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2019 ANNUAL REPORT

IDEMITSU PETROLEUM NORGE AS

MESSAGE FROM THE MANAGING DIRECTOR

Idemitsu Petroleum Norge has just celebrated 30 years on the Norwegian Continental Shelf. Our history in Norway began in 1989 with the acquisition of interests in two licenses in the northern North Sea where the Snorre oil field was in development. This was closely followed by the development of Tordis and Vigdis oil fields in the area covered by the same licenses. Snorre commenced production in 1992 and was initially forecast to produce until around 2011. However, production from the field is now projected to continue at least until 2040 thanks to collaboration between the license operator and joint venture partners.

Shortly before production commenced from the Snorre field and guided by one of our fundamental corporate values – to contribute to society – Idemitsu began sponsoring Munch-museet by financing refurbishment and extension of the museum building in Tøyen in 1991. Since then, we have shared a deep and lasting relationship. In August last year, on the day we marked our 30th anniversary in Norway, we renewed our sponsorship agreement with Munchmuseet once again.

Besides marking our 30th anniversary last year and achieving a very good profit, there were other highlights that deserve a special mention. Along with our growth, there are bigger plans for the company in the future, including a more environmentally friendly approach to the production of oil.

With Norway being one of the world leaders in reducing carbon dioxide emissions, we can learn from this great region. As an energy company, we are mindful of the environmental and social implications of our business. We seek harmony with the environment and society together with energy security.

In October, Idemitsu as partner in the Snorre field, made the investment decision for the Tampen Hywind offshore wind farm development, a global first renewable energy wind farm for an offshore production oil facility. The wind farm will consist of 11 wind turbines. The 8 MW turbines will have a total capacity of 88 MW and meet about 35 per cent of the annual power demand of the five platforms Snorre A and B and Gullfaks A, B and C. By reducing the use of gas turbines on the fields, the project will help reduce CO_2 emissions by more than 200 000 tonnes per year, corresponding to annual emissions from 100 000 private cars. The Hywind project will help bring floating offshore wind technology an important step forward.

Idemitsu has a number of exciting projects ahead. The Duva field (formerly Cara) was sanctioned in March 2019 and approved by the authorities in June. The Duva development comprises a subsea tie-back to the nearby Gjøa platform. Fabrication of equipment and drilling of production wells has started, and the first equipment is already installed. The Duva field is expected to start production in the third quarter of 2021.

The Echino S prospect was drilled in 2019 and a discovery was made, actually the third largest discovery on the NCS last year. Idemitsu worked with the Echino S prospect maturation for several years and promoted the prospect for drilling to the operator and license partners. The discovery is located in the PL 090 license close to existing Fram and Troll infrastructure. Echino S is expected to be developed with cost effective subsea tie-back solutions to existing infrastructure.

Idemitsu is a partner in two significant discoveries in the Barents Sea, the Alta discovery and the Wisting discovery. Equinor is appointed operator for the execution phase of the Wisting discovery, while OMV will resume its role as operator for the operational phase. Wisting is now progressing as planned and passed the milestone for commercial development (DG1) in 2019. Concept selection is planned in 2020. Alta is currently looking at a tie-back to the Johan Castberg field as the most likely development solution.

Our activities and achievements in the last 30 years on the NCS have given us the confidence to continue building a sustainable business, and to be part of Norwegian society for many years to come. This is only possible through continued good relations with our stakeholders, including regulatory authorities and business partners, and we thank them for their continuous support.

Although our way forward and continuity of activities on the NCS remains unchanged, I cannot write these lines without addressing the ongoing global health crisis. Events of the recent weeks and months have impacted the way in which we live and work more drastically than we have ever seen before. As the COVID-19 outbreak grew to pandemic level, the health and safety of our employees and the wider community has been our primary concern.

It is difficult to predict what the future holds under the current circumstances, but the sharp drop in the oil price will most likely impact industries and companies around the world for a long time to come. This is new territory for all of us that we must navigate together. However, should global conditions shift, we are confident in our ability to respond to changing market dynamics, minimizing impact to our business and disruptions to our partners and stakeholders.

HIROSHI ARIKAWA
Managing Director

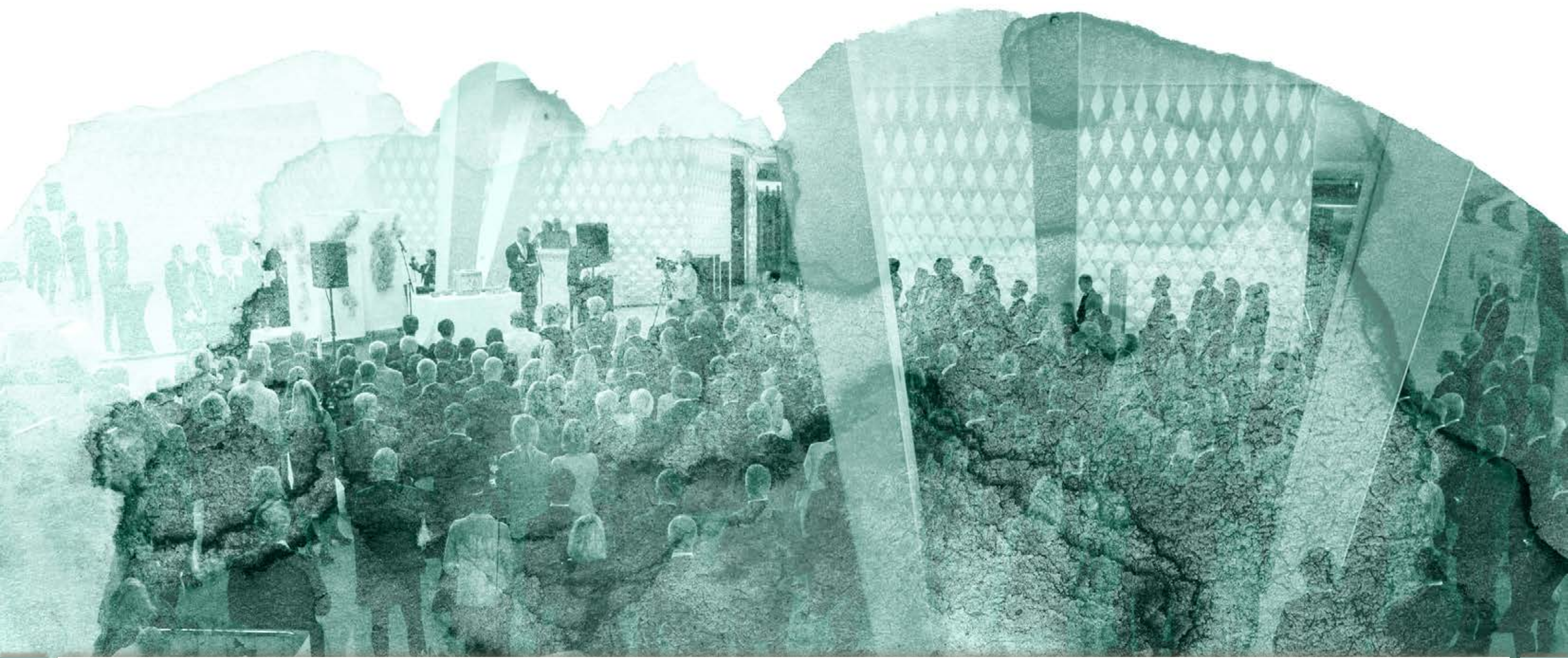
KEY DATA

	2019	2018	2017	2016	2015
OPERATING REVENUES, MILLION NOK	3 788	6 000	5 379	4 856	4 228
OPERATING PROFIT, MILLION NOK	1 396	2 547	1 925	651	(679)
PROFIT AFTER TAX, MILLION NOK	392	583	560	327	48
DAILY OIL PRODUCTION, THOUSAND BARRELS	16.4	22.2	27.3	32	27.6
INVESTMENTS, MILLION NOK	1 506	603	592	545	744
EQUITY RATIO (YEAR END)	51 %	56 %	54 %	55 %	54 %
CASH FLOW BEFORE FINANCING, MILLION NOK	255	658	1 193	1 974	(289)
CRUDE OIL RESERVES, MILLION SM^3	16.7	14.1	14.4	12.7	12.9
RETURN ON EQUITY	8 %	10 %	13 %	7 %	1 %

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

THE ECHINO SØR WAS THE THIRD LARGEST DISCOVERY ON THE NCS IN 2019.



EXPLORATION

Following applications for exploration acreage in the APA 2018 Idemitsu was awarded a license interest in PL 636 B, additional area to PL 636 (Idemitsu 30 %).

Idemitsu had one exploration wellbore with a sidetrack in 2019. The PL 090 exploration well 35/1123, Echino Sør well, next to the Fram field, was a successful oil and gas discovery and estimated to be the 3rd largest discovery on the NCS in 2019. The 35/11-23 A sidetrack delineated the discovery. The discovery will be evaluated as a tie-in to the Fram field.

