



# **BP 4Q 2008 and Full-Year Results**

**3 February 2009**



# Cautionary Statement

## Forward Looking Statements - Cautionary Statement

This presentation and the associated slides and discussion contain forward looking statements, particularly those regarding continuing deepening of recession in OECD countries; lack of clarity in the short-term direction of the energy markets; a more challenging environment; expected resource replacement and reserves replacement ratio; expected emergence of the full benefits of the Fuels Value Chains; reduced international lubricants presence; reduced international lubricants presence; progress in meeting target headcount reductions; timing of expected benefits of operational and strategic momentum; dividend cover; cashflows; capital expenditure; disposal proceeds; effective tax rates; charges in Other Businesses and Corporate and DD&A charges; continuation of operational momentum; production growth; refining availability; costs; continuing focus on safe and reliable operations, simplification, cost reduction and increasing efficiency; continuing investment for the future; priorities for the use of cashflow; strategy to grow the E&P business, to turn around the downstream business, to make focused, selective and disciplined investment into Alternative Energy and to drive greater efficiency and to pay a progressive dividend in line with the underlying earnings potential. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this presentation.

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**Tony Hayward**  
Group Chief Executive

## 2008: Financial results

- Replacement cost profit
  - \$25.6bn, up 39%
  - Per share 136¢, up 42%
- Post-tax operating cash flow \$38.1bn, up 54%
- Total investment of \$30.7bn - \$21.7bn of organic capex, excluding acquisitions and asset exchanges\*
- Dividend per share 55.05¢
  - Up 30% vs. last year in \$
  - Up 40% in £
- Distributed \$13.3bn to shareholders: \$3bn by share buybacks
- Gearing at 21%, bottom of target range

\* Organic capex - excluding acquisitions and asset exchanges and excluding the accounting for our transactions with Husky and Chesapeake.

# Operational momentum

- Safe and reliable operations
- Upstream volumes in line with guidance
  - Growth in 2008
  - Underlying 5%
- Refining availability
  - Texas City and Whiting full economic capability restored
  - FY'08 at 89% versus 83% in 2007
  - 4Q'08 at 91%
- Costs
  - Down in fourth quarter despite strong inflation and increased energy costs

# Strategic delivery

## Upstream growth



- New access for future growth
  - Canadian Arctic and oil sands, North American shale gas, Gulf of Mexico
- Continued exploration success
  - Gulf of Mexico, Angola, Algeria, Egypt, North Sea
- Resource replacement of more than 200%
- Reserves replacement ratio\* of more than 100%
- Nine major project start-ups, including Thunder Horse in Gulf of Mexico

*\* Preliminary estimate on a combined basis of subsidiaries and equity-accounted entities, excluding acquisitions and divestments*

# Strategic delivery

## Downstream turnaround



- Restoring refining availability
  - Texas City and Whiting fully recommissioned
- Six integrated Fuels Value Chains established
- Simplified and focused marketing footprint
  - Aviation: exited 32 countries
  - Lubricants: intend to reduce direct presence in 30 countries - 13 to date
  - US convenience retail: 293 out of 800 sites sold and/or moved to franchise offer so far
- Strong International Businesses performance

# Strategic delivery

## Corporate simplification



- Restructuring
  - 3000 reduction in headcount in 2008
  - On track for 5000 by mid 2009
- Delayering
  - Reduction in management layers
  - 20% senior positions removed
- Focused Alternative Energy portfolio



