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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

In re:	**CIVIL ACTION NO. 04-374 (JWB)**
	(Consolidated Cases)
ROYAL DUTCH/SHELL TRANSPORT SECURITIES LITIGATION	**Hon. John W. Bissell**
	JURY TRIAL DEMANDED
	(Document Electronically Filed)

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT

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1. Lead Plaintiffs, the Pennsylvania State Employees' Retirement System and the Pennsylvania Public School Employees' Retirement System (together, "Lead Plaintiff"), bring this action on behalf of themselves and all persons who purchased the securities of N.V. Koninklijke Nederlandsche Petroleum Maatschappij (a/k/a the Royal Dutch Petroleum Company) ("Royal Dutch") and The "Shell" Transport and Trading Company, PLC ("Shell Transport" or the "Company") (together, Royal Dutch and Shell Transport are referred to as the "Companies," the "Shell Group," or the "Group"), including the ordinary shares traded on overseas markets and the New York Stock Exchange ("NYSE") and the American Depository Receipts ("ADRs") trading on the NYSE, between April 8, 1999 and March 18, 2004 (the "Class Period"), against Royal Dutch and Shell Transport, several of the Shell Group's current and former senior executives, and the Shell Group's outside auditors, PricewaterhouseCoopers LLP ("PwC UK") and KPMG Accountants N.V. ("KPMG NV"), as well as other members of the PricewaterhouseCoopers and KPMG firm families (collectively, the "Defendants"), to recover damages caused by violations of the federal securities laws by the Defendants.

2. A glossary of the defined terms and acronyms used throughout this Complaint is attached as an appendix for the Court's convenience.

NATURE OF THE ACTION

"A 20% restatement of proven reserves is a humongous error. For a company like Shell to have missed its proven reserves by that much is not an oversight. It's an intentional misapplication of the SEC's rules."

Lynn Turner, former chief accountant at the U.S. Securities and Exchange Commission, quoted in a January 12, 2004 article in the THE WALL STREET JOURNAL.

"Our story is not one anyone would be proud of, and we have no excuses."

Lord Ron Oxburgh, chairman of Shell Transport, quoted in an April 19, 2004 article in the THE NEW YORK TIMES.

3. Plaintiffs' claims arise from the dissemination by the Shell Group Defendants (as defined below) of materially false and misleading statements concerning the Shell Group's reported proved oil and natural gas reserves. During the Class Period, Royal Dutch and Shell Transport issued false public reports of their proved oil and natural gas reserves by billions of barrels of oil equivalent ("boe"), overstated their reserves replacement ratio ("RRR"), and overstated their future cash flows by over $100 billion.

4. For example, before and during the Class Period, the Shell Group Defendants repeatedly represented to the investing public that the Shell Group was successfully identifying new proved oil and gas reserves and replacing existing proved reserves depleted by production – key performance indicators in the oil and gas industry. The Shell Group Defendants made these representations in presentations to market analysts, press releases, annual reports, filings with the United States Securities and Exchange Commission (the "SEC" or the "Commission"), and other public media. For instance, each year in the Shell Group's joint Annual Report on Form 20-F that it filed with the SEC, the Shell Group Defendants represented the following:

1998
Reserves
During 1998 the Group's total proved reserves for oil (including natural gas liquids) and natural gas increased from 19.4 to 20.5 billion barrels of oil equivalent. . . . The net additions to proved reserves more than replaced the 1998 production, with replacement ratios of some 140% for oil (compared with 130% in 1997) and some 250% for gas (compared with 210% in 1997).

1999
Reserves
The overall 1999 replacement ratio of proved crude oil and natural gas reserves and oil sands stands at 101% (147% excluding 1999 divestments and acquisitions). . . . The three-year rolling average replacement ratio for total crude oil and natural gas proved reserves . . . stands at 132%, reflecting the fact that oil and gas production over 1997-99 has been more than replaced by net additions over the same period.

2000
Reserves
The proved hydrocarbon reserves replacement ratio for 2000 was 105% . . . . Therefore production during the year of 1.4 billion barrels of oil equivalent was more than replaced. . . . The three-year rolling average proved hydrocarbon reserves replacement ratio . . . stands at 117%.

2001
Reserves
The proved hydrocarbon reserves replacement ratio for 2001 is 74%. . . . [A]nd the three-year rolling average . . . now stands at 101%. Proved reserves are equivalent to more than 14 years of current production.

2002
Reserves
The proved hydrocarbon reserves replacement ratio for 2002 was 117% and the five year rolling average . . . now stands at 109%. . . . Proved reserves are equivalent to more than 13 years of current production.

5. PwC UK and KPMG NV, individually and jointly, issued materially false and misleading unqualified audit opinions that were included in the Class Period financial statements filed with the SEC by Shell Transport and Royal Dutch. In these reports, PwC UK and KPMG

NV falsely represented that each had conducted their respective audits "in accordance with U.S. generally accepted auditing standards ('GAAS')." They also falsely represented that the audited financial statements presented fairly the financial position of the Shell Group, Shell Transport, and Royal Dutch as of December 31, 1998-2002, and their results of operations and cash flows for each of those years in accordance with generally accepted accounting principles ("GAAP") in the Netherlands and the United States.

6. The truth about the Shell Group's proved reserves and its effect on the Shell Group's reported financial results began to be disclosed on January 9, 2004. That day, before the markets opened in Europe, Shell Transport shocked the investing public by announcing that, in order to comply with SEC regulations, it would be reducing previously reported proved reserves by 20%, or approximately 3.9 billion boe. The disclosure, made in a release entitled "proved reserve recategorisation," triggered a substantial decline in the trading price of the ordinary shares of both Shell Transport and Royal Dutch and the ADRs of Shell Transport (Shell Transport dropping by about 6.96% in the United States and 7.48% in London, and Royal Dutch dropping by about 7.87% in the United States and 7.65% in Amsterdam). The Companies lost $13.84 billion of market value as a result of this disclosure.

7. Investors and analysts were shocked by the Shell Group's "bombshell" revelations. According to scores of articles appearing in the news media over the next several weeks, investors were "blind-sided" by the disclosure of the reclassification, which analysts termed "staggering." The Shell Group's reputation and credibility with market analysts and institutional investors were severely damaged. For example, Morgan Stanley wrote: "The shares have come down 20% in the past six weeks and that is all to do with credibility. While investors have seen Shell as the

most conservative of companies, it turns out that it is not what we thought. The market is traumatised and shocked."

8. Since the initial announcement on January 9, the Shell Group has further reduced its estimated proved oil and natural gas reserves three additional times – on March 18, April 19, and May 24, 2004 – for a total reclassification of 4.47 billion boe, or 23%.

9. Strikingly, the Companies booked reserves as proved in some areas of the world when their partners in the same projects did not. In Australia, for example, the Companies booked approximately 557 million boe of natural gas from the Gorgon fields as proved as of December 31, 1997, more than six years ago. To date, neither of their co-venturers in the Gorgon project, ChevronTexaco and ExxonMobil, has booked even a single cubic foot of Gorgon natural gas as proved.

