

Rating: Buy
 S&P 500: 1502

Royal Dutch Shell plc Record Results

<i>Symbol</i>	RDS-B	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	55,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (US\$/sh)</i>	73.20	<i>Natural Gas and Oil Production/Ebitda (%)</i>	61
<i>Pricing Date</i>	5/3/07	<i>Adjusted Reserves/Production NTM</i>	7.9
<i>Shares (mm)</i>	3153	<i>EV/Ebitda</i>	5.0
<i>Market Capitalization (US\$mm)</i>	230,800	<i>PV/Ebitda</i>	5.6
<i>Debt (US\$mm)</i>	46,200	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	277,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.00
<i>Present Value (PV) (US\$mm)</i>	311,000	<i>Present Value Proven Reserves(US\$/boe)</i>	36.90
<i>Net Present Value (US\$/share)</i>	84.00	<i>Present Value Proven Reserves(US\$/mcf)</i>	6.15
<i>Debt/Present Value</i>	0.15	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.24
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	3.9	<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

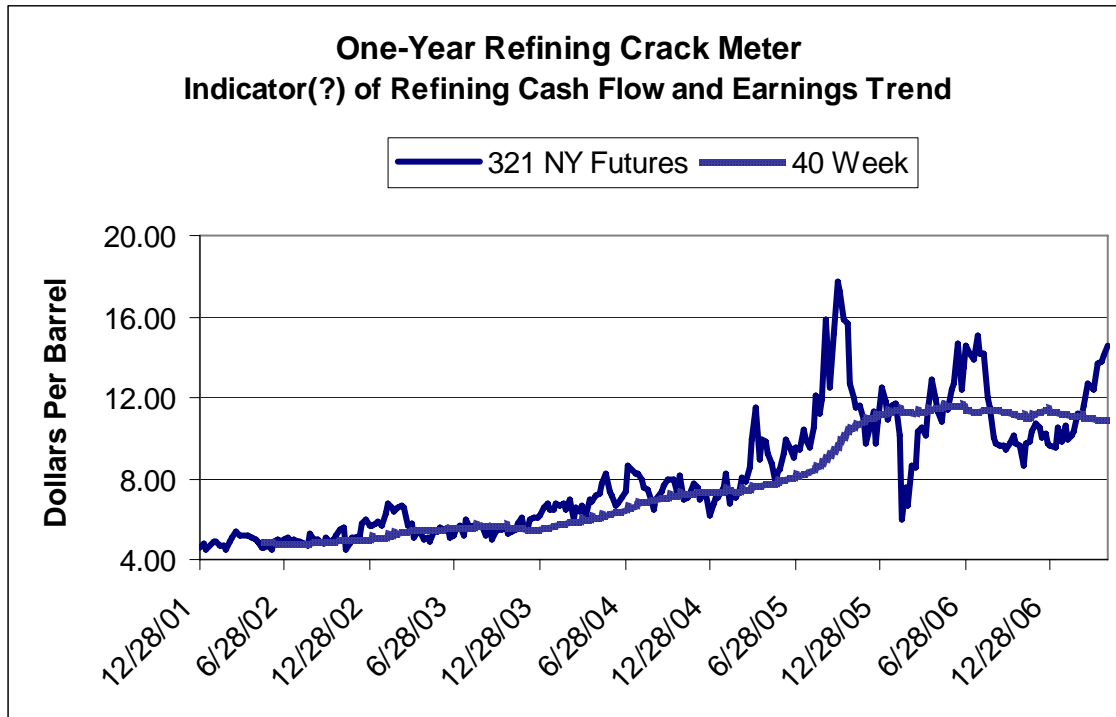
Record cash flow and earnings for the first quarter 2007 reported on May 3 support our estimate of Net Present Value (NPV) of \$84 a share for buy-recommended **Royal Dutch Shell plc (RDS-B)**. More than its mega cap peers, RDS is concentrated about 36% by value on downstream including oil products, chemicals, gas and power (see table [Functional Cash Flow and Present Value](#)). The source of latest gains, downstream may have higher profits ahead (see chart [One-Year Refining Crack Meter](#)). While oil's share of NPV at 47% is almost three times natural gas at 17%, oil's share of weighted proven reserves of 4.2 billion barrels is less than natural gas at 5.4 billion barrels equivalent (see table [Production and Reserves, 2006](#)). The commodity price for both oil and natural gas is in an uptrend with quotes for delivery over the next six-years above the 40-week average (see chart [Six-Year Commodity Price Meter](#)). We think that continued strong performance justifies a full weighting for RDS stock in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean energy for global growth.

