2020

Annual report

Equinor 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 19th May 2021

Niklas Korsgaard Christensen
chairman

Contents

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Equinor Refining Denmark A/S for the financial year 1st January – 31st December 2020.

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 financial position of the Company at 31st December 2020 and of the results of its operations and cash flows for the financial year 1st January – 31st December 2020.

Furthermore, we believe that the Management's review gives a fair review of the development in the Company's operations and financial matters, the results for the year and the Company's financial position.

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

Kalundborg 19th May 2021

CEO:

Sølvi Storsæter Bjørgum

Board of Directors:

Ole-Tobias Frich chair	Grete Birgitte Haaland	Sidsel Lokna
Jofrid Tone Klokkehaug	Tore Aarreberg	Mikkel Pagh
Annette Munch	Niels Bech	

Independent auditor´s report

To the shareholders of Equinor Refining Denmark A/S

Opinion

We have audited the financial statements of Equinor Refining Denmark A/S for the financial year 1st January – 31st December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with 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 31st December 2020 and of the results of the Company's operations for the financial year 1st January – 31st December 2020 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 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 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 users taken on the basis of the financial statements. As part of an audit conducted in accordance with ISAs and 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. Independent auditor's report
- 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 note 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.

Statement on the Management´s review

Management is responsible for the 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 19th May 2021
EY Godkendt Revisionspartnerskab
CVR no. 30 70 02 28

Ole Hedemann	Karsten Bøgel
State Authorised Public Accountant	State Authorised Public Accountant
mne 14949	mne 27849

Company details

Name and address

Equinor Refining Denmark A/S
Melbyvej 17
4400 Kalundborg
Denmark
CVR no.: 29 97 58 84
Financial year: 15

Board of Directors

Ole-Tobias Frich, chair
Grete Birgitte Haaland
Sidsel Lokna
Jofrid Tone Klokkehaug
Tore Aarreberg
Mikkel Pagh
Annette Munch
Niels Bech

CEO

Sølvi Storsæter Bjørgum

Parent company

Equinor Danmark A/S
Melbyvej 10
4400 Kalundborg
Denmark
Ownership: 100%
CVR no. 56 15 14 19

Auditors

ERNST & YOUNG
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg
Denmark
CVR no. 30 70 02 28

Management's review

Our strategy

Equinor Refining Denmark A/S's strategy 'Together for a safe, competitive and sustainable Equinor Refining Denmark' affects our financial performance in a positive way and sets the direction for our future work.

The strategy objectives 'Always safe', 'Always profitable', 'Reduce emissions' and 'Attractive workplace' are all key elements in obtaining positive results in the future.

Equinor Refining Denmark A/S at a glance

Equinor Refining Denmark A/S owns the largest oil refinery in Denmark. The refinery processes approximately 5.5 million tonnes of crude oil, condensate and feedstock each year and has a tank capacity of 1.2 million m3. The refinery's processing plant configuration allows for 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.

Through engaged work from more than 340 employees, we produce products such as naphtha, petrol, diesel, fuel oil and heavy fuel. The primary markets besides the Danish market are Scandinavia and northwest Europe.

All crude oil, condensate and feedstock are transported to Kalundborg by tanker, and most of the final products are also transported by sea. Therefore, Equinor Refining Denmark A/S has harbour facilities in connection with the plant.

In addition, Equinor Refining Denmark A/S operates two fuel truck terminals for fuel and LPG (Liquefied Petroleum Gas). These terminals are located in Kalundborg and Hedehusene, and customers are typically larger oil and gas retail companies. The terminal in Hedehusene is supplied 100% via two pipelines, which are connected to the refinery. The terminal in Kalundborg is supplied directly from the refinery's product tanks.

Financial and operational business risk

The refinery industry is in general challenged by large fluctuations in margins. As a result, future forecasts always include a degree of uncertainty. These margin fluctuations affect profitability and occur due to refinery supply from various regions, fluctuations in demand, shut down cycles and shut down timing.

At Equinor Refining Denmark A/S we believe that our strategy will have a positive impact on our future financial results.

Exposure related to price fluctuations on stock of crude, condensate, feedstock and products are mitigated through a hedging policy. Crude, condensate, feedstock and products above operational stock are hedged.

Equinor Refining Denmark A/S is subject to foreign exchange rate exposure primarily related to USD as crude, however paid in various currencies, primarily USD and DKK. Operational costs are primarily in DKK. USD exchange rate exposure is not hedged.

