

Part 4

APPENDIX B
Financial Community
Verbatim Comments

**ROYAL DUTCH/SHELL GROUP OF COMPANIES
MANAGEMENT/MARKET ANALYSIS AND PERCEPTION STUDY**

Financial Community Verbatim Comments

**Investment Appeal of Integrated Oil/Gas Companies
Attractive Investment Opportunities**

“The investment appeal of the integrated oil and gas group is on the low side, which is a reflection of the market, sector, and the group. Investors have lost a lot of money, are tired, beaten down, and have lost faith in Wall Street in general. They are skeptical and it is much harder to sell to them than it was last year. There isn’t a compelling reason or catalyst to own these stocks. Investors are looking for a change, an event, or something to trigger their interest and I see nothing on the horizon that would do that.” (Sell-side)

“Before the US tragedy the investment appeal of the integrated oil/gas companies was about a 7.5, today it is a 5. When the consumer has had a shock and you have declining consumption, you are setting off a race between OPEC and demand. The question is which is going to decline faster, production or demand and that is a very tough environment.” (Buy-side)

“Of the majors, I like Chevron because it has the best global position for E&P and is best positioned to exceed the others in cost reductions.” (Buy-side)

“We have owned ExxonMobil and Chevron, but we have moved away from the major integrations for now. Our portfolio has a growth focus and therefore we have moved to the oil services group as those companies present better EPS growth potential at this time.” (Buy-side)

“There are a lot of companies in the energy sector that are good investment opportunities. I look for companies that are selling at a discount to their peers. Of the mid-cap group, I gravitate toward Phillips Petroleum, USX-Marathon, Valero, and Sunoco. The attractive independents are Ocean Energy and Unocal.” (Sell-side)

“Right now, we are using RD/Shell and ExxonMobil. We tend to be long-term investors and hold through the down cycles.” (Buy-side)

“I am looking at Chevron because it has the restructuring ability, as well as the defensive nature of an integrated. I also like ExxonMobil because it is domestic.” (Buy-side)

“There is underlying potential for RD/Shell, but until management can demonstrate consistency without stumbling, I am hesitant to see any near-term value in the stock. We have complimented RD/Shell on a number of different metrics. We looked at the upstream compared to the rest of the industry and it ranked number one and we looked at the return on capital employed and it ranked number one next to Exxon. We look at all

financial and operating measures. The key issues have to do with the management team's ability to execute and we are not seeing that materialize to our satisfaction. We also look at their ability to instill confidence in both the sell-side and buy-side and I don't see that right now either." (Sell-side)

"The three most attractive companies in this group are BP, Chevron, and Conoco. Given the recent pull back, ExxonMobil is also becoming interesting." (Sell-side)

"Every energy company is an investment peer. As far as large cap, the investment peers are BP, Exxon, Chevron, and TotalFinaElf." (Buy-side)

"ExxonMobil is the primary peer. A stretch beyond that, and one company that we have used in our analysis of RD/Shell, is Schlumberger." (Buy-side)

Why I Don't Own RD/Shell

"RD/Shell does not represent an attractive price given their returns and growth rate." (Buy-side)

"RD/Shell just cut their production numbers and they have to get out from under that cloud before I would become interested again. ExxonMobil is my choice for no specific reason other than my perception that they are a safer domestic play." (Buy-side)

"I am a generalist and not an expert on RD/Shell, but some of our portfolio managers have held the Company in the past. I would consider it, but we are adequately weighted in energy right now." (Buy-side)

"I need some proof of capital discipline. RD/Shell has a lot of money, but the Company has a reputation of unwise spending." (Buy-side)

"The valuation change in the last week makes RD/Shell more interesting. I would like to know their specific plan for share repurchases. I understand they are buying back shares." (Buy-side)

"RD/Shell has a strong balance sheet, but so do the other major integrated companies. The Company might have a slight edge in that regard, but the others are still so strong that it doesn't make a meaningful difference." (Buy-side)

"I need to take a closer look at RD/Shell because the valuation is starting to look interesting." (Buy-side)

