

ROYAL DUTCH PETROLEUM COMPANY

CONTROL OF REGISTRANT

The registrant is not directly or indirectly owned or controlled by another corporation or by any government.

Ordinary shares

Of the registrant's outstanding ordinary shares, with a nominal (par) value of N.fl. 1.25 each, approximately 50% is in bearer form; the remainder is registered. As at March 21, 2000, no person was known by the registrant to be the owner of more than 10% of any class of the registrant's voting securities. As at the same date the Directors and officers of the registrant owned 98,020 ordinary shares of the registrant.

Priority shares

Royal Dutch has 1,500 priority shares outstanding, with a nominal (par) value of N.fl. 1,000 each. Each of the members of the Supervisory Board and each Managing Director is the holder of 6 priority shares. Taken together, the members of the Supervisory Board and the Managing Directors hold 54 priority shares. The other 1,446 priority shares were held, as at March 21, 2000, by the Royal Dutch Priority Shares Foundation. The Board of the Foundation consists of all the members of the Supervisory Board and the Managing Directors of the Company. The important special rights attaching to these shares are as follows:

- the determination of the number of members of the Supervisory Board and the number of Managing Directors, provided that the Supervisory Board should consist of at least five members and the Board of Management of at least two members;
- the drawing-up of a binding nomination consisting of two persons for filling vacancies on the Supervisory Board and the Board of Management;
- the granting of consent for amendment of the Articles of Association or for dissolution of the Company;
- the granting of consent for the assignment of priority shares.

The above-mentioned rights are exercised by the meeting of holders of priority shares. At this meeting one vote may be cast for each priority share, but no one may cast more than six votes in all.

NATURE OF TRADING MARKET

The principal trading markets for the ordinary shares of Royal Dutch are the stock exchanges in Amsterdam and New York. Royal Dutch ordinary shares are also listed on stock exchanges in Austria, Belgium, France, Germany, Luxembourg and Switzerland.

Royal Dutch ordinary shares are issuable in bearer or registered form.

Royal Dutch shares of New York Registry may be transferred on the books of Royal Dutch and exchanged for bearer shares, for shares of Hague Registry or for shares of New York Registry of other denominations at Morgan Guaranty Trust Company of New York (c/o J.P. Morgan Service Center, PO Box 842006, Boston, MA 02284-2006) as Transfer Agent and Registrar. The Transfer Agent maintains "drop facilities" at the offices of Securities Transfer and Reporting Services (STARS), 100 William Street, Galleria, New York, NY 10038, where stock certificates and related instruments may be received and redelivered. Besides being listed and traded on the New York Stock Exchange, Royal Dutch shares of New York Registry are also admitted to unlisted trading privileges on the following stock exchanges: Boston, Cincinnati, Midwest, Pacific Coast and Philadelphia.

Royal Dutch ordinary shares other than those of New York Registry are predominantly in bearer form.

At March 21, 2000, there were outstanding 846,070,847 shares of New York Registry representing approximately 39.5% of the ordinary share capital of Royal Dutch, held by approximately 23,000 holders of record.

The table on the next page sets forth the high and low prices for Royal Dutch N.fl. 1.25 par value ordinary shares on Amsterdam Exchanges and for Royal Dutch shares of New York Registry on the New York Stock Exchange.

Period	Amsterdam Exchanges		New York Stock Exchange	
	High €	Low €	High \$	Low \$
1999				
1st Quarter	50.35	34.90	54.69	39.56
2nd Quarter	58.95	47.50	61.63	51.69
3rd Quarter	64.10	54.40	67.38	57.44
4th Quarter	63.60	52.40	65.88	55.19
1998^a				
1st Quarter	56.04	45.51	59.25	49.25
2nd Quarter	56.95	48.87	60.38	53.00
3rd Quarter	52.05	37.71	55.94	39.75
4th Quarter	43.70	36.57	52.00	43.00

^aThe euro share prices prior to the fixing of the euro conversion rate in January 1999 are derived from the quotient of guilder share prices and the fixed guilders-per-euro conversion rate of 2.20371.

EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

The Dutch External Financial Relations Act of 1994 enables the Minister of Finance or the Central Bank of the Netherlands, as the case may be, to issue regulations with regard to a number of financial transactions relating to the import and export of capital.

The regulations as issued and applied to date have not restricted the activities and operations of the registrant and its Netherlands subsidiaries.

There is no legislative or other legal provision currently in force in the Netherlands or arising under the constituent documents of the registrant restricting remittances to non-resident holders of the registrant's securities or affecting the rights of foreigners to hold or to cast votes for such securities. However, in accordance with the Articles of Association of the Company, the maximum number of votes to be cast by any shareholder is 48,000. A proposal will be submitted to the General Meeting of Shareholders, to be held on May 9, 2000, to abolish this limitation of voting rights by amendment of the Articles of Association.

TAXATION

Income tax

Royal Dutch is generally required by Netherlands law to withhold tax at a rate of 25% on dividends. Under the current income tax convention between the United States and the Netherlands, dividends paid by a Netherlands corporation to an individual resident of the United States, a corporation organized under the laws of the United States (or of any state or territory thereof) or any other legal person subject to US Federal income tax with respect to its worldwide income (a "US shareholder") that qualifies for benefits under the convention are generally subject to Netherlands withholding tax at a reduced rate of 15% of the amount of the dividend (provided the shares on which the dividend is paid are not part of the business property of a permanent establishment of the shareholder in the Netherlands). In general, the entire dividend (including the withheld amount) will be dividend income to the US shareholder, not eligible for the dividends received deduction allowed to corporations, and the withholding tax will be treated as a foreign income tax that is eligible for credit against the shareholder's US income taxes subject to certain limitations. Under a provision of the Netherlands dividend tax act, Royal Dutch will apply a credit (up to a maximum of 3% of the gross dividend amount) against the amount of the dividend tax withheld before remittance to the Netherlands tax authorities. For the 1999 final dividend this credit is nil% of the gross dividend from which dividend tax is withheld. The benefit of this credit is passed to the Group in accordance with the arrangements between Royal Dutch and Shell Transport. Because of this credit, the US tax authorities may take the view that the Dutch withholding tax eligible for credit by a US shareholder against its US income tax liability should be limited accordingly. Under said convention, US organisations that are generally exempt from US Federal income tax and that are constituted and operated exclusively to administer or provide pension, retirement or other employee benefits are exempt at source from withholding tax on dividends received from a Netherlands corporation. US organisations

that are exempt from US Federal income tax, that are operated exclusively for religious, charitable, scientific, educational or public purposes and that would be exempt from tax in the Netherlands if they were organised, and carried on all their activities, therein, are subject to withholding tax but may file for a full refund.

For Royal Dutch shareholders resident in any country other than the United States and the Netherlands, the availability of a whole or partial exemption or refund of the Netherlands withholding tax is governed by the tax convention, if any, between the Netherlands and the country of the shareholder's residence.

Taxation on capital gains

Capital gains on the sale of shares of a Netherlands company by a US shareholder are generally not subject to taxation by the Netherlands unless the US shareholder has a permanent establishment in the Netherlands and the capital gain is derived from the sale of shares which are part of the business property of the permanent establishment.

Succession duty and gift taxes

Shares of a Netherlands corporation held by an individual who is not a resident or a deemed resident of the Netherlands will generally not be subject to succession duty in the Netherlands on the individual's death unless the shares are part of the business property of a permanent establishment situated in the Netherlands.

A gift of shares of a Netherlands company by a person who is not a resident or a deemed resident of the Netherlands is generally not subject to Netherlands gift tax.

MANAGEMENT

In accordance with its Articles of Association, Royal Dutch is managed by a Board of Management consisting of at least two Managing Directors, under the supervision of a Supervisory Board consisting of at least five members. Managing Directors are appointed by the General Meeting of Shareholders from the persons nominated by the meeting of holders of priority shares and hold office until they retire unless relieved earlier from office by the General Meeting of Shareholders.

The Supervisory Board is a separate body which does not include the Managing Directors. Members of the Supervisory Board are appointed by the General Meeting of Shareholders from the persons nominated by the meeting of holders of priority shares. Each year, one of the members of the Supervisory Board retires by rotation but is eligible for re-election. Further, a member of the Supervisory Board retires after having served on the Supervisory Board for a period of 10 years or retires effective on the first day of July following the initial April 1 on which the member is 70 years of age.

The Managing Directors, members of the Supervisory Board and officers of Royal Dutch at March 21, 2000 are set out in the table on the next page.

Name/Position with registrant	Appointed
Board of Management	
M. A. van den Bergh President and Managing Director	President, July 1, 1998 Managing Director, July 1, 1992
H. J. M. Roels Managing Director	July 1, 1999
J. van der Veer Managing Director	July 1, 1997
Supervisory Board	
L. C. van Wachem Chairman and Member of the Supervisory Board	Managing Director, 1977-1992 and President, 1982-1992 Member of the Supervisory Board, July 1, 1992, and Chairman of the Supervisory Board, July 1, 1992
J. M. H. van Engelshoven Member of the Supervisory Board	Managing Director, 1982-1991 Member of the Supervisory Board, July 1, 1991
A. G. Jacobs Member of the Supervisory Board	January 1, 1998
Jonkheer A. A. Loudon Member of the Supervisory Board	July 1, 1997
H. de Ruiter Member of the Supervisory Board	Managing Director, 1983-1994 Member of the Supervisory Board, July 1, 1994
J. D. Timmer Member of the Supervisory Board	July 1, 1996
General Attorney	
R. van der Vlist General Attorney	October 1, 1987

Mr. M. A. van den Bergh will relinquish his position as President of the Company on June 30, 2000. The Supervisory Board and the Board of Directors will propose to the General Meeting of Shareholders of the Company, to be held on May 9, 2000, to appoint Mr. M. A. van den Bergh as a member of the Supervisory Board with effect from July 1, 2000.

Mr. J. M. H. van Engelshoven will relinquish his position as member of the Supervisory Board effective July 1, 2000.

The Supervisory Board and the Board of Directors will propose to the General Meeting of Shareholders of the Company, to be held on May 9, 2000, to appoint Professor Dr. J. Milberg to the Supervisory Board of the Company with effect from July 1, 2000.

Mr. H. de Ruiter will retire by rotation as member of the Supervisory Board effective July 1, 2000, but it will be recommended to the General Meeting of Shareholders that he be re-elected.

There are no arrangements or understandings between Managing Directors, members of the Supervisory Board or officers and any other person pursuant to which they were selected as Managing Directors, members of the Supervisory Board or officers.

There are no family relationships between any Managing Director, member of the Supervisory Board or officer and any other Managing Director, member of the Supervisory Board or officer.

Group Audit Committee

In 1976 the Supervisory Board of Royal Dutch, jointly with the Board of Directors of Shell Transport, constituted a Group Audit Committee composed of six members, three of whom are appointed by the Supervisory Board of Royal Dutch from among its members and three by the Board of Shell Transport from among its members. The recently revised functions of the Committee, acting in an advisory capacity to the Supervisory Board of Royal Dutch and to the Board of Shell Transport, are to review the financial reports of the Royal Dutch/Shell Group of Companies and the effectiveness of the Group risk management and internal

control procedures as well as the results of the independent auditors' examination of the Group Financial Statements. The Group's approach to internal control is outlined on pages 48 and 49, from which it can be seen that the risk and control monitoring procedures have been enhanced to provide, from the beginning of 2000, a process designed to deliver to management an ongoing review of the risk associated with the fulfilment of the objectives of the business. The members appointed by the Supervisory Board of Royal Dutch are Mr. J. M. H. van Engelshoven, Mr. A. G. Jacobs and Mr. J. D. Timmer; the members appointed by the Board of Directors of Shell Transport are Sir Peter Holmes, Professor R. J. O'Neill and Sir William Purves. Sir William Purves is chairman of the Committee.

