ROYAL DUTCH SHELL PLC
2016 NORTH AMERICA INVESTOR DAY

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2016 NORTH AMERICA INVESTOR DAY WEBCAST TO ANALYSTS

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Ladies and gentlemen, it's a pleasure to welcome you here today and to be back in New York at this event, which we held here a year ago.

It's been just under 6 months since we had a capital markets day, where we gave an update on Shell's transformation strategy. It was the first time we really had the opportunity to talk about the direction of our company after the BG acquisition, and today we want to continue with updating you on this. These are exciting times for our company and, I think, also for our investors.

Before we start, let me highlight the disclaimer statement.

Shell's senior management team is here today and we will have some presentations, a short Q&A in this auditorium, and then we will break into more detailed Q&A panels for each of the businesses. Of course you will all get an opportunity to join each of the three panels. Also John Hollowell is with us today and he can talk to you about the MLP in a breakout session that starts after these three Q&A panel sessions.

But first I will update you on the direction of our company after the BG acquisition. I've asked Maarten Wetselaar to give you a summary of the Integrated Gas business. Then Simon will take you through the progress we are making with the financial framework.

We've achieved a lot in the last few years, but we are further improving 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.

The health and safety of our people and our neighbours and our environmental performance remain the top priorities for Shell. I believe we have the right safety culture in the company. Our track record is improving and competitive, and we will continue with our safety drive, which is called Goal Zero, to further improve here, making sure that our spending reduction does not come at the expense of a leading HSSE performance.

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 CO2. This results in a robust demand outlook for oil and gas, and, over the longer term, a transition to a lower carbon energy system. 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.

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. 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. 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 leader, which means a large market capitalisation, and 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. And the BG acquisition plays an important role in all of this.

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. 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.

We've been reducing Shell's capital investment in a steady and measured way over the last few years. 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. 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, and for 2017 we are moving to the low end of our range with $25 billion expected, and that includes non-cash items.

Some general comments now on each theme.

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. Conventional Oil and Gas, Integrated Gas, Oil Products and Oil Sands mining together need to be generating free cash flow and returns to underpin dividends and future growth. John, Andy and Maarten can talk to you about that in more detail.

Turning to growth priorities. Our growth priorities have a clear pathway towards delivering strong returns and free cash flow in the medium term. 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 earlier this year.

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.

Shell is a strong and well established player in deep water. We've been in this for decades and over 10% of our world-wide production is in deep water, mostly from the Gulf of Mexico, Brazil and Nigeria. And some of you, I think, will join us on a visit to Brazil, later this week. Shell has deep water technology and capabilities that are recognised as among the best in the industry. Driven by Brazil and the Gulf of Mexico, we expect to see production of 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.

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. After all petrochemicals 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. 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. 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. With the investment decision we've made 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%.

I'm now turning to the longer term themes. They are businesses that have a material upside for Shell shareholders and 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. 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 to some USD 2 billion to manage the financial framework, and we have vigorously gone after cost reduction in a systematic manner through focus and benchmarking. We have reduced our direct unit operating cost by some 35% and our well cost by some 50% to 60% and continue to address our overhead cost. And we are watching carefully for the moment when it makes sense to accelerate investment in this short cycle business. For example, in West Texas we believe that we have acreage situated in one of the best parts of the Permian Delaware basin with around 280,000 acres and 47 thousand barrels of oil equivalent per day production currently on-stream. Production has grown more than 80% since our acquisition of the acreage in late 2012, despite the reduction in capital spend in our shales business over the past 3 years. On a go-forward basis, we estimate that about

90% of our potential well locations in the Permian break even below $50 and around 40% of the well locations breakeven below $40. With the potential that we still see for further reduction in cost, improvement in recovery, and development plan optimisation, we expect the break-even price of our wells to drop further. Okay, that's on shales.

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.

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. 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 update you on the levers in a bit more detail later, as well as the integration of BG. But first, Maarten will summarize the key points of the Integrated Gas business area. After that I'll come back to join the Q&A.

Maarten.

