

SHELL TREASURY EURO COMPANY LIMITED

DIRECTORS' REPORT

AND ACCOUNTS

1998

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Registered in England & Wales: 3469395



SHELL TREASURY EURO COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their Annual Report and audited accounts for the period from incorporation on 17th November 1997 to 31st December 1998.

DIRECTORS

The Directors of the Company between 17th November 1997 to 31st December 1998 were as follows:

R.N. Gaskell
T.D.R. Morrison

S.M.G. Hodge (appointed 9.12.97)
J.E. Munsiff

Directors' interests in shares, pursuant to the Companies Act 1985, are set out in note 8 to the accounts.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company was incorporated on 17th November 1997 and commenced business on 1st January 1998. Because this is the Company's first Annual Report, no comparative figures are shown.

The principal activity of Company is the receiving of funds from and the provision of long-term loan facilities to subsidiaries of the Royal Dutch/Shell Group of Companies principally in the form of the making of loans or the purchase of their securities.

The Directors do not currently anticipate any significant changes in the Company's activities.

The Company's profit for the period was DM115,603,083. The Directors recommend that a dividend of DM115,000,000 be paid for the period from 17th November 1997 to 31st December 1998.

During the period 1,400,000,000 Redeemable Shares of DM1 were authorised and issued.

In January 1998 a significant portion of The Shell Petroleum Company Limited's, the parent company, foreign currency loan portfolio and treasury activities was transferred to the Company.

YEAR 2000

The Year 2000 problem is concerned with data being correctly handled by computer systems before during and after the Millennium period. Although the Company has no computer systems of its own, its business relies on the systems in place in the Group central treasury operations which use information technology. The Company's business could also be affected by failures in counterparty systems and banking industry networks. A Group programme to address software issues is co-ordinated with management centrally.

Potential problems have been identified and a plan is in place for remedial action including the replacement of any non-compliant software. The majority of the solutions have been implemented with the remaining work scheduled for 1999. There can be no assurance that Year 2000 related problems will not arise but the action taken should minimise any system failures and plans are being drawn up to contain any foreseeable contingency.

All costs relating to addressing the Year 2000 Issue will be borne by the parent undertaking. No specific amount has been identified as attributable to the Company and no charges will be allocated by the parent undertaking to the Company.

THE EURO

European Monetary Union commenced on 1st January 1999 with the introduction of the Euro. The systems used in Shell Treasury Euro Company Limited business are Euro compatible and the Company is able to make Euro payments and trade settle Euro foreign exchange and money market transactions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Companies Act 1985 requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

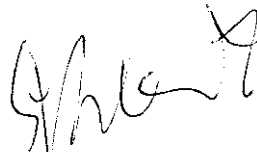
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Following the merger on 1st July 1998 of the Company's auditors, Price Waterhouse, with Coopers and Lybrand, the new firm, PricewaterhouseCoopers has been appointed auditors to the Company. The Company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors. PricewaterhouseCoopers will, accordingly, continue in office as Auditors of the Company pursuant to Section 386 of the Companies Act 1985. However, pursuant to Section 253(2) of the Companies Act 1985, any Member or the Auditors of the Company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the Company not later than 28 days after the despatch of the accounts and reports to Members.

BY ORDER OF THE BOARD



G.J. West
Secretary
24th August 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF SHELL TREASURY EURO COMPANY LIMITED

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st December 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
24th August 1999

Southwark Towers,
32 London Bridge Street,
LONDON, SE1 9SY.

SHELL TREASURY EURO COMPANY LIMITED

PROFIT AND LOSS ACCOUNT - for the period from 17th November 1997 (date of incorporation) to 31st December 1998

	<u>Note</u>	<u>Period from 17th November 1997 to 31st December 1998 DM'000</u>
Other interest receivable and similar income	3	248,322
Interest payable and similar charges	4	(247,859)
Other income		<u>231,007</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	231,470
Tax on profit on ordinary activities	7	(115,867)
PROFIT FOR THE PERIOD		115,603
Dividends proposed - equity		(0)
non-equity		(115,000)
RETAINED PROFIT AT END OF THE PERIOD		<u>603</u>

The results of the Company are generated by continuing activities.

A reconciliation of movement in shareholders funds is set out in Note 15.

The notes on pages 7 to 13 form part of the financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES - for the period ended 31st December 1998

There were no recognised gains and losses other than the profit for the period.

