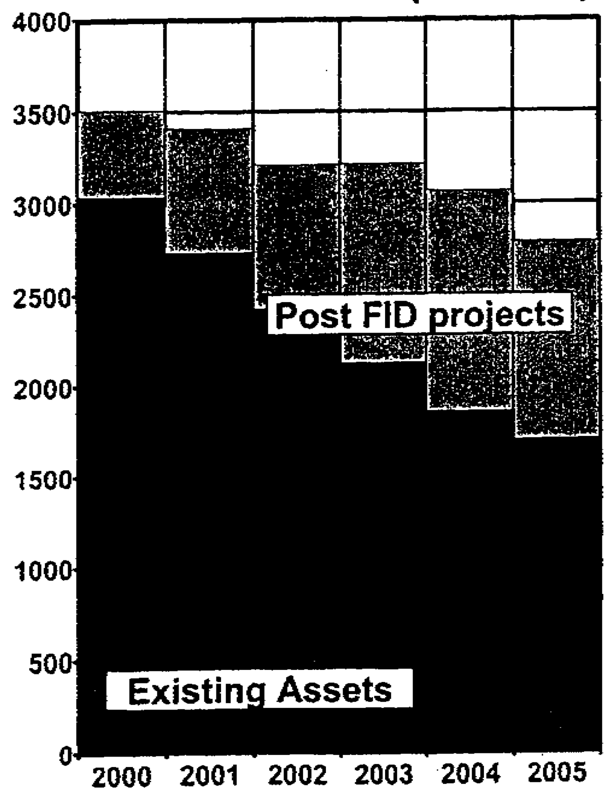
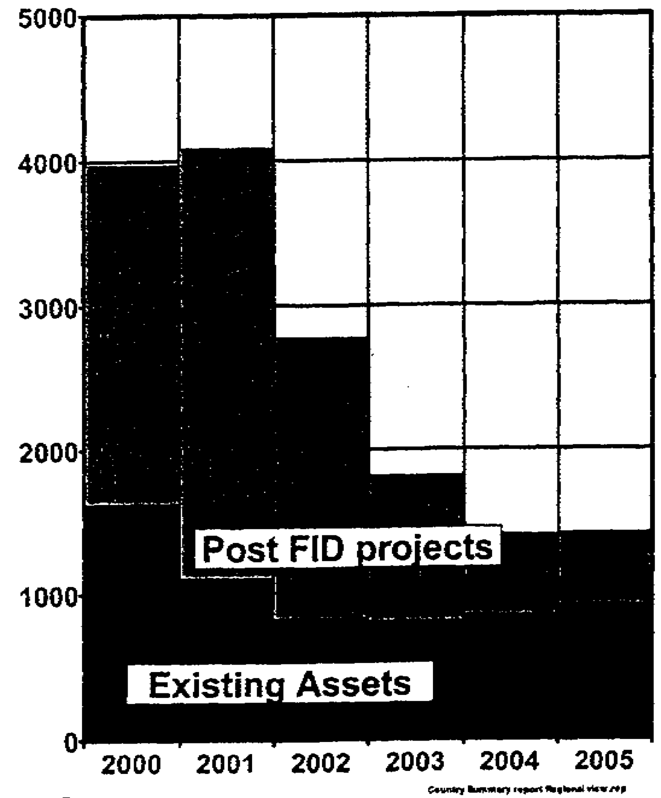
KEY ISSUES - Arresting the decline with post FID projects

Production (kbbl/d)



Capex mln ($ MOD)

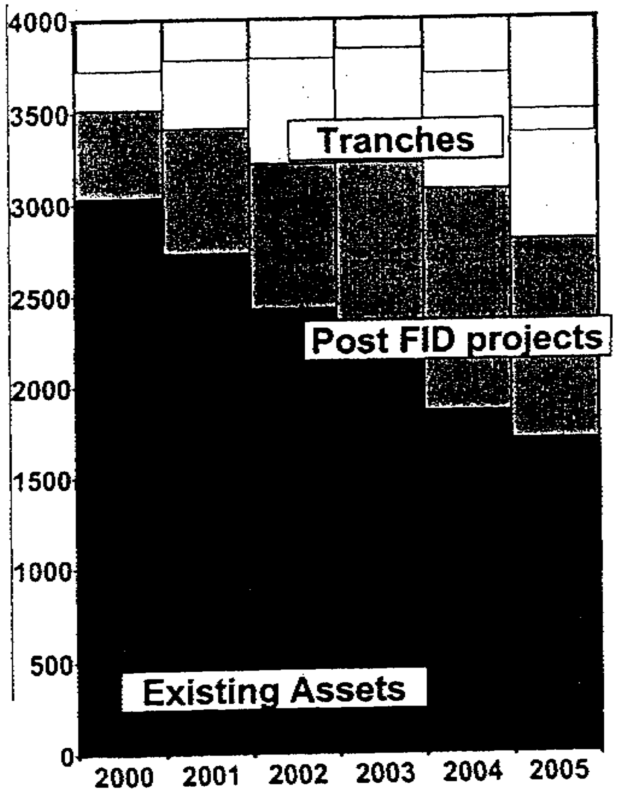


Post FID projects do not arrest the decline......
but cost a further $1.4 bln/yr ......

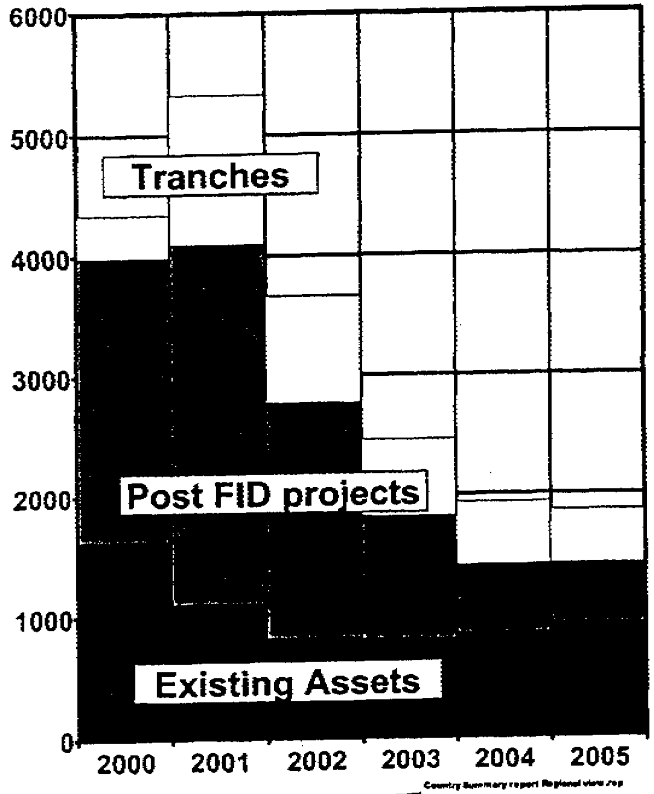
DB 07519

KEY ISSUES - Arresting the decline

Maintaining current production levels costs $5.1 bln in 2001 and av. of $3.0 bln over plan period

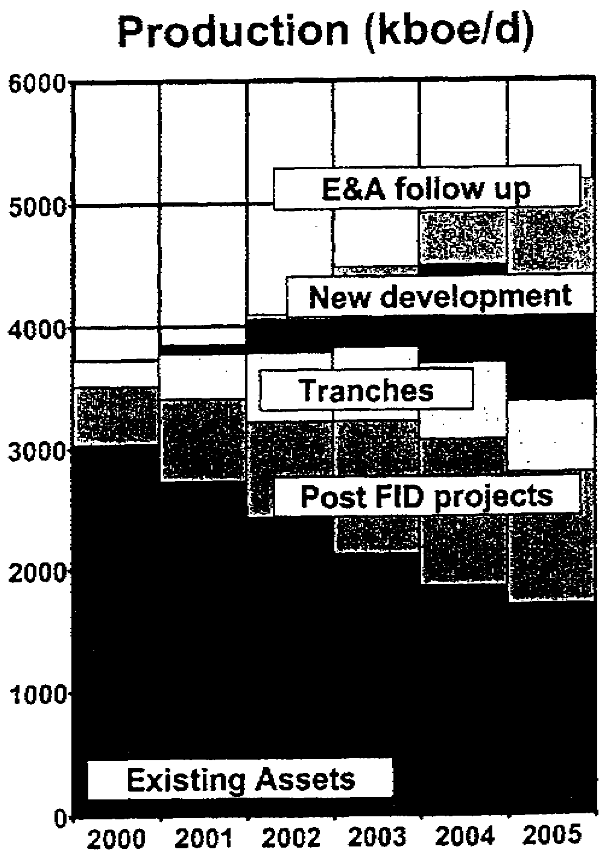


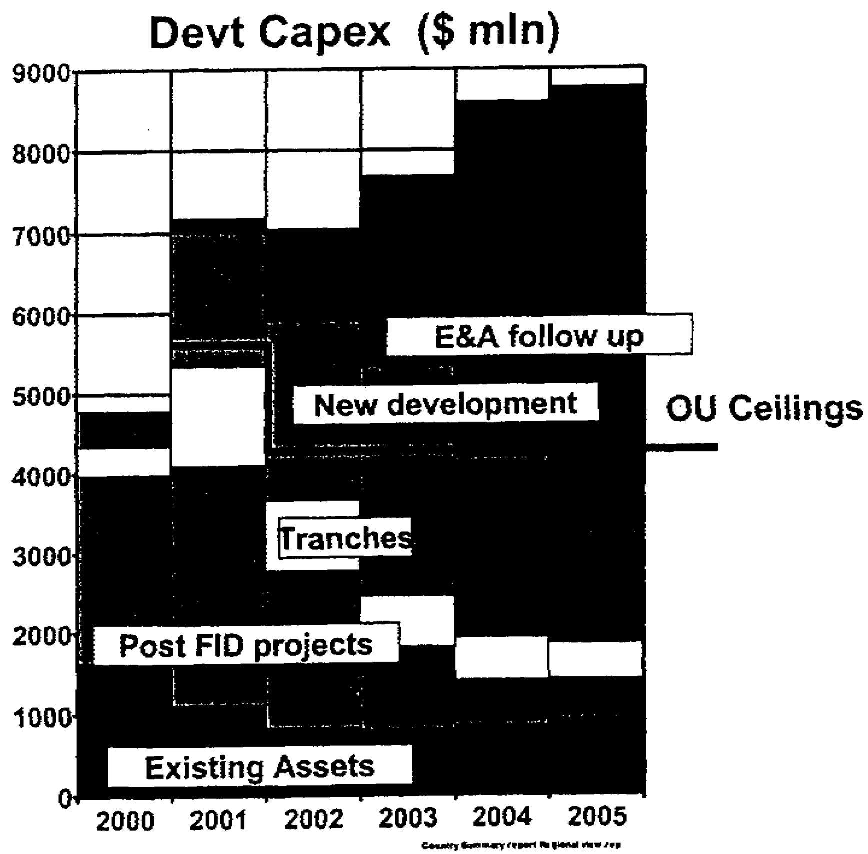
Adding tranche activity...... cost a $0.8 bln/yr but does not halt the decline



