

## **Part 2**

# Operational and Financial Review

continued

## Downstream Gas and Power

	2000	1999	\$ million 1998
<b>Segment earnings</b>	<b>(188)</b>	<b>253</b>	<b>(349)</b>
Special credits/(charges)	(650)	104	(583)
<b>Adjusted segment earnings</b>	<b>462</b>	<b>149</b>	<b>234</b>
<b>Change</b>	<b>+210%</b>	<b>-36%</b>	<b>-4%</b>

### Earnings

Adjusted earnings of \$462 million were more than triple those achieved in 1999. This was mainly due to income from new liquefied natural gas (LNG) plants in Nigeria and Oman, higher LNG margins, and higher marketing and trading earnings in North America. The Group share of LNG sales volumes reached 7 million tonnes in 2000, compared to 5 million tonnes in 1999.

Including special charges of \$650 million, arising principally from the restructuring of assets in the USA, reported earnings amounted to a loss of \$188 million.

### Capital investment

Capital investment was \$835 million. Major investments over the year related to power developments through InterGen and in South America, LNG shipping, Nigeria LNG, pipelines in the USA and finalisation of the rebuild of the Gas to Liquids plant in Malaysia.

### Portfolio actions

A second LNG train came into operation in Nigeria in February 2000 and first cargoes of LNG were delivered from Oman in April.

Letters of intent were signed for the sale of up to 2 million tonnes of LNG a year to Japanese gas companies starting in 2004 from an expansion of the North West Shelf LNG plant in Australia. In Malaysia, the Group's interest in the Malaysia LNG Tiga plant was increased from 10% to 15%. A joint development agreement was signed to progress a Venezuelan LNG project. The Group and its partners in Nigeria and Oman agreed to look at expansion of their LNG projects.

A bid was successful for capacity in the US Cove Point LNG terminal which provides access to the growing US market. Agreements are also in place to develop a regasification terminal in Brazil and import projects are being developed in China and India.

In Greece, a 30-year franchise for the development and operation of the gas supply in the Athens region was awarded to a consortium in which the Group has a 19.6% interest. A joint venture company was set up to sell gas and electricity to customers in Victoria, Australia.

An expansion of the InterGen joint venture with Bechtel was completed. This involved the transfer of certain gas pipeline and power assets in the USA into the joint venture, and an increase of the Group's interest in InterGen from 50% to 68%. InterGen secured financing on six power plants in 2000. This brings the number of plants under construction to 12 in total and will add a further 5.2GW (gigawatts) to the current net operating capacity of 1.2GW.

The Shell Middle Distillate Synthesis (SMDS) plant in Bintulu, Malaysia restarted on schedule in May. Advances in Shell Gas to Liquids technology and economies of scale have led to the announcement that up to four plants, each with a capacity of 75,000 barrels per day, could be built in the next decade.

## Oil Products

	2000	1999	\$ million 1998
<b>Segment earnings<sup>a</sup></b>	<b>1,798</b>	<b>1,687</b>	<b>2,028</b>
Special credits/(charges)	(682)	157	(207)
<b>Adjusted segment earnings</b>	<b>2,480</b>	<b>1,530</b>	<b>2,235</b>
<b>Change</b>	<b>+62%</b>	<b>-32%</b>	<b>+1%</b>

a CCS earnings

### Earnings

Adjusted CCS earnings of \$2,480 million were 62% higher than in 1999. This reflected the benefit of higher refining margins as well as accelerated cost improvements, partly offset by a decline in fuels marketing margins. Cost improvements compared to the 1998 baseline reached \$1.4 billion a year.

Special items for the year amounted to a net charge of \$682 million. This included a net charge of \$495 million from asset disposals and impairment, mainly comprising a charge of \$512 million for the impairment of the Rayong refinery in Thailand. In addition there were charges of \$187 million, principally related to provisions for litigation, environmental remediation, restructuring and redundancy.

In 2000 there were inventory holding gains of \$355 million, as oil prices rose through the major part of the year. In 1999 there were higher inventory holding gains of \$1,023 million. Inventory holding gains/losses are included in cost of sales in the Group Statement of Income. Including these holding gains, reported earnings were \$2,153 million in 2000 compared to \$2,710 million in 1999.

In 2000, industry refining margins recovered in all markets from the historically low levels of 1999 as product stocks remained low throughout the year. Refining margins increased from an average of \$1.00 a barrel in 1999 to \$3.00 a barrel in Rotterdam, from \$0.65 to \$1.65 in Singapore and from \$1.95 to \$4.50 on the US Gulf Coast.

Outside the USA, adjusted CCS earnings rose to \$2,216 million, an increase of 55% over 1999. This reflected the benefits of higher refining margins and accelerated structural cost reduction, partly offset by a sharp decline in gross fuels marketing margins.

Refining earnings recovered sharply as industry margins strengthened. Lower unit refining costs further benefited earnings. There was also a higher contribution from trading operations as the benefits of the formation of the Group's global trading network continued to grow. A progressive decline in gross fuels margins negatively affected marketing earnings over the greater part of the year as supply costs rose faster than sales prices. Reductions in unit marketing expenses and the successful launch in 30 countries of a differentiated fuels programme provided a substantial offset to the lower gross margins. Total inland sales volumes for the year were 1% lower than in 1999.

## Oil Products overview

30

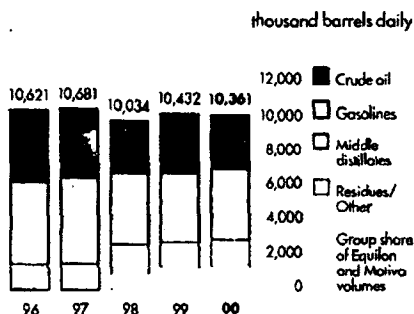
### Strategy

Continue to focus on the millions of Shell customers around the world. Accelerate the roll-out of innovative customer offers, including differentiated fuels and electronic business. Pursue further portfolio optimisation. Build on the success of the cost reduction programme, while remaining committed to further improvement in environmental performance and continued development of the employee talent base.

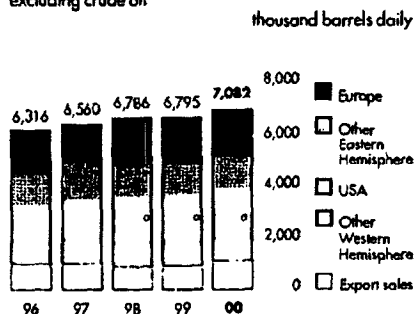
### Outlook

Oil demand is forecast to increase by between 1.3 and 1.8 million barrels per day dependent on the development of oil prices and the global economy. US and European refining margins are expected to gain support in the first half of the year from low gasoline stocks. Asia-Pacific margins are likely to continue weaker due to surplus capacity in the region. Pressure on fuels marketing margins will continue.

### Oil sales

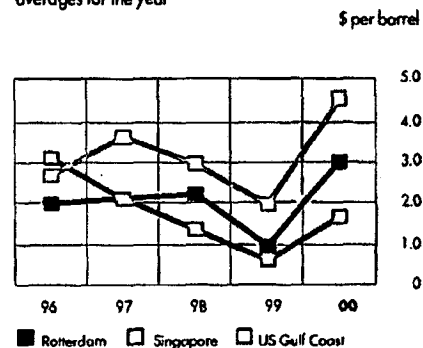


### Oil product sales excluding crude oil



o Includes Group share of Equilon and Motiva volumes (2000: 1,508,000 b/d, 1999: 1,429,000 b/d, 1998: 1,070,000 b/d).

### Refining margins averages for the year



Underpinned by detailed customer research, specially formulated fuels, such as Shell V-Power in South Africa, have been successfully launched in 30 countries around the world. Attendant Honest Nkasele explains the performance benefits of the fuel to the customer.

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## Operational and Financial Review

continued

### Oil Products continued

In the USA, adjusted CCS earnings rose from \$98 million in 1999 to \$264 million in 2000. Motiva and Deer Park achieved income improvements whereas earnings in Equilon were lower. Refining earnings benefited from higher industry margins on the West and Gulf Coasts but marketing earnings declined, as rising supply costs squeezed margins in fuels and lubricants.

### Capital investment

Capital investment during 2000 amounted to \$1.6 billion compared to \$1.4 billion in 1999. Marketing remained the prime focus, with the retail network attracting the highest proportion of capital expenditure.

### Portfolio actions

Major progress was achieved in 2000 through the restructuring of refinery and retail portfolios and a programme of acquisition and divestment activities.

Actions to strengthen the refinery portfolio continued. In Europe the Sola refinery in Norway was closed and the Cressier refinery in Switzerland sold; in the USA Equilon's Wood River refinery was sold. Showa Shell in Japan announced that as part of its strategic alliance with Japan Energy, Showa Shell will close 50,000 barrels a day of capacity at its Yokkaichi refinery and Japan Energy will halt refining operations at its Chita refinery, both in 2001.

Re-shaping of the retail portfolio progressed with the integration of retail sites acquired via swap and purchase arrangements into the Shell networks in Greece, Italy, Poland, the Czech Republic and countries in West and East Africa. Sales of retail sites were completed in mid-west Brazil and south-eastern Italy. Arising from the Group's investment in Sinopec during 2000, a joint venture in Jiangsu province in China is due to commence in 2001, providing a platform for the Shell brand and customer offerings.

Shell Oil Company in the USA and Saudi Refining Inc. entered into discussions with Texaco Inc. concerning the possible restructuring of the ownership of Equilon and Motiva in the USA.

### Chemicals

	2000	1999	\$ million 1998
<b>Segment earnings</b>	<b>819</b>	<b>885</b>	<b>(718)</b>
Special credits/(charges)	67	72	(1,170)
<b>Adjusted segment earnings</b>	<b>752</b>	<b>813</b>	<b>452</b>
<b>Change</b>	<b>-8%</b>	<b>+80%</b>	<b>-50%</b>

### Earnings

Adjusted 2000 earnings were \$752 million, which compares with \$813 million in 1999, when there was a benefit from lower taxation. The adjusted 2000 earnings exclude special credits of \$67 million, resulting mainly from a net gain from the divestment programmes, partly offset by provisions for litigation. Reported earnings for 2000 of \$819 million compare with \$885 million in 1999.

Chemicals sales volumes in 2000 were 3% lower than in 1999. Excluding the effects of divestments and the formation of Basell (see below), there was an underlying increase of 7% mainly due to expansions in styrene monomer/propylene oxide, lower olefins, ethylene oxide/glycols and phenol in the Netherlands, the USA and Singapore. Overall unit margins were down 11% while underlying unit margins were 5% lower as higher feedstock costs squeezed margins, particularly in businesses downstream of the cracker such as polyolefins. Cracker margins rose in the first half of the year but then fell significantly, especially towards the end of the year. Weaker currencies in Europe also adversely impacted margins. Underlying fixed costs fell by 1%. This, plus the increase in volumes, meant that underlying unit fixed costs fell by 7%. Cost improvements have now reached \$550 million a year compared to the 1998 baseline.

### Capital investment

Capital investment in 2000 was \$1.0 billion, which compares with \$1.6 billion in 1999. Significant items in 2000 included: an expansion of cracker capacity at Moerdijk, the Netherlands; expansion of higher olefins production at Geismar, USA; and completion and start-up of the monoethylene glycol unit at Scotford, Canada.

### Portfolio actions

The Chemicals divestments programme announced in 1998 is now complete. The sale of the polyethylene terephthalate business was finalised in May and the resins and versatics business was sold in November, while the sale of the Kraton elastomers business was completed in February 2001. It is expected that the Carilon business will be discontinued during 2001. At the end of September, Basell, a 50:50 joint venture with BASF, was formed creating one of the world's largest polyolefins companies. The venture combined the assets of Montell and Targor, the polypropylene businesses of the Group and BASF respectively, and Elenac, the polyethylene joint venture formed in 1997 with BASF. Also during the year, the Group participated in the creation of Elemica, an independent e-marketplace.

## Chemicals overview

32

Royal Dutch/Shell Group of Companies

### Strategy

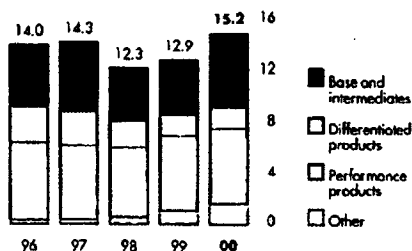
Through simplified global processes deliver major petrochemical building blocks to large industrial customers at lowest total delivered costs. Help customers enhance their performance by offering winning value propositions through leveraging Chemicals' global reach, technology and e-business opportunities. This is achieved by working in a spirit of inclusiveness where different ideas matter, different experiences are heard and different perspectives are valued.

### Outlook

Outlook for trading conditions remains mixed. Feedstock prices may weaken but demand will be heavily dependent on the future of the global economy. Additional capacity may affect prices in the short term but is offset by growth potential in Asia in the medium to long term. Industry restructuring is expected to continue.

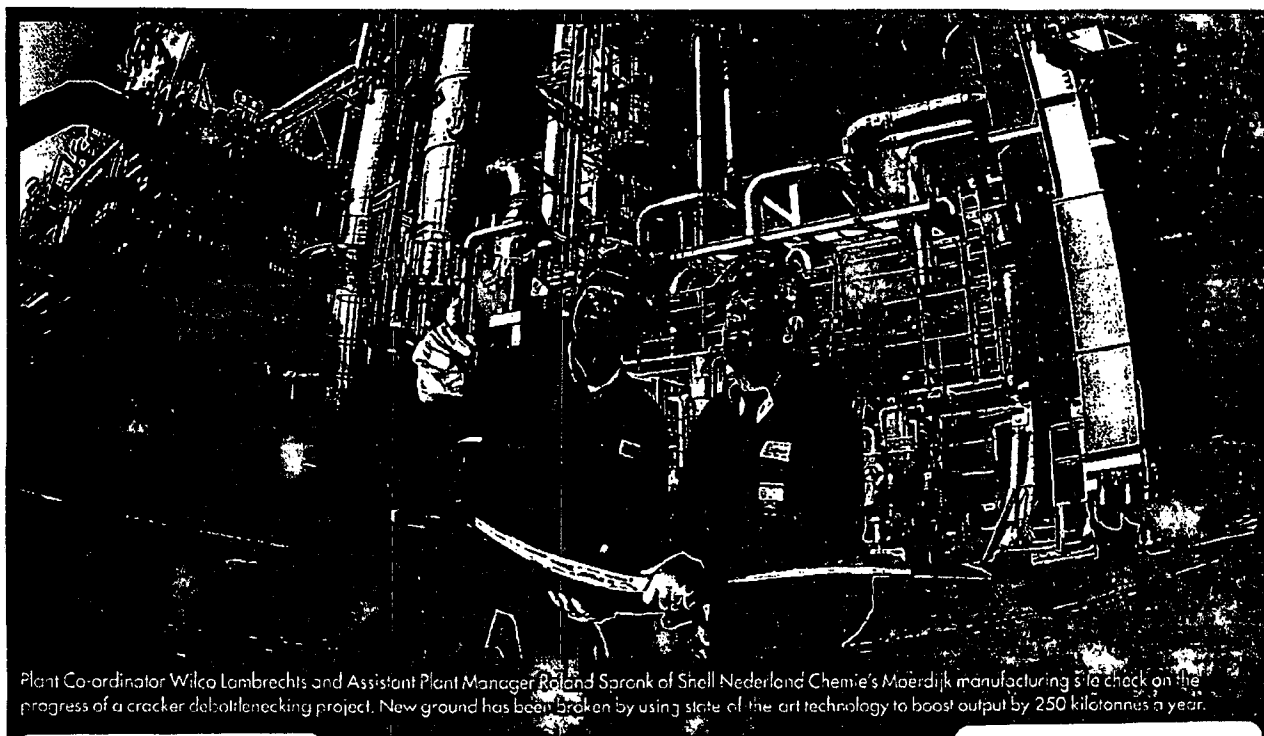
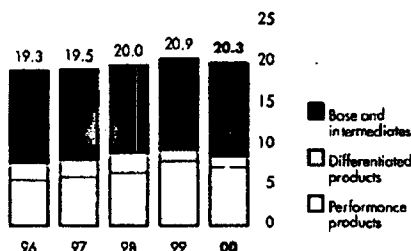
Chemical sales proceeds

\$ billion



Chemical sales volumes

million tonnes



Plant Co-ordinator Wilco Lambrechts and Assistant Plant Manager Roland Sorenk of Shell Nederland Chemie's Moerdijk manufacturing site check on the progress of a cracker debottlenecking project. New ground has been broken by using state of the art technology to boost output by 250 kilotonnes a year.

