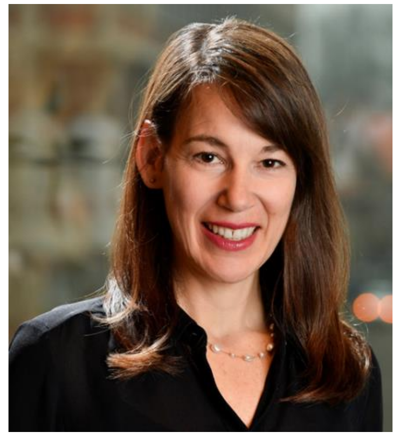
ROYAL DUTCH SHELL PLC
FIRST QUARTER 2019 RESULTS

MAY 2ND 2019

FIRST QUARTER 2019 RESULTS WEBCAST TO MEDIA AND ANALYSTS

BY JESSICA UHL, CHIEF FINANCIAL OFFICER OF ROYAL DUTCH SHELL PLC

Ladies and gentlemen, welcome to Shell's first quarter 2019 results call. Before we start, let me pause on the disclaimer statement.



Shell delivered another strong set of results in the first quarter of 2019. Building on the successes of 2018, in Q1 2019 we generated cash flow from operations excluding working capital movements of $12.1 billion and CCS earnings of $5.3 billion. These results show the combined strength of our strategy, portfolio, and operational performance. We have reshaped Shell to deliver higher returns across our Upstream, Integrated Gas and Downstream businesses. Today, I will present our Q1 results and then talk about portfolio highlights, before providing more insight into our earnings and cash flow, including the impact of the new IFRS 16 accounting standard. As I go through the results, please keep in mind they are presented on a post-IFRS 16 basis.

For Shell to deliver a world-class investment case, we need to generate leading, growing and resilient cash flows and returns, and be disciplined with our cash allocation. In the first quarter we did just that. Cash flow from operations excluding working capital movements were $12.1 billion, once again the highest in our sector. This was at an average Brent price of $63 per barrel. Our organic free cash flow for the quarter was $3.4 billion. This includes a working capital impact of some $3.5 billion.

CCS earnings excluding identified items amounted to $5.3 billion, and ROACE reached 8.4%. We are continuing to demonstrate progress towards ROACE of 10% by the end of 2020, even with the headwinds associated with IFRS 16. For Q1 2019, our gearing is 26.5% post-IFRS 16, or 21.9% on an IAS 17 basis, in line with the expected change. I will talk through this further later in the presentation. Our capital investment in the quarter was $6.7 billion.

Our share buyback programme is progressing with some $6.75 billion in shares purchased in the last 7 months. And the next tranche of up to $2.75 billion begins today. The share buyback programme is executed under irrevocable contracts of approximately three months with a bank. The contracts allows for some flexibility with respect to the total value of shares purchased and the time period over which they are purchased, in order to achieve the best commercial terms. Once the contract has commenced, we do not have the ability to alter the phasing or amount of shares purchased. We continue to believe in our ability to complete $25 billion in share buybacks by the end of 2020, subject to further progress on debt reduction and oil price conditions.

In summary, a good quarter, with very competitive performance from our Upstream, Integrated Gas and Downstream businesses. This competitive performance can be seen when we look at our cash flow generation and returns on a 4-quarter rolling basis. To deliver on our world-class investment case ambition we have reshaped Shell. Our leading cash generation and returns position reflects the strategic and portfolio choices we have made. And our focus on operational excellence, integration and our brand has made the most of these choices.

We are committed to maintaining our leading position in each of these metrics, to continue delivering competitive returns and cash flow from operations. And, while it is a priority for us to deliver our results, how we run our business is also key to our strategy. To sustainably deliver the world-class investment case, Shell has to be known as a company that performs and behaves in the right way to achieve its strategic ambitions.

Maintaining a strong societal licence to operate is a key pillar of our strategy. For us to do this, we need to demonstrate commitment to three core elements. Firstly, no harm. No harm to people and no harm to the environment. The second element is to have good products. We need to make and sell products that our customers want and need, and we must be good product stewards. The third – and final – element, is to contribute to society in order to be a valued part of society. This means supplying energy, providing employment, bringing investment and prosperity with our projects, and more.

How we conduct our business needs to reflect our values and principles, with Shell seeking to contribute positively to key issues, such as transparency, ethics and compliance, worker welfare, and diversity and inclusion, among others. As an example, we recently issued a report that provides transparency on climate-related positions of trade associations and the basis for our participation in these associations. This is one of the steps we are taking to increase transparency and ensure alignment with our positions on key matters. We believe by demonstrating commitment to these core elements: no harm, good products, and being a trusted company, we build and maintain trust, underpinning a strong societal licence to operate.

