The acquisition of BG Group by Royal Dutch Shell

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University of Zagreb

Faculty of Economics & Business

Master Degree in Management

THE ACQUISITION OF BG GROUP BY ROYAL DUTCH SHELL

(Master thesis)

Martin Katičić

Zagreb, September, 2020.

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"There are those who look at things the way they are, and ask why… I dream of things that never were, and ask why not?"

Robert F. Kennedy

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Martin Katičić

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ABSTRACT

The purpose of this paper is to study the concept of the acquisition of the BG Group by Royal Dutch Shell and how has created the largest liquefied natural gas company in the world. It was the first mega-merge in the industry for more than ten years in 2016 for $54.0 bn. The reason for Royal Dutch Shell for purchasing the BG Group was to acquire Brazil's vast oil reserves, focusing on deep water fields and liquefied natural gas, but also to achieve consolidation of the oil market in an attempt to mitigate the downgrade of oil price.

Royal Dutch Shell (Shell) acquired BG Group in February 2016 for a $19.0 bn cash payment and $35,0 bn worth of shares in exchange of all the shares of BG Group.

The acquisition was part of Shell's growth strategy to develop a more focused and simpler operational structure comprising upstream and downstream cash engines, deep water, and liquefied natural gas (LNG). BG Group's acquisition enhanced Shell's LNG and deep-water asset portfolio, particularly in Australia and Brazil. It enabled the company to accelerate and de-risk its LNG and deep water-focused strategy.

BG Group was involved in the exploration, development, and production of hydrocarbons, LNG shipping and sale, and operation of LNG import facilities. Shell is an oil and gas company headquartered in the Netherlands. During 2016, Royal Dutch Shell acquired BG Group for US$70 billion. This acquisition catapulted Shell as the world's second largest non-state oil company after Exxon Mobil in terms of market capitalization surpassing Chevron Corporation. The combination of Shell and BG Group brought together two world class portfolios involving productive oil and gas projects and expertise in deep water and liquefied natural gas (LNG). The acquisition gave Royal Dutch Shell a dominant footprint in offshore Brazil region. BG's acquisition bolstered Shell's position in the fast-growing liquefied natural gas market and turned it into the largest foreign oil company in Brazil. This acquisition was the biggest in the sector since Exxon's merger with Mobil in 1988. The acquisition was expected to result in cost savings of an amount of $3.5 billion on account of reduction in overlaps in areas of corporate, administrative, and IT operations by 2018. BG Group shareholders received 383 pence in cash plus 0.4454 Royal Dutch Shell B shares for each BG Group share. The announcement day and one day after return was −3.4% and − 0.7% for Royal Dutch Shell during BG Group Acquisition.

1.INTRODUCTION

Mergers and acquisitions refer to the aspect of corporate strategy, finance and management dealing with the buying and selling and combining of different companies that can aid, finance or help a growing company in a given industry grow rapidly without having to create another business entity". (Roberts, A., Wallace, W., Moles, P., (2003)

Mergers and acquisitions are not the same terminologies but often it is used interchangeably. In acquisition one organization purchase a part or whole another organization. While in merger two or more than two organizations constitute one organization (Alao, R.O., (2010). Merger is the legal activity in which two or more organizations combine and only one firm survive as a legal entity (Horne, J.c.V, Wachowicz, J.M., (2004). As per the definition of Georgios, K., and Georgios, H., (2011) in a merger, two or more firms approach together and become a single firm while in acquisition big and financially sound firm purchase the small firm. Khan, A. A., (2011) presented a definition of merger as two or more firms close together and form one or more firms. Rao, S.D., and Kumar, R., (2013) defined mergers and acquisitions as activities involving takeovers, corporate restructuring, or corporate control that changes in ownership structure of firms.

A Merger can be descried as a combination of two companies into one larger company; such activities are normally voluntary in nature and involve a stock swap or cash payment to the target organization. Stock swaps allow the shareholders of both companies to share the risk involved in the deal. A merger normally results in a new company with a new brand and a new company name being created. A combination of two or more companies in which the assets and liabilities of the selling firm(s) are absorbed by the buying firm. Although the buying firm may be a considerably different organization after the merger, it retains its original identity. The merger of equals between XM and Sirius to form Sirius XM is an example. (Scott, D.L., (2003)

Acquisitions or takeover are different from Mergers. In the case of an acquisition a company unilaterally relinquishes its independence and adopts to the acquiring firms plans. As a legal point of view the target company ceases to exist as the buyer "swallows" the business. For example, Oracle's acquisition of Sun Microsystems was a significant technology transaction in 2009. (Scott, D.L., (2003)

1.1. RESEARCH PROBLEM AND RESEARCH OBJECTIVES

Aim of the research: The present research study has been made with the aim of analyzing business aims and corporate responsibilities of Royal Dutch Shell: A case study on acquisition of Royal Dutch Shell of BG Group.

Objectives: Research objectives have been developed for the purpose of identifying the aspects that are important under research study.

- ✓ To analyze the importance of acquisition of Royal Dutch Shell of BG Group
- ✓ To identify the benefits of takeover from business, political, economic and ethical point of view.
- ✓ To determine the ways through which corporate responsibilities and ethical aspects are maintained.

Research questions: Research questions for the present study has been made so as to give adequate directions to the study and this will also assist the researcher to reach towards all the specified aims and objectives.

- ✓ What is the impact of acquisition on business performance?
- ✓ What are the benefits of strategic acquisitions for business entities?
- ✓ What strategies can be recommended to business for future?

1.2. RESEARCH METHODS

The methodology to be used in the paper will be based on secondary research.

Scientific methods will be used: historical methods, analyzes and syntheses, logical methods of induction and deduction, abstractions, comparisons, concretizations, generalizations, specializations, classifications, compilations, descriptions, empirical method.

As part of the secondary research, contemporary scientific and professional literature will be processed in order to gain insights into the scientific aspect of the takeover and to deal with the case of the BG Group takeover by Shell and its benefits. Relevant domestic and foreign literature will be used.

1.3. STRUCTURE OF THESIS

In first chapter highlights show introduction in mergers and acquisition as the aspect of corporate strategy, finance and management, research and objective, method and structure of theses.

The second chapter of this study show terminology of mergers and acquisitions, types, motivation factors.

The thirst chapter show which factor is important in cross border merger and acquisition, effect and valuing cross border merger and acquisition.

The fourth chapter highlights show the analysis and history of Royal Dutch Shell and his performance and the way how Shell acquired British Gas Group and scheme of arrangement becomes effective.

In the fifth chapter, is conclude on the merge and acquisition of Shell Dutch Royal and BG Group. In this research work has proven how Shell become a second energy company in the world buying a BG Group.

2. MERGERS AND ACQUISITIONS

2.1. HISTORY MERGERS AND ACQUISITIONS

M&A began on a United States of America scale in the early 1900s, when American companies executed deals in order to achieve market share and operational efficiencies within the home market.

The most prominent was Weston who in 1953 described major periods of merger movements while studying the US business behavior. (Weston, J.F., Weaver, S.C., (2001)

The start or the first wave of the Merger movement Weston a Weaver (2001) said to be have been post the Sherman Act in 1890. Prior to 1890 there was a predominance of the polypoly market structure, this was reduced post 1890 and partial monopolies started increasing. The economic history has been divided into Merger Waves based on the merger activities in the business world as:

Period	Name	Facet
1889 – 1904	First Wave	Horizontal mergers
1916 – 1929	Second Wave	Vertical mergers
1965 – 1989	Third Wave	Diversified conglomerate mergers
1992 – 1998	Fourth Wave	Hostile takeovers; Corporate Raiding
2000 –	Fifth Wave	Cross-border mergers

The Great Merger Movement was primarily a US business phenomenon from 1895 to 1905. Weston and Weaver said that during this time 1800 of small firms disappeared into consolidations with similar firms to form large, powerful institutions that dominated their markets.

The second wave (1916 to 1929) saw even greater activity in mergers. The motive behind these mergers was vertical integrations. Organizations tried to achieve technical gains and to avoid their dependence on other firms for raw materials.

The third wave saw the large conglomerates looking at diversification in the 60's. the process actually reached its zenith during the merge wave and was carried to its logical extreme by the

conglomerate firms that rose to prominence during that time. (Weston, J.F., Weaver, S.C., (2001)

The fourth wave in 90s saw increase in hostile takeovers and corporate raiding by the large firms. This was a wave during which vulnerable companies were grabbed up by the larger firms.

The fifth wave has been categorized as starting from the year 2000 onwards and has seen a trend of increase in Cross border acquisitions. The rise of globalization has seen increased the market for cross border M&A. This rapid increase has taken many M&A firms by surprise as most of them never used to consider this due to the complexity involved in cross border M&A.

The success of these acquisitions was also limited and we saw a vast majority of them failing. Even then in 1997 alone there were over 2300 cross border acquisition worth a total of approximately $298 Million. (BCG, (2007))

The intensity of mergers and acquisitions is also affected by the availability of funding, the development of capital markets, legislation and technological shocks. In turbulent business environment of 21st century organizations are forced to use different growth strategies in order to successfully position with respect to competition and to preserve and increase their profit margins.

Financial theory is mainly focused on shareholders' wealth as the criteria for the overall M&A success because the shareholders are company's residual owners. Along with the research about the impact of M&As on shareholders' wealth, many of the studies have focused on the analysis of variables that affect the success of mergers and acquisitions after the takeover. Internal organization variables such as strategy, structure and culture, management style, technology, etc. are typically pointed out as the most important variables that influence M&A success, while little or no attention is directed to industry structure, which is external organizational variable, on which company's long-term profitability depends. (Kandžija, V., Filipović, D., Kandžija, T., (2014)

2.2. MERGERS AND ACQUISITION - TYPES

Companies merge and acquire each other for many different reasons.

From a hostile takeover to a friendly merger or a strategic alliance – there are many ways companies can combine forces.

4 Types of Merger and Acquisitions

Companies will merge together and acquire each other for a variety of reasons. Here are four of the main way's companies join forces:

Horizontal Merger / Acquisition

Two companies come together with similar products / services. By merging they are expanding their range but are not essentially doing anything new. In 2002 Hewlett Packard took over Compaq Computers for $24.2 billion. The aim was to create the dominant personal computer supplier by combining the PC products of both companies.

Vertical Merger / Acquisition

Two companies join forces in the same industry but they are at different points on the supply chain. They become more vertically integrated by improving logistics, consolidating staff and perhaps reducing time to market for products. A clothing retailer who buys a clothing manufacturing company would be an example of a vertical merger.

Conglomerate Merger / Acquisition

Two companies in different industries join forces or one takes over the other in order to broaden their range of services and products. This approach can help reduce costs by combining back office activities as well as reduce risk by operating in a range of industries.