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# Operational and Financial Review

continued

33

## Chemicals continued

In China a joint venture contract was signed with CNOOC Petrochemicals Investment Limited for a \$4 billion petrochemical complex (Group interest 50%) in the Guangdong province. It is planned to be a world-scale petrochemicals operation, designed with the most advanced technologies, annually producing 800 kilotonnes of ethylene as well as propylene, polyethylene, polypropylene and other chemical products aimed mainly at the domestic Chinese market. A final investment decision will be made by the partners by the end of 2002, and if approved, the complex is expected to start up in late 2005.

## Other industry segments

### Renewables

Renewables aims to position the Group as a leader in renewable energy. Amongst the "new" renewable electricity sources, wind energy is nearly as competitive as conventional electricity and the industry is growing at more than 30% a year. The first UK offshore wind farm at Blyth, in which the Group has a 33% interest, began operation, and generates enough electricity to supply 3,000 households. The aim is to gain a competitive position in offshore wind energy using the Group's skills in the design, implementation and operation of complex engineering projects.

In Solar, Renewables will build on the experience gained through existing operations in cell and module manufacture and marketing. The overall industry growth is some 20–25% a year, with the growth strongest in developed countries where the market is stimulated by strong government-supported programmes. Consolidation within the solar industry has led to a small number of large players emerging and continued pressure to reduce production costs. The proposed merger with Siemens Solar GmbH is an important development.

Biomass, while currently the largest provider of renewable energy, is growing more slowly. The Forestry business has achieved significant increases in sales volumes and reductions in costs in the face of depressed markets.

### Coal

The Group's coal activities were sold in July 2000.

### e-business

Every business actively pursued e-business initiatives during the year. In the business-to-business sector, Group companies have increasingly conducted e-business with customers and suppliers through dedicated extranets. At the same time, the Group has helped co-found, or participated in, nine business-to-business market places and exchanges. These are now seeking to increase their customer bases and grow liquidity. In the consumer area, Shell-branded initiatives have been undertaken in many markets, seeking to develop propositions which add value for individual Shell customers. Internally, the focus has been on digitising the business, and on the cost reductions and process efficiencies which this brings.

In addition, a new business, Shell Internet Works, was established early in 2000 to develop cross-business and novel

internet-related opportunities. This managed the Group's participation in Trade-Ranger, the leading energy and petrochemicals e-procurement exchange, which has been operational since third quarter 2000. By end 2000 there were e-procurement sites across the Group, operating in eighteen locations in North America, Europe, Asia-Pacific and Africa. An equity investment was made in Currenex Inc., an internet-based foreign exchange service which has now started to provide services to the Group's Treasury. A corporate venture capital fund was established to invest in appropriate internet-related ventures.

### Shell Capital

In 2000, Shell Capital continued to develop business lines in producer loans, consumer finance, structured finance and commercial lending. Shell Capital took over the management of the euroShell fuel card and multi-lingual portals were introduced across Europe for euroShell customers. A range of internet-enabled insurance products was launched in the Netherlands. A number of loan transactions with independent oil and gas companies were completed.

### Corporate

In 2000, adjusted earnings of \$280 million were \$28 million above those achieved in 1999. This was due to higher net interest income partly offset by lower income from the Group insurance companies and the benefit in 1999 of lower taxation.

Reported earnings in 2000 included special charges totalling \$188 million, mainly related to the impact of the endowment of the Shell Foundation. The Foundation has been established to reinforce and complement the Group's business approach to sustainable development and social performance. The Group has endowed the foundation with \$250 million from which it will derive income to fund its programmes.

### Liquidity and capital resources

#### Statement of Cash Flows

The net effect of the flow of funds for the year was an increase of \$7.4 billion in cash and cash equivalents.

Cash flow generated by operations increased from \$11.1 billion in 1999 to \$18.4 billion in 2000, mainly reflecting the increase in income. Within cash flow used in investing activities (net \$1.6 billion), capital expenditure and new investments in associates decreased by \$1.0 billion to \$7.4 billion. There were proceeds from sales of assets and disposals of investments in associates of \$6.1 billion; in 1999 such proceeds amounted to \$5.6 billion. Dividends of \$5.2 billion were paid in 2000 to the Parent Companies, Royal Dutch and Shell Transport, and there was net debt repayment of \$3.6 billion.

### Financial condition

Cash, cash equivalents and short-term securities were \$11.4 billion at the end of 2000 (the majority being held in dollars), up \$7.3 billion on 1999, whilst the total of short- and long-term debt decreased by \$5.5 billion to \$7.4 billion. The total debt ratio decreased from 18.0% in 1999 to 11.0% in 2000.

## Operational and Financial Review

continued

34

### Liquidity and capital resources continued

Net assets increased by \$0.9 billion to \$57.1 billion during the year. Fixed and other long-term assets decreased by \$6.9 billion, to \$76.6 billion, mainly because of the effects of asset sales. Net current assets increased by \$6.3 billion, reflecting increased cash and cash equivalents. Available funds are considered to be sufficient to meet working capital needs.

### Capital investment

Group companies' capital expenditure, exploration expense, new investments in associated companies and other investments fell by \$1.0 billion to \$8.5 billion in 2000. Exploration and Production expenditure, at \$5.0 billion (1999: \$5.4 billion), accounted for more than half of this total. Oil Products investment totalled \$1.6 billion (1999: \$1.4 billion). Chemicals investment was \$1.0 billion (1999: \$1.6 billion), whilst Downstream Gas and Power accounted for \$0.8 billion (1999: \$0.8 billion).

Capital investment in 2001 is expected to increase to around \$12 billion. Exploration and Production continues to be the major element of capital investment. The Group companies' investment programme is expected to be financed largely from internally generated funds.

### Other matters

#### Risk management and internal control

The Group's approach to internal control is based on the underlying principle of line management's accountability for risk and control management. The Group's risk and internal control policy explicitly states that the Group has a risk-based approach to internal control and that management in the Group is responsible for implementing, operating and monitoring the system of internal control, which is designed to provide reasonable but not absolute assurance of achieving business objectives.

Consistent with the policy, a number of existing processes were strengthened and formalised in 2000. For example, the *Risk Policy & Guidelines* were issued in April 2000. These guidelines, which replace the 1992 *Business Control Guidelines*, describe the essential elements involved in developing and sustaining risk-based control frameworks, thereby providing a consistent basis for application of the policy and a common language for risk reporting.

Additionally, review and reporting processes were enhanced to bring risk management into greater focus and to enable Conference (meetings between the members of the Supervisory Board and the Board of Management of Royal Dutch and the Directors of Shell Transport) to regularly review the risk and control management system and facilitate their full annual review of the system's effectiveness.

At Group level and within each business, identification and evaluation of risks to achieving key objectives and consideration of appropriate responses have been made explicit via the development of 'baseline' risk profiles and high-level risk response frameworks in 1999. This was followed in 2000 with the introduction of risk reporting as part of the quarterly business performance review process. Each quarter, risk profiles which highlight the perceived impact and likelihood of significant risks

are reviewed and discussed by the Committee of Managing Directors (CMD) and Conference. Each risk profile is supported by a summary of key controls and monitoring mechanisms. This information is updated to reflect, for example, new objectives agreed via the strategy development and planning process, changes in the operating environment and emerging issues. The quarterly risk reporting process complements the information which is considered by the Group Audit Committee.

During 2000, emphasis was placed on embedding a more structured approach to risk management and control at Group and business levels. Similar efforts to fully embed the risk-based approach to internal control are now being cascaded within the businesses. In addition, non-Group operated ventures and affiliates are being encouraged to adopt processes consistent with the Group's approach. Over time, these efforts will improve the understanding of significant risks at all levels, enhance consistency and facilitate sharing of knowledge.

The Group's approach to internal control also includes a number of general and specific risk management processes and policies. Within the essential framework provided by the *Statement of General Business Principles*, the Group's primary control mechanisms are self-appraisal processes in combination with strict accountability for results. These mechanisms are underpinned by controls including mandatory policies and defined procedures, guidelines and standards which relate to particular types of risk, structured investment decision processes, timely and effective reporting systems, and performance appraisal.

Examples of specific risk management processes include the Group Issue Identification and Management System, by which reputation risks are identified and monitored. A common health, safety and environment (HSE) policy has been adopted by Group companies. Substantially all Group companies have HSE management systems in place. For almost all major installations the environmental component of such systems was certified to international standards by the end of 2000; the remainder will follow in 2001. The *Group Financial Control Handbook* provides managers throughout the Group with guidance regarding the application of internal financial controls, and establishes a clear set of criteria against which managers can judge the standards achieved in their own companies. The management of particular risks related to property, liability and treasury is described separately below.

A procedure for identification and reporting of business control incidents continues to enable management and the Group Audit Committee to monitor incidents that have caused a potential loss as a result of breakdown in controls and to ensure appropriate follow-up actions have been taken. Lessons learned are captured and shared as a means of improving the Group's overall control framework.

Formalised self-appraisal and assurance processes are in place covering performance in the areas of financial reporting and business integrity (Letter of Representation), HSE and the *Statement of General Business Principles*. The Letter of Representation includes a declaration by the management of each of more than 2,000 companies regarding the operation of sound financial

controls, the proper recording of transactions and any instances of bribes or illegal payments; the results of this process and any qualifications made are reviewed by the Group Audit Committee, and support representations made to the external auditors.

In addition, internal audit plays a critical role in the objective assessment of business processes and the provision of assurance. Audits and reviews of Group operations are carried out by internal audit to provide the Group Audit Committee with independent assessments regarding the effectiveness of risk and control management.

Taken together, these processes and practices provide confirmation to the Group Holding Companies that relevant policies are adopted and procedures implemented with respect to risk and control management.

#### **Property and liability risks**

The Group's Operating Companies insure against most major property and liability risks with the Group's captive insurance companies. These companies reinsure part of their major catastrophe risks with a variety of international insurers. The effect of these arrangements is that uninsured losses for any one incident are unlikely to exceed \$400 million.

#### **Treasury and trading risks**

As further discussed in Note 28 on pages 56 and 57, Group companies, in the normal course of their business, use financial instruments of various kinds for the purposes of managing exposure to currency, commodity price and interest rate movements.

The Group has Treasury Guidelines applicable to all Group companies, and each Group company is required to adopt a treasury policy consistent with these guidelines. These policies cover financing structure, foreign exchange and interest-rate risk management, insurance, counterparty risk management and derivative instruments, as well as the treasury control framework. Wherever possible, treasury operations are operated through specialist Group regional organisations without removing from each Group company the responsibility to formulate and implement appropriate treasury policies.

Each Group company measures its foreign currency exposures against the underlying currency of its business (its "functional currency"), reports foreign exchange gains and losses against its functional currency and has hedging and treasury policies in place which are designed to minimise foreign exchange exposure so defined. The functional currency for most upstream companies and for other companies with significant international business is the US dollar, but other companies normally have their local currency as their functional currency.

The financing of most Operating Companies is structured on a floating-rate basis and, except in special cases, further interest rate risk management is discouraged.

Apart from forward foreign exchange contracts to meet known commitments, the use of derivative financial instruments by most Group companies is not permitted by their treasury policy.

Some Group companies operate as traders in crude oil, natural gas and oil products, using commodity swaps and options as a means of managing price and timing risks arising from this trading. In effecting these transactions, the companies concerned operate within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised.

Other than in exceptional cases, the use of derivative instruments is generally confined to specialist oil and gas trading and central treasury organisations which have appropriate skills, experience, supervision, and control and reporting systems.

#### **Environmental and decommissioning costs**

Group companies operate in more than 135 countries throughout the world and are subject to a number of different environmental laws, regulations and reporting requirements. It is the responsibility of each Group company to implement a health, safety and environmental management system that is suited to its particular circumstances.

The costs of prevention, control, abatement or elimination of releases into the air and water, as well as the disposal and handling of wastes at operating facilities, are considered to be an ordinary part of business. As such, these amounts are included within operating expenses. An estimate of the order of magnitude of amounts incurred in 2000 for Group companies, based on allocations and managerial judgement, is \$600 million (1999: \$600 million).

Expenditures of a capital nature to limit or monitor hazardous substances or releases include both remedial measures on existing plants and integral features of new plants. Whilst some environmental expenditures are discrete and readily identifiable, others must be reasonably estimated or allocated based on technical and financial judgements which develop over time. Consistent with the preceding, estimated environmental capital expenditures made by companies with major capital programmes during 2000 were \$400 million (1999: \$500 million). Those Group companies are expected to incur environmental capital costs of at least \$600 million per year during both 2001 and 2002.

It is not possible to predict with certainty the magnitude of the effect of required investments in existing facilities on Group companies' future earnings, since this will depend amongst other things on the ability to recover the higher costs from consumers and through fiscal incentives offered by governments. Nevertheless, it is anticipated that over time there will be no material impact on the total of Group companies' earnings. These risks are comparable to those faced by other companies in similar businesses.

At the end of 2000, the total provisions being carried for environmental clean-up were \$475 million (1999: \$505 million). In 2000 there were payments of \$97 million and increases in provisions of \$74 million.

Provisions being carried for expenditures on decommissioning and site restoration, including oil and gas platforms, amounted to \$2,514 million (1999: \$2,539 million).



## Operational and Financial Review

continued

36

### Other matters continued

#### Employees

Overall, the number of employees in Group companies has declined over the past year mainly as a result of the divestments in Chemicals, the disposal of the Coal business and the formation of associated joint ventures. Companies across the Group will continue with further streamlining over the coming year but this will be offset by the increase in personnel numbers resulting from the expansion in certain areas and activities.

#### Impact of the euro

Group companies based in Economic and Monetary Union (EMU) countries will transfer their accounting to euro during 2001. All of the main business segments are represented in the euro zone and their operations within the zone account for a significant amount of the Group's total business.

During the transitional period there is no compulsion for companies to use the euro for transactions nor is there any prohibition of its use: market forces will be the driver. So far, the demand for euro-denominated business transactions has been limited. The transitional period lasts until the end of 2001.

There are perceived continuing benefits to the Group arising from the introduction of the euro, against which may be offset certain costs and risks associated with implementation.

Long-term competitiveness could be improved by the results of price transparency created within the euro zone by the single currency. It is not currently possible to make an accurate assessment of the overall impact of this development.

The Group has been making preparations for the introduction of the euro since 1996. Costs include system modifications, preparing and converting retail sites and project staffing. Implementation costs have already been incurred and will continue for the next two years. Costs are expensed as incurred.

#### Cautionary statement

The Operational and Financial Review and other sections of this Report contain forward-looking statements that are subject to risk factors associated with the oil, gas, chemicals, power generation and renewable resources businesses. It is believed that the expectations reflected in these statements are reasonable, but they 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; currency fluctuations, drilling and production results; reserve estimates; loss of market; environmental risks; physical risks; and legislative, fiscal and regulatory developments.

## Report of the independent Auditors

To Royal Dutch Petroleum Company and  
The "Shell" Transport and Trading Company, p.l.c.

We have audited the Financial Statements appearing on pages 37 to 57 of the Royal Dutch/Shell Group of Companies for the years 2000, 1999 and 1998. The preparation of Financial Statements is the responsibility of management. Our responsibility is to express an opinion on Financial Statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management in the preparation of Financial Statements, as well as evaluating the overall Financial Statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of the Royal Dutch/Shell Group of Companies at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in accordance with generally accepted accounting principles in the Netherlands and the United States.

