Part 2

6. BUSINESS FOUNDATIONS (Continued)

6.6 eBUSINESS

The Group eBusiness strategy was formulated during Q1 2000. The cross-sector plan was coordinated by Shell Internet Works with the Business sectors formulating their own eStrategies.

A Value Creation Team was set up within EP in July, due to report out in October. The VCT received input from Group scenarios, external companies, other Shell Businesses, the eBusiness Council, Shell Internet Works and competitor analysis. The team developed EP strategic themes together with a framework to illustrate the range of themes and a database containing project ideas, catalogued by theme. The team has now reached a point where a decision needs to be made on strategic posture.

The methodology adopted for this is "Strategy under uncertainty" from McKinsey. EP will have to decide whether it wants to be a shaper, adapter or simply reserves the right to play. The choice can be made on an overall level or at theme level, as deemed appropriate.

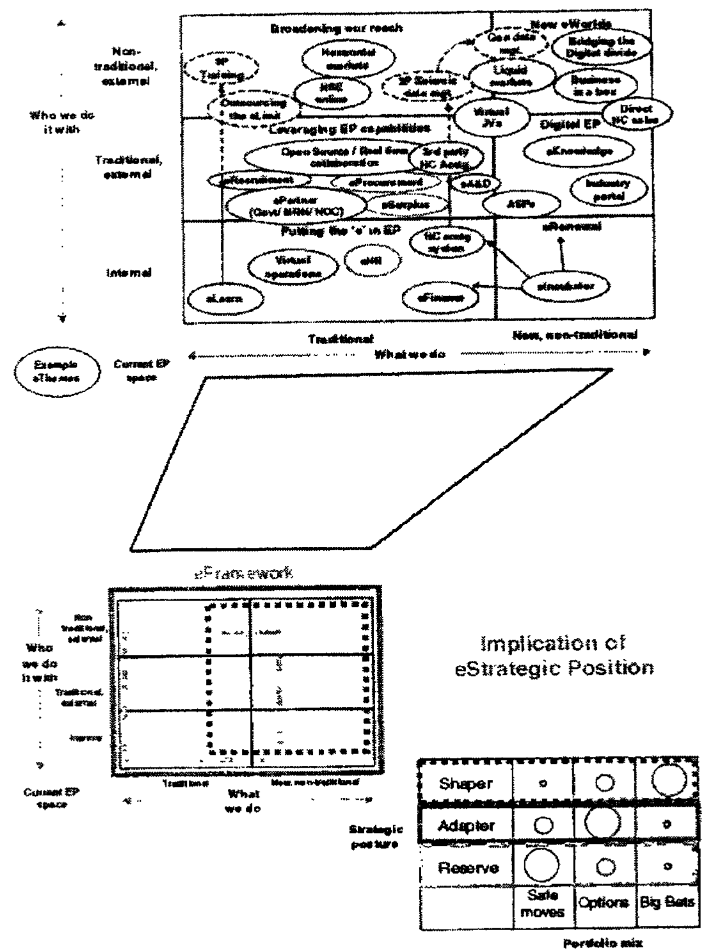
Following the initial choice, individual projects can be selected based on an appropriate portfolio mix. EP ExCom will be requested to provide steerage at the 27 October close-out. The VCT will have following deliverables:

- Options and recommendations on priorities
- Process to replenish the eStrategy
- Process and supporting organisation
- Recommendations on rules, people and skills, communication,
- Measurement and technology requirements to support eBusiness
- Migration path and plan to complement the recommendations

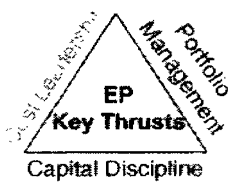
eBusiness Action Plan

The plan will be finalised after ExCom steer on the preferred strategic posture, but the programme is likely to include specific and focused eBusiness projects selected from a matrix of opportunities and reflecting the preferred strategic posture

eFramework - Illustrative themes



7. KEY BUSINESS PROCESSES



Background

- Strategic Cost Leadership (SCL) was initiated in 1998 as a prerequisite in our drive for operational excellence and our aspiration to be universally recognised as the partner of first choice.
- In an increasingly competitive business environment, SCL remains absolutely vital, despite the current period of high oil prices.

Following delivery of the Cost Promise, EP must outperform the competition in terms of UFC, UDC and UOC and ultimately provide "best value" in the industry, expressed in explicit targets for ROACE and TSR. Success will ultimately depend on the ability to continuously identify value enhancement opportunities in each part of the value chain (explore, develop, produce).

- Thus far, the SCL thrust has focused on asset performance, facilitated by Capital Allocation and Portfolio Management. Procurement and Realising the Limit initiatives are other key enablers.
- In order to build and sustain a Business at the Limit culture, fast, cheap, and effective learning will become a core competence and structures must be created to encourage this learning. This requires both strong asset management and strong process management.
- Last, benchmarking must be extended to cover all major spend processes.

Realising the Limit

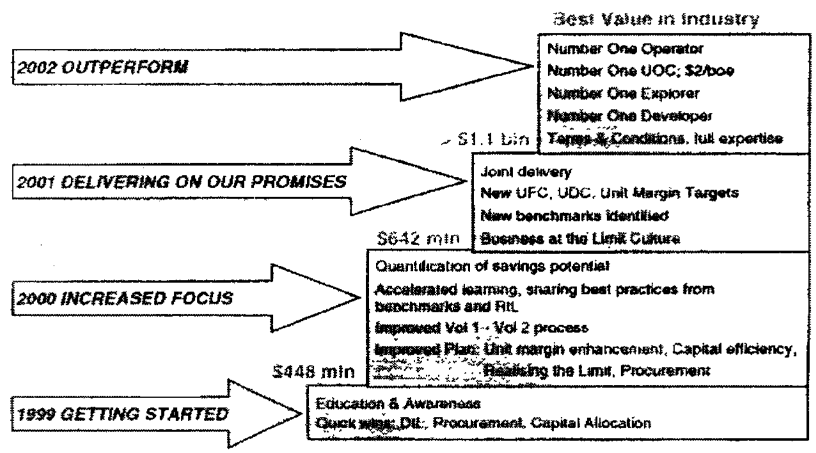
Through 2001, the RtL teams will continue to consolidate and evolve the tools and techniques employed in the business, as well as becoming the executive arms of their Fora in delivering benchmarking, global procurement and skills.

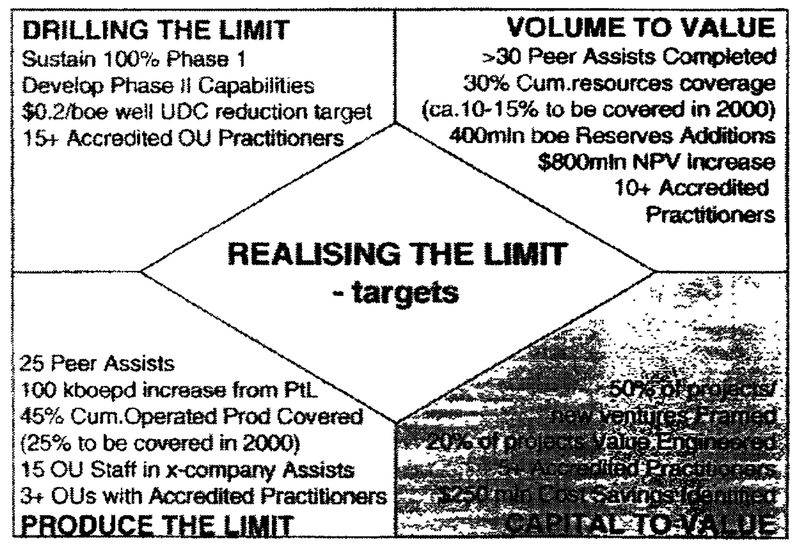
The three main thrusts will be:

- **extending coverage and penetration:** maintaining the momentum built up in '00, primarily through the peer assist and consultancy approach.
- **developing capability:** the implementation and enhancement of best practice business processes through the accreditation of RtL practitioners in OUs.
- **promoting global ownership:** ensuring OU/NVO steer is provided to RtL development and application through the respective Global Fora.

Improved communication of learnings, best practices and benefits will be made through increased use of the web and other media.

SCL - Step by Step





7. KEY BUSINESS PROCESSES (Continued)

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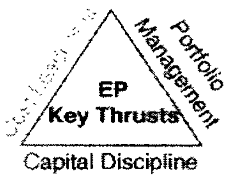


Benchmarking

- Benchmarking has become an integral part of EP business management; Capex benchmarking has been identified as a priority area and will be mandatory at VAR 4 as of mid 2001.
- To facilitate an enhanced and faster exchange of benchmark data and best practices Benchmark Online will be created. A working version is operational and will be evaluated mid 2001 for further functionality.

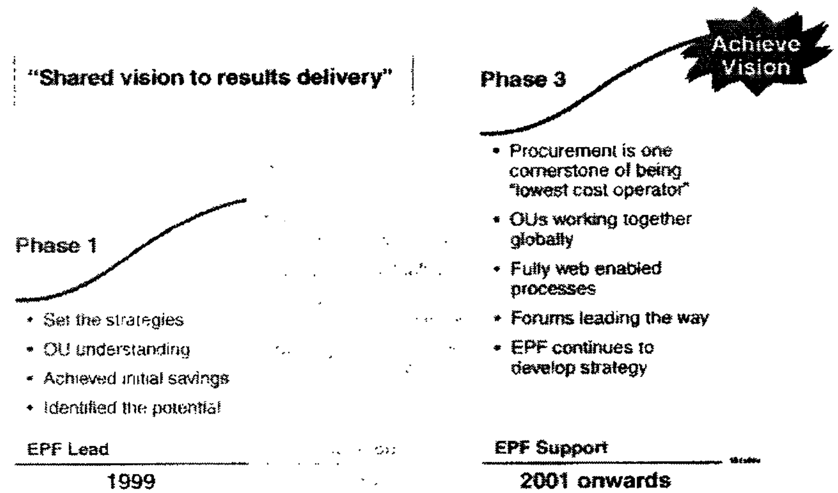
Procurement

Vision: "Create the leading procurement capability in the energy industry by which others benchmark".

- A total saving of $500mln (Capex and Opex) will be achieved in 2000. The target for 2001 is to increase this saving to $700 mln.

The Procurement Strategic Framework consists of five parts:

- <u>Global Contracting</u>: further implementation of global and regional contracts, and development of new contracts. Forums in Well Engineering, Capital projects, Operations, Geoscience and IT driving the programme.
- <u>Contractor Value:</u> Improvement projects between Shell OUs and major contractors. Targeting efficiency of Shell contractor processes and learning from contractors, particularly in their work with other operators.
- <u>eProcurement</u>: implementation of the eProcurement solution in EP OUs (RequisitionToPay system) and the Trade Ranger Exchange. Online Bidding for procurement of material and services, and for surplus auctions.
- <u>Supply & Stock:</u> Supply Chain Improvements by inter-OU benchmarking. Reduction of stock through reuse, sharing and surplus trading.
- <u>People</u>: Procurement skills for all staff, and skillpool management.



