idemitsu

2020 ANNUAL REPORT

Idemitsu Petroleum Norge AS

MESSAGE FROM THE MANAGING DIRECTOR

The year 2020 was dominated by the Covid-19 pandemic which, together with the restrictions imposed to limit spreading of the disease, have heavily affected families and communities all over the world. It has significantly impacted the oil and gas industry on a global scale, likewise for many business sectors. Foreseeing an uncertain future with significant drop in oil prices due to a medium to long-term decline in oil demand, we greatly appreciate the temporary tax measures implemented by the Norwegian government to maintain investments and activities for the upstream industry. These measures allow us to keep on track important projects that will be of great value both for the industry and society.

In Idemitsu, we immediately took measures to keep our employees and surrounding society safe by implementing remote working for all employees. Embracing different technologies and new ways of working may also turn out to be a positive transformation for people and businesses, Idemitsu included, with less travel, higher productivity and more flexibility with implementing the latest IT tools and services.

As we are in the middle of the transition to a low-carbon society we are particularly excited that the Hywind Tampen project is progressing according to plan. The project will be the world's first floating wind farm to power offshore oil and gas platforms and will help reduce carbon emissions significantly. Realisation of carbon-neutral goals requires technological innovation and we are proud to be part of such a landmark venture.

In December, the first wells in the Snorre Expansion Project (SEP) were put on production. This important project is a major contributor to the extended field life of Snorre to 2040, and is estimated to add about 200 million barrels of oil to the field reserves with a minimal impact on environment by optimizing usage of the existing facilities.

Another highlight for Idemitsu in 2020 was several exploration successes in the vicinity of existing fields, which was led by our competitive evaluation capabilities with advanced technologies.

The Dugong discovery near the Snorre field was made in August. This discovery adds valuable resources close to existing infrastructure in the prolific Tampen area and shows the validity of our technologies which indicate further exploration potential in the neighborhood of the discovery. The Lomre prospect, the 41st well drilled in PL 089, proved hydrocarbons in July. The results demonstrated that the license still has meaningful exploration prospects which will be extracted by similar evaluation technologies and could contribute positively with increased and pro-longed production at the Vigdis and Tordis infrastructure.

The Duva development in the northern North Sea is progressing according to plan. Start-up is expected later in 2021 which will substantially increase IPN's daily production from this area.

The investment decision for the Statfjord Øst gas lift project was another positive milestone for our company in 2020. The project will significantly extend the economic lifetime of Statfjord Øst, which was originally anticipated to cease production by end of 2025.

The partial divestment of our Barents Sea portfolio was completed at the end of 2020. This transaction provides us with a strong balance sheet to pursue near-term opportunities and secures long-term production volumes in the Barents Sea.

With the world still in the grip of the pandemic IPN's priority remains to safeguard the health and safety of our employees and surrounding society, while at the same time contributing towards economic recovery and continued innovation in our field of expertise. I strongly believe that with collaborative efforts we will come out to be a prudent upstream company by securing technological soundness and economic rationality. Idemitsu remains committed to continuing our contribution to value creation on the NCS for many years to come.

FUTOSHI TSUNEYAMA
Managing Director

KEY DATA

	2020	2019	2018	2017	2016
OPERATING REVENUES, MILLION NOK	3 610	3 788	6 000	5 379	4 856
OPERATING PROFIT, MILLION NOK	534	1 396	2 547	1 925	651
PROFIT AFTER TAX, MILLION NOK	1 133	392	583	560	327
DAILY OIL PRODUCTION, THOUSAND BARRELS	17.6	16.4	22.2	27.3	32
INVESTMENTS, MILLION NOK	1 788	1 506	603	592	545
EQUITY RATIO (YEAR END)	55 %	51 %	56 %	54 %	55 %
CASH FLOW BEFORE FINANCING, MILLION NOK	1 090	255	658	1 193	1 974
CRUDE OIL RESERVES, MILLION SM^3	15.8	16.7	14.1	14.4	12.7
RETURN ON EQUITY	23 %	8 %	10 %	13 %	7 %

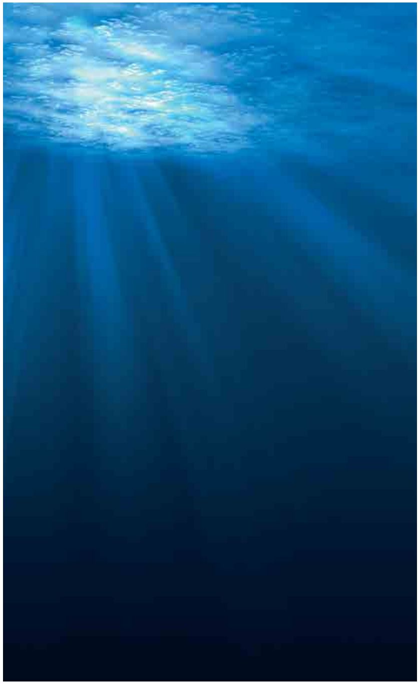
DEFINITIONS

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

“REALISATION OF CARBON-NEUTRAL GOALS REQUIRES TECHNOLOGICAL INNOVATION AND WE ARE PROUD TO BE PART OF SUCH A LANDMARK VENTURE.”

FUTOSHI TSUNEYAMA on Hywind Tampen

EXPLORATION



Following applications for exploration acreage in the APA 2019 Idemitsu was awarded a license share in PL 636 C, additional area to PL 636 (Idemitsu 30 %).

Idemitsu spudded six exploration wells in 2020. One dry well (Polmak) was drilled in the Barents Sea and two successful wells and two dry wells were completed in northern North Sea including the Dugong discovery in PL 882. Dugong was one of the largest discoveries made on the NCS in 2020.

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

- In **PL 089** (block 34/7; 9.6 % Idemitsu interest) three exploration wells were drilled whereof one discovery made (Lomre). Prospect evaluation continued with learnings from the new well results.

- In **PL 882** (blocks 33/6, 34/4; 20 % Idemitsu interest) the Dugong discovery was made. Maturation of additional targets for 2021 drilling including approval of Dugong Tail and Dugong Appraisal for 2021 drilling were done.

- In **PL 090**, **090 E** and **090 I** (blocks 35/11 and 31/2; 15 % Idemitsu interest) a continued prospect maturation based on the number of successful wells was done, including approval of two Apodida exploration wells to be drilled in 2021. The Blasto exploration well was spudded in December.

- 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) the Cabernet well results were used for updated prospect evaluation.

- In **PL 090 JS** (block 35/11; 40 % Idemitsu interest) work towards a DG1 on the Grosbeak project in 2121 continued.

