ROYAL DUTCH SHELL PLC
FOURTH QUARTER 2018 RESULTS

JANUARY 31ST 2019

FOURTH QUARTER 2018 RESULTS WEBCAST TO MEDIA AND ANALYSTS

BY BEN VAN BEURDEN, CHIEF EXECUTIVE OFFICER OF ROYAL DUTCH SHELL PLC AND JESSICA UHL, CHIEF FINANCIAL OFFICER OF ROYAL DUTCH SHELL PLC

Ladies and gentlemen. It is a pleasure to welcome you here today. Jessica and I have been looking forward to presenting Shell's fourth quarter and full year 2018 results. But I must first just pause to highlight the disclaimer statement.

Of course, the reason why Jessica and I have been looking forward to today is that we can now, with the full year results out, declare that 2018 was another year of great delivery against our strategy. As you know, our strategy is to deliver a world-class investment case, to thrive in the energy transition, and to maintain a strong societal licence to operate. And where we have made promises in line with that strategy, we have delivered in 2018, establishing , what I believe a track record of delivery.

In 2018, we had good performance from our businesses, and we continue to transform Shell into a simpler company that can deliver higher returns. Our cash delivery for the full year was strong, with cash flow from operations excluding working capital almost $50 billion. We delivered almost $31 billion in organic free cash flow, we paid an all-cash dividend, covered interest expense, reduced gearing, and have bought back shares. We have completed our $30 billion divestment programme, which has reshaped the company, and we invested some $25 billion in a very disciplined manner. We have shown that we are a company that delivers against the commitments we make, and with our recent commitment to set short-term targets to reduce the net carbon footprint of the energy products we sell – in a world that is going through an energy transition – we have also shown leadership as a responsible company, preparing for changing customer and market preferences as this transition unfolds.

Let me first talk about some of the 2018 highlights, after which I will take you through our HSSE performance, and provide a closer look at our actions related to the energy transition. Then I will talk you through Shell's delivery and our outlook to 2020. Jessica will talk you through the quarter's in a lot more detail. As I promised, some more detail on 2018. It will not have escaped your attention that it was a year of oil price volatility. In spite of this we saw all of our businesses deliver. That translated to current cost of supply earnings, excluding identified items, of over $21 billion. We delivered free cash flow of more than $39 billion, and ROACE for the full year was 7.6%, which is an improvement of 2% against last year and brings us closer to our 10% goal in 2020. We also continued to move gearing down – now 20.3% at the end of 2018. We declared dividends of almost $16 billion in 2018, and, as you are aware, we paid them fully in cash. And we bought back some $4.5 billion worth of shares as part of our $25 billion buyback programme. I am proud, and Shell is proud, of all this delivery.

But there is, in fact, one thing that is even more important. It is something that comes before anything else at Shell, our health, safety, security, and environmental performance. Safety is critical in order for us to achieve our strategic ambitions. We must all be safe if Shell is to be a world-class investment case. We must all be safe if Shell is to thrive in the energy transition. And we must all be safe, if Shell is to maintain its strong societal licence to operate. Our HSSE performance was mixed in 2018, which shows there is more work to be done. Two contractors died during 2018. No loss of life is ever acceptable. Our sympathy and condolences are with the families, of course. We must ensure that such deaths do not happen again in the future. In 2017, we had our lowest injury rate, so I am unhappy to say that in 2018 our injury rate worsened slightly. The long-term trend still shows improvement with an injury rate reduction of some 50% compared to 2008. But slipping backwards in 2018 just emphasises how hard-won these improvements have been.