Concentric Merger / Acquisition

In some cases, two companies will share customers but provide different services. An example would be Sony who manufacture DVD players but who also bought the Columbia Pictures movie studio in 1989. Sony were now able to produce films to be able to be played on their DVD players.

2.3. MOTIVATIONS FOR MERGERS AND ACQUSITIONS

There are as many motives as there are strategies for mergers and acquisitions. The primary objectives of M&A activities are diversifications, market expansion, improving competitive position and depression immunity.

Shareholders may gain from merger in different ways viz. from the gains and achievements of the company i.e. through (BCG, (2007))

- Realization of monopoly profits;
- Economies of scales;
- Diversification of product line;
- Acquisition of human assets and other resources not available otherwise;
- Better investment opportunity in combinations.

Money will always be an important and primary deal motivation of mergers and acquisitions. Besides money there are other motives like:

- Operating Synergy; Improve operating efficiency through economies of scale or scope by acquiring a customer, supplier, or competitor

- Financial Synergy; Lower cost of capital

- Diversification; Position the firm in higher-growth products or markets

- Strategic Realignment; Acquire capabilities to adapt more rapidly to environmental changes than could be achieved if they were developed internally

- Hubris; Acquirers believe their valuation of the target is more accurate than the market's, causing them to overpay by overestimating synergy

- Buying undervalued assets; Acquire assets more cheaply when the equity of existing companies is less than the cost of buying or building the assets

- Managerialism; Increase the size of a company to increase the power and pay of managers

- Tax consideration; Obtain unused net operating losses and tax credits and asset writeups, and substitute capital gains for ordinary income

- Market power; actions taken to boost selling prices above competitive levels by affecting either supply or demand.

Mergers and acquisitions are usually explained by two groups of factors: strategic and financial drivers. Among the strategic and financial incentives, the most important are: the aspiration to achieve diversification, create synergies, stimulate growth, consolidate industries, and quickly obtain the access to new resources and technology. (Canestri, I., (2014))

2.4. FACTOR IN CROSS - BORDER MERGERS AND ACQUISITIONS

Reasons firms expand internationally include the desire to achieve geographic diversification, accelerate growth, consolidate industries utilize natural resources and lower labor costs elsewhere, and to leverage intangible assets.

According to an economic study performed by Wilmer Hale (2012) between 2010-2011 the global M&A volume rose by 11%, passing from 27.460 transactions in 2010 to 30.366 in 2011. Similarly, the global M&A deal value increased by 53%, passing from $2,03 trillion in 2010 to $3,11 trillion in 2011. In addition, the process of globalization and the international dynamism will encourage cross-border mergers and acquisitions. Furthermore, prospective forecasts predict a continuous positive trend for the future.

The foregoing explanation of acquisition is focused on the driving financial forces of many of the acquisitions of the 1980s. It does not address many of the traditional reasons for acquisitions that have existed before and exist after the 1980s. These reason drive acquisition activity through economic cycles, regardless of the legal back-ground for hostile takeovers.

Economies of scale. In many businesses there are enormous economies to be achieved from large size. Where the capital costs of tooling up to produce goods is high, very long runs allows the manufacturer to recover these costs over large numbers of units. The automobile industry is an example of these economies.

Economic of scope. Economies of scope often explain mergers involving firms that make different but related product. Many food and beverage combinations were explainable on this basis. Food producers with well-known brand names and many products are able to secure more shelf space in supermarkets because of their market power.

Synergies. Many businesses in computer software, cable television, telephones, entertainment and even computer hardware have been acquiring related businesses in the hope of gaining competitive advantages in developing the information highway. These companies assume that businesses either providing access to or products for the information highway will require a wide range of know-how, which can only be obtained by combining with the companies in these related industries. These acquisitions represent the essence of entrepreneurship.

Market share. For many companies, holding a large in not dominant market share is viewed as the key to earning above normal profits. Well recognized brand names often command a premium price. Accordingly, these companies are often willing to purchase smaller competitors whenever they become available. In turn, smaller companies are often put up for sale because they are privately held, and the founder or the chief executive is reaching retirement age, with no successor in sight, and no way to provide liquidity for retirement.

Diversification. Investor do not need companies to diversify, because they can do it for themselves at relatively low cost, either through mutual funds or on their own. Diversification has played a role in acquisitions at various stages in our economic history. Also, it can enable a company to stabilize its income and cash flows, and should reduce the riskiness of both its debt and equity.

Acquisition of new technology. Technological change has occurred with amazing rapidly in many industries. Software companies have been born, either died or succeeded, an either offered their stock to the public or been acquired by larger companies. Telecommunications has changed rapidly and new pharmaceuticals have been developed that provide new solutions and cures for old diseases.

2.5. EFFECT OF CROSS – BORDER MERGERS AND ACQUISITION

The general effect of cross-border M&A activities tends to be a re-organization of industrial assets and production structures on a global basis. This can lead to greater overall efficiency without necessarily significantly greater production capacity (OECD, 1996b). Cross-border M&As facilitate the international movement of capital, technology, goods and services, and the integration of affiliates into global networks.

Furthermore, such M&As can bring about efficiency gains through economies of scale and scope. Studies of the performance effects of foreign direct investment, which increasingly consists of M&As, confirm economy-wide positive benefits particularly as regards improved productivity in host countries.

Cross-border M&As can also have positive impacts on growth and employment, particularly if governments have policies which facilitate the associated industrial restructuring.

In general, M&As can have the following types of economic effects from the perspective of host countries (as compared to greenfield investments):

− Capital accumulation: Greenfield investments contribute to capital accumulation in the nearer term by establishing new plants, while M&As can contribute in the longer term. As new foreign owners expand their businesses in host countries, they may undertake new investments in plant and equipment.

− Employment creation: Similarly, greenfield investments tend immediately to create new jobs, while M&As undertaken for the purpose of restructuring often incur layoffs but may contribute to employment gains in the longer term.

− Technology transfer: M&As as well as greenfield investments can incur positive spillovers by promoting the transfer of new technology, advanced management skills and other forms of intangible assets to the host country. Foreign direct investment, in general, can have a favorable influence on industrial innovative capacity through technology transfer and dissemination.

− Competition: Greenfield investments increase competition in the host country by adding new entrants into markets, while initially M&As may decrease competition or at best may not alter market structure. However, firms acquired by foreign investors may initiate competition with

incumbents in the host country with the help of financial resources and advanced management know-how from parent companies.

− Efficiency gains: M&As and greenfield investments can enhance efficiency in the host country through technology transfer, industrial restructuring and enhancing competition. For example, according to one study of foreign take-overs of British firms, foreign acquisitions raised productivity (output per employee) as well as real wages, mainly due to higher investment per employee by the new foreign owners.

2.6. VALUATION METHODS IN MERGERS AND ACQUISITIONS

Initially, it is necessary to distinguish the terms "value" and "price." Price is the amount of money paid to obtain a good or service, and it may not necessarily reflect the value of that goods or service all the time. Price varies based on supply and demand, and economic and political conditions. In other words, a price may be higher or lower than the value of the goods or service it is paid for. In M&As, similarly, there may be a significant difference between the value of a company and the price to be paid for it. The important point here is the realistic determination of the company's value. The more accurate and realistic the valuation is, the more accurate will be the price to be paid. There are a number of methods used in business valuation, with different methods more suitable in different conditions. For instance, if a company has low profitability, yet high-value permanent assets, these assets will become more important than its profitability in the valuation process. One method will not be suitable for all M&As.

1. Balance-Sheet-Based Methods Balance-sheet-based methods attempt to identify the value of a business by examining the balance-sheet values of their assets. This is a traditional approach dictating that the value of a business is determined considering the assets owned by that business, regardless of the future. These methods ignore intangible assets like brand names, patents, technical know-how and management competence (Gabehart, S.1998; Damodaran, A. 2005). Balance sheet-based methods comprise: book value, adjusted book value, liquidation value, and replacement-cost value.

Book Value The book value of a business is calculated by subtracting the debts from the total value of the assets on the balance sheet. This method is not suitable in M&As as it shows the past balance sheet values of the assets, these values may be very different from the current values, and intangible assets are not included in the balance sheet. However, it is right to use

this method in establishments where the difference between the balance-sheet value and the current value is small (e.g. banks), and low-profit or no-profit establishments if the market value of the establishment is smaller than its book value.

Adjusted Book Value The adjusted book value of a business can be calculated by identifying the market values of the assets in the balance sheet, and adding the values of the intangible assets which are not included in the balance sheet. This eliminates the negativities of book value to some extent.

Replacement-cost Value This value is calculated by considering the costs of obtaining assets that are similar in all ways to the assets in the balance sheet of the company. This method does not consider intangible assets either, which means that it is not a suitable method for M&As.

Liquidation Value The liquidation value is calculated by subtracting the debts from the value, which is created by selling all assets of the company. It is the lowest value that an establishment has. The liquidation value does not have any meaning in M&As except for extraordinary situations as the main goal of M&As is to combine the powers of businesses and become stronger. This value would have a meaning in case of buying a business that has a financial loss.

2. Income Statement and Market-Based Methods: In the income statement and market-based method, the value of the company is determined considering the income statement and market data, rather than the data on the balance sheet.

Market Price

The market price of company is usually calculated considering the market prices of their shares. The market price of shares is a value that varies by supply and demand conditions on the market. The market price may change in relation to economic conditions, the activeness rate of the company, and other conditions outside the company, although there is no change in the activeness of the company itself. Thus, the price of the shares in the market may be higher or lower than the real value of the company. Here are the main disadvantages of using the market price of shares in M&As:

- When a majority of the company's shares are not traded in the market, the market price does not reflect the realistic value of the company.

- Economic and political conditions may give a high or low price for the company's shares.
- The prices created on the market will not be consistent as the activeness of the markets decreases.
- When news about M&As are heard in the market, there can be abnormal changes in the market price.

Earnings/Price Ratio

In M&As, the earnings/price ratio (E/P) is commonly used, particularly in the valuation of non-public companies, as it is easy to apply. The E/P for non-public companies is unknown because there is no market price for their shares. In these situations, the reference is the E/P of another company which is active in the same sector as the company to be valued, has similar characteristics, and is traded in the stock exchange. In this method, the current or future values of the establishment are multiplied by the E/P rate of the reference company, which creates the value of the establishment. If there are no companies similar to the establishment to be valued using E/P, the E/P rate of the sector can also be used, which is a more practical way as well. Whether the E/P of a similar company or the E/P of the sector is used, this approach is not suitable for M&As as it is based on the current or past values of the establishment. However, it is accepted as an applicable and practical method where there is insufficient information about the establishment, or the uncertainty about the future is high.

