

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

	\$ million		
	1999	1998	1997
Current tax charge	4,869	3,746	6,273
Deferred tax charge/(credit)	(139)	(2,322)	436
Taxation charge of Group companies	4,730	1,424	6,709
Taxation charge of associated companies	966	489	713
	5,696	1,913	7,422

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

	\$ million		
	1999	1998	1997
Expected tax charge at statutory rates	5,768	1,653	6,922
Adjustments of valuation allowance	(199)	(173)	(8)
Adjustments in respect of prior years	(79)	(135)	(87)
Other	(760)	79	(118)
Taxation charge of Group companies	4,730	1,424	6,709

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	
	1999	1998
Taxes on activities of Group companies	2,385	1,535
Sales taxes, excise duties and similar levies and social law taxes	2,707	2,518
	5,092	4,053

**(c) Provision for deferred taxation**

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

	\$ million	
	1999	1998
Tangible and intangible fixed assets	9,813	10,657
Other items	2,367	2,161
Total deferred tax liabilities	12,180	12,818
Tax losses carried forward	(2,820)	(3,088)
Provisions		
Pensions and similar obligations	(681)	(764)
Decommissioning and restoration costs	(1,275)	(1,221)
Environmental and other provisions	(365)	(453)
Other items	(2,439)	(2,658)
Total deferred tax assets	(7,580)	(8,184)
Asset valuation allowance	2,453	2,521
Net deferred tax assets	(5,127)	(5,663)
Net deferred tax liability	7,053	7,155

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The Group has tax losses carried forward amounting to \$6,952 million at December 31, 1999. Of these, \$3,257 million can be carried forward indefinitely. The remaining \$3,695 million expires in the following years:

	\$ million
2000	45
2001	23
2002	986
2003	321
2004-2008	1,264
2009-2014	1,056

**10 Tangible and intangible fixed assets**

	1999			1998
	Tangible	Intangible	Total Group	Total Group
<b>Cost</b>				
At January 1	128,408	4,191	132,599	132,734
Capital expenditure	7,170	239	7,409	12,859
Sales, retirements and other movements <sup>a</sup>	(8,891)	47	(8,844)	(14,220)
Currency translation differences	(4,537)	(45)	(4,582)	1,226
At December 31	122,150	4,432	126,582	132,599
<b>Depreciation</b>				
At January 1	67,631	1,582	69,213	67,166
Depreciation, depletion and amortisation charge	6,241	279	6,520	9,423
Sales, retirements and other movements	(5,489)	(50)	(5,539)	(8,285)
Currency translation differences	(2,831)	(20)	(2,851)	909
At December 31	65,552	1,791	67,343	69,213
<b>Net 1999</b>	<b>56,598</b>	<b>2,641</b>	<b>59,239</b>	
1998	60,777	2,609		63,386

<sup>a</sup>Includes transfers to associated companies.

Capital expenditure, together with new investments in associated companies, and the depreciation, depletion and amortisation charge are shown in Note 23, 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	
	1999	1998
Capitalised costs in respect of assets not yet used in operations		
Unproved properties	2,232	2,539
Proved properties under development and other assets in the course of construction	4,940	7,473
	<b>7,172</b>	<b>10,012</b>

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

	\$ million		
	1999	1998	1997
Cost of sales	5,141	7,969	5,775
Selling and distribution expenses	1,225	1,260	1,370
Administrative expenses	88	100	122
Exploration	12	10	13
Research and development	54	84	95
	<b>6,520</b>	<b>9,423</b>	<b>7,375</b>

Depreciation, depletion and amortisation charges for 1999 include \$147 million (1998: \$2,177 million; 1997: \$37 million) relating to the impairment of tangible fixed assets, and nil (1998: \$836 million; 1997: nil) relating to the impairment of intangible fixed assets. Such charges are recorded within cost of sales. The 1999 impairment charges relate to assets held for use (\$133 million) and to assets held for sale (\$14 million). 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, 1999 include assets held for sale totalling \$2.4 billion (1998: \$3.8 billion), consisting primarily of assets in the Chemicals and Other industry segments. Operating profits/(losses) included in the Statement of Income relating to these assets totalled \$406 million for 1999 (1998: \$46 million; 1997: \$121 million). It is expected that sales of these assets will occur in 2000.

#### 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, 1999 these include \$3,865 million (1998: \$3,623 million) of deferred charges and prepayments, of which \$3,082 million (1998: \$2,729 million) relates to prepaid pension costs.

#### 12 Inventories

	\$ million	
	1999	1998
Inventories of oil, chemicals and coal	6,981	5,111
Inventories of materials	757	865
	<b>7,738</b>	<b>5,976</b>

Of the total inventories, \$872 million at December 31, 1999 (1998: \$908 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 \$334 million (1998: no significant difference between the FIFO cost and the carrying amount of such LIFO inventories).

#### 13 Accounts receivable

	\$ million	
	1999	1998
Trade receivables	11,535	7,902
Amounts owed by associated companies	2,626	2,015
Other receivables	3,181	2,939
Amounts due from Shell Transport in respect of UK advance corporation tax	-	97
Deferred charges and prepayments	1,261	934
	<b>18,603</b>	<b>13,887</b>

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Provisions for doubtful items deducted from accounts receivable amounted to \$210 million at December 31, 1999 (1998: \$198 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, \$580 million at December 31, 1999 (1998: \$640 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 \$781 million at December 31, 1999 (1998: \$391 million). Of these, \$495 million are of a trading nature (1998: \$154 million). The remainder are debt securities which are classified as available for sale.

Short-term securities at December 31, 1999 amounting to \$121 million (1998: \$156 million) are listed on recognised stock exchanges.

#### 15 Debt

##### (a) Short-term debt

	\$ million	
	1999	1998
Debentures and other loans	4,885	5,406
Amounts due to banks and other credit institutions (including long-term debt due within one year)	1,991	2,329
Capitalised lease obligations	6,876	7,735
	46	43
<b>Short-term debt</b>	<b>6,922</b>	<b>7,778</b>
<i>less</i> long-term debt due within one year	<b>1,668</b>	<b>1,405</b>
Short-term debt excluding long-term debt due within one year	<b>5,254</b>	<b>6,373</b>

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

	\$ million	
	1999	1998
Maximum amount outstanding at the end of any quarter	8,950	8,654
Average amount outstanding	7,131	6,322
Amounts due to banks and other credit institutions	1,536	2,144
Unused lines of short-term credit	7,104	7,294
Approximate average interest rate on:		
average amount outstanding	6%	7%
amount outstanding at December 31	6%	6%

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## (b) Long-term debt

	\$ million	
	1999	1998
Debentures and other loans	1,963	1,499
Amounts due to banks and other credit institutions	3,645	4,219
Capitalised lease obligations	5,608	5,718
Long-term debt	401	314
add long-term debt due within one year	6,009	6,032
Long-term debt including long-term debt due within one year	1,668	1,405
	7,677	7,437

Pledges of assets have been given, mainly in respect of bank loans, to the extent of \$1,594 million at December 31, 1999 (1998: \$1,649 million).

Unused lines of long-term credit amounted to \$767 million at December 31, 1999 (1998: \$715 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 \$5,806 million at December 31, 1999 (1998: \$5,855 million). The approximate weighted average interest rate in 1999 was 6% for dollar debt and 6% for total debt.

The aggregate maturities of long-term debts are:

	\$ million
2000	1,622
2001	805
2002	1,815
2003	954
2004	466
2005-2009	1,266
2010-2019	1
2020 and after	301

**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, 1999 were as follows:

	\$ million	
	Operating leases	Capital leases
2000	1,376	58
2001	1,118	170
2002	780	47
2003	607	59
2004	477	42
2005 and after	2,285	255
Total minimum payments	6,643	631
less executory costs and interest		184
Present value of net minimum capital lease payments		447

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In general, the future minimum operating lease payments in the table on the previous page are calculated on a time basis. The figures represent minimum commitments existing at December 31, 1999 and are not a forecast of future total rental expense.

Total rental expense for all operating leases was as follows:

	\$ million		
	1999	1998	1997
Minimum rentals	1,223	1,615	1,628
Contingent rentals	162	167	174
Sub-lease rentals	(100)	(204)	(233)
	1,285	1,578	1,569

#### (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, 1999 is as follows:

	\$ million
2000	231
2001	254
2002	255
2003	232
2004	215
2005 and after	1,439
	2,626

The agreements under which these unconditional purchase obligations arise relate mainly to the purchase of chemicals feedstock and of utilities and to the transportation of crude oil and natural gas by pipeline.

Payments under these agreements, which include additional sums depending upon actual quantities of supplies, amounted to \$181 million in 1999 (1998: \$190 million).

#### 17 Accounts payable and accrued liabilities

	\$ million	
	1999	1998
Trade payables	9,282	6,452
Amounts due to associated companies	913	1,215
Pensions and similar obligations	192	186
Other payables	3,280	3,134
Accruals and deferred income	4,441	4,888
	18,108	15,875

#### 18 Long-term liabilities – Other

These amounts are mainly in respect of environmental and redundancy liabilities, deposits and deferred credits. They include \$562 million at December 31, 1999 (1998: \$526 million) which do 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.

1999	\$ 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	(1,731)	(2,806)	390	(4,147)
Investments – associates	(209)	675	(466)	-
Inventories	(308)	2,059	11	1,762
Accounts receivable	(650)	5,049	317	4,716
Cash and cash equivalents	(43)	1,369	-	1,326
Short-term debt	208	922	(11)	1,119
Short-term part of long-term debt	(12)	(251)	-	(263)
Accounts payable and accrued liabilities	545	(3,066)	288	(2,233)
Taxes payable	400	(1,260)	(179)	(1,039)
Long-term debt	30	(4)	(3)	23
Deferred taxation and other provisions	376	55	-	431
Other	61	(200)	(347)	(486)
Adjustment for Parent Companies' shares held by Group companies and other comprehensive income, excluding currency translation differences	(110)	411	-	-
	(1,443)	2,953	-	1,209

Income taxes paid by Group companies totalled \$4.6 billion in 1999 (1998: \$4.0 billion; 1997: \$7.4 billion). Interest paid by Group companies was \$1.0 billion in 1999 (1998: \$1.1 billion; 1997: \$1.0 billion).

## 20 Employee emoluments and numbers

### (a) Emoluments

	\$ million		
	1999	1998	1997
Remuneration	4,980	5,260	5,515
Social law taxes	467	476	511
Pensions and similar obligations (Note 21)	(10)	245	82
	5,437	5,981	6,108

### (b) Average numbers

	thousands		
	1999	1998	1997
Exploration and Production	14	16	17
Downstream Gas and Power	1	1	1
Oil Products	57	58	61
Chemicals	18	20	21
Other	9	7	5
	99	102	105

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Benefit costs for the year comprise:

	\$ million											
	Pension benefits			Other benefits								
	1999	1998	1997	1999		1998						
			USA	Other	Total	USA	Other	Total	USA	Other	Total	
Service cost	758	808	663	17	10	27	19	10	29	20	12	32
Interest cost	1,719	1,938	1,899	54	17	71	57	18	75	59	20	79
Expected return on plan assets	(2,637)	(2,695)	(2,573)									
Net total of other components	(32)	(6)	(88)	(3)	3	-	(31)	4	(27)	(37)	(11)	(48)
Cost of defined benefit plans	(192)	45	(99)	68	30	98	45	32	77	42	21	63
Payments to defined contribution plans	84	123	118									
	(108)	168	19	68	30	98	45	32	77	42	21	63

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			
	1999	1998	1999		1998	
			USA	Other	USA	Other
Discount rate	6.0%	5.5%	7.8%	6.1%	6.5%	5.6%
Projected rate of remuneration growth	3.7%	3.7%				
Expected rate of return on plan assets	7.4%	7.7%				
Health care cost trend rate in year after reporting year			6.0%	2.7%	6.5%	3.1%
Ultimate health care cost trend rate			5.0%	1.4%	5.0%	1.6%
Year ultimate health care cost trend rate is applicable			2002	2001	2002	2003

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 \$15 million/(\$12 million) and the accumulated postretirement benefit obligation by approximately \$132 million/(\$112 million).

**22 Decommissioning and restoration costs**

For the purposes of calculating provisions for decommissioning and restoration costs, estimated total ultimate liabilities of \$3.8 billion at December 31, 1999 (1998: \$4.2 billion) were used. Such estimates are subject to various regulatory and technological developments.



