Unit costs continue to fall

We see the benefit of these cost improvements reflected in unit costs, where a progressive decline has been achieved, as you can see, of 6% per annum average reduction in refining, and a 4% average annual reduction in marketing. This is despite investment in what we would see as value-adding costs relating to brand support, marketing innovations and things like that.

Continuing capital discipline

Our spending per barrel of sales over the period 1996-98 was certainly ahead of competitor benchmarks. Repositioning the oil products business has meant learning to live with less capex, with clear prioritisation processes based on the track record of the business unit concerned and ranking of project returns. However, overall cash generation in the business remains healthy and we are ready and able to invest selectively in growth but this will primarily be in marketing. Manufacturing investment will be limited to meeting health safety and environment and legislative requirements, maintaining integrity and delivering attractive short term payout projects. We have now major projects currently in refining, apart from the large scale modifications of Scotford refinery to process feedstock from the Oil Sands project in Athabasca. This will reinforce Scotford's position as the number one Solomon ranked refinery in the whole of North America.

Recognition in the geographic split is foreseen for 2001; but there are a number of potential growth areas in marketing in Europe. For example, in central Europe and Mediterranean we have strengthened our position, as I said earlier, via swap arrangements. We have also learned to spend more efficiently. A couple of examples are a reduction of 30% in the costs of constructing or rebuilding sites in Thailand, a reduction of over 20% in Brazil together with a 50% reduction in building time. In addition, this year the stronger dollar has further reduced the reported level of spend. A planned rise in capex in 2001 to some $2 billion will not take us outside competitor benchmarks.

Continued growth in the Global Businesses

I will turn now to our global businesses, which represent important platforms for growth. The LPG, aviation and marine products businesses are all examples of new business structures, introduced in the last two to three years. They provide a key platform for growth both in branded volumes and in income; moreover they are all high return businesses. Our LPG business projects sales growth of four to five per cent per annum. It has been working hard to get its portfolio into shape; it already had a good position for organic growth in preferred markets - France, Malaysia, Italy, for example - and it is now working hard to develop a position in India. We are also working on new LPG applications with equipment manufacturers (examples would be portable air conditioning units and micro-turbines for power generation).

Our aviation business continues to hold the number one position in customer relationships - a judgment that comes from the annual Armbrust Survey. We envisage demand growth in this area of 3 to 4% per annum, going forward and we are expanding our network through entries in new and mature markets. We are utilising e-business opportunities to enhance the customer offer - and there, we have joined the industry JetA.com site - and to drive efficiency.

In marine products, we see something like a 2% annual growth in sales volume but we have achieved higher growth than that recently through new businesses. Key customer groups have been segmented to ensure that we can match our offer to their requirements and again, this business is being enabled by an e-business development.

Shell Global Solutions

Another of our global businesses I would like to refer to is Shell Global Solutions. We are encouraged by the progress that this business - our technology arm - has made. It is now operating a commercial model offering selected technologies and services in third party markets. We are likely to see a 75% increase in revenues from non-Shell clients, this year. We have signed a number of major contracts to provide technical service to a diverse number of clients around the world. Our focus will be on preferred market sectors: naturally, oil refining, supply and distribution, gas and LNG, chemicals, the upstream sector or the surface part of it, and various parts of the oil marketing activity. A new organisation will be introduced on the first of next year, structured to deliver customer propositions in these key market sectors. We will be expanding our regional capability to deliver services in the Far East and in the United States. We will be looking to form alliances with third party service providers where complementary services will offer the customer additional value.

Shell Trading

Another business on which I would like to comment is our trading business. This has seen a substantial and growing contribution to oil products' earnings. The establishment of a global trading network in 1999 created value by harmonising and optimising the business

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around a common score card, providing a single market interface for Shell to the outside world. The success of this programme is clearly reflected in the growth of the earnings contribution from trading. The setting up of Shell Trading across all our businesses - and now including Gas and Power - builds on the strengths of our oil trading business. It will take this development further, to its next stage, offering further scope for new business, cost efficiencies and wider career opportunities for our people. Commodity trading will be a new division within Shell Trading, responsible for position trading in various energy related commodities.

Here it should be stressed that all our trading activities operated within a robust control framework, using sophisticated, 'value at risk' models which have come from our oil business. E-business opportunities have been taken already, with participation in a number of platforms. Two examples are the trading of wholesale energy products through the Intercontinental Exchange, in which we are part-owners; and a global marketplace for Ocean Transportation - the levelseas.com site.

People are a key asset in the trading business and continued focus is required, to ensure that the business is able to retain, attract and develop its people.

Delivery of 10% ROACE in USA in 2001

Earlier on I mentioned that the part of our portfolio receiving the highest priority is the United States. This business has been negatively impacted by refining reliability and the squeeze on marketing margins in 2000. However, our business in the States has in place plans to achieve a 10% ROACE in 2001, by continuing to drive operational improvements. In particular, Sales and Marketing will focus on continued growth in non-retailing; the Shell sites will, progressively, adopt the Shell Global Retain Image. We will also be focusing upon the delivery of clear-cut, value propositions in fuels. In refining, next year we anticipate some margin decline but plan to offset this by renewed emphasis on reliability through a structured improvement programme, which is already beginning to show, as we move through the year 2000.

In addition, we are seeing a vigorous examination of margin improvement opportunities and supply chain efficiencies - we call these hydrocarbon management reviews - and the realisation of benefits from improved networking within our refining system. Transportation and pipelines will continue its strong contribution to business performance,

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with the benefit of selective growth opportunities both in the Gulf of Mexico and inland product pipelines and terminals.

Following a year of very difficult market conditions, Lubricants' performance will improve with an anticipated margin recovery, renewed sales effort and greater emphasis on the service component of the product offering. Targeted improvements in all these areas will be underpinned by improved management focus on operational excellence, the simplification of structures and business processes and targeted cost improvements. The teams we now have in place are totally committed to deliver these plans.

Opportunities from Chevron/Texaco Merger

I know that you are keenly interested in the action that Shell will take with respect to the US portfolio, as a result of the proposed Chevron/Texaco merger. You will no doubt appreciate the confidential nature of the ongoing discussions. However, I would like to make a few key points. The future ownership structure of Equilon and Motiva is being discussed with Texaco. Shell and Saudi Aramco have a fully aligned position and are jointly committed to a solution which facilitates performance improvement in the US portfolio. The US market is one to which we are both committed.

A transaction framework and conditions have been put to Texaco; this provides a basis to Shell and Saudi Aramco to acquire their interests in Equilon and Motiva. We are prepared to move quickly to conclude negotiations, though we recognise that the timing of any transaction will be dependent upon the timetable of the Chevron/Texaco merger. Shell and Saudi Aramco believe that it should be in the interests of Texaco and Chevron shareholders for there to be a rapid resolution and that any solution must be clearly beneficial to the stakeholders in Equilon and Motiva. In our view, part of the underperformance of these ventures is related to the complexity of the current structural design. The acquisition of Texaco's interests in Equilon and Motiva would provide an opportunity to simplify these structures and accelerate performance improvement.

However, Shell will only complete a transaction if it is confident that the terms and conditions agreed support the achievement of the Group's operational and financial targets. In the meantime, we continue to give our strong support to the management teams of these ventures and we are encouraged by the initial signs of performance improvement we have seen progressively throughout this year.

Continuing performance improvement

Finally, I will summarise by outlining the prospects for performance in the key elements of our portfolio in 2001. The global businesses - trading, LPG, aviation, marine products, Shell Global Solutions - and the marketing businesses outside the United States are all performing consistently above our target rate of return. Marketing returns have been somewhat squeezed in 2000 by the progressive increase in oil prices. However, we have a very robust portfolio with strong positions in growth markets and an easing of the oil price should enable margins to be restored.

Manufacturing and supply returns remain below target but are improving progressively as a result of portfolio rationalisation and pacesetter programmes. On the basis of road map refining margins, we would expect at least a double digit return. The USA, as has already been said, is the element of the portfolio remaining with our highest improvement priority. We have put a stake in the ground of 10% ROACE for 2001 and it really does depend upon the delivery of operational excellence. We also see the possibility of structural change as a consequence of the proposed Chevron/Texaco merger.

That is the Oil Products story and Phil, I will hand over to you now to talk about E&P.

Phil Watts: Thank you, Paul. Ladies and gentlemen, good morning. I am the fourth person up in this relay - something of a marathon. It is a great pleasure for me to talk to you about two businesses that are close to each other and close to my heart: Exploration and Production and Gas and Power.

I will start with E&P, where I am the CEO. Then I will come on to Gas and Power because it is in my portfolio. I am relieved to tell you that I am not the CEO of Gas and Power; that person is sitting in the audience at the back there - Linda Cook - and she will answer all the really difficult questions later on!

EP strategy and themes maintained

I hope that this first slide comes as no surprise to you at all, because our strategy in E&P is unchanged: near term performance improvement combined with longer term profitable growth. I want to mention our short term performance. Our normalised return on average capital employed is 16.3% on the 12 months rolling basis to the end of quarter 3, 2000. This was substantially improved upon and helped by the cost improvements of some $1.6 to $1.7 billion in 2000, well ahead of target. We are well under way to deliver the 1998 promises and will continue to place great emphasis on near term performance.

I demonstrate that in the following slides but we will also show you that we have a lot of growth opportunities from which we have selected the best. First, let us review our strong competitive position in relation to the super-majors.

Shell the clear leader on key measures

Our proved reserve base is the second largest and Shell holds the largest gas reserves of any privately owned energy company in the world. We are the clear leader, with the lowest finding and development costs and the lowest adjusted production costs, the highest replacement ratios and importantly, the biggest operator-ship, especially outside North America. These strengths make us the natural partner of choice for governments and other companies.

Highgrading the portfolio in 1998-2000 ...

Let me now turn to our portfolio activities, first looking back a little, to our divestment and dilution activities over the past three years. This was as a result of our global ranking and capital allocation process, in which non-strategic and less well-performing high cost assets are sold or swapped for more interesting assets. We divested some 160,000 barrels a day oil equivalent, in total some 4% of our 2000 production. Also, we diluted some gas and exploration assets, largely to improve our overall risk profile. All these actions increased the quality and robustness of our portfolio, which we expect to continue, albeit still on a highly selective basis in the future.

... and securing medium term growth

At the same time, we increased the opportunities in our portfolio but note that this slide excludes all the potential projects generated from our very deep resource base. I will touch upon those later. It does reflect our strategies, such as the focus on the deep water, on the major resource holders, the shift to gas and building on the strengths of our ventures. It is well balanced. In addition to new exploration licences around the world, access to new medium term opportunities has been secured.

Focusing now on a few of those: we look first at Sakhalin in Russia, then China and then the Far East in general. We are excited to have taken over the operation of the Sakhalin II project in Russia and we have increased our interest to 55% following the completion of an asset exchanged with Marathon and a subsequent minor dilution to one of our partners, Mitsubishi. Based on a unique location - near to the markets - and substantial resource base with some 15 Tcf of gas reserves, Sakhalin II offers an alternative and attractive new long

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term gas source for the customers in the Asia region. We have confidence that this project will, with the help of our Japanese partners, go forward as the first LNG project in Russia and deliver first gas in 2006.

EP & GP in China

Looking at China, Shell has the highest equity production of any international oil company in China. In 2000, we took opportunities to increase our commitment to China further. After signing the Changbei production sharing contract in quarter 3 1999, the Shell interest was further expanded by participating in the IPOs and creating associated strategic alliances with Sinopec and CNOOC. With our various partnerships - Petrochina, Sinopec and CNOOC - we will review prospectivity for exploration and development in the various basins both onshore and offshore China. E&P and Gas and Power - together with Shell's other businesses - Oil Products and Chemicals are building a strong and viable business that will contribute to China's development.

EP & GP in Asia Pacific

If we look at the Asia Pacific, we have always had substantial interests in the region, with large volumes representing some 16% of total EP production in barrels oil equivalent, generated mainly in Australia, Brunei and Malaysia. As you must have noticed, however, we are not sitting back to enjoy the peaceful view of a steady stream of gas and oil flowing into pipes and barrels. We plan to increase our gas interests in Malaysia with a two train expansion of the LNG plant with the first cargo scheduled for 2003. In the Philippines, the Malampaya gas to power project in which we hold a 45% interest is on schedule to deliver first gas to customers by 1 January 2002.

In New Zealand we have recently received regulatory approval for the acquisition of Fletcher Energy, a very good extension of our position in New Zealand, and in Australia there is Woodside in which we already have a 34% shareholding at the moment. We have made an offer to the other Woodside shareholders with the objective of gaining a majority interest and then merging our other Australian assets into Woodside. I do not need to give you the details but you should note that this transaction is not included in the figures that you will be seeing later in this presentation. Any volume growth, cost savings, capex will be discussed separately. You can see that Asia-Pacific continues to have a special place in our hearts.

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2000 – a vintage year for exploration immediate value & platforms for growth

Meanwhile on the exploration side the year 2000 is proving to be a vintage year for our explorers, delivering not only a platform for growth but also some short-term value. Unit finding costs for the total resources, that is including both expectation reserves and scope for recovery, are better than our aspiration targets of getting less than $1 a barrel.

So far this year, some 1.6 billion barrels of oil equivalent of resources have been identified with the largest single contributor being Shell's share in the giant Kashagan discovery in Kazakhstan. However, other material discoveries were made in the deep water in the Gulf of Mexico, in Angola and also in New Zealand. I should mention that a significant number of discoveries have been made in mature basins that can be brought on stream rapidly, including 100 million barrel find in Nigeria, and we are working to raise our game further also through the application of innovative technology.

Realising the limit – technology initiatives create ongoing value

You will have heard us on previous presentations using the phrase "realising the limit". It covers various initiatives, applied world-wide and led by our technology function. The aim is to maximise the bottom line benefit of technology and best practice. The four programmes that comprising Realising the Limit are Drilling the Limit, aimed to create savings and capital efficiencies in our drilling; Volumes to Value, identifying increased reserves; Producing the Limit, increasing production potential, and Capital to Value, reducing the capital spend, making projects more economic, getting more for less.

In 2000 we show substantial value creation, especially in the Drilling the Limit, of over $400 million and Volumes to Value where there are some 750 million barrels oil equivalent. As you can see, solid progress has been made on all of the initiatives and the scope for next year is also high. This systematic and structured approach is giving a further boost to our leading position by lowering our production and development costs.

Shell technology delivering continuous improvement in deepwater

Here is an example of Shell technology delivering improvements. Shell Deepwater has learned from its experience and has improved the surface development systems over time. This unit cost index is the total announced project cost and that includes well drilling and completion divided by design throughput of the facilities. You can see the improvements that are made over time and our ability to transfer that learning gained in the Gulf of Mexico to places like the Philippines and Nigeria. I believe it is one of our competitive edges.

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Leadership in deepwater Gulf of Mexico ...

We are still the leading operator in the Gulf of Mexico and that is the bare fact. Shell's operated production in water depths greater than 500 metres is significantly higher than others. In fact, Shell produces more than twice the combined BP and Exxon/Mobil production. It is also evidenced by the number of fields we operate. We agreed to assume operatorship for the Na Kika development phase to deliver the project on time and within budget.

Size matters they say but we care even more for profitability and, therefore, we are pleased our earnings per barrel are higher than anybody else's in the Gulf of Mexico. This is not to say that we are taking that position for granted, not at all, but it is important to note that we have not been overtaken, nor have we taken our eye off the Gulf of Mexico, and that we have somehow lost our appetite to grow further there. We certainly have not.

... and Gulf of Mexico growth continue - 2002 doubles 1999 production

Just look at this slide. Shell production in the deepwater Gulf of Mexico continues to increase. 2000's production will be more than 20% higher than 1999. Major investment decisions already taken in 2000 were Crosby, Oregano, Serrano and Na Kika. This will involve some $1 billion of investments and I am talking of Shell share there - $1 billion. New projects on stream in 2001 will be Brutus, Crosby, Oregano and Serrano; Na Kika first production will be in 2003. Consequently, in 2002 deepwater Gulf of Mexico production will be over 600,000 barrels a day oil equivalent, almost double last year's production.

Underlying oil growth 6% this year

Let me turn to volume growth, a topic which I am sure will interest you, focusing first on 2000. Here you see the key factors that have influenced our production this year. Overall volumes are virtually the same as last year but the underlying growth, excluding those divestments I talk about and also significant production sharing effects, the impact of higher prices on volumes, is expected to be 6%, due mainly to new production in Canada, USA and Australia, and due to higher volumes from Nigeria.

Underlying gas growth 6% this year

You see a similar but better story reflecting our shift to gas. Gas volumes rise overall by 3% but, again, the underlying volume is 6% up. It is mainly due to new fields in the Oman, Canada and USA. I should note, though, that with the current warm weather that we have been having in the last few months in Europe, that has reduced gas volumes somewhat. However, overall you see that 6% increase of underlying gas volumes.

Major new projects show global reach – 5 on stream in 2000

Let us review our development portfolio of major projects which will fuel the production growth over the next years. As you can see, the projects are spread all round the globe from deepwater in the Gulf of Mexico, Oil Sands in Canada to gas projects in Nigeria and the Philippines, not to forget Norway, Iran, Egypt and other locations.

In 2000 decisions were taken to develop six new projects mainly in the USA but also in Denmark and the UK, adding to a truly diversified growth platform. Five projects have come on stream in 2000, including Europa in the USA and Sheerwater here in the UK. Now to their contribution to future production.

Growth comes from diversified sources and delivers 1 million boe/d by 2005

The volume contribution of the projects shown on the previous slide are shown here in red, together with those that came on stream in 1999 which are shown in yellow. So combined they will add about one million boe/d oil equivalent by 2005. The growth shown here comes from diversified sources with a good balance between our various strategic themes. This underpins our volume growth for the next years. Let me show you how the volume picture looks when we include them.

5% a.a.i. hydrocarbon growth

I can reconfirm that shell plans to increase its production by an average of 5% per year for the period 2000 to 2005, the same annual growth that we projected last year. Note that these figures, as usual, are at $14 a barrel, so there could be adjustments if prices are significantly difference due to those production-sharing contract effects we talked about. I should say that this 5% growth rate is based on volumes from a very diverse production portfolio spread around the globe, both onshore and offshore, from deep and shallow waters. In short, a risk profile that is well adjusted and pretty low. As we have shown, this 5% growth target is largely supported by firm projects that are now in the development phase.

Fuelling growth beyond 2005

What about fuelling growth beyond 2005? We are building our future on a quite unique and well spread resource base with some 45 billion barrels oil equivalent, of which 47% is gas. The purple dots give a good overview of the spread of opportunities within our

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portfolio. We did not include them all, not so much as to keep it a secret from you but rather from our competitors. Also, we are discussing potential new projects in yellow in places like Iran and Saudi Arabia. You will have heard that last week we signed a letter of intent with the Saudis, and I am really pleased about that. We are spending much time and effort in building positions, some with quite long timeframes but with commensurate potential. These are the counters we have to put down around the world because those are the opportunities that will give us the growth in the second half of this decade and well beyond.