Price/Sales Ratio

The price/sales ratio (P/S) method is similar to the E/P method. The P/S of a company similar to the establishment to be valued or the P/S of the sector is multiplied by the sales of the establishment in question. This method has disadvantages similar to the E/P method.

3. Discounted Cash Flow Method The fundamental valuation in M&As is the Discounted Cash Flow Method (DCF), which is based on capital budgeting theory. The discounted-cash-flow approach in an M&A setting attempts to determine the value of the company by computing the present value of cash flows over the life of the company(Schill at al.2008; Mukherjee at al.2004; Luerhman, 1999; Damodaran, A. 2005; Steiger, 2010; Brotherson at al.2014). Whereas the methods previously mentioned in this study consider current or past values, DCF determines the company value according to the future performance and risks of the company. Although

M&A is actually an investment decision, it is more complicated than other investments due to the fact that the risks of a typical investment are similar to the current investments of the establishment, while M&A requires considering other factors besides the assets that are being merged, including the establishments' debts, managers and other employees, customers, and corporate culture. For this reason, the decisions to perform M&A should be made after highly meticulous analyses. In both M&As and decisions to go public, it is necessary to determine the free cash flow expected in the future, the suitable discount rate, and the period over which to make the predictions in order to use the DCF method in company valuation.

Determining the Free Cash Flows (FCF) Valuation studies in M&As should be initiated with the individual valuation of the companies to be merged, not only that of the target company. This should not be overlooked. Each company should be valued separately to see whether it is possible to create a synergy. The future free cash flows can be determined with the assistance of proforma income statements to be prepared for each company. The company value is estimated by discounting the FCF with the weighted average cost of capital (WACC) of the company. It is relatively easy for companies to estimate their future free cash flows without M&As by using past data. However, it is much more difficult to estimate both companies' future free cash flows after the M&A.

3. ANALYSIS OF ACQUISITION OF BG GROUP BY ROYAL DUTCH SHELL

3.1. GENERAL INFORMATION OF ROYAL DUTCH SHELL

Royal Dutch Shell was formed in 1907. The headquarters are in The Hague, the Netherlands, and Chief Executive Officer is Ben van Beurden. The parent company of the Shell group is Royal Dutch Shell plc, which is incorporated in England and Wales. Royal Dutch Shell PLC, commonly known as Shell, is a British-Dutch oil and gas company headquartered in the Netherlands and incorporated in the United Kingdom. It is one of the oil and gas "supermajors" and the third-largest company in the world measured by 2018 revenues (and the largest based in Europe). In the 2019 Forbes Global 2000, Shell was ranked as the ninth-largest company in the world (and the largest outside China and the United States), and the largest energy company. Shell is vertically integrated company and is active in every area of the oil and gas industry, including exploration and production, refining, transport, distribution and marketing, petrochemicals, power generation and trading. It also has renewable energy activities, including biofuels, wind energy kite system and hydrogen. Shell has operations in over 70 countries, produces around 3.7 million barrels of oil equivalent per day and has 44,000 service stations worldwide. As of 31 December 2014, Shell had total proved reserves of 13.7 billion barrels (2.18×109 m3) of oil equivalent. Shell Oil Company, its principal subsidiary in the United States, is one of its largest businesses. Shell holds 50% of Raízen, a joint venture with Cosan, which is the third-largest Brazil-based energy company by revenues and a major producer of ethanol.

Shell was formed in 1907 through the amalgamation of the Royal Dutch Petroleum Company of the Netherlands and the "Shell" Transport and Trading Company of the United Kingdom. Until its unification in 2005 the firm operated as a dual-listed company, whereby the British and Dutch companies maintained their legal existence but operated as a single-unit partnership for business purposes. Shell first entered the chemicals industry in 1929. In 1970 Shell acquired the mining company Billiton, which it subsequently sold in 1994 and now forms part of BHP Billiton. Shell acquired BG Group in 2016, making it the world's largest producer of liquefied natural gas. Shell has a primary listing on the London Stock Exchange and is a constituent of the FTSE 100 Index. It had a market capitalization of £216 billion at the close of trading on 27 June 2019, by far the largest of any company listed on the London Stock Exchange and among

the highest of any company in the world. It has secondary listings on Euronext Amsterdam and the New York Stock Exchange. (Shell, 2020)

In 1833, Marcus Samuel decided to expand his London business. He already sold antiques but decided to try selling oriental seashells as well, capitalizing on their popularity in the interior design industry at that time.

When Marcus Samuel senior died in 1870, he passed the business on to his two sons, Marcus junior and Samuel, who began to expand it. In the 1880s they became particularly interested in the oil exporting business but shipping still posed a problem as oil was carried in barrels which could leak and took up a lot of space. To solve the problem, they commissioned a fleet of steamers to carry oil in bulk, including the Murex which, in 1892, became the first oil tanker to pass through the Suez Canal.

With the maiden voyage of the Murex, the Samuels brothers had achieved a revolution in the transport of oil. Bulk transport substantially cut the cost of oil by enormously increasing the volume that could be carried. The brothers' main competitor at the time was Standard Oil, a company famous for its blue cans of kerosene that, when empty, could be used for anything from roofing to bed pans. To stand out they created the Shell brand and painted their cans bright red. The tactic worked and, by 1896, their kerosene trade was earning more than all their other businesses combined. (Shell, 2020)

In 1897 Marcus and Samuel renamed their company the Shell Transport and Trading Company and launched their first refinery at Balik Papan in Dutch Borneo. The refinery later had to be destroyed when the USA declared war on Japan in World War II.

In 1901 when oil was found in Texas, Marcus Samuel junior pulled off the deal of a lifetime and won the transport and distribution rights from his company's main competitor, Standard Oil. However, by 1902, overproduction in Texas had slashed the available supply to virtually nothing. At the same time, a smaller competitor called Royal Dutch had had begun to construct its own tankers and set up its own sales organization in Asia. As a result, half of the Shell's fleet sat idle. So, in 1907, the decision was taken to merge Shell Transport and Trading Company with Royal Dutch and form the Royal Dutch Shell Group. The day the telegram was received announcing the merger – April 23 – is now celebrated every year as Shell's birthday. The

merger with Royal Dutch signaled a period of rapid expansion as Shell (the Group's name quickly became shortened to Shell) opened operations throughout Europe and in many parts of Asia. There was also substantial exploration and production in Russia, Romania, Venezuela, Mexico and the US. (Shell, 2020)

Shell was a crucial partner to the Allies in both World Wars. During World War I, Shell became the main fuel supplier of the British army and also offered all of its ships to the British Admiralty, including the Murex.

When World War II began, Shell's London office was dedicated to supporting the war effort and the company's refineries in the USA produced aviation fuel to support the Allied air forces. All Shell tankers came under Government control and many Shell staff showed great bravery in keeping them going, including the flying ace Douglas Bader who worked in the aviation department of Asiatic Petroleum before joining the RAF in 1939. War was also a catalyst for great innovation, with major advances in both fuel and chemicals research, including the development of fuels for new generations of aircraft such as the Spitfire. The immediate post-war years were some of the toughest Shell had yet faced. Reconstruction was very expensive and the market for oil was changing rapidly. Against this backdrop Shell launched new exploration programmed in Africa and South America and built new refineries in the UK. The company also invested in larger and higher-powered ships – supertankers – in order to carry more oil in bulk. (Shell, 2020)

In 1947, the first commercially viable offshore well was drilled in the Gulf of Mexico and within 8 years the company had over 300 such wells. New discoveries were also made in Borneo and the Niger Delta, and commercial production of oil in Nigeria began in 1958.

A number of scientific advances at this time boosted the demand for oil, including the invention of the jet engine – its architect Sir Frank Whittle even worked for the company for a number of years.

Shell started the 1960s by strengthening its presence in the Middle East, discovering oil in Yibal, Oman's most prolific field. This discovery was the country's first and would go on to transform Oman's economy. The Groningen gas field in the Netherlands was also discovered at the start of the decade, followed by the discovery of gas in the North Sea. This time was also

a golden period of research by Shell Chemicals and the company also took the decision to internationalize, placing local people in top positions to make the most of homegrown talent in each country. (Shell, 2020)

The closure of the Suez Canal in 1967 for eight years confirmed the wisdom of Shell's decision to invest in super tankers. At the same time, Shell was a partner in the first sea transportation of liquefied natural gas (LNG) in 1964 – from the Algeria to the UK – opening up a whole new market for the business.

The 1990s saw biomass and gas-to-liquids (GTL) technologies make giant leaps forward. In 1993 Shell opened the world's first commercial GTL plant in Bintulu, Malaysia, a pioneering step that set the stage for the increasing role this fuel would play over the next decade.

In 2005, the Royal Dutch Shell Group underwent a major structural reorganization as the nearly century-old partnership between Royal Dutch Petroleum and Shell Transport and Trading was dissolved and Shell unified its corporate structure under a single new holding company, Royal Dutch Shell plc.

Shell's innovation has continued at pace into the 21st Century. In 2012, the company completed Pearl GTL, in Qatar, the world's largest source of GTL products. In 2016, production started at Shell's Stones field, the world's deepest oil and gas project. And in 2017, Prelude, the world's biggest floating liquefied natural gas facility, sailed 5,800 kilometers from a shipyard in South Korea to its new home in Western Australia. (Shell, 2020)

The company has also continued to expand. In 2015, Shell announced that it would be buying BG Group, a UK oil and gas production company. The acquisition was completed in February 2016, expanding the company's oil and gas portfolio. And in 2016, Shell created its New Energies business to focus on exploring and developing commercial opportunities in renewable energy, such as wind and solar. (PWC, 2014)

Looking back over 185 years of Shell history, it has been an amazing journey. Mankind has managed to adapt, time and time again, through a century of rapid change and periodic upheaval; and so, has Shell. But there are also big challenges in the century ahead.

3.2. OVERVIEW

Strategy

The strategy of Shell is to strengthen his position as a leading energy company by providing oil and gas and low-carbon energy as the world's energy system changes. Safety and social responsibility are fundamental business approach.

Purpose

Shell's purpose is to power progress together with more and cleaner energy solutions. Shell believe that rising standards of living for a growing global population are likely to continue to drive demand for energy, including oil and gas, for years to come.

Against this backdrop, Shell have the following strategic ambitions:

- to provide a world-class investment case. This involves growing free cash flow and increasing shareholder returns, all built upon a strong financial framework and resilient portfolio;
- to thrive in the energy transition by responding to society's desire for more and cleaner, convenient and competitive energy; and
- to sustain a strong societal license to operate and make a positive contribution to society through our activities.

His ability is to achieve our strategic ambitions depends on how we respond to competitive forces. They continuously assess the external environment – the markets as well as the underlying economic, political, social and environmental drivers that shape them – to evaluate changes in competitive forces and business models.

