
2Q 2016 Results
26 July 2016
bp
Cherry Point refinery, Washington

Hello and welcome. This is BP's second-quarter 2016 results webcast and conference call.

I'm Jess Mitchell, BP's Head of Investor Relations and I'm here with our Group Chief Executive Bob Dudley, and our Chief Financial Officer, Brian Gilvary. Also with us for the Q&A is the Chief Executive of our Upstream, Bernard Looney, and Tufan Erginbilgic, Chief Executive of our Downstream.

Before we start, I need to draw your attention to our cautionary statement.

Cautionary statement

Forward-looking statements - cautionary statement

In order to utilize the 'safe harbor' provisions of the United States Private Securities Litigation Reform Act of 1995 (the 'PSLRA'), BP is providing the following cautionary statement. This presentation and the associated slides and discussion contain forward-looking statements – that is, statements related to future, not past events – with respect to the financial condition, results of operations and business of BP and certain of the expectations, intentions, plans and objectives of BP with respect to these items, in particular statements regarding BP's medium-term goal of balancing organic sources and uses of cash by 2017 at $50–55/bbl; expectations regarding future oil and gas prices and market trends, including volatility and levelling out of supply; expectations regarding BP's growth in the near term and to 2030, including future construction and the timing thereof and future production levels and capacity; plans and expectations regarding BP's goal of growing sustainable free cash flow and distributions; BP's plans and expectations regarding the sanctioning of future projects; expectations regarding BP's share of Rosneft's production and net income and the amount of dividend payable by Rosneft to BP and BP's organic capital expenditures and cash cost savings through 2017; expectations with respect to the total amounts that will ultimately be paid by BP in relation to the Gulf of Mexico incident and the timing thereof; plans and expectations regarding Upstream growth to 2030, including increasing capacity, production and contribution to free cash flow; plans and expectations regarding Downstream contribution to free cash flow and refining margins and growth opportunities; expectations regarding Upstream third-quarter 2016 reported production, Downstream third-quarter 2016 turnaround activity and Other business and corporate 2016 quarterly charges; expectations regarding rebalancing of sources and uses of cash including the effect of rebalancing on free cash flow, cash flows expected from Upstream project start-ups and from Downstream and expectations regarding future investment and distributions to shareholders; expectations regarding the value of divestments in 2016 and thereafter, non-operating restructuring charges in 2016 and the impact on cash flow through 2017, Upstream activities in Indonesia, Egypt and the Gulf of Mexico and Upstream base decline and production costs; and expectations regarding Downstream cost efficiencies, performance improvement, programmes and headcount reduction and expectations regarding the fuels marketing and lubricants businesses. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including: the specific factors identified in the discussions accompanying such forward-looking statements; the receipt of relevant third party and/or regulatory approvals; the timing and level of maintenance and/or turnaround activity; the timing and volume of refinery additions and outages; the timing of bringing new fields onstream; the timing, quantum and nature of certain divestments; future levels of industry product supply, demand and pricing, including supply growth in North America; OPEC quota restrictions; PSA effects; operational and safety problems; potential lapses in product quality; economic and financial market conditions generally or in various countries and regions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; regulatory or legal actions including the types of enforcement action pursued and the nature of remedies sought or imposed; the actions of prosecutors, regulatory authorities and courts; exchange rate fluctuations; development and use of new technology; recruitment and retention of a skilled workforce; the success or otherwise of partnering; the actions of competitors, trading partners, contractors, subcontractors, creditors, rating agencies and others; our access to future credit resources; business disruption and crisis management; the impact on our reputation of ethical misconduct and non-compliance with regulatory obligations; trading losses; major uninsured losses; decisions by Rosneft's management and board of directors; the actions of contractors; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism; cyber-attacks or sabotage; and other factors discussed under "Risk factors" in BP Annual Report and Form 20-F 2015 as filed with the US Securities and Exchange Commission.

This document contains references to non-proved resources and production outlooks based on non-proved resources that the SEC's rules prohibit us from including in our filings with the SEC. U.S. investors are urged to consider closely the disclosures in our Form 20-F, SEC File No. 1-06262. This form is available on our website at www.bp.com. You can also obtain this form from the SEC by calling 1-800-SEC-0330 or by logging on to their website at www.sec.gov

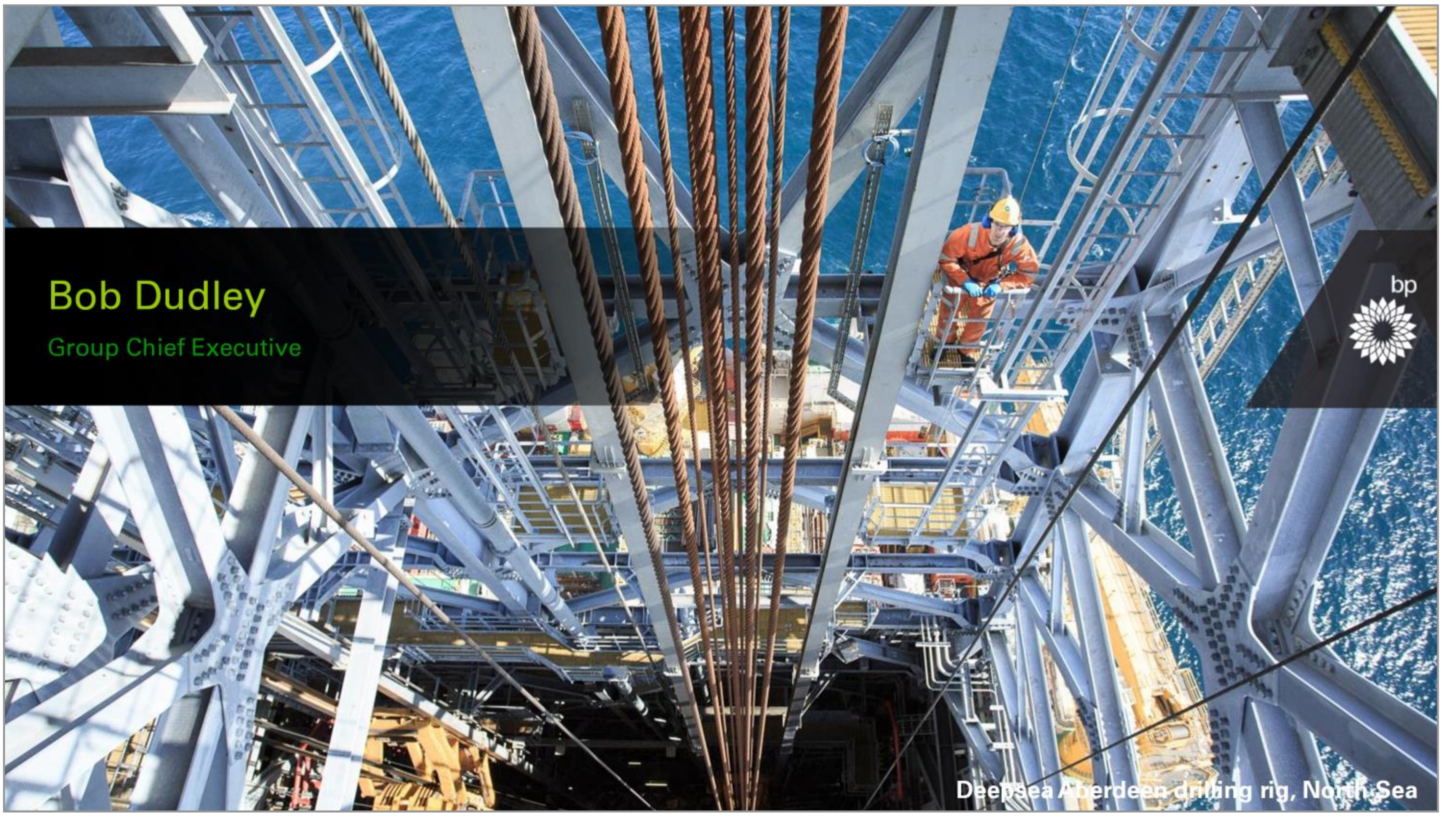
Reconciliations to GAAP - This presentation also contains financial information which is not presented in accordance with generally accepted accounting principles (GAAP). A quantitative reconciliation of this information to the most directly comparable financial measure calculated and presented in accordance with GAAP can be found on our website at www.bp.com.

Tables and projections in this presentation are BP projections unless otherwise stated.

July 2016

During today's presentation, we will make forward-looking statements that refer to our estimates, plans and expectations. Actual results and outcomes could differ materially due to factors we note on this slide and in our UK and SEC filings. Please refer to our Annual Report, Stock Exchange Announcement and SEC filings for more details. These documents are available on our website.

Thank you, and now over to Bob.


Bob Dudley
Group Chief Executive
Deepsea Aberdeen drilling rig, North Sea

Thanks Jess.

Agenda

Environment

Overview

2Q 2016 results

Financial frame

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Q&A

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Welcome everybody and thank you for joining us.

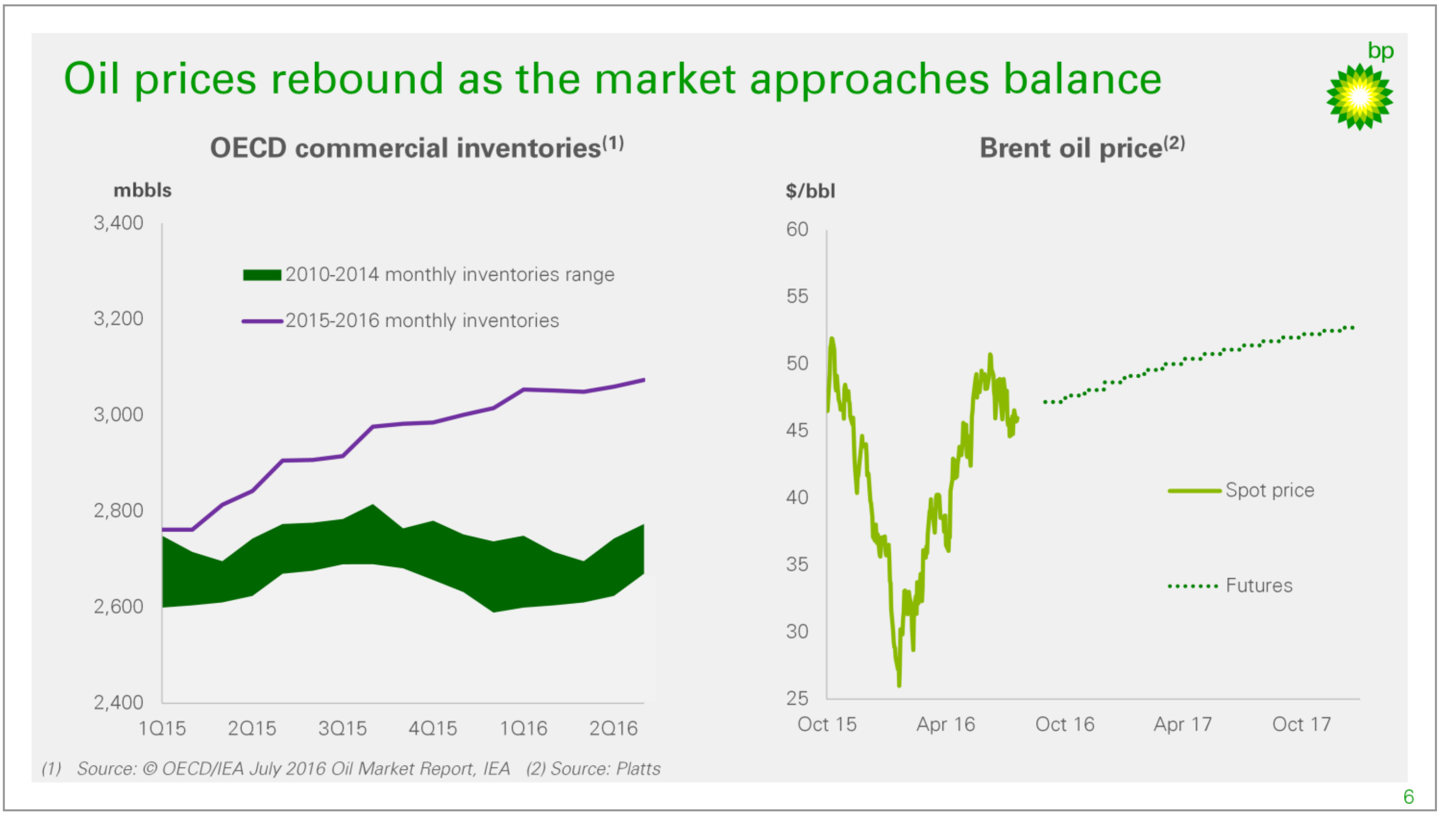
It has been an eventful quarter – I think we can certainly say that. At the same time, our sector has seen some strengthening in oil prices, and at BP we have had a few significant events of our own.

