Shell x BP

Creating the Next Global Energy Champion

Warsaw M&A Society

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Energy Industry Overview

Global Market Dynamics, Value Chain & Competitive Landscape

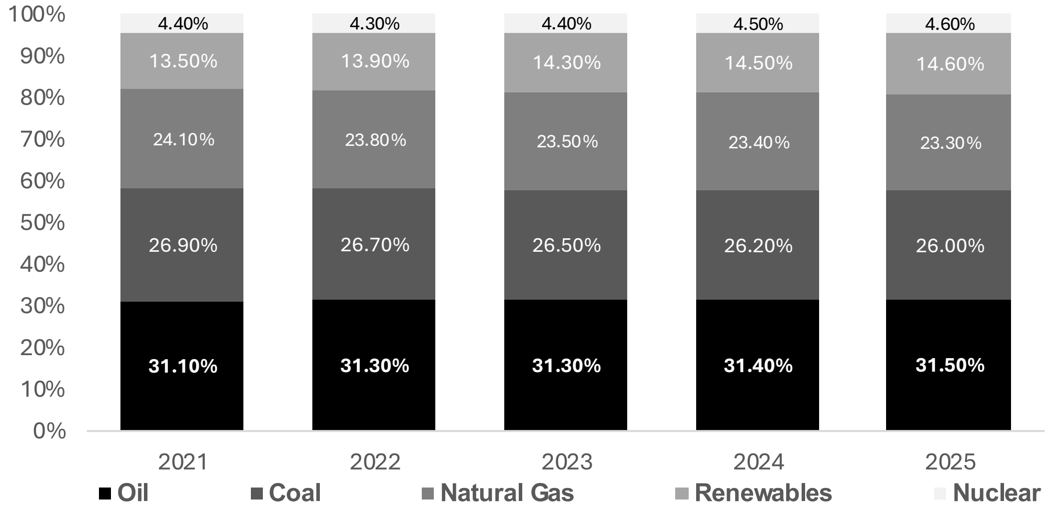
Market Snapshot & Industry Value Chain

Crude Oil
- **~103 mb/d** global demand
- World's **largest** single energy source (**~31%** of mix)

Natural Gas
- **~4,200 bcm** global consumption **(~23-24%** of mix)
- **Fastest-growing** fossil fuel

Coal
- **~26%** of global primary energy mix — **third-largest** source
- Still ahead of **renewables and nuclear combined**

Global Energy Mix



Upstream
- Exploration
- Production
- Offshore Production
- LNG Feedstock

Midstream
- Pipelines
- LNG Infrastructure
- Storage
- Shipping

Downstream
- Refining
- Chemicals
- Retail
- Marketing

Trading
- Oil trading
- LNG trading
- Power trading
- Carbon trading

Trading and integration differentiate supermajors from pure upstream producers

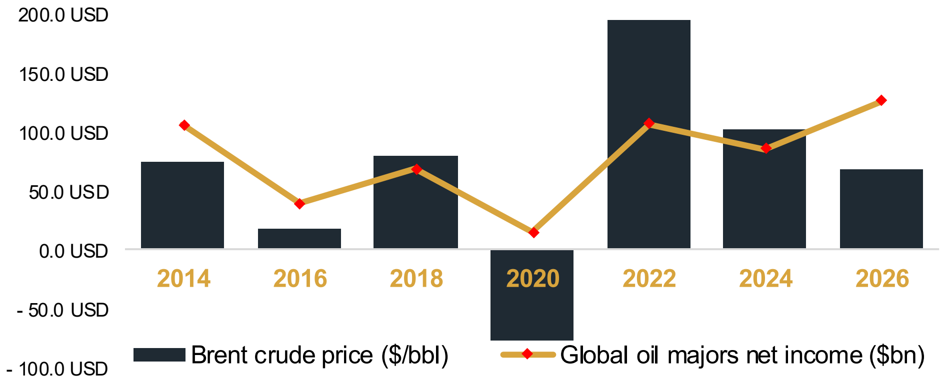
Sources : Our World Data,

Market Architecture & Strategic Evolution

Industry returns increasingly depend on LNG, trading and capital discipline

Structural Industry Drivers

LNG Expansion	+30 LNG capacity by 2030
Energy Security	Europe & Asia diversify gas sourcing
Capital Discipline	ROACE replaces production growth
Commodity Volatility	Trading profitability increases



Industry Investment Priorities

LNG Infrastructure Expansion

- LNG Canada Phase 2
- Qatar North Field
- Global liquefaction +30

Deepwater Technology

Subsea robotics, autonomous systems, and AI-enhanced drilling reduce deepwater development costs by **40%+**

Trading Platform Scale

- Machine learning for price prediction
- Real-time crude, gas, power optimization

Hydrogen & CCUS Scaling

- Large-scale carbon capture
- 2030-50 decarbonization

Normalization & Recovery

- Capex discipline locked ($20-26B)
- Strategic M&A execution

2014 **Global Oil Crash**
Brent crashes from $110 to $30, industry forced to cut costs

2017 **US Shale Rise**
US Shale caps global prices, majors pivot to ROACE

2020 **Pandemic Collapse**
WTI negative, net-zero frameworks accelerate

2022 **Geopolitical Crisis**
Ukraine invasion pushes Brent $100+

2023 **M&A Wave**
Mega-mergers reshape the competitive landscape

2025-26

2027-2030+ **Energy Transition**
Capex lock at $20-22B, $250M synergies targeted

Sources : Macrotrends.net,

Global Energy Industry Challenges & Strategic Tension

Structural Headwinds Are Reshaping Capital Allocation Across Global Energy

Key Challenges Facing All Majors

Energy Transition Pressure

- **CapEx allocation** dilemma: oil/gas returns vs. low-carbon optionality
- **Activist/investor** pressure on capital allocation

Regulatory Tightening

- **CBAM**, **emissions trading** schemes
- **Net-zero** mandates reshaping portfolio economics

Geopolitical Volatility

- **Supply shock sensitivity** (Ukraine, Middle East)
- **Sanctions/counter-sanctions** disrupting flows

Consolidation Wave

- Recent **mega-deals reset** scale tier
- **Standalone mid-scale** players face valuation pressure

2026 Outlook by Geography

Europe

Regulatory pressure (**CBAM**, **net-zero mandates**) squeezes upstream margins. **CapEx** pivots to **transition**, traditional production declining

North America

Shale production strong. Permian **deepwater drives growth**. Trading margins attractive on **WTI/Henry Hub** volatility

Asia Pacific

LNG demand surge (decarbonization + energy security). **Long-term** contracts favorable. Trading scale creates **margin opportunities**

