ROYAL DUTCH SHELL PLC
2016 CAPITAL MARKETS DAY

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2016 CAPITAL MARKETS DAY WEBCAST TO ANALYSTS

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Ladies and gentlemen, it's a pleasure to welcome you here today.

I've been looking forward to this for quite some time, it's the first time we really have the opportunity to talk about the direction of our company after the BG acquisition and we are going to update you on this in some detail today. These are exciting times for our company and, I think, also for our investors.

Before we start, let me highlight the disclaimer statement.

We've achieved a lot in the last few years, but we must further improve the resilience of the company, at all points in the commodity cycle where we have investments. This means growing free cash flow per share and delivering a higher return on capital employed, and it means creating what I would like to think of as a world class investment opportunity. Simply put, higher returns for shareholders.

At the same time, there are substantial and lasting changes underway in the energy sector, not just in the far future. These changes have implications for Shell today. To respond to these changes we have a portfolio strategy which is set in multiple time bands, and which contains firm steps to manage the down-cycle, including a hard ceiling for our capital spending and more predictability in our spending. All of this is being enabled and accelerated by the acquisition of BG.

Simon and I will take you through the group overview, then John, Andy and Maarten will give you summaries of Downstream, of Upstream, and Integrated Gas business. After these presentations, we'll do a plenary Q&A followed by a short break. After the break, we'll have more detailed panel sessions with Q&A. I hope we can keep the plenary Q&A at a reasonably high level.

There will be plenty of opportunities for detailed questions in the panel sessions after the breaks. Peter Sharpe, who is our Executive Vice-President Wells, will join Andy. Istvan Kapitany, who is in charge of Shell's 43,000 retail sites around the world, will join John. And Steve Hill, who some of you might know from his BG days, can talk to you about LNG trading, with Maarten.

The downturn in the oil price obviously has an impact on Shell and the industry around us. This chart looks at some of the large and important trends in the energy sector, and society, that we think will shape our industry, and Shell, in the next decade and beyond. Across the top of this chart, the drivers are relatively well known, a growing population –

from 7 billion to 9 billion by mid-century – coupled with a higher quality of life for more people. These are powerful forces that inexorably drive a higher demand for energy.

Governments, business and society at the same time expect that this energy will come with less CO_2. This results in a robust demand outlook for oil and gas, and, over the longer term, a transition to a lower carbon energy system. Simultaneously, we see a continued strong demand for petrochemicals, which are the building blocks of many of the things many people take for granted in modern life, and in many ways will also be enablers to reduce the carbon intensity of modern society.

Within all of this, traditional value chains between energy suppliers and customers are seeing considerable change, and in some cases disruption - driven by factors such as energy storage and the digital world - which leads to more choice for customers. This will impact how energy is consumed, but also where investment in energy is made. At the same time, we have entered an era of sustained high volatility in oil prices. Part of this is a result of OPEC policy, the advent of large oil and gas resources in shales, the speed of information flows and trading, and the inevitable need for large scale resources developments.

Each category of oil supply has different response times to price signals, making it hard for market forces to provide price stability. Shell's traditional role in developing more complex projects is impacted by shales plays and by lower oil prices generally, and we must make sure that our cost structure, portfolio choices and business models are adapted to allow us to also thrive in this setting.

Let me make some comments on the energy supply mix. And there's a lot of interest in this particularly after the Paris agreement on climate change of last year. Today, oil, gas and coal supply over 80% of primary energy world-wide. Renewables are growing, but from a small baseline. They supply around 4% of primary energy today, of which two-thirds is hydro and less than one-third is wind, solar and others.

Shell strongly supports the agreements made by governments in Paris to limit global warming to 2 degrees or less. We are concerned, however, that the commitments from COP 21 do not go far enough to meet these important goals. Shell, I think, can thrive in this 2 degree world, and we are planning our strategy to do well in that world, if that is what plays out. In the '450' scenario of the International Energy Agency - the 2 degrees scenario - in which they model an ambitious change in the energy mix and a demand picture for oil and gas that is lower than Shell scenarios, there is running room in oil and especially gas for decades to come, alongside substantial growth potential for renewables. That's the context for Shell's sustained investment in oil and gas today and for putting more focus on new business models around renewables going forward. Okay, that's the picture as we see it.

Let me talk to you about how we are responding to this landscape overall, and more fundamentally, at the heart of all this, let me be clear on what we really want from Shell. To my mind, it is pretty straightforward. For the first 90 years of Shell's existence, we were an industry leader in total shareholder returns through the cycle. We lost that lead in the late 1990s as the industry consolidated and, frankly, Shell missed out. I am determined to get us back in that number one place.

Of course, I can't set the share price. That is up to the shareholders and the markets. But I do think that by doing a better job in delivering higher, more predictable returns and by growing free cash flow per share, and underpinning all of that with a conservative financial framework, then we can create a better investment case - a world class investment case - that should increase our total shareholder return.

And there are other areas that we want to focus on too, and I think these build into the investment case. I want Shell to be a more relevant - a more valuable company - which means a large market capitalisation, and a more valued company, which means that we are listened to and respected for what we do and we say. We are reducing Shell's carbon intensity, this is inevitable, and it is something we are working hard on today, and we will continue to put emphasis on this. We also need to establish beyond all doubt that Shell provides shared value, that we are a force for good in society. It is hard to express in metrics, and also hard to get right.

These four themes are not independent of each other. We need to succeed in all four of these to deliver a world-class investment case. This means being more resilient and competitive at the lower end of the price cycle. We need to continuously challenge ourselves to make sure that we are using shareholder dollars for positions which are fundamentally advantaged in our sector, particularly in value chains. This is all about making the right choices.

The downturn, and the combination with BG, are great opportunities to fundamentally re-set our cost structure – downwards, that is. This means lower costs and fewer, but really advantaged growth projects under way at any given time, which I think will help continue to improve our project delivery and operating performance.

Okay. This is quite a long list and clearly means a lot of hard work to get there. And the BG acquisition plays an important role in all of this.

We have owned BG for a few months now. We're very pleased with what we have seen since completion. Integration is going well and we now see more synergies than previously announced and early delivery of this. And, crucially, BG's asset value was pretty much what we had expected or even better. So, post-completion we see more value in BG than before closing. The chart here shows this well as what we paid for BG on 15th of February, and what we therefore put it in the books for. The valuations in the chart here are based on the accounting definitions, futures curves and consensus oil prices, these are the Market Participant Pricing assumptions as they appeared on the 15th of February.

Based on this price outlook we see over $10 billion more value than the consideration paid. There is, however, more upside potential here as we are using the BG transaction as a platform for re-shaping Shell - a springboard for change. And of course there is further value potential if oil prices turn out to be higher than the average Market Participant's outlook on the 15th of February. The BG acquisition was the largest change we made to our company over the last few years. But it is just one element of a broader transformation underway in Shell.

