Exhibit 72

ROYAL DUTCH/SHELL GROUP OF COMPANIES

Presentation to the Financial Community: 2002 Fourth Quarter and Full-Year Results

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WELCOME AND OPENING REMARKS

MR. PHILIP WATTS, Chairman, CMD: Good morning, it is good to be with you. We were in London yesterday. I am afraid one or two people had difficulties getting here, so there may be some coming in later.

The first thing we need to do is look at the disclaimer. [Pause]

Now let's look at the global Group leadership team. We will be discussing how we will build on the achievements of last year. I will start with our strategic progress; Judy will focus on what we have delivered in 2002; Walter, Malcolm, Jeroen and Paul will outline their priorities for each of the businesses; and I will come back at the end, confirming our way forward. Then we are looking forward to the usual penetrating questions we expect when we are here in New York.

STRATEGIC PROGRESS

MR. WATTS: For the first part, let's talk about what progress we are making. In this presentation we want to show you how after a pivotal year in 2002 we are going maintain our momentum in uncertain times—and uncertain they are, as we all know. First, our strategy and our financial framework are unchanged. Our priorities are to return our return on average capital employed to the 13 percent to 15 percent range at reference conditions. We want to deliver those key projects and create longer-term legacy positions. I hope by the end of this presentation you will see what we feel very strongly about: That ours is the balanced portfolio and well positioned for the upturn.

Why was 2002 a pivotal year for the Group? On the one hand we enhanced our strategic position by creating new legacy assets such as the Athabasca Oil Sands project to support continuing value growth. We seized opportunities to make four major, focused strategic acquisitions. But on the other hand, we did that while we were delivering earnings of over $9 billion, 14 percent returns, more than $16 billion of cash and $600 million of cost improvements—ahead of the target of $500 million. Of course, all of this was built on the achievements we had made in that period 1998 to 2001 as we followed our road map.

Our strategic direction and the financial framework that underpins it are clear and consistent. What was communicated in our strategy presentation in December 2001 remains firmly in place and will continue to drive our actions. We grow value for our shareholders in responsible ways and we measure our success by competitive shareholder returns. And we are delivering those competitive returns to our shareholders. Comparing the supermajors to the MSCI World Index covering all business sectors, we were first over five years, second over three years and first in 2002, providing a healthy premium over the average for the Index by nearly 16 percent last year.

As I said, our portfolio direction is unchanged: more upstream and gas to reap the higher rewards from major upstream and gas projects, and to anticipate increasing demand for gas, driven by environmental and security concerns; profitable downstream growth to balance risk and for cash generation; and new income streams to support long-term growth.

We have also set geographical priorities to continue broadening and diversifying our positions, most notably in China. Overall we aim to balance risk, the bedrock of robustness, and grow from a position of competitive strength to achieve higher average returns across the cycle.

How do we grow our portfolio? Robust cash generation by existing businesses, disciplined organic growth—$12 billion a year in our present plans, and continuous upgrading by seizing value-adding acquisitions and divestment opportunities. That way we create value with stronger strategic positions.

We made significant progress in developing our portfolio last year, including, for example, those four strategic acquisitions. Walter and Paul will have something to say about those in a moment. Progress also included significant restructuring and divestment, largely in Europe and the United States; and major strides in building our leading global LNG business, which Malcolm will focus on in a moment; and in establishing a significant integrated business in China, which Jeroen will mention. All this was in line with that consistent strategic direction I mentioned a few minutes ago.

We do have an outstanding track record of delivering value, nearly doubling returns between 1998 and 2001 supported dividend growth and share buybacks. And we are delivering value now and in the future in three time frames. In the short term we are returning our return on average capital employed to range by realizing synergies and also portfolio upgrading. In the medium we are delivering key projects such as Na Kika and Nanhai. In the longer term we are continuing to create new legacy positions such as Sakhalin, which Malcolm will discuss. This is what underpins and enables our long-term dividend growth.

Those strategic acquisitions I mentioned are already adding value, but because we understand that most acquisitions actually destroy value, we will be transparently tracking the delivery of this value for you. We have announced the target of $1 billion pretax synergies by 2004, of which nearly $370 million was delivered in 2002. All of those synergy deliveries from each of the acquisitions are ahead of plan. We have identified further synergies from Enterprise. Of course, we also gained an extra $1 billion in cash flow from these acquisitions for the part of 2002 they were in the Shell portfolio.

We are continuously looking for ways to upgrade that portfolio, divesting nonstrategic assets, restructuring businesses and fixing the tail of poorer performing assets. We have averaged a little over $2 billion a year of divestments in the past and expect similar levels in the future. I must add that in conditions like today there will not be any fire sales or hasty value destruction.

Basell, InterGen and the new businesses are being restructured, and we have made several announcements about that during 2002. This has involved closing capacity, cutting back on new developments, stopping some activities and focusing on attractive revenue-generating activities. The performance of the $7 billion slate of assets identified in 2001 has improved significantly and a six-percentage-point improvement in returns is expected over the two years, as illustrated in this chart. This includes contributions from Basell and InterGen. Our emphasis is on upgrading value, and frankly it is a relentless focus in all of our businesses.

Now I have a few words on costs. We believe that in Shell we have the best potential for underlying performance improvement in the industry and also a track record of delivering it. After delivering $5 billion in cost improvements in three years, from 1998 until 2001, we knew that our new approach of 3 percent reduction in unit costs would be challenging. We met this target in difficult conditions last year and have extended it through 2003 into 2004. As I mentioned, we are pursuing $1 billion in synergies from our strategic acquisitions. Of course, there is some overlap between those and the 3 percent unit-cost reduction target, but if you combine those, all told they will lead to an underlying pretax earnings improvement of $1.5 billion for 2003 and 2004. It is good to know that in a rather uncertain environment, making those kinds of improvements is largely under our own control.

Our financial framework is based on a very clear understanding of the cash cycle driving our business. Our gearing is now in our target range, and the AAA credit rating remains very important. We plan our portfolio around the need to generate adequate returns and cash to reward our owners, manage our debt and invest in organic growth. We need to do this even with the conservative expectations of the business as captured in our reference conditions. There is considerable uncertainty in the external environment, so we have set an annual organic investment level at a disciplined $12 billion. Share buybacks are always under review, but in these uncertain times it is unlikely there will be any in the first half of this year.

Turning to capital allocation, the way we allocate capital drives us toward our desired portfolio. Business reinvestment ratios differ. Exploration and Production and Gas and Power reinvest more than three-quarters of their debt-adjusted cash flow in organic growth, while Oil Products and Chemicals reinvest less than half. Of course, investing more than 40 percent over depreciation in the upstream businesses will drive significant growth in the capital base. The downstream businesses are also growing, despite only investing $1 out of every $3 they generate. We do expect this disciplined trend to continue.

Our strategy and financial framework are designed to drive growth in both earnings and underlying cash generation. Cash generation has been growing steadily, driven over the period shown by increasing returns on capital employed and augmented in 2002 by contributions from the acquisitions. We expect this growth to continue from the larger capital base, helped by underlying performance improvements. We expect to see improving cash returns on this base. At reference conditions the downstream businesses will be the key drivers of increasing cash generation in the short term. Remember the environment was poorer than it is now, so there is considerable potential for improvement. Of course, at current oil and gas prices, the upstream remains the major contributor.

A final chart in this opening section: We remain committed to our targets within their established financial framework. What are the elements of this framework? First is desired gearing, which is now in the middle of the range; returns from established businesses, a challenging aspiration, not least in Chemicals, as Jeroen will mention in a moment; u nit cost improvement delivered in 2002 and extended through 2004; capital investment, that figure of $12 billion, with disciplined maintained; portfolio upgrading, frankly a way of life; and dividends, the bottom line for our individual shareholders and pension fund investors more than delivering year after year. At the heart of all that is delivering 13 percent to 15 percent returns at reference conditions; growing our businesses, established or new; and generating value for our shareholders measured by our total shareholder return. To repeat our priorities, they are returning ROACE at reference conditions to the target range; delivering key projects like Athabasca, which is now in its buildup phase; and creating long-term legacy positions such as Sakhalin.

Let me hand over to Judy Boynton, and she will tell you something about the details of what was delivered in 2002. Thank you very much.

2002 DELIVERY

MS. JUDY BOYNTON, Chief Financial Officer and Director of Finance: Thanks, Phil. Good morning to you all; it is great to see you and great to be in New York.

Turning to our actual results, we are delivering against both our strategic direction and our financial framework. Q4 was the strongest quarter of the year. Adjusted earnings of $2.8 billion were up 46 percent from 2001. The upstream business benefitted from higher crude and gas prices, but also achieved a 6 percent increase in volumes. GP results reflected the record LNG volumes. Downstream trading conditions remained difficult overall, and Oil Products earnings were affected by high downtime, especially in our U.S. refineries. Chemicals benefitted from higher volumes, a very strong cost focus and a one-off benefit from the restructuring of our European operations.

For the full year we delivered both robust earnings and cash flow, and this in a very volatile industry environment. Group-adjusted CCS earnings topped $9 billion. This was 23 percent down versus the prior year. Strong results in EP were the main contributor as the other businesses experienced very difficult conditions. This was reflected in the Group ROACE of 14 percent.

Last year the overall business conditions were only slightly above our reference conditions, and there were wide variations. Crude oil, LNG and gas prices were better, but downstream conditions were significantly worse with some of the most difficult conditions on record in Refining and Chemicals over the first six months of the year. There was also great volatility. Compared with 2001 the overall environment was significantly down, which is reflected in our earnings.

The external factors drove over $2 billion, or three-quarters of the reduction year over year. In Oil Products the difference was primarily lower refining margins, and some Chemical products also remained depressed.

Taking the other factors in turn, the $550 million EP reduction includes costs for bringing major projects to the investment stage and about $400 million for the U.K. tax change before partially offsetting credits. The $150 million OP improvement includes earnings from the three major acquisitions as well as underlying cost improvements. Chemicals improvement comes from lower costs and a better performance by Basell. "Other" includes lower earnings in Gas and Power's midstream, marketing and trading businesses.

