

**ROYAL DUTCH SHELL PLC**  
**FOURTH QUARTER & FULL YEAR 2009 RESULTS**  
**BY CHIEF EXECUTIVE OFFICER PETER VOSER**  
**AND CHIEF FINANCIAL OFFICER SIMON HENRY**

**FEBRUARY 4<sup>TH</sup> 2010**

**FOURTH QUARTER AND FULL YEAR 2009 RESULTS WEBCAST TO ANALYSTS BY  
PETER VOSER, CHIEF EXECUTIVE OFFICER AND SIMON HENRY, CHIEF FINANCIAL  
OFFICER OF ROYAL DUTCH SHELL PLC**

Welcome to this Royal Dutch Shell plc presentation.

Simon and I will take you through the results and portfolio developments for the fourth quarter and for the full year 2009...

...and we have plenty of time for your questions.



Firstly, please take a moment to read the disclaimer.

Our industry is facing a challenging environment.

Weak energy demand and the lowest refining margins in some 20 years are having a major impact on Shell.

When I look at our results for 2009, we are seeing some benefits from the reorganization and new field start-ups last year, but we simply have to do better.

I'll give you more details in a moment, but we've taken out \$2 billion of cost in 2009, and we are planning to reduce costs again in 2010, by a further \$1 billion.

We have restructured the company...

...and 5,000 employees will leave Shell as a result of these changes.

New top management is now in place, that's a 20% reduction in senior management positions.

They have been given tough performance targets, including a further staff reduction of at least 1,000 employees.

Everybody is clear on what they have to deliver in 2010.

One of the main issues for our profitability is the weakness of industry refining margins.

We have taken action in 2009 to cut our costs, and to reduce our exposure there. We want to refocus on the most profitable downstream positions with the best growth potential.

We have decided to close a refinery in Canada, and we have added our Gothenburg refinery to the list of positions under review...in total some 15% of Shell's refining capacity.



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These are important steps forward to drive better production and cash generation in the company in the future.

We have made a good start over the last year...but there is more to do.

Turning to the macro in more detail.

There has been a substantial downturn in industry margins in 2009, and the outlook for 2010 is rather uncertain.

You can see on the chart here a decline in upstream and downstream trackers from 2008 to 2009.

In the fourth quarter 2009, oil prices increased from year-ago levels, but refining margins and natural gas prices were sharply lower.

According to the International Energy Agency, 2009 oil demand declined by 1.5%, or 1.3 million barrels per day in 2009, which is the largest decline since 1982.

OPEC quota restrictions have been effective in supporting oil prices, but this leaves over 5 million barrels per day of spare capacity as an overhang to the market.

Oil inventories remain at high levels...

...and so the outlook for the 2010 oil price is uncertain, and it's likely that OPEC will be managing against the downside for some time here.

Turning to natural gas.

Gas demand in the EU declined by some 7% in 2009, and by about 2% in the US.

At the same time, global LNG capacity increased by some 20% in 2009, or 44 million tonnes per year, and is expected to increase by another 14% this year.

All of this puts pressure on global gas prices. The 2010 outlook is uncertain, and very much linked to any recovery in economic activity.

On the refining side, some 2 million barrels per day of new refining capacity came on line in 2009, adding to a significant capacity overhang in the market.

This, combined with weak demand, rising oil prices and high inventories, has resulted in very weak refining margins in 2009.

This is the toughest refining environment we have seen in some 20 years.

The refining industry is responding to all of this, with some 1 million barrels per day of capacity closures announced, and an additional 0.5 million barrels per day idled.

However, it will take time for the refining system to rebalance with demand, and the 2010 outlook for downstream is difficult.

So that's the picture and at Shell we just get on and work with all of that.



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Our self-help programmes are on track, and made a positive contribution to 2009 earnings.

Let me recap on our 2009 self-help programmes. Things like the reorganization,... cost savings programmes,... downstream divestments... and new production start-ups.

Mid way through last year, we launched the 'Transition 2009' programme, which is a fundamentally new way of managing Shell.

I am pleased to say that 'Transition 2009' is now complete.

This is all about simpler structures. This will enable more accountability, and faster implementation of our strategy.

We have simplified the organisation, especially Upstream, and created a new Projects & Technology division.

Projects & Technology...and you can see some details on the slide... is all about Innovation and R&D,...Technology Solutions & Deployment,...and Project Execution.

This organisation can deliver fully integrated solutions by combining our proprietary technology and capabilities with third party products.

In the past, many of these activities were spread across the Shell group. That has now changed.

Today, we have one organisation with one executive with single point accountability for it all.

This makes us more efficient, helps to reduce costs and links upstream and downstream technologies closely together.

We are already seeing the benefits of this P&T outfit.

In 2009, we renegotiated a 10-20% day rate reduction for North America land rigs, and locked in deep water rig cover to the end of 2012, at day rates at least 10% lower than where we see major competitors.

