

Exhibit 111

**EP/GP Investor Relations Presentation
12th – 13th April 2000**

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Phil Watts:

Good morning, ladies and gentlemen, and I say good morning here. I'm not sure what time of the day it is for those of you who are watching on the Web at the moment. Welcome to all of you from around the world.

When we last met 12 months ago, our theme was "Improving Performance and Maximizing Value in Uncertain Times." This theme remains unchanged. In the context of many changes that have taken place, it still reflects our key ambitions to deliver on our promises and to do these things in a business environment that is quite different from 12 months ago and still full of uncertainty. Our presentations today will focus on what we have delivered to date and on our strategy and plans for the future—in particular we will be expanding on what we see as our unique ability to create value in the gas chain.

The targets that we will discuss today are those already in place for 2001. New targets beyond 2001 will be disclosed at the Group Strategy Presentation in December. Just before I describe today's agenda in detail, I'm obliged to show you this disclaimer which reminds us all that any projections made are always subject to factors outside our control. And so to business...

Today's presentation will last about 2 hours. I will open the proceedings with an overview of where we are and the targets we are moving towards. Then my colleagues, Dominique Gardy and Din Megat will give you a more detailed picture of the EP portfolio. Linda Cook will give you an overview of our gas and power businesses, explaining our strategy and our capabilities for adding value. All of these presentations will demonstrate how Shell's oil and gas businesses depend critically on our ability to develop and deploy new technologies rapidly and stay ahead of the game. In our final presentation, Tim Warren will report on the technology advances that we've made in the last 12 months. There will be a short coffee break after Din's presentation and lunch after Tim's presentation and after that we'll have a question and answer session.

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For this reason, or I should say for this session, we will be joined by Walter van de Vijver who is sitting here on the front row who is responsible for our upstream and gas and power operations in the United States. After a break for lunch, you're invited to our technology show which demonstrates several advances we've made over the last 12 months and those we've planned for 2000. When you visit the show, you'll see why developments such as 4D seismic, expandable tubulars and the Twister have such an impact on our ability to produce effectively and efficiently.

Let me introduce you to the persons responsible for exploration and production in yellow and gas and power in green. Note that Linda Cook is CEO of gas and power and also part of the EP Executive Committee. This insures that we have a seamless linkage over the whole value chain from molecules to electrons. It would have been nice to have the entire Exploration and Production and the Gas and Power Executive Committee here today making presentations and answering questions but it would be rather a crowd and would look a little bit like the Last Supper, so, we've been a little selective. And added to that, a few of them had some urgent and pressing business to do and some deals to close.

We've successfully globalized the business and technology organizations of EP including the alignment... including the integration of the North American businesses. We have aligned E&P and gas and power organizational structure building on the strengths of both organizations, working closely together at the global and regional level to maximum synergy and customer focus.

We've established processes which are centrally laid but locally owned and which allows us to further leverage the size of the Group. Examples are e-business and procurement. You may remember the promises and plans presented last April and June by EP and Gas and Power, respectfully. Those presentations were about our contribution to achieving The Group Roadmap set out in December 1998. At that time, we committed to a 15% ROACE for EP at \$14.00 a barrel, and that's \$14.00 a barrel Brent. We also committed to reductions in workforce and costs and to some major portfolio divestments and dilutions. At the same time, we set a target for volume growth of 5% per annum for the period through to 2003, subject, of course, to possible portfolio actions.

All these promises reflected our commitment to making significant improvements to our short-term performance without compromising our long-term growth aspirations. In gas and power, we set as a target a ROACE of 7% in 2001 and investments of some \$800 million dollars annually reflecting the gross ambitions and opportunities that this business offers.

Let's look now at what we've actually achieved against our promises and at the opportunities we've created to grow more value.

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EP earnings, adjusted NIAT, more than doubled in 1999 when compared to 1998, up 121% excluding specials against an industry average of 85%. Although oil prices were significantly higher than we'd expected, a substantial part of this improvement was due to self-help. The self-help constituted lower operating costs in all major areas of the business and lower exploration costs due to a stringent global ranking process.

Overall, we reduced our costs in 1999 by some \$1 billion dollars. This is split equally between exploration expense and operating cost improvements. The operating cost improvement is 30% better than was planned. The cost improvements and reductions in exploration expenses are both before tax. Compared to the restated cost promise of \$1.8 billion dollars for 2001, some 55% has been realized in the first year which will help us to further strengthen our competitive position.

We have various programs in place to insure that the revised targets will be achieved within the 3-year period, that is, before the end of 2001. According to a comparison by Schroders, we're the leading major in terms of costs, both finding and development costs and unit production costs. We outperformed the other recently-formed super majors for the period 1996.

Shell is building a strong, competitive position. As we move forward, we will continue to build this position. We have more E&P operations than any other company and more deepwater operations than any other. Our gas reserves are larger than those of any other organization in the private sector. We've maintained leadership in areas where it makes a difference in the future despite the recent mega-mergers.

Many of these achievements reflect our strength in technology. As Tim will explain a little later, technology is one of our key differentiators and a major source of competitive advantage for us. As far as size is concerned, Shell's global production operation is more than double any competitor's outside North America. We operate more oil production globally than either ExxonMobil or BP Amoco.

Twenty-five per cent of the rest of the world Shell operated production is gas. We cover every continent; with 30% of our production in West Africa, 30% in the Middle East and 18% in Australasia. In contrast, more than 75% of BP Amoco's rest-of-the-world production lies within Europe itself.

Being the leading operator provides us with a strong competitive advantage. All these factors help explain why we are the partner of choice for governments and national oil companies. Recent examples have been the award of agreements and operatorships in Oman, Nigeria, Norway and, of course, the development contracts in Iran.

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In addition to our reputation, our financial position and our size, we offer our global capabilities across the value chain and, specifically, the leverage of superior technology and a vast pool of talent and experience. Of course, we are also welcomed in joint ventures where we positively influence our partners and insure sound risk containment set against our sound business principles.

Lastly, of course, our low finding and development costs make us a partner of choice. Also, our leading position in the application of sustainable development will help us in the future to align our interests even better with governments and national oil companies and the expectations of society at large.

In 2000, we've already made significant steps along the path to improving performance and maximizing long-term value. In EP, we announced the Altura divestment in the USA and disposed of the related CO₂ assets to Kinder Morgan and I'd like at this point to pay tribute to the leadership of Walter and, of course, Jerry Egan, the CFO, this morning and to all the staff in SEPCo who were able to push through that deal.

We diluted our holdings in the Malampaya Project in the Philippines by a further 10%, having sold 45% to Texaco in 1999. Later on, Dominique will give some more background on our most recent portfolio actions.

Also, the Sable Offshore Project in Canada in which we have a 31% interest came on-stream, and we've successfully re-entered Azerbaijan where we look forward to participating in the development of the country.

In gas and power, the first cargo of Oman LNG was shipped on the 5th of April and the second train was commissioned. Also, agreements which may lead to future growth were secured for a regasification terminal in Suabe in Northeastern Brazil.

I'm delighted to announce that Dick Cheney and I signed an agreement yesterday in The Hague to establish a joint venture called WellDynamics. This joint venture represents a unique combination of industry strengths which we're putting together to develop and deploy SmartWell technology. Both companies believe that by combining Shell's operator insight and technology with Halliburton's service company capability technology and the wholly owned subsidiary of Petroleum Engineering Services, Ltd., we can lead the industry in this technology. We're confident the impact of this business on the industry will be as great as 3D seismics and horizontal drilling.

SmartWell technology is potentially \$1 billion per annum market. We're excited by the prospects of our partnership which will create significant value for Shell directly through the joint venture but even more importantly for us through the value it will bring to our core

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business through the fast and effective deployment of strategic SmartWell technologies. Tim will say more about this later.

Let me know look at the future, if I may. None of us are complacent. The business environment remains volatile. In 1999, we saw oil prices sharply rebound from the lows reached at the end of 1998. We cannot say for certain what will happen in the future but we expect prices to remain above \$20 in the short-term and, then you'll notice I've not defined what short-term is several factors among them OPEC's March agreement to increase production by 1.7 million barrels a day. As always, it's difficult to predict actual prices and production volumes.

In the long-term, however, we believe that oil prices will be driven by marginal costs for non-OPEC countries. So, our long-term outlook remains a \$14.00 a barrel price. This may look pessimistic today. Only 14 months ago, it looked optimistic. Therefore, we maintain our project screening at \$14.00 a barrel and every asset and new project within our overall portfolio needs to also be robust at \$10.00 a barrel so that my Chairman can sleep easily at night as he expresses it.

In our view of the future, we also see gas growing much faster than oil. Gas will take a growing share of the energy market as societies increasingly demand cleaner fuel. The statistics are compelling. Carbon dioxide emissions from combined cycle gas turbine power plants are one-half of the emissions from older coal-fired power stations. Therefore, companies that are well-placed in the gas business, we believe, will thrive. And for Shell which has the biggest gas reserves of any private-sector company in gas and power, the outlook has to be positive.

Now, what about our company strategies? In EP, our strategy remains focused on short-term profitability and long-term profitable growth. We have a strong portfolio to build on. Capital employed is some \$25 billion. Our operations produce about 7 million barrels a day. Our reserve base is some 10 billion barrels of oil and some 60 tcf of gas.

We are also building on our key skills and technologies. We have access to a large global pool of technically competent staff. Our technology organization is global with centers in The Netherlands and, right here, in Houston where you're sitting today developing ground-breaking technologies in a number of key areas. We will continue to use integration to create value with close cooperation between our gas and power and oil products businesses. All of these factors will feature, as the implementation of our plan unfolds.

We will be expanding in new countries such as Iran and Brazil. We will leverage our success in the Gulf of Mexico as we develop other major deepwater basins. We will develop markets and grow our LNG business. We will continue to invest in several major projects that have

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been given the go-ahead in Nigeria, in the USA, in Canada and Iran. The total capital expenditure of these projects recently announced comes to some \$5.8 billion.

We will invest some \$6 billion annually in production Capex and exploration expenditures sufficient to meet our growth target. However, we will use our strong financial position to grasp new opportunities and we will take advantage of the current business environment to selectively increase our exploration and production expenditure in 2000 and in 2001 for high-value opportunities but in no way loosening our commitment to capital discipline.

Gas and power strategy is about leveraging and monetizing upstream gas positions, developing significant positions in growth markets in power or infrastructure such as import terminals and providing unique solutions to the various customers in the value chain.

Building on Shell's upstream gas position provides both unique competitive advantage and the opportunities to maximize value for gas and power and also, of course, for E&P. This is working very successfully with LNG building on our strong upstream possessions in Nigeria, Australia, Brunei and Malaysia.

Furthermore, gas and power seeks a major role in key growth markets such as the southern cone in Latin America, India, Turkey and China. Here, we look for long-term partnerships to invest in infrastructure such as pipelines, regasification terminals or power providing tailor-made customer solutions to grow the gas market.

We are also applying state-of-the-art Shell technology—for example, SMDS and coal gasification. We also seek to bring energy to homes and to industrial customers, for example, in Australia, in Europe, in the USA. These activities are about leveraging brand reputation and also about learning and acquiring new skills and mindsets.

Let me illustrate this point by showing you a typical integrated value chain in the Far East. For simplicity, we've excluded specific retail arrangements but the same principles apply. It is not unusual in the value chain to have two or more different partnerships involved with different parties and/or different interests. However, all parties at the various stages require a return commensurate with the specific risks that are involved at that position on the value chain.

Linda will elaborate on these new opportunities we're developing in key markets, marketing and trading businesses in the US and Europe, and increasing customer focus through our new ventures in the retail market.