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

- In **PL 089** (block 34/7; 9.6 % Idemitsu interest) the 2018 approved Tordis-Statfjord well was moved into a 2020 drilling schedule. The Lomre and the 7-Fjell prospects were approved for 2020 drilling, as well as the D3 Tarbert exploration extension of an infill well. Prospect evaluation continued.

- In **PL 090**, **090 E** and **090 I** (blocks 35/11 and 31/2; 15 % Idemitsu interest), planning and follow-up of the successful Echino Sør well supported evaluation of the Blasto prospect that influenced the operator to prioritise this prospect for drilling in 2021. Continued efforts were spent to mature discoveries and remaining prospectivity including subsurface information from the three production wells drilled in 2019.

- In **PL 090 F** and **090 G** (block 35/11; 40 % Idemitsu interest) prospect evaluation continued.

- In **PL 090 HS** (block 35/11; 15 % Idemitsu interest) remaining exploration potential was evaluated in conjunction with the evaluation of the **PL 090 C** Vega Sør Cabernet infill well planning. Further work awaits the results of the Cabernet well penetrating the Upper Jurassic when drilled in 2020.

- In **PL 090 JS** (block 35/11; 40 % Idemitsu interest) collaboration between the three Grosbeak licenses PL 090 JS, PL 248 I and PL 925 was established with work ongoing towards DG1 in early 2020.

In **PL 293 B** (block 35/10; 20 % Idemitsu interest) remaining exploration potential was evaluated. Operator introduced new play types by end of 2019 that will be evaluated.

In **PL 318**, **318 B** and **318 C** (blocks 35/2, 4, 5, 6203/10; 20 % Idemitsu interest) a DG1 is still awaited. Drilling of a test relief well is planned for 2020.

In **PL 537** and **537 B** (blocks 7324/7, 8; 20 % Idemitsu interest) DG1 was passed and operatorship was transferred to Equinor in the development phase. Partial relinquishment was approved, and a license extension was also approved with a Hassel prospect drill-or-drop decision within 2021.

In **PL 609** and **609 B** (blocks 7120/1, 2, 7220/6, 9, 11, 12, 7221/4; 30 % Idemitsu interest) additional prospectivity around the Alta discovery was evaluated with negative result, whereas a drilling decision in the Galliano South/Polmak prospect in 2020 was approved. The license partners applied in the APA 2019 for the Alta Sør part of the Alta discovery.

In **PL 609 C** (blocks 7220/12, 7221/10; 30 % Idemitsu interest) prospect evaluation continued. Special seismic processing was performed based on new software and workflow.

PL 614 (blocks 7324/9, 7325/7; 40 % Idemitsu interest) was relinquished in 2019.

In **PL 636** and **636 B** (block 36/7; 30 % Idemitsu interest) the **PL 636 B** additional area was awarded in the APA 2018 and an APA 2019 application was delivered for a small additional area west of the **PL 636** license to be included. Continued evaluation of main prospects in both the main license as well as the additional area for next drilling candidate.

In **PL 851** (blocks 7220/9, 7221/7,8; 30 % Idemitsu interest) prospect evaluation continued. Special seismic processing was performed based on new software and workflow.

PL 882 (blocks 33/6, 34/4; 20 % Idemitsu interest) was farmed into in 2019 and drilling of the Dugong prospect is planned for 2020.

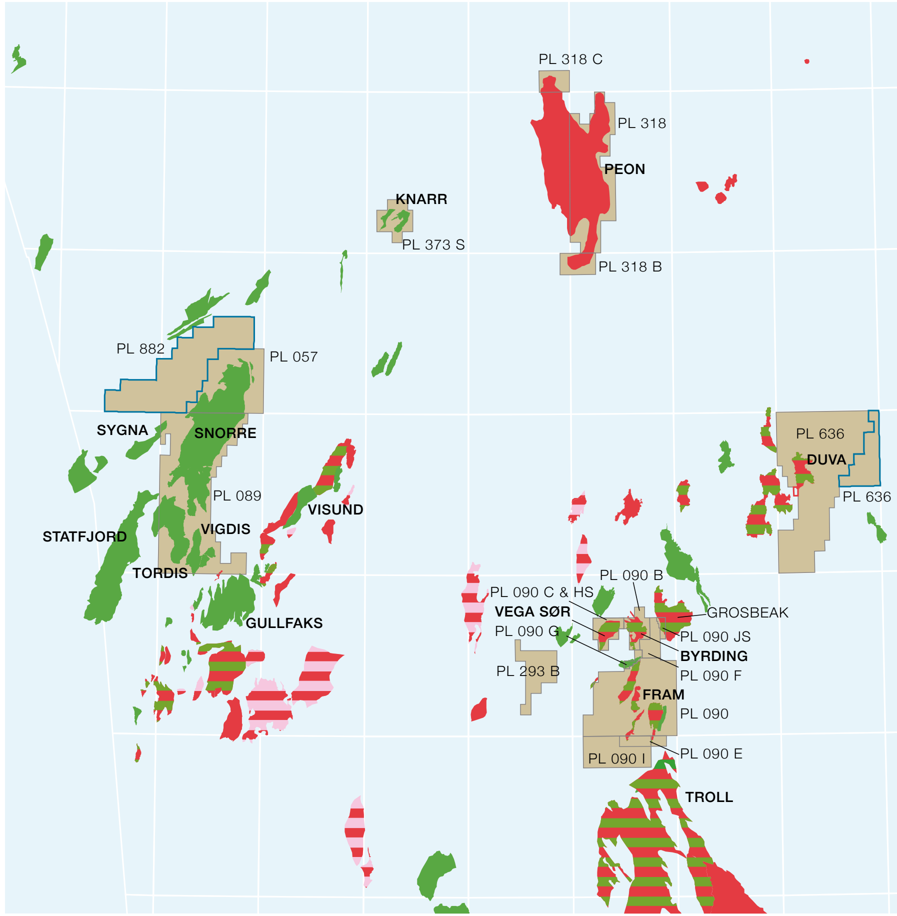
NORTHERN NORTH SEA

LICENSES

- IDEMITSU LICENSES
- AQUIRED IN 2019
- APA APPLIED FOR 2019

FIELDS/DISCOVERIES

- OIL
- OIL/GAS
- GAS



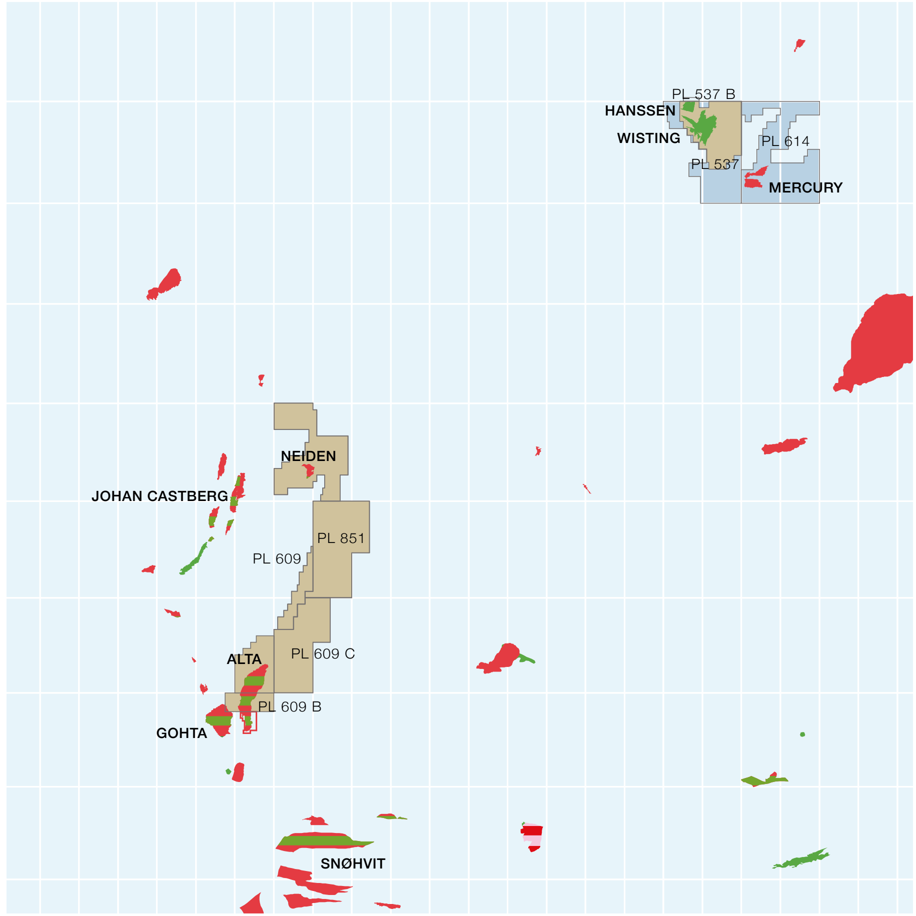
BARENTS SEA

LICENSES

- IDEMITSU LICENSES
- RELINQUISHED IN 2019
- APA APPLIED FOR 2019

FIELDS/DISCOVERIES

- OIL
- OIL/GAS
- GAS



THE HYWIND PROJECT WILL HELP BRING FLOATING OFFSHORE WIND TECHNOLOGY AN IMPORTANT STEP FORWARD.