Middle East/Africa

OPEC+ discipline maintains pricing power. Structural demand from **Europe/Asia** supports **cash generation**. Low regulatory burden

Performance & Portfolio Trajectory (2024-2026)

Segment	Trends & Trajectory			
	Jan 2024		Jan 2026	
🟢 Integrated Gas & LNG	🟢	➡	🟩	⬆
🟢 Deepwater & Upstream Oil	🟢	➡	🟢	⬆
🟩 EV Mobility & Convenience Retail	🟩	➡	🟩	➖
🟡 Offshore Wind & Solar	🟡	➡	🟠	⬇
🟡 Biofuels & Low-Carbon Hydrogen	🟡	➡	🟠	⬇

🟢 Above Average 🟡 Average 🔴 Below Average 🟩 Slightly Above Average 🟠 Slightly Below Average

Investment Implications

LNG remains the highest-return growth platform	Structural demand growth and pricing power create superior cash generation
Upstream capital discipline supports ROACE	Focus on high-quality, low-cost barrels and return-focused investments
Renewables require selective investment	Prioritize projects with competitive returns and supportive policy frameworks
Scale increasingly drives competitive advantage	Global scale, integration and trading capabilities strengthen value creation

Where Shell Creates Value

Assessing Shell's strategic positioning, competitive strengths, and long-term value drivers

Shell’s Value Drivers

Integrated Gas
Global LNG leadership & commodity trading

Upstream
Margin leadership through low-cost diversified production

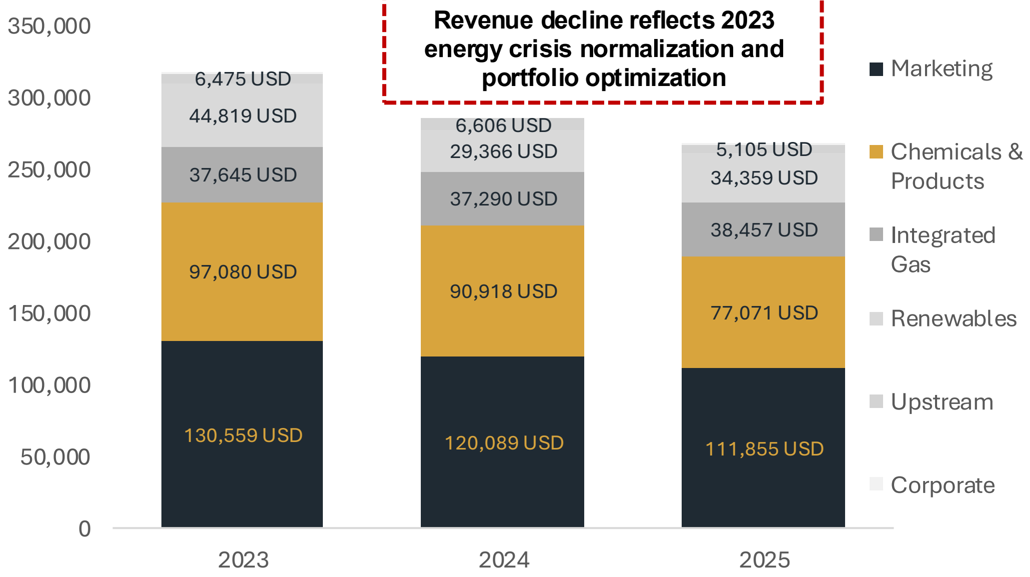
Marketing
Global fuel retail, mobility, convenience networks

Chemicals & Products
Integrated refining and specialty chemicals margin capture

Renewables
Low-carbon energy transition solutions

Value is created by **global scale**, **infrastructure**, and **capital discipline** that contribute to energy security and transition.

Shell’s Revenue by Segments



Revenue decline reflects 2023 energy crisis normalization and portfolio optimization

Shell’s Challenges

Challenge	Strategic Impact	Market Evidence
Energy Transition	▪ Reduced valuation premium ▪ Lower renewable returns ▪ Capital allocation pressure	**ROACE > Production** Renewables returns lag upstream
Scale Gap vs U.S. Majors	▪ Exxon-Pioneer reset industry scale ▪ Higher acquisition expectations ▪ Need for portfolio expansion	**Exxon-Pioneer $59,5B** **Chevron-Hess $53B**

Strategic Partnerships & Value Creation

Microsoft	**AI and digital optimization across operations**
equinor	**Offshore wind and CCS development**
BASF	**Low-carbon chemicals and hydrogen**
قطر للطاقة QatarEnergy	**LNG expansion and global supply diversification**

Sources : Shell 2025 annual report,

BP: Strategic Value Drivers

Why BP Is Strategically Attractive

Investment Thesis

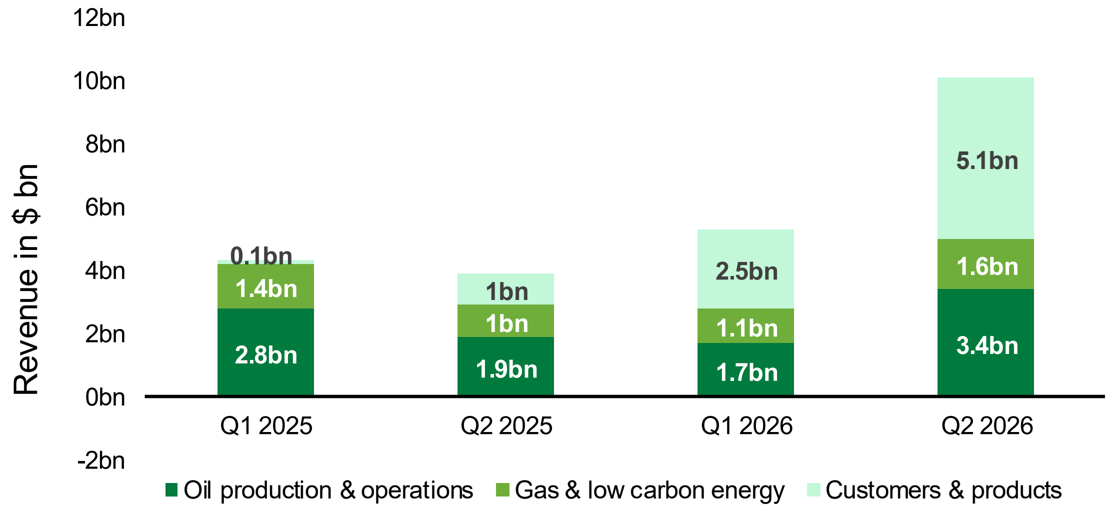
① **High-quality upstream assets**
- Premium Portfolios: Core deepwater hubs in Azerbaijan and the Gulf of Mexico
- Cost Efficiency: Low-cost hydrocarbon extraction to maximize group cash generation