I would like to draw your attention here to the new processes we've introduced under the heading of "New Ways of Managing the Business." These processes are crucial to our success and we increasingly take decisions from a global perspective and implement them

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locally. The other crucial ingredient is having a business performance driven culture embedded throughout the organization. This is supported by clear accountability and a scorecard established and in place at each level down the line. As a result, strategic cost leadership and portfolio management are at the forefront of our day-to-day business.

We have been able to take some tough decisions and very tough and necessary decisions also with regard to staff reductions, divestments and also some things that you decide not to do—the withdrawal from projects in Chad and Peru. The way we go about growth has improved. We're more focused, more selective and with clear deliverables. Our aspirations are balanced with that need to improve short-term performance.

In summary, our revised approach means better decision-making and faster implementation. We're confident of meeting our targets and we have made fundamental ways in the way we work although there is no reason, I would say, immediately for complacency.

Let me now hand over to Dominique Gardy who will now present to you detailed results of those initiatives and how we really have been delivering on our promises. Thank you, very much.

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Dominique Gardy:

Good morning, ladies and gentlemen. I would like to start by summarizing EP progress against our Roadmap to 2001. Progress was very significant in 1999. Earnings improved by some \$2.4 billion giving a return on average capital employed of 21% in 1999. This is 13% percentage points higher than 1998 adjusted for impairments. Half of the improvement was due to higher oil price and the net effect of specials. But, as Phil mentioned earlier, half of it came from self-help like cost reduction, exploration expenses reduction, and once off items, in particular, divestments.

At \$14.00 per barrel, our return on average capital employed would have been 16% including some 2 points related to once off 1999 divestments. We are well on track to deliver 15% at \$14.00 in 2001 when we get the full year benefit of action undertaken in 1999 and the ones to come in 2000 and 2001.

I will now take a closer look at all the major business drivers of our performance roadmap: volume growth, cost reduction, investment level and portfolio management.

And let me start with production volumes. On this chart, I want first to focus on the left part of the slide which reflects volume growth before production sharing contracts and divestment impacts. Underlying volume growth was 3%, equivalent to some 110,000 barrel oil equivalent per day (boe/d). The production level of some 3.8 billion boe/d, oil production was up by 1% and gas volumes were up by 8%.

Despite some adverse effects from community disturbances in Nigeria, this growth was achieved as the result of production from new fields, some 160,000 boe/d mainly in UK, USA and Oman. Total 1999 production of 3,681,000 barrels a day was in line with 1998 including the negative impact of higher price on volume from producing sharing contract in countries such as Syria, Malaysia and divestments.

Divestments are one element of our ongoing proactive portfolio management which I would like to cover now. Yes, indeed, first pillar of our ongoing portfolio management is divestment/dilution. We review all our assets on a systematic and continuous basis to assess how they fit our portfolio. Those that do not meet criteria for performance, strategic fit, ability to generate value at various oil prices, are either cured or divested. We also take advantage of opportunities to monetize the value of assets early in their lifecycle in order to mitigate commercial and technical risk.

The list you see on the top part of the chart shows many of the divestments we successfully completed in 1999. But, as I stated earlier, volume growth is a major element of our performance and to this end we need to make the best investment decisions, the second pillar of our ongoing portfolio management.

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In 1999, we introduced the global capital allocation process. The proposals submitted by some 42 countries were arranged globally against their profitability and strategic fit. The result was a selection of the best of the best projects with a total ownership and commitment to execute these projects all across the world.

The bottom part of this slide shows major investment decisions we took in 1999. We expect to see significant production growth from these projects in the years to come as indicated in the next slide.

Looking ahead, we have significant portfolio ongoing projects that underpin our future production growth. These projects are located in the Gulf of Mexico, Oman, Norway, Egypt, Russia, and Australia and demonstrate our global strength. This chart shows the expected production as these projects come on stream. In 1999, several major projects came on stream for a total cost of some \$3.2 billion and with plateau production of some 400,000 boe/d. Some of the larger projects were in Oman (GISCO), the deep water in the Gulf of Mexico with Ursa, Angus, Macaroni, and Obayed in Egypt.

Another 100,000 boe/d will come on stream in the next 2 years for projects in Canada, Egypt and the Philippines. Furthermore, the investment decisions we announced in 1999, the red bars on the chart, will add some 500,000 boe/d to our volume by 2004 for just under \$6 billion expenditure.

In total, we expect these projects to generate some 1 million boe/d. Din will expound on the specifics of key major projects in his presentation.

So, all together, we expect an increase of annual hydrocarbon production by an average of 5% per year for the period from 1999 to 2004. It is worth noting that all our volume projections are based on \$14.00 per barrel for Brent. If the price is higher, it may impact our volume estimates for countries governed by production sharing contracts or similar agreements. For example, at \$18.00 per barrel for Brent for 2004, the average annual increase would be closer to 4% as a result of this production sharing contract impact I just mentioned. We expect 2000 oil production to be flat and gas volume to increase from 1999 levels as a result of the new projects coming on stream offsetting divestments.

Phil, in his presentation, used a slide about cost leadership with Shell leading the majors. While our leadership is promising, it does not leave any room for any complacency. This is why we are attacking every element of our unit margin under the strategy cost leadership as we call it. The process was initiated at the end of 1998 and took shape in the form of Realizing the Limit which Tim will explain in more detail later. Realizing the Limit includes four sub-processes; drilling the limit, producing the limit, capital to value and volumes to value all contributing to a combination of cost reduction, reservoir optimization and production growth—in a nutshell, financial performance improvement.

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This is done with heavy emphasis on value and quality assurance with centrally lead teams reviewing expectation and investment proposals designed in strategies at various stages of their development. This is mandatory, helps operating units to reduce their capital costs and give the confidence that projects will deliver as promised.

Leveraging global purchasing power, optimizing contractual terms and seeking global tax optimization are totally integrated in the way we do business today.

Let's look at strategic cost leadership in hard numbers. We achieved operating cost savings by some \$5 billion in 1999, equivalent to 10% reduction in unit cost. This is a result of strategic cost leadership embedded in all our operating units and you can see two examples in the next slide. USA, first, operating costs down 24% in 1999 and a further reduction of 12% by 2001. In Oman costs were down by 19% in 1999, and by 2001 we expect costs to come down by some 42% compared to 1998.

Phil mentioned manpower and here, as well, quite a dramatic step change. We achieved some 14% reduction compared to a commitment of 10%. The larger reduction came from US, UK and Nigeria. As you know, the major restructuring has been announced in NAM in the 4th quarter of 1999. All together, globalization has been an enabler to exceed our commitment.

Let me move now to procurement. A revolution is taking place in procurement. We are developing a leading capability in the industry. Three key strategies to get there: global contracting, e-procurement; and contractor value strategy. We exceeded our 1999 cost saving target in procurement by 80% delivering some \$19 million savings. In 2000, we aim to cut some 7% of EP spent on third-party materials and services based on the total spent of \$8 billion.

The aggressive program of developing global contracts that we put in place in mid-1999 has progressed well, with 2/3 of the planned contracts now in place in areas such as pumps, gas turbines, valves, instrumentation, pipeline, and so on. This gives us substantial savings over previous prices, somewhere between 15% and 55%, for example, in well engineering materials and services, instrumentation, drilling fluids, casing, tubing and so on.

Throughout all these activities, we are using all the enablers we have at our disposal, knowledge sharing, internal and external benchmarking and systematic tracking to go as far as we can as fast as we can.

But we are also maximizing the opportunity of the Internet. Another change is taking place in the way we do business in our use of the Internet. Our first step was to form entradis.net, a joint venture between Shell and Commerce One. As you know, this Internet procurement exchange venture has now been joined by, among other, BP Amoco, TotalFinaElf, Conoco,

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Dow Chemicals, Philips, Equilon, Motiva and so. We are moving fast to maximize the benefits of entradis.

The first auction and the first transaction took place just 10 weeks after we made the entradis announcement. The first online bidding within EP was held on March 28th in Germany using the capabilities of entradis. The online bidding was for chemical used by our BV venture while only \$1 million activity, it shows the process worked with 4 bidders and 2 re-bids as you can see on the graph. At the end of the day, 20% price range between highest and lowest bidders and the result in savings of some 10%.

Next applications are planned in Nigeria, Malaysia and the Netherlands and more will roll out fast. But we do not want to keep entradis.net to ourselves. The opportunities for using entradis.net are wide-ranging from vendor-managed inventory to surplus stock reduction and beyond. Discussions are going on with a number of prospective partners. We expect to realize some \$200 million savings related to maximizing the use of e-procurement in EP contributing to the overall Group target of \$640 million.

Moving to capital investment discipline, it is embedded in the way we manage our business. In hard numbers that meant we spent \$3 billion less in 1999 as compared to 1998. How did we achieve that? In 1999, as I mentioned, all projects with a capital outlay of more than \$20 million went through a global ranking process. These were subjected to a challenge process by the leadership in EP including operating unit representation and were rigorously tested against strategy fit and contribution to final Shell performance. In addition, projects that are initially selected are the subject of a peer challenge to insure that the overall near and long-term business target as advertised will be met before the approval of the individual project is given.

With these measures, we believe we can sustain a level of \$6 billion annually while meeting our growth projection. At the same time, when there are interesting opportunities, we will be able to afford thanks to our financial position to grasp those opportunities provided that we create sustainable shareholder value.

Let's now have a look at our overall portfolio. Our results improvement in 1999 was significant and all across the category of our various assets. ROACE more than doubled compared to 1998. So improvement partly reflects the better business environment but self-help, indeed, contributed as I already mentioned.

The deliberate divestment decision also contributed to this improvement as well to the significant capital employed reduction. We have now some \$11 billion in major producer assets, some \$5 billion in other producer assets, and some \$1.8 billion in new growth area. A large part of our under-performing assets has been divested and will be further reduced thanks to Altura and CO₂ announced divestments. In summary, quite a unique portfolio.

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Let me now summarize my presentation by using the same slide that Phil used for fro EP at the beginning. There are a lot of ticks on this slide which means that we deliver what we promise. But, actually, we delivered more than promised. We have integrated strategic cost leadership in our day-to-day business and this is paying off. 1999 operating cost savings of \$0.5 billion was 30% better than our target. Stringent ranking of exploration expenses resulted in \$0.5 billion lower costs in 1999. Workforce reduction was 14% in 1999 compared to a target of 10%.

Proactive portfolio management is embedded. We deliver more than the necessary promised divestments especially some high-cost power plays that a limited upside. We also diluted a few projects to mitigate risks while benefiting from value premium. We introduced global capital allocation to get the best of the best project selection and move forward with critical investment to support our growth, like EA Bonga in Nigeria, Athabasca in Canada, Brutus in the Gulf of Mexico.

The benefits of capital discipline are evident in our 1999 results where we achieved a \$3 billion reduction in expenditures compared to 1998 levels. The end result a ROACE of 21% compared to 8% in 1998. As I mentioned, at \$14.00 it would have been 16% including 2 points for divestment.

We are well on track towards our promises of 15% return on average capital employed in 2001 at \$14.00.

In summary, we have gained momentum and we have increased the pace at which we are delivering our promises.

I will now turn it over to Din for a look at the portfolio and aspirations driving our long-term performance.

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Din Megat:

Good morning, ladies and gentlemen. Let me first recap the main themes around which our strategies have been developed. These themes are our core portfolio, deepwater, major resource holders, and gas. As Phil and Dominique have shown, we have been pursuing and implementing strategic cost leadership which underpin these themes to strengthen our core portfolio of businesses as well as positioning for new business growth. Over the next 20 minutes, I'm going to tell you about some exciting opportunities and recent major developments in our portfolio. I will emphasize those in deepwater and the major resource holders. I will conclude with an overview of our new production and reserves.

