UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of: )

) File No. FW-02742-A

ROYAL DUTCH SHELL GROUP )

WITNESS: Simon Henry

PAGES: 1 through 200

PLACE: Offices of Debevoise & Plimpton LLP

555 13th Street, N.W.

Washington, D.C. 20004

DATE: Tuesday, October 19, 2004

The above-entitled matter came on for hearing, pursuant
to notice, at 9:50 a.m.

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(202) 467-9200
MR. CRAINE: We're back on the record at ten until 10:00 on October 20th.

And again, in front of you, today we've got a copy of the formal order and the Form 1662. I'll remind you that you're still under oath today and you're welcome to look at those if you have any question.

THE WITNESS: Thank you.

Whereupon,

SIMON HENRY

having been previously duly sworn, was recalled as a witness herein and was examined and testified further as follows:

EXAMINATION

BY MR. CRAINE:

Q I'm handing you what's been marked as Exhibit 345. Do you recall sending and receiving this string of emails?

(SEC Exhibit No. 345 was marked for identification.)

A Just give me a moment to consider.

Q Oh, sure. We're going to be walking through a lot of exhibits today, so to the extent you need to read through anything at any time, just let me know.

A Yes, I believe I recall the discussion.

Q And who are the individuals involved in the thread other than yourself? And maybe it would be easier just to
look at the top email.

A The top. Lew Watts was working as an executive in the gasoline power business, responsible for, I believe, the Africa region and maybe North America. And he was the senior executive linked with the investment decision on Trains 4 and 5 to Nigeria LNG. But he didn't work in the EP business. It was part of a separate business but clearly there was an operational link between the two activities. Phil Davis was, I believe, a technical resource within the EP Africa group, would have reported to Brian Ward as the executive responsible for BP businesses in Africa. And Michael Harrop was my head of IR in the UK and Ireland at the time.

Q When?

A This is March 2002.

Q And then Harrop is spelled with two r's and one p I think. I'd like to, well, first of all, what was the issue that was being discussed in Exhibit 345?

A The issue was an imminent decision and announcement of final investment decision on the LNG trains in Nigeria. And going back to yesterday's chronology, this was early 2002 at the time when reserves was becoming quite an issue with the investment community. And so whether it was myself or Michael Harrop who originally raised the question of if we take final decision off the LNG plant, what would be the impact on reserves bookings if any.
Q And going along with the point you just made, it looks like in your email here which is in the middle of the first page, you note with I think respect to reserve replacement ratio, "This is a very sensitive point in the market at the moment and it would be sad to score an end goal on such a positive announcement for the group." Is that right?

A Yes.

Q And at this point in time, had you conveyed to Ms. Boynton and Mr. Watts that this was a very sensitive point in the market at the moment?

A The general issue, yes. The specific issue of Nigeria LNG, I couldn't recall whether I discussed it with Phil and Judy directly.

Q And when you talk about the general issue, that's the reserve replacement ratio?

A That investors themselves at that time had a concern about reserve replacement ratio. That was the case from the end of 2001 and in fact whether it would be full year results and the fact that we reported a low volume at that time.

Q And just so we're clear, was that something that you conveyed to both Ms. Boynton and Mr. Watts?

A I conveyed it on the market like they did.

Q Looking at your email more specifically that we're
just addressing before, what are you trying to convey to Mr. Watts and Mr. Davis here?

A This is to Lew Watts not Philip Watts.

Q Right. Thank you for clarifying that, that's my fault.

A I was confirming with Lew and Phil Davis what we had understood and generally what we were saying to investors about when we book reserves as we have been previously advised through EP. And this was a non-standard announcement given that it was the LNG plant that was taking an investment decision and wanted to understand if the same rules applied.

Q And you just said we, and in the email here you note, 'We have always discussed with investors that for gas in particular, the point at which they become bookable,' and I guess that's proved reserves you're talking about, is that right? Is FID?

A This is almost in hindsight, yes. And to be honest, at the time, I'm not sure I would have been able to give you a good definition of the difference between proved-probable or reserves generally but reserves become bookable. I would imply from what I've said that which would be externally reported and therefore proved.

Q And when we're talking about reserve replacement ratio, we're talking about proved as opposed to the others, correct?
A Yes, that's correct.

BY MR. PEAVLER:

Q You mentioned that, as you understood it from someone anyhow from EP that this was how reserves are booked. Who in EP specifically had given you such an understanding?

A This would have been in the version of the IR briefing notes at the time. Otherwise, I'm not sure I could have been so specific, which would have derived from the EP organization within, as discussed yesterday, most likely the performance and reporting group which at the time reported to Dominique Gardy. And they, I think this was before Rhea Hamilton was actually involved directly. If Rhea actually in terms of timing was involved, Rhea would have been the source but I see she's not copied on the email so probably it was not Rhea. And it would have come to us most likely through the group of Alf Thorkildson and the original source would mostly have been John Pay or whoever was hired as the reserves coordinator at the time.

BY MR. CRAINE:

Q And these IR points we're discussing, these were reviewed and approved by Mr. van de Vijver as well, correct?

A I can't say, but he probably knew they were there. But they would not ordinarily be high on his priorities for reviewing and approving.

Q Well, if you're preparing him for these one-on-
ones, you're going through the IR points from the EP group,
correct?

A That's correct but I did mention yesterday Mr. van
de Vijver was not particularly assiduous in reviewing before
meetings let alone in approving them in the first place. So,
I just can't say that he approved them.

