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1st QUARTER 2019 UNAUDITED RESULTS

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| **SUMMARY OF UNAUDITED RESULTS** | | | | | |
| **Quarters** | | | | **$ million** |  | |
| **Q1 2019**1 | **Q4 2018** | **Q1 2018** | **%**2 |  | **Reference** | |
| 6,001 | 5,590 | 5,899 | +2 | Income/(loss) attributable to shareholders |  | |
| 5,293 | 7,334 | 5,703 | -7 | CCS earnings attributable to shareholders | Note 2 | |
| (8) | 1,646 | 302 |  | Of which: Identified items | A | |
| 5,301 | 5,688 | 5,401 | -2 | CCS earnings attributable to shareholders excluding identified items |  | |
| 131 | 120 | 121 |  | Add: CCS earnings attributable to non-controlling interest |  | |
| 5,432 | 5,808 | 5,522 | -2 | CCS earnings excluding identified items |  | |
|  |  |  |  | Of which: |  | |
| 2,569 | 2,363 | 2,439 |  | Integrated Gas |  | |
| 1,725 | 1,881 | 1,551 |  | Upstream |  | |
| 1,822 | 2,131 | 1,766 |  | Downstream |  | |
| (684) | (567) | (234) |  | Corporate |  | |
| 8,630 | 22,021 | 9,472 | -9 | Cash flow from operating activities |  | |
| (4,622) | (5,312) | (4,294) |  | Cash flow from investing activities |  | |
| 4,008 | 16,709 | 5,178 |  | Free cash flow | H | |
| 0.74 | 0.68 | 0.71 | +4 | Basic earnings per share ($) |  | |
| 0.65 | 0.89 | 0.69 | -6 | Basic CCS earnings per share ($) | B | |
| 0.65 | 0.69 | 0.65 | - | Basic CCS earnings per share excl. identified items ($) |  | |
| 0.47 | 0.47 | 0.47 | - | Dividend per share ($) |  | |
| 1. IFRS 16 *Leases* (IFRS 16) was adopted with effect from January 1, 2019. See Note 8 “Adoption of IFRS 16 *Leases*”. 2. Q1 on Q1 change. | | | | | |

CCS earnings attributable to shareholders excluding identified items were $5.3 billion, reflecting lower realised chemicals and refining margins, decreased realised oil prices and lower tax credits, partly offset by stronger contributions from trading as well as increased realised LNG and gas prices compared with the first quarter 2018. In addition, there was a negative impact of $43 million related to the implementation of IFRS 16.

Cash flow from operating activities for the first quarter 2019 of $8.6 billion included negative working capital movements of $3.5 billion, leading to cash flow from operating activities excluding working capital movements of $12.1 billion. Excluding working capital movements and a positive impact of $949 million related to the implementation of IFRS 16, cash flow from operating activities increased to $11.3 billion compared with $10.4 billion in the first quarter 2018, mainly due to a higher cash-generative portfolio of assets.

Total dividends distributed to shareholders in the quarter were $3.9 billion. Today, Shell launches the next tranche of the share buyback programme, with a maximum aggregate consideration of $2.75 billion in the period up to and including July 29, 2019. In aggregate, since the launch of the share buyback programme, 215.7 million A ordinary shares were bought back for cancellation for a consideration of $6.75 billion.

**Royal Dutch Shell Chief Executive Officer Ben van Beurden commented:**

*“Shell has made a strong start to 2019, with the first quarter financial performance demonstrating the strength of our strategy and the quality of our portfolio of assets. The power of our brand, serving millions of customers every day, continues to be a differentiator. Our integrated value chain enabled our Downstream business to deliver robust results despite challenging market conditions. The consistent financial performance across all our businesses provides confidence in meeting our 2020 outlook.”*

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| **ADDITIONAL PERFORMANCE MEASURES** | | | | | | | | |
| **Quarters** | | | | **$ million** | |  | |
| **Q1 2019** | **Q4 2018** | **Q1 2018** | **%**1 | |  | | **Reference** |
| 6,685 | 7,879 | 5,532 |  | | Capital investment2 | | C |
| 3,752 | 3,788 | 3,839 | -2 | | Total production available for sale (thousand boe/d) | |  |
| 57.42 | 59.89 | 60.74 | -5 | | Global liquids realised price ($/b) | |  |
| 5.37 | 5.75 | 4.95 | +8 | | Global natural gas realised price ($/thousand scf) | |  |
| 8,917 | 10,279 | 9,719 | -8 | | Operating expenses | | G |
| 8,865 | 10,147 | 9,786 | -9 | | Underlying operating expenses | | G |
| 9.2% | 9.4% | 6.4% |  | | ROACE (Net income basis) | | E |
| 8.4% | 8.7% | 7.1% |  | | ROACE (CCS basis excluding identified items)3 | | E |
| 26.5% | 20.3% | 24.7% |  | | Gearing | | F |
| 1. Q1 on Q1 change. 2. With effect from 2019, the definition has been amended (see Reference C). Comparative information has been revised. 3. With effect from 2019, the definition has been amended (see Reference E). Comparative information has been revised. | | | | | | | | |

Supplementary financial and operational disclosure for this quarter is available at [www.shell.com/investor](http://www.shell.com/investor).

As a result of the implementation of IFRS 16, net debt increased by $16,170 million. First quarter 2019 reported Gearing increased to 26.5% on an IFRS 16 basis, from 21.9% on an IAS17 basis.

**first quarter 2019 PORTFOLIO DEVELOPMENTS**

**Integrated Gas**

During the quarter, Shell acquired sonnen, a provider of smart energy storage systems and innovative energy services for households.

**Upstream**

During the quarter, Shell and its partners announced first production at the Lula North deep-water development in the Santos Basin (Shell post-unitisation interest 23%) through the P67 floating production, storage and offloading (FPSO) vessel. This is the seventh FPSO deployed at the Lula field and the third in a series of standardised vessels built for the consortium. It is designed to process up to 150 thousand boe/d.

In April, Shell announced the sale of its 22.5% non-operating interest in the Caesar Tonga asset in the US Gulf of Mexico to Delek CT Investment LLC for $965 million.

In April, Shell announced a discovery from the Blacktip deep-water well (Shell interest 52.4%), located in the US Gulf of Mexico. Evaluation is ongoing and appraisal planning is underway.

**Downstream**

In April, Shell announced the sale of its 50% interest in the SASREF joint venture in the Kingdom of Saudi Arabia to Saudi Aramco for $631 million.

PERFORMANCE BY SEGMENT

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| **INTEGRATED GAS** | | | | | |
| **Quarters** | | | | **$ million** |
| **Q1 20191** | **Q4 2018** | **Q1 2018** | **%2** |  |
| 2,795 | 3,579 | 2,391 | +17 | Segment earnings |
| 226 | 1,216 | (48) |  | Of which: Identified items (Reference A) |
| 2,569 | 2,363 | 2,439 | +5 | Earnings excluding identified items |
| 4,227 | 5,786 | 2,561 | +65 | Cash flow from operating activities |
| 1,964 | 1,350 | 1,263 | +55 | Capital investment (Reference C) **3** |
| 137 | 213 | 212 | -35 | Liquids production available for sale (thousand b/d) |
| 4,143 | 4,442 | 4,407 | -6 | Natural gas production available for sale (million scf/d) |
| 851 | 979 | 972 | -12 | Total production available for sale (thousand boe/d) |
| 8.74 | 8.78 | 8.90 | -2 | LNG liquefaction volumes (million tonnes) |
| 17.51 | 17.39 | 18.58 | -6 | LNG sales volumes (million tonnes) |
| 1. IFRS 16 was adopted with effect from January 1, 2019. See Note 8 “Adoption of IFRS 16 *Leases*”. 2. Q1 on Q1 change. 3. With effect from 2019, the definition has been amended (see Reference C). Comparative information has been revised. | | | | | |

**First quarter** identified items primarily reflected a gain on fair value accounting of commodity derivatives of $234 million.