In all these areas, our strategy is built on our existing competitive advantage. Much of that advantage has to do with size global spread and depth and our worldwide network of relations, thereby building on our unique technology base. My colleague, Tim, will elaborate more on how technology makes our core portfolio more valuable. We also have the operational experience, skills base and adaptability to make us the choice partner of governments and private industry players.

Before moving to the portfolio, let me first give an overview of our how our expenditure in the year 2000 of \$5.8 billion is allocated, a result of the new capital allocation process. When you look at our overall investment program, you can see a significant proportion is allocated in the Middle East Major Resource Holders, the Caspian, deepwater and gas. At the same time, our lowering cost base and technology enables our short-term performance to be improved by maximizing oil production in our core regions.

Some of the projects that came on stream in 1999 were Sakhalin in Russia, Obaiyed in Egypt, Laminaria in Australia and Ursa, Angus and Macaroni in the United States. At over 40% of 2000 expenditure, our push for our long-term strategic thrust is clear. You will hear more of the synergies with gas and power from Linda later. The expenditure in the Major Resources Holders is still relatively low as the execution of this strategy will take some years.

In 2001, we plan a total Capex again of around \$6 billion with close to 50% in our non-core areas. As Phil has said, our present strong financial position means that if additional opportunities arise we can also afford to grasp those.

Let me now turn to the portfolio. Here you can see our new projects coming on-stream for this year, demonstrating our global reach and spread of operations. Eight of these ten projects are operated and managed by Shell. The projects in orange were approved in 1999 for startup after 2001. All these projects demonstrate our diverse approach to grow the business—not at any cost but profitably.

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Let me highlight one of our core areas, Canada. The Canada Sable Island Project is located on the east coast of Canada. It was developed in 2 years from the decision to go ahead with the development. We do not operate this project but we have a 31% share. Our involvement in this project is to increase Shell Canada's gas production and reserves and offset our recent divestment of Plains to Apache. It underpins our move to gas. There is some upside potential in Sable. Hence, our plan to drill two exploration wells.

Let me now turn to China, a country where we have upstream presence of over 20 years and intend to grow in the related businesses. In China, our production levels are currently 25,000 barrels a day, average, in Xijiang. We are exploring several other prospects in the greater Xijiang area. Our objective here is to add value by optimizing on the existing facilities and supplementing declining future production. Exploration and Production together with Gas and Power is working with the Chinese government and its national oil company on the development of the Changbei integrated gas project which is moving to its final investment decision in mid-2001. A letter of intent was signed on 21 February 2000.

LNG import terminals and coal gasification projects are also being planned by our gas and power business. We are progressing discussions with the China National Star Petroleum Company and the Chinese National Offshore Oil Corporation for gas exploration and production in the east China Sea. Finally, in west China, we are undertaking a joint study of Kuqa in the Tarim Basin to help us establish a gas position there.

Let me now turn to deepwater. You can see that we are well represented in the major basins around the world. The new development projects in The Philippines and Nigeria are benefiting from the experience and skills base that we have created in the Gulf of Mexico. In the Gulf of Mexico alone, we made 37 discoveries of which 12 have been brought onto production. This experience and skills are unrivaled. Shell is the largest private-sector operator in deepwater over 500 m where the real technology challenge starts.

Our total operating production is 550,000 boe/d. This is more than the combined production of all the other private-sector operators put together. The only organization with comparable production to ours is Petrobras. We also hold more reserves than any private-sector company.

The Gulf of Mexico remains a focus and a growth area for us. The basin is a good example of our proven ability to apply innovation across the entire upstream value chain. In exploration, we continue to add to our discovery volumes. With industry-leading drilling performance and cutting-edge seismic technology, we have decreased exploration spent while maintaining our pace of annual discovery volumes.

Our experience in development and operations in the Gulf of Mexico have lead us to reduce development costs per barrel by 67% over 5 years. On the development side, it is also about leveraging our infrastructure with both hubs and satellites. We are very excited about Brutus,

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our latest, ongoing large tension leg project development. Brutus is presently ahead of schedule and below budget and we have encouraging subsurface results from our pre-drilling program. Brutus reaffirms our in-house project execution organization, Shell Deepwater Services, a strength that is unique to Shell.

Our deepwater production continues to increase while operating costs are coming down. Our unit operating cost is now below \$1.50 per barrel and dropping. This translates to record uptime. For example, Ursa has maintained 99% uptime for each of the last six months, thereby meaning more barrels. We continue to learn how to drill complete and produce high-rate wells. One of our Ursa wells, a 3,000' horizontal completion, is now producing at Gulf of Mexico production record levels.

Looking forward, we're shifting our focus to material, large-scale opportunities. We have recently announced that our Europa Development is on-stream. We have also built a large inventory of prospects that we are quite excited about.

In Egypt, we have diluted our interests by 25% to create a better balance of risk and reward with our global deepwater theme. The opportunity here is enormous. The contract area is similar in size to the total Niger delta deepwater area, half of the Gulf of Mexico deepwater area and 20 times bigger than the total UK deepwater acreage. We have done some excellent quality 3D seismic studies which have given direct hydrocarbon indications. Large structures are evidence that the deepwater concession has the potential to be a hydrocarbon province in its own right with both gas and oil potential.

We are currently planning to drill the first well before the end of this year. Note too, that in the inboard areas, infrastructures are being put in place, for example, in our Rosetta development.

Brazil is another very promising area. We established a significant position in Brazil in 1999 with presence in 3 blocks. Our presence in Brazil helps us to strengthen our relations with Petrobras. It also enables us to leverage our deepwater skills. We will be drilling our first well in the third quarter of this year in block BC-10 using Shell Deepwater Services rig Stena Tay and plan to acquire a further 3,000 square km of seismic.

In addition to our Bonga project in Nigeria, we have also interest in several deepwater fields there. The most promising are Erha where Shell has a 44% interest and Abo where we hold 50%. Of the volumes found so far, Shell holds 26%. This is equivalent to about 1 billion barrels which puts us well ahead of the competition.

To support our operations in Nigeria, we are investing a lot in infrastructure projects, as well. These include integrated supply to Nigeria LNG Train 3 and the Shell Offshore EA

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development. Implementation of these projects is on track and the benefits to our deepwater activities will be significant in time forming 1/3 of Shell's production in the country.

Let me now turn to another area of focus. Ladies and gentlemen, with some 65% of the world's proved oil reserves, the Middle East Major Resource Holders are prime target areas, not only for us, but also for our competitors. In addition to Abu Dhabi, Oman, Egypt and Syria, where we've had a long presence, we re-entered Iran in 1999. In Iran, we're making good progress to implement the integrated Soroosh/Nowrooz projects with a value of \$800 million. Early production of 60,000 barrels a day is scheduled in November 2001. We expect to complete the project and hand over the facilities in August 2003 when we will be up to 190,000 barrels a day. Negotiations have already started on a technical services contract.

You may remember our joint venture with KEPCO, Lasmo and Veba Oil in the South Caspian Exploration Study. Phase I of the study started in December 1998 and will end in October 2001. We have also submitted a proposal for the onshore Bangestan oil development project. Discussions and negotiations will probably continue until September this year. And we're involved in the South Pars Gas Consortium. This Consortium includes nine companies with Shell playing a leading role. The Consortium is looking at market opportunities for the South Pars gas as part of Iran's national gas utilization plan.

In Saudi Arabia, we are, as you know, discussing a number of proposals. We are seeking to extend our involvement, building on our long downstream and chemicals presence there.

Let me now turn to the Caspian where we have some interesting developments, as well. We returned to Azerbaijan, a territory where Shell was active in the early years of the last century. The Iman prospect offshore Azerbaijan in waters of only 30-100 m deep in the Caspian Sea. With our partners, we have committed to 3D seismic data acquisition and drilling of two exploration wells. Preparation is underway for drilling the first well which we expect in the third quarter of this year.

We are also drilling the OKIOC well in Kashagan-East I. Right at this moment, it is making very good progress after a very difficult start.

In Turkmenistan, we signed in August last year a strategic alliance agreement with the government. Under the terms of the agreement, we hope to develop a long-term partnership with TurkmenGaz and work together with them to export gas from Turkmenistan to the neighboring countries to the rapidly growing Turkish markets and beyond and, in the longer term, the developing markets in India, Pakistan and China. The Trans-Caspian Gas Pipeline (TCGP) where we have a 50% position is the priority project right now given the high potential of the hard currency Turkish markets and Shell's entry into that market via InterGen.

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Together with our partner in TCGP, we are committed to delivering gas by the end of 2002. It remains critical, however, that the governments of the region cooperate. We expect to see the picture unfold in the coming weeks and months. The market is there, the gas is there and we're convinced that TCGP and Shell can deliver on time and on budget.

In summary, therefore, as Dominique has said earlier, the projects I have outlined plus others will build almost 1 billion boe/d in production and growth for our future. Let me now cover other aspects that are key for our future.

Firstly, exploration. 1999 was a year of success in global exploration. There was more focus as a result of the expenditure discipline and some of the notable successes include finds in Denmark and West Africa. The overall resources discovered were the highest for half a decade, thus, rounding off our reserve space. Shell has the best 3-year average production replacement ratio of all the majors with almost 150% replacement ratio. Shell, after ExxonMobil, is also the second largest private hydrocarbon resource holder with a portfolio almost equally split between liquids and gas. Here, you can see we are strong and well represented across the globe according to our regions. Based on 1999 production, proved reserves would last some 13 years for liquids and this includes Athabasca and 20 years for gas. This would increase to 50 years on a barrel oil equivalent basis if all the additional resources that we have are converted to proved reserves.

Ladies and gentlemen, let me now hand over to Linda who will tell you about our gas and power business which compliments the development and monetization of our large inventory of gas assets. Thank you.

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Linda Cook:

Welcome back and good morning. I'm excited to be talking today about Shell's global gas and power business. We actually often hear the question, "Why is Shell in the gas and power business?" One of the main reasons is shown on this first chart.

All forecasts point to significant growth in gas demand with key drivers being the Kyoto Emissions Targets, the abundance of gas reserves and the increasing competitiveness of gas with reduction in LNG and pipeline costs. But, we're not in the gas and power business just because of the growth and demand. We're in it because it adds value to our overall portfolio and it leverages Shell's strength: global reach, business development skills, technology and reputation.

If we look at the energy value chain, you see the gas and power business picking up where E&P leaves off and we operate in most parts of this chain. We are leaders in gas to liquids technology as well as LNG with strong skills in market development and trading. In our InterGen power development joint venture provides us with world-class IPP development capabilities. In addition, we're evaluating the attractiveness of the emerging residential market which I'll talk more about later.

Phil showed a map of our strategic focus in gas and power. You'll recall it has three key elements. First, the initial reason years ago why Shell entered this business, that's monetizing upstream gas. This has to do with enabling the production of Shell equity gas volume and is still important today. The second element is the development of new markets. We're working with governments and industry to create new demands for gas and power and, finally, customer solution where customers can range from host governments to large industrials to individual residential consumers. I'll be covering Shell activities in each of these strategic areas but first an overview of our business.

Capital employed in Shell Gas and Power rose to \$7 billion at the end of 1999. We now have operations in 20 countries with business development activities in another 15. Shell equity share of LNG plant capacity rose to 10 million tons per annum up from just 7 in December. In power, our equity generation capacity has risen to a total of 2.3 gigawatts in operation or under construction. In 1999, Shell entities in the US and the UK sold more than 10 bcf/d per day in commercial gas marketing and trading activities, significantly up from 1998 levels.

