2022 Annual Report

INPEX Idemitsu Norge AS

Message from the Managing Director

INPEX Idemitsu Norge (IIN) can look back on a very busy and productive year where highlights include increased production, steady progress in our key projects, and a solid financial result.

IIN's average daily production in 2022 was 33 000 barrels of oil equivalents per day, which is an increase of about 15 % from the year before. The main reason for the increase was Duva delivering a high stable production rate in its first full year of production. Also, the finalisation of the Snorre Expansion Project (SEP) which was completed with 24 new wells is counter-acting the declining production from the Snorre wells.

On the exploration front, a commercial discovery was made in the Kveikje Main prospect. This discovery is planned for joint development with other discoveries in the greater Fram area.

The much anticipated first power from the floating wind farm Hywind Tampen happened in November 2022 when seven of the 11 wind turbines were installed and came partly on stream. When the remaining turbines are fully installed this summer, GHG emissions from the Snorre and Gullfaks platforms are expected to be cut by up to 35 % per year. At the same time, this power supply solution allows for increased gas export to Europe.

Hywind Tampen is the first ever wind farm project supplying power to oil and gas installations offshore. This project is also a great example of new technology addressing the need to find a balance between energy reliability, affordability, and sustainability, also known as the energy trilemma. Understanding the challenges faced by businesses, governments, and individuals in the face of this issue is vital in the realisation of a net zero society.

As part of INPEX Group, we are committed to proactively engaging in energy transformation while providing cleaner energy to the world's growing population at the same time. INPEX believes in engaging with communities, government, and other stakeholders, and supports a sustainable future for everyone. By investing in cleaner technologies, ensuring that our operations are as efficient and environmentally responsible as possible, and promoting a dialogue on energy and sustainability issues, we want to make a significant contribution to global efforts to combat climate change.

IIN's operations in Norway already have low emissions from our fields in operation. Several new initiatives are underway to reduce our carbon footprint even further. Current estimates show GHG emissions reduced by 47 % from 2020 to 2024 for the INPEX Idemitsu portfolio. Building on this momentum we aim to maintain our level of excellence, reliability, and sustainability while we continue to innovate and expand our operations.

Thank you for your continued support.

Sincerely,

Yukiyo Ikeda
Managing Director

KEY DATA

	2022	2021	2020	2019	2018
Operating revenues, million NOK	11 967	6 569	3 610	3 788	6 000
Operating profit, million NOK	8 912	4 061	534	1 396	2 547
Profit after tax, million NOK	2 083	1 039	1 133	392	583
Daily oil production, thousand barrels	24.8	23.0	17.6	16.4	22.2
Investments, million NOK	916	1 459	1 788	1 506	603
Equity ratio (year end)	43 %	38 %	55 %	51 %	56 %
Cash flow before financing, million NOK	4 387	2 197	1 090	255	658
Crude oil reserves, million Sm3	12.7	14.2	15.8	16.7	14.1
Return on equity	57 %	21 %	23 %	8 %	10 %

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


INPEX

Exploration

Following application for exploration acreage in Awards in Pre-defined Areas 2021 (APA 2021) INPEX Idemitsu Norge (IIN) was awarded three license shares. Of these, two are located in the northern North Sea: **PL 1153**, north-east of the Duva discovery and **PL 882 B**, west of the Dugong discovery. In the Barents Sea, the company was awarded a share in **PL 1170**, east of the Wisting and Hanssen discoveries.

IIN participated in three exploration wells during 2022. One well was drilled in the greater Fram area, and two wells were sunk in the Tampen area.

As a consequence of the integration between INPEX Norge and INPEX Idemitsu Norge, the company now

holds license equity in the northern North Sea, the deep-water Norwegian Sea and in the south-western Barents Sea, and is working actively to mature the prospectivity in the combined license portfolio.

NORTH SEA

In **PL 057** (block 34/4; 9.6 % IIN interest) the Snorre Expansion Project (SEP) development well 34/4-N-3 HT2 was extended into the Lomvi Formation, a secondary target for the well. The Lomvi exploration tail was, however, classified as dry. The well results are being evaluated for further prospect evaluation. Exploration well 34/4-18 S was drilled in the Statfjord Kile prospect in the Snorre Unit, to prove hydrocarbons in the Statfjord Group. The well was classified as dry.
In **PL 089** (block 34/7; 9.6 % IIN interest) prospect evaluation continued.

In **PL 882 B** (blocks 33/6, 34/4; 20 % IIN interest) further evaluation and maturation of prospects continued, including prospects in the **PL 882 B**.

In **PL 090**, **090 E** and **090 I** (blocks 35/11 and 31/2; 15 % IIN interest) prospect maturation continued, based on recently acquired 4D seismic and dual azimuth seismic data. The Crino/Mulder well was approved for drilling in 2023.

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

In **PL 090 HS** (block 35/11; 15 % IIN interest) prospect evaluation continued.
In **PL 090 JS** (block 35/11; 40 % IIN interest) no exploration activities were undertaken in 2022.

In **PL 293 B** (block 35/10; 10 % IIN interest) well 35/10-8 S was drilled on the Kveikje Main prospect and proved a commercial discovery in the Balder Formation. The discovery is planned for joint development with other discoveries in the greater Fram area.

In **PL 636** and **636 B** (block 36/7; 30 % IIN interest) prospect evaluation continued, and the Cerisa prospect was approved for 2023 drilling.

In **PL 318**, **318 B** and **318 C** (blocks 35/2, 4, 5, 6203/10; 20 % IIN interest) a commercial solution for Peon has yet to be defined.

In **PL 1153** (block 36/4; 30 % IIN interest) prospect maturation was initiated.

NORWEGIAN SEA

In **PL 1016** (blocks 6607/2, 3, 4, 5, 6, 6608/1; 40 % IIN interest) the licensees OMV and IIN made a unanimous decision to drill the Velocette prospect in 2023. Longboat Energy then farmed into the license, taking 20 % of Operator OMV's license share.

PL 1129 (blocks 6703/7, 8, 9, 10, 11, 12, 6704/7, 8, 10 11; 30 % IIN interest) completed reprocessing of the CVX1101 3D seismic data set.

In **PL 1130** (blocks 6707/8, 9, 11, 12; IIN Operator and 60 % interest) a full reprocessing of the 3D seismic data set PC10NO01 was successfully completed.