Compared with the first quarter 2018, Integrated Gas earnings excluding identified items increased due to higher realised LNG and gas prices, increased contributions from LNG portfolio optimisation and lower depreciation, partly offset by the impact of lower production and LNG sales volumes. In addition, there was a positive impact of $60 million related to the implementation of IFRS 16.

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 due to higher maintenance activities and divestments, partly offset by increased feedgas availability.

Cash flow from operating activities of $4,227 million included positive working capital movements of $512 million as well as a positive impact of $275 million related to the implementation of IFRS 16. Excluding working capital movements and the impact of IFRS 16, cash flow from operating activities increased to $3,485 million compared with $2,945 million in the same quarter a year ago, mainly as a result of higher earnings.

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| **UPSTREAM** | | | | | |
| **Quarters** | | | | **$ million** |
| **Q1 20191** | **Q4 2018** | **Q1 2018** | **%2** |  |
| 1,706 | 1,601 | 1,854 | -8 | Segment earnings |
| (19) | (280) | 303 |  | Of which: Identified items (Reference A) |
| 1,725 | 1,881 | 1,551 | +11 | Earnings excluding identified items |
| 5,280 | 6,869 | 3,601 | +47 | Cash flow from operating activities |
| 2,737 | 3,986 | 2,860 | -4 | Capital investment (Reference C) **3** |
| 1,718 | 1,672 | 1,573 | +9 | Liquids production available for sale (thousand b/d) |
| 6,864 | 6,593 | 7,505 | -9 | Natural gas production available for sale (million scf/d) |
| 2,901 | 2,809 | 2,867 | +1 | Total production available for sale (thousand boe/d) |
| 1. IFRS 16 was adopted with effect from January 1, 2019. See Note 8 “Adoption of IFRS 16 *Leases*”. 2. Q1 on Q1 change. 3. With effect from 2019, the definition has been amended (see Reference C). Comparative information has been revised. | | | | | |

**First quarter** identified items primarily reflected a loss of $45 million on fair value accounting of commodity derivatives and a gain of $33 million on sale of assets.

Compared with the first quarter 2018, Upstream earnings excluding identified items benefited from reduced operating expenses and higher volumes, mainly from the US Gulf of Mexico and shale operations. This more than offset the impact of higher tax charges and lower realised oil prices. In addition, there was a positive impact of $42 million related to the implementation of IFRS 16.

First quarter production increased by 1% compared with the same quarter a year ago, mainly due to higher production from 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.

Cash flow from operating activities of $5,280 million included negative working capital movements of $111 million as well as a positive impact of $189 million related to the implementation of IFRS 16. Excluding working capital movements and the impact of IFRS 16, cash flow from operating activities increased to $5,202 million compared with $4,431 million in the same quarter a year ago, mainly as a result of higher earnings and lower tax payments, partly offset by a cash margining outflow on commodity derivatives related to the divestment in Denmark.

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| **DOWNSTREAM** | | | | | |
| **Quarters** | | | | **$ million** |
| **Q1 20191** | **Q4 2018** | **Q1 2018** | **%2** |  |
| 1,595 | 2,918 | 1,806 | -12 | Segment earnings3 |
| (227) | 787 | 40 |  | Of which: Identified items (Reference A) |
| 1,822 | 2,131 | 1,766 | +3 | Earnings excluding identified items3 |
|  |  |  |  | Of which: |
| 1,371 | 1,835 | 1,081 | +27 | Oil Products |
| *343* | *834* | *141* | *+143* | *Refining & Trading* |
| *1,029* | *1,001* | *940* | *+10* | *Marketing* |
| 451 | 296 | 685 | -34 | Chemicals |
| (611) | 8,794 | 3,107 | -120 | Cash flow from operating activities |
| 1,870 | 2,429 | 1,369 | +37 | Capital investment (Reference C) **4** |
| 2,666 | 2,723 | 2,637 | +1 | Refinery processing intake (thousand b/d) |
| 6,467 | 6,906 | 6,785 | -5 | Oil Products sales volumes (thousand b/d) |
| 4,137 | 4,110 | 4,514 | -8 | Chemicals sales volumes (thousand tonnes) |
| 1. IFRS 16 was adopted with effect from January 1, 2019. See Note 8 “Adoption of IFRS 16 *Leases*”. 2. Q1 on Q1 change. 3. Earnings are presented on a CCS basis (See Note 2). 4. With effect from 2019, the definition has been amended (see Reference C). Comparative information has been revised. | | | | | |

**First quarter** identified items primarily reflected a loss of $157 million related to the fair value accounting of commodity derivatives and impairment charges of $64 million, mainly related to assets in Singapore.

Compared with the first quarter 2018, Downstream earnings excluding identified items mainly reflected higher contributions from crude oil and oil products trading and supply, partly offset by lower realised refining, intermediates and base chemicals margins. In addition, there was a positive impact of $38 million related to the implementation of IFRS 16.

Cash flow from operating activities included negative working capital movements of $3,602 million as well as a positive impact of $447 million related to the implementation of IFRS 16. Excluding working capital movements and the impact of IFRS 16, cash flow from operating activities decreased to $2,597 million compared with $3,136 million in the same quarter a year ago, mainly as a result of higher cash outflow from commodity derivatives, partly offset by lower cash cost of sales.

**Oil Products**

* + ***Refining & Trading*** earnings excluding identified items included a positive impact of $14 million related to the implementation of IFRS 16. Excluding this impact, earnings reflected increased contributions from crude oil and oil products trading and supply, partly offset by lower realised refining margins mainly in the US West Coast and in Asia as well as higher operating expenses, compared with the first quarter 2018.

Refinery availability decreased to 91% compared with 92% in the first quarter 2018.

* + ***Marketing*** earnings excluding identified items included a positive impact of $17 million related to the implementation of IFRS 16. Excluding this impact, earnings were higher compared with the first quarter 2018, mainly due to increased margins, partly offset by adverse currency exchange rate effects.

Compared with the first quarter 2018, Oil Products sales volumes decreased by 5%, mainly due to lower trading volumes.

**Chemicals**

* + ***Chemicals*** earnings reflected lower intermediates and base chemicals margins. There were no material identified items in the quarter.

Chemicals manufacturing plant availability was 95%, remaining at a similar level as in the first quarter 2018.

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| **CORPORATE** | | | | |
| **Quarters** | | | **$ million** |
| **Q1 20191** | **Q4 2018** | **Q1 2018** |  |
| (671) | (644) | (227) | Segment earnings |
| 13 | (77) | 7 | Of which: Identified items (Reference A) |
| (684) | (567) | (234) | Earnings excluding identified items |
| (266) | 572 | 203 | Cash flow from operating activities |

1. IFRS 16 was adopted with effect from January 1, 2019. See Note 8 “Adoption of IFRS 16 *Leases*”.

**First quarter** identified items mainly reflected a tax credit of $10 million related to the impact of the weakening Brazilian real on a financing position.

Compared with the first quarter 2018, Corporate earnings excluding identified items included a negative impact of $183 million related to the implementation of IFRS 16. Excluding this impact, earnings mainly reflected lower tax credits.

OUTLOOK FOR THE second QUARTER 2019

Compared with the second quarter 2018, Integrated Gas production is expected to be 10 – 50 thousand boe/d lower, mainly as a result of divestments and the transfer of the Salym asset into the Upstream segment, partly offset by new field ramp-ups and lower maintenance activities. LNG liquefaction volumes are expected to be at a similar level as in the second quarter 2018.

Compared with the second quarter 2018, Upstream production is expected to be higher by some 150 – 200 thousand boe/d, mainly due to new field ramp-ups and lower maintenance activities. Production is also expected to be positively impacted by the transfer of the Salym asset, which was previously reported in the Integrated Gas segment, partly offset by field decline and divestments.

Refinery availability is expected to increase in the second quarter 2019 compared with the same period a year ago, mainly as a result of lower maintenance activities.

Oil Products sales volumes are expected to decrease by some 40 – 70 thousand boe/d compared with the same period in 2018, mainly as a result of the divestment in Argentina.

