

Shell Transport &amp; Trading - 7 February 2003



Table 11: Per Share Data

|                         | 2000A | 2001A | 2002E | 2003E | 2004E | 2005E | 2006E |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|
| RD EPS (Eur)            | 3.97  | 3.78  | 2.73  | 3.31  | 3.64  | 3.80  | 4.04  |
| RD EPS (\$)             | 3.67  | 3.42  | 2.57  | 3.31  | 3.64  | 3.80  | 4.04  |
| Shell T&T EPS (p)       | 34.79 | 33.81 | 24.58 | 30.25 | 33.34 | 34.82 | 36.97 |
| Shell T&T EPS ADR (\$)  | 3.16  | 2.94  | 2.22  | 2.85  | 3.14  | 3.28  | 3.48  |
| RD CFPS (Eur)           | 6.59  | 6.22  | 5.25  | 6.26  | 6.65  | 6.85  | 7.13  |
| RD CFPS (\$)            | 6.09  | 5.41  | 5.20  | 6.26  | 6.65  | 6.85  | 7.13  |
| Shell T&T CFPS (p)      | 57.71 | 53.37 | 49.64 | 57.30 | 60.89 | 62.69 | 66.22 |
| Shell T&T CFPS ADR (\$) | 2.28  | 2.21  | 1.98  | 2.19  | 2.33  | 2.40  | 2.49  |
| RD EBITDAX (Eur)        | 9.78  | 9.38  | 7.47  | 9.04  | 9.66  | 9.94  | 10.33 |
| Shell T&T EBITDAX (p)   | 0.86  | 0.80  | 0.71  | 0.83  | 0.88  | 0.91  | 0.95  |
| RD EBITDAX (\$)         | 6.78  | 6.41  | 5.37  | 6.39  | 6.77  | 6.94  | 7.18  |
| Shell T&T EBITDAX (p)   | 0.59  | 0.55  | 0.51  | 0.59  | 0.62  | 0.63  | 0.66  |
| RD Dividend (Eur)       | 1.57  | 1.66  | 1.71  | 1.76  | 1.81  | 1.86  | 1.92  |
| Shell T&T Dividend (p)  | 14.56 | 14.83 | 15.27 | 15.73 | 16.20 | 16.69 | 17.19 |

Source: RD Shell/Merrill Lynch estimates

Table 12: Profitability Analysis

|       | 2000A | 2001A | 2002E | 2003E | 2004E | 2005E | 2006E |
|-------|-------|-------|-------|-------|-------|-------|-------|
| ROCE  | 20.2% | 20.0% | 13.6% | 14.1% | 15.5% | 15.8% | 16.3% |
| CROCI | 12.9% | 10.8% | 9.2%  | 10.6% | 10.6% | 10.3% | 10.1% |
| ROE   | 22.4% | 20.3% | 13.9% | 16.6% | 16.9% | 16.4% | 16.0% |

Source: RD Shell/Merrill Lynch estimates



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Table 13: Merrill Lynch Global Oils - Integrated Oils Valuation

| 08-Feb-03<br>Tier 1           | Rec           | Price<br>(US\$m) | Mkt Cap<br>(US\$m) | ML<br>ticker | footnote | PIE (t)     |             | PICFPS (t) |            | EVIDACF (t) |            | PIBIV(x)   | DY (%)<br>2002e |
|-------------------------------|---------------|------------------|--------------------|--------------|----------|-------------|-------------|------------|------------|-------------|------------|------------|-----------------|
|                               |               |                  |                    |              |          | 2002e       | 2003e       | 2002e      | 2003e      | 2002e       | 2003e      |            |                 |
| BP                            | A-2-7 Neutral | 383p             | 133,102            | BPAOF        | qpsw     | 15.3        | 12.8        | 78         | 67         | 87          | 76         | 13         | 4.2%            |
| Chewon/Teacoc                 | A-1-7 Buy     | \$ 65.1          | 69,060             | CVX          | svgdio   | 16.4        | 12.0        | 69         | 61         | 80          | 71         | 20         | 4.3%            |
| Exxon/Mobil                   | A-2-7 Buy     | \$ 34.1          | 236,913            | XOM          | vb       | 20.1        | 15.5        | 116        | 98         | 120         | 10.4       | 32         | 2.7%            |
| Royal Dutch                   | A-1-7 Buy     | Eur 37.0         | 77,815             | RDDPF        | qsgvp    | 14.4        | 11.2        | 71         | 59         | 77          | 6.4        | 23         | 4.6%            |
| Shell                         | A-1-7 Buy     | 360p             | 54,663             | SHTCF        | qswv     | 14.6        | 11.9        | 73         | 63         | 81          | 6.7        | 16         | 4.2%            |
| Total/Fina Elf                | A-1-7 Buy     | Eur 121          | 80,558             | TIFNF        | qvs      | 12.2        | 11.1        | 60         | 59         | 79          | 7.2        | 25         | 3.3%            |
| Total/Fina Elf<br>(adjusted)* | A-1-7 Buy     | Eur 121          | 80,558             | TIFNF        | qvs      | 12.2        | 12.1        | 60         | 62         | 79          | 6.6        | 25         | 3.3%            |
| <b>Average</b>                |               |                  |                    |              |          | <b>15.3</b> | <b>12.4</b> | <b>78</b>  | <b>68</b>  | <b>87</b>   | <b>76</b>  | <b>22</b>  | <b>3.9%</b>     |
| <b>Tier 2</b>                 |               |                  |                    |              |          |             |             |            |            |             |            |            |                 |
| Conoco/Phillips               | B-1-7 Buy     | \$ 49.4          | 33,648             | COP          | psvb     | 15.1        | 8.6         | 62         | 43         | 128         | 65         | 23         | 2.9%            |
| Eni                           | A-2-7 Neutral | Eur 13.3         | 52,027             | EIPAF        | qpsv     | 11.1        | 10.6        | 52         | 51         | 70          | 6.7        | 19         | 5.2%            |
| Petrobras ord                 | C-1-8 Buy     | BRL 51.61        | 15,759             | PLBSF        | zswpq    | 4.3         | 3.6         | 26         | 23         | 34          | 3.0        | 12         | 7.6%            |
| Petrobras pref                | C-1-8 Buy     | BRL 46.85        | 14,305             | PBRQF        | zpsv     | 3.9         | 3.3         | 23         | 21         | 31          | 2.8        | 11         | 6.1%            |
| PetroChina ADR                | C-2-8 Neutral | \$ 21.48         | 37,767             | PTR          | vb       | 7.2         | 7.4         | 4.4        | 4.6        | 4.0         | 4.1        | 11         | 5.8%            |
| Repsol YPF                    | B-2-8 Neutral | Eur 13.4         | 16,408             | REPYF        | qv       | 10.7        | 9.3         | 34         | 37         | 59          | 6.4        | 11         | 2.9%            |
| Statoil                       | C-1-7 Buy     | Nkr 52           | 13,247             | SLDAF        | qv       | 7.3         | 8.5         | 37         | 34         | 49          | 4.0        | 21         | 5.7%            |
| Yukos                         | C-1-7 Buy     | \$ 9.52          | 21,296             | YKOCF        | qv       | 5.7         | 5.3         | 5.3        | 4.8        | 4.5         | 4.1        | 26         | 3.0%            |
| <b>Average</b>                |               |                  |                    |              |          | <b>8.1</b>  | <b>7.1</b>  | <b>4.1</b> | <b>3.8</b> | <b>5.7</b>  | <b>4.7</b> | <b>1.7</b> | <b>4.9%</b>     |
| <b>Tier 3</b>                 |               |                  |                    |              |          |             |             |            |            |             |            |            |                 |
| Amerinda Hess                 | B-2-7 Neutral | \$ 46.3          | 4,128              | AHC          | vb       | 7.5         | 8.8         | 20         | 25         | 40          | 5.0        | 0.8        | 2.1%            |
| BG Group                      | A-2-7 Neutral | 242p             | 13,117             | BRGXF        | qmv      | 23.0        | 16.0        | 94         | 83         | 95          | 8.4        | 24         | 1.3%            |
| CNOCC Ltd ADR                 | B-1-8 Buy     | \$ 26.59         | 10,921             | CEO          | psvb     | 9.8         | 9.5         | 71         | 68         | 56          | 5.0        | 2.8        | 1.4%            |
| Gazprom                       | C-1-8 Buy     | \$ 0.75          | 15,750             | OCZRF        | qv       | 5.5         | 4.3         | 2.3        | 2.0        | 4.1         | 3.9        | 0.3        | 1.4%            |
| LUKoil                        | C-1-7 Buy     | \$ 13.81         | 11,738             | LUKOF        | qv       | 5.1         | 5.1         | 3.4        | 3.2        | 4.1         | 3.9        | 0.8        | 2.6%            |
| Mirathon Oil                  | B-2-7 Neutral | \$ 22.0          | 6,814              | MRO          | sub      | 12.1        | 9.2         | 3.5        | 3.3        | 5.4         | 5.1        | 1.4        | 3.2%            |
| Murphy                        | B-2-7 Neutral | \$ 42.6          | 3,887              | MUR          | vwb      | 37.7        | 14.4        | 71         | 52         | 83          | 6.1        | 2.6        | 1.8%            |
| Norsk Hydro                   | B-2-7 Neutral | Nkr 285          | 8,680              | NHYKF        | qv       | 8.7         | 8.2         | 29         | 27         | 51          | 4.3        | 10         | 3.7%            |
| Occidental                    | B-2-7 Neutral | \$ 29.2          | 10,873             | OXY          | sub      | 10.8        | 10.8        | 4.9        | 4.9        | 62          | 6.2        | 19         | 3.8%            |
| OMV                           | B-1-7 Buy     | Eur 96.3         | 2,599              | OMVNF        | qv       | 8.6         | 7.8         | 4.6        | 2.7        | 42          | 3.7        | 12         | 4.5%            |
| Petro-Canada                  | B-1-7 Buy     | C\$ 51.0         | 8,910              | YPCA         | sv       | 14.4        | 13.2        | 6.1        | 4.7        | 71          | 5.6        | 2.8        | 1.1%            |
| Sinopek ADR                   | C-1-8 Buy     | \$ 18.54         | 15,075             | SNP          | pwdb     | 10.1        | 9.9         | 2.6        | 2.6        | 40          | 4.0        | 1.0        | 3.0%            |
| Suncor Energy                 | B-1-7 Buy     | C\$ 25.6         | 7,499              | YSU          | psv      | 20.0        | 14.6        | 84         | 69         | 102         | 8.5        | 50         | 0.7%            |
| <b>Average</b>                |               |                  |                    |              |          | <b>14.0</b> | <b>10.6</b> | <b>5.1</b> | <b>4.4</b> | <b>6.2</b>  | <b>5.5</b> | <b>1.9</b> | <b>2.3%</b>     |

Source: Merrill Lynch estimates  
\*adjusted to back out the equity holding in Sinopec-Symbolized  
For footnote definitions, please see last page

Refer to important disclosures at the end of this report.

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**Table 14: Merrill Lynch Global Oils - Integrated Oils Performance**

