

**SHELL INTERNATIONAL FINANCE B.V.**

**THE HAGUE**

**INTERIM FINANCIAL REPORT**

**(unaudited)**

**30 June 2016**

# **SHELL INTERNATIONAL FINANCE B.V.**

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**SHELL INTERNATIONAL FINANCE B.V.**

**BOARD OF DIRECTORS**

M.C.M. Brandjes

P.S. Van Driel

R.L. O'Brien

A.D. McLean

## **SHELL INTERNATIONAL FINANCE B.V.**

### **DIRECTORS' INTERIM REPORT**

#### **Review of activities**

The Company is one of the entities within the "Shell Group". In this context the term "Companies of the Shell Group" ("Group Companies") means companies in which Royal Dutch Shell plc, either directly or indirectly, has control, either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. Companies in which Group Companies have significant influence but not control are classified as "Associated Companies". Royal Dutch Shell plc, a company incorporated in England and Wales, is known as the "Parent Company" of the Shell Group.

The principal activity of Shell International Finance B.V. ("the Company") is to provide funding to other members of the Shell Group.

The Company obtains funding by issuing debt from two commercial paper programmes (together a limit of US \$20 billion), a euro medium term note programme (unlimited) and a US universal self-registration (unlimited). The Company also has in place a committed bank facility (US \$7.48 billion). Royal Dutch Shell plc guarantees all debt issuance programmes.

The Company's financing requirements in the period ended 30 June 2016 were met by:

- the issuance of US\$7.25 billion of long-term debt, maturing between 2019 and 2046;
- the issuance of €1.75 billion (US \$2.0 billion) of long-term debt, maturing between 2024 and 2028;
- the ongoing issuance of commercial paper (primarily in USD), of which US \$2.9 billion was outstanding at 30 June 2016.

All debt is passed on to Group companies on identical terms, which limits the interest rate or foreign exchange risk to the Company.

The Company's financial result for the period was a profit of US \$436,000 (6 months ended 30 June 2015: a profit of US \$147,000). This was primarily due to differences on foreign exchange relating to intra-group current account arrangements.

The Company employs no staff. This is not expected to change for the remainder of 2016.

No significant change in the business of the Company has taken place during the period or is expected in the immediately foreseeable future.

The rendering of services by the Service Companies of the Shell Group to the Company will be continued as deemed necessary.

The Board of Directors considers that the internal risk management and control system, which is designed to provide reasonable but not absolute assurance of achieving business objectives, is adequate and appropriate. The Company's specific policies for managing the risks to which it is exposed are explained in full in the Annual Report for the year ended 31 December 2015.

The Company's operations and earnings are subject to risks such as (although not limited to):

- Changes in legislation and fiscal and regulatory policies: Changes in legislation, taxation (tax rate or policy) and regulation all pose a risk to operations and can affect the operational performance and financial position of the Company.

## SHELL INTERNATIONAL FINANCE B.V.

### DIRECTORS' INTERIM REPORT (Continued)

- Currency fluctuations and exchange control: As part of a global group of companies, changes in currency values and exchange controls could affect the operational performance and financial position of the Company (although the Company's exposure to this risk is minimised by the back-to-back nature of its debt structures).
- Trading and Treasury: In the course of normal business activities the Company is subject to trading and treasury risks. These include *inter alia* exposure to and the risk of counterparty default, but not interest rate or foreign exchange exposure, due to the back-to-back nature of debt structures in the Company.

Within the Shell Group a single overall control framework is in place, which is designed to manage rather than eliminate the risk of failure to achieve business objectives, and only provides reasonable and not absolute assurance against material misstatement or loss. The Shell Control framework applies to the Company and all wholly owned Shell companies and to those ventures and other companies where Royal Dutch Shell plc, directly or indirectly, has a controlling interest.

