

Royal Dutch Shell plc

Consolidated Interim Report

2007

The first half of the year delivered another set of competitive results, driven by operating performance. Shell is delivering the strategy of more upstream and profitable downstream with sustained investment in new legacy assets, as well as disposals, both upstream and downstream. Income attributable to shareholders for the first half of 2007 was \$15,948 million, an increase of 12% compared to a year ago.

As at March 31, 2007, Royal Dutch Shell, through its affiliates, had acquired the remaining shares of Shell Canada, not already owned by the Group, at a total price of some \$7.1 billion. As from the second quarter 2007, Royal Dutch Shell's financial statements include the fully consolidated results of Shell Canada without a minority interest impact.

On April 18, 2007, Royal Dutch Shell completed the Sale and Purchase agreement with OAO Gazprom for the transfer of 50% of its shares in Sakhalin Energy Investment Company Ltd, representing 27.5% of the total outstanding shares, for a sales price of \$4.1 billion. As a result of this transaction, the consolidated financial statements of Royal Dutch Shell plc no longer include the separate assets, liabilities and associated minority interest of the Sakhalin project and there was a net gain of \$0.2 billion, which is included in the income statement. The Group's net asset position in the project is now accounted for as an equity accounted investment.

Basic earnings per share for the Shell Group in the first half of 2007 were \$2.54, an increase of 16% compared to a year ago. Basic current cost of supplies (CCS) earnings per share were \$2.31, an increase of 21% compared to a year ago. The return on average capital employed*, on a reported income attributable to shareholders basis, was 22.8%.

Net cash from operating activities was \$20.0 billion compared to \$15.7 billion a year ago. Capital investment in the first half of 2007 was \$11.8 billion, an increase of 4% compared to a year ago. Of this, \$9.7 billion was spent in upstream and \$2.1 billion in downstream and other activities. Proceeds from divestments were \$6.7 billion. Our cash position remains strong.

Exploration & Production

Exploration & Production segment earnings were \$6,809 million compared to \$7,742 million a year ago, a decrease of 12%, mainly reflecting lower production volumes and oil and gas prices, higher costs, reflecting current industry conditions and increased pre-development activity levels, partially offset by divestment gains. Earnings included income of \$257 million mainly from gains from divestments of \$352 million, partially offset by tax charges of \$92 million. Segment earnings in the comparative period of 2006 included net 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.

Liquid realisations were 3% lower than a year ago, which was slightly less than the decrease in marker crudes Brent of 4% and WTI of around 8%. Outside the USA, gas realisations decreased by 3%. In the USA, gas realisations decreased by 11% compared to an increase in Henry Hub of 3%. Hydrocarbon production was 3,343 thousand boe per day, 4% lower than a year ago (3,498 thousand boe per day). Total natural gas production was down 10% and total crude oil production (including oil sands) was almost flat when compared to a year ago. Production in the first six months of 2007 compared to 2006 was impacted by lower demand in North West Europe as a consequence of warmer weather and lower production in Nigeria due to the security situation. No firm date can be given for a return to full production, nor the rate of ramp-up to full production.

During the first half of 2007, the Group made four material exploration discoveries, with two in Australia and further discoveries in Nigeria and Malaysia. The Group also significantly increased its overall acreage position with new exploration licences in Australia and the USA.

Gas & Power

Gas & Power segment earnings were \$1,582 million compared to \$1,273 million a year ago, an increase of 24%, mainly resulting from higher Liquefied Natural Gas (LNG) sales volumes and LNG dividends that were partly offset by lower marketing and trading results. Earnings included net gains of \$286 million related to divestments and a charge related to gas contract mark-to-market valuation.

LNG equity sales volumes of 6.55 million tonnes were 12% higher than a year ago. The increase was mainly related to the Nigeria LNG venture (Shell interest 26%), as a result of increased feedgas supply.

In Australia, the North West Shelf venture (Shell direct and indirect interests, 22%) completed the renewal of long-term LNG purchase commitments with eight Japanese customers, totalling 4.3 million tonnes per annum over 6 to 8 years as from 2009. In South America, the Group signed an agreement for the sale of certain gas transportation and power generation assets in Bolivia and Brazil. The transaction is expected to close before year-end, pending regulatory approvals. In the USA, the sale of the Group's participation in Enterprise Product Partners L.P., a natural gas processing company, was concluded mainly through private placement sales.

Oil Products

Oil Products CCS segment earnings were \$4,424 million compared to \$3,398 million for the first half of 2006. Earnings included a net gain of \$29 million related to the impairment of certain assets of \$176 million that was more than offset by a divestment gain of \$205 million. Earnings in the first half of 2006 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.

Improved earnings reflected higher refining margins, improved marketing margins, higher trading contribution and divestment gains, which were partly offset by impairment of certain assets and higher operating and legal costs when compared to the first half of 2006.

In Marketing, earnings increased compared to the first half of 2006 mainly due to higher retail marketing margins and continued strong lubricants margins. Marketing sales volumes declined 3.2% compared to volumes in the first half of 2006. This includes the impact of divested volumes (2.1%) and rationalised B2B volumes (0.7%).