The next chart shows the distribution of our capital employed with the largest investments in the LNG business and in the US with the rest divided between our assets in Europe, InterGen, our gas to liquids plant in Malaysia and new business development activities around the world. Geographically, the importance of our LNG business in Asia and Africa is also highlighted.

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In terms of financial results, in 1999, we delivered over \$250 million net income with a ROACE of 7% which is equivalent to the return expected for gas and power in Shell's well-known Roadmap to 2001 which is clearly achievable for our business. Longer term, we do aim to deliver 15% ROACE, the expectation of all Shell businesses. But in the near term, Gas and Power expects to create shareholder value by a combination of growth and relatively modest return, like any new business.

That was 1999 and a lot has happened in the short time since. Starting with LNG, we loaded the first cargo in Oman just last week, on schedule and within budget. The second Nigerian train commenced production at the end of February and important milestones have been met for future projects in India, Brazil and Venezuela.

In the power sector, InterGen completed the successful sell down of interest in their Millmerran Plant in Queensland, Australia, and Shell approval was reached on two new power projects in Turkey totaling 2.3 gigawatts with the approval of a third expected shortly.

In US marketing and trading, Coral successfully launched their e-commerce platform late last year and announced an alliance with a major northeast US distributor.

Finally, in the emerging retail or residential sector, our pilot in Atlanta, Georgia, reached a market share of 23%, an encouraging result. We've launched the Pulse Energy joint venture with our partners in eastern Australia. I'll talk more about many of these during the course of my presentation starting first with our LNG business.

Our expectations are that global demand for LNG will grow 5% per annum over the next 10 years. Despite the adjustment in the Asian economy, LNG demand is growing in the Asia-Pacific region. In addition, we see significant growth opportunities in the Atlantic basin with demand outstripping supply. The increase in demand above currently-contracted volumes in both parts of the world is at the point where justification of expansion of existing LNG projects is now possible and the ability to justify new plants is possible in the foreseeable future.

Shell has 25 years of international experience in LNG and a proven track record. This slide illustrates the wide global spread of our LNG activities. We have interests in operating plants in Malaysia, Australia, Brunei, Oman, and Nigeria, with expansions underway in Malaysia and Nigeria and further expansions under consideration in Oman and Australia.

Looking to the future, prospects for new projects are maturing. Venezuela is one example and we're pursuing opportunities for regasification terminals in India, China and Brazil. Shell is the leading LNG player around the world when measured in terms of equity volumes. With the recent start up of both Oman and Nigeria LNG, Shell's equity capacity is approaching 10 million tons per annum as shown in the chart on your left. We expect further growth with

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the recent approvals of expansions in Malaysia and Nigeria adding another 1.7 billion tons per annum by the year 2004.

On the right, you can see how this compares with other private LNG players. Shell has been the clear leader for some time and our planned growth will widen the gap between us and the others in the coming years as we reach a volume that is almost double that of our nearest competitor.

Shell has also designed and operated more LNG plants than any other company. This has enabled us to be the leaders in terms of LNG cost performance, as well. With our operating experience and improved designs, we've managed to reduce the cost of operating LNG facilities by 45% over the last 7 years and advances in technology have led to lower up-front capital costs, as well. The Oman project has delivered the lowest ever unit capital cost for a greenfield LNG project, considerably lower than recent competitor designs in the Atlantic basin and Middle East.

Our experience and cost leadership allow us to create more value for Shell and our partners in existing projects as well as position us as partners of choice for new LNG opportunities around the world.

An example of the application of this technology is in Oman which is the fastest ever LNG project from the discovery of gas to first cargo. The gas comes from fields in the central part of the country, which is then piped to the LNG plant on the coast. LNG will be shipped to markets in Korea, Japan and India. A state-of-the-art technology also allowed for the low-cost design and the largest operating LNG trains ever, 3.3 million tons per annum each. And for those of you who like to see real photos of our impressive facility, here's one taken just last week showing the Kogas ship receiving the first cargo of Oman LNG on April 5th before leaving for its return leg of a maiden voyage to Korea.

Looking ahead to future projects, on March 23rd, we announced the signing of a memorandum of understanding between PDVSA, Shell, ExxonMobil and Mitsubishi related to the development of offshore gas fields in Venezuela and the construction of a liquefaction complex. The project is targeting the attractive markets in the Atlantic basin with an initial output of 4 million tons per annum.

Shell is committed to applying the latest technology to this project and keep the forward momentum going with a plan to start up in late 2005.

So, maybe I've presented a convincing case that we're the world leader in LNG but you may ask, "So, what?" Historically, LNG has been considered as an extension of the upstream by many of our competitors. For Shell, because of our global reach, technology and cost leadership, LNG has matured into a profitable business in its own right. This chart shows that

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in 1999 on \$2 billion of capital employed, the LNG business delivered a ROACE of 14%. With the current outlook on oil prices for 2000 and the growth in LNG volume, we'll see net income increase in 2000 with further growth in 2001 when we forecast a ROACE of 15% at a Brent price of \$14.00 per barrel and exceeding 20% at \$18.00 a barrel.

These figures exclude the profit and returns from the related upstream positions where, of course, additional value is added.

In addition to the long-term LNG project profitability, Shell's global reach allows us to add additional value by capturing short-term marketing opportunity. Due to a variety of factors, including improvements in plant performance and slightly lower demand in Asia, the volume of LNG available for short-term trade doubled in 1999. As a result, Shell facilitated the marketing and sale of an additional 15 cargos. Examples include spare cargos of LNG from Malaysia and Oman, which were sold to Coral in the US, and, more recently, a deal was closed to deliver a spot cargo of Malaysian LNG for marketing into the growing Spanish market.

As a result, a cargo of gas, which would have otherwise been left in the ground, was sold, creating value for Shell in the monetization of the upstream reserves and the profit at the Malaysian LNG plant where we have an interest as well as marketing margins in Spain. Just another example of the value to be gained from Shell's global reach in our gas and power business.

Turning to new markets, we're aggressively pursuing opportunities in growing markets in all stages of liberalization, including India, Brazil, China and Turkey. In the southern cone, we have an established position in the Bolivia to Brazil value chain targeting the large São Paulo market with key assets including our stake in Comgas. The Comgas distribution concession covers a market of over 6 million households with gas expected to grow tenfold in the next 10 years. Comgas provides an excellent example of integrated customer solutions and the company is now developing plants to combine gas distribution with power and other energy services, further leveraging their customer base.

India is another major growth market, in particular, for LNG projects in which Shell has an interest in the Middle East and Southeast Asia. It is expected that demand in the north and west of India alone is likely to exceed 10 million tons per annum by 2010 with further market development in the south. LNG from Oman will become the first LNG delivered to India with initial deliveries to the Dabhol power project towards the end of next year. At the end of 1999, Shell was awarded a letter of intent for the right to develop a port and LNG receiving terminal in Hazira in the state of Gujarat. Compared to several competing projects, Hazira benefits from its close proximity to major customers as well as key gas infrastructure.

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Because of this, we expect Hazira will be the lowest cost option for import of LNG into Northwest India and we're targeting aggressively an investment decision in early 2001.

You hear a lot about the importance of Shell technology in our E&P business and I would like to tell you that it's important to gas and power, as well. One example is our gas to liquids technology which is in the press quite often lately. Unlike our competitors, Shell has a proven commercial process for converting natural gas into liquid petroleum products. The photo shown here on the top is of our Bintulu plant in Malaysia designed to take in approximately 120 million cubic feet per day of gas and produce 15,000 barrels of middle distillates and specialty products. On the right is a diagram of floating LNG which offers a low-cost means to monetise remote gas. Both of these technologies are included in Tim Warren's technology presentation and in the exhibition later today. On the left is a photo of a coal gasification facility located in Holland. The Shell technology applied in this plant enables the generation of electricity with coal as the fuel but with a 90% reduction in sulfur, nitrogen oxide and particulate emissions compared with conventional coal processing.

We've licensed the technology to projects in Italy and India but see the most potential for application in China where there are huge domestic coal reserves. We recently signed a memorandum of understanding in China with Sinopec to develop a 50/50 joint venture coal gasification project at the Dongting fertilizer plant in Hunan Province. We continue to consider additional opportunities for this technology.

Now, let's turn to power generation. This chart illustrates the growth in global power generation capacity over the coming 20 years and it highlights, in particular, the growth of gas-fired power which is forecast to average 5% over this time frame. This growth presents several opportunities to Shell—acceleration of the monetization of Shell upstream volume; opportunities to leverage our world class IPP development skills in InterGen, our 50/50 joint venture with Bechtel; and as a growing platform for gas and power marketing and trading.

The map on the next chart shows the span of power generation activity we are involved in around the world, predominantly through InterGen. The activity includes projects in mature markets such as the UK, US and Australia and developing markets in Turkey, China and South America resulting in a diverse and high-quality portfolio.

This portfolio translates into tremendous growth on the horizon for InterGen. At this time they have plants in operation totaling over 1,000 megawatts. Looking forward, projects currently under construction will almost triple their operating capacity by the end of 2002. The plants coming on-stream are located in The Philippines, the UK, China, Australia, Egypt and Mexico.

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Adding to that a projection of the impact of projects that have not yet reached financial closure such as the three projects in Turkey and the forecast indicates operations of over 8 gigawatts by 2004.

InterGen is not only considered a success internally. They are also recognized as such throughout industry. Over the period 1996 to 1999, InterGen has been the second most successful developer of the greenfield plants outside North America, just behind AES. And InterGen continues to win industry awards recognizing their world-class project development and financing capabilities. A few examples of these awards are shown on the chart related to their projects in Australia, the UK and Egypt.

The next chart I'll show is not in your package but building on InterGen's success so far, I'm pleased to announce that we're in advanced discussions with Bechtel concerning an expansion of our InterGen joint venture. The new venture which will continue to be owned by Shell and Bechtel will include the existing InterGen portfolio and certain US gas and power assets. An important element of the new venture is the preferred relationship established between the JV and the parent company with Bechtel providing world-class EPC skills for new project development and Shell becoming the global fuel supplier and merchant energy marketer and trader for all InterGen facilities.

The benefits of the new venture include strengthening the alignment between gas and power assets and marketing and trading particularly between InterGen and Coral in North America, leveraging the skills of the parent company, presenting a single face to the market for power development through InterGen and for marketing and trading through Shell, and creating a stronger platform for future growth. We plan to issue a joint press release with Bechtel providing more details of these plans in the coming weeks.

We are often asked, especially by analysts, about our investments in power generation and whether we expect a utility rate of return. The answer to that is, no, we're in it for more and this chart attempts to explain. InterGen typically expects to receive a return on equity on the order of 10-15%, higher in developing countries where the project risk is higher. Now, with the expanded joint venture, Shell will be the preferred supplier into all InterGen facilities. This creates the opportunity for additional value creation and improved return. We also have the preferred power marketer role for all merchant power available from InterGen plants, worldwide, creating an additional opportunity for improved margins.

The resulting return on Shell's investment, then, can be significantly higher than that of the plant alone and we shouldn't forget the potential linkages with Shell LNG or upstream projects where further integration can create a market for Shell reserves or a unique offering to host governments and major resource holders.

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Moving to North America now in marketing and trading, Coral Energy is positioned to provide integrated solutions to energy customers, not just gas and power but also fuel oil as well as financial and industrial energy services. An example of their capabilities is reflected in the recently-announced KeySpan Energy alliance. KeySpan is the 4th largest local distribution company in the US serving over 2.7 million customers in the New York City area. Through the alliance, Coral will participate in the management of KeySpan assets including coordination of the fuel supply, buying and selling power, managing price risks, and maximizing trading opportunities. Coral secured this opportunity against stiff competition from the major US players and we're excited about the new partnership and look forward to others like it in the future.