Capital discipline maintained...

We expect 2000 expenditures to be below plan due to rephasing of some major projects and delay of a deal. I can now tell you that was Fletcher Energy, which we were not able to complete financially this year but which should be completed in March. This shortfall in 2000, of course, has its mirror image in 2001. Some notional amounts have also been included in 2001 and 2002 to cater for potential new projects outside our current portfolio which, if all were to come to fruition, may increase actual spend above the levels that are shown. The average spend for 2001/2002 is expected to be somewhat above $6 billion in line with the previous plan. Capital discipline in E&P has been thoroughly embedded. Last year our staff used to have the capital discipline mantra on their shaving and make-up mirrors; they are now dreaming of capital discipline.

EP summary

A summary for E&P. First, we are delivering on our promises: normalised ROACE is above 15%, in fact over 16%. We are well under way to delivering the 2001 cost promise improvement and spending is well under control. Our portfolio is very deep and diversified and, we believe, unrivalled. On various key measures we are leading the pack of the super majors and majors and we are determined to maintain this lead, and we are building on our leadership position in the Asia Pacific. Volumes are expected to grow by an average of 5% per year over the next five years, and we are confident that we can deliver this target based on identified projects and a large portfolio of opportunities. In short, proven performance from a global portfolio creating profitable growth.

Gas and Power global reach

Let me turn to Gas and Power. In the Gas and Power business we are continuing to grow the portfolio with operations now in 24 countries and new business developments efforts in a further 15. Capital employed has been maintained at $7 billion, with divestments and restructuring in the US offset by new investments. I will be covering the business segments later in the presentation, but there are some headline figures for our growing business. Our equity share of LNG plant capacity is approaching 10 million tonnes per annum, with a further 1.9 million tonnes per annum under construction. In power generation our operational capacity will soon be increased by a further 4GW from plants under construction. Our marketing and trading volumes of gas have risen to 11 bcf per day, increases in the US, the UK and Australia.

Extending leadership in LNG

Looking first at LNG, our expectations are that global demand for LNG will grow by 5% per annum to 2010. We now have interests in five LNG projects around the world: Brunei, Malaysia, Australia North West Shelf, Nigeria and Oman. As the leading player in the LNG industry, Shell's equity interest in projects globally will supply some 10 million tonnes per annum by 2005, an increase of 40% compared with 2000. The next two slides show how we intend to maintain this leading position.

Atlantic Basin – building a strong LNG position

First of all, the Atlantic Basin. In the Atlantic Basin the Nigerian LNG plant provides a firm foundation for supplies to Europe and longer term to North and South America. A second Nigeria LNG train came into operation this year, bringing the capacity there to 6 million tonnes per annum on a 100% basis. For delivery, to Spain, Turkey, France, Italy and Portugal. Spot cargoes have also been delivered to the USA. Of course, the output of the third train, currently under construction, is fully contracted and a further capacity expansion beyond that is being studied.

Looking forward, our successful bid for capacity for the Cove Point LNG terminal will provide access to the huge and growing US market, beginning in 2002. In addition, agreements are in place to develop regasification capacity in ?Swafe in North Eastern Brazil. The Venezuela LNG project for markets in Eastern United States and the Caribbean is progressing well following a joint development agreement signed earlier this year. Two new LNG ships were ordered, in addition to the two which are operational, to facilitate our development globally of new markets for LNG.

Asia-Pacific – unrivalled position in LNG

After looking first at the Atlantic Basin, let us have another look at the Asia-Pacific. In Asia-Pacific we have a strong portfolio of interests is LNG projects. They are minority

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interests in independent projects but together they give us an unrivalled position and a very strong platform for growth. So we continue to build our operational experience and this leadership position with expansions in Malaysia, Oman, Australia and Brunei, all at various stages of development and planning.

This year, we have signed the first Letters of Intent with Japanese buyers for the output of the fourth train in the North West Shelf Project in Australia. As I said earlier, we have also increased our shareholding in Sakhalin Energy from 25% to 55%, where two large, 4.5 million tonnes per annum trains are planned with start up of the first train targeted for 2006. Key markets are being developed through strategic alliances with Gale in India and CNOOC in China and through LNG import terminal project development activities such as Hazira in north west India.

Growing the Power portfolio

We are talking Gas and Power and if we move to Power, you will see that our portfolio there is growing. This map shows the global reach of our power generation activities, which are predominantly through our joint venture with Bectel, called InterGen. During 2000, we expanded the scope of our InterGen joint venture by transferring the majority of the natural gas pipeline storage and power generation assets of Shell's Coral Energy affiliate in the US to InterGen. As a result, Shell's interest in this new venture has now increased to 68%. This agreement not only broadens InterGen's asset portfolio, hence enhancing value through shareholder strengths, but also aligns Shell's energy, marketing and trading world-wide with InterGen's position as a global leader in power generation development.

InterGen is actively developing projects in mature markets such as UK, US and Australia and in developing markets, including the Philippines, Mexico, China, Brazil and Turkey. During the year, the Kaizon plant in the Philippines started up. Financial closure was reached on seven plants, including three in Turkey and one in Mexico, which brings the total plants currently under construction to eleven. Next year, seven plants currently under development are expected to reach financial closure. The output of one of these, in Mexico, will be marketed into California by Coral. Over the next three years, InterGen's operating capacity will of course increase substantially as these plants come onstream.

Residential "B2C"

What about smaller customers? Let us look at residential, B2C. The liberalisation of gas and electricity markets is opening up many new opportunities for marketing energy directly to consumers, through new distribution concessions or through direct marketing ventures. Shell has a number of strengths to bring to bear, including the strong brand, the global reach, experience in gas and power supply and existing customer positions in many markets. This will be vital in this highly competitive market.

We recently added Greece to our portfolio as part of a successful consortium that applied to supply the city of Athens with gas. Cesco, our operation in Atlanta, USA and Pulse in eastern Australia, continue to advance while other new markets which are opening to competition are under consideration.

You may have heard a lot in the press recently about our gas to liquids technology - Shell Middle Distillate Synthesis, or SMDS. (We try to confuse people with the number of acronyms we have for all of this!) Technological innovation - and in particular a breakthrough in synthesis catalyst performance - combined with economies of scale, along with the commercial experience we have gained in our 12,000 barrel a day plant in Bintulu in Malaysia, has reduced capital requirements to around $20,000 per barrel per day. This has made a large scale plant attractive at crude prices of around $15 a barrel. Gas to liquids forms a key part of Shell's Gas and Power strategy. It has proved itself to be an attractive, complementary alternative to LNG and we are actively seeking opportunities around the world for application of our second generation technology. These facilities will convert the same gas intake as a large LNG train into 75,000 barrels a day of ultra clean, high quality products, which are much sought after for blending and meeting strict environmental emission standards.

Exciting investment plans for Gas-to-Liquids

We have announced feasibility studies for these large scale, 75,000 barrel a day plants, in four countries: in Indonesia, Iran, Egypt and Trinidad and Tobago and we are looking at further opportunities elsewhere. We could see something like three or four facilities in operation later this decade, using Shell technology and providing much needed clean oil products, such as aromatic and sulphur-free gas oil and revenue for countries with uncommitted gas reserves. In addition to the economic benefits, there are social and environmental advantages as well, from the by-products of clean water for irrigation, fertilisers and employment. In the photo, you can see the four synthesis reactors which form the heart of the SMDS plant at Bintulu, which restarted in May this year, on time and under budget, I am pleased to say.

I hope I have given you some idea of the exciting opportunities open to us both in Exploration & Production and in Gas & Power.

We have probably reached the point that Mark euphemistically called the 'comfort break'. Thank you.

- *Break* –

Sir Mark Moody-Stuart: Now you have heard the plans of all the individual businesses, let me summarise how they all fit together and the targets that result from those plans. First of all I am going to focus on capital investment. This year, 2000, we expect to invest some $8.5 billion, that is about $1.5 billion below our original plan. That is partly due to savings both due to efficiency and the weaker dollar, and partly because of rephasing. You have seen something of our investment opportunities. In total they give a capital investment level of just over $12 billion in the year 2001, rising to $12.6 a year after that. The largest increase is in Exploration and Production, where there is some catch-up on the year's spend.

As Phil mentioned, the Fletcher acquisition has rolled into 2001 and we are investing in CNOOC in China. If you exclude those, our planned EP spend in 2001 will be just over $6 billion, not very different from the plans that we had in the past that we showed you last year. In 2002 and 2003 we pencilled in some additional money that will allow us to invest in some exciting new opportunities that we are pursuing and that we hope will become more concrete soon. That will extend our growth potential in Exploration and Production further into the future beyond 2005, as Phil said.

The increase in Gas and Power represents some of the new prospects that Phil spoke about. In Oil Products we had a low spend this year. As Paul said, we used to have a capex spend per barrel that was higher than industry benchmarks, and the last two years have been about reigning that back and sharpening the prioritisation and the allocation processes and spending the money very much more efficiently. Going forward, we expect to remain about in line with industry benchmarks. The increases in 2001 reflect the growth opportunities in both marketing and in the global businesses.

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Jeroen has spoken to you about some of the opportunities that we have in renewables, Shell capital and hydrogen, which are all grouped here under Other with any other new businesses. We have been working for some years in these areas and our experience now gives us the opportunity to invest further. While, by most standards, these are large investments, they are quite modest for a company of our size as a bet on the future, because they will help us to develop positions early in some of these businesses, which we believe will be extremely important in the future. Overall the sum of these increases represent the impact of an expanded opportunity set, and they are a benefit of our strengthening portfolio and they will enable us to underpin the longer term growth.

...but capital discipline maintained

But in that we are maintaining our capital discipline. Capital discipline is about the process that underlies the capital allocation process and about the efficiency with which capital is spent. While the capital investment levels have been increased, there is absolutely no change in the disciplines that have been embedded in the last couple of years. So there are continuing efficiency improvements in our use of capital, which stem mainly from the application of technology, for example the "Drilling the Limit" that Phil referred to and so on. Capital discipline remains an absolutely key element of the way we operate.

Cost improvement target raised to $5 billion

As you have heard as we went through, each of the businesses has increased their cost improvement target and we feel able to raise our commitment to $5 billion. We have made very steady efforts to reduce our costs and, as I said earlier, we now expect to achieve some $3.6 billion of improvements by the end of this year, an increase of some $400 million from the figures that we talked about at quarter three, when we had realised some $3.2 billion. That progress gives us confidence to once again raise our target, and we now aim to achieve a full $5 billion of improvement by 2001, compared to our original 1998 baseline.

Do remember that our conservative definition of cost improvements excludes other benefits such as capital cost savings, which do not go into the cost improvements, and margin growth. It represents our expected benefit in the year; it is not a run raid at the end of the year. This is going to be a tough challenge but one I am sure that Shell people all round the world will rise to.

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Increased cost improvement targets

As they have done, all the businesses contribute to these targets and all of them contribute to the increases in targets, so you see an extra $150 million in Exploration and Production – that is a cautious total. The point is that in the present environment costs round the world in service companies and so on are under very strong upward pressure. An extra $600 million in oil products, the $100 million that Jeroen spoke about in Chemicals and $150 million in Others. The total Exploration and Production number that you see there includes exploration expense. These are challenging numbers and will be continued to be delivered by the same methods that we have applied so far in achieving the $4 billion: simplifying the processes, better procurement and the application of technology.

Financial strategy

Turning to our financial strategy, an absolute key to any financial aspiration is the delivery of good returns. For any of our base businesses we expect 15% returns at our premised conditions. Mature businesses that cannot return that kind of performance are not the kind of businesses that we would remain in long term. That is the discipline. Secondly, the strength. We aim to have a strong balance sheet and retain AAA ratings. We value that top flight credit rating because it is an enabler when we come to deal with major projects with foreign governments. They take for granted our ability and our financial strength to finance our part of the projects, and it gives us flexibility to raise money quickly if we really need to with larger opportunities should they arise. It is a key element of our financial strategy that we keep this rating, but we believe that we can increase our gearing to 20-30% without putting that credit rating at risk.

Desired gearing 20?-30%

We have set a fairly broad range on that gearing target in five years because of the many uncertainties in our business, and we want to retain the flexibility that I have spoken about. Achieving that kind of gearing from our relatively lowly geared position – it is about 12% at the end of quarter 3 – is going to be the combination of a number of different possible actions and developments, as you can see here. A key component of that will be returning more cash to shareholders through dividends combined with a buy-back programme. We certainly expect our dividend to increase in line with our dividend policy, ie at least in line with inflation over the years, but from 2001 we will be able to do buy-backs due to the changes in Dutch fiscal legislation. Our intention is to increase the total cash returned to

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shareholders via either buy-backs or dividends so that it is on average 50% higher over the next five years than it was in 1999.

Summary

Finally, let me summarise on one chart the key challenges that we have set ourselves. We have been successful in reducing costs, so we are extending that cost target by $1 billion to $5 billion. We have been delivering on our hydrocarbon production growth, and we expect to continue growing at 5% a year on average. We can increase our capital investment while maintaining our investment dividend due to an enhanced opportunity set, which we spoke about, all round the world and the very strong resource base that we have. We are targeting a gearing of 20-30%. All of that is based on our continuing conservative outlook on the industry environment, including $14 a barrel oil.

All of that means that we expect to be able to increase our cash returns to shareholders so that on average they will be 50% higher in the next five years than they were this year. That is even if the oil price falls to our premised level of $14 a barrel.

These are challenging numbers and they can only be delivered by a combination of operational excellence, technology and our unrivalled portfolio, and we aim to meet the very varied and changing needs of our customers and to address the concerns of our customers and of society in an increasingly sustainable way. I believe that, if we can do that and deliver these plans and this performance, we can move towards what I regard as the real dream that we become truly a company of choice for our employees, for customers, for partners, for people we work with, for governments and also of course for investors. We have a strong team to deliver that. Phil Watts will be Chairman of the Committee of Managing Directors with Jeroen as Vice Chairman; Harry Roels and Paul Skinner continue as CMD members and Walter van der Wijver, whom many of you know from the United States, will join Committee of Managing Directors on 1 July.

Over the last couple of years, we have worked very hard as a team to deliver on our promises and every member of that team has made an essential and unique contribution to the performance. That includes Steve Miller in the United States and Steve Hodge here as Director of Finance TFO and all the chief executives of our business structure. They have all made essential contributions and we have all learned some quite tough lessons together and are welded together by the process that we have been through, and I know that the new team is absolutely committed to work together to deliver the sort of things that we have been talking about. I believe that together, and in combination, they are one of the strongest teams in the industry. With that, thank you very much, and my colleagues and I will be delighted to answer any questions.

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Question & Answer Session

Question: I have three questions: one Upstream, one Downstream and one general. On the Upstream, Phil was quite adamant that any conceptions that you are being overtaken in the Gulf of Mexico are not just, you showed production of 600,000 boe a day in 2002. I am sure you are aware that BP are projecting going well beyond that to nearly 800 by 2007. Can you give us some feel for what is beyond your chart in 2002 and what gives you the confidence that you will be able to stay ahead of them?

On the Downstream you showed a very strong improvement that you are targeting in the US. Can you tell us how much of that comes down to margin changes, the positives on the marketing and the negatives on the refining?

Then, overall, on return on average capital employed, you talked a little about a target range, I thought I heard, of 12-15% on an ongoing base beyond the 14% next year. That sort of implies that bottom line growth will only come through growing the capital base going forward. Can you comment to that please?

Phil Watts: Thank you and of course you have the timeframes absolutely right. The production that you are looking at from Shell at the moment is going up to the figure that I mentioned over the next years on the basis of very firm projects. Some competitors talk of doing more in 2007 but, meanwhile, we just had one discovery in the Gulf of Mexico that is not in that production forecast and we are hoping for others in our existing portfolio in the gulf and also in new acreage that we hope to acquire.

I would add that we do not only see ourselves as a deepwater company in the Gulf of Mexico. That is where we had our birth with a tremendous performance over the last 15 years of our US affiliate, but we also have positions, as you know, in Nigeria, in Angola, in the Gulf of Mexico, the Philippines when Malampaya comes on stream late next year. So we not just looking at the Gulf of Mexico but an overall global portfolio, and you will see that some 30% of our effort over the next years is in that deepwater theme that is on one of the charts.

Paul Skinner: In response to the question on the US Downstream, we are not assuming that we will get significant margin help at all in the delivery of this performance improvement. We will probably see some improvement in marketing margins as perhaps oil

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prices settle back a little. Equally, we are not assuming any significant improvement; in fact a little deterioration in refining margins. The main thrust of the performance improvement is operational in terms of ensuring we run our units on a problem-free basis in refining and that our focus on street performance in marketing is better than it has been.

The non-fuel part of marketing is certainly something on which we are relying to support our marketing business in the States, and as we roll out the global Shell brand image to Shell sites within the alliance, we expect to see an encouraging response to that. We are about a third of the way through our programme, for example in Chicago, and we are seeing a very encouraging response to new Shell branding of those sites, so it is more on operational excellence and productivity than it is on margin.

Mark Moody-Stuart: The question on return, no, we do not expect our increases in income to come only from investing capital. One of the emphases that we put on capital discipline has been to encourage people, force people and push people to grow without capital investment. The opportunities for doing this varies from business to business. In what you might call the classic upstream or an LNG plant, a gas terminal and an LNG input terminal, you need capital to do it and we will need capital. That is why the shift of focus of our capital investment is towards the Upstream, but that does not mean that we are not going to grow in other areas.

Paul showed you examples of our global businesses, our trading business, where we are getting more out of our existing assets and, by optimising the portfolio and through marketing programmes, able to increase income without significant capital investment. It has to be a balance, and we certainly do not expect the growth only to come from heavy capital investment; that is absolutely not the case. If it was the case the overall growth of the company – because of the growth of markets as a whole and the growth of world demand for oil – would be more limited, so we have to look for other areas for growth, and that is exactly what we are doing.

Question: On cost reduction you mentioned that the $3.6 billion cost cut this year effectively corresponds to an improvement in the pre-tax bottom line. That implies a 100% flow through to your bottom line, none of it being competed away. Is that sustainable going forward?

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The second question is: could you give us an indication of what your 5% volume growth would be under an $18 oil price?

The third one concerns the US gas price situation. We have seen a very abrupt price move this year. Do you think this is a short-term phenomenon or is it an indication of structural shortages of capacity in that market which therefore have implications for your LNG policy?

