

Rating: Buy
 S&P 500: 1235

Royal Dutch Shell plc

Raise Net Present Value to \$84 a Share

<i>Symbol</i>	RDS-B	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$m)</i>	57,200
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (US\$/sh)</i>	65.35	<i>Natural Gas and Oil Production/Ebitda (%)</i>	66
<i>Pricing Date (intraday)</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	7.2
<i>Shares (mm)</i>	3372	<i>EV/Ebitda</i>	4.5
<i>Market Capitalization (US\$m)</i>	220,400	<i>PV/Ebitda</i>	5.6
<i>Debt (US\$m)</i>	35,100	<i>Undeveloped Reserves (%)</i>	44
<i>Enterprise Value (EV) (US\$m)</i>	255,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.80
<i>Present Value (PV) (US\$m)</i>	318,400	<i>Present Value Proven Reserves(US\$/boe)</i>	43.30
<i>Net Present Value (US\$/share)</i>	84.00	<i>Present Value Proven Reserves(US\$/mcf)</i>	7.22
<i>Debt/Present Value</i>	0.11	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.30
<i>McDep Ratio - EV/PV</i>	0.80	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	3.4	<i>Indicated Annual Dividend (US\$/sh)</i>	2.24

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

We raise our estimated net present value of buy-recommended **Royal Dutch Shell plc (RDS-B)** to \$84 a share from \$66 on the basis of an expected long-term real price for oil of \$50 a barrel up from \$40 for Light Sweet Crude. We also raise our long-term real price for natural gas to \$10 a million BTU, up from \$8 for the Henry Hub location. Our long-term real price expectation for the 3-2-1 refining crack (margin) in New York Harbor is now \$10 a barrel up from \$8. The stock has 29% appreciation potential to net present value. Risk is low with globally diversified, integrated operations and miniscule debt. Dividend increases seem likely along with stock repurchase.

Kurt H. Wulff, CFA

Royal Dutch Shell plc

Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$m)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$m)</i>	
North American Natural Gas	2,430	4.8	4.5	11,000	3%
Rest of World Natural Gas	9,030	10.7	7.8	70,000	22%
Oil	26,570	5.5	3.7	97,000	31%
Downstream	19,200		7.3	140,000	44%
	57,230	7.2	5.6	318,000	100%
Debt (US\$m)				35,000	
Net Present Value (US\$m)				283,000	
Shares (mm)				3,372	
Net Present Value (US\$/sh)				84	