06-Feb-03

|                 | Actual price change (%) |              |               |              | Price Rel to Local Market (%) |              |              |              | Price Rel to MSCI Energy (%) |              |               |              |
|-----------------|-------------------------|--------------|---------------|--------------|-------------------------------|--------------|--------------|--------------|------------------------------|--------------|---------------|--------------|
|                 | 1mth                    | 3mth         | 12mth         | Ytd          | 1mth                          | 3mth         | 12mth        | Ytd          | 1mth                         | 3mth         | 12mth         | Ytd          |
| <b>Tier 1</b>   |                         |              |               |              |                               |              |              |              |                              |              |               |              |
| BP              | -10.84                  | -4.26        | -30.33        | -10.42       | -1.34                         | 8.73         | -1.60        | -2.31        | -5.27                        | -4.34        | -23.30        | -7.46        |
| Chevron/Texaco  | -7.51                   | -5.52        | -22.30        | -2.75        | 2.52                          | 3.03         | 0.45         | 2.08         | -1.74                        | -6.61        | -14.45        | 0.46         |
| Exxon/Mobil     | -7.61                   | -4.27        | -13.64        | -3.81        | 2.40                          | 5.51         | 11.64        | 0.98         | -1.85                        | -4.36        | -4.93         | -0.63        |
| Royal Dutch     | -15.82                  | -15.46       | -35.38        | -11.73       | -0.46                         | 3.86         | 9.45         | 0.19         | -10.57                       | -15.53       | -28.85        | -8.81        |
| Shell           | -14.49                  | -12.41       | -25.62        | -11.98       | -5.38                         | -0.53        | 5.05         | -4.01        | -9.15                        | -12.49       | -18.11        | -9.07        |
| Total/Fina/Elf  | -14.71                  | -11.58       | -25.60        | -11.39       | 3.46                          | 0.16         | 12.71        | -4.27        | -9.39                        | -11.66       | -18.09        | -8.46        |
| <b>Average</b>  | <b>-11.83</b>           | <b>-8.08</b> | <b>-26.48</b> | <b>-8.68</b> | <b>-0.86</b>                  | <b>3.46</b>  | <b>6.18</b>  | <b>-1.22</b> | <b>-6.33</b>                 | <b>-9.17</b> | <b>-17.96</b> | <b>-5.66</b> |
| <b>Tier 2</b>   |                         |              |               |              |                               |              |              |              |                              |              |               |              |
| Conoco/Phillips | -2.94                   | -0.31        | -15.96        | 0.95         | 7.58                          | 9.88         | 8.64         | 5.97         | 3.12                         | -0.40        | -7.48         | 4.29         |
| Ethi            | -13.85                  | -1.18        | -11.22        | -11.75       | -4.70                         | 7.26         | 17.19        | -6.84        | -8.48                        | -1.27        | -2.26         | -8.83        |
| Petrolbras ord  | -8.55                   | 10.56        | -0.10         | -5.78        | 4.04                          | 1.52         | 20.56        | 0.49         | -2.84                        | 10.46        | 9.98          | -2.66        |
| Petrolbras pref | -7.24                   | 9.02         | -6.67         | -2.05        | 5.52                          | 0.11         | 12.63        | 4.47         | -1.46                        | 8.92         | 2.75          | 1.19         |
| PetroChina      | 8.97                    | 16.44        | 17.24         | 9.68         | 15.42                         | 24.70        | 36.08        | 13.02        | 15.78                        | 16.33        | 29.03         | 13.30        |
| Repsol YPF      | 5.91                    | 18.73        | 1.82          | 6.67         | 12.24                         | 27.47        | 33.35        | 9.41         | 12.52                        | 18.62        | 12.10         | 10.19        |
| Sinclair        | -12.61                  | -1.89        | -12.61        | -11.11       | -3.57                         | 5.46         | 21.33        | -4.20        | -7.15                        | -1.98        | -3.78         | -8.18        |
| Yukos           | 0.11                    | 5.70         | 43.33         | 0.11         | 4.33                          | 6.52         | 21.55        | 4.12         | 5.35                         | 5.60         | 57.80         | 3.41         |
| <b>Average</b>  | <b>-3.77</b>            | <b>7.13</b>  | <b>1.98</b>   | <b>-1.66</b> | <b>5.11</b>                   | <b>10.37</b> | <b>21.42</b> | <b>3.16</b>  | <b>2.23</b>                  | <b>7.04</b>  | <b>12.27</b>  | <b>1.59</b>  |
| <b>Tier 3</b>   |                         |              |               |              |                               |              |              |              |                              |              |               |              |
| Ameralta/Hess   | -19.56                  | -11.38       | -25.70        | -16.64       | -10.84                        | -2.32        | -3.94        | -12.50       | -14.54                       | -11.66       | -18.20        | -13.89       |
| BG Group        | -6.20                   | -1.02        | -14.79        | -9.70        | 3.79                          | 12.40        | 20.35        | -1.52        | -0.35                        | -1.11        | -6.19         | -6.72        |
| CNOOC Ltd       | 1.93                    | 11.05        | 31.06         | 3.94         | 7.96                          | 18.94        | 52.11        | 6.16         | 8.30                         | 10.95        | 44.28         | 7.37         |
| Gazprom         | 1.55                    | -2.67        | 27.89         | 1.55         | 5.83                          | -1.91        | 8.45         | 5.62         | 7.89                         | -2.76        | 40.80         | 4.90         |
| LUKoil          | -10.05                  | -13.37       | -3.48         | -10.05       | -6.26                         | -12.69       | -18.15       | -6.45        | -4.44                        | -13.45       | 6.26          | -7.08        |
| Marathon Oil    | -1.66                   | 4.72         | -21.68        | 3.15         | 9.00                          | 15.42        | 1.24         | 8.28         | 4.48                         | 4.63         | -13.78        | 5.55         |
| Murphy          | 0.53                    | 5.57         | 10.14         | 2.12         | 11.43                         | 16.36        | 42.38        | 7.20         | 6.80                         | 5.48         | 21.26         | 5.50         |
| Noxisk hydro    | -9.08                   | -2.56        | -23.36        | -8.05        | 0.32                          | 4.73         | 6.41         | -0.91        | -3.40                        | -2.65        | -15.62        | -5.01        |
| Occidental      | -1.12                   | 3.26         | 13.79         | 2.36         | 9.60                          | 13.81        | 47.11        | 7.44         | 5.05                         | 3.17         | 25.28         | 5.74         |
| OMV             | 1.77                    | 2.89         | -1.89         | 2.86         | -0.31                         | -4.20        | -0.67        | 0.60         | 8.12                         | 2.79         | 8.02          | 6.25         |
| Petro-Canada    | 1.30                    | 17.01        | 42.80         | 3.35         | 7.59                          | 16.43        | 67.37        | 5.42         | 7.63                         | 16.91        | 57.21         | 6.77         |
| Sinopec         | 5.00                    | 21.49        | 26.72         | 12.21        | 11.21                         | 30.11        | 47.08        | 14.61        | 11.55                        | 21.38        | 39.51         | 15.92        |
| Suncor Energy   | -2.71                   | 8.85         | 2.05          | 1.62         | 3.32                          | 8.30         | 19.61        | 3.65         | 3.36                         | 8.75         | 12.35         | 4.98         |
| <b>Average</b>  | <b>-2.55</b>            | <b>4.77</b>  | <b>5.59</b>   | <b>-0.10</b> | <b>4.81</b>                   | <b>10.67</b> | <b>25.63</b> | <b>3.67</b>  | <b>3.74</b>                  | <b>4.67</b>  | <b>16.24</b>  | <b>3.20</b>  |

Source: Datastream/Merrill Lynch

Refer to important disclosures at the end of this report.



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■ Companies Mentioned

Table 15: Companies Mentioned

| Stock Name                  | Symbol | Currency | Price  | Opinion | QRQ   |
|-----------------------------|--------|----------|--------|---------|-------|
| BP plc                      | BPAQF  | p        | 382.50 | Neutral | A-2-7 |
| BP plc                      | BP     | \$       | 37.67  | Neutral | A-2-7 |
| Shell Transport and Trading | SHTCF  | p        | 360.00 | Buy     | A-1-7 |
| Shell Transport & Trading   | SC     | \$       | 35.41  | Buy     | A-1-7 |
| Royal Dutch Petroleum       | RDPFF  | EUR      | 37.03  | Buy     | A-1-7 |
| Royal Dutch Petroleum       | RD     | \$       | 40.04  | Buy     | A-1-7 |
| Total Fina Elf              | TTFNF  | EUR      | 120.60 | Buy     | A-1-7 |
| Total Fina Elf              | TOT    | \$       | 65.38  | Buy     | A-1-7 |
| Repsol-YPF                  | REPYF  | EUR      | 13.44  | Neutral | B-2-8 |
| Repsol-YPF                  | REP    | \$       | 14.50  | Neutral | B-2-8 |
| Eni                         | EIPAF  | EUR      | 13.37  | Neutral | A-2-7 |
| Eni                         | E      | \$       | 72.82  | Neutral | A-2-7 |
| OMV                         | OMVKF  | EUR      | 96.25  | Buy     | B-1-7 |
| OMV                         | OMVKY  | \$       | 20.85  | Buy     | B-1-7 |
| Norsk Hydro                 | NHYKF  | NKr      | 285.50 | Neutral | B-2-7 |
| Norsk Hydro                 | NHY    | \$       | 41.56  | Neutral | B-2-7 |
| Statoil                     | SLDKF  | NKr      | 52.00  | Buy     | C-1-7 |
| Statoil                     | STO    | \$       | 7.42   | Buy     | C-1-7 |
| BG                          | BRGXF  | p        | 241.00 | Neutral | A-2-7 |
| BG                          | BRG    | \$       | 20.05  | Neutral | A-2-7 |
| Petro-Canada                | YPCA   | C\$      | 50.55  | Buy     | B-1-7 |
| ChevronTexaco Corp          | CVX    | \$       | 64.65  | Buy     | A-1-7 |
| Exxon Mobil Corporation     | XOM    | \$       | 33.61  | Buy     | A-1-7 |
| Amerada Hess Corp           | AHC    | \$       | 45.89  | Neutral | B-2-7 |
| ConocoPhillips              | COP    | \$       | 48.85  | Buy     | B-1-7 |
| Marathon Oil Corporation    | MRO    | \$       | 21.96  | Neutral | B-2-7 |
| Petrobras ON                | PLBSF  | R\$      | 49.75  | Buy     | C-1-8 |
| Petrobras PN                | PBRQF  | R\$      | 45.45  | Buy     | C-1-8 |
| Petrochina - A              | PTR    | \$       | 21.61  | Neutral | C-2-8 |
| YUKOS Oil Company           | YKOCF  | \$       | 9.46   | Buy     | C-1-7 |
| CNOOC Ltd                   | CEO    | \$       | 27.17  | Buy     | B-1-8 |
| Gazprom                     | OGZRF  | \$       | 0.76   | Buy     | C-1-8 |
| LUKoil Holding              | LUKOF  | \$       | 13.87  | Buy     | C-1-7 |
| Murphy Oil Corporation      | MUR    | \$       | 43.76  | Neutral | B-2-7 |
| Occidental Petroleum Corp   | OXY    | \$       | 29.12  | Neutral | B-2-7 |
| Petro-Canada                | YPCA   | C\$      | 50.55  | Buy     | B-1-7 |
| Sunoco Energy Inc           | YSU    | C\$      | 25.10  | Buy     | B-1-7 |

Source: Merrill Lynch

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| Investment Rating Distribution: Energy Group (as of 31 December 2002) |       |         | Inv Banking Relationships* |       |         |
|---|-------|---------|----------------------------|-------|---------|
| Coverage Universe   | Count | Percent |                            | Count | Percent |
| Buy   | 67    | 55.17%  | Buy                        | 31    | 46.27%  |
| Neutral   | 49    | 40.50%  | Neutral                    | 15    | 30.61%  |
| Sell  | 5     | 4.13%   | Sell                       | 1     | 20.00%  |

| Investment Rating Distribution: Global Group (as of 31 December 2002) |       |         | Inv Banking Relationships* |       |         |
|---|-------|---------|----------------------------|-------|---------|
| Coverage Universe   | Count | Percent |                            | Count | Percent |
| Buy   | 1110  | 43.46%  | Buy                        | 391   | 35.23%  |
| Neutral   | 1236  | 48.39%  | Neutral                    | 319   | 25.81%  |
| Sell  | 208   | 8.14%   | Sell                       | 43    | 20.67%  |

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# Royal Dutch Petroleum

RD

**RESULTS**

## Flash Reaction 4Q02 MWR

- Royal Dutch (RD, \$41.50, U, TP:\$48) 4Q02 EPS of 80¢ versus a consensus estimate of 81¢ and CSFB's estimate of 83¢.
- Final dividend growth was 4% giving full year growth of 3% for Shell and 3.6% for RD.
- 2002 cost improvement was reported at \$600m versus the \$500m target. This is a positive surprise and an improvement on the last update on this factor.
- The company restated its capability to grow oil and gas production at 3% per annum but this now includes Enterprise Oil, which was absent from the original target.
- Returns on capital are running at 12.5%, below the company's 13-15% target range. RD stated its aim to get back to 13% in 2004.
- Reserve replacement was only 50% in 2002 with F&D costs at \$12-13/boe. These two figures represent a very bad performance for the second year running.
- Overall we remain neutral to negative on RD and we prefer BP (BP, \$38.71, O, TP:\$45), ChevronTexaco (CVX, \$65.07, O, TP:\$73), and ConocoPhillips (COP, \$49.41, O, TP:\$57) in the integrated oils.
- **Conclusion:** There are positives in the strategy update: cost improvements are ahead of target and target volume growth was maintained at 3% pa. However, the company is struggling with weaker than expected returns on capital and a terrible F&D and reserve replacement. From here the key issue be delivering return on capital improvement. We would continue to back BP against RDSC on this basis.

Royal Dutch Petroleum Company is a holding company that owns, directly or indirectly, investments in the companies constituting the Royal Dutch/Shell Group of Companies (the Group). RD is one of the world's largest integrated oils companies.