- In **PL 293 B** (block 35/10; 20 % Idemitsu interest) prospect evaluation continued based on a new play type.

- In **PL 636** and **636 B** (block 36/7; 30 % Idemitsu interest) continued prospect evaluation to mature the next drilling candidate towards drill or drop June 2022 was conducted. A small additional area (**PL 636 C**) was awarded in APA 2019.

- In **PL 318**, **318 B** and **318 C** (blocks 35/2, 4, 5, 6203/10; 20 % Idemitsu interest) a DG1 on Peon is still awaited.

- In **PL 537** and **537 B** (blocks 7324/7, 8; 10 % Idemitsu interest) preparation for DG2 in Q4 2021 continued. Partial relinquishment was approved.

- In **PL 609** and **609 B** (blocks 7120/1, 2, 7220/6, 9, 11, 12, 7221/4; 15 % Idemitsu interest) Polmak was drilled dry and remaining prospectivity updated based on well result.

- In **PL 609 C** (blocks 7220/12, 7221/10; 15 % Idemitsu interest) prospect evaluation was updated based on nearby Polmak well results.

- In **PL 851** (blocks 7220/9, 7221/7, 8; 15 % Idemitsu interest) prospect evaluation was updated based on nearby Polmak well results.

NORTHERN NORTH SEA

LICENSES

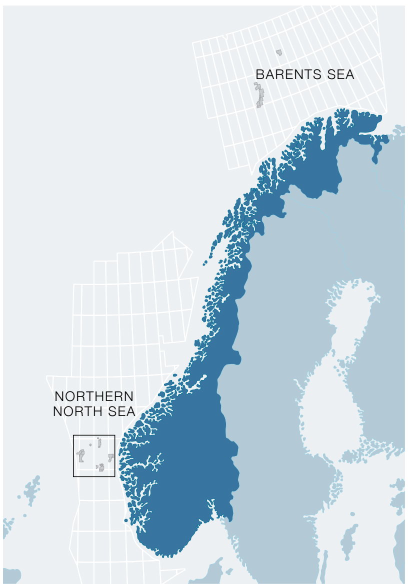
IDEMITSU LICENSES

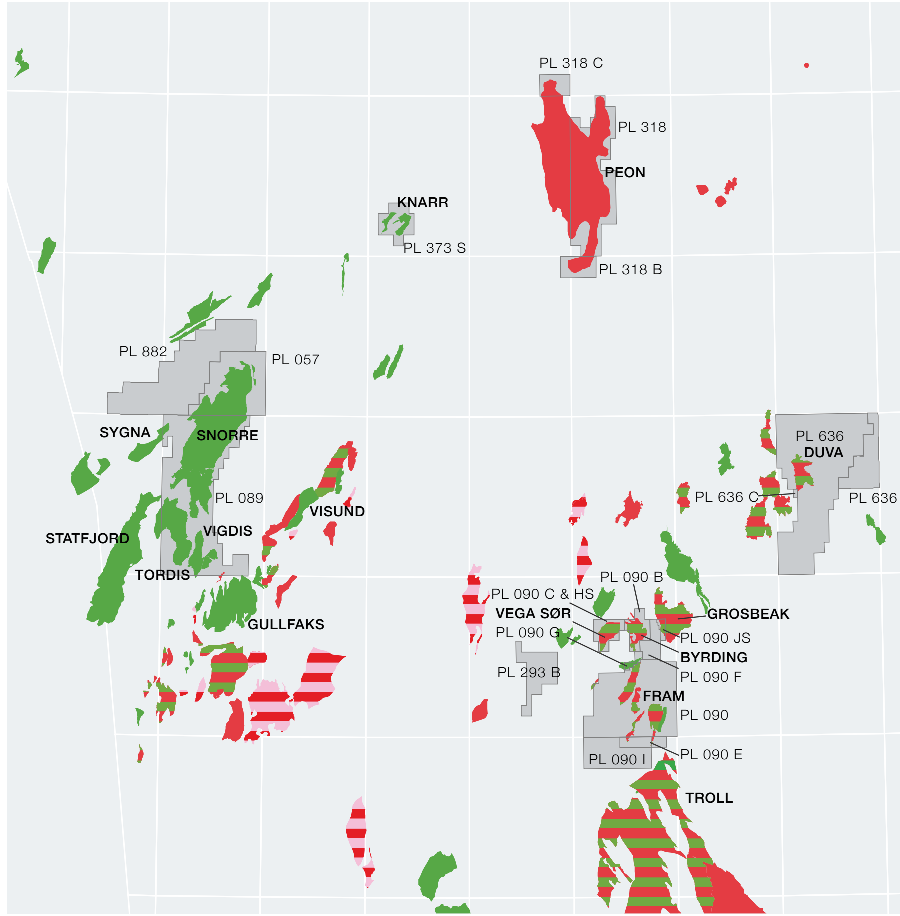
FIELDS/DISCOVERIES

OIL

OIL/GAS

GAS





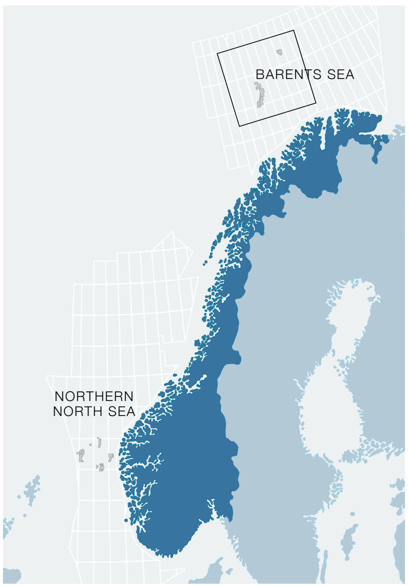
BARENTS SEA

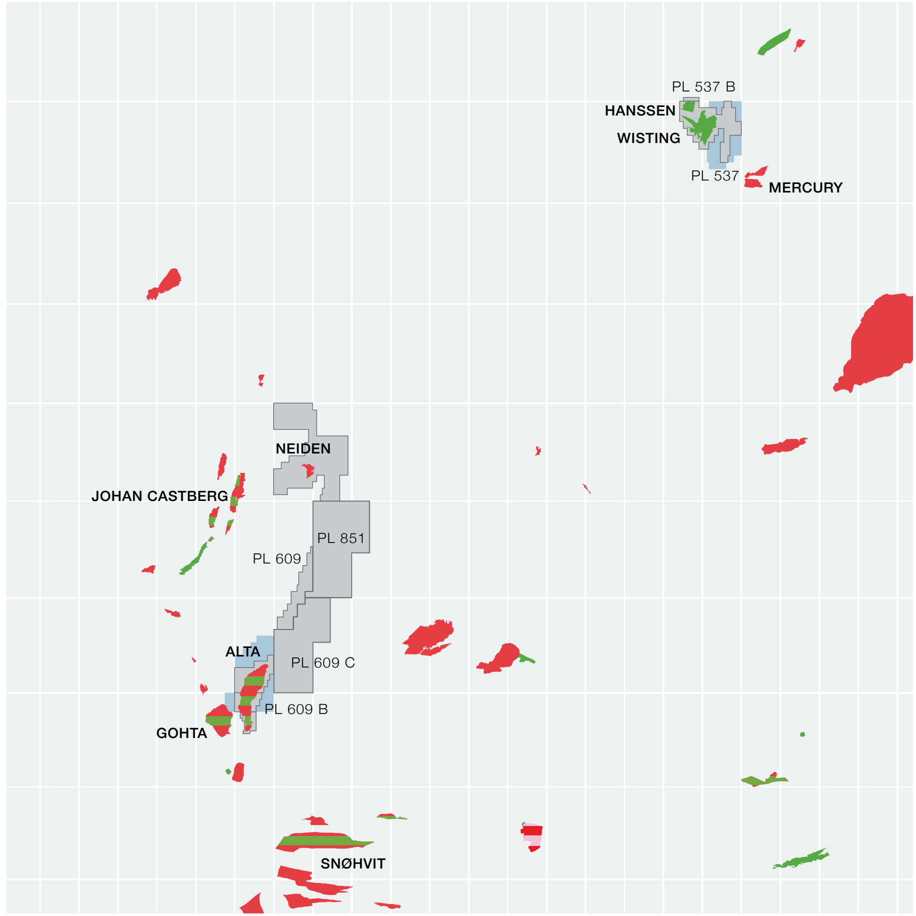
LICENSES

- IDEMITSU LICENSES
- RELINQUISHED IN 2020

FIELDS/DISCOVERIES

- OIL
- OIL/GAS
- GAS





DUGONG WAS ONE OF THE LARGEST DISCOVERIES MADE ON THE NCS IN 2020.

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 long-term operation of the field. Principally, the Snorre Expansion Project (SEP) represents significant investments and comprises six new subsea templates which will be tied back to Snorre A. The project's investment decision was approved late 2017 and PDO approval in 2018 together with lifetime extension for the Snorre A and Snorre B platforms. Production from the first four SEP wells commenced in December 2020, about two months earlier than scheduled in the PDO. A total of 24 SEP wells will be completed and successively put on production in 2021 and 2022. Current forecasting reflects production from the Snorre field to 2040.

Hywind

Hywind Tampen will be the first ever project to supply platforms with power from floating offshore wind. The Hywind Tampen investment decision was made in September 2019 and the facilities are scheduled to start operation in 2022.

Tordis

The Tordis field is developed via a ten kilometer 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. Lifetime 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 34/734 (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 April 2021. Lifetime 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. Statfjord Øst and Sygna are included in the Statfjord area lifetime extension plan and an updated development plan was sent to the authorities in December 2020. The plan includes extension of the satellite fields production beyond 2030 and include drilling of five to seven new wells plus installation of facilities for use of gas lift in the production wells.

Knarr