Remuneration and Succession Review Committee

In 1967 the Supervisory Board of Royal Dutch, jointly with the Board of Shell Transport, constituted a Remuneration Committee composed of six members, three of whom are appointed by the Supervisory Board of Royal Dutch from among its members and three by the Board of Shell Transport from among its members. Following restatement of its terms of reference in 1980, this Committee was renamed Remuneration and Succession Review Committee. The functions of the Committee are to make recommendations on all forms of remuneration with respect to Group Managing Directors and to review matters relating to the succession to the positions of Group Managing Directors. The members appointed by the Supervisory Board of Royal Dutch are Mr. A. G. Jacobs, Jonkheer A. A. Loudon and Mr. L. C. van Wachem; the members appointed by the Board of Directors of Shell Transport are Sir Antony Acland, Sir John Jennings and Lord Oxburgh. Mr. L. C. van Wachem is chairman of the Committee.

Social Responsibility Committee

In 1997 the Supervisory Board of Royal Dutch, jointly with the Board of Shell Transport, formed a Social Responsibility Committee composed of six members, three of whom are appointed by the Supervisory Board of Royal Dutch from among its members and three by the Board of Shell Transport from among its members. The Committee reviews the policies and conduct of the Royal Dutch/Shell Group of Companies with respect to the Group's *Statement of General Business Principles* and the Group's Health, Safety and Environment Commitment and Policy. The members appointed by the Supervisory Board are Jonkheer A. A. Loudon, Mr. H. de Ruiter and Mr. J. D. Timmer; the members appointed by the Board of Directors of Shell Transport are Mr. T. A. Alireza, Dr. Eileen Buttle and Lord Oxburgh. Lord Oxburgh is chairman of the Committee.

Compensation of Directors and Officers

The aggregate amount of remuneration paid to or accrued for all members of the Supervisory Board, the Managing Directors and officers of the registrant as a group by the registrant and companies of the Royal Dutch/Shell Group of Companies for services in all capacities during the fiscal year ended December 31, 1999, was €3,077,645. The aggregate amount set aside to provide pension, retirement and similar benefits for Managing Directors and officers of the registrant by the registrant and companies of the Royal Dutch/Shell Group of Companies during the fiscal year ended December 31, 1999, was €1,100,798. Reference is made to the information given in the Remuneration section on pages R-6 to R-9 relating to Directors' emoluments.

Options to purchase securities from registrant or subsidiaries

Four Group companies, two in the Netherlands (Shell Petroleum N.V. and Montell Polyolefins B.V.), one in the United Kingdom (The Shell Petroleum Company Limited) and one in the United States of America (Shell Oil Company) have stock option plans under which options have been or may be granted to executives and other key employees of those and other Group companies. Options granted under these plans are for terms of not more than five or ten years at an option price of not less than 100% of the fair market value on the date of granting the option.

The securities of the registrant involved in the plans as of March 21, 2000, are 8,713,296 issued and outstanding ordinary shares.

The number of ordinary shares of the registrant under option at March 21, 2000, and the option prices of the shares at the dates the options were granted, per share and in total, were as follows:

Plan	Number of shares under option	Average per share	Option price ^a	
			Total	Term (expiration dates)
Shell Petroleum N.V.	1,496,420	€38.65	€57,839,165	5 years (13/12/00-10/12/02)
Shell Petroleum N.V.	2,115,920	€43.73	€92,530,916	10 years (10/12/07-21/12/08)
The Shell Petroleum Company Limited	537,200	€33.25	€17,864,519	5 years (13/12/00-10/12/02)
The Shell Petroleum Company Limited	1,381,800	€44.64	€61,684,468	10 years (10/12/07-21/12/08)
Montell Polyolefins B.V.	294,450	€45.64	€13,438,002	5 years (13/12/01-11/03/03)
Montell Polyolefins B.V.	166,500	€47.10	€7,842,150	10 years (25/03/02-25/03/09)
Shell Oil Company	2,836,450	\$52.08	\$147,708,134	10 years (28/02/10)

^aEuro-denominated option prices prior to the fixing of the euro conversion rate in January 1999 are derived from the quotient of guilder prices and the fixed guilders-per-euro conversion rate of 2.20371.

THE "SHELL" TRANSPORT AND TRADING COMPANY, PUBLIC LIMITED COMPANY

CONTROL OF REGISTRANT

The registrant is not directly or indirectly owned or controlled by another corporation or by any government. As of March 21, 2000, no person was known by the registrant to be the owner of more than 10% of any class of the registrant's voting securities. As at the same date the Directors and officers of the registrant beneficially owned 4,067,951 Ordinary shares of the registrant (including the 3,330,391 shares under option as referred to on page 63 of this report), being 0.041% of the total shares of that class outstanding.

NATURE OF TRADING MARKET

The principal trading market for the Ordinary shares of Shell Transport is the London Stock Exchange. Shell Transport Ordinary shares are also listed and traded on stock exchanges in Belgium, France and Germany. Shell Transport Ordinary shares are traded in registered or bearer form, but predominantly in registered form.

American Depositary Receipts representing New York Shares are listed and traded on the New York Stock Exchange and are also admitted to unlisted trading privileges on the Boston, Cincinnati, Midwest and Philadelphia Stock Exchanges. The depositary receipts are issued and exchanged at the office of the Bank of New York, 101 Barclay Street, New York, NY 10286, as depositary under a deposit agreement between Shell Transport and the depositary and the holders of receipts.

Each New York Share represents six 25p Ordinary shares of Shell Transport deposited under the deposit agreement. At March 21, 2000, there were outstanding 57,615,305 New York Shares representing approximately 3.48% of the Ordinary share capital of Shell Transport, held by 2,168 holders of record.

The following table sets forth the high and low sales prices for Shell Transport's registered Ordinary shares (of 25p nominal value) on the London Stock Exchange and for Shell Transport's New York Shares (of £1.50 nominal value) on the New York Stock Exchange:

Period	London		New York	
	High £	Low £	High \$	Low \$
1999				
1st Quarter	4.23	3.04	42.38	30.50
2nd Quarter	4.94	4.06	47.88	39.94
3rd Quarter	5.41	4.47	52.56	45.00
4th Quarter	5.29	4.34	50.81	42.25
1998				
1st Quarter	4.53	3.87	46.38	38.75
2nd Quarter	4.64	4.08	46.50	40.88
3rd Quarter	4.29	3.16	42.88	31.00
4th Quarter	3.76	3.29	38.63	33.38

EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There is no legislative or other legal provision currently in force in the United Kingdom or arising under the constituent documents of the registrant restricting remittances to non-resident holders of the registrant's securities or affecting the rights of foreigners to hold or to cast votes for such securities.

TAXATION

Dividends and tax credit

Individual shareholders resident in the UK are entitled to receive a tax credit with dividends received from Shell Transport. The amount of the credit is equal to 10/90ths of the cash dividend. The credit is not repayable in cash when it exceeds the shareholder's UK tax liability.

There is generally no withholding tax on UK dividends.

Under the current Double Taxation Conventions between the United Kingdom and both the United States and Canada, a US or Canadian resident holder of American Depositary Receipts (ADRs) will (so long as a UK resident individual shareholder is entitled to a tax credit) be entitled to receive an amount equal to the tax credit less UK income tax of up to 15% of the combined amount of the dividend and such tax credit (provided the shares on which the dividend is paid are not effectively connected with a permanent establishment of the shareholder in the UK).

1999 dividends

US and Canadian resident shareholders will be entitled to a tax credit repayment under the Double Taxation Convention at a rate of 11.11% of the cash dividend, but subject to a withholding tax of 15% based on the combined amount of the dividend and tax credit, with the result that the amount of the repayment will be zero. (It cannot go negative.)

Dividends received by a US shareholder will represent dividend income not eligible for the dividends received deduction allowed to corporations. By default, US shareholders will be taxed on the amount of dividend actually received. However, a US shareholder may elect to be treated as having paid UK withholding tax (at an 11.11% rate) with respect to the receipt of such dividends. As a result of such a choice, any such withholding tax would be treated as increasing the amount of the dividend received by the US shareholder, and subject to certain limitations, may be claimed as a credit or deduction for US federal income tax purposes.

The entitlement to a tax credit of a shareholder who is resident neither in the UK nor in the USA depends upon such double tax arrangements as exist between the UK and the country of the shareholder's residence.

Taxation on capital gains

Under the current Double Taxation Convention between the United States and the United Kingdom, capital gains of residents of the USA may be taxed in accordance with the provisions of UK domestic law. Under present UK law, residents of the USA who are not resident and not ordinarily resident in the UK will not be liable for UK taxation on capital gains made on the disposal of their shares unless the shares are held in connection with a trade or business carried on in the UK through a branch or agency.

Inheritance tax

Under the current Estate and Gift Tax Convention between the United States and the United Kingdom, Ordinary shares held by an individual who is domiciled for the purpose of the Convention in the USA and is not for the purpose of the Convention a national of the UK will not be subject to UK inheritance tax on the individual's death or on a gift of the shares in the seven years prior to death unless the shares are part of the business property of a permanent establishment of the individual in the UK, or, in the case of a shareholder who performs independent personal services, pertain to a fixed base situated in the UK.

Stamp duty reserve tax

The United Kingdom Government currently imposes a 1.5% stamp duty reserve tax on the creation of new depository receipts representing shares of UK companies. The tax does not apply to the purchase and subsequent transfer of depository receipts already in issue, nor where the holder surrenders an existing depository receipt in exchange for the underlying shares. In the case of New York shares represented by ADRs issued on or after March 18, 1991 by the Bank of New York, the depository under the deposit agreement referred to in the third paragraph under the Item entitled "Nature of trading market" on page 59, the tax payable is calculated on the value of the underlying registered shares at the date such shares are transferred to the Bank of New York.

MANAGEMENT

The business of Shell Transport is managed by a Board of Directors of not less than three and not more than 20 in number. There are 11 Directors in office, of whom three are Managing Directors. Managing Directors are appointed by the Board from among the members of the Board. Under the Articles of Association, Managing Directors are not required to retire by rotation with the other Directors and offer themselves for re-election by the shareholders but, as previously announced, the Managing Directors will, in future, offer themselves for re-election on a regular basis. The Articles also require one-third of the Directors subject to retirement by rotation,

to retire at each Annual General Meeting. The Combined Code of good corporate governance published by the London Stock Exchange suggests that Directors should be subject to re-election at intervals of no more than three years. Suitable amendments to Shell Transport's Articles of Association will be proposed to shareholders on both counts when next the Articles are revised. In the meantime, Directors will retire by rotation in advance of the Article requirements to ensure compliance with the Combined Code and where appropriate will offer themselves for re-election. In 2000 five Directors will retire at the Annual General Meeting in accordance with these arrangements.

The Directors, Managing Directors and officers of Shell Transport at March 21, 2000, were:

Name/Position with registrant	Appointed
M. Moody-Stuart Chairman and Managing Director	Managing Director, July 1, 1991 Chairman, July 1, 1997
P. B. Watts Managing Director	July 1, 1997
P. D. Skinner Managing Director	January 1, 2000
Sir Antony Acland GCMG GCVO Director	November 1, 1991
T. A. Alireza Director	November 12, 1997
Dr. Eileen Buttle CBE Director	July 8, 1998
Sir Peter Holmes MC Director	July 1, 1982
Sir John Jennings CBE FRSE Director	July 1, 1987
Professor R. J. O'Neill AO Director	June 1, 1992
Lord Oxburgh KBE FRS Director	January 10, 1996
Sir William Purves CBE DSO Director	October 1, 1993
Miss J. E. Munsiff Secretary	August 1, 1993

The Directors retiring by rotation at the Annual General Meeting to be held on May 9, 2000 are: Mr. T. A. Alireza; Sir Peter Holmes; Mr. M. Moody-Stuart; and Mr. P. B. Watts. All four, being eligible, will offer themselves for re-election at the meeting. Sir Antony Acland will also be retiring at the Annual General Meeting and, having attained the age of 70, will not be offering himself for re-election. Mr. P. D. Skinner was appointed a Director by the Board with effect from January 1, 2000 and will also offer himself for election at the Annual General Meeting.