A second recent and successful business development in Coral has been the launch of Coral's e-commerce platform, coralconnect.com, which provides customers with the opportunity to conduct financial and physical gas transactions online. This site also offers access to a wide variety of energy information. Over 900 users registered in the first 6 weeks following the launch, arriving to the current level of over 2,000 and activity levels continue to increase.

As liberalization continues, new opportunities emerge from marketing and trading operations around the world. Outside the US, the most mature and significant opportunity is Europe. Shell Energy has been created to pursue power marketing and trading throughout Europe. One of its first steps has been the announced joint venture with ENECO to trade electricity in The Netherlands. Shell Energy is now also trading electricity in the Scandinavian power pool and are initiating activities and staying.

We have also expanded the scope of Shell Gas Direct, which is the 5th largest UK gas marketer to include power, providing it with dual fuel capabilities.

Other opportunities for value chain creation are emerging with the liberalization of retail or residential markets in the US, Europe and other places around the world. The chart on the left provides an indication of the size of this potential prize, projecting that within 5 years approximately 200 million households will be open to competition for gas and power. At an estimated annual growth margin, and I stress "estimated," of \$50 to \$100, there is an opportunity on the order of \$10-20 billion per year. These are really big numbers. Of course, net margins will be slim especially for new entrants competing against strong incumbents.

What will it take for a new entrant to win? One of the critical ingredients is the regulatory framework that allows for fair competition. Once you have that, other important factors will be scale, reliability, a recognizable brand, and a unique customer value proposition. Shell has a number of relevant attributes: experience in gas and power supply; a strong brand; an existing customer position through our retail gasoline operations. In fact, every day over

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20 million customers visit Shell retail gasoline sites around the world and another 10 million people in the US and Europe have Shell credit or gasoline card in their pocket.

But can we leverage these attributes into a winning residential energy business? This is an important question for us and this is why we are investigating opportunities in selected markets. One such effort is in the residential gas market in Atlanta, Georgia, through our US subsidiary, Shell Energy Services Company (SESCO). The Atlanta market was opened to competition in late 1998 and through the end of 1999, Shell had captured 23% of the market gaining customers through telemarketing and direct mail efforts as well as through the acquisition of a competitor's customer base.

This particular pilot proved the strength of the Shell brand and helped us establish the back office and other systems necessary to compete in this business. Following this initial success, we are currently considering entry into other US residential markets for both gas and power.

A second residential entry is through our recently-announced venture called Pulse Energy that will market gas and power to residential customers in eastern Australia. Shell's partners contribute over 1 million existing residential gas and power customers to the joint venture. Shell brings brand recognition as well as the local petrol loyalty program called Fly Buys which is similar to the airline rewards program in the US. Fly Buys has 2 million members which will be leveraged to attract and retain home energy customers. The joint venture is expected to be up and running at the beginning of 2001 and is developing plans to attract more of the 10 million potential customers in their territory.

So, where will we go with the residential market? I think it's too early to say but it's clearly an interesting opportunity for Shell.

In summary, I think I've demonstrated that Shell is the clear leader in LNG and we're on course to widen the gap between us and the competition. We're pursuing strategic positions in key growth markets leveraging technology to our advantage. In power generation, we're building on our world class capabilities in order to grow our portfolio and developing a more strategic relationship with our InterGen joint venture. We're expanding our marketing and trading capabilities, including e-commerce and we're evaluating the emerging residential market—all of this leading to a growing and robust Gas and Power business for Shell—but it won't be easy. The Gas and Power business moves very rapidly with key changes in terms of liberalization and the competitive landscape coming at us every day. By leveraging Shell's strength global reach, business development, marketing and financing skills, reputation, brand, the lowest cost, and the best technology—we have what it takes to be a clear leader and I'm confident of our ability to succeed.

Thank you, and now I will turn it over to Tim Warren who will tell you more about all the exciting new technologies many of us have referred to this morning. Thank you.

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Tim Warren:

Good morning, ladies and gentlemen. Did you ever think that the ocean floor could be quite such an exciting place? That was a simulated run through where we're placing the Bonga development off the coast of Nigeria. What you've just seen is an example of technology in action in Shell Exploration Production. This particular technology using detailed echo sounding gives us a safe, cost effective and efficient way to explore the seabed. We can avoid hazards and locate and operate our subsea facilities and wells and put them in the best place for the best returns. It's just one of the ways that technology is helping Shell's performance.

When I met with some of you in New York last year, I said that technology is a key competitive differentiator within our industry. I think my colleagues who have spoken before have all reinforced that point. It's a source not only of ready money but new opportunities and long-term value for Shell. At that time I also highlighted a number of ongoing developments. In the next 20 minutes, I'd like to give you a snapshot of the progress we've made since then delivering on those promises and I'll explain the course we're on to continue and, indeed, accelerate progress.

First, I'd like to just mention WellDynamics that was introduced by Phil in his introduction and announced with Halliburton and ourselves yesterday. I'm pleased to welcome, in fact, on the front row particularly Edgar Ortiz who is the president of Halliburton Energy Services and his team. You'll have an opportunity to interact with them later on this afternoon during the technology show.

SmartWell intelligent completion technology is a technology that's designed to maximize production at minimum unit cost through the application of real time downhill measurements, real time inflow control, processing and multi-lateral technologies. It actually represents a convergence of all our historical technologies within the well bore and we expect in Shell a 30% increase in the value of all our future wells through the application of this technology. Indeed, we see it as the next breakthrough akin to that of 3D seismic and horizontal drilling.

The venture WellDynamics positions Shell to extract early and maximum value from the deployment of these technologies. Products are already available from Petroleum Engineering Services Ltd. and I'm pleased that Larry Kinch is here to join us today, the chairman and founder of that company that is part of our exciting new venture. We and Halliburton have exciting plans for the future.

A global Shell team has been working for some time to build a portfolio of the opportunities for operationalizing this technology and I'd just like to take you through 3 examples. Firstly, at the end of this year in the last quarter, Petroleum Engineering Systems products are already planned as components of Shell Expro Gannett-D development. These products will reduce the incremental development cost in that development by 33% and provide an accelerated

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production volume of just under 1 million barrels. 40% of our global operated production is gas-lifted. Gas-lift systems by their very nature run sub-optimally. But real time measurement and control will allow full time optimization, thus, allowing us to grasp a 100,000 barrel a day prize within Shell managed operations alone.

In the future, we see smart or intelligent wells taking up more and more of the functions presently provided through surface facilities. Downhole dehydration, downhole compression will reduce surface requirements and provide access to reserves which are now not economic. Facilities costs will be lowered and there will be significant benefits in terms of reduced environmental footprints.

Larry and the Halliburton team, as I say, will be with us this afternoon. There is a booth at our technology showcase on WellDynamics and I hope you will go there and have an opportunity to see the very great value that we see in this partnership.

What else are we doing to achieve the targets we set ourselves? The key is rapid deployment of our knowledge and technology to achieve new limits ahead of the competition and realizing our aspiration of being too fast to follow. In Shell, we call this Realizing the Limit. Realizing the Limit is all about challenging what we do and what we assume. It's about avoiding the mindset of doing things as they've always been done. Global teams throughout Shell challenge these ways and share best practices. They imagine the perfect performance possible with today's technology and go up the learning curve to get there. This limit, ladies and gentlemen, is the ultimate benchmark. Nobody can do better.

But as new technologies are developed, the limits are pushed back. Today's perfection is no longer tomorrow's and the process is a continuous one, ever climbing new learning curves to reach the next perfect performance limit. As you see in our global reach, in fact, gives us access to learning curves that are just unavailable to our competition.

To put Realizing the Limit into practice, we've established limit techniques in four areas: volumes to value, which addresses the monetization of the value of our subsurface knowledge and technology and together capital to value, drilling the limit and producing the limit, minimize our costs and maximize our return on investment.

Let me give you just a little bit of detail on each of these techniques. Drilling the Limit is about maximizing the value from each well. Drilling the right wells and drilling them right. It focuses on challenging assumptions about what is achievable and creating the teams, the mechanisms, and the culture to do better. Input and expertise from our people everywhere within our global business are drawn in as appropriate.

In 1999, in the Gulf of Mexico, Shell drilled wells faster and cheaper than any other company. This was benchmarked against the performance of the rest of the industry. Shell was drilling

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wells twice as fast and, therefore, it reduced cost of the average of other operators. This was achieved through applying Drilling the Limit.

The same technique is being applied in all our operations around the world. For example, here in Shell Expro in the North Sea, the average rate of drilling has been improved by more than 50%, 1999 over 1998.

There are two examples of drilling the well right but here is a lovely example of drilling the right well. The Fishhook well in Brunei which actually turns round in the subsurface and comes back towards the surface started off as a \$10 million proposal as an exploration well stand alone. Applying our Drilling the Limit technique to this well reduced the cost significantly as shown on the middle bar. But this still wasn't good enough to gain acceptance in our global ranking process. So, a novel sidetrack path shown in red was developed from an existing development well. The cost of this should be less than 1/10 of the original \$10 million proposal.

Capital to Value is the way of helping Shell deliver world-class projects. Throughout the life of the project Capital to Value specialists get involved in insuring application of best practice to amongst others, objective setting, risk and uncertainty management, contracting and procurement strategies and relationship management. Their job is to make sure the assets being created will have maximum value.

In The Philippines, for example, our Malampaya project has gained significantly from the Capital to Value technique. Applying this value engineering technique essentially redesigned the approach to part of the project. Many changes were made by the team, an example of which was the removal of redundant methanol scrubbers. This process saved 20% of the original design cost, a saving of \$50 million. Indeed, the onshore gas contractor working with this gas contractor, Foster Wheeler, stated they found this methodology so powerful that they intended to mandate it on all their future projects.

Volumes to Value is where we focus on monetizing more reserves. That means, homing in on the basic value drivers of the given project and on building teams of people who can use those drivers to improve performance. As you might expect, Producing the Limit is about maximizing production. It provides a framework at which we can look at all aspects of the production value chain identifying opportunities for increases, both immediately and in the short-term.

One example, again from Brunei on how much Realizing the Limit can and will continue to contribute comes from Brunei in part of their large Champion Field asset. The slide here shows you in red the production previously forecast from this part of the field. When the Volumes to Value methodology was applied, it was found that estimates of oil initially in place had been understated by 13%. Producing the Limit generated many ideas for increasing

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production such as improving gas lift efficiency and changing commingling zones. This brought improvements which could be applied almost immediately, as from mid-2000. These are shown in green on the chart.

But Realizing the Limit went further. Producing the Limit initiatives identified recompletions that added extra oil shown here in the orange section. On top of that, a combination of Volumes to Value and Drilling the Limit highlighted the potential for three new fast wells with up to 20% additional production opportunity. The effects are shown in yellow.

Applying these recommendations that I've emphasized in just one part of a major field asset will increase production in the Champion field by 2 million barrels a year at a cost of less than \$2 a barrel and maintain those new levels for several years.

Realizing the Limit is absolutely crucial in allowing us to maintain capital discipline whilst growing our business. In 1999, we saved \$270 million with Drilling the Limit compared to the cost which would have been incurred without it. This year, the target is a \$500 million saving. Volumes to Value identified additional expectation as opposed to proven, that's a 50/50 chance, of 250 million barrels last year. This year's target is 400 million.

Producing the Limit came up with production opportunities of 14,000 barrels a day and this year we're targeting 100,000. Capital to Value identified Capex savings of \$250 million last year and this will be significantly exceeded in 2000 working on projects in hand or planned.

I should emphasize that the figures on this chart represent 100% improvements on the assets that Shell operates. Our partners and our host government partners accrue some of the benefits, themselves.

