

knowledge. Plaintiffs' information and belief are based upon, among other things, their and/or counsel's investigation, which included without limitation: (a) review and analysis of Securities and Exchange Commission ("SEC") filings made by N.V Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company) ("Royal Dutch") and The "Shell" Transport and Trading Company, Public Limited Company ("Shell Transport"); (b) review and analysis of securities analysts' reports concerning Dutch Petroleum and Shell Transport; (c) review and analysis of press releases and other publications disseminated by certain of the defendants; (d) review of news articles and/or shareholder communications concerning Royal Dutch and Shell Transport; (e) SEC and Society of Professional Engineers ("SPE") reserve definitions and technical reports; and (f) review of other publicly available information concerning Royal Dutch and Shell Transport, including industry publications. Plaintiff believes that further, substantial evidentiary support will exist for the allegations herein after a reasonable opportunity for discovery. Many of the facts supporting the allegations contained herein are known only to defendants or are within their control.

THE NATURE OF THE CASE

1. This is a securities class action brought on behalf of all persons who purchased on the open market the securities of defendant's Royal Dutch and/or Shell Transport (the "Class") between December 3, 1999 and January 9, 2004, inclusive (the "Class Period"). The claims asserted in this action arise under Section 10(b) of the Securities and Exchange Act of 1934 (the "Exchange Act"), Rule 10b-5 promulgated thereunder by the SEC and Section 20(a) of the Exchange Act.

2. This action arises from defendant's deliberate violation of accounting rules and guidelines relating to oil and gas reserves which resulted in a shocking and

unprecedented overstatement of oil and gas reserves, the eventual disclosure of which rocked the investment community.

3. On January 9, 2004, Shell (as defined herein) announced that it was going to write-down its proved oil and gas reserves by 20%, or 3.9 billion barrels, from 19.5 billion barrels to 15.6 billion barrels. Thus with the stroke of a pen Shell eliminated over \$100 billion worth of eventual product sales at current prices of \$30 a barrel. The massive write-down will have a tremendous effect on Shell's current valuation, exploration and production costs, and prospective financial prospects. The write-down: (a) cut Shell's reserve life from 13.4 years to 10.6 years; (b) increased its worldwide 5-year average reserve replacement cost per barrel from \$5.49 to \$12.57 --- \$7.06, or 128% greater than the industry average of \$5.51; (c) increased Shell's finding and development costs to \$7.90 per barrel (compared with \$3.93 per barrel for Exxon Mobil Corp. ("ExxonMobil") and \$3.73 per barrel for BP P.L.C. ("BP")); and (d) reduced Shell's Appraised Net Worth downward by up to 7.1%, or \$9.6 billion. Following the announcement, Moody's placed the Aaa rating of Shell under review for possible downgrade because the write-down materially and adversely affected Shell's reserves-to-debt ratio.

4. Approximately 50% of the write-down was attributed to the previously undisclosed inclusion in proved reserves of Shell's 28.75% interest in a project off the western coast of Australia called the Gorgon Joint Venture, and various projects in Nigeria. Neither of the Gorgon Joint Venture nor the Nigerian projects came close to meeting the SEC or SPE standards for proved reserves and this is evidenced by the fact, among others, that, faced with exactly the same circumstances, neither of Shell's partners in the Gorgon Joint Venture (ChevronTexaco Corp. ("Chevron Texaco") and ExxonMobil) included the Gorgon Joint Venture as part of its proved reserves. The financial markets were only recently made aware of this disparity.

5. The inclusion of the Gorgon Joint Venture and Nigerian projects in proved reserves, once disclosed, was such a blatant violation of industry standards and SEC criteria for reporting proved reserves, and the size of the write-down was so large, that most analysts and commentators concluded that it could not have been a result of error or accident, but rather, that the reserves were knowingly overstated to preserve Shell's credit rating and to shore up Shell's position *vis a vis* its two closest competitors, ExxonMobil of Irving, Texas and London-based BP.

6. Following the announcement, *The Wall Street Journal* published a series of articles about the write-down in which numerous analysts stated that reserves are a key measure of an oil company's economic position and prospects, and asserted that Shell's overstatement of reserves was intentional. In this regard, *The Wall Street Journal* published a page-one article on January 12, 2004 in which it stated, in relevant part:

Reserves are at the heart of an oil and gas company because they represent what can be taken from the ground in the future. Since companies must replace the oil and gas they produce each year just to stay even, reserve growth is a crucial indicator of how well a company is doing. If the reserve size falls, the company is less valuable to investors and its stock price will tumble. [. . .]

The size of the overstatement has also raised the prospect of more regulatory scrutiny of Shell, including possible SEC enforcement action. An SEC spokesman declined to comment on the Shell reclassification or say whether it was looking at oil reserve issues at Shell or any other oil company.

But Lynn Turner, a former SEC chief accountant, said the revision looked like more than a mistake. "A 20% restatement of proven reserves is a humongous error," he said. ***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.]

7. In an article published in *The Wall Street Journal* on January 14, 2004, a sitting SEC Commissioner suggested that the write-down seemed suspicious. In this regard, the article stated, in pertinent part, as follows:

Reserves are a crucial indicator of an oil company's value.

The unprecedented size of the overstatement makes an SEC investigation likely. ***“The Shell matter seems significant,” said SEC Commissioner Roel Campos. “I am sure our enforcement staff will look into it. It is hard to see how [Shell] could miss so badly.”***

Sir Philip, 58 years old, led Shell's exploration and production business between 1999 and 2001, the period in which much of the overbookings were recorded. [Emphasis added.]

News of the write-down triggered a 7.5% drop in Shell's share price, the biggest loss since July 2002.¹

8. During the Class Period, as set forth in detail herein, defendants misled the investing public by issuing false and misleading financial statements which artificially and improperly inflated the stated asset value and corresponding present and future performance of Shell. As a result of these material misrepresentations, Royal Dutch and Shell Transport's true value in the marketplace was severely overstated and misunderstood. As a result of the foregoing, the purchasers of Royal Dutch and Shell Transport securities during the Class Period suffered substantial damages because the market prices thereof were artificially inflated by defendants' material misrepresentations and omissions during the Class Period. Accordingly, plaintiffs seek damages and other appropriate relief to compensate Class members for the losses caused by defendants' violations of the securities laws.

