



Rating: Buy
 S&P 500: 1396

Royal Dutch Shell plc Non-U.S. Energy MegaCap

| | | | |
|--|---------|---|--------|
| <i>Symbol</i> | RDS-A | <i>Ebitda Next Twelve Months ending 3/31/09 (US\$m)</i> | 69,300 |
| <i>Rating</i> | Buy | <i>North American Natural Gas/Ebitda (%)</i> | 4 |
| <i>Price (US\$/sh)</i> | 76.72 | <i>Natural Gas and Oil Production/Ebitda (%)</i> | 72 |
| <i>Pricing Date</i> | 4/28/08 | <i>Adjusted Reserves/Production NTM</i> | 7.5 |
| <i>Shares (mm)</i> | 3106 | <i>EV/Ebitda</i> | 4.1 |
| <i>Market Capitalization (US\$m)</i> | 238,000 | <i>PV/Ebitda</i> | 5.3 |
| <i>Debt (US\$m)</i> | 43,000 | <i>Undeveloped Reserves (%)</i> | 49 |
| <i>Enterprise Value (EV) (US\$m)</i> | 281,000 | <i>Natural Gas and Oil Ebitda (US\$/boe)</i> | 42.10 |
| <i>Present Value (PV) (US\$m)</i> | 366,000 | <i>Present Value Proven Reserves(US\$/boe)</i> | 22.50 |
| <i>Net Present Value (US\$/share)</i> | 104 | <i>Present Value Proven Reserves(US\$/mcf)</i> | 3.75 |
| <i>Debt/Present Value</i> | 0.12 | <i>Earnings Next Twelve Months (US\$/sh)</i> | 10.81 |
| <i>McDep Ratio - EV/PV</i> | 0.77 | <i>Price/Earnings Next Twelve Months</i> | 7 |
| <i>Dividend Yield (%/year)</i> | 4.2 | <i>Indicated Annual Dividend (US\$/sh)</i> | 3.20 |
| 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\$80 a barrel and natural gas, \$11 a million btu. | | | |
| For historical analysis of RDS since 2001 see www.mcdep.com/lrd.htm | | | |

Summary and Recommendation

Buy-recommended **Royal Dutch Shell** (RDSA) offers 30% unlevered appreciation potential to estimated Net Present Value (NPV) of \$104 a share. First quarter results reported today matched our expectations for total cash flow with more from production and less from downstream than projected in our analysis three months ago (see table [Next Twelve Months Operating and Financial Estimates](#)). NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table [Functional Cash Flow and Present Value](#)). While NPV is concentrated 52% on oil, proven reserves are concentrated 57% on natural gas by our weighted measure of oil equivalent volume (see table [Production and Reserves, 2007](#)). Oil has the strongest price trend currently while natural gas may have more future potential (see chart ([Six-Year Commodity Price Meter](#))). Lagging its peers in stock price, Royal Dutch Shell looks like a timely commitment with non-U.S. diversification and an inflation-protected dividend yield of 4.2%.

