

Rating: Buy  
 S&P 500: 1382

## Royal Dutch Shell plc New Structure Working

<i>Symbol</i>	RDS-A	<i>Ebitda Next Twelve Months ending 9/30/07 (US\$mm)</i>	52,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (US\$/sh)</i>	67.64	<i>Natural Gas and Oil Production/Ebitda (%)</i>	61
<i>Pricing Date (intraday)</i>	10/25/06	<i>Adjusted Reserves/Production NTM</i>	7.4
<i>Shares (mm)</i>	3200	<i>EV/Ebitda</i>	4.8
<i>Market Capitalization (US\$mm)</i>	216,000	<i>PV/Ebitda</i>	5.8
<i>Debt (US\$mm)</i>	39,000	<i>Undeveloped Reserves (%)</i>	43
<i>Enterprise Value (EV) (US\$mm)</i>	256,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	25.50
<i>Present Value (PV) (US\$mm)</i>	308,000	<i>Present Value Proven Reserves(US\$/boe)</i>	15.50
<i>Net Present Value (US\$/share)</i>	84	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.58
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.54
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	3.7	<i>Indicated Annual Dividend (US\$/sh)</i>	2.51

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.

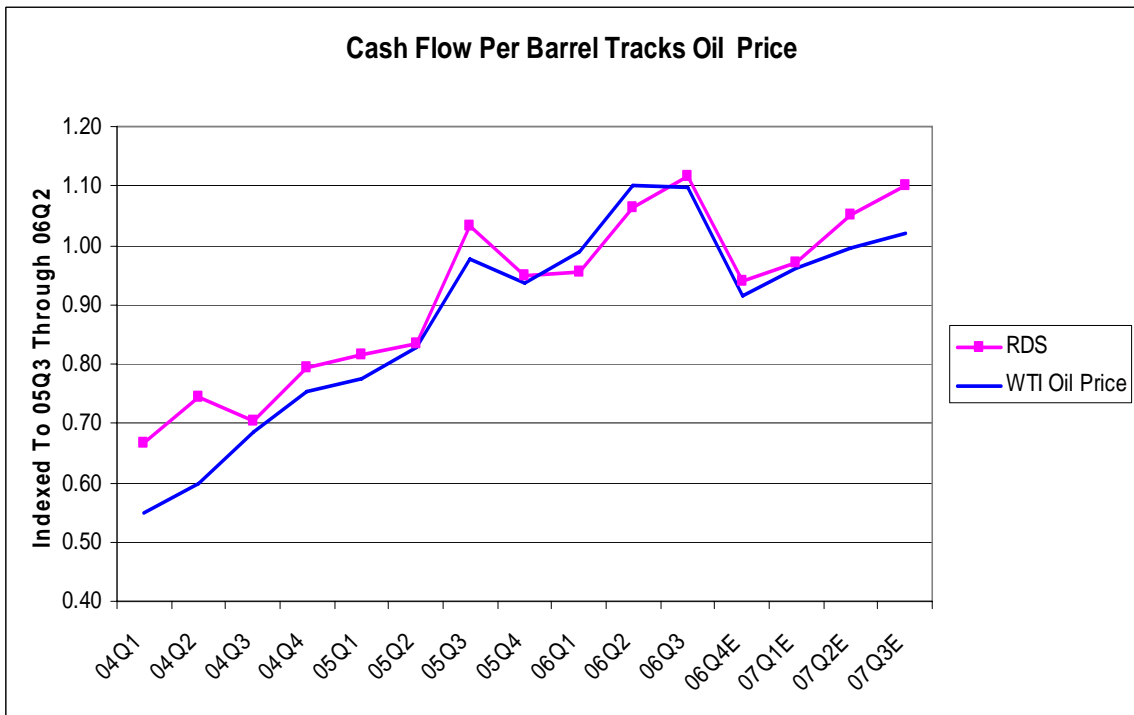
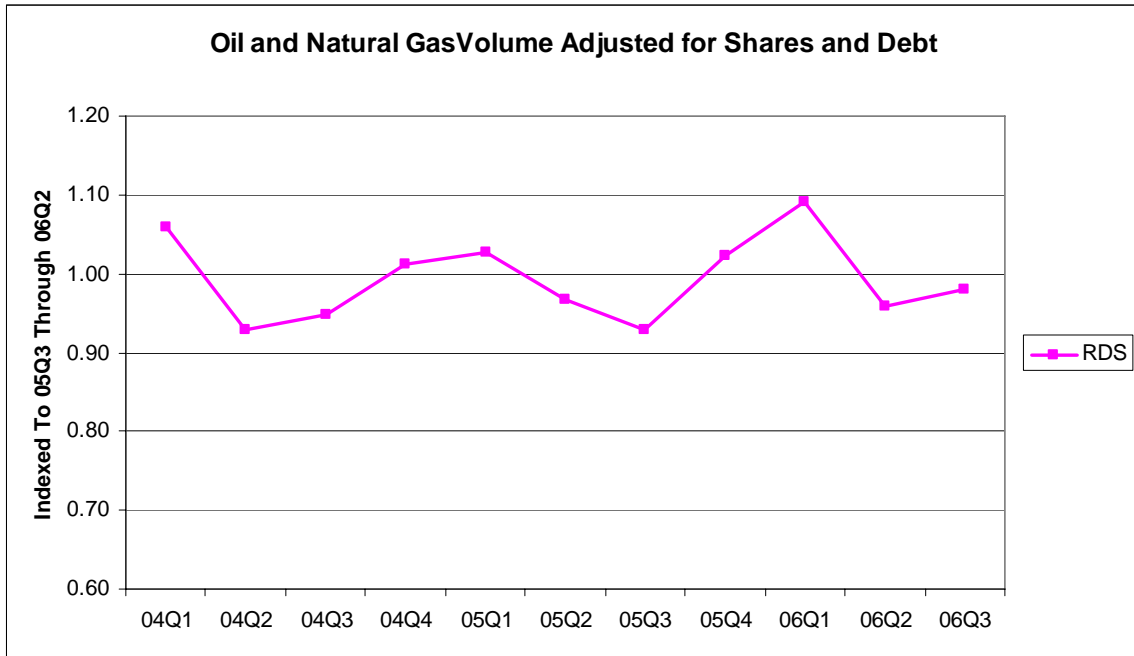
Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

