

Rating: Buy
S&P 500: 1438

Royal Dutch Shell plc Reserves and Earnings Ahead

<i>Symbol</i>	RDS-B	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$mm)</i>	53,600
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (US\$/sh)</i>	67.71	<i>Natural Gas and Oil Production/Ebitda (%)</i>	60
<i>Pricing Date (intraday)</i>	1/31/07	<i>Adjusted Reserves/Production NTM</i>	7.4
<i>Shares (mm)</i>	3171	<i>EV/Ebitda</i>	4.8
<i>Market Capitalization (US\$mm)</i>	214,700	<i>PV/Ebitda</i>	5.7
<i>Debt (US\$mm)</i>	41,700	<i>Undeveloped Reserves (%)</i>	43
<i>Enterprise Value (EV) (US\$mm)</i>	256,400	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	25.20
<i>Present Value (PV) (US\$mm)</i>	308,100	<i>Present Value Proven Reserves(US\$/boe)</i>	37.80
<i>Net Present Value (US\$/share)</i>	84.00	<i>Present Value Proven Reserves(US\$/mcf)</i>	6.30
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.50
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	4.3	<i>Indicated Annual Dividend (US\$/sh)</i>	2.88

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.

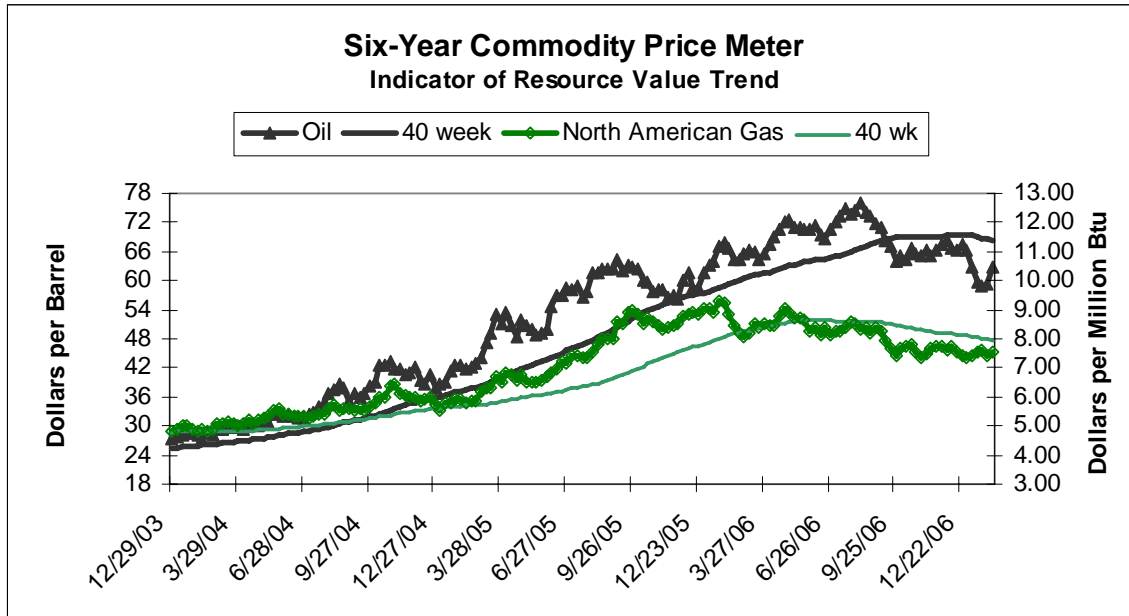
For historical analysis of RDS since 2004 see www.mcdep.com/1sc.htm

Summary and Recommendation

Buy the common shares of **Royal Dutch Shell plc (RDS-B)** for appreciation potential of 24% to estimated net present value of \$84 a share that depends first on crude oil production (40%), second on refined products (39%) and third on natural gas (21%). Fourth quarter 2006 results reported on February 1 exceeded our estimates of cash flow and earnings that reflected recent company and industry trends. Reserves added in 2006, including oil sands, exceeded production by more than the amount reserves will be reduced in 2007 for a revised agreement with Russia on the Sakhalin Island project. Oil for delivery over the next six years priced currently at \$63 a barrel may resume an uptrend by crossing above the 40-week average later in 2007 (see chart, [Six-Year Commodity Price Meter](#)). Downstream profits, though volatile, are projected at the same level as for the past four quarters (see table, [Next Twelve Months Operating and Financial Estimates](#)). Stock price on a rising 200-day average suggests growing investor interest. We favor RDS stock at a full weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for 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	1,890	5.0	5.3	10,000	3%
Rest of World Natural Gas	7,620	10.8	7.2	55,000	18%
Oil	22,630	5.6	5.4	123,000	40%
Downstream	21,510		5.6	120,000	39%
	53,650	7.4	5.7	308,000	100%
Debt (US\$mm)				42,000	
Net Present Value (US\$mm)				266,000	
Shares (mm)				3,171	
Net Present Value - Standard Estimate (US\$/sh)				84	
Net Present Value - Approximation by Correlation (US\$/sh)				89	