Primary Strengths

"RD/Shell's strengths are that it is broadly diversified, has experienced management, has a strong balance sheet, and cash generation." (Buy-side)

"RD/Shell's financial strength and the quality of its balance sheet are its most significant strength." (Sell-side)

"Among the five majors, RD/Shell is our second favorite because there is a new dynamism in the management. I expect them to get more aggressive in the upstream area." (Sell-side)

"RD/Shell's strengths are a defensive business mix, vastly improved cost structure and therefore profit margins, relative valuation, and longer-term attractiveness for 2004 and beyond." (Sell-side)

"RD/Shell has strength because of its size, geographic and business segment diversity, and an ability to generate high returns." (Sell-side)

"RD/Shell's strength is its global presence. I particularly like its Asian position. I also like its power, gas, and LNG position due to the increasing growth potential going forward in that market." (Buy-side)

"RD/Shell's strength is good returns on historical capital." (Buy-side)

"RD/Shell's primary strengths are its E&P global operations and global refining presence." (Buy-side)

"RD/Shell has a diverse portfolio and strong financials." (Buy-side)

"The Company has a good track record of discovering oil and gas." (Buy-side)

"RD/Shell's key strengths are size, scale, and strong balance sheet." (Sell-side)

"RD/Shell has an excellent global asset base, balance sheet strength, and good management." (Buy-side)

"RD/Shell's primary strength is their diversified portfolio of assets, both in the upstream and downstream." (Buy-side)

"RD/Shell's primary strengths are that they are taking costs out of the internal system, they are well positioned in gas, and there is a big opportunity in the gas to liquids technology. For an integrated, they show a modest amount of growth on the top line, which is a positive given what the industry has done historically. They also have some upstream growth potential." (Buy-side)

"RD/Shell's primary strengths are its global position and assets. Going forward, people will give them credit if they use those strengths to help drive returns and growth." (Buy-side)

"RD/Shell's strengths are its diversified upstream portfolio, ability to monetize those assets, ability to cut costs, and bring projects in on a timely basis." (Sell-side)

"RD/Shell's strengths are its diversification and balance sheet." (Buy-side)

"RD/Shell's primary strengths are financial flexibility (strong balance sheet), market recognition, huge asset base, and market reach." (Sell-side)

"RD/Shell's most important strengths are its breadth, technological expertise, and global diversity." (Buy-side)

"RD/Shell's primary strengths are financial discipline and the development of natural gas." (Buy-side)

"RD/Shell's primary strengths are an extremely high quality asset base, talented technical personnel, strong management, and a strong balance sheet." (Sell-side)

"RD/Shell's strength is the quality of their asset base relative to their competitors." (Buy-side)

"RD/Shell's primary strengths are its global spread of assets, financial strength, its people, and the depth and breadth of their operational skills." (Sell-side)

"The Company's strengths, and reasons why I own RD/Shell, are the diversification of its portfolio, consistent performance, and attractive yield." (Buy-side)

"RD/Shell's strengths are operational and financial. They are probably the best finder of oil and gas in the business, are well diversified (geographic and cross businesses), and their technical competence is at the top of the heap. Financially, they are the Rock of Gibraltar." (Sell-side)

"The Company's strengths are its investment discipline and financial strength. RD/Shell has an enormous amount of cash, which they have been slow to deploy and I see this as a plus." (Buy-side)

"RD/Shell's technological leadership is very important. We look at this as a long-term investment and I like that they are thinking into the future. They are very big into gas to liquids and are leaders in deep water." (Buy-side)

"RD/Shell has enormous resources. Even if you take half of what they spent and wasted, they still have plenty of money to spend." (Sell-side)

Primary Reasons To Own RD/Shell

"I own RD/Shell because of its broad portfolio of businesses, management's experience, the balance sheet, and growth potential." (Buy-side)

"RD/Shell's technology is superior, but their management style is middle of the road compared with the highly decentralized BP style and high centralized ExxonMobil style." (Sell-side)

"We own RD/Shell because of its strong diversified presence and good technology." (Buy-side)

"We own RD/Shell because of its attractive valuation." (Buy-side)

