ROYAL DUTCH SHELL PLC
SECOND QUARTER 2014 RESULTS

JULY 31ST 2014

SECOND QUARTER 2014 RESULTS WEBCAST TO ANALYSTS

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Ladies and gentlemen a very warm welcome to you all.

We've announced our second quarter results today, and Simon and I will run you through that. We'll update you on the key portfolio and strategy developments in the company and of course there will be plenty of time for your questions.

The disclaimer statement.

The crash of Malaysia Airlines flight in Ukraine recently is a terrible tragedy for everyone involved. I'm very sad to say that we lost 12 people in this crash, staff, spouses and children. Shell has staff and operations in Russia and Ukraine, and we are watching this complicated and fast moving security and political situation closely. I'm sure you will have questions on this, but let me say that I speak on behalf of everyone in Shell to say that our thoughts are with everyone affected by this tragic event.

We are making good progress with the priorities I set out at the start of 2014, to balance growth and returns, 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 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 North America resources plays. We are taking firm actions to improve our capital efficiency by selling selected assets and making tougher project decisions. We've continued to ramp up production at Mars B in the Gulf of Mexico – part of Shell's industry-leading deep-water portfolio – and our exploration programme is delivering, with new finds in the Gulf of Mexico and Malaysia.

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 & gas fields in similar geology and tax regimes.

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 programmes, which include a company-wide annual scorecard, individual performance assessment, and long term incentive plan with performance measures including total shareholder return, relative to the competition.

Turning to the results, and Simon will give you more details in a moment. 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 cashflow, which is the cash generation after investment, the money available for payout 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. 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. All of this underlines the company's recent improved performance and future potential.

Now, let me update you on restructuring in Oil Products and 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 $1.1 billion of disposals completed in Downstream in the first half of 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.

Excluding divested assets such as Eagle Ford, we have some 260,000 boe per day of production on stream, and around 80% of this production base is gas. This is a major long term growth opportunity for Shell's shareholders. However. 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 have updated our view on portfolio and strategy, both for dry gas, and liquids rich shales. Major divestments of non-core liquids-rich shales positions are now complete, totalling some $800 million of proceeds in 2014. Around 60% of our near-term resources plays investment in North America will continue to be directed at liquids-rich shales acreage. This will be in appraisal drilling in potentially material liquids-rich positions in the Permian and Western Canada.

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 at Kitimat. We are assessing the remaining potential for Shell in Lower 48 gas, including exploration, and as we work through the portfolio, there could be further asset sales and impairments there. OK, that's an update on some of the steps we are taking to improve our financial performance.

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 Appomatox 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 programme is making good progress, with around $8 billion completed in the first half of the year. 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 the original schedule, in February of this year, is on track for ramp up to its 100,000 boe per day plateau in 2016, and Mars B averaged 38,000 boe per day in second quarter 2014. Our overall Gulf of Mexico production increased from 177,000 to 231,000 boe per day on a Q213 to Q214 basis, an important profitability driver for us. Looking into the second half 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, let me update you on conventional exploration, where we're spending around $4 billion in 2014. Very long term plays like Arctic, and other frontier basins could deliver really substantial new oil & 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 technical risks are well understood.

Regarding Alaska drilling, at the moment we are blocked by the US courts and we are not prepared to commit to a drilling campaign there until those issues are resolved. However, we continue to work with local stakeholders, on logistics and on permitting to keep the option to drill there safely in the future.

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 Appomatox area to 700 million barrels, and we are assessing if Rydberg will be developed as a tie back to Appomatox, or as a stand-alone project. In Malaysia deep water, the new Rosmari discovery is the latest in a series of new gas discoveries, which could potentially feed into existing LNG schemes there. Rydberg and Rosmari are both examples of where Shell is adding material value for shareholders with the drillbit in our heartlands, and 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.

With that, Simon, over to you.

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Thanks Ben. Good to talk to you all today. And I will start with earnings. Our reported CCS earnings included a negative $1 billion of identified items; including impairments of some $2 billion predominantly related to dry gas properties in the United States, this was partly offset by divestment gains of $1.4 billion mainly related to sell-down of Woodside and Wheatstone. The impairments in the United States come primarily as a consequence of reduced development spending on Lower 48 dry gas properties, which leads in turn to reduced production and cashflow expectations in the near term.

Second quarter CCS earnings excluding identified items were $6.1 billion and earnings per share increased by 33% from second quarter 2013. We've announced a $0.47 per share dividend for second quarter 2014, 4% higher than year ago levels. Buy-backs in the quarter were $300 million, and $1.6 billion year to date.

Turning to the businesses in more detail.