Chemicals manufacturing plant availability is expected to decrease in the second quarter 2019 as a result of higher maintenance activities compared with the second quarter 2018.

Corporate earnings excluding identified items are expected to be a net charge of $650 – 700 million in the second quarter 2019 and a net charge of $2,600 – 2,800 million for the full year 2019, on a post-IFRS 16 basis. This excludes the impact of currency exchange rate effects.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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| **CONSOLIDATED STATEMENT OF INCOME** | | | | | |
| **Quarters** | | | **$ million** |
| **Q1 2019**1 | **Q4 2018** | **Q1 2018** |  |
| 83,735 | 102,228 | 89,235 | Revenue2 |
| 1,484 | 1,351 | 1,039 | Share of profit of joint ventures and associates |
| 443 | 1,047 | 840 | Interest and other income |
| 85,662 | 104,626 | 91,114 | Total revenue and other income |
| 59,923 | 78,680 | 66,528 | Purchases |
| 6,354 | 6,803 | 6,923 | Production and manufacturing expenses |
| 2,352 | 3,162 | 2,588 | Selling, distribution and administrative expenses |
| 212 | 314 | 208 | Research and development |
| 306 | 545 | 230 | Exploration |
| 5,950 | 6,244 | 5,334 | Depreciation, depletion and amortisation |
| 1,159 | 971 | 936 | Interest expense |
| 76,256 | 96,719 | 82,747 | Total expenditure |
| 9,406 | 7,907 | 8,367 | Income/(loss) before taxation |
| 3,248 | 2,261 | 2,336 | Taxation charge/(credit) |
| 6,157 | 5,646 | 6,031 | Income/(loss) for the period2 |
| 156 | 56 | 132 | Income/(loss) attributable to non-controlling interest |
| 6,001 | 5,590 | 5,899 | Income/(loss) attributable to Royal Dutch Shell plc shareholders |
| 0.74 | 0.68 | 0.71 | Basic earnings per share ($)3 |
| 0.73 | 0.67 | 0.70 | Diluted earnings per share ($)3 |
| 1. See Note 8 “Adoption of IFRS 16 *Leases*”. 2. See Note 2 “Segment information”. 3. See Note 3 “Earnings per share”. | | | | | |

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| **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** | | | | | | | | |
| **Quarters** | | | **$ million** | | | |
| **Q1 2019** | **Q4 2018** | **Q1 2018** |  | | | |
| 6,157 | 5,646 | 6,031 | Income/(loss) for the period | | | |
|  |  |  | Other comprehensive income/(loss) net of tax: | | | |
|  |  |  | Items that may be reclassified to income in later periods: | | | |
| 176 | (354) | 464 | * Currency translation differences | | | |
| 11 | - | (12) | * Debt instruments remeasurements | | | |
| (446) | 1,499 | (68) | * Cash flow hedging gains/(losses) | | | |
| 26 | (61) | (93) | * Deferred cost of hedging | | | |
| (55) | 17 | 22 | * Share of other comprehensive income/(loss) of joint ventures and associates | | | |
| (288) | 1,101 | 313 | Total | | | |
|  |  |  | Items that are not reclassified to income in later periods: | | | |
| (1,474) | 426 | 1,282 | * Retirement benefits remeasurements | | | |
| 103 | 50 | (418) | * Equity instruments remeasurements | | | |
| 1 | 194 | 1 | * Share of other comprehensive income/(loss) of joint ventures and associates | | | |
| (1,370) | 670 | 865 | Total | | | |
| (1,658) | 1,771 | 1,178 | Other comprehensive income/(loss) for the period | | | |
| 4,500 | 7,417 | 7,209 | Comprehensive income/(loss) for the period | | | |
| 177 | 34 | 93 | Comprehensive income/(loss) attributable to non-controlling interest | | | |
| 4,322 | 7,383 | 7,116 | Comprehensive income/(loss) attributable to Royal Dutch Shell plc shareholders | | | |
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| **CONDENSED CONSOLIDATED BALANCE SHEET** | | | | |
| **$ million** |  | | |
|  | **March 31, 2019**1 | **December 31, 2018** |
| **Assets** |  |  |
| **Non-current assets** |  |  |
| Intangible assets | 23,644 | 23,586 |
| Property, plant and equipment | 239,189 | 223,175 |
| Joint ventures and associates | 26,069 | 25,329 |
| Investments in securities | 3,002 | 3,074 |
| Deferred tax | 11,657 | 12,097 |
| Retirement benefits | 4,766 | 6,051 |
| Trade and other receivables | 6,940 | 7,826 |
| Derivative financial instruments2 | 568 | 574 |
|  | 315,835 | 301,712 |
| **Current assets** |  |  |
| Inventories | 23,937 | 21,117 |
| Trade and other receivables | 44,521 | 42,431 |
| Derivative financial instruments2 | 6,062 | 7,193 |
| Cash and cash equivalents | 21,470 | 26,741 |
|  | 95,990 | 97,482 |
| **Total assets** | 411,825 | 399,194 |
| **Liabilities** |  |  |
| **Non-current liabilities** |  |  |
| Debt | 77,160 | 66,690 |
| Trade and other payables | 2,141 | 2,735 |
| Derivative financial instruments2 | 1,239 | 1,399 |
| Deferred tax | 14,563 | 14,837 |
| Retirement benefits | 12,449 | 11,653 |
| Decommissioning and other provisions | 21,173 | 21,533 |
|  | 128,725 | 118,847 |
| **Current liabilities** |  |  |
| Debt | 15,381 | 10,134 |
| Trade and other payables | 48,879 | 48,888 |
| Derivative financial instruments2 | 5,493 | 7,184 |
| Taxes payable | 9,524 | 7,497 |
| Retirement benefits | 438 | 451 |
| Decommissioning and other provisions | 3,129 | 3,659 |
|  | 82,845 | 77,813 |
| **Total liabilities** | 211,570 | 196,660 |
| **Equity attributable to Royal Dutch Shell plc shareholders** | 196,325 | 198,646 |
| Non-controlling interest | 3,931 | 3,888 |
| **Total equity** | 200,256 | 202,534 |
| **Total liabilities and equity** | 411,825 | 399,194 |
| 1. See Note 8 “Adoption of IFRS 16 *Leases*”. 2. See Note 6 “Derivative financial instruments and debt excluding lease liabilities”. | | | |

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| **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** | | | | | | | | | |
|  | **Equity attributable to Royal Dutch Shell plc shareholders** | | | | |  | | | |
| **$ million** | **Share capital1** | **Shares  held in  trust** | **Other reserves2** | **Retained earnings** | **Total** | **Non- controlling interest** | **Total**  **equity** | |
| **At January 1, 2019 (as previously published)** | **685** | **(1,260)** | **16,615** | **182,606** | **198,646** | **3,888** | **202,534** | |
| Impact of IFRS 163 | - | - | - | 4 | 4 | - | 4 | |
| **At January 1, 2019 (as revised)** | **685** | **(1,260)** | **16,615** | **182,610** | **198,650** | **3,888** | **202,538** | |
| Comprehensive income/(loss)  for the period | - | - | (1,679) | 6,001 | 4,322 | 177 | 4,499 | |
| Transfer from other comprehensive income | - | - | (89) | 89 | - | - | - | |
| Dividends | - | - | - | (3,875) | (3,875) | (119) | (3,994) | |
| Repurchases of shares | (6) | - | 6 | (2,513) | (2,513) | - | (2,513) | |
| Share-based compensation | - | 849 | (384) | (724) | (259) | - | (259) | |
| Other changes in  non-controlling interest | - | - | - | - | - | (16) | (16) | |
| **At March 31, 2019** | **680** | **(411)** | **14,468** | **181,588** | **196,325** | **3,931** | **200,256** | |
| **At January 1, 2018** | **696** | **(917)** | **16,794** | **177,733** | **194,306** | **3,456** | **197,762** | |
| Comprehensive income/(loss)  for the period | - | - | 1,217 | 5,899 | 7,116 | 93 | 7,209 | |
| Transfer from other comprehensive income | - | - | (37) | 37 | - | - | - | |
| Dividends | - | - | - | (3,971) | (3,971) | (208) | (4,179) | |
| Repurchases of shares | - | - | - | - | - | - | - | |
| Share-based compensation | - | (119) | (238) | 191 | (166) | - | (166) | |
| Other changes in  non-controlling interest | - | - | - | 46 | 46 | 641 | 687 | |
| **At March 31, 2018** | **696** | **(1,036)** | **17,736** | **179,935** | **197,331** | **3,982** | **201,313** | |
| 1. See Note 4 “Share capital”. 2. See Note 5 “Other reserves”. 3. See Note 8 “Adoption of IFRS 16 *Leases*”. | | | | | | | | | |

