Annual report 2016
Statoil Refining Denmark A/S
Melbyvej 17, 4400 Kalundborg

CVR no. 29 97 58 84

The annual report has been presented and approved
at the Company's annual general meeting

Kalundborg 11 May 2017

Michael Vilhelm Nielsen
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Statoil Refining Denmark A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

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

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

Kalundborg 11 May 2017

CEO:

Jofrid Klokkehaug

Jofrid Tone Klokkehaug

Board of Directors:

Torben Haurum chair	Lars Rosenløv Jensen	Hanne Smedvig
Børje Eikemo	Svein Harald Storli	Annette Munch

Mikkel Pagh

Independent auditor's report

To the shareholders of Statoil Refining Denmark A/S:

Opinion

We have audited the financial statements of Statoil Refining Denmark A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared under 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the Danish Financial Statements Ac, 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, cease operations or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 financial statement 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 judgement and maintain professional scepticism throughout the audit. We also

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management

— conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether 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 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.

Independent auditor's report

Statement on the Management's review

Management is responsible for Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not identify any material misstatement of the Management's review.

Copenhagen 11 May 2017

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Lau Bent Baun	Morten Høgh-Petersen
State Authorised	State Authorised
Public Accountant	Public Accountant

Company details

Name and address
Statoil Refining Denmark A/S
Melbyvej 17
4400 Kalundborg
Denmark
CVR no.: 29 97 58 84
Financial year: 11

Board of Directors
Torben Haurum, chair
Lars Rosenløv Jensen
Hanne Smedvig
Svein Harald Storli
Børje Eikemo
Mikkel Pagh
Annette Munch

CEO
Jofrid Tone Klokkehaug

Parent company
Statoil Danmark A/S
Melbyvej 17
4400 Kalundborg
Denmark
Ownership: 100%
CVR no. 56 15 14 19

Auditors
KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark
CVR no. 25 57 81 98

Management's review

Company business model

Statoil Refining Denmark A/S is the largest refinery in Denmark processing app. 5.5 million tonnes of raw material per year. Crude oil, condensates and other raw materials are refined into gas, naphta, gasoline, diesel, heating oil and fuel oil. The refinery´s processing plant configuration allows for a certain flexibility, enabling product output optimization towards market demand and margin development through optimizing crude and condensate mix. The refinery is also successful in optimizing output towards high value products such as low aromatic diesel for the Swedish market. The plant has access to a tank capacity of approximately 1.2 million m3.


Jofrid Tone Klokkehaug, CEO

Statoil Refining Denmark A/S receives all raw materials by cargo and part of the refined products are also transported by cargo from Kalundborg.
With app. 625 shipping arrivals per year the refinery owns a harbor in connection with the plant. The refinery is connected to a terminal in Hedehusene where two pipelines transport gasoline and diesel.
The refined products are primarily sold in Denmark, but the company also exports products to other parts of Scandinavia and countries around the Baltic Sea.
All product sales are wholesale to other companies in the oil industry.

Financial and operational business risk

The refinery business is continuously challenged by large fluctuations in margins. Therefore, forecasts about future results always include a considerable degree of uncertainty. Refinery supply from various regions, fluctuations in demand, shut down cycles, and shut down timing in relation to margin fluctuations all affect profitability. In order to increase robustness in financial performance, Statoil Refining Denmark A/S has developed a strategy for a sustainable future where safe and profitable operations are key.
Exposure related to price fluctuations on stock of crude, condensate and products are mitigated through a new hedging policy implemented in 2016. Products and raw material above operational stock is hedged.

Statoil Refining Denmark is subject to foreign exchange rate exposure primarily related to USD as crude, condensate and products are traded in USD but paid in various currencies, primarily USD and DKK. Operational costs are primarily in DKK. USD exchange rate exposure is not hedged.

Primary activities in 2016

In 2016 the company processed 5.0 million tonnes of raw materials compared to 5.4 million tonnes in 2015. The reduced throughput in 2016 is due to the largest turnaround in the refinery´s history, with complete shutdown of all production facilities in spring 2016.

Every 4-6 year the plant is shut down for major inspection. During turnaround 2016 workers onsite peaked temporarily at app. 1200 people, carrying out thorough inspection, cleaning and necessary repair on processing equipment at the plant.

