

SHELL TRANSPORT & TRADING CO PLC

Form 6-K

November 06, 2002

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C.

20549

**FORM 6-K**

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the month of OCTOBER 2002

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

(translation of registrant's name into English)

Shell Centre, London SE1

(address of principal executive offices)

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**NEWS RELEASE**

Stock exchange release: Shell: Performance and Competitive Advantage in Oil Products and Chemicals

**The text of the following release was issued on 7th October.**

At presentations to financial analysts and investors today in Houston, senior executives of the Royal Dutch/Shell Group discussed performance and plans in the Oil Products business, with a specific emphasis on the performance improvement programme in the USA. The Chemicals business was also reviewed.

The presentations emphasised the importance of cost leadership, operational excellence, customer focus, technology, active portfolio management and delivery of targets.

Paul Skinner, Group Managing Director and CEO of the Oil Products business commented, "While the first half of 2002 has seen a very challenging downstream environment, our results were ahead of our major competitors. Contributing to this robust performance were our competitive cost structure, which benefited from \$2.1 billion cost improvements over the last 3 years, a strong and diversified global portfolio and dedicated customer focus throughout the organisation. Our challenge now is to extend these improvements to an Oil Products business that has grown significantly through the Equilon/Motiva, DEA and Pennzoil-Quaker State deals.

He added, "The weak refining margins of the second quarter continued into the third quarter. There was little change in the marketing environment in the first two months of the quarter as improvements in dollar unit gross margins in Europe and Asia-Pacific contrasted with declines in Latin America and the USA. This tough business environment only strengthens our commitment to capture the benefits of our new asset platforms.

The highlights of the Oil Products (OP) presentations were:

**OP Global**

All OP targets reaffirmed – delivery of benefits from deals and of the 3% a year unit cost reduction should give the business the capability to achieve a global ROACE of 15% at reference conditions.

Acceleration in the second half of 2002 of OP cost improvements; for the full year, a unit marketing cost reduction of 3% and a unit manufacturing cost reduction of 2% (dependent on refinery intake over the balance of the year) are anticipated.

\$150 million synergy capture in 2003 from DEA acquisition reaffirmed with further upside potential in 2004. The annualised run rate of benefits from this deal has now reached \$60 million.

**OP in the USA**

\$400 million synergy benefits from Equilon and Motiva integration on track.

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Selling, general and administrative (SG&A) costs in the USA targeted for 60% of 2001 levels by 2004, and workforce reductions of 1750 expected in the same period.

**US refining**

Shell's strong position in the US refining industry was presented. Shell (100% basis) is the fourth largest US refiner and has above average refining complexity. It also benefits from an industry leading (22%) coking capacity, allowing upgrading of heavy crudes.

Expenditures of almost \$1 billion at US refineries by 2006 to produce cleaner fuels were identified.

Initiatives implemented in the last two years on hydrocarbon and supply chain management are expected to deliver before tax improvements of some \$70 million this year and \$160 million by 2004, relative to 2001 across the US refinery network (100% basis).

Enhancing operational performance is a key improvement opportunity. A target range for unplanned refinery downtime of 4% has been set, in line with top quartile North American performance; across Shell's refinery network in the USA unplanned downtime this year (to the end of August) has averaged 6.6%, a substantial improvement from 9.1% in 2001.

The combination of the above improvements is expected to deliver in excess of \$0.30 a barrel pre tax margin improvement by 2004 compared to a 2001 baseline.

Structural unit cost reduction programmes in US refineries are expected to deliver at least the 3% a year improvement targeted by the Group's Oil Products business.

**US marketing**

Shell is the leading petroleum retailer in the USA, with a number 1 or 2 market position in 20 states and a direct retail presence in 48 major metropolitan centres.

Shell's Global Retail Strategy is being implemented in the USA to provide the right customer offer, the right network, the right delivery system and all at the right cost.

Economic evaluation of the retail network is being carried out to support rebranding, re-imaging and rationalisation decisions; a 30% (~6000) reduction in sites is expected with only limited market share impact.

Reducing site count by 27% in Los Angeles has resulted in essentially unchanged branded sales in line with experience outside of the USA. Customer retention has been strongly supported through proactive planning and by a large and active credit card base.

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Total spend of \$680 million on rebranding and re-imaging is expected \$550 million on the physical assets and \$130 million on associated marketing activities. Eight hundred sites are expected to be converted by year end.

Marketing workforce and SG&A reductions of 35% and 40% respectively, relative to a 2000 baseline are expected by 2004.

The fuel proposition was strengthened with the launch in August of a new, cleaner, fuel.

### **US lubricants**

With the acquisition of Pennzoil-Quaker State (PQS), Shell is now the leading gasoline and diesel engine oil marketer in the USA, with 39% of the passenger car motor oil market and 23% of the diesel engine oil market.

The deal is aligned with Shell's strategy to become the leader in the Global Lubricants market (market share now 12%), and gives a stronger presence in the growing Mexican market and in the Canadian market.

Shell now has the industry leading position in the USA in the do it for me and do it yourself oil change markets.

\$140 million of synergy benefits from the Pennzoil deal expected by 2004.

The new lubricants organisation in the USA will build on the operational effectiveness skills from Shell and consumer marketing skills from PQS.

Summarising the US Downstream presentations, Rob Routs, President and CEO of Shell Oil Products US said, We have a major challenge in the US and a unique opportunity. I am confident that we have the plans, the capabilities and the people to deliver.

### **Chemicals**

Fran Keeth, Vice President for Customer Fulfilment and Product Business Units in Shell's Chemicals business presented the Group's petrochemicals activities.

Shell's competitive advantages were highlighted. These include:

Scale: ten of Shell's fourteen Chemicals business rank in the top 3 globally in market share

Feedstocks: chemical crackers that can process heavy feedstocks provide a sustainable competitive advantage in North America. This accounts for some 50% of cracker volume now and is expected to increase to 100% by the end of the decade. Globally we are aiming to move from 40% advantaged feeds to 60%

Oil/chemical interface: optimising this interface both through product flows and site integration is worth some \$500 million (pre/post) tax globally

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Technology: Basell, the polyolefins joint venture with BASF, has a competitive advantage in licensing and technology. The lower olefins, propylene oxide, ethylene oxide/glycol, PDO catalyst and additives businesses also benefit from strong technology positions. The Group's Chemicals businesses commitment to targets was also emphasised.