**Byron Grote**  
Chief Financial Officer

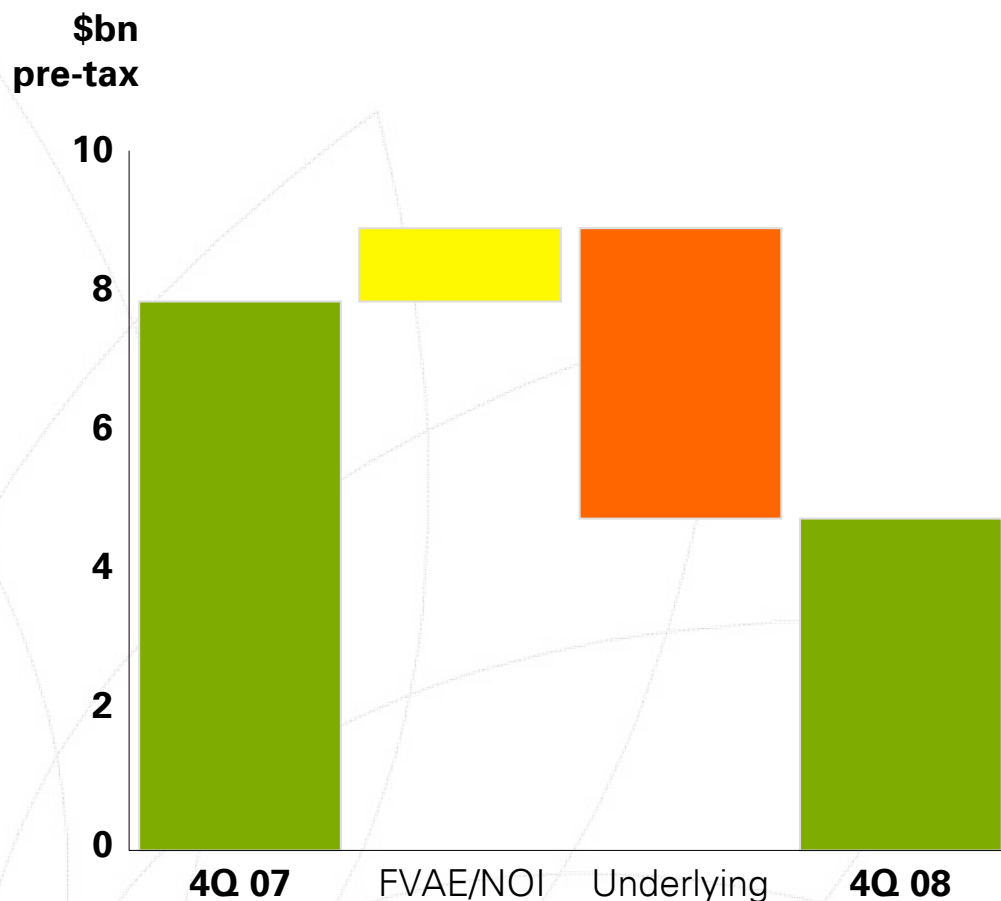


# Financial results



<b>Results for the fourth quarter</b>	<b>\$bn</b>	<b>Change vs. 4Q 2007</b>	
		<b>%</b>	<b>% per share</b>
• Replacement cost profit	<b>2.6</b>	(24)	(22)
• Profit including inventory gains/losses	<b>(3.3)</b>	(176)	(176)
• Net cash provided by operating activities	<b>5.6</b>	31	32
	<b>¢/share</b>		
• Dividend to be paid next quarter	<b>14.0</b>		4%
	<b>p/share</b>		
	<b>9.8</b>		44%
<b>Results for the year</b>	<b>\$bn</b>	<b>Change vs. 2007</b>	
		<b>%</b>	<b>% per share</b>
• Replacement cost profit	<b>25.6</b>	39	42
• Profit including inventory gains/losses	<b>21.2</b>	1	4
• Net cash provided by operating activities	<b>38.1</b>	54	57

