We expect 1999 oil production figures to be somewhat below our target of 2.287 million barrels a day. Our 2000 oil production is also expected to be a little down compared to our 1999 forecast. That is due to difficulties in Nigeria and the impacts of divestments. These are largely offset by the underlying growth of our business. Gas volumes this year were affected principally by the weather, which was warmer, and by divestments in the United States. They should grow by some 10 percent in 2000 as new projects come on stream. The total hydrocarbon growth we are expecting averages 5 percent a year over the next five years, and that is excluding any volumes from Iran. The underlying volume growth, excluding the businesses we are divesting—for example, Altura—is some 6.5 percent over the next five years. That is growth despite lower capital expenditure underpinned by major projects—Nigeria train 3 and EA, Brutus, Alberta Oil Sands; plus projects coming on-stream like Laminaria and Corallina in Australia; Angus, Macaroni and Europa in the Gulf of Mexico; Shearwater in the U.K.; and gas projects like Obaiyed in Egypt.

UK – SHEARWATER OFFSHORE PROJECT

Speaking of Shearwater in the U.K., it is one of the industry's most challenging projects in the history of the North Sea. It has reserves of 305 million barrels of oil equivalent and will produce about 150,000 barrels a day at peak. The technical challenge here lies in the integration of the process. This is going to be one of the heaviest decks ever installed in the world. Deck construction is on schedule. You see here the progress to date, with the inset showing what the project will look like on completion.

We set a challenging target at the beginning of the execution phase of 10 percent saving against a $1.4 billion plan, and there is a record level of onshore completion—and that is a lot cheaper than offshore. The drilling was completed in 350 days, $65 million below the estimate. That was a benefit delivered by this Drilling the Limit technology. We expect the first gas export in July and peak production by December.

IRAN – SOROOSH and NOWROOZ

Turning to Iran, we signed an agreement for the linked development of Soroosh and Nowrooz with the National Iranian Oil Company in November. We won this project because our linked proposal, rather than separate developments, was cheaper and more attractive to NIOC than competing offers. This development underscores our strategy to pursue the growth opportunities in those major resource-holding companies that will be so important in future oil production. The total spend on these projects is some $800 million over 45 months for the development, and that includes the drilling, the installation of new wellhead and production platforms at both fields, and the installation of a floating storage and offloading unit for crude export.

The permanent facilities will be operated by NIOC, and we expect production of about 190,000 barrels a day. Full production will be reached in 2003. We are looking for further involvement in Iran through a seismic survey in the Caspian Basin, and we will be bidding on gas projects in South and North Pars, and in the onshore areas in the Bangistan **[ed. query]** formation and the Agajari **[ed. query]** oil field, plus a feasibility study in the petrochemicals area with a national petrochemical company for a large-scale ethylene project.

CANADA – ATHABASCA OIL SANDS

Turning to Canada and the Athabasca Oil Sands projects, Shell Canada announced plans last week to develop that resource with a combined upstream and downstream development of $2.4 billion, reserves of one billion barrels of bituminous oil with first production in 2002, and a mine life of some 30 years. Shell Canada has a 60 percent share and will invest $1.4 billion through the joint venture, and a further $300 million through the Scotford refinery. The main facilities are an extraction plant at the Muskeg River mine some 500 kilometers north of Edmonton, a pipeline transportation system to the Scotford refinery and an upgrader at Scotford to convert that heavy oil to refinery feedstock. Initial production will be 155,000 barrels a day. That feedstock will be mainly used to make transport fuel for the North American market. It replaces about 1 percent of otherwise declining North American oil production.

This project takes great care to minimize the environmental impact, and latest technologies are being used to minimize the carbon dioxide emissions. We are getting the project to a benchmark status, with a lot of consultation and working together with non-governmental organizations.

NIGERIA – BONGA PROJECT

We have announced we are going ahead with the Bonga field, which has Shell Nigeria EP companies. SNEPCO is the operator with 55 percent, and the partners are Esso with 20 percent, AGIP with 12.5 percent and Elf also with 12.5 percent. It has only taken 12 years from discovery to investment decision. The total capital expenditure there will be $2.7 billion on a 100 percent basis, and we expect first oil from the Bonga field in 2003. Expected production is 150,000 barrels a day by the end of 2003, and 200,000 right through 2004. Oil will be exported through export tankers after storage on the FSPO, and the associated gas will be exported through an offshore gas-gathering system to the Bonny LNG plant train 3.

COMMERCIALISATION of TECHNOLOGY – "TWISTER"

A key element of our strategy is to obtain competitive advantage through outstanding technology, and commercialize that. An example is the Twister machine, co-developed by Shell and Stalk. We have established a venture to commercialize it, both inside and outside Shell. This is a piece of machinery that is unique. It has no moving parts, no chemicals and very little energy required to separate water and condensate from wet natural gas. The gas from the production wells is introduced into the Twister unit, accelerated to supersonic speed and then cooled and expanded. The liquids condense out and the dry gas goes out axially.

In the picture you can see how much smaller the Twister actually is compared to the traditional process, which uses chemicals and much more energy. The technology has been proven at full scale. Here you see it in action in a production facilities. It is now in the process of full commercialization, with the first sales next year. It has applications in conditioning and other industrial processes. It is a very important piece of technology, particularly for the offshore, where you eliminate a lot of space and weight.

E P SUMMARY

Summarizing for Exploration and Production, we have a business with plenty of opportunities growing at 5 percent a year. That includes the effects of divestment. Our underlying growth is actually around 6.5 percent a year. Portfolio restructuring is going to continue unabated, and we expect several billion dollars of capital employed to be changed between 1999 and 2001. The result will be a robust portfolio, robust even if oil returns to $10 a barrel. And of course, it will be a portfolio that has extremely satisfactory returns at higher oil prices, which we probably will benefit from in the short term. Even though we already have a very good cost structure, we will continue to deliver improvements to insure we remain the world's leading Exploration and Production business.

Now I would like to hand over to Maarten for a discussion of our other products.

MR. VAN DEN BERGH: Thank you Mark. I will now take you through the Gas and Power, Oil Products and the Chemical Businesses.

GAS and POWER – KEY FACTS

Capital employed in Gas and Power at the end of 1999 is a little over $6 billion, or 8 percent of the Group total. Of that amount, about 40 percent is in the United States. Outside of the United States it is mainly employed in associate companies. We are the leading private-sector player in the global LNG business. We have almost seven million tons, Shell share, operational, and we have 4.5 million tons under construction or committed. Just to remind you, that is LNG 2 and 3 in Nigeria, OLNG in Oman and LNG 3 in Malaysia. We also have a very substantial midstream gas business. In the United States for core energy, we are the number-five ranked gas marketer now, and we are also entering electricity trading. In Europe we have our long-standing positions in Gasunie and Ruhrgas, Thyssengas and Distrigaz. In Latin America, through our controlling interest together with British Gas, we have the largest gas distribution company in Brazil. Finally, we have a rapidly growing power portfolio, largely but not exclusively through our 50 percent interest in InterGen, a leading greenfields independent power-plant developer.

WHAT WE HAVE ACHIEVED

This was a very busy year indeed. The Oman LNG project concluded the contract for sale of 1.6 million tons per annum on a 100 percent basis from Oman to Dabhol Power. This is the first LNG contract to India, and the first-ever LNG contract with an IPP. In Nigeria we had the decision on LNG train 3, and in Malaysia, the Tiga project has been launched. Here the non-core transit pipeline business was sold. And in power we have developments in Australia with the Momerin project, Egypt's Sidikar, and in the United States Tenaska Pine Bluff and Mobile. InterGen North America was also established to develop new opportunities in the United States. In September we signed a PSC for Changbei upstream venture in China. This is expected to lead to downstream opportunities in this major potential market. The first train of the Nigerian LNG plant is completed on time and within budget. The photo here is of the first cargo loading at Bonny Island.

STRATEGIC THEMES

Our core business has always been midstream assets, including LNG and marketing, to monetize the Group's large gas resources. Our current strategic business themes follow and build on that concept. First, monetize our upstream gas resources, and this involves bringing the gas to markets by means of LNG and pipeline.

The second theme is key market developments. Downstream markets require infrastructure to get the gas to the distributor/customer either as gas molecules or as electrons. This midstream infrastructure can include power generation, terminals for LNG discharge and regasification, gas storage, transmission and distribution. This infrastructure is required to build new markets and increase opportunities for moving our equity gas.

The third strategic theme is customer solutions. Markets are undergoing a fundamental change from monopolistic energy supply to customer-driven demands and needs. Where these changes are occurring we are positioning our business to exploit the opportunities using our trading and marketing expertise, and the strength of our brand to meet the needs of customers for a variety of energy projects and services.

STRATEGIC THEMES – REGIONAL APPLICATIONS

Let me now put these strategic themes into a global perspective. In blue are the locations of the Group's principal gas reserves, bringing you remote gas from Australia and Nigeria to developing markets, which is the driver for monetizing upstream gas. In yellow are the key market developments we are targeting. These include Brazil, China, India and Turkey. In red are the countries that are liberalizing markets, creating new opportunities for customer solutions such as trading, direct marketing to industrial core consumers, retailing, and energy and risk management. In this area we are very actively involved in marketing and trading gas in the United States and the United Kingdom through core energy. As a more recent development, we have started electricity marketing and trading in Continental Europe through Shell Energy. We are also piloting retail marketing of gas and electricity to domestic customers in the United States.

FOCUS ON CAPITAL – LNG PLANTS

If we now focus on capital in this business, we see significant strides in reducing the operating costs of our LNG plants. There has been a 40 percent cost reduction in the last six years. But the key to success is getting the lowest unit capital cost. We have also developed sophisticated modeling to optimize the entire LNG chain from upstream production through liquification, shipping and terminalling, even to the most cost-effective use of capital. The slide shows the actual costs, and the costs at a Middle Eastern reference location of NLNG Nigeria and OLNG Oman, together with two competitors' plants, one in the Middle East and one in the West. On both, at the location and at a cost normalized for location, the Shell-designed OLNG plant is a world beater, with significantly lower capital costs than any of our competition. NLNG Nigeria, having a higher actual cost at location, also beats the competition when normalized to eliminate the high construction cost in Nigeria. We do not rest on our laurels. The next generation of plant design will be even lower cost than OLNG.

GAS and POWER SUMMARY

In summary, Gas and Power has successfully balanced its focus between the promise of long-term business growth and intention to deliver better short-term performance, specifically achieving a return on average capital employed of 7 percent in 2001. We have already spoken about world-beating operating and capital-cost levels in our LNG operations. We have also have had cost reduction programs in the United States. Power developments through InterGen and InterGen North America each continue with 4.5 gigawatts on the development in the U.K., Egypt, Australia, Philippines, China, United States, Mexico, Brazil and Turkey. There were further opportunities in Australia, Oman, Venezuela and Sakhalin. Major additional LNG expansion is committed in Nigeria and Malaysia, and there are further expansion possibilities in Australia and Oman. Significant steps have already been taken to improve the portfolio and performance of the business in the United States, but there is still a way to go. A review of the United States business is currently underway, with the way forward to be agreed in the next few months.

OIL PRODUCTS PORTFOLIO

Overall return-on-average capital employed for oil products for the first nine months on an annualized basis was some 8 percent. Despite a difficult business environment occasioned by rising supply cost, returns from marketing and the global businesses including trading remain robust. Manufacturing returns were badly hit by the historically low level of industry refining margins in 1999. Returns for the United States fell some way below target. The same applies for Japan, where major industry restructuring is in train. To achieve the targeted Oil Products return-on-average capital employed, the key areas of focus are on further rationalization of the retail businesses in Europe, particularly in France and the United Kingdom. Continued efforts to reduce exposure to refining margins, building on successful efforts in Europe; a drive for operational excellence; retail restructuring with additional synergy captured in the U.S. alliances; and a major restructuring program in Japan, encompassing structural cost reductions, distribution rationalization and possible operational alliances with other industrial players.

STRUCTURAL COST REDUCTION

The OP cost-reduction contribution to the Group's cost target is $700 million, excluding the U.S. alliances. Delivery of this target is being managed on a project basis. Detailed project programs have been established using key activity areas, and accountabilities are identified by named individuals. Initial results have been very encouraging, with $130 million of structural cost reduction over the first six months, principally from procurement and distribution activities. But it is also from shared services, refinery pace-setting, organizational restructuring and cost efficiencies delivered through global business units. Here I am talking about aviation, LPG and marine. Based on the progress to date, we envisage both force and delivery, with bigger reductions than targeted. The cost reduction and overall improvement program is supported by cost benchmarking in marketing, refinery pace-setting and business framework implementation for specific segments, e.g., retail, commercial and MSD, with "red flag" processes for those who underperform. In addition, $400 million of cost improvement will be delivered in the United States, of which $130 million had been achieved at mid-year.

GLOBAL REFINING COVER

Refining cover had already reduced significantly between 1994 and 1998, principally a result of increased product sales volumes, and notwithstanding new refining capacity in Asia. At the end of 1998, we also reduced our capacity in our Berre refinery in France. Over the next two years there will be further reductions, keeping only those refineries that already have or can achieve a strong competitive position. The assets leaving our refining portfolio over the next two years are Shell Haven in the U.K., which is being closed this month, and the Sola refinery in Norway, which is being closed in the second quarter of next year. Completion of the sale of the El Dorado refinery in the United States is imminent, and despite the planned deal on Wood River falling through, we are confident that a buyer can be found. Beyond these deals I just mentioned that have already been announced, we continue to actively review our global refining portfolio. We are re-balancing the Oil Products portfolio in the light of marketing.

REFINING OPERATIONAL EXCELLENCE

Achieving first-quarter Solomon positioning has been a key aim of our pace-setting program in refineries. Comparison of Solomon data for 1994 and 1998 demonstrate a major improvement in our leadership position in plant availability. Our four-year moving average availability index in the third quarter of 1999 was our highest recorded. But we have also achieved leadership position in manpower efficiency, and in energy intensity we have all but closed the gap with industry leaders. In the Scotford refinery we will play an integral role in the Athabasca project. This was ranked as the top refinery in North America out of 132 refineries. But our pace-setting programs, based on an analysis of the Solomon data, also shows that further cost improvements can be achieved, and these will be vigorously pursued.