BARENTS SEA

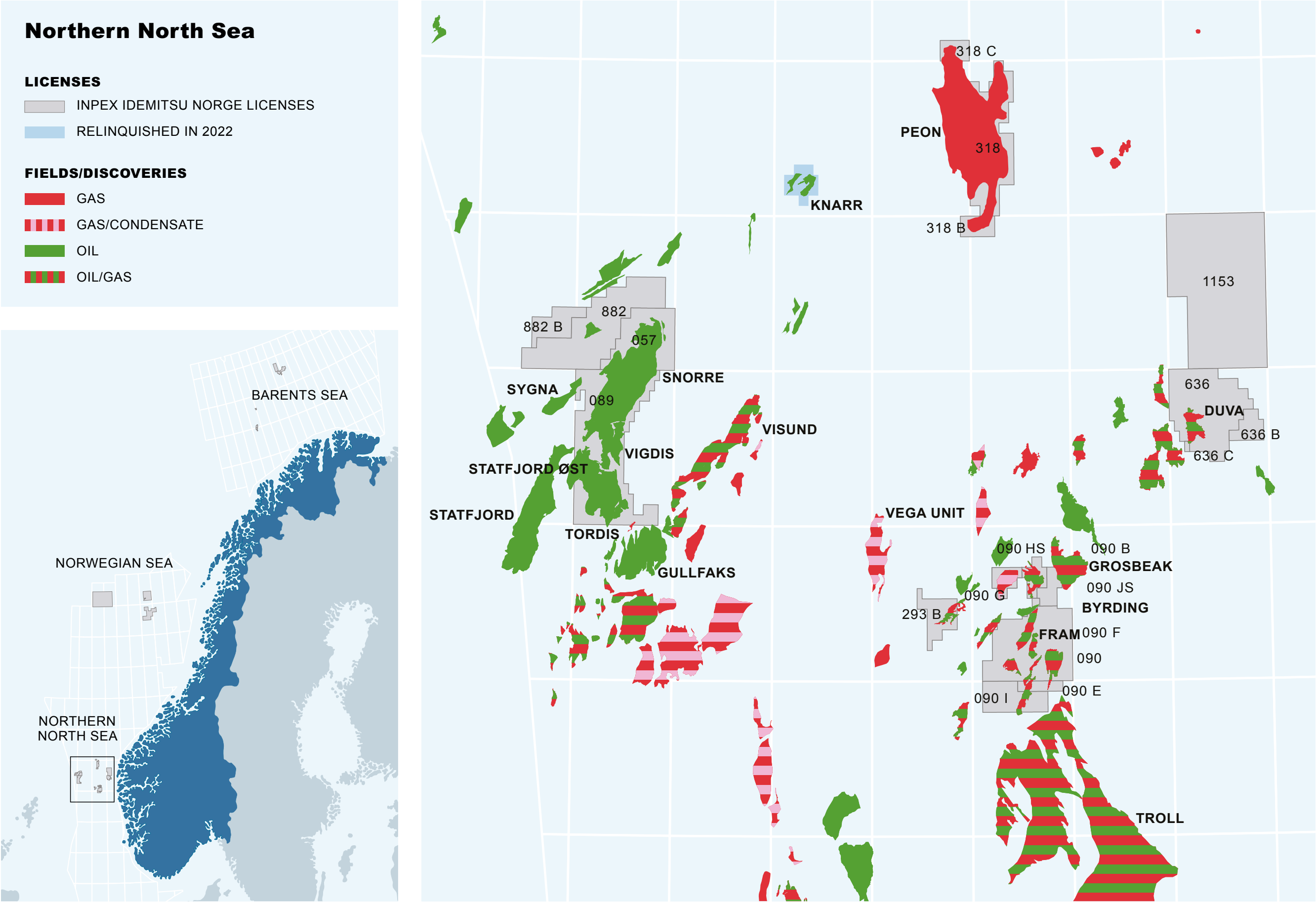
In **PL 537** and **537 B** (blocks 7324/7, 8; 10 % IIN interest) no exploration activity was performed.

In **PL 609**, **609 B** and **609 D** (blocks 7120/1, 2, 7220/6, 9, 11, 12, 7221/4; 15 % IIN interest) no exploration activity was performed.

PL 1027 (blocks 7220/3, 7221/1, 2, 4, 5; 20 % IIN interest) was relinquished after drilling of 7221/4-1 Polmak on the Loppa High during Q4 2020. The well was drilled in cooperation with **PL 609** (IIN 15 % interest).

In **PL 1133** (blocks 7324/4; 10 % IIN interest) prospect maturation was initiated, and a 3D seismic survey was acquired.

In **PL 1170** (blocks 7324/6, 7324/8, 7324/9, 7325/4, 7325/7; 10 % IIN interest) prospect maturation was initiated, and a 3D seismic survey was acquired.


Northern North Sea
LICENSES
INPEX IDEMITSU NORGE LICENSES
RELINQUISHED IN 2022
FIELDS/DISCOVERIES
GAS
GAS/CONDENSATE
OIL
OIL/GAS
BARENTS SEA
NORWEGIAN SEA
NORTHERN NORTH SEA
318 C
PEON
318
KNARR
318 B
1153
882
882 B
057
SNORRE
SYGNA
089
VISUND
VIGDIS
STATFJORD ØST
STATFJORD
TORDIS
GULLFAKS
636
DUVA
636 B
636 C
VEGA UNIT
090 HS
090 B
GROSBEAK
090 JS
BYRDING
090 G
293 B
FRAM
090 F
090
090 I
090 E
TROLL

