

Sir Philip Watts: 'remarks to investors' following Q3 results, 2003

ACHIEVING STRATEGIC MILESTONES

The scale and dynamism of our operations means there is always a lot happening in Shell. But 2003 is remarkable for the range and quality of the strategic milestones – delivering projects for the medium term as we build the new legacy positions which will underpin our future profitability.

By legacy positions we mean the projects which create the next generation of Shell heartlands – sources of long-term value like the North Sea, Nigeria, Borneo and the Gulf of Mexico today.

The diversity and dynamism of our existing portfolio gives us a powerful competitive advantage. We have a clear strategy for extending that advantage by investing to develop new positions in major producing countries and growing markets. Let me give you an idea of what we have achieved in 2003 – taking forward the transformation of our business performance after 1998 and the major, strategic acquisitions last year.

MOVING FIRST IN UNCONVENTIONAL FUELS

Athabasca oil sands in Canada provide a secure source of North American supply. The Athabasca project which we commissioned earlier this year is building up production to 155,000 barrels a day. With 9 billion barrels of resources in our leases there is substantial scope for expansion.

The agreement to build a world-class integrated Gas to Liquids project in Qatar represents a coming of age of a new industry with great potential for growth. GTL offers another way of bringing gas resources to markets by turning them into clean fuels – to reduce engine emissions and support advances in vehicle technology. Our technology – together with ten years of unique operational experience from our pioneering plant in Malaysia – enables us to build the first GTL plant of truly competitive scale and costs. Including additional condensate and LPG the Qatar project will produce over 200,000 barrels a day of liquids and add significant gas reserves – opening a new long-term income stream for Shell.

EXTENDING LEADERSHIP IN LIQUEFIED NATURAL GAS ...

We continue to invest widely to maintain our clear global leadership in the liquefied natural gas business – which is involved in 40% of the world's supply – securing strong positions in both the Pacific and Atlantic basins.

Milestones include the launch of the major Sakhalin integrated oil and gas development in May. With more than 4 billion barrels of oil and gas reserves, the project will produce nearly 10 million tonnes a year of LNG, as well as 175,000 barrels a day of oil. Three long-term sales contracts with Japanese buyers have already been signed.

Expansions to existing plants are underway in Nigeria, Oman and Australia. New greenfield projects are being developed in Venezuela and Australia, where the Gorgon project has made good progress.

At the same time we are developing the import capacity to get our gas to growing markets. In the key North American market, this includes the start-up of the Cove Point terminal in Maryland, sales into the Lake Charles terminal in Louisiana, the go-ahead for our Altamira terminal on Mexico's east coast, and progress with approvals for a terminal in Baja California on the Pacific coast. In India, our Hazira terminal will be operational by mid 2004.

These projects could double Shell LNG sales within five years.

... AND DEEPWATER PRODUCTION

Shell's global leadership in deepwater production continues.

In Brazil, the Bijupirá-Salema development has been commissioned. It is the first development in Brazilian waters by an international operator and an important step in building our business there. In the Gulf of Mexico, we plan to bring the record breaking Na Kika development into production by the end of this year. In Nigeria – where we have a significant position in a major deepwater province – the Bonga development should be on stream in 2004.

With the Holstein development in the Gulf of Mexico – due on stream in 2004 – these developments should add some 300,000 barrels of oil and gas a day to Shell production. Together with the LNG developments, they will boost medium term performance.

NEW OPPORTUNITIES IN NORTH SEA GAS ...

The recent inter-government agreement opens the way for the development of the major Ormen Lange gas field in Norway to supply 20 billion cubic metres of gas a year to the expanding UK market – more than a fifth of present consumption. We expect to decide on investment shortly.

The agreement to export wet gas from Statfjord field in Norway to the UK through Shell-Esso infrastructure is also very important – extending the productive life of our offshore and onshore facilities, and opening the way for further business opportunities in the North Sea.

... SAUDI ARABIA ...

Gaining access for gas exploration in Saudi Arabia – in partnership with Saudi Aramco – is a major breakthrough, the first for international companies since the national company was created. We will explore an area five times the size of Holland in the southern Rub al-Khali.

... AND THE CASPIAN.

In Kazakhstan we have extended our interest in the giant Kashagan field, where up to 9 billion barrels of resources have been identified. We have also increased our shareholding in the export pipeline to the Black Sea, giving us 110,000 barrels a day of capacity.

DEVELOPING SIGNIFICANT POSITIONS IN TWO KEY COUNTRIES

With its major gas and oil resources **Russia** offers significant opportunities for serious investors. Our \$10 billion Sakhalin project is the largest single foreign investment there. We also recently approved the \$1 billion Salym oil fields development in Western Siberia. Our business in Russia is now achieving critical mass. We continue to look for other business opportunities, as long as they promise robust profitability and potential for growth.

In **China**, we are developing an integrated business in this huge and expanding market. Milestones this year have included: agreement on developing oil and gas reserves in the East China Sea off Shanghai, progress in developing a retail joint venture in Jiangsu province, the start of construction of the major Nanhai petrochemical complex in Guangdong, and the launch of the second project using Shell coal gasification technology.

DEMONSTRATING SHELL STRENGTHS

These milestones prove that Shell has the ability to continue growing value for its shareholders.

We are able to build relationships and create projects in key countries. Our financial strength and experience in managing world-scale projects give us a competitive edge. So does our ability to develop, commercialise and apply technology. We do this in an integrated way across our businesses – from reservoir to customers. And we have the focus and discipline to follow a clear strategy for building on the strength of our diverse and dynamic portfolio.