"I own this Company because it is cheap relative to ExxonMobil, and has been a high quality/high return company over the course of the cycle." (Buy-side)

"The primary reasons we own RD/Shell are because of its huge asset base, there was a change in management's discipline in running the business, and we like the fact that they have been successful in places like Russia and the Middle East because of their financial and political clout." (Buy-side)

"We own RD/Shell because of the restructuring that has been going on to reduce costs, the focus the Company has on profitability, and their financial discipline. I also like their recent move to repurchase shares." (Buy-side)

"I own RD/Shell because of the restructuring taking place and their sound discipline." (Buy-side)

"If I were to believe (and I don't) that the Company's growth potential was in excess of what is implicitly discounted in the current valuation, I would be inclined to buy the shares. Correspondingly, if I believed the current valuation discounted or reflected an expectation of growth potential over and above anything they are likely to achieve, I would be on the other side." (Sell-side)

"RD/Shell is a good energy play and I like the fact that they are integrated. Some years are better than others, but over time they have shown good performance." (Buy-side)

Most Significant Value-Driving Opportunities

"RD/Shell's value-driving opportunities are further building up its global natural gas business, continuing to leverage the opening of the Middle East, as well as deep water around the world." (Sell-side)

"The Company's opportunities are the completion of their restructuring efforts, getting acreage, and then doing exploration." (Buy-side)

"RD/Shell's most significant opportunities are global gas (LNG), Middle East and Caspian from an E&P standpoint, and Asian downstream restructuring. Another

opportunity will come from the second wave of corporate restructuring in terms of cost reduction potential." (Sell-side)

"RD/Shell's opportunity is to improve the returns on marginal invested capital." (Buy-side)

"RD/Shell's most significant opportunity is in the upstream." (Sell-side)

"RD/Shell's most significant value-driving opportunity is through the numerous E&P projects that are coming on." (Buy-side)

"RD/Shell's opportunities are to improve returns in the US downstream, find hydrocarbon reserves with attractive costs, and achieve good growth targets and decent dividend growth. In terms of share buy backs, I am not terribly impressed with them at these valuations even though Wall Street seems to like share buy backs." (Buy-side)

"RD/Shell's main opportunity is LNG." (Sell-side)

"RD/Shell's most significant opportunities are in the downstream area, especially in the US because they have struggled in that area. Their joint venture assets performed poorly compared to the peers. If Shell would buy Chevron's assets, it would be an opportunity to get their hands around the whole thing without a joint venture partner. Hopefully, they would reduce costs and make those assets perform properly." (Sell-side)

"RD's most significant opportunity going forward is gas to liquids. That will be a huge competitive advantage if they can make it work." (Buy-side)

"One of RD/Shell's opportunities is to use their balance sheet to supplement profitable growth and build their position in North American natural gas. They should also stop dilly dallying around and pony up their efforts to buy Motiva and Equilon from Chevron." (Sell-side)

"RD/Shell's opportunities are the ability to capitalize on their portfolio of positions and assets to drive growth and get good returns. Historically, RD/Shell has been a leader in LNG, but there are other companies that are catching up with them (primarily BP)." (Buy-side)

"RD/Shell's opportunities are worldwide natural gas and LNG." (Buy-side)

"The most significant value-driving opportunity for RD/Shell is the exploitation of their resource base." (Buy-side)

"RD/Shell's most significant opportunity is in the developing countries (especially China). The Company has 25 percent of the gasoline market in Europe and it is very hard to grow in a market that is already mature and competitive. Their opportunity is to go after markets that are still asleep because when those markets wake up, it is going to

make a huge impact. We are talking about billions of people with huge needs for energy, whether it is electricity, gas, or transportation. Another opportunity is offshore exploration and production.” (Sell-side)

“The major value creating opportunity for RD/Shell over the next couple of years is to improve the downstream and chemical portfolios. The downstream is a little too biased toward Asia (where the economies are not that strong and there is oversupply) and the US (where their returns have been poor due to the joint venture). Their chemical portfolio is quite disadvantaged, fragmented, and it either needs to be improved for global balance or they need to continue to sell assets.” (Buy-side)

