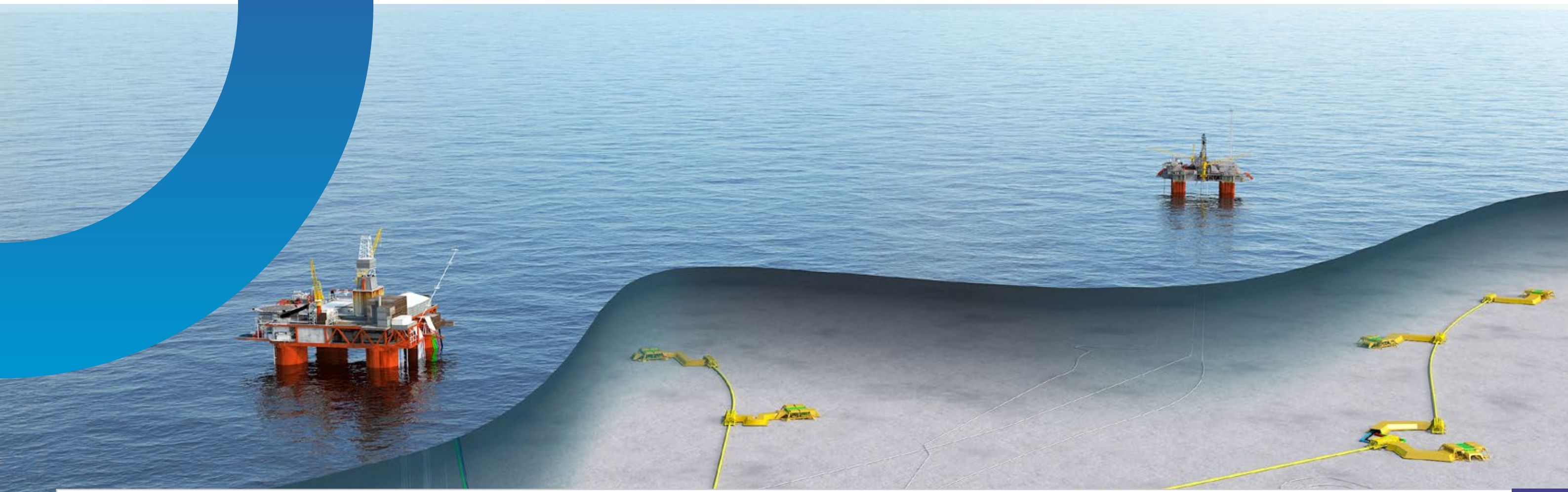
INPEX

2021

Annual Report

INPEX Idemitsu Norge AS



Message from the Managing Director

Effective from 31 January 2022 our new name is INPEX Idemitsu Norge (IIN). The name change is a consequence of the acquisition made by INPEX, Japan's largest E&P company, of the share majority in the Japanese owner company of Idemitsu Petroleum Norge AS.

INPEX and Idemitsu are already partners on a gas field development project offshore Vietnam, as well as a geothermal power generation business in Japan. The implementation of the joint business in Norway will further strengthen the positive business relationship between the two companies.

Norway's ambitious plan for green growth and emission cuts is a significant driving force in the development of new green technologies like offshore wind power generation and CCS. This fits well with IIN's ambition to make our upstream activities cleaner while strengthening our business portfolio at the same time.

With the pandemic still raging, 2021 was another challenging year for most of the global population even if the development of new treatments and administration of vaccines gave cause for optimism.

For us in IIN, the health and safety of our employees have remained our key priority. And we have been pleased to see how quickly adopting new technologies in our daily work have sustained, perhaps even increased, productivity.

On the operational front, we saw good and stable production above our forecast from our 11 producing assets as well as excellent progress in our key projects last year.

The Hywind Tampen project, the world's first ever floating wind farm to power offshore oil and gas platforms, is scheduled to start operation in the third quarter of this year. Being part of this ground-breaking enterprise fits brilliantly with our vision to proactively participate in the energy structure reforms needed to realise net zero carbon society.

The Snorre Expansion Project (SEP) is a major Increased Oil Recovery (IOR) project expected to add nearly 200 million barrels of recoverable oil reserves and help extend Snorre field life through 2040. Production from the first four SEP wells commenced in December 2020, and new wells have continued to be put on production throughout 2021. A total of 24 SEP wells will be completed by the end of this year.

In August 2021, the Duva field came on stream more than two months ahead of schedule. Developed as a fast-track project, it took less than five years from discovery to production start-up. Produced through Gjøa, production from the Duva field is expected to have significantly lower CO_2 emissions per produced barrel of oil equivalent than the Norwegian Continental Shelf (NCS) average due to receiving power from shore.

The Blasto discovery in the Fram license was announced in March 2021. With preliminary estimates of 75-120 million barrels of recoverable oil equivalents this was one of the largest discoveries on the NCS last year. We are pleased to see the continuous discoveries like these value adding resources close to the existing infrastructure in IIN's historical core area in the North Sea based on our specific technical competencies.

Although IIN's producing fields already have low CO_2 emission due to optimisation of the power consumption, limited flaring and methane ventilation, our ambitions are even greater. Current estimates show CO_2 emissions reduced by a staggering 60 % from 2020 to 2024 for the IIN portfolio. You can read more about how we plan to meet our goals in the Production & Development chapter of this report.

Sincerely,

Yukiyo Ikeda
Managing Director

KEY DATA

	2021	2020	2019	2018	2017
Operating revenues, million NOK	6 569	3 610	3 788	6 000	5 379
Operating profit, million NOK	4 061	534	1 396	2 547	1 925
Profit after tax, million NOK	1 039	1 133	392	583	560
Daily oil production, thousand barrels	23.0	17.6	16.4	22.2	27.3
Investments, million NOK	1 459	1 788	1 506	603	592
Equity ratio (year end)	38 %	55 %	51 %	56 %	54 %
Cash flow before financing, million NOK	2 197	1 090	255	658	1 193
Crude oil reserves, million Sm^3	14.2	15.8	16.7	14.1	14.4
Return on equity	21 %	23 %	8 %	10 %	13 %

DEFINITIONS

Daily oil production = Average daily oil production, INPEX 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


Current estimates show CO2 emissions reduced by a staggering 60 % from 2020 to 2024 for the IIN portfolio.

Exploration

Following applications for exploration acreage in the 25th Licensing Round, INPEX Idemitsu (IIN) was awarded a license share in PL 1133 north of the Wisting discovery (10 % IIN interest).

INPEX Idemitsu spudded four exploration wells in 2021. Two wells were drilled in the Fram area, the significant discovery of Blasto and the dry well Apodida. Additionally, two wells were drilled in the Tampen area; the successful Dugong appraisal well and the Dugong Tail that was classified as dry. Blasto was one of the largest discoveries made on the NCS in 2021.

In **PL 057** (block 34/4; 9.6 % IIN interest) prospect evaluation continued and Statfjord Kile well was approved, planned for 2022.