This transformation includes over 500,000 barrels per day of profitable new production, the restructuring in Upstream and Downstream, covering some $91 billion of capital employed, and a measured and thorough rationalisation and reduction of our option set which should mitigate some $45 billion of capital spending and delivering $22 billion of divestments. Underneath all this, is a reorganisation to sharpen accountability and to align the entire organisation to the bottom line through embedding performance units across Shell. But there is always more to do.

We've talked to you before about how we segment the portfolio into a number of strategic themes. We have bespoke strategies for each of them, with tailored technology approaches, distinctive markets and financial targets. We allocate capital to each of these strategic themes to drive an optimal cash flow and returns profile in the company, over multiple time lines. When we set our plans and aspirations, these need to hold and deliver, not just for a couple of years. But for decades to come.

We've made some changes to the priorities. I want to talk to you about these changes, and give you quite a few new numbers to calibrate.

Let me go through our strategic themes. First of all, we need cash engines, with strong and stable returns and strong and stable free cash flow that can cover the dividend and buy backs throughout the macro-cycle, and leave us with enough money to fund the future. Secondly, we need to have growth priorities which have a clear pathway towards delivering strong returns and free cash flow in the medium term. They should become cash engines in the next decade. Thirdly, we need to mature selective future opportunities that will provide us with material growth in cash flow per share in the next decade or beyond when the energy transitions opens up new areas of value for us.

Running through this is our intention is to be in fundamentally advantaged positions, with resilience and running room. Asset sales have an important role to play in all of these strategic themes, as well as investment decisions. Up to 10% of Shell's oil and gas production is earmarked for sale, including several country positions, and a number of midstream and downstream positions. This is a value driven – not a time driven - divestment programme, and an integral element of Shell's plan to improve our portfolio.

Shell's free cash flow in the last three years was $35 billion, with 8% return on capital employed, essentially covering dividends and buy backs. This was in a period of average $87 oil prices, high in 2013 and 2014 and falling in 2015.The cash wheel has been working as it is supposed to. But we have to be frank here and say that this worked when the oil price was high; operating performance was not always as good as it should have been, especially in 2013; asset sales – and scrip dividends – have been an important element of the overall free cash flow of the company, and how we are covering dividends.

We have made a lot of improvements, including a turn-around in Oil Products and restructuring in shales, but, it is also fair to conclude that that we have to do more, and we can't rely on a rapid recovery of oil prices. We've been reducing Shell's capital investment in a steady and measured way over the last few years. This is to rebalance the financial framework for lower oil prices; to become more selective on which projects reach the final investment decision, and to establish a more predictable spending profile.

We've made changes in the way that we are allocating capital in the company, and I would like to give you more visibility on our spending plans. We are planning to spend between $25 and $30 billion dollar each year until 2020. We see $30 billion as a ceiling, which is all about reducing debt following the BG deal, and about meeting our intentions for shareholder distributions. The $25 billion level reflects the spend we believe we need to maintain medium-term growth in the company; we can go below that level if oil prices warrant that. The final outcome in any given year will be determined by the pace of development and overall affordability considerations. At the moment, and at current oil prices, we are clearly trending down towards the bottom of this range. For 2016, we expect to spend $29 billion or less.

Some general comments now on each theme. John, Andy and Maarten will give more details a bit later today.

Let me start with cash engines. These are the financial backbone of our company. Since the vast majority of our productive capital is employed here, they need to deliver strong and competitive returns and we need to make sure that these businesses are resilient and maintain their running room. We will measure the success of each of these businesses by their return on capital employed over the cycle and by the cash surplus they deliver.

The BG deal has of course enlarged our conventional oil & gas business. We now need to high-grade this strategic theme to a point where it offers high returns, strong free cash flow, and with significant running room. This means asset sales, and a focus on heartland exploration, especially near-field, to improve the resilience of this portfolio and to sustain it. Integrated Gas is now a cash engine as well, but I'll touch on that in a moment.

On to Oil Products. We have had a restructuring plan for more than a decade in this area, which is now nearing its end date. The Oil Products business did very well last year, showing it can deliver double digit returns, but it will also need to do that through the cycle. Oil sands mining is now a cash engine previously this was a future opportunity. It needs to deliver free cash flow now, more so than any of the other cash engines per dollar invested, and of course oil sands are highly oil price sensitive.

Integrated Gas, as I've mentioned, is now a cash engine as well. This is a change, from a growth priority in the past. Now it needs to be generating a growing cash surplus and strong returns. Integrated Gas has a global footprint, and we have the leading position of all the international oil companies in this area. The BG deal of course accelerated our strategy here. This doesn't mean we will stop investing in new projects. But as approximately one-third of the Group's capital employed is in Integrated Gas, it will need to deliver strong double digit returns. With a relatively low capital maintenance requirement, I expect this business will be a major contributor to our free cash flow going forward.

Now, what are the new growth priorities? They are deep water and Chemicals. We are investing only in those projects that are intrinsically advantaged; in projects with better fundamentals than those of our competitors in these sectors. For deep water, this means fundamentally advantaged geology such as Brazil, the Gulf of Mexico and others. For Chemicals it means fundamentally advantaged feedstocks such as low-cost ethane in the United States and you will have seen that we took final investment decision on the 1.5 mtpa Pennsylvania project today.

Both these businesses - deep water and Chemicals - first class businesses, have a significant growth potential, simply because of the inventory of ready projects we hold or because of global demand growth. But in both businesses we can only win if we are absolutely best in class in terms of project delivery. We will assess these businesses by their free cash flow trajectory and returns or, to put it differently: how quickly can we turn them into cash engines. Managing affordability is an important element of that. If this means we need to moderate the growth rate or share equity with the right partners so that growth priorities do not turn into significant drains on free cash flow, we will certainly do it.

Let me give you an impression of the scale of this growth and the volumes on this slide are of course a proxy for value. First Chemicals. With the investment decision we've made today on a new cracker in Pennsylvania and the brownfield projects we have underway on the Gulf Coast and in China, we should have 8 million tonnes per year on stream at the start of the next decade, an increase of over 30%. Second, deep water. Driven by Brazil and the Gulf of Mexico we expect to see production over at least 900 thousand barrels per day early in the next decade. And let me stress that all of this growth is from discovered, established positions, and not something that requires new exploration success.