**KPMG Accountants N.V.**, The Hague

**PricewaterhouseCoopers**, London  
March 14, 2001

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## Financial Statements

37

### Statement of Income

	Note	2000	1999	\$ million 1998
Sales proceeds		191,511	149,706	138,274
Sales taxes, excise duties and similar levies		42,365	44,340	44,582
<b>Net proceeds</b>		<b>149,146</b>	<b>105,366</b>	<b>93,692</b>
Cost of sales		118,328	81,839	76,674
<b>Gross profit</b>		<b>30,818</b>	<b>23,527</b>	<b>17,018</b>
Selling and distribution expenses		7,896	8,195	9,342
Administrative expenses		1,137	830	1,414
Exploration		755	1,086	1,603
Research and development		389	505	799
Operating profit of Group companies		20,641	12,911	3,860
Share of operating profit/(loss) of associated companies	6	3,859	2,321	(756)
<b>Operating profit</b>		<b>24,500</b>	<b>15,232</b>	<b>3,104</b>
Interest and other income	7	974	541	629
Interest expense	8	1,324	1,253	1,333
Currency exchange gains/(losses)		(114)	1	5
<b>Income before taxation</b>		<b>24,036</b>	<b>14,521</b>	<b>2,405</b>
Taxation	9	11,273	5,696	1,913
Income after taxation		12,763	8,825	492
Income applicable to minority interests		44	241	142
<b>Net income</b>		<b>12,719</b>	<b>8,584</b>	<b>350</b>

### Statement of Comprehensive Income and Parent Companies' Interest in Group Net Assets

	Note	2000	1999	\$ million 1998
<b>Net income</b>	3	<b>12,719</b>	<b>8,584</b>	<b>350</b>
Other comprehensive income, net of tax:	5			
currency translation differences	19	(2,717)	(1,443)	482
unrealised gains/(losses) on securities		(238)	205	169
minimum pension liability adjustments		(70)	(95)	(13)
<b>Comprehensive income</b>		<b>9,694</b>	<b>7,251</b>	<b>988</b>
Net distributions to Parent Companies	3	(8,579)	(5,631)	(5,712)
Parent Companies' shares held by Group companies at January 1, 1998	22			(490)
Increase in Parent Companies' shares held by Group companies	22	(200)	(411)	(210)
Parent Companies' interest in Group net assets at January 1		56,171	54,962	60,386
<b>Parent Companies' interest in Group net assets at December 31</b>	4	<b>57,086</b>	<b>56,171</b>	<b>54,962</b>
Applicable to:				
Royal Dutch (60%)		34,252	33,703	32,977
Shell Transport (40%)		22,834	22,468	21,985
		<b>57,086</b>	<b>56,171</b>	<b>54,962</b>

# Financial Statements

continued

38

## Statement of Assets and Liabilities

		\$ million	
	Note	Dec 31 2000	Dec 31 1999
<b>Fixed assets</b>			
Tangible assets	10	47,314	56,598
Intangible assets	10	1,005	2,641
Investments			
associated companies	6	18,648	16,686
securities	14	1,720	1,680
other		1,043	924
<b>Total fixed assets</b>		<b>69,730</b>	<b>78,529</b>
<b>Other long-term assets</b>	11	<b>6,838</b>	<b>4,962</b>
<b>Current assets</b>			
Inventories	12	7,884	7,738
Accounts receivable	13	26,611	18,603
Short-term securities	14	4	8
Cash and cash equivalents	14	11,431	4,043
<b>Total current assets</b>		<b>45,930</b>	<b>30,392</b>
<b>Current liabilities: amounts due within one year</b>			
Short-term debt	15	3,357	6,922
Accounts payable and accrued liabilities	17	26,613	18,108
Taxes payable	9	6,116	5,092
Dividends payable to Parent Companies		6,612	3,341
<b>Total current liabilities</b>		<b>42,698</b>	<b>33,463</b>
<b>Net current assets/(liabilities)</b>		<b>3,232</b>	<b>(3,071)</b>
<b>Total assets less current liabilities</b>		<b>79,800</b>	<b>80,420</b>
<b>Long-term liabilities: amounts due after more than one year</b>			
Long-term debt	15	4,070	6,009
Other	18	4,003	3,243
		<b>8,073</b>	<b>9,252</b>
<b>Provisions</b>			
Deferred taxation	9	7,008	7,053
Pensions and similar obligations	21	2,238	2,563
Decommissioning and restoration costs	23	2,514	2,539
		<b>11,760</b>	<b>12,155</b>
<b>Group net assets before minority interests</b>		<b>59,967</b>	<b>59,013</b>
Minority interests		2,881	2,842
<b>Net assets</b>		<b>57,086</b>	<b>56,171</b>

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**Statement of Cash Flows** (see Note 19)

	Note	2000	1999	1998
<b>Cash flow provided by operating activities</b>				
Net income		12,719	8,584	350
Adjustments to reconcile net income to cash flow provided by operating activities				
Depreciation, depletion and amortisation	10	7,885	6,520	9,423
Profit on sale of assets		(1,026)	(1,366)	(241)
Movements in:				
inventories		(1,268)	(2,059)	1,107
accounts receivable		(10,007)	(5,049)	1,972
accounts payable and accrued liabilities		9,741	3,066	486
taxes payable		967	1,260	(559)
short-term securities		(2)	16	359
Associated companies: dividends more/(less) than net income	6	(132)	423	2,581
Deferred taxation and other provisions		491	(55)	(1,453)
Long-term liabilities and other		(1,053)	(522)	562
Income applicable to minority interests		44	241	142
<b>Cash flow provided by operating activities</b>		<b>18,359</b>	<b>11,059</b>	<b>14,729</b>
<b>Cash flow used in investing activities</b>				
Capital expenditure (including capitalised leases)	10	(6,209)	(7,409)	(12,859)
Proceeds from sale of assets		3,852	5,026	1,421
New investments in associated companies	6	(1,161)	(1,024)	(1,282)
Disposals of investments in associated companies		2,283	549	362
Movement in other investments		(336)	(165)	(142)
<b>Cash flow used in investing activities</b>		<b>(1,571)</b>	<b>(3,023)</b>	<b>(12,500)</b>
<b>Cash flow used in financing activities</b>				
Long-term debt (including short-term part)				
new borrowings		945	1,798	1,572
repayments		(1,276)	(1,575)	(1,532)
		(331)	223	40
Net increase/(decrease) in short-term debt		(3,271)	(922)	1,850
Change in minority interests		(22)	54	521
Dividends paid to:				
Parent Companies		(5,239)	(5,446)	(5,819)
minority interests		(262)	(165)	(174)
<b>Cash flow used in financing activities</b>		<b>(9,125)</b>	<b>(6,256)</b>	<b>(3,582)</b>
<b>Increase in Parent Companies' shares held by Group companies</b>		<b>(200)</b>	<b>(411)</b>	<b>(210)</b>
Currency translation differences relating to cash and cash equivalents		(75)	(43)	(26)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>7,388</b>	<b>1,326</b>	<b>(1,589)</b>
Cash and cash equivalents at January 1		4,043	2,717	4,306
Cash and cash equivalents at December 31		11,431	4,043	2,717

## Notes to Financial Statements

40

### 1 The Royal Dutch/Shell Group of Companies

The Parent Companies, Royal Dutch Petroleum Company (Royal Dutch) and The "Shell" Transport and Trading Company, p.l.c. (Shell Transport) are holding companies which together own, directly or indirectly, investments in numerous companies known collectively as the Royal Dutch/Shell Group. Group companies are engaged in all principal aspects of the oil and natural gas business throughout the world. They also have substantial chemical interests. These activities are conducted in more than 135 countries and are subject to changing economic, regulatory and political conditions.

Arrangements between Royal Dutch and Shell Transport provide, *inter alia*, that notwithstanding variations in shareholdings, Royal Dutch and Shell Transport shall share in the aggregate net assets and in the aggregate dividends and interest received from Group companies in the proportion of 60:40. It is further arranged that the burden of all taxes in the nature of or corresponding to an income tax leviable in respect of such dividends and interest shall fall in the same proportion.

The 60:40 arrangements referred to above have been supplemented by further arrangements, beginning with Group dividends payable to the Parent Companies in respect of 1977, whereby each Parent Company is to bring into account towards its share in the 60:40 division of dividends from Group companies tax credits and other tax benefits which are related to the liability to tax of a Group company and which arise to the Parent Company or which would arise to the holders of its ordinary shares if there were to be an immediate full onward distribution to them of Group dividends (for which purpose all shareholders are assumed to be individuals resident and subject to tax in the country of residence of the Parent Company in question).

### 2 Accounting policies

#### Nature of the Financial Statements

The accounts of the Parent Companies are not included in the Financial Statements, the objective of which is to demonstrate the financial position, results of operations and cash flows of a group of undertakings in which each Parent Company has an interest in common whilst maintaining its separate identity. The Financial Statements reflect an aggregation in US dollars of the accounts of companies in which Royal Dutch and Shell Transport together, either directly or indirectly, have control either through a majority of the voting rights or the right to exercise a controlling influence. Investments in companies over which Group companies have significant influence but not control are classified as associated companies and are accounted for on the equity basis. Certain joint ventures are taken up in the Financial Statements in proportion to the relevant Group interest.

The Financial Statements have been prepared under the historical cost convention. They have been prepared in all material respects in accordance with generally accepted accounting principles in the Netherlands and the United States. Group accounting policies are also substantially consistent with accounting principles generally accepted in the United Kingdom, with the notable exception of the provision for deferred taxation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and notes thereto. Actual results could differ from those estimates.

#### Currency translation

Assets and liabilities of non-dollar Group companies are translated to dollars at year-end rates of exchange, whilst their statements of income and cash flows are translated at quarterly average rates. Translation differences arising on aggregation are taken directly to a currency translation differences account, which forms part of Parent Companies' interest in Group net assets. Upon disinvestment or liquidation of a non-dollar Group company, cumulative currency translation differences related to that company are taken to income.

The dollar equivalents of exchange gains and losses arising as a result of foreign currency transactions (including those in respect of inter-company balances unless related to transactions of a long-term investment nature) are included in Group net income.

#### Securities

Securities of a trading nature are carried at fair value with unrealised holding gains and losses being included in net income. Securities intended to be held to maturity are carried at cost, unless permanently impaired in which case they are carried at fair value. All other securities are classified as available for sale and are carried at fair value, with unrealised holding gains and losses being taken directly to Parent Companies' interest in Group net assets. Upon sale or maturity, the net gains and losses are included in net income.

Short-term securities with a maturity from acquisition of three months or less and that are readily convertible into known amounts of cash are classified as cash equivalents. Securities forming part of a portfolio which is required to be held long term are classified under fixed assets – investments.

Parent Companies' shares held by Group companies are not included in the Group's net assets but reflected as a deduction from Parent Companies' interest in Group net assets.

Cash flows resulting from movements in securities of a trading nature are reported under cash flow provided by operating activities while cash flows resulting from movements in other securities are reported under cash flow used in investing activities.



**Financial instruments**

The accounting method used for derivative financial instruments is determined by whether or not the instrument is designated as a hedge of an existing exposure or a firm commitment and, if so, by the accounting method used for the item being hedged. Hedges of existing exposures are accounted for in the same way as the item being hedged. Forward exchange contracts and currency swaps used to hedge exchange rate exposure are valued at market, with resulting gains and losses taken to income when the gains and losses on the underlying hedged transactions are recognised. Gains or losses on hedges of firm commitments are deferred and recognised when any gains or losses on the hedged transactions are recognised. Derivative financial instruments that are not designated as hedges are valued at market, and gains and losses are taken to income.

The effect of derivative financial instruments is reflected in the Financial Statements as follows:

**Statement of Income:** Premiums or discounts on derivative instruments that are designated as hedges are reflected as adjustments to interest income or expense. Interest differentials on interest rate derivatives used to hedge debt or debt securities are included within interest expense and interest income respectively. Gains or losses on foreign currency contracts used to hedge assets or liabilities are included within currency exchange gains/losses. Gains or losses on commodity derivative contracts, other than those designated as hedges of firm commitments, are included within cost of sales.

**Statement of Assets and Liabilities:** The carrying amounts of foreign exchange derivatives that hedge debt or debt securities are included within investments - securities, short-term securities, cash and cash equivalents, short-term debt or long-term debt as applicable. The carrying amounts of other derivatives are included within current assets or liabilities.

**Statement of Cash Flows:** The effect of interest rate derivatives on interest payments and the effect of commodity derivative contracts are included within cash flow provided by operating activities. The effect of foreign exchange derivatives is included within the movement in the item being hedged.

**Oil and gas trading**

Oil and gas trading contracts such as futures and forward contracts and swaps are entered into by some Group companies, generally in order to hedge exposure to price fluctuations which arise on purchases and sales of crude oil, natural gas and oil products. Contracts designated as hedges are valued at market and resulting gains and losses are taken to income when the gains and losses on the underlying hedged transactions are recognised. The gains and losses on contracts that are not designated as hedges are taken to income in the period in which they arise, and open positions at year-end are reflected in deferred charges and prepayments, other payables or other long-term liabilities as appropriate.

**Inventories**

Inventories are stated at cost to the Group or net realisable value, whichever is lower. Such cost is determined for the most part by the first-in first-out method (FIFO), but the cost of certain North American inventories is determined on the basis of the last-in first-out method (LIFO). Cost comprises direct purchase costs, cost of production, transportation and manufacturing expenses and taxes.

**Exploration costs**

Group companies follow the successful efforts method of accounting for oil and gas exploration costs. Exploration costs are charged to income when incurred, with the exception that exploratory drilling costs are initially included in tangible fixed assets pending determination of commercial reserves. The determination of commercial reserves occurs within one year unless such reserves are in an area requiring major capital expenditure before production could begin. Should the efforts be determined unsuccessful, they are then charged to income.

**Interest capitalisation**

Interest is capitalised, as an increase in tangible fixed assets, on significant capital projects during construction. Interest is also capitalised, as an increase in investments in associated companies, on funds invested by Group companies which are used by associated companies for significant capital projects during construction.

**Depreciation, depletion and amortisation**

Tangible fixed assets related to production activities are depreciated on a unit-of-production basis over the proved developed reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. Unproved properties are amortised as required by particular circumstances. Other tangible fixed assets are generally depreciated on a straight-line basis over their estimated useful lives. Goodwill, which is included within intangible fixed assets, is amortised over its estimated useful economic life, with a maximum of 40 years.

The carrying amounts of fixed assets are reviewed for possible impairment whenever events or changes in circumstances indicate. For this purpose, assets are grouped based on separately identifiable and largely independent cash flows. Where impairment is indicated, the carrying amounts of assets are written down to fair value, usually determined as the amount of estimated discounted future cash flows. Assets held for sale are written down to the amount of estimated net realisable value.

In the evaluation for impairment of oil and gas properties, future cash flows are estimated using risk assessments on field and reservoir performance and include outlooks on proved and unproved reserves, which are then discounted or risk-weighted utilising the results from projections of geological, production, recovery and economic factors.

## Notes to Financial Statements

continued

42

### 2 Accounting policies continued

#### Environmental expenditures

Liabilities for environmental remediation resulting from past operations or events are recognised in the period in which an obligation to a third party arises and the amount can be reasonably estimated. Measurement of liabilities is based on current legal requirements and existing technology. Recognition of any joint and several liability is based upon Group companies' best estimate of their final pro-rata share of the liability. Liabilities are determined independently of expected insurance recoveries. Recoveries are recognised and reported as separate events and brought into account when reasonably certain of realisation. The carrying amount of liabilities is regularly reviewed and adjusted for new facts or changes in law or technology.

#### Decommissioning and restoration costs

Estimated decommissioning and restoration costs are based on current requirements, technology and price levels. In respect of oil and gas production activities, the estimated cost is provided over the life of the proved developed reserves on a unit-of-production basis. The recorded liabilities are reflected as a provision in the Statement of Assets and Liabilities. For other activities, the estimated cost is provided over the remaining life of a facility on a straight-line basis once an obligation crystallises and the amount can be reasonably estimated. Changes in estimates of costs are accrued on a prospective basis.

#### Deferred taxation

Deferred taxation is provided using the comprehensive liability method of accounting for income taxes based on provisions of enacted laws. Recognition is given to deferred tax assets and liabilities for the expected future tax consequences of events that have been recognised in the Financial Statements or in the tax returns. In estimating these tax consequences, consideration is given to expected future events. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance representing the amount of any tax benefits for which there is uncertainty of realisation.