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 startup of Snorre A. The Snorre B platform came onstream in 2001. Plans have been developed to secure continued longterm 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 in late 2017 and PDO approval was 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. The Hywind Tampen investment decision was made in October 2019 and the wind farm will start operation in 2022.

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 granted in 2019.

Vigdis
The Vigdis field is developed via a seven kilometre subsea tie-back 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 granted in 2019.

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.

Knarr

Knarr is located 40 kilometres north of the Snorre field and was discovered in 2008 with production startup 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. An infill production well was approved in 2019 and will be drilled in 2020. Evaluation of field life time and preparation of a decommissioning plan are ongoing.

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 increase of 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 startup in early 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 Vest flowline is gradually reduced.

Byrding

During 2016, the PL 090 B partners approved the development of the Byrding (formerly 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.

Duva field

The Duva investment decision was made in March 2019 and the Plan for Development and Operation (PDO) was approved by the Ministry of Petroleum and Energy in June 2019. The Duva development comprises a four slot template tied back to the Gjøa platform where the wellstream will be processed. The oil will be transported through the Troll oil pipeline to the Kollsnes terminal at the west coast of Norway, while the gas will be transported to UK through the SEGAL gas pipeline. Initially, two oil production wells and one gas well are planned, with the possibility to drill one more oil production well. Production start is planned in Q3 2021.

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), Grosbeak (PL 090 JS) and Echino Sør (PL 090). 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 CO. IS A WORLDWIDE CORPORATION WITH AROUND 13 000 EMPLOYEES AND 61 GLOBAL OFFICES.

Sazo Idemitsu founded the company as a lubricant oil sales business in 1911. Today, oil exploration and production in Norway and South East Asia form an important part of the resource businesses in the group.

From 1 April, 2019, Idemitsu Kosan merged with Showa Shell Sekiyu K.K. in Japan. The company will continue to operate and expand the following five business segments both domestically and abroad: petroleum products, basic chemicals, functional materials, electricity & renewable energy, and resources.

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

THE IDEMITSU MUNCH CONNECTION

A new agreement between Idemitsu and Munchmuseet was signed in August 2019. From left: Hiroshi Arikawa, Managing Director of Idemitsu Petroleum Norge, Shunichi Kito, President and Representative Director CEO of Idemitsu Kosan, and Stein Olav Henrichsen, Museum Director of Munchmuseet.

IDEMITSU HAS BEEN A PROUD SPONSOR OF MUNCHMUSEET 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 Munchmuseet has been a natural choice for Idemitsu – 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.

In August 2019, we expanded our sponsorship agreement and planted five cherry trees in front of the new museum building in Bjørvika.

DIRECTORS' REPORT 2019

DIRECTORS’ REPORT 2019

THE NATURE AND LOCATION OF THE BUSINESS

Idemitsu Petroleum Norge AS (Idemitsu) is engaged in the exploration for and development and production of crude oil and natural gas on the Norwegian Continental Shelf (NCS). The company is located in the Bærum municipality.

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 % interest 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 3.75 % interest in the unitised Vega field (expected 3.30 % from 1 January 2020). In 2014, production started from the unitised Fram H-Nord field, where Idemitsu has a 28.8 % interest. In March 2015, production started from the Knarr field in the northern North Sea, a field in which Idemitsu holds a 25 % interest. In 2017, the development of the Byrding field was completed with a tie-back to Fram. With Byrding in production, Idemitsu has an interest in 10 producing fields on the NCS.

Idemitsu is part of the Japanese Idemitsu Kosan group and its shares are 100 % owned by Idemitsu Snorre Oil Development Co., Ltd. (ISD), a Japanese company registered in Tokyo. A majority share in ISD of 50.5 % is held by Idemitsu Kosan Co., Ltd.. The remaining 49.5 % is held by the holding company Osaka Gas Summit Resources Co., Ltd., which is owned by Japanese companies Osaka Gas (70 %) and Sumitomo (30 %).

Idemitsu’s business is the exploration for, development, production and sales of hydrocarbons with the best possible economic return to the shareholders.

GOING CONCERN

In accordance with § 3-3a of the Accounting Act it is confirmed that the going concern assumption is satisfied and this assumption has been applied in the preparation of the accounts.

EXPLORATION & PORTFOLIO

In 2019, Idemitsu was awarded one license interest in the APA 2018 (PL 636 B). In addition, Idemitsu acquired a 10 % interest from Petrolia Noco and a 10 % interest from Concedo in PL 882 through farm-in agreements.

Idemitsu participated in one exploration well in 2019. In PL 090, exploration well 35/11-23 was drilled in order to prove petroleum in the Upper Jurassic Sognefjord formation as a primary target and in the Middle Jurassic Brent group as a secondary target. In the primary target two hydrocarbon-bearing sandstone intervals were encountered, and in the secondary target a total oil and gas column of around 35 metres was encountered. Reservoir quality was good in both targets.

On the Loppa High, studies are ongoing in order to find the optimal development concept for the Alta discovery. Another exploration well north of Alta (Polmak) is planned in PL 609.

In the Wisting area (PL 537, PL 537 B), DG1 (commerciality declaration) was passed in 2019, and the operatorship was transferred from OMV to Equinor from 1 December 2019. Work is ongoing in the license to prepare for a concept selection.

There are 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 actively participate in future 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 2019 was lower than in 2018. In the Tampen area, Snorre B was shut-in for a long period following an incident with one of the risers. The Snorre Expansion Project (SEP) is ongoing, and is expected to increase the daily production significantly from 2021.

In the Fram area the daily production has increased after several new production wells were drilled.
The Troll C Gas Module is expected to be completed in early 2020, and will increase the gas processing capacity for the Fram area significantly.
On Vega, there was a final redetermination process in December 2019. From 1 January 2020 Idemitsu's interest is anticipated to reduce from 3.75 to 3.3 %. As part of the redetermination, Idemitsu will have redelivery obligations to the partners in Vega North and Vega Central.

In Knarr, production is at a declining stage. However, an infill well is planned in 2020 to increase the daily production.

In PL 636, the PDO for Duva (Cara) development was approved on 26 June 2019. The Duva field will be developed through a subsea tie-back to the nearby Gjøa platform which is operated by Neptune. The production from Duva is expected to start in early 2021, and Idemitsu has a 30 % interest in the project.

REPORT ON THE ANNUAL ACCOUNTS

(1) Statements of income

Idemitsu posted a profit after tax of 392 million NOK in 2019 (2018: 584 million NOK). The reduction in profit is due to a combination of reduced crude oil sales volume and lower oil prices, although operating expenses have also decreased compared to 2018.

The company has reviewed its producing fields and exploration assets for potential impairment loss. Based on this review, impairment losses of 82 million NOK and 47 million NOK were booked in respect of the Vega and Byrding fields respectively. The impairment loss on Byrding was triggered by lower resource estimates and a reduction in oil price assumptions. The impairment loss on Vega is mainly triggered by the reduction in reserves as a result of the redetermination and the lower price outlook for dry gas. In 2018 the impairment loss was 695 million NOK.

Depreciation is also reduced compared to 2018, due to lower production. Due to the implementation of IFRS 16 (lease), the lease cost is booked as depletion cost and interest cost in 2019.

Operating expenses also reflect a decrease in exploration cost as a result of participation in fewer exploration wells.

(2) Balance sheets

Idemitsu has no long term loans at year end 2019. Extraordinary dividend of 247 million NOK was paid in December 2019. Equity represents 51 % of total assets at 31 December 2019.

Capitalised 'Successful efforts exploration wells' decreased by 47 million NOK in 2019. This is mainly because the Duva (Cara) exploration well was transferred to Production facilities under development.
The drilling cost for the Echino S exploration well was capitalised.

Provision for Asset Retirement Obligations (ARO) has increased by 177 million NOK, mainly due to the addition of the Duva field and higher decommissioning estimates from the operators.

As a consequence of the implementation of IFRS 16 (Lease), a lease liability was booked in the balance sheet on 1 January 2019. The most significant lease liability is related to the leased FPSO on the Knarr field. At the end of 2019 the company's total lease liability was 944 million NOK. The total value of the corresponding Right-of-use assets was 814 million NOK.

(3) Cash flow statements

Total investment in production facilities in 2019 was 1 506 million NOK, compared to 603 million NOK in 2018. A large part of the investments has been made in Snorre/SEP and PL 089 in order to maintain optimal production in the years to come. In addition, the construction of the Troll C Gas Module has been ongoing in the Fram area. Furthermore, substantial investments have been made in the Duva development.

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

The board is not aware of any matters that are important for an assessment of the company's position and results that are not set out in the annual accounts. Similarly no matters have occurred after the end of the financial year that in the opinion of the board are material to an assessment of the accounts.

