



2014 Royal Dutch Shell plc. Annual General Meeting

The Hague, Netherlands

JORMA OLLILA

Chairman, Royal Dutch Shell plc
May 20, 2014

BEN VAN BEURDEN

Chief Executive Officer, Royal Dutch Shell plc
May 20, 2014



Jorma Ollila is Chairman of Royal Dutch Shell. A Finnish national, he was appointed Chairman as from June 2006.

He started his career at Citibank in London and Helsinki, before moving in 1985 to Nokia, where he became Vice President of International Operations. In 1986 he was appointed Vice President Finance of Nokia. Between 1990 and 1992 he served as President of Nokia Mobile Phones. Between 1992 and 1999 he was President and Chief Executive Officer of Nokia and from 1999 to June 2006 he was Chief Executive Officer of Nokia.

Jorma was born August 15, 1950.



Ben van Beurden became Chief Executive Officer (CEO) with effect from January 1, 2014.

Ben joined Shell in 1983, after graduating with a Master's Degree in Chemical Engineering from Delft University of Technology in the Netherlands.

In December 2006, he was appointed Executive Vice President, Chemicals, based in London, UK.

From January to September 2013, Ben was Downstream Director and had regional responsibility for Europe and Turkey. He has been a member of the Executive Committee since January 2013.

The following text is based on speeches delivered by Jorma Ollila and Ben van Beurden at the Annual General Meeting of Royal Dutch Shell plc in The Hague on May 20, 2014.

Royal Dutch Shell plc

Jorma Ollila

At this point Ben and I will give a short presentation about your company and its activities.

2013 was a year where we made continued progress in many areas. However it was also a year we faced significant headwinds.

I would firstly like to thank the Shell staff for their hard work, during what has been a challenging year for the company.

At the end of 2013, Peter Voser stepped down as Chief Executive Officer and he left the company in March 2014. I would like to thank him for his many years of dedicated service to the company.

Josef Ackerman is leaving the board as well and I would like to acknowledge his years of service.

In January of this year we were delighted to announce that Euleen Goh and Patricia Woertz had agreed to join the Board with effect from September 1 and June 1 respectively, subject to your approval of their appointment at today's meeting. They bring accounting expertise, energy sector as well as commodities experience to the board. Welcome

On January 1st 2014, Ben van Beurden started in his role as Chief Executive Officer. Ben will talk to you in more detail about our operational performance, and his short to medium term priorities shortly.

The Board has continued its role to monitor the performance of the company, including

its financial performance, and progress in delivering new growth.

There is a lot of discussion about the role of an oil and gas company in society today, how relevant our industry is and how relevant we will be going forward, and let me make some comments here.

The world's population is growing, and growing rapidly, rising from some 7 billion today to an estimated 9 billion by 2050.

But even more importantly, hundreds of millions of people are leaving poverty behind, which can only be a good thing.

That means that over the first half of the century energy demand is expected to double - even counting on a massive improvement in efficiency in what we do today.

This will put pressure on the climate, on water and food resources and require tremendous innovation, and investment in energy projects.

Shell will play its part here.

Let me remind you that oil and gas still provide 50% of the world's energy.

In 2013, Shell's production was about 3.2 million barrel of oil equivalent per day. We produced some 2% of the world's oil and some 3% of the world's gas in 2013.

Headline income last year was \$17 billion, and we declared dividends and bought back shares worth some \$16 billion.

We invested \$46 billion on capital projects, spent around \$1.3 billion on research and development, and some \$200 million on the communities in which we operate.

All of this while paying some \$24 billion of taxes and collecting another \$81 billion on behalf of governments.

We employ over 90,000 people, and hired over 1,000 new graduates last year. Skilled people in high-quality jobs. The positive role Shell plays in the countries where we operate cannot be understated.

This chart shows Shell's view on the energy demand outlook and it gives us an idea of how the energy system might develop.