In **PL 089** (block 34/7; 9.6 % IIN interest) prospect evaluation continued with learnings from the 2020 well results.

In **PL 882** (blocks 33/6, 34/4; 20 % IIN interest) further evaluation and maturation of the Dugong discovery and its vicinity was made, including drilling of the nearby Dugong Tail prospect that was dry. In addition, the Dugong appraisal well which was drilled to deliniate the Dugong dicovery as well as prove the oil/water contact was successful.

In **PL 090**, **090 E** and **090 I** (blocks 35/11 and 31/2; 15 % IIN interest) the Blasto well was a significant oil discovery on the NCS in 2021 and presented by INPEX Idemitsu at the Exploration Revived conference. A sidetrack to the neighboring block with the Blasto West prospect was dry. Both the main well and the sidetrack in the Apodida prospect were dry. Continued prospect maturation based on the successful wells was done, including IIN approval of a Crino/Mulder exploration well, planned for drilling in 2023.

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

In **PL 090 HS** (block 35/11; 15 % IIN interest) a Byrding C prospect evaluation has been initiated.

In **PL 090 JS** (block 35/11; 40 % IIN interest) new operator Equinor took over from Wellesley after having acquired 40 % from their predecessor. Work towards a DG2 on the Grosbeak project in 2023 continued but may be delayed due to the change in operatorship and possible changes of host concept.

In **PL 293 B** (block 35/10; 10 % IIN interest) INPEX Idemitsu farmed down to 10 % to Longboat Energy Norge

AS with a carry of the Kveikje well approved for drilling in Q1 2022.

In **PL 636** and **636 B** (block 36/7; 30 % IIN interest) prospect evaluation continued with the objective to mature the next drilling candidate towards drill or drop in June 2022. Partial relinquishment was approved.

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

In **PL 537** and **537 B** (blocks 7324/7, 8; 10 % IIN interest) preparation for DG3 in 2022 continued. Partial relinquishment was approved.

In **PL 609**, **609 B** and **609 D** (blocks 7120/1, 2, 7220/6, 9, 11, 12, 7221/4; 15 % IIN interest) remaining prospectivity was updated based on the dry well result of Polmak, and all areas outside the Alta and Neiden discoveries were relinquished.

In **PL 609 C** (blocks 7220/12, 7221/10; 15 % IIN interest) all area was relinquished.

In **PL 851** (blocks 7220/9, 7221/7, 8; 15 % IIN interest) all area was relinquished.

PL 1133 (blocks 7324/4, 10 % IIN interest) was awarded in the 25th Licensing Round.