Procurement Action Plan

Procurement Cost Savings	US$ 700 million, vs 1998 costs.
eProcurement in EP	15 OUs live, trading 1.5 billion across Trade Ranger by End 2001
Online Bidding	Used in 15 OUs; 3 bids exceeding US$ 10 million
Global Contracts	Usage 50% of EP Spend
Contractor Value	15 global contractors engaged
Supply Chain analysis	eSupply in place, 10 major supply chains analysed
Stock trading	eSurplus used by 12 OUs
Stock level reduction	Aspiration: 50% reduced from 1999
People	Competence Framework and Skillpool management in place; Learning framework in place
External Benchmarking	Self-assessment of OUs, to identify improvement opportunities

7. KEY BUSINESS PROCESSES (Continued)

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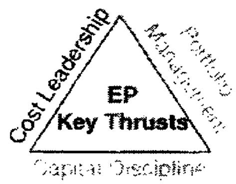
7.2 CAPITAL ALLOCATION & PORTFOLIO MANAGEMENT



The principle of strict capital discipline through ***internal competition*** for allocation of funding, even in times of high oil price, continues to high grade EP's portfolio of activities. Projects submitted for Capital Allocation are mapped to the Strategic Imperative Framework (shown opposite).

Capital Allocation allows planning ***flexibility***. The plan can be refocused in a low oil price case, or (in the case of the 2000 Plan) tailored to accommodate short term oil options to take benefit of current high oil price.

- The linkage of Economic and Financial planning data in the process has had the benefit that OU Planners/Financial staff are working more closely to create their OU plans. Greater transparency enables challenge and tracking of the projects key performance metrics and ties well with other control processes such as VARs.
- Delivery against promises made to secure funding are tracked at a project level and form the basis of OU scorecard metrics.
- The maintenance of a global database of an "ever-green" portfolio of projects will provide continued benchmark incentives to those seeking funding.
- The extensive use of IT tools has enabled project by project "lookbacks". With continued use it will be possible to track the entire project lifetime, plan and actual.

In 2000 Capital Allocation received raw data submissions of over 1000 projects requiring Capex of $7.0 Bln and Expex of $1.9 Bln. The Capital Allocation process, facilitated by intra-OU challenge during workshops, has resulted in a high-graded Foundation Plan programme of $6 Bln for Capex (including $0.5 Bln for short term oil projects) and $1.0 Bln for Expex.

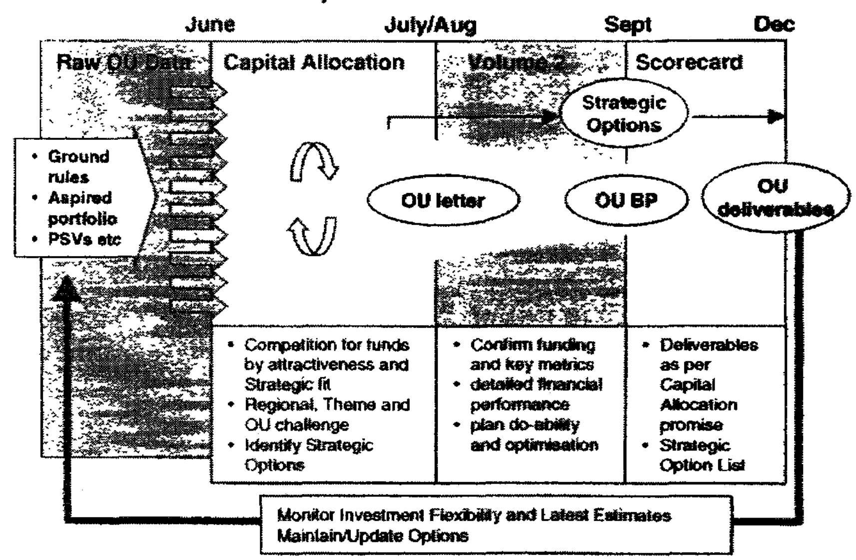
In summary, global Capital Allocation continues to ensure that

- Ground Rules are met,
- The optimum EP programme is carried out,
- Investments are targeted to Shells aspired portfolio
- There is flexibility to react to external changes, and
- Tools are in place to track performance against promise

Strategic Imperative Framework

	Low	Medium	High
Gas	Gas outside GP strategy	Aligned with GP credible market	Aligned with GP monetise in 3yrs
Deepwater	Oil not in GOM Niger basin, Angola, Congo & Brazil	Oil in GOM Niger basin, Angola, Congo & Brazil	
MRH			Low cost Oil countries with >25 Bln bbls reserves
Oil	New oil outside MRH countries	Existing OU oil	Projects with sustainable dev. e.g. flares out
Nigeria		Existing OU oil SNEPCO Niger basin	

Capital Allocation Process



7.3 AUDIT & REVIEW

- SIEP provides external audit and review services to OU's under the Service Agreements. Co-ordination of these services is undertaken by a group in SIEP (EPT-AV) on behalf of the Service Companies (EP 00-2021 Audit & Review Services Guide). These audits and reviews contribute to the "Group Risk and Internal Control Policy" the Chief Executive of an OU is expected set-up, operate and maintain.
- On average 440 audits and reviews are planned into the system for SIEP (including SEPI and Group Audit) each year. These figures exclude the Realising the Limit (RtL) peer assists. Distribution of the audits and reviews is 11% HSE, 40% VAR's, 40% technical and 9% others including process and operations reviews. Two key areas are HSE Audits and Value Assurance Reviews.
- On average circa 40% of the initially planned reviews do not take place however a similar unplanned ones are added each year. This requires a flexible response and capability from the Service Companies.

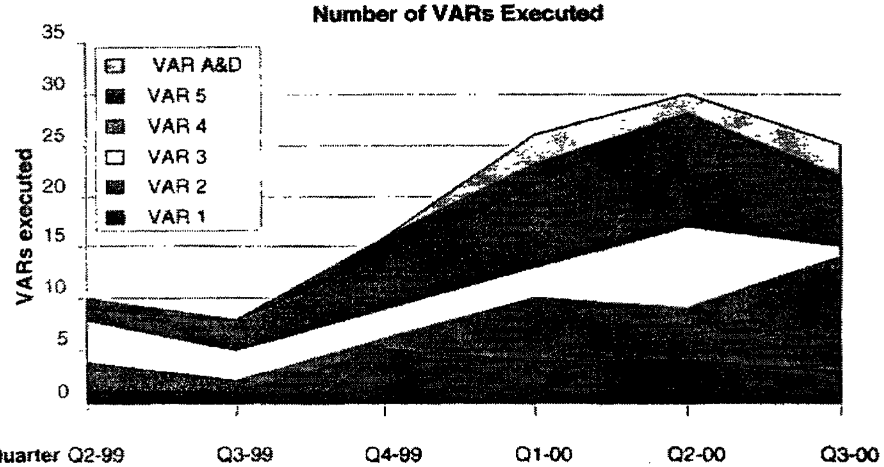
HSE Audits

- Independent HSE audits and reviews are designed to assess the effectiveness of the HSE control framework, either in its Independent HSE audits and reviews are designed to assess the effectiveness entirety (HSE MS) or in relation to some specific aspect (environmental or occupational health management) or activity (project pre-start-up, seismic or drilling), and to make recommendations for improvement. The EP Excom currently requires that OU HSE-MSs are subject to audit at least every 5 years – likely to become every 3 years with Group audit guideline revisions planned for Q4 2000.
- Typically, the annual HSE audit and review programme will involve up to 40 audits/reviews, some 80% of which will have been requested in the previous autumn via the Business Planning process, while the remainder will be *ad hoc* requests made during the year. Last minute requests and cancellations exacerbate scheduling and resourcing challenges.
- Consistent with globalisation and cost reduction drives, increasing use of suitable, regional resources, particularly for activity audits, is being encouraged, without undermining the quality and independence of the process.

Value Assurance Reviews

- Value Assurance Reviews (VARs) were introduced in 1999 as mandatory on all projects over US$ 100 million or those of a strategic nature. There are 4 VARs prior to FID (inception, feasibility, concept selection and final investment) and a post investment review (VAR-5). VARs are also carried out on Acquisitions and Divestments.
- In 2000 - 190 externally led VARs have been planned in the system but by mid-year only 51 had been carried out due to Human Resource constraints.
- A major challenge remains in translating the learnings from VARs rapidly throughout global EP.
- Based on the Capital Allocation process 18 major projects will pass FID in 2001 with an additional 18 carried as options. On average 30-35 coded projects are also being dealt with during the year. Thus the planning for VARs in 2001 is planned on a base load of circa 150 reviews.
- A correlation between the Capital Allocation data-base of projects and the planned VARs is carried out by EPB-P and EPT-AV groups to ensure coverage required by the Excom.

Number of VARs Executed



7. KEY BUSINESS PROCESSES (Continued)

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7.4 FINANCE

Finance will deliver a high-quality contribution to the business with improved efficiency and effectiveness focusing on Simplicity, Speed, Standardisation and Sharing through:

- **Building on the Basics and adding value:**
  - "Sweating our Enterprise Resource Planning systems": The SAP Blueprint will be finalised, and a roadmap developed for incorporation in the majority of OUs in 2001/2,
  - "Balancing our MIS needs": The Basic Building Blocks (BBB) will be finalised and fully-embedded in the organisation; the CLIME MIS will be cascaded to all OUs, and will be developed for CERES replacement,
  - Stock management, PSC commercial and financial aspects; risk management and insurance,
  - Systematic Finance involvement in Portfolio management,
  - Implementation of IFM &TSR management including TSR targets, debt pushdown; global debt & deposit facilities,
  - √ Further tax optimisation.
- **Globalisation:**
  - Centres of excellence will be developed to ensure sharing of best practices, both in and outside of EP (e.g. Finance Services and Shell Capital).
  - √ Standardisation will be demanded across processes, structures and systems.
  - The EPF web pages and the EP Commercial Network will be further developed and global input encouraged.
- **People & Culture:**
  - The No.1 resource of our Community is PEOPLE.
  - Competences of Finance resources will be measured and developed; clear performance communication will be strongly encouraged & personal growth opportunities will be developed,
  - The Group-wide work on Diversity will be supported by ensuring full understanding of the issue & tapping into the work carried out by the Group & current Value Creation project.
- Embedding and delivering these objectives will be achieved through the existing CFO's networks and the recently established EP Finance Leadership team. The action plan will be reflected in their individual scorecards.

Finance Action Plan

- BBBs - embedded in the global organisation
- SAP Blueprint - completed / implementation started in OUs
- CLIME - replacing CERES in all EP OUs with a target reduction in closing cycle of 5 days √
- Debt pushdown - aspired debt of 20% net by end 2001
- Global Group lending facility in place
- Deliver NCR target
- √ Systematic involvement in M&A and Structured Finance issues
- Continued focus on balance sheet initiatives
- E-awareness training to be mandatory for JG4 and above
- √ Commit time to Global recruitment process in line with Atlanta conference plan
- √ Honest, effective, mandatory career/personal discussions with all staff; provide ongoing feedback to staff on performance including 360° feedback
- 0.5% ROACE contribution

Finance / Tax Action Plan

- Continue to deliver tax savings, leveraging expertise in central offices and OUs by:
  - Financial Planning (e.g. debt pushdown & dividend policy)
  - Tax charge management (e.g. relief for exploration costs)
  - Cross-border transactions (e.g. leasing, cost-sharing)
  - Loss utilisation (e.g UK capital losses)
  - Review of other taxes (e.g expatriate tax review and indirect tax audits)
- Pre-requisites
  - Adequate resourcing (manpower and consultancy)
  - Corporate planning model (IFM focused)
  - Database of tax, PSC and JV information
  - Integration with OUs

8. TARGETS & SCORECARD

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	PLAN	BELOW	MID-POINT	OUTSTANDING	WEIGHT
BUSINESS RESULT					
ROACE (%)	14.7%	6.3%	21.5%	34.6%	100%
		$10/bbl	$18/bbl	$26/bbl	
Intrinsic Business Return	15%	12%	15%	20%	0%
BUSINESS PERFORMANCE					
CORE MEASURES					
Opex ($mln)	3,165	3,323	3,165	3,007	10%
*Oil Production (kb/d)	2,266	TBA	2,266	TBA	20%
*Gas Production (mrd Sm3/yr)	96.5	TBA	96.5	TBA	20%
Proved Reserves Replacement (Foundation Plan)	79%	49%	79%	109%	10%
Performance vs. Competitors (self-appraisal)		Below		Outstanding	10%
ADDITIONAL MEASURES					
HSE, SD & HR (self appraisal)		Below		Outstanding	15%
MILESTONES		Below		Outstanding	15%
*Normalised to $14/bbl to eliminate PSC effects					100%

No relative measure

Why this if IBR est to be 72%

DRAFT

Production at $26/bbl (PSC effects)	
Oil Production (kb/d)	2199
Gas Production (mrd Sm3/yr)	91.8

Why not 100%

In common with 2000, a two-tier Scorecard will apply for the Global EP Business in 2001.

