ROYAL DUTCH SHELL PLC
FIRST QUARTER 2015 RESULTS
BY CHIEF FINANCIAL OFFICER SIMON HENRY

APRIL 30th 2015

FIRST QUARTER 2015 RESULTS WEBCAST TO ANALYSTS
BY SIMON HENRY, CHIEF FINANCIAL OFFICER OF ROYAL DUTCH SHELL PLC

Ladies and gentlemen, welcome to today's presentation. We've announced our first quarter results this morning, and I will run you through them, and of course there will be plenty of time for your questions. Ben will join us for the Q&A session. Before we start, let me highlight the disclaimer statement.

Earlier this month, we announced a recommended offer to acquire BG. This is an important transaction for Shell. The combination with BG will accelerate our financial growth strategy, particularly in deep water and liquefied natural gas, and both of these are growth priorities for Shell and areas where the company is already one of the industry leaders.

We've assessed this transaction on a range of parameters, including intrinsic asset value. This is a transaction which delivers value for both sets of shareholders across a range of oil prices. The transaction would be accretive to earnings per share and cash flow per share, and in a short time scale. The combination would have a strong complementary fit in a number of countries, and this, plus the efficiencies that would come from joining the two companies together, should lead to substantial value creation for shareholders. All of this should be a springboard for a higher rate of portfolio change, at Shell, with an increase in asset sales, a reduction in combined capital investment, and a reduction in the number of longer term portfolio themes. This should enhance our future dividend potential, and enhance the potential for share buybacks.

This is an exciting next step for both companies. But let me say that there is no change to the strategic priorities set out for Shell a year ago. We are driving an improvement agenda throughout the company. This is all about getting to a more competitive financial performance, improving our capital efficiency, and ensuring that we continue with strong project delivery. This strategy is working, and it is leading to a more competitive performance from Shell. The emphasis won't change, and it's important that we continue to drive that agenda in 2015 and beyond, as we prepare to consolidate BG into Shell.

Our CCS earnings for the quarter, at $3.2 billion excluding identified items, were impacted by lower oil prices, although there was some offset from Shell's integrated business model, and dividends are confirmed at $0.47 per share for the quarter and $1.88 per share for 2015. We're continuing to curtail our capital investment, with guidance today for around $33 billion, or less, in 2015, reduced from around $35 billion earlier this year. And although the market for asset sales is difficult, we have made progress in the quarter, completing certain divestments in Nigeria, and making new announcements in Oil Products. And as I've mentioned, we have announced a recommended offer for BG, which we expect to complete in early 2016.

Turning to the macro for the quarter. Shell's liquids and natural gas realisations declined substantially from the first quarter 2014. Brent oil prices were some $55 per barrel lower

than year-ago levels, with similar declines in WTI and other markers. Realised gas prices were 27% lower than year-ago levels, with a stronger decline in gas prices seen in North-America. On the Downstream side, refining margins around the world were supported by lower crude prices, and higher levels of industry planned and unplanned downtime, particularly in the United States. Industry base chemicals margins declined in Europe and North America, as ethylene prices fell with crude. Intermediates margins increased on the back of reduced feedstock and energy costs and improved market conditions. Exchange rates moved sharply. Compared to Q1 14 the US dollar strengthened against the euro and Brazilian real by more than 20%, for the Australian dollar this was 14%. In the quarter the average movement was smaller, but still 8% and 4%, respectively.

Now, turning to the results. Excluding identified items, Shell's CCS earnings were $3.2 billion for the quarter, a 56% decrease in earnings per share from the first quarter of 2014. On a Q1 to Q1 basis we saw significantly lower earnings in Upstream and higher earnings in Downstream. In Upstream, earnings were impacted by the significant decline in oil and gas prices, lower trading contributions, and exchange rate effects. In Downstream, our results improved, reflecting higher industry margins, and steps taken by Shell to improve our financial performance, such as through asset sales and improved operating performance. Return on average capital employed was 8.4%, excluding identified items, and cash flow from operations was some $7 billion. Our dividend distributed for the first quarter of 2015 is the same as year-ago levels, at nearly $3 billion, or $0.47 cents per share, and we repurchased around $400 million of shares to date this year. We have more recently halted our share buyback programme, to conserve cash.

Upstream earnings excluding identified items for the first quarter 2015 were nearly $700 million, a decrease of some $5 billion versus Q1 2014. This figure includes a $4.7 billion reduction for oil and gas prices. This was a large move. Many of our LNG contracts are time lagged against oil by 3-6 months. Therefore first quarter 2015 LNG earnings did not fully reflect the drop in oil prices in 2015. Q1 to Q1 also saw an $840 million reduction in earnings due to the increase of deferred tax liabilities as a result of the weakening Australian dollar and Brazilian real. This was not taken as an identified item. These were large movements, which masked some positive effects from growth barrels, lower costs and lower exploration charges.

Headline oil and gas production for the first quarter was 3.2 million boe per day, including 190 thousand boe per day of reduction from asset sales and licence expiries. While overall production volumes decreased, underlying volumes increased by 1%, and volumes were supported by on-going ramp-up in deep-water fields in Nigeria, Malaysia and the Gulf of Mexico. Maintenance impacts increased, including Pearl GTL train 1 in Qatar, which was in planned maintenance in the first quarter. Pearl production from Train 1 has recommenced during April. In The Netherlands, the Groningen gas field production was impacted by curtailment, with 105,000 boe per day, but this was fully off-set by the release of volumes from underground storage. Both effects are included in the 'performance' category on the slide. LNG sales volumes in the quarter were almost 6.2 million tonnes - up 1% Q1 to Q1 - reflecting operational performance, partly offset by the impact of the Woodside divestment.