Knarr is located 40 kilometer 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 kilometer gas pipeline evacuates the gas via the FLAGS system to the terminal at St. Fergus in the UK. An infill production well was drilled and started production in June 2020. Evaluations are progressing with regards to field life and preparation of a decommisioning plan is ongoing.

FRAM AREA

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

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

Fram field

The Fram field is located 20 kilometres north of the Troll C platform and started production in October 2003. The Fram field is developed with subsea templates tied back to the Troll C platform for processing. Gas produced from the field is transported via pipeline to the Kollsnes gas terminal for processing and export. Several new wells have been put on production and will utilise the increased gas capacity at Troll C provided by the installation of a new gas compression module that started up early in 2020.

Fram H-Nord

The Fram H-Nord discovery was unitised with the neighbouring PL 248 in 2013 and is developed as a tie-back to Fram and further to Troll C. Fram H-Nord started production in 2014 but is currently shut in due to transient operational issues. Production from H-Nord is anticipated to be reinstated as the pressure in the Byrding, H-Nord and Fram Vest flowline is gradually reduced.

Byrding

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

Vega field

The Vega field started production in November 2010. Vega is developed with three subsea templates tied back to the Gjøa platform. The field was unitised in 2020 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 in June 2019. The Duva development comprise a four slot template tied back to the Gjøa platform where the wellstream is processed. The oil

is transported through the Troll oil pipeline to the Kollsnes terminal at the west coast of Norway, while the gas is transported to UK through the SEGAL gas pipeline. Three oil production wells and one gas well are planned. Drilling started in 2020 and will be completed in Q2 2021. Production start is planned in Q4 2021. Remaining work in addition to the drilling activity is to finalise required modifications on the Gjøa platform. The subsea equipment and pipelines were installed during the 2020 installation season.

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), Echino South (PL 090) and Dugong (PL 882). 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.

A TOTAL OF 24 SEP WELLS WILL BE COMPLETED AND SUCCESSIVELY PUT ON PRODUCTION IN 2021 AND 2022.

IDEMITSU GROUP

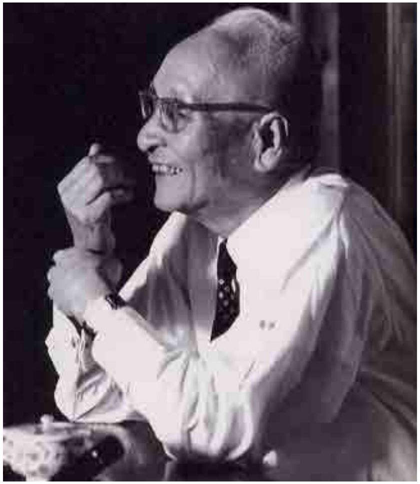
IDEMITSU PETROLEUM NORGE AS IS OWNED BY IDEMITSU GROUP, A GLOBAL ENERGY CORPORATION BASED IN JAPAN.

Sazo Idemitsu founded the company as a lubricant oil sales business in 1911. The principles of human-centric management we were founded on more than 100 years ago are the same principles we live by today.

Oil exploration and production in Norway and South East Asia form an important part of the resource businesses in the group. At the same time, green power sources like wind, hydrogen and geothermal are priority areas for Idemitsu on the path towards a sustainable future. Securing a stable supply of energy will remain a key responsibility for the group.

In 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 Idemitsu's global website: **www.idemitsu.com**.



