



John Hess speaks at Annual Stockholders' Meeting

May 2, 2000

Ladies and gentlemen, welcome to Amerada Hess Corporation's annual stockholders meeting for the year 2000. Thank you for being here today.

Your company's 1999 financial results were significantly improved over those of the prior year. We reported operating earnings of \$307 million. This compares to an operating loss of \$196 million in 1998.

- Exploration and production had operating earnings of \$324 million in 1999 compared with a loss of \$18 million in 1998.
- Refining and marketing had operating earnings of \$133 million in 1999 versus a loss of \$18 million in 1998.
- Including special items, 1999 net income was \$438 million compared to a loss of \$459 million in 1998.

These improvements were due in part to significant improvement in crude oil prices.

- Crude oil prices have increased from approximately \$18 per barrel for West Texas Intermediate at the time of our last annual meeting to over \$26 per barrel today.
- Major crude oil producing countries' efforts to reduce production and excess worldwide petroleum inventories have been extremely successful.
- Our financial results were also strengthened by the positive steps we have taken over the last five years to reshape our asset base to improve financial performance.

During 1999:

- We increased crude oil equivalent production to 339,000 barrels per day from 302,000 barrels per day in 1998.
- We significantly reduced operating expenses in both exploration and production and refining and marketing.
- Our exploration program in 1999 was refocused to \$261 million from \$349 million in 1998.
- We sold \$340 million of non-strategic marketing assets consisting of our Gulf Coast and Southeast pipeline terminal networks and our retail gas station assets in Georgia and Greenville, South Carolina.
- Over the last five years we have sold over \$2 billion of non-core assets and redeployed that capital to higher return projects and debt reduction.
- Throughout 1999 we maintained financial discipline.
- 1999 capital expenditures were \$797 million versus \$1.439 billion in 1998.
- We reduced debt by \$343 million.

Recently we reported one of the strongest quarters in your company's history. In the first quarter 2000 your company earned \$224 million or \$2.47 per share. In the first quarter of 1999, we earned \$71 million, or 79 cents per share.

- Exploration and production first quarter 2000 earnings were \$218 million versus \$27 million in the first quarter of 1999. The improvement was primarily due to a substantial increase in crude oil prices and a 15 percent increase in our crude oil and natural gas production over a year ago.
- Refining and marketing earned \$48 million in first quarter 2000 compared with \$53 million in the first quarter of 1999. These results include increased earnings from energy marketing activities, primarily due to a period of cold weather in the Northeastern United States. However, lower refining earnings and retail gasoline margins caused first quarter 2000 refining and marketing earnings to be below those of the comparable period of 1999.
- During the first quarter we reduced debt by \$270 million. Our debt to capitalization ratio is now under 39 percent.

Our strategic plan remains:

- To deliver superior financial performance.
- To provide long-term profitable growth.
- To be in the top one-third of the oil industry in terms of return on capital employed.
- To be customer focused and quick to respond to market opportunities.
- To build long-term relationships with all those with whom we do business.
- To be the business partner and the employer of choice.
- To be the leading independent integrated energy company - the preferred alternative to the major oil companies.

To achieve our strategic plan:

- Exploration and production will be the primary vehicle for future income and growth. It currently represents 60 percent of capital employed.
- Our exploration and production reserve replacement strategy will be balanced among exploration, reserve developments and reserve acquisitions.
- Our goal is to increase our international exploration and production business outside the United States and North Sea to one third of total oil and gas reserves, while maintaining our production levels in the United States and the North Sea.
- Our international focus areas are Brazil, North and West Africa and Central and Southeast Asia.
- Our exploration program will be more focused with a combination of high impact deepwater opportunities in the Gulf of Mexico and Brazil and lower risk prospects in the North Sea, Gabon and Southeast Asia.
- Refining and marketing is a smaller but more profitable portion of our asset portfolio representing 40 percent of capital employed.

Hovensa, our joint venture refinery with Petroleos de Venezuela, in the first quarter of 2000 completed the financing for the construction of a 58,000 barrels per day delayed coking unit and related facilities.

- The \$535 million construction project will take approximately two years to complete and will process 115,000 barrels per day of less expensive, heavy Venezuelan crude oil, enhancing financial returns for the St. Croix refinery.
- Hovensa, with the coker and favorable crude supply arrangements, should be the preeminent merchant refinery in the world with much stronger financial performance.
- In retail marketing, we continue to expand our Hess gasoline station and convenience store network. The number of Hess branded outlets is expected to grow to approximately 950 on the East Coast by the end of 2000 - almost double the number of outlets five years ago.
- A recent exciting development in our retail marketing business is our acquisition of 178 Merit retail gasoline stations located in the northeast. We expect to close the transaction this month. All the Merit stations will be rebranded Hess. The acquisition greatly strengthens the Hess brand in New York City, Boston and Philadelphia.
- While acquisitions will continue to be an important part of our retail strategy, during 1999 we continued our program of adding 21 new Hess Express stores and upgrading 23 sites with the addition of convenience stores or rebuilding existing facilities.
- Energy marketing is also a business we are committed to growing. Our vision is to be the leading total energy supplier to industrial and commercial customers in the northeast. We have over 60 years experience as a fuel oil marketer. Ten years ago we started marketing natural gas to local distribution companies. With the deregulation of natural gas and electricity, now we are also selling natural gas, electricity and energy services directly to industrial and commercial customers.
- In March, we completed the acquisition of Statoil Energy Services. That company sells natural gas and electricity to industrial and commercial customers in New York, Pennsylvania, Maryland, Virginia and Washington, D.C. The acquisition strengthens our Hess customer base which was concentrated in New York and New Jersey and more than doubles our sales of natural gas to end users. Also, the transaction expands our energy marketing and operating capabilities and adds an organization of highly experienced professionals.

Ladies and gentlemen -

- Amerada Hess has a very bright future.
- Our reshaped asset base has lowered our cost of operations, improved our financial performance and strengthened our balance sheet.
- Our exploration and production business is generating superior financial returns and is poised for international growth.
- Refining has become a smaller but more profitable part of our asset portfolio. We expect even better financial returns when the coker is completed in our Hovensa refinery joint venture.
- Our retail marketing and energy marketing businesses are experiencing strong and profitable growth.
- Our financial discipline has put us in a very strong financial position. We have the ability to seize opportunities as they emerge.
- We are committed to improving current returns to stockholders. We will return some of our improved financial performance and strong cash flow to our stockholders. In March, we announced a \$300 million stock repurchase program. We believe in our future and that our stock is an excellent investment.

I thank our customers for their loyalty and assure them that we will continue to provide affordable quality products with outstanding service.

I thank our employees and congratulate them for their initiatives and the success we have had in redirecting our company to reshape our asset base and improve our financial performance.

I thank our stockholders for your confidence and support of our efforts to improve financial returns.

I thank our directors for their guidance and advice. They have provided wise counsel for our efforts to advance our company's strategy and goals.

Finally, I thank all of you for being here today and for your interest in our company.