ROYAL DUTCH SHELL PLC SECOND QUARTER 2009 RESULTS
BY CHIEF EXECUTIVE OFFICER PETER VOSER
AND CHIEF FINANCIAL OFFICER SIMON HENRY

JULY 30TH 2009

SECOND QUARTER 2009 RESULTS WEBCAST TO ANALYSTS BY PETER VOSER, CHIEF FINANCIAL OFFICER AND SIMON HENRY, CHIEF FINANCIAL OFFICER OF ROYAL DUTCH SHELL PLC

Welcome to the Royal Dutch Shell second quarter 2009 results presentation.

Please take a moment to read the cautionary statement.

This is my first time speaking to you as CEO.

I've been in this job for 30 days, so I'm just going to make some brief points at this stage, and tell you what I want from Shell.

Firstly, let me first say - this isn't about tearing up our strategy.

Upstream, Shell is set to deliver 2-3% growth in to 2011-12.

We have options in the portfolio that can deliver growth to 2020…

…and we have announced 6 new discoveries today.

Downstream, Shell has leading brands, and clear plans to improve our manufacturing base.

Yes, we are in a recession, and that puts pressure on the financial side. But I don't loose sight of the fact that Shell today is in a very competitive position in the oil & gas industry.

However, we need to sharpen our focus on delivery of the strategy, and on managing our financial framework – what I call "affordability".

We are facing a very challenging environment in 2009…and that puts industry earnings under pressure…at a time where we have a large capital spending programme underway.

So what are we going to do about that?

I want to sharpen up the focus on delivery and affordability.

By taking these steps, and combining them with Shell's portfolio…

…we can bridge the company and our shareholders into a period of strong growth in 2011-12.

Looking longer-term, we have a strong portfolio in Shell…and we are working hard to create the best value from all of that for shareholders.

Let's look at the energy supply-demand picture and costs.

Firstly on the oil market.

We expect global oil demand to fall by over 2 million barrels per day in 2009. This breaks a trend of average one million barrels per day growth since year 2000.

This is the steepest demand drop since 1980.

Today, OPEC has over 4 million barrels per day of spare oil capacity, which is a 5% overhang on the market.

On the refinery side…

…there is over 2 million barrels per day of new industry refining capacity coming on line this year. That's a 15 million barrels per day overhang on the market, or 15%.

Looking at natural gas….

…after 30 years of near-continuous growth, we expect EU natural gas demand to fall by 5% this year. US gas demand is also falling.

This all comes at a time when global LNG supply is increasing, by about 10% this year.

There is a simple point in all of this…there is ample energy supply, and not enough demand. This is quite a turn-around from the picture a year ago.

Turning to costs.

Industry-wide cost pressures are easing as activity levels come down, but costs are still high by historical standards.

We simply don't know when the global economy will recover, and we have to plan on the basis that this downturn could last quite some time.

So if you look at the industry landscape today…

…it's a picture of over-supply in both upstream and downstream…

…and a general slow-down in capital spending.

This is all a bit counter-intuitive, in an industry where you have natural field decline rates of about 5% per year.

We see the best returns opportunities in Upstream, and a more difficult job to find attractive returns Downstream.

So our long-term thinking hasn't changed, but I want to have more urgency in Shell…

…we simply have to respond more quickly to the very different near-term conditions that we are now facing.

The medium-term fundamentals are positive for Shell…

..and with a sharper focus on affordability and delivery…

..we can bridge the company, and shareholders into a period of strong growth in 2011-12.

We have announced a reorganization of the company recently.

The Transition 2009 programme is a fundamental change to the way we are running Shell.

This simplifies the Upstream, and has created a new division for project delivery and technology…

…activities that were previously dispersed across the company.

By dividing the new Upstream into two geographic segments, we have increased the accountability for each part to deliver good operating performance and profitability.

We are also improving Shell's representation to governments and other stakeholders…

…the oil & gas industry is facing a complicated world, with increasing 'surface' risks to manage…

…I want our most senior people working on that.

The Projects & Technology division will manage the construction of major projects, including the pre-FEED design, and the Final Investment Decision.