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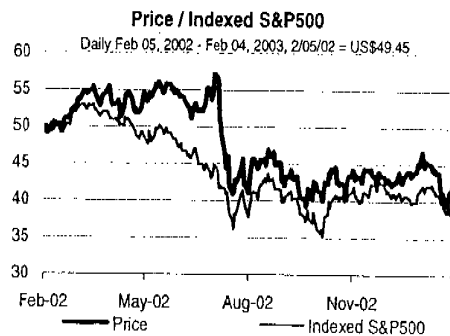
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|                              |                          |
|------------------------------|--------------------------|
| Rating                       | <b>UNDERPERFORM*</b>     |
| Price (05 Feb 03)            | 41.50 (US\$)             |
| Target price (12 months)     | 48.00 (US\$)             |
| 52 week high - low           | 57.16 - 39.25            |
| Market cap. (US\$m)          | 86,473.55                |
| Enterprise value (US\$m)     | 102,910.50               |
| Region / Country             | Americas / United States |
| Sector                       | Integrated Oil & Gas     |
| Analyst's Coverage Universe  | Integrated Oil & Gas     |
| Weighting (vs. broad market) | UNDERWEIGHT              |
| Date                         | 06 February 2003         |

\* Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.



| Year                  | 12/01A | 12/02E | 12/03E |
|-----------------------|--------|--------|--------|
| EPS (CSFB adj., US\$) | 3.39   | 2.67   | 3.10   |
| Prev. EPS (US\$)      |        |        |        |
| P/E (x)               | 12.2   | 15.6   | 13.4   |
| P/E rel. (%)          | 61.1   | 86.8   | 86.1   |
| Q1 EPS                | 1.08   | 0.57   |        |
| Q2                    | 1.00   | 0.63   |        |
| Q3                    | 0.76   | 0.64   |        |
| Q4                    | 0.55   | 0.83   |        |

|                              |                      |
|------------------------------|----------------------|
| Number of shares (m)         | GIC (12/02A, US\$m)  |
| 2,088                        | 133,042.00           |
| BV/Share (12/02A, US\$)      | EV/GIC (x)           |
| 30.30                        | 0.8                  |
| Net Debt (12/02A, US\$m)     | Dividend 2002 (US\$) |
| 16,437.0                     | 1.46                 |
| Net debt/Total cap. (12/02A) | Dividend yield       |
| 20.6%                        | 3.5%                 |

| Year           | 12/01A   | 12/02E   | 12/03E   |
|----------------|----------|----------|----------|
| EBIDAX (US\$m) | 12,962.0 | 13,002.0 | 13,905.0 |
| OCFPS (US\$)   | 5.32     | 5.26     | 5.86     |
| P/OCF (x)      | 7.8      | 7.9      | 7.1      |
| EV/EBIDAX (x)  | 8.0      | 7.9      | 7.4      |
| ROGIC          | 11.0%    | 10.1%    | 9.7%     |

Source: Company data, CREDIT SUISSE FIRST BOSTON (CSFB) estimates

**Continued...**

1. RDSC reported 2002 Q4 clean net income of \$0.80 per NY RD share, one cent below the \$0.81 cent consensus and below our own \$0.83 forecast.
2. E&P and R&M were weaker than expected, with a combined miss of \$316m. G&P and Chemicals were better than expected (+\$243m), giving a net operating effect against our forecast of a negative \$w73m.
3. Dividend growth for the RD and Shell finals as 4% : we were expecting 2%.
4. Earnings were 46% up from 4Q01 compared to a 33% rise for XOM. But sequentially the 4Q02 results was up only up 24% compared to XOM's 27%. However, if the \$300m 3Q02 tax charge is excluded then RDSC's sequential earnings growth falls to 10%.
5. Full year earnings were down 23% compared to a drop of 26% for XOM, despite oil prices being similar in both years, this highlights the severe weakness in refining and marketing earnings in 2002.
6. Strategy presentation contains positives and negatives. Cost improvement in full year 2002 was \$600m versus the \$500m target. This positive surprise occurred despite the cost saving run rate being below target at the half year stage. The chemicals division provided the largest share of this cost saving surprise, while E&P contributed less than \$100m to the \$600mn total. The oil and gas production growth target remains at 3% but now *includes* Enterprise Oil and being expressed as the capacity of the portfolio to deliver and not as the likely level of physical growth (we expect most companies to trend towards this mode of guidance). Growth will be determined by "project phasing and economics, the level of capital spending and portfolio actions".
7. Underlying RoACE in 2002 was 12.5%, below the company's 13-15% target range. RoACE is "targeted to be within 13-15% range by 2004". We believe RDSC needs to increase underlying earnings by \$2-3bn to reach the 14% target in 2004. We don't believe that RDSC can reach the 14% target and what's more we suspect that it doesn't believe that RDSC is to.
8. It also looks like are backing away from the "at least 12%" returns target for the US downstream. In the strategy presentation the company says that "Delivery...will move the US business *towards its RoACE target* of 12% by 2004".
9. Reserve replacement, a cause of concern in 2001 at 52%, was again very weak in 2002 it at 50%, excluding acquisitions. This translates into F&D costs of \$12-13/boe, almost certainly the worst performance among the larger companies. Last year's F&D costs were \$9/boe. XOM's target range is sub-\$4/boe with guidance of \$3-4/boe for BP.

**Companies Mentioned (Price as of 05 Feb 03)**

Royal Dutch Petroleum (RD, \$41.50, UNDERPERFORM, TP \$48)  
 BP (BP, \$38.71, OUTPERFORM, TP \$45)

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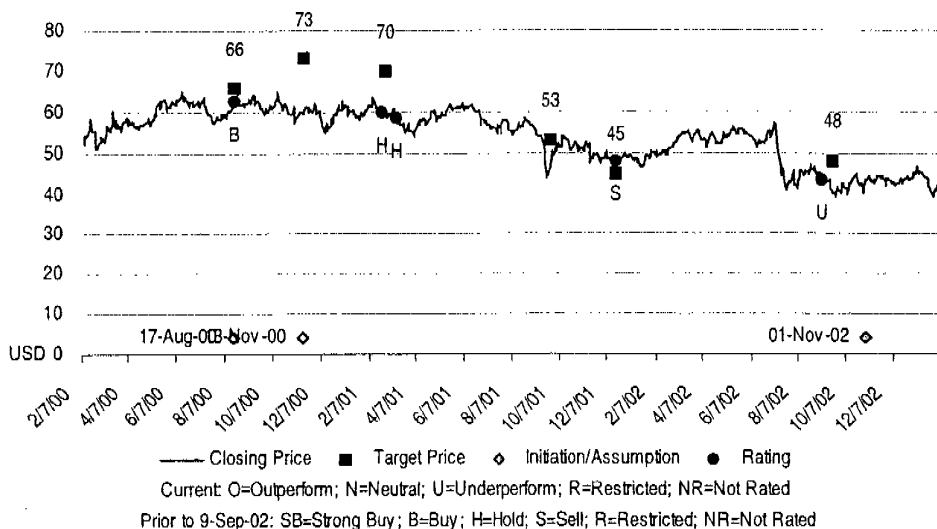
Royal Dutch Petroleum

06 February 2003

ChevronTexaco Corporation (CVX, \$65.07, OUTPERFORM, TP \$73)  
 ConocoPhillips (COP, \$49.41, OUTPERFORM, TP \$57)

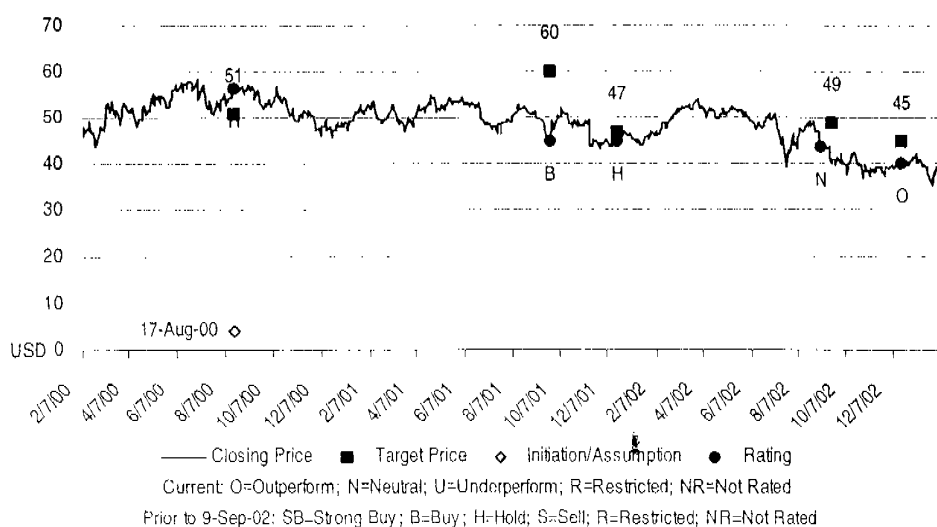
**DISCLOSURE SECTION**

**3-year history chart for RD**



| RD Date  | Closing Price(\$) | Target Price(\$) | Rating       | Initiation/Assumption |
|----------|-------------------|------------------|--------------|-----------------------|
| 8/17/00  | 62.44             | 66.00            | BUY          | X                     |
| 11/13/00 | 59.56             | 73.00            |              | X                     |
| 2/20/01  | 60.00             |                  | HOLD         |                       |
| 2/26/01  | 59.42             | 70.00            |              |                       |
| 3/12/01  | 58.44             |                  | HOLD         |                       |
| 9/25/01  | 46.10             | 53.00            |              |                       |
| 12/17/01 | 47.87             | 45.00            | SELL         |                       |
| 9/6/02   | 43.26             |                  | UNDERPERFORM |                       |
| 9/20/02  | 40.41             | 48.00            |              |                       |
| 11/1/02  |                   |                  |              | X                     |

**3-year history chart for BP**



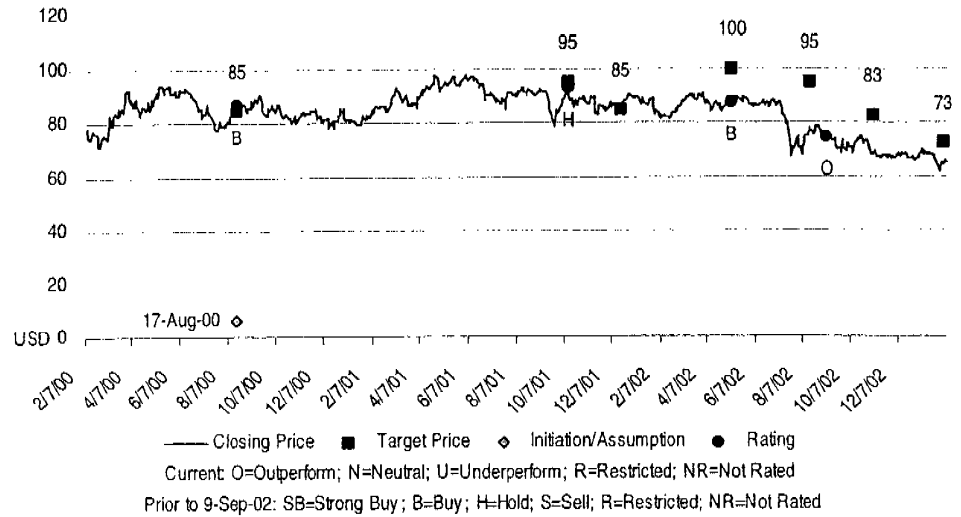
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Royal Dutch Petroleum

06 February 2003

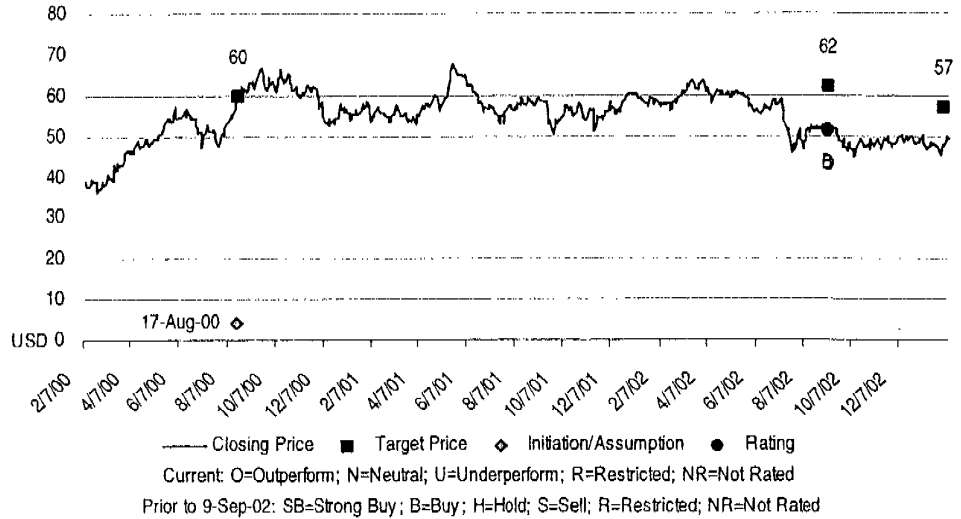
| BP Date  | Closing Price(\$) | Target Price(\$) | Rating     | Initiation/ Assumption |
|----------|-------------------|------------------|------------|------------------------|
| 8/17/00  | 56.44             | 51.00            | HOLD       | X                      |
| 9/25/01  | 44.80             | 60.00            | BUY        |                        |
| 12/19/01 | 45.00             | 47.00            | HOLD       |                        |
| 9/6/02   | 43.80             |                  | NEUTRAL    |                        |
| 9/20/02  | 40.82             | 49.00            |            |                        |
| 12/17/02 | 40.15             | 45.00            | OUTPERFORM |                        |