Primary activities in 2020

Our financial results are highly affected by the corona pandemic. Our gross margin was reduced by almost 40% compared to 2019.

We have been able to run the refinery and keep the production mode as planned despite the COVID-19 restrictions.

2020 regularity ended at 92,1 %. The regularity was only affected by tests of our bio co-processing and a planned pitstop, with the purpose of inspection, cleaning and maintenance.
In 2021, the refinery will have existed for 60 years. Throughout the years our purpose has been to turn natural resources into energy for people and progress for society.
Each day we work to improve the way we fulfill this purpose. This is about us taking responsibility for the climate and the environment, as we strive to be identified as a safe, climate focused and environmentally responsible company.

Equinor Refining Denmark A/S utilizes new technology and digital tools to improve our competitiveness. Continuous improvements characterise the way we work. The purpose of continuous improvements is to ensure simplification and standardisation of work processes. As a result, these initiatives through collaboration and learning we believe will contribute to increased safety, reliability and value creation in a highly competitive market. By implementing and creating value from new digital tools we are able to increase efficiency and generate the best solutions for our company today, tomorrow and in the future.

Safety has top priority for Equinor Refining Denmark and everyone who works for the company is responsible for safety and security. Through our actions, we must all show that we are complying with this obligation. Unfortunately, 2020 has been a year in which we have not been able to live up to the expectations of being "Always safe". In 2020, there have been two serious incidents, both of which have happened at the pier. Both serious incidents have been investigated and corrective actions identified. Efforts are being made to implement the initiatives and to take sustainable learning from them.
The number of person related injuries was unfortunately not satisfactory in 2020 and ended with 10 injuries needing medical treatment and / or absence from work.

Financial results in 2020

In 2020, Equinor Refining Denmark A/S delivered a result after tax of DKK -1.565 million compared to DKK 558 million in 2019.
A new ARO value (Asset Retirement Obligation) has resulted in an impairment of DKK 1.157 million for 2020. The reason for the new ARO value is mainly a new assessment for clean-up costs.

2020 financial results were highly influenced by the COVID-19 pandemic, which caused a high degree of volatility with fluctuations in demand and prices of both raw materials and our products.

With the difficult market conditions in 2020 we have been able to generate a small positive EbIT, excluding adjustments for impairment and storage result.

We expect that Equinor Refining Denmark A/S will generate positive results in the future.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

As mentioned earlier COVID-19 has had a big impact on 2020 results. Our approved budget shows a positive outlook for 2021. However, the results can continue to be affected by COVID-19 and the challenging market conditions.

The European refining industry is, in a long-term perspective, challenged by decline in regional demand driven by gradual change towards higher energy efficiency and increased use of renewable energy. Therefore, refinery margins are expected to continue with high volatility in a highly competitive market environment.

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

The challenging market conditions require Equinor Refining Denmark A/S to continuously needs to increase value creation, optimize raw material opportunities and upgrade sales portfolio.

Corporate Social Responsibility

For Equinor Refining Denmark A/S´s statutory statement on corporate social responsibility following the Danish Financial Statements Act §99a, please refer to Equinor ASA´s Sustainability report 2020. You can find the Sustainability report here:

https://www.equinor.com/content/dam/statoil/documents/sustainability-reports/2020/equinor-sustainability-report-2020-LR.pdf

For supplementary information regarding corporate social responsibility, please refer to Equinor Refining Denmark A/S's Sustainability report 2020 (Bæredygtighedsrapport 2020). You can find the Sustainability report here:
https://www.equinor.com/content/dam/statoil/documents/green-account-reports/equinor-baeredygtighedsrapport-2020.pdf

Diversity in the Board and Management

At Equinor, the way we deliver results is as important as the results themselves. One of the areas that we work with is to create an inclusive and diverse working environment with equal career opportunities for all. Therefore, we attract and recruit people of both genders, without prejudice towards ethnic origin, age, sexual, religious or political orientation, and likewise.
Gender equality is practiced through the Company's remuneration policy and personal development plans. We strive to increase the number of underrepresented gender in management and on the Board of Directors.
Gender representation as at end 2020:

- Total number of representatives in management with personnel responsibilities is 30, 5 (17%) female representatives and 25 (83%) male representatives.
- Total number of representatives in management is 42, 8 (19%) female representatives and 34 (81%) male representatives.
- Total number of representatives in senior management is 9, 4 (44%) female representatives and 5 (56%) male representatives.
- Total representatives in the Board of Directors is 5, 3 (60%) female representatives and 2 (40%) male representatives.