Northern North Sea

LICENSES

INPEX IDEMITSU NORGE LICENSES

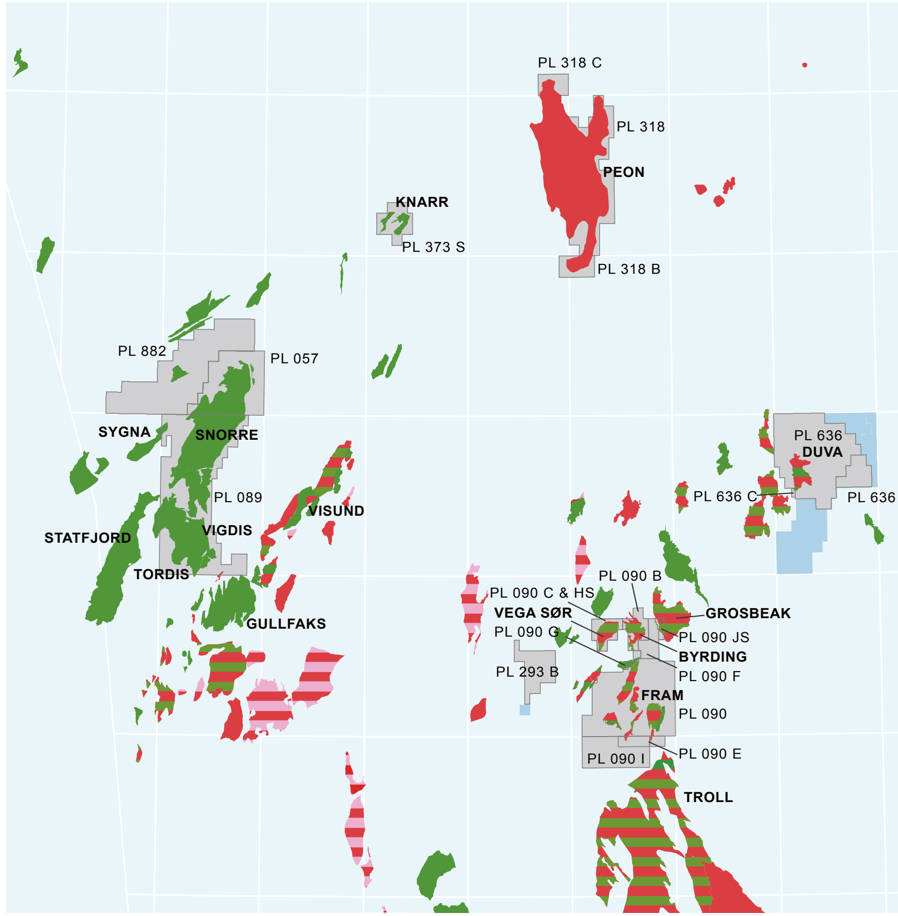
RELINQUISHED IN 2021

FIELDS/DISCOVERIES

OIL

OIL/GAS

GAS



Barents Sea

LICENSES

INPEX IDEMITSU NORGE LICENSES

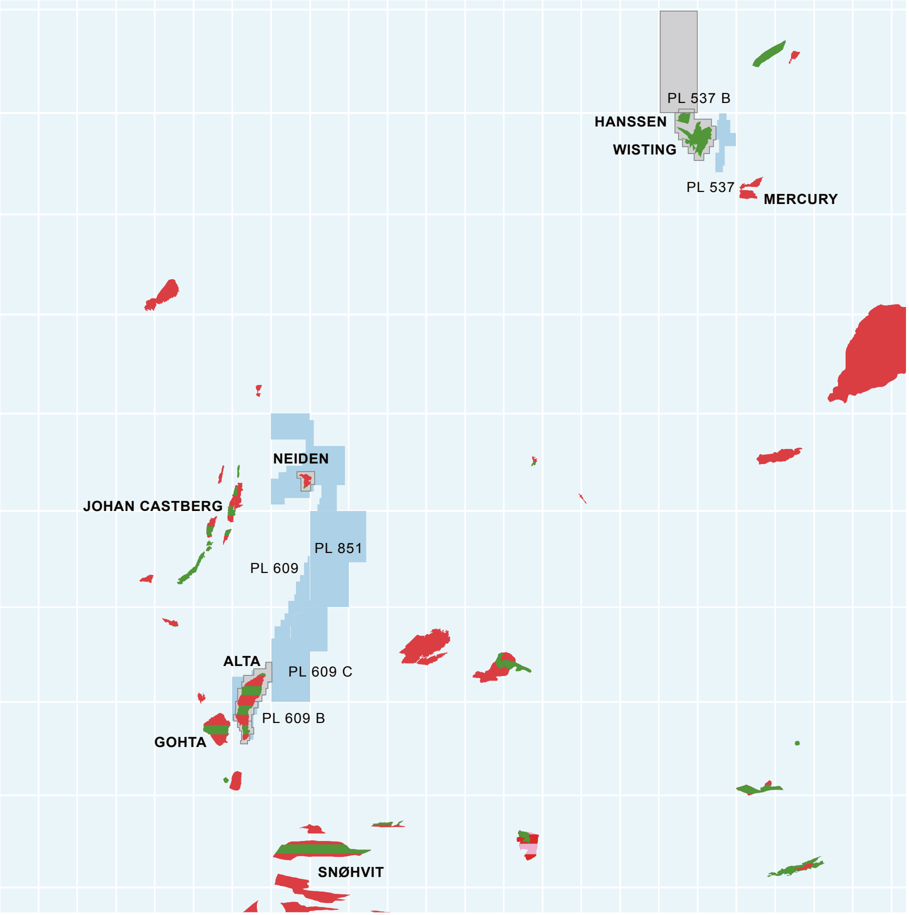
RELINQUISHED IN 2021

FIELDS/DISCOVERIES

OIL

OIL/GAS

GAS




Blasto was one of the largest discoveries made on the NCS in 2021.

Production & development

TAMPEN AREA
Five of INPEX Idemitsu (IIN)'s producing fields are located in the Tampen area of the North Sea.

Snorre
Spanning blocks 34/4 and 34/7, the Snorre field has been producing since August 1992 with the start-up of Snorre A. The Snorre B platform came onstream in 2001.

Plans have been developed to secure continued long-term operation of the Snorre field. 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 was granted 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. New SEP wells have continued to be put on production throughout 2021. A total of 24 SEP wells will be completed. Current forecasting predicts that all SEP wells will be completed by the end of 2022. Expected lifetime of the Snorre field is estimated to 2040.

Hywind
Tampen Hywind is the first ever attempt at supplying platforms with power from floating offshore wind. The Hywind Tampen investment decision was made in September 2019 and the plant is scheduled to start operation in 2022.

Tordis

The Tordis field is developed via a ten-kilometre subsea tieback 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 tieback to Snorre A which provides processing services and onwards transportation. Production started in 1997. Further recovery from the Vigdis field is enabled by the installation of a subsea multiphase booster pump that started up 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 was approved in 2021 and includes extension of the satellite fields production beyond 2030, including 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 kilometres north of the Snorre field and was discovered in 2008 with production start-up in 2015. The field is developed with subsea wells and a leased FPSO vessel (Floating, Production, Storage and Offloading). A 100-kilometre gas pipeline evacuates the gas via the FLAGS system to the terminal at St. Fergus in the UK. An infill production well was drilled and started production in June 2020. The field is scheduled to cease production 1 May 2022 and a decommissioning plan was submitted to the authorities in 2021.

FRAM AREA

In 2002, INPEX Idemitsu purchased a 15 % share in the PL 090 license. Today, the Fram area is among the focus areas for the company with drilling of additional wells and increase of the gas processing capacity in the area.

Fram field

The Fram field is located 20 kilometres north of the Troll C platform and started

production in October 2003. The Fram field is developed with subsea templates tied back to the Troll C platform for processing. Gas produced from the field is transported via pipeline to the Kollsnes gas terminal for processing and export. Several new wells have been 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 in early 2020.

Two new discoveries have been made in the vicinity of the Fram field and within PL 090 and PL 090 E licenses, namely the Echino Sør and the Blasto discoveries. The two discoveries are being matured together in a joint project named Fram Area Future Development (FAFD). The basic concept is to utilise the existing infrastructure in the Fram area and tie in new subsea production systems via the Fram installations to the Troll C platform.

Fram H-Nord

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

Byrding

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

Vega field

The Vega field started production in November 2010. Vega is developed with three subsea templates tied back to the Gjøa platform. The field was unitised in 2020 by 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. The Vega partners have approved a drilling campaign for three infill wells in the Vega field and the first well successfully started production in 2021, while the remaining two wells will start production in 2022.

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 well stream 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. The Duva field has three oil production wells and one gas well. Production started in Q3 2021.

Wisting

The Wisting field is a stand-alone field development located in the Barents Sea and contains just under 500 million barrels of oil equivalents. The concept chosen for the Wisting development consists of a circular FPSO with power from shore as an integral part of the technical solution. This means very low CO2 emissions from the field. The Wisting project entered the FEED phase at the end of 2021 and is planning to submit a PDO by the end of 2022.

ADDITIONAL DISCOVERIES BEING EVALUATED FOR DEVELOPMENT

INPEX Idemitsu has made several discoveries currently being evaluated for development. Among them are Alta (PL 609), Peon (PL 318), Grosbeak (PL 090 JS) and Dugong (PL 882). The discoveries are in different stages of maturity but are expected to make a valuable contribution to the INPEX Idemitsu portfolio of producing fields in the years to come.

TOWARDS A LOW GREENHOUSE GAS EMISSION PORTFOLIO

INPEX Idemitsu already has low emissions from the fields in operation through optimisation of the power consumption, limiting of flaring and methane ventilation. The Vega and Duva fluids are processed on the Gjøa platform which has electrical power supplied from shore. Several new projects are initiated to reduce the emissions even more. The Tampen Hywind project shall generate renewable power for delivery to the Snorre and Gullfaks platforms reducing the emissions from the Snorre, Vigdis and Tordis fields. From 2024, the Troll platforms will be fully powered from shore and cut the emission from processing oil and gas from the Fram and Byrding fields significantly. Finally, the Wisting field scheduled for start-up in 2028 includes power from shore in the proposed concept. Current estimates show CO2 emissions reductions of 60 % from 2020 to 2024 for the INPEX Idemitsu portfolio.


INPEX Idemitsu has made several discoveries currently being evaluated for development.

INPEX CORPORATION

INPEX Idemitsu Norge (formerly Idemitsu Petroleum Norge) is now a part of the INPEX Corporation.

The name change is a consequence of the recent acquisition made by INPEX of the share majority in the Japanese owner company of Idemitsu Petroleum Norge AS.

INPEX CORPORATION is Japan's largest exploration and production (E&P) company, and is currently involved in projects across multiple continents.

Through building a cleaner upstream business and advancing hydrogen and renewables solutions, INPEX aims to become a leading energy company and continue providing a stable and efficient supply of energy to its customers while pioneering energy transformation towards a net zero carbon society by 2050.

INPEX will provide a stable supply of diverse and clean energy through making its oil and natural gas business cleaner as outlined in its "Long-term Strategy and Medium-Term Management Plan (INPEX Vision @2022 | INPEX CORPORATION)" formulated in February 2022. In this plan, INPEX lays out its long-term strategy towards 2030 and 2050 as well as the company's medium-term business plan, which consists of specific goals and initiatives covering the three-year period from 2022 until 2024, reflecting changes in INPEX's management environment. INPEX considers the various shifts towards a net zero carbon society seen in Japan and around the world as new challenges as well as opportunities to further expand its business. Based on INPEX Vision@2022, the company will proactively engage in energy structure reforms towards the realisation of a net zero carbon society by 2050.