**3-year history chart for CVX**



| CVX Date | Closing Price(\$) | Target Price(\$) | Rating     | Initiation/ Assumption |
|----------|-------------------|------------------|------------|------------------------|
| 8/17/00  | 87.19             | 85.00            | BUY        | X                      |
| 10/11/01 | 93.28             | 95.00            | HOLD       |                        |
| 12/17/01 | 85.64             | 85.00            |            |                        |
| 5/7/02   | 87.67             | 100.00           | BUY        |                        |
| 8/16/02  | 76.92             | 95.00            |            |                        |
| 9/6/02   | 74.70             |                  | OUTPERFORM |                        |
| 11/4/02  | 67.94             | 83.00            |            |                        |
| 1/31/03  | 64.40             | 73.00            |            |                        |

**3-year history chart for COP**



| COP Date | Closing Price(\$) | Target Price(\$) | Rating     | Initiation/Assumption |
|----------|-------------------|------------------|------------|-----------------------|
| 8/17/00  | 59.75             | 60.00            |            | X                     |
| 9/4/02   | 51.70             | 62.00            | BUY        |                       |
| 9/6/02   | 51.33             |                  | OUTPERFORM |                       |
| 1/29/03  | 48.01             | 57.00            |            |                       |

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**Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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 BALTIMORE..... 1 410 659 8800  
 BANGKOK..... 62 614 6000  
 BEIJING..... 86 10 6410 6611  
 BOSTON..... 1 617 556 5500  
 BUDAPEST..... 36 1 202 2188  
 BUENOS AIRES..... 54 11 4394 3100  
 CHICAGO..... 1 312 750 3000  
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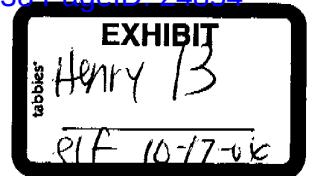
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**One-on-ones with Phil Watts and Judy Boynton  
7-11 February, 2003**

**T Price Rowe**

- Do you see holes in your portfolio or are future acquisitions more opportunistic?
- What are the premised returns for the WE pipeline project?
- What is your overarching strategy in China?
- How do you contrast Russia vs. China?
- Do you feel comfortable in Russia re making the big investment required for Sakhalin?
- Are the brownfield expansions the real value in Nigerian LNG?
- Re your exploration efforts, are you just going to hi-grade the portfolio or is there more stuff yet to be found?
- Why are your figures weak the last two years re RRR?
- Can you talk about gas reserves additions in the future?
- GTL – are you counting on this to monetize some of the stranded gas?
- Tension between balancing growth vs. returns – why is 14% optimal?
- Is \$16.00 a correct reference price for oil and are you passing on opportunities because it is too low?
- Acquisitions – capital discipline seems to have gone away and Enterprise was dilutive...can you comment?
- Would you do another deal like Enterprise even if it were dilutive?
- Chemicals business – if low returns continue for say the next five years, would your outlook change and would you stick with it?
- What amount of capital growth should we see over the next couple of years?
- Under normalized conditions, what level of buy-backs can you do?
- Your AAA credit rating – why is that important?
- How much powder are you keeping dry for the Saudi projects, Sakhalin, etc.?

**Sanford Bernstein**

- US natural gas – what is your current thinking?
- Is there enough gas in the US to meet the current projected demand requirements?
- Can you talk about re-gas efforts in the GOM?
- Are you seeing changes in your overall decline rate?
- Can you comment on the GOM and your overall strategy there?
- What about US OP – what are you going to do to fix that?
- Chemical business – what do you think is going to happen in that business in the US?

**Lazard**

- Can you talk about China and what are you doing there?
- Can you compare your strategy in China with XOM?

- Can you talk about how you are going to get your returns back to 13-15%?
- Is there going to be a significant help to improving your returns by shrinking the denominator re capital employed?
- Did you change your overall returns target for Chemicals?
- Why is the Chemical returns target going to be lower – is this due to structural issues in the industry?
- EP – did you change your return targets there as well?
- Can you talk about the US downstream – what are you going to do to fix it?
- What kind of profit projections should we consider for gas and power going forward?
- US gas market – what are you doing to take advantage of the current high prices?
- RRR – why are the 2002 numbers so poor and should I be concerned?

#### Soros

- Given the rising sense of nationalism around the world, is it becoming more difficult to drill in certain places?
- Deep water off western Africa – appears to be coming on more slowly...is that more political than technical?
- When looking at levels of cash, dividends, capex, etc., what do you need to spend to stay at your current level of production?
- LNG market – is it desirable to ship to the US?
- Looking over the coming five years, where do you see the oil business going?
- Do you feel comfortable with your current level of gearing?
- What projects are you most excited about?
- Are there some gaps in your portfolio that you feel you need to do more with?

#### Merrill

- Can you talk about your current drilling prospects?
- Can you comment on the RRR issue and what you are doing about that?
- Can you talk about what you are doing in your Global Solution business?
- How will you determine/measure success in China with your new investments there?
- Your competitive success over others will be determined how in China?
- Can you contrast your strategy in China with XOM and BP?
- Can you talk about the US downstream – growth vs. returns – how are you going to do this?
- How do you work through the refinery overhang in the AP region?
- What are you going to do to supply LNG into the US?
- Do you still have a lock on the LNG tanker market?
- RRR – how much was it organic vs. acquisitions and will you be able to do 100% in 2003?
- I hear that you do not have a sense of urgency – can you comment?
- What are you forecasting for the downstream in 2003?
- How much are earnings impacted by commodity volatility vs. the actual level?

- Thoughts on the whole Iraq thing?
- Why did you decide to suspend buy-backs?
- With your move to gas – will this mean smoother earnings?
- You did not succeed with Barret – then, why PQS?

#### **Capital Guardian**

- On the WE pipeline, how do you know what return you will get?
- Will the Chinese government have a take or pay for the gas coming through the WE pipeline?
- Can you do anything to make it certain on who will buy the gas you supply in China?
- Russia – are you interested in doing what BP is doing?
- Acquisitions – talk about the way you are going to get back in your returns range?
- Production growth targets – have you made any changes there?
- Growth targets – is the industry volume constrained...are decline rates increasing?
- RRR – should we be worried about this?
- RRR – can you talk about the oil/NGL reserve replacement ratio?
- Malaysia oil discovery – are you entitled to that?
- F&D costs – can you comment?
- Chemical – can you talk about the returns question and is this a permanent issue?
- US downstream – are you weighed down by the Texaco assets?
- Has your downstream pricing strategy changed in the US?
- GTL – what is the timing for the next project and are the products going to be different than what you are producing today in Malaysia?
- What is the rate of return for GTL?
- Tolling contracts – is the \$150 mln number associated with the tolling contracts?
- Why did you do the tolling contracts in the US?
- When you develop gas greenfield sites – do you think GTL vs. LNG?
- Are their gaps in your portfolio?
- What do you think about the Soros proposal where companies would disclose what companies pay to countries in taxes?

#### **Wellington**

- How do you think about accounting returns vs. economic returns?
- What assets in your portfolio do you consider legacy assets?
- What is your planning horizon for acquisitions?
- Have you changed the way the US downstream assets are being run?
- Refineries in the US – how are you going to improve their performance? Are your refineries making any money at all?
- Reference conditions – why are they what they are? When do you re-validate your reference conditions?
- Is your opportunity set constrained because of your oil reference price?
- Are you satisfied with your geographical spread in the upstream – are there any gaps?

- RRR – can you talk about this and what do you think it will be over the next couple of years?
- Dividends – can you comment on where they are going?
- North Sea – BP is selling some of its assets, you are buying assets there, why?
- LNG in NA – what is the time frame in which this really gets going and how much do you think it will grow to?
- Are you interested in the El Paso assets?
- Nigeria – lots coming on stream – are you worried about OPEC quotas?
- Nigeria – is it the largest tax regime that you operate it?
- How big is the recent discovery you announced in the Caspian?
- Re reference conditions, can you talk about the US retail market?

#### **Putman**

- Can you talk about Sakhalin and how large your investment may be there?
- Sakhalin – when can you book reserves?
- RRR – where are you going with this? How will it look this year?
- What are your reference conditions?
- Acquisitions – what is your thinking on this in general?
- Can you talk about your North American gas strategy?
- Re-gas in the US – how soon will you build up your capacity?
- Why are there not more re-gas facilities being pursued here in the US?
- Are there other people buying ships for LNG?
- Deep shelf gas – are you pursuing this in the US?
- Pipelines in the Rockies – is there an issue?
- Chemicals segment – you are focusing on investments in the China and less in the US – where is that all going?
- GTL – are they going to be meaningful to you and where do you stand on the next one?
- Chemical – what product groups are you reducing capital investment in?
- GTL – what does the new catalyst do for you?
- GTL – Japanese market...how will you sell products to them?
- US downstream – you bought PQS, why did you not buy Castrol?
- Share re-purchases – what are your plans?
- Russia – are you looking to buy something there?
- Technology (expandables) – what is your take on that?
- Capex – what are your plans this year?

#### **Fidelity**

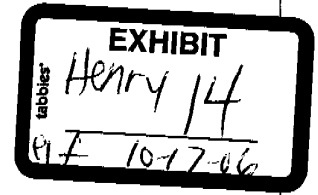
- What are your thoughts re the big picture...the geo-political uncertainty...where is all of this going?
- How do you make a difference as compared to your competitors?
- ROACE – why is 13-15% good enough? Why not 17%?



- What is the next big thing in your company that is going to make a difference?
- Production growth – why is it flat?
- GOM – what is the history in that area as it relates to your company?
- Projects – why are some of your big projects being delayed?
- Production growth – how certain are you of your production capacity numbers?
- In looking at the development of your budget, how do you come up with a reference oil price of \$16?
- What is the advantage of scale?
- What will be the amount of pension income hurt in 2003?
- What are the ROACE targets for the upstream and downstream businesses?
- US OP – is there an issue of the quality of the assets?
- California – are you concerned about hybrid cars and switching from MTBE to ethanol?
- Russia – what do you think about BP's move?
- North America – do you see yourselves having a larger natural gas presence here?

**State St.**

- Costs – where do you think they are going in the future?
- How do your unit costs compare to your competitors?
- Can you talk about RRR and production growth and where is all of that going?
- What about LNG into the US?
- Are you considering acquisitions re NA gas?
- Canada – will more gas come from there in the future?
- Eastern seaboard – can you put re-gas terminals there given the tough weather?
- Share buy-backs – why did you suspend these for the 1<sup>st</sup> half of the year?
- How do you develop your unit cost measures?
- Russia – what about BP's efforts there?
- NA gas – over the next couple of years, where are you going to do?
- Capex – will you raise the amount if future conditions become clearer?
- Shell in three years – where are you going to be like?



**Unknown**

**From:** Pay, John JR SIEP-EPB-P  
**Sent:** 10 February 2003 08:54  
**To:** Henry, Simon S SI-FI; Coopman, Frank F SIEP-EPF; Hamilton, Rhea R SIEP-EPB-B  
**Cc:** Paulides, Gerard B SIG-FI; van der Steenstraten, Bart B SI-FH  
**Subject:** RE: oil RRR

OK, understood. Since so much depends on the way we are perceived by the analysts, I certainly hope that our statement on how we plan our business is confirmation of the obvious and not something that is new to them. Since proved reserves is the only category that can be compared company to company, and since eventually we must replace all categories of reserves (proved or otherwise) if we are to stay alive, it will remain the definitive performance measure.

John Pay  
Group Hydrocarbon Resource Coordinator  
Shell International Exploration and Production B.V.  
Carel van Bylandtlaan 30, Postbus 663, 2501 CR The Hague, The Netherlands

**Tel:** +31 (70) 377 7405 **Other Tel:** +31 (0)6 5252 1964  
**Email:** john.pay@shell.com  
**Internet:** http://www.shell.com/eandp-en

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

**From:** Henry, Simon S SI-FI  
**Sent:** 10 February 2003 05:32  
**To:** Pay, John JR SIEP-EPB-P; Coopman, Frank F SIEP-EPF; Hamilton, Rhea R SIEP-EPB-B  
**Cc:** Paulides, Gerard B SIG-FI; van der Steenstraten, Bart B SI-FH  
**Subject:** RE: oil RRR

John, the issue was not really about verification, it was more about deliberately misleading the audience. To talk only of an oil replacement ratio without highlighting this is not the figure that is reported for liquids including NGLs is simply not acceptable. We must talk Oil & NGL first and then separate out oil - very few of the audience would pick up the subtlety and when it was pointed out to them - as it surely would be - then they get very upset and think we are trying to play games. And then they may complain to the authorities.

