Part 3
RD/Shell Valuation

Management

Sell-Side

Buy-Side

• Undervalued  • Fairly  • Overvalued  • Don’t know

88%  12%

67%  29%  4%

21%  16%  5%  58%

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Why RD/Shell Deserves a Premium Multiple Relative to Peers

- Reasons why premium multiple deserved:
  - Diversity of assets / superior portfolio
  - Financial strength
  - Consistency / stability / predictability
  - Attractive returns
  - Dividend

Note: Multiple responses given: □ Management □ Sell-Side □ Buy-Side

Finding Comments:
- The financial community again lacked the same level of conviction as management when commenting about RD/Shell's current valuation or attractiveness of price relative to forward expectations.
- Several financial community respondents commented that RD/Shell has more similarities relative to peers, than differentiating and compelling strengths. They further commented that due to the lack of any differentiating strengths, there are no compelling reasons to assign RD/Shell a premium multiple relative to the group.
- Other financial community participants noted some differentiating points. For instance, financial strength was noted as a strength deserving a premium multiple. Some added that the peers, maybe more leveraged, are also attractive due to their balance sheet strength.
- Management mentioned some strengths that should support a premium multiple that were not mentioned by the financial community. They referred to: better organic growth potential, quality of the management team, competitive advantages like technology, and strengths within certain business operations.

Financial Community Comment:
"There is underlying potential for RD/Shell, but until management can demonstrate consistency without stumbling, I am hesitant to see any near-term value in the stock." (Sell-side)
## Reasons Why You Own RD/Shell

<table>
<thead>
<tr>
<th>Exposure / diversity of portfolio</th>
<th>Quality company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term performance</td>
<td>Balance sheet</td>
</tr>
<tr>
<td>Restructuring</td>
<td>Cash generation</td>
</tr>
<tr>
<td>Successful management changes</td>
<td>Technology</td>
</tr>
<tr>
<td>Experience</td>
<td>Asia</td>
</tr>
<tr>
<td>New, sound discipline</td>
<td>Dividend yield</td>
</tr>
<tr>
<td>Energy play</td>
<td>Growth potential</td>
</tr>
<tr>
<td></td>
<td>Valuation</td>
</tr>
</tbody>
</table>

### Finding Comments:
- Management and the financial community agreed that RD/Shell's portfolio of assets reflects a very broad, global reach. For the most part, the comments often referred to geographic reach and, to a lesser extent, there were references to diversity of business.
- There was overall a lack of consistent references to specific operations or other value-driving and value-supporting differentiating points.
- Management mentioned some key strengths that were not mentioned by the financial community.
- RD/Shell owners commented on many of the noted strengths when detailing the primary reasons they own RD/Shell.

### Financial Community Comments:
"RD/Shell's primary strength is its very high quality global asset base in almost all facets of the business (upstream, downstream, natural gas and oil). When I present this Company to the buy-side, they generally buy into the broader references. Occasionally there is something specific, but almost always it is the broader portfolio aspects of the Company. They are buying a mutual fund of oil and gas assets." (Sell-side)

"I am having trouble identifying what RD/Shell's strengths are because there has been deterioration in a number of important aspects. For instance, their competitive advantage has eroded substantially. The most key strength is its global reach, but I'm not sure it is leveraged to the extent it could be." (Sell-side)
### Opportunities

<table>
<thead>
<tr>
<th>Category</th>
<th>Management</th>
<th>FC Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upstream</td>
<td>75%</td>
<td>55%</td>
</tr>
<tr>
<td>Natural gas</td>
<td>21%</td>
<td>41%</td>
</tr>
<tr>
<td>Downstream</td>
<td>63%</td>
<td>38%</td>
</tr>
<tr>
<td>LNG</td>
<td>0%</td>
<td>21%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>7%</td>
<td>14%</td>
</tr>
<tr>
<td>Capitalize on portfolio</td>
<td>50%</td>
<td>28%</td>
</tr>
<tr>
<td>Cost control</td>
<td>14%</td>
<td>28%</td>
</tr>
</tbody>
</table>

*Note: Multiple responses given.*

### Finding Comments:
- The references to E&P opportunities were most often broadly stated. There were isolated comments made about specific operating areas including the Middle East, deep water, Caspian Sea, and Nigeria.
- Comments about the downstream most often referred to the opportunity to improve operations and results. There were a few more specific mentions to the business.
- The financial community mentioned other opportunities, but lacked any consensus opinion on the issues. These included:
  - Improve returns
  - Improve financial management
  - Innovate customer value proposition
  - Extend brand awareness
  - Improve trading
  - Maintain / grow dividend

### Financial Community Comment:

"RD/Shell's opportunities are breaking new ground with technology and finding new oil fields." (Buy-side)
## Challenges