For more information about our parent company, please visit INPEX CORPORATION

Us and Munch

Since 1991, our company has proudly supported MUNCH.

It is exciting to know that our contributions over the years have helped strengthening the exhibition programme and enabled MUNCH to reach new audiences both in Norway and abroad.

Last October, the new museum building by Oslo's waterfront finally opened. Here, MUNCH aims to provide opportunities for completely new cultural experiences and perspectives. Edvard Munch's art has finally been given the space it deserves.

On behalf of our employees and partners, we cherish the opportunity to be inspired by one of Norway's greatest artists. Being able to help preserve our cultural heritage is a privilege we are grateful for.

Visit www.munchmuseet.no for more information.

Directors' Report 2021

Directors' Report 2021

THE NATURE AND LOCATION OF THE BUSINESS

INPEX Idemitsu Norge AS (IIN) 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. The company changed its name from Idemitsu Petroleum Norge AS to INPEX Idemitsu Norge AS on 31 January 2022, following a change of ultimate majority shareholder.

IIN (former IPN) was founded on 25 September 1989. On 2 October 1989, a 9.6 % interest in production licenses (PL) 057 and 089 was acquired from Equinor (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, IIN 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. IIN holds a 3.3 % interest in the unitised Vega field. In 2014, production started from the unitised Fram H-Nord field, where IIN has a 28.8 % interest. In March 2015, production started from the Knarr field in the northern North Sea, a field in which IIN holds a 25 % interest. In 2017, the development of the Byrding field was completed with a tie-back to Fram. In August 2021, the Duva field started production through the Gjøa platform. Duva is operated by Neptune, and IIN has a 30 % interest in the field.

With Duva in production, IIN has an interest in 11 producing fields on the NCS.

IIN is part of the Japanese INPEX group and its shares are 100 % owned by INPEX Norway Co., Ltd., (former Idemitsu Snorre Oil Development) a Japanese company registered in Tokyo. A majority share in INPEX Norway of 50.5 % is held by INPEX Corporation. The remaining 49.5 % is held by the Idemitsu Kosan group.

IIN'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

IIN participated in four exploration wells in 2021. Two wells were drilled in the Fram area, and two in PL 882 close to Snorre.

In PL 090, exploration targets 31/2-22 S and 31/2-22 A, the Blasto prospect, were drilled in order to prove hydrocarbons in reservoir rocks belonging to the Sognefjord formation. The well struck a total oil column of around 30 metres in the upper part of the Sognefjord formation and an oil column of around 50 metres in the lower part of the Sognefjord formation. The discovery will be developed jointly with other discoveries in the Fram area. Furthermore, the Apodida well (35/11-25 S and 35/11-25 A) was drilled in PL 090. The well encountered sandstone of good reservoir quality, but it was water-filled and classified as dry.

In Tampen license PL 882, the well 34/4-16 S was drilled to appraise the Dugong discovery. The primary objective for the well was to delineate the Dugong discovery and prove the oil/water contact. The well encountered a 25 meter oil column in the Rannoch formation. In addition, the Dugong Tail well (33/5-6 S) was drilled in PL 882. The well was classified as dry.

There are a number of promising discoveries in IIN's portfolio and the company is actively working with the operators to find development solutions which are robust with regards to oil price sensitivity and climate emissions. The Board of Directors is pleased that the project base of IIN is expanding, and regards the potential on the NCS as being good. IIN 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 IIN's producing fields in 2021 was 30 % higher than in 2020. The production increase is mainly caused by the Snorre Expansion Project (SEP) which had its first full year of production, and the Duva field which started production in August 2021.

In Snorre, the drilling of SEP wells has continued and the final scope of SEP is planned to be completed in 2022. In addition, the Hywind project is in the execution phase. The project includes fabrication, assembly and installation of 11 Floating Wind Turbines (FWTs) with connections to the Snorre and Gullfaks platforms. The FWTs will provide electricity to the platforms and reduce the use of gas turbines and CO2 emissions. Offshore installation and hook-up to the platforms is planned in the summer of 2022.

In the Fram area, the production is stable. Gas production was increased significantly in 2020 after the installation of the Troll C Gas Module.

In Knarr, the operator has submitted the plan for field closure in 2022. Preparations for the decommissioning phase are ongoing.

In PL 636, the Duva field started production in August 2021, around two months ahead of schedule. The Duva field is tied back to the nearby Gjøa platform, and Neptune is the field operator.

In PL 537, the Wisting discovery is being matured with the aim to submit 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), the Echino Sør discovery in PL 090 (Fram area), Blasto discovery in PL 090 I (Fram area) and the Grosbeak discovery in PL 090 JS (Fram area) are being matured with the aim to submit a PDO. All four discoveries will most likely be developed as subsea tie-backs to nearby infra-structure, with Echino Sør and Blasto most likely as a joint development.

REPORT ON THE ANNUAL ACCOUNTS

(1) Statements of revenue

IIN posted a profit after tax of 1 039 million NOK in 2021 (2020: 1 133 million NOK). The decrease in profit is mainly due to the gain from the sale of interests in Barents Sea exploration assets to Lundin in 2020. Ordinary sales income has increased by almost 4 billion NOK compared to 2020, mainly due to higher product prices and increased production.

The company has reviewed its producing fields and exploration assets for potential impairment loss. Based on this review, no impairment loss has been booked in 2021. In 2020 the total impairment loss was 1 088 million NOK.

Depreciation is increased compared to 2020 due to higher production. Process tariff is also increased, due to higher production and a gas price linked tariff on Fram. Operation cost of producing fields has increased, mainly due to one new producing field (Duva). Other operating expenses are fairly stable compared to 2020, except impairment loss booked in 2020 and change in over-/underlift.

(2) Balance sheets

IIN has no long term loans at year-end 2021. Extraordinary dividend of 2 297 million NOK was paid in September 2021. Equity represents 38 % of total assets at 31 December 2021.

Capitalised ‘Successful efforts explora-tion wells’ increased by 123 million NOK in 2021. This is mainly due to the capitalisation of the Blasto discovery and the Dugong appraisal well.

Provision for Asset Retirement Obligations (ARO) has decreased by 89 million NOK, mainly due to an increased discount rate.

(3) Cash flow statements
Total investment in production facilities in 2021 was 1 459 million NOK, compared to 1 788 million NOK in 2020. 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 slightly lower than the operating profit. Depreciation and tax payments are the main differences between cash flow from operations and operating profit.

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

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

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

Liquidity risk
Liquidity risk is the risk that the company will not be able to meet obligations of financial liabilities when they become due. The purpose of liquidity management is to make certain that the company has sufficient funds available at all times to cover its financial liabilities. The company has no long term loans and a comfortable cash position. The cash flow from fields in production is strong and sufficient to cover the company's obligations even when the crude oil price is fairly low. It is expected that the company has substantial loan capacity based on the security of its producing assets.

