



# **Annual Report 2021**

## **Crossbridge Energy A/S**

Egeskovvej 265

DK-7000 Fredericia

CVR no: 10 37 38 16

The Annual Report was presented and  
adopted at the Annual General Meeting of  
Crossbridge Energy A/S on  
29 April 2022

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Chairman

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## Management's Statement

Today, the Board of Directors and the Executive Board have discussed and approved the Annual Report of Crossbridge Energy A/S for the financial year 1 January - 31 December 2021.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Fredericia, 29 April 2022

### Executive Board

Finn Bjørn Schousboe  
*CEO*

### Board of Directors

Nicholas Paul Myerson  
*Chairman*

Finn Bjørn Schousboe

Søren Olsen

Rikke Hvilshøj

Derek J Becht

Wade Thomas Adkins

Lisbeth Sørensen  
*Employee representative*

Lars Trothe  
*Employee representative*

René Holl Majgaard  
*Employee representative*

# Independent auditor's report

To the Shareholders of Crossbridge Energy A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Crossbridge Energy A/S for the financial year 1 January - 31 December 2021, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

## Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements 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 in preparing the financial statements 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 and the additional requirements applicable in Denmark 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, 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 in preparing the financial statements 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 contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 29 April 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Bo Schou-Jacobsen  
State Authorised Public Accountant  
Mne28703

Kristian Pedersen  
State Authorised Public Accountant  
Mne35412

## **Crossbridge Energy A/S Management Board of Directors**

Nicholas Paul Myerson  
*Chairman*

Finn Bjørn Schousboe

Søren Olsen

Rikke Hvilshøj  
Derek J Becht  
Wade Thomas Adkins

Lisbeth Sørensen  
*Employee Representative*

Lars Trothe  
*Employee Representative*

René Holl Majgaard  
*Employee Representative*

### **Executive Board**

Finn Bjørn Schousboe  
*CEO*

### **Executives**

Søren Olsen  
*CFO*

## Financial Highlights

### Key figures

DKK million	2021	2020	2019	2018	2017
Gross revenue incl. VAT and duties	15,239.7	10,039.7	16,734.7	15,549.1	12,181.7
Revenue	12,628.0	8,214.5	13,604.0	13,082.7	10,165.1
Operating profit/loss	-289.3	-552.7	239.8	-71.1	212.9
Net financial items	-258.4	33.6	-29.7	-66.8	137.2
Result before tax	-547.7	-519.1	210.1	-137.9	350.1
Net profit/loss for the year	-603.9	-534.7	149.4	-11.2	327.2
Proposed dividend for the year	0	0	0	0	0
Current assets	2,755.5	1,457.5	2,468.2	1,800.9	1,745.2
Total assets	3,587.0	2,754.3	3,538.3	2,933.6	2,970.5
Equity	642.6	767.4	1,302.1	1,153.0	1,163.9
Current liabilities	2,944.4	1,680.2	2,192.7	1,741.9	1,769.5
Total liabilities and equity	3,587.0	2,754.3	3,538.3	2,933.6	2,970.5
Wages and salaries	218.7	211.4	227.7	201.4	202.9
Investments in property, plant and equipment	95.3	99.3	85.5	64.8	294.7

### Employees

Average number of employees	243	259	267	261	253
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### Ratios

Percent	2021	2020	2019	2018	2017
Return on assets	-17	-20	7	-2	7
Liquidity ratio	94	87	113	103	99

Please refer to accounting policies for terms and definitions.

The key figures for 2017 – 2019 have been prepared in accordance with the Danish Financial Statements Act and the key figures for 2020 and 2021 have been prepared in accordance with IFRS. Reference is made to note 23 in the Financial Statements regarding conversion to IFRS.

## Management's Review (continued)

Crossbridge Energy A/S ("Company") was established in 1913. The Company is a wholly owned subsidiary of PL ESG Denmark Co ApS, whose head office is based in Copenhagen, Denmark. The Company's core business activity is Downstream, comprising refining, and connected sale of refined products. The Company's head office is in Fredericia, while the supply activities are located in Copenhagen.

The sale of the Company including the refining business and local trading activities from Royal Dutch Shell plc. to PL ESG Denmark Co ApS was completed June 30, 2021.

### Market Development

#### The International Oil Market in 2021

Refining margins recovered over the course of 2021 as the demand impact stemming from the Covid-19 pandemic abated and special pandemic restrictions previously imposed by the Danish Government were lifted beginning in September 2021. Similar restrictions were lifted elsewhere across Europe and following this trend, resulting in a broad-based demand recovery for oil products. The recovery was briefly affected by the Omicron variant of COVID-19 over the course of November and December, causing increase in cases reported and a negative impact on our refinery margin.

Dated Brent prices traded from a Q1 average of 61\$/bbl finishing the year with a Q4 average of 80\$/bbl. Oil markets also finished in significant backwardation across products, another indicator of supply scarcity and strong demand.

The US dollar exchange rate increased from 6.18 average in Q1 to 6.51 average in Q4.

#### The Refinery

The Fredericia Refinery ("Refinery") processed 2.9 million tonnes of crude for 2021 (crude intake in 2020 of 2.9 million tonnes). Import of crudes other than Danish Underground Consortium increased to 33% of our total crude slate versus 22% in 2020.

The Refinery executed one planned maintenance outage in September 2021 and had stable operations throughout the remainder of the year, with a 96% rate of availability and regulatory and mechanical downtime of 1%.

#### Taxation, etc.

The tax in the income statement is based on the result of the year. This includes the use of recognized tax losses for prior years. See note 6 for further tax information.

For the year 2021, the Company paid mDKK 2,611.7 in terms of VAT and duties. This represents an increase of mDKK 786.5 compared to 2020.

### Employees

The Company had 245 employees (respectively 39 women and 206 men) as of 31 December 2021.

The Company is an organisation, which provides employees with a wide range of personal and professional development opportunities in a dynamic, diverse and inclusive work environment. The performance bonus scheme not only rewards financial results, but also considers HSSE (Health, Safety, Security and Environmental) performance, customer satisfaction, employee engagement and reputation.

#### Employee communication and involvement

Two-way dialogue between management and staff – directly and where appropriate, via employee representative bodies – is important and embedded in the Company's work practices. An annual engagement survey is one of the principal tools used to measure employee engagement. It provides insights into employees' views and has had a consistently high response rate.



## Management's Review (continued)

### Gender Distribution in Leadership Roles

Effective from 1 April 2013, the Company has complied with legislation encouraging the top 1,100 companies in Denmark to deliver a focused approach in getting a balanced gender representation in the Company's Board of Directors and on other management levels. According to the legislation one gender is not considered underrepresented when it constitutes 40 percent or more of the supreme governing body and/or other management levels.

#### Board of Directors

##### *Target and status*

The Board of Directors elected by the general meeting consists of 6 people, of whom 1 is a woman. Thus, an equal gender distribution has not been achieved, and the aim is to ensure that an equal distribution is maintained within five years (2026). Board members are, like any other employees, appointed solely on basis of professional qualifications. There is no distinction between gender, age, race, religion, sexual orientation or other characteristics that have no relevance to the professional content of the position.

#### Other Management Levels

##### *Status*

The phrase "other management levels" includes all management positions in the Company, which are below the Board of Directors. If all levels of management throughout the Company is taken into consideration, the Company had a total of 37 leadership positions as of 31 December 2021. Of these, 30 (81%) were held by men, and 7 (19%) by women.

##### *Policies*

To strengthen its efforts to increase the proportion of the under-represented gender on other levels of management, the Board of Directors has initiated a policy, which includes the following initiatives:

- **Hiring and recruitment:** The Company is committed to recruit the best qualified person for the job regardless of gender.
- **Career Development:** The Company wants to ensure that all employees, regardless of gender, have equal opportunities to make a career in the Company.
- **Mentoring and Networking:** The Company offers mentoring for all in management regardless of gender.

##### *Executive Review of Current Status*

The Board of Directors of the Company sees diversified management as an asset that will contribute positively to the Company's operational results and to strengthen the management force. The Board of Directors recognizes the fact it requires a long-term sustained effort in this area to influence and potentially change the gender distribution in leadership roles within the Company. However, the Board of Directors is convinced it has created the foundation for delivering a focused approach in getting an overall balanced gender, management levels included, going forward.

## Management's Review (continued)

### Corporate Social Responsibility

The Company is in a new situation after the sale from Shell in the summer of 2021 and is in the process of adapting management systems and reporting to act as a standalone business. The Company's independent CSR policy is under preparation. At this time, the Company has not finalized a written policy for managing CSR.

However, the Company works determinedly to comply with occupational health and safety legislation, working conditions, human rights, anti-corruption legislation, environmental requirements as well as climate aspects.

We are committed to operating safely, reliably and in compliance with legal and ethical standards, to act as a fair and equitable partner for all of our stakeholders-- our employees, customers, suppliers and the communities in which we operate; guided by "Crossbridge Energy's business principles", where the 5th principle reads as follows:

*“Crossbridge Energy works systematically with health, safety and the environment with the aim of constantly improving results. Therefore, Crossbridge Energy manages these areas in the same way as any other important business activity, and therefore sets standards and goals for improvements as well as measures, assesses and publishes. We are constantly seeking to reduce the environmental impact of our activities, products and services.”*

### Social and staff matters

#### ***The human in the green transition***

The green transition must not be at the expense of people's standard of living, therefore the Company asks itself the question, how can we maintain the standard of living in society, without the disadvantages, such as CO<sub>2</sub> emissions, that oil has previously caused?

