Shell Olie- og Gasudvinding Danmark Pipelines ApS

Midtermolen 3, 4., DK-2100 Copenhagen

Annual Report for 1 January - 31 December 2016

CVR No 27 97 75 61

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/5/2017

Yara Young Ramirez
Chairman

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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Shell Olie- og Gasudvinding Danmark Pipelines ApS for the financial year 1 January - 31 December 2016.

The Annual Report is 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 at 31 December 2016 of the Company and of the results of the Company operations for 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 31 May 2017

Executive Board

Bob Anthony Tulleken

Lee James Hodder

Michael Lund Jensen

Independent Auditor's Report on the Financial Statements

To the Shareholder of Shell Olie- og Gasudvinding Danmark Pipelines ApS

Opinion

We have audited the Financial Statements of Shell Olie- og Gasudvinding Danmark Pipelines ApS 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 Accountant' 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 audit opinion.

Management's Responsibility 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 it 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 skepticism 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.

Independent Auditor's Report on the Financial Statements

- 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 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 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 Statements Act. We did not identify any material misstatement of the Management's Review.

Copenhagen, 31 May 2017

Ernst & Young

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Brian Stubtoft
State Authorised Public Accountant

Kennet Hartmann
State Authorised Public Accountant

Company Information

The Company	Shell Olie- og Gasudvinding Danmark Pipelines ApS Midtermolen 3, 4. DK-2100 Copenhagen CVR No: 27 97 75 61 Financial period: 1 January - 31 December Financial year: 12th financial year Municipality of reg. office: Copenhagen
Parent company	Shell Olie- og Gasudvinding Danmark B.V. (Holland)
Executive Board	Bob Anthony Tulleken Lee James Hodder Michael Lund Jensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 2000 Frederiksberg CVR No: 30 70 02 28

Management's Review

Main activity

The activities and purpose of the company is to provide an alternative distribution channel to the European gas market and thereby increase competition. The company currently provides pipeline transportation capacity to the gas producers from Danish fields to the NOGAT pipeline. The parent company thereby is able to distribute part of the Danish gas production to the western European market. The Company has a 23 % interest in the pipeline. The other investors in the pipeline are A.P. Møller-Mærsk (19,5 %), Chevron (7,5 %) and DONG (50%).

Development in the year

The income statement of the Company for 2016 shows a profit of TDKK 13.329, and at 31 December 2016, the balance sheet of the Company shows equity of TDKK 111.535.

Targets and expectations for the year ahead

The Company expects a result at this year's level in 2017.

Unusual events

The financial position at 31 December 2016 and the results of the activities for the financial year 2016 of the Company have not been affected by any unusual events.

Restatement of prior year balances

The 2015 comparative information has been restated to reflect a correction in the production costs recognised and depreciation has been corrected to accurately reflect the useful life of the asset. This has resulted in an additional production expense of TDKK 1.965 and a reduction in depreciation expense of TDKK 10.125 in 2015. Please refer to the accounting policies section on page 13 for more detail.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Revenue	1	**51.288**	**36.134**
Productions costs	2	-3.256	-4.932
Gross profit/loss		**48.032**	**31.201**
Depreciation and impairment of property, plant and equipment	3	-27.502	-24.427
External costs		-273	-293
Profit/loss before financial income and expenses		**20.257**	**6.480**
Profit/loss before tax		**20.257**	**6.480**
Tax on profit/loss for the year	4	-6.928	-1.354
Net profit/loss for the year		**13.329**	**5.127**

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	0
Retained earnings	13.329	5.127
	13.329	**5.127**

Balance Sheet 31 December

Assets

	Note	2016 TDKK	2015 TDKK
Property, plant and equipment	5	46.484	73.485
Deferred tax asset	6	4.331	2.589
Non-current assets		**50.815**	**76.074**
Receivables from group enterprises		77.899	32.881
Current assets		**77.899**	**32.881**
Assets		**128.714**	**108.955**

Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		500	500
Retained earnings		111.035	97.706
Equity		**111.535**	**98.206**
Decommissioning provision	7	2.873	2.373
Non-current liabilities		**2.873**	**2.373**
Trade payables		720	2.037
Payables to group enterprises		5.385	554
Corporation tax		8.201	5.785
Current liabilities		**14.306**	**8.376**
Liabilities		**17.179**	**10.749**
Equity and liabilities		**128.714**	**108.955**

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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	500	97.706	98.206
Net profit/loss for the year	0	13.329	13.329
Equity at 31 December	**500**	**111.035**	**111.535**

The share capital consists of 5.000 shares of a nominal value of DKK 100. No shares carry any special rights.

There have been no changes in the share capital during the last five years.

Notes to the Financial Statements

1 Revenue

The Company's revenue comes from selling pipeline capacity in Denmark to the Parent Company.