“RD/Shell’s opportunity is further development of upstream resources in the portfolio.” (Buy-side)

“The Company’s opportunities are to cut costs and drive earnings to the bottom line.” (Buy-side)

“RD/Shell’s most significant value-driving opportunity is the monetization of stranded gas.” (Sell-side)

“The Company’s biggest opportunity is to fix the broken parts of the business because there are some. US refining and marketing needs to get its long-term return on capital up to a competitive level. They need to take a good hard look at the chemicals business to determine how it will contribute to the cost of capital return. You can summarize the whole thing by paying as much attention to financial management and controls because operational excellence will unlock a tremendous amount of value at RD/Shell. The goal of this Company is higher returns, which is where they have been historically weak. In terms of their greatest opportunities from an operational level, their experience in Asian gas markets over the next ten years can prove to be a significant strength.” (Sell-side)

“RD/Shell’s most significant opportunity is their ability to participate in large scale projects in both the upstream and downstream because they have well-recognized technical expertise, and financial fire power. Another opportunity is improved return on capital employed by continuing their practice of being cost conscious.” (Sell-side)

“The fact that the Company is so under leveraged gives them an opportunity to improve returns by approaching an appropriate leverage level.” (Buy-side)

Biggest Challenges Facing the Company

“The biggest challenges are the variable commodity price environment and performance volatility. For the industry as a whole, there has been an under commitment of capital for a number of years. The industry has had a hard time keeping North American natural gas production up despite the recent record levels of drilling. One of the things that affects this Company is the decision by the whole industry to under invest, which should work out for high commodity prices two years out.” (Sell-side)

"In terms of challenges, RD/Shell needs to restore their credibility. According to my earnings estimates, the stock is selling at a material discount to Exxon and BP. RD/Shell has a comparable balance sheet, it is buying back stock, and has low cost operations. In fact, it looks very much like those two companies in many respects. The primary reason it is selling at this discount is because investors have been disappointed in its production outlook in that they put an aggressive number on the table and then had to cut it back. I believe it is very critical for them to improve their credibility with the investment community." (Sell-side)

"RD/Shell's most significant challenge is continuing to whittle away at bureaucracy and a far flung corporate structure. I don't believe the way the Company is managed presents an issue to the buy-side, it is more the idea that each of these countries has its own set of management. The people at the top are not the problem." (Sell-side)

"The biggest challenge facing the Company is working with foreign governments in places where there are new operations in terms of getting working agreements." (Buy-side)

"The Company's challenges are to balance growth with returns and maintain those returns while they are increasing CAPEX in an effort to deliver stronger growth." (Sell-side)

"RD/Shell has poor returns on new capital invested and poor growth." (Buy-side)

"The biggest challenges facing RD/Shell are stemming the declining rate in existing production and making the downstream as competitive as Exxon's." (Buy-side)

"The Company's biggest challenge is putting together a credible growth strategy with achievable targets." (Buy-side)

"RD/Shell's biggest challenge is to fix Equilon and Motiva." (Sell-side)

"RD/Shell's biggest challenge is whether they can get production growth out of the upstream business. The second biggest challenge is dealing with Asia, which is now an oversupplied market in the downstream business." (Buy-side)

"RD/Shell is too focused on volume growth. Since the recent pull back, they have a 'show me' problem because they did not qualify the growth numbers in their presentation last December. They said it didn't include exploration and it did. Now, exploration is not working and that is a qualification. Management has been complaining that they got dinged in their stock price performance because they had to guide down those numbers." (Buy-side)

"RD/Shell's challenge is to put their balance sheet to work in order to grow the Company, while maintaining high investment discipline." (Sell-side)

“The Company’s biggest challenge is maintaining its capital discipline.” (Buy-side)

“RD/Shell lowered their production forecast guidance and the challenge is going to be getting credibility with UK investors.” (Buy-side)

