



---

# Barclays CEO Energy-Power conference

Royal Dutch Shell plc

**Ben van Beurden**

Chief Executive Officer

September 7, 2016



# **Ben van Beurden**

Chief Executive Officer

Royal Dutch Shell plc



# Definitions & cautionary note

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 (SPE) 2P + 2C definitions.

Resources and potential: Our use of the term “resources and potential” are consistent with SPE 2P + 2C + 2U 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.

Shales: Our use of the term ‘shales’ refers to tight, shale and coal bed methane oil and gas acreage.

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this release “Shell”, “Shell group” and “Royal Dutch Shell” are sometimes used for convenience where references are made to Royal Dutch Shell plc and its subsidiaries in general. Likewise, the words “we”, “us” and “our” are also used to refer to subsidiaries in general or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies. “Subsidiaries”, “Shell subsidiaries” and “Shell companies” as used in this release refer to companies over which Royal Dutch Shell plc either directly or indirectly has control. Entities and unincorporated arrangements over which Shell has joint control are generally referred to as “joint ventures” and “joint operations” respectively. Entities over which Shell has significant influence but neither control nor joint control are referred to as “associates”. The term “Shell interest” is used for convenience to indicate the direct and/or indirect ownership interest held by Shell in a venture, partnership or company, after exclusion of all third-party interest.

This release contains forward-looking statements concerning the financial condition, results of operations and businesses of Royal Dutch Shell. 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 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”, “goals”, “intend”, “may”, “objectives”, “outlook”, “plan”, “probably”, “project”, “risks”, “schedule”, “seek”, “should”, “target”, “will” and similar terms and phrases. 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 release, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for Shell’s products; (c) currency fluctuations; (d) drilling and production results; (e) reserves 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 regulatory measures addressing climate change; (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. There can be no assurance that future dividend payments will match or exceed previous dividend payments. All forward-looking statements contained in this release 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 risk factors that may affect future results are contained in Royal Dutch Shell’s 20-F for the year ended December 31, 2015 (available at [www.shell.com/investor](http://www.shell.com/investor) and [www.sec.gov](http://www.sec.gov)). These risk factors also expressly qualify all forward looking statements contained in this release and should be considered by the reader. Each forward-looking statement speaks only as of the date of this release, September 7, 2016. Neither Royal Dutch Shell plc 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 release.

With respect to operating costs synergies indicated, such savings and efficiencies in procurement spend include economies of scale, specification standardisation and operating efficiencies across operating, capital and raw material cost areas.

We may have used certain terms, such as resources, in this release that United States Securities and Exchange Commission (SEC) strictly prohibits us from including in our 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](http://www.sec.gov).



Strategy

# “Let’s make the future”



Industry context

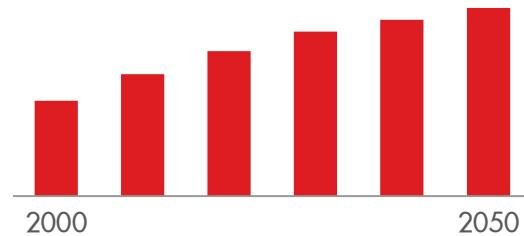
# Substantial + long lasting shifts in energy landscape

## Global population



From **7 to 9** billion by 2050  
**75%** will live in cities

## Growth in oil & gas demand



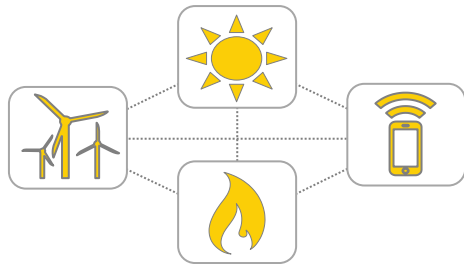
Global **energy demand to double** between 2000 & 2050