10. In addition to market losses, the fraud alleged herein has resulted in the impairment of the Shell Group's corporate credit ratings, the restatement of the Shell Group's reported financial results, and the firing of Defendants Sir Philip Watts ("Watts), Walter van de Vijver ("van de Vijver"), and Judith Boynton ("Boynton") from their senior executive positions within the Group. (Boynton now reportedly acts as an "advisor" to the Shell Group.)

11. The severity of the January reclassification has also caused regulatory agencies to commence investigations into the matter; four civil investigations by regulatory authorities in the United States and Europe have been commenced, as was a criminal investigation by the U.S. Department of Justice. Former SEC chief accountant Lynn Turner was quoted in a January 12, 2004 article in THE WALL STREET JOURNAL (entitled "Shell Cuts Reserve Estimate 20% as SEC Scrutinizes Oil Industry"), opining that the reclassification was not a mistake: "A 20% restatement of proven reserves is a humongous error. For a company like Shell to have missed its

proven reserves by that much is not an oversight. It's an intentional misapplication of the SEC's rules." (Emphasis added.)

12. On February 3, 2004, the Companies' Group Audit Committee (the "GAC") retained Davis Polk & Wardwell ("Davis Polk") to lead a limited internal review into the circumstances resulting in the Companies' overbooking of reserves. Even this limited review confirmed what Turner had stated: the Companies, with the knowledge of their senior-most personnel, were aggressively and prematurely booking proved reserves in violation of SEC rules.

13. On April 19, 2004, Royal Dutch and Shell Transport released the executive summary of the Report of Davis Polk to the GAC of March 31, 2004 (the "Executive Summary" or the "GAC Report"). In the Executive Summary, attached to a Form 6-K filed with the SEC on April 19, 2004, Davis Polk concluded that Shell Transport had been overbooking reserves as early as 1997, during Defendant Philip Watts' and Defendant Walter van de Vijver's respective tenures as head of the Companies' influential Exploration and Production ("EP") unit. As noted in the GAC Report, these executives "were alert to the difference between the information concerning reserves that had been transmitted to the public . . . and the information known to some members of management."

14. But, instead of publicly disclosing their knowledge of the problem, Defendants implemented a strategy of "managing" the reserve figures, much the way public companies in the 1990s manipulated earnings, to make it appear that the Companies were growing and staying competitive with their industry rivals. As explained in the GAC Report, "EP management's plan was to 'manage' the totality of the reserve position over time, in hopes that problematic reserve bookings could be rendered immaterial by project maturation, license extensions, exploration successes and/or strategic activity." However, as the GAC Report succinctly observed,

Defendants' "strategy 'to play for time' in the hope that intervening helpful developments would justify, or mitigate, the existing reserve exposures . . . failed as business conditions either deteriorated or failed to improve sufficiently to justify historic bookings."

15. The Companies have not disputed the conclusion that their top management not only knew of the overstated reserves but, also, actively "play[ed] for time" in the hope that they would not have to publicly report the truth about the Companies' proved reserves. Indeed, the GAC Report was accepted in full by the GAC on April 15, 2004, and by the members of the Supervisory Board of Royal Dutch and the non-executive Directors of Shell Transport on April 16, 2004. This acceptance was reported in the Form 6-K to which the Executive Summary of the GAC Report was attached.

16. The Shell Group's acceptance of responsibility for the conduct alleged herein was also set forth in the annual reports recently disseminated by Shell Transport and Royal Dutch. In section after section where the reclassification is discussed, the Companies refer to the overbooking as "inappropriate." For example, in the section entitled "Deficiencies relating to reserves reporting," the Companies state:

> In connection with the restatement of proved reserves volumes described elsewhere in this report, Royal Dutch and Shell Transport have determined, based largely upon the investigation and report to the GAC, that there were deficiencies and material weaknesses in the internal controls relating to proved reserves bookings and disclosure controls that allowed volumes of oil and gas to be improperly booked and maintained as proved reserves. The inappropriate booking of certain proved reserves had an effect on the Financial Statements, mainly understating depreciation, depletion and amortisation.

17. In the message to shareholders, Lord Ron Oxburgh ("Oxburgh") – who is currently chairman of Shell Transport and the "Conference," which is comprised of all the members of the Supervisory Board and the Board of Management of Royal Dutch and the Directors of Shell

Transport – "apologised unreservedly" for the Companies' "control weaknesses and . . . inappropriate departure from [its] Business Principles," and promised to rebuild Shell Transport's business and reputation based upon "the lessons . . . learned" from the reclassification debacle. Defendant Malcolm Brinded ("Brinded"), in his message to shareholders, expanded on Oxburgh's apology:

> The Group's performance in 2003 will clearly be seen in the context of the restatement of reserves (a reduction of 4.47 billion barrels or some 23% from the previously reported end-2002 figures), and the subsequent related management changes of early 2004. These events have understandably caused considerable concern to shareholders, and I know that we have much to do to restore your confidence.
>
> It is vital to ensure that these problems cannot happen again. That is why the Group Audit Committee commissioned a rigorous external review of the events and background to these issues and we are implementing its recommendations. They include ensuring strict compliance with the rules and guidance of the Securities and Exchange Commission; a range of measures to strengthen our business controls; ensuring that the Committee of Managing Directors and the Group Audit Committee take a formal role in reviewing the booking of reserves; and the systematic use of external reserves expertise to provide challenge and assurance at critical points in the reserves booking and reporting process.
>
> * * *
>
> Separately there is ongoing work to ensure that we operate in compliance with all appropriate codes of corporate governance. While the application of the Financial Reporting Council's revised Combined Code on Corporate Governance in the UK is not required for the 2003 reporting year, we have adapted our processes to ensure that they reflect the Code's provisions. Action is also being taken to ensure compliance as a non-US issuer with the Sarbanes-Oxley Act and new corporate governance requirements of the New York Stock Exchange in the USA, and work has begun in the Netherlands to amend our processes to meet the provisions of the Tabaksblat committee's code.

> Looking ahead, I am committed to ensuring that we use all the lessons of this difficult period to strengthen our business and to start rebuilding our reputation.

18. In addition to laying blame on senior executives of the Group, the GAC Report effectively includes PwC UK and KPMG NV in its net of culpability. Davis Polk concluded that the overbooking of oil and natural gas reserves over such a lengthy period of time was possible only "because of certain deficiencies in the Company's controls." Under GAAS, PwC UK and KPMG NV were required to review and understand the Shell Group's internal control structure and determine whether reliance thereon was justified, and if such controls were not reliable, to expand the nature and scope of those controls to correct them. PwC UK and KPMG NV failed to do so.

19. As set forth herein, the Shell Group, the SEC, and the Financial Services Authority ("FSA") have identified deficient controls as a factor that allowed the wrongful conduct alleged herein. Indeed, the corporate structure and governance policies of the Shell Group is (and was throughout the Class Period) fundamentally flawed. These flaws, if not corrected, will encourage a future similar fraud.

20. In short, as Oxburgh stated in an April 19, 2004 article in THE NEW YORK TIMES: "Our story is not one anyone would be proud of, and we have no excuses."