Next, on operational spills. Although we achieved a decline in the number of spills through 2018, they fell by 8%. The volume of material spilled actually went up. We had fewer spills throughout the year, but they were, on average, larger. In other areas, our HSSE performance was more encouraging. We continue to drive flaring down year on year, for example. In 2018 this is driven by our decision to exit Majnoon in Iraq, and we reduced flaring in Nigeria, Qatar and the Permian. Process safety was another significant improvement. I am glad to report that we achieved our best year ever. But our work is not done, we must achieve Goal Zero, and we must maintain continue to focus on imporvements. Just as society expects Shell to operate safely, its expectations of Shell to act in the face of climate change are only growing stronger. We have taken a number of steps over the past year to show we are a responsible corporate citizen, to lead the industry, and to get ahead of the changing market and customer preferences to deliver commercial opportunities that will come with the energy transition. For example, we announced plans to establish short-term targets as part of our long-term ambition to reduce the net carbon footprint associated with the energy products we sell. This will be in step with society's drive to meet the goals of the Paris Agreement, and we will link these targets to executive remuneration. We developed this proposal through extensive collaboration with institutional investors working on behalf of Climate Action 100+.

We recognise that we have an important role to play as part of society's response to its need for more and cleaner energy. The actions we have taken on our net carbon footprint, position us for the future and enable the execution of all three of our strategic ambitions. I am also pleased to say we are making progress in a number of areas in support of our ambitions, and just to highlight a few examples: In Nigeria, we have been able to reduce the flaring intensity, year on year, and by some 70% over the last ten years. Of course, we are also developing our New Energies business, which seeks out the commercial opportunities that the energy transition brings. Last year we invested some $800 million including investments in areas such as solar and wind as part of our New Energies business, and we are looking to continue to scale-up this business in a disciplined manner, spending $1-2 billion on average per annum on commercial opportunities with competitive returns.

Okay, now I will talk about our delivery in more detail, starting with our completed $30 billion divestment programme. This was a strategy-led programme, one of the largest divestments programmes ever, designed to high-grade and reshape our portfolio and strengthen our financial framework. Every strategic theme found opportunities to contribute. When we started the divestment programme back in 2016, the oil price was below $40 a barrel and market conditions for executing a programme of this scale were challenging. But we managed to execute these deals, and do so using diverse deal constructs. You saw us announcing traditional asset divestments, packages of assets, IPOs, and raise cash through our MLP. And the sales of our Woodside and Canadian Natural Resources shares were some of the largest block trades in any sector, and well timed. Geographically, we exited businesses across the world, such as Oil Sands in Canada, Downstream in Argentina and Japan, Upstream in Ireland and Gabon, and Integrated Gas in Thailand and New Zealand. And we simplified our operations in many other countries. But even where we exited, in a number of places we have put in place trading, off-take and brand licensing arrangements. Importantly, we delivered all of this with attractive valuations. We generated the cash we needed to strengthen our balance sheet and improve our credit metrics. And through our transactions we have sought to also high-grade the margins in our portfolio, and improve our risk profile by reducing country risk, business operational risks, and financial risks. For example, we have removed around $5 billion of decommissioning and restoration liabilities from our balance sheet. And crucially, we have finished the programme with a stronger portfolio, which was always the key design of this. We will continue to high-grade with divestments. We expect to do more than $5 billion in both 2019 and 2020.

Now, let's look toward the future and spend time talking about new projects. Key projects have delivered more than $10 billion in cash flow from operations from 2014 to 2018, as per our promises. As you can see on the slide, we have made a lot of progress delivering these projects, and there is more to come as not all of these are operating at full capacity yet. For example, the recent FPSO unit in Brazil that has come onstream in late 2018, is expected to be at peak level towards the end of 2019. Additionally, we are developing smaller projects. Those that are expected to start up in 2019 should produce more than 150,000 barrels of oil equivalent a day at peak levels, more than enough to offsett decline elsewhere. Beyond this, we expect an additional $5 billion in cash flow from operations by the end of 2020, and this we feel is heavily de-risked. This incremental cash flow will be realised with continued ramp-up of projects already onstream, the delivery of Appomattox and ongoing investments in the Permian.

