

Royal Dutch Shell plc

Consolidated Interim Report 2006



The first half of the year was characterised by good operational performance and cash generation. Shell is delivering the strategy of more upstream and profitable downstream with ambitious growth plans upstream and selective investment downstream. Income attributable to shareholders for the first half of 2006 was \$14,217 million, an increase of 19% compared to a year ago.

Basic earnings per share for the Shell Group in the first half of 2006 were \$2.19, an increase of 24% compared to a year ago. Basic current cost of supplies (CCS) earnings per share were \$1.91, an increase of 26% compared to a year ago. The return on average capital employed*, on a reported income attributable to shareholders basis, was 26.3%.

Net cash from operating activities was \$15.7 billion compared to \$15.0 billion a year ago. Capital investment in the first half of 2006 was \$11.3 billion, including the minority interest in Sakhalin and including the \$2.2 billion oil sands acquisition of BlackRock Ventures Inc. in Canada by Shell Canada. Of this, \$9.7 billion was spent in upstream and \$1.6 billion in downstream and other activities.

Proceeds from divestments were \$0.7 billion. Our cash position remains exceptionally strong.

Exploration & Production

Exploration & Production segment earnings were \$7,742 million compared to \$5,700 million a year ago, an increase of 36%, mainly reflecting higher realised prices and income tax credits, partially offset by lower volumes and higher costs. Earnings included income of \$417 million mainly from a net gain of \$113 million in respect of certain UK gas contracts, the impact of Canadian tax revisions and the resolution of certain contractual issues, versus net charges a year ago of \$190 million.

Liquid realisations were 32% higher than a year ago, compared to an increase in Brent of 32% and WTI of around 30%. Outside the USA, gas realisations increased by 25%. In the USA, gas realisations increased by 19% compared to an increase in Henry Hub of 7%. Hydrocarbon production was 3,498 thousand boe per day, 5% lower than a year ago (3,684 thousand boe per day). The decrease in production is more than explained by the impact of security deferrals in Nigeria, deferred Gulf of Mexico production as a result of the 2005 hurricanes and lower entitlements due to higher hydrocarbon prices.

In the Gulf of Mexico, the Mars platform resumed production during the quarter ahead of schedule and was almost 10% ahead of prior production rates by the end of the quarter at 145 thousand bbl of oil per day and 155 million cubic feet of gas per day (Shell share 82 thousand bbl of oil per day and 88 million cubic feet of gas per day). During the Mars recovery operation topside modifications were made to accommodate future wells and to minimise future planned shut-ins.

In Canada, Shell Canada acquired 100% of BlackRock Ventures Inc (BlackRock). BlackRock has in situ conventional oil activities in the Peace River, Cold Lake and Lloydminster areas of Athabasca, with oil in place estimated to be at least 18 billion barrels.

Gas & Power

Gas & Power segment earnings of \$1,281 million for the first half of 2006 were 163% higher than a year ago. Earnings in 2005 included net charges of \$178 million, mainly related to divestments. Excluding these charges, earnings in 2006 were 93% higher than same period last year, reflecting strong LNG results and marketing and trading earnings.

LNG results benefited from strong prices and continued volume growth. LNG year to date sales volume was up 9% from a year ago, reflecting additional LNG capacity through Trains 4 and 5 in Nigeria LNG (Shell share 26%) and Qalhat LNG in Oman (Shell indirect share 11%). Marketing and trading earnings continue to be driven by good performance and favourable conditions in European and North American markets.

Shell and Qatar Petroleum launched the integrated Pearl Gas to Liquids (GTL) project in Qatar. The Pearl GTL project includes the development of offshore natural gas resources, transporting and

processing the gas onshore to extract liquids, and the conversion of gas into clean liquid hydrocarbon products for export.

Oil Products

Oil Products CCS segment earnings were \$3,398 million compared to \$3,908 million for the first half of 2005. Earnings included net charges of \$65 million related to restructuring of employee retirement plans in France, partially offset by the impact of a reduction in deferred taxes in Canada arising from reduced tax rates. Earnings in the first half of 2005 included net gains of some \$427 million, mainly related to divestments.