¹ On the news, Royal Dutch ADRs fell 7.87% from \$52.76 to \$48.61 on the NYSE and Royal Dutch ordinary shares fell by 7.10% from the U.S. equivalent of \$52.91 to \$49.15 on the Amsterdam exchange. Shell Transport ADRs were down 6.96% from \$44.81 to \$41.69 on the NYSE and Shell Transport ordinary shares were down 6.84% on the London exchange from the U.S. equivalent of \$7.36 to \$6.86. The slight difference between movements in the share price of Royal Dutch and Shell Transport shares is likely attributable to the fact that they trade in different time zones and in different currencies. The difference in the valuation of Shell Transport ordinary shares and Shell Transport ADRs is attributable to the fact that each ADR represents six ordinary shares and, therefore, the value of each ADR is six times greater than the value of each ordinary share.

JURISDICTION AND VENUE

9. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78j (b) and 78t (a)] and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission (“SEC”) [17 C.F.R. § 240.10b-5].

10. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1331.

11. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1391(b) and (c). Shell engages in the major manufacturing and sale of petrochemical and related products along the Eastern Seaboard and maintains a fuel, lubricant and specialty additives research, manufacturing and sales facility in Linden, New Jersey.

12. In connection with the wrongs complained of herein, Shell, directly or indirectly, used the means and instrumentalities of interstate commerce, including the United States mails and interstate telephone communications, and the facilities of the New York Stock Exchange (“NYSE”), a national securities exchange.

PARTIES: THE PLAINTIFFS

13. Plaintiff Joseph Cohen, as set forth in his certification, which is attached hereto and incorporated by reference herein, purchased the securities of Shell Transport during the Class Period and has been damaged thereby.

14. Plaintiff Harold Silverstein, as set forth in his certification, which is attached hereto and incorporated by reference herein, purchased the securities of Royal Dutch during the Class Period and has been damaged thereby.

PARTIES: THE DEFENDANTS

Introduction

15. “Shell”, as the term is commonly used, describes an unusual arrangement between two separate companies, Royal Dutch and Shell Transport, dating to 1907, in which Royal Dutch and Shell Transport agreed to merge their interests on a 60:40 basis while remaining separate and distinct entities. Consistent with this arrangement, Royal Dutch and Shell Transport throughout the Class Period shared ownership interests, on a 60:40 basis, in energy and petrochemical companies referred to herein as the “Group Companies.” The Group Companies are comprised of service companies (the “Group Service Companies”), which provide advice and services to other Shell companies, and operating companies (the “Group Operating Companies”), which are engaged in the business of exploration and production, gas & power, chemicals, renewables and other activities in 145 countries worldwide. As used herein, the term Shell refers, collectively, to each of the Parent Companies (Royal Dutch and Shell Transport), the Group Companies, and to Shell Petroleum Netherlands and Shell Petroleum UK as defined below.

The Parent Companies: Royal Dutch and Shell Transport

16. Defendant Royal Dutch is a Netherlands corporation with its principal executive office located at 30, Carel van Bylandtlaan, 2596 HR The Hague, The Netherlands. Royal Dutch is a 60% owner of Shell Petroleum Netherlands and Shell Petroleum UK.

17. Defendant Shell Transport is an English corporation with its principal executive offices located at Shell Centre, London SE1, 7NA. Shell Transport is a 40% owner of Shell Petroleum Netherlands and Shell Petroleum UK.

18. Royal Dutch and Shell Transport share in the aggregate of Group Company assets and in the aggregate dividends and interest received from Group Companies in

the proportion of 60:40. Royal Dutch and Shell Transport together comprise one of the largest oil combines in the world. Their combined market capitalization is \$165 billion, third highest in the oil and gas industry behind Texas-based ExxonMobile and London-based BP. In 2002, Royal Dutch and Shell Transport reported combined revenue of \$179.5 billion.

19. The principal trading market for the ordinary shares of Royal Dutch is the Amsterdam stock exchange. In New York, Royal Dutch's ordinary shares trade as American Depositary Receipts ("ADR"s) on the New York Stock Exchange under the symbol RD at a ratio of one ADR to one ordinary share. Royal Dutch shares are also listed on stock exchanges in Austria, Belgium, France, Germany, Luxembourg, Switzerland and the United Kingdom.

20. The principal trading market for the ordinary shares of Shell Transport is the London exchange. In New York, Shell Transport ordinary shares trade as ADRs on the New York Stock Exchange under the symbol SC at a ratio of one ADR to six ordinary shares. Shell Transport ordinary shares also trade in Stuttgart and Paris.

21. The ordinary shares and ADRs of Royal Dutch, on the one hand, and the ordinary shares and ADRs of Shell Transport, on the other, trade almost in tandem except to the extent that time zone differences and differing currency valuations affect the share price.

The Group Holding Companies: Shell Petroleum Netherlands and Shell Petroleum UK

22. Defendant Shell Petroleum N.V. ("Shell Petroleum Netherlands") is incorporated in The Netherlands and is 60 % owned by Dutch Petroleum and 40% owned by Shell Transport.

23. Defendant The Shell Petroleum Company Limited ("Shell Petroleum UK") is registered in England and Wales and is 60% owned by Dutch Petroleum and 40% owned by Shell Transport.

24. Shell Petroleum Netherlands and Shell Petroleum UK hold all of the shares of the Group Service Companies and hold directly or indirectly, all Group interests in the operating companies. Royal Dutch is entitled to have its nominees elected as a majority of, and Shell Transport is entitled to have its nominees elected as the balance of, the members of the Boards of Directors of Shell Petroleum Netherlands and Shell Petroleum UK.

The Group Managing Director Defendants

25. Every member of the Board of Management of Royal Dutch and every managing director of Shell Transport is also a member of the Presidium of the Board of Directors of Shell Petroleum Netherlands and a managing director of Shell Petroleum UK. As such, they are generally known as the “Group Managing Directors.” Group Managing Directors are also appointed by the boards of Shell Petroleum Netherlands and Shell Petroleum UK to serve on a joint committee known as the “Committee of Managing Directors.”