### Summary and Recommendation

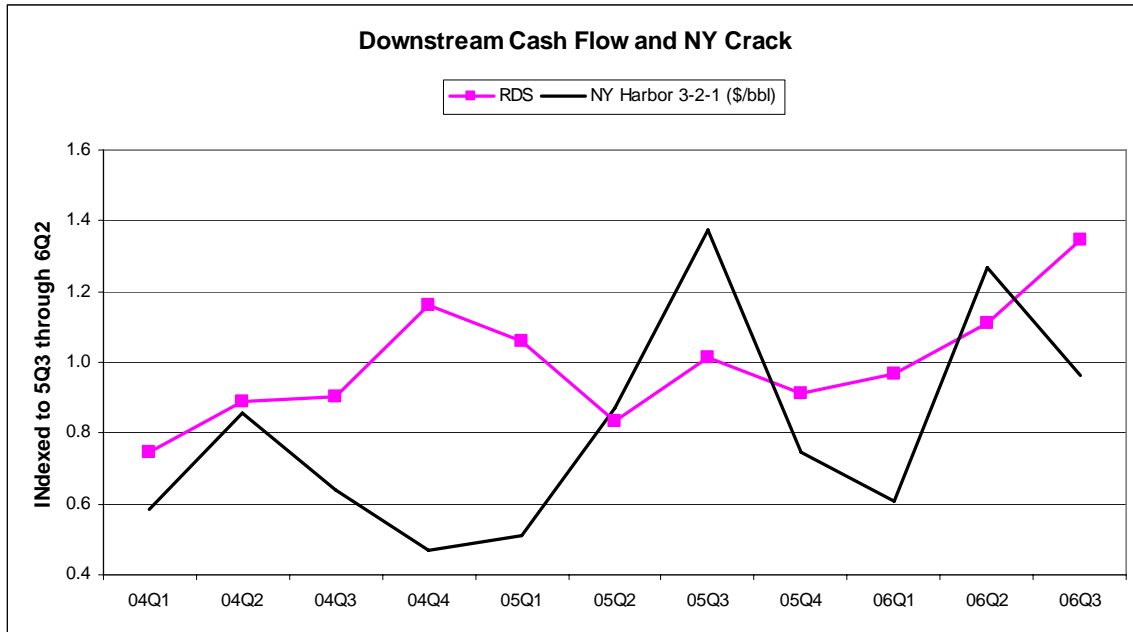
At a McDep Ratio of 0.83, buy-recommended **Royal Dutch Shell plc (RDS-A)** offers unlevered appreciation potential of 20% to estimated present value. Futures prices for oil averaging \$67 a barrel for delivery over the next six years and the company's offer to buy the minority interest in Shell Canada (SHC.TO) seem to validate estimated present value. Fundamental results for the third quarter reported on October 26 continue a stable trend in volume adjusted for debt and shares while unit cash flow tracks oil price (see charts). More concentrated on downstream than its peers, RDS reports rising cash flow in that segment (see chart). The cash flow implications of improving corporate results under the two-year old single company structure contribute to a new positive comparison of our estimate of present value with that from a correlation with some thirty natural gas and oil producers (see table on page 3). Stock price moving above the 200-day average recently implies that RDS may be returning to favor with investors. We favor RDS stock at a full weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean energy to support global growth.