We deliver approximately 35% of the Danish consumption of fuel, and while fossil fuel is still needed, we must be able to supply it. This does not prevent us from becoming part of the energy transition, as we can work with green hydrogen, different waste streams transformed into Hydrothermal Liquefaction (HTL) Biocrude oil that can be processed and transformed into fuels and CCS (carbon capture and storage). These are three strategies we are pursuing that lead us towards a CO<sub>2</sub> neutral refinery. We aim to serve as a model for other refineries around the world.

#### ***The human at Crossbridge***

We value our employees and we strive to stand-out among the best workplaces in Southern Denmark. As part of Fredericia, the triangle area and the green transition, one of our most important tasks is also to secure jobs in the future. The jobs we have now must also be there in 2035, when the Refinery is climate neutral. We must dare to be part of the transition to secure jobs, but we must also ensure further training and retraining of employees, so they become an active part of the green transition.

## Management's Review (continued)

It is management's assessment the key risks concerning social and staff matters relate to the Company's ability to attract and retain qualified employees in the future. Further there is always an inherent risk for people at a refinery with high temperatures and pressures. This risk has been mitigated by our safety rules, training and planning which identify and prevent incidents.

### Health, Safety, Security and Environment (HSSE)

The Company is committed to Goal Zero Aspiration; no harm and no leaks. In cooperation with the employees each manager is responsible for complying with the agreed safety standards.

#### The Refinery

##### *Risks assessment:*

- *HAZOP (HAZard and OPerability studies) program running as per plan*
- *All work executed in production areas are covered by an individual e-Permit to Work that includes a specific risk assessment and further a Last-Minute-Risk-Assessment must be carried out before start of work.*  
*Actions taken in 2021 to mitigate risk:*
- *Increased focus on change management and team morale during the ownership transition with weekly online coffee-calls*
- *Weekly safety stand stills discussing safety in relation to incident and near misses to ensure learning*
- *Focus on risk from dropped objects and hand injury with special focus on line-of-fire*
- *Keeping the organization healthy during the COVID-19 pandemic*

##### *Lost Time Incidents (LTI)*

There have been three LTI at the Refinery in 2021, which is slightly higher compared to 2020. In the future we will continue to aspire for Goal Zero.

### Environment and climate conditions

The world of energy is transforming to become more sustainable and neutral to the climate. In the coming years, we will address several challenges to run the Refinery through rapid and sustainable development with the strategic goal of the Refinery achieving CO<sub>2</sub>-neutrality by 2035 without consequences for people's living standards.

Taking the global climate change into account, it is management's assessment the key environmental risks we face relate to if there are enough sources of feedstock to our production.

##### *Action and performance:*

In accordance with the environmental policy, we are focused on energy- and CO<sub>2</sub>-savings. This has been done by the co-processing rapeseed oil into oil products, optimization of production, and participation in research and development projects at with Danish universities in search of new economically viable and environmentally sustainable energy sources. The Company has a strategic cooperation with Everfuel on building a large Power-to-X plant next to the refinery which will be a kickstart to become CO<sub>2</sub>-neutral.

In 2021, there has been an increased effort to clear the back-log of cases and the number of open cases has been reduced including several larger spill cases. The in-situ remediation project for the parking lot pollution is in full operation and the in-situ project on Skanseodden is also progressing as per plan. Renewal of the Company's environmental permit initiated in accordance with the EU mandated "Best available technique REFERENCE document" (BREF) has been finalized, but the final permit has been appealed by several parties.

The number of environmental non-compliances has been high compared to 2020. Most of these are related to reliability issues with the temporary steam-boilers. In the same period there have been 6 verified complaints mainly related to noise in the harbor.

## **Management's Review (continued)**

### **Human right and Corruption**

#### **Human rights**

We respect other people's right to live in dignity. We expect our people to meet others with respect and fairness, and we do not tolerate any form of discrimination or harassment. We comply with applicable laws and regulations, including the United Nations Universal Declaration of Human Rights and the core conventions of the International Labour Organisation, and we expect our suppliers to do so as well. Therefore, all suppliers are required to sign a statement they comply with applicable laws and regulations, and they do not accept slavery or child labour, neither internally, nor with their suppliers. The Company operates in Denmark, and is therefore subject to rules and regulations regarding labour laws, health and safety, etc. Our main suppliers operate offshore oil rigs which are subject to strict health and safety regulations. Therefore, the risk for violation of human rights is considered low.

In the future, the Company will continue to require vendors to sign standard clauses regarding compliance with Human Rights, Anti-Bribery and Corruption.

#### **Anti-Bribery and Corruption**

We do not pay, nor do we accept bribes under any circumstances. This includes facilitation payments, which are basically just smaller bribes. If you make a payment in situations where you have a reason to genuinely believe that your life, limbs or liberty is at risk, if you do not pay, this is not bribery or a facilitation payment, but it must be reported internally through the same channels as facilitation payments.

Our code of conduct is in its final development and will be published during 2022, so far containing policies pertaining to gifts & hospitality, anti-money laundering, anti-trust, trade compliance, conflicts of interest as well as political activity and payments. Management expects this to be the corner stone of our way to do business in the future.

Risk of anti-corruption is considered low, as one of the foundational elements of the Company is to treat people properly without any kind of unfair prejudice.

#### **Action and performance:**

All contracts with vendors contain standard clauses regarding compliance with human rights, anti-bribery and corruption. No instances of non-compliance with the Company's above-mentioned policy was observed in 2021.

### **Research and development**

Development activities for the year are comprised of participation in several ongoing projects with Danish universities. The projects are focused on the development of new energy sources. None of the projects are in their final phase.

Research costs are expensed on a current basis. No research activities has taken place in 2021.

### **Employees, knowledge resources and research activities**

The technological development of energy products continues to gather momentum, and it is our clear objective to be at the forefront of this development to ensure the best solutions for the market. The most important competitive parameter of the Company remains the technological knowledge, skills and enthusiasm of our employees. Therefore, we continue to invest heavily in staff development at both the employee and management levels as well as technology to be able to meet our customers need for new energy product.

## **Management's Review (continued)**

### **Data ethics**

The Company currently has no written data ethics policy, as current practices are covering the need. However, this does not mean data and the correct handling of data in an ethical way is considered less important. Data ethics are handled as below:

**Access to data:** All access to data is protected with a username and password. It's mandatory to change the password regularly. Furthermore, external access to our platforms are protected with two-phase authentication.

**ERP:** The Company's ERP-system is protected by a required user login. Each user is assigned to specific roles to ensure segregation of duties between the different users and to eliminate risk of unauthorised access to data. Data is stored according to legal requirements.

**Employee data:** Necessary data regarding employees is kept in a separate system with limited access.

**Customer data:** All of our customers are corporate entities and the information we collect from them is limited to legal requirements to ensure compliance.

**GDPR:** The Company complies with current EU General Data Protection Regulations (GDPR).

### **Financial Review**

The Financial statements has for the first time been prepared in accordance with IFRS (previously prepared in accordance with the Danish Financial Statements Act). The adoption of IFRS had no material impact on the Income Statement or the Financial Position of the Company in respect of comparison figures for 2020. Reference is made to note 23 in the Financial Statements for further information about the adoption.

#### **Net Profit/Loss**

Net loss after tax was mDKK -603.9 in 2021, compared to a loss of mDKK -534.7 in 2020. The 2021 result has been negatively impacted by non-cash charges for the impairment of our long-lived assets totaling mDKK 365.3, provisioning of our deferred tax asset totaling mDKK 51.9 and fair value adjustment of the embedded derivatives and deferred gain on the contract on the inventory monetization facility amounting to a loss of mDKK 99.2.

#### **Revenue and Profit Margins**

Revenue in 2021 increased by 50% compared to 2020.

Crude oil traded in average at 71 USD/Bbl in 2021 compared to an average of 42 USD/Bbl in 2020.

Profit Margins in 2021 increased by 4.0 % from negative 6.1 % in 2020 to 2.1 % in 2021 calculated as gross profit proportionate to revenue.

#### **Costs**

Compared to 2020 the distribution and administration costs increased by mDKK 67.0 to mDKK 160,3 in 2021.

#### **Distribution of Profit**

The Board of Directors suggests the Company's net loss for the year of mDKK 603.9 is carried forward into next year, leaving a remaining equity balance of mDKK 642.6 at year-end 2021.

## Management's Review (continued)

### Capital Resources and Liquidity

We expect our ongoing sources of capital and cash generated from operations to provide sufficient liquidity to meet our short- and long-term capital requirements. Our liquidity as of December 31, 2021, was mDKK 145.7 available to fund payroll, maintenance, and other non-working capital expenses. In addition to other lenders, we have existing credit facilities with J. Aron & Company LLC ("JANY"), that provide us with working capital liquidity, which includes the JANY Inventory Monetization Facility ("IM Facility") and the Accounts Receivable Revolving Facility Agreement ("AR Facility"). The IM Facility is a volume-based facility to manage our working capital requirements associated with the procurement of crude oil, blend stocks and finished products that is subject to maximum physical quantities of inventory linked to the capacity of the storage tanks rather than a fixed currency limit, providing incremental liquidity to finance crude oil purchases in the event of rising commodity prices. The advancement of funding from the AR Facility is based on the amount of eligible receivables in the borrowing base, providing working capital liquidity associated with the sale of finished products to customers. As of December 31, 2021, we had mDKK 305.8 of available capacity on the AR facility. Based on the Company's expected cash flow developments in 2022 and access to the credit facilities described, the Company's Board of Directors and Executive Board consider capital resources and liquidity to be adequate.

### Financial Position

In 2021, investments focused on asset integrity improvement projects at the Refinery.