Kalundborg refinery during turnaround 2016

In March 2016 the new administration building on Melbyvej 10 was inaugurated. Deconstruction of the temporary administration building and demolition of several outdated buildings such as laboratory and previous permanent administration building was initiated in 2016 and terminated in the first quarter of 2017.

The new administration building. Municipality of Kalundborg gave the 2016 building award to the refinery.

A large innovative project on wireless gas detection was completed in October 2016 making Kalundborg the first refinery in the world to implement full scale wireless gas detection technology. The many extra gas detectors improve technical safety at the refinery through early detection and consequently reduced size and severity of any possible leakages. The project was nominated together with other 45 high quality projects for Statoil Group´s CEO Safety, Security & Sustainability awards and was among the six finalists.

Financial results in 2016

In 2016, Statoil Refining Denmark A/S delivered a result after tax of DKK 346 million compared with DKK 1,109 million in 2015.

The 2016 result is affected by reduced margins compared to 2015 as well as the largest shut down in the refinery's history. Refinery regularity for 2016 ended up at 83,7% compared to 98,5% in 2015. The lower regularity is primarily caused by the planned turnaround combined with a longer start up period after completed turnaround. In the light of these circumstances, the financial result is considered satisfactory for the company.

Statoil Refining Denmark A/S improves operations over time by focused value uplift initiatives together with cost efficiency programs. The program to increase value creation, focus on better choice of raw material and upgrade of the sales portfolio. These initiatives have been successful over the last years but the competitive environment requires continued development.

Kalundborg refinery in operation.

Operating costs are continuously improving in line with plan and cost efficiency initiatives will continue to be a management priority supported by LEAN measures becoming part of the company culture.

The Northwest European region is importing diesel while gasoline is exported. Strong growth in gasoline demand supported margins in 2015. However, gasoline margins weakened in 2016, caused by existing refinery capacity shifting product output towards increased gasoline output.

During 2016 Brent prices went from 35.74 $/BBL to 54.94 $/BBL and the USD increased from 6.87 to 7.05 DKK/USD. However, crude prices fluctuated by initially decreasing in January/February 2016 testing 25-26 USD/BBL and then recovered. The low levels were caused by a generic oversupply situation early in 2016. During 2016 a new storage hedge strategy was implemented in order to manage market risk related to large price fluctuations on stock of crude and products.

According to accounting principles and business practices, assessments and calculations on whether the asset value reflects the carrying amount are prepared. The calculations include the development in crude oil prices, the US dollar exchange rate, investments, energy costs, energy tax & duties and margin expectations. The assessments lead to a write-down of part of the deferred tax asset from DKK 337.6 million in 2015 to DKK 223.5 million in 2016 mainly caused by margin expectations declining towards the end of the 5-year outlook period.

Dividend

The company's equity amounted to DKK 3,955 million at 31 December 2016 (2015: DKK 3,609 million). The solvency ratio was 65% at 31 December 2016. As intended, the solvency ratio is still considered to be at a high and solid level. At the annual general meeting it is proposed that dividends of DKK 1.2 billion is to be distributed to the shareholders. In management's view the proposed dividend is appropriate in its circumstances. The proposed dividend will reduce equity to DKK 2,755 million. The solvency ratio will be 45% after dividend payout, which is assessed as sufficient coverage by Management.

Events after the balance sheet date

No material events have occurred after the balance sheet date.

Outlook

A similar positive result for the coming period is expected. The European refining industry is, in the longer term perspective, challenged with decline in regional demand driven by gradual change towards higher energy efficiency and increased use of sustainable green energy. Refinery margins are therefore expected to continue to be subject to a highly competitive market environment.

In addition, price and margin fluctuations will continue to occur caused by temporary changes in the supply and demand balance and the cyclic and volatile nature of the industry.

Renewable energy solutions

The challenging market conditions require continued efforts to adapt. However, increased demand of gasoline outside Europe seems to be supportive for the refinery in the medium term outlook.

IMO (International Maritime Organization) has decided to reduce Sulphur in marine fuels from 3,5 to 0,5 wt. % Sulphur from 2020. Statoil Refining Denmark A/S will study this development and identify possibilities to change mode of operation and produce the new product specification.

Statoil ASA and Circle K has agreed to return the operator responsibility of the terminals in Kalundborg and Hedehusene to Statoil Refining Denmark A/S in 2017. The terminals have been operated by Statoil Fuel & Retail since 2010.

