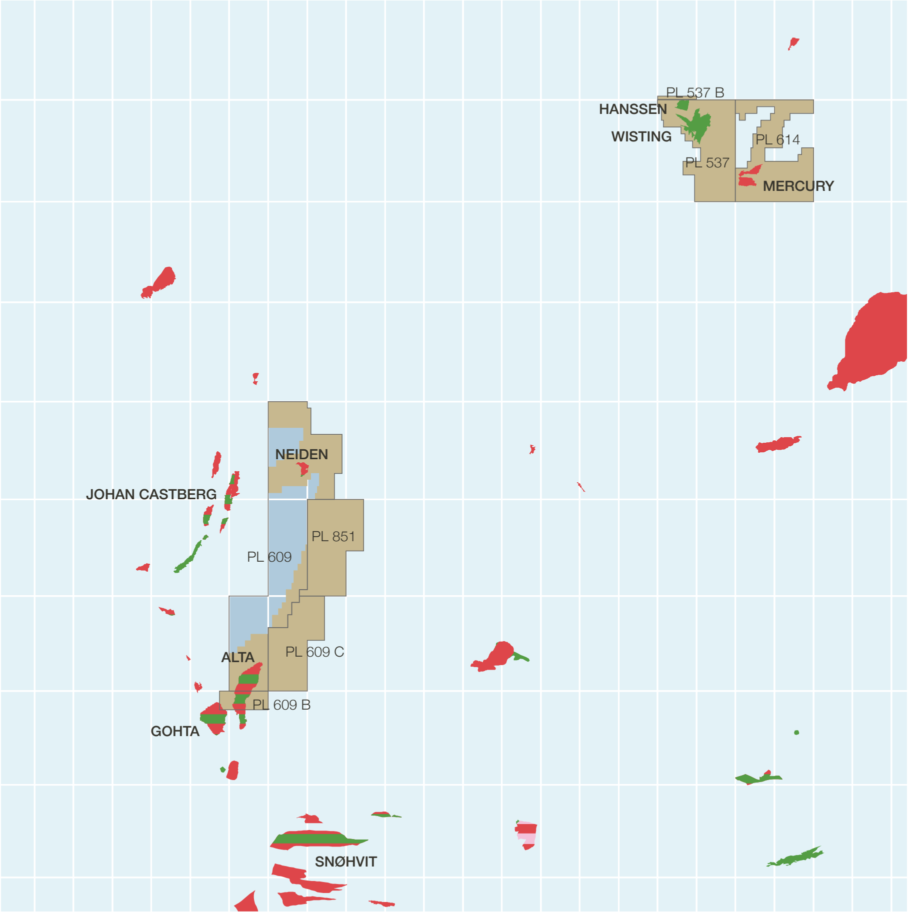
BARENTS SEA

LICENSES

- IDEMITSU LICENSES
- RELINQUISHED IN 2018

FIELDS/DISCOVERIES

- OIL
- OIL/GAS
- GAS



OUR ACHIEVEMENTS IN THE LAST 30 YEARS
IN NORWAY HAVE GIVEN US THE CONFIDENCE
TO CONTINUE BUILDING A SUSTAINABLE BUSINESS
THAT WILL THRIVE FOR MANY YEARS TO COME.

PRODUCTION & 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 with the start-up of Snorre A. The Snorre B platform came on-stream in 2001. Plans have been developed to secure continued long-term operation of the field. Principally, the Snorre Expansion Project represents significant investments and comprises six new subsea templates which will be tied back to Snorre A. The project's investment decision was approved late 2017 and PDO approval in 2018 together with lifetime extension for the Snorre A and Snorre B platforms. Current forecasting reflects production from the Snorre field to 2040.

Hywind

Tampen Hywind is the first ever attempt at supplying platforms with power from floating offshore wind. A decision to develop the Hywind project is planned for 2019.

Tordis

The Tordis field is developed via a ten kilometre subsea tie-back to the Gullfaks C platform which provides processing services. Production started in 1994. The subsea facilities have been upgraded with new production flow lines and control system. Life time extension to 2036 was applied for in 2018.

Vigdis

The Vigdis field is developed via a seven kilometre subsea tieback to Snorre A which provides processing services and onwards transportation. Production started in 1997. In 2009, an oil discovery was made in exploration well 34/7-34 (Vigdis Nordøst) and subsequently developed as a subsea tie-in to the existing Vigdis subsea installations with production starting in 2013. Further recovery from the Vigdis field will be enabled by the installation of a subsea multiphase booster pump planned for startup in 2021. Life time extension to 2040 was applied for in 2018.