'Transition 2009' is one of a series of cost and simplification initiatives underway at Shell.

In 2009, we announced that 5,000 employees will leave Shell, mostly from management and non-technical functions.

These changes, combined with other initiatives, have reduced underlying costs by over \$2 billion in 2009.

The pace has picked up here, with around \$1 billion of cost savings in the fourth quarter, compared to \$1 billion in the first nine months of the year.



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As I've said before, these figures exclude things like exchange rates, identified items and non-cash accounting impacts. These simply aren't costs you can control.

Cost reduction and performance are now embedded in Shell, and we will push this programme forward in 2010, with more focus and more urgency.

For 2010, I expect a further reduction of some 1,000 staff, and cost savings of at least \$1 billion.

Now let me make some comments on Downstream.

Shell's strengths in downstream are all around our industry-leading brand, attractive products for customers, and operating performance.

But this is a business where we have historically invested not only in large integrated positions in key markets, but also in smaller assets in a long list of countries.

So we are taking action here. We are refocusing this rather large portfolio into the best downstream integrated positions, and making only selective growth investments.

We have been working on this for some time, and have sold some 13% of our refining capacity in the last 5 years, with total Downstream disposals proceeds of some \$11 billion.

2009 has been a more difficult year for asset sales, due to weak credit markets and low downstream margins.

Nevertheless, we have sold \$1.2 billion of downstream assets in 2009, mostly in marketing and chemicals positions.

We have announced the closure of the 130,000 barrels per day Montreal East refinery – we will convert it into a products terminal.

We are also in talks with counterparties on divestments in New Zealand and Europe, for some 15% of Shell's refining capacity...

...and let's see where we go with that in 2010.



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Turning to portfolio.

We are making real progress with new projects both Upstream and Downstream, and I am pleased with the operating performance as we start up these complex projects.

Let me give you some examples.

In Russia, the Sakhalin II project reached its design capacity of some 400,000 barrels per day of oil and gas last October...

...ahead of the schedule we expected at the March start-up...

...and LNG deliveries from this project have exceeded expectations, with 81 cargoes in 2009.

In Norway, the Ormen Lange gas field reached its production plateau, and has produced a peak of around 430,000 barrels per day...

...and in Brazil, the deep water BC-10 field has ramped-up to its planned phase 1 production of 60,000 barrels per day.

So, good progress in 2009.

Looking into the Upstream outlook for 2010...

...we expect to start up the 100,000 barrels per day Perdido project in the deep water Gulf of Mexico in the next few months...

...and later in the second half of the year, the Canadian oil sands will add 100,000 barrels per day of capacity.

At the end of 2010, we expect to finish major construction at our two large projects in Qatar - Pearl GTL and Qatargas 4 LNG - with production ramp-up soon after.

Looking into the medium term, we are making good progress with new projects.

In Australia, we have taken the final investment decision on the 15 million tonnes per year Gorgon LNG project, and launched a Front End Engineering and Design study for an innovative Floating LNG scheme at Prelude.

In Iraq, we have signed development agreements on the Majnoon field, which will be operated by Shell, and West Qurna 1, which will be operated by ExxonMobil.

Majnoon is one of the largest undeveloped oil fields in the world, with estimates of some 38 billion barrels of resources in place.

We aim to increase its production from currently some 45,000 barrels of oil per day to a production plateau of 1.8 million barrels per day.

So, overall, good progress on delivering new projects, and new investment options for the future.



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Finally, before I hand you over to Simon on the results, let me update you on exploration in 2009.

We spent around \$3.3 billion on exploration in 2009, and I expect a similar amount in 2010.

We made good progress with exploration and appraisal in 2009, with 10 notable new finds, and further appraisal success.

We are studying all of these results, and will update you on the resource additions during the Strategy Presentation in March.

We had particular success in North America tight gas, in the Western Canada Groundbirch play and in the United States in the Haynesville play.

We have also added new acreage positions in 2009.

Some of this acreage builds on our strong positions in our core basins, where there are proven hydrocarbon systems, like Australia and the United States.

But we have also stepped out a bit in 2009. Some of the new acreage, for example in Guyana, is in frontier basins, where the terms are attractive relative to the upside potential.

So, good progress on portfolio. With that, I pass you to Simon on the results.



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Thank you Peter.

I'll start with the macro environment of the fourth quarter.

If you look at the picture in Q4 2009 compared to the fourth quarter of 2008...

...we had an unusual situation for upstream.

Oil prices were higher than year-ago levels, but most natural gas marker prices, and Shell's gas realizations, were down compared to the fourth quarter of 2008.

So Upstream earnings in the fourth quarter are a mix of positive effects on the oil side, and negative impacts for gas.

Refining margins remained under pressure for the quarter, and were significantly lower than year-ago levels, with particular weakness in Asia and Europe, which was a relative disadvantage for Shell in the quarter.

The chemicals environment remains challenging.