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

	\$ million					
	1999		1998		1997	
	Net proceeds	Fixed assets	Net proceeds	Fixed assets	Net proceeds	Fixed assets
Europe	51,820	26,336	44,374	29,487	58,989	28,176
Other Eastern Hemisphere	21,068	23,612	17,785	22,255	24,047	20,483
USA	17,306	19,815	16,603	22,426	28,547	23,819
Other Western Hemisphere	15,172	8,766	14,930	8,590	16,572	8,629
<b>Total Group</b>	<b>105,366</b>	<b>78,529</b>	<b>93,692</b>	<b>82,758</b>	<b>128,155</b>	<b>81,107</b>

**(b) Industry segment**

	\$ million					
	Total Group	Exploration and Production	Downstream Gas and Power	Oil Products	Chemicals	Corporate and Other
<b>Sales</b>						
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>	
<b>Operating profit/(loss)</b>						
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

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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)	
Interest and other income	3,104	1,743	(210)	2,636	(800)	(265)	
Interest expense	629	104	108	163	44	210	
Currency exchange gains/(losses)	1,333	256	278	919	325	(445)	
Taxation	5	(12)	(4)	27	3	(9)	
Income applicable to minority interests	1,913	1,735	(78)	422	(361)	195	
Net income	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>	
Total assets at December 31	110,068	37,619	8,496	41,637	17,082	5,234	
Investments in associated companies at December 31	16,686	3,991	2,280	7,226	2,995	194	
Capital expenditure and new investments in associated companies	14,141	6,812	2,125	2,888	2,002	314	
Depreciation, depletion and amortisation charge							
Impairment	3,013	747	755	196	1,315	-	
Other	6,410	3,183	174	2,019	920	114	

1997							\$ million
	Total Group	Exploration and Production	Downstream Gas and Power	Oil Products	Chemicals	Corporate and Other	
Sales							
third parties	128,155	10,749	913	101,401	14,255	837	
inter-segment		11,822	224	4,011	925	-	
<b>Net proceeds</b>		<b>22,571</b>	<b>1,137</b>	<b>105,412</b>	<b>15,180</b>	<b>837</b>	
Operating profit/(loss)							
Group companies	13,812	9,643	67	2,894	1,379	(171)	
Group share of associated companies	2,130	885	441	518	278	8	
Interest and other income	15,942	10,528	508	3,412	1,657	(163)	
Interest expense	912	175	106	158	37	436	
Currency exchange gains/(losses)	1,170	211	134	735	328	(238)	
Taxation	(465)	(18)	(15)	(279)	(16)	(137)	
Income applicable to minority interests	7,422	5,775	236	845	361	205	
Net income	44	130	(16)	(86)	20	(4)	
<b>Net income</b>	<b>7,753</b>	<b>4,569</b>	<b>245</b>	<b>1,797</b>	<b>969</b>	<b>173</b>	
Total assets at December 31	114,550	38,244	3,864	46,808	18,286	7,348	
Investments in associated companies at December 31	13,034	6,193	1,850	2,382	2,367	242	
Capital expenditure and new investments in associated companies	14,000	6,129	1,014	4,084	2,493	280	
Depreciation, depletion and amortisation charge							
Impairment	37	-	6	15	-	16	
Other	7,338	3,663	96	2,530	921	128	

**24 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		
	1999	1998	1997
<b>Cost</b>			
Proved properties	56,774	58,457	55,824
Unproved properties	2,559	2,864	2,561
Support equipment and facilities	1,724	1,654	1,723
	<b>61,057</b>	<b>62,975</b>	<b>60,108</b>
<b>Depreciation</b>			
Proved properties	33,157	33,403	32,303
Unproved properties	189	182	236
Support equipment and facilities	1,036	917	841
	<b>34,382</b>	<b>34,502</b>	<b>33,380</b>
<b>Net capitalised costs</b>	<b>26,675</b>	<b>28,473</b>	<b>26,728</b>

The Group share of associated companies' net capitalised costs was \$3,969 million at December 31, 1999 (1998: \$4,644 million; 1997: \$6,188 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.

	1999				\$ million
	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other	
<b>Acquisition of properties</b>					
Proved	4	4	-	-	8
Unproved	1	41	8	26	76
Exploration	169	468	324	146	1,107
Development	1,025	1,542	741	464	3,772
<b>1998</b>					\$ million
<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
<b>1997</b>					\$ million
<b>Acquisition of properties</b>					
Proved	-	4	7	25	36
Unproved	5	92	172	44	313
Exploration	359	475	640	140	1,614
Development	1,683	1,236	1,222	497	4,638

The Group share of associated companies' costs incurred was \$335 million in 1999 (1998: \$437 million; 1997: \$364 million).

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## (c) Earnings

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

	1999				\$ million Total
	Eastern Hemisphere		Western Hemisphere		
	Europe	Other	USA	Other	
Sales					
third parties	4,637	1,690	1,542	649	8,518
intra-group	2,165	4,691	1,491	500	8,847
Net proceeds	6,802	6,381	3,033	1,149	17,365
Production costs*	1,541	2,155	537	295	4,528
Exploration expense	247	446	196	171	1,060
Depreciation, depletion and amortisation	1,648	711	851	279	3,489
Other income/(costs)	(226)	12	263	81	130
Earnings before taxation	3,140	3,081	1,712	485	8,418
Taxation	1,206	2,158	516	260	4,140
Earnings from operations	1,934	923	1,196	225	4,278
	1998				\$ million Total
	Eastern Hemisphere		Western Hemisphere		
	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*	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.

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1997					\$ million
	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other	
Sales					
third parties	5,024	1,361	1,569	935	8,889
intra-group	2,392	6,610	2,295	425	11,722
Net proceeds	7,416	7,971	3,864	1,360	20,611
Production costs <sup>a</sup>	1,614	2,437	917	334	5,302
Exploration expense	321	388	336	109	1,154
Depreciation, depletion and amortisation	1,299	901	1,117	346	3,663
Other income/(costs)	(329)	(99)	(200)	(166)	(794)
Earnings before taxation	3,853	4,146	1,294	405	9,698
Taxation	1,856	2,830	528	207	5,421
Earnings from operations	1,997	1,316	766	198	4,277

<sup>a</sup>Includes certain royalties paid in cash amounting to \$1,011 million in 1999 (1998: \$814 million; 1997: \$1,246 million).

The Group share of associated companies' earnings was \$475 million in 1999 (1998: \$(2,049) million; 1997: \$503 million) after deducting taxation of \$541 million in 1999 (1998: \$208 million; 1997: \$383 million). These exclude certain financing costs and related tax effects.

In the USA, comparisons are affected by the alliances Altura and Aera, which began operations in March and June 1997 respectively and are accounted for as associated companies.

### 25 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.

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 from time to time. Beginning in 1995, options were granted to a larger group of over 900 managers. This enlargement of an otherwise unchanged scheme 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 improved business performance.

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, 1999.

	Exercised	Granted	Under option
Royal Dutch ordinary shares	1,163,200	166,500	6,063,190
Shell Transport Ordinary shares	6,264,300	-	34,434,024
Shell Canada common shares	276,999	715,000	2,051,070 <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, a Group company holds 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, 1999 is \$487 million.

The Shell Petroleum Company Limited, Shell Petroleum N.V. and Montell U.K. Limited 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.

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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, 1999.

	Exercised	Granted	Under option
Shell Transport Ordinary shares	5,026,824	3,221,034	26,433,208

Parent Companies' shares held by Group companies at December 31, 1999 in connection with stock option plans were as follows:

Royal Dutch ordinary shares	5,944,206
Shell Transport Ordinary shares	60,762,655

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

The net cost of these shares at December 31, 1999 is \$624 million (1998: \$700 million) and, together with the shares with a carrying amount of \$487 million held in connection with other incentive compensation plans, is reflected as a deduction from equity. Prior to 1998 such shares were reported as short-term securities.

#### 26 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. In 1991 the two joint ventures reached an agreement on the quantification of the excess, and this was subsequently approved by the respective governments. Due to differences of opinion between the parties involved relating to compensation in respect of the over-delivery, arbitration proceedings were commenced in Zürich under the rules of the International Chamber of Commerce with respect to that issue. By final award, dated July 2, 1999, preceded by an interim award in 1996, the arbitral tribunal established the full amount of the compensation for the excess gas. This amount has now been paid. Meanwhile the Netherlands joint venture is seeking to have the award set aside and, if successful, the arbitration proceedings will resume.

Apart from the compensation issue, there are other substantive issues which remain outstanding: in particular, the recovery of royalties paid in respect of the over-delivery and governmental levies on any compensation. At this time the ultimate cost cannot be established with reasonable certainty.

Certain other contingent liabilities of Group companies, arising mainly from guarantees for customs duties and third-party indebtedness, amounted to \$1.9 billion at December 31, 1999 (1998: \$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.

**27 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.

In 1998 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 133, "Accounting for Derivative Instruments and Hedging Activities". The standard requires that all derivative instruments will be recorded in the Statement of Assets and Liabilities at their fair value. In 1999 the effective date of this standard was deferred; it will be effective for the Group from 2001 and preparations for the adoption of the standard by the Group are underway. However, amendments to and interpretations of the standard are under consideration by the standard-setters. Therefore the exact impact of the adoption of this standard is not yet known.

**(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:

	\$ million			
	1999		1998	
	Contract/ notional amount	Estimated fair value	Contract/ notional amount	Estimated fair value
Interest rate swaps/forward rate agreements and interest rate caps	4,435	(54)	6,736	(5)

The amount of hedging gains or losses on these instruments which had been deferred at December 31, 1999 and at December 31, 1998 in respect of firm commitments was not significant.

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**(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:

	\$ million			
	1999		1998	
	Contract/ notional amount	Estimated fair value	Contract/ notional amount	Estimated fair value
Forward exchange contracts	4,583	(2)	4,543	28
Currency swaps	1,644	(29)	625	27

In addition, Group companies held put and call options at December 31, 1999 each with a contract/notional amount of \$0.4 billion (1998: \$0.5 billion) and an estimated fair value of \$(4) million (1998: \$(17) million).

The amount of hedging gains or losses on these instruments which had been deferred at December 31, 1999 and at December 31, 1998 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:

	\$ million			
	1999		1998	
	Contract/ notional amount	Estimated fair value	Contract/ notional amount	Estimated fair value
Trading purposes				
Assets	7,381	478	1,889	180
Liabilities	6,427	(491)	1,968	(192)
Not for trading purposes	180	6	671	(25)

The average fair values of commodity swaps/options used for trading purposes during 1999 were: assets of \$314 million (1998: \$193 million) and liabilities of \$308 million (1998: \$178 million). Trading gains of \$64 million arising on commodity swaps/options were included in 1999 income (1998: gains of \$25 million).

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.



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## SUPPLEMENTARY INFORMATION – OIL AND GAS

**Reserves**

Net quantities of proved oil and gas reserves are shown in the tables on this page and pages G-32 and G-33. 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 and on the next page.