Annual report of Equinor ASA

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

Equinor ASA
Forusbeen 50
N-4035 Stavanger
Norway

The annual report of Equinor ASA can be found at:
https://www.equinor.com/content/dam/statoil/documents/annual-reports/2020/equinor-2020-annual-report-and-form-20-f.pdf

Financial highlights

DKKm	2020	2019	2018	2017	2016
Revenue	12.389	20.588	23.007	20.910	15.978
Ordinary operating profit/loss	-1.572	788	868	1.033	460
Profit/loss from financial income and expenses	5	1	-40	-29	24
Profit/loss before tax	-1.566	789	828	1.004	484
Tax on profit/loss for the year	1	-231	9	11	-138
Profit/loss for the year	-1.565	558	837	1.015	346
Total assets	5.716	7.787	5.510	6.557	6.095
Equity	2.899	4.464	3.906	3.770	3.955
Investment in property, plant and equipment	901	721	147	163	537
Average number of full-time employees	348	338	339	329	335

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

Comparatives in the years 2016-2018 have not been restated following the adoption of IFRS 16 as of 1 January 2019.

The financial ratios have been calculated as follows:

Key financial ratios

	2020	2019	2018	2017	2016
Operating margin *Operating profit/loss x 100 / Revenue*	-13%	4%	4%	5%	3%
Return on invested capital *Operating profit/loss x 100 / Average invested capital*	-43%	19%	23%	27%	12%
Return on equity *Profit/loss for the year x 100 / Average equity*	-43%	13%	22%	26%	9%
Solvency ratio *Equity at year end x 100 / Total equity and liabilites at year end*	51%	57%	71%	57%	65%

Financial statements 1st January – 31st December

Income statement

DKK'000

Note		2020	2019
2	Revenue	12.388.787	20.588.212
	Production costs	-13.876.142	-19.704.879
	Gross income / loss	**-1.487.355**	**883.333**
	Administrative expenses	-136.586	-149.654
5	Other operating income	52.406	53.945
	Operating income / loss	**-1.571.535**	**787.624**
6	Financial income	49.833	45.403
7	Financial expenses	-44.388	-44.035
	Income / loss before tax	**-1.566.090**	**788.992**
8	Tax on profit / loss for the year	779	-231.167
9	Income / loss for the year	**-1.565.311**	**557.825**

Financial statements 1st January – 31st December

Balance sheet

DKK'000

Note		2020	2019
	Assets		
	Non-current assets		
10	Intangible assets		
	Software	5.747	5.771
11	Property, plant and equipment		
	Land	64.251	64.251
	Buildings, plant and machinery	1.536.242	2.024.996
	Assets under construction	166.710	200.426
	Right of Use assets	211.525	194.185
		1.978.728	2.483.858
	Other non-current assets		
8	Deferred tax asset	87.000	154.652
	Total non-current assets	**2.071.475**	**2.644.281**
	Current assets		
	Inventories		
	Raw materials and consumables	741.716	1.083.744
	Finished goods and goods for resale	722.744	855.965
		1.464.460	1.939.709
	Receivables		
	Trade receivables	661.158	1.433.749
	Intercompany receivables	1.432.563	1.618.155
	Other receivables	277	151.264
	Tax receivable	85.743	0
		2.179.741	3.203.168
	Cash at bank and in hand	0	0
	Total current assets	**3.644.201**	**5.142.877**
	TOTAL ASSETS	**5.715.676**	**7.787.158**

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Financial Statement 1st January – 31st December

Balance sheet

DKK'000

Note			2020	2019
	Equity and liabilites			
	Equity			
12		Share capital	1.288.200	1.288.200
		Retained earnings	1.610.473	3.175.784
		Proposed dividends for the financial year	0	0
			2.898.673	**4.463.984**
13	Non-current liabilities			
		Non-current asset retirement obligation provisions	1.362.362	756.838
		IFRS 16 lease liability	142.599	141.023
			1.504.961	**897.861**
	Current liabilities			
		Trade payables	193.260	358.325
		Intercompany payables	793.212	1.928.534
		VAT and taxes payable	107.368	0
		Other payables	142.580	79.433
		Prepayments received from customers	1.587	4.941
		IFRS 16 lease liability	74.035	54.080
			1.312.042	2.425.313
	Total liabilities		**2.817.003**	**3.323.174**
	TOTAL EQUITY AND LIABILITIES		**5.715.676**	**7.787.158**

3 Specification of salaries and social costs
4 Fees to auditors
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Financial statements 1st January – 31st December

