



ANNUAL REPORT 2020

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

26 April 2021

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 2020.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

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, 26 April 2021

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 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent auditor's report (continued)

- 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 26 April 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Hedemann
State Authorised
Public Accountant
mne14949

Karsten Bøgel
State Authorised
Public Accountant
mne27849

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	2020	2019	2018	2017	2016
Gross revenue	10,039.7	16,734.7	15,549.1	12,181.7	11,583.0
Revenue	8,214.5	13,604.0	13,082.7	10,165.1	8,403.8
Operating profit/loss	-552.7	239.8	-71.1	212.9	197.2
Net financial items	33.6	-29.7	-66.8	137.2	-59.2
Result before tax	-519.1	210.1	-137.9	350.1	138.0
Net profit/loss for the year	-534.7	149.4	-11.2	327.2	429.9
Proposed dividend for the year	0	0	0	0	0
Current assets	1,457.5	2,468.2	1,800.9	1,745.2	1,406.7
Total assets	2,754.3	3,538.3	2,933.6	2,970.5	2,451.3
Equity	767.4	1,302.1	1,153.0	1,163.9	836.7
Current liabilities	1,680.2	2,192.7	1,741.9	1,769.5	1,584.5
Total liabilities and equity	2,754.3	3,538.3	2,933.6	2,970.5	2,451.3
Wages and salaries	211.4	227.7	201.4	202.9	239.7
Investments in property, plant and equipment excl. decommissioning and restoration obligation	99.3	85.5	64.8	294.7	382.6

Employees

Average number of employees	259	267	261	253	289
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Ratios

Percent	2020	2019	2018	2017	2016
Return on assets	-20	7	-2	7	8
Liquidity ratio	87	113	103	99	89

Please refer to accounting policies for terms and definitions.

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.

A Share Purchase Agreement for the sale of the entity A/S Dansk Shell including the Refining business and local trading activities was signed in January 2021 with PL ESG Denmark Co APS (Postlane Partners). The sale is expected to be completed in 2021.

Market Development

The International Oil Market in 2020

In 2020 the Covid-19 pandemic, and measures taken to limit its spread, had huge impact on life as we knew it and also a deep impact on the international oil markets. Lockdowns and travel restrictions saw demand for all transport fuel dropping significantly from March onwards, with aviation fuel Jet A1 the most impacted. With less demand to cater for, refineries started to reduce run rates and buying less crude oil which saw prices of crude oil falling temporarily to the lowest levels observed in the 2000's. From June onwards crude oil had stabilized at around 40 USD/BBL and towards the end of the year climbed another 10 USD/BBL.

Marker crude Brent traded between a high of 70 USD/BBL in January and a low of 13 USD/BBL in May. The average was 42 USD/BBL, making 2020 the fourth consecutive year with on average falling oil prices.

The US dollar exchange rate decreased from approximately 6.70 DKK/USD to 6.20 DKK/USD over the year.

The Refinery

In 2020 the Fredericia Refinery processed 2.9 million tonnes of crude. Alternative Crude to the Danish Underground Consortium (DUC) has increased to 22% mainly WTI imports (Crude intake in 2018 3.0 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 2020 the Refinery had two minor planned stops.

Refinery availability was 95.6% with an unplanned downtime was at 5.1% and not satisfactory and a decline to previous years.

The utilization of the Refinery was below plan at 80.2% (plan 84.6%).

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 2020 A/S Dansk Shell paid DKK 1,825.2 million in terms of VAT and duties. This represents an decrease of DKK 1,305.5 million compared to 2019.

See note 6 for further tax information.

Management's Review (continued)

Employees

A/S Dansk Shell had 237 employees (respectively 37 women and 200 men) on 31 December 2020.

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

The Board of Directors elected by the general meeting consists of 3 people, of whom 1 is a woman. Thus, an equal gender distribution has been achieved, and the aim is to ensure that an equal distribution is maintained in the future.