There are no arrangements or understandings between Directors or officers and any other person pursuant to which they were selected as Directors or officers. There are no family relationships between any Director or executive officer and any other Director or executive officer.

Group Audit Committee

In 1976 the Board of Shell Transport, jointly with the Supervisory Board of Royal Dutch, constituted a Group Audit Committee composed of six members, three of whom are appointed by the Board of Shell Transport from among its members and three by the Supervisory Board of Royal Dutch from among its members. The recently revised functions of the committee, acting in an advisory capacity to the Board of Shell Transport and to the Supervisory Board of Royal Dutch, are to review the financial reports of the Royal Dutch/Shell Group of Companies and the effectiveness of the Group's risk management and internal control procedures as well as to consider the results of the Auditors' examination of the Group financial statements. The Directors of Shell Transport appointed to the committee are Sir Peter Holmes, Professor R. J. O'Neill and Sir William Purves; the

members appointed by the Supervisory Board of Royal Dutch are Mr. J. M. H. van Engelshoven, Mr. A. G. Jacobs and Mr. J. D. Timmer. Sir William Purves is chairman of the committee.

Remuneration and Succession Review Committee

In 1967 the Board of Shell Transport, jointly with the Supervisory Board of Royal Dutch, constituted a Remuneration Committee composed of six members, three of whom are appointed by the Board of Shell Transport from among its members and three by the Supervisory Board of Royal Dutch from among its members. Following restatement of its terms of reference in 1980, this committee was renamed as Remuneration and Succession Review Committee. The functions of the committee are to make recommendations on all forms of remuneration with respect to Group Managing Directors and to review matters relating to the succession to the positions of Group Managing Directors. The members appointed by the Board of Directors of Shell Transport are Sir Antony Acland, Sir John Jennings and Lord Oxburgh; the members appointed by the Supervisory Board of Royal Dutch are Mr. A. G. Jacobs, Jonkheer A. A. Loudon and Mr. L. C. van Wachem. Mr. L. C. van Wachem is chairman of the committee.

Social Responsibility Committee

In 1997 the Board of Shell Transport, jointly with the Supervisory Board of Royal Dutch, constituted a Social Responsibility Committee composed of six members, three of whom are appointed by the Board of Shell Transport from among its members and three by the Supervisory Board of Royal Dutch from among its members. The committee reviews the policies and conduct of the Royal Dutch/Shell Group of Companies with respect to the Group's Statement of General Business Principles as well as the Group's Health, Safety and Environment Commitment and Policy. The members appointed by the Board of Shell Transport are Mr. T. A. Alireza, Dr. Eileen Buttle and Lord Oxburgh; the members appointed by the Supervisory Board of Royal Dutch are Jonkheer A. A. Loudon, Mr. H. de Ruiter and Mr. J. D. Timmer. Lord Oxburgh is chairman of the committee.

Compensation of Directors and Officers

The aggregate amount of remuneration paid to or accrued for Directors, Managing Directors and officers of the registrant as a group by the registrant and companies of the Royal Dutch/Shell Group of Companies for services in all capacities during the fiscal year ended December 31, 1999, was £2,178,536. The aggregate amount set aside to provide pension, retirement and similar benefits for Directors, Managing Directors and officers of the registrant by the registrant and companies of the Royal Dutch/Shell Group of Companies during the fiscal year ended December 31, 1999, was nil.

Reference is made to the information given in the Remuneration section on pages S-9 to S-12 relating to Directors' emoluments.

Options to purchase securities from registrant or subsidiaries

Two Group companies, one in the Netherlands (Shell Petroleum N.V.) and one in the United Kingdom (The Shell Petroleum Company Limited), have stock option plans under which options have been or may be granted to executives and other key employees of those and other Group companies. Options granted under these plans are at a price of not less than 100% of the fair market value at the date of granting the option and for the terms indicated in the tabulation on the next page.

The securities of the registrant involved in the plans as of March 21, 2000, are 34,150,004 issued and outstanding Ordinary shares.

The number of Ordinary shares under option at March 21, 2000, and the option prices of the Ordinary shares at the date the options were granted, per share and in total, were as follows:

Plan	Number of shares under option	Option price		Term (expiration dates)
		Average per share	Total	
Shell Petroleum N.V.	3,015,100	£3.63	£10,953,340	5 years (13/12/00-10/12/02)
Shell Petroleum N.V.	3,929,100	£3.72	£14,634,727	10 years (10/12/07-21/12/08)
The Shell Petroleum Company Limited	9,118,400	£3.25	£29,648,867	5 years (13/12/00-10/12/02)
The Shell Petroleum Company Limited	18,087,404	£3.98	£71,922,353	10 years (10/12/07-21/12/08)

During 1986 The Shell Petroleum Company Limited established a savings-related share option scheme approved by the United Kingdom Inland Revenue pursuant to the Finance Act 1980 (now consolidated into the Income and Corporation Taxes Act 1988) under which options have been or may be granted over Ordinary shares of the registrant to eligible employees of certain Group companies in the United Kingdom. Options granted under the scheme are at a price of not less than 100% of the fair market value shortly before the date of grant and are normally exercisable after completion of a contractual savings period of either three or five years. In 1998 Shell Petroleum N.V. and Montell U.K. Limited established similar savings related share option schemes. At March 21, 2000, 20,591,820 issued and outstanding Ordinary shares of the registrant were under option to such employees pursuant to the rules of those schemes at prices between 230p and 518p.

The Directors and officers of the registrant as a group held at March 21, 2000, options over 3,330,391 shares of the registrant. Of these shares, Mr. Moody-Stuart held 1,517,000 under option, Mr. Skinner held 673,014 under option, and Mr. Watts had 856,914 under option. Reference is made to the information given in the Remuneration section on pages S-9 to S-12 relating to Directors' emoluments.

(This page is intentionally blank.)

INDEX TO FINANCIAL STATEMENTS AND EXHIBITS

	Page
(A) FINANCIAL DATA*	
ROYAL DUTCH PETROLEUM COMPANY:	
Report of Independent Accountants	R-1
Financial Statements	R-2
Profit and Loss Account	R-2
Statement of Appropriation of Profit	R-2
Statement of Cash Flows	R-2
Balance Sheet	R-2
Notes to Financial Statements	R-3
Remuneration	R-6
THE "SHELL" TRANSPORT AND TRADING COMPANY, PUBLIC LIMITED COMPANY:	
Report of Independent Accountants	S-1
Financial Statements	S-2
Profit and Loss Account	S-2
Statement of Retained Profit	S-2
Balance Sheet	S-2
Statement of Total Recognised Gains and Losses	S-3
Statement of Cash Flows	S-3
Notes to Financial Statements	S-4
Remuneration	S-9
ROYAL DUTCH/SHELL GROUP OF COMPANIES:	
Report of Independent Accountants	G-1
Financial Statements	G-2
Statement of Income	G-2
Statement of Comprehensive Income and Parent Companies' Interest in Group Net Assets	G-2
Statement of Assets and Liabilities	G-3
Statement of Cash Flows	G-4
Notes to Financial Statements	G-5
Supplementary Information – Oil and Gas	G-31
Reserves	G-33
Standardised measure of discounted future cash flows	G-34
Supplementary Information – Derivative and other Financial Instruments and Derivative Commodity Instruments	G-34
(B) EXHIBITS	
1.1 Articles of Association of Royal Dutch (incorporated by reference to Exhibit 3.1 of the Registration Statement on Form S-8 (Registration No. 333-7590) of Royal Dutch and Shell Transport)	E-1
1.2 Memorandum and Articles of Association of Shell Transport (incorporated by reference to Exhibit 3.2 of the Registration Statement on Form S-8 (Registration No. 333-7590) of Royal Dutch and Shell Transport)	E-2
23.1 Consent of KPMG Accountants N.V., The Hague	E-3
23.2 Consent of PricewaterhouseCoopers, London	E-4
23.3 Consent of KPMG Accountants N.V., The Hague and PricewaterhouseCoopers, London	E-5
23.4 Consent of KPMG Accountants N.V., The Hague	E-5
23.5 Consent of KPMG Accountants N.V., The Hague and PricewaterhouseCoopers, London	E-5

* Schedules not included have been omitted because they are not applicable or not required. Alternatively, the required information is shown in the financial statements or notes thereto. Summarised financial information in aggregate for majority-owned subsidiaries not consolidated and 50% or less-owned persons, the investments in which are accounted for by the equity method, has been provided in the notes to the financial statements. Separate financial statements for any such individual majority-owned subsidiary not consolidated or 50% or less-owned person, the investments in which are accounted for by the equity method, have been omitted because none constitutes a 'significant subsidiary'.

SIGNATURES

As to the undersigned registrant, this Annual Report consists solely of the information referred to on the cross-reference sheet headed Royal Dutch and does not include the information as to Shell Transport on page 33 under the heading "Selected Financial Data", on page 35, on pages 59 through 63 and pages S-1 through S-12.

The material in this report is stated as at December 31, 1999, except that certain 2000 subsequent events are stated down to March 21, 2000.

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

M.A. van den Bergh

M.A. van den Bergh
President and Managing Director

R. van der Vlist

R. van der Vlist
General Attorney

The Hague
April 10, 2000

Signatures

67

As to the undersigned registrant, this Annual Report consists solely of the information referred to on the cross-reference sheet headed Shell Transport and does not include the information as to Royal Dutch on page 33 under the heading "Selected Financial Data", on page 34, on pages 53 through 58 and pages R-1 through R-10.

The material in this report is stated as at December 31, 1999, except that certain 2000 subsequent events are stated down to March 21, 2000.

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorised.

THE "SHELL" TRANSPORT AND TRADING COMPANY, PUBLIC LIMITED COMPANY

M. Moody-Stuart

M. Moody-Stuart
Chairman and Managing Director

London
April 10, 2000

FOIA Confidential
Treatment Requested

RJW00102046

(This page is intentionally blank.)

R-1

ROYAL DUTCH PETROLEUM COMPANY
REPORT OF INDEPENDENT ACCOUNTANTS

To: Royal Dutch Petroleum Company

We have audited the Financial Statements of Royal Dutch Petroleum Company for the years 1999, 1998 and 1997 appearing on pages R-2 to R-5. The preparation of these Financial Statements is the responsibility of the Board of Management. Our responsibility is to express an opinion on the Financial Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 the Board of Management in the preparation of the 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 Royal Dutch Petroleum Company at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in accordance with the accounting policies described on page R-3.

The report of independent accountants on the 1999, 1998 and 1997 Financial Statements of the Royal Dutch/Shell Group of Companies, which form part of the Financial Statements of Royal Dutch Petroleum Company, appears on page G-1.

KPMG Accountants N.V.