**Proved developed and undeveloped reserves**

	million barrels														
	1999					1998					1997				
	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	1,515	5,782	940	542	8,779	1,423	5,156	1,034	741	8,354	1,436	4,887	2,035	691	9,049
Revisions and reclassifications	1	430	(31)	22	422	268	884	40	(115)	1,077	100	568	(35)	49	682
Improved recovery	2	80	-	-	82	12	22	-	-	34	30	26	1	-	57
Extensions and discoveries	43	219	63	-	325	28	104	40	2	174	58	59	237	56	410
Purchases of minerals in place	-	-	-	-	-	30	1	8	39	-	-	-	-	13	13
Sales of minerals in place	(4)	(27)	(279)	(66)	(376)	(1)	(40)	(31)	(47)	(119)	-	-	(28)	(15)	(43)
Transfers to associated companies in the USA	-	-	-	-	-	-	-	(27)	-	(27)	-	-	(1,043)	-	(1,043)
Production	(227)	(341)	(115)	(40)	(723)	(215)	(374)	(117)	(47)	(753)	(201)	(384)	(133)	(53)	(771)
At December 31	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
<b>Group share of associated companies</b>															
At January 1	2	426	824	-	1,252	2	394	931	-	1,327	2	384	-	-	386
Revisions and reclassifications	(1)	25	59	-	83	-	56	(137)	-	(81)	-	25	34	-	59
Improved recovery	-	18	17	-	35	-	-	-	-	-	-	4	1	-	5
Extensions and discoveries	-	12	2	-	14	-	8	-	-	8	-	14	-	-	14
Purchases of minerals in place	-	3	1	-	4	-	-	77	-	77	-	-	-	-	-
Sales of minerals in place	-	-	(17)	-	(17)	-	-	-	-	-	-	-	-	-	-
Transfers from Group companies in the USA	-	-	-	-	-	-	-	27	-	27	-	-	942	-	942
Production	-	(36)	(69)	-	(105)	-	(32)	(74)	-	(106)	-	(33)	(46)	-	(79)
At December 31	1	448	817	-	1,266	2	426	824	-	1,252	2	394	931	-	1,327
<b>Total</b>					9,775					10,031					9,681
<b>Minority interests' share of proved reserves of Group companies</b>															
At December 31	-	63	-	65	128	-	62	-	78	140	-	67	-	85	152
<b>Oil sands</b>															
<b>Group companies (before deduction of 22.1% minority interest; see page 15)</b>															
At December 31	-	-	-	600	600	-	-	-	-	-	-	-	-	-	-

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## Proved developed reserves

	million barrels														
	1999						1998						1997		
	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	963	2,314	502	271	4,050	794	1,991	513	342	3,640	740	1,899	1,318	327	4,284
At December 31	916	2,505	340	274	4,035	963	2,314	502	271	4,050	794	1,991	513	342	3,640
<b>Group share of associated companies</b>															
At January 1	1	178	673	-	852	1	172	688	-	861	1	181	-	-	182
At December 31	1	213	638	-	852	1	178	673	-	852	1	172	688	-	861

## 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 and on the next page.

These quantities have not been adjusted to standard heat content.

## Proved developed and undeveloped reserves

	thousand million standard cubic feet														
	1999						1998						1997		
	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	24,848	22,139	4,185	3,161	54,333	24,848	17,136	4,604	3,177	49,765	25,130	14,830	5,260	2,257	47,477
Revisions and reclassifications	696	(322)	47	711	1,132	1,075	3,760	97	(75)	4,857	357	1,436	8	221	2,022
Improved recovery	13	65	-	-	78	6	1	-	-	7	48	361	-	-	409
Extensions and discoveries	549	392	329	1	1,271	185	107	374	80	746	536	900	592	636	2,664
Purchases of minerals in place	4	3	-	-	7	-	1,737	-	217	1,954	27	93	8	339	467
Sales of minerals in place	-	(674)	(522)	(118)	(1,314)	(10)	(153)	(133)	(50)	(346)	-	(1)	(81)	(46)	(128)
Transfers to associated companies in the USA	-	-	-	-	-	-	-	(139)	-	(139)	-	-	(582)	-	(582)
Production	(1,282)	(517)	(639)	(222)	(2,660)	(1,256)	(449)	(618)	(188)	(2,511)	(1,250)	(483)	(601)	(230)	(2,564)
At December 31	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
<b>Group share of associated companies</b>															
At January 1	44	5,605	480	-	6,129	34	5,793	539	-	6,366	34	5,516	-	-	5,550
Revisions and reclassifications	(1)	(396)	151	-	(246)	3	(48)	(150)	-	(195)	3	63	40	-	106
Improved recovery	-	-	-	-	-	-	-	-	-	-	-	228	1	-	229
Extensions and discoveries	15	56	25	-	96	12	86	-	-	98	2	214	1	-	217
Purchases of minerals in place	-	-	-	-	-	-	-	8	-	8	-	-	-	-	-
Sales of minerals in place	-	-	(4)	-	(4)	-	-	-	-	-	-	-	(7)	-	(7)
Transfers from Group companies in the USA	-	-	-	-	-	-	-	139	-	139	-	-	533	-	533
Production	(6)	(218)	(57)	-	(281)	(5)	(226)	(56)	-	(287)	(5)	(228)	(29)	-	(262)
At December 31	52	5,047	595	-	5,694	44	5,605	480	-	6,129	34	5,793	539	-	6,366
<b>Total</b>					58,541					60,462					56,131
<b>Minority interests' share of proved reserves of Group companies</b>															
At December 31	-	242	-	686	928	-	314	-	609	923	-	61	-	669	730

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## Proved developed reserves

	thousand million standard cubic feet														
	1999						1998						1997		
	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	14,633	5,142	3,117	1,706	24,598	12,372	3,712	3,017	1,830	20,931	11,869	3,727	3,272	1,684	20,552
At December 31	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
<b>Group share of associated companies</b>															
At January 1	42	2,259	398	-	2,699	33	2,477	380	-	2,890	33	2,215	-	-	2,248
At December 31	51	1,728	453	-	2,232	42	2,259	398	-	2,699	33	2,477	380	-	2,890

## 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<sup>a</sup> 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.

	\$ million														
	1999						1998						1997		
	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	83,826	155,408	19,957	12,436	271,627	70,770	86,910	17,664	9,001	184,345	86,265	123,787	27,085	12,183	249,320
Future production costs	18,126	18,101	3,057	2,604	41,888	21,340	18,115	5,973	2,781	48,209	19,410	22,450	6,577	3,215	51,652
Future development costs	3,168	16,289	1,256	956	21,669	4,551	18,864	2,591	1,028	27,034	4,788	12,606	2,958	1,833	22,185
Future tax expenses	24,928	72,218	5,580	2,559	105,285	17,989	27,227	2,614	1,812	49,642	27,088	53,650	5,380	2,928	89,046
Future net cash flows	37,604	48,800	10,064	6,317	102,785	26,890	22,704	6,486	3,380	59,460	34,979	35,081	12,170	4,207	86,437
Effect of discounting	15,920	26,196	3,107	2,763	47,986	12,592	12,587	2,030	1,582	28,791	15,884	19,281	3,859	2,137	41,161
<b>Standardised measure of discounted future cash flows</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>	<b>19,095</b>	<b>15,800</b>	<b>8,311</b>	<b>2,070</b>	<b>45,276</b>
Group share of associated companies					7,186					1,854					5,208
Minority interests	-	337	-	500	837	-	106	-	324	430	-	219	-	251	470

## Change in standardised measure of discounted future cash flows

	\$ million		
	1999	1998	1997
At January 1	30,669	45,276	57,439
Net changes in prices and production costs	63,847	(43,260)	(23,598)
Extensions, discoveries and improved recovery	3,684	1,628	5,256
Purchases/(Sales) of minerals in place	(5,943)	615	(841)
Movements to associated companies in the USA	-	(146)	(5,207)
Revisions of previous reserve estimates	(4,994)	6,012	5,194
Development cost related to future production	(772)	(3,800)	(3,739)
Sales and transfers of oil and gas, net of production costs	(12,837)	(9,821)	(15,309)
Development cost incurred during the year	3,772	5,149	4,638
Accretion of discount	3,167	8,442	10,060
Net change in income tax	(25,794)	20,574	11,383
<b>At December 31</b>	<b>54,799</b>	<b>30,669</b>	<b>45,276</b>

<sup>a</sup>The weighted average year-end oil price in 1999 was \$21.13/bbl (1998: \$10.68/bbl; 1997: \$16.55/bbl) and the weighted average year-end gas price in 1999 was \$11.06/bbl of oil equivalent (1998: \$10.44/boe; 1997: \$12.74/boe).

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Royal Dutch/Shell Group of Companies

**SUPPLEMENTARY INFORMATION – DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS AND DERIVATIVE COMMODITY INSTRUMENTS**

The following information is provided in accordance with the Securities and Exchange Commission rules issued in 1997. The contract/notional amounts of the derivative instruments outstanding give an indication of the extent of the use of these instruments but not of the exposure to credit or market risk. Variable interest rates stated are spot rates applying as at December 31. Amounts denominated in non-dollar currencies have been translated using spot exchange rates at December 31. Associated companies' data are excluded.

**Debt securities held for trading purposes**

The following two tables give details of debt securities held for trading purposes by Group companies at December 31, 1999 and 1998 respectively, at estimated fair value, by year of maturity.

1999 (all securities mature in 2000)		\$ million
		Total
Fixed rate US dollar debt securities		470
average interest rate		5.2%
Variable rate European currency debt securities		25
average interest rate		4.1%
<b>Total</b>		<b>495</b>

1998				\$ million
				Total
	1999	2000		
Fixed rate US dollar debt securities	74	10		84
average interest rate	6.5%	8.4%		
Fixed rate European currency debt securities	68	-		68
average interest rate	3.4%	-		
Other fixed rate debt securities	2	-		2
average interest rate	1.5%	-		
<b>Total</b>	<b>144</b>	<b>10</b>		<b>154</b>

**Debt securities held for purposes other than trading**

The following two tables give details of debt securities held for purposes other than trading by Group companies at December 31, 1999 and 1998 respectively, at estimated fair value, by year of maturity.

1999							\$ million
							Total
	2000	2001	2002	2003	2004	2005 and after	
Fixed rate US dollar debt securities	-	25	43	25	44	129	266
average interest rate	-	7.2%	7.0%	7.2%	7.2%	7.1%	
Fixed rate Canadian dollar debt securities	261	5	-	-	-	11	277
average interest rate	4.7%	7.0%	-	-	-	7.3%	
Fixed rate European currency debt securities	25	36	6	14	-	122	203
average interest rate	5.3%	4.9%	5.8%	8.1%	-	6.6%	
Other fixed rate debt securities	-	-	24	-	-	96	120
average interest rate	-	-	5.6%	-	-	3.8%	
<b>Total</b>	<b>286</b>	<b>66</b>	<b>73</b>	<b>39</b>	<b>44</b>	<b>358</b>	<b>866</b>

1998							\$ million
							Total
	1999	2000	2001	2002	2003	2004 and after	
Fixed rate US dollar debt securities	61	-	-	51	-	196	308
average interest rate	6.1%	-	-	5.7%	-	5.8%	
Fixed rate Canadian dollar debt securities	229	-	3	-	-	18	250
average interest rate	5.2%	-	6.3%	-	-	6.2%	
Fixed rate European currency debt securities	12	30	32	-	25	116	215
average interest rate	7.8%	7.1%	4.6%	-	8.1%	6.4%	
Other fixed rate debt securities	-	-	-	34	-	64	98
average interest rate	-	-	-	2.0%	-	3.9%	
Variable rate debt securities	6	-	-	-	-	-	6
average interest rate	4.7%	-	-	-	-	-	
<b>Total</b>	<b>308</b>	<b>30</b>	<b>35</b>	<b>85</b>	<b>25</b>	<b>394</b>	<b>877</b>

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## Equity securities held for purposes other than trading

At December 31, 1999, Group companies held equity securities for purposes other than trading amounting to \$2,211 million (1998: \$1,724 million). These principally comprised shares of Royal Dutch and Shell Transport, amounting to \$1,111 million, held in connection with share option plans and other incentive compensation plans and a portfolio amounting to \$838 million required to be held long-term by the Group insurance companies as security for their insurance activities. The portfolio tracks the Morgan Stanley World Index and therefore is spread over 22 of the major stock markets according to respective market capitalisation, including 49% in the USA, 13% in Japan, 9% in the UK, 5% in Germany and 5% in France.

## Debt

The following two tables give details of debt owed by Group companies at December 31, 1999 and 1998 respectively, by year of maturity. Estimated fair value approximates carrying amount.

							\$ million
	2000	2001	2002	2003	2004	2005 and after	Total
Fixed rate US dollar debt	1,461	338	759	500	250	609	3,917
average interest rate	6.2%	8.6%	5.9%	5.0%	7.3%	7.8%	
Variable rate US dollar debt	1,376	324	690	236	211	929	3,766
average interest rate	4.9%	5.7%	6.0%	6.1%	6.2%	6.4%	
Fixed rate European currency debt	982	17	6	192	2	6	1,205
average interest rate	4.3%	6.4%	6.4%	2.6%	5.5%	4.9%	
Variable rate European currency debt	1,862	9	167	8	-	-	2,046
average interest rate	3.5%	3.1%	5.3%	7.0%	-	-	
Other fixed rate debt	397	30	12	2	3	13	457
average interest rate	8.2%	7.9%	6.7%	5.5%	4.4%	8.5%	
Other variable rate debt	798	87	181	16	-	11	1,093
average interest rate	11.7%	5.8%	7.2%	14.0%	-	4.9%	
<b>Total</b>	<b>6,876</b>	<b>805</b>	<b>1,815</b>	<b>954</b>	<b>466</b>	<b>1,568</b>	<b>12,484</b>

Fixed rate European currency debt expected to mature in 2000 includes \$425 million of pounds sterling debt with an average interest rate of 5.8% and \$317 million of euro debt with an average interest rate of 3.1%. Variable rate European currency debt expected to mature in 2000 includes \$1,256 million of euro debt with an average interest rate of 3.1% and \$250 million of Netherlands debt with an average interest rate of 3.5%.

