ROYAL DUTCH SHELL PLC
SEPTEMBER 2014 NEW YORK
BARCLAYS CEO ENERGY POWER CONFERENCE

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BY BEN VAN BEURDEN, CHIEF EXECUTIVE OFFICER OF ROYAL DUTCH SHELL PLC

Ladies and gentlemen it is a pleasure for me to be here today and open the Wednesday portion of Barclay's conference. I will update you on progress to date on our 2014 priorities, and the key portfolio and strategy developments in the company. I'll keep this pretty brief, to allow for plenty of time for your questions.

The disclaimer statement.

I am determined to get a tighter grip on business performance management in Shell, and improve the balance between growth and returns. We are making good progress with the priorities I set out at the start of 2014, by focusing on better financial performance, enhanced capital efficiency, and continued strong project delivery.

Shell's strategy is founded on technological expertise, disciplined capital investment, integrated operations, and large scale. And this is underpinned by an unrelenting focus on safety. We aim to grow cash flow through the cycle and deliver competitive shareholder returns. Our financial performance for the second quarter of 2014 which we reported on 1 month ago was more robust than year-ago levels, but I want to see more competitive results right across the company, and particularly from Oil Products and right here in our North America resources plays.

We are taking firm actions to improve our capital efficiency by selling selected assets, including some very recent deals, and making tougher project decisions. The integration of the LNG assets we purchased from Repsol last year is complete, and delivering at the bottom line. We've continued to ramp up production at Mars B in the Gulf of Mexico and recently announced start-up of Bonga North West, both part of Shell's industry-leading deep-water portfolio, and our exploration program is delivering, with new finds in the Gulf of Mexico and Malaysia.

Our dividend for the second quarter of 2014 is a 4% increase on year-ago levels. And we are expecting over $30 billion of distributions to shareholders in 2014-15 – dividends and buybacks combined. All of this underlines the company's recent performance and future potential.

Let me make some comments on portfolio management. We invest and manage a portfolio that we expect to drive cash flow growth through the cycle and deliver competitive returns. In this way, Shell generates competitive results and finances an attractive pay-out for shareholders. Potential new projects are tested using consistent and conservative macro assumptions, $70 to $110 Brent, and $3 to $5 per mmBtu for Henry Hub, for example. And we look for consistent high rates of return, and long-term cash generation.

We're putting a lot more emphasis on not only looking at the economics, but more fundamentally if the projects and portfolio are attractive from a scale and growth perspective, and if they are resilient to down-cycles and surface risk.

Shell is allocating capital on a global, thematic basis, and you can see the main categories here. The "engines" businesses, in Downstream and Upstream, are mature, and they provide strong free cash flow for our dividends and growth themes. The "growth priorities", deep-water and integrated gas, are where Shell has leadership positions in the industry, and the "longer term" category covers potentially very large positions for Shell in the future, like resource plays, heavy oil and Iraq, where we need to be careful not to over-invest at too early a stage.

We need to make sure that we are applying rigorous capital efficiency here. This means investing in the projects that generate the best returns and cash flow, and getting out of plays where we can't add value for our shareholders. When we as the senior management look at the asset base today, and the new project proposals, and there are a lot of these, we are being a lot more rigorous here. I am really challenging the company on portfolio. Are the outlooks, the plans and the proposals we are making really credible? Are they competitive? And are they affordable?

We've set clear priorities for 2014 and beyond, consistent with Shell's long term strategy and at the same time we are sharpening up in a number of areas. We've implemented a series of new 'performance units' in the company for a more robust appraisal system, about 150 of these, which are clusters of assets, markets or value chains, such as integrated refineries, or groups of oil and gas fields in similar geology and tax regimes. These performance units allow us to focus our growth investment, to address underperforming parts of the business, and manage the divestment program from non-core assets.

And we continue to drive stronger alignment between the company and the shareholders, with increased shareholding requirements expected for the senior leaders in Shell, beginning from 2015. These new shareholding requirements will complement our existing remuneration programs, which include a company-wide annual scorecard, individual performance assessment, and a long term incentive plan with performance measures including total shareholder return relative to competition.

As we reported last month, our second quarter 2014 underlying CCS earnings were $6.1 billion and cash flow from operations was $8.6 billion. On a 12 month rolling basis, which for me is a more meaningful measure than a single quarter, we've delivered some $21 billion of underlying earnings and $39 billion of CFFO. Free cash flow, which is the cash generation after investment, the money available for pay out and debt pay down, has been on a rising trend in the last few quarters as our acquisitions and divestments turn to a net positive. These earnings have improved recently, compared to a difficult 2013, but there is more to do here, and there's no complacency here at Shell.

Now, let me update you on restructuring in Oil Products and the North America resources plays, which together represent about one third of our capital employed, and have not been delivering acceptable returns.

Firstly on Oil Products. The Downstream business generated 7% underlying ROACE and $7 billion of CFFO in the last 12 months, some 15% ROACE in Chemicals and 5% in Oil Products. We are driving for $10 billion CFFO per year and 10-12% ROACE for

Downstream overall, on a sustained basis. Restructuring in this segment included a $2.3 billion net impairment in the first quarter of 2014, some 14% of the refining asset base, a strong drive on efficiency and costs through our performance unit approach, and exit from non-core portfolio in four countries, with $3 billion of disposals completed in Downstream so far in 2014. Oil Products earnings for the first half of this year, around $2 billion, were similar to year ago levels, despite a weaker industry environment in Asia and Europe. We are making progress, but there is a lot more to do here.