SHELL TREASURY EURO COMPANY LIMITED

BALANCE SHEET - at 31st December

	<u>Note</u>	<u>1998</u> <u>DM'000</u>
CURRENT ASSETS		
Debtors - amounts falling due within one year	10	6,380,227
- amounts falling due after more than one year	10	4,329,204
Cash at bank and in hand		<u>18,895</u>
		10,728,326
Creditors - amounts falling due within one year	11	<u>(9,326,447)</u>
NET CURRENT ASSETS		1,401,879
Creditors - amounts falling due after more than one year	12	<u>(1,275)</u>
NET ASSETS		<u>1,400,604</u>
 CAPITAL AND RESERVES		
Called up share capital - equity	14	1
non-equity	14	1,400,000
Profit and loss account		<u>603</u>
Shareholders' funds	15	<u>1,400,604</u>

The notes on pages 7 to 13 form part of the financial statements.

The accounts were approved by the Board of Directors on 24th August 1999 and were signed on its behalf by:



Director
S M G Hodge

SHELL TREASURY EURO COMPANY LIMITED

NOTES TO THE ACCOUNTS - for the period from 12th November 1997 to 31st December 1998

1. ACCOUNTING POLICIES

a) Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of foreign exchange contracts on a mark to market basis. The financial statements have also been prepared in accordance with the requirements of the Companies Act 1985, except for the treatment of taking to the profit and loss account unrealised profits and losses arising on the valuation of foreign exchange contracts. An explanation of this accounting policy is given in the "Forward Exchange Contracts" accounting policy below.

b) Compliance with Accounting Standards

The financial statements have been prepared in accordance with applicable accounting standards of the United Kingdom.

c) Group Accounts

The Company is a wholly-owned subsidiary undertaking of The Shell Petroleum Company Limited which, in turn, is a subsidiary undertaking of N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company) which owns 60% of its share capital, the remaining 40% being owned by The "Shell" Transport and Trading Company, P.L.C. (Shell Transport). The Royal Dutch Petroleum Company has the right to appoint the majority of the Directors of The Shell Petroleum Company Limited.

The Ultimate Parent Company is N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company) which is incorporated in the Netherlands.

The accounts of the Company are incorporated in the financial statements of the Royal Dutch/Shell Group of Companies which are included in the Annual Reports of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, P.L.C.

Copies of the financial statements of the Royal Dutch/Shell Group of Companies are available from:

Group Investor Relations
SLBPA Division
Shell Centre
London
SE1 7NA
UK

SHELL TREASURY EURO COMPANY LIMITED

NOTES TO THE ACCOUNTS - for the period from 17th November 1997 to 31st December 1998 (continued)

d) Foreign Currency Translation

The Company maintains its records in Deutsche Marks.

Income and expense items denominated in other currencies are translated into Deutsche Marks at the rate ruling on their transaction date.

Assets and liabilities recorded in foreign currencies have been expressed in Deutsche Marks at the rates of exchange ruling on 31st December 1998. Differences on translation are included in the profit and loss account.

e) Forward Exchange Contracts

Forward exchange contracts taken out to cover the currency exposure of Group Central Funds in respect of its pool of foreign currency monetary assets or specific foreign currency liabilities, are deemed to be hedges. Exchange gains or losses on such contracts are offset against those arising on the hedged assets or liabilities. All forward exchange contracts are marked to market and gains and losses taken through the profit and loss account.

f) Financial Instruments

Interest rate and currency swaps, which are held for hedging purposes, are valued at cost, consistent with the basis applied to the underlying transactions. Financial instruments that are not designated as hedges are valued at market value with any resultant gains or losses taken through the profit and loss account.

Interest payable and similar charges are stated after the effect of interest rate and currency swaps.

g) Segmental analysis

The Company's business is the receiving of funds from and the provision of long-term loan facilities to subsidiaries of the Royal Dutch/Shell Group of Companies principally in the form of the making of loans or the purchase of their securities. The profits generated by this activity arise in the United Kingdom. Accordingly the Directors are of the opinion that the Company operates in only one class of business and geographical segment.

h) Cash Flow Statements

In accordance with the exemption allowed by paragraph 5(a) of Financial Reporting Standard 1 (Revised), a cash flow statement for the Company has not been provided.

i) Related Party Disclosures

In accordance with the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8, no disclosure is made of transactions with other member companies of the Royal Dutch/Shell Group or investees of the Group qualifying as related parties.

SHELL TREASURY EURO COMPANY LIMITED

NOTES TO THE ACCOUNTS - for the period from 17th November 1997 to 31st December 1998
(continued)

PROFIT AND LOSS ACCOUNT

2. Turnover

Owing to the nature of the Company's activities the figures for turnover are not appropriate and are, therefore, not disclosed.