DB 07520

KEY ISSUES Arresting the decline - the new promises





DB 07521

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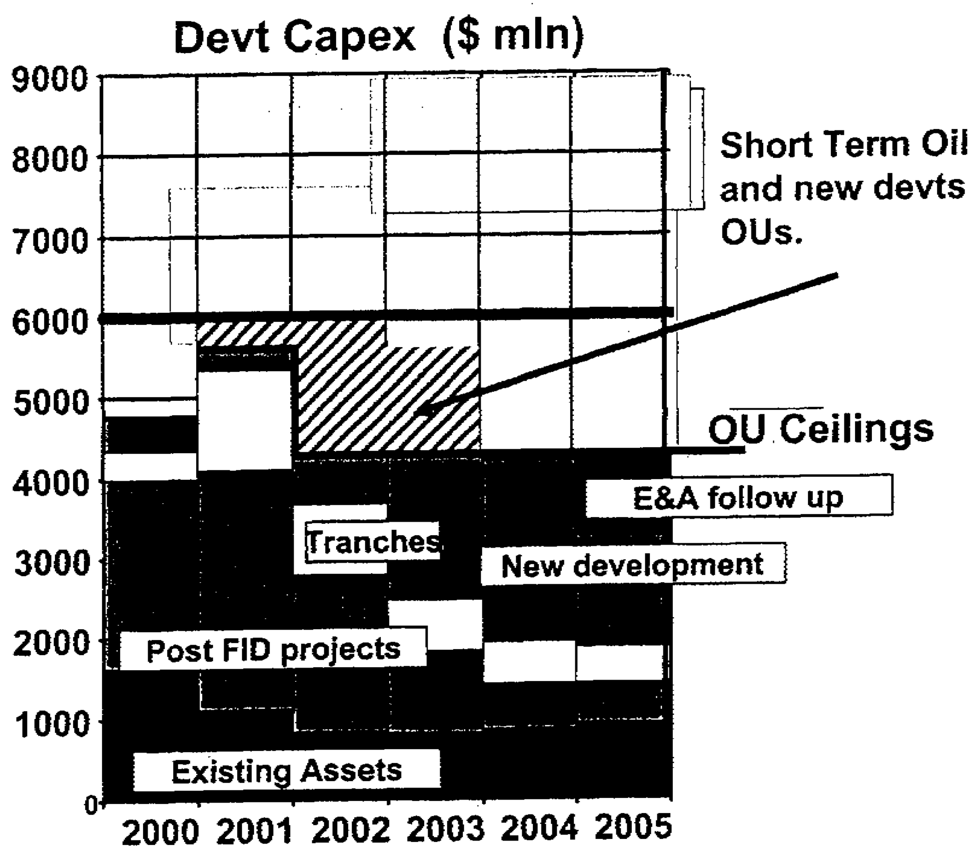
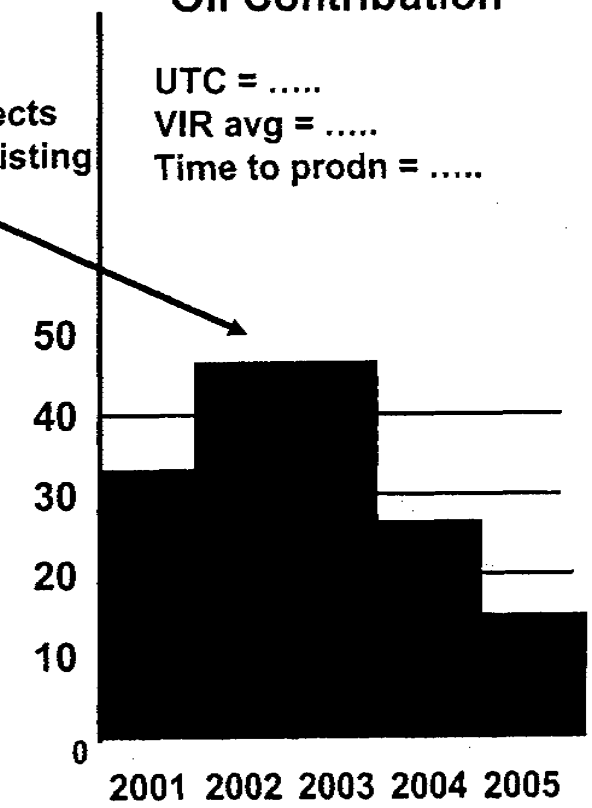
KEY ISSUES - Allowing further Funds for Existing OUs.





DB 07522

BIG TICKET ITEMS...Planned to take FID by end 2002/early 2003

Capex Requirements $ mln (till 2005)

Nigeria -Ehra	900
Egypt - NEMED (no dilute)	2000
Brazil - BC-10+	670
Angola - Blk -18	1400
China deals	600
Venezuela LNG	7
MRH Others (Kuwait, Lybia)	600
Bangestan	740
South Pars	370
Zapolynaroye	550
Saudi Gas development	2400
Sakhalin 40 % Gas devt I	1500

Possibly requiring $11,000+ mln in plan period.

Possible People Resources Reqd

Global DW Business Staffed up	Nigeria	25+
	Egypt	25+
	Brazil	25+
	Angola	25+
	China deals	25+(?)
	Venezuela LNG	(?)
	MRH Entry Others	25+
MRH & CIS Business	Bangestan	25+
	South Pars	25+
	Zapolynaroye	50+
	Saudi Gas development	100+
	Sakhalin deal & Gas devt I	150+

Possibly 500+ Staff required ....

DB 07523

Shell Expro - Existing Assets capex

Existing Assets Capex $ mln MOD	2001	2002	2003	2004	2005
Brent Gas commitments	30	21	11	1	
Gas Contract commitments	5	0	3	3	
HSE & legal obligations	5	6	6	2	
Minority shareholder obligations	2	1	1	1	0
Prime Scope Schiehallion	2	15			
Infrastructure integrity	12	10	5	5	5
Production seismic & subsurface modelling	2	0		4	0
Economic improvement	11	3	4	2	2
Minor modifications	9	8	8	6	6
Capital overheads	5	3	3	3	3
Subject to portfolio management	61	3	2	2	1
Grand Total	144	70	42	28	17

DB 07524

BSP Capex Corporate & Existing Assets

Corporate Assets

		Mln US$ Shell Share, MOD						
		BP2001					Plan Period	Common Years
		2001	2002	2003	2004	2005		
IGPDS	BP2001	4.6	4.0	0.6	0.1	1.4	10.8	9.4
Tariffed resources	BP2001	5.9	5.5	4.4	3.7	1.4	20.8	19.5
Corporate services	BP2001	0.5	0.1	0.0	0.0	0.0	0.6	0.6
Refinery	BP2001	0.2	0.3	0.0	0.0	0.0	0.5	0.5

Product flow Existing assets

		Mln US$ Shell Share, MOD						
		BP2001					Plan Period	Common Years
		2001	2002	2003	2004	2005		
SRU LAND	BP2001	2.3	1.9	0.8	0.7	0.9	6.6	5.7
SRU EAST	BP2001	3.4	4.5	2.8	0.9	0.9	12.6	11.7
SRU WEST	BP2001	3.5	3.7	2.2	0.3	0.1	9.8	9.7

DB 07525

SRU Tariff Resources

CA Category : Corporate

Category	Description	2001 Mln US$, SS	Justification
IT/Data Mgmt.	DM H/W PURCHASE	0.10	Part of budget for annual upgrades to keep the DM Unix computing infrastructure fit for purpose; essential for continuation of subsurface modelling,data management and alignment with OM/XM systems.
IT/Data Mgmt.	CORTRAN2 IMPLEMENTATION	0.26	Contract committed (40% VOWD in 2000) to replace/upgrade current application. Budget of 0.26 mln US$ SS in 2001 is required to complete the project.
IT/Data Mgmt.	AIMS FACILITIES DATABASE PHASE 1	0.24	Project to develop database to capture integrity of assets/facilities. Provision in 2001 for populating the database using in-house resources.
IT/Data Mgmt.	FIC CENTRAL SERVICES	0.06	Replacement of servers/equipment to maintain IT infrastructure service.
IT/Data Mgmt.	EP Business Systems Strategy implementation	0.59	Budget (project total US$ SS 8.8 mln) required to replace BSP's legacy of Group Common systems with an integrated solution based on the EP Blueprint. Most will be obsolete 2002/3 and Group/Vendor support will soon cease to exist. .
IT/Data Mgmt.	DESKTOP SERVICE	0.07	BSP have 20 servers to provide desktop services. These are planned to be replaced at the rate of five per year. The replacement of these servers is required to ensure that the quality of the service does not deteriorate.
IT/Data Mgmt.	EPIDORIS II REPLACEMENT	0.03	Ongoing IT system replacement.
IT/Data Mgmt.	DMR FREQUENCY CHANGE	0.75	Driven by international telecommunication rules as enforced by ITU/JTB (Brunei telecom departments).
IT/Data Mgmt.	TELECOM MISC PROJECTS	0.15	Project necessary to ensure continuity, reliability, availability and expension of Radio, Telephony communication Networks and Infrastructure.
IT/Data Mgmt.	DATACOMMS NETWORK	0.21	Project necessary to ensure continuity, reliability, availability and expension of Datacommunication & Telemetry Networks (LAN & WAN).
IT/Data Mgmt.	LOGOS MIGRATION TO POWERBUILDER	0.08	The budget covers the application's (logistics planning/scheduling) migration to software that is supported(i.e. internally within the organisation or externally), existing software is obsolete and no longer supported.
IT/Data Mgmt.	DM HARDWARE PURCHASE PHASE 2	0.07	Part of budget for annual upgrades to keep the DM ... fit for purpose; essential for ... managem...

DB 07526

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SRU East

CA Category : Existing Assets

Category	Description	2001 Mln US$, SS	Justification
HSE	Magpie Vent to Flare Conversions	0.12	To meet Group venting target
HSE	CP Natural Flow Implementation phase 2	0.59	To meet Group venting target
HSE/ Production	CP Natural Flow Implementation phase 1	0.74	To meet Group venting target and oil production targets
Integrity	Field Request Plant Change (FRPC)	0.26	Minor operational projects to eliminate shutdown and improve facility operability.
Integrity	Sand Detection	0.15	To prevent sand erosion failures and optimize production capacity.
Integrity	CPFB-7 Flare Upgrade	0.29	Upgrade on the CP-7 Flare required as a result of the recent incident on CP 7
Integrity	CP7 Fire Water System	0.29	Upgrades and study work on CP-7 Fire water system which has leaks and blockages and may need pump replacements.
Integrity / Production	CP-7 Elect Systems Rationalisation	0.38	Modifications on CP-7 electrical systems - integrity and deferment related
Integrity / Production	Remote Outstations, Power and Communication	0.15	Changeout of existing RTU's which are obsolete and not maintainable. Required for reservoir management and production optimisation
Integrity/HSE	PIMS East 2000 -2002	0.36	To allow intelligent pigging on critical pipeline.
Other	Concept Design East 2000-2003	0.03	In-house manpower and consultant related cost for conceptual design study.
Production	Well Test Metering Upgrade	0.07	Enable testing of East wells for [illegible] optimisation

DB 07527

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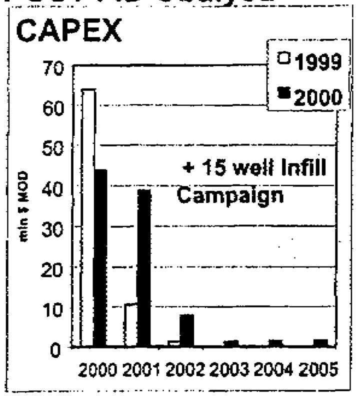
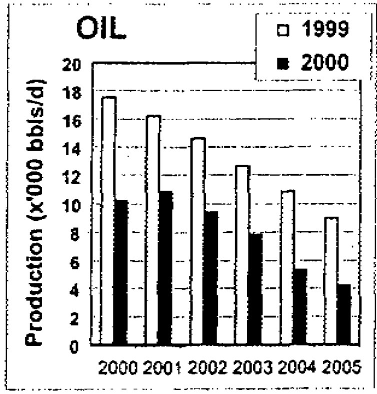
PRODUCTION PERFORMANCE FROM NEW PROJECTS IS DISAPPOINTING........