Phil Watts: Volume growth under $18 a barrel. Let me tell you the mindset we have when we are taking final investment decisions at the moment. We want them to meet our screening criteria at $14 a barrel, as Jeroen talked about that long-term view of the oil price. We want to make the cost of capital at $10 a barrel so we can sleep easily in our beds and not surprisingly, at $18 they are looking good. If we did have an $18-a-barrel world, I would worry about the whole environment becoming overheated - that is $18 over a sustained period of more. There could be some overheating, as we are seeing now, in the contracting market, which could undermine the profitability of some projects, especially if you get your production later. I am not over-worried on that score, however. Rather, we are trying to ensure that we get a balance of things in our P&P portfolio that broadly meet the sort of criteria I have referred to, but then we have some positions in the US that we value at the moment and which are valuable on the upside. On production growth, I would not vary it too much. At a certain point, we and the industry would become capacity constrained outside of OPEC.

Sir Mark Moody-Stuart: On the $3.6 billion you are quite right: that was the comparison as to what would have happened had we not done it and cost reductions indeed can become competed away, certainly the downstream areas. In the upstream, if cost reduction are included, they come straight through to the bottom line. That is why we are putting a great deal of effort in trying to improve the offer to the customer and through choice fuels, for instance, getting out of the cost competition with the competitors. In that way, we are offering something that offers more proof against straight competition. It is true, however, and in the downstream area when we make our forward margin projects, we assume a steady erosion of base margins.

On the gas price: the present high prices took all of us by surprise. It seems likely that for a period of two or three years, perhaps - until there is time for there to be a response - prices will be higher than our fairly conservative assumptions. Thus, there will be higher

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prices in the medium term, though not necessarily in the longer term. Along with everyone else, we are looking to see what you could get from the United States in terms of gas, from whatever direction; whether from offshore Canada, in the East where we have fields, or LNG, through Cove Point which was referred to, or other approaches. One would obviously look at all of that.

Phil Watts: To answer your earlier question precisely: for 2001, if we had $20 a barrel, the production level would be reduced by 2% overall. That is the short version of the answer, because of production sharing contracts.

Sir Mark Moody-Stuart: You were probably interested in whether that would allow us to invest more and, if we knew that it was going to happen, then it probably would. The problem is that if you invest it and it does not happen, then you do have a problem.

Question: Can I ask about the relationship between your capex and your growth? If I have remembered correctly from last year, you were projecting about $10 billion a year forward of capex, which has now moved up to $12 million for the reasons you have given us, yet I notice that despite a lot of the increase being in the Upstream, the hydrocarbon growth rate is still the same. Does that imply any difference in what you expect the production to cost going forward, or are you perhaps allowing for flexibility to grow even faster? How much of a lag do you see in the system between when you actually write the big cheques for projects and getting start up?

Phil Watts: On the Upstream side, compared with previous years we certainly have somewhat more in the later years, and this is reflecting an acknowledgement of strategic opportunities that are coming into play at the moment, like Saudi Arabia, Iran, Kuwait – further opportunities around the world. Also, of course, you see the whole Caspian story and what is happening in the Caspian. There are two effects of the extra capital you see in aggregate. Firstly, we are trying to increase the certainty of achieving that production forecast in the short and medium term, but later in the piece you are seeing investments related, as I said earlier, conceptually to growth later, 2004-2005, and in the second half of the decade.

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Andrew Archer (SG Securities): You have shown us rising capex and the commitment to higher cash return to shareholders, and also cost savings moving up, but it does not appear that you necessarily think that this will translate into better returns, or indeed higher growth. Is that a deliberate understatement of the Group's potential, or does it just reflect the more competitive nature of the operating environment that you face?

Sir Mark Moody-Stuart: No. What we are saying is that we are in a period where the industry situation will be extremely volatile. Oil prices are likely to be volatile, so we plan on a conservative oil price. Depending on what happens to the oil price, we will see strong movements and impacts on the marketing side. We tried to build a picture so that you know what lines we run the business on, what discipline we have, what we are aiming to do and what we are talking about delivering to the shareholders. We are not going into a straight income forecasting business. Clearly if these plans go through, as I am confident they will go through, other things being equal, income grows and grows quite strongly, but that is not what we are talking about because it is against a background of very considerable volatility in the market.

Tim Whittaker (Lehman Brothers): I have a question for Phil Watts. Firstly, congratulations on your appointment to Chairman of the Committee of Managing Directors. Could you perhaps take the opportunity to share some of the personal qualities that you think you will bring to that role? Secondly, going forward as you are guiding the company, you said you were going to make acquisitions as a Group. Could you explain the types of acquisition you expect to make in terms of the sort of assets, and the criteria you will use as you go into that acquisition programme?

Phil Watts: This sounds a little like a double whammy! On the first one, I hope we will bring a strong sense of continuity, as Mark just mentioned. We are a very strong team – a new leader but still a strong team. On the second area of acquisitions, of course we are on the lookout for acquisitions, but we do it against the backdrop of the capital discipline and balance sheet management that has just been talked about. Anything we go for, big, small or whatever it is, has to satisfy the criteria of being really good value. There are a number of definitions for that, but it has to create value for us. I would not want to be going into a hole that we needed to go through to come out the other side.

Peter Nicholl (ABN Amro): I would like to ask two or three questions. You mentioned the increase in your gearing target in terms of debt to debt plus equity. I am wondering what we should take as being your cash policy over the next few years, given that net debt to equity was closer to zero rather than the 12% ratio at the end of the third quarter. Secondly, how do you see deviations in the old price from your $14 a barrel scenario? Is it impacting your views on that gearing ratio? The second one is to do with the Upstream, and a couple of slightly conflicting issues coming out of the presentation. One is that you talked about the importance of accelerating delivery of assets and bringing them to market, and on the other hand you have also pointed to the great opportunities in the Upstream sitting behind the reserve base. I was wondering how you saw those two conflicting features impacting on your reserve life, which is one of the higher amongst the international majors, and your potential to shorten that and improve return on capital. How does that weigh together?

The third question is that it is noticeable that you have not given explicit figures on Gas & Power in terms of returns this time. I was wondering if that has now been split into mature and developing businesses. On that developing businesses, about a sixth of your capex is now going towards new businesses. How long are you prepared to give them to deliver returns?

Steve Hodge: The policy on cash is to keep it to the minimum that we can live with sensibly. It can never be zero, we need a certain amount of liquidity. In the centre we always have a little cash, and sometimes in our operating companies, but our target is to get it to something around $1 billion, that sort of area. It goes up and down – you would not believe the volatility of the cash flows. Sometimes you will see higher numbers, but we try to manage it down to effectively zero.

On the gearing the issues around $14 a barrel, the way to answer that is to say that when we formulate our financing strategy and our gearing policies we are setting it for a $14 world, with all that implies. Although you can see that next year $14 perhaps will not happen, we still manage our financial strategy, which has to be much longer than one year ahead, on the basis that we are going to be back at $14 within that time. That is how we would set our gearing targets.

Phil Watts: I would refer you to that chart with its yellow and purple dots. The yellow dots are those strategic opportunities I was talking about that we are trying to get into at the moment, and if we got a position in Saudi Arabia, another one in Iran or Kuwait or

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whatever, it would fit into and add to our programme over the next years. Those purple dots are more based on the truism that you tend to find oilfields near existing oilfields, and it sure helps if you find them when have already built the infrastructure for the first phase. Many of those purple dots are sometimes smaller and medium sized accumulations but which become very profitable when you put them on an existing infrastructure; that is dominantly the sort of thing we are talking about there, as well as those large exploration portfolios, where we have now committed around $1.3 billion per year for exploration. Those things, if found tomorrow, you do not start investing in them normally if they are a significant size for a couple of years.

On the Gas & Power, I am pleased that some parts of the Gas & Power portfolio like LNG, mature parts of it, are making a handsome 15% plus ROACE. We regard those things now as being part of our base businesses that satisfy those criteria. As far as the other parts we surely want them to be making the cost of capital pretty quickly and have a clear prospect within the foreseeable future of making 12-15% ROACE. That is the sort of mindset with which we are managing that Gas & Power portfolio.

Rod McClean (CSFB): Can I ask three questions? First, the marketing margin recovery is clearly an important assumption in your downstream planning, and from all that you said you presume that just a fall in the oil price will lead to that recovery. Are there some other important elements in there which are not going away, i.e. that it has become much more competitive?

The second point is that this has been a vintage year for exploration: could you tell us what your reserve replacement figure for the full year is likely to turn out to be? The third point is on the returns: why is 15% an appropriate return for your base businesses?

Paul Skinner: Perhaps I could respond to Rod on marketing. You are quite right, it is not just as simple as having the oil price fall and with some sort of parachute effect being felt in marketing. We are in a more competitive world and one of the charts we showed you showed the steady erosion that we have seen in marketing margins over two years now, which is partly the oil price and it is partly the other factors that you refer to.

We believe that we will potentially receive some help from oil price movements in 2001 but, as I hope the presentation has shown, there are several responses to this that we have been following. Differentiating our customer offer, the differentiated fuels programme

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which has worked very well for us, the cost take-out that we have seen: we recognise that we have to be at lowest cost if we are to be an effective competitor. There are some parts of the business where our judgement is that market structures make it rather less attractive to be, so we will switch out of those areas and keep our focus on the growth areas. So we are certainly not looking to an act of God to help us out in marketing. There are three key aspects of self help which we will continue to pursue aggressively.

Phil Watts: A vintage year and you also know that reserves are something of an arcane subject. I will not say, if you do not mind, the reserves replacement ratio for this year – I have not seen the final number myself yet. The critical point about this year is that it has been a vintage year in terms both of volumes and value, and we have had some significant large discoveries which may take some years before it is all produced, probably another 50 years. The great thing is that we have also found that 100 million barrel field in Nigeria, which was hooked up in two months, a field in the UK that was very proudly hooked up in 28 days and then a field in the Netherlands which was hooked up in three days. There was nobody in the room who could go better than that.

Then in New Zealand, for example, the Pohokura discovery – bless it – sits underneath the existing gas plant where we were worried about the supplies for it and that should be on stream in 2002. So it really has been a vintage year in the two respects of volumes and value.

Sir Mark Moody-Stuart: On the return, Rod, I was not quite sure whether you thought it should be higher or lower, but I will ask Steve to spread a little philosophy on the subject.

Steve Hodge: Rod and others have been attacking us on 15% saying you will never do it. Since Cor Hoechstrotter produced it as a number in 1994. What we have learned over the years is that a good business in our industry will earn 15% when it is steady state and when it is mature. We have been through several pieces of the business, little pieces of geography and so on where they say we cannot make it, we cannot make it. In the end, if you have a decent management in there, they will earn 15%. We do not need to earn 15% as a whole as a group to finance the kind of growth that we have in mind, and that is why you see that most likely at $14 we would have on average somewhat less than 15% when you add the growth and the mature businesses in there. However, I am sure that you would not want us to

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set targets for our established businesses that were not targets that are representative of a good quality business. So the short answer is why 15%? Because they can make 15%.

Sir Mark Moody-Stuart: It is a very important discipline message that long-term, mature businesses really have to do that and, if you cannot do it, you had better work out a way that you are going to do it. That, as Steve said, has a remarkable effect on people.

Quesiton (Cazenove): I have three quick questions. First, under the roadmap assumptions, what is the group normalised tax rate? Secondly, with regard to oil products I see the synergy saving number has gone up $600 million: could you split that increment by US and rest of the world? Thirdly, the historic underlying improvement to ROACE from 8% to over 13%, you mentioned that that has come from both volume growth and cost. Could you give an indicative split of how much has come from each of these?

Sir Mark Moody-Stuart: I do not believe that we have a normalised tax rate – we will talk to Fred later! [*laughter*]

Paul Skinner: On Oil Products I cannot give you an exact split between the US and the non-US. The bulk of it will be outside the United States but we expect over the next two years to progress as we have been in hitting the $400 million of cost take-out that was in our original plan for the US. We are probably just over half-way through that now and there is more to come. So the greater part from non-US but I expect to see some in the United States as well.

Sir Mark Moody-Stuart: On the question of the balance between volume and cost, in each of our businesses when we are tracking their performance, what we look at are those staircase graphs where you start off with a number and then you see what has been added in volume, what has been affected by divestments, what has improved as a result of costs and so on. So we look at it in each of the businesses but I cannot, off the top of my head, give you an overall group number.

JJ Trainer (Deutsche Bank): Could I please ask two questions? First, with respect to the US downstream you talked about a joint approach to Chevron-Texaco with Saudi Aramco. Could you say a little more about the advantages of that joint strategy and do you really anticipate increasing your US refining exposure? The second question is with respect to your mature areas in the upstream, are you factoring in any structural declines over the next five years?

Sir Mark Moody-Stuart: Thank you very much for your economy in questions. Paul, joint with Saudi Aramco?

Paul Skinner: One of the partners in our existing alliance, Texaco, is contemplating something else and hence it is perhaps not surprising that we and Saudi Aramco as prospective continuing owners have wanted to look at things on a joint basis. I must say that the degree of alignment with them that we have is very strong. Both of us see advantages in continuing in the existing ventures in the US market and, if we are to continue, between us we have to reach a clear consensus on how we would structure and operate these ventures. That is why we have been in discussion with them and have reached a unanimous agreement on how we do it in the event that ownership were to transfer.

As far as refining is concerned, if we and Saudi Aramco were to continue as joint owners of the two existing ventures, our refining exposure on a shared basis would of course increase but, having moved out of the alliance portfolio in the United States some of the weaker units, we are pretty confident that what remains in the portfolio is of high quality and that it can reach the upper quartiles of performance. Although directional it could mean an increase, therefore, it is not one that we feel uncomfortable with.

Phil Watts: Our production forecast is based on hundreds of fields around the world and obviously, we bear in mind for each of them the natural structural decline rate. So that is all covered. There seems to be a deeper aspect to your question in that we do have some mature ventures. What is quite remarkable is that being faced with their imminent demise seems to concentrate the mind amazingly and people look for more innovative ways of doing things to 'prolong active life'. The trick is to get that sort of mentality and those sorts of lessons into your young, fresh, vigorous fields so that you are not complacent there. It is an important issue, that we have to run to stand still and if we want to grow production, we have to start running again.

Paul Skinner: Mark has suggested that I might clarify one further point in relation to the earlier question on the US downstream. The discussions we have been holding with Saudi Aramco have of course focused primarily on Motiva - the venture in which we are both present - and also on the structures of the service companies, Equiva, which sit between

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Equalon and Motiva. There is no current intention that the Saudis would become partners in Equalon which could prospectively, therefore, become a 100% Shell owned venture.

Steve Turner (Kommerzbank): I will stop at two, as well: first, you talk quite cautiously about refining margins but with a system operating fairly close in parts to capacity, what do you see as the catalyst for a return to more normal refining margins? Secondly, could you clarify for us the extent to which your capex budgets include acquisitions?

Paul Skinner: I rather hope we will not return to normal refining margins in fact, looking back over the last 20 years! What we have seen in the Atlantic Basin, particularly in the United States and Europe, is a system which is operating closer to capacity in an environment where product quality specifications are changing and directionally tightening. That has been the driving force on the margin environment that we have seen and may continue for a little longer. For example in Europe, we have a period through to 2005 when another major quality change will come about and there are, of course, similar issues in the States. We may, therefore, see reasonable strength for a two to three year forward period but looking out to the East, which had a couple of short periods of improved margins this year, our view is that that is likely to remain weaker. There is a lot of capacity out there and prospectively more than could be added. We have seen a gentle decline in Asia-Pacific refining margins ever since the end of the Gulf War almost ten years ago. We see that remaining structurally weaker.

Sir Mark Moody-Stuart: On acquisitions in capex, essentially they are not in capex with the exception of Fletcher in 2001. Occasionally if there is something that we are pretty certain will happen, or a small element of addition that we think a particular business may want, then they will tuck it in, or assets acquired from somewhere where they are pretty certain it is going to be there, then that would be in there. But acquisitions, generally are not in there.

Question: An unfashionable question on Chemicals, if I may. You have achieved your return target. There is not the slightest hint of an increase in capital expenditure in Chemicals from your latest numbers. Can we really assume that you are

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Phil Watts

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SLIDE 1

Good morning ladies and gentlemen.

SLIDE 2

Disclaimer

This presentation contains forward-looking statements that are subject to risk factors associated with the oil, gas, power, chemicals and renewables businesses. It is believed that the expectations reflected in these statements are reasonable, but may be affected by a variety of variables which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

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As always, I am obliged to state that my presentation contains forward-looking information that may be affected by factors outside the Group's control, and I call your attention to our standard disclaimer statement. I will give you a few moments to read it over.

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SLIDE 3

Today I will describe for you how Shell sees the future, and review with you the strategy and financial framework we have developed to meet that future.

I will look in some detail at areas where Shell has particular strength: such as in Nigeria, and in the Deepwater. Then, I will outline the Oil Products portfolio in the US, how Shell stands relative to the competition overall and discuss where we go from here

We told you last year that times were going to be tough, and we were correct. Still, as you will see from my report of our performance in 2001, we continue to deliver against our promises and strengthen our competitive position.

continues over

To conclude my presentation, I will summarise our key targets and goals for the future. With our strong balance sheet, our balanced portfolio of businesses, and our low cost structure, we are well positioned to deliver on our promises. And we can keep investing, in a disciplined way, throughout the business cycle.

How well have we delivered on our promises to date?

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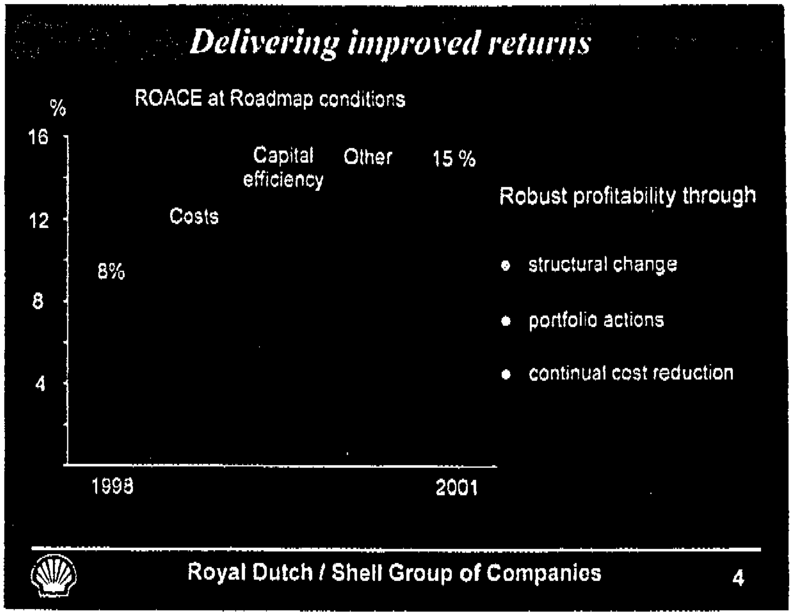
SLIDE 4



You may remember in 1998 we defined what we termed a "roadmap", a set of improvement targets we set ourselves. Since then, on costs, we have more than met our cumulative reduction target, originally $2.5 billion but revised to $5 billion.

