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

APRIL 26th 2012

FIRST QUARTER 2012 RESULTS WEBCAST TO ANALYSTS
BY SIMON HENRY, CHIEF FINANCIAL OFFICER OF ROYAL DUTCH SHELL PLC

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

I'll take you through the results and portfolio development for the quarter, and there will be plenty of time for your questions.

The cautionary statement.

Quarterly results are important, but they are really a snapshot of performance in a volatile industry, where we are implementing a long-term strategy.

First quarter earnings excluding identified items were $7.3 billion, and earnings per share increased by 15% from first quarter 2011. With $2.4 billion of disposals in the quarter we're increasing our disposals targets from $2-3 billion to at least $4 billion for 2012.

Our underlying oil & gas production increased 4% in the quarter; we've started up new projects in upstream and downstream for further growth; and we continue to mature new options, mostly in Upstream, with successful drilling in the Gulf and new exploration acreage. This continues the progress we made on new options in 2011, for example Abadi FLNG and liquids-rich shales positions.

Our dividend for Q1 will increase year-over-year, with our strategy delivering sustainable financial growth.

So, we are making good progress against our targets, to deliver a more competitive performance from Shell. Let me give you more details. I'll start with the macro environment.

If you look at the macro picture compared to the first quarter of 2011: oil prices are higher than year-ago levels, with an increase in the differential between Brent and WTI. Our global natural gas realizations increased from the first quarter 2011 levels, although Henry Hub prices declined sharply. Overall refining, marketing and chemicals margins were weaker for Shell year-over-year.

We are seeing a very mixed picture on energy demand. Oil prices have been supported by geopolitical events, despite a market that is in our view fundamentally well supplied. We have seen LNG demand increasing year-over-year, led by Asia. In the US, a combination of improving economic conditions and low gas prices is stimulating gas demand. But European gas demand remains weak due to the weak economic conditions, and price competition with coal.

In Oil Products, our underlying volumes were flat Q1 to Q1. Demand is being eroded by high prices, with flat volumes in Europe and the US, and firm demand for branded fuels in Asia. The economic outlook is very uncertain, particularly in Europe, where many commentators see the risk of a new recession. Those are Q1 to Q1 trends, which is in aggregate a weak demand picture, with little evidence for fundamental recovery year-over-year or much improvement since Q4 2011.

Before I turn to the earnings, let me highlight that we have published country-level tax information for the first time, earlier this week. Shell is committed to high standards of transparency to stakeholders, and we have had a number of questions from you on this topic. I hope you find this information useful, and I would be glad to take any questions on this. Turning to earnings.

CCS earnings for the quarter including identified items were $7.7 billion. Excluding identified items CCS earnings were $7.3 billion and earnings per share increased by 15% compared to the first quarter of 2011. On a Q1 to Q1 basis we saw higher earnings in Upstream and lower figures in Downstream.

Cash flow from operations was $13.4 billion and dividends in the quarter were $2.7 billion, of which $1.0 billion was settled with new shares, under the scrip dividend programme. We are offering scrip again for the first quarter 2012 dividend. We have recently restarted share buy-backs in the second quarter, part of our intention to offset the dilution from scrip dividends, which have totalled over $5 billion since we launched the scrip in 2010. Now let me talk about the business performance in more detail.

Upstream earnings excluding identified items were $6.3 billion in the first quarter 2012, an increase of 35% versus the same quarter in 2011. Earnings were driven by higher oil & international gas prices, volume growth from high margin new projects, and a positive environment for gas trading. There were some offsets from higher costs and depreciation, and lower US gas prices.

Headline oil and gas production for the first quarter was 3.6 million boe per day, an increase of 4% excluding asset sales, exits and price impacts. In addition, we had some 80,000 boe per day of entitlement volume loss from profit sharing contracts, as lower entitlement kicked in at contracted milestones, and high oil prices moved some PSCs out of cost recovery mode. LNG sales volumes grew by 17% Q1 to Q1, reflecting growth from Qatargas 4 and Nigeria LNG.

Year-over-year planned maintenance impacts were negligible in the first quarter. During the second quarter 2012, there will be higher levels of planned maintenance activities on offshore fields in the Americas, Asia Pacific and Europe. This is expected to lead to a production impact of some 50,000 boe per day on a Q2-Q2 basis.

Pearl GTL continues to make good progress and we are on track to reach full capacity in mid 2012, as planned. We are running planned maintenance on sections of both Pearl trains during the second quarter, and these pit-stops are part of the start-up phase of this project. Our three large start-ups last year – Qatargas 4, Pearl and AOSP – should produce around 450,000 boe per day at peak. These three produced some 360,000 boe per day in Q1 2012, compared to 130,000 boe per day in Q1 2011. I would expect these three projects to deliver a similar production level to Q1 2012 in the second quarter of this year.