Let's talk about some of the key projects that will help us realise this extra cash flow in more detail. As you know, Chemicals is a growth priority for Shell, and part of our strategy to thrive through the energy transition. Global population growth and rising living standards are likely to drive petrochemicals demand for years to come. Earlier in 2018 we started-up a new ethylene cracker in Nanhai, China, and then in December we started up the fourth alpha olefins unit at our Geismar facility in the US Gulf Coast. This investment increased capacity at the site to some 1.3 million tonnes of alpha olefins a year, making it the largest site in the world. This is needed for everyday products like soap, synthetic lubricants, and low temperature detergents that save energy and reduce CO_2 emissions. We made this investment in order to meet the rising customer demand. Demand for alpha olefins grows with or faster than GDP, and our site in Geismar benefits from advantaged feedstock, synergies on-site, integration with our US Gulf Coast positions and proximity to local demand and customers. We expect the unit to ramp-up in the coming months and be near peak production levels in the second half of 2019.

And then in Australia we have opened four of the seven wells at Prelude. We are now progressing with the commissioning and start-up of the rest of the Prelude facilities. At the same time, we are producing condensate and preparing for the first condensate cargo to be loaded and later the first LNG cargo. Once fully operational, Prelude will produce 3.6 million tonnes of LNG and 1.7 million tonnes of natural gas liquids per annum.

Let me show you what we are working on in 2019 and 2020. Appomattox will be a key asset in the Gulf of Mexico. We expect some 175,000 barrels of oil equivalent per day from the Norphlet play, when operating at peak production levels. This will bring a step-up to our cash flows with high-margin barrels delivering cash for Shell for many years to come. The teams are now working to commission and safely bring Appomattox onstream this year. Since we made the investment decision, we have reduced costs by 40%, improving further the competitiveness of this project. This was done through more efficient execution, working with our contractors, and reducing non-productive time. And, we are not done yet, we are looking at options to increase capacity to support more volumes from fields that have already been discovered and future exploration successes in we expect the area.

With our Permian acreage, which produces some 145,000 barrels of oil equivalent per day, we have seen a 200% increase since January 2017. And we continue to dedicate around half of our Shales capital to the Permian. We have also matured an inventory of resources in excess of 1 billion barrels of oil equivalent in the Permian, with a forward-looking break-even price at less than $40 per barrel. And expect to deliver continued growth through 2020. Our delivery does not stop there.

As you would expect, we are developing options in our portfolio that will start generating cash in the 2020s. When we announced the Whale discovery last year, I said we were looking to accelerate the development cycle and bring the project onstream faster. So I am pleased to announce we are already assessing the results from the exploration and appraisal wells drilled at Whale. In parallel we are assessing development options, at the heart of these discussions is standardisation and replication, and incorporating learnings from Vito. This should allow us to accelerate the timelines and depending on the outcomes of course, we could take a final investment decision next year.

Staying with our growth priorities, but looking at our Downstream business in the United States. Our Pennsylvania Petrochemicals complex is under construction, and is expected to deliver commercial production early in the next decade. Pennsylvania will produce 1.6 million tonnes of polyethylene per annum, a petrochemical product used to make many finished products, from automotive components and sports equipment, to household furniture and consumer electronics. These are just two examples, our project funnel is strong, and we have options across all of our strategic themes to support the company's cash generation far into the future.

We set out our 2020 ambition following the BG acquisition, and the numbers clearly show our strategy is working. In 2017 we generated some $15 billion, and now in 2018, we delivered $31 billion in organic free cash flow. And as you can see, across all of the strategic themes, we are closing-in on our targets.

Now, I started this presentation talking about delivery, and we are delivering against some pretty big promises made to our shareholders. We committed to cancel the scrip dividend and start buying back shares, and in 2018 we paid an all-cash dividend and bought back shares. We said we would be disciplined with our capital and keep it within our range, and we have done exactly that. We promised to complete $30 billion in divestments to high-grade and reshape our portfolio, and that is now complete. It is the same on cash flow, we told you we would deliver some additional $10 billion in cash flow from operations by bringing new projects on stream, and you can see it in our cash flow figures. Also on costs, our underlying operating costs are 12% lower than Shell's standalone costs in 2014, meaning we have fully absorbed the operating costs of BG and then delivered some more. I can confidently say, we will continue to focus on delivery. Delivery on our free cash flow targets. Delivery on the remainder of the buyback programme. While still continuing to invest in a very disciplined manner. Our strategy is set, and we are on track. Now let me hand-over to Jessica to talk you through the quarter.

