ANNUAL REPORT 2016

A/S DANSK SHELL

Egeskovvej 265

7000 Fredericia

CVR number: 10 37 38 16

The Annual Report was presented and adopted at the Annual General Meeting of A/S Dansk Shell on

16th May 2017

Chairman

CHAIRMAN OF THE MEETING:

LISE LAUGGAARD
ADVOKAT/ATTORNEY-AT-LAW,
GORRISSEN FEDERSPIEL

Contents

A/S Dansk Shell
Egeskovvej 265
DK - 7000 Fredericia
CVR no. 10 37 38 16

Management's Statement

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of A/S Dansk Shell for the financial year 1 January – 31 December 2016.

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

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

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

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

Copenhagen, 16th May 2017

Executive Board

Andreas Krobjilowski

CEO

Board of Directors

Lee James Hodder

Chairman

Andreas Krobjilowski

CEO

Søren Olsen

CFO

Anne Louise Krognos Dalgaard

Trading and Supply Manager

René Holl Majgaard

Employee Representative

Independent Auditor's Report

To the Shareholder of A/S Dansk Shell

Report on the Financial Statements

Opinion
We have audited the financial statements of A/S Dansk Shell for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

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

Management's responsibilities for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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.

- 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 conclusion is 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 our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 16th May 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Brian Stubtoft
State Authorised
Public Accountant

Ole Hedemann
State Authorised
Public Accountant

A/S Dansk Shell's Management

Board of Directors

Lee James Hodder
Chairman

Andreas Krobjilowski
CEO

Søren Olsen
CFO

René Holl Majgaard
Employee Representative

Anne Louise Krognos Dalgaard
Trading and Supply Manager

Executive Board

Andreas Krobjilowski
CEO

Executives

Anne Louise Krognos Dalgaard
Trading and Supply Manager

Søren Olsen
CFO

Andreas Krobjilowski
General Manager, Refinery

Financial Highlights

Key figures

DKK million	2016	2015	2014	2013	2012
Gross revenue	11,583.0	18,899.1	25,185.5	26,863.0	28,728.4
Revenue	8,403.8	12,577.0	18,136.5	19,068.9	20,896.2
Operating profit/loss	197.2	122.9	(634.6)	(409.7)	(1,002.9)
Net financial items	(59.2)	8.9	(43.9)	(6.8)	(59.0)
Profit before tax for cont. activities	138.0	131.8	(678.5)	(416.5)	(1,061.9)
Net profit/loss for the year	429.9	171.6	(647.9)	(332.6)	(926.2)
Proposed dividend for the year	0.0	0.0	0.0	0.0	0.0
Total assets	2,451.3	4,220.3	4,071.4	5,473.4	5,222.1
Equity	836.7	1,776.6	1,605.0	1,152.9	522.7
Wages and salaries	239.7	357.1	332.9	338.7	346.7
Investments in property, plant and equipment	382.6	276.3	140.5	158.8	193.4
Employees					
Average number of employees	289	403	415	422	419

Ratios

Percent	2016	2015	2014	2013	2012
Return on assets	8	3	(16)	(7)	(16)
Liquidity ratio	89	108	104	91	82

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's Review

A/S Dansk Shell was established in 1913. The Company is ultimately a wholly owned subsidiary of Royal Dutch Shell plc, whose head office is based in The Hague, The Netherlands. The Company's core business activity is Downstream, comprising refining, and connected sale of refined products. The Company's head office is located in Fredericia, while the supply activities are located in Copenhagen.

In March 2014, Royal Dutch Shell plc announced its intention to divest the Downstream activities in Denmark. The decision to put the Danish Downstream business up for sale is consistent with Shell's strategy to concentrate its Downstream footprint on a smaller number of assets and markets to where it can be most competitive.

A Share Purchase Agreement for the sale of the Marketing business was signed in March 2015 with Alimentation Couche Tard. The sale received regulatory approvals and was carried out 30th April 2016 by sale of the wholly owned subsidiary Dansk Fuels A/S.

A Share Purchase Agreement for the sale of the entity A/S Dansk Shell including the Refining business in Fredericia was signed in September 2016 with Dansk Olieselskab A/S. The sale is expected to be completed in 2017.