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 39 leadership positions as of 31 December 2020. Of these, 31 (79%) were held by men, and 8 (21 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.
- The company aims and encourages female employees to participate in the Women's Network (F/M) in Dansk Shell. This enables female employees to sparring with other women in Dansk Shell.

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 e-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 2020 to mitigate risk:

- - Safety day with focus on Safety Refresh and the change to Learner Mindset to start a cultural change to become more curios and learn from incidents and near Misses.
- - Weekly safety stand stills discussing safety in relation to incident and near misses.
- - Focus on risk from Dropped Objects and Hand injury
- - Keeping the organisation healthy during the COVID-19 pandemic

Lost Time Incidents (LTI)

There has been two LTI at the Fredericia Refinery in 2020, which is on par compared to 2019.

Environment

In 2020 there has been worked on the spill clean-up process efficiency to remove back-log of cases and the number of open cases has been reduced. The in-situ remediation project for the parking lot pollution has been commissioned. 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 and is expected completed in Q2 2021.

Management's Review (continued)

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 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/2020/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 -534.7 million in 2020, compared to a profit of 149.4 million in 2019.

Revenue and Profit Margins

Gross revenue in 2020 decreased by 40% compared to 2019.

Crude oil traded in average at 42 USD/BBL in 2020 compared to an average of 64 USD/BLL in 2019.

Profit Margins in 2020 decreased by 6.8 percentage points from 0.7 percent in 2019 to minus 6.1 percent in 2020 calculated as gross profit proportionate to revenue.

Costs

Compared to 2019 the distribution and administration costs decreased by DKK 7.5 million to DKK 93.3 million in 2020.

Other Income

Other income decreased by DKK 69.4 million (31.8 percent) from DKK 218.0 million in 2019 to DKK 148.6 million in 2020.

Distribution of Profit

The Board of Directors suggests that the Company's net loss for the year of DKK -534.7 million is carried forward to next year, and thus equity is DKK 767.4 million at year-end 2020.

Management's Review (continued)

Capital Resources

The Company's total drawing rights on intercompany credit facilities is USD 100 million. Balance end year was USD 118 million. The credit facilities is flexible and can be extended as needed.

Based on the expected cash flow development in 2021, the Company's Board of Directors and Executive Board consider capital resources to be adequate.

Financial Position

In 2020 investments were focused on asset integrity improvement projects at Fredericia Refinery.

The value of the inventories decreased by DKK 328.3 million from DKK 937.7 million in 2019 to DKK 609.4 million in 2020.

Receivables decreased by DKK 682.4 million (44.6 percent) from DKK 1,530.5 million in 2019 to DKK 848.1 million in 2020.

Current liabilities decreased by DKK 512.5 million (23.4 percent) from DKK 2,192.7 million in 2019 to DKK 1,680.2 million in 2020.

Decommissioning and restoration

Historically the Company has not recognised decommissioning and restoration provision for the refinery because Management previously considered the refinery to have indefinite lives, hence it was concluded that a reliable estimate for the provision was not possible. However, due several factors such as strategical changes at group level, expected demand for oil products, the pace of decarbonisation and the energy transition indicated that this position is no longer tenable.

The decommissioning and restoration provision are estimated based on the distillation capacity (kbpd) of the refinery, the size of the site and cost factors. Where the distillation capacity and the size of the site is observable the cost factor cannot be directly observed due to the uncertainty of the costs that are associated with a decommissioning and restoration of the site. In order to carry out the most reliable estimate, Shell used historic site closures or conversions and based on the historical cases, a range of cost factors for the decommissioning and restoration was determined.

Based on the analysis a decommissioning and restoration provision of total DKK 272.6 million is recognised at year end.

Prospect and Outlook for 2021

The overall the financial business result is expected to be moderate and subject to uncertainty due to the continuation of the COVID-19 pandemic.

The refinery margins are expected to remain under pressure in 2021 in line with the trend observed in 2020. The focus on conducting our business in a safe and reliable manner will stay unchanged.

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 14. 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 continue to 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.