Other fixed rate debt expected to mature in 2000 includes \$200 million of Malaysian ringgit debt with an average interest rate of 7.6%. Other variable rate debt expected to mature in 2000 includes \$206 million of Hong Kong dollar debt with an average interest rate of 6.4%.

							\$ million
	1999	2000	2001	2002	2003	2004 and after	Total
Fixed rate US dollar debt	3,668	15	479	222	526	859	5,769
average interest rate	5.6%	7.1%	7.8%	6.8%	5.1%	7.7%	
Variable rate US dollar debt	1,796	206	393	583	258	1,122	4,358
average interest rate	5.9%	5.1%	6.5%	6.0%	6.5%	6.7%	
Fixed rate European currency debt	832	7	6	6	5	11	867
average interest rate	4.2%	6.4%	6.4%	6.6%	6.8%	4.6%	
Variable rate European currency debt	581	-	11	136	189	8	925
average interest rate	6.1%	-	3.8%	5.7%	3.7%	5.1%	
Other fixed rate debt	314	256	14	2	-	12	598
average interest rate	7.4%	7.2%	7.7%	6.0%	-	7.6%	
Other variable rate debt	544	120	104	150	18	-	936
average interest rate	11.0%	7.8%	8.3%	9.3%	16.5%	-	
<b>Total</b>	<b>7,735</b>	<b>604</b>	<b>1,007</b>	<b>1,099</b>	<b>996</b>	<b>2,012</b>	<b>13,453</b>

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## Royal Dutch/Shell Group of Companies

## Interest rate swaps/forward rate agreements and interest rate caps

The following two tables give details of interest rate swaps/forward rate agreements held by Group companies at December 31, 1999 and 1998 respectively, by expected year of maturity. These are held for purposes other than trading. The variable interest rate component of contracts is generally linked to inter-bank offer rates.

1999							\$ million	
	2000	2001	2002	2003	2004	2005	Total contract/ notional amount	Estimated fair value
US dollar								
Fixed to Variable: contract/notional amount	52	349	775	500	100	520	2,296	(40)
average pay rate	6.4%	7.4%	5.7%	6.0%	6.0%	5.1%		
average receive rate	6.2%	8.2%	5.7%	5.0%	7.0%	6.8%		
Variable to Fixed: contract/notional amount	296	450	58	288	-	200	1,292	3
average pay rate	6.0%	6.1%	6.7%	6.0%	-	6.9%		
average receive rate	6.1%	5.9%	6.1%	6.2%	-	6.0%		
Italian lira								
Variable to Fixed: contract/notional amount	156	-	-	-	-	-	156	-
average pay rate	3.7%	-	-	-	-	-		
average receive rate	3.9%	-	-	-	-	-		
UK pound								
Fixed to Variable: contract/notional amount	-	236	-	8	-	-	244	(16)
average pay rate	-	7.8%	-	6.0%	-	-		
average receive rate	-	6.2%	-	7.0%	-	-		
Australian dollar								
Variable to Fixed: contract/notional amount	36	49	16	-	-	-	101	(1)
average pay rate	8.1%	5.7%	5.8%	-	-	-		
average receive rate	5.5%	5.6%	5.4%	-	-	-		
euro								
Fixed to Variable: contract/notional amount	302	-	-	-	-	-	302	-
average pay rate	3.1%	-	-	-	-	-		
average receive rate	3.1%	-	-	-	-	-		
Other currencies								
Variable to Fixed: contract/notional amount	44	-	-	-	-	-	44	-
average pay rate	9.4%	-	-	-	-	-		
average receive rate	7.8%	-	-	-	-	-		
<b>Total</b>	<b>886</b>	<b>1,084</b>	<b>849</b>	<b>796</b>	<b>100</b>	<b>720</b>	<b>4,435</b>	<b>(54)</b>

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1998	1999	2000	2001	2002	2003	2004	Total contract/ and after notional amount	Estimated fair value
	\$ million							
US dollar								
Fixed to Variable: contract/notional amount	832	75	448	250	500	549	2,654	84
average pay rate	5.2%	5.3%	6.4%	5.1%	5.2%	5.0%		
average receive rate	7.0%	6.2%	7.4%	6.3%	5.0%	6.8%		
Variable to Fixed: contract/notional amount	1,087	110	175	687	-	240	2,299	(62)
average pay rate	6.1%	5.7%	6.0%	6.3%	-	6.9%		
average receive rate	5.0%	5.1%	5.6%	5.1%	-	5.1%		
Italian lira								
Variable to Fixed: contract/notional amount	713	130	-	-	-	-	843	(1)
average pay rate	4.0%	3.7%	-	-	-	-		
average receive rate	3.3%	3.3%	-	-	-	-		
UK pound								
Fixed to Variable: contract/notional amount	-	-	242	-	9	-	251	(24)
average pay rate	-	-	7.8%	-	5.8%	-		
average receive rate	-	-	5.5%	-	7.0%	-		
Australian dollar								
Fixed to Variable: contract/notional amount	163	-	-	-	-	-	163	5
average pay rate	4.9%	-	-	-	-	-		
average receive rate	8.8%	-	-	-	-	-		
Variable to Fixed: contract/notional amount	135	34	31	15	-	-	215	(6)
average pay rate	7.6%	8.1%	5.8%	5.8%	-	-		
average receive rate	4.8%	4.8%	4.8%	4.8%	-	-		
Other currencies								
Fixed to Variable: contract/notional amount	4	-	-	-	-	-	4	-
average pay rate	1.5%	-	-	-	-	-		
average receive rate	0.4%	-	-	-	-	-		
Variable to Fixed: contract/notional amount	134	30	-	-	-	-	164	(1)
average pay rate	7.7%	6.3%	-	-	-	-		
average receive rate	5.9%	4.7%	-	-	-	-		
<b>Total</b>	<b>3,068</b>	<b>379</b>	<b>896</b>	<b>952</b>	<b>509</b>	<b>789</b>	<b>6,593</b>	<b>(5)</b>

In addition, Group companies held interest rate caps at December 31, 1998 for purposes other than trading with a total contract/notional amount of \$143 million and an estimated fair value of \$nil. There were no interest rate caps held by Group companies at December 31, 1999.

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## Royal Dutch/Shell Group of Companies

## Forward exchange contracts

The following two tables give details of forward exchange contracts held by Group companies at December 31, 1999 and 1998 respectively. These are held for purposes other than trading. Contract categories with a contract/notional amount exceeding \$100 million and/or an estimated fair value exceeding \$10 million (gain or loss) are listed separately.

## 1999 (all contracts mature in 2000)

	Average contractual exchange rate	Contract/notional amount	\$ million Estimated fair value
Buy US dollar/sell euro	0.99	685	16
Buy euro/sell US dollar	1.04	583	(17)
Buy UK pound/sell US dollar	1.62	569	2
Buy Canadian dollar/sell UK pound	0.42	410	9
Buy euro/sell UK pound	0.64	215	(8)
Buy Australian dollar/sell US dollar	0.65	203	2
Buy US dollar/sell Philippine peso	40.54	201	(1)
Buy US dollar/sell UK pound	0.62	198	-
Buy Canadian dollar/sell euro	0.66	189	6
Buy Swiss franc/sell US dollar	0.65	175	(5)
Buy Swiss franc/sell UK pound	0.40	145	(4)
Buy US dollar/sell Canadian dollar	1.46	110	(1)
Other contracts		900	(1)
<b>Total</b>		<b>4,583</b>	<b>(2)</b>

## 1998 (all contracts mature in 1999)

	Average contractual exchange rate	Contract/notional amount	\$ million Estimated fair value
Buy US dollar/sell Netherlands guilder	1.88	842	5
Buy Swiss franc/sell US dollar	0.72	461	5
Buy German mark/sell UK pound	0.36	341	2
Buy US dollar/sell Philippine peso	40.18	266	(6)
Buy French franc/sell Italian lira	295	235	14
Buy Italian lira/sell US dollar	0.0006	212	3
Buy US dollar/sell UK pound	0.60	150	1
Buy Netherlands guilder/sell US dollar	0.53	145	-
Buy US dollar/sell Austrian schilling	11.74	131	1
Buy Norwegian krona/sell US dollar	0.13	126	-
Buy US dollar/sell German mark	1.66	117	-
Buy Australian dollar/sell US dollar	0.64	116	(4)
Buy UK pound/sell US dollar	1.66	107	-
Other contracts		1,294	7
<b>Total</b>		<b>4,543</b>	<b>28</b>



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**Currency swaps/options**

The following two tables give details of currency swaps contracts held by Group companies at December 31, 1999 and 1998 respectively, by expected year of maturity. These are held for purposes other than trading. Contract categories with a contract/notional amount exceeding \$100 million and/or an estimated fair value exceeding \$10 million (gain or loss) are listed separately.

**1999**

	Average contractual exchange rate	2000	2001	2002	2003	Total contract/notional amount	\$ million Estimated fair value
Buy US dollar/sell euro	0.97	361	-	-	-	361	(11)
Buy UK pound/sell euro	1.54	319	-	-	-	319	(16)
Buy US dollar/sell Australian dollar	1.52	70	100	49	50	269	4
Buy US dollar/sell Swiss franc	1.50	-	-	-	200	200	(16)
Buy US dollar/sell Brazilian real	1.79	143	-	-	-	143	(4)
Buy US dollar/sell Canadian dollar	1.43	113	16	13	-	142	1
Other contracts		118	61	31	-	210	13
<b>Total</b>		<b>1,124</b>	<b>177</b>	<b>93</b>	<b>250</b>	<b>1,644</b>	<b>(29)</b>

**1998**

	Average contractual exchange rate	1999	2000	2001	2002	Total contract/notional amount	\$ million Estimated fair value
Buy Canadian dollar/sell US dollar	0.72	155	-	-	-	155	(12)
Buy UK pound/sell Spanish peseta	191	87	-	-	-	87	17
Other contracts		102	94	123	64	383	22
<b>Total</b>		<b>344</b>	<b>94</b>	<b>123</b>	<b>64</b>	<b>625</b>	<b>27</b>

In conjunction with natural gas marketing activities, Group companies held put and call options to buy Canadian dollars and sell US dollars at December 31, 1999 each with a contract/notional amount of \$0.4 billion (1998: \$0.5 billion) and an estimated fair value of \$(4) million (1998: \$(17) million) and expected maturity dates in 2000-2002 (1999-2000).

**Commodity derivatives**

The tables on the following pages give details of commodity swaps, options and futures contracts held by Group companies at December 31, 1999 and 1998 respectively, by expected year of maturity. Variable prices are linked to indexed or dated commodities.

