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more plays that in turn generated over 100 oil fields currently on production, with more to come. All that massive oil in place present in Oman that we are working has been found by exploration—it is pure organic exploration success. We are replicating that capability and success across the world.

Allow me to sum up. We have an exploration strategy that makes sense, supporting both production and the growth in the heartlands, as well as in the new positions. We have a track record we can be proud of and a portfolio we know how to unlock. A nice example to illustrate that is deepwater. Walter already mentioned our leadership position in that. We pioneered deepwater exploration in the Gulf of Mexico in the 1980s. We learned the ropes, built up the skills and developed the technology. We take that capability and leverage it across and into northwest European Atlantic margin, into deepwater Nigeria, into Brazil and into the basins of northwest Borneo.

Now in this century we are taking it a step further. We are building our positions in undrilled frontier basins, such as Morocco deepwater and the ultra deepwater in the Nile delta, and at the moment we are finalizing the negotiations on the terms of a large deepwater acreage tract in Tanzania. This position together with our heartlands will deliver a sustained stream of new production to Shell from exploration.

Thank you very much. I will hand over to John Darley, who will talk about technology.

#### **EP STRATEGY—TECHNICAL EXCELLENCE**

MR. JOHN DARLEY, Director, Global Exploration and Production Technology: Thank you, Matthias. Good morning, ladies and gentlemen. In the next few minutes I would like to explain how technology adds value to the EP portfolio and how our technology strategy adds value to the short and the medium, and positions us for the longer term. Our targets are very clear: to drive down unit costs both in operating and capital investment; to grow opportunities for production; to look at new ways to leverage the assets in our heartlands,

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and I will come back to that; to maximize the ultimate recovery, and we heard examples of how recoveries over time continue to grow through new technology; and finally to position us for the longer term, because we are looking outwards, particularly in R&D, at the technologies we will need five or 10-plus years out.

I do not have time this morning to cover the full spectrum of our technology, so I will focus on three areas. I will look at well technology and why we give that focus. I will look at imaging the subsurface and how that generates opportunities to defer some of the declines we see in mature fields; and I will look at the integration, particularly in the concept of smart fields, and show how each of these elements add value to the portfolio.

Let's start with the well arena. Why do we look at well technology and why is this important to us? Of that \$7 billion to \$8 billion annual investment we make in capital spend, something like 25 percent to 30 percent finds its way back into drilling and completion of wells. On the left-hand side of the chart you can see the performance in the Gulf of Mexico in driving down the time to complete or finalize the drilling phase, the complete subsea wells, taken at the period from 70 to 80 days down to about 20 days. The significance of this is very clear. An offshore drilling rig in the deepwater Gulf of Mexico will cost anything upwards of \$100,000 a day. The ability to drive down completion times and therefore costs of these wells is instrumental in maximizing the volume.

On the other side of the chart you see an example of productivity improvement in well design. This is talking about big bore wells. We look both at the well bore itself as well as the completion technology in the reservoir. This example shows production of 70,000 barrels a day from this technology during 2002. Some of these techniques use our proprietary invention of expandable tubular technology, which you may have seen in the press. This allows us to run pipe in the bore hole and expand it in situ.

Last year we successfully demonstrated what we call the monoDiameter well. The monoDiameter well has the capability to run from top to bottom a uniform diameter well

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bore. This is a major breakthrough in well design. Traditionally wells are drilled with a very large surface pipe that tapers down to a very small size. That approach in itself is somewhat inefficient in terms of the large pipe at the surface leading to only a very small conduit at the total depth. The monoDiameter concept, the ability to run top-to-bottom expandable and sequentially expandable tubular pipes, allows us to achieve both more productivity from the well and a significant cost reduction in that we remove a lot of the weight constraints of drilling wells, and are able particularly in deepwater to use generation III rigs at perhaps a cost of \$60,000 a day instead of a generation V rig up to \$200,000 a day. Again that cost is coming from efficiency improvement. This monoDiameter technology is proprietary from ourselves. It has been licensed and worked in joint ventures as part of our technology strategy to bring the technology to our own asset base very quickly.

The speed of deployment of technology for us is a key differentiator. Across the full spectrum of technologies, we cannot have the same focus, but we can identify we really need to be the lead player. We have identified four technologies. One we call 4D seismic technology, the ability to understand in the reservoir the oil and gas displacement process or recovery process in the subsurface. The technology of under-balanced drilling, which is not a Shell technology but one we recognized and believed would add a lot of value to a special focused implementation approach. I have mentioned expandable technology already, and the whole arena of smart wells.

Our focus here is to take teams able to take learning from one side of the world to the other. Our globally deployed implementation teams are focused on working with our asset base with our operating units around the world to apply a technology, to benefit from the value of that technology and take the learning and replicate it elsewhere. It is an extremely successful program. You can see our market penetration or global market share

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of these technologies in 2002. You can see the value we added to the totality of Shell's business—a material contribution to our business in 2002.

The next slide is not in your pack, but this shows the 4D seismic and the way the process works in identifying displacement in the subsurface. This is an image from the Tern Field in the North Sea. Through advanced seismic imaging we have the ability to see where oil has been recovered and where it has been displaced by the water. The lightly colored blues going to the reds are areas that originally contained oil. The red lines are the wells where they either inject water or produce the oil. The brightly colored areas are those areas of remaining oil. We can then identify where we need to put additional wells or how to fine tune the injection of production programs to manage the reservoir process.

The next shows how that works in the Dragon Field in Norway. Here you can see the original decline from Dragon was predicted in 2002 or so. By running a sequential number of time-lapsed seismic interpretation runs, we were able to manage that reservoir and drill the wells needed to further decline away from plateau, hold the plateau for a longer period and increase ultimate recovery. This is a clear example of the benefit of this technology.

Walter already mentioned Brunei and our ability to manage the hydrocarbon resource base over many years. The reservoirs in Brunei are rather complex. We have something like 3,000 different reservoir compartmentalizations in that part of the world. The picture here depicts what that might look like. The red areas in the cross-section are individual pockets of oil. The pockets of oil are underlying a green gas zone. The challenge is how to most effectively tap into each of those individual pockets of oil. Traditionally we would have drilled a number of vertical wells that would have tapped the oil, and produced that oil in very small pockets. That is often not economical.

We approached this challenge differently by drilling what we call a "snake well", which is steered through the drilling process into the individual pockets of oil and gas.

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That steering technology is coupled with an expandable technology that allows us to expand the casing in situ. The numbers refer to the control systems run into wells. Those control systems allow us to then selectively produce each of those layers or pockets of oil, so from one well we can tap this total array of potential producible hydrocarbons. You can see the value. The gain is immediately obvious in terms of production and ultimate recovery. Technologies of this type allow Brunei and other of our heartland areas to continue to grow reserves despite a very mature production history.

The technology of smart wells is already being applied in the United States in the NaKika Field, Gulf of Mexico. That field will come on stream later this year. It will be the deepest water development in the Gulf of Mexico, again pushing forward our leadership for being a water depth of 2,300 meters. Smart well technology is a key factor to enable us to recover oil and gas from six discrete fields, which otherwise would not be economic. The NaKika uses smart well technology in the same way we use it in Brunei.

Taking the technologies and integrating them is the key to gathering volume in the longer term. The picture here is a bit of a schematic of what we call the smart field value loop—the ability to sense in the reservoir the displacement process; to measure the pressure and the effectiveness of oil and gas production; to model that capability in real time; to select the options for future developments; and again in real time use telemetry, robotics and advanced, non-traditional oil field capabilities to maximize volume. We believe, and are not alone in that belief, that real value will be generated from smart field applications in the coming years. K&G [ed. query] Energy Research Associates have similar large numbers. We believe we need to be a player in elements of this and certainly a player in the integration of technologies that brings them together to capture the maximum value.

I hope I have been able to show you in this brief glimpse some of our strategy around technology. It is, first, the identification of what we really need to maximize

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volume. It does not mean we need to do it all in-house, but we need to know the key technologies that will play in our business. Second, it is deploying those technologies speedily into the asset base, and we have approaches that allow us to do that. And third, it is integrating those capabilities so we don't just capture the benefit of one technology, but the totality of the integration. It is an approach that is paying dividends for us. I have demonstrated that in 2002 and we will accelerate it into 2003 and the years ahead. It allows us to leverage technology across our global asset base with that span of operating experience that Walter already described. It is a key value driver for us and one that will complement our portfolio in the years to come.

Thank you. Walter, back to you.

#### VALUE DELIVERY

MR. van de VIJVER: Thank you, John. I hope you have a feel for the strength of some of the core areas in our business. I would like to take it forward: What will this all mean overall for the EP business?

We are currently engaged in a major change program in our global EP operations. It fits with what you heard from Matthias and John about how we will change our global operating model in EP. From now on, Matthias is the only one that has an exploration budget for the totality of the globe. There will be no more infighting, no more games on national separate, fragmented operating units. He has the ability to fully control and standardize our drive from all explorations. It is the same around technology—make sure everybody is operating to the same standards, and hardwiring all the processes and systems in our organization and align them with absolute clarity around accountability.

This is something we can uniquely do, given the scale of operation we have. I talked about the scale of our operation and being the largest operator in the world. That is why we have this unique capability to break down these barriers. On a regional basis we can align with the value propositions for staff and also make the step change in

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performance going forward. Overall it is a big-ticket item of \$500 million to \$800 million cost takeout, relative to where we would have been in 2006 if we would not have done this.

I have to be very careful and I am saying this as clearly as possible: This is not a number you should put immediately in your spreadsheets. I need to make it clear how this fits overall. There is no change within this in the commitments for 2003 and 2004. The underlying 3 percent unit operating cost takeout commitment is there; there is nothing new there. We are also committed to delivering the synergies on Enterprise by the end of this year of \$380 million—they are there, no change.

This is being proactive, positioning ourselves for the next stage of efficiency in our global business that has this price tag of \$600 million to \$800 million by 2006. We are now in a detailed design on how that will actually look in detail, because there are a lot of staff efficiencies. It is all about increased productivity and unique internal synergies; but far more, it is about the enormous ability to create additional value going forward in our business. All this is with one simple objective—we want to be sure going to be going that we are still the absolute best EP company out there in the world. That is a very important drive and a major change effort that will position us extremely well going forward.

We talked about our capital expenditure; let's now translate it into the two revenue streams. This is the same pie chart as before, splitting our portfolio in the heartland and growing the heartlands in new positions, and how that translates into the volumes we will generate by 2007. Here on the bottom left-hand side, you see the chart we showed back on February 6 on how we see building our production capability going forward. It says that over that period we will grow production capacity 3 percent on average. The larger chart shows you how the different investments translate in to create that production capability, all at reference conditions \$16 by 2007. It shows that, yes, there will be continued decline of existing business. As we said earlier, that is an average decline of about 6 percent per annum. Then you see the new projects coming through, both in the heartlands and the new

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positions that will generate the volumes, as well as what we will get from the discoveries. This is on a risk basis to show we are very careful how we predict our future potential. So nothing has changed relative to February 6.

How does this start translating into the bottom line? This chart, again in competitive context, shows our overall combined business, with EP and gas taking the midstream in LNG, and benchmarking on 2002 our unit earnings. We recognize that ExxonMobil has the benefit of a large exposure to the U.S., which gives them their position; but overall we are competitively placed in unit-adjusted earnings.

Going forward we have committed ourselves—remember February 6—to all the things that will happen in our portfolio to grow our unit earnings by an average of 6 percent to 8 percent over the next two years. This shows the components that will make it happen.

One is the portfolio mix. This is the effect of PSCs in Nigeria. This is the effect of Althabasca Oil Sands in Canada that reduces our overall effective tax rate going forward, as well as the benefits from this continued drive on technical operational excellence. This fits with 3 percent underlying unit operating cost and our taking out some of the feasibility costs as we get a better grip on the totality of our business. That will deliver the growth and unit earnings. We are competitive now, but even at reference conditions, showing forward improvements.

That is the story. We showed relative performance on returns looking backwards from a competitive position, and the performance going forward. As we mentioned before, having Enterprise fully on our books for the whole year and increasing our capital employed, we will see a dilution on our returns this year. At the same time we see some near-term dilution with the ongoing investments and these long-term projects with new legacy positions, we have a commitment to grow our unit earnings to help the Group overall back into the target range of 13 percent to 15 percent in portfolio growth, not just in EP but also in the LNG business.

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Taking it further into value growth, this is an attempt to give you a feel of how we see our value growing going forward. We will very much have a disciplined approach. We will bank our value when we make final investment decisions on particular projects. You can see going from January 1, 2003 on a forward NPV basis that we see our value growing by 35 percent by 2007. We show systematically how this value growth comes through as we make decisions on the investments. At the same time, on the bottom you see that EP will continue to deliver surplus cash that will allow for the commitment to definite growth for the Group overall.

This is a summary of the EP presentation. I hope you have a real appreciation for the strength of our portfolio. That portfolio in many areas is something the competition would die for. It is a very strong portfolio with a lot of growth still in our existing business and a lot of strong financial results from there as well. We feel this global and very balanced portfolio can leverage us going forward.

