Annual report 2019
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 13th May 2020

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 2019.

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 2019 and of the results of its operations and cash flows for the financial year 1st January – 31st December 2019.

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 13th May 2020

CEO:

Sølvi Storsæter Bjørgum

Board of Directors:

Giuseppina Ragone chair	Grete Birgitte Haaland	Mette Ferkingstad
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 2019, 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 2019 and of the results of the Company's operations for the financial year 1st January – 31st December 2019 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, 13th May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Hedemann
State Authorised Public Accountant
mne14949

Kennet Hartmann
State Authorised Public Accountant
mne 40036

Company details

Name and address
Equinor Refining Denmark A/S
Melbyvej 17
4400 Kalundborg
Denmark
CVR no.: 29 97 58 84
Financial year: 14

Board of Directors
Giuseppina Ragone, chair
Grete Birgitte Haaland
Mette Ferkingstad
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

At a glance

Equinor Refining Denmark A/S is the largest refinery in Denmark processing approximately 5.5 million tonnes of raw material per year. Crude oil, condensate and other raw materials are refined into gas, naphtha, 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 m^3.

Equinor Refining Denmark A/S receives all raw materials by cargo and part of the refined products are also transported by cargo from Kalundborg. The refinery owns and operates a Pier facility.
The refinery has two terminals – one in Kalundborg and one in Hedehusene. Through two pipelines the refinery is connected to the product terminal in Hedehusene. Majority of the refined products are sold in Denmark, Scandinavia and Northwest Europe. All product sales are wholesale to other companies in the oil and energy 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, Equinor Refining Denmark A/S has developed a strategy for a sustainable future 'Always safe', 'Always profitable', 'Reduce emissions' and 'Attractive workplace' that are all key elements in order to obtain a positive result in the future.

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

Equinor Refining Denmark A/S 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 2019

The regularity ended at satisfying 98,0% in 2019 only affected by planned installation and tests of our bio co-processing plant. Everyday, we are working on improving the way we operate the refinery. It is about us taking responsibility for the climate and the environment, as we strive to be known as a safe and environmentally responsible company.

At Equinor Refining Denmark A/S we work systematically with continuous improvement and development to ensure efficiency, simplifying and standardization of work processes. One initiative within this field, is our 'KF groups - continuous improvement groups' that discuss and implement different improvement initiatives within the organization. The idea is that these initiatives, through strong cooperation and learning, shall contribute to increased security, reliability and value creation.

LEAN working method, precision, risk assessment and safety are a natural part of the daily work. We are satisfied that in 2019 we have improved the Total Recordable Incident Frequency from 12,8 personal incidents (per 1 million working hours) in 2018 to a frequency of 1,3 in 2019. These results inspire us to continue our work within the safety area. Our Serious Incident Frequency (per 1 million working hours) has unfortunately increased from 0 in 2018 to 3,8 in 2019. We cannot be proud of this result, but it will inspire us to work harder in the future.

Financial results in 2019

In 2019, Equinor Refining Denmark A/S delivered a result after tax of DKK 558 million compared with DKK 837 million in 2018. The financial result from primary activities is considered satisfactory for the company.

A new ARO value (asset retirement obligation) has resulted in an impairment of DKK 277 million by end of 2019. The reason for the new ARO value is mainly new assessment for clean up cost.

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

The refinery has been able to continue its efficiency focus and keep expenses in the same range as previous years and in line with the budgeted expenses. Operating costs are continuously reduced 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.

Events after the balance sheet date

Following changes in market conditions in 2020 an evaluation of the Company's asset value has resulted in an impairment of DKK 983 million by end of Q12020. Main factors for the impairment are changes to future margin, energy assumptions and new plan for shutdowns.

Outlook

Our approved budget shows a positive result for 2020 but the big uncertainty caused by COVID-19 might result in negative impact on the 2020 result. Reference is made to the above section on events after the balance sheet date.

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

The challenging market conditions require continued efforts to adapt. Equinor Refining Denmark A/S improves operations over time by added value initiatives on increased value creation, optimizing the raw material opportunities and upgrade of the sales portfolio. These initiatives have been successful over the last years but the competitive environment requires continued development. Recommendations from Kalundborg Development Plan will be prioritized and operationalized during 2020.

