ROYAL DUTCH SHELL PLC
THIRD QUARTER 2013 RESULTS
BY CHIEF FINANCIAL OFFICER SIMON HENRY

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THIRD QUARTER 2013 RESULTS WEBCAST TO MEDIA

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

Ladies and gentlemen a very warm welcome to you all. Let me run you through our third quarter results and portfolio development, and then take your questions.

The disclaimer statement.

Our cash flow pays for Shell's dividends and investment in new projects, to ensure affordable and reliable energy supplies for our customers, and to add value for our shareholders. Shell's underlying CCS earnings were $4.5 billion for the quarter, a 32% decrease in earnings per share from the third quarter of 2012.Cash flow from operations was $10.4 billion, an increase of 10% year-over-year. There were a number of negatives for us in the quarter. We were impacted by weaker industry refining conditions, our industry is facing considerable headwinds from low refining margins, and we saw continued challenges in the operating environment in Nigeria.

Shell has a strong project flow in place for 2014 and beyond. We have started up a series of new oil and gas projects in the last few months: in deep water, integrated gas, and in our longer term plays such as Iraq. These are part of a project flow that will drive Shell's cash flow in 2014 and beyond, coming alongside a reduction in net spending next year as we work through a series of 2013 acquisitions, and increase the pace of asset sales. The company has many new investment opportunities and we are capital disciplined, we will need to make hard choices in the next few quarters between the best new investment opportunities from this emerging portfolio.

Dividends are Shell's main route to return cash to shareholders. We have distributed more than $11 billion of dividends in the last 12 months. Scrip dividend uptake for Q2 2013 was 44% and we will be offering scrip again for the Q3 2013 dividend. We use share buy-backs to offset the EPS dilution from scrip. So far this year, we have repurchased more than $4 billion of shares, and we are on track for up to $5 billion of buy backs in 2013, underlining our commitment to returns for shareholders.

Let me make some comments on the macro.

If you look at the picture compared to the third quarter of 2012, Brent oil prices were some $1 per barrel higher than year-ago levels, with narrower differentials between Brent and North America markers. Shell's Upstream realizations declined slightly from the third quarter 2012.

On the Downstream side, refining margins weakened in all regions, particularly the US and Europe. You might remember that Q3 2012 margins were elevated by a number of industry capacity outages. Our North America refining margins were hit by narrower WTI differentials as well as by maintenance activities. European margins were reduced by poor demand, both in regional and export markets. In Asia, refining margins are under pressure from new capacity coming online, and poor regional demand.

On the Chemicals side, we saw stronger margins in most product lines, with better industry conditions in the United States and Europe, helped by competitor outages.

Turning to earnings. Quarterly results are important - high or low - but they are really a snapshot of performance in a volatile industry, where we are implementing a long-term strategy. Third quarter CCS earnings excluding identified items were $4.5 billion, with lower contributions from both Upstream and Downstream.

In aggregate, macro and environment were a $1 billion net negative for us on a Q3 to Q3 basis. This included lower industry refining margins, and a $200 million relative reduction from a double LNG dividend payment a year ago. We had a $300 million earnings reduction for Nigeria, where operating conditions continue to be challenging. Upstream portfolio growth was overall positive in these results, adding $500 million Q3 to Q3, especially Pearl GTL, despite an offset from higher maintenance. Depreciation and exploration charges increased, with a net impact of $800 million Q3 to Q3. This was driven by growth, in tandem with our higher level of exploration spend, with some $400 million well write-offs quarter on quarter. That includes dry holes in Australia, the Gulf of Mexico, French Guyana, and other regions. And some $90 million net costs for Alaska, which we are expensing this year. The remainder of the Q3 to Q3 movement was a combination of factors; abandonment provisions, feasibility spend, maintenance programmes and overheads.

Turning to operating performance. Headline oil and gas production for the third quarter was 2.9 million boe per day. The deteriorating Nigeria operating environment resulted in some 65,000 boe per day reduction in volumes on a Q3 to Q3 basis, and 0.28 mt of LNG. Excluding oil price PSC effects, Nigeria operating environment, and divestments, our underlying oil & gas production increased by 1%, and LNG volumes by 4%. Underlying production volumes were supported by growth projects and operating performance there was good. There were offsets to that of some 60,000 boe per day from maintenance activities, including downtime in the UK North Sea, where we are replacing the Schiehallion FPSO, and in Gulf of Mexico, where the 30,000 boe per day Auger field was shut down for maintenance, we also took the downtime opportunity at Auger to work on the Cardamon tie back. Auger should be back on line in Q4 2013, and the 50,000 boe per day Cardamom discovery is scheduled to come on stream in 2014.

In Downstream, refinery and chemicals availability improved from year ago levels, benefiting from lower planned and unplanned downtime. Excluding accounting changes, oil products sales volumes were broadly unchanged Q3 to Q3, and underlying Chemicals volumes increased due to trading.

You'll also see some indications of the fourth quarter on this slide. We are expecting a heavy quarter for maintenance, with some 60,000 boe per day of Q4 to Q4 reduction in oil and gas production in high margin assets such as the UK, deep water Nigeria, Brunei and there will be maintenance at Pearl GTL during the fourth quarter. LNG volumes will also be reduced by around 0.9 million tonnes, with maintenance programmes in a number of facilities. Exploration charges should be relatively high in the fourth quarter, and the operating environment in Nigeria remains very challenging.

Turning now to portfolio. We've added new opportunities during the quarter, started up new production, and announced new asset sales. This is all part of positioning the company for profitable growth in the future. You can see the details on this chart: new positions in deep water, two new final investment decisions, start-ups and asset sales.