Our net income was also affected by special items reflecting significant portfolio activity and some accounting items. Restructuring charges were taken relating to divestments and portfolio rationalization, but divestments overall made a profit of $330 million. We impaired our carrying value in InterGen by $150 million, and previously capitalized oil and gas costs in our equity associate Woodside were no longer considered recoverable, resulting in a charge of $135 million. While depressing earnings, most special items relate to implementing strategy and activities that leave the business in a stronger position going forward.

We have always focused our financial framework on returns and have an excellent track record of improving them, both absolutely and relative to our competitors. Before making a conscious choice to seize acquisitions we were delivering industry-leading returns, 19 percent actual ROACE and 15 percent normalized in 2001. Two key factors drove the reduction in normalized returns. The acquisitions had an impact of around 1.2 percentage points and the U.K. tax change another 0.6 percentage points before partially offsetting credits. "Other" effects include the negative impact of the light/heavy crude differential in our U.S. Oil Products business and lower earnings from Gas and Power, neither of which are normalized.

Looking forward there will be additional dilution from the acquisitions in 2003 as the capital employed is recognized for the full year, but our key short-term priority is to return to the 13 percent to 15 percent normalized range by reducing unit costs, improving downstream capacity utilization and upgrading the portfolio.

Our financial framework is based on our ability to generate cash from the operational asset base. We have always tracked ROACE against competitors and have performed well in that regard. Here we estimate our cash return on capital employed against competitors, and we do well here, too. Our cash return has declined less than ROACE because the acquisitions are strongly cash accretive. We expect our position on this measure to improve over the next few years as the full benefits of the acquisitions are reflected in our results.

We are more than meeting our cost targets by building on the $5 billion road map improvements. Our goal for 2002 reflects a changed emphasis from cost-cutting to sustained productivity improvements, targeting a 3 percent reduction in underlying unit costs for each of our three main businesses. Refining conditions remain difficult in the back half of the year, but lower costs in marketing and other businesses more than compensated. Contributions from Basell and Equilon/Motiva were also well above target, giving a total delivery of $596 million, nearly $100 million above the target. We achieved this by managing aggressively in all our businesses, but especially Chemicals. The ability to react in a changing environment gives us confidence to extend the 3 percent cost reduction to 2004.

Another key element of our financial framework is using capital effectively to grow value. We planned to spend $12 billion on organic growth and spent $2 billion more on inherited commitments from the major acquisitions, the Draugen and Pinedale acquisitions, and an overrun on the Athabasca Oil Sands project. We also used our balance sheet for four major strategic acquisitions. The cash payment related to the DEA acquisition will be in 2003, although the investment is included in the 2002 figures. All of the deals are now closed, integrated and delivering synergies.

The portfolio changes in 2002 increased our capital employed by about $18 billion, or 28 percent. This larger capital base gives us greater potential to add value over time. The planned shift toward EP and GP is occurring as a result of both organic spending and portfolio activity. The upstream proportion increased by three percentage points in 2002, notwithstanding the three major acquisitions in Oil Products. The right-hand chart is another way of viewing the increase. Acquisitions and organic spending were the main drivers, but there was also a material impact from currency translation effects on the balance sheet as a result of the weaker dollar. The cash balance also declined by some $5 billion during the year.

These changes were partially debt-funded, so our balance sheet is more efficient. Acquisitions and share buybacks reduced cash to $1.6 billion in 2002. This is slightly below a representative operating level of some $2 billion. Year-end gearing was 23.6 percent, within our desired range. Our AAA rating remains very important. Like ROACE, it is a boundary condition for shaping the portfolio.

Our dividend policy is one of the longest-standing elements of the financial framework. We have consistently delivered long-term dividend growth exceeding inflation and local currencies over time. The full-year 2002 dividend for Royal Dutch was increased by 3.6 percent, and for Shell Transport by 3 percent. Here in the U.S. the value of that dividend will vary depending on the exchange rate on the date of record, but if you use today's currency rates, that dividend will be up about 15 percent. At the end of 2002 the dividend yield on both stocks was considerably above the U.S. two-year treasury rate as well.

We explicitly address the dividend range in our financial goals and decision-making. We have said our portfolio has the capacity to return cash to shareholder on average $2.5 billion more a year from 2001 to 2005, or 50 percent more than in 2000. Up to the end of 2002 cash to shareholders, which includes both dividend and share buybacks, exceeded this aspiration—45 percent of the target in 40 percent of the time. As Phil mentioned, future share buybacks remain dependent on cash flow and our investment opportunities.

So what should you expect in 2003? The business environment is highly uncertain and likely to be volatile, making balance sheet strength and robust earnings and cash flow a decided advantage. The U.S. gas price is likely to remain firm, but oil price fundamentals are very uncertain. Crude prices will be driven by economic growth, winter weather and geopolitical developments. We expect higher-than-normal price volatility. Refining margins will depend on U.S. demand recovery. The petrochemicals recovery is weak and variable among the products. We will also be affected by changing markets, accounting standards and securities regulations.

Our pension funds have performed well over time, with assets valued at about $33 billion at the end of 2002. But we are not immune to the market downturn, and FAS 87 credits will decline by over $300 million after tax in 2003. There will be cash funding requirements this year, but they will be modest relative to the Group's financial strength. We plan to adopt the new abandonment accounting standard in Q1, with a favorable special item of about $300 million expected. Results in Q4 2002 were reduced from introducing the latest U.S. guideline on energy trading contracts. This will have an ongoing quarterly effect, although over time the income effect will be neutral. We are still addressing with our auditors the impact of the new accounting standards on special purpose or variable interest entities, and Sarbanes-Oxley and other governance issues will be addressed by building on our already strong governance framework.

To sum up, 2002 results confirm our ability to deliver robust earnings and cash flow, all within our established financial framework. They give us confidence in our ability to deliver on three key activities: achieving our 3 percent unit cost reduction target through 2004 together with the acquisition synergies; continuing to upgrade the portfolio and divest; and disciplined organic investment. All these support the Group's short-term priory of returning ROACE to the target range and underpinning our capacity to grow dividends over time.

With that, I will hand over to Walter to tell you about the EP business.

BUSINESS PRIORITIES: EXPLORATION AND PRODUCTION

MR. WATTS: Thank you, Judith. Walter?

MR. WALTER van de VIJVER, Chief Executive Officer, Exploration and Production: Thanks, Judy. Good morning, ladies and gentlemen. When we talk about the upstream it is all about delivering robust profitability today while investing in tomorrow's projects with our competitive edge. At the same time it is also about focusing on our operational and technical excellence, and our future value creation.

Let's look at 2002. We feel very good about what we have delivered in 2002. Let me pick up some key points. We delivered a 14 percent normalized return, and we did it while digesting an $11 billion increase in our capital employed. At the same time we absorbed an unexpected impact of the tax increase in the U.K. With that we delivered strong cash flow of $13 billion and were able to cut our underlying unit operating costs by 3 percent—not easy, as you know, in a high-price environment.

The integration of Enterprise was successfully concluded and synergies are ahead of plan. I will come back to that in a minute.

Foremost, 2002 was a record year in our recent history on production—record in oil and record in gas, 6 percent higher than last year. When we look at our normalized target of $16 for 2002, without Enterprise we were still 3 percent ahead of our target, showing how important technical operational excellence really is. We replaced 117 percent of our reserves—this is on a proved basis—and we continued our exploration success in our existing core areas.

Let's move to our cost structure. As you can see from this graph, we continue to improve our overall cost structure. Looking forward, we will look at that cost structure re-based to include Enterprise. Our ability to further reduce unit costs is linked to delivering the Enterprise synergies, furthering our capabilities on global procurement, and to some of the leading edge capability we have in online bidding. It is also about continuously applying the technology strengths that come through our bottom line and about furthering what we call our global operating model. We still see more scope for standardizing our processes and increasing our overall productivity. The bottom line is we have delivered in 2002 and feel comfortable extending the unit cost reduction to 2004.

Let's look at Enterprise. We are moving fast on Enterprise. Enterprise delivered $850 million worth of cash in 2002. We also feel confident now about raising our overall synergy target from $300 million to $380 million. This is also based on the fact that at the end of last year our run rate was 50 percent higher than expected. At the same time we have seen continued encouraging news in our portfolio evidenced by the two recent discoveries—Tahiti in the Gulf of Mexico and Dooish in Ireland. We continue to see great opportunities for levering our positions and skills. You will appreciate that with our track record in the North Sea, this gives us enormous confidence to move that forward. The bottom line on Enterprise is it is looking better all the time.

Let's move to production, a subject in the news quite a bit lately. I think it is worthwhile, before we look forward, to look at our track record. I mentioned before the delivery of our record production on both the oil and gas sides in 2002. That record is particularly noteworthy if you recognize we had to absorb some setbacks out of our control. The last three weeks of the year we could not produce our operations in Venezuela. We had OPEC restrictions to 49,000 barrels a day equivalent for the full year and the hurricanes in the Gulf of Mexico. At the same time we had to absorb some unexpected declines in areas such as Oman. In Oman we are going through a transition, with a massive operation that has relied heavily on infill [ed. query] drilling making a transition to waterfloods [ed. query], and during that transition we are experiencing a decline. Notwithstanding those facts, you see what we have been able to deliver. If you look at it organically as well in reported volumes, the 3 percent appears again and again. It shows what we have delivered and why we look to the future with confidence. That is a great story on the production.

Let's look forward on the production side. For ease we try to use the same structure we used in the past. You will find the same categories of existing business, projects and discoveries. Discoveries are a risk downward part of what we know from our existing prospects and our track records on fields appraisal and exploration, and what can be added to our production capability. Here you see we will continue our capability to deliver 3 percent average annual production growth, using the same starting point we had in the past of 2000 onwards.