3% unit cost reduction is targeted for this year and next and is on track

\$0.7 - \$0.8 billion a year in capital investments

250 million euro improvements by 2003 in Basell, and 70% integration of feedstocks  
Summarising, Fran Keeth said, "We are a world class performer that can compete with other industry leaders. We will invest where we can build on our competitive advantage and we have good growth prospects - particularly in China - a market that will be a key contributor to global chemicals demand growth."

*Caution Concerning Forward-Looking Statements: This press release contains forward looking statements that are subject to risk factors associated with the oil, gas and chemicals businesses. It is believed that the expectations reflected in this release are reasonable, but may be affected by a variety of variables which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions, political risks, project delay or advancement, approvals and cost estimates.*

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**Return on Average Capital  
Employed**  
**11.9%** 20.8%

**Key features of the third quarter 2002**

The Group's adjusted CCS earnings (i.e. on an estimated current cost of supplies basis excluding special items) of \$2,241 million were 17% lower than last year. The benefits of 9% higher production volumes and higher oil prices were more than offset by one-off charges resulting from fiscal changes in the UK and by weak refining margins.

Reported net income of \$2,631 million was 7% higher than last year, including net special credits of \$178 million mainly related to continuing portfolio upgrading.

On an adjusted CCS basis, Royal Dutch earnings per share were 0.65 (\$0.64 per share), a decrease compared with last year of 24% (16% in \$per share), and Shell Transport earnings per share were 6.0p, a decrease of 21%.

Both Royal Dutch and Shell Transport continued their share buyback programmes. In the third quarter, shares were purchased under these programmes for a total consideration of \$0.7 billion.

The acquisition of Pennzoil-Quaker State (PQS), a leading lubricants marketer in the USA, was completed in October. Together with the acquisition of Enterprise Oil in the UK, and in the downstream DEA in Germany and the Texaco interests in Equilon and Motiva in the USA, four major deals have been completed this year. Integration and synergy capture is proceeding in line with plan in all of these.

Portfolio upgrading continued with a number of divestments; proceeds from asset disposals were \$0.4 billion this quarter, bringing the total for the year to \$0.8 billion.

**A report by Royal Dutch Petroleum Company and The Shell Transport and Trading Company, p.l.c. on the results of the Royal Dutch/Shell Group of Companies, in which their interests are 60% and 40% respectively.**

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Exploration and Production adjusted earnings of \$1,684 million were down from \$1,778 million a year ago. The benefit of 9% higher hydrocarbon production and higher oil prices was offset by one-off tax charges resulting from changes to the fiscal regime in the UK.

Gas & Power adjusted earnings were \$127 million compared with \$300 million a year ago. Earnings last year included non-recurring income in the US natural gas liquids business while marketing and trading earnings and dividend income were lower this quarter.

Oil Products adjusted CCS earnings of \$527 million were down from \$799 million a year ago as the very weak refining environment continued.

Chemicals adjusted earnings of \$164 million were significantly higher than those achieved a year ago. Earnings benefited from volume growth across the portfolio and improved margins in some products.

Capital investment for the quarter totalled \$5.3 billion, compared with \$2.4 billion in the third quarter last year. Some \$1.35 billion of the increase related to the acquisition of the RWE interest in the RWE-DEA downstream joint venture in Germany, the payment for which is not due until July 2003.

A programme of four major strategic acquisitions has been completed this year. The equity acquired totals \$10.4 billion and \$5.9 billion of debt has been assumed. The PQS acquisition will be included in the capital investment reported in the fourth quarter. Underlying capital investment for the first three quarters excluding these acquisitions was \$9.7 billion.

The Return on Average Capital Employed (ROACE) on a CCS earnings basis for the twelve months to September 30, 2002 was 11.9%.

At the end of the quarter the debt ratio was 22.7%; cash, cash equivalents and short-term securities amounted to \$4.3 billion, including some \$3 billion of funds held for the purchase of PQS.

Cash flow from operations was \$5.6 billion compared with \$3.5 billion a year ago.

**Commentary**

Crude oil prices firmed in the quarter due to declining oil stocks and continuing tensions in the Middle East. Brent crude prices averaged \$26.90 a barrel compared with \$25.30 a barrel a year ago, while WTI crude averaged \$28.25 a barrel compared with \$26.65 last year. The outlook for crude prices is particularly uncertain and will be dependent on the pace of global economic recovery, the severity of the northern hemisphere winter, political developments in the Middle East and supply restraints from major oil producing countries.

In the USA, Henry Hub natural gas prices averaged \$3.25 per million Btu in the third quarter of 2002, an improvement of 45 cents over the third quarter of 2001, but a drop of 15 cents relative to the second quarter of 2002. Natural gas demand benefited from warmer weather than a year ago. However, stock levels remain high, and so demand in the coming months should be covered.

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Refining margins remained weak in all markets. In Rotterdam, refining margins averaged \$1.00 a barrel compared with \$1.10 a barrel in the same period last year while in the USA, Gulf Coast margins averaged \$2.45 a barrel compared with \$3.65 a barrel a year ago. In Asia-Pacific, margins continued to be depressed by over-capacity with the Singapore margin averaging \$0.15 a barrel for the quarter compared with \$0.50 a barrel a year earlier. Refining margins may improve in the fourth quarter if crude oil supply increases. The margin outlook for 2003 will be strongly influenced by the pace of global economic recovery and political developments in the Middle East.

Overall chemical margins were somewhat higher than in the third quarter last year and similar to the second quarter of this year. Industry plant capacity utilisation is still low but has improved. Cracker margins in both Europe and the USA were similar to a year ago. Overall the environment is still relatively weak and the outlook remains volatile and dependent on demand growth.