Statement of changes in equity

DKK'000

	Share capital	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2020	1.288.200	3.175.784	0	4.463.984
Distributed dividend	0	0	0	0
Transferred over the profit appropriation	0	-1.565.311	0	-1.565.311
Equity at 31 December 2020	1.288.200	1.610.473	0	2.898.673

Financial statements 1st January – 31st December

Notes

1. Accounting policies

Basis of Preparation

The annual report for 2020 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

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 Equinor Refining Denmark A/S are included in the consolidated financial statements of Equinor ASA, Stavanger, Norway.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Recognition and measurement

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

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

1. Accounting policies (continued)

Liabilities are recognized 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 recognized 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.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognized in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognized 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 recognized asset or liability are recognized 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.

Financial statements 1st January – 31st December

Notes

1. Accounting policies (continued)

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

The Company has chosen IFRS15 as inter-pretation for revenue recognition.

Revenue from contracts with customers is recognised upon satisfaction of the performance obligations for the transfer of goods in each such contract. The revenue amounts that are recognised reflect the consideration to which Equinor expects to be entitled in exchange for those goods. Revenue from the sale of petroleum products is recognised when a customer obtains control of those products, which normally is when title passes at point of delivery, based on the contractual terms of the agreements. Each such sale normally represents a single performance obligation.

Sales and purchases of physical commodities, when they are not settled net due to being deemed financial instruments or part of separate

Trading strategies are presented on a gross basis as revenues from contracts with customers and purchases (net of inventory variation) in the statement of income. Revenue is presented net of customs, excise taxes and royalties paid in-kind on petroleum products.

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.

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 statements 1st January – 31st December

Notes

1. Accounting policies (continued)

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 Equinor Danmark Group are jointly taxed. The Danish entities which Equinor Danmark A/S' parent company Equinor 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.

Financial statements 1st January – 31st December

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 & fittings, tools & equipment - 4-10 years

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

Right of Use assets

The Company has chosen IFRS16 as inter-pretation for for classification and recognition of leases.

Leases - IFRS 16

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Financial statements 1st January – 31st December

Notes

1. Accounting policies (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term leases (12 months or less) and leases of low value assets are not reflected in the balance sheet but are expensed.

1. Accounting policies (continued)

Non-lease components within lease contracts will be accounted for separately for all underlying classes of assets and reflected in the relevant expense category or (if appropriate) capitalised as incurred, depending on the activity involved.

The company presents right-of-use assets that do not meet the definition of investment property in ´property, plant and equipment´ and lease liabilities in ´loans and borrowings´ in the statement of financial position.

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.

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 Equinor 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 Equinor´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 Equinor´s ongoing use of pipeline transport systems where removal obligations rest with the volume

Financial statements 1st January – 31st December

Notes

1. Accounting policies (continued)

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 and 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.

Notes

1. Accounting policies (continued)

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)

		2020	2019
2	Revenue		
	Domestic sales of oil products	5.316.865	10.840.792
	Export sales of oil products	7.071.922	9.747.420
		12.388.787	**20.588.212**
3	Specification of salaries and social costs:		
	Wages and salaries	251.240	239.330
	Pensions	22.637	21.961
	Other social security costs	4.008	5.906
		277.885	**267.197**

No remuneration is paid to the Board and the Board of Directors. With reference to section 98B (3) of the Danish Financial Statements Act, remuneration to company management is not disclosed.

		2020	2019
	Average number of full-time employees	**348**	**338**

4 Fee to auditors appointed at the general meeting has not been disclosed in accordance with section 96 (3) of the Danish Financial Statements Act. Reference is made to the Consolidated Financial Statements of Equinor ASA.

		2020	2019
5	Other operating income		
	Service and rental income	52.406	53.945
		52.406	**53.945**

Notes

DKK'000

(continued)

		2020	2019
6	Financial income		
	Exchange rate income from other group entities	40.356	39.485
	Financial income from group entities	0	2.714
	Other financial income	9.477	3.204
		49.833	**45.403**
7	Financial expenses		
	Exchange rate expenses to group entities	-12.742	-28.608
	Interest expenses to group entities	-5.283	-2.454
	Interest component, asset retirement obligation	-23.792	-7.895
	Interest expense, leases	-2.432	-1.643
	Other financial expenses	-139	-3.435
		-44.388	**-44.035**
8	Tax on profit for the year		
	Deferred tax at 1 January	154.652	290.200
	Adjustment for the year of deferred tax	-67.652	-135.548
	Deferred tax at 31 December	**87.000**	**154.652**
	Tax prior year	-22.666	0
	Tax on (loss) / profit for the year	-79.778	61.662
	Payment for tax loss utilization, joint taxation	34.013	33.957
	Total Tax on profit for the year	**779**	**-231.167**
9	Proposed profit appropriation		
	Proposed dividends for the financial year	0	0
	Retained earnings	-1.565.311	557.825
		-1.565.311	**557.825**