We talk capability rather than targets because capability is meant to be the potential of the current portfolio to deliver, but may be affected by investment decisions and potential portfolio optimization or upgrading overall. There may be external factors as well. Given that our extremely good performance in 2002 was above target, we now predict that 2003 production will be essentially flat from 2002 at 4.1 million barrels a day equivalent. This will pick up in 2004 with the startup and ramping up of some of our major new projects like Na Kika and Bijupirá-Salema. That is our new outlook, and it takes into account our overall latest integrated portfolio outlook as we now have it, including Enterprise. Production growth will remain very important, but it is just one of the parameters we use for managing our business. I will highlight the link with capital disciplines and growing earnings.

Let's move to our investments. Underlying the production capability outlook is our investment level. It is all about pursuing value while maintaining capital discipline. Our investment level in EP is planned to be about $7.5 billion to $8 billion per year. In 2003 it will be some $8 billion. That is about $1 billion less than what you would have if you added the Shell and Enterprise portfolios, which implies that we are further upgrading our investment opportunities. Again there is clear logic underneath our investment level. About one-third of our overall investment is for existing production areas. This allows us to limit the overall average annual decline to 6 percent. But 15 percent to 20 percent of our investment will go into creating these major legacy projects that will not start up until beyond 2006. This is where you see the investment levels linked to the Kashagans and Sakhalins of this world. The rest will be all about delivering value today. Our spending efficiency is enhanced by our continued technology leadership, as we have demonstrated in many areas in the deepwater.

So what is all this doing to our bottom line? Here we project a steady improvement in unit earnings of 6 percent to 8 percent average annual growth. This is a key value driver in the short term. This will be achieved by our underlying improvements in our unit operating costs. It is achieved by improving an effective tax rate and new production in lower tax rate countries, and through some of our other reductions and feasibility costs. This earnings growth is a key contributor to achieving the Group's ROACE improvement target and moving back into the 13 percent to 15 percent target range.

Let's look at some of our projects, some of which we are delivering today and some in the future. On the left-hand side you see an EA floating production and storage-operated vessel. It started 14 December last year and currently is in the ramp-up phase. This is our first major project offshore in Nigeria and we are very pleased with how things are progressing there. On the right-hand side you see the massive investment in Athabasca Oil Sands. Currently this is in the commissioning phase and we expect to deliver the first synthetic crude by the end of March. All this is about executing world-scale projects in very challenging conditions. If you look at Athabasca, it clearly provides the platform for future growth.

Let's look at some of the projects for tomorrow. On the left-hand side is Na Kika, which is targeted to come on stream at the end of this year. This is a project that will set a whole variety of world records on water depths, one of the most complicated developments that will ever be delivered in the Gulf of Mexico, using innovative technologies. Again, it is about applying our overall Gulf of Mexico experience to continue driving down the cost of these major developments.

The right-hand side is Bijupirá-Salema, targeted to be on stream the middle of this year. We have been able to leverage our Shell expertise on this Enterprise project, and it will allow Shell to be the first international oil company with actual production in the deepwater off Brazil. We are very proud of our leadership in that area.

Let's look at some of our legacy assets. In Sakhalin's second phase of development we are now very much in the final development and planning stages to follow up the successful first oil phase to develop a major LNG scheme. We are currently working very hard to get government alliance on the huge project, looking at the legal, commercial, financing, cost structures and marketing size. Malcolm will tell you more about our progress on the marketing.

On the right-hand side is Kazakhstan. Development of the giant Kashagan field is now in the final planning stages. We expect to reach the final investment decision later this year. At the same time the same consortium was successful in discovering the very attractive Kalamkas field last year, which overall has huge upside potential. You also noticed that two days ago we announced an acquisition of Kerr-McGee's assets in Kazakhstan, which will strengthen our position and show our overall focus on Kazakhstan.

Let's look at our reserves base. I apologize for the complicated numbers here. The message is we continue to grow our overall reserve base. As I mentioned earlier, including Enterprise we have a 117 percent replacement ratio. At the same time we fully replaced oil. If you look at organic oil, it was under 8 percent. In the U.S. we had a very good year on the oil side as well. The issue we are facing in single-year reserve replacements is very much dominated by the picture you see on the gas side. Gas additions come in very infrequent lumps, very much tied to major project developments or contract sales. For instance, you will note that last year we did not book anything in gas reserves linked to Trains 4 and 5 in Nigeria, nor in the sales from the North West Shelf. This is all part of the process of things moving forward into our core categories; therefore you should not be concerned.

The gas reserves also remain the industry's highest in 15.5 years. On the oil side we have 12.5 years. It is clearly about long-term performance. We look at longer cycles to look at exploration and development cycles. That is when you look at overall reserve replacements over five years to exceed 100 percent. For our planning work in our own organization we use a combination of proved and probable reserves. That is shown in this picture with the steady growth on a total reserves base. Five-year growth efforts proved and probable are 144 percent. That gives us confidence in the future.

Let's look at exploration in 2002. Exploration again had a very good year in 2002, particularly in our core areas, with an overall success rate of 55 percent and a unit finding cost of $1.20 per barrel. Total resource additions from exploration over the last three years were four billion barrels of oil equivalent at a cost of about $1 a barrel. This is all based on conservative estimates looking at the excess gained by well penetrations, so it allows for future growth. If you look at exploration over the last 10 years, we have added four billion barrels of oil equivalent to our commercial reserves. Two billion of those moved into proved and $500 million have already been produced. Exploration remains a key part of our overall company. Many positions you see on this map will strengthen our position in the future.

In summary, 2002 was an excellent. In 2003 we will build on those successes. I mentioned we will further our drive to underlying unit operating cost reduction averaging 3 percent per year. We will also continue our drive to grow production capability at 3 percent average. We have extended that from what we said in the past. We will continue to exercise capital discipline and execute world-class projects. We continue our track record of exploration success. Ultimately this all translates into growing our unit earnings per barrel. It is all about delivering value growth from our competitive strength.

As a last point, I want give a bit of notice about the planned presentation at the end of March, where we will have integrated Exploration and Production/Gas and Power strategy presentations in London and New York. We will further drill down into our portfolio and tell you where our strengths are, how they apply to the business and how they will allow us to reach our targeted portfolio, as well as continue to improve our bottom line earnings.

Thank you. Now I introduce Malcolm with Gas and Power.

<u>BUSINESS PRIORITY: GAS AND POWER</u>

MR. MALCOLM BRINDED, Group Managing Director: Thank you, Walter. Ladies and gentlemen, 2002 has been another successful year for Gas and Power. Results were helped by the fact that global demand for LNG grew even in the adverse economic circumstances, but conversely we were quite hit by a poor trading and power market.

LNG accounts for nearly half of the capital employed, and I will be focusing on that business. In our second largest segment, the midstream, we invest especially to bring reserves to market. We have been actively managing this portfolio and in 2002 divested around $600 million of assets. We also agreed to the Ruhrgas deal with EON, which as a result of events in Germany over the past couple of weeks now looks well placed to be successfully completed. Gas-to-Liquids offers exciting longer-term growth potential. I am pleased we are making good progress with two major Middle East opportunities.

I will start with our power joint venture, InterGen, where industry conditions are particularly tough, especially here in the Untied States. InterGen's operating capacity increased 70 percent in 2002. We will double this from our present 5.2 gigawatts—that is 12 power stations in nine countries—by the end of 2004. Tough action has been taken to sell assets, restructure and scale back new developments. We have cut overhead, business development and staff costs by 40 percent. After a careful look at the forward prospects we have taken a write-down of $150 million in the fourth quarter, reflecting the poor market conditions.

InterGen is now focused on operational excellence, executing projects, maintaining uptimes and driving for cost leadership. Uptimes in fact were 25 percent higher in the fourth quarter than the previous two years. While InterGen faces a difficult market, its success in restructuring will mean it comes through the downcycle as a leading operation and financial performer in its sector.

I would like to turn now to LNG. This is a sector where Shell is undoubtedly the undisputed global leader. We delivered record volumes in 2002—that is 60 percent up on just three years earlier—and achieved more than 20 percent ROACE at reference conditions. Nigeria Train 3 delivered its first cargo three months early December. Further expansions in Nigeria Trains 4 and 5, Malaysia Tiga and the North West Shelf Train 4 are all on schedule and all within budget.

Sales agreements were completed for Oman, Malaysia, the North West Shelf and Nigeria. The award of the Guangdong supply contract to the North West Shelf project in Australia made us the largest shareholder in that, the first LNG supplier to China. China is a market where the economy is set to quadruple in 20 years and the gas demand go up by a factor 8 to 10 over that 20-year period from 2000 to 2020. We were also awarded the lead OIC role in the Venezuela LNG project. And two new LNG ships started service and were immediately busy, giving us flexibility to meet the changing demands of our customers. We are also expanding our re-gasification capacity with the startup of the Cove Point terminal, for example, here in the U.S. in mid-2003. All of this grows value, and it also diversifies and adds flexibility to our portfolio.

To take one example of a world-class project, Nigeria LNG has been a stunning success in profitability and, by the way, in its contribution to sustainable development. By 2006 this will be the world's third-largest LNG plant. Shell's technical and project management capabilities have helped capture the value inherent in such plant expansions. As the diagram shows at the bottom left, the unit capex for Trains 4 and 5 that we are currently building will be half that for the first two trains. The total capacity of the first three trains has already been sold on long-term contracts. In fact, more than half the capacity for Trains 4 and 5 is also already contracted. Indeed, there is already interest in a sixth train. In just 10 years this project has come a remarkably long way. We could say Sakhalin in a way feels like the Nigerian project did 10 years ago—it is just a bit colder.

The second phase of our planned Sakhalin II LNG project offers many strategic advantages. We have a well-established partnership with Mitsui and Mitsubishi, and that offers key insights into the Japanese market. The high liquids content adds substantial extra value. As you can see from this map, Sakhalin is much closer to the growing Asian markets than any competing source, so that provides lower shipping costs and also gives greater flexibility to meet the changing seasonal demand across the different customers. So Sakhalin offers secure and stable new energy source with strong government. It draws on our proven low-cost LNG technology and the project management delivery expertise I have talked about. There are ample reserves and reserves nearby to underpin future expansions. We are making good progress in the market, especially in Japan, but in other countries in the area as well. Subject to the necessary regulatory, legal and marketing progress, shareholders expect to take the final decision on the investment in the coming months.