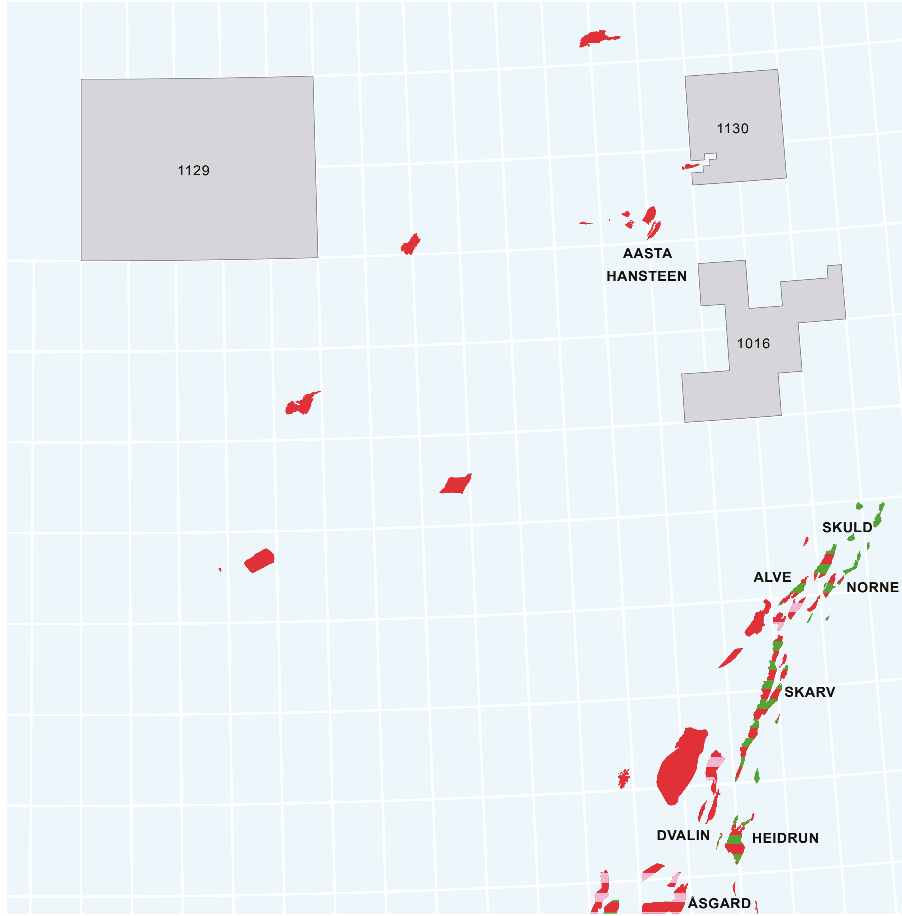
Norwegian Sea

LICENSES

- INPEX IDEMITSU NORGE LICENSES
- RELINQUISHED IN 2022

FIELDS/DISCOVERIES

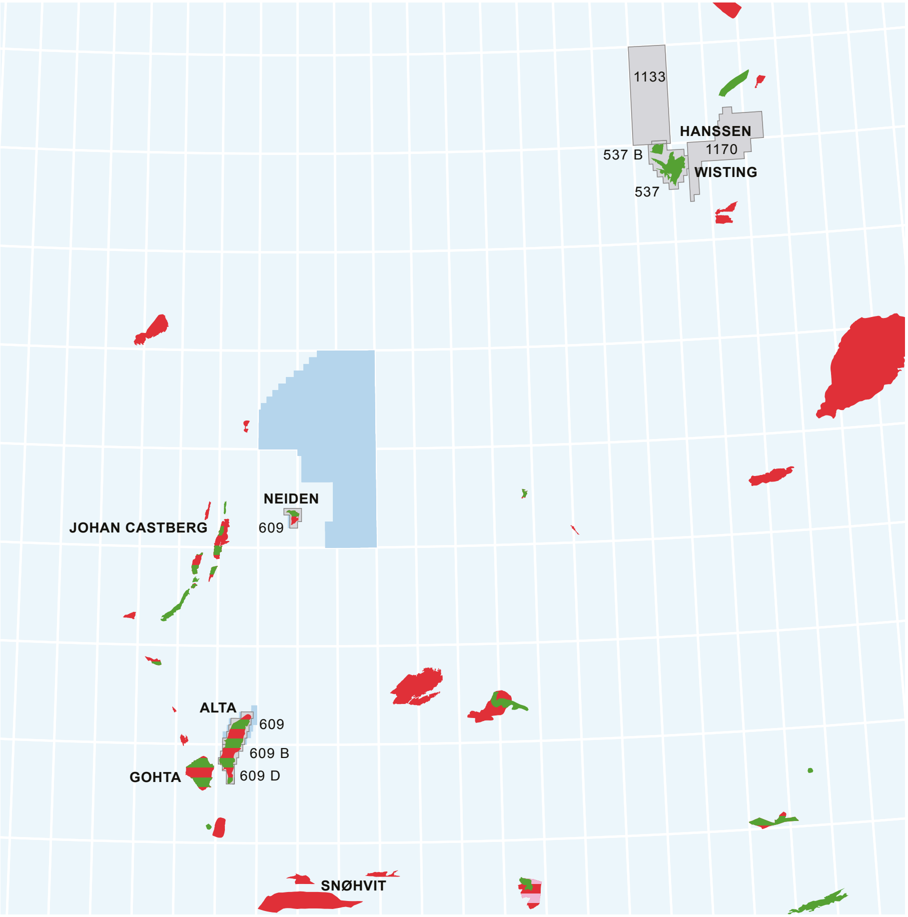
- GAS
- GAS/CONDENSATE
- OIL
- OIL/GAS



Barents Sea

LICENSES
- INPEX IDEMITSU NORGE LICENSES
- RELINQUISHED IN 2022

FIELDS/DISCOVERIES
- GAS
- GAS/CONDENSATE
- OIL
- OIL/GAS



Production & development

Production has generally been stable throughout the year and average production per day was about 33 000 BOE. This is an increase of 15 % from 2021.

The main contributor was the Duva field, which had its first full year of production. Duva is a subsea tie-back field to the Gjøa platform and produced throughout the year with high regularity and without restrictions in the processing capacity. Additionally, the Snorre Expansion Project (SEP) was completed with 24 new wells that were gradually put into production during the year and counteracted the declining production from existing Snorre wells. This resulted in increased production also from the Snorre field. In the Fram area, both oil and gas production were stable.

A key project with high attention is the Hywind Tampen project. This is a joint project between the Snorre and Gullfaks licenses and includes fabrication, assembly and installation of a total of 11 Floating Wind Turbines (FWTs) offshore that will supply power to the Snorre and Gullfaks platforms, of which 6 FWTs are dedicated for power supply to Snorre. Hywind is the world's first project to use floating wind turbines for electrification of oil and gas installation. The first 7 FWTs are now installed on the field and 4 FWTs will be installed and connected during the summer of 2023. When the project is completed next year, it is expected that CO2 emissions from the Snorre platform will be reduced by around 125 000 tons per year, about 30-35 % of the total emissions.

Production from the Knarr field ceased on 1 May as planned and the first phase of the decommissioning project was carried out according to the schedule.

Maturation of the Wisting discovery in the Barents Sea continued throughout the year with the aim to submit a Plan for Development and Operation (PDO) in December. However, Wisting was exposed to an increasingly heated supplier market and growing costs. The Operator Equinor and the partners decided in November to postpone the project and instead establish a new dedicated project, the Wisting Reshape Project (WRP) with the aim to improve the robustness of the project. The operator has established a new dedicated organisation for this purpose and work is underway in accordance with revised plans.

Several discoveries have been made in recent years that are currently being evaluated for development. IIN's most important discoveries are the Echino Sør and Blasto discoveries in the Fram area (PL 090 and PL 090 E) that are being evaluated for joint development with the project name Fram Sør, the Grosbeak discovery (PL 090 JS), the Dugong discovery (PL 882) and the Kveikje discovery (PL 293 B). All of these discoveries will most likely be developed as subsea tie-backs to nearby infrastructure. PDOs for these discoveries are planned within two to three years and start of production can be expected in 2027/2028.

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 emissions from processing oil and gas from the Fram

and Byrding fields significantly. Current estimates show CO_2 emissions reductions of 47 % from 2020 to 2024 for the INPEX Idemitsu portfolio.

TAMPEN AREA

Snorre

Spanning blocks 34/4 and 34/7 (PL 057 and PL 089), the Snorre field has been producing since August 1992 with the start-up of Snorre A. The Snorre B platform came onstream in 2001. The Snorre field has been granted extended lifetime to 2040 and further extensions are being evaluated.

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.

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. Lifetime extension has been granted to 2040.

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. The plan includes extension of the satellite fields production beyond 2030, including drilling of five 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 was developed with subsea wells and a leased FPSO vessel (Floating, Production, Storage and Offloading). Knarr ceased production 1 May 2022 and first phase of the decommissioning project was carried out as planned.

FRAM AREA

Fram
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.

Fram H-Nord
The Fram H-Nord is developed as a tie-back to Fram and further to Troll C. Fram H-Nord started production in 2014.

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
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.

Duva
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. Production started in August 2021.

Social Impact

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INPEX supports international standards such as the International Bill of Human Rights, the International Labour Standards of the International Labour Organisation, the United Nations Guiding Principles on Business and Human Rights, and the principles of the United Nations Global Compact. In May 2017, we issued the INPEX Group Human Rights Policy to clearly define our commitment to respect human rights and provide a compass for fulfilling our responsibilities in this regard.

To comply with the United Kingdom Modern Slavery Act 2015, since FY2016 we have annually released a statement on our website to disclose the policies, systems, and measures that we have in place to prevent slave labour and human trafficking within the Company and throughout the supply chain.

The INPEX Group Human Rights Policy, Sustainability Principles, Business Principles, and Code of Conduct require all INPEX Group executives and employees not only to comply with laws and regulations but also to respect social norms and act with high moral values.

INPEX Corporation

HUMAN RIGHTS

INPEX Idemitsu's commitment to respect fundamental human rights is set forth in our Code of Conduct and Ethics and is further supported by our INPEX Group Human Rights Policy and the INPEX Business Principles and Code of Conduct.

During 2022, we have conducted sessions with all staff to promote awareness and ensure knowledge of expectations, procedures and policies related to Human Rights.

We have been working to further develop our human rights due diligence process, aimed at identifying, preventing, mitigating, and accounting for adverse human rights impacts occurring in connection with our business activities. We will in 2023 introduce an approach to due diligence that will allow us to set priorities and to address the most essential risks within our own business, as well as monitor the activities and performance within our business supply chain, partners, and other counterparties where appropriate.

GRIEVANCE MECHANISM

INPEX Idemitsu actively responds to grievances from all stakeholders, both internal and external. Our Whistle-blowing Policy is anchored within our organisation, and we have an internal group-wide Whistleblower System, INPEX Global Hotline, for reporting of violations of human rights, discrimination, and harassment.

To ensure compliance in relation to the Norwegian Transparency Act, we are currently working to publish a dedicated

> To INPEX group, “diversity” is all the differences between the people in our business, such as ethnicity, gender, sexual orientation, gender identity, age, beliefs, religion, background, disabilities, and care responsibility, as well as the differences in our knowledge and experience. “Inclusion” means creating a workplace and relationships in which any person can feel valued and respected.
>
> INPEX Corporation

site on our web portal for Company statements and information in relation to inquiries and grievances from stakeholders.

In 2022, INPEX Idemitsu received no grievances related to human rights, discrimination, or harassment.

DIVERSITY, INCLUSION, AND EQUAL OPPORTUNITY

In INPEX Idemitsu, we appreciate that diverse representation is not simply about gender. All differences covered by our policies and/or legislation are equality important attributes when it comes to caring for and encouraging broad diversity and inclusion within our organisation.

As required by the Norwegian Equality and Anti-Discrimination Act, we work to promote equality and prevent discrimination. After the transfer of employees from INPEX Norge late 2022, we became an organisation of more than 70 staff members and are currently working to establish a more systematic approach to this work in close cooperation with our Working Environment Committee.

For INPEX Idemitsu, our aim is to provide a great place to work for all staff. We strive to provide a good working environment, with fair remuneration policy and by offering flexibility, within certain frames, for all employees to better achieve a good work-life balance.

NON-NORWEGIANS IN WORKFORCE

One of the Norwegian E&P industry's greatest strengths has always been its great diversity when it comes to culture and nationality. This has fuelled innovation and growth for more than 50 years on the NCS.