② **Diversified downstream platform**
- Value Integration: Connects global refining assets with retail networks
- Premium Brands: Captures retail margin through convenience and Castrol

③ **Transition Platform**
- Decarbonization: Scales commercial hydrogen hubs and CCS infrastructure
- Next-Gen Mobility: Deploys rapid vehicle charging via the bp pulse network

RC Profit* by Business Segment

*profit before interest and tax



Portfolio Architecture

Value Creation Engines

Oil and Gas
- Produces 2.3 million barrels of oil equivalent daily
- Leverages global onshore, offshore, and deepwater production assets
- Maximizes production fields through technical joint-venture partnerships

Refining
- Operates six major refineries across US and Europe
- Maintains a total processing capacity of 1.5M barrels daily
- Produces high-value gasoline, diesel, and sustainable aviation fuel

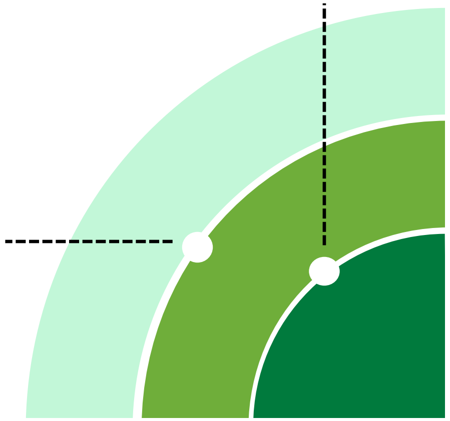
Fuels, Convenience and EV Charging
- Supplies everyday transport networks, fleet operations, and major airlines
- Scales lower-carbon mobility alternatives including biodiesel fuel mixtures
- Expands on-the-go rapid electric vehicle charging systems globally

Lower Carbon Energy
- Deploys high-speed electric vehicle charging networks via bp pulse
- Produces commercial-scale biofuels and pipeline-ready renewable natural gas
- Invests in large-scale hydrogen and carbon capture infrastructure

Enablers

Supply, Trading and Shipping
- Markets billions of barrels of crude oil, refined products, and natural gas annually
- Deploys a global shipping fleet of approximately 300 chartered and owned vessels

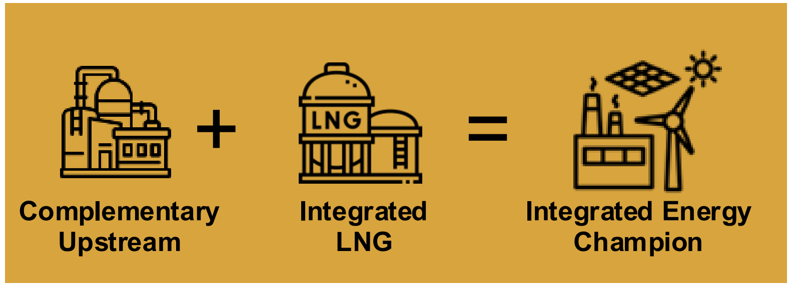
Technology & AI
- Applies advanced science to solve complex engineering and business challenges
- Uses robotic inspections to protect staff and keep field operations safe



Strategic Fit

Structural Headwinds Are Reshaping Capital Allocation Across Global Energy

Portfolio Synergies



Complementary Upstream + Integrated LNG = Integrated Energy Champion

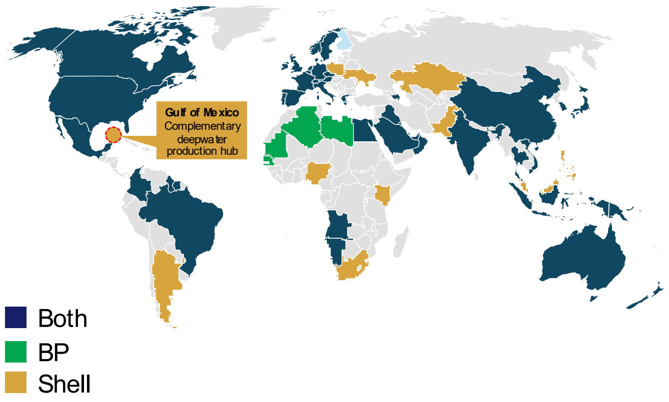
- Complementary North Sea and Gulf of Mexico asset base
- Combined LNG portfolio reinforces global market leadership
- Diversified production mix enhances cash generation

Global Scale Advantage

70+ countries

#1 LNG Portfolio

Geographic Expansion



Broader Global Energy Platform

- Combined leadership across the **North Sea, Gulf of Mexico** and **key LNG** markets
- Expanded presence in **Asia-Pacific, Europe** and **high-growth energy** markets

Operational Synergies

Cost Reduction

$250M+ annual structural cost savings via elimination of duplication, shared services

Trading Scale

Combined crude/gas/power trading desks create **$100M+** margin uplift vs. standalone

Asset Optimization

Integrated portfolio **maximizes** utilization across North Sea/GoM/LNG

Capital Efficiency

$20-22B disciplined capex envelope across combined entity vs. separate allocations

Strategic Benefits

Benefit	Impact
Cost Synergies	$250M annually 2027
Trading Margin Uplift	$100M+ annually
Valuation Re-rating	5.5-6.0x EV/EBITDA
CapEx Discipline	Locked $20-22B envelope

Potential Peer Group

Evaluating BP's market positioning across core operating benchmarks, structural transition paths, and inorganic consolidation targets.

Scale & Commercial Benchmarks

Shell
ExxonMobil
Chevron
ConocoPhillips

Core **operating benchmarks** with **dominant** global retail footprint
Focus on **upstream asset scale** and **integrated margin capture**