In Norway we joined forces with Det Norske to create Aker BP. In Baku last month we launched our new Upstream strategy. And earlier this month you saw us draw a line under the remaining uncertainties around our Deepwater Horizon liabilities. So while the environment has remained challenging, we have continued to put our energies into shaping a much stronger future for the Group.

It's a future we feel very good about. We have established more efficient ways of working – and moved quickly to do so. Our track record of excellence when it comes to execution is getting stronger all the time. And we are drawing on deep relationships built up over many years – many decades in some cases. That allows us to work really well with our partners, to be innovative and to move fast and effectively where we see mutual advantage. It also helps to have a long history. Our ability to learn and adapt to challenging circumstances has been proven many times over. It's part of what defines BP. And it's why we are confident in our ability to navigate a rapidly changing world, come out stronger, and carry on creating value for shareholders for decades to come.

For today, I'll start by looking in more detail at the environment and our response – and I'll look at how we're not just demonstrating our **resilience**, but how we are making our business model more **sustainable** and how we have a new phase of **growth** within our sights.

As usual, Brian will take you through the detail of our second-quarter numbers and a reminder of our medium-term guidance. And I'll come back to update you on the ongoing progress and outlook for our Upstream and Downstream businesses. Then at the end, as always, there will be plenty of time for your questions.



Let's start then with how we see the macro environment.

As we expected, growth in global oil demand remains strong and we have seen some slowing in global supply growth stemming from supply disruptions, partially offset by the continued increase in Iranian production. In the United States, production continues to decline and we anticipate a further drop in the third quarter, but with producers slowly adding back rigs, production should stabilise by year-end.

While some of the factors that have recently supported oil prices may only be temporary, we see the overall fundamentals bringing the market into balance during the second half of this year. Over the last quarter we have seen oil prices strengthen in anticipation of this rebalancing - with some weakening primarily due to the strong dollar in the last week or so. The longer-term fundamentals for the industry also remain robust. However, for the time being oil inventories remain high - well above their five-year average, shown in the green band - and these inventories could still hold back further increases in oil prices for a while yet. So the forward curve has flattened although it still remains positive. Markets also remain cautious as they await more clarity around the impact of Brexit on oil demand.

Sustainable value growth

- Relentless focus on safety and reliability
- A balanced portfolio with distinctive capabilities
- Portfolio actively managed for value over volume
- Continued capital and cost discipline
- Growing sustainable free cash flow and distributions over the long term

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Turning to BP, our primary objective, as you know, is one of growing value for shareholders over the long term. As we laid out to you last year we have a set of enduring principles to guide us – and we are holding firmly to those principles.

First, is always our relentless focus on safe and reliable operations. It is not only safer for people and the environment, but provides reliable cash flows. We are even more conscious of the need to improve this every day, as we work to reset our business for the current circumstances.

We also continue to actively build and refine a strong, balanced portfolio, which we manage for value over volume. In these tough times it's very clear how being an integrated group has enhanced our resilience. The environment today is also a strong reminder of the merits of having already reshaped our portfolio through around $75 billion of divestments since 2010, including our interest in TNK-BP – and this mostly when prices were much higher. Today, when you include our equity interest in Rosneft, we're a 3.3 million barrel per day company. This means that we are focused on our strengths but can still operate at scale. Our Upstream has strong incumbent positions in many of the world's top basins with growth in the near term to 2020 - and beyond that to 2030. And that's without the need for a large acquisition as some have suggested. In our Downstream we have a strong and focused footprint, including advantaged manufacturing assets and an orientation to growth markets with high returns.

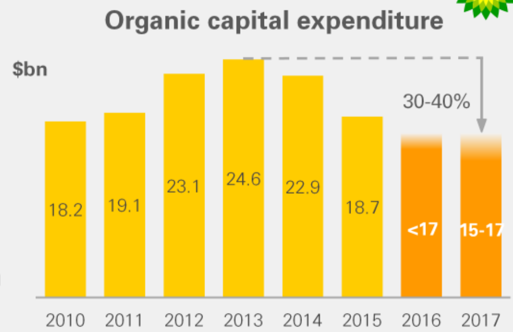
So we really like the portfolio we have but we are also looking for opportunities to take advantage of the environment to deepen in assets we see as attractive. And we continue to look for creative repositioning opportunities. You have seen us do this in the Lower 48, and in the partnership with Chevron in the Gulf of Mexico to advance the discoveries in the Paleogene. More recently, you have seen us do it with Det Norske in Norway. At the same time we have our selective, ongoing divestments which are continuously high-grading the Group-wide portfolio.

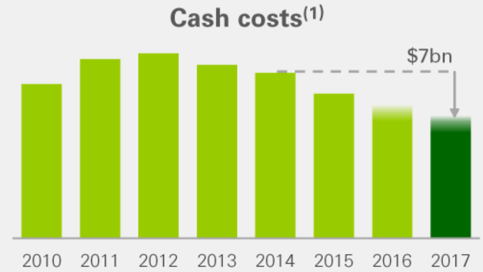
So making the most of our strong portfolio is important. But we also know we must stay very focused on capital and cost discipline, even as oil prices start to strengthen. It's about using our scarce capital wisely to preserve our growth objectives while making sure that all the changes we make now are sustainable for the future. In the Upstream, you'll have heard Bernard referring to this as 'making it stick'. It's about changing the way we think about our business, adopting a manufacturing approach across all our businesses so that we're always competing at the lower cost end of the supply curve.

We have been on this path for some time and most of this will not be new with you. What the last 18 months has proven is that these principles provide a consistent direction to our business. We continue to believe it is helping us set the right course for both the current environment and for the future. All of this works towards the most important of our principles - that of growing sustainable free cash flow and shareholder distributions over the long term.

Resilience, sustainability and growth

- Deepwater Horizon commitments clarified
- Ongoing safe, reliable and efficient operations
- Rebalancing the financial framework
  - Strong momentum on resetting capital and cash costs
  - Sustaining the dividend
- New wave of Upstream major project start-ups on track
- Downstream resilience and access to growth markets





(1) *Cash costs are the principal operating and overhead costs that management considers to be most directly under their control; see bp.com for further information*

Note: Chart axes are not to the same scale

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We've made a lot of progress so far in 2016. As predicted, the first half environment has been challenging. But as we look through the seasonal fluctuations in quarterly earnings, our business is proving resilient and this is even before we fully complete our cost rebasing, which will take us into 2017.

At the same time we are making strong progress towards some very important medium and long-term goals.

Significantly, following the substantial progress we have made in resolving outstanding claims arising from the Deepwater Horizon accident, our results today incorporate what we believe is a reliable estimate for all the remaining material liabilities to BP. This brings six years of managing the aftermath of the accident towards closure. We can now draw a line under it. It has been a tough period for us, but it has reshaped how we think and how we operate, and it has made us more disciplined. In short, it has made us a better company. We will always be mindful of what we have learnt but we are now able to give full attention to our future.

Our focus on safe, reliable and efficient operations is making us both safer and more competitive. We won't cover all the details today, but it is showing up in our performance and it is making a difference to the bottom line.

We have strong momentum in resetting our organic sources and uses of cash to balance in a $50-55 per barrel oil price range, supporting our ongoing commitment to sustaining the dividend. We are holding to our capital frame and now expect capital expenditure to be below our $17 billion guidance for this year, and to be in a range of $15-17 billion in 2017 depending on where oil prices settle. This represents a 30-40% drop in capital expenditure by 2017 compared to our peak spend levels in 2013. The Group's controllable cash costs for the last four quarters are now some $5.6 billion below 2014 levels, putting us well on track to achieving our goal of a $7 billion reduction in 2017 cash costs compared to 2014.

Last month in Baku, as I mentioned, the Upstream team set out a new vision. This showed our agenda for growth in the Upstream out to 2030. It also highlighted the 800 thousand barrels per day of new net production expected by 2020 – including 500 thousand barrels of new capacity onstream by 2017 from new projects. Along with continued strong management of our base production, we expect this to drive a growing contribution to Group free cash flow over the medium term, even in a $50 oil price world.

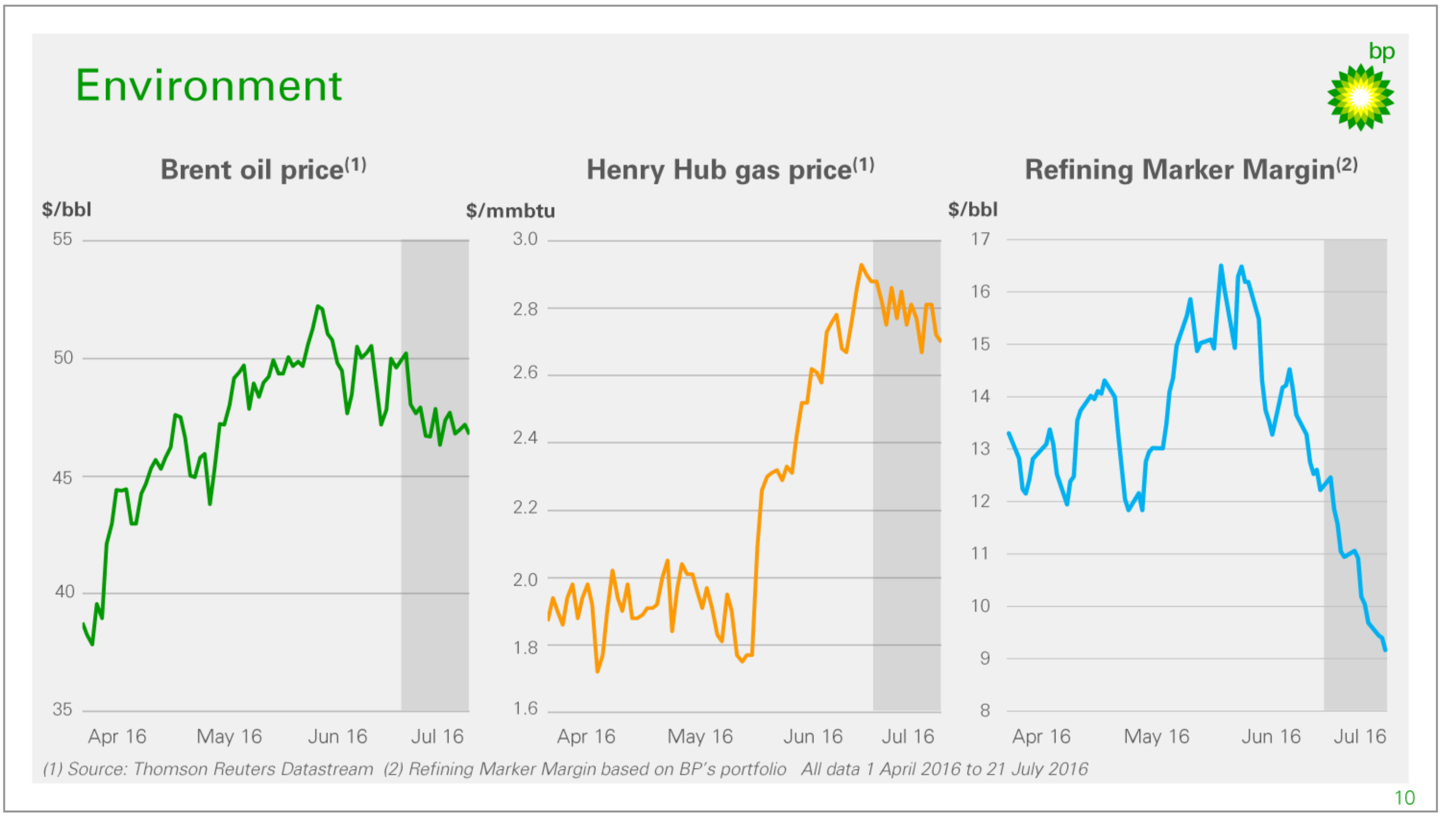
Similarly, in our Downstream, we're positioned to keep on delivering a strong and resilient contribution to Group free cash flow over the medium term at average historical refining margins. That comes from the real and material improvement in underlying performance that you'll have seen in this business over recent quarters. And we see more opportunity to grow through our access to growth markets.

So we expect 2016 to remain challenging but we are starting to see a much stronger outlook for the Group. Near-term, our balance sheet remains robust to deal with uncertainties. Looking further out, as oil markets rebalance we expect to see more support for oil prices, but we are not relying on this. Our confidence comes from being firmly down the path of transforming our business to compete, whatever the future holds.

I will come back to some of these points in more detail but for now let me hand it over to Brian to take you through the results.


Brian Gilvary
Chief Financial Officer
bp
Whiting refinery, Indiana

Thanks Bob.



Starting with the price environment for the second quarter.