JURISDICTION AND VENUE

21. The claims asserted herein arise under and pursuant to Section 10(b), 14(a) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act"), Rule 10b-5 promulgated by the SEC under Section 10(b) of the Exchange Act (17 C.F.R. § 240.10b-5), and Rule 14a-9 promulgated by the SEC under Section 14(a) of the Exchange Act (17 C.F.R. § 240.14a-9).

22. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

23. As set forth below, this Court has subject matter jurisdiction over the claims brought on behalf of investors who purchased or acquired Royal Dutch and Shell Transport ordinary shares on foreign markets and/or who purchased Royal Dutch's ordinary shares and Shell Transport's ADRs on the NYSE.

A. Subject Matter Jurisdiction Over the Claims of Foreign Investors Who Purchased Their Securities on Foreign Exchanges

24. The claims brought on behalf of foreign investors who purchased their shares outside the United States satisfy the "conduct test" for determining subject matter jurisdiction over a securities fraud action. Under the "conduct test," this Court has subject matter jurisdiction over securities fraud claims if at least some activity designed to further a fraudulent scheme occurred within the United States. The facts alleged herein meet this standard.

1. Defendants' Acknowledgement of Obligations under U.S. Law

25. The underlying predicate for the false and misleading statements complained of herein was the deliberate failure to follow SEC rules concerning the classification of reserves as proved developed. Specifically, in Shell Transport's 2003 Annual Report, the Company admitted:

> On January 9, 2004, the Group announced the removal from proved reserves of approximately 3.9 billion barrels of oil equivalent (boe) of oil and gas that were originally reported as of December 31, 2002. As a result of further reviews conducted with the assistance of external petroleum consultants of over 90% of the Group's proved reserves volumes (the Reserves Review), the Group determined to increase the total volume of reserves to be removed from the proved category to 4.47 billion boe and to restate the unaudited oil and gas reserves disclosures contained in the supplementary information accompanying the Financial Statements (the Reserves Restatement) to give effect to the removal of these

> volumes as of the earliest date on which they did not represent "proved reserves" within the applicable rules of the SEC (which in many cases is the date on which the volumes were initially booked as proved reserves). Approximately 4.1 billion boe of the debooked volumes were previously booked as proved undeveloped reserves and 400 million boe of the debooked volumes were previously booked as proved developed reserves.

26. The actions taken to overbook the Companies' proved reserves and conceal their overbooking were known to be in violation of the federal securities laws and SEC regulations. Indeed, as alleged below, internal documents demonstrate that senior managers knew of their obligations under the SEC's rules with regard to reporting reserves as proved and their disclosure obligations to investors within and without the United States. For example, a July 22, 2003 Committee of Managing Directors Note for Information reported that "some 1040 million boe (5%) is considered to be potentially at risk." The note concluded, however, "at this stage, no action in relation to entries in the [Proved Reserves Exposure] Catalogue is recommended . . . . It should be noted that the total potential exposure listed in Appendix C is broadly offset by the potential to include gas fuel and flare volumes in external reserves disclosures." The Proved Reserves Exposure Catalogue in Appendix C quantifies "exposures" at approximately 1 billion boe and "threats" at approximately 1.6 billion boe, for a total of approximately 2.6 billion boe known to be or potentially noncompliant with Rule 4-10 of Regulation S-X, 17 C.F.R. § 210.4-10 ("Rule 4-10"). As Defendant van de Vijver had stated: "I must admit that I become sick and tired about arguing about the hard facts and also can not perform miracles given where we are today. If I was interpreting the disclosure requirements literally (Sorbanes-Oxley Act etc.) [sic] we would have a real problem."

2. SEPCo's Involvement Worldwide

27. The reserves recategorization concerns three areas: mature projects in existing areas like Nigeria and Oman; developments in frontier areas such as Gorgon in Australia, Ormen Lange in Norway, and Kashagan in Kazakhstan; and compliance with technical engineering standards known in the engineering field as "lowest known hydrocarbons." A percentage of the area involving mature reserves concerned the Gulf of Mexico. During a 4Q 2003 Reserves Presentation, the Companies admitted that they recategorized 100 million boe from proven reserves relating to the United States, Gulf of Mexico. Shell Exploration & Production Company ("SEPCo"), a subsidiary of the Royal Dutch/Shell Transport group of companies, is responsible for exploring, developing, and producing oil and natural gas in the United States. SEPCo's principal operations are located in the Gulf of Mexico, South Texas, and Wyoming. SEPCo maintains offices in Houston, Texas and New Orleans, Louisiana.

28. SEPCo's expertise in deepwater drilling is a critical component of the Shell Group's EP business in Norway. For example, in a speech given in 2000 by Tim Warren, Director of Shell Technology EP, in Norway, Warren stated the following:

> Deepwater exploration and production is a good example of what I mean. This is a huge growth area for the future. Over 30 billion barrels oil equivalent have already been found in water 500 metres or deeper. We are developing beyond 1,000 metres and exploring beyond 2,000. Going beyond 3,000 metres is a realistic technical goal.
>
> But not an easy one, by any means. We need all the deepwater expertise at our disposal, in Houston and New Orleans, here in Norway, and elsewhere, to develop deepwater technologies for application around the world.

29. Warren also spoke of key partnerships with universities, including those in the United States, as critical to the Companies' global exploration and production efforts:

> You need partners to stay ahead of the game in innovation, too. No company, even one as big as Shell, has the monopoly on good ideas. So, as well as developing commercial relationships, we partner with universities and commercial organisations on a large scale. Our Rijswijk technology centre in the Netherlands has had links with Delft University of Technology for years. We're also working with the Russian Academy of Sciences and Stanford University, where there is a huge repository of knowledge and experience.
>
> * * *
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> In the US this year, we put in place a similar agreement with the Colorado School of Mines.

30. SEPCo also played a key role in the development and construction of the Bonga Project in Nigeria. (Nigeria accounted for 36% of the Group's total restatement of proved reserves.) In this regard, SEPCo acted as a resource and equipped the construction of the project, provided oversight of the project's costs and financial planning, and was responsible for reporting to the project's stakeholders. SEPCo was also the focal point for the Nigerian government's cost recovery audits.

31. In addition, SEPCo provided consulting, engineering, and technical services to Shell Company of Australia with regard to the Gorgon project, as well as to Shell Group companies for projects in Oman and Brunei. In Australia, SEPCo maintained an office that was partially staffed with Houston-based engineers to work on the Gorgon project.

32. The involvement of SEPCo in Nigeria and Australia is confirmed by former Shell employees. For example, confidential source 6 (Lead Plaintiff's confidential sources, designated as "CS __," are described in a separate section below) stated that Shell Deepwater Development Inc. (known within the Companies as the "Deepwater Group"), a member of SEPCo's exploration and production group, provided engineering, technical, and consulting services to Nigeria Shell Exploration and Production Company Limited ("NSEPCo"). The Deepwater Group also sent

employees to Nigeria to work on the project. According to CS 6, the Deepwater Group was involved in most of the Shell Group's deepwater projects around the world. The Deepwater Group was known for its computer and 3D seismic mapping technology, which was used in conjunction with the Companies' reserves estimations: "It was a collaborative effort. They do a lot of statistical analysis, like multi-varied analysis based on numbers, where it's not just looking at the map itself, it's dealing with probabilities." For Nigeria, the Shell Group's Bellaire Technology Center in Houston, Texas, provided all the mapping data for the Bonga field. In short, SEPCo played an integral part in the process used by executives in the Shell Group's operating units, as well as in London and The Hague, to classify reserves in a particular reservoir.