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Management</th>
<th>FC Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>E&amp;P - growth / credibility</td>
<td>63%</td>
<td>41%</td>
</tr>
<tr>
<td>Downstream</td>
<td>63%</td>
<td>21%</td>
</tr>
<tr>
<td>Capital discipline</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>Growth and returns</td>
<td>13%</td>
<td>21%</td>
</tr>
</tbody>
</table>

*Note: Multiple responses given*

## Finding Comments:
- Beyond broad references to production growth, the financial community supported their concerns about the upstream business with references to:
  - Need for credible growth strategy
  - Achieving production growth targets
  - Regaining credibility
  - Accessing new opportunities
  - Negotiation and delivery
- Comments regarding downstream concerns included:
  - US refining and marketing
  - Negotiations with TX
  - Downstream turnaround
  - Meeting XOM performance
  - Asia

## Financial Community Comments:
"The challenge is to decide how to best deploy cash and appropriately leverage their opportunities. I sometimes question their approach and follow through on identified opportunities (like Barrett). There are times when they just don't make it happen, or make it happen fast enough." (Buy-side)

"RD/Shell's biggest challenges are to turn the US downstream around and meet production growth targets in the upstream beyond 2002." (Sell-side)
Goals

<table>
<thead>
<tr>
<th>Goal</th>
<th>Management</th>
<th>FC Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved returns</td>
<td>88%</td>
<td>61%</td>
</tr>
<tr>
<td>Improved ROCE</td>
<td>88%</td>
<td>46%</td>
</tr>
<tr>
<td>Profitable growth</td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td>Maximize shareholder value</td>
<td>50%</td>
<td>18%</td>
</tr>
<tr>
<td>Grow production</td>
<td>50%</td>
<td>13%</td>
</tr>
<tr>
<td>Grow dividend</td>
<td>38%</td>
<td>11%</td>
</tr>
<tr>
<td>Focused financial discipline</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>Don't know</td>
<td>18%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Note: Multiple responses given

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Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Management</th>
<th>FC Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgrade / capitalize on assets</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Control costs</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Managing / funding upstream</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>Improve downstream</td>
<td>43%</td>
<td>38%</td>
</tr>
<tr>
<td>Gas and power</td>
<td>25%</td>
<td>26%</td>
</tr>
<tr>
<td>Capital discipline</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Grow production</td>
<td>0%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Note: Multiple responses given

Finding Comments:

- The financial community often repeated RD/Shell's ROACE goal. They also repeatedly referred to management's communicated production rate goal. They tended to focus on the long-term goal versus 2002 versus 2001 goal.
- Some referred to RD/Shell's communicated strategies, such as capital discipline, as a goal versus a strategy. Managing the upstream was broadly mentioned as a strategy driving the production growth goal. Overall, the references to strategies were very general versus more specific and differentiating strategic initiatives.
- The financial community consistently focused on cost control as a primary strategy of the Company. It was mentioned by fifty percent of the buy-side respondents.

Financial Community Comments:

"Shell's primary goals are to meet their production forecast and spend their capital more wisely." (Buy-side)

"RD/Shell's strategies are acquiring new acreage, having a successful exploration program, establishing new beachheads in areas where other people can't, and then holding them for a long period of time." (Buy-side)
Rating RD/Shell on Strategies

<table>
<thead>
<tr>
<th>Rating 1 to 10</th>
<th>Mid-Point</th>
<th>Top Quartile</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital discipline</td>
<td>4</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Portfolio management</td>
<td>2</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Operational excellence</td>
<td>6</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Personal accountability</td>
<td>8</td>
<td>7.5</td>
<td>10.0</td>
</tr>
</tbody>
</table>

- Management
- FC Average

Are RD/Shell's Strategies the Best for Shareholders

- Yes
- No
- Other

30%
52%
6%
Perception of the Appropriateness of RD/Shell's Current Strategies

"I don’t have a problem with the strategies, it is the execution that bothers me. What they tell us sounds great; they just need to upgrade the delivery."

Finding Comments:

- RD/Shell received mostly positive ratings when rating the strategies important to all the major integrations.
- Many of the financial community respondents felt management was focused on the right strategies; some others felt differently. The buy-side indicated more uncertainty than the sell-side. Execution was considered to be the real issue, not the strategies.
- The average ratings for RD/Shell’s communicated strategies was well aligned between management, the sell-side, and the buy-side on some strategies, but management was significantly more positive on capital discipline. Individual financial community responses varied significantly.
- The four strategies rated were mentioned infrequently in response to the open-ended question asking the respondents to comment on the Company’s primary strategies. Most of the comments referred to operating divisions versus performance and strategic issues as referenced in the four communicated strategies.