In Exploration and Production, there were two discoveries in the deepwater Gulf of Mexico in the USA – one in the Great White prospect, where Shell has interests in a number of other adjacent blocks, and one in the Deimos prospect, close to Shell's Mars production platform. There was also a discovery in Kazakhstan in the Kalamkas prospect. In Tanzania, Shell has been awarded interests in 4 deepwater exploration blocks in the 2nd offshore licensing round. Investment decisions were taken for the development of the Carrack field and Schiehallion expansion in the UK and the South Forcados field in Nigeria. Also in Nigeria, construction commenced of the Ehra deepwater development (Shell interest 43.75%). This has recoverable oil reserves of some 500 million barrels and is due on stream in late 2005. Shell completed the world's first application of MonoDiameter™ technology in South Texas, USA. This proprietary technology permits a narrower well bore at the surface and a larger well diameter at total depth than is possible with conventional means. This will enable lower drilling costs, the exploitation of previously uneconomic fields and rejuvenation of mature reservoirs.

The North West Shelf Joint Venture (total Shell direct and indirect interest 22%) in Australia was selected to supply over three million tonnes a year of LNG for 25 years to China's first LNG import project, the Guangdong LNG terminal, starting from 2005-2006. The sale value to the venture is expected to be around \$13.5 billion over the 25 year contract.

In other Gas & Power related business developments, Shell took delivery of the Galea, the first of four newbuild LNG carriers. The Galea has a capacity of 135,000 cubic metres. Together with the other vessels which will be delivered in 2003 and 2004 it will be used to supply LNG to Shell's markets. The Group's 5% interest in HEIN GAS Hamburger Gaswerke GmbH and half of the Group's 50% interest in Brunei Shell Tankers, an LNG shipping company, were sold and the benefits included in the third quarter results. Earnings do not yet reflect the sale of the Group's indirect 14.75% interest in Ruhrgas, a gas transmission company in Germany, which is awaiting final approval from the German authorities.

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In Oil Products, the acquisition of Pennzoil-Quaker State Company, the leading passenger car motor-oil marketer in the USA, was completed on October 1st for a price of \$22 a share (\$1.8 billion) and the assumption of some \$1.1 billion of debt. The acquisition makes Shell a leader in the global lubricants market. Plans to integrate the PQS business with Shell's lubricants activities are progressing well and the closure of seven blending/packaging plants in the USA in 2003 has been announced. The 50% interest held by PQS in Excel Paralubes, a base oil processing facility, is to be divested under terms of the FTC approval of the acquisition. Retail network rationalisation and rebranding in the USA are progressing well; a reduction of some 6000 sites is now planned, and only a limited market share impact is expected. Shell took ownership of 100% of the joint venture Shell & DEA Oil GmbH in Germany at the start of July (previous interest 50%) for a cash consideration of \$1.35 billion, to be paid in July 2003.

In Chemicals, successful completion of a fourth olefins and alcohols unit at Geismar, USA, consolidates Shell's position as the world's number one supplier of higher olefins and detergent alcohols. Progress continues to be made on the Nanhai project in China; Shell is a 50% shareholder in the joint venture to build a world-scale petrochemicals plant at Daya Bay in the south of the country to supply the large and rapidly growing domestic market. Both partners expect to consider favourably tomorrow a recommendation to proceed with the investment.

In Renewables, the closure of solar cell and solar panel manufacturing facilities in the Netherlands was announced. This restructuring will improve Shell's competitive position in the global photovoltaics market.

Royal Dutch and Shell Transport continued their share buyback programmes. Some 10.3 million shares in Royal Dutch and 45.2 million shares in Shell Transport were purchased in the quarter under these programmes (0.49% and 0.46% respectively of the issued share capital at the end of 2001) for a total consideration of \$0.7 billion. So far this year, 0.84% of Royal Dutch shares and 0.82% of Shell Transport shares have been bought back for a total consideration of \$1.3 billion, and a further \$1 billion has been used for share purchases to underpin employee share option schemes.

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**Table of Contents****Earnings by industry segment****Exploration and Production**

THIRD QUARTER			\$ million	NINE MONTHS		
2002	2001	%		2002	2001	%
<b>1,699</b>	1,768	-4	<b>Segment earnings</b>	<b>5,028</b>	6,786	-26

**15***(10) Special credits/(charges) 80 (24)***1,684**1,778 -5 **Adjusted segment****earnings 4,948** 6,810 -27**2,474**

2,197 +13 Crude oil production (thousand

b/d) **2,363** 2,207 +7**8,523**

8,279 +3 Natural gas production available

**9,114** 8,779 +4

for sale (million scf/d)

Adjusted third quarter earnings of \$1,684 million were 5% lower than a year ago. The benefit of a 9% increase in hydrocarbon production was more than offset by the impact of a one-off charge of some \$300 million on provisions for deferred taxation, resulting from fiscal changes in the UK. Oil realisations were up 6% whilst gas realisations were 2% lower. Depreciation was \$490 million higher than a year ago and included \$280 million related to the acquisition of Enterprise Oil plc (Enterprise) in the UK. Higher costs due to the weaker dollar, the effects of hurricanes in the USA and spend on the early stages of several growth projects were partly offset by other non-recurring net tax benefits of some \$120 million.

The 9% improvement in total hydrocarbon production comprised a 13% increase in oil production and a 3% increase in gas production.

Oil production benefited from the acquisition earlier this year of Enterprise and an additional interest in the Draugen field in Norway, and from new fields in the USA and Denmark. These increases were partly offset by lower OPEC production quotas, mainly in Nigeria (equivalent to some 30 thousand barrels of oil per day), normal field declines mainly in the USA, the UK, Oman and Gabon and divestments in New Zealand and elsewhere.

Gas production benefited from the acquisition of Enterprise and from new fields in the USA. These increases were partly offset by the effects of generally warmer weather in Europe, normal field declines in the USA, divestments in New Zealand and lower demand, mainly in the UK.

The acquisition of Enterprise contributed some 230 thousand barrels of oil equivalent a day to the volume increase. Excluding this volume, production was 2% higher than a year ago. In particular, hydrocarbon production in the deepwater Gulf of Mexico in the USA grew by 83 thousand barrels of oil equivalent a day, benefiting from higher production at the Brutus platform.

Capital investment in the quarter of \$2.5 billion was 52% higher than the corresponding period last year and included exploration expense of \$0.2 billion. This higher spending reflected investment in various major growth projects including Athabasca Oil Sands in Canada, the offshore developments of Na Kika in the USA and Bonga and EA in Nigeria. Production from EA and from the Penguins field in the UK will commence in the fourth quarter and from Athabasca in the first quarter 2003.