## Energy system in transition

World needs **more energy;**  
**less CO2**

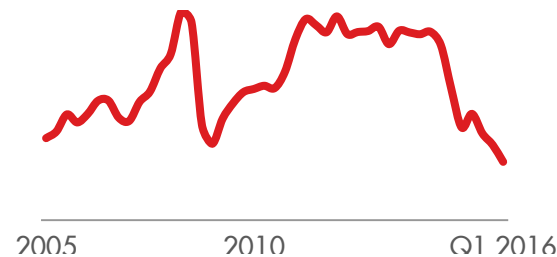


## Customer choice



New **sources**  
New **energy carriers**  
New **business models**

## Continued oil price volatility



OPEC, shales, shorter price cycles

## Changing resources access



Requires new **value creation**  
models



Re-shape Shell

# Driving strategy in multiple time horizons

## Cash engines: today

Funds dividends + balance sheet

Competitive + resilient

Strong free cash flow and returns



CONVENTIONAL  
OIL + GAS



INTEGRATED  
GAS



OIL SANDS  
MINING



OIL  
PRODUCTS

## Growth priorities: 2016+

Cash engines 2020+

Affordable growth in  
advantaged positions

FCF + ROACE pathway



DEEP WATER



CHEMICALS

## Future opportunities: 2020+

Material value + upside

Path to profitability

Managed exposure



SHALES



NEW  
ENERGIES

Relentless portfolio high-grading

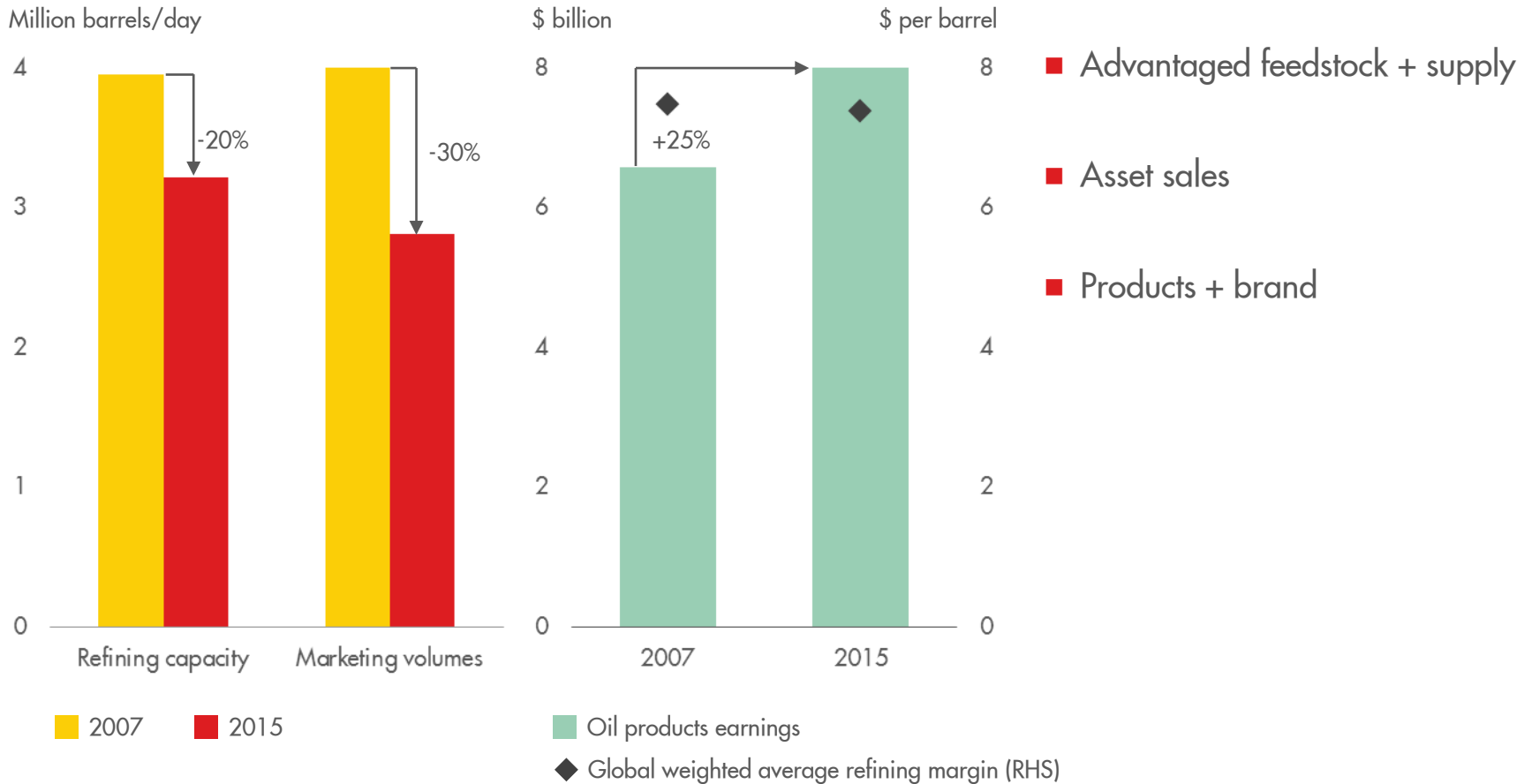


# Cash engines

## Example: Oil Products



### Stronger results from smaller portfolio

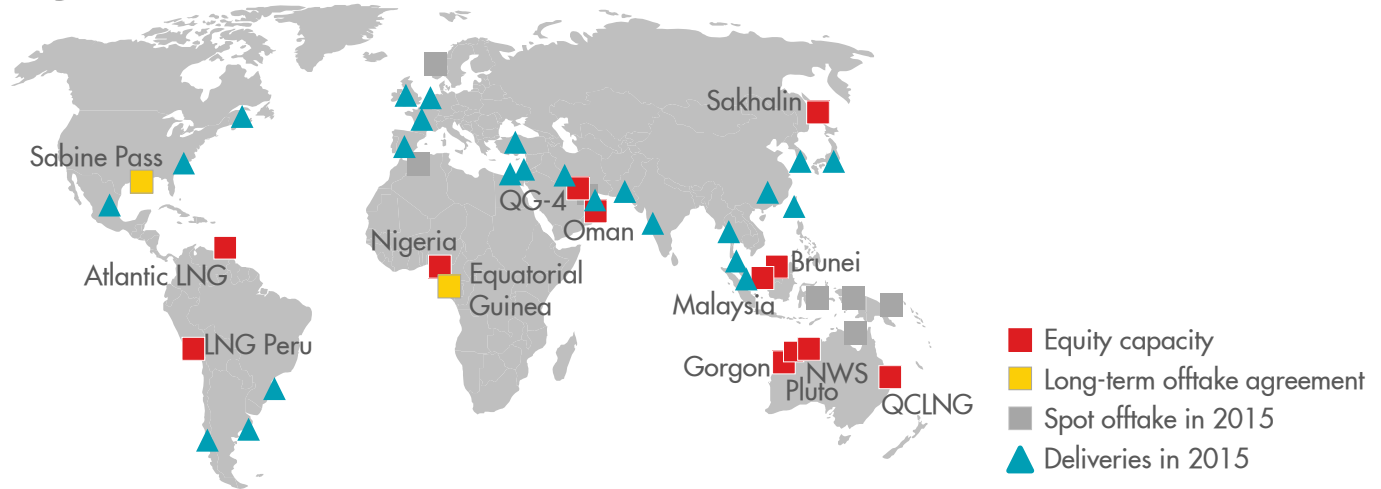


Earnings on CCS basis, excluding identified items

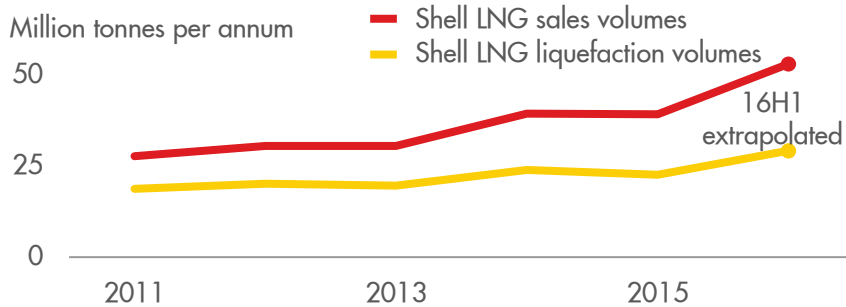


# Cash engines

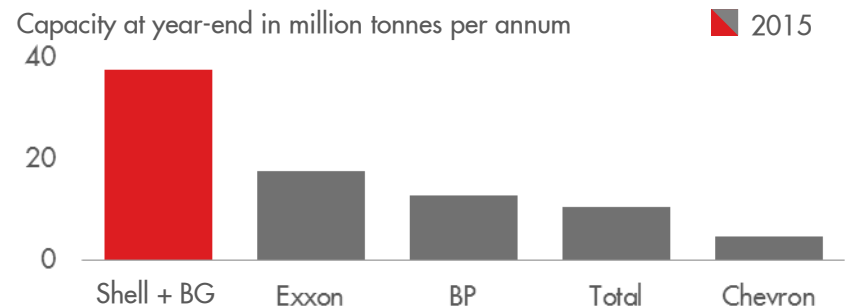