Let us now go through some of our portfolio highlights. In February, we announced the start of production at the Lula North deep-water field in Brazil. Production from Lula North is processed by the P-67 floating production and storage offloading vessel, and this is in addition to the P-69 FPSO which started up in the fourth quarter of 2018. Both facilities are ramping up towards peak production, and we expect another FPSO to come onstream in 2019. This reinforces our position as a major producer of oil and gas in Brazil, with total equity production this quarter of some 375 thousand barrels of oil equivalent per day – the largest in the sector behind Petrobras.

Now, moving to the Gulf of Mexico, another heartland for our Deep water business. We continue to make investments in both exploration and new projects to sustain this business for decades to come. Supporting this future growth, Shell announced a significant discovery at the Blacktip prospect in the Deep water US Gulf of Mexico. The Blacktip exploration well has encountered more than 400 feet, or 122 metres, of net oil pay. Evaluation is ongoing to further delineate the discovery and define development options. Shell also announced the divestment of the Caesar-Tonga asset for a total consideration of $965 million. This transaction reflects continued portfolio optimisation, focusing on assets where we see the most value in the longer-term.

We have also announced the divestment of a number of other assets, for example, our refinery in Saudi Arabia, and the interest in the Greater Sunrise fields for $300 million. The total of these announced divestments to date amounts to some $2 billion. Another project that reached a key milestone is Prelude. In the fourth quarter of 2018, we announced that we opened wells to supply gas to this facility. We have produced the first condensate cargo, and we expect to ship our first cargo of LNG in Q2 this year.

As you can see, the Upstream and Integrated Gas businesses achieved important milestones in the first quarter. The same holds true for Downstream. In our retail business, for example, we made important progress on our strategy, building on our position in existing markets, and increasing our presence in five growth markets: China, India, Mexico, Indonesia, and Russia. Progress is gathering pace and we are pleased to report that some 250 sites were opened in these growth markets across the last two quarters. But to achieve our Downstream growth ambitions, we will also need to enhance our existing market positions, and China is a great example of this. We have seen growing demand for our premium fuel, V-Power, which is now being offered at over 900 service stations in China, and we expect further demand for these types of products, allowing us to achieve greater margins.

Another example of Shell offering new solutions to our customers is our Nature-based solutions offering, where we are making it possible for our customers to drive carbon-neutral. Starting in April, Shell customers in the Netherlands can use nature-based carbon credits to compensate for the carbon associated with the use of fuels purchased from us. This is done at no extra cost for customers who choose Shell V-Power, while those who fill up with regular Shell fuels can participate for an additional 1 cent per litre. We plan to make similar opportunities available to customers in other countries, starting with the UK later this year.

We are further enhancing the customer experience with additional products and services. With the Shell App, we can provide customers with multiple flexible solutions to meet their needs as part of our loyalty proposition. In the UK, for example, with the recent rebranding of First Utility to Shell Energy, we can now use our Shell Go+ loyalty programme, to provide Shell Energy customers an integrated set of offers at the service station, and in their homes. To further meet the needs of customers, while enabling a lower carbon future, Shell Energy will now supply all of its household customers with electricity that comes from 100% renewable sources like wind, solar and biomass. A recent survey indicated that 60% of British households want to power their homes with renewable electricity, so this is about knowing our customers and providing low carbon solutions, today.

So, as you can see, we are building on the solid foundations of our retail business to further innovate and grow. We are taking these steps to build a competitive and sustainable business with attractive and resilient returns, and with opportunities to scale-up once proven. So, in Q1 we saw new Upstream and Integrated Gas projects starting-up, we saw Downstream reaching new customers, and existing customers in new ways, and we saw New Energies growing. We continue to invest in our portfolio to drive our strategy, market leadership and competitive returns. This is also reflected in how we are further high-grading our Refining portfolio.

In April, Shell announced the sale of its 50% interest in the SASREF refining joint venture to its partner, Saudi Aramco, for some $630 million, and we are expecting the transaction to complete later this year – subject to customary closing conditions. This sale is aligned with our strategy of consolidating our footprint to focus on increasingly complex sites, which offer greater flexibility, proximity to customers, and integration with Shell's trading network.

The focus on high-grading our portfolio has improved our competitive position. And by continually optimising the core assets we will further improve the competitiveness of these assets. In Bukom, for example, we have installed two crude oil tanks at the refinery. Once the final permits are approved, this will increase the site's total storage by around 1.3 million barrels of crude oil. This strengthens Bukom's flexibility and enables supply and distribution optimisation, to secure the best-value crude for the refinery. Again, another example of how Shell ensures it is optimising its operations, unlocking the best value from the integrated value chain.

This also provides further opportunity as we implement the new marine fuel specification, aligned with the International Maritime Organisation, IMO, 2020 targets. And, this project did not follow conventional construction practices, but instead used novel automated welding technology to help accelerate construction – another example of how we are doing more for less, and using technology to our advantage.