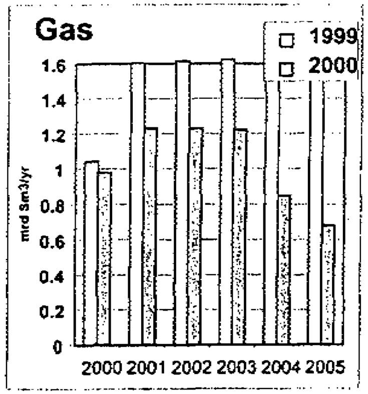
Egypt

POST FID Obaiyed

(...Rosetta same)



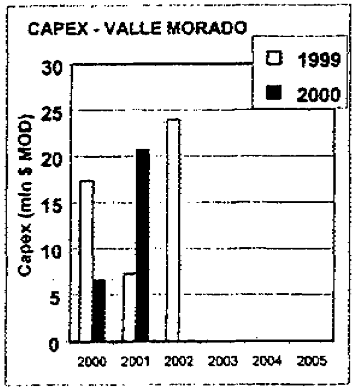


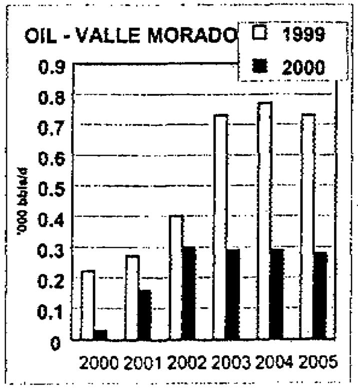


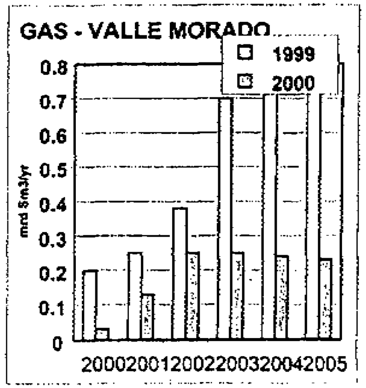
First slippage...
then less
hydrocarbons
forecast

Argentina

VALLE MORADO



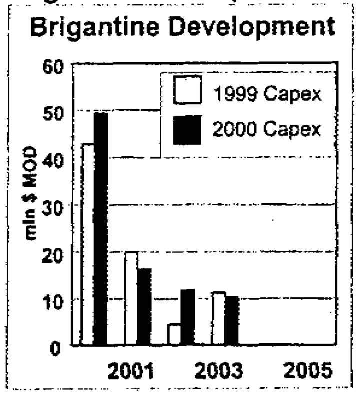


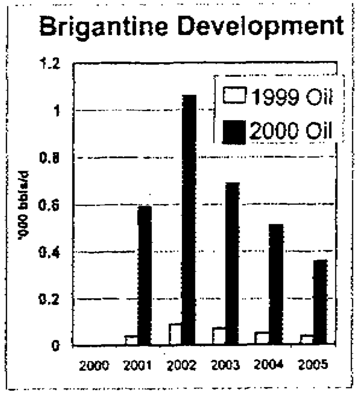


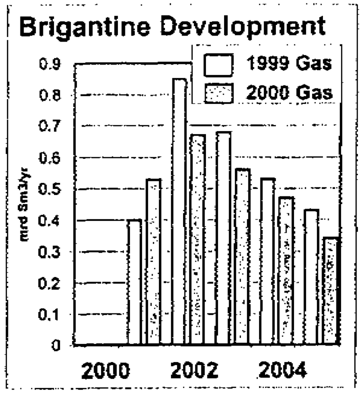
DB 07528

PRODUCTION PERFORMANCE FROM NEW PROJECTS IS DISAPPOINTING........

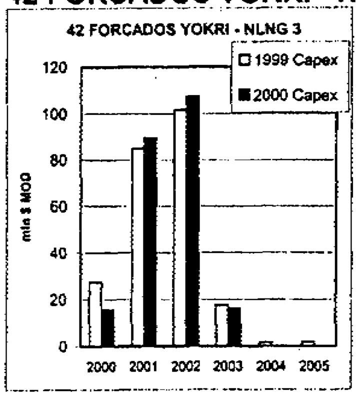
UK Brigantine Development

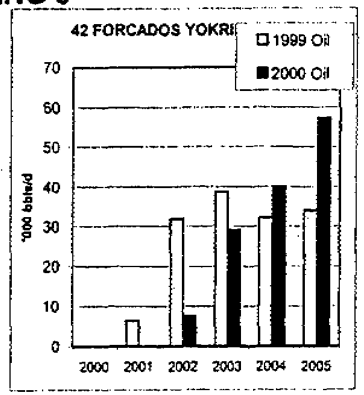


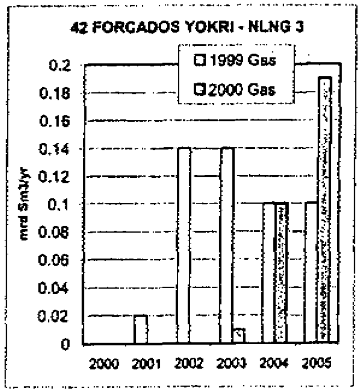




Nigeria 42 FORCADOS YOKRI - NLNG 3







DB 07529

MAJOR Post-FID PROJECTS ....CAPEX

Brutus - indications of capex rephasing...
Onstream date unchanged

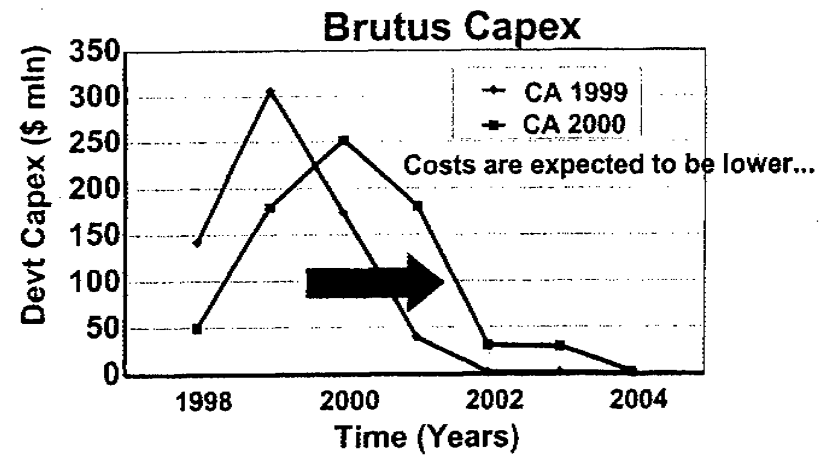
AOSP - indications that capex 2001 is larger than planned due to slippage in schedule........

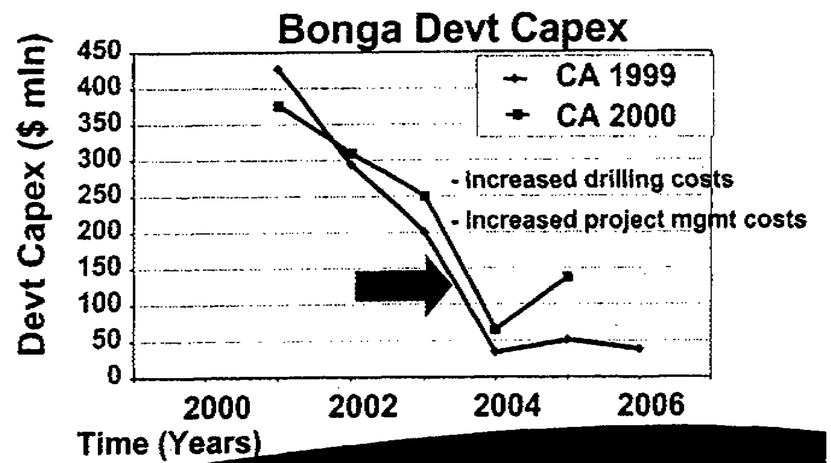
Bonga - indications of capex increase......
indications of slippage......
Onstream date unchanged

Nowrooz/Sarooz -
2001 & 2002 capex slippage......
Onstream date unchanged

Shearwater - capex will be under budget & on time....

POST-FID 2000 - Underspend Likely
2001 - $400 mln additional

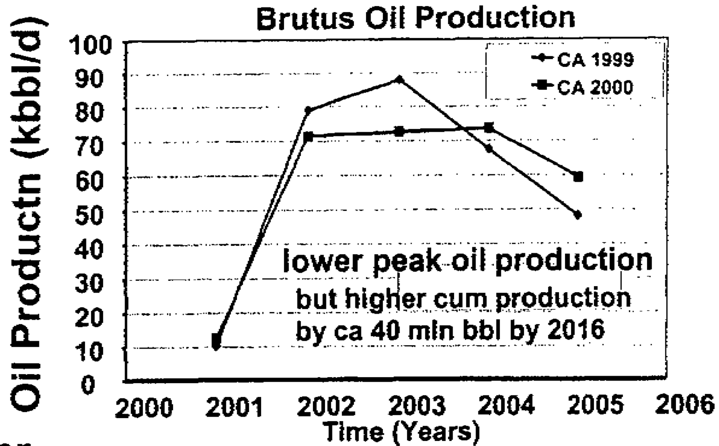




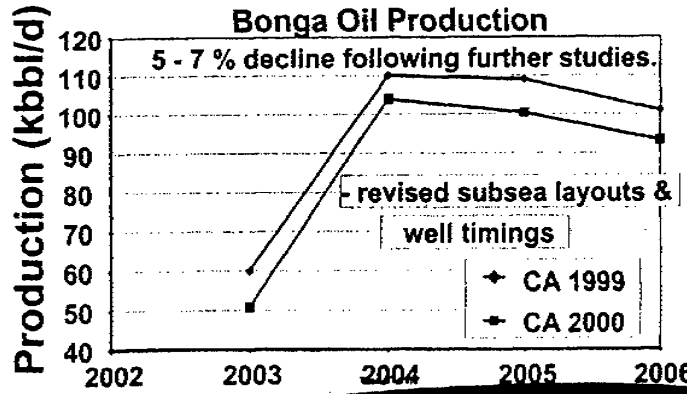
DB 07530

MAJOR Post-FID PROJECTS IN PROGRESS....PRODUCTION

Brutus - Peak production in 2002 & 2003 is now lower
Not a barrel produced yet.....
(Is this a meaningful signal ...)