3. Other interest receivable and similar income

	<u>Period from</u> <u>17th November 1997 to</u> <u>31st December 1998</u> <u>DM'000</u>
Interest from Group companies	234,774
Other interest	<u>13,548</u>
	<u>248,322</u>

4. Interest payable and similar charges

	<u>Period from</u> <u>17th November 1997 to</u> <u>31st December 1998</u> <u>DM'000</u>
Interest to Group companies	247,856
Bank charges	<u>3</u>
	<u>247,859</u>

5. Profit on ordinary activities before taxation

	<u>Period from</u> <u>17th November 1997 to</u> <u>31st December 1998</u> <u>DM'000</u>
Profit on ordinary activities before tax is stated after;	
Currency gain	231,007

The 1998 auditors' remuneration for audit services of DM30,616 are to be borne by the parent undertaking.

SHELL TREASURY EURO COMPANY LIMITED

NOTES TO THE ACCOUNTS - for the period from 17th November 1997 to 31st December 1998 (continued)

6. Historical cost profits and losses

There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before taxation.

7. Taxation

The charge for the period is made up as follows:

	<u>Period from</u> <u>17th November 1997 to</u> <u>31st December 1998</u> <u>DM'000</u>
United Kingdom Corporation Tax at the rate of 31 %	<u>115,867</u>

8. Directors and Directors' interests

a) Information relating to Directors' emoluments and pensions pursuant to Section 232 of the Companies Act 1985

None of the Directors received any emoluments in respect of their services to the Company.

b) Directors' interests in shares of Royal Dutch Petroleum Company

According to the Register recording such interests, no Director who was in office on 31st December 1998 had any such share-holdings or debenture-holding interests in the above-named undertaking or in any other undertaking requiring disclosure under the Companies Act 1985.

9. Number of employees

The Company had no employees during the period.

SHELL TREASURY EURO COMPANY LIMITED

NOTES TO THE ACCOUNTS - for the period from 17th November 1997 to 31st December 1998
(continued)

BALANCE SHEET

10. Debtors

	<u>1998</u> <u>DM'000</u>
<u>Amounts falling due within one year</u>	
Amounts owed by Group undertakings	
Fellow subsidiary undertakings	6,376,608
Accrued income	<u>3,619</u>
	<u>6,380,227</u>
 <u>Amounts falling due after more than one year</u>	
Amounts owed by Group undertakings	
Fellow subsidiary undertakings	<u>4,329,204</u>

11. Creditors - amounts falling due within one year

	<u>1998</u> <u>DM'000</u>
Amounts owed to Group undertakings	
Parent company	8,254,043
Fellow subsidiary undertakings	840,706
Taxation payable (see note 13)	115,867
Dividends payable	115,000
Accruals	<u>831</u>
	<u>9,326,447</u>

12. Creditors - amounts falling due after more than one year

	<u>1998</u> <u>DM'000</u>
Amounts owed to Group undertakings	
Fellow subsidiary undertakings	<u>1,275</u>
Creditors fall due as follows:	
Between one and two years	463
Between two and five years	<u>812</u>
	<u>1,275</u>

This amount is unrealised foreign currency loss on inter-company foreign exchange contracts.

SHELL TREASURY EURO COMPANY LIMITED

NOTES TO THE ACCOUNTS - for the period from 17th November 1997 to 31st December 1998
(continued)

13. Taxation payable

The amount set aside for taxation represents the provision for estimated outstanding liabilities for taxation based on net income and chargeable gains included in the accounts for the years up to and including 1998.

The provision comprises:

	<u>1998</u> <u>DM'000</u>
Current corporation tax	<u>115,867</u>

14. Called-up share capital

	<u>Authorised</u> <u>1998</u> <u>DM'000</u>	<u>Allotted, and</u> <u>fully paid</u> <u>1998</u> <u>DM'000</u>
Ordinary Shares of DM1 each	<u>1</u>	<u>1</u>
Redeemable Shares of DM1 each	<u>1,400,000</u>	<u>1,400,000</u>

1,400,000,000 Redeemable Shares of DM1 were authorised and issued at par. The shares rank pari passu with the equity share capital of the Company.

Redeemable Shares may be redeemed by the Company.

15. Reconciliation of movements in shareholders' funds

	<u>1998</u> <u>DM'000</u>
Profit for the period	115,603
Dividends	<u>(115,000)</u>
	603
New ordinary share capital subscribed	1
New redeemable share capital subscribed	<u>1,400,000</u>
	1,400,604
Opening shareholders' funds	-
Closing shareholders' funds	<u>1,400,604</u>

SHELL TREASURY EURO COMPANY LIMITED

NOTES TO THE ACCOUNTS - for the period from 17th November 1997 to 31st December 1998
(continued)

16. Analysis of shareholders' funds

	<u>1998</u> <u>DM'000</u>
Equity	1
Non-equity	<u>1,400,603</u>
Closing shareholders' funds	<u><u>1,400,604</u></u>