People

Shell people are essential to the successful delivery of the Shell strategy and to sustaining business performance over the long term. Performing competitively in the evolving energy landscape requires competent and empowered people working safely together across Shell. They believe that diverse teams led by inclusive leaders deliver better safety and business performance. (Shell, 2020)

$113 million was spent on voluntary social investment worldwide. Of this:

- $47 million was spent on local programmers for community development, disaster relief, education, road safety, health and biodiversity.
- $66 million was in line with our global themes – access to energy, community skills, enterprise development and science, technology, engineering and math's (STEM) education.

They estimate that around $102 million of our total social investment spend in 2017 was in countries that are part of the United Nations Development Programmer's Human Development Index 2016.

Organization

Shell is a global group of energy and petrochemical companies. Shell operations are divided into our businesses: Upstream, Integrated Gas and New Energies, Downstream. Our Projects & Technology organization manages the delivery of Shell's major projects and drives our research and innovation.

Shell Upstream organization manages the exploration for and extraction of crude oil, natural gas and natural gas liquids. It also markets and transports oil and gas, and operates the infrastructure necessary to deliver them to market.

Shell Integrated Gas organization manages our liquefied natural gas (LNG) activities and the production of gas-to-liquids (GTL) fuels and other products. It includes natural gas exploration and extraction, and the operation of the upstream and midstream infrastructure necessary to deliver gas to market. It markets and trades natural gas, LNG, crude oil, electricity, carbon-emission rights and also markets and sells LNG as a fuel for heavy-duty vehicles and marine vessels.

In New Energies, we are exploring emerging opportunities and investing in those where we believe sufficient commercial value is available. We focus on new fuels for transport, such as advanced biofuels, hydrogen and charging for battery-electric vehicles. We also focus on power from low-carbon sources such as wind and solar as well as natural gas.

Shell Downstream organization manages different Oil Products and Chemicals activities as part of an integrated value chain that trades and refines crude oil and other feedstocks into a range of products which are moved and marketed around the world for domestic, industrial and transport use. The products we sell include gasoline, diesel, heating oil, aviation fuel, marine fuel, biofuel, lubricants, bitumen and Sulphur. In addition, we produce and sell petrochemicals worldwide. Our Downstream organization also manages oil sands activities.

Shell Projects & Technology organization manages the delivery of our major projects and drives research and innovation to develop new technology solutions. It provides technical services and technology capability for our Integrated Gas, Upstream and Downstream activities. It is also responsible for providing functional leadership across Shell in the areas of safety and environment, contracting and procurement, wells activities and greenhouse gas management.

Shell strategy is to strengthen our position as a leading energy company by providing oil, gas and low-carbon energy as the world's energy system transforms. Safety and social responsibility are fundamental to our business approach. Shell will only succeed by working collaboratively with customers, governments, business partners, investors and other stakeholders.

Value

Shell share a set of core values – honesty, integrity and respect for people – which underpin all the work we do. The Shell General Business Principles, Code of Conduct and Ethics and Compliance Manual help everyone at Shell act in line with these values and comply with relevant laws and regulations.

Respect

Our people have the opportunity to progress irrespective of gender, ethnicity, or other differences.

Honesty

Staff and Business Partners are encouraged to Speak Up and celebrate those who do the right thing.

Integrity

By committing to our policies and rules, we empower our Staff and Business Partners to say "No".

The Shell General Business Principles are central to how we conduct our business and living by them is crucial to our continued success. Shell judged by how we act and how we live up to our core values of honesty, integrity and respect for people. Business Principles are based on these. They promote trust, openness, teamwork and professionalism, as well as pride in what we do and how we conduct business.

Shell were one of the first global companies to state and share our beliefs when we published our General Business Principles in 1976. As part of these principles, we commit to contribute to sustainable development, balancing short and long-term interests and integrating economic, environmental and social considerations into our decision-making.

All Shell employees and contractors, and those at joint ventures we operate, are expected to understand and continually behave in line with our Business Principles. We expect suppliers, and joint ventures that we do not operate, to apply equivalent principles.

Shell Code of Conduct supports every employee, contract staff and contractor who works for or on behalf of Shell. It sets out expected behaviors of our employees and how they relate to our Business Principles and Core Values.

Shell Ethics and Compliance Manual builds on the Shell General Business Principles and the Shell Code of Conduct to provide practical advice on how to comply with laws and regulations and how to relate to customers, communities and colleagues. The Ethics and Compliance Manuals offers detailed guidance on being compliant, helping our staff do the right thing every day.

Leadership

The Executive Committee of Royal Dutch Shell plc is led by Chief Executive Officer (CEO), Ben van Beurden. The non-executive Chairman of Shell single-tier Board of Directors is Charles O. Holliday.

The Royal Dutch Shell plc Executive Committee operates under the direction of the Chief Executive Officer and is responsible for Shell's overall business and affairs.

The Chief Executive Officer has final authority in all matters of management that are not within the duties and authorities of the Board or of the shareholders' general meeting. The Executive Committee supports the Chief Executive Officer and implements all Board resolutions and supervises all management levels in Shell. Royal Dutch Shell plc has a single-tier Board of Directors chaired by a Non-executive Chairman, Charles O. Holliday. The executive management is led by the Chief Executive Officer, Ben van Beurden. The Board meet regularly to discuss reviews and reports on the business and plans of the Company.

Performance

Shell is one of the largest energy companies in terms of market capitalization, cash flow from operating activities and production levels. The distinctive Shell pectin a trade marks in in use since early part of the twentieth century.

Financial framework and key projects.

PRODUCTION
3,665kboe/d 49% gas, 51% liquids
LNG SOLD
74.45million tones
EMPLOYEES
83,000 actual number of full-time employees
COUNTRIES
70+ we operate in
BRAND

#1
in 50 out of 63 countries [A]
DIVIDEND YIELD

6.1%
for RDSB London

Source: Kantar Global Retail Tracker (GRT) – Shell analysis based on GRT; an independent survey conducted by Kantar across 63 markets in 2019.

Overall highlights in 2019

CCS EARNINGS

$16.5billion

excl. identified items
CASH FLOW FROM OPERATING ACTIVITIES

$42.2billion

at an average $64/bbl. Brent price
CASH CAPITAL EXPENDITURE

$23.9billion

FREE CASH FLOW

$26.4billion

TOTAL DIVIDENDS DISTRIBUTED

$15.2billion

SHARE BUYBACKS

$14.1billion

completed in 2018-2019
UNDERLYING OPERATING EXPENSES

$37.0billion

GEARING

29.3%

2019 was a year of progress towards all three of their strategic ambitions. Shell delivered good cash flow performance despite the tough macro headwinds we faced. The recent levels of profitability have been lower than before. Firstly, this is driven by lower oil and gas prices. In 2018, the average oil price was $71 per barrel. In 2019, oil prices averaged around $64 per

barrel. This has impacted our earnings and cash flow. The geopolitical landscape and risk dynamics remain challenging. Secondly, Shell have seen weaker economic activity impacting margins, particularly in refining, and most clearly in chemicals. Despite these impacts, our 2019 cash flow from operations, excluding working capital movements, was almost $47 billion. This translates to more than $26 billion in free cash flow. (Shell, 2020)

Shell maintained strong capital discipline with cash capital expenditure in 2019 of $24 billion. This was at the lower end of our guidance for the year and reflects our disciplined approach to investments. This helps us to deliver more with significantly less.

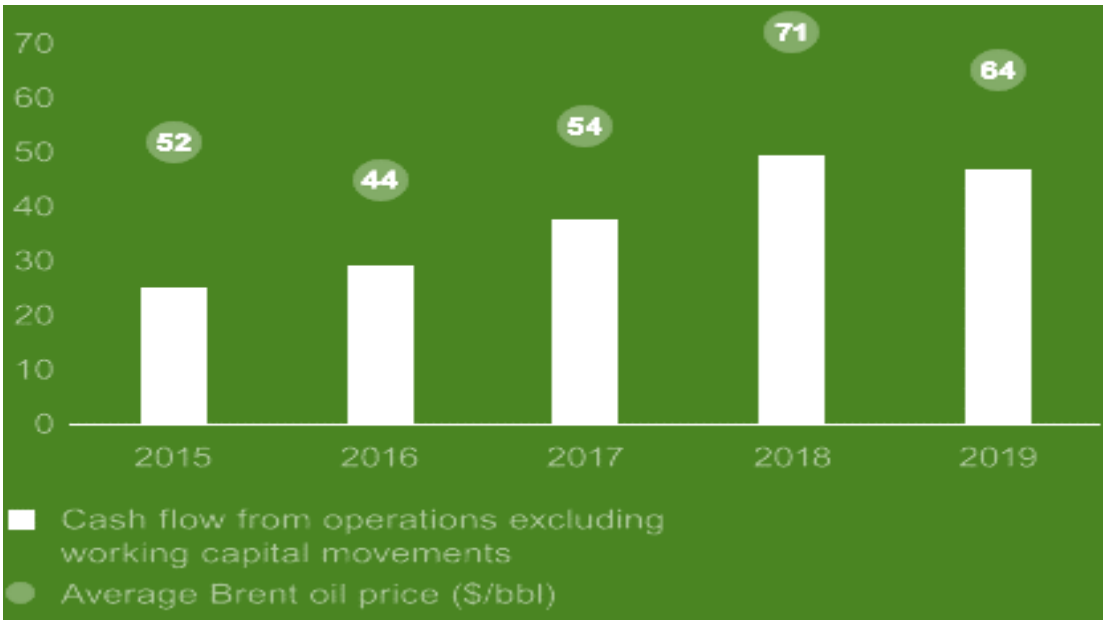
Shell continued to high-grade our broader asset portfolio. In 2019, this high-grading resulted in divestments totaling around $5 billion across all businesses. This work will continue. Shell ambition is to deliver more than $10 billion of asset divestments across 2019 and 2020 but the timing depends on market conditions. (Shell, 2020)

Shell share buyback program has reached some $14 billion in shares purchased by the end of 2019 since we started it in July 2018, fully offsetting all scrip dividends issued following the BG Group combination.

Shell expect 2020 to be a year where we reinforce business resilience and financial strength. In order to deliver sustainable cash flow generation, they are actively managing all operational and financial levers – from focusing on maintaining safe and reliable operations to reducing capital spend and operational expenses. Given the current macroeconomic conditions, Shell have announced a reduction in cash capital expenditure for 2020 to $20 billion or below from a planned level of around $25 billion.

Resilient cash flow generation

$ billion



Working capital movements in 2015, 2016, 2017, 2018, 2019 (respectively): $4,735, $(8,426), $(2,250), $3,442 and $(4,779) (in million).