33. CS 4 confirmed that the Deepwater Group in Houston provided a substantial amount of planning and technology advice to NSEPCo for the Bonga Field Project: "In the case of Bonga, it is beyond a shadow of doubt; most of the technical work would have been executed, in terms of planning at least, outside the country, outside of Nigeria. Planning would have been in Houston and partly The Hague." As CS 4 stated, the Deepwater Group in Houston calculated reserve estimations and took those estimations into consideration when planning the technical aspects of a project, including the Bonga project.

34. In addition, Shell Global Solutions, which coordinates its activities between various networked technical centers, including a major center located in Houston, Texas, provided research and technical services to NSEPCo in connection with the Bonny Island liquefied natural gas plant located in Nigeria. For example, Nigeria LNG Ltd. recently extended its operating services contract with Shell Global Solutions to 2011, with an option for renewal to 2017. The extension covers the expansion project (LNG train 3 and associated liquefied petroleum gas facilities) and the NLNG Plus project (LNG trains 4 and 5). As discussed below, oil from the

Bonga Project will be transferred from floating onboard storage tanks to tankers and the gas to an offshore gas-gathering pipeline for eventual liquefaction at the LNG plant at Bonny Island.

3. The Companies' False and Misleading Statements in the United States

35. A significant portion of Defendants' false and misleading statements were made in the United States and are contained in the Companies' SEC filings. The Companies' press releases and SEC filings were broadly disseminated within the United States through the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications, and the facilities of the national securities exchanges.

36. Further, the Companies issued materially false and misleading statements during analyst conferences held in New York, New York and Houston, Texas during the Class Period. On April 8, 1999, April 13, 2000, and February 6-7, 2003, the Companies made presentations to analysts and investors in the United States regarding their reserves, financial condition, financial targets, and potential growth. These statements, which had the effect of manipulating the price of the Companies' securities, were disseminated to the market by analysts, such as Morgan Stanley and UBS Warburg, who attended these U.S.- based conferences.

4. The Companies' U.S. Securities

37. The ADRs of Shell Transport and the ordinary shares of Royal Dutch are listed and traded on the NYSE.

5. The Companies' Consent to Subject Matter Jurisdiction

38. The fraudulent activity at issue is the subject of investigations by the SEC, the U.S. Department of Justice, and the United States Congress. In fact, as announced on August 24, 2004, the Companies agreed to enter into a cease and desist order with the SEC (the "Cease and Desist Order"), wherein the Companies agreed to pay a fine of $120 million and to spend $5

million in development and implementation of an internal compliance program. The Companies have committed to report to the SEC within 12 months on the expenditure of the funds and the status of the compliance program. The SEC's investigation remains ongoing as to the individuals responsible for the overbooking of the proved reserves. By entering into the Cease and Desist Order, the Companies' consented to the SEC's jurisdiction over the subject matter of the Commission's proceedings. Additionally, the Companies consented to the entry of a judgment by the U.S. District Court for the Southern District of Texas, ordering the Companies to pay the civil penalty imposed by the SEC. In the consent papers filed in the District Court, both Royal Dutch and Shell Transport "admit[ted] to the jurisdiction of this Court over it and over the subject matter of this action . . . ."

B. Subject Matter Jurisdiction Over the Claims of Domestic and Foreign Investors Who Purchased Their Securities in the United States

39. The claims asserted herein also satisfy the "effects test" for determining federal subject matter jurisdiction over a securities fraud action. Under the "effects test," this Court has subject matter jurisdiction over domestic members of the Class (defined below), as well as foreign members who purchased their securities in the United States, because Defendants' fraudulent conduct had an impact upon the United States' markets and upon United States investors. The conduct described herein affected ADRs and ordinary shares registered in the United States and listed on a United States national securities exchange, as well as ordinary shares (listed on foreign exchanges) that were purchased by all investors, including those who are United States citizens or who are domiciled in the United States and those who are citizens or domiciliaries of foreign countries. The interests of all investors were affected adversely by Defendants' misconduct. Defendants' fraudulent conduct, including that which was performed in the United States, artificially inflated the price for the Companies' securities during the Class Period and affected

the integrity of the price of the ADRs and ordinary shares that traded on a United States exchange.

C. Venue

40. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Many of the acts and transactions constituting the violations of law alleged herein, including the offer and sale of securities and dissemination to the investing public of materially false and misleading information, occurred, in part, in this District. Hundreds, if not thousands, of purchasers of the Companies' securities reside in the State of New Jersey. Moreover, the Shell Group maintains offices and operations in the United States, including in the State of New Jersey. In New Jersey, the Group has operations that it conducts through Shell Oil's Special Warehouse/Storage Packing/Crating Service facility in Sewaren, New Jersey and Equilon Enterprises L.L.C. (in which the Shell Group maintains a 44% interest) (and does business as Shell Oil Products US) in Cranbury, New Jersey.

THE PARTIES

41. Lead Plaintiff, Pennsylvania State Employees' Retirement System ("SERS"), is a public pension fund system organized for the benefit of the current and retired public employees of the Commonwealth of Pennsylvania. SERS, which has more than 200,000 members, is located in Harrisburg, Pennsylvania, and has total assets of approximately $25 billion.

42. Lead Plaintiff, Pennsylvania Public School Employees' Retirement System ("PSERS"), is a public pension fund system organized for the benefit of the current and retired public school employees of the Commonwealth of Pennsylvania. PSERS, which has more than 450,000 members, annuitants and beneficiaries, is located in Harrisburg, Pennsylvania, and has net assets of approximately $48 billion.

43. SERS and PSERS are sister public pension funds, both created by the Commonwealth of Pennsylvania. Together, SERS and PSERS will be referred to as the "Pennsylvania Funds" or Lead Plaintiff.

44. The Pennsylvania Funds purchased Royal Dutch ordinary shares and Shell Transport ordinary shares and ADRs during the Class Period at prices that were artificially inflated by Defendants' misrepresentations and omissions and suffered damages thereby, as set forth in their certifications previously filed with the Court. The certifications previously filed with the Court by other class members in connection with the original complaints on file and/or the motion for lead plaintiff are incorporated by reference herein.

45. Defendant Royal Dutch was incorporated on June 16, 1890, under the laws of The Netherlands, and is headquartered in The Hague, The Netherlands. Its common shares are registered with the SEC pursuant to Section 12(b) of the Exchange Act and trade on the NYSE. The principal trading markets for Royal Dutch's shares are the NYSE and the Euronext Exchange in Amsterdam, The Netherlands. Royal Dutch, one of the parent companies of the Shell Group, is a holding company that, in conjunction with Shell Transport, owns, directly or indirectly, investments in the numerous companies referred to collectively as the "Group Holding Companies." Royal Dutch has no investments in associated undertakings other than in the Group Holding Companies.