CUSTOMER VALUE PROPOSITIONS

We believe that competitive pressures on gross fuel margins will increase over time. The longer-term planning assumes the continued decline in industry unit gross margins for fuels, but if oil prices are stable, we would expect gross marketing margins to recover in 2000 from the compression in 1999, which resulted from lag effects on product pricing. Notwithstanding the maturity of the business, we can continue to innovate and improve our offering. For example, the different shaded fuels offer the customer distinctive fuel propositions. Performance fuels in Hong Kong, Singapore, Australia, Hungary and the Czech Republic are there. In key new fuels, we have also brought in Ireland and The Netherlands. We have Shell Industrial Services, where the concept moves from purely product sales to an overall service package. We also have consumer lubes, with the Helix brand revitalized through a multi-channel, consumer-goods approach.

Next we have global promotions, often by linking with other well-known brands such as Ferrari and Geostar. Then we have the e-commerce initiatives embracing both businesses-to-business and business-to-consumer opportunities.

CUSTOMER FOCUS DELIVERS RESULTS

Here we can demonstrate some of the positive results of our efforts in oil products. We have continuous growth in non-fuels retailing gross margins. Penetration, the percentage of Shell Mogas volumes, is between 13 percent and 40 percent for different shaded fuels across seven initial launch markets. At the bottom-line level is an encouraging increase in retail income in Europe despite the harsh environment.

BRAND TRACKING

Initiatives and customer service are reflected in continued improvement in our leading brand preference share, which measures Shell's relative position on customer purchasing preference. Shell is the only company with credible global brand leverage. In 85 percent of the 70 markets surveyed, Shell is number one or two in preference share. Shell has advantages in top-of-mind awareness, preference, purchase commitment and image perception. Shell enjoys an unprompted brand awareness of 79 percent, significantly higher than much of the competition. Shell has the leading image overall, driven by what sort of company it is seen to be, and how consumers relate to it and approve of it.

CAPITAL DISIPLINE

We have rapidly introduced a greater discipline in the allocation of capital. This year we expect to spend half the 1998 amount on our products. A reduction in capital spending has led to internal competition for capital, with rigorous ranking of projects. A direct relationship with performance and track record delivers good projects at lower costs. In the future we envisage minimum refinery investment consistent with meeting HSE and auto oil requirements, and maintaining asset integrity with a focus on marketing; in particular on retail.

COMPETITOR PERFORMANCE - WOUSA

As illustrated, our unit capex level is now within the competitor band. In this line is the Euro target we identified last December. Our unit earnings continue to lead the competition, and the lead is widening. In the first nine months, our total earnings in the world outside the United States had beaten the nearest of our major competitors, namely Exxon, Mobil and BP Amoco. The picture in the United States is less favorable. There are no useful historical trend comparisons because of the recent formation of the alliances. In terms of unit earnings related to competitive peers, Equilon has fared better, helped by its strengths in the U.S. West Coast markets. It has the help of nationwide lubes and transportation businesses. But relative exposure to the weak U.S. Gulf refining margins in Motiva and the Deer Park joint venture is high.

OIL PRODUCTS SUMMARY

The full score of performance of downstream in the United States looks to be disappointing. Despite the progress made over the last years, overall performance in the United States is disappointing. We are seeking improvements with our partners. We need further cost improvements, and we need to look at ways at simplifying the structures.

Summarizing our oil products, a story of cost improvements, focus capital expenditure, lower refining exposure and a customer-focused portfolio are key.

CHEMICALS

Consolidation continues in the chemicals industry. With our focused strategy and strong positions in retained businesses, we are well positioned to compete. We still see a weak environment due to excess global capacity right across the industry. Currently we believe we are at the bottom of the chemical cycle, and the last time we were in a similar position in 1992 and 1993, Chemicals had losses.

We have planned on the basis of a difficult margin environment. Shell margins show the impact of divesting specialized, high-margin, high-cost, lower-profit businesses. We will continue implementing our strategy to enhance the portfolio, lower costs, improve value propositions, and engage and develop people. Winning strategy alone is not enough. Key is our performance management systems with regular tracking and clear accountability at all levels. Through 2001 we expect profitable growth, 6 percent a.a.i. in retained businesses, due to strong customer relationships and new capacity.

CHEMICALS PROGRESS ON COSTS

Strategic cost leadership is vital for us. The latest estimate of cost improvement, including the ventures, is $550 million in 2001, compared to the $350 million targets. We are on track in 1999. One of our performance improvement projects focuses on procurement with savings of $120 million in 1999, of which only a quarter is included in our cost-improvement measures. The rest reduces our variable costs, which form part of our gross margin. The graph is for consolidated businesses, and shows significant reduction in unit costs from 1998 to 1999. About a quarter of this reduction is from portfolio effects. The majority of the impact, 73 percent, is from improving underlying unit-cost positions. Going forward to 2001, we see the effect of divesting high unit-cost businesses and further improvement in underlying unit costs from cost improvement programs.

CHEMICALS PORTFOLIO 1998

Last year we announced our plan to divest 40 percent of capital employed in Chemicals, mainly in downstream businesses. The businesses in red represent divested businesses. Polyethelene was already 50 percent owned in a joint venture with BASF, and for polypropylene, Montell. We said we wanted to keep it, but reduce our exposure to 50 percent. Divesting businesses are more specialized and require skills that are a poor fit with Shell. The retained businesses in yellow have common characteristics, so the focus is on achieving or enhancing leadership over a smaller group of businesses rather than spreading resources and management attention over many. This allows us to create and enhance our world-leader positions. We are progressing according to plan.

PROGRESS on PORTFOLIO RATIONALISATION

This year we have turned three of the boxes red, meaning the sale is completed, the business transferred and the cash received. Wavin, the PVC pipe of packaging, PU foams and GPR are in red. The next five businesses are either contracted or close to contract, but not yet completed. Polypropylene and polyethylene are already contracted, and will be combined in a joint venture. Polyethylene is being sold in several packages to different buyers, the largest part to Nova Chemicals. PET is not yet contracted, but we expect to announce the sale soon. PVC/VCM is in two packages, one to Shinitsu and the other to ELF. Again, these are not contracted yet, but we expect to do so by year-end.

The remaining two business divestments, Resins and Elastomers, are well down the road. Firm bids were received this month and discussions are underway with several prospective buyers. We will not close these contracts this year, and expect to make further announcements in the first part of next year. Overall the progress has been very satisfying. We will have $4.4 billion contracted or close to contract by year-end, with a further $1.3 billion due to come, making a total somewhat ahead of the $5 billion target reduction in capital employed.

FUTURE CHEMICALS PORTFOLIO

This slide shows the world rank order, the share of capacity and growth rate averaged over the last cycle for those businesses in the future portfolio. This assumes announced mergers are implemented and no capacity changes after the merger. As the product flow indicates, the futures portfolio is highly integrated within Chemicals and into the refineries. Despite recent major consolidation by a competitor, Shell is now number one in five out of our 12 businesses, including the ventures, and we are number one or number two in 75 percent of the businesses we are in. We have the leading positions in those businesses that expect high growth rates for the Propylene, Hoder and PDO.

WORLD-LEADING POLYOLEFINS VENTURE

The largest of all these deals involves Montell and Elenac. They will be combined in a 50-50 joint venture with BASF - with whom we have a track record of successful ventures going back to 1953. The resulting company is well placed in terms of global market coverage, assets and technology a leading player in profitability in the growing polyolefins markets. It will be a global company, so we will have an increasingly global customer base.

It will also have a leading position in polyolefins technology. Montell is the market leader in PP licensing and catalysts. It also brings advanced polyolefins technology, while Targor brings us metallocine catalysis. Synergies have been conservatively estimated at $100 million. But further opportunities exist from benchmarking and an exchange of know-how among the partners. Capital employed is reduced by more than half. There is cash to be received by Shell and the effect of debt held in the new business. The final reduction depends on the financing plan and on competition authority requirements.

FAR FEWER MANUFACTURING SITES

You see here how we expect to rationalize our manufacturing sites between the end of 1998 and the end of the year 2000 as part of the process of building a strong foundation of portfolio growth in our core business. The simplification of the manufacturing footprint will enable greater focus on operational excellence. Approximately 75 percent of capacity will be associated with real-skill plants next year, rising to approximately 80 percent with announced investments. The greatest reduction in the number of sites is in Europe. This is primarily due to a divestment of polystyrene and the polyurethane businesses. After rationalization, average site capacity will increase. Three-quarter of the sites will be linked to refineries, providing strong integration benefits.

CHEMICALS SUMMARY

Finally, the remainder of those key points I mentioned before that will underpin the delivery of targets. We have a latest estimate of cost improvements by 2001, of $550 million. We estimate 11,200 staff coming off the Shell Chemicals payroll by the end of 2000. About 1,300 will be from costs programs inside Shell. Divestments, including Montell, will take an additional 9,900 off the payroll. The return on average capital employed benefits from the divestment will be 5 percent in 2001, compared to 1998 base year. We will also benefit from the 6 percent per-annum volume growth in our retained businesses through 2001. Our investment emphasis is on increasing production in existing plants through debottlenecking, and assuring we have a network of world-scale plants positioned to serve global markets.

I will now hand it back to Mark to summarize our plans.

MR. MOODY-STUART: Thank you very much, Maarten.

CONTINUED CAPITAL INVESTMENT - DISIPLINE

Now to the summary, starting with our overall capital program. The processes we put in place this year to support and drive the allocation of capital and keep it firmly under control, are now firmly embedded. That more efficient allocation of capital allows us to do more for less. We can maintain a similar level of investment over the next few years to 1999, while still investing in many profitable opportunities, a lot of which you have heard about today. We are aiming at a level of approximately $10 billion of capital investment per annum for the next few years. That is well above underlying depreciation of $6 billion, and even above the replacement-cost appreciation of $9 billion.

Growth will continue despite our restricted capital spend. Through our system of more capital efficiency, we are able to do more for less. An additional advantage of the strong central control of capital expenditure and a hold-back of almost $1 billion is that we retain the ability to switch investments, take advantage of unexpected opportunities or restrict investment in areas not performing well. We can do that on a short-term basis.

SHARE BUYBACK – FINANCIAL MANAGEMENT

The strong operating cash flow on the order of $16 billion to $17 billion a year covers dividends and planned capex, with a completely unchanged dividend policy. We probably will have a higher-than $14 oil price next year, and that will give us more cash. Furthermore, we expect divestment proceeds in the period 1999 to 2001 of about $12 billion. Be assured we do not want to hold more cash on the balance sheet than we need to run our operations, so we are considering a multiple-year buyback program. The fiscal regime in The Netherlands is still a problem, but we are confident a solution will be found.

COST IMPROVEMENTS

If you look at our plans overall, a key measure is the cost improvement position. The latest estimate for this year, including expiration expense, is $1.8 billion. Our latest estimate for 2001 is $4 billion. The important point about these cost improvements is the accountability structure we have put in place to insure delivery. Everyone knows who is accountable, and they know they have the full authority to deliver.

But you have to remember our total business improvement goes far beyond just cost improvements, with improvements on all the lines of our income statement, from the very top to the bottom.

ROAD MAP - 2001

I feel sure this slide of the roadmap for 2001 was the slide you in New York turned to first. Fourteen percent is a challenging target at the $14 oil price premise and in the sort of refining environment we premised last year. For Chemicals, given the weak margin environment in the roadmap premise we foresee, that is also a challenging target, but one that our very strong future portfolio will enable us to deliver.

Gas and Power remains as last year, with a target of only 7 percent; but this reflects the growth nature of that business and the additional capital we are putting into it. The average capital employed figures you see here are just for indicative purposes. They are not targets. Last year the capital employed number for 2001 was $71 billion. This year the indicative number is $68 billion. That is an average between $67 billion in 2000 and $69 billion in $2001. It may vary, depending on opportunities.

MILESTONES

Here are some of the milestones we have set ourselves for 2000. You can see the very high level of activity in 1999. Here we just show quarter four continued into 2000. In quarter four you can see we have Athabasca, Iran and Bonga. That will continue into 2000, with all the projects we list here. Some of the divestments in train are planned to be completed in Chemicals and our core business. There will be new projects coming to startup, such as Europa in the Gulf of Mexico, Oman LNG, the restart of SMDS and the Moerdijk cracker and many more. It is a very full plate, and not everything is here, because we also like to keep a few surprises up our sleeve.

SUMMARY

Finally you will recognize triangular diagram of the key elements of our strategies and plans. We are going to continue that capital discipline with the investment program based on $10 billion a year. We are going to continue to work on our portfolio. You have heard about several areas where we still think our portfolio is weak, and I believe you now know that when we say we want to attack part of our portfolio, we are going to get on with it.

On costs, I believe we will be able to report in February a very successful first year of cost improvements. We expect $1.8 billion of cost in exploration expense improvement in 1999 compared with last year, and that does give us the confidence to raise our latest estimate for 2001 to $4 billion. We are going to continue to report this in the detail you have come to expect from us. I can say we are considering an ongoing share buyback program very seriously. It is a key part of our financial management, and we are going to keep working at getting an enabling fiscal environment.

This is a dynamic business that will improve its performance, working on the margin line to grow our business, as well as on the cost line. We have ample opportunities, and I am absolutely confident we have the capacity to innovate and respond to the 21st century. Accelerated performance delivery, strengthening our portfolio, and customer focus are going to deliver superior total shareholder returns in the coming years.

Thank you very much. We will now take your questions.

QUESTIONS AND ANSWERS

MR. FRANK KNUETTEL, Paine Webber: What would be the components to cause you to spend more in the future?

MR. MOODY-STUART: First, we have always said we will look at acquisitions. There might be something, although not necessarily a big acquisition, in bits of our business where we want to grow. We have the strength and we are prepared to do that. There may be areas where, to establish a first position, we would need to spend more. In our new methods of control we have the capacity to carefully track what is happening in each part of the business and to respond quickly.

For example, in Oil Products we do that on a very short-term basis, looking at what is happening in each market. If the market is going well, we accelerate expenditure; if the market is not going well, we throttle back.

We have plenty of financial strength, but the key is this internal competition that has ratcheted up the efficiency of our capital expenditures. In fact, within the ceilings we set ourselves we can already do more.

MR. PAUL TING, Salomon Smith Barney: You have made several references to share buyback. Looking at your debt-to-capital ratio, it looks to be about 20 percent. Could you talk about what your target debt-to-capital ratio is, and also give us a sense of timing when you might be able to implement, given the fiscal uncertainties associated with the fiscal regime as it is right now.

MR. VAN DEN BERGH: The gearing ratio we have now is just under 20 percent, but as you can see, with the substantial levels of cash generation from the disposals next year, one would expect that to fall. The gearing ratio as such is not going to be any problem in respect to share buybacks. As you know, the share buyback issue is very much a Dutch fiscal problem. There is an enormous amount of work and discussions with the government going on to come to a satisfactory solution. If you look at the two conditions that are the appropriate financial conditions necessary, we very much hope that will be there next year.

