

ROYAL DUTCH SHELL PLC THIRD QUARTER 2009 RESULTS BY CHIEF FINANCIAL OFFICER SIMON HENRY

OCTOBER 29th 2009

**THIRD QUARTER 2009 RESULTS WEBCAST TO ANALYSTS BY
SIMON HENRY, CHIEF FINANCIAL OFFICER OF ROYAL DUTCH SHELL PLC**

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

Let me take you through the results and portfolio developments for the third quarter and we have plenty of time for your questions.

Firstly, please take a moment to read the definitions and cautionary note.



We are facing a very challenging environment in 2009.

I am pleased with the operating performance in the quarter, but earnings are sharply lower in Upstream and Downstream compared to year-ago levels.

Earnings, on a current cost of supply basis, were \$3.0 billion, and cash flow from operations was \$7.3 billion.

Dividend has been increased by 5% versus year-ago levels.

We are taking a prudent approach to the downturn, although there is some evidence that the economic environment is bottoming-out.

We continue to focus on costs and we are maintaining the financial flexibility to continue with our investment programme in the down-cycle.

At the same time, we are keeping an eye on the medium term, launching selected new projects, and continuing with exploration.

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

Let me update you on "Transition 2009". We announced this reorganisation programme during the second quarter of this year.

Transition 2009 is all about increasing accountabilities in the company, simplifying the organisation, and reducing costs.

The simplified top-level structure has been in place since the 1st of July, and you will see the results today are presented on this new basis.

A series of 'internal mergers' is creating new efficiency gains and cost savings across the group.



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We are moving quickly. We achieved a 20% reduction in senior management positions by end July.

A broader reorganization is underway and we expect a 10% headcount reduction in the redesigned divisions and functions, mostly in management and non-operational positions.

Today, Shell staff are re-applying for some 15,000 roles in our restructured divisions.

Around 5,000 staff will leave the company as a result of this restructuring, and the reorganization will be complete end 2009.

We expect to take a restructuring charge to reflect this, with the fourth quarter results.

We are making good progress with our portfolio.

Upstream, we have around 1 million barrels per day under construction today, and substantial additional options in design.

Downstream, we have an asset sales programme from non-core portfolio and selected growth projects.

Let me give you some third quarter highlights.

On Upstream, two of our new projects – Sakhalin II and Ormen Lange – reached their production plateau...production performance in the ramp-up stage has been better than we had expected.

We also made good progress with the next generation of Upstream production.

We took FID on the 15 million tonnes per year Gorgon LNG project, and entered into front-end engineering and design for what could become the world's first Floating LNG development.

Looking further into the future, we had exploration success with the Vito oil discovery in the Gulf of Mexico, and at the Achilles-1 gas discovery in Australia.

In Downstream, we have agreed to sell our Greek activities, and we used GTL jet fuel for the first time on a commercial passenger flight.

Sakhalin II has made very good progress this year.

September average production was some 335,000 barrels of oil equivalent per day, and ahead of schedule.

We reached daily production of more than 400,000 barrels of oil equivalent per day in October, which is the planned peak.

Both of the LNG trains are on line, and LNG has been delivered to Japan and Korea and other customers.

This has been a well-executed start up in a difficult operating environment.



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Now let me update you on the third quarter results, and I start with the macro picture.

If you look at the picture compared to the third quarter of 2008, oil prices were significantly below the \$100 plus levels we saw a year ago, and natural gas and LNG prices were also down from year ago levels.

Refining margins remained under pressure for the quarter, and were significantly lower than year-ago levels.

The chemicals environment remains challenging, with lower margins than year-ago in Europe and the US, although we have seen an up-tick in demand in China.

Given this background in the third quarter, I am pleased with Shell's operating performance.

Turning to earnings.

Let me highlight to you that there is a detailed set of information on the quarter available in spreadsheet format on our website, and I hope you find the new disclosure useful.

Earnings for the quarter included identified items of \$371 million, including an asset impairment of \$1.2 billion, offset by other gains.

Excluding identified items CCS earnings were \$2.6 billion, and earnings per share decreased by about 67% compared to Q308.

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

Cash flow from operations for the quarter was \$7.3 billion.

Now let me talk about the business performance in more detail, firstly on Upstream.

Upstream earnings decreased by 73% to \$1.7 billion in Q309.

The fall in oil and gas prices was the main factor behind this decline in earnings.

Much of Shell's natural gas and LNG portfolio has price realizations that are lagged to spot oil prices, typically on a 4-6 month time lag, and longer than that on some LNG contracts.

What this means is that although oil prices did increase from second quarter levels, Shell's LNG earnings didn't increase by the same extent, due to these contractual lag effects.

In addition, the environment for gas and LNG trading activities was poor, and has deteriorated versus second quarter and year-ago levels.

These factors have combined to soften our upstream results.

Upstream production was similar to year-ago levels, at some 2.9 million barrels of oil equivalent per day.



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New fields and ramp-ups more than offset natural field declines, adding some 180,000 barrels of oil equivalent per day to production.

LNG sales volumes increased by 13% Q308 to Q309, with increases from Sakhalin II in Russia, and North West Shelf in Australia more than offsetting security-related gas supply shortfalls in Nigeria.

Upstream operational performance has been good, in a weak pricing and trading environment.

Turning to Downstream.

Downstream earnings declined by 62% versus year ago levels to \$0.8 billion.

This decline was due to losses in refining, partially offset by earnings from marketing. Chemicals earnings have improved, driven mainly by Asia.

Shell's Q308 to Q309 refinery intake fell by some 8% as a result of weak demand and economic runs cuts.

Marketing earnings decreased versus year ago levels.

However, marketing earnings actually increased from second quarter 2009 levels, with higher earnings from retail, aviation and commercial fuels, and slightly weaker trading results.

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.

The cash-flow position has improved from Q2 2009 levels, but we are watching this closely.

We are using the balance sheet to finance some of our medium-term growth projects across the bottom of the cycle.

Balance sheet gearing was 13.7% at the end of third quarter.

Gearing has increased across this year, but remains below the 20-30% guidance range.

Before we go for your questions, let me make some comments about costs.

We reduced Shell's operating costs by some \$1 billion pre-tax in the first nine months 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 \$2.5 billion, and it excludes non-cash accounting effects.



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This improvement comes from a number of areas:

The "Transition 2009" programme...

...simplifying and standardizing our activities to reduce supply chain costs....

...a holdback on discretionary spending...

...and lower utilization rate and energy costs.

So good progress here, and more to come.

Let me summarize, and then we go for your questions

I am pleased with the operating performance in the quarter, despite a difficult environment.

We are taking a prudent approach to the downturn

Our cost programmes are on track....\$1 billion of cost reduction,...a staff reduction of some 5,000.

We have financial flexibility to continue with our investment programme.

And at the same time, we are keeping an eye on the medium term, launching selected new projects, and continuing with exploration

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

The fourth quarter results will be released on the 4th of February 2010 and the Shell Strategy Update is planned for March 16th 2010. I look forward to speaking to you all then.

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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, October 29th, 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.

The term “Shell interest” is used for convenience to indicate the direct and/or indirect (for example, through our 34% shareholding in Woodside Petroleum Ltd.) ownership interest held by Shell in a venture, partnership or company, after exclusion of all third-party interest.

The United States Securities and Exchange Commission (SEC) permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this presentation that SEC’s guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 20-F, File No 1-32575, available on the SEC website www.sec.gov. You can also obtain these forms from the SEC by calling 1-800-SEC-0330.