46. Defendant Shell Transport was incorporated on October 18, 1897, under the laws of England, and is headquartered in London, England. Its ordinary shares, as well as shares of an aggregate nominal amount of £1.50 and evidenced by ADRs, are registered with the SEC pursuant to Section 12(b) of the Exchange Act. The primary market for Shell Transport's ordinary shares is the London Stock Exchange; the ADRs trade on the NYSE. Shell Transport,

one of the parent companies of the Shell Group, is a holding company that, in conjunction with Royal Dutch, owns, directly or indirectly, investments in the numerous companies comprising the Shell Group. Shell Transport has no investments in associated undertakings other than in companies of the Group.

47. As the parent companies, Royal Dutch and Shell Transport do not themselves directly engage in operational activities. Royal Dutch and Shell Transport each own the shares in the Group Holding Companies; neither is part of the Shell Group. They appoint Directors to the Boards of the Group Holding Companies, from which they receive income in the form of dividends. The Companies derive most of their income in this way. Royal Dutch has a 60% interest in the Group and Shell Transport has a 40% interest.

48. Defendant Sir Philip Watts is a citizen of the United Kingdom. Watts served as a Director and as a Managing Director of Shell Transport beginning in 1997, as Shell Transport's Chairman and as Chairman of the Committee of Managing Directors ("CMD") beginning in 2001, and as a Group Managing Director beginning in 1997, until his termination on March 19, 2004. Watts joined the Shell Group as a seismologist in 1969, and held positions in Asia Pacific and Europe, leading to positions as Exploration Director Shell-U.K. from 1983 to 1985; head of various exploration and production functions in The Hague from 1985 to 1991; Chairman and Managing Director in Nigeria from 1991 to 1994; Regional Coordinator Europe from 1994 to 1995; Director Planning, Environment and External Affairs, Shell International from 1996 to 1997; and CEO of the EP unit from 1997 to 2001. Watts signed the annual reports on Form 20-F filed with the SEC for 2001-2002, and falsely certified the 2002 Form 20-F (including the financial statements and reports) of Shell Transport and the Shell Group, pursuant to the Sarbanes-Oxley Act of 2002. Watts also reviewed and authorized the filing of the 1998-2000

reports on Form 20-F and knew them to be false or recklessly disregarded their truth or falsity, and thus was an active and knowing participant in the alleged wrongdoing. Despite the Shell Group's actual poor performance, Watts' salary more than doubled between 1999 and 2002, due in large part to reserve replacement credits on his compensation scorecard. In 2003, Watts received a 55% pay raise, increasing his base salary to £1.8 million (approximately $3.2 million). Upon his termination from his positions with the Shell Group, Watts received a severance package that included three months' salary for 2003, or £450,000, instead of being forced to return any of his ill-gotten gains, improper bonuses, or other remuneration.

49. Defendant Walter van de Vijver is a citizen of The Netherlands. Van de Vijver served as a Director of Royal Dutch, the CEO of the EP unit, a Managing Director of Royal Dutch, a Group Managing Director, and a member of the CMD from 2001 until March 19, 2004, when his employment with the Group was terminated. Van de Vijver joined the Group in 1979 as a petroleum engineer – who should have been sensitive to the definition of proved reserves – and worked in exploration and production in Qatar, Oman, the United States, the United Kingdom, and The Netherlands. As demonstrated below, van de Vijver personally participated in the misconduct alleged herein, including the dissemination of materially false and misleading statements, such as the 2002 Form 20-F, which he signed. Van de Vijver also reviewed and authorized the filing of the 2001 annual report on Form 20-F, knew it to be false or recklessly disregarded its truth or falsity, and thus was an active and knowing participant in the wrongdoing. Despite the Shell Group's actual poor performance, van de Vijver's salary tripled between 2001 and 2002, due in large part to reserve replacement credits on his compensation scorecard. Upon his termination from his positions with the Group, van de Vijver was not required to return any of his incentive compensation, bonuses, or other remuneration.

50. Defendant Malcolm Brinded is a citizen of the United Kingdom. Brinded has been a Director of Royal Dutch and has served as the CEO of the Shell Group's Gas & Power unit since 2002; CEO of the EP unit since 2004; a member of the Royal Dutch Board of Management and a member of the CMD since 2002; and was promoted to Vice-Chairman of the CMD in March 2004. Brinded joined the Shell Group in 1974, and has held various positions in the Company around the world, including Brunei, The Netherlands, Oman, and the United Kingdom. Brinded reviewed and authorized the filing of the 2002 annual report on Form 20-F, knew it to be false or recklessly disregarded its truth or falsity, and thus was an active and knowing participant in the wrongdoing alleged herein.

51. Defendant Jeroen van der Veer ("van der Veer") is a citizen of The Netherlands. Van de Veer was, at all relevant times, a Director of the Royal Dutch Board of Management and has served as a Group Managing Director since 1997. Van de Veer has served as President of Royal Dutch since 2000, and was promoted to Chairman of the CMD in March 2004. Van der Veer joined the Shell Group in 1971, and held a number of senior management positions around the world. Van der Veer served as the Vice-Chairman of the CMD during 1997-2003 and, as such, personally participated in the misconduct alleged herein. Van der Veer signed the false and misleading annual reports on Form 20-F for the years 2000 through 2002, and falsely certified the 2002 Form 20-F under the Sarbanes-Oxley Act. Van der Veer also reviewed and authorized the filing of the 1998 and 1999 annual reports on Form 20-F. Van de Veer knew these reports to be materially false or recklessly disregarded their truth or falsity, and thus was an active and knowing participant in the wrongdoing.

52. Defendant Judith Boynton is a citizen of the United States of America. Boynton served as the Shell Group's Chief Financial Officer ("CFO") beginning in 2001 and as a Shell

Transport Director and a Group Managing Director beginning in 2003. Boynton served as a member of the CMD from 2003 until she was removed from that position and her other executive and directorial positions on April 19, 2004. Boynton was responsible for preparing the Shell Group's financial statements filed with the SEC and disseminated to the investing public and shareholders of the Companies. Boynton was also responsible for overseeing the Shell Group's internal disclosure and financial controls to ensure that they were adequate and complied with the federal securities laws. Boynton falsely certified the Shell Group's annual report on Form 20-F for the year 2002 pursuant to the Sarbanes-Oxley Act.

53. Defendant Paul Skinner ("Skinner") is a citizen of the United Kingdom. Skinner served as a Director and as a Managing Director of Shell Transport beginning in 2000, as chief executive officer of Shell Oil Products beginning in 1999, and as a Group Managing Director and a member of the CMD beginning on January 1, 2000, until his retirement in September 2003. Skinner reviewed and authorized the filing of the Shell Group's 2000 through 2002 annual reports on Form 20-F, knowing or recklessly disregarding that these reports were materially false and misleading.