Brent crude rose to an average of $46 per barrel in the second quarter, compared to $34 per barrel in the first quarter and $62 per barrel a year ago. The quarter-on-quarter movement reflects the market's anticipation of global supply and demand rebalancing in the second half of the year.

Henry Hub gas prices, which have been on a downward trend since early 2014, showed some recovery towards the end of the quarter, with spot prices averaging $2.10 per million British Thermal Units. Although prices remain weak, the combination of declining production and increases in gas-fired power generation have helped to limit storage overhang - and should continue to support some firming in price over the second half of the year.

The global Refining Marker Margin averaged $13.80 per barrel in the second quarter, the lowest second quarter since 2010. It compares with $19.40 per barrel a year ago and $10.50 per barrel last quarter, reflecting some seasonal recovery. However, we expect high product stock levels to continue to keep industry refining margins under pressure.

The steadily improving environment has had a positive impact on our earnings and cash flow compared to the first quarter. While oil and gas prices have held up well so far in the third quarter, we still expect to see some volatility over the coming months.

2Q 2016 Summary

Underlying earnings figures are adjusted for the costs associated with the Gulf of Mexico oil spill, other non-operating items and fair value accounting effects

$bn	2Q15	1Q16	2Q16	% Y-o-Y	% Q-o-Q
Upstream	0.5	(0.7)	0.0		
Downstream	1.9	1.8	1.5		
Other businesses & corporate	(0.4)	(0.2)	(0.4)		
Underlying business RCPBIT[1]	**2.0**	**0.9**	**1.2**	**(41)%**	**31%**
Rosneft[2]	0.5	0.1	0.2		
Consolidation adjustment - unrealised profit in inventory	(0.0)	0.0	(0.1)		
Underlying RCPBIT[1]	**2.4**	**1.0**	**1.3**	**(47)%**	**30%**
Finance costs[3]	(0.4)	(0.3)	(0.3)		
Tax	(0.7)	(0.1)	(0.2)		
Minority interest	(0.0)	(0.0)	(0.0)		
Underlying replacement cost profit	**1.3**	**0.5**	**0.7**	**(45)%**	**35%**
Underlying operating cash flow[4]	**6.4**	**3.0**	**5.5**	**(14)%**	**83%**
Underlying earnings per share (cents)	**7.2**	**2.9**	**3.9**	**(46)%**	**34%**
Dividend paid per share (cents)	**10.00**	**10.00**	**10.00**	**0%**	**0%**

(1) Replacement cost profit before interest and tax (RCPBIT)
(2) BP estimate of Rosneft earnings after interest, tax and minority interest
(3) Finance costs and net finance income or expense relating to pensions and other post-retirement benefits
(4) Underlying operating cash flow is net cash provided by (used in) operating activities excluding pre-tax Deepwater Horizon payments

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Turning to the results for the Group. BP's second-quarter underlying replacement cost profit was $720 million, down 45% on the same period a year ago, and 35% higher than the first quarter of 2016.

Compared to a year ago, the result reflects:

- Lower Upstream realisations; and
- A significantly weaker refining environment.

Partly offset by:

- Lower cash costs across the Group; and
- Lower exploration write-offs.

Compared to the previous quarter, the result reflects:

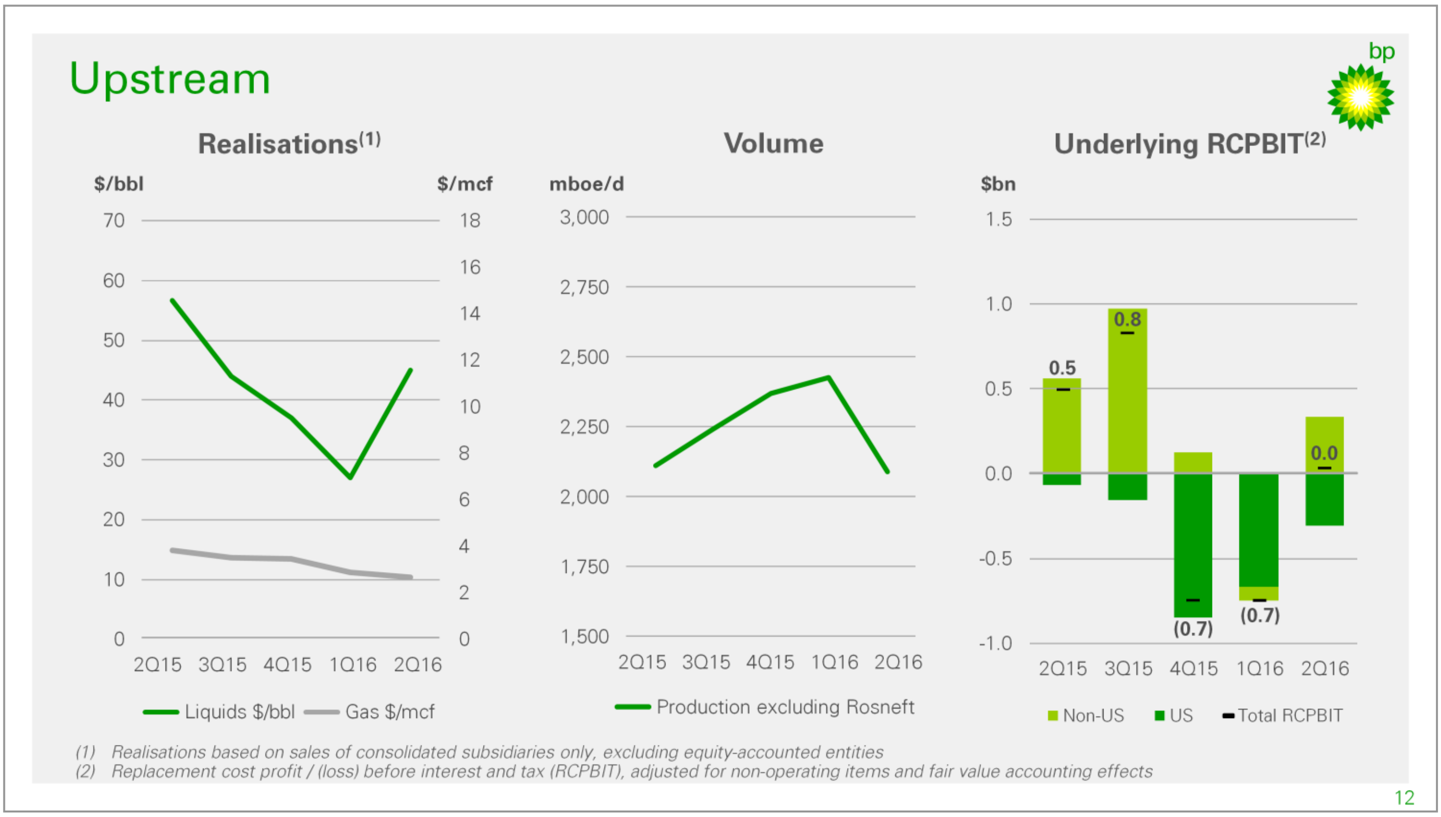
- Higher Upstream realisations.

Partly offset by:

- Higher levels of turnaround activity; and
- A lower contribution from supply and trading.

Second-quarter underlying operating cash flow, which excludes pre-tax Gulf of Mexico oil spill payments, was $5.5 billion. This included a working capital release of $1.3 billion in the quarter, reversing out the $770 million build in the first quarter. This represents robust cash delivery given the onset of seasonal maintenance in both our main businesses.

The second-quarter dividend, payable in the third quarter of 2016, remains unchanged at 10 cents per ordinary share.



In Upstream, the underlying second-quarter replacement cost profit before interest and tax of $30 million compares with a profit of $500 million a year ago and a loss of $750 million in the first quarter of 2016.

Compared to the second quarter of 2015 the result reflects:

– Lower liquids and gas realisations.

Partly offset by:

– Lower costs reflecting the benefits of simplification and efficiency activities and lower rig cancellation spend; and

– Lower exploration write-offs and DD&A.

Excluding Russia, second-quarter reported production versus a year ago was 1.0% lower. After adjusting for entitlement and portfolio impacts, underlying production increased by 1.5%.

Compared to the first quarter, the result reflects:

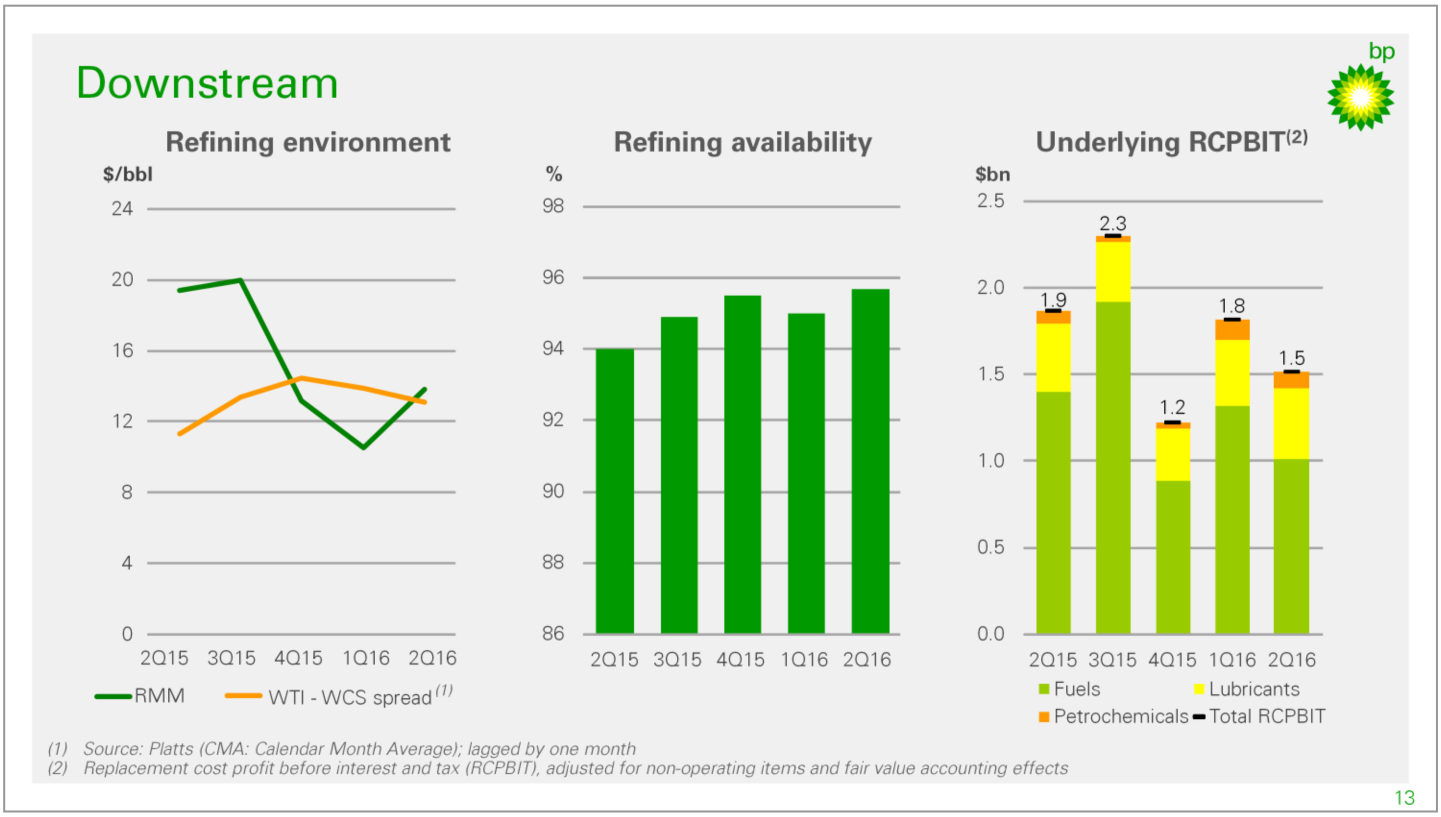
– Higher liquids realisations.

Partly offset by:

– Lower production, in part due to seasonal maintenance activity; and

– Higher exploration write-offs.

Looking ahead, we expect third-quarter reported production to be lower than the second quarter, due to seasonal turnaround and maintenance activities, and the impact of the plant outage at the Enterprise Pascagoula gas processing plant in the Gulf of Mexico.



Turning to Downstream, the second-quarter underlying replacement cost profit before interest and tax was $1.5 billion compared with $1.9 billion a year ago and $1.8 billion in the first quarter.

The Fuels business reported an underlying replacement cost profit before interest and tax of $1.0 billion, compared with $1.4 billion in the same quarter last year and $1.3 billion in the first quarter of 2016.

Compared to a year ago this reflects:

– A significantly weaker refining environment.

Partly offset by:

– Lower costs from simplification and efficiency programmes; and

– Increased fuels marketing performance.