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| **CONSOLIDATED STATEMENT OF CASH FLOWS** | | | | | |
| **Quarters** | | | **$ million** |
| **Q1 2019**1 | **Q4 2018** | **Q1 2018** |  |
| **9,406** | **7,907** | **8,367** | **Income before taxation for the period2** |
|  |  |  | Adjustment for: |
| 896 | 717 | 737 | - Interest expense (net) |
| 5,950 | 6,244 | 5,334 | - Depreciation, depletion and amortisation |
| 119 | 145 | 109 | - Exploration well write-offs |
| (65) | (927) | (607) | - Net (gains)/losses on sale and revaluation of non-current assets and businesses |
| (1,484) | (1,351) | (1,039) | - Share of (profit)/loss of joint ventures and associates |
| 744 | 1,535 | 750 | - Dividends received from joint ventures and associates |
| (2,841) | 7,694 | 281 | - (Increase)/decrease in inventories |
| (1,425) | 8,421 | (683) | - (Increase)/decrease in current receivables |
| 783 | (7,014) | (484) | - Increase/(decrease) in current payables |
| (1,109) | 1,626 | (763) | - Derivative financial instruments |
| 22 | 158 | 194 | - Retirement benefits2 |
| (302) | (781) | (394) | - Decommissioning and other provisions2 |
| 26 | 545 | (6) | - Other2 |
| (2,089) | (2,898) | (2,324) | Tax paid |
| **8,630** | **22,021** | **9,472** | **Cash flow from operating activities** |
| (5,121) | (7,147) | (4,789) | Capital expenditure |
| (441) | (208) | (415) | Investments in joint ventures and associates |
| (39) | (75) | (24) | Investments in equity securities2 |
| 178 | 1,966 | 747 | Proceeds from sale of property, plant and equipment and businesses |
| 544 | 475 | 21 | Proceeds from sale of joint ventures and associates |
| 271 | 97 | 53 | Proceeds from sale of equity securities2 |
| 237 | 221 | 156 | Interest received |
| 680 | 74 | 470 | Other investing cash inflows2 |
| (931) | (715) | (513) | Other investing cash outflows2 |
| **(4,622)** | **(5,312)** | **(4,294)** | **Cash flow from investing activities** |
| (91) | 20 | 2,707 | Net increase/(decrease) in debt with maturity period  within three months |
|  |  |  | Other debt: |
| 140 | 3,189 | 241 | - New borrowings |
| (1,533) | (4,680) | (1,390) | - Repayments |
| (1,115) | (926) | (889) | Interest paid |
| (45) | - | - | Derivative financial instruments2 |
| (2) | 5 | 674 | Change in non-controlling interest |
|  |  |  | Cash dividends paid to: |
| (3,875) | (3,869) | (3,971) | - Royal Dutch Shell plc shareholders |
| (68) | (98) | (124) | - Non-controlling interest |
| (2,255) | (2,533) | - | Repurchases of shares |
| (456) | (27) | (894) | Shares held in trust: net sales/(purchases) and dividends received |
| **(9,300)** | **(8,919)** | **(3,646)** | **Cash flow from financing activities** |
| 21 | (161) | 83 | Currency translation differences relating to cash and  cash equivalents |
| **(5,271)** | **7,629** | **1,615** | **Increase/(decrease) in cash and cash equivalents** |
| **26,741** | **19,112** | **20,312** | **Cash and cash equivalents at beginning of period** |
| **21,470** | **26,741** | **21,927** | **Cash and cash equivalents at end of period** |

1. See Note 8 “Adoption of IFRS 16 *Leases*”.
2. See Note 7 “Change in presentation of Consolidated Statement of Cash Flows”.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited Condensed Consolidated Interim Financial Statements (“Interim Statements”) of Royal Dutch Shell plc (“the Company”) and its subsidiaries (collectively referred to as “Shell”) have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and on the basis of the same accounting principles as those used in the Annual Report and Form 20-F for the year ended December 31, 2018 (pages 167 to 214) as filed with the US Securities and Exchange Commission, except for the adoption of IFRS 16 *Leases* on January 1, 2019, and should be read in conjunction with that filing.

Under IFRS 16, all lease contracts, with limited exceptions, are recognised in financial statements by way of right-of-use assets and corresponding lease liabilities. Shell applied the modified retrospective transition method without restating comparative information. Further information in respect of the implementation of IFRS 16 is included in Note 8.

The financial information presented in the unaudited Interim Statements does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006 (“the Act”). Statutory accounts for the year ended December 31, 2018 were published in Shell’s Annual Report and Form 20-F and a copy was delivered to the Registrar of Companies for England and Wales. The auditor’s report on those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under sections 498(2) or 498(3) of the Act.

1. Segment information

Segment earnings are presented on a current cost of supplies basis (CCS earnings), which is the earnings measure used by the Chief Executive Officer for the purposes of making decisions about allocating resources and assessing performance. On this basis, the purchase price of volumes sold during the period is based on the current cost of supplies during the same period after making allowance for the tax effect. CCS earnings therefore exclude the effect of changes in the oil price on inventory carrying amounts. Sales between segments are based on prices generally equivalent to commercially available prices.

With the adoption of IFRS 16, the interest expense on leases, formerly classified as operating leases is reported under the Corporate segment, while depreciation related to the respective right-of-use assets is reported in the segments making use of the assets. This treatment is consistent with the existing treatment for leases formerly classified as finance leases.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | |
| **INFORMATION BY SEGMENT** | | | | | | | |
| **Quarters** | | | | | | **$ million** |
| **Q1 2019** | | **Q4 2018** | | **Q1 2018** | |  |
|  | |  | |  | | **Third-party revenue** |
| 11,639 | | 11,902 | | 10,721 | | Integrated Gas |
| 2,433 | | 3,205 | | 2,572 | | Upstream |
| 69,652 | | 87,117 | | 75,926 | | Downstream |
| 11 | | 4 | | 16 | | Corporate |
| **83,735** | | **102,228** | | **89,235** | | **Total third-party revenue1** |
|  | |  | |  | | **Inter-segment revenue** |
| 984 | | 1,252 | | 1,088 | | Integrated Gas |
| 9,699 | | 8,917 | | 8,904 | | Upstream |
| 1,195 | | 1,078 | | 794 | | Downstream |
| - | | - | | - | | Corporate |
|  | |  | |  | | **CCS earnings** |
| 2,795 | | 3,579 | | 2,391 | | Integrated Gas |
| 1,706 | | 1,601 | | 1,854 | | Upstream |
| 1,595 | | 2,918 | | 1,806 | | Downstream |
| (671) | | (644) | | (227) | | Corporate |
| **5,424** | | **7,454** | | **5,824** | | **Total** |
| 1. Includes revenue from sources other than from contracts with customers, which mainly comprises the impact of fair value accounting of commodity derivatives. First quarter 2019 includes income of $737 million (Q1 2018: $534 million income). These amounts could be impacted by the IFRIC agenda decision in March 2019 regarding “Physical settlement of contracts to buy or sell a non-financial item (IFRS 9)”. The impact of this decision is under review. | | | | | | |
|  | | | | | | |
| **RECONCILIATION OF INCOME FOR THE PERIOD TO CCS EARNINGS** | | | | | | | |
| **Quarters** | | | | | | **$ million** |
| **Q1 2019** | **Q4 2018** | | **Q1 2018** | |  | |
| 6,001 | 5,590 | | 5,899 | | Income/(loss) attributable to Royal Dutch Shell plc shareholders | |
| 156 | 56 | | 132 | | Income/(loss) attributable to non-controlling interest | |
| **6,157** | **5,646** | | **6,031** | | **Income/(loss) for the period** | |
|  |  | |  | | Current cost of supplies adjustment: | |
| (985) | 2,319 | | (274) | | Purchases | |
| 236 | (551) | | 67 | | Taxation | |
| 16 | 40 | | - | | Share of profit/(loss) of joint ventures and associates | |
| **(733)** | **1,808** | | **(207)** | | **Current cost of supplies adjustment1** | |
| **5,424** | **7,454** | | **5,824** | | **CCS earnings** | |
|  |  | |  | | of which: | |
| 5,293 | 7,334 | | 5,703 | | CCS earnings attributable to Royal Dutch Shell plc shareholders | |
| 131 | 120 | | 121 | | CCS earnings attributable to non-controlling interest | |
| 1. The adjustment attributable to Royal Dutch Shell plc shareholders is a negative $708 million in the first quarter 2019 (Q4 2018: positive $1,744 million; Q1 2018: negative $196 million). | | | | | | |