Portfolio developments

Key portfolio events in 2019 included the following:

- The first shipment of LNG sailed from our Prelude floating liquefied natural gas (FLNG) facility (Shell interest 67.5%).
- In the US Gulf of Mexico, we announced first production from Appomattox (Shell interest 79%). It is the first commercial discovery brought into production in the deep-water Norphlet formation in the US Gulf of Mexico.
- Also in the US Gulf of Mexico, we announced the final investment decision (FID) to develop the PowerNap field (Shell interest 100%).
- In deep water off Brazil, we announced first production from two of our floating production, storage and offloading (FPSO) vessels: P-67, in Lula North (Shell interest 23%, post-unitization); and P-68, in Berbigão (Shell interest 25%, subject to unitization).
- Shell took FID to contract the Mero 2 FPSO vessel to be deployed at the Mero field offshore Santos Basin in Brazil.

• In Malaysia, Shell took FID on the second phase of the Malikai deep-water development (Shell interest 35%).

• In New Energies, Shell acquired sonnen, a provider of smart energy storage systems, and ERM Power, one of Australia's leading commercial and industrial electricity retailers.

Results

Royal Dutch Shell plc Investors' Handbook 2015-2019
Summary of results

$ million unless specified

	2019	2018	2017	2016	2015
Income attributable to Royal Dutch Shell plc shareholders	15.842	23.352	12.977	4.575	1.939
CCS adjustment [A]	572	(481)	896	1.042	(1.903)
CCS earnings attributable to shareholders	15.270	23.833	12.081	3.533	3.842
Identified items [A]	(1.192)	2.429	(3.683)	(3.652)	(7.604)
CCS earnings attributable to shareholders excluding identified items	16.462	21.404	15.764	7.185	11.446
Less: Non-controlling interest	(535)	(531)	(418)	(270)	(316)
CCS earnings excluding identified items	16.997	21.935	16.182	7.455	11.762
Integrated Gas	8.955	9.399	5.268	3.700	5.057
Upstream	4.744	6.775	3.091	(2.704)	(2.255)
Downstream (CCS basis)	6.680	7.567	9.082	7.243	9.748
Corporate	(3.383)	(1.806)	(1.259)	(784)	(788)
Basic CCS earnings per share ($)	1,89	2,88	1,47	0,45	0,61
CCS adjustment per share ($)	0,07	(0,06)	0,11	0,13	(0,30)
Basic earnings per share ($)	1,97	2,82	1,58	0,58	0,31
Basic earnings per ADS ($)	3,94	5,64	3,16	1,16	0,62
Cash flow from operating activities	42.179	53.085	35.650	20.615	29.810
Dividend per share ($) [B]	1,88	1,88	1,88	1,88	1,88
Dividend per ADS ($) [B]	3,76	3,76	3,76	3,76	3,76

[A] Attributable to shareholders.

[B] Dividend declared in respect of the relevant quarter.

Shell businesses and organization

Business model

Shell is a global group of energy and petrochemical companies with 83,000 employees in more than 70 countries.

Shell use advanced technologies and take an innovative approach to help build a sustainable energy future. Shell also invest in power, including from low-carbon sources such as wind and solar, and new fuels for transport, such as advanced biofuels and hydrogen.

Shell seek to creat shareholder value by:

- exploring for crude oil and natural gas worldwide;
- developing new crude oil and natural gas supplies from major fields and extracting bitumen from oil sands;
- cooling natural gas to produce liquefied natural gas (LNG) and converting gas to liquids (GTL);
- supplying and trading oil, gas and other energy-related products, such as electricity and carbon-emission rights; and
- having a portfolio of refineries and chemical plants producing a wide range of products including gasoline, diesel, aviation and marine fuel, lubricants and petrochemicals.

The integration of Shell businesses is one of our competitive advantages, allowing for optimizations across our global portfolio. (Shell, 2020)

Shell business activities

Exploration
1.Exploring for oil and gas onshore and offshore

Development and extraction
2.Developing onshore and offshore fields
3.Producing conventional, deep-water and shale oil and gas
4.Capturing carbon dioxide and storing it safely underground
5.Extracting bitumen

Manufacturing and energy production
6.Upgrading bitumen
7.Refining oil into fuels and lubricants
8.Producing gas-to-liquids (GTL) products
9.Producing petrochemicals
10.Producing biofuels
11.Generating renewable power

12.Producing liquefied natural gas (LNG)

Transport and trading

13.Shipping gas to where it is needed

14.Shipping oil to where it is needed

15.Trading oil and gas

16.Supply and distribution of LNG for transport applications

17.Regasifying LNG

18.Trading power

Sales and marketing

19.Supplying domestic electricity

20.Supplying products to businesses, including gas for cooking, heating and electrical power

21.Progressing electric vehicle and hydrogen refueling infrastructure

22.Providing mobility solutions for customers, including fuels and lubricants

23.Supplying aviation fuel

Technical and business services

24.Researching and developing new technology solutions

25.Managing the delivery of major projects

26.Providing technical and supporting services

Integrated Gas and New Energies

Integrated Gas manages LNG activities and the conversion of natural gas into GTL fuels and other products. It includes natural gas exploration and extraction, and the operation of upstream and midstream infrastructure necessary to deliver gas to market. It markets and trades natural gas, LNG, electricity and carbon-emission rights and also markets and sells LNG as a fuel for heavy-duty vehicles and marine vessels.

In New Energies, Shell are exploring emerging opportunities and investing in those where we believe sufficient commercial value is available. Shell focus on new fuels for transport, such as advanced biofuels, hydrogen and charging for battery-electric vehicles, and power, including from natural gas and low-carbon sources such as wind and solar. (Shell, 2020)

Shell Projects

Royal Dutch Shell plc Investors' Handbook 2015-2019

Projects under construction

Start-up	Project	Country	Shell share %[A]	Peak production 100% kboe/d	LNG 100% capacity mtpa	Products	Power 100% capacity MW	Theme	Shell-operated
2020–2021	Arran	United Kingdom	45	20				Conventional Oil and Gas	•
	Barracuda backfill	Trinidad and Tobago	100	35				Integrated Gas	•
	Borssele III & IV	The Netherlands	20				732	Power	
	EA Further Development	Nigeria	30	45				Conventional Oil and Gas	•
	Gangarri - QGC solar	Australia	100				120	Power	•
	Gbaran Nodal Compression	Nigeria	30	60				Conventional Oil and Gas	•
	Mero 1 [B]	Brazil	20	180				Deep Water	
	Pegaga	Malaysia	20	90				Conventional Oil and Gas	
	Pennsylvania cracker	United States	100			1.5 mtpa C2		Chemicals	•
	Pierce Depressurisation	United Kingdom	93	30				Conventional Oil and Gas	•
	PowerNap	United States	100	35				Deep Water	•
	Salym Southern Hub	Russia	50	55				Conventional Oil and Gas	
	Troll Ph3	Norway	8	230				Conventional Oil and Gas	
	Vito	United States	63	100				Deep Water	•
2022+	Assa North	Nigeria	30	60				Conventional Oil and Gas	•
	Bakong / Gorek / Larak (SK408)	Malaysia	30	75				Conventional Oil and Gas	•
	Colibri backfill	Trinidad and Tobago	87	35				Integrated Gas	•
	Gbaran Ph3	Nigeria	30	45				Conventional Oil and Gas	•
	Gorgon - Jansz infill	Australia	25	maintain capacity				Integrated Gas	
	LNG Canada T1-2	Canada	40		14			Integrated Gas	
	Mero 2 [B]	Brazil	20	180				Deep Water	
	Penguins Redevelopment	United Kingdom	50	45				Conventional Oil and Gas	•
	P-71 [B]	Brazil	25	150				Deep Water	
	Soku Nodal Compression Ph2	Nigeria	30	35				Conventional Oil and Gas	•

The Shales strategic theme is expected to reach production of around 600 kboe/d by 2025.

[A] Direct and indirect share.

[B] The Brazil accumulations are subject to unitisation agreements; production shown is FPSO oil capacity as per operator.

Pre-FID options

Phase	Project	Country	Shell share %[A]	Peak production 100% kboe/d	LNG 100% capacity mtpa	Products	Power 100% capacity MW	Theme	Shell-operated
Define	Bonga South West	Nigeria	43	150				Deep Water	●
	Bukom Gasoline upgrade	Singapore	100			Gasoline		Oil Products	●
	Gorgon - Jansz compression	Australia	25	maintain capacity				Integrated Gas	
	HI Development	Nigeria	40	75				Conventional Oil and Gas	●
	Epu Ph2	Nigeria	30	40				Conventional Oil and Gas	●
	Jackdaw	United Kingdom	74	40				Conventional Oil and Gas	●
	Jerun	Malaysia	30	95				Conventional Oil and Gas	
	LNG Canada Expansion	Canada	40		14			Integrated Gas	
	Marjoram/Rosmari	Malaysia	75	100				Conventional Oil and Gas	●
	Moerdijk energy efficiency	The Netherlands	100			Ethylene		Oil Products	●
	NLNG T7	Nigeria	26		7,4			Integrated Gas	
	Ormen Lange Ph3	Norway	18	80				Conventional Oil and Gas	●
	QGC SW20+ Harvest	Australia	62	maintain capacity				Integrated Gas	●
	Prelude - Crux	Australia	82	maintain capacity				Integrated Gas	●
	Uzu Development	Nigeria	30	45				Conventional Oil and Gas	●
	Whale	United States	60	100				Deep Water	●
Assess/Select	Abadi	Indonesia	35	244	9,5			Integrated Gas	
	Arrow - Surrat Gas	Australia	50	maintain capacity				Integrated Gas	
	Atlantic Shores Offshore Wind	United States	50				2500	Power	
	Bonga Main Life Extension & Upgrade	Nigeria	55	60				Deep Water	●
	Bonga North Tranche 1	Nigeria	55	120				Deep Water	●
	Cambo	United Kingdom	30	55				Conventional Oil and Gas	
	Clair South	United Kingdom	28	60				Conventional Oil and Gas	
	Chemicals derivatives	China	50			Ethylene & derivatives		Chemicals	
	Dover	United States	100	30				Deep Water	●
	East Med	Egypt	35	115				Integrated Gas	
	Fort Sumter	United States	100	30				Deep Water	●
	Gato do Mato	Brazil	80	70				Deep Water	●
	Chemicals expansion in China	China	50			Derivatives		Chemicals	
	HA Development	Nigeria	30	60				Conventional Oil and Gas	●
	Harmattan Deep	Egypt	60	25				Integrated Gas	
	HD Phase 1 Development	Nigeria	30	50				Conventional Oil and Gas	●
	JK-A Oil ph1	Nigeria	30	55				Conventional Oil and Gas	●
	King Embayment	United States	72	25				Deep Water	●
	Kashagan Future Gas Expansion PhA	Kazakhstan	17	200				Conventional Oil and Gas	
	Linnorm development opportunity	Norway	30	55				Conventional Oil and Gas	●
	Mono Ethylene Glycol Plant	United States	100			Derivatives		Chemicals	●
	Mayflower Offshore Wind	United States	50				1600	Power	
	Mero 3 [B]	Brazil	20	180				Deep Water	
	Mero 4 [B]	Brazil	20	180				Deep Water	
	Merpati - Meragi	Brunei	50	35				Conventional Oil and Gas	
	Cracker and derivatives	Iraq	[C]			[C]		Chemicals	[C]
	NWS - Browse backfill	Australia	27	maintain capacity				Integrated Gas	
	Oman Integrated GTL	Oman	[C]	[C]		[C]		Integrated Gas	●
	Pernis HVO	The Netherlands	100			Biofuels		Oil Products	●
	QGC SW20+ Measure	Australia	62	maintain capacity				Integrated Gas	●
	Rydberg Deep	United States	57	30				Deep Water	●
	Sururu 1 [B]	Brazil	24	140				Deep Water	
	Tanzania	Tanzania	30	[C]	12			Integrated Gas	●
	Timi	Malaysia	75	50				Conventional Oil and Gas	●
	Val d'Agri Wave 3	Italy	39	70				Conventional Oil and Gas	

[A] Direct and indirect share.