On capital discipline, our spending has averaged $9.9 billion – a third less than in the previous three years. And we have delivered the promised portfolio actions: we carried out rationalisations, swaps and divestments worth over $20 billion, and we reduced capital employed in our Chemicals business by 40%.

continues over

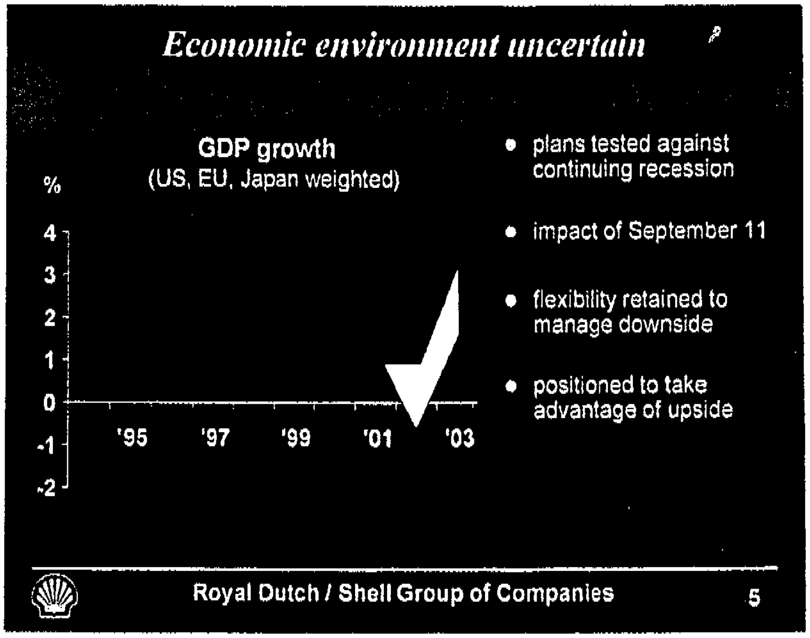
As a result, our businesses are more capital efficient. And our returns have improved significantly: from 8% normalised in 1998 to 15% in 2001.

Just for your information: I'll be quoting against normalised conditions throughout my talk. As you may recall, Shell normalises results to remove the impact of commodity pricing and other external forces, so that we can see clearly how our company is doing.

To summarise the last four years: we have delivered robust profitability through structural change, thoughtful portfolio actions, and continual cost reduction.

Where do we go from here?

SLIDE 5



These are challenging times, and the future remains highly uncertain. World GDP growth declined by over 2 percentage points over the last year, an unprecedented drop, and it is not yet clear how long the economic downturn is going to last.

Following September 11, geopolitical perceptions have changed. New relationships have developed or strengthened that may have a significant impact on longer-term energy patterns -- such as the ongoing discussion between the US and Russia.

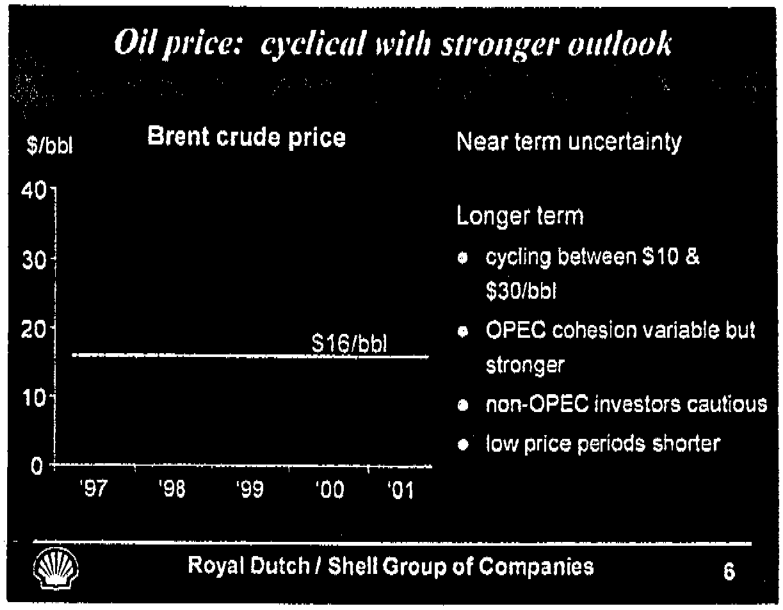
Couple these developments with the recent revelation at Enron, and it's clear why concerns about energy security have moved up the policy agenda. So we are responding by building on wide-ranging relationships, and on our record of delivering secure supplies.

continues over

As far as the downturn is concerned, we cannot predict what shape it will have, or how long recovery will take. Our plans are biased towards the lower end. And we have tested them against the implications of a continuing recession.

With our earnings, cash flow and cost structures, we will be able to weather an extended downturn, without jeopardising our ongoing investments. In short, we have the flexibility to manage the downside, and we are well positioned to seize opportunities in the upside.

SLIDE 6



Uncertainty about demand growth means oil prices will be volatile in the short term. Over the longer term, we see the price likely to cycle between $10 and $30 a barrel.

OPEC cohesion is still variable, but they have achieved greater discipline. And they are committed to draw a floor under prices. At the same time, non-OPEC investors are more cautious after 1998, taking longer to respond to an upturn.

Overall we think the higher price periods could last longer than the low price ones. So we have decided that $16 a barrel for Brent crude is a prudent long-term level around which to shape our portfolio, although we always test against the low side as well.

continues over

In gas markets, stronger fundamentals – i.e. longer term demand growth and increasing cost of supply – point to market clearing at a Henry Hub price around $3 per thousand standard cubic foot over the next couple of years.

These upward pressures should be tempered by the availability of substitutes and other sources of energy, such as coal, crude oil, nuclear and renewables.

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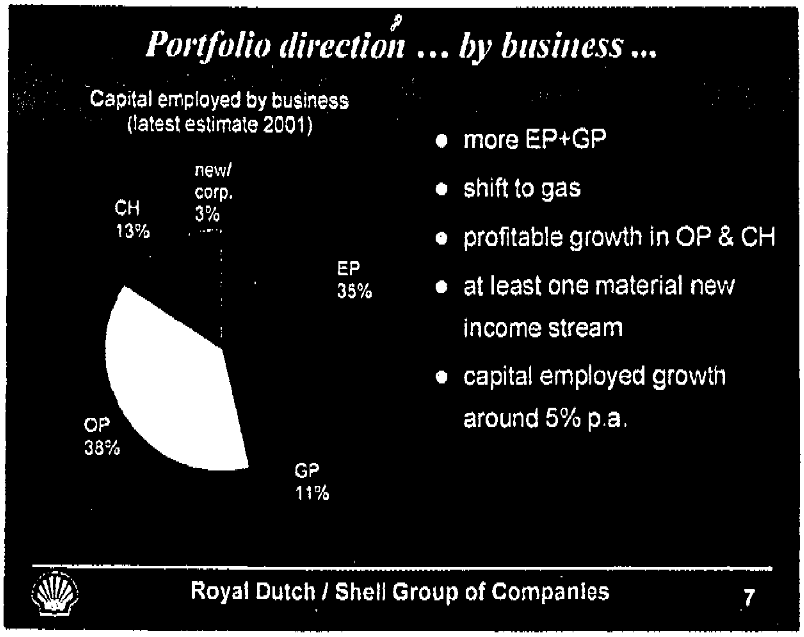
SLIDE 7



As we move our businesses forward, our aim is to grow value in them for the shareholder – by maintaining robust profitability and harnessing our competitive edge. We aim to achieve the optimum balance between returns and growth, across a range of oil prices.

Some excellent 'capital-light' business areas are growing fast. But the engine of our business remains our ability to combine technology with capital. Our plans involve growth of about 5% annually in capital employed, with EP and GP moving above 50% of the total.

Growth is focused in the upstream, because we expect it to make higher long-term average returns than downstream businesses. Gas production has been growing faster than oil, and we want that trend to continue in the longer term.

continues over

Although the relative share of OP and Chemicals will drop somewhat, those businesses will see steady and profitable growth. We also expect at least one material new income stream to emerge from our small group of developing businesses.

Let's look now at the financial framework within which our people and our businesses operate.

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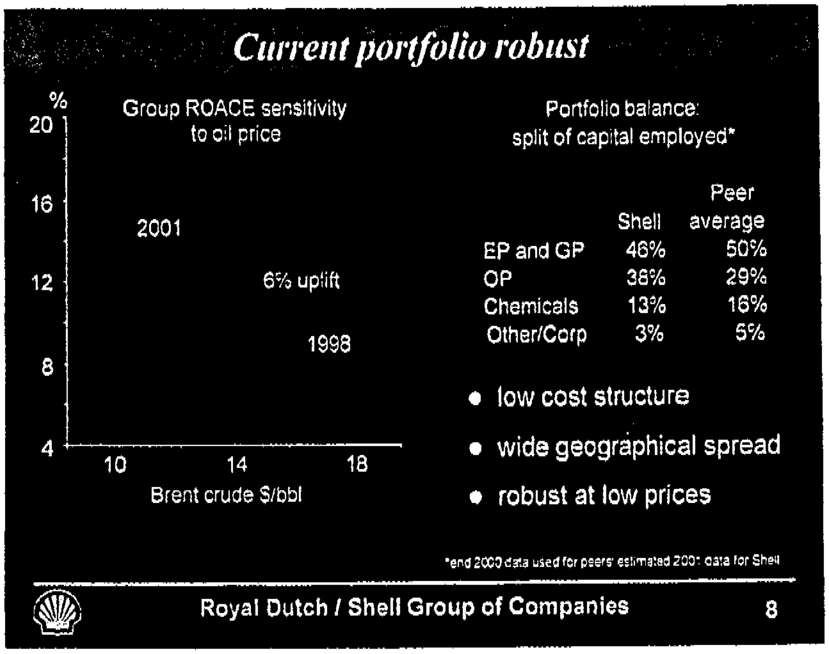
SLIDE 8

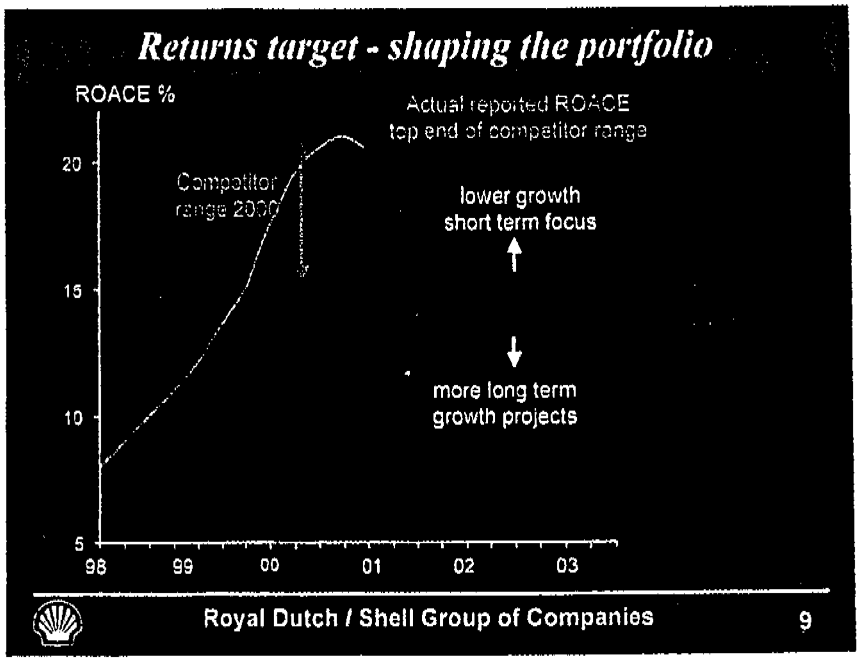


Our portfolio is robust – which means we deliver strong returns and cash flow under a wide range of economic conditions. Our 2001 return would have been above 12% even if oil prices had been $10 a barrel.

This reflects our low cost positions, and the worldwide spread and diversity of our portfolio. We have a larger proportion of our assets in OP than others, adding stability at comparatively attractive returns.

This strong foundation is the direct result of delivering the roadmap and focusing on returns.

SLIDE 9



Our normalised return has risen to exceed our targets since 1998. Our actual returns have exceeded this while improving in competitive terms. Our drive to achieve 14% at $14 a barrel served us extremely well in re-establishing a strong foundation.

Within the context of the new reference conditions – and based on about $12 billion capital investment – we expect the Group's return to be between 13 and 15%. For the next two years we expect to be towards the higher end of this range, comparable with the roadmap level.

Our cash generation also remains strong – sufficient to fund dividends, and the ongoing capital programme, without divestment and at our conservative reference conditions.

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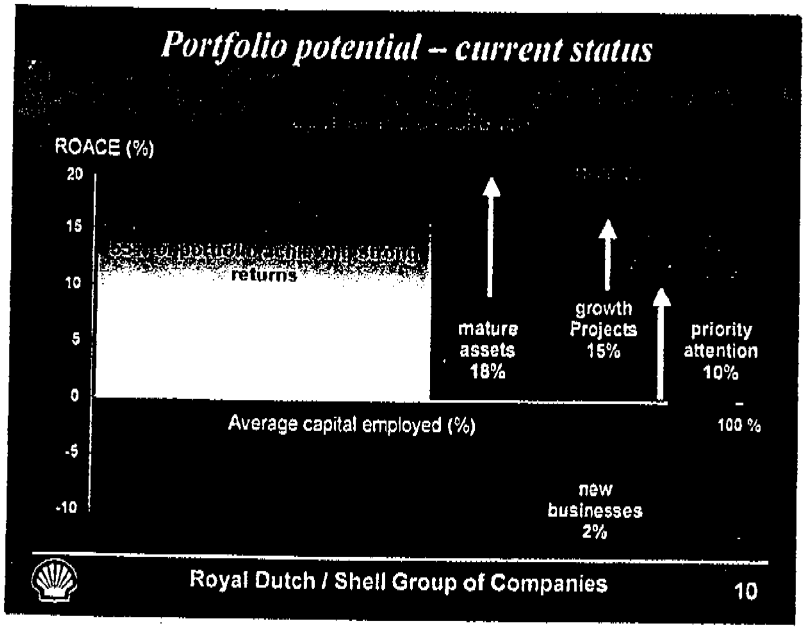
SLIDE 10



Today, 55% of our portfolio is delivering strong returns. Another $15 billion of mature assets including the US oil products business – have the potential for both higher returns and growth. Ongoing EP and GP projects amount to $12 billion.

We are investing in several new businesses that could create significant future value. And we have highlighted assets worth $7 billion for portfolio action, if returns do not improve in the short term.

As part of that action, we have already sold some pipelines in Texas to Kinder Morgan, as well as closing or re-structuring some assets in our Basell joint venture with BASF. We have also placed our forestry assets up for sale.

continues over

Each of our established businesses is expected to maintain and develop its own portfolio over time, so that it can deliver 15% at reference conditions.

EP's portfolio delivers at least 15% at $16 a barrel, and is expected to deliver 18% over the next two years at our reference conditions.

OP will deliver 15% as the US assets become integrated.

Chemicals will be able to achieve this target at mid-cycle conditions.

The LNG business has already demonstrated its ability to deliver 15%, and is now entering a new growth phase.

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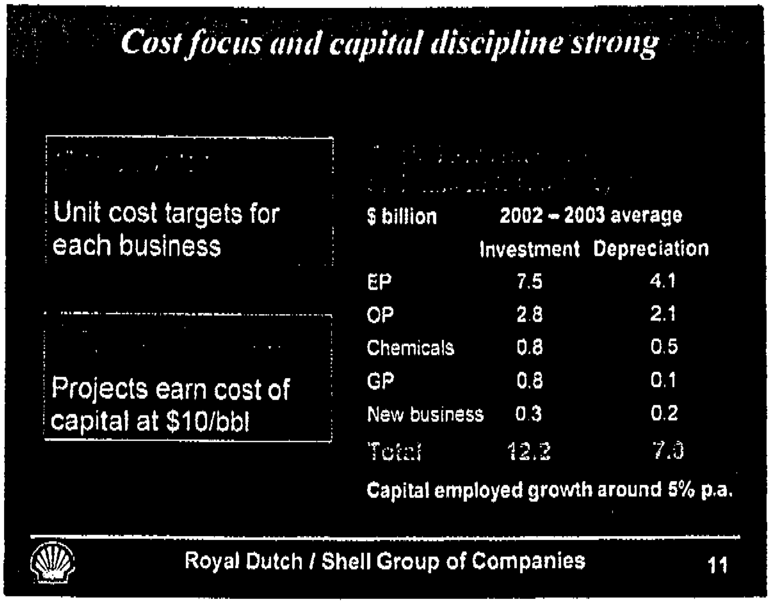
SLIDE 11



The businesses have also set demanding unit cost goals: reducing their unit costs by 3%, which will add up to $500 million of annual cost reductions in each of the next two years. Meanwhile, projects are expected to meet the cost of capital at $10 a barrel.

All of these targets are premised on spending in the $12 billion range. Last year, we invested $12 billion, including $1 billion for Fletcher – up from $9 billion in 2000.

This year and next, investment will also be about $12 billion. Overall, as I said earlier, our plans involve growth in capital employed of around 5% a year for the next couple of years.

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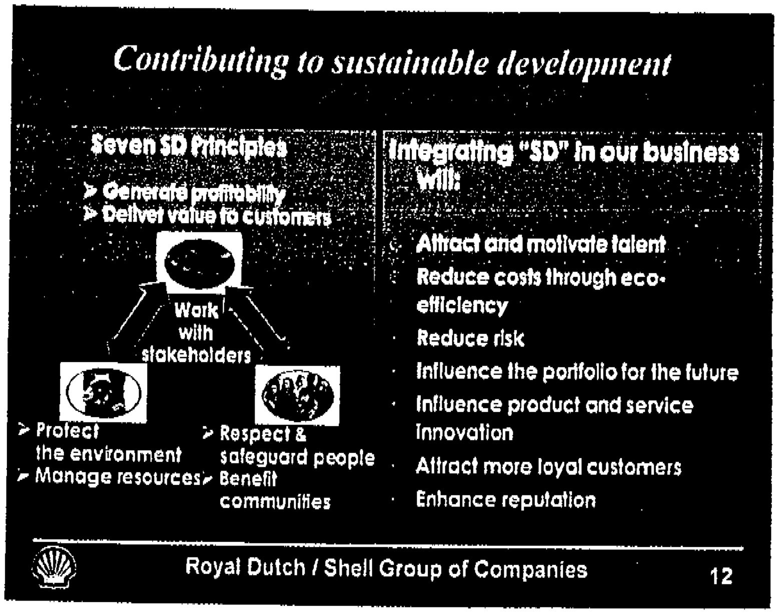
Slide 12



We can only realise our growth aspirations by using our competitive edge to develop specific business opportunities. We see our reputation as a fundamental business asset, vital for our brand, and for our licence to operate and grow.