We, and bodies like the International Energy Agency, believe the rapid growth in energy demand I talked about earlier, will be met by a diverse mix of energy sources, with strong growth in natural gas and in renewables starting from a low baseline.

We've studied how long it has taken historically for a new source of energy to become significant in the energy mix...with significance determined at around 1% of market share.

We believe that it takes some 30 years to get to this 1% level, evidence that the energy system is slow to change, that huge investment and huge lead times are needed to reshape the energy system.

The reality, and the opportunity for your company is that hydrocarbons will play an essential role in the energy system for a long time to come.

Turning to climate change

Shell is taking action in four areas to manage our CO₂ emissions. We are producing more natural gas which is a lower CO₂ fuel, we are producing low-carbon biofuels, we are helping to develop carbon capture and storage and we are working to improve the efficiency of our operations...for example with co-generation at refining and chemical plants.

We consider climate and price risk in our decision making. We invest in projects

using a \$40 per tonne of CO₂ emitted screening value and with a \$70-\$110 dollar screening value on oil prices.

We believe carbon capture and storage – CCS – will be a key technology in the future, enabling us to improve our emissions performance and more importantly lower the emissions of our customers in the power and transportation sectors.

In fact, the IEA believe that if CCS moves from demonstration phase to widespread use quickly, global CO₂ emissions could be 15% lower by 2050.

Turning to safety

Our goal is to have zero fatalities and no leaks or other incidents that harm our employees, contractors or neighbours.

In 2013 Shell had the lowest injury rates we have ever recorded, as well as the lowest operational spill volume we have ever recorded, but we still, sadly, had 5 fatalities in our operations.

We cannot be complacent in this area. We manage safety through rigorous processes and by embedding a safety culture in the daily activities of our workforce.

We thoroughly investigate all incidents to make sure learnings are shared...to further improve our performance going forwards.

Shell's approach to sustainable development runs through all of our activities, and we look at this on three levels:

The foundation of our approach is running a safe, efficient, responsible and, of course, profitable business. That means having the processes in place to manage safety, environment and community involvement.

Secondly, we share wider benefits with the locations where we operate – the long term nature of our businesses means we can be a part of a community for decades.

Thirdly, we want to be part of shaping a more sustainable energy future.

We face the challenge of providing more energy and cleaner energy, energy necessary for economic development against a backdrop of growing environmental pressures.

The scale of these global challenges is immense and effective collaboration is needed to shape a sustainable energy future.

Shell believes in transparency and your board has high levels of commitment to this. We were the first major oil company to publish a sustainability report, and the first to publish online details of oil spills in Nigeria.

This is also the third year that we are voluntarily publishing country-by-country tax payments, for significant countries where we are allowed to, in an easily accessible single location online.

In an environment where trust in corporations and government is low, open and transparent operations and communications are all the more important in securing our licence to operate.

I want to turn to competitive performance before handing over to Ben. This chart shows the four drivers of the long term incentive plans for the senior management in the company.

Our cash flow growth has been competitive in the last few years, and our cash flow, \$40 billion in 2013, was strong in our peer group.

This performance was underpinned by growth projects, such as Pearl gas to liquids, and new liquefied natural gas.

However, that's not the whole picture, since we have also had weak financial performance from some of our more mature businesses, from Downstream and North America upstream.

Overall, the board, Ben and the whole executive team are working hard to improve our competitive performance here.

The remuneration policies in the company reflect this performance, with total compensation for the executives reduced by some 50% from 2012 levels, including the use of downwards discretion on bonuses by the remuneration committee.

And with that, let me hand you over to your CEO...

Ben van Beurden

Ladies and gentlemen, I am very pleased to be here today at our 2014 AGM...my first of what I hope will be many AGMs as CEO of your company.

Let me start with strategy. We are following a consistent and long term strategy, to grow our cash flow across the cycle and deliver competitive returns.

Shell's focus on health, safety and environment, on technology and integration, at a large scale, and of course capital discipline are core strengths for the company.