IDEMITSU AND MUNCH

From the exhibition Van Gogh + MUNCH in Oslo in 2015.

IDEMITSU HAS BEEN A PROUD SPONSOR OF MUNCH 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 MUNCH has been a natural choice for Idemitsu – a choice we are certain that Idemitsu founder and art collector Sazo Idemitsu (1885-1981) would have applauded to.

Starting with the first monetary contribution in 1991, the relationship between Idemitsu and MUNCH is one of the longest running sponsorships in the field of Norwegian art and culture.

DIRECTORS' REPORT 2020

DIRECTORS' REPORT 2020

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 3.3 % interest in the unitised Vega field. 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
Idemitsu participated in four exploration wells and one sidetrack in 2020. Three wells and a sidetrack were drilled on Tampen and one well was drilled in the Barents Sea on the Loppa High.

In PL 089 on Tampen, exploration well 34/7-E4AHT2, the Lomre prospect, was drilled in order to prove hydrocarbons in reservoir rocks belonging to the Middle Jurassic Rannoch formation (Brent Gp). The well encountered 20 metres of hydrocarbon-filled reservoir rocks with good reservoir quality. The discovery will be developed by tie-in to the existing Vigdis infrastructure. Another well 34/7-37 S (7-Fjell prospect) was drilled in PL 089, targeting a possible Draupne sandstone reservoir situated down-dip of Borg Field in PL 089, but no reservoir was detected, and the well was classified as a dry well.

On Tampen license PL 882, wells 34/4-15 S and 15 A targeted the Dugong prospect. The primary objective for well 34/4-15 S was to prove hydrocarbons in reservoir rocks belonging to the Middle Jurassic Rannoch formation (Brent Gp). The secondary exploration target was to prove the up-dip extent of Upper Jurassic sandstones. The well encountered about 80 m of oil-bearing sandstones of moderate reservoir quality in the Rannoch formation and the oil-water contact was not encountered. In the secondary exploration target about 10 m of poor-quality sandstones with traces of petroleum were encountered. This oil discovery kicked off the appraisal well 34/4-15 A to verify the hydrocarbon extension in the Rannoch formation and to test reservoir quality and hydrocarbon presence in Upper Jurassic sandstones. The sidetrack well encountered an approximately 80 m thick Rannoch formation sandstone of poor to moderate quality, containing an oil column. The secondary exploration target encountered an approximately 100 m thick Upper Jurassic sandstone interval of poor to moderate reservoir quality and the oil-water contact was not encountered.

In the Barents Sea PL 609 license the 7221/4-1 Polmak well was drilled on the Loppa High. The primary and secondary exploration targets for the well were to prove petroleum in reservoir rocks in the Kobbe formation from the Middle Triassic Age and the Havert formation from the Early Triassic Age. In the primary target, the well encountered a 6-metre sandstone layer with poor reservoir quality. There were traces of petroleum. No reservoir rocks were encountered in the secondary target. The well was classified as dry.

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 2020 was 8 % higher than in 2019. The production increase was achieved despite the overall production cuts that were imposed by the Norwegian authorities from June 2020 and the COVID-19 pandemic that caused some delays and extension of activities that impacted production in a negative way. On the positive side was the Snorre Expansion Project (SEP) that started production from the first four wells in December and increased the daily Snorre production significantly. The increase in daily Snorre production is expected to continue in 2021 as more SEP wells will be put on production.

In the Fram area, the Troll C Gas Module was completed and put in operation from 1 February. The capacity of the module is reserved for Fram gas and the daily gas production from Fram could then increase significantly.

On Vega, there was a final redetermination process in December 2019 that fixed Idemitsu's interest to 3.3 % from 1 January 2020. Production from Vega was stable throughout the year and limited by the available capacity at the receiving Gjøa platform.

In Knarr, production is at a declining stage. However, an infill well was drilled during the spring and production from the new well started in June. The well initially produced at higher rates than anticipated and Knarr increased production in 2020 compared with 2019. The Knarr field is now expected to cease production in 2022 and preparations for the decommissioning activities started in 2020.

In PL 636, the Duva project progressed with drilling of production wells and manufacturing and installation of subsea equipment and pipelines which are tied back to the nearby Gjøa platform. Production start from the Duva field is expected in 4th quarter 2021.

In PL 537, the Wisting discovery is being matured with the aim of submitting a PDO by the end of 2022. Wisting will be developed with a circular FPSO and with power from shore. Wisting is the next large development project in the Barents Sea.

Both the Dugong discovery in PL 882 (Tampen area) and the Grosbeak discovery in PL 90 JS (Fram area) are being matured with the aim of delivering a PDO by the end of 2022. Both discoveries will most likely be developed as subsea tie-backs to nearby infrastructure.

REPORT ON THE ANNUAL ACCOUNTS

(1) Statements of revenue

Idemitsu posted a profit after tax of 1 133 million NOK in 2020 (2019: 392 million NOK). The increase in profit is mainly due to the gain from the sale of interests in Barents Sea exploration assets to Lundin. Ordinary sales income has decreased compared to 2019, mainly due to lower crude oil price.

The company has reviewed its producing fields and exploration assets for potential impairment loss. Based on this review, impairment losses of 123 million NOK on Vega, 312 million NOK on Knarr (including FPSO Right-of-use asset) and 15 million NOK on Byrding were booked. The impairment loss on Vega and Byrding was triggered by a reduction in oil price assumptions. The impairment loss on Knarr is mainly triggered by the reduction in reserves. In addition an impairment loss of 638 million NOK was booked on the remaining interest in PL 609/Alta. In 2019 the total impairment loss was 129 million NOK.

Depreciation is reduced compared to 2019 due to lower production. Operating expenses are also reduced compared to 2019, mainly due to change in over-/underlift of crude oil.

(2) Balance sheets

Idemitsu has no long term loans at year-end 2020. Extraordinary dividend of 1 109 million NOK was paid in December 2020. Equity represents 55 % of total assets at 31 December 2020.

Capitalised 'Successful efforts exploration wells' decreased by 1 338 million NOK in 2020. This is mainly due to the derecognition of the exploration assets sold to Lundin and the impairment loss on Alta. The drilling cost for the Dugong and Lomre wells was capitalised.

Provision for Asset Retirement Obligations (ARO) has increased by 571 million NOK, mainly due to the increase of assets on the Duva and SEP developments 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 2020 the company's total lease liability was 360 million NOK. The total value of the corresponding Right-of-use assets was 137 million NOK. At the end of 2019, the value of the lease liability was 944 million NOK and the value of the Right-of-use assets was 814 million NOK.