Today Shell projects supply over 35 percent of the world's LNG. This is a key sector where demand growth is set to outstrip that for pipeline gas, and a sector where security of supply is at a premium. We remain on track to deliver our target of 6 percent annual average growth in contracted sales from 2000 to 2005, maintaining our very significant lead over any competitor. We also have the widest global presence, which offers greater diversity and security. Using our own shipping and import capacity offers greater opportunity to maximize the value of each cargo. Project such as Nigeria, Australia and Sakhalin will insure we remain the leaders in global LNG.

So we have a clear strategy in Gas and Power. We are growing our contracted LNG volumes by 6 percent a year, sustaining profitability with a 15 percent return target for the established LNG business and investing $1 billion or more a year for the next five years, over half of which will be in LNG. We are continuing to upgrade our midstream portfolio and deliver the restructuring benefits from InterGen. The booklet shows the major projects that will start up in the next three years as well as those we are pursuing—more new projects to fuel future growth.

In summary, we have a very strong position. We have excellent assets, technologies and people. We have a global presence and very strong customer relationships. This is an unrivaled platform, and we intend to use it well to deliver sustained value growth for shareholders and help grow upstream volume.

Thank you.

BUSINESS PRIORITIES: CHEMICALS AND RENEWABLES

MR. JEROEN van der VEER, Vice-Chairman CMD; Chief Executive Officer, Chemicals: Over the past year we have transformed the Chemicals business. I will take you through the major steps. We first decided to sell 40 percent of our portfolio, so that was quite a divestment. Of the 60 percent we kept, we globalized the organization, did major cost takeouts, formed Basell with BASF and in the meantime restructured Basell. Nevertheless, if we looked at the results over the past year, they were still not satisfactory. So we decided last year to go back to the drawing board and revisit the strategy. It came out that more or less our present strategy, which we call "Cracker +1", was reaffirmed. I will come to the modifications to that strategy in a few moments.

What is this Cracker +1 strategy and why are we happy with it? Cracker +1 means that we use the feedstocks of our refineries or other feedstock. Then it goes into our crackers, and then we do one step more. For instance, in Basell we make polyolefins out of it. Why is that a good strategy? You add value to your hydrocarbons and get the synergies with the refineries. You have other synergies: Think about energy costs in combined complexes, think about people; and in total it adds to the technology base of the Group as well. Those are the key reasons we are happy with the Cracker +1 strategy. It gives those chemicals a permanent competitive advantage, so in spite of the bad results, we feel we are well positioned for the future.

As an example of this global strategy and to show how we simplified this business, you see this blue circle. This explains that we manufacture now on many fewer sides than we did many years ago the chemicals we supply to large customers. This is the business model and the slides we use internally for our people to show our businesses. Outside that circle you see our main achievements. On the left you see the major cost takeouts—we had a very good year for that. In fact, the other three examples are how we further streamlined our business.

This is a very important slide. If you look at that business and do not see very good results, you ask if your strategy is working. Here I have a very long time scale, about 12 years. The shaded area is our major competitors and the red line is Shell. You see we are catching up and are solidly in the pack, and last year we did quite well compared to our major competitors. What is especially very pleasing is that in 1993 we were on the bottom in the cycle, yet in the present downturn we are still in black figures.

Looking at Basell, we formed this company one some years ago when they really had a headwind in the business industry environment. There was huge pressure to get the synergies quickly, and they did. There was a big reduction in headcount. They mothballed production capacity, which is remarkable in itself. The world markets for polyolefins are growing and you see it will turn around. They are cash positive, but nevertheless they still have a way to go. But the merger was certainly correct for the industry environment and they have certainly delivered what we expected.

We continue to invest in Chemicals, and I will explain that exactly, but first I will give an important example. Phil already said that we are involved in China. On 1 November last year we invested $4.3 billion together with CNOOC, our Chinese partner, for a greenfield site in China. This is very close to Hong Kong, so it is in the middle of the fastest-growing petrochemicals market. The remarkable thing is the decision was just made, but I expect three years from now the products will be flowing.

Now we come to the last slide. We expect if we look at the Chemicals business environment, there is a more consolidation going on. We expect no new construction in the U.S. and Europe, and the new construction in the future will take place mainly in the Middle and Far East. So for the coming time for the medium term we have a pretty weak environment for the Chemicals business. We would of course be glad if Chemicals would make 15 percent, but looking from the short to medium term, we think it is more realistic to tell Chemicals they have to make 12 percent.

That has consequences, and one is that we said the capital investment will average lower per year than we announced in the past. Now we say for the coming years, including the Shell share of the Nanhai investment, the investment will be about $650 million per year. If you take that figure over a five-year period, we will invest $1.2 billion less in Chemicals than we expected a year ago. We have reduced the capital we will put in this business. We will of course continue with the cost reductions. It is very important for Chemicals to have the synergies with the oil side, the supply side, and synergies where your cracker products go and that you exploit at Basell. We have more work to do in Basell. By applying more cogeneration facilities, we can lower our energy costs.

My last words on Chemicals is they are a real part of the Shell family. They have increased their competitive position, we continue to restructure Basell and we think the business is now very well placed if we get an upturn.

I would like to spend one slide on the Renewables. In Renewables or alternative energy, whichever you like to call it, it is important to keep in mind that if you take a time horizon of 30 or 40 years, we think there will be major markets for renewables. We do not know exactly what it will be. It is not that Renewables is big today or that you could make it big today. No, it is how to position the Group for the long-term future. That is exactly what we are doing. Recently we have four pots on the fire—solar, wind, biofuels and hydrogen. In solar we bought Siemens and now feel we have a very good outfit that positions us well. In wind we were quite active over the past year in the U.S. and we now have some wind farms here. In biofuels and hydrogen we have developed via joint ventures.

Our aim is to build real commercial businesses, not to have a greenwashed reputation. Over time they should meet the same criteria we apply to our other businesses. If we are successful in that, of course, it will help our reputation. Some people get brownie points; we will get greenie points.

MR. WATTS: Thank you, Jeroen. Paul, Oil Products?

BUSINESS PRIORITIES: OIL PRODUCTS

MR. PAUL SKINNER, Chief Executive Officer, Oil Products: Thank you and good morning, ladies and gentlemen. I have four Oil Products messages. First, the business delivered a strong competitive performance in 2002 in a very tough business environment. Second, major acquisitions in the United States and Germany provide platforms for substantive growth in earnings and cash flow. Third, our strategies and targets are unchanged. They include global leadership in unit earnings; operational excellence, continuing cost reduction and delivery of cumulative synergies—$525 million in 2003 and $725 million in 2004; and continued portfolio upgrading. Fourth, the business is on track to deliver a global 15 percent ROACE at reference conditions in 2004.

In 2002 we delivered a resilient and competitive performance in a tough industry environment. Refining margins were at low historical levels for the first nine months of the year. Rising crude prices squeezed marketing margins. Demand growth was weak, as was the U.S. dollar. We achieved a global ROACE of 13 percent at our new and tougher reference conditions. Outside the United States it was 16 percent. Reducing marketing costs by 3 percent enabled us to deliver a 2 percent overall reduction from the business, but even so we fell short in refining as a result of unplanned maintenance and throughput reductions for economic reasons.

Earnings growth continued in key customer-focused initiatives—differentiated fuels, convenience retailing, our Global Marine Products business and Global Solutions, our technology company. Major acquisitions were completed in the world and Europe's largest markets, strengthening our competitive position and offering the potential for major earnings growth. We are delivering the benefits quicker than expected.

Competitive position: Our strong competitive performance delivered adjusted global earnings of $1.8 billion, 39 percent higher than ExxonMobil—I am told I can only say that once. It left ChevronTexaco far behind. BP still has to report; we will see what they have to say next week. The decline from 2001 reflected the weaker margins I have already talked about and lower trading and shipping income.

With our ability to deliver leading global unit earnings comes a number of things: the quality of our portfolio, particularly in marketing, supported by industry-leading brand strength; resilient contribution from our global businesses; continued improvements in costs and operational excellence; the success of targeted initiatives to grow earnings; and what remains a significant upside potential in the United States. Our first priority and absolute determination is to increase this earnings lead. We really would like to see that red line on the chart diverging even further from the pack.

Customer-focused initiatives are delivering increased earnings. Differentiated fuels are now improving volumes and margins in 46 countries. Volumes increased by over 20 percent and income by 10 percent in 2002. I can say that without Argentina that latter figure would have been significantly higher. A refocused, less capital-intensive business model for convenience retailing is delivering steady growth in revenues, margin and income—up 70 percent in 2002. A major restructuring of Global Marine Products, the company that operates our tanker fuel and marine lubricants business, driven by new products, supply-chain optimization and cost reduction, raised earnings by 40 percent last year. It has just opened up a strong new market for itself here in the United States. Global Solutions is expanding its third-party customer base, increasing total revenue by 30 percent in 2002 and income by 25 percent. One of our other Global businesses, aviation, recovered very well after the difficult events of 2001 in the global aviation industry.

Our target framework is unchanged from December 2001—15 percent ROACE at reference conditions with at least 12 percent in the U.S. by 2004. Global returns in 2002 were depressed by the United States, where disappointing refining performance offset some strong progress in marketing and other business integration activities. I will come back to that later. We are determined to achieve our 3 percent annual reduction in both marketing and refining unit costs. Refining intends to get costs back this year on their long-term downward trend, which you can see quite clearly on this chart, by improving reliability, raising intakes and delivering operational excellence. Over the period 1995 to 2001 we have reduced unit refining costs by 35 percent and marketing costs by 20 percent. We are committed to delivering $700 million in synergies from our three strategic investments by 2004 and are on track to do so. We aim to keep capital investments within the competitor range of $1 per barrel of sales, and that means about $2.5 billion in 2003. We will continue to upgrade the portfolio, divesting non-core or underperforming markets and seeking opportunities in major growth areas. About 10 percent of our asset base of just over $30 billion is under challenge.