The Company, in the normal course of the business, uses financial instruments of various kinds for the purposes of managing economic exposure to currency and interest rate movements. The Company has a treasury policy consistent with the Group Treasury Guidelines. These policies cover financing structure; foreign exchange and interest rate risk management as well as the treasury control framework. The use of financial instruments for managing economic exposures has been effective so far in 2016 and the Company will continue to use financial instruments to manage economic exposures where required. The detailed policy on financial instruments has been included in Note 3(e) within the accounting policy section of the full Annual Report for the Company, for the year ended 31 December 2015.

On behalf of  
the Board of Directors

**SHELL INTERNATIONAL FINANCE B.V.**

**BALANCE SHEET AS AT 30 JUNE 2016**

(before proposed appropriation of result)

		At 30 June 2016	At 31 December 2015	At 30 June 2015
	Note	US \$'000	US \$'000	US \$'000
<b>Fixed assets</b>				
Financial fixed assets		51,806,282	45,948,789	38,149,062
Derivatives		-	284,293	135,654
<b>Total fixed assets</b>		<b>51,806,282</b>	<b>46,233,082</b>	<b>38,284,716</b>
<b>Current assets</b>				
Accounts receivable		8,706,352	3,849,513	5,391,909
Derivatives		314,810	-	-
<b>Total current assets</b>		<b>9,021,162</b>	<b>3,849,513</b>	<b>5,391,909</b>
<b>Current liabilities</b>				
Accounts payable		8,695,974	3,839,762	5,382,224
Derivatives		314,526	-	-
<b>Current assets less current liabilities</b>		<b>10,662</b>	<b>9,751</b>	<b>9,685</b>
<b>Total assets less current liabilities</b>		<b>51,816,944</b>	<b>46,242,833</b>	<b>38,294,401</b>
<b>Non-current liabilities</b>				
Long-term debt	4	51,806,282	45,948,789	38,149,062
Derivatives		-	283,821	134,992
Provisions		121	118	230
<b>Shareholder's equity</b>				
Issued capital	5	2,224	2,185	2,233
Other reserves		7,881	7,785	7,737
Unappropriated profit/(loss)		436	135	147
<b>Non-current liabilities and shareholders' equity</b>		<b>51,816,944</b>	<b>46,242,833</b>	<b>38,294,401</b>

**SHELL INTERNATIONAL FINANCE B.V.**

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2016**

		<b>6 months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>US \$'000</b>	<b>US \$'000</b>
Interest income and similar income		861,071	672,810
Interest expense and similar expenses		(860,490)	(672,598)
General and administrative expenses		-	(16)
<b>RESULT BEFORE TAXATION</b>		<b>581</b>	<b>196</b>
Taxation on result	6	(145)	(49)
<b>NET RESULT AFTER TAXATION</b>		<b>436</b>	<b>147</b>

**SHELL INTERNATIONAL FINANCE B.V.**

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2016**

	6 months ended 30 June	
	2016	2015
	US \$'000	US \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	581	196
Loans granted to Group companies	(9,154,634)	(9,951,228)
Loan repayments from Group companies	1,397,313	1,750,000
Net (issuance)/repayment of loans to Group company from proceeds of Commercial Paper	(2,936,583)	(1,240,944)
Interest received	983,514	767,047
Interest income	(861,071)	(672,810)
Interest expense	860,490	672,598
Movement in working capital	248	(125)
Tax received	(145)	(49)
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	(9,710,287)	(8,675,315)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of bonds	9,154,634	9,951,228
Repayments of borrowings	(1,397,313)	(1,750,000)
Net issuance/(repayment) of Commercial Paper	2,936,583	1,240,944
Interest paid	(983,617)	(766,857)
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	9,710,287	8,675,315
	<hr/>	<hr/>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	-	-
	<hr/>	<hr/>
<b>CASH AT 1 JANUARY</b>	-	-
	<hr/>	<hr/>
<b>CASH AT 30 JUNE</b>	<hr/> <hr/>	<hr/> <hr/>



**NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2016**

**1) GROUP AFFILIATION AND PRINCIPAL ACTIVITIES**

The Company has its statutory seat in The Hague and is one of the companies of the Shell Group. In this context the term “Companies of the Shell Group” (“Group Companies”) means companies in which Royal Dutch Shell plc (the direct shareholder of the Company), either directly or indirectly, has control either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. Companies in which Group companies have significant influence but not control are classified as “Associated Companies”. Royal Dutch Shell plc, a company incorporated in United Kingdom, is known as the ultimate “Parent Company” of the Shell Group.

