

**ROYAL DUTCH SHELL PLC
THIRD QUARTER 2012 RESULTS
BY CHIEF FINANCIAL OFFICER SIMON HENRY**

NOVEMBER 1st 2012

THIRD QUARTER 2012 RESULTS WEBCAST TO MEDIA

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

Welcome to the Royal Dutch Shell third quarter 2012 results presentation.

Let me give you a summary of our performance over the last few months, and then I will take your questions.

The cautionary statement.



Our profits pay for substantial investments in new energy supplies, and they pay dividends for our shareholders. Shell is driving a long-term and consistent strategy, against a backdrop of volatile energy markets. Quarterly results are simply a snapshot of the delivery of this long term strategy.

Third quarter underlying earnings were \$6.6 billion, and earnings per share declined by 6% from third quarter 2011. We've announced around \$6 billion of asset sales so far this year, which is part of our capital efficiency drive. Our growth projects continue to ramp up well; we've launched new oil & gas developments in Italy and the UK and we've been adding new positions for future growth.

Let me give you more details and I'll start with the macro environment.

If you look at the macro picture compared to the third quarter of 2011, our liquids and gas realizations declined from year ago levels. Within that mix, I would highlight the discount of WTI to Brent, and the discount of Western Canada Select to Brent, which is important in our heavy oil business. These discounts remain wide by historical standards; a \$17 discount of WTI to Brent, and a \$33 discount of WCS to Brent. On the gas side, oil-linked natural gas realizations increased year-over-year, and you can see an uplift in our Integrated Gas results. By contrast, spot gas prices in North America declined sharply from last year.

In Downstream: industry refining margins increased sharply from year-ago levels, in all our regions. I do want to temper the enthusiasm here. We think this rally has been driven by capacity outages, such as the PDVSA fire in Venezuela and hurricanes on the Gulf, rather than stronger demand conditions. We are seeing evidence of the weak economy all around us in our downstream marketing, and our chemicals businesses, and this downstream rally could be short-lived.

Overall, however, despite the macro picture, we are making progress against the medium-term targets we set out at the start of this year, and delivering the strategic milestones.



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Turning to earnings.

Excluding identified items, CCS earnings were \$6.6 billion, and earnings per share declined by 6% compared to the third quarter of 2011. On a Q3 to Q3 basis we saw lower earnings in Upstream and broadly similar results in Downstream.

Cash flow from operations was \$9.5 billion and dividends in the quarter were \$2.8 billion, of which \$800 million was settled with new shares under the scrip dividend programme. We are offering a scrip dividend again for the third quarter 2012 and we are continuing our share buy-back programme to offset the dilution from scrip, with \$1 billion of share buy-backs in the first nine months of this year.

Now, let me talk about the business performance in more detail. Firstly on Upstream.

Excluding identified items, Upstream earnings were \$4.9 billion in the third quarter 2012, a decrease of 10% versus the same quarter in 2011.

Earnings were impacted by lower oil & gas prices, with a strong financial performance from Integrated Gas - both LNG and GTL - and higher results from gas trading. We saw slight losses in our Upstream Americas business. This is really built up from a loss in onshore gas, and profits in heavy oil and deep water.

Headline oil and gas production for the third quarter was around 3.0 million boe per day. On a Q3-Q3 basis we saw a series of volume impacts divestments of 36,000 barrels per day, Gulf of Mexico hurricanes of 20,000 barrels per day, Syria exit of 14,000 barrels per day, and Nigeria security impacts of 9,000 barrels per day. Excluding these effects, underlying production increased by just over a percent. Hurricane Isaac led to a production hit of 26,000 barrels per day in the quarter itself.

LNG volumes increased by 4%.

Let me update you on Pearl gas to liquids.

In the last few days, we have been running the Pearl facility at utilization rates of over 85%. Each GTL train has run over 95% in the last few months. Pearl is on track to finish ramping up in the fourth quarter, and we are nearly there. This will be an important milestone for the company.

Turning to Downstream.