After the break when Linda talks about the gas side, you will see how the market-based approach from Gas & Power helps EP further differentiate ourselves and our ability to monetize reserves. This is all backed with our very competitive cost structure and technology strength. Thank you.

[Break]

### **GAS & POWER—OVERVIEW & OPPORTUNITIES**

MS. LINDA COOK, Chief Executive Officer, Gas & Power: I hope you enjoyed the Exploration and Production story. I spent the first 20 years of my career in the upstream. For 20 years I thought it was the most exciting business in the Group—that is, until I moved to Gas & Power three years ago, so maybe I will convince you of the same.

We last discussed the Gas & Power business with you three years ago. It is good to be back to demonstrate for you the progress we have made in our track record since the year 2000, our leading capabilities and our clear strategy for growth in key markets. Then I

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will turn it over to Malcolm Brinded, who will summarize for you some of our future growth plans and also some expectations for the future.

First I want to start on why the focus on natural gas. Our scenarios and those of most others indicate that global demand for natural gas will rise at a rate faster than that for oil, with gas overtaking oil as early as the year 2025. The relative abundance, cost competitiveness and lower emissions of natural gas make it the preferred fuel, especially for power generation. We believe Rule Number 1 for any major oil company looking to be a leader in the energy world in the 21st century is to be strong in natural gas.

The natural gas business is not only growing, but is also becoming more global and increasingly reliant on imports. These imports will be increasingly delivered as liquified natural gas, or LNG, which will capture a disproportionate share of the world's growing energy demand.

What is driving this? It is the increasing availability of LNG around the world as more projects are expanded and more projects come on stream, and also the increasing cost competitiveness of LNG compared to other sources of natural gas. Rule Number 2 for any major player looking to be a leader in the global gas industry is you must have leading capabilities in LNG.

Even with the exciting growth outlook for natural gas, some people question why we make certain investments in Shell. Some people even question why we have a separate and unique Gas & Power business in the Shell Group. I hope to make this very clear for you today. We are not in the Gas & Power business for the sake of being in the Gas & Power business. Our main objective in Shell Gas & Power is to access, monetize and add value to related upstream resources. We do not have an appetite for new standalone power generation investments, LNG projects, standalone trading positions or pipelines. We are very clear about this and I think you will see that coming through in the plans and strategies I outline here for you today.

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We are in the Gas & Power business because it makes money and it creates value—now, from our strong existing asset position; in the midterm, from a multitude of projects already under construction; and in the longer term, from a robust portfolio of growth opportunities. I referred to our strategy presentation in the year 2000 earlier, and as you can see on this chart we have actually done what we said we would do at that time. We delivered the suggested growth in LNG and more, tangible progress in new markets including India and China, increased InterGen operational capacity and continued application of new technology to drive growth.

Finally there is active portfolio management, which is important even for a growth business like Gas & Power—divesting positions no longer deemed strategic, delivering cash proceeds of over \$1 billion over the last three years. On top of that we recently closed the divestment of our shares in Ruhrgas to Eon [ed. query] in Germany, delivering \$1.7 billion of cash and a very sizeable profit we will report as part of our first quarter earnings in a few weeks' time.

During this time we have also delivered improving financial results. Earnings have increased, with Gas & Power now delivering upwards of \$800 million per year largely from the LNG business. Normalizing for LNG prices at \$16 per barrel, Gas & Power earnings show a similar trend, delivering on the order of \$600 million per annum. At the same time, importantly, ROACE is improving and investment levels are steadily increasing, driven largely by opportunities in LNG. We expect this trend to continue in the future. Most likely 2003 will be another good year in spite of the weak economy, with strong LNG prices at least in the first half of the year, and then boosted by the sizeable profit on the Ruhrgas divestment.

Another significant accomplishment I am very proud to say is early delivery of the commitment to deliver 6 percent average annual increase in contracted LNG volumes during the period 2000 to 2005. In the last one and a half years, firm midterm and long-

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term supply contracts had been agreed from our projects in Nigeria, Australia, Oman and Malaysia, resulting in growth of over 6 percent through 2005 and actually 7.3 percent if we look through to 2006, which captures the first sales of LNG to China in the Guangdong project. This growth is in spite of our exit from the Malaysia Satu project earlier this year at the end of our participation contract. This was the cause for the decrease in contracted volumes in 2003.

It is important that we understand this projection only includes volumes already under contract, so already under firm mid- or long-term contracts. We expect actual sales to be much higher. For one example, actual sales increased 18 percent from 1999 to the year 2000. For 2003 we expect actual sales to be comparable to those in 2002, in spite of the divestment of our share in the Malaysia Satu project.

As I suggested earlier, we do not pursue power for the sake of power; rather we invest in electric generation where it helps us monetize upstream resources. We have seen where having power development skills in our portfolio helps us access reserves and markets. Current opportunities for new developments include China, Singapore, and Japan.

With regard to the InterGen joint venture, as I think Malcolm made quite clear in the Group presentation in February, this strategy has shifted away from growth and towards operational excellence, cutting overhead by over 40 percent, maximizing income from existing investments, portfolio management, and preparing itself to emerge as a much stronger company when the market rebounds. Power investments still have a few difficult years of them, there is no doubt about that, in what are proving to be some of the industry's worst ever conditions—but an industry I think we all know will be cyclic.

Gas is important. The next critical question is what it takes to win in the global gas sector. First, reserves. Walter already talked about Shell's very strong position with respect to natural gas reserves and resources. But there are other core capabilities critical

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for success in an increasingly global, increasingly competitive dog-eat-dog natural gas market. I have learned this over the past three years and can attest to the value of the things on this list. You need the capabilities. You also need the leadership to pull it all together, assuring alignment with a long-term vision, defining a clear strategy and capturing the opportunities for cross-business integration. I feel very strongly about this integration potential, having spent the first 20 years of my career in the upstream.

I will just say a few words about each of the core capabilities. Walter and John both spoke about the exciting technology in the Exploration and Production tool kit. I believe we have an equally exciting competitive edge in Gas & Power, and we have proved it time and time again. Examples include being selected as the only international oil company to participate in the Venezuelan LNG project. We were awarded a 30 percent interest, in large part due to our leading technology with respect to unit cost and also with respect to CO<sub>2</sub> emissions. There is also the fact that we are in discussions in both Qatar and Iran for gas-to-liquids projects. There is no doubt having your own leading technology can lead to growth in the natural gas business.

Resource holders need to believe that Shell technology offers them a competitive value proposition. We have to be confident that our gas supplies will be cost competitive in the marketplace. That is why low-cost development capabilities are so important in this business. This chart shows our LNG cost competitive advantage over our major competitors, as benchmarked by Merlin Associates. It also highlights the potential of our new game-changer technology, which we will use in Venezuela and other future projects. This game-changer design reduces the physical footprint of the LNG project, it offers improved and simplified liquefaction process and it reduces CO<sub>2</sub> emissions, enabling us to have a competitive advantage well into the future.

You must also be trusted to deliver, and Shell's project management and technical leadership have delivered projects adding 17 percent to the world's supply of LNG since

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1999, with seven new LNG trains costing \$10 billion in three different regions, all delivered on or ahead of schedule and within budget—a huge achievement, a demonstration of our global capabilities and, importantly, monetizing considerable upstream reserves.

Being the leader in the natural gas business also requires people and skills. Across Gas & Power we have an envied team of professionals—business developers, project managers, financial experts, traders and marketers. It is probably the most diverse and experienced team in the industry, and a team I am very proud of. We have professionals of some 40 different nationalities in 35 offices around the world. The team's capabilities include project financing, such as in Nigeria LNG, orchestrating complex LNG cargo swaps and securing new customers for long-term gas supplies in new markets. You cannot overestimate the power of people, the power of local people, in developing strong customer relationships in the natural gas business.

We also have unparalleled global reach. We are involved in five of the world's 14 LNG projects, more than any other company, projects that delivered nearly 40 percent of the world's LNG last year. Our portfolio is larger and more diverse than those of the major competitors. So why is this important? Because LNG is an increasingly global business and meeting the supply flexibility and security expected by customers requires a geographically diverse and robust portfolio. LNG from one source is not enough.

Let's look at how we put our capabilities into practice in the market. I will focus today on three key markets—Europe, Asia and North America. These three markets are responsible for 60 percent of gas demand growth in the coming two decades. In each of these markets I will illustrate three things: the strength and breadth of our existing portfolio, our firm plans for midterm growth and our unmatched portfolio of longer-term opportunities.

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Let's start first with Europe. Gas demand growth will remain strong across Europe, especially in the south. As liberalization takes root, the traditional corporate structure is transforming. Companies previously focused on one country are now positioning themselves as pan-European players, and companies previously focused on gas or power are now merging to have access to both commodities. Why is this important? Because access to both gas and power to gas imports and to scale are increasingly necessary to be a competitive and efficient supplier in Europe.

What is Shell's strategy in this market? You can see the bullets in the lower right-hand part of the chart: low-cost supplies, continuous portfolio management and an experienced pan-European marketing organization.

Shell's privileged position in The Netherlands along with our positions in Germany in and the North Sea, form a strategically important, low-cost resource base. Shell gas resources supply over 13 percent of the European market today and have been a valuable source of income for many years. But Europe is liberalizing, and that is why we are restructuring our own portfolio, divesting minority shares in some entities and then shifting our activities into a single pan-European organization we refer to as "Shell Energy Europe." This organization provides a single Shell face to Europe's energy customers. This approach allows us to leverage and optimize the diverse Shell gas supplies, supplies from within Europe and from without—European gas as well as imports, pipeline gas as well as LNG—and also allows us to utilize diverse Shell marketing channels. It positions us well to capture new opportunities such as Ormen Lange, which Walter referred to in the Norwegian Sea, and also LNG imports.

The U.K. is a good example of us in Europe, a growing market needing significant new imports in the coming years. Shell is extremely well positioned to meet the demand growth, with a strong and diverse portfolio of supply. We have our existing domestic position producing 11 percent of today's U.K. gas production. We have low-cost supplies

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to import from The Netherlands and we have a 17 percent in the 12 tcf Ormen Lange field offshore Norway. There may also be a role for LNG imports in the U.K. in the future markets, but they are likely to be the high-cost source. Shell Energy Europe will be responsible for Shell's supplies to the U.K., insuring we have maximized the value of Shell production wherever it is, and meet the needs of our U.K. industrial and commercial customers, today totaling over 6,000.

Another European example is in Spain. Here you see in the upper left-hand chart we have carved out a significant share of the growth in the Spanish market for Shell supplies. This has been accomplished from a variety of Shell activities, including Nigerian LNG, Oman LNG and Shell's own direct marketing efforts. We recently secured further sales in this market through a tolling deal with the ESBII power project near Bilbao in northern Spain. Expected to start up in the year 2005, Shell will supply the gas, which is equivalent to 0.7 million tons per annum, and sell the power to the Spanish electricity market. This tremendous progress in terms of capturing new demand for Shell supply sources illustrates our commercial skills and the strength of diversity in supplying Spain—diverse supply sources and diversified sales channels with industrial and commercial energy customers.

Now to the area where I spend much of my time, Asia Pacific. Why do I go there? Believe me, it is not because I relish the idea of spending endless days and nights and airplanes, but it is the home of my biggest customers and also some of what I believe are the biggest gas opportunities for Shell. Already the largest LNG customer, demand is set to grow, and customers in this region are the most reliant on imports, more so than any other region in the world. The customers are worried not just about price, but also about diversity and security of supply.

Then there is the potential of India and China, two of the world's fastest-growing energy markets. Shell's strategy is to have multiple low-cost and diverse supply sources to

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capture growth in the emerging new markets and to maintain our strong customer relationships, relationships we have had with many customers for decades now and that are so important in this particular region in the world.

Shell is by far the leading supplier to the growing Asian Pacific market with almost twice the sales of our nearest competitor. We have a strong asset position, a position that will deliver midterm growth through the startup of projects already under construction in both Malaysia and Australia. In fact, the Malaysia Tiga project loaded its first cargo of LNG just last week and is currently on route to Japan. We have the strongest portfolio of longer-term opportunities, with greenfield LNG possibilities in both Russia and Australia, and our strengthening market positions in China and India.

I think it is revealing to compare the LNG growth portfolios of Shell and our major competitors for supply to the Asia Pacific customers. The lower two segments on these bars indicate existing capacity and expansions already under construction. When you add to that the opportunity to grow these assets through further brownfield expansions, and then add the greenfield or new project opportunities the companies have under development such as Sakhalin, Gorgon and Sunrise for Shell, it is easy to see why Shell will remain the leader in gas supply to this region.

Now looking to China, a country with a future that will require significant and diverse energy sources. I have been to China on numerous occasions and there is a clear determination in the country for natural gas to play a critical role in meeting the growing energy needs in order to fuel their economy and growth. Shell has the broadest portfolio of opportunities among our competitors, with potential resources in the East China Sea in the Ordos basin, the largest supplier supply of LNG to Guangdong with a 22 percent interest in the Northwest Shelf project, and our intended participation in the west-to-east pipeline project integrated with Tarim basin upstream. We are working towards a broad position in the country, a country whose gas market could be larger than the U.K.'s by the year 2020.