**Table of Contents****Gas & Power**

THIRD QUARTER			\$ million	NINE MONTHS		
2002	2001	%		2002	2001	%
<b>196</b>	298	<b>-34</b>	<b>Segment earnings</b>	<b>578</b>	1,043	<b>-45</b>
		<b>69</b>				
		(2) <i>Special</i>				
		<i>credits/(charges)</i> <b>86</b>	(2)			
		<b>127</b>				
		300 <b>-58</b>	<b>Adjusted segment</b>			
		<b>earnings 492</b>	1,045	<b>-53</b>		
		Global equity LNG				
		sales <b>2.35</b>	2.25	<b>+4</b>	volume	
		(million tonnes) <b>6.55</b>	6.53			

Adjusted earnings for the quarter were \$127 million compared to \$300 million a year ago. The decrease was primarily due to the benefit last year of non-recurring income in the US natural gas liquids business and reduced marketing and trading earnings this quarter. LNG volumes were 4% higher than a year ago at 2.35 million tonnes, a third quarter record, mainly due to higher short-term sales into the Atlantic Basin. Earnings from LNG were down mainly due to timing of dividends and slightly lower margins.

The segment earnings of \$196 million included special credits of \$84 million from the sale of Shell's interest in HEIN GAS and from the sale of half of Shell's interest in Brunei Shell Tankers. A special charge of \$15 million relating to asset write downs in the USA is also included.

**Oil Products**

THIRD QUARTER			\$ million	NINE MONTHS		
2002	2001	%		2002	2001	%
<b>583</b>	779	<b>-25</b>	<b>Segment earnings</b>	<b>1,270</b>	2,782	<b>-54</b>
		<b>56</b>				
		(20) <i>Special</i>				
		<i>credits/(charges)</i> <b>(45)</b>	(10)			
		<b>527</b>				
		799 <b>-34</b>	<b>Adjusted segment</b>			
		<b>earnings 1,315</b>	2,792	<b>-53</b>		
		<b>4,130</b>				
		3,410 <b>+21</b>	Refinery intake			
		(thousand b/d) <b>4,051</b>	3,420	<b>+18</b>		
		<b>7,657</b>				
		6,073 <b>+26</b>	Oil product sales			
		(thousand b/d) <b>7,428</b>	6,111	<b>+22</b>		

Third quarter earnings on an adjusted CCS basis of \$527 million were 34% below a year ago. Earnings were significantly lower in refining, as the very weak refining environment continued. Marketing and trading earnings were also lower.

Relative to a year earlier the results for the quarter included Shell's 100% ownership (effective July 1st) of the former joint venture with DEA in Germany that was formed in January 2002 and in the USA the consolidation of Equilon (now 100% owned), together with an increased equity share of the earnings of Motiva (now 50% owned). Benefits from the restructuring and integration activities in both the USA and

Germany continued to grow.

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Outside the USA, adjusted CCS earnings for the quarter were \$464 million compared with \$704 million a year ago. Refining earnings declined due to the lower industry margins in both Rotterdam and Singapore and higher costs arising from the weaker dollar. Overall refinery utilisation was lower than a year earlier but rose significantly from the low second quarter levels. Refinery intake was 13% higher than a year ago reflecting the acquisition of DEA refinery assets. Marketing earnings were also lower. Gross fuels margins were lower than a year earlier but improved from the second quarter; marketing costs were adversely affected by exchange rate effects. Total inland sales volumes rose 11%, essentially because of the larger market position in Germany. Trading earnings were down due to limited regional arbitrage opportunities. Shipping earnings were adversely affected by the decline in freight rates relative to a year ago.

In the USA, adjusted earnings were \$63 million compared with \$95 million a year ago. Earnings for the quarter benefited from a permanent inventory reduction. Earnings from refining were lower with industry margins on both the US West Coast and Gulf Coasts significantly below the levels seen in the third quarter 2001. Shell refining margins were adversely impacted by a lower differential between light and heavy crude prices relative to a year ago. Refinery utilisation was unchanged from a year earlier. Reported refinery intake rose by 56% reflecting the increase in Shell's equity ownership in Equilon and Motiva. Marketing earnings were slightly lower as a result of lower gasoline margins on the Gulf and East Coasts partially offset by lower marketing expenses.

Segment earnings included net special credits of \$56m in the USA; gains on the sale of crude pipeline assets were partially offset by increases in provisions for legal and environmental costs.

**Chemicals**

THIRD QUARTER			\$ million	NINE MONTHS		
2002	2001	%		2002	2001	%
			<b>Segment earnings</b>	<b>361</b>	328	<b>+10</b>

(13) Special credits/(charges) (10) 120

**164**

28 +486 Adjusted segment earnings 371 208 +78

Adjusted earnings for the quarter were \$164 million compared with \$28 million last year. Record earnings were achieved in the styrene monomer/propylene oxide business while results from Basell, the polyolefins joint venture, were significantly improved. Earnings benefited from volumes that were some 8% higher than a year ago, mainly reflecting capacity expansions, and from lower unit costs. Margins were up overall with particular improvements in polyolefins and styrene monomer. However, cracker margins remained weak in the USA as the economics of cracking the liquid feedstocks used by Shell remained relatively unfavourable compared with the more commonly used ethane feedstocks.

**Table of Contents****Other industry segments**

THIRD QUARTER		\$ million	NINE MONTHS	
2002	2001		2002	2001
<b>42</b>	(71)	<b>Segment earnings</b>	<b>(88)</b>	(185)
<i>38 Special credits/(charges)</i>				
<b>4</b>				
<b>(71) Adjusted segment earnings (126)</b>	(185)			

Adjusted earnings for the quarter of \$4 million were \$75 million higher than a year ago, mainly due to the timing of cost recoveries. Excluding this effect, results were better mainly due to operating improvements in SESCO, a retail energy business in the USA.

Segment results included a net special credit of \$38 million. A gain on sale of Pulse, a retailer of electricity and gas in Australia, was partly offset by asset write downs.