MR. TING: Is your target to maintain that ratio?

MR. VAN DEN BERGH: I would very much like us to maintain a triple-A status. I think it is an enormous strength from a financial point of view. I also think it gives you strength when you are looking at very major investments in new areas of the worldÄyou can say that no investment is too large for you to make. I would not mind temporarily exceeding it if the opportunity came along to make a major acquisition, but long term I think this company has benefitted enormously from having a very strong financial position.

MR. MIKE MAYER, Shroder & Co.: Could you describe the terms you expect to achieve in Iran in your investments there, and is it correct that you do not count the production in reserves in your own numbers? What will the per-barrel profitability be?

MR. MOODY-STUART: As in many new arrangements with major producing countries, you have to structure a deal that is politically and economically acceptable to them. In Iran it is very important to be absolutely clear that the oil remains Iranian oil, so we do not book it. The production we will take into our refineries, for the most part, is not included in the figures. The economics are the same we normally expect. They are attractive. Obviously the Iranian government likes to have a competitive agreement, so they are in line generally with international agreements. I will not go into per-barrel details.

MR. AL ANTON, Carl H. Pforzheimer & Co.: All three of the super majors are now on a worldwide functional reporting basis. ExxonMobil announced yesterday they are organizing into 11 divisionsÄfour upstream, four downstream and one each for chemicals, gas and power, and coal and minerals. BP Amoco has 130 or so strategic business units that report to Britannic House where the managers are suitably rewarded or punished. Can you give us an idea of how your new functional arrangements might differ or be similar to those two, in terms of operational management and capital budgeting management?

MR. MOODY-STUART: I do not suppose I know much more about their arrangements than you. I can talk about our arrangements. We have made it absolutely plain that we have bottom-line-accountable executives for different parts of our business. For

Exploration and Production that is Phil Watts, who is part of the Committee of Managing Directors. Phil also looks after Gas and Power. It is Paul Skinner in the downstream, Oil Products, who is also on the Committee of Managing Directors. Other managing directors look after classes of business. We think you need a stacked hierarchy. In the big businesses, for example, Oil Products, we also divide it up. In Stasco, our trading outfit, the president has bottom-line accountability. The global LNG business has a chief executive. We have a global aviation business, and so on. We have those global businesses that are part of Paul's team.

We also divide them up into clear bottom-line units, but we do not bring them in to the very top. I personally would find that more than I could handle on a day-to-day basis. John Browne has a remarkable capacity for that. Our position is for clear accountability with scorecards and remuneration for each of those units. We also split up our Oil Products.

Within the Executive Committees of each of those businesses, we have people responsible for a particular region; for example, Singapore. It is the same in Chemicals. At the moment Chemicals reports to Walter van de Vijver, who also looks after other parts of our business like hydrogen and so on.

Harry Roels on the Committee of Managing Directors has been paying particular attention to the portfolio and planning elements, which have been very key in this process. I think you need someone at the highest level looking at that. Harry will also spearhead our Internet business.

These are the nuts and bolts of our internal operations. You can slice it in a number of different ways. Maarten has overall financial responsibility. Does that answer your question?

MR. ANTON: Yes. From a capital-allocation point of view, I would imagine when everybody puts in a request it could add up to $20 billion, and you then have to get down to $10 billion. What kind of process does that entail, and at what level is the decision made?

MR. MOODY-STUART: That comes together in our Committee of Managing Directors, which you could call the Group Executive Committee, where we have a strong overall financial input. If it came in at $20 billion, Maarten would say no to that. Each of the businesses comes in having ranked and prioritized their own capital, and then we would iterate that. If it comes together at more than we think it should, we will send the businesses back. I described it as "tough and bloody." It certainly was in the beginning because people in Shell were not used to this process, neither at the senior level nor at the different units. People were used to more of a hurdle rate. They could be reasonably certain that a profitable project would get the capital, but that is not on anymore. They now have to actually compete within and across the businesses. That has been a healthy process.

MR. VAN DEN BERGH: I would add two points. First, if you look at the capital ranking issue, a very good example is our Exploration Group that came together in May. The total of all the proposals was significantly higher than the figure you just saw. They realized the total was not possible, and they themselves came up with the spending we have in our plan for next year. That shows you end up with a much more robust level of spending and chance of success.

Going back to the earlier point, to the number of divisions you split into. In 1995 when we looked at the new organization, we wanted an organization without too many silos. People still have a natural disinclination to work outside their lines of responsibility. With the subdivisions of each business as Mark described, we tried to end up with the best of all worlds, with a limited number of businesses coming together with one person at the top; but since there are only five businesses, the number of borders is limited. This whole issue of people sticking to their own business and not talking to somebody across the fence has been avoided.

MR. MOODY-STUART: That is a very important point. Many of the new fields of business will jump across businesses. For example, Gas and Power will not just be a gas business. It will link to our overall trading business. Our main trading business sits in Oil Products. How will that link to our Retail business? We have to be ready and have the capacity at the top to recombine these things, and not have them in silos. Otherwise we will only get growth of the traditional business. That will not fit us for the 21st century.

MR. MATTHEW WARBURTON, Warburg Dillon Read: Just following up from Maarten's comments on the U.S. downstream performance. What options are available to you to resolve the underperformance, and what obstacles may be evident from other partners in other solutions you may be considering?

MR. MOODY-STUART: As Maarten said, we have to make sure the structures we have there are the most efficient ones. They are quite complex at the moment. We can probably do something in that. The market is tough.

MR. MILLER: As you look at the alliance, there are three companies: Motiva with three shareholders; Equilon with two shareholders; and Aqiva Services, which provides services to both the Equilon and Motiva companies, with three shareholders. The good news is we are at the end of Phase 1, the initial startup, working on the synergy commitment we had to you and our shareholders of getting that $800 million in hand at the end of 2000. As we sit in December 1999, we are effectively at that burn rate today. We are feeling very good about the synergies. That is the good news.

We recognize the competitive landscape is changing. You might say we triggered that when we first put together that alliance activity in the downstream in the U.S. Now the shareholders are working very closely with the executive management about Phase 2, the next step of additional synergies, revenues, growth and cost reductions to match the next steps of our major competitors. In that area there is complete alignment among the shareholders that we need to move on. The executive management is responding to that through their plans for 2000 and 2001.

MR. MOODY-STUART: That is a good example of how the global business works with the national presence. Paul Skinner has overall responsibility for Oil Products. He is well aware that our business in the United States underperformed relative to oil products businesses in the rest of the world. We have to do something about that. The mechanisms for doing so are complex. Steve's role is key there because he is here, on the spot, day-to-day on the boards relating to our partners. But the overall driver comes from the global business.

MR. STEVEN PFEIFER, Merrill Lynch: Could you comment about the divestment of Altura, do you think you will break it up into several packages?

MR. MOODY-STUART: We announced our intention to do this at this presentation last year. We had to have an agreement with our partner, then Amoco, who was involved in the merger with BP. Now we have complete alignment with BP Amoco on how we will proceed in terms of data rooms and so on. We are looking at doing it either as a single unit, and it looks as if we have a number of people who are potentially interested in that; or by splitting it up. In many ways we would prefer to do it as a single unit, but that is not an absolute must-do. The process is going well. We will see the progress in the coming months.

MR. MARTIN ROBERTS, Salomon Asset Management: Could I return to the issue of return on capital employed in the various segments? Is the 15 percent indicated for Chemicals across the cycle, or could you provide a number of what you would expect to earn at the trough and the peak after you have this fully divested and turned into what you have outlined? Second, the Oil Products division where you indicated a 15 percent return, looking at the industry in general, this is a segment that barely earned a passbook rate of return under the best of conditions. Looking at the three parts; refining, marketing and retail. Could you break down how you will get that 15 percent? It seems terribly high.

In the Gas Products area, knowing you are pouring in a lot of money now, what do you hope to get as a return on capital on the existing 7 percent? If oil prices were to remain in the $18 to $22 "sweet zone," what would be the return on that capital?

MR. MOODY-STUART: That is a good list of questions. Starting with Chemicals, that is across the cycle. You can see we are in the trough of the cycle at the moment. Chemicals margins are pretty miserable. We are certainly doing above the cost of capital. We aim to improve that. At the peaks of the cycle we will make a lot more. There are arguments whether the peaks of the chemical cycle get lower and how they will trend in the future, but that is an average number across the cycle. We believe it is perfectly possible. Our big competitor, Exxon, has done that. They are the ones we are chasing. They have done a super job. I do not see anything in Shell assets that would prevent us from doing very much the same thing, once we have sorted them out.

You can see it varies regionally and in different bits of the business. In our marketing business we are making well above that rate outside the United States. The overall performance is pulled down because of the very large amounts of refining capital employed we have. We need to address that if we are going to get the average up. In the slide Maarten showed, you saw how we are steadily reducing our refining cover and looking where possible, without destroying shareholder value, to find solutions to do that.

In the United States, taken as a whole, both Refining and Marketing pull the total down. Again, that is a mixed picture.

MR. VAN DEN BERGH: The gas business is the only one that does not show a return of 15 percent, apart from a small corporate sector. The reason is simple. It is a business in which the mature part, the LNG, is doing very well, particularly as we go into a period of somewhat higher oil prices; but even in the last couple of years, LNG has had a very good return that meets our criterion.

For the rest, there is a very heavy investment program. As the ratio of big investments, like in LNG, compares to the size of the mature businesses, you get a depressing effect on your returns. But overall we have no doubt in investing there against the same investment criteria. If there were a period of no further growth, you would meet your return criteria.

MR. MOODY-STUART: On the oil price side, we have said before what the dollar a barrel impact is, we say its about 450 per dollar a barrel. So if you go to $18, that is four times 450.

In the upstream portfolio, Phil Watts is driving to make sure it is more robust at low oil prices, at $10 a barrel, without damaging the upside. As we look at these portfolio plans, that is exactly what we see. The income line goes across the portfolio. It is a mixed portfolio with some higher-cost areas in the U.K. and the U.S. that have tremendous upsides, because of the relatively benign tax systems that allow much of the high-price upside to be retained. This is balanced by some parts of the portfolio that are much less affected by oil prices, that have quasi-fixed margins.

As we look at our portfolio plans, we see the $10 a barrel line rising, so we would be comfortable even at such a low price. You also see the $18 a barrel line lifting significantly. It is a question of optimizing the portfolio, bearing in mind that we do not know what the oil price will be. We have to cover ourselves for all eventualities. We are not going to bet the Group's business on high oil prices. As you saw from the charts, we believe there is a reasonable possibility in the medium term that oil prices will be very much lower. It is not a certainty, but we would like to know that next time it comes, we are very comfortable, thank you.

MR. STAN HARBISON, Scudder Kemper Investments: I would like to go back to the share buyback. It has been so long that we have been waiting for even a semi-announcement, it is gratifying to hear. I have a more critical question. Remembering U.S. companies buying back shares, first, the Exxon buyback of 1983 to 1988, was 20 percent to 25 percent of the total market capital. It was significantly underwritten with higher book returns since then. I remember the Arco move that was as big in two months, but also had the same effect, and had the penalty of carrying a higher balance sheet. Then Imperial, in the Exxon tradition of over several years, having very impressive size. The rest of the buybacks have generally been 1 percent to 2 percent a year of market cap. It will be hard for you to answer this directly, but what is the point of a small buyback if in fact you have the capital discipline in hand? I believe Exxon and Arco put theirs into effect to curb their discipline in capital, as you have been working on the last several years. What is the point? It is an extra dividend per year of a couple percent, when in fact you have a very strong dividend history, or do you have longer-term objectives? How much debate internally is there about the program?

MR. VAN DEN BERGH: It is a very difficult question. There is a lot of theoretical debate about it. You can strongly argue that doing a once-off, very large share buyback has a very limited effected. It is done and forgotten, and we can think of some recent examples this year. It is good to show as a company that you are employing capital discipline and will not let cash build up as you did in the past. There is no doubt that puts pressure on the organization to somehow spend it. It is clear that is not what we want to do. It does help your earnings per share.

My strong feeling is that people know you are continuously taking shares out of the market. I think over time that does help your share price. You have arguments on the empirical side that say it helps a lot, and others say it is difficult to prove. I strongly believe you can show it helps you with your capital discipline. If you can show you are continuously helping your share price by taking shares out of the market, that is a good thing. I have different views on making very large once-off repurchases.

MR. MARK GILMAN, Furman Selz: I think you used a 600 million barrel equivalent reserve for Bonga, which is dramatically lower than anything I remember seeing in the industry for the last couple years. Could you comment on that? I hear noises about reservoir problems at Mensa in the Gulf. Could you talk about that? Philosophically, the theme of this presentation has been discipline and capital allocation. It is one thing to talk about ratcheting back expenditures in order to achieve that, and that is certainly part of it. But what are you doing to make sure that during this period of retrenchment, the opportunity set continues to grow, so even at the lower level of spending you are still not potentially funding things you do not want to? My concern is the opportunity pipeline. I do not see that many things moving in. I see Iran. I see something moving out, like Venezuela. Iran does not strike me as a high-return area.

MR. MOODY-STUART: To start off, Bonga is a great big structure with lots of little lobes and different bits. We are talking about the reserves we are developing in this tranche. The overall upside on Bonga and what we will do in the future, you will hear about in the future.

On Mensa, no major reservoir worries have come to my attention.

MR. MILLER: The problems we had last year were mechanical as we learned how to operate that very deep production area. The problems are in hand. They were not reservoir problems.

MR. MOODY-STUART: Last year we had metallurgical problems. One of the difficulties with these deepwater projects is you have a smaller number of very high productivity wells. If you have a mechanical problem with one of them, it is surely a problem.

On the philosophy, it is a balance. We have to be present in areas where we can grow the business continually. Unlike you, I do regard Iran as a reasonably profitable area. I regard it and the whole of the Gulf area as one of major opportunity. Whatever your views on oil prices and non-OPEC production, those countries are going to fuel the world's liquid hydrocarbon needs in the future. We need a presence there. In Shell, we have shown our capacity to develop long-term partnership presence with countries such as Iran. We have been extremely successful in Oman, which has much smaller reserves; we have done it in Syria and Egypt; we have a good position in Abu Dhabi. We have major investments in Saudi, and are working very hard on Kuwait. Those big reserve holders are a very important part of any oil company's future strategy.