I'm now turning to the longer term themes. They are businesses that have a material upside for Shell shareholders and have a pathway to profitability that should attract material growth spending in the future. Our future opportunities are shales and a strategic theme that we call new energies. In shales, we have around 12 billion barrels of resources and potential, in North America and Argentina. That is an attractive position, and today we are working on the cost structure and commercial development options. We have reduced spending in shales as a whole to manage the financial framework, and maximize the advantages of cost deflation in that sector. In a way, this strategic theme is purposely held back, as is makes sense to accelerate investment in this short cycle business at time of higher price realisations.

And in new energies, Shell has invested in renewables, such as wind and biofuels for many years and we have a small position in solar. But new energies contains more than only traditional renewables. The theme encompasses the digital revolution, more electrification, especially in transport and more customers with a wider choice in the energy mix. We've made the decision that we will build on our existing foundations in renewables, and that we will put a lot more emphasis on new energies going forward. We've identified three areas in new energies as opportunities for Shell: new fuels for mobility, such as biofuels and hydrogen; integrated energy solutions, for example wind and solar energy, which can partner with natural gas to tackle intermittency issues; and new business models for energy, connecting customers with digitalisation and decentralisation of energy systems. Maarten will cover this in a bit more detail later.

That's a summary of the portfolio priorities, now on the financial side. What will we invest in? And what should you as our shareholders expect from these investments? This chart shows the returns and free cash flow that we generated in each of the eight strategic themes and the three categories: cash engines, growth priorities, future opportunities, over the last few years and where we believe we will be in the first part of the next decade. These are not targets, the chart shows you the possible shape of the company, with a modest recovery in oil prices, and of course the environment could play out very differently than what we expect today.

Around the end of the decade we expect to have reduced debt by this time hence the free cash flow you see here should be part of the dividend and buy-back programme of the company. Cash engines with stabilized portfolios the main divestments and ramp ups behind us, in the growth priorities, deep water delivering free cash flow and chemicals still in growth mode in the chart, with $3 billion per year or more free cash flow potential ahead there a little bit further out, and the shales and new energies portfolios ready for more substantial growth investment, if we decide to take that step.

It is important to recognise that we have substantial assets in our hands today to deliver all of this. 2020 may seem far away for some of you. And some of you may emphasise that the reality is that we are in an oil market downturn. I think it's important that we also update you on our plans for the nearer term, and the financial levers we are pulling to manage our company today. Simon will now update you on the levers, as well as the integration of BG. Then John, Andy and Maarten will summarize the key points in their business areas. After that I'll come back to join the Q&A. Simon.

Thanks Ben.

It's good to be here today, to update you on the financial framework and the great progress we are making in creating value from the BG deal. Shell's strategy, and our financial framework, are designed to manage through multi-year macro price-cycles and multi-decade investment and returns programmes. We have to balance near-term affordability and cost trends with the fundamentally long-term nature of our industry. Shell's financial framework is a key element of our overall strategy.

The balance sheet must support the dividend and re-investment through the low point in the oil market cycle, which is where we are today. The strategy outlined by Ben defines our intention to generate sufficient free cash flow at the lower end of the price cycle to cover the cash dividend. We should not be dependent on anything more than a normal level of divestments to meet this objective.

The portfolio Ben just spoke about should deliver this outcome by the end of the decade. And the company should also generate excess free cash flow above the dividend at mid to high points in the price cycle. I want to stress that our overall aim is to create value for shareholders throughout the cycle, with the financial framework supporting leading shareholder returns. To be specific, this means that through-cycle we need to do the following. Maintain a strong credit rating, currently AA / A+, by delivering AA equivalent cash flow to adjusted debt metrics. We must also set investment levels accordingly. For the foreseeable future, this means between $25 and $30 billion per year, or lower levels if the oil price remains at current levels for some time. ROACE needs to be double digit at the lower end of the cycle, and in the mid-teens average throughout the cycle. And 3 year average free cash flow, including divestments, should exceed cash dividends, whatever the price is. We expect to have balance sheet gearing of 0-30% through the cycle. And all of this is aligned with the dividend policy which has not changed. Let me remind you that on this policy, our aim is to grow the US dollar dividend through time in line with our view of Shell's underlying earnings and cash flow. When setting the dividend, the Board looks at a range of factors, including the macro environment, the current balance sheet and future investment plans. Following an acquisition with an enterprise value of $67 billion, and in a low oil price world, clearly these metrics are different from our recent history and as we expected.

Now, let me update you on the status of integrating and delivering value from BG. I'll also take you through the steps we are taking to ensure we rebalance the financial framework to a more conservative position again. The BG acquisition was designed to accelerate Shell's growth strategy in deep water and LNG, enhance our free cash flow, and create a platform from which we will re-shape Shell. But this is not a deal that was done for size's sake. It's not about doubling down on growth again from here. This is about value creation for shareholders. We consolidated BG into our results in the first quarter of 2016.

Legacy BG positions added $200 million to earnings and $800 million to cash flow in the six weeks that we owned this company in the first quarter. In fact, BG delivered a strong performance in the 10 months or so that our offer was open: a great credit to the BG team. This underscores our belief that the timing was right for this acquisition, and that we paid the right price. You can see on this chart BG's 25% production increase to 800,000 barrels per day, and reduction in capital spending as projects ramped up. Delivering the real value from the BG deal is all about a swift and effective integration getting the value from BG projects, and learning the best working practices applied throughout the company.

We put a joint integration planning team together in August last year to map out the key areas of activity. This meant that we hit the ground running in February. We've made a lot of progress since then. Remember there were around 5,000 staff and contractors in BG working in 22 countries.

Our aim here is simple. By the end of 2016, we will be one company, adopting the best practices from both companies, with detailed plans to capture the maximum value and clear accountabilities. Back in April last year, when we announced the BG recommended combination, we had identified some $2.5 billion of externally verified pre-tax synergies per year in 2018. Late last year, this figure was upgraded to $3.5 billion in 2018. We have continued to look at all potential synergies from the combination with BG. As a result, we now expect the synergies from the deal to be $4.5 billion on a pre-tax basis in 2018. This is an increase of $2 billion, or 80%, compared to the initial estimate of $2.5 billion in April 2015. We expect to achieve and exceed the $3.5 billion synergies commitment earlier than originally expected, reaching that in 2017, and delivering $4 billion of synergies in 2017 overall.

Now, I'll turn to the financial framework. There's no change to the priorities for cash flow that we set following the announcement of the BG acquisition. Reducing debt. Paying dividends, followed by a balance of capital investment and share buy backs. And at least $25 billion of buy backs in the period 2017 to 2020, subject to debt reduction and some recovery in oil prices. And we aim to use our extra cash for debt reduction to strengthen our credit metrics to the desired levels, for which gearing around 20% is a reasonable proxy. Once we get there, then we will most likely turn scrip off first, before we start buybacks. We will not let investment exceed $30 billion before we have executed a material part of the buyback programme.