Financial Community Comment:

"The strategic focus enunciated sounds great, but the results will tell the real story." (Sell-side)
### Rating RD/Shell

<table>
<thead>
<tr>
<th>Rating 1 to 10</th>
<th>Mid-Point</th>
<th>Top Quartile</th>
<th>Very High</th>
</tr>
</thead>
<tbody>
<tr>
<td>E&amp;P</td>
<td></td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas and power</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refining</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Management**: ▲
- **FC Average**: ▲
- **Sell-Side**: ◔
- **Buy-Side**: ◌
Finding Comments:

- The financial community's consensus opinion about RD/Shell's business divisions was closely aligned between the sell-side and the buy-side except for the ratings for chemicals. The most variance in the individual ratings was found when the respondents rated refining, chemicals, and gas and power.

Financial Community Comments:

"There is a push toward rapidly expanding the LNG business and I am not sure that will yield strong returns or delays will subtract from the effort." (Buy-side)

"RD/Shell's renewables business doesn't add value to the Company, because it is so small that it doesn't make a difference." (Sell-side)

"I have a couple question marks where the Company is concerned. I don't know about the long-term value added by their investment in the major pipeline infrastructure. I am also uncertain about their investment in additional chemical capacity because its contribution to long-term value is questionable." (Sell-side)
### Rating Investor Relations

<table>
<thead>
<tr>
<th>Rating 1 to 10</th>
<th>Mid-Point</th>
<th>Top Quartile</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessibility of investor relations contacts</td>
<td>6</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Frequency of financial community meetings</td>
<td>6</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Responsiveness to your information needs</td>
<td>6</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Quality of meeting presentations</td>
<td>6</td>
<td>7.5</td>
<td>10.0</td>
</tr>
</tbody>
</table>

△ FC Average

### Rating Investor Relations (Cont’d)

<table>
<thead>
<tr>
<th>Rating 1 to 10</th>
<th>Mid-Point</th>
<th>Top Quartile</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credibility of IR group</td>
<td>6</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Quality of teleconferences / webcasts</td>
<td>6</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Overall financial disclosure</td>
<td>6</td>
<td>7.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Frequency of interim update information</td>
<td>6</td>
<td>7.5</td>
<td>10.0</td>
</tr>
</tbody>
</table>

△ FC Average
Rating IR Relative to Others in Energy Industry

Rating 1 to 10

<table>
<thead>
<tr>
<th>Mid-Point</th>
<th>Top Quartile</th>
<th>Very High</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0</td>
<td>7.5</td>
<td>10.0</td>
</tr>
</tbody>
</table>

▲ FC Average

Finding Comments:
- The financial community commented positively about RD/Shell's US investor relations efforts. As always, they noted some possible opportunities for the Company to further enhance the US effort. These suggestions were:
  - Make management even more accessible
  - More face-to-face time
  - More roadshows
  - More interaction with buy-side
- Provide frequent communication and interaction
- Expand buy-side reach/conduct one-on-ones
- Open up (within Reg FD)
- Make the investment story more “compelling”
- Provide as much breakdown information as possible
- Clarify internal strategy
- Provide interim updates
- Release more promptly

Financial Community Comments:
"In general, RD/Shell's investor relations program is good. They have the right frequency of meetings, they bring the right members of management, and they are always available to speak after meetings. They do a good job of breaking everything down." (Buy-side)

"I would like to have more accessibility to senior management and more interim updates on financial and operating performance." (Sell-side)
RD/Shell
Conclusions and Recommendations

Drive Strategies
Performance
Perception
Communications
**Best Position Company to Create / Sustain Value**

- Increase understanding of management strengths
- Ensure value-driving growth rate goals
- Define contributing strategies
- Best position RD/Shell to deliver as communicated
- Ensure positive, differentiating returns

**Best Position RD/Shell for Effective Investor Relations**

- Message Audience
- Proactive, Aggressive, Continuous Outreach
Drive Perception and Communications

- Continue strong internal support for IR effort
- Sustain buy-side priority focus
- Deliver to and exceed sell-side needs for information
- Intensify use of innovative targeting opportunities
  > For sector and non-sector targeting
  > For investment style screening

Drive Perception and Communications (Cont'd)

- Intensify proactive, systematic outreach to prospects
- Continue / increase face-to-face outreach
- Capitalize on Internet opportunities
- Maximize use of website as resource and prospecting tool
- Consider multi-media opportunities
- Capitalize on financial media opportunities
- Consider FUTURE communications needs / norms
Royal Dutch/Shell Group of Companies

ENHANCED SHARE VALUE

RD/Shell

DElIVER on expectations
Proactively communicate
the story to sell-side and buy-side
Deliver focused and "compelling" message
Match investors' needs and RD/Shell capabilities
Well-defined and articulated strategies