[B] The Brazil accumulations are subject to unitisation agreements; production shown is FPSO oil capacity as per operator.

[C] To be confirmed.

Market overview

Royal Dutch Shell plc Investors' Handbook 2015-2019
Shell realised prices

	2019		2018		2017		2016		Year average 2015	
	SUBS	JV&A	SUBS	JV&A	SUBS	JV&A	SUBS	JV&A	SUBS	JV&A
Crude oil and natural gas liquids ($/b)										
Europe	65,11	58,08	68,23	64,24	50,52	46,88	38,62	40,75	49,77	89,68
Asia	58,16	65,25	64,06	70,66	49,08	53,44	38,11	43,95	47,73	96,85
Oceania	51,51	–	61,63	–	45,64	–	36,64	33.76[B]	43,39	88,07
Africa	65,39	–	71,02	–	53,39	–	42,73	–	51,80	–
North America – USA	54,56	–	61,87	–	47,23	–	37,50	–	44,99	–
North America – Canada	36,61	–	43,72	–	36,00	–	25,76	–	25,45	–
South America	56,68	–	62,67	–	48,10	–	38,58	–	42,38	–
Total	57,56	65,05	63,96	70,43	49,00	53,23	38,60	43,58	47,52	95,87
Natural gas ($/thousand scf)										
Europe	5,59	4,95	7.08[A]	4,06	5,48	4,77	4,75	4,19	7,10	8,26
Asia	2,66	6,34	2,99	7,06	2,84	5,45	2,32	4,63	3,02	11,50
Oceania	8,22	3,91	8.66[A]	4,15	6,21	3,11	5,31	4.33[B]	6,80	11,01
Africa	2,92	–	3,02	–	2,44	–	2,33	–	2,10	–
North America – USA	2,27	–	3,12	–	3,00	–	2,21	–	2,39	–
North America – Canada	1,37	–	1,35	–	1,85	–	1,71	–	2,29	–
South America	2,33	–	3,50	–	2.93[A]	–	1,83	–	2,46	–
Total	3,95	5,80	4.63[A]	5,74	3.90[A]	5,11	3,16	4,41	4,07	9,72
Other ($/b)										
North America – Synthetic crude oil	50,27	–	48,90	–	45,90	–	37,61	–	40,87	–
North America – Bitumen	–	–	–	–	34,46	–	25,74	–	30,25	–

[A] As revised, following a reassessment.

[B] Included Shell's 14% share of Woodside from January 2016 to April 2016. Woodside is a publicly listed company on the Australian Securities Exchange for which we have limited access to data; accordingly, the numbers are estimated. The accounting classification of Woodside was changed from an associate to an investment in securities in April 2016.

Outlook

Shell fully support the Paris Agreement's goal to keep the rise in global average temperature this century to well below two degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. Shell have set a long-term ambition to reduce the Net Carbon Footprint of our energy products, measured in grams of CO2 equivalent per megajoule consumed, by around 20% by 2035 and by around 50% by 2050, in pace with society. While Shell ambition is long term, and Shell believe that they must act today if Shell are to help society progress more quickly. In early 2019 Shell set an unconditional three-year target to reduce our Net Carbon Footprint by 2% to 3% compared with 2016. For the 2020 award, the target range is a 3-4% reduction in our Net Carbon Footprint against the 2016 baseline. It is intended that this target-setting will be done annually, with each year's target covering either a three-year or five-year period. (Shell, 2020)

Shell have developed an Industry Associations Governance and Control Framework that sets out processes, tools, controls and checks to strengthen internal governance of our memberships of industry associations.

Financial framework

Shell's strategy and financial framework are designed to manage through multi-year macroeconomic cycles and multi-decade investment and returns horizon.

Shell priorities for cash are to continue reducing net debt, pay dividends and invest in the business to sustain cash flow.

Shell's distributed dividend in 2019 was $15.2 billion. Shell policy is to grow the dollar dividend through time, in line with our view of our underlying earnings and cash flow. When setting the dividend, the Board of Directors looks at a range of factors, including the macroeconomic environment, the current balance sheet and future investment plans.

Shell continued the $25 billion share buyback program that started in July 2018. By the end of 2019 a total of $14.1 billion of shares had been bought back. This resulted in more than $25 billion total returns to shareholders in 2019 through dividends and share buybacks. Shell intention to complete the $25 billion share buyback program is unchanged, but it is not likely to be feasible before the end of 2020. Shell will continue to monitor the evolving business environment and make decisions on further tranches of the share buyback program on a quarterly basis. (Shell, 2020)

3.3. ANALYSIS OF ACQUISITION PROCESS

On 8 April 2015, Royal Dutch Shell announced that it had reached an agreement to acquire BG Group for $70 billion, subject to regulatory and shareholder agreement. The sale was completed on 15 February 2016. Prior to the takeover, BG Group was listed on the London Stock Exchange (BG. L) and was a constituent of the FTSE 100 Index.

Prior to its acquisition by Shell, BG Group had operations in 25 countries across Africa, Asia, Australia, Asia, Europe, North America and South America and produced around 680,000 barrels of oil equivalent per day. It had a major Liquefied Natural Gas (LNG) business and was the largest supplier of LNG to the United States. As at 31 December 2009 it had total proven commercial reserves of 2.6 billion barrels (410,000,000 m3) of oil equivalent.

On 23 October 2000, a further demerger separated the company into Lattice Group and BG Group. Lattice took ownership of Transco (the gas transporter for the UK), Advantica (gas engineering and consultancy specialist) along with the property and transport companies and BG Group took ownership of gas fields and other assets. In 2002, Lattice merged with National Grid Company to become National Grid Transco which was renamed National Grid in 2005.

In September 2007, BG Group delisted its ADRs from the New York Stock Exchange. Instead its shares began trading on the US over-the-counter market. (BG Group, 2020)

In June 2008 BG Group made a US$13.1 billion bid to acquire Origin Energy, Australia's largest coal-seam gas producer, but were outmaneuvered by ConocoPhillips, who offered to invest US$9.1 billion in a joint venture with Origin. However, in October 2008 BG Group bought Queensland Curtis LNG for US$3.4bn in order to operate in Asia's liquefied natural gas market, and on 1 November 2010 BG Group announced plans to invest £9.3bn on the world's first project to liquefy and ship gas produced from coal deposits – the first in a series of "coal seam methane" projects in the region of eastern Australia; by late 2014 this was sending gas produced from coal deposits by pipeline to a terminal in Gladstone on the east coast. In October 2011 BG Group signed an US$8 billion deal with Cheniere Energy to export liquefied natural gas from the United States. (BG Group, 2020)

In October 2012 BG sold its 65% majority stake in Gujarat Gas Company for $470 million to the state-run Gujarat State Petroleum Corporation. In January 2014, BG Group announced the initial drilling of an oil exploration well offshore in Kenya.

In April 2015, Royal Dutch Shell announced that it had reached an agreement to acquire BG Group for $70 billion, subject to regulatory and shareholder agreement. If complete, BG shareholders will own 19% of the combined group, and Shell will have extensive access to BG's LNG assets, accelerating its global LNG and Deepwater strategy. Finalization of the BG acquisition by Royal Dutch Shell was completed on 15 February 2016. (BG Group, 2020)

BG Group's main business was the exploration and extraction of natural gas and oil and the production of liquefied natural gas. It sold these products to wholesale customers such as retail gas suppliers and electricity generating companies. It also owned some gas pipelines and was involved in some power generation projects. It was active around the world, with only a minority of its business being in the UK. BG Group was a multinational company with operations in 27 countries. Key areas for the company included:

- Australia

o QGC, coal seam gas upstream plays in Queensland's Surat and Bowen basin, and Curtis Island based LNG plant

- Brazil

o Interests in the Tupi, Iara, Guara and Iracema fields in the Santos Basin off the coast of southeastern Brazil

- Egypt

o Operates the Rosetta and West Delta Deep Marine gas fields, LNG export

- India

o Interest in the Panna-Mukta and Tapti fields, and Mahanagar Gas Limited (a city gas distribution company operating in Mumbai).

- Kazakhstan

- o Interest in the Karachaganak gas field

- Norway

- o Exploration licenses with several discoveries

- Thailand

- o Interest in the Bongkot gas field

- Trinidad & Tobago

- o NCMA gas fields, Dolphin gas field, LNG export

- Tunisia

- o Operates the Miskar and Hasdrubal gas fields

- UK

o Interests in several oil and gas fields in the UK continental shelf, including operating the Armada, Everest and Lomond gas fields and the Blake oil field, Interest in the Dragon LNG import terminal

- USA

    - Interest in LNG Terminals, shale gas joint venture operation in the Haynesville and Marcellus plays, and Houston. (BG Group, 2020)

Deal makers have predicted that the plunge in oil prices could spark interest among would-be acquirers eager for bargains. Other potential buyers, like private equity firms, have amassed billions of dollars to hunt for new trophies.

But the attractions of energy mergers — including the benefits of greater scale and the ability to move into productive fields of oil and gas — may ultimately compel many players to the negotiating table.

As global energy needs have soared, companies are looking to liquefied natural gas, or L.N.G., to meet the demands. The process involves supercooling natural gas into a liquid that can be

transported around the world on ships. By doing so, natural gas has become a global commodity, with companies bringing supplies from remote locations in Africa to energy-hungry markets like China and India. (ISS, 2016)

Royal Dutch Shell's purchase of BG Group could mark the start of a new round of consolidation in the oil and gas industry, as the steep fall in oil and gas prices has weakened many mid-tier players.