Overall, as we have said before, we will do whatever it takes to have a sustainable financial framework, in whatever the actual price environment is, and according to these priorities. We are pulling on levers to manage the financial framework in the down-cycle. But fundamentally, much of this is an important opportunity to improve Shell's competitive performance, irrespective of oil prices. This means focusing on four levers: asset sales, capital spending, operating cost reduction, and delivering new projects that will add significant cash flow. Of course, a fifth lever, not on the slide, is the oil price itself. We can't control that, but a $10 move in oil prices can now drive our cash flow by around $5 billion per annum, and that sensitivity should increase over time.

What we are actually planning on, and what is embedded in the financial framework we are showing you today, is low $40s oil prices this year, $50 in 2017, and the mid-$60s in 2018. I'll now go through these levers in more detail.

Firstly, asset sales. We are using asset sales as an important element of the strategy to re-shape the company. Up to 10% of Shell's oil & gas production is earmarked for sale, including several country positions, and selected midstream and downstream assets. This is a value driven - not a time driven - divestment programme, and an integral element of Shell's portfolio improvement plan. Asset sales are expected to total $30 billion for 2016 to 2018 combined. To keep it in perspective, this $30 billion is about 10% of our balance sheet. We have a series of transactions underway, and would expect to see significant progress on $6 to $8 billion this year in sales agreements, if not the final cash proceeds. Asset sales are an important part of starting to reduce our debt. Of course the timing of these divestments depends to some extent on oil prices and hence the asset market. We're not planning for asset sales at giveaway prices. There's no reason today to think that the $30 billion figure won't be achieved. But if it takes a bit longer in order to preserve shareholder value, then so be it.

Now on to project flow. Developing new oil & gas should, of course, drive new cash flow and free cash flow over time. This portfolio is geared to give an improvement in production, and more importantly to cash flow from operations and free cash flow, in 2017 and beyond. By 2018, start-ups since 2014 in the combined portfolio should be producing around 1 million barrels per day. These are generally high margin barrels with price upside. This is a great opportunity set, and has been considerably enhanced by the BG acquisition. As an indication for you, and you might like to include this in your modelling, we expect to see an average cash operating cost of around $15 per boe and an average statutory tax rate of around 35% from this growth profile. I think this is sometimes missing in market valuations of Shell.

I'll move on to capital spending. Tough decisions on capital investment are driving the right outcomes here. Only the most competitive projects are going ahead. Just four major final investment decisions were made in 2015. This year there have been two so far. Many potential projects have been purposely delayed, re-phased, or cancelled. This is to manage affordability and get better value from the supply chain in the downturn. The exits and postponements you see on this chart are difficult decisions with big impacts. To quantify this for you, the deferrals and cancellations on this chart have mitigated over $45 billion of capital spending through to 2020, since 2014. We are announcing a substantial change in exploration spending and priorities here. Going forward, we expect to spend around $2.5 billion per year on a combined Shell and BG's portfolio, a reduction of some $3 billion or 50% from 2015. What's driving this reduction is the focus on lowering costs, embedding BG synergies, high-grading the portfolio, the exit from Alaska offshore, and a shift in emphasis towards producing basins. And within that, the BG acquisition and Shell's recent exploration finds mean that we rely less on exploration today than in the past. Exploration will be 80% targeted on heartlands, including deep water, with the programme rightsized for the new combined portfolio. We are reducing our major frontier exploration spend, keeping very selective positions where we have geological insights and retaining options at low-cost elsewhere.

Now for capital investment. Ben has set out the framework here. Our capital investment will be managed in the range of $25 to $30 billion per year to 2020, as we improve capital efficiency and develop more predictable new projects. Investment for 2016 is expected to be $29 billion, some 35% lower than pro-forma Shell + BG levels in 2014. In the prevailing low oil price environment, we will continue to drive capital spending down towards the bottom end of this range. In a higher oil price future we will cap our spending to the top end of the range. The track record here demonstrates that we can respond quickly to the macro situation by reducing our investments. As Ben explained, $25 to $30 billion per year is sufficient to maintain a portfolio with moderate growth potential, and assumes that there are material capital efficiencies here. If we need to go lower, we will. This can be achieved through both further supply chain reductions, with costs linked to lower oil prices, and by deferring or cancelling further projects.

And so to operating cost, the fourth of the "levers" we are pulling. We've delivered major reductions here already, with more to come. Shell's stand-alone costs were reduced by $4 billion or around 10% from 2014 to 2015. And we are expecting a 20% reduction between 2014 and the end of 2016 on a combined basis. This is from a combination of the synergies from BG – both the hard targets and follow-on benefits – as well as a 'lower for ever' mentality within Shell. As a reminder, some 40% of our operating costs are direct staff costs, and there are significant reduction programmes underway here. Divestments and new project ramp ups will also have an effect, as will FX. And this can complicate the headline cost picture. In the end, this all builds into improved cash flow from operations. Overall on costs, there is clearly remaining potential for multi-billion dollar per year savings, on an after tax basis. This final slide from me summarises the potential from the levers that we are pulling. And let's not forget the impact that oil prices can also have here. In 2015, at $52 oil prices, the combined companies delivered some $11 billion of free cash flow before the dividend. This figure is basically what we would expect the combined cash dividend to be in 2016. At $52 oil prices.

There's no doubt that 2016 will be a challenging year, including all the deal effects, and the reduction in cash flow that we saw in the first quarter results from oil prices and negative working capital effects. Gearing is currently in the mid-20s and is likely to go up before we can bring it down. The potential outcomes here reflect the actions by all of my colleagues in Shell. In practice they reflect a reset of the way we are doing business, particularly in terms of the sustainable cost base. The levers we are pulling are material. With that, let me pass you over to John on Downstream, who will be followed by Andy on Upstream, and then Maarten on Integrated Gas.

It is good to be here to update you today on Downstream in Shell. Our priority remains the improvement of our financial performance in what is an intensively competitive sector with fundamentally narrow margins.

We have been restructuring our portfolio for some time now. The nature of the asset market means this process could not have been instant. We have made some $12 billion in divestments over the last five years. In the last decade we have exited from 22% of our refining capacity. That is 900 thousand barrels per day. That has been a lot of change but with the transactions we have underway, I think we are now reaching a more steady state on our portfolio, of course with continued scrutiny and upgrading of our portfolio as part of our ongoing business.

In Marketing, which we class as one of the cash engines, the businesses are delivering resilient and improving results. This is due to three things: investment in our strong brands, our differentiated products offering and our premium fuels. To build on this, we plan on continuing to selectively grow our networks in rapidly-growing economies particularly in Asia. And in Refining & Trading, again a cash engine, we've done a lot in the past couple of years to improve the performance of our refineries through self-help programs and through a further integration of refining with trading, both on crude supply and on oil products.