A Share Purchase Agreement for the sale of the entity A/S Dansk Shell including the Refining business and local trading activities was signed in January 2021 with PL ESG Denmark Co APS (Postlane Partners). The sale is expected to be completed in 2021.

Income statement 1 January – 31 December

Note		2020	2019
		DKK million	DKK million
	Gross revenue	10,039.7	16,734.7
	VAT and duties	-1,825.2	-3,130.7
1	Revenue	8,214.5	13,604.0
2	Production costs	-8,822.5	-13,481.4
	Gross profit/loss	-608.0	122.6
2	Sales and distribution costs	-32.8	-35.4
2	Administration costs	-60.5	-65.4
3	Other operating income	148.6	218.0
	Operating profit/loss	-552.7	239.8
4	Financial income	59.3	56.3
5	Financial expenses	-25.7	-86.0
	Result before tax	-519.1	210.1
6	Tax on profit/loss for the year	-15.6	-60.7
7	Net profit/loss for the year	-534.7	149.4

Balance Sheet 31 December

		2020	2019
		DKK million	DKK million
Assets			
<u>Note</u>			
	Land and buildings	393.6	120.9
	Technical installations and machinery	544.5	632.1
	Operating equipment and fixtures	254.7	277.9
	Assets under constructions	104.0	39.2
8	Property, plant and equipment	1,296.8	1,070.1
	Total fixed assets	1,296.8	1,070.1
	Raw materials and consumables	141.7	357.1
	Finished goods and trading goods	467.7	580.6
	Inventories	609.4	937.7
	Trade receivables	589.1	1,061.3
	Receivables from affiliated companies	169.3	357.2
6	Deferred tax asset	51.9	82.5
	Other receivables	25.9	21.9
9	Prepayments	11.9	7.6
	Receivables	848.1	1,530.5
	Total current assets	1,457.5	2,468.2
	Total assets	2,754.3	3,538.3

Balance Sheet 31 December (continued)

		2020	2019
		DKK million	DKK million
Liabilities and equity			
<u>Note</u>			
10	Share capital	251.4	251.4
	Retained earnings	516.0	1,050.7
	Proposed dividend	-	-
	Total equity	767.4	1,302.1
11	Decommissioning and restoration provisions	272.6	-
12	Other provisions	34.1	36.2
	Provisions	306.7	36.2
13	Other payables	-	7.3
	Non-current liabilities other than provisions	-	7.3
	Trade payables	214.1	239.6
	Payables to affiliated companies	1,412.1	1,725.3
6	Corporation Tax	-	7.5
	Other payables	54.0	220.3
	Current liabilities	1,680.2	2,192.7
	Total liabilities and equity	2,754.3	3,538.3
14	Contingent liabilities and other financial obligations		
15	Related parties and group information		

Statement of Changes in Equity

DKK million

<u>Note</u>	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Total</u>
Equity at 1 January 2020	251.4	1,050.7	-	1,302.1
Loss for the year	-	-534.7	-	-534.7
Equity at 31 December 2020	251.4	516.0	-	767.4

Notes

Note 1

Revenue

	2020	2019
	DKK million	DKK million
Sales of energy and oil products at the Danish market	5,358.5	9,070.2
Export of oil products	2,856.0	4,533.8
Total revenue	8,214.5	13,604.0

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:

	2020	2019
	DKK million	DKK million
Salaries	193.2	209.3
Pensions	17.6	17.8
Other social security expenses	0.6	0.6
Total	211.4	227.7

Number of employees

	2020	2019
Average number of employees	259	267
Number of employees	237	269

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.

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>2020</u>	<u>2019</u>
	DKK million	DKK million
Other financial income	0.8	3.1
Exchange rate gains	58.5	53.2
Total	59.3	56.3

Note 5

Financial expenses

	<u>2020</u>	<u>2019</u>
	DKK million	DKK million
Interest expenses to affiliates	-2.1	-2.3
Exchange rate losses	-23.6	-83.7
Total	-25.7	-86.0

Notes (continued)

Note 6

Tax

DKK million

	Payable/ (receivable) corporation tax	Deferred tax	Income Statement
Book value at 1 January	7.5	82.5	-
Tax paid / Utilised deferred tax	-7.5	-3.6	-
Adjustment related to previous years	-	-	-11.4
Adjustment to deferred tax	-	-27.0	27.0
Book value at 31 December	-	51.9	15.6

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.

