

Rating: Buy
 S&P 500: 1506
 Intraday

Royal Dutch Shell plc Healthy Business

<i>Symbol</i>	RDS-A	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$mm)</i>	58,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	3
<i>Price (US\$/sh)</i>	84.32	<i>Natural Gas and Oil Production/Ebitda (%)</i>	64
<i>Pricing Date</i>	10/25/07	<i>Adjusted Reserves/Production NTM</i>	8.1
<i>Shares (mm)</i>	3143	<i>EV/Ebitda</i>	5.1
<i>Market Capitalization (US\$mm)</i>	265,000	<i>PV/Ebitda</i>	5.6
<i>Debt (US\$mm)</i>	36,000	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	301,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.00
<i>Present Value (PV) (US\$mm)</i>	331,000	<i>Present Value Proven Reserves(US\$/boe)</i>	16.50
<i>Net Present Value (US\$/share)</i>	94	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.75
<i>Debt/Present Value</i>	0.11	<i>Earnings Next Twelve Months (US\$/sh)</i>	9.24
<i>McDep Ratio - EV/PV</i>	0.91	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	3.4	<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\$66 a barrel and natural gas, \$11 a million btu.

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

Summary and Recommendation

Buy-recommended **Royal Dutch Shell plc (RDS-A)** offers currently estimated net present value (NPV) of \$94 a share concentrated 51% on oil production, 33% on downstream refining/marketing and 14% on natural gas. Third quarter results reported today scored continued strength in oil and gas production while downstream profits were more modest after record refining margins in the previous quarter (see table [Next Twelve Months Operating and Financial Estimates](#)). Cash flow capitalized at unlevered cash flow multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports estimated NPV (see table [Functional Cash Flow and Present Value](#)). Future investments highlighted by Chief Financial Officer Peter Voser in the quarterly webcast included doubling of natural gas liquefaction capacity by 2010 compared to 2004. Also, the company has launched a project to expand the Port Arthur, Texas refinery to the largest capacity in the U.S. at 600,000 barrels daily. The refinery expansion would be integrated with oil sands expansion in Canada pending the outcome of taxation issues. The trend in long-term oil price points to a positive outlook for Royal Dutch Shell stock (see chart [Six-Year Commodity Price Meter](#)).

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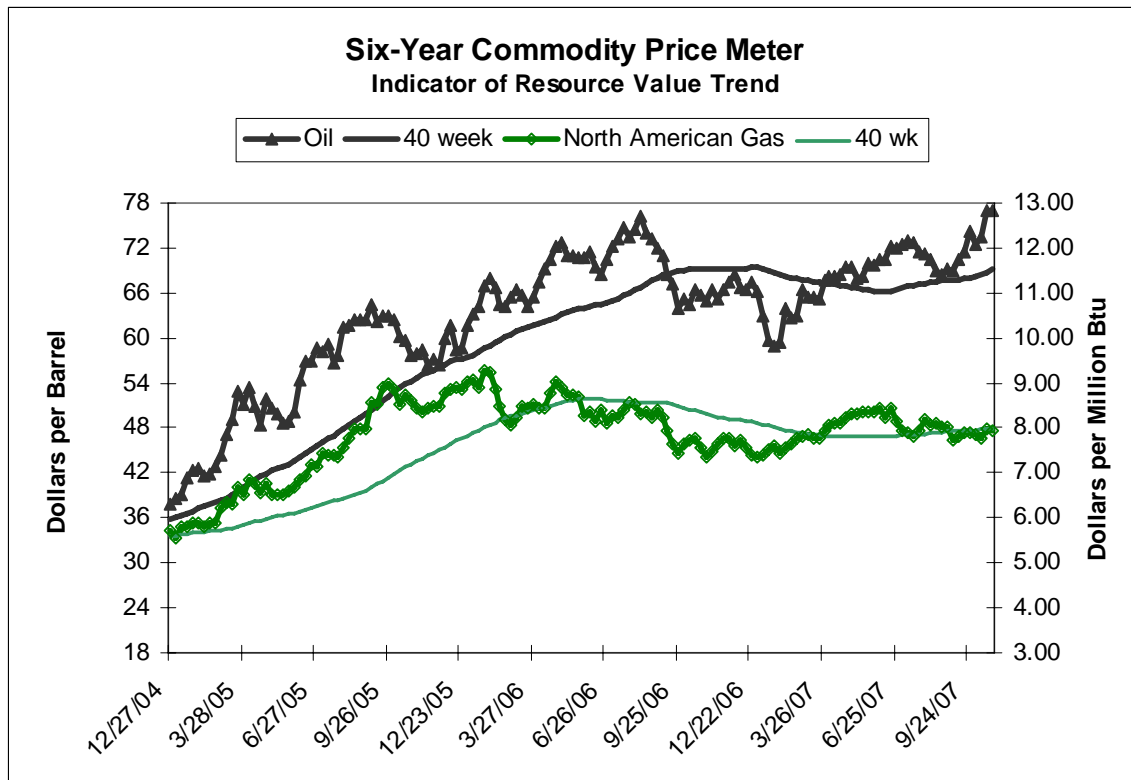
Royal Dutch/Shell
Next Twelve Months Operating and Financial Estimates