Reduced earnings in Manufacturing, Supply and Distribution were largely offset by higher trading profits. In Manufacturing, Supply and Distribution, refining margins were higher on the US Gulf coast and US West coast but declined in Europe and Asia Pacific. Earnings were negatively impacted by lower utilisation as a result of refinery downtime.

In Marketing, reduced earnings in Retail were offset by higher earnings in Lubricants and B2B. In the first half of 2006 retail margins came under pressure due to the impact of rising product cost. Lubricants earnings were higher due to stronger base oil margins. B2B earnings increased due to higher margins for marine, aviation fuels and bitumen. Marketing sales volumes declined reflecting supply constraints, divestments and rationalised B2B volumes.

Motiva Enterprises (Shell share 50%) continued progress towards a consideration to expand the Port Arthur Refinery in the USA, which would add up to 325 thousand barrels per day crude throughput bringing the total throughput to up to approximately 600 thousand barrels per day. Subject to commercial conditions for an investment decision and regulatory approvals, Motiva expects to begin construction in 2007 with the brownfield expansion to come on line post 2009.

Chemicals

Chemicals CCS segment earnings were \$487 million and included net charges of \$30 million related to restructuring of employee retirement plans in France, partially offset by the impact of a reduction in deferred taxes in Canada arising from reduced tax rates. CCS earnings were \$634 million in the first half of 2005 and included charges related to divestments and environmental charges of some \$294 million. The decline in CCS earnings compared to a year ago reflected primarily lower margin realisations, especially in the first quarter of 2006. Sales volumes increased by 3% mainly due to trading volume increases as well as improved asset utilisation this year. Operating rates were 1% higher reflecting a reduction in unplanned downtime.

In China, the CNOOC and Shell Petrochemicals Company Limited joint venture (Shell share 50%) started operation of its Nanhai petrochemicals complex in Guangdong.

Shell has taken a final investment decision for the construction of a ethylene cracker and Mono-Ethylene Glycol (MEG) plant in Singapore. Construction of the 800 thousand tonnes per annum ethylene cracker is due to begin later this year with start-up anticipated towards 2009/2010. The cracker and the new MEG plant will create an advantaged site through full integration with the 464 thousand barrels per day Bukom refinery (Shell share 100%) enabling feedstock and operating benefits.

Other industry segments, Corporate and minority interest

Other industry segments, Corporate and minority interest earnings resulted in a loss of \$506 million in the first half of 2006 compared to a loss of \$627 million in the first half of 2005. Corporate net costs were \$214 million compared to \$327 million in the comparable period last year and included in the first half of 2006 the recognition of a \$500 million provision in respect of litigation.

Cash flow

Cash flow from operating activities, excluding net working capital movements and taxation paid/accrued, was \$21.1 billion, compared to \$17.8 billion a year ago. Capital investment for the first half of 2006 was \$11.3 billion (including the minority share of

Sakhalin and including the \$2.2 billion oil sands acquisition of BlackRock Ventures Inc. in Canada by Shell Canada). Gross proceeds from divestments were \$0.7 billion. Share purchases for cancellation for the year to date amounted to \$4.0 billion.

Dividends

On May 4, 2006 first quarter 2006 interim dividends were announced €0.25 (17.13p) per A and B shares for Royal Dutch Shell. On July 27, 2006 second quarter 2006 interim dividends were announced of €0.25 (17.08p) per A and B shares for Royal

Dutch Shell. On April 28, 2005 first quarter 2005 interim dividends were announced of €0.46 per share for Royal Dutch and 4.55p per share for Shell Transport. On July 28, 2005 second quarter 2005 interim dividends were announced of €0.23 (15.89p) per A and B shares for Royal Dutch Shell.

*Return on average capital employed on an income basis is the sum of the current and previous three quarters' income attributable to shareholders plus interest, less tax and minority interest as a percentage of the average of the shareholders share of closing capital employed and the opening capital employed a year earlier. The tax rate and the minority interest components are derived from calculations at the published segment level.