Bonga - Peak production in 2003 & 2004 is lower
(system remodelling, revised subsea
layouts & well timings)

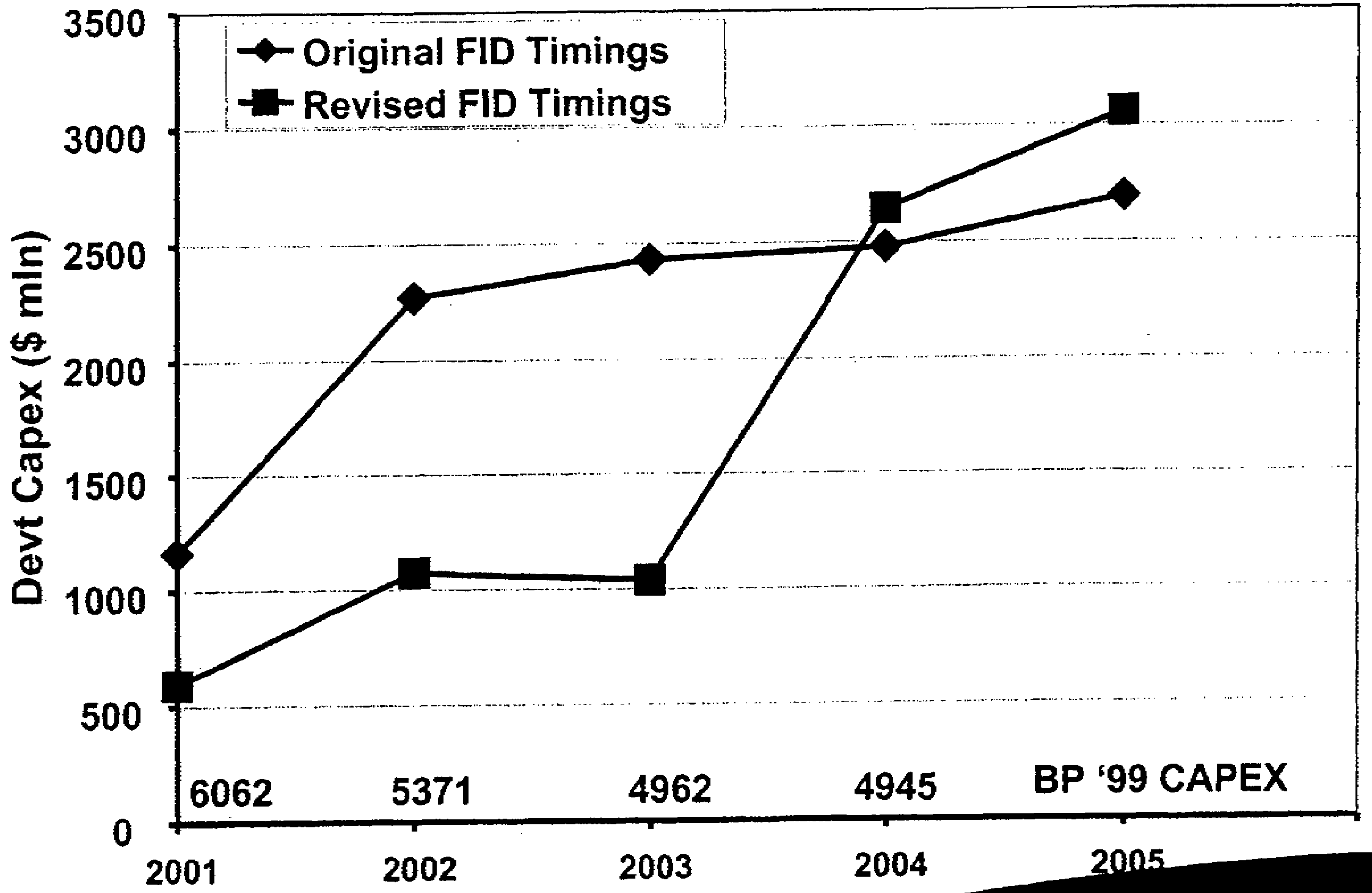


Shearwater - Production unchanged ,
capex will be reduced vs budgets.

**POST-FID Production is lower across the board
Cannot find examples of increases.....**

DB 07531

"Big Ticket" Items Additional Capex vs BP '99



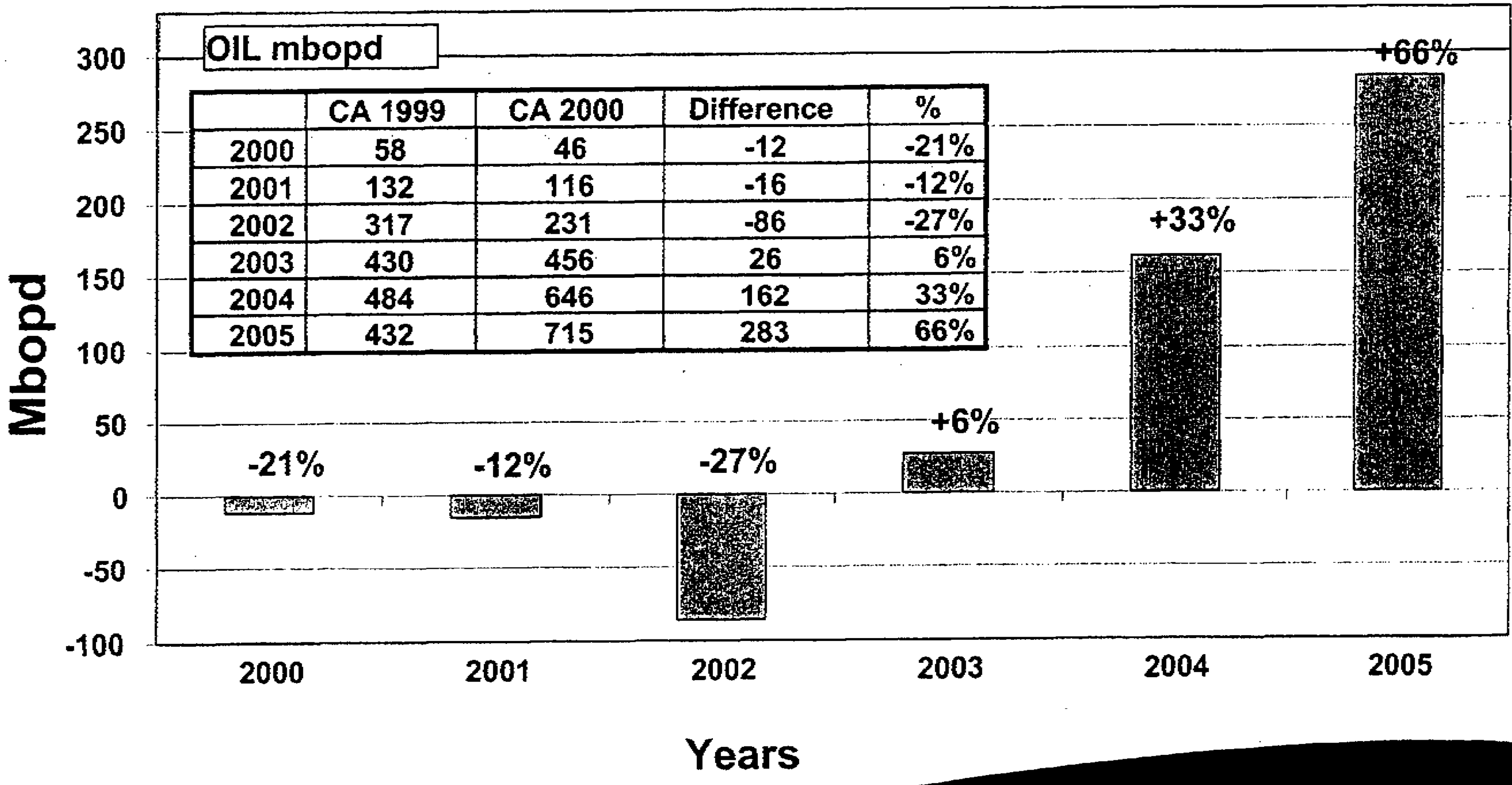
DB 07532

Oil Production Difference Major Post FID Projects

1999 vs 2000 CA Raw Data Submission

OIL mbopd

	CA 1999	CA 2000	Difference	%
2000	58	46	-12	-21%
2001	132	116	-16	-12%
2002	317	231	-86	-27%
2003	430	456	26	6%
2004	484	646	162	33%
2005	432	715	283	66%



DB 07533

Gardy, D.

From: Gardy, D.
Sent: 14 June 2001 18:43
To: VanDeVijver, Walter W.; Gardy, D.
Subject: RE: Presentations to Analysts

14/06/01
For next meeting
With Walter

Walter,

We have a 1 to 1 wednesday 20.06.
I will have a first list of items/thems and some mock up.

First week of July I will meet with analysts to hear from them...and will have a more advanced mock up.

Other checkpoints :Mid July...and Excom July 30.

Final draft Excom 23.08.

20/6/01

Review at CMD on September 3rd or 4th.

Happy to discuss.

To file
Financial Analyst Presentation
Specific folder (27)
"EP Presentation September 2001"

-----Original Message-----
From: VanDeVijver, Walter W. On Behalf Of VanDeVijver, Walter W.
Sent: 14 June 2001 19:31
To: Gardy, D.
Subject: FW: Presentations to Analysts

Dominique,

Please advise when I can look/we can discuss the first rough draft of the presentation.
I am not going to avoid the harsh realities if there is a good balanced story.
Some of that will come out of the early plan data,Q2 results/LE's and nearterm deliverables (new business,exploration, projects).
Thanks,
Walter

-----Original Message-----
From: Ewart, Pauline M SI-MGDPW On Behalf Of Watts, Phil B SI-MGDPW
Sent: 14 June 2001 18:15
To: Van De Vijver, Walter SI-EP-CEO
Cc: Henry, Simon S SI-FI; Gardy, Dominique D SIEP-EPF; Hodge, Stephen MG SI-FN; Boynton, Judith G SI-FN
Subject: Presentations to Analysts

Walter,
It was established (for Chemicals and Renewables) that it is necessary for CMD to see Business presentations to analysts in decent time before they are made. Please make sure this happens for the one for EP in the Autumn. (I will be watching any comments on production like a hawk!)

Thank you.

Phil Watts
Group Managing Director
Royal Dutch/Shell Group of Companies
Shell Centre London SE1 7NA
Tel: +44 (020) 7934 5556 Fax: +44 (020) 7934 5557
Internet: Phil.B.Watts@SI.shell.com

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4
Gardy

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From: Brass, Lorin LL SIEP-EPB
Sent: 10 July 2001 06:24
To: Gardy, Dominique D SIEP-EPF; Bell, John J SIEP-EPB-P; Van De Vijver, Walter SI-MGDWV
Cc: Thorkildsen, Alf A SIEP-EPF
Subject: RE: vol growth

All, I would just emphasise a couple of the points that Walter has made below.

There are disappointments in the short term, (UK, etc.), which lead to a lower starting point for the plan in 2002.

The base plan itself is essentially the same as last year...within fractions of a %.

And the rest of the growth last year came from options. Nearly 40 that we discounted.

SO what's different? Yes, the base seems to not be solid. That's a real issue. AND,

We have learned that the options have been much more difficult to deliver for many reasons that are somewhat beyond our control (but that needs to be fully challenged). For instance, the Saudi deal did land, as expected, as of mid year 2001, but the deal was dramatically different that what was believed last year. Many of these MRH situations are like that. Guaranteeing their delivery is not on....

That's way last year we risked nearly 40 of them into the plan...believing surely with such a quantity, we would get our fair share. That's not happening (yet) and we have been very transparent with CMD on that account....most recently during strategy discussions in April. And many times as we presented acquisition targets throughout the year.

Having said all that, we have to do all we can to bring the production forward, but at the same time be very truthful with the market.

Good luck today.

-----Original Message-----
From: Gardy, Dominique D SIEP-EPF
Sent: 09 July 2001 21:56
To: Bell, John J SIEP-EPB-P; Brass, Lorin LL SIEP-EPB
Subject: FW: vol growth

the second one...

we will have a nice discussion tomorrow!