1. Earnings per share

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
| **EARNINGS PER SHARE** | | | | | | | | |
| **Quarters** | | |  | | | |
| **Q1 2019** | **Q4 2018** | **Q1 2018** |  | | | |
| 6,001 | 5,590 | 5,899 | Income/(loss) attributable to Royal Dutch Shell plc shareholders  ($ million) | | | |
|  |  |  | Weighted average number of shares used as the basis for determining: | | | |
| 8,152.2 | 8,227.8 | 8,304.6 | Basic earnings per share (million) | | | |
| 8,210.7 | 8,289.4 | 8,377.2 | Diluted earnings per share (million) | | | |
|  | | | |  |  |  | | |

1. Share capital

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | | | | |
| **ISSUED AND FULLY PAID ORDINARY SHARES OF €0.07 EACH1** | | | | | |
|  | **Number of shares** | | **Nominal value ($ million)** | | |
|  | **A** | **B** | **A** | **B** | **Total** | |
| **At January 1, 2019** | **4,471,889,296** | **3,745,486,731** | **376** | **309** | **685** | |
| Repurchases of shares | (72,531,119) | - | (6) | - | (6) | |
| **At March 31, 2019** | **4,399,358,177** | **3,745,486,731** | **371** | **309** | **680** | |
|  |  |  |  |  |  | |
| **At January 1, 2018** | **4,597,136,050** | **3,745,486,731** | **387** | **309** | **696** | |
| Repurchases of shares | - | - | - | - | - | |
| **At March 31, 2018** | **4,597,136,050** | **3,745,486,731** | **387** | **309** | **696** | |
| 1. Share capital at March 31, 2019 also included 50,000 issued and fully paid sterling deferred shares of £1 each. | | | | | |

At Royal Dutch Shell plc’s Annual General Meeting on May 22, 2018, the Board was authorised to allot ordinary shares in Royal Dutch Shell plc, and to grant rights to subscribe for, or to convert, any security into ordinary shares in Royal Dutch Shell plc, up to an aggregate nominal amount of €194 million (representing 2,771 million ordinary shares of €0.07 each), and to list such shares or rights on any stock exchange. This authority expires at the earlier of the close of business on August 22, 2019, and the end of the Annual General Meeting to be held in 2019, unless previously renewed, revoked or varied by Royal Dutch Shell plc in a general meeting.

1. Other reserves

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | |
| **OTHER RESERVES** | | | | | | | |
| **$ million** | **Merger  reserve** | **Share premium reserve** | **Capital redemption reserve** | **Share plan reserve** | **Accumulated other comprehensive income** | **Total** |
| **At January 1, 2019** | **37,298** | **154** | **95** | **1,098** | **(22,030)** | **16,615** |
| Other comprehensive income/(loss) attributable to Royal Dutch Shell plc shareholders | - | - | - | - | (1,679) | (1,679) |
| Transfer from other comprehensive income | - | - | - | - | (89) | (89) |
| Repurchases of shares | - | - | 6 | - | - | 6 |
| Share-based compensation | - | - | - | (384) | - | (384) |
| **At March 31, 2019** | **37,296** | **154** | **102** | **713** | **(23,797)** | **14,468** |
| **At January 1, 2018** | **37,298** | **154** | **84** | **1,440** | **(22,182)** | **16,794** |
| Other comprehensive income/(loss) attributable to Royal Dutch Shell plc shareholders | - | - | - | - | 1,217 | 1,217 |
| Transfer from other comprehensive income | - | - | - | - | (37) | (37) |
| Repurchases of shares | - | - | - | - | - | - |
| Share-based compensation | - | - | - | (238) | - | (238) |
| **At March 31, 2018** | **37,298** | **154** | **84** | **1,202** | **(21,002)** | **17,736** |

The merger reserve and share premium reserve were established as a consequence of Royal Dutch Shell plc becoming the single parent company of Royal Dutch Petroleum Company and The “Shell” Transport and Trading Company, p.l.c., now The Shell Transport and Trading Company Limited, in 2005. The merger reserve increased in 2016 following the issuance of shares for the acquisition of BG Group plc. The capital redemption reserve was established in connection with repurchases of shares of Royal Dutch Shell plc. The share plan reserve is in respect of equity-settled share-based compensation plans.

1. Derivative financial instruments and debt excluding lease liabilities

As disclosed in the Consolidated Financial Statements for the year ended December 31, 2018, presented in the Annual Report and Form 20-F for that year, Shell is exposed to the risks of changes in fair value of its financial assets and liabilities. The fair values of the financial assets and liabilities are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values at March 31, 2019 are consistent with those used in the year ended December 31, 2018, though the carrying amounts of derivative financial instruments measured using predominantly unobservable inputs have changed since that date.

The table below provides the comparison of the fair value with the carrying amount of debt excluding lease liabilities, disclosed in accordance with IFRS 7 *Financial Instruments: Disclosures*.

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
| **DEBT EXCLUDING LEASE LIABILITIES** | | | | |
| **$ million** | **March 31, 2019** | **December 31, 2018** |
| Carrying amount | 62,844 | 62,798 |
| Fair value1 | 66,518 | 64,708 |
| 1. Mainly determined from the prices quoted for these securities. | | | |
|  | | | |

1. Change in presentation of Consolidated Statement of Cash Flows

With effect from January 1, 2019, the starting point for the Consolidated Statement of Cash Flows is ‘Income before taxation’ (previously: Income). Furthermore, to improve transparency, “Retirement benefits” and “Decommissioning and other provisions” have been separately disclosed. The “Other” component of cash flow from investing activities has been expanded to distinguish between cash inflows and outflows. Prior period comparatives for these line items have been revised to conform with current year presentation. In addition, a new line item, “Derivative financial instruments”, has been introduced to cash flow from financing activities. Overall, the revisions do not have an impact on cash flow from operating activities, cash flow from investing activities or cash flow from financing activities, as previously published.

1. Adoption of IFRS 16 *Leases*

IFRS 16 was adopted with effect from January 1, 2019. Under the new standard, all lease contracts, with limited exceptions, are recognised in the financial statements by way of right-of-use assets and corresponding lease liabilities. Shell applied the modified retrospective transition method, and consequently comparative information is not restated. As a practical expedient, no reassessment was performed of contracts that were previously identified as leases and contracts that were not previously identified as containing a lease applying IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. At January 1, 2019, additional lease liabilities were recognised for leases previously classified as operating leases applying IAS 17. These lease liabilities were measured at the present value of the remaining lease payments and discounted using entity-specific incremental borrowing rates at January 1, 2019. In general, a corresponding right-of-use asset was recognised for an amount equal to each lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to the specific lease contract, as recognised on the balance sheet at December 31, 2018. Provisions for onerous lease contracts at December 31, 2018 were adjusted to the respective right-of-use assets recognised at January 1, 2019.