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Royal Dutch/Shell
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>12/31/07</i>
Volume									
Natural Gas (mmcf)									
U.S.	919	1,186	1,173	1,163	1,173	1,173	1,173	1,173	1,173
Overseas (or Int'l)	7,865	5,756	7,204	7,205	9,207	6,690	5,756	7,204	7,205
Total	8,784	6,942	8,377	8,368	10,380	7,863	6,929	8,377	8,378
Oil (mbd)	1,986	2,054	2,201	2,030	2,100	2,100	2,100	2,100	2,100
Total gas & oil (mbd)	3,450	3,211	3,597	3,425	3,830	3,411	3,255	3,496	3,496
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	13.00	6.58	6.57	7.23	7.06	7.70	7.90	8.56	7.81
U.S.	12.40	7.31	6.87	7.74	7.38	8.06	8.27	8.95	8.17
Overseas (or Int'l)	5.01	4.25	4.77	4.70	5.00	5.25	5.52	5.79	5.36
Total	5.78	4.77	5.06	5.12	5.27	5.67	5.98	6.24	5.76
Oil (\$/bbl)									
WTI Cushing	60.02	70.42	59.99	66.05	56.84	59.51	61.14	62.33	59.95
Worldwide	52.77	65.13	54.65	60.14	51.78	54.21	55.69	56.78	54.63
Total gas & oil (\$/bbl)	45.09	51.97	45.22	48.16	42.68	46.46	48.67	49.04	46.61
NY Harbor 3-2-1 (\$/bbl)	9.06	11.67	7.54	10.50	8.01	11.89	12.22	8.06	10.05
Revenue (\$mm)									
Natural Gas									
U.S.	1,048	798	741	3,287	780	860	892	966	3,499
Overseas (or Int'l)	3,623	2,249	3,158	12,349	4,146	3,198	2,921	3,839	14,105
Total	4,671	3,046	3,900	15,636	4,926	4,059	3,814	4,805	17,603
Oil	9,642	12,307	11,066	44,568	9,786	10,359	10,760	10,969	41,875
Other	61,183	68,900	60,534	258,641	60,534	60,534	60,534	60,534	242,137
Total	75,496	84,254	75,500	318,845	75,246	74,952	75,108	76,308	301,614
Expense									
Production	6,713	6,909	6,884	27,854	6,757	6,610	6,688	7,289	27,344
Other	56,875	62,656	55,087	237,126	55,964	55,281	54,290	55,087	220,622
Ebitda (\$mm)									
Exploration and Production	7,600	8,445	8,082	32,350	7,954	7,808	7,886	8,486	32,133
Other	4,308	6,244	5,448	21,515	4,570	5,253	6,244	5,448	21,515
Total Ebitda	11,908	14,688	13,529	53,865	12,524	13,061	14,129	13,933	53,648
Exploration	502	401	630	1,562	630	630	630	630	2,520
Deprec., Deplet., & Amort.	2,787	3,365	3,306	12,615	3,306	3,306	3,306	3,306	13,224
Other non cash				-					-
Ebit	8,619	10,922	9,593	39,688	8,588	9,125	10,193	9,997	37,904
Interest	311	190	324	662	324	324	324	324	1,296
Ebt	8,308	10,732	9,269	39,026	8,264	8,801	9,869	9,673	36,608
Income Tax	2,908	3,756	3,244	13,659	2,893	3,080	3,454	3,386	12,813
Net Income (\$mm)									
Exploration and Production	3,561	3,743	3,323	14,504					
Other	2,280	3,282	2,324	10,867					
Unallocated	(440)	(49)	378	(4)					
Total	5,401	6,976	6,025	25,367	5,372	5,721	6,415	6,288	23,795
Shares (millions)	3,293	3,200	3,171	3,219	3,171	3,171	3,171	3,171	3,171
Per share (\$)	1.64	2.18	1.90	7.88	1.69	1.80	2.02	1.98	7.50
Ebitda Margin (E&P)	53%	55%	54%	54%	54%	54%	54%	54%	54%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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