Let me say something about the acquisitions we have made, because delivering the benefits from this program is absolutely vital for our ROACE target. This gives you an overview. Against the backdrop of depressed refining margins and lower retail margins, good progress was achieved in the USA in reducing cost structures, and nearly 60 percent of the planned synergies were delivered. But our refining performance was disappointing. Notwithstanding progress in a number of areas like hydrocarbon management, unplanned shutdowns again impacted earnings and light/heavy crude differentials were lower. In addition, trading, transportation and aviation results were also lower, although not for any structural reasons, and we had a number of one-off costs related to the continuing transition process. Under reference conditions with historical light/heavy differentials and taking out those transition costs, U.S. earnings would have progressed to some $500 million in 2002.

So we are about halfway along the journey towards the $1 billion we are committed to deliver in 2004.

The PQS deal, Pennzoil-Quaker State, completed in October and was already delivering run-rate synergies of $35 million by the end of the year. More than half the synergies from that acquisition should come in 2003. DEA in Germany is on track to deliver the targeted $150 million of synergies this year, and we are adding to our target by $35 million, up to $185 million by the end of 2004. Just to repeat the headline numbers on synergies: $525 million this year, $725 million next.

This is each of the acquisitions in turn: first, the Texaco assets in the United States. We are already gaining significant benefits from the Texaco asset integration. Business structures are much streamlined, assets are being progressively integrated, synergy capture is taking place—we are at the 60 percent mark—and across the country we are well advanced in our progress towards a single Shell-branded network. The synergy capture of $235 million in the first year exceeds expectations, with a focus on support costs and sales and marketing expenditure. Over 40 percent of a planned reduction of 1,750 staff has already taken place.

The retail conversion program is ahead of plan, and we are confident that targeted Texaco wholesale volumes will be committed to Shell supply contracts. Twelve percent of the targeted Texaco sites have already been re-branded. It is interesting that a typical site re-branding now takes five days or less. On average on the direct sites we are getting a volume lift as people start to recognize a new Shell brand is flying on the station. Together with the upgrading of sites taking place, the program has already delivered 0.3 percent increase in national market share in 2002, taking us close to 15 percent, despite taking out quite a number of sites. That is the first time an increase in market share has happened for as many years as I can remember. I think it portends well for the future.

A word on refining: We need to improve refining reliability in the U.S.; that is the biggest piece of unfinished business in our program. We have to minimize the unplanned downtime that depressed our U.S. earnings well over $100 million last year. There was some good progress in 2002, but we have a long way to go to bring our refineries to our aspired position in the Salomon first quartile. We are pursuing a major program to transform work processes by the end of 2004. We are also targeting network integration, supply optimization and hydrocarbon management together with improved utilization. This would yield an overall gross margin improvement of 30 cents a barrel on an annual intake of 400 million barrels. That is in addition to our targeted unit-cost reduction.

We are reviewing our U.S. refining portfolio to rationalize our base oil capacity—announcements on that have already been made—and insure that all our assets can deliver competitive supply within their respective envelopes. It is absolutely essential we have a competitive refinery system that can maintain first quartile positioning.

I should say that Rob Rautz [ed. query], who is president of Oil Products business here in the United States and our country chairman, and Carmine Falcone, vice president for refining—you met both of them in the October discussions in Houston—are both here this morning. I am sure they will be happy to talk to you after the presentation about some of the good things happening here in the States. They will talk candidly about some of the challenges that still lie ahead.

Moving on to Pennzoil, we have made very good progress with Pennzoil-Quaker State since October. In terms of impact on customers there have been no discontinuities, no disruptions; it is a very smooth transition. Q4 results were basically in line with the plan we took over from Pennzoil before we start to work on it with the synergy opportunities. The workforce will be reduced by about 1,200, and seven out of 16 Shell and Pennzoil blending plants will be closed in 2003. That supply-chain action is one of the big synergy components in that Pennzoil transaction. The required divestments from the

Excel base oil plant, the joint venture with Philips Conoco, is progressing, and we are seeing a lot of buyer interest. Base oil capacity at Deer Park and Martinez will be closed, and supply will be focused on Port Arthur and also on third-party contracts. Major international activities in Canada and Mexico are being integrated.

Germany's assets: This has also progressed well and has accelerated since we took 100 percent control of the venture in July. Early synergies of $80 million were obtained by workforce reduction, refinery integration and supply chain optimization. Good income generation in the second half-year was improved by strengthening the European refining margins and better German retail margins. You will recall we do not actually pay for this until July next year. Nearly half the planned workforce reduction of 750 has been completed. It is fully integrated into the Shell Europe operating network, and we envisage there will be a progressive migration to the Shell brand. All non-retail remedies requested by the Germany Cartel Office have been implemented, and the retail compliance action is already very well advanced and will be completed this year.

In summary, we now have a strong platform to grow earnings by delivering the identified acquisition synergies over the next two years. We look for continued improvement in processes and efficiency. We still have a lot to gain from further standardizing global business processes. We will vigorously pursue our programs to deliver operational excellence in refining and retailing—indeed, in all our businesses, but particularly here in the United States. I am convinced there is also scope for considerably increased income from convenience retailing. Our global businesses have the potential for continued growth to add to our competitive strength. A global lubricants business will be in place by 2004, based on the leadership platform offered by the PQS acquisition. We will continue upgrading our portfolio, rationalizing in underperforming markets or non-core activities and continuing to pursue opportunities for profitable growth. We are on track to meet our returns targets and to achieve sustained global leadership in the downstream, which is what we think about when we get up every morning.

Thank you. Phil?

THE WAY FORWARD

MR. WATTS: Thank you, Paul. Before going into the last section, you probably noticed that the presentation has been a bit longer. We have especially spent time on those four big acquisitions. Walter talked about Enterprise and Paul has just talked about the three in the downstream. Before we went into those acquisitions and created what has been a pivotal year in 2002, we were very conscious that if you look into any industry around the world, most acquisitions destroy value. That is the reality, whether it is the heat of the chase or whatever. Also, very often they get lost in the books; you hear the announcement the day they are done and that is all you ever hear about it. We are taking a very firm approach for these acquisitions. This was a major step out for us, a total of some $16 billion, if you include the debt. I know you chaps watch them in great detail every month, and I expect it is considerably more often for Rob Rautz, who is president of Shell Oil in the U.S. We want to track the delivery of value and the synergies and how they work. We will come back to you on a regular basis, being transparent about that. We are sure we can deliver those synergies and create value for our shareholders.

There was one other aspect of it. At the time we took those decisions to spend that money, we knew we would be taking ourselves outside of that 13 percent to 15 percent range at reference conditions we have talked about for some time. That was a conscious decision, and at the time we knew the way back. You will see in my concluding remarks how we intend to get back into that range over the next couple of years. Of course, our capital employed, as Judy showed on one of those charts, has gone up from $65 billion to $83 billion. I am looking forward to making 13 percent to 15 percent more on a very much bigger base.

As I come to the way forward, the differentiating strength of Shell is the unrivalled depth and reach of our portfolio. Geographical, political and fiscal diversity provides tremendous resilience as well as wealth of new opportunities, supported by our technological leadership in key areas. It is a unique portfolio, and frankly I would not swap it for any other.

We work very hard to enhance our capabilities and to develop and harness the skills of our people. With the overlay on this chart you can see some Shell people I am proud of. Just recently our worldwide surveys of what Shell people think, among the largest global surveys every carried out, have helped us measure our progress. The results of the latest one completed by 78 percent of our staff around the world show both significant improvements and that we exceed the high-performance benchmark standard in most of the key people measures.

Our diverse portfolio provides great resilience in uncertain times because we are now even better placed to grow upstream earnings at high oil prices—for example, through Enterprise and Athabasca. Our production sharing and LNG resource contracts are robust against low prices, and we are very well placed in the downstream to benefit from any upturn in demand, particularly with our enhanced market positions through the acquisitions. I believe the unique strength of Shell, the strength of our portfolio, is that it offers less volatility for investors in a very uncertain world.

Being trusted to behave properly and to contribute to society has never been so important for business. In Shell, as you know, we take that very seriously. We believe we earn trust by working to understand people's expectations and how society thinks; acting always and everywhere according to our principles, assured by a strong corporate governance process; contributing to society by supporting sustainable development; and being transparent about what we do, we hope with first-rate communications about what we stand for and what we do. We have no doubt that doing this is good for our business, and we have gained competitive advantage by responding early to this changing business environment.

As I said, a key priority is to return our normalized ROACE to above 13 percent, and we know how to do so—by continuing to improve our day-to-day performance, delivering synergies and unit-cost improvements, continuing to grow volumes by executing good projects and continuing to upgrade our portfolio in line with our strategy. We are very clear about the way forward. It depends on robust performance, improving returns diluted by our strategic acquisitions, delivering the range of exciting projects we have in hand and realizing the potential of our unique portfolio to establish new legacy positions, thus insuring we retain the capacity to grow dividends for our shareholders. This is how we plan to build on what has been a pivotal year for the Royal Dutch/Shell Group in 2002. Now we are talking about maintaining our momentum in difficult and uncertain times.

Thanks for the opportunity to share our ideas with you. Now we will be happy to take your questions.

QUESTIONS AND ANSWERS

MR. MARK GILMAN, First Albany Corporation: I have a question for Malcolm with respect to LNG strategy. I wonder if you could offer some thoughts on how you see value shifting within the LNG chain, with a specific focus on the shipping and re-gasification components; how your strategy might match up to that in terms of what type of integration ratio you want to have in those segments; and roll into it any thoughts you might have on the appeal of the El Paso assets now supposedly available in the mid- and downstream segments of that business.

MR. WATTS: Thank you, Mark. As you see, Mark knows the art of the one question.

MR. BRINDED: Thank you, Mark. The last part of your question I will not answer, the one about El Paso, other than to say we do not comment on that sort of thing at this stage.