26. The following defendants, each of whom was an executive officer of Royal Dutch or Shell Transport, served as Group Managing Directors at various times during the Class Period: Maarten van den Bergh, Judy Boynton, Malcolm Brinded, S.L. Miller, Harry J.M. Roels, Paul D. Skinner, M. Moody-Stuart, Jeroen van der Veer, and Philip R. Watts (“Watts”).

27. Additionally, Watts was, at all relevant times, Director and Managing Director of Shell Transport and Chairman of Shell Transport since 2001. Watts also served as Chief Executive Officer, Exploration and Production, from 1997-2001 and, in that capacity, led Shell’s oil and gas exploration unit when some of the recategorized reserves were booked.

28. The Group Managing Director Defendants participated in and/or controlled the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, or were reckless in disregarding, the misstatements contained therein and omissions therefrom, and were

aware of, or recklessly disregarded, their materially false and misleading nature. Because of their membership on Shell Transport or Royal Dutch management boards, as executive officers, and as Group Managing Directors, each of the Group Managing Director Defendants had access to the adverse undisclosed information about the Company and knew, or was reckless in not knowing, that these adverse facts rendered the positive representations made, issued or adopted by the Company materially false and misleading.

29. The Group Managing Director Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each of the Group Managing Director Defendants was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Group Managing Director Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the misrepresentations and misleading statements contained therein.

30. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Shell Transport and Royal Dutch securities, by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (1) deceived the investing public as to the true value of Shell Transport and Royal Dutch ordinary shares and ADRs; and (2) caused plaintiffs and other members of the Class to purchase Royal Dutch and Shell Transport securities at artificially inflated prices.

PLAINTIFFS' CLASS ACTION ALLEGATIONS

31. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b) (3) on behalf of a Class, consisting of all persons who purchased or otherwise acquired the securities of Royal Dutch and/or Shell Transport on the open market between December 3, 1999 and January 9, 2004, inclusive (the "Class Period"), and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company and its subsidiaries and affiliates, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

32. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiffs at this time and can only be ascertained through appropriate discovery, plaintiffs believe that there are thousands of members in the proposed Class. As of December 31, 2002, Royal Dutch had 2,099,285,000 shares of common stock outstanding and, as of December 31, 2002, Shell Transport had 9,667,500,000 shares of common stock outstanding. Throughout the Class Period, Royal Dutch's common stock was actively traded on the NYSE and the Amsterdam exchange, and Shell Transport's common stock was actively traded on the NYSE and the London exchange. Record owners and other members of the Class may be identified from records maintained by Royal Dutch and Shell Transport and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

33. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal laws that are complained of herein.

34. Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

35. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- a. whether the federal securities laws were violated by defendants' acts and omissions as alleged herein;
- b. whether defendants participated in and pursued the common course of conduct complained of herein;
- c. whether the press releases and other statements disseminated to the investing public during the Class Period misrepresented material facts about the Company;
- d. whether statements made by defendants to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the Company;
- e. whether the market price of Royal Dutch and Shell Transport securities during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and
- f. to what extent the members of the Class have sustained damages and the proper measure of damages.

36. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to

individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD-ON-THE-MARKET DOCTRINE

37. At all relevant times, the market for Royal Dutch and Shell Transport common stock was an efficient market for the following reasons, among others:

- a. Royal Dutch and Shell Transport ADRs met the requirements for listing, and were listed and actively traded on the NYSE, a highly efficient and automated market;
- b. Royal Dutch ordinary shares were listed and actively traded on the London Exchange, a highly efficient and automated market;
- c. Shell Transport shares were listed and actively traded on the Amsterdam Exchange, a highly efficient and automated market;
- d. As regulated issuers, Royal Dutch and Shell Transport filed periodic public reports with the SEC and the NYSE;
- e. Shell regularly communicated with public investors via established market communication mechanisms, including regular dissemination of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services; and
- f. Shell was followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace, in part, through Shell's dissemination.

38. As a result, the market for Royal Dutch and Shell Transport ordinary shares and ADRs promptly digested current information regarding Shell from all publicly available sources and reflected such information in Royal Dutch and Shell's share price. Under these circumstances, all purchasers of Royal Dutch and Shell Transport shares during the Class Period suffered similar injury through their purchase of Royal Dutch and Shell Transport shares at artificially inflated prices and a presumption of reliance applies. Further, plaintiffs are entitled to and will rely on the presumption of reliance doctrine based on the material omissions alleged herein.

NO STATUTORY SAFE HARBOR

39. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein are not "forward-looking statements" and were not identified as "forward-looking statements" when made. Nor was it stated with respect to any of the statements forming the basis of this Complaint that actual results "could differ materially from those projected." To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements were made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Shell who knew that those statements were false when made.

SUBSTANTIVE ALLEGATIONS

Shell Loses Its Position as the World's Premier Oil Producer

40. The Class Period begins on December 3, 1999. On that date, Royal Dutch and Shell Transport filed their annual reports with the SEC on Form 20-F.² Shell had been the world's largest publicly traded oil company but, by this time, its position was sliding. This was a result of Shell's own particular response to falling oil prices in 1998 (when oil priced dropped to \$10 a barrel). Rather than invest in future growth Shell, during this period, attempted to maintain earnings by cutting costs, selling less profitable operations and avoided large mergers. In contrast, Shell's competitors (*e.g.* BP and Exxon) made multibillion acquisitions that created companies that rivaled or exceeded Shell in size; Exxon acquired Mobil for \$80 billion in stock and debt in 1998 and BP acquired Amoco Corp. in 1999 and Atlantic Richfield in 2000. In 2000, Shell attempted its own acquisitions but its initial efforts failed. In 2002, Shell did buy Texaco, Inc.'s share of two oil ventures, Enterprise Oil PLC ("Enterprise") and motor-oil maker Pennzoil Quaker State Co., ("Pennzoil"). However, critics said that Shell overpaid for Enterprise and Pennzoil, and Shell continued to lag behind its competitors with respect to the primary indicia of economic performance and prospects. In this regard, an article published in *The Wall Street Journal* on January 14, 2004, stated, in pertinent part, as follows:

Analysts and investors have criticized Shell's lackluster performance under Sir Philip against industry peers such as ExxonMobil Corp. of Irving, Texas and cross-town rival BP PLC. Sir Philip has cut the company's production-growth estimates. Shell also has performed poorly in recent years against Exxon and BP in finding and developing new prospects, which it needs to replace oil and natural gas properties depleted by production.