We have clear and comprehensive business principles. And we know from experience that doing 'as advertised' wins long-term friends, builds staff commitment, wins partner loyalty, and creates trust.

Our commitment to sustainable development is a vital element of the way we do business. A framework has been produced to guide the development of each of our businesses in line with the concept of sustainable development.

continues over

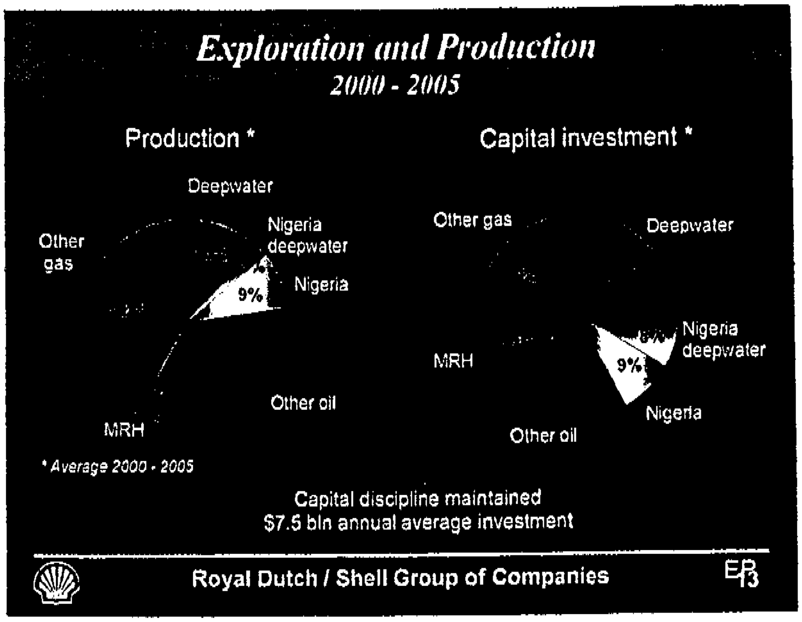
The cornerstone of the approach is seven sustainability principles, applicable from the corporate down to the individual site level.

Each Shell company will use these principles to frame a strategy and to assess their own course and contribution to sustainable development, reflecting their individual operating environments, culture and stakeholder values.

We have taken this course because we have no doubt this contributes to our bottom line by helping to reduce risks and costs. It also promotes innovation within the Group, attracts loyal customers, guides the long-term portfolio, and attracts and motivates talent.

I would now like to look at two areas of particular strength in our EP portfolio.

SLIDE 13



As you may remember, we have a very diverse portfolio in exploration and production, strengthened in the last year by acquisitions such as Fletcher in New Zealand and the McMurry acquisition in the Rocky Mountains.

As well as exceeding our 2001 production target, EP has achieved all its roadmap cost promises, and has maintained strict capital discipline throughout.

Going forward, the plan is to increase capital investment to an average of $7.5 billion. Much of that investment will be in two areas of real strength for the group: deepwater, and Nigeria.

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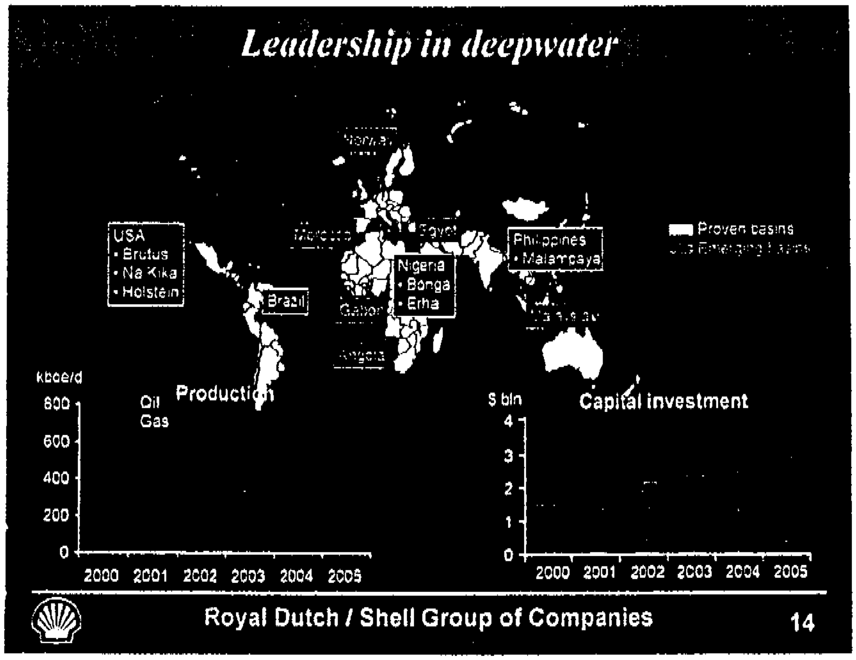
SLIDE 14



In deepwater, we have already established a leadership position. We have a presence in all key basins.

The 2001 deepwater exploration and appraisal programme was very successful, and over the next four years there will be major projects in the Gulf of Mexico, Nigeria and the Far East.

Opportunities will also be pursued in Gabon, Angola, Malaysia, Egypt and Norway.

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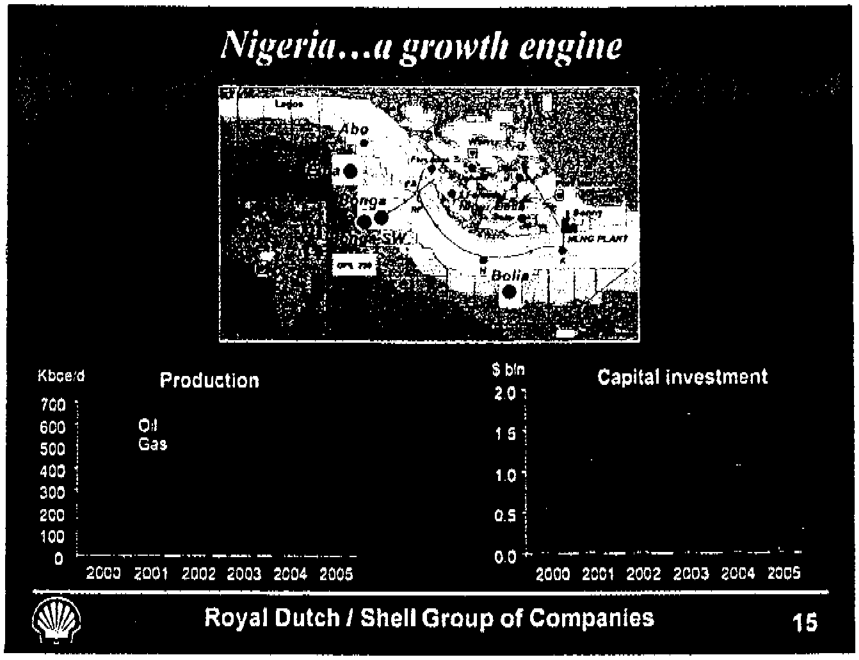
SLIDE 15



Meanwhile, Nigeria continues to provide a growth engine for our business. The benefits of current investment will begin to surface over the next two or three years. The Offshore Gas Gathering System will be completed; a third train will be commissioned at the Nigeria LNG plant at Bonny; and the EA and Bonga developments will come on stream in 2003/ 2004.

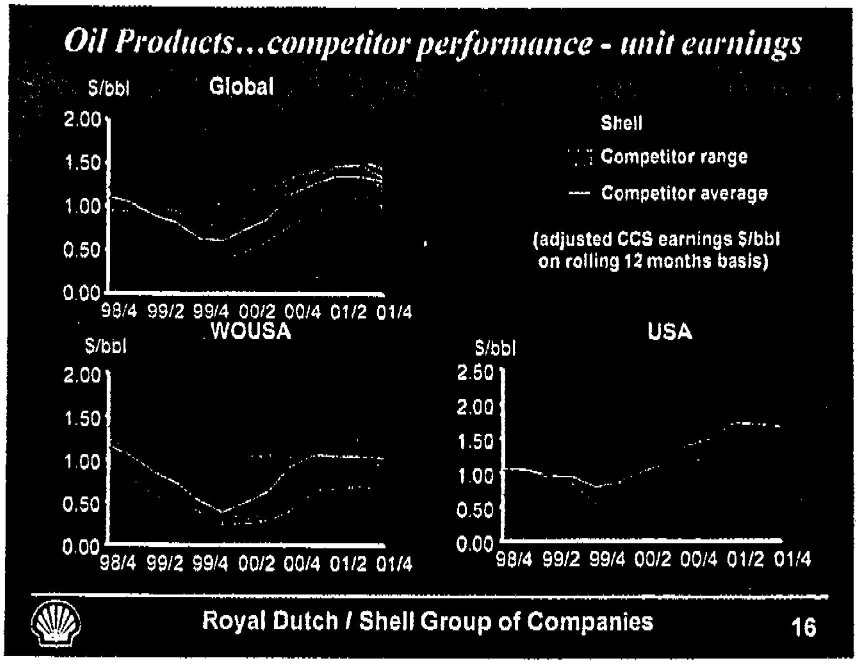
Nigeria will remain an extremely important part of our portfolio over the long term. The country has nearly 30 billion barrels of remaining oil reserves, the fourth largest outside the Middle East.

continues over

Remaining gas reserves are estimated, conservatively, at 150 Tcf – the seventh largest in the world. And the potential in deepwater Nigeria continues to increase, as evidenced by our most recently announced discovery at Bolia – our third significant operated oil discovery made to date after Bonga and Bonga SW.

Now let's bring the focus closer to home -- and consider Shell Oil Products in the US.

SLIDE 16



Our objective in Oil Products is to continue developing a portfolio that will consistently deliver downstream value growth, and higher unit earnings than our global peers.

We already have strong market positions in over 130 countries, and a strong brand preference share with customers. These have given us sustained downstream leadership outside the US.

We aim to make that leadership global with market share strength in developed markets, market share edge in developing markets, and best-in-class operations and capital efficiency.

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In the US, our performance has not been as good, but steps were taken in 2001 to strengthen our position and provide a platform for sustained improvement.

At our Deer Park refinery outside Houston, we completed an upgrading and expansion that boosted output to 340 thousand barrels of oil per day and improved the facility's capability to process heavy Mayan crude from our joint venture partner, Pemex.

In addition, we began the process of acquiring Texaco's interests in Equilon and Motiva , and last week I was pleased to be able to announce we received final approval for this from the FTC.

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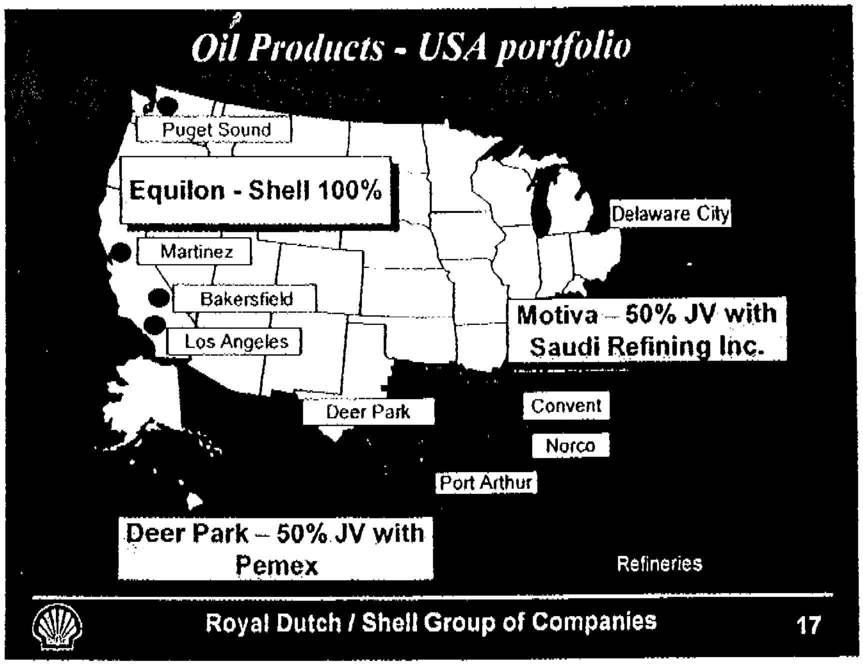
SLIDE 17



I would like to remind you of what our downstream business in the US will comprise once the transaction is completed:

- a 100% share of Equilon with ownership of four refineries plus retail and commercial marketing in the West and mid-West of the USA; and lubricants and transportation activities embracing the whole country;

- a 50% share of Motiva, with ownership of four refineries plus retail and commercial marketing on the Gulf and East Coasts of the USA;

and a 50% share in the Deer Park Refinery Partnership together with Pemex.

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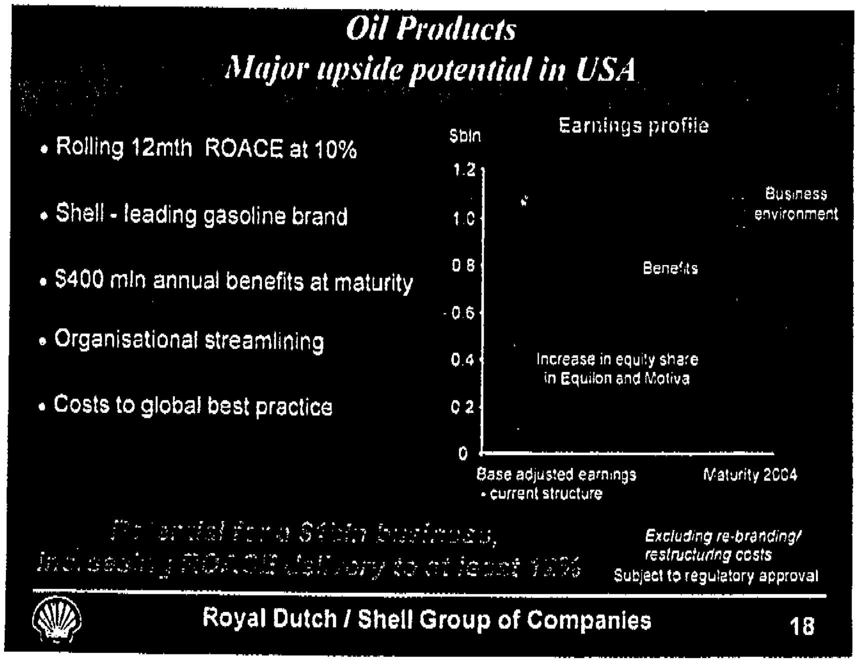
SLIDE 18



The upside potential for Oil Products in the US is very strong.

There is potential for a $1 billion business by 2004. At the same time, we can envisage ROACE delivery rising to at least 12% in the US, as organisational streamlining progresses, and costs are aligned with global best practice.

We have identified improvements worth some $400 million at maturity across Equilon and Motiva. Primarily, these involve simplifying business structures and extending structural cost reduction.

There are three key areas: re-branding and upgrading the retail network for much greater efficiency – this is expected to cost approximately $500 million and take three years to accomplish; adopting a fully Shell-branded lubricants portfolio; and improving the reliability of the refinery network.

continues over

Before I conclude, let me emphasise again Shell's continuing ability to deliver, with a look at the 2001 results we have just announced.

SLIDE 19

Q4 2001 adjusted CCS earnings

	Q4 '00	Q4 '01	% Change
EP	2,579	1,237	-52
GP	157	172	+10
OP	951	585	-38
CH	106	33	-69
Other/Corp/MI	(214)	(118)	
Adjusted CCS	**3,579**	**1,909**	**-47**

Royal Dutch / Shell Group of Companies 19

Despite the tough environment, we earned $1.9 billion dollars on an adjusted CCS basis in the fourth quarter of 2001, which was approximately 47% below what we earned a year ago.

In our exploration and production business, earnings were lower – primarily due to lower oil and gas realisations; but they had very strong production as compared to last year.

Oil Products earnings were lower; however, 2001 was their best year ever and – as I have mentioned earlier – they have a great platform to build upon in 2002.

And Chemicals really suffered this quarter, even more than in the rest of the year.

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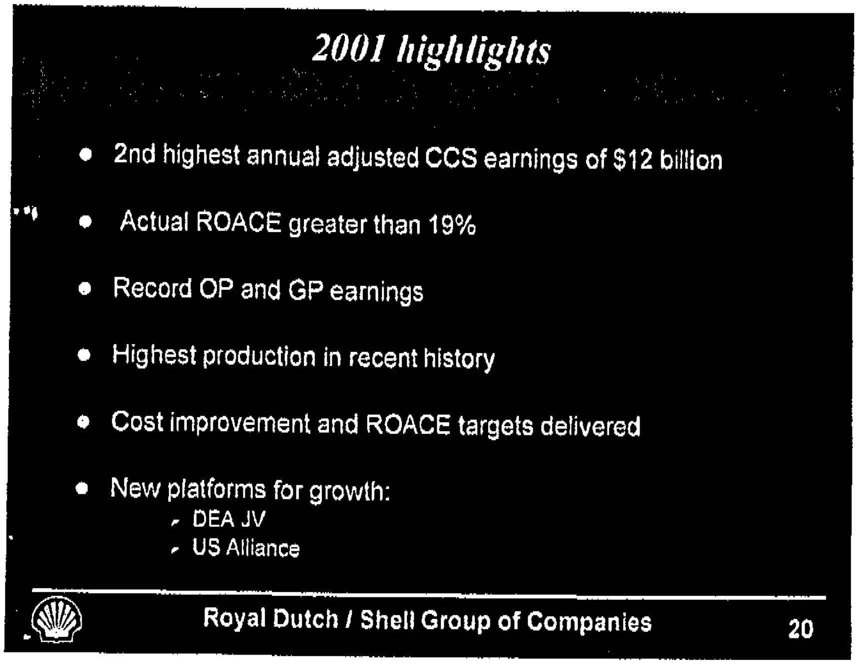
SLIDE 20



For the full year, we achieved excellent results. At a Group level we earned about $12.0 billion dollars, our second best year ever, with a return on capital employed of over 19%, leading the industry.

Oil Products and Gas and Power both had their highest ever earnings, delivering well over $4 billion between these two businesses. Hydrocarbon production was the highest in recent history and exceeded our target of 3.8 million barrels of oil equivalent, expressed at normalised $14/bbl price.

I mentioned earlier the key cost and return targets -- all delivered, and most importantly we have developed new platforms from which to grow earnings. The US alliances and the DEA joint venture in Germany are two notable examples.