Thanks Ben. Good afternoon to everyone and thank you for joining our session. Let me start with the Q4 financial highlights. For Shell to deliver a world-class investment case we need to generate strong and growing cash flows and returns, and be disciplined with our cash allocation. Disciplined means reducing debt, effective capital stewardship and growing shareholder distributions. In Q4 2018 we delivered against each of these priorities. We had another strong quarter. Cash flow from operations, excluding working capital movements, was $12.9 billion in the quarter. This was at an average Brent price of $69 per barrel. Our organic free cash flow for the quarter was $14.3 billion. Organic free cash flow covered the full cash dividend, interest expense, reduced gearing, and funded our buyback programme for all of 2018. At the end of Q4 2018, earnings on a CCS basis, excluding identified items amounted to more than $5.7 billion. ROACE reached 7.6%, 2 percentage points higher than in the same quarter last year. We are demonstrating progress towards 10% ROACE by the end of 2020.

As Ben mentioned earlier, our gearing continues to decrease and is now 20.3%. Divestment proceeds, along with growing CFFO, have played a key role in bringing this down. Net debt decreased almost $26 billion since 2016 , and around $9 billion since the last quarter. The net debt reduction in Q4 is supported by a large release of working capital linked to the drop in oil prices, as well as reduced inventory levels. The impact on working capital from inventory movements alone, with the combination of lower prices and inventory levels, contributed to a release of $7 billion. While this may partly reverse based on recent positive oil price movements, the underlying trend on gearing is moving in the right direction and we are progressing towards our 20% target.

Our capital investment this quarter was $8 billion. This brings our full year capital spend to $25 billion, in line with our guidance. We are pleased with the improvements we are seeing in capital efficiency, driven in large party by lower unit development costs. We are continuing to do more with less. For 2019, we will maintain our $25-30 billion capital investment guidance, on a pre-IFRS16 basis. We are confident that this level of investment funds cash flow growth for the future. Our share buyback programme is progressing, with some $4.5 billion of shares purchased so far, and the next tranche of up to $2.5 billion begins today. We believe in our ability to complete the $25 billion in share buybacks by the end of 2020, subject to debt reduction and the macro environment.

Now let me run through some of the portfolio highlights of the quarter. In addition to the projects Ben spoke about earlier, we had the start-up of Clair Phase 2 in the North Sea, which will produce up to 120,000 barrels per day. And we continue to invest in our portfolio to support cash generation beyond 2020. We have announced that we will be maturing, moving from exploration and appraisal to development, three blocks in the Vaca Meurta in Argentina, providing growth into the mid-2020s. With our experience and capability from North America, we are de-risking our Argentina position. Drilling costs are down 50% since 2016, with forward-looking break-even prices of less than $40 per barrel. In December, we announced our final investment decision on Assa North in Nigeria, a gas development to support domestic needs. And I also want to mention that, as part of our power portfolio in our New Energies business, we acquired offshore wind leases off the northeast coast of the US. These have the potential, if developed, to provide peak power generation capacity of 4.1 gigawatts, enough power to supply some 1.7 million homes. Shell is well placed to develop these opportunities, combining our offshore capabilities and our wind experience – along with the experience of our partners. And as Ben mentioned, we completed our $30 billion divestment programme in the quarter, enabling further deleveraging as well as a simpler, more competitive portfolio.

Let us now have a look at the earnings this quarter. Our Q4 2018 CCS earnings, excluding identified items, amounted to $5.7 billion, which is almost $1.4 billion, or 32%, higher than in Q4 2017. In our Integrated Gas business, earnings excluding identified items were $2.4 billion, or 44% higher than in the same quarter last year. Integrated Gas benefited from higher realised oil, gas and LNG prices, as well as higher contributions from LNG trading. These were partly offset by movements in deferred tax positions. Total production volumes were largely unchanged compared with the fourth quarter 2017, while LNG liquefaction was 3% higher – mainly due to lower maintenance and increased feedgas availability, partly offset by divestments.