Upstream clean earnings for second quarter 2014 were $4.7 billion, an increase of $1.2 billion, or 34%. Integrated gas, and Upstream Americas both showed robust earnings momentum on a second quarter to second quarter basis. Let me flag that we had a positive year-over-year impact in Upstream from an increase in a deferred tax liability, due to the stronger Australian dollar, which was a $100 million effect in the quarter. On the flip side, the recognition of the second quarter 2014 dividend to the group from one of our LNG joint ventures slipped into Q3, around $200 million. Headline oil and gas production for the second quarter was 3.1 million boe per day, an underlying increase of 4%. Volumes were supported by on-going ramp up at Mars B in the Gulf of Mexico and Majnoon in Iraq, as well as new volumes from older fields in deep-water Brazil and the Gulf. Year-ago production was reduced by higher levels of maintenance compared with second quarter 2014. LNG sales volumes were up 28% Q2 to Q2, driven by the acquisition of Atlantic and Peru LNG, and improved feedgas supply into NLNG. You will see some pointers for the third quarter on the slide, covering production and some financial items.

In Downstream, underlying earnings were $1.3 billion, $180 million or 15% higher than year ago levels, with increases in both Oil Products and Chemicals. In Oil Products, we delivered an increase in refining results, due to a combination of better operating performance and stronger Gulf Coast margins, despite pressure on industry margins in other regions. Refinery availability averaged 94% in second quarter, which is an improved performance. Marketing and trading results declined slightly from year-ago levels. Chemicals results were lifted by improved base chemicals industry conditions primarily in North America. You will see some pointers for the third quarter on the slide. Let me flag that repairs at Moerdijk chemical plant, where there was an incident in Q214, will run through well into 2015.

Turning to cash flow and balance sheet.

Cash flow on a 12-month rolling basis was some $39 billion, with an average Brent price of $109 per barrel. Free cash flow has improved sharply, and was nearly $8 billion in the quarter, compared to some $7 billion in the last 12 months, and gearing sits at 13.4%. Earlier this quarter we announced that the scrip dividend would be cancelled, so that there will not be a scrip dividend for Q2 2014 and onwards. Cancelling the scrip underlines the confidence we have in Shell's cashflow and free cashflow growth, and it means that we are free to buy back the A shares or the B shares, whichever is the most commercially attractive option. Buy backs for 2014 and 2015 combined should be $7 to $8 billion, of which $1.6 billion has been delivered in H1 2014.

Turning to the financial framework.

Let me make some comments on how we think about our financial framework, and how it integrates with the business strategy. We aim to add shareholder value with sustainable 'through cycle' growth in dividends. In financial terms, this means our ongoing operations must be able to finance both our organic investment, and growth in the dividend. Seven to eight years ago we lifted our investment levels as part of this strategy, and we knew we might face some headwinds along the way as our spending would increase before we saw the benefits from increased cashflow. The chart on the left of this slide shows the track record on organic free cashflow and dividend declared. Strategically, we will aim to ensure the cumulative surplus of these two trend upwards over a cycle. If not, then we would need to reconsider some key parameters such as investment levels and priorities. Since 2010, when our major new investments came on line we have indeed trended upwards again. And our on-going priority is to reinforce this rising trend, growing CFFO ahead of investment so that we 'earn before we spend'.

The right hand chart on the slide shows Shell's track record on acquisitions and divestments, and the strategic intent here is to focus and high grade the portfolio. We expect a fairly regular flow of divestments, typically over $5 billion per year…or 2-3% of the capital base. Our acquisitions and divestments have been of a similar magnitude in recent years, with a surplus since 2005. There is not a precise target to balance these out, and this is a not an essential part of the financial framework.

We can plan the balance sheet assuming a regular contribution from divestments, and we retain flexibility for acquisitions, which are inherently more opportunistic. Our other tools for the financial framework are the gearing, scrip dividend and share buyback programmes, all in the context of a strong balance sheet.

This next chart, shows how all these elements have combined over time to drive the financial framework. You can see the impact of both the global credit crisis and our investment choices, and we have used all the available levers in a prudent way to meet financing needs.

Although we did reduce cash distributions to shareholders in recent years, our investments have delivered underlying growth in cashflows, and we have begun to increase cash distributions again since 2012. And all of this supports our expectation, absent black swan events, that we will distribute over $30 billion to shareholders in 2014/15.

Now, moving to competitive performance. Before I hand you back to Ben, let me update you on the competitive position. This chart shows the primary 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. 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.

With that, Ben, back to you.

Thanks Simon.

We are making progress with the priorities I set out at the start of 2014, to balance growth and returns,

by focusing on better financial performance, enhanced capital efficiency, and continued strong project delivery. We are taking firm actions to improve our capital efficiency by selling selected assets and making tougher project decisions. We've continued to ramp up new production, and our exploration programme is delivering, with new finds in the Gulf of Mexico and Malaysia. We have distributed more than $11.6 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.

With that, let's take your questions. 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. Let me remind you that we are having an investor day in New York on 5th September, and looking forward to seeing you then. The third quarter results will be released on the 30th of October 2014, 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 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.

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Resources plays: our use of the term 'resources plays' 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 entities. In this presentation "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 presentation refer to companies in which Royal Dutch Shell either directly or indirectly has control, by having either a majority of the voting rights or the right to exercise a controlling influence. The companies in which Shell has significant influence but not control are referred to as "associated companies" or "associates" and companies in which Shell has joint control are referred to as "jointly controlled entities". In this presentation, associates and jointly controlled entities are also referred to as "equity-accounted investments". 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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