The reconciliation of differences between the operating lease commitments disclosed under the prior standard and the additional lease liabilities recognised on the balance sheet at January 1, 2019 is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | |
| **LEASE LIABILITIES RECONCILIATION** | | | | | | | |
| **$ million** | | | | | | |
| **Undiscounted future minimum lease payments under operating leases at December 31, 2018** | | | | | | **24,219** |
| Impact of discounting1 |  |  |  |  |  | (5,167) |
| Leases not yet commenced at January 1, 2019 | | |  |  |  | (2,586) |
| Short-term leases2 |  |  |  |  |  | (277) |
| Long-term leases expiring before December 31, 20192 | |  |  |  |  | (192) |
| Other reconciling items (net) |  |  |  |  |  | 40 |
| **Additional lease liability at January 1, 2019** | |  |  |  |  | **16,037** |
| Finance lease liability at December 31, 2018 | |  |  |  |  | 14,026 |
| **Total lease liability at January 1, 2019** |  |  |  |  |  | **30,063** |

1. Under the modified retrospective transition method, lease payments were discounted at January 1, 2019 using an incremental borrowing rate representing the rate of interest that the entity within Shell that entered into the lease would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate applied to each lease was determined taking into account the risk-free rate, adjusted for factors such as the credit rating of the contracting entity and the terms and conditions of the lease. The weighted average incremental borrowing rate applied by Shell upon transition was 7.2%.
2. Shell has applied the practical expedient to classify leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 as short-term leases. Shell has also applied the recognition exemption for short-term leases.

In March 2019, the IFRS Interpretations Committee (IFRIC) finalised its decision regarding “Liabilities in relation to a Joint Operator’s Interest in a Joint Operation (IFRS 11 Joint Arrangements)”, concluding that a joint operator should recognise the liabilities for which it has primary responsibility, which may be different from its share in the joint operation. The impact of this IFRIC agenda decision is under review.

Compared with the previous accounting for operating leases under IAS 17, the application of the new standard has a significant impact on the classification of expenditures and cash flows. It also impacts the timing of expenses recognised in the statement of income.

With effect from 2019, expenses related to leases previously classified as operating leases are presented under Depreciation, depletion and amortisation and Interest expense (in 2018 these were mainly reported in Purchases, Production and manufacturing expenses, and Selling, distribution and administrative expenses).

With effect from 2019, payments related to leases previously classified as operating leases are presented under Cash flow from financing activities (in 2018 these were reported in Cash flow from operating activities and Cash flow from investing activities).

The adoption of the new standard had an accumulated impact of $4 million in equity following the recognition of lease liabilities of $16,037 million and additional right-of-use assets of $15,558 million and reclassifications mainly related to pre-paid leases and onerous contracts previously recognised. The detailed impact on the balance sheet at January 1, 2019, is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
| **CONDENSED CONSOLIDATED BALANCE SHEET** | | | | | |
| **$ million** |  | |  |
|  | **December 31, 2018** | **IFRS 16 impact** | **January 1, 2019** |
| **Assets** |  |  |  |
| **Non-current assets** |  |  |  |
| Intangible assets | 23,586 |  | **23,586** |
| Property, plant and equipment | 223,175 | 15,558 | **238,733** |
| Joint ventures and associates | 25,329 |  | **25,329** |
| Investments in securities | 3,074 |  | **3,074** |
| Deferred tax | 12,097 |  | **12,097** |
| Retirement benefits | 6,051 |  | **6,051** |
| Trade and other receivables1 | 7,826 | (814) | **7,012** |
| Derivative financial instruments4 | 574 |  | **574** |
|  | 301,712 | 14,744 | **316,456** |
| **Current assets** |  |  |  |
| Inventories | 21,117 |  | **21,117** |
| Trade and other receivables | 42,431 | 69 | **42,500** |
| Derivative financial instruments4 | 7,193 |  | **7,193** |
| Cash and cash equivalents | 26,741 |  | **26,741** |
|  | 97,482 | 69 | **97,551** |
| **Total assets** | 399,194 | 14,813 | **414,007** |
| **Liabilities** |  |  |  |
| **Non-current liabilities** |  |  |  |
| Debt | 66,690 | 13,125 | **79,815** |
| Trade and other payables2 | 2,735 | (540) | **2,195** |
| Derivative financial instruments4 | 1,399 |  | **1,399** |
| Deferred tax | 14,837 |  | **14,837** |
| Retirement benefits | 11,653 |  | **11,653** |
| Decommissioning and other provisions3 | 21,533 | (347) | **21,186** |
|  | 118,847 | 12,238 | **131,085** |
| **Current liabilities** |  |  |  |
| Debt | 10,134 | 2,912 | **13,046** |
| Trade and other payables | 48,888 | (23) | **48,865** |
| Derivative financial instruments4 | 7,184 |  | **7,184** |
| Taxes payable | 7,497 |  | **7,497** |
| Retirement benefits | 451 |  | **451** |
| Decommissioning and other provisions3 | 3,659 | (318) | **3,341** |
|  | 77,813 | 2,571 | **80,384** |
| **Total liabilities** | 196,660 | 14,809 | **211,469** |
| **Equity attributable to Royal Dutch Shell plc shareholders** | 198,646 | 4 | **198,650** |
| Non-controlling interest | 3,888 |  | **3,888** |
| **Total equity** | 202,534 | 4 | **202,538** |
| **Total liabilities and equity** | 399,194 | 14,813 | **414,007** |

1. Mainly in respect of pre-paid leases.
2. Mainly related to operating lease contracts that were measured at fair value under IFRS 3 *Business Combinations* following the acquisition of BG in 2016.
3. Mainly in respect of onerous contracts.
4. See Note 6 “Derivative financial instruments and debt excluding lease liabilities”.

Alternative Performance (NON-GAAP) measures

Impact of IFRS 16 *Leases*

IFRS 16 *Leases* primarily impacts the following key measures of Shell’s financial performance: Segment earnings; Cash flow from operating activities; Cash flow from operating activities excluding working capital movements; Free cash flow; Capital investment and Cash capital expenditure; Operating expenses; Gearing; and Return on average capital employed.

As explained in Note 8 “Adoption of IFRS 16 *Leases*”, in accordance with Shell’s use of the modified retrospective transition method, comparative information for prior years is not restated, and continues to be presented as reported under IAS 17.

Additional information is provided in this section of the report to provide indicative impacts of Shell’s transition from IAS 17 to IFRS 16. In addition to the IFRS 16 reported basis, impacted Alternative Performance Measures are presented on an IAS 17 basis, to enable like-for-like comparisons between 2019 and 2018. For 2019, information on an IAS17 basis represents estimates for the purpose of transition.

1. Identified items

Identified items comprise: divestment gains and losses, impairments, fair value accounting of commodity derivatives and certain gas contracts, redundancy and restructuring, the impact of exchange rate movements on certain deferred tax balances, and other items. These items, either individually or collectively, can cause volatility to net income, in some cases driven by external factors, which may hinder the comparative understanding of Shell’s financial results from period to period. The impact of identified items on Shell’s CCS earnings is shown as follows.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
| **IDENTIFIED ITEMS** | | | | | |
| **Quarters** | | | **$ million** |
| **Q1 2019** | **Q4 2018** | **Q1 2018** |  |
|  |  |  | **Identified items before tax** |
| 65 | 927 | 625 | * Divestment gains/(losses) |
| (33) | (438) | (417) | * Impairments |
| (72) | 1,639 | (37) | * Fair value accounting of commodity derivatives and certain gas contracts |
| (53) | (32) | 63 | * Redundancy and restructuring |
| - | (167) | 53 | * Other |
| **(93)** | **1,929** | **287** | **Total identified items before tax** |
|  |  |  | **Tax impact** |
| (19) | (12) | (10) | * Divestment gains/(losses) |
| (12) | 22 | 16 | * Impairments |
| 104 | (472) | 16 | * Fair value accounting of commodity derivatives and certain gas contracts |
| 20 | (4) | (16) | * Redundancy and restructuring |
| (8) | 19 | (45) | * Impact of exchange rate movements on tax balances |
| - | 164 | 54 | * Other |
| **86** | **(283)** | **15** | **Total tax impact** |
|  |  |  | **Identified items after tax** |
| 46 | 915 | 615 | * Divestment gains/(losses) |
| (45) | (416) | (401) | * Impairments |
| 32 | 1,167 | (21) | * Fair value accounting of commodity derivatives and certain gas contracts |
| (33) | (36) | 47 | * Redundancy and restructuring |
| (8) | 19 | (45) | * Impact of exchange rate movements on tax balances |
| - | (3) | 107 | * Other |
| **(8)** | **1,646** | **302** | **Impact on CCS earnings** |
|  |  |  | Of which: |
| 226 | 1,216 | (48) | Integrated Gas |
| (19) | (280) | 303 | Upstream |
| (227) | 787 | 40 | Downstream |
| 13 | (77) | 7 | Corporate |
| - | - | - | Impact on CCS earnings attributable to non-controlling interest |
| (8) | 1,646 | 302 | Impact on CCS earnings attributable to shareholders |

The reconciliation from income attributable to RDS plc shareholders to CCS earnings attributable to RDS plc shareholders excluding identified items is shown on page 1.

