ROYAL DUTCH SHELL PLC
FOURTH QUARTER 2019 RESULTS

JANUARY 30th 2020

FOURTH QUARTER 2019 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, welcome to Shell's fourth quarter results call, and thank you for joining us today. Before we start, let me highlight the disclaimer statement.

It is time to update you on our delivery and performance in 2019.

We are seeing good cash flow performance, the current cash flows could bring us to $28-33 billion in organic free cash flow by the end of this year, if we see an improvement in macro conditions to our reference price conditions. That is what we said we would achieve for 2020. The tough macro headwinds we have seen could impact our ability to deliver on that. But we have built a resilient business and with continued discipline we expect to succeed.

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. Being a world-class investment is about generating strong returns and financial resilience. Thriving in the energy transition is about being a world-class investment for the decades to come. And a strong societal licence to operate is about having the support of society for what we do.

2019 was a year of progress towards all three ambitions and we continue to transform Shell into a simpler company that can deliver higher returns. And Shell needed all that strength for 2019. Because, even with it, recent levels of profitability have been lower. There are three reasons for this.

First, oil and gas prices. A year of price volatility across our businesses will not have escaped your attention. In 2018, the average oil price was $71 per barrel. In 2019, oil prices averaged around $64. That has impacted our earnings and cash flow. And the geopolitical landscape and risk dynamics continue to remain challenging, even if we now see some positive signs in the macroeconomic outlook.

The second point to make is about weaker economic activity impacting margins, particularly in refining, and most certainly in chemicals. Specifically, lower GDP growth rates and a supply-demand imbalance in chemicals have impacted performance.

The third and final point to make in relation to the factors holding back our earnings is about one-offs and unusual items. These are items such as our deferred tax charges in Q4 last year, and the higher charges related to the provision for restoration and decommissioning obligations. Also, with our assets starting-up, depreciation of these major assets has commenced and we will see increasing revenues as we progress through their ramp-up phase. You will hear about some of these projects a little later.

Despite these three impacts, in 2019 our cash flow from operations, excluding working capital, was almost $47 billion with our working capital movements amounting to a negative impact of around $5 billion for 2019. And this translates to more than $20 billion in organic free cash flow.

These three impacts, the oil and gas prices, the challenging Downstream business environment and the one-offs have had an effect on our earnings and cash flow generation. But they do not change the foundations of our financial framework. The foundations remain firm.

On the share buybacks, as highlighted by Jessica last quarter, the release of each tranche is reviewed every quarter and is subject to the broader macro conditions and debt reduction. Progress on organic free cash flow is, itself, linked to the oil price of $60 per barrel real terms 2016, which is around $65 per barrel in 2020, and mid-cycle Downstream margins. As I have already outlined, these have been unhelpful in 2019, in the context of broader macroeconomic conditions. This is why, in Q3, we said that reducing our gearing and the share buyback programme may take additional time. Having made our review, considering all these factors, we are able to announce that the next round of the share buyback programme will be set at $1 billion.

You will agree, in our sector, it is essential to have a resilient balance sheet to manage this type of volatility. We will need to continue with the self-help we have delivered in previous years, for example the discipline we have shown in our investments throughout 2019, spending around $24 billion. And despite adding further customer-facing assets, such as in power, which traditionally incurs higher opex, our headline opex for 2019, excluding IFRS 16 effects, has remained largely flat when compared to 2018. We plan to continue this discipline. Our current plan for 2020 is for Shell to spend at the lower end of the $24 to $29 billion cash capex range. We will detail some of these investments a little later, including our progress towards building a low-carbon power business.

Before I give you more detail on our financial performance, I want to first focus on safety.

There are two perspectives you can take in looking at these charts. The first is that we have come a long way in a short period. The second is that we have not continued the progress we made over the past few years. Both perspectives are accurate. It is the second perspective that causes me most concern. Because safety is necessary for progress towards each of our three strategic ambitions. And while safety performance at our facilities has improved, our performance on personal safety in 2019 was simply not good enough with seven work-related fatalities occurring in Shell-operated entities. Our sympathy and condolences are with all the families involved. These incidents are terrible reminders of the importance of a relentless and uncompromising focus on HSSE performance.We must do better and we will.