Turning to Downstream. Excluding identified items Downstream CCS earnings were $1.1 billion, and lower than year-ago levels. Our Oil Products results were lower than year-ago levels, with similar year-over-year numbers from Chemicals. In aggregate, refining, marketing & trading margins were weaker for Shell compared to Q1 2011, with some uplift from the Raízen joint venture in Brazil and lower operating costs. However, we did see an improvement in refining, chemicals and trading conditions compared to the fourth quarter 2011, although marketing margins were weaker sequentially due to rising oil prices in a weak demand environment.

Chemicals and refinery availability were higher than year-ago, and also improved versus the fourth quarter. We are expecting world-wide refinery and chemicals availability for the second quarter 2012 to be in line with the second quarter 2011.

These are better figures from Downstream overall, but clearly this is a difficult environment, and we are not where we want to be here.

So those are the earnings. Now, turning to the cash flow.

Cash generation on a 12-month rolling basis was some $50 billion, including $6.8 billion of disposals proceeds, with an average Brent price of $115 per barrel. Both the Upstream and Downstream segments generated surplus cash flow after investment. Gearing sits at 9.9%, compared to 13% at the end of the fourth quarter and moving lower in our zero to 30% range, as you would expect in strong oil price conditions.

Divestment of assets is part of our strategy to recycle non-core capital into new growth projects and to monetise growth assets at early point in their life cycle. Divestments have broadly matched our acquisitions in recent years.

We are making good progress, with $2.4 billion of disposals in the quarter, and further deals signed that will complete later in the year. We now expect over $4 billion of asset sales in 2012, an increase from our previous, $2-3 billion guidance. We've sold some $36 billion of assets in the last five years, which is a roll-over of around 17% of our capital employed.

I'm pleased to welcome new strategic partners into our Prelude floating LNG venture in Australia, where Inpex, Kogas and CPC have now joined us. This partnership monetizes some of our optionality at an early stage, and is part of Shell's plans for new growth in global gas.

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Our organic spending guidance for 2012 remains at $32 billion, excluding, as we've said before, up to $1 billion spend if get access to drill in Alaska this year. We continue to look for additional acreage positions in exploration and undeveloped resources positions, with $0.6 billion spent on this in Q1, and likely more to come.

Let me update you on progress with growth portfolio in the quarter. Production has now commenced at the Caesar-Tonga project in the Gulf of Mexico and the Pluto LNG project in Australia has reached ready for start-up status. These two upstream start-ups are expected to add a total of some 40,000 boe/d and 0.9 mtpa of LNG for Shell. On the Downstream side, we have recently started processing crude at the 325,000 barrels per day Port Arthur refinery expansion project, creating the largest refinery in the United States with some 600,000 barrels per day of refining capacity. This is all part of a diverse portfolio of some 26 projects that Shell is developing world-wide today driving the targets we have set for cash flow and production.

We've also made progress with maturing new projects for medium term growth during the quarter. We've signed up over 77,000 square kilometres of acreage so far this year, including high potential frontier positions in deep water Nova Scotia, Tanzania and South Africa. In the Gulf of Mexico, we've had good drilling results in the Appomattox prospect – this is a Jurassic reservoir, new to the industry. We are now estimating half a billion barrels of potential in this field, with further upside potential as we drill new wells.

Earlier this week, we announced an intended cash offer for Cove Energy plc, recommended by Cove's board. This is part of a strategy to build up Shell's presence in East Africa, and Cove would mark our entry into Mozambique gas, and new exploration potential in both Mozambique and Kenya. The cost for Shell is expected to be just below $2 billion, including the price to Cove shareholders, and an estimate of the capital gains tax charges.

So, good progress on growth portfolio.

Shell has a strong track record on dividends, and dividends are the company's main route to return cash to shareholders. Over the last 10 years, we have paid more dividends than any of our sector peer group. We haven't cut our dividend for decades, and I would like to highlight that we maintained our dividend across the credit crisis years. We used the balance sheet to maintain both the dividend and our growth spending in 2009-10 across a period when many investors worried we would be forced into a cut.

We have reduced our costs and we are delivering growth, and it is this structural improvement that is driving the increase in dividends we have confirmed today – a return to growth after a pause in 2010 and 2011. Oil prices have almost doubled since 2009 whereas refining margins and US gas prices have remained low. We have to look through this short term volatility when we plan for dividends, and take decisions on a long term basis. There isn't a simple formula.

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The resumption of the measured, affordable dividend growth we have confirmed today reflects the improving financial position in the company and delivery of our strategy.

Let me summarize before we go for your questions.

Shell's first quarter 2012 earnings have increased from year-ago levels. The results were driven by operating performance and strong oil prices, despite continued challenges for our industry in downstream and North America natural gas.

With $2.4 billion of disposals in the quarter, we're increasing our 2012 disposals targets to over $4 billion today.

Our underlying oil & gas production increased 4% in the quarter, and we're starting up new projects in upstream and downstream for further growth.

Our dividend for Q1 will increase, with our strategy delivering sustainable financial growth and we continue to mature new growth options, mostly in Upstream.

So, we are making good progress against our targets, to deliver a more competitive performance from Shell.

With that, let's take your questions.

Thank you for your questions and for joining the call today. The second quarter results will be released on the 26th of July 2012. Peter and I will talk to you all in London then.

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