- **Business Result**: In addition to the ROACE measure which reflects the consequence of oil price, Intrinsic Business Return will be included as a shadow measure.
- **Business Performance**: Measures which are within EP 'control' will be largely unchanged from 2000. Opex and Depreciation will be replaced with Opex only.

Methodology for the calculation of final score is unchanged from 2000. Business Result or Business Performance have equal weighting; if either is zero, then the overall EP Score will be zero.

Core Measures are based on Group Accounts. Regional and OU Scorecards will be based on Group Accounts where applicable, but on Operating Accounts where PSCs, and other innovative contracts are significant.

In the event that significant acquisitions and/or divestments are made during the course of 2001, plan assumptions will be reviewed and amendments to the Scorecard made accordingly.

8. TARGETS & SCORECARD (Continued)

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ADDITIONAL MEASURES	PLAN	BELOW	MID-POINT	OUTSTANDING	WEIGHT
Health, Safety and Environment					
Fatalities (FAR)	3.6	4.5	3.8	3.0	3%
TRCF	2.2	2.4	2.2	2.0	2%
Oil Spills (tonnes)	2,300	2,500	2,300	2,100	3%
Global Warming Potential (million tonnes CO2 equiv.)	44	48	44	40	2%
Human Resources					
Assessment against HR Metric (to be developed)			TBA		
Hydrocarbon Maturation					
Maturation of SFR to Reserves	3%	2%	3%	5%	2%
					15%

DRAFT

MILESTONES	PLAN	BELOW	MID-POINT	OUTSTANDING	WEIGHT
Strategic Options					
IEVc New Business Opp. ($bln)	6.0	2.0	4.0	6.0	3%
Implement Eureka Project*		N	Partial	Y	1%
Production Plan					
Major New Development FIDs	18	10	14	18	3%
New Production Onstream (kboe/d)	68	34	68	84	3%
Key Portfolio Actions	4	0	2	4	2%
Implement Exploration Clustering*		N	Partial	Y	2%
Replace CERES with GLIMS*		N	Partial	Y	1%
*Definitions to be agreed					15%

- For Scorecard Milestones, **Major New Developments** (Shell-Share Production Capex > $20 mln) taking FID are shown in the table below.
- The Milestone for **New Production Onstream** is again limited to major new developments and does not include production from incremental (Tranche) projects.
- The 4 key **Portfolio Actions** (dilutions/divestments) relate to Nowrooz/Soroosh, Sakhalin, UK and Gabon.

Major New Development FIDs 2001

EPA	AUSTRALIA	NWS TRAIN 4
	BRUNEI (3)	CHAMPION WEST, EAST GAS, EGRET
	NEW ZEALAND	MAARI
EPG	NIGERIA-SNEPCO	ERHA MAIN
	NIGERIA-SPDC (2)	SOUTH FORCADOS, CAWTHORNE CH. FURTHER DEVT.
EPM	EGYPT	OBAIYED SOUTH
EPN	UK (7)	BRENT ALPHA RECOM, GOLDENEYE, GOOSANDER, PUFFIN, SCHIEHALLION EXTENSION, SCHIEHALLION NORTH CHANNEL, SCOTER
	USA (2)	HOLSTEIN, MANATEE

New Production Onstream 2001

Region	Country	Project	2001	2002
EPA	Malaysia	96 PSC: SF Stage IV	1.7	3.1
	Malaysia	SK308 PSC	5.7	7.2
	Australia	Cossack Pioneer Infill	1.8	4.5
	Philippines	**Malampaya**	**0.6**	**15.8**
	New Zealand	Pohokura	0.3	0.6
EPA Total			10.0	31.1
EPG	Nigeria-SPDC	Belema	0.6	2.3
	Nigeria-SPDC	Cawthorne Channel	4.0	8.5
	Nigeria-SPDC	Odidi	4.1	4.1
	Nigeria-SPDC	Obigbo	2.8	8.3
	Argentina	San Pedrito	2.6	4.1
EPG Total			14.0	27.3
EPM	Egypt	Rosetta	7.2	8.5
	Iran	**Nowrooz/Soroosh**	**5.1**	**25.1**
EPM Total			12.4	33.6
EPN	**USA**	**Alex**	**-0.9**	**10.6**
	USA	Alex Phase 2	0.7	6.0
	USA	**Brutus**	**14.9**	**86.9**
	USA	**Crosby**	**3.2**	**27.3**
	USA	Einset	0.7	3.7
	USA	NE Cognac	0.7	1.2
	USA	**Oregano**	**0.6**	**16.6**
	USA	**Serrano**	**5.7**	**14.9**
	UK	**Brigantine**	**0.5**	**12.3**
	UK	Schiehallion Infill	3.9	7.8
	Denmark	Skjold Phase II	1.5	0.9
	Norway	Gam West	0.0	1.4
EPN Total			31.5	188.6
EP TOTAL			**68.0**	**280.6**

9. REGIONAL ACTION PLAN - EPA

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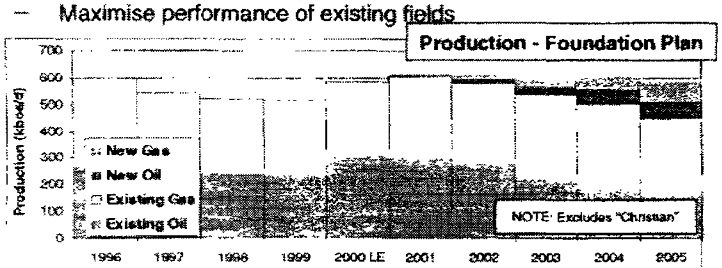
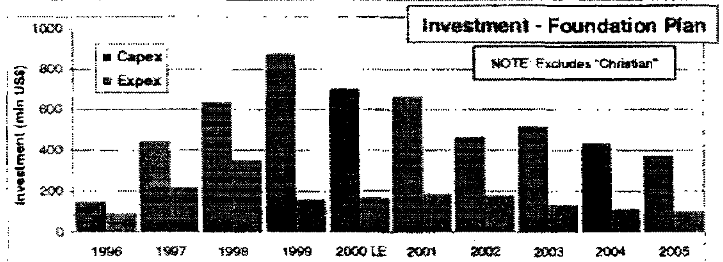
Strategic Focus

- The recovery of the majority of the Asian economies continues, providing a growth platform for the industry, particularly in domestic and pipeline gas supply. However, a LNG supply overhang remains, compounded by higher than expected DQT's in the short term, and competition for new supply in the longer term.
- Competition is increasing as new players enter the arena, confidence in the longer term price outlook increases, and novel alliances with state companies are being forged. Portfolio alignment as a result of the mega-mergers is expected to continue, presenting both opportunities and threats
- Cost Leadership is emerging as real differentiator for Shell, but could be under pressure by the strengthening service market, and efforts to reduce long term commitments. Need to make regional / global C & P work.

The following activities are critical to the delivery of the EPA Plan

- ***Australia***
  - Bring LNG Train 4 to FID and progress Sunrise Domgas to achieve FID early 2002. Pursue opportunities to monetise other gas resources.
  - Implement merger of regional assets and operations with Woodside
  - Maximise performance of existing fields





- ***Brunei***
  - Consolidate production at 215 kb/d and 18 cargoes p/a
  - Increase focus on asset integrity and SCL
  - Position for extension of '2003' licences
- ***China***
  - Maximise Xijiang production and grow asset base
  - Deliver commercial and technical justification for Changbei participation
  - Successfully implement Shell China's new strategic alliances
- ***Indonesia***
  - Pursue EP exit at minimum cost to Group through divestment of Bukat/Ambalat
- ***Malaysia***
  - Optimise gas supply to Sarawak LNG and domestic customers
  - Pursue Sabah gas commercialisation, and investigate remaining oil potential
  - Pursue BDO licence extension and PM entry through international asset swaps
- ***New Zealand***
  - Ensure integration of "Christian" assets
  - Secure Taranaki synergies, maintain low UFC/UDC/UOC
  - Bring Maari oil and Pohokura liquids to FID
- ***Philippines***
  - Timely and cost effective delivery of Malampaya
  - Establish development viability of Malampaya Oil Rim
- ***Thailand***
  - Maximise value of S1 and surrounds. Implement alternative crude evacuation
  - Determine way forward on B6/27

Key Metrics
(Indicative, Foundation Plan Only)

		2001	2002	2003	2004	2005
Capex	($bln)	0.7	0.6	0.6	0.5	0.4
Expex	($bln)	0.2	0.2	0.1	0.1	0.1
Opex (GA)	($bln)	0.3	0.3	0.3	0.3	0.2
NIAT	($bln)	0.4	0.4	0.5	0.6	0.6
ROACE		14%	15%	17%	19%	19%
IBVc	($bln)	5.0	5.5	5.7	5.8	5.6

NOTE: Production and Key Metrics exclude "Christian"

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9. REGIONAL ACTION PLAN - EPG

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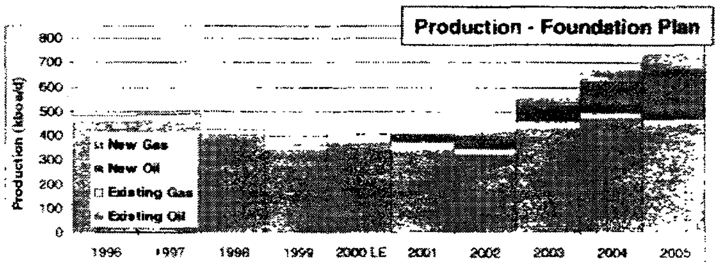
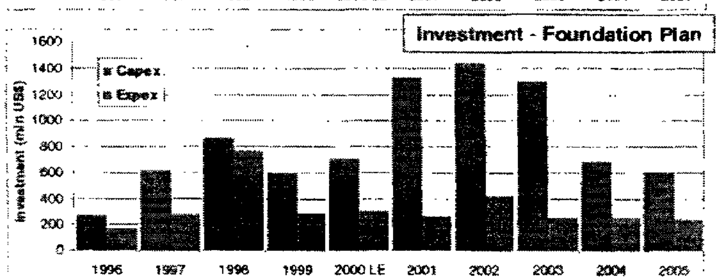
Strategic Focus

- Development targets low UTC fields mainly in SPDC Nigeria, and mature assets in Gabon, Cameroon and Venezuela to maintain and develop short term oil production and cash flow.
- In Deep Water, platform for growth in the 3 major (EPG) basins is being established. A number of hubs is planned to come on stream starting 2003. Technical work will commence on new licenses for which bids were placed in 2000.
- Gas theme: In Latin America rationalise the upstream position in the evolving Southern Cone business and in the Northern Rim pursue development of VLNG. In Nigeria, increase efforts towards monetisation of (associated) gas, both for export and domestic gas usage. In Southern Africa, continue the drive towards the opening of the various market segments.
- Active portfolio management will strive to rationalise the portfolio, extract early value and enter coveted assets.