We're well on course, therefore, to clear the milestones we set ourselves for the end of 2000. The Drilling the Limit technique by then will have been applied to all wells to be drilled from the start of 2001. Application of Volumes to Value will have covered over 15% of our resource space and Producing the Limit will have been applied to 25% of Shell's operated production. All our major projects and ventures will have received Capital to Value assists.

Let's look now at how we're doing in the technical arena. Remember, we promised you a commercial return on technology, quicker and better application and value from the technology itself. We're making this happen in several ways. Our globalized organization enables technology experts based here in Houston and New Orleans and in Europe as shown here to communicate with staff in our operating units all around the world concerning their particular challenges.

Electronic means and web forums all contribute to the rapid sharing and implementation of best technology and practice. They also enable us to get the best out of our global pool of

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human talent. We can place the details of a particular technical challenge in a web forum and get virtual teams working together quickly and effectively to find a solution.

In one case, an engineer in a Middle East team had a problem concerned with a critical safety issue for a bid on a project required within a very tight deadline. Omitting the specification would have meant missing or losing the bid. He posed the problem on the Shell web and received answers, which enabled him to answer his problem in the same day. Our bid was successful.

Last year we highlighted key areas where we provide value. Cheaper plumbing was one now being addressed by Drilling the Limit and SmartWell technology but we also said we were going to sharpen our vision of the subsurface. Today, our seismic imaging and analysis lead the world. In Norway, here, for example, Shell geoscientists now routinely perform 4-dimensional or time-lapse seismic studies. In Norway's Draugen field where the technique revealed the flow of water during oil production, allowed us to avoid drilling the well that was planned at the bottom of the chart on your right and pinpointed the right place to drill it. In fact, the last opportunity to drill a well from that platform. The new well drilled at the end of 1999 is a record-producer in the North Sea at over 70,000 barrels a day.

Another advantage from our seismic technology is that the subsurface can now be visualized in virtual reality centers. An immersive 3-dimensional view combined with a variety of seismic well and reservoir data gives a full understanding of the situation and tasks at hand. It actually allows multi-disciplinary teams to communicate better and more effectively and quickly. They can challenge today's and each other's orthodoxies to increase reserves and production and save time and money. I hope you will be equally excited by the demonstration you will see this afternoon in our technology show.

Last year we also said we would turn gas into cash and Linda has explained to you the power of our gas and power business. We have a powerful array of technologies thanks to focused research combined with our extensive operational design experience and the learning curves we're able to go up both in LNG and gas to liquids technologies.

The Oman LNG project, as Linda demonstrated, is the lowest unit cost greenfield LNG project ever, an unrivaled specific capital expenditure of US\$200 a ton of LNG produced per annum and the next plant—we already know how we're going to do it better still.

Shell's floating liquefied natural gas concept is now at the stage where it is ready for commercial application and has been added to our gas technology tool kit. We firmly believe that it enjoys a similar cost advantage to the traditional LNG forms.

Our proprietary Shell Middle Distillate Synthesis technology has further strengthened our competitive advantage. Recent advances such as a break through in catalyst performance

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have reduced the specific capital costs to US\$20,000 a barrel per day capacity. A 70,000 barrel a day facility using SMDS has the same gas intake as a large-scale LNG train. The economic attractiveness of such a plant is often as good as or even better than an LNG investment. As Linda has shown you earlier, LNG makes us very good money.

This creates opportunities for us to flexibly apply SMDS, LNG and floating LNG trains as building blocks in our field developments. You will be able to see more details of all these projects this afternoon in the technology showcase. All of them are helping us to keep the promises we have made to deliver more cheaper and faster. All of them are contributing to defining the new tomorrow's limits that will be pursued by our Realizing the Limit techniques.

Speed is absolutely critical to what we are trying to do. A major part of Shell technology's task, a major purpose of Realizing the Limit is to develop technology faster and deploy it faster for the benefit of Shell's bottom line. Why is speed so important? Firstly, of course, to keep ahead of the competition but also to make our reserves commercializable more quickly. Secondly to produce the production on which our profitability and value is predicated.

Thus, that is why we are engaged simultaneously in multiple ways of commercializing our technology. We're developing our own technologies in areas where Shell can sustain owned competitive proprietary advantage. In other areas, we're buying in excellent technology from others. And others, we're entering into joint technology development ventures such as WellDynamics.

We formed Shell Technology Ventures to take those technologies to the marketplace both within Shell to create additional value for our businesses and to external customers. We have now come quite a way down that road and with our venture partners, we further developed the technology of expandable tubulars. The first products were on the market late last year. The first five applications are out there already working in the field.

Of course, delivering a commercial return on technology is not just about technology. Commercializing technology requires keen financial engineering and entrepreneurial skills. We were pleased also to announce yesterday that we're forming a new holding company called Shell Technology Investments Partnership. This is a partnership with the private equity investment company, The Beacon Group, in New York. I'm pleased to welcome in the audience today Eric Vollebregt, the CEO of the management company of this partnership who you'll have a chance to interact with this afternoon.

Last year, I mentioned our intent to commercialize our revolutionary Twister gas separation gas technology. Two Twister units have been operating successfully in The Netherlands over the last 4 months and Shell companies in Nigeria and Sarawak are now keen to implement this technology in their short-term developments in Bonga and MB-12. The industry at large

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has shown a lot of interest in this product which can reduce the facility costs of gas field development by up to 40%. I'm pleased to say that commercializing the Twister is one of the first investment projects blessed by the new Shell Technology Investments partnership.

In creating an investment partnership, we venturing beyond the traditional parameters of a technology organization and with good reason. We wanted to do everything we can to accelerate technology development and particularly deployment for the benefit of the Shell EP bottom line. Beacon's successful track record of helping companies grow new businesses and their particular understanding of the energy sector are a natural complement to Shell's capabilities and our drive to achieve a commercial return on our technology investment.

The partnership will bring together exciting complimentary opportunities between Shell technologies and technologies available in the outside world with the objective of significantly enhancing value creation.

I hope I've helped you to understand the significant difference that technology is making in Shell exploration and production, more precisely the difference made by the application of technology by our people. We continue to drive forward developing technologies, identify and promoting applications that will have real impact on the bottom line, training, motivating and facilitating our people to use technology to its best advantage. We're delivering on the promises we made last year, in particular, through Realizing the Limit and I hope you agree the results speak for themselves.

We're in good shape to meet and even exceed the hurdles we set ourselves for this year and 2001. Our venture partnerships, WellDynamics with Halliburton and Shell Technology Investments Partnership will accelerate technology development and accelerate deployment. So, as you see, ladies and gentlemen, we believe we have an exciting future ahead of us building on the solid foundations of the past.

I thank you for your patience in listening. We're now going to take a break for lunch and reconvene back here at 1:20 when Phil will give a summary and open the floor for Qs and As.

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Phil Watts:

Welcome back, everybody. We've just had lunch here in Houston. Welcome back to all of you folks out there on the Web, on the Internet. We'd especially like to welcome those that are watching from Kansas City and especially the mom and dad of Linda Cook who is sitting here. Hi, mom.

We've been covering quite a lot of ground before lunch and I've been given quite a bit of stuff for a summary and I thought, well, at this point in the proceedings, let's not read this stuff. I just want to hit the high spots that are important as far as I'm concerned about Shell's E&P and gas and power business.

I hope you've not missed point number one and that is that we have a great deepwater business in Shell and, of course, it started here in the Gulf of Mexico. We're still making progress but now we've got a global deepwater business of which we are very proud and we intend to continue that and to grow it.

Secondly, we really do want to become partner of choice in the Major Resource Holders. I don't think any major oil and gas company is going to be worth its salt, 10, 20 years from now if it doesn't have a significant position with the Major Resource Holders and we think the fact that we're a very large operator, we bring those sort of skills to the party can make us a partner of first choice.

I'm sure you've also seen in everything we've had to say this morning, the common thread of the importance of gas and, for us, gas is the key growth market. In the upstream, certainly, but also in the downstream, in particularly LNG and you've seen that we have an LNG business that is large, profitable and still growing and we intend to grow it further.

Then, of course, is power. We've been really pleased with the way the InterGen company, that venture, has taken off and we want to make more of that. As Linda was saying, and you may want to ask about it later, we're very keen that that venture we have with Bechtel and InterGen really grows and prospers and develops over the years.

Of course, then there's the whole area of gas and power marketing and trading. We're very proud of the business we have here in the US, that is Coral, and we're proud of the things that are being done in SESCO, the example that you saw in Georgia, what's happening in Australia. This is not going to be an easy business. It's a very dynamic business but we've got these experiments going and some of them are starting to make money. We're determined to pursue that.

Having talked about a number of things, I could have said more, but we just mentioned a few, having talked about prospects for growth, you should have no doubt about our determination

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to maintain and improve our short-term profitability and somehow we've got to get the balance between those two things right and I do personally believe that it is not a matter of either or. The conversations we have as an Executive Committee with our business leaders around the world, it's all about we want short-term profitability and long-term growth, please—preferably sooner rather than later. Somehow the challenge is to get to the ingenuity and imagination of our people to achieve that around the world.

I make no apology whatsoever. Some companies are giving up on technology. You know, it's something you can't afford. Often they rationalize it and put it under a headline of fast follower or whatever. Of course, we want to take up other good ideas onboard. We're not the source of all wisdom ourselves, but I think some companies are losing heart as far as technology is concerned. Shell is not. The fact that we stressed technology last year in our analysts presentation, that we give it even more of a profile this year, reflects that we're determined to press forward with technology—not technology for technology's sake but really technology that makes money and commercial technology.

That is why I'm so pleased that we've got a couple of announcements today about WellDynamics, the deal with Beacon, the fact that we're very encouraged with our gas to liquids technology which I think can be quite a break through.

So, in conclusion, I would say, we do have an unparalleled portfolio. We should thank our fathers and grandfathers for some of that and we appreciate it. We're building on that portfolio. It's a tremendous global spread. Our challenge and commitment is to exploit all of those assets to their full potential during our period of stewardship to add to a rich portfolio even further. Thank you for your attention to the formal part of the presentation.

We're delighted to have a Q&A session. Can I just check where the microphones are? There's a couple over there. There's one here. If you do have a question, can I ask you please to identify yourself, state your question clearly and I'll make sure that we all understand the question and then we'll take it from there.

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Q&A Session:

Q.

[Inaudible]

A.

Phil Watts: This is a question about LNG importation into the US. Linda?

Linda Cook: As I mentioned in the presentation, during 1999, we sold a number of spot cargoes, many of them into the US market because the prices were attractive and we had the additional capacity available. Of course, that's a lot different than justifying a whole project based on spot cargo. I think in the near term what you'll see is new expansions and possibly new projects being justified with certainly still a base load of LNG sold under long-term contract but with excess capacity built in so that you do have the flexibility to take advantage of higher prices when you see them.

Q.

[Inaudible].

A.

Phil Watts: The question is whether you're talking minor volumes to import or significant.

Linda Cook: I think in the near terms the volumes won't be that significant because projects that are on-stream have the majority of their LNG tied up under long-term contracts. It will just be what you have available in terms of operating capacity and available shipping.

Q.

Doug Terreson from Morgan Stanley. I think my question is for Linda, as well. In the global gas and power business, you guys mentioned that you're generating about 80% of your net income after tax from LNG which about 30% of the capital employed which implies that the ROACE in the other businesses as you mentioned is probably pretty low today, although I think you mentioned also that there were some special items in those numbers. My question is, can you kind of clarify those ROACE figures and also give us some guidance as to how you expect capital employed in this business to be proportioned, say, 3 years from now or 5 years from now, whichever you chose; and also, your projections on when the non-LNG portion will begin to exceed the cost of capital.

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A.