Notes

DKK'000
(continued)

		Software
10	Intangible assets	
	Cost at 1 January 2020	56.769
	Additions	0
	Disposals	0
	Transferred from assets under construction	0
	Cost at 31 December 2020	56.769
	Amortisation and impairment losses at 1 January 2020	50.998
	Amortisation	24
	Amortisation and impairment losses at 31 December 2020	51.022
	Carrying amount at 31 December 2020	**5.747**

		Land	Buildings, plant and machinery [1]	Assets under con-struction	Right of Use assets	Total
11	Property, plant and equipment					
	Cost at 1 January 2020	64.251	11.052.503	200.426	223.008	11.540.188
	Additions	0	740.394	78.416	82.226	901.036
	Retirements	0	-22.349	-1.198	0	-23.547
	Transferred	0	110.934	-110.934	0	0
	Cost at 31 December 2020	64.251	11.881.482	166.710	305.234	12.417.677
	Depreciation and impairment losses					
	at 1 January 2020	0	9.027.507	0	28.823	9.056.330
	Depreciation	0	182.393	0	64.886	247.279
1)	Impairment	0	1.157.000	0	0	1.157.000
	Retirements	0	-21.660	0	0	-21.660
	Depreciation and impairment losses					
	at 31 December 2020	0	10.345.240	0	93.709	10.438.949
	Carrying amount at 31 december 2020	**64.251**	**1.536.242**	**166.710**	**211.525**	**1.978.728**

[1] Asset Retirement Obligation (ARO) – carrying amount DKK 1.126.780 thousand is included in 'Buildings, plant and machinery'. The impairment of DKK 1.157.000 thousand is recognized as cost in the income statement by additional Production costs.

Notes

DKK'000
(continued)

12	Changes in the share capital during the past five years are specified as follow:				
	2020	**2019**	**2018**	**2017**	**2016**
2,300.000 shares of DKK 560.09	1.288.200	1.288.200	1.288.200	1.288.200	1.288.200
	1.288.200	**1.288.200**	**1.288.200**	**1.288.200**	**1.288.200**

All shares rank equally.

		2020	**2019**
13	Non-current asset retirement obligation provisions	1.362.362	756.838
	IFRS 16 lease liability	142.599	141.023
		1.504.961	**897.861**

Provision DKK 1.362.362 thousand relates to Asset Retirement Obligation (ARO), which is expected to be paid after 5 years.

14 Non-current liabilities

Contingent assets

At 31 December 2020, the Company had an unrecognized deferred tax asset of DKK 404.754 thousand (2019: DKK 60.940 thousand)

Lease expenses not included in lease liability

Rental- and lease obligations amounted to 9.364 thousand (2019: DKK 8.689 thousand) at 31 December 2019.

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 receivable from SKAT amounted to DKK 5.965 thousand at 31 December 2020. Any subsequent corrections of the income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the enterprises' liability or receivable. The Group as a whole is not liable to any other parties.

The Company is jointly taxed with other Danish Group entities and is jointly and several with other jointly taxed group entities liable for payment of income taxes as well as dividends due for payment.

Notes

DKK'000
(continued)

15 Related party disclosures

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

Control

Equinor ASA, Forusbeen 50, N-4035 Stavanger, Norway

Equinor ASA holds the majority of the share capital in the Company through holding company Equinor Danmark A/S (sub-group).

Equinor Refining Denmark A/S is part of the consolidated financial statements of Equinor 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 Equinor ASA can be obtained by contacting the Company or at the following website:
https://www.equinor.com/en/investors.html#contact-investor-relations

Related party transactions

	2020	2019
Purchase of goods from related parties	9.272.791	17.034.122
Purchase of energy (gross) from related parties	219.491	0
Purchase of services from related parties	105.603	117.279
	9.597.885	**17.151.401**
Sale of goods to related parties	1.672.307	3.245.521
Sale of services to related parties	18.434	26.810
	1.690.741	**3.272.331**

Receivables and payables to affiliated companies are disclosed in the balance sheet, and financial income and expenses are disclosed in note 6 and 7.

16 Subsequent events

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

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Chairman of the meeting
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