

Rating: Buy  
 S&P 500: 1235

## Royal Dutch Shell plc

### Raise Net Present Value to \$84 a Share

<i>Symbol</i>	RDS-A	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$mm)</i>	57,200
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (US\$/sh)</i>	63.02	<i>Natural Gas and Oil Production/Ebitda (%)</i>	66
<i>Pricing Date (intraday)</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	7.2
<i>Shares (mm)</i>	3372	<i>EV/Ebitda</i>	4.3
<i>Market Capitalization (US\$mm)</i>	212,500	<i>PV/Ebitda</i>	5.6
<i>Debt (US\$mm)</i>	35,100	<i>Undeveloped Reserves (%)</i>	44
<i>Enterprise Value (EV) (US\$mm)</i>	247,600	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.80
<i>Present Value (PV) (US\$mm)</i>	318,400	<i>Present Value Proven Reserves(US\$/boe)</i>	17.30
<i>Net Present Value (US\$/share)</i>	84	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.88
<i>Debt/Present Value</i>	0.11	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.30
<i>McDep Ratio - EV/PV</i>	0.78	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	3.6	<i>Indicated Annual Dividend (US\$/sh)</i>	2.24

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

We raise our estimated net present value of buy-recommended **Royal Dutch Shell plc (RDS-A)** to \$84 a share from \$66 on the basis of an expected long-term real price for oil of \$50 a barrel up from \$40 for Light Sweet Crude. We also raise our long-term real price for natural gas to \$10 a million BTU, up from \$8 for the Henry Hub location. Our long-term real price expectation for the 3-2-1 refining crack (margin) in New York Harbor is now \$10 a barrel up from \$8. The stock has 33% appreciation potential to net present value. Risk is low with globally diversified, integrated operations and miniscule debt. Dividend increases seem likely along with stock repurchase.

Kurt H. Wulff, CFA

#### Royal Dutch Shell plc

##### Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	2,430	4.8	4.5	11,000	3%
Rest of World Natural Gas	9,030	10.7	7.8	70,000	22%
Oil	26,570	5.5	3.7	97,000	31%
Downstream	19,200		7.3	140,000	44%
	57,230	7.2	5.6	318,000	100%
Debt (US\$mm)				35,000	
Net Present Value (US\$mm)				283,000	
Shares (mm)				3,372	
Net Present Value (US\$/sh)				84	