The value of the inventories increased by mDKK 532.3 (87.3%) from mDKK 609.4 in 2020 to mDKK 1,141.7 in 2021.

Receivables increased by mDKK 539.7 (63.6%) from mDKK 848.1 in 2020 to mDKK 1,387.7 in 2021.

Current liabilities increased by mDKK 1,230.1 (71.8%) from mDKK 1,714.3 in 2020 to mDKK 2,944.4 in 2021.

### Decommissioning and restoration

In 2020, due to several factors such as the strategic outlook within Shell, expected demand for oil products, the pace of decarbonisation and the energy transition, the Company recognised a decommissioning and restoration provision.

New ownership and management have adopted a strategy to actively pursue an energy transition plan commensurate with the acquisition. The updated plans for the Refinery indicate an indefinite life is more appropriate and as such, management has decided to derecognize the provision for decommissioning and restoration. No effect on the Financial Statements as a corresponding asset on the property, plant and equipment has been derecognized.

### Prospect and Outlook for 2022

Our top priority remains in conducting our business in a continuously safe and reliable manner.

From a financial perspective, management expects the results to continue to show overall improvement from 2021 as supply and demand imbalances normalize, driving the resurgence of refining margins closer to historical averages as COVID-19 enters an endemic phase and demand for refined products returns to levels seen pre-COVID-19.

According to the International Energy Agency ("IEA") 2022 global refinery runs forecast for Europe (as published in January 2022), refinery throughput is expected to average 11.4 million barrels per day, well below the 12.2 million barrels per day of 2019, reflecting the reductions in refining capacity in the region. European diesel prices hit a Covid-era high premium to the North Sea Dated crude benchmark in October 2021.

## **Management's Review (continued)**

Consequently, management believes refining margins should be supportive of a more favorable outlook due to improving demand combined with less refining capacity in the market, similar to the conditions experienced during the third and early half of the fourth quarter before Omicron induced reduction in demand occurred. In turn, we expect to generate positive free cash flow from an improved outlook on gross refining margins.

As a final note of caution, the recent invasion of Ukraine and ongoing geopolitical situation with Russia poses wide-ranging challenges. Given the evolving situation, there are many unknown factors and events that could materially impact our operations. These events have and continue to impact commodity prices, our supply chain, credit risks, including those related to receivables, treasury and other factors. Any of these factors, individually or in aggregate, could have a material effect on our earnings, cash flows and financial condition.

### **Risk Factors**

#### **Operational Risks**

The Company's significant operational risk factors are:

- Exposure to pricing on the European product market, and the crude oil price has a significant effect on refinery operation profit.
- Unscheduled operational shut-downs at the Refinery can lead to adverse financial impact.
- The Company's large holdings of oil products lead to increased risk associated with fluctuations in oil prices. It is the Company's policy not to hedge the risk on the operational stock. It might result in significant variations in the financial results.

#### **Foreign Exchange and Interest Exposure**

As a consequence of our operations, investments and financing, the Company is exposed to changes in exchange rates (primarily USD), and in interest rate levels. Currency risk mainly arises from the purchase, storage and sale of oil products, since these they are bought and valued based on the US dollar, and simultaneously sold to customers in both Danish kroner and US dollar. It is the Company's policy not to hedge such currency risks, which can lead to significant fluctuations in the financial results. Open currency risks are managed by the Company's financial processes, while the Company to the widest possible extent ensures that payables and receivables arise in the same currency.

#### **Post Balance Sheet Events**

Reference is made to note 22 in the Financial Statements.

**Income statement**  
for the year ended 31 December 2021

<i>In millions DKK</i>	Notes	<b>2021</b>	<b>2020</b>
<b>Revenue</b>	3	<u>12.628,0</u>	<u>8.363,1</u>
Production costs		-12.757,0	-8.822,5
<b>Gross loss</b>		<u>-129,0</u>	<u>-459,4</u>
Sales and distribution costs		-36,2	-32,8
Administrative costs		-124,1	-60,5
<b>Operating loss</b>		<u>-289,3</u>	<u>-552,7</u>
Financial income	6	41,0	59,3
Financial expenses	6	<u>-299,4</u>	<u>-25,7</u>
<b>Loss before tax</b>		<u>-547,7</u>	<u>-519,1</u>
Tax on loss for the year	7	<u>-56,2</u>	<u>-15,6</u>
<b>Net loss for the year</b>		<u><u>-603,9</u></u>	<u><u>-534,7</u></u>

**Statement of comprehensive income**  
for the year ended 31 December 2021

Loss for the year	-603,9	-534,7
Other comprehensive income for the year	<u>0,0</u>	<u>0,0</u>
<b>Total comprehensive income for the year</b>	<u><u>-603,9</u></u>	<u><u>-534,7</u></u>



**Balance sheet**  
as at 31 December 2021

<i>In millions DKK</i>	Notes	<b>2021</b>	<b>2020</b>	<b>As at 1 January 2020</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	66,3	21,9	22,5
Property, plant and equipment	10	620,9	1.296,8	1.070,1
Deferred tax asset	8	0,0	51,9	82,5
Other non-current assets		<u>144,3</u>	<u>0,0</u>	<u>0,0</u>
<b>Total non-current assets</b>		<u>831,5</u>	<u>1.370,6</u>	<u>1.175,1</u>
<b>Current assets</b>				
Inventories	12	1.141,7	609,4	937,7
Trade receivables		1.337,1	589,1	1.061,3
Receivables from affiliated companies		0,0	169,3	357,2
Prepayments		22,3	11,9	7,6
Other receivables		28,2	4,0	0,0
Cash related to financing facility	13	80,4	0,0	0,0
Cash		<u>145,7</u>	<u>0,0</u>	<u>0,0</u>
<b>Total current assets</b>		<u>2.755,5</u>	<u>1.383,7</u>	<u>2.363,8</u>
<b>Total assets</b>		<u><u>3.587,0</u></u>	<u><u>2.754,3</u></u>	<u><u>3.538,9</u></u>

**Balance sheet**  
as at 31 December 2021

<i>In millions DKK</i>	Notes	<b>2021</b>	<b>2020</b>	<b>As at 1 January 2020</b>
<b>Equity</b>				
Share capital	16	251,4	251,4	251,4
Retained earnings		<u>391,2</u>	<u>516,0</u>	<u>1.050,7</u>
<b>Total equity</b>		<b><u>642,6</u></b>	<b><u>767,4</u></b>	<b><u>1.302,1</u></b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Provisions	18	0,0	272,6	0,0
Other payables		<u>0,0</u>	<u>0,0</u>	<u>7,3</u>
<b>Total non-current liabilities</b>		<b><u>0,0</u></b>	<b><u>272,6</u></b>	<b><u>7,3</u></b>
<b>Current liabilities</b>				
Trade payables		499,9	214,1	239,6
Borrowings	13	2.288,9	0,0	0,0
Payables to affiliated companies	20	0,0	1.412,1	1.725,3
Income tax liabilities	7,8	4,4	0,0	7,5
Provisions	18	109,3	52,4	54,5
Other payables		<u>42,0</u>	<u>35,7</u>	<u>202,6</u>
<b>Total current liabilities</b>		<b><u>2.944,4</u></b>	<b><u>1.714,3</u></b>	<b><u>2.229,5</u></b>
<b>Total liabilities</b>		<b><u>2.944,4</u></b>	<b><u>1.986,9</u></b>	<b><u>2.236,8</u></b>
<b>Total liabilities and equity</b>		<b><u>3.587,0</u></b>	<b><u>2.754,3</u></b>	<b><u>3.538,9</u></b>

**Statement of changes in equity**  
for the year ended 31 December 2021

<i>In millions DKK</i>	Share capital	Retained earnings	Total equity
<b>As at 1 January 2021</b>	251,4	516,0	767,4
Loss for the year	0,0	-603,9	-603,9
Other comprehensive income	0,0	0,0	0,0
<b>Total comprehensive income</b>	0,0	-603,9	-603,9
<b>Transactions with owners in their capacity as owners</b>			
Payment of extraordinary dividend	0,0	-37,9	-37,9
Shareholder contribution	0,0	517,0	517,0
<b>Total transactions with owners</b>	0,0	479,1	479,1
<b>As at 31 December 2021</b>	<b>251,4</b>	<b>391,2</b>	<b>642,6</b>

**Statement of changes in equity**  
for the year ended 31 December 2020

<i>In millions DKK</i>	Share capital	Retained earnings	Total equity
<b>As at 1 January 2020</b>	251,4	1.050,7	1.302,1
Loss for the year	0,0	-534,7	-534,7
Other comprehensive income	0,0	0,0	0,0
<b>Total comprehensive income</b>	0,0	-534,7	-534,7
<b>As at 31 December 2020</b>	<b>251,4</b>	<b>516,0</b>	<b>767,4</b>

**Statement of cash flows**  
for the year ended 31 December 2021

<i>In millions DKK</i>	Notes	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>			
Net loss for the year		-603,9	-534,7
Adjustments	15	757,4	127,2
Changes in net working capital	15	-820,9	1.001,5
Realised foreign exchange rate gains	6	21,1	59,3
Interest paid	6	-324,9	-25,7
Income taxes paid/received		<u>0,0</u>	<u>-5,4</u>
<b>Net cash inflow (outflow) from operating activities</b>		<u>-971,2</u>	<u>622,2</u>
<b>Cash flows from investing activities</b>			
Payments for intangible assets	9	-44,4	-21,8
Payments for property, plant and equipment	10	<u>-95,2</u>	<u>-99,3</u>
<b>Net cash inflow (outflow) from investing activities</b>		<u>-139,6</u>	<u>-121,1</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	13	-1.422,7	0,0
Proceeds from borrowings	13	2.265,4	0,0
Repayment to group enterprises		0,0	-501,1
Dividends paid to company's shareholders		-37,9	0,0
Shareholder contribution		<u>451,8</u>	<u>0,0</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u>1.256,5</u>	<u>-501,1</u>
<b>Net increase (decrease) in cash</b>		<u><b>145,7</b></u>	<u><b>0,0</b></u>
Cash at the beginning of the financial year		0,0	0,0
Effects of exchange rate changes on cash		0,0	0,0
<b>Cash at end of year</b>		<u><b>145,7</b></u>	<u><b>0,0</b></u>

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## **Contents of the notes to the Financial Statements**

### **Note 1 Summary of significant accounting policies**

---

The Financial Statements of Crossbridge Energy A/S ('the Company') for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors and Executive Management on 29 April 2022.