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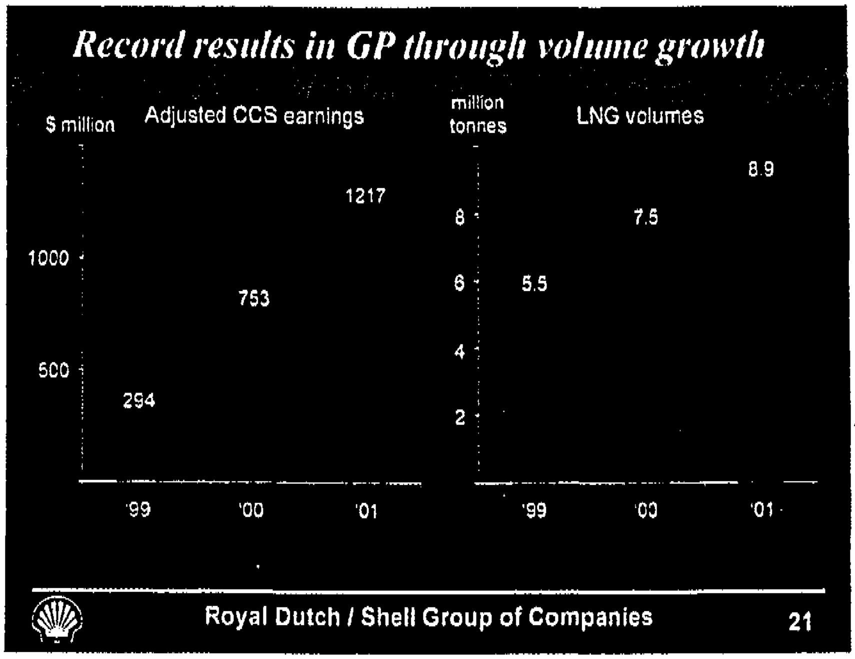
SLIDE 21



Gas and Power had a particularly strong performance in 2001, with earnings of some $1.2 billion; this was a record and largely driven by the growth in LNG volumes, which were up some 19% over 2000.

LNG will continue to grow with additional facilities coming on stream in Nigeria, Malaysia and Australia. We also plan to approve a further expansion in Nigeria in 2002 and are evaluating additional expansions in Brunei, Oman and Australia.

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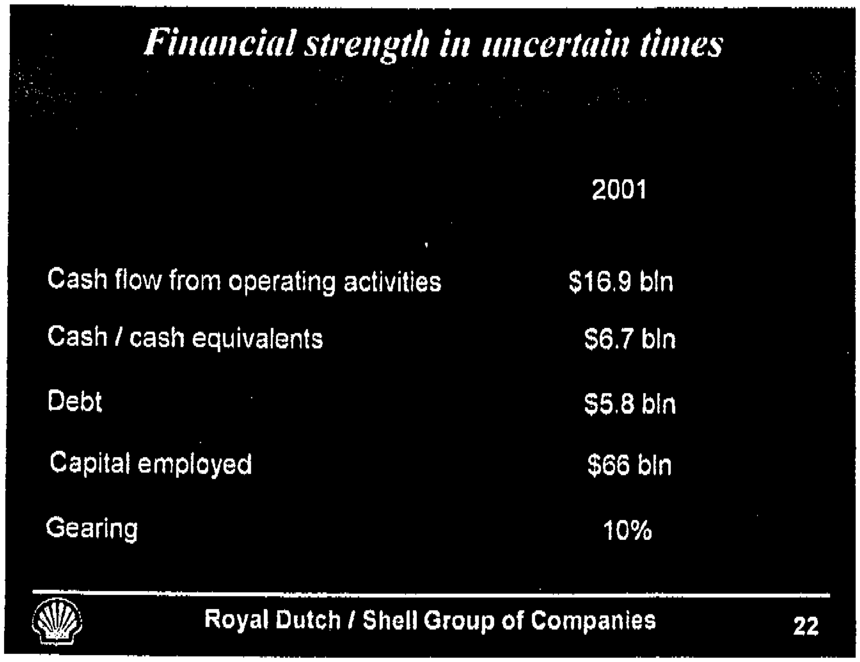
SLIDE 22



This kind of financial performance provides us with very strong cash flows and balance sheet. This is critically important in the current uncertain environment because it provides us with the ability to ride through the cycle without having to make changes to our long-term investment plans. It also allows us to take advantage of any opportunity that may come our way.

Looking to the future, we are confident but not complacent.

SLIDE 23

We have achieved and exceeded our tough roadmap goals. In doing so, we have embedded in our organisation three crucial 'habits' of industry leaders: strict capital discipline, active and thoughtful portfolio management, and operational excellence with benchmarked cost leadership.

These 'habits' enable us to maintain consistent returns, and resilience in our balance sheet and cash flow. Meanwhile, we will also continue to maintain our dividend policy of covering inflation over time.

We expect dividends to progress in an orderly upward fashion. And we will continue to use share buybacks to return additional cash to shareholders, unless we see alternative ways of significantly growing value.

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SLIDE 24

Overall we have established firm foundations for robust profitability, even in a downturn.

And we are building on those foundations, with a clear strategic direction that includes:

- shifting our portfolio more towards EP and GP;
- investing about $12 billion annually through the business cycle;
- growing our hydrocarbon production by 3%;
- growing our OP earnings locally and globally;
- growing also our LNG contracted sales by 6%; and investing in new income streams.

continues over

This strategy positions us well to take advantage of opportunities as they arise, and at the same time continue to deliver reliably on the promises we have already made.

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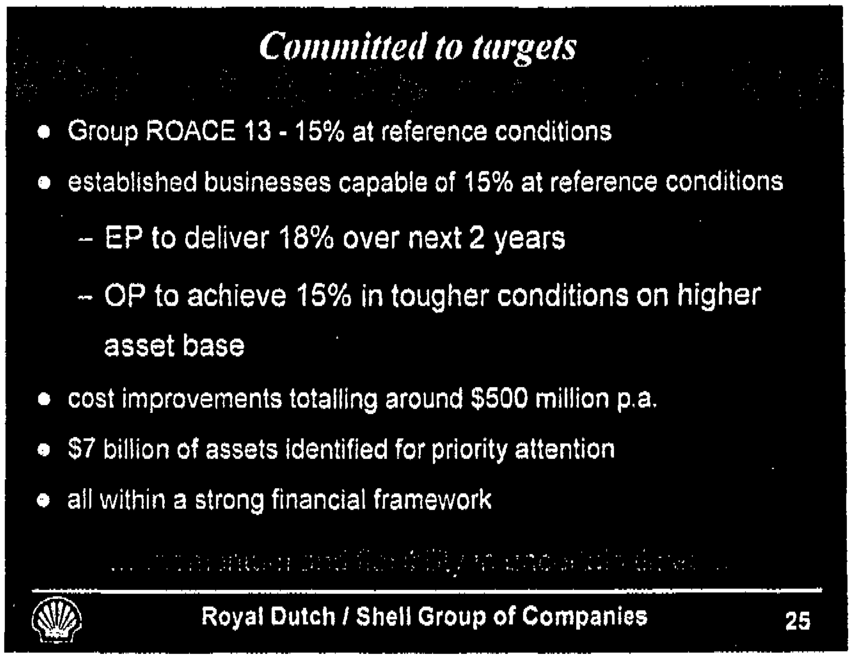
SLIDE 25



We expect the Group's return to be between 13 and 15% at the new reference conditions, depending on the level of growth investment. Over the next two years we expect to be towards the higher end of this range.

We are committed to a further $500 million a year of cost improvements. And we have $7 billion worth of poorer performing assets in our sights for priority attention. Achieving these targets, within the strong financial framework we have established, will provide us with the momentum and flexibility that these uncertain times demand.

SLIDE 26

I hope that I have demonstrated the progress we have made over the last couple of years and that we are well positioned irrespective of where the commodity prices for oil and gas might go this year. And now, I will take a few questions...

Questions/Issues From Meeting with Capital Guardian in New York
19-04-2002

- After you digest these acquisitions, what will your gearing be?
- It looks like you have gaps in GP, were Pennzoil and Enterprise just opportunistic plays?
- Does the Enterprise transaction allow you to upgrade your portfolio or does it just facilitate your achieving the 3% production target?
- Does the Enterprise transaction present you with more opportunities to spend money in the North Sea as a result of the expanded tax credit?
- Is the Enterprise transaction going to cause the North Sea to become less attractive?
- How will technology improve your exploration efforts in the North Sea?
- What were you F&D costs for 2001?
- What level of confidence do you have in Enterprise published reserve number?
- Can you comment on Enterprise's opportunities in Brazil?
- Will you sell Enterprise's Italian assets to ENI?
- Re the GOM, can you catch up to BP's position?
- Do you feel that the GOM still has potential?
- Can you comment on prospects for shallow water, deep gas in the GOM?
- What is your thinking re you alignment with Gazprom?
- Do you anticipate more overall drilling in the North Sea over the next say, five years?
- Will you be making any changes as a result of new accounting rules?
- Will Pennzoil's management stay on?
- Do you think that you will have any cultural issues with either transaction?
- Why does Pennzoil currently have such a low ROCE?
- With new environmental regulations here and coming both in the US and in Europe, how do you think this will all play out?
- How do you manage political risk?
- Why did you not hedge some or all of Enterprise's production?
- Can you talk a little about fuel cells? What are you doing in this area?
- Can you help me understand inter segment eliminations between EP and OP?

US WEST COAST
Briefing Materials

US West Coast: Briefing materials

Phil, attached are the following briefing materials for your trip.

- A **detailed agenda** from David, describing the various IR meetings and attendees, together with an assessment of their areas of interest
- A copy of the **speech and presentation materials**. We have also provided a bound copy for your use if you prefer.
- **Issues briefing including Q&A.** We still have 2 issues to resolve, the current story on Pennzoil and the Gulf of Mexico discoveries. As you are probably aware, Pennzoil may be approved in the very near future and OP Houston is developing materials on this basis, David will ensure you have the latest version before meetings on Monday. The Great White discovery has now been reported in trade publications, in addition to the fact that more than one broker has now told us what the size of the discovery is – again David is extracting the latest statement from EP Houston.
- **US Shareholder information**: I had hoped to be able to provide the August movement report, but unfortunately the 3rd party provider is going to be a day or so late so I include the July report plus some preliminary August information.
- A copy of the recent **ConocoPhillips presentation** to investors. Although given by 2nd level executives at a broker arranged event rather than a CEO strategy presentation, this is the first comprehensive look at the investment case for the new company and gives a feel for the story they will pitch - primarily to US investors.
- The detailed **IR programme** for the next few months, concentrating on the November 1-1s. The balance of days is US 4, UK 3, Europe 2.5, with additional group meetings in the UK and Netherlands. I attached a detailed list of the investors we will target in the UK and US, and we are beginning to set up the meetings – exact schedules may vary according to availability of investors. We would like to reserve some firepower for 1-1 follow up meetings after the February presentation, particularly in the UK, so I recommend that we take only one of the days that you have made available for the UK in November. This should allow 5 meetings and ensure that there is no danger of an 'FT backlash', but also avoid over exposure before February when the message will be more high profile and you will certainly need to front the UK programme.

I have also included the executive summary from the final **Finsbury audit report.** We received the report in 3 stages, with the first feedback being the best practice examples and guidelines received in May. We then received the more detailed findings and recommendations (with us compared primarily with BP, for reasons outlined in the summary) and finally this summary. You will recognise many of the main recommendations from our recent discussions and the CMD notes, this reflects the fact that we have been working on the recommendations since May, well ahead of a final report.

I had intended to include the (in my view excellent) EP deepwater presentation that John Darley has prepared to give to an investor conference in Boston on Sep 19th, but unfortunately this has not quite been finalised. David will have a copy by the time you meet. We expect some of this material to be used on the analyst field trip in October.

IR September 12 2002

Agenda

Investor Relations

Philip Watts
Chairman
Committee of Managing Directors
Royal Dutch/Shell Group of Companies

17-19 September 2002

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1.0 San Francisco

- Wells Fargo meeting -- 0830-0930
  - First time that we have met with Wells Fargo in San Francisco
  - Meeting with Steve Wilkes and others
  - Various entities of the firm manage approximately $39 bln in assets
  - Various entities of the firm own 6.2 mln shares of RD worth approximately $266 mln
  - Presentation – would suggest only going through slides 2 (portfolio direction)…slide 3 (portfolio potential)…slide 4 (competitive returns) and slide 5 (Group targets). Would suggest that a summary of the text for those slides be shared as opening remarks and then open it up for questions.

Slides 1-5

- Prudential meeting – 1030-1130
  - Meet with Mike Mayer (lead analyst) and Andrew Rosenfeld (refining and marketing analyst)
  - Mike currently has RD/Shell on a hold with a target price of $47 primarily due to valuation issues around the stock price
  - Generally a supporter of the stock but will probably ask questions around the recent acquisitions, production targets and US OP performance.
  - Presentation – Mike knows our company very well. Thus, would suggest using slide 5 (Group targets)…remind Mike and others what the targets are and then open it up for questions.

Slide 5

- Lunch with selected investors/analysts – 1200-1330

Name	Firm
Michael L. Alpert	3Bridge Capital LLC
Maulik Bhansali	Wells Capital Management
Steven L. Block	Bay Isle Financial Corporation
Angelique Brooks	Pfluegar & Baerwald Inco
Charles Bureker	BUREKER & ASSOCIATES
Ed Derkum	Offered Capital Management
Michael Fraser	Bedell Investment Management
Richard K. Hirayama	Wentworth, Hauser & Violich
James E. Landau	Berkeley Capital Management

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Joshua J. Rothe	SKBA Capital Management
Ted Schneider	Shuman & Schneider Investments
Mark Semonian	PFLUEGER & BAERWALD INCO
Deanna J Shipman	
Edward Thomas	Bio Ventures Inc.
Roland D. Underhill	Lateef Management Associates
Steven Wilkes	Wells Fargo Bank, N.A
Sabrina Yih	Wells Capital Management

- Dodge and Cox meeting – 1400-1515
  - This will be our first meeting with Dodge and Cox in San Francisco
  - I recently met with the lead energy analyst in NY who was very interested in the company. We covered the usual topics around strategy, acquisitions, performance issues, production targets, etc.
  - The firm currently manages around $33 bln in assets
  - The firm current owns 0.3 mln shares worth approximately $12 mln but their style of investing tends to lead them to stocks such as ours and this meeting has been set up for them to get to know our company better and to encourage them to invest more in our company.
  - Presentation – would suggest only going through slides 2 (portfolio direction)…slide 3 (portfolio potential)…slide 4 (competitive returns) and slide 5 (Group targets). Would suggest that a summary of the text for those slides be shared as opening remarks and then open it up for questions.

Slides 1-5

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2.0 Los Angeles

- Breakfast with selected investors/analysts – 0900-1030

Name	Firm
Susan B. Frank	Kayne Anderson Rudnick Investment Management, LLC
Raymond Frankel	Burnham Asset Management Corp.
Kenneth J. Gerbino	Kenneth J. Gerbino & Company
Richard N. Lewis	Capital Research & Management
F. Jack Liebau Jr.	PRIMECAP Management Company
Matthew W. Markatos	Stonebridge Capital Management, Inc.
Craig Milias	Bel-Air Investment Advisors, L.L.C
Michael C. Sandler	Pacific Financial Research, Inc
Arnold Seidel	MORTON SEIDEL & CO. INC
Joshua D. Shaskan	Westcap Investors, L.L.C.
Richard Sherry	Kayne Anderson Rudnick Investment Management
Jim Stephenson	Bel Air Investment Advisors, LLC
Marco Vivanti	RNC Capital Management
Marie Walsh	Kayne Anderson Rudnick Investment Management
Jean-Baptiste Nadal	Kayne Anderson Rudnick Investment Management

  - Note – Jack Linbau of Primecap has been a shareholder in RD before, then sold his position but recently bought 1.9 mln shares worth approximately $82 mln. I am looking at Judy possibly visiting Jack in November when she is in the US

- Capital Guardian meeting – 1100-1230

  - We will be meeting with Cathy Kehr (lead analyst) and others
  - Various entities of the firm have approximately $250 bln under management
  - Capital Guardian is the largest US shareholder in the Group. The currently own 37.5 mln shares of RD worth approximately $1.6 bln of RD and 12.3 mln shares of ST&T ADRs worth approximately $555 mln and 14 mln ordinary shares of ST&T worth approximately $105 mln for a total dollar holding of $2.2 bln
  - They have been long time supporters of the stock but recently have been sellers of the stock in their mutual funds all except one. The selling over the last two months totalled approximately 5 mln shares of RD.

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- They are extremely knowledgeable about the company and I anticipate questions on such topics as…why we did the recent acquisitions, UP OP and where it is headed, production targets and selected areas of EP emphasis, Saudi projects (where do they stand), and LNG sales prospects going forward.
- Presentation -- Cathy and company know our company very well. Thus, would suggest using slide 5 (Group targets)…remind Cathy and others what the targets are and then open it up for questions.

Slide 5

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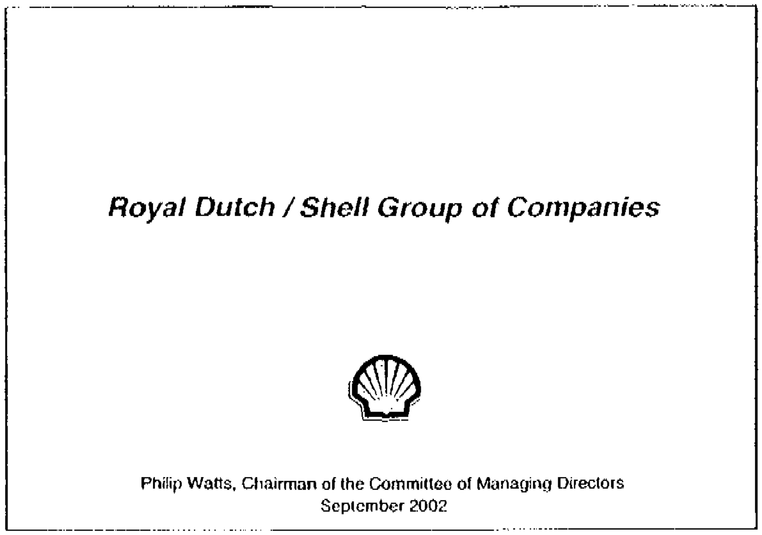
3.0 Seattle

- WM Advisors – 1000-1100
  - First time meeting with WM Advisors
  - We will be meeting with Anatoliy Cheerevach (lead analyst) and others
  - This firm is a large firm for Seattle but relatively modest when compared to some of the others we will see on this trip.
  - The firm currently has approximately $4 bln under management
  - The company currently owns 1 mlns shares of RD worth approximately $41 mln of RD.
  - The intent of the meeting is for them to get to know us better and to begin establishing better contacts in this part of the US, which has a high concentration of high net-worth individuals due to various tech companies nearby (ex. Microsoft)
  - Presentation – would suggest only going through slides 2 (portfolio direction)…slide 3 (portfolio potential)…slide 4 (competitive returns) and slide 5 (Group targets). Would suggest that a summary of the text for those slides be shared as opening remarks and then open it up for questions.