Market Development

The International Oil Market in 2016

In 2016 the oil price broke off its falling trend over the past 3 years. Marker crude Brent started the year slightly below 37 USD/bbl and closed at around 55 USD/bbl. However the average price was 44 USD/bbl which is the lowest in the past 4 years. Main driver of the strengthening prices was that the OPEC countries and Russia reached an agreement on supply cuts. Global demand for oil increased by ~3% in 2016, which was in line with expectations.

The US dollar exchange rate started the year at 6.85 DKK/USD, then fell back before increasing sharply after the US presidential election to close the year around 7 DKK/USD.

The Refinery

In 2016 the Fredericia Refinery processed 3.0 million tonnes of Crude from the Danish Underground Consortium (DUC) and a few minor new Crudes (2015 3.0 million tonnes). In addition the Fredericia Refinery imported HDS feedstock and blending component for diesel and petrol. In particular import of Gas to Liquid (GTL) for Arctic diesel export.

The utilization of the Refinery was 86.8% and unplanned downtime at 1.7%.

2016 has shown a drop in earnings for 2016 compared to 2015. Focus is on upgrading, reliability and process safety delivering a healthy margin. Additionally the refinery is working the renewal of the environmental permit as well as a high load of capital projects.

Management's Review (continued)

Taxation

The tax in the income statement is based on the profit for the year, including use of unrecognized tax losses of prior years, including Group Companies' payment for use of A/S Dansk Shell tax losses under the joint taxation scheme.

For the year 2016 A/S Dansk Shell paid DKK 3,179.2 million in terms of VAT and duties. This is a reduction of DKK 3,143 million compared to 2015 and is due to the divestment of the marketing business.

See note 6 for further tax information.

Employees

A/S Dansk Shell had 249 employees (respectively 45 women and 204 men) on 31 December 2016.

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

Employee communication and involvement

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

Gender Distribution in Leadership Roles

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

Board of Directors

Target and status

As an outcome of the legislation, the Company's Board of Directors has set a target and developed a policy whereby it will aspire to have a minimum of 2 members of the gender with the least representation on the Board of Directors. The target is currently not fulfilled as only 1 (of 4) members of the shareholder elected board are female. The target will be fulfilled at latest in 2021.

Management's Review (continued)

Other Management Levels

Status

The phrase "other management levels" includes all management positions in the Company, which is below the Board of Directors. If all levels of management throughout A/S Dansk Shell are looked at, the Company had a total of 40 leadership positions as of 31 December 2016. Of these, 33 (82%) were held by men, and 7 (18 percent) by women.

Policies

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

- Hiring and recruitment: The Company is committed to recruit the best qualified person for the job regardless of gender.
- Career Development: The Company wants to ensure that all employees, regardless of gender, have equal opportunities to make a career in the Company.
- Mentoring and Networking: The Company offers mentoring for all junior management regardless of gender.
- Gender Dashboard: An internal Dashboard has been developed and published on the Intranet. It shows the trend and gender split of supervisors. This will help to focus on gender diversity and clarify any potential need for adjustments in actions and processes.

Executive Review of Current Status

The Board of Directors of A/S Dansk Shell sees diversity management as an asset that will contribute positively to the Company's operational results and strengthen the Company's management force. The Board of Directors recognises the fact that it requires a long term sustained effort in this area to influence and potentially change the gender distribution in leadership roles in the Company being a member of a truly global organisation like Royal Dutch Shell. However, the Board of Directors of A/S Dansk Shell is convinced that it has created the foundation for delivering a focused approach in getting an overall balanced gender representation in the Company, management levels included, going forward.

Health, Safety, Security and Environment (HSSE)

The Company is committed to Royal Dutch Shell's Goal Zero Programme; no harm and no leaks. In cooperation with the employees each manager is responsible for complying with the agreed safety standards.

The Refinery

Lost Time Incidents (LTI)

There has been no LTI at the Fredericia Refinery in 2016, which is a continuation of the improved process safety status. It is now more than five years since the last LTI (2011).

Management's Review (continued)

Environment

In 2016 there has been continued focus on the ongoing work with investigation and remediation of spills and older pollution. The number of spills has decreased, but the demand for information from the authorities has increased.

The work around the old pollution on the public beach in Fredericia is ongoing in close cooperation with the relevant authorities and is progressing according to plan. Renewal of the environmental permit initiated by the publication of the relevant EU legislation for refineries (BREF) in October 2014 has progressed and is on schedule.