In INPEX Idemitsu, 39 % of our staff have a non-Norwegian origin. We find that this diversity strengthens our organisation, it is engaging and motivating, and is part of why INPEX Idemitsu is a great place to work.

GENDER BALANCE[1]

Within INPEX Idemitsu, women constituted 29 % of our workforce at the end of 2022.

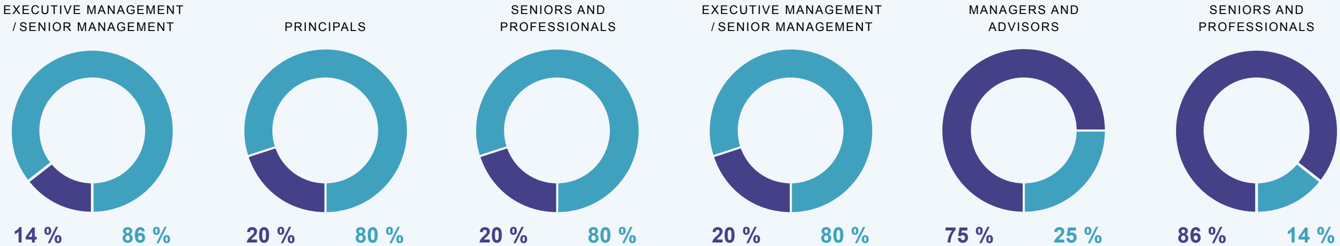
The E&P industry is traditionally male dominated; however, we acknowledge that there is room for achieving a better gender balance within our technical sections, and within managerial positions across the organisation.

1) Local and expatriate employees as per 31.12.2022.

GENDER BALANCE[1]

FEMALE MALE

Technical | **Business Support**



Total employees

NUMBER OF WOMEN: **20**

NUMBER OF MEN: **50**

1) Local and expatriate employees as per 31.12.2022.

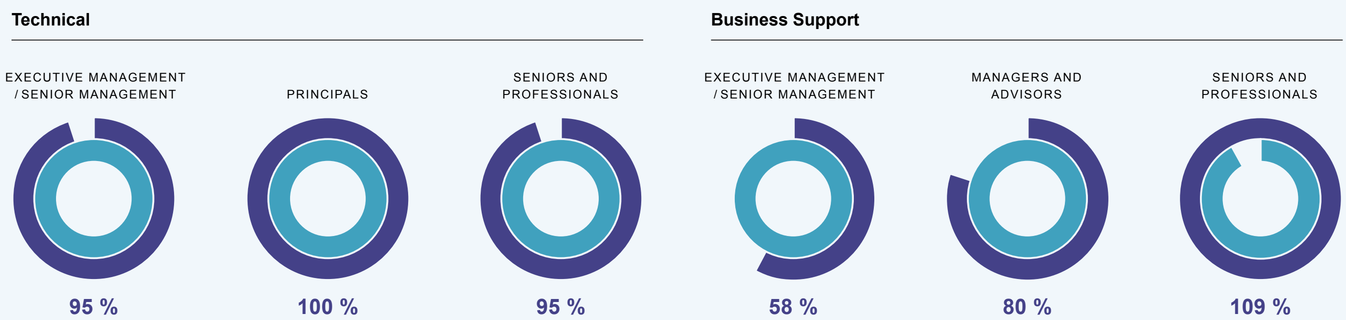
As part of this work, INPEX Idemitsu nominated 1 participant for the leadership development program for women, Female Future, in 2022. This program is aiming at recruiting more women for senior executive positions and to representation within Board of Directors. The program has been established by NHO (The Confederation of Norwegian Enterprise), to support increasing the proportion of women in management within the private sector in Norway.

We are further working to address gender imbalance by preparing to launch short-term and long-term targets to ensure improved follow-up and to better be able to measure the progress of our work for the coming years.

PARENTAL LEAVE

All employees are entitled to parental leave in accordance with Norwegian legislation and we offer full pay during this leave. Employees on parental leave remains part of the company's compensation and benefit package during the leave period, to ensure that parental leave shall not cause any negative effect on salary development.

BASE SALARY DIFFERENCES[1] SALARY DIFFERENCES WOMEN'S % OF MEN'S



1) Data showing local employees' base salary differences as per 31.12.2022.

In 2022, we had one employee eligible for parental leave.One male employee took parental leave for 19 weeks (100 %).

TEMPORARY EMPLOYEES

We had no temporary employees within our organisation in 2022.

PART-TIME EMPLOYEES

We had two part-time employees, one female and one male employee. Both had chosen to work part-time voluntarily.

EQUAL PAY

In INPEX Idemitsu, we have a remuneration policy that provides a foundation for fair and competitive conditions. We make use of an Industry-recognised system for benchmarking of compensation elements, as well as internal data, to best ensure equal remuneration for equal positions.

Employees and positions are further individually evaluated based on job complexity and accountability, as well as employees' formal competence, experience level and performance.

We perform assessments on pay differences for the company as a whole and for all employee categories.

For pay analysis purposes, we assess pay differences for the company as a whole and grouped into two categories: Technical and Business support.

The Equal pay report for 2022 show some pay differences in favour/ disfavour of both genders.

We are aware of the factors contributing to this.

INPEX Corporation

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

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

INPEX is Japan's largest oil and gas exploration and production 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 corporate website.

INPEX Idemitsu and MUNCH

Our relationship with MUNCH has lasted more than 30 years. INPEX Idemitsu is proud to support a cultural institution that enriches the lives of people in our community.

Art reflects our cultural heritage, and it has the power to inspire, educate, and bring people together. Edvard Munch is Norway's most famous painter and one of Modernism's most significant artists. He was a pioneer and an innovator who continues to inspire new audiences all over the world.

MUNCH provides access to art for everyone and serves as a platform for dialogue and cultural exchange. We believe that by supporting MUNCH, we are contributing to the development of a vibrant, creative, and culturally rich community that creates opportunities for learning, insight and understanding among people.

Directors’ Report 2022

Directors' Report 2022

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. The Knarr field ceased production on 1 May 2022. 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 10 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 Idemitsu Kosan Co., Ltd.

The entire business of INPEX Norge AS (a 100 % subsidiary of INPEX Corporation) (INOR) was transferred to IIN on 30 September 2022. INOR is planned to be liquidated in 2023.

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 three exploration wells in 2022. One well was drilled in the Greater Fram area, and two wells in the Tampen area. The two Tampen wells were drilled in the Snorre Unit and the PL 057 license.

With regard to the Greater Fram area, the exploration well 35/10-8 S targeting the Kveikje Main prospect in PL 293 B was drilled to prove hydrocarbons in reservoir rocks belonging to the Balder and Sele formations. The well struck a gas column of 3 meters in sandstones of good reservoir quality belonging to the Hordaland group. In the Balder formation, the well struck an oil column of 23 meters with 19 meters within sandstone with good reservoir quality. The discovery is planned to be developed jointly with other discoveries in the Greater Fram area.

With regard to the Tampen area, the exploration well 34/4-18 S targeting the Statfjord Kile prospect inside the Snorre Unit was drilled to prove hydrocarbons in the Statfjord group. The well encountered sandstone reservoirs of moderate to good quality within the Statfjord group, which are the Eiriksson formation and the Raude. The well was classified as dry.

In addition, the Snorre SEP (Snorre Expansion Project) well 34/4-N-3 HT2 was extended to the Lomvi reservoir in the PL 057 license. This was the secondary target for the well. The Lomvi prospect 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 regard to oil price sensitivity and climate emissions. With the integration of the INOR portfolio in the Vøring Basin, IIN's project base is expanding, and the potential on the NCS has increased. 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 and gas production from IIN's producing fields in 2022 was 15 % higher than in 2021. The production increase was mainly caused by the Snorre Expansion Project (SEP) which was finalised in December 2022 with all 24 wells completed, and the Duva field which had its first full year production.

In Snorre, the drilling of SEP wells continued and the final scope of SEP was completed. 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 provide electricity to the platforms and reduce the use of gas turbines and CO2 emissions from Snorre. At the end of the year, 7 FWT's was installed offshore. The remaining 4 FWT's will be installed and connected during summer 2023.