² Royal Dutch and Shell Transport file separate Annual Reports on Form 20-F with the SEC, but each of their annual reports lists the other on the title page, the annual reports are cross-referenced, and the annual reports contain the same information with respect to Group Company activities including the recording of oil and natural gas reserves, reserve replacement rates and future discounted cash flows. In recognition of this, and for convenience, the separate annual reports for each year shall be referred to herein as the "Shell Annual Report" with respect to those portions of the Royal Dutch and Shell Transport individual annual reports that are the same.

41. Shell engaged in a series of deliberate or severely reckless acts designed to shore up its deteriorating competitive position, maintain its credit rating and shore up its stock price for the purpose of making acquisitions. These acts had the effect of materially misleading the investing public as to the true picture of Shell's financial condition.

Shell's Reported Reserve Replacement Rates, Proved Reserves and Future Discounted Cash Flows --- Each A Crucial Measure Of Economic Performance And Prospects --- Were Materially False And Misleading

42. Shell's reported reserve replacement rate, reported reserves, and future discounted cash flows were, at all relevant times, key measures of Shell's operating performance and future prospects and they were reflected in Shell's share price. However, at all relevant times, each of these indicators as reported was materially false and misleading.

Shell's Reserve Replacement Rate

43. Replacement of crude oil and natural gas reserves is a key parameter on which the performance of oil companies such as Shell is measured because it is the predicate of future performance. Indeed, one analyst recently stated, in this regard that, "*reserve replacement at low cost remains the single most important challenge for the industry.*" Throughout the Class Period, Shell struggled unsuccessfully to replace reserves at the same rate as its primary competitors. In three of the last five years, during a period of rising costs, Shell alone among its three primary competitors failed to replace its reported reserves at the same rate that the reserves had been depleted and, during that same period, Shell's reserve replacement rate was stagnating or trended downwards, as is indicated on this chart:

Oil and Gas Reserve Replacement Percentage Rates

Comparison of Royal Dutch Shell to comparable international integrated oil and gas companies

Source: Fahnstock & Co. Inc
May 15, 2003 report

Year	Shell	British Petroleum	ExxonMobil	ChevronTexaco
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1998	195%	127%	129%	173%
1999	97%	125%	105%	140%
2000	92%	368%	114%	172%
2001	78%	201%	114%	140%
2002	103%	202%	117%	121%
3 year average	92%	251%	114%	138%
5 year average	113%	205%	115%	139%

Note: includes reserves added through acquisitions

44. Any further erosion in Shell’s tracking reserve replacement rate retroactively would be devastating to Shell’s reputation in the financial community, and personally embarrassing to defendant Watt, who led Shell’s oil and gas exploration effort during the relevant period and who is, therefore, uniquely positioned to know of and take responsibility for Shell’s actual performance. Indeed, it might even remove Shell, in the eyes of investment analysts and investors, from the *same league* as its current competitors. Consequently, Shell had a tremendous incentive to maintain its proved reserves at previously reported levels. All of this is plainly evidenced by the virulence of the investment community’s actual reaction to Shell’s January 9, 2004 disclosure.

Shell’s Reported Reserves

45. A reserve cannot be moved characterized until the development of the field is imminent and the company can provide “reasonable certainty” that the project is commercially viable. “Reasonable certainty” is described as at least a 90% probability that actual recovery will equal or exceed the estimate. The SEC requires for gas reserves to be classified as “Proved” that a gas sales market and a valid sales contract exist.

46. Throughout the Class Period the Company purported to apply the objective criteria required by the SEC and the SPE for the estimation of reserves. In this regard, Shell stated in its Form 20-F for the year ended December 31, 2002:

Estimation of oil and gas reserves

Oil and gas reserves have been estimated in accordance with industry standards and SEC regulations. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate *with reasonable certainty* to be recoverable in future years from known reservoirs under existing economic and operating conditions. *These estimates do not include probable or possible reserves.* Estimates of oil and gas reserves are inherently imprecise and represent only approximate amounts and are subject to future revision, as they are based on available reservoir data, prices and costs as of the date of the estimate is made. Accordingly, the financial measures that are based on proved reserves are also subject to change.

In its supplementary information, it stated as follows with respect to **proved** reserves:

Net quantities of proved oil and gas reserves are shown in the tables on this page and pages G35 and G36. Proved reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved reserves are those reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. *The reserves reported exclude volumes attributable to oil and gas discoveries which are not at present time considered proved . Such reserves will be included when technical, fiscal and other conditions allow them to be developed and produced.*³

47. In each of the annual reports on Form 20-F filed with the SEC during the Class Period, Shell reported proved oil and gas reserves as follows:

PROVED DEVELOPED AND UNDEVELOPED OIL AND GAS RESERVES⁴

1999	19,869
2000	19,455

³ Shell’s annual reports for the years 1999 to 2001 similarly set forth its purported method for characterizing and estimating its “proved” reserves, without express reference to the SEC and industry standards.

⁴ In millions of barrels of Oil Equivalent where 5,800 cubic feet of natural gas = 1 barrel oil.

2001	19,095
2002	19,347
2003	UNDISCLOSED

Shell's Reported Future Discounted Cash Flow

48. Shell purported to comply with United States accounting principles by reporting a standardized measure of future cash flows related to proved oil and gas reserve quantities. Future cash flows is a measure of prospective operating performance based in substantial part on proved oil and gas reserves. With respect to the carrying value of its fixed assets, and its discounted future cash flows, Shell stated as follows:

The carrying amounts of fixed assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amounts of those assets are written down to fair value. For this purpose, assets are grouped based on separately identifiable and largely independent cash flows. *Estimates of current cash flows of assets related to hydrocarbon production activities are based on proved reserves, except in circumstances where it is probable that additional resources will be developed and contribute to cash flows in the future.* [Emphasis added.] [. . .]

United States accounting principles require the disclosure of a standardized measure of discounted future cash flows, relating to proved oil and gas reserve quantities and based on prices and costs at the end of each year, currently enacted tax rates and a 10% discount factor. The information so calculated does not provide a reliable measure of future cash flows from proved reserves, nor does it permit a realistic comparison to be made of one entity and another because the assumptions used cannot reflect the varying circumstances within each entity. In addition, a substantial but unknown proportion of future real cash flows from oil and gas production activities is expected to derive from reserves which have already been discovered, but which cannot yet be regarded as proved.