KPMG Accountants N.V., The Hague

March 8, 2000

R-2

Royal Dutch Petroleum Company

FINANCIAL STATEMENTS

Profit and Loss Account

		€ million		
	Note	1999	1998	1997
Share in the net income of companies of the Royal Dutch/Shell Group	3	4,853	245	4,351
less Administrative expenses		4	4	4
		4,849	241	4,347
Interest income		16	16	7
Profit before taxation		4,865	257	4,354
less Taxation		4	4	1
Profit after taxation		4,861	253	4,353

Statement of Appropriation of Profit

		€ million		
	Note	1999	1998	1997
Profit after taxation		4,861	253	4,353
Taken from/(to) Statutory investment reserve	4	(1,670)	2,879	(1,007)
Undistributed profit at beginning of year		449	431	101
Unclaimed dividends forfeited		-	-	1
Available for distribution		3,640	3,563	3,448
less Interim dividend ^a		1,394	1,324	1,265
Final dividend		1,844 ^b	1,790	1,752
		3,238	3,114	3,017
Undistributed profit at end of year		402	449	431

^aIncluding 4% cumulative preference dividend amounting to €27,227 on priority shares.

^bProposed final dividend, subject to finalisation by the General Meeting of Shareholders to be held on May 9, 2000.

Statement of Cash Flows

	€ million		
	1999	1998	1997
Returns on investments and servicing of finance			
Dividends received from Group companies	2,977	3,232	2,828
Interest received	13	18	5
Other	(8)	(4)	(4)
Net cash inflow/(outflow) from returns on investments and servicing of finance	2,982	3,246	2,829
Taxation			
Tax (paid)/recovered	(2)	(5)	-
Financing			
Dividends paid	(3,156)	(3,012)	(2,716)
Increase/(Decrease) in cash at bank	(176)	229	113
Cash at January 1	439	210	97
Cash at December 31	263	439	210

Balance Sheet^a

		€ million	
	Note	Dec 31 1999	Dec 31 1998
Fixed assets			
Financial fixed assets			
Investments in companies of the Royal Dutch/Shell Group	4	33,733	28,468
Current assets			
Receivables			
Dividends receivable from companies of the Royal Dutch/Shell Group		1,960	1,783
Other receivables		8	1
Cash at bank		263	439
		2,231	2,223
Current liabilities			
Final dividend		1,844 ^b	1,790
Other liabilities	5	13	12
		1,857	1,802
Current assets less current liabilities		374	421
Total assets less current liabilities		34,107	28,889
Shareholders' equity			
Paid-up capital	6		
Ordinary shares		1,216	1,216
Priority shares		1	1
		1,217	1,217
Share premium reserve		1	1
Investment reserves	4		
Statutory		19,304	15,070
Currency translation differences		(1,153)	(265)
Other		14,336	12,417
		32,487	27,222
Undistributed profit		402	449
		34,107	28,889

^aThe appropriation of profit has already been incorporated in the Balance Sheet.

^bProposed final dividend, subject to finalisation by the General Meeting of Shareholders to be held on May 9, 2000.

FOIA Confidential
Treatment Requested

RJW00102049

NOTES TO FINANCIAL STATEMENTS

1 The Company

Royal Dutch, one of the Parent Companies of the Royal Dutch/Shell Group, is a holding company which, in conjunction with Shell Transport, owns, directly or indirectly, investments in the numerous companies known collectively as the Royal Dutch/Shell Group of Companies.

The Financial Statements of the Royal Dutch/Shell Group of Companies and the Notes thereto on pages G-2 to G-30 form part of these Notes.

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. Note 1 to the Financial Statements of the Royal Dutch/Shell Group of Companies (on page G-5) gives details of supplemental arrangements which have been made between Royal Dutch and Shell Transport regarding dividends, taxes and tax benefits.

2 Accounting policies

The Financial Statements of Royal Dutch include the Financial Statements of the Royal Dutch/Shell Group of Companies. The Financial Statements of Royal Dutch have been prepared in accordance with legal requirements and generally accepted accounting principles in the Netherlands.

The investments in and the share in the net income of companies of the Royal Dutch/Shell Group are accounted for by the equity method (see also Notes 3 and 4). Accounting policies used by the Group are given on pages G-5 to G-9.

Assets and liabilities in foreign currencies are translated into euro amounts at year-end rates of exchange, whereas results for the year are translated at average rates. Euro amounts are translated from dollars at average rates for the period, except for the fourth quarter 1998 where the total of the special charges (\$4,386 million) has been translated at the average rate for the year (weighted according to quarterly net income excluding these special items). Currency translation differences arising from translating the investments in companies of the Royal Dutch/Shell Group are taken to Investment reserves (see Note 4).

Administrative expenses, Interest income and Taxation are stated at the amounts attributable to the respective financial years.

3 Share in the net income of companies of the Royal Dutch/Shell Group

The amount dealt with under this heading in the Profit and Loss Account has been calculated as 60% of the net income of the Royal Dutch/Shell Group as presented in the Group Financial Statements on page G-2. The dividend for 1999 distributed from Group companies to Royal Dutch amounted to €3,183 million (1998: €3,124 million). Net income has been translated into a euro amount using the weighted average rate for the year.

4 Investments and reserves

The 60% interest in Group net assets is equal to the interest applicable to Royal Dutch as shown in the Statement of Comprehensive Income and Parent Companies' Interest in Group Net Assets (on page G-2).

Royal Dutch's investments in the companies of the Royal Dutch/Shell Group are stated at an amount equal to the 60% share in Group net assets, translated into a euro amount at the year-end rate. As from January 1, 1998, these investments have been adjusted for 60% of the Shell Transport shares held by Group companies (December 31, 1999: €196 million).

The difference of €32,487 million between the cost of the investments and the amounts at which the investments are stated in the Balance Sheet has been taken to Investment reserves.

The Statutory investment reserve comprises Royal Dutch's 60% share in the undistributed net income of Group

R-4

Royal Dutch Petroleum Company

companies which has arisen as from January 1, 1984; Royal Dutch's share in the undistributed net income of Group companies accumulated until that date is included in Investment reserves – Other.

Royal Dutch's 60% share in the cumulative Group currency translation differences arises as a result of translating the assets and liabilities of non-dollar companies to dollars at year-end rates of exchange (see Note 4 on page G-10) and is shown under Investment reserves as Currency translation differences. The net increase/decrease in Parent Companies' shares held by Group companies represents the balance of sales and purchases and changes in valuation of these shares minus dividends received on these shares.

Other comprehensive income, net of tax, consists of currency translation differences, unrealised gains/losses on securities and minimum pension liability adjustments (see Note 5 on page G-10).

The movements during the year in the value of the Group reporting currency (dollar) against the Royal Dutch reporting currency (euro) lead to currency translation differences.

As the amounts dealt with under Investment reserves have been, or will be, substantially reinvested by the companies concerned, it is not meaningful to provide for taxes on possible future distributions out of earnings retained by those companies; no such provision has therefore been made. Furthermore, it is not practicable to estimate the full amount of tax or the withholding tax element.

The movements in 1998 and 1999 are shown in the following statement:

	\$ million			€ million		
	60% interest in Group net assets	Royal Dutch investments	Statutory	Currency translation differences	Other	Total
Balance at December 31, 1997	36,232	33,078	18,966	(548)	13,414	31,832
Parent Companies' shares held by Group companies at January 1, 1998*	(294)					
Movements during the year 1998						
Dividend distributions from Group companies in excess of net income	(3,217)	(2,879)	(2,879)	–	–	(2,879)
Net (increase)/decrease in Parent Companies' shares held by Group companies	(127)	(71)	–	–	(71)	(71)
Other comprehensive income, net of tax	383	328	80	248	–	328
Translation effect arising from movements in dollar/euro rate		(1,988)	(1,097)	35	(926)	(1,988)
Balance at December 31, 1998	32,977	28,468	15,070	(265)	12,417	27,222
Movements during the year 1999						
Undistributed net income of Group companies	1,772	1,670	1,670	–	–	1,670
Net (increase)/decrease in Parent Companies' shares held by Group companies	(246)	(231)	–	–	(231)	(231)
Other comprehensive income, net of tax	(800)	(796)	49	(845)	–	(796)
Translation effect arising from movements in dollar/euro rate		4,622	2,515	(43)	2,150	4,622
Balance at December 31, 1999	33,703	33,733	19,304	(1,153)	14,336	32,487

* As from January 1, 1998, the 60% share in the Group net assets is reported excluding Parent Companies' shares held by Group companies. The Royal Dutch investments and Investment reserves were already reported excluding 60% of the value of Royal Dutch shares held by Group companies, but including 60% of the value of Shell Transport shares held by Group companies (see Note 2 on page G-6).

5 Other liabilities

	€ million	
	Dec 31 1999	Dec 31 1998
Dividends and dividend tax payable	9	11
Accounts payable	2	1
Corporation tax	2	–
	13	12

FOIA Confidential
Treatment Requested

RJW00102051

6 Share capital

The authorised share capital as laid down in the Articles of Association is expressed in guilders and amounts to N.fl. 4,000,000,000. The authorised share capital is divided into 3,198,800,000 ordinary shares with a par value of N.fl. 1.25 each and 1,500 priority shares with a par value of N.fl. 1,000 each.

At the end of 1999, 2,144,296,352 ordinary shares and 1,500 priority shares were issued and paid up. The issued and paid-up capital at December 31, 1999 thus amounted to N.fl. 2,681,870,440. Translated into a euro amount, the issued and paid-up capital was €1,216,979,748.

7 Undistributed profit

The amount of the undistributed profit at December 31, 1999 is evident from the Statement of Appropriation of Profit on page R-2.

8 Royal Dutch shares held by Group companies

The movements in 1999 in Royal Dutch shares held by Group companies were as follows:

	Number of shares	€ million	
		Book value	Royal Dutch 60% interest in the book value
Balance at beginning of year	6,971,806	274	164
Purchased	8,315,100	499	300
Sold	(1,160,500)	(35)	(21)
Balance at end of year	14,126,406	738	443

These movements relate to the granting and exercise of stock options and to other incentive plans as mentioned in Note 25 to the Financial Statements of the Royal Dutch/Shell Group of Companies on page G-27.

9 Statement of Cash Flows

The Statement of Cash Flows is shown on page R-2.

10 List of companies of the Royal Dutch/Shell Group

A list of companies drawn up with due observance of the provisions in Articles 379 and 414, Book 2 of the Netherlands Civil Code, has been deposited at the office of the Commercial Register in The Hague.

11 Remuneration of members of the Supervisory Board and Managing Directors

In 1999 an amount of €454,394 (1998: €476,715) was borne by Royal Dutch and by Royal Dutch/Shell Group companies in respect of remuneration, pensions and other similar retirement benefits for members and former members of the Supervisory Board for their duties on the Supervisory Board of Royal Dutch and for duties simultaneously performed by a number of them as Directors of Royal Dutch/Shell Group companies, respectively.

Furthermore, in 1999 an amount of €4,214,896 (1998: €5,182,417) was borne by Royal Dutch and by Royal Dutch/Shell Group companies in respect of remuneration, pensions and other similar retirement benefits for Managing Directors and former Managing Directors for their duties on the Board of Management of Royal Dutch and for duties simultaneously performed by them in Royal Dutch/Shell Group companies, respectively.

Additional information regarding the remuneration and benefits of the Managing Directors and members of the Supervisory Board is provided on pages R-6 to R-9.

R-6

Royal Dutch Petroleum Company

REMUNERATION

Philosophy

The philosophy for the remuneration of Group Managing Directors, including those who are also Managing Directors of the Company, is consistent with that for senior management throughout the Group: to attract and retain high-quality staff at all levels and motivate them towards exceptional performance. It seeks to align all senior staff with the goals of the Group and its various businesses, and with shareholders' interests. The remuneration package is made up of base salary, short-term annual bonus and long-term incentives.

Base salary

The base salary scales for Managing Directors are set by reference to internal and external market surveys of companies of similar size and international scope. Base salaries are reviewed annually and the scales for Dutch Managing Directors were increased by 2.5% with effect from January 1, 1999. The salaries of non-Dutch Managing Directors are related to those in their home country. Progression of an individual Managing Director's salary to the target position is usually over a three-year period from appointment.