Earnings excluding identified items in Upstream were approximately $1.9 billion, or some $200 million higher than in Q4 2017. This was driven by higher realised oil and gas prices as well as lower well write-offs. This was partly offset by movements in deferred tax positions being less favourable. Upstream production was up 1% compared with the same quarter a year ago mainly driven by new field start-ups and ramp-ups, partly offset by divestments. Excluding portfolio impacts, production was up 5% over the same period.

In Downstream, CCS earnings excluding identified items were $2.1 billion or 53% higher than Q4 2017. Downstream benefited from increased contributions from crude oil trading and stronger refining and marketing margins, but these were partly offset by higher operating expenses and lower base chemicals and intermediate margins. In Corporate, compared with the fourth quarter of 2017, earnings excluding identified items mainly reflect lower tax credits related to the change in the US tax law.

Now, let us review cash flow in further detail. Our Q4 2018 cash flow from operations excluding working capital movements amounted to $12.9 billion, which is $3.8 billion higher than in Q4 2017, largely driven by higher prices and increased volumes. Higher taxes are driven by increased profitability. Additionally, this quarter we paid some $200 million in taxes related to our Omani business with a further $500 million to be paid in Q1 2019. These payments will offset future tax payments from 2020 onwards. Margining on derivatives in Q4 represented a source of cash, unlike prior quarters. Relative to Q4 2017, we have received $1.9 billion in cash from margining. With a sharp downward move in Brent forwards, we realised a $1.7 billion cash inflow in Integrated Gas margining, which on a full year basis more than offset the negative impact from prior quarters. And in Upstream, derivates related to our Denmark divestment saw a similar help from the recent decline in oil prices, generated a $350 million cash inflow. These derivatives may have an impact on our cash flow until deal completion, which is expected in 2019. Both of these were then partially offset by smaller movements on foreign exchange swaps. We have included additional details on the movements of cash, derivative margining and working capital in the appendix.

As an example of how we are reshaping Shell, let's focus in on the Gulf of Mexico where we saw a step-up in the cash delivery from our existing operations over the last few years, and in the second half of 2018 specifically. Our Gulf of Mexico teams have improved the profitability and competitiveness of our assets, by maximising production from existing producers and keeping our hubs full. For example, in the Mars corridor volumes are up almost 50% since 2016. This was done with infill drilling, well, reservoir and facilities management (WRFM) and near-field development. Our unit development and operating costs have been steadily decreasing year-on-year, now well below $10 per barrel in our deepwater operations. We are getting better at our turnarounds, including using robotic, non-intrusive inspections. Through better planning and integration, we have reduced logistics spend. And new wells are being delivered faster and at lower cost. Last summer, the teams brought 14 wells online over a 14-week period. All of these factors are improving the performance and production of high cash-margin barrels from the Gulf of Mexico.

On this slide you will see that all key financial trends are moving in the right direction. From 2016 onwards, we are delivering strong earnings growth year on year and improved ROACE. The same trend is true with cash flow as CFFO has more than doubled between 2016 and 2018. A number of initiatives across the company support these trends. For instance, the steps we have taken to simplify our IT systems, such as the enterprise-wide deployment of SAP Ariba for Contracts and Procurement, allowing automation, data analytics and better business outcomes. We continue build-out our business operations in places like Chennai and Bangalore which reduces costs and enables innovation. These steps are helping to transform Shell into a simpler company that delivers higher returns. Our gearing level continues to decrease from nearly 29% in 2016 following the BG acquisition to 20.3% at the end of 2018. We are looking to maintain gearing at 20% or below through the cycle, as this is a good indicator of both balance sheet strength and in line with an AA credit rating. Gearing will be impacted by the implementation of IFRS 16, we will provide further details on the impact this accounting change has on our key metrics in March.

Turning to reserves, our SEC proved reserves at the end of 2018 were 11.6 billion barrels of oil equivalent, which is a decrease of around 600 million barrels from the end of 2017. Our reserves replacement ratio for 2018 is 53%. This is due to divestments and the impact of Groningen, which we previously disclosed. Reserves replacement excluding Groningen this year is estimated at 98%. Our three-year average reserves replacement ratio stands at an estimated 96%. I do want to stress again that not all barrels are created equally, and that we will not chase production volumes on reserves, but will continue to focus on cash generation and returns. I think you have seen evidence of that last year, when we exited low value barrels in Majnoon in Iraq, and grown production of high value barrels for example in North America and Brazil. Value before volume.