Projects & Technology will run Shell's global procurement and technology activities.

A series of 'internal mergers' in Projects &Technology is creating new efficiency gains and cost savings, in a talent pool of over 10,000 staff.

We are moving quickly. We have reduced the number of senior management positions by 20%.

The top 600 leaders have all been announced…

…and this has allowed us to reduce the number of senior managers by 20%.

The full reorganization will be finished by the end of 2009.

Overall, I expect that this and other programmes will result in significant cost and staff reductions.

But this is more than simply about quick wins on costs.

We simply have too many people doing business with each other, rather than with the outside world.

I want to strip away the layers that are not adding value, and put much more focus on front line activities.

This means changes in functional areas like Corporate Affairs, Human Resources, IT, and Finance.

It means fewer people thinking about strategy, and more people actually implementing it.

More standardization and lower costs in project design and in procurement…

…and even more emphasis on global strategy and capital allocation.

We spend some $60 billion a year on Contracting and Procurement – that's $150 million per day, with over 120,000 suppliers worldwide.

There are savings to be had there.

I want to make Shell a simpler company, with more accountability for delivering results.

This will take time, and the 'Transition 2009' programme is the beginning of the change we are going to make.

Turning to costs.

Industry costs have increased in recent years due to strong inflation and increased project complexity.

We have seen these pressures in Shell, and we have also deliberately chosen to spend more on exploration, feasibility studies, and maintenance programmes.

We have a series of cost-cutting programmes underway at Shell.

These cover things like negotiating lower prices from our suppliers…and simplifying and standardizing our activities

We reduced Shell's operating costs by some $700 million pre-tax in the first half of 2009.

This figure is a good snapshot of what we have achieved. It excludes exchange rate movements, which have reduced headline costs by about $2 billion…and it excludes non-cash accounting effects.

Turning to capital spending…

…looking at the capital cost trends that we see in the market, and our plans for launching new projects…we will be reducing spending into 2010.

For 2010, capital spending will be more than 10% lower than 2009 levels, at around $28 billion.

We have built in more flexibility into the spending programme, and there is scope to cut capex further in 2010 if we need to do that.

This is all part of managing affordability in the company in the down-cycle.

Turning to Downstream.

On the Downstream side, Shell has good product offerings, a strong brand and a low cost base…we do well in marketing, and we continue to make selective growth investments.

But we can do more to refocus the portfolio, both in marketing, and in refining.

You can see that in refining, we are looking to exit from a further 8% of our capacity, and to concentrate the portfolio in the most valuable sites.

These non-core refining assets will be sold, if the market is strong enough, or could be converted to oil terminals, which we can use as hubs in the supply and distribution, and trading areas.

Turning to Upstream.

We have a significant development programme underway in Upstream….and you can see the key projects on this map.

Two new start-ups in 2009 – Sakhalin 2 LNG in Russia, and BC-10 deepwater Brazil, will add some 140,000 barrels per day of peak production for Shell on a gross basis...

…and these two projects are running well.

Looking into the future, we have around 1 million barrels per day of upstream under construction…

…and all these projects are on track for the start-up timings we have previously shown you.

Exploration remains the most attractive way to add new barrels to the portfolio, and typically costs us just 2-3 dollars per barrel.

We are investing about $3 billion dollars this year in exploration and appraisal…

…and we have made 6 interesting discoveries so far in 2009.

It is early days in terms of assessing these well results, but we are estimating that year-to-date exploration and appraisal has added around 0.7 billion barrels for Shell …with more wells to come in the second half of this year.

Let me make some comments on Nigeria

As you know, there are three main Shell businesses in Nigeria – deepwater oil and LNG, where we have generally safe and reliable operations…

…and the SPDC joint venture, where there are some significant security problems.

This is a high tax environment, so that Shell earns low margins on these barrels, typically $2 per barrel.

SPDC assets are spread over a very wide area - 31,000 square kilometres - about the same size as Belgium - with about 6,000 kilometres of pipelines.

This is in the Niger Delta, with numerous river channels and creeks, and a very difficult setting for the authorities to police.

Shell's production there has more than halved since 2005, with disruption to gas supplies for the LNG plant on Bonny Island.