I would like to come back to the more interesting question about how the LNG business is changing globally. Recognize that one should distinguish Asia as the Asia/Pacific area from the Atlantic Basin. In Asia/Pacific, where we have a very strong position with our established LNG operations in Brunei, Malaysia, Australia and also feeding in occasionally from Oman, that has been an area where long-term contracts have been absolutely critical. We see the majority of business going forward will very much continue to be on the basis of long-term contracts. We are extremely pleased to have access into China with the first development there, which I referred to. I think if we reflect on the prospects of Sakhalin, which is our big opportunity we are looking at closely now, the marketing situation has strengthened considerably in recent times. As customers look especially at the importance of security and diversity of supply, and as we look at the prospects in Japan with regard to the nuclear situation and in general in the region, value is placed on having a sustained and secure new supply source. In general, the prospects for LNG look very good in Asia/Pacific. The prospects for Sakhalin, as we said earlier, depend on the engineering falling into place, the regulatory and legal requirements falling into place and the marketing falling into place. When all those lights are green, we will feel ready to go with the project. There are a few hurdles yet to cross.

In the Atlantic Basin, the other major LNG market, we see a shift where access to re-gasification terminals and perhaps more flexible and variable LNG trade is the name of the game. Again we feel well placed in capacity into Europe, but especially with our opportunities to get access to re-gasification terminals and capacity into the United States through Cove Point, Elba Island and the ones we are working on in New Mexico—Altamira and Baja California. In short, this is a strong business, one where we have had a lot of growth in the past. We are absolutely on track for our 6 percent per annum growth between 2000 and 2005. As I showed in the graph, it is a position where we have a very strong competitive advantage relative to the rest of the competition.

MR. WATTS: Thank you, Malcolm. That is one comprehensive answer to one comprehensive question.

MR. STEVEN PFEIFER, Merrill Lynch & Company Inc.: I wanted to dig in a little on the reserve replacement figure for 2001 and 2002. For the tier-one oils the diversification of the assets truly is the advantage. When you look at the other supermajors in the last 10 years, I don't think any of them has shown reserve replacement anywhere near less than 60 percent. You guys have had reserve replacement of less than 60 percent now for two years. I understand it is a lumpy reserve booking, but could you talk a little bit about what things you see coming into the pipeline, to give us more confidence on what might be attainable over the next one or two years in reserve replacement?

MR. WATTS: Thanks, Steve. Of course, in 2002 the headline is 117. Walter?

MR. van de VIJVER: You are focusing on the organic number. I said before that you should not look at that one-year number. If you look five-year averages and at our overall probable plus proven, we still feel very good. As I mentioned, if you look at the gas side, we specifically mentioned we did not book any reserves yet for Trains 4 and 5 in Nigeria, for instance, because we will do it when we firm up the upstream projects that are linked to those gas sales. As you can appreciate, we will make a lot of progress then. It is the same with the North West Shelf on the Guangdong sale. There are still ongoing discussions on the North West Shelf that ultimately will need to be beyond the Train 4 that is currently there, whether there needs to be a fifth train. The whole exercise on reserve bookings there is also tied up in that process. It is indeed linked to the lumpiness. You can imagine we have not booked any reserves yet for the Sakhalin project that Malcolm just told you about. If that comes to an investment decision, you can imagine it is quite a significant number coming through our books. So it is that type of lumpiness that you need to look at.

On top of that you should not forget our track record on the exploration side, where we talked about one million barrels over the last year, but those are based on the very prudent estimates on well penetration from specific wells. As an example, we had some major successes last year in the deepwater Gulf of Mexico where we booked less than 100 million barrels, even in the number I quoted you on the exploration side. We see some very attractive development opportunities there, but they need to be appraised and then will come through the books. So you need to take a broader perspective over a longer time, and then you will know where we are.

On the oil side, again, we are very good on being able to continuously more than replace reserves. It is the gas side, tied to long-term contracts, which is lumpier. At the same time, we have the best reserve replacement in terms of remaining life among our peers.

MR. WATTS: I think Walter put his finger on a critical point. At the end of the day after all the calculations, reserves life is what we have in the bank today—and that is very competitive.

MR. FREDERICK LEUFFER, Bear, Stearns & Co., Inc.: If I can spend my one question on reserve replacement, Walter, I think you said that resources discovered last year were about 1.1 billion, and I think your production is about 1.4 billion. My question is not to do with the timing of bookings, but to go a little deeper on this issue. That is, is it becoming more difficult to replace production? Do you think it is going forward relative to the past, particularly given the decline rates faced in places like the North Sea and given the average size of discoveries. If you could just address the size of discoveries, the decline rates and how that fits into whether or not it is getting more difficult to express.

MR. van de VIJVER: First, I much say it is not an easy business, and reserve replacement is at the core of that. We all know we have very steep declines in some of our mature areas, and we need to keep running on the treadmill to keep the show going, particularly since we do it all within our capital discipline, wanting to grow the unit earnings and get back to our return target range. That should be seen in the total context.

If we look at some of the major discoveries we have made over the last couple of years, for instance, there has been quite a bit of news in the Gulf of Mexico on the Great White and the Deimos of this world. Those are still very sizeable, what we call top-class discoveries, but they are very deepwater and very challenging. You will not deliver those overnight. People need to appreciate that when we get more into these deepwater developments, while the potential opportunity is still significant, it will take time to bring these fully into production phase and get proved reserves associated with it. The industry knows that some properties are so mature you should not spend too much time on them, and that forces us go to these challenging areas that require more time but where we feel we have an extreme competitive edge to actually deliver those resources.

At the same time we should not forget that we have these assets in our portfolio that a lot of the competition would die for but that we do not talk too much about them. A lot of these assets in Brunei, Malaysia and so on, even in the Netherlands and Denmark, have the continuous, year-after-year records growing their reserve bases, and in many cases growing their production. You should make sure you look at the balance of the portfolio. That is what we are so happy about: having that balance of the portfolio that keeps us from being totally exposed in steep decline areas, while at the same time recognizing you have to invest in projects that take time to mature.

MR. WATTS: If I could just add a point to that: In this reserve hunt, it is also good to shoot a few elephants. I am pleased we have Athabasca Oil Sands coming on stream now, and there is more of that. Some of you visited that area; there are other mines to come. Sakhalin is a big beast in the jungle, and so is Kashagan, the Kalamkas discovery. You need to field these big ones to replenish your portfolio. And you need to invest in them now, even though they do not make production for sometimes four, five or six years.

MR. PAUL TING, Salomon Smith Barney: You have talked about long-term production projection of 3 percent and I think you are sticking with that right now. However, you have indicated that for this year, it will be flat production. Can you identify some of the factors that will keep your production flat this year? In particular, do you plan to have a lot of asset sales in the upstream area this year?

MR. WATTS: It makes a big difference, Paul, if you follow a record year in 2002.

MR. van de VIJVER: First of all, 2003 partly is flat because we did so great in 2002. We feel very good about what we did in 2002. If you look at 2003, there are a few factors that influence that number. I mentioned the story around Oman. Oman will continue its slide into this year while they are implementing these waterflood schemes that will allow them to ramp up their production again. But this year, that is what we have to deal with. If we look at Na Kika, we mentioned earlier that given all the tightness in Korea that means Na Kika will start up a bit later this year than we originally expected. The same is true of the gas around Tiga—the ramp-up of Tiga will be slower this year than originally predicted. There are all these pluses and minuses that ultimately get us to the figure. We now say we expect in 2003 to be flat compared to 2002, but of course 2002 was above target.

MR. TING: You don't plan any divestitures?

MR. van de VIJVER: No, as Phil mentioned, overall the Group commitment is $2 billion per annum on divestments. EP will contribute to that as well. We are continuously looking at upgrading our portfolio. You will recall periods of upgrading in the past. We did in the U.S. in 1998 and 1999 in other mature areas. That is something we will continue to look at; but at the same time, we also recognize that by applying our operational technical excellence, we still see a lot of opportunities in a lot of our assets. We are looking at it very carefully. There may be some assets that will leave the portfolio this year.

MR. MATTHEW WARBURTON, UBS Warburg LLC: I have a question for Malcolm on LNG and residual GP returns. Malcolm mentioned in this text that the reference condition return on LNG was over 20 percent. The first part of the question is what was the actual return in 2002. If you then apply that and look at the residual capital employed in the other GP businesses, which seem to say a mid-20 percent return on the LNG, it looks like the residual businesses were close to break-even or in loss in 2002. The second part of the question is, given that it equates to about 6 percent of Group capital employed, what is the strategy to turn those businesses around? Are we looking at disposals and other issues?

MR. BRINDED: The first part of the question, the actual ROACE, was above 20 percent and the reference ROACE was around 20 percent. To take the specifics of the other sectors, I talked about InterGen in the power sector. I would start there. InterGen as a whole was more or less neutral in terms of [indistinguishable] over the whole year, so the power sector is clearly very challenging. I would stress we are in a very fast-growth period there as well in building the capacity of the assets we have on stream. The fact is in the last quarter of the year we brought two more power stations on, and in the whole year we brought four on. In terms of insuring delivery from that sector, I refer to the 40 percent reduction in overhead and business development costs. We really restructured InterGen. I think InterGen is set well now. We anticipate it will continue to be a tough ride, which is why in the fourth quarter we took the write-down of $150 million. But I think we have a business that is now very much focused on operational performance and will do well in the future.

On the other segments, clearly the small segments like GTL and coal gasification are both long-term growth areas where we do spend money on business development and technology. Midstream continues to do very well for us, but it is a segment where you look to invest to help pull through upstream production. At the same time as that sector matures, then we look to divest once we have monetized the upstream position and are bringing the reserves through. We look at an appropriate stage then for possible divestments. There have been quite some divestments in the midstream area in the year, as I referred to. I would say we have a very strong LNG sector, a strong midstream sector—

however, you do need to keep refreshing the portfolio—and the trading and power sectors had a tough year, but we believe they are both in good shape for the future.