In Chemicals, advantaged feedstocks have become a real competitive advantage for us, and as Ben has said, Chemicals is now a growth priority for Shell. This strategic position recognises the attractive and different risk profile of Chemicals. This characteristic is underpinned by strong market fundamentals: high growth rates, different end-market exposures and attractive returns when projects are able to access advantaged feedstock. Overall, our strategy to develop and maintain hubs where trading, refining and chemicals can be fully integrated is proving to be correct. It has proved especially helpful in a period of highly volatile markets.

The improvements I have described have helped Downstream to deliver more than $9 billion of clean earnings, $11 billion of cash flow from operations, $7.5 billion of free cash flow and 19% returns from Downstream over the last 12 months. Our Marketing activities are providing a resilient and steadily increasing stream of earnings while refining and trading, which are intrinsically more volatile, are working well together as an integrated business to enhance returns and cash flow. Restructuring in underperforming parts of the company is an important lever to improve our financial performance. As you can see on this slide we have already had substantial success in this area. Despite a refining footprint that is smaller by 20% on crude intake and a marketing footprint that has reduced by 30% in volume since 2007, Downstream clean earnings improved by $1.5 billion - that is 23% higher - we've picked a time-frame here where refining margins were very similar.

This improvement shows the impact self-help initiatives can make. We have achieved a lot, but this is a very competitive business, and we simply can't stand still. There is a major cost, capital efficiency and performance drive underway in Downstream today. And the 60 performance units we have in place here really focus everyone in Downstream on the bottom line. We continue to exit from non-core positions. These are assets where we don't see the running room, returns, or the attractiveness of new investment dollars for Shell. And we have already announced deals and MLP dropdowns for over $2 billion in 2016 of which close to $1 billion has already been completed.

We continue to look for ways to improve the resilience of assets such as those we hold in Europe and Singapore. These ways include some very targeted investment programmes in the manufacturing sites and some very selective growth programmes.

Here are a couple of examples. Let me start with Motiva. The Motiva joint venture, which is 50-50 Shell and Saudi Aramco in the east of US, has significantly improved its performance over the last two years. Earlier this year, after a partnership of 18 years, Shell and Saudi Aramco announced their intention to discontinue the joint venture and negotiate a division of the assets. The redistribution of the assets benefits both parties. It will allow each company to refocus their downstream businesses and more effectively pursue their respective downstream strategies. For Shell, this means we can fully integrate our share of Motiva with the broader Shell portfolio. As part of the proposed asset division, Shell would assume sole ownership of the Norco and Convent refineries while Saudi Aramco will retain 100% of the Port Arthur refinery. Teams from both companies are currently working on those terms and on establishing a brand licensing agreement that will benefit both parties, and the Shell brand remains visible and strong across the USA. The second example I want to highlight today is in Japan. Shell has had a share of a refining and marketing company called Showa Shell, in Japan, since 1900. We've decided to exit almost all of this position, and return this cash to the Shell group. We announced a divestment of some $1.4 billion to Idemitsu last year, and we expected to complete this in 2016 subject to obtaining regulatory approval. Both of these transactions are part of a strategy to optimize our portfolio within the overall context of capital ceilings.

Now, returning to Marketing to give you a bit more detail. We are seeing strong returns and strong growth in Marketing, a 25% return on average capital employed in the last 12 months, and more than $3 billion of free cash flow. And this is as a result of our differentiated fuels and lubes and our distinct customer offer. Shell's premium fuels, such as V-Power, are the world's most widely sold premium grades. They are available in 68 markets globally. Shell's premium lubes, marketed under the Helix, Pennzoil and Rotella brands, continue to show good returns and increasing market penetration. Overall we are No 1 market share in global retail and global lubricants. Investing in strong brands, and giving our customers choices in the kinds of products we sell, are all part of the relationships and partnerships we have with our customers. These are capital-light activities compared to refining and chemicals, and we plan to continue to grow around the world with a focus on emerging economies.

Now I would also like to give you a bit more detail on Chemicals. In Chemicals, Shell has had a solid performance over the last 5 years, supported by restructuring the business through 2000s and we continue to see strong market fundamentals in Chemicals and as Ben said Chemicals is now a growth priority for Shell. Petrochemicals is the fastest growing hydrocarbon demand sector with annual growth of 3.7% over the last 10 years, and we expect this to continue. Shell's Chemicals strategy focuses on activities with a clear competitive advantage, we optimise returns from using different feedstocks, invest in our existing first-class footprint, and continue to focus on enhancing our customer relationships and service. Through the 2000's, we concentrated our footprint of integrated sites from 133 to 16, and focused on Shell's core competences and advantaged feedstocks which has become a real competitive advantage for us; Chemicals returns averaged 15% over the last 5 years. That being said, we have seen the impact from unplanned downtime, especially in Singapore and in the Netherlands, which has held back returns in the prior 18 months. Coming out of this period will offer us upside.

The global portfolio now offers both a regional balance and a balanced exposure to both gas and liquids, and exposure to a range of different value chains. This ensures we can capture good margins in a range of volatile market environments. With a competitive edge in chemical feedstocks, underpinned by a strong product portfolio and proprietary Shell technology, the business is entering a new period of growth. For example, in the Gulf Coast, we have decided to expand our chemical footprint at the manufacturing site in Geismar, Louisiana, making the site the largest Alpha Olefins producer in the world. And in China, where Shell and CNOOC took the final investment decision in the first quarter of this year to expand the existing petrochemical complex. The project will increase ethylene capacity by more than 1 million tonnes per year, about double the current capacity. It will become the largest petrochemicals site in China, offering a platform for continued future growth with CNOOC as a major strategic partner for Shell. And today we are excited to announce the final investment decision for our petrochemicals project in Pennsylvania in the US.

This site will use ethane from the lowest-cost shale gas basin in North America to produce polyethylene at world scale - the new facility will generate 1.5 million tonnes of ethylene capacity per year. It will be the most cost competitive polyethylene producer in the US, and it has three components of competitive advantage over US Gulf Coast investments. Firstly, we use locally sourced ethane with a supply cost advantage secondly, a location advantage as it sits right in the demand centre for US Polyethylene more than 70% of the North American polyethylene market sits within a 700-mile radius of Pittsburgh. Customers will benefit from shorter supply chains, with more dependable supplies, compared to the supply from the Gulf Coast, and thirdly, economic development, job creation and investment incentives from the State of Pennsylvania as the project adds new growth and jobs to the region. Main construction will start in about 18 months' time, as we manage capital affordability in the current low oil price environment. Commercial production is expected to begin early in the next decade.

We will continue to focus on selective and prudent investments with a competitive advantage to ensure profitable growth in the future and. I think with an improved Chemicals business in our Downstream, that Downstream overall will be a world-beater in terms of financial performance and scale.

