



ANNUAL REPORT 2019

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

7 April 2020

Chairman

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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 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 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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, 7 April 2020

Executive Board

Thomas Griep
CEO

Board of Directors

Søren Olsen
Chairman

Thomas Griep
CEO

Anne Louise Krognos Dalgaard
*Trading and Supply Manager
Representative*

Lars Trothe
Employee

René Holl Majgaard
Employee

Independent auditor's report

To the Shareholder of A/S Dansk Shell

Opinion

We have audited the financial statements of A/S Dansk Shell for the financial year 1 January – 31 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 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 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.

Independent auditor's report (Continued)

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 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.

Independent auditor's report (Continued)

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

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

Copenhagen, 7 April 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Hedemann
State Authorised
Public Accountant
mne14949

Kennet Hartmann
State Authorised
Public Accountant
mne40036

A/S Dansk Shell's Management

Board of Directors

Søren Olsen
Chairman

Thomas Griep
CEO

Anne Louise Krognos Dalgaard
Trading and Supply Manager

Lars Trothe
Employee Representative

René Holl Majgaard
Employee Representative

Executive Board

Thomas Griep
CEO

Executives

Søren Olsen
CFO

Anne Louise Krognos Dalgaard
Trading and Supply Manager

Financial Highlights

Key figures

DKK million

	2019	2018	2017	2016	2015
Gross revenue	16,734.7	15,549.1	12,181.7	11,583.0	18,899.1
Revenue	13,604.0	13,082.7	10,165.1	8,403.8	12,577.0
Operating profit/loss	239.8	-71.1	212.9	197.2	122.9
Net financial items	-29.7	-66.8	137.2	-59.2	8.9
Profit before tax	210.1	-137.9	350.1	138.0	131.8
Net profit/loss for the year	149.4	-11.2	327.2	429.9	171.6
Proposed dividend for the year	0	0	0	0	0
Current assets	2,468.2	1,800.9	1,745.2	1,406.7	2,593.9
Total assets	3,538.3	2,933.6	2,970.5	2,451.3	4,220.3
Equity	1,302.1	1,153.0	1,163.9	836.7	1,776.6
Current liabilities	2,192.7	1,741.9	1,769.5	1,584.5	2,398.9
Total liabilities and equity	3,538.3	2,933.6	2,970.5	2,451.3	4,220.3
Wages and salaries	227.7	201.4	202.9	239.7	357.1
Investments in property, plant and equipment	85.5	64.8	294.7	382.6	276.3

Employees

Average number of employees	267	261	253	289	403
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Ratios

Percent

	2019	2018	2017	2016	2015
Return on assets	7	-2	7	8	3
Liquidity ratio	113	103	99	89	108

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.

Market Development

The International Oil Market in 2019

The price of Brent crude oil averaged 64 USD/BBL in 2019, 7 USD/BBL lower than its 2018 average. This means average crude oil prices has fallen for 3 years in a row. Compared with recent years, crude oil traded within relatively narrow price range throughout the year. Brent prices reached an annual daily low of 55 USD/BBL in early January, rising to a daily high of 75 USD/BBL in late April. The resulting range of 20 USD/BBL is the narrowest since 2003.

Throughout 2019, increases in US petroleum production put downward pressure on crude oil prices, limiting the effect on prices from the mid September attack on Saudi Arabian oil installations, production cut announcements from OPEC, and US sanctions on Iran and Venezuela that limited crude oil exports from those countries.

The US dollar exchange rate increased from approximately 6.50 DKK/USD to 6.70 DKK/USD over the year.

The Refinery

In 2019 the Fredericia Refinery processed 3.0 million tonnes of crude from the Danish Underground Consortium (DUC) (2018 2.9 million tonnes) and a few but increasing non-DUC Crudes 0.5 million tonnes. In addition, the Fredericia refinery imported blending component for diesel and petrol as well as gas to liquid (GTL) for arctic diesel export.

For 2019 the Refinery had no major turnaround or other major planned stop activities.

Unplanned downtime was at 5.1% and not satisfactory and a decline to previous years.

The utilization of the Refinery was above plan at 82.6%.

Taxation

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

For the year 2019 A/S Dansk Shell paid DKK 3,130.7 million in terms of VAT and duties. This represents an increase of DKK 664.3 million compared to 2018.

See note 6 for further tax information.

Management's Review (continued)

Employees

A/S Dansk Shell had 269 employees (respectively 45 women and 224 men) on 31 December 2019.

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 3) members of the shareholder elected board are female. No change took place during 2019. The aim is to fulfil the target by 2021 at the latest.