**Corporate**

THIRD QUARTER		\$ million	NINE MONTHS	
2002	2001		2002	2001
<b>(214)</b>	(76)	<b>Segment earnings</b>	<b>(536)</b>	(277)
<i>Special credits/(charges)</i>				
<b>(214)</b>				
<b>(76) Adjusted segment earnings (536)</b>	(277)			

Adjusted third quarter results were a charge of \$214 million compared to a charge of \$76 million a year ago. The increased charge resulted mainly from the effect of higher net borrowings, partly offset by lower interest rates, on net interest expense. The results also included a one-off interest charge resulting from tax adjustments.

**Note**

The results shown for the third quarter and nine months are unaudited.

Results for the fourth quarter together with the final dividend proposals for 2002 are expected to be announced on February 6, 2003.  
October 31, 2002

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**Statement of income**

	QUARTERS				%	\$ million	NINE MONTHS		
	Q3 2002		Q2 2002	Q3 2001			2002	2001	%
	<b>63,401</b>		57,611	43,079	<b>+47</b>	Sales proceeds	<b>171,281</b>	136,887	<b>+25</b>
Sales taxes, excise duties and similar levies	<b>14,518</b>	13,221	10,430						
	<b>40,433</b>	31,401							
	<b>48,883</b>	44,390	32,649		<b>+50</b>				
Net proceeds	<b>130,848</b>	105,486	<b>+24</b>	<b>41,271</b>	37,868	26,310			
Cost of sales	<b>110,600</b>	83,254							
	<b>7,612</b>	6,522	6,339		<b>+20</b>				
Gross profit	<b>20,248</b>	22,232	<b>-9</b>						
Selling, distribution and administrative expenses	<b>2,807</b>	2,703	2,185						
	<b>7,944</b>	6,388	<b>161</b>	304	205				
Exploration	<b>640</b>	538	<b>121</b>	130	110				
Research and development									

337 237

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**4,523** 3,385 3,839 **+18**  
 Operating profit of Group companies  
**11,327** 15,069 **-25**  
 Share of operating profit of  
     **709** 734 786  
 associated companies  
**2,124** 3,003

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**5,232** 4,119 4,625 **+13**  
**Operating profit**  
**13,451** 18,072 **-26 211** 177 296  
 Interest and other income  
**572** 876 **441** 261 273  
 Interest expense  
**943** 887 **(32)** (38) (44)  
 Currency exchange gains/(losses)  
**(100)** 2

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**4,970** 3,997 4,604 **+8**

**Income before taxation**

**12,980** 18,063 -28 **2,275** 1,781 2,082

Taxation

**5,800** 7,798

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**2,695** 2,216 2,522 +7

Income after taxation

**7,180** 10,265 -30 **64** 4 68

Minority interests

**75** 313

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**2,631** 2,212 2,454 +7

**NET INCOME**

**7,105** 9,952 -29

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\* Q3 on Q3 change



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**Earnings by industry segment**

	QUARTERS				\$ million			NINE MONTHS		
	Q3 2002	Q2 2002	Q3 2001	%*	2002	2001	%	2002	2001	%
<b>Exploration and Production:</b>										
	<b>1,173</b>	1,257	1,343	<b>-13</b>						
World outside USA	<b>3,636</b>	4,826	<b>-25</b>	<b>526</b>	502	425	<b>+24</b>			
USA	<b>1,392</b>	1,960	<b>-29</b>							
	<b>1,699</b>	1,759	1,768	<b>-4</b>						
	<b>5,028</b>	6,786	<b>-26</b>							
<b>Gas &amp; Power:</b>										
	<b>211</b>	108	179	<b>+18</b>						
World outside USA	<b>575</b>	780	<b>-26</b>	<b>(15)</b>	20	119	-			
USA	<b>3</b>	263	<b>-99</b>							

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**196** 128 298 **-34**

**578** 1,043 **-45**

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**Oil Products:**

**464** 322 704 **-34**

World outside USA

**1,168** 2,424 **-52 119** 4 75 **+59**

USA

**102** 358 **-72**

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**583** 326 779 **-25**

**1,270** 2,782 **-54**

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**Chemicals:**

**189** 145 64 **+195**

World outside USA

**429** 421 **+2 (25)** (23) (49)

USA

**(68)** (93) -

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**164** 122 15 **+993**

**361** 328 **+10**

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**42** (89) (71)

**Other industry segments**

**(88)** (185)

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**2,684** 2,246 2,789 **-4**

**TOTAL OPERATING SEGMENTS**

**7,149** 10,754 **-34**

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**Corporate:**

**(268)** (120) (82)

Interest income/(expense)

**(503)** (179) **(16)** 32 (19)

Currency exchange gains/(losses)

**9** 8 **70** (60) 25

Other including taxation

**(42)** (106)

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**(214)** (148) (76)

**(536)** (277)

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**(51)** 2 (72)

**Minority interests**

**(17)** (318)

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**2,419** 2,100 2,641 -8

**CCS EARNINGS**

**6,596** 10,159 -35

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<b>212</b>	112	(187)
CCS adjustment		
<b>509</b>	(207)	

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<b>2,631</b>	2,212	2,454	+7
<b>NET INCOME</b>			
<b>7,105</b>	9,952	-29	

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\* Q3 on Q3 change

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**Summarised statement of assets and liabilities**

\$ million

	<u>Sept 30 2002</u>	<u>June 30 2002</u>	<u>Sept 30 2001</u>
<b>Fixed assets:</b>			
Tangible fixed assets			
<b>75,882</b>	74,535	48,091	
Intangible fixed assets			
<b>1,362</b>	1,304	915	
Investments			
<b>20,214</b>	20,582	22,594	
<hr/>			
<hr/>			
<hr/>			
<b>97,458</b>	96,421	71,600	
<hr/>			
<hr/>			
<hr/>			
<b>Other long-term assets</b>			
<b>8,280</b>	8,744	7,978	
<b>Current assets:</b>			
Inventories			
<b>10,295</b>	9,451	7,361	
Accounts receivable			
<b>25,911</b>	23,467	20,319	
Short-term securities			
<b>5</b>	1	31	
Cash and cash equivalents			
<b>4,318</b>	4,141	6,985	
<hr/>			
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40,529 37,060 34,696