#### Employee retirement plans

Retirement plans to which employees contribute and many non-contributory plans are generally funded by payments to independent trusts. Where, due to local conditions, a plan is not funded, a provision which is not less than the present value of accumulated pension benefits, based on present salary levels, is included in the Financial Statements. Valuations of both funded and unfunded plans are carried out by independent actuaries.

Pension cost primarily represents the increase in actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

#### Postretirement benefits other than pensions

Some Group companies provide certain postretirement health care and life insurance benefits to retirees, the entitlement to which is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the periods employees render service to the Group. These plans are not funded. A provision is included in the Financial Statements which is sufficient to cover the present value of the accumulated postretirement benefit obligation based on current assumptions. Valuations of these obligations are carried out by independent actuaries.

#### Sales proceeds

Sales proceeds are determined by reference to the sales price of goods delivered and services rendered during the period. Sales between Group companies are based on prices generally equivalent to commercially available prices.

#### Administrative expenses

Administrative expenses are those which do not relate directly to the activities of a single business segment and include expenses incurred in the management and co-ordination of multi-segment enterprises.

#### Research and development

Research and development expenditure is charged to income as incurred, with the exception of that on buildings and major items of equipment which have alternative use.

#### Reclassifications

Certain prior-year amounts have been reclassified to conform with current-year presentation.

### 3 Division of Group net income between the Parent Companies

The division of Group net income, in accordance with Note 1, is as follows:

2000	\$ million		
	Total	Royal Dutch (60%)	Shell Transport (40%)
Group net income	12,719	7,631	5,088
less net distributions to Parent Companies	8,579	5,147	3,432
Undistributed net income	4,140	2,484	1,656
1999	\$ million		
	Total	Royal Dutch (60%)	Shell Transport (40%)
Group net income	8,584	5,151	3,433
less net distributions to Parent Companies	5,631	3,379	2,252
Undistributed net income	2,953	1,772	1,181
1998	\$ million		
	Total	Royal Dutch	Shell Transport
Group net income	350		
Distributions from retained earnings	5,362		
Net distributions to Parent Companies	5,712	3,485	2,227
Tax benefit referable to net distributions accruing to Shell Transport	97	-	97
Divisible for 60:40 purposes	5,809	(60%) 3,485	(40%) 2,324
Distributions from retained earnings	5,362	(60%) 3,217	(40%) 2,145

### 4 Parent Companies' interest in Group net assets

	\$ million		
	2000	1999	1998
Invested by Parent Companies	741	741	741
Profits capitalised by Group companies	3,242	3,241	3,241
Retained earnings of Group companies	59,130	54,991	52,038
Parent Companies' shares held by Group companies (Note 22)	(1,311)	(1,111)	(700)
Cumulative currency translation differences	(4,647)	(1,930)	(487)
Unrealised gains/(losses) on securities	129	367	162
Minimum pension liability adjustments	(198)	(128)	(33)
Balance at December 31	57,086	56,171	54,962

Earnings retained by the subsidiary and associated companies of the Group Holding Companies (namely Shell Petroleum N.V. and The Shell Petroleum Company Limited) and Shell Petroleum Inc. amounted to \$21,029 million at December 31, 2000 (1999: \$21,812 million; 1998: \$22,632 million). Provision has not been made for taxes on possible future distribution of these undistributed earnings as these earnings have been, or will be, substantially reinvested by the companies concerned. It is not, therefore, meaningful to provide for these taxes nor is it practicable to estimate their full amount or the withholding tax element.

### 5 Other comprehensive income

2000	\$ million		
	Credit/(Charge)		
	Pre-tax	Tax	After tax
Currency translation differences	(2,677)	(51)	(2,728)
Reclassifications	11	-	11
Currency translation differences net of reclassifications	(2,666)	(51)	(2,717)
Unrealised gains/(losses) on securities	(205)	8	(197)
Reclassifications	(50)	9	(41)
Unrealised gains/(losses) on securities net of reclassifications	(255)	17	(238)
Minimum pension liability adjustments	(115)	45	(70)
Other comprehensive income	(3,036)	11	(3,025)
1999	\$ million		
	Credit/(Charge)		
	Pre-tax	Tax	After tax
Currency translation differences	(1,485)	23	(1,462)
Reclassifications	19	-	19
Currency translation differences net of reclassifications	(1,466)	23	(1,443)
Unrealised gains/(losses) on securities	266	(31)	235
Reclassifications	(31)	1	(30)
Unrealised gains/(losses) on securities net of reclassifications	235	(30)	205
Minimum pension liability adjustments	(139)	44	(95)
Other comprehensive income	(1,370)	37	(1,333)
1998	\$ million		
	Credit/(Charge)		
	Pre-tax	Tax	After tax
Currency translation differences	477	(16)	461
Reclassifications	21	-	21
Currency translation differences net of reclassifications	498	(16)	482
Unrealised gains/(losses) on securities	215	(29)	186
Reclassifications	(22)	5	(17)
Unrealised gains/(losses) on securities net of reclassifications	193	(24)	169
Minimum pension liability adjustments	(23)	10	(13)
Other comprehensive income	668	(30)	638

## Notes to Financial Statements

continued

44

### 6 Associated companies

#### (a) Income

Associated companies engage in similar businesses to Group companies and play an important part in the overall operating activities of the Group. Consequently, the Group share of operating profits arising from associated companies is seen as a contribution to the total Group operating profit and is shown as such in the Statement of Income. The Group share of interest income, interest expense, currency exchange gains/losses and taxation of associated companies has been included within those items in the Statement of Income.

A summarised Statement of Income with respect to the Group share of net income from associated companies, together with a segment analysis, is set out below:

	\$ million		
	2000	1999	1998
Net proceeds	60,896	40,970	33,464
Cost of sales	51,692	33,646	30,944
Gross profit	9,204	7,324	2,520
Other operating expenses	5,345	5,003	3,276
Operating profit/(loss)	3,859	2,321	(756)
Interest and other income	111	76	75
Interest expense	498	339	313
Currency exchange gains	7	4	39
Income before taxation	3,479	2,062	(955)
Taxation	1,515	966	489
Net income	1,964	1,096	(1,444)

Cost of sales in 1998 includes \$2,243 million relating to the impairment of certain fixed assets, primarily in the Exploration and Production segment, mainly resulting from the downward revision in expectation of long-term sustained oil prices. The related tax effects are not included in taxation above, but are reflected in the results of Group companies holding such investments.

Income by segment		\$ million		
	2000	1999	1998	
Exploration and Production	998	459	(2,054)	
Downstream Gas and Power	343	213	289	
Oil Products	535	319	340	
Chemicals	115	117	10	
Other	(27)	(12)	(29)	
	1,964	1,096	(1,444)	

#### (b) Investments

	\$ million			
	Shares	Loans	2000 Total	1999 Total
At January 1	14,723	1,963	16,686	16,686
New investments	605	556	1,161	1,024
Net asset transfers to associates, disposals and other movements	1,167	(69)	1,098	(392)
Net income	1,964	-	1,964	1,096
Dividends	(1,832)	-	(1,832)	(1,519)
Currency translation differences	(364)	(65)	(429)	(209)
At December 31	16,263	2,385	18,648	16,686

In 2000, the net asset transfers to associates, disposals and other movements mainly comprise the effects of the formation of Basell, the expansion of the InterGen joint venture, the exchange of assets for an additional interest in Sakhalin and the disposal of the Group's interest in Altura.

The formation of Basell involved the combination of the Group's polyolefins operations with those of BASF, namely Montell (Group interest: 100%), Elenac (Group interest: 50%; BASF: 50%) and Targor (BASF: 100%). The increase in the Group's interest in the InterGen joint venture from 50% to 68% was a result of transferring certain of the Group's gas pipeline and power assets in the USA to the InterGen joint venture. The Group does not exercise control over the InterGen joint venture and therefore accounts for its investment on the equity basis.

A summarised Statement of Assets and Liabilities with respect to the Group share of investments in associated companies is set out below:

	\$ million	
	2000	1999
Fixed assets	24,184	22,300
Current assets	9,745	8,590
Total assets	33,929	30,890
Current liabilities	9,424	8,690
Long-term liabilities	5,857	5,514
Net assets	18,648	16,686

An analysis by segment is shown in Note 24.

The Group's major investments in associated companies at December 31, 2000 comprised:

Segment Name	Group interest	Country of incorporation
Exploration and Production		
Aera	52%	USA
Brunei Shell	50%	Brunei
Sakhalin	55%	Bermuda
Woodside	34%	Australia
Downstream Gas and Power		
InterGen	68%	The Netherlands
Nigeria LNG	26%	Nigeria
Oil Products		
Equilon	56%	USA
Motiva	35%	USA
Showa Shell	50%	Japan
Chemicals		
Basell	50%	The Netherlands

#### (c) Transactions between Group companies and associated companies

Transactions between Group and associated companies mainly comprise sales and purchases of goods and services in the ordinary course of business and in total amounted to:

	\$ million		
	2000	1999	1998
Charges to associated companies	15,590	12,476	11,620
Charges from associated companies	5,792	4,016	4,046

Balances outstanding at December 31 in respect of the above transactions are shown in Notes 13 and 17.

**7 Interest and other income**

	\$ million		
	2000	1999	1998
Group companies			
Interest income	627	410	487
Other income	236	55	67
	863	465	554
Associated companies	111	76	75
	974	541	629

**8 Interest expense**

	\$ million		
	2000	1999	1998
Group companies			
Interest incurred	877	1,001	1,113
less interest capitalised	51	87	93
	826	914	1,020
Associated companies	498	339	313
	1,324	1,253	1,333

**9 Taxation****(a) Taxation charge for the year**

	\$ million		
	2000	1999	1998
Group companies			
Current tax charge	9,251	4,869	3,746
Deferred tax charge/(credit)	507	(139)	(2,322)
	9,758	4,730	1,424
Associated companies	1,515	966	489
	11,273	5,696	1,913

Reconciliations of the expected tax charge of Group companies to the actual tax charge are as follows:

	\$ million		
	2000	1999	1998
Expected tax charge at statutory rates	9,763	5,768	1,653
Adjustments of valuation allowance	(261)	(199)	(173)
Adjustments in respect of prior years	(89)	(79)	(135)
Other items	343	(760)	79
Taxation charge of Group companies	9,758	4,730	1,424

The taxation charge of Group companies includes not only income taxes of general application but also income taxes at special rates levied on income from exploration and production activities and various additional income and other taxes to which these activities are subject.

**(b) Taxes payable**

	\$ million	
	2000	1999
Taxes on activities of Group companies	3,251	2,385
Sales taxes, excise duties and similar levies and social law taxes	2,865	2,707
	6,116	5,092

**(c) Provision for deferred taxation**

The provision for deferred taxation comprises the following tax effects of temporary differences:

	\$ million	
	2000	1999
Tangible and intangible fixed assets	9,370	9,813
Other items	3,021	2,367
Total deferred tax liabilities	12,391	12,180
Tax losses carried forward	(2,442)	(2,820)
Provisions		
Pensions and similar obligations	(609)	(681)
Decommissioning and restoration costs	(1,193)	(1,275)
Environmental and other provisions	(456)	(365)
Other items	(2,828)	(2,439)
Total deferred tax assets	(7,528)	(7,580)
Asset valuation allowance	2,145	2,453
Net deferred tax assets	(5,383)	(5,127)
Net deferred tax liability	7,008	7,053

The Group has tax losses carried forward amounting to \$6,686 million at December 31, 2000. Of these, \$2,485 million can be carried forward indefinitely. The remaining \$4,201 million expires in the following years:

	\$ million
2001	7
2002	988
2003	280
2004	272
2005-2009	1,227
2010-2015	1,427



## Notes to Financial Statements

continued

46

### 10 Tangible and intangible fixed assets

			\$ million	
			2000	1999
	Tangible	Intangible	Total Group	Total Group
<b>Cost</b>				
At January 1	122,150	4,432	126,582	132,599
Capital expenditure	6,010	199	6,209	7,409
Sales, retirements and other movements <sup>a</sup>	(11,083)	(2,096)	(13,179)	(8,844)
Currency translation differences	(5,468)	(51)	(5,519)	(4,582)
At December 31	111,609	2,484	114,093	126,582
<b>Depreciation</b>				
At January 1	65,552	1,791	67,343	69,213
Depreciation, depletion and amortisation charge	7,172	713	7,885	6,520
Sales, retirements and other movements <sup>a</sup>	(5,261)	(1,005)	(6,266)	(5,539)
Currency translation differences	(3,168)	(20)	(3,188)	(2,851)
At December 31	64,295	1,479	65,774	67,343
<b>Net 2000</b>	<b>47,314</b>	<b>1,005</b>	<b>48,319</b>	
1999	56,598	2,641		59,239

<sup>a</sup> Includes transfers to associated companies (refer to Note 6(b)).

Capital expenditure, together with new investments in associated companies, and the depreciation, depletion and amortisation charge are shown in Note 24, classified, consistent with oil and gas industry practice, according to operating activities. Such a classification, rather than one according to type of asset, is given in order to permit a better comparison with other companies having similar activities.

The net balances at December 31 include:

	\$ million	
	2000	1999
Capitalised costs in respect of assets not yet used in operations		
Unproved properties	2,167	2,232
Proved properties under development and other assets in the course of construction	4,434	4,940
	6,601	7,172

Depreciation, depletion and amortisation charges for the year in the table above are included within the following expense headings in the Statement of Income:

	\$ million		
	2000	1999	1998
Cost of sales	6,689	5,141	7,969
Selling and distribution expenses	1,087	1,225	1,260
Administrative expenses	57	88	100
Exploration	10	12	10
Research and development	42	54	84
	7,885	6,520	9,423

Depreciation, depletion and amortisation charges for 2000 include \$1,345 million (1999: \$147 million; 1998: \$2,177 million) relating to the impairment of tangible fixed assets, and \$440 million (1999: nil; 1998: \$836 million) relating to the impairment of intangible fixed assets. Such charges are recorded within cost of sales. The 2000 impairment charges relate to assets held for use (\$1,433 million; 1999: \$133 million; 1998: \$827 million) and to assets held for sale (\$352 million; 1999: \$14 million; 1998: \$2,186 million). For 2000 the impairments mainly relate to Oil Products resulting from a downward revision in the long-term expectation of certain refinery margins, and to Downstream Gas and Power resulting from restructuring of the business in the USA. For 1998 the impairments mainly relate to Chemicals, resulting from the decision to dispose of a significant portion of the portfolio, to a disposal decision relating to certain Downstream Gas assets, due to a significant downturn in business conditions and a strategic review, and to Exploration and Production, mainly resulting from the downward revision in expectation of long-term sustained oil prices.

Net fixed assets at December 31, 2000 include assets held for sale totalling \$0.9 billion (1999: \$2.4 billion), consisting primarily of assets in the Chemicals and Other industry segments. It is expected that the sales of these assets will occur in 2001.

Operating profits/(losses) included in the Statement of Income relating to these assets totalled \$69 million in 2000 (1999: \$100 million; 1998: \$(14) million).

### 11 Other long-term assets

Reflecting their non-current nature, deferred charges and prepayments due after one year and other non-current assets are presented separately as "Other long-term assets". At December 31, 2000 these include \$5,241 million (1999: \$3,865 million) of deferred charges and prepayments (including assets from risk management activities), of which \$3,844 million (1999: \$3,082 million) relates to prepaid pension costs.

### 12 Inventories

	\$ million	
	2000	1999
Inventories of oil and chemicals	7,253	6,981
Inventories of materials	631	757
	7,884	7,738

Of the total inventories, \$807 million at December 31, 2000 (1999: \$872 million) wholly in North America are valued by the LIFO method. The excess of FIFO cost over the carrying amount of such LIFO inventories was \$551 million (1999: \$334 million).

**13 Accounts receivable**

	\$ million	
	2000	1999
Trade receivables	13,277	11,535
Amounts owed by associated companies	2,587	2,626
Other receivables	2,799	3,181
Deferred charges and prepayments (Notes 17 and 28(d))	7,948	1,261
	26,611	18,603

Provisions for doubtful items deducted from accounts receivable amounted to \$220 million at December 31, 2000 (1999: \$210 million).