The following activities are critical to the delivery of the EPG Plan

- ***Nigeria - SPDC - SNEPCO*** See Theme Nigeria
- ***Cameroon (Pecten)***
  - Optimise short term production with Realise-the-Limit activities, preparing for optimum moment of divestment.
- ***Gabon***
  - Optimise short term production. Pending success of partial divestment execute focused Deep Water exploration programme.
- ***Cote d'Ivoire , DR Congo, Congo-Brazzaville*** - Planned divestment
- ***Angola***
  - Focus on development in Block 18, to be onstream by 2005 and pursue interest in Block 34. Look for additional opportunities as operator (UUDW).
- ***Namibia***
  - Aggressively pursue starter project for Namibia only. Continue pursuit of South African market in search of larger project.
- ***Venezuela***
  - Maximise production from Urdaneta West within applied constraints, pursue access to PDVSA's producing light oil assets. FID on VLNG.
- ***Brazil***
  - Focus on optimum well selection in initial drilling campaign, identify follow-up options upon success. Continue to optimise license position
- ***Argentina***
  - Rationalise the upstream portfolio consistent with a revised Southern Cone gas strategy and optimise the value of remaining assets.
- ***Trinidad***
  - Seek farm-out opportunities to cover commitments. Likely exit.
- ***Surinam***
  - Finalise evaluation; likely exit.

Key Metrics
(Indicative, Foundation Plan Only)

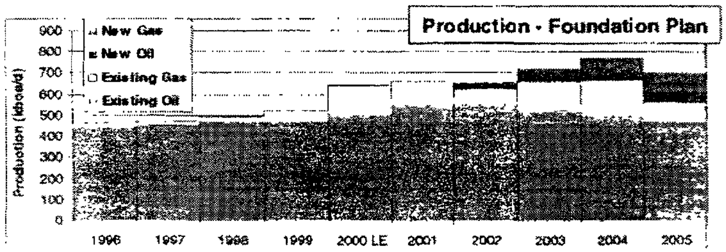
		2001	2002	2003	2004	2005
Capex	($bln)	1.3	1.5	1.3	0.7	0.6
Expex	($bln)	0.3	0.4	0.2	0.2	0.2
Opex (GA)	($bln)	0.4	0.4	0.4	0.5	0.5
NIAT	($bln)	0.1	0.0	0.3	0.7	0.7
ROACE		3%	0%	7%	13%	16%
IBVc	($bln)	4.0	5.8	7.6	8.4	8.0

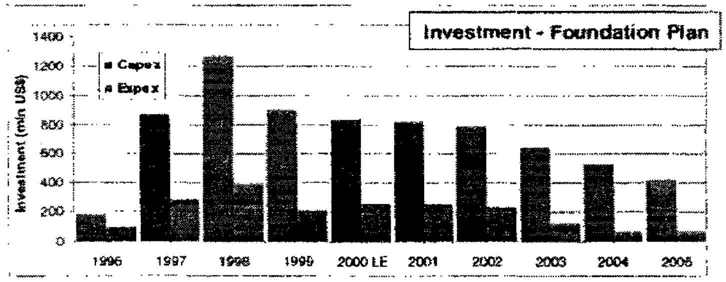
9. REGIONAL ACTION PLAN - EPM

Most Confidential

Strategic Focus

* Assure measurably excellent relationships with key partners to secure or extend licences and prevent contracted value erosion.
* Apply Shell Technology to sustain/enhance production levels, seek continuous cost improvements, grow reserves base through increasing recovery factors/focused exploration.
* Drive timely organisational changes to leverage the capabilities of Shell staff in a networked world and assure most cost effective provision of services.
* Build on strengths especially in existing market positions to deliver step changes in value (integrated with GP where needed) of upstream gas reserves through creating new opportunities in the East Asian, Turkish, South Mediterranean and Indian markets.
* Exploit OKIOC discovery and Azerbaijan entry to build a major profitable oil and gas production business around the Caspian/Russia.
* Build on new foothold established in ME-MRH (Iran S/N) to continue to deliver further deals in MRHs





The following activities are critical to the delivery of the EPM Plan

* ***Oman***
  - Improve relationship management, ensuring Shell well-positioned in renegotiations for Remuneration Agreement/Concession Extension due 2004.
  - Meet Governemnt's production/cost targets.
  - Prevent GISCo value erosion from eg.threat of early repayment.
* ***Syria***
  - Rebuild relationships and progressively resolve legacy and Deep/Lateral.
  - Apply full breadth of Shell Technology to arrest production decline, increase recovery factors and extend field boundaries.
* ***Egypt***
  - Obaiyed/Rosetta: Meet contracted sales levels through full plant capacity and timely start up/build up.
  - Nemed: Fast track drilling/follow up of oil/gas wells. Delivery of a downstream project to achieve early monetisation of large gas discoveries.
* ***Abu Dhabi***
  - Successful resolution of transfer pricing dispute with UK Fiscal Authorities.
  - Pursue growth opportunities. If attractive, sign deals for exploration for sweet gas commercialisation of sour gas reserves.
* ***Iran***
  - Delivery of Soroosh/Nowrooz on time and under budget.
* ***Russia***
  - Sakhalin: Build excellent organisational capabilties as new operator, secure LNG market outlets and ensure extension of Lunskoye licence.
  - CPC: Ensure start up of operations by end 2001.
  - Gazprom: Progress the delivery of FID on Zapoyarnoye-N.
* ***South Asia***
  - Pakistan: Achieve successful divestment provided OP business impact mitigated.
  - Bangladesh: Achieve contracted gas offtake levels/payment.
* ***Kazakhstan***
  - Implement Kashagan appraisal/development studies and further exploration whilst resolving operatorship/PSA issues.

Key Metrics
(Indicative, Foundation Plan Only)

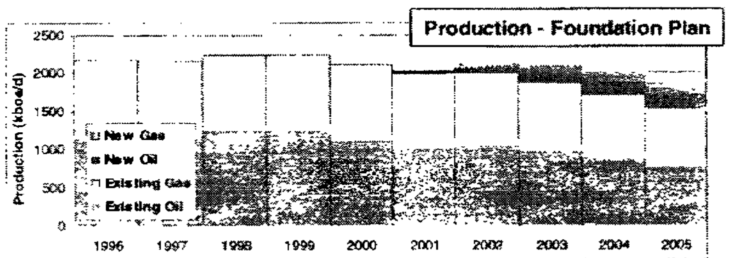
		2001	2002	2003	2004	2005
Capex	($bln)	0.7	0.8	0.7	0.6	0.5
Expex	($bln)	0.3	0.2	0.1	0.1	0.1
Opex	($bln)	0.7	0.7	0.6	0.6	0.6
NIAT	($bln)	0.3	0.4	0.5	0.6	0.5
ROACE		8%	10%	11%	14%	14%
IBVc	($bln)	5.1	5.8	5.9	5.9	5.4

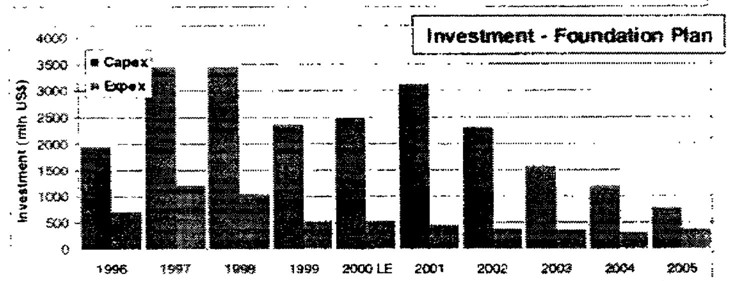
9. REGIONAL ACTION PLAN - EPN

Most Confidential

Strategic Focus

- Sustain production levels, and continuous UOC improvements, through mainly incremental developments in mature areas.
- Exploit existing infrastructure to the full, minimising lead times for new production and recognising limited 'windows' for receding opportunities.
- Plan for possible reduced European gas market share due to accelerated liberalisation and reduced gas demand growth forecasts.
- Continued development around new deepwater 'hubs' in GoM.
- Target specific growth opportunities in non-conventional hydrocarbons where Shell technology provides a competitive advantage.





The following activities are critical to the delivery of the EPN Plan

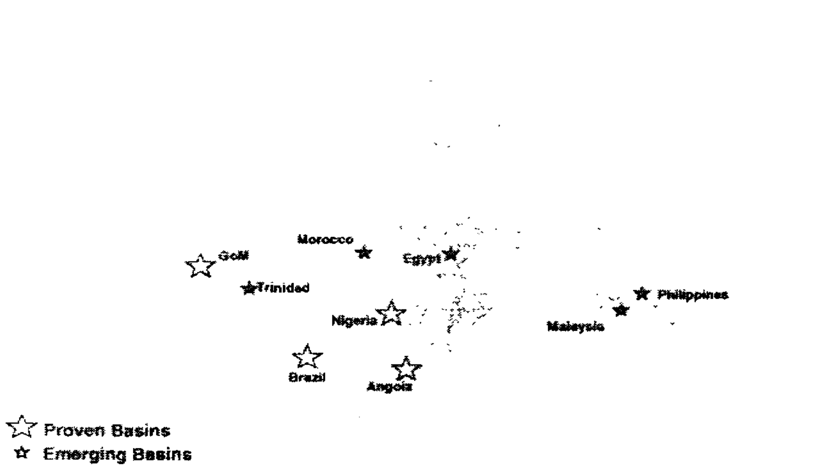
- ***USA***
  - Success of larger volumes/higher risk exploration in GoM.
  - Deliver major projects (Brutus, Nakika, Oregano, Serrano, Crosby).
- ***UK***
  - Find & mature reserves to sustain/increase current production rates.
  - Successful E&A and development of HPHT opportunities.
  - Achieve and maintain target UOC of $2.7/bbl.
- ***Netherlands***
  - Maximise non-Groningen gas production as best defence against import threat
  - Minimise Groningen investment whilst retaining flexibility.
  - Position optimally for possible restructured "Gasgebouw".
  - Implement re-organisation plan and cost reduction measures.
- ***Canada***
  - Maintain progress on AOSP to achieve 2002 start-up.
  - Performance of Sable Island and possible expansion plan.
  - Sustain Foothills gas business with focussed, cost effective, E&A.
- ***Norway***
  - Successful exploration activity on 16th Round "President" block.
  - Pace the Ormen Lange development to match gas market.
  - Agree with partners on optimal development of Tampen Spur assets.
- ***Denmark***
  - Progress Halfdan development – maintaining early production.
- ***Morocco***
  - Seismic programme for Q4/2002 renewal/relinquishment decision.

Key Metrics
(Indicative, Foundation Plan Only)

		2001	2002	2003	2004	2005
Capex	($bln)	3.3	2.3	1.6	1.2	0.9
Expex	($bln)	0.5	0.4	0.4	0.3	0.4
Opex	($bln)	1.9	1.8	1.7	1.6	1.5
NIAT	($bln)	2.6	2.6	2.6	2.6	2.4
ROACE		20%	20%	20%	22%	23%
IBVc	($bln)	20.5	21.2	19.7	18.2	16.0

10. THEME ACTION PLAN - Deepwater

Most Confidential



Theme Objectives

- Focus on 4 proven basins and 1-3 emerging basins.
- Optimise existing asset base through asset swaps / dilutions and pursue strategic positioning in GoM, Brazil and West Africa.
- Co-ordinate / rank DW gas opportunities through Gas Theme.
- Achieve affordable/sustainable 15% ROACE business, positive cashflow at $14/bbl by 2003 (at $10/bbl by 2004): limit Capital Employed to 30% of EP total.
- Leverage SDS to acquire equity positions in coveted properties operated by independents or 2nd tier companies.