Other Management Levels

Status

The phrase "other management levels" includes all management positions in the Company, which are below the Board of Directors. If all levels of management throughout A/S Dansk Shell taken into consideration, the Company had a total of 38 leadership positions as of 31 December 2019. Of these, 31 (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.

Management's Review (continued)

- 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 diversified 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 Aspiration; no harm and no leaks. In cooperation with the employees each manager is responsible for complying with the agreed safety standards.

The Refinery

Risks assessment:

- *HAZOP (HAZard and Operability studies) program running as per plan*
- *All work executed in production areas are covered by an individual Permit to Work that include a specific risk assessment and further a Last-Minute-Risk-Assessment must be carried out before start of work.*

Actions taken in 2019 to mitigate risk:

- *Safety day with focus on Dilemmas, Care and Risk Normalization to raise awareness and heighten understanding of inherent risk working in refinery business.*
- *Weekly safety stand stills discussing safety in relation to incident and near misses.*
- *Focus on risk from Dropped Objects and Hand injury*

Lost Time Incidents (LTI)

There has been two LTI at the Fredericia Refinery in 2019, which is a performance degradation compared to 2018.

Environment

In 2019 there has been worked on the spill clean-up process efficiency to remove back-log of cases. The work on the old pollution on the public beach in Fredericia has been completed. Renewal of the environmental permit initiated by the publication of the relevant EU legislation for refineries (BREF) in October 2014 has been progressing according to plan with the authorities.

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

Management's Review (continued)

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 human rights or anti-corruption, as this is included and covered by group policies. Group policies and the consolidated report can be found at: <https://reports.shell.com/sustainability-report/2019/servicepages/download-centre.html>

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/

Financial Review

Net Profit

Net profit after tax was DKK 149.4 million in 2019, compared to a loss of 11.2 million in 2018.

Revenue and Profit Margins

Gross revenue in 2019 increased by 8% compared to 2018.

Compared with recent years, crude oil traded within relatively narrow price range throughout the year. Brent prices reached an annual daily low of 55 USD/BBL in early January, rising to a daily high of 75 USD/BBL in late April.

Profit Margins in 2019 increased by 2.4 percentage points from minus 1.7 percent in 2018 to 0.7 percent in 2019 calculated as gross profit proportionate to revenue.

Costs

Compared to 2018 the distribution and administration costs increased by DKK 55.6 million to DKK 100.8 million in 2019.

Other Income

Other income decreased by DKK 14.1 million (6.1 percent) from DKK 232.1 million in 2018 to DKK 218.0 million in 2019.

Distribution of Profit

The Board of Directors suggests that the Company's net profit for the year of DKK 149.4 million is carried forward to next year, and thus equity is DKK 1,302.1 million at year-end 2019.

Capital Resources

The Company's total drawing rights on intercompany credit facilities is USD 100 million, of which USD 20 million are unused at year-end.

Management's Review (continued)

Based on the expected cash flow development in 2020 and the unused credit facilities the Company's Board of Directors and Executive Board consider capital resources to be adequate.

Financial Position

In 2019 investments were focused on asset integrity improvement projects at Fredericia Refinery.

The value of the inventories increased by DKK 370.2 million from DKK 567.5 million in 2018 to DKK 937.7 million in 2019.

Receivables increased by DKK 297.1 million (24.1 percent) from DKK 1,233.4 million in 2018 to DKK 1,530.5 million in 2019.

Current liabilities increased by DKK 450.8 million (25.9 percent) from DKK 1,741.9 million in 2018 to DKK 2,192.7 million in 2019.

Prospect and Outlook for 2020

The overall the financial business result is expected to be moderate and subject to uncertainty due to the COVID-19 pandemic. Refer to description in section Post balance sheet events.

The refinery margins are expected to remain under pressure in 2020 in line with the trend observed in 2019. However, the legislative change for product specifications for industrial marine oil is already showing positive trends in first quarter.

The focus on competitive cost performance will continue in 2020 and will contribute to improved profitability overall.

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.

Management's Review (continued)

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 13. 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

The current COVID-19 outbreak will most likely impact the global economy and consequently have an impact on the financial position and results of A/S Dansk Shell. We monitor the situation closely, but given the uncertain times and ongoing developments, we cannot accurately and reliably estimate the quantitative impact.