**14 Investments - securities and short-term securities****(a) Investments - securities**

Investments - securities mainly comprises a portfolio of equity and debt securities required to be held long term by the Group insurance companies as security for their insurance activities. These securities are classified as available for sale. Of these, \$596 million at December 31, 2000 (1999: \$580 million) are debt securities, the maturities of the greater part of which exceed five years.

**(b) Short-term securities (including those classified as cash equivalents)**

The total carrying amount of short-term securities, including those classified as cash equivalents, is \$7,047 million at December 31, 2000 (1999: \$781 million). Of these, \$6,460 million are of a trading nature (1999: \$495 million). The remainder are debt securities which are classified as available for sale.

Short-term securities at December 31, 2000 amounting to \$174 million (1999: \$121 million) are listed on recognised stock exchanges.

**15 Debt****(a) Short-term debt**

	\$ million	
	2000	1999
Debentures and other loans	1,222	4,885
Amounts due to banks and other credit institutions (including long-term debt due within one year)	2,094	1,991
	3,316	6,876
Capitalised lease obligations	41	46
<b>Short-term debt</b>	<b>3,357</b>	<b>6,922</b>
less long-term debt due within one year	1,499	1,668
Short-term debt excluding long-term debt due within one year	1,858	5,254

The following relates only to short-term debt excluding long-term debt due within one year:

	\$ million	
	2000	1999
Maximum amount outstanding at the end of any quarter	3,384	8,950
Average amount outstanding	3,298	7,131
Amounts due to banks and other credit institutions	1,589	1,536
Unused lines of short-term credit	6,541	7,104
Approximate average interest rate on:		
average amount outstanding	7%	6%
amount outstanding at December 31	10%	6%

**(b) Long-term debt**

	\$ million	
	2000	1999
Debentures and other loans	1,649	1,963
Amounts due to banks and other credit institutions	2,166	3,645
	3,815	5,608
Capitalised lease obligations	235	401
<b>Long-term debt</b>	<b>4,070</b>	<b>6,009</b>
add long-term debt due within one year	1,499	1,668
Long-term debt including long-term debt due within one year	5,569	7,677

Pledges of assets have been given, mainly in respect of bank loans, to the extent of \$1,506 million at December 31, 2000 (1999: \$1,594 million).

Unused lines of long-term credit amounted to \$218 million at December 31, 2000 (1999: \$767 million).

The remainder of this note relates to long-term debt including the short-term part but excluding capitalised lease obligations.

Long-term debt denominated in dollars amounted to \$4,669 million at December 31, 2000 (1999: \$5,806 million). The approximate weighted average interest rate in 2000 was 7% for dollar debt and 7% for total debt.

The aggregate maturities of long-term debts are:

	\$ million
2001	1,458
2002	1,308
2003	959
2004	346
2005	194
2006-2010	1,008

## Notes to Financial Statements

continued

48

### 16 Commitments

#### (a) Leasing arrangements

The future minimum lease payments under operating leases and capital leases, and the present value of net minimum capital lease payments at December 31, 2000 were as follows:

	\$ million	
	Operating leases	Capital leases
2001	1,401	49
2002	859	43
2003	711	61
2004	508	48
2005	399	46
2006 and after	2,056	209
Total minimum payments	5,934	456
less executory costs and interest		160
Present value of net minimum capital lease payments		296

In general, the above future minimum operating lease payments are calculated on a time basis. The figures represent minimum commitments existing at December 31, 2000 and are not a forecast of future total rental expense.

Total rental expense for all operating leases was as follows:

	\$ million		
	2000	1999	1998
Minimum rentals	1,197	1,223	1,615
Contingent rentals	121	162	167
Sub-lease rentals	(107)	(100)	(204)
	1,211	1,285	1,578

#### (b) Long-term purchase obligations

Group companies have unconditional long-term purchase obligations associated with financing arrangements. The aggregate amount of payments required under such obligations at December 31, 2000 is as follows:

	\$ million
2001	241
2002	256
2003	299
2004	268
2005	243
2006 and after	3,228
	4,535

The agreements under which these unconditional purchase obligations arise relate mainly to the purchase of chemicals feedstock and of utilities and to the use of pipelines.

Payments under these agreements, which include additional sums depending upon actual quantities of supplies, amounted to \$190 million in 2000 (1999: \$181 million).

### 17 Accounts payable and accrued liabilities

	\$ million	
	2000	1999
Trade payables	10,687	9,282
Amounts due to associated companies	1,314	913
Pensions and similar obligations	187	192
Other payables (Notes 13 and 28(d))	9,773	3,280
Accruals and deferred income	4,652	4,441
	26,613	18,108

### 18 Long-term liabilities - Other

This includes amounts in respect of liabilities from risk management activities, advance payments under long-term supply contracts, deposits, liabilities under staff benefit programmes, deferred income and environmental liabilities. The amount includes \$683 million at December 31, 2000 (1999: \$562 million) which does not fall due until more than five years after the respective balance sheet dates.

**19 Statement of Cash Flows**

This statement reflects the cash flows arising from the activities of Group companies as measured in their own currencies, translated to dollars at quarterly average rates of exchange.

Accordingly, the cash flows recorded in the Statement of Cash Flows exclude both the currency translation differences which arise as a result of translating the assets and liabilities of non-dollar Group companies to dollars at year-end rates of exchange (except for those arising on cash and cash equivalents) and non-cash investing and financing activities. These currency translation differences and non-cash investing and financing activities must therefore be added to the cash flow movements at average rates in order to arrive at the movements derived from the Statement of Assets and Liabilities.

2000	\$ million			
	Movements arising from currency translation	Movements from Statement of Cash Flows	Non-cash movements	Movements derived from Statement of Assets and Liabilities
Tangible and intangible fixed assets	(2,331)	(8,441)	(148)	(10,920)
Investments - associates	(429)	927	1,464	1,962
Inventories	(535)	1,268	(587)	146
Accounts receivable	(838)	10,007	(1,161)	8,008
Cash and cash equivalents	(75)	7,463	-	7,388
Short-term debt	535	3,271	(206)	3,600
Short-term part of long-term debt	(159)	124	-	(35)
Accounts payable and accrued liabilities	(168)	(9,741)	1,404	(8,505)
Taxes payable	408	(967)	(465)	(1,024)
Long-term debt	169	1,793	(23)	1,939
Deferred taxation and other provisions	554	(491)	332	395
Other	(156)	(1,273)	(610)	(2,039)
Adjustment for Parent Companies' shares held by Group companies and Other comprehensive income excluding currency translation differences	308	200	-	-
	(2,717)	4,140	-	915

The main non-cash movements relate to the contribution of assets and liabilities to associated companies (refer to Note 6(b)).

Income taxes paid by Group companies totalled \$8.8 billion in 2000 (1999: \$4.6 billion; 1998: \$4.0 billion). Interest paid by Group companies was \$0.9 billion in 2000 (1999: \$1.0 billion; 1998: \$1.1 billion).

**20 Employee emoluments and numbers****(a) Emoluments**

	\$ million		
	2000	1999	1998
Remuneration	4,560	4,980	5,260
Social law taxes	390	467	476
Pensions and similar obligations (Note 21)	(577)	(10)	245
	4,373	5,437	5,981

**(b) Average numbers**

	thousands		
	2000	1999	1998
Exploration and Production	13	14	16
Downstream Gas and Power	2	1	1
Oil Products	58	57	58
Chemicals	14	18	20
Other	8	9	7
	95	99	102

**(c) Year-end numbers**

	thousands		
	2000	1999	1998
Exploration and Production	13	13	15
Downstream Gas and Power	2	1	1
Oil Products	58	56	58
Chemicals	10	17	20
Other	7	9	8
	90	96	102

In addition to remuneration above, there were charges in 2000 relating to provisions for redundancy of \$120 million (1999: \$386 million; 1998: \$616 million).

In 1999 the charges relate to 4,500 employees, mainly in the Exploration and Production, Oil Products and Chemicals segments; in 1998 the charges relate to 4,700 employees, mainly in the Oil Products and Chemicals segments. By December 31, 2000 a total of 7,600 of those affected had left employment.

The amounts of the provisions made in 1999 and 1998 and the related movements up to December 31, 2000 are given in the following table. Payment of the provisions remaining at December 31, 2000 is expected to take place during 2001.

Provisions recorded in		Cumulative payments made at Dec 31 2000		Currency translation effects and other movements	Provisions at Dec 31 2000
1999	1998				
386	616	(719)		(104)	179

## Notes to Financial Statements

continued

50

### 21 Employee retirement plans and other postretirement benefits

Retirement plans are provided for permanent employees of all major Group companies. The nature of such plans varies according to the legal and fiscal requirements and economic conditions of the country in which the employees are engaged. Generally, the plans provide defined benefits based on employees' years of service and average final remuneration.

Some Group companies have established unfunded defined benefit plans to provide certain postretirement health care and life insurance benefits to their retirees, the entitlement to which is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period.

Plan assets principally comprise marketable securities and property holdings.

	Pension benefits		Other benefits					
	2000	1999	2000			1999		
			USA	Other	Total	USA	Other	Total
<b>Change in benefit obligation</b>								
Obligations for benefits based on employee service to date at January 1	30,808	34,265	728	322	1,050	912	394	1,306
Increase in present value of the obligation for benefits based on employee service during the year	681	758	10	4	14	17	10	27
Interest on the obligation for benefits in respect of employee service in previous years	1,700	1,719	61	16	77	54	17	71
Benefit payments made	(1,651)	(1,740)	(48)	(17)	(65)	(41)	(27)	(68)
Currency translation effects/other components	(118)	(4,194)	87	(63)	24	(214)	(72)	(286)
Obligations for benefits based on employee service to date at December 31 <sup>a</sup>	31,420	30,808	838	262	1,100	728	322	1,050
<b>Change in plan assets</b>								
Plan assets held in trust at fair value at January 1	48,141	42,999						
Actual return on plan assets	(1,254)	9,610						
Employer contributions	211	232						
Plan participants' contributions	21	22						
Benefit payments made	(1,651)	(1,740)						
Currency translation effects/other components	(3,135)	(2,982)						
Plan assets held in trust at fair value at December 31 <sup>a</sup>	42,333	48,141						
<b>Plan assets in excess of/(less than) the present value of obligations for benefits at December 31</b>	<b>10,913</b>	<b>17,333</b>	<b>(838)</b>	<b>(262)</b>	<b>(1,100)</b>	<b>(728)</b>	<b>(322)</b>	<b>(1,050)</b>
Unrecognised net (gains)/losses remaining from the adoption of current method of determining pension costs	(136)	(221)						
Unrecognised net (gains)/losses since adoption	(9,120)	(15,923)	11	12	23	(178)	21	(157)
Unrecognised prior service cost/(credit)	1,159	550	(7)	-	(7)	(9)	2	(7)
Net amount recognised	2,816	1,739	(834)	(250)	(1,084)	(915)	(299)	(1,214)
<b>Amounts recognised in the Statement of Assets and Liabilities consist of:</b>								
Prepaid benefit costs	3,844	3,082						
Accrued benefit liabilities	(1,341)	(1,541)	(834)	(250)	(1,084)	(915)	(299)	(1,214)
Accumulated other comprehensive income	313	198						
Net amount recognised	2,816	1,739	(834)	(250)	(1,084)	(915)	(299)	(1,214)

<sup>a</sup> For employee retirement plans with benefit obligation in excess of plan assets, the respective amounts at December 31, 2000 were benefit obligations of \$2,526 million (1999: \$2,885 million) and plan assets of \$1,767 million (1999: \$2,110 million). The obligation for pension benefits at December 31, 2000 in respect of unfunded plans was \$623 million (1999: \$670 million).



**21 Employee retirement plans and other postretirement benefits continued**

Benefit costs for the year comprise:

	Pension benefits									Other benefits		
	2000	1999	1998	USA	Other	Total	USA	Other	Total	USA	Other	Total
Service cost	681	758	808	10	4	14	17	10	27	19	10	29
Interest cost	1,700	1,719	1,938	61	16	77	54	17	71	57	18	75
Expected return on plan assets	(2,839)	(2,637)	(2,695)									
Net total of other components	(284)	(32)	(6)	(3)	2	(1)	(3)	3	-	(31)	4	(27)
Cost of defined benefit plans	(742)	(192)	45	68	22	90	68	30	98	45	32	77
Payments to defined contribution plans	75	84	123									
	(667)	(108)	168	68	22	90	68	30	98	45	32	77

Discount rates, projected rates of remuneration growth and expected rates of return on plan assets vary for the different plans as they are determined in the light of local conditions. The weighted averages applicable for the principal plans in the Group are:

	Pension benefits				Other benefits	
	2000	1999	2000	1999	2000	1999
			USA	Other	USA	Other
Discount rate	6.1%	6.0%	7.5%	6.3%	7.8%	6.1%
Projected rate of remuneration growth	4.0%	3.7%				
Expected rate of return on plan assets	7.7%	7.4%				
Health care cost trend rate in year after reporting year			7.0%	2.8%	6.0%	2.7%
Ultimate health care cost trend rate			5.0%	1.5%	5.0%	1.4%
Year ultimate health care cost trend rate is applicable			2005	2002	2002	2001

The effect of a one percentage point increase/(decrease) in the annual rate of increase in the assumed health care cost trend rates would be to increase/(decrease) annual postretirement benefit cost by approximately \$13 million/(\$11 million) and the accumulated postretirement benefit obligation by approximately \$139 million/(\$120 million).

**22 Stock options and Parent Companies' shares held by Group companies**

Certain Group companies have outstanding stock options granted to executives and other key employees of those and other Group companies. The options are granted, according to the particular option plan, for periods of not more than five or ten years at prices not less than the market value at the date of granting the option. Options for periods of ten years are subject to a vesting period of three years.

The Senior Executive Stock Option Scheme has been in operation for over 30 years providing stock options to the most senior executives of the Group outside the US and Canada from time to time. Beginning in 1995, options were granted to a larger group, now over 1,100 managers. This enlargement was part of a move to performance-related pay for the wider management cadre of the Group which, by aligning remuneration with shareholder interest, is intended to support the drive for continuous enhancement in business performance.

In 2000 50% of the stock options granted to the most senior executives were made subject to performance conditions with a three-year vesting period. Also in 2000 stock options were granted to senior and key staff of a US Group company under a new scheme of that company for a period of ten years with a 1-3 year vesting period and, for senior staff, subject to similar performance conditions.

## Notes to Financial Statements

continued

52

### 22 Stock options and Parent Companies' shares held by Group companies continued

The following table shows, in respect of these plans, the options exercised and options granted during the year, and the number of shares under option at December 31, 2000:

	Exercised	Granted	Under option
Royal Dutch ordinary shares	1,000,400	5,681,020	10,214,460
Shell Transport Ordinary shares	5,948,020	13,551,400	41,936,904
Shell Canada common shares	287,056	800,500	2,559,550 <sup>a</sup>

<sup>a</sup> Unissued.

In connection with other incentive compensation plans linked to the appreciation in value of Royal Dutch ordinary shares, at December 31, 2000 a Group company holds 8,603,200 (1999: 8,148,600) Royal Dutch ordinary shares in order to hedge a portion of these plans' obligations. The carrying amount of these shares at December 31, 2000 is \$505 million (1999: \$487 million).

The Shell Petroleum Company Limited and Shell Petroleum N.V. each operate a savings-related stock option scheme, under which options are granted over shares of Shell Transport at prices not less than the market value on a date not more than 30 days before the date of the grant of option and are normally exercisable after completion of a three-year or five-year contractual savings period.

The following table shows, in respect of these plans, the options exercised and options granted during the year, and the number of shares under option at December 31, 2000.

	Exercised	Granted	Under option
Shell Transport Ordinary shares	6,249,129	2,538,510	19,537,725

Parent Companies' shares held by Group companies at December 31 in connection with stock option plans were as follows:

	2000	1999
Royal Dutch ordinary shares	8,092,206	5,944,206
Shell Transport Ordinary shares	60,277,872	60,762,655

In addition, 33,600 shares of Royal Dutch were held by Group companies at December 31, 1999 and 2000.

The net cost of these shares at December 31, 2000 is \$806 million (1999: \$624 million) and, together with the shares with a carrying amount of \$505 million (1999: \$487 million) held in connection with other incentive compensation plans, is reflected as a deduction from Parent Companies' interest in Group net assets.