-----Original Message-----
From: VanDeVijver, Walter W. On Behalf Of VanDeVijver, Walter W.
Sent: 09 July 2001 22:36
To: Hodge, Stephen M.G.; Henry, Simon S.; Thorkildsen, Alf A.
Cc: Coopman, Frank F.; Harrop, Michael M.; Boynton, Judith G.; Gardy, D.; VanDeVijver, Walter W. /777772
Subject: RE: vol growth

Steve,

This obviously needs a lot of debate and deep soul searching and pressure in the organisation.
The input from your discussions with analysts will be most helpful in this respect.
There is no way that I am trying to start a new page and want to forget

PENGAD 800-631-6989 EXHIBIT 1/24/07 5 Gardy

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about the past promises.
At the same time 1)we have not delivered in 2000/2001 and the first roll-up of numbers for 2002-2006 look very discouraging and 2) if the market would really believe our 5 % growth number I guess our P/E would be higher.
I am not known to be soft and rest assured that everything possible will be done but:

- last year's plan did include volumes of unrealised growth options
- our base decline is higher than was predicted (see UK etc)
- our opportunity portfolio is weak
- production being highly dependent on Nigeria
- damage would be far more severe if we had not discounted some of the growth volumes in the externally quoted numbers.

Thank you,

Walter

-----Original Message-----
From: Hodge, Stephen MG SI-FN
Sent: 09 July 2001 19:10
To: Henry, Simon S SI-FI; Thorkildsen, Alf A SIEP-EPF
Cc: Coopman, Frank F SI-FC; Harrop, Michael M SI-FI; Boynton, Judith G SI-FN; Gardy, Dominique D SIEP-EPF; Van de Vijver, Walter W SEPCO
Subject: RE: vol growth

I support everything that Simon writes on this and would add that the EP's systemic inability to realise that what they have said before is as important as what they say now is profoundly depressing. This behaviour - which includes not just this latest event but also most recently the cost promise saga and the attempt to shift from $14 to $16 oil without a scintilla of recognition of the need to explain what has changed that makes all our previous statements about $14 invalid - is simply not how business is conducted in 2001

The world out there is NOT a bureaucracy where last years budget is history and this years budget is all that matters; the world out there is full of people who want to believe what we tell them, who have confidence that we mean what we say, but who remember what we said last year and the year before and the year before that, but who are frightened of being misled by management

In short 2% not 5% production growth is a disaster unless there are good reasons for it, and the market will want to know whose head is going to roll for what they will see as blatant deception. Look at what has happened to marconi if you want to see the mood of fear and loathing that grips the markets today for management's they think have lost their grip

The contrast with BP could not be more stark. They move their production targets from 7% to 5.5% - 7% and are very severely punished. Now all the signs are that they are pulling out every stop to deliver on 5.%% and maybe 7%. We, on the other hand propose simply to declare our previous targets which were solemnly adopted and published- allegedly with safety factors in built - inoperative. I despair

Stephen M.G.Hodge
Director of Finance, Shell International Limited
Phone: + 44 20 7934 4064 Fax: + 44 20 7934 7132
Internet: Stephen.M.G.Hodge@SI.shell.com

-----Original Message-----
From: Henry, Simon S SI-FI
Sent: Monday, July 09, 2001 5:45 PM
To: Thorkildsen, Alf A SIEP-EPF
Cc: Coopman, Frank F SI-FC; Harrop, Michael M SI-FI; Hodge, Stephen MG SI-FN; Boynton, Judith G SI-FN; Gardy, Dominique D SIEP-EPF; Van de Vijver, Walter W SEPCO
Subject: FW: vol growth

Alf, re the 2% growth projection in the EP cost promise paper and the implied misunderstanding that the 5% always included acquisition growth and strategic options. The market very clearly believes that 5% growth is from identified projects. Although it may accept an amount of growth from small acquisitions eg Fletcher, because we have finessed it this way, the message we have given is that the 5% growth is compatible with the $12 bln Group capex of which $8 bln or so is EP. We have also stated to the outside world that the $12 bln does not include acquisitions, except small niche plays, although we have tried to leave some vagueness in this. I am aware that some of the $8bln is in fact reserved for acquisitions / strategic options, but am not clear if you are now suggesting the $8bln is not enough to give 5%.

The reason the market believes this to be true is the attached extracts from the EP speech in Dec 2000, which in itself was only reinforcing the earlier similar message.

So there seem to be only 2 choices
- 5% organic growth will be delivered within the $12bln ceiling: ie no change to message
- if EP confirm only 2% organic growth, then the external message must be 5% including acquisitions, but this is still compatible with $12bln.

The external consequences of backing away publicly from the 5% / $12 bln linkage are not good. I am obliged to mention this point tomorrow in CMD as the 2% figure was in the CMD paper, but I cannot comment on the underlying details other than to reinforce the fact that this is potential dynamite for management credibility and the share price.

Grateful if you can ensure Walter and Dominique are well briefed and in this loop before CMD, Simon

-----Original Message-----
From: Harrop, Michael M SI-FI
Sent: 09 July 2001 12:11
To: Henry, Simon S SI-FI
Subject: vol growth

Simon

couldn't see any questions in the NY transcript that directly relate; these are PWs words, the first para from the volume growth slide; the second from his EP summary. I would certainly interpret these as meaning that its organic growth.

I'll try and see what was said n London

Mike

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Let me show you what the volume picture will look like. I would like to reconfirm that Shell plans to increase its production by an average of 5 percent per year for the period 2000 to 2005, the same annual growth rate we projected last year. Note these figures are as usual at $14 a barrel Brent, so there could be adjustment if prices are significantly different in the future due to PSC effects. Let me remind you that this 5 percent growth rate is based on volumes from a very diverse production portfolio spread all over the globe, both onshore and offshore, from deep and shallow waters-in short, a risk profile that is globally spread and pretty low. As we have shown, this 5 percent growth target is largely supported by firm growth projects now in the development phase.

Normalized ROACE is above 15 percent-in fact, it is over 16 percent. We are well on our way to deliver the 2001 cost promise improvements, and spending is well under control. Our portfolio is very deep, wide and diversified-and, we believe, unrivaled. On various key measures we are leading the pack of the super-majors and majors, and we are determined to maintain that lead. We are building on our leadership position in Asia-Pacific. Volumes are expected to grow on average by 5 percent per year over the next five years, and we are confident we can deliver this target based on identified projects and our large portfolio of opportunities. In short, this is proven performance from a global portfolio, creating profitable growth.

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No. 2489

COMMITTEE OF MANAGING DIRECTORS
MINUTES OF THE MEETING HELD IN LONDON
ON TUESDAY, 10 JULY 2001

Present:	P B Watts	Chairman
	J van der Veer	
	H J M Roels	
	P D Skinner	
	W van de Vijver	
In attendance:	S M G Hodge	
	S A Fish	Secretary

1. MINUTES

The Minutes of CMD Meeting No. 2488 were approved, as amended.

2. OKIOC PRE-EMPTION

Din Megat and Gavin Graham entered the meeting.

Gavin Graham presented a proposal for the acquisition of additional equity in OKIOC PSA. The presenter explained that following the award of single company operatorship to AGIP, BP and Statoil have announced their intention to sell their respective 9.5% and 4.8% interests to TFE. The transaction price is $43 mln/percentage point. In terms of the PSA, the other partners have 60 days (or until around 20 August) to exercise their pre-emption rights. At present, all of the partners have indicated their intention to exercise such rights.

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6
Gardy
PENGAD 800-631-6989

The presenter briefly outlined Shell's strategic fit, the cash flow and forward economics, and the risks attendant to the proposal.

The presenter sought the Committee's support for Shell Kazakhstan Development B.V. to exercise its pre-emption right and to approve such funding as may be required for the company to increase its equity interest by up to 7.15% (bringing its total interest to 21.45%). This amounts to some $413 mln, comprising $307 mln to acquire the 7.15% interest and a further $106 mln in respect of the additional share of the exploration and appraisal programme.

The Committee expressed its support for the proposal.

Copy of Minute to: W van de Vijver.

3. COST IMPROVEMENTS REVIEW 2

Judy Boynton, Frank Coopman, Rupert Cox, Simon Henry, Evert Henkes, Linda Cook, Dominique Gardy, Peter Voser and Veronica Carter entered the meeting; Fran Keeth joined via videoconference.

Frank Coopman opened the presentation with a review of the latest cost improvements estimates for the mid-year and full year 2001. He advised that total cost improvements for the full year are expected to meet the 2001 commitment of $5 bln. The $500 mln shortfall reported at the previous meeting has been made up by the recognition in OP and GP of the foreign exchange effects ($260 mln), the inclusion of "growth" elements in EP ($80 mln) and "other" adjustments ($163 mln).

The principal points raised were:

(1) the $5 bln target will be achieved;

(2) the businesses are now more aligned;

(3) real cost improvements remain in full force;

(4) the impact of foreign exchange exposure reduces over time; and

(5) an audit trail will be maintained.

In relation to OP, the concern was expressed that there should not be a full draw-down against the foreign exchange effect in view of the post 2001 cost trends.

In relation to EP, Dominique Gardy stated that 'other' adjustments in EP relate to revisiting the 1998 base volume and the growth element relates to pre start-up costs in Sakhalin and Iran that were not included in the 1998 baseline.

In relation to Chemicals, Fran Keeth indicated that the business will achieve its 2001 commitment. She cautioned, however, that there is some uncertainty regarding the impact of volumes on cost improvements for the second half of the year. A 1% change in volumes is equivalent to $15 mln.

The Committee noted that it would be crucial for each of the businesses to retain "ownership" of its respective portion of the cost improvements.

Simon Henry then turned to the key performance measures proposed by each of the businesses for 2002.

The presenter described those factors that determine whether or not a targeted measure is well received by the market. He highlighted the potential market reactions in the event that the targets are considered inappropriate, deemed unrealistic, or are not met, or that a company's management is perceived as being out of touch with operational performance on the measures. The presenter referred to the cost target measures used by each of ExxonMobil, BP and TFE before turning to the proposals for each of the Group businesses. The Committee expressed its directional support for each of the proposed measures. It noted that the measures should be tested with reference to historical data; this information will be important when presenting the new cost reporting to the market.

The presenter then turned to the question of ROACE targets for 2002 where it is proposed that all mature base businesses (EP, OP, CH) should continue to report ROACE against reference conditions.

In relation to OP it was noted that a ROACE of 14% was expected to be achieved in 2001. The 2002 plan provides for a ROACE of 15% which was also considered achievable. In the long-term, however, strong doubts were raised about OP's ability to maintain a 15% ROACE; a band of 12%-15% was thought to be more realistic.

In relation to Chemicals, a ROACE target of "15% over the cycle" was proposed. It was noted that some explanation would be required as to what comprised "the cycle".

In relation to EP, a ROACE of 15% was proposed. A reservation was expressed as to whether this was attainable in the long-term. The Committee noted that this would be further reviewed in November. Dominique Gardy noted that the existing 5% a.a.i. hydrocarbon production growth target initially included both existing projects and strategic options. It was demonstrated that the strategic options were not materialising as planned and it was therefore recognised that the growth target in the short-term was a stretch. It was agreed that this issue would be reviewed in more detail at the 3 September Committee meeting when an advance review of the EP presentation to analysts is scheduled.

In relation to GP, a ROACE similar to 2001 was proposed. It was noted that the plan provides for growth towards 10% and thereafter to 15%. It was noted also that without growth capital expenditure GP's ROACE would be close to 15%.

All businesses were requested to ensure that track records and projections of each of the proposed reporting measures are made available during the Business Plan review process prior to final consideration of using the measures for external purposes. A 'mock-up' of the proposed overall external reporting format should be prepared for November review, ahead of the December Group strategy meeting.

Copy of Minute to: P Skinner, W van de Vijver, E Henkes, L Cook, F Coopman.