Before I give you more detail on our progress and financial performance, I want to first provide a brief reminder of the overall Shell strategy. At our Management Day in June 2019, we showed you how we have characterised our portfolio and this is serving us well to focus our investment priorities and execute our strategy of driving delivery. We have grouped our businesses into strategic themes: Core Upstream themes which generate strong cash flow, Leading Transition themes which will be critical for us to capitalise on the energy transition to a lower-carbon future and an Emerging Power theme which will capture value from the growth in electricity consumption.

These groupings continue to provide clarity about our strategy and expectations in relation to returns, as well as risks and opportunities. Our financial framework has not changed. It is to have a balance sheet that is resilient through the cycle and to continue investing in our portfolio so that we can generate the cash capacity to increase distributions to our shareholders. Shell's strategy is clear and will not change.

And we have made progress on the delivery of our differentiated strategy through 2019. In our Core Upstream business, we have seen a maturation of projects reaching Final Investment Decision and several start-ups. We now have a very strong position in Deep Water where we generate high margins through focused cost management and operational excellence. In our Leading Transition theme, our Marketing businesses continue to deliver. They have already established themselves as both the world's number one mobility retailer, and our Lubricants business is the global market leader.In fact, when we look at the clean earnings for our Marketing businesses, 2019 was their best year in the last decade.

And our LNG business, with its trading, marketing, and optimisation team continues to go from strength to strength.

And finally, our Emerging Power theme, where we are building a competitive and integrated business. You will hear more about this a little later.

As I have said, in 2019 we have made good progress on our strategy and looking forward we will continue to ensure there is a strong customer focus, where we will create value by offering our customers the products and services they want and need. We will maintain our capital allocation to ensure we have diversified risk, but also strike a healthy balance with the opportunities we see. We will maintain our capital allocation discipline and continue to shape our business to allow us to capitalise on the energy transition, creating a more resilient portfolio that also enables a low-carbon future. And we will continue building a truly integrated business, to further unlock the value across the energy value chain.

I would like to spend a little time now on one of the crucial things which has put us on this path to success. Capital efficiency.

Our Projects and Technology organisation is responsible for the safe and efficient delivery of nearly two-thirds of Shell's total capital spend. By systematically applying a capital efficiency improvement drive, we have been able to structurally, and sustainably, reduce costs across our project portfolio. Competitive scoping, systems engineering, efficient execution and recovering value in the supply chain have been crucial to our achievements. For example, looking at efficient execution the Gato do Mato-3 well, off the coast of Brazil, was the fastest well ever drilled down to top reservoir in the history of the Brazilian pre-salt industry.

The results of this efficiency can be seen in our capital spend. Independent Project Analysis shows that more than 70% of the major projects we sanctioned in 2018 and 2019 have a Unit Development Cost, that is either Best-in-Class or Top Quartile. And we have reduced the portfolio Unit Development Cost for all Upstream and Integrated Gas projects by more than 50% since the end of 2014. Of course, all of this makes the company more resilient at lower oil prices. Our average forward-looking break-even price, for projects that took Final Investment Decision in 2019, was under $30 per barrel. This focus on efficiency will continue to be a feature of what we do in each of our strategic themes and we will continue to build resilience and returns.

And now, having given you the broader perspective, let us move on to have a closer look at the progress in Upstream and Integrated Gas for 2019.

Through 2019, we have continued with our investments in our Upstream and LNG businesses. The world needs oil and gas and will continue to need it for decades to come. So Shell will continue to responsibly invest in these businesses. In 2019, we have seen several projects reach Final Investment Decision, with other projects moving into operation.

I would like to highlight two of these. First, Prelude. In June last year, our floating liquefied natural gas facility offshore Australia delivered its first LNG cargo to customers in Asia. Once we reach steady-state operations, we expect one carrier a week to offload LNG, LPG or condensate. And second, Appomattox in the Gulf of Mexico, which achieved its first production in 2019. Appomattox continues to ramp up, producing around 75 thousand barrels of oil equivalent per day from four wells with fourteen more wells in the total drilling programme yet to come online. This means production from Appomattox will increase in a phased manner as we bring more wells online in 2020. Both Prelude and Appomattox will help us improve our organic free cash flow through 2020.