I was happy with the way we did this in the end, although we were still asked in public for clarification.

use of 2P reserves or resources is fine with the caveat you highlight, although the statement 'this is the way we plan our business' is a potential concern as this invites ongoing Qs about performance on this measure. we cannot really be selective about what we choose to highlight at any point in time, as to give the appearance of changing our metrics every year or so is also damaging to our credibility.

simon

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

**From:** Pay, John JR SIEP-EPB-P  
**Sent:** 31 January 2003 09:18  
**To:** Henry, Simon S SI-FI; Coopman, Frank F SIEP-EPF; Hamilton, Rhea R SIEP-EPB-B  
**Cc:** Paulides, Gerard B SIG-FI; van der Steenstraten, Bart B SI-FH  
**Subject:** RE: oil RRR

Surely we will make many statements that cannot be "verified" - note also Exxon does the same (e.g. quoting 72 bln boe total discovered resources - in principle they are required by SEC rules to include a caveat / SEC disclaimer on any such statement)...

John Pay  
Group Hydrocarbon Resource Coordinator  
Shell International Exploration and Production B.V.  
Carel van Bylandtlaan 30, Postbus 663, 2501 CR The Hague, The Netherlands

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**Tel:** +31 (70) 377 7405 **Other Tel:** +31 (0)6 5252 1964  
**Email:** john.pay@shell.com  
**Internet:** <http://www.shell.com/eandp-en>

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

**From:** Henry, Simon S SI-FI  
**Sent:** 30 January 2003 17:19  
**To:** Coopman, Frank F SIEP-EPF; Hamilton, Rhea R SIEP-EPB-B  
**Cc:** Paulides, Gerard B SIG-FI; van der Steenstraten, Bart B SI-FH; Pay, John JR SIEP-EPB-P  
**Subject:** oil RRR

Frank, Rhea. Having now understood the rather cute use of data that led to the 108% RRR for 'oil' i.e. it is not what will be reported in 20F or annual report as there we include NGL, I believe we cannot use this 108% in any headline external documents such as QRA or SE release. If we use 108% we may well have a problem of a regulatory nature, and we will certainly have a major problem with analysts / investors when they see the figures in the format we actually report i.e. Oil & NGL RRR of 85%.

If this figure is quoted as an explanatory note under the slide with the real figures, as in Rhea's proposal, then it is ok as the 85% is clear. We just cannot use in the QRA or SE release or in Cantos interview.

I appreciate the nature of this comment, and the fact that CMD has already mentally mapped 108%, but I was certainly not aware of the definition being used at the time, otherwise I would certainly have objected.

QRA & SE release need to be redrafted on this basis, and we will send through. This may be one of those things that changes the overall message, but I just don't believe we could get away with this.

Simon

Simon Henry  
Head of Group Investor Relations  
Shell International Limited  
P.O. Box 662, London SE1 7NE, United Kingdom

**Tel:** +44 20 7934 3855 **Other Tel:** +44 7799 034799  
**Email:** [simon.henry@shell.com](mailto:simon.henry@shell.com)  
**Internet:** <http://www.shell.com>

EXHIBIT  
Henry JS  
10-17-03

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Note for Discussion

Group Investor Relations: Strategy and Plan to mid 2004

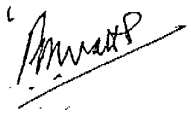
The purpose of this document is to set out the IR communications strategy and outline plan from Q1 2003 to the next Group strategy presentation, currently planned for June 29 & 30 2004. It is submitted to CMD for support and approval.

The proposed approach builds on the strategy and enhancements to IR activity introduced from the end of 2001. The progress on these is summarised in Appendix 1.

Key issues or proposals for response and support in this document are

- A steady movement away from a plethora of specific targets, towards more generalised expectations for performance: this could only follow delivery against existing targets, and the increased credibility this gives to the current strategy and financial framework
- Consistent with this trend, to improve transparency in certain areas of current actual result reporting: this will include a review and likely changes of the content and format of the QRA and Financial and Operational Information (5 year data book)
- New IR marketing activity to the US retail investors and Japanese institutional investors: this is targeted to respond to the loss of US institutional investors in 2002 following the S&P500 decision
- Likely key message flow through to mid 2004: The main issues of interest will be OP US performance, 'downstream' environment recovery, delivery of major project milestones in EP / GP and delivery of performance improvements towards 13% ROACE
- No further major Business strategy presentations (such as the recent EP / GP presentation) before mid 2004: the recommendation is for a series of smaller communications events based around specific activities, aimed at improving general market understanding of important parts of the portfolio
- MDs to focus on specific financial markets for 1-1 and general investor meetings

Activities proposed for 2003 are all included in the existing budget and resource plan. The budget for 2004 will be developed in the usual timeframe based on this document.

  
MGDPW 24<sup>th</sup> April 2003

- Appendix 1 Summary of IR enhancements during 2002
- Appendix 2 Critical external undertakings
- Appendix 3 US Retail marketing plan
- Appendix 4 Japanese institution marketing plan
- Appendix 5 IR programme detail Q2 2003 to Q2 2004

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## Group Investor Relations: Strategy and Plan to mid 2004

### Context

The 2002 IR programme involved a strategic shift of emphasis away from 'fixed' presentations to groups of 'sell side' (research) analysts towards a more targeted programme of meetings direct with 'buy side' institutional investors in the three markets covered (UK, USA and Continental Europe).

This change in focus reflected both improvements in the analytical resource within investing institutions, and general market concerns about the independence and effectiveness of research analysts in influencing decisions of fund managers.

External perception studies addressing the quality and effectiveness of the IR and financial media communications processes were conducted in late 2001 for the US and in mid 2002 for UK. Together with an internal benchmarking against best practice this led to an agreed programme for overall enhancement of Investor Relations activity and resource.

This included the integration of IR activity with the overall Group external communications programme, including media relations. A summary of the enhancements is attached as Appendix 1.

Key events in 2002 affecting the IR programme have been the four major acquisitions (Texaco (OP in the US), Pennzoil, Enterprise and completion of DEA), the deletion of Royal Dutch from the S&P 500 index in July and the general malaise in world stock markets driven at least in part by generic concerns about Corporate Governance.

Relevant industry events have been a transition away from volume growth as the prime measure for investor focus, and the political situation in Iraq with its potentially significant implications for oil prices and IOC access to reserves. Return on investment and quality of underlying earnings and cashflow have regained prominence. This has led to some companies in the sector moving away from specific targets towards directional trends or ranges of outcomes.

Developing requirements for information disclosure arising in the US from the Sarbanes-Oxley Act and also from wider moves towards common international accounting standards will also impact investor communications in the coming years.

### Proposed Strategy

The overall communications strategy to mid 2004 has five elements.

**External performance framework** – No changes in principle are expected to the existing strategy or target framework, although the trend over time will be towards fewer - or less specific - 'targets'.

This approach pre-supposes that existing targets will be met, thereby increasing the credibility of the overall strategy and financial framework. In addition, to support less specific targets, transparency of actual quarterly or annual results may be increased voluntarily as a way of gaining recognition for highly competitive parts of the Group (OP, G&P), and of improving expectations of performance. External requirements for disclosure of information will be actioned as soon as practicable.

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**Communication style** - The Group's style will remain unchanged, characterised by integrity, openness, transparency and balance.

Positive elements will always be emphasised, but challenges will be recognised and addressed. The IR programme will be integrated with all other major Group external communications and reputation management activities, via PXX.

**Target audience** - The emphasis on targeting the 'buy side' (investor) audience will be maintained.

Large UK and US institutions will continue to form the core of major investors and of the communications programme. The US retail and the Japanese institutional investor markets are specific new target markets. Both of these offer scope to replace long term investors lost as a result of the S&P500 decision in mid 2002. European institutions will require careful targeting for effective results.

**Resource management** - Optimum use will be made of the three tiers of available resource, CMD, the 20 or so Group spokespersons trained in 2002 and the IR team.

This will include assigning MDs to specific markets, and planned programmes of meetings & events that ensure specific messages reach target markets at the optimum time. The IR team will be resourced to support this programme, to carry out all relevant analysis of Group and market information, and to ensure that there is a fit for purpose information infrastructure.

**Information infrastructure** - The IR team will maintain the information infrastructure to best-in-class standards.

This includes, but is not limited to, market intelligence, shareholder surveillance, the Group IR website, support for the QRA, FAOI and Annual Report and suitable briefing materials for all investor communications events. Weekly and monthly internal management information will be produced as required. IR input will be made to all to Group strategy, planning, reporting (including in particular LEs) and appraisal processes, and to all major business announcements.

#### **External performance framework**

In December 2001 the two key elements of the external framework were communicated to the market, namely the strategic direction based on the aspired portfolio, and the financial framework centred on a Group ROACE target range of 13-15% at reference conditions.

Several internally consistent subsidiary targets or statements underpin the ROACE target. The key undertakings are included in Appendix 2.

The headline messages are not expected to change materially in the period under review, unless there are material changes in the Group's portfolio that require the overall framework to be refreshed. Modifications may be required as a result of changes in accounting or reporting requirements, but these will not impact the underlying principles behind the financial framework.

The market currently offers an opportunity to move towards more generalised expectations for performance, for example directional trends or ranges of outcomes, and it is recommended that the Group follows this trend, subject to the comments below.

The overall approach to the end of 2004 will be to gradually move away from multiple Business level specific targets that are not directly related to US GAAP measures. The rationale for this proposal includes

- Targets are liked by the market as a projection of future performance, and hence shareholder value. However, credit given in company valuations is limited by target credibility and market understanding of performance drivers: for example, only around two thirds of the potential US OP performance improvement is reflected analyst models.
- Multiple targets do not always receive credit, but perceived failure to meet targets is always punished, hence associated risk / reward is asymmetric

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- The objective of increasing understanding of future performance can also, at least in part, be achieved by increasing the transparency of actual results and ensuring clear linkage to performance drivers.
- Specific Business measures will likely require detailed reconciliation to GAAP measures and disclosure that could lead to confusion, rather than improved understanding.

A key pre-condition to be able to reduce the number of Business specific targets in the public domain is that existing short-term performance improvements targets are met. In particular this includes cost reductions and portfolio upgrading that underpin the improvement in Group ROACE by 2004. Specific targets can be dropped once delivered, but should not be dropped before delivery.

Certain elements of the financial framework will need to remain in place in order in the medium term to ensure that a clear understanding of the relationship between strategy and results. The recommended minimum set, which must be internally consistent, is:

- The dividend policy
- A Group ROACE target range
- AAA as an important factor
- Capital investment levels and priorities

The ROACE and AAA statements together are seen as the boundary conditions for the Group portfolio, essentially the drivers of capital discipline. This limited set of parameters should be supplemented by a track record of, and generic commitment to, continuous productivity improvement and portfolio upgrading.

Short-term specific annual targets for other measures including production volumes will continue to be valued by the market, but need not be permanent fixtures.

Comments on possible developments to the specific external undertakings are also included in Appendix 2.

In addition to the above rationale, the 2002 review of IR activities identified a need to improve market understanding of the key drivers of our performance, both external environment and internal operational factors. This was desirable in order to improve the accuracy of expectations for performance and therefore to decrease the level of uncertainty and volatility around the reporting of our actual financial results. Understanding can be improved through both education (e.g. publishing approximate income sensitivities to visible external factors) and increased transparency (e.g. limited segmented reporting within Businesses).

It is likely that the content and format of the quarterly results announcement (QRA) and the Financial and Operational Information (FAOI) 5 year book will both need to change in 2003 as a result of developments on disclosure. This opportunity will be taken (by IR) to consider additional information that would contribute to improved understanding, with the most likely changes being in Gas & Power and Oil Products. A proposal will be made to FLT and CMD before implementation.

#### **New markets**

The approximate geographical spread of identified investors at end January 2003 was UK 45%, US 25%, Continental Europe 30%. As holders of RD Amsterdam shares are not required to identify themselves these figures may understate the latter figure.

Large UK and US based investors have long dominated the Group shareholder base, with the top 50 identified investors holding over 40% of the Group (aggregated across both parent companies). Only 2 of the top 30, and 10 of the top 50 investors are based in Continental Europe. This distribution is expected to continue for some time, and drives the basis for allocating resource to 1-1 and small group meetings with major investors.

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The following table illustrates an approximate distribution of equity funds under management in the main markets. In terms of potential for parent company representation, RD & ST&T combined have approximately a 1-1.5% weighting in most global equity market indexes. However we must recognise that two main markets (US and Japan) invest predominantly in domestic stocks – estimated over 80% for the US and over 90% for Japan. Appetites for 'foreign' investments in both markets have varied considerably in recent years, with Japan currently increasing and the US decreasing overseas exposure.

| Funds under management<br>\$ trillion - estimated range | Institutional                      | Retail |
|---|------------------------------------|--------|
| North America   | 6-7<br>of which 3-4 in NY / Boston | 4-5    |
| UK  | 2-3                                | <1     |
| Europe (excl UK)  | 2-3                                | 2-3    |
| Japan   | 2-3+                               | 1      |

Data source: Various through UBS Warburg and Daiwa securities, including Thomson Financial

In 2001 Continental Europe was identified as a priority market for IR, as significant new funds flowed into equities driven by two trends: a need to fund future pension liabilities and a move away from bonds as a preferred form of investment. Marketing effort on the continent, measured by number of investor meetings, was approximately doubled, with main target markets of France, Germany and Switzerland. The subsequent collapse in global equity markets has reduced this level of growth, with total equity funds under management relatively static. Europe remains an investor market where RD has growth potential, but senior executive effort should be focused on the specific markets originally identified, where the Group is relatively under represented as a 'Pan European' investment.