Let me close with an update on the competitive position. Returns are improving in Oil Products as well as in Chemicals and I'm pleased to see that and we are also improving our brand preference with our marketing businesses. But the reality is that the competitors around us are improving their returns too, so there is more to do here.

We are continuing to reduce costs and improve on our operations excellence. We also continue to execute a significant divestment program, to improve returns, deliver more free cash flow and provide a more robust portfolio. And continued profitable growth, particularly in Marketing and Chemicals should continue to close the gap with the competition. So a lot has been achieved, but we recognise there is more to do. I have described what we have to do and we are committed to deliver it.

With that, let me hand you over to Andy.

Thanks John. It's a pleasure to be here with you today, and I look forward to your questions later today.

This year marks the moment where we have created a new, and global, Upstream business in Shell. And this sets a platform to build on what's already been achieved, on a truly global basis. Upstream is divided into three strategic themes. And these encompass all three categories that Ben has outlined, so three rather different strategic time scales and three quite distinctive sets of financial drivers.

The conventional oil and gas business is a cash engine for Shell. It's a legacy portfolio of assets, think of the more traditional basins like in the North Sea, Nigeria, Malaysia, Oman and Brunei, as well as more recent positions such as in Iraq and Kazakhstan. These are positions that need to deliver resilient and attractive returns, and free cash flow. And it's here in particular where there are opportunities for asset sales in the enlarged Shell-BG portfolio to high-grade the portfolio. Deep water is one of our company's two growth priorities. It contains distinctive and advantaged asset and acreage positions in the Gulf of Mexico, Brazil, Nigeria and Malaysia. The strategy here is to develop a material, attractive and resilient business over the coming years. Ultimately, deep water should become a cash engine. And thirdly shales in the Americas. Today, this is a restructured, and more competitive portfolio and we're maturing it into a new growth priority for the 2020's.

The financial results that you see in Upstream reflect the very different stages of maturity in these three themes, oil sands are in these numbers too, which we report in Upstream and is governed by John. Conventional oil and gas is typically a business with a larger cash flow and higher returns. Deep water, and particularly shales, have generated lower earnings, as you would expect in growth-orientated portfolios, with relatively high unit depreciation charges. The low oil price is a significant opportunity for us in Upstream to drive change throughout the organisation, delivering lower costs through operational excellence and leveraging the supply chain. We have reduced Upstream costs by $1.2 billion in 2015, or 8%. This includes a job reduction of at least 5,000 staff and contractors. In 2016, we expect to absorb BG's costs with no increase overall against that 2015 total, and an underlying reduction of $2.3 billion, or 15%. I also want to make clear that, particularly following the BG deal, we are having a close look at the tail of our conventional oil and gas portfolio, this means dilutions and asset sales from this portfolio, which is part of the $30 billion divestment plan for the company.

These charts show the improvement in uptime and costs that we've delivered, with examples in all three strategic themes and I'm convinced there is more to come. For instance, we see an opportunity for new production of over 150 thousand barrels a day from underperforming fields through targeted use of better technology and optimization. More than 150,000 barrels per day better from existing facilities, that's a substantial prize on the table. Now, let's look at the three themes in more detail, starting with shales. This is a portfolio that was really built up since 2008 through a series of acquisitions and land deals, followed by a period of drilling and early production — which is basically the shales equivalent of exploration.

Over the last two years, we've seen significant portfolio reduction, cost savings and performance improvement in our North America shales business. Today, we have around 12 billion barrels of resources and potential. This is over 750 million barrels more than in 2013, despite the fact that we've more than halved the number of plays we're in. Today, we're focused on continuing to increase the profitability of this business by further reducing costs and improving recovery rates. We've achieved a 70% reduction in direct overhead since 2013 and a 50% reduction in drilling and completion costs for liquids rich shales wells since 2013. We are working hard to further enhance our performance and take full advantage of the sweet spot areas where we can harvest the potential of these assets through increased investment through into the next decade.

Now, turning to our growth priority - deep water. Shell has an advantaged portfolio and a strong track record in deep water. Our new projects are resilient across the cycle and competitive on the cost curve. On the development side we're continuously driving down breakeven costs in deep water projects, both on projects under construction as well as pre-FID projects. Total well costs, which have historically accounted for 50% of total project costs, have come down significantly as we are drilling wells faster and at lower rates. For example in Bonga, in Nigeria, over the past two years we delivered 21 wells with savings of over $1 billion. We continue to see deflation in the market and are leveraging that where we can. But more importantly we see opportunities to reduce costs by changing our ways of working, improving performance and simplifying designs. All this results in an ability to lower costs of projects already under construction. We now see average break-even points in our pre-FID projects which are lower than the current oil price; think of an average break-even level of $45. Shell's deep water volumes could grow to over 900 thousand boe per day by the early 2020's.

This is not growth for growth's sake. We expect these fields to deliver resilient returns and free cash flow once they are ramped up, and to make a considerable contribution to Shell's bottom line. Let me now update you on Brazil. In Q1 we had over 200 thousand barrels per day on stream in Brazil, and substantial growth is to come from the pre-salt area. This was one of the main reasons why we saw value in BG last year. We expect to see a continued ramp-up of production from capital that has already been invested, with seven FPSOs on stream and two more planned to start-up this year. One of them, Cidade de Saquarema, is on its way to its offshore position on Lula as planned and will start producing shortly. The reservoir performance in the pre-salt is exceeding our expectations, with the top-10 individual wells flowing at over 35,000 barrels per day on average. Across the wells producing to the seven FPSOs, the average rates are around 25,000 barrels per day. In the pre-salt projects under construction, we see break-even prices under $40 on average as a result of these significant well flow rates and competitive project delivery and operating costs.

I'm turning to the Gulf of Mexico now. In Q1, Shell had over 270 thousand barrels per day on stream here and our production continues to grow in the Gulf of Mexico by ramping-up Mars B and Cardamom. We're working hard to reduce operating costs and improve uptime in the Gulf. For example, in 2015 we re-started 4 shut-in wells in the Mars Basin which have since delivered more than half a million boe. One example on the cost side is the optimisation of support vessels and improved materials management in the Gulf of Mexico, which has resulted in almost $300 million of operational and capital cost savings over the last year and a half.

This includes over 50% reduction in support vessels and almost 40% reduction in the helicopter fleet, just through better integration, planning and optimisation. On the project delivery front: Stones, our first FPSO in the Gulf, is scheduled to start-up in the second half of 2016 and Appomattox, which we sanctioned last year, will come on stream towards the end of this decade. Beyond this we continue to see considerable potential in tie-backs such as North Kepler to Nakika, Kaikas to Ursa and new hubs such as Vito and more exploration. I think there is great potential for Shell remaining in this high margin province.