L.N.G. is often used to meet peak energy demand in Persian Gulf countries like Dubai and Kuwait to power air-conditioning in the summer. Britain uses it to meet peak demand during the winter heating season. L.N.G. also has the potential to reduce the leverage that pipeline gas suppliers have over their customers. Lithuania for instance, has built an L.N.G. facility to ease its dependence on Russian gas. Poland is working on a similar plant.

With the technology taking hold, global L.N.G. surged rapidly in the early 1990s. But demand leveled off in recent years, tempered by weak economic growth, high prices and a lack of new supplies. Many forecasters expect the business to bounce back, growing in the high single-digits over the next decade.

More than any of its rivals Shell has staked its future on natural gas, L.N.G. in particular. Over the last decade, Shell has invested $56 billion in the cooling plants, terminals and other facilities required to produce L.N.G. and other gas-derive fuels. (Shell, 2020)

When Repsol ran into trouble in Argentina, Shell swooped in to purchase the company's well-regarded L.N.G. business for $5.4 billion. Shell is also developing a large floating L.N.G. installation, called Prelude, to process the output of a gas field off Australia.

With the purchase of BG, Shell is building on that base, adding to existing projects in places like Trinidad and Australia. The deal will enhance the portfolio as well, with BG's gas discoveries off Tanzania in East Africa, a future growth area where Shell has been unable to establish a foothold Both companies are positioned to benefit from the shale gas boom in the United States. BG has a contract to buy L.N.G. from a facility called Sabine Pass on the Gulf of Mexico, owned by Cheniere Energy. Shell has an interest in a facility planned for an island off Georgia. (Shell, 2020)

The greater scale and additional sources of supply should provide an advantage for Shell. The company, already considered a sophisticated L.N.G. trader, would be able to further define its shipping routes and send cargoes to destinations offering the highest price, wherever they are.so far, the big push into L.N.G. has proved a blessing for Shell, particularly at a tough time for its oil business as well as its refining units. Last year, the company reported $11.3 billion in earnings from L.N.G. and related businesses, about 75 percent of its overall income. By adding BG, Shell expects to increase its L.N.G. capacity by 73 percent in the next three years. (Shell, 2020)

BG, by comparison, has been going through a rocky period since the sudden departure of its chief executive, Chris Finlayson, last year. The company has been particularly hurt in recent months by its operations in Egypt. (BG Group, 2020)

To satisfy growing demand stoked by cheap subsidized energy prices, the country's government, also facing social unrest, diverted the company's production for domestic purposes. As a result, BG couldn't get sufficient gas supplies to meet its L.N.G. export commitments. A more fundamental concern may be that L.N.G. prices are under pressure from a variety of factors, including oversupply in the market and weaker-than-expected growth in demand from countries like China. Asian spot prices, for instance, have fallen by nearly 50 percent from their 2014 highs.

Most L.N.G. is sold under long-term contracts, whose terms are usually not disclosed. But because they are linked to oil, usually with a several-month time lag, they are also coming down.

That will put pressure on Shell's profits, particularly on L.N.G. from the high-cost Australian projects to which both Shell and BG have substantial exposure.

3.4. COMBINING SHELL AND BG GROUP

From February 15, 2016, BG Group is part of Royal Dutch Shell. This combination brings together two world-class portfolios creating a more competitive company. Shell have acquired productive oil and gas projects across countries including Brazil and Australia and will be able to shape a simpler, leaner company. Together they will focus on their core expertise in deep water and liquefied natural gas (LNG). (Kumar, 2020)

Royal Dutch Shell is making a smart move in its $70 billion acquisition of BG Group. The deal will gain Shell access to the most exciting deep-water oil projects in the world, in Brazil. While adding in BG Group's fast-growing liquefied natural gas business will soon make Shell the undisputed world leader in LNG. The combination will set Shell on the path to unseat Exxon Mobil as the world's biggest oil company - at least until the next big acquisition is revealed. (Sharma, 2020)

Shell is arguably the most global of the global oil supermajors, its strengths best utilized in managing large scale megaprojects. This deal for BG's collection of far-flung assets in Australia, East Africa, Brazil, Egypt and Tanzania reemphasizes that.

Though Shell has effectively thrown up its hands and given up on U.S. shale, with this one deal the company could solve some of its more lingering problems.

First off, it will fix its declining reserves problem by adding 4 billion barrels of proved oil and natural gas, an increase of about 25%. Shell had been paying the most among the majors to replace its reserves.

Second, Shell will solve its growth problem. BG is currently producing more than 600,000 barrels per day of oil and natural gas equivalents. With big LNG projects coming on line in Australia and elsewhere and with development underway in Brazil, that output will likely grow to 800,000 bpd in 2016 and more than 1 million bpd by 2020. What's more, much of that growth will come not from gas, but from higher-value Brazilian crude oil.

Third, if Shell can manage to sway those hearts and minds it could soon be on its way to becoming the world's biggest publicly traded oil company. With the great shrinking of BP following its Deepwater Horizon disaster, Shell has already become the undisputed champion of European big oil.

And yet Shell had been losing ground to U.S. champion Exxon Mobil. According to data from Wood Mackenzie, Exxon's total working interest volumes amounted to 4.7 million barrels per day at the end of 2014, up about 100,000 bpd in the past decade. Shell, meanwhile, is at 3.7 million bpd, down 200,000 bpd in a decade. The BG deal won't quite enable Shell to catch Exxon yet, but it does give them excellent field position. (Wood Mackenzie, 2020)

LNG looks to be the slam-dunk part of this deal. Shell will become the leader in global LNG, with about 32 million tons per year (MTPA) in equity liquefaction capacity, according to Bernstein analysis; Exxon will be second with about 22 MMTPA. According to Wood Mackenzie, "Shell will have unrivalled flexibility and exposure to virtually every major LNG supply source and market globally, which means significant scope for portfolio optimization."

Shell is consolidating this business as a time when the LNG market is in chaos. Historically LNG has traded off of oil prices. This was good for the producers but bad for the buyers while oil was high. But now that oil has plunged, so too have LNG prices. This has clearly eroded the economics of many LNG projects on the drawing boards. Because LNG projects take years to plan and build, a slowdown in project commissioning now will dramatically decrease the likely volumes hitting the market in 10 years. (Wood Mackenzie, 2020)

This would be news for big buyers like Japan and Korea and China, whose demand for gas has helped boost the LNG trade 85% in the past decade to about 240 MMTPA (or about 32 billion cubic feet per day). According to Cowen & Co., LNG now accounts for 10% of the global gas trade, up from 6% in 2003. And LNG is not done growing. Bernstein figures that demand will hit 355 MMTPA by 2020 and 440 MMTPA by 2025.

But sufficient supplies will not be there to meet that demand unless the supermajors are inspired to build them. And that means the price of LNG will have to go up. To be sure, there are massive growth projects in the works, like the $60 billion Chevron - operated Gorgon project in Australia, in which Shell also has a part. And Shell also has built the Prelude, the first-ever floating LNG liquefaction plant that at $13 billion and 600,000 tons is the biggest ship the world has ever seen. But analysts see plenty of need for additional LNG liquefaction projects.

Among BG's giant projects is Queensland Curtis LNG in Australia - the first ever to export gas recovered from coal seams. QCLNG's two plants will eventually total more than 8 million TPA. This project could eventually dovetail with stranded gas that Shell is sitting on at its Arrow coal-bed-methane site in Australia. BG also has a great position in U.S. LNG, with 5.5 million TPA of capacity reserved at Cheniere Energy' s nearly completed Sabine Pass export terminal. BG is also working with partners to redevelop the existing (but unused) Lake Charles LNG import facility in Louisiana as an export site. That will likely be a more cost-effective deal than the $20 billion Shell decided not to spend on a massive gas-to-liquids plant in Louisiana. (Sharma, 2020)

Shell is acquiring the company at just the right point in its capex cycle. BG's capex obligations are fast fading away, and next year BG would have entered into a new period of harvesting cash from investments. Shell says that the deal would be accretive to earnings per share in 2017 and strongly accretive from 2018 onwards.

Shell has offered to pay GBp383 in cash plus .4454 Shell B shares per BG share, for a valuation roughly 50% higher than BG's 90-day average share price. Shell says it will maintain its dividend at $1.88 per share, which implies a yield of 6.2%. (Sharma, 2020)

3.5. SCHEME OF ARRANGEMENT BECOMES EFFECTIVE

Feb 15, 2016

Royal Dutch Shell plc (“Shell”) is pleased to announce that the Scheme has become effective and that the entire issued ordinary share capital of BG Group plc (“BG”) is now owned by Shell. This follows the Court’s sanction of the Scheme at a hearing held on February 11, 2016 and the delivery of the Court Order to the Registrar of Companies today, February 15, 2016.

RECOMMENDED CASH AND SHARE OFFER FOR BG GROUP PLC BY ROYAL DUTCH SHELL PLC

Feb 15, 2016

Royal Dutch Shell plc (“Shell”) is pleased to announce that the Scheme has become effective and that the entire issued ordinary share capital of BG Group plc (“BG”) is now owned by Shell. This follows the Court’s sanction of the Scheme at a hearing held on February 11, 2016 and the delivery of the Court Order to the Registrar of Companies today, February 15, 2016.

Scheme of Arrangement becomes effective

The Hague, February 15, 2016 - Royal Dutch Shell plc (“Shell”) is pleased to announce that the Scheme has become effective and that the entire issued ordinary share capital of BG Group plc (“BG”) is now owned by Shell. This follows the Court’s sanction of the Scheme at a hearing held on February 11, 2016 and the delivery of the Court Order to the Registrar of Companies today, February 15, 2016. In accordance with the terms of the Scheme, Scheme Shareholders on the register at the Scheme Record Time, being 6.00 p.m. on February 12, 2016, who made no valid election under the Mix and Match Facility, will receive 0.4454 New Shell Shares and 383 pence in cash for each Scheme Share held. Further information on the operation of the Scheme, including restrictions on the consideration available to Scheme Shareholders in certain jurisdictions, is set out in Part XI of the scheme document published by BG on December 22, 2015. Information regarding share capital and voting rights Shell will, in total, issue 1,523,804,425 New Shell Shares (being 218,728,308 Shell A shares and 1,305,076,117 Shell B shares).

As a result, Shell's capital will consist of 4,209,649,877 Shell A shares and 3,745,486,731 Shell B shares, each with equal voting rights. Shell holds no ordinary shares in treasury. The total number of Shell A shares and Shell B shares in issue will be 7,955,136,608 and this figure may be used by shareholders as the denominator for the calculation by which they will determine if they are required to notify their interest in, or a change to their interest in, Shell under the FCA's Disclosure and Transparency Rules. Information regarding the Mix and Match Facility Scheme Shares representing approximately 17.11 per cent of the aggregate number of Scheme Shares subject to a Mix and Match Election were also subject to a Shell A Share Alternative Election. Accordingly, the Mix and Match Reference Price is 1468.05915613 pence.