4. COMMUNICATIONS PLANNING 2

Malcolm Brinded, John Hofmeister, Judy Boynton, Simon Henry Roxanne Decyk and Sara Sizer entered the meeting.

Malcolm Brinded presented a further paper on communications planning.

In relation to "objective" (what do we want to be), the Committee confirmed the need for a catch phrase. Of the phrases put forward by the presenter, the Committee indicated a general preference for "The world's leading energy group" and "Shell – energy, performance, responsibility!" (possibly with the terms "world-class", "and responsible" incorporated also). It suggested that the absence of the word "petrochemicals" would be noticeable both internally and externally. It suggested also that it may be necessary to adopt two phrases to be used under different circumstances. The Committee requested the presenter (i) to investigate the catch phrases adopted by the other oil companies (other than ExxonMobil and BP) and (ii) to prepare a 'mock-up' showing how the phrase/s would be positioned externally and internally for further consideration at its next meeting.

In relation to "desired outcome" (how we measure success), the Committee confirmed that the one year TSR measure should be used for scorecard purposes and the three year TSR measure should be used for share options. The Committee noted, however, that the use of two different measures will provide a communication challenge. The Committee noted also that judgement will have to be applied in respect of any scorecard outcome. The Committee requested the presenter to produce a draft communication to both SEG staff and others affected by the Group scorecard for further consideration at its next meeting.

In relation to "roadmap directions", the Committee expressed a preference for "Option 2, tweak A" subject to certain further revisions. The Committee requested that a revised proposal be presented to it at its next meeting.

In relation to "targets", the Committee agreed that there would be no specific overall Group level ROACE target to replace the current "14% ROACE at $14/bbl". In its stead, the Committee supported the proposed target that "we expect our mature businesses (in aggregate) to deliver a 15% ROACE at reference conditions". The Committee agreed also to adopt a 12% ROACE on a normalised basis as the Group floor. It was noted that a 15% ROACE may be very difficult for some of the mature businesses to sustain over a prolonged period. The Committee noted also that in moving away from the 14%/$14 bbl target, the Group should not be seen to be adopting a lesser standard. The Committee requested that a further revised proposal focusing on the internal and external communication aspects be presented at the next meeting.

The Committee expressed its support for the proposed messages, format and timetable for the 2 August presentations to analysts. The Committee agreed that the focus of the presentation should be on the half-year results but with some reference to the forward look (say, on an 80/20 basis).

In relation to communications management, the Committee indicated its directional support for the proposed messages. It suggested, however, that the messages distinguish between "key" and "topical" messages. It suggested also that the messages include some reference to "customers". The Committee suggested certain revisions to the text of the "growth", "sustainable development" and "strategic positioning" messages. The Committee requested the preparation of additional examples for use in respect of the messages and that the messages be considered by the ExComs prior to a further consideration by the Committee in due course.

Copy of Minute to: M Brinded, S Henry, J Hofmeister.

5. PROJECT "SPECTRUM"

Peter Voser and Rene van Rooij entered the meeting; Gus Noojin and Steve Miller joined by videoconference.

Gus Noojin presented a further report on Project "Spectrum".

Copy of Minute to: none.

6. CELERANT

The Committee noted Shell Global Solutions' intention to pursue the acquisition of a $25 mln interest in Celerant (formerly Cambridge Management Consulting).

Copy of Minute to: M Boersma.

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7. PROJECT "RESPIRATION"

Paul Skinner reported that the joint venture agreement between Deutsche Shell and RWE-DEA was signed on 5 July. The deal is subject to the approval of the European competition authorities.

Copy of Minute to: none.

8. PROJECT "EVEREST"

Paul Skinner reported that Shell South Africa had announced its intention to sell a 25% interest in its downstream Oil Products marketing business to Thebe Investment Corporation. The South African government is reportedly very pleased with developments, which were seen as a positive and constructive response to its black economic empowerment policy towards the oil industry.

Copy of Minute to: none.

9. BRAZIL - FATALITY

Paul Skinner reported, with regret, a third party fatality following a road accident on 29 June. The accident occurred on BA 523 highway some 5 kms from the Madre de Deus depot. It appears that a Shell contractor bulk lorry collided with an oncoming taxi that had crossed over into its lane. A passenger in the taxi was killed in the accident. The accident is being investigated.

Copy of Minute to: P Skinner.

10. JAMAICA - FATALITY

Paul Skinner reported, with regret, a third party fatality following a road accident on 27 June. The accident involved a Shell Gas packed truck and two passenger vehicles, the driver of one of which was killed in the accident. The accident is being investigated.

Copy of Minute to: P Skinner.

11. PAKISTAN - FATALITY

Paul Skinner reported, with regret, a third party fatality following a road accident on 27 June involving a contractor tank lorry. There was one third party fatality. The accident is being investigated.

Copy of Minute to: P Skinner.

12. PUERTO RICO - FATALITY

Paul Skinner reported, with regret, a third party fatality following a road accident on 25 June following a collision between a Shell contractor road tanker and a private vehicle. The driver of the private vehicle was killed in the accident. The accident is being investigated.

Copy of Minute to: P Skinner.

13. NOTES FOR INFORMATION/DISCUSSION

The following matters were before the Committee as Notes for Information/ Discussion:

ITEMS FOR DISCUSSION

Forthcoming Items for CMD and Conference

ITEMS FOR INFORMATION

Partial Stakeholding in Celerant (Formerly Cambridge Management Consulting)

GBP: Delta Business Ltd / IFC Facility in Nigeria

Angola Block 34: Parent Company Guarantee

Cash Borrowing – Total Group

Unknown

From: Van De Vijver, Walter SI-MGDWV
Sent: 01 August 2001 22:12
To: Hodge, Stephen MG SI-FN; Henry, Simon S SI-FI
Cc: Gardy, Dominique D SIEP-EPF; Watts, Phil B SI-MGDPW; Harrop, Michael M SI-FI; Van der Veer, Jeroen J SI-MGDJV; Boynton, Judith G SI-FN
Subject: RE: Production Growth

Steve,

I agreed the revised text earlier today and certainly do not want to deviate from it.

The draft presentation for September is obviously going to focus on our technical competence in a very positive way (there are still a lot of good stories to tell)
There are fairly logical explanations around the higher field declines,ranging from specific field stories (Rabi in Gabon,Yibal in Oman,Pelican in the UK,Schiehallion in UK) to operational problems (Dunlin in UK,Kittiwake in UK,debottlenecking/upgrades slippage) but more importantly due to optimism in forecasting.The latter should also be seen against the background of "coming out of the hole " following the overall pain of severances,cost cutting and investment squeezes in 1999/early 2000.For the first half of 2000 e.g.Expro was ahead of target (something that had not happened for 5 years) and that was the overall prevailing "hype" going into last's years plan. And on top of that came the shock with Shearwater.at the end of last year.
During my visit to Aberdeen a week before last,I learned a lot about the "state of Expro".
This is not a "blame story" nor an attempt to be clever with the benefit of hindsight.

The facts are staring us now in the face and we need to deal with it professionally (utilizing the expertise of you et al) and with the sense of reality that does not create a real credibility problem in 2002. Hence my earlier message to give a very high level view of the currently projected gaps (not just production
but also value erosion). Technical excellence (for which we still have an "edge" on EM/BP in my opinion with some of tools/integration technology skills)
can however not compensate for some of the false optimism.
As you will appreciate developing projects in established OU's is a different challenge from developing entries/real production in the MRH's.
I would also hope that the market appreciates that we will also use capital discipline (and hence may experience slippage or exits) to get things done in the various MRH's (Saudi,China,Caspian,Iran,etc).
I remain confident and optimistic that EP will continue to do great things for the Group ,including growing production!
I look forward getting further guidance for the September analyst presentation as it matures during August.

Thanks,
Walter

-----Original Message-----
From: Hodge, Stephen MG SI-FN
Sent: 01 August 2001 21:40
To: Van De Vijver, Walter SI-MGDWV; Henry, Simon S SI-FI
Cc: Gardy, Dominique D SIEP-EPF; Watts, Phil B SI-MGDPW; Harrop, Michael M SI-FI; Jeroen Van der Veer; Judith Boynton
Subject: RE: Production Growth

Thanks

This reply copied to Jeroen, as it deals with what we say tomorrow about this issue

I summarise your reasons for the changed forecasts as follows:

The reasons are

(1) higher field declines
(2) Saudi, Bangestan. Kuwait, Libya, Zapo, Nigeria etc going slower
(3) 'Over optimism' in the UK
(4) GISCO

The speech now says

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Gardy
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"but the economic outlook is uncertain and this is affecting medium term demand growth for gas which could delay some of our projects. Also somewhat perversely the current high oil prices which are making the upstream performance so profitable are affecting the rate at which new investments are materialising"

This is now set in stone, and we should not deviate one iota from it, even in answer to questions. The only thing we should add in answer to questions is that we have a major analyst presentation on EP scheduled for 18/19th September and we will provide a full update projection at that time. We will give the market the full story then, but not before and not in dribs and drabs.

I am thinking now about how you have to break the detail of this news in September, assuming that there is indeed a firestorm of hostile comment after tomorrow (as, unfortunately, we expect)

I think In September you could weave a story around (2). it would not be a pretty one. but there is chance of getting away with it without disastrous collateral damage; this is essentially the story we are trailing tomorrow. You could also perhaps use GISCO; again not pretty but 'one of those things'.

We are not going to use (1) tomorrow. On the face of it - used as a general explanation - it calls into question the fundamental technical competence of the EP organisation. Variations in reservoir performance are a fact of life in the oil industry and a shortfall in relation to a specific field -as indeed we did have in the past with Brent- it is bad but not disastrous. Everyone knows these things happen. But to use overall decline as an explanation to the extent used in your message below is going to cause really serious collateral damage. Before we use it we need answers on which fields are declining faster than we expected, why are there no offsetting increases, and why should we have any more confidence in these numbers than the previous ones, which came with full weight and authority of the EP organisation.

And there are worse ways still in which the use of this explanation could be taken by some in the market; in short I believe that we need to very great care before we use the unexpected field decline story except in relation to perhaps one or two key fields

'Over- optimism in the UK' I have some difficulty with. How is this different from the field decline story and over optimism in relation to Saudi etc etc. Is there some difference in quality of this error?