The Company’s principal activity is to acquire funds by contracting public or private loans or otherwise and to make such funds available in whatever form, to companies and enterprises in which companies of the Royal Dutch Shell Group have a direct or indirect participation. The Group is engaged worldwide in all the principal aspects of the oil and natural gas industry. The Group also has interests in chemicals and alternative energy.

The shares of the Company are held by Royal Dutch Shell plc.

The registered address of the Company is:

Carel van Bylandtlaan 30  
THE HAGUE  
2596 HR  
NETHERLANDS

**2) BASIS OF PRESENTATION**

This condensed Interim Financial Report for the six months ended 30 June 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the European Union and with guidance from IAS 34, ‘Interim financial reporting’ as adopted by the European Union.

The condensed Interim Financial Report should be read in conjunction with the Annual Report for the year ended 31 December 2015. The Annual Report and the Interim Financial Report were prepared in accordance with accounting principles generally accepted in the Netherlands and are in compliance with the provisions of the Netherlands Civil Code, Book 2, Title 9.

The Annual Report for the year ended 31 December 2015 was approved by the Board of Directors on 18 April 2016 and filed with the UK Listing Authority. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph.

This condensed Interim Financial Report has not been reviewed or audited by the Company’s external auditors.

**3) ACCOUNTING POLICIES**

Except as described below, the accounting policies applied are consistent with those of the Annual Report for the year ended 31 December 2015, as described in the Annual Report.

**SHELL INTERNATIONAL FINANCE B.V.**

**NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2016 (continued)**

**4) DEBT SECURITIES PROGRAMME INFORMATION MEMORANDUM**

The Debt Securities Programme Information Memorandum filed with the London Stock Exchange disclosed that as at 30 June 2016, the Company had total debt of US \$60,170 million of which US \$51,806 million was due after more than one year.

The true and fair total debt of the Company as at 30 June 2016 is shown in the table below.

	<b>US \$'000</b>
Long-term debt	
- Due after more than one year	51,806,282
- Due within one year	5,426,973
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Total long-term debt	57,233,255
Short-term debt	2,936,583
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<b>Total debt at 30 June 2016</b>	<b>60,169,838</b>
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**5) SHAREHOLDER'S EQUITY**

The Company's authorised share capital comprises 10,000 ordinary shares of EUR 1,000 each, amounting to a nominal value of EUR 10,000,000. This EUR share capital has been revalued based on the period-end rate, resulting in a legal reserve termed Cumulative Currency Translation Difference (CCTD), which is included in 'Other Reserves' below.

The movements in shareholder's equity are summarised below:

	<b>Issued capital</b>	<b>Other Reserves</b>	<b>Unappropriated (loss)/profit</b>	<b>Total</b>
	<b>US \$'000</b>	<b>US \$'000</b>	<b>US \$'000</b>	<b>US \$'000</b>
As at 1 January 2016	2,185	7,785	135	10,105
Appropriation of result	-	135	(135)	-
Result for the period	-	-	436	436
CCTD	39	(39)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2016	2,224	7,881	436	10,541
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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2016 (continued)

6) TAXATION

The effective tax rate for the period is 25.0% (6 months period ended 30 June 2015: 25.0%) in line with the nominal corporation tax rate in the Netherlands of 25.0%.

7) EMPLOYEES AND SALARY COSTS

The Company employed no personnel during 2016 or 2015 and therefore incurred no salary or related costs of employment.

8) FINANCIAL INSTRUMENTS

Financial instruments on the Balance Sheet include accounts receivable, current accounts with related parties and accounts payable. Financial instruments are recognised on the date the underlying transaction occurs, with the estimated fair values of these instruments approximating their carrying amounts.