Similar to 2002, in 2003 the overall objective will be to meet in 1-1 format with the top 30 investors in each major market at least once during the year, and to aim for the majority of the next 100 investors in the Group (across markets) to be included in some form of face to face meeting, e.g small group lunches. Top 30 investor meetings (each market) should ideally be with an MD.

In addition, based on monthly shareholder surveillance data, around 25 potential new institutional investors will be targeted in both the US and Continental Europe. The objective is to identify and contact institutions that, based on total funds under management, could own upwards of \$50 million of Group stock. The IR team will be the primary resource for this prospecting activity, with assistance from the CFO as required.

The S&P decision in July 2002 to remove RD from the S&P500 index led to an immediate reduction of around 10% of RD shares held in the US. This immediate reduction has been followed by further gradual reduction in shares registered in New York, such that the % of RD shares registered in New York has fallen from just below 40% to around 26% at end 2002. US funds that track the S&P500 index sold the shares, and it is not possible to directly replace the holdings within the same universe of index following investors.

There remain two investor markets of significant size where RD and ST&T are not well represented and where no material marketing effort has previously been made. The US retail market and the Japanese institutional market are both approximately the same size as the European institutional market. Both markets also have attractive characteristics relative to index trackers, in that investors tend to be 'sticky' and long-term holders.

Both markets will require concerted marketing effort over time to penetrate. Each market has the potential to absorb around 3% of total Group stock or approximately \$5 billion, which together would partially offset the US institutional holdings lost following the S&P decision.

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An overview of the marketing plan for each market is attached in Appendixes 3 & 4. The main emphasis in 2003 will be on the US retail market where resources are already committed to a first phase of marketing. A second phase, potentially linking to the increased OP Retail awareness in the US, is provisionally planned for 2004.

Initial contacts will be made with the primary Japanese targets during 2003 in both London and Tokyo, to be followed up in 2004 according to identified potential.

Existing IR team resource will execute the US Retail programme. 1-2 days contribution from one MD, per year, may be required for the Japanese programme.

#### Message content overview

The Group's stated strategy and financial framework were refreshed in December 2001, and no changes to the basic principles are expected in the timeframe of this plan.

All IR communications are based around the Corporate Identity theme of 'delivering performance with a long term view'.

The likely key message flow over the period to mid 2004 is based on business events, likely drivers of current performance and estimated competitive positioning.

| Period              |                                      | Key message theme(s)  |
|---------------------|--------------------------------------|---|
| 1998 - 2001         | Roadmap phase                        | "14% at \$14/bbl", supported by cost reductions, capital discipline, portfolio management, personal accountability                              |
| Dec 2001            | Revised Strategy                     | New strategic direction announced. Aspired portfolio ('more upstream & gas'), 13-15% ROACE range, updated financial framework                   |
| Q4 2001 - Q1 2002   | Acquisition phase                    | Strategic choices to execute the aspired portfolio, within the financial framework  |
| H1 2002             | EP performance                       | Rebuild confidence in EP delivery after volume downgrade and low RRR  |
| H2 2002             | US OP emphasis (includes field trip) | Highlight US OP as main driver of short term performance improvement, lay groundwork for delivery in 2003 / 2004                                |
| mid 2002 - end 2003 | Consolidation phase                  | Integrate acquisitions, deliver synergies and cost improvements, portfolio management   |
| Feb 2003            | Strategy update                      | Re-confirm 13-15% range, emphasis on delivering projects in the medium term and investing to build long term 'legacy positions' in EP / GP      |
| Mar 2003            | EP / GP strategy                     | Lay groundwork for delivery of strategy 2003 - 2005; major projects and longer term investments   |
| H2 2003             | US OP delivery                       | Expect US OP performance to act as catalyst for investors to support the 'management delivers' story  |
| H2 2003             | 'Downstream recovery'                | Potential for oil price to fall, OP and Chemicals demand in US and Europe to recover. Group better positioned for this than competitors.        |
| H1 2004             | Group Return improvement delivery    | Short-term performance improvements required to return to 13-15% range visible. Steady progress required in EP (unit earnings), OP (synergies & |

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|                     |   |   |
|---------------------|---|---|
|                     |   | costs) and Chemicals (volume & costs)<br>Competitive positioning should be favourable, as Supermajors likely to be seeing declining returns in this period  |
| mid 2003 – end 2004 | Long term upstream position development | Steady news flow on delivering projects and establishing and progressing the new long term positions: Athabasca, Sakhalin, Kashagan, China, Brazil, Offshore Nigeria, maturing exploration prospects<br><br>Portfolio management within the financial framework a key communication issue |
| Jun 2004            | Strategy update / review                | Balance of returns and growth in the portfolio likely to be key   |

No major Business strategy presentations are planned in the period up to mid 2004. The EP / GP presentations in March 2003 are not proposed to be repeated for the other businesses. The preferred approach is a series of smaller events addressing specific activities within a Business, specific to market interests at any given time. Potential subjects (subject to delivery of projects or results) for coverage in this timeframe include:

- Russia
- China
- Nigeria
- Gas To Liquids
- US gas market
- US OP delivery
- OP lubricants delivery (potentially as part of 'Global Business' education)

No major field trip is currently planned, although budget is reserved. Several of the above subjects have potential for either 'mini field trips' or roadshow presentations to smaller investor groups. It is recommended that the approach here is kept flexible according to actual events and competitive positioning.

The objective would be for a series of smaller communications events to improve general market understanding of important parts of the portfolio, rather than concentrating on the 'big picture' at Business level.

The above timeline for message development is clearly subject to external events. Key factors outside the current scope include

- Major competitor portfolio actions including mergers
- A sustained period of very high oil prices, which would diminish the downstream advantage opportunity
- Group portfolio actions that compromise the financial pillars of ROACE and / or AAA credit rating
- Failure to deliver on the underlying improvements to return ROACE to range of 13-15%
- Increased investment levels or changes in accounting treatments that are material enough to impact the financial framework

On this latter point, known changes in 2003 include the implementation of 'Regulation G' in the US and changes in balance sheet treatment of certain transactions. The former will reduce the

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number of items qualifying as 'specials', and the latter will increase capital employed with limited impact on income. Separate proposals to CMD will address the communication of these events.

#### Resource management

There are three levels of potential contact with the market, CMD; senior executives who have been trained during 2002 (Group spokespeople) and the four senior members of the IR team.

Market feedback on the increased interaction with members of CMD has generally been positive. However, one important piece of feedback is a general preference for investors to build up relationships with individual MDs over time rather than meeting with a different company representative each time. This comment has been received from each of the main markets, from both buy side and sell side (nominally speaking on behalf of the buy side).

Hence it is proposed to focus MDs on specific markets for 1-1 and meeting roadshows. The objective is to build up relationships over time, ensuring that most investors meet the same individual several times over a period of years. It is not intended that this would exclude individual MDs from certain markets as priorities at any given time may require business specific messages into all markets.

Proposed MD relationship to markets for 1-1 meetings and general roadshows

|                               |   |   |
|-------------------------------|---|---|
| UK & Ireland                  | Phil Watts & Judy Boynton<br>Other MDs                                    | Prime contacts<br>To follow up specific events such as strategy presentations or portfolio action   |
| Netherlands                   | Jeroen van de Veer & Walter van de Vijver                                 | Prime contacts  |
| US                            | Phil Watts & Judy Boynton<br>Jeroen van de Veer<br>Rob Routs<br>Other MDs | Prime contacts (US focus on 'CEO & CFO')<br>At least 1 visit per year to East Coast (Boston)<br>Important follow up US OP delivery<br>To follow up specific events such as strategy presentations or portfolio action |
| Europe excl UK & Netherlands) | Walter van de Vijver,<br>Malcolm Brinded, Rob Routs<br>Other MDs          | Prime contacts (main markets Germany, France, Switzerland)<br>To be used as required  |
| Japan                         | Malcolm Brinded   | Prime contact, as regional MD   |

During 2002 and early 2003 MDs received various levels of support in improving the financial markets and media communications processes. Investors noted improvements in both 1-1 meetings and public presentations. Looking forward, based on market feedback, the next opportunities for improvement are 'public' Q&A sessions and effective team working when more than one executive is involved.

In late 2002 around 20 next-level executives were trained in communicating with financial markets and media, as Group spokespersons. Following an initial period where spokespeople will track MDs, this group will be used as in communications according to opportunities that arise. These will include Conferences, small group meetings (either at Shell or broker request) and 1-1 meetings where requested by investors.

By April 2003 opportunities had been identified for over half of the spokespersons, with in general very positive feedback from the various audiences. These included conference presentations (e.g. Goldman Sachs in New York, Citigroup in London) and a variety of 1-1 type meetings requested by investors. The overall IR schedule will be developed to ensure that the majority of spokespersons are engaged in 1 or more activities to mid 2004, priorities will be

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determined by a combination of the 'message content' (see above) and requests as received from investors.

Four of the IR team are engaged in regular meetings with both sell side and buy side contacts, with one additional team member focused on the US retail market. In 2002 meetings between IR staff and market contacts are estimated to number around 200 across the markets.

In addition to the formal communications schedule, a limited programme of relationship building between MDs and market and media contacts was initiated during 2002. This activity, which is integrated with PXX, will continue. Subject to budget availability, the aim will be to meet on an informal basis each year with the top 20 UK investors, the top 10 US investors and a selection of leading journalists.

### Information Infrastructure

In 2002 significant progress was made in improving the effective flow of relevant market information within the Group. In 2003 the activity here will consolidate this progress, with an overall objective of ensuring all relevant information is available to the three IR offices from a single reference point, and that market information is also available electronically as required within the Corporate Centre and Businesses.

This will require full use of the new IR channel system, integrating shareholder surveillance, the contact management database and analyst reports.

Over the past 2 years the interface between IR activities and the Group Plan process has developed considerably. IR input to each stage of the process is now actively sought and integrated, and this will continue through the 2003 process.

Preparation of, storage of and access to briefing materials also require improvements.

The external IR web site requires upgrades in content (e.g. for the US retail programme) and functionality (e.g. registering users and automated contact).

Improved interfaces are required between IR and the Businesses on various activities, including competitor intelligence and numerical analysis from a 'market perspective'.

All the above will be resourced from within the IR team.

### 2003 IR budget overview

The budget for 2003 is summarised below

| 2003 budget<br>\$US million | London office | Hague Office | New York office | Total |
|-----------------------------|---------------|--------------|-----------------|-------|
| Manpower + office           | 1.5           | 0.2          | 1.0             | 2.7   |
| Other IR costs              | 1.3           | 0.4          | 0.3             | 2.0   |
| Gross total                 | 2.8           | 0.6          | 1.3             | 4.7   |

The London office carries the budget for events such as strategy presentations and field trips, and for all information infrastructure costs.

The 2003 total budget is around \$0.8 million higher than budget and actual expenditure for 2002. The main variances are increased manpower / office costs in London and New York (\$0.4 million), and the US retail programme (\$0.4 million) as agreed as part of the 2002 enhancement programme. Savings elsewhere in the programme have largely offset the costs of incremental activities such as monthly shareholder surveillance and Cantos interview webcasts.

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The budget allows for an increased 1-1 meeting schedule and a potential field trip for investors later in 2003. It also covers a 'standard' level of major presentations to analysts, i.e. 2 London / New York events (Q4 2002 results and EP / GP presentations) plus a third London event (Q2 2003 results). It does not allow for a significant level of informal relationship building events involving corporate hospitality.

In the event that the initial phase of marketing to the US retail market is successful, then additional funding will be required in 2004 to take this activity into a second phase. Manpower cost included above is based on an establishment of 11 staff in the three offices, including the 3 management assistants.

This level of manpower and budget is consistent with the strategy and plan as proposed.