Business Environment

- Cost reductions and higher oil prices have led to increased competition and greater willingness to invest.
- Viewed by industry as best large growth opportunity
- Several large (>600 MMbbl) discoveries have been reported by competitors in Brazil, Angola, GoM in last 2 years

Global Activities / Key Milestones

- Prove up the potential through drilling in West Africa and Brazil.
- Continue focusing through portfolio actions (swaps, bid rounds).
- Global management of rig fleet overhang through farm-out etc.
- Increased synergies between OUs and SDS to identify new and creative technology.
- Rapid implementation of DW technologies to realise and maximise value.
- Move to deeper and more complex settings

Strategic Overview

- Continue role as Full-Lifecycle Operator of choice (e.g. GoM, Egypt)
- Become 'best-in-class' NOV partner
- Continue focused knowledge-based bid round participation.
- Establish disciplined approach to new, non-operated entries.
- Lever position and capabilities through portfolio actions.
- Develop explicit entry/exit strategies.
- Be 'first-mover' in new low entry cost major basin (e.g. Orinoco)

Competition

Shell remains well-positioned in Deepwater, having captured most value. Recent discoveries by competitors, especially ExxonMobil, BP, and TFE threaten this position. Shell must continue to find and develop 'hub-class' discoveries to retain market-leader status.

How Shell Will Win

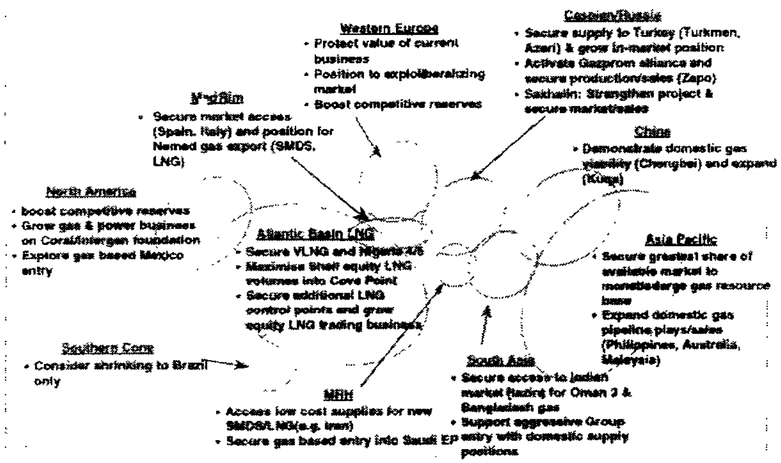
- Through relationship management with key stakeholders, leveraging our technical development competencies and building on the Shell brand.
- Through the Deepwater theme approach with SDS having concentrated world-class skills working through a global community.

Key Metrics
(Indicative, Foundation Plan Only)

		2001	2002	2003	2004	2005
Capex	($bln)	1.3	1.0	1.0	0.5	0.3
Expex	($bln)	0.5	0.6	0.3	0.3	0.3
Opex	($bln)	0.2	0.3	0.3	0.3	0.3
NIAT	($bln)	0.3	0.3	0.7	1.1	1.2
Capital Employed	($bln)	4.0	4.6	5.0	4.8	4.5
ROACE		8%	7%	15%	24%	27%
Oil	(kb/d)	251	339	400	501	491
Gas	(mrd Sm3/yr)	10	10	11	12	11

10. THEME ACTION PLAN - GAS

Most Confidential



Vision

- A premier growth engine for the Group, building Shell's competitive position against the new breed of energy companies and stretching the brand to new market/consumer opportunities.

High Level Strategies

- Develop/execute market-driven regional strategies
- Upgrade portfolio: pursue new gas sources with focus on optimal cost of supply curve and near-term market.
- First mover advantage critical to secure new markets
- Gas Shift: Grow gas production to ca. 50% of global portfolio (current =38%)

Strategic Focus

- Bring equity gas to market
  - Sakhalin, Namibia, Changbei, Bangladesh
  - Australia (NWS4, ALNG1)
  - Malaysia (MLNG3)
  - Nigeria (NLNG4)

Strategic Focus (cont.)

- Maintain position in LNG through cost leadership
- Obsessive focus on customer needs and control points
  - New P/L gas: Caspian, Tarim, USA
  - New LNG horizons: VLNG/Cove Point, LNG3/Hazira
  - MRH entry (gas first): Saudi, Mexico
- Become Gas-to-Liquids leader, retain first-mover advantage
  - SMDS: Iran, Egypt, Malaysia, Indonesia
  - FLNG/FONG: Australia, West Africa

Competition

- Two-thirds of the "Energy Top 30" are not traditional EP players and competition from this new breed of energy companies is particularly strong in the GP arena. Of the traditional Oil and Gas companies, BP is providing the strongest global competition along the full gas value chain, with Enron in the lead amongst the others.

How Shell Will Win

- By leveraging technology and Brand along the value chain whilst aggressively acquiring new skills to balance traditional "asset" and "reach" games with "customer" and "knowledge" games critical to success in liberalised markets.

Key Metrics
(Indicative, Foundation Plan & Upstream Only)

		2001	2002	2003	2004	2005
Capex	($bln)	1.6	1.4	1.4	1.1	0.9
Expex	($bln)	0.3	0.3	0.3	0.2	0.2
Opex	($bln)	1.1	1.1	1.0	1.0	0.9
NIAT	($bln)	1.3	1.5	1.6	1.6	1.7
Capital Employed	($bln)	8.5	8.2	8.0	6.3	7.8
ROACE		16%	18%	20%	26%	22%
Oil	(kb/d)	16	17	18	19	18
Gas	(mrd Sm3/yr)	64	66	69	71	70

10. THEME ACTION PLAN - MRH

Most Confidential

Theme Objectives

- Access low-cost oil (UTC< $3/bbl) to 'secure' a balanced portfolio of oil and gas reserves in MRH countries in the Middle East and North Africa.
- Maximise Shell involvement in hydrocarbon value chain to enhance 'partner of first choice' aspirations.

EP (and GP) capital employed in the MRH countries will increase substantially. Apart from Abu Dhabi and Iran, where efforts to 'make the most of what we have' will be enhanced, other initiatives are in the "getting new business" and "breaking new ground" categories.

Business Environment

There is a growing appreciation amongst MRH Governments that the attraction of foreign investment, technology and project management skills is a critical success factor for future country growth. Recent high oil prices may temper this view over the short-term, but differences in approach between MRH countries should still provide opportunities to demonstrate the benefits of selecting Shell.

- Iran: Recent electoral results have strengthened reformist position, but geopolitical and internal socio-political issues may still hamper early realisation of Shell's aspirations.
- Libya: Legal/contractual framework for IOR projects, perhaps based on PSCs, need to be finalised by NOC who is seeking industry input.
- Kuwait: Foreign participation process has started, but internal opposition is being managed by Government with upstream enabling legislation expected to be voted in as law in 2001. Resolution of border issues in northern Gulf may open up offshore opportunities (Dorra).
- Saudi: Foreign participation process in progress and emphasis is now shifting to the scope of the National Gas Initiative. Possible resistance to change from Oil Ministry and Saudi Aramco.
- East Jordan: UN sanctions mean that opportunities are on-hold, with the possible exception of "oil-for-food" initiatives.

Competitive Position

There is fierce competition by traditional players for 'first mover' opportunities. Shell is well positioned through successful relationship building efforts across the companies. For each country, careful analysis of key stakeholders, areas needed for Shell to win against competitors, and efforts needed are well in place.

Competitive Position (cont.)

- Iran: Soroosh/Nowrooz foothold enhances relationship and demonstrates strong competitive edge. ILSA expiry in August 2001 will bring US competition. Partnering strategies pursued.
- Libya: Competition is mainly from European companies. Window of opportunity provided by the current absence of US competitors may end in August 2001. Shell, with partner VEBA, well positioned for entry in (re-) development projects.
- Kuwait: Competition amongst super-majors. Shell position relatively strong (particularly for Offshore) but still behind BP and Chevron for onshore.
- Saudi: Keen competition - 12 companies invited to submit proposals. Shell position very strong and relationships good. Partnering will be required.
- East Jordan: Sanctions affect all western international oil companies. Risk that UK/US oil companies will not get equal access to opportunities.

Key Decisions and Actions for 2001

- Progress MRH stakeholder engagement in key focus areas in all MRH countries to ensure competitive position is enhanced.
- Sign at least one significant contract leading to FID in 2001.
- Complete partnership arrangement (Kuwait)
- Complete integrated SMDS/LNG gas development scouting study (Iran)
- Pursue Saudi gas proposal with a long-term aim of securing entry to upstream oil.
- Ensure alignment of exploration strategy with MRH strategy in relevant countries.
- Build on STASCO, GP and Shell Capital activities in order to maintain relationships whilst minimising EP expenditure where appropriate.

Key Metrics
(Indicative, Foundation Plan Only)

		2001	2002	2003	2004	2005
Capex	($bln)	0.1	0.2	0.2	0.1	0.1
Expex	($bln)	0.0	0.0	0.0	0.0	0.0
Opex	($bln)	0.0	0.1	0.0	0.0	0.0
NIAT	($bln)	0.0	0.0	0.1	0.1	0.1
Capital Employed	($bln)	0.4	0.5	0.6	0.7	0.7
ROACE		-3%	2%	10%	14%	15%
Oil	(kb/d)	92	124	149	161	174
Gas	(mrd Sm3/yr)	0	0	0	0	0

10. THEME ACTION PLAN - CIS/CASPIAN

Most Confidential

Theme Objectives

- Become a major player in Russia with a target equity production level of 400,000 boe/d by 2010, at least half of which is gas.
- Become one of the top three foreign players in and around the Caspian with equity production of 500,000 boe/d by 2015.
- Secure significant low-cost oil and gas reserves in the CIS, the latter as part of a regional EP/GP gas strategy.

Apart from Sakhalin development in Russia, all our initiatives are in "getting new business" and "breaking new ground".

Business Environment

- Russia: Contains greater than 40% of the world's gas reserves and significant brownfield oil opportunities. Also a very big internal market for oil and gas in an economy in transition to free markets, and already a major gas supplier to hard currency European markets. Await stable PSA framework before committing to major new investments.
- Caspian: Largest oil (Kashagan) and gas (Shah-Deniz) discoveries of last 20 years point to high upside which may balance political risks. Complex geopolitical trans-border infrastructure issues. Significant greenfield and brownfield opportunities.

Competitive Environment

- Russia: Shell well positioned compared to other international companies but strong local competition.
- Caspian: Despite Kashagan discovery in Kazakhstan, Shell still poorly placed compared to production operators Chevron and BP, and ExxonMobil.
- Potential differentiators that could leverage Shell's position include our ability to work in all five littoral states (esp. Russia and Iran), our historical ties to the region, the perception of Shell as a company that can deliver innovative evacuation solutions and our integrated approach and strong competitive position in gas (esp. Turkey, Far East).

Key Decisions and Actions for 2001

- Secure the full value of Sakhalin-2 as an oil and integrated upstream/downstream gas project.
- Consolidate Gazprom alliance based initially on Zapolyarnoye-N and subsequently on upstream/downstream gas projects within Russia and in Central and Eastern Europe, Turkey, the CIS and eventually China.
- Ensure timely start of the Caspian Pipeline Consortium (CPC).
- Assure progress towards FID for Western Siberia oil development.
- Pursue growth opportunities in and around the Caspian in light of Kashagan discovery and entry into Azerbaijan, looking for increased alignment with strategy and activities in Iran and Russia and improved cross-business synergy.
- Drive forward cost-effective development and evacuation solutions for Kashagan and pursue innovations to drive unit costs long term.
- Progress Inam project and lay foundation for growth in Azerbaijan by continuing to build relationships with SOCAR and pro-actively identifying and developing new business opportunities, whilst managing expectations.
- Review Shell's role in major evacuation projects and regional gas development if political impasse in Turkmenistan continues to delay the Trans-Caspian Gas Pipeline project.
- Complete stakeholder mapping for relationships management and progress efforts needed for Shell to win against competitors.