### 23 Decommissioning and restoration costs

For the purposes of calculating provisions for decommissioning and restoration costs, estimated total ultimate liabilities of \$3.6 billion at December 31, 2000 (1999: \$3.8 billion) were used. Such estimates are subject to various regulatory and technological developments.

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**24 Information by geographical area and by industry segment****(a) Geographical area**

	2000		1999		\$ million	
	Net proceeds	Fixed assets	Net proceeds	Fixed assets	Net proceeds	Fixed assets
Europe	68,060	22,102	51,820	26,336	44,374	29,487
Other Eastern Hemisphere	34,144	22,767	21,068	23,612	17,785	22,255
USA	26,089	15,884	17,306	19,815	16,603	22,426
Other Western Hemisphere	20,853	8,977	15,172	8,766	14,930	8,590
<b>Total Group</b>	<b>149,146</b>	<b>69,730</b>	<b>105,366</b>	<b>78,529</b>	<b>93,692</b>	<b>82,758</b>

**(b) Industry segment****2000**

	\$ million					
	Total Group	Exploration and Production	Downstream Gas and Power	Oil Products	Chemicals	Corporate and Other
Sales						
third parties	149,146	13,468	15,991	104,002	15,205	480
inter-segment	14,326	496	2,280	1,102	-	-
<b>Net proceeds</b>	<b>27,794</b>	<b>16,487</b>	<b>106,282</b>	<b>16,307</b>	<b>480</b>	
Operating profit/(loss)						
Group companies	20,641	17,681	(360)	2,789	876	(345)
Group share of associated companies	3,859	2,007	646	990	240	(24)
	24,500	19,688	286	3,779	1,116	(369)
Interest and other income	974	136	198	223	64	353
Interest expense	1,324	15	473	763	275	(202)
Currency exchange gains/(losses)	(114)	(51)	(6)	(33)	(5)	(19)
Taxation	11,273	9,645	196	1,246	74	112
Income applicable to minority interests	44	233	(3)	(193)	7	-
<b>Net income</b>	<b>12,719</b>	<b>9,880</b>	<b>(188)</b>	<b>2,153</b>	<b>819</b>	<b>55</b>
<b>Total assets of December 31</b>	<b>122,498</b>	<b>36,155</b>	<b>17,767</b>	<b>41,860</b>	<b>12,989</b>	<b>13,727</b>
<b>Investments in associated companies at December 31</b>	<b>18,648</b>	<b>4,225</b>	<b>3,929</b>	<b>6,527</b>	<b>3,899</b>	<b>68</b>
<b>Capital expenditure and new investments in associated companies</b>	<b>7,370</b>	<b>3,994</b>	<b>769</b>	<b>1,456</b>	<b>977</b>	<b>174</b>
<b>Depreciation, depletion and amortisation charge</b>						
Impairment	1,785	105	697	824	104	55
Other	6,100	3,464	144	1,766	620	106

# Notes to Financial Statements

continued

54

## 24 Information by geographical area and by industry segment (b) Industry segment continued

1999

		\$ million				
	Total Group	Exploration and Production	Downstream Gas and Power	Oil Products	Chemicals	Corporate and Other
Sales						
third parties	105,366	9,474	9,729	72,450	12,886	827
inter-segment		8,849	295	1,570	748	-
<b>Net proceeds</b>		<b>18,323</b>	<b>10,024</b>	<b>74,020</b>	<b>13,634</b>	<b>827</b>
Operating profit/(loss)						
Group companies	12,911	8,510	84	3,646	880	(209)
Group share of associated companies	2,321	1,016	447	619	249	(10)
	15,232	9,526	531	4,265	1,129	(219)
Interest and other income	541	14	172	143	42	170
Interest expense	1,253	240	312	682	284	(265)
Currency exchange gains/(losses)	1	(23)	(5)	9	-	20
Taxation	5,696	4,599	139	952	(13)	19
Income applicable to minority interests	241	159	(6)	73	15	-
<b>Net income</b>	<b>8,584</b>	<b>4,519</b>	<b>253</b>	<b>2,710</b>	<b>885</b>	<b>217</b>
<b>Total assets at December 31</b>	<b>113,883</b>	<b>36,717</b>	<b>8,743</b>	<b>43,203</b>	<b>17,737</b>	<b>7,483</b>
<b>Investments in associated companies at December 31</b>	<b>16,686</b>	<b>4,222</b>	<b>2,965</b>	<b>6,496</b>	<b>2,828</b>	<b>175</b>
<b>Capital expenditure and new investments in associated companies</b>	<b>8,433</b>	<b>4,350</b>	<b>840</b>	<b>1,365</b>	<b>1,581</b>	<b>297</b>
<b>Depreciation, depletion and amortisation charge</b>						
Impairment	147	78	(69)	44	75	19
Other	6,373	3,411	155	2,001	682	124

1998

		\$ million				
	Total Group	Exploration and Production	Downstream Gas and Power	Oil Products	Chemicals	Corporate and Other
Sales						
third parties	93,692	8,119	7,796	64,738	12,272	767
inter-segment		7,400	192	1,876	849	-
<b>Net proceeds</b>		<b>15,519</b>	<b>7,988</b>	<b>66,614</b>	<b>13,121</b>	<b>767</b>
Operating profit/(loss)						
Group companies	3,860	3,583	(688)	2,123	(921)	(237)
Group share of associated companies	(756)	(1,840)	478	513	121	(28)
	3,104	1,743	(210)	2,636	(800)	(265)
Interest and other income	629	104	108	163	44	210
Interest expense	1,333	256	278	919	325	(445)
Currency exchange gains/(losses)	5	(12)	(4)	27	3	(9)
Taxation	1,913	1,735	(78)	422	(361)	195
Income applicable to minority interests	142	91	43	8	1	(1)
<b>Net income</b>	<b>350</b>	<b>(247)</b>	<b>(349)</b>	<b>1,477</b>	<b>(718)</b>	<b>187</b>
<b>Total assets at December 31</b>	<b>110,068</b>	<b>37,619</b>	<b>8,496</b>	<b>41,637</b>	<b>17,082</b>	<b>5,234</b>
<b>Investments in associated companies at December 31</b>	<b>16,686</b>	<b>3,991</b>	<b>2,280</b>	<b>7,226</b>	<b>2,995</b>	<b>194</b>
<b>Capital expenditure and new investments in associated companies</b>	<b>14,141</b>	<b>6,812</b>	<b>2,125</b>	<b>2,888</b>	<b>2,002</b>	<b>314</b>
<b>Depreciation, depletion and amortisation charge</b>						
Impairment	3,013	747	755	196	1,315	-
Other	6,410	3,183	174	2,019	920	114

**25 Oil and gas exploration and production activities****(a) Capitalised costs**

The aggregate amount of tangible and intangible fixed assets of Group companies relating to oil and gas exploration and production activities and the aggregate amount of the related depreciation, depletion and amortisation at December 31 are shown in the table below:

	\$ million		
	2000	1999	1998
<b>Cost</b>			
Proved properties	57,136	56,939	58,625
Unproved properties	2,308	2,394	2,696
Support equipment and facilities	1,586	1,724	1,654
	61,030	61,057	62,975
<b>Depreciation</b>			
Proved properties	34,672	33,157	33,403
Unproved properties	141	189	182
Support equipment and facilities	1,033	1,036	917
	35,846	34,382	34,502
<b>Net capitalised costs</b>	25,184	26,675	28,473

The Group share of associated companies' net capitalised costs was \$3,831 million at December 31, 2000 (1999: \$3,969 million; 1998: \$4,644 million).

**(b) Costs incurred**

Costs incurred by Group companies during the year in oil and gas property acquisition, exploration and development activities, whether capitalised or charged to income currently, are shown in the table below. Development costs exclude costs of acquiring support equipment and facilities, but include depreciation thereon.

	\$ million			
	Eastern Hemisphere		Western Hemisphere	
	Europe	Other	USA	Other
<b>Acquisition of properties</b>				
Proved	1	-	69	-
Unproved	4	118	34	57
Exploration	79	421	305	115
Development	912	1,063	809	575

	\$ million			
	Eastern Hemisphere		Western Hemisphere	
	Europe	Other	USA	Other
<b>Acquisition of properties</b>				
Proved	4	4	-	-
Unproved	1	41	8	26
Exploration	169	468	324	146
Development	1,025	1,542	741	464

1998

	Eastern Hemisphere		Western Hemisphere		\$ million
	Europe	Other	USA	Other	Total
<b>Acquisition of properties</b>					
Proved	1	-	2	207	210
Unproved	40	133	91	183	447
Exploration	396	763	553	269	1,981
Development	1,756	1,710	1,119	564	5,149

The Group share of associated companies' costs incurred was \$227 million in 2000 (1999: \$335 million; 1998: \$437 million).

**(c) Earnings**

Earnings of Group companies from exploration and production activities are given in the table below. These exclude certain financing items and related tax effects. In addition, certain purchases of traded product are netted into sales.

	\$ million			
	Eastern Hemisphere		Western Hemisphere	
	Europe	Other	USA	Other
<b>2000</b>				
<b>Sales</b>				
third parties	5,378	2,296	3,199	1,197
intra-group	3,714	7,763	2,165	666
Net proceeds	9,092	10,059	5,364	1,863
Production costs*	1,493	2,695	427	538
Exploration expense	89	399	190	75
Depreciation, depletion and amortisation	1,429	872	953	315
Other income/(costs)	207	530	378	(314)
Earnings before taxation	6,288	6,623	4,172	621
Taxation	2,792	4,266	1,404	173
Earnings from operations	3,496	2,357	2,768	448

	\$ million			
	Eastern Hemisphere		Western Hemisphere	
	Europe	Other	USA	Other
<b>1999</b>				
<b>Sales</b>				
third parties	4,637	1,690	1,542	649
intra-group	2,165	4,691	1,491	500
Net proceeds	6,802	6,381	3,033	1,149
Production costs*	1,541	2,155	537	295
Exploration expense	247	446	196	171
Depreciation, depletion and amortisation	1,648	711	851	279
Other income/(costs)	(226)	12	263	81
Earnings before taxation	3,140	3,081	1,712	485
Taxation	1,206	2,158	516	260
Earnings from operations	1,934	923	1,196	225



## Notes to Financial Statements

continued

56

### 25 Oil and gas exploration and production activities (c) Earnings continued

1998					\$ million
	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other	
Sales					
third parties	4,271	1,258	1,221	439	7,189
intra-group	1,873	3,602	1,448	476	7,399
Net proceeds	6,144	4,860	2,669	915	14,588
Production costs <sup>a</sup>	1,712	2,050	711	294	4,767
Exploration expense	351	591	361	288	1,591
Depreciation, depletion and amortisation	1,314	715	1,171	730	3,930
Other income/(costs)	(375)	209	(382)	(167)	(715)
Earnings before taxation	2,392	1,713	44	(564)	3,585
Taxation	1,096	1,149	(721)	72	1,596
Earnings from operations	1,296	564	765	(636)	1,989

Taxation includes benefits relating to impairment charges reflected in associated companies' earnings.

<sup>a</sup> Includes certain royalties paid in cash amounting to \$1,923 million in 2000 (1999: \$1,011 million; 1998: \$814 million).

The Group share of associated companies' earnings was \$990 million in 2000 (1999: \$475 million; 1998: \$(2,049) million) after deducting taxation of \$1,017 million in 2000 (1999: \$541 million; 1998: \$208 million). These exclude certain financing items and related tax effects.

### 26 Auditors' remuneration

Remuneration of KPMG and PricewaterhouseCoopers	\$ million		
	2000	1999	1998
Audit fees	17	18	18
Fees for non-audit services	47	30	41

### 27 Contingencies and litigation

Two production joint ventures, in which the Group has an interest and which are based in the Netherlands and in Germany respectively, have co-operated to extract gas on an equal basis from a common border area. In the process of the final redetermination of gas reserves in the common area it emerged that the German joint venture has in good faith received considerable quantities of gas in excess of its entitlement. A dispute between the parties involved relating to compensation in respect of the over-delivery was finally settled by an arbitral award rendered in 1999. There are however, other issues which remain outstanding: in particular, the recovery of royalties paid in respect of the over-delivery and governmental levies on the compensation awarded. At this time the ultimate cost cannot be established with reasonable certainty.

Certain other contingent liabilities of Group companies, arising mainly from guarantees for performance obligations, customs duties and third-party indebtedness, amounted to \$4.8 billion at December 31, 2000 (1999: \$1.9 billion).

Group companies are subject to a number of other loss contingencies arising out of litigation and claims brought by governmental and private parties. In the judgement of the Directors of the Group Holding Companies no losses, in excess of provisions made, which are material in relation to the Group financial position are likely to arise in respect of the foregoing matters, although their occurrence may have a significant effect on periodic results.

The operations and earnings of Group companies continue, from time to time, to be affected to varying degrees by political, legislative, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which they operate. The industries in which Group companies are engaged are also subject to physical risks of various types. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings, are unpredictable.

### 28 Financial instruments

Group companies, in the normal course of business, use various types of financial instruments which expose the Group to market or credit risk. These include those recognised in the Statement of Assets and Liabilities (on-balance sheet) and derivative financial instruments. To the extent that financial instruments are used to manage exposures, estimated fair values of these instruments will offset, and be recognised concurrently with, gains and losses associated with the underlying transactions.

Group companies have procedures and policies in place to limit the amount of credit exposure to any counterparty or market. These procedures and the broad geographical spread of Group companies' activities limit the Group's exposure to concentrations of credit or market risk.

In the event of a counterparty defaulting on payments due to Group companies the resulting losses, if any, would be limited to the fair values of the instruments on which the default occurred. The contract/notional amounts of the financial instruments outstanding give an indication of the extent that these financial instruments are used but not of the exposure to credit or market risk.

A new US accounting standard (FAS 133), as amended, requires all derivative instruments to be recorded in the Statement of Assets and Liabilities at their fair value. The standard will be effective for the Group from 2001 and requires a transition adjustment as at January 1, 2001 to be recorded in the 2001 Financial Statements. Adoption of the standard will not have a significant effect on the Group's Financial Statements and the transition adjustment will be negligible.

Additional data related to derivatives and risk disclosures, required by the United States Securities and Exchange Commission, are given in the 2000 Annual Report on Form 20-F of Royal Dutch and Shell Transport. (See inside back cover for details of where to obtain a copy.)

**28 Financial instruments continued****(a) On-balance sheet financial instruments**

Financial instruments in the Statement of Assets and Liabilities include fixed assets: investments – securities, trade receivables, short-term securities, cash and cash equivalents, short-term and long-term debt. The estimated fair values of these instruments approximate their carrying amounts.

The remainder of this note relates to derivative instruments.

**(b) Interest rate risk**

Some Group companies, primarily those with specialist treasury operations, use derivatives, such as interest rate swaps/forward rate agreements and interest rate caps, to manage their exposure to movements in interest rates and thus to help achieve target levels of interest income or expense. The financing of most Operating Companies is structured on a floating-rate basis and, except in special cases, further interest rate risk management is discouraged. The effect of these derivatives is reflected, as appropriate, in interest expense or interest income.

The total contract/notional amounts and estimated fair values of Group companies' interest rate swaps/forward rate agreements and interest rate caps at December 31 are given in the table below:

	2000		\$ million 1999	
	Contract/ notional amount	Estimated fair value	Contract/ notional amount	Estimated fair value
Interest rate swaps/forward rate agreements and interest rate caps	3,113	(26)	4,435	(54)

The amount of hedging gains or losses on these instruments which had been deferred at December 31, 2000 and at December 31, 1999 in respect of firm commitments was not significant.

**(c) Foreign exchange risk**

Foreign exchange derivatives, including forward exchange contracts and currency swaps/options, are used by some Group companies. Group companies do not trade in these derivatives, but rather use forward exchange contracts to maintain an appropriate currency balance for investments of a trading nature. Group companies also use these instruments to hedge future transactions and cash flows.