Let me now update you on the conventional oil and gas portfolio one of Shell's cash engines. There's a large range of assets here, ranging from selective growth positions such as Kazakhstan and West of Shetland in the UK to late life positions like a number of our North-Sea positions, New-Zealand and Gabon. Our growth projects in conventional oil and gas should add some 250 thousand barrels per day of production in the next few years. This, combined with lower spend, should improve our performance in free cash flow and returns. Conventional oil and gas is as much about cost, uptime and portfolio management as it is about competitive growth projects. Exploration is an important element of Upstream.

We've added 6.5 billion barrels of contingent resources over the last six years, including 1.5 billion from deals, with a finding cost of around $4 per barrel on average, and a 44%

success rate. Most of these barrels are within Shell heartlands where we have infrastructure and detailed sub-surface knowledge facilitating early monetisation. Shell's recent successes especially in the Gulf of Mexico and Malaysia, demonstrate that there is still running room in the producing basins of our heartlands where large, high value discoveries can still be made. In the GOM, more than 60% of the 1.2 billion boe discovered in the last 6 years is already post FID, with 10% of this in production.

Following the BG deal and our exit from Alaska, exploration spend has been reduced to around $2.5 billion per year on a combined Shell and BG portfolio.

We've reset the strategy, the majority of our "exploration dollars" will be focused on sustaining our heartland positions, with near field targets and selective wells aimed at new geological plays with material potential in heartlands and in frontier basins.

Let me sum up. There are three, very distinct elements in the Upstream business today, with different timescales for profitability. Running through all of this is a major performance drive, focusing on costs, uptime and break-even levels. We're aiming at a break-even level which is lower than $45 in new deep water fields 50% or more reduction in liquids rich shales well costs with break-even prices falling fast and opportunities for drilling of sweet spots increasing, and a major drive to reduce costs and sell tail positions in the conventional oil and gas business. I'm looking forward to talking to you more about all of this later today.Maarten Wetselaar will now talk about Integrated Gas and new energies. Maarten, over to you..

Thank you, Andy. It's good to be here today to update you on our Integrated Gas business.

I'll focus on how we are changing the priorities in Integrated Gas to optimise for growing free cash flow and returns. Shell is the IOC leader in both LNG and GTL. The acquisition of BG underpins our role as the largest independent producer and marketer of LNG. It also accelerates a growth strategy that originally would have run into the next decade. Today, Shell is present across the full LNG value chain, globally, in what is still the fastest growing sector of the natural gas market. And in GTL, we take gas through the full value chain into oil products in our Downstream business attracting a growing premium over oil. Going forward, our primary focus will be on growing free cash flow and returns, complemented with a drive to create and serve new gas demand whilst spending our capital wisely, and moderating the pace of new FIDs.

In so doing, we will optimise Integrated Gas for growth in free cash flow and for competitive returns. We have also established 'new energies' in Shell, to explore and invest in new low carbon opportunities. In many ways this complements Shell's Integrated Gas business. It's an exciting and fast-moving landscape and we will put a lot more emphasis on new energies going forward. I'll go into more details on this business shortly. Running through all of this, we have a major drive underway to reduce cost and improve margins.

First, let me move to the financial performance of Integrated Gas. The impact of lower oil and gas prices in recent results is visible on this slide. Yet in the last 12 months, with oil prices averaging $48 a barrel, we've generated $8 billion cash flow, and 6% returns on a clean basis, illustrating the resilience of our business model and portfolio. With BG in the fold, the Integrated Gas capital employed now stands at around $90 billion. This includes some $20 billion related to projects under construction that are not yet adding to our cash flow and earnings. Integrated Gas is more than 30% of Shell's capital employed. We expect to deliver a robust and competitive cash flow and returns performance from this substantial cash engine. We build on a strong legacy of operational excellence with the Shell LNG plants operating at Top Quartile availability in the industry benchmark.

I'll now turn to LNG supply and demand market dynamics. The global LNG market is growing and diversifying, with more countries importing LNG, more buyers emerging in existing LNG import countries, and LNG accessing more market segments such as transport. In fact, since 2000 LNG demand has risen by some 6% per annum. Last year, it reached 250 million tonnes. There are now over 30 importing and around 20 exporting countries. This is expected to grow to as many as 50 and 25 respectively by early next decade. With this in mind, we expect global LNG demand to double by 2030, assuming there is sufficient additional investment in supply.

Those are the long-term trends. As for the nearer term – where I think a lot of the attention in the room here is focused – we expect the LNG market to be supply driven until the end of the decade. This is down to more than 100 million tonnes per annum of capacity from projects that are currently either under construction or have recently started operating – primarily in Australia and North America. Despite most of this volume having been contracted to either end-customers or portfolio players, this is leading to a softening of the market.

Let me now update you on the LNG portfolio we have today. As I've mentioned, the acquisition of BG further strengthens our lead in the global LNG market. Just as BG did, Shell plays an aggregator role, whereby, on top of our own liquefaction volumes, we buy third party LNG under long-term contracts, often from our other joint venture partners, and market it to a world-wide customer base. We also purchase and sell spot LNG volumes to further optimize our business through logistic or market optimizations. You can see on the chart that the gap between the LNG that we make and the LNG that we sell has been widening. This trend increases with BG in our portfolio. This reflects the increased importance of providing flexibility to secure new market positions. This is a business that benefits from scale, and diversity of source and market positions, as this increases the number of options that we can optimise. Clearly there is potential to add more value here, as well as cost synergies from the combined shipping operations and trading platforms.

Here's a snapshot of the LNG contracts we have in place. The vast majority of Shell and BG combined LNG is currently sold on long-term contracts – ranging from 2 to 20 years – linked to oil prices and gas hub prices. While some volumes are sold on a short-term basis, so-called spot sales, these sales mostly offset spot purchases. Remember these are not deep or liquid spot markets that you see in oil and other commodities, and most spot volumes are sourced from the resale of LNG cargoes originally supplied under long-term contracts. Through our marketing and trading arm, we are active in securing additional sales from the portfolio and expect to close additional deals before our new projects take FID, as well as developing our own market positions which I'll discuss next. As of today, around 10% of our LNG supply position in 2020 remains unsold and can be sold under new long term sales or retained to be traded as spot. The fundamentals of this market are changing but remain robust. LNG producers still need offtake contracts with creditworthy buyers to finance new LNG projects. LNG buyers are looking for competitive and reliable supply constructs that provide flexibility and different pricing constructs, something Shell is well placed to provide. Let me stress that even in a soft market for the next four years, Shell has limited exposure to spot LNG prices as we have sold most of our portfolio under long term contracts.