Key Metrics
(Indicative, Foundation Plan Only)

		2001	2002	2003	2004	2005
Capex	($bln)	0.2	0.1	0.0	0.0	0.0
Expex	($bln)	0.1	0.1	0.0	0.0	0.0
Opex	($bln)	0.1	0.0	0.0	0.0	0.0
NIAT	($bln)	-0.1	0.0	0.0	0.1	0.1
Capital Employed	($bln)	0.8	0.9	1.0	1.0	1.0
ROACE		-17%	-4%	2%	8%	8%
Oil	(kb/d)	12	14	13	17	17
Gas	(mrd Sm3/yr)	0	0	0	0	0

10. THEME ACTION PLAN - NIGERIA

Most Confidential

Strategic Focus

- Leading player in Nigeria's growing oil/gas industry
- Commitment to staff development
- Maximise short term oil and gas production (Opec quota, PtL), whilst managing funding and cash call arrears
- Deliver Train 3 Integrated Project (incl Bonga, EA)
- Secure most cost-effective associated gas (AG) sinks, including gas supplies to NLNG trains 4 & 5
- Protect Offshore Gas Gathering System (OGGS)/NLNG from 'open access'
- Manage the portfolio to balance risks (funding, unrest), extract early value and acquire new assets
- Extend deep water lead through new licenses
- Learn to operate under the new rules of democratic Nigeria
- Utilise indigenisation as an opportunity
- Develop non-associated gas as an opportunity
- Explore cross business opportunities

License to Operate

- Support 'Peace in the Delta'.
- Continued efforts required on social and reputational issues, which impact SPDC's operations locally, enhance Shells standing with NGOs and international institutions.
- Improve HSE performance, pursue 'flares down'

Key Metrics
(Indicative, Foundation Plan Only)

		2001	2002	2003	2004	2005
Capex	($bln)	1.1	1.4	1.3	0.7	0.6
Expex	($bln)	0.1	0.1	0.1	0.1	0.1
Opex	($bln)	0.2	0.2	0.3	0.3	0.3
NIAT	($bln)	0.2	0.2	0.4	0.8	0.8
Capital Employed	($bln)	2.1	3.0	3.6	3.7	3.4
ROACE		10%	7%	12%	21%	25%
Oil	(kb/d)	235	256	377	498	592
Gas	(mrd Sm3/yr)	2	2	2	3	4

SPDC

- Continued heavy investment in development of the shallow offshore EA field, planned onstream end 2002.
- Work will continue on OGGS, which will take gas from Bonga, EA and Western Division to NLNG. Funding mechanism (Joint Venture or Alternative Funding) is still being established.
- Various further projects will secure gas supplies to the NLNG complex.
- Funds are earmarked to enable Shell investments in additional gas utilisation projects, in particular the West Africa Gas Pipeline and a proposed line to Abuja. FIDs are projected for 2002.
- Significant funds will continue to be required to maintain and upgrade SPDCs vast infrastructure, including the major refurbishment of Bonny terminal.
- Exploration will particularly concentrate on the Alternatively Funded Shallow Water programme (SPDC), and follow-up activity with indigeneous company Peak in OML460 (SNUV).
- An unacceptably high level of fatalities mandates relentless vigilance in this arena.

SNEPCO

- Period of heavy investments in Bonga Main, with a planned onstream date of late 2003. FID on Erha in 2001 triggers investments in Esso operated Block OPL 209.
- Additional exploration potential in the Bonga and Erha blocks will be assessed, to help develop a strategy for OML conversion and development sequence.
- Exploration work in OPL 219 aims at assessing the oil potential of this block, enabling a fundamental discussion on its future.
- Upon award of OPLs 250 and 322, cross-assignments will be pursued to optimise SNEPCO's areal coverage and to dilute to the mandated equity levels. Technical work will gear up at Shell DeepWater Services in support of SNEPCO.
- Divestment of Agip operated Blocks OPL 211 and OPL 316 is ongoing and will be driven to closure.

10. THEME ACTION PLAN - NON-CONVENTIONAL HCs

Most Confidential

- Non-conventional hydrocarbons including oil shales, bitumen/heavy oil and coal occur in vast quantities around the world. A Shell internal screening study indicates that recoverable non-conventional reserves, of roughly 1,700 bln boe, are of the same order of magnitude as remaining conventional oil and gas.

- Shell's leading R&D in unconventional hydrocarbon recovery will provide a unique technological advantage to unlock large resources at a cost lower than the future marginal cost of conventional oil and gas production. Although most non-conventional recovery efforts now (steam-flooding, cold production, mining and surface retorting) produce hydrocarbons at the high end of the global marginal cost of supply ($9-11/bbl), there is a growing industry interest in producing these hydrocarbons.

- A number of companies are situated to rapidly close the technology gap within perhaps another two to four years, either because of overall business and technical strength or because they already hold a piece of the puzzle. This trend will increase as many farsighted companies see conventional production in a decline at some time in the next few decades. Inaction at this time increases the risk that Shell may lose either access to or the ability to develop many of the prime deposits, and this risk will increase with time. Our efforts to unlock these vast potential reserves are encapsulated in the "Eureka" initiative.

- A separate initiative "Hot Fractured Rocks (HFR)" attempts to diversify EP beyond conventional hydrocarbon exploitation into Geothermal Energy

EUREKA

- Eureka strategy is to establish as aggressive a global ramp-up as the emerging technology and risk factors allow - thereby enabling Shell to leverage "first mover" advantages and build barriers against "fast followers".
- First full scale ICP oil shale project planned to FID in 2003 in Colorado.
- Leading ICP major resource holders (un-conventional MRH): US, Canada, Oman, Jordan, Venezuela, China, Australia and India.
- Eureka's business design begins with a traditional EP asset model and expands into product, customer and knowledge games as Eureka grows from land positioning and production into providing customers premium and custom products and providing knowledge services.

Key Value Milestones for Project

- 2000 - US coal test completed
- 2001 - US/Canada coal/oil shale acquisitions; Heater cable company JV / acquisition; Patents become public; Permitting begins in US; Engage remaining MRH's
- 2002 - Mahogany Project completed; MRH work programs begin
- 2003 - 1st commercial (shale) FID
- 2004 - 1st coal project FID (US)
- 2005 - 1st heavy bitumen FID (US/Canada)

HFR

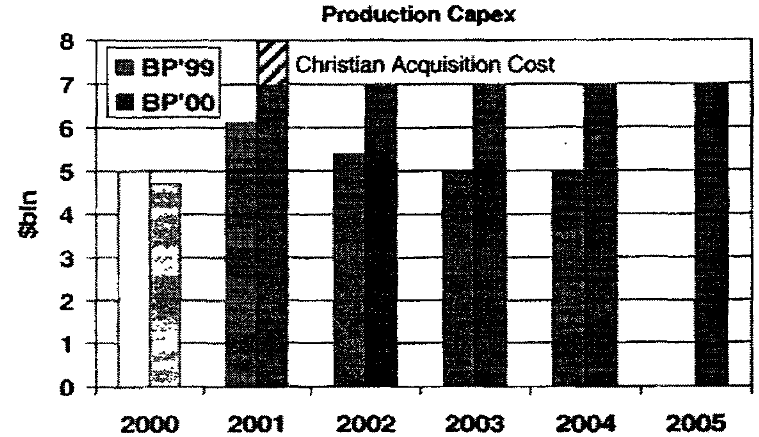
- Hot Fractured Rock Technology Development Programme (2000-2004) with subsequent launch and growth of a Geothermal HFR Energy business
- Technology Development Programme:
- Nicaragua: 35% equity interest of power project (steam field and power generation plant); Partner is Ormat Momotombo
- El Salvador: 50% equity interest in HFR project; Partner is GESAL
- Soultz, France; 17% interest in European Economic Interest Grouping, EU funded HFR technology research project
- HFR technology development; Partnership with Ormat Technology Inc. (option to terminate in 2004)
- By 2020: Annual net income ~$500 mln, ROACE ~17%
- Annual Capex in 2020 ~$350 mln (RT00)
- If available to HFR, CER credits would add 2.5% to ROACE
- NPV7 in 2020 of $0.8 bln, assuming the post-2020 value of the business is 12 times the 2020 NIAT

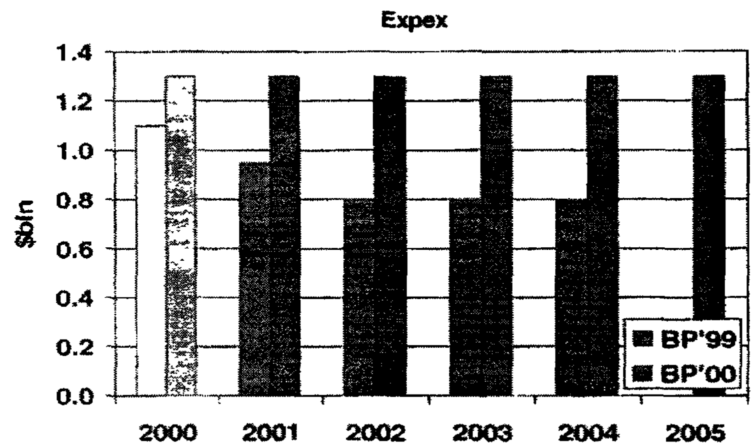
APPENDIX A1 - RECONCILIATION WITH BUSINESS PLAN 1999

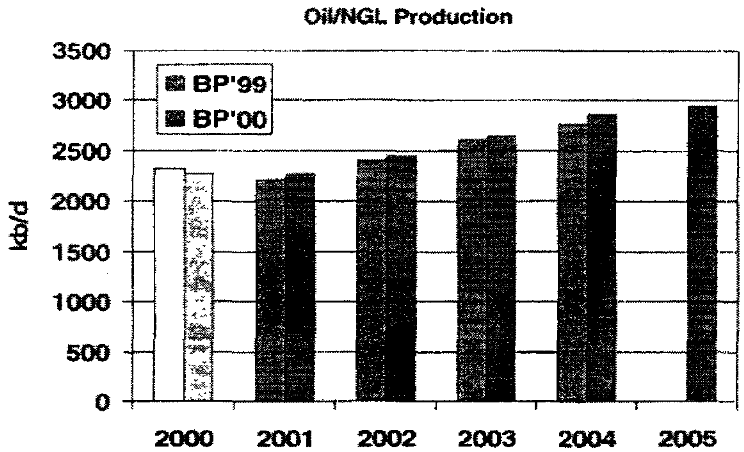
Most Confidential

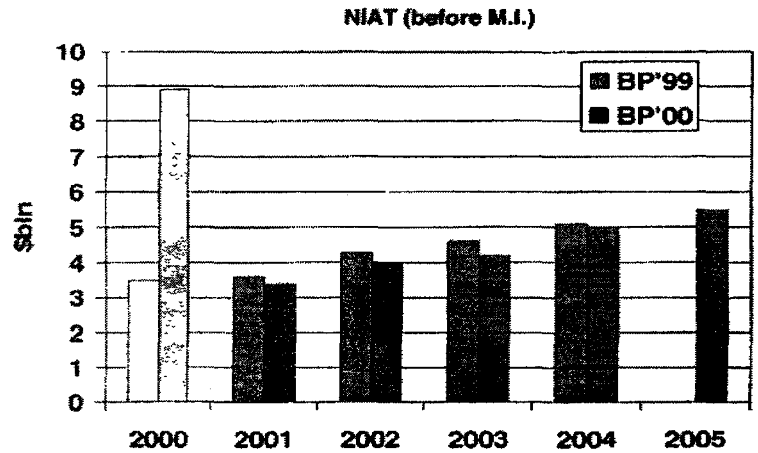
A comparison of the the 2000 EP Business Plan (BP'00) to the 1999 EP Business Plan (BP '99) is presented in this appendix.