Excluding identified items, Downstream earnings were broadly similar to year ago levels, at \$1.7 billion for the quarter. This is built up from softer Chemicals figures and higher earnings from Oil Products.

In Chemicals, we saw weaker Q3-Q3 margins in Europe, and a broadly similar picture in Asia, where margins remained weak.

In contrast to this, our Oil Products earnings increased, and were boosted by stronger industry refining margins, against a backdrop of difficult demand conditions overall, with a decline in our marketing and trading results.



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Repairs to the crude distillation unit at the Port Arthur refinery expansion are going well, and we are on track for a restart in 2013, as planned.

So those are the earnings, turning to portfolio.

We have more than 20 new projects under construction in Shell, in deep water, tight gas, liquids-rich shales, integrated gas and traditional fields. These are the projects that will drive our growth into the middle of the decade.

Let me update you on portfolio development in the quarter.

We've taken Final Investment Decision on three new projects: Carbon Capture and Storage in Canada, which will reduce emissions at Scotford by 35%, and in new oil & gas fields in Italy and the UK, which are expected to add peak production of 22,000 barrels per day for Shell.

In China, we have updated the contract terms at the Changbei gas field, which will allow drilling and development of new reservoirs there. In Qatar we have launched front end engineering and design work on a new gas to chemicals plant, which would use ethane from Pearl.

In North America, our onshore rig count is about flat from 37 to 36 rigs Q3 to Q3. We have been refocusing our drilling into drilling liquids rich plays - around 21 rigs in Q3 12 compared to 6 a year ago - and we've reduced dry gas rigs from 31 to 15 Q3 to Q3. The remaining gas rigs are drilling in our lowest breakeven price acreage, mainly Western Canada and Marcellus.

Production from LRS in Q3 was 16,000 barrels oil equivalent per day. We've recently started up one of a series of new processing facilities in the Eagle Ford, and LRS production, including the Permian, should reach 50,000 barrels oil equivalent per day by year end.

In Iraq, the South Gas Company is gathering around 300 million cubic feet of gas per day, and we expect to see the first Shell revenues in 2013, when our joint venture there formally begins.

Turning to exploration: we made two discoveries in the quarter, gas in Australia and Malaysia, and we had a successful oil appraisal in the Gulf of Mexico.

We've made progress with our Alaska exploration programme, as the industry continues to assess offshore potential there. This will be a multi-year exploration programme, demonstrating Shell's commitments to high standards on sustainable development and safety. We are taking a very measured approach here. We've drilled 2 top holes this season, one in the Beaufort and one in the Chukchi. We are reviewing everything we've learnt this summer, and we will take all that on board in developing our operating plans for 2013.

We've also been busy with acquisitions and divestments to access new growth opportunities, keeping a sharp focus on capital efficiency.



ROYAL DUTCH SHELL PLC
THIRD QUARTER 2012 RESULTS
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Year to date, we've announced around \$6 billion of acquisitions and \$6 billion of divestments. There have been quite a few portfolio moves in the second half of the year, some are closed and some will be booked in the coming months.

We've announced increases in our equity in fields where we can add more value, such as Australia and the North Sea, we bought new LRS positions in the Permian Basin in the US and we continue to build new exploration positions, such as China offshore and Ukraine. At the same time, we are reducing exposure in other areas to share the risks and enhance our capital efficiency, for example in West Africa.

This is all about dynamic portfolio management on a thematic and global basis, to optimize growth and capital efficiency.

Let me summarize before we go for your questions.

Our profits pay for substantial investments in new energy supplies, and they pay dividends for our shareholders.

Shell is driving a long-term and consistent strategy, against a backdrop of volatile energy markets.

Third quarter underlying earnings were \$6.6 billion.

We've announced \$6 billion of asset sales this year and we've been adding new positions for future growth: new resources positions with the drill-bit, launching new oil & gas developments and a series of small acquisitions.

Our new projects are coming on stream and we are maturing new investments for medium term growth.

We are making good progress to deliver a more competitive performance from Shell.

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