Research and Development

Human ingenuity and new technology hold the key to unlocking the energy consumers need to power their lives in the years ahead. At the same time they help the Company to limit its impact on the environment. With customers and partners, the Company applies innovative thinking across its businesses, now and for the future.

For more information please see the following link: www.shell.com/home/content/innovation/

Corporate Social Responsibility

In 1976, Shell was one of the first global companies to inform about and share general business principles. These principles commit the Company to contribute to a sustainable development, to balance short and long term interests and to integrate financial, environmental and social responsibilities into the Company's decision making processes. All Shell companies are expected to abide by these business principles.

With reference to the Danish Financial Statements Act section 99 a A/S Dansk Shell has no independent policies on neither climate change, environment nor human rights.

Research and Development

Human ingenuity and new technology hold the key to unlocking the energy consumers need to power their lives in the years ahead. At the same time they help the Company to limit its impact on the environment. With customers and partners, the Company applies innovative thinking across its businesses, now and for the future.

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Management's Review (continued)

Financial Review

Net Profit

Net profit after tax was a gain of DKK 429.9 million in 2016, compared to a gain of DKK 171.6 million in 2015. The result is considered satisfactory.

3 main areas contributed to the positive result in 2016

1. The sale of the marketing business also contributed significantly to the positive result by DKK 310.8 million.
2. In 2016 the average unit price on the Company's stock increased by 37 percent. This price increase has impacted the net profit before tax for the period by DKK 125 million.
3. Positive refining margins especially in last part of the year.

Revenue and Profit Margins

Revenue in 2016 decreased significantly compared to 2015. Crude and product prices declined on average 18 percent when comparing 2015 average prices vs 2016 average prices. The decreasing trend seen end of 2015 continued until February 2016, where after prices started an increasing trend, and in the end of the year reaching levels seen in Q3 2015.

Profit Margins in 2016 decreased by 2.4 percentage points from 5.6 percent in 2015 to 3.2 percent in 2016 calculated as gross profit proportionate to revenue. 2015 had very strong refinery margins compared to 2016 hence the reduced margin.

Costs

Compared to 2015 the total costs of sales, distribution and administration decreased by DKK 536 million to DKK 273 million in 2016. This is mainly due to the divested marketing business.

Other Income

Other income decreased by DKK 19 million (9 percent) from DKK 221,9 million in 2015 to DKK 202.9 million in 2016. The decrease mainly concerns less activities due to the Marketing divestment in 2016. Looking at the remaining business there is an increase from 2015 to 2016 of DKK 10 million which is related to revenue from 3rd party projects.

Distribution of Profit

The Board of Directors suggests that the Company's net profit for the year, a gain of DKK 429.9 million is carried forward to next year, and thus equity is DKK 836.7 million at year-end 2016.

Capital Resources

The Company's total drawing rights on intercompany credit facilities is USD 300 million, of which USD 261 million are unused at year-end.

Management's Review (continued)

Based on the expected cash flow development in 2017 and the unused credit facilities the Company's Board of Directors and Executive Board consider capital resources to be adequate.

Financial Position
In 2016 investments were focused at the Fredericia Refinery where the major projects were renewal of the Convection Bank (DKK 12.5 million) which will be installed during the maintenance Turn Around 2017 and the new Vapour Recovery Unit (DKK 101 million) at the Harbour which will be recovered starting in 2nd quarter 2017.

Compared to 2015, assets under construction increased by 33 percent amounting to DKK 195.5 million year-end 2016. The increase is mainly due to the new Vapour Recovery Unit DKK 101 million.

The value of the inventories declined by DKK 198.7 million from DKK 728.5 million in 2015 to DKK 529.8 million in 2016. Total inventory value declined despite December 2016 prices vs December 2015 avg stock price increased by 26%, but the underlying stock volume declined as 2015 had high refinery stock volume from due to the maintenance turnaround. In addition to this 2015 also included Marketing stock and duty in stock, which was divested in April 2016.

Receivables declined by DKK 988.5 million (53 percent) from DKK 1,865.4 million in 2015 to DKK 876.9 million in 2016. Mainly an effect from divestment of marketing activities to Alimentation Couche Tard.