The categories above represent the nature of the items identified irrespective of whether the items relate to Shell subsidiaries or joint ventures and associates. The after-tax impact of identified items of joint ventures and associates is fully reported within “Share of profit of joint ventures and associates” in the Consolidated Statement of Income, and fully reported as “identified items before tax” in the table above. Identified items related to subsidiaries are consolidated and reported across appropriate lines of the Consolidated Statement of Income. Only pre-tax identified items reported by subsidiaries are taken into account in the calculation of “underlying operating expenses” (Reference G).

**Fair value accounting of commodity derivatives and certain gas contracts**: In the ordinary course of business, Shell enters into contracts to supply or purchase oil and gas products, as well as power and environmental products. Shell also enters into contracts for tolling, pipeline and storage capacity. Derivative contracts are entered into for mitigation of resulting economic exposures (generally price exposure) and these derivative contracts are carried at period-end market price (fair value), with movements in fair value recognised in income for the period. Supply and purchase contracts entered into for operational purposes, as well as contracts for tolling, pipeline and storage capacity, are, by contrast, recognised when the transaction occurs; furthermore, inventory is carried at historical cost or net realisable value, whichever is lower. As a consequence, accounting mismatches occur because: (a) the supply or purchase transaction is recognised in a different period, or (b) the inventory is measured on a different basis. In addition, certain contracts are, due to pricing or delivery conditions, deemed to contain embedded derivatives or written options and are also required to be carried at fair value even though they are entered into for operational purposes. The accounting impacts are reported as identified items.

**Impacts of exchange rate movements on tax balances** represent the impact on tax balances of exchange rate movements arising on (a) the conversion to dollars of the local currency tax base of non-monetary assets and liabilities, as well as losses (this primarily impacts the Upstream segment) and (b) the conversion of dollar-denominated inter-segment loans to local currency, leading to taxable exchange rate gains or losses (this primarily impacts the Corporate segment).

**Other identified items** represent other credits or charges Shell’s management assesses should be excluded to provide additional insight, such as the impact arising from changes in tax legislation and certain provisions for onerous contracts or litigation.

1. Basic CCS earnings per share

Basic CCS earnings per share is calculated as CCS earnings attributable to Royal Dutch Shell plc shareholders (see Note 2), divided by the weighted average number of shares used as the basis for basic earnings per share (see Note 3).

1. Capital investment and Cash capital expenditure

Capital investment is a measure used to make decisions about allocating resources and assessing performance. It 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.

The definition reflects two changes with effect from January 1, 2019, for simplicity reasons. Firstly, “Investments in equity securities” now includes investments under the Corporate segment and is aligned with the line introduced in the Consolidated Statement of Cash Flows from January 1, 2019. Secondly, the adjustments previously made to bring the Capital investment measure onto an accruals basis no longer apply. Comparative information has been revised.

“Cash capital expenditure” is introduced with effect from January 1, 2019, to monitor investing activities on a cash basis, excluding items such as lease additions which do not necessarily result in cash outflows in the period. The measure comprises the following lines from the Consolidated Statement of Cash flows: Capital expenditure, Investments in joint ventures and associates and Investments in equity securities.

The reconciliation of “Capital expenditure” to “Cash capital expenditure” and “Capital investment” is as follows. Information for 2019 is also presented on an “IAS 17 basis” to enable like-for-like performance comparisons with 2018.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | | |
|  | **Quarters** | | | **$ million** |
| **Q1 2019** | **Q1 2019** | **Q4 2018** | **Q1 2018** |  |
| As reported | IAS 17 basis | As revised | As revised |  |
| **5,121** | **5,240** | **7,147** | **4,789** | **Capital expenditure** |
| 441 | 441 | 208 | 415 | Investments in joint ventures and associates |
| 39 | 39 | 75 | 24 | Investments in equity securities |
| **5,601** | **5,720** | **7,430** | **5,228** | **Cash capital expenditure** |
| 187 | 187 | 400 | 122 | Exploration expense, excluding exploration wells written off |
| 959 | 129 | 49 | 182 | Leases recognised in the period |
| (62) | (62) | - | - | Other adjustments1 |
| **6,685** | **5,974** | **7,879** | **5,532** | **Capital investment** |
|  |  |  |  | Of which: |
| 1,964 | 1,489 | 1,350 | 1,263 | Integrated Gas |
| 2,737 | 2,726 | 3,986 | 2,860 | Upstream |
| 1,870 | 1,674 | 2,429 | 1,369 | Downstream |
| 114 | 86 | 114 | 40 | Corporate |

1. The adjustment in the first quarter 2019 is in respect of an impact of an internal restructuring related to Upstream Brazil operations that is included in Capital expenditure.
2. Divestments

Following completion of the $30 billion divestment programme for 2016-18, the Divestments measure was discontinued with effect from January 1, 2019.

1. Return on average capital employed

Return on average capital employed (ROACE) measures the efficiency of Shell’s utilisation of the capital that it employs. Shell uses two ROACE measures: ROACE on a Net income basis and ROACE on a CCS basis excluding identified items.

Both measures refer to Capital employed which consists of total equity, current debt and non-current debt. Information for 2019 is also presented on an “IAS 17 basis” to enable like-for-like performance comparisons with 2018.

**ROACE on a Net income basis**

In this calculation, the sum of income for the current and previous three quarters, adjusted for after-tax interest expense, is 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.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | | | |  |
|  | **Quarters** | | | | **$ million** | |
| **Q1 2019** | **Q1 2019** | **Q4 2018** | **Q1 2018** | |  | |
| As reported | IAS 17 basis | As reported | | As reported |  | |
| 24,033 | 24,075 | 23,906 | 15,822 | | Income - current and previous three quarters | |
| 2,601 | 2,449 | 2,513 | 2,645 | | Interest expense after tax - current and previous three quarters | |
| **26,634** | **26,524** | **26,419** | **18,467** | | **Income before interest expense - current and previous three quarters** | |
| 289,335 | 289,335 | 283,477 | 284,382 | | Capital employed – opening | |
| 292,797 | 276,623 | 279,358 | 289,335 | | Capital employed – closing | |
| **291,066** | **282,979** | **281,417** | **286,859** | | **Capital employed – average** | |
| **9.2%** | **9.4%** | **9.4%** | **6.4%** | | **ROACE on a Net income basis** | |
|  |  | | | | |  |

**ROACE on a CCS basis excluding identified items**

In this calculation, the sum of CCS earnings excluding identified items for the current and previous three quarters, adjusted for after-tax interest expense, is 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.