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Royal Dutch Shell plc
Functional Cash Flow and Present Value

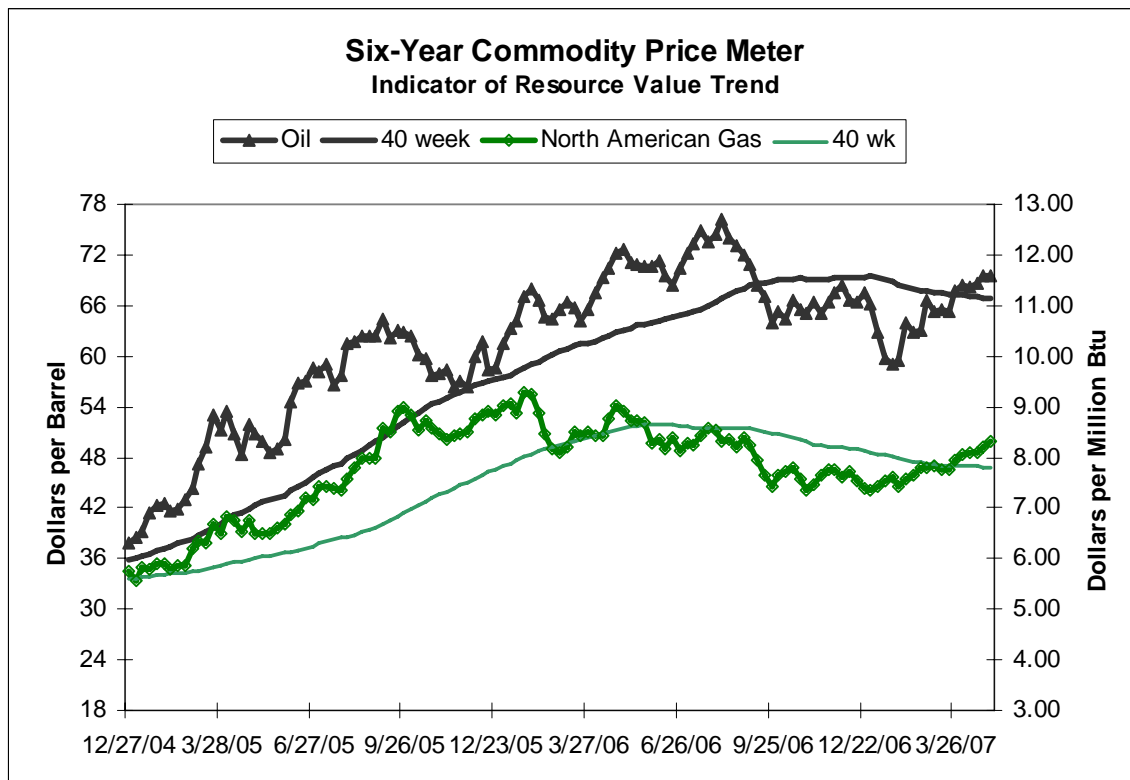
	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	2,140	4.9	4.7	10,000	3%
Rest of World Natural Gas	6,340	11.9	6.6	42,000	14%
Oil	25,240	5.9	5.8	147,000	47%
Downstream	21,640		5.2	112,000	36%
	55,360	7.9	5.6	311,000	100%
Debt (US\$mm)					46,000
Net Present Value (US\$mm)					265,000
Shares (mm)					3,153
Net Present Value - Standard Estimate (US\$/sh)					84
Net Present Value - Approximation by Correlation (US\$/sh)					85



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Royal Dutch Shell
Production and Reserves, 2006

	2006 Production		12/31/2006 Proven Reserves			Weighted Life Index (years)	NTM Adjusted R/P (years)
	(daily)	(annual)	Developed (bcf or mmb)	Undeveloped (bcf or mmb)	Weighted (bcf or mmb)		
U.S. Natural Gas	1,164	425	1,508	1,126	2,071	4.9	4.9
Rest of World Natural Gas							
Europe	3,523	1,286	13,051	3,802	14,952	11.6	
Africa	455	166	601	1,488	1,345		
Asia Pacific	2,422	884	3,523	4,138	5,592	6.3	
MidEast, Russia, CIS	290	106	134	13,448	6,858	64.7	
W. Hemisphere ex U.S.	515	188	872	451	1,098	5.8	
Total	7,205	2,630	18,181	23,327	29,845	11.3	11.9
Oil							
U.S.	321	117	460	250	585	5.0	
Europe	496	181	544	179	634	3.5	
Africa	340	124	374	401	575	4.6	
Asia Pacific	241	88	224	115	282	3.2	
MidEast, Russia, CIS	455	166	736	733	1,103	6.6	
W. Hemisphere ex U.S.	96	35	112	69	147	4.2	
Oil Sands	82	30	698	436	916	30.5	
Total	2,030	741	3,148	2,183	4,239	5.7	5.9
Total Oil Equivalent	3,425	1,250	6,429	6,259	9,559	7.6	7.9