On the divestment side, we've been granted regulatory approval to sell the Harburg refinery in Germany. This is part of a 300,000 barrels per day exit programme underway in Germany and Australia for the refining portfolio, which is some 8% of our world-wide capacity. At second quarter 2013, we announced strategic reviews of our Nigeria onshore and North America resources portfolios. We are now marketing assets from both of these areas, with more to come there.

Let me highlight four new project start-ups. In deep water Brazil, we commenced production at BC-10 phase 2, which should add 35,000 boe per day there. We recently launched the construction of the phase 3 development at BC-10, for a further 28,000 boe per day, in this highly successful field. In Australia, Woodside have started production at the North Rankin redevelopment project, which provides new gas supplies for North West Shelf LNG, and in Iraq, we have restarted the Majnoon field, and we are now focussed on reaching the first commercial production target of 175,000 barrels per day. In Kazakhstan, NCOC commenced production at the Kashagan field in September. This field is currently shut-in following the discovery of leaks on a gas pipeline. Shell and KMG are ready to manage production activities at Kashagan on behalf of the joint venture, when the facilities are ready for handover.

So, we've made a series of quite substantial start-ups in 2013, and we have further, large new projects coming on the way. The five largest of these alone should add more than $4 billion to our CFFO once fully ramped up. Kashagan is having a difficult start-up as I just mentioned, and I must refer to you NCOC for any further questions on that. In deep water, commissioning is underway at both Mars B in the Gulf of Mexico and Gumusut-Kakap in Malaysia, and we're making good progress there.

We're making good progress with closing out the purchase of Repsol's LNG business, that will bring some 7.2 million tonnes per annum of LNG volumes to Shell through long-term off-take agreements. We expect the acquisition to close by the end of this year.

Looking further into the future, let me highlight two exciting new oil plays for Shell, in Canada heavy oil and deep water Brazil. We have taken final investment decision on the Carmon Creek development in the Peace River area in northern Alberta. This will be a steam flood development, in 2 phases of 40,000 barrels per day each. The bitumen will be exported by pipeline to east Canada, and from there, to refineries for processing, for example on the Gulf Coast. And in Brazil, we are very pleased that Shell's bid for a stake in the giant Libra field in deep water Brazil has been accepted. This is an exciting, and large opportunity, where Shell can bring its deep water expertise into play. We will pay a $1.4 billion signature bonus for this in fourth quarter 2013.

Let me update you on the financial framework. Our business strategy aims to grow cash flow on a sustainable basis. We have clear targets for financial growth, underpinned by capital investment, strict investment hurdles, to add value for shareholders, and the balance sheet underpins the financial framework. We've generated $47 billion of cash inflows in the last 12 months, including $3 billion of divestments. Over the same period, cash outflows for capex and acquisitions were $37 billion, with a further $12 billion on dividends and buy backs. Gearing sits at 11.2% at the end of the third quarter, including some $4.4 billion of new borrowings, we are taking advantage of low interest rates in the market here.

For 2013, we have announced some $10 billion of acquisitions, including Repsol LNG, pre-emption rights for BC-10 in Brazil, signature bonus for Libra in Brazil, and North Sea upstream positions, so that net spending will be around $45 billion in 2013. The final outcome for the year will depend on when we are able to close these transactions. This increase, from the net $40 billion guidance we gave at second quarter, is driven by new acquisitions: BC-10 pre-emption and Libra in Brazil around $3 billion in total, and lower divestment proceeds than expected this year likely around $1 billion. Some $2 billion of the 2013 acquisitions have been booked, and the remainder should come in the fourth quarter.

We are managing to a $130 billion net spending programme for 2012 to 2015 combined, in our $100 oil price scenario. Moving parts in that: asset sales, acquisitions, FIDs are being managed on a multi-year basis, not an annual basis.

2013 will be a peak year for net investment, as we work through some $10 billion of acquisitions, and a lower rate of asset sales, and asset sales step up in 2014-15. We are not providing a split of 2014 and 2015 spending today, and this is something we might come back to next year. We've built up substantial new options for the company in the last few years, and a larger exploration portfolio. We have reached critical mass with our 2015+ investment option set, and there will be decisions to make in the next few quarters on which options to take to final investment decision, especially in our global integrated gas business. There, we have a series of high quality opportunities for new LNG, GTL and in downstream gas-to-chemicals. Some of these potential projects are reaching critical planning milestones. Each project is potentially material. We are expecting to make choices here in the near future. This is all part of the capital discipline that is embedded in Shell.

Let me sum up. Shell's underlying CCS earnings were $4.5 billion for the quarter. Shell has strong project flow in place for 2014 and beyond. We have started up a series of new oil and gas projects in the last few months, in deep water, integrated gas, and in our longer term plays such as Iraq. These are part of a project flow that will drive Shell's cash flow in 2014 and beyond, coming alongside a reduction in net spending next year as we work through a series of acquisitions, and increase the pace of asset sales.

We make capital allocation decisions on a global basis, investing in the best projects, taking a value chain approach, and re-designing or exiting from positions that don't meet our returns and materiality thresholds. We have distributed more than $11 billion of dividends in the last 12 months, and we're on track for up to $5 billion of buy backs in 2013. All of this underlines our commitment to shareholder returns.

Before we go for your questions, let me update you that fourth quarter results will be on 30th of January 2014, and Ben van Beurden, who will be Shell's new CEO from 1st of January - on seat then for 4 weeks - will join me on that call. There will be a management day for shareholders on 13th March 2014, and that's where you should expect to hear the latest thinking on the strategy in more detail.

With that, let's take your questions.

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