From January 2020 Equinor Refining Denmark A/S deliver marine fuels with the new specifications given by IMO (International Maritime Organization).

Corporate Social Responsibility

For Equinor Refining Denmark A/S' statutory statement on CSR following the Danish Financial Statements Act §99a, please refer to Equinor ASA's Sustainability Report 2019:

https://www.equinor.com/content/dam/statoil/documents/sustainability-reports/2019/sustainability-report-2019.pdf

For supplementary information regarding CSR, please refer to Equinor Refining Denmark A/S' Sustainability Report (Bæredygtighedsrapport) for 2019:

https://www.equinor.com/content/dam/statoil/documents/green-account-reports/equinor-baeredygtighedsrapport-2019.pdf

Diversity in the Board and Management

Equinor Refining Denmark A/S strive for 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 and political orientation, age or similar circumstances. Equality of gender is practiced through remuneration policy and personal developmenst plans.

In Equinor Refining Denmark A/S we aim to increase the number of the under-represented gender in management to at least 30% and under-represented gender on the Board of Directors to at least 20%. (employee representatives not included).Status on the under-represented gender as of December 2019:

- Total number of representatives in management is 30, female representatives is 6 (20 %) and male representatives is 24 (80 %).
- Total number of representatives in senior management is 8, female representatives is 4 (50 %) and male representatives is 4 (50 %).
- Total number of representatives on The Board of Directors is 5, female representatives is 4 (80 %) and male representatives is 1 (20 %).

Lack of qualified candidates from the under-represented gender and/or lack of open management positions in the period up until the end of 2019 may impede reaching the target share of the underpresented gender.

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/2019/equinor-2019-annual-report-and-form-20f.pdf

Financial highlights

DKKm	2019	2018	2017	2016	2015
Revenue	20.588	23.007	20.910	15.978	19.447
Ordinary operating profit/loss	788	868	1.033	460	993
Profit/loss from financial income and expenses	1	-40	-29	24	-46
Profit/loss before tax	789	828	1.004	484	947
Tax on profit/loss for the year	-231	9	11	-138	162
Profit/loss for the year	558	837	1.015	346	1.109
Total assets	7.787	5.510	6.557	6.095	5.710
Equity	4.464	3.906	3.770	3.955	3.609
Investment in property, plant and equipment	721	147	163	537	310
Average number of full-time employees	338	339	329	335	362

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 2015-2018 have not been restated following the adoption of IFRS 16 as of 1 January 2019.

The financial ratios have been calculated as follows:

Key figures

	2019	2018	2017	2016	2015
Operating margin *Operating profit/loss x 100 / Revenue*	4%	4%	5%	3%	5%
Return on invested capital *Operating profit/loss x 100 / Average invested capital*	19%	23%	27%	12%	42%
Return on equity *Profit/loss for the year x 100 / Average equity*	13%	22%	26%	9%	47%
Solvency ratio *Equity at year end x 100 / Total equity and liabilites at year end*	57%	71%	57%	65%	63%

Financial statements 1 January - 31 December
Income statement
DKK'000

Note		2019	2018
2	Revenue	20.588.212	23.007.458
	Production costs	-19.704.879	-22.038.282
	Gross income / loss	**883.333**	**969.176**
	Administrative expenses	-149.654	-146.647
5	Other operating income	53.945	45.273
	Operating income / loss	**787.624**	**867.802**
6	Financial income	45.403	3.716
7	Financial expenses	-44.035	-43.677
	Income / loss before tax	**788.992**	**827.841**
8	Tax on profit / loss for the year	-231.167	8.754
9	Income / loss for the year	**557.825**	**836.595**

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

Note		2019	2018
	Assets		
	Non-current assets		
10	Intangible assets		
	Software	5.771	7.487
11	Property, plant and equipment		
	Land	64.251	64.251
	Buildings, plant and machinery	2.024.996	2.175.236
	Assets under construction	200.426	81.427
	Right of Use assets	194.185	0
		2.483.858	2.320.914
	Other non-current assets		
8	Deferred tax asset	154.652	290.200
	Total non-current assets	**2.644.281**	**2.618.601**
	Current assets		
	Inventories		
	Raw materials and consumables	1.083.744	451.177
	Finished goods and goods for resale	855.965	450.697
		1.939.709	901.874
	Receivables		
	Trade receivables	1.433.749	1.251.921
	Intercompany receivables	1.618.155	733.623
	Other receivables	151.264	424
	Prepayments	0	3.060
		3.203.168	1.989.028
	Cash at bank and in hand	0	0
	Total current assets	**5.142.877**	**2.890.902**
	TOTAL ASSETS	**7.787.158**	**5.509.503**

