ROYAL DUTCH SHELL PLC
FIRST QUARTER 2016 RESULTS

MAY 4TH 2016

FIRST QUARTER 2016 RESULTS WEBCAST TO MEDIA AND ANALYSTS

BY SIMON HENRY, CHIEF FINANCIAL OFFICER OF ROYAL DUTCH SHELL PLC

Ladies and gentlemen, welcome to today's presentation. We've announced our first quarter results this morning. These results include 2 months of contribution from BG, following the completion of the acquisition in February this year. We've taken the opportunity to enhance our financial disclosure across the company today, and I hope you find these new figures useful.

Let me give you a summary, and of course there will be plenty of time for your questions.

Before we start, let me highlight the disclaimer statement.

Shell's integrated activities differentiate us, with our Downstream and Integrated Gas businesses delivering good results, and underpinning our financial performance despite continued low oil and gas prices. We've delivered $1.6 billion of underlying CCS earnings in the quarter and $9.3 billion over the last 12 months.

We are already seeing positive effects from our acquisition of BG. BG has delivered strong production growth in this quarter, and some $200 million at the bottom line. We're off to a good start with the BG integration, building on six months of detailed integration planning before the deal was closed. At the same time, we are continuing to reduce costs and spending overall, with material opportunities to do so in the down-cycle. It's early days, but we are very pleased with what we are seeing so far from the BG acquisition.

Turning to the results, and I'll start with the macro. We've seen a sharp decline in oil and gas prices compared to a year ago, reflecting OPEC policy changes. Brent oil prices were some 37% lower than year-ago levels, with similar declines in WTI and other markers. Realised gas prices were some 36% lower than year-ago levels, with a strong decline in gas prices seen in all markets. We appreciate there has been recent recovery in prices related to fundamentals of supply and demand, but it is far too soon to be calling a break in the weaker environment. On the Downstream side, refining margins were significantly lower in all regions, driven by oversupply, higher inventory and a relatively mild winter in the US and Europe. In Chemicals, industry cracker margins strengthened in Europe and Asia compared to the same quarter last year, driven by the further reduction in naphtha feedstock costs due to the decline in crude prices, US gas cracker margins declined as ethylene prices continued to fall over and above the decline in gas prices.

You will, I hope, have seen enhanced financial disclosures from the company in this quarter. We now report Integrated Gas earnings separately from Upstream, and in more detail than in the past. And in Downstream we have given an earnings split for the combination of refining & trading, and from marketing separately.

We have also taken on board some comments around exchange rate impacts. We are now treating non-cash FX impacts on Australia and Brazil deferred tax assets as identified items, and you will see a restatement of that in the results tables today. As this effect was large and positive this quarter, it actually reduces what would have previously been our underlying results by some $570 million.

Excluding identified items, Shell's CCS earnings were $1.6 billion, a 63% decrease in earnings per share from the first quarter of 2015. That EPS figure for Q1 uses the weighted average number of shares in the quarter, with a lower opening balance and a higher balance at the end of the period due to the acquisition of BG. On a Q1 to Q1 basis we saw an increase in loss in Upstream and lower earnings in Integrated Gas and in Downstream. Return on average capital employed was 3.8%, excluding identified items, and cash flow from operations was around $650 million, or $4.6 billion excluding working capital movements. Our dividends distributed in the first quarter of 2016 were $3.7 billion, or $0.47 cents per share, of which $1.5 billion were settled under the scrip programme.

Turning to the business segments in more detail. Upstream earnings excluding identified items for the first quarter 2016 were a loss of $1.4 billion, with $2 billion of cash flow excluding working capital effects. Low oil prices have dominated these earnings, a $1.4 billion effect compared to year-ago. However, I think it's important to point out that our Upstream operating performance continues to improve, with a focus on margins, reliability and uptime is delivering, with an increase in underlying production, and a decline in operating costs.

Turning to Integrated Gas. Integrated Gas earnings were $1.0 billion in the quarter, compared to $1.5 billion a year ago. Lower oil and gas prices reduced these results by some $700 million. And these results exclude dividends from the MLNG Dua joint venture, which were some $90 million in the first quarter 2015, we exited that joint venture in May last year. Uplift from BG, increased contribution from Trading and lower well write-offs have combined to deliver a profitable quarter here, despite lower oil prices.

Headline oil and gas production for the first quarter was 3.7 million boe per day, which is 16% higher than Q1 previous year. Uplift from the BG acquisition accounts for the majority of that increase. But let me also note that we are seeing the benefits of Shell's actions to improve asset uptime, with less maintenance than a year ago, and better uptime, for example in the UK and Malaysia. LNG volumes were also higher, mainly reflecting higher volumes as a result of the BG combination.