FINANCIAL RISK

General information relevant to financial risks

Idemitsu's activities expose the company to market risk (including commodity price risk and currency risk), liquidity risk and credit risk. The company's approach to risk management includes assessing and managing risk with focus on achieving the highest risk adjusted returns for the shareholders.

Commodity price risk

The company operates in the crude oil and natural gas market and is exposed to fluctuations in hydrocarbon prices that can affect revenues. No hedging activities are carried out to reduce the market price risk.

Currency risk

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

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet obligations of financial liabilities when they become due. The purpose of liquidity management is to make certain that the company has sufficient funds available at all times to cover its financial liabilities. 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
Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions. There are also minor credit exposures related to trade receivable and joint venture overcalls toward license partners. The company`s license partners are credit worthy oil companies and cash and cash equivalents are receivable from banks.

WORKING ENVIRONMENT, EQUAL OPPORTUNITY AND DISCRIMINATION
Idemitsu staff are our key asset and mitigating health and safety risks associated with our activities is our highest priority. In 2019 there were no major accidents or incidents resulting in fatalities. For 2019 activities there were 15 incidents reported on our partner-operated licenses. We continued to see a reduction in hydrocarbon discharges and there were no reported incidents in 2019. Oil and gas production from the Norwegian Continental Shelf (NCS) has one of the lowest carbon emission intensities in the world. Carbon emission intensity for the NCS is approximately 10 kg $C0_2$ equivalent per barrel, while world industry average is approximately 20 kg $C0_2$ equivalent per barrel.

Idemitsu maintains oversight of exploration, field development and production activities through independent evaluation and review of applications and plans. Idemitsu participates in partner workshops and audits to verify that the activities Idemitsu participates in are planned and executed in accordance with Norwegian regulations and Idemitsu's expectations.

At the end of 2019, there were 58 employees in Idemitsu. The total sick leave for 2019 was 1.5 %. The company continues to focus on ergonomics and work-life balance, and staff are provided with opportunities for maintaining a healthy lifestyle in order to prevent and mitigate long-term sick leave.

Idemitsu has a policy of equal opportunities and reflects this in recruitment and HR policies. There are currently two women in management roles, one of whom is also on the Board of Directors.

ENVIRONMENT REPORTING
The company does not carry out activities that pollute the external environment. For environmental reporting for the partner-operated licenses and fields, reference is made to the environmental reporting from the operators.

RESEARCH AND DEVELOPMENT ACTIVITIES

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 the fields in which Idemitsu has an interest.

PAYMENTS TO AUTHORITIES

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

OUTLOOK

Idemitsu's annual profits are closely linked to the crude oil price and exchange rates. These elements, particularly the crude oil price, fluctuate and are difficult to estimate. The international outbreak of COVID-19 in early 2020 has affected business and economic activity around the world, including in Norway. Given the spread of COVID-19, the range of potential outcomes are difficult to predict, but range from successful virus containment and minor short-term impact, to a prolonged global recession and long term decrease in commodity prices, including oil. At the same time there are a number of policy and fiscal responses emerging globally, intended to mitigate potential negative economic impact. Idemitsu is monitoring the COVID-19 outbreak developments closely and is following the guidance of the World Health Organisation and abiding by the requirements of the Norwegian government, however the virus has the potential to cause disruption to Idemitsu's activities and impact earnings, cash flows and financial conditions.

Idemitsu has made an assessment of the impact of COVID-19 on its operations and ability to continue as a going concern. Due to the stable income from fields with low/moderate cost level, Idemitsu can be profitable even at fairly low crude oil price levels. The company's liquidity is robust, and currently the company has substantial bank deposits and no long term loans. It is assumed that the company has significant borrowing capacity both on stand-alone basis and with backing from the Idemitsu group. Based on this, the board is confident that the going concern assumption is still valid.

The annual profit is also affected by the crude oil production and sales volume. All the company's producing fields are at 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.

ANNUAL RESULT AND ALLOCATIONS

In 2019 the company had a result after tax of NOK 392 035 533 which is proposed to be allocated as follows:

DISPOSITION AMOUNT

ALLOCATION TO DIVIDEND	0
ALLOCATION TO GROUP CONTRIBUTION	0
TO OTHER EQUITY	392 035 533

Bærum, 16 April 2020

The board of Idemitsu Petroleum Norge AS

ANGELA EVANS
Chairman

JUN MIKI

HIROSHI ARIKAWA

JOHAN KORSMOE

SHOGO HIRAHARA

FINANCIAL STATEMENT

STATEMENTS OF INCOME

AMOUNTS IN '000 NOK

	NOTE	2019	2018
Revenue	5	3 788 339	5 547 464
Other operating income	5	0	452 050
Total operating income		**3 788 339**	**5 999 514**
Operating expenses	6	779 206	1 284 012
Exploration expenses	6	245 968	314 155
Personnel expenses	7, 8	162 576	157 152
Depreciation and amortisation	12, 13	1 021 318	957 759
Impairment loss	14	129 000	695 000
Other administrative expenses	7, 20	54 007	43 810
Total operating expenses		**2 392 075**	**3 451 889**
OPERATING PROFIT		**1 396 264**	**2 547 626**

AMOUNTS IN '000 NOK

	NOTE	2019	2018
Financial income		124 174	150 741
Financial expenses		166 830	178 127
Net financial items	**10**	**-42 656**	**-27 386**
Operating result before tax		**1 353 609**	**2 520 240**
Tax on ordinary result	11	961 573	1 936 645
Ordinary result after tax		**392 036**	**583 595**
STATEMENTS OF COMPREHENSIVE INCOME			
Net actuarial gain/loss	8	-4 493	-1 082
Other comprehensive income		**-4 493**	**-1 082**
TOTAL COMPREHENSIVE INCOME		**387 543**	**582 513**

BALANCE SHEETS

AMOUNTS IN '000 NOK

	NOTE	2019	2018
FIXED ASSETS			
INTANGIBLE ASSETS			
Succesful efforts exploration wells	4, 13	1 854 682	1 901 578
Total intangible assets		**1 854 682**	**1 901 578**
TANGIBLE ASSETS			
Production facilities in operation	4, 12, 18	4 077 301	2 910 548
Production facilities under development	12	680 274	11 850
Equipment and other movables	12	38 812	6 041
Total tangible assets		**4 796 387**	**2 928 439**
FINANCIAL FIXED ASSETS			
Other long-term receivables		131 350	122 599
Total financial fixed assets		**131 350**	**122 599**
TOTAL FIXED ASSETS		**6 782 419**	**4 952 615**

AMOUNTS IN '000 NOK

	NOTE	2019	2018
CURRENT ASSETS			
Inventories	23	82 722	83 195
DEBTORS			
Accounts receivables		48 627	592 425
Other short-term receivables	15	268 698	154 592
Receivables from group companies	21	1 250 653	1 700 000
Total receivables		**1 567 977**	**2 447 017**
INVESTMENTS			
Cash and bank deposits	2, 9	1 055 559	948 885
TOTAL CURRENT ASSETS		**2 706 258**	**3 479 096**
TOTAL ASSETS		**9 488 677**	**8 431 711**

BALANCE SHEETS

AMOUNTS IN '000 NOK

	NOTE	2019	2018
EQUITY			
PAID-UP EQUITY			
Share capital	16	727 900	727 900
Total paid-up equity		**727 900**	**727 900**
RETAINED EARNINGS			
Other equity	16	4 158 473	4 017 630
Total retained earnings		**4 158 473**	**4 017 630**
TOTAL EQUITY		**4 886 373**	**4 745 530**
LIABILITIES			
PROVISIONS FOR LIABILITIES			
Pension liabilities	8	71 055	48 203
Deferred tax	11	242 332	17 262
Asset Retirement Obligations (ARO)	17	2 286 939	2 109 479
Lease liability	19	611 751	0
Other provisions		35 640	38 880
Total provisions		**3 247 718**	**2 213 823**

AMOUNTS IN '000 NOK

	NOTE	2019	2018
CURRENT DEBT			
Trade creditors		169 872	100 224
Tax payable	11	377 885	1 041 970
Public duties payable		19 534	16 051
Liabilities to group companies	21	4 135	1 026
Short term part of lease liability		332 573	0
Other current debt	15	450 587	313 088
Total current debt		**1 354 586**	**1 472 358**
TOTAL LIABILITIES		**4 602 304**	**3 686 181**
TOTAL EQUITY AND LIABILITIES		**9 488 677**	**8 431 711**

Bærum, 16 April 2020

The board of Idemitsu Petroleum Norge AS

ANGELA EVANS
Chairman

JUN MIKI

HIROSHI ARIKAWA

JOHAN KORSMOE

SHOGO HIRAHARA

INDIRECT CASH FLOW

AMOUNTS IN '000 NOK

	NOTE	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss before tax		1 353 609	2 520 240
Taxation paid	11	-1 384 659	-1 666 414
Loss/gain on the sale of fixed assets		0	-452 050
Depreciation, amortisation and net impairment loss	14	1 150 318	1 652 759
Change in inventory	23	473	17 301
Change in accounts receivable		543 798	189 095
Change in accounts payable		69 648	-39 117
Interest cost on asset retirement obligations	17	67 840	64 633
Interest cost on lease liability (IFRS 16)		25 806	0
Difference in expensed pension payments and payments in/out of the pension scheme	8	2 431	214
Expense of previously capitalised exploration wells		0	7 019
Decommissioning cost incurred		-15 151	-216
Change in other liabilities		140 852	111 198
Change in other short term assets		-114 758	63 788
Net cash flows from operating activities		**1 840 206**	**2 468 449**

