

# Shell third quarter 2021 update note

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The following is an update to the third quarter 2021 outlook. Impacts presented may vary from the actual results and are subject to finalisation of the third quarter 2021 results, published on October 28, 2021. Unless otherwise indicated, all outlook statements exclude identified items.

Hurricane Ida in the US Gulf of Mexico had an impact on our operations and is expected to have an aggregate adverse impact of around \$400 million on Adjusted Earnings and CFFO in the third quarter 2021. Individual segmental impacts on Adjusted Earnings are further detailed below.

## Integrated Gas

### Adjusted EBITDA

- Production is expected to be between 890 and 950 thousand barrels of oil equivalent per day.
- LNG liquefaction volumes are expected to be between 7.0 and 7.5 million tonnes, reflecting feedgas constraints and additional maintenance.
- Trading and optimisation results are expected to be higher compared to the second quarter 2021.
- Underlying Opex is expected to be similar to the second quarter 2021.

### Adjusted Earnings

- Pre-tax depreciation is expected to be between \$1.3 and \$1.4 billion.
- Taxation charge is expected to be between \$500 and \$900 million.

### Cash flow from operations

- CFFO excluding working capital is expected to be significantly impacted by large variation margin inflows on the back of the prevailing gas and electricity price environment; these inflows are expected to be higher than the second quarter 2021.
- Tax paid is expected to be between \$200 and \$400 million.

## Upstream

### Adjusted EBITDA

- Production is expected to be between 2,025 and 2,100 thousand barrels of oil equivalent per day including impacts from Hurricane Ida (~90kboe/d).
- Underlying Opex is expected to be between \$100 and \$350 million higher than the second quarter 2021.

### Adjusted Earnings

- Pre-tax depreciation is expected to be between \$3.1 and \$3.4 billion.
- Pre-tax exploration well write-offs are expected to be between \$300 and \$400 million.
- Taxation charge is expected to be between \$1.2 and \$1.7 billion. Second quarter 2021 taxation charge included a one-off release of a non-cash tax provision of approximately \$600 million.
- As a result of Hurricane Ida, Adjusted Earnings is expected to be adversely impacted by between \$200 and \$300 million.
- Adjusted Earnings is not expected to be significantly impacted by the prevailing strong gas price environment.

#### Cash flow from operations

- Tax paid is expected to be between \$900 and \$1,100 million.

#### Oil Products

##### Adjusted EBITDA

- Marketing margins are expected to be in line with the second quarter 2021.
- Refining indicative margin is around \$5.70/bbl, higher than the \$4.17/bbl in second quarter 2021.
- Sales volumes are expected to be between 4,300 and 5,300 thousand barrels per day.
- Refinery utilisation is expected to be between 70% and 74%, lower compared to the second quarter 2021, due to the impact of Hurricane Ida.
- Trading and optimisation results are expected to be similar to the second quarter 2021.
- Underlying Opex is expected to be up to \$100 million higher than the second quarter 2021.

##### Adjusted Earnings

- Pre-tax depreciation is expected to be between \$800 and \$1,000 million.
- Taxation charge is expected to be between \$100 and \$500 million.
- As a result of Hurricane Ida, Adjusted Earnings is expected to be adversely impacted by between \$50 and \$100 million.

#### Cash flow from operations

- Tax paid is expected to be between \$100 and \$250 million.
- Working capital outflows are expected due to the higher commodity price environment.

#### Chemicals

##### Adjusted EBITDA

- Chemicals margins as well as associated JV earnings are expected to be lower than the second quarter 2021 by \$100 to \$200 million, primarily due to weaker intermediate margins.
- Chemical sales volumes are expected to be between 3,400 and 3,700 thousand tonnes.
- Chemicals manufacturing plant utilisation is expected to be between 74% and 78%, lower compared to second quarter 2021 due to the impact of Hurricane Ida.
- Underlying Opex is expected to be up to \$100 million higher than the second quarter 2021.

##### Adjusted Earnings

- Pre-tax depreciation is expected to be between \$250 and \$300 million.
- Taxation charge is expected to be up to \$150 million.
- As a result of Hurricane Ida, Adjusted Earnings is expected to be adversely impacted by around \$100 million.

#### Cash flow from operations

- CFFO is expected to be negatively impacted by \$200 to \$300 million, compared to second quarter 2021, due to lower dividends from Joint Venture and Associates.
- Tax paid is expected to be up to \$50 million.

#### Corporate

- Corporate segment Adjusted Earnings are expected to be a net expense of \$650 to \$750 million for the third quarter. This excludes the impact of currency exchange rate effects.

#### Full-year price and margin sensitivities

The Adjusted Earnings and CFFO price and margin sensitivities are indicative and subject to change. These are in relation to the full-year results and exclude short-term impacts from working capital movements, production seasonality, cost-of-sales adjustments and derivatives. Sensitivity accuracy is subject to trading and optimisation performance, including short-term opportunities, depending on market conditions. These sensitivities are reviewed and updated annually.