Statfjord Satellites

Statfjord Øst and Sygna are subsea satellite fields tied into the Statfjord C platform. Both fields are in the late life production phase with remaining production forecast for another 5-10 years.

Knarr

Knarr is located 40 kilometres north of the Snorre field and was discovered in 2008 with production start-up in 2015. The field is developed with subsea wells and a leased FPSO vessel (Floating, Production, Storage and Offloading). A 100 kilometre gas pipeline evacuates the gas via the FLAGS system to the terminal at St. Fergus in the UK. Evaluations have started to extend the field life time by drilling of new wells and possibilities for increased oil recovery.

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 with drilling of additional wells and increasing the gas processing capacity in the area.

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. Gas produced from the field is transported via pipeline to the Kollsnes gas terminal for processing and export. Several new wells have been approved for drilling and will utilise the increased gas capacity at Troll C provided by the installation of a new gas compression module planned for start-up in 2020.

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 but is currently shut in due to transient operational issues. Production from H-Nord is anticipated to be reinstated as the pressure in the Byrding-H-Nord and Fram West flowline is gradually reduced.

Byrding

During 2016, the PL 090 B partners approved the development of the Byrding (Astero) discovery. Byrding came 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). 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 KOSAN IS A WORLDWIDE CORPORATION WITH OVER 8 900 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.

From 1 April 2019, Idemitsu Kosan will be merging with Showa Shell Sekiyu K.K. in Japan.

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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS 2018

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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 (3.75 % from 1 January 2019). 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 with tie-back to Fram. 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 2018, Idemitsu was awarded one license share in the APA 2017 (PL 090 I) and one license share in the 24th Licensing round (PL 537 B).

In addition, PL 090 JS was carved out from PL 090 F and established under operatorship of Wellesley Petroleum. The license will work jointly with PL 248 I and PL 925 to develop the Grosbeak discovery.

Idemitsu participated in two exploration and appraisal wellbores in 2018. In PL 609 an appraisal well was drilled in order to test the oil production rates over a longer time in various carbonate rocks on the Alta discovery. The test production was carried out over a period of two months, and revealed good and very good reservoir properties and production rate without significant breakthrough of water or gas. In PL 373 S, the Tyttebær well was dry.

On the Loppa High, exploration and evaluation activity continues to be high in the PL 609 license after the successful long-term production test in 2018. The license is operated by Lundin, and Idemitsu has a 30 % share. Studies for commercialising Alta is ongoing to determine additional appraisal drilling requirements and the optimal development concept.

In PL 636, the preparations for a PDO on the Cara discovery (now Duva) are ongoing. 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 the Wisting area (PL 537, PL 537 B), technical studies are ongoing to find the optimal development concept. The operator of PL 537 is OMV, and IPN holds a 20 % share in the license.

In December 2017, IPN signed an Amendment and Settlement agreement with Equinor. According to this agreement, the income sharing clause from the 1989 Assignment Agreement for PL 089 and PL 057 shall terminate with effective date from 31 December 2015 and a one-time settlement shall be paid from Idemitsu to Equinor. The transaction was subject to governmental approval which was obtained on 9 January 2018. The completion date of this transaction was in January 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 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 2018 was a bit lower than in 2017. The production in the Fram area has been stable, 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 by the government in July 2018. 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 installation of a new gas module on Troll C has been ongoing in 2018. The purpose is to increase the production capacity for the fields in the Fram area. Several new production and exploration wells are planned in the area.

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.

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 towards field development projects which are approaching important milestones. IPN was lead auditor in the 2018 HSE partner verification of the Duva development project, and results and findings were reported to the operator and partners.

At the end of 2018, there were 60 employees in IPN. The total sick leave for 2018 was 3.2 %. 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.

Idemitsu has a policy of equal opportunity, and will take this into account in its recruiting and HR policies. In 2018, there were no women in the Board of Directors. One woman is currently part of the Management.

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 484 million NOK in 2018. This is a 14 % reduction compared to 2017. The main reason for the reduced profit is the increase in effective tax rate. Total sales income has increased by 3 % from 2017. The increase is mainly due to higher oil price.