In the USA, Shell completed the transaction to sell the Los Angeles Refinery, Wilmington Products Terminal and approximately 250 retail sites and supply agreements in and around Los Angeles and San Diego to Tesoro Corporation. Shell announced a strategic review of the Petit-Couronne and Reichstett-Vendenheim refineries and the Berre-l'Etang refinery site complex in France, with a combined capacity of around 300 thousand barrels per day (Shell share 100%), and the Yabucoa petrochemical feedstock refinery in Puerto Rico, which has a capacity of 79 thousand barrels per day (Shell share 100%).

Chemicals

Chemicals CCS segment earnings were \$974 million compared to \$487 million a year ago. CCS earnings last year included net charges of \$30 million. Earnings reflected improved margins and higher profits from equity accounted investments, partly offset by higher operating costs. Earnings from equity-accounted investments included fully operational results from the Nanhai petrochemicals complex in China (Shell share 50%), which started-up during the first quarter 2006 and was still ramping up production rates in the second quarter of 2006.

The decline in sales volumes mainly reflected a reduction in sales of lower margin products, including aromatics trading, as well as the marketing impact of planned turnaround activities in the Middle East in the first quarter of 2007. Chemicals manufacturing plant availability remained strong at 91.6%, some 2% points lower than in the same period last year.

Corporate and minority interest

Corporate segment and minority interest earnings resulted in a gain of \$699 million in the first half of 2007 compared to a loss of \$498 million in the first half of 2006. Earnings reflected higher insurance underwriting income and improved net interest income, partly offset by higher corporate costs when compared to a year ago. Corporate segment earnings included a gain on the sale of the equity portfolio held by the Group

insurance companies of \$404 million compared to the recognition of a \$500 million provision in respect of litigation a year ago.

Cash flow

Cash flow from operating activities, excluding net working capital movements and taxation paid/accrued, for the first half of 2007 was \$19.7 billion, compared to \$21.1 billion a year ago. Capital investment was \$11.8 billion compared to \$11.3 billion a year ago. Gross proceeds from divestments were \$6.7 billion compared to \$0.7 billion a year ago. Change in minority interest mainly relates to the acquisition of the minority interest in Shell Canada. Share purchases for cancellation amounted to \$1.4 billion, compared to \$4.0 billion a year ago. Dividend paid to shareholders of Royal Dutch Shell plc was \$4.4 billion compared to \$3.9 billion a year ago.

Dividends

From 2007 onwards the Group is declaring its dividends in US dollars rather than in euros. On May 3, 2007 a first quarter 2007 interim dividend was announced of \$0.36 (€0.2648 or 18.09p) per A and B shares for Royal Dutch Shell. On July 26, 2007 a second quarter 2007 interim dividend was announced of \$0.36 (€0.2627 or 17.56p) per A and B shares for Royal Dutch Shell. On May 4, 2006 a first quarter 2006 interim dividend was announced of €0.25 (\$0.315 or 17.13p) per A and B shares for Royal Dutch Shell. On July 27, 2006 a second quarter 2006 interim dividend was announced of €0.25 (\$0.315 or 17.08p) per A and B shares for Royal Dutch Shell.

*Return on average capital employed is defined as the sum of the current and previous three quarters' income attributable to shareholders adjusted for Shell's share of interest expense, after tax, as a percentage of Shell's share of average capital employed for the period.

Summary results	\$ million	
	Six months ended June 30,	
	2007	2006
Income attributable to shareholders of Royal Dutch Shell plc	15,948	14,217
Estimated current cost of supplies (CCS) adjustment for Oil Products and Chemicals segments	1,460	1,815
CCS earnings *	14,488	12,402
Cash from operating activities	20,029	15,658
Cash from operating activities excluding net working capital movements and taxation paid/accrued	19,682	21,074
Capital investment	11,798	11,325
Upstream production (thousand boe/d)	3,343	3,498

* 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 CCS basis provide useful information concerning the effect of changes in the cost of supplies on Royal Dutch Shell's results of operations and is 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 CCS 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 drawdown effects.

Segment earnings	\$ million	
	<u>Six months ended June 30,</u>	
	2007	2006
Exploration & Production	6,809	7,742
Gas & Power *	1,582	1,273
Oil Products (CCS basis)	4,424	3,398
Chemicals (CCS basis)	974	487
Corporate & Minority interest *	699	(498)
CCS earnings	14,488	12,402

* As from 2007, the segment Other Industry and Corporate has been renamed as Corporate. Its earnings no longer include the results of the Wind and Solar businesses, which were previously reported as part of Other Industry segments, but continue to include some non-material businesses. The Wind and Solar businesses earnings are, as from 2007, reported under the Gas & Power segment. The comparative six months period of 2006 results were reclassified and are impacted by \$(8) million in the Gas & Power segment and by \$8 million in the Corporate segment, respectively.