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Walter has already referred to the Sakhalin II project. From a Gas & Power perspective, we are equally excited about its potential. The two-train project will utilize Shell's LNG technology and proven major project delivery expertise. Reserves rich in liquids help make it competitive in spite of its high capital cost. It is a major addition to our LNG portfolio, with Shell's share of Trains 1 and 2 amounting to nearly 60 percent of our 2002 LNG sales. Then there is the expansion potential beyond the first two trains, enabling additional value growth for the future, something we have demonstrated time and time again in places such as Australia, Malaysia and Nigeria.

Sakhalin II is strategically important for the region. The value to Asia Pacific customers of a new, diverse supplier cannot be overestimated. But still it has to be cost competitive, and Sakhalin's proximity to the key markets as shown on this map give it a major strategic advantage. I am pleased to say the project has made some important steps towards a final investment decision. These include well-advanced discussions in Japan with Tokyo Gas and other customers for volumes totaling on the order of four million tons per annum. Discussions are also underway with many other potential customers, including in Korea and China. We look forward to a possible go-ahead decision for Sakhalin II later this year once all necessary conditions are met.

I have already referred to India as another key growth area in the future Asia markets. It is our long-term view there is a clear need for imports to help the country meet its energy needs. That is why we are moving forward with the construction of our Hazira LNG important near major potential energy markets. We believe Hazira will have the cost positions and our supplies will have the cost-to-supply positions to enable us to make good inroads in securing demand for Shell gas in this emerging market.

Finally, closer to home for you and also for me, our third major market, North America. Challenged to produce more domestic gas, both the U.S. and Mexico are looking to increase imports, in particular in the form of LNG. Expansion of existing LNG import

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terminals alone in the U.S. could enable it to be a larger importer of LNG to Europe by the year 2005. Gas prices in the U.S. have recently been quite high, as you are all aware, trading in the range of \$5 to \$10 per mm btu. These levels will not be sustained, but it is our view that prices will remain high enough to support pursuit of additional domestic resources as well as additional LNG supplies. Shell's strategy in this market, as Walter mentioned, is to expand in the upstream where it makes sense and also secure a significant share of LNG import capacity, then leverage the strength of our marketing organization in the U.S., Coral.

Shell is already well positioned throughout the value chain in North America. We have gas production in the U.S. and Canada, and have been successful in securing LNG import capacity in the U.S. and expect to secure more in the future—again, always tied to Shell upstream projects. We are very well positioned in that regard, with remaining expansion potential in Nigeria as well as the future potential of the Venezuelan LNG project.

Coral is a real enabler for accessing the gas market, a real survivor during these very difficult times and an important, experienced in-house capability for Shell. Over the years it has built a solid portfolio of positions in both gas and power. Today Coral is the second-largest gas marketer among our major competitors. It is well-positioned in gas, marketing Shell's upstream production in the U.S. as well from Shell Canada. It has a diverse presence in electricity through the marketing of InterGen merchant power and through tolling.

Coral's tolling deals form an important part of the Coral portfolio, providing diversified marketing opportunities. Coral is part of Shell's global trading network, leveraging the Group's worldwide control systems and risk management processes and skills, all proven by Shell's global trading business, which has a long history of sustained profitability.

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Importantly, Coral is also our vehicle for marketing Shell LNG imports into North America. Shell believes in the potential of LNG for the U.S., and as the world's largest supplier of LNG, we believe in our potential to create value from it. We are well-positioned with respect to supplies and have already secured the most LNG import capacity of our major competitors, with positions in two of the four existing U.S. terminals, Cove Point and Elba Island.

We are pursuing new projects as well. One new project targets LNG imports through the offshore Gulf of Mexico. Shell is uniquely positioned to deliver this project with our extensive offshore infrastructure, access to existing natural gas processing facilities and Coral to secure the onshore gas transportation and market the gas to customers. The preparation of permit applications is well underway and we hope to make real progress in the coming 12 months towards an investment decision.

Another project targets LNG imports into Baja Mexico to serve both the gas markets of Mexico as well as California. All key permits have been submitted for our site near Ensenada, and we are hoping for necessary approvals within the next few months. The project makes obvious sense for Shell, enabling access to the large and flexible North American market for our diverse Asia Pacific LNG supply portfolio. Having access to the North American market helps the LNG project secure early cash flow, and it also facilitates us to deliver against growing customer demands for increased flexibility in the Asia Pacific market.

We will leave North America now and move back to a global view. I have talked a lot about the opportunities for Shell in both supplies and markets. A critical link between all of these things is what we refer to as Shell International LNG, or SILS. The SILS organization serves as Shell's global buyer and seller of LNG, complementing the marketing activities of our joint ventures, adding value to our supply projects and helping us establish positions in key markets.

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It also manages our shipping. Two additional ships will be delivered in the next 12 months, bringing our fleet of Shell-owned LNG ships to five. These ships are used to optimize the value of our existing supplies, to assist LNG joint ventures when they need access to additional shipping and also to assist our customers when they have needs for additional supplies. Already staffed with some 40 people in four offices around the world, SILS is the world's leading global LNG organization.

Other companies like to talk about an occasional LNG cargo swap. This map shows just three Shell-facilitated cargo swaps, all executed in the first quarter of this year. We identify such opportunities for the benefits of our partners and customers. Having the knowledge, the relationships and the ability to link supply capabilities with customer needs, and having the shipping to insure physical delivery, are key to generating value for all parties involved.

SILS, with the knowledge in all LNG time zones, is well-positioned for the business and increasingly will play an important role for Shell.

That is all I have to say about the Gas & Power business at this point. As you may be aware, or as Walter actually mentioned earlier, I will be leaving the post of CEO of Gas & Power in the middle part of this year to take over the role of CEO of Shell Canada. Leaving this fantastic job actually is quite difficult; but leaving is made easier by handing the reins over to Malcolm Brinded, who has been overseeing Gas & Power for the last nine months as managing director.

I will turn it over to Malcolm now to talk about what you can expect in the future.

#### **FUTURE OF GAS & POWER**

MR. MALCOLM BRINDED, Group Managing Director, Gas & Power: Thank you, Linda. Linda can rightly be proud of having built what is a very dynamic and successful Gas & Power business.

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In these last few slides I would like to give you an outlook for exactly what that will mean over the next few years and for the longer-term future. I will start with trying to build up, slide by slide, what is happening over the next few years.

If we start with what is going on now, you see Nigeria LNG Train 3, started up at the end of last year and now ramping up production, and Malaysia Tiga 1 that loaded its first cargo last week, and coming later in the year, the second train in Tiga starts out later in the year and the capacity into Cove Point.

Moving to next year, we have the fourth train in the LNG supply side. We have the fourth train in Australia, in the Northwest Shelf project. Towards the end of the year we have the Hazira re-gas\* terminal in India starting up. You see that new LNG two ships have appeared to add to the two we just had delivered. In fact, we will have five LNG ships in all to optimize the trading that Linda referred to at the end of her presentation.

We keep going into 2005, with the fourth train of Nigeria LNG. The third train has added another three million tons and another four million tons comes with the fourth train—new capacity into Elba Island and re-gas capacity into that crucial and fast-growing LNG market in the United States, and the tolling and gas supply deals into northern Spain that Linda referred to.

The last picture is 2006. By then the fifth train of Nigerian LNG brings it to 17 million tons per annum of LNG capacity, the third-largest LNG plant in the world. You see also in 2006 in China the beginning of that supply from the Northwest shelf to Guangdong, the first LNG supplies into China— 3.3 million tons per annum with a 25-year contract. Remember, we expect the China market to grow eight to 10 times over the next 20 years in gas supply. As Linda says, they are absolutely committed to do that for economic and environmental reasons. This is all firm stuff. I should add that on top of the gas and LNG and re-gas terminals we have the eight additional InterGen plants, bringing us

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to 20 in all and by the end of 2004, 10 gigawatts of power capacity. All are firm approved projects.

What does that mean in terms of LNG volumes? Here is the graph. On the left-hand side are actual sales and the buildup of capacity from those firm projects. Then on the right-hand side is the two-step increase we would expect to see from Sakhalin when the go-ahead is given. You can see what that will do. On top of that we have additional opportunities in expansions to existing facilities—a third train in Oman, a fifth train in Australia and a potential sixth train in Nigeria. We hope to see all these projects go ahead in the next couple of years or so.

I would like say, just to reinforce the point Linda made, that we can now firmly that we have delivered on the commitment to a 6 percent growth in contracted sales and 7.3 percent for the period 2000 to 2006. I am not making any new promises today or any new targets, but you can see from this chart what could be possible.

If we look longer-term, there is more to come. In expansion of existing facilities, I mentioned the potential in Nigeria, Oman and the Northwest shelf. In new LNG supply schemes, we have Sakhalin. We also have good prospects in Australia, with Sunrise and Gorgon, and in the Middle East and in Venezuela, projects we hope to see go ahead in the next few years. In re-gasification capacity, we have the capacity secured already in the United States, with additional prospects in the Gulf of Mexico and in Mexico itself to supply capacity into the U.S. and others around the globe. In pipelines, we are working in China, the Gulf of Mexico and the North Sea on major infrastructure potential projects. In power, there are not only the InterGen projects that are underway, but also the potential for new power projects, providing they are linked to equity Shell gas supplies in Japan, China, Singapore and California and elsewhere.

Finally, appearing on the map now are a couple of opportunities for gas-to-liquids technology. I would like to talk a little bit about gas-to-liquids, which I think is a

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technology as potentially exciting for the next 30 years as LNG has been important to the growth of our business and the monetization of gas reserves over the last 30 years. Let me explain why GTL technology is potentially so important. There were quite a few questions on this in February 6. I realize some of you are familiar with it and some are not.

If you look at the left-hand side, there are vast reserves of gas around the globe, 5,000 tcf of proven gas reserves and a lot more additionally that is not yet appraised or explored for. That gives us a reserves-to-production ratio of 60 years, and a lot of it is remote from existing markets.

Gas-to-liquids technology enables you to shift from trying to penetrate and access LNG markets—important though they are and growing at quite a fast rate, there is a limit to how much gas they can take—into a liquids market that is much bigger. Gas-to-liquids produces ultraclean fuels, meeting the highest standards of specifications from an environmental and performance point of view. The key point is that Shell has proven proprietary technology. At the bottom of the picture you see the Bintulu plant in Malaysia that has run for 10 years and achieved extremely good levels of reliability and performance. That gives the confidence to go ahead with the potential for mega-investments in the future. We know how to get the maximum value from the products from this whole industry. At the moment we are selling the Bintulu products into a range of global markets. In particular the ultra-clean gas oils go into the diesel fuel sold in Bangkok, which gets a premium of about 10 percent relative to typical gas oil and is selling very well there.

So our focus with gas-to-liquids is on the Middle East. We are focusing there because that is where the largest, toughest-to-monetize reserves lie. It does not mean the gas-to-liquids technology will be limited to those areas, but they are the right place to the focus today. It is important that host governments in that region recognize the value

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proposition that gas-to-liquids technology offers to them to access new markets, bring more investment into these very substantial plants and actually accelerate production.

We particularly focus in Iran and Qatar, on the field known as South Pars in Iran and the North Field in Qatar. It is something like 20 times the size of the Groningen field Walter referred to earlier, which has been the key driver of the development of the gas industry in Europe over 40 years. So the significance and size of these reserves is enormous. A gas-to-liquids project in Qatar, for example, would require access to about eight tcf of reserves to develop 140,000 barrels a day of capacity. This is not a short-term business. Again, this is about creating long-term legacy positions. We are making good progress in the commercial discussions to actually bring these opportunities to a reality.

What can we expect in Gas & Power if we bring this together? We can expect growth in value and in volumes of gas and also of power and power sales; growth in investment, from \$1 billion per annum last year that we expect to maintain or raise in the future; and definitely growth in terms of cash and in terms of earnings. We also expect the growth in the LNG and gas business to be crucial in growing value in our upstream business. But along with that growth, we want to be sure we stay profitable. We set the same targets for the established parts of our Gas & Power business as we do for our major established businesses in the Shell Group. So the LNG sector and the midstream sector should be capable of delivering 15 percent at reference conditions in ROACE terms, and that is exactly what they did last year.

We can expect continued active portfolio management, because markets are constantly changing and you need to watch carefully that your assets are still of more value to you than they might be to anyone else. If you add up what we have done over the last three years, it is \$2.7 billion worth of divestments, while at the same time growing this business in capital employed. That highlights the importance of staying focused on the assets you have.

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We see the Gas & Power business as very strong in the existing positions we have today as well as in the firm projects we have in progress and the growth in income and earnings they will deliver, and our opportunities, capabilities and assets to capitalize on for the longer-term future. We have a clear and differentiated strategy. We have the strongest portfolio in the business. We think that gives us the basis to maintain clear industry leadership going forward in Gas & Power.