Operating expenses are almost unchanged compared to 2017. The company has carefully reviewed all its producing fields and exploration assets for potential impairment loss. Based on this review, an impairment loss of 695 million NOK was booked on the Knarr field. The loss is triggered by lower resource estimate and a reduction in oil price assumptions. On the other hand, depreciation cost was significantly reduced compared to 2017, mainly due to lower production volume.

Operating expenses have also been affected by the increase in exploration cost. The number of exploration wells has been lower than in 2017, but study and evaluation cost have increased, especially for the Alta and Wisting discoveries.

(2) Balance sheets

Idemitsu has no long-term loans at present. Extraordinary dividend of 377.3 million NOK was paid in December 2018. Equity represents 56 % of total assets at 31 December 2018. Capitalised ‘Successful efforts exploration wells’ increased by 246 million NOK in 2018. This is mainly due to the capitalisation of the drilling cost of the Alta appraisal well. At the same time, ´Production facilities in operation´ has decreased due to substantial depreciation. Abandonment accruals have increased around 3 %, mainly due to higher decommissioning estimates from the operators.

(3) Cash flow statements

Total investment in production facilities in 2018 was 603 million NOK, compared to 592 million NOK in 2017. A large part of the investments has been made in Snorre/SEP and PL 089 in order to maintain production at the highest possible level in the years to come. In addition, the construction of the Troll C Gas Module has been ongoing in the Fram area.

Cash flow from operation is 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 2018 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 2019 and 2020.
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 484,321,502 IS PROPOSED ALLOCATED AS FOLLOWS:	
DIVIDENDS	0
RETAINED EARNINGS	484,321,502
TOTAL ALLOCATED	**484,321,502**

Bærum, 11 April 2019

MAKOTO HIRAI
Chairman

JUN MIKI

HIROSHI ARIKAWA

JOHAN KORSMOE

SHOGO HIRAHARA

FINANCIAL STATEMENT

PROFIT AND LOSS STATEMENTS

	NOTE	2018	2017
Operating revenue			
Sales of crude oil	1, 12	4 932 481 520	4 803 658 953
Sales of NGL	1	179 349 006	218 658 782
Sales of dry gas	1	414 052 380	340 059 145
Tariff income and other revenue	1	21 580 902	16 796 694
Total operating revenues		**5 547 463 808**	**5 379 173 574**
Operating expenses			
Production cost, processing tariff, CO_2 fee		1 210 883 920	1 073 570 666
Gas and transportation costs		45 833 603	47 678 681
Income sharing agreement	7	0	336 467 809
Changes in inventory and over- / underlift	9	26 486 767	179 941 252
Exploration costs	17	314 155 396	231 086 570
Salaries, social security, pension payments	2, 3	156 879 768	130 947 902
Other operating and administrative costs	3, 18	44 082 066	64 198 165
Ordinary depreciation	4, 5	873 616 752	1 292 103 473
Ordinary depreciation of production rights	5, 7	84 142 320	28 920 299
Impairment loss	5	695 000 000	68 552 318
Total operating expenses		**3 451 080 593**	**3 453 467 136**
OPERATING PROFIT		**2 096 383 215**	**1 925 706 438**

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	NOTE	2018	2017
Financial income and expenses			
Interest income		34 260 595	36 917 562
Interest expense	10	78 331 157	88 563 374
Net foreign exchange gain (loss)	11, 12	16 684 937	17 870 905
Net financial items		**-27 385 624**	**-33 774 907**
PROFIT BEFORE TAXES		**2 068 997 590**	**1 891 931 531**
Taxes on ordinary result	6	1 584 676 089	1 331 863 082
PROFIT FOR THE YEAR		**484 321 502**	**560 068 449**
Proposed dividend		0	0
Allocated to retained earnings		484 321 502	560 068 449
Total allocated		**484 321 502**	**560 068 449**

BALANCE SHEETS

	NOTE	31.12.2018	31.12.2017
FIXED ASSETS			
Intangible fixed assets			
Successful efforts exploration wells	5, 17	1 901 577 618	1 655 421 614
Total intangible fixed assets		**1 901 577 618**	**1 655 421 614**
Tangible fixed assets			
Production facilities in operation	5, 8, 10	2 910 547 527	3 109 567 140
Production facilities under development	5	11 850 000	0
Furniture, fixtures and cars	5	6 041 204	8 477 859
Total tangible fixed assets		**2 928 438 731**	**3 118 044 999**
Financial fixed assets			
Employee long-term receivables	3	25 159 433	29 151 510
Deferred tax asset	6	0	187 466 792
Other long-term receivables	15	97 439 386	107 233 917
Total financial fixed assets		**122 598 819**	**323 852 219**
TOTAL FIXED ASSETS		**4 952 615 169**	**5 097 318 832**