Transition Pioneers & Re-raters

TotalEnergies
Ørsted
repsol
equinor

Managing **energy transition pivots** amid **valuation compression**
Focus on **capital allocation trade-offs** and **investor pressure**

bp

Regional Consolidations & Bolt-on Targets

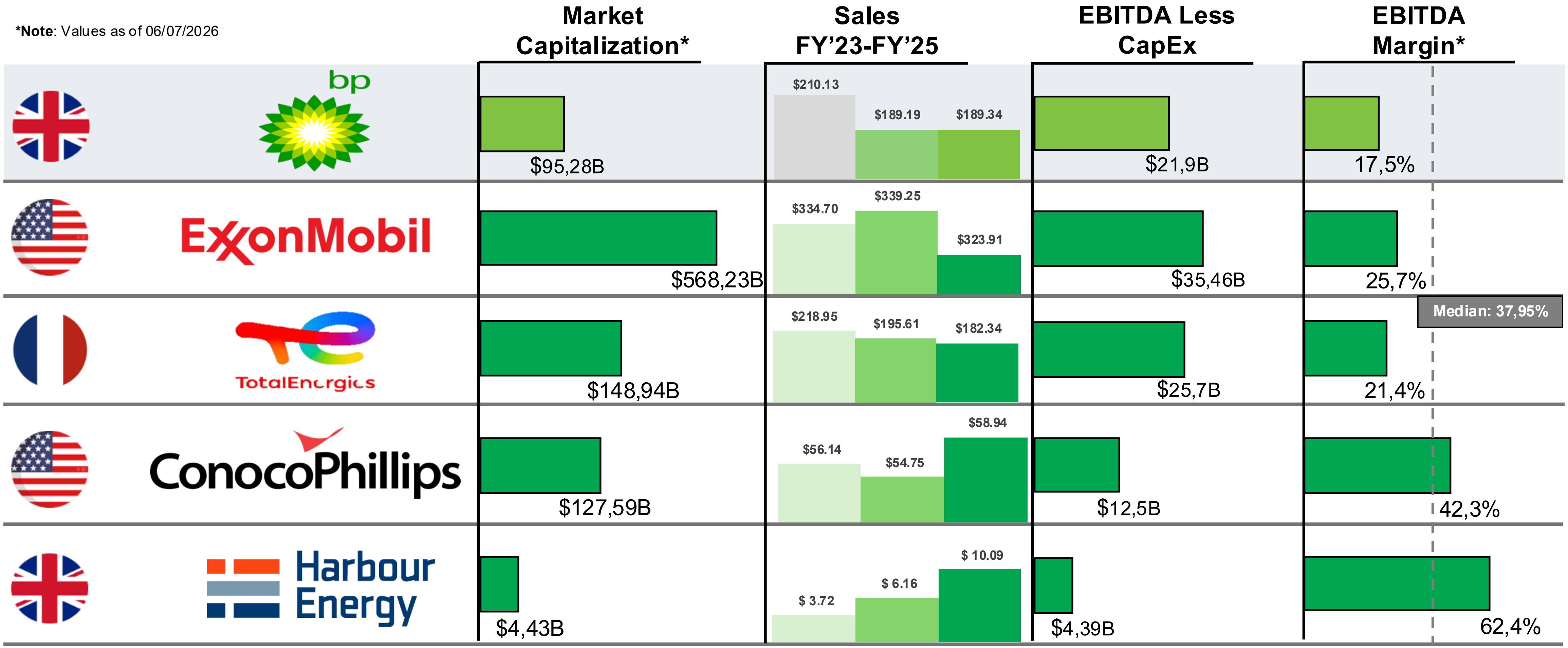
Harbour Energy
AkerBP
ITHACA ENERGY
EnQuest

Strategic **inorganic runway** to bridge the **peer scale gap**
Focus on **North Sea consolidation** and **deepwater asset agility**

Peer Group Statistical Analysis

BP combines supermajor scale with below-peer operating profitability

***Note**: Values as of 06/07/2026

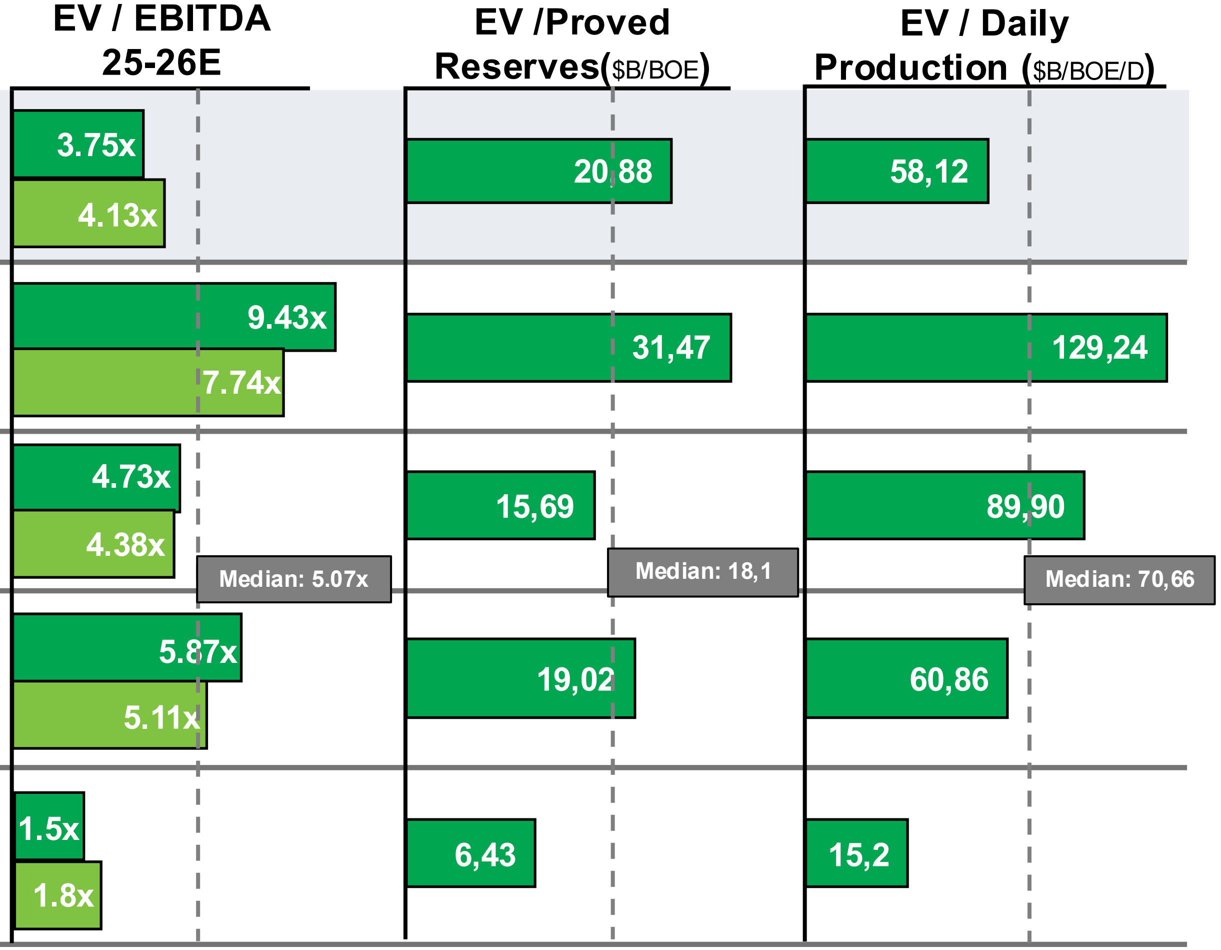


While BP maintains massive top-line scale ($210B+ in Sales), its 17.5% EBITDA margin remains well below the 37.95% peer average.