Credit risk
Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with

banks and financial institutions. There are also minor credit exposures related to trade receivable and joint venture overcalls toward license partners. The company`s license partners are credit worthy oil companies and cash and cash equivalents are receivable from banks.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

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

In 2021 there were no major accidents or incidents resulting in fatalities. There were however 37 safety related incidents reported to authorities on our partner-operated licenses. The partner-operated licenses also publish annual environmental reports in a standard format.

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

At the end of 2021, there were 58 employees in IIN and the total sick leave for the year was 1.8 %. IIN 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 2021 significant working from home continued as a result of the continuing impact of the Covid-19 outbreak and associated authority guidelines and restrictions.

DIVERSITY AND EQUALITY WITHIN IIN

IIN 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. IIN 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.

The requirements for diversity and equality reporting under the Equality and Anti-Discrimination Act are not applicable to IIN due to a total number of permanent staff below fifty.

RESEARCH AND DEVELOPMENT ACTIVITIES

IIN 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. IIN also contributes with significant amounts to general and specific R&D activities undertaken by the operators of the fields in which IIN 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.inpex-idemitsu.no.

OUTLOOK

IIN'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 increased steadily through 2021, and the gas price increased significantly towards the end of the year. It is expected that the product prices will remain high in 2022.

The temporary changes to the petroleum taxation in Norway have incentivised profitable investments within IIN's portfolio. In 2022 it is expected that the special tax will be converted to a cash flow based tax, with no uplift. This change is not expected to have material impact on the profitability of IIN's projects. IIN is continuing to monitor 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, IIN 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 INPEX 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. The additional production from Duva and SEP contributes significantly to IIN's daily production, but the other producing fields are at a declining stage. However, 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 2021 the company had a result after tax of NOK 1 038 762 956 which is proposed to be allocated as follows:

DISPOSITION AMOUNT

	AMOUNT IN NOK
Allocation to dividend	0
To other equity	1 038 762 956

Lysaker, 07.04.2022 / The board of INPEX Idemitsu Norge AS

Futoshi Tsuneyama
Member of the board

Johan Korsmoe
Chairman of the board

Preben Grevstad
Member of the board

Hiroyuki Nakashima
Member of the board

Yukiyo Ikeda
Member of the board/General Manager

Marius Lunde
Member of the board

Financial Statement

Statements of revenue

AMOUNTS IN '000 NOK

	NOTE	2021	2020
Revenue	5	6 568 557	2 610 849
Other operating income	3, 5	0	998 872
Total operating income		**6 568 557**	**3 609 721**
Operating expenses	6	1 043 754	581 677
Exploration expenses	6	309 452	295 844
Personnel expenses	7, 8	166 836	170 235
Depreciation and amortisation	12, 13	940 461	893 520
Impairment loss	14	0	1 087 825
Other administrative expenses	7, 20	47 317	46 505
Total operating expenses		**2 507 821**	**3 075 607**
OPERATING PROFIT		**4 060 736**	**534 115**

AMOUNTS IN '000 NOK

	NOTE	2021	2020
Financial income		153 316	198 470
Financial expenses		250 904	262 792
Net financial items	**10**	**-97 588**	**-64 322**
Net profit before tax		**3 963 148**	**469 792**
Income tax expense	11	2 924 385	-662 948
Net profit after tax		**1 038 763**	**1 132 741**
STATEMENTS OF COMPREHENSIVE INCOME			
Net actuarial gain/loss	8	-6 212	-1 059
TOTAL COMPREHENSIVE INCOME		**1 032 551**	**1 131 682**

Balance sheets

AMOUNTS IN '000 NOK

	NOTE	2021	2020
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Succesful efforts exploration wells	4, 13	639 742	517 073
Total intangible assets		**639 742**	**517 073**
PROPERTY, PLANT AND EQUIPMENT			
Production facilities in operation	4, 12, 18	5 782 270	4 126 245
Production facilities under development	12	15 929	1 357 040
Equipment and other movables	12	27 885	34 283
Total property, plant and equipment		**5 826 084**	**5 517 568**
NON-CURRENT FINANCIAL ASSETS			
Other long-term receivables		115 111	130 008
Total non-current financial assets		**115 111**	**130 008**
TOTAL NON-CURRENT ASSETS		**6 580 937**	**6 164 650**

AMOUNTS IN '000 NOK

	NOTE	2021	2020
CURRENT ASSETS			
Inventories	23	109 502	185 046
DEBTORS			
Accounts receivables		1 084 142	279 453
Other short-term receivables	15	153 761	281 640
Receivables from group companies	21	1 000 213	1 300 018
Total receivables		**2 238 116**	**1 861 111**
INVESTMENTS			
Cash and cash equivalents	2, 9	635 770	636 591
TOTAL CURRENT ASSETS		**2 983 388**	**2 682 748**
TOTAL ASSETS		**9 564 325**	**8 847 398**

Balance sheets

AMOUNTS IN '000 NOK

	NOTE	2021	2020
EQUITY			
PAID-IN CAPITAL			
Share capital	16	727 900	727 900
Total paid-up equity		**727 900**	**727 900**
RETAINED EARNINGS			
Other equity	16	2 917 605	4 181 555
Total retained earnings		**2 917 605**	**4 181 555**
TOTAL EQUITY		**3 645 505**	**4 909 455**
LIABILITIES			
PROVISIONS			
Employee benefit obligations	8	111 453	79 904
Deferred tax	11	882 309	3 043
Asset retirement obligations (ARO)	17	2 609 256	2 858 321
Lease liability	19	21 608	112 550
Other provisions		29 160	32 400
Total provisions		**3 653 786**	**3 086 217**

AMOUNTS IN '000 NOK

	NOTE	2021	2020
CURRENT LIABILITIES			
Trade payables		98 841	114 524
Tax payable	11	1 488 171	0
Public duties payable		63 422	32 250
Liabilities to group companies	21	1 880	2 802
Short term part of lease liability	19	73 905	247 201
Short term part of asset retirement obligation		159 650	0
Other current liabilities	15	379 165	454 950
Total current liabilities		**2 265 034**	**851 726**
TOTAL LIABILITIES		**5 918 819**	**3 937 943**
TOTAL EQUITY AND LIABILITIES		**9 564 325**	**8 847 398**