	NOTE	31.12.2018	31.12.2017
CURRENT ASSETS			
Stocks and underlift			
Inventory and underlift	9	83 194 668	97 866 822
Debtors			
Accounts receivable		592 424 545	781 519 572
Receivables from group companies	16	1 700 000 000	0
Other current assets		154 592 191	218 380 579
Total debtors		**2 447 016 736**	**999 900 151**
Bank			
Bank and cash	3, 14	948 884 838	2 368 549 713
TOTAL CURRENT ASSETS		**3 479 096 241**	**3 466 316 685**
TOTAL ASSETS		**8 431 711 410**	**8 563 635 518**

BALANCE SHEETS

	NOTE	31.12.2018	31.12.2017
EQUITY			
Restricted equity			
Share capital	13	727 900 000	727 900 000
Retained earnings			
Retained earnings	13	4 017 630 200	3 911 690 750
TOTAL EQUITY		**4 745 530 200**	**4 639 590 750**
LIABILITIES			
Provisions			
Pension liabilities	2	48 202 636	43 070 043
Deferred tax	6	17 261 739	0
Abandonment accrual	10	2 109 478 693	2 051 830 905
Other long-term liabilities	15	38 880 000	42 120 000
Total provisions		**2 213 823 067**	**2 137 020 947**

	NOTE	31.12.2018	31.12.2017
Current liabilities			
Suppliers payable		100 223 911	139 340 771
Payables group companies	16	1 026 142	2 149 715
Accrued payroll taxes, VAT, etc.		16 050 522	16 186 566
Taxes payable	6	1 041 969 880	972 394 426
Other current liabilities and overlift	7, 9, 14	313 087 688	656 952 343
Total current liabilities		**1 472 358 143**	**1 787 023 821**
TOTAL LIABILITIES		**3 686 181 210**	**3 924 044 768**
TOTAL EQUITY AND LIABILITIES		**8 431 711 410**	**8 563 635 518**

Bærum, 11 April 2019

MAKOTO HIRAI
Chairman

JUN MIKI

HIROSHI ARIKAWA

JOHAN KORSMOE

SHOGO HIRAHARA

CASH FLOW STATEMENTS

		2018	2017
Cash generated from / used in operating activities			
Profit / (loss) before taxes for the year		2 068 997 590	1 891 931 531
Taxes paid		-1 666 414 426	-1 165 508 590
Ordinary depreciation	5	957 759 072	1 321 023 772
Interest expense, asset ret. obligation	10	64 632 674	68 439 324
Pension accrual	2	214 185	- 904 679
Impairment loss		695 000 000	68 552 318
Previously capitalised wells expensed		7 018 751	0
Decommissioning expense		-216 008	-262 802
(Gain) / loss on sale of fixed assets		0	180 271
Change in inventory and short term assets and liabilities (excl. dividend payment)		341 457 361	-117 191 790
Net cash flow from operations	**A**	**2 468 449 199**	**2 066 259 355**
Cash flow used for investments			
Investment in furniture and fixtures and cars	5	-2 507 387	-6 326 997
Investment in production rights	7	-965 762 500	0
Investment in production facilities	5	-603 156 040	-592 072 382
Investment in successful exploration wells	5, 17	-253 174 755	-274 745 611
Change in other long-term assets/liabilities		13 786 608	0
Net cash flow to investments	**B**	**-1 810 814 075**	**-873 144 990**

		2018	2017
Cash flow used for financing			
Share capital increases / (decreases)		0	0
Paid dividend	13	-377 300 000	-371 600 000
New loans		0	0
Deposit in IKC		-2 950 000 000	0
Deposit in IKC matured		1 250 000 000	0
Net cash flow to financing	**C**	**-2 077 300 000**	**-371 600 000**
NET MOVEMENT IN BANK AND CASH	**A+B+C**	**-1 419 664 875**	**821 514 365**
Bank and cash at 1 January		2 368 549 713	1 547 035 349
BANK AND CASH AT 31 DECEMBER		**948 884 838**	**2 368 549 713**

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 2018 accounts were approved by the Board of Directors on 11 April 2019.