They are not the only places. We are looking at other areas upstream in West Africa in general, and Brazil and, of course, continuing in the Gulf of Mexico. So, yes, we have this continual balance between insuring that we operate at a high level of capital efficiency without choking off future opportunities. I suppose for every one of you who worry we are choking off future opportunities, there are probably two who worry we will take off the brakes too soon. I assure you we are not going to take off the brakes nor choke off future opportunities.

MR. DAVID WINTERS, Franklin Mutual Investors: Could you comment on the two Dutch holding companies and their status. How will Dutch tax policy change to make it possible for you to tax-efficiently buy back your stock?

MR. VAN DEN BERGH: On the two Dutch holding companies, I believe there are four in total. Dresdner Bank is discussing acquiring those companies. It was the intention to benefit from the difference in the share price of the holding companies, and the share price in which these companies have invested. This is a result of the current Dutch fiscal regime. From their press release issued Monday, you can see they hope to gain by paying the people who hold the shares of the holding companies, with the shares of the companies in which these holding companies have invested. In our case that is Deutsche Petroleum [ed. query], who has invested in Royal Dutch Air. They have quoted the way they are going pay and the discounts these people will get. In addition, the acquiring company will benefit from having taken a financial position in those companies some time ago. I do not know when.

As far as we are concerned, we have had a very good relationship with Deutsche Petroleum over many years. On the other hand, to see somebody who has 7 percent of your shares disappear into the greater market is of some concern. We will have to see how that goes.

What was the other question on the Dutch fiscal position?

MR. DAVID WINTERS: Historically it has been very hard for a Netherlands-based company to buy back stock efficiently unless it was from a 5 percent affiliate. My understanding is the Dutch parliament is still debating this. Could you give us an update on the status of the change in the tax law that will make it efficient for you to do?

MR. VAN DEN BERGH: There is a whole new tax law going through parliament at the moment that will be introduced on January 1, 2001. It is hoped that will make it possible to buy back shares easily. In fact, there are still two problems left for an individual investor in The Netherlands. He will get the dividend withholding returned, but it will take something like nine months, and that will cost money.

The other problem is there are many double-taxation treaties between The Netherlands and other countries. Under those treaties, dividend withholding tax, albeit at lower levels, has to be levied. That is a fact of life; you cannot get away from it. So people are now trying to find ways shares could be bought back that would not affect the fiscal revenue of the Dutch government, but would get around the problem of the dividend withholding tax. A number of possibilities are under discussion currently with the Dutch government. We very much hope in the coming weeks that will lead to a favorable outcome.

MR. JIM CLARK, Credit Suisse First Boston Corp.: A question about the reserve to production and spending interrelationships. If you look at a $6 billion budget and assume historic finding and development costs, it looks like your reserve growth will lag your production growth fairly substantially. Production growth is 5 percent to 6.5 percent, and reserve growth may be in the neighborhood of 1 percent to 2 percent. Is there some bold assumption we should be making about either finding and development costs, or is it possible we will see the RP ratio come down over this period?

MR. MOODY-STUART: We are seeing in the industry, particularly in relation to these large, structurally low-cost areas in the Gulf, that the oil is already found. It is a question of development. If we can gain access to things that are streams of future income through applying our technology and capital, we will not have to spend exploration dollars looking for them. That is one factor.

Clearly our development capital in exploration will be geared to the overall returns of the portfolio. As those go up, we may well see increases in expenditures in the future. But we want to make sure we have the results first.

MS. CAREN WINNALL, The Ford Foundation: I have two questions. Next year will you be spending the additional $1 billion in capital you put aside in case you see opportunities or in case the oil price is higher? Second, it was mentioned you would allow your gearing to be over 20 percent if you saw an attractive acquisition opportunity. Could you discuss areas you may be looking at?

MR. MOODY-STUART: I should make it plain that the $1 billion hold-back is part of the $10 billion. It is just as last year when we announced we would go down to $11 billion and hold back $1 billion. In the end we did hold it back, so that $1 billion is included. We held it back until we see how things are going, and decide on its allocation during the course of the year. It is not that we have an additional $1 billion, going from $10 billion to $11 billion; although that is not completely excluded, either.

MR. VAN DEN BERGH: I would have said "acquisition or major new investment." We will not discuss in detail what we could or could not do, but it is quite clear that with the current outlook on refinery margins, it is unlikely we will have major opportunities there. A second area where is the Chemical business, where right now the focus is very much on making a success out of the remaining part of the portfolio.

FADEL GHEIT, Fahnstock & Company: I have a question on your tax rate. Your average tax rate is much higher than the other two super majors, ExxonMobile and BP Amoco. What can you do to lower your tax rate?

MR. VAN DEN BERGH: There is very little you can do. We are maximizing every possible opportunity to lower our tax burden. We have done an enormous amount of work, particularly in the last one or two years, to make sure one does not pay any more tax than one has to. In our case, the tax burden is due to a large extent to the world we live in. If you look at a place like Nigeria, where our share is 300,000 barrels a day of production, you end up with a very high tax rate. Tax management receives a lot of attention from us. I believe the high tax rate is entirely due to the mix of the business we have, which is different than our major competitors' in certain instances.

MR. MOODY-STUART: In these low-unit technical cost areas tax rates tend to be higher. In exchange for that, you have a certain robustness when oil prices are low. You know there is some cake left to be shared. While in some of the low-tax areas, when prices are lower, there is no cake left at all.

MR. ANTON: There is no doubt that your chart in the EP section showed that Shell is the early leader in deepwater development. This is mostly in the deepwater Gulf of Mexico. It seems when it comes to other areas of the world, ExxonMobil and, relative to size, Elf and Chevron, have probably done proportionally better. In Angola you struck out on Block 16, although you have other interests. Why weren't you faster to take the technology and

geology you developed in the Gulf of Mexico and apply it to other deepwater areas, and get a similar lead in those areas? As an ancillary question to that, how many areas would you expect to be exploring in other than the deepwater Gulf of Mexico over the next year or so?
MR. MOODY-STUART: The question is a fair one. If you look at West Africa, we have a very strong and leading position in Nigerian deepwater. We have a 40 percent interest in Exxon's recent discovery there, which they announced earlier this week. In Angola and the Congo, as you rightly say, we are not so strong. I can assure you that is not because we did not try. In Brazil the situation is developing quite nicely. It is a highly competitive game, and everybody is chasing the same reserves. You win some and lose some. We can also trade positions. We have a strong position in Nigeria, so maybe we can swap some of that for other areas.

MR. ALVIN SILBER, Herzog, Heine, Geduld, Inc.: Do you have any target in mind as far as reducing your cover ratio and refining? And how would you obtain the petroleum products you are not self-producing, and is there concern that changing environmental rules would give you a lack of control in the specifications of product? Does the occasional refinery outage, such as happened on the West Coast, lead to a spike-up in the cost of obtaining this product you do not self-produce?
MR. MOODY-STUART: At the moment refining is a very difficult business to be in. We do not believe we can run our business without a strong position in refining. You saw on Maarten's chart a reduction of 60-something percent. It will depend very much on the area of the world and the nature of the market in that area. If there is a free and open market where you can get product from refineries producing to more or less similar standards, fine. In other areas of the world, you need some access to a refinery to get the products for your market. India and China are examples. The Indian government has said, "No refinery, no market." We will see how we can get round that. In China there is somewhat the same position. We need to convince some of these governments that you do not need extra refineries. There are plenty of refineries in the world and there are other ways of securing reliable product supply.

MR. MILLER: Refining is very much a niche position in profitability. For example, on the West Coast, which is a much tighter supply-demand relationship, refining performance there is better than on the Gulf Coast, which is open to imports from almost anywhere in the world. You have to be careful that when you think about a refining cover, it is a very overall number. You have to understand the markets you are talking about. As Mark said, there are some developing countries where we have to have a refinery if we are going to be there, unless over time we can convince those governments that need not be the case. You also have to understand that in the Oil Products business there probably has been a migration along the value chain closer to the customer than what it was 10, 15 or 20 years ago. That is in play and is one of the concerns. You need to have some, you need to be strong over there, but clearly you do not have to be covered barrel for barrel.

MR. MOODY-STUART: One of my personal beliefs of the whole question of where in the value chain the [indistinguishable]. We can study it, calculate it and come to a conclusion, but I think we are just not smart enough to see what, through changes in supply and demand, may actually switch. I certainly would not give it up altogether.

MR. PETER NICHOL, ABN Amro: A couple of questions on the refining front. Your chart showed about $9 billion of capital employed in manufacturing outside the U.S., making 2 percent to 3 percent. Your roadmap shows very little change in the capital employed for the downstream segment for the next four or five years. You have already done a great deal to improve the efficiency of your plants, and you are projecting a fairly modest reduction in the overall coverage. I was trying to understand how you close the gap between these single-digit returns and the 15 percent roadmap, and whether there was further action along the lines of Chemicals to be done in this area.

And a second question: On the downstream Power and Gas, you alluded to the convergence of industry and business opportunities as we move ahead. Looking at Europe at the moment, there is considerable talk about mergers between the oil and the power industries. Do you see yourselves participating in that sort of industry consolidation mergers in your European portfolio, or do you see the main opportunities in downstream Gas and Power in these developing markets?

MR. MOODY-STUART: Taking refinery cover, you say a modest reduction. We are going down 60-something percent. There is a shading on that chart, a high and a low. We have plans in place, but we are not certain we can achieve them. In some case they are taking partners into refineries. It is sometimes possible to sell a refinery but still retain some kind of linkage on the product supply side, so you address your concern while getting the capital off the books to someone who is interested, either in having crude access to the refinery and having a secure outlet, or who has a different viewpoint in the future about refining margins in general.

In addition, we are in some areas, certainly in Asia-Pacific and America, where we are growing our market very strongly. The problem is in Europe, where the market probably will not grow. Therefore, market growth will not remove the capacity there. So some of the capacity overhang will be addressed by market growth. But we do not exclude closing or disposing of other refineries. If you look at the industry in Europe and, to some extent, the United States, we have done a lot. There is a lot of talk about it in Europe, but nothing much happens. At least we closed two of them. I think all those factors will come into play as we address our refining capacity.

MR. VAN DEN BERGH: In downstream Power and Gas, we are clearly interested in conversions. You remember that sometime ago it was reported we had an interest in Ezendich **[ed. query]**, one of the four Dutch power generators, but somebody else decided to pay a very high price for it. But that interest remains. You can also see our growing interest in the power business in Europe through InterGen looking at investments in Europe in new plants. And we just mentioned we have our recently established joint venture in marketing and trading power. So yes, there is a real interest in that area.

MR. PHILIP KAUKONEN, Lord, Abbott & Company: I have a question about the production profile. Two and three years ago the Group had a very robust production growth outlook, and you did not attain it. Why is it going to be better this time, when you have substantially lower oil price assumptions and you are spending a lot less money? What gives you more confidence you are actually going to achieve this growth now?

MR. MOODY-STUART: If you go back to our production forecasts in those days, perhaps we were a little naive. We put in our own production targets, and they were pretty stretched. Taking into account the work we have done on our portfolio and the changes in the oil price outlook; because at that time we were looking at a much higher oil price, we did not make those targets. I think we learned some tough lessons from that. We are very careful to put in things we believe we can deliver on. I cannot give you more assurance than that, except to say we put a lot of pressure on the businesses to make sure they are going to do what they say they are.

JOHN MAHEDY, Sanford Bernstein Company: One might argue that in the last couple years you were out of the game in terms of acquisitions while you got your house in order. What are the pros and cons in terms of using that as a step to take you to the second phase of cost-cutting? Second, in the discussion of the capital spending, are we comparing apples to oranges when you imply flat capital spending on an organization where you have had significant asset sales? Perhaps it is much smaller.

MR. MOODY-STUART: On the question of acquisitions or mergers, we have been going through a process I call our "internal merger," starting with the historical situation we had with strong, national operating companies with a big divide between Shell Oil Company in the United States and the rest of the world. We are making sure that while retaining the local strength Steve spoke about, we are still delivering and benefitting from the overall efficiencies of our size. To us, that was a real priority. I think we have an extremely strong portfolio, and we wanted to take best advantage of it. I think our portfolio is more robust now and we are deriving the benefit of global business and strong individual accountability. I think we can see how we can add assets at the right price, and not necessarily through a major acquisition. It may be assets coming from others who are divesting them, or places where we can swap, where we are quite active. There may be other areas where we can acquire something to establish a position of growth. We can lift our eyes from the immediate short-term grind to look at that, but we do have to walk both sides of the street at the same time. We must be absolutely sure we are delivering that operational excellence, while we are also looking at the long term. So I do not exclude it, but we will have to see what comes along.

MR. PAUL CHENG, Lehman Brothers: Two quick questions. A couple of questions related to the share buyback, where essentially you are waiting on the changes in the tax law. But what will happen if you do not get any satisfactory resolution on that front? Is there any viable option other than a share buyback in the near term, or would you allow the cash to pile up?

Looking at the downstream joint ventures over the past couple years, one of the most successful examples would be the BP-Mobil joint venture in Europe, due to the simplicity as well as the easily understandable way they divide the labor. Is that a model you might look at in your U.S. downstream joint venture with Texaco? Also, if you are looking in the U.S. between Texaco and you, you both have very successful brands in the U.S. Is there an acceptable option in that area to eliminate one of the brands?

MR. MOODY-STUART: That is another question on buybacks and alternatives. All I would say on the buybacks is we are becoming increasingly confident we will be able to do something.

MR. VAN DEN BERGH: We really want to succeed. I see this as a very important item in the competitive position of The Netherlands. Do not forget there has been a major shift change in Europe in the last 18 months. In France the position is changing. I think we have a very good argument if we say that if The Netherlands wants to remain competitive in the international world, buybacks will have to appear on the scene. We will continue to push this very strongly.

MR. MOODY-STUART: Maarten already made some remarks about the simplicity of the ventures. I agree with you, we need very simple structures. We are talking to partners about how we can simplify the structures. As we look at future things, it is a very key element. We want to be plain how these future ventures we will be run.

MR. MILLER: On the issue around the brands, if you look at the Texaco and Shell brands, let's talk about retail gasoline to make it simple. The customer bases served are not overlapping. In the last year and a half we have learned how much they overlap. Where they do, then your point about moving to a single brand makes a lot of sense in terms of power in the marketplace with advertisement, cost structures and so on. There are markets where there is an overlap and markets where there is not. We are still in the learning phases of that process. We will probably see that one of those brands will emerge as the brand in certain places in the U.S., because the customer bases and offerings were very close. There will be a number of metropolitan areas that will retain both brands and you can get a suitable spread. The ultimate dream is to have a series of products that everybody would want. It is the analog of aspirin with low-cost aspirin, double extra-strength aspirin and so on. We will not have that in the retail gasoline market per se, but in some markets with the two brands you could cover as much as 60-plus percent of the offering. Where that is the case, you can think about having two brands. Where you have an overlap and you are fighting for the same customer, that does not make a lot of sense.