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## Appendix 1 Summary of IR enhancements during 2002 and Q1 2003

### *Market intelligence*

- Weekly and monthly internal management information on market views established
- Regular feedback to senior executives from the market established through meetings and written advice
- Monthly shareholder surveillance initiated
- Research analysts invited to speak at several major Group events

### *IR Resources*

- IR department team upgraded, new high quality recruits in all three offices, plus establishment of focal point role in EP
- Executive development programme covering communications with the Capital Markets and financial media initiated and executed for 25 senior executives and around 15 support staff

### *Senior management commitment and preparation*

- Senior management committed additional time to ensure that 1-1 meeting programmes could be delivered, including the significant programme immediately after the major acquisitions
- Feedback on investor responses to the CMD, and the constructive response to this, has increased markedly
- Brokers were used in the UK market for the first time, contributing to multiple improvements in the preparation and briefing processes for management
- Briefing material content and format was changed during the year

### *Targeted marketing*

- Objective to meet the top 100 investors (30 or so in each main market) face to face was met: approximately double the previous number of meetings were held.
- US field trip carried out, targeted specifically to embed the US OP messages and the potential importance of unconventional resources
- EP / GP strategy presentations held in March 2003 to complement the changed format of the Group strategy presentation in February 2003

### *Results expectations management and announcement*

- New process for internal management of quarterly latest estimates established, quarterly volatility in expectations since Q2 2002 reduced substantially
- Forward information provision to the market, via QRA and quarterly telecons, improved
- Use of different media (Cantos web videos, targeted e-mails) to make information available to a broader audience
- Pro-active media briefings incorporated into normal quarterly process

### *Integration with media activities*

- Medium term planning of communications activities by PXX and IR was integrated
- Media protocol established, with improved information flow from Businesses
- Communications event schedules routinely incorporate media and IR requirements
- A limited informal relationship building process was initiated with financial media and the investing community

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## Appendix 2 Critical external undertakings

| Current statement   | Potential development   |
|---|---|
| <b>Group ROACE 13-15% at Reference Conditions</b> ... and to return to range by 2004 is a key priority  | The market, as a key indicator of the strategic framework, is always likely to expect a Group portfolio ROACE target. This should only change under well-defined circumstances.   |
| <b>Established Businesses capable of 15% ROACE at Reference Conditions</b> ... in medium term Chemicals 12% cycle average   | Group expectation needs to be underpinned with realistic expectations for main businesses, but emphasis on 'over time' required.  |
| <b>Cash cycle</b> drives financial framework, Cash generation from ops >\$19 bln to fund Capital investment ~\$12 bln, dividend ~\$ 6 bln, interest payment ~\$ 1 bln<br><br>Divestments ~\$ 2 bln, acquisitions & share buy backs remain discretionary | The basic model should remain in place, although metrics may change as the portfolio will develop. Care should be taken not to become too fixed on specific numbers here.   |
| Ongoing <b>Capital Investment</b> \$ 12 bln p.a., \$8-9 billion in upstream   | An annual indication of investment levels is required, thereafter a broad indication will suffice   |
| Portfolio is capable of delivering <b>50% higher cash to shareholders</b> on average from 2001-5 compared with 2000   | Underplay. The portfolio was capable when this statement was made.  |
| <b>Priority attention</b> to \$7 bln under performing assets. Confirmed InterGen, Basell, implied CRI, Infineum. Between 2001 (base year) and 2003 ROACE improvement expected to be 600-700 basis points  | Deliver on the specific asset set to 2004, and migrate to a more generic statement - 'Upgrading is a continuous process, we always expect around 10% of the portfolio to be receiving priority attention at any given time' |
| Expect average \$2bln <b>divestments</b> p.a. for 2003 and 2004 for Group   | Deliver, and see above.   |
| Desired <b>Gearing</b> 20-30%; <b>AAA credit rating</b> important   | No change   |
| <b>Dividends</b> will grow at least in line with local inflation (UK & The Netherlands)   | No change   |
| <b>Underlying Unit Cost Reduction</b> in Main Businesses - 3% p.a. or \$500mln p.a. in 2003 and 2004, including contributions from Equilon / Motiva, DEA, Basell  | Deliver, and migrate to a more generic statement - 'Continuous improvement in productivity is our expectation for all businesses'   |
| By 2004, compared with 2002, the Group's total <b>pre tax underlying performance improvement potential</b> from this 3% reduction and the acquisition synergies is \$1.5 billion  | Deliver. Note this is important as the driver of the Group 13% ROACE target. No need to extend this beyond 2004.  |
| <b>Reserves Replacement</b> (measured on proven reserves); expect at least 100% p.a. over time  | No change   |
| 3% growth in <b>hydrocarbon production capability</b> [2000-2007 a.a.i], rebased to   | No change. As portfolio actions make this less relevant over time reduce specificity further.   |

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|  |   |
|--|---|
| include Enterprise.<br>2003 production target 4.1 mboe/d   | Annual production targets always a positive market factor.  |
| EP plan <b>6-8% increase p.a. unit adjusted CCS earnings</b> after tax before interest and normalized 2002 (base year) to 2004<br>Through 3% UUOC, other cost, effective tax rate (production mix).  | Deliver and move on. This is required primarily to support ROACE improvement in a period of low volume growth.            |
| <b>OP ROACE</b> global 15%, US at least 12% by 2004 at reference conditions<br>US OP has potential for adjusted CCS earning of \$1.3 billion p.a in 2004   | Difficult to change pre 2004. Recommended approach is to deliver in US then fall back to Group level 'global expectation' |
| <b>Integration of acquisitions</b> by end 2004.<br>Total original synergies \$990m, latest view:<br>Enterprise \$380m (90% by '03)<br>Equilon/Motiva \$400 mln 100% basis ('04)<br>DEA \$180 mln ('03)<br>Pennzoil \$140 mln ('04) pre tax<br>Basell €250 mln by 2003 (100%) | Deliver and move on   |
| <b>GP ROACE</b> target 10% at reference conditions, established businesses (LNG) target 15%  | Reconsider as portfolio develops (e.g. Sakhalin dilutes?). Maintain approximate range and non specific timeline           |
| 6% annual growth in <b>LNG contracted sales</b> 2000-05  | Already delivered. No need to replace with target, let capacity increases drive expectations                              |

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### Appendix 3 US Retail marketing plan

#### Background

The US retail investor market is the largest and most sophisticated in the world, with over \$4 trillion currently invested in equities, via a combination of mutual funds, direct holdings and 401k retirement plans. The key characteristics of the market include preferences for well-known companies, stable and reliable earnings and dividends, and an easy to understand investment message. Retail investors tend to be long-term holders of investments, and can constitute a significant proportion of total stock held.

As an example Exxon is estimated to have around 60% of total stock held by US retail investors, and this drives many of the characteristics of the shares, and the associated investment messages. In particular Exxon's higher share price multiple of cashflow and earnings, and the relative stability of the share price in volatile markets, are both directly related to the high level of retail holdings. BP inherited a large retail investor base from its US acquisitions, and although the level has reduced over time the current level is estimated to be between 15 and 20%.

Exxon, BP and other major oil companies - except Total - maintain active marketing programmes to the retail sector. The majority of major US and European companies also run programmes in what is a very competitive sector. The nature of investments has changed over the past few years as the dot.com bubble burst and markets have fallen. The market is seen as potentially attractive for a stock with the characteristics of either of the Group parent companies, as the emphasis has moved back to value & security rather than speculative growth.

Shell has never actively marketed to the retail sector, and all existing communications and resource is directed at the more sophisticated institutional investor. The current US retail holding is estimated at 15-20% of the US listed shares in RD, or maybe 3-5% of the total Group.

#### Strategy & plan

Critical success factors for a retail programme are understanding the market, raising awareness of the stock, communicating a simple message through a variety of distribution channels and making it easy for investors to follow up interest by providing information and a convenient method of purchase. Each of these elements will be addressed in turn in a first phase of marketing activity carried out during 2003.

A perception study will be carried out with the retail investment community to assess current levels of awareness and attitudes towards Group shares. This work will be completed in Q2 2003 and will facilitate future follow up to measure progress.

Key methods of communicating to the investment community are advertising in investor publications, attendance at 'money shows', use of retail broker networks and an easy to use retail focused website. Four investor shows are currently planned for 2004, starting in May 2003, and a low level of advertising primarily via Investment Clubs to raise awareness will be implemented. In time this will be supplemented by the use of major retail brokers, primarily via their regular telecons with their distribution networks.

Modifications to the [www.shell.com](http://www.shell.com) IR website are planned for implementation from Q2 2003, these will primarily answer questions and on request provide information specific to retail investors.

All of the above requires new styles of information to be developed that simplify some of the basic facts about the Group and associated investments. This will include a simple 4 page fact sheet, presentation material based on the existing Group level messages and web based information. The main objective in the first phase of marketing is to educate the audience, raising awareness ahead of follow up marketing.

The most common method of making share dealing easy for investors is to establish a direct stock purchase plan (DSPP), either bank or company sponsored. The DSPP enables investors to purchase stock directly via a website, and offers advantages including lower dealing costs and the option to invest regular amounts in fractions of shares. Royal Dutch already has a bank

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sponsored plan operated by JP Morgan which has limited current use as SEC rules forbid either Shell or JP Morgan from promoting the facility. Many major US companies operate company sponsored DSPP schemes; European companies with ADR programmes tend to operate bank-sponsored schemes.

The plan is to use the Investor fact sheets and the website to advise investors of the bank DSPP, while developing a proposal for a company sponsored scheme. A company scheme incurs additional cost including those for registration with the SEC, but in addition to the ability to market the scheme actively also offers opportunity for follow up marketing to the installed investor base.

A company sponsored DSPP will require formal support from the Corporate Centre.

#### **Potential second phase activities**

The first phase of activity will be reviewed towards the end of 2003 before the 2004 activities are supported. In addition to continuing as above, several further opportunities are possible.

Multiple research has shown that there is a positive correlation between share ownership and loyalty to the products or services of the company. As both the retail investor programme and the US OP re-branding programme progress in 2003 this may offer opportunities for combined activity including credit card mail inserts and cross promotion. This will require separate study with Shell Oil OP.

If established, a company sponsored DSPP offers further opportunities for direct marketing to existing shareholders. Even without such a scheme there is also scope to improve website functionality to include proactive email alerts.

#### **Issues & risks**

The structure of the Group and its various stock exchange listings in multiple currencies are complex and confusing to retail investors, and the 'investment case' based on strategic direction and financial framework is more complex than required. It is likely that even the association between 'Royal Dutch' stock and 'Shell' gas stations will need to be established.

In the first instance messages will concentrate on the financial strength of the Group, the strong cashflow and dividend growth together with the long-term track record for the shares. It is also likely to be of benefit to stress the importance of US operations to the Group as a whole.

The retail market is not a 'quick fix' solution to the loss of US institutional investors in mid 2002. It is recognised that a concerted marketing and support activity will be required for 2-3 years to build up the investor base, and to maintain a stable level over time. Given the associated cost - circa \$400-500,000 per year - the programme will require regular management review to appraise the level of return.

The increased activity and profile of a Group activity in the US has potential legal liability issues. The recent decision to allow New York courts jurisdiction over the Nigerian Saro-Wiwa case relied on the existence of the Group IR office in the state. The extent of exposure and potential mitigation is currently under review with legal advisers.

#### **Resources and deliverables**

One full time member of the IR team was recruited in 2002 to plan and execute the retail programme. Basic budget for 2003 includes \$350,000 for staff and marketing costs, plus an extra \$100,000 to cover the cost of setting up a company sponsored DSPP.

Ongoing annual costs thereafter will depend on the selected level of marketing; in particular linkage with Shell Oil OP activities could increase this cost significantly.

Deliverables in the 2003 marketing programme are outlined above, consisting of the perception study, attendance at money shows and a specified amount of advertising. The level of retail shareholding is difficult to monitor directly as holdings are not registered, but relevant indicators will be tracked, including the number of NY registered shares not identified as held by registered institutions.

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#### Appendix 4 Japanese institution marketing plan

In investment style the Japanese tend to be 'good' shareholders, i.e. material holdings held for longer periods. The potential reward for successful marketing within the portfolios of the top 20 investors is for them to hold \$3-4 billion of RD stock, or up to 2% of the international equities currently held. The proportion of international equities held is currently increasing again as attractive domestic alternatives are limited. Internationally recognised companies, with strong balance sheets and cashflow and attractive dividend yields are likely to appeal to this market.

There are only 20 or so significant Japanese investors who look at pan European stocks such as RD, and they are all represented in London. In general the London analysts do not make decisions, they advise the middle management level in Tokyo. This level may also not be the final decision maker, although in some cases it is.

Based on discussions with various brokers familiar with the Japanese institutional investor markets, the following approach is proposed.

- Initial contact in London will take place between IR and London based energy analysts of the top 20 Japanese fund managers: the objective is to establish recognition and a basic level of understanding, also to gauge level of knowledge, professionalism and specific concerns of main investors. *These meetings to be held in April 2003.*
- Based on feedback from the initial meetings, there is a potential next stage of meeting with the middle level in Tokyo, most likely by the IR team. *Meetings potentially in Q2 and / or Q3 2003.*
- Based on progress in the first phase of meetings, an MD could be introduced in Tokyo to the appropriate senior level in the Japanese company. Note this individual may possibly be above the level of making decisions, but is likely to be joined by the fund managers and equity strategists who will make investments. *Potential meetings in June 2003 or Q4 2003.*
- Relationship building over time at all the various levels is a critical success factor; hence continuity of Shell personnel involved is highly recommended.
- Typically a company should expect several further visits over 2-3 years before the Japanese institutions build up substantial aggregate positions.