In short I feel that we don't have anywhere near a clear explanation yet of what has gone wrong except to the extent that we can see that some major projects are going slower; so that we should not say more than this

Fundamentally if you are to retain credibility, I think you have to explain what has gone wrong almost of a field by field and project by project basis and in so doing demonstrate complete mastery of the issue. Conversely the worst thing of all for credibility is to fall short on promises and project that you don't quite know why it has happened or what you are going to do about it. And please don't let the people who have got us into this mess be under any illusion that there is an 'easy' answer here of taking a bath in Q3 '01 and then regaining credibility by substantially overperforming in '02 and '03. This is what the market thinks we did in 1997/8 and certainly they won't let us do it twice in four years. Credibility once lost takes years to regain. If you position EP as technically incompetent - as the widespread field decline story does, unless everyone else uses it - you can produce over the next few years the best reserve replacement ratios and new projects that you like and you will get little credit for them - because the credit we get for them rests on the markets assessment of EP technical competence/. You will blight the relative TSR of the Group and everyone's score card for years to come

What this comes down too is a changed assessment of probabilities. The market will understand changing the POS of the big projects, in response to the environment, and if played carefully will still give us some credit for our growth aspirations, especially if we classify our portfolio by POS, and come with a range estimate for the final outcome. What they will not understand a general downgrade of technical judgements (as indeed I cannot either)

Stephen M.G.Hodge
Director of Finance, Shell International Limited
Phone: + 44 20 7934 4064 Fax: + 44 20 7934 7132
Internet: Stephen.M.G.Hodge@SI.shell.com

-----Original Message-----
From: Van De Vijver, Walter SI-MGDWV
Sent: Wednesday, August 01, 2001 9:12 AM

To: Henry, Simon S SI-FI; Hodge, Stephen MG SI-FN
Cc: Gardy, Dominique D SIEP-EPF; Watts, Phil B SI-MGDPW
Subject: Production Growth
Importance: High

Simon/Steve,

So the following are the facts with the knowledge that we have today based on actuals and the draft new business plan:

1) 2002 we are going to be way off from last years expectation (375 Mboe/d drop) and hence with have only some 1 % growth
compared to 2001. Drop is some 200 Mbo/d (oil) through higher field declines and about 75 Mbo/d from over-optimism in the
UK (which we will never recover). Drop in gas is gain over-optimism in UK (some 30 Mboe/d) ,field declines and about 90 Mboe/d assumed from Saudi (which will just not happen).
2) growth in oil (from new 2002 baseline) will be 3 % going forward and growth in gas (from new baseline) will be some 1-2 %.
3) aside from reduced growth rates there is real value erosion (more investment).
4) oil growth rate reduction is due to higher filed declines,slippage in Nigeria compared to last year's assumptions,and slippage
in some big ticket items (Bangestan,Kuwait,Libya,etc)
5) gas growth rate reduction is due to Saudi (last year's plan had it growing to some 160 Mboe/d (some 900 MMscf/d)) and
general slippage in big ticket items (growth in NA gas,Libya,Zapo in Russia,China) plus the earlier disappearance/reduction
of Oman GISCO volumes.
6) obviously our track record on growth over the last five years and the underlying over-optimism is something to take seriously
7) most of the growth is now projected to occur after 2003,with a dip in 2005 (GISCO) and a peak in 2006!

Obviously internally I am not giving up on growth targets but there is a need to "cool" expectations particularly given the shortterm issues that are hitting us. Do not forget that the quoted growth rates above do include some real big projects that are
still far from FID (Sakhalin,Kashagan,Brasil DW,Nigeria UDW,Angola Block 18 ,GOM new (as yet undiscovered hubs),Egypt
NEMED).
So "blaming"" it on field declines and slippage on growth in emerging markets is the least we should do in order to downgrade
expectations.

Happy to discuss further,
Regards,

Walter van de Vijver
EP CEO and Group Managing Director

Tel: +3170377 7427 **Fax:** 2555 **Other Tel:** +3170377 1675
Email: Walter.W.VanDeVijver@si.shell.com
Internet:

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DG Strictly Personal

To file EP Presentation to Analysts Sept 01 (FINAL VERSION!)

Exploration & Production

PRESENTATION TO ANALYSTS

September 2001

EXHIBIT 1/24/07
8
Gardy
PENGAD 800-631-6989

Good morning ladies and gentlemen. I am very pleased to welcome you all here to the Hague in particular those who may have travelled some way to join us... And welcome also to those joining us either via teleconference or the live webcast.

For those who do not know me I am Walter van de Vijver, and I took over the leadership of our EP business from Philip Watts on 1st June. Before I begin the presentation proper I would like to make a few introductory remarks to put the next couple of hours in perspective. The tragic events in the USA last week have moved and affected us all. Our thoughts and concerns are with the victims, their families and the communities that endured these awful events. After some consideration, and consultation with our investor community, we decided to go ahead with this presentation and tomorrow's in New York.

It is too soon and also inappropriate to speculate on the possible consequences of these events for the global economy, the oil industry or the Royal Dutch Shell Group. All we can say is that we face a more uncertain world.

Moving on to our presentation, I am aware of the high level of interest because of the comments on production growth targets made in August for the period from the end of 2000 to 2005. You have already seen the key points of our presentation in headline form in the press release this morning. We will of course cover this later in the presentation,

Because these issues are so important we have taken the time necessary to satisfy ourselves that the figures we are showing you today are the best projection we can make.

For the sake of clarity I want to emphasise that the content of today's presentation does not reflect the tragic events in the United States last week.

Let us now get on with today's briefing....

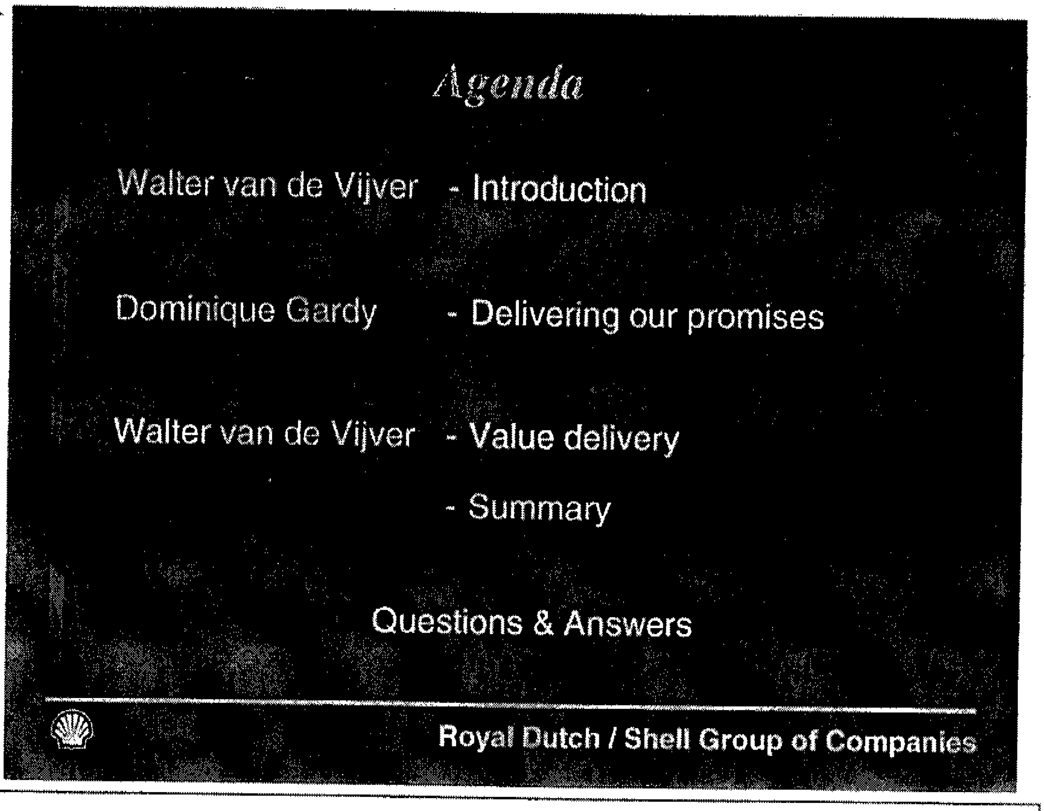
Disclaimer

This presentation contains forward-looking statements that are subject to risk factors associated with the oil, gas and power businesses. It is believed that the expectations reflected in these statements are reasonable, but may be affected by a variety of variables which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

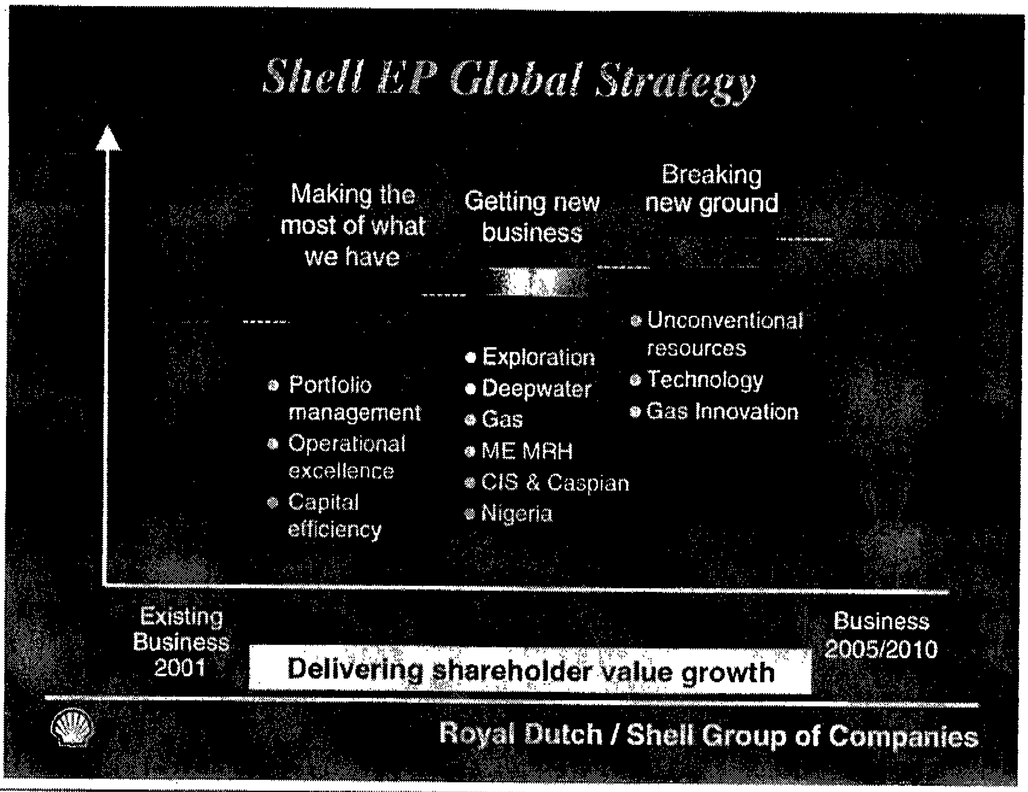
Royal Dutch / Shell Group of Companies

NOTES:

As usual, here is the disclaimer our lawyers oblige us to include.



NOTES: Here's the programme for today. Dominique Gardy, our CFO, will speak about our current track record on performance delivery – basically the progress we have made against the Roadmap we introduced to you in 1998, which comes to a conclusion this year. I will then take over from Dominique to speak in more detail about how we move forward from here. This is my first opportunity to address you as CEO of Shell EP. I am happy to have inherited a great business. Under Philip Watts' leadership, we have developed a robust portfolio, with a much improved cost structure, and the ability to deliver value throughout the commodity cycle



NOTES:

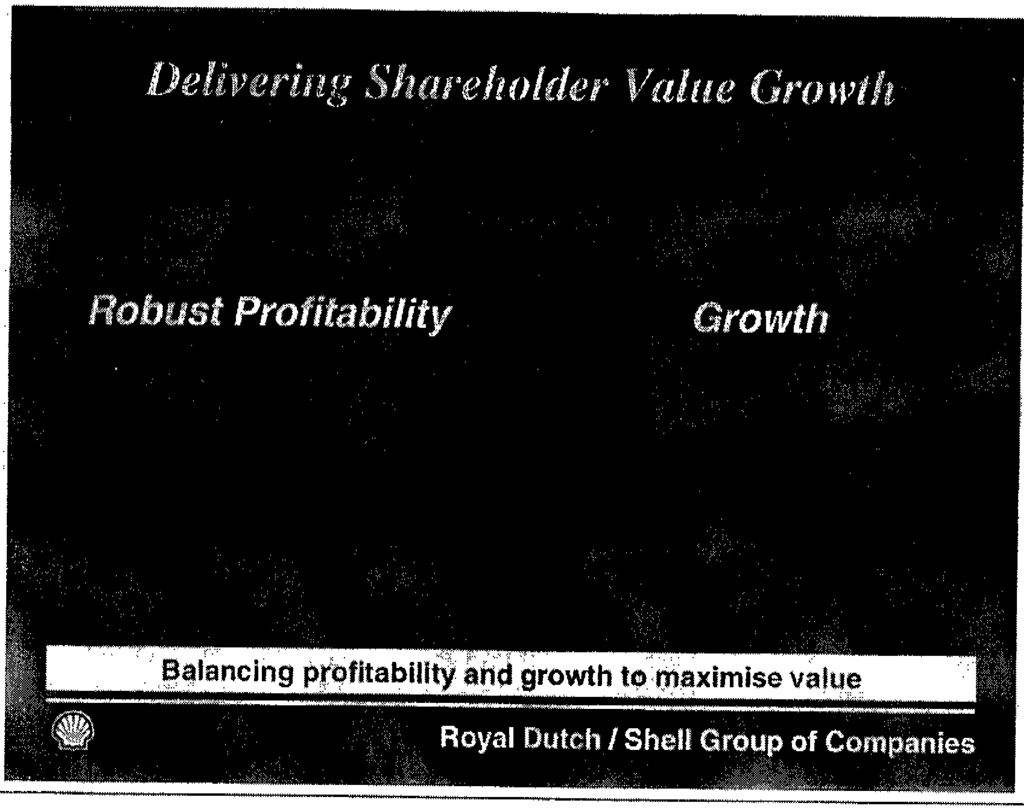
This slide summarises the global strategy EP has been following, and will continue to follow in the coming years. It comprises the following three elements.