    Slides 1-5
  - I anticipate that the questions will not be too in depth

- Lunch meeting with the Seattle Analyst Society – 1300-1430
  - We last met with the group in the summer of 1999 with Wouter making the presentation
  - The turnout is anticipated to be somewhere around 40-50 people, but we will not know that until the actual time of the meeting
  - Basis the background of the attendees, I would anticipate that the questions will be fairly high level about the overall strategy of the company, our thoughts about world events and the impact on commodity prices.

Speech of Presentation



Slide 0 – Title

I would like to thank you for coming today and I hope that you find today's meeting informative and helpful. With me are David Sexton, Manager of Investor Relations, USA as well as Andy Brown, who works with me.

I plan on sharing a brief amount of prepared material, where I will focus on our company's strategy, our Q2 2002 results and some of the exciting things going on in our US EP business. But I will reserve the bulk of the time for your questions.

Before I begin, I would like to mention that in your chair, you should have in addition to a copy of the slides I am about to discuss, a copy of the material that we presented at our recent Q2 2002 conference call meeting with analysts. I will not be referring to this material except for a few key slides, but wanted you to have it for your reference.

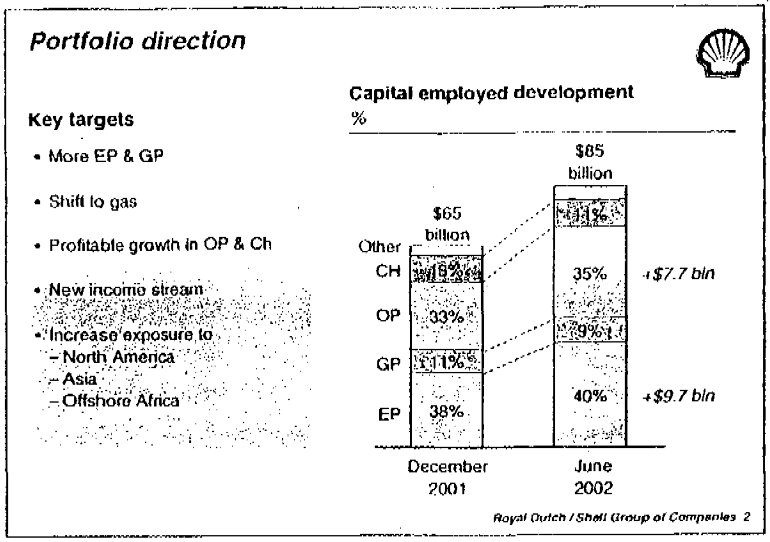
Disclaimer

This presentation contains forward-looking statements that are subject to risk factors associated with the oil, gas, power, chemicals and renewables businesses. It is believed that the expectations reflected in these statements are reasonable, but may be affected by a variety of variables which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Royal Dutch / Shell Group of Companies 1

Slide 1 – Disclaimer

I would call your attention to the disclaimer and allow you a few moments to read it.



Slide 2 -- Portfolio direction by business

We have a clear strategic direction for growth ... based on continuing robust profitability and competitive edge.

We believe that robust profitability depends on

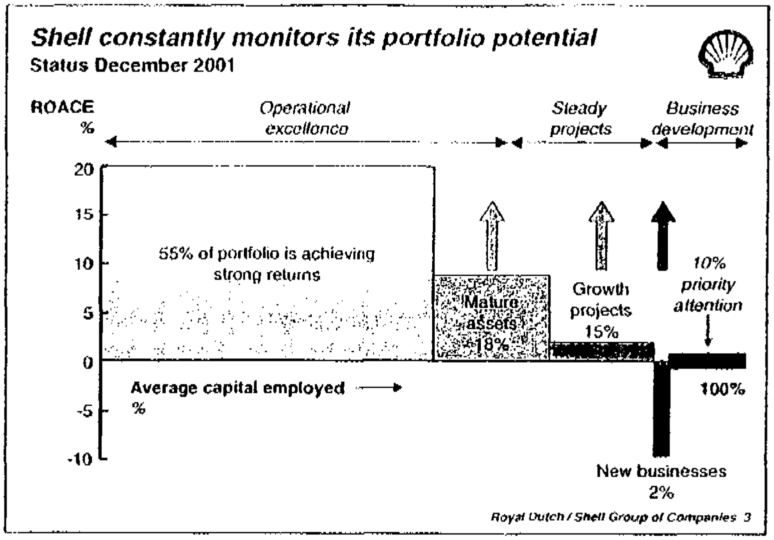
- being disciplined in our use of capital
- seizing opportunities to strengthen our portfolio
- delivering operational excellence and cost leadership
- and accepting personal accountability for our decisions.

Our competitive edge includes our wide-ranging technology capabilities, the strength of our brand, our global reach and the attention we give to our reputation.

Continued over...

The key themes of our company's strategy include…

- Shifting the balance of the portfolio towards the upstream and gas ... and geographically towards the United States, Asia ... especially China ... and offshore Africa.
- Maintaining profitable growth in Oil Products and Chemical businesses. I will talk about this later but our Oil Products business outside the US is the leader and we are on the road to improving our returns in the Oil Products business in the US.
- Lastly, we intend to grow our capital employed by selective investment of some $12 billion per year of organic growth exceeding depreciation of approximately $7 billion per year.



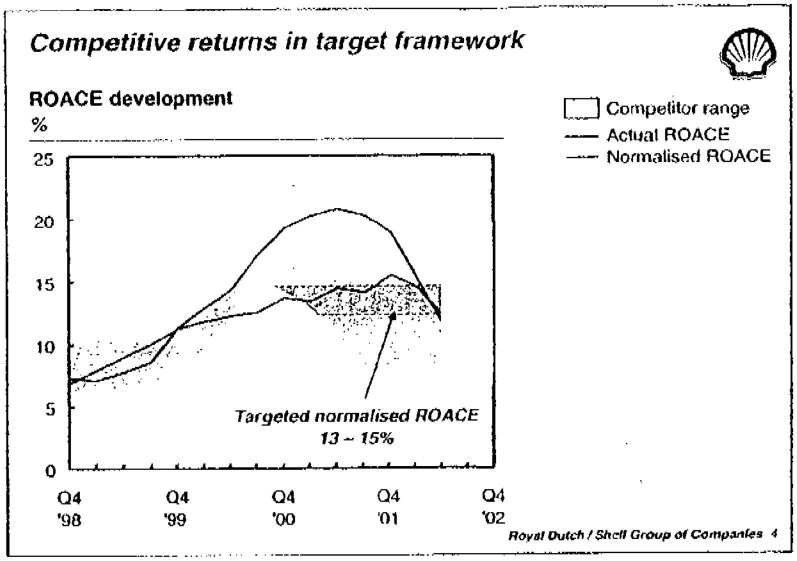
Slide 3 -- Shell constantly monitors its portfolio potential

If we take our portfolio and examine it by how each part is performing, several things emerge…

- the majority of our portfolio is already delivering strong returns
- 18% of our portfolio consists of mature assets that have the potential for both higher returns and growth
- 15% of the overall portfolio will be in new growth projects for EP and GP that will achieve the desired returns once they are fully operational
- that our new businesses are not yet performing as desired but we will continue to look for at least one new revenue stream
- and lastly, that about 10% of our portfolio is not performing as we would like and is receiving "priority attention" We are already taking steps in this area to address these issues. Examples include…

Continued over…

- the sale of assets such as our midstream assets in Germany [Ruhrgas], Pulse in Australia, and pipelines in America
- shutting down under performing assets such as the Pililla refinery in the Philippines
- Restructuring our polyolefins joint venture with BASF called Basell, where global manufacturing capacity has been reduced by approximately 10%, both in the US as well as in Europe … the product line has been streamlined by approximately 35% … fixed costs have been reduced.
- taking action on under performers ... such as InterGen, which is our joint venture with Bechtel that builds power plants around the world
- restructuring some of our new businesses such as Shell Capital, Shell Internet Works, and Shell Consumer
- and optimizing the Oil Products portfolio to focus on growing markets by divesting/swapping retail assets.



Slide 4 -- Group ROACE target of 13-15%

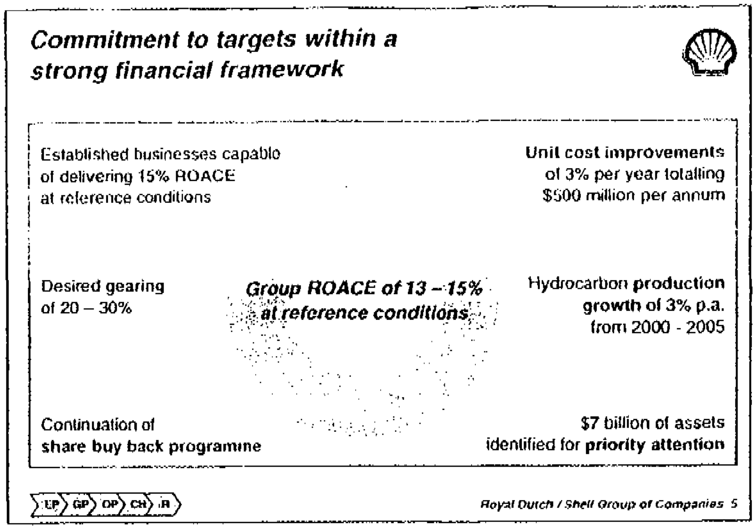
The chart illustrates one of our key goals and measures of success and that is…we strive to maintain our Return on Average Capital Employed (ROACE) at "normalized" conditions [including $16 Brent, $3.00 Henry Hub natural gas] between 13 and 15%.

We expected the EP business to deliver around 18% this year in a steady state ... which it would have done so far without Enterprise, our recent EP acquisition.

The acquisition has pushed it lower but still above the 15% level we want our established businesses to be able to deliver.

OP is at 14%. Further structural improvements are required, particularly in the United States, to achieve 15%. Dealing with it will be a key challenge for the rest of the year.

Chemicals is improving but still has some way to go.



Slide 5 -- Commitment to targets within a strong financial framework

As you can see, we have a clear strategy for moving forward which is consistent with our recently announced acquisitions, our 2002 capital investment program and our various initiatives. Let me remind you of what our key targets are…

- The central target is delivering a Group return between 13 and 15% at our reference conditions. That means established businesses capable of delivering 15% at reference conditions.
- We seek further unit cost improvements of 3% a year ... totaling $500 million.

Continued over…

- We look for gearing between 20 and 30% ... and are currently at the lower end of that range.
- We aim to grow our production by 3% a year on average over the five years from 2000 ... excluding Enterprise. We are on track to achieve this and have reaffirmed in the second quarter, our target of 3% growth on the higher base.

We have the capacity to continue our share buy back programme.

And we are taking action on the $7 billion of under performing assets.

2002 Q2 earnings

	Q2 '02 $ million	Q2 '01 $ million	Change %
Exploration & Production	1,809	2,185	-17%
Gas & Power	149	390	-62%
Oil Products	347	1,035	-66%
Chemicals	132	127	4%
Other / Corp / MI	(235)	(203)	-16%
Adjusted CCS earnings	*2,202*	*3,534*	*-38%*
Specials / CCS adjustment	10	74	-86%
Net Income	2,212	3,608	-39%
ROACE	*12%*	*21%*	

Royal Dutch / Shell Group of Companies 6

Slide 6 -- 2002 Q2 earnings

Turning now to how did we do in the second quarter of 2002…

We posted adjusted CCS earning of $2.2 billion, 38% down on the record second quarter last year.

The major decreases were in Gas and Power and Oil Products ... both of which were also down on the first quarter.

And we saw some improvement in Chemicals.

The major impact in the quarter on our returns was the external environment. And I might note, these external conditions included some of the worst refining and marketing margins we have seen in some time. And, we also saw a sharp increase in capital employed at the end of the second quarter.

Together these reduced our returns to 12% ... from 21% last year and 16% for the 12 months up to the end of March.

Year on year - a competitive performance
$ million

	Half year 2002 Adj CCS earnings*	% change vs. half year 01	Annualised Adjusted ROACE %*
Royal Dutch/Shell	4,195	-43	13
ExxonMobil	4,820	-49	16
ChevronTexaco	2,164	-53	9
BP	2,688	-54	8

* Adjusted to comparable basis

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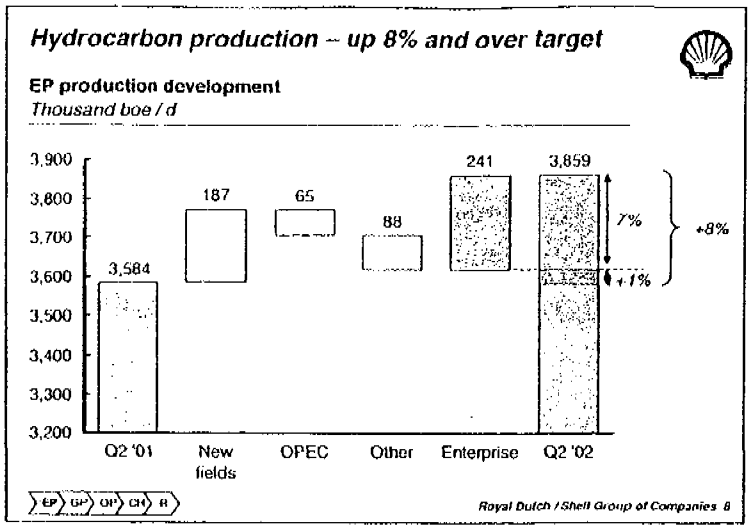
Slide 7 -- Year on year - a competitive performance

But even with the impact of external conditions, as this chart illustrates, our returns were close to the leader and well ahead of our other major competitors on a comparable basis. And given our renewed efforts in the areas of streamlining our portfolio and cost reductions, we should remain in the band that I referenced earlier of between 13 and 15% at our reference conditions.



Slide 8 -- Hydrocarbon production – up 8% and over target

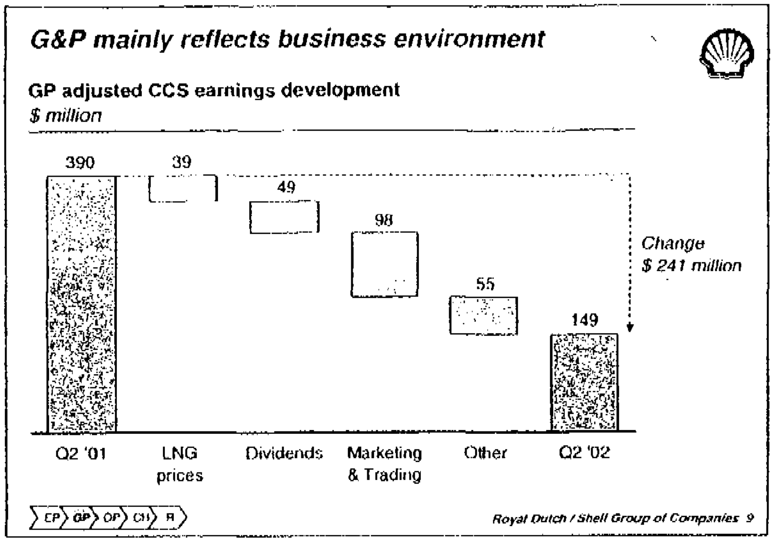
The 8% production growth represents an 11% increase in oil and 3% in gas. An additional 241 thousand barrels oil equivalent a day from Enterprise was the primary contributor.

However, underlying volumes rose by 1% as production from new fields outweighed field declines and OPEC quota constraints.

New production was primarily in the Gulf of Mexico and Denmark, as well as from the additional 10% of the Draugen field in Norway we have purchased.

The Brutus platform returned to production in May and is producing in excess of 100 thousand barrels oil equivalent a day.

And as I mentioned earlier, excluding Enterprise, we are on track to deliver our production growth target this year ... 3.8 million barrels oil equivalent a day at reference conditions.



Slide 9 -- G&P mainly reflects business environment

Gas and Power earnings reflect the deterioration in the business environment in comparison with an unusually strong second quarter last year.

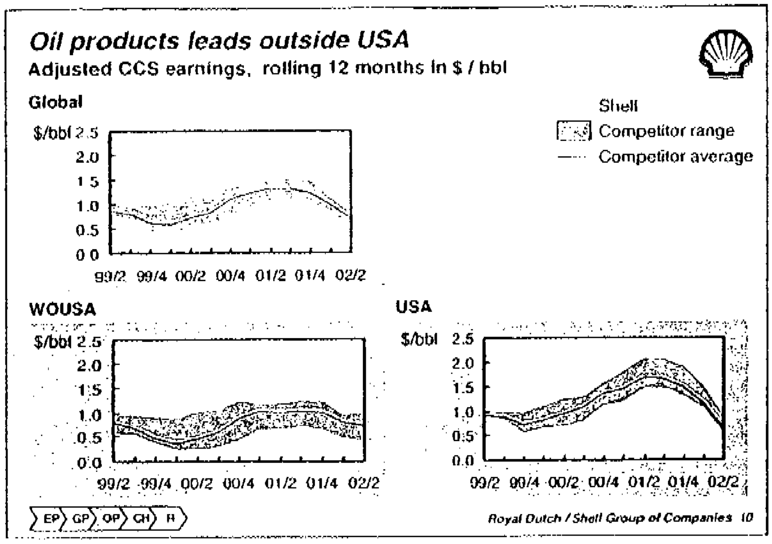
LNG prices were down 16% reflecting the lagged effect of previous lower oil prices.

As well as lower LNG earnings, the GP results were affected by smaller dividends from Ruhrgas and re-phased dividends from Malaysia.

In the difficult US gas and power environment, our US trading operation made a small profit. This contrasts with the very strong performance a year ago. The decline was not related to tolling.