## Example: Integrated Gas



### LNG volumes



### Liquefaction capacity



- IOC leadership position
- Global footprint
- Value from optionality



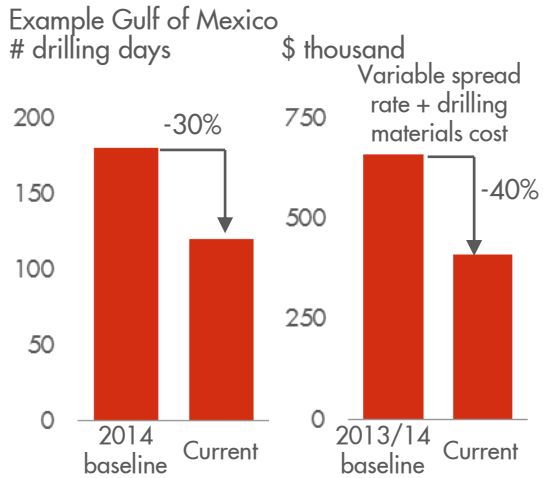




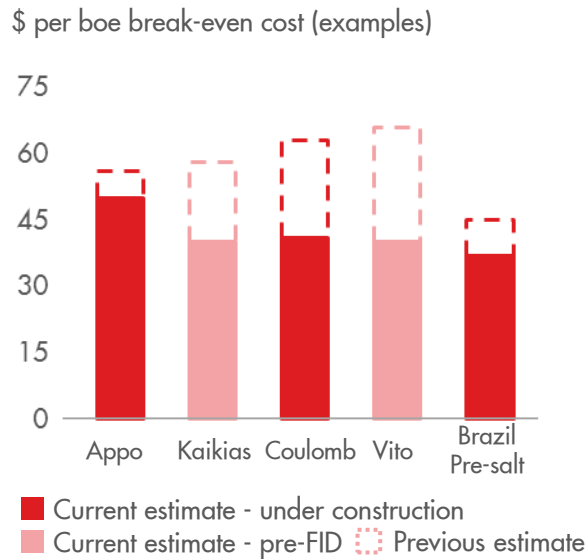
# Growth priorities

## Example: deep water

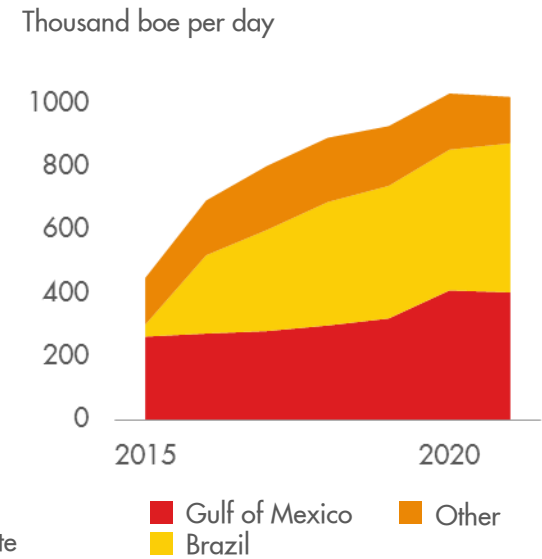
### Reducing drilling costs



### Lowering capital intensity



### Shell + BG deep water growth



- Delivering world class development funnel
- Reducing break-even: new projects ~\$45/bbl

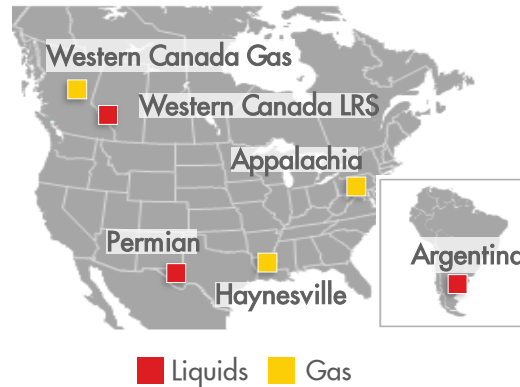
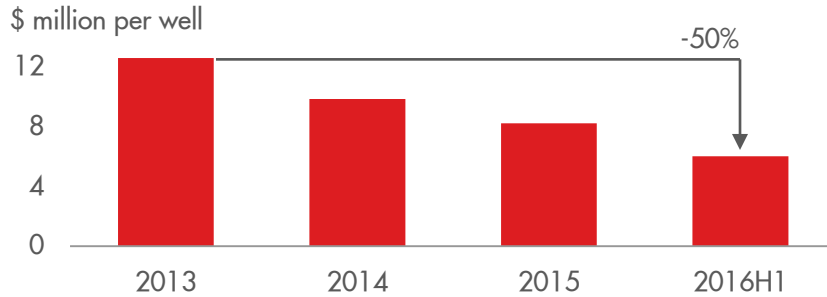