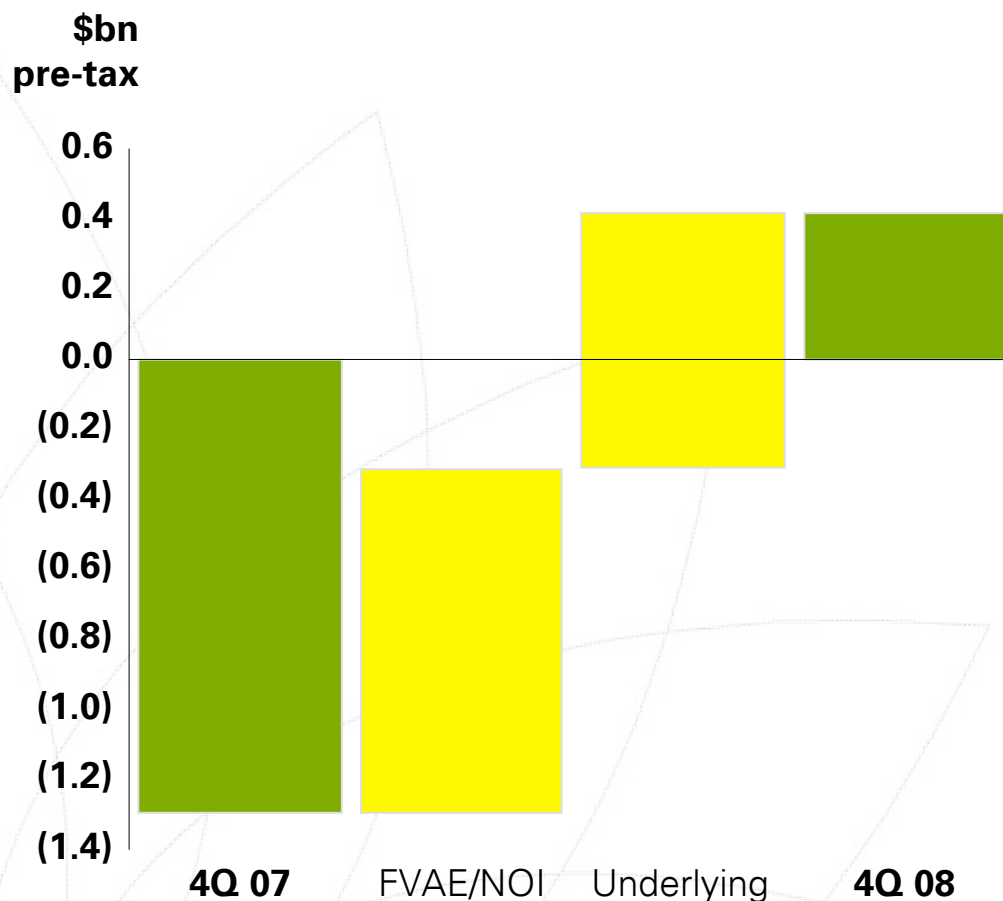
# Exploration & Production



- Weaker environment
- Continued growth in underlying production
- Momentum in cost reduction
- Higher gas marketing and trading contribution
- TNK–BP loss from export duty lag and impairments

<b>8,397</b>	<b>Underlying result \$m</b>	<b>4,259</b>
<b>127</b>	<b>Fair value accounting effects (FVAE) \$m</b>	<b>253</b>
<b>(654)</b>	<b>Non-operating items (NOI) \$m</b>	<b>244</b>
<b>7,870</b>	<b>Total result \$m</b>	<b>4,756</b>