Annual bonus

An annual bonus is determined by the Remuneration and Succession Review Committee by reference to the extent of achievement of challenging Group performance targets set as part of the annual Group business plan. The targets take into account financial, operational, social and environmental objectives. The maximum bonus payable is 50% of base salary. The bonus payable to Managing Directors in respect of the year 1999 is 45%.

Long-term incentives

Long-term incentives for Managing Directors are provided through the Group Stock Option Plans which have been in operation since 1967, and which are believed to create an effective method of aligning the interests of Managing Directors and other Group senior managers with those of shareholders.

From 1998 options granted to the Managing Directors of Royal Dutch are granted for 10 years with a three-year vesting period. The same terms apply to all other optionees under the Plans. Furthermore, the options granted to Managing Directors in 1998 for the first time had performance conditions attaching to 50% of the grant. The performance conditions are based on the Total Shareholder Return over a three-year period from October 1, 1998 to September 30, 2001, measured by the average weighted share price of Royal Dutch and Shell Transport over the 10-day period at the beginning and end of said three-year period as compared with equivalent data for other major integrated oil companies and after taking into account such other factors as the Remuneration and Succession Review Committee may deem appropriate. It is intended that a proportion of future grants to Managing Directors as well as to the most senior executives will be subject to similar performance conditions based on Total Shareholder Return. The proportion of the share options subject to the performance conditions which will either become unconditional or lapse will be determined for the Managing Directors at the absolute discretion of the Remuneration and Succession Review Committee.

The shares subject to the Plans are existing issued shares of the Company and no dilution is involved.

Consideration is given on an individual basis to the granting of options each year.

Royal Dutch Petroleum Company

R-7

The emoluments of the Managing Directors of Royal Dutch

The emoluments for 1999 of the Managing Directors of Royal Dutch whilst in office were:

	€		
	1999	1998	1997
M. A. van den Bergh			
Salaries	895,288	891,972	542,951
Performance-related element	444,204	0	170,369
	1,339,492	891,972	713,320
S. L. Miller			
Salaries	382,233	947,621	821,964
Performance-related element	-	0	333,861
	382,233	947,621	1,155,825
H. J. M. Roels			
Salaries	327,052	-	-
Performance-related element	292,416	-	-
	619,468	-	-
J. van der Veer			
Salaries	706,953	655,552	315,115
Performance-related element	325,088	0	155,306
	1,032,041	655,552	470,421

Share options

On recommendation of the Remuneration and Succession Review Committee, options are granted to the Managing Directors under one of the Group Stock Option Plans once a year, except that no option is granted to a Managing Director within one year before his retirement. All options granted to the Managing Directors relate to Royal Dutch shares, and those granted before 1998 can, subject to certain restrictions, generally be exercised during a period of five years from the date of grant. As from 1998 the options are granted for 10 years, but are not exercisable within three years of grant, and 50% of those options are subject to the performance conditions as set out in the preceding section on long-term incentives. The exercise price of each option is the market value of the shares at the date of granting the option.

In order that the stock option grant may follow annual Group results and business and individual performance appraisals, the grant date has been changed from December to March, commencing in March 2000. Thus no grants were made in 1999.

FOIA Confidential
Treatment Requested

RJW00102054

R-8

Royal Dutch Petroleum Company

The interests of the Managing Directors under all the stock option plans of Group companies are shown below:

At 1.1.99	Number of options		At 31.12.99	Exercise price	€	
	Granted during the year	Exercised during the year			Market price at date of exercise	Expiry date
M. A. van den Bergh						
32,500	—	—	32,500	48.92	—	10.12.02
61,000	—	—	61,000	41.16	—	21.12.08
H. J. M. Roels						
10,000	—	10,000	—	32.40	55.44	11.12.01
14,000	—	—	14,000	48.92	—	10.12.02
28,000	—	—	28,000	41.16	—	21.12.08
J. van der Veer						
7,000	—	7,000	—	25.22	49.20	13.12.00
20,000	—	10,000	10,000	32.40	55.95	11.12.01
32,500	—	—	32,500	48.92	—	10.12.02
43,000	—	—	43,000	41.16	—	21.12.08

While in office as a Managing Director Mr. S. L. Miller had been granted 48,000 options at an exercise price of €32.40 (expiry date 11.12.01) in 1996 and 96,000 stock appreciation rights in each of the years 1997 and 1998 at an exercise price of €48.92 (expiry date 10.12.07) and €41.16 (expiry date 21.12.08), respectively. In 1999 he exercised the 48,000 options at a market price of €46.05.

Pensions/Retirement benefits

The principal source of Managing Directors' pensions is the Stichting Shell Pensioenfonds. This is a defined benefit fund to which Managing Directors contribute the same percentage of relevant earnings as other employees. For employees in the Netherlands this percentage was zero during the year. The employing companies contribute to the pension fund on the advice of actuaries, and the employing company contribution rate in 1999 was 0%. Managing Directors retire on June 30 following their 60th birthday. There are provisions in the pension fund for a surviving dependant's benefit of 70% of actual or prospective pension. In case of death-in-service a lump sum of two times annual salary is paid.

The following table shows the amount of pension entitlements earned and the amounts which would be paid annually on retirement, based on service to the end of 1999.

	Age as at 31.12.99	Years of Group service as at 31.12.99	€ thousand	
			Increase in accrued pension during 1999	Accumulated annual pension as at 31.12.99
M. A. van den Bergh	57	31	55	546
H. J. M. Roels	51	28	156	309
J. van der Veer	52	28	44	341

Royal Dutch Petroleum Company

R-9

The emoluments of the members of the Supervisory Board of Royal Dutch

The emoluments of the members of the Supervisory Board of Royal Dutch whilst in office during 1999 were:

	€		
	1999	1998	1997
L. C. van Wachem			
Supervisory Board fees	56,723	56,723	49,916
Committee fees	6,807	6,807	4,538
Holding Company fees	28,391	28,116	27,786
	91,921	91,646	82,240
K. V. Cassani			
Supervisory Board fees	22,689	45,378	40,840
Committee fees	3,403	6,807	4,538
	26,092	52,185	45,378
J. M. H. van Engelshoven			
Supervisory Board fees	45,378	45,378	40,840
Committee fees	6,807	6,807	4,538
Holding Company fees	28,391	28,116	27,786
	80,576	80,301	73,164
A. G. Jacobs			
Supervisory Board fees	45,378	45,378	-
Committee fees	10,210	6,807	-
	55,588	52,185	-
Jonkheer A. A. Loudon			
Supervisory Board fees	45,378	45,378	20,420
Committee fees	13,613	13,613	2,269
	58,991	58,991	22,689
H. de Ruiter			
Supervisory Board fees	45,378	45,378	40,840
Committee fees	6,807	6,807	-
Holding Company fees	28,391	28,116	27,786
	80,576	80,301	68,626
J. D. Timmer			
Supervisory Board fees	45,378	45,378	40,840
Committee fees	13,613	13,613	4,538
	58,991	58,991	45,378

FOIA Confidential
Treatment Requested

RJW00102056

R-10

Royal Dutch Petroleum Company

(This page is intentionally blank.)

FOIA Confidential
Treatment Requested

RJW00102057

**THE "SHELL" TRANSPORT AND TRADING COMPANY, PUBLIC LIMITED COMPANY
REPORT OF INDEPENDENT ACCOUNTANTS**

To: The "Shell" Transport and Trading Company, Public Limited Company

We have audited the Financial Statements of The "Shell" Transport and Trading Company, Public Limited Company for the years 1999, 1998 and 1997 appearing on pages S-2 to S-8. The preparation of the Financial Statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on those Financial Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 the Company's Directors in the preparation of the 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 "Shell" Transport and Trading Company, Public Limited Company at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with the accounting principles described in Note 1 on page S-4.

PricewaterhouseCoopers

PricewaterhouseCoopers, London

March 9, 2000

S-2

The "Shell" Transport and Trading Company, Public Limited Company

FINANCIAL STATEMENTS

Profit and Loss Account

	Note	£ million		
		1999	1998	1997
Income from shares in companies of the Royal Dutch/Shell Group	3	1,392.1	1,342.4	1,301.0
Interest and other income		5.2	8.3	12.3
		1,397.3	1,350.7	1,313.3
Administrative expenses		3.8	4.4	6.8
Profit on ordinary activities before taxation		1,393.5	1,346.3	1,306.5
Tax on profit on ordinary activities	4	0.4	1.2	2.6
Distributable profit for the year		1,393.1	1,345.1	1,303.9
Share of earnings retained by companies of the Royal Dutch/Shell Group/(Distributions from retained earnings)	5	730.5	(1,292.8)	464.2
Earnings for the year attributable to shareholders		2,123.6	52.3	1,768.1

Statement of Retained Profit

		£ million		
		1999	1998	1997
Distributable profit for the year		1,393.1	1,345.1	1,303.9
Distributable retained profit at beginning of year		20.4	18.3	17.6
		1,413.5	1,363.4	1,321.5
<i>deduct</i>				
Dividends on non-equity shares	6			
First Preference shares		0.1	0.1	0.1
Second Preference shares		0.7	0.5	0.5
		0.8	0.6	0.6
		1,412.7	1,362.8	1,320.9
<i>deduct</i>				
Dividends on equity shares:				
25p Ordinary shares				
Interim of 5.5p in 1999, 5.3p in 1998 and 5.1p in 1997		546.9	527.0	507.1
Proposed final of 8.5p in 1999, final of 8.2p in 1998 and 8.0p in 1997		845.2	815.4	795.5
		1,392.1	1,342.4	1,302.6
Distributable retained profit at end of year		20.6	20.4	18.3

Earnings per 25p Ordinary share^a

	pence		
	1999	1998	1997
Distributable profit for the year	14.0	13.5	13.1
Share of earnings retained by companies of the Royal Dutch/Shell Group/(Distributions from retained earnings)	7.4	(13.0)	4.7
Earnings for the year attributable to shareholders	21.4	0.5	17.8

Of the earnings per share amounts shown above, which are disclosed in accordance with Financial Reporting Standard No. 14, those relating to earnings for the year attributable to shareholders are, in the opinion of the Directors, the most meaningful since they reflect the full entitlement of the Company in the income of Group companies.

^aOn 9,943,509,726 shares in issue after the capitalisation issue in June 1997.