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Royal Dutch/Shell Group of Companies

## Commodity swaps held for trading purposes

1999

	2000	2001	Total contract/ notional amount	\$ million Estimated fair value
<b>Crude oil swaps</b>				
(a) Variable price to variable price contracts:				
contract/notional amount (\$ million)	1,024	92	1,116	5
volume (million barrels 'm bbl')	44	5		
average pay/receive price (\$ per barrel '\$/bbl')	23.1/23.2	18.5/18.6		
(b) Buy fixed price/sell variable price contracts:				
contract/notional amount (\$ million)	184	16	200	-
volume (m bbl)	8	1		
average pay/receive price (\$/bbl)	22.6/22.5	17.9/17.9		
(c) Buy variable price/sell fixed price contracts:				
contract/notional amount (\$ million)	191	8	199	-
volume (m bbl)	9	*		
average pay/receive price (\$/bbl)	22.4/22.5	18.0/16.7		
<b>Oil products swaps</b>				
(a) Variable price to variable price contracts:				
contract/notional amount (\$ million)	9	-	9	-
volume (m bbl)	*	-		
average pay/receive price (\$/bbl)	28.8/30.3	-		
(b) Buy fixed price/sell variable price contracts:				
contract/notional amount (\$ million)	365	15	380	21
volume (m bbl)	20	1		
average pay/receive price (\$/bbl)	18.9/19.8	17.4/19.9		
(c) Buy variable price/sell fixed price contracts:				
contract/notional amount (\$ million)	436	14	450	(16)
volume (m bbl)	24	1		
average pay/receive price (\$/bbl)	19.6/19.0	16.4/16.3		
<b>Natural gas swaps<sup>a</sup></b>				
(a) Buy fixed price/sell variable price contracts:				
contract/notional amount (\$ million)	1,672	388	2,194	60
volume (thousand million cubic feet 'bcf')	569	142		
average pay/receive price (\$/thousand cf)	2.8/2.9	2.7/2.7		
(b) Buy variable/sell fixed price contracts:				
contract/notional amount (\$ million)	1,767	366	2,342	(76)
volume (bcf)	593	136		
average pay/receive price (\$/thousand cf)	3.0/2.8	2.7/2.8		
<b>Total</b>			<b>6,890</b>	<b>(6)</b>
<sup>a</sup> less than one million barrels				
<sup>a</sup> Natural gas swaps (maturity in 2002 and after)				
	2002	2003	2004	2005 and after
(a) Buy fixed price/sell variable price contracts:				
contract/notional amount (\$ million)	93	31	7	3
volume (bcf)	35	12	2	1
average pay/receive price (\$/thousand cf)	2.9/2.7	2.9/2.7	3.8/3.6	2.9/2.7
(b) Buy variable/sell fixed price contracts:				
contract/notional amount (\$ million)	105	48	17	39
volume (bcf)	38	17	5	14
average pay/receive price (\$/thousand cf)	2.8/2.9	2.8/2.9	3.1/3.3	2.8/2.9

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1998	1999	2000	Total contract/ notional amount	\$ million Estimated fair value
<b>Crude oil swaps</b>				
(a) Variable price to variable price contracts:				
contract/notional amount (\$ million)	422	-	422	2
volume (m bbl)	39	-		
average pay/receive price (\$/bbl)	10.9/10.9	-		
(b) Buy fixed price/sell variable price contracts:				
contract/notional amount (\$ million)	84	-	84	(2)
volume (m bbl)	7	-		
average pay/receive price (\$/bbl)	11.7/11.0	-		
(c) Buy variable price/sell fixed price contracts:				
contract/notional amount (\$ million)	67	-	67	6
volume (m bbl)	5	-		
average pay/receive price (\$/bbl)	11.1/12.9	-		
<b>Oil products swaps</b>				
(a) Variable price to variable price contracts:				
contract/notional amount (\$ million)	6	-	6	-
volume (m bbl)	1	-		
average pay/receive price (\$/bbl)	11.1/11.3	-		
(b) Buy fixed price/sell variable price contracts:				
contract/notional amount (\$ million)	297	-	297	(35)
volume (m bbl)	24	-		
average pay/receive price (\$/bbl)	12.3/10.9	-		
(c) Buy variable price/sell fixed price contracts:				
contract/notional amount (\$ million)	293	2	295	40
volume (m bbl)	20	*		
average pay/receive price (\$/bbl)	12.5/14.5	13.9/13.4		
<b>Natural gas swaps<sup>a</sup></b>				
(a) Buy fixed price/sell variable price contracts:				
contract/notional amount (\$ million)	812	272	1,398	(96)
volume (bcf)	362	120		
average pay/receive price (\$/thousand cf)	2.3/2.0	2.3/2.2		
(b) Buy variable/sell fixed price contracts:				
contract/notional amount (\$ million)	683	167	1,013	71
volume (bcf)	305	74		
average pay/receive price (\$/thousand cf)	2.0/2.2	2.2/2.3		
<b>Total</b>			<b>3,582</b>	<b>(14)</b>
<sup>a</sup> less than one million barrels				
<sup>a</sup> Natural gas swaps (maturity in 2001 and after)				
	2001	2002	2003	2004 and after
(a) Buy fixed price/sell variable price contracts:				
contract/notional amount (\$ million)	201	48	39	26
volume (bcf)	88	22	17	14
average pay/receive price (\$/thousand cf)	2.3/2.2	2.3/2.2	2.2/2.3	2.2/2.3
(b) Buy variable/sell fixed price contracts:				
contract/notional amount (\$ million)	102	31	24	6
volume (bcf)	47	14	11	2
average pay/receive price (\$/thousand cf)	2.1/2.2	2.9/2.2	2.3/2.2	2.2/2.5

Group companies also held chemical product swaps at December 31, 1999 with a contract/notional amount of \$19 million (1998: \$21 million) and a fair value of \$nil (1998: \$nil) and expected maturity within one year.

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Royal Dutch/Shell Group of Companies

## Commodity options held for trading purposes

1999

	2000	2001	2002	2003	Total contract/ notional amount	\$ million Estimated fair value
<b>Crude oil and oil products buy options</b>						
contract/notional amount (\$ million)	343	21	-	-	364	20
volume (m bbl)	21	1	-	-		
average strike price (\$/bbl)	16.0	18.9	-	-		
<b>Crude oil and oil products sell options</b>						
contract/notional amount (\$ million)	277	14	-	-	291	(33)
volume (m bbl)	15	1	-	-		
average strike price (\$/bbl)	18.6	16.7	-	-		
<b>Natural gas buy options</b>						
contract/notional amount (\$ million)	2,980	261	20	8	3,269	151
volume (bcf)	986	85	6	3		
average strike price (\$/thousand cf)	3.0	3.1	3.3	2.4		
<b>Natural gas sell options</b>						
contract/notional amount (\$ million)	2,744	191	23	8	2,966	(144)
volume (bcf)	901	70	10	3		
average strike price (\$/thousand cf)	3.1	2.8	2.4	2.4		
<b>Total</b>					<b>6,890</b>	<b>(6)</b>

## 1998 (all contracts mature in 1999)

		\$ million Estimated fair value
<b>Crude oil and oil products buy options</b>		
contract/notional amount (\$ million)	17	1
volume (m bbl)	1	
average strike price (\$/bbl)	16.8	
<b>Crude oil and oil products sell options</b>		
contract/notional amount (\$ million)	29	-
volume (m bbl)	2	
average strike price (\$/bbl)	17.8	
<b>Natural gas buy options</b>		
contract/notional amount (\$ million)	140	1
volume (bcf)	78	
average strike price (\$/thousand cf)	1.8	
<b>Natural gas sell options</b>		
contract/notional amount (\$ million)	41	-
volume (bcf)	21	
average strike price (\$/thousand cf)	1.9	
<b>Total contract/notional amount (\$ million)</b>	<b>227</b>	
<b>Total estimated fair value</b>		<b>2</b>

Group companies also held chemical product options at December 31, 1999 with a contract/notional amount of \$9 million (1998: \$27 million) and an estimated fair value of \$(1) million (1998: \$nil) and expected maturity within one year.

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RJW00102109

## Royal Dutch/Shell Group of Companies

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## Commodity futures held for trading purposes

1999

	2000	2001	Total contract/ notional amount	\$ million Estimated fair value
<b>IPE Brent futures</b>				
<b>(a) Short contracts:</b>				
contract/notional amount (\$ million)	146	-	146	(46)
volume (m bbl)	6	-		
weighted average price (\$/bbl)	23.4	-		
<b>(b) Long contracts:</b>				
contract/notional amount (\$ million)	199	4	203	8
volume (m bbl)	9	*		
weighted average price (\$/bbl)	23.0	17.7		
<b>IPE Gasoil futures</b>				
<b>(a) Short contracts:</b>				
contract/notional amount (\$ million)	84	-	84	(14)
volume (m bbl)	3	-		
weighted average price (\$/bbl)	29.2	-		
<b>(b) Long contracts:</b>				
contract/notional amount (\$ million)	22	-	22	2
volume (m bbl)	1	-		
weighted average price (\$/bbl)	25.9	-		
<b>Nymex crude oil futures</b>				
<b>(a) Short contracts:</b>				
contract/notional amount (\$ million)	98	6	104	(11)
volume (m bbl)	4	*		
weighted average price (\$/bbl)	21.8	16.1		
<b>(b) Long contracts:</b>				
contract/notional amount (\$ million)	93	7	100	9
volume (m bbl)	4	*		
weighted average price (\$/bbl)	21.3	15.9		
<b>Nymex oil product futures</b>				
<b>(a) Short contracts:</b>				
contract/notional amount (\$ million)	35	13	48	(4)
volume (m bbl)	1	1		
weighted average price (\$/bbl)	24.0	23.9		
<b>(b) Long contracts:</b>				
contract/notional amount (\$ million)	44	1	45	1
volume (m bbl)	2	*		
weighted average price (\$/bbl)	27.8	25.0		
<b>Nymex natural gas futures</b>				
<b>(a) Short contracts:</b>				
contract/notional amount (\$ million)	853	124	977	56
volume (bcf)	305	44		
weighted average price (\$/thousand cf)	2.8	2.8		
<b>(b) Long contracts:</b>				
contract/notional amount (\$ million)	948	74	1,022	(69)
volume (bcf)	339	27		
weighted average price (\$/thousand cf)	2.8	2.8		
<b>Total</b>			<b>2,751</b>	<b>(68)</b>

\* less than 1 million barrels

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## Royal Dutch/Shell Group of Companies

1998	1999	2000	2001	Total contract/ notional amount	\$ million Estimated fair value
<b>IPE Brent futures</b>					
<b>(a) Short contracts:</b>					
contract/notional amount (\$ million)	159	-	-	159	13
volume (m bbl)	14	-	-		
weighted average price (\$/bbl)	10.9	-	-		
<b>(b) Long contracts:</b>					
contract/notional amount (\$ million)	6	-	-	6	(1)
volume (m bbl)	1	-	-		
weighted average price (\$/bbl)	11.7	-	-		
<b>IPE Gasoil futures</b>					
<b>(a) Short contracts:</b>					
contract/notional amount (\$ million)	28	-	-	28	-
volume (m bbl)	2	-	-		
weighted average price (\$/bbl)	14.1	-	-		
<b>(b) Long contracts:</b>					
contract/notional amount (\$ million)	16	-	-	16	-
volume (m bbl)	1	-	-		
weighted average price (\$/bbl)	13.8	-	-		
<b>Nymex crude oil futures</b>					
<b>(a) Short contracts:</b>					
contract/notional amount (\$ million)	18	-	-	18	-
volume (m bbl)	1	-	-		
weighted average price (\$/bbl)	15.1	-	-		
<b>(b) Long contracts:</b>					
contract/notional amount (\$ million)	29	-	-	29	-
volume (m bbl)	2	-	-		
weighted average price (\$/bbl)	13.2	-	-		
<b>Nymex oil product futures</b>					
<b>(a) Short contracts:</b>					
contract/notional amount (\$ million)	44	-	-	44	2
volume (m bbl)	3	-	-		
weighted average price (\$/bbl)	16.5	-	-		
<b>(b) Long contracts:</b>					
contract/notional amount (\$ million)	41	-	-	41	(2)
volume (m bbl)	3	-	-		
weighted average price (\$/bbl)	16.0	-	-		
<b>Nymex natural gas futures</b>					
<b>(a) Short contracts:</b>					
contract/notional amount (\$ million)	358	8	4	370	43
volume (bcf)	161	4	2		
weighted average price (\$/thousand cf)	2.2	2.4	2.4		
<b>(b) Long contracts:</b>					
contract/notional amount (\$ million)	398	21	10	429	(54)
volume (bcf)	177	9	4		
weighted average price (\$/thousand cf)	2.2	2.4	2.4		
<b>Total</b>				<b>1,140</b>	<b>1</b>

Futures contracts shown above represent unmatched positions. The total contract/notional amount of short contracts represents an aggregation of Group companies' positions where, at December 31, 1999 and 1998 respectively, sales contracts exceed the purchase contracts with the same maturity date. The total contract/notional amount of long contracts represents an aggregation of Group companies' positions where, at December 31, 1999 and 1998 respectively, purchase contracts exceed the sales contracts with the same maturity date.