49. In each of its annual reports, filed on Form 20-F with the SEC, Shell reported discounted future net cash flows as follows:

Standardized Measure of Discounted Cash Flows

Source: Shell 20-F filings

	2002	2001	2000	1999	1998
	(\$ millions)				
Future net cash flows	123,185	86,354	114,861	102,785	59,460
Less: Effect of discounting*	(57,483)	(40,476)	(51,820)	(47,986)	(28,791)
Standardized measure of discounted future cash flows	65,702	45,878	63,041	54,799	30,669

* 10% annual discount factor

50. Throughout the Class Period, analysts studied and adopted Shell's statements with respect to proved reserves, replacement rates and future cash flows and on that basis predicted that Shell's operating performance would steadily improve. As recently as October 31, 2003, BNP Paribas published a Company note about Shell in which it stated, in pertinent part, as follows:

INVESTMENT CASE

We foresee a period of improved share price performance. The shares offer attractive valuation upside, both in absolute terms and relative to BP, and *we expect the anticipation of improved news flow about reserves replacement to reverse recent relative underperformance.* A growing appreciation of the group's advantaged position in Russia may also benefit the shares.

Three consecutive years of relative underperformance versus the European Oil sector have left Royal Dutch/Shell with a reputation for being a serial provider of bad news. This year's disappointments have included the February publication of a second consecutive year of poor proved reserves replacement data and an announced downward revision to forecast oil and gas production, July's statement that higher-than-planned spending will replace share buybacks this year and October's weaker-than-expected 3Q results. [Emphasis added.]

51. The statements contained in ¶¶43,46 and, 47-49 with respect to Shell's reserve replacement rate, reserves and future discounted cash flow were each materially false and misleading when made because they failed to disclose that Shell had included the Gorgon Joint

Venture and the Nigerian Projects in its proved reserves even though neither met the SEC's or the SPE's criteria for proved reserves. The Gorgon Joint Venture is an extremely complex project made up of ChevronTexaco (57.14% and operator), Shell (28.57%) and ExxonMobil (14.3%). The Gorgon field development plan is based on the installation of a sub-sea natural gas gathering system and a 70-kilometer sub-sea pipeline to carry the gas to Barrow Island, off the Western coast of Australia. The commercial viability of the project is far from assured. On the contrary, it hinges on construction of a Liquefied Natural Gas (LNG) Plant located on Barrow Island, an internationally important nature reserve and home to a rich suite of wildlife, some of which are listed as threatened. It was not until September 2003 that the Australian government agreed *in principle* to the project. However, the restricted use of Barrow Island for the proposed Gorgon gas development still will require a range of governmental approvals, including a project-specific Environmental Impact Assessment under the Western Australian Environmental Act of 1986 and formal assessment under the Commonwealth Environment Protection and Biodiversity Conservation Act of 1999, none of which has even been applied for and each of which is likely to face fierce opposition from environmental groups, among others. An article published by *Bloomberg News* on August 25, 2003 reported that Geoff Hegney, domestic gas marketing manager at ChevronTexaco's Australian unit stated that, "***In the most optimistic case***, the venture *may* find enough customers to start two, 5 million ton production lines and the onshore project in 2008." ***As recently disclosed, neither of Shell's co-venturers, both of whom are major players in the oil and gas industry, has classified its interest in the project as a proved reserve and this is as clear evidence as any that the Gorgon Joint Venture does not meet industry standards for proved reserves.***

52. Shell's oil and gas production from the Nigerian reserves is subject to and curtailed by the OPEC oil quota system, over which Shell has no control, and, moreover, Shell

must operate in tandem with the Nigerian National Oil Corporation (“NNOC”), which constrains Shell’s ability to maximize production. Moreover, a substantial portion of Shell’s inventory of undeveloped discoveries in Nigeria will likely never be developed due to civil unrest and operational difficulties.

53. As set forth below, neither of these projects meet the SPE and SEC’s criteria for proved reserves and, consequently, the statements contained in ¶¶43, 46 and, 47-49 with respect to Shell’s reserve replacement rate, reserves and future discounted cash flow also were each materially false and misleading when made because Shell stated that its calculation of proved reserves *was* performed according to SPE and SEC specifications.

54. Indeed, defendants themselves did not specifically refer to the Gorgon Reserves as “proved” in Shell’s public filings, apparently for fear that the analyst community would discover the misclassification and conclude from it that Shell’s proved reserves were materially overstated. Thus in its Form 20-F for the year ended December 31, 2002, Shell stated as follows:

[Australia Shell Development Australia] is also involved in another joint venture that carries out exploration and production operations in the NWS region As a party to this joint venture, SDA has non-operator interest (ranging from 12.5% to 28.57%) in the *significant* gas reserves known as the greater Gorgon, which are situated West of Barrow Island. [Emphasis added.]

55. The Gorgon Joint Venture and Nigerian Projects constitute only 50% of the downward restatement of oil reserves and Shell has yet to disclose the other elements of the write-down. The statements contained in ¶¶43, 46 and, 47-49 above, therefore, also are materially false and misleading because Shell must have included other non-proved reserves in the category of proved reserves.

56. Shell was motivated to and did carry out the fraudulent scheme alleged herein because its senior management could not withstand public disclosure not only of the true

extent to which Shell was lagging behind its competitors in replacing reserves but also because they could not withstand the disclosure that their previously reserve reports lacked candor. Shell's management made a calculated decision that Shell's ability to compete in the fierce rivalry of the worldwide petroleum industry and to continue to satisfy its enormous capital requirements, could not successfully be implemented if its gross misstatement of reserves were disclosed. However, as the facts demonstrate, the charade could not be maintained indefinitely.

THE TRUTH BEGINS TO EMERGE

57. On January 9, 2004 Shell announced its downward revision of proved reserves. The circumstances dictating that downward revision were identical to those existing when the reserves were recorded as proved prior to the end of the Class Period. On January 9, 2004, the Dow Jones Newswire published an article describing the disclosure and its impact on the global market for Shell securities. It stated as follows:

Royal Dutch/Shell (NYSE:RD - News) Group (RD, SC) stunned markets Friday by saying it has significantly overestimated its proved global oil and natural gas reserves.