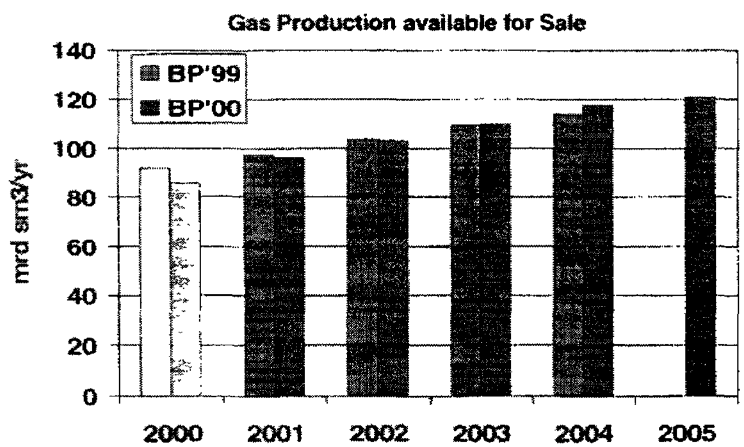
- **Investment Levels**
  - Production Capex: Cumulative expenditure (MOD) over 2001-2004 is \$6.6bln higher in BP 2000.
    - 2001 increases by \$2 bln primarily due to non-dilution of Bonga (\$0.4 bln), increased activity levels in the USA and UK (\$0.5 bln) and inclusion of the "Christian" acquisition.
  - Expex: Cumulative expenditure (MOD) over 2001-2004 is \$1.9 bln higher in BP 2000.
    - 2001 expenditure increases by ca. \$0.35 bln due to increases in Kazakhstan, Angola, Azerbaijan, SNEPCO, and the provision of \$0.2 bln for ExCom flexibility.
- **Operational Performance**
  - Production: Compared to BP'99, 2001 production down by 2% (93 kboe/d).
    - Gas is down by 1 mrd sm^3/yr primarily due to loss of market share in the North Sea, and revised production from SPDC.
    - Oil production is up by 52 kbpd (+3%) primarily due to the inclusion of short-term oil projects in the UK and USA.
  - Unit Opex: For 2001, Unit Opex is unchanged with respect to BP'99. Decreases below \$2.0/boe (GA) later in the Plan period are to to increased pension fund credits.
- **Financial Performance**
  - ROACE: Lower than BP'99 in every year of the Plan period (-0.7% in 2001) mainly as a result of increased exploration activities and higher Capital Employed.
  - Net Cash to Shareholder: Gearing targeted at 14% in 2001 and 20% thereafter, and aggressive Dividend policy, are the main drivers of higher NCR in BP'00 vs BP'99.

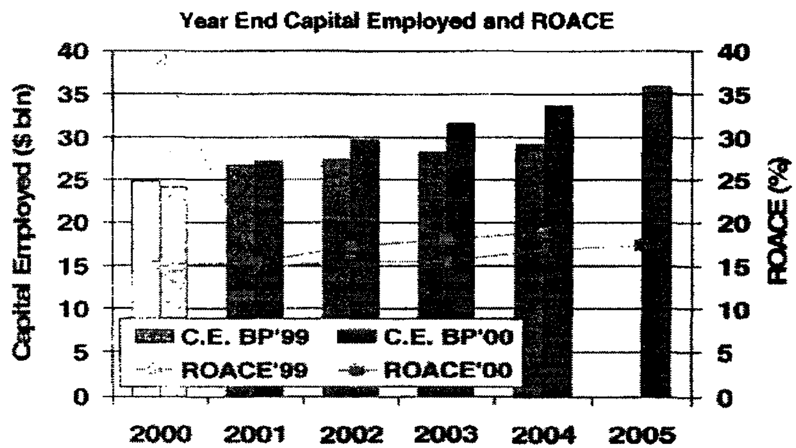





Oil/NGL Production
3500
3000
2500
2000
1500
1000
500
0
kb/d
BP'99
BP'00
2000
2001
2002
2003
2004
2005


NIAT (before M.I.)
10
9
8
7
6
5
4
3
2
1
0
$bln
BP'99
BP'00
2000
2001
2002
2003
2004
2005


Gas Production available for Sale
140
120
100
80
60
40
20
0
mrd sm3/yr
BP'99
BP'00
2000
2001
2002
2003
2004
2005


Year End Capital Employed and ROACE
Capital Employed ($ bln)
ROACE (%)
40
35
30
25
20
15
10
5
0
C.E. BP'99
C.E. BP'00
ROACE'99
ROACE'00
2000
2001
2002
2003
2004
2005

APPENDIX A2 - EP STRATEGIC OPTIONS

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A total of 39 options have been identified, including incremental investment opportunities, significant divestments and major new entries. The figure on the next page differentiates the traditional options ("New Developments" and "E&A Follow-up") from the bolder options that reflect strategic shifts or breaking new ground. A brief summary of each option is included below.

Making the most of what we have

- **New Developments** - capex for field developments on new discoveries or modifications on existing fields (total capex requirement >$500 mln Shell share)
  - OU projects not in Foundation Plan taking FID in 2001 or 2002
  - Angola Block 18 development
  - Namibia gas development
- **E&A follow-up** - additional capex for follow-up projects contingent on discoveries (total capex requirement >$500 mln Shell share)
  - GoM deepwater
  - Brazil BC-10, BS-4, BC-2, BMC-10, BMS-8, FZA-1
  - Angola Block 18, Block 34
  - Nigeria UDW
  - Egypt NeMed
- **Portfolio Management**
  - Do not dilute Nowrooz/Soroosh - keep 100% working interest; maintain $10 robustness of overall portfolio
  - "Generic" major divestment (conceptual) - realise value at high oil price

Getting new business

- **Strategic Equity Swaps ("trading chips")**
  - Brutus swap - swap 20% interest for development opportunity elsewhere
  - Bonga swap - swap 27% interest for development opportunity elsewhere
- **New Geography**
  - Caspian - mature field development plans for giant Kashagan field in Kazakhstan and grow bridgehead in Azerbaijan
  - West Siberia - development of Salym and Komsomol oil fields
  - Mexico(*) - potential upstream entry via gas sector and/or deepwater
- **New Markets**
  - Sakhalin LNG - development of the Piltun-Lunskoye fields with LNG export to Japan and Korea
  - Turkmenistan to Turkey - link upstream position via pipeline across the Caspian with market in Turkey
  - Atlantic Basin - link Venezuelan LNG supply with US market via own capacity at Cove Point terminal
  - India(*) - capture potential of developing market through various upstream positions (offshore, Bangladesh)
  - North American Gas - gas exploration program in Shallow GoM, South Texas and Rockies to supply rapidly growing market
- **Middle East MRH**
  - Iran Bangestan- brownfield re-development expansion, buy-back arrangement
  - Saudi - initial entry via gas (and associated d/s developments) but long-term objective cheap oil
  - Libya - brownfield re-development of onshore oil fields with upside
  - Kuwait - redevelopment of low-cost onshore oil fields
  - Other ME - additional options currently being matured in other low cost MRHs
- **Acquisition**
  - Eastern GoM - new exploration acreage; access significant portion of ~20 bln barrels of undiscovered reserves
  - "Generic" major acquisition (conceptual) - achieve strategic shift in portfolio characteristics
- NOC Alliance ... (continues on page 51)

(*) Conceptual

APPENDIX A2 (Continued)

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Making the most of what we have

New Developments
- OU Options
- Angola Block 18
- Namibia

Portfolio Management
- Do not dilute Now/Sor
- Major Divestment ×

E&A Follow-up
- GoM
- Brazil
- Angola
- Nigeria UDW
- Egypt NeMed

Getting new business

Equity Swaps
- Swap 20% Brutus
- Swap 27% Bonga

New Geographies
- Caspian Kashagan
- West Siberia Salym
- West Siberia Komsomol
- Mexico ×

New Markets
- Sakhalin LNG
- Turkmenistan to Turkey
- Atlantic Basin (VLNG)
- India × (Bangladesh)
- North American Gas
- Popeye

Acquisition
- Eastern GoM Lease
- Major Acquisition ×
- Syria × Souedie

Middle East MRH
- Iran Bangestan
- Saudi
- Libya
- Kuwait
- East Jordan

NOC Alliance
- Gazprom Zapo
- Oscar
- Felix
- Petronas ×

Breaking new ground

Gas Innovator
- FLNG ×
- SMDS ×

Unconventional Resources
- Eureka
- Hot Fractured Rocks

Technology Venturer
- STV

☐ Oil	☐ Gas
☐ Deepwater	☐ ME MRH
☐ Other	× Conceptual

APPENDIX A2 (Continued)

Most Confidential

- **NOC Alliance**
  - Gazprom - strategic alliance; joint development of Zapolyarnoye field
  - Oscar - strategic alliance with Sinopec in order to gain access to East China gas market and upstream positions
  - Felix - strategic alliance with CNOOC in order to gain access to East China gas market and upstream positions
  - Petronas - form a strategic alliance to assist Petronas in becoming an international player whilst strengthening our position in Malaysia
  - Syria(*) - re-development and production enhancement of SPC's giant Souedie field

<u>Breaking new ground</u>

- **Gas Innovator**
  - FLNG(*) - first application of floating LNG offshore Northern Australia
  - SMDS(*) - leverage SMDS technology to secure early development of gas discoveries
- **Unconventional Resources**
  - Eureka - grow material business using Shell's ICP technology (long term)
  - Hot Fractured Rocks - grow material energy business using Shell HFR technology (long term)
- **Technology Venturer**
  - STV - commercialisation of Shell technology to accelerate deployment and maximise value

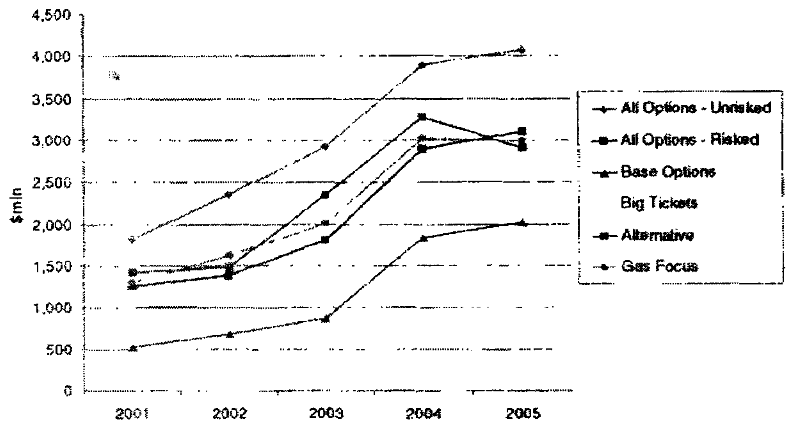
The options have been analysed on the basis of production, reserves, materiality, capital efficiency, robustness, and impact on our competitive position. All options meet investment criteria and add significant value to the business, and EP would exercise all options in an unconstrained business environment.