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RJW00102111

## Royal Dutch/Shell Group of Companies

G-45

## Commodity swaps contracts held for purposes other than trading

At December 31, 1999 Group companies held crude oil, natural gas and oil product commodity swaps for purposes other than trading with a contract/notional amount of \$180 million (1998: \$671 million) and an estimated fair value of \$6 million (1997: \$(25) million).

## Commodity futures contracts held for purposes other than trading

The following two tables give details of commodity futures contracts held for purposes other than trading by Group companies at December 31, 1999 and 1998 respectively by expected year of maturity.

## 1999

	2000	2001	Total contract/ notional amount	\$ million Estimated fair value
<b>IPE Gasoil futures</b>				
Short contracts:				
contract/notional amount (\$ million)	28	-	28	-
volume (m bbl)	1	-		
weighted average price (\$/bbl)	27.7	-		
<b>Nymex natural gas futures</b>				
(a) Short contracts:				
contract/notional amount (\$ million)	149	10	159	9
volume (bcf)	54	4		
weighted average price (\$/thousand cf)	2.8	2.7		
(b) Long contracts:				
contract/notional amount (\$ million)	126	13	139	(8)
volume (bcf)	46	5		
weighted average price (\$/thousand cf)	2.8	2.6		
<b>Total</b>			<b>326</b>	<b>1</b>

## 1998

	1999	2000	2001	Total contract/ notional amount	\$ million Estimated fair value
<b>IPE Gasoil futures</b>					
Short contracts:					
contract/notional amount (\$ million)	6	-	-	6	1
volume (m bbl)	*	-	-		
weighted average price (\$/bbl)	12.8	-	-		
<b>Nymex natural gas futures</b>					
(a) Short contracts:					
contract/notional amount (\$ million)	191	77	4	272	24
volume (bcf)	84	36	1		
weighted average price (\$/thousand cf)	2.3	2.2	2.4		
(b) Long contracts:					
contract/notional amount (\$ million)	112	26	5	143	(3)
volume (bcf)	58	11	2		
weighted average price (\$/thousand cf)	1.9	2.3	2.2		
<b>Total</b>				<b>421</b>	<b>22</b>

\* less than one million barrels

Futures contracts shown above represent unmatched positions. The total contract/notional amount of short contracts represents an aggregation of Group companies' positions where, at December 31, 1999 and 1998 respectively, sales contracts exceed the purchase contracts with the same maturity date. The total contract/notional amount of long contracts represents an aggregation of Group companies' positions where, at December 31, 1999 and 1998 respectively, purchase contracts exceed the sales contracts with the same maturity date.

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Royal Dutch/Shell Group of Companies

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RJW00102113



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**EXHIBITS**

**Exhibit 23.1**

**Consent of independent accountants**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-7590) of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Public Limited Company of our report dated March 8, 2000, relating to the Financial Statements of Royal Dutch Petroleum Company which are incorporated in this 1999 Annual Report on Form 20-F.

KPMG Accountants N.V

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KPMG Accountants N.V., The Hague

April 10, 2000

E-2

Exhibits

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**Exhibit 23.2**

**Consent of independent accountants**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No 333-7590) of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Public Limited Company of our report dated March 9, 2000, relating to the Financial Statements of The "Shell" Transport and Trading Company, Public Limited Company which are incorporated in this 1999 Annual Report on Form 20-F.

**PricewaterhouseCoopers**

**PricewaterhouseCoopers, London**

April 10, 2000

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RJW00102115

Exhibits

E-3

**Exhibit 23.3**

**Consent of independent accountants**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-7590) of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Public Limited Company of our report dated March 8, 2000, relating to the Financial Statements of the Royal Dutch/Shell Group of Companies which are incorporated in this 1999 Annual Report on Form 20-F.

KPMG Accountants N.V.

\_\_\_\_\_  
KPMG Accountants N.V., The Hague

Pricewaterhouse Coopers

\_\_\_\_\_  
Pricewaterhouse Coopers, London

April 10, 2000

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Treatment Requested

RJW00102116

E-4

Exhibits

**Exhibit 23.4**

**Consent of independent accountants**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-7410, 333-7412 and 333-11022) of Royal Dutch Petroleum Company of our report dated March 8, 2000, relating to the Financial Statements of Royal Dutch Petroleum Company which are incorporated in this 1999 Annual Report on Form 20-F.

**KPMG Accountants N.V.**

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

April 10, 2000

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Treatment Requested

RJW00102117

Exhibits

E-5

**Exhibit 23.5**

**Consent of independent accountants**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-7410, 333-7412 and 333-11022) of Royal Dutch Petroleum Company of our report dated March 8, 2000, relating to the Financial Statements of the Royal Dutch/Shell Group of Companies which are incorporated in this 1999 Annual Report on Form 20-F.

KPMG Accountants N.V.

KPMG Accountants N.V., The Hague

PricewaterhouseCoopers

PricewaterhouseCoopers, London

April 10, 2000

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RJW00102118

**Unknown**

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**From:** McKay, Aidan A SIEP-EPB-P  
**Sent:** 02 October 2001 17:02  
**To:** Platenkamp, Roelof RJ SIEP  
**Subject:** FW: Roelof\_career\_ender.ppt : 26th June 2000 Excom Presentation - State of the Portfolio

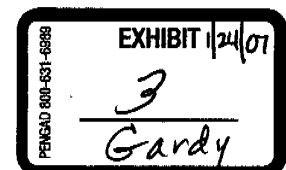


Roelof\_career\_ender.ppt

Roelof,  
as promised, its funny in a way as at the time (if you remember) we humourously agreed to call it the career ender given the likely response you would recieve. In hindsight, it was Freudian in the extreme.

Aidan

DB 07471



# **Excom Early Look Business Plan 2000**

- **Flaws in the Capital Allocation Process**
- **The Capex requirements**
- **The Over-promise on delivery**
- **The Way Ahead**

DB 07472

# The Good News

- High quality internally consistent data submissions
- Abundance of projects competing for funds:
  - 1.9 bln US\$ Exploration
  - 7.0 bln US\$ Production

DB 07473



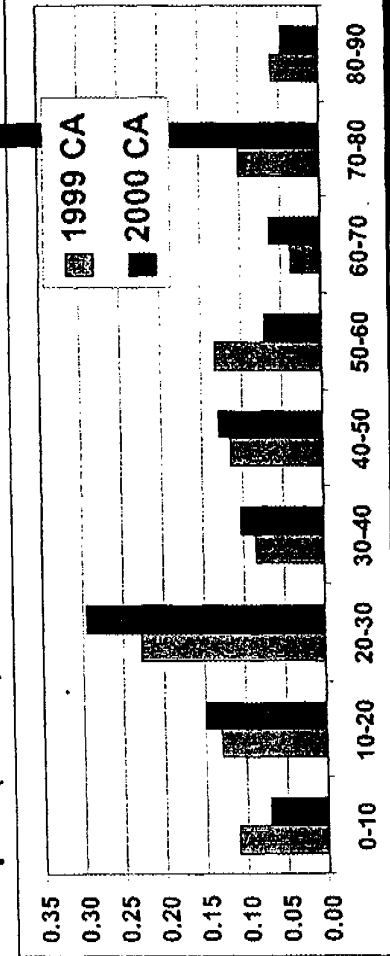
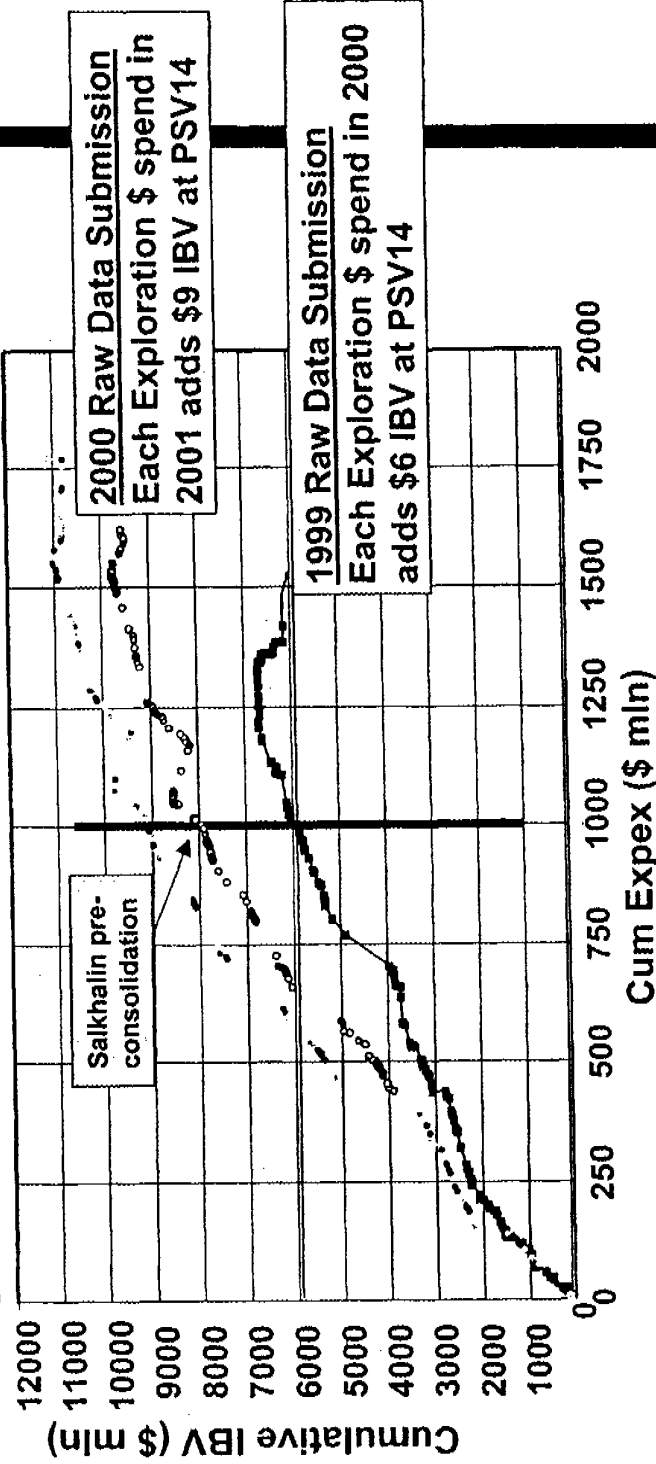
# The Bad News

- Projects appear over-optimistic both in Exploration and Production
- The Capital Allocation Process appears to be flawed with overstatements of key parameters to secure funds