Phil Watts: This is a question about the segmented profitability of the gas and power business. After you get the whole answer, you'll know more than I do.

Linda Cook: I hope not more than I do but I'll give it my best shot. Okay, so I talked about LNG and it is about a third of our capital employed right now. We're projecting good returns this year. Of course, better than what we might project at \$14.00 a barrel because we're seeing higher oil prices this year than that. So, going forward... of course, that will fluctuate with oil prices, you know, quite a bit.

In terms of the other businesses, you're right. They are delivering much less because the overall return on average capital employed for gas and power in 1999 was 7% and that was at about an \$18.00 Brent, you have to keep that in mind, as well. So the other parts of the business were not performing that well. I think the thing you have to keep in mind is that LNG is the most mature of all of the segments of the portfolio in the gas and power business. We're a growing business and the Group is looking at us to grow. We have the long-term aspiration and expectation by our chairman, the gentleman to my right, if the business delivers 15% ROACE overall but I think we're several years away from that. As I said, what we're going to deliver to the Group is a combination of growth and value and relatively modest returns for the coming 2 years.

Q. (same individual)

Okay. Let me also ask... I think in the non-LNG portion, you have \$5 billion of capital employed. What's that number going to be 5 years from now? Do you have an idea?

A.

Linda Cook: Yeah. Certainly the power portion of that we expect to grow and you saw the forecast I showed you on capacity and power generation growing so that would be a growing portion of that and the LNG portion will be growing also.

Q. (same individual)

Okay. But you don't have a non-LNG...

A.

Linda Cook: Well, if you think about it, the other parts of the portfolio in gas and power are relatively low capital-intensive businesses.

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Q.

I guess we're stuck on LNG. I tend to talk to Woodside from time to time and they give you good insights into their attempts and your attempts, as well, to get another set of businesses going in Japan. There are a couple of Japanese members of the consortium which would seem to give it some push and, yet, Mr. Akers' comments informally were to say that the structure of that market has changed quite a bit. It's not unlike the direction we've changed in in the West... much more spot oriented in the sense of wanting things, smaller pieces, less responsibility financially, buyers don't finance the whole thing. It would seem to me that that rings true and, therefore, to sort of set up a 6 train LNG project as Total did with Tubu won't be happening again. I'm not sure what the model is going to be. Maybe you're going to combine China, India and Taiwan. Also, if the company is so enthusiastic about gas, economically how do you think about things like Gorgon?

A.

Phil Watts: So I can make a remark in the first instance. I was recently in Japan and we see markets... the liberalization that's taking place and we have to open our minds as to the possibility that a different regime could one day exist. Against that, you have to really look at the reality of the necessity or security of supply and properly a number of those markets are extremely conservative about that and don't want to be dependent on a really fluid arrangement. It doesn't mean that some of that stuff isn't going to happen at the margins but if we're not careful we can be a little premature about the prospects for the current regime.

I think we'll get other kinds of flexibility as we come in to satisfy the market requirements.

Linda Cook: I think one thing I add is, of course, the recent slow down in the economy of Asia has backed up into our business, as well, slowing down in terms of the demand but as that picks back up, we'll see a strengthening of the demand, as well, as I showed in the charts during the presentation and as Phil mentioned, the buyers there will be looking for not just low cost but also security of supply as well as diversity of supply. So, we're just looking for that to mature and see what impact of deregulation, as well.

Q.

The attached question was on the issue of stranded gas or gas not ready to be commercialized and I mentioned Gorgon as being one which you have some involvement and BP Arco offshore Indonesia is another we all know about but gas very often sits for years. When you say that Shell is particularly interested in being more gassy or associated with gas, do you just sort of write off in your mind beforehand those waiting times and all the difficulties that have traditionally occurred?

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A.

Phil Watts: I don't think we can afford to be complacent about the issue of stranded gas. And, of course, you get quite a bit backing up, ranked on its unit technical cost and all the rest of it. That's why, from my perspective, I'm so interested in the idea of gas to liquid schemes where you produce a product that goes into the global oil pool and, of course, you have the opportunity that it can be particularly tailored products for a particular use in particular markets. That's where I think we're keen to get those schemes off and running.

Linda Cook: I think the other thing I would add to that is floating LNG because floating LNG enables you to do a smaller-scale project without the large initial up front investment and you can get your cash flow going sooner then and then perhaps justify the large project later. Both gas to liquid and floating LNG are featured in the technology exhibition, so I encourage you to go by there after the Q&A session and find out more.

Phil Watts: They're very interesting sessions.

Q.

This is Steve Pfeifer with Merrill-Lynch. Last year the Group went through a major reallocation and streamlining of your capital budget, really focused on lower cap spending, laying off some of your projects to interest in other companies and then also going through a global allocation. Could you give us some sense for the old portfolio, what kind of internal rate of return you may have been looking at and how that's been improved by the new portfolio going forward or maybe another way to describe it would be what's the unit operating cost or development cost per barrel for the new investment portfolio compared to the previous portfolio that you had been pursuing in the past?

A.

Phil Watts: I'll make a general comment but I'll turn to Dominique. I think one thing we were very determined to do was to improve the downside robustness of our portfolio. And when we use the catch phrase "we screen at 14 and then we check at 10 so that we sleep easily in our beds" I mean, it sounds a little simplistic and whatever but that is deadly serious and so I'm pleased that over the last 12 months we've really got a better downside resilience in the portfolio. I hope we never have to demonstrate how useful it is because you find that... as well as divesting some stuff that's vulnerable, if you can improve your cost performance, it works well at \$14.00 a barrel. It works even better at... what is it... \$22.00 a barrel today. As far as getting to detailed numbers, I think that's a bit early. I'm looking forward to seeing the Schroders comparison of the oil industry in this coming June, July, so that we see what's happened to the unit finding costs and the like. Dominique?

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Dominique Gardy: Well, I would just like to come back to what I said this morning. Return on average capital employed improvement between 1999 and 1998 was some 13 point. Half of that was due to better price per barrel but half of its 6 point return on average capital employed was a result of the action... we did it through strategy cost leadership and portfolio management. Re divestment, we divested some \$1.7 billion capital employed in 1999. Generally speaking, high cost type of assets and... this is definitely something which has improved our portfolio and will bear fruit in the years to come.

Q.

You got a couple of new LNG facilities Oman, Nigeria, what kind of netbacks to the wellhead are you guys getting for the gas on that stuff and in a \$14.00 a barrel Brent environment, what kind of gas purchase price would you need to make a new LNG plant economical?

A.

Linda Cook: In terms of the netback to the wellhead, I think the important thing that we always try to do with LNG projects is look at the integrated economics because in each of the different countries we operate in, the contracts are written differently and the profit and margins can be distributed differently so I think it's important to look at it on an integrated basis. What we can say though is that the overall LNG portfolio at Shell as I showed you in the numbers here is profitable at \$14.00 a barrel and expect a reasonable return, a strong return actually. And the economics on the integrated projects look equally good, if not better.

Phil Watts: Let me give an example of that. I used to be Chief Executive in Nigeria and we just approved Train 3, we're a partner in Nigeria LNG. As well as being inherently profitable in its own right, it will gather associated gas from our fields with the gas gathering system and will do two things. It will facilitate the production of the oil and the profitability of that and it will also help to put out the flares which is part of our commitment to have a flares-out policy in Nigeria with a stretch target at 2005 and certainly everything out by 2008.

Q.

Tom Schmidt from Alliance Capital. If you look at your total production and then look at your exploration spending, aren't you going to have to increase exploration eventually here or you're not going to be able to replace reserves? You spent roughly, what, a billion and you produced 1.3 billion.

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A.

Phil Watts: Here would be an appropriate point to... we certainly want to do the best we can with exploration and you saw the numbers that are coming through, they're in your charts. On a... I use the phrase "expectation." I think you used the phrase "resources" basis as opposed to the proven but... last year, 1999, in a traditional way of looking at it we... what we found at \$2.00 a barrel oil equivalent. If you look at the expectation, the resources, it was closer to \$.90. But, you're right, if you look at that and the rate at which it's going to mature perhaps we're a bit short.

Last year, we also went ahead with the Athabasca oil sands project and the day we took the investment decision, 600 million barrels went, bang, to our reserves. Of course, they're under mining reserves. Then you look at the deal that was done in Iran, and that's a buy-back contract, and there is by law no entitlement to reserves. So, they don't show in all the reserves numbers. When other Middle East Major Resource Holders open up, they could well not adopt a sort of way of counting reserves and a way of looking at the business that we're used to. So, I think we've got some explaining to do in working with analysts so we get a kind of fair picture of how things are developed.

That wasn't quite the question you asked but I broadened a bit to... and it may be also that at some stage we'll want to acquire reserves for money as opposed to the drill bit but there is another tremendous source of reserves and I'd like Tim to comment if he would. Because, if you look at our proven reserves and compare them with the expectation of what they could be, there's a dramatic prize there. Tim?

Tim Warren: You saw a very interesting chart in Din Megat's presentation this morning that separate our resource base in proven exploration expectations and what we call scope for recovery. And scope for recovery is the resource base that we believe is unlockable with new technology. If you look back to those charts, the numbers are very large indeed.

Phil Watts: I have no doubt that if we get Volumcs to Valuc to work with the application of new technology, we don't need to go to Wall Street for it, we're actually sitting on a lot of it.

Q.

The question is one on the power business. Global power businesses are very highly competitive and you have some pretty aggressive competitors there, for instance, Enron. Just wondering if you can elaborate a little bit more in terms of the approach that you take and also that the target market perhaps what is different than some of your competitor or what differentiates yourself and gives you the advantage. The second question is related to the gas to liquid technology as well as the floating LNG as you indicate that both of them potentially could reduce the cost or that could make the project more viable or feasible. If we're looking

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out at, say, the next 10 years, do you foresee the two that will be, as a competitor, one will pace the other or do you think they will be complimenting each other.

A.

Phil Watts: The first question is about the global power business and aggressive competitors all over the world. Linda or Walter, there...

Linda Cook: I'll at least start. I showed you the chart that compared InterGen to the competitors over 1996 to 1999 and it showed that InterGen was the second most successful greenfield independent power producer in terms of developing new projects in the world outside of North America. So, they even beat Enron on that score and AES, of course, was the company that was number one. I think they have... and that proves that InterGen has world class skills in terms of project development and financing and those are the key strengths they rely on in order to win the bid successfully and then have profitable projects when they're actually pursuing them and get the financing done.

The second question was on gas to liquids and floating LNG and I would say that we see them as quite complimentary actually, to our existing LNG business. There are times, as I mentioned, you can actually get started with a floating LNG project on a smaller scale and expand it into a large LNG facility later or you can do SMDS which is Shell Middle Distillate Synthesis process which is our gas to liquids technology in conjunction with LNG and enhance the overall profitability of the project.

Phil Watts: Perhaps I could just ask Walter to comment and you may talk about the situation in the US with InterGen.

Walter van de Vijver: As probably are aware, we started up InterGen in North America last year and I was actually having dinner with Carlos Riva, the CEO of InterGen yesterday because as you can imagine he is very excited about the next stage of where we're going with InterGen and we feel that that venture and this unique linkage it will have with Shell, we'll not have to worry about the big Enron we always like to talk about. I mean, Enron is a different business from the business we are and where our strategies are. We don't try to compare ourselves just with Enron. We have a more complete package we have... and more linkage with the E&P business that's very important and we have different investment opportunities, so we don't look at the business through the eyes as Enron. At the same time, we are very confident as Linda has shown with the success today that we can go where we want to go with what we have put together and where we think we're going.

Phil Watts: And, we'll build, I think, on the global spread we have in this capacity. We're in 130 countries, Shell has a presence and I think that's a really valuable thing to have in terms

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of getting to know who the customers are, how the country works, what the marketplace is like.