Refining operations in the second quarter were strong, with Solomon availability at 95.7%, the highest since 2004.

Compared to the first quarter the result reflects:

– A lower contribution from supply and trading after a strong first-quarter result; and

– A significantly higher level of turnaround activity.

Partly offset by:

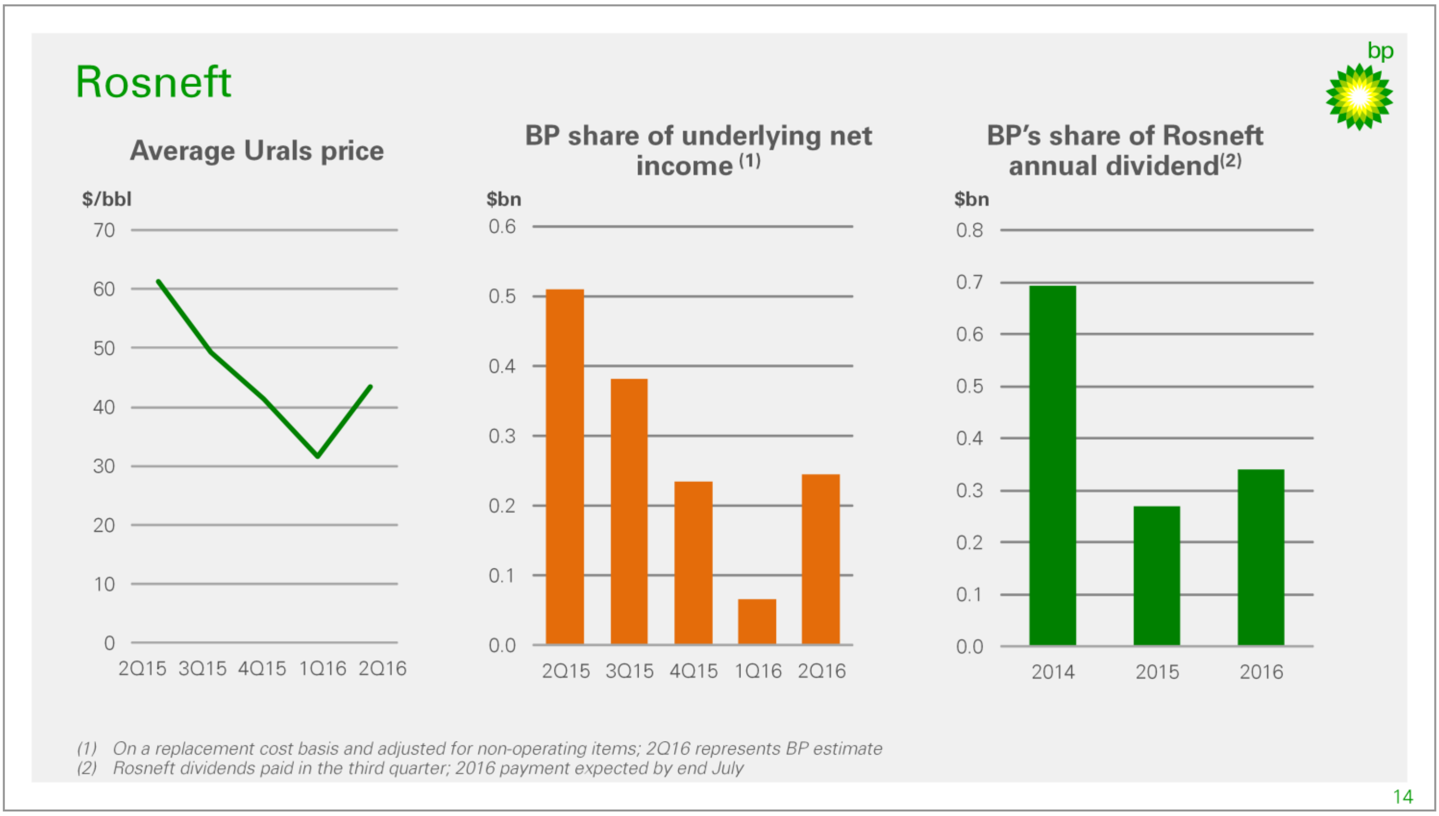
– A stronger fuels marketing performance; and

– Higher refining marker margins, although these were largely offset by weaker crude oil differentials and product mix impacts specific to our refining portfolio.

The Lubricants business reported a record underlying replacement cost profit of $410 million in the second quarter, compared with $400 million a year ago. This brings the first half pre-tax earnings to $800 million.

The Petrochemicals business reported an underlying replacement cost profit of $90 million, compared with $80 million a year ago.

In the third quarter, we expect turnaround activity to remain high, at a similar level to the second quarter, and that industry refining margins will continue to be under pressure.



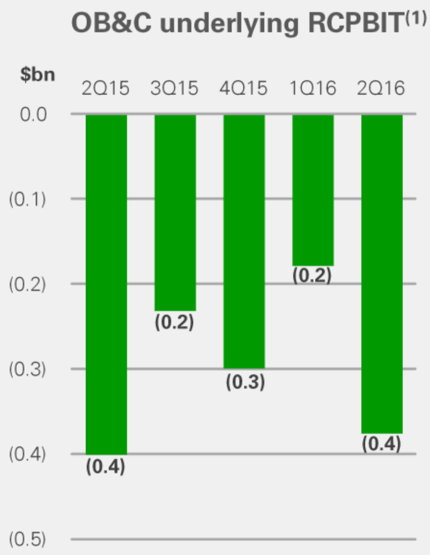
Based on preliminary estimates, we have recognised $246 million as our estimate of BP's share of Rosneft's underlying net income for the second quarter, compared to $510 million a year ago and around $70 million in the first quarter of 2016.

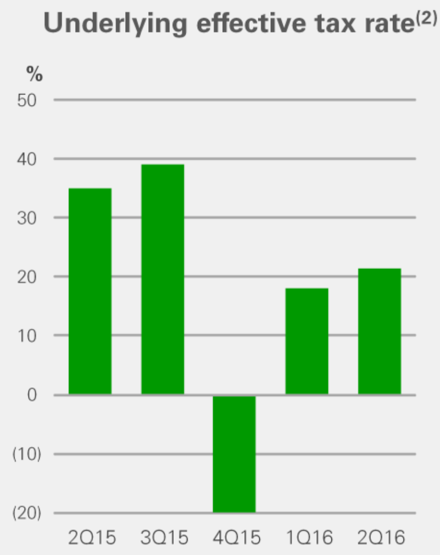
Our estimate of BP's share of Rosneft's production for the second quarter is just over 1 million barrels of oil equivalent per day, an increase of 1.3% compared with a year ago and broadly flat compared with the previous quarter.

Further details will be available when Rosneft report their second-quarter results.

Following the decision taken at Rosneft's General Shareholders Meeting in June, we are expecting to receive a dividend of around $335 million after tax, based on current exchange rates, by the end of July. The dividend represents 35% of our share of Rosneft's IFRS net income in 2015, an increase from a 25% payout ratio in prior years.

Other items





(1) *Other businesses and corporate replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items*

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In Other Businesses and Corporate, we reported a pre-tax underlying replacement cost charge of $380 million for the second quarter, bringing the charge for the first half to $550 million. This is below guidance year-to-date, but we continue to expect the average underlying quarterly charge for the rest of the year to be around $300 million.

The underlying effective tax rate for the second quarter was 21% - lower than a year ago mainly due to changes in the mix of earnings, partly offset by foreign exchange impacts on deferred tax balances.

Gulf of Mexico oil spill costs and provisions

pre-tax[1]

$bn	To end 2015	1Q 2016	2Q 2016	Cumulative to date
Income statement				
Charge / (credit) for the period	**55.5**	**0.9**	**5.2**	**61.6**
Balance sheet [2]				
Brought forward		**18.8**	**18.6**	
Charge / (credit) to income statement	55.5	0.9	5.2	61.6
Payments into Trust Fund	(20.0)	-	-	(20.0)
Cash settlements received	5.4	-	-	5.4
Other related payments in the period [3]	(22.0)	(1.1)	(1.6)	(24.8)
Carried forward	**18.8**	**18.6**	**22.2**	**22.2**
Cash outflow	**36.7**	**1.1**	**1.6**	**39.4**

(1) Includes contributions received from Mitsui, Weatherford, Anadarko and Cameron
(2) Balance sheet amount includes all provisions, other payables and the asset balances related to the Gulf of Mexico oil spill
(3) Please refer to details as disclosed in the second-quarter Stock Exchange Announcement

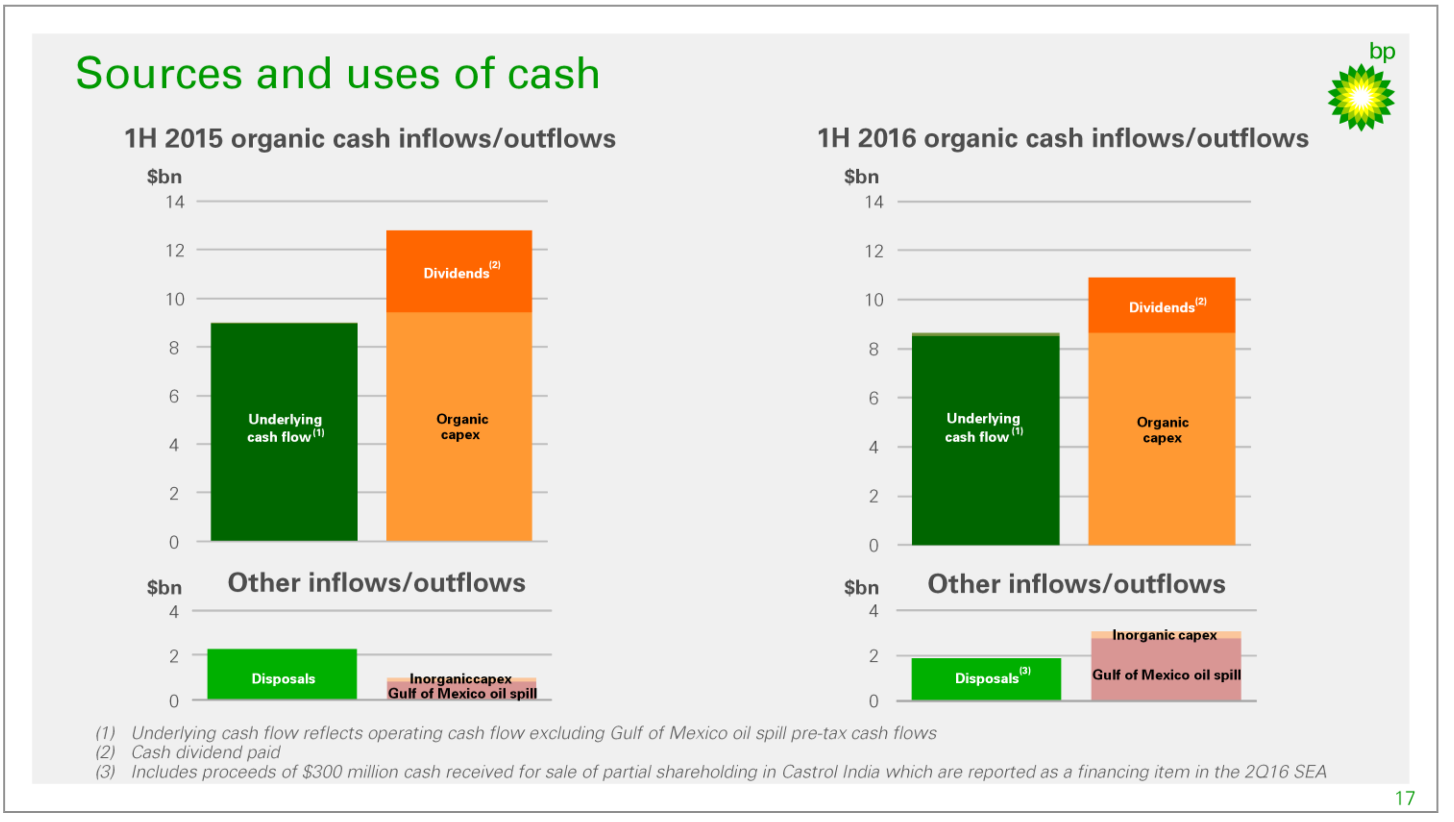
Turning to the Gulf of Mexico oil spill costs and provisions.

As Bob noted, following significant progress in resolving outstanding claims arising from the 2010 Deepwater Horizon accident and oil spill, we announced on July 14th that we can now reliably estimate all of the remaining material liabilities in connection with the incident.

This has resulted in a pre-tax charge for the second quarter of $5.2 billion. The total cumulative pre-tax charge for the incident is $61.6 billion – or $43.4 billion after tax.

With the full $20 billion already paid out of the Trust fund, BP is paying for the claims and other costs formerly funded out of the Trust as they arise.