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

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next</i>
	<i>12/31/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>Twelve</i>
										<i>Months</i>
										<i>6/30/06</i>
<b>Volume</b>										
Natural Gas (mmcf)										
U.S. (or North America)	1,302	<b>1,335</b>	1,385	1,357	1,357	1,357	<b>1,364</b>	1,357	1,357	<b>1,357</b>
Overseas (or Int'l)	8,408	<b>7,528</b>	8,490	6,518	5,925	8,296	<b>7,303</b>	8,764	6,427	<b>7,348</b>
Total	9,710	<b>8,864</b>	9,875	7,875	7,282	9,653	<b>8,667</b>	10,121	7,784	<b>8,705</b>
Oil (mbd)	2,163	<b>2,261</b>	2,144	2,168	2,168	2,168	<b>2,162</b>	2,168	2,168	<b>2,168</b>
Total gas & oil (mmb)	348	<b>1,365</b>	341	317	311	347	<b>1,316</b>	347	315	<b>1,321</b>
<b>Price</b>										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	7.10	<b>6.15</b>	6.27	6.76	7.60	8.69	<b>7.33</b>	9.44	8.04	<b>8.44</b>
U.S. (or North America)	7.27	<b>6.33</b>	6.83	7.31	7.52	8.60	<b>7.57</b>	9.34	7.96	<b>8.35</b>
Overseas (or Int'l)	3.32	<b>3.08</b>	3.92	3.78	5.49	5.73	<b>4.73</b>	5.84	5.79	<b>5.73</b>
Total	3.85	<b>3.57</b>	4.33	4.39	5.87	6.14	<b>5.18</b>	6.31	6.16	<b>6.14</b>
Oil (\$/bbl)										
WTI Cushing	48.31	<b>41.44</b>	49.65	53.05	60.62	63.32	<b>56.66</b>	64.52	63.88	<b>63.09</b>
Worldwide	40.17	<b>35.56</b>	43.84	48.05	54.91	57.35	<b>51.10</b>	58.44	57.86	<b>57.13</b>
Total gas & oil (\$/bbl)	32.86	<b>29.98</b>	36.08	39.86	47.84	48.60	<b>43.08</b>	49.44	50.05	<b>48.99</b>
NY Harbor 3-2-1 (\$/bbl)	5.72	<b>7.74</b>	6.17	10.59	12.11	7.97	<b>9.21</b>	8.32	11.22	<b>9.91</b>
<b>Revenue (\$mm)</b>										
Natural Gas										
U.S. (or North America)	871	<b>3,084</b>	851	903	939	1,074	<b>3,767</b>	1,141	983	<b>4,136</b>
Overseas (or Int'l)	2,568	<b>8,471</b>	2,997	2,243	2,993	4,377	<b>12,610</b>	4,609	3,384	<b>15,363</b>
Total	3,439	<b>11,555</b>	3,848	3,146	3,932	5,450	<b>16,377</b>	5,750	4,367	<b>19,499</b>
Oil	7,994	<b>29,357</b>	8,459	9,480	10,951	11,438	<b>40,328</b>	11,402	11,415	<b>45,207</b>
Other	64,991	<b>227,152</b>	59,848	70,018	70,018	70,018	<b>269,903</b>	70,018	70,018	<b>280,073</b>
Total	76,424	<b>268,064</b>	72,156	82,644	84,902	86,907	<b>326,608</b>	87,171	85,800	<b>344,779</b>
<b>Expense</b>										
Production	4,466	<b>15,888</b>	5,292	5,959	6,411	6,812	<b>24,474</b>	6,865	6,591	<b>26,678</b>
Other	59,488	<b>209,644</b>	54,834	66,067	65,218	65,218	<b>251,339</b>	65,218	65,218	<b>260,873</b>
<b>Ebitda (\$mm)</b>										
Exploration and Production	6,967	<b>25,024</b>	7,016	6,666	8,472	10,076	<b>32,231</b>	10,288	9,191	<b>38,027</b>
Other	5,503	<b>17,508</b>	5,014	3,951	4,800	4,800	<b>18,565</b>	4,800	4,800	<b>19,200</b>
Total Ebitda	12,470	<b>42,532</b>	12,030	10,617	13,272	14,876	<b>50,795</b>	15,088	13,991	<b>57,227</b>
Exploration	519	<b>1,828</b>	261	248	248	248	<b>1,005</b>	248	600	<b>1,344</b>
Deprec., Deplet., & Amort.	3,545	<b>11,897</b>	3,155	3,136	3,136	3,136	<b>12,563</b>	3,136	3,136	<b>12,544</b>
Other non cash	161	<b>554</b>	-	-	-	-	<b>-</b>	-	-	<b>-</b>
<b>Ebit</b>	8,245	<b>28,253</b>	8,614	7,233	9,888	11,492	<b>37,227</b>	11,704	10,255	<b>43,339</b>
Interest	336	<b>1,259</b>	78	74	74	74	<b>300</b>	74	74	<b>296</b>
<b>Ebt</b>	7,909	<b>26,994</b>	8,536	7,159	9,814	11,418	<b>36,927</b>	11,630	10,181	<b>43,043</b>
Income Tax	2,768	<b>9,448</b>	2,987	2,506	3,435	3,996	<b>12,925</b>	4,070	3,563	<b>15,065</b>
<b>Net Income (\$mm)</b>										
Exploration and Production	2,578	<b>9,664</b>	2,955	2,745						
Other	3,036	<b>9,436</b>	2,797	2,290						
Unallocated	(473)	<b>(1,554)</b>	(204)	(382)						
Total	5,141	<b>17,546</b>	5,548	4,653	6,379	7,422	<b>24,003</b>	7,559	6,618	<b>27,978</b>
<b>Shares (millions)</b>	3,360	<b>3,374</b>	3,363	3,372	3,372	3,372	<b>3,370</b>	3,372	3,372	<b>3,372</b>
Per share (\$)	1.53	<b>5.20</b>	1.65	1.38	1.89	2.20	<b>7.12</b>	2.24	1.96	<b>8.30</b>
Ebitda Margin (E&P)	61%	<b>61%</b>	57%	53%	57%	60%	<b>57%</b>	60%	58%	<b>59%</b>
Tax Rate	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>

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**Oil and Gas Producers**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

	<i>Symbol/ Rating</i>		<i>Price (\$/sh) 1-Aug 2005</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
<b>Mega Cap</b>								
BP plc	BP	B	66.63	3,545	236,000	82.00	0.10	0.83
Total S.A.	TOT	B	126.26	1,192	151,000	160.00	0.12	0.81
Exxon Mobil Corporation	XOM	B	59.23	6,370	377,000	74.00	0.04	0.81
Royal Dutch Shell plc	RDS-A	B	63.02	3,372	213,000	84.00	0.11	0.78
Chevron Corporation	CVX	B	58.43	2,086	122,000	90.00	0.08	0.68
	<i>Total or Median</i>				<i>1,099,000</i>		<i>0.10</i>	<i>0.81</i>

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