This is all to do with attacks from various armed groups, and theft of oil at a very large scale.

The Nigerian government is very focused on resolving these issues, and new initiatives are underway.

In addition to the security situation, there are some significant challenges on financing in the Joint Venture.

The Nigerian government is also planning to reform the industry and tax system overall.

It is too early to say what the final outcome will be, but we are going into a very uncertain period here.

Before I hand you over to Simon, let me make some comments on the production outlook.

We are reconfirming the growth outlook for Upstream that we presented in March.

This is a 2-3% average growth rate in upstream from 2009 to 2012…

…and more selective growth in Downstream.

In Upstream, we are seeing pressure on volumes from the demand environment…and SPDC is a wildcard in these forecasts.

But the underlying growth trend is clear, and this is an attractive outlook for Shell and our shareholders.

Now, let me hand you over to the new CFO, Simon Henry, and Simon will take you through the second quarter figures.

Simon.

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Thanks Peter.

Macro conditions remained tough in the second quarter of 2009.

This is a very difficult environment for the oil industry, and we need to be clear about that.

Oil prices basically halved from over $120 a barrel a year ago, to just below $60 per barrel in Q2 2009.

Natural gas, and LNG prices also fell from year ago levels, and have declined since the first quarter 2009. This is a different pattern to oil prices, which have increased since the first quarter.

Refining margins were under pressure for the quarter, and conditions remain difficult, with increased oil prices and weak demand for products.

The chemicals environment remains challenging.

Demand conditions overall remain weak so far in the third quarter.

However, given this background, I am pleased with Shell's operating performance.

Excluding identified items…

…CCS earnings were $3.2 billion, and earnings per share decreased by about 60% ….compared to Q208.

The quarter was characterised by lower earnings in both Upstream and Downstream…mainly as a result of lower oil & gas prices and lower industry margins.

As we indicated with the first quarter results, we made a $3.6 billion cash contribution to the pension funds in the second quarter, which is deducted from the operating cash flow.

Excluding this effect, and net working capital movements, cash flow from operations for the quarter was $7.4 billion.

Now let me talk about the business performance in more detail.

Firstly on Upstream.

Upstream earnings decreased by 69% to $2.2 billion in Q209.

The fall in oil and gas prices was the main factor behind this decline in earnings, as well as higher exploration costs.

Upstream production fell by around 5% Q2 to Q2, to some 3 million barrels per day.

If you set the security situation in Nigeria aside, and exclude other external impacts such as OPEC, PSC effects and disposals, then production Q2 to Q2 was broadly similar to year-ago levels.

The driver behind this underlying performance was new production.

First half 2009 production volumes were boosted by some 210,000 barrels per day versus year ago levels from new fields start-ups - mainly in Russia and Malaysia – and ramp up of other fields around the world.

These new barrels more than offset the impact of planned field decline.

LNG sales volumes decreased by 6% Q2 to Q2.

Excluding the Nigeria security impacts, LNG volumes increased by 7%, with an upward trend in capacity as new trains in Australia and Russia ramp up.

Demand for LNG, especially in Asia, remains under pressure.

However, Gas & Power earnings were supported by LNG cargo diversions, and by natural gas trading activities.

Again, the underlying performance is strong, despite the generally-weak demand environment for LNG.

Turning to Downstream

Downstream earnings declined by about 70% versus year ago levels to $0.4 billion.

This decline was due to losses in refining and a weak chemicals environment, partially offset by earnings from marketing.

Refining margins were down in all regions versus year-ago levels.

Shell's margins were generally better than industry markers, except in the US Gulf Coast where the narrowing of the light-heavy spread was a disadvantage for complex refiners.

Shell's Q2 to Q2 refinery intake fell by 9% as a result of soft demand and runs cuts.

Marketing earnings increased versus year ago levels, with support from retail, trading, lubes and business-to-business activities.

Shell's marketing portfolio has been resilient in the face of a very tough economic environment.

So those are the results. Now, turning to the cash flow and balance sheet.

Looking at the cash position over the last 12 months.