Sources: (Yahoo Finance, 2026), CompaniesMarketCap,

Peer Group Trading Multiples

Evaluating BP's valuation relative to peers and strategic positioning



	Enterprise Value($B)	EV / EBITDA 25-26E	EV /Proved Reserves($B/BOE)	EV / Daily Production ($B/BOE/D)
bp	$133,68	3.75x 4.13x	20,88	58,12
ExxonMobil	$607,46	9.43x 7.74x	31,47	129,24
TotalEnergies	$178,92	4.73x 4.38x	15,69	89,90
ConocoPhillips	$144,56	5.87x 5.11x	19,02	60,86
Harbour Energy	$7,210	1.5x 1.8x	6,43	15,2
		Median: 5.07x	Median: 18,1	Median: 70,66

🟩 26Y
🟩 25Y

BP trades 35% below peer average, creating an entry point as core upstream cash generation expands

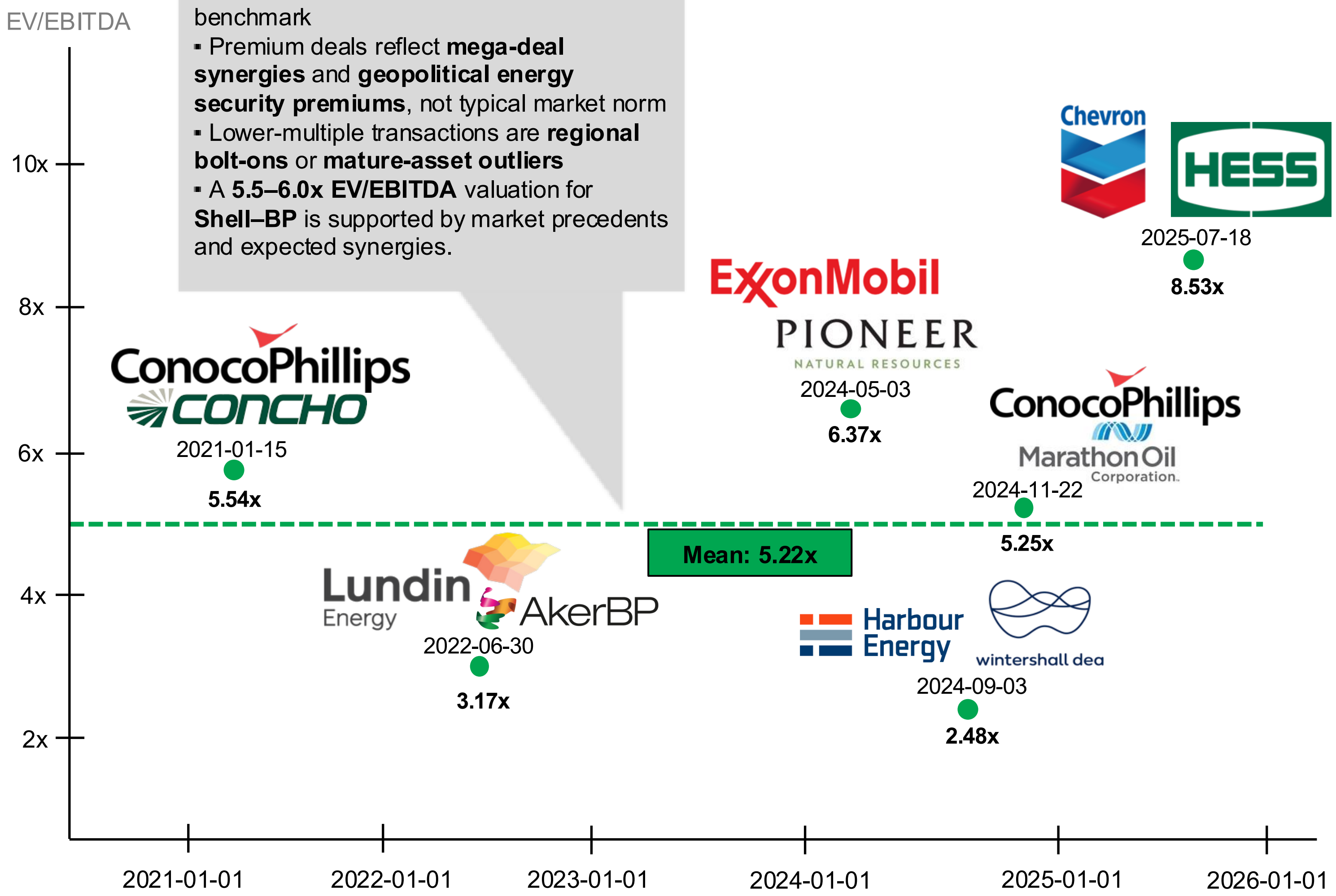
Valuation discount reflects mid-transformation uncertainty, not operational quality

Sources: (Yahoo Finance, 2026)

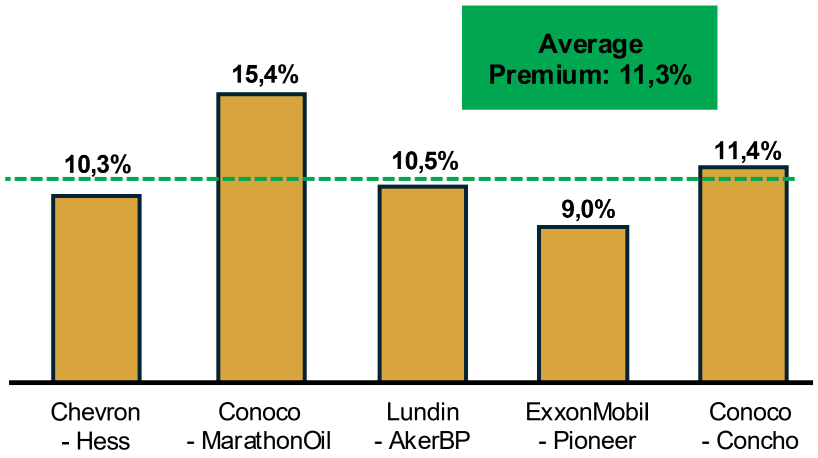
Comparable Energy M&A Transactions

Recent energy M&A implies 5.22x mean EV/EBITDA for consolidated players

- Recent upstream M&A transactions imply a **5.22x median EV/EBITDA** valuation benchmark
- Premium deals reflect **mega-deal synergies** and **geopolitical energy security premiums**, not typical market norm
- Lower-multiple transactions are **regional bolt-ons** or **mature-asset outliers**
- A **5.5–6.0x EV/EBITDA** valuation for **Shell–BP** is supported by market precedents and expected synergies.