In the Fram area, both oil and gas production are stable. Recent discoveries in the Fram area, Echino Sør and Blasto, named Fram Sør Project, are being matured towards development and passed DG1 in 2022 with a robust economy.

The Knarr field ceased production on 1 May 2022 and the decommissioning project started during the summer season.

In PL 636, the Duva field had its first full year of production. The Duva field is tied back to the nearby Gjøa platform, and Neptune is the field operator.

In PL 537, the Wisting discovery was being matured with the aim to submit a PDO by the end of 2022. During the year Wisting was exposed to an increasingly heated supplier market and growing costs. The Operator Equinor and the partners decided in November to postpone Wisting and instead established a new project, Wisting Reshape Project (WRP) with the aim to improve the robustness of the project.

All the Dugong discovery in PL 882 (Tampen area), the Grosbeak discovery in PL 90 JS (Fram area) and Kveikje discovery in PL 293 B (Fram area) are being matured with the aim to submit a PDO. All discoveries will most likely be developed as subsea tie-backs to nearby infrastructure.

REPORT ON THE ANNUAL ACCOUNTS

(1) Statements of revenue

IIN posted a profit after tax of 2 083 million NOK in 2022 (2021: 1 039 million NOK). The increase in profit is mainly due to higher product prices. Crude oil revenue increased by 3 289 million NOK, while dry gas revenue increased by 2 095 million NOK.

The company has reviewed its producing fields and exploration assets for potential impairment loss. Based on this review, the company has booked an impairment loss of 150 million NOK on Wisting. The PDO for the Wisting project has been postponed due to a cost increase and potential capacity constraints in the supplier market. The maturation of Wisting continues as Wisting Reshape project, aiming for an investment decision in 2026. In 2021 no impairment loss was booked.

Depreciation is increased compared to 2021 due to higher production. Process tariff is also increased, due to higher production and a gas price linked tariff on Fram. Operating cost of producing fields has increased, mainly due to full year production of one new producing field (Duva). Other operating expenses are fairly stable compared to 2021. The Knarr field ceased production permanently in May 2022.

(2) Balance sheets
IIN has no long-term loans at year-end 2022. No dividend was paid in 2022. Equity represents 43 % of total assets on 31 December 2022.

Production facilities in operation decreased by 420 million NOK in 2022. Significant investments were made in the Snorre Expansion Project and the Tampen Hywind project, but the investments were exceeded by the depreciation cost.

Provision for Asset Retirement Obligations (ARO) has decreased by 2 million NOK. With effect from 31 December 2022, the company changed its discount rate so that it no longer includes an element covering the company's own credit risk. However, the risk-free interest rate increased significantly in 2022, so the total discount rate was almost unchanged compared to 2021.

Payable tax liability has increased significantly compared to 2021 due to higher profits.

(3) Cash flow statements
Total investment in production facilities in 2022 was 916 million NOK, compared to 1 459 million NOK in 2021. 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 significantly lower than the operating profit. Depreciation and tax payments are the main differences between cash flow from operations and operating profit. Tax payments exceeded 5 billion NOK in 2022. Cash flow from operations has also been reduced by decommissioning expenditure, mainly on Knarr.

Excess cash is deposited in INPEX group's cash pooling arrangement.

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 always has sufficient funds available 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 and the INPEX group.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Health, Safety and Environment (HSE) excellence is considered a business imperative in IIN. Ensuring safety and health at work remains our top priority and we aim to maintain a safe, comfortable and zero-accident workplace, rooted in our safety culture.

In 2022, there were no major accidents or incidents resulting in fatalities related to our activities. There were however 44 safety 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, production and decommissioning 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 actively participating in all partner-led follow-up activities.

At the end of 2022, IIN's organisation counted a total of 74 staff members (70 employees). 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. The total sick leave for 2022 was 2.83 % (1.76 % in 2021) of total expected employees man-days.

During 2022, IIN also completed a project to update the entire IIN Company Management System (CMS) including all the HSE related components to align with the INPEX policies and procedures.

EMPLOYEES, ORGANISATION AND WORKING ENVIRONMENT

We believe that a healthy and inclusive working environment and promoting equal opportunities create the best foundation for our organisation to thrive.

With 70 employees, which has increased from 58 in 2021, we had one female and one male part-time employees (both voluntary) and no temporary employees as of the end of 2022.

The increased number of employees was mainly a result of the transfer of business from INOR to IIN on 30 September 2022.

Adopting the organisation to integrate our new employees was the highest priority in 2022. Employee representatives and the Working Environment Committee in both companies were consulted and involved throughout the process, all in line with the regulations in the Working Environment Act. The employees were regularly updated and informed through the integration process and were also directly involved through an employee survey on organisational issues, allowing all the opportunity to raise opinions and submit specific ideas and suggestions. The feedback from the employees brought valuable input to the decision-making and to successful integration.

We are committed to continuously improving and enhancing our working environment by promoting employee's health and maintaining and improving the work environment and work/life balance for our employees. The focus on, and management of, the COVID-19 pandemic was gradually shifted to introducing the new hybrid work style, offering our employees the flexibility to alternate between working from the office and from home. The new hybrid work style was established together with the Working Environment Committee and influenced by input from employees through workshop activities.

The Code of Conduct and Ethics and accompanying policies and procedures were all updated during 2022 to ensure enhanced focus on all important employee issues and to be in line with INPEX Group policies and relevant laws and regulations.

No issues or incidents were reported through our company whistleblowing procedure last year.

The annual statement required under Section 5 of the Transparency Act will be published on the company's website by 30 June 2023.

DIVERSITY, EQUAL OPPORTUNITY AND INCLUSION

In IIN, we are committed to promoting equal opportunities and inclusion in line with the Equality and Anti-Discrimination Act of 2018.

Our Equal Opportunities Policy states that all employees shall receive equal treatment regardless of age, disability, gender expression, gender reassignment, marital or civil partner status, pregnancy or maternity, ethnicity, nationality, religion or belief, sex or sexual orientation. The policy further sets out our approach to equal opportunities and the avoidance of discrimination at work. It applies to all aspects of employment, including recruitment, pay and conditions, training, appraisals, promotion, conduct at work, disciplinary and grievance procedures, and termination of employment.

With the basis in our organisational growth, we are currently establishing an entire new framework, including detailed plans for goals and activities, to further enhance our work in relation to gender equality and the work against discrimination. The Working Environment Committee, HSE, and other parts of the organisation are involved in this work which is also anchored towards the Management Committee and the Board. Status and activities will be regularly shared with all employees. The overall gender balance in our organisation at the end of 2022 shows 29 % women in our workforce.

In 2022, our Management Committee consisted of one female and five male executives while the Board of Directors consisted of one female and five male members in addition to one female and one male deputy member.

One employee (male) took a parental leave for 19 weeks.

For more comprehensive information on organisation, diversity, and equal opportunities, please see the chapter Social Impact.

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 and dry gas prices and exchange rates. These elements, particularly the dry gas price, fluctuate and are difficult to estimate. The oil price has stayed at a high level in 2022. The gas price increased significantly, with extreme volatility, following Russia's invasion of Ukraine. It is expected that the product prices will remain high in 2023. In 2022 the special tax was 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.

