ROYAL DUTCH SHELL PLC
SECOND QUARTER 2016 RESULTS

JULY 28TH 2016

SECOND QUARTER 2016 RESULTS WEBCAST TO MEDIA AND ANALYSTS

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Ladies and gentlemen, welcome to the Shell second quarter 2016 results call.

Before we start, let me highlight the disclaimer statement.

It's been just under two months since we had a capital markets day, where we gave an update on Shell's transformation strategy to create a world-class investment case for shareholders. I'll recap on that, and Simon will take you through the results and the progress we are making with the financial framework.

Let me say that our Downstream and Integrated Gas businesses delivered strong results this quarter, although lower oil prices do continue to be a significant challenge across the business, particularly in the Upstream. I think overall when we look at Shell's results, we are in a transitional stage - in 2016 - where there have been large movements in our figures for the BG purchase and consolidation, restructuring charges, and a build-up in debt, amplified of course by lower oil prices.

This all comes in a period where we have substantial cost savings and spending reduction programmes underway, combined with a large divestment programme and a strong development pipeline. This is a complex period for the company. But as these actions all come together in the next several years, we are re-shaping the company to create a world-class investment case for shareholders. We are firmly on track for a $40 billion underlying operating cost run rate at end 2016. We are delivering on lower and more predictable investment plans, around $29 billion this year of which some $3 billion is non-cash.

We are progressing $6-8 billion of asset sales this year - part of the $30 billion divestment plan - and delivering profitable new projects, $10 billion cash flow potential in 2018, and 8 start-ups in 2016.

We segment the portfolio into a number of strategic themes. Our cash engines, need to deliver 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. Our growth priorities have a clear pathway towards delivering strong returns and free cash flow in the medium term. And our future opportunities should provide us with material growth in cash flow per share in the next decade.

Through all of this is our intention 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 we re-shape the company.

Running through all of this, there is great emphasis on uptime, on costs, and delivering profitable projects right across the company. The examples you see here are all from the Upstream business. Lower unit costs – typically down 15 to 20% from 2014 levels, and higher production overall, that's a combination of more effective maintenance programmes, and successful delivery of attractive growth projects. As an example, our underlying oil and gas volumes increased by 2% - Q2 to Q2 - all part of the drive to further improve efficiency and uptime.

Let me update you on the competitive position. Gearing has increased with the BG transaction, and we want to reduce that level over time. Returns and free cash flow are in decline for the industry due to the oil price down turn, and for Shell, our 12 months rolling free cash flow of some negative $13 billion includes the BG purchase price, and is running at some $6 billion negative free cash flow on an organic basis. And on total shareholder return, which in the end is how you – and we – measure our performance, we've improved in the last twelve months from a low base line.

Overall, there's a lot to do here, but I believe 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.

Now, Simon will update you on the levers, as well as the results we have announced today. Simon.

Thanks Ben.

We've seen a sharp decline in oil and gas prices compared to a year ago, reflecting OPEC policy changes and Brent averaged $46 per barrel in the quarter. And at the same time Downstream industry margins were also lower both in refining and in Chemicals. These macro effects have dominated in the results this quarter, despite the strong progress that we are making on costs.

Excluding identified items, Shell's CCS earnings were $1 billion, a 78% decrease in earnings per share from the second quarter of 2015. On a Q2 to Q2 basis we saw an increased loss in Upstream and lower earnings in Integrated Gas and in Downstream. Return on average capital employed was 2.5%, excluding identified items, and cash flow from operations was around $2.3 billion, or $4.8 billion excluding working capital movements. Our dividends distributed in the second quarter of 2016 were $3.7 billion, or $0.47 cents per share, of which $1.2 billion were settled under the scrip programme.

You will find more detailed waterfall charts that show the movements in earnings for each business, as an appendix to this presentation, and some guidance for the third quarter. I'd be glad to take any questions on that.

In summary. Macro effects, oil and gas prices and Downstream margins, accounted for nearly $3 billion reduction in our earnings excluding identified items compared to a year ago. And these environment impacts are the dominant feature of the results. The remainder of the result is a combination of higher depreciation charges and other effects such as taxes, with uplift from volumes, lower exploration charges and lower costs.

Turning to our balance sheet and cash position. Cash flow from operations on a 12-month rolling basis was some $19.6 billion, at an average Brent price of around $43 per barrel. Gearing at the end of the quarter was 28%. This is a slight increase compared to the end of the first quarter, as we had expected, and the priorities for cash have not changed: debt reduction, dividends, followed by decisions on capital investment and share buy-backs.