A/S Dansk Shell´s planned exit from the Danish retail & refinery business creates a degree of uncertainty as to how the future oil business structure in Denmark will develop. Statoil Refining Denmark A/S follow the development closely and will evaluate on an ongoing basis how it may affect our business.

In December 2016 Statoil Refining Denmark A/S and Dansk Gas Distribution signed a distribution agreement on supply of up to 50 million m3 natural gas. This will replace current coal based steam supply from 2018 and enable Statoil Refining Denmark A/S to produce steam based on natural gas. The change will in addition imply use of natural gas rather than propane for heating purposes in the production.

Three audits will occur in 2017. ISO 9001- Quality Management and ISO 14001 - Environmental Management are scheduled for recertification based on new 2015 standards. ISO 50001 - Energy Management is also scheduled for recertification in 2017.

Corporate Social Responsibility - Safety, security and sustainability

Statoil Group's ambition is to be an industry leader in safety, security and carbon efficiency. Statoil has defined 5 focus areas of action to drive sustainability in the Statoil Group

- Aim for outstanding resource efficiency
- Prevent harm to local environments
- Create local opportunities
- Respect human rights
- Be open and transparent

Each year Statoil Group also submits a sustainability report, and the report for 2016 can be found at:
https://www.statoil.com/content/dam/statoil/documents/sustainability-reports/sustainability-report-2016-v2.pdf

Safety and Security

Statoil Group's vision is zero harm and we believe that all accidents related to people, environment and assets can be prevented.

Safe operations form part of Statoil Refining Denmark A/S´ strategy for a sustainable future.
Safe operations are achieved by a strong safety & security culture, environmental consciousness in our operation, and high level of technical integrity. Safety training, risk awareness and safety management is incorporated in all our work processes. Awareness campaigns, safety dialogues, observation programs are just some of the tools provided by the Safety & Security Unit to maintain and continuously develop a strong safety and security culture.

For Statoil Refining Denmark A/S the total recordable injuries per million hours worked (TRIF) was 6,8 in 2016 compared to 16,7 in 2015. The improvement is significant especially considering the large shutdown (turnaround 2016) with many new subcontractors working on site. However, this result is still not satisfactory and efforts to reduce the number of injuries will continue.

There were no serious incidents in 2016.

Security is also a key issue. In Statoil Refining Denmark A/S security risk is systematically assessed on a continuous basis in order to achieve effective and proportionate security risk management. Together with our suppliers, we are working on developing Statoil Group's security culture. Security is defined as information security, physical security and personal security and employee security awareness is continuously trained through corporate security campaigns.

Environmental impact and resource efficiency

The Statoil Group actively works to reduce climate emissions and strive to be recognized as the most carbon-efficient oil and gas producer. The annual audit of the energy management system in 2016 went very well and it was also verified that Statoil Refining Denmark A/S complies with the requirements of the energy efficiency agreement with DEA (Danish Energy Agency).

Every year, Statoil Refining Denmark A/S submits an annual sustainability report, which includes information on the refinery's energy consumption, energy efficiency and environmental performance. For a detailed description of Safety & Sustainability measures please refer to Statoil Refining Denmark's sustainability report for 2016:
https://www.statoil.com/en/where-we-are/denmark/green-account-reports.html

Research and development

The refining technology in its base is a well-known and mature technology. In spite of this Statoil Refining Denmark A/S continuously dedicate many resources into improving refining processes in Kalundborg aiming at strengthening the business and reduce impact on the environment. Highly competent refining engineers in Statoil Refining Denmark A/S cooperate with customers, suppliers and Statoil's´ Research & Development Center in Trondheim, Norway, in search of ways to improve raw material utilization and increased energy efficiency at the refinery. Configuration of the production facilities to adapt to new more environmentally sustainable product specifications and strong priority of health, environment and safety also drives the ongoing research and development efforts.

Social conditions, labour standards and human rights

Statoil Refining Denmark A/S works systematically to secure contractors and subcontractors' compliance with rules and regulations on employee social conditions and human rights.

A separate organizational unit has been established in Statoil ASA to secure a consistent focus on safety and sustainability in the entire Statoil Group. Training on site as well as e-learning courses has been established, and a Supplier Declaration is sent out with all waivers and contracts. Also knowledge sharing among plants on contractor and subcontractor findings is facilitated.