MR. MOODY-STUART: The ventures are free to progress either brand in one area if they feel that would be best.

STAN HARBISON: These are three project-related questions sort of linked by gas. I am not sure it was two years ago you announced the formation of a joint venture with Gazprom. You have not mentioned it today. There is another company that does not like to mentioned it today. There has been very little good news out of Russia vis-a-vis Western companies, yet it is an enormous piece of real estate in the oil business. Are you any further on your plans, have the plans changed, have you backed off, has Gazprom lived up to whatever it said it would do?

Second, on the Brazil gas, I understand there is temporarily, or longer than that, a logjam in the facilities that consume gas in Sao Paulo and other places in Brazil, so the delivery of gas is moving more slowly. Are you big enough, either on the pipeline or the consuming end, to influence events there?

Finally on the Turkey gas, could you fill in some of the story there?

MR. MOODY-STUART: In Russia, we have three areas of focus. First, an active area, Sakhalin, where we have the oil production. Sakhalin is a bit independent, not politically, but it operates in a completely different time zone from Moscow and it has different drivers. It has nothing else than its potential hydrocarbon development. So those projects are moving ahead, somewhat constrained by the legislative side but not as much as elsewhere because we have production-sharing contracts and so on. Getting gas to Japan or even China is an exciting possibility, and also to develop the oil. That is an active development.

In the second area of the West Siberia projects, we screened something like 200 projects and choose three. The most advanced is the Salym project, and we have two others, Vankor and Comsomol. That name shows how long that has been around, it means "Communist Youth." In the confused political and economic situation in Russia, these projects are going very slowly. We are holding them, and we will hang in there. They are all on the Duma's PSC lists and so on, but it is a slow to almost-stationary process. I do not anticipate a great deal of movement there in the near future.

The third area is our relationship with Gazprom. This is a long-term relationship. The agreement was originally to form a joint venture with the possibility of our purchasing a Gazprom bond. But that was clearly linked to the commercial viability of other bonds they were going to do, and they never happened. So it still sits there. I do not think it will happen in the near future, given the overall situation in Russia. The joint venture work with Gazprom goes ahead, and we continue to do joint work with them. Our relationship with Gazprom remains good, but I agree they do not move very fast, particularly on the bond side.

On the Turkey gas pipeline, we did a study for the Turkmen government and other governments in the region about the possibility of taking gas from Turkmenistan across the Caspian, through Azerbaijan and eventually into Turkey. That project is alive and actively looked at. We are looking at acquiring some acreage in Azerbaijan that might well have gas. I think one of the reasons we are an attractive partner is that you need somebody to integrate this. We also have some agreements in Turkmenistan about access to upstream gas. So I think that is a project alive and well. Of course, it does compete with the Gazprom Blue Stream across the Black Sea.

In all of these areas, the governments want to make sure they have at least two strings to their bow. They do not want to be completely in the control of one particular pipeline route, and have to depend on one group of countries -- whether it is Russia, Iran, Azerbaijan, Georgia and so forth.

MR. VAN DEN BERGH: On Comgas (Brazil), I had not heard of any delivery problems, but clearly with our very strong position in the Sao Paulo area we should be able to resolve any issues. The original proposal clearly foresaw further growth in the area. Likewise, thought had been given to a doubling of the Bolivia-Brazil pipeline.

I would like to mention two other points that came up earlier. One was the issue of our higher tax rate. We should not forget that BP Amoco does not follow U.S. GAAP in calculating its taxes. If you would recalculate it on U.S. GAAP, you may well find it is a higher figure.

On the acquisition point, I think as Mark said, we have completed our internal merger reorganization. Now there will be another couple of years to address that issue. Likewise on the cost side, we hope the cost savings will go down largely to the bottom line, and not have to offset either additional goodwill charges or dilution of earnings per share.

MR. GILMAN: I think you are making a strong inference that you are looking at combining the U.S. downstream joint ventures. I am curious what other than complexity precluded it being done that way in the first place? Second, could you help me reconcile the cost savings estimates provided a year ago, the $2.5 billion, to the current $4 billion. Was there an exploration expense component to the $2.5 billion? And exactly what is it in terms of incremental action versus the $2.5 billion that will now take you to the $4 billion?

MR. MOODY-STUART: Taking the first question of why we did not put the United States operations together in the first place, you have to go back in history and remember how this process evolved. First, we had the BP-Mobil joint venture, which was the first move. Then in the United States, we did the joint venture with Texaco. At that time it was seen by the market, even with just putting together these two sets of assets and retaining the joint shareholding, as a major competitive step forward. It was a component in encouraging or triggering some of the subsequent activities. But the world moves on. If one were going into something like that now, you probably would go in with a simpler structure.

MR. GILMAN: So it was more putting your foot in the water in a delicate way first?

MR. MOODY-STUART: I do not think at that time it would have been acceptable to the partners to do it any other way. To say to Texaco and the Saudis, "Don't worry about it, we will run the whole thing. You give us your assets and we will give you a stream of dividends," would not have been acceptable. I am not entirely sure it would be acceptable in the future.

On the cost improvements, we were very clear in the material that exploration expense was not included in the original $2.5 billion. The $2.5 billion has increased to $3.3 billion.

MR. VAN DEN BERGH: It is $2.5 billion plus $800 million for exploration, which makes $3.3 billion, plus $700 million for additional cost savings, which you can see from the charts was $200 million in Oil Products, $200 million in Chemicals and the rest, $300 million, split over a number of smaller items, of which associates is one.

MR. MOODY-STUART: I think the breakdown is very clear. We are making sure it is comparable with what other people are reporting. There are both accelerations and improvements, and we are addressing other items that were not included before.

MR. GILMAN: And are there any specific actions or headcount reductions one can apply to the $700 million?

MR. VAN DEN BERGH: Yes, there is further work on procurement. In particular, if you look at staff numbers last year and compare them to this year, I think you will see about a 3,500 increase.

MR. MOODY-STUART: By breaking up this target and tracking it, you can see that some businesses are ahead of target and can report an acceleration over all. If they are ahead of target, then they are aiming at higher numbers in the future.

MR. BARRY McKENNITT, ENERGY Associates Inc. Could you be more specific about when the SMDS plant will restart in 2000, and will it come on at the same capacity and technology as the original? As the leaders of gas-to-liquids technology, could you comment on where we might be two, three or five years out with that?

MR. MOODY-STUART: Maarten says the date is May 2000. It comes on with a slightly higher capacity. The technology is different. We have taken advantage of the shutdown to introduce changes in catalysts and so on. The technology has undoubtedly moved on. We are now at the point where we can look at a fuels-only, gas-to-liquids project, which is becoming economic at modest oil prices. So if you asked me what will happen in the next five years, I think there is a reasonable chance you will be seeing additional projects based on fuels only. This one is a middle distillate plant, but it produces a lot of specialty products such as; wax, lubricants, base oils and other items. We cannot do that in a 50,000 barrel-a-day plant. I think there is a reasonable chance that you will see somewhere a 50,000 barrel-a-day plant as opposed to a 12,000, which I think the present one is. The technology is driving the cost down all over. Because we have this working experience, that will allow us to maintain a leading position. Nobody else has a working plant of that size based on gas. There are the coal-based plants, of course.

Thank you very much. [Applause]

[Meeting ended: 11:55 a.m.]

ROYAL DUTCH/SHELL GROUP OF COMPANIES

Presentation to the Financial Community

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ROYAL DUTCH/SHELL GROUP OF COMPANIES

Presentation to the Financial Community

MARK MOODY-STUART
Chairman of the Committee of Managing Directors
Chairman of the Shell Transport and Trading Co., plc

MAARTEN VAN DEN BERGH
Vice-Chairman of the Committee of Managing Directors
President, Royal Dutch Petroleum Company

STEVE MILLER
Chairman and Chief Executive
Shell Oil Company

9:15 a.m.
Thursday, December 16, 1999
New York, New York

This document was prepared by ETX Corporation

Note for Discussion ExCom- 10th January 2000

Outline EP & GP Presentation to Financial Analysts 15 & 16 March 2000

This note covers the main issues identified with respect to the combined EP/GP presentation currently planned for 15 March in the Netherlands (Schiphol) and on 16 March in the USA (Houston). Considering the short preparation time effectively reduced to some 4 weeks due the Q4 closing period and related activities it is essential that the necessary decisions are taken as quickly as possible.

EP and GP ExCom guidance and advice is required are indicated. The attachments contain more detailed information including a first draft story line, format of the meeting and timetable setting out the activities and due dates to meet the target of March 15.

The Group presentations on 15/16 December was considered one of the best in years "no nonsense and sufficient meat " helped by announcing further cost savings (by including exploration expense...), capital discipline ($ 10 bln) and portfolio actions. The presentation was well received, the large majority of commentary was positive. It is has helped to re-establish some of the lost credibility. It will though increase analyst's expectations of future Shell presentations.

A meeting was organized on January 4, attended by representatives of Investor Relations, EP and GP to discuss objectives, timing, content, format and timetable leading up to the March presentation. The recommendations and results of this meeting have been incorporated in the note and the attachments.

The objectives identified for the presentation are:

- Improve/ support share price (by meeting/beating investor analyst expectations)
- Demonstrate Shell's unique value proposition (integrated value chain) & technology capabilities/ competitive advantages/ strength of portfolio
- Re-confirm delivering on promises and plans and earlier messages (consistency & progress...i.e. communicate EP/GP plans, achievements & strategies)
- Seek widely external/internal Media coverage
- Meet demand majority investor analyst community for more regular EP/GP updates (from bi-annual to annual)
- Increase external profile of EP/GP ExComs

1. Timing of Presentation: Defer to April or end May (decision required)
Arguments:

- Most likely not positioned to be able to report much "new" news since December 1999 (Group presentation) and Q4 and 1999 Group Results in February. News might possibly contain some new deals and technology. We will be able to deepen points made in December.
- GP strategy possibly not fully worked out by March running the risk to present a strategy which will be judged by Financial analysts as not coherent , not providing clear answers on investment selection and USA
- EP Cost workshop results nor outcome of strategy discussions with CMD, also relevant for GP can be reflected in March
- Overall the current timing might not allow the Group and EP/GP in particular to get maximum benefit (see objectives)

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2. **Venue : 15 March in Holland & 16 March in Houston (decision required)**

Issue:

- To organize the Houston presentation and to allow speakers to be there in time a plane has to be chartered to ensure timely arrival in Houston. This will lead to some additional cost.
- Alternatively, to provide more time to ensure proper execution on both venues while minimizing the time gap, the first presentation could be scheduled in Houston on March 15 and subsequently in Schiphol on 17/3. However the media will already publish reports on 16 March, which might have a negative effect on the 17/3 meeting
- Venue at Schiphol secured, but questionable whether accommodation is appropriate also in view of Technology show

3. **Level of Integration between GP and EP (decision required, see alternatives of format)**

Issue:

- To portray advantages of integrated Gas value chain in a way it does not erode the perception of two distinct businesses
  This has been addressed by to including apart from PW, two GP and EP speakers whereby one of GP speakers covers the whole Gas value chain. Format is such there is a clear distinction between EP and GP part whereby PW and technology cover the common ground.
- Alternatively " Delivering performance & creating value" could be possibly combined giving a more integrated picture.

4. **Number of Speakers and names (decision required)**

Issue:

- Depends partly on decision of format (see 2 above). Opportunity to give both ExComs externally more profile. Important that most ExCom members attend at least one of the programs.
- Speakers - in case limited integration: 6 ; maximum integration : 5
- Proposed speakers : General : Phil Watts (introduction & overview); Tim Warren (technology) EP: Dominique Gardy; Vacant EP RBD ; GP: Linda Cook , vacant GP

5. **"Technology Shows" both in Holland & USA (confirmation required)**

Issue:

- In April 1999 only held in Rijswijk, in general well received and also considered as a main differentiation –providing competitive advantage. Current proposal to include technology show both in Holland and Houston (key driver to select Houston in USA). Some 6 topics are currently defined of which 2 relate to Gas & Power (see attachment)
- Furthermore, it is proposed to produce a short "Realizing the Limit" video based on existing EP business TV footage and develop a new script

6. **Communication & Distribution of material (confirmation required)**

- Slide presentation on Web and provided at presentation
- Presentation in Schiphol can be followed by teleconference- web enabled
- Update EP ExCom booklet (Résumé's) EP include GP made available
- Speech Tim Warren & technology brochure made available
- No press attending presentation to avoid hijacking Q&A, but selective interviews by Excom members after the meetings (limited time available)
- Possibly press release and/or stock exchange release
- Sufficient internal coverage will be arranged

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Formats EP/GP Presentation (Current Story line – Medium EP/GP integration)
A.

Time	Presenter	Maximum EP/GP integration	minutes
09.30-10.30		Arrival/ Coffee	
10.30-10.50	Phil	Overview Strategy Comp. Advantage	20
10.50-11.10	EP/Tim	Technology: The great differentiation	20 (40)
11.10-11.30	EP/GP RBD	Upstream Making choices and creating value	20 (60)
11.30-11.50	GP/Linda	Gas Value Chain: Molecules to electrons	20(80)
11.50-12.10	EP/Dominique	EP/GP Delivering & Value Portfolio	20 (100)
12.10-13.15		Lunch	65 (165)
13.15-13.30	Phil	Summary	15(180)
13.30-14.30		Q&A	60(240)
14.30-16.00		Technology Show	90(330)
		Time Excl. Lunch	265

B. Current Story Line

Time	Presenter	Medium EP/GP integration	minutes
09.30-10.30		Arrival/ Coffee	
10.30-10.50	Phil	Overview Strategy Comp. Advantage	20
10.50-11.10	EP/Tim	Technology: The great differentiation	20 (40)
11.10-11.30	EP RBD	Upstream Making choices and creating value	20 (60)
11.30-11.50	GP/Linda	Gas Value Chain: Molecules to electrons	20 (80)
11.50-12.10	EP/Dominique	EP Delivering & Value Portfolio	20(100)
12.10-12.30	GP/RBD-CFO	GP Delivering & Value Portfolio	20 (120)
12.30-13.30		Lunch	60 (180)
13.30-13.45	Phil	Summary	15(195)
13.45-14.45		Q&A	60(255)
14.45-16.15		Technology Show	90(345)
		Time Excl. Lunch	285

C.