Appendix 5 IR programme detail Q2 2003 to Q2 2004

| MONTH  | DATE            | PLACE               | TYPE          | EVENTS   | PRINCIPAL SPEAKER(S)                        |
|--|-----------------|---------------------|---------------|--|---|
| ck = already confirm = proposed   Blue = requested by investors or brokers   Green = linked media activity |                 |                     |               |  |   |
| 2003   |                 |                     | ^1st          |  |   |
| January  | 9th             | London              | Lunch         | Merrill Lynch request: Strategy and Planning process / criteria.   | Eisenhans / Henry                           |
|  | 15th            | New York            | Conference    | Goldman Sachs Energy Conference: Request to participate in LNG session   | Odum / Sexton                               |
| 2003   | 6 <sup>th</sup> | London              | Pres          | Full Year Results 2002 and Strategy Presentation + live webcast to financial analysts. Full media program including press conference, briefings and TV work. | CMD / IR / PXX                              |
| February   | 7th             | New York            | Pres          | Full Year Results 2002 and Strategy Presentation. Media TBC  | CMD / IR / PXX                              |
|  | 10/11th         | New York / Boston   | 1-1           | Follow up 1-1s:  | Watts / Boynton / Sexton / McGarry / Jacobi |
|  | 13-14th         | UK                  | 1-1           | Follow up 1-1s: London & Edinburgh   | Watts / Henry / Paulides                    |
|  | 10th - 20th     | Europe              | 1-1           | MGDPS European media briefings. MGDDB Asian media briefings  | MDs / PXX                                   |
|  | 12th            | Netherlands         | 1-1           | Follow up 1-1s   | vd Veer                                     |
|  | 12/13th         | Scandinavia         | 1-1           | Follow up 1-1s: Copenhagen, Stockholm  | Brinded                                     |
|  | 19th            | Netherlands         | 1-1           | Follow up 1-1s   | vd Veer                                     |
|  | 20th            | London              | Presentation  | Dresdner Salesforce  | Henry                                       |
|  | 21st            | London              | 1-1           | Follow up 1-1s   | vd Vijver                                   |
|  | 28th            | London              | 1-1           | Pioneer visit to London  | Boynton / Paulides                          |
| Mar  | 5th             | London              | Telecon       | Investec Securities arranged telecon with Scandinavian investors   | Henry                                       |
|  | 6th             | Brussels            | 1-1           | Follow up 1-1s - Fortis broker   | vd Steenstraten                             |
|  | 11th            | Houston             | Meeting       | Dinner -- Lehman's oil services tour   | Restucci/Sexton                             |
|  | 17th            | London              | Conference    | Lehman's European Energy seminar invitation to speak to 45 specialist clients  | Blakely / Henry                             |
|  | 24th            | London              | 1-1 sell side | Neil Perry UBS visits for market briefing  | Watts / Boynton / Henry                     |
|  | 26th            | London              | Pres          | EP / GP presentation   | EP / GP vd Vijver / Brinded / Cook          |
|  | 27th            | New York            | Pres          | EP / GP presentation   | EP / GP vd Vijver / Brinded / Cook          |
|  | 27th            | New York            | Lunch         | Sell side analysts (??)  | vd Vijver / Brinded / Cook                  |
|  | 28th            | New York and Boston | 1-1           | Follow up meetings   | Brinded / Cook / Sexton                     |
| Apr  |                 |                     | ^ 1st         |  |   |
|  | 1st             | London              | Presentation  | SSSB salesforce  | Henry / Paulides                            |
|  | 2nd             | Amsterdam           | Pres          | SRI Presentation ING   | vd Veer/vd Steenstraten                     |
|  | 2nd             | London              | 1-1           | Sandford Bernstein request   | Boynton/ Paulides                           |
|  | 3rd             | London              | Lunch         | Merrill Lynch arranging lunch with 20 or so 2nd tier UK institutions, not picked up in main programme  | Boynton / Henry / Paulides                  |
|  | 4th             | Paris               | 1-1 & lunch   | CDC IXIS 1-1 meetings with investors   | Brinded/vd Steenstraten                     |
|  | 3rd / 4th       | Houston             | 1-1 & lunch   | 1-1 meetings with investors.   | vd Vijver                                   |
|  | 10th            | London              | Conference    | SSSB 'Strategy conference'   | Brass / Henry / Paulides                    |
|  | 10th            | London              | Dinner        | Cazenove dinner for major UK clients   | Boynton / Henry                             |
|  | 14th            | London              | 1-1 & Lunch   | Japanese institution London contacts roadshow, Daiwa as brokers  | Henry / Paulides                            |

| MONTH | DATE | PLACE | TYPE | EVENTS | PRINCIPAL SPEAKER(S) |
|-------|------|-------|------|--------|----------------------|
|-------|------|-------|------|--------|----------------------|

ck = already confirmed = proposed      Blue = requested by investors or brokers      Green = linked media activity

|             |            |                          |                       |  |   |
|-------------|------------|--------------------------|-----------------------|--|---|
|             | 23rd       | London & The Hague       | AGM                   | AGM 2002   | CMD   |
| <b>May</b>  |            |                          |                       |  |   |
|             | 2nd        | London                   |                       | FIRST QUARTER 2003 RESULTS   |   |
|             |            | London                   | Telcons               | Immediate telecon briefings with wire services and key financial media   | Boynton / Henry / Herbert                       |
|             |            |                          | Telecon               | Teleconference Q3 Results + audio webcast  | Henry   |
|             | 7th        | New York                 | Presentation and tx1s | Breakfast with Oil Analysts of NY  | Routs/Sexton                                    |
|             | 12th       | Amsterdam                | Lunch                 | Follow up Q1 & EP / GP pres: Hosted by Rabobank  | vd Vijver                                       |
|             | 12-15th    | Las Vegas                | Money show            | US Retail programme - First event  | Sexton / Fraser                                 |
|             | 15th       | London                   | Group meetings        | Goldman Sachs visit with US investors: request to see executives   | Boynton / Paulides +??                          |
|             | w/c 19th   | Houston                  |                       | Royal Bank of Canada visit: Speaker requested but preference not defined   | ?? / Sexton                                     |
|             | 21 / 22    | Arizona                  | Conference            | UBS Global Energy Conference: Speaker requested: Cannot attend as clashes with Business Week   | Cannot attend                                   |
|             | 21st       | London                   | Conference            | Oxford Energy Institute hosted by ABN: Asia Pacific gas business   | GP 2nd tier                                     |
|             | 27th       | Frankfurt                | 1-1 meetings          | Follow up 1-1 for Q1 & EP / GP pres (requested 8-9th) [Deutschebank host]  | vd Vijver / vd Steenstraten                     |
|             | 28th       | London                   | Conference            | Goldman Sachs LNG conference   | Odum / Paulides                                 |
|             | tbc        | London & maybe Edinburgh | Meetings              | Follow up for Q1 & EP / GP pres: Most likely format is via lunches rather than 1-1 roadshows: [London x 2 Citigroup, Edinburgh Deutschebank] | Watts / vd Vijver / Brinded                     |
| <b>June</b> |            |                          |                       |  |   |
|             | early June | Houston                  | Group meeting         | Prudential visit with buy side: Meeting requested  | Keeth / Sexton                                  |
|             | 3rd        | London                   | Group meeting         | CSFB request: US investors visiting for Conference, wish to see EP & OP execs (not MDs)  | tbc   |
|             | 4-5th      | London                   | Conference            | CSFB major energy conference   | Skinner / Paulides                              |
|             | 2-6th      | Tokyo                    | 1-1 meetings          | Potential for Japanese visit   | Brinded   |
|             | 20th       | London                   | Conference            | Morgan Stanley: LNG focus conference   | GP 2nd tier                                     |
|             | 23-24th    | US cities, West Coast    | 1-1 meetings          | Follow up 1-1 for Q1 & EP / GP pres (some prospecting): Proposal San Diego, LA, San Francisco  | Boynton / Sexton                                |
|             | 24th       | Madrid                   | Conference            | BBVA conference & 1-1s   | Ask EP or GP 2nd tier / Henry                   |
|             | 24th       | London                   | Social                | National Theatre evening: Invite 4-6 major UK investors  | Paulides  |
|             | tbc        | Switzerland              | 1-1 meetings          | Follow up 1-1 for Q1 & EP / GP pres (Zurich & Geneva) [CSFB host?]   | vd Veer / vd Steenstraten                       |
|             | tbc        | Milan                    | 1-1 meetings          | Follow up 1-1 for Q1 & EP / GP pres  | Henry / vd Steenstraten                         |
|             | tbc        | Helsinki / Oslo          | 1-1 meetings          | Offer from Dresdner & Enskilda to visit Scandinavian investors: could delay this   | Henry / vd Steenstraten Could ask Botts to join |
|             | tbc        | London                   | Group meeting / lunch | Seek opportunity to introduce Lynn Eisenhans to UK market: buy side [Morgan Stanley to host?]  | Eisenhans / Skinner / Paulides                  |
| <b>July</b> |            |                          |                       |  |   |
|             | 4th        | Dublin                   | 1-1 meetings          | Follow up Q1 & EP / GP pres  | Boynton / Paulides                              |
|             | 24th       | London                   |                       | SECOND QUARTER 2003 RESULTS  |   |

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| MONTH           | DATE        | PLACE               | TYPE                  | EVENTS  | PRINCIPAL SPEAKER(S)         |
|-----------------|-------------|---------------------|-----------------------|---|------------------------------|
|                 | 24th        | London              | Pres                  | Mid Year Results 2003 and Strategy update + live webcast to financial analysts. Full media program including press conference, briefings and TV work. | Watts / Boynton / IR / PXX   |
| <b>August</b>   |             |                     |                       |   |                              |
|                 | 6 or 7th    | New York            | Group meeting / lunch | Seek opportunity to introduce Lynn Eisenhans to US market: sell side  | Eisenhans / Boynton / Sexton |
|                 | 7-9th       | Atlantic City       | Money show            | US Retail event   | Sexton / Fraser              |
| <b>Sep</b>      |             |                     |                       |   |                              |
|                 | early month | US / Canada         | 1-1 & meetings        | Roadshow Philadelphia, Toronto, Montreal. May use broker  | Henry / Sexton               |
|                 | tbc         | Scottsdale, Arizona | Conference            | US Retail event (NAIC)  | Sexton / Fraser              |
|                 | tbc         | London              | Lunch                 | CSFB request: Oil Products, opportunity to introduce new MD   | Routs                        |
|                 | 2-4th       | New York            | Conference            | Lehman Brothers Energy CEO Conference: Watts would get keynote speech but not available   | Boynton?? / Sexton           |
|                 | 30th        | New York            | Conference            | Deutschebank: No invitations for speakers yet   | tbc                          |
| <b>Oct</b>      |             |                     |                       |   |                              |
|                 | 16-18th     | San Francisco       | Money show            | US Retail event   | Sexton / Fraser              |
|                 | 23rd        | London              |                       | <b>THIRD QUARTER 2003 RESULTS</b>   |                              |
|                 | 23rd        | London              | Telcons               | Immediate telecon briefings with wire services and key financial media  | Boynton / Henry / Herbert    |
|                 | 23rd        |                     | Telecon               | Teleconference Q3 Results + audio webcast   | Henry                        |
|                 | 30th +/-    | US West Coast       | 1-1 meetings          | To coincide with Shell Oil Board meeting  | Watts / Sexton               |
| <b>Nov</b>      |             |                     |                       |   |                              |
|                 | 4-5th       | New York            | Conference            | Memil Lynch request for speaker   | vd Vijver??                  |
|                 | tbc         | New York            | Conference            | Bank of America request for speaker   | tbc                          |
|                 | tbc         | UK, Europe          | 1-1 meetings          | Follow up Q3 results  | Boynton+                     |
|                 | tbc         | USK, US             | Meetings              | Follow up (good) progress on US OP delivery   | Routs / Eisenhans            |
|                 | tbc         | US East Coast       | 1-1 meetings          | to be arranged, include Boston  | vd Veer                      |
| <b>Dec</b>      |             |                     |                       |   |                              |
| <b>2004 Jan</b> |             |                     |                       |   |                              |
| <b>Feb</b>      |             |                     |                       |   |                              |
|                 | 5th         | London              | Pres                  | Full Year Results 2003 Presentation + live webcast to financial analysts. Full media program including press conference, briefings and TV work.       | CMD / IR / PXX               |
| <b>June</b>     |             |                     |                       |   |                              |
|                 | 29th        | London              | Presentation          | Group strategy presentation   | CMD / IR / PXX               |
|                 | 30th        | New York            | Presentation          | Group strategy presentation   | CMD / IR / PXX               |

Λ = A closed period begins  
 V = A closed period ends

Pres = Presentation  
 1-1 = One-to-One Meetings

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