People policy

The Statoil Group has a global people policy in place intended to create a caring and inspiring working environment, value diversity and to promote equal opportunities for all employees. Part of Statoil Refining Denmark A/S´ strategy for a sustainable future implies that Statoil is an attractive place to work. A high level of competency, an excellent working environment and a committed LEAN culture are prioritized means to achieve that. Statoil Refining Denmark A/S has a people policy which describes policies for recruitment, working environment, pension, insurance, staff benefits, training & education, working hours, holiday & leave, health & illness, travel etc.

The intentions in our people policy are supported by Statoil Group´s company values;

These values, forms the basis of our performance management system which states that employees are evaluated equally on performance and behavior: "At Statoil, the way we deliver is as important as what we deliver".

Company Values	Leadership Principles
• Open	• Shape our future
• Collaborative	• Empower people
• Courageous	• Deliver results
• Caring	

Every year a Global People Survey is conducted with the purpose of measuring the overall employee wellbeing in the company. The survey is anonymous and evaluates many different parameters such as engagement, competence development, performance, workload, influence, trust in management, conflict handling, teamwork, health etc. The results of the survey are actively used to determine goals and focus areas for the Company as well as for each department in order to continuously improve employee wellbeing. In 2016, 92% of all employees participated in the survey and the result showed good employee satisfaction and improvements on the parameters determined as focus areas for 2016. Focus areas for 2016 were overall job satisfaction and improvement culture.

Target share of the underrepresented gender in management

Statoil Refining Denmark A/S wish to ensure a diverse workforce with equal career opportunities for all talents by attracting, recruiting and retaining people of both genders without prejudice towards ethnic origin, sexual, religious & political orientation, age or similar circumstances. Equality of gender is practiced through remuneration policy and personal development plans.

In Statoil Refining Denmark A/S we aim to increase the number of female representatives in management to at least 30 % and female representatives on the Board of Directors to at least 20 % by the end of 2018 (employee representatives not included as stated in §99b).

Status on female representatives as of December 2016:

- Total number of representatives in management: 34
- Share of female representatives in management: 26 %
- Share of female representatives in senior management: 50 %
- Share of female representatives on the Board of Directors: 20 % (As of January 2017)
- Share of female employee representatives in the Board of Directors: 50%

In 2016, Statoil Refining Denmark A/S employed an average of 335 full time employees. The overall percentage of women in Statoil Refining Denmark A/S was 12 %, covering 3 % of female technicians and 21 % female salaried staff. Lack of qualified female candidates and/or lack of open management positions in the period up until the end of 2018 may impede reaching the target share of female representatives in management of at least 30%.


Statoil management on site during turnaround 2016.

The Board of Directors and management will actively work to ensure that qualified candidates of both genders are treated equally. Measures are continuously made to ensure that women have equal opportunities in pursuing management roles. Monitoring of the goals will be assessed annually by the Board of Directors, to continuously assess if they are still realistic and sufficiently ambitious.

Transparency, ethics and anti-corruption

Statoil Group believes that the ability to create value depends on applying with high ethical standards to create a trust-based relationship with our people, our owners, our business partners and our communities. We are committed to comply with applicable laws, act in an ethical, sustainable and socially responsible manner, practice good corporate governance and respect internationally recognized human rights principles.

Statoil's Code of Conduct (the Code) reflects our values and the commitment to high ethical standards in our business activities. A detailed description can be found in Statoil Code of Conduct:
https://www.statoil.com/content/dam/statoil/documents/ethics/Statoil-Code-of-Conduct-(5-Jan-2016).pdf

Commitment to the local and general society

Statoil Refining Denmark A/S is committed to encourage apprentices developing their technical skills, and has an active policy of taking in apprentices. During 2016 the company has had 12 apprentices at the Refinery. 7 of the 12 apprentices passed the final exam this year, of which 4 became permanent employees. In 2016 Statoil Refining Denmark A/S also awarded a scholarship to an excellent student. Student Magnus Rubin Peterson at Allikelund High school in Kalundborg, was awarded for his extraordinary science skills and for having achieved the highest exam grade average.