Q.

John Mahady from Sanford Bernstein. To follow on Tom's earlier question, what is the finding and development cost assumption that's being used in the volume and capital spending forecasting that you've shown us and, then, also, if you can share with us some of the factors that went into your decision regarding Chad.

A.

Phil Watts: I got the question on Chad. I missed the first part and we have people listening so speak up.

Q.

John Mahady: What is the assumed finding and development cost that you have embedded in the forecast that you've shown us today? What's your expectation for that number?

A.

Phil Watts: I think the short answer to that is... and if you take one of those charts that was demonstrated where Shell is actually the leading company as far as unit finding and development cost is concerned, we would want that and, frankly, something improving on that as we get more focused and also with the benefit of better technology and doing things faster.

As far as Chad is concerned, I said that we had to make some hard decisions about which projects to go forward with and which not and you saw the reality of the choices last year were that we went for a major project in the deepwater in Nigeria, a major project in the US, Gulf of Mexico, Brutus, an offshore pipeline in Nigeria, shallow water field EA. We went to Athabasca with all the story around that, huge reserves and the longevity of the project and some others that you know and then a conscious decision that we would withdraw from the Chad project. I'm pleased for Chad that it's going ahead and that new partners have been found in the form of Chevron and Petronas and I wish the project well and I hope it contributes to the development of the country but there are some hard and tough choices that you have to make as to what you can afford to spend in total and then what the balance and shape of the portfolio of projects should add up to. Very often, it's this downside resilience criteria that forces you to take some hard decisions. I hope that's... Tim...

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Tim Warren: ... on the first part, again. If you look at what we've achieved through Drilling the Limit so far which... anything from 25-50% reductions in our well costs and recognize that well construction costs are anything to 40-50% of your finding and development costs, and we don't believe that the 25-50% that we've realized now is today's technology limit... we've still got way to up the learning curve to actually extract the most from today's... and then factor in the 30% value increase that is the basis for which we're investing with Halliburton and WellDynamics and I think you can see that there are some very, very significant reductions in unit finding and development costs going to be coming in the Shell portfolio.

Q.

Fred Leuffer with Bear Sterns. How much of your Nigerian production is being affected by the disturbances there now and what's your assessment of that situation going forward?

A.

Phil Watts: Thank you. I'm at least reasonably well-informed on that because every Monday morning I insist on a special report from Nigeria... not that the guys that are running it aren't doing their job well but I have been the CEO in Nigeria. This is more for old times sake and deep affection for our people in Nigeria. They had a really difficult time last year and part of the year before and that persisted until the first part of this year. I'm pleased to say that just lately things have improved quite a lot and the atmosphere seems rather a lot better and, in fact, we're not restrained in our production at the moment by community disturbances. We're, in fact, more restrained by quota restrictions from OPEC, would you believe. I think it's something, though, that we have to manage and live with and certainly we make all the representations that we can to the Nigerian government about making sure that the people in the local communities, where we're producing, see their fair share of the revenue that comes from the production of oil and that it's not just in the capital and big cities and whatever. But actually makes it back to the communities and what they need is jobs. We play our part but there's no way we can take the role of government. But, as I say, things just at the moment are looking quite a bit better.

Q.

Tyler Dan from Bank of America Securities. I wanted to address the underlying decline rate that's in your projections. When you formulated these projections, was the Realizing the Limit program... how far along was that and to what extent will that have perhaps offset that underlying decline rate? In other words, could your projections be conservative or... I guess I'm trying to figure out the impact of the Realizing the Limit program on the existing field production.

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A.

Tim Warren: I think you're doing something we're trying to figure out, as well, at the moment.

Phil Watts: That's a very honest answer.

Tim Warren: Yes, that's honest... Realizing the Limit we kicked off, you know, at the end of 1998 and it's been building momentum throughout 1999 and some of our operating units are already banking the advantages in their plans. The others are planning to do that this year. So, there is a significant component that is not yet in our plan, part of it is in our plan. We'll certainly give you clarity on that at the end of this year.

Phil Watts: And, we'll see how things develop over these next few years with these programs. It's not just a mechanical process. This is also about attitudes, hearts and minds, and the ingenuity and the enthusiasm that you can engender when people see it delivers results.

Q.

Actually, that sort of segues into my second question which I'm sorry I didn't state earlier. The accountability that you mentioned in terms of your new way of managing the business, could you just give us a refresher as to what's different now, in terms of accountability, in terms of management structure, versus before and when that major shift may have taken place.

A.

Phil Watts: Shell had an organization or management structure that served the company very, very well for many, many years and I was part of that. I enjoyed the freedom I had in the operating unit as man and boy and it was good fun. The world changes. You get into a more competitive situation and the Group decided to change in early '96 from this matrix structure which, frankly, had got terribly overgrown with all kinds of weeds and bureaucracy and we went to a business structure. We sharpened that up significantly early in '99 where we went from a kind of loose and vague business committee to an executive committee. I think that's enough of the history.

I'll tell you what the situation is like now. We're talking about both Executive Committees, both for E&P and gas and power and it applies just the same. I'll describe the E&P one just for ease of doing it only once.

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At the end of last year, I agreed my scorecard with the Chairman, with the Board, in fact, and the scorecard has on it, top line performance, return on average capital employed. And, then, you go into the rest of the scorecard and it has a line that says unit costs, oil production, gas production, reserve replacement. It goes into the next part. It has HSE, human resources, some measures there. And then at the bottom of the chart... you can see I look at this quite regularly and I can remember what it looks like... it has strategic milestones. Did we get that investment decision for Bonga in Nigeria. There's normally a month next to it.

Now, I have that and I share that with my colleagues on the Executive Committee and I cut it up into slices. Din has his piece, and so it goes. Below that, within each particular region, every operating unit has a scorecard that matches that. So, by the end of the year I have for E&P and Gas and Power my books of scorecards and I know who's name it is at the top of the thing. Perhaps the most important thing we do as an Executive Committee is make sure that you've got the right people on the spot responsible for that piece of total score. Getting the right people in the right places.

We have then quarterly an in-depth review of that and then we have a monthly review. And it's a bit arduous. It's a bit straightforward and it's pretty disciplined and you find out... you know who's accountable but then you see where things are going right or wrong and where things are going wrong how can you inject... not just criticism and give people a slap. That's not the point of it. How can you use resources from elsewhere to help with that particular situation? How can it be turned around? Does it need more people? Does it need a different technology team to go and have a look at that problem? Does it need more financial resources, or whatever? That's the way our business is.

I sometimes dream about the old days but it's all changed. And everybody's used to it by now. Works well. Does that give you a feeling for what it's like? It's very tough but it's also... tries to be very helpful.

Linda Cook: I would just add one thing. The other part of it that Phil didn't mention was the whole compensation structure which, believe me, is directly tied to our performance against our scorecard.

Phil Watts: And we've upped the amplitude of that so that people that really make a difference get really significantly rewarded.

Walter van der Vijver: From my side, one thing you have to add to that is that it's not a story any more which we be very good in Shell of excuses. That doesn't work any more. That's a big difference.

Phil Watts: We had brilliant rear-view mirror explanations of why this wasn't really a very sensible target to have in the first place. Last couple of questions.

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Q.

You said in your conclusion you wanted to be the partner of choice in major resource areas going forward. Do you have trouble sleeping at night that you're maybe too stringent on your criteria at \$14.00 a barrel oil and 15% return?

A.

Phil Watts: I think you've put your finger absolutely on one area that, if I did stay awake at night and look at the ceiling and worry about things, it would be that we missed that trick, yeah. And that's why you can have that for every day, every day... there are the [unintelligible]... but you also have to have certain areas that you're thinking about. Could these be a special exception to this? If I didn't get that, would it be a shut-out forever? And that doesn't mean that we're going to lose our capital discipline which some people would argue is a bit tight. I would argue that it then makes funds available, if we wanted to do it, for really high value positions that were perhaps one-time opportunities that we should have an open mind to consider that sort of thing.

Q.

Let me turn it around another way. Are you selling assets at \$14.00?

A.

Phil Watts: Are you selling assets at \$14.00, Walter?

Walter van der Vijver: No way.

Phil Watts: No way. And we don't sell assets on just the bare bones assessment. We dream of how much more reserves you could possibly get out of it and then combine that with a higher price before we let go.

Din Megat: I think it's good that the CEO of the business worries every night.

Phil Watts: Not every night.

Din Megat: well... about the fact that some hurdles need to be met because we all feel it the next morning. But through feeling that, then the creative juices started flowing and one thing especially with the Major Resource Holders is all about continuing their engagement such that we find solutions between ourselves which would lead to a win-win between both them and ourselves. And through proper understanding as to what they really want—not just in the short-term but over the longer term—it seems you are looking at helping in the development

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of not just their natural resource but perhaps also their country. We will eventually find solutions which meet our hurdle as well as the aspiration.

Phil Watts: Then we'll have the last question after this one.

Q.

This is Stan Harbison from Scudder Kemper. You didn't say a lot today, I don't think, about into the lower 48, the mature Canadian onshore and, if I might add the North Sea to that list. These are all areas where it appears as if most major oil companies are disinvesting or lowering their investment, sort of full-cycle economics were not very attractive after '97 and then we heard the technology. So, it occurred to me that as a percentage of the rent that exists in properties perhaps the biggest impact of that kind of technology, if it worked on smaller scale issues, could be in the North Sea, or lower 48 or Calgary and it's really just a question of how you think about those areas, because they're not trivial. I mean, they used to consume most of the rigs in the world and I just wonder how you think about those basic areas.

A.

Walter van der Vijver: If you look at the lower 48 and the mature areas in the US and to whatever has happened in industry, there's an enormous fragmentation, as you know. And one of the things that I clearly worry about is that with this fragmentation, all the smaller players now looking at the mature assets... they don't have the skills, they don't have the technology, nor do they have the capital to actually make these things really work. I think your comment in that sense is valid for the US. I would predict that you will see further changes in the lower 48 because, given the advantage of technology and associated skills with it, you will see that other companies will have to come back to get the best out of the assets. I assume that the same will be valid to some extent for the North Sea, as well. Technology and the skills and also the access to capital to do some of these things are going to be very dominant factors.

Phil Watts: But we can prolong active life and help the aged and all the rest of it, but in the end, you need the new provinces of West Africa, offshore Brazil, the whole Caspian area, the other Major Resource Holders and that really must be a big... the commercialization of huge quantities of stranded gas. So, there's a whole spectrum of possibilities out there that you have to compare the lower 48 or the North Sea or whatever with you. The last question, if we may.

Q.

Rob Arnott from Morgan Stanley. I had a quick question to you on returns and looking out in the future, in particular in the Middle East region because you talked of the area being a

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tremendous resource space... tremendous from the point of view of cost. What about the returns that you think you may get from the projects that ultimately you'll be involved in there?

A.

Phil Watts: I thought Linda expressed it very well when she was talking about these new things to do in gas and power down the gas value chain and all the rest of those when she said... and then she said about LNG... we're doing all this stuff, and your question is, "Do we make any money?" And I think that's the big caveat about Major Resource Holders, these new opportunities that we're looking at is, will we make money? And we're not in it for utility rates of return because there's too much risk associated with it. But that will be the big challenge and it will need the sort of relationships and discussions that Din was talking about to make sure that you can get into real win-win situations where we make an acceptable rate of return and the government feels that the way it normally should go is that they make even more and the better we do, they do ever better. It's that sort of challenge that we face in these new areas.

Can I say at the end, thank you very much for your attention and for coming. We really appreciated the opportunity to talk about the company that we know and love and enjoy working for. Thank you very much indeed.

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