Time	Presenter	Minimum EP/GP integration	minutes
09.30-10.30		Arrival/ Coffee	
10.30-10.50	Phil	Overview Strategy Comp. Advantage	20
10.50-11.10	EP/RBD	Upstream Making choices and creating value	20 (40)
11.10-11.30	EP/Dominique	EP Delivering & Value Portfolio	20 (60)
11.30-11.50	EP/Tim	Technology: The great differentiation	20 (80)
11.50-12.10	GP/Linda	Gas Value Chain: Molecules to electrons	20(100)
12.10-12.30	GP/ RBD-CFO	GP Delivering & Value Portfolio	20 (120)
12.30-13.30		Lunch	60 (180)
13.30-13.45	Phil	Summary	15(195)
13.45-14.45		Q&A	60(255)
14.45-16.15		Technology Show	90(345)
		Time Excl. Lunch	285

Technology Show – Topics (Provisional) :

1. GP Floating LNG
2. GP Gas to Liquids
3. EP Virtual Reality "The Subsurface"
4. EP 4D Reservoir Imaging
5. EP Drilling The Limit
6. EP Producing the Limit (Champion-Brunei)
7. EP STEVI (Twistar/Expandable Tubalars)

Note(s):

1. Possibly GP subjects in one booth
2. EP "Realising the Limit" supported possibly by video.

Time Table EP/GP Presentation 15 /16 March 2000

Nr.	Activity	Due date	Responsibility
1	Kick off Meeting- C23; 5B15	4 January	EPF
2	**Note to EP ExCom 10/1 – outline, issues, timetable**	**January 6**	**EPF**
3	Meeting Financial Analysts (canvassing views on EP)	January 12	EPF/FTC
4	**Note to GP ExCom 17/1 – outline, issues, timetable**	**January 13**	**GP**
5	Draft Story line & Format (feedback ExComs) to SC/PW	January 19	Core Team
6	1st draft slides /org. outline; incl. Technology to SC/PW	February 11	Core team
7	**2nd draft slides/story line/ incl. Technology to ExComs/FTC**	**February 17**	**Core team**
8	EP ExCom discussion on IR presentation	February 21	
9	GP ExCom discussion on IR presentation	February 25	
10	**3rd draft story line & Latest Technology show & first draft Q&A to SC/Presenters/FTC**	**February 27**	**Core team**
11	**Final draft to SC & PW; ExComs; FTC for clean up**	**March 3**	**Core team**
12	Final Review EP Excom	March 6	
13	Final touches slides/story line/organisation	March 8	Core team/FTC
14	Freeze slides and story line	March 10	All
15	**Presentation Netherlands-Schiphol** **Presentation USA-Houston**	**March 15** **March 16**	

Core Team
Hans van Nues -EPF
Aiden Mckay - EPB
Paul Wood –EPT (technology show incl. related logistics)
Bert Regeer - EA
Martin Trachsal - GPPX
Sylvia Williams -GPBX
Marijke Weeds – EPT-CS (organisation Holland- Schiphol)
………… (organisation USA-Bellaire/Houston)
Jan van der Plas FTC

• Report SC:
Dominique Gardy
Veronica Carter

STORY LINE & Format EP& GP PRESENTATION
15/16 MARCH 2000

Theme :
Alternatives
Improving Performance and Maximizing Value in Uncertain times (EP April '99)

Delivering performance, value & unique customer propositions
Delivering on promises, on track to create /become (Energy) Partner of Choice

...

Your ideas :.....................

....

...

Content /shape presentation	Who	Slides	Alternatives: Format	Issues	Action Party
1. Overview & Strategy Competitors Position Introduction *Conservative assumptions used for plan but still plenty of opportunity* *Not planning for easier world* *Ranking profitable at $14, robust at $10* *Building fit for purpose organisation for next decade* *Capital discipline & strategies maintained* *Well placed to beat competitors....as illustrated by ....* *Examples in MRH's focus on Iran and ...* *Plenty of opportunities, complex uncertain world, need trust of customer and capacity to innovate* *Can announce the following* *Focus on follow through*	Phil 20 min. 13 (13)	1. Introduction 2. Future Environment – Pricing 3. Future Demand Oil & Gas 4. Global Organization –Way Forward 5. EP & GP Strategies 6. Competitive performance- NIAT 7. Competitive perf. – Res. Repl. 8. Comp. Perf. – Deepwater 9. Comp. Perf. Unit Costs & Unit finding/development 10. World map –identifying strategic themes (lobster approach 11. Emphasis on one theme :MRH ; 12. link with Iran and ..Caspian 13. announce new projects/deals/"news"		Differentiate from Dec. Individual scorecards speakers ? R Mention innovative deals Gisco/Oman/Nigeria /other ?	

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2.Technology: The great differentiation *Technology allows to realise vision of becoming partner of Choice* *We have globalised* *Technology and line are working closely together to realise cost and development challenges* *Offering the most effective solutions* *Technology is contributing to bottom line now and even more in future* *It allowed projects to go forward* *Commercialisation becomes reality* *Realised breakthroughs in* *...* *Technology allows profitable LNG projects...* *We are delivering and expect more to come*	Tim 20 min 18(31)	1. Benefits-Ready money, New partnerships, LT value 2. The difference is Technology: First, Fastest, preferred Partner, flexibility 3. In house Technology portfolio- unique added value 4. Effective Globalisation – organisation (map) 5. dot. Com mentality and capability 6. Subsurface visualization- Virtual Reality 7. Subsurface visualization – 4D seismic (Draugen) 8. Realizing The Limits –generic 9. Drilling the Limit (N. Sea example) 10. Producing the Limit (Champion latest review-Brunei) 11. Another limit one (VtV or CtV) 12. STV-Expandable tubulars (Shell/External) 13. Twister Company – announcement 14. Venture Capital – announcement 15. GP- Cost effective LNG 16. GP- Advances in GTL 17. GP- Environmental Leadership 18. Summary- We are/have delivered and will continue to do	None	• Assessment impact of Shell Tech on Bottom line Company & Hosts Governments (to Dominique..) • Sharing deepwater technology Bonga,Gom and Malampaya experience. • Sustainable development-Irrigation of the Desert ? • Quantify. Impact & targets	

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3.Upstream Making Choices and creating (superior) value *Only invest where we generate superior returns and establish a position within top 3 EP companies* *More opportunities than we can handle, even at current oil price, cap. Discipline & allocation maintained* *Focus on deepwater is paying off creating new frontiers in Nigeria, Philippines and Egypt* *Partner of Choice reflected in selection as Operator for Norway (and Iran..);* *AOSP a once off opportunity* *Large oil reserve base; high grading portfolio and refocusing on gas but also large oil projects under construction* *Luxury of picking and choosing between inv. Opportunities doing so with discipline* *Gas reserve base world*	EP/ RBD 20 min 14(45)	1. Choices & Value 2. Capital allocation and Discipline 3. Focus Area & Themes 4. Deepwater overview 5. Deepwater projects ongoing • GOM; west Africa, Brazil, Norway, Malampaya, Egypt 6. Ormen Lange confirming Shell as leading deepwater operator 7. AOSP : Balancing the portfolio 8. Shell 's Oil reserves base 9. Shell's Oil strategy 10. Major Oil Projects – i.e. Nigeria/Shearwater/.. 11. Production profile Oil 1999-2004 (LE 2000?) 12. Replacement Ratio's Oil &Gas 13. Gas Reserves base 14. Reserves base linked with GP projects (directly & indirectly)		AOSP project/Iran possibly a difficult one	

class asset *Allows synergies between up & downstream Gas & Power*					
4. Gas Value Chain from Molecules to electrons *Shell uniquely positioned Significant interest in key regional downstream plays largely linked with upstream* *Gas strategic growth theme and we have targets* *Well under way to realise these in.... projects under construction or announced* *Moving from midstream to downstream –through power ? and retail where we ... are gaining experience* *Significant contribution to sustainable development*	Linda 20 min 15(60)	1. The value chain 2. Shell's global portfolio & targets 3. Gas sales/Production 1999 vs 1998; 2000-2004 (GP/EP definition!) 4. Key Gas strategies 5. Examples of EP& GP integration : Oman/Nigeria .. 6. Stand alone GP business: USA ? 7. Southern Cone (South America) 8. Nigeria 9. The China play 10. Europe –deregulation 11. Mediterranean Inter-connector 12. How far down the value chain ? 13. Intergen – the Power Strategy (geared) 14. Marketing & trading (Coral, Shell Energy) 15. Retail developments (Australia/ USA)		• Strategy, strategy &focus. Investment targets/area's • Can GP deliver returns (geared /ungeared) • EP to elaborate on gas production swing as of 2001 due to Oman Gisco?	
5 EP Delivering on Promises, Value & Portfolio management *On track. delivered 1999 better than plan largely oil price related; ROACE*	Gardy 20min 13(73)	1. Main actions in 1999 EP 2. ROACE EP 1999 vs 1998 and plan 3. Capital Discipline in 1999 and 2000 4. Cost reductions in 1999 and 2000-2004 5. Manpower reduction 1998-1999 6. E-Procurement in Shell, and progress against plan 7. Portfolio management		Do we want to provide outlook beyond 2001 Introduce IFM ?	

significantly improved, also due to *Over-delivering on cost savings at an accelerating rate; well above April '99 expectation* *Production on plan and LE 2000 compared to December also Cost promise …for 2000 and processes are put in place to accelerate…* *Procurement key global initiative to reduce total spend on contracts and services. Substantial near term targets set. E-procurement will play a major role…* *Cost leadership as way of life is becoming part of the Shell culture and together with technology and portfolio rationalization and high grading based on our unique asset will deliver unique comp. advantages* *Capital discipline and ranking is key to high grade portfolio. In the past we ignored or hoped to cure under performing or non strategic assets*		8. Portfolio actions in 1999 and plan 9. Production Outlook for 2000 10. Future Investment levels 11. Maintaining the Roadmap for 2001 12. ROACE EP 1999 to 2004 13. Creating long term value		Describe Egypt Nemed as typical portfolio activity?	

This has changed dramatically in 1999. We were provided by the OU's with investment opportunities of $7.5 bn of which only 4.7 bln has been awarded. Furthermore all assets in the portfolio –not at country but at trading level- have been reviewed against strategic fit and financial and economic criteria. *Tough decisions have been taken: non strategic assets will be divested and OU's are tasked to address under performing assets urgently or sell these* *Therefore to high grade and improve strategic fit, and remain within capital ceilings Portfolio actions will continue in 2000 for some $1.6 bn divested with possibly more to come ...* *...* *Investments levels maintained at $ 6 bn; tools in place for performance tracking* *Also more focus on themes and countries . exploration in 2000 in only .. countries*					

while in … in 1998 *EP's Financial position sound allowing acquisitions but only when creating long term (strategic) value* *Post 2001 ROACE to improve significantly* *Aiming to Grow the top line and shrinking cost line*					
5 GP Delivering on Promises, Value & Portfolio management	GP ? 20min 9 (82)	1. Main actions in 1999 GP 2. ROACE GP 1999 vs 1998 3. 1999 Performance against plan 4. 1999 Operational Cost reductions 5. Future investment levels 6. Maintaining the Roadmap for 2001 7. Business segmentation & segment plans 8. ROACE 1999- 2004 9. Creating long long term value			
6. Summary *- dynamic business; continue to improve; focus on margin line as well as costs; ample opportunities; capacity to innovate*	Phil 15 min 3 (85)	1. Way Forward & Key Message (possibly targets !) Focus on short term performance, maximising LT value 2. Summary slide EP 3. Summary /GP			

ROYAL DUTCH/SHELL GROUP OF COMPANIES

INVESTOR RELATIONS PRESENTATION

18 December 2000
London, UK - New York

INVESTOR RELATIONS PRESENTATION

Sir Mark Moody-Stuart
Chairman, Royal Dutch/Shell Group

Good morning, ladies and gentlemen, and a very warm welcome to all of you here in London; also a very warm welcome to those who are logged on via www.Shell.com. This presentation is going out both in audio and video as a web cast.

Almost exactly two years ago, in this very same hall, we presented to you a very radical set of plans, in which we made explicit commitments to move faster in developing our portfolio, to improve the efficiency of our capital and to reduce our costs. A year ago, we reviewed our progress against those targets and raised our cost improvement target. Today, with several of my colleagues, we are going to update you on what we have achieved in the past two years and how we see things progressing from here. I know that many of you are familiar with the other faces on the platform but for those who are not, I will introduce them. We have Jeroen van der Veer, who is the President of Royal Dutch and Vice Chairman of CMD; Phil Watts, who is the Chief Executive of Exploration & Production and Gas & Power - and the Board has announced today that Phil will become Chairman of the Committee of Managing Directors in succession to me. Paul Skinner is the Chief Executive of Oil Products and Steve Hodge is the Chief Financial Officer of the Group.

I will be reviewing the delivery of our targets. Jeroen will take you through the business environment and the activities in some of the exciting new growth areas we have and also the plans for our chemicals business. Paul is going to talk about oil products and Phil about both exploration and production and gas and power. (He is, of course, not the Chief Executive of Gas and Power; that post is held by Linda Cook.) We will then have a short comfort break, after which I will give you a summary of the route forward and the new commitments that we are making and you will have an opportunity to ask questions.

Disclaimer

As always I have to remind you that as we are making forward-looking statements, you should read this Disclaimer, which is in the handouts and on the web. It is in the handout as well as on the web so I will leave you only a short moment to read it.

Targets from December 1999

This slide may be familiar to you because it is the final slide from last year's presentation, when we last updated our targets. It describes our very specific targets for 2000 and 2001. I will run through now how we have delivered on those targets so far. It also serves as a reminder of the key themes that have underpinned all of our actions in the last two years and which lie at the very heart of the way that we do business - of cost, of portfolio and of capital discipline. Those three essential themes, you will see, still run through our updated plans.

Delivery track record

We have, over the past two years, delivered on the targets that we set ourselves in 1998 and those covered a range of areas - not just capital discipline and cost improvements but growing the business and strengthening the portfolio to make sure that it is really robust at all industry conditions and delivering the kind of returns and the kind of dividends that our shareholders expect from us. I will take you through each of these areas in turn.

Capital discipline embedded

One of the absolutely key mindset changes that has underpinned our performance improvement has been our attitude to capital. Our mentality is now that both within each business and between the businesses we compete for capital. It is no longer the case that, if you have a project which will make it over a particular hurdle rate, that project will be approved. It is an internal market competitive business and this competition is now done on a global basis, as you would expect from a company which has a global opportunity set, where those operations which are generating cash and generating the most cash are not necessarily those where we should reinvest.