Local commitments
Statoil Refining Denmark A/S sponsors local initiatives within sport and culture. We arrange neighbor meetings and participate actively in Kalundborg Recruiting Alliance and is member of Kalundborg Symbiosis. Statoil Refining Denmark A/S also participate "Event pool - Liv I Kalundborg". Members are Municipality of Kalundborg, Kalundborg Business Council for local development, Novo Nordisk A/S, Kalundborg Forsyning, National Oilwell Varco, Alfa Nordic and Statoil Refining Denmark A/S. The purpose of the initiative is to fund events that contribute to making Kalundborg an attractive place to work and live in, and make new citizens of all nationalities feel at home in Kalundborg.

Statoil prize
In March 2017, the Statoil prize was awarded to Anne Ladegaard Skov, Ph.D. at Danish Polymer Centre, Technical University of Denmark. Statoil Foundation, which awards the Statoil prize, aims to work to support and promote socially beneficial purposes of national, social, scientific, professional and human nature.

Condensate prize
In September 2016, the Condensate prize was awarded for the 21st time. The aim of the prize is to acknowledge an enthusiast, who has demonstrated extraordinary efforts within sport, culture or similar in Kalundborg municipality. It was awarded to Troels Birk Kristoffersen, chair of Røsnæs development and resident union. Troels Birk Kristoffersen has worked enthusiastically on voluntary basis during 40 years to improve local life in Røsnæs.

Annual report of Statoil ASA
Statoil Refining Denmark A/S is included in the annual report of its ultimate parent company:

Statoil ASA
Forusbeen 50
N-4035 Stavanger
Norway

The annual report of Statoil ASA can be found at:
https://www.statoil.com/en/investors.html#contact-investor-relations

Financial highlights

DKKm	2016	2015	2014	2013	2012
Revenue	15,978	19,447	25,501	29,571	32,582
Ordinary operating profit/loss	460	993	-1,380	-1,706	536
Profit/loss from financial income and expenses	24	-46	-82	73	-1
Profit/loss before tax	484	947	-1,462	-1,633	535
Tax on profit/loss for the year	-138	162	-250	71	298
Profit/loss for the year	346	1,109	-1,712	-1,563	833
Total assets	6,095	5,710	3,754	5,005	7,629
Equity	3,955	3,609	1,138	1,173	2,736
Investment in property, plant and equipment	537	310	606	136	188
Average number of full-time employees	335	362	383	395	409

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Key figures

	2016	2015	2014	2013	2012
Operating margin *Operating profit/loss x 100 / Revenue*	3%	5%	-5%	-6%	2%
Return on invested capital *Operating profit/loss x 100 / Average invested capital*	12%	42%	-37%	-34%	7%
Return on equity *Profit/loss for the year x 100 / Average equity*	9%	47%	-146%	-57%	44%
Solvency ratio *Equity at year end x 100 / Total equity and liabilites at year end*	65%	63%	30%	23%	36%

Financial statements 1 January – 31 December
Income statement

DKK'000

Note		2016	2015
2	Revenue	15,977,883	19,446,997
	Production costs	-15,469,086	-18,384,657
	Gross income / loss	**508,797**	**1,062,340**
	Administrative expenses	-119,170	-125,480
5	Other operating income	70,680	56,264
	Operating income / loss	**460,307**	**993,124**
6	Financial income	38,881	8,179
7	Financial expenses	-15,134	-53,997
	Income / loss before tax	**484,054**	**947,306**
8	Tax on profit / loss for the year	-138,486	161,992
9	Income / loss for the year	**345,568**	**1,109,298**

Financial statements 1 January – 31 December
Balance sheet
DKK'000

Note		2016	2015
	Assets		
	Non-current assets		
10	Intangible assets		
	Software	19,237	25,238
11	Property, plant and equipment		
	Land	64,427	64,724
	Buildings, plant and machinery	1,163,239	501,165
	Assets under construction	79,599	332,093
		1,307,265	897,982
	Other non-current assets		
	Deferred tax asset	223,500	337,600
	Total non-current assets	**1,550,002**	**1,260,820**
	Current assets		
	Inventories		
	Raw materials and consumables	532,613	650,680
	Finished goods and goods for resale	683,274	644,920
		1,215,887	1,295,600
	Receivables		
	Trade receivables	855,507	706,989
	Intercompany receivables	2,469,376	2,441,259
	Other receivables	1,808	2,345
	Prepayments	2,471	2,770
		3,329,162	3,153,363
	Cash at bank and in hand	0	0
	Total current assets	**4,545,049**	**4,448,963**
	TOTAL ASSETS	**6,095,051**	**5,709,783**

