

Rating: Buy  
S&P 500: 1263

## Royal Dutch Shell plc Share Buyback Enhances Return

<i>Symbol</i>	RDS-A	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	56,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (US\$/sh)</i>	70.51	<i>Natural Gas and Oil Production/Ebitda (%)</i>	66
<i>Pricing Date (intraday)</i>	7/27/06	<i>Adjusted Reserves/Production NTM</i>	7.4
<i>Shares (mm)</i>	3242	<i>EV/Ebitda</i>	4.6
<i>Market Capitalization (US\$mm)</i>	229,000	<i>PV/Ebitda</i>	5.4
<i>Debt (US\$mm)</i>	31,000	<i>Undeveloped Reserves (%)</i>	43
<i>Enterprise Value (EV) (US\$mm)</i>	259,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	29.20
<i>Present Value (PV) (US\$mm)</i>	303,000	<i>Present Value Proven Reserves(US\$/boe)</i>	16.30
<i>Net Present Value (US\$/share)</i>	84	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.72
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.57
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	3.6	<i>Indicated Annual Dividend (US\$/sh)</i>	2.53

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

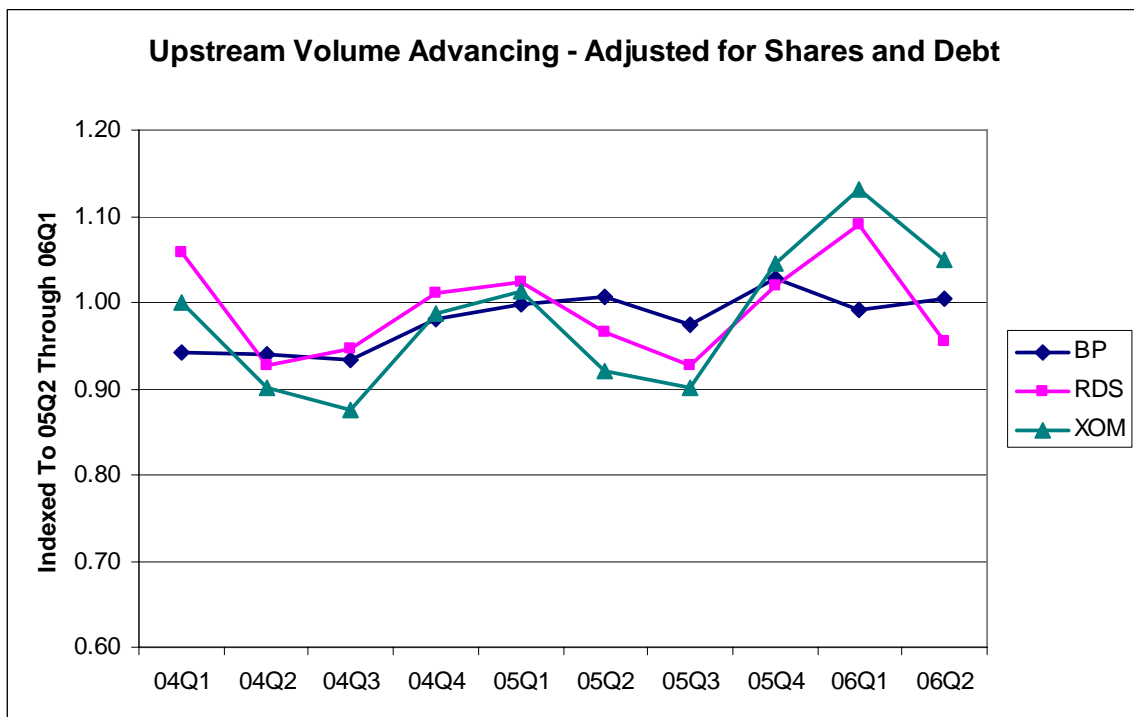
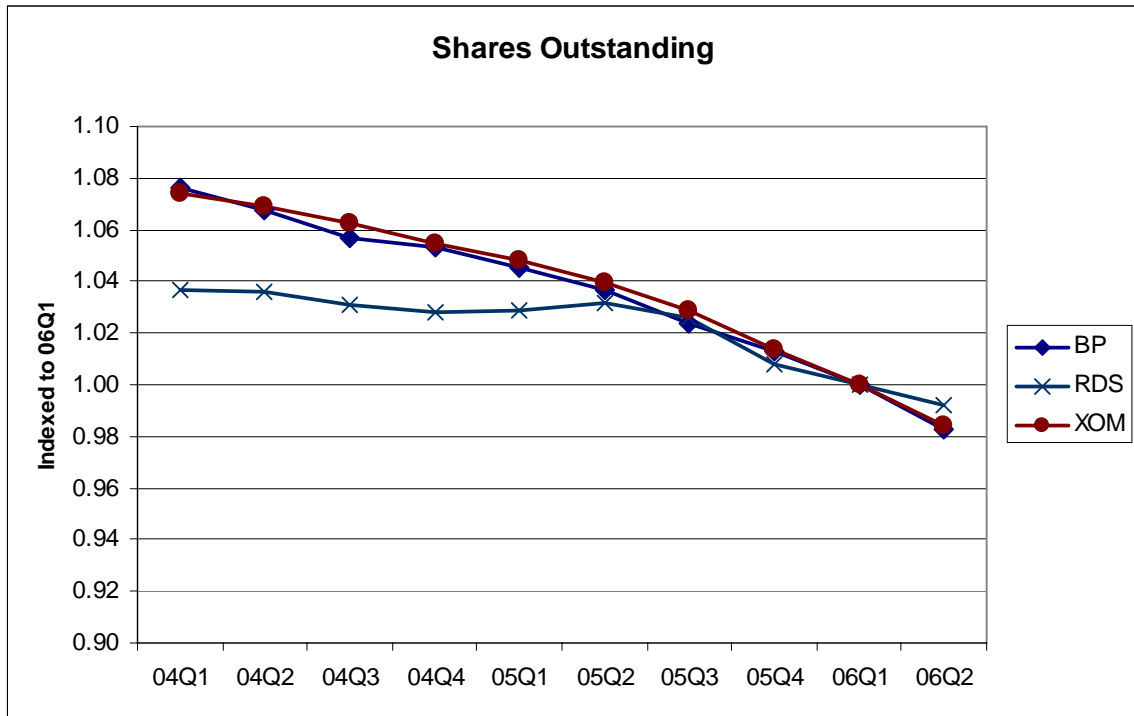
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