# Future opportunities

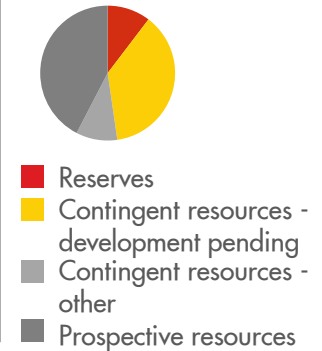
## Example: shales

### Average drill and complete costs – LRS wells

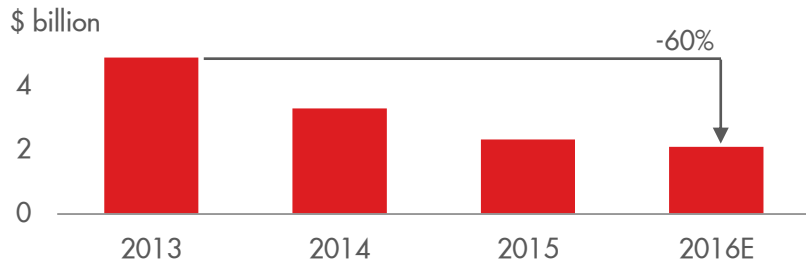


### Resources

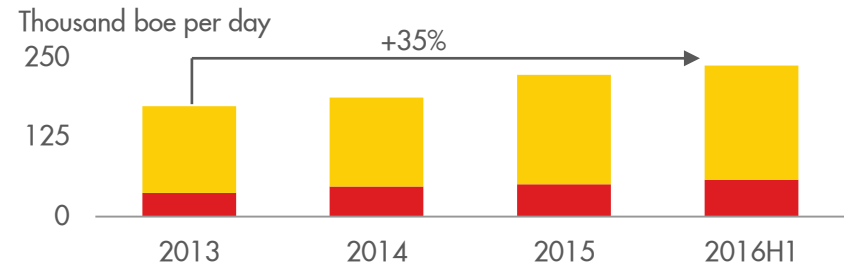
~12 billion boe



### Capital investment



### Production



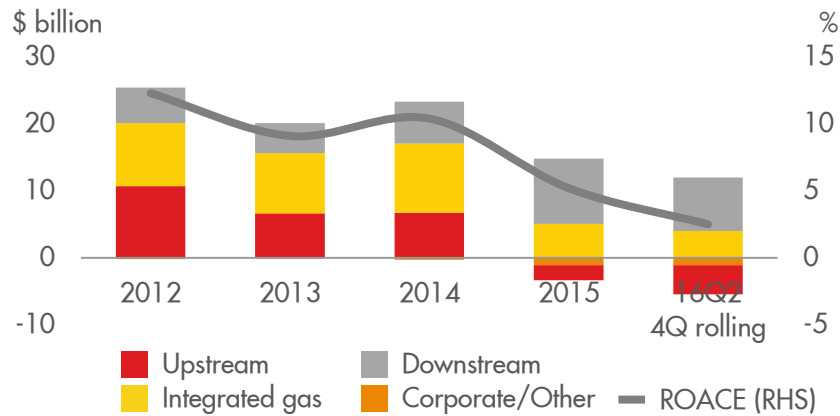
- Material resource + potential ~12 billion boe
- 25% liquids, 75% gas
- Reducing costs + improving capital efficiency

Production excludes divested assets (2013-14) and BG Haynesville addition (2016H1)

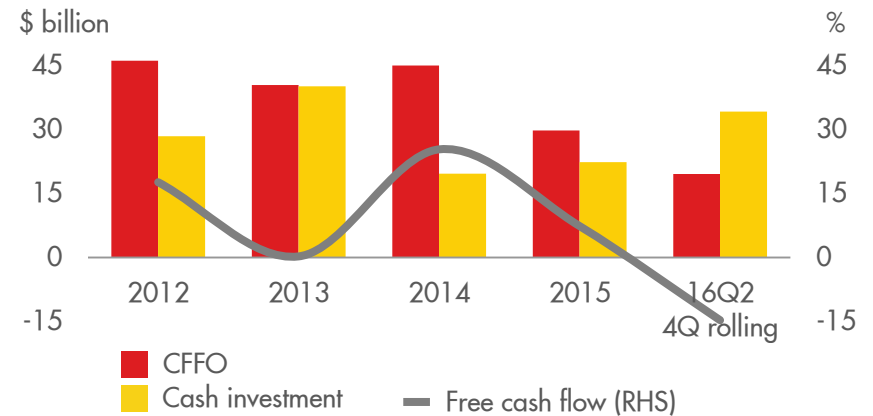


# Manage down-cycle Financial performance

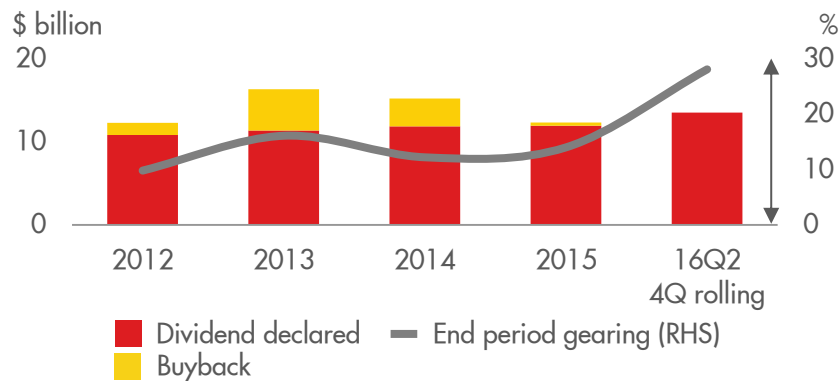
## Earnings + ROACE



## Cash flow



## Dividend, buyback + gearing



- Priorities for cash:
  - Debt reduction
  - Dividends
  - Buybacks + capital investment



Manage down-cycle

# Pulling levers to manage financial framework

## 2016-18 levers



\$ billion	2015 baseline: Shell + BG	2016	2017-2018 potential
Operating costs	46	Trend to 40 (underlying)	Multi-billion p.a.
Capital investment	36	~29	25-30
Divestments	6 + 5	6-8 in progress	30 over 2016-18
Projects start-up post-2014 (CFFO)	n/a	~\$2 billion	~10 billion by 2018*

■ Reducing our cash break-even

■ Further options available

■ +/- \$10 Brent = ~5 billion CFFO

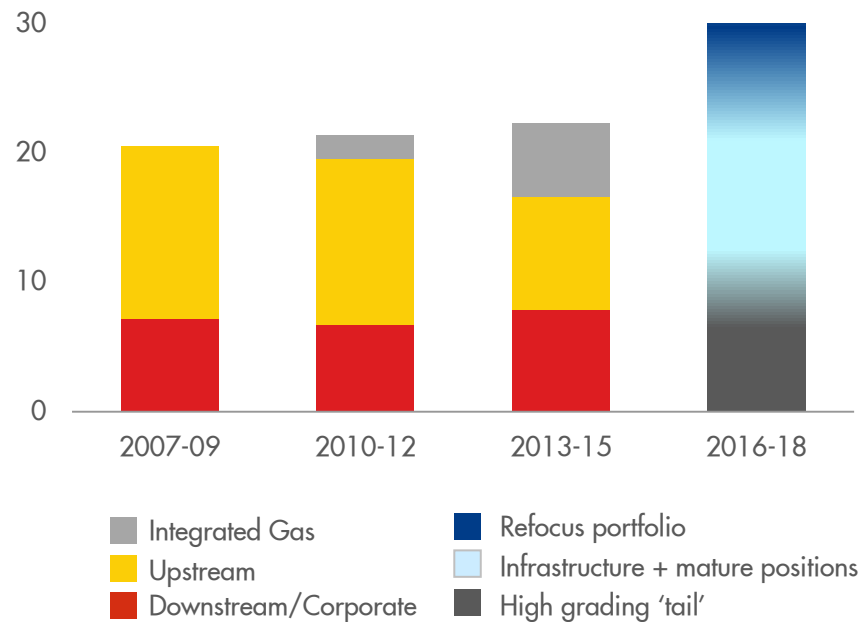
\* \$60 oil price scenario 2018 (2016 RT Brent)