Production from the key legacy BG growth assets continues to ramp up well. In Australia, QCLNG has both trains running at full design rate of 4.25 mtpa per year. In Brazil, our deep water production has reached around 200 thousand barrels per day, and the Petrobras-operated 8th FPSO on Lula Central in the Santos basin has started production in the last few weeks, and the 9th FPSO in the Santos basin should be on stream later this year. On synergies, no change to the guidance for $4.5 billion of synergies in 2018, and we have already actioned the steps that will deliver around half of that figure, such as office closures, staff reduction, exploration savings and overheads.

Now, I'll turn to the financial framework. This slide summarises the potential from the levers that we are pulling to manage the financial framework in the down-cycle. 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 half from oil prices and negative working capital effects. 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.

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 and gas production is earmarked for sale, including several country positions and a number of midstream assets to our MLP, and Downstream positions. 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 some $3 billion of transactions underway, of which $1.5 billion are completed, and would expect to see significant progress on $6 to $8 billion this year in sales agreements. As we've said before, we're not planning for asset sales at give-away prices. There's no reason today to think that the $30 billion figure won't be achieved.

I'll move on to capital spending. Our capital investment is being managed in the range of $25 to $30 billion per year to 2020, as we improve capital efficiency and develop more predictable new projects. At the end of the second quarter, the rolling average capital investment was $31 billion, including four quarters of BG investment. We are firmly on track for the prior guidance of $29 billion for this year, which is some 38% lower than pro-forma Shell + BG levels in 2014. Capital investment of course includes non-cash items, such as finance leases for FPSOs. 2016 is an unusual year here, where total leases should be some $3 billion. This is included in our capital investment guidance, and most of this has yet to be booked, and there are some decisions ahead of us on 'idle rigs', where already-committed spend can move from opex to capex. I would encourage you to look at our cash investment in the cash flow statement, as well as capital investment, all-in. The chart here shows the cash spending, which you can see in the cash flow statement, as well as capital investment, and the difference between the two is expected to be some $3 billion in 2016.

And so to operating cost, the third of the "levers" we are pulling. We've delivered major reductions here already, with more to come. In our financial statements, the costs shown include identified items, and the slide adjusts for this. Shell's stand-alone costs were reduced by $4 billion or around 10% from 2014 to 2015. And we are seeing the same 10% reduction on a Shell & BG basis in the 12 months to June. We are firmly on track for our previous guidance of a 20% reduction between 2014 and the end of 2016 on a combined basis, to reach a $40 billion underlying run rate at the end of this year. As a reminder, some 40% of our operating costs are direct staff costs, and there are significant reduction programmes underway here. Overall on costs, there is clearly remaining potential for multi-billion dollar per year savings, on an after-tax basis.

The fourth lever is of course delivering profitable new projects that turn investment into free cash flow. By 2018, start-ups since 2014 in the combined Shell and BG portfolios should be producing more than 1 million barrels per day, high margin barrels, with cash operating costs around $15 dollars per barrel and a 35% statutory tax rate. In the second half of 2016 we expect to see contributions from major projects, including Stones in the Gulf of Mexico, Gorgon in Australia and Kashagan in Kazakhstan. Start-ups in 2016 should add more than 250 thousand boe per day and 3.9 mtpa LNG for Shell shareholders once fully ramped up. We've also been re-ordering our priorities for growth projects in the next decade, the LNG Canada joint venture recently announced the postponement of final investment decision, and today we are updating that the Lake Charles LNG final investment decision is also being delayed out of 2016. On the growth side, we have launched new petrochemicals investments in China and the USA in 2016.

And looking a bit further out we've had success with the drill bit this quarter. We've announced a new exploration discovery in the deep water Gulf of Mexico today. The initial estimated recoverable resources for the Fort Sumter well are more than 125 million barrels of oil equivalent. Further appraisal drilling and planned wells in adjacent structures could considerably increase recoverable potential in the vicinity of the Fort Sumter well. This builds upon recent Norphlet exploration success at Appomattox in 2010, Vicksburg in 2013, and Rydberg in 2014, bringing the total resources added by exploration in the Gulf for Shell since 2010 to over 1.3 billion boe.

With that, I will hand over to Ben.

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Thanks Simon.

In many ways 2016 is a transition year for us. Low oil prices and hence lower results, coinciding with bedding down the BG deal, and coming to a large extent ahead of the delivery of cost savings, asset sales and project growth. I want to be very clear with you that we're on a pathway here for an ambitious transformation of the company. Higher returns and free cash flow, despite lower oil prices. 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.

With that, let's go for your questions please. 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. The third quarter results are scheduled to be announced on the 1st of November 2016, and Simon will talk to you all then.

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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.

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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, July 28, 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.