Now, let me speak about our cash priorities. Our priorities remain the same and we remain disciplined with our cash allocation. Reducing our net debt remains our first priority and divestment proceeds help achieve this. We want to continue to strengthen our balance sheet with AA equivalent credit metrics. Then with our cash flow from our operations, we will fund our capital programme, our dividend payments, and interest expense. Surplus cash will be used to fund our buyback programme and reduce debt further, which is what we have been doing. These priorities are unchanged, and our actions have fully adhered to this framework, with the reduction in debt, the removal of the scrip, continued investment driving cash flow growth, and the start of the share buyback programme.

Our strategy is working and we are delivering. The cash flow generation from the company has improved materially. For 2018, we were able to deliver free cash flow of around $39 billion of which $31 billion was organic. Again more organic free cash flow delivery at lower oil prices. This covered our buybacks, cash dividend, and interest expense. And based on our outlook we believe we have the free cash flow to deliver on our strategy – to grow cash flow, reduce debt, and increase shareholder distributions.

Let me end by turning to our competitive position. Ben and I have spoken about the improved operational and financial results of the company in absolute terms. But for us to be a world-class investment case, it is more than just improvement. We must also deliver industry-leading outcomes. The charts show we have made significant progress on all fronts and we remain committed to Shell achieving the leading position in each of these metrics. With continued discipline and strong and consistent operational delivery, we will continue to drive this further. Now let me hand back to Ben.

Thanks Jessica. As I said at the start, we are pleased to say 2018 has been a great year, a year of delivery on a number of fronts. Our relentless focus on value, operational excellence, project delivery, and competitiveness meant we were able to deliver strong returns and cash from our upgraded portfolio. Our focus for 2019 remains the same, we will remain focused on delivery, with a disciplined approach to capital investment and a focus on growing both our cash flow and returns.

With that, let's go for your questions please. We also have with us Maarten Wetselaar. Please could we have just one or two each, so everyone has the opportunity to ask a question.

Thank you for your questions and for joining the call today. We have a number of events coming up. Our annual LNG outlook is scheduled for February 25th. Also, we will host a webcast on March 28th with our Group Controller to talk through the IFRS 16 implications. In May we will report our first quarter results and host our AGM. And I look forward to welcoming you at our Management Day in June.

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DEFINITIONS AND CAUTIONARY NOTE

NOT FOR RELEASE, PRESENTATION, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISIDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION.