Several scenarios were built to assess the impact of different portfolios:

- **"all unrisked"** - incorporates all options assuming 100% success
- **"all risked"** - also includes all options but weighted with their POS to commercial success
- **"base options"** - takes on board only those options to which access has already been secured
- **"big tickets"** - further adds a number of major new entries: Saudi Gas, Bangestan, Zapo, Salym, Oscar and Libya
- **"alternative"** - constitutes a different selection of big tickets: Saudi Gas, Bangestan, Zapo, Komsomol, Felix, T2T, Kuwait and East Jordan
- **"gas focus"** - as the name implies, gives preference to gas options

The unrisked scenario presents an upper bound in terms of required capex, production and ROACE impact; the scenario with base options provides a lower bound. The risked case offers a fair representation of the other scenarios.

Incremental Capex Comparison of Scenarios



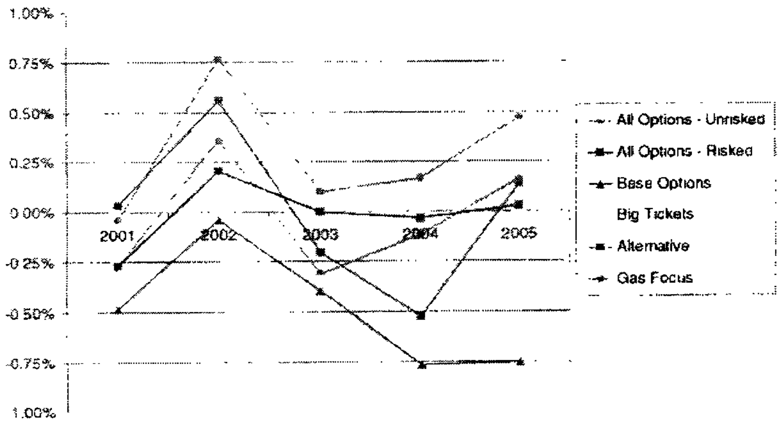
Incremental Capex does not include Saudi Gas Lease Payment ($3.9 bln unrisked, $2 bln risked)

(*) Conceptual

APPENDIX A2 (Continued)

ROACE expectations remain healthy for all scenarios, particularly taking into account current high oil prices which are expected to extend well into 2001 and the effect the resulting high income levels have on ROACE in 2001 as well as 2002.

Impact of Scenarios on EP Global ROACE



Capital Employed does not include Saudi Gas Lease Payment ($3.9 bln unrisked, $2 bln risked)

Whereas in 1999 EP was both capital and opportunity constrained, EP is now only opportunity constrained. Success is needed in gaining entrance and maturing the required deals. EP should spare no efforts towards maturing all of our strategic options.

It was proposed to CMD to raise the EP investment level by $1 bln above the Ground Rules. With EP Capex at $7 bln per annum for the planning period sufficient funds are available to cater for the commercial success scenarios.

Finding the right calibre staff for manning the projects is considered feasible, notwithstanding the current under-supply in some of the EP technical disciplines. This will, however, require the support of local management to make both selected international and regional staff available in line with the global business resourcing priorities.

APPENDIX A3 - OVERVIEW OF EP COMPANIES

Most Confidential

EPM	Classification	(Non) Funded	Comment	Production	Capex/Expex GA	Capex/Expex OA
Abu Dhabi	Associate	Non funded		100%	n.a.	Shell Equity
Bangladesh	Group Company		PSC	Entitlement	100%	100%
Central Asia	Group Company			100%	100%	100%
Egypt	Group Company		PSC	Entitlement	100%	100%
India	Group Company		PSC	Entitlement	100%	100%
Iran	Group Company		Buy-back	100%	100%	100%
Kazakhstan (OKIOC)	Associate (pre-consolidation in SKDbv)	Funded	PSC	Entitlement	Shell Equity (inv. in assoc)	Shell Equity
Kuwait	Group Company			100%	100%	100%
Oman	Associate (pre-consolidation in SOMAT & POHOL)	Funded - loans but no significant Shell investment		100%	n.a.	Shell Equity
Oman Gisco	Group Company		15% minority interests	100%	100%	100%
Oman Offshore	Group Company			100%	100%	100%
Russia (Rest of)	Associate	Funded		Shell Equity	Shell Equity (inv. in assoc)	Shell Equity
Russia (Sakhalin)	Associate (pre-consolidation in Sakhalin Energy)	Funded		Shell Equity	Shell Equity (inv. in assoc)	Shell Equity
Saudi Arabia	Group Company			100%	100%	100%
Syria	Group Company		PSC	Entitlement	100%	100%
EPG	**Classification**	**(Non) Funded**	**Comment**	**Production**	**Capex/Expex GA**	**Capex/Expex OA**
Angola	Group Company			100%	100%	100%
Argentina	Group Company			100%	100%	100%
Brazil	Group Company			100%	100%	100%
Brazil (Pecten)	Group Company		15% minority interests	100%	100%	100%
Cameroon (Pecten)	Group Company		20% minority interests	100%	100%	100%
Gabon	Group Company		25% minority interests	100%	100%	100%
Namibia	Group Company			100%	100%	100%
Nigeria - SNEPCO	Group Company			100%	100%	100%
Nigeria - SPDC	Group Company			100%	100%	100%
Peru	Group Company			100%	100%	100%
SEAPOS	Group Company			100%	100%	100%
Trinidad	Group Company			100%	100%	100%
Venezuela	Group Company			100%	100%	100%

APPENDIX A3 (Continued)

Most Confidential

EPA	Classification	(Non) Funded	Comment	Production	Capex/Expex GA	Capex/Expex OA
Australia (SDA)	Group Company			100%	100%	100%
Australia (Woodside)	Associate	Non funded		100%	n.a.	Shell Equity
Azerbaijan	Group Company			100%	100%	100%
Brunei	Associate	Non funded		100%	n.a.	Shell Equity
China (incl. Pecten shares)	Group Company		PSC	Entitlement	100%	100%
East Jordan	Group Company			100%	100%	100%
Indonesia	Group Company			100%	100%	100%
Libya	Group Company			100%	100%	100%
Malaysia	Group Company		PSC	Entitlement	100%	100%
New Zealand (incl. Pecten shares)	Group Company			100%	100%	100%
Philippines	Group Company			100%	100%	100%
Thailand	Group Company			100%	100%	100%
EPN	**Classification**	**(Non) Funded**	**Comment**	**Production**	**Capex/Expex GA**	**Capex/Expex OA**
Aera	Associate	Non funded		100%	n.a.	Shell Equity
Austria	Associate (RAG)	Non funded		100%	n.a.	Shell Equity
Canada	Group Company		22.5% minority interests	100%	100%	100%
Denmark (incl. Pecten shares)	Group Company			100%	100%	100%
Germany	Associate (BEB)	Non funded		100%	n.a.	Shell Equity
? MCC	Associate	Non funded		100%	n.a.	Shell Equity
Morocco	Group Company			100%	100%	100%
Netherlands	JV Consolidation			100%	100%	100%
Norway	Group Company			100%	100%	100%
Shell USA	Group Company		~5% minority interests	100%	100%	100%
TMR	Associate	Non funded	(The Meridian Resource Corporation)	100%	n.a.	Shell Equity
United Kingdom	Group Company			100%	100%	100%
USA (SPI)	Group Company			100%	100%	100%
EP	**Classification**	**(Non) Funded**	**Comment**	**Production**	**Capex/Expex GA**	**Capex/Expex OA**
STV ?	Associate (pre-consolidation in STV Holdings)	Funded		Shell Equity	Shell Equity (inv. in assoc)	Shell Equity

Associates identified based on LI 0077 / funded associates identified based on LI 0199 / Minorities identified based on LI 5519

APPENDIX A4 - PROFIT & LOSS ACCOUNT

Most Confidential

		14/14				
Oil and NGL Production (for PSC countries:entitlement) - '000 bbls/year		827128	894412	968710	1043676	1074849
Gas Production available for Sales from own Reserves - milliard sm3/year		97	103	110	118	121

Profit and Loss	LE'2000	2001	2002	2003	2004	2005
Net Proceeds		16454	17945	19208	20861	21672
HC Purchases		-157	-314	-314	-314	-314
Feasibility Studies		-194	-138	-132	-148	-148
Operating Costs Miscelleanous		-118	-78	-69	-52	-55
Opex		-3165	-3155	-3120	-3150	-3218
Royalty Payments		-875	-903	-1053	-1211	-1344
Site restoration costs (provision)		-214	-221	-211	-235	-159
Depreciation		-3889	-4558	-4807	-4965	-4715
Gross Profit		**7843**	**8577**	**9502**	**10786**	**11718**
Selling, Distribution and Administrative Expense + R&D		310	478	579	649	733
Exploration Expense		-1009	-966	-951	-942	-914
Operating Profit		**7143**	**8088**	**9129**	**10493**	**11537**
Interest Expense		-259	-371	-423	-389	-330
Interest Income		11	48	61	72	65
Other /DIE		-190	-52	-686	-1218	-1347
Income Before Tax		**6706**	**7713**	**8081**	**8957**	**9925**
Current Tax		-3056	-3789	-3854	-3954	-4217
Deferred tax		-252	26	-57	-29	-189
Net Income after Tax before minority interests		**3398**	**3950**	**4170**	**4973**	**5519**
Net Income after Tax after minority interests		**3310**	**3839**	**4054**	**4850**	**5395**

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APPENDIX A4 - BALANCE SHEET & CASH FLOW STATEMENT

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Balance-Sheet	LE'2000	2001	2002	2003	2004	2005
Fixed Assets	32853	36359	38640	40715	42701	42181
Working Capital (excl. Cash , ST Part of LT Debt and ST Debt)	-262	-176	-166	-40	282	3331
Cash	230	186	178	157	165	173
Provisions for Abandonment and Site Restoration	-5248	-5442	-5040	-5004	-4929	-4980
Provisions for Deferred tax and others	-2715	-2921	-3167	-3420	-3708	-3893
Other LT liabilities	-722	-803	-831	-881	-935	-925
Capital Employed	**24137**	**27205**	**29615**	**31527**	**33576**	**35887**
Interest Bearing Debt	3603	5441	5923	6305	6715	7177
Quasi-Equity (Interest Free Debt)	3270	3534	4218	4694	5596	5623
Equity	12026	12697	13183	13666	14245	14967
Retained Earnings (excl. MI Retained Earnings)	2989	3785	4623	5247	5440	6615
CCTD (assume they are flat - excl. MI CCTD)	435	310	230	202	149	51
Minorities (MI Retained Earnings + Capital Contributed + MI CCTD)	1815	1438	1435	1412	1432	1454
Capital Employed	**24137**	**27205**	**29615**	**31527**	**33576**	**35887**

Cash Flow Statement	LE'2000	2001	2002	2003	2004	2005
NIAT before minority interests		3278	3846	4056	4852	5398
Depreciation		3924	4598	4834	4990	4741
Cash Effect of Movements in Working Capital		-171	-90	-229	-431	-359
Movements in Provisions		399	-154	216	212	236
Other Cash from Operations (expl. Expense correction)		1008	729	701	689	631
Cash from Operations		**8438**	**8929**	**9579**	**10313**	**10646**
Production Capex		-8000	-7000	-7000	-7000	-7000
Expex		-1300	-1300	-1300	-1300	-1300
Correction for non-funded associates/Acquisition and Divestments		1150	905	958	917	869
Cash Surplus		**288**	**1534**	**2236**	**2929**	**3215**
Movement in Interest Bearing Debt		1703	406	360	368	422
Movement in Quasi-Equity (Interest Free debt)		264	684	475	902	27
Movement in Equity		1166	486	483	579	723
Dividend Paid to minority interests		-540	-129	-153	-114	-110
Dividend Paid to Parent Company		-2927	-2988	-3423	-4664	-4270
Other Dividend Paid/Received		0	0	0	0	0
Total Movement in Cash		**-46**	**-7**	**-20**	**0**	**9**