“The Company’s challenges are government and environmental pressures. Regulation is going to be a challenge because these companies are so big that they almost rival the government and are dealt with as if they are separate entities. They attract attention because of bad public opinion, bad press, and bad publicity. This is something they have to be very careful about because it could hurt their business in the long run. The biggest fear is not the host countries, but their own countries.” (Sell-side)

“RD/Shell has a credibility issue to address because of their production growth. Also, there is an increasing belief that they are going to continue making acquisitions. They need to explain their return on capital program because they have lowered it.” (Buy-side)

“The biggest challenge facing RD/Shell is creating production growth from their existing portfolio.” (Buy-side)

“The Company’s biggest challenge is to compete with the Exxon’s of the world and they can do this by trimming the fat.” (Buy-side)

“The biggest challenge RD/Shell has is the monetization of stranded gas, which is also their greatest opportunity.” (Sell-side)

“The biggest challenge for RD/Shell is to fix the US refining and marketing business to get better returns.” (Sell-side)

“RD/Shell management will hurt the Company’s return on capital employed by making expensive acquisitions.” (Sell-side)

“There is always the challenge of where they are going to get their new volumes, which is not unique to RD/Shell, particularly when you are working off a huge base. Near-term, they are obviously working on their downstream, particularly in the US and I believe that will all get resolved. Another challenge is the acquisition strategy and execution.” (Buy-side)

“I am only modestly certain that the performance will match my forecasts. I am focused on the flat production and am using RD/Shell’s average production forecast. However, once factoring in today’s environment, I am less confident that results will be as currently forecasted.” (Buy-side)

Industries With Investment Profiles That Matches Risk Profile Of RD/Shell

“RD/Shell, ExxonMobil, and BP should compare themselves to other oil companies because very soon they won’t have any peers of rival. TotalFinaElf and Chevron are so far behind that they are not even in the same race. They are less than half the size of Royal Dutch and BP and less than one-third the size of ExxonMobil. There is a difference of a \$100 billion market cap. These companies have to reposition themselves in the minds of the investment community as global energy providers. They need to stress that they are not just pumping gas. When it comes to investments they have to compete, not only amongst themselves, but with the big players of the market such as Microsoft, Intel, Philip Morris, and Unilever. I am an investor and I don’t care what business you are in, I want to make money. It boils down to similar risks for higher reward potential. Portfolio managers don’t care if they are the best of a certain group because if the whole group stinks, they don’t want to have any part of it. These companies have a big job in front of them of re-imaging themselves to the investment community.” (Sell-side)

“When I think of an investor for RD/Shell, I think of someone that would invest in a company like Enron or one of the upstream gas companies and any of the major power companies. Also, the big manufacturing companies (GE) or diversified heavy weights could be comparisons.” (Sell-side)

“Financial services has a similar risk profile because they are broad and have a heavy return on capital base. Deregulated utilities can also be added to that group.” (Buy-side)

“From a total return perspective, water utilities could be a possible match.” (Buy-side)

Reasons RD/Shell Should Be Assigned A Premium Multiple for Forward Performance Potential

“RD/Shell deserves a premium multiple because of its financial strength. The only company that is its equal is Exxon. BP is impressive, but it carries much more debt than RD/Shell.” (Buy-side)

“RD/Shell does not deserve a premium to its peers (BP, ExxonMobil, Chevron, and TotalFinaElf). However, they deserve a premium versus the broader energy sector, because of their superior asset base, superior profitability, and strong management team.” (Sell-side)

“A premium multiple would be hard to justify. RD/Shell has a low debt ratio, but so do the others, ExxonMobil specifically.” (Sell-side)

“RD/Shell deserves a premium multiple versus Chevron and TotalFinaElf on the basis of being a true global integrated, while the other two are still regional players without global portfolios for upstream and downstream assets. RD/Shell’s returns for long-term growth and their cost savings plan are superior to Chevron’s. In terms of BP, they have a better

cost savings program and they probably have less near-term production growth. The returns are roughly comparable if you exclude the goodwill that is associated with BP's recent acquisitions. We believe RD/Shell deserves to trade at a discount to Exxon at 10 to 20 percent on the basis that Exxon has better returns and will continue to generate them. Exxon's intermediate-term growth is going to be superior to RD/Shell's." (Sell-side)