*We run the risk of initiating an Over-promise Under-delivery Cycle.....*

DB 07474

# Exploration-Overstated Value?



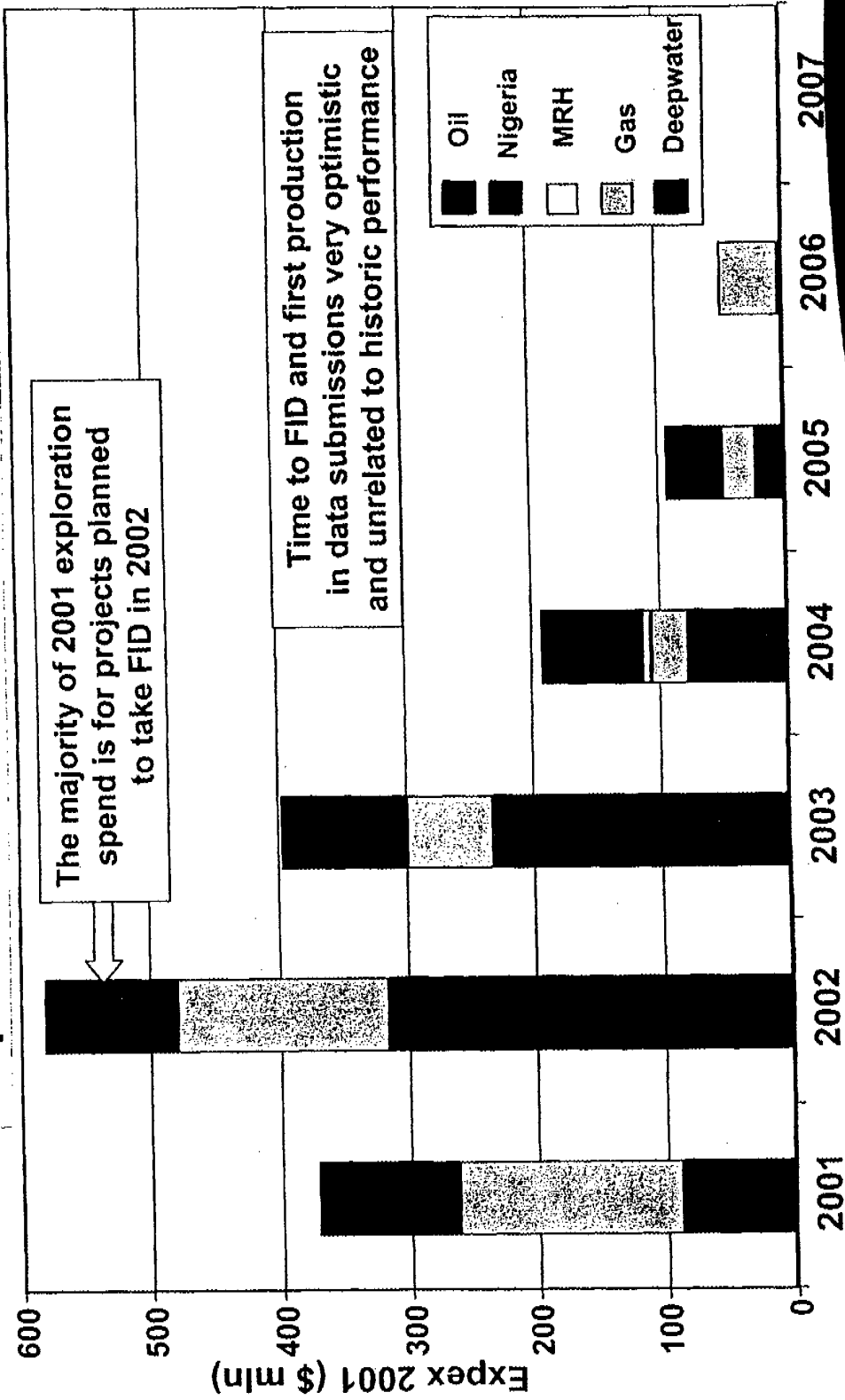
Pos to FID shows no major differences in 99 submission to 2000

Expex Spend (Normalised)