Financial statements 1 January – 31 December
Balance sheet
DKK'000

Note		2016	2015
	Equity and liabilites		
	Equity		
12	Share capital	1,288,200	1,288,200
	Retained earnings	1,466,733	2,321,165
	Proposed dividends for the financial year	1,200,000	0
		3,954,933	**3,609,365**
13	Non-current liabilities		
	Non-current asset retirement obligation provisions	505,614	464,222
		505,614	464,222
	Current liabilities		
	Trade payables	272,438	122,720
	Intercompany payables	1,156,122	1,217,840
	VAT and taxes payable	148,514	199,161
	Other payables	50,741	66,513
	Prepayments received from customers	6,689	29,962
		1,634,504	1,636,196
	Total liabilities	**2,140,118**	**2,100,418**
	TOTAL EQUITY AND LIABILITIES	**6,095,051**	**5,709,783**

3 Specification of salaries and social costs
4 Fees to auditors
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15 Related party disclosures

Financial statements 1 January – 31 December
Statement of changes in equity
DKK'000

	Share capital	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2016	1,288,200	2,321,165	0	3,609,365
Distributed dividend	0	-1,200,000	1,200,000	0
Transferred to development costs reserve	0	0	0	0
Transferred over the [profit appropriation/distribution of loss]	0	345,568	0	345,568
Exchange rate adjustment, foreign subsidiary	0	0	0	0
Value adjustment of hedging instruments:	0	0	0	0
Value adjustment for the year	0	0	0	0
Value adjustments reclassified to the income statement	0	0	0	0
Tax on items under equity	0	0	0	0
Equity at 31 December 2016	1,288,200	1,466,733	1,200,000	3,954,933

Financial statements 1 January – 31 December

Notes

1. Accounting policies

The annual report for 2016 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015.
The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures. Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The financial statements and cash flow statement of Statoil Refining Denmark A/S are included in the consolidated financial statements of Statoil ASA, Stavanger, Norway.

Recognition and measurement
Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All costs, depreciation, amortisation and impairment losses are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the cost can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that the future economic benefits will flow from the Company and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described below.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies which have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes

1. Accounting policies (continued)

Derivative financial instruments
On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a hedge of future transactions are recognised as other receivables or other payables and in equity until the realisation of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts that were previously recognised in equity are transferred to the cost of the assets or liabilities. If the future transaction results in income or costs, amounts that were previously recognised in equity are transferred to the income statement for the period when the hedged item affects the income statement.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in fair value are recognised in the income statement on an ongoing basis.

Income statement

Revenue
Income from the sale of oil products is recognised in revenue at the date of delivery if the income can be measured reliably and is expected to be realised. Revenue is measured exclusive of VAT and taxes and less discounts granted in connection with the sale.

Production costs
Production costs comprise costs, including wages and salaries and depreciation and amortisation incurred in generating revenue for the year. Production costs also comprise energy costs, freight costs, purchased services and maintenance costs that do not qualify for recognition as an asset in the balance sheet.

Administrative expenses
Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, office premises and office expenses, etc., and depreciation of equipment for administrative purposes.

Financial statements 1 January – 31 December

Notes

1. Accounting policies (continued)

Other operating income and costs
Other operating income and costs comprise items secondary to the primary activities of the Company, including gains and losses on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses
Financial income and expenses comprise interest income and expense. Realised and unrealised gains and losses on receivables, payables and transactions denominated in foreign currencies are included as a separate item in the income statement. Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year
Tax for the year comprising current tax for the year, deferred tax provisions and tax relating to previous years is recognised in the income statement. Tax on entries directly in equity are recognised in equity.

Provisions for deferred tax comprise the differences between carrying amounts and tax values measured according to the balance sheet liability method at the tax rate applicable at the balance sheet date. Deferred tax may be an asset but is solely included in the financial statements as such if it is considered certain that the amount can be utilised within the foreseeable future.

The entities in the Statoil Danmark Group are jointly taxed. The Danish entities which Statoil Danmark A/S' parent company Statoil ASA controls are also included in the joint taxation.

The computed corporation tax is distributed between the jointly taxed entities in accordance with the full distribution method.

Balance sheet

Software
Intangible assets are initially recognised at cost and subsequently measured at cost less accumulated amortization and depreciation.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Amortisation and depreciation are recognised on a straight-line basis over the expected useful life of the assets, taking into account any residual value. The expected useful life and residual value are determined based on past experience and expectations of the future use of the assets.