2 Staff costs

The Company has no employees. No wages or salaries were paid in the financial year.
No fees were paid to members of the Executive Board in the year.

	2016	2015
	TDKK	TDKK
3 Depreciation and impairment of property, plant and equipment		
Depreciation of property, plant and equipment	27.502	24.427
	27.502	**24.427**
Which is specified as follows:		
Pipeline depreciation	27.395	24.341
Pipeline decommissioning accretion expense	106	86
	27.502	**24.427**

4 Tax on profit/loss for the year

	2016	2015
Current tax for the year	8.663	5.785
Deferred tax for the year	-1.743	-3.839
Adjustment of tax concerning previous years	8	-592
	6.928	**1.354**

5 Property, plant and equipment

	Pipeline
	TDKK
Cost at 1 January	329.501
Restoration costs, adjustment	394
Cost at 31 December	329.895
Impairment losses and depreciation at 1 January	256.015
Depreciation for the year	27.395
Impairment losses and depreciation at 31 December	283.411
Carrying amount at 31 December	**46.484**

Notes to the Financial Statements

6 Deferred tax

	2016 TDKK	2015 TDKK
Property, plant and equipment	-3.943	-2.233
Decommissioning	-389	-355
	-4.331	**-2.589**

7 Decommissioning provision

The Company together with the other consortium participants has an obligation to dismantle the pipeline and associated facilities by end of pipeline life. The consortium participants have to develop a plan and a budget for the decommissioning of the pipeline. In a Management Committee meeting on the 19th of June 2007, the operator has presented a schedule and a budget for the removal of pipelines and this has been approved by the consortium partners. When the time for decommissioning of the pipeline approaches, application for approval will be sent to the Danish Energy Authority.

Due to the uncertainty of the final removal cost estimates, these Financial Statements contain an estimate of the obligation and equivalent capitalized asset.

	2016 TDKK	2015 TDKK
Decommissioning provision beginning of the year	2.373	1.825
Adjustments in the year	394	462
Accretion	106	86
	2.873	**2.373**

8 Contingent assets, liabilities and other financial obligations

The Company is jointly taxed with other Danish group entities and is jointly and severally unlimited liable for payment of Danish income taxes.

The Company is involved in a tax case raised by the Danish Tax Authorities regarding its taxable income. The outcome of the tax case is subject to uncertainty and ongoing dialogue.

There are no other contingencies or other financial obligations.

9 Group information

Shell Olie og Gasudvinding Danmark Pipelines ApS is included in the consolidated Financial Statements of Royal Dutch Shell plc, the Hague, the Netherlands, which is the ultimate Parent Company. Consolidated Financial Statements of Royal Dutch Shell plc, can be found at the website, www.shell.com.

Notes to the Financial Statements

10 Accounting Policies

Basis of Preparation

Financial Statements of Shell Olie- og Gasudvinding Danmark Pipelines ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 July 2015. This implies a change in the recognition and measurement in the following area:

- Yearly reassessment of residual values of property, plant and equipment.

In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

The above change does not have any impact on the income statement or the balance sheet for 2016 or the comparative figures.

In addition, the Company has decided to present its balance sheet in horizontal format where non-current and current assets and liabilities are broken down and comparative figures for 2015 are restated.

Apart from the above new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Financial Statements for 2016 are presented in TDKK.

Notes to the Financial Statements

10 Accounting Policies – continued

Restatement of prior year balances

The 2015 comparative information has been restated to reflect:

1. A correction in the production costs recognised in the income statement. This has resulted in an additional expense and a higher trade payable of TDKK 1.965 in 2015, and a reduction of tax payable and tax expense for the year of TDKK 462.
2. Depreciation has been corrected to accurately reflect the useful life of the asset, which remains unchanged. This has resulted in a reduction in depreciation expense and a higher net book value of property, plant and equipment of TDKK 10.125 as of 31 December 2015, and a reduction of deferred tax asset and tax expense of TDKK 2,379.

The total impact on beginning equity at 1 January 2016 is TDKK 6.242.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

10 Accounting Policies – continued

Revenue

Income from the sale of pipeline capacity is recognized in revenue at the time of delivery, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from the revenue.

Production costs

Production costs include the costs incurred to obtain revenue for the year.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of pipeline.

External costs

External costs comprise overhead expenses of a secondary nature to the core activities of the enterprise.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement.

The Company is jointly taxed with the Danish Shell Companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful life of the asset, which is:

Pipeline	14 years

The depreciation period and the residual value are determined at the time of acquisition and are reassessed annually.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

10 Accounting Policies – continued

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial liabilities

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

Provisions

Provisions comprise expected expenses relating to restructurings. Provisions are recognised when, at the balance sheet date, the enterprise has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payment. Other provisions are measured at the net realisable value.