The adjustment to prior year of DKK 11.4 million primarily relates to joint taxation.

Deferred tax related to tax losses carry forward are expected to be exploited after 12 months of appr. DKK 4.1 million.

Recognition of the deferred tax asset is based on capitalized value of future cash flows.

Note 7

Proposed distribution of profit

	2020	2019
	DKK million	DKK million
Proposed dividend for the year	-	-
Retained earnings	-534.7	149.4
	-534.7	149.4

Notes (continued)

Note 8

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 2020	197.6	2,366.3	1,190.8	39.2	3,793.9
Acquisitions during the year	272.6	-	1.8	97.5	371.9
Disposals for the year	-	-34.3	-0.1	-	-34.4
Transfer for the year	4.4	18.4	9.9	-32.7	-
Cost at 31 December 2020	474.6	2,350.4	1,202.4	104.0	4,131.4
Depreciation as at 1 January 2020	-76.7	-1,734.2	-912.9	-	-2,723.8
Depreciation for the year	-4.3	-105.9	-34.9	-	-145.1
Reversal of depreciation	-	34.2	0.1	-	34.3
Depreciation at 31 December 2020	-81.0	-1,805.9	-947.7	-	-2,834.6
Carrying amount at 31 December 2020	393.6	544.5	254.7	104.0	1,296.8

The decommissioning and restoration obligation amount to DKK 272.6 million and is included in acquisitions at the year under category 'Land and buildings'.

Note 9

Prepayments

Prepayments consist of prepaid expenses relating mainly to insurance.

Notes (continued)

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

	2020	2019	2018	2017	2016
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

Decommissioning and restoration provisions

	2020	2019
	DKK million	DKK million
Decommissioning and restoration at 1 January	-	-
Additions for the year	272.6	-
Provision at 31 December	272.6	-

Note 12

Other provisions

Environmental obligation

	2020	2019
	DKK million	DKK million
Other provisions at 1 January	36.2	39.0
Additions for the year	4.5	8,8
Amounts charged against provisions	-6,6	-11,6
Environmental obligation at 31 December	34.1	36.2

Notes (continued)

Note 13

Other payables

	<u>2020</u>	<u>2019</u>
	DKK million	DKK million
Repayment, next year	0.0	0.0
Long-term portion	0.0	7.3
Outstanding debt after 5 years	0.0	7.3
Transferred to other payables in current liabilities	-7.3	0.0

Other payables consist of holiday payment on hold to employees. The holiday payment on hold cannot be used or paid out until the employees leaves the labour market. In 2020, Management decided that the provision for holiday obligation on hold shall be paid to the administrator "Lønmodtagernes Feriemidler" during 2021, hence last year's obligation is transferred to other payables under current liabilities.

Note 14

Contingent liabilities and other financial obligations

	<u>2020</u>	<u>2019</u>
	DKK million	DKK million
Lease commitments under operating leases are as follows:		
Within 1 year	0.2	0.3
Between 1 and 5 years	4.1	3.8
Total	<u>4.3</u>	<u>4.1</u>

Lease obligation

The obligation relates to leased vehicles.

Other contingent liabilities

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

Notes (continued)

Note 14 (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.

Note 15

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 2020 is prepared in accordance with the Danish Financial Statements Act's provisions for accounting class C large companies.

The accounting policies applied remain unchanged from last year.

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

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.

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)

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. The decommissioning and restoration provision will be depreciated over 30 years.

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.

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.

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.

Accounting Policies (continued)

Provisions

Provisions comprise of environmental obligations and decommissioning and restoration obligations.

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.

The value of provisions related to decommissioning and restoration of the land and production plant is recognised as property, plant and equipment and is depreciated over the assessed life time of the refinery.

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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