Summary results

	\$ million	
	Six months ended June 30	
	2006	2005
Income attributable to shareholders of Royal Dutch Shell plc	14,217	11,911
Estimated current cost of supplies (CCS) adjustment for Oil Products and Chemicals segment	1,815	1,809
CCS earnings *	12,402	10,102
Cash from operating activities	15,658	15,002
Cash from operating activities excluding net working capital movements and taxation paid/accrued	21,074	17,762
Capital investment	11,325	7,375
Upstream production (thousand boe/d)	3,498	3,684

*To facilitate a better understanding of underlying business performance, the financial results are also analysed on an estimated CCS basis as applied for the Oil Products and Chemicals segment earnings. Earnings on an estimated current cost of supplies basis provide useful information concerning the effect of changes in the cost of supplies on Royal Dutch Shell's results of operations and are a measure to manage the performance of the Oil Products and Chemicals segments but is not a measure of financial performance under IFRS. On this basis, Oil Products and Chemicals segment cost of sales of the volumes sold during the period is based on the cost of supplies during the same period after making allowance for the estimated tax effect, instead of the first-in-first-out (FIFO) method of inventory accounting. The adjustment from income to an estimated current cost of supplies basis has no related balance sheet entry. Earnings calculated on this basis do not represent an application of the last-in, first-out (LIFO) inventory basis and do not reflect any inventory draw down effects.

Segment earnings

	\$ million	
	Six months ended June 30	
	2006	2005
Exploration & Production	7,742	5,700
Gas & Power	1,281	487
Oil Products (CCS basis)	3,398	3,908
Chemicals (CCS basis)	487	634
Other segments, Corporate and minority interest	(506)	(627)
CCS earnings	12,402	10,102

Summarised Consolidated Statement of Income

	\$ million	
	Six months ended June 30	
	2006	2005
Revenue	159,091	154,800
Cost of sales	129,760	128,029
Gross profit	29,331	26,771
Selling, distribution expenses and administrative expenses	7,842	7,456
Exploration	531	509
Share of profit of equity accounted investments	3,652	2,653
Interest and other income	669	445
Interest expense	561	554
Income before taxation	24,718	21,350
Taxation (includes UK taxation of \$724 million, 2005; \$982 million)	10,175	8,869
Income from continuing operations	14,453	12,481
Income/(loss) from discontinued operations	-	(214)
Income for the period	14,453	12,267
Income attributable to minority interest	326	356
Income attributable to shareholders of Royal Dutch Shell plc	14,217	11,911
Basic earnings per share		
Earnings per share (\$)	2.19	1.77
CCS earnings per share (\$)	1.91	1.51
Diluted earnings per share		
Earnings per share (\$)	2.18	1.77
CCS earnings per share (\$)	1.91	1.51

Summarised Consolidated Statement of Changes in Equity	Shareholders equity	Minority interest	Total equity
At January 1, 2006	90,924	7,000	97,924
Income for the period	14,217	326	14,543
Income/(expense) recognised directly in equity	2,438	76	2,514
Dividends paid	(3,929)	(205)	(4,134)
Effect of Unification	154	–	154
Shares repurchased for cancellation	(4,010)	–	(4,010)
Other changes	419	823	1,242
At June 30, 2006	100,213	8,020	108,233

Summarised Consolidated Balance Sheet

	June 30, 2006	\$ million June 30, 2005
Non-current assets		
Intangible assets	4,721	4,403
Property, plant and equipment	94,102	84,816
Investments	22,995	22,080
Deferred tax	2,259	2,961
Other	7,712	6,731
	131,789	120,991
Current assets		
Inventories	24,660	18,566
Accounts receivable	62,327	51,420
Cash and cash equivalents	11,774	11,520
	98,761	81,506
Total assets	230,550	202,497
Non-current liabilities		
Debt	8,472	7,905
Deferred tax	12,007	12,807
Retirement benefit obligations	6,271	6,239
Other	13,332	10,801
	40,082	37,752
Current liabilities		
Debt	6,112	5,479
Accounts payable and accrued liabilities	63,702	52,678
Taxes payable	10,525	10,789
Other	1,897	1,730
	82,235	70,676
Total liabilities	122,317	108,428
Equity attributable to shareholders of Royal Dutch Shell plc	100,213	87,829
Minority interest	8,020	6,240
Total equity	108,233	94,069
Total liabilities and equity	230,550	202,497