(3) Cash flow statements

Total investment in production facilities in 2020 was 1 788 million NOK, compared to 1 506 million NOK in 2019. 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 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. Impairment loss has also 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 a 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 creditworthy oil companies and cash and cash equivalents are receivable from banks.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Ensuring safety and health at work is our top priority in Idemitsu and we aim to create a safe, comfortable and zero-accident workplace, rooted in our safety culture.

In 2020 there were no major accidents or incidents resulting in fatalities. There were however 42 safety-related incidents reported to authorities on our partner-operated licenses. The partner-operated licenses also publish annual environmental reports in a standard format.

Idemitsu oversees partner-operated exploration, field development and production activities through independent evaluation and reviews of applications and plans to ensure these are in accordance with Norwegian regulations and Idemitsu's expectations. As part of Idemitsu's see-to-it duty, Idemitsu further follows up activities in partner workshops and by leading and participating in audits.

At the end of 2020, there were 59 employees in Idemitsu and the total sick leave for the year was 2.2 %. Idemitsu is committed to creating a vibrant workspace by promoting employee health and maintaining and improving the work environment in order to prevent and mitigate long-term sick leave. During 2020 there was a shift to working from home and to providing employees the tools and equipment to undertake this way of working resulting from the Covid-19 outbreak and associated authority guidelines.

DIVERSITY AND EQUALITY WITHIN IDEMITSU

Idemitsu treats people fairly, equally and without prejudice, irrespective of gender, race, nationality, age, disability, sexual orientation or any other discriminatory attributes. This is reflected in our Equal Opportunities Policy, which applies to all permanent and temporary staff, contractors and job applicants and prohibits discrimination (whether direct or indirect), harassment and victimisation. This is reinforced by our Anti-Bullying and Harassment Policy which is our commitment to providing a working environment free from harassment and bullying and ensuring our staff are treated, and treat others, with dignity and respect. Idemitsu also has a Whistleblowing Policy which provides a mechanism for reporting and investigating concerns over possible wrongdoing, and also contains a non-retaliation provision. All our policies were revised and updated in 2020.

In line with new requirements for diversity and equality reporting under the Equality and Anti-Discrimination Act, Idemitsu's gender balance analysis of staff in Norway shows:

- Total staff in Idemitsu: 17 women and 42 men, with women representing 29 % of our total workforce and 25 % of our executive team. The Board of Directors consists of four members, one of whom is a woman;
- Temporary staff: 0 women and 1 man;
- Part-time staff: 1 woman and 3 men.

We provide our employees with flexible working arrangements, to enable them to manage their work and home life. A total of 4 employees took parental leave commencing in the reporting period (2 women and 2 men, representing 100 % of those entitled to take such leave), with the women taking an average of 10.55 weeks and the men taking an average of 14.67 weeks (some parental leave continues into 2021). 100 % of these individuals either returned to work in 2020 or indicated plans to do so in 2021 (i.e. none exited the company).

A process to map and analyse gender pay within Idemitsu in line with the new reporting requirements is under way and reporting will commence in the 2021 annual report.

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 oil price has recovered since the outbreak of COVID-19 in early 2020, but the virus still has a potential to cause disruption to Idemitsu's activities and impact earnings in 2021. At the same time there are a number of policy and fiscal responses in place globally, intended to mitigate potential negative economic impact. The temporary changes to the petroleum taxation in Norway will incentivise profitable investments within Idemitsu's portfolio. 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.

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 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 2020 the company had a result after tax of NOK 1 132 740 621 which is proposed to be allocated as follows:

DISPOSITION AMOUNT

	AMOUNT IN NOK
ALLOCATION TO DIVIDEND	0
ALLOCATION TO GROUP CONTRIBUTION	0
TO OTHER EQUITY	1 132 740 621

Bærum, 15 April 2021

The board of Idemitsu Petroleum Norge AS

ANGELA EVANS
Chairman

FUTOSHI TSUNEYAMA
Member of the board/
General Manager

JOHAN KORSMOE
Member of the board

YUJI WATABIKI
Member of the board

FINANCIAL STATEMENT

STATEMENTS OF REVENUE

AMOUNTS IN '000 NOK

	NOTE	2020	2019
Revenue	5	2 610 849	3 788 339
Other operating income	3, 5	998 872	0
Total operating income		**3 609 721**	**3 788 339**
Operating expenses	6	581 677	779 206
Exploration expenses	6	295 844	245 968
Personnel expenses	7, 8	170 235	162 576
Depreciation and amortisation	12, 13	893 520	1 021 318
Impairment loss	14	1 087 825	129 000
Other administrative expenses	7, 20	46 505	54 007
Total operating expenses		**3 075 607**	**2 392 075**
OPERATING PROFIT		**534 115**	**1 396 264**

AMOUNTS IN '000 NOK

	NOTE	2020	2019
Financial income		198 470	124 174
Financial expenses		262 792	166 830
Net financial items	**10**	**-64 322**	**-42 656**
Operating result before tax		**469 792**	**1 353 609**
Tax on ordinary result	11	-662 948	961 573
Ordinary result after tax		**1 132 741**	**392 036**
STATEMENTS OF COMPREHENSIVE INCOME			
Net actuarial gain/loss	8	-1 059	-4 493
Other comprehensive income		**-1 059**	**-4 493**
TOTAL COMPREHENSIVE INCOME		**1 131 682**	**387 543**

BALANCE SHEETS

AMOUNTS IN '000 NOK

	NOTE	2020	2019
FIXED ASSETS			
INTANGIBLE ASSETS			
Successful efforts exploration wells	4, 13	517 073	1 854 682
Total intangible assets		**517 073**	**1 854 682**
TANGIBLE ASSETS			
Production facilities in operation	4, 12, 18	4 126 245	4 077 301
Production facilities under development	12	1 357 040	680 274
Equipment and other movables	12	34 283	38 812
Total tangible assets		**5 517 568**	**4 796 387**
FINANCIAL FIXED ASSETS			
Other long-term receivables		130 008	131 350
Total financial fixed assets		**130 008**	**131 350**
TOTAL FIXED ASSETS		**6 164 650**	**6 782 419**

AMOUNTS IN '000 NOK

	NOTE	2020	2019
CURRENT ASSETS			
Inventories	23	185 046	82 722
DEBTORS			
Accounts receivables		279 453	48 627
Other short-term receivables	15	281 640	268 698
Receivables from group companies	21	1 300 018	1 250 653
Total receivables		**1 861 111**	**1 567 977**
INVESTMENTS			
Cash and bank deposits	2, 9	636 591	1 055 559
TOTAL CURRENT ASSETS		**2 682 748**	**2 706 258**
TOTAL ASSETS		**8 847 398**	**9 488 677**