Thank you, Ben. 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.

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. 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 $42 a barrel, we've generated $9 billion cash flow, and 5% 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 $88 billion. This includes some $22 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. And 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. Despite most of this volume having been contracted to either end-customers or portfolio players, this is leading to a softening of the market. However, lower energy commodity prices, particularly oil, have resulted in lower LNG prices and this in itself is triggering a demand response. Moreover, since mid-2015, the flow of LNG supply project FIDs has substantially reduced. As projects generally have a lead-time of 4+ years, it will take into the next decade for new supplies which are yet to take a FID to come to market. These two effects of additional demand combined with a slower pace of supply additions, provide for a plausible scenario of a supply gap emerging in the early 2020s.

So far during 2016 the market has grown with an additional 12 million tonnes of LNG volumes, mostly from Australia. We're observing a healthy growth on the demand side, more than compensating for the declines in the traditional North Asia markets and Latin American market. This year's demand growth has been profoundly observed in the Middle East, particularly in Egypt, Jordan and Pakistan, increasing the Middle East LNG demand with approximately 8 million tonnes. The growing role of both India and China in the global energy mix has been mirrored in this year's LNG growth – each increasing with approximately 4 million tonnes so far. In the case of China, the increase is mostly a result of ramp-up of contractual volumes whereas in India we're observing the effects of lower prices, policies in power and fertilizer and poor domestic production. As a result, the global LNG market is relying less on Europe as the LNG balancing market with the benefits of LNG finding its way to an increasingly larger and diversified customer base.

Let me now update you on our LNG portfolio. 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. Further on the market side, a recent success resulting from the combination is the appointment of Shell as one of the aggregators for the next tranche of LNG into Singapore. This built upon BG's existing customer relationship in Singapore's gas market and Shell's own gas demand, while offering flexible and competitive terms to the market.

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.

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. These long-term contracts have averaging and smoothing provisions providing buyers and sellers with valuable options beyond the headline price and not available in the spot market. While some volumes are sold on a short-term basis, so-called spot sales, the majority of these spot sales are offset by spot purchases: a classical buy / sell trade. The portion of the LNG market bought and sold on a short-term basis has been increasing in recent years. However, remember these are not deep or liquid spot markets that you see in oil and other commodities. The high transportation and storage costs relative to liquid commodities will moderate the extent to which liquidity can develop. 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. For example, some parties were in a rush to sign up for US-based supply into Asia, and now regret having the contract in their portfolio. We took over some of these 'regret contracts' and in return entered into longer-term, plain vanilla, higher volume deals with them. We make sure that we are aware of every piece of demand and every piece of open supply in the market and we are quite often able to connect the two much easier than individual parties who just are not in all these conversations at the same time. So the network of people and contacts we have built up is unique and gives us trading opportunities every day. 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.

The majority of our contracts set the price for LNG as a percentage of an oil price, often with a constant to reflect costs like shipping. Sometimes you would see a formula in combination with lower slopes at higher oil prices to protect the buyer against high oil prices, which is generally mirrored by providing seller protection for lower oil prices. The volumes from North America are generally priced as a correlation of Henry Hub with a constant reflecting the liquefaction and shipping costs. For a LNG buyer the attractiveness of Henry Hub indexed price is dependent on the oil and Henry Hub prices. Moreover, they have to consider the pricing basis at which they sell to their customers. In some cases one is more attractive than the other and vice versa. Therefore, to manage such cross commodity price exposure, recently some buyers have sought a hybrid of oil-related and Henry Hub-related price formulae. As one of the largest LNG portfolio players we can meet buyers' requests for such pricing and other flexibilities.

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. By lengthening our value chain, we strengthen the resilience of our portfolio which provides us the confidence for major investment decisions. A recent successful example of creating new demand is Gibraltar. Shell will be supplying LNG for use for power generation in Gibraltar through a newly set-up small scale LNG supply chain. 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. If you convert the current shipping market to LNG in its totality, you would find about 200 million tonnes of extra LNG demand and some 500 million tonnes for onshore heavy-duty road transport together that would be almost three times the current global LNG supply. We expect this market to grow to some 40 mtpa by 2025 well within the range of market analysts' estimates and we are targeting profitable market share in key markets as the LNG to transport market starts to ramp-up.