I would like to move now to just sum up what this means for Exploration and Production and Gas & Power together. The key is the two businesses working together, Exploration and Production with Gas & Power, the strength of both delivering in a single value chain. Our focus in the short term is on existing business—the unit earnings increase Walter referred to in the upstream, getting the best from our proven operational-leading capabilities from our existing assets. That is one of the key drivers of returning the Group ROACE to 13 percent to 15 percent.

In the medium term it is about delivering projects, that excellence we have in projects coming on in time, in budget; and growing the heartlands from Nigeria right through the deepwater globally; and step by step putting the growth in the LNG value chain I showed you in those last charts.

Then for the longer term, there is a real focus on creating new legacy assets. Walter showed you how assets like our positions in Brunei and Oman go on delivering value for decades. At the moment, we are working on the Sakhalins and the Kashagans and the gas-to-liquids, and the Nigeria and Althabasca opportunities. These are where we will make major investments to create long-term, strategic, cash-generating positions that will be of enormous importance to the future of the Shell Group. It is the sort of area where we are extremely experienced and capable of delivering.

To conclude, I will show you a slide you have seen twice before, and I will just emphasize a couple of points on it. This strength of our business is about Exploration and

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Production working together with Gas & Power to get the best out of that single value chain. We have a fantastic portfolio of assets, which gives us great robustness to lower oil prices and at the same time strong earnings at high prices, but is lower in volatility and robustness going forward. We are proven industry leaders in global gas, a fast-growing sector of energy; and particularly in LNG, the fastest-growing sector of all. You have seen what we can do in getting value from technology, the acceleration of value through our global business organization to maximize what can come from that.

In the last few years Shell has shown it can deliver focused and deep-rooted cost management through all aspects of our business—from exploration through production and development, and through our LNG plants. We have the ability to put together all the skill sets—financial, operational, commercial and so forth—to deliver complex, integrated international projects and deals. That ability will clearly deliver us the best set of opportunities going forward. All of this will deliver sustained growth in cash, earnings and business value. That is why we believe the strength of Gas & Power and Exploration and Production together will be the key driver of Shell delivering leading industry returns.

Thank you very much. I hope we have convinced you of the strength of our businesses. If not, we will try in the questions and answers now. Thank you.

#### **QUESTIONS AND ANSWERS**

MR. MARK FLANNERY, Credit Suisse First Boston Corp.: I think this is a question for Walter. I am interested in the global reorganization of the E&P business you discussed as perhaps adding several hundred million dollars to cost savings in the next few years. A few years ago we had a similar kind of announcement, I believe, of moving from a regional organization to a functional organization. Did that not happen, or is this an extension of that? Can you characterize what today's announcement is versus what it was a couple of years ago?

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MR. van de VIJVER: What we see now what I call the next generation operating model. I guess it must be three or four years ago we globalized the E&P business. A lot of it had to do with the U.S. subsidiary and implementing some global processes in capital allocation and decision-making. But we still had strong national operating units all across the globe, irrespective of how big or small they were, with a seat at the table to debate what sorts of things we wanted to do.

This next stage will break down all the barriers between these operating units and create five global regions around the true integrated operating entities that will run the business. This will allow for more hardwiring of accountabilities and standards. With that, we will make absolutely sure up front that everything all around the globe is properly standardized around what we expect in minimum technical standards, minimum operating standards, how to use IT and globalize our IT kits and how to globalize all our SAP systems over the world. There is investment associated with making those changes as well. That is the change process we are currently in.

At the same time, apart from making those regional organizations, we will totally hardwire the technology organization across the Group. All the choices of where the most value is created on applied technology and the speed of implementation will all go through John Darley in the forward organization as one integrated activity. I already mentioned Matthias on the Exploration side. That is also global with direct hard lines to people on the regional basis, as well as Lorin Brass and all my other directors, who will be globally responsible for new business development.

All these things as you know in the past were integrated on a national basis with everyone having their own tools and toys to play with. We are totally breaking that down. There is an enormous step change opportunity, not just in overall productivity and cost takeout with all the overheads and so on, but it creates a next stage of value delivery in our

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business. We showed you the example, not only in the Far East but also in Europe, where we are positioning ourselves for the future.

This is something we can do based on our operational scale. We are the cost leader, but we are looking ahead to position ourselves going forward to take right balance of all the strengths we had in the past, while at the same time creating efficiencies going forward. MR. ARJUN MURTI, Goldman Sachs & Company: You talked about the North American natural gas price staying high enough to allow you to pursue opportunities. Would pursuing opportunities include acquisitions analogous to what you did with Enterprise in Europe to build your position there, or were you primarily referring to LNG opportunities?

Then regarding Venezuela and LNG specifically, can one assume that the oil and economics are perhaps similar to Trinidad LNG, where say a \$2.50 or better Henry Hub gas price allows for very good returns, or is there something materially different about either the fiscal regime in Venezuela or the development economics that just a higher price is needed? Just what is the timing of Venezuela as well? Thank you.

MR. van de VIJVER: If you do not mind, Arjun, we will do sort of split answering between myself and Linda on that.

At Shell we clearly see the attractiveness of the North American gas markets and want to grow our position there. We have very strong organic capabilities to do so, as we added last year to the portfolio in the Rocky Mountains, which is a platform for growth as well.

I think when it comes to acquisitions we will always be opportunistic, while at the same time recognizing that we work very hard with our capital discipline and value-creation metrics. It is normally not in high-priced environments that you go after these types of things. So it is something we keep a balanced outlook on.

LNG is indeed very important. Linda, do you want to add to that?

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MS. COOK: Venezuela in many ways will be a lot like the Trinidad project, although different in some ways, of course. They are right next door to each other, so the distance from the supply to the U.S. market will be very similar and very advantageous in lower shipping costs. In reserves, certainly the reserves in Venezuela are as big as, if not bigger than what we have in Trinidad, and not very extensively explored up to this point in time. We believe our technology is actually lower cost than what was used in Trinidad, and so that should give us an advantage from that dimension.

Concerning timing and other commercial terms, it is still early days, as I think you can understand, in the Venezuela project. With the political difficulties there lately, its timing has been uncertain. But I would say that we are hopeful and optimistic. The teams have actually been in Caracas just this week engaging with the Pedavesa [ed. query] people and trying to keep the momentum going forward. So we are hopeful in that regard.

MR. DOUGLAS TERRESON, Morgan Stanley Dean Witter: Walter, over the years you and the other supermajors have used pretty low prices of petroleum in setting your capital budgets. It has led to a better value creation and better valuation for your equity in the stock market, which is obviously a positive thing. But having said that, the oil price really has not been that close to \$16 per barrel, which you are using in your budgeting case, during the last five years or the last 10-year period. So my question is, could you talk about how you think about this for capital budgeting for the future—meaning are you using \$16 oil in your capital budgeting today because you always have or because you think it is going to be there in the future, and if so, why? If not, do you think it might lead to opportunities being lost to your competitors? Could you spend a few minutes on that topic?

MR. van de VIJVER: First, there is an issue about our wanting to be transparent in showing you where we are, and therefore we use the reference price we have been using now for some time. That is a very important background. I think overall we do not claim

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to have different knowledge about where the oil price is going to be in the future. We have a lot of experts, but at the same time we do not think we have the answer on that. As you know, on every investment we very carefully look at the whole range of price assumptions, and \$16 is one of those assumptions we use. We check it as part of our overall portfolio, about our whole risk exposure and the upsides and downsides on price environments. On that basis, we make our investment decision. Do not think that everything in this world is purely based on just looking at that \$16 environment. At the same time, we have our financial framework and I think that provides a very transparent model to adhere to.

MR. MARK GILMAN, First Albany Corporation: Walter, a couple of things, one specific, one a bit more general. I wonder if you or one of your colleagues on the dais could update us a little bit on where we stand in terms of Groningen deliverability, plateau decline and whether we are still on plateau. Are there storage opportunities to perhaps better exploit that asset? Could you give a little bit of an update on it.

Second, to pick up on a theme mentioned before, one of your smaller competitors about three weeks ago spent a considerable amount of time here talking about the merits of a global functional organization as it applies to specifically the upstream. They were taking it all the way instead of stopping in the middle, as it sounds as if you are doing with a regionally functional organization. Is that total functional model applicable for you, and if not, why not? Why wouldn't you go all the way to establishing an E&P development company, a production company, analogous to what you are doing in Exploration and new business development?

MR. van de VIJVER: On the first one on Groningen, that is very simple. We at Shell would like to do far more with its assets, but as you know, we are not totally in control. We have a Dutch government that sees this asset as something, not only for today but also for their grandchildren. It is an enormous strategic asset. We have been upgrading the assets over the last couple of years with additional compression to position for the future of

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increased uptake and really playing a key role in Europe, but ultimately we are not totally in control there. That is all I can say there. It is a jewel of an asset and yes, we see enormous forward opportunities.

When it comes to organization and this competitor, I think you have to look at it from various perspectives. Number one, I will not comment on whether our competitors are right or wrong; but you do have to look at the first context about operational scale. What is there about our operational scale compared to competitors that gives us something unique? We have direct influence and control over a whole variety of assets on a global basis—many with partners, but we have the operational role—and that creates a unique capability. While we indeed apply common standards, processes and focus on technical and operational excellence through John Darley's organization, we see enormous benefits in directly integrating the various functions to create the value we are talking about. Going too far in silos will prevent you from creating that integrated value, which we see on a day-to-day basis on a global and regional scale.

We think the model we are moving towards takes the best of both worlds. It has the benefit of strong functionalized and technical standards and our ability to apply the expertise to the issues that confront us and prioritize them. At the same time it insures a value proposition at the local level for staff—how they like to work in teams, how they are motivated and have real accountability for maximizing the value of the assets. That is what we feel we are creating, which is enormously powerful

MR. BRINDED: Can I just add to that, Walter? From the experience we had in the oil products business, which has gone through a tremendously successful process of establishing the right balance between local, regional and global, we have confidence in the model that will be adopted. From a global point of view you have global standards and approval processes, for example. On a regional basis you have centers that give you short lines of tight management control over what is happening in the region, but also bring the

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regional expertise together for the crucial issues of regional relationship management. For example, if you are based out of Singapore doing the Asia Pacific area, you cannot build relationships in Asia Pacific if you headquarter everybody in Europe or the United States. Finally on a local level, you still must have the cost structure that enables you to be very competitive locally and to hold your relationships with local governments, like in Brunei.

I think the Oil Products experience gives us a real basis of going forward and getting the best out of it.

MR. van de VIJVER: I think that is a very valid comment from Malcolm. The forward cost structure is very important to recognize, apart from the relationships issues and everything else.

MR. STEVE PFEIFER, Merrill Lynch & Company Inc.: A couple of question on page 83 of the presentation, where you show the growth in North American gas demand, with pipeline gas meeting that and going from about 70 bcf/d to 90. I was just curious— obviously Alaska plays into that, but even including that, that would seem fairly robust growth. Could you talk about that component?

Second, in terms of LNG receiving terminals in some of the longer-term projects in Baja California and in the Gulf of Mexico, it looks like you have a midpoint time frame of 2007. Could you talk a little bit about what could move that forward or push it back in environmental challenges for both projects? Also in that vein, with the demise of some of the gas pipelines and merchants also in that business, what kind of challenges and opportunities might that create for the Group?

MS. COOK: First, on North American supply and demand our forecasts do assume that the Alaska gas will eventually make its way to the lower 48, probably early in the next decade. But still the gas from that pipeline will be easily absorbed in the market and so will not have a major overall impact on the need for LNG supplies.

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On Baja, the timing we show of 2007 is a bit indicative, because we have not yet taken the final investment decision on that. The permitting is going quite well. There are four or five projects now in Baja—it is a bit hard to tell, because some of the companies moving those forward practically do not exist any longer. There will not be four or five projects built in Baja California; it only makes sense to consolidate, so that may be the next phase of the whole game there.

For Shell, supply possibilities and then the demand for natural gas will actually drive the timing. We will not go forward unless we are sure we have the supply in Asia Pacific. Right now the Asia Pacific market is quite tight, with the cold winter in Korea and the nuclear problems in Japan. I think that will all clarify over the next few years. I do not see big changes off 2007, plus or minus.

On the demise of other players, I think Coral gains a lot of strength from fewer competitors in marketing and trading. On the other hand, there is less liquidity in the market, so that hurts its trading opportunities a bit. I think it will probably take still another year or two for all the smoke to clear in that particular segment in the U.S.

MR. BRINDED: On trading I think it is all too easy for the pendulum to swing from one extreme to the other. Two or three years ago a big trading capability was seen as a tremendous way of making lots of money from no capital employed. Then for reasons we understand well, a lot of confidence in trading has disappeared. But people should still see this skill set as very useful. We know from our Oil Products business how valuable it is to have a strong trading capability to supplement our ability to place products into the most appropriate markets and arbitrage around structural positions to make money. This is providing you do not get overly convinced about your ability to see into the future and only take positions for a clear reason. That underpins an extremely strong trading business for us globally. Those are the strengths that we have in Coral. As Linda said, since a number of the players have fallen away completely, that puts Coral in a very strong competitive

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position. That skill set adds real value to our structural position in terms of gas supply into the market.