Lysaker, 07.04.2022 / The board of INPEX Idemitsu Norge AS

Futoshi Tsuneyama
Member of the board

Johan Korsmoe
Chairman of the board

Preben Grevstad
Member of the board

Hiroyuki Nakashima
Member of the board

Yukiyo Ikeda
Member of the board/General Manager

Marius Lunde
Member of the board

Indirect cash flow

AMOUNTS IN '000 NOK

	NOTE	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss before tax		3 963 148	469 792
Taxation paid/received	11	414 040	-628 729
Loss/gain on the sale of fixed assets	3	0	-1 013 120
Depreciation, amortisation and net impairment loss	14	940 461	1 981 346
Change in inventory	23	75 544	-102 324
Change in accounts receivable		-804 689	-230 827
Change in accounts payable		-15 683	-55 348
Interest cost on asset retirement obligations	17	67 586	69 005
Interest cost on lease liability (IFRS 16)		9 216	40 508
Difference in expensed pension payments and payments in/out of the pension scheme	8	3 312	4 035
Expense of previously capitalised exploration wells		0	575
Decommissioning cost incurred		-18 363	-45 544
Change in other liabilities		-48 774	39 682
Change in other short term assets		6 801	115 253
Net cash flows from operating activities		**3 764 519**	**1 901 761**

AMOUNTS IN '000 NOK

	NOTE	2021	2020
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from the sale of fixed assets	3	0	1 176 724
Investments in production facilities	12	-1 458 616	-1 788 417
Investments in furniture and office equipment	12	-840	-2 854
Investment in successful efforts exploration wells	13	-122 669	-198 333
Change in other long term assets/liabilities		14 898	1 341
Net cash flows from investment activities		**-1 567 226**	**-811 539**
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments (IFRS 16)	19	-201 613	-350 590
Payment of dividend		-2 296 500	-1 108 600
Deposit in IKC		-5 000 000	-3 250 000
Deposit in IKC matured		5 300 000	3 200 000
Net cash flows from financing activities		**-2 198 113**	**-1 509 190**
Net change in cash and cash equivalents		-821	-418 968
Cash and cash equivalents at the start of the period		636 591	1 055 559
Cash and cash equivalents at the end of the period		**635 770**	**636 591**

Accounting principles

GENERAL

The financial statements of IIN 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 IIN 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 IIN 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. IIN recognises revenue upon satisfaction of the performance obligations for the amounts that reflect the consideration entitled in exchange for goods. Revenue associated with the sale and transportation of crude oil, natural gas and petroleum products and other merchandise are recognised when a customer obtains control of the goods, which normally will be when title passes at point of delivery of the goods, based on the contractual terms of the agreements. When IIN has lifted and sold more than the ownership interest, an accrual is recognised for the cost of the overlift. When IIN 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. Changes in the special tax regime proposed in the consultation paper from the Ministry of Finance dated 31 August 2021 have not been taken into account.

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 proven 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 proven 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 (proven and probable reserves but not contingent resources) in the denominator, and consequently includes the future development expenditures necessary to bring those reserves into production in the basis for depreciation.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively.

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

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

PRODUCTION RIGHTS

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

FURNITURE, FIXTURES AND CARS

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

EXPLORATION COSTS

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

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

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

ASSET RETIREMENT OBLIGATIONS (ARO)

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

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

LEASING

IIN has several lease agreements within the scope of IFRS 16, as a lessee. For these lease agreements the company has recognised a lease liability and a correponding Right-of-Use asset (RoU asset) in the balance sheet. IIN has applied a prospective approach with no restatement of comparative figures. The lease liability at the date of the initial application was measured at the present value of the remaining lease payments, discounted using the company's approximate incremental borrowing rate of 3.2 %. The borrowing rate is derived from the terms of the group's existing credit facilities. RoU assets are depreciated straight line over the lease term as this is ordinarily shorter than the useful life of the assets. For the lease of the Knarr FPSO, IIN depreciates the RoU asset according to the Unit-of-Production principle (U.O.P.).

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

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

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 IIN came into force in 2021.

Critical accounting estimates and judgements

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

Proven and probable oil and gas reserves

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

Carrying value of intangible exploration and evaluation assets

Where a project is sufficiently advanced, the recoverability of intangible exploration assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value. The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the statements of income as exploration cost 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 judgement and assumptions, including in relation to the modelling of future cash flows to estimate the CGUs value in use or fair value. The evaluation of impairment requires long-term assumptions concerning a number of often volatile economic factors, including future oil prices, oil production, currency exchange rates and discount rates. Such assumptions require the estimation of relevant factors such as long-term prices, the levels of capex and opex, production estimates and decomissioning costs. These evaluations are also necessary to determine a CGU's fair value unless information can be obtained from an actual observable market transaction. Reference is made to note 12 and 14.

Asset retirement obligations

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

Tax

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

Notes to the Accounts

NOTE 1) Organisation

INPEX Idemitsu Norge AS ("IIN" or "the company") was founded on 25 September 1989 and is incorporated and domiciled in Norway. The company changed its name from Idemitsu Petroleum Norge AS to INPEX Idemitsu Norge AS on 31 January 2022, following a change of ultimate majority shareholder. The address of its registered office is Lysaker Torg 25, 1366 Lysaker, Norway. IIN is a subsidiary in the INPEX 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 2021 were authorised for issue by the Board of Directors on 7 April 2022.

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 commercial banks. 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

IIN`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) Assets acquisitions and disposals

ACQUISITION OF EXPLORATION LICENSES

LICENSE	INTEREST ACQUIRED
PL 1133	10 %

IIN received the interest in PL 1133 in the 25th Licensing Round.

DISPOSALS OF EXPLORATION LICENSES

LICENSE	INTEREST DISPOSED
PL 293 B	10 %
PL 609 C	15 %
PL 851	15 %

In June 2021, IIN (IPN) entered into a farm-down agreement with Longboat Energy AS to sell a 10 % participating interest in PL 293 B. Effective date of the transaction was 1 January 2021 and the completion date was 31 August 2021.

The exploration licenses PL 609 C and PL 851 were relinquished.

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		Equinor	40 %	
293 B	35/10		Equinor	10 %	
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, INPEX Idemitsu holds a 3.3 % interest in the unitised Vega field.
4) According to the final unitisation agreement with PL 248 E, INPEX 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 D	7120/2		Lundin	15 %
636	36/7	Duva	Neptune	30 %
636 B	36/7		Neptune	30 %
636 C	36/7		Neptune	30 %
882	33/6, 34/4		Neptune	20 %
1133	7324/4		Equinor	10 %

NOTE 5) Revenues and other income

AMOUNTS IN '000 NOK

REVENUES	2021	2020
Crude oil	5 341 884	2 238 532
NGL	164 105	120 803
Dry gas	1 042 114	238 063
Tariff income	20 454	13 452
Total	**6 568 557**	**2 610 849**

All revenues are generated from the Norwegian Continental Shelf (NCS).
The following customers accounted for more than 10 % of the sales in 2021:
– Shell International Trading & Shipping
– Eni Trade & Biofuels
– Equinor

AMOUNTS IN '000 NOK

OTHER INCOME	2021	2020
Gain/loss on transactions	0	998 872
Total	**0**	**998 872**

The gain on transaction in 2020 is related to the sale of exploration assets to Lundin.