# Manage down-cycle Divestments

## Divestment program

\$ billion



- \$30 billion 2016-18
- Progressing \$6-8 billion 2016
- 5-10 countries; ~10% of production

Integrated gas split out from Upstream from 2011 onwards

### 2016-2018 completed + announced

\$ billion

Completed	– MLP	0.8
	– Denmark marketing	0.3
	– N.Z.: Maui pipeline	0.2
	– MGL IPO	0.1
	– Others	0.1
<b>Total completed</b>		<b>1.5</b>
Announced	– Showa Shell	~1.4
	– Brutus/Glider	0.4
	– Malaysia refining	} ~0.2
	– Anasuria cluster	
	– Maclure	
<b>Total announced</b>		<b>~2.0</b>
<b>TOTAL</b>		<b>~3.5</b>
In progress	– Motiva JV end	
	– N.Z.: upstream strategic review	
	– Thailand strategic review	
	– Selective North Sea strategic review	

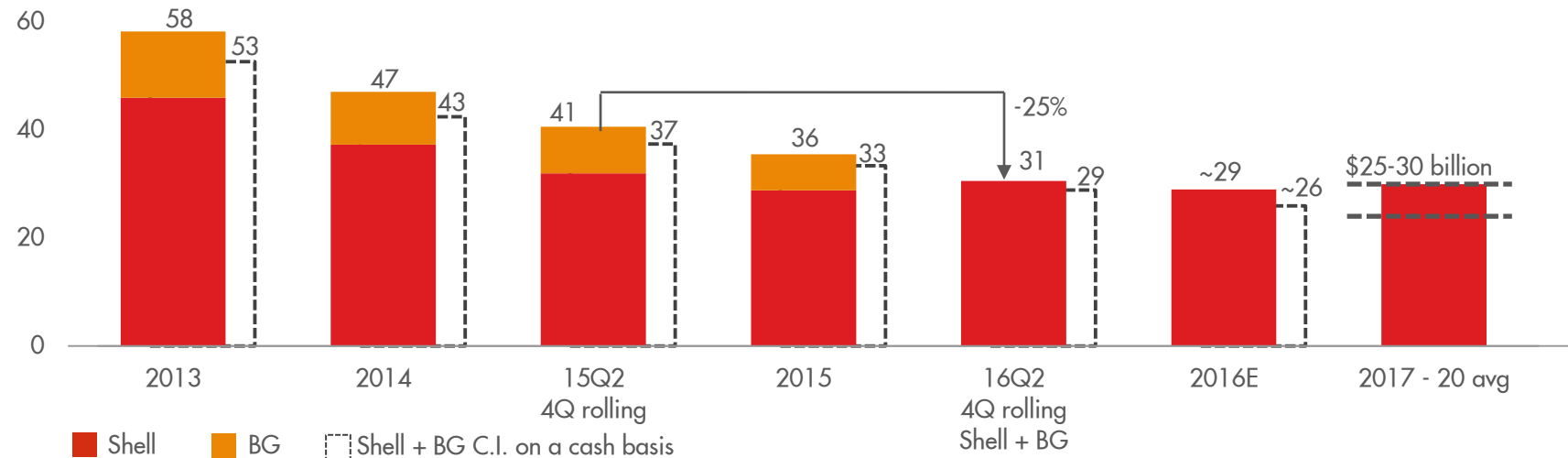


Manage down-cycle

# Lower & more predictable capital investment

## Capital investment

\$ billion



- Planning for \$25-\$30 billion range
- \$30 billion/year ceiling
- Trending low in range today
- Options to further reduce below \$25 billion if warranted