Upstream and Downstream segments cash inflows have been broadly balanced against outflows, although clearly the quarter-by-quarter picture has become tougher.

Shell has a significant investment programme underway….

…and this is one of the most ambitious programmes in the industry today.

We have kept a conservative balance sheet to make sure that we can finance all of this across the cycle

Gearing has risen, and stood at 12.6 % at the end of the second quarter. This is part of our prudent increase in debt levels across the downturn.

We have been active in the debt markets, and issued $13 billion of debt in 2009, with average debt terms of 6 years, since we want to balance our debt maturities over time.

Gearing is still well below the 20-30% long-term average range that we see as acceptable…

As we said with the fourth quarter results, we expect the gearing ratio to be in the low 20s at the end of 2009, based on Q4 2008 macro conditions…

…and that guidance, and the guidance we have previously given for 2009 capex is unchanged.

Before I hand you back to Peter, let me update you on our disclosure plans.

We aim to be transparent and to give the market the numbers needed to understand the company.

Following on from the reorganization of the company, from the third quarter, we will report on three basic segments – Upstream, Downstream and Corporate

There will also be a more detailed information supplement for investors, with an expanded split on Upstream geography, and break out of Integrated Gas earnings and the two Downstream businesses.

Historical information will be available from investor relations in good time for the third quarter results.

Now, back to Peter.

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Thanks Simon.

We are facing a very challenging environment in 2009.

There is excess energy supply capacity in the world today, in both upstream and downstream…

Shell is sharpening up the focus on the cost structure, and delivery.

By taking these steps, we can bridge the company and our shareholders into a period of significant growth in 2011-12.

Looking further into the future, we have a strong set of further options for growth …and we are looking at launching selected projects in the near-term

To put it simply, we have a strong portfolio in Shell…and we are working hard to create the best value from it for shareholders

The third quarter results are on the 29th of October, and Simon will take the call on that.

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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 and SEC proven mining 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 or SEC proven mining reserves. Resources are consistent with the Society of Petroleum Engineers 2P and 2C definitions and includes Oil Sands.

Organic: Our use of the term Organic includes SEC proved oil and gas reserves and SEC proven mining reserves excluding changes resulting from acquisitions, divestments and year-end pricing impact.

Identified Items: This presentation refers to Identified Items which have been excluded from CCS earnings and EPS calculations. Please see page 4 of the Quarterly Results Announcement for a listing of those items.

To facilitate a better understanding of underlying business performance, the financial results are also presented on an estimated current cost of supplies (CCS) basis as applied for the Oil Products and Chemicals segment earnings. Earnings on an estimated current cost of supplies basis provides useful information concerning the effect of changes in the cost of supplies on Royal Dutch Shell's results of operations and is a measure to manage the performance of the Oil Products and Chemicals segments but is not a measure of financial performance under IFRS.

This presentation contains forward-looking statements concerning the financial condition, results of operations and businesses of Royal Dutch Shell plc. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Royal Dutch Shell plc to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''intend'', ''may'', ''plan'', ''objectives'', ''outlook'', ''probably'', ''project'', ''will'', ''seek'', ''target'', ''risks'', ''goals'', ''should'' and similar terms and phrases. Also included as forward-looking statements in this presentation is our disclosure of reserves, proved oil and gas reserves, proven mining reserves, resources, and all future estimates of refining capacity, oil and gas production, capital investment and expenditure, cash from operations, dividends, share buybacks and investments. There are a number of factors that could affect the future operations of Royal Dutch Shell and could cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for the Group's products; (c) currency fluctuations; (d) drilling and production results; (e) reserve estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including potential litigation and regulatory effects arising from re-categorisation of reserves; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; and (m) changes in trading conditions. All forward-looking statements contained in this presentation are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Additional factors that may affect future results are contained in Royal Dutch Shell's Annual Report & 20-F for the year ended December 31, 2008 (available at www.shell.com/investor and www.sec.gov). These factors also should be considered by the reader. Each forward-looking statement speaks only as of the date of this presentation, July 30th, 2009. Neither Royal Dutch Shell nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this presentation. There can be no assurance that dividend payments will match or exceed those set out in this presentation in the future, or that they will be made at all.

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