UNIDENTIFIED: Two related questions on LNG. One, long term the outlook for China and India demand will be great, but over the next couple of years there seem to be more projects chasing potential markets than there is room for. I wonder if you can comment on when you see the market being able to absorb everything that has been found. Your small competitor who was mentioned before seems to have another 20 tcf discovery in Australia.

Related to that, when do you see the partners in Sunrise agreeing on a production scheme and will the current impasse push you back in the queue to develop that, with competitors coming on with other companies?

MS. COOK: On LNG, will we have oversupply in the marketplace or not? We all know the Asia Pacific LNG market is potentially oversupplied with lots of not-yet-monetized gas reserves in the region. However, as we saw just this past winter the market can be very tight, given the current level of supply, again with the combination of the cold Korean winter and the nuclear problems in Japan. The other thing to keep in mind is that each time a new project comes on stream it adds 5 percent-plus supply to the LNG market because these things come on in large lumps, so I think we will always have ups and downs with the market being tight or a bit long. But overall we see the growth in demand very strong, even with the weak economy in Japan the next couple of years. Longer-term, we see it much stronger. We believe eventually it offers a lot of attractive growth prospects for Shell and the region, especially with our large supply base.

On Sunrise in particular, the partners have looked again at the option for marketing that gas domestically in Australia and have again come to the conclusion that it is not an attractive commercial opportunity. Most if not all of the partners believe that floating LNG is still the best and most attractive development scheme for those reserves there. All the partners together have agreed to study the marketing options for the project more, as well

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as the commercial framework. We hope in the coming months to come to consensus about that, and how best and when to move the project forward.

MR. BRINDED: It is important to recognize that over the last year sentiment on the LNG in the Asia Pacific market has moved in favor of the suppliers. That is partly for the reasons mentioned about the strong winter and the Japan nuclear situation. But frankly a lot of people are also focusing on security of supply and diversity of sources of energy supply. They are a little concerned about dependence on the Middle East. There are also concerns about places like Indonesia, which means that having a diverse set of LNG supply opportunities is a real source of competitive advantage.

MR. van de VIJVER: If I may, because I can never stop myself, I will make a final comment on this discovery around Australia from our minor competitor. This was a 2000 discovery, so I do not quite know why they decided to put it in the news this week. I think you need to look at that in context with a lot of the other gas reserves waiting in Australia. There already are 100 tcf or so of gas reserves in the queue in Australia. Ultimately it is all about what is the lowest cost of supply we can put together. We feel Sunrise and Gordon, not only because of the supply cost but also relative to the liquid content, will go earlier off the block than anything else.

MR. DAVID WHEELER, J.P. Morgan Securities Inc.: Nigeria is your biggest growth area over the next five years. Obviously, there are several risks there these days with the current unrest, but on a longer-term basis there are OPEC constraints to growth. You have a government that may have different development priorities because of a different government take in the deep water versus the delta. Can you address the current risks in Nigeria? Have you given any thought to slowing the pace of your investments there, or do you think you will be able to grow there pretty much unencumbered?

MR. van de VIJVER: First of all, Nigeria indeed is a very important growth area for us. It is an area where we have a lot of experience, as you know, and where we have gone

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through some ups and downs before the 19th of April presidential elections, and clearly the world will move on from that point. I think we are very careful in balancing our forward growth investments in Nigeria. Given the amount of opportunity we have out there, we could have easily spent far more than we are actually doing today, because the scope is just so incredible, both onshore and the deep water. So we are taking a very cautious, very calculated approach to our investment in Nigeria. We have to balance around onshore and the deepwater activities, but also integrate it fully in the integrated gas and oil approach for the business linked to Nigerian LNG. I think we are doing the right thing. At the same time, we are very close with Nigeria to going forward with their reserve potential and production capacity, which allows them to build also the case for increased OPEC quota. We have a very integrated, very well-orchestrated approach to make sure we manage our overall risk to that country.

MR. W. KEVIN WOOD, Bear Stearns & Co., Inc.: You gave a little bit of color on reserve replacement for the natural gas side. Could you do the same for the oil side for some of the big oil developments that are awaiting approval this year?

MR. van de VIJVER: You have seen with the start of the discoveries over the last couple of years that there are quite a few opportunities in the queue we are currently maturing—whether they are offshore Brazil, offshore Nigeria or still things that can be done in our existing heartlands in Malaysia, Brunei and in Europe. That is quite a widespread variety of oil-related activities we hope we to take to investment decision this year. Some of them are pretty challenging projects and we want to make sure we have done all the homework. That is why I currently see a lot of appraisal ongoing to firm up the true scope of a lot of these discoveries we hope to mature over the next two years.

MR. GILMAN: A couple of Gas & Power questions. The first relates to an overhang from a period when the business philosophy and focus of Gas & Power was different than it is now—these power tolling contracts. I am curious if you could provide some indication

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going forward, under whatever assumptions are convenient for you, what the earnings impact of these are likely to be for this year and maybe next, if you can go that far.

The second one relates to LNG and contracting strategy as it relates to new project sanction, whether it be greenfield or a new plant. Can you give us an idea in the current environment—if it is different Atlantic basin versus Pacific, that is fine—what percentage you want to see committed to a long-term contract before deciding to proceed with an expansion or new plant, and how do you make that decision these days?

MS. COOK: I will just give a quick answer on the tolling and Malcolm might want to add something.

On tolling the quick answer is that the tolling deals have provided positive income for us, both last year and this year, albeit relatively small and probably immaterial at the Group level.

MR. GILMAN: I am looking for the mark-to-market impact.

MS. COOK: The impact as reported in our results has been positive for each of the last two years. Long term we see them as positive value generators. On LNG, the question about taking a new project forward and what percent of capacity we need committed under firm long-term contracts, in our experience at least half has always been committed or close to committed for the projects that have gone forward so far. You asked about the demise of the long-term contract in the LNG industry and I am here to say it is definitely not true. There is no way we would take forward an investment decision, for example on Sakhalin, without a significant amount of the capacity underpinned by firm long-term sales commitments. That is why we are working so hard with customers in Japan as well as Korea and China. That is one of the our conditions—to take forward the final investment decision, knowing we have the level of capacity sold under long-term contracts. That gives us the confidence to go forward.

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MR. GILMAN: Does that 50 percent or thereabouts include offtake potentially by Coral?

Does that count toward the 50 percent?

MS. COOK: Yes, any long-term contract signed by any customer would count in our minds. The only place we have done that on a long-term basis so far has been with Nigeria Trains 4 and 5, where some of the volume under long-term contract that underpinned the final investment decision last year was committed to a contract with Shell, although not directly with Coral. But this for marketing into the United States where we had firm capacity already lined up. So there was a firm market already secured for it and Coral would then find the customers in the United States. It was for on the order of one million tons out of the two-train project. It was a relatively small proportion of the total.

To the rest of your question, in Australia Shell did have a contract for what we refer to as "the wedge volume"—not a long-term contract, but just some of the capacity available in the early years as the long-term customers' demands are ramping up. That was a different and a much shorter deal.

MR. BRINDED: Can I just add something about tolling. It is important to recognize that tolling deals as a business concept make a lot of sense. They divide the responsibilities and risks between the people who are building the power stations and operating them, because that is their area of expertise, and the people who are supplying the gas and taking the risk, because that is their areas of expertise. We feel good about the fundamental concept. We are also prepared to go for them when they will be able to monetize gas, as in the way we have shown in Spain. That makes very good sense.

That said, we are not planning to add much to our future tolling capacity, other than the deals already coming on stream we already have committed to in the U.S. I would say these are deals that have been done with a 20-year time horizon in mind. Of course they go through some ups and downs month to month, especially over the last few months. Just to give an example of that, power prices in the U.S. and six-month-ahead power prices, which

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is the liquid period of the market we are marking to, have been pretty volatile. To make any forward projections of their value, while we wouldn't anyway, you can imagine they have changed from one to the next very quickly. From January to February we were taking in July and August, which are periods of peak demand in the U.S. for air conditioning loads, prices were up and it looked good. In March you are taking in September and for a couple of weeks it looks worse. It is very volatile thing. These tolling deals have been done for the very long term. They are 20-year deals where we expect the fundamentals in terms of the value of power generation in the United States to be sensible.

By the way, the amount of total tolling capacity in the U.S. is somewhat under half the equivalent of the Shell equity gas supply volume we have in the U.S. So it is somewhat less than half of our equity volumes being converted to power at the moment, not counting for the growth we expect as we bring more LNG and other sources of gas on stream.

MR. MATTHEW WARBURTON, UBS Warburg LLC: I have a question about the growth in LNG. To what degree could some of the inherent gas price subsidies in some of the growth markets like India and China prevent your realizing your aspirations in terms of volumetrics? I am thinking about the Indian fertilizer price subsidy and things like that. Could you expand on that and how that may prevent the growth, especially obviously if you adhere to the target returns for the division?

MS. COOK: India is quite a challenge, there is no doubt about that, to make that market viable for any imported natural gas. We recognized that when taking the investment decision for Hazira. We took quite a long-term view of that. It is important that you are able to demonstrate you can be low cost in that market, given things like the subsidies for fertilizer plants, as you mentioned. That was taken into consideration. We believe we have the low-cost site, providing a low-cost tariff for the gas as it gets to the market as one component of the cost to get it to market. We believe we have access to low-cost gas supplies as well. Our being able to demonstrate that we have a low-cost value proposition

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for what we believe will be the big customers in India was key to underpinning the investment decision. We have confidence in the future potential for the project because of that.

MR. van de VIJVER: Just to clarify, in the production capability outlook you saw from my side, there is absolutely nothing banked in relation to LNG supplies to India.

MS. COOK: And we have not taken a long-term, take-or-pay contract for supplies to the Indian market either. Part of our business model is we secure the customers and secure supplies only as we have the customer demand for growth. It is a different business model than the traditional LNG transaction.

**CLOSING**

MR. van de VIJVER: Are there any other questions? You mean you got all the answers you were looking for. Thank you very much for coming. I hope to see you again in the near future. Thank you. [Applause]

[Meeting ended: 11:48 p.m.]

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tabbies  
**EXHIBIT**  
Henry 5  
EIF 10-7-06

**Unknown**

**From:** Watts, Lew NL SIG-GPS  
**Sent:** 20 March 2002 08:51  
**To:** Henry, Simon S SI-FI; Davis, Phil P SEPI-EPG  
**Cc:** Harrop, Michael M SI-FI  
**Subject:** RE: Nigeria release

Simon,  
This is strictly a matter for EP but, given my EP background, this is my understanding of the situation.  
You are right that reserves become bookable at FID, but this is at FID of the upstream development. In the next few days we are taking FID on the plant itself, not the individual upstream projects to supply. The latter will take place over the next year (or so).  
As a generality, we do know that approx 1TCF reserves are likely to be booked but the precise timing of the individual supply elements could alter the precise levels of reserves that will actually be booked against the expansion.  
I'm replying because I believe Phil is tied up in meetings - but Phil may like to comment.  
Hope this clarifies.  
Lew

-----Original Message-----  
**From:** Henry, Simon S SI-FI  
**Sent:** 20 March 2002 08:39  
**To:** Watts, Lew NL SIG-GPS; Davis, Phil P SEPI-EPG  
**Cc:** Harrop, Michael M SI-FI  
**Subject:** RE: Nigeria release

Lew, Phil. What does 'when they become bookable' actually mean? We have always discussed with investors the fact that, for gas in particular, the point at which they become bookable is FID. Not before, as lack of an FID also usually means lack of a market, and not later because FID is an irrevocable step. For oil we may recognise earlier if reserves are 'close to existing facilities' with a high probability of development. We then have a history of revising reserves upwards over the life of the project.

If these statements are not accurate, and there is any other method in principle of booking reserves, please could you advise or point me in the direction of someone who can assist. This is a very sensitive point in the market at the moment and it would be sad to score an own goal around such a positive announcement for the Group.  
many thanks, Simon

-----Original Message-----  
**From:** Watts, Lew NL SIG-GPS  
**Sent:** 20 March 2002 08:07  
**To:** Davis, Phil P SEPI-EPG; Hill, Kate KB SI-PXXM  
**Cc:** Blackler, Phil PD SIG-GPSA; Harrop, Michael M SI-FI; Henry, Simon S SI-FI; Jacobi, Mary Jo SI-PXX; Ward, Brian BJ SEPI-EPG; Williams, Sylvia R SIG-GPHX  
**Subject:** RE: Nigeria release

Just to add, the CMD notes say "NLNG Plus will add some 1 Tcf to Shell proven gas reserves when they become bookable" - they key, as Phil has

said, is the last few words.  
Lew

-----Original Message-----

From: Davis, Phil P SEPI-EPG  
Sent: 20 March 2002 07:59  
To: Hill, Kate KB SI-PXXM  
Cc: Blackler, Phil PD SIG-GPSA; Harrop, Michael M SI-FI; Henry, Simon S  
SI-FI; Jacobi, Mary Jo SI-PXX; Ward, Brian BJ SEPI-EPG; Watts, Lew NL  
SIG-GPS; Williams, Sylvia R SIG-GPHX  
Subject: RE: Nigeria release

Kate,

The gas that will be supplied to Trains 4/5 has not yet been booked as proved reserves - this will be done at end 2002 and the volume will be about 28 milliard m3 (or 1 Tcf). These are Shell share figures.