At Shell, we are actively developing new markets and new outlets for our gas. We have capacity rights for around 40 million tonnes per annum in ten regas terminals around the world and are actively pursuing additional opportunities. As well as pursuing further "classic" long term sales we are going further down the value chain, often behind the import terminals, to create and secure new premium demand, leveraging our marketing and power trading capabilities. We are also part of the creation of a new market segment for LNG in the transport sector. LNG for shipping and heavy road transport is a very promising and potentially material new segment, that Shell is well placed to serve.

Now, turning to our portfolio of new supply options. We have a rich and diverse funnel of opportunities for both greenfield and brownfield LNG. Here is an overview of the combined Shell and BG project portfolio. LNG sales volumes are running at an annualised mid-50's mtpa (54), with around a further 12 mtpa under construction including capacity rights from 3rd party plants. 30%, or around 16 mtpa of that is in Australia.

We have slowed the pace of new investment decisions and are redesigning projects for better returns. This is in order to help manage Shell's affordability overall, and to remain competitive in an evolving LNG market. In the last year, we have delayed FID on 3 mtpa of LNG. Our plan is to continue with a slower pace of new investment, as part of the strategy to improve free cash flow and returns. It will take time to rebalance this mix, with several projects under way, and some important investment decisions coming quickly. But the intention here is clear.

Before I close, let me make some comments on our new energies business. Shell's capital employed in new energies activities is some $1.7 billion today. And we are currently spending around $200 million a year to research, develop and selectively invest in low-carbon opportunities. We think that a position in low carbon or renewable sources of energy will be important for Shell and shareholders in the energy transition unfolding this century. And we are determined to be a winning company in that transition. But this will take time. Our focus will largely be on asset light plays, in areas that share aspects with our core businesses, such as location, adjacent value chains, relationships and ease of fit with existing infrastructure. These can be a key source of competitive advantage for Shell compared to specialist players in the renewables industry. With new fuels, we have invested in biofuels, including second generation biofuels made from non-edible plants and crop waste. We've also invested in hydrogen as a transport fuel, with a joint venture in Germany, as well as other opportunities in the UK and the USA. As for integrated energy solutions, Shell has interests in wind businesses both onshore in the USA and offshore in the Netherlands. Shell is also exploring ways to deploy solar technologies, which lower the carbon intensity of our operations, and can broaden our offering in Downstream gas and power markets. Natural gas can also partner well with both wind and solar in the supply of stable low carbon power generation.

Finally, we're leveraging our brand and customer reach to maximise opportunities offered by new business models arising from increased digitalisation and decentralisation. So, some interesting opportunities for us to develop here. Let me hand back to Ben. Ben, over to you.

Thanks Maarten, thanks everyone. We've covered a lot of ground.

Before we close, let me update you on the competitive position. And remember we are aiming with all of this to create a world-class investment case for Shell. In the end, you will measure this as total shareholder returns. And so will we. I think that by doing a better job on delivering higher, and more predictable returns and free cash flow per share, and underpinning all of that with a conservative financial framework, then we can create a better investment case…a world-class investment case. We've set out a pathway here for you for the next several years. It's ambitious. It's a transformation of the company. Higher returns and free cash flow, despite lower oil prices. And a lower ratio of capital investment needed for free cash flow, from around 3 times in 2013 to 2015, to 1 to 1.5 times around the end of the decade, this means more bang for the buck. There's a lot of energy and enthusiasm in the company to deliver all of this, and BG is a fantastic opportunity, a natural way for all of us in Shell to align on what has to be done.

And I want to say to you that I personally, the executive team and the board have a huge amount of energy to deliver on this ambitious and exciting programme to transform Shell.

With that, Simon will join me for a Q&A session. Let's keep this at the high level, and there will be plenty of time for your more detailed questions and discussion in the break-out Q&A panels.

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JUNE 7, 2016

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DEFINITIONS AND CAUTIONARY NOTE

Reserves: Our use of the term "reserves" in this presentation means SEC proved oil and gas reserves.

Resources: Our use of the term "resources" in this presentation includes quantities of oil and gas not yet classified as SEC proved oil and gas reserves. Resources are consistent with the Society of Petroleum Engineers (SPE) 2P + 2C definitions.

Resources and potential: Our use of the term "resources and potential" are consistent with SPE 2P + 2C + 2U definitions.

Organic: Our use of the term Organic includes SEC proved oil and gas reserves excluding changes resulting from acquisitions, divestments and year-average pricing impact.

Shales: Our use of the term 'shales' refers to tight, shale and coal bed methane oil and gas acreage.

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this release "Shell", "Shell group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell plc and its subsidiaries in general. Likewise, the words "we", "us" and "our" are also used to refer to subsidiaries in general or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies. ''Subsidiaries'', "Shell subsidiaries" and "Shell companies" as used in this release refer to companies over which Royal Dutch Shell plc either directly or indirectly has control. Entities and unincorporated arrangements over which Shell has joint control are generally referred to as "joint ventures" and "joint operations" respectively. Entities over which Shell has significant influence but neither control nor joint control are referred to as "associates". The term "Shell interest" is used for convenience to indicate the direct and/or indirect ownership interest held by Shell in a venture, partnership or company, after exclusion of all third-party interest.

This release contains forward-looking statements concerning the financial condition, results of operations and businesses of Royal Dutch Shell. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Royal Dutch Shell to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''goals'', ''intend'', ''may'', ''objectives'', ''outlook'', ''plan'', ''probably'', ''project'', ''risks'', "schedule", ''seek'', ''should'', ''target'', ''will'' and similar terms and phrases. There are a number of factors that could affect the future operations of Royal Dutch Shell and could cause those results to differ materially from those expressed in the forward-looking statements included in this release, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for Shell's products; (c) currency fluctuations; (d) drilling and production results; (e) reserves estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including regulatory measures addressing climate change; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; and (m) changes in trading conditions. There can be no assurance that future dividend payments will match or exceed previous dividend payments. All forward-looking statements contained in this release are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Additional risk factors that may affect future results are contained in Royal Dutch Shell's 20-F for the year ended December 31, 2015 (available at www.shell.com/investor and www.sec.gov). These risk factors also expressly qualify all forward looking statements contained in this release and should be considered by the reader. Each forward-looking statement speaks only as of the date of this release, June 7, 2016. Neither Royal Dutch Shell plc nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this release.

With respect to operating costs synergies indicated, such savings and efficiencies in procurement spend include economies of scale, specification standardisation and operating efficiencies across operating, capital and raw material cost areas.

We may have used certain terms, such as resources, in this release that United States Securities and Exchange Commission (SEC) strictly prohibits us from including in our filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 20-F, File No 1-32575, available on the SEC website www.sec.gov.