Balance Sheet

	Note	£ million	
		Dec 31 1999	Dec 31 1998
Fixed assets			
Investments			
Shares (unlisted) in companies of the Royal Dutch/Shell Group	5	14,153.2	13,412.4
Current assets			
Debtors			
Dividends receivable from companies of the Royal Dutch/Shell Group		845.2	815.4
Other debtors		0.1	1.4
		845.3	816.8
Cash at bank			
Short-term deposits		29.0	61.9
Cash		0.5	26.0
		874.8	904.7
Creditors: amounts due within one year			
Amounts due to companies of the Royal Dutch/Shell Group		0.4	60.3
Corporation tax		0.2	0.4
Unclaimed dividends		7.4	6.9
Other creditors and accruals		2.4	2.8
Preference dividends accrued		0.3	0.2
Ordinary dividend proposed		845.2	815.4
		855.9	886.0
Net current assets		18.9	18.7
Total assets less current liabilities		14,172.1	13,431.1
Capital and reserves			
Equity interests			
Called-up share capital	6		
Ordinary shares		2,485.9	2,485.9
Revaluation reserve	5	11,653.6	10,912.8
Profit and Loss Account		20.6	20.4
		14,160.1	13,419.1
Non-equity interests			
Called-up share capital	6		
First Preference shares		2.0	2.0
Second Preference shares		10.0	10.0
		12.0	12.0
Shareholders' funds	7	14,172.1	13,431.1

The "Shell" Transport and Trading Company, Public Limited Company

S-3

Statement of Total Recognised Gains and Losses		£ million		
	Note	1999	1998	1997
Distributable profit for the year		1,393.1	1,345.1	1,303.9
Unrealised surplus/(deficit) on revaluation of investments in companies of the Royal Dutch/Shell Group	5	740.8	(1,168.5)	(289.7)
Total recognised gains and losses relating to the year		2,133.9	176.6	1,014.2

Statement of Cash Flows		£ million		
		1999	1998	1997
Returns on investments and servicing of finance				
Dividends received from companies of the Royal Dutch/Shell Group		1,362.3	1,318.5	1,143.2
Interest received		5.6	9.9	11.6
Preference dividends paid		(0.7)	(0.6)	(0.6)
Other		(3.2)	(3.8)	(5.2)
Net cash inflow/(outflow) from returns on investments and servicing of finance		1,364.0	1,324.0	1,149.0
Taxation				
Tax (paid)/recovered		(0.2)	(0.2)	(6.5)
Equity dividends paid				
Ordinary shares		(1,362.3)	(1,322.5)	(1,252.9)
Management of liquid resources (short-term deposits)				
Net cash inflow/(outflow) from management of liquid resources		32.9	80.1	112.0
Financing				
Net increase/(decrease) in amounts due to companies of the Royal Dutch/Shell Group		(59.9)	(69.2)	5.9
Increase/(Decrease) in cash		(25.5)	12.2	7.5
Cash at January 1		26.0	13.8	6.3
Cash at December 31		0.5	26.0	13.8

Net debt, being amounts due to companies of the Royal Dutch/Shell Group less cash, decreased during 1999 from £34.3 million to net funds of £0.1 million (1998: net debt decreased from £115.7 million to £34.3 million).

The Company adopts a policy of minimising cash holdings whilst ensuring that operating costs and the financing of dividend payments are met. The Company's debtors and creditors are short-term and are all denominated in sterling.

At December 31, 1999 the Company had £29.0 million (1998: £61.9 million) on short-term deposit with third-party banks. The fixed interest rate earned on these sterling deposits at year end was 5.5% (1998: 7.1%). The carrying amount and fair value of these deposits are the same.

NOTES TO FINANCIAL STATEMENTS

1 Accounting policies and convention

The accounting policies of The "Shell" Transport and Trading Company, p.l.c. (Shell Transport) are explained in the relevant notes.

The Financial Statements on pages S-2 to S-8 herein have been prepared in accordance with the Companies Act 1985 and with applicable accounting standards. They have been prepared under the historical cost convention modified by the revaluation of the investments in companies of the Royal Dutch/Shell Group (see Note 5). The disclosures described in Note 3 have been derived from the Royal Dutch/Shell Group Financial Statements.

2 The Company

Shell Transport, one of the Parent Companies of the Royal Dutch/Shell Group of Companies, is a holding company which, in conjunction with Royal Dutch Petroleum Company (Royal Dutch), owns, directly or indirectly, investments in the numerous companies referred to collectively as "the Group". Shell Transport has no investments in associated undertakings other than in companies of the Group.

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 such shareholders are assumed to be individuals resident and subject to tax in the country of residence of the Parent Company in question). The tax benefit to Shell Transport for the 1994 dividend through to the 1997 interim dividend amounted to 8% of total Group income divisible for 60:40 purposes.

In 1997 the UK government announced changes to tax law in respect of company distributions, including the abolition of advance corporation tax (ACT). In view thereof, the Parent Companies agreed that the tax benefit to Shell Transport for the 1997 final dividend and the 1998 interim dividend (which were paid as foreign income dividends) would be 4% of total Group income divisible for 60:40 purposes. It was also agreed that, as a result of the abolition of ACT as from April 6, 1999, there would be no tax benefit to Shell Transport for the 1998 final and subsequent dividends. This has the effect of Shell Transport receiving the whole of its entitlement in cash.

3 Share in the income and assets of Group companies

Shell Transport records income from shares in Group companies, in the form of dividends, in its profit and loss account. The Company's investments in Group companies are stated at the Directors' valuation at an amount equivalent to Shell Transport's 40% interest in the Group net assets as disclosed in the Group Financial Statements on pages G-2 to G-30 together with 40% of the carrying amount of Parent Companies' shares held by Group companies. The difference between the cost and the amount at which the investments are stated in the balance sheet has been taken to Revaluation reserve.

Shell Transport's share in certain items relating to the two Group Holding Companies and Shell Petroleum Inc., described in Note 5, is set out on the next page. These companies own directly or indirectly the investments, which, with them, comprise the Group. The following supplementary information has therefore been provided in respect of the Group Holding Companies and Shell Petroleum Inc. in the aggregate and is derived from the Group Financial Statements on pages G-2 to G-30.

The "Shell" Transport and Trading Company, Public Limited Company

S-5

	£ million		
	1999	1998	1997
Sales proceeds	37,019.3	33,440.2	41,908.8
Sales taxes, excise duties and similar levies	10,964.4	10,781.7	10,619.2
Net proceeds	26,054.9	22,658.5	31,289.6
Operating profit after net currency gains/losses	3,766.8	751.9	3,782.0
Interest and other income	133.8	152.1	222.8
Interest expense	309.8	322.4	285.6
Income before taxation	3,590.8	581.6	3,719.2
Taxation	1,408.5	462.6	1,814.0
Minority interests	59.6	34.4	10.8
Net income for the year	2,122.7	84.6	1,894.4
Fixed assets including Parent Companies' shares	19,677.4	20,110.1	19,584.0
Current assets	8,735.3	6,580.6	8,074.8
Current liabilities	8,268.0	7,503.5	7,180.0
Long-term liabilities	2,286.0	2,091.3	1,973.6

The 1998 figures have been restated to include Parent Companies' shares held by Group companies.

This supplementary information has been calculated in conformity with the accounting policies on pages G-5 to G-9 of the Group Financial Statements. These policies differ in certain respects from accounting principles generally accepted in the United Kingdom, the principal difference being in respect of the provision for deferred taxation. If deferred taxation had been provided in the Group Financial Statements under UK accounting principles, it has been estimated that Shell Transport's share of Group net assets would increase by approximately £1.3 billion (1998: £1.3 billion).

Shell Transport's distributions from Group companies were as follows:

	£ million		
	1999	1998	1997
Distributions from Group companies and tax benefit referable thereto	1,392.1	1,401.0	1,516.3
<i>deduct</i> referable tax benefit	-	58.6	215.3
Distributions from Group companies	1,392.1	1,342.4	1,301.0

4 Tax on profit on ordinary activities

	£ million		
	1999	1998	1997
Corporation tax at 30.25% (1998: 31% and 1997: 31.5%) in respect of interest income less administrative expenses	0.4	1.2	2.6

No taxation liability arises in respect of income from shares in companies of the Group as this income consists of a distribution, which is not subject to taxation, from a UK resident company.

Shell Transport's share of taxation borne by Group and associated companies is given in Note 3.

5 Investments in Group companies

Shell Transport has 40% equity shareholdings in The Shell Petroleum Company Limited, which is registered in England and Wales, (consisting of the whole of its 102,342,930 issued "B" shares of £1 each) and in Shell Petroleum N.V., which is incorporated in the Netherlands (consisting of the whole of its 44 issued "B" shares of N.fl. 5,000,000 each). The remaining 60% equity shareholdings in these two companies (consisting of 153,514,395 "A" shares of £1 each of The Shell Petroleum Company Limited and 66 "A" shares of N.fl. 5,000,000 each of Shell Petroleum N.V.) are held by Royal Dutch.

Shell Transport also holds 1,600 Class "B" shares of US \$1 each in Shell Petroleum Inc., which is incorporated in the State of Delaware, USA. These shares, together with the 2,400 Class "A" shares of US \$1 each in that company held by Royal Dutch, carry voting control of Shell Petroleum Inc. but are restricted in regard to dividends to 12% of their par value per annum. Shell Petroleum N.V. holds the remaining 1,000 shares of US \$1 each in Shell Petroleum Inc., which are unrestricted in regard to dividends.

The Shell Petroleum Company Limited, Shell Petroleum N.V. and Shell Petroleum Inc. own, directly or indirectly, the investments representing the total Group interest in the other companies which, with them, comprise the Group.

The Directors' valuation of Shell Transport's investments in Group companies comprises the following:

	£ million	
	1999	1998
Cost of Shell Transport's investments in Group companies	178.4	178.4
Shell Transport's share of:		
Profits capitalised by Group companies	800.8	781.0
Earnings retained by Group companies	13,279.9	12,569.2
Parent Companies' shares held by Group companies	(274.5)	(168.7)
Other comprehensive income	(416.5)	(87.0)
Currency translation differences	310.6	(29.2)
	13,878.7	13,243.7
40% of carrying amount of Parent Companies' shares held by Group companies	274.5	168.7
	14,153.2	13,412.4

The movements in the Revaluation reserve are represented by:

	£ million	
	1999	1998
As at January 1	10,912.8	12,081.3
Share of earnings retained by Group companies out of net income/(Distributions from retained earnings)	730.5	(1,292.8)
Share of other comprehensive income for the year	(329.5)	153.5
Currency translation differences	339.8	(29.2)
	740.8	(1,168.5)
As at December 31	11,653.6	10,912.8

The earnings retained by Group companies have been, or will be, substantially reinvested by the companies concerned, and any taxation unprovided on possible future distributions out of any uninvested retained earnings will not be material.

The "Shell" Transport and Trading Company, Public Limited Company

S-7

The Company will continue to hold its investments in Group companies. However, as the investments are stated in the Balance Sheet on a valuation basis, it is necessary to report that, if the investments were to be disposed of for the amount stated, a taxation liability of approximately £914 million would arise (1998: £756 million).

6 Share capital and dividends

At December 31, 1999 the share capital of the Company was:

	£	
	Authorised	Allotted, called-up and fully paid
Equity shares		
Ordinary shares of 25p each	2,487,000,000	2,485,877,432
Non-equity shares		
First Preference shares of £1 each	3,000,000	2,000,000
Second Preference shares of £1 each	10,000,000	10,000,000
	13,000,000	12,000,000
	2,500,000,000	2,497,877,432

The First and Second Preference shares (the Preference shares) confer on the holders the right to a fixed cumulative dividend and rank in priority to Ordinary shares. On a winding up or repayment the Preference shares also rank in priority to the Ordinary shares for the nominal value of £1 per share (plus a premium, if any, equal to the excess of the daily average price for the respective shares quoted in the Stock Exchange Official List for a six months period preceding the repayment or winding up) but do not have any further rights of participation in the profits or assets of the Company. The Preference shares do not have voting rights unless their dividend is in arrears or the proposal concerns a reduction of capital, winding up, an alteration of the Articles of Association or otherwise directly affects their class rights.

In accordance with the Finance Act 1972, dividends in respect of the First and Second Preference shares were payable between April 6, 1973 and April 5, 1999 at the rate of 3.85% per annum and 4.9% per annum respectively. Under the Finance Act 1998 the dividend rights on the Preference shares for payments after April 5, 1999 were restored to the respective nominal coupon rates of 5.5% per annum and 7% per annum.

The Preference shares are irredeemable and form part of the permanent capital of the Company. The number in issue has remained unchanged since 1922. The fair value of the Preference shares based on market valuations at December 31, 1999 was 98.1 pence per share (1998: 103.0 pence per share) for the First Preference shares and 118.8 pence per share (1998: 110.0 pence per share) for the Second Preference shares.