BALANCE SHEETS

AMOUNTS IN '000 NOK

	NOTE	2020	2019
EQUITY			
PAID-UP EQUITY			
Share capital	16	727 900	727 900
Total paid-up equity		**727 900**	**727 900**
RETAINED EARNINGS			
Other equity	16	4 181 555	4 158 473
Total retained earnings		**4 181 555**	**4 158 473**
TOTAL EQUITY		**4 909 455**	**4 886 373**
LIABILITIES			
PROVISIONS FOR LIABILITIES			
Pension liabilities	8	79 904	71 055
Deferred tax	11	3 043	242 332
Asset retirement obligations (ARO)	17	2 858 321	2 286 939
Lease liability	19	112 550	611 751
Other provisions		32 400	35 640
Total provisions		**3 086 217**	**3 247 718**

AMOUNTS IN ‘000 NOK

	NOTE	2020	2019
CURRENT DEBT			
Trade creditors		114 524	169 872
Tax payable	11	0	377 885
Public duties payable		32 250	19 534
Liabilities to group companies	21	2 802	4 135
Short-term part of lease liability	19	247 201	332 573
Other current debt	15	454 950	450 587
Total current debt		**851 726**	**1 354 586**
TOTAL LIABILITIES		**3 937 943**	**4 602 304**
TOTAL EQUITY AND LIABILITIES		**8 847 398**	**9 488 677**

Bærum, 15 April 2021

The board of Idemitsu Petroleum Norge AS

ANGELA EVANS
Chairman

FUTOSHI TSUNEYAMA
Member of the board/
General Manager

JOHAN KORSMOE
Member of the board

YUJI WATABIKI
Member of the board

INDIRECT CASH FLOW

AMOUNTS IN '000 NOK

	NOTE	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss before tax		469 792	1 353 609
Taxation paid	11	628 729	-1 384 659
Loss/gain on the sale of fixed assets	3	-1 013 120	0
Depreciation, amortisation and net impairment loss	14	1 981 346	1 150 318
Change in inventory	23	-102 324	473
Change in accounts receivable		-230 827	543 798
Change in accounts payable		-55 348	69 648
Interest cost on asset retirement obligations	17	69 005	67 840
Interest cost on lease liability (IFRS 16)		40 508	25 806
Difference in expensed pension payments and payments in/out of the pension scheme	8	4 035	2 431
Expense of previously capitalised exploration wells		575	0
Decommissioning cost incurred		-45 544	-15 151
Change in other liabilities		39 682	140 852
Change in other short-term assets		115 253	-114 758
Net cash flows from operating activities		**1 901 761**	**1 840 206**

AMOUNTS IN '000 NOK

	NOTE	2020	2019
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from the sale of fixed assets	3	1 176 724	0
Investments in production facilities	12	-1 788 417	-1 505 528
Investments in furniture and office equipment	12	-2 854	-3 558
Investment in successful efforts exploration wells	13	-198 333	-67 910
Change in other long-term assets/liabilities		1 341	-8 751
Net cash flows from investment activities		**-811 539**	**-1 585 748**
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments (IFRS 16)	19	-350 590	-351 084
Payment of dividend		-1 108 600	-246 700
Deposit in IKC		-3 250 000	-2 750 000
Deposit in IKC matured		3 200 000	3 200 000
Net cash flows from financing activities		**-1 509 190**	**-147 784**
Net change in cash and cash equivalents		-418 968	106 674
Cash and cash equivalents at the start of the period		1 055 559	948 885
Cash and cash equivalents at the end of the period		**636 591**	**1 055 559**

ACCOUNTING PRINCIPLES

GENERAL

The financial statements of Idemitsu 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. The accounting language for Idemitsu is English. The accounting currency is Norwegian Krone 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 permanent ownership and use are classified as current assets. Other assets are classified as non-current. Liabilities falling due within one year are classified as current liabilities. Other liabilities are classified as non-current. Cash and cash equivalents include bank deposits.

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 is 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. 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.

Certain temporary changes in the Petroleum Tax Law were enacted in June 2020. The changes in tax law included a temporary rule for depreciation and uplift, whereby all investments incurred for income year 2020 and 2021 including 24 % uplift can be deducted for special tax (56 %) in the year of investment. In addition, the value of tax losses incurred in 2020 and 2021 will be refunded from the state in the year following the income year.

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 expensed 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-/UNDER-LIFT 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

No changes in accounting standards with effect for Idemitsu came into force in 2020.

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 license-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 license-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 judgmental 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 or impairment loss 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 decommissioning 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 judgment. 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 2020 were authorised for issue by the Board of Directors on 15 April 2021.

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 2020:

LICENSE	INTEREST ACQUIRED
PL 609 D	30 %
PL 636 C	30 %

Idemitsu received interests in two exploration licenses, PL 609 D and PL 636 C, in the 2019 APA license round.

DISPOSALS OF EXPLORATION LICENSES

Sale of interests 2020:

LICENSE	INTEREST DISPOSED
PL 537	10 %
PL 537 B	10 %
PL 609	15 %
PL 609 B	15 %
PL 609 C	15 %
PL 609 D	15 %
PL 851	15 %

In October 2020, Idemitsu entered into an agreement with Lundin Energy Norway AS to sell a 10 % participating interest in PL 537 and PL 537 B including Wisting discovery and a 15 % participating interest in production licenses PL 609, PL 609 B, PL 609 C, PL 609 D and PL 851 including Alta discovery. A cash consideration of 125 million USD was paid on the completion of the transaction. Effective date of the transaction was 1 January 2020 and the completion date was 30 November 2020.

NOTE 4) INVESTMENTS IN LICENSE INTERESTS

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 Dea	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 final 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	10 %
537 B	7324/4		Equinor	10 %
609	7220/6,9,11,12, 7221/4		Lundin	15 %
609 B	7120/1,2		Lundin	15 %
609 C	7220/12, 7221/10		Lundin	15 %
609 D	7120/2		Lundin	15 %
636	36/7		Neptune	30 %
636 B	36/7		Neptune	30 %
636 C	36/7		Neptune	30 %
851	7220/9, 7221/7, 7221/8		Lundin	15 %
882	33/6, 34/4		Neptune	20 %

NOTE 5) REVENUES AND OTHER INCOME

AMOUNTS IN '000 NOK

REVENUES	2020	2019
Crude oil	2 238 532	3 370 732
NGL	120 803	149 065
Dry gas	238 063	251 011
Tariff income	13 452	17 532
Total	**2 610 849**	**3 788 339**

All revenues are generated from the Norwegian Continental Shelf (NCS).
The following customer accounted for more than 10 % of the sales in 2020:
– Shell International Trading & Shipping

AMOUNTS IN '000 NOK

OTHER INCOME	2020	2019
Gain/loss on transactions	998 872	0
Total	**998 872**	**0**

The gain on transaction is related to the sale of exploration assets to Lundin.
Reference is made to note 3.