"RD/Shell should be assigned a premium multiple for forward performance potential because of strict capital discipline and ease of forecast." (Buy-side)

"I can't think of any particular reason why RD/Shell deserves a premium multiple to ExxonMobil or BP." (Buy-side)

"RD/Shell's size and geographic diversification justifies a premium valuation to the smaller integrated companies. All of the majors tend to trade at a premium to the smaller companies. I can't comment on any specific reason why RD/Shell would deserve a premium multiple to the other majors." (Buy-side)

"RD/Shell has to show the rest of the world that they can grow their production above the industry average. They have to show that they can generate above average return on capital and that their unit profit is above the industry average. RD/Shell has had the lowest finding and development costs for years, but unfortunately that is like winning the first half of the match and losing the second half. Even though they have the lowest finding costs of reserves, at the end of the day their profit balance lags behind Exxon, BP, and Conoco. They start on the right foot, but they don't finish among the top. That has been a big puzzle and I have not been able to resolve it. Also, RD/Shell has a much higher tax rate than any of its peers. They are paying 47 or 48 percent tax, Exxon is paying 37 percent, and BP is paying 27 percent. There is no way they can catch up with Exxon or match the profitability of BP." (Sell-side)

"There is no reason why RD/Shell should be assigned a premium multiple. Exxon/Mobil has more realistic growth assumptions and a better focus on cost control and returns on capital. BP has a more reliable and higher value growth." (Sell-side)

"To be assigned a premium multiple, a company should have strong earnings growth, strong dividend stream, and dividend increase potential." (Sell-side)

"There is no reason why this Company deserves a premium multiple for forward expectations." (Sell-side)

"RD/Shell is assigned a premium multiple because of stability, predictability, and it is a very high quality, high return company. This is a company that achieves high returns across the cycle unlike many other companies in this industry." (Buy-side)

"RD/Shell would deserve a premium multiple if they were going to accelerate their return on capital." (Buy-side)

"This is a tough question because a premium multiple comes from having significantly different investment opportunities and I am not sure that is the case relative to Exxon and BP. The things that would allow them to get a premium multiple are scale, diversification of the asset base (both from a functional and geographic point of view), and an ability to enter new projects. Projects are getting more capital intensive, so there is a greater chance of getting better ones if you are bigger. RD/Shell's CAPEX program gives them some operational flexibility, which is not available to smaller companies, but is available to Exxon and BP. The only way they can get a premium multiple against Exxon and BP would be to convince us that they have significantly different investment opportunities, or that they can earn an above average cost of capital for five or more years. I am not sure I believe they can do that." (Sell-side)

"We believe RD/Shell should trade somewhere close to 18 times given the fact their earnings growth rate is slightly below the market, the dividend is better than the market, and their balance sheet is pristine." (Buy-side)

Senior Management's Primary Strengths

"Management's strengths are their successful restructuring and focus on low cost operations leading to strong margins relative to the peers." (Sell-side)

"This Company has performed very well over long periods of time and management has contributed toward building the very high quality asset base. That is unquestionably one of their strengths. Conversely, when rating them on a scale of one to ten against their peer group, they are average, but it is an excellent peer group. They would be an eight or nine against all the rest of the industry." (Sell-side)

"One might consider the investor profile a little different for the broader energy group, but really it is and then it isn't. People will own oil and gas stocks for different reasons. Technically, the sector represents many different investors. At this point, the better investors are choosing not to own those other companies. That again, is a real strength of RD/Shell in that people are not viewing it as a short-term play on the oil prices." (Sell-side)

"Management's primary strengths are the breadth and historical depth of their relationships in key oil provinces, where those would lead to profitable business relationships." (Sell-side)

"Management's training and culture is truly global and that is partially because they are a dual nationality company and partially because of its geographical spread. That is something they win hands down just by who they are. They also have very intellectually talented people in terms of the work force." (Buy-side)

"Management's strengths are accessibility and a good knowledge of their business." (Buy-side)