Balance sheet

DKK'000

Note		2019	2018
	Equity and liabilites		
	Equity		
12	Share capital	1.288.200	1.288.200
	Retained earnings	3.175.784	2.617.959
	Proposed dividends for the financial year	0	0
		4.463.984	**3.906.159**
13	Non-current liabilities		
	Non-current asset retirement obligation provisions	756.838	502.867
	IFRS 16 lease liability	141.023	0
		897.861	**502.867**
	Current liabilities		
	Trade payables	358.325	213.518
	Intercompany payables	1.928.534	550.905
	VAT and taxes payable	0	130.559
	Other payables	79.433	203.306
	Prepayments received from customers	4.941	2.189
	IFRS 16 lease liability	54.080	0
		2.425.313	1.100.477
	Total liabilities	**3.323.174**	**1.603.344**
	TOTAL EQUITY AND LIABILITIES	**7.787.158**	**5.509.503**

3 Specification of salaries and social costs
4 Fees to auditors
14 Contractual obligations, contingencies, etc.
15 Related party disclosures
16 Subsequent events

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 2019	1.288.200	2.617.959	0	3.906.159
Distributed dividend	0	0	0	0
Transferred over the profit appropriation	0	557.825	0	557.825
Equity at 31 December 2019	1.288.200	3.175.784	0	4.463.984

Financial statements
1st January – 31st December

Notes

1. Accounting policies

The annual report for 2019 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.

Changes to accounting policies

IFRS 15
The Company adopted IFRS 15 using the full retrospective method. The adoption did not give rise to changes in the financial statements.

IFRS16
With effect from 1 January 2019, Equinor adopted IFRS 16 using the modified retrospective approach.

The new standard defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In the financial statement of lessees, IFRS 16 requires recognition in the balance sheet for each contract that meets its definition of a lease as right-of-use (RoU) asset and a lease liability, while lease payments are reflected as interest expense and a reduction of lease liabilities. The RoU assets are depreciated over the shorter of each contract's term and the assets useful life.

Upon implementation of IFRS 16, the following transition options and practical expedient were made:

- IFRS 16 has been implemented according to the modified retrospective method, without restatement of prior periods' reported figures, which are still presented in accordance with IAS 17.
- Contracts already classified either as leases or as non-lease service arrangements have maintained their respective classifications upon the implementation of IFRS 16 ("grandfathering of contracts").
- Leases for which the lease term ends within 12 months from 1 January 2019 were not reflected as lease liabilities under IFRS 16.
- RoU assets have been reflected at an amount equal to the corresponding lease liability.
- Short term leases (12 months or less) and leases of low value assets are not reflected in the balance sheet but are expensed.
- 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.

Notes

1. Accounting policies (continued)

Following the adoption of IFRS 16, as of 1 January 2019 balance sheet value increased by DKK 223.008 thousand. Using the simplified method – setting assets and liabilities at par - the adoption had no effect on equity.

As a result of the adoption, the company has changed the classification of leases in the income statement. Production costs have decreased by DKK 29.601 thousand, depreciations have increased by DKK 28.823 thousand and interest expenses have increased by DKK 1.696 thousand.The effect on classification in the income statement is DKK 918 thousand.

All remaining 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.

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.

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 interpretation 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

Notes

1. Accounting policies (continued)

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 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.

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.

Notes

1. Accounting policies (continued)

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 interpretation 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.

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.

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.

IAS 17

In the comparative period, as a lessee the company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Notes

1. Accounting policies (continued)

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

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 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 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.

Notes

1. Accounting policies (continued)

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.

		2019	2018
2	Revenue		
	Domestic sales of oil products	10.840.792	11.463.985
	Export sales of oil products	9.747.420	11.543.473
		20.588.212	**23.007.458**
3	Specification of salaries and social costs:		
	Wages and salaries	239.330	263.228
	Pensions	21.961	21.952
	Other social security costs	5.906	4.814
		267.197	**289.994**

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.