NOTE 6) Operating and exploration expenses

AMOUNTS IN '000 NOK

OPERATING EXPENSES	2021	2020
Production cost	698 854	572 021
Processing cost	161 342	93 574
Transportation cost	87 500	55 683
Change in inventory and over/underlift	92 189	-142 793
Other cost	3 869	3 192
Total	**1 043 754**	**581 677**

AMOUNTS IN '000 NOK

EXPLORATION EXPENSES	2021	2020
License exploration expense	299 013	279 034
Exploration expense outside license accounts	10 440	16 811
Total	**309 452**	**295 844**

NOTE 7) Salary costs and benefits, remuneration to the chief executive, board and auditor

AMOUNTS IN '000 NOK

SALARY COSTS	2021	2020
Salaries	118 183	125 532
Employment tax	21 340	18 650
Pension costs	24 439	22 630
Other benefits	2 874	3 423
Total	**166 836**	**170 235**

In 2021 the company employed 58 man-years, same as 2020.

AMOUNTS IN '000 NOK

REMUNERATION TO MANAGING DIRECTOR	2021	2020
Salaries	3 106	2 562
Pension costs	237	52
Other remuneration	823	671
Total	**4 165**	**3 285**

Two members of the executive management have had severance pay agreements in 2021. The agreements were settled in 2021.

Apart from the above, no employee has options, profit-sharings or severance pay agreements at year-end 2021. There are no loans or pledges of security to the Managing Director or board members.

The amount of loan to employees was 23.3 million NOK at 31 December 2021 (31 December 2020: 27.1 million NOK). One of the board members received a remuneration of 30 000 NOK.

AMOUNTS IN '000 NOK

AUDITOR FEE	2021	2020
Deloitte, audit fee	558	441
Deloitte, other audit related services*	847	834
Total	**1 405**	**1 275**

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

NOTE 8) Pension

IIN has a group pension insurance with DNB covering 48 local employees and 5 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

	2021	2020
Service cost	25 508	23 236
Financial cost	1 026	1 098
Net pension cost	**26 534**	**24 334**
Remeasurement loss (gain) booked to Other comprehensive income	28 237	4 814
Estimated pension obligations	267 885	216 540
Pension plan assets (year-end value)	156 433	136 636
Net pension obligation at year end	**111 453**	**79 904**
Economical assumptions		
Discount rate (OMF rate)	1.90 %	1.50 %
Expected compensation increase	2.75 %	2.00 %
Expected return on pension plan assets	1.90 %	1.50 %
Adjustments in National Insurance base rate	2.50 %	1.75 %
Adjustments in pensions	2.50 %	1.75 %
Adjustments in pensions >12G	0.00 %	0.00 %

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

NOTE 9) Restricted bank deposits

AMOUNTS IN '000 NOK

	2021	2020
Withheld employee taxes	15 673	15 661
Mortgaged deposit related to Gassco bank guarantee*	9 017	49 564
Restricted deposit account related to office rent agreement	3 330	3 312
Total	**28 020**	**68 537**

* 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

	2021	2020
Foreign exchange gain	131 402	149 134
Interest income	14 669	33 818
Interest income from related company	7 245	15 518
Foreign exchange loss	-162 858	-153 369
Accretion expense asset retirement obligations	-67 586	-69 005
Accretion expense lease liabilities	-4 845	-14 736
Other interest expense	-15 615	-25 683
Total	**-97 588**	**-64 322**

NOTE 11) Income taxes

AMOUNTS IN '000 NOK

NET INCOME TAX	2021	2020
Current year payable taxes	2 005 015	-1 127 411
Change deferred tax	875 052	-239 289
Changed deferred tax charged to equity	22 025	3 755
Deferred tax included in gain from sale of license	0	700 083
Adjustments related to prior periods (payable)	18 079	-85
Adjustments related to prior period (deferred)	4 214	0
Total	**2 924 385**	**-662 948**

AMOUNTS IN '000 NOK

RECONCILIATION OF NORWEGIAN STATUTORY TAX RATE TO EFFECTIVE TAX RATE	2021	2020
Income before tax	3 963 148	469 792
Calculated income taxes at statutory tax rate 22 %	871 893	103 354
Calculated income taxes at petroleum special tax rate 56 %	2 219 363	263 084
Tax effect of		
Uplift	-248 076	-308 083
Financial items allocated onshore	11 640	-39 330
Permanent differences	47 272	-681 889
Adjustment prior years	22 293	-85
Total	**2 924 385**	**-662 948**
Effective tax rate	73.8 %	-141.1 %

AMOUNTS IN '000 NOK

SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES	2021	2020
Deferred tax assets on		
Lease liabilities (IFRS 16)	74 500	280 606
Asset retirement obligations	2 106 059	2 171 571
Pension liabilities	86 933	62 325
Others	67	79
Total deferred tax assets	**2 267 559**	**2 514 581**
Deferred tax liabilities on		
Property, plant and equipment – corporate tax (22 %)	-359 321	-329 441
Property, plant and equipment – special tax (56 %)	-2 197 275	-1 633 329
Right-of-use assets	-46 537	-107 383
Capitalised exploration wells	-498 999	-403 317
Inventories	-47 737	-44 154
Total deferred tax liabilities	**-3 149 868**	**-2 517 624**
Net deferred tax liabilities	**-882 309**	**-3 043**

AMOUNTS IN '000 NOK

RECONCILIATION OF PAYABLE (-RECEIVABLE) TAX 31.12	2021	2020
Payable/(-receivable) tax for the income year	2 005 015	-1 127 411
Payable/(-receivable) tax prior years	7 596	-2 362
Received/(-paid) installment tax	-524 440	1 008 891
Total	**1 488 171**	**-120 883**

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.

A consultation paper regarding changes in the special tax regime was published by the Ministry of Finance on 31 August 2021. The changes proposed in the consultation paper have not been taken into account in the calculation of taxes for 2021.

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 2020	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	-281 428
Impairment loss	-450 000			-450 000
Carrying amount 31/12/2020	**4 126 245**	**1 357 040**	**34 283**	**5 517 568**
Additions 2021	1 304 049	15 929	840	1 320 817
Modification of Right-of-use asset 2021	-26 718			-26 718
Transfers	1 357 040	-1 357 040		0
Depreciation 2021	-931 165		-3 128	-934 294
Depletion Right-of-use asset 2021	-47 181		-4 110	-51 290
Impairment loss				0
Carrying amount 31/12/2021	**5 782 270**	**15 929**	**27 885**	**5 826 084**
Acquisition cost	31 655 862	15 929	88 778	31 760 569
Accumulated depreciation 31/12/2021	-23 064 592	0	-60 894	-23 125 485
Accumulated impairment loss 31/12/2021	-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 01/01/2020	1 854 682
Additions 2020	197 758
Decognised – sold interests in exploration well	-897 542
Expensed/impaired exploration wells	-637 825
Carrying amount 31/12/2020	**517 073**
Additions 2021	122 669
Transfers	0
Decognised – sold interests in exploration wells	0
Expensed/impaired exploration wells	0
Carrying amount 31/12/2021	**639 742**

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

NOTE 14) Impairments

Impairment tests of individual cash-generating units are performed when impairment triggers are identified. In 2021 no impairment triggers have been identified. In the assessment of whether an impairment is required 31 December 2021, IIN 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)
2022	75
2023	72
2024	70
2025	71
2026	72
2027 ->	CPI adjustment

For dry gas, the forward prices as of 31.12.21 have been used.