This note provides a list of the significant accounting policies adopted in the preparation of these Financial Statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional the Danish disclosure requirements applying to entities of reporting class C for large enterprises.

The Financial Statements have been prepared on a historical cost basis except for embedded derivative financial instruments which are measured at fair value.

The Financial Statements are presented in Danish Kroner (DKK), which is also the functional currency of the Company. All values are rounded to the nearest million, except when otherwise indicated.

#### **First-time adoption of IFRS**

These Financial Statements are the first Financial Statements that are presented in accordance with IFRS.

The comparative figures for 2020 in the income statement and the balance sheet as at 1 January 2020 and 31 December 2020 were restated in accordance with IFRS. The accounting policies applied are based on the standards and interpretations effective for 2021. No standards or interpretations which are not yet effective have been adopted.

Refer to note 23 for information on how the Company adopted IFRS.

#### **New standards and interpretations not yet adopted**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

#### **Foreign currency translation**

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss.

## **Contents of the notes to the Financial Statements**

### **Note 1 Summary of significant accounting policies**

---

#### **Revenue**

Revenue from sales of oil products is recognised at the transaction price to which the Company expects to be entitled, after deducting sales taxes, excise duties and similar levies. Generally, the sales price for sale of oil products is determined based on the average observable price for the respective products over the time period in which the sale is made. Price adjustments attributable to price changes following delivery are considered embedded oil price linked derivatives. Consequently, revenue is measured based on the average price up until the date of delivery and the subsequent price changes attributable to the embedded oil price derivative are recognized as other revenue.

Revenue from sale of oil products is recognised when control of the products has been transferred to the customer. For sales of oil products, it is either at the point of delivery or the point of receipt, depending on the contractual terms.

Revenue from refining for other parties is recognized along with provision of the refining service.

Revenue from sale of electricity and waste heat is recognized along with delivery of the electricity and waste heat.

#### **Other operating income**

Other operating income comprise items of a secondary nature to the activities of the Company's, including gains and losses on the sale of intangible assets and property, plant and equipment.

#### **Production costs**

Production expenses include costs incurred to generate revenue for the year. Cost includes raw materials, consumables, direct labour and indirect production costs such as maintenance, depreciation and impairment losses. Furthermore, costs for operation, administration and management of the Fredericia Refinery are allocated.

#### **Sales and distribution costs**

Sales and distribution expenses include costs such as salaries for sales and distribution personnel, advertising and marketing costs, depreciation, etc.

#### **Administrative costs**

Administrative expenses include costs of management, administrative personnel, office, depreciation etc.

#### **Financial income and expenses**

Financial income and expenses (net financial items) include interest income and expenses calculated in accordance with the effective interest method as well as exchange rate gains and losses on foreign currency transactions.

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

#### **Income tax**

The income tax expense or income for the year is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

## Contents of the notes to the Financial Statements

### **Note 1      Summary of significant accounting policies**

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The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

#### **Deferred tax assets and liabilities**

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### **Intangible assets**

Intangible assets include externally acquired EU Emission Allowances used in the EU Emissions Trading Scheme and are recognised at cost and subsequently measured at cost less accumulated amortisation and impairment losses. The calculation of the amortisation considers the residual value of the EU Emission Allowances, which is determined by reference to the active market for emission allowances.

EU Allowances that are received free of charge as government grants are recognised at cost (nil).

#### **Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.



## Contents of the notes to the Financial Statements

### Note 1 Summary of significant accounting policies

---

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

#### Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

Land	Not depreciated
Buildings	10 - 50 years
Technical installations and machinery	8 - 20 years
Operating equipment and fixtures	3 - 8 years
Assets under construction	Not depreciated

#### Impairment of assets

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### Other non-current assets

Other non-current assets consist of deposits related to the finance facilities measured at amortised cost.

#### Inventories

Inventories are measured at the lower of cost and net realisable value under the FIFO method. The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses.

The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price. The cost of goods for resale equals landed cost. The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Goods for resale, raw materials and consumables comprise the purchase price plus transportation costs.

The cost price of finished goods comprises the cost of raw materials, consumables, and direct labour plus production overheads. Indirect production overheads comprise indirect materials and wages, maintenance and depreciation of production machinery, plant and equipment as well as administration and management.

Exchange agreements with other oil companies form part of the balance for inventories.

## **Contents of the notes to the Financial Statements**

### **Note 1 Summary of significant accounting policies**

---

#### **Trade receivables**

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost less loss allowance. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss.

#### **Prepayments**

Prepayments recognised under assets comprise incurred costs pertaining to the subsequent financial years. They are measured at cost.

#### **Cash related to financing facility**

Cash related to financing facility represents a lender-controlled deposit that is in the Company's name, with deposited funds directed by the Company to its lenders for the AR facility.

#### **Financial liabilities**

##### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

##### **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are at initial recognition assessed for non closely related embedded derivatives such as prepayment options at a price not approximately equal to the amortised cost, in the money interest rate floors and caps etc. Proceeds received from the lender is adjusted for the initial fair value of such non closely related embedded derivative resulting in an adjustment to the effective interest rate. The embedded derivatives are subsequently measured at fair value through profit or loss.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

##### **Employee benefits**

###### **Pensions**

For defined contribution plans, the Company pays contributions to publicly administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

## **Contents of the notes to the Financial Statements**

### **Note 1 Summary of significant accounting policies**

---

#### **Share based payments**

Share-based payment expenses are recognised over the period during which the employees provide the relevant services. The fair value of options granted is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

#### **Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

#### **Provisions**

Provisions are recognised when the Company as a result of events occurring before the balance sheet date has a legal or constructive obligation, and when an outflow of economic benefits is probable to settle the obligation. Provisions are recognised and measured as the best estimate of the expenditure required to settle liabilities at the reporting date. Provisions with an expected maturity exceeding one year from the balance sheet date are discounted using the average bond yield.

The value of provisions related to decommissioning and restoration of the land and production plant is recognised as property, plant and equipment and is depreciated over the assessed life time of the refinery.

Other provisions consist of the obligation to deliver emission rights to cover the yearly emission by the Company, which is measured at the amount that is expected to be required to settle the obligation.

#### **Equity reserves**

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deductions, net of tax, from the proceeds.

#### **Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### **Statement of cash flows**

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

## Contents of the notes to the Financial Statements

### Note 1 Summary of significant accounting policies

---

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as share-based payment expenses, depreciation, amortisation and impairment losses. Working capital comprises current assets less short-term debt, excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt and principal element on lease payments as well as payments to and from shareholders.

#### Cash

Cash comprises cash and bank balances.

#### Key figures

The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

Return on assets:  $\frac{\text{Operating profit/loss} \times 100}{\text{Total assets}}$

Liquidity ration:  $\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$

## Contents of the notes to the Financial Statements

### Note 2 Critical estimates and judgements

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The preparation of Financial Statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

#### Judgements

##### *Inventory sale and repurchase arrangement*

The Company has entered into an agreement under which the counterparty acquires crude oil, other feedstock and products. Under the arrangement, the counterparty legally acquires the goods and has a right to sell them back to the Company. The sales price as well as the repurchase price are based on the prevailing market rates for crude oil etc. Further, the resale price is increased with an amount which is a function of the time period between purchase and resale.

Management has assessed whether the arrangement should be accounted for as a sale of good or as a financing transaction, based on IFRS 15's guidance regarding buyer options to resell the goods. Management has considered that due to the fact that the sales price at any point in time will be higher than the sales price determined based on the market price for crude oil upon repurchase, the arrangement is a financing arrangement.

The arrangement is considered a lending arrangement with an embedded commodity price index. Refer to note 13 for disclosure about the embedded derivative outstanding as of 31 December 2021.

#### Significant estimates

##### *Deferred tax*

As of 31 December 2021, the Company has unused tax losses of mDKK 211.7, of which none has been recognised.

The Company has in addition temporary differences of mDKK 51.9 to be carried forward of which has not been recognised in the balance sheet. The Company has incurred the losses in recent years. The losses can be carried forward indefinitely and have no expiration date.

Recognition of deferred tax assets requires that it is probable that future taxable profits are available against which the unused tax losses can be utilised. As the Company has a history of making taxable losses, IAS 12 Income Taxes further requires that convincing evidence is available to support Management's assessment that sufficient taxable profits will be available in the future. Even though the approved budget and business plan show that the Company will be generating taxable profits in the foreseeable future, Management has concluded that it will not be able to meet the strict criteria in IAS 12 to provide 'convincing evidence', as the budget and business plan are sensitive to the outlook on refining margins, throughput and utilization rates and overall cash flows expected to be generated from free cash flows in an environment where demand has not recovered from pre-COVID-19 levels. Consequently, the deferred tax asset of mDKK 263.6 has not been recognised.