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 2019 (22 % for corporate tax and 56 % 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 2018 was 21.2 %. 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. Tax rates for 2018 are 23 % corporate tax and 55 % 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 statements. Short term assets and liabilities are revalued individually at year-end rates, and unrealised gains and losses are recognised through the profit and loss statements.

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 (over-lifting) 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 Equinor (Statoil) ASA and Shell International Trading & Shipping on long-term contracts. In 2018, a total of 8.1 million barrels were sold (2017: 10.7 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 on long-term contract 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 on long-term contract 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)	2018	2017
Norway (incl. offshore loaded crude oil)	5 287	5 080
UK	260	299
TOTAL	5 547	5 379

2 customers (Equinor 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	2018	2017	2018	2017
Service cost	15 558 660	13 107 366	4 409 497	3 664 036
Financial cost	757 442	526 682	-675	-76 987
Net pension cost	**16 316 102**	**13 634 048**	**4 408 822**	**3 587 049**
REMEASUREMENTS LOSS (GAIN) BOOKED TO EQUITY	**2 898 585**	**11 924 428**	**2 019 823**	**5 774 494**

	BELOW 12G		ABOVE 12G	
	31.12.18	31.12.17	31.12.18	31.12.17
Estimated pension obligations	118 124 357	104 619 038	40 009 840	34 607 859
Pension plan assets (market value)	73 078 746	64 702 560	36 852 815	31 454 295
Net pension obligation – overfinanced / (underfinanced)	**-45 045 611**	**-39 916 478**	**-3 157 025**	**-3 153 564**

	BELOW 12G		ABOVE 12G	
ECONOMICAL ASSUMPTIONS	**2018**	**2017**	**2018**	**2017**
Discount rate (OMF rate)	2.60 %	2.30 %	2.60 %	2.30 %
Expected compensation increase	2.75 %	2.50 %	2.75 %	2.50 %
Expected return on pension plan assets	2.60 %	2.30 %	2.60 %	2.30 %
Adjustments in National Insurance base rate	2.50 %	2.25 %	2.50 %	2.25 %
Adjustments in pensions	2.50 %	2.25 %	0.80 %	0.40 %

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 2.8 million NOK in 2018 (2017: 3.4 million NOK).

SPLIT OF COMPENSATION TO MANAGING DIRECTOR (NOK)	2018	2017
Salary	2 181 906	2 863 188
Retirement allowance	39 717	37 324
Other allowances	595 677	522 886
Total salary Managing Director	**2 817 300**	**3 423 398**

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 25.2 million NOK at 31 December 2018 (31 December 2017: 29.2 million NOK). The company had 60 employees at the end of 2018 (2017: 57 employees).

The company has a restricted bank account for employee withholding tax. The balance on this bank account was 15.4 million NOK at 31 December 2018.

SPLIT OF PAYROLL EXPENSES (NOK)	2018	2017
Wages and salaries	120 546 195	100 620 806
Social security tax	17 703 860	15 440 830
Pensions including pension liability	18 154 957	14 378 150
Allowances	474 755	508 116
Total	**156 879 768**	**130 947 902**

SPLIT OF FEES TO AUDITORS (NOK EX VAT)	2018	2017
Deloitte, audit fee	420 000	415 000
Deloitte, other audit related services*	571 095	663 225

* 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 2018 are broken down as follows:

	MILLION Sm^3	MMBOE
Snorre	8.48	53.3
Tordis	0.42	2.6
Vigdis	0.92	5.8
Statfjord Øst & Sygna	0.04	0.25
Fram area	2.89	18.2
Byrding	0.25	1.6
Vega Unit	0.77	4.82
Fram H-Nord	0.03	0.2
Knarr	0.32	2.0
Total (31.12.18)	**14.11**	**88.8**

The net remaining reserves at the beginning of 2018 were 14.36 million Sm^3 (90.4 mmboe). During 2018, 1.29 million Sm^3 (8.1 mmboe) of net crude oil was produced. Net NGL and dry gas production from Fram and Vega was 0.16 million Sm^3oe in 2018 (1.0 mmboe).

Effects of changes to new projects such as Fram C-Vest Brent and F-Øst Brent, Tordis well potential, Vigdis booster station and lifetime extension, Vega re-evaluation combined with the accelerated cessation of production on Knarr (2020) results in reserves increasing by 1.20 million Sm^3 (7.55 mmboe). Thus, the remaining reserves at the end of 2018 is 14.11 million Sm^3 (88.8 mmboe) with a net decrease of 0.25 million Sm^3 (1.6 mmboe) during 2018.