Current liabilities declined by DKK 814.6 million (34 percent) from DKK 2,398.9 million in 2015 to DKK 1,584.5 million in 2016. This is also mainly an effect from Marketing divestment.

Prospect and Outlook for 2016

The marketing businesses were successfully divested with effect from May 1st 2016. The financial and operational carve out were completed with no interruptions for the remaining businesses – Refining, Supply/Trading and Distribution.

Throughout 2016 divestment activities have equally been worked for the remaining businesses in the light of the Shell Group's decision to divest all downstream businesses in Denmark. In September 2016, a share purchase agreement was signed with Dansk Olieselskab A/S. The transaction is expected to complete in 2017.

Overall 2017 is expected to be challenging year with a significant turnaround planned for in the 2nd half of 2017, along with high capital project load. Additionally the organization will need to adapt to new ways working under new ownership.

Management's Review (continued)

Risk Factors

Operational Risks
A/S Dansk Shell's significant operational risk factors are:

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

Foreign Exchange and Interest Exposure
As a consequence of operation, investments and financing, the Company is exposed to changes in exchange rates (primarily USD), and in interest rate levels. The risks are managed in cooperation with the Shell Group's internal specialists, and by managing the Company's cash flow fluctuations. Currency risk mainly arises from the purchase, storage and sale of oil products, since these they are bought and valued on the basis of the US dollar, and simultaneously sold to customers in both Danish kroner and US dollars. As part of an international integrated oil company, it is the Company's policy not to hedge such currency risks, which can lead to significant fluctuations in the financial results. Open currency risks are managed by the Company's financial processes, while the Company to the widest possible extent ensures that payables and receivables arise in the same currency.

Pension Funds Risks
The transfer of pension funds' assets and liabilities to CNP Assurances Danmark, effectuated in 2013, has significantly reduced the risks relating to pension obligations. The future risks maintained by the Company are those relating to changes in legislation that require additional funding, cf. description of pension-related contingent liabilities in note 15. Specifically, this is comprised of changes in the State Pension Age and potential increases in the PAL-Tax rate, currently 15.3 percent.

Post Balance Sheet Events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet day.

Income Statement 1 January – 31 December

Note		2016 DKK million	2015 DKK million
	Gross revenue	**11,583.0**	**18,899.1**
	VAT and duties	(3,179.2)	(6,322.1)
1	**Revenue**	**8,403.8**	**12,577.0**
2	Production costs	(8,136.6)	(11,867.0)
	Gross profit/loss	**267.2**	**710.0**
2	Sales and distribution costs	(134.6)	(647.7)
2	Administration costs	(138.3)	(161.3)
3	Other operating income	202.9	221.9
	Operating profit/loss	**197.2**	**122.9**
4	Financial income	30.5	53.2
5	Financial expenses	(89.7)	(44.3)
	Result before tax of continuing activities	**138.0**	**131.8**
6	Tax on profit/loss for the year	(18.9)	39.8
	Net profit/loss for the year continuing activities	**119.1**	**171.6**
7	Result after tax of discontinued activities	310.8	0.0
8	**Net profit/loss for the year continuing activities**	**429.9**	**171.6**

Balance Sheet 31 December

Assets

Note		2016 DKK million	2015 DKK million
	Land and buildings	118.7	349.3
	Technical installations and machinery	440.3	489.5
	Operating equipment and fixtures	290.1	631.2
	Assets under constructions	195.5	146.5
9	**Property, plant and equipment**	**1,044.6**	**1,616.5**
10	Investments in subsidiaries	0.0	0.5
11	Investments in associates	0.0	3.8
	Other receivables	0.0	5.6
	Financial fixed assets	**0.0**	**9.9**
	Total fixed assets	**1,044.6**	**1,626.4**
	Raw materials and consumables	74.5	129.2
	Finished goods and trading goods	455.3	599.3
	Inventories	**529.8**	**728.5**
	Trade receivables	703.0	1,321.1
	Receivables from affiliated companies	147.8	420.5
	Other receivables	11.5	25.0
6	Corporate tax	7.4	56.9
12	Prepayments	7.2	41.9
7	Assets regarding discontinued activities	0.0	0.0
	Receivables	**876.9**	**1,865.4**
	Total current assets	**1,406.7**	**2,593.9**
	Total assets	**2,451.3**	**4,220.3**