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Royal Dutch/Shell
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next</i>
	<i>12/31/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>Twelve</i>
										<i>Months</i>
										<i>6/30/06</i>
Volume										
Natural Gas (mmcf)										
U.S. (or North America)	1,302	1,335	1,385	1,357	1,357	1,357	1,364	1,357	1,357	1,357
Overseas (or Int'l)	8,408	7,528	8,490	6,518	5,925	8,296	7,303	8,764	6,427	7,348
Total	9,710	8,864	9,875	7,875	7,282	9,653	8,667	10,121	7,784	8,705
Oil (mbd)	2,163	2,261	2,144	2,168	2,168	2,168	2,162	2,168	2,168	2,168
Total gas & oil (mmb)	348	1,365	341	317	311	347	1,316	347	315	1,321
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	7.10	6.15	6.27	6.76	7.60	8.69	7.33	9.44	8.04	8.44
U.S. (or North America)	7.27	6.33	6.83	7.31	7.52	8.60	7.57	9.34	7.96	8.35
Overseas (or Int'l)	3.32	3.08	3.92	3.78	5.49	5.73	4.73	5.84	5.79	5.73
Total	3.85	3.57	4.33	4.39	5.87	6.14	5.18	6.31	6.16	6.14
Oil (\$/bbl)										
WTI Cushing	48.31	41.44	49.65	53.05	60.62	63.32	56.66	64.52	63.88	63.09
Worldwide	40.17	35.56	43.84	48.05	54.91	57.35	51.10	58.44	57.86	57.13
Total gas & oil (\$/bbl)	32.86	29.98	36.08	39.86	47.84	48.60	43.08	49.44	50.05	48.99
NY Harbor 3-2-1 (\$/bbl)	5.72	7.74	6.17	10.59	12.11	7.97	9.21	8.32	11.22	9.91
Revenue (\$mm)										
Natural Gas										
U.S. (or North America)	871	3,084	851	903	939	1,074	3,767	1,141	983	4,136
Overseas (or Int'l)	2,568	8,471	2,997	2,243	2,993	4,377	12,610	4,609	3,384	15,363
Total	3,439	11,555	3,848	3,146	3,932	5,450	16,377	5,750	4,367	19,499
Oil	7,994	29,357	8,459	9,480	10,951	11,438	40,328	11,402	11,415	45,207
Other	64,991	227,152	59,848	70,018	70,018	70,018	269,903	70,018	70,018	280,073
Total	76,424	268,064	72,156	82,644	84,902	86,907	326,608	87,171	85,800	344,779
Expense										
Production	4,466	15,888	5,292	5,959	6,411	6,812	24,474	6,865	6,591	26,678
Other	59,488	209,644	54,834	66,067	65,218	65,218	251,339	65,218	65,218	260,873
Ebitda (\$mm)										
Exploration and Production	6,967	25,024	7,016	6,666	8,472	10,076	32,231	10,288	9,191	38,027
Other	5,503	17,508	5,014	3,951	4,800	4,800	18,565	4,800	4,800	19,200
Total Ebitda	12,470	42,532	12,030	10,617	13,272	14,876	50,795	15,088	13,991	57,227
Exploration	519	1,828	261	248	248	248	1,005	248	600	1,344
Deprec., Deplet., & Amort.	3,545	11,897	3,155	3,136	3,136	3,136	12,563	3,136	3,136	12,544
Other non cash	161	554	-	-	-	-	-	-	-	-
Ebit	8,245	28,253	8,614	7,233	9,888	11,492	37,227	11,704	10,255	43,339
Interest	336	1,259	78	74	74	74	300	74	74	296
Ebt	7,909	26,994	8,536	7,159	9,814	11,418	36,927	11,630	10,181	43,043
Income Tax	2,768	9,448	2,987	2,506	3,435	3,996	12,925	4,070	3,563	15,065
Net Income (\$mm)										
Exploration and Production	2,578	9,664	2,955	2,745						
Other	3,036	9,436	2,797	2,290						
Unallocated	(473)	(1,554)	(204)	(382)						
Total	5,141	17,546	5,548	4,653	6,379	7,422	24,003	7,559	6,618	27,978
Shares (millions)	3,360	3,374	3,363	3,372	3,372	3,372	3,370	3,372	3,372	3,372
Per share (\$)	1.53	5.20	1.65	1.38	1.89	2.20	7.12	2.24	1.96	8.30
Ebitda Margin (E&P)	61%	61%	57%	53%	57%	60%	57%	60%	58%	59%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

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Oil and Gas Producers
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>		<i>Price</i>		<i>Market</i>	<i>Net</i>	<i>Debt/</i>	
	<i>Rating</i>		<i>(\$/sh)</i>	<i>Shares</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>McDep</i>
			<i>1-Aug</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	<i>Ratio</i>
			<i>2005</i>			<i>(\$/sh)</i>		
Mega Cap								
BP plc	BP	B	66.63	3,545	236,000	82.00	0.10	0.83
Total S.A.	TOT	B	126.26	1,192	151,000	160.00	0.12	0.81
Exxon Mobil Corporation	XOM	B	59.23	6,370	377,000	74.00	0.04	0.81
Royal Dutch Shell plc	RDS-A	B	63.02	3,372	213,000	84.00	0.11	0.78
Chevron Corporation	CVX	B	58.43	2,086	122,000	90.00	0.08	0.68
	<i>Total or Median</i>				<i>1,099,000</i>		<i>0.10</i>	<i>0.81</i>

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