As this is much lower than the figure mentioned by Brian below, let me explain the difference:

- Each train will take about 660 MMscf/d of gas for a contractual period of 20 years - this equates to 9.6 Tcf and is close to Brians estimate.
- The Shell joint venture in Nigeria only supplies 53% of the total volume to NLNG, the rest is supplied by the TFE and Agip joint ventures.
- Shell only has a 30% interest in the Shell JV - the other partners are the Nigerian National Petroleum Company NNPC, TFE and Agip.
- Most of the Shell JV concessions expire in 2019, before the end of the supply commitments to NLNG. The reserves booking will be limited to the volume supplied within the licence period.

I hope this is clear, but please get back to me if you need clarification.

regards  
Phil

Philip Davis  
EPG Regional Business Adviser  
Shell EP International B.V.  
PO Box 162, 2501 AN The Hague, The Netherlands

Tel: +31 70 377 7695 Fax: +31 70 377 3889 Other Tel: +31 652 036680  
Email: P.davis@sepi.shell.com  
Internet: <http://www.shell.com>

> -----Original Message-----

> From: WARD, BRIAN B.J.  
> Sent: 19 March 2002 20:35  
> To: Hill, Kate B.  
> Cc: Blackler, Phil D.; DAVIS, PHIL P.; Harrop, Michael M.;  
> Henry, Simon  
> S.; Jacobi, MaryJo; Watts, Lew N.L.; Williams, Sylvia R.  
> Subject: RE: Nigeria release  
> Importance: High

>  
>

> I can get back to you tomorrow on this. The question is

V00310063

> whether or not  
> the gas reserves have already been booked in anticipation (I  
> would guess  
> they have). Two trains would normally accomodate 6-8 Tcf depending on  
> contract terms.

>  
> Phil by copy of this note can you get back to Kate asap (I'm  
> in Rijswijk  
> tomorrow morning.)

> Brian

> > -----Original Message-----

> > From: Hill, Kate B.  
> > Sent: 19 March 2002 13:18  
> > To: WARD, BRIAN B.J.  
> > Cc: Jacobi, MaryJo; Harrop, Michael M.; Henry, Simon S.; Watts, Lew  
> > N.L.; Williams, Sylvia R.; Blackler, Phil D.  
> > Subject: Nigeria release

> >

> > Brian

> > Phil Blackler suggested you might be able to give a steer on  
> > the reserve indication - I understand that CMD were told it  
> > was around 1tcf, but that there were some issues around what  
> > was bookable and when. We'd be keen to get as much publicity  
> > as possible for the announcement, so having a reserve figure  
> > that was cleared for use would be very helpful.

> > regards  
> > Kate

> > -----Original Message-----

> > From: Henry, Simon S SI-FI  
> > Sent: 19 March 2002 12:03  
> > To: Hill, Kate KB SI-PXXM  
> > Cc: Harrop, Michael M SI-FI; Jacobi, Mary Jo SI-PXX  
> > Subject: RE: Proposed Press Release

> >

> > Kate, thanks. only missing info from my perspective is an  
> > indication of amount of reserves that are hereby brought to  
> > commercial potential? would be useful for us in discussion  
> > with outside world about reserves replacement. can you get  
> > this for us?

> >

> > we need maximum coverage for this one - mary jo and I met  
> > phil on related process this morning and it would benefit us  
> > all to see a few headlines on this. how will you work this?

> >

> > simon

> >

> > -----Original Message-----

> > From: Hill, Kate KB SI-PXXM  
> > Sent: 19 March 2002 10:37  
> > To: Harrop, Michael M SI-FI; Henry, Simon S SI-FI;  
> > Detheridge, Alan A SIPC-EPG  
> > Cc: Kuzemko, Nigel N SIG-GPAL; Roberts, Pat P SIG-GPAL  
> > Subject: FW: Proposed Press Release

> >

> > fyi, NLNG release on FID for trains 4 and 5, due out  
> > tomorrow. I'll be suggesting a few stylistic changes but  
> > nothing structural.

> > Kate

> >

> > -----Original Message-----

> > From: Blackler, Phil PD SIG-GPSA

V00310064

>> Sent: 19 March 2002 09:59  
>> To: Williams, Sylvia R SIG-GPHX  
>> Cc: Herbert, James MT SI-PXXM; Hill, Kate KB SI-PXXM  
>> Subject: FW: Proposed Press Release  
>>  
>> Sylvia,  
>>  
>> Draft Press release for NLNG Plus FID attached, which  
>> NLNG has circulated to Shareholders for comment. Will revert  
>> with a few minor comments but the draft, as written, is  
>> acceptable from our perspective. If you have any comments  
>> please revert before mid-day today. There is a Board and  
>> Shareholders meeting in London tomorrow when a positive FID  
>> is expected to be taken, following which the release will be  
>> made public.

>> Regards  
>>  
>> Phil Blackler  
>> Business Development Manager  
>> Shell International Gas Limited  
>> Shell Centre, London SE1 7NA, United Kingdom  
>>  
>> Tel: +44 207 934 3952 Fax: 7321  
>> Email: Phil.D.Blackler@si.shell.com  
>> Internet: http://www.shell.com  
>>

>> -----Original Message-----  
>> From: MacGregor, Elizabeth LOF/O  
>> Sent: 19 March 2002 09:33  
>> To: Blackler, Phil SIG-GPSA  
>> Subject: FW: Proposed Press Release  
>>  
>>

>> -----Original Message-----  
>> From: MacGregor, Elizabeth LOF/O  
>> Sent: 18 March 2002 19:21  
>> To: Blackler, Phil SIG-GPSA; 'alain marechal'  
>> Subject: Proposed Press Release  
>>  
>>

>> Message from Andrew Jamieson:  
>> Please see attached draft of proposed Press Release for  
>> your comments.

>> << File: Press Release.doc >>  
>>

>> Regards,  
>> Elizabeth MacGregor  
>> Nigeria LNG London Liaison Office  
>> Heron House  
>> 10 Dean Farrar Street  
>> London SW1H 0DX  
>> Tel: +44(0)20 7799 2677  
>> Fax: +44(0)20 7233 0034  
>> e-mail: Elizabeth.MacGregor@lon.nlng.com  
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>>

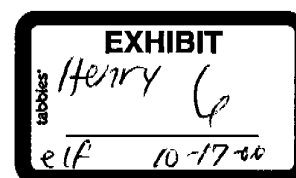
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**Questions/Issues From Meeting with Capital Guardian in New York  
19-04-2002**

- After you digest these acquisitions, what will your gearing be?
- It looks like you have gaps in GP, were Pennzoil and Enterprise just opportunistic plays?
- Does the Enterprise transaction allow you to upgrade your portfolio or does it just facilitate your achieving the 3% production target?
- Does the Enterprise transaction present you with more opportunities to spend money in the North Sea as a result of the expanded tax credit?
- Is the Enterprise transaction going to cause the North Sea to become less attractive?
- How will technology improve your exploration efforts in the North Sea?
- What were your F&D costs for 2001?
- What level of confidence do you have in Enterprise published reserve number?
- Can you comment on Enterprise's opportunities in Brazil?
- Will you sell Enterprise's Italian assets to ENI?
- Re the GOM, can you catch up to BP's position?
- Do you feel that the GOM still has potential?
- Can you comment on prospects for shallow water, deep gas in the GOM?
- What is your thinking re your alignment with Gazprom?
- Do you anticipate more overall drilling in the North Sea over the next say, five years?
- Will you be making any changes as a result of new accounting rules?
- Will Pennzoil's management stay on?
- Do you think that you will have any cultural issues with either transaction?
- Why does Pennzoil currently have such a low ROCE?
- With new environmental regulations here and coming both in the US and in Europe, how do you think this will all play out?
- How do you manage political risk?
- Why did you not hedge some or all of Enterprise's production?
- Can you talk a little about fuel cells? What are you doing in this area?
- Can you help me understand inter-segment eliminations between EP and OP?



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**US WEST COAST  
Briefing Materials**

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**MISC00021661**

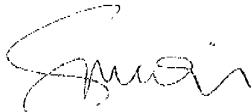
**US West Coast: Briefing materials**

Phil, attached are the following briefing materials for your trip.

- A **detailed agenda** from David, describing the various IR meetings and attendees, together with an assessment of their areas of interest
- A copy of the **speech and presentation materials**. We have also provided a bound copy for your use if you prefer.
- **Issues briefing including Q&A**. We still have 2 issues to resolve, the current story on Pennzoil and the Gulf of Mexico discoveries. As you are probably aware, Pennzoil may be approved in the very near future and OP Houston is developing materials on this basis, David will ensure you have the latest version before meetings on Monday. The Great White discovery has now been reported in trade publications, in addition to the fact that more than one broker has now told us what the size of the discovery is – again David is extracting the latest statement from EP Houston.
- **US Shareholder information**: I had hoped to be able to provide the August movement report, but unfortunately the 3<sup>rd</sup> party provider is going to be a day or so late so I include the July report plus some preliminary August information.
- A copy of the recent **ConocoPhillips presentation** to investors. Although given by 2<sup>nd</sup> level executives at a broker arranged event rather than a CEO strategy presentation, this is the first comprehensive look at the investment case for the new company and gives a feel for the story they will pitch - primarily to US investors.
- The detailed **IR programme** for the next few months, concentrating on the November 1-1s. The balance of days is US 4, UK 3, Europe 2.5, with additional group meetings in the UK and Netherlands. I attached a detailed list of the investors we will target in the UK and US, and we are beginning to set up the meetings – exact schedules may vary according to availability of investors. We would like to reserve some firepower for 1-1 follow up meetings after the February presentation, particularly in the UK, so I recommend that we take only one of the days that you have made available for the UK in November. This should allow 5 meetings and ensure that there is no danger of an 'FT backlash', but also avoid over exposure before February when the message will be more high profile and you will certainly need to front the UK programme.

I have also included the executive summary from the final **Finsbury audit report**. We received the report in 3 stages, with the first feedback being the best practice examples and guidelines received in May. We then received the more detailed findings and recommendations (with us compared primarily with BP, for reasons outlined in the summary) and finally this summary. You will recognise many of the main recommendations from our recent discussions and the CMD notes, this reflects the fact that we have been working on the recommendations since May, well ahead of a final report.

I had intended to include the (in my view excellent) EP deepwater presentation that John Darley has prepared to give to an investor conference in Boston on Sep 19<sup>th</sup>, but unfortunately this has not quite been finalised. David will have a copy by the time you meet. We expect some of this material to be used on the analyst field trip in October.



IR September 12 2002



Agenda

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**Investor Relations**

**Philip Watts**

Chairman

Committee of Managing Directors  
Royal Dutch/Shell Group of Companies

17-19 September 2002

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**MISC00021664**

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↓  
Under  
Issues  
Briefing  
Tab

1.0 San Francisco

- Wells Fargo meeting – 0830-0930
  - First time that we have met with Wells Fargo in San Francisco
  - Meeting with Steve Wilkes and others
  - Various entities of the firm manage approximately \$39 bln in assets
  - Various entities of the firm own 6.2 mln shares of RD worth approximately \$266 mln
  - Presentation – would suggest only going through slides 2 (portfolio direction)...slide 3 (portfolio potential)...slide 4 (competitive returns) and slide 5 (Group targets). Would suggest that a summary of the text for those slides be shared as opening remarks and then open it up for questions.

Slides  
1-5

- Prudential meeting – 1030-1130
  - Meet with Mike Mayer (lead analyst) and Andrew Rosenfeld (refining and marketing analyst)
  - Mike currently has RD/Shell on a hold with a target price of \$47 primarily due to valuation issues around the stock price
  - Generally a supporter of the stock but will probably ask questions around the recent acquisitions, production targets and US OP performance.
  - Presentation – Mike knows our company very well. Thus, would suggest using slide 5 (Group targets)...remind Mike and others what the targets are and then open it up for questions.