Balance Sheet 31 December (continued)

Liabilities and equity

Note		2016 DKK million	2015 DKK million
13	Share capital	251.4	251.4
	Retained earnings	585.3	1,525.2
	Total equity	**836.7**	**1,776.6**
14	Other provisions	30.1	44.8
	Provisions	**30.1**	**44.8**
	Prepayments received from customers	0.0	4.0
	Trade payables	200.6	271.2
	Payables to affiliated companies	1,288.6	1,600.9
	Other payables	95.3	522.8
7	Liabilities regarding discontinued activities	0.0	0.0
	Current liabilities	**1,584.5**	**2,398.9**
	Total liabilities and equity	**2,451.3**	**4,220.3**

15 Contingent liabilities and other financial obligations

16 Related parties and group information

Statement of Changes in Equity

Note	DKK million	Share capital	Retained earnings	Proposed dividend	Total
	Equity at 1 January 2016	251.4	1,525.2	0.0	1,776.6
	Extraordinary dividend distributed	0.0	(1,369.8)	0.0	(1,369.8)
8	Transfer, see "Proposed distribution for the year"	0.0	429.9	0.0	429.9
	Equity at 31 December 2016	**251.4**	**585.3**	**0.0**	**836.7**

Notes

Note 1

Revenue

	2016	2015
	DKK million	DKK million
Sales of energy and oil products at the Danish market	5,177.9	8,497.4
Export of oil products	3,225.9	4,079.6
Total revenue	**8,403.8**	**12,577.0**

Note 2

Fees to appointed auditors

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 Royal Dutch Shell plc.

Staff expenses are included in the income statement as follows:

	2016	2015
	DKK million	DKK million
Salaries	239.7	357.1
Pensions	18.5	28.2
Other social security expenses	0.7	0.9
Salaries, pensions, etc. recharged to affiliates	3.0	(61.0)
Total	**261.9**	**325.2**

Number of employees

	2016	2015
Average number of employees	289	403
Number of employees at 31 December	249	387

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

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

Shell has an incentive programme for employees and management. The programme offers employees and management the opportunity to buy shares in Royal Dutch Shell plc. Furthermore, the employees and management are eligible to a Performance Share Bonus Scheme. There is a service level agreement between Shell Olie- og Gasudvinding (SOGU) and A/S Dansk Shell (ASDS) where SOGU is charging ASDS the shared manpower costs.

Notes (continued)

Note 3

Other operating income

The item includes income from refining for other parties, the use of unloading facilities, the sale of electricity and waste heat, commission income and various other incomes.

Note 4

Financial income

	2016 DKK million	2015 DKK million
Other financial income	0.3	0.3
Exchange rate gains	30.2	52.9
Total	**30.5**	**53.2**

Note 5

Financial expenses

	2016 DKK million	2015 DKK million
Interest expenses to affiliates	2.9	1.3
Other financial expenses	0.1	0.7
Exchange rate losses	86.7	42.3
Total	**89.7**	**44.3**

Notes (continued)

Note 6

Tax
DKK million

	Payable/ (receivable) corporation tax	Deferred tax	Income Statement
Book value at 1 January	(56.9)	0.0	0.0
Adjustment related to previous years	29.2	0.0	20.5
Tax from the year's profit/loss	20.3	0.0	20.3
Tax paid on account	(0.0)	0.0	0.0
Book value at 31 December	**(7.4)**	**0.0**	**40.8**

In tax from the year's profit is included a tax expense of DKK 21.9 million as specified in note 7.

The Company has a non-recognised deferred tax asset of DKK 97.8 million. Calculation of the non-recognised deferred tax asset is based on a corporation tax of 22 percent.

The deferred tax asset can be carried forward indefinitely and can be used to offset against future Danish taxable income, including the companies that are jointly taxed.

Note 7

Discontinuing activities

The company has sold its marketing related activities per 30rd April 2016, and these are therefore presented as follows:

The result for the year after tax for the marketing activities is presented in a separate line in the income statement as: "Result after tax of discontinued activities" and is DKK 310.8 million for 2016.

Comparative figures for 2015 are not corrected for discontinued activities.

