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U.S. DECIDES NOT TO PROSECUTE SHELL

DAVID N. KELLEY, United States Attorney for the Southern District of New York, announced today that the United States Attorney's Office for the Southern District of New York has decided not to prosecute Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, p.l.c. (collectively "Shell") for conduct related to its material overstatement of proved hydrocarbon reserves reported in public filings with the United States Securities and Exchange Commission in 2002 and prior years.

In a series of public announcements between January and May 2004, Shell disclosed that it had overstated its proved hydrocarbon reserves reported as of year-end 2002 by approximately 23%. In 2004, these overstated reserves were re-categorized by Shell to comply with the definition of "proved" reserves set forth by the United States Securities and Exchange

Commission in its applicable regulations. In light of those announcements, the United States Attorney's Office began an investigation into how these reserves came to be booked by Shell and reported to the public in the Company's annual filings with the SEC in 2002 and prior years.

The decision by the United States Attorney not to prosecute was based on the factors set forth in former Deputy Attorney General Larry Thompson's memorandum, Principles of Federal Prosecution of Business Organizations (the "Thompson Memorandum"). The decision was based on, among others, the following factors: Shell's full cooperation with the Government's investigation; Shell's settlement of an enforcement action by the United States Securities and Exchange Commission ("SEC"), a settlement which included Shell's consent to a cease-and-desist order finding violations of the antifraud, internal controls, record-keeping, and reporting provisions of the federal securities laws, arising out of the same conduct, and its payment of a \$120 million civil monetary penalty; Shell's commitment as part of the SEC settlement to take substantial remedial actions to enhance the accuracy of its reserves reporting and compliance, including its commitment to spend \$5 million to develop and implement a comprehensive corporate compliance program; and the negative effect that charges against Shell would have on the companies' innocent employees and legitimate activities.

Shell self-reported the material misstatements of its proved oil and gas reserves to the public and to the Securities and Exchange Commission in January 2004 and then undertook a comprehensive internal investigation of the matter, handled by counsel to Shell's Group Audit Committee. That investigation resulted in the Company requesting and receiving the resignations of the Chairman of Shell's Committee of Managing Directors, and the CEO of the Company's Exploration and Production Unit.

In addition, Shell fully cooperated with the Government's investigation. Its cooperation took the form of, among other things, providing the Government with requested documents gathered from around the globe, making employees based outside the United States available for interviews with Government investigators in the United States, waiving applicable privileges in order to make available to the Government the results of the Group Audit Committee's internal investigation of the reserves issues, and limiting the distribution of the report of that internal investigation so as not to compromise the Government's ongoing investigation. The Company identified for the Government early in the investigation the documents that it believed to be most relevant for a complete understanding of its own conduct, and produced those and other documents to the Government in electronically searchable format to permit efficient investigation by the Government.

On August 24, 2004, Shell consented to the entry of an SEC cease-and-desist order, which set forth the substantial remedial efforts Shell had undertaken to enhance its reserves reporting and compliance, including replacing its internal reserves auditor and improving controls on reserves reporting. As set forth in the SEC cease-and-desist order, Shell's internal reserves auditor, charged with responsibility for ensuring Shell's compliance with reserves reporting requirements, was a part-time contractor who received little or no training in the regulations against which he was to measure Shell's reserves disclosures. Importantly, the remedial measures agreed to by Shell in its settlement with the SEC included a comprehensive set of actions designed to improve the quality, independence, and thoroughness of the reserves audit function within Shell.

Because Shell has cooperated fully with the Government's investigation, has implemented substantial remedial efforts to enhance its reserves reporting and compliance, and has paid a \$120 million civil penalty to the SEC, the public interest has been sufficiently vindicated. Moreover, criminal prosecution would likely have a severe and unintended disproportionate economic impact upon thousands of innocent Shell employees. Accordingly, Mr. KELLEY stated that, after carefully balancing all of the factors set forth in the Thompson Memorandum, criminal prosecution of Shell would not serve the public interest.

Mr. KELLEY, a member of the President's Corporate Fraud Task Force, praised the efforts of the Federal Bureau of Investigation in this investigation. Mr. KELLEY also thanked the United States Securities and Exchange Commission for its valuable assistance in the investigation.

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