While it is important to look at our SEC proved reserves base, it does not represent the truly integrated and diverse portfolio that we have, or our principle of value over volume. Our SEC proved reserves at the end of 2019 were 11.1 billion barrels of oil equivalent. And our reserves replacement ratio for 2019 is 65%. I want to reiterate that not all barrels are equal and that we will not chase production volumes for reserves, but will always focus on cash generation and returns, both in the near and longer term.

Progress in bringing new projects on-stream is important, as is our ceaseless work to high-grade our broader asset portfolio. In 2019, this high-grading resulted in divestments totalling around $5 billion across all businesses. This work will continue. Our ambition is to deliver more than $10 billion of asset divestments across 2019 and 2020. We are actively working a funnel of opportunities that is materially greater than this and see potential to deliver more than this ambition. It is work like this, as well as building a resilient business, that is core to progressing towards our ambition of being a world-class investment case.

Let me now turn to one of market-leading businesses, Retail.

Our resilient Marketing businesses generate strong returns, demonstrating the strength of our scale, brand and customer offering. In our Retail business, we currently serve more than 30 million customers every day with more than 45,000 sites in almost 80 countries. Our aim is to deliver on our 2025 retail growth targets, which we shared at our Downstream Open House event in 2018, in short, to reach 55,000 service stations in more than 90 countries, serving more than 40 million customers every day. We will do this by extending our leading position through using three strengths: our scale, our brand recognition with differentiated product and service offerings, and our excellent customer focus.

Let me highlight three examples of the progress we have made to achieve this growth.

First, through the scale of our facilities, we aim to expand in key growth markets like China, India, Indonesia, Mexico and Russia through adding 5,000 new sites across these markets by 2025. Since 2017, in addition to optimising our existing portfolio position, we have already added around 1,000 sites in these markets.

The second example is through increasing our scale in established markets by adding 5,000 new sites by 2025 compared to 2017. So far, in addition to optimising our existing portfolio position, we have added over 1,500 sites.

And the final example of our growth is through expanding our customer product and service offerings through additional convenience stores at retail sites. We want to add 5,000 convenience stores across our retail network by the end of 2025, compared to 2017. To date, we have delivered more than 1,500 of these.

So, from the original commitments we highlighted at our Downstream Open House event in 2018 to the end of 2019 you can see there has been strong growth in our customer-facing Retail business which, as I shared earlier, has helped our Marketing businesses in 2019 have their best year in the last decade.

Now, earlier I promised you a closer look at some of the progress we made with our power portfolio, so let us look at the developments in this part of the business.

If the world is to tackle climate change, it must consume much more of its energy in the form of electricity. So we see this sector as a huge growth opportunity. And that is why Shell continues to lay the foundations of an integrated power business. This can be seen in three core areas.

First, supplying power to businesses and homes. We have long been one of the top three power traders and wholesale suppliers in North America. We also have a growing power trading business in Europe and we are entering into other markets, including Australia. Last quarter we acquired ERM Power. It is one of Australia's largest energy retailers supplying businesses in Australia. In the UK, we acquired Hudson Energy, and are now providing 100% renewable electricity to more than 900,000 households through Shell Energy. As homes and businesses increasingly generate their own renewable power, they need to store it and redistribute it back into the grid. Through sonnen and Limejump, we now provide smart energy storage solutions for these customers.

The second core area is renewable generation. We see great potential in wind. In addition to our operating wind farms onshore in the USA, we are actively pursuing large-scale opportunities in offshore wind. Just recently, Mayflower Wind Energy, in which we are a joint venture partner, was chosen by the State of Massachusetts to supply 804 MW of clean, renewable power. We are also building capabilities in solar power generation. Not only by investing in commercial and industrial solar projects, but also by working with our partner companies like Silicon Ranch and Cleantech Solar. Our solar development partners help commercial and industrial customers such as Facebook to meet their renewable energy commitments. Our recent investments in EOLFI in France and ESCO Pacific in Australia further supports the growth in our renewable power generation.

And the final core area in our power business is helping power to customers with electric vehicles. In 2019, Shell acquired Greenlots, an EV charging company, providing customers the ability to charge their vehicles at nearly 6,000 charge ports across North America. This followed our acquisition of NewMotion, which offers European drivers access to around 50,000 private electric charge ports and to a public charging network in 35 countries. And through our cooperation with IONITY and our own Shell Recharge offer, we continue to grow the number of fast charge ports at Shell retail stations.