AMOUNTS IN '000 NOK

	NOTE	2019	2018
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investment in production rights	5	0	-965 762
Investments in production facilities	12	-1 505 528	-603 156
Investments in furniture and office equipment	12	-3 558	-2 507
Investment in successful efforts exploration wells	13	-67 910	-253 175
Change in other long term assets/liabilities		-8 751	13 787
Net cash flows from investment activities		**-1 585 748**	**-1 810 814**
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments (IFRS 16)	19	-351 084	0
Payment of dividend		-246 700	-377 300
Deposit in IKC		-2 750 000	-2 950 000
Deposit in IKC matured		3 200 000	1 250 000
Net cash flows from financing activities		**-147 784**	**-2 077 300**
Net change in cash and cash equivalents		106 674	-1 419 665
Cash and cash equivalents at the start of the period		948 885	2 368 550
Cash and cash equivalents at the end of the period		**1 055 559**	**948 885**

ACCOUNTING PRINCIPLES

GENERAL
The financial statements of IPN have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014. Dividend is booked in accordance with the Norwegian Accounting Act, cf § 3-1 (3) of the above regulations. For previous years the financial statements have been prepared in accordance with NGAAP. The accounting language for Idemitsu is English. The accounting currency is NOK.

BASIS OF PREPARATION
The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding. Expenses related to operating activities in the statements of income are presented as a combination of function and nature in conformity with industry practice. Depreciation, amortisation and net impairment losses are presented in separate lines based on their nature while operating expenses and exploration expenses are presented on a functional basis.

The Accounting Act § 6-1 requires salaries to be presented separately in the statements of income. 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 statements of income.

The statements of cash flow have been prepared in accordance with the indirect method. Interest in joint operations (arrangements in which Idemitsu and other participants have joint control and each of the parties have rights to the assets and obligations for the liabilities, rating to their respective share of the arrangement) and similar arrangements (licenses) outside the scope of IFRS 11 are recognised on a line-by-line basis, reflecting the company`s share of assets, liabilities, income and expenses.

CLASSIFICATIONS
Assets linked to the flow of goods, receivables falling due within one year, and assets not determined for perma-

nent 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.

REVENUE RECOGNITION

IFRS 15 applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires the revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Idemitsu recognises revenue upon satisfaction of the performance obligations for the amounts that reflect the consideration entitled in exchange for goods. Revenue associated with the sale and transportation of crude oil, natural gas and petroleum products and other merchandise are recognised when a customer obtains control of the goods, which normally will be when title passes at point of delivery of the goods, based on the contractual terms of the agreements. 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 for corporate tax (22 %) and special tax (56 %) 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 2019 was 20.8 %. 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.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment is reflected at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of an asset retirement obligation, if any, exploration cost transferred from intangible assets and, for qualifying assets, borrowing costs.

Expenditure on major maintenance or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. All other maintenance costs are expensed as incurred.

Oil and gas producing properties are depreciated individually using the unit-of-production (U.O.P.) method as proved and probable developed reserves are produced. The rate of depreciation is equal to the ratio of oil and gas production for the period over the estimated remaining proved and probable reserves expected to be recovered at the beginning of the period. Any changes in the reserves estimate that affect unit-of-production calculations, are accounted for prospectively over the revised remaining reserves. Oil and gas producing assets are depreciated on a field level. Fields in development stage will not be amortised before production from that field commences. The company includes undeveloped reserves (proved and probable reserves but not contingent resources) in the denominator, and consequently includes the future development expenditures necessary to bring those reserves into production in the basis for depreciation.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in Other income or Operating expenses, respectively, in the period the item is derecognised.

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. Future cash flows are based on oil price forecasts from ERC Equipoise Ltd, dry gas forward prices, 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.

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 well discovers 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 OBLIGATIONS (ARO)

Provisions for ARO are recognised when the company has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. Cost is estimated based on current regulation and technology, considering relevant risks and uncertainties. The discount rate used in the calculation of the ARO is determined using an estimated risk free interest rate, adjusted for risk specific to the liability. Normally an obligation arises for a new facility, such as an oil and natural gas production or transportation facility, upon construction or installation. The provisions are classified under Provisions in the balance sheets.

When a provision for ARO is recognised, a corresponding amount is recognised to increase the related property, plant and equipment and is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment. Any change in the present value of the estimated expenditures is reflected as an adjustment to the provision and the corresponding property, plant and equipment. When a decrease in the ARO provision related to a producing asset exceeds the carrying amount of the asset, the excess is recognised as a reduction of depreciation, amortisation and net impairment losses in the statements of income. When an asset has reached the end of its useful life, all subsequent changes to the ARO provision are recognised as they occur in operating expenses in the statements of income.

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 is estimated and compared with the value of all funds paid and previously saved. The difference is shown in the balance sheets under Provision for liabilities or Financial fixed assets. Paid pension premiums and changes in net liability are recorded under Personnel expenses in the statements of income, except for Remeasurement gain/loss which is included in Other comprehensive income.

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 statements of income. Short term assets and liabilities are revalued individually at year end rates, and unrealised gains and losses are recognised through the statements of income.

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits, and other short-term highly liquid investments with an original due date of three months or less.

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 debt. 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 immaterial and expensed as incurred.

CHANGES IN ACCOUNTING STANDARDS

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and replaces the current lease accounting standard, IAS 17 Leases, including related interpretations. The new standard introduced a single on-balance sheet accounting model for all leases, which has resulted in the recognition of a lease liability and a right of use asset (RoU asset) in the balance sheet. The standard is effective from 1 January 2019. Idemitsu is a lessee in applying lease accounting, and the descriptions below consequently reflect lessee accounting.

Idemitsu has applied a prospective approach with no restatement of comparative figures. The lease liability at the date of the initial application was measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate of approximate 3.2 %. The borrowing rate is derived from the terms of the group's existing credit facilities. RoU assets will be depreciated straight line over the lease term as this is ordinarily shorter than the useful life of the assets. For the lease of the Knarr FPSO, Idemitsu depreciates the RoU asset according to the Unit-of-Production principle (U.O.P.).

Most of Idemitsu's leases within the scope of IFRS 16 are related to the company's production licenses and fields. If the license operator has entered into a lease contract on behalf of the field, Idemitsu will account for the lease in accordance with IFRS 16. Whether a contract is entered into on behalf of the license is subject to a contract-specific assessment, but the general principle is that there needs to be a direct link between the lease contract and the license or field on which the RoU asset shall be used.

Idemitsu has applied the exemption for short-term leases (12 months or less) and low value leases. This means that related lease payments will not be recognised in the balance sheet, but expensed or capitalised in line with the accounting treatment for other non-lease expenses. The company will exclude the non-lease components when measuring the lease liability. The company has used the same implementation date and method as the parent company.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of the financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingencies. Actual results may ultimately differ from the estimates and assumptions used. The estimates and the underlying assumptions are reviewed on an ongoing basis. Changes in estimates will be recognised when new estimates can be determined with certainty. The matters described below are considered to be the most important in understanding the key sources of estimation uncertainty that are involved in preparing the financial statements and the uncertainty that could most significantly impact the amounts reported on the result of operations, financial position and cash flows.

Proven and probable oil and gas reserves

Proven and probable oil and gas reserves have been estimated on the basis of industry standards. The estimates are based on internal information and information received from the operators. Proven and probable oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and technical data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, i.e. on the date that the estimates are prepared. Current market prices are used in the estimates. Proven and probable reserves and production volumes are used to calculate the depreciation of oil and gas fields by applying the unit-of production methodology. Reserve estimates are also used as basis for impairment testing of licence-related assets. Changes in petroleum prices and cost estimates may change reserve estimates and accordingly economic cut-off, which may impact the timing of assumed decommissioning and removal activities. Changes to reserve estimates can also be caused by updated production and reservoir information. Future changes to proven and probable oil and gas reserves can have a material effect on depreciation, life of field, impairment of licence-related assets, and operating results. Reference is made to note 18.

Carrying value of intangible exploration and evaluation assets

Where a project is sufficiently advanced, the recoverability of intangible exploration assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value. The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the statements of income as exploration cost unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain. Reference is made to note 13.

Impairment/reversal of impairment
Changes in the expected future value/cash flows of Cash-Generating Units (CGUs) result in impairment if the estimated recoverable value is lower than the book value. Estimates of recoverable value involve the application of judgment and assumptions, including in relation to the modelling of future cash flows to estimate the CGUs value in use or fair value. The evaluation of impairment requires long-term assumptions concerning a number of often volatile economic factors, including future oil prices, oil production, currency exchange rates and discount rates. Such assumptions require the estimation of relevant factors such as long-term prices, the levels of capex and opex, production estimates and decomissioning costs. These evaluations are also necessary to determine a CGU's fair value unless information can be obtained from an actual observable market transaction. Reference is made to note 12 and 14.