Reserves are the lifeblood of an oil company and fuel future growth of its production. Any downgrade is looked upon negatively, and shares in United Kingdom component Shell Transport & Trading Co. PLC sank 7.5% in early trading, all but wiping out strong gains made during December.

In a statement, the world's third biggest oil company in terms of production said it would trim its proved oil and gas reserves to 15.6 billion barrels of oil equivalent from 19.5 billion estimated at December 2002.

Based on current production, Shell's move cuts its reserve life to 10.6 years from 13.4 years, according to J.P Morgan. Shell's production in the third quarter averaged 3.9 million barrels of oil equivalent a day.

The bulk of the downward reserves adjustment stems from overestimates on fields in Nigeria and Australia. The pair form part of Shell's so-called heartland regions, in addition to Brunei, Malaysia, Oman and the Gulf of Mexico.

The downgrade comes after a comprehensive internal review of the company's reserve base, the company said. A spokesman for Shell said these reviews are conducted on a rolling basis roughly every four years.

Shell stressed the review wasn't prompted by any external factors or third parties, such as the U.S. Securities and Exchange Commission, which sets the booking guidelines to which oil companies adhere.

The Anglo-Dutch oil company attempted to soften the blow by saying the adjustment would have no impact in the short-term on production and no effect on profit for 2003 or previous years. It also said that that it "anticipated that most of these reserves will be rebooked in the proved category over time as field developments mature."

For the time being, Shell has shifted 20% of its proved reserves into a more nebulous unproved category.

But, Shell's more conservative treatment of its reserves failed to impress the market.

Analysts said the adjustment implies Shell was far too aggressive in booking proved reserves.

"They realized they could not get the same level of reserves that they originally anticipated," said analyst Angus McPhail of ING Financial Markets, who has a "sell" rating on Shell's shares.

Analysts said the bombshell has renewed concerns about management credibility, including that of Chief Executive Philip Watts, and raised the possibility that the company would buy its way out of its reserves problem by launching a fresh round of acquisitions.

In its statement, Shell also warned that it will replace only 70% to 90% of its 2003 oil and gas with new finds, below market expectations of 100%.

The disclosure will mean the company has failed to replace all of its production for the third year running, raising concerns about its ability to grow in the future, analysts said.

"This is a classic case of an oil company not finding oil," Mr. McPhail said. "A company that cannot find oil will not be respected by the market."

At 1256 Greenwich Mean Time, Shell's shares were trading down 7.2% at 372.25 pence. The deep fall rippled into other oil shares and helped drag the FTSE-100 lower.

Merrill Lynch downgraded Royal Dutch's and Shell's shares to "neutral" from "buy" following the disclosure.

It said the reserves reclassification will leave the impression that the oil company is not growing next to its peers.

Analysts said they were particularly concerned that Shell appears to have not been following its own standard in booking reserves, namely by not booking reserves before a final investment decision on a project is made.

In a conference call with analysts and reporters, Shell's head of investor relations, Simon Henry, confirmed this was the case in a number of projects, including the ChevronTexaco Corp-led Gorgon project off Australia.

"They have a reputation as being conservative and prudent, but this raises not only the question of whether or not they are prudent, but whether or not they've been following the advice they've been touting to the market," said Canaccord Capital analyst Charlie Sharp, who rates Shell a "hold."

Around 50% of the adjusted reserves are in Nigeria and Australia, with no more than 10% of reserves from any other one country being downgraded, Shell's Mr. Henry said.

He insisted the people that had originally judged the downgraded reserves as proved made their decision with "reasonable certainty," based on the technical and commercial conditions of the time.

Of the downgraded reserves, more than 90% were undeveloped, proved reserves, meaning an estimate of the oil and gas in the ground at the various projects was made, but work had yet to begin. The remaining reserves reduction came from the proved developed category.

Of the reclassified reserves, two-thirds are of oil and natural gas liquids, and one third are natural gas, Shell said. [Emphasis added.]

58. As set forth above, the market for Royal Dutch and Shell Transport's common stock was open, well-developed and efficient at all relevant times. As a result of the materially false and misleading statements and failures to disclose described above, Royal Dutch and Shell Transport common stock traded at artificially inflated prices throughout the Class Period until the true state of Shell's financial condition and business was communicated to and reasonably understood by the securities markets. Plaintiffs and other members of the Class purchased or otherwise acquired Royal Dutch and/or Shell Transport common stock relying upon the integrity of the market price of Royal Dutch and/or Shell Transport common stock and market information relating to Shell, as well as reliance presumed by a material omission, and have been damaged thereby.

59. During the Class Period, defendants materially misled the investing public, thereby inflating the price of Royal Dutch securities, by publicly issuing false and misleading statements and omitting material facts necessary to make defendants' statements, as set forth below, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business, operations and financial condition.

60. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiffs and other members of the Class. Defendants' materially false and misleading statements during the Class Period resulted in plaintiffs and other members of the Class purchasing the Company's common stock at an artificially inflated price, thus causing the damages complained of herein. When full disclosure of Shell's true financial condition was made, the market price of Shell's common stock declined in immediate and direct reaction thereto and has not thereafter recovered in value.

DEFENDANTS' FINANCIAL STATEMENTS
DURING THE CLASS PERIOD WERE
MATERIALLY FALSE AND MISLEADING AND VIOLATED GAAP

61. At all relevant times during the Class Period, defendants represented that Shell's financial statements when issued were prepared in conformity with US GAAP, which are recognized by the accounting profession and the SEC as the uniform rules, conventions and procedures necessary to define accepted accounting practice at a particular time. However, in order to artificially inflate the price of Shell's stock, defendants used improper accounting practices in violation of GAAP and SEC reporting requirements to falsely inflate its assets, stockholders' equity and earnings during the Class Period.

62. Shell's materially false and misleading Financial Statements resulted from a series of systematic senior management decisions which had the purpose and effect of concealing the truth regarding Shell's actual operating results. Specifically, as discussed ¶¶ 43, 46, 47-49, defendants caused the Company to violate GAAP and SEC rules by improperly accounting for its proved reserves.