NOTE 15) Short-term receivables and other current debt

Accounts receivable is booked at nominal value, without any accrual for losses. All the company's customers are large, international oil companies.

Other short-term receivables consist mainly of overcall, joint venture receivables, prepaid expenses and other receivables related to IIN's joint venture licenses. Other current debt consists mainly of undercall, joint venture payables and accruals and other payables related to IIN's joint venture licenses.

NOTE 16) Equity and shareholders

AMOUNTS IN '000 NOK

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Equity 01/01/2021	727 900	4 181 555	4 909 455
Profit 2021		1 038 763	1 038 763
Extraordinary dividend 2021		-2 296 500	-2 296 500
Remeasurement gain/loss booked to equity (pension)		-6 212	-6 212
Equity 31/12/2021	**727 900**	**2 917 605**	**3 645 505**
Remeasurement loss (-gain) 2021 (Pension)			28 237
Booked to equity			6 212
Booked to deferred tax			22 025
Accumulated remeasurement loss (-gain) booked to equity (post tax)			16 206

The share capital consists of 7 279 shares of NOK 100 000, all fully paid. All shares are owned by INPEX Norway Co. Ltd. in Japan (former Idemitsu Snorre Oil Development Co. Ltd.). Group accounts for 2021 are prepared by the former ultimate parent company, Idemitsu Kosan Co., Ltd. and are available at www.idemitsu.co.jp. Financial information for INPEX Corporation is available at www.inpex.co.jp. Both the former and the present parent company are located in Tokyo, Japan.

NOTE 17) Asset retirement obligations

The Norwegian government may, at the termination of production or expiration of a license, require IIN 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, IIN 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 the Accounting Principles.

AMOUNTS IN '000 NOK

	2021	2020
Asset retirement obligation 1.1	2 858 321	2 286 939
New fields	48 407	95 427
Change of estimate	105 129	215 613
Effect of change in discount rate	-292 174	236 881
Actual decommissioning expenditure	-18 363	-45 544
Interest effect on the NPV obligation	67 586	69 005
Asset retirement obligations 31.12	**2 768 906**	**2 858 321**

In the calculation of net present value at year-end 2021, an inflation rate of 2 % and a discount rate of 3.2 % have been used. For the Knarr field a discount rate of 2.9 % has been used. At year-end 2020 the discount rate was 2.5 % (1.9 % for Knarr). 159.7 million NOK of the liability is short-term.

IIN obtains abandonment and decommissioning cost estimates from the operators. The estimates are reviewed by IIN'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.

PROVEN AND PROBABLE RESERVES	MILL BBLS OF OIL EQUIVALENTS (MMBOE)
Reserves at 01/01/2021	99.4
Revision of previous estimates	-0.6
Discoveries, additions and extensions	0.5
Year 2021 production	-10.2
Reserves at 31/12/2021	**89.1**

IIN 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

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

	2021	2020
Lease liability 1 January	**360**	**944**
Interest expense on lease liability	7	19
Foreign exchange loss (gain) on lease liability	4	26
Modification of lease liability in the period	-27	-232
Payments of lease debt (cash outflow)	-249	-398
Lease liability 31 December	**96**	**360**
Carrying amount of Right-of-use assets 31 December	60	138

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 judgement, it is reasonably certain that an extension will be exercised. No extension options are currently included in the leases.

AMOUNTS IN MILLION NOK

BREAKDOWN OF THE LEASE LIABILITY IN SHORT-TERM AND LONG-TERM:	
Short-term	74
Long-term	22
Total lease liability	**96**

AMOUNTS IN MILLION NOK

PAYMENTS OF LEASE DEBT SPLIT BY ACTIVITIES:	
Investment in production facilities	34
Operating expenditure	36
Other	26
Total	**96**

AMOUNTS IN MILLION NOK

LEASE DEBT MATURITY BREAKDOWN:	
Within one year	74
Two to five years	20
After five years	2
Total	**96**

NOTE 20) Other liabilities and commitments

IIN, 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, IIN has obtained insurance covering such liabilities up to 1 230 million NOK for 100 % share. The deductible is 82 million NOK. Liabilities arising from well blow-outs are covered up to 2 214 million NOK for a 100 % share. In case that liabilities arising from well blow-outs of which the water depth is more than 3,000 ft or located in the Barents sea, those are covered up to 3 280 million NOK for a 100 % share, with a deductible of 82 million NOK.

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

Through its license ownership interests, IIN has certain obligations for future investments and drilling activities. Total committed investment for exploration well drilling was 27 million NOK (IIN share) at 31 December 2021, related to exploration wells in PL 089 and PL 293 B.

Furthermore, IIN has committed to investment in a number of development projects. Below is listed the remaining investment commitment (IIN share) in each project 31 December 2021:

AMOUNTS IN MILLION NOK

Snorre Expansion Project (SEP)	260
Hywind Tampen	60
Statfjord East Gas lift	133
Vigdis Lomre	60
Duva (formerly Cara)	69
Total	**583**

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.

IIN 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	2021	2020
Idemitsu Kosan Co. Ltd, receivable	213	18
Idemitsu Kosan Co. Ltd, payable	-1 880	-2 802
Net receivable (payable)	**-1 667**	**-2 784**

AMOUNTS IN '000 NOK

SALES AND PURCHASES GROUP COMPANIES	2021	2020
Idemitsu Kosan Co. Ltd, purchases	5 104	5 675

IIN has a 1.0 billion NOK deposit in Idemitsu Kosan at 31 December 2021. The deposit is maturing in January 2022, and interest terms is NIBOR + 0.2 % in accordance with the Deposit Agreement signed in February 2018.

NOTE 22) R&D

AMOUNTS IN '000 NOK

	2021	2020
R&D expense	590	878

The R&D activity consists mainly of participation in common industry projects. IIN 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

	2021	2020
Underlift	26 181	109 308
Spare parts and other stock items	83 321	75 738
Total	**109 502**	**185 046**

Auditor's Report 2021

Auditor's report 2021

Deloitte.

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To the General Meeting of INPEX Idemitsu Norge AS

INDEPENDENT AUDITOR'S REPORT

Opinion
We have audited the financial statements of INPEX Idemitsu Norge AS (the Company), which comprise the balance sheet as at 31 December 2021, 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 financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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
The Board of Directors and the General Manager (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the report on payments to governments.

Penneo Dokumentnøkkel: 1P120-YOHX6-OUPI4-ZPSDH-SIJ37-B22Q6

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Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view 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 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with the Board of Directors 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.

Oslo, 7 April 2022
Deloitte AS

Lars Atle Lauvsnes
State Authorised Public Accountant

Penneo Dokumentnøkkel: 1P120-YOHX6-OUPI4-ZPSDH-SIJ37-B22Q6

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