Asset retirement obligations
The company has obligations to decommission and remove offshore installations at the end of the production period. The costs of these decommissioning and removal activities require revisions due to changes in current regulations and technology while considering relevant risks and uncertainties. Most of the removal activities are many years into the future, and the removal technology and costs are constantly changing. The estimates include assumptions of the time required and the day rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, the initial recognition of the liability and the capitalised cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement. Reference is made to note 17.

Tax
The company may incur significant amounts of income tax payable or receivable, and recognises significant changes to deferred tax or deferred tax assets. These figures are based on management's interpretation of applicable laws and regulations, and on relevant court decisions. The quality of these estimates is highly dependent on management's ability to properly apply a complex set of rules and identify changes to the existing legal framework. Reference is made to note 11.

NOTES TO THE ACCOUNTS

NOTE 1) ORGANISATION

Idemitsu Petroleum Norge AS ('Idemitsu' or 'the company') was founded on 25 September 1989 and is incorporated and domiciled in Norway. The address of its registered office is Lysaker Torg 25, 1366 Lysaker, Norway. Idemitsu is a subsidiary in the Idemitsu group focusing on exploration, appraisal, development and production opportunities on the Norwegian Continental Shelf. The financial statements of the company for the period ending 31 December 2019 were authorised for issue by the Board of Directors on 16 April 2020.

NOTE 2) MANAGEMENT OF CAPITAL AND FINANCIAL RISK

MANAGEMENT OF CAPITAL

The company's objective when managing capital is to provide a stable dividend to the shareholders and at the same time keep sufficient capital to meet its committed work program requirements and future investments. The company has no long-term loans, and deposits excess liquidity in the parent company Idemitsu Kosan. The company is not subject to any externally imposed capital requirements. The company's objectives, processes and policies have not been changed compared to the previous year.

GENERAL INFORMATION RELEVANT TO FINANCIAL RISKS

Idemitsu`s activities expose the company to market risk (including commodity price risk and currency risk), liquidity risk and credit risk. The company's approach to risk management includes assessing and managing risk with focus on achieving the highest risk adjusted returns for the shareholders.

COMMODITY PRICE RISK

The company operates in the crude oil and natural gas market and is exposed to fluctuations in hydrocarbon prices that can affect revenues. No hedging activities are carried out to reduce the market price risk.

CURRENCY RISK

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

LIQUIDITY RISK

Liquidity risk is the risk that the company will not be able to meet obligations of financial liabilities when they become due. The purpose of liquidity management is to make certain that the company has sufficient funds available at all times to cover its financial liabilities. 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

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions. There are also minor credit exposures related to trade receivable and overcall joint venture toward license partners. The company's license partners are credit worthy oil companies and cash and cash equivalents are receivable from major banks.

NOTE 3) ASSET ACQUISITIONS AND DISPOSALS

ACQUISITION OF EXPLORATION LICENSES

Acquired in 2019:

LICENSE	INTEREST ACQUIRED
PL 882	20 %

Idemitsu undertook parallel transactions with Petrolia Noco and Concedo to acquire a 10 % working interest in PL 882 from each of the two companies (total 20 %). The effective date is 1 January 2019 and the transaction is approved by Norwegian authorities with a completion date in December 2019. The assignment of participating interests in this license purchase has been accounted as an acquisition of assets. The Consideration is recognised as an intangible asset in the balance sheets of the company.

DISPOSALS OF EXPLORATION LICENSES

Relinquishment in 2019:

LICENSE	INTEREST DISPOSED
PL 614	40 %

NOTE 4) INVESTMENTS IN JOINT VENTURES

PRODUCTION LICENSE	BLOCK(S)	PRODUCING FIELDS	OPERATOR	INTEREST	
057	34/4	Snorre	Equinor	9.6 %	
089	34/7	Snorre, Tordis, Vigdis	Equinor	9.6 %	
		Statfjord Øst	Equinor	4.8 %	1)
		Sygna	Equinor	4.32 %	2)
090	35/11	Fram	Equinor	15 %	
090 B	35/11	Byrding	Equinor	15 %	
090 C	35/11	Vega Unit	Wintershall	15 %	3)
090 E	31/2		Equinor	15 %	
090 F	35/11		Equinor	40 %	
090 G	35/11	Fram H-Nord	Equinor	40 %	4)
090 HS	35/11		Equinor	15 %	
090 I	31/2		Equinor	15 %	
090 JS	35/11		Wellesley	40 %	
293 B	35/10		Equinor	20 %	
318	35/2		Equinor	20 %	
318 B	35/4,5		Equinor	20 %	
318 C	6203/10		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 2020, Idemitsu holds a 3.3 % interest in the unitised Vega field (2019: 3.75 %).

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

PRODUCTION LICENSE	BLOCK(S)	PRODUCING FIELDS	OPERATOR	INTEREST
373 S	34/2,3,5,6	Knarr	Shell	25 %
537	7324/7,8		Equinor	20 %
537 B	7324/4		Equinor	20 %
609	7220/6,9,11,12 7221/4		Lundin	30 %
609 B	7120/1,2		Lundin	30 %
609 C	7220/12, 7221/10		Lundin	30 %
636	36/7		Neptune	30 %
851	7220/9, 7221/7, 7221/8		Lundin	30 %
882	33/6, 34/4		Neptune	20 %

NOTE 5) REVENUES AND OTHER INCOME

AMOUNTS IN '000 NOK

REVENUES	2019	2018
Crude oil	3 370 732	4 932 482
NGL	149 065	179 349
Dry gas	251 011	414 052
Tariff income	17 532	21 581
Total	**3 788 339**	**5 547 464**

All revenues are generated from the Norwegian Continental Shelf (NCS).
The following two customers accounted for more than 10 % of the sales in 2019:
> Shell International Trading & Shipping
> Equinor ASA

AMOUNTS IN '000 NOK

OTHER INCOME	2019	2018
Gain/loss on transactions	0	452 050
Total	**0**	**452 050**

In the 1989 Assignment Agreement between Idemitsu and Statoil for interests in PL 089 and PL 057, there was an income sharing clause. 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 was terminated with effective date 31 December 2015 and a one-time settlement was paid from Idemitsu to Statoil. The one-time settlement has been booked as production rights in the company's balance sheets, 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 gain booked for the settlement was 452 million NOK.

NOTE 6) OPERATING AND EXPLORATION EXPENSES

AMOUNTS IN '000 NOK

OPERATING EXPENSES	2019	2018
Production cost	543 890	1 055 336
Processing cost	169 839	149 230
Transportation cost	47 893	45 834
Change in inventory and over/underlift	9 372	27 295
Other cost	8 211	6 318
Total	**779 206**	**1 284 012**

EXPLORATION EXPENSES	2019	2018
License exploration expense	190 235	253 450
Exploration expense outside license accounts	55 733	60 705
Total	**245 968**	**314 155**

NOTE 7) SALARY COSTS AND BENEFITS, REMUNERATION TO THE CHIEF EXECUTIVE, BOARD AND AUDITOR

AMOUNTS IN '000 NOK

SALARY COSTS	2019	2018
Salaries	123 268	107 271
Employment tax	20 287	17 704
Pension costs	21 480	18 155
Other benefits	-2 460	14 023
Total	**162 576**	**157 152**

In 2019 the company employed 58 man-years. In 2018 the company also employed 58 man-years.

AMOUNTS IN '000 NOK

REMUNERATION TO MANAGING DIRECTOR	2019	2018
Salaries	2 972	2 182
Pension costs	38	40
Other remuneration	597	596
Total	**3 607**	**2 817**

No employee has options, profit-sharings or severance pay agreements at year end 2019. There are no loans or pledges of security to the Managing Director or board members.

The amount of loan to employees was 31.4 million NOK at 31/12/2019 (31/12/18: 25.2 million NOK). One of the board members received a remuneration of 30,000 NOK.

AMOUNTS IN '000 NOK

AUDITOR FEE	2019	2018
Deloitte, audit fee	433	420
Deloitte, other audit related services*	557	571
Total	**990**	**991**

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

NOTE 8) PENSION

Idemitsu has a group pension insurance with DNB covering 48 local employees and four retirees. The group pension insurance is in accordance with the requirements stated in Norwegian pension legislation. Net pension obligations are recorded under Provisions for liabilities in the Balance sheets. The annual change in net obligation is recorded as expense under Other operating expenses in the statements of income, except Remeasurement gain/loss which is booked as Other comprehensive income. Accounting for pension cost is done in accordance with IAS 19. Pension rights for Japanese employees are covered in Japan by group companies.