Result for discontinued activities are by principal items specified below:

	2016 DKK million
Turnover	1,365.8
Profit from sale of shares in Dansk Fuels A/S	360.8
Costs	(1,393.8)
Write-down of net assets to fair value	0.0
Result before tax	332.7
Tax on profit	(21.9)
Result after tax of discontinued activities	**310.8**

Neither assets or liabilities regarding discontinued activities are present at year-end.

Notes (continued)

Note 8

Proposed distribution of profit

	2016	2015
	DKK million	DKK million
Proposed dividend for the year	0.0	0.0
Retained earnings	429.9	171.6
	429.9	**171.6**

Note 9

Property, plant and equipment
DKK million

	Land and buildings	Technical installation and machinery	Operating equipment and fixtures	Assets under construc -tion	Total
Cost at 1 January 2016	1,043.2	2,057.2	2,023.7	146.5	5,270.6
Acquisitions during the year	2.1	2.4	185.8	192.5	382.6
Disposals for the year	(847.0)	(85.8)	(944.7)	(106.0)	(1,983.5)
Transfer for the year	5.9	(2.7)	34.2	(37,4)	0.0
Cost at 31 December 2016	**204.2**	**1,971,1**	**1,299.0**	**195.5**	**3,669.8**
Depreciation as at 1 January 2016	693.9	1,567.7	1,392.5	0.0	3,654.1
Depreciation for the year	3.3	82.5	95.7	0.0	181.5
Reversal of depreciations of sold assets	(611.7)	(63.0)	(535.7)	0.0	(1,210.4)
Transfers	0.0	(56.4)	56.4	0.0	0.0
Depreciation at 31 December 2016	**85.5**	**1,530.8**	**1,008.9**	**0.0**	**2,625.2**
Carrying amount at 31 December 2016	**118.7**	**440.3**	**290.1**	**195.5**	**1,044.6**

Note 10

Investments in subsidiaries

	2016	2015
	DKK million	DKK million
Cost at 1 January 2016	0.5	0.0
Additions for the year	1,860.1	0.5
Disposals for the year	1,860.6	0.0
Cost at 31 December 2016	**0.0**	**0.5**
Carrying amount at 31 December 2016	**0.0**	**0.5**

Notes (continued)

Note 11

Investments in associates

	2016	2015
	DKK million	DKK million
Cost at 1 January 2016	3.8	3.2
Additions for the year	0	0.6
Disposals for the year	3.8	0.0
Cost at 31 December 2016	**0.0**	**3.8**
Carrying amount at 31 December 2016	**0.0**	**3.8**

Note 12

Prepayments

Prepayments consist of prepaid expenses relating mainly to rent and insurance.

Note 13

Share capital

	2016	2015
	DKK million	DKK million
Share capital	251.4	251.4

Information about share capital

2,513,500 shares at DKK 100

No shares carry any special rights.

Specification of movements in share capital

DKK million

	2016	2015	2014	2013	2012
Share capital at 1 January	251.4	251.4	251.1	251.0	250.8
Capital increase	0.0	0.0	0.3	0.1	0.2
Capital decrease	0.0	0.0	0.0	0.0	0.0
Share capital at 31 December	**251.4**	**251.4**	**251.4**	**251.1**	**251.0**

Notes (continued)

Note 14

Other provisions

	Environ-mental obligations
	DKK million
Other provisions at 1 January 2016	44.8
Additions for the year	35.0
Amounts charged against provisions	(49.7)
Cost at 31 December 2016	**30.1**

Note 15

Contingent liabilities and other financial obligations

	2016	2015
	DKK million	DKK million
Guarantees and contingent liabilities are specified as follows:		
Bank guarantees	0.0	4.0
Guarantee commitments	0.0	148.2
Total	**0.0**	**152.2**
Future lease commitments under operating leases are as follows:		
Within 1 year	1.2	9.5
Between 1 and 5 years	1.3	3.7
Total	**2.5**	**13.2**

Lease obligation
The obligation relates to leased vehicles.

Pension obligations:
In 2012 assets and liabilities in the Company's two pension funds' were transferred to CNP Assurances Danmark (CNP). In this respect, the Company has committed itself to indemnify CNP for losses resulting from changes in defined benefit obligations attributable to any future changes in the PAL tax rate, the state pension, the Danish Labour Market Supplementary Pension (ATP), and the current VAT rate (effect on administration expenses). These contingent liabilities are not quantifiable at the balance sheet date.