	Average number of full-time employees	**338**	**339**

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

5	Other operating income		
	Service and rental income	53.945	45.273
		53.945	**45.273**

		2019	2018
6	Financial income		
	Exchange rate income from other group entities	39.485	2.465
	Financial income from group entities	2.714	1.243
	Other financial income	3.204	8
		45.403	**3.716**
7	Financial expenses		
	Exchange rate expenses to group entities	-28.608	-25.413
	Interest expenses to group entities	-2.454	-5.804
	Interest component, asset retirement obligation	-7.895	-8.614
	Interest expense, leases	-1.643	0
	Other financial expenses	-3.435	-3.846
		-44.035	**-43.677**
8	Tax on profit for the year		
	Deferred tax at 1 January	290.200	281.500
	Adjustment for the year of deferred tax	-135.548	8.700
	Deferred tax at 31 December	**154.652**	**290.200**
	Tax prior year	0	-54
	Tax on profit for the year	61.662	0
	Payment for tax loss utilization, joint taxation	33.957	0
	Total Tax on profit for the year	**-231.167**	**8.754**
9	Proposed profit appropriation		
	Proposed dividends for the financial year	0	0
	Retained earnings	557.825	836.595
		557.825	**836.595**

		Software
10	Intangible assets	
	Cost at 1 January 2019	56.785
	Additions	16
	Disposals	0
	Transferred from assets under construction	-32
	Cost at 31 December 2019	56.769
	Amortisation and impairment losses at 1 January 2019	49.298
	Amortisation	1.700
	Amortisation and impairment losses at 31 December 2019	50.998
	Carrying amount at 31 December 2019	**5.771**

		Land	Buildings, plant and machinery	Assets under con-struction	Right of Use assets	Total
11	Property, plant and equipment					
	Cost at 1 January 2019	64.251	10.677.065	81.427	0	10.822.743
	Additions	0	359.683	138.739	223.008	721.430
	Retirements	0	-2.873	-1.144	0	-4.017
	Transferred	0	18.628	-18.596	0	32
	Cost at 31 December 2019	64.251	11.052.503	200.426	223.008	11.540.188
	Depreciation and impairment losses at 1 January 2019	0	8.501.829	0	0	8.501.829
	Depreciation	0	249.685	0	28.823	278.508
	Impairment	0	277.000	0	0	277.000
	Retirements	0	-1.007	0	0	-1.007
	Depreciation and impairment losses at 31 December 2019	0	9.027.507	0	28.823	9.056.330
	Carrying amount at 31 december 2019	**64.251**	**2.024.996**	**200.426**	**194.185**	**2.483.858**

Asset Retirement Obligation (ARO) – carrying amount DKK 597.422 thousand is included in 'Buildings, plant and machinery'. The impairment of DKK 277.000 thousand is recognised as cost in the income statement by additional Production costs.

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

	2019	2018	2017	2016	2015
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.

		2019	2018
13	Non-current asset retiement obligation provisions	756.838	502.867
	IFRS 16 lease liability	141.023	0
		897.861	**502.867**

Provision DKK 548.793 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 2019, the Company had an unrecognized deferred tax asset of DKK 60.940 thousand (2018: DKK 83,779 thousand)

Lease expenses not included in lease liability

Rental- and lease obligations amounted to 8,689 thousand (2018: DKK 78,206 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 payable to SKAT amounted to DKK 6,167 thousand at 31 December 2019. 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.

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.

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

	2019	2018
Purchase of goods from related parties	17.034.122	16.134.801
Purchase of services from related parties	117.279	120.508
	17.151.401	**16.255.309**
Sale of goods to related parties	3.245.521	8.112.536
Sale of services to related parties	26.810	25.498
	3.272.331	**8.138.034**

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

Following changes in market conditions in 2020 an evaluation of the Company's asset value has resulted in an impairment of DKK 983 million by end of Q12020. Main factors for the impairment are changes to future margin and energy assumptions as well as a new ARO value (asset retirement obligation) to accommodate the new plan for shutdowns following changes in market.

Additionally big uncertainty caused by COVID-19 might result in negative impact on the 2020 result.

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