MR. WATTS: If I may add, Matthew, your question on Gas and Power, which I think Malcolm answered comprehensively, applies to all the businesses in Shell. We talked about $7 billion worth of assets getting priority attention. I think the chart this year says at any one time, we will be looking at some 10 percent of the portfolio with a view to giving it attention. That does not necessarily mean we will sell it all, but things have to get fixed or ultimately you are looking at disposals. That is why we said that as part of our normal business, a way of life, like the last years and in the future, that level of $2 billion per year looks reasonably sensible.

MS. MARY SAFRAI, Carl H. Pforzheimer & Co.: Walter, this is for you. You mentioned that unit costs were down by 3 percent and you attributed that to operations other and tax. I am wondering how much of that was from operating and what were the components that contributed to that?

MR. WATTS: Thank you, Mary. You are looking at the value side of this multiplier.

MR. van de VIJVER: I talked about underlying unit operating costs going down by 3 percent, and then I looked at unit earnings. One of the contributors to unit earnings growth was around the fact of tax. We talked about unit operating cost reduction, that is straight cost takeout by having internal synergy, and that all comes to our bottom line. The problem is when we talk about the line unit operating costs, because the line unit operating costs are adjusted for things like exchange-rate effects and some of the new startups we have. There is a totally transparent and auditable trail showing how we calculate underlying unit operating costs versus absolute operating costs. So the issue on the tax side comes in, as I mentioned, with some of the new projects like in Nigeria, which will overall reduce our effective tax rate. This will help in the unit earnings growth.

MR. WATTS: You see, Mary, we have quite a different mix of production coming through in the next years. As Walter said, that is with Nigeria, Athabasca and other projects. But if you want a more detailed response, we can always take the time a bit later.

MR. DAVID WHEELER, J.P. Morgan Securities Inc.: This question is for Judy. You talked about the goal of returning 50 percent more money back to shareholders and you achieved that in 2002—but now, no buybacks. The question is how are you going to back to that goal of increased return to shareholders?

MS. BOYNTON: Actually we are ahead of the game in terms of the target. We bought back $4 billion in 2001 and $1.3 billion worth of stock in 2002, plus we have been increasing our dividends. As I mentioned, I think we have achieved 45 percent of the target in 40 percent of the time. As we look forward, we are not rushing into buybacks because we see a very uncertain, volatile environment out there. Over the last year we have taken advantage of taking on board some very attractive acquisition opportunities, and we now have our gearing in about the right range. As we look forward we want to run the company on a more balanced position. That is why Phil showed you that cash wheel. If we deliver 13 percent to 15 percent at reference conditions, we should have more than enough to fund the dividends, service the debt and fund a very robust capital program, which are our three key priorities. If we have more cash, we will look at further opportunities and buybacks.

MR. ALBERT ANTON, Carl H. Pforzheimer & Co.: Another question for Walter about Kazakhstan. It seems there is sort of good news and bad news on Kazakhstan. I guess the good news is some of your partners, including the one out in Reading, are estimating reserves of 13.5 billion barrels with stimulation. Of course the government will multiply that by three or four. Maybe the bad news is, what are the costs going to be per barrel on this, given the fact you have a transportation disadvantage coming out of the Caspian, a tremendous ice floe problem and a government, at least in the case of Chevron's Tenges [ed. query] project, seems to want to up the ante a little while it was in progress.

MR. van de VIJVER: As you know, the Kashagan field is huge. You can still get a grip on it when you talk about 40 billion barrels of oil in place. It a huge challenge for developing. As you know, part of the development will be for reinjecting gas to enhance the recovery. We are now in the detailed phase of discussions with government on first phase development, nicknamed "Experimental Program," and we hope to come to an investment decision around the middle of this year. We are acutely aware of all the intrigues that happened Tenges; therefore we know what the challenges are. This project is one given enormous upside potential, and given the forward flexibility it may have, on a unit-cash basis it looks very attractive. It has high-rate wells, very high-potential wells. The number of wells you need to increase production there is actually very limited. It is still a very competitive resource, even if we apply our stringent screening criteria.

That being said, there is still a lot of work to do with the agencies and the governments to get this to the final decision. We are all working on the same agenda and I am sure will be successful.

MR. WATTS: It is great when these tough decisions are ultimately backed up by 40 billion barrels in the ground. That can be a project that lasts for 50 or 70 years.

MR. JOSEPH TOVEY, Tovey & Company: I believe that LNG has been an absolutely lovely area for the Group. I am rather wondering if, in view of GTO and its expansion, you are foreseeing a decline in your relative advantage—relative to other groups and to the overall energy market—as that new technology comes in. I believe the impact might be disproportionate to the Royal Dutch/Shell Group, simply because of its relatively greater exposure to LNG.

MR. WATTS: That is a fair question, and it is about something at the heart of our strategy when we talk about increasing our position in gas. You heard me say that strategically that is important for us. That is underpinned by quite a lot, as you can well imagine.

MR. BRINDED: In short, the LNG is obviously a very strong position. We see it as a market that will continue to grow significantly into the future. We see gas in the long term growing faster than oil, and we see LNG being an absolutely integral part of that growth in terms of the flexibility it provides—particularly with something like Sakhalin. It gives you the flexibility to have a big upstream investment and at the same time, serve a lot of different markets as they ramp up. This is very valuable in comparison with, say, pipeline gas.

But if I could turn on your question of gas to liquids, it is a much longer-term play in many ways. We have a strategic advantage there because we have been running an operational gas-to-liquids plant in Malaysia for the past 12 years with extremely good performance, especially in the last few years, which has given us great optimism about the technology. We indeed have a significant lead and edge with our technology, but at the same time we do not see it as a threat to LNG; we see it as a business that will supplement and complement LNG. Maybe the decade in which GTL growth will come is sometime away, but we are working hard on two projects in the Middle East—Iran and Bandar [ed. query]—and both are developing well. It would be premature to say they are in the bag because they are both technically and commercially challenging. But there is no doubt that in the long term, this is a very important technology to monetize gas and get remote reserves to new markets, and also to provide some very clean products. It is an exciting, long-term opportunity.

MR. WATTS: Paul, did you want to add something to that?

MR. SKINNER: Yes, it think it is a very interesting question. I was thinking about it. It was set in the sense of if GTL develops fast, will that disproportionately hit Shell because of our strong LNG position. Interestingly, I think we also have great strengths in the areas required to make GTL happen profitably. We now have the strongest lubricants business in the world, and probably GTL will provide the next round of specialty feedstocks for lubricants. We have a very strong Chemical business. Getting premium value out of middle-distillate fractions coming off of GTL requires one thing beyond all others—a global trading organization that knows where it can get premium value for high-quality blend stocks. There are three areas I would suggest where Royal Dutch/Shell is in a uniquely strong position to deliver value from GTL or to offset any hurt, which I have some doubts about, that might occur in LNG.

MR. GILMAN: For Jeroen: I guess unfortunately I remain unpersuaded with respect to the competitive position you have in the Chemicals business. I am struck in that regard by this little downward hiccup, if you will, in the return targets. I wonder whether this reflects an inherent shift in your thinking, too, as to the competitive merits of your position in this business? In particular, is your assessment of that based solely on that return on capital employed chart, which in terms of long-term competitive position, at least in my view doesn't tell you anything.

MR. van der VEER: It is kind of a yes-and-no answer. If I ask if we still like Chemicals in Shell, the answer is a full "yes." But if we look at the size it takes of our total capital employed, if you take, for instance, the long-term axis of 10 years ago, we were in the middle teens. By getting out of the present investment program, as I have announced today, we will go to 10 percent. The first answer is we love it, but at a certain size.

Second, what we kept in our portfolio has synergies on the incoming side at the refineries. We are in the Middle East where we have various forms of feedstocks, and we try to make sure the outputs of our crackers are close to captive markets where we have the next progressive step as well. So we have become quite choosy. I think that is how we see it going forward. Given those conditions, we accept this 12 percent ROACE for the short and medium term. This is a kind of industry stage we hope will not go on forever, but we will keep our feet on the ground. It will take some years before this industry has become sorted out. This was the background to our thinking.

MR. WATTS: Thank you, Jeroen. But we don't only look at the ROACE. If we look at the competitive performance in 2002, I sure like being up there among the leaders. When all the data come out, they will confirm that.

MR. DAVID MYERS, Morgan Stanley Advisors Inc.: Malcolm's answer to the GTL question allows me to ask a related one: Can you comment on the state of the negotiations over the so-called core ventures—I don't think it would surprise any of us here if you said absolutely nothing happened in the last quarter or two—if you can. Thank you.

MR. van der VEER: I am always surprised by how much you can see in the press about what should or should not go on. There is simply a lot of speculation. The first message is that in spite of what some newspapers say, the projects are not bad. If you ask how we can prove that, over the past six weeks I have spent another two weekends in Saudi Arabia and I know those negotiations are on a very high level. I do not expect that will be my last weekend in Saudi Arabia. The Saudis always say the total projects are more than $20 billion, but it may depend on how you look at it. At any rate it is multi-billion dollars. They are very integrated projects having to do with upstream, midstream and chemicals in the downstream. You can define these projects as probably the largest projects in the world at any given moment. To define such projects you probably see it as what as oil companies propose, because we have to work in what we call "forced marriages" as well. It has to work for the oil companies and at the same time has to fit the priorities of Saudi Arabia. I am not at all surprised at all it takes that long, if you say philosophically we are now two years into active discussions, and it will take a bit longer. To give an example of something that was much longer—and I do not expect this in Saudi Arabia—in Nanhai, a chemical investment, we took FID in the first of November. What I did not tell you is we started negotiations in 1988. That was a long one. So this takes a bit of time, but we are going on, because in our view a win-win situation is possible. At the same time you have to realize this is on a ministerial level. As you can imagine, those same ministers have other priorities that have nothing to with the CVs.

MR. WATTS: I had an even longer project when I was chief executive in Nigeria. When managed to get the thing to FID people had been working on it for 35 years. I am sure this will not take that long.

MR. JOHN LINEHAN, T. Rowe Price Associates, Inc.: My question refers to the production capability slide on page 36. Walter, in the slide you have in 2006 and 2007 some production coming from future discoveries. Are those selected projects you have already identified, or is based more on a problemistic assessment of future exploration success?