Turning to earnings.

Headline earnings for the quarter included identified items of \$1.6 billion, for example restructuring charges, asset impairments and other effects.

Excluding identified items...

...CCS earnings were \$2.8 billion, and earnings per share decreased by about 30%....compared to Q408.

The quarter was characterised by lower earnings in both Upstream and Downstream...

...mainly as a result of lower natural gas prices and lower industry refining margins....and uplift from our cost programmes.

Cash flow from operations for the quarter was \$5.7 billion.

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

Firstly on Upstream.

Upstream earnings decreased by 15% to \$2.8 billion in Q409.

Although oil prices increased from Q4 2008 levels, this positive was offset in our results by lower natural gas prices...

...and the generally-weak environment for natural gas marketing and trading.



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In addition, 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...a \$100+ per barrel environment in Q4 08, compared to a \$60-70 environment in Q4 09.

We have seen some increase in lagged gas realizations, although you would expect this recovery to trail behind headline oil prices.

Turning to volumes.

Full year oil & gas production declined by 3%, and there were several factors behind that.

Many of these factors we look at as uncontrollable – you can plan for the outcomes, but you can't influence things like OPEC quotas, gas demand and weather patterns.

What's important here is that in 2009, the impact of production ramp-up and new fields, at some 200,000 barrels per day, was greater than the natural decline in the portfolio at some 150,000 barrels per day in 2009.

LNG volumes increased by 3% for the year and 18% in Q4, despite security challenges in Nigeria and generally weak demand.

So, the underlying production performance was robust here in 2009.

Turning to Downstream

Downstream earnings declined to a loss of \$0.4 billion in the fourth quarter 2009, versus a profit of \$1 billion a year-ago.

Earnings from Oil Products declined from year-ago levels, with an increase in Chemicals.

Industry refining margins were under pressure in all regions in the quarter. For Shell, over 60% of our refining capacity sits in Asia and Europe - the highest in the global refiners peer group – and where industry margins were the weakest in the quarter.

Shell's Q4 to Q4 refinery intake fell by some 4% as a result of weak demand, and economic runs cuts.

Shell's marketing portfolio remains resilient across the cycle, but earnings declined significantly from both the fourth quarter of 2008 and the third quarter of 2009.

The steadily increasing oil price in the quarter, combined with weak demand, squeezed margins in both refining and marketing.

This is a very different picture to the fourth quarter 2008, when oil prices fell by around \$55 per barrel, with parachute effects which expanded downstream margins.

Chemicals earnings of \$0.2 billion in Q4 2009 were similar to third quarter levels. The chemicals environment remains difficult, with some positive trends in Asia.



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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 cash inflows and outflows have been broadly balanced.

However we have been running a deficit at the Group level in 2009, as cash flow has essentially halved from 2008 levels, including a \$5 billion deduction from operating cash flow for pension funds contribution.

This has meant an increase in debt and gearing, as we have used our balance sheet to maintain both the investment programme for the medium term, and the dividend.

Gearing was 15.5% at the end of 2009 and below where we had expected, due to a lower level of pension contributions and net capital spending than planned, as well as resilient cash flow.

Gearing is well below the 30% ceiling we see as acceptable, so we are watching this all very closely, but so-far so-good.

Now let me turn to investment.

At the beginning of the year, we gave you guidance for 2009 net capital spending of \$31 to \$32 billion, and we have delivered below this level.

For 2010, let me reconfirm prior guidance for net capital spending of some \$28 billion. This figure includes our latest view on likely spending for 2010 in Iraq, which is of course additional spending.

We typically do around \$2 to \$3 billion per year of disposals, as part of our normal capital efficiency programme. We do have assets for sale into 2010, although markets are difficult, and we will take our time to maximize value for shareholders, and update you as we go on disposals proceeds.

You will have seen that we have signed a MoU for a bio-fuels and downstream joint venture in Brazil, which could include a cash payment of some \$1.6 billion.

This figure is not included in the 2010 guidance here, and we will update you on that once the joint venture agreement is signed.

So, those are the numbers. Peter, I hand it back to you.



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Thank you Simon.

Before we go into your questions, let me summarize.

We are facing challenging market conditions, especially in downstream and natural gas despite the headline increase in oil prices, and the outlook for 2010 remains difficult.

I am pleased with the operating performance in 2009, despite this environment.

We are taking a prudent approach to the downturn.

Our cost programmes are on track...\$2 billion of cost reduction in 2009, and a further \$1 billion planned for 2010, with additional staff reduction.

We have the 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 finding new barrels with exploration in 2009.

By delivering on our strategy...

...we are bridging the company and our shareholders into a period of production and cash flow growth in 2011-12.

Thank you for joining the call today.

The Shell Strategy Update is planned for March 16th 2010.

I look forward to speaking to you all then.

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[WWW.SHELL.COM/IR](http://WWW.SHELL.COM/IR)



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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 5 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.

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