63. GAAP are those principles recognized by the accounting profession as the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. As set forth in Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Concepts ("Concepts Statement") No. 1 (November 1978), one of the fundamental objectives of financial reporting is that it provide accurate and reliable information concerning an entity's financial performance during the period being presented. Concepts Statement No. 1, paragraph 42, states:

Financial reporting should provide information about an enterprise's financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' and creditors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance.

64. As set forth in SEC Rule 4-01(a) of SEC Regulation S-X, "[f]inancial statements filed with the [SEC] which are not prepared in accordance with [GAAP] will be presumed to be misleading or inaccurate." 17 C.F.R. § 210.4-01(a)(1). Management is responsible for preparing financial statements that conform to GAAP. As noted by the AICPA professional standards:

financial statements are management's responsibility [M]anagement is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, record, process, summarize, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. The entity's transactions and the related assets,

liabilities and equity are within the direct knowledge and control of management Thus, the fair presentation of financial statements in conformity with Generally Accepted Accounting Principles is an implicit and integral part of management's responsibility.

65. Shell's reported financial results during the Class Period were materially false and misleading because the Company improperly accounted for its proved reserves, despite the fact that defendants asserted throughout the Class Period that the "[o]il and gas reserves have been estimated in accordance with industry standards and SEC regulations," and that the "financial statements are prepared in accordance with generally accepted accounting principles in the Netherlands and the US."

66. Despite defendants' assertions, on January 9, 2004, announced:

following internal reviews, some proved hydrocarbon reserves will be recategorised. The total non recurring recategorisation, relative to the proved reserves as stated at December 31st 2002, represents 3.9 billion barrels of oil equivalent ('boe') of proved reserves, or 20% of proved reserves at that date. Over 90% of the total change is a reduction in the proved undeveloped category; the balance is a reduction in the proved developed category.

67. Shell said its revision was partly connected to an (\$8.6 billion) Australian project called Gorgon. Shell had recognized reserves from the project since 1997.

68. Industry standard guidelines established by the Society of Petroleum Engineers ("SPE"), an independent professional society determine the classification of reserves. These classifications are, in turn, a key factor in determining the value of the reserves. Reserves are classified, generally, as either "proved" or "unproved."

69. According to the SPE, proved reserves:

can be estimated with reasonable certainty to be recoverable under current economic conditions. Current economic conditions include prices and costs prevailing at the time of the estimate. Proved reserves may be developed or undeveloped . . . [Proved reserves] must have facilities to process and transport those reserves to market that are operational at the time of the estimate, or there is a

commitment or reasonable expectations to install such facilities in the future.

70. The definition for proved oil and gas reserves for the SEC is found in Rule 4-10(a) of Regulation S-X of the Securities Exchange Act of 1934:

Proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. *See also FAS 25 Suspension of Certain Accounting Requirements for Oil and Gas Producing Entities* ¶ 34 (Feb. 1979).

71. Moreover, the SEC cautions that, “[t]he concept of reasonable certainty implies that, as more technical data becomes available, a positive, or upward, revision is much more likely than a negative, or downward, revision.” SEC Div. of Corp. Fin: *Frequently Requested Accounting and Fin. Reporting Interpretations and Guidance* (“SEC Guidance”) (Mar. 31, 2001).

72. Under the forgoing guidelines, the Gorgon gas reserves could not be properly classified as proved because (i) there was no definitive contact; and (ii) there was no production infrastructure to process the gas. Indeed, to date the only agreements related to sales and production in place are preliminary non-binding agreements with certain potential purchasers and agreements in principle to plans to construct a multibillion dollar gas processing plant.

73. In this regard, ChevronTexaco, the operator of the project, disclosed in its 10-Q filed on November 12, 2003:

The Gorgon Joint Venture, in which the company is a 57 percent owner, received preliminary approval from the Western Australia state government to proceed with plans to construct a multibillion-dollar gas processing plant on Barrow Island. The

decision represents a significant milestone in the company's plans to commercialize its large natural gas resource base. ***The joint venture also announced an agreement with the China National Offshore Oil Corporation (CNOOC) in October [2003] to negotiate the sale and purchase of Gorgon liquefied gas to China. The agreement, which is subject to the completion of formal contracts, enables CNOOC to purchase an interest in the Gorgon gas development project.*** [Emphasis added.]

74. The SEC Guidance also states that “[t]he history of issuance and continued recognition of permits, concessions and commerciality agreements by regulatory bodies and governments should be considered when determining whether hydrocarbon accumulations can be classified as proved reserves.”

75. Along with violating GAAP and SEC rules, defendants’ practices were in contravention of industry standards, as evidenced by the conduct of Shell’s two partners and industry competitors, ExxonMobil and ChevronTexaco. On January 9, 2004 the *International Oil Daily* reported:

"It had been believed that Shell was particularly cautious in the way it booked reserves," said Commerzbank analyst Jon Rigby in a note to clients. "In the case of oil reserves a final investment decision (FID) was required . . . Although this methodology appears to be in use currently, it is apparent that that has not been the case in the past."

Shell booked the Gorgon reserves without an FID or even solid sales contracts. Neither ChevronTexaco nor Exxon Mobil, Shell's partners in Gorgon did so.

"We have always taken a conservative approach to booking reserves," said an Exxon Mobil spokesman. "We have a very high bar, and Gorgon at this point does not meet that bar." [Emphasis added.]

76. In addition, on January 9, 2004, ChevronTexaco issued a press release, stating, in pertinent part:

John Gass, President of ***ChevronTexaco Global Gas confirmed that the company has yet not recognized any proved reserves for its interest in the Gorgon Joint Venture natural gas development project in Australia.*** "Our Gorgon project continues its steady progress toward commercialization, having received in-principle approval in 2003 from the Western Australia state government for the restricted use of Barrow Island for a foundation development in 2003, and strong

market support including a memorandum of understanding with the Chinese National Oil Company to import Gorgon LNG into China," Gass said. [Emphasis added.]

77. Defendants also violated GAAP by overstating by approximately 10 percent the standardized measure of discounted future cash flows associated with the ir proved reserves. In Shell's January 9, 2004 announcement, defendants admitted that:

The FAS69 standardised measure of discounted future cashflows associated with the proved reserves will be impacted. The estimated 10% reduction in the standardised measure is significantly less than the 20% change to proved reserves, as the majority of the recategorisation relates to proved undeveloped reserves and to relatively low margin producing areas.