Due to the stable income from fields with low/moderate cost levels, 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 a 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. In total, estimated production volume in 2023 is lower than 2022 production. 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 2022 the company had a result after tax of NOK 2 083 205 509 which is proposed to be allocated as follows:

DISPOSITION

	AMOUNT IN NOK
Allocation to dividend	0
To other equity	2 083 205 509

Bærum, 20 March 2023 / The board of INPEX Idemitsu Norge AS

Preben Grevstad
Member of the board

Johan Korsmoe
Chairman of the board

Hiroyuki Nakashima
Member of the board

Marius Lunde
Member of the board

Yukiyo Ikeda
Member of the board/General Manager

Koji Ochiai
Member of the board

Financial Statement

Statements of revenue

AMOUNTS IN '000 NOK

	NOTE	2022	2021
Revenue	5	11,967,003	6,568,557
Total operating income		**11,967,003**	**6,568,557**
Operating expenses	6	1,053,846	1,043,754
Exploration expenses	6	404,985	309,452
Personnel expenses	7, 8	177,389	166,836
Depreciation and amortisation	12, 13	1,222,192	940,461
Impairment loss	14	150,185	0
Other administrative expenses	7, 20	46,358	47,317
Total operating expenses		**3,054,955**	**2,507,821**
OPERATING PROFIT		**8,912,048**	**4,060,736**

AMOUNTS IN '000 NOK

	NOTE	2022	2021
Financial income		480,163	153,316
Financial expenses		390,034	250,904
Net financial items	**10**	**90,129**	**-97,588**
Net profit before tax		**9,002,177**	**3,963,148**
Income tax expense	11	6,918,972	2,924,385
Net profit after tax		**2,083,206**	**1,038,763**
STATEMENTS OF COMPREHENSIVE INCOME			
Net actuarial gain/loss	8	4,315	-6,212
TOTAL COMPREHENSIVE INCOME		**2,087,521**	**1,032,551**

Balance sheets

AMOUNTS IN '000 NOK

	NOTE	2022	2021
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Successful efforts exploration wells	4, 13	653,954	639,742
Total intangible assets		**653,954**	**639,742**
PROPERTY, PLANT AND EQUIPMENT			
Production facilities in operation	4, 12, 18	5,362,108	5,782,270
Production facilities under development	12	0	15,929
Equipment and other movables	12	28,196	27,885
Total property, plant and equipment		**5,390,305**	**5,826,084**
NON-CURRENT FINANCIAL ASSETS			
Other long-term receivables		92,301	115,111
Total non-current financial assets		**92,301**	**115,111**
TOTAL NON-CURRENT ASSETS		**6,136,560**	**6,580,937**

AMOUNTS IN '000 NOK

	NOTE	2022	2021
CURRENT ASSETS			
Inventories	23	164,044	109,502
DEBTORS			
Accounts receivables		373,637	1,084,142
Other short-term receivables	15	724,445	153,761
Receivables from group companies	21	2,317,750	1,000,213
Total receivables		**3,415,833**	**2,238,116**
INVESTMENTS			
Cash and cash equivalents	2, 9	3,628,281	635,770
TOTAL CURRENT ASSETS		**7,208,158**	**2,983,388**
TOTAL ASSETS		**13,344,718**	**9,564,325**

Balance sheets

AMOUNTS IN '000 NOK

	NOTE	2022	2021
EQUITY			
PAID-IN CAPITAL			
Share capital	16	727,900	727,900
Total paid-up equity		**727,900**	**727,900**
RETAINED EARNINGS			
Other equity	16	5,005,126	2,917,605
Total retained earnings		**5,005,126**	**2,917,605**
TOTAL EQUITY		**5,733,026**	**3,645,505**
LIABILITIES			
PROVISIONS			
Employee benefit obligations	8	98,088	111,453
Deferred tax	11	1,076,164	882,309
Asset retirement obligations (ARO)	17	2,532,007	2,609,256
Lease liability	19	16,519	21,608
Other provisions		26,190	29,160
Total provisions		**3,748,969**	**3,653,786**

AMOUNTS IN '000 NOK

	NOTE	2022	2021
CURRENT LIABILITIES			
Trade payables		102,152	98,841
Tax payable	11	3,149,079	1,488,171
Public duties payable		94,632	63,422
Liabilities to group companies	21	48	1,880
Short-term part of lease liability	19	5,553	73,905
Short-term part of asset retirement obligation	17	235,225	159,650
Other current liabilities	15	276,035	379,165
Total current liabilities		**3,862,724**	**2,265,034**
TOTAL LIABILITIES		**7,611,692**	**5,918,819**
TOTAL EQUITY AND LIABILITIES		**13,344,718**	**9,564,325**

Bærum, 20 March 2023 / The board of INPEX Idemitsu Norge AS

Preben Grevstad
Member of the board

Johan Korsmoe
Chairman of the board

Hiroyuki Nakashima
Member of the board

Marius Lunde
Member of the board

Yukiyo Ikeda
Member of the board/General Manager

Koji Ochiai
Member of the board

Indirect cash flow

AMOUNTS IN '000 NOK

	NOTE	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss before tax		9,002,177	3,963,148
Taxation paid/received	11	5,079,508	414,040
Depreciation, amortisation and net impairment loss	14	1,372,378	940,461
Change in inventory	23	-54,542	75,544
Change in accounts receivable		710,505	-804,689
Change in accounts payable		3,311	-15,683
Interest cost on asset retirement obligations	17	86,895	67,586
Interest cost on lease liability (IFRS 16)		804	9,216
Difference in expensed pension payments and payments in/out of the pension scheme	8	6,250	3,312
Decommissioning cost incurred		-136,608	-18,363
Change in other liabilities		-39,267	-48,774
Change in other short term assets		-570,673	6,801
Net cash flows from operating activities		**5,301,722**	**3,764,519**

AMOUNTS IN '000 NOK

	NOTE	2022	2021
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investments in production facilities	12	-916,232	-1,458,616
Investments in furniture and office equipment	12	-7,331	-840
Investment in successful efforts exploration wells	13	-14,211	-122,669
Change in other long-term assets/liabilities		22,809	14,898
Net cash flows from investment activities		**-914,965**	**-1,567,226**
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments (IFRS 16)	19	-76,697	-201,613
Payment of dividend		0	-2,296,500
Deposit in parent company		-2,317,548	-5,000,000
Deposit in parent company matured		1,000,000	5,300,000
Net cash flows from financing activities		**-1,394,245**	**-2,198,113**
Net change in cash and cash equivalents		2,992,511	-821
Cash and cash equivalents at the start of the period		635,770	636,591
Cash and cash equivalents at the end of the period		**3,628,281**	**635,770**

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 (71.8 %) are used when calculating deferred tax.

For corporate tax, offshore development costs are depreciated straight line over 6 years. For special tax, such development costs are expensed in the year of investment. Capital expenses on the Norwegian Continental Shelf no longer earn uplift on the total capital expenses. The effect of uplift from previous years is recognised as earned in the year it becomes deductible and included in payable tax calculation. 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 were deducted for special tax (56 %) in the year of investment.

In 2022, the special tax was converted to a cash flow based tax, with no uplift.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

PRODUCTION RIGHTS

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

FURNITURE, FIXTURES AND CARS

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

EXPLORATION COSTS

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

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

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

ASSET RETIREMENT OBLIGATIONS (ARO)

Provisions for ARO are recognised when the company has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. Cost is estimated based on current regulation and technology, considering relevant risks and uncertainties. The discount rate used in the calculation of the ARO is determined using an estimated risk free interest rate, adjusted for risk specific to the liability. With effect from 31 December 2022, IIN changed its discount rate used in calculation of the ARO so that it no longer includes an element covering the company's own credit risk. This change is made because the credit element's exclusion from the discount rate is deemed to better represent the risks specific to the ARO liability. The change is not deemed to affect the financial statement materially, and prior periods' balance sheet amounts have not been restated. This policy change will impact future depreciation expenses as well as potential asset impairments or impairment reversals.

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 has depreciated the RoU asset according to the Unit-of-Production principle (U.O.P.).

A lease within the scope of IFRS 16 may be 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 and a collective defined contribution retirement plan which cover all its local employees. These plans are administered by a Norwegian insurance company. The defined benefit plan was closed for new employees on 30 September 2022. In accordance with actuarial calculations the net present value of the future pension obligations is estimated and compared with the value of all funds paid and previously saved. The difference is shown in the balance sheets under Provision for liabilities or Financial fixed assets. Paid pension premiums and changes in net liability are recorded under Personnel expenses in the statements of income, except for Remeasurement gain/loss which is included in Other comprehensive income.

Pension obligations are recorded in accordance with IAS 19.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the exchange rates prevailing at the time of the transaction. Unrealised gains and losses arising from the individual revaluation of long-term assets and liabilities at year-end rates are recognised through the statements of income. Short-term assets and liabilities are revalued individually at year-end rates, and unrealised gains and losses are recognised through the statements of income.