The pre-tax cash outflow on costs related to the oil spill for the second quarter was $1.6 billion.

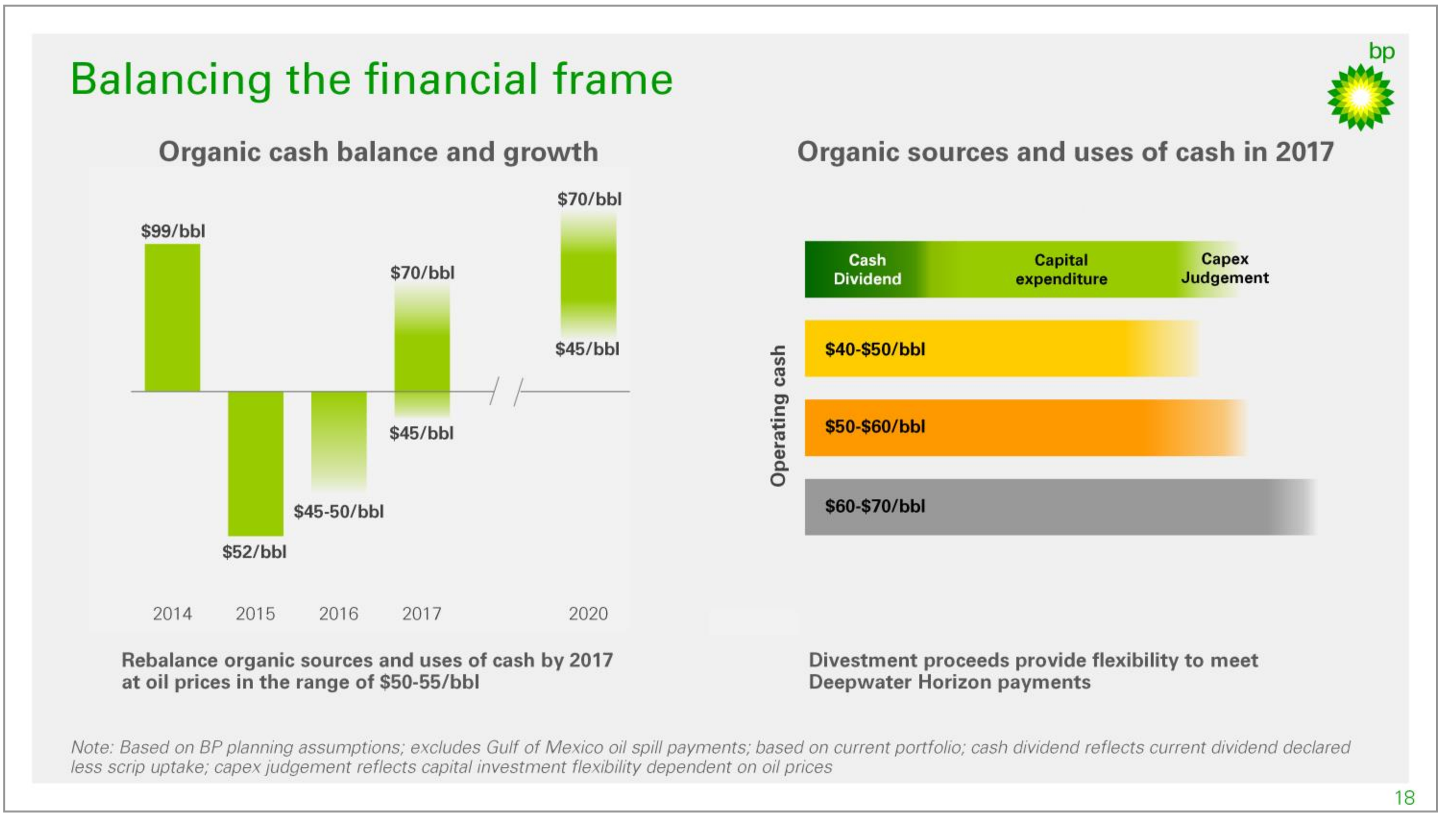


This slide compares our sources and uses of cash in the first half of 2016 to the same period a year ago.

Underlying operating cash flow, excluding pre-tax oil spill related outgoings, was $8.5 billion for the first half, which included a working capital release of $520 million.

First-half Gulf of Mexico oil spill payments were $2.7 billion. Divestment proceeds amounted to $1.9 billion, including $300 million of cash from the partial sale of the Group's shareholding in Castrol India during the second quarter.

Organic capital expenditure was $7.9 billion in the first half and $3.9 billion in the second quarter.



Now turning to our financial frame.

We continue to reset the capital and cash cost base of the Group. As already mentioned, we now expect capital expenditure to be below $17 billion this year and to be between $15-17 billion for 2017, depending on the prevailing oil price. Our plans to reduce 2017 controllable cash costs by $7 billion compared to 2014 are on track.

We are moving steadily towards re-balancing organic sources and uses of cash by 2017 at oil prices in the range of $50-55 per barrel. This currently defines the framework for our ongoing commitment to sustaining the dividend. Actual inflows and outflows will reflect ongoing recalibration to the environment, including optimisation of capital expenditure and any changes to the portfolio.

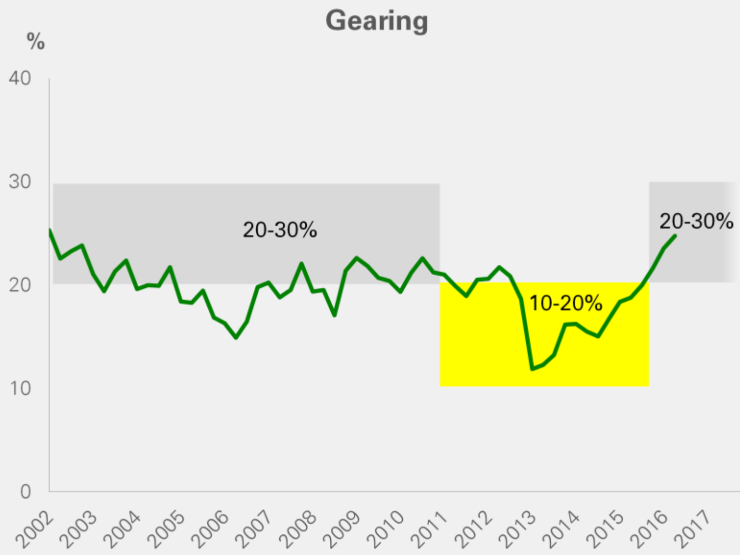
Our ultimate aim over time is to sustain a position where operating cash flow from our business covers capital expenditure and the dividend. Once rebalancing is achieved, and based on our current portfolio, free cash flow is expected to start to grow at prices similar to where we are today. This is supported by the stronger cash flows expected from the next tranche of Upstream project start-ups and resilient performance from the Downstream. If the price environment improves we will look to ensure the right balance between disciplined investment for even stronger growth and growing distributions to shareholders over the longer term.

We continue to expect $3-5 billion of divestments in 2016 and around $2-3 billion per annum thereafter, in line with our historical norms. The proceeds from these divestments provide additional flexibility and cover for our Deepwater Horizon payment commitments in the United States.

As a reminder non-operating restructuring charges are expected to approach around $2.5 billion in total by the end of 2016, with around $1.9 billion incurred so far since the fourth quarter of 2014 and $70 million incurred in the second quarter. The impact on cash flow will reduce as we move through the second half of 2017.

Balance sheet resilience

- 10-20% gearing band put in place in 2010 to manage uncertainty
- Clarity on material Deepwater Horizon commitments
- Gearing band of 20-30% re-established



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Lastly, looking at gearing.

At the end of the second quarter net debt was $30.9 billion and gearing was 24.7%, within our target gearing band.

With that, I'll hand you back to Bob.

Thanks Brian.

Upstream key messages from Baku

- **Safety and reliability** – committed to improving year-on-year
- **Portfolio** – balanced, focused, resilient, creative models
- **Capability** – world class people, functional model driving competitiveness
- **Efficiency** – cost and capital down, top quartile production cost - more to come
- **Growth** – imminent, value over volume, $7-8bn free cash flow(1) in 2020
- **Future** – 45bn boe, capacity to grow organically, returns focused

(1) Free cash flow proxy = Underlying RCOP+DD&A+EWO-Capex, pre-tax at $50/bbl Brent

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Now turning to the outlook for our businesses, let's start with a reminder of the new vision that our Upstream team laid out last month in Baku.

Bernard told you about how the Upstream has been transformed over the last several years.

He and the team talked about how safety and reliability is job number one and how we continue to drive year-on-year improvement in this area.

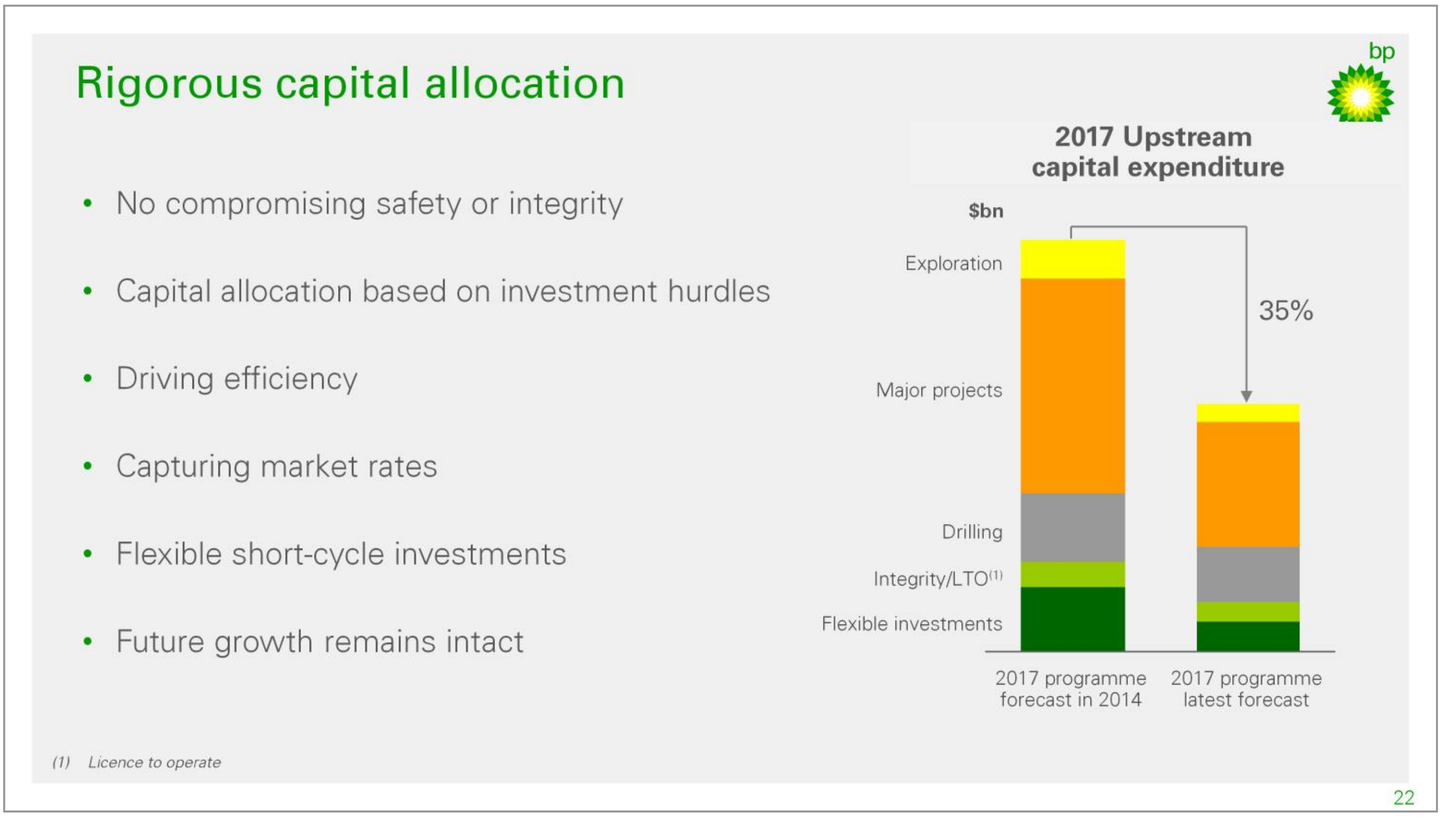
And about the balance in our portfolio and how we manage it for value over volume, as I described earlier.

The team highlighted how our world-class organisation and our functional model is making the Upstream more competitive in everything we do. They also talked about our drive for efficiency and how both capital and cash costs are coming down, with more still to come.

Importantly, we talked about growth – growth that is imminent and which supports an aim to deliver $7-8 billion of pre-tax free cash flow to the Group in 2020, at a $50 oil price assumption.