Kurt H. Wulff, CFA

McDep LLC
Independent Stock Idea
 April 29, 2008

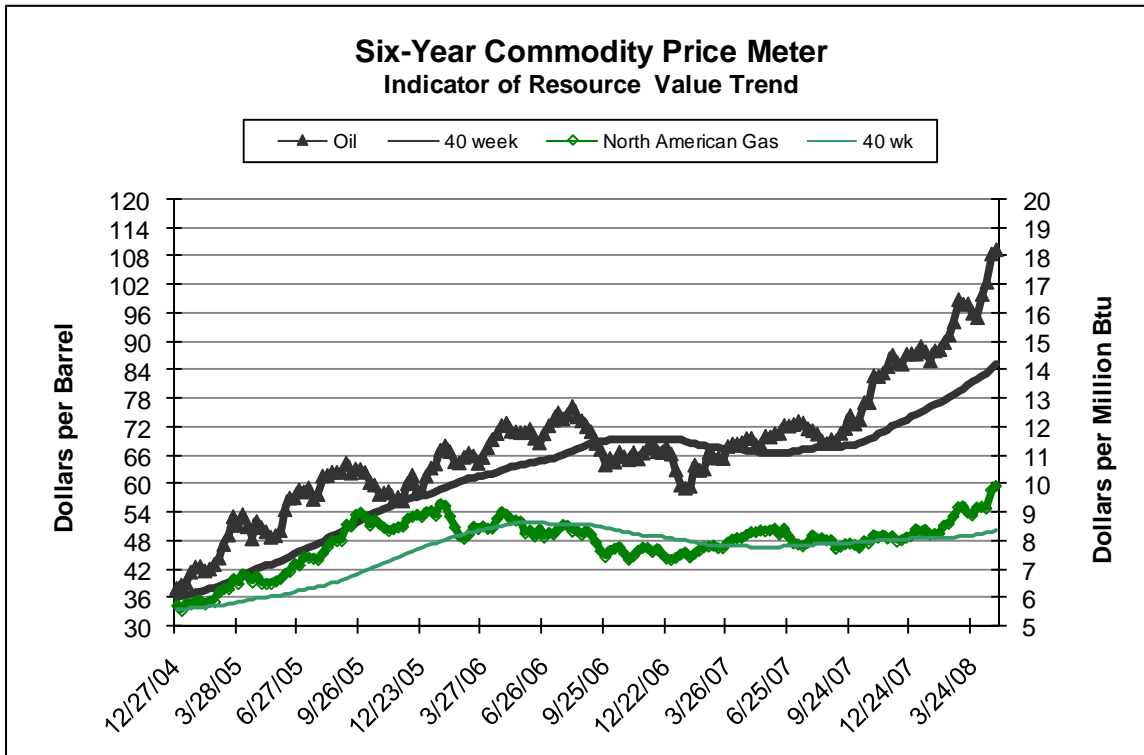


| Royal Dutch/Shell | | | | | | | | | |
|--|---------------|----------------|----------------|---------------|----------------|----------------|-----------------|----------------|--------------------------|
| Next Twelve Months Operating and Financial Estimates | | | | | | | | | |
| | | | | | | | | | Next Twelve Months |
| | Q1 3/31/07 | Q4 12/31/07 | Year 2007 | Q1 3/31/08 | Q2E 6/30/08 | Q3E 9/30/08 | Q4E 12/31/08 | Year 2008E | 3/31/09 |
| Volume | | | | | | | | | |
| Natural Gas (mmcf) | | | | | | | | | |
| U.S. | 1,162 | 1,138 | 1,130 | 1,105 | 1,105 | 1,105 | 1,105 | 1,105 | 1,105 |
| Overseas (or Int'l) | 7,819 | 8,047 | 7,083 | 8,650 | 6,276 | 6,198 | 8,047 | 7,292 | 7,288 |
| Total | 8,981 | 9,185 | 8,214 | 9,755 | 7,381 | 7,303 | 9,152 | 8,397 | 8,393 |
| Days | 90 | 92 | 365 | 91 | 91 | 92 | 92 | 366 | 365 |
| Oil (mbd) | 1,961 | 1,853 | 1,899 | 1,840 | 1,840 | 1,840 | 1,840 | 1,840 | 1,840 |
| Total gas & oil (mbd) | 3,458 | 3,384 | 3,268 | 3,466 | 3,070 | 3,057 | 3,365 | 3,239 | 3,239 |
| Price | | | | | | | | | |
| Natural gas (\$/mcf) | | | | | | | | | |
| Henry Hub (\$/mmbtu) | 6.81 | 6.97 | 6.87 | 8.02 | 10.75 | 11.49 | 11.85 | 10.52 | 11.58 |
| U.S. | 7.20 | 7.45 | 7.23 | 9.52 | 11.31 | 12.09 | 12.47 | 11.35 | 12.18 |
| Overseas (or Int'l) | 4.91 | 5.79 | 4.86 | 6.14 | 4.21 | 4.21 | 5.79 | 5.22 | 5.22 |
| Total | 5.21 | 6.00 | 5.18 | 6.52 | 5.27 | 5.40 | 6.60 | 6.03 | 6.13 |
| Oil (\$/bbl) | | | | | | | | | |
| WTI Cushing | 58.08 | 90.67 | 72.28 | 97.94 | 116.85 | 116.98 | 115.03 | 111.70 | 115.57 |
| Worldwide | 54.45 | 82.62 | 67.79 | 90.46 | 107.92 | 108.04 | 106.24 | 103.19 | 106.75 |
| Total gas & oil (\$/bbl) | 44.41 | 61.53 | 52.42 | 66.38 | 77.36 | 77.94 | 76.04 | 74.23 | 76.54 |
| NY Harbor 3-2-1 (\$/bbl) | 11.68 | 8.19 | 14.37 | 7.57 | 13.66 | 12.76 | 9.80 | 10.95 | 12.07 |
| Revenue (\$mm) | | | | | | | | | |
| Natural Gas | | | | | | | | | |
| U.S. | 753 | 780 | 2,985 | 957 | 1,137 | 1,229 | 1,267 | 4,591 | 4,914 |