Marker sensitivity	Adjusted Earnings \$ million	CFFO \$ million
Integrated Gas		
+\$10/bbl Brent	1,100	1,200
+\$10/bbl Japan Customs-cleared Crude - 3 months	1,100	1,200
Upstream		
+\$10/bbl Brent	3,000	4,000
+\$1/mmbtu Henry Hub	350	450
+\$1/mmbtu EU TTF	150	200
Refining		
+\$1/bbl indicative refining margin	500	-

#### Indicative refining margin

The indicative margin is an approximation of Shell's global net realised refining margin, calculated using price and margin markers from third parties' databases. It is based on an approximation of Shell's crude intake and production from refinery units. The actual margins realised by Shell may vary due to factors including specific local market effects, refinery configuration, crude diet, operating decisions and production.

Q3 2021: \$5.70/bbl

Q2 2021: \$4.17/bbl

Q1 2021: \$2.65/bbl

Q4 2020: \$1.59/bbl

The formula provided will be reviewed and updated annually, reflecting any changes in our refining portfolio.

Calculation formula (\$/bbl) - note that brackets indicate a negative sign

$$\text{Brent}*(25\%) + \text{MSW}*(11\%) + \text{LLS}*(24.5\%) + \text{Dubai}*(24.5\%) + \text{Urals CIF EU}*(13\%) + \text{NWE Naphtha (RDAM FOB Barge)}*8\% + \text{NWE Mogas premium unleaded}*12.50\% + \text{NWE Kero}*11.50\% + \text{NWE AGO}*24.5\% + \text{NWE Benzene}*1\% + \text{Sing Fueloil 380 cst}*6.50\% + \text{Edmonton ULG Reg}*3.50\% + \text{Edmonton ULSD}*3.50\% + \text{USGC Normal Butane}*1.50\% + \text{USGC LS No 2 Gasoil}*7\% + \text{USGC Natural Gas}*(2\%) + \text{USGC CBOB}*15\% + \text{RINS}*(20.50\%) + \text{NWE Propylene Platts}*0.50\% - \$1.7/\text{bbl}$$

#### Consensus

The consensus collection for quarterly Adjusted Earnings, Adjusted EBITDA (NEW) and CFFO excluding working capital movements, managed by Vara research, will be published on 21 October 2021.

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### Cautionary Note

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this announcement "Shell", "Shell Group" and "Group" 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 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.

### Alternative Performance (non-GAAP) Measures

This announcement includes certain measures that are calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles (GAAP) such as IFRS, including Adjusted Earnings, "Adjusted EBITDA", Cash flow from operating activities excluding working capital movements, Cash capital expenditure, Net debt and Underlying opex.

Adjusted Earnings and Adjusted EBITDA are measures used to evaluate Shell's performance in the period and over time.

The "Adjusted Earnings" and Adjusted EBITDA are measures which aim to facilitate a comparative understanding of Shell's financial performance from period to period by removing the effects of oil price changes on inventory carrying amounts and removing the effects of identified items.

Adjusted Earnings is defined as income/(loss) attributable to shareholders adjusted for the current cost of supplies and excluding identified items. "Adjusted EBITDA (CCS basis)" is defined as "Income/(loss) for the period" adjusted for current cost of supplies; identified items; tax charge/(credit); depreciation, amortisation and depletion; exploration well write-offs and net interest expense. All items include the non-controlling interest component.

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. 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 capital expenditure is the sum of the following lines from the Consolidated Statement of Cash flows: Capital expenditure, Investments in joint ventures and associates and Investments in equity securities. 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. Underlying operating expenses is a measure of Shell's cost management performance and aimed at facilitating a comparative understanding of performance from period to period by removing the effects of identified items, which, either individually or collectively, can cause volatility, in some cases driven by external factors. Underlying operating expenses comprises the following items from the Consolidated statement of Income: production and manufacturing expenses; selling, distribution and administrative expenses; and research and development expenses and removes the effects of identified items such as redundancy and restructuring charges or reversals, provisions or reversals and others. We are unable to provide a reconciliation of these forward-looking Non-GAAP measures to the most comparable GAAP financial measures because certain information needed to reconcile the above Non-GAAP measure to the most comparable GAAP financial measure is dependent on future events, some of which are outside the control of Shell, such as oil and gas prices, interest rates and exchange rates. Moreover, estimating such GAAP measures with the required precision necessary to provide a meaningful reconciliation is extremely difficult and could not be accomplished without unreasonable effort. Non-GAAP measures in respect of future periods, which cannot be reconciled to the most comparable GAAP financial measure are estimated in a manner which is consistent with the accounting policies applied in Royal Dutch Shell plc's consolidated financial statements.

#### Forward-looking statements

This announcement 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 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 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", "milestones", "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 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; (m) risks associated with the impact of pandemics, such as the COVID-19 (coronavirus) outbreak; and (n) 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 plc's Form 20-F for the year ended December 31, 2020 (available at [www.shell.com/investors](http://www.shell.com/investors) and [www.sec.gov](http://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, October 7, 2021. 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.

The content of websites referred to in this announcement does not form part of this announcement.

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. 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](http://www.sec.gov).

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