

Rating: Buy
S&P 500: 1312

Royal Dutch Shell plc **Tighter Markets and Cost Pressures**

<i>Symbol</i>	RDS-A	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	56,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	3
<i>Price (US\$/sh)</i>	68.89	<i>Natural Gas and Oil Production/Ebitda (%)</i>	63
<i>Pricing Date (intraday)</i>	5/4/06	<i>Adjusted Reserves/Production NTM</i>	7.4
<i>Shares (mm)</i>	3268	<i>EV/Ebitda</i>	4.5
<i>Market Capitalization (US\$mm)</i>	225,000	<i>PV/Ebitda</i>	5.2
<i>Debt (US\$mm)</i>	29,000	<i>Undeveloped Reserves (%)</i>	43
<i>Enterprise Value (EV) (US\$mm)</i>	254,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.10
<i>Present Value (PV) (US\$mm)</i>	291,000	<i>Present Value Proven Reserves(US\$/boe)</i>	15.10
<i>Net Present Value (US\$/share)</i>	80	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.52
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.66
<i>McDep Ratio - EV/PV</i>	0.88	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	3.7	<i>Indicated Annual Dividend (US\$/sh)</i>	2.54

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.

Summary and Recommendation

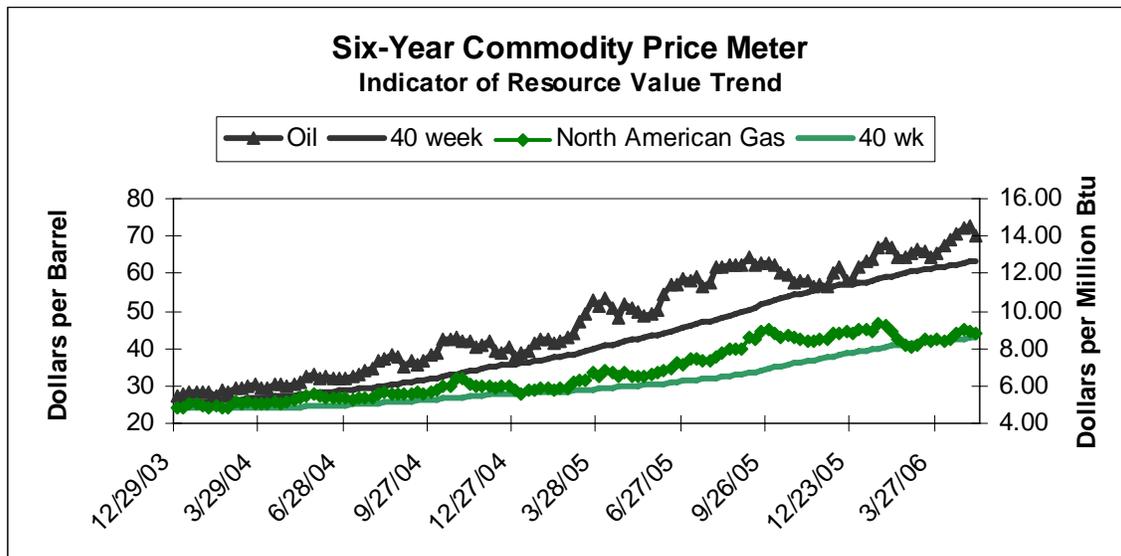
The stock of buy-recommended **Royal Dutch Shell plc (RDS-A)** offers 16% appreciation potential to estimated net present value of \$80 a share presuming a long-term oil price of \$50 a barrel. Tighter energy markets imply rising value for the 55% of present value that is concentrated on natural gas and oil production. In its quarterly earnings conference, management called attention to rampant cost inflation that may cause some expansion projects to be delayed. Escalating cost of new supply is a normal consequence of the commodity business cycle, in our opinion, that adds further robustness to prolong the rise in six-year oil and natural gas futures. Meanwhile, Shell's resilient downstream businesses delivered higher profits in the first quarter of 2006 despite a dip in the refinery crack, or margin. Traditional strength in oil products, low debt at 0.10 times present value and a new streamlined single company structure are among the factors contributing to positive investment performance.

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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	1,840	5.3	5.4	10,000	3%
Rest of World Natural Gas	8,120	10.7	7.4	60,000	21%
Oil	25,670	5.7	3.5	91,000	31%
Downstream	20,800		6.3	130,000	45%
	56,430	7.4	5.2	291,000	100%
Debt (US\$mm)					30,000
Net Present Value (US\$mm)					261,000
Shares (mm)					3,268
Net Present Value - Standard Estimate (US\$/sh)					80
Net Present Value - Approximation by Correlation (US\$/sh)					77