Making the most of what we have: you'll recognise the three pillars of our 1998-2001 roadmap, supported by stronger personal accountability.

Getting new business – you'll recognise the themes we've shared with you in previous presentations.

Breaking new ground – these are ways in which we will maintain and develop our competitive edge.

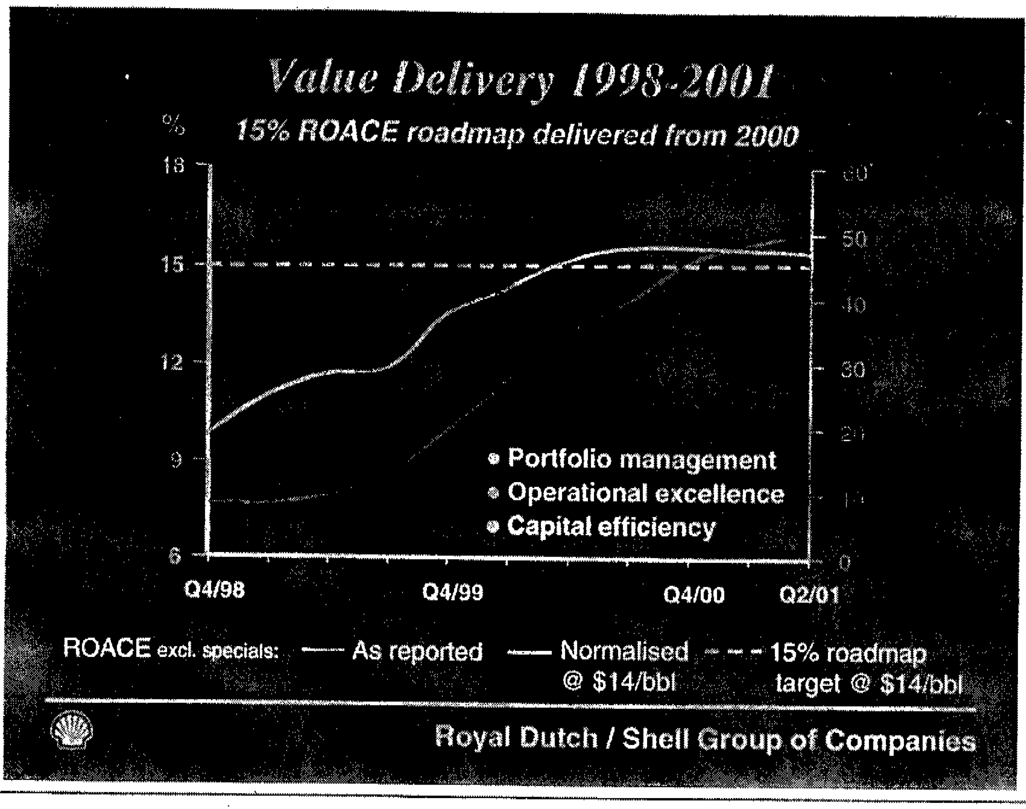
We'll be talking about the different elements as we go through the presentation. For now, let me emphasise one point:



NOTES:

The objective of our strategy is to deliver shareholder value growth. This is not new. We have chosen to emphasise value over volume and will continue to do so. The game we are in is about growing the business while ensuring sustained robust profitability. This means handling the inherent tension between the short and long term perspective with strong leadership, balanced decisions, and the ability to follow them through.

Now, I would like to hand over to Dominique, who will talk about our Roadmap delivery to date.



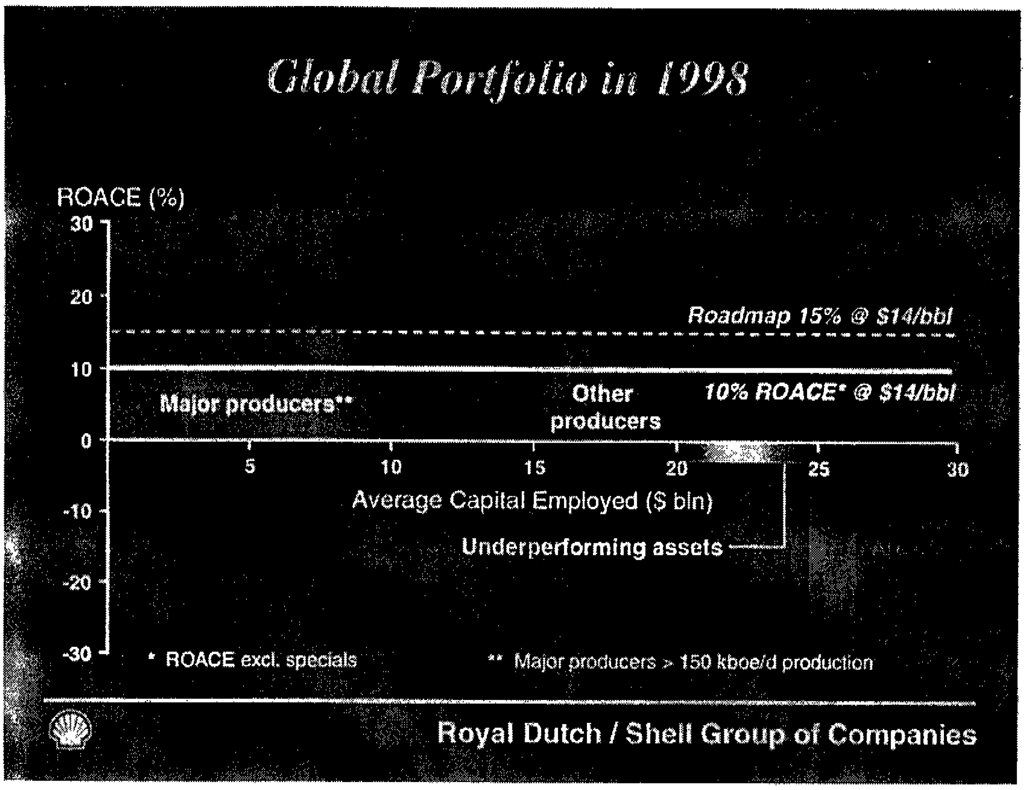
NOTES:

Thank you, Walter. Good morning, ladies and gentlemen. When we set up our Roadmap in 98, our aim was to improve profitability as measured by the return on average capital employed at 14 dollars per barrel Brent. We set ourselves a target to deliver 15% ROACE in 2001, which as you know was delivered a year ahead of the plan, in 2000. This was the result of ~~strategies~~ and actions around

delivering on our EP global strategies

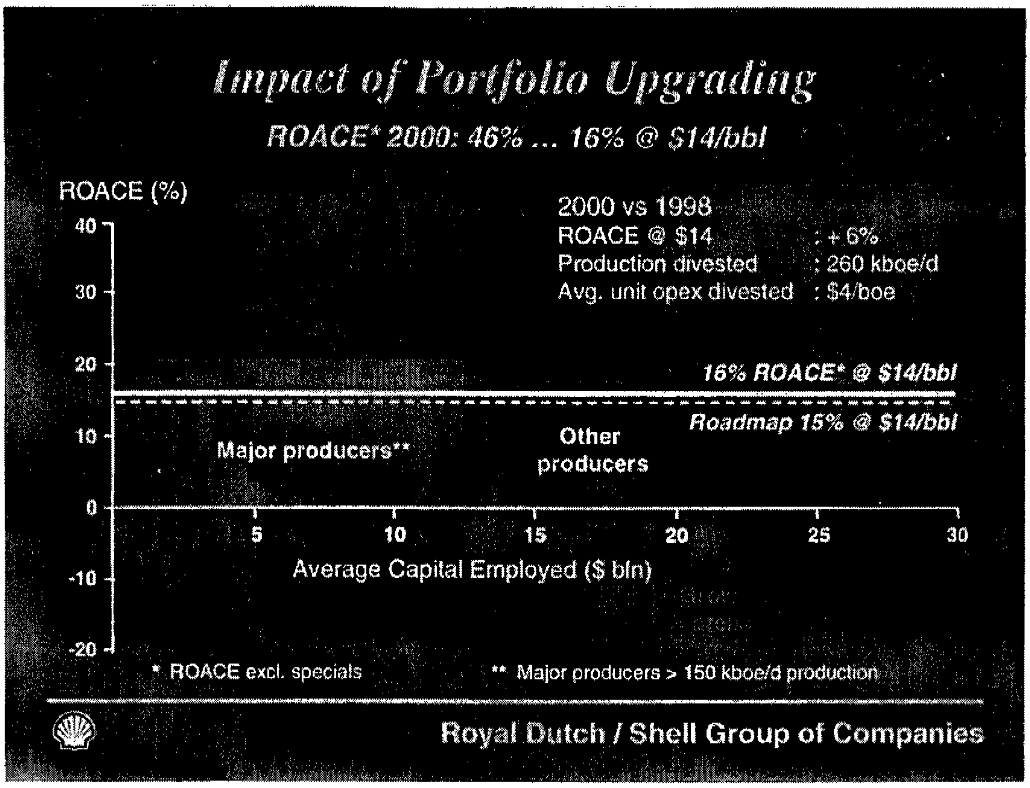
- Portfolio management
- Operational excellence
- And capital efficiency

I will cover these points in the next couple of slides. But first let me emphasise this: not only have these three elements helped us to deliver on the Roadmap; at today's prices, they are enabling us to deliver 50% return on average capital employed.



NOTES:

Let us start with portfolio management. Here is a chart which we initially presented to you in December 1998, about our global portfolio performance in 98. As you no doubt remember, we had something like 26 billion dollars capital employed, split between major producers, other producers, a few underperforming assets that were in the portfolio at that time, and some growth areas. That year, in 98, we were delivering 10% on average capital employed at 14 dollar per barrel.



NOTES:

Changes in our portfolio since 1998 have led to this graph. You can see that the various parts of our existing business are now delivering more than 15% ROACE at 14 dollar per barrel. How did we achieve that? By divesting assets with high unit costs or limited growth potential. We improved our average return on capital employed by some 6 points, a year ahead of the Roadmap which was aiming at 15%.

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