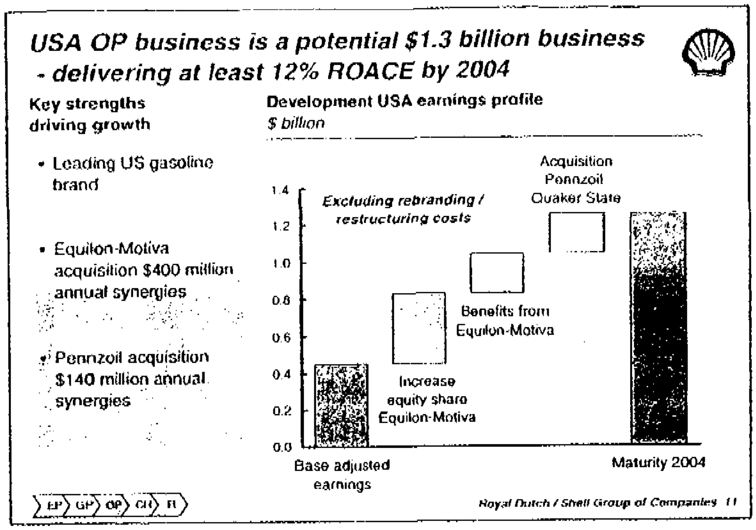
Continued over…

The 'other' item includes a contribution from the power business. InterGen's installed generation capacity has almost trebled over the last 12 months and management is now focusing on operation excellence. The company is not immune to the deterioration in the power business environment and as a result, InterGen's management is developing a plan in response, to be reviewed with the shareholders.



Slide 10 -- Oil Products leads outside USA

This is a slide on oil products we have used before. It demonstrates the competitive strength of the business a whole ...and the challenge and opportunity of the US business.



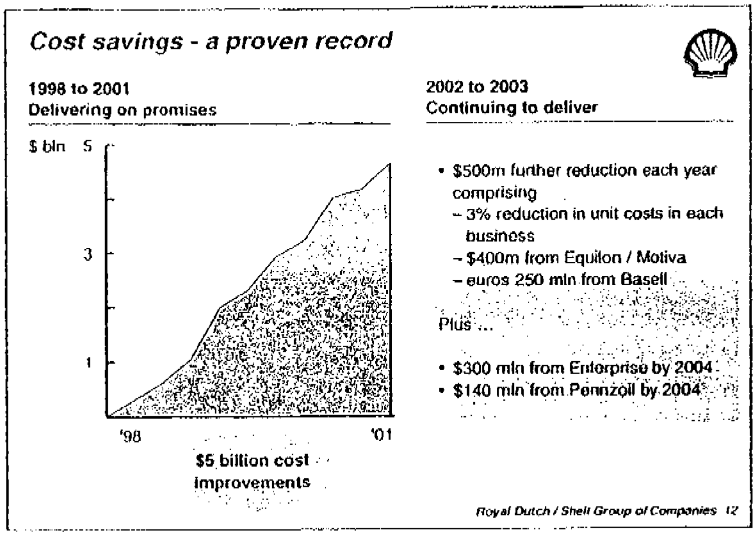
Slide 11 -- USA OP business has potential to grow into a $1.3 billion business delivering at least 12% ROACE

In 2002, we have closed or will shortly close on two separate acquisitions…the purchase of Texaco's interest in Equilon and Motiva, their former downstream joint ventures with Shell and Pennzoil/Quaker State.

With regard to Equilon/Motiva, we are ahead of target in realizing the planned $300 million in costs savings and $100 million in extra revenues. Business structures have been simplified and network rationalization is progressing well.

We expect to reduce staff by at least 8% ... and are already a third of the way there ... and to close or sell around 15% of the network.

Re-branding is under way and there has been significant growth in Shell branded lubricant sales.



Slide 12 -- Cost savings - a proven record

We have been on this journey for some time. We announced in December 1998 a goal of achieving some $5 billion in cost savings. We accomplished that goal by the end of 2001.

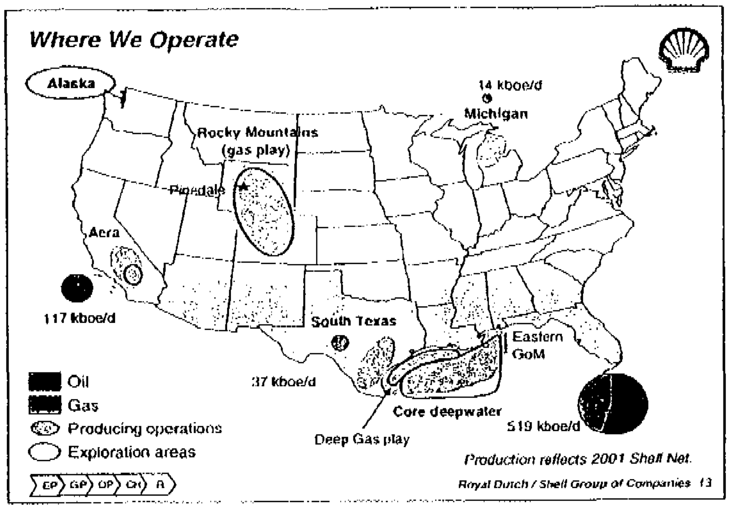
In December of 2001 for both 2002 and 2003, we announced a further 3% cost reduction in fixed costs or approximately $500 million per year. Through the end of the second quarter, we had achieved some $140 million of this goal.

Continued over...

For Enterprise, we announced a target of $300 mln in synergies, and expect to achieve $75 mln this year. The Enterprise head office in London has already been closed and staff reductions are on target.

We announced a synergy target of some $140 mln in association with our acquisition of Pennzoil/Quaker State and efforts are currently underway on planning how to capture these benefits.

Lastly, our joint venture with BASF called Basell had a goal of euros 250 million by the end of 2003 and is on track to achieve €220 million by the end of this year.



Slide 13 – US EP…Where We Operate

Turning now to our US based Exploration and Production operations, Shell Exploration & Production Company's (SEPCo) dedication to meeting U.S. energy needs has made it the largest of Shell's EP operating units, accounting for about a fifth of the Royal Dutch/Shell Group's worldwide oil and gas production.

SEPCo has set industry records in the U.S. for deepwater technology and other E&P practices while maintaining a leadership position in environmental stewardship and a strong commitment to communities.

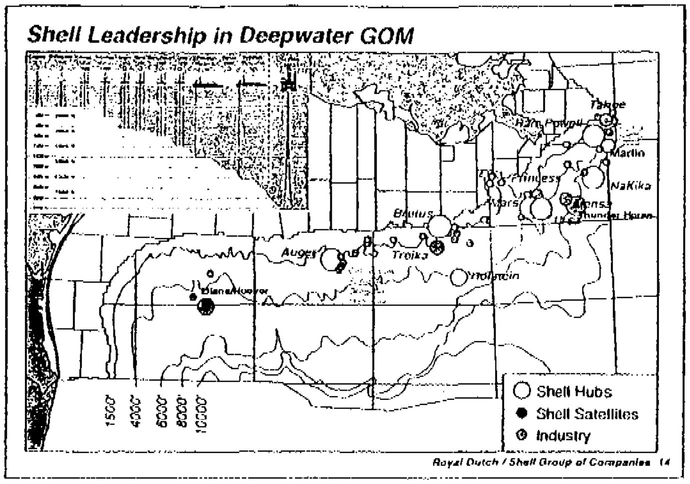
Shell's long-successful onshore oil and gas production is centered in Michigan, the Rocky Mountains and South Texas. Aera Energy, a joint venture with ExxonMobil, remains one of California's largest producers of oil.

Continued over…

SEPCo is growing its natural gas position in the Rocky Mountain region and is well positioned to expand its portfolio onshore, as well as offshore in the Gulf of Mexico – through organic growth as well as strategic, niche acquisitions.

Shell remains bullish on North American gas, with the goal of growing our natural gas production.

[For info, not speech: US oil production for Q2 2002 was 441 kb/d (+9%) and 1,665 mscf/d (+4%) vs. 404 kb/d and 1,604 mmscf/d for Q2 2001. US oil production was 429 kb/d (+6%) and 1,616 mmscf/d (+1%) for 1h 2002 vs. 404 kb/d and 1,596 mmscf/d for 1h 2001. Overall increases in boe production were 7% for the quarter and 4% for the half year.]



Slide 14 – US EP…Shell Leadership in Deepwater GOM

Today, Shell is the undisputed leader in DW production with over 60% of DW production to date produced from Shell operated fields. Currently Shell produces about 56% of deepwater production and has about a 44% equity share.

The drivers for this are the 5 tension leg platforms (TLP) or "hubs" which have been installed since 1993 -- Auger, Mars, Ram/Powell, Ursa and our newest TLP Brutus, which came on stream in 2001.

In addition, Shell has the leading deepwater infrastructure, which allows us to develop smaller surrounding fields through existing and developing hubs and transport that production to shore through an extensive pipeline

Continued over…

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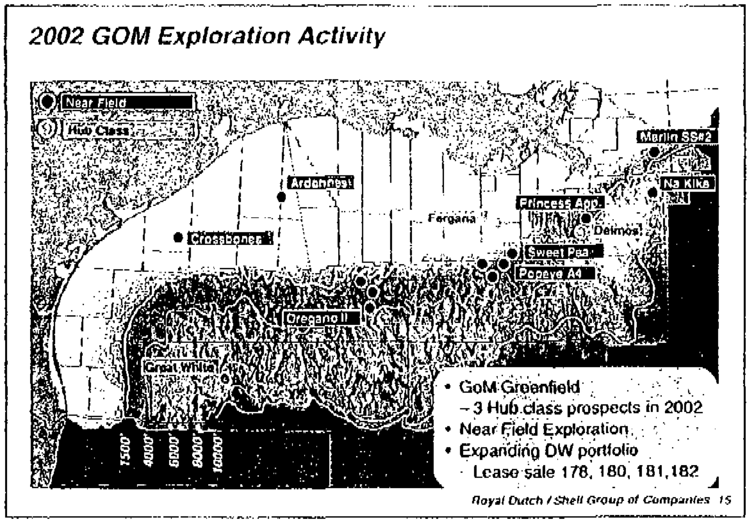
system established by Shell's pipeline companies. This is illustrated by our installation of 15 sub sea production systems.

And we continue to bring on new developments…5 in 2001 (Brutus, Serrano, Oregano, Crosby and Einset)…3 in 2002 (Manatee, 1st well of Princess and Boomvang (Shell owns 50% through Enterprise acquisition))… 3 in 2003 (Na Kika, 2nd phase of Princess and Llano (which we got from the Enterprise acquisition))….1 in 2004 (Holstein).



Slide 15 – US EP…2002 GOM Exploration Activity

In 2002, our capital and exploratory spending in the US is about $1.8 bln to find and develop new energy resources. As you can see on the chart, we are currently drilling 5 exploration wells… Deimos, Glider, Serrano, Cub, and Josephine. And, we are pleased to be participating in Tahiti, ChevronTexaco's recently announced discovery.

With the addition of Enterprise Oil, Shell is now the leasehold leader in the GOM with an interest in about 684 leases (gross), with a net interest in 494 tracts in the Deepwater GoM. Shell's leasehold is both in developing new plays (like the Eastern Gulf of Mexico (EGOM) and in the Perdido fold belt, as well as in and around its existing infrastructure. Shell has been an active participant and successfully acquired key leases at recent GoM lease sales. For example, at the most recent lease sale

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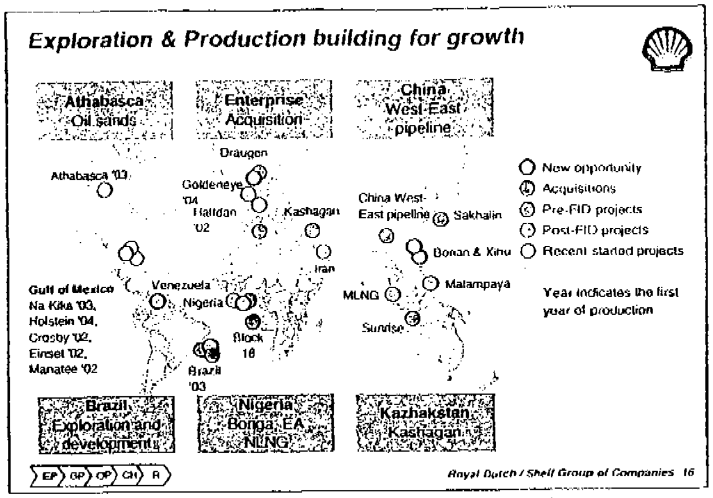
[184 – Western GOM] held in New Orleans on August 21, SEPCo, bidding alone, was the apparent high bidder on 35 of the 39 blocks on which it bid, with submitted bids totaling nearly $42 million.



Slide 16 -- Exploration & Production building for growth

I would be remiss if I did not mention our other EP efforts around the world. This is a dynamic picture ... with a brimming pipeline of projects in different stages of development ... from new prospects to production coming on stream. I can only mention some examples from the last six months.

Our exploration efforts continue to deliver results ... with significant discoveries this year in Malaysia, the Gulf of Mexico and Nigeria. The Enterprise acquisition opens up new possibilities, particularly in Brazil and the Gulf of Mexico.

Continued over...

We have also made a niche acquisition in the Pinedale region of the Rockies ... building on last year's McMurry purchase ... and purchased an additional 10% interest in Draugen.

We are working to bring several important projects to the investment stage. For example, the giant Kashagan field in Kazakhstan has been declared commercial ... with as much as 9 billion barrels of producible reserves.

And we are pleased with the progress made on the partner operated Ehra field in Nigeria and Block 18 in Angola.

Finally, two important projects should come on stream within the next six months ... the Athabasca oil sands development in Canada and the offshore EA field in Nigeria.

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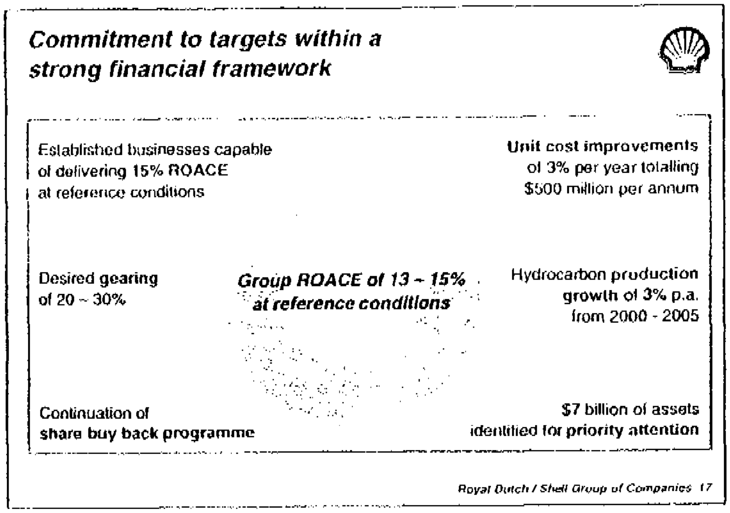

Slide 17 -- Commitment to targets within a strong financial framework

I hope that I have demonstrated to you today

- that we have a clear strategy for achieving success and that we moving forward
- that we have taken some important strategic steps which we believe will deliver long-term value to our shareholders
- that we have taken steps to fix underperformance wherever it is found and
- that we are working hard to achieve our goals

I would now welcome your questions.

Issues Briefing
Including Q&A

4.0 Key IR Messages

Messages	Examples
Theme – continuing to deliver	
Tough roadmap goals achieved 98-01	Cost savings $5.0 bln, 14% ROACE at $14
Embedded capital discipline, portfolio management, cost leadership	Global capital ranking…40% of Chemicals disposed… capital efficiency improved… divestments continue (Texas pipelines, Ruhrgas)… achieved unit cost leadership in benchmarking studies
Returns discipline maintained	2002 ROACE in target range 13-15% in difficult market circumstances, including incremental capital employed. Established Businesses targeting and progressing towards 15% over time
Balance sheet and cash generation resilient	Desired gearing between 20-30%, currently around 20%… cash generation consistently around $15 bln p.a.
Dividends and buyback policies maintained	>$5,0 bln dividends per year, dividends increase in line with inflation…$5.3 bln in share buybacks since Jan 2001… capacity for 50% more cash to shareholders 2001-2005 (vs. 2000)
Theme – building on firm foundations	
Clear strategic direction	Growth but growth at stated return rates…long-term projects limited to 10-20% of capital investment… portfolio segmentation completed… highlighted $7 bln for special attention
Shift portfolio to EP and GP	Move to > than 50% of the portfolio, and increase share of gas (vs. oil) towards 50%
Geographic emphasis	Increase exposure to North America, Asia Pacific (especially China) and West Africa
Investing about $12 bln through the cycle (excluding acquisitions)	$7.5 in EP…$2.8 in OP…$0.8 in GP…$0.8 in Chemicals…$0.3 in new businesses
3% hydrocarbon growth 2000-2005	Focused on deepwater, Nigeria and major resource holders
6% LNG contracted sales growth	3 expansions currently underway in Nigeria, Australia and Malaysia…green field site in Sakhalin, potential Venezuela … securing US access at Cove Point and Elba Island… import terminals in Mexico, India… volumes secured from Australia, Nigeria, Oman…taking delivery on four new LNG ships between 2003-05
Acquisitions strengthen portfolio	Enterprise, Texaco US OP, Pennzoil,

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	Niche opportunities (Rockies, Norway)
Investing in new income streams	From core activities (Global Solutions, Gas to Liquids) or new businesses such as Shell Consumer, Renewables
Theme -- committed to targets	
Group ROACE at 13-15% at reference conditions	EP – 18% 2002-2003 (before Enterprise but now still above 15%)… OP – return to 15% as US improves… Chemicals - moving towards 15% at mid-cycle
Cost improvements totalling around $500 mln p.a.	Unit cost progress reported twice per year… achieved $140m in first half 2002… Targets: $400 mln from US OP by 2004… 30 US cents per barrel across global refining network…$300 mln from Enterprise (04)… €250 from Basell (03)… $140 mln from Pennzoil (04)
$7 bln of assets identified for priority attention	Forestry for sale… Basell improvements being implemented… Intergen restructuring… Texas pipelines sold …Pililla & Lutong refinery shutdown… [Ruhrgas being sold…sold Pulse in Australia, not actually in $7bln]

5.0 US OP – general

Equilon/Motiva acquisition

Key messages

- The US is the world's largest oil products market and this is an important move in the context of the Group's global downstream business

- Improving US performance is key to the global OP strategy; this move will allow us to build upon an excellent market position, based on a strong brand, from which to achieve further synergies with Shell's global businesses and networks

- The change in ownership provides the opportunity to:

  - Restructure and simplify decision making along with work process redesign (overhead reduction activities)
  - Generate income improvements through accelerated best practice sharing with other Shell downstream activity such as our Global Retail Strategy (e.g improved network efficiency and proposition delivery) and refining hydrocarbon management reviews
  - Enable closer integration with Shell's global businesses and networks, including Aviation, Marine, Trading and Commercial functions
  - Increase leverage of the Shell brand and specifically eliminate non-compete barriers, allowing us to market more freely under the Shell brand
  - Pursue active portfolio management as required

- This will result in:
  - More rapid implementation of initiatives to improve business performance
  - Enhanced market place innovation to the benefit of customers, dealers, and profitability
  - Additional cost savings and other synergies of US$ 400m p.a. by 2004
  - Clearer reporting relationships for more satisfying jobs and employee development opportunities

Key facts/numbers