

Rating: Buy
 S&P 500: 1382

Royal Dutch Shell plc New Structure Working

<i>Symbol</i>	RDS-B	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	52,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (US\$/sh)</i>	69.83	<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>	5.0
<i>Market Capitalization (US\$mm)</i>	223,500	<i>PV/Ebitda</i>	5.8
<i>Debt (US\$mm)</i>	39,500	<i>Undeveloped Reserves (%)</i>	43
<i>Enterprise Value (EV) (US\$mm)</i>	262,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	25.50
<i>Present Value (PV) (US\$mm)</i>	308,300	<i>Present Value Proven Reserves(US\$/boe)</i>	38.70
<i>Net Present Value (US\$/share)</i>	84.00	<i>Present Value Proven Reserves(US\$/mcfe)</i>	6.45
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.54
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	3.6	<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.

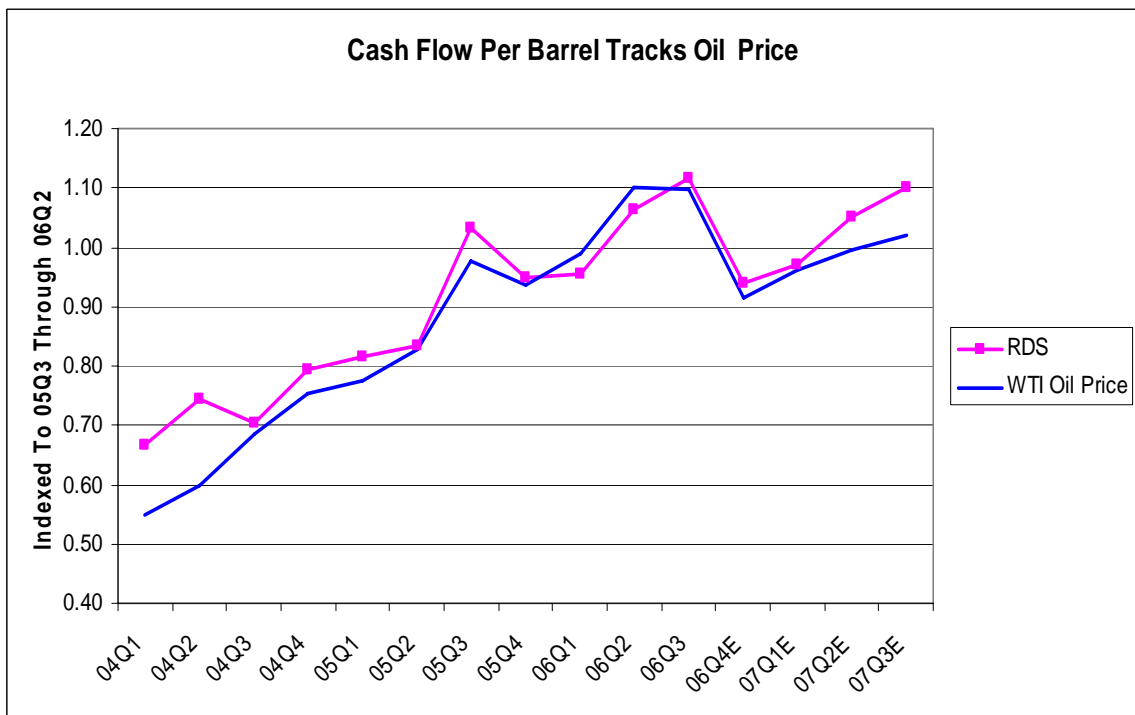
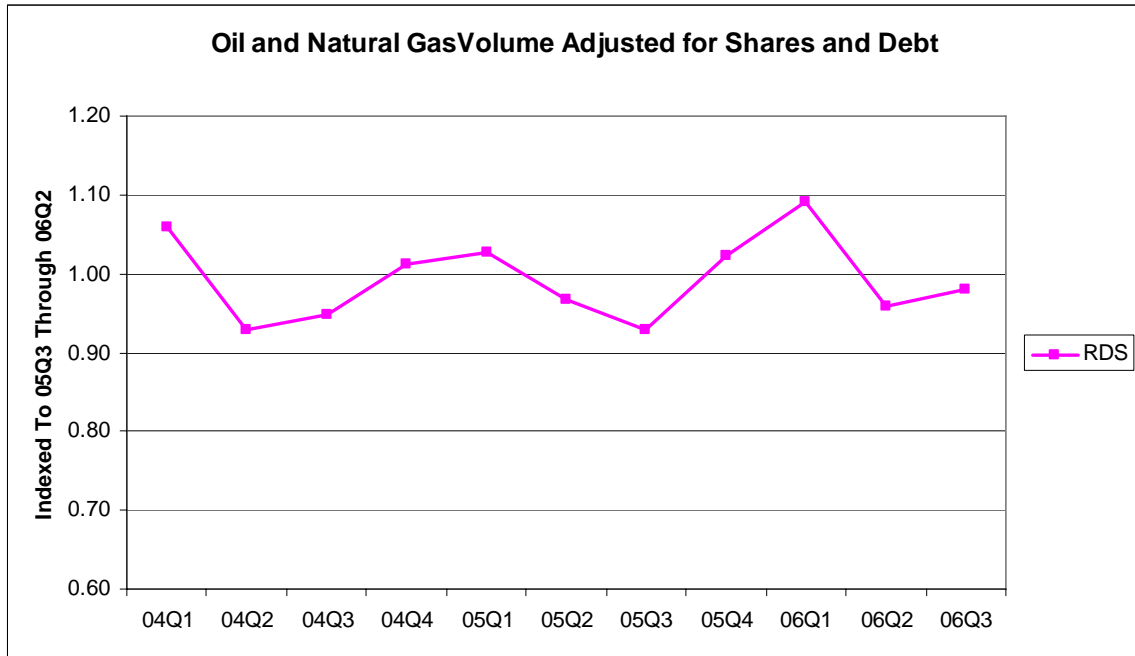
Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