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Royal Dutch/Shell
Next Twelve Months Operating and Financial Estimates

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>3/31/06</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>2007E</i>	<i>3/31/08</i>
Volume									
Natural Gas (mmcf)									
U.S.	1,117	1,173	1,163	1,162	1,162	1,162	1,162	1,162	1,162
Overseas (or Int'l)	9,207	7,204	7,205	7,819	6,690	5,756	7,204	6,863	6,863
Total	10,324	8,377	8,368	8,981	7,852	6,918	8,366	8,025	8,025
Oil (mbd)	1,966	2,201	2,030	1,961	1,961	1,961	1,961	1,961	1,961
Total gas & oil (mbd)	3,687	3,597	3,425	3,458	3,270	3,114	3,355	3,298	3,298
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.97	6.57	7.23	6.81	7.66	8.11	8.98	7.89	8.66
U.S.	9.56	6.87	7.74	7.20	8.10	8.58	9.50	8.35	9.16
Overseas (or Int'l)	5.16	4.77	4.70	4.91	4.37	4.25	4.77	4.60	4.60
Total	5.64	5.06	5.12	5.21	4.93	4.97	5.42	5.15	5.26
Oil (\$/bbl)									
WTI Cushing	63.33	59.99	66.05	58.08	65.13	68.03	69.72	65.24	68.39
Worldwide	57.39	54.65	60.14	54.45	61.07	63.78	65.37	61.20	64.12
Total gas & oil (\$/bbl)	46.40	45.22	48.16	44.41	48.45	51.21	51.72	48.90	50.92
NY Harbor 3-2-1 (\$/bbl)	7.40	7.54	10.50	11.68	20.08	19.62	11.69	15.77	15.54
Revenue (\$mm)									
Natural Gas									
U.S.	961	741	3,287	753	856	917	1,015	3,542	3,884
Overseas (or Int'l)	4,279	3,158	12,349	3,458	2,663	2,249	3,158	11,528	11,528
Total	5,240	3,900	15,636	4,211	3,519	3,166	4,173	15,070	15,412
Oil	10,155	11,066	44,568	9,610	10,897	11,506	11,793	43,806	45,892
Other	60,569	60,534	258,641	59,659	59,659	59,659	59,659	238,636	238,636
Total	75,964	75,500	318,845	73,480	74,075	74,331	75,625	297,512	299,939
Expense	63,394	61,971	264,980	59,831	60,548	60,146	62,179	242,704	244,583
Production	7,148	6,101	27,041	5,433	5,731	5,859	6,506	23,528	24,741
Other	56,246	55,870	237,939	54,398	54,061	53,543	54,995	216,997	216,997
Ebitda (\$mm)									
Exploration and Production	8,247	8,865	33,164	8,388	7,929	8,070	8,781	33,168	33,717
Other	4,323	4,664	20,702	5,261	5,598	6,116	4,664	21,639	21,639
Total Ebitda	12,570	13,529	53,866	13,649	13,527	14,186	13,446	54,808	55,356
Exploration	281	630	1,562	272	400	400	400	1,472	1,600
Deprec., Deplet., & Amort.	2,812	3,306	12,615	3,260	3,260	3,260	3,260	13,040	13,040
Other non cash			-	(622)				(622)	-
Ebit	9,477	9,593	39,688	10,739	9,867	10,526	9,786	40,917	40,716
Interest	127	324	662	66	180	180	180	606	720
Ebt	9,350	9,269	39,026	10,673	9,687	10,346	9,606	40,311	39,996
Income Tax	3,273	3,244	13,659	3,735	3,391	3,621	3,362	14,109	13,999
Net Income (\$mm)									
Exploration and Production	3,743	3,323	14,504	3,508					
Other	2,237	2,324	10,867	2,771					
Unallocated	98	378	(4)	658					
Total	6,078	6,025	25,367	6,937	6,297	6,725	6,244	26,202	25,998
Shares (millions)	3,268	3,171	3,219	3,153	3,153	3,153	3,153	3,153	3,153
Per share (\$)	1.86	1.90	7.88	2.20	2.00	2.13	1.98	8.31	8.24
Ebitda Margin (E&P)	54%	59%	55%	61%	55%	55%	55%	56%	55%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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