## Contents of the notes to the Financial Statements

### Note 2 Critical estimates and judgements

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#### *Decommissioning and restoration provision*

In 2020, the Company recognised for the first time a decommissioning and restoration provision of mDKK 272.5 for the refinery following a strategic decision taken by the former owner Royal Dutch Shell, which indicated a termination date of the refinery's operation.

Following the change of ownership in 2021, a new long-term strategic plan has been established. This plan focuses on transforming the refinery by shifting to new renewable feedstocks and business opportunities. Therefore, Management has decided to reverse the decommissioning and restoration provision, since an indefinite lifetime of the refinery operation is assessed.

#### *Impairment of property, plant and equipment*

If indications exist, Management assesses through an impairment test the recoverability of the carrying amount of property, plant and equipment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. For 2021, the Company recognised an impairment loss of mDKK 365.3 as the Company's tangible assets were written down to their recoverable amount of mDKK 620.9. The recoverable amount has been determined by reference to the fair value less cost of disposal which has been based on a discounted cash flow analysis with a budget period of five years followed by a terminal period and benchmarked against market transactions. The fair value is sensitive to the discount rate applied as well as key assumptions such as growth rates, gross refining margins, throughput and utilization rates, along with capital and operating costs required to sustain the Refinery as a going-concern company.

Further information about the impairment test carried out for 2021 has been provided in note 11.

## Contents of the notes to the Financial Statements

### Note 3 Revenue

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#### Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods as specified as follows:

<i>In millions DKK</i>	<b>2021</b>	<b>2020</b>
Sale of energy and oil products at the Danish market	8.919,0	5.358,5
Export of oil products	3.534,3	2.856,0
Other revenue from related activities	<u>174,7</u>	<u>148,6</u>
	<b><u>12.628,0</u></b>	<b><u>8.363,1</u></b>

The Company recognises, in all material aspect, its revenue at a point in time.

The Company's contracts are spot or fixed-volume contracts and are all for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these contracts are not disclosed.

## Contents of the notes to the Financial Statements

### Note 4 Staff costs

<i>In millions DKK</i>	<b>2021</b>	<b>2020</b>
Wages and salaries	201,3	193,2
Pension cost, defined contribution plans	16,8	17,6
Other social security costs	<u>0,6</u>	<u>0,6</u>
	<b><u>218,7</u></b>	<b><u>211,4</u></b>
Average number of employees	243	259

Management and selected employees have been participating in a share-based incentive programme that have been ceased in connection to the change in ownership of the Company as per 30 June 2021. In total 35,934 performance shares were granted under the programme. The Company has granted an equity settled share-based programme to all employees employed in June 2021 totalling 12,850 shares to be released in June 2022.

### Key management personnel compensation

Key management personnel consist of the Executive Board, the Board of Directors and the Senior Leadership Team. The Board of Directors do not receive remuneration. The compensation paid or payables to key management personnel for employee services is shown below:

#### Key Management

Wages and salaries	12,1	11,0
Pensions, defined contribution plans	1,1	1,1
Anniversary pay/retention	1,5	0,0
Termination benefits	<u>0,0</u>	<u>0,4</u>
	<b><u>14,7</u></b>	<b><u>12,6</u></b>

Similar to last year, the Board of Directors does not receive remuneration.

The remuneration of the Executive Board is included in the key management compensation above. The specification of remuneration of the Executive Board below is derived from the key management compensation.

#### Executive Board

Wages and salaries	1,9
Pensions, defined contribution plans	<u>0,2</u>
	<b><u>2,1</u></b>

In accordance with the Danish Financial Statements Act section 98B (3) remuneration of the Executive Board has not been disclosed for 2020.



## Contents of the notes to the Financial Statements

### Note 5 Depreciation, amortisation and impairment

<i>In millions DKK</i>	<b>2021</b>	<b>2020</b>
<b>Depreciation and amortisation</b>		
Depreciation of land and buildings	4,6	4,3
Depreciation of technical installation and machinery	99,8	105,9
Depreciation of operating equipment and fixtures	<u>28,9</u>	<u>34,9</u>
	<b><u>133,3</u></b>	<b><u>145,1</u></b>
<b>Impairment</b>		
Impairment of property, plant and equipment	<u>365,3</u>	<u>0,0</u>
	<b><u>365,3</u></b>	<b><u>0,0</u></b>
<b>Total depreciation, amortisation and impairment</b>	<b><u>498,6</u></b>	<b><u>145,1</u></b>

Refer to note 10 and note 11 for further description of impairment loss on property, plant and equipment.

### Note 6 Financial income and expenses

<i>In millions DKK</i>	<b>2021</b>	<b>2020</b>
<b>Financial income</b>		
Fair value adjustment of embedded derivatives	19,9	-
Other financial income	0,0	0,8
Foreign exchange rate gains	<u>21,1</u>	<u>58,5</u>
<b>Total financial income</b>	<b><u>41,0</u></b>	<b><u>59,3</u></b>
<b>Financial expenses</b>		
Interest expenses on borrowings	-214,5	0,0
Interest expenses to group enterprises	0,0	-2,1
Exchange rate losses	<u>-84,9</u>	<u>-23,6</u>
<b>Total financial expenses</b>	<b><u>-299,4</u></b>	<b><u>-25,7</u></b>
Total interest expense related to financial liabilities not at fair value through profit or loss	<u>-214,5</u>	<u>-2,1</u>

## Contents of the notes to the Financial Statements

### Note 7 Income tax expense

<i>In millions DKK</i>	<b>2021</b>	<b>2020</b>
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#### Current tax

Current tax on profits for the year	-4,3	0,0
Adjustments for current tax of prior periods	0,0	11,4
Deferred income tax	<u>-51,9</u>	<u>-27,0</u>

#### Income tax expense

**-56,2**      **-15,6**

<i>In millions DKK</i>	<b>2021</b>	<b>%</b>	<b>2020</b>	<b>%</b>
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#### Reconciliation of effective tax rate

Tax at the Danish tax rate of 22% (2020: 22%)	120,5	22,0%	114,2	22,0%
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*Tax effects of amounts which are not deductible (taxable)  
in calculating taxable income:*

Deferred tax adjustment	-138,1	-25,2%	-125,3	-24,1%
Non-deductible expenses	-5,8	-1,1%	-3,4	-0,7%
Interest limitation	-32,8	-6,0%	0,0	0,0%
Other adjustments	0,0	0,0%	-12,5	-2,4%
Adjustments for current tax of prior periods	<u>0,0</u>	<u>0,0%</u>	<u>11,4</u>	<u>2,2%</u>

#### Income tax expense

**-56,2**      **-10,3%**      **-15,6**      **-3,0%**

## Contents of the notes to the Financial Statements

### Note 8 Deferred tax

<i>In millions DKK</i>	<b>2021</b>	<b>2020</b>
<b>Deferred tax</b>		
Deferred tax at the beginning of period	51,9	82,5
Deferred tax recognised in the statement of profit or loss	<u>-51,9</u>	<u>-30,6</u>
<b>Deferred tax at year end</b>	<b><u>0,0</u></b>	<b><u>51,9</u></b>
<b>Deferred tax relates to:</b>		
Property, plant and equipment	37,8	-110,5
Tax losses carried forward	211,7	220,2
Other	<u>14,1</u>	<u>67,5</u>
<b>Total</b>	<b><u>263,6</u></b>	<b><u>177,2</u></b>
<b>Deferred tax asset, recognised</b>	<b><u>0,0</u></b>	<b><u>51,9</u></b>
Deferred tax asset not recognised in the balance sheet	<u>263,6</u>	<u>125,3</u>

In line with the requirements of IAS 12, the deferred tax assets and liabilities are offset as the Company has a legal right to set off and as they relate to income tax with the same taxation authority.

As of 31 December 2021, The Company has a deferred tax assets of mDKK 263.6 (2020: mDKK 125.3), which has not been recognised in the balance sheet. The deferred tax asset includes tax loss carryforwards of mDKK 962.5 (2020: mDKK 1,000.9). There is no expiration date on the tax loss carried forward. Due to uncertainties regarding future utilisation, Management has decided not to recognise the deferred tax assets.

## Contents of the notes to the Financial Statements

### Note 9 Intangible assets

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#### Purchased emission rights

<i>In millions DKK</i>	<b>2021</b>	<b>2020</b>
<i>Costs:</i>		
At 1 January	21,9	22,5
Additions	62,6	21,9
Settlements	<u>-18,2</u>	<u>-22,5</u>
<b>At 31 December</b>	<u>66,3</u>	<u>21,9</u>

No amortisations charge has been recognised for the emission certificates for 2021 or 2020 as the residual value is at least equal to the carrying value.