### Summary and Recommendation

In the year since its historic conversion from a two-headed group to a streamlined single company, buy-recommended **Royal Dutch Shell plc (RDS-A)** joined its peers in reducing shares outstanding and enhancing value for remaining shareholders (see chart). Presuming a long-term oil price of \$60 a barrel, our estimate of net present value (NPV) of \$84 a share is 19% higher than the current stock price. The estimate was revised from \$80 a share on June 6 when we revised our oil price from \$50 a barrel. The current quote for six-year oil futures is \$74. Our vision for oil price in 2010 is \$150. Our caution in raising NPV less than oil price reflected concern that the company would report lower volume in overseas production sharing contracts for accounting reasons. Yet through the second quarter of 2006 reported on July 27, net barrels are about flat adjusted for shares and debt (see chart). The company is currently losing about 5% of volume because of “security” reasons in Nigeria. An investment in Royal Dutch Shell stock offers participation in the outlook for oil price, natural gas price and refining margin on terms that seem favorable to us.

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**Royal Dutch/Shell**  
**Next Twelve Months Operating and Financial Estimates**

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next</i>
	<i>6/30/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>Twelve</i>
									<i>Months</i>
									<i>6/30/07</i>
<b>Volume</b>									
Natural Gas (mmcf)									
U.S.	1,357	<b>1,150</b>	1,117	1,175	1,175	1,175	<b>1,161</b>	1,175	<b>1,175</b>
Overseas (or Int'l)	6,518	<b>7,113</b>	9,207	6,690	5,603	7,865	<b>7,333</b>	9,207	<b>7,333</b>
Total	7,875	<b>8,264</b>	10,324	7,865	6,778	9,040	<b>8,494</b>	10,382	<b>8,508</b>
Oil (mbd)	2,168	<b>2,093</b>	1,966	1,897	2,050	2,050	<b>1,991</b>	2,050	<b>2,050</b>
Total gas & oil (mbd)	3,481	<b>3,471</b>	3,687	3,208	3,180	3,557	<b>3,407</b>	3,780	<b>3,468</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.76	<b>8.65</b>	8.97	6.81	6.41	8.47	<b>7.67</b>	10.62	<b>8.50</b>
U.S.	7.31	<b>8.41</b>	9.56	7.36	6.92	9.16	<b>8.23</b>	11.48	<b>9.17</b>
Overseas (or Int'l)	3.78	<b>4.20</b>	5.16	4.37	4.59	4.82	<b>4.78</b>	5.06	<b>4.97</b>
Total	4.39	<b>4.78</b>	5.64	4.82	5.00	5.39	<b>5.25</b>	5.79	<b>5.55</b>
Oil (\$/bbl)									
WTI Cushing	53.05	<b>56.31</b>	63.33	70.47	74.90	76.58	<b>71.32</b>	77.63	<b>76.73</b>
Worldwide	48.05	<b>50.31</b>	57.39	63.95	67.97	69.50	<b>64.84</b>	70.45	<b>69.63</b>
Total gas & oil (\$/bbl)	39.86	<b>41.74</b>	46.40	49.64	54.48	53.75	<b>50.99</b>	54.10	<b>54.76</b>
NY Harbor 3-2-1 (\$/bbl)	10.59	<b>10.63</b>	7.40	15.39	16.36	11.35	<b>12.62</b>	12.25	<b>14.60</b>