Turning to Downstream. Underlying earnings were $2.6 billion, or a 68% increase, driven by higher Oil Products results, and slightly lower Chemicals figures. In Oil Products, we benefited from increased refining margins and operating performance, higher trading results and lower costs, with some offset from lower contributions from marketing.

Chemicals earnings were slightly lower than year-ago levels, with stronger intermediates offsetting lower base chemicals results. Refinery availability averaged some 95% in the first quarter, which is a strong and improved performance compared with Q1 last year. Chemicals availability, at 84%, was lower than year ago levels due to downtime at Moerdijk in the Netherlands, but improved from Q4 2014 levels as we continue to make progress with repairs there. Moerdijk is on track for a second half of 2015 start-up, earlier than expected and at a lower cost. Exchange rate impacts in Downstream were a mixture of positive and negative impacts in costs and margins with minimal overall impact to Downstream results. Overall, this was a stronger quarter for Downstream, where ROACE on a clean CCS basis was 13.4% at quarter end, with Downstream CFFO around $10 billion over the last four quarters.

There are cost reduction programmes in place across Shell, looking not only at our own costs, but also in the supply chain. It was good to see progress on costs in the first quarter results, operating costs excluding identified items fell by almost $1.1 billion or 10% on a Q1 to Q1 basis. About 65% of that movement is as a result of exchange rate effects, with the remainder coming from Shell's actions to exit non-core portfolio, cut back on pre-FID options, and our cost reduction programmes overall. And I'm convinced there is more to come here, as we drive down costs in 2015.

Cash flow on a 12-month rolling basis was some $38 billion, at an average Brent price of $85 per barrel. Free cash flow was $2.7 billion in the quarter and nearly $22 billion in the last 12 months. Gearing at the end of the quarter was just over 12%, or 12.4%. Returns to shareholders – dividends declared plus buybacks – were $14.4 billion over the last 12 months.

Let me remind you of our financial priorities. We expect gearing to increase in 2016 as we close the BG deal. We updated on our financial priorities with the BG announcement, debt pay-down, and asset sales plus project growth are an important part of that. Dividends remain our main route to return cash to shareholders, and share buy backs have moved up the priorities, and will be assessed along-side capital investment, with plans for at least a $25 billion buyback in 2017 to 2020, assuming successful completion of the BG acquisition, progress with debt pay-down and oil prices recovering towards the middle of our long-term planning range.

To help you with your modelling, this slide has some indications for the second quarter 2015, and you'll also see an update on our sensitivities at the end of this presentation.

Asset sales in the quarter totalled $2.2 billion. In 2013, we set out a strategic review of the Nigeria onshore portfolio, with an aim to reduce our onshore footprint, and refocus SPDC onto gas value chains. We've come a long way here. This has involved asset sales of some $4.8 billion in the last 5 years, which is in line with the Federal Government of Nigeria's aim of developing Nigerian companies in the country's upstream oil and gas business. Recently we have completed the sale of OML 24 in 2014, and OMLs 18 and 29 together with the NCTL in March this year, this marks significant progress on the onshore asset sales programme. Going forward, SPDC will continue to focus new investment on associated gas opportunities. We've also continued to work on Oil Products divestments, where asset sales, including MLP, last year totalled around $4 billion. Recent announcements have covered marketing positions in Denmark and the United Kingdom.

Turning to capital investment. We set out a programme to moderate our spending in 2014, with a reduction in both headline and organic spending, and we are continuing with that approach in 2015.

This is on one hand to make sure we have an affordable programme and on the other maintain an attractive growth portfolio for shareholders. Let me update you that we now expect spending this year at around $33 billion or less, in other words a $2 billion reduction from the $35 billion ceiling on spending that we set out at the start of the year. This is a dynamic picture, and has included a series of pragmatic decisions on new opportunities. For example we have pushed out the final investment decision on Majnoon full field into 2017 or later, we have continued to reduce spending in resources plays - by around 20% this year - and we have re-phased the development pace at Carmon Creek phases 1 & 2, to optimise design and re-tender some parts of the project. These steps come on top of the cancellation of Al-Karaana chemicals in Qatar, and other portfolio decisions earlier this year. We curtailed our spending coming into 2015, and we continue to review the appropriate spending levels in the company, driving a strategy of balancing growth and returns.

Lastly, let me update you on the competitive position. We take a dashboard approach here, and we are looking for a more competitive performance on a range of metrics over time, not single-point outcomes. We've been trending higher on return on capital employed and cash flow, with an up-tick in free cash flow. Clearly, oil prices will push a number of these metrics downwards for at least the next few quarters. Our competitive position is improving, and we will continue to focus on that. There's no complacency here, and there remains a lot to do.

With that let me sum up. Our results reflect the strength of our integrated business activities, against a backdrop of lower oil prices. Meanwhile, in what is clearly a difficult industry environment, we continue to take steps to further improve competitive performance by redoubling our efforts to drive a sharper focus on the bottom line in Shell. Looking ahead, the proposed combination with BG should create a stronger company for both sets of shareholders, and we are looking forward to completing this transaction in 2016. The priorities we set out at the start of this year have not changed. This strategy is working, and it is leading to a more competitive performance from Shell. And 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.

Thank you for your questions and for joining the call today. The second quarter results are scheduled to be announced on the 30th of July 2015, and Ben and I will talk to you all then.

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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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