In the past we perhaps had a reluctance to divest underperforming businesses and we would try to fix them instead. In a way that is laudable but this typically meant continuing to invest in that business to maintain it. Now we are very much more aggressive in divesting non-core areas and under-performing business. So our investment is much more focused on areas of strength and of strategic importance.

The other key element of capital discipline is the continuous improvement in capital efficiency. We do more for less through the use of technology, through a greater focus on de-bottlenecking, stretching the assets that we have and through global procurement.

$4 billion cost improvement target by 2001

A key element of our presentation here two years ago was the setting of cost targets for improvements and an absolute commitment to report on those targets and performance against those targets transparently and at regular intervals. We set then a target of $2.5 billion annual improvement to be achieved by 2001 and that is equivalent to $3.3 billion the way we now define improvements including exploration expense.

Having made good progress on costs at the end of last year, we raised the target to $4 billion, again by 2001, and progress has continued to be good in all of the business areas with operating costs in OP, EP, Chemicals well ahead of their targets for this year. We, therefore, expect by the end of 2000 to have realised cost improvements of some $3.6 billion; that is 90% of the target for 2001. We are a year ahead of delivering on the raised target and that is to say that our pre-tax bottom line in 2000 will be $3.6 billion better than it would have been if we had not delivered on those improvements.

Workforce reduced by 19,500 in less than 2 years

Our cost improvements come from several different areas including, as I mentioned, better procurement, from technology application, from de-bottlenecking plants and assets but also from reductions in workforce costs. It is always tough going through workforce reductions but it is an absolutely necessary part of today's competitive environments. Our numbers have reduced both through divestments such as those in the chemical business, and also because of other elements in our restructuring, de-layering the business, taking bits of structure out around the world, globalising the business, which has enabled us to deliver greater efficiencies.

Our target was to reduce our numbers by 18,000 by the end of this year, and in fact the number of reductions will be closer to 19,500. This is slightly confused by some definitional changes, and that is why the first block on the chart goes up.

8% underlying growth in gas production

Another key area of our performance is the delivery of volume growth. We have made good progress in all of our business, but I am going to focus here on the upstream. In the first nine months of this year gas production was up 5% to 61.3 billion cubic metres compared to 58.5 billion cubic metres a year ago. However, as you know, in the past couple of years we have had a number of divestments, particularly in the United States. These, together with the effect of production sharing contracts at high prices, would have reduced our gas volumes by about one-and-a-half billion cubic metres, but this was far outweighed by the effect of new fields coming on stream. There were new fields coming on stream in Canada, for example, in Oman, and that has more than offset the effect of divestments and production sharing contracts. That has contributed to an underlying volume growth in gas of 8%.

6% underlying growth in oil production

It is the same story in oil production. In the past two years we have also made substantial divestments there: Altura, Shallow Water, Gulf of Mexico, the Plains business in Canada and so on. In total those divestments would have caused our production to fall by about 100,000 barrels a day so far this year, while the production sharing contract effects would have caused a further 30,000 barrel a day fall. But new fields in the UK, in Oman, in the United States and Australia have more than offset these effects, and that also gives rise to an underlying growth of 6% so far this year.

Over $13 billion proceeds from divestment of non-core assets

Another area we targeted, and an area of enormous change in our portfolio, has been rotating working on the divestment of non-core assets. We want a portfolio that is competitively advantaged, that can give us the kind of returns that we want, and that can give us growth opportunities. In the last three years we have sold very significant elements of our business that did not fit with these aspirations. We have sold mature oilfields in the Upstream, we have sold refineries in the Downstream; we have sold our coal business and, of course, we have sold those parts of our Chemical business which did not fit in with the chemicals overall strategy, mainly those furthest from the Chemicals crackers. In total our divestment proceeds for the last three years have been about $13,500 billion.

At the same time we have engaged in many other activities, investments and swaps for example, which have added to our portfolio, and you will hear more about these in each of the business presentations.

Conservative Upstream premises

As you know, returns have been one of our key targets. Fourteen per cent at $14 a barrel has been our mantra and, of course, the oil price is rarely at $14 for very long. I can remember many of you in 1998 at this presentation asking whether $14 a barrel wasn't a little too optimistic. There are other key drivers of profitability, refining and marketing margins, and they are not also normally static at our planned levels, so in order to follow our performance more clearly we use a concept which we call normalisation. That is, we aim to adjust our earnings for changes to the environment, so that we, and perhaps more importantly, you, can see what our underlying progress is and what the improvement due to our own efforts really is.

There are a range of parameters we normalise for: oil and gas prices, refining and marketing margins, chemical margins and a few other minor items. In all cases, the reference environment we have normalised to is our 2001 roadmap environment. I will show you the results in a minute. However, let me first show you what I mean. If you take oil and gas prices, both oil and gas prices have moved from being well above perhaps conservative premises in 1997 to well below them in early 1999 and back above them again now as you can see from the chart. Consequently, when we normalise our upstream to our roadmap premises of $14 a barrel and just under $2 a million standard cubic feet of gas, we apply a negative correction to earnings in 1997, a positive one in 1998 and a negative one again in 1999 and 2000.

Downstream environment has been mixed

We can apply similar principles in the downstream but there is often a different impact between refining and marketing. This year you can see that refining margins have been well above our roadmap premises, particularly in the US gulf, which you can see on the left of the chart. Fuels margins, on the other hand, have been well below as the rise in oil prices has compressed downstream margins and reduced our ability to recover costs in the market. In fact, when we normalise numbers back to our downstream roadmap premises, the marketing effect far outweighs the refining effect and our normalised results are much better than our reported results for oil products.

Normalised ROACE highlights performance improvement

If you apply this normalisation technique, it shows the extent of our performance improvement. We normalise the results for our three big businesses – EP, OP and Chemicals – and combine these with actual results in other areas to arrive at the overall group result. You can see here how our returns in each of these businesses have progressed over the last three years to give an overall return on average capital employed that has gone from 8% on the normalised basis at the end of 1998 to over 13% now. That improvement has been driven by both cost improvements in all the businesses and by volume growth.

Main businesses deliver more than 15% ROACE at Roadmap premises

You can see here a comparison of our return on average capital employed at the end of Q3 excluding special items, our normalised return on capital and our target return on average capital. The impact of normalisation is particularly noticeable in exploration and production. Our reported return was 40% but, after adjusting for the very high oil and gas prices the normalised result at $14 comes down to just over 16%. Both Exploration & Production and Chemicals are above 15%; Oil Products is still just below but with the kind of improvement plans that they are going to show you today - and particularly with the kind of improvements that we expect from Oil Products in the United States, I am confident that they too will reach 15%. The average return from our three largest businesses was 15% - over 15% - when normalised, which beats, a year earlier than we said, the 15% targets which we had set for those businesses in 2001. As we go forward, our normalised return on average capital employed at group level can be expected to stay in the 12-15% range and it is obviously going to depend upon the range of opportunities open to us at any one time.

Dividend policy "at least match inflation ... "
Dividend reality: almost 2.5 times inflation

The final area of delivery that I would like to mention is dividend. As you know, we have a long-standing dividend policy, which aims to increase dividends at least in line with inflation over a number of years. Our actual dividend progression is shown in the green line for both parent companies, while the grey line reflects how dividends would have increased, had they simply matched inflation. It is clear that our dividend growth has far outstripped inflation. In fact, the annual growth rate in the dividends is almost two and a half times the annual average inflation for this period.

An organisation designed for performance delivery

All of this demonstrates a comprehensive track record of delivery in the last two years. The key reason, however, that we have been able to deliver and expect to continue to do so is because we have the right people remunerated in the right way. We have made a number of changes in the last couple of years, to make sure that this is the case and to improve upon that alignment. We now ensure that we have the best people by looking both internally and externally to fill jobs at all levels. A further element of this search for the best is the active promotion of diversity. We are a global company and we need to ensure that we can access the very best talent wherever that is: whatever country, whatever gender, whatever race. Alignment between employee and company goals is also essential. Not only have we introduced significant performance related schemes, which mean that a considerable portion of the remuneration of our senior managers is at risk, but we are also encouraging greater alignment by rolling out a share-save scheme for all of our people, everywhere in the world. That is probably the first time that a company has done something like that on this enormous, global scale.

An important asset in managing a changing business such as ours is flexibility in people. We were only able to take on Sakhalin, for example, because we could mobilise some 150 top class people on to that project extremely quickly. That is a great achievement.

I shall now hand over to Jeroen van der Veer, who is going to talk about how we see the future and how, for the businesses in his portfolio, we intend to continue delivering.

Jeroen van der Veer: Good morning, ladies and gentlemen. It is a pleasure to be here with you today. First, I will cover the oil industry environment and our planning assumptions there; after that, our views for new products and services and then chemicals.

$14/Bbl investment premise unchanged

Let me start, though, with what is probably our - and maybe your - key assumption: the oil price and how we look at that. First, in 1986, we saw the collapse of the oil price and what we have seen in the 14 years since is that the huge cost decreases and the unit cost to produce the oil and the implementation of new technologies are incredible. At the moment, the full cost - so that includes capital charge - of producing oil in non-OPEC is $14 per barrel. That is looking at the long term, marginal cost including that capital charge. If all the players in the industry expect the oil price to be higher than this figure of $14 per barrel, then naturally there is more non-OPEC investment. According to the laws of economy, then there is again a tendency towards this figure of $14. That is our basic logic as is outlined here on this slide and that applies for the future as well.

We realise that there are short term deviations, maybe for quite a time, as a result of short term supply and demand due to politics, emotions or even the weather! We still consider, however, that $14 per barrel is an appropriate figure on which to be planning our business. If it seems slightly conservative, it at least has the advantages of keeping an element of internal pressure. If, on the other hand, you wonder whether there are enough opportunities to invest that $14 per barrel, then rest assured that there is plenty of choice of highly attractive investments, even at this $14 per barrel.

Plan assumptions remain conservative

I will look then at the other key assumptions, which are basically given for reference so I will go through them quickly. Gas outside the USA - as well as refinery margins - are kept as before. The USA gas price has been put up slightly, driven more or less by our insights about the power generation and the new power generation in the US which is fuelled very much by gas. Singapore refinery margins are down a little; there is construction of a great deal of new capacity which moves faster than the increase in demand. US refinery margins are up a little, due to the new specifications.

Turning now to demand: note that the very long term axis goes right up to the year 2020 so we very likely have it wrong! However, this is what we think today. The first point to notice is that oil outside of the OECD still shows an increase that is based wholly on economic growth - economic growth that moves faster than efficiency improvements. In the OECD, however, there is a horizontal trend, which is because there is lower growth in transport in the OECD, changes in efficiency and, basically, for new power generation there is no oil used.

Non-OECD demand drives gas growth

Asia Pacific is a key contributor

We move now to the gas picture, which as you see is quite different. There is strong increase in gas demand; combined cycle gas turbines give very low power cost; in addition, gas has the advantage of convenience, cleanness and so on. Also, if distributor power is introduced, so that there are fuel cells, let us say, or mini-turbines, to make electricity, then this will be gas driven - clearly this does not mean today but may happen in the long term. It is non-OECD, so there is high growth, a great deal of which is again power generation but in the OECD there is also still growth, which is power that drives out coal and nuclear. Later on in today's presentation, you will see that we have great interest in the gas business, especially in developing areas.

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New services and products

So much for the industry environment; we now move on to new services and products. Obviously, the art for every company is to position itself for tomorrow. In our case, we like to leverage our brand customer bases and technology much better, which produces new opportunities. Tomorrow, we will also be including non-traditional energies; we are not afraid to cannibalise our new business and see that just as another opportunity. I will come later on, therefore, to wind, solar and hydrogen.

Shell Capital: developing a range of 'mobility' finance products

Before that, I would like to share with you Shell Capital, a business that we set up two years ago, taking some other parts of Shell that existed already. Here you can see an example of how Shell Capital looks after the mobility theme, for the people on the road. All those instruments are Internet enabled: through them we are able to make new customer contacts and at the core, shown here on the left hand side, are fuel cars. Fuel cars are a point of strategic control.

To tell you something about status: Euro-Shell is in 30 countries. We have millions of cars - a great deal of business to business, which we extend to the private motorist. Credit cards are being rolled out in the UK. We just introduced insurance in the Netherlands which, if successful, will be extended into other countries. When I refer to insurance, it means car insurance, and at the bottom you see the Fleet Portal and Loadbroking, which are new services just launched for the transport sector.

Shell renewables – solar

I now move to renewables. The first one is solar. Our strategy, though we are not yet there, is to have a global presence. We like to balance our markets between the developed countries, say Germany, where people like green electricity and, of course, there is a lot of subsidy there which plays an important role, and developing countries such as South Africa, where people do not have electricity, live remote and where a solar panel can make a big change to their life. We must realise that there are two billion people on earth who are without electricity.

We have now installed a world-scale plant in Germany and we have just announced that we are in exclusive discussions with Siemens Solar. Siemens is a German company but their facilities and the basis of their marketing are mainly in USA and Japan. So there you can see the thought of how we can make a world-wide presence there.

One of the problems with solar, which I do not hide, is that profitability is very questionable, if anything there. There are still many players, so our philosophy is very much what we can do today to build up in the long term a very strong competitive position.

Shell renewables – Wind

We only started Wind just a year ago and our strategy is for large, off-shore projects because they have much higher entry barriers and there we can apply our project management and our off-shore engineering skills. We have just opened a windmill in Blyth in the UK last week. We have two windmills there just off the shore, they are 300 feet high so they are very big machines. Here the art is to go quickly through the learning curve to get your costs down, and we are convinced that the off-shore wind electricity can be cheaper than the on-shore.

Shell Hydrogen – positioned for success

If we look at Hydrogen, it is a very attractive but not easy long-term fuel. The fuel cells could well take off, we do not expect that tomorrow but in, say, 10 years time they could make a big difference. We have a proprietary technology called CPO, which is a very attractive technology to convert fossil fuels in hydrogen, which you can do under the bonnet of your car, and we have formed UTC, a joint venture, just to make what we call this fuel processor.

On the second line you see solid oxide fuel cell, which is for more capacity, and that is under construction. The attractive idea here is that you can combine it with CO_2 sequestration, so a kind of zero impact on the environment in electricity generation.

The other two which I mention here are demonstration projects. You learn from that and you see the other players in the industry, so you know what they have to offer.

Last, but not least, we now have a good people base who are looking for more opportunities in the hydrogen world.