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.

In Vega, the Vega Unit unitisation agreement opens for reassessment of owner shares based on a biannual redetermination process. In the event a redetermination results in decreased share in the unit, excess volumes received in the past should be redelivered by the partners with reduced owner share interest and vice versa. Such redelivery of volumes is accounted for at the time of redelivery and not accrued for in advance. The last redetermination assessment took place in 2018 resulting in a change in ownership from 4.38 % to 3.75 % starting from 1 January 2019. At the same time, the resource base increased. Both these effects are reflected in the remaining reserve number. There is uncertainty related to the estimation of the owner share and reserves in Vega.

NOTE 5) FIXED ASSETS (1 000 NOK)

A) PRODUCTION FACILITIES UNDER DEVELOPMENT	2018	2017
Cost 1.1	-	95 628
Additions in the year	11 850	140 349
Transferred from Successful efforts exploration wells	-	-
Transferred to fields in operation		-235 976
BOOK VALUE 31.12	**11 850**	**-**

Depreciation method: No depreciation before production

B) PRODUCTION FACILITIES IN OPERATION	2018	2017
Cost 1.1	23 826 622	23 293 997
Additions in the year	584 537	280 216
Additions Production rights (cf note 7)	864 258	-
Disposal in the year	-	-
Transferred from Successful efforts exploration wells	-	16 433
Transferred from facilities under development	-	235 976
Cost 31.12	25 275 418	23 826 622
Accumulated depreciation 1.1	-19 182 055	-17 867 347
Depreciation, production facilities	-868 673	-1 285 787
Depreciation, production rights	-84 142	-28 920
Accumulated depreciation 31.12	-20 134 870	-19 182 055
Accumulated impairment loss 1.1	-1 535 000	-1 535 000
Impairment loss Knarr	-695 000	-
Accumulated impairment loss 31.12	-2 230 000	-1 535 000
BOOK VALUE 31.12 INCL. PRODUCTION RIGHTS	**2 910 548**	**3 109 568**
Book value 31.12 production rights	*973 440*	*193 324*

Depreciation method: Unit of production

Impairment testing

Impairment testing of each cash-generating unit is performed when impairment triggers are identified. At 31 December 2018 the low crude oil price is considered to be a potential trigger, and also the reserves downgrade on the Knarr field. 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)	
2019	66
2020	69
2021	72
2022	74
2023	76
2024	77
2025	79
2026	81
2027	83
2028->	CPI adjustment

C) SUCCESSFUL EFFORTS EXPLORATION WELLS	2018	2017
Cost 1.1	1 655 422	1 449 228
Additions in the year	253 175	258 313
Transferred to facilities in operation	0	16 433
Expensed/impaired in the year	-7 019	-68 552
Transfer to Production facilities under development or in operation	-	-
BOOK VALUE 31.12	**1 901 578**	**1 655 422**

Depreciation method: No depreciation before production

D) FURNITURE, FIXTURES AND CARS	2018	2017
Cost 1.1	74 105	68 396
Additions in the year	2 507	6 356
Disposals in the year	-	-647
Cost 31.12	76 612	74 105
Accumulated depreciation 1.1	-65 627	-59 749
Depreciation in the year	-4 944	-6 316
Depreciation on disposed assets	-	438
Accumulated depreciation 31.12	-70 571	-65 627
BOOK VALUE 31.12	**6 041**	**8 478**

Depreciation method: Linear 3/5 years

NOTE 6) TAXES (NOK)

DIFFERENCE BETWEEN PROFIT BEFORE TAX AND TAX BASIS	2018	2017
Profit (-loss) before tax	2 068 997 590	1 891 931 531
Permanent differences	76 562 896	9 772 961
Movement temporary differences		
Movement temporary differences – fixed assets	381 103 909	155 896 358
Movement temporary differences – FX contracts	8 592 061	-8 592 061
Movement temporary differences – others	-195 478 515	145 157 774
Tax basis – corporate tax (23 %) (2017: 24 %)	**2 339 777 941**	**2 194 166 564**
- financial items w/o special tax effect	-37 247 049	-32 558 353
- movement temporary difference FX contracts (corp. tax only)	-8 592 061	8 592 061
- uplift	-135 458 308	-255 766 111
Tax basis – special tax (55 %) (2017: 54 %)	**2 158 480 523**	**1 914 434 161**