Gearing is defined as net debt as a percentage of total capital. With effect from 2018, the net debt calculation includes the fair value of derivative financial instruments used to hedge foreign exchange and interest rate risks relating to debt, and associated collateral balances. Free Cash Flow is defined as the sum of "Cash flow from operating activities" and "Cash flow from investing activities". Cash flow from operating activities excluding working capital movements is defined as "Cash flow from operating activities" less the sum of the following items in the Consolidated Statement of Cash Flows: (i) (increase)/decrease in inventories, (ii) (increase)/decrease in current receivables, and (iii) increase/(decrease) in current payables. Organic free cash flow is defined as free cash flow excluding inorganic capital investment (acquisitions) and divestment proceeds. ROACE (Return on Average Capital Employed) is defined as the sum of current cost of supplies (CCS) earnings attributable to shareholders excluding identified items for the current and previous three quarters, as a percentage of the average capital employed for the same period. Capital employed consists of total equity, current debt and non-current debt. Capital investment comprises capital expenditure, exploration expense excluding well write-offs, new investments in joint ventures and associates, new finance leases and investments in Integrated Gas, Upstream and Downstream equity securities, all of which on an accruals basis. Divestments comprises proceeds from sale of property, plant and equipment and businesses, joint ventures and associates, and other Integrated Gas, Upstream and Downstream investments, reported in "Cash flow from investing activities (CFFI)", adjusted onto an accruals basis and for any share consideration received or contingent consideration recognised upon divestment, as well as proceeds from the sale of interests in entities while retaining control (for example, proceeds from sale of interest in Shell Midstream Partners, L.P.). Headline divestments is a non-GAAP metric. Divestment cash proceeds in 2016-2018 were equal to $26.7 billion (in Cash flow from investing activities) and $2.1 billion ("Change in non-controlling interest" in Cash flow from financing activities, primarily related to Shell Midstream Partners, L.P.). Additionally certain contingent payments associated with these divestments are expected to be received in the future. This presentation contains the following forward-looking Non-GAAP measures: Organic Free Cash Flow, Free Cash Flow, Capital Investment, CCS Earnings less identified items, Operating Expenses, ROACE, Capital Employed and Divestments. We are unable to provide a reconciliation of the above forward-looking Non-GAAP measures to the most comparable GAAP financial measures because certain information needed to reconcile the above Non-GAAP measure to the most comparable GAAP financial measure is dependent on future events some which are outside the control of the company, such as oil and gas prices, interest rates and exchange rates. Moreover, estimating such GAAP measures with the required precision necessary to provide a meaningful reconciliation is extremely difficult and could not be accomplished without unreasonable effort. Non-GAAP measures in respect of future periods which cannot be reconciled to the most comparable GAAP financial measure are calculated in a manner which is consistent with the accounting policies applied in Royal Dutch Shell plc's financial statements. As the projects are expected to be multi-decade producing the per barrel projection will not be reflected either in earnings or cash flow in the next five years. Reserves: Our use of the term "reserves" in this presentation means SEC proved oil and gas reserves. Resources: Our use of the term "resources" in this presentation includes quantities of oil and gas not yet classified as SEC proved oil and gas reserves. Resources are consistent with the Society of Petroleum Engineers (SPE) 2P + 2C definitions. The forward-looking break-even price (BEP) presented is calculated based on all forward-looking costs associated from Final Investment Decision (FID). Accordingly, this typically excludes exploration and appraisal costs, lease bonuses, exploration seismic and exploration team overhead costs. The forward-looking BEP is calculated based on our estimate of resources volumes that are currently classified as 2p and 2c under the Society of Petroleum Engineers' Resource Classification System. The financial measures provided by strategic themes represent a notional allocation of ROACE, capital employed, capital investment, free cash flow, organic free cash flow and underlying operating expenses of Shell's strategic themes. Shell's segment reporting under IFRS 8 remains Integrated Gas, Upstream, Downstream and Corporate. All outlook on financial metrics and/or alternative performance measures excludes the effect of IFRS 16 implementation. Also, in this presentation we may refer to "Shell's net carbon footprint", which includes Shell's carbon emissions from the production of our energy products, our suppliers' carbon emissions in supplying energy for that production and our customers' carbon emissions associated with their use of the energy products we sell. Shell only controls its own emissions but, to support society in achieving the Paris Agreement goals, we aim to help and influence such suppliers and consumers to likewise lower their emissions. The use of the terminology "Shell's net carbon footprint" is for convenience only and not intended to suggest these emissions are those of Shell or its subsidiaries.

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FOURTH QUARTER 2018 RESULTS

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this presentation "Shell", "Shell group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell plc and its subsidiaries in general. Likewise, the words "we", "us" and "our" are also used to refer to Royal Dutch Shell plc and its subsidiaries in general or to those who work for them. These terms are also used where no useful purpose is served by identifying the particular entity or entities. ''Subsidiaries'', "Shell subsidiaries" and "Shell companies" as used in this presentation refer to entities over which Royal Dutch Shell plc either directly or indirectly has control. Entities and unincorporated arrangements over which Shell has joint control are generally referred to as "joint ventures" and "joint operations", respectively. Entities over which Shell has significant influence but neither control nor joint control are referred to as "associates". The term "Shell interest" is used for convenience to indicate the direct and/or indirect ownership interest held by Shell in an entity or unincorporated joint arrangement, after exclusion of all third-party interest.

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