Summary and Recommendation

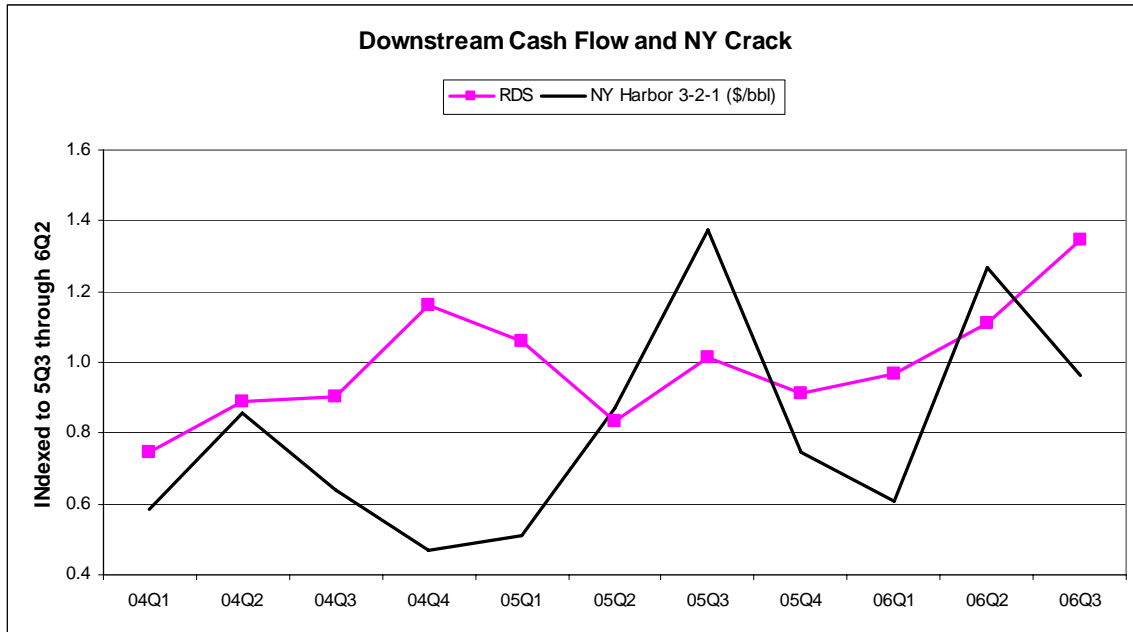
At a McDep Ratio of 0.85, buy-recommended **Royal Dutch Shell plc (RDS-B)** offers unlevered appreciation potential of 17% to estimated present value. Futures prices for oil averaging \$67 a barrel for delivery over the next six years and the company's offer to buy the minority interest in Shell Canada (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

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

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