TAX COST OF THE YEAR	2018	2017
Payable tax	1 725 313 214	1 560 394 423
Correction prior years	6 126 856	4 314 708
Change deferred tax	-146 763 981	-232 846 049
TOTAL TAX COST	**1 584 676 089**	**1 331 863 082**

DEFERRED TAX LIABILITY RELATED TO TEMPORARY DIFFERENCES 31.12		2018		2017
Fixed assets		83 981 924		464 080 301
Other temporary differences		-61 851 484		-698 363 838
Net temporary differences corporate tax		**22 130 440**		**-234 283 537**
Temporary difference FX contracts				-8 592 061
Net temporary differences special tax		**22 130 440**		**-242 875 597**
Deferred corporate tax (2019 rate applied for year-end 2018)	22 %	4 868 695	23 %	-53 885 214
Deferred special tax (2019 rate applied for year-end 2018)	56 %	12 393 044	55 %	-133 581 579
TOTAL DEFERRED TAX LIABILITY (-ASSET)		**17 261 739**		**-187 466 792**

RECONCILIATION OF NOMINAL AND EFFECTIVE TAX RATE 2018	INCOME	TAX AMOUNT	EFFECTIVE TAX RATE
	(MNOK)	(MNOK)	
Profit (-loss) before tax	2 069	1 614	78.0 %
Uplift earned	-135	-75	-3.6 %
Permanent differences	77	60	2.9 %
Financial items applied onshore only	-37	-20	-1.0 %
Tax adjustment prior years		6	0.3 %
Total		**1 585**	**76.6 %**

RECONCILIATION OF PAYABLE TAX 31.12 (MNOK)	2018	2017
Payable tax for the income year	1 725	1 560
Receivable tax prior years	1	-
Paid installment tax	683	588
Payable (-receivable) tax in balance sheets	**1 042**	**972**

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 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 December 2015 and a one-time settlement shall be paid from Idemitsu to Statoil. The one-time settlement has been booked as production rights in the company's balance sheet, and is depreciated according to the U.O.P. method. The transaction was subject to governmental approval which was obtained on 9 January 2018.

The completion date of this transaction was in January 2018. The liability booked at 31 December 2017 for the income sharing clause was booked against the one-time settlement following the completion of the transaction.

NOTE 8) INTERESTS IN NORWEGIAN PRODUCTION LICENSES (31.12.18)

PRODUCTION LICENSE	BLOCK(S)	EXPIRY YEAR	PRODUCING FIELDS	OPERATOR	INTEREST
057	34/4	2040	Snorre	Equinor	9.6 %
089	34/7	2040	Snorre, Tordis, Vigdis	Equinor	9.6 %
			Statfjord Øst	Equinor	4.8 % [1)]
			Sygna	Equinor	4.32 % [2)]
090	35/11	2024	Fram	Equinor	15 %
090 B	35/11	2024	Byrding	Equinor	15 %
090 C	35/11	2024	Vega Unit	Wintershall	15 % [3)]
090 E	31/2	2024		Equinor	15 %
090 F	35/11	2024		Equinor	40 %
090 G	35/11	2024	Fram H-Nord	Equinor	40 % [4)]
090 HS	35/11	2024		Equinor	15 %
090 I	31/2	2025		Equinor	15 %
090 JS	35/11	2024		Wellesley	40 %
293 B	35/10	2039		Equinor	20 %
318	35/2	2044		Equinor	20 %
318 B	35/4,5	2044		Equinor	20 %
318 C	6203/10	2044		Equinor	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 2019, Idemitsu holds a 3.75 % share in the unitised Vega field (2018: 4.38 %).