Slides

- Lunch with selected investors/analysts – 1200-1330

Name	Firm
Michael L. Alpert	3Bridge Capital LLC
Maulik Bhansali	Wells Capital Management
Steven L. Block	Bay Isle Financial Corporation
Angelique Brooks	Pflueger & Baerwald Inco
Charles Bureker	BUREKER & ASSOCIATES
Ed Derkum	Offered Capital Management
Michael Fraser	Bedell Investment Management
Richard K. Hirayama	Wentworth, Hauser & Violich
James E. Landau	Berkeley Capital Management

Joshua J. Rothe	SKBA Capital Management
Ted Schneider	Shuman & Schneider Investments
Mark Semorian	PFLUEGER & BAERWALD INCO
Deanna J Shipman	
Edward Thomas	Bio Ventures Inc.
Roland D. Underhill	Lateef Management Associates
Steven Wilkes	Wells Fargo Bank, N.A
Sabrina Yih	Wells Capital Management

- Dodge and Cox meeting – 1400-1515
  - This will be our first meeting with Dodge and Cox in San Francisco
  - I recently met with the lead energy analyst in NY who was very interested in the company. We covered the usual topics around strategy, acquisitions, performance issues, production targets, etc.
  - The firm currently manages around \$33 bln in assets
  - The firm current owns 0.3 mln shares worth approximately \$12 mln but their style of investing tends to lead them to stocks such as ours and this meeting has been set up for them to get to know our company better and to encourage them to invest more in our company.
  - Presentation – would suggest only going through slides 2 (portfolio direction)...slide 3 (portfolio potential)...slide 4 (competitive returns) and slide 5 (Group targets). Would suggest that a summary of the text for those slides be shared as opening remarks and then open it up for questions.

*Slides 1-5*

2.0 Los Angeles

- Breakfast with selected investors/analysts – 0900-1030

Name	Firm
Susan B. Frank	Kayne Anderson Rudnick Investment Management, LLC
Raymond Frankel	Burnham Asset Management Corp.
Kenneth J. Gerbino	Kenneth J. Gerbino & Company
Richard N. Lewis	Capital Research & Management
F. Jack Liebau Jr.	PRIMECAP Management Company
Matthew W. Markatos	Stonebridge Capital Management, Inc.
Craig Miliias	Bel-Air Investment Advisors, L.L.C
Michael C. Sandler	Pacific Financial Research, Inc
Arnold Seidel	MORTON SEIDEL & CO. INC
Joshua D. Shaskan	Westcap Investors, L.L.C.
Richard Sherry	Kayne Anderson Rudnick Investment Management
Jim Stephenson	Bel Air Investment Advisors, LLC
Marco Vivanti	RNC Capital Management
Marie Walsh	Kayne Anderson Rudnick Investment Management
Jean-Baptiste Nadal	Kayne Anderson Rudnick Investment Management

O Note – Jack Linbau of Primecap has been a shareholder in RD before, then sold his position but recently bought 1.9 mln shares worth approximately \$82 mln. I am looking at Judy possibly visiting Jack in November when she is in the US

- Capital Guardian meeting -- 1100-1230

- O We will be meeting with Cathy Kehr (lead analyst) and others
- O Various entities of the firm have approximately \$250 bln under management
- O Capital Guardian is the largest US shareholder in the Group. The currently own 37.5 mln shares of RD worth approximately \$1.6 bln of RD and 12.3 mln shares of ST&T ADRs worth approximately \$555 mln and 14 mln ordinary shares of ST&T worth approximately \$105 mln for a total dollar holding of \$2.2 bln
- O They have been long time supporters of the stock but recently have been sellers of the stock in their mutual funds all except one. The selling over the last two months totalled approximately 5 mln shares of RD.

- O They are extremely knowledgeable about the company and I anticipate questions on such topics as... why we did the recent acquisitions, UP OP and where it is headed, production targets and selected areas of EP emphasis, Saudi projects (where do they stand), and LNG sales prospects going forward.
- O Presentation – Cathy and company know our company very well. Thus, would suggest using slide 5 (Group targets)...remind Cathy and others what the targets are and then open it up for questions.

Slide 5

### 3.0 Seattle

- WM Advisors - 1000-1100
  - First time meeting with WM Advisors
  - We will be meeting with Anatoliy Cheerevach (lead analyst) and others
  - This firm is a large firm for Seattle but relatively modest when compared to some of the others we will see on this trip.
  - The firm currently has approximately \$4 bln under management
  - The company currently owns 1 mlns shares of RD worth approximately \$41 mln of RD.
  - The intent of the meeting is for them to get to know us better and to begin establishing better contacts in this part of the US, which has a high concentration of high net-worth individuals due to various tech companies nearby (ex. Microsoft)
  - Presentation - would suggest only going through slides 2 (portfolio direction)...slide 3 (portfolio potential)...slide 4 (competitive returns) and slide 5 (Group targets). Would suggest that a summary of the text for those slides be shared as opening remarks and then open it up for questions.
  - I anticipate that the questions will not be too in depth
- Lunch meeting with the Seattle Analyst Society - 1300 1430
  - We last met with the group in the summer of 1999 with Wouter making the presentation
  - The turnout is anticipated to be somewhere around 40-50 people, but we will not know that until the actual time of the meeting
  - Basis the background of the attendees, I would anticipate that the questions will be fairly high level about the overall strategy of the company, our thoughts about world events and the impact on commodity prices.

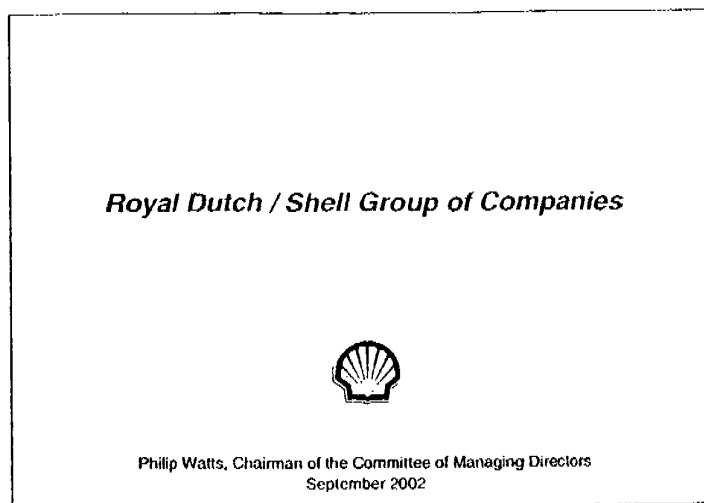
Slides 1-5



Speech of  
Presentation

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Treatment Requested

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**Slide 0 – Title**

I would like to thank you for coming today and I hope that you find today's meeting informative and helpful. With me are David Sexton, Manager of Investor Relations, USA as well as Andy Brown, who works with me.

I plan on sharing a brief amount of prepared material, where I will focus on our company's strategy, our Q2 2002 results and some of the exciting things going on in our US EP business. But I will reserve the bulk of the time for your questions.

Before I begin, I would like to mention that in your chair, you should have in addition to a copy of the slides I am about to discuss, a copy of the material that we presented at our recent Q2 2002 conference call meeting with analysts. I will not be referring to this material except for a few key slides, but wanted you to have it for your reference.

**Disclaimer**

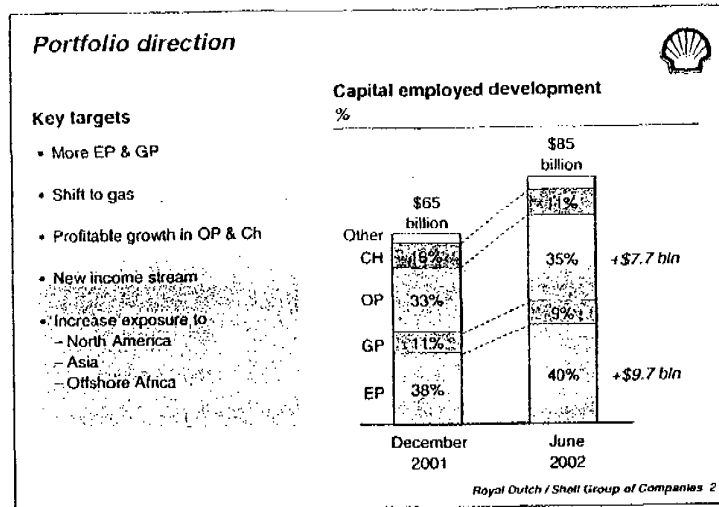


This presentation contains forward-looking statements that are subject to risk factors associated with the oil, gas, power, chemicals and renewables businesses. It is believed that the expectations reflected in these statements are reasonable, but may be affected by a variety of variables which could 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 1

**Slide 1 – Disclaimer**

I would call your attention to the disclaimer and allow you a few moments to read it.



**Slide 2 -- Portfolio direction by business**

We have a clear strategic direction for growth ... based on continuing robust profitability and competitive edge.

We believe that robust profitability depends on

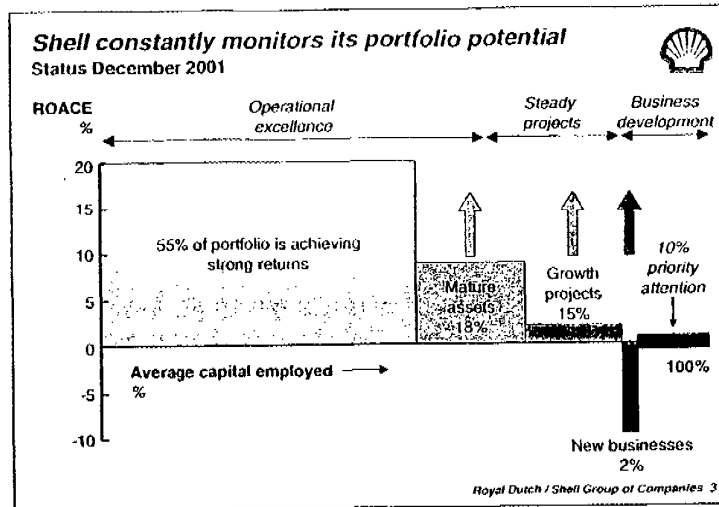
- being disciplined in our use of capital
- seizing opportunities to strengthen our portfolio
- delivering operational excellence and cost leadership
- and accepting personal accountability for our decisions.

Our competitive edge includes our wide-ranging technology capabilities, the strength of our brand, our global reach and the attention we give to our reputation.

*Continued over...*

The key themes of our company's strategy include...

- Shifting the balance of the portfolio towards the upstream and gas ...  
and geographically towards the United States, Asia ... especially China  
... and offshore Africa.
- Maintaining profitable growth in Oil Products and Chemical  
businesses. I will talk about this later but our Oil Products business  
outside the US is the leader and we are on the road to improving our  
returns in the Oil Products business in the US.
- Lastly, we intend to grow our capital employed by selective  
investment of some \$12 billion per year of organic growth exceeding  
depreciation of approximately \$7 billion per year.



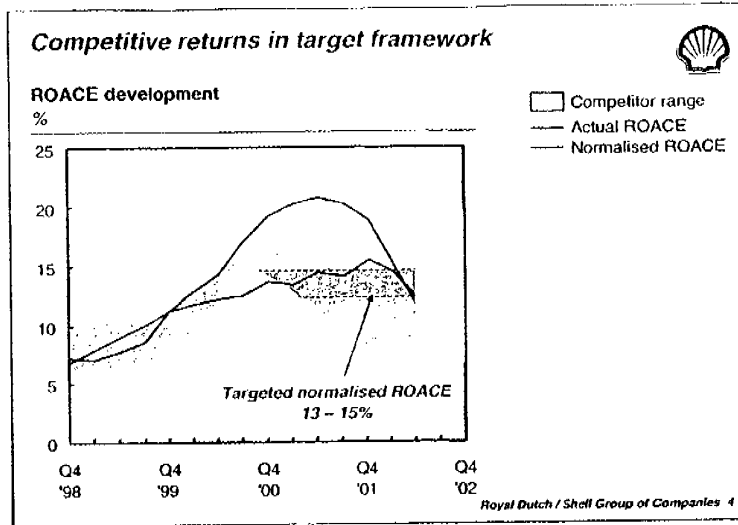
**Slide 3 -- Shell constantly monitors its portfolio potential**

If we take our portfolio and examine it by how each part is performing, several things emerge...

- the majority of our portfolio is already delivering strong returns
- 18% of our portfolio consists of mature assets that have the potential for both higher returns and growth
- 15% of the overall portfolio will be in new growth projects for EP and GP that will achieve the desired returns once they are fully operational
- that our new businesses are not yet performing as desired but we will continue to look for at least one new revenue stream
- and lastly, that about 10% of our portfolio is not performing as we would like and is receiving “priority attention” We are already taking steps in this area to address these issues. Examples include...

*Continued over...*

- the sale of assets such as our midstream assets in Germany [Ruhrgas], Pulse in Australia, and pipelines in America
- shutting down under performing assets such as the Pililla refinery in the Philippines
- Restructuring our polyolefins joint venture with BASF called Basell, where global manufacturing capacity has been reduced by approximately 10%, both in the US as well as in Europe ... the product line has been streamlined by approximately 35% ... fixed costs have been reduced.
- taking action on under performers ... such as InterGen, which is our joint venture with Bechtel that builds power plants around the world
- restructuring some of our new businesses such as Shell Capital, Shell Internet Works, and Shell Consumer
- and optimizing the Oil Products portfolio to focus on growing markets by divesting/swapping retail assets.