## Contents of the notes to the Financial Statements

### Note 10 Property, plant and equipment

<i>In millions DKK</i>	Land and buildings	Technical installation and machinery	Operating equipment and fixtures	Assets under construction	Total
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*Cost:*

At 1 January 2020	197,6	2.366,3	1.190,8	39,2	3.793,9
Additions	272,6	0,0	1,8	97,5	371,9
Transfers	4,4	18,4	9,9	-32,7	0,0
Disposals	0,0	-34,3	-0,1	0,0	-34,4
<b>At 31 December 2020</b>	<u>474,6</u>	<u>2.350,4</u>	<u>1.202,4</u>	<u>104,0</u>	<u>4.131,4</u>

*Accumulated depreciation and impairment:*

At 1 January 2020	-76,7	-1.734,2	-912,9	0,0	-2.723,8
Depreciation charge	-4,3	-105,9	-34,9	0,0	-145,1
Disposals	0,0	34,2	0,1	0,0	34,3
<b>At 31 December 2020</b>	<u>-81,0</u>	<u>-1.805,9</u>	<u>-947,7</u>	<u>0,0</u>	<u>-2.834,6</u>

**Carrying amount 31 December 2020** **393,6** **544,5** **254,7** **104,0** **1.296,8**

*Cost:*

At 1 January 2021	474,6	2.350,4	1.202,4	104,0	4.131,4
Additions	0,0	0,0	0,0	95,3	95,3
Transfers	3,1	24,1	43,0	-70,2	0,0
Disposals	-272,6	-11,8	0,0	0,0	-284,4
<b>At 31 December 2021</b>	<u>205,1</u>	<u>2.362,7</u>	<u>1.245,4</u>	<u>129,1</u>	<u>3.942,3</u>

*Accumulated depreciation and impairment:*

At 1 January 2021	-81,0	-1.805,9	-947,7	0,0	-2.834,6
Impairment loss	-44,3	-173,6	-99,6	-47,8	-365,3
Depreciation charge	-4,6	-99,8	-28,9	0,0	-133,3
Disposals	0,0	11,8	0,0	0,0	11,8
<b>At 31 December 2021</b>	<u>-129,9</u>	<u>-2.067,5</u>	<u>-1.076,2</u>	<u>-47,8</u>	<u>-3.321,4</u>

**Carrying amount 31 December 2021** **75,2** **295,2** **169,2** **81,3** **620,9**

As per 31 December 2021 the Company has no capital commitments related to property, plant and equipment (2020: mDKK nil).

## Contents of the notes to the Financial Statements

### Note 11 Impairment of property, plant and equipment

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#### Impairment for the year

Following the change of ownership of the Company during the year, Management has identified an indication of impairment on property, plant and equipment as a consequence of macroeconomic developments adversely affected by slow moving economic growth, higher inflation, increasing interest rates and a general shift away from oil products. Overall, this has translated into a significant increase in discount rates and modified the forecasted cash flows.

Consequently, the Company has for the year recognised an impairment loss of mDKK 365,3 on its property, plant and equipment. The Company is considered to comprise of a single cash generating unit (CGU). The property, plant and equipment was written down to the recoverable amount of mDKK 620,9, which was determined by reference to the CGU's fair value less costs of disposal.

Based on the revised assumptions, the impairment loss amounts to mDKK 365,3 and is distributed on the following classes of assets:

<b>2021</b>	Carrying amount prior to impairment	Impairment	Carrying amount after impairment
<i>In millions DKK</i>			
Land and buildings	119,5	-44,3	75,2
Technical installation and machinery	468,8	-173,6	295,2
Operating equipment and fixtures	268,8	-99,6	169,2
Assets under construction	<u>129,1</u>	<u>-47,8</u>	<u>81,3</u>
	<u>986,2</u>	<u>-365,3</u>	<u>620,9</u>

The impairment loss has been recognised in the income statement as follows:

- Production costs	-351,9
- Selling and distribution costs	-13,4
- Administrative costs	<u>0,0</u>
	<u>-365,3</u>

No impairment loss was recognised in 2020.

#### Valuation technique

The valuation technique applied is based on a discounted cash flow analysis calculating the present value of projected cash flows using market-based input.

The valuation technique applied to measure the impairment loss is based on unobservable inputs and assumptions within Level 2 and Level 3 of the fair value hierarchy. However, as the assumption about gross margin is a significant unobservable input, the fair value of the CGU is classified as level 3 fair value. The fair value of the CGU has further been supported by multiple analysis benchmarked against comparable transactions. For this purpose, five comparable transactions have been identified and where characteristics have been adjusted to be conform to the market assumptions.

The weighted discount rate applied using this valuation technique is 15,4%. The budget period for cash flows is five years.

## Contents of the notes to the Financial Statements

### Note 11 Impairment of property, plant and equipment

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#### Key assumptions

Key assumptions within the impairment model are primarily related to Management's margin projections with adjustments for reduced throughput during turnaround years and a trend adjustment to a long-term mid-cycle margin. Operating expenses are estimated using historical averages adjusted for inflation. Capital expenditures are comprised of normal growth capital spend adjusted for inflation.

### Note 12 Inventory

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#### Inventory

<i>In millions DKK</i>	<b>2021</b>	<b>2020</b>
Raw materials and consumables	10,1	141,7
Finished goods and trading goods	<u>1.131,6</u>	<u>467,7</u>
	<b><u>1.141,7</u></b>	<b><u>609,4</u></b>

Inventories recognised as an expense during the year ended 31 December 2021 amounted to mDKK 11,792 (2020: mDKK 8,271).

## Contents of the notes to the Financial Statements

### Note 13 Financial assets and financial liabilities

The Company holds the following financial instruments:

<i>In millions DKK</i>	2021	2020
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#### Financial assets

##### *Financial assets at amortised cost:*

Trade receivables	1.337,1	589,1
Receivables from affiliated companies	0,0	169,3
Other non-current assets	144,3	0,0
Cash related to financing facility	80,4	0,0
Cash	145,7	0,0
	<u>1.707,5</u>	<u>758,4</u>

##### *Financial assets at fair value:*

Embedded derivative asset included in amortised cost of Borrowings	38,7	0,0
	<u>38,7</u>	<u>0,0</u>

#### Financial liabilities

##### *Liabilities at amortised cost:*

Borrowings	2.327,6	0,0
Trade payables	499,9	214,1
Payables to affiliated companies	0,0	1.412,1
	<u>2.827,5</u>	<u>1.626,2</u>

The Company's exposure to various risks associated with the financial instruments is discussed in note 14.

For financial assets and liabilities of short-term nature, such as trade receivables and trade payables, the carrying amount approximates their fair value. For borrowings, the fair values are not materially different from their carrying amounts since the interest payable on those borrowings is close to current market rates.

#### Borrowings

<i>In millions DKK</i>	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Borrowings	2.327,6	0,0	<b>2.327,6</b>	0,0	0,0	<b>0,0</b>
Embedded derivative	<u>-38,7</u>	<u>0,0</u>	<u>-38,7</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>
	<u>2.288,9</u>	<u>0,0</u>	<u>2.288,9</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>

As of 31 December 2021, the following borrowings were outstanding:

<i>In millions DKK</i>	Fixed/ variable	Interest level	Carrying amount	Expire date	Currency
Seller financing	Variable	5.0% plus LIBOR	281,1	30-06-2026	USD
Accounts receivable facility	Variable	5.0% plus LIBOR unused of 1.25%	1.084,1	30-06-2024	USD
Inventory monetisation facility	Variable	5.95% plus monthly SOFR*	923,7	30-06-2024	USD

As of 31 December 2020, there were no borrowing facilities.



## Contents of the notes to the Financial Statements

### Note 13 Financial assets and financial liabilities

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USD London Interbank Offered Rate (LIBOR) is the most significant IBOR for the Company. The IBOR exposure pertains to the seller financing which consists of a non-derivative financial liability with the principal amount of mDKK 280.6 as per 31 December 2021. IBOR exposure also pertains to the AR Facility which consists of a non-derivative financial liability with the principal amount of mDKK 1,002.3 as per 31 December 2021.

The Company has benchmark rate replacement clauses for all financing facilities with IBOR exposure.

#### *Inventory and repurchase facility*

Pursuant to the Inventory Monetization Agreement, the "IM facility", J. Aron purchased and holds title to certain crude oil, intermediate and finished products inventories (the "JANY Inventory") held in storage tanks at the Refinery (the "Storage Tanks"). Additionally, J. Aron has the right to store the JANY Inventory in the Storage Tanks under the IM Facility and will retain these storage rights throughout the term of the agreement.

On an ongoing basis, J. Aron will continue to purchase and hold title to the JANY Inventory as it is purchased or produced by the Refinery upon delivery into the Storage Tanks. The JANY Inventory is sold back to the Company as it is discharged out of the Storage Tanks. These ongoing purchases and sales are net-settled daily and trued-up at month end to the corresponding calendar month average indices.

Though title to the JANY Inventory resides with J. Aron, accounting treatment for the IM Facility is analogous to a product financing arrangement; the crude oil and refined products inventories remain in the Company's balance sheet until processed and sold to a third party. The initial proceeds from J. Aron under the IM Facility was recorded as a liability at fair value and subsequently adjusted to fair value at the end of each reporting period through earnings using current market prices.

In addition to the daily purchases and sales activity with J. Aron pursuant to IM facility, we are obligated to repurchase the crude oil and refined products from J. Aron at the termination of the agreement. We consider the repurchase obligation an embedded derivative, similar to forward purchase contracts of crude oil and refined products, and have recorded it at fair value and subsequently adjusted to fair value at the end of each reporting period through the income statement using forward market prices.

The Company has elected to offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement, therefore our balance sheet presents the IM Facility derivative assets and liabilities on a net basis.

As discussed in note 2, the arrangement is considered a lending arrangement with an embedded commodity price index.

#### *Accounts receivable facility*

Under the accounts receivable facility, the Company can draw down subject to transferring trade receivables to the lender with a nominal amount of 82.5 % as collateral. As of 31 December 2021 the Company had drawn down mDKK 1,214.8 and transferred trade receivables in the amount of mDKK 1,002.1.

The Company has retained late payment and credit risk. Therefore, the Company continues to recognise the transferred assets in their entirety in its balance sheet. The Company considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

As part of the facility the Company receives payments to a bank account which cannot be accessed before a release notice is given. Release notes are normally provided from day to day. Consequently, balances on these accounts as per 31 December 2021 are classified as Cash related to financing facility.