The decision of the International Maritime Organisation to implement a global sulphur cap - down from 3.5% m/m to 0.5% m/m - is a step-change in the shipping business. It will require ship owners to either install scrubbers to reduce their emissions or shift to LNG. What we see now is that new builds in shipping are shifting to adopting LNG and that some of the owners are considering putting gas turbines into their ships. We recently celebrated a somewhat iconic contract with Carnival Cruisers who ordered a total of potentially up to 13 big cruise ships that run on LNG. Shell has exclusive rights to supply them as they come on-stream. Going forward, heavy-duty road transport is an important new sector to serve because they can't electrify and gas is quite likely the energy source.

LNG's development as a successful fuel option will depend on many factors: it requires availability of refuelling options, the right regulatory framework to foster growth, and a good business case for customers to invest in new fleets and vessels. We are working closely across the value chain with all participants to unlock demand for this cleaner and cost competitive fuel. We have been investing ahead of the curve in this business: we have supply points in Europe, won the supply point rights in Singapore and are setting up supply points in Gibraltar, the Middle East and the Americas. It will be a ramp-up of volume over time, as the shipping and trucking industry convert, but it is a new sector with good affordability and a sector that we are very well-placed to serve with our downstream footprint.

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 project portfolio. LNG liquefaction volumes are running at some 29 million tonnes per annum, with around 9 million tonnes per annum under construction including capacity rights from 3rd party plants. 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. Our plan is to continue with a slower pace of new investment, as part of the strategy to improve free cash flow and returns. Let me now hand over to Simon. Simon, over to you.

Thanks Maarten. 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 Aa2/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 necessary. 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. 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.

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.

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. 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. We 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.

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 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. The slide summarises the potential from the levers that we are pulling. I'll now go through them 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. 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.

Our MLP, Shell Midstream Partners, will be a long-term vehicle to monetize portions of our sizeable infrastructure portfolio while continuing to generate integrated value along our business footprint. I am pleased with the progress being made to date. We have sold over $2 billion of pipeline and terminal infrastructure assets into the MLP, and in the future, we will continue to add assets with similar qualifying cash flow characteristics from across the North American Shell portfolio. Our significant ownership in the MLP aligns us well with the public unitholder, but we do recognize that the equity markets are challenging now for MLPs. Shell has many options and will use the full range of these options to continue to grow the MLP prudently in any market condition. While the MLP is an important contributor in our divestment program, we are committed to progress its growth in a way that strengthens the MLP. So we're looking forward to continued success from our MLP. I'll move on to capital spending.

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. Capital investment for 2016 is expected to be $29 billion, some 35% lower than pro-forma Shell + BG levels in 2014, and $26 billion on a cash basis. In the prevailing low oil price environment, we will continue to drive capital spending down towards the bottom end of this range, in practice this means that we expect around $25 billion in 2017. 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. 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 third of the "levers" we are pulling. We've delivered major reductions here already, with more to come. And our underlying operational costs in 2016 are already at an annualised run rate of $40 billion, which is $9 billion – almost 20% – lower than Shell and BG costs in 2014. 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 overall 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.

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.

We have seen the start-up of Stones in the Gulf of Mexico, first cargo from Gorgon in Australia and first export of crude oil was reached at 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. On the growth side, we have launched new petrochemicals investments in China and the USA in 2016. Finally, there is no doubt that 2016 is a challenging year, including all the deal effects, and the reduction in cash flow that we saw in the previous quarterly results 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. With that, let me pass you over to Ben again.

Thanks, Maarten and Simon.

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, let's have some Q&A. 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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ROYAL DUTCH SHELL PLC

NOVEMBER 8, 2016

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Underlying operating cost is defined as operating cost less identified items. A reconciliation can be found in the quarterly results announcement.

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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.

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