BY MR. PEAVLER:

Q Was he given the opportunity to approve them?

A I would imagine so within EP, yes.

Q Well, let me ask you this, if you prepared and you
had prepared these IR briefing notes, would you send them out
and make them available so that people would be able to
answer questions from them about EP without the head of EP at
least having the opportunity to review them?

A My assumption would always be that the head of EP
had had an opportunity. I just cannot say I know he did so.
And his normal mode of operanda suggests that he probably
wouldn't.

BY MR. CRAINE:

Q So, you're relying on your perception that Mr. van
de Vijver had a lack of diligence with respect to IR
activities to make this statement, is that correct? That's
what I'm understanding upon proceeding. Please explain it
for me.

MR. FERRARA: That's not a fair question.
THE WITNESS: My direct experience of Walter was that he did not read detailed information before he needed to use it. That's my direct experience. The information that we're talking about undoubtedly came from the EP business, there's nowhere else it could have come from. And it would have come through the part of the business that reported to Dominique Gardy. I would imagine Dominique had played, had given some kind of approval. And it was typical for Walter to delegate that level of approval into the organization.

BY MR. CRAINE:

Q And my question is if he didn't read and he didn't prep the IR materials the way that you would like, didn't that lead to problems in meetings with investors and analysts?

A Replay yesterday's discussion about confusion, yes. And in terms of facts, they were not the common ground in discussions we had. So, I do believe he left the investors confused because that's what they told me. But that is not the same as saying he gave misleading or incomplete information.

Q Which anticipates my next question, were there instances where because he didn't review or prepare the way you would have liked, that he gave information that was different than others at Shell during these meetings with investors and analysts?
A I can't think of specific instances where he did. And I can think of several instances where I wish he'd given more specific information based on what, the details that had been provided in briefing.

Q You note in here that when you talk about the information that has been given to investors with respect to gas at the point of which reserves become bookable is FID, who is the we that we're talking about? Does that include Mr. Watts, Ms. Boynton and Mr. van de Vijver?

A It's the general we for the Shell group which would have been my team plus the briefing notes that we would have given. If I wind back the clock to 2002, there was very little discussion about this level of specific at the time. The specific came later on in the period in the review.

Q But in 2002 as you went in to these one-on-ones and you went into these meetings, is this statement, We book gas reserves at FID, was this statement something that was conveyed to investors by Mr. Watts, Ms. Boynton and Mr. van de Vijver?

A I don't recall specific instances but if it's in this email, chances are it was based on the briefing notes. What I can say is, I'm repeating yesterday, before February 2002, I don't recall any questions on reserves per se. From 2002, the level of interest and knowledge at both sides of the table increased. This is early 2002. And therefore, the
quality of the discussion and the specificity of the
discussion would be much lower than it would be say a year
later.

Q And what I'm trying to do is expand this email to
the entire year of 2002, that statement, you know, We booked
reserves for gas at FID. During the year of 2002 and as it
gained more prominence, was the statement made to the market
by Mr. Watts, Ms. Boynton and Mr. van de Vijver?

A It's a difficult one to recall on specifics. I
think the various notes that we reviewed yesterday did not
refer to that specific statement.

Q I think they did. There were instances that it
did.

A Instances that talked about FID, but that's the
best I could say on it. It's two years ago. We had a couple
hundred of these meetings at the time in the year and I just
could not say I remember a specific instance where this
specific comment was used.

Q So, when you're talking about this, "We have always
discussed with investors," is that we just the IR department?

A Certainly the IR department but the we would have
meant anybody talking to investors which was basically
limited to IR and the managing directors, with occasionally
low level executives but at that point in time, that was not
common.

Q And that group would include Mr. Watts, Mr. van de
Vijver and Ms. Boynton?
A Correct, it would.

BY MR. PEAVLER:

Q When you say 'always discussed", is that going back
to the time you started as head of IR?
A I think in the context of was reserves something
that we discussed at all. I don't know what we would have
said during 2001 because I really don't discuss the issue, I
don't remember the issue being discussed. I talked about
production growth and not reserves. The always in this case
would have gone back to the early February Q-4 year end

BY MR. CRAINE:

Q After receiving this email and being involved in
this thread in Exhibit 345, did you go to EP and ask when we
book or follow up at all?
A Probably not because Lew is confirming pretty much,
he's basically answering the question, he's confirming that
you are right, reserves become bookable at FID, but because
there are different investment decisions for the other three
and the gas liquefaction, then the timing at which reserves
will be booked could differ, without giving any specifics.

Q Looking again at that, at your statement in the
middle thread, "This is a very sensitive point in the market
at the moment," and then going on to, "You know, it would be
sad to score an end goal around such a positive announcement
for the group." What did you mean by that?

A    The two LNG trains themselves were a very positive
announcement because they were effectively supplying gas to
Southern Europe and the United States, an area where it was
known that we were under-represented in our abilities to
supply gas to very attractive markets. So, in business
sense, a strategic sense, it's a great announcement. The
home goal would be, if we were saying here is a good
investment but it isn't going to impact at all positively one
of the key metrics the investors look at because investors
having seen the announcement would say good news, what
reserves would you book?

Q    I'm handing you what's been marked as Exhibit 213.
I'm going to be starting on the second to last page to that.
And the email on the middle of the page, the one from
van der to Pay?

A    Right.

Q    That copies you, do you see that?

A    Yes, I do.

Q    And that's, 'One of the more knowledgeable US
analysts keeps pestering my colleague in New York with
questions on the booking of gas reserves in relation to FID