## **Contents of the notes to the Financial Statements**

### **Note 13    Financial assets and financial liabilities**

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#### *Seller financing facility*

As part of the change in ownership the seller provided a term loan.

#### **Measurement and fair value hierarchy**

This section explains the judgements and estimates made in determining the fair value of the financial instruments that are recognised and measured at fair value in the Financial Statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards. The Company has classified its financial instrument measured at fair value by using level 2 input from the fair value hierarchy. Input for measuring the fair value on the balance sheet date consist of the inventory level and the forward price on oil.

## Contents of the notes to the Financial Statements

### Note 14 Financial risk management

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Exposure to financial risk is an embedded part of doing business. This includes risks from financial instruments to which the Company is exposed, and which can have an impact on the Company's financial statements.

The Company's principal financial liabilities comprise loans and trade payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables and cash and cash equivalents.

The financial risks the Company is exposed to include credit and liquidity risk as well as market risk related to changes in market interest rates, foreign exchange rates and oil price.

The Company's exposure to those risks, including our objectives, policies and processes for managing those risks are described below. There has been no change in the Company's financial risk management policies compared to last year.

#### Market risk

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's main interest rate risk arises from borrowings and credit facilities with variable rates, which expose the Company to cash flow interest rate risk. Details about the Company's borrowings and credit facilities, including its composition, is provided in note 13.

At 31 December 2021, the carrying amount of the Company's interest-bearing debt with a floating interest rate is mDKK 1,045.4 (2020: mDKK 0). During 2021 and 2020 the Company's borrowings at variable rate were mainly denominated in USD. The Company is further exposed to changes in interest rates on its bank deposits.

The Company is exposed to the risk of changes in interest rates, primarily as a result of variable rate borrowings under our revolving credit facilities. To the extent that interest rates increase, interest expense for these revolving credit facilities will also increase. As of December 31, 2021, the Company has not entered into any interest rate hedging agreements, but will continue to monitor our interest rate exposure.

##### Sensitivity analysis

A reasonably possible change in the market rates of interest compared to the interest rates as of the end of the reporting period will have the following hypothetical impact on post tax profit and equity.

<i>In millions DKK</i>	2021	2020
	Impact on post tax profit and equity	
Interest rates - increase by 100 basis points (2020: 100 bps)	-18,8	-2,8
Interest rates - decrease by 100 basis points (2020: 100 bps)	5.4	2,8

## Contents of the notes to the Financial Statements

### Note 14 Financial risk management

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The sensitivity analysis is based on the assumption that all other variables and exposures remains constant. The impact on post tax profit and equity is based on those financial instruments that were recognised at the respective balance sheet dates. The sensitivity analysis does not consider impact from proceeds and repayments on borrowings made during the year.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a balance sheet exposure will fluctuate because of changes in foreign exchange rates.

The majority of the Company's products are sold domestically and denominated in DKK, whereas exports to the European market are primarily made in USD. Purchases are mainly made in USD and DKK.

As further described in note 12, the Company's borrowings and credit facilities are denominated in USD and EUR.

As of 31 December 2021, the Company did not have any financial derivative instruments to hedge the risks related to foreign currency exchange rates. The Company will continually monitor the market and its exposure and may enter into these agreements in the future.

Due to the fixed exchange rate regime between DKK and EUR, the Company's exposure to changes in the DKK/EUR exchange rates is insignificant. It is the Company's policy not to hedge its exposure to DKK/USD exchange rates.

#### Sensitivity analysis

A reasonably possible change in the DKK/USD exchange rate compared to the exchange rate as of the end of the reporting period will have the following hypothetical impact on post tax profit and equity.

<i>In millions DKK</i>	2021	2020
	Impact on post tax profit and equity	
DKK/USD - increase by 5 % (2020: 5 %)	-12,3	-24,9
DKK/USD - decrease by 5 % (2020: 5 %)	12,3	24,9

The sensitivity includes the impact from monetary items denominated in foreign currencies outstanding at the end of the reporting period.

#### Oil price risk

As discussed in note 12, the inventory financing arrangement comprises an embedded crude oil price linked derivative.

As of 31 December 2021, the inventory subject to the repurchase obligation amount to 698,237 bbls. The repurchase obligation is due June 2024 and was adjusted to fair value at year end using third party commodity pricing indices.

The prices of crude oil and other feedstocks, and the relationship or margin between our feedstocks and refined and finished products materially affect profitability and are dependent upon many factors that are beyond the Company's control.

## Contents of the notes to the Financial Statements

### Note 14 Financial risk management

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An increase or decrease in Company's average gross refining margin per barrel of 5% could result in an impact of mDKK 40.7 on post tax profit and equity.

#### *Sensitivity analysis*

A reasonably possible change in the forward oil price compared to the forward oil price as of the end of the reporting period will have the following hypothetical impact on post tax profit and equity.

<i>In millions DKK</i>	2021	2020
	Impact on post tax profit and equity	
DKK/USD - increase by 10 % (2020: 10 %)	-13,8	0,0
DKK/USD - decrease by 10 % (2020: 10 %)	13,8	0,0

#### **Credit risk**

Credit risk arises primarily from trade receivables as well as from cash and cash related to financing facility deposited with banks and financial institutions.

Trade receivables are amounts from customers for delivery of oil products etc. provided in the ordinary course of business. Payments are generally due for settlement within 7 days after invoice date, and are therefore all classified as current.

The customers do normally have a high credit quality. As of 31 December 2021, the Company's trade receivables amount to mDKK 1,337.1 (2020: mDKK 589.1).

It is the Company's policy to use guarantees from customers parent and if that does not provide sufficient security, prepayment will be required from the customer.

In general, all customers will be assessed minimum twice a year and to reduce the credit risk from new customer relationships, the Company uses an internal credit assessment matrix based on the customer's financial performance to determine the customer's credit quality and related credit rating.

Historically, the Company has not incurred any material losses from trade receivables. At the reporting date, Management has considered forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables and have adjusted the historic loss rates accordingly.

Due to the composition of the customer base and the past history with no significant credit losses the credit risk on trade receivables is assessed to be insignificant. Consequently, the Company's allowance for expected credit losses from its trade receivables, measured by applying the IFRS 9 simplified approach, is immaterial.

In addition, the Company is exposed to counterparty risk related to deposits with banks. As of 31 December 2021, deposits with banks amounted to mDKK 146.2 (2020: mDKK 0.0). To mitigate this risk, it is the Company's policy only to use banks of high quality and with low credit risk.

## Contents of the notes to the Financial Statements

### Note 14 Financial risk management

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#### *Concentration of credit risk*

The Company has identified a concentration of risk on receivables from few separate customers within the oil sector. Concentration of credit risk is implied in the nature of a few customers since the impact of a potential default of a single customer will be significant for the Company. As per 31 December 2021, trade receivables relating to the 3 largest costumers amounted to mDKK 700 (As per 31 December 2020: mDKK 466).

#### **Liquidity risk**

We expect our ongoing sources of capital and cash generated from operations to provide sufficient liquidity to meet our short- and long-term capital requirements. Our liquidity as of December 31, 2021, was DKK 145,7 million available to fund payroll, maintenance, and other nonworking capital expenses. In addition, we have existing credit facilities with J. Aron & Company LLC (“JANY”), in addition to other lenders, that provide us with working capital liquidity, which includes the JANY Inventory Monetization Facility (“IM Facility”) and the Accounts Receivable Revolving Facility Agreement (“AR Facility”). The IM Facility is a volume-based facility to manage our working capital requirements associated with the procurement of crude oil, blend stocks and finished products that is subject to maximum physical quantities of inventory linked to the capacity of the storage tanks rather than a fixed currency limit, providing incremental liquidity to finance crude oil purchases in the event of rising commodity prices. The advancement of funding from the AR Facility is based on the amount of eligible receivables in the borrowing base, providing working capital liquidity associated with the sale of finished products to customers. As of 31 December 2021, we had DKK 305,8 million of available capacity on the AR facility. In addition, the Company has a balance of mDKK 80.4 in cash related to financing facility. Based on the Company’s expected cash flow developments in 2022 and access to the credit facilities described, the Company’s Board of Directors and Executive Board consider capital resources and liquidity to be adequate.