Premium Paid



Energy M&A Environment

- Energy M&A activity accelerated following the 2022 commodity price rally
- Supermajor consolidation has reshaped the competitive landscape
- Strategic buyers dominated recent transactions as firms prioritized scale and reserve replacement
- Recent deals were completed at **5.2x EV/EBITDA** with an **11.3% average acquisition premium**

Shell Discounted Cash Flow Analysis (Base Case)

Stable UFCF generation supports resilient long-term cash flows

UFCF Projections

	FY2027A	FY2028E	FY2029E	FY2030E	FY2031E
Revenue	262,764	253,567	245,960	238,581	231,424
Cost of Goods Sold	(191,817)	(185,104)	(179,551)	(174,164)	(168,939)
Selling, General and Administrative	(12,087)	(11,157)	(10,330)	(9,782)	(9,257)
EBIT	58,859	57,306	56,079	54,635	53,227
Tax Expense	(19,423)	(18,911)	(16,824)	(15,298)	(13,307)
NOPAT	**39,436**	**38,395**	**39,255**	**39,337**	**39,921**
Depreciation and Amortization	24,963	24,089	23,366	22,665	21,985
Capital Expenditures	(20,000)	(17,750)	(17,709)	(17,416)	(17,357)
Change in Net Working Capital	(1,842)	(3,796)	(2,359)	(1,747)	(1,183)
Unlevered Free Cash Flow	**42,556**	**40,939**	**42,553**	**42,839**	**43,366**

Commentaries

Revenue Dynamics: Base case assumes a conservative top-line decline at **~-3.1% CAGR** (reaching **231,424 by FY31E**).

NWC Outflows: Cash flow is highly sensitive to working capital, with a peak outflow in **FY28E (-3,796)**.

Capex Discipline: Gradual reduction in capital intensity (reaching **17,357 by FY31E**) supports robust UFCF generation.

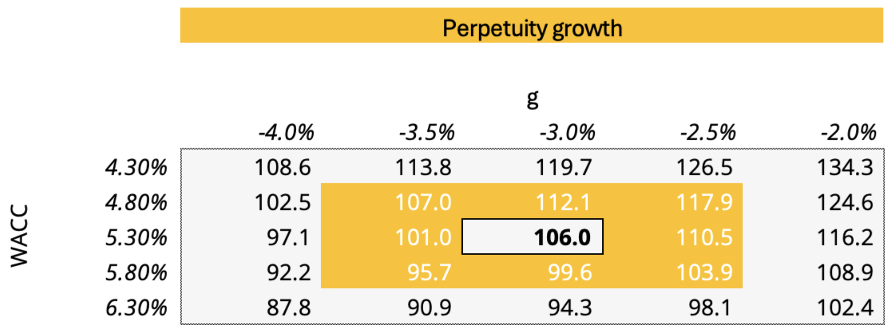
WACC Assumptions

WACC

	Weight	Cost
Debt	7.7%	5.1%
Equity	92.3%	5.3%
WACC		**5.3%**

While revenue faces a moderate decline, disciplined Capex reduction and optimized operational costs sustain a highly stable and robust Unlevered Free Cash Flow profile

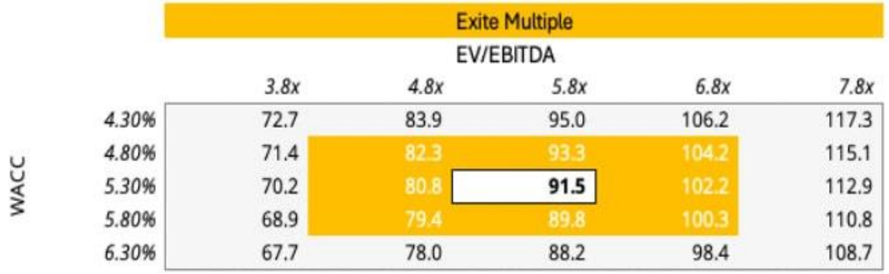
Sensitivity Analysis



Perpetuity growth

g

WACC	-4.0%	-3.5%	-3.0%	-2.5%	-2.0%
4.30%	108.6	113.8	119.7	126.5	134.3
4.80%	102.5	107.0	112.1	117.9	124.6
5.30%	97.1	101.0	**106.0**	110.5	116.2
5.80%	92.2	95.7	99.6	103.9	108.9
6.30%	87.8	90.9	94.3	98.1	102.4



Exite Multiple

EV/EBITDA

WACC	3.8x	4.8x	5.8x	6.8x	7.8x
4.30%	72.7	83.9	95.0	106.2	117.3
4.80%	71.4	82.3	93.3	104.2	115.1
5.30%	70.2	80.8	**91.5**	102.2	112.9
5.80%	68.9	79.4	89.8	100.3	110.8
6.30%	67.7	78.0	88.2	98.4	108.7

BP Discounted Cash Flow Analysis (Base Case)

DCF valuation indicates significant undervaluation based on current growth assumptions

UFCF Projections

	FY2027A	FY2028E	FY2029E	FY2030E	FY2031E
Revenue	203,981	210,101	215,983	221,383	226,918
Cost of Goods Sold	(163,185)	(168,081)	(172,787)	(177,106)	(181,534)
Selling, General and Administrative	(18,154)	(18,699)	(18,791)	(19,260)	(19,288)
EBIT	22,642	23,321	24,406	25,016	26,096
Tax Expense	(5,525)	(5,830)	(6,102)	(6,254)	(6,524)
NOPAT	**17,117**	**17,491**	**18,305**	**18,762**	**19,572**
Depreciation and Amortization	18,358	18,699	18,791	18,818	19,288
Capital Expenditures	(12,851)	(13,657)	(14,471)	(15,054)	(15,884)
Change in Net Working Capital	(4,942)	(6,254)	(2,404)	(3,396)	(8,024)
Unlevered Free Cash Flow	**17,683**	**16,279**	**20,220**	**19,130**	**14,952**

Commentaries

Revenue Growth: Base case assumes stable top-line growth at **~2.7% CAGR** (reaching **226,918 by FY31E**)

NWC Outflows: Cash flow is highly sensitive to working capital, with deep outflows in **FY28E (-6,254)** and **FY31E (-8,024)**

Capex Intensity: Rising CapEx (reaching **15,884 by FY31E**) limits further expansion of Unlevered Free Cash Flow.