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**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	1,980	5.0	5.1	10,000	3%
Rest of World Natural Gas	7,080	10.6	7.8	55,000	18%
Oil	23,390	5.7	5.3	123,000	40%
Downstream	20,500		5.9	120,000	39%
	52,950	7.4	5.8	308,000	100%
Debt (US\$mm)				39,000	
Net Present Value (US\$mm)				269,000	
Shares (mm)				3,200	
Net Present Value - Standard Estimate (US\$/sh)				84	
Net Present Value - Approximation by Correlation (US\$/sh)				88	

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

	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/05	6/30/06	9/30/06	12/31/06	2006E	3/31/07	6/30/07	9/30/07	9/30/07
<b>Volume</b>									
Natural Gas (mmcf)									
U.S.	948	1,175	1,186	1,186	<b>1,166</b>	1,186	1,186	1,186	<b>1,186</b>
Overseas (or Int'l)	5,603	6,690	5,756	7,865	<b>7,371</b>	9,207	6,690	5,756	<b>7,371</b>
Total	6,551	7,865	6,942	9,051	<b>8,538</b>	10,393	7,876	6,942	<b>8,557</b>
Oil (mbd)	2,077	1,897	2,054	2,054	<b>1,993</b>	2,054	2,054	2,054	<b>2,054</b>
Total gas & oil (mbd)	3,169	3,208	3,211	3,563	<b>3,416</b>	3,786	3,367	3,211	<b>3,480</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.56	6.81	6.58	6.30	<b>7.17</b>	8.19	7.61	7.81	<b>7.48</b>
U.S.	8.35	7.36	7.31	7.00	<b>7.77</b>	9.10	8.44	8.67	<b>8.30</b>
Overseas (or Int'l)	3.95	4.37	4.25	4.46	<b>4.62</b>	4.68	4.92	5.16	<b>4.77</b>
Total	4.59	4.82	4.77	4.79	<b>5.05</b>	5.19	5.45	5.76	<b>5.26</b>
Oil (\$/bbl)									
WTI Cushing	62.52	70.47	70.42	58.64	<b>65.71</b>	61.56	63.85	65.29	<b>62.34</b>
Worldwide	56.83	63.95	63.91	53.22	<b>59.56</b>	55.87	57.95	59.25	<b>56.57</b>
Total gas & oil (\$/bbl)	46.74	49.64	51.19	42.86	<b>47.36</b>	44.54	48.10	50.36	<b>46.32</b>
NY Harbor 3-2-1 (\$/bbl)	16.70	15.39	11.67	6.84	<b>10.32</b>	7.57	11.57	11.80	<b>9.44</b>
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S.	728	787	798	764	<b>3,309</b>	971	911	946	<b>3,592</b>
Overseas (or Int'l)	2,038	2,663	2,249	3,226	<b>12,417</b>	3,880	2,993	2,733	<b>12,832</b>
Total	2,766	3,450	3,046	3,990	<b>15,727</b>	4,851	3,904	3,680	<b>16,424</b>
Oil	10,859	11,039	12,077	10,056	<b>43,327</b>	10,328	10,831	11,197	<b>42,412</b>
Other	62,809	68,638	69,131	69,131	<b>267,469</b>	69,131	69,131	69,131	<b>276,524</b>
Total	76,435	83,127	84,254	83,177	<b>326,522</b>	84,309	83,867	84,007	<b>335,361</b>
<b>Expense</b>									
Production	6,026	6,665	6,805	6,267	<b>27,132</b>	6,833	6,612	6,682	<b>26,394</b>
Other	58,026	63,384	62,760	64,823	<b>246,966</b>	64,561	63,878	62,760	<b>256,022</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	7,600	7,824	8,318	7,779	<b>31,921</b>	8,345	8,124	8,194	<b>32,443</b>
Other	4,783	5,253	6,371	4,308	<b>20,503</b>	4,570	5,253	6,371	<b>20,503</b>
Total Ebitda	12,383	13,078	14,688	12,088	<b>52,424</b>	12,915	13,377	14,565	<b>52,945</b>
Exploration	275	250	401	401	<b>1,333</b>	401	401	401	<b>1,604</b>
Deprec., Deplet., & Amort.	2,903	3,132	3,365	3,365	<b>12,674</b>	3,365	3,365	3,365	<b>13,460</b>
Other non cash	-	-	-	-	-	-	-	-	-
<b>Ebit</b>	9,205	9,696	10,922	8,322	<b>38,417</b>	9,149	9,611	10,799	<b>37,881</b>
Interest	284	21	190	190	<b>528</b>	190	190	190	<b>760</b>
<b>Ebt</b>	8,921	9,675	10,732	8,132	<b>37,889</b>	8,959	9,421	10,609	<b>37,121</b>
Income Tax	3,123	3,386	3,756	2,846	<b>13,261</b>	3,136	3,297	3,713	<b>12,993</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	3,212	3,695	3,743						
Other	2,723	3,024	3,282						
Unallocated	(136)	(430)	(49)						
Total	5,799	6,289	6,976	5,286	<b>24,628</b>	5,824	6,124	6,896	<b>24,129</b>
<b>Shares (millions)</b>	3,352	3,242	3,200	3,200	<b>3,227</b>	3,200	3,200	3,200	<b>3,200</b>
Per share (\$)	1.73	1.94	2.18	1.65	<b>7.63</b>	1.82	1.91	2.15	<b>7.54</b>
Ebitda Margin (E&P)	56%	54%	55%	55%	<b>54%</b>	55%	55%	55%	<b>55%</b>
Tax Rate	35%	35%	35%	35%	<b>35%</b>	35%	35%	35%	<b>35%</b>

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