Chemicals now world class performer

I now move to the first business sector: Chemicals. This business underwent a huge transformation. If I compare it with some years ago, we lacked focus and integration but in the last years we have divested, as Mark already said, the downstream part as about 40% of the reduction in the capital employed, and we really drove our costs down. We have very much increased capital discipline here and we have put in place not only global structures but also global systems.

To give you one example, two years ago when we were standing here we were present in Chemicals in 54 manufacturing locations etc. on the globe, and today we are present in 17, so that is a huge difference. Therefore, we are now at what we call our foundation and I would like to show you that we believe we are positioned for a profitable growth.

Restructuring essentially complete

I will quickly take you back to the divestments, which was a huge exercise. In 1998 we gave ourselves two years and I remember there were many questions asking whether we could do that in two years, especially because we did not sell it in one lump but every green part you see there was bought by a different company. It is almost now complete and you still see an amber light by the elastomers; the buyer is announced but the deal is not completed. Of course, we were very pleased with all the progress this year, especially with the formation of the Basel company, the joint venture with BASF which we believe can be a leading company in our field.

Cost improvement target raised to 650 million

Here you see the cost improvement in Chemicals: $650 million which is all to get the costs down and to keep your competitiveness up. Here you see an example: don't blame the world but there is a very good Dutch expression, "You had better pull up your own trousers", which is what we did in Chemicals, which we did very quickly. Ninety percent of the cost savings realised, which was the target for 2001, and we added to the $100 million fixed cost savings for the coming year. We also look at variable costs which we can do quite easily: ?Avsolomont is the industry expert, so you can compare with the competition. Nearly all our crackers are now in the first quartile or even in the higher part of the first quartile. Another example I have for you here is that we saved in global procurement $65 million.

Chemicals improving financial performance

You can see here that this is the ROACE compared to the competition. This is a graph that I like very much, which you will understand if you follow that red line. This competition here I have to explain to you: the green is Exxon, Mobil and BP. Why not the others? Because we do not have good data. Nevertheless, I still believe that it is very representative for what we did with that business.

Improved effectiveness through simpler structures

What we have done, and what is also important for the future, is that we have simplified our business in two ways. First, the divestment: if you divest all those downstream businesses, it becomes a much simpler business and, secondly, the business which we still have we have simplified also. So there are a lot of cost reductions from changed business processes.

Under simpler structures you will see that we have come a long way and we are still progressing it. There are three elements. First, in the simpler structures it is a global approach to buy, make and sell; secondly, it is a single standard world-wide information system and, thirdly, it focuses on behaviour such as customer orientation and teamwork.

Strong in growing products

I always find this slide a little complicated but it tells you that most of our businesses in Chemicals now have a very strong global position at number one or two. You may think that polyethylene is a little low there but you will realise that we are very strong in Europe in polyethylene, where we are number one. So on a regional basis we are pretty OK there. We see a great deal of growth in Asia, which I will come to in a minute, but I will first look at the total investment for Chemicals world-wide.

Investing in world scale plants with refinery integration/advantaged feedstocks

I have to say that if you see the same slide that is on the screen, that is fine. I was warned before I walked in that in some of the books there seems to be a mistake. There you see something about levelling e-Business, and for those people with the wrong books it is two pages further down, but if you look at the screen you will know which slide you are expected to have. I would like to show on the slide that we have attractive investment projects. The main sites out of the 17 I already mentioned are 12 sites; there is nearly all our capital employed. Of those 12 there are eight integrated with the refineries, so there you have a lot of feedstock advantages and product synergies. The other four which are not integrated with refineries have other feedstock advantages. For instance, think about Saudi Arabia, where you have relative access to cheap ethane.

You will understand that in this whole investment game in chemicals, especially in the kind of portfolio that we have, it is all about feedstock advantage, world scale plans and propriety technology. In addition at this moment we enjoy the fact that we can de-bottleneck our plants, which gives additional capacity for attractive economics.

Capitalising on growth in China

Here you see the huge project in China, the Nanhai project, which is very important. It is for the local Chinese market and we expect that market to grow by 9%, and we have just signed a joint venture agreement. If things go as we expect, we start construction in 2003 and then we hope to be on stream in the year 2006.

Leveraging e-Business along supply chain

If you are concerned that we only think about asset investment, here is my example of how we try to leverage e-Business along the supply chains, where we have a very solid strategy. Of course, the e-Business can help us with efficiency and reducing costs, but also with value creation for and with our customers. You see Elemica, that is construction in the chemical industry, Trade-Ranger is about materials procurement not only for the chemical industry. SOS is not as dramatic as you think it is simple all olefins solutions, it is a system for olefins in Europe. Customer Lounge is a personalised wraps for our customers, where they can get all kinds of data, and Simon is where we manage the inventory with Shell for our customers.

Chemicals summary

To sum up, for Chemicals we feel that we have a well-integrated and strong portfolio. All our thinking is about world class excellence and world class performance. Simpler structures help us to get our costs down, to get all the global systems in place and to have the right behaviour for our customers. In Chemicals we are positioned for profitable growth; I add to that, with discipline – we learned from our past. Thank you very much. I now hand over to Paul.

Paul Skinner: Good morning, ladies and gentlemen. I will tell you the Oil Products story.

Underlying business improvement

On a reported basis, adjusted earnings from this business in 1999 fell from the 1998 level due to pressure on both refining and marketing margins as oil prices rose, but, as you can see, earnings have recovered in the year 2000. On a normalised basis we have seen a progressive improvement in underlying earnings and ROACE. The key drivers of this improvement have been structural cost reduction, aggressive portfolio rationalisation and innovation in the products and services that we offer to customers.

Strategic themes

These strategic themes have provided clear focus, and the improvement programmes pursued in support of them have created a stronger business which is now, we believe, well positioned for growth. The growth objective will be addressed through a growth focus in capital expenditure programmes, pursuing opportunities in new major markets like India and China, leveraging good market positions in existing markets through a stream of marketing innovations, continuing optimisation of the portfolio, addressing under performance wherever it occurs, and by forging strategic alliances in the refining, distribution and marketing segments where these can add value. Also recognising an increasing focus in people and the talent and skills which are necessary to deliver success.

Already leading in WOUSA

Let us take a look at how the business has been performing relative to major competitors. We continue to lead our major competitors in terms of unit earnings in the world outside the United States. This is a position we have held now for a sustained period and in which Canada is providing strong performance, with relative earnings well ahead of the competition. In the United States we clearly need to improve on our performance, but we have an asset base and market position there which has the potential to deliver much more if we can achieve operational excellence within our proven global framework. An improvement in the United States is required to re-establish a leadership position in global unit earnings, which remains our goal. Let me go to some of our performance improvement programmes.

Success in differentiated fuels

Innovating the customer offer has been one of our four key strategic themes. Within the framework of sustainable development Shell is leading in providing the consumer with a range of high quality fuels. Our differentiated fuels programme is a major success and is founded on deep consumer research. To give you some examples, in Argentina our market share for premium gasoline is 3% higher than last year, with volume up 10%. In Turkey it has led to our assuming market leadership in unleaded fuels. In Australia roll out of Optimax increased premium ?mowgas sales by a factor of 3:4 on sites where it is available, and Shell has regained market share leadership in Victoria. In Germany our cleaner zero sulphur fuel is the first new generation fuel to be recommended by a major car-maker, Volkswagen. V-

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Power, launched across all the Central European markets, now accounts for between 10-35% of total gasoline sales.

The programme has delivered both volume and marketing benefits with remarkable consistency. Starting with a number of pilot projects in 1998, this programme has been implemented in a total of 30 markets, and it is planned to have rolled out to over 40 by the end of 2001. Most importantly, it has led to a strengthening of customer perception of Shell fuels. The rapid roll out of this programme illustrates the shortened implementation time frames we now have the capability to work to, and the wide geographic spread of countries in which we operate, many of them in non-OECD markets, have allowed us to choose a wide range of target countries.

An advantaged retail position in growth markets

With 46,000 Shell branded outlets globally attracting 20 million customers a day, of which 9,300 are in the United States, a geographic segmentation of these 46,000 sites demonstrates an advantage position in terms of the size of the network and above average market share positions in developing markets. This is reinforced by the strong preference share of the Shell brand in these growth markets. Preference share reflects the brand the customer would choose to buy all other things being equal, and we measure it annually in all our key markets. Our experience shows that where brand share of preference exceeds market share, the potential of our brand is under-utilised and the market offers a growth opportunity for us.

e-Business opportunities

Like Jeroen, in Oil Products we see the emergence of e-Business as a major new platform. The fortunes of the dot.com companies, as we all know, have been very mixed. We believe that the first learning phase is over and that companies like ours will be the prime movers in exploiting the potential of this new field. We continue to view e-Business as a tool to enhance relationships with customers and to deliver process efficiencies. Shell GeoStar, our journey planning site, has had half-a-million visitors and 46 million page impressions per month. Optibuy, which offers products and services to small and medium enterprises across Australia, has a range of 6,000 products and a customer base of more than 15,000. An on-line Shell car for fleet operators launched by Shell Malaysia currently has more than 1,500 customers in Malaysia and Singapore.

As I believe the illustration shows, e-business is already playing a role across a wide range of our businesses and activities. This results from an approach of controlled but aggressive prototyping in experimentation which we have followed over the last two years. So far, the B-to-B – business-to-business – platforms have developed more quickly but we continue to believe that there is great potential in B-to-C applications.

Strengthening the downstream portfolio

Tuning to portfolio management, over the last two years Oil Products has sold three refineries and closed three. We have achieved a near 20% reduction in capacity in both Europe and the United States. We have entered into a successful refining operating alliance in Thailand and exchanged capacity in Europe. We have also carried out portfolio activities which have impacted on 15% of the retail network in Europe, including swaps from mature to growth markets. Outside Europe we have acquired over 300 sites in East and West Africa and sold a similar number in Brazil. We have also continued to reshape our LPG portfolio. The discipline of portfolio management is now well embedded as a feature of the way we do business.

Major restructuring of refining portfolios in Europe

A particular feature has been our rationalisation of refining capacity in Europe. In the last three years we have seen a reduction of 17% of capacity in Europe, whereas the balance of industry has achieved an overall 1% reduction. This has led to a progressive reduction in refinery cover, that is refining capacity divided by inland sales which we predict at the year-end to be just above 70%. Refinery cover is now below that of our major competitors and, although in the short term this may have resulted in a degree of opportunity cost in the high refinery margin environment we have seen in 2000, we remain convinced that it will prove a more robust option relative to long-term refining margin prospects. We are looking at further opportunities for portfolio rationalisation in refining where these can add shareholder value.

We will be aiming to concentrate further our refining portfolio towards larger advantage sites, and we see further opportunities to reduce our exposure towards the less robust, smaller sites.

Strengthening the retail network in Europe

In addition to being very active in refining, we have made substantial progress in reshaping our retail portfolio in Europe. Since the end of 1998, we have seen a turnover of 50% in our retail site population. This is based on an in-depth analysis of countries where we are keen to build our market position for future growth and those where we see more limited prospects. There is the need to reposition between regions within some countries and the need continuously to evaluate the performance of what we call the tails of our networks.

In relation to the major markets of the UK, France and Germany, the number of sites in the UK network has been rationalised by some 10% and cost reductions are on target. Almost 100 sites in the UK are now operating under a new retailer business agreement and roll-out across the whole network will be completed by the middle of next year. Eighty-one sites are being closed or sold in France and the planned rationalisation will be completed during the first quarter next year ahead of plan. New dealer contracts in France designed further to improve alignment have been well received.

In terms of swaps, we have exchanged Petrofina's fuels business in Norway for a cluster of stations in the Netherlands, acquired Texaco's business in Poland for a number of stations in the UK, acquired Texaco's fuel business in Greece, again for stations in the UK, have exchanged and sold outright stations to ?Urg, principally in southern Italy, receiving stations in the North of Italy in return and so on. In addition, we have sold retail subsidiaries in Scandinavia and the Netherlands and concluded an innovative sale and leaseback of stations in the UK. Overall, as I believe you can see, we are repositioning from mature markets to those with scope for profitable growth. So actions taken in Europe have led to a very successful turnaround.

Turnaround in Japan

Another key market in focus has been Japan. A major programme is in train involving cost reduction, asset rationalisation and market repositioning, which is absolutely necessary to remain competitive within the industry restructuring which is taking place, as elsewhere, with the short term being very much impacted by the squeeze on marketing margins from rising oil prices.

In refining we closed the 40,000 barrel a day Niigata refinery in 1999; we have seen the operational integration of Showa Shell's Kawasaki refinery with the close-by Toa refinery this year, and an operating alliance develop with Japan Energy, which in 2001 will see a reduction of 50,000 barrels a day of capacity at Showa Shell's Yokkaichi refinery and the end of refining operations at Japan Energy's Chita refinery.

The alliance with Japan Energy will also extend to distribution and lubricants blending and there will be a major focus by Showa Shell in repositioning their marketing networks.

Underlying this portfolio change has been a progressive reduction in yen costs, which are projected to be 30% lower by the end of 2000 relative to 1997, with further savings to come. Japan remains an important market given its large customer base, progressive deregulation and the innovation capacity of that environment.

China – joint venture with Sinopec

Another market in Asia-Pacific which offers major growth prospects is China. We have been developing small oil products businesses in retail, lubricants, bitumen etc. for several years, and we have recently rationalised these and decided to leave part of the LPG business, the commercial and domestic bottle sectors. In lubricants and bitumen we continue to grow these special businesses based on facilities in Tianjin, Zhapu and ?Zanjiang, and we have a lubricants presence already in over 250 cities.

The alliance with Sinopec offers a major step change in retail activity. Starting with the Guangzhou province JV, which is commencing in the first half of next year, we will move towards a network of more than 500 service stations of which 50% will be Shell branded. This will provide a platform for the Shell brand and retail customer offerings in that part of China. We also see further potential opportunities to come in businesses like aviation, oil supply and trading and technology.

2001 cost reduction target raised from $1.3 billion to $1.9 billion

Running through all of this a very key contributor to sustaining a robust competitive position has been our structural cost reduction programme. This has been achieved through clear and accountable targets, broken down by individual programmes with identified individuals responsible for every element of delivery, and with cost management facilitated by the new class of business structures. With accumulative global reduction at the end of the third quarter 2000 standing at $1.25 billion of cost, we will see the end 2001 target of $1.3 billion being achieved one year early, and this has led to an increase in the global target of a further $0.6 billion by the end of next year. The process will not end in 2001, because it has now moved into a phase of continuous improvement, and we see areas like procurement and the further simplification of key business processes offering significant new incremental opportunities.