Now, turning to North America resources plays. North America resources plays represents an important longer term growth opportunity for Shell's shareholders. We had some 280,000 boe per day of production on stream in second quarter of this year, and around 80% of this production base is gas. And although we have pulled back on spending, substantial growth potential remains. That said, Upstream Americas resources plays remained in loss in the first half of 2014, about $400 million loss, although this does represent a positive earnings swing of some $900 million on a first half to first half basis, reflecting higher gas prices and the improvement plans we have underway.

We are completing the restructuring of this portfolio, including divestments of non-core positions totalling more than $3 billion announced this year, and we are working hard to get to a more competitive cost position. Major divestments of non-core liquids-rich shales and dry gas positions are now complete, including the announcements we made over the summer.

In gas, our Western Canada acreage has the resources and potential to underpin a large scale LNG project, and we have a 12 mtpa scheme in front end engineering and design called LNG Canada. We've also increased our acreage in Appalachia gas positions, where there is a potentially large and low cost resources base. In liquids rich plays, which will take around 70% of the capex pot in North America resources plays this year, we are appraising high potential acreage in Western Canada and the Permian. OK, that's an update on some of the steps we are taking to improve our financial performance. Good progress. Lots more to do.

Turning to capital efficiency. Shell is opportunity rich and capital constrained, and this is driving hard choices in the portfolio. This involves moving ahead with growth projects, such as LNG Canada and Appomattox in the Gulf of Mexico, where we are in front end engineering and design, and at the same time being more selective on new FEEDs, with a routine in place now where I review FEEDs with $500 million or greater cost implications with my colleagues on the Executive Committee.

The asset sales program is making good progress, with around $10 billion completed so far this year, and some recently announced deals such as the sale of our US Onshore gas assets at Haynesville and Pinedale. We have made a good start here against our plans for $15 billion of asset sales for 2014 and 2015 combined. We are having a busy year on asset sales. In the longer term, I would expect to see around $5 billion per year of asset sales as the 'norm' for Shell, as we apply rigorous portfolio management, on an on-going basis. And there's no change in our guidance for around $35 billion of organic capital spending in 2014.

Turning to project delivery. Mars B, which started up six months ahead of original schedule, in February of this year, is ramping up to its likely plateau in 2016, and Mars B averaged 38,000 boe per day in second quarter of 2014. Our overall Gulf of Mexico production increased from 180,000 to 230,000 boe per day on a Q213 to Q214 basis, an important profitability driver for us. We also announced start-up of the Bonga North West project offshore Nigeria over the summer, which will add 40,000 boe per day when it fully ramps up. Looking into the remainder of this year, the Gumusut-Kakap TLP and the Cardamom tie back are both on track for start-up later this year, as planned.

Now, on conventional exploration, where we're spending around $4 billion in 2014. Very long term themes like Arctic, and other frontier basins could deliver really substantial new oil and gas fields. At the other end of the spectrum, near field drilling can add high value barrels in a short time frame. And we expect to continue to add new discoveries in our heartland basins, where the basic geology and risks are well understood. Near field and heartland activity is around half of our exploration spending, and it's here that we've had some good well results recently.

Let me highlight two areas – the deep-water Gulf of Mexico, and Malaysia. In the Gulf, the Rydberg discovery, in 2,300 metres of water, is our third find in the Norphlet play. Rydberg takes the headline discovered potential in the Appomattox area to some 700 million barrels, and we are assessing if Rydberg will be developed as a tie back to Appomattox, or as a stand-alone project.

In Malaysia deep-water, the new Rosmari and Marjoram discoveries are the latest in a series of new gas finds, which could potentially feed into existing LNG schemes there. Looking into the second half of this year, we have important wells coming up in Albania, and at the Libra field, in Brazil sub-salt where the JV has recently spudded its first well.

Turning to competitive performance. This chart shows the primary financial metrics to track our progress on growth, both cash generation from operations and free cash flow, and return on capital employed. We take a dashboard approach here, and we are looking for more competitive performance on a range of metrics over time, not single point outcomes.

Our CFFO development has become more competitive in the sector, and this has been a major strategic objective for Shell in the last few years. However, momentum has slowed recently, and we are aiming for further growth. It's good to see return on capital employed and free cash flow trending higher this year, but we know we need to do more, to drive these, and other metrics higher. There's no complacency here, and there's a lot to do.

In summary then. We are making progress with the priorities I set out at the start of 2014. I am determined to get a tighter grip on business performance management in Shell, and improve the balance between growth and returns. Sharper accountability in the company means that we are targeting our growth investment more effectively, focusing on areas of the business where performance improvement is most needed, and driving asset sales in non-strategic positions.

We're focusing on better financial performance, enhanced capital efficiency, and continued strong project delivery. We have distributed more than $11 billion of dividends in the last 12 months, and we're expecting distributions of over $30 billion for 2014 and 2015 combined. All of this underlines our commitment to shareholder returns and our confidence in the outlook.

With that, let me take your questions. And by way of a commercial, let me advertise that we are having a management day here in New York on Friday, where a number of my management team will be available for detailed Q&A, especially in Downstream and the

Upstream Americas portfolio. If you'd like to join that one, please get in touch with our investor relations team. So, your questions.

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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 2P and 2C 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.

Resources plays: our use of the term 'resources plays' refers to tight, shale and coal bed methane oil and gas acreage.

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