Notes (continued)

Note 16

Related parties and group information

Transactions with related parties

According to the Danish Financial Statement Act section 98 c transactions with related parties are not disclosed as all transactions have been affected at arm's length.

Group information

A/S Dansk Shell's immediate parent company, The Shell Petroleum Company Limited, United Kingdom (100 percent ownership), does not present consolidated financial statements.

A/S Dansk Shell is included in the consolidated financial statements prepared by Royal Dutch Shell plc, the ultimate parent company. Royal Dutch Shell plc is based in The Hague, the Netherlands.

The consolidated financial statements of Royal Dutch Shell plc can be obtained by contacting A/S Dansk Shell or on:

www.shell.com/global/aboutshell/investor/financial-information/annual-reports-and-publications.html

Accounting Policies

Basis of Preparation
A/S Dansk Shell's Annual Report 2016 is prepared in accordance with the Danish Financial Statements Act's provisions for accounting class C large companies.

The Company has as of 1 January 2016 implemented law no. 738 of 1. June 2015 (Danish Financial Statement Act). The implementation has not given rise to any changes to the amounts recognised in profit and loss or in the financial position as at 31 December 2016 or comparative figures.

Except for new or changed disclosure requirements as a result of implementation of law no. 738 of 1. juni 2015, the financial statements are presented under the same accounting policies as last year.

The Annual Report is presented in million Danish kroner (DKK).

In accordance with Section 112 of the Danish Financial Statement Act, the Company does not prepare a consolidated report as the company and its subsidiary are included in the consolidated report of the Shell Group.

In accordance with Section 86(4) of the Danish Financial Statement Act, the Company does not prepare cashflow statements, as the company and its subsidiary are included in the consolidated cashflow statements of the Shell Group.

Recognition and Measurement
The Financial Statements are prepared under the historical cost basis.

Revenues are recognised in the income statement as earned. Revenue is considered earned when the following criteria are met:

- delivery has taken place before the end of the financial year
- a binding sales agreement exists
- the sales price is agreed, and
- payment at the time of sale has been received or may reasonably be expected received

On this basis, revenue is recognised in the income statement when realised. Furthermore value adjustments of financial assets and liabilities measured at amortised cost are recognised. Costs incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversal due to changes in accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when a future flow of economic benefits to the Company is probable, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when an outflow of future economic benefits is probable, 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 for each item below.

Accounting Policies (continued)

Recognition and measurement take into account predictable losses and risks occurring prior to the presentation of the Annual Report, which confirms or invalidates affairs and conditions existing at the balance sheet date.

Danish kroner (DKK) is used as the measurement currency. All other currencies are considered foreign currencies.

Reclassifications of a few comparatives has been done with no effect on net profit/loss and equity

Leasing

Leases of property, plant and equipment are divided into finance and operating leases.

The contracts where lessor retains a significant portion of the risks and rewards are classified as operating leases.

Leases currently in force are operational leases, and payments made under operating leases are recognised in the income statement over the leasing period.

Foreign Exchange Translation

Foreign currency transactions are translated using the exchange rate at the dates of the transactions. Gains and losses arising between the date of transaction and the date of payment are recognised in the income statement as a financial item.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the closing rate. Differences between the exchange rates at the balance sheet date and transaction date rates are recognised in the income statement as financial items.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting. Realized gains or losses from derivatives are released from equity and presented in profit and loss in the same line item as the secured item.

Segment Information

Segment information is presented on revenue by business segments and geographical markets. Information on geographical segments is based on the Company's risks and returns, and its internal financial reporting system. Business segments include only the energy and oil products.

Incentive Programme

Management and employees are covered by the Shell Group's share plans.

Accounting Policies (continued)

Discontinued operations and Assets held for sale

Individual assets or groups of assets that are to be disposed of collectively are classified as assets held for sale, when the activities to carry out such a sale is highly probable and is expected to be completed within 12 months.

Income Statement

Revenue

Revenue from the sale of goods is recognised in the income statement as earnings takes place in accordance with the above general criteria for revenue recognition. Only sales where risk and delivery is transferred to buyer before the end of the year are recognised as revenue. Revenue is recognised exclusive VAT, duties and discounts in connection with the sale.