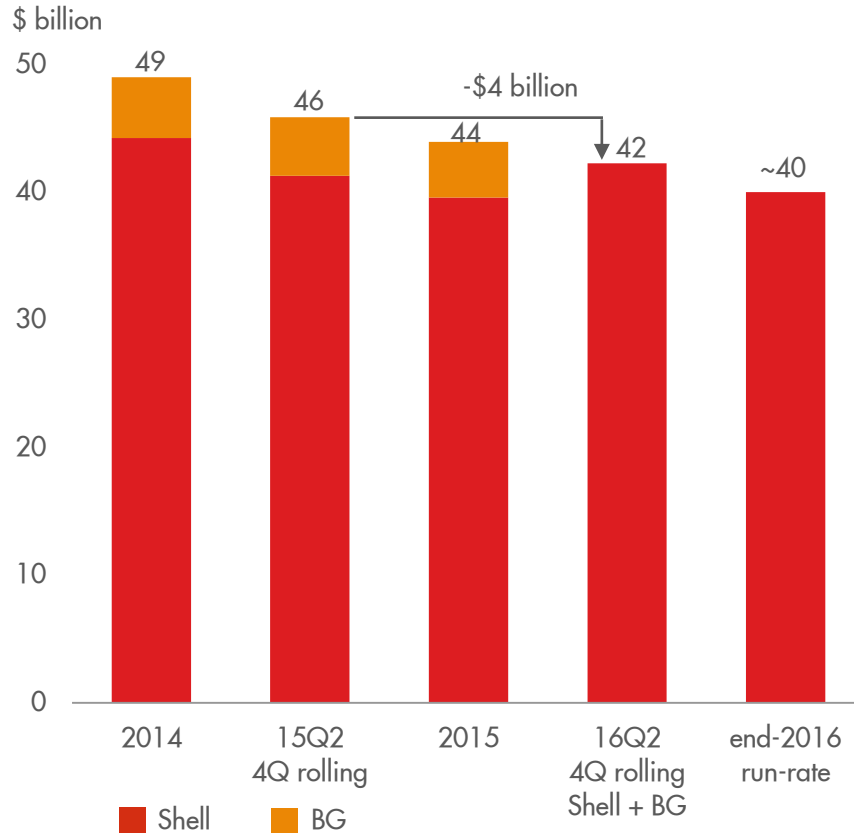
2016 excludes BG purchase price



# Manage down-cycle

## Reduce operating cost

### Operating cost



- Substantial reductions delivered
- “Lower for ever” mindset + BG synergies
- Staff, supply chain + contractors
- Divestments, growth, FX impacts

Excluding identified items



Divestments

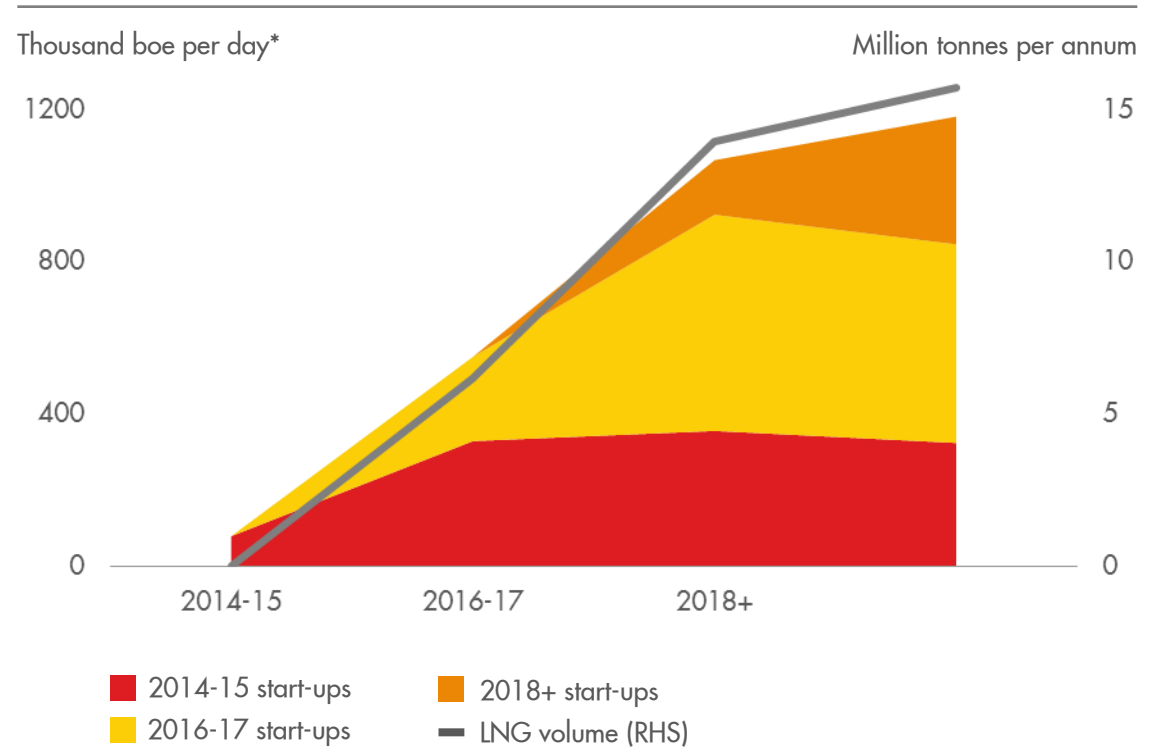
Reduce capital investment

Reduce operating costs

Deliver new projects

## Manage down-cycle Deliver new projects

- Significant oil & gas + Downstream production under construction
- Capex to free cash flow
- High margin / price upside barrels