**Slide 4 -- Group ROACE target of 13-15%**

The chart illustrates one of our key goals and measures of success and that is... we strive to maintain our Return on Average Capital Employed (ROACE) at “normalized” conditions [including \$16 Brent, \$3.00 Henry Hub natural gas] between 13 and 15%.


We expected the EP business to deliver around 18% this year in a steady state ... which it would have done so far without Enterprise, our recent EP acquisition.

The acquisition has pushed it lower but still above the 15% level we want our established businesses to be able to deliver.


OP is at 14%. Further structural improvements are required, particularly in the United States, to achieve 15%. Dealing with it will be a key challenge for the rest of the year.

Chemicals is improving but still has some way to go.



**Commitment to targets within a strong financial framework** 

Established businesses capable of delivering 15% ROACE at reference conditions	Unit cost improvements of 3% per year totalling \$500 million per annum	
Desired gearing of 20 - 30%	<b>Group ROACE of 13 - 15% at reference conditions</b>	Hydrocarbon production growth of 3% p.a. from 2000 - 2005
Continuation of share buy back programme		\$7 billion of assets identified for priority attention

 Royal Dutch / Shell Group of Companies 5

**Slide 5 -- Commitment to targets within a strong financial framework**

As you can see, we have a clear strategy for moving forward which is consistent with our recently announced acquisitions, our 2002 capital investment program and our various initiatives. Let me remind you of what our key targets are...

- The central target is delivering a Group return between 13 and 15% at our reference conditions. That means established businesses capable of delivering 15% at reference conditions.
- We seek further unit cost improvements of 3% a year ... totaling \$500 million.

*Continued over...*

- We look for gearing between 20 and 30% ... and are currently at the lower end of that range.
- We aim to grow our production by 3% a year on average over the five years from 2000 ... excluding Enterprise. We are on track to achieve this and have reaffirmed in the second quarter, our target of 3% growth on the higher base.

We have the capacity to continue our share buy back programme.

And we are taking action on the \$7 billion of under performing assets.

<b>2002 Q2 earnings</b>			
	<b>Q2 '02</b>	<b>Q2 '01</b>	<b>Change</b>
	<i>\$ million</i>	<i>\$ million</i>	<i>%</i>
Exploration & Production	1,809	2,185	-17%
Gas & Power	149	390	-62%
Oil Products	347	1,035	-66%
Chemicals	132	127	4%
Other / Corp / MI	(235)	(203)	-16%
<b>Adjusted CCS earnings</b>	<b>2,212</b>	<b>3,608</b>	<b>-39%</b>
Specials / CCS adjustment	10	74	-86%
<b>Net Income</b>	<b>2,212</b>	<b>3,608</b>	<b>-39%</b>
<b>ROACE</b>	<b>12%</b>	<b>21%</b>	

Royal Dutch / Shell Group of Companies 6

### Slide 6 -- 2002 Q2 earnings

Turning now to how did we do in the second quarter of 2002...


We posted adjusted CCS earning of \$2.2 billion, 38% down on the record second quarter last year.

The major decreases were in Gas and Power and Oil Products ... both of which were also down on the first quarter.

And we saw some improvement in Chemicals.

The major impact in the quarter on our returns was the external environment. And I might note, these external conditions included some of the worst refining and marketing margins we have seen in some time. And, we also saw a sharp increase in capital employed at the end of the second quarter.

Together these reduced our returns to 12% ... from 21% last year and 16% for the 12 months up to the end of March.

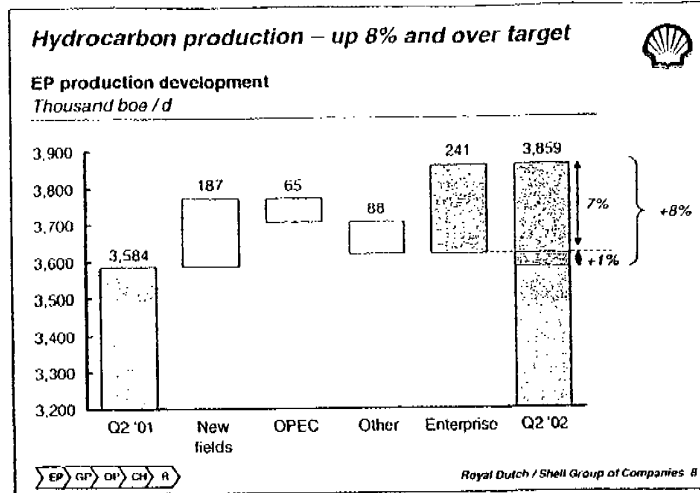
**Year on year - a competitive performance**  
 \$ million 

	Half year 2002 Adj CCS earnings*	% change vs. half year 01	Annualised Adjusted ROACE %*
Royal Dutch/Shell	4,195	-43	13
ExxonMobil	4,820	-49	16
ChevronTexaco	2,164	-53	9
BP	2,688	-54	8

\* Adjusted to comparable basis Royal Dutch / Shell Group of Companies 7

**Slide 7 -- Year on year - a competitive performance**

But even with the impact of external conditions, as this chart illustrates, our returns were close to the leader and well ahead of our other major competitors on a comparable basis. And given our renewed efforts in the areas of streamlining our portfolio and cost reductions, we should remain in the band that I referenced earlier of between 13 and 15% at our reference conditions.



**Slide 8 -- Hydrocarbon production – up 8% and over target**

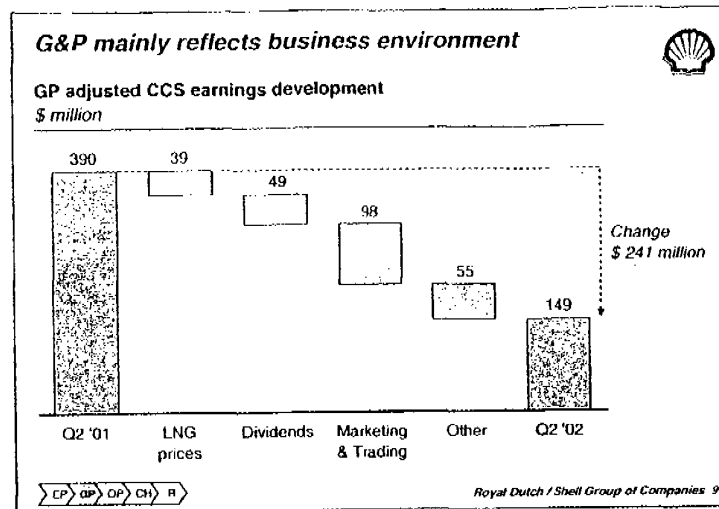
The 8% production growth represents an 11% increase in oil and 3% in gas. An additional 241 thousand barrels oil equivalent a day from Enterprise was the primary contributor.

However, underlying volumes rose by 1% as production from new fields outweighed field declines and OPEC quota constraints.

New production was primarily in the Gulf of Mexico and Denmark, as well as from the additional 10% of the Draugen field in Norway we have purchased.

The Brutus platform returned to production in May and is producing in excess of 100 thousand barrels oil equivalent a day.

And as I mentioned earlier, excluding Enterprise, we are on track to deliver our production growth target this year ... 3.8 million barrels oil equivalent a day at reference conditions.



**Slide 9 -- G&P mainly reflects business environment**

Gas and Power earnings reflect the deterioration in the business environment in comparison with an unusually strong second quarter last year.

LNG prices were down 16% reflecting the lagged effect of previous lower oil prices.

As well as lower LNG earnings, the GP results were affected by smaller dividends from Ruhrgas and re-phased dividends from Malaysia.

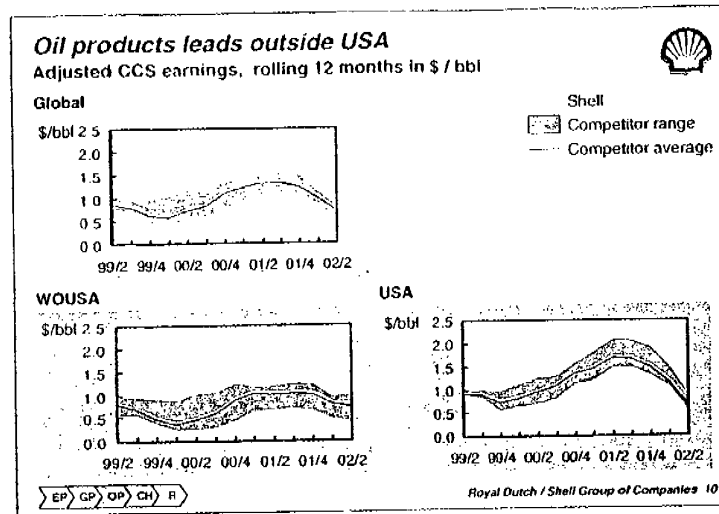
In the difficult US gas and power environment, our US trading operation made a small profit. This contrasts with the very strong performance a year ago. The decline was not related to tolling.

*Continued over...*

The 'other' item includes a contribution from the power business.

InterGen's installed generation capacity has almost trebled over the last 12 months and management is now focusing on operation excellence.

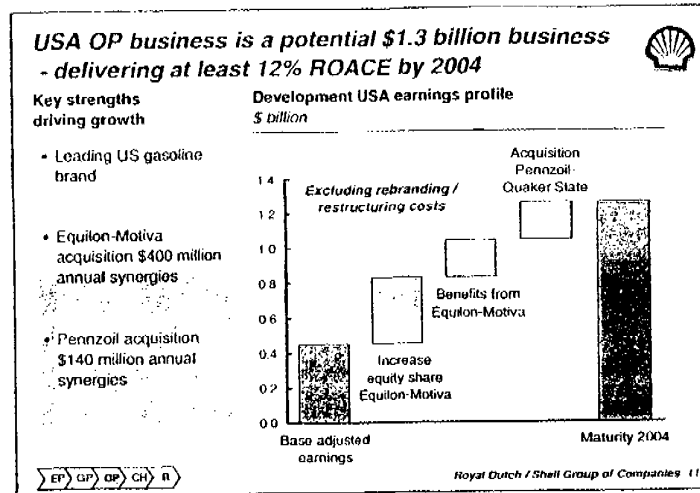
The company is not immune to the deterioration in the power business environment and as a result, InterGen's management is developing a plan in response, to be reviewed with the shareholders.



**Slide 10 -- Oil Products leads outside USA**

This is a slide on oil products we have used before. It demonstrates the competitive strength of the business a whole ...and the challenge and opportunity of the US business.





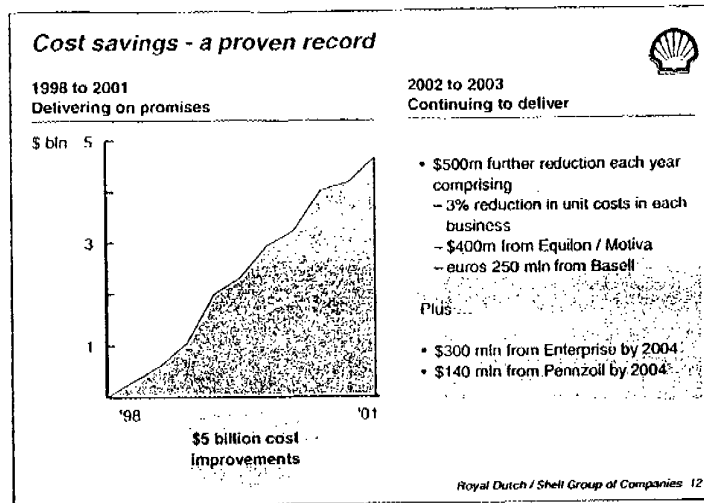
Slide 11 -- USA OP business has potential to grow into a \$1.3 billion business delivering at least 12% ROACE

In 2002, we have closed or will shortly close on two separate acquisitions...the purchase of Texaco's interest in Equilon and Motiva, their former downstream joint ventures with Shell and Pennzoil/Quaker State.

With regard to Equilon/Motiva, we are ahead of target in realizing the planned \$300 million in costs savings and \$100 million in extra revenues. Business structures have been simplified and network rationalization is progressing well.

We expect to reduce staff by at least 8% ... and are already a third of the way there ... and to close or sell around 15% of the network.

Re-branding is under way and there has been significant growth in Shell branded lubricant sales.



**Slide 12 -- Cost savings - a proven record**

We have been on this journey for some time. We announced in December 1998 a goal of achieving some \$5 billion in cost savings. We accomplished that goal by the end of 2001.

In December of 2001 for both 2002 and 2003, we announced a further 3% cost reduction in fixed costs or approximately \$500 million per year.

Through the end of the second quarter, we had achieved some \$140 million of this goal.

*Continued over...*

For Enterprise, we announced a target of \$300 mln in synergies, and expect to achieve \$75 mln this year. The Enterprise head office in London has already been closed and staff reductions are on target.

We announced a synergy target of some \$140 mln in association with our acquisition of Pennzoil/Quaker State and efforts are currently underway on planning how to capture these benefits.

Lastly, our joint venture with BASF called Basell had a goal of euros 250 million by the end of 2003 and is on track to achieve €220 million by the end of this year.