AMOUNTS IN '000 NOK

	2019	2018
Service cost	22 671	19 968
Financial cost	980	757
Net pension cost	**23 650**	**20 725**
Remeasurement loss (gain) booked to Other comprehensive income	20 422	4 918
Estimated pension obligations	192 225	158 134
Pension plan assets (year end value)	121 170	109 932
Net pension obligation at year end	**71 055**	**48 203**
Economical assumptions		
Discount rate (OMF rate)	1.80 %	2.60 %
Expected compensation increase	2.25 %	2.75 %
Expected return on pension plan assets	1.80 %	2.60 %
Adjustments in National Insurance base rate	2.00 %	2.50 %
Adjustments in pensions	2.00 %	2.50 %
Adjustments in pensions >12G	0.70 %	0.80 %

The actuary calculations are based on mortality table K2013BE and disability tariff IR02.

NOTE 9) RESTRICTED BANK DEPOSITS

AMOUNTS IN '000 NOK

	2019	2018
Withheld employee taxes	15 605	15 425
Mortgaged deposit related to Gassco bank guarantee*	49 754	49 668
Restricted deposit account related to office rent agreement	3 294	3 276
Total	**68 653**	**68 368**

* As required by Gassco, the company has obtained a bank guarantee for the committed tariff payments in Gassled for the two coming years.

NOTE 10) FINANCIAL ITEMS

AMOUNTS IN '000 NOK

	2019	2018
Foreign exchange gain	62 890	116 480
Interest income	36 851	17 973
Interest income from related company	24 434	16 288
Foreign exchange loss	-62 421	-99 795
Accretion expense asset retirement obligations	-67 840	-64 633
Accretion expense lease liabilities	-21 826	0
Other interest expense	-14 743	-13 698
Total	**-42 656**	**-27 386**

NOTE 11) INCOME TAXES

AMOUNTS IN '000 NOK

	2019	2018
Current year payable taxes	722 281	1 725 313
Change deferred tax balance sheet	240 999	205 205
Adjustments related to prior periods (payable)	-1 708	10 677
Adjustments related to prior period (deferred)	0	-4 550
Total	**961 573**	**1 936 645**

RECONCILIATION OF NORWEGIAN STATUTORY TAX RATE TO EFFECTIVE TAX RATE	2019	2018
Income before tax	1 353 609	2 520 240
Calculated income taxes at		
- statutory tax rate 22 % (23 % in 2018)	297 794	579 655
- petroleum special tax rate 56 % (55 % in 2018)	758 021	1 386 132
Tax effect of		
Uplift	-95 985	-74 502
Financial items allocated onshore	-28 554	-20 486
Permanent differences	32 005	59 719
Adjustment prior years	-1 708	6 127
Total	**961 573**	**1 936 645**
Effective tax rate	71.0 %	76.8 %

AMOUNTS IN '000 NOK

SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES	2019	2018
Deferred tax assets on		
Lease liabilities (IFRS 16)	736 573	0
Asset retirement obligations	1 694 797	1 547 807
Pension liabilities	55 423	37 598
Others	92	109
Total deferred tax assets	2 486 885	1 585 514
Deferred tax liabilities on		
Property, plant and equipment	-598 955	-65 506
Right-of-use assets	-635 276	0
Capitalised exploration wells	-1 446 652	-1 483 231
Inventories	-48 334	-54 039
Total deferred tax liabilities	-2 729 217	-1 602 776
Net deferred tax liabilities	**-242 332**	**-17 262**

RECONCILIATION OF PAYABLE TAX 31.12	2019	2018
Payable tax for the income year	722 281	1 725 313
Receivable tax prior years	-2 396	-843
Paid installment tax	-342 000	-682 500
Total	**377 885**	**1 041 970**

NOTE 12) PROPERTY, PLANT AND EQUIPMENT

AMOUNTS IN '000 NOK

	PRODUCTION FACILITIES IN OPERATION	PRODUCTION FACILITIES UNDER DEVELOPMENT	FURNITURE, OFFICE EQUIPMENT	TOTAL
Carrying amount at 01/01/2018	3 109 567	0	8 478	3 118 045
Additions 2018	1 448 795	11 850	2 507	1 463 153
Transfers				0
Depreciation 2018	-952 815		-4 944	-957 759
Impairment loss	-695 000			-695 000
Carrying amount 31/12/2018	**2 910 548**	**11 850**	**6 041**	**2 928 439**
Additions 2019	1 076 681	553 619	3 558	1 633 858
Additions Right-of-use asset 2019	1 232 614		36 988	1 269 602
Transfers		114 805		114 805
Depreciation 2019	-562 507		-3 666	-566 173
Depletion Right-of-use asset 2019	-451 036		-4 110	-455 145
Impairment loss	-129 000			-129 000
Carrying amount 31/12/2019	**4 077 301**	**680 274**	**38 812**	**4 796 387**
Acquisition cost	27 584 713	680 274	92 900	28 357 887
Accumulated depreciation 31/12/2019	-21 148 412	0	-54 088	-21 202 500
Accumulated impairment loss 31/12/2019	-2 359 000	0	0	-2 359 000

Production facilities in operation are subject to Unit-of-Production (U.O.P.) depreciation. Production facilities under development are not depreciated before production commences. Furniture and office equipment are depreciated according to the linear method, according to their useful lives (3 or 5 years).

NOTE 13) INTANGIBLE ASSETS

AMOUNTS IN '000 NOK

	CAPITALISED EXPLORATION WELLS
Carrying amount at 01/01/2018	1 655 422
Additions 2018	253 175
Transfers	0
Expensed/impaired exploration wells	-7 019
Carrying amount 31/12/2018	**1 901 578**
Additions 2019	67 910
Transfers	-114 805
Expensed/impaired exploration wells	0
Carrying amount 31/12/2019	**1 854 682**

Capitalised exploration wells are transferred to Production facilities under development when a development of the discovery has been sanctioned.

NOTE 14) IMPAIRMENTS

Impairment tests of individual cash-generating units are performed when impairment triggers are identified. In 2019, the reserves downgrade on Byrding is considered to be an impairment trigger. On Vega, the reduced ownership share and the low dry gas price are considered to be potential impairment triggers. In the assessment of whether an impairment is required 31/12/2019, Idemitsu has used the below average of price forecasts published by ERCE, a future cost inflation rate of 2 % per annum and a discount rate of 7 %, to calculate the future post tax cash flow.

YEAR	CRUDE OIL PRICE (USD/BBL)
2020	66
2021	68
2022	70
2023	72
2024	73
2025	75
2026	76
2027	78
2028	79
2029 ->	CPI adjustment

AMOUNTS IN MILLION NOK

SENSITIVITIES	APPROXIMATE INCREASE IN IMPAIRMENT LOSS (PRE-TAX)
Petroleum prices -10%	78
Petroleum prices -20%	150
Discount rate 7% -> 8%	31

If there is a significant price decrease there is also a risk that an impairment loss must be booked on the RoU asset on the Knarr field (Knarr FPSO).

NOTE 15) SHORT-TERM RECEIVABLES AND OTHER CURRENT DEBT

Accounts receivable is booked at nominal value, without any accrual for losses. All the company's customers are large, international oil companies. Other short-term receivables consist mainly of overcall, joint venture receivables, prepaid expenses and other receivables related to Idemitsu's joint venture licenses. Other current debt consists mainly of undercall, joint venture payables and accruals and other payables related to Idemitsu's joint venture licenses.

NOTE 16) EQUITY AND SHAREHOLDERS

AMOUNTS IN '000 NOK

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Equity 01/01/2019	727 900	4 017 630	4 745 530
Profit 2019		392 036	392 036
Extraordinary dividend 2019		-246 700	-246 700
Remeasurement gain/loss booked to equity (pension)		-4 493	-4 493
Equity 31/12/2019	**727 900**	**4 158 473**	**4 886 373**
Remeasurement loss (-gain) 2019 (Pension)			20 422
Booked to equity			4 493
Booked to deferred tax			15 929
Accumulated remeasurement loss (-gain) booked to equity (post tax)		8 934	8 934

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.

NOTE 17) ASSET RETIREMENT OBLIGATIONS

The Norwegian government may, at the termination of production or expiration of a license, require Idemitsu to remove offshore 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.

AMOUNTS IN '000 NOK

	2019	2018
Asset retirement obligations 01/01/2019	2 109 479	2 051 831
New fields	75 254	0
Change of estimate	-21 705	41 257
Effect of change in discount rate	71 213	-48 026
Actual decommissioning expenditure	-15 141	-216
Interest effect on the NPV obligation	67 840	64 633
Asset retirement obligations 31/12/2019	**2 286 939**	**2 109 479**

In the calculation of net present value at year end 2019, an inflation rate of 2 % and a discount rate of 3.1 % have been used. For the Knarr field a discount rate of 2.9 % has been used. At year end 2018 the discount rate was 3.3 %.

All the liability is long-term. 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 18) 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.

PROVED AND PROBABLE RESERVES	MILL BBLS OF OIL EQUIVALENTS (MMBOE)
Reserves at 01/01/2019	88.8
Revision of previous estimates	3.2
Discoveries, additions and extensions	20.9
Year 2019 production	-8.0
Reserves at 31/12/2019	**104.9**

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 the other fields the natural gas liquids and dry gas are included.