54. Defendant Maarten van den Bergh ("van den Bergh") is a citizen of The Netherlands. Van den Bergh has served as a Director of Royal Dutch since 2000; a Managing Director of Royal Dutch from 1992 to 2000; and as President of Royal Dutch from 1998 to 2000. From 1998 through 2000, van den Bergh served as Vice Chairman of the CMD. Van den Bergh reviewed and authorized the filing of the Shell Group's annual reports on Form 20-F for the years 2000 through 2002, knowing or recklessly disregarding that these reports were materially false and misleading.

55. Defendant Mark Moody-Stuart ("Moody-Stuart") is a citizen of the United Kingdom. Moody-Stuart has served as a Director of Shell Transport and as the Chairman of Shell Transport from 1997 to 2001. From 1991 through July 2001, Moody-Stuart served as a Group Managing Director and member of the CMD. Moody-Stuart signed the false and misleading 1999 and 2000 annual reports on Form 20-F. Moody-Stuart also reviewed and authorized the filing of the Shell Group's 2000 through 2002 annual reports on Form 20-F, knowing or recklessly disregarding that these reports were materially false and misleading.

56. Defendant Aad Jacobs ("Jacobs") is a citizen of The Netherlands. Throughout the Class Period, Jacobs served as a Director of Royal Dutch, and since 2002 as Chairman of the Royal Dutch Supervisory Board and as Chairman of the GAC. Jacobs reviewed and authorized the filing of the Shell Group's 2000 through 2002 annual reports on Form 20-F, knowing or recklessly disregarding that these reports were materially false and misleading.

57. Defendant Harry Roels ("Roels") is a citizen of The Netherlands. Roels served as a Managing Director at Royal Dutch and a member of the Board of Management of the Shell Group beginning in July 1999. Roels joined the Shell Group in 1971 as a petroleum engineer, working in exploration and production in Malaysia, Brunei, the United Kingdom, Turkey, Norway, and The Netherlands. In or about June 2002, Roels relinquished his positions with the Companies. Roels reviewed and authorized the filing of the Shell Group's 1999 through 2002 annual reports on Form 20-F, knowing or recklessly disregarding that these reports were materially false and misleading.

58. Defendant Steven L. Miller ("Miller") is a citizen of the United States of America. Miller served as a Group Managing Director beginning in 1996 and as a Director of Shell Transport's Board of Directors beginning in 1998. Miller also served as the Chairman, President,

and Chief Executive Officer of Shell Oil Company. During his tenure, Miller worked with the CMD in the formation of the Shell Group's strategy and in the development and deployment of the Shell Group's senior executives. Miller left the Shell Group in 2001. Miller reviewed and authorized the filing of the Shell Group's 2001 annual report on Form 20-F, knowing or recklessly disregarding that these reports were materially false and misleading.

59. The individuals named as defendants in paragraphs 48 through 58 are referred to as the "Individual Defendants." Together, the Individual Defendants and Shell Transport and Royal Dutch shall be referred to as the "Shell Group Defendants."

60. Defendant PricewaterhouseCoopers International Limited ("PwC International"), a membership-based company organized in the United Kingdom with its U.S. headquarters in New York, New York, is a professional services organization with member firms around the world. PwC International provides industry-focused assurance, tax and advisory services for public and private clients primarily in four areas: corporate accountability; risk management; structuring and mergers and acquisitions; and performance and process improvement.

61. PwC firms come together through membership in PwC International. According to PwC International's website: "On joining the PwC global network and becoming members of PwC International, member firms have the right to use the PwC name and to gain access to common resources, methodologies, knowledge and expertise. In return, they are bound to abide by certain common policies and to maintain the standards of the global network as formulated by the CEO of PricewaterhouseCoopers International Limited and approved by its Global Board."

62. According to PwC International's Global Annual Review, the PwC International Board operates the global network of members through a global deployment program, a shared code of conduct, and knowledge management and communications technologies. As a

consequence of the foregoing, PwC International represents itself as a "truly global organisation" that "build[s] networks of highly skilled professionals around clients and provide[s] them with the benefit of PwC's collective knowledge and resources."

63. Defendant PwC UK is a limited liability partnership registered in the United Kingdom. PwC UK has over 13,000 partners and staff operating in 44 offices located throughout the United Kingdom. PwC UK is a member of the PwC global network, and audits almost one-half of the FTSE 100, the 100 largest companies in the United Kingdom. PwC UK provides industry-focused assurance, tax and advisory services for public and private clients. For companies requiring an audit for statutory or regulatory reasons connected with the filing of their annual and periodic financial information, PwC UK provides an assurance service to shareholders and management on the truth and fairness of the information, and specifically addresses any other regulatory reporting requirements, such as those under the Sarbanes-Oxley Act of 2002. PwC UK purports to have a "deep understanding of regulation and legislation" such that it can provide services aimed at resolving "complex business issues, such as Sarbanes-Oxley and International Financial Reporting Standards (IFRS)."

64. PwC International and PwC UK are collectively referred to as "PwC."

65. PwC was engaged by the Shell Group and Shell Transport to provide independent auditing and/or consulting services to the Shell Group and Shell Transport, including the preparation, examination and/or review of Shell Transport's and the Shell Group's consolidated financial statements for the years 1998 through 2002, which were disseminated to investors in the United States. PwC was engaged to and performed these services so that the Shell Group's and Shell Transport's financial statements would be presented to, reviewed, and relied upon by securities purchasers, governmental agencies, the investing public, and members of the financial

community. By virtue of its position as the purported independent accountant and auditor for the Shell Group and Shell Transport, PwC had access to the Companies' key personnel, accounting books and records, and documents concerning proved reserves, at all relevant times. As a result of the auditing and other services (including its services as a consultant), PwC personnel were frequently present at the Shell Group's respective corporate headquarters and major offices throughout the Class Period, and had continual access to the Shell Group's and Royal Dutch's confidential corporate financial and business information, including the Shell Group's and Royal Dutch's true financial condition, financial statements and reserve reporting problems, which information PwC was aware of and/or recklessly disregarded. Moreover, as a consequence of PwC's continual access to and knowledge of the Companies' and Shell Transport's operations and reserves reporting practices, PwC had the opportunity to observe and review the Company's and the Shell Group's business and reporting practices, and to test the Company's and the Shell Group's internal and publicly reported financial statements, as well as the Shell Group's and the Company's internal controls.

66. PwC was actively involved in the preparation and dissemination of the Shell Group's and Shell Transport's quarterly, as well as year-end, financial results throughout the Class Period. PwC examined and opined on the Shell Group's and Shell Transport's financial statements for the years ended 1998 through 2002. PwC falsely represented that its audits of the Shell Group's and the Company's 1998 through 2002 financial statements had been conducted in accordance with GAAS, and wrongfully issued "clean" or unqualified audit reports in which it falsely represented that those financial statements fairly presented the Shell Group's and Shell Transport's financial condition and results of operations in conformity with GAAP.

67. Defendant KPMG International is a Swiss cooperative of which all KPMG firms

are members. KPMG International, with U.S. headquarters (KPMG LLP (US)) located in New York, New York, provides assurance, tax and legal, and financial advisory services to customers worldwide. Like PwC International, KPMG International markets itself as a single global organization.