The Company also enters into derivative transactions, primarily interest rate and/or foreign exchange contracts. The purpose of such transactions is to manage the interest rate and currency risks arising from the Company's operations and its sources of finance. Derivative financial instruments are initially recognised and subsequently accounted for at fair value. The Company no longer applies hedge accounting.

The effect of derivative financial instruments is reflected in the accounts as follows:

- The Balance Sheet recognises the fair value of derivatives as part of accounts receivable and accounts payable.
- The Profit and Loss Account includes gains or losses on derivative contracts, unrealised gain/losses on financial instruments, results on settled financial instruments, and currency exchange gain/losses.

The fair values of derivative financial assets and liabilities have been determined using observable market prices. When these are not available, estimation techniques have been used to value these instruments. The estimation techniques use observable market interest rates, exchange rates, price correlation, market liquidity and commodity prices as input.

The company uses financial instruments to mitigate the following risks:

**Currency risk:** Based on a risk analysis, the Board of Directors has determined that any individual activities, over EUR 5.0 million, are generally economically hedged by foreign exchange derivatives, further information is provided in Note 9(c) of 2015 Annual Report.

**Interest rate risk:** The Company is exposed to interest rate risk on interest-bearing receivables (mainly taken up in financial fixed assets, securities and cash at bank and in hand), interest-bearing long-term and current liabilities (including loans to credit institutions).

The Company is exposed to the variability in cash flows of variable interest rates on receivables and liabilities. In relation to fixed interest receivables and liabilities, it is exposed to the fair value of the receivables and liabilities.

Exposure to currency and interest rate risk is deemed to be low due to the back-to-back nature of the Company's lending arrangements.

**8) FINANCIAL INSTRUMENTS (Continued)**

**Credit risk**

The Company on-lends funds generated from bond issuance to Group companies, all of significant size and importance within the Shell Group. These companies have a long and proven track record of being reliable creditors, and their suitability for future credit is monitored on an ongoing basis.

The Company has procedures and policies in place to limit the amount of interest, currency and credit exposure to any counterparty or market. These procedures limit the Company's exposure to concentrations of these risks.

In the event of a counterparty defaulting on payments due to the Company the resulting losses, if any, would be limited to the fair values of the instruments on which the default occurred.

The contract/notional amounts of the financial instruments outstanding give an indication of the extent that these financial instruments are used but not of the exposure to credit or market risk.

**9) CONTINGENT LIABILITIES**

For the assessment of Netherlands income tax, the Company, together with Royal Dutch Shell plc and most of its subsidiaries established in the Netherlands, forms part of a fiscal unity. Pursuant to the applicable legal stipulations, each company is jointly and severally liable for the income tax to be paid by the companies involved in the fiscal unity.

**10) RELATED PARTY TRANSACTIONS**

All the Company's income arises from dealings with other Group companies or Associated companies. The Company does not have direct dealings with non-related parties except to the extent of its financing related transactions.

**11) SEASONALITY**

The results of the Company are not subject to seasonal fluctuations.

**12) SUBSEQUENT EVENTS**

There are no subsequent events with a significant impact on the accounts.

**SHELL INTERNATIONAL FINANCE B.V.**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

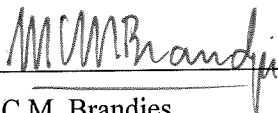
The Directors' confirm that this condensed Interim Financial Report:

- Has been prepared in accordance with Disclosure and Transparency Rules (DTR) as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit of the entity as required by DTR 4.2.4; and
- That the Directors' Interim Report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:
  - an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Shell International Finance B.V. are listed on page 1.

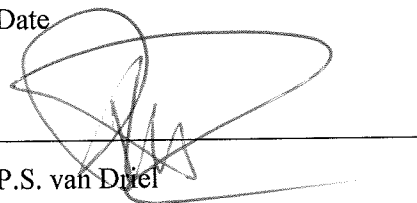
Signed in The Hague on 23 August 2016.

SHELL INTERNATIONAL FINANCE B.V.



M.C.M. Brandjes

Date



P.S. van Dieÿl

Date