WACC Assumptions

WACC

	Weight	Cost
Debt	16.4%	5.5%
Equity	83.6%	7.3%
WACC		**7.0%**

While revenue demonstrates predictable steady growth, high working capital requirements and accelerating Capex limit the upside potential for Unlevered Free Cash Flow

Sensitivity Analysis

	Perpetuity Growth g				
WACC	*1.0%*	*1.5%*	*2.0%*	*2.5%*	*3.0%*
6.01%	110.2	120.7	133.7	150.5	172.9
6.51%	100.0	108.4	118.7	131.6	148.1
7.01%	91.5	98.4	**106.7**	116.8	129.4
7.51%	84.3	90.1	96.8	105.0	114.9
8.01%	78.1	83.0	88.6	95.3	103.3

- Base Case: **$106.7** (**+127% upside** vs current **$47.00** market price).
- All tested scenarios indicate significant market undervaluation.

	Exit Multiple EV/EBITDA				
WACC	*2.8x*	*3.8x*	*4.8x*	*5.8x*	*6.8x*
6.01%	58.3	71.8	85.3	98.9	112.4
6.51%	57.1	70.4	83.6	96.9	110.1
7.01%	56.0	69.0	**81.9**	95.0	107.9
7.51%	55.0	67.7	80.4	93.1	105.8
8.01%	53.9	66.4	78.8	91.3	103.7

- Base case midpoint of **$81.9** implies **+74.3% upside**.
- Worst-case scenario (**$53.9**) remains above the current market price, providing a solid margin of safety.

Purchase consideration and Combined Balance Sheet

	Shell	BP	+	-	Pro-forma
Cash and Equivalents	23,117	46,086		(5,206)	63,997
Accounts Receivable	53,891	35,440			89,331
Inventory	28,700	36,596			65,296
Other Current Assets	13,453	4,144			17,597
Total Current Assets	**119,161**	**122,266**			**236,221**
Property, Plant, and Equipment	185,708	97,209	116,651	(97,209)	302,359
Long-term Investments	29,133	41,856			70,989
Intangible Assets	26,062	18,570	22,284	(18,570)	48,346
Goodwill	-	-		37,541	37,541
Other Long-Term Assets	20,534	21,842			42,376
Total Non-Current Assets	**261,437**	**179,477**			**501,611**
Accounts Payable	64,288	67,581			131,869
Short-term Debt	10,060	10,522		(10,522)	10,060
Income Tax Payable	3,883	2,072			5,955
Other Current Liabilities	15,242	24,531			39,773
Total Current Liabilities	**93,473**	**104,706**			**187,657**
Long-term Debt	65,585	63,656		(63,656)	65,585
Other Non-Current Liabilities	46,939	56,420			103,359
Deferred Tax Liabilities	-	-		3,600	3,600
Total Non-Current Liabilities	**112,524**	**120,076**			**172,544**
Equity Attributable to Shareholders	173,583	55,962	208,236	(61,168)	376,613
Minority Interest	1,018	20,999		(20,999)	1,018
Total Stockholders' Equity	**174,601**	**76,961**			**377,631**

Sources	
Stock	208,236
Cash	5,206
Debt	0
Total	**213,442**

Uses	
Transaction Value	208,236
Transaction Fees	2,082
Other Fees	3,124
Total	**213,442**

Transaction Commentary

Shell to acquire BP target in an all-stock transaction valued at $208.2bn, with no cash consideration to BP shareholders and no new debt raised

Deal funded via issuance of new Shell shares to BP shareholders, plus $5.2bn cash used solely to cover $2.1bn advisory and $3.1bn other transaction fees

Fees absorbed into Shell's equity account rather than expensed through the income statement, standard treatment for a stock-financed acquisition

Implied purchase price represents roughly 3.7x BP's book equity, reflecting the control premium paid by Shell for BP

BP's assets stepped up to fair value at close: PP&E up $19.4bn, intangibles up a net $3.7bn, generating $37.5bn of goodwill on Shell's balance sheet (about 18% of the price paid)

BP's existing debt ($74.2bn) and minority interest ($21.0bn) fully eliminated on consolidation into Shell, with BP becoming a wholly owned subsidiary

Combined Shell BP balance sheet grows to $737.8bn in total assets, nearly double Shell's standalone size

Accretion / Dilution Analysis

EPS optics vs cash economics

Earnings per Share

	2026A	2027F	2028F	2029F
Pro-Forma Net Income	58,857	62,329	68,460	68,239
Pro-Forma SO	7,819	7,819	7,819	7,819
Pro-Forma EPS	7.53	7.97	8.76	8.73
Shell EPS	8.20	6.27	6.11	6.29
Accretion / (Dilution)	**-8%**	**27%**	**43%**	**39%**

Cash Flow per Share

	2026A	2027F	2028F	2029F
Pro-Forma FCF	75,216	55,960	53,106	58,719
Pro-Forma SO	7,819	7,819	7,819	7,819
Pro-Forma CFS	9.62	7.16	6.79	7.51
Shell CFPS	9.10	7.63	7.34	7.63
Accretion / (Dilution)	**6%**	**-6%**	**-7%**	**-2%**

Key Takeaways

1. **Initial Year 0 EPS dilution (-8%) driven by deal mechanics**
2. **Strong EPS accretion from Year 1 onward (+27% to +43%)**
3. **Positive accounting optics supported by net income growth**

1. **Initial CFPS accretion (+6%) quickly turns dilutive in Year 1**
2. **Persistent cash dilution (-6% to -2%) highlights cash flow drag**
3. **Cash dynamics directly contradict headline EPS accretion**

EPS accretion is strong post-Year 0, driven by accounting net income optics

CFPS dilution reflects underlying cash flow pressure and reliance on accounting gains

Merger Feasibility

The main challenge is integration and execution before and after close

Path to Close

Divestitures they need to do

overlapping UK and EU fuel retail networks

Sell duplicative trading, terminal and marketing

Shed high cost upstream to slim the portfolio

Competition law restricts full joint planning until close

- Gun jumping rules limit sharing of pricing and trading data
- Planning runs through clean teams and external advisers
- **Day 1 is built with an incomplete view of the other side's books**

Value is exposed before the deal even closes

Post-merger Integration

Consolidating overlapping IT, ERP and trading platforms

- Two ERP, finance and HR stacks must be unified
- Trading and risk systems require sequenced cutover
- Data migration across global operations is multi year

Delays synergies capturing and raises operational risk

Culture and leadership clash

- Overlapping top and country leadership **must be cut quickly**
- Differing risk cultures and operating styles slow key decisions
- Uncertainty **drives senior trading and technical talent to exit**

Execution risk peaks in the first two years

The binding challenge is execution – realizing value means managing integration from announcement through the first two years.