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S.	903	<b>3,531</b>	961	787	748	990	<b>3,486</b>	1,214	<b>3,932</b>
Overseas (or Int'l)	2,243	<b>10,901</b>	4,279	2,663	2,367	3,489	<b>12,799</b>	4,196	<b>13,289</b>
Total	3,146	<b>14,432</b>	5,240	3,450	3,116	4,479	<b>16,285</b>	5,410	<b>17,221</b>
Oil	9,480	<b>38,440</b>	10,155	11,039	12,820	13,108	<b>47,122</b>	12,998	<b>52,097</b>
Other	70,018	<b>253,859</b>	60,569	68,638	68,638	68,638	<b>266,482</b>	68,638	<b>274,551</b>
Total	82,644	<b>306,731</b>	75,964	83,127	84,573	86,225	<b>329,889</b>	87,045	<b>343,869</b>
<b>Expense</b>									
Production	5,959	<b>23,990</b>	7,395	6,665	7,388	8,214	<b>29,662</b>	8,624	<b>32,341</b>
Other	66,067	<b>235,803</b>	55,999	63,384	63,794	63,794	<b>246,971</b>	63,794	<b>255,175</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	6,666	<b>28,882</b>	8,000	7,824	8,547	9,373	<b>33,745</b>	9,783	<b>36,978</b>
Other	3,951	<b>18,057</b>	4,570	5,253	4,844	4,844	<b>19,512</b>	4,844	<b>19,376</b>
Total Ebitda	10,617	<b>46,939</b>	12,570	13,078	13,391	14,217	<b>53,256</b>	14,627	<b>56,354</b>
Exploration	248	<b>1,286</b>	281	250	250	250	<b>1,031</b>	250	<b>1,000</b>
Deprec., Deplet., & Amort.	3,136	<b>11,981</b>	2,812	3,132	3,132	3,132	<b>12,208</b>	3,132	<b>12,528</b>
Other non cash	-	-	-	-	-	-	-	-	-
<b>Ebit</b>	7,233	<b>33,672</b>	9,477	9,696	10,009	10,835	<b>40,017</b>	11,245	<b>42,826</b>
Interest	74	<b>747</b>	127	21	21	21	<b>190</b>	21	<b>84</b>
<b>Ebt</b>	7,159	<b>32,925</b>	9,350	9,675	9,988	10,814	<b>39,827</b>	11,224	<b>42,742</b>
Income Tax	2,506	<b>11,524</b>	3,273	3,386	3,496	3,785	<b>13,939</b>	3,929	<b>14,960</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	2,745	<b>12,473</b>	3,743	3,695					
Other	2,290	<b>10,090</b>	2,237	3,024					
Unallocated	(382)	<b>(1,162)</b>	98	(430)					
Total	4,653	<b>21,401</b>	6,078	6,289	6,492	7,029	<b>25,888</b>	7,296	<b>27,782</b>
<b>Shares (millions)</b>	3,372	<b>3,344</b>	3,268	3,242	3,242	3,242	<b>3,248</b>	3,242	<b>3,242</b>
Per share (\$)	1.38	<b>6.40</b>	1.86	1.94	2.00	2.17	<b>7.97</b>	2.25	<b>8.57</b>
Ebitda Margin (E&P)	53%	<b>55%</b>	52%	54%	54%	53%	<b>53%</b>	53%	<b>53%</b>
Tax Rate	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	<b>35%</b>

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**Royal Dutch Shell plc**  
**Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	2,100	5.0	4.8	10,000	3%
Rest of World Natural Gas	7,090	10.7	7.8	55,000	18%
Oil	27,780	5.7	4.2	118,000	39%
Downstream	19,380		6.2	120,000	40%
	56,350	7.4	5.4	303,000	100%
Debt (US\$mm)					31,000
Net Present Value (US\$mm)					272,000
Shares (mm)					3,242
Net Present Value - Standard Estimate (US\$/sh)					84
Net Present Value - Approximation by Correlation (US\$/sh)					84

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