| Overseas (or Int'l) | 3,458 | 4,290 | 12,556 | 4,831 | 2,405 | 2,402 | 4,290 | 13,928 | 13,875 |
| Total | 4,211 | 5,070 | 15,540 | 5,788 | 3,542 | 3,631 | 5,557 | 18,519 | 18,789 |
| Oil | 9,610 | 14,084 | 46,980 | 15,147 | 18,070 | 18,289 | 17,984 | 69,491 | 71,693 |
| Other | 59,659 | 87,548 | 293,261 | 93,367 | 93,367 | 93,367 | 93,367 | 373,468 | 373,468 |
| Total | 73,480 | 106,703 | 355,782 | 114,302 | 114,980 | 115,288 | 116,909 | 461,479 | 463,950 |
| Expense | 59,831 | 93,476 | 300,966 | 98,687 | 96,460 | 98,551 | 100,339 | 394,036 | 394,698 |
| Ebitda (\$mm) | | | | | | | | | |
| Exploration and Production | 8,388 | 9,606 | 34,619 | 11,063 | 11,887 | 12,056 | 12,948 | 47,955 | 49,765 |
| Other | 5,261 | 3,622 | 20,196 | 4,552 | 6,633 | 4,681 | 3,622 | 19,488 | 19,488 |
| Total Ebitda | 13,649 | 13,227 | 54,816 | 15,615 | 18,520 | 16,737 | 16,570 | 67,442 | 69,253 |
| Exploration | 272 | 382 | 1,712 | 325 | 600 | 600 | 600 | 2,125 | 2,400 |
| Deprec., Deplet., & Amort. | 3,260 | 3,840 | 13,180 | 3,146 | 3,600 | 3,600 | 3,600 | 13,946 | 14,400 |
| Other non cash | (622) | (1,482) | (3,132) | | | | | - | - |
| Ebit | 10,739 | 10,487 | 43,056 | 12,144 | 14,320 | 12,537 | 12,370 | 51,371 | 52,453 |
| Interest | 66 | 200 | 596 | 200 | 200 | 200 | 200 | 800 | 800 |
| Ebt | 10,673 | 10,287 | 42,460 | 11,944 | 14,120 | 12,337 | 12,170 | 50,571 | 51,653 |
| Income Tax | 3,735 | 3,600 | 14,861 | 4,180 | 4,942 | 4,318 | 4,259 | 17,700 | 18,078 |
| Net Income (\$mm) | | | | | | | | | |
| Exploration and Production | 3,508 | 4,140 | 14,176 | 5,458 | | | | | |
| Other | 2,771 | 1,731 | 10,703 | 2,354 | | | | | |
| Unallocated | 658 | 815 | 2,720 | (48) | | | | | |
| Total | 6,937 | 6,686 | 27,599 | 7,764 | 9,178 | 8,019 | 7,910 | 32,871 | 33,574 |
| Shares (millions) | 3,153 | 3,125 | 3,143 | 3,106 | 3,106 | 3,106 | 3,106 | 3,106 | 3,106 |
| Per share (\$) | 2.20 | 2.14 | 8.78 | 2.50 | 2.96 | 2.58 | 2.55 | 10.58 | 10.81 |
| Ebitda Margin (E&P) | 61% | 50% | 55% | 53% | 55% | 55% | 55% | 54% | 55% |
| Tax Rate | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |



| 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 | 2,700 | 4.7 | 4.1 | 11,000 | 3% |
| Rest of World Natural Gas | 7,630 | 10.6 | 7.3 | 56,000 | 15% |
| Oil | 39,430 | 5.7 | 4.8 | 189,000 | 52% |
| Downstream | 19,490 | | 5.6 | 110,000 | 30% |
| | 69,250 | 7.5 | 5.3 | 366,000 | 100% |
| Debt (US\$mm) | | | | | 43,000 |
| Net Present Value (US\$mm) | | | | | 323,000 |
| Shares (mm) | | | | | 3,106 |
| Net Present Value - Standard Estimate (US\$/sh) | | | | | 104 |
| NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh) | | | | | 99 |

| Royal Dutch Shell | | | | | | | | |
|--------------------------------------|--|------------------------|------------------|-----------------------------------|---------------------|-------------------|-----------------|-----------------|
| Production and Reserves, 2007 | | | | | | | | |
| | | | | | | | | <i>NTM</i> |
| | | | | <i>12/31/2007 Proven Reserves</i> | | | <i>Weighted</i> | <i>Adjusted</i> |
| | | <i>2007 Production</i> | <i>Developed</i> | <i>Undeveloped</i> | <i>Weighted</i> | <i>Life Index</i> | <i>R/P</i> | |
| | | <i>(daily)</i> | <i>(annual)</i> | <i>(bcf or mmb)</i> | <i>(bcf or mmb)</i> | <i>(years)</i> | | <i>(years)</i> |
| U.S. Natural Gas | | 1,126 | 411 | 1,327 | 1,153 | 1,904 | 4.6 | 4.6 |
| Rest of World Natural Gas | | | | | | | | |
| Europe | | 3,351 | 1,223 | 12,728 | 3,753 | 14,605 | 11.9 | |
| Africa | | 584 | 213 | 628 | 965 | 1,111 | | |
| Asia Pacific | | 2,405 | 878 | 3,603 | 3,693 | 5,450 | 6.2 | |
| MidEast, Russia, CIS | | 249 | 91 | 99 | 11,689 | 5,944 | 65.3 | |
| W. Hemisphere ex U.S. | | 496 | 181 | 857 | 400 | 1,057 | 5.8 | |
| Total | | 7,085 | 2,586 | 17,915 | 20,500 | 28,165 | 10.9 | 10.9 |
| Oil | | | | | | | | |
| U.S. | | 323 | 118 | 423 | 249 | 548 | 4.6 | |
| Europe | | 422 | 154 | 477 | 164 | 559 | 3.6 | |
| Africa | | 332 | 121 | 348 | 219 | 458 | 3.8 | |
| Asia Pacific | | 227 | 83 | 237 | 111 | 293 | 3.5 | |
| MidEast, Russia, CIS | | 433 | 158 | 629 | 761 | 1,010 | 6.4 | |
| W. Hemisphere ex U.S. | | 79 | 29 | 106 | 52 | 132 | 4.6 | |
| Oil Sands | | 79 | 29 | 580 | 531 | 846 | 29.2 | |
| Total | | 1,896 | 692 | 2,800 | 2,087 | 3,844 | 5.6 | 5.7 |
| Total Oil Equivalent | | 3,264 | 1,192 | 6,007 | 5,696 | 8,855 | 7.4 | 7.5 |



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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