Income statement 1 January – 31 December

Note		2019	2018
		DKK million	DKK million
	Gross revenue	16,734.7	15,549.1
	VAT and duties	-3,130.7	-2,466.4
1	Revenue	13,604.0	13,082.7
2	Production costs	-13,481.4	-13,340.7
	Gross profit/loss	122.6	-258.0
2	Sales and distribution costs	-35.4	-21.3
2	Administration costs	-65.4	-23.9
3	Other operating income	218.0	232.1
	Operating profit/loss	239.8	-71.1
4	Financial income	56.3	85.3
5	Financial expenses	-86.0	-152.1
	Result before tax	210.1	-137.9
6	Tax on profit/loss for the year	-60.7	126.7
7	Net profit/loss for the year	149.4	-11.2

Balance Sheet 31 December

	2019	2018
	DKK million	DKK million
Assets		
Note		
Land and buildings	120.9	116.1
Technical installations and machinery	632.1	687.2
Operating equipment and fixtures	277.9	252.8
Assets under constructions	39.2	76.6
8 Property, plant and equipment	1,070.1	1,132.7
Total fixed assets	1,070.1	1,132.7
Raw materials and consumables	357.1	76.2
Finished goods and trading goods	580.6	491.3
Inventories	937.7	567.5
Trade receivables	1,061.3	828.6
Receivables from affiliated companies	357.2	172.4
6 Deferred tax asset	82.5	122.9
Other receivables	21.9	103.4
9 Prepayments	7.6	6.1
Receivables	1,530.5	1,233.4
Total current assets	2,468.2	1,800.9
Total assets	3,538.3	2,933.6

Balance Sheet 31 December (continued)

		2019	2018
		DKK million	DKK million
Liabilities and equity			
<u>Note</u>			
10	Share capital	251.4	251.4
	Retained earnings	1,050.7	901.3
	Proposed dividend	0	0
	Total equity	1,302.1	1,152.7
11	Other provisions	36.2	39.0
	Provisions	36.2	39.0
12	Other payables	7.3	0
	Non-current liabilities other than provisions	7.3	0
	Trade payables	239.6	189.2
	Payables to affiliated companies	1,725.3	1,481.7
	Corporation Tax	7.5	0.0
	Other payables	220.3	71.0
	Current liabilities	2,192.7	1,741.9
	Total liabilities and equity	3,538.3	2,933.6
13	Contingent liabilities and other financial obligations		
14	Related parties and group information		

Notes

Note 1

Revenue

	2019	2018
	DKK million	DKK million
Sales of energy and oil products at the Danish market	9,070.2	8,318.7
Export of oil products	4,533.8	4,764.0
Total revenue	13,604.0	13,082.7

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:

	2019	2018
	DKK million	DKK million
Salaries	209,3	201.4
Pensions	17.8	17.2
Other social security expenses	0.6	0.6
Total	227.7	219.2

Number of employees

	2019	2018
Average number of employees	267	261
Number of employees at 31 December 2019	269	264

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 was 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 until divestment 1. July 2019.

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

	<u>2019</u>	<u>2018</u>
	DKK million	DKK million
Other financial income	3.1	1.1
Exchange rate gains	53.2	84.2
Total	56.3	85.3

Note 5

Financial expenses

	<u>2019</u>	<u>2018</u>
	DKK million	DKK million
Interest expenses to affiliates	-2.3	-1.6
Exchange rate losses	-83.7	-150.5
Total	-86.0	-152.1

Note 10

Share capital

Information about share capital

2,513,500 shares at DKK 100

No shares carry any special rights.

Share capital is unchanged for the past 5 years.

Specification of movements in share capital

DKK million

	2019	2018	2017	2016	2015
Share capital at 1 January	251.4	251.4	251.4	251.4	251.4
Capital increase	0.0	0.0	0.0	0.0	0.0
Capital decrease	0.0	0.0	0.0	0.0	0.0
Share capital at 31 December	251.4	251.4	251.4	251.4	251.4

Note 11

Other provisions

Environmental obligation

	2019	2018
	DKK million	DKK million
Other provisions at 1 January	39.0	37.1
Additions for the year	8,8	7.2
Amounts charged against provisions	-11,6	-5.3
Environmental obligation at 31 December	36.2	39.0

Notes (continued)

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.

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 (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.

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)

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

Dividends from investments in subsidiaries 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)

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:

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

Liquidity ratio:

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

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Søren Olsen

Bestyrelsesformand

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Rene Holl Majgaard

Bestyrelsesmedlem

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Thomas Griep

Direktør

On behalf of: A/S Dansk Shell

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Anne Louise Krognos Dalgaard

Bestyrelsesmedlem

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Lars Trothe

Bestyrelsesmedlem

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