68. Defendant KPMG NV, with its head office located in Amstelveen, The Netherlands, is part of the professional services organization of KPMG International, which has member firms around the world. KPMG NV employs over 4,000 people in 23 offices in The Netherlands. KPMG NV's core activities in The Netherlands include assurance services, financial advisory services, and tax and legal services. KPMG NV's clients are large – often international – companies and medium-sized businesses, the latter category consisting mainly of companies with growth potential. On its website, KPMG NV purports to have knowledge of its client's business and organization, such that it can act "as a business partner" of that client. To that end, KPMG NV supports its clients with "multi-disciplinary teams," whose members "specialise in their business segment."

69. KPMG International and KPMG NV are collectively referred to as "KPMG."

70. KPMG was engaged by the Shell Group and Royal Dutch to provide independent auditing and/or consulting services to the Shell Group and Royal Dutch, including the preparation, examination and/or review of Royal Dutch's and the Shell Group's consolidated financial statements for the years 1998 through 2002, which financial statements were disseminated to investors in the United States. KPMG was engaged to and performed these services so that the Shell Group's and Royal Dutch's financial statements would be presented to, reviewed and relied upon by securities purchasers, governmental agencies, the investing public, and members of the financial community. As a result of the services it rendered to the Shell

Group and Royal Dutch, KPMG's representatives were frequently present at the Shell Group's and Royal Dutch's corporate headquarters and major offices between 1998 and 2002, and had continual access to the Shell Group's and Royal Dutch's confidential corporate financial and business information, including the Shell Group's and Royal Dutch's true financial condition, financial statements and reserve reporting problems which information KPMG was aware of and/or recklessly disregarded. Moreover, as a consequence of KPMG's continual access to and knowledge of the Shell Group's and Royal Dutch's operations and reporting practices, KPMG had the opportunity to observe and review the Royal Dutch's and the Shell Group's business and reserves reporting practices, and to test the Companies' and the Shell Group's internal and publicly reported financial statements, as well as the Shell Group's and the Companies' internal controls.

71. KPMG actively participated in the presentation, review and issuance of the Shell Group's and Royal Dutch's false financial statements.

72. KPMG was actively involved in the preparation and dissemination of the Shell Group's and Royal Dutch's quarterly, as well as year-end, financial results throughout the Class Period. KPMG examined and opined on the Shell Group's and Royal Dutch's financial statements for the years ended 1998 through 2002. KPMG falsely represented that its audits of the Shell Group's and Royal Dutch's 1998 through 2002 financial statements had been conducted in accordance with GAAS, and wrongfully issued "clean" or unqualified audit reports in which it falsely represented that those financial statements fairly presented the Shell Group's and Royal Dutch's financial condition and results of operations in conformity with GAAP.

73. During the Class Period, the Individual Defendants, as officers and/or directors of Royal Dutch or Shell Transport, were privy to confidential and proprietary information

concerning the Companies, their operations, reported reserves, and business prospects. By reason of their positions with the Companies, the Individual Defendants had access to internal documents, reports, and other information, including, among other things, the material, adverse, non-public, information concerning the Companies' and the Shell Group's classification of proved oil and gas reserves. As a result of the foregoing, they were responsible for the truthfulness and accuracy of the Shell Group's and the Companies' public statements described herein.

74. The Individual Defendants, as officers and/or directors of Royal Dutch and Shell Transport, are "controlling persons" of the Companies within the meaning of Section 20 of the Exchange Act. By reason of their positions with Royal Dutch and Shell Transport, they were able to and did, directly or indirectly, in whole or in material part, control the content of public statements issued by or on behalf of the Shell Group, including statements to securities analysts and financial reporters. They participated in and approved the issuance of such statements made throughout the Class Period, including the materially false and misleading statements identified herein. As such, the Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective action of the Individual Defendants.

75. Royal Dutch and Shell Transport, and the Individual Defendants as officers and/or directors of a publicly-held company, had a duty to promptly disseminate truthful and accurate information with respect to the Companies, their business, and reported proved reserves, to promptly correct any public statements issued by or on behalf of the Companies that had become false and misleading, and to disclose any adverse trends that would materially affect the present and future operating prospects of the Companies.

76. The statements made by Defendants outlined below were materially false and misleading when made. Defendants had no reasonable or adequate basis to justify or support the statements identified below concerning the Shell Group's proved reserves. The truth about the propriety of the Shell Group's reported proved reserves, which were known or with recklessness disregarded by Defendants, remained concealed from the investing public throughout the Class Period. Defendants, who were under a duty to disclose those facts, misrepresented or concealed them during the Class Period.

77. Each of the Defendants knew that the misleading statements and omissions complained of herein would adversely affect the integrity of the market for the Companies' securities and would cause the price of these securities to become artificially inflated. Each of the Defendants acted knowingly or with recklessness in such a manner as to constitute a fraud and deceit upon Lead Plaintiff and the other members of the class.

78. Defendants are liable as direct participants in, and co-conspirators of, the wrongs complained of herein.

CONFIDENTIAL SOURCES

79. Numerous former employees of the Companies have spoken on a confidential basis with counsel for Lead Plaintiff concerning Defendants' misconduct. Each is designated "CS __."

80. CS 1 worked for Shell International for approximately 15 years, leaving in 1995, and held numerous positions around the world, including reservoir engineering positions in Nigeria, Malaysia, and the United Kingdom. CS 1 also held management positions in Colombia and the former USSR. CS 1 has information concerning the role of the Group Reserves Auditor, as well as information concerning conduct in the United States (or conduct by actors from the

United States) that materially contributed to the misconduct alleged in this Complaint.

81. CS 2 worked for numerous companies in the Shell Group over a span of more than 25 years, until 2001, including the EP division of the Shell Petroleum Development Company of Nigeria, Ltd. ("SPDC"). CS 2 held various positions worldwide, including Senior Geophysicist, Senior Seismic Interpreter, Exploration Manager, and Geophysical Operations Manager. CS 2 has information about the way in which the Companies calculate reserves in the field, and about conduct in the United States (or conduct by actors from the United States) that materially contributed to the misconduct alleged in this Complaint.

82. CS 3 worked for various units of the Shell Group for approximately 20 years, including SPDC, leaving in the latter half of 2000. CS 3 held numerous positions over the years, including management positions in Field Engineering. CS 3 has information about the way the Companies calculate reserves in the field.

83. CS 4, a geologist, worked for Shell International EP for approximately 25 years, leaving in 2003. CS 4 had many responsibilities, including field development planning and reserves estimation. Among other duties, CS 4 trained field engineers in the methods for estimating reserves. CS 4 has information about the way the Companies calculate reserves in the field, about the Companies' operations in Nigeria and Oman, and about conduct in the United States (or conduct by actors from the United States) that materially contributed to the misconduct alleged in this Complaint.

84. CS 5 worked for the Shell Research unit of the EP unit of the Shell Group for 20 years, leaving in August 1999. CS 5 worked in various operational positions and thirteen years as a Research Geologist and Technical Advisor. CS 5 has had responsibility for calculating reserves, and has information about the way the Companies calculate reserves in the field.