It doesn't stop there. The Upstream team also demonstrated our capacity to continue to grow organically from 2020 to 2030, underpinned by our existing 45 billion barrels of resources and a strong focus on capital discipline and returns.

So we covered a lot of ground in Baku and you can find the materials on our website. I am going to only briefly touch on a few highlights today.



So looking first at how we allocate our capital.

In the Upstream we currently estimate 2017 capital expenditure to be around $13-14 billion, which is 35% lower than we forecasted back in 2014. We have a strict capital discipline process that is informing the choices we make and ensuring they are the right ones for resilience and growth.

It starts with established hurdle rates and that means analysing every pre-FID project, optimising it, and ensuring that its economics are robust. We're seeing that in action today with the recycling of projects like Browse and Pike.

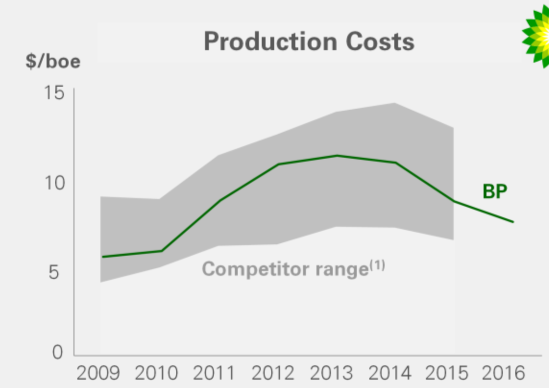
We have also pared back exploration and we are focusing our efforts on adding barrels with a short cycle time.

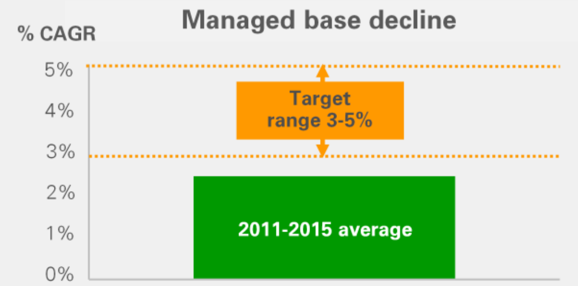
In the Lower 48, Iraq and Alaska, where we have vast resources, we have reduced our spend while retaining the flexibility to scale-up activity should prices strengthen.

We are also adding new projects and activity. In Indonesia, for example, the recent sanctioning of the Tangguh Expansion Project will add a third LNG process train and 3.8 million tonnes per annum of production capacity. It is one of the lowest cost of supply additions in the world. And in Egypt, the recently sanctioned development of Atoll will help provide much needed additional gas to the domestic market. As we continue to lower our capital intensity and maintain discipline we do not see a need for material growth in capital spend to meet our future growth plans.

Driving performance improvement

- Continuous improvement and simpler organisation
- Aggressively addressing third-party spend
- Improving operating efficiency
- Flattening base decline
- Generating increasing cash margins





(1) BP estimate based on company data: XOM, RDS, CVX, TOT

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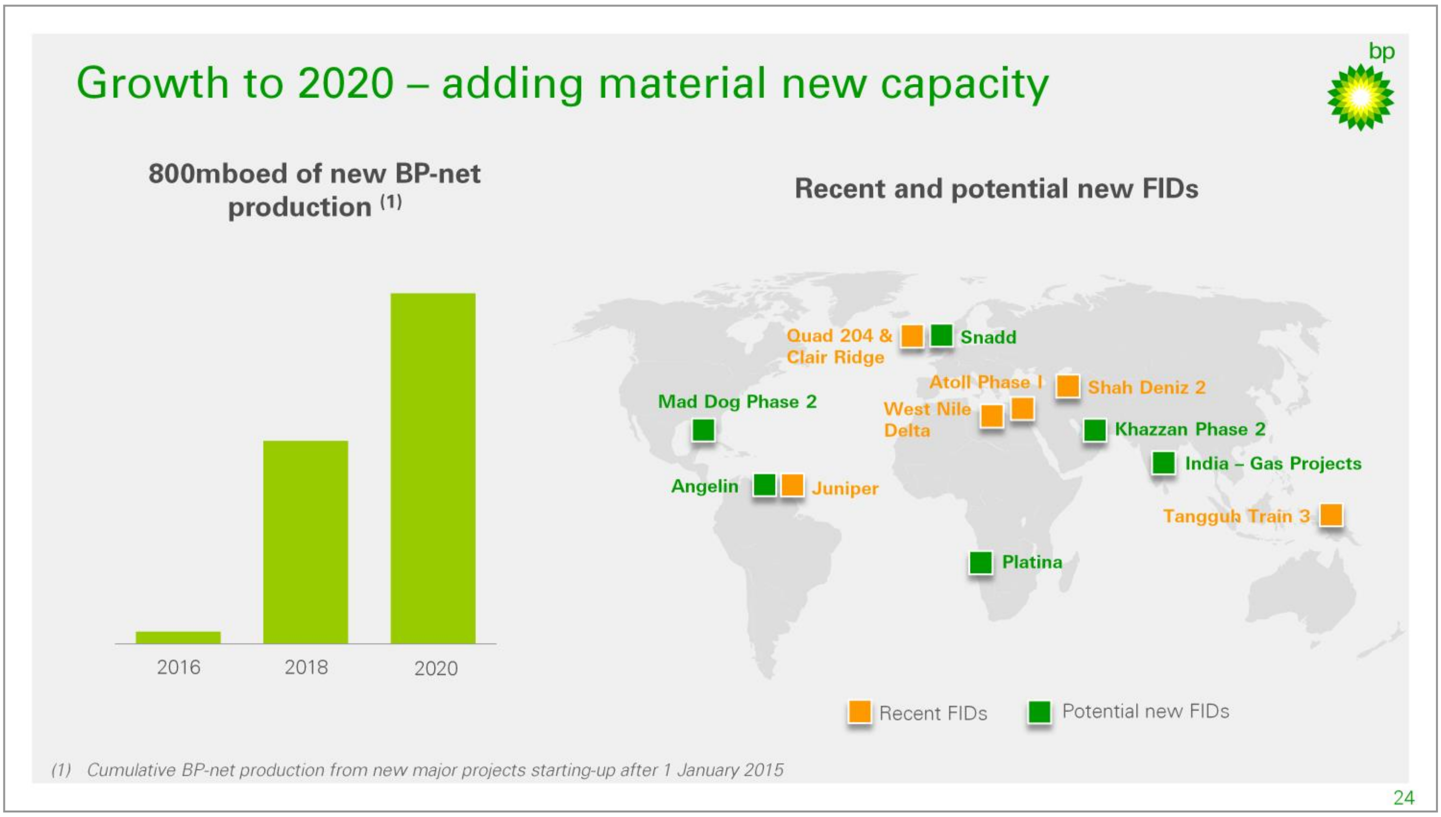
We are also very focused on performance improvement. We expect Upstream cash costs to reduce by $4 billion by 2017 compared to 2014 spend. This is a 30% drop and represents a major contribution to the Group's $7 billion target.

We have reset the organisational footprint making it one-third smaller than three years ago. We have focused on engaging our people in continuous improvement and eliminating waste and duplication, and we have hundreds of initiatives underway across the segment. These include increasing workforce productivity and interventions to standardise, simplify and optimise what we do every day. These initiatives are being embedded into the organisation to ensure we make efficiencies which will endure into the future. We are also addressing our third-party spend as it represents a significant portion of our capital spending and around 50% of our cash costs. And we've seen a big reduction in costs, by working closely with suppliers and through competitive bidding.

At the same time we are focused on the efficiency of our projects and operations and we are seeing productivity increasing, as we try new things and bring in new technology – call it innovation. For example, by enhancing oil recovery and increasing the amount of drilling we do, we have reduced planned deferrals, increased plant reliability and established a four-year track record of base decline of less than 3%. For planning purposes we expect our future base decline to be in the 3-5% range.

Our production costs are now top quartile and we estimate that 75% of these reductions can stick no matter the oil price, the rest being market related.

So we have achieved a lot, but we are deeply determined to do more and we have many more ideas to drive this level of performance further.



Now turning to growth. As I noted earlier, we continue to expect 800 thousand barrels of oil equivalent per day of new production by 2020. Of this, we expect 500 thousand barrels of new capacity to be in place already by the end of 2017. And this is, on average, 70% complete and ahead of schedule and budget. To date in 2016, we have started up four projects including - most recently - a major water injection project on our Thunder Horse platform in the Gulf of Mexico, which will increase reservoir pressure and enhance production.

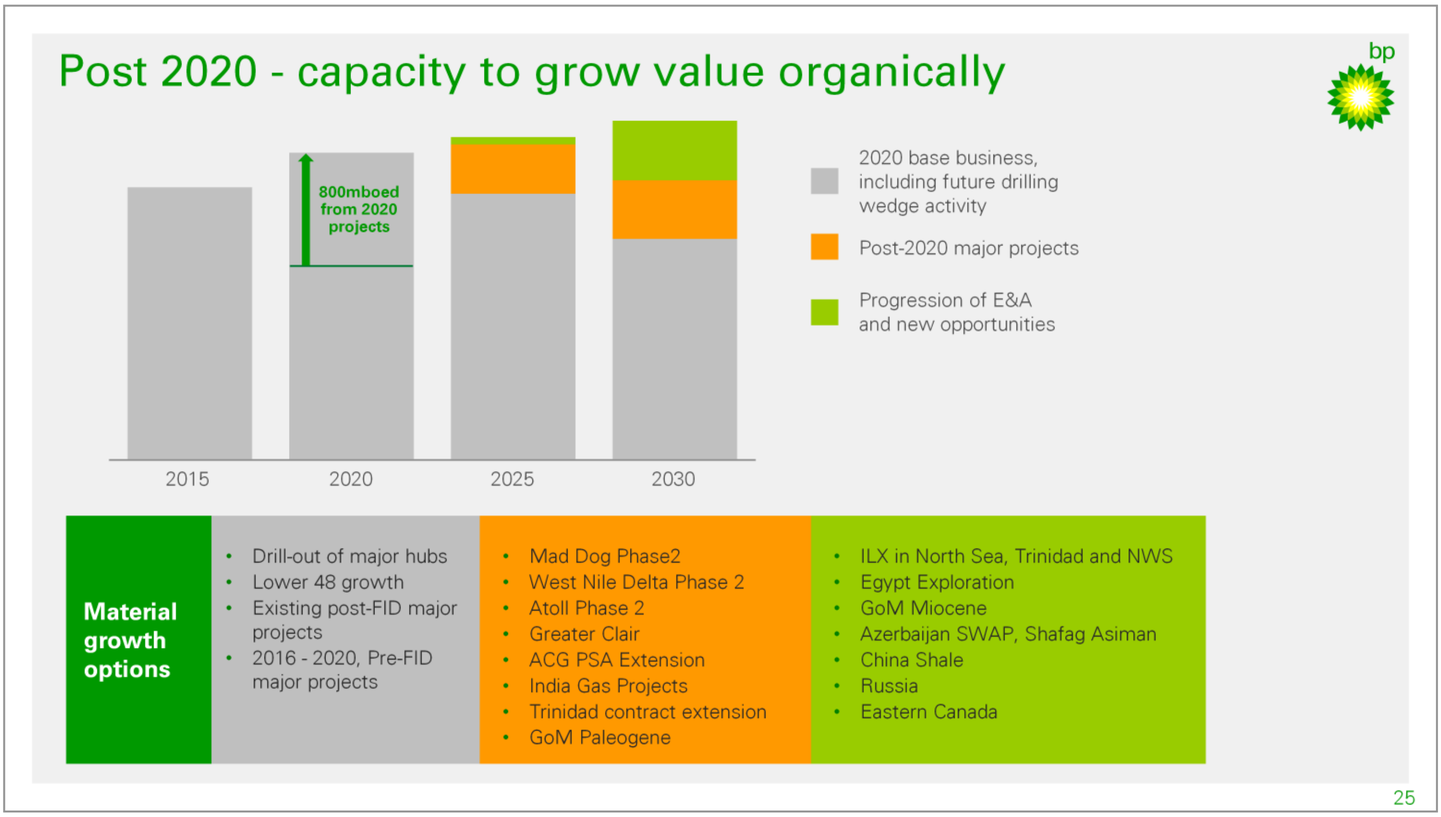
Around 90% of the 800 thousand barrels relates to projects that have passed through the final investment decision, or FID, and which are well under construction. For example, we have installed the remaining modules on Clair Ridge in the North Sea, and the Glen Lyon FPSO is now on station at the Schiehallion field, West of Shetland.

The remaining barrels are expected to move to the construction phase by 2017, or early 2018, and we have a long list of projects we could sanction in the next 18 months or so. That list includes the Mad Dog Phase 2 extension, further development of the Oman Khazzan field, Angelin in Trinidad, some India Gas Projects, the Trinidad Compression project and Platina in Angola Block 18.