And finally, we are using technology to further help us improve the safety of our people, and support our continued drive for operating cost efficiencies. These new tanks feature an automated cleaning system that will help improve the long-term integrity of the tanks and, importantly, reduces the need for employees to manually perform this task going forward. This is safer and costs less.

Enhancing our refinery storage capacity, and optimising our blending capabilities is a key part of how we unlock value from our integrated Refining and Trading and Supply businesses. Last year, we installed two new crude oil storage tanks with mixing capabilities at our Deer Park refinery on the US Gulf Coast. And we are also investing in additional storage capacity at our Scotford refinery in Canada and Geismar Chemical plant in Louisiana. Both of these projects will use best practices and learnings from Bukom. In summary, these are great examples of how we have looked to optimise assets at every step through construction to operations.

Now, we have seen some of the elements Shell has delivered across its portfolio, let me turn to our financials. On a post-IFRS 16 basis, our Q1 2019 CCS earnings excluding identified items amounted to $5.3 billion, which is 2% lower than in Q1 2018. In our Integrated Gas business, total production was 12% lower compared with the first quarter 2018, mainly due to divestments and the transfer of the Salym asset into the Upstream segment. LNG liquefaction volumes decreased by 2% compared with the first quarter 2018, mainly driven by higher maintenance activities and divestments, partly offset by increased feedgas availability. Integrated Gas earnings excluding identified items were $2.6 billion, or 5% higher than in the same quarter last year, largely driven by higher realised LNG and gas prices and increased contributions from LNG portfolio optimisation, partly offset by the impact of lower production and LNG sales volumes.

Earnings excluding identified items in Upstream were approximately $1.7 billion, or some $170 million higher than in Q1 2018. This was driven by higher volumes, mainly from the US Gulf of Mexico and shales operations, and reduced operating expenses. This more than offsets the impact of higher tax charges and lower realised oil prices. First quarter Upstream production increased by 1%, compared with the same quarter a year ago, mainly due to higher production from our North American assets, and the transfer of the Salym asset from the Integrated Gas segment. This was partly offset by the impact of divestments, field decline and lower production in the NAM joint venture. Excluding these portfolio impacts, production was up 2% over the same period.

In Downstream, CCS earnings excluding identified items in Q1 2019 were $1.8 billion. Downstream benefited from higher contributions from crude oil and oil products trading, partly offset by lower refining, intermediates and base chemicals margins.

In Corporate, we have seen the additional impact of IFRS 16 with the interest recognition residing in this segment. This is consistent with the expected impact as a result of IFRS 16, as previously communicated.

Now let us review the cash flow. Our Q1 2019 cash flow from operations, excluding working capital movements, amounted to $12.1 billion, which is $1.8 billion higher than in Q1 2018. This is against a back-drop of lower chemicals and refining margins and decreased realised oil prices, and also includes the IFRS 16 impact on cash flow, as previously communicated in our call, of around $950 million. In our Integrated Gas business, cash flow from operations in Q1 2019 was $4.2 billion, and includes positive working capital movements in the quarter. In our Upstream business, our cash flow from operations was $1.7 billion higher, and includes a help from working capital, in addition to the increased volumes in the quarter from the US Gulf of Mexico which are, as I have said before, the higher cash margin barrels. The Upstream cash flow from operations in Q1 2019 also include a cash tax payment of approximately $500 million relating to the agreement signed between Shell and the Government of Oman in Q2 2018. These payments will offset future tax payments from 2020 onwards. In our Downstream business, our cash flow from operations is $3.7 billion lower in Q1 2019 when compared to Q1 2018, largely due to the impact in working capital resulting from the higher inventory price and volume movements. In Q4 2018, we saw a help to cash flow from working capital movements largely linked to the fall in oil prices and reduced inventory levels. At that time we flagged our expectation that this would partially reverse should prices increase, and in Q1 2019 we observed the closing Brent price move up versus last quarter. This change in price, in addition to our usual seasonal inventory movements, has contributed to an increase in working capital of some $3.5 billion from Q4 2018.

So, now that we have seen the business drivers, it is worth briefly touching upon how this all rolls up for Shell on the summary financials at both a pre- and post-IFRS 16 level. I would first like to emphasise, implementing IFRS 16 does not change Shell's strategy or financial framework. We still have the same financial discipline, the same focus on results, and we are well on our way to become a world-class investment case. Cash flow from operations excluding working capital movements was $12.1 billion, including an IFRS 16 impact of $800 million. Our free cash flow for the quarter of $4 billion includes an IFRS 16 impact of approximately $1.1 billion. This is the result of lease payments being reported under cash flow from financing and no longer under cash flow from operations and investing, therefore free cash flow. This was as expected, and was communicated in our IFRS 16 call.