NOTE 6) OPERATING AND EXPLORATION EXPENSES

AMOUNTS IN '000 NOK

OPERATING EXPENSES	2020	2019
Production cost	572 021	543 890
Processing cost	93 574	169 839
Transportation cost	55 683	47 893
Change in inventory and over-/underlift	-142 793	9 372
Other cost	3 192	8 211
Total	**581 677**	**779 206**

EXPLORATION EXPENSES	2020	2019
License exploration expense	279 034	190 235
Exploration expense outside license accounts	16 811	55 733
Total	**295 844**	**245 968**

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

AMOUNTS IN '000 NOK

SALARY COSTS	2020	2019
Salaries	116 749	123 268
Employment tax	18 650	20 287
Pension costs	22 630	21 480
Other benefits	12 206	-2 460
Total	**170 235**	**162 576**

In 2020 the company employed 58 man-years.
In 2019 the company also employed 58 man-years.

AMOUNTS IN '000 NOK

REMUNERATION TO MANAGING DIRECTOR	2020	2019
Salaries	2 562	2 972
Pension costs	52	38
Other remuneration	671	597
Total	**3 285**	**3 607**

A new Managing Director was appointed in September 2020. The above remuneration numbers for 2020 are for both the Managing Directors.

Two members of the executive management have severance pay agreements at year-end 2020. A total of 8 million NOK has been accrued in 2020 for this liability.

Apart from the above, no employee has options, profit-sharing or severance pay agreements at year-end 2020. There are no loans or pledges of security to the Managing Director or board members. The amount of loan to employees was 27.1 million NOK at 31 December 2020 (31 December 2019: 31.4 million NOK). One of the board members received a remuneration of 30,000 NOK.

AMOUNTS IN '000 NOK

AUDITOR FEE	2020	2019
Deloitte, audit fee	441	433
Deloitte, other audit-related services*	834	557
Total	**1 275**	**990**

* 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 4 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

	2020	2019
Service cost	23 236	22 671
Financial cost	1 098	980
Net pension cost	**24 334**	**23 650**
Remeasurement loss (gain) booked to Other comprehensive income	4 814	20 422
Estimated pension obligations	216 540	192 225
Pension plan assets (year-end value)	136 636	121 170
Net pension obligation at year end	**79 904**	**71 055**
Economical assumptions		
Discount rate (OMF rate)	1.50 %	1.80 %
Expected compensation increase	2.00 %	2.25 %
Expected return on pension plan assets	1.50 %	1.80 %
Adjustments in National Insurance base rate	1.75 %	2.00 %
Adjustments in pensions	1.75 %	2.00 %
Adjustments in pensions >12G	0.00 %	0.70 %

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

NOTE 9) RESTRICTED BANK DEPOSITS

AMOUNTS IN '000 NOK

	2020	2019
Withheld employee taxes	15 661	15 605
Mortgaged deposit related to Gassco bank guarantee*	49 564	49 754
Restricted deposit account related to office rent agreement	3 312	3 294
Total	**68 537**	**68 653**

* 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

	2020	2019
Foreign exchange gain	149 134	62 890
Interest income	33 818	36 851
Interest income from related company	15 518	24 434
Foreign exchange loss	-153 369	-62 421
Accretion expense asset retirement obligations	-69 005	-67 840
Accretion expense lease liabilities	-14 736	-21 826
Other interest expense	-25 683	-14 743
Total	**-64 322**	**-42 656**

NOTE 11) INCOME TAXES

AMOUNTS IN '000 NOK

NET INCOME TAX	2020	2019
Current year payable taxes	-1 127 411	722 282
Change deferred tax	-239 289	225 070
Changed deferred tax charged to equity	3 755	15 929
Deferred tax included in gain from sale of license	700 083	0
Adjustments related to prior periods (payable)	-85	-1 708
Total	**-662 948**	**961 573**

RECONCILIATION OF NORWEGIAN STATUTORY TAX RATE TO EFFECTIVE TAX RATE	2020	2019
Income before tax	469 792	1 353 609
Calculated income taxes at statutory tax rate 22 %	103 354	297 794
Calculated income taxes at petroleum special tax rate 56 %	263 084	758 021
Tax effect of		
Uplift	-308 083	-95 985
Financial items allocated onshore	-39 330	-28 554
Permanent differences	-681 889	32 005
Adjustment prior years	-85	-1 708
Total	**-662 948**	**961 573**
Effective tax rate	-141.1 %	71.0 %

AMOUNTS IN '000 NOK

SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES	2020	2019
Deferred tax assets on		
Lease liabilities (IFRS 16)	280 606	736 573
Asset retirement obligations	2 171 571	1 694 797
Pension liabilities	62 325	55 423
Others	79	92
Total deferred tax assets	**2 514 581**	**2 486 885**
Deferred tax liabilities on		
Property, plant and equipment – corporate tax (22 %)	-329 441	-168 936
Property, plant and equipment – special tax (56 %)	-1 633 329	-430 019
Right-of-use assets	-107 383	-635 276
Capitalised exploration wells	-403 317	-1 446 652
Inventories	-44 154	-48 334
Total deferred tax liabilities	**-2 517 624**	**-2 729 217**
Net deferred tax liabilities	**-3 043**	**-242 332**

AMOUNTS IN '000 NOK

RECONCILIATION OF PAYABLE (-RECEIVABLE) TAX 31.12	2020	2019
Payable/(-receivable) tax for the income year	-1 127 411	722 282
Payable/(-receivable) tax prior years	-2 362	-2 396
Received/(-paid) installment tax	1 008 891	-342 000
Total	**-120 883**	**377 885**

Temporary changes in the Petroleum Tax Law were enacted on 19 June 2020. The changes in tax law included a temporary rule for depreciation and uplift, whereby all investments incurred for income year 2020 and 2021 including 24 % uplift can be deducted for special tax (56 %) in the year of investment. The temporary changes will also be applicable for investments up to and including the year of production start in accordance with new PDOs submitted within 31 December 2022 and approved within 31 December 2023. In addition, the value of tax losses incurred in 2020 and 2021 will be refunded from the state in the year following the income year.