We're continuing to optimise these projects, testing their costs and margins carefully against historical and competitor benchmarks. We will only proceed when we are ready and the projects are the best they can be, we can do that because we don't have to sanction all of them to deliver our growth objectives.

Last but not least, our pipeline of new projects is high quality.

These projects deliver, on average, around 35% better margins than our base assets today, at a flat oil price environment. And they also come with development costs around 20% lower on average than the existing portfolio.



Looking beyond 2020, we firmly believe we have the capacity to sustain long-term growth – and this is much more than just an aspiration.

Excluding Rosneft, we have 45 billion barrels of resources concentrated in 12 key regions. This is the equivalent of 50 years of production at today's level.

Importantly, these resources are in fields we know well, with 70% of the non-proved resources in existing producing field areas. And only 20% of the equivalent oil in place is being produced today. We have reviewed each of these fields in detail, area-by-area, well-by-well, and can see material opportunity for growth in the next decade.

We expect to deliver growth in four ways:

First, from growth in and around our existing fields through continued infill drilling, the next phases of existing major projects, and from new major projects that progress to FID. This activity is very competitive versus our existing base.

Second, from the extension of licenses and contracts to fully exploit our existing positions.

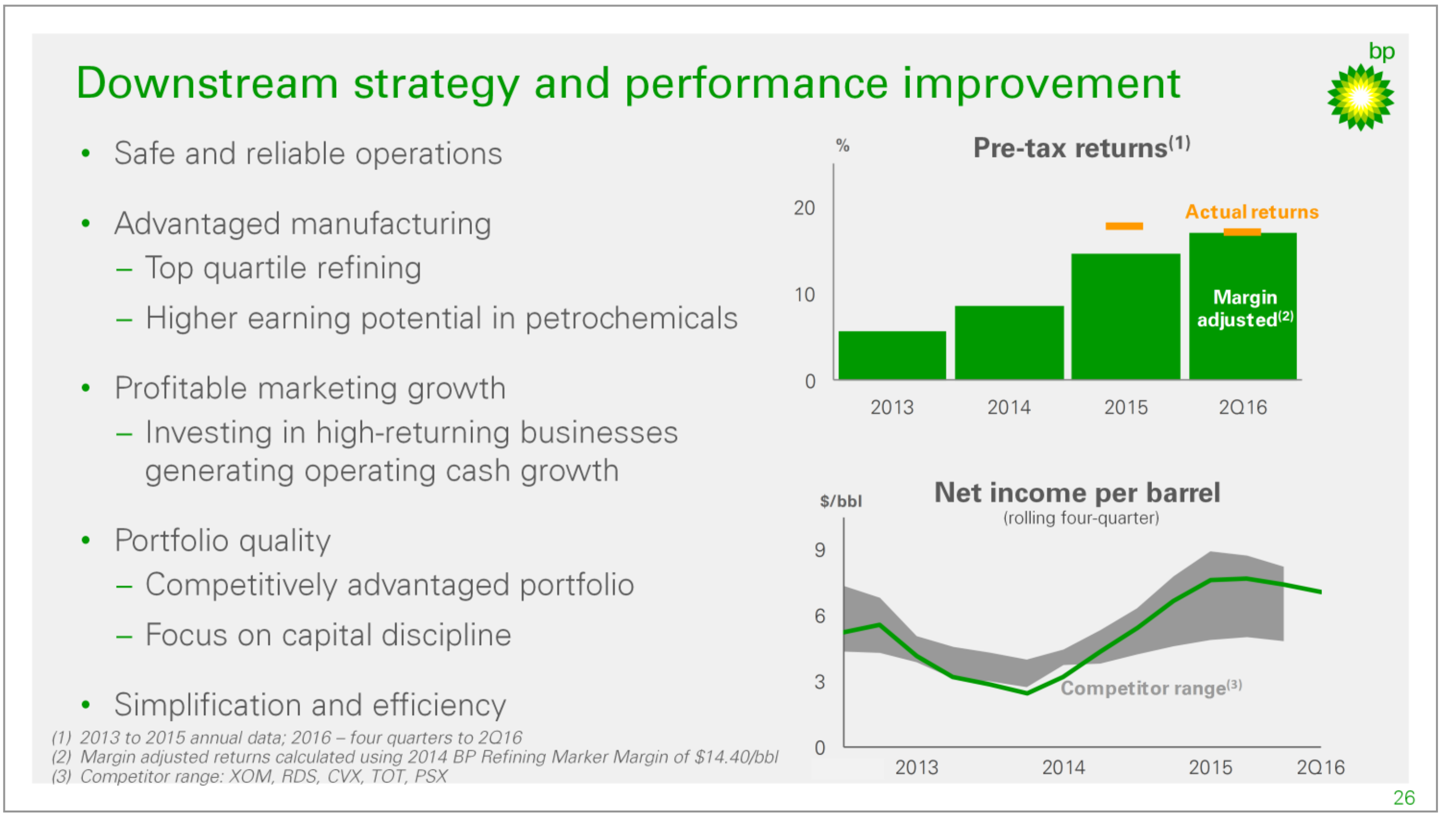
Third, from where we see an opportunity for greater value by either divesting or deepening the portfolio. For example, you have recently seen us deepen in the Culzean development in the North Sea. In Azerbaijan we signed a memorandum of understanding to jointly explore block D230 with SOCAR in the North Absheron basin. And we have also recently agreed to create a joint venture with Rosneft to explore in the vast onshore Western Siberia and Yenisey-Khatanga basins.

Lastly, we will continue to explore in a more focused fashion, mindful that we are not relying on major exploration success for growth. A good example of this is our recently announced gas discovery in the Baltim South Development lease in the East Nile Delta, which is building upon our incumbent position in this region.

Turning to our future investment strategy, this will continue to be balanced, targeting a mix of deepwater, conventional oil and gas and unconventionals. And it will include a geographical, geopolitical and fiscal exposure aimed at diversifying risk and improving our resilience to a broad range of outcomes.

This slide takes you forward 15 years. It shows you just one scenario, based on realistic assumptions. It has a base decline in the 3-5% range, a capital frame that does not have to materially expand, and no need to relax our investment hurdles. There is sufficient definition to our plans to give us confidence in our ability to deliver real growth and to focus selectively on the highest value options.

So we now we have a much clearer view of the future of the Upstream. We are driving performance and 'making it stick'. We're re-establishing a business model that is sustainable in a $50-world. And we are focused on growth, both for this decade and the next.



Now in the Downstream, the execution of the strategy Tufan and the Downstream leadership team laid out in early 2015 is delivering results.

We are focusing on improving the performance of an already strong portfolio of manufacturing assets to build a top quartile refining business and increase the earnings potential of petrochemicals.

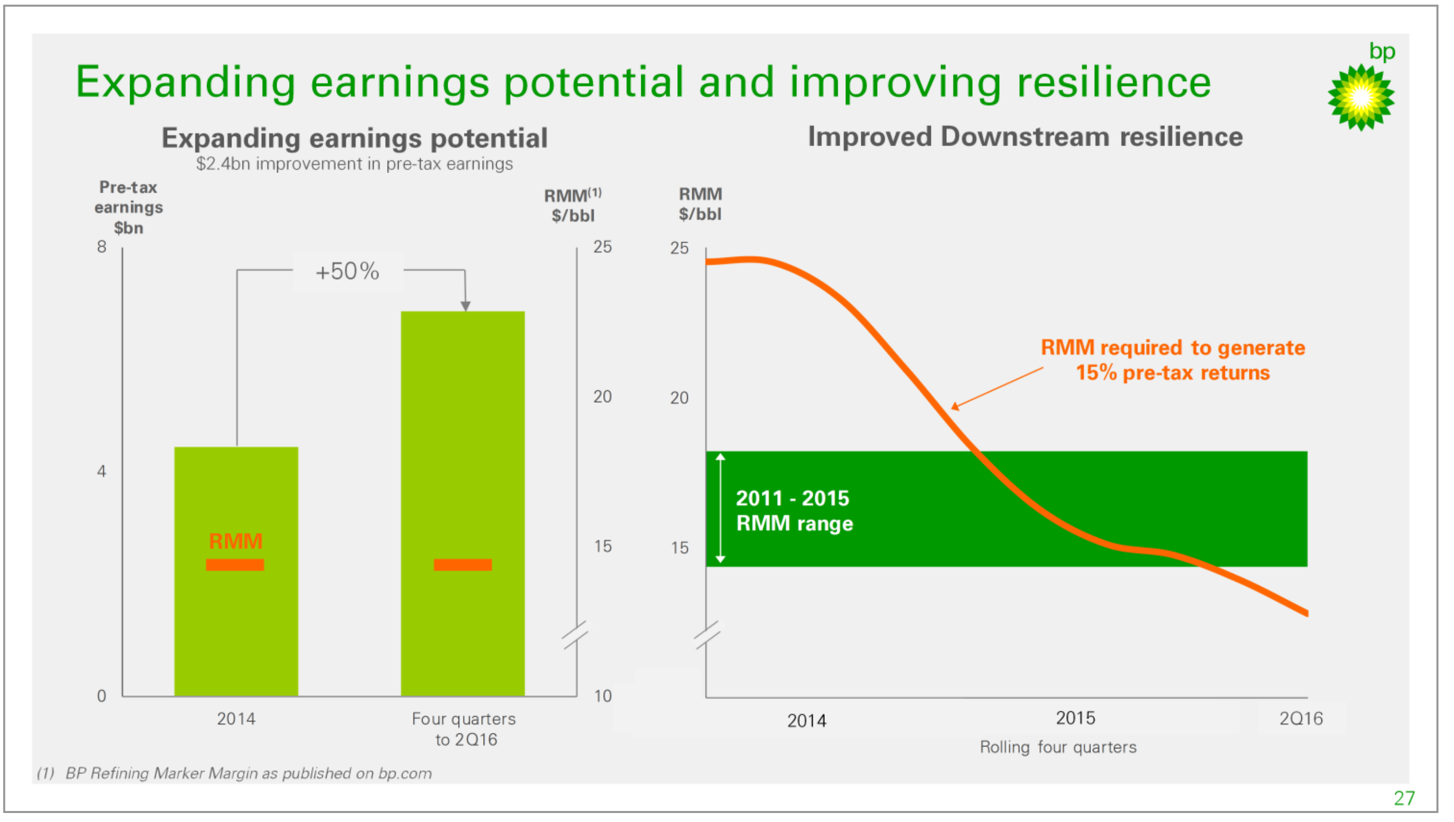
We are continuing to grow our fuels marketing and lubricants businesses and are actively investing in high-return opportunities.

And our simplification and efficiency programmes are well on track to deliver $2.5 billion of cost efficiencies versus 2014.

We aim to be the leading Downstream business as measured by net income per barrel and as you can see from the chart, we are already competitive in our peer group.

We will also aim to deliver competitive returns. By this we mean delivering attractive pre-tax returns and doing this sustainably. From the chart, you will see we have also made progress on this.

I'd now like to spend a few minutes taking you through the key elements of this progress in the Downstream.