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**Current liabilities:**

Short-term debt

14,331 11,574 2,522

Accounts payable and accrued liabilities

27,713 23,299 19,808

Taxes payable

7,056 5,905 6,614

Dividends payable to Parent Companies

3,168

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49,100 43,946 28,944

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**Net current assets/(liabilities)**

(8,571) (6,886) 5,752

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**Total assets less current liabilities**

97,167 98,279 85,330

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**Long-term liabilities:**

Long-term debt  
**5,225** 6,518 3,611  
Other  
**5,761** 6,009 4,217

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**10,986** 12,527 7,828

**Provisions:**

Deferred taxation  
**12,568** 12,383 7,922  
Other  
**6,839** 6,717 4,902

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**19,407** 19,100 12,824

**Minority interests**

**3,517** 5,396 2,803

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**NET ASSETS**

63,257 61,256 61,875

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**Summarised statement of cash flows (Note 3)**

	QUARTERS			\$ million		NINE MONTHS	
	Q3 2002	Q2 2002	Q3 2001			2002	2001
				<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES:</b>			
	<b>2,631</b>	2,212	2,454				
Net income	<b>7,105</b>	9,952	<b>2,228</b>	2,036	1,568		
Depreciation, depletion and amortisation	<b>6,014</b>	4,446	<b>(156)</b>	(11)	(17)		
(Profit)/loss on sale of assets	<b>(329)</b>	(134)	<b>1,091</b>	(903)	(345)		
Decrease/(increase) in net working capital	<b>(580)</b>	(819)					
Associated companies:	<b>65</b>	64	66				
dividends more/(less) than net income	<b>83</b>	(318)	<b>185</b>	(172)	368		
Deferred taxation and other provisions	<b>26</b>	670	<b>(440)</b>	(74)	(560)		
Other	<b>(352)</b>	(1,035)					
	<b>5,604</b>	3,152	3,534				
<b>Cash flow provided by operating activities</b>	<b>11,967</b>	12,762					



**CASH FLOW USED IN INVESTING**

**ACTIVITIES:**

(3,534) (7,818) (1,984)  
 Capital expenditure  
**(15,433)** (5,977) **376** 225 121  
 Proceeds from sale of assets  
**836** 1,087 **(152)** (72) (89)  
 Net investments in associated companies  
**(489)** (294) **29** 84 228  
 Movement in other investments  
**32** (218)

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**(3,281)** (7,581) (1,724)  
**Cash flow used in investing activities**  
**(15,054)** (5,402)

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**CASH FLOW PROVIDED BY/ (USED IN)**

**FINANCING ACTIVITIES:**

**(1,869)** 2,145 (138)  
 Net increase/(decrease) in long-term debt  
**(1,644)** (597) **2,894** 6,334 (1,090)  
 Net increase/(decrease) in short-term debt  
**9,861** (617) **10** 19 47  
 Change in minority interests  
**415** (189) **(3,172)** (3,493) (3,394)  
 Dividends paid to: Parent Companies  
**(6,961)** (9,406) **(30)** (71) (39)  
 Minority interests  
**(174)** (152)

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(2,167) 4,934 (4,614)

**Cash flow provided by/(used in) financing activities**

**1,497** (10,961)

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**Parent Companies shares: net**

**29** (719) 124

**sales/(purchases) and dividends received**

**(875)** (656)

Currency translation differences relating

**(8)** 134 181

to cash and cash equivalents

**113** (189)

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**177** (80) (2,499)

**INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS**

**(2,352)** (4,446)

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**1,671** 1,595 **688** 654 676  
 Other Western Hemisphere  
**678** 652

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**8,523** 8,386 8,279 +3

**9,114** 8,779 +4

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million scm/d \*\*\*

million scm/d \*\*\* **72** 81 75

Europe

**94** 99 **100** 91 95

Other Eastern Hemisphere

**98** 86 **50** 47 45

USA

**47** 45 **19** 18 19

Other Western Hemisphere

**19** 18

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**241** 237 234 +3

**258** 248 +4

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million tonnes

**LIQUEFIED NATURAL GAS (LNG)**

million tonnes    **2.35** 1.76 2.25 **+4**

Global equity LNG sales volume

**6.55** 6.53 - \$/bbl

**Realised Oil Prices**

\$/bbl    **25.18** 23.52 23.88

WOUSA

**22.90** 25.00    **24.84** 23.28 23.12

USA

**22.11** 23.54    **25.13** 23.48 23.74

Global

**22.77** 24.75    \$/thousand scf

**Realised Gas Prices**

\$/thousand scf    **1.97** 2.07 2.16

WOUSA

**2.05** 2.42    **3.23** 3.47 2.95

USA

**3.04** 5.14    **2.28** 2.39 2.33

Global

**2.26** 3.01

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\*            Q3 on Q3 change

\*\* scf/d

=

standard  
cubic  
feet per  
day\*\*\* scm/d

=

standard  
cubic  
metres  
per day

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**2,314** 1,920 **687** 790 688

Fuel oil

**750** 711 **766** 739 694

Other products

**763** 685

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**7,657** 7,396 6,073 **+26**

**Total oil products\*\*\***

**7,428** 6,111 **+22 5,038** 5,284 4,390

Crude oil

**5,045** 4,384

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**12,695** 12,680 10,463 **+21**

**Total oil sales**

**12,473** 10,495 **+19**

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\*\*\*comprising

**2,240** 2,143 1,831

Europe

**2,192** 1,854 **1,281** 1,302 1,259

Other Eastern Hemisphere

**1,280** 1,247 **2,257** 2,239 1,341

USA

**2,202** 1,307 **788** 777 793

Other Western Hemisphere

**774** 805 **1,091** 935 849

Export sales



**980** 898 \$ million  
**CHEMICAL SALES NET**

\$ million  
**PROCEEDS\*\*\*\***  
**1,100** 1,010 934

Europe  
**2,920** 2,868 **628** 528 438  
 Other Eastern Hemisphere  
**1,540** 1,253 **1,228** 1,203 1,134  
 USA  
**3,469** 3,957 **158** 113 77  
 Other Western Hemisphere  
**355** 223