Production Costs

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

Selling and Distribution Costs

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

Administrative Costs

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

Other Operating Income and Expenses

Other operating income and expenses comprise items of a secondary nature in relation to the Company's core business.

Value adjustments at fair value of derivative financial instruments not qualifying as hedging instruments are recognized in the income statement.

Income from Investments in Subsidiaries and Associates

Dividends from investments in subsidiaries and associates measured at cost are recognised in the income statement in the period in which they are declared.

Financial Items

Financial items comprise interest income and expenses and realised and unrealised exchange differences.

Accounting Policies (continued)

Taxation
Income tax for the year comprises current tax and changes in deferred tax. The tax attributable to the profit for the year is recognised in the income statement, and the tax attributable to equity transactions is recognised directly in equity.

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax

receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Deferred taxation is determined, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance Sheet.

Measurement of deferred tax is based on the statutory tax rules and rates prevailing at the time when deferred tax is expected to become current tax. Re-measurement of deferred tax as a consequence of changes to tax rates is recognised in the income statement. Discounting is not performed when measuring deferred tax.

A/S Dansk Shell is jointly taxed with the Danish affiliated companies.

A/S Dansk Shell acts as a management company towards the Danish tax authorities in relation to the joint taxation, and pays the total Danish tax on the Danish affiliated companies' taxable income.

The tax effect of joint taxation with the Danish affiliated companies is allocated to the profits and losses of the companies in proportion to their taxable income. The jointly taxed companies are included in the tax prepayment scheme.

Balance Sheet

Property, Plant and Equipment
Land and building, technical installations and operating equipment and fixtures are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is ready for use. The cost of assets under constructions comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries. Borrowing costs are not capitalized.

Assets are depreciated on a Straight-line basis over the expected useful lives of the assets as follows:

- Buildings 10-50 years
- Technical installations and machinery 8-20 years
- Operating equipment and fixtures 3-8 years

Cost related to regulatory Turn Around is booked and depreciated over the service period.

Accounting Policies (continued)

Expected useful lifetime and scrap value are reassessed annually. In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, sale and distribution costs and administrative costs, respectively.

Fixed assets are reviewed annually to determine whether there are indicators of impairment resulting in the recoverable value being lower than the carrying amount. An asset's recoverable amount is the higher of the net selling price and value in use. If it is not possible to determine the recoverable amount of an individual asset, the need for depreciation of the smallest group of assets for which it is possible to determine the recoverable amount is determined.

Investments in Subsidiaries and Associates
Investments in subsidiaries and associates are measured at cost. In cases where cost exceeds the recoverable amount it is written down to its recoverable amount.

Investment in Joint Ventures
Joint ventures are included by proportionate consolidation which means the Company's proportionate share of the jointly controlled assets, liabilities, income and expenses are recognised. Recognition and measurement are done in accordance with the Company's accounting policies. The notes include information about other liabilities for which the Company is liable in connection with the joint ventures as a consequence of joint and several liability.

Inventories
Inventories are valued at cost using the FIFO method or net realisable value, whichever is lower. Net realisable value for inventory is calculated as the amount expected to be generated in the ordinary course of business less selling and completion costs. Calculating net realisable value, marketability, obsolete stocks and sales price development are taken into account.

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

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

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

Receivables
Receivables are measured at amortised cost or at a lower net realisable value, which essentially corresponds to the nominal value less provisions for bad and doubtful debts.

Provisions for bad debt and doubtful debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables a general provision is also made based on the Company's experience from previous years.

Accounting Policies (continued)

Prepayments
Prepayments recognised under assets comprise incurred costs pertaining to the subsequent financial years.

Proposed Dividend for the Financial Year
Dividend proposed by the Management for the financial year, is disclosed as a separate item under equity.

Provisions
Provisions are recognised when the Company as a result of events occurring before the balance sheet date has a legal or constructive obligation, and when an outflow of economic benefits is probable to settle the obligation.

Provisions are recognised and measured as the best estimate of the expenditure required to settle liabilities at the reporting date. Provisions with an expected maturity exceeding one year from the balance sheet date are discounted using the average bond yield.

Financial liabilities
Financial liabilities are measured at amortised cost, substantially corresponding to nominal value.

Ratios

Ratios are calculated as follows:

Return on assets:

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

Liquity ratio:

$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$