Shell is an industry leader in deep-water, in LNG and GTL in technology and integration and large scale project management.

We have some of the most talented people in our industry working at Shell and they are working hard to add value for shareholders.

But because our business model is based on significant investment levels, it's essential that we allocate capital efficiently.

This is going to be a stronger focus for the company going forward.

Overall, we manage through short term volatility and we look for through-cycle-growth in cash flow, competitive returns and growing the dividend.

We are 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 resources 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.

We need to make sure that our plans and proposals we are making really credible, that they are competitive and that they are affordable.

2014 is a year where we are changing emphasis. Our financial performance can improve, with a more competitive picture on returns as well as cash flow and balancing returns and growth more effectively.

Improving the profitability in Oil Products and Americas Upstream is a particular priority for us.

We want to enhance our capital efficiency, which will involve moderating the pace of growth investment, more asset sales, and hard decisions on new options.

And of course we are integrating the 2013 acquisitions and continuing to deliver our projects successfully.

Let me focus on two particular businesses in the portfolio.

We have some \$80 billion of capital employed combined in oil products and North Americas resources plays, and the financial performance there is frankly not acceptable. These two businesses have been the largest drag on Shell's profitability in 2013.

We are restructuring both of these portfolios...and we are going to be much more selective on growth opportunities here. This will be a multi-year programme to address these issues.

Shell has a rich opportunity set, which we have built up over the last few years. This is a good position to be in. But we are capital constrained.

At the same time, there are certainly some areas in the company where our assets are simply not competitive or large enough, where there is only limited growth potential or where we would simply invest our growth dollars elsewhere with greater benefit.

We will go ahead with the most attractive investments on behalf of our shareholders.

And there will be divestments from non-core portfolio. So far this year, we've announced over \$4.5 billion of asset sales and there are more divestments to come, reaching an expected \$15 billion for 2014 and 2015 combined.

Let me now share the 2014 investment programme – a programme that will deliver growth for the future. Here you can see our 2014 organic capital spend.

About 45% of the 2014 budget is on care and maintain activities such as asset integrity programmes, maintenance, drilling near-field exploration, development of infill wells and a series of small growth projects in Downstream.

This 'care and maintain' spending is the major element of Shell's capex programme.

About \$11 billion of the spending, or some 30%, is targeted at growth projects already under construction and the remainder, about 25% goes into longer term options, and exploration, which we need for the future growth of your company.

We have a strong delivery track record with the start-up of seven large projects in 2013 that should have some 180,000 boe per day potential when fully on stream and we have four major project start-ups in 2014.

Three of these are deep water fields, operated by Shell, for example, Mars B, which is a 100,000 boe per day tension leg platform in the Gulf of Mexico, which we started up 6 months ahead of schedule earlier this year, and where we are steadily ramping up production.

I also wanted to highlight the Repsol LNG acquisition which we completed this year. We are busy integrating that into our LNG portfolio and we saw a healthy contribution from this business in the first quarter results.

Now I want to focus on some particular assets and projects that you may have detailed questions about.

The situation in Nigeria was challenging in 2013. Oil theft, together with the government NIMASA agency's blockade of NLNG reduced our production, and the bottom line impact on earnings was over \$800m in 2013 plus the environmental damage resulting from oil theft.

Security remained difficult and 16 staff, dependents and contractors were kidnapped during 2013.

The loss of production to theft averaged some 32,000 boe per day in 2013 for SPDC, and we lost additional production due to related pipeline shut-ins.

On this slide you can see a tapping point attached to one of our smaller flowlines, this is theft of oil both from your company and from the Nigerian government.

On oil spills. We recorded fewer operational oil spills in 2013, but we still need to improve our performance. Our Goal Zero applies equally to Nigeria as anywhere else in the company.

We are trying to reduce the impact of spills as a result of sabotage - intensifying monitoring and inspection of our facilities and including daily over-flights.

We've also worked hard to remediate these spill sites. Of known spill sites at the start of 2013, only 22 have yet to be remediated.