Capital investment in the quarter was $6.7 billion. This includes a $700 million impact due to IFRS 16, as it now includes the capitalisation of operating leases in the period. As highlighted in the IFRS 16 call, in order to improve the transparency of our capital expenditure and the cash implications of our financial framework, we are introducing a new metric – cash capital expenditure, as from Q1 2019. In Q1 2019, our cash capital expenditure was $5.6 billion.

And finally, our gearing increased, as mentioned earlier, from 21.9% to 26.5%, in line with our expected increase as a result of the accounting change. We now recognise operating lease liabilities on the balance sheet, resulting in higher debt and capital employed, and therefore increasing the quoted gearing percentage. And while our gearing might fluctuate from quarter to quarter, the underlying trend on gearing is moving in the right direction and we are progressing towards our 20% target on a pre-IFRS 16 basis, or 25% on a post-IFRS 16 basis.

Let me summarise. Q1 was another good quarter for Shell, across all of our businesses. Our delivery reflects the strength of our strategy, portfolio, and operational performance. Capital and operating expense discipline remains key to achieving competitive returns. We continue to focus on consistent delivery and performance in the short term and we are confident in meeting our 2020 outlook. We are also building our business to generate profitable and resilient cash flows into the 2020s. And, all of this is built with continued disciplined management of our financial framework. I look forward to providing more details on our strategy and post-2020 outlook at our Management Day event in June.

With that, let's go for your questions please. 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. Our Annual General Meeting is on the 21st of May 2019. I look forward to talking to you – along with Ben and the rest of the Executive Committee – further at our Management Day 2019, on the 4th of June in London and on the 5th of June in New York. The second quarter results are scheduled to be announced on the 1st of August 2019, and Ben and I will talk to you all then.

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DEFINITIONS AND CAUTIONARY NOTE

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Gearing is defined as net debt (current and noncurrent debt less cash and cash equivalents, adjusted for fair value of derivative financial instruments used to hedge foreign exchange and interest rate risks relating to debt, and associated collateral balances) as a percentage of total capital (net debt plus total equity). 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; Q1 2019 4Q rolling amounting to $0.4 billion) and divestment proceeds (Q1 2019 4Q rolling amounting to $9.6 billion). ROACE on a CCS basis excluding identified items is defined as the sum of CCS earnings excluding identified items for the current and previous three quarters, adjusted for after-tax interest expense, expressed as a percentage of the average capital employed for the same period. The after-tax interest expense is calculated using the effective tax rate for the same period. Capital employed consists of total equity, current debt and non-current debt. Earnings on a current cost of supplies basis (CCS earnings) is the income for the period, adjusted for the after-tax effect of oil-price changes on inventory. Basic CCS earnings per share is calculated by dividing CCS earnings attributable to shareholders by the average number of shares outstanding over the year. Capital investment comprises Capital expenditure, Investments in joint ventures and associates and Investments in equity securities, exploration expense excluding well write-offs, leases recognised in the period and other adjustments. Cash capital expenditure is introduced with effect from January 1, 2019, comprising the following lines from the Consolidated Statement of Cash Flows: Capital expenditure, Investments in joint ventures and associates and Investments in equity securities. Reconciliations of the above non-GAAP measures are included in the Royal Dutch Shell plc Unaudited Condensed Interim Financial Report for three-month period ended March 31, 2019. 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.

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.

This presentation contains forward-looking statements (within the meaning of the U.S. Private Securities Litigation Reform Act of 1995) concerning the financial condition, results of operations and businesses of Royal Dutch Shell. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Royal Dutch Shell to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "aim", "ambition', ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''goals'', ''intend'', ''may'', ''objectives'', ''outlook'', ''plan'', ''probably'', ''project'', ''risks'', "schedule", ''seek'', ''should'', ''target'', ''will'' and similar terms and phrases. There are a number of factors that could affect the future operations of Royal Dutch Shell and could cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for Shell's products; (c) currency fluctuations; (d) drilling and production results; (e) reserves estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including regulatory measures addressing climate change; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; and (m) changes in trading conditions. No assurance is provided that future dividend payments will match or exceed previous dividend payments. All forward-looking statements contained in this presentation are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Additional risk factors that may affect future results are contained in Royal Dutch Shell's Form 20-F for the year ended December 31, 2018 (available at www.shell.com/investor and www.sec.gov). These risk factors also expressly qualify all forward-looking statements contained in this presentation and should be considered by the reader. Each forward-looking statement speaks only as of the date of this presentation, May 2, 2019. Neither Royal Dutch Shell plc nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this presentation. We may have used certain terms, such as resources, in this presentation that the United States Securities and Exchange Commission (SEC) strictly prohibits us from including in our filings with the SEC. U.S. investors are urged to consider closely the disclosure in our Form 20-F, File No 1-32575, available on the SEC website www.sec.gov.