7 Reconciliation of movements in Shareholders' funds

	£ million	
	1999	1998
Distributable profit for the year	1,393.1	1,345.1
Dividends	(1,392.9)	(1,343.0)
Unrealised surplus/(deficit) on revaluation of investments in companies of the Royal Dutch/Shell Group (Note 5)	740.8	(1,168.5)
Net addition to/(reduction in) Shareholders' funds	741.0	(1,166.4)
Shareholders' funds at January 1	13,431.1	14,597.5
Shareholders' funds at December 31	14,172.1	13,431.1

FOIA Confidential
Treatment Requested

RJW00102064

S-8

The "Shell" Transport and Trading Company, Public Limited Company

8 Auditors' remuneration

Audit fees of Shell Transport amounted to £7,515 in 1999, £7,515 in 1998 and £7,515 in 1997. Other fees amounted to £7,130 in 1999, £7,130 in 1998 and £4,080 in 1997. All amounts are stated exclusive of value added tax.

9 Aggregate Directors' emoluments

	£		
	1999	1998	1997
Salaries, fees and benefits	1,447,542	1,350,691	1,315,862
Performance-related element	519,300	0	233,000
	1,966,842	1,350,691	1,548,862
'Excess' retirement benefits (Note iii)	25,231	15,839	4,128
Realised share option gains	1,971,360	1,347,783	1,355,880

Notes

- (i) The highest paid Director (including realised share option gains and excluding pensions) in 1997, 1998 and 1999 was Mr. M. Moody-Stuart.
- (ii) Of the emoluments disclosed, £316,817 in 1999, £294,427 in 1998, and £229,688 in 1997 were borne by Shell Transport and charged in the Profit and Loss Account.
- (iii) Excess retirement benefits are the amount of unfunded retirement benefits paid to or receivable by Directors and past Directors which exceed those to which they were entitled on the date on which the benefits first became payable or March 31, 1997, whichever is the later.

REMUNERATION

Philosophy

The philosophy for the remuneration of Group Managing Directors, including those who are also Directors of the Company, is consistent with that for senior management throughout the Group: to attract and retain high-quality staff at all levels and motivate them towards exceptional performance. It seeks to align all senior staff with the goals of the Group and its various businesses, and with shareholders' interests. The remuneration package is made up of base salary, short-term annual bonus and long-term incentives. The membership of the Group Remuneration and Succession Review Committee is set out on page 62.

Base salary

The base salary scales for Managing Directors are set by reference to internal and external market surveys of companies of similar size and international scope. Base salaries are reviewed annually and the scales were increased by 3.5% with effect from January 1, 1999. Progression of an individual Managing Director's salary to the target position is usually over a three-year period from appointment.

Annual bonus

An annual bonus is determined by the Remuneration and Succession Review Committee (REMCO) by reference to the extent of achievement of challenging Group performance targets set as part of the annual Group business plan. The targets take into account financial, operational, social and environmental objectives. The maximum bonus payable is 50% of base salary. The bonus payable to Managing Directors in respect of the year 1999 is 45%. The annual bonus payment is non-pensionable.

Long-term incentives

Long-term incentives for Managing Directors are provided through the Group Stock Option Plans which have been in operation since 1967, and which are believed to create an effective method of aligning the interests of Managing Directors and other Group senior managers with those of shareholders. From 1998 options granted to the Managing Directors of Shell Transport are granted for 10 years with a three-year vesting period. The same terms apply to all other optionees under the Plans. Furthermore, the options granted to Managing Directors in 1998 for the first time had performance conditions attaching to 50% of the grant. The performance conditions are based on the Total Shareholder Return over a three-year period from October 1, 1998 to September 30, 2001, measured by the average weighted share price of Royal Dutch and Shell Transport over the 10-day period at the beginning and end of the said three-year period as compared with equivalent data for other major integrated oil companies and after taking into account such other factors as REMCO may deem appropriate. It is intended that a proportion of future grants to Managing Directors as well as to the most senior executives will be subject to similar performance conditions based on Total Shareholder Return. The proportion of the share options subject to the performance conditions which will either become unconditional or lapse will be determined for the Managing Directors at the absolute discretion of REMCO. In order that the stock option grant may follow the announcement of annual Group results as well as business and individual performance appraisals, the grant date has been changed from December to March, commencing in March 2000. Thus, no grants were made in 1999.

The shares subject to the Plans are existing issued shares of the Company and no dilution of shareholders' equity is involved.

Consideration is given on an individual basis to the granting of options each year.

Total remuneration

Details of the total remuneration and benefits of each Director are set out on pages S-11 and S-12.

Service contracts

The Managing Directors of Shell Transport do not have service contracts with their employing company, and their entitlement to notice is the standard for all senior staff – three months. There are no predetermined termination compensation arrangements in place for the Managing Directors.

S-10

The "Shell" Transport and Trading Company, Public Limited Company

Pensions/Retirement benefits

The principal sources of Managing Directors' pensions are the Shell Contributory Pension Fund (for service in the UK) and the Shell Overseas Contributory Pension Fund (for previous service overseas). Both Funds are defined benefit plans to which Managing Directors contribute 4% of relevant earnings. Managing Directors retire on June 30 following their 60th birthday, and the maximum pension is two-thirds of their remuneration, excluding bonuses. There are also provisions, as for all members of the above Funds, for a dependant's benefit of 60% of actual or prospective pension, and a lump-sum death-in-service payment of three times the annual salary.

During 1999 two Directors accrued retirement benefits under defined benefit plans (1998: two; 1997: three). No Director has accrued benefits under a money purchase benefit scheme.

Salaries/fees payable to Managing Directors, totalling £1,028,500 in 1999, £906,392 in 1998 and £834,250 in 1997, count for pension purposes in the Shell Contributory Pension Fund. The payment of employers' contributions to the Fund, which is open to United Kingdom employees of the member companies, has upon actuarial advice been suspended since January 1, 1990 because of the financial position of the Fund.

Mr. M. Moody-Stuart and Mr. P. B. Watts accrued pension benefits during the year as detailed below. The transfer values are calculated using the cash equivalent transfer value method in accordance with Actuarial Guidance Note GN11.

	Age as at 31.12.99	Years of Group service as at 31.12.99	£ thousand		
			Net increase in accrued pension during 1999	Transfer value of pension increase	Accumulated annual pension as at 31.12.99
M. Moody-Stuart	59	36	24	362	424
P. B. Watts	54	31	27	341	252

The "Shell" Transport and Trading Company, Public Limited Company

S-11

Emoluments of Directors in office during 1999			
	1999	1998	1997
M. Moody-Stuart			
Salaries and fees	668,822	637,852	491,718
Benefits	-	-	-
Performance-related element	301,050	0	132,750
Realised share option gains	969,872	637,852	624,468
	811,620	370,462	767,880
	1,781,492	1,008,314	1,392,348
P. B. Watts			
Salaries and fees	472,622	431,111	197,254
Benefits	17,275	14,535	4,829
Performance-related element	218,250	0	100,250
Realised share option gains	708,147	445,646	302,333
	112,200	32,321	-
	820,347	477,967	302,333
Sir Antony Acland			
Directors' fees	25,000	25,000	22,500
Committee fees	6,250	3,750	3,750
	31,250	28,750	26,250
T. A. Alireza			
Directors' fees	25,000	25,000	3,403
Committee fees	3,750	3,024	-
	28,750	28,024	3,403
Dr Eileen Buttle			
Directors' fees	25,000	12,030	-
Committee fees	1,875	-	-
	26,875	12,030	-
Sir Peter Holmes			
Directors' fees	25,000	25,000	22,500
Committee fees	6,875	6,774	3,750
Holding Company fees	18,503	18,883	19,152
Pensions	50,378	50,657	45,402
	27,342	26,460	25,346
	77,720	77,117	70,748
Sir John Jennings			
Salaries and fees	-	-	450,214
Benefits	-	-	7,381
Directors' fees	25,000	25,000	-
Committee fees	7,500	5,000	-
Holding Company fees	18,503	18,883	-
Pensions	51,003	48,883	457,595
Realised share option gains	35,389	34,433	16,875
	1,047,540	945,000	588,000
	1,133,932	1,028,316	1,062,470
Professor R. J. O'Neill			
Directors' fees	25,000	25,000	22,500
Committee fees	6,250	5,000	3,750
	31,250	30,000	26,250
Lord Oxburgh			
Directors' fees	25,000	25,000	22,500
Committee fees	11,850	9,516	3,750
	36,850	34,516	26,250
Sir William Purves			
Directors' fees	25,000	25,000	22,500
Committee fees	7,467	9,333	5,600
	32,467	34,333	28,100

Note: The performance-related element is included in the year to which it relates.

FOIA Confidential
Treatment Requested

RJW00102068

S-12

The "Shell" Transport and Trading Company, Public Limited Company

Share options

The interests of Shell Transport Directors under all the stock option plans of Group companies during 1999 were:

	Number of options				Market price at date of exercise	Expiry date
	At 1.1.99	Granted during the year	Exercised during the year	At 31.12.99		
Sir John Jennings	474,000	—	474,000	—	286p	13.12.00
M. Moody-Stuart	324,000	—	324,000	—	227p	14.12.99
	333,000	—	—	333,000	286p	13.12.00
	333,000	—	—	333,000	326p	11.12.01
	387,000	—	—	387,000	439p	10.12.02
	464,000	—	—	464,000	363p	21.12.08
P. B. Watts^a	120,000	—	60,000	60,000	286p	13.12.00
	194,700	—	—	194,700	326p	11.12.01
	272,000	—	—	272,000	439p	10.12.02
	325,000	—	—	325,000	363p	21.12.08

^aIn addition, Mr. P. B. Watts also holds an option under The Shell Petroleum Company Limited Sharesave Scheme to purchase 5,214 Shell Transport Ordinary shares at 330p. This option was granted on December 12, 1996 and matures on February 1, 2002.

Notes

- (i) All the above figures have been adjusted to reflect the 2-for-1 capitalisation issue effective on June 30, 1997, and certain adjusted exercise prices are rounded down to the nearest whole penny.
- (ii) All the options listed above relate to Shell Transport Ordinary shares. No options lapsed during the year. All options are exercisable at market price (no discount) at grant. The options with an expiry up to and including 2002 were exercisable from grant. The remaining options were granted for 10 years and are not exercisable within three years of grant; 50% of those options are subject to a performance condition.
- (iii) The middle market price of the Ordinary shares on December 31, 1999 was 514.5p and the price range during the year was 304.25p to 540.50p.
- (iv) There were no changes in the above interests in options during the period from December 31, 1999 to March 3, 2000. On his appointment on January 1, 2000 Mr. P. D. Skinner held existing options over 667,800 Ordinary shares under a stock option plan and 5,214 Ordinary shares under the Sharesave Scheme.

G-1

**ROYAL DUTCH/SHELL GROUP OF COMPANIES
REPORT OF INDEPENDENT ACCOUNTANTS**

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

We have audited the Financial Statements appearing on pages G-2 to G-30 of the Royal Dutch/Shell Group of Companies for the years 1999, 1998 and 1997. 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 auditing standards generally accepted in the United States. 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, 1999 and 1998 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in accordance with generally accepted accounting principles in the Netherlands and the United States.

KPMG Accountants N.V.