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**3,114** 2,854 2,583 *+21*

**8,284** 8,301

\* Q3 on Q3 change  
 \*\* 2002 numbers include 100% of Equilon (now Shell Oil Products US) and 50% of Motiva volumes. The 2001 numbers have been presented to include the ownership interests in the volumes prevailing at that time. Details of this and other updates to Oil Products volume reporting can be found on Shell's website at [www.shell.com/investor](http://www.shell.com/investor).\*\*\*\* Excluding proceeds from chemical trading activities



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**Capital investment**

QUARTERS			\$ million	NINE MONTHS	
	Q3	Q2		2002	2001
	2002	2002			
<b>Capital expenditure:</b>					

**Exploration and Production:**

	<b>1,794</b>	6,513	1,020		
World outside USA	9,555	3,631	<b>501</b>	487	368
USA	1,329	918			

**2,295** 7,000 1,388

10,884 4,549

**Gas & Power:**

	<b>184</b>	34	92		
World outside USA	283	176	<b>1</b>	4	18
USA	6	28			

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185 38 110

289 204

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**Oil Products:**

**Refining:**

1,103 149 80  
World outside USA  
1,298 192 218 120  
USA  
1,628 1

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1,321 269 80

2,926 193

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**Marketing:**

753 255 223

World outside USA  
1,214 479 **36** 14  
USA  
649

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**789** 269 223

1,863 479

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**Chemicals:**

**65** 65 39  
World outside USA  
186 102 **103** 120 122  
USA  
289 368

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**168** 185 161

475 470

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**111** 57 22  
**Other segments**  
 331 82

**4,869** 7,818 1,984  
**TOTAL CAPITAL EXPENDITURE**  
 16,768 5,977

**Exploration expense:**  
**132** 257 106  
 World outside USA  
 484 369 **28** 53 99  
 USA  
 154 183

**160** 310 205  
 638 552

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**New equity investments in associated companies:**

	<b>56</b>	37	56
World outside USA	131	288	<b>17</b>
USA	220	133	19

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**73** 56 75

351 421

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**246** 133 88

**New loans to associated companies**

539 248

**Other investments**

224

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**5,348** 8,317 2,352

**TOTAL CAPITAL INVESTMENT\***

18,296 7,422

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\*comprising

**2,457** 7,313 1,612

Exploration and Production

11,529 5,360 **199** 64 124

Gas & Power

346 500 **2,126** 557 307

Oil Products

5,015 710 **208** 193 168

Chemicals

535 482 **112** 57 53

Other segments

332 122 **246** 133 88

New loans to associated companies

539 248

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**5,348** 8,317 2,352

18,296 7,422

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**Special items (Note 4)**

	QUARTERS			\$ million	NINE MONTHS
	Q3 2002	Q2 2002	Q3 2001		
<b>Exploration and Production:</b>					
<b>World outside USA</b>					
	(68)				
Restructuring and redundancy	(68)	15	18		
Asset disposals/impairment	47				
<b>USA</b>					
Asset disposals/impairment	101	(10)			
Other	(24)				
	15	(50)	(10)		
	80	(24)			

**Gas & Power:**

**World outside USA**

(2)  
Restructuring and redundancy

(2) **84**

Asset disposals/impairment

84 (21)

Other

(21)

**USA**

(10)

Restructuring and redundancy

(10) **(15)** 10

Asset disposals/impairment

23 10

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**69** (21) (2)

86 (2)

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**Oil Products:**

**World outside USA**

Restructuring and redundancy

(31)

Asset disposals/impairment

(26)

Other

10

**USA**

**92**

Asset disposals/impairment

92 **(36)** (21) (20)

Other

(80) (20)

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56 (21) (20)

(45) (10)

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**Chemicals:**

**World outside USA**

(13)

Asset disposals/impairment

120

**USA**

(10)

Other

(10)

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(10) (13)

(10) 120

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**Other industry segments:**

38

Asset disposals/impairment

38

**Minority Interests**

Asset disposals/impairment

11

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**178** (102) (45)

**SPECIAL ITEMS**

160 84

**Table of Contents**

**Adjusted CCS earnings by industry segment**

	QUARTERS				\$ million			NINE MONTHS		
	Q3 2002	Q2 2002	Q3 2001	%*	2002	2001	%	2002	2001	%
<b>Exploration and Production:</b>										
	<b>1,158</b>	1,307	1,343	<b>-14</b>						
World outside USA	<b>3,657</b>	4,826	-24	<b>526</b>	502	435	<b>+21</b>			
USA	<b>1,291</b>	1,984	-35							
	<b>1,684</b>	1,809	1,778	<b>-5</b>						
	<b>4,948</b>	6,810	-27							
<b>Gas &amp; Power:</b>										
	<b>127</b>	129	181	<b>-30</b>						
World outside USA	<b>512</b>	782	-35	<b>20</b>	119	-100				
USA	<b>(20)</b>	263	-							

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127 149 300 -58

492 1,045 -53

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**Oil Products:**

464 322 704 -34

World outside USA

1,225 2,414 -49 63 25 95 -34

USA

90 378 -76

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527 347 799 -34

1,315 2,792 -53

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**Chemicals:**

189 145 77 +145

World outside USA

429 301 +43 (25) (13) (49) -

USA

(58) (93) -

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164	132	28	+486
371	208		+78
4	(89)	(71)	
Other industry segments			
(126)	(185)		
2,506	2,348	2,834	-12
TOTAL OPERATING SEGMENTS			
7,000	10,670		-34

Corporate:

(268)	(120)	(82)	
Interest income/(expense)			
(503)	(179)	(16)	32 (19)
Currency exchange gains/(losses)			
9	8	70	(60) 25

Other including taxation  
(42) (106)

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(214) (148) (76)

(536) (277)

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(51) 2 (72)

**Minority interests**  
(28) (318)

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2,241 2,202 2,686 -17

**ADJUSTED CCS EARNINGS**  
6,436 10,075 -36

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\* Q3 on Q3 change

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**Table of Contents****Proforma earnings per share (Note 5)**