FINANCIAL INSTRUMENTS

Financial instruments, which

– are classified as current assets,
– are included in a trading portfolio, and held with the intention to sell
– are traded on a stock exchange, authorised market or equivalent regulated foreign market, and
– have satisfactory diversity of ownership and liquidity

are recognised at fair value on the balance sheet date. Other investments are recognised at the lower of average acquisition cost and fair value at the balance sheet date.

ACCOUNTS RECEIVABLE

Trade receivables and other receivables are recognised at nominal value, less the accrual for expected losses of receivables.

CASH AND CASH EQUIVALENTS

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

INVENTORIES AND OVER-/ UNDERLIFT OF PETROLEUM PRODUCTS

Inventories are recognised at the lower of cost and net realisable value and booked under Current assets. Liabilities arising from lifting more than the company's share of the field's petroleum production (overlifting) are valued at production cost, and booked under Other current debt. Full production cost including indirect cost is used for crude oil. For natural gas liquids and dry gas, full production cost after separation from crude oil is included.

RESEARCH AND DEVELOPMENT

The company's research and development costs are immaterial and expensed as incurred.

CHANGES IN ACCOUNTING STANDARDS

No changes in accounting standards with effect for IIN came into force in 2022.

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 on-going 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.

Proved 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 2022 were authorised for issue by the Board of Directors on 20 March 2023.

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 major banks and the parent company. 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 and the parent company.

NOTE 3) Assets acquisitions and disposals

ACQUISITION OF EXPLORATION LICENSES

LICENSE	INTEREST ACQUIRED
PL 1016	40 %
PL 1129	30 %
PL 1130	60 %
PL 882 B	20 %
PL 1153	30 %
PL 1170	10 %

On 23 June 2022, an agreement was signed to transfer the entire business of INPEX Norge AS to INPEX Idemitsu Norge AS. The transfer included the interests in PL 1016, PL 1129 and PL 1130. The effective date of the transfer was 1 January 2022 and the completion date was 30 September 2022.

IIN received the interests in PL 882 B, PL 1153 and PL 1170 in the 2021 APA round.

DISPOSALS OF EXPLORATION LICENSES

LICENSE	INTEREST DISPOSED
PL 373 S	25 %

The exploration license PL 373 S was relinquished on 31 December 2022. Decommissioning activities for the Knarr field will continue in the partner group for the years to come.

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		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 %
882 B	33/6		Neptune	20 %
1016	6607/2, 6607/3, 6608/1, 6607/4, 6607/5, 6607/6		OMV	40 %
1129	6703/7, 6703/8, 6703/9, 6704/7, 6704/8, 6703/10, 6703/11, 6703/12, 6704/10, 6704/11		Wintershall Dea	30 %
1130	6707/8, 6707/9, 6707/11, 6707/12		INPEX Idemitsu	60 %
1133	7324/4		Equinor	10 %
1153	36/4		AkerBP	30 %
1170	7324/6, 7324/8, 7324/9, 7325/4, 7325/7		AkerBP	10 %

NOTE 5) Revenues and other income

AMOUNTS IN '000 NOK

REVENUES	2022	2021
Crude oil	8,630,516	5,341,884
NGL	177,966	164,105
Dry gas	3,136,939	1,042,114
Tariff income	21,583	20,454
Total	**11,967,003**	**6,568,557**

All revenues are generated from the Norwegian Continental Shelf (NCS).
The following customers accounted for more than 10 % of the sales in 2022:
– AS Norske Shell
– Shell International Trading & Shipping
– Equinor

NOTE 6) Operating and exploration expenses

AMOUNTS IN '000 NOK

OPERATING EXPENSES	2022	2021
Production cost	734,606	698,854
Processing cost	254,294	161,342
Transportation cost	108,815	87,500
Change in inventory and over/underlift	-45,407	92,189
Other cost	1,537	3,869
Total	**1,053,846**	**1,043,754**

AMOUNTS IN '000 NOK

EXPLORATION EXPENSES	2022	2021
License exploration expense	190,596	299,013
Exploration expense outside license accounts	214,389	10,440
Total	**404,985**	**309,452**

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

AMOUNTS IN '000 NOK

SALARY COSTS	2022	2021
Salaries	124,830	118,183
Employment tax	19,510	21,340
Pension costs	28,442	24,439
Other benefits	4,606	2,874
Total	**177,389**	**166,836**

In 2022 the company employed 62 man-years, compared to 58 in 2021. 14 employees were transferred from INPEX Norge AS on 1 October 2022. Reference is made to note 3. At the end of the year the company had 70 employees.

AMOUNTS IN '000 NOK

REMUNERATION TO MANAGING DIRECTOR	2022	2021
Salaries	4,565	3,106
Pension costs	24	237
Other remuneration	1,578	823
Total	**6,167**	**4,165**

The Managing Director for IIN was changed in 2022, with some overlap. The remuneration numbers are the combined numbers for the two Managing Directors.

No employee has options, profit-sharings or severance pay agreements at year-end 2022. One board member has a house loan of 3.2 million NOK from the company. Apart from that there are no loans or pledges of security to the Managing Director or board members. The amount of loan to employees was 19.1 million NOK at 31 December 2022 (31 December 2021: 23.3 million NOK).

AMOUNTS IN '000 NOK

AUDITOR FEE	2022	2021
Audit fee (EY 2022, Deloitte 2021)	1,000	558
Other audit related services (EY 2022, Deloitte 2021)	45	847
Total	**1,045**	**1,405**

IIN changed auditor from Deloitte to EY in 2022.

NOTE 8) Pension

IIN has a defined benefit group pension insurance with DNB covering 45 local employees and 6 retirees. The company also has a top hat with DNB covering 32 local employees and 5 retirees. In addition, IIN has a defined contribution pension scheme covering 14 local employees. The defined benefit schemes were closed for new employees on 30 September 2022. The group pension insurance is in accordance with the requirements stated in Norwegian pension legislation.

Net defined benefit 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

	2022	2021
Service cost	28,986	25,508
Financial cost	1,886	1,026
Net pension cost	**30,872**	**26,534**
Remeasurement loss (gain) booked to Other comprehensive income	-19,614	28,237
Estimated pension obligations	271,513	267,885
Pension plan assets (year-end value)	173,425	156,433
Net pension obligation at year end	**98,088**	**111,453**
Economical assumptions		
Discount rate (OMF rate)	3.20 %	1.90 %
Expected compensation increase	3.75 %	2.75 %
Expected return on pension plan assets	3.20 %	1.90 %
Adjustments in National Insurance base rate	3.50 %	2.50 %
Adjustments in pensions	3.50 %	2.50 %
Adjustments in pensions >12G	1.70 %	0.00 %

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

NOTE 9) Restricted bank deposits

AMOUNTS IN '000 NOK

	2022	2021
Withheld employee taxes	15,882	15,673
Mortgaged deposit related to Gassco bank guarantee*	9,056	9,017
Restricted deposit accounts related to office and apartment rent agreements	5,046	3,330
Total	**29,983**	**28,020**

* 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

	2022	2021
Foreign exchange gain	385,855	131,402
Interest income	88,620	14,669
Interest income from related company	5,688	7,245
Foreign exchange loss	-273,848	-162,858
Accretion expense asset retirement obligations	-86,895	-67,586
Accretion expense lease liabilities	-804	-4,845
Other interest expense	-28,486	-15,615
Total	**90,129**	**-97,588**

NOTE 11) Income taxes

AMOUNTS IN '000 NOK

NET INCOME TAX	2022	2021
Current year payable taxes	6,739,910	2,005,015
Change deferred tax	193,855	875,052
Change deferred tax charged to equity	-15,299	22,025
Adjustments related to prior periods (payable)	505	18,079
Adjustments related to prior period (deferred)	0	4,214
Total	**6,918,972**	**2,924,385**

AMOUNTS IN '000 NOK

RECONCILIATION OF NORWEGIAN STATUTORY TAX RATE TO EFFECTIVE TAX RATE	2022	2021
Income before tax	9,002,177	3,963,148
Calculated income tax at tax rate 78 %	7,022,058	3,091,255
Tax effect of		
Uplift	-44,160	-248,076
Financial items allocated onshore	-100,782	11,640
Permanent differences	-67,842	47,272
Effect changed rates offshore	103	
Change deferred tax assets not recognised	61,559	
Tax payable posted directly in the balance sheet	47,530	
Adjustment prior years	505	22,293
Total	**6,918,972**	**2,924,385**
Effective tax rate	76.9 %	73.8 %