While we are very excited about the growth in our Power business, the outcome of the recent Eneco transaction demonstrated that we are a disciplined investor and will not compromise on our long-term returns objectives. Since the formation of New Energies in 2016, we have invested some $2.3 billion in the business, excluding operating costs, with the majority of this investment being directed to Power. On top of this, we have entered into commitments to solar, wind and energy access projects, including the offshore wind project Mayflower Wind Energy, that I highlighted earlier. This adds up to an additional $1-2.5 billion of capital spend in coming years, subject to confirmation of the financing structure. These types of customer-facing businesses typically incur higher opex and it is therefore important, to make our investments sustainable, that we pursue the most competitive opportunities in line with our ambition to build an integrated power business that delivers 8-12% ROACE.

Investing in Power is one of many solutions that will help us thrive through the Energy Transition, and we have made further progress on our strategy across a number of fronts that I would like to step you through.

Thriving in the energy transition is about being a world-class investment for the decades to come. Investing today, so we are in step with society as it makes progress towards the goal of the Paris Agreement, a goal we wholeheartedly embrace. Our ambition is to cut the carbon intensity of the energy products we sell, reducing greenhouse gases emitted on average with each unit of energy we sell – by around half by 2050 – and as an interim measure by around 20% by 2035. Of course, Shell only controls its own emissions. But by changing the mix of energy products we supply, we aim to help our customers to lower their emissions too.

When I look at 2019 I think we have made some important progress. For a start, we published our Net Carbon Footprint performance for the period 2016 to 2018. We will continue to report our progress on this. But, with this ambition, the most important progress will always be seen in the mix of the energy products we are offering our customers. A great example is the carbon offset programme that we have introduced for our Retail customers in the Netherlands and the UK. We also structured an innovative revolving credit facility totalling $10 billion, with interest payments linked to progress on our Net Carbon Footprint ambition.

I wanted to touch on our strategic ambition, to have a strong societal licence to operate and strengthening the support of society for what we do by providing transparency and leadership on societal issues. That was why we reviewed the industry associations we participate in to ensure they are aligned with us on climate change. As a result, we left one of those organisations. And, crucially, earlier in 2019 we published the results of that review for all to see. Another example. In December Shell published its first Tax Contribution report. This details the corporate income tax that Shell companies paid around the world in 2018. We hope that this report will help to create a better understanding of our businesses and the taxes we pay. That tax is part of our contribution to society and contributing to society is a critical part of securing a societal licence to operate.

During 2019 we sought to contribute further by seeking to kickstart a new level of cooperation within society aimed at addressing climate change, addressing the use of energy is essential to tackling climate change. But that is not just a matter of looking at the supply of energy, but at demand too. To that end Shell has been part of efforts to bring entire sectors together to work out how to decarbonise each sector's energy use all the way to net zero.

The Getting to Zero Coalition, which was announced at the UN Climate Summit in New York, is a good example of the type of action we need. It launched with three companies – Maersk, Citigroup and Shell – and the Danish government, in a joint effort to put a net-zero emissions ship to sea by 2030. There are now over 90 companies involved.

This is only the start, and only one sector. But that work will continue in 2020.

Now you have seen the progress we have made in 2019, let us see how this rolls-up to our full-year financial performance.

In 2019, we generated earnings excluding identified items of around $16.5 billion, in spite of the volatile macroeconomic environment I have outlined. Our organic free cash flow was more than $20 billion, which includes a negative working capital impact of around $5 billion, at an average Brent price of $64 per barrel through 2019, and below average historical Downstream conditions.

Our share buyback programme has reached some $15 billion in shares purchased since we started it in July 2018, fully offsetting all scrip dividends issued post the BG Group combination.

Shell's return on average capital employed was 6.9% at the end 2019, with gearing at 29.3%.

Our cash capital expenditure in 2019 was $24 billion. This was at the lower end of our guidance for the year, and reflects our disciplined approach to investments.

Jessica will talk in more detail about the quarterly financials a little later.

But, before I go any further, I would just like to take a step back and allow you to see how the performance of our strategic themes is adding up.

Here we have our organic free cash flow figures since 2017, broken down by strategic theme, alongside the 2020 outlook from Management Day in June last year. Since 2017, the average Brent oil price per barrel has gone from $54 in 2017, to $71 in 2018, to $64 in 2019. Through all this, our underlying investments in the business have continued.