	<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>
	9/30/06	6/30/07	9/30/07	12/31/07	2007E	3/31/08	6/30/08	9/30/08	9/30/08
Volume									
Natural Gas (mmcf)									
U.S.	1,186	1,091	1,131	1,131	1,129	1,131	1,131	1,131	1,134
Overseas (or Int'l)	5,756	6,276	6,198	7,204	6,871	7,819	6,276	6,198	6,892
Total	6,942	7,367	7,329	8,335	7,999	8,950	7,407	7,329	8,026
Oil (mbd)	2,054	1,908	1,874	1,874	1,904	1,874	1,874	1,874	1,874
Total gas & oil (mbd)	3,211	3,136	3,096	3,263	3,237	3,366	3,109	3,096	3,212
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.58	7.56	6.16	6.95	6.87	7.87	7.53	7.76	7.53
U.S.	7.31	7.78	6.53	7.37	7.21	8.35	7.99	8.23	7.98
Overseas (or Int'l)	4.25	4.21	4.21	4.77	4.56	4.91	4.21	4.21	4.56
Total	4.77	4.74	4.57	5.12	4.93	5.35	4.79	4.83	5.04
Oil (\$/bbl)									
WTI Cushing	70.42	64.91	75.48	86.12	71.15	84.42	82.44	80.91	83.47
Worldwide	65.13	63.92	70.69	80.66	67.35	79.07	77.21	75.78	78.18
Total gas & oil (\$/bbl)	51.97	50.03	53.62	59.40	51.79	58.25	57.96	57.32	58.25
NY Harbor 3-2-1 (\$/bbl)	11.67	24.96	12.64	5.49	13.69	9.38	14.14	14.02	10.76
Revenue (\$mm)									
Natural Gas									
U.S.	798	772	679	767	2,972	860	822	856	3,305
Overseas (or Int'l)	2,249	2,405	2,402	3,158	11,424	3,497	2,405	2,402	11,462
Total	3,046	3,178	3,081	3,925	14,396	4,356	3,228	3,258	14,767
Oil	12,307	11,098	12,188	13,906	46,802	13,483	13,168	13,065	53,623
Other	68,900	70,620	75,434	75,434	281,147	75,434	75,434	75,434	301,736
Total	84,254	84,896	90,703	93,266	342,345	93,274	91,829	91,758	370,126
Expense	69,566	70,063	77,597	78,794	286,285	78,201	76,179	78,099	311,273
Ebitda (\$mm)									
Exploration and Production	8,573	8,200	8,426	9,807	34,821	9,812	9,017	8,978	37,615
Other	6,116	6,633	4,681	4,664	21,239	5,261	6,633	4,681	21,239
Total Ebitda	14,688	14,833	13,106	14,472	56,060	15,073	15,651	13,659	58,854
Exploration	401	450	608	608	1,938	608	400	400	2,016
Deprec., Deplet., & Amort.	3,365	3,238	2,842	2,842	12,182	2,842	2,842	2,842	11,368
Other non cash		(622)	(408)		(1,651)				-
Ebit	10,922	11,766	10,064	11,022	43,591	11,623	12,409	10,417	45,470
Interest	190	130	200	200	596	200	200	200	800
Ebt	10,732	11,636	9,864	10,822	42,995	11,423	12,209	10,217	44,670
Income Tax	3,756	4,073	3,452	3,788	15,048	3,998	4,273	3,576	15,634
Net Income (\$mm)									
Exploration and Production	3,743	3,148	3,380						
Other	3,282	3,757	2,444						
Unallocated	(49)	659	588						
Total	6,976	7,564	6,412	7,034	27,947	7,425	7,936	6,641	29,035
Shares (millions)	3,200	3,152	3,143	3,143	3,148	3,143	3,143	3,143	3,143
Per share (\$)	2.18	2.40	2.04	2.24	8.88	2.36	2.52	2.11	9.24
Ebitda Margin (E&P)	56%	57%	55%	55%	57%	55%	55%	55%	55%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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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	1,820	5.0	5.5	10,000	3%
Rest of World Natural Gas	6,300	11.9	6.8	43,000	13%
Oil	29,490	6.2	5.7	168,000	51%
Downstream	21,240		5.2	110,000	33%
	58,850	8.1	5.6	331,000	100%
Debt (US\$mm)					36,000
Net Present Value (US\$mm)					295,000
Shares (mm)					3,143
Net Present Value - Standard Estimate (US\$/sh)					94
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					90



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