KPMG Accountants N.V., The Hague

PricewaterhouseCoopers

PricewaterhouseCoopers, London

March 8, 2000

G-2

Royal Dutch/Shell Group of Companies

FINANCIAL STATEMENTS

Statement of Income				\$ million
	Note	1999	1998	1997
Sales proceeds		149,706	138,274	171,657
Sales taxes, excise duties and similar levies		44,340	44,582	43,502
Net proceeds		105,366	93,692	128,155
Cost of sales		81,839	76,674	100,394
Gross profit		23,527	17,018	27,761
Selling and distribution expenses		8,195	9,342	10,981
Administrative expenses		830	1,414	1,133
Exploration		1,086	1,603	1,173
Research and development		505	799	662
Operating profit of Group companies		12,911	3,860	13,812
Share of operating profit/(loss) of associated companies	6	2,321	(756)	2,130
Operating profit		15,232	3,104	15,942
Interest and other income	7	541	629	912
Interest expense	8	1,253	1,333	1,170
Currency exchange gains/(losses)		1	5	(465)
Income before taxation		14,521	2,405	15,219
Taxation	9	5,696	1,913	7,422
Income after taxation		8,825	492	7,797
Income applicable to minority interests		241	142	44
Net income		8,584	350	7,753

Statement of Comprehensive Income and Parent Companies' Interest in Group Net Assets				\$ million
	Note	1999	1998	1997
Net income	3	8,584	350	7,753
Other comprehensive income, net of tax:	5			
currency translation differences	19	(1,443)	482	(4,508)
unrealised gains/(losses) on securities		205	169	(7)
minimum pension liability adjustments		(95)	(13)	(5)
Comprehensive income		7,251	988	3,233
Net distributions to Parent Companies	3	(5,631)	(5,712)	(5,853)
Parent Companies' shares held by Group companies at January 1, 1998	25		(490)	
Increase in Parent Companies' shares held by Group companies	25	(411)	(210)	
Parent Companies' interest in Group net assets at January 1		54,962	60,386	63,006
Parent Companies' interest in Group net assets at December 31	4	56,171	54,962	60,386
Applicable to:				
Royal Dutch (60%)		33,703	32,977	36,232
Shell Transport (40%)		22,468	21,985	24,154
		56,171	54,962	60,386

Royal Dutch/Shell Group of Companies

G-3

Statement of Assets and Liabilities

		\$ million	
	Note	Dec 31 1999	Dec 31 1998
Fixed assets			
Tangible assets	10	56,598	60,777
Intangible assets	10	2,641	2,609
Investments			
associated companies	6	16,686	16,686
securities	14	1,680	1,664
other		924	1,022
Total fixed assets		78,529	82,758
Other long-term assets	11	4,962	4,711
Current assets			
Inventories	12	7,738	5,976
Accounts receivable	13	18,603	13,887
Short-term securities	14	8	19
Cash and cash equivalents	14	4,043	2,717
Total current assets		30,392	22,599
Current liabilities: amounts due within one year			
Short-term debt	15	6,922	7,778
Accounts payable and accrued liabilities	17	18,108	15,875
Taxes payable	9	5,092	4,053
Dividends payable to Parent Companies		3,341	3,434
Total current liabilities		33,463	31,140
Net current assets/(liabilities)		(3,071)	(8,541)
Total assets less current liabilities		80,420	78,928
Long-term liabilities: amounts due after more than one year			
Long-term debt	15	6,009	6,032
Other	18	3,243	2,647
		9,252	8,679
Provisions			
Deferred taxation	9	7,053	7,155
Pensions and similar obligations	21	2,563	2,830
Decommissioning and restoration costs	22	2,539	2,601
		12,155	12,586
Group net assets before minority interests		59,013	57,663
Minority interests		2,842	2,701
Net assets		56,171	54,962

G-4

Royal Dutch/Shell Group of Companies

Statement of Cash Flows (see Note 19)		\$ million		
	Note	1999	1998	1997
Cash flow provided by operating activities				
Net income		8,584	350	7,753
Adjustments to reconcile net income to cash flow provided by operating activities				
Depreciation, depletion and amortisation	10	6,520	9,423	7,375
Profit on sale of assets		(1,366)	(241)	(186)
Movements in:				
inventories		(2,059)	1,107	(143)
accounts receivable		(5,049)	1,972	126
accounts payable and accrued liabilities		3,066	486	(145)
taxes payable		1,260	(559)	(629)
short-term securities		16	359	3,568
Associated companies: dividends more/(less) than net income	6	423	2,581	(129)
Deferred taxation and other provisions		(55)	(1,453)	(444)
Long-term liabilities and other		(522)	562	(460)
Income applicable to minority interests		241	142	44
Cash flow provided by operating activities		11,059	14,729	16,730
Cash flow used in investing activities				
Capital expenditure (including capitalised leases)	10	(7,409)	(12,859)	(12,274)
Proceeds from sale of assets		5,026	1,421	1,035
New investments in associated companies	6	(1,024)	(1,282)	(1,726)
Disposals of investments in associated companies		549	362	527
Other investments		(165)	(142)	(1,167)
Cash flow used in investing activities		(3,023)	(12,500)	(13,605)
Cash flow provided by/(used in) financing activities				
Long-term debt (including short-term part)				
new borrowings		1,798	1,572	3,844
repayments		(1,575)	(1,532)	(4,100)
Net increase/(decrease) in short-term debt		223	40	(256)
Change in minority interests		(922)	1,850	150
Dividends paid to:		54	521	(600)
Parent Companies		(5,446)	(5,819)	(5,129)
minority interests		(165)	(174)	(253)
Cash flow provided by/(used in) financing activities		(6,256)	(3,582)	(6,088)
Increase in Parent Companies' shares held by Group companies		(411)	(210)	
Currency translation differences relating to cash and cash equivalents		(43)	(26)	(412)
Increase/(Decrease) in cash and cash equivalents		1,326	(1,589)	(3,375)
Cash and cash equivalents at January 1		2,717	4,306	7,681
Cash and cash equivalents at December 31		4,043	2,717	4,306

FOIA Confidential
Treatment Requested

RJW00102073

NOTES TO FINANCIAL STATEMENTS

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). The tax benefit to Shell Transport for the 1994 dividend through to the 1997 interim dividend amounted to 8% of total Group income divisible for 60:40 purposes.

In 1997 the UK government announced changes to tax law in respect of company distributions, including the abolition of advance corporation tax (ACT). In view thereof, the Parent Companies agreed that the tax benefit to Shell Transport for the 1997 final dividend and the 1998 interim dividend would be 4% of total Group income divisible for 60:40 purposes. It was also agreed that as a result of the abolition of ACT as from April 6, 1999 there would be no tax benefit to Shell Transport for the 1998 final and subsequent dividends. This has the effect of Shell Transport receiving the whole of its entitlement in cash.

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.

Equilon and Motiva

From January 1, 1998 the western and midwestern US refining and marketing businesses and domestic US trading, transportation and lubricants businesses were combined with similar operations of Texaco Inc. through the formation of Equilon Enterprises LLC (Equilon). The Group has a 56% interest but does not exercise

control and therefore accounts for its investment in Equilon on the equity basis. Similarly, from July 1, 1998 the eastern and Gulf Coast US refining and marketing businesses were combined with similar operations of Texaco Inc. and Saudi Arabian Oil Company, including their respective interests in Star Enterprise, through the formation of Motiva Enterprises LLC (Motiva). The Group has a 35% interest and accounts for its investment in Motiva on the equity basis. These changes have had a material effect from 1998 on the net proceeds and operating profit of Group companies and on the share of operating profit of associated companies, compared with the previous year.

Changes in accounting policy in 1998

With effect from 1998 the Group Financial Statements are published in dollars instead of sterling. Comparative data previously reported in sterling have been translated into dollars using the exchange rate prevailing in the relevant period.

The Group implemented new United States accounting standards which require disclosures relating to other comprehensive income, the aligning of published results with internal segment reporting, the expensing of start-up costs and the capitalisation of certain software costs.

The treatment of Parent Companies' shares held by Group companies was changed; such shares are no longer included in the Group's net assets but reflected as a deduction from equity. Prior years have not been restated, due to the immateriality of the amounts involved.

Reflecting their non-current nature, deferred charges and prepayments due after one year and other non-current assets, previously included in accounts receivable, are now presented separately as "Other long-term assets".

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 equity.

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.

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.

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:

1999			
	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			
	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

1997			
	Total	Royal Dutch	Shell Transport
Group net income	7,753		
less undistributed net income	1,900		
Net distributions to Parent Companies	5,853	3,723	2,130
Tax benefit referable to net distributions accruing to Shell Transport	352	-	352
Divisible for 60:40 purposes	6,205	(60%) 3,723	(40%) 2,482
Undistributed net income	1,900	(60%) 1,140	(40%) 760

G-10

Royal Dutch/Shell Group of Companies

4 Parent Companies' interest in Group net assets

	\$ million		
	1999	1998	1997
Invested by Parent Companies	741	741	741
Profits capitalised by Group companies	3,241	3,241	3,255
Retained earnings of Group companies	54,991	52,038	57,386
Parent Companies' shares held by Group companies (Note 25)	(1,111)	(700)	
Cumulative currency translation differences	(1,930)	(487)	(969)
Unrealised gains/(losses) on securities	367	162	(7)
Minimum pension liability adjustments	(128)	(33)	(20)
Balance at December 31	56,171	54,962	60,386

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 \$21,812 million at December 31, 1999 (1998: \$22,632 million; 1997: \$29,408 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

	\$ 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)

	\$ 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

FOIA Confidential
Treatment Requested

RJW00102079

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		
	1999	1998	1997
Net proceeds	40,970	33,464	23,094
Cost of sales	33,646	30,944	19,238
Gross profit	7,324	2,520	3,856
Other operating expenses	5,003	3,276	1,726
Operating profit/(loss)	2,321	(756)	2,130
Interest and other income	76	75	49
Interest expense	339	313	228
Currency exchange gain/s/(losses)	4	39	(7)
Income before taxation	2,062	(955)	1,944
Taxation	966	489	713
Net income	1,096	(1,444)	1,231

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		
	1999	1998	1997
Exploration and Production	459	(2,054)	480
Downstream Gas and Power	213	289	255
Oil Products	319	340	328
Chemicals	117	10	162
Other	(12)	(29)	6
	1,096	(1,444)	1,231

(b) Investments

	\$ million			
	1999		1998	
	Shares	Loans	Total	Total
At January 1	14,984	1,702	16,686	13,034
New investments	630	394	1,024	1,282
Disposals, net asset transfers to associates and other movements	(336)	(56)	(392)	4,744
Net income	1,096	-	1,096	(1,444)
Dividends	(1,519)	-	(1,519)	(1,137)
Currency translation differences	(132)	(77)	(209)	207
At December 31	14,723	1,963	16,686	16,686

G-12

Royal Dutch/Shell Group of Companies

In 1998 assets and liabilities transferred to Equilon and Motiva of approximately \$8.4 billion and \$2.8 billion, respectively, were removed from the Group's Statement of Assets and Liabilities and the net amount of \$5.6 billion was recorded as equity investments in Equilon and Motiva.

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

	\$ million	
	1999	1998
Fixed assets	22,300	23,331
Current assets	8,590	7,403
Total assets	30,890	30,734
Current liabilities	8,690	8,343
Long-term liabilities	5,514	5,705
Net assets	16,686	16,686

An analysis by segment is shown in Note 23.

(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		
	1999	1998	1997
Charges to associated companies	12,476	11,620	12,052
Charges from associated companies	4,016	4,046	4,501

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

7 Interest and other income

	\$ million		
	1999	1998	1997
Group companies			
Interest income	410	487	805
Other income	55	67	58
	465	554	863
Associated companies	76	75	49
	541	629	912

Other income of Group companies in 1999 includes net unrealised holding gains on trading securities of \$1 million (1998: \$1 million gains; 1997: \$6 million losses).

8 Interest expense

	\$ million		
	1999	1998	1997
Interest incurred	1,001	1,113	1,029
less interest capitalised	87	93	87
Interest expense of Group companies	914	1,020	942
Interest expense of associated companies	339	313	228
	1,253	1,333	1,170

FOIA Confidential
Treatment Requested

RJW00102081