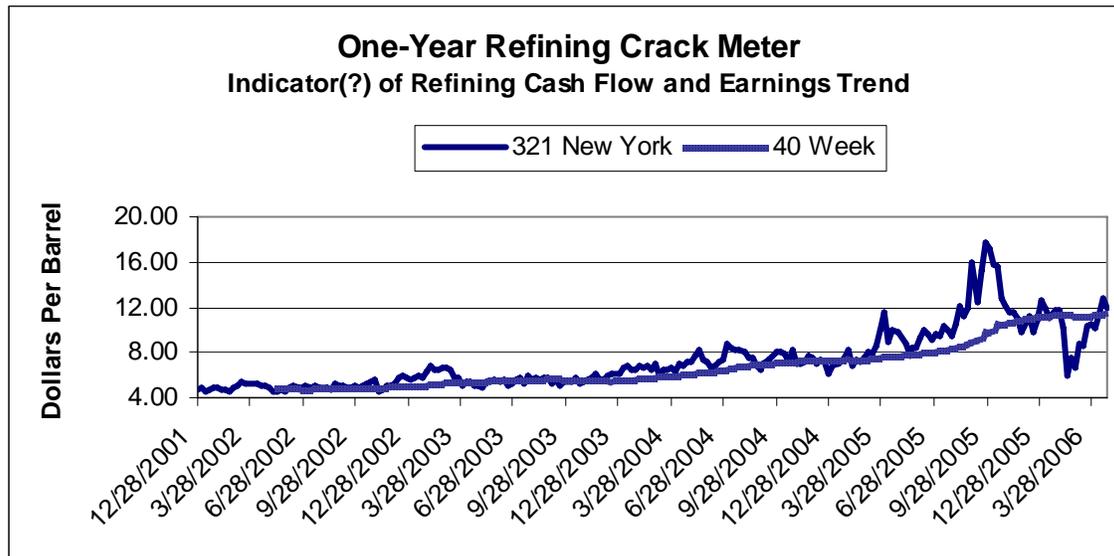


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Royal Dutch/Shell
Next Twelve Months Operating and Financial Estimates

	<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</i>
	<i>3/31/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>Twelve</i>
									<i>Months</i>
									<i>3/31/07</i>
Volume									
Natural Gas (mmcf)									
U.S.	1,385	919	1,150	1,117	1,117	1,117	1,117	1,117	1,117
Overseas (or Int'l)	8,490	7,865	7,113	9,207	6,518	5,603	7,865	7,290	7,290
Total	9,875	8,784	8,264	10,324	7,635	6,720	8,982	8,407	8,407
Oil (mbd)	2,144	1,986	2,093	1,966	1,966	2,100	2,100	2,034	2,067
Total gas & oil (mmb)	341	317	1,267	332	295	296	331	1,254	1,266
Total gas & oil (mmb)	3,790	3,450	3,471	3,687	3,239	3,220	3,597	3,435	3,468
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.27	13.00	8.65	8.97	7.13	7.40	9.38	8.22	8.81
U.S.	6.83	12.40	8.41	9.56	7.06	7.33	9.28	8.30	8.71
Overseas (or Int'l)	3.92	5.01	4.20	5.16	5.42	5.69	5.98	5.55	5.89
Total	4.33	5.78	4.78	5.64	5.66	5.96	6.39	5.91	6.27
Oil (\$/bbl)									
WTI Cushing	49.65	60.02	56.31	63.33	69.81	72.44	73.80	69.84	72.53
Worldwide	43.84	52.77	50.31	57.39	63.26	65.64	66.88	63.42	65.76
Total gas & oil (\$/bbl)	36.08	45.09	41.74	46.40	51.75	55.26	55.00	52.02	54.38
NY Harbor 3-2-1 (\$/bbl)	6.17	9.06	10.63	7.40	15.12	11.39	7.69	10.40	10.17
Revenue (\$mm)									
Natural Gas									
U.S.	851	1,048	3,531	961	717	753	954	3,385	3,552
Overseas (or Int'l)	2,997	3,623	10,901	4,279	3,216	2,935	4,326	14,757	15,679
Total	3,848	4,671	14,432	5,240	3,934	3,688	5,280	18,142	19,231
Oil	8,459	9,642	38,440	10,155	11,317	12,682	12,921	47,075	49,605
Other	59,848	61,183	253,859	60,569	60,569	60,569	60,569	242,276	242,276
Total	72,156	75,496	306,731	75,964	75,820	76,939	78,770	307,493	311,112
Expense									
Production	5,292	6,713	23,990	7,395	7,323	7,882	8,798	31,399	33,208
Other	54,834	56,875	235,803	55,999	55,369	55,369	55,369	222,106	221,476
Ebitda (\$mm)									
Exploration and Production	7,016	7,600	28,882	8,000	7,928	8,487	9,403	33,818	35,628
Other	5,014	4,308	18,057	4,570	5,200	5,200	5,200	20,170	20,800
Total Ebitda	12,030	11,908	46,939	12,570	13,128	13,687	14,603	53,988	56,428
Exploration	261	502	1,286	281	281	281	281	1,124	1,124
Deprec., Deplet., & Amort.	3,155	2,787	11,981	2,812	2,812	2,812	2,812	11,248	11,248
Other non cash			-					-	-
Ebit	8,614	8,619	33,672	9,477	10,035	10,594	11,510	41,616	44,056
Interest	78	311	747	127	127	127	127	508	508
Ebt	8,536	8,308	32,925	9,350	9,908	10,467	11,383	41,108	43,548
Income Tax	2,987	2,908	11,524	3,273	3,468	3,664	3,984	14,388	15,242
Net Income (\$mm)									
Exploration and Production	2,955	3,561	12,473	3,743					
Other	2,797	2,280	10,090	2,237					
Unallocated	(204)	(440)	(1,162)	98					
Total	5,548	5,401	21,401	6,078	6,440	6,804	7,399	26,720	28,306
Shares (millions)	3,363	3,293	3,344	3,268	3,268	3,268	3,268	3,268	3,268
Per share (\$)	1.65	1.64	6.40	1.86	1.97	2.08	2.26	8.18	8.66
Ebitda Margin (E&P)	57%	53%	55%	52%	52%	52%	52%	52%	52%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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