During 2013, with greater access to Ogoniland - which we left in 1993 - we made progress against the recommendations of the UNEP report beginning our physical asset verification process. As part of that process we identified a further 125 sites requiring remediation, and for transparency's sake, we have added those on to each year's comparison in the bottom right chart.

Let me update on the good progress in gas flaring reduction programmes.

Gas flaring was down again in SPDC in 2013, and is down over 80% since 2004. The 2013 reduction was largely as a result of reduced production last year.

However, some of our associated gas projects such as Southern swamp and Forkados Yokri to reduce flaring are facing delays due to a shortfall in funding for the joint venture.

We have a large footprint in Nigeria, spanning the SPDC joint venture, Nigeria LNG, and deep-water. The strategic review we announced in 2013 will reduce the SPDC footprint with more asset sales.

We plan to divest more onshore blocks in Nigeria, so we can concentrate on the gas value chain, LNG and deep water.

We've sold assets for \$1.8 billion in the last few years, and we have further licences for sale at the moment, in the east of the Delta.

This is not an exit from Nigeria. We are still making selected growth investment onshore and the pace of these projects will be largely determined by continued government funding.

The JV will ensure that its commitments to communities are honoured. So to summarise, the situation in Nigeria remains challenging.

We are making progress on flares reduction and spills clean up, and we have a plan in place to reduce our footprint there, whilst at the same time fulfilling our commitments as a responsible operator.

Turning to gas production here in the Netherlands

The Groningen gas field, operated by the NAM joint venture with Exxon, and partnered with the Dutch government has been producing gas for decades and it is a key field for Shell and the Netherlands.

Following increased seismic activity in the area, the Dutch government has proposed a series of measures including reduced production, to address the issue and local residents' concerns.

Shell supports NAM and respects the proposals outlined by the minister in this important area.

Turning to the Arctic.

Shell and the oil industry as a whole have a number of activities in and around the arctic. Shell has ongoing activities in Greenland, Norway, Russia, Kazakhstan, Canada and of course, Alaska.

The Arctic will be an important source of oil and gas for future energy demand, and it is a long term investment opportunity for your company.

Let me make a comment on Alaska, where we have been in a multi-year exploration program in the Beaufort and Chukchi Sea. We took a pause in 2013 to prepare for the next drilling season.

We've added additional people and resources to the venture, we've updated our plans with what we've learned from 2012 and we've worked closely with the U.S. Department of Interior and other government agencies.

However, we are frustrated by the decision in January this year by the Ninth Circuit Court of Appeals in a six-year-old lawsuit against the government.

The obstacles introduced by that decision make it impossible to justify the commitment of cost, equipment and people needed to drill safely in Alaska this year. We will have to wait for the courts and the US administration to resolve this legal issue.

Given all of this, we will not drill in Alaska in 2014, and we are reviewing our options here.

Finally on the dividend, Shell has a strong track record on dividends, and dividends are the company's main means of returning cash to shareholders. Over the last 5 years, we have paid more dividends than any of our sector peer group.

In fact, in 2013, in the UK, 1 of every 10 pounds of dividends declared on the FTSE was from Shell.

In 2013 we continued dividend growth with a rise of some 4.7% for the year. And in the first quarter of 2014, we confirmed a further 4.4% rise, to an annualised figure of around \$12 billion reflecting our confidence in Shell's long term strategy.

Last year we returned \$5 billion of cash to shareholders with share buy backs, and so far this year, we have returned a further \$1.2 billion cash to shareholders under the buy back programme.

Let me end this portion of the AGM by recapping on my priorities for your company.

Our strategy overall remains robust, but 2014 will be a year where we are changing emphasis.

Our financial performance can improve here. We need to further improve on our

capital efficiency and we need to continue to work hard on project delivery.

Our strategy is designed to deliver through-cycle growth in cash flow and competitive returns and Shell's dividend track record underscores our commitment to shareholders.

With that. I hand you back to Jorma.

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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