



Rating: Buy
 S&P 500: 1358
 Intraday

Royal Dutch Shell plc Downstream Offset

<i>Symbol</i>	RDS-A	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	60,700
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	3
<i>Price (US\$/sh)</i>	70.76	<i>Natural Gas and Oil Production/Ebitda (%)</i>	67
<i>Pricing Date</i>	1/31/08	<i>Adjusted Reserves/Production NTM</i>	8.1
<i>Shares (mm)</i>	3125	<i>EV/Ebitda</i>	4.3
<i>Market Capitalization (US\$m)</i>	221,000	<i>PV/Ebitda</i>	6.0
<i>Debt (US\$m)</i>	39,000	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$m)</i>	260,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	34.30
<i>Present Value (PV) (US\$m)</i>	364,000	<i>Present Value Proven Reserves(US\$/boe)</i>	18.90
<i>Net Present Value (US\$/share)</i>	104	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.15
<i>Debt/Present Value</i>	0.11	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.94
<i>McDep Ratio - EV/PV</i>	0.71	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	4.5	<i>Indicated Annual Dividend (US\$/sh)</i>	3.20
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\$80 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

With Net Present Value (NPV) of \$104 a share concentrated 30% on downstream refined oil products, chemicals and natural gas, buy-recommended **Royal Dutch Shell** (RDSA) has more of a hedge to upstream oil and natural gas than peers. In the fourth quarter reported today, the company's results were lower in downstream while record crude oil price generated cash flow close to our projections. Taking latest results into account, our projections for 2008 may indicate a somewhat lower NPV. In any event Royal Dutch Shell stock appears to be a bargain at a low unlevered cash flow multiple of 4.3 times. A low ratio of debt to present value is evidence of a strong financial position. An intended dividend increase to US\$0.80 a quarter raises indicated annual yield to 4.5%.

Kurt H. Wulff, CFA



Royal Dutch/Shell									
Next Twelve Months Operating and Financial Estimates									
									Next Twelve Months
	Q4 12/31/06	Q3 9/30/07	Q4 12/31/07	Year 2007	Q1E 3/31/08	Q2E 6/30/08	Q3E 9/30/08	Q4E 12/31/08	12/31/08
Volume									
Natural Gas (mmcf)									
U.S.	1,173	1,131	1,138	1,130	1,138	1,138	1,138	1,138	1,141
Overseas (or Int'l)	7,204	6,198	8,047	7,083	7,819	6,276	6,198	8,047	7,105
Total	8,377	7,329	9,185	8,214	8,957	7,414	7,336	9,185	8,246
Oil (mbd)	2,201	1,874	1,853	1,899	1,853	1,853	1,853	1,853	1,853
Total gas & oil (mbd)	3,597	3,096	3,384	3,268	3,346	3,089	3,076	3,384	3,227
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	7.76	8.07	8.28	8.63	8.18
U.S.	6.87	6.53	7.45	7.23	8.29	8.62	8.84	9.22	8.74
Overseas (or Int'l)	4.77	4.21	5.79	4.86	4.91	4.21	4.21	5.79	4.86
Total	5.06	4.57	6.00	5.18	5.34	4.89	4.93	6.22	5.39
Oil (\$/bbl)									
WTI Cushing	59.99	75.48	90.67	72.28	91.62	90.56	89.92	89.34	90.36
Worldwide	54.65	70.69	84.92	68.36	85.81	84.81	84.22	83.67	84.62
Total gas & oil (\$/bbl)	45.22	53.62	62.79	52.75	61.83	62.62	62.50	62.70	62.41
NY Harbor 3-2-1 (\$/bbl)	7.54	12.64	8.19	14.37	9.18	14.37	13.89	9.82	11.81
Revenue (\$mm)									
Natural Gas									
U.S.	741	679	780	2,985	858	893	926	965	3,642
Overseas (or Int'l)	3,158	2,402	4,290	12,556	3,497	2,405	2,402	4,290	12,594
Total	3,900	3,081	5,070	15,540	4,355	3,298	3,328	5,255	16,236
Oil	11,066	12,188	14,477	47,373	14,469	14,302	14,357	14,264	57,392
Other	60,534	75,434	87,156	292,869	87,156	87,156	87,156	87,156	348,622
Total	75,500	90,703	106,703	355,782	105,980	104,756	104,840	106,675	422,251
Expense (\$mm)	61,971	77,597	93,476	300,966	90,366	88,442	90,433	92,318	361,559
Ebitda (\$mm)									
Exploration and Production	8,865	8,426	9,606	34,619	10,353	9,680	9,727	10,736	40,496
Other	4,664	4,681	3,622	20,196	5,261	6,633	4,681	3,622	20,196
Total Ebitda	13,529	13,106	13,227	54,816	15,614	16,313	14,407	14,357	60,692
Exploration	630	608	382	1,712	382	400	400	400	1,582
Deprec., Deplet., & Amort.	3,306	2,842	3,840	13,180	3,840	3,840	3,840	3,840	15,360
Other non cash		(408)	(1,482)	(3,132)					-
Ebit	9,593	10,064	10,487	43,056	11,392	12,073	10,167	10,117	43,750
Interest	324	200	200	596	200	200	200	200	800
Ebt	9,269	9,864	10,287	42,460	11,192	11,873	9,967	9,917	42,950
Income Tax	3,244	3,452	3,600	14,861	3,917	4,156	3,489	3,471	15,032
Net Income (\$mm)									
Exploration and Production	3,323	3,380	4,140						
Other	2,324	2,444	1,731						
Unallocated	378	588	815						
Total	6,025	6,412	6,686	27,599	7,275	7,718	6,479	6,446	27,917
Shares (millions)	3,171	3,143	3,125	3,143	3,125	3,125	3,125	3,125	3,125
Per share (\$)	1.90	2.04	2.14	8.78	2.33	2.47	2.07	2.06	8.94
Ebitda Margin (E&P)	59%	55%	49%	55%	55%	55%	55%	55%	55%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Royal Dutch Shell plc					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
North American Natural Gas	2,000	5.0	5.0	10,000	3%
Rest of World Natural Gas	6,930	11.5	7.2	50,000	14%
Oil	31,560	6.3	6.1	194,000	53%
Downstream	20,200		5.4	110,000	30%
	60,690	8.1	6.0	364,000	100%
Debt (US\$mm)					39,000
Net Present Value (US\$mm)					325,000
Shares (mm)					3,125
Net Present Value - Standard Estimate (US\$/sh)					104
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					96

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.