78. Under US GAAP, oil and gas producing entities must disclose a standardized measure of discounted future cash flows, relating to proved oil and gas reserve quantities. The discounted cash flows are based on prices and costs at the end of each year, currently enacted tax rates and a 10% annual discount factor. *See FAS 69 Disclosures About Oil And Gas Producing Activities* ¶ 30 (Nov. 1982).

79. As a result of the foregoing accounting improprieties, the defendants caused Shell's reported financial results to violate, among other things, the following provisions of GAAP for which each defendant is necessarily responsible:

a. The principle that financial reporting should provide information that is useful to present and potential investors in making rational investment decisions and that information should be comprehensible to those who have a reasonable understanding of business and economic activities (Concepts Statement No. 1, ¶ 34);

b. The principle of materiality, which provides that the omission or misstatement of an item in a financial report is material if, in light of the surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a

reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item (Concepts Statement No. 2, ¶ 132).

c. The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general. (Concepts Statement No. 1, ¶ 50);

d. The principle that financial reporting should provide information about an enterprise's financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance. (Concepts Statement No. 1, ¶ 42);

e. The principle that financial reporting should be reliable in that it represents what it purports to represent. The notion that information should be reliable as well as relevant is central to accounting. (Concepts Statement No. 2, ¶¶ 58-59);

f. The principle of completeness, which means that nothing is left out of the information that may be necessary to ensure that it validly represents underlying events and conditions. (Concepts Statement No. 2, ¶ 80);

g. The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (Concepts Statement No. 2, ¶¶ 95, 97); and

h. The principle that contingencies that might result in gains are not reflected in accounts since to do so might be to recognize revenue prior to its realization and that care should be used to avoid misleading investors regarding the likelihood of realization of gain contingencies (FAS 5).

SCIENTER ALLEGATIONS

80. All of the material misrepresentations previously discussed herein were made by defendants with scienter. Specifically, the facts surrounding Shell's bleak prospects prior to and during the Class Period provide strong evidence that the aforementioned material misrepresentations were made as a part of a conscious decision to deceive the investing public. In addition, these material misrepresentations were made in a manner which at the very least constituted an extreme departure from the standard of care of this industry and presented an immediate danger of misleading the investing public which was known by the defendants, thus constituting severe recklessness.

FIRST CLAIM

Violations Of Section 10(b) Of The Exchange Act And Rule 10b-5 Promulgated Thereunder Against All Defendants

81. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

82. During the Class Period, Shell and the Group Managing Director Defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (a) deceive the investing public, including plaintiffs and other Class members, as alleged herein; (b) artificially inflate and maintain the market price of Shell securities; and (c) cause plaintiffs and other members of the Class to

purchase Shell securities at inflated prices. In, furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

83. Each of the defendants: (a) knew or was severely reckless in disregarding material adverse non-public information about Shell's then-existing business conditions, which was not disclosed; and (b) participated in drafting, reviewing and/or approving the misleading statements, releases, reports and other public representations of and about Shell.

84. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for such stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. The Group Managing Director Defendants are sued as primary participants in the wrongful and illegal conduct charged herein and as controlling persons as alleged below.

85. In addition to the duties of full disclosure imposed on defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, the defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. Sections 210.4-10 et se q.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, financial condition and earnings so that the market price of the Company's common stock would be based on truthful, complete and accurate information.

86. Shell and the Group Managing Director Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations, future prospects and financial condition, of Shell as specified herein. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Shell's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Shell and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Royal Dutch and Shell Transport securities during the Class Period.

87. Each of the Group Managing Director Defendants primary liability and controlling person liability arise from the following facts: (a) the Group Managing Director Defendants were high-level senior executives and/or directors at Shell during the Class Period and members of the Company's management team or had control thereof; (b) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (c) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances and operations at all relevant times; and (d)

each of these defendants was aware of the Company's dissemination of information to the investing public which they knew, or recklessly disregarded, was materially false and misleading.

88. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Defendants' material misrepresentations and/or omissions were, done knowingly or recklessly and for the purpose and effect of concealing Shell's true assets and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' misstatements of the Company's existing business, operations and future earnings prospects throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

89. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market prices of Royal Dutch and Shell Transport securities were artificially inflated during the Class Period. In ignorance of the fact that market prices of Royal Dutch and Shell Transport's publicly traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or severely recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiffs and the other members of the Class acquired Royal Dutch and/or Shell Transport securities during the Class Period at artificially high prices and were damaged thereby.

90. At the time of said misrepresentations, plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiffs and the other members of the Class and the marketplace known of the true financial condition and business prospects of Shell, which were not disclosed by defendants, plaintiffs and other members of the Class would not have purchased or otherwise acquired their Royal Dutch and/or Shell Transport securities during the Class Period, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.,

91. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

92. As a direct and proximate result of Defendants' wrongful conduct, plaintiffs and the other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

SECOND CLAIM

Violation Of Section 20(a) Of The Exchange Act Against The Group Managing Director Defendants

93. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

94. The Group Managing Director Defendants acted as controlling persons of Shell within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, participation in and/or awareness of the Company's operations and/or intimate knowledge of the Company's financial condition and the actual progress of its development and marketing efforts, the Group Managing Director Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiffs contend are false and misleading. The Group Managing Director Defendants were provided with

or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiffs to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

95. In particular, each of these defendants had direct and/or supervisory involvement in the day-to-day operations of Shell and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same. The Group Managing Director Defendants culpably participated in the commission of the wrongs alleged herein.

96. As set forth above, Shell and the Group Managing Director Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Group Managing Director Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs and Class members pray for relief and judgment, as follows:

- a. Determining that this action is a proper class action and certifying plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure;
- b. Awarding compensatory damages in favor of plaintiffs and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

- c. Awarding plaintiffs and the Class their reasonable costs and expenses incurred in this action, including attorneys' fees and expert fees; and
- d. Granting such other and further relief as the Court may deem just and proper.

DEMAND FOR A JURY TRIAL

Plaintiffs and Class members hereby demand a trial by Jury.

Date: January 23, 2004

Respectfully submitted,

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