This definition reflects two changes with effect from January 1, 2019. Firstly, the calculation considers “CCS earnings excluding identified items” instead of “CCS earnings attributable to Royal Dutch Shell plc shareholders excluding identified items” used under the previous definition. This change ensures consistency with the basis for average capital employed. Secondly, the calculation adds back the after-tax interest expense. This change is made for consistency with peers. Comparative information has been revised.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | | |  |
|  | **Quarters** | | | **$ million** | |
| **Q1 2019** | **Q1 2019** | **Q4 2018** | **Q1 2018** |  | |
| As reported | IAS 17 basis | As revised | As revised |  | |
| 23,964 | 24,006 | 24,364 | 14,833 | CCS earnings - current and previous three quarters | |
| 2,119 | 2,119 | 2,429 | (3,008) | Identified items - current and previous three quarters | |
| 2,601 | 2,449 | 2,513 | 2,645 | Interest expense after tax - current and previous three quarters | |
| **24,446** | **24,336** | **24,448** | **20,486** | **CCS earnings excluding identified items before interest expense - current and previous three quarters** | |
| **291,066** | **282,979** | **281,417** | **286,859** | **Capital employed – average** | |
| **8.4%** | **8.6%** | **8.7%** | **7.1%** | **ROACE on a CCS basis excluding identified items** | |
|  |  | | | |  |

1. Gearing

Gearing is a key measure of Shell’s capital structure and is defined as net debt as a percentage of total capital. Net debt is defined as the sum of 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. Management considers this adjustment useful because it reduces the volatility of net debt caused by fluctuations in foreign exchange and interest rates, and eliminates the potential impact of related collateral payments or receipts. Debt-related derivative financial instruments are a subset of the derivative financial instrument assets and liabilities presented on the balance sheet. Collateral balances are reported under “Trade and other receivables” or “Trade and other payables” as appropriate.

Information for 2019 is also presented on an “IAS 17 basis” to enable like-for-like performance comparisons with 2018.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | | |  |
| **Quarters** | | | | **$ million** | |
| **March 31, 2019** | **March 31, 2019** | **December 31, 2018** | **March 31, 2018** |  | |
| As reported | IAS 17 basis | As reported | As reported |  | |
| 15,381 | 12,337 | 10,134 | 14,392 | Current debt | |
| 77,160 | 64,034 | 66,690 | 73,630 | Non-current debt | |
| 92,541 | 76,371 | 76,824 | 88,022 | Total debt1 | |
| 1,158 | 1,158 | 1,273 | 42 | Add: Debt-related derivative financial instruments: net liability/(asset) | |
| 27 | 27 | 72 | - | Add: Collateral on debt-related derivatives: net liability/(asset) | |
| (21,470) | (21,470) | (26,741) | (21,927) | Less: Cash and cash equivalents | |
| **72,256** | **56,086** | **51,428** | **66,137** | **Net debt** | |
| 200,256 | 200,252 | 202,534 | 201,313 | Add: Total equity | |
| **272,512** | **256,338** | **253,962** | **267,450** | **Total capital** | |
| **26.5%** | **21.9%** | **20.3%** | **24.7%** | **Gearing** | |

1. Includes lease liabilities of $29,697 million at March 31, 2019, and finance lease liabilities of $14,026 million at December 31, 2018, and $14,672 million at March 31, 2018.
2. Operating expenses

Operating expenses is a measure of Shell’s cost management performance, comprising the following items from the Consolidated Statement of Income: production and manufacturing expenses; selling, distribution and administrative expenses; and research and development expenses. Underlying operating expenses measures Shell’s total operating expenses performance excluding identified items.

Information for 2019 is also presented on an “IAS 17 basis” to enable like-for-like performance comparisons with 2018.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
| **Quarters** | | | | **$ million** |
| **Q1 2019** | **Q1 2019** | **Q4 2018** | **Q1 2018** |  |
| As reported | IAS 17 basis | As reported | As reported |  |
| 6,354 |  | 6,803 | 6,923 | Production and manufacturing expenses |
| 2,352 |  | 3,162 | 2,588 | Selling, distribution and administrative expenses |
| 212 |  | 314 | 208 | Research and development |
| **8,917** | **9,339** | **10,279** | **9,719** | **Operating expenses** |
|  |  |  |  | Of which identified items: |
| (52) | (52) | (28) | 67 | (Redundancy and restructuring charges)/reversal |
| - | - | (104) | - | (Provisions)/reversal |
| - | - | - | - | Other |
| **(52)** | **(52)** | **(132)** | **67** |  |
| **8,865** | **9,287** | **10,147** | **9,786** | **Underlying operating expenses** |

1. Free cash flow

Free cash flow is used to evaluate cash available for financing activities, including dividend payments and debt servicing, after investment in maintaining and growing our business. It is defined as the sum of “Cash flow from operating activities” and “Cash flow from investing activities”.

Information for 2019 is also presented on an “IAS 17 basis” to enable like-for-like performance comparisons with 2018.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
| **Quarters** | | | | **$ million** |
| **Q1 2019** | **Q1 2019** | **Q4 2018** | **Q1 2018** |  |
| As reported | IAS 17 basis | As reported | As reported |  |
| 8,630 | 7,681 | 22,021 | 9,472 | Cash flow from operating activities |
| (4,622) | (4,741) | (5,312) | (4,294) | Cash flow from investing activities |
| **4,008** | **2,940** | **16,709** | **5,178** | **Free cash flow** |
|  |  | | | |

1. Cash flow from operating activities excluding working capital movements

Working capital movements are defined as 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.

Cash flow from operating activities excluding working capital movements is a measure used by Shell to analyse its operating cash generation over time excluding the timing effects of changes in inventories and operating receivables and payables from period to period.

Information for 2019 is also presented on an “IAS 17 basis” to enable like-for-like performance comparisons with 2018.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  | **Quarters** | | | **$ million** |
| **Q1 2019** | **Q1 2019** | **Q4 2018** | **Q1 2018** |  |
| As reported | IAS 17 basis | As reported | As reported |  |
| **8,630** | **7,681** | **22,021** | **9,472** | **Cash flow from operating activities** |
|  |  |  |  | Of which: |
| 4,227 | 3,952 | 5,786 | 2,561 | Integrated Gas |
| 5,280 | 5,091 | 6,869 | 3,601 | Upstream |
| (611) | (1,058) | 8,794 | 3,107 | Downstream |
| (266) | (304) | 572 | 203 | Corporate |
| (2,841) | (2,841) | 7,694 | 281 | - (Increase)/decrease in inventories |
| (1,425) | (1,425) | 8,421 | (683) | - (Increase)/decrease in current receivables |
| 783 | 646 | (7,014) | (484) | - Increase/(decrease) in current payables |
| **(3,483)** | **(3,620)** | **9,101** | **(886)** | **(Increase)/decrease in working capital** |
| **12,113** | **11,301** | **12,920** | **10,358** | **Cash flow from operating activities excluding working capital movements** |
|  |  |  |  | Of which: |
| 3,715 | 3,485 | 6,597 | 2,945 | Integrated Gas |
| 5,390 | 5,202 | 5,149 | 4,431 | Upstream |
| 2,991 | 2,597 | 1,224 | 3,136 | Downstream |
| 17 | 17 | (50) | (154) | Corporate |

CAUTIONARY STATEMENT

All amounts shown throughout this announcement are unaudited. All peak production figures in Portfolio Developments are quoted at 100% expected production. The numbers presented throughout this announcement may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures, due to rounding.

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this announcement “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 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 announcement 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 announcement contains forward-looking statements (within the meaning of the US 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 announcement, 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 announcement 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 announcement and should be considered by the reader. Each forward-looking statement speaks only as of the date of this announcement, 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 announcement.

This Report contains references to Shell’s website. These references are for the readers’ convenience only. Shell is not incorporating by reference any information posted on www.shell.com.

We may have used certain terms, such as resources, in this announcement that the United States Securities and Exchange Commission (SEC) strictly prohibits us from including in our filings with the SEC. US 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.

This announcement contains inside information.

May 2, 2019

The information in this Report reflects the unaudited consolidated financial position and results of Royal Dutch Shell plc. Company No. 4366849, Registered Office: Shell Centre, London, SE1 7NA, England, UK.

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LEI number of Royal Dutch Shell plc: 21380068P1DRHMJ8KU70

Classification: Inside Information