The total contract/notional amounts and estimated fair values of Group companies' forward exchange contracts and currency swaps at December 31 are given in the table below:

	2000		\$ million 1999	
	Contract/ notional amount	Estimated fair value	Contract/ notional amount	Estimated fair value
Forward exchange contracts	5,247	(52)	4,583	(2)
Currency swaps	1,031	24	1,644	(29)

In addition, Group companies held put and call options at December 31, 2000 each with a contract/notional amount of \$0.4 billion (1999: \$0.4 billion) and a total estimated fair value of \$(7) million (1999: \$(4) million).

The amount of hedging gains or losses on these instruments which had been deferred at December 31, 2000 and at December 31, 1999 in respect of firm commitments was not significant.

**(d) Commodities**

Some Group companies operate as traders in crude oil, natural gas and oil products. These companies use commodity swaps and options in the management of their price and timing risks. In addition, some other Group companies use commodity swaps and options to hedge the price and timing risks on underlying business transactions. The effects of transactions in these instruments are reflected in sales and purchase costs.

The total contract/notional amounts and estimated fair values of Group companies' commodity swaps/options at December 31 are given in the table below:

	2000		\$ million 1999	
	Contract/ notional amount	Estimated fair value	Contract/ notional amount	Estimated fair value
Trading purposes				
Assets	22,115	8,144	7,381	478
Liabilities	21,068	(7,877)	6,427	(491)
Not for trading purposes	297	(46)	180	6

The average fair values of commodity swaps/options used for trading purposes during 2000 were: assets of \$2,834 million (1999: \$314 million) and liabilities of \$2,708 million (1999: \$308 million). Trading gains of \$589 million arising on commodity swaps/options were included in 2000 income (1999: gains of \$64 million). These gains, which are offset in the Group's net income by losses on physical sales and purchases, and the significant increase in contract/notional amounts and estimated fair values compared with 1999, reflect the increase in US natural gas prices. With respect to these trading activities, the net exposure at December 31, 2000 to a movement in oil and gas prices is not significant.

Group companies also enter into forward sales and purchase contracts for commodities which may be settled by the physical delivery or receipt of the commodity. These contracts are not included in the above amounts.

## Supplementary information - oil and gas

58

### Reserves

Net quantities of proved oil and gas reserves are shown in the tables on this page and pages 59 and 60. Proved reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. The reserves reported exclude volumes attributable to oil and gas discoveries which are not at present considered proved. Such reserves will be included when technical, fiscal and other conditions allow them to be economically developed and

produced. Proved reserves are shown net of any quantities of crude oil or natural gas that are expected to be taken by others as royalties in kind but do not exclude certain quantities related to royalties expected to be paid in cash or those related to fixed margin contracts. Proved reserves include certain quantities of crude oil or natural gas which will be produced under arrangements which involve Group companies in upstream risks and rewards but do not transfer title of the product to those companies.

*Oil and gas reserves cannot be measured exactly since estimation of reserves involves subjective judgement and arbitrary determinations. Estimates remain subject to revision.*

### Crude oil and natural gas liquids

Group companies' estimated net proved reserves of crude oil and natural gas liquids at the end of the year, their share of the net proved reserves of associated companies at the end of the year, and the changes in such reserves during the year are set out below.

#### Proved developed and undeveloped reserves

Proved developed and undeveloped reserves															million barrels
	2000					1999					1998				
	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other		Europe	Other	USA	Other		Europe	Other	USA	Other	
<b>Group companies</b>															
At January 1	1,330	6,143	578	458	8,509	1,515	5,782	940	542	8,779	1,423	5,156	1,034	741	8,354
Revisions and reclassifications	81	210	15	99	405	1	430	(31)	22	422	268	884	40	(115)	1,077
Improved recovery	45	143	-	91	279	2	80	-	-	82	12	22	-	-	34
Extensions and discoveries	12	188	126	1	327	43	219	63	-	325	28	104	40	2	174
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-	-	30	1	8	39
Sales of minerals in place	(71)	(44)	(6)	-	(121)	(4)	(27)	(279)	(66)	(376)	(1)	(40)	(31)	(47)	(119)
Transfers to associated companies in the USA	-	-	-	-	-	-	-	-	-	-	-	-	(27)	-	(27)
Production	(224)	(364)	(102)	(39)	(729)	(227)	(341)	(115)	(40)	(723)	(215)	(374)	(117)	(47)	(753)
At December 31	1,173	6,276	611	610	8,670	1,330	6,143	578	458	8,509	1,515	5,782	940	542	8,779
<b>Group share of associated companies</b>															
At January 1	1	448	817	-	1,266	2	426	824	-	1,252	2	394	931	-	1,327
Revisions and reclassifications	-	121	(26)	-	95	(1)	25	59	-	83	-	56	(137)	-	(81)
Improved recovery	-	17	2	-	19	-	18	17	-	35	-	-	-	-	-
Extensions and discoveries	-	55	1	-	56	-	12	2	-	14	-	8	-	-	8
Purchases of minerals in place	-	62	-	-	62	-	3	1	-	4	-	-	77	-	77
Sales of minerals in place	-	(12)	(302)	-	(314)	-	-	(17)	-	(17)	-	-	-	-	-
Transfers from Group companies in the USA	-	-	-	-	-	-	-	-	-	-	-	-	27	-	27
Production	-	(52)	(51)	-	(103)	-	(36)	(69)	-	(105)	-	(32)	(74)	-	(106)
At December 31	1	639	441	-	1,081	1	448	817	-	1,266	2	426	824	-	1,252
<b>Total</b>					<b>9,751</b>					<b>9,775</b>					<b>10,031</b>
<b>Minority interests' share of proved reserves of Group companies</b>															
At December 31	-	54	-	78	132	-	63	-	65	128	-	62	-	78	140

### Oil sands

#### Group companies (before deduction of minority interests)

At December 31	-	-	-	600	600	-	-	-	600	600	-	-	-	-	-	-
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**Reserves****Crude oil and natural gas liquids continued****Proved developed reserves**

million barrels

	2000					1999					1998				
	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other		Europe	Other	USA	Other		Europe	Other	USA	Other	
<b>Group companies</b>															
At January 1	916	2,303	340	274	4,033	963	2,314	502	271	4,050	794	1,991	513	342	3,640
At December 31	872	2,332	351	257	3,812	916	2,505	340	274	4,035	963	2,314	502	271	4,050
<b>Group share of associated companies</b>															
At January 1	1	213	638	-	852	1	178	673	-	852	1	172	688	-	861
At December 31	1	292	364	-	657	1	213	638	-	852	1	178	673	-	852

**Natural gas**

Group companies' estimated net proved reserves of natural gas at the end of the year, their share of the net proved reserves of associated companies at the end of the year, and the changes in such reserves during the year are set out below.

These quantities have not been adjusted to standard heat content.

**Proved developed and undeveloped reserves**

thousand million standard cubic feet

	2000					1999					1998				
	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other		Europe	Other	USA	Other		Europe	Other	USA	Other	
<b>Group companies</b>															
At January 1	24,828	21,086	3,400	3,533	52,847	24,848	22,139	4,185	3,161	54,333	24,848	17,136	4,604	3,177	49,765
Revisions and reclassifications	211	(548)	(39)	206	(170)	696	(322)	47	711	1,132	1,075	3,760	97	(75)	4,857
Improved recovery	103	213	-	-	320	13	65	-	-	78	6	1	-	-	7
Extensions and discoveries	53	178	636	29	918	549	392	329	1	1,271	185	107	374	80	746
Purchases of minerals in place	-	5	50	-	55	4	3	-	-	7	-	1,737	-	217	1,954
Sales of minerals in place	(117)	(139)	(78)	(32)	(366)	-	(674)	(522)	(118)	(1,314)	(10)	(153)	(133)	(50)	(346)
Transfers to associated companies in the USA	-	-	-	-	-	-	-	-	-	-	-	-	(139)	-	(139)
Production	(1,281)	(665)	(586)	(230)	(2,762)	(1,282)	(517)	(639)	(222)	(2,660)	(1,256)	(449)	(618)	(188)	(2,511)
At December 31	23,801	20,132	3,403	3,506	50,842	24,828	21,086	3,400	3,533	52,847	24,848	22,139	4,185	3,161	54,333
<b>Group share of associated companies</b>															
At January 1	52	5,047	595	-	5,694	44	5,605	480	-	6,129	34	5,793	539	-	6,366
Revisions and reclassifications	6	346	(209)	-	143	(1)	(396)	151	-	(246)	3	(48)	(150)	-	(195)
Improved recovery	-	-	2	-	2	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	4	147	5	-	156	15	56	25	-	96	12	86	-	-	98
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-	-	-	8	-	8
Sales of minerals in place	-	(19)	(292)	-	(311)	-	-	(4)	-	(4)	-	-	-	-	-
Transfers from Group companies in the USA	-	-	-	-	-	-	-	-	-	-	-	-	139	-	139
Production	(6)	(222)	(15)	-	(243)	(6)	(218)	(57)	-	(281)	(5)	(226)	(56)	-	(287)
At December 31	56	5,299	86	-	5,441	52	5,047	595	-	5,694	44	5,605	480	-	6,129
<b>Total</b>					<b>56,283</b>					<b>58,541</b>					<b>60,462</b>
<b>Minority interests' share of proved reserves of Group companies</b>															
At December 31	-	292	-	658	950	-	242	-	686	928	-	314	-	609	923

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## Supplementary information – oil and gas

continued

60

Panel Dated: 15/11/2007

### Reserves

#### Natural gas continued

#### Proved developed reserves

thousand million standard cubic feet

	2000						1999						1998					
	Eastern Hemisphere		Western Hemisphere		Total		Eastern Hemisphere		Western Hemisphere		Total		Eastern Hemisphere		Western Hemisphere		Total	
	Europe	Other	USA	Other			Europe	Other	USA	Other			Europe	Other	USA	Other		
<b>Group companies</b>																		
At January 1	13,650	6,261	2,714	2,725	25,350		14,633	5,142	3,117	1,706	24,598		12,372	3,712	3,017	1,830	20,931	
At December 31	12,986	6,314	2,347	2,542	24,189		13,650	6,261	2,714	2,725	25,350		14,633	5,142	3,117	1,706	24,598	
<b>Group share of associated companies</b>																		
At January 1	51	1,728	453	-	2,232		42	2,259	398	-	2,699		33	2,477	380	-	2,890	
At December 31	53	1,735	66	-	1,854		51	1,728	453	-	2,232		42	2,259	398	-	2,699	

#### Standardised measure of discounted future cash flows

United States accounting principles require the disclosure of a standardised measure of discounted future cash flows, relating to proved oil and gas reserve quantities and based on prices and costs at the end of each year, currently enacted tax rates and a 10% annual discount factor. The information so calculated does not provide a reliable measure of future cash flows from proved reserves, nor does it permit a realistic comparison to be made of one entity with another because the assumptions used cannot reflect the varying circumstances within each entity. In addition a substantial but unknown proportion of future real cash flows from oil and gas production activities is expected to derive from reserves which have already been discovered, but which cannot yet be regarded as proved.

	2000						1999						1998					
	Eastern Hemisphere		Western Hemisphere		Total		Eastern Hemisphere		Western Hemisphere		Total		Eastern Hemisphere		Western Hemisphere		Total	
	Europe	Other	USA	Other			Europe	Other	USA	Other			Europe	Other	USA	Other		
Future cash inflows	93,126	142,208	37,434	22,961	295,729		83,826	155,408	19,957	12,436	271,627		70,770	86,910	17,664	9,001	184,345	
Future production costs	16,836	17,547	3,090	4,453	41,926		18,126	18,101	3,057	2,604	41,888		21,340	18,115	5,973	2,781	48,209	
Future development costs	2,594	15,514	2,320	1,589	22,017		3,168	16,289	1,256	956	21,669		4,551	18,864	2,591	1,028	27,034	
Future tax expenses	32,091	66,206	12,020	6,608	116,925		24,928	72,218	5,580	2,559	105,285		17,989	27,227	2,614	1,812	49,642	
Future net cash flows	41,605	42,941	20,004	10,311	114,861		37,604	48,800	10,064	6,317	102,785		26,890	22,704	6,486	3,380	59,460	
Effect of discounting	18,656	22,032	6,828	4,304	51,820		15,920	26,196	3,107	2,763	47,986		12,592	12,587	2,030	1,582	28,791	
<b>Standardised measure of discounted future cash flows</b>	<b>22,949</b>	<b>20,909</b>	<b>13,176</b>	<b>6,007</b>	<b>63,041</b>		<b>21,684</b>	<b>22,604</b>	<b>6,957</b>	<b>3,554</b>	<b>54,799</b>		<b>14,298</b>	<b>10,117</b>	<b>4,456</b>	<b>1,798</b>	<b>30,669</b>	
Group share of associated companies					6,120						7,186						1,854	
Minority interests	-	360	-	895	1,255		-	337	-	500	837		-	106	-	324	430	

#### Change in standardised measure of discounted future cash flows

	2000		1999		1998	
At January 1		54,799		30,669		45,276
Net changes in prices and production costs		17,065		63,847		(43,260)
Extensions, discoveries and improved recovery		8,128		3,684		1,628
Purchases/(sales) of minerals in place		(404)		(5,943)		615
Movements to associated companies in the USA		-		-		(146)
Revisions of previous reserve estimates		(560)		(4,994)		6,012
Development cost related to future production		(1,967)		(772)		(3,800)
Sales and transfers of oil and gas, net of production costs		(21,225)		(12,837)		(9,821)
Development cost incurred during the year		2,952		3,772		5,149
Accretion of discount		9,538		3,167		8,442
Net change in income tax		(5,285)		(25,794)		20,574
<b>At December 31</b>		<b>63,041</b>		<b>54,799</b>		<b>30,669</b>

a The weighted average year-end oil price in 2000 was \$20.00/bbl (1999: \$21.13/bbl; 1998: \$10.68/bbl) and the weighted average year-end gas price in 2000 was \$14.91/bbl of oil equivalent (1999: \$11.06/boe; 1998: \$10.44/boe).

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## Summarised financial data

Income data					\$ million
	2000	1999	1998	1997	1996
<b>Sales proceeds</b>					
Oil and gas	175,372	135,472	124,712	155,998	156,542
Chemicals	15,658	13,408	12,795	14,822	14,609
Other	481	826	767	837	813
<b>Gross proceeds</b>	<b>191,511</b>	<b>149,706</b>	<b>138,274</b>	<b>171,657</b>	<b>171,964</b>
Sales taxes, excise duties and similar levies	42,365	44,340	44,582	43,502	43,651
<b>Net proceeds</b>	<b>149,146</b>	<b>105,366</b>	<b>93,692</b>	<b>128,155</b>	<b>128,313</b>
<b>Earnings by industry segment<sup>a</sup></b>					
Exploration and Production	9,880	4,519	(247)	4,569	4,871
Downstream Gas and Power	(188)	253	(349)	245	264
Oil Products	1,798	1,687	2,028	2,169	1,903
Chemicals	819	885	(718)	969	897
Other industry segments	(37)	(35)	(40)	122	(1)
<b>Total operating segments</b>	<b>12,272</b>	<b>7,309</b>	<b>674</b>	<b>8,074</b>	<b>7,934</b>
Corporate	92	252	227	51	340
<b>Earnings on an estimated current cost of supplies (CCS) basis<sup>b</sup></b>	<b>12,364</b>	<b>7,561</b>	<b>901</b>	<b>8,125</b>	<b>8,274</b>
CCS adjustment	355	1,023	(551)	(372)	612
<b>Net income</b>	<b>12,719</b>	<b>8,584</b>	<b>350</b>	<b>7,753</b>	<b>8,886</b>
<b>Assets and liabilities data (at December 31)</b>					\$ million
Total fixed and other long-term assets	76,568	83,491	87,469	85,974	85,731
Net current assets/(liabilities)	3,232	(3,071)	(8,541)	(1,161)	5,317
Total debt	7,427	12,931	13,810	10,607	11,816
<b>Parent Companies' interest in Group net assets</b>	<b>57,086</b>	<b>56,171</b>	<b>54,962</b>	<b>60,386</b>	<b>63,006</b>
Minority interests	2,881	2,842	2,701	2,216	3,415
<b>Capital employed</b>	<b>67,394</b>	<b>71,944</b>	<b>71,473</b>	<b>73,209</b>	<b>78,237</b>
<b>Cash flow data</b>					\$ million
<b>Cash flow provided by operating activities</b>	<b>18,359</b>	<b>11,059</b>	<b>14,729</b>	<b>16,730</b>	<b>16,619</b>
Capital expenditure (including capitalised leases)	6,209	7,409	12,859	12,274	11,023
<b>Cash flow used in investing activities</b>	<b>1,571</b>	<b>3,023</b>	<b>12,500</b>	<b>13,605</b>	<b>10,049</b>
Dividends paid	5,501	5,611	5,993	5,382	5,149
<b>Cash flow used in financing activities</b>	<b>9,125</b>	<b>6,256</b>	<b>3,582</b>	<b>6,088</b>	<b>5,753</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>7,388</b>	<b>1,326</b>	<b>(1,589)</b>	<b>(3,375)</b>	<b>943</b>
<b>Other statistics</b>					
Return on average capital employed <sup>c</sup>	19.5%	12.1%	2.8%	12.0%	12.0%
Total debt ratio <sup>d</sup>	11.0%	18.0%	19.3%	14.5%	15.1%

a Financing costs and minority interests are allocated to segments with effect from 1998. Comparative data for 1996 and 1997 have been restated.

b On this basis, cost of sales of the volumes sold in the period is based on the cost of supplies of the same period (instead of using the first-in first-out (FIFO) method of inventory accounting used by most Group companies) and allowance is made for the estimated tax effect. These earnings are more comparable with those of companies using the last-in first-out (LIFO) inventory basis after excluding any inventory drawdown effects.

c CCS earnings plus the Group share of interest expense, less tax on the interest expense, as a percentage of the Group share of average capital employed.

d Total debt as a percentage of capital employed.