Share Elections in respect of 379,114,767 Scheme Shares, representing approximately 11.08 per cent of the aggregate number of Scheme Shares, and Cash Elections in respect of 163,080,849 Scheme Shares, representing approximately 4.77 per cent of the aggregate number of Scheme Shares, were made by BG Shareholders. The ability to satisfy Cash Elections and Share Elections was dependent on other Scheme Shareholders making equal and opposite elections. Scheme Shareholders who made valid Cash Elections have had such elections satisfied in full. In respect of Scheme Shares for which a valid Cash Election has been made, Scheme Shareholders will receive 1036.87354813 pence per Scheme Share. Scheme Shareholders who made valid Share Elections have had such elections scaled down on a pro rata basis by approximately 26.56 per cent. In respect of the Scheme Shares for which a valid Share Election has been made and which has been satisfied, Scheme Shareholders will receive 0.7062886695 New Shell Shares per Scheme Share. (Shell, 2020)

In respect of the Scheme Shares for which a valid Share Election has been made and which has not been satisfied due to the scale down, Scheme Shareholders will receive the default consideration, which is 383 pence in cash and 0.4454 of a New Shell Share, per Scheme Share. Scheme Shareholders who did not make valid Cash Elections or Share Elections have not participated in the Mix and Match Facility. In respect of Scheme Shares for which no valid Cash Election or Share Election has been made, Scheme Shareholders will receive the default consideration, which is 383 pence in cash and 0.4454 of a New Shell Share, per Scheme Share. Information regarding admission and settlement Admission of the New Shell Shares to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange is expected to occur with effect from 8.00 a.m. (London time) on February 15, 2016. Settlement of New Shell Shares held through CREST is expected to take

place at or soon after 8.00 a.m. (London time) on February 15, 2016. Share certificates in relation to the New Shell Shares to be held in certified form will be dispatched within 14 days of this announcement. Admission of BG Shares to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange is expected to be cancelled with effect from 8.00 a.m. (London time) on February 15, 2016. Admission of the New Shell Shares to listing by Euronext on Euronext Amsterdam and to trading on Euronext Amsterdam is expected to occur with effect from 9.00 a.m. (Central European time) on February 16, 2016.

It is expected that the New Shell Shares will be capable of being deposited with the Shell ADS depositary in exchange for the corresponding class and amount of Shell ADSs, which may be traded on the New York Stock Exchange from February 16, 2016. Disclosure of Home Member State For the purposes of the Transparency Directive, the Home Member State of Shell is the United Kingdom. Capitalized terms used in this announcement, unless defined herein, have the same meanings as set out in the prospectus published by Shell on December 22, 2015 and the scheme document published by BG on December 22, 2015. “This is an important moment for Shell,” said Chief Executive Officer Ben van Beurden. “It significantly boosts our reserves and production and will bring a large injection to our cash flow. We have acquired productive oil and gas projects in Brazil and Australia and other key countries. We will now be able to shape a simpler, leaner, more competitive company, focusing on our core expertise in deep water and LNG.

Note This announcement contains forward-looking statements concerning the financial condition, results of operations and businesses of Shell and of the Shell Group. 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 and the Shell Group 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 ‘‘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 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 estimate;

(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. 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 Shell's Form 20-F for the year ended December 31, 2014

3.6. BG SHAREHOLDERS VOTE

The Hague, January 27, 2016 – Royal Dutch Shell plc ("Shell") announces the poll result from today's General Meeting held at the Circustheater, Circusstraat 4, 2586 CW, The Hague, The Netherlands. Shell shareholders expressed their support for the recommended combination with BG Group plc ("BG") by carrying the resolution to approve and implement the transaction. Full details of the resolution passed, together with explanatory notes, are set out in the Shell shareholder circular dated December 22, 2015 (the "Circular"), including notice of the General Meeting, which is available at www.shell.com. The resolution was proposed as an ordinary resolution. The expected timetable of remaining principal events remains as set out in the Circular. Should BG shareholders approve the offer at shareholder meetings to be held on January 28, 2016, the transaction would be expected to complete on February 15, 2016, subject to the satisfaction or waiver of certain customary conditions, including the sanction of the scheme of arrangement to implement the combination by the High Court of Justice.

3.7. FORMATION OF ROYAL DUTCH SHELL GROUP

The Royal Dutch Shell Group was created through the amalgamation of two major rivals – the Royal Dutch Petroleum Company and the Shell Transport and Trading company Ltd., United Kingdom, in the year 1907. The Royal Dutch Company was established in 1890. The Shell Transport and Trading Company was founded in 1897. The combined firm were operated as a dual listed company with the merged companies maintaining their legal existence but operated as a single unit partnership for business purpose. In the merged company, 60 per cent ownership was bestowed for Dutch group, while Shell Group had 40 per cent in the combination firm. Thus, from 1907. till 2005., Royal Dutch Petroleum Company and the "Shell" Transport and Trading Company PLC were existing as two public parent companies of a group of companies which were collectively called as the Royal Dutch/Shell Group. The subsidiaries of these parent companies were responsible for conducting the operating activities of these companies. In 2005., Royal Dutch Shell became the single parent company of Royal Dutch Petroleum Company and the Shell Transport and Trading Company. Royal Dutch Shel (the company) was registered as a public limited company in England and Wales and headquartered in the Hague, Netherlands. The group rapidly expanded across the world. Marketing companies were formed in Europe and many parts of Asia, Exploration and production were also extended to regions in Russia, Romania, Venezuela, Mexico and the United States. (Shell, 2020)

Following the revelation of a reporting scandal on account of overstating its oil reserves in 2004., Shell Group was restructured with the creation of new parent company named Royal Dutch Shell PLC. The primary listing was done in the London Stock Exchange and the secondary listing on the Amsterdam Stock Exchange. The unification process was completed by Jul 2005. The original owners delisted their companies from the respective exchanges. During July 2005., the Shell Transport and Trading Company was delisted from the London Stock exchange, while Royal Dutch Petroleum Company was delisted from NYSE during November 2005. (Shell, 2020)

On June 28, 2005., shareholders voted for the unification of Shells Dutch and British parent companies. Approximately 96% of British and 97% of Dutch shareholders agreed to end the dual corporate structure at Shell PLC: The transaction resulted in one company with one board, one chairman, and one chief executive. The unified company was worth 219 billion US Dollar.

The unification process was completed on June 20, 2005. The shares of Shell Transport and Trading Company gained 3,2%, while Royal Dutch Petroleum Company gained 3,5% on unification news. The initial announcement of the unification process was made on October 28. 2004. The approval of Royal Dutch shareholders and Shell Transport shareholders was obtained in the annual general meeting held on June 28. 2005.

The transaction was meant for a clearer and simpler governance structure which included a single, smaller board and simplified senior management structure with a single nonexecutive chairman and a single chief executive and clear lines of authority. The transaction was also aimed at increasing flexibility for issuing equity and debt. A single publicly traded company was expected to facilitate equity and debt issuance including on an SEC-registered basis. (Kumar, B. R., 2019)

3.8. TERMS OF THE TRANSACTION

The transaction was affected by way of an exchange offer by Royal Dutch Shell for the Royal Dutch shares and by way of a scheme of arrangement of Shell Transport under Section 425 of the Companies Act. Dutch Shell has two classes of ordinary shares "A" shares and "B" shares. Under the terms of the transaction, the shareholders received two "A" shares for each Royal Dutch bearer share or Royal Dutch Hague registered share tendered. The shareholders received one "A" ADR for each Royal Dutch New York registered share tendered. The shareholders received 0.28733 "B" shares for each Shell Transport ordinary share received. The shareholders also received 0.862 "B" ADR for each Shell Transport ADR.

4. CONCLUSION

Royal Dutch Shell acquired BG Group at a market downturn that has significantly supported the company's LNG portfolio and helped the company to increase its size. The share issues from this acquisition will be bought back by 2020.

Royal Dutch Shell is now the world's second largest energy company after completing its $53 billion acquisition of British giant BG Group. Shell's purchase of BG Group puts the company behind only Exxon Mobil on the list of largest energy companies by market capitalization.

The deal is especially important for Shell because it bolsters the company's position in liquefied natural gas, Brazilian oil business and deep-water assets. The company also projected annual pre-tax combined cost cuts and revenue improvements of $3.5 billion.

The combination comes as rock-bottom oil prices is slamming profits and triggering job cuts throughout the industry. Shell announced last year that it would shed 2,800 jobs as a direct result of the merger, which came after the company had already announced plans to cut 7,500 positions globally.

Shell's £47bn bid for BG Group is a radical move for a company that has rarely participated in the unseemly business of mergers and acquisitions. The price, incorporating a premium of 50 per cent, is clearly designed as a knockout blow that no one is likely to better. The deal confirms Royal Dutch Shell's position as the world's leading private-owned player in the natural gas sector with deep reserves, global reach and leading-edge technology such as the offshore floating production systems.

The Shell-BG deal reinforces the ranking of the sector. ExxonMobil and Shell are now way out in front as numbers one and two. The rest are some way behind and some could begin to look like niche players, restricted to a very limited number of areas or particular technologies, such as Deepwater drilling. We can expect at least one more big deal and a number of smaller transactions. Chevron looks strongest and well capable of mopping up some of the US independents. Italy's Eni looks most vulnerable, although again the cultural challenge involved might be too difficult for buyers to contemplate. Then there are the special situations. In the North Sea there are too many small players struggling to cope with prices below $60 a barrel.

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Curriculum vitae

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Martin Katičić is student of Master in Management at University of Zagreb, Faculty of Economic and business. He was born at 14 December 1994 in Zagreb. Martin is always open for learning new information and experience. He always had a thing for extreme sports (snowboarding, scuba-diving), and practiced baseball. Learning three languages at a young age, created an opportunity to travel around the globe. Martin have the title of a second rank athlete avoided by the Croatian Olympic Board in baseball. He is today Student assistant at Organization and Management Faculty of Economic and Business, Zagreb.

Work experience.

2016 – today, Student Assistant, Department for Organization and Management - student work
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Organization and management

2019 – today, Market salesperson - student work
KONZUM, Zagreb (Croatia)
Sales man, marketing and inventory

2017 – 2018 Sales representative - student work
Importanne, Zagreb (Croatia)
Marketing and promotion, analyze, sales, KPI, implement new software for retail

2016 – 2017 Shop salesperson - student work
NLK d.o.o., Zagreb (Croatia)
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