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
373 S	34/2,3,5,6	2038	Knarr	Shell	25 %
537	7324/7,8	2019		OMV	20 %
537 B	7324/4	2019		OMV	20 %
609	7220/6,9,11,12 7221/4	2020		Lundin	30 %
609 B	7120/1,2	2020		Lundin	30 %
609 C	7220/12, 7221/10	2021		Lundin	30 %
614	7324/9, 7325/7	2019		Equinor	40 %
636	36/7	2019		Neptune	30 %
851	7220/9, 7221/7, 7221/8	2021		Lundin	30 %

NOTE 9) INVENTORY AND OVER-/UNDERLIFT

ALL NUMBERS IN MILLION NOK		2018	2017
CRUDE OIL UNDERLIFT AND INVENTORY		INVENTORY VALUE	INVENTORY VALUE
Value recorded as asset 31.12	A	4	18
Stock of spare parts etc. held by operators	B	79	80
TOTAL INVENTORY VALUE	**A+B**	**83**	**98**

ALL NUMBERS IN MILLION NOK	2018	2017
CRUDE OIL OVERLIFT	NET LIABILITY	NET LIABILITY
Value recorded as Other current liabilities and overlift 31.12	39	26
TOTAL OVERLIFT	**39**	**26**

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	2018	2017
Provision for abandonment liability 1 January	2 052	2 139
Change of estimate	35	-155
Effect of changed discount rate	-43	0
Actual decommissioning expenditure	0	0
Interest effect on the NPV obligation	65	68
Provision for abandonment liability 31 December	**2 109**	**2 052**

In the calculation of net present value at year-end 2018, an inflation rate of 2 % and a discount rate of 3.3 % have been used. At year-end 2017 the discount rate was 3.2 %. 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 open foreign exchange contracts at 31 December 2018.

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 31.12.17	3 911 690 750
Profit 2018	484 321 502
Extraordinary dividend	-377 300 000
Remeasurement booked to equity (Pension)	-1 082 051
Retained earnings 31.12.18	**4 017 630 200**

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 blowout 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 371 million NOK at 31 December 2018 (IPN share), related to exploration/appraisal wells in PL 089, PL 090, PL 609 and PL 636.

Furthermore, Idemitsu has committed to investment in a number of development projects. Below is listed the remaining investment commitment (IPN share) in each project 31 December 2018:

> Snorre Expansion Project (SEP): 2 271 million NOK
> Troll C Gas module (TCGM): 103 million NOK
> Vigdis Booster Station: 141 million NOK
> C-Vest and F-Øst Brent (Fram): 328 million NOK

There are also substantial investments planned in fields where PDOs are not yet submitted or approved by the government, and there is planned production well drilling in various producing fields.

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):

	2019	2020	2021
Minimum lease	39.0	36.5	26.7

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. In relation to the company's office rent agreement, 3.2 million NOK is deposited on a restricted bank account.

During the year, a joint venture which includes Idemitsu received a claim from a third party. The joint venture and Idemitsu has defended the claim as unfounded, issued a counter claim and provided for associated legal costs. Whilst the outcome of these disputes cannot be predicted with certainty, the directors are satisfied that the accounts as at 31 December 2018 are appropriately stated.

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.

Byrding prepayment of well slot fee to Fram H-Nord has been recorded as 'Other long-term receivables' in the Balance sheets. 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 2018		ACCOUNTS PAYABLE 2017	
	JPY	NOK	JPY	NOK
Idemitsu Kosan Co. Ltd	12 981 082	1 026 142	29 494 206	2 149 715

SALES AND PURCHASES GROUP COMPANIES (NOK)

COMPANY	2018		2017	
	SALES	PURCHASES	SALES	PURCHASES
Idemitsu Kosan Co., Ltd	-	6 342 641	274 314 033	6 780 958
Idemitsu Petroleum U.K.		-		2 194 726

Idemitsu has a 1.7 billion NOK deposit in the parent company IKC at 31 December 2018. The deposit is maturing in February 2019, and interest terms is 6M NIBOR +0.2 % in accordance with the Deposit Agreement signed in February 2018.

NOTE 17) EXPLORATION COST

Drilling and testing cost for wells with commercial discoveries or where status of discovery is pending is capitalised. 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	2018		2017	
	EXPENSED	CAPITALISED	EXPENSED	CAPITALISED
License exploration cost	253 450	246 156	221 794	206 193
Internal exploration cost	60 705		9 293	
Total	**314 155**	**246 156**	**231 087**	**206 193**

NOTE 18) R&D

The R&D activity consists mainly of participation in common industry projects. 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	2018	2017
R&D expense	174	190

AUDITOR'S REPORT 2018

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Deloitte.

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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 484 321 502. The financial statements comprise the balance sheet as at 31 December 2018, 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 2018, 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 information in the annual report, except 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 scepticism 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, 11. april 2019
Deloitte AS

Mette Herdlevær

Mette Herdlevær
State Authorised Public Accountant (Norway)

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