In Vega Unit the unitisation agreement opens for re-assessment of owner shares based on a bi-annual re-determination process. In the event a redetermination results in a de-creased 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. A redetermination assess-ment took place in 2018 resulting in a change in ownership from 4.38 % to 3.75 % from 1 January 2019.
In December 2019 the last redetermi-nation assessment was carried out, resulting in a final and permanent ownership share of 3.3 % for Idemitsu from 1 January 2020.

NOTE 19) LEASING

IFRS 16 Leases entered into force from 1 January 2019. The standard results in the recognition of a lease liability and a right-of-use asset in the balance sheet. Idemitsu has applied the prospective approach, with no restatement of comparative figures. The incremental borrowing rate applied in discounting of the nominal lease liability is 3.20 %. Reference is made to Accounting principles.

AMOUNTS IN MILLION NOK

Operating lease payments as specified 31/12/2018	889
Reevaluation of nominal lease payments 01/01/2019	-59
Added lease agreements 01/01/2019	51
Nominal lease debt 01/01/2019	**881**
Discounting	-33
Lease liability 01/01/2019	**848**
Interest expense on lease liability	23
Foreign exchange loss (gain) on lease liability	4
New lease liability recognised in the period	431
Payments of lease debt (cash outflow)	-361
Lease liability 31/12/2019	**944**
Carrying amount of Right-of-use assets 31/12/2019	814

The company has four leasing agreements which are deemed to be within the scope of IFRS 16:

LEASE OBJECT	LICENSE
1 Knarr FPSO	PL 373 S
2 Knarr Fjordbase	PL 373 S
3 Drilling rig, Snorre Expansion Project	Snorre unit
4 Office building	-

The company has no variable lease payments or short-term leases below 1 year. The expense relating to leases of low-value assets is negligible. The identified leases have no significant impact on the company's financing or dividend policy. The company does not have any residual value guarantees. Extension options are included in the lease liability when, based on management's judgement, it is reasonably certain that an extension will be exercised. No extension options are currently included in the leases.

AMOUNTS IN MILLION NOK

BREAKDOWN OF THE LEASE LIABILITY IN SHORT-TERM AND LONG-TERM:	
Short-term	333
Long-term	612
Total lease liability	**944**

AMOUNTS IN MILLION NOK

PAYMENTS OF LEASE DEBT SPLIT BY ACTIVITIES:	
Investment in production facilities	10
Operating expenditure	346
Other	5
Total	**361**

LEASE DEBT MATURITY BREAKDOWN:	
Within one year	333
Two to five years	600
After five years	12
Total	**944**

NOTE 20) 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 315.7 million NOK (Idemitsu share) at 31/12/2019, related to exploration wells in PL 089, PL 090, PL 609 and PL 882.

Furthermore, Idemitsu has committed to investment in a number of development projects. Below is listed the remaining investment commitment (Idemitsu share) in each project as of 31/12/2019:

AMOUNTS IN MILLION NOK

Snorre Expansion Project (SEP)	1 716
Vigdis Booster station	77
Knarr infill well	155
Duva (formerly Cara)	1 361
Total	**3 309**

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

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.

NOTE 21) TRANSACTIONS WITH GROUP COMPANIES

AMOUNTS IN '000 NOK

ACCOUNTS PAYABLE/RECEIVABLE AT YEAR END	2019	2018
Idemitsu Kosan Co. Ltd, receivable	653	0
Idemitsu Kosan Co. Ltd, payable	-4 135	-1 026
Net receivable (payable)	**-3 482**	**-1 026**

SALES AND PURCHASES GROUP COMPANIES	2019	2018
Idemitsu Kosan Co. Ltd, purchases	6 333	6 343

Idemitsu has a 1.25 billion NOK deposit in the parent company IKC at 31/12/2019. The deposit is maturing in February 2020, and interest terms is 6M NIBOR +0.2 % in accordance with the Deposit Agreement signed in February 2018.

NOTE 22) R&D

AMOUNTS IN '000 NOK

	2019	2018
R&D expense	60	174

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.

NOTE 23) INVENTORY

AMOUNTS IN '000 NOK

	2019	2018
Underlift	7 854	4 444
Spare parts and other stock items	74 868	78 751
Total	**82 722**	**83 195**

NOTE 24) EVENTS AFTER THE BALANCE SHEET DATE

The international outbreak of COVID-19 in early 2020 has affected business and economic activity around the world, including in Norway. Idemitsu considers this to be a non-adjusting post balance sheet event as of 31 December 2019.

Given the spread of COVID-19, the range of potential outcomes are difficult to predict, but range from successful virus containment and minor short-term impact, to a prolonged global recession and long-term decrease in commodity prices, including oil. At the same time there are a number of policy and fiscal responses emerging globally, intended to mitigate potential negative economic impact. Idemitsu is monitoring the COVID-19 outbreak developments closely and is following the guidance of the World Health Organisation and abiding by the requirements of the Norwegian government. However, the virus has the potential to cause disruption to Idemitsu's activities and impact earnings, cash flows and financial conditions going forward. Future oil price assumptions are key estimates in Idemitsu's financial statements and a change in these assumptions may impact the recoverable amount of the company's oil and gas assets, reserve and resource estimates, operational spend level and distribution of future dividends.

NOTE 25) TRANSITION TO SIMPLIFIED IFRS

From 2019, the financial statements for Idemitsu are prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014. The comparison numbers for 2018 have been recalculated according to simplified IFRS. Below is the reconciliation of the 2017 end balance according to NGAAP and the 2018 starting balance according to simplified IFRS. At 31/12/2018 there was no difference between the balance sheet according to NGAAP and the balance sheet according to simplified IFRS.

	NGAAP 31/12/2017	RECALCULATE IFRS	IFRS 31/12/2017	COMMENT
FIXED ASSETS				
INTANGIBLE FIXED ASSETS				
Successful efforts exploration wells	1 655	0	1 655	
Total intangible fixed assets	**1 655**	**0**	**1 655**	
TANGIBLE FIXED ASSETS				
Production facilities in operation	3 110	2 415	5 524	Income sharing agreement with Equinor booked as liability with offset to production facilities value
Furniture, fixtures and cars	8	0	8	
Total tangible fixed assets	**3 118**	**2 415**	**5 533**	

	NGAAP 31/12/2017	RECALCULATE IFRS	IFRS 31/12/2017	COMMENT
FINANCIAL FIXED ASSETS				
Employee long term receivables	29	0	29	
Deferred tax asset	187	352	539	Deferred tax asset on income sharing agreement
Other long-term receivables	107	0	107	
Total financial fixed assets	**324**	**352**	**676**	
TOTAL FIXED ASSETS	**5 097**	**2 767**	**7 864**	
CURRENT ASSETS				
STOCKS AND UNDERLIFT				
Inventory and underlift	98	3	100	Different unit cost due to income sharing agreement
DEBTORS				
Total debtors	**1 000**	**0**	**1 000**	
BANK				
Bank and cash	2 369	0	2 369	
TOTAL CURRENT ASSETS	**3 466**	**3**	**3 469**	
TOTAL ASSETS	**8 564**	**2 769**	**11 333**	

	NGAAP 31/12/2017	RECALCULATE IFRS	IFRS 31/12/2017	COMMENT
RESTRICTED EQUITY				
Share capital	728	0	728	
RETAINED EARNINGS				
Retained earnings	3 912	- 99	3 812	
TOTAL EQUITY	**4 640**	**-99**	**4 540**	
LIABILITIES				
PROVISIONS				
Pension liabilities	43	0	43	
Statoil premium liability	0	2 867	2 867	Income sharing agreement with Equinor booked as liability
Abandonment accrual	2 052	0	2 052	
Other long term liabilities	42	0	42	
Total provisions	**2 137**	**2 867**	**5 004**	

	NGAAP 31/12/2017	RECALCULATE IFRS	IFRS 31/12/2017	COMMENT
CURRENT LIABILITIES				
Short-term bank loan				
Suppliers payable	139	0	139	
Payables group companies	2	0	2	
Accrued payroll taxes, VAT, etc.	16	0	16	
Taxes payable	972	0	972	
Other current liabilities and overlift	657	2	659	Different unit cost due to income sharing agreement
Total current liabilities	**1 787**	**2**	**1 789**	
TOTAL LIABILITIES	**3 924**	**2 869**	**6 793**	
TOTAL EQUITY AND LIABILITIES	**8 564**	**2 769**	**11 333**	

AUDITOR'S REPORT 2019

AUDITOR'S REPORT 2019

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel: +47 23 27 90 00
www.deloitte.no

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, which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income 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 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

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 and fair presentation of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, 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 and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 proposed allocation of the result 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, 16 April 2020
Deloitte AS

Mette Herdlevær

Mette Herdlevær
State Authorized Public Accountant (Norway)

PHOTO:
Ove Kvavik/Munchmuseet (page 16)
Håkon Borkhus/Idemitsu (all other pages)