## Summarised financial data

continued

62

### Capital investment

	\$ million				
	2000	1999	1998	1997	1996
<b>Capital expenditure<sup>a</sup></b>					
Exploration and Production	3,801	4,137	6,474	5,724	4,995
Downstream Gas and Power	288	470	1,816	47	36
Oil Products	1,258	1,338	2,776	3,818	4,308
Chemicals	726	1,178	1,491	2,422	1,409
Other	136	286	302	263	275
	<b>6,209</b>	<b>7,409</b>	<b>12,859</b>	<b>12,274</b>	<b>11,023</b>
<b>Exploration expense</b> (excluding depreciation and release of currency translation differences)	<b>753</b>	<b>1,062</b>	<b>1,595</b>	<b>1,160</b>	<b>1,122</b>
<b>New investments in associated companies</b>	<b>1,161</b>	<b>1,024</b>	<b>1,282</b>	<b>1,726</b>	<b>770</b>
<b>Other investments</b>	<b>414</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital investment<sup>a</sup></b>	<b>8,537</b>	<b>9,495</b>	<b>15,736</b>	<b>15,160</b>	<b>12,915</b>
<sup>a</sup> comprising					
Europe	1,881	2,654	4,889	5,185	4,832
Other Eastern Hemisphere	3,170	3,646	3,987	3,749	3,161
USA	1,861	1,822	4,695	4,232	3,671
Other Western Hemisphere	1,625	1,373	2,165	1,994	1,251
	<b>8,537</b>	<b>9,495</b>	<b>15,736</b>	<b>15,160</b>	<b>12,915</b>

### Quarterly income data

	2000				1999								\$ million
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	1998
Gross proceeds less sales taxes, excise duties and similar levies	50,811	49,478	46,042	45,180	43,799	40,147	34,368	31,392	34,604	33,141	34,579	35,950	
	10,538	10,802	10,111	10,914	11,586	11,361	10,772	10,621	11,662	11,160	11,179	10,581	
Net proceeds	40,273	38,676	35,931	34,266	32,213	28,786	23,596	20,771	22,942	21,981	23,400	25,369	
Cost of sales	31,999	31,429	28,204	26,696	25,341	22,441	18,189	15,868	21,378	17,170	18,499	19,627	
Gross profit	8,274	7,247	7,727	7,570	6,872	6,345	5,407	4,903	1,564	4,811	4,901	5,742	
Operating profit	5,891	6,016	6,512	6,081	4,713	4,471	3,240	2,808	(4,716)	2,081	2,518	3,221	
Net income <sup>b</sup>	3,113	3,060	3,211	3,335	2,582	2,378	1,946	1,678	(3,739)	896	1,497	1,696	
<b>Earnings on an estimated current cost of supplies basis<sup>c</sup></b>	<b>3,490</b>	<b>2,768</b>	<b>3,025</b>	<b>3,081</b>	<b>2,285</b>	<b>2,004</b>	<b>1,667</b>	<b>1,605</b>	<b>(3,568)</b>	<b>918</b>	<b>1,606</b>	<b>1,945</b>	

a Capital expenditure includes tangible and intangible fixed assets acquired on purchase of new Group companies and additional joint venture interests.

b The large decline in net income in the fourth quarter 1998 reflects special charges due mainly to the impairment of assets and to restructuring and redundancy charges. See Notes 6(a), 10 and 20 to the Group Financial Statements.

c On this basis, cost of sales of the volumes sold in the period is based on the cost of supplies of the same period (instead of using the first-in first-out (FIFO) method of inventory accounting used by most Group companies) and allowance is made for the estimated tax effect. These earnings are more comparable with those of companies using the last-in first-out (LIFO) inventory basis after excluding any inventory drawdown effects.

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## Operational data

### Crude oil production

(including Group share of associated companies)

	thousand barrels daily				
	2000	1999	1998	1997	1996
Europe	613	622	590	551	560
Africa	342	333	377	423	423
Middle East	481	453	476	455	456
Asia-Pacific	314	247	261	264	290
USA	417	504	521	491	451
Other Western Hemisphere	107	109	129	144	125
	2,274	2,268	2,354	2,328	2,305
	million tonnes a year				
Metric equivalent	114	113	118	116	115

### Natural gas production available for sale

(including Group share of associated companies)

	million standard cubic feet daily				
	2000	1999	1998	1997	1996
Europe	3,515	3,529	3,455	3,481	3,603
Other Eastern Hemisphere	2,424	2,013	1,848	1,958	2,094
USA	1,644	1,774	1,738	1,596	1,684
Other Western Hemisphere	629	608	638	726	753
	8,212	7,924	7,679	7,761	8,134
	billion standard cubic metres a year				
Metric equivalent	85	82	79	80	84

### Tanker fleets

(owned/demise-hired and time-chartered, at December 31)

	number of ships				
	2000	1999	1998	1997	1996
Oil tankers	48	51	61	73	75
Gas carriers	3	3	6	7	7
	million deadweight tonnes				
Oil tankers	4.9	5.5	6.1	7.7	8.2
	thousand cubic metres				
Gas carriers	214	216	435	461	358

### Chemicals sales: net proceeds

	\$ million				
	2000	1999	1998	1997	1996
Europe	5,657	5,365	5,381	6,468	6,449
Other Eastern Hemisphere	1,921	1,621	1,324	1,573	1,468
USA	7,095	5,327	4,991	5,582	5,305
Other Western Hemisphere	532	573	576	632	784
	15,205	12,886	12,272	14,255	14,006

### Employee numbers (at December 31)

	thousands				
	2000	1999	1998	1997	1996
Total	90	96	102	107	102

### Refinery processing intake

	thousand barrels daily				
	2000	1999	1998	1997	1996
Crude oil	2,787	2,989	3,207	4,057	3,771
Feedstocks	136	148	164	200	193
	2,923	3,137	3,371	4,257	3,964
Europe	1,394	1,602	1,670	1,723	1,675
Other Eastern Hemisphere	971	983	1,034	1,133	995
USA	198	192	308	1,045	970
Other Western Hemisphere	360	360	359	356	324
	2,923	3,137	3,371	4,257	3,964
	million tonnes a year				
Metric equivalent	147	157	169	213	198

### Oil sales

	thousand barrels daily				
	2000	1999	1998	1997	1996
Gasolines	1,794	1,635	1,687	2,271	2,218
Kerosines	542	567	594	704	664
Gas/diesel oils	1,731	1,757	1,787	1,976	1,860
Fuel oil	723	710	748	773	748
Other products	784	697	900	836	826
Total oil products	5,574	5,366	5,716	6,560	6,316
Crude oil	3,279	3,637	3,248	4,121	4,305
Total oil sales	8,853	9,003	8,964	10,681	10,621
	million tonnes a year				
Metric equivalent	444	450	448	534	531

### Group share of Equilon and Motiva volumes

	thousand barrels daily				
	2000	1999	1998	1997	1996
Refinery processing intake	656	797	656	n/a	n/a
Total oil products sales	1,508	1,429	1,070	n/a	n/a

The figures shown in the tables on this page represent the totals reported by Group companies, reflecting their dealings with third parties and with associated companies. However, crude oil production and natural gas production available for sale include the Group share of these associated companies. A separate table has been given in respect of associated companies Equilon and Motiva. Crude oil production, refinery processing intake and oil sales figures include natural gas liquids.

## Shareholder information

64

### Shareholder base

The estimated geographical distribution of shareholdings in the Parent Companies at the end of 2000 was:

	Royal Dutch	Shell Transport	Combined
			%
United Kingdom	1	96	- 39
Netherlands	46	-	28
USA	41	4	26
Switzerland	8	-	5
France	3	-	2
Germany	1	-	-
Others	-	-	-

\* Less than 1%.

At the end of 2000, no interests had been notified to the Company in 5% or more of the Company's issued ordinary share capital.

### Number of shares

All share data on this page have been restated to reflect the stock split of Royal Dutch shares, which became effective on June 30, 1997, whereby four N.fl. 1.25 ordinary shares were issued for each N.fl. 5.00 ordinary share outstanding. The number of outstanding ordinary shares with a par value of N.fl. 1.25 at the end of 2000 was 2,144,296,352.

### Share prices

Euronext Amsterdam	2000	1999	1998	1997	1996
Highest	75.90	64.10	56.95	56.13	34.40
Lowest	51.51	34.90	36.57	33.49	24.77
Year-end	65.26	60.85	42.43	50.51	34.36

New York Stock Exchange	2000	1999	1998	1997	1996
Highest	65.69	67.38	60.38	59.44	43.47
Lowest	50.44	39.56	39.75	42.00	33.41
Year-end	60.56	60.56	47.88	54.19	42.69

### Key figures per ordinary share

	2000	1999	1998	1997	1996
<b>Dividends</b>					
Interim	0.67	0.65	0.62	0.59	0.49
Final	0.92 <sup>a</sup>	0.86	0.83	0.82	0.71
<b>Total dividend</b>	<b>1.59</b>	<b>1.51</b>	<b>1.45</b>	<b>1.41</b>	<b>1.20</b>
<b>Net income</b>	<b>3.86</b>	<b>2.27</b>	<b>0.12</b>	<b>2.03</b>	<b>2.03</b>
<b>Adjusted CCS earnings (pro forma)<sup>b</sup></b>	<b>3.99</b>	<b>1.87</b>	<b>1.33</b>	<b>2.10</b>	<b>1.87</b>
<b>Net assets</b>	<b>18.50</b>	<b>15.91</b>	<b>13.47</b>	<b>15.61</b>	<b>13.96</b>

	2000	1999	1998	1997	1996
<b>Dividends</b>					
Interim	0.60	0.70	0.71	0.65	0.63
Final	-	0.77	0.89	0.90	0.82
<b>Total dividend</b>	<b>1.47</b>	<b>1.60</b>	<b>1.55</b>	<b>1.45</b>	<b>1.45</b>
<b>Net income</b>	<b>3.56</b>	<b>2.41</b>	<b>0.13</b>	<b>2.30</b>	<b>2.66</b>
<b>Adjusted CCS earnings (pro forma)<sup>b</sup></b>	<b>3.67</b>	<b>1.98</b>	<b>1.47</b>	<b>2.38</b>	<b>2.44</b>
<b>Net assets</b>	<b>17.23</b>	<b>15.98</b>	<b>15.71</b>	<b>17.04</b>	<b>17.63</b>

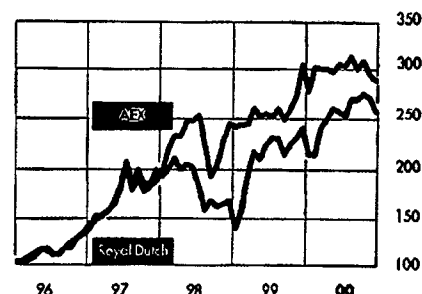
a Proposed final dividend, subject to finalisation by the General Meeting of Shareholders to be held on May 17, 2001.

b Group net income is shared between Royal Dutch and Shell Transport in the proportion of 60:40 (as described in Note 1 on page 40). For the purpose of this pro forma calculation, adjusted current cost of supplies (CCS) earnings are also shared in the proportion 60:40.

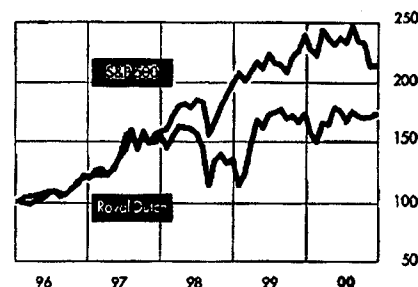
c The 2000 final dividend in dollars will be determined by the dollar/euro exchange rate ruling on May 22, 2001.

With effect from 1999 euro reporting has been adopted instead of guilder reporting for the Annual Accounts of Royal Dutch and dividends are declared and made payable in euros. The guilder amounts for 1996-98 have been translated into euros using the fixed conversion rate of 2.20371.

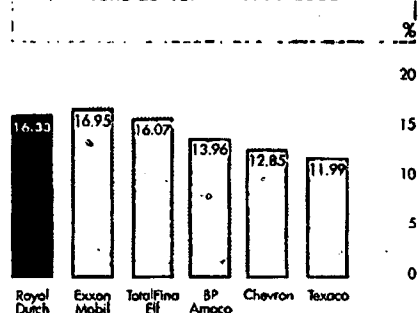
Share price  
Royal Dutch/AEX Index  
Index: December 31, 1995 = 100



Share price  
Royal Dutch/Standard & Poor's 500 Index  
Index: December 31, 1995 = 100



Total shareholder return<sup>a</sup> 1991-2000



a Total shareholder return is a recognised measure of long-term financial performance. It combines changes in share price with dividends. An investment 10 years ago in shares of the companies shown, with all dividends reinvested, would have yielded the indicated annualised returns as at the end of 2000. The calculation is based on quarterly reinvestment of gross dividends expressed in dollars. Source: Bloomberg (TotalFinaElf data not available for 1991).

**Financial calendar**

Financial year ends December 31, 2000

**Announcements**

Full-year results for 2000	February 8, 2001
First quarter results for 2001	May 3, 2001*
Second quarter results for 2001	August 2, 2001*
Third quarter results for 2001	November 1, 2001*

**Dividends - Hague Register and Bearer shares**

2000 Final	
Proposed dividend announced	February 8, 2001
Record date	May 17, 2001
Ex-dividend date	May 18, 2001
Payment date	May 29, 2001

**2001 Interim**

Announced	August 2, 2001*
Record date	August 2, 2001*
Ex-dividend date	August 3, 2001*
Payment date	September 19, 2001*

**Dividends - New York Register**

2000 Final	
Proposed dividend announced	February 8, 2001
Ex-dividend date	May 18, 2001
Record date	May 22, 2001
Payment date	June 6, 2001

**2001 Interim**

Announced	August 2, 2001*
Ex-dividend date	August 3, 2001*
Record date	August 7, 2001*
Payment date	September 19, 2001*

**Annual Report and Accounts 2000**

Publication April 6, 2001

**General Meeting of Shareholders**

May 17, 2001

\*The dates shown are provisional and subject to final confirmation.

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Investor Relations in The Hague, London and New York will be pleased to answer questions and supply copies of the original Dutch Annual Report and Summary Annual Report as well as copies of the English translations. Copies of other publications (e.g. Quarterly Results Announcements or the Annual Report on Form 20-F filed with the US Securities and Exchange Commission) can also be obtained from these offices.

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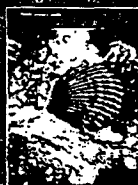
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