In 2019, Shell's organic free cash flow was some $20 billion and includes around $5 billion of negative working capital movements. Shell is a very diversified business, and looking across the strategic themes, there are some that are doing better than others.

Let me begin with the themes that are doing well.

Our Deep Water business is progressing in terms of cash delivery, although still ramping up, with projects such as Appomattox adding to cash flows in 2020. We did not achieve the level of cash flows we expected in Shales for 2019, however despite the weaker gas macro, we are progressing with our organic free cash delivery as we continue to ramp-up production in the Permian.

The Integrated Gas business is delivering very well, both in terms of asset and trading and optimisation performance. This business plays a key role in the Leading Transition theme. And our Power business is aligned to where it needs to be at this stage, with further investments to continue building the business, as you have heard.

Shell has a very strong portfolio position, generating cash flows from a set of very diversified and integrated sources. It is clear for Shell, with the macro we have seen, there are challenges in organic cash flow generation from three of our themes: conventional oil and gas, chemicals and the refining business - which sits within oil products. The commodity cycle we are in impacts the ability of these strategic themes to generate the returns and free cash flows that we know they can.

Our Conventional Oil and Gas business continues to operate well, but this part of the business has experienced challenges with the current macro conditions in both oil and gas leading to more than $1 billion free cash flow impact compared to 2018. The free cash flows in 2019 were further impacted by tax one-offs and negative working capital movements, together around $2 billion.

For Chemicals, our 2019 organic free cash flow was an outflow of around $3 billion. Between 2018 and 2019, the degrading price environment impacted this result in Chemicals by some

$1 billion, with further impacts of $1 billion from negative working capital movements. Adjusting these elements back, the organic free cash flow would have been negative $1 billion. This business, as one of our Leading Transition themes, is growing, so there will be differences from year to year as we see Pennsylvania Chemicals continue through its construction phase.

Next our Oil Products business, which between 2018 and 2019, also experienced a negative macro impact of around $1 billion on organic free cash flow, and a further negative working capital impact of around $7 billion. If you adjust for these elements, the 2019 organic free cash flow for our Oil Products business would have been around $7 billion.

Now, we cannot simply unwind the effect from softer prices in 2019 and while the macro is a risk, our focus to attain a high level of operational performance continues, and we will manage our operating and capital cost choices carefully.

Now, I started this presentation talking about delivery, and the promises made to our shareholders. We said we would high-grade our portfolio through divestments and we are doing so. And we have refreshed our people strategy to sustainably deliver industry-leading performance

Our ambition is to deliver more than $10 billion of asset divestments across 2019 and 2020. And as I have said, we are actively working a funnel of opportunities that is materially greater than this so we see potential to deliver more than the ambition across 2019 and 2020.

We said we would invest our capital in a disciplined and efficient manner and we are doing it. And in 2020 we will continue to invest across our portfolio, with the expectation to be at the lower end of the $24 to $29 billion range. This includes around 50% of our capital allocation being directed towards our Leading Transition themes, which will be critical for us to capitalise on the energy transition to a lower-carbon future.

We said we would generate cash flows as we start-up key assets and Appomattox and Prelude are the latest evidence we are doing so. We also committed to a share buyback programme and we continue to deliver this intention. We have further work to do. And, to an extent, we are also dealing with some negative market dynamics. But only to an extent. We have done and will continue to do all we can to ensure Shell is resilient no matter what the macro climate is, with a focus on costs, tight control of capital spending, efficient project delivery and a relentless drive to high-grade our portfolio.

As I said at the start, we are seeing good cash flow performance, cash flows that could bring us to $28-33 billion in organic free cash flow by the end of this year, if we see improvement in macro conditions. That is what we said we would achieve for 2020.

Now, let me hand over to Jessica to talk you through the quarter.

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Thank you Ben, and to everyone for joining the call today.

Now you have heard about the broader 2019 progress, let me begin with our Q4 2019 financial highlights.

As Ben has highlighted, we continue to see pressure on prices and margins for oil, gas, refining and chemicals.

In Downstream, we see current prices being well below the historical averages over the past several years. You can see this in one of the appendices in the slides.