Summarised Consolidated Statement of Income	\$ million	
	<u>Six months ended June 30,</u>	
	2007	2006
Revenue	158,376	159,091
Cost of sales	129,381	129,760
Gross profit	28,995	29,331
Selling, distribution and administrative expenses	7,898	7,842
Exploration	722	531
Share of profit of equity accounted investments	3,946	3,652
Interest and other income	1,871	669
Interest expense	493	561
Income before taxation	25,699	24,718
Taxation (includes UK taxation of \$564 million, 2006; \$724 million)	9,447	10,175
Income for the period	16,252	14,453
Income attributable to minority interest	304	326
Income attributable to shareholders of Royal Dutch Shell plc	15,948	14,217
Basic earnings per share		
Earnings per share (\$)	2.54	2.19
CCS earnings per share (\$)	2.31	1.91
Diluted earnings per share		
Earnings per share (\$)	2.53	2.18
CCS earnings per share (\$)	2.30	1.91

Summarised Consolidated Statement of Changes in Equity	Shareholders equity	Minority interest	Total equity
At January 1, 2007	105,726	9,219	114,945
Income for the period	15,948	304	16,252
Income/(expense) recognised directly in equity	1,397	(101)	1,296
Acquisition of Shell Canada	(5,445)	(1,639)	(7,084)
Sakhalin partial divestment	-	(6,711)	(6,711)
Dividends paid	(4,400)	(119)	(4,519)
Shares repurchased for cancellation	(1,386)	-	(1,386)
Other changes	781	770	1,551
At 30 June, 2007	112,621	1,723	114,344

Summarised Consolidated Balance Sheet

\$ million

	June 30, 2007	June 30, 2006
Non-current assets		
Intangible assets	5,126	4,721
Property, plant and equipment	90,584	94,102
Investments	30,139	22,995
Deferred tax	3,108	2,259
Other	10,320	7,712
	139,277	131,789
Current assets		
Inventories	26,497	24,660
Accounts receivable	60,649	62,327
Cash and cash equivalents	15,117	11,774
	102,263	98,761
Total assets	241,540	230,550
Non-current liabilities		
Debt	12,236	8,472
Deferred tax	13,159	12,007
Retirement benefit obligations	6,282	6,271
Other	14,661	13,332
	46,338	40,082
Current liabilities		
Debt	5,266	6,112
Accounts payable and accrued liabilities	61,978	63,701
Taxes payable	11,214	10,525
Other	2,400	1,897
	80,858	82,235
Total liabilities	127,196	122,317
Equity attributable to shareholders of Royal Dutch Shell plc	112,621	100,213
Minority interest	1,723	8,020
Total equity	114,344	108,233
Total liabilities and equity	241,540	230,550

Summarised Consolidated Statement of Cash Flows

\$ million

	Six months ended June 30,	
	2007	2006
Income for the period	16,252	14,543
Adjustment for:		
Current taxation	9,727	9,778
Interest (income)/expense	328	353
Depreciation, depletion and amortisation	6,498	5,944
(Profit)/loss on sale of assets	(1,495)	(193)
Decrease/(increase) in net working capital	(2,103)	(5,255)
Share of profit of equity accounted investments	(3,946)	(3,652)
Dividends received from equity accounted investments	3,106	2,616
Deferred taxation and other provisions	62	1,481
Other	(1,123)	(18)
Cash flow from operating activities (pre-tax)	27,306	25,597
Taxation paid	(7,277)	(9,939)
Cash flow from operating activities	20,029	15,658
Capital expenditure	(11,013)	(10,449)
Investments in equity accounted investments	(689)	(408)
Proceeds from sale of assets	6,650	717
Proceeds from sale of equity accounted investments	394	44
Proceeds from sale of/(additions to) financial assets	1,140	(11)
Interest received	580	474
Cash flow from investing activities	(2,938)	(9,633)
Net increase/(decrease) in debt with maturity period within three months	(844)	683
Other debt:		
New borrowings	4,396	1,882
Repayments	(1,887)	(1,058)
Interest paid	(641)	(622)
Change in minority interest	(6,695)	783
Net issue/(repurchase) of shares	(1,386)	(3,856)
Dividends paid to:		
Shareholders of Royal Dutch Shell plc	(4,400)	(3,929)
Minority interest	(119)	(205)
Treasury shares: net sales/(purchases) and dividends received	552	226
Cash flow from financing activities	(11,024)	(6,096)
Currency translation differences relating to cash and cash equivalents	48	115
Increase in cash and cash equivalents	6,115	44
Cash and cash equivalents at January 1	9,002	11,730
Cash and cash equivalents at June 30	15,117	11,774

This Consolidated Interim Report 2007 may be downloaded from www.shell.com/investor
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All amounts shown in this Consolidated Interim Report are unaudited.

This Consolidated Interim Report 2007 is prepared in accordance with International Financial Reporting Standards (IFRS) and is also in accordance with IFRS as adopted by the European Union. Purchases of minority interests in Group companies, and disposals of shares in Group companies whilst retaining control, are accounted for as transactions within equity. The difference between the purchase price/disposal proceeds and the relevant proportion of the minority interest is reported in retained earnings as a movement in the Group share of equity. The remaining accounting policies are set out in Note 2 to the Consolidated Financial Statements of Royal Dutch Shell plc in the Annual Report and Form 20-F for the year ended December 31, 2006 on pages 108 to 112.

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 and Form 20-F for the year ended December 31, 2006 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.