## Contents of the notes to the Financial Statements

### Note 14 Financial risk management

#### Maturities of financial liabilities

The amounts disclosed in the following table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities					Total contractual cash flows	Carrying amount
	< 1 year	1 - 2 years	2 - 5 years	> 5 years		

At 31 December 2021

Trade payables	499,9	0,0	0,0	0,0	499,9	499,9
Borrowings	<u>2.302,4</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>	<u>2.302,4</u>	<u>2.288,9</u>
	<b><u>2.802,3</u></b>	<b><u>0,0</u></b>	<b><u>0,0</u></b>	<b><u>0,0</u></b>	<b><u>2.802,3</u></b>	<b><u>2.788,7</u></b>

At 31 December 2020

Trade payables	214,1	0,0	0,0	0,0	214,1	214,1
Borrowings	0,0	0,0	0,0	0,0	0,0	0,0
Payables to affiliated companies	<u>1.412,1</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>	<u>1.412,1</u>	<u>1.412,1</u>
	<b><u>1.626,2</u></b>	<b><u>0,0</u></b>	<b><u>0,0</u></b>	<b><u>0,0</u></b>	<b><u>1.626,2</u></b>	<b><u>1.626,2</u></b>

At 1 January 2020

Trade payables	239,6	0,0	0,0	0,0	239,6	239,6
Borrowings	0,0	0,0	0,0	0,0	0,0	0,0
Payables to affiliated companies	<u>1.725,3</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>	<u>1.725,3</u>	<u>1.725,3</u>
	<b><u>1.964,9</u></b>	<b><u>0,0</u></b>	<b><u>0,0</u></b>	<b><u>0,0</u></b>	<b><u>1.964,9</u></b>	<b><u>1.964,9</u></b>

## Contents of the notes to the Financial Statements

### Note 15 Cash flow specifications

<i>In millions DKK</i>	<b>2021</b>	<b>2020</b>
<b>Adjustments</b>		
Financial income	-21,1	-59,3
Financial expenses	279,5	25,7
Depreciation, amortisation and impairment charges	498,6	145,2
Income tax	0,0	15,6
Other adjustments	0,4	0,0
	<u>757,4</u>	<u>127,2</u>
<b>Changes in net working capital</b>		
Change in inventories	-532,3	328,3
Change in receivables	-641,9	892,1
Change in trade payables	353,3	-218,9
	<u>-820,9</u>	<u>1.001,5</u>

### Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

<i>In millions DKK</i>	Payables to affiliated companies	Borrowings
At 1 January 2020	1.725,3	0,0
Cash flows	-313,2	0,0
Changes in fair value of embedded derivative	0,0	0,0
Other changes	0,0	0,0
<b>At 31 December 2020</b>	<u>1.412,1</u>	<u>0,0</u>
Cash flows	-1.412,1	2.327,6
Fair value adjustment of embedded derivative	0,0	-38,7
Other changes	0,0	0,0
<b>At 31 December 2021</b>	<u>0,0</u>	<u>2.288,9</u>



## Contents of the notes to the Financial Statements

### Note 16 Share capital

	2021		2020	
	Number of shares	Nominal value DKK	Number of shares	Nominal value DKK

#### The share capital comprises:

Ordinary shares at 1 January	<u>2.513.500</u>	<u>251.350.000,0</u>	<u>2.513.500</u>	<u>251.350.000,0</u>
Capital increase	<u>1</u>	<u>100,0</u>	<u>0</u>	<u>0,0</u>
Ordinary shares at 31 December	<u><b>2.513.501</b></u>	<u><b>251.350.100,0</b></u>	<u><b>2.513.500</b></u>	<u><b>251.350.000,0</b></u>

No shares carry any special rights. All shares are fully paid.

	2021	2020
	DKK per share	
Total dividend paid out for the year	15,1	0,0
Total dividend proposed for the year	0,0	0,0

### Note 17 Capital management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company is a capital-intensive company, and their funding strategy is directed at establishing and maintaining an optimal financing structure which supports the Company's objectives, while meeting the agreed financial debt covenants and other requirements with its capital providers. During 2021, the Company complied with financial debt covenants. The Company monitors its capital needs by forecasting cash flows, effective working capital & credit risk management, and by assessing operating performance of its gross margin profitability. In addition, the parent company of the Company is committed to ensuring the long-term growth of the Company.

## Contents of the notes to the Financial Statements

### Note 18 Provisions

#### Provisions

<i>In millions DKK</i>	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Decommissioning and restoration	0,0	0,0	<b>0,0</b>	0,0	272,6	<b>272,6</b>
Environmental obligation	30,3	0,0	<b>30,3</b>	34,1	0,0	<b>34,1</b>
Other provisions	<u>79,0</u>	<u>0,0</u>	<u><b>79,0</b></u>	<u>18,3</u>	<u>0,0</u>	<u><b>18,3</b></u>
	<u>109,3</u>	<u>0,0</u>	<u><b>109,3</b></u>	<u>52,4</u>	<u>272,6</u>	<u><b>325,0</b></u>

The decommissioning and restoration provision consists of the obligation decommission the refinery. This provision was reversed during the 2021. Refer to note 2 for further description on the significant judgement.

The environmental obligation consists of several spillages which have occurred during the recent year. All provisions undergo a review on a monthly basis.

Other provisions consist of the obligation to deliver emission rights to cover the yearly emission by the Company.

<i>In millions DKK</i>	Decom- missioning and restoration	Environ- mental obligation	Other provisions	Total
At 1 January 2020	0,0	36,2	19,4	55,6
Additional provision charged to land and buildings	272,6	0,0	0,0	272,6
Charged to profit and loss				
- Additional provision recognised	0,0	4,5	0,0	4,5
- Unused amounts reversed	0,0	0,0	-1,1	-1,1
Amounts used during the year	<u>0,0</u>	<u>-6,6</u>	<u>0,0</u>	<u>-6,6</u>
At 31 December 2020	<u>272,6</u>	<u>34,1</u>	<u>18,3</u>	<u>325,0</u>
At 1 January 2021	272,6	34,1	18,3	325,0
Charged to profit and loss				
- Additional provision recognised	0,0	8,6	60,7	69,3
- Unused amounts reversed	-272,6	0,0	0,0	-272,6
Amounts used during the year	<u>0,0</u>	<u>-12,4</u>	<u>0,0</u>	<u>-12,4</u>
At 31 December 2021	<u>0,0</u>	<u>30,3</u>	<u>79,0</u>	<u>109,3</u>

The unused amount of mDKK 272.6 relates to the reversal of the decommissioning and restoration provision due to Mangemants strategic change in use of the refinery where indefinite lifetime is assessed of the refinery operations, as further described in note 2. The corresponding adjustment was made against land and buildings.

The cost related to the environmental obligation is expected to be realized within one year. Other provisions will be settled within 1 year.

## **Contents of the notes to the Financial Statements**

### **Note 19    Contingent liabilities and assets pledged as security**

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#### **Contingent liabilities**

The Company is jointly taxed with other danish group entities and is jointly and severally with other jointly taxed group entities liable for payment of income taxes as well as dividends falling due for payment.

#### **Assets pledged as security**

Corporate mortgage amounting to mDKK 2,237.4 (mUSD 341), gives the Company's bank pledges in Inventory, Accounts receivable, Technical installations and machinery, Operating equipment and fixtures as well as other immaterial assets to a combined carrying amount of mDKK 3,310.3.

Please refer to note 13 for further description of the terms and conditions for the financing facilities for trade receivables and inventory.

## Contents of the notes to the Financial Statements

### Note 20 Related party transactions

The Company is controlled by the following entity:

Name of entity	Type	Place of business	Ownership interests	
			2021	2020
Postlane Capital Partners, LLC	Ultimate parent company	United States of America	100%	0%
PL ESG Denmark Co ApS	Principal shareholder	Copenhagen	100%	0%

Until 30 June 2021, the entire share capital of the Company was held by The Shell Petroleum Co Ltd., London.

Until 30 June 2021, other related parties consist of group companies within the Shell Petroleum Co Ltd. group. After 30 June 2021 other related parties consist of group companies within the Postlane Capital Partners, LLC group.

Information about remuneration to key management personnel has been disclosed in note 5.

### Transactions with related parties

<i>In millions DKK</i>	2021	2020
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*The following transactions occurred with related parties:*

#### Transactions with parent companies

Dividend paid to PL ESG Denmark Co ApS	-37,9	0,0
Purchase of management fees from ESG Energy Partners LLC	-15,5	0,0
Capital contribution from PL ESG Denmark Co ApS*	<u>517,0</u>	<u>0,0</u>
	<u>463,6</u>	<u>0,0</u>

\*Of which mDKK 64.8 is non-cash transactions consisting of costs paid by a parent company.

#### Transactions with other related parties

Sale of goods and services	1.636,7	2.959,4
Purchase of goods and services	<u>4.711,8</u>	<u>7.125,7</u>
	<u>6.348,5</u>	<u>10.085,1</u>

*The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:*

Current receivables from other related parties	0,0	169,3
Current payables to other related parties	0,0	1.412,1

### Terms and conditions

The loans to other related parties are repayable within two years from issuance. The average interest rate varies between 0.1% and 0.6% on balances to related parties.

## Contents of the notes to the Financial Statements

### **Note 21 Fee to auditors appointed at the general meeting**

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Fee to auditors appointed at the general meeting has not been disclosed in accordance with section 96 (3) of the Danish Financial Statements Act.

### **Note 22 Subsequent events**

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Russia's recent invasion of Ukraine poses wide-ranging challenges. Given the evolving situation, there are many unknown factors and events that could materially impact our operations. These events have and continue to impact commodity prices, our supply chain, credit risks including those related to receivables, treasury and other factors. Any of these factors, individually or in aggregate, could have a material effect on our earnings, cash flows and financial condition.

On March 7, 2022, the Company obtained an increase in the limit on its accounts receivable facility by mDKK 196.8, bringing the total facility to mDKK 1,509.0. All other terms of the agreement remain substantially unchanged.

No other events after the balance sheet date has affected the balance sheet as of 31 December 2021.

### **Note 23 First time adoption of IFRS**

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The Financial Statements for the year ended 31 December 2021 are the first that the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2020 the Company prepared its Financial Statements in accordance with The Danish Financial Statements Act ('Danish GAAP').

The Company has prepared Financial Statements that comply with IFRS applicable as at 31 December 2021, together with the comparative period information for the year ended 31 December 2020.

In preparing these Financial Statements, the Company's opening statement of financial position was prepared as at 1 January 2020 (date of transition to IFRS).

The disclosures required by IFRS 1 *First-time Adoption of IFRS* explaining the principal adjustments made by the Company in restating Danish GAAP Financial Statements are provided below.

There was no material impact on the income statement, the statement of financial position or cash flow statement in the adoption of IFRS.