85. CS 6 worked for the Shell Oil Company for approximately seven years, leaving in early 2002. CS 6 worked in the Global Brand and Marketing department, where CS 6's responsibilities included developing and implementing college and experienced hiring programs around the world, and advertising design for the Shell Group of Companies worldwide. CS 6, who regularly attended meetings with senior management, including certain Defendants, has information concerning conduct in the United States (or conduct by actors from the United States) that materially contributed to the misconduct alleged in this Complaint.

86. CS 7 worked for Shell UK for approximately four years, beginning in 1988. CS 7 worked first as a budget coordinator, and later as a business manager in the retail division of Shell UK, responsible for supervising a team of sales and promotional representatives in the United Kingdom. CS 7 participated in Shell International's "secondment" program with PwC UK, and is knowledgeable about that program.

BACKGROUND

A. The Shell Group: Its Formation and Structure

87. Shell was founded in 1833 by Marcus Samuel, who operated a small shop selling seashells that soon turned into a general import-export business. Samuel's son came across the idea of exporting oil on a visit to Baku on the Caspian Sea coast, and saw the opportunity to export kerosene for lamps and cooking to Japan. In 1892, Samuel commissioned the first special oil tanker, and delivered 4,000 metric tons of Russian kerosene to Singapore and Bangkok.

88. In 1903, Shell merged with the competing Dutch company N.V. Koninklijke Nederlandsche Maatschappij tot Explotatie van Petroleum-bronnen in Nederlandsch-Indie, forming the Asiatic Petroleum Company, which became the Shell Group four years later.

89. In the early years, the Companies benefited from the mass production of

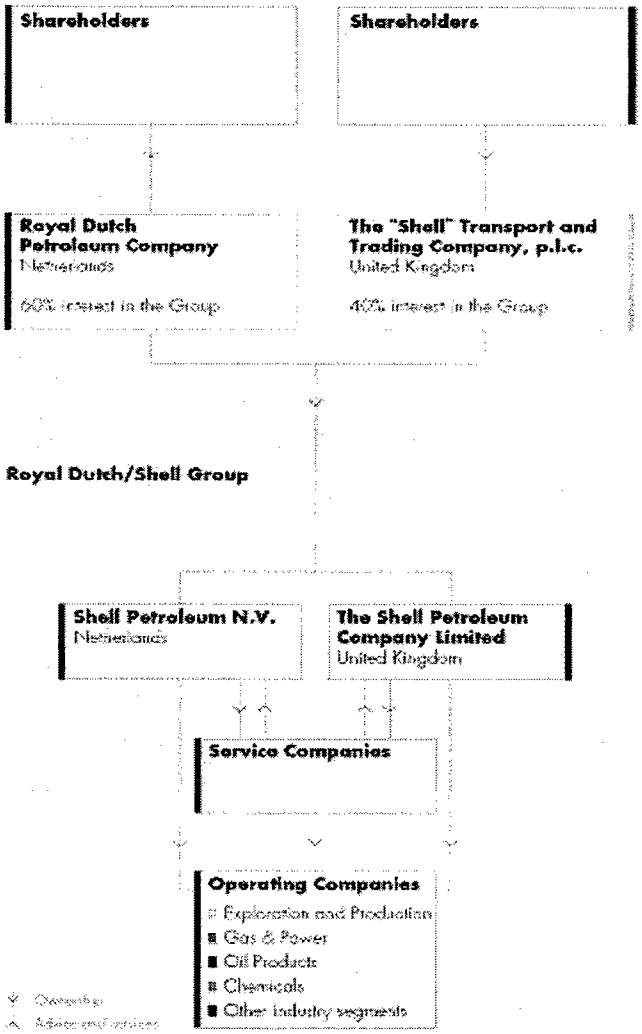
automobiles throughout the world, as well as the British Navy's need for fuel. The Companies' fortunes improved further with the establishment of Shell Aviation Services in 1919, supplying aviation fuel. In 1929, Shell entered the chemical field with the founding of N.V. Mekog in The Netherlands.

90. The exploration and development of North Sea oil was fundamental to the Companies' operations. The Shell Group discovered both the Auk and Brent fields in 1971, Cormorant and Dunlin in 1972, Tern in 1975, and Eider in 1976. The Group also discovered the world's largest natural gas field in Groningen in The Netherlands, and began commercial production of this field in 1963. This venture was so successful that by the early 1970s, Groningen was supplying half the natural gas consumed in Europe.

91. The recession of the 1970s, coupled with the oil price increase by the Organization of Petroleum Exporting Countries ("OPEC"), stimulated the Shell Group to increase production of natural gas. Shell Transport was among the pioneers of large-scale projects to liquefy and ship liquefied natural gas ("LNG") to foreign markets.

92. Royal Dutch and Shell Transport are the parent companies of over 1,700 ventures operating in over 145 countries worldwide. As noted, Royal Dutch has a 60% interest in the Shell Group, and Shell Transport has a 40% interest. Royal Dutch and Shell Transport share in the aggregate net assets and in the aggregate dividends and interest received from Group companies in the proportion of their ownership – 60:40.

93. The illustration below shows the relationship between and among the parent companies and the Shell Group of companies:



94. There are two Group Holding Companies: Shell Petroleum N.V. in The Netherlands and The Shell Petroleum Company Limited in the United Kingdom. The Group Holding Companies between them hold all the shares in the Service Companies and, directly or indirectly, all Group interests in the Operating Companies.

95. The Shell Group is organized into five main business units: SEPCo, Shell Gas & Power, Shell Oil Products, Shell Chemicals, and Shell Renewables & Other Activities.

96. SEPCo explores, develops, and produces oil and gas in the United States, with principal operations in Texas and the Gulf of Mexico.

97. Shell Gas & Power operates "downstream" to process and transport natural gas,

develop power plants, and market gas and electricity to customers around the world, including governments, industrial and commercial businesses, and residential customers. It operates closely with the EP unit, which operates "upstream" in the production of gas reserves. (The term "upstream" in the oil and gas industry refers to the exploration and production of oil and natural gas. This segment of the industry covers the extraction of oil and gas from hydrocarbon bearing reservoirs. "Downstream" operations include the refining, transportation, and marketing of petroleum products, including the delivery of these products to retail outlets.)

98. Before the reclassification, the Shell Group companies claimed to have one of the largest reserves of both liquid and natural gas of the major integrated public oil companies. They have exploration and/or production interests in every region of the world in 47 countries. Most of these operations are joint ventures, through which Shell Group companies are in partnership with a wide range of governments and both national and international oil companies. The Companies have major oil production in the United States, Nigeria, Oman, the United Kingdom, Syria, Gabon, Brunei, and Malaysia. They have major gas operations in the United States, The Netherlands, Australia, Brunei, Malaysia, and the United Kingdom. The Companies also have oil production interests in Norway, Abu Dhabi, and Denmark, and gas production interests in Denmark, Norway, and Germany.

99. Shell Oil Products makes a wide range of high quality fuels, lubricants and specialty products, which it sells through its global network of 46,000 retail outlets. It also has an interest in over 50 refineries engaged in the manufacture of a range of crude oil and petroleum products. Companies within this group include Shell Aviation, Shell LPG, Shell Lubricants, and Shell Marine Products.