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 1 January 2019	2 910 548	11 850	6 041	2 928 439
Additions 2019	1 076 681	553 619	3 559	1 633 859
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**
Additions 2020	1 659 572	676 766	2 854	2 339 192
Recalculation Right-of-use asset 2020	-231 876			-231 876
Transfers				0
Depreciation 2020	-651 434		-3 273	-654 707
Depletion Right-of-use asset 2020	-277 318		-4 110	-281 427
Impairment loss	-450 000			-450 000
Carrying amount 31/12/2020	**4 126 245**	**1 357 040**	**34 283**	**5 517 568**
Acquisition cost	29 021 491	1 357 040	89 114	30 467 645
Accumulated depreciation 31/12/2020	-22 086 246	0	-54 831	-22 141 077
Accumulated impairment loss 31/12/2020	-2 809 000	0	0	-2 809 000

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 01/01/2019	1 901 578
Additions 2019	67 910
Transfers	-114 805
Expensed/impaired exploration wells	0
Carrying amount 31/12/2019	**1 854 682**
Additions 2020	197 759
Transfers	0
Derecognised – sold interests in exploration wells	-897 542
Expensed/impaired exploration wells	-637 825
Carrying amount 31/12/2020	**517 073**

Capitalised exploration wells are transferred to Production facilities under development when a development of the discovery has been sanctioned. An impairment loss of 637.8 million NOK was booked on Alta in 2020.

NOTE 14) IMPAIRMENTS

Impairment tests of individual cash-generating units are performed when impairment triggers are identified. In 2020, the reserves downgrade on Knarr is considered to be an impairment trigger. On Vega and Byrding, the low dry gas and crude oil prices are considered to be potential impairment triggers. In the assessment of whether an impairment is required 31 December 2020, 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 8 %, to calculate the future post-tax cash flow.

YEAR	CRUDE OIL PRICE (USD/BBL)
2021	49
2022	53
2023	56
2024	58
2025	59
2026 ->	CPI adjustment

AMOUNTS IN MILLION NOK

SENSITIVITIES	APPROXIMATE INCREASE IN IMPAIRMENT LOSS (PRE-TAX)
Discount rate 8 % -> 8.5 %	16
Petroleum prices -10 % and discount rate 8 % -> 8.5 %	66

An impairment loss of 637.8 million NOK was booked on the Alta exploration asset at year-end 2020. The decision to impair Alta was based on a number of factors, including increased estimates for development cost and tariffs and more technical uncertainty. The remaining book value of Alta after the impairment loss is zero.

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 includes 120.9 million NOK of receivable tax.

The remaining part of other short-term receivables consists 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 01/01/2020	727 900	4 158 473	4 886 373
Profit 2020		1 132 741	1 132 741
Extraordinary dividend 2020		-1 108 600	-1 108 600
Remeasurement gain/loss booked to equity (pension)		-1 059	-1 059
Equity 31/12/2020	**727 900**	**4 181 555**	**4 909 455**
Remeasurement loss (-gain) 2020 (pension)			4 814
Booked to equity			1 059
Booked to deferred tax			3 755
Accumulated remeasurement loss (-gain) booked to equity (post-tax)			9 993

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

	2020	2019
Asset retirement obligation 1.1	2 286 939	2 109 479
New fields	95 427	75 254
Change of estimate	215 613	-21 705
Effect of change in discount rate	236 881	71 213
Actual decommissioning expenditure	-45 544	-15 141
Interest effect on the NPV obligation	69 005	67 840
Asset retirement obligations 31.12	**2 858 321**	**2 286 939**

In the calculation of net present value at year-end 2020, an inflation rate of 2 % and a discount rate of 2.5 % have been used. For the Knarr field a discount rate of 1.9 % has been used. At year-end 2019 the discount rate was 3.1 % (2.9 % for Knarr).

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 01/01/2020	104.9
Revision of previous estimates	0.3
Discoveries, additions and extensions	2.5
Year 2020 production	-8.3
Reserves at 31/12/2020	**99.4**

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.

Following the final redetermination on Vega Unit, volumes are being redelivered from the PL 090 C owners. Such redelivery of volumes is accounted for at the time of redelivery and not accrued for in advance.

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

SALARY COSTS	2020	2019
Lease liability 1 January	**944**	**848**
Interest expense on lease liability	19	23
Foreign exchange loss (gain) on lease liability	26	4
Recalculation of lease liability in the period	-232	431
Payments of lease debt (cash outflow)	-398	-361
Lease liability 31 December	**360**	**944**
Carrying amount of Right-of-use assets 31 December	138	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 within the scope of IFRS 16 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 judgment, 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	247
Long-term	113
Total lease liability	**360**

AMOUNTS IN MILLION NOK

PAYMENTS OF LEASE DEBT SPLIT BY ACTIVITIES:	
Investment in production facilities	100
Operating expenditure	230
Other	30
Total	**360**

LEASE DEBT MATURITY BREAKDOWN:	
Within one year	247
Two to five years	107
After five years	6
Total	**360**

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 a 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 238 million NOK (Idemitsu share) at 31 December 2020, related to exploration wells in PL 090 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 31 December 2020:

AMOUNTS IN MILLION NOK

Snorre Expansion Project (SEP)	938
Vigdis Booster station	21
Duva (formerly Cara)	617
Total	**1 576**

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	2020	2019
Idemitsu Kosan Co.,Ltd. receivable	18	653
Idemitsu Kosan Co.,Ltd. payable	-2 802	-4 135
Net receivable (payable)	**-2 784**	**-3 482**

SALES AND PURCHASES GROUP COMPANIES	2020	2019
Idemitsu Kosan Co.,Ltd. purchases	5 675	6 333

Idemitsu has a 1.3 billion NOK deposit in the parent company IKC at 31 December 2020. The deposit is maturing in February 2021, and interest terms is 3M NIBOR +0.2 % in accordance with the Deposit Agreement signed in February 2018.

NOTE 22) R&D

AMOUNTS IN '000 NOK

	2020	2019
R&D expense	878	60

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

	2020	2019
Underlift	109 308	7 854
Spare parts and other stock items	75 738	74 868
Total	**185 046**	**82 722**

AUDITOR'S REPORT 2020

AUDITOR'S REPORT 2020

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To the General Meeting of Idemitsu Petroleum Norge AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Idemitsu Petroleum Norge AS, which comprise the balance sheet as at 31 December 2020, 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 2020, 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 a true and fair view 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 a true and fair view.

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, 15 April 2021
Deloitte AS

Mette Herdlevær
State Authorised Public Accountant (Norway)

Penneo document key: S6GYY-EVWED-AD4Y0-8M55O-KXYWE-AK55G

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Harald Pettersen/Equinor (page 7 right, 10, 11)
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Idemitsu (page 13 right)
Idemitsu Kosan (page 16)
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