Now for the quarter, our Q4 2019 cash flow from operations, excluding working capital movements, was $12.3 billion. Brent was at an average price of $63 per barrel and our organic free cash flow was $3.9 billion. Earnings amounted to $2.9 billion and our return on average capital employed was 6.9%. For Q4 2019, our gearing was 29.3%, or 25% on an IAS 17 basis, an increase of 1.4% from Q3 2019. Our cash capital expenditure in the quarter was $6.9 billion. And as Ben highlighted, our full-year cash capital expenditure for 2020 is expected to be at the lower end of the $24 to $29 billion range.

Ben has touched on our share buyback programme, which reached some $15 billion in shares purchased since we started the programme in July 2018, fully offsetting all scrip dividends issued post the BG combination. And the next tranche of up to $1 billion begins today. Now before I move to our earnings and cash flow in more detail, let's turn to our Q4 portfolio highlights.

We have made much progress in 2019 towards delivering our strategy. In Q4, we focused on producing more from an even better portfolio, strengthening our Upstream, while expanding our power portfolio. And just to highlight one, in November, along with our partners and operator Petrobras, we announced the start-up of oil and gas production at the P-68 floating production, storage and offloading unit, located offshore in Brazil. This FPSO can process up to 150,000 barrels of oil and 6 million cubic metres of natural gas daily. This new production at P-68 adds to Shell's deep water portfolio in Brazil, and continues to prove Brazil's place as a heartland in our Upstream portfolio, where we have 16 active FPSOs and total Shell share production has reached 400 thousand barrels of oil equivalent per day. These portfolio developments, and start-ups such as our new FPSO, help prepare Shell for the future.

Now let us look at our earnings in more detail.

Earnings in the fourth quarter were $2.9 billion, some 49% lower than in Q4 2018. This decrease was largely due to lower prices and margins, well write-offs and a reassessment of deferred taxes. Following our annual balance sheet review, our identified items reflect the impact from impairments in the quarter of $2.2 billion, mainly associated with natural gas assets in the United States.

In our Integrated Gas business, total production was 3% lower compared with the fourth quarter of 2018. This was a result of the transfer of the Salym asset into Upstream, largely offset by new fields ramping up in Australia and Trinidad and Tobago. LNG liquefaction volumes increased by around 5% compared with the fourth quarter 2018, mainly as a result of additional capacity from the Prelude floating LNG facility and Elba. Integrated Gas earnings were $2 billion, down $400 million, reflecting lower realised LNG, oil and gas prices, higher depreciation with several projects ramping-up, partly offset by stronger contributions from LNG, gas and power trading and optimisation.

In Upstream, earnings were some $800 million, reflecting deferred tax charges, higher charges for provisions related to restoration and decommissioning obligations, lower oil and gas prices, and increased well write-offs. Fourth-quarter Upstream production was broadly in line with the same quarter a year ago. However, Upstream production was subject to divestments and other portfolio effects, and excluding these, production was up 3% over the same period.

In Downstream, earnings were $1.4 billion in the fourth quarter, down from $2.1 billion in the same quarter last year.This reflects lower refining, chemicals and marketing margins.

In the Corporate segment, our underlying earnings excluding identified items, reflect the impacts resulting from IFRS 16 as well as tax impacts.

Now that we have covered our earnings, let me turn to cash flow.

Our cash flow from operations, excluding working capital movements, amounted to $12.3 billion. This is $600 million lower than in Q4 last year. Cash flow from operations in Q4 2018 was positively impacted by some $9 billion of working capital movements, mainly in Downstream due to inventory price and volume movements.

In our Integrated Gas business, cash flow from operations in Q4 2019 was $3.5 billion, some $2.3 billion lower than in Q4 2018. In Upstream, our cash flow from operations was $4.2 billion, around $2.7 billion lower than in the same quarter a year ago. In our Downstream business, our cash flow from operations was $2.3 billion, some $6.5 billion lower than in Q4 2018, as mentioned this is driven by working capital movements.

Now that we have presented the Q4 results, and you have seen how Shell's strategy and portfolio has enabled the delivery of competitive cash flow performance in 2019, despite challenging macroeconomic conditions, let us review how we have been doing over a longer period.