Turning to Downstream. Downstream earnings for the quarter, excluding identified items, were $2 billion, mainly due to lower results in Oil Products. In Oil Products, our Refining and Trading results were lower than in the same quarter last year, reflecting the weaker global refining conditions, and reduced availability due to downtime particularly at Bukom. Marketing delivered strong underlying performance for the quarter, with results at the same level as last year. This performance resulted in higher unit margins and lower costs. Chemicals earnings were 8% lower than year-ago levels, due to lower margins in US base chemicals, and downtime at Bukom, partly off-set by lower costs and recovery at the Moerdijk site in the

Netherlands. Overall, this was a good quarter for Downstream, where ROACE on a clean CCS basis was 18.8% at the end of the quarter, and with Downstream CFFO of around $11 billion over the last four quarters.

We've made several announcements on the Downstream portfolio during the quarter. In the United States, Shell and Saudi Aramco have decided to end the Motiva joint venture on the Gulf Coast, dividing the refining and marketing portfolio between them. We have recently completed the sale of the Denmark marketing business for around $300 million, and delivered a $400 million MLP equity offer. We expect to complete Showa Shell and complete the sale of shares in the refining company in Malaysia in 2016 and the Showa Shell, Malaysia, Denmark and typical MLP yearly deals should result in around $3 billion of disposals proceeds this year.

Turning to our cash position. Cash flow from operations on a 12-month rolling basis was some $23 billion, at an average Brent price of around $48 per barrel. The cash portion of the BG deal was $19 billion, resulting in a negative free cash flow position for the quarter. Our net debt position now reflects the BG balance sheet and the purchase price. Gearing at the end of the quarter was 26.1%. We have taken the opportunity to recognize certain operating leases in BG as finance leases, such as FPSOs, vessels and LNG facilities. Overall BG added some 9% to our gearing, of which around 2% is as a result of these finance leases changes. The priorities for cash have not changed: debt reduction, dividends, then capital investment and share buy-backs. Dividends declared were $12.7 billion over the last 12 months.

Now, more specifically on the BG consolidation. The final transaction price for the BG acquisition was $54 billion or some GBP 37 billion. You will also find details of the accounting impacts for BG in the results announcement. Goodwill is $9 billion. This is an accounting definition, the balancing item between fair value and the purchase consideration. Under the accounting standards, fair value is calculated using forward price curves for the first two years and analyst macro forecasts thereafter. Let me remind you that the oil price on the 15th of February this year was around $33 per barrel, meaning that the futures oil price then was rather low. The P&L will include a $1.2 billion after-tax depreciation charge for PPA on an annual basis, with a $200 million impact in the first quarter 2016.

Let me move to the ex-BG assets. We'll talk more about this at the capital markets day that we are having in London on 7th June, however, it is good to see former BG assets growth coming through in the quarter. Oil and gas production from these assets averaged around 800 thousand boe per day in the first quarter, an increase of 25% from year-ago levels. In Q1 accounts, we have booked less than that, 522 thousand boe per day, reflecting two months of combination. This growth comes from the ramp-up of QCLNG in Australia, and also the seventh non-operated FPSO, Cidade de Marcia, in deep water Brazil. BG assets added around $200 million to Shell's earnings in the quarter, and approximately $800 million of cash flow from operations. It's early days, but the synergies programme is on track, you may have seen announcements recently to reduce our United Kingdom office presence. Based on the excellent progress in detailed integration planning, we will likely see delivery of those targets earlier than planned, and at a lower than expected implementation cost. Overall, a good start with BG integration, and a lot more to come there.

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We continue to reduce capital spending and operating costs, and continue to reduce costs across the board, and to re-design and postpone new options. Earlier this year we provided capital investment guidance for 2016 at $33 billion, with the potential to reduce that figure further. Capital investment for 2016 is clearly trending towards $30 billion - as we look in detail at BG - and continue to drive more capital efficiency in our opportunity funnel. This $30 billion figure is some 35% below combined 2014 levels and it includes well over $1 billion of non-cash items, for example for finance leases of FPSOs in Brazil, and Stones in the Gulf of Mexico, which we expect in 2016. Similarly, underlying operating costs are trending to a run rate of $40 billion at end 2016, over 20% lower than 2014 combined levels. In short, we are expecting to absorb BG's costs and spend in Shell this year. With no increase overall on a combined basis.

Let me sum up. Shell's integrated activities differentiate us, with our Downstream and Integrated Gas businesses delivering good results and underpinning our financial performance despite continued low oil and gas prices. We are already seeing positive effects from our acquisition of BG.

We are busy now with combining the two companies, to add more value for shareholders. At the same time, we are continuing to reduce costs and spending, with material opportunities there in the down-cycle. It's early days, but we very pleased with what we are seeing so far from the BG acquisition.

With that, let's take your questions. Let me remind you that we are having a capital markets day in London on June 7th. Please could we have just one or two each, so that everyone has the opportunity to ask a question. Operator, please poll for questions.

Thank you for your questions and for joining the call today. We will be having our capital markets day in London on Tuesday the 7th of June, and Ben and I, and other members of the Executive team, look forward to talking with you all then.

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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 2P and 2C definitions.

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

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