Summarised Consolidated Statement of Cash Flows

	\$ million	
	Six months ended June 30	
	2006	2005
Income for the period	14,543	12,267
Adjustment for:		
Current taxation	9,778	9,397
Interest (income)/expense	353	364
Depreciation, depletion and amortisation	5,944	6,291
(Profit)/loss on sale of assets	(193)	(751)
Decrease/(increase) in net working capital	(5,255)	(3,469)
Share of profit of equity accounted investments	(3,652)	(2,439)
Dividends received from equity accounted investments	2,616	2,507
Deferred taxation and other provisions	1,481	(534)
Other	(18)	57
Cash flow from operating activities (pre-tax)	25,597	23,690
Taxation paid	(9,939)	(8,688)
Cash flow from operating activities	15,658	15,002
Capital expenditure	(10,449)	(6,670)
Investments in equity accounted investments	(408)	(431)
Proceeds from sale of assets	717	1,498
Proceeds from sale of equity accounted investments	44	232
Proceeds from sale of/(additions to) financial assets	(11)	250
Interest received	474	367
Cash flow from investing activities	(9,633)	(4,754)
Net increase/(decrease) in debt	1,507	(796)
Interest paid	(622)	(529)
Change in minority interest	783	803
Net issue/(repurchase) of shares	(3,856)	(500)
Dividends paid to:		
Shareholders of Royal Dutch Shell plc	(3,929)	(6,785)
Minority interest	(205)	(105)
Treasury shares: net sales/(purchases) and dividends received	226	246
Cash flow from financing activities	(6,096)	(7,666)
Currency translation differences relating to cash and cash equivalents	115	(263)
Increase in cash and cash equivalents	44	2,319
Cash and cash equivalents at beginning of period	11,730	9,201
Cash and cash equivalents at end of period	11,774	11,520

This Consolidated Interim Report 2006 may be downloaded from www.shell.com/investor

Royal Dutch Shell plc,
30, Carel van Bylandtlaan, 2596 HR The Hague, The Netherlands +31 (0) 70377 9111 www.shell.com

Registered in England and Wales No. 4366849

All amounts shown in this Consolidated Interim Report are unaudited.

This Consolidated Interim Report is prepared in accordance with International Financial Reporting Standards (IFRS) and the financial statements are also in accordance with IFRS as adopted by the European Union. The Group's accounting policies are unchanged from those set out in Note 3 to the Consolidated Financial Statements of Royal Dutch Shell plc in the Annual Report and Form 20-F for the year ended December 31, 2005 on pages 110 to 113.

This announcement contains forward-looking statements that are subject to risk factors associated with the oil, gas, power, chemicals and renewables businesses. It is believed that the expectations reflected in these statements are reasonable, but may be affected by a variety of variables which could cause actual results, trends or reserves replacement to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risk, risks associated with the identification of suitable potential acquisition properties and targets and the successful negotiation and consummation of transactions, the risk of doing

business in developing countries, legislative, fiscal and regulatory developments including potential litigation and regulatory effects arising from recategorisation of reserves, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Please refer to the Royal Dutch Shell Annual Report on Form 20-F for the year ended December 31, 2005 for a description of certain important factors, risks and uncertainties that may affect Royal Dutch Shell businesses. Royal Dutch Shell does not undertake any obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or otherwise.

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate entities. The expressions "Shell", "Group" and "Shell Group" are sometimes used for convenience where references are made to Group companies in general. Likewise, the words "we", "us" and "our" are also used to refer to Group companies in general or those who work for them. These expressions are also used where there is no purpose in identifying specific companies.