Notes

1. Accounting policies (continued)

The basis of the depreciation is calculated on the basis of the cost less the residual value and impairment losses.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated. The basis of depreciation is cost less expected residual value after the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. In connection with large refinery projects, cost comprises costs of materials, components, sub suppliers, direct cost of labour and a share of indirect production overheads comprising costs for own workforce.

Interest expenses on loans to finance the production of property, plant and equipment relating to the production period are included in cost. All other borrowing costs are recognised in the income statement.

Depreciation is provided on a straight-line basis based on the estimated useful lives of the assets:

Buildings and storage tanks (incl. ARO)	20-50 years
Plant and machinery	10-20 years
Fixtures and fittings, tools and equipment	4-10 years

Depreciation is recognised as production costs based on the use of the assets.

Impairment tests are conducted of property, plant and equipment when there is an indication that they may be impaired. The impairment test is conducted for each asset or group of assets, respectively. Write-down is made to the higher of the value in use and the net selling price (recoverable amount) of the asset or group of assets if this is lower than the carrying amount.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to a quarterly test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Notes

1. Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Asset retirement obligations (ARO)
Provisions for ARO costs are recognised when Statoil has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditures determined in accordance with local conditions and requirements. Cost is estimated based on current regulations and technology, considering relevant risks and uncertainties. The discount rate used in the calculation of the ARO is a risk-free rate based on the applicable currency and time horizon of the underlying cash flows, adjusted for a credit premium which reflects Statoil's own credit risk. Normally an obligation arises for a new facility, such as an oil and natural gas production or transportation facility, upon construction or installation.

An obligation may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations, or be based on commitments associated with Statoil's ongoing use of pipeline transport systems where removal obligations rest with the volume shippers. The provisions are classified under provisions in the balance sheet. Some of the refining and process plants are deemed to have indefinite lives. Consequently, no ARO has been recognised for these assets.

When a provision for ARO costs is recognised, a corresponding amount is recognised to increase the related item of property, plant and equipment and is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of

Notes

1. Accounting policies (continued)

depreciation of production machinery, buildings and equipment as well as factory administration and management.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs necessary to make the sale.

Receivables
Receivables are measured at amortised cost, usually corresponding to nominal value. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis. Write-down for expected losses on trade receivables is made to net realisable value.

Prepayments
Prepayments comprise costs incurred concerning subsequent financial years. Prepayments are measured at amortised cost, usually corresponding to nominal value.

Cash at bank and in hand
Cash at bank and in hand comprise cash and unrestricted bank deposits.

Equity
Proposed dividends are recognized as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Liabilities other than provisions
Trade payables and payables to group entities as well as other payables are measured at amortised cost, usually corresponding to the nominal value.

Deferred income
Deferred income comprise payments received regarding subsequent financial years. Deferred income is measured at amortised cost, usually corresponding to nominal value.

Segmentation
Segment information is provided on business segments and geographical markets. The segment information is in line with the Company's accounting policies, risks and internal financial management.

Notes

DKK'000

(continued)

		2016	2015
2	Revenue		
	Domestic sales of oil products	8,218,052	8,442,993
	Export sales of oil products	7,759,831	11,004,004
		15,977,883	**19,446,997**

3	Specification of salaries and social costs:		
	Wages and salaries	246,640	227,629
	Pensions	21,379	21,601
	Other social security costs	4,680	5,443
		272,699	**254,673**

Remuneration of company management, the Executive Board and the Board of Directors is included in staff costs. With reference to section 98B (3) of the Danish Financial Statements Act, remuneration to company management is not disclosed.

Average number of full-time employees	**335**	**362**

4	Fees to auditors appointed at the general meeting, KPMG		
	Statutory audit services	680	680
	Other assurance engagements	73	73
	Other services	15	42
		768	**795**

5	Other operating income		
	Service and rental income	70,680	56,264
		70,680	**56,264**

Notes

DKK'000

(continued)