- Cash operating cost <\$15/boe
- Tax rate ~35%

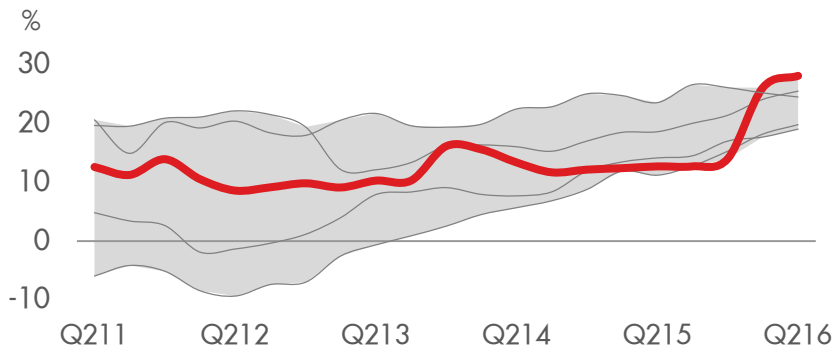
\* BG organic growth from 1.1.2016 | LNG volume includes offtake



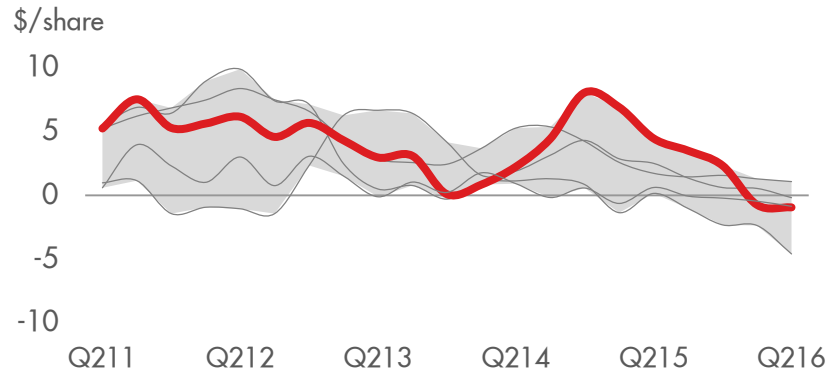


# Financial dashboard

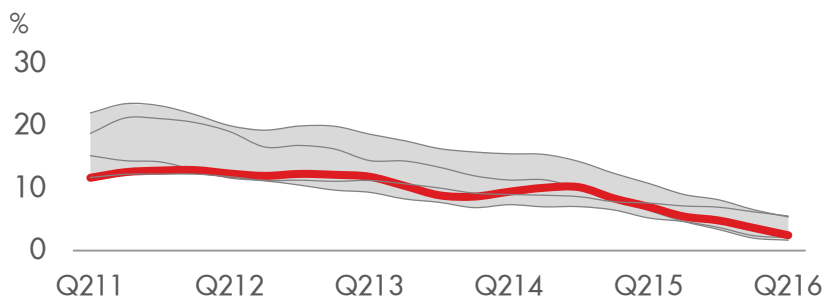
## Gearing



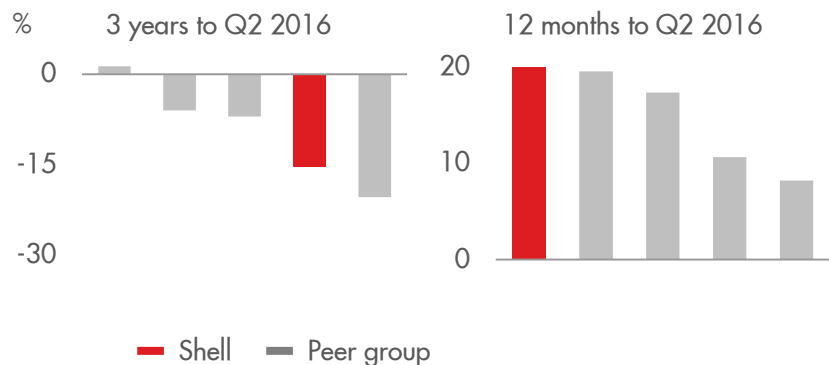
## Free cash flow per share



## ROACE



## Total shareholder return



Competitive financial data as published. Free cash flow: cash flow from operations less cash used in investing activities. \$/ADR for European companies. ROACE underlying: European companies: CCS basis excluding identified items. US companies: reported earnings excluding special non-operating items. Capital employed on gross debt basis.



# Transformation

CREATE A  
WORLD CLASS  
INVESTMENT CASE

	2013-2015 average	2019-2021 average
ROACE	8%	~10%
Organic free cash flow	\$5 billion p.a.	\$20-25 billion p.a.
Brent	~\$90	~\$60

**Improved capital efficiency:** reduced investment/FCF ratio

Capital efficiency: 2013 **spending halved & \$45 billion** mitigated

**Less cost + fewer people** with BG than Shell stand-alone: **12,500 fewer staff**

Portfolio growth: 1 mboe/d adds **\$10 bln cash flow**

Improving our metrics: **FCF/share; ROCE; net debt**

Simpler company: Exit **~10% production; 5-10 countries**

\$30bn divestments: Innovative deals like **Motiva, Showa** and **MLP**

**Energy transition:** CO2 footprint & **new energies** strategy

\$60 oil price scenario (2016 RT Brent)





---

## Questions & Answers



---

# Barclays CEO Energy-Power conference

Royal Dutch Shell plc

**Ben van Beurden**

Chief Executive Officer

September 7, 2016