With the full year results out, now we can see the financial trends across an extended period. Our earnings trend shows a balanced composition across our businesses with Integrated Gas remaining resilient in a volatile market. Our cash flows trend across the same period remains strong, despite the challenging macro conditions which has impacted each of our businesses. We have maintained our focus on capital stewardship, with continued portfolio high-grading driving capital efficient growth.

Looking at our gearing, this was 29.3% at the end of Q4 2019, higher than what we saw in 2018, and it includes the impact of IFRS 16 and IFRIC. With the current outlook on macro, equity movements and lease accounting, gearing is likely to stay above 25% during 2020, on an IFRS 16 basis. Our net debt at the end of Q4 2019 was around $79 billion on an IFRS 16 basis, and around $63 billion on an IAS 17 basis.

We remain committed to deleveraging our balance sheet and maintaining AA equivalent credit metrics.

Over the past number of years, we have created a strong foundation to deliver a world-class investment case to our shareholders well into the next decade and beyond. Despite what we have experienced and continue to see in the macro, there are no changes to how we look at our priorities for cash.

Our outlook is subject to the broader economic dynamics – in oil and gas prices, but also refining and chemicals margins and is tied to an improved price and margin environment, at Real Terms 2016 $60 per barrel, or around $65 per barrel in 2020 real terms, and also mid-cycle Downstream. We will continue to pay dividends, invest in the business to sustain cash flow and pay down debt to reduce gearing, while any cash surplus will be invested as a considered choice to either further grow our business or increased distributed to shareholders.

As you have heard, we believe it is important to remain within the financial framework we have established. We need to be able to move with the macro, and remain flexible to the conditions we see. For the current conditions, we feel the current buyback amount is the right level. As I have said, we review the share buyback amount on a quarter by quarter basis, ensuring we do not lose sight of the original intent of the programme. While our intention to buyback $25 billion of shares remains unchanged, the pace of the programme is subject to our progress on debt reduction and macro conditions.

A resilient balance sheet combined with the strategy, portfolio and operational capability we have established will enable significant levels of cash generation through the next decade.

Now, let me hand back over to Ben.

Thanks Jessica.

Shell delivered competitive cash flow performance in 2019, despite challenging macroeconomic conditions in refining and chemicals as well as lower oil and gas prices. We generated $47 billion cash flow from operations, excluding working capital, and distributed $25 billion in dividends and share buybacks to our shareholders. And our work through 2019 to thrive in the energy transition progressed well, and will continue.

To be a world-class investment for the decades to come, we are investing today so we are in step with society as it makes progress towards the goal of the Paris Agreement, a goal we wholeheartedly embrace.

And finally, as Jessica said, our focus for 2020 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 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 20th February. We will report our first quarter results on the 30th of April. And our Annual General Meeting is scheduled to be held in May.

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DEFINITIONS AND CAUTIONARY NOTE

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Gearing is defined as net debt (current and non-current debt less cash and cash equivalents, adjusted for the 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". Organic free cash flow is defined as free cash flow excluding inorganic capital investment and divestment proceeds. 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. 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. Presented ROACE (return on average capital employed) is ROACE on a CCS basis excluding identified items unless stated otherwise. Historical ROACE for individual segments presented as reported (not restated for Q1 2019 definition change). 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. Presented earnings is CCS earnings attributable to shareholders excluding identified items unless stated otherwise. Basic CCS earnings per share is calculated by dividing CCS earnings attributable to shareholders by the average number of shares outstanding over the year. Presented earnings per share is basic CCS earnings per share excluding identified items unless stated otherwise. Cash capital expenditure was 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 the full year ended December 31, 2019. 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. 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.

This presentation contains the following forward-looking non-GAAP measures: Organic Free Cash Flow, Cash Capital Expenditure, Gearing, 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 measures to the most comparable GAAP financial measures 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 consistent with the company accounting policies and 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 measures are calculated in a manner which is consistent with the accounting policies applied in Royal Dutch Shell plc's financial statements. The presented 2020 outlook is an average for 2019-2021. All forward-looking numbers are on an IFRS 16 basis unless stated otherwise. 2020 presented organic free cash flow range of $28-33 billion is equivalent to $25-30 billion on an IAS 17 basis. 2020 presented cash capex range of $24-29 billion is equivalent to the previous outlook of $25-30 billion capital investment on an IAS 17 basis.

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, January 30, 2020. 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.