MR. van de VIJVER: The slice on the discoveries on the top of that graph is a reflection of risk-discounted impact we expect from our exploration portfolio. This is for existing prospects; it is not something we do not already have. These are things we know, we have identified and are in our program for either exploring or appraising. Risk-wise we assume they will come through the portfolio. That is why in the short term we have basically discounted them and you see them creeping up at the end of the graph in 2006 and 2007.

MR. ROBERT PLEXMAN, CIBC World Markets Inc.: My question regards the downstream. There is huge potential in the U.S., but as far getting to that 12 percent targeted return, how much of that will be dependent on the environment and favorable business conditions? Can you get there all the way internally? And looking at the refining side specifically, Paul mentioned the reliability issue. Is that a fairly quick fix as far as how the refineries fit into the Salomon universe and the upside from here.

MR. SKINNER: We firmly believe the 12 percent, notwithstanding some of the difficulties we have had, is in range for 2004. Of course, it is framed in terms of reference conditions. If for argument's sake the environment we saw last year were to continue, that would be unattainable. It presupposed that the reference conditions for refining and marketing are obtained, although the synergies we talked about will take us a long way towards there. On refinery reliability, that is of course something we have all been concerned about and frustrated by. It was quite a serious leak last year. Over the year as a whole we lost something like $120 million as a result of unplanned shutdowns, but we did have a very heavy planned program because a number of structural fixes had to be made to refineries in the portfolio. Carmine and Rob can talk to you separately about that, if you would like. Basically the portfolio we have has a number of historically problematical units, a lot of them former Texaco units, where we had to go in and make the structural fixes—the H&L [ed. query] unit at Convent, gasifiers at Delaware City and a number of cat crackers. We are well advanced in getting those things fixed, and that raises the confidence we will be able to close this gap, currently about four percentage points, between what we did last year in unplanned shutdowns and Salomon first quartile results, which is about 3 percent to 4 percent.

Additionally we are well advanced with major integrity programs in each of our refineries. We have recast our refining leadership team throughout the United States. I think we now have the preconditions for much stronger performance in U.S. refining. There remain one or two portfolio issues we have to look at. It is currently a nine-refinery system. A number of them are at or close to first quartile performance already. There are some that are not, and perhaps structurally some will not make it. That will be a focus of our work in 2003 as well. We are impatient to do better; but based on the programs in place, we have certainly not lost patience with U.S. refining. We can get where it needs to be.

MR. WATTS: Thanks, Paul, and thanks for the question, Robert. If anyone would like to ask some supplementary questions on that, Rob and Carmine are here. They will deliver all this in 2003 and 2004.

MR. SKINNER: At risk of embarrassing them, I might say these two gentlemen are probably the top leading refining professionals in the Shell Group, so we could not have anybody better on the case.

MR. WATTS: The right place at the right time. We will take two or three more questions.

MR. WHEELER: This is a follow-on question. At the Shell level in your returns targets for the downstream, do you assume you retain all the cost savings and synergies or that a portion of what you achieve in 2002 and 2003 gets competed away over time as you get out to 2004? At the industry level, do you see any need at this point to think about reducing your midcycle or reference conditions because of competition?

MR. SKINNER: I can give short answers to a very clear question. As for synergy benefits that leak away in competitive environments, that will always happen to a degree. The question is what you can do to cause it to stick to you rather than to other people. You can do margin-enhancing plays in whatever part of the business you are talking about. That is what differentiated fuels is all about in marketing, that is what our global businesses are about and that is what sophisticated hydrocarbon management is all about in refining. Yes, some of it will leak.

As to a change in reference conditions, clearly a year or so back we reset those conditions towards what we thought was a tougher proposition. The charts you saw earlier suggested that for 2002 they arguably were not tough enough. But I do not think this is something that should be an annual habit. I believe you should reflect on two to three years of accumulated experience and then decide whether there have been underlying structural shifts in your business that merit a redefinition of those reference conditions. I don't think we are at that point yet. Let's see what 2003 is all about.

MR. WATTS: Perhaps I could add a more general response to that in terms of reference conditions, because you put your finger on something that is very important. We had a big, sprawling Group with all kinds of businesses. The oil price is high, the oil price is low; refining margins are up or down or whatever. We need a way to run the Group so we can see through all that confusion and get a grip on what our underlying businesses are doing. This is why we brought out those reference conditions, so we can share them with you so you get a feeling of how we are doing on an underlying basis. No reference conditions are ever perfect, but there is no point in changing them too often; otherwise people cannot watch the trends over time. I remember when we talked about \$16 a barrel, people said that was very conservative and very low. But at least you see it each year now at \$16. Thank you.

MR. GILMAN: For Judy, Shell Canada recently announced a modest share repurchase and it was reported the Group would not participate. Could you confirm that is accurate, and if so, why that decision was made and what it might indicate for the future?

MR. WATTS: I think perhaps we ought to go to the chairman of the board of Shell Canada, Mr. Paul Skinner.

MR. SKINNER: Maybe we should take it in two parts. Certainly I can confirm that Shell Canada has embarked on that program. It is doing it just to true up the position in terms of the balance against stock options issued. It does that quite regularly from time to time. Perhaps as chairman of Shell Canada I should not comment on the Group's decision to participate or otherwise.

MS. BOYNTON: The only comment, Mark, is it sort of ordinary course of business with regard to options. It is not a very large program, so in some sense the decision is not significant one way or the other in terms of what we are doing on that program.

MR. GILMAN: But it is a factor that increases your interest.

MS. BOYNTON: Yes, but it is not a significant program.

MR. WATTS: We decided to let current practice over the last years continue.

MR. TOVEY: Let me ask about something that might be the elephant in the living room. With all the problems that have occurred in security and the fact that oil installations are by their very nature and location high-value targets, I would assume there has been an increase in both direct and indirect costs to the Group related to security issues—greater inventories, more personnel of special types, etc. I wonder whether, one, this may have had an impact in the last couple of years on ROACE, and two, has it been quantified and is it a number you care to share?

MR. WATTS: Thank you, Joe. The short answer is this would only have had the more minor impact on the overall Group ROACE. But that should not detract from the fact that for many years, operating in some many countries, we have occasional difficulties we have to face. Security of our staff and installations is of prime importance. Not unexpectedly since September 11, there was heightened security. We have checked and updated our procedures all over the world. I personally along with my colleagues sitting here have participated in the necessary preparations for whatever happens. So do our management teams in countries all around the world. I do not think this is so much a matter of spending extra money doing extra things; it is a matter of heightening the vigilance and tightening the bolts around our security procedures that have been in place for quite some time.

Now the last two questions, and then we will have some coffee.

MR. PLEXMAN: An upstream question this time about the ability to maintain that 14 percent normalized return: Obviously the reduction in unit costs has to be important in an environment looking at 3 percent annual production, but if I look at the chart on the page 36—it is convenient you start in 2000 because we had a nice step-up in 2001 and 2002—but there is really no production growth until the latter of the period. Unit production costs are coming down, but you mentioned Athabasca. That will not help you on the unit production costs the first couple of years. Those costs are high even when you convert back from Canadian dollars, and there are other factors as well. Is it the lower effective tax rate in the new countries that offsets these other factors? That is even before you get into the reserves on a proved developed basis. The fact that the life is relatively short implies rising unit production costs as they mature. I am just trying to reconcile a lot of factors that indicate unit production costs should be rising instead of dropping 3 percent a year.

MR. van de VIJVER: It comes back to this graph on the unit earnings I showed where you do see a modest increase in 2003 on unit earnings. You see more of it in 2004. At the same time with the rolling average of capital employed to where Enterprise moves in—of course we are going to carry Enterprise for the full year for the first time going forward—will be on the increase. That is why it will take time to move back into the range. The right information is yes, we are moving to areas with lower effective tax rates and cost structure, but we also have these other costs like feasibility costs on areas like Sakhalin, which are now being taken on board as cost of sales. When they are capitalized they will move out. All the numbers do end up at the end of the day, but we do recognize we will be hurt in 2003 in the ROACE sense by carrying a whole year of Enterprise.

MR. WATTS: I think that is worth a good cup of coffee.

MS. CAREN WINNALL, Ford Foundation: I think Judy mentioned in the comment on the use of cash and not doing buybacks that you would look for further opportunities before buybacks. I wondered at this point, with all the acquisitions you have recently made and have to digest, if you are actually considering additional acquisitions in the next year or so.

MS. BOYNTON: I would take you back to this cash balancing wheel we showed earlier, which is really the heart of our financial framework. We look at acquisitions in the same vein as some of our organic investments. You see we can do them, like the Kerr-McGee acquisition or the Pinedale, as an alternative to organic investment. But as we look forward we need to fit them into that framework. I mentioned earlier we need a certain level of cash and profitability to fund our priorities—our priorities being dividends, servicing the debt and funding the strong set of opportunities we have in the $12 billion we have earmarked. If the external world is more buoyant than our reference conditions, our cash generation will be stronger still; and if we have excess cash, we certainly look for other investment opportunities, or buybacks or smaller acquisitions as we discussed with Pinedale or Kerr-McGee.MR. WATTS: Thank you, Judith. I would just add one thing to that, and this will be the third time I have said it this morning. My personal priority is to get back into that 13 percent to 15 percent range at reference conditions. For me that is extremely important.

MS. BOYNTON: That is the key to drive that cash wheel we showed earlier.

ADJOURNMENT

MR. WATTS: I want to thank you all for coming. It is a small fist, but an iron fist as far as financial discipline and framework in Shell is concerned. Jeroen has talked about Chemicals, where there has been a dramatic transformation over the last years and set for the future. Paul is proud to have the leading global downstream business, but you saw the determination to fix up the United States' downstream portfolio to the levels that have demonstrably been achieved in all the countries all around the world. Walter is very modest, but he had a great record production year last year we appreciated. By the way, in Gas and Power and LNG, Malcolm enjoyed the same.

Thank you all very much for coming. We appreciate it. [Applause]

[2 hours, 22 minutes]