	QUARTERS			NINE MONTHS	
	Q3 2002	Q2 2002	Q3 2001	2002	2001
<b>ROYAL DUTCH</b>					
	<b>0.77</b>	0.69	0.78		
Net income per share ( )	<b>2.19</b>	3.13	<b>0.76</b>	0.63	0.70
Net income per share (\$)	<b>2.03</b>	2.81	<b>0.69</b>	0.60	0.75
CCS earnings per share (\$)	<b>1.89</b>	2.87	<b>0.65</b>	0.69	0.86
Adjusted CCS earnings per share ( )	<b>1.99</b>	3.17	<b>0.64</b>	0.63	0.76
Adjusted CCS earnings per share (\$)	<b>1.84</b>	2.84			
<b>SHELL TRANSPORT</b>					
	<b>7.0</b>	6.2	7.0		
Net income per share (pence)	<b>19.7</b>	28.0	<b>0.65</b>	0.55	0.60
Net income per ADR (\$)	<b>1.75</b>	2.42	<b>0.60</b>	0.52	0.65
CCS earnings per ADR (\$)	<b>1.63</b>	2.47	<b>6.0</b>	6.2	7.6
Adjusted CCS earnings per share (pence)	<b>17.9</b>	28.4	<b>0.56</b>	0.54	0.66
Adjusted CCS earnings per ADR (\$)	<b>1.59</b>	2.45			

**Notes****NOTE 1. Accounting policies**

The Group's accounting policies are essentially unchanged from those set out in Note 2 to the Financial Statements of the Royal Dutch/Shell Group of Companies in the 2001 Annual Reports and Accounts on pages 50 to 52.

US accounting standard FAS 142 (Goodwill and Other Intangible Assets) requires that goodwill, and other intangibles with an indefinite life, are no longer amortised but instead tested for recoverability. This standard is effective for the Group from the first quarter, 2002 and adoption has not had a significant effect.

**NOTE 2. Earnings on an estimated current cost of supplies (CCS) basis**

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

**NOTE 3. Statement of cash flows**

This statement reflects cash flows of Group companies as measured in their own currencies, which are translated into US dollars at average rates of exchange for the periods and therefore excludes currency translation differences except for those arising on cash and cash equivalents.

**NOTE 4. Special items**

Special items are those significant credits or charges resulting from transactions or events which, in the view of management, are not representative of normal business activities of the period and which affect comparability of earnings.

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**Table of Contents****NOTE 5. Proforma earnings per share**

Group net income is shared between Royal Dutch and Shell Transport in the proportion of 60:40 (as described in the Royal Dutch and Shell Transport 2001 Annual Reports and Accounts in Note 1 on page 50). For the purposes of these proforma calculations, Group CCS earnings and adjusted CCS earnings are also shared in the proportion 60:40.

For Royal Dutch and Shell Transport, earnings per share in euro and sterling respectively are translated from underlying US dollars at average rates for the period.

In the first quarter 2001, Royal Dutch and Shell Transport each commenced a share buyback programme under authorisation granted at shareholders' meetings in May 2000. All Shell Transport shares bought as part of this programme are cancelled immediately. Royal Dutch shares bought as part of this programme can only be cancelled in arrears after such a resolution has been passed at the General Meeting of Royal Dutch shareholders. The last such resolution was on May 16, 2002 for shares bought under this programme since the previous General Meeting. For the purpose of earnings per share calculations all shares bought under the share buyback programme are deemed to have been cancelled upon the day of purchase.

Earnings per share calculations are based on the following weighted average number of shares:

	Q3 2002	Q2 2002	Q3 2001	Nine months 2002	Nine months 2001
Royal Dutch shares of 0.56 (millions)	2,088.4	2,098.5	2,112.2	2,095.8	2,126.1
Shell Transport shares of 25p (millions)	9,689.5	9,734.3	9,796.3	9,722.6	9,860.2

Shares at the end of the following periods are:

	Q3 2002	Q2 2002	Q3 2001
Royal Dutch shares of 0.56 (millions)	2,083.7	2,094.0	2,101.4
Shell Transport shares of 25p (millions)	9,668.5	9,713.7	9,748.6

One American Depository Receipt (ADR) or New York Share is equal to six 25p Shell Transport shares.

**All amounts shown throughout this report are unaudited.**

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**NEWS RELEASE**

**The text of the following release was issued on 31st October**

The Royal Dutch/Shell Group of Companies today reported net income of \$2.6 billion for the third quarter 2002, 7% higher than a year ago. Adjusted current cost of supplies (CCS) earnings for the quarter were 17% lower at \$2.2 billion, bringing the year to date total to \$6.4 billion.

Commenting on the quarter, Philip Watts, Chairman of the Committee of Managing Directors of the Royal Dutch/Shell Group of Companies, said: We have again delivered a strong performance, with year to date cash generation of some \$12 billion. The rapid and successful integration of the Enterprise assets means production volumes have grown by 9%. Excluding Enterprise, production volumes from existing operations grew 2% above target for the year.

Shell remains the industry's leading producer in the Gulf of Mexico which has performed at record levels this quarter, driven by the expansion of production capacity at the Brutus platform. The Group also had exploration successes with two exciting discoveries, Great White and Deimos, adding to the Tahiti discovery earlier this year.

In the downstream, Mr Watts highlighted the resilience of the global marketing business and integration progress in the USA: The huge retail site re-branding and rationalisation programme continues apace. I am confident that the effects of this, the recently completed acquisition of the Pennzoil-Quaker State lubricants business and other initiatives will deliver improvements in the bottom line in the USA as we move forward.

Shell indicated that it, and its partner, China National Offshore Oil Company, expect to consider favourably tomorrow a recommendation to proceed with the world-scale \$4 billion Nanhai petro-chemicals project to serve the rapidly growing domestic market in China. Together with earlier announcements on upstream gas developments, downstream retail network opportunities and the Guangdong LNG supply contract, it consolidates Shell's strategy to develop a major, integrated business presence in the Chinese markets.

Concluding, Mr Watts said: It's an uncertain and challenging business environment, but our continued focus on costs and operational excellence has once more delivered robust profitability and shareholder value. We have also continued to build our portfolio in all businesses with important new projects: the EA field in Nigeria, the Penguins field in the UK and Athabasca in Canada, coming on stream in the near future.

Ends

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorised.

THE SHELL TRANSPORT AND TRADING COMPANY, PUBLIC LIMITED COMPANY

(Registrant)            By

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G J West (Assistant Company  
Secretary)    Date 5 November  
2002.