AMOUNTS IN '000 NOK

SIGNIFICANT COMPONENTS OF DEFERRED TAX ASSETS AND LIABILITIES	2022	2021
Deferred tax assets on		
Lease liabilities (IFRS 16)	17,217	74,500
Asset retirement obligations	2,104,792	2,106,059
Pension liabilities	76,513	86,933
Others	57	67
Total deferred tax assets	**2,198,579**	**2,267,559**
Deferred tax liabilities on		
Property, plant and equipment (PP&E)	-1,743,851	-2,556,596
Adjustment PP&E related to special tax	-1,461,449	
Right-of-use assets	-16,029	-46,537
Capitalised exploration wells	-14,211	-498,999
Inventories	-22,291	-47,737
Open foreign exchange contracts	-16,911	
Total deferred tax liabilities	**-3,274,743**	**-3,149,868**
Net deferred tax liabilities	**-1,076,164**	**-882,309**

AMOUNTS IN '000 NOK

RECONCILIATION OF PAYABLE (-RECEIVABLE) TAX 31.12	2022	2021
Payable/(-receivable) tax for the income year	6,739,910	2,005,015
Tax payable posted directly in the balance sheet	-47,530	
Payable/(-receivable) tax prior years	-116	7,596
Received/(-paid) installment tax	-3,543,185	-524,440
Total	**3,149,079**	**1,488,171**

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 was refunded from the state in the year following the income year.

In 2022 the special tax was converted to a cash flow based tax, with no uplift.

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 2021	4,126,245	1,357,040	34,283	5,517,568
Additions 2021	1,304,049	15,929	840	1,320,818
Modification 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**
Additions 2022	775,124	134,257	7,331	916,711
Depreciation 2022	-1,215,173		-2,910	-1,218,083
Excluding decommissioning booked as DD&A	54,891			54,891
Depletion Right-of-use asset 2022	-35,004		-4,110	-39,113
Impairment loss		-150,185		-150,185
Carrying amount 31/12/2022	**5,362,108**	**0**	**28,196**	**5,390,305**
Acquisition cost	31,624,257	0	96,109	31,720,366
Accumulated depreciation 31/12/2022	-23,612,056	0	-67,913	-23,679,969
Accumulated impairment loss 31/12/2022	-2,650,092	0	0	-2,650,092

Property, plant and equipment on Wisting was impaired and derecognised at year-end 2022.

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 01/01/2021	517,073
Additions 2021	122,669
Expensed/impaired exploration wells	0
Carrying amount 31/12/2021	**639,742**
Additions 2022	42,990
Transfers	-28,778
Expensed/impaired exploration wells	0
Carrying amount 31/12/2022	**653,954**

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. For Wisting, the postponement of the PDO was considered an impairment trigger. An impairment loss of 150 million NOK was booked on Wisting. The capitalised exploration cost on Wisting was not impaired. No other impairment triggers were identified in 2022. In the assessment of whether an impairment is required 31 December 2022, 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)
2023	85
2024	82
2025	80
2026	81
2027	82
2028 ->	CPI adjustment

For dry gas, the forward prices as of 31.12.22 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 01/01/2022	727,900	2,917,605	3,645,505
Profit 2022		2,083,206	2,083,206
Remeasurement gain/loss booked to equity (pension)		4,315	4,315
Equity 31/12/2022	**727,900**	**5,005,126**	**5,733,026**
Remeasurement loss (-gain) 2022 (pension)			-19,614
Booked to equity			-4,315
Booked to deferred tax			-15,299
Accumulated remeasurement loss (-gain) booked to equity (post tax)			11,891

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 2022 are prepared by the ultimate parent company INPEX Corporation and are available at www.inpex.co.jp. The ultimate parent company is located in Tokyo, Japan.

NOTE 17) Asset retirement obligations

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

AMOUNTS IN '000 NOK

	2022	2021
Asset retirement obligation 1.1	2,768,906	2,858,321
New fields	0	48,407
Change of estimate	42,700	-187,045
Effect of ARO policy change	632,028	
Effect of change in risk-free interest rate	-626,688	-292,174
Actual decommissioning expenditure	-136,608	-18,363
Interest effect on the NPV obligation	86,895	67,586
Asset retirement obligations 31.12	**2,767,232**	**2,768,906**

In the calculation of net present value at year-end 2022, 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 2021 the discount rate was 2.5 % (1.9 % for Knarr). 235.2 million NOK of the liability is short-term at year-end 2022 (159.7 million NOK at year-end 2021).

The discount rate is a risk-free rate based on the NOK currency and time horizon of the individual oil and gas fields. IIN no longer includes a credit premium in the discount rate. Reference is made to Accounting principles.

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 01/01/2022	89.1
Revision of previous estimates	2.6
Discoveries, additions and extensions	0.2
Year 2022 production	-11.9
Reserves at 31/12/2022	**80.0**

IIN accounts only for reserves of crude oil in the Tampen fields, 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

	2022	2021
Lease liability 1 January	**96**	**360**
Interest expense on lease liability	1	7
Foreign exchange loss (gain) on lease liability	2	4
Modification of lease liability in the period	0	-27
Payments of lease debt (cash outflow)	-77	-249
Lease liability 31 December	**22**	**96**
Carrying amount of Right-of-use assets 31 December	21	60

The company has had four leasing agreements which are deemed to be within the scope of IFRS 16 in 2022:

LEASE OBJECT	LICENSE
1 Knarr FPSO – terminated in 2022	PL 373 S
2 Knarr Fjordbase	PL 373 S
3 Drilling rig, Snorre Expansion Project – terminated in 2022	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	6
Long-term	17
Total lease liability	**22**

AMOUNTS IN MILLION NOK

PAYMENTS OF LEASE DEBT SPLIT BY ACTIVITIES:	
Investment in production facilities	0
Operating expenditure	1
Other	21
Total	**22**

AMOUNTS IN MILLION NOK

LEASE DEBT MATURITY BREAKDOWN:	
Within one year	6
One to five years	17
After five years	0
Total	**22**

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 150 million USD for 100 % share. The deductible is 10 million USD. Liabilities arising from well blow-outs are covered up to 270 million USD 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 400 million USD for a 100 % share, with a deductible of 10 million USD.

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 281 million NOK (IIN share) at 31 December 2022, related to exploration wells in PL 090, PL 636 and PL 1016.

Furthermore, IIN has committed to investment in a number of development projects. Below is listed the remaining investment commitment (IIN share) in each project (excluding infill drilling) 31 December 2022:

AMOUNTS IN MILLION NOK

Snorre Expansion Project (SEP)	4
Hywind Tampen	24
Statfjord East Gas lift	91
Vigdis Lomre	62
Duva (formerly Cara)	4
Total	**185**

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

IIN has 185 million USD in time deposits and 50.1 million USD in overnight deposits in INPEX Financial Services Singapore (IFSS) at 31 December 2022.

The deposits are included in the cash pooling arrangement of the INPEX group. Interest terms on the time deposits is Treasure Bill Rate + spread.

Other transactions with group companies are negligible.

NOTE 22) R&D

AMOUNTS IN ‘000 NOK

	2022	2021
R&D expense	278	590

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

	2022	2021
Underlift	79,439	26,181
Spare parts and other stock items	84,605	83,321
Total	**164,044**	**109,502**

Auditor’s Report 2022

Auditor's report 2022

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Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Inpex Idemitsu Norge AS

Opinion

We have audited the financial statements of Inpex Idemitsu Norge AS (the Company), which comprise the balance sheet as at 31 December 2022, 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 legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and 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 in accordance with the requirements of the relevant laws and regulations in Norway 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 matters

The financial statements for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 7 April 2022.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report and the report on payments to governments contain the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report and the report on payments to governments are consistent with the financial statements and contains the information required by applicable legal requirements.

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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, 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 the 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, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

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Oslo, 20 March 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Erik Søreng
State Authorised Public Accountant (Norway)

Photo:

INPEX Corporation (page 23)
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