DB 07475

# Exploration: Overstated Delivery?

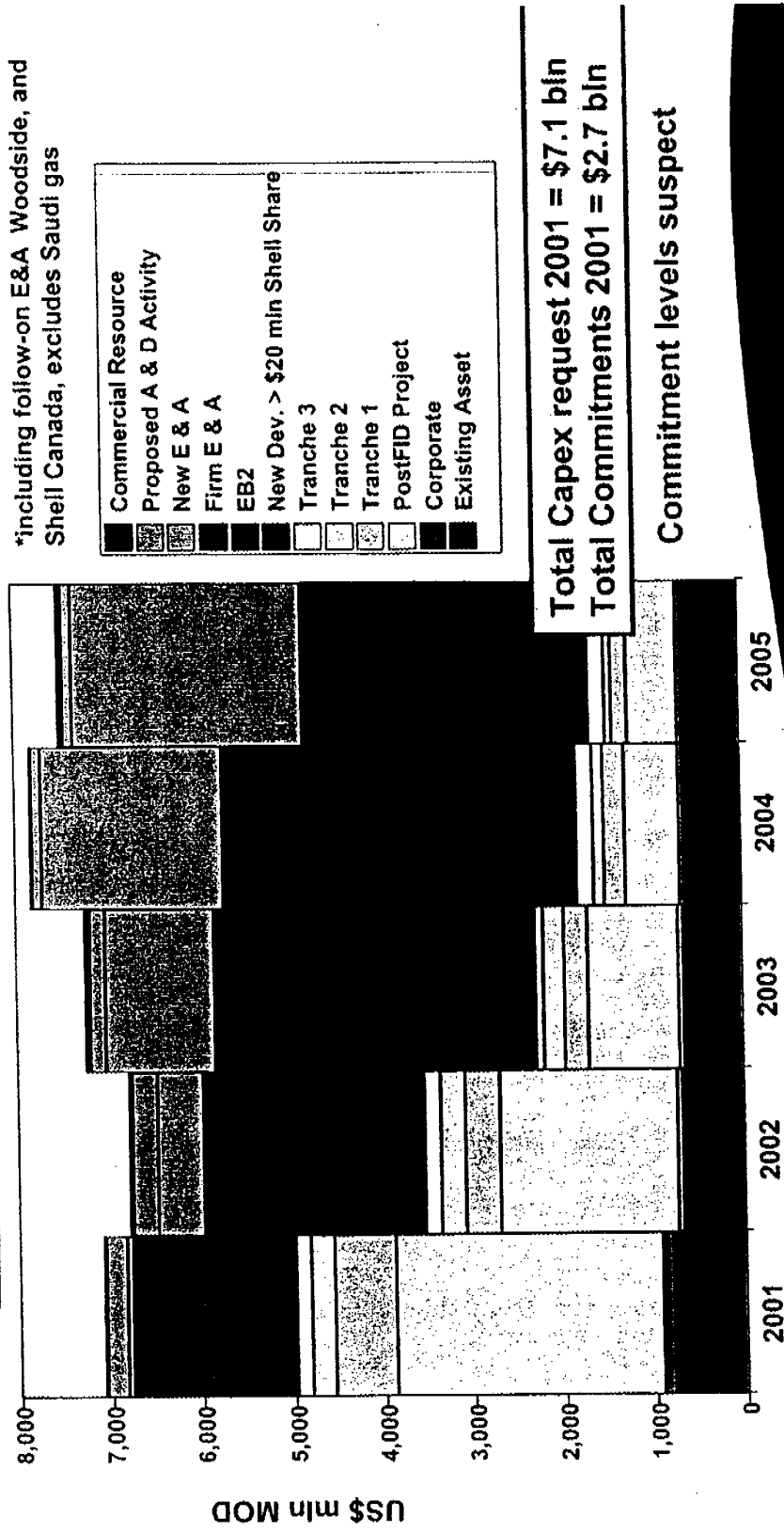


DB 07476

# CAPEX REQUEST 2001-2005 Raw Data Submission

Proposed spend is ca \$7 bln per year over the Plan Period\*

\*including follow-on E&A Woodside, and Shell Canada, excludes Saudi gas

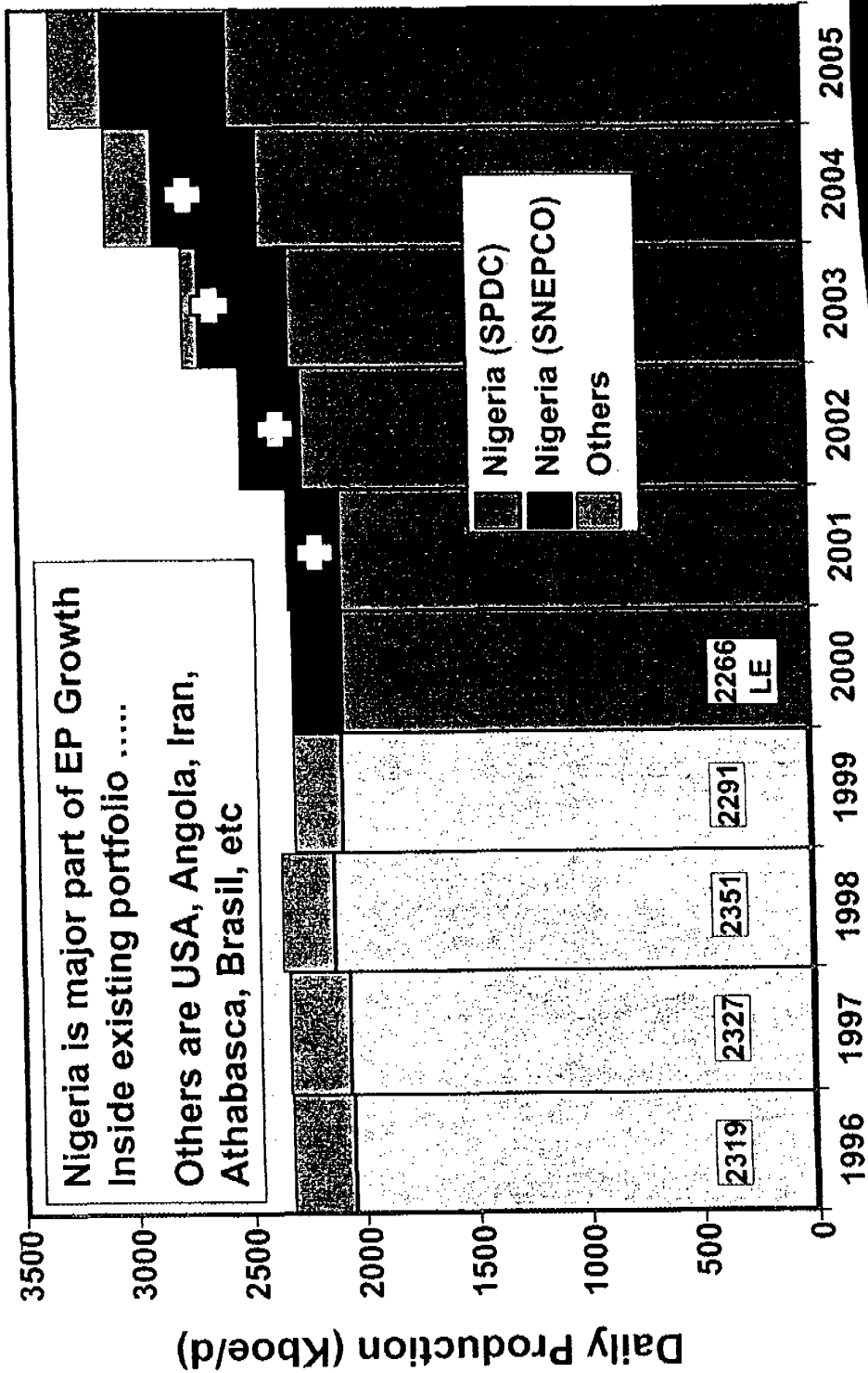


Total Capex request 2001 = \$7.1 bln  
Total Commitments 2001 = \$2.7 bln

Commitment levels suspect

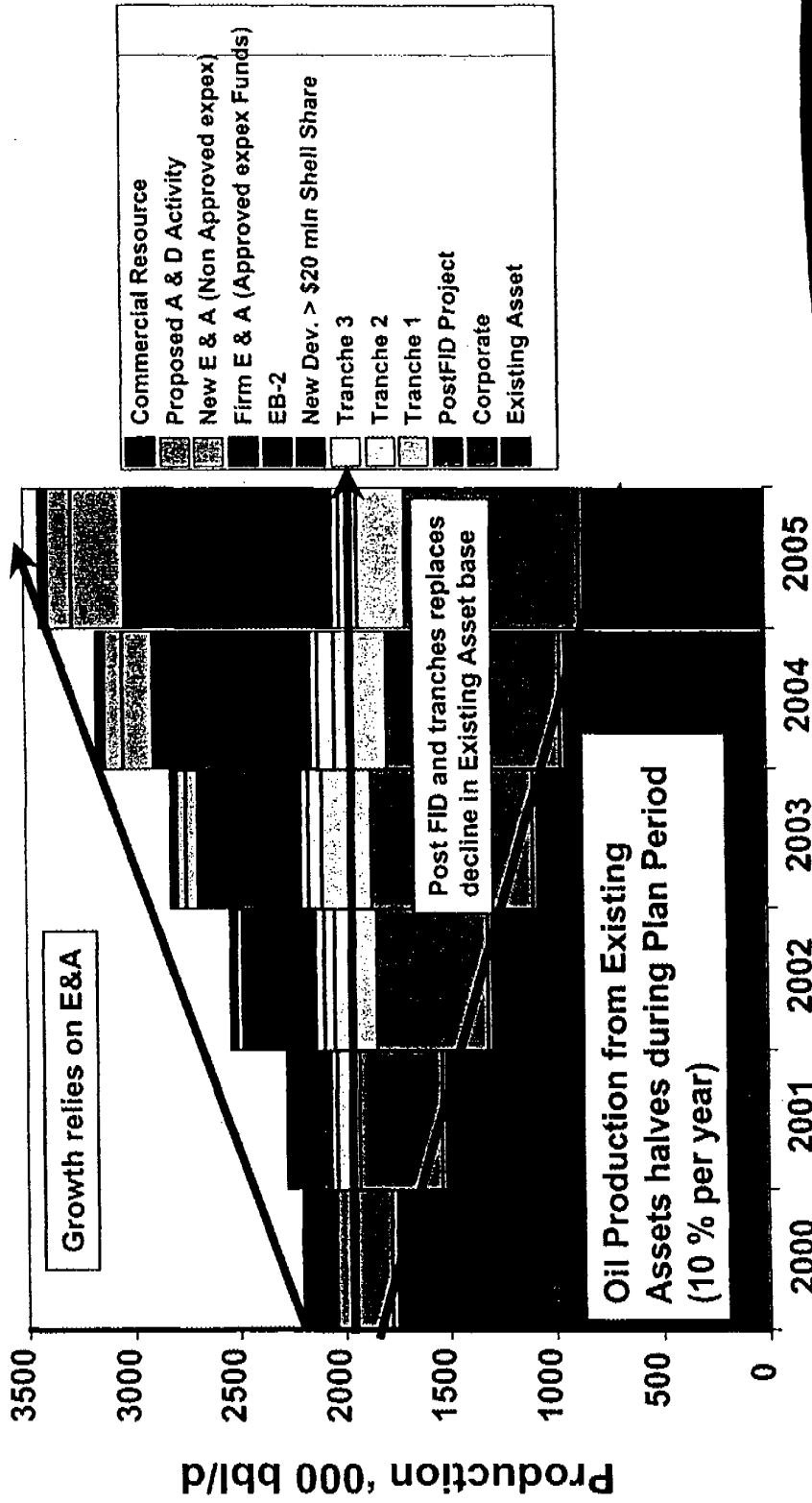
DB 07477

# Production: Can we deliver on this promise?



DB 07478

# OIL PRODUCTION 2001-2005 Raw Data Submission

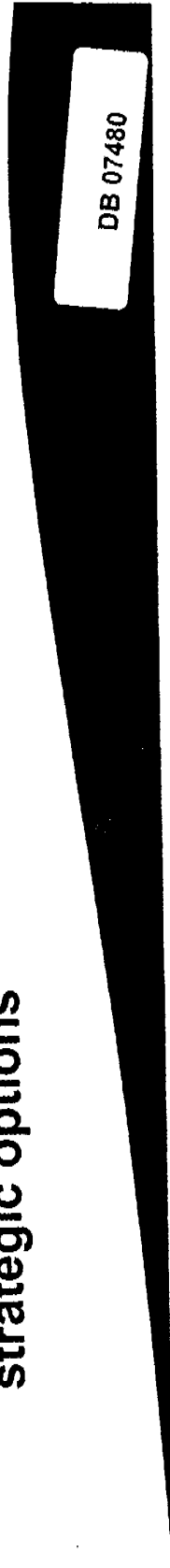


Production Forecast per Region and CA Cat - Raw data.rep

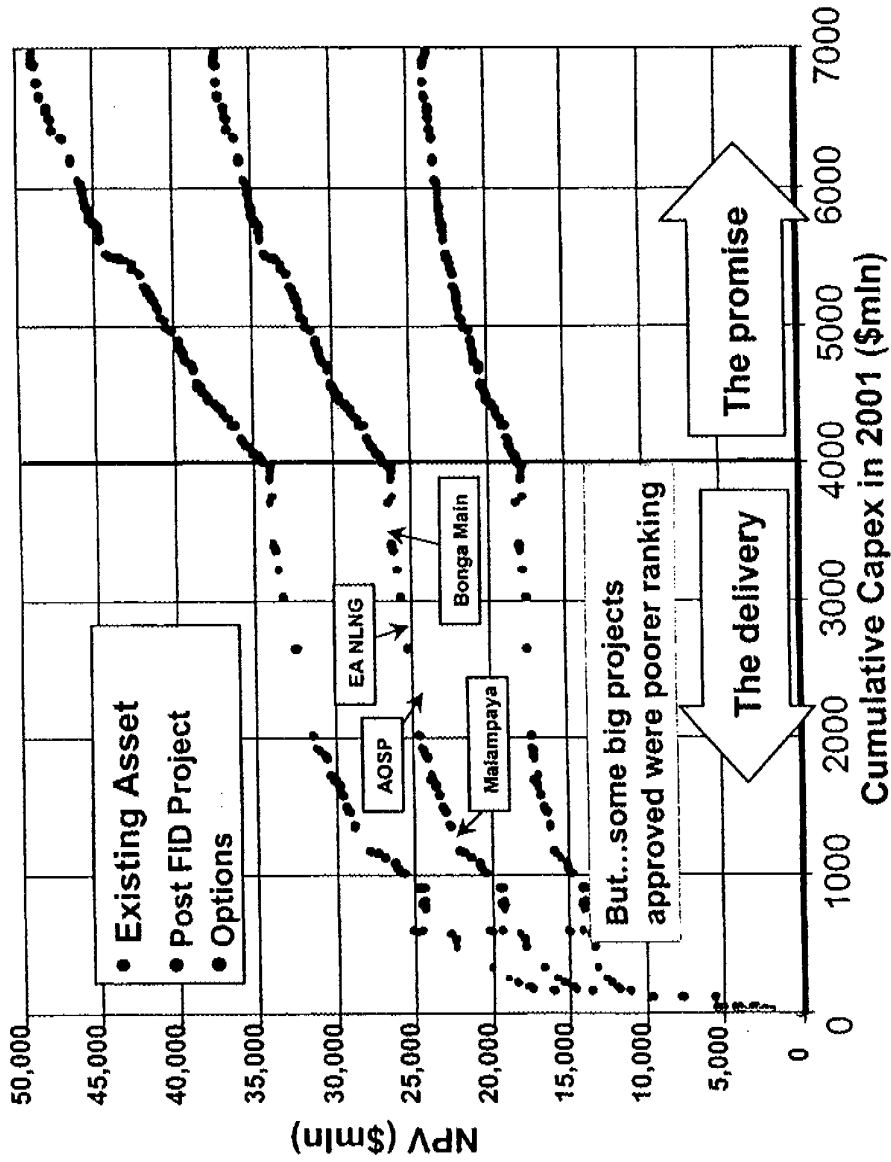
DB 07479

# Major Concerns

- Existing Assets require 800 Million US\$ in 2001 without adding production...
- Most large post-FID projects indicate underdelivery compared with 1999
- New projects have very aggressive FID dates (36 FIDs in 2001 excluding big tickets e.g. Saudi Gas) and possibly overstated value promises
- E&A Follow Up extremely optimistic when compared with history
- Not enough funds for promising projects and strategic options



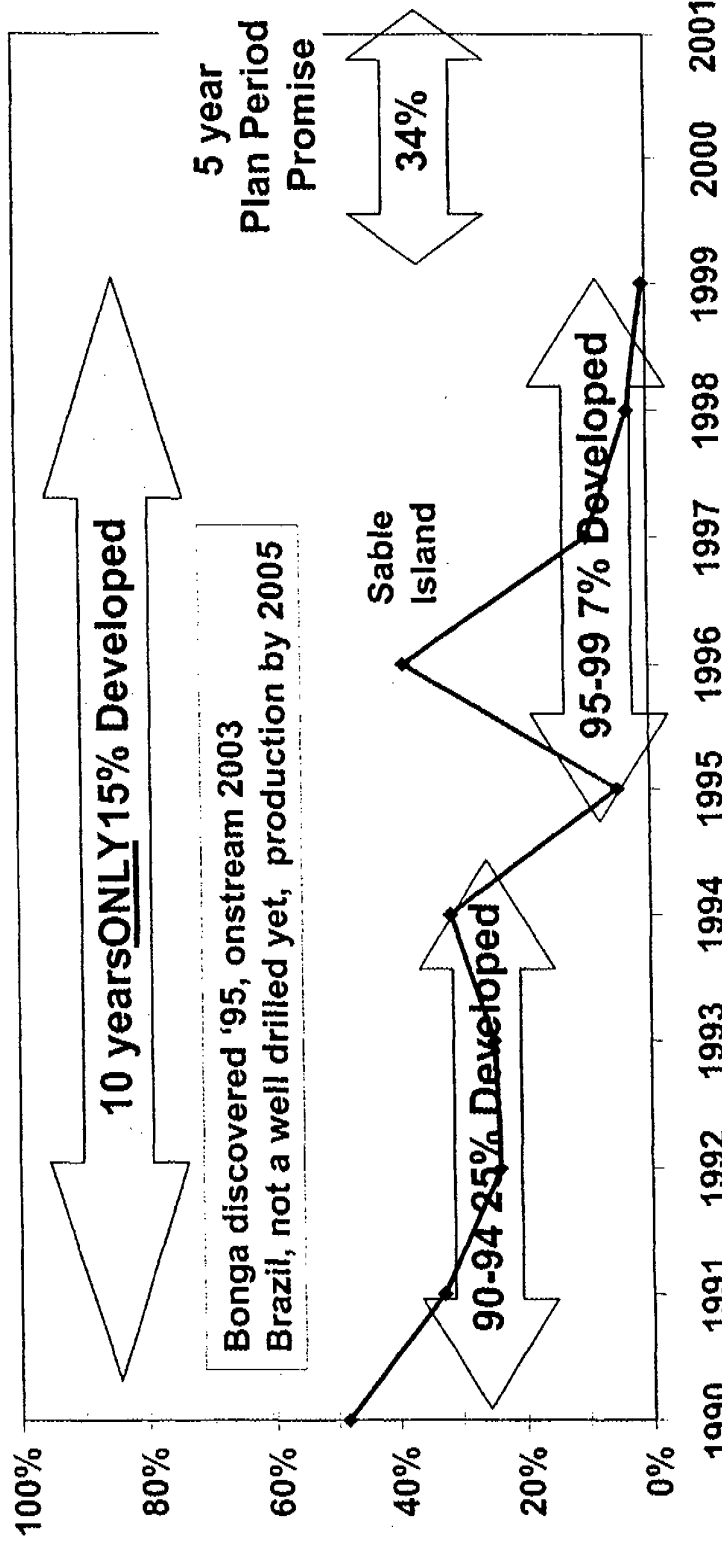
# CAPEX CREAMING CURVE



DB 07481



# Exploration Discoveries 1990-1999 Development Percentage @1.1.2000



> 34% Development percentage Exploration discoveries  
within 5 years has not been achieved to date ...

Plan Excl. Sakhalin & OKIOC

DB 07482

# MAJOR PROJECT FIDs 2000 from BP'99

Country	Projects with FIDs in 2000		BP '99	CA 2000
			Timing	Timing
Shell Malaysia (total)	KN ROUND 2		01-2000	1999
Shell Malaysia (total)	KN S1S2		01-2000	1999
Shell Iran	Soroosh /Nowrooz		01-2000	11-1999
Shell USA	Oregano		05-2000	04-2000
Shell USA	Serrano		05-2000	04-2000
Shell USA	Na Kika		05-2000	07-2000
Shell USA	North Marlin		04-2000	07-2000
Norske Shell	Garn West		03-2000	04-2000
Shell UK Expro	Mandarin		10-2000	09-2000
SPDC	Bonny Terminal Refurbishment		07-2000	07-2000
SPDC	Cawthorne Channel		09-2000	10-2000
Brunei Shell	Champion West Existing Facilities		12-2000	01-2001
SOGU	Dan Infill and Debotlenecking		03-2000	03-2001
Shell Egypt N.V.	Obaiyed South Devt		11-2000	07-2001
Shell UK Expro	Goldeneye		10-2000	12-2001
Turkmenistan, Uzbekistan	Uzbekistan Alan & Kandym		07-2000	01-2001
Shell Australia	NWS LNG Expansion U/S		03-2000	01-2004
Shell Australia	ALNG LNG Train 1 U/S		09-2000	01-2004
Brunei Shell	Egret Development		10-2000	01-2004
Shell UK Expro	Cleaver Bank High		10-2000	10-2001
Shell Capsa	Cerro Tuyunti Sth.		11-2000	?
A/S Norske Shell	Sogn Gloa Development		09-2000	?
Shell Devt. Pakistan B.V.	Kirthar Block : Bhit dev		03-2000	?

On-time

Slipped

DB 07483