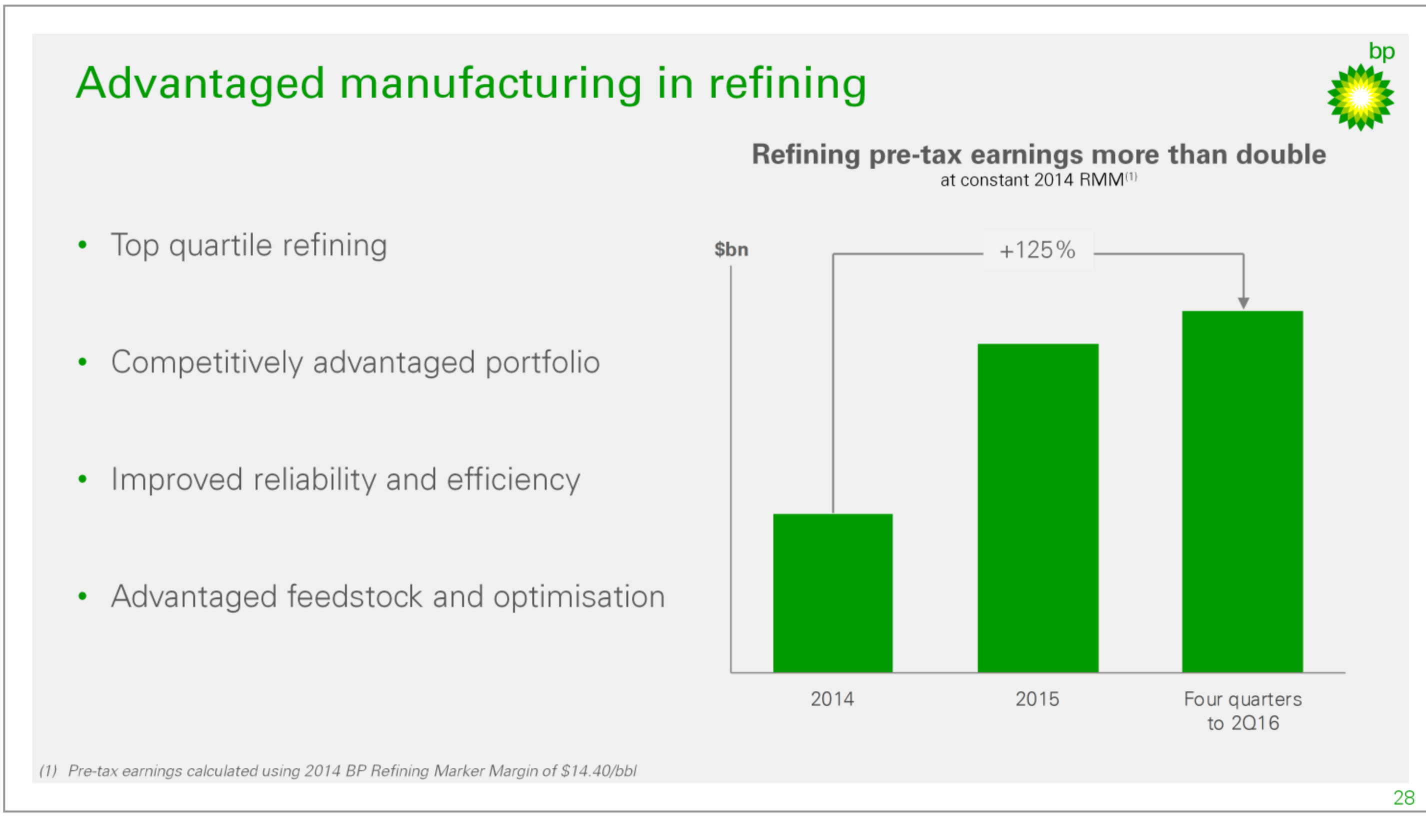


This slide outlines the performance improvement we have seen in the Downstream over the last 18 months and how, as a result, the business is more resilient to refining margins.

On the left you see pre-tax earnings. They have increased by $2.4bn - or more than 50% - compared with 2014, in a similar refining margin environment.

Looking at this another way, the chart on the right shows the level of refining margin required to generate a Downstream pre-tax return of 15%. From the chart, we have reduced the refining margin required to deliver this level of returns by about half - and we can now deliver attractive pre-tax returns even at industry refining margin levels below the five year historic range.

Looking forward, we expect to sustain this underlying performance improvement and we have opportunities to improve it further.



Let me now show you where the performance improvement has come from, starting with operating reliability and commercial performance in refining.

You can see on the slide, we are improving in our refining pre-tax earnings, which we've more than doubled compared with 2014 at constant refining margins.

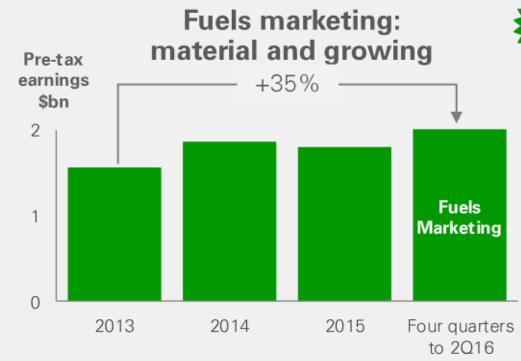
And we have plans in place to continue to improve performance even further through site-by-site programmes which are focussing on operating reliability, efficiency improvements, advantaged feedstock and optimising our commercial terms.

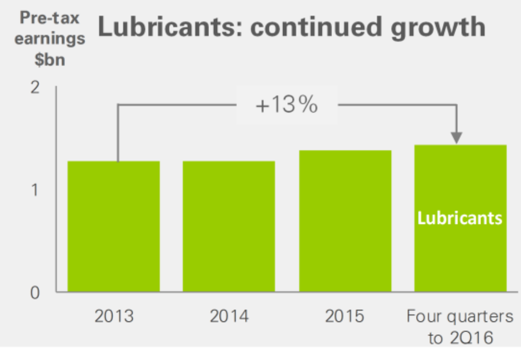
We are already seeing the benefits, with refining utilization increasing from 88% in 2014 to 92% in the last 12 months - and our advantaged heavy crude processing increasing by 25% over the same period.

Looking to the future, we expect the earnings potential of our refining business to expand further as a result of these programmes.

Marketing profitability and growth

- Fuels marketing and lubricants
  - ~50% of Downstream pre-tax earnings
  - Strong returns
  - Track record of growth
  - Reliable cash flows
  - Growth market access





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Our fuels marketing and lubricants businesses are providing a material and reliable earnings stream with strong returns.

These differentiated businesses together generate around 50% of the Downstream pre-tax earnings, or well in excess of $3 billion per year. And they have a well established track record of growth. They generate reliable profit and cash flows and have good exposure to growth markets, where we intend to expand further.

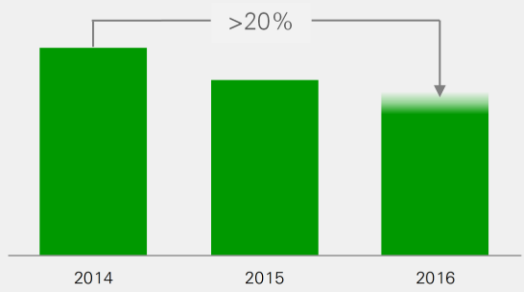
The retail business is the most material element of our fuels marketing operations. In our growth markets we have seen first-half retail volumes increase by 5% year-on-year. We also continue to reinforce our position through strong convenience retail partnerships.

Our lubricants business is underpinned by our own customer offers, strong brands, technology and customer relationships, which have consistently led to year-on-year pre-tax earnings growth.

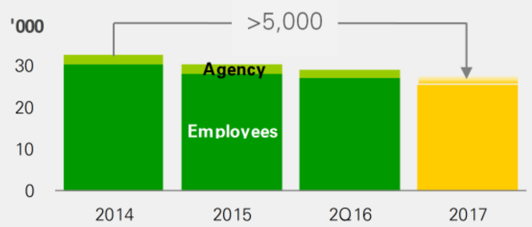
Downstream simplification and efficiency

- ~$2.5bn of cost efficiencies by 2017[(1)]
- Right-sizing the organisation
- Reduction of 5,000 roles by 2017[(1)]
- Manufacturing efficiency
- Reduction in third-party spend

Material reduction in cash costs



Headcount evolution



(1) Versus 2014 baseline. Refer to BP.com supplementary information for cost efficiencies definition.

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Finally on the Downstream, our simplification and efficiency programmes are on track to deliver around $2.5 billion of cost efficiencies compared with 2014.

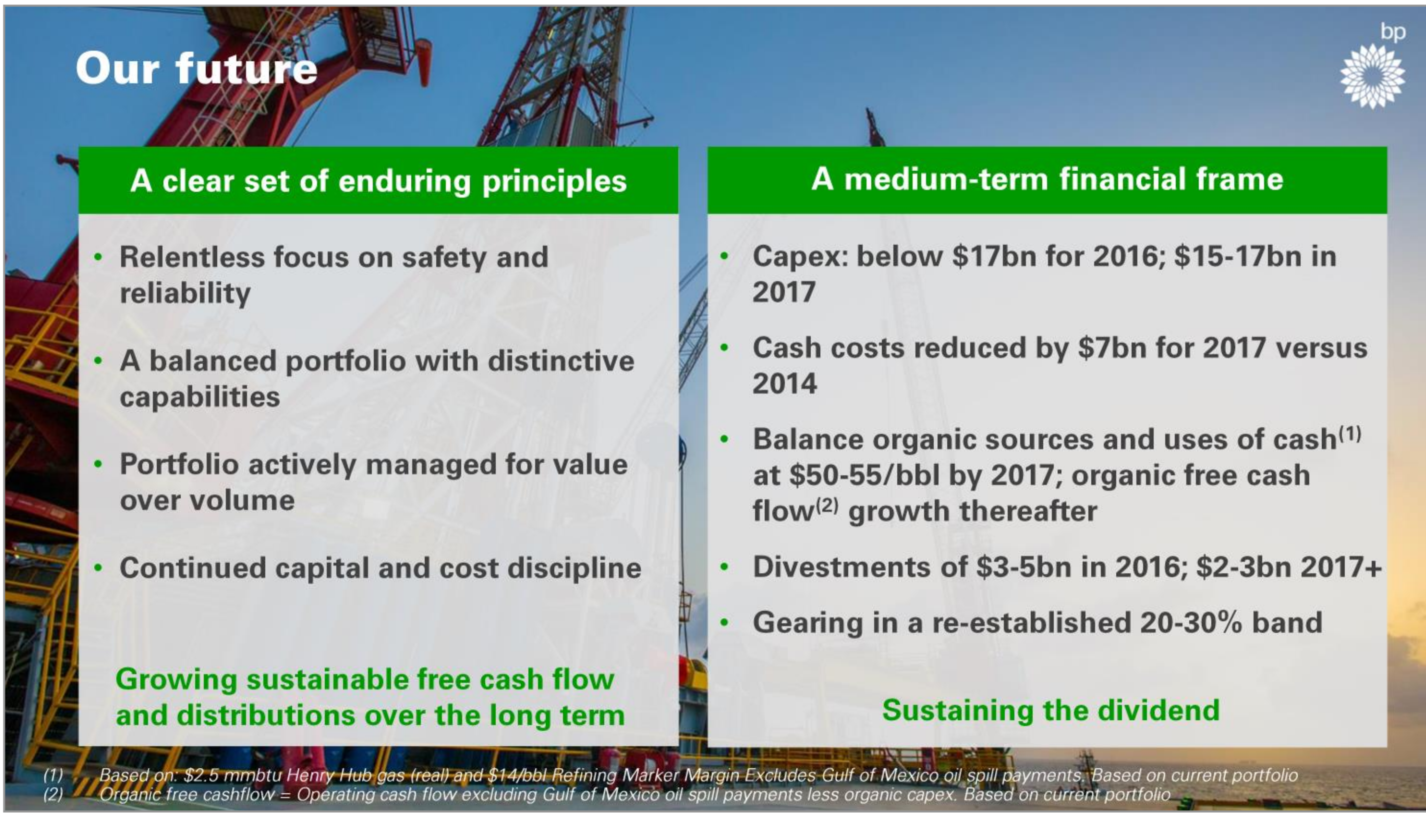
We estimate 2016 Downstream cash costs to be more than 20% lower than 2014.

We continue to right-size the organization, including all of our businesses and our head office, to make it simpler and leaner.

We expect more than 5,000 employee and agency contractor roles to be reduced by the end of next year compared to the end of 2014; with approximately 4,000 of those already occurring.

We will drive efficiency in refining and petrochemicals through site-by-site improvement programmes. At the same time we will ensure that we do not compromise safety, quality and reliability.

So in the Downstream, we have a business that is a very material part of BP's overall value proposition to shareholders. It is delivering strong competitive performance today and generating attractive returns. It has been reshaped to be much more resilient to a range of market conditions, and we have further opportunities to grow the business in the future.



Now that's a lot from me, but just to sum up - we are making steady headway in what remains a tough environment.

We are sticking to our financial frame and this is putting us on track to rebalance organic sources and uses of cash by 2017 at $50-55 per barrel. This will allow us to sustain our dividend while still maintaining the flexibility to grow.

We are also clear on the direction of our business. We believe it is a direction that can withstand the test of a $50-world and we can still grow sustainable free cash flow and distributions to shareholders over the long term. It is built on our long-held principles of portfolio strength and value over volume, but comes with much greater commitment to discipline – in how we execute, how we allocate capital and how we drive continuous improvement.

It's all about **resilience, sustainability and growth**.

You can see this at work in the Upstream where the business is transforming itself to grow value. That growth is imminent and clearly visible out to 2020 - and also strong to the end of the next decade.

And you can see it at work in the Downstream where our effort of the last few years has created a high-performing business with strong resilience to refining margin volatility and ongoing opportunities for growth.

So we are feeling very good about BP and our future despite the challenges. We have adapted to some big changes, we've drawn a line under our Deepwater Horizon liabilities and we have a strong and clear plan to move forward. But we know it's not only about having a plan but also about having a track record. We intend to continue to build on that and for you to see it show up in our underlying performance quarter-by-quarter, step-by-step. Thank you for listening and we'll open it up now for questions.

Q&A

Bob Dudley
Group Chief Executive

Bernard Looney
Chief Executive, Upstream

Tufan Erginbilgic
Chief Executive, Downstream

Jess Mitchell
Head of Group Investor Relations

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