		2016	2015
6	Financial income		
	Exchange rate income from other group entities	25,427	0
	Financial income from group entities	11,162	110
	Other financial income	2,292	8,069
		38,881	**8,179**
7	Financial expenses		
	Exchange rate expenses to group entities	0	-36,061
	Interest expenses to group entities	-3,404	-4,126
	Interest component, asset retirement obligation	-10,931	-9,943
	Other financial expenses	-799	-3,867
		-15,134	**-53,997**
8	Tax on profit for the year		
	Deferred tax at 1 January	337,600	117,865
	Adjustment for the year of deferred tax	-114,100	219,735
	Deferred tax at 31 December	**223,500**	**337,600**
	Tax prior year	-262	0
	Tax on profit for the year	24,648	57,743
9	Proposed profit appropriation		
	Proposed dividends for the financial year	1,200,000	0
	Retained earnings	-854,432	1,109,298
		345,568	**1,109,298**

Notes

DKK'000
(continued)

		Software
10	Intangible assets	
	Cost at 1 January 2016	56,534
	Additions	0
	Disposals	0
	Transferred from assets under construction	0
	Cost at 31 December 2016	56,534
	Amortisation and impairment losses at 1 January 2016	31,296
	Amortisation	6,001
	Amortisation and impairment losses at 31 December 2016	37,297
	Carrying amount at 31 December 2016	**19,237**

		Land	Buildings, plant and machinery	Assets under con-struction	Total
11	Property, plant and equipment				
	Cost at 1 January 2016	64,724	9,882,093	332,095	10,278,912
	Additions	0	484,367	52,467	536,834
	Retirements	-297	-253,200	-14,702	-268,199
	Transferred	0	290,259	-290,259	0
	Cost at 31 December 2016	64,427	10,403,519	79,601	10,547,547
	Depreciation and impairment losses at 1 January 2016	0	9,380,928	2	9,380,930
	Depreciation	0	106,834	0	106,834
	Impairment losses	0	0	0	0
	Disposals	0	-247,482	0	-247,482
	Depreciation and impairment losses at 31 December 2016	0	9,240,280	2	9,240,282
	Carrying amount at 31 december 2016	**64,427**	**1,163,239**	**79,599**	**1,307,265**

Asset Retirement Obligation (ARO) - carrying amount DKK 429,345 thousand is included in 'Buildings, plant and machinery'.

DKK'000

12 Changes in the share capital during the past five years are specified as follow:

	2016	2015	2014	2013	2012
10,000 shares of DKK 1,000	0	0	0	10,000	10,000
90,000 shares of DKK 1,000	0	0	0	90,000	90,000
2,200.000 shares of DKK 1,000	0	0	0	2,200,000	2,200,000
2,300.000 shares of DKK 1,304	0	0	2,999,200	0	0
2,300.000 shares of DKK 560.09	1,288,200	1,288,200	0	0	0
	1,288,200	**1,288,200**	**2,999,200**	**2,300,000**	**2,300,000**

All shares rank equally.

		2016	2015
13	Non-current asset retiement obligation provisions	505,614	464,222

Of the provision DKK 504,446 thousand relates to Asset Retirement Obligation (ARO), which is expected to be paid after 5 years. The remaining part of the provision, DKK 1,168 thousand falls due within 5 years

14 Non-current liabilities

Contingent assets

At 31 December 2016, the Company had an unrecognized deferred tax asset of DKK 507,073 thousand (2015: DKK 437,314 thousand) as it is not expected to be utilised within a 5 year period.

Operational lease obligations

Rental- and lease obligations amounted to 72,729 thousand (2015: DKK 79,604 thousand) at 31 December 2016.

Joint taxation

The Group's Danish enterprises are jointly and severally liable for tax on the Group's income subject to joint taxation. The jointly taxed enterprises' total net liability to SKAT amounted to DKK 24,648 thousand at 31 December 2016. Any subsequent corrections of the income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the enterprises' liability. The Group as a whole is not liable to any other parties.

Notes

DKK'000
(continued)

15 Related party disclosures

Statoil Refining Denmark A/S' related parties comprise the following:

Control

Statoil ASA, Forusbeen 50, N-4035 Stavanger, Norway
Statoil ASA holds the majority of the share capital in the Company through holding company Statoil Danmark A/S (sub-group).
Statoil Refining Denmark A/S is part of the consolidated financial statements of Statoil ASA, Forusbeen 50, N-4035 Stavanger, Norway, which is the largest group in which the Company is included as a subsidiary. The consolidated financial statements of Statoil ASA can be obtained by contacting the Company or at the following website:

https://www.statoil.com/en/investors.html#contact-investor-relations

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

All transactions with related parties have been conducted in terms equivalent to arm's length.