Other Merger Risks

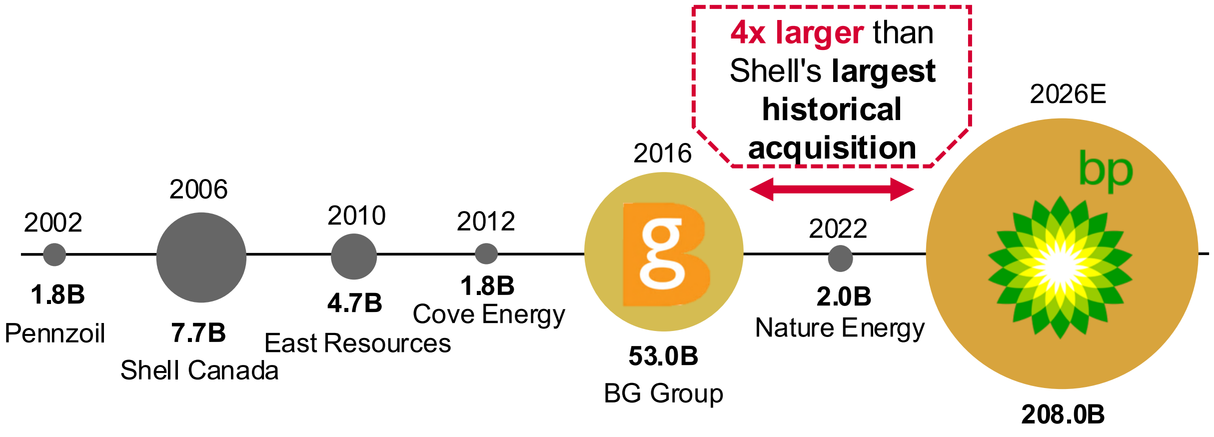
High regulatory, political and financial risks significantly challenge transaction feasibility

	Description	Severity	Likelihood	Threat
Government & Political	▪ Both firms are **strategic UK energy champions**, giving governments strong interest in deal approval and control ▪ **Political pressure** to protect **energy security and jobs** will constrain deal structure	▪ State intervention will **delay or condition** transaction approval ▪ Government pressure may **limit governance and strategic flexibility**	▪ **Highly likely** given energy security sensitivity ▪ **Political influence** on approval and remedies is **probable**	◕
Antitrust Regulation	▪ Combined entity would lead **trading and downstream fuel retail**, raising **Phase 2 review** risk ▪ **EC, CMA, and FTC remedies may force divestitures that reduce synergies**	▪ Multi-jurisdiction review could **delay closing by 12+ months** ▪ Forced divestitures will **reduce expected synergies**	▪ **Highly likely** given overlap in trading and retail ▪ Regulatory intervention is **highly likely**	◕
Energy Transition & ESG	▪ Reconciling two **decarbonization strategies** complicates a unified **transition roadmap** ▪ **ESG scrutiny** may raise **cost of capital** and investor opposition	▪ Strategy misalignment will **reduce investor credibility** ▪ ESG pressure may significantly **limit financing options**	▪ **Moderately likely** given differing net zero commitments ▪ **Investor and NGO opposition** is probable	◑
Geopolitical	▪ Overlapping **upstream exposure** in sensitive regions concentrates **political risk** ▪ Legacy sanctions and asset exposure may complicate approvals	▪ Instability may threaten **reserve and production continuity** ▪ Sanctions exposure may **limit access to certain markets**	▪ **Moderately likely** given exposure to contested jurisdictions ▪ **Regulatory complications** are probable	◑
Financing & Leverage	▪ **Combined debt** and financing needs raise the deal's **funding requirement** ▪ **Oil price cyclicality** may pressure cash flow and coverage during integration phase	▪ High leverage may pressure the **credit rating and cost of debt** ▪ Cash flow volatility may **lower shareholder returns**	▪ **Moderately likely** given combined debt and capex commitments ▪ Scrutiny from rating agency is **probable**	◑

Shell should not acquire BP under current market conditions

Deal size, regulatory exposure, and cash economics outweigh the strategic logic

Major Shell Acquisitions



4x larger than Shell's **largest historical acquisition**

The proposed BP acquisition would be nearly 4x larger than Shell's largest historical acquisition, making execution, regulatory approval and value creation more uncertain

Why the Deal Breaks Down

Financial Economics

- EPS accretion is driven by accounting effects, while CFPS remains dilutive through the forecast period
- Approximately $37.5bn of goodwill would be created, increasing balance sheet complexity

Regulatory Complexity

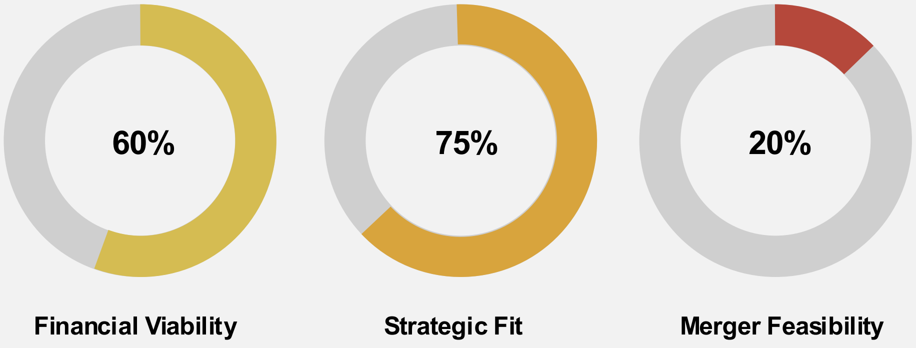
- Combined operations create significant overlap in LNG, trading, refining and fuel retail
- A transaction would require review by UK CMA, European Commission and other competition authorities

Strategic Execution

- Integration would combine two global organizations operating in more than 70 countries
- Large-scale portfolio rationalization would require multi-year execution

Capital Allocation

- Shell has consistently prioritized capital discipline, share buybacks and targeted acquisitions
- Smaller bolt-on transactions provide higher flexibility and lower execution risk



Shell should NOT merge with BP

CONCLUSION

- **Financial:** The proposed all-stock transaction is **EPS accretive**, but **CFPS remains dilutive** while generating approximately **$37.5bn of goodwill** and nearly doubling Shell's balance sheet. The transaction creates accounting accretion rather than immediate cash value creation, making shareholder benefits less compelling

- **Strategic/Political:** BP's upstream, LNG and trading assets complement Shell's portfolio, but combining two UK energy champions would trigger **significant government scrutiny, multi-jurisdiction antitrust reviews and potential divestitures**, delaying integration and materially reducing expected synergies. The unprecedented scale of the transaction further increases execution risk