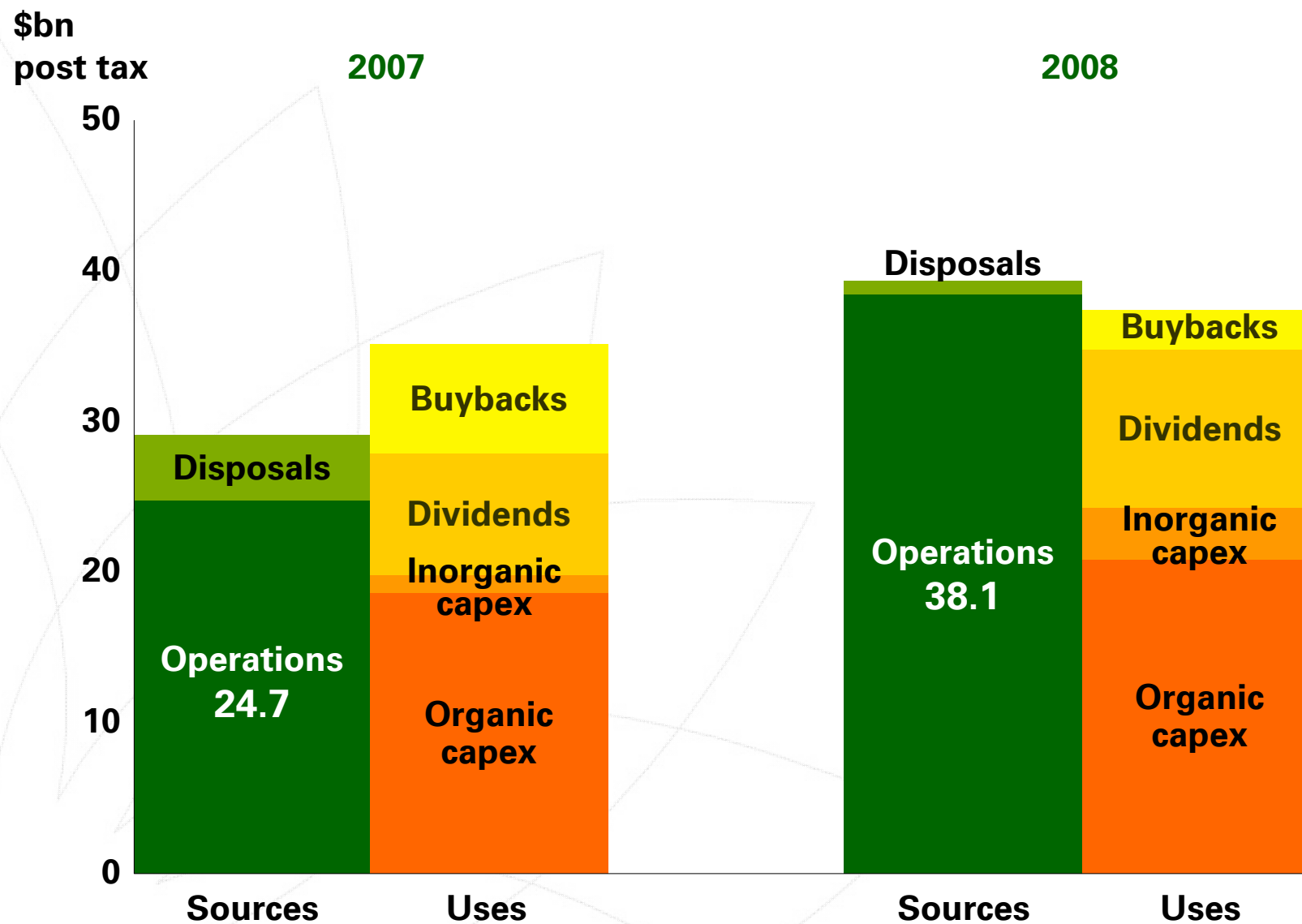
# Refining & Marketing



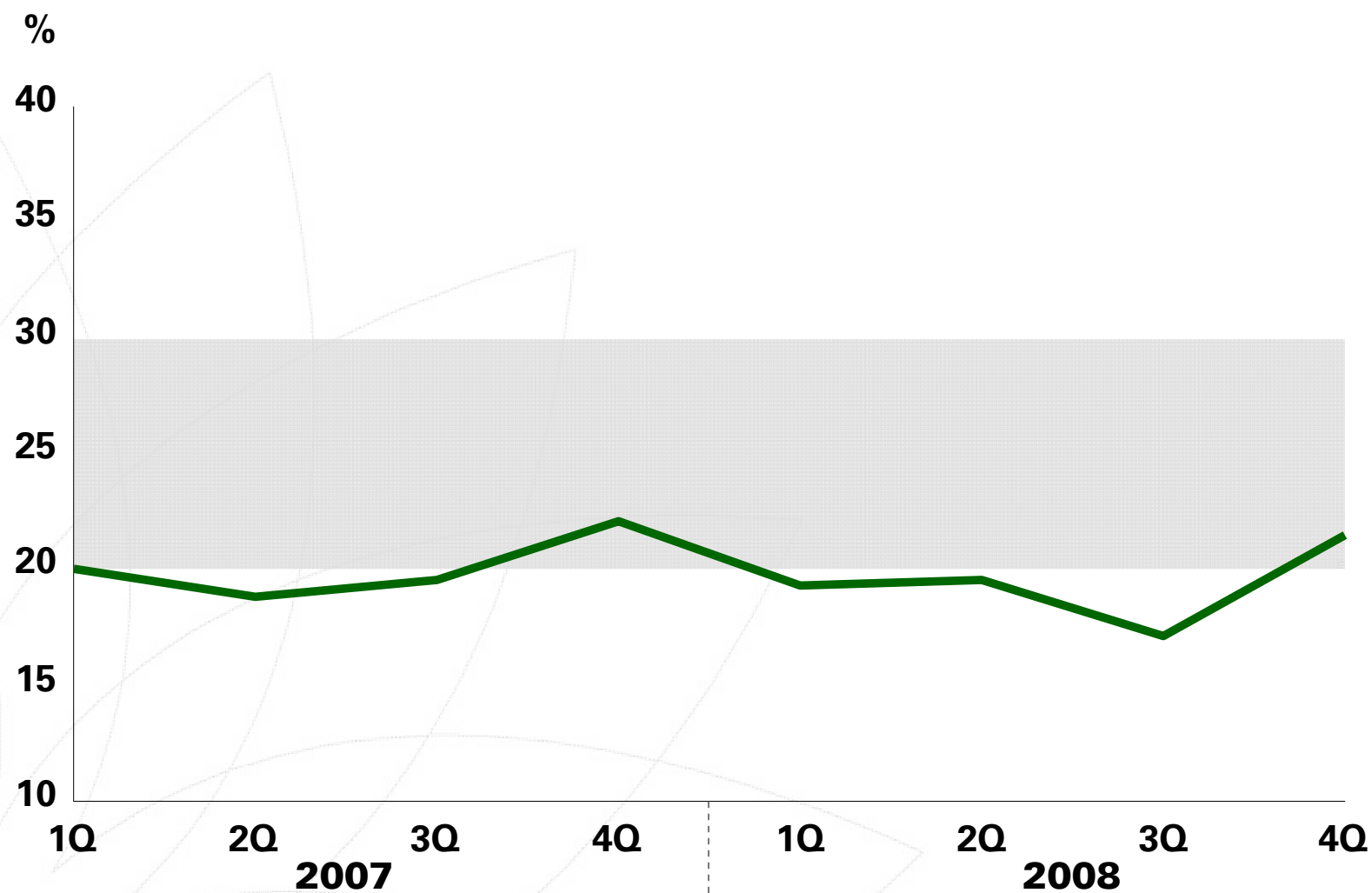
- Significantly higher refining availability
- Supply, trading and marketing performance
- Lower costs
- Higher realized refining margins
- Forex effects from barrels in transit
- Prior month pricing of US pipeline barrels

(88)	<b>Underlying result \$m</b>	644
(62)	<b>Fair value accounting effects (FVAE) \$m</b>	(65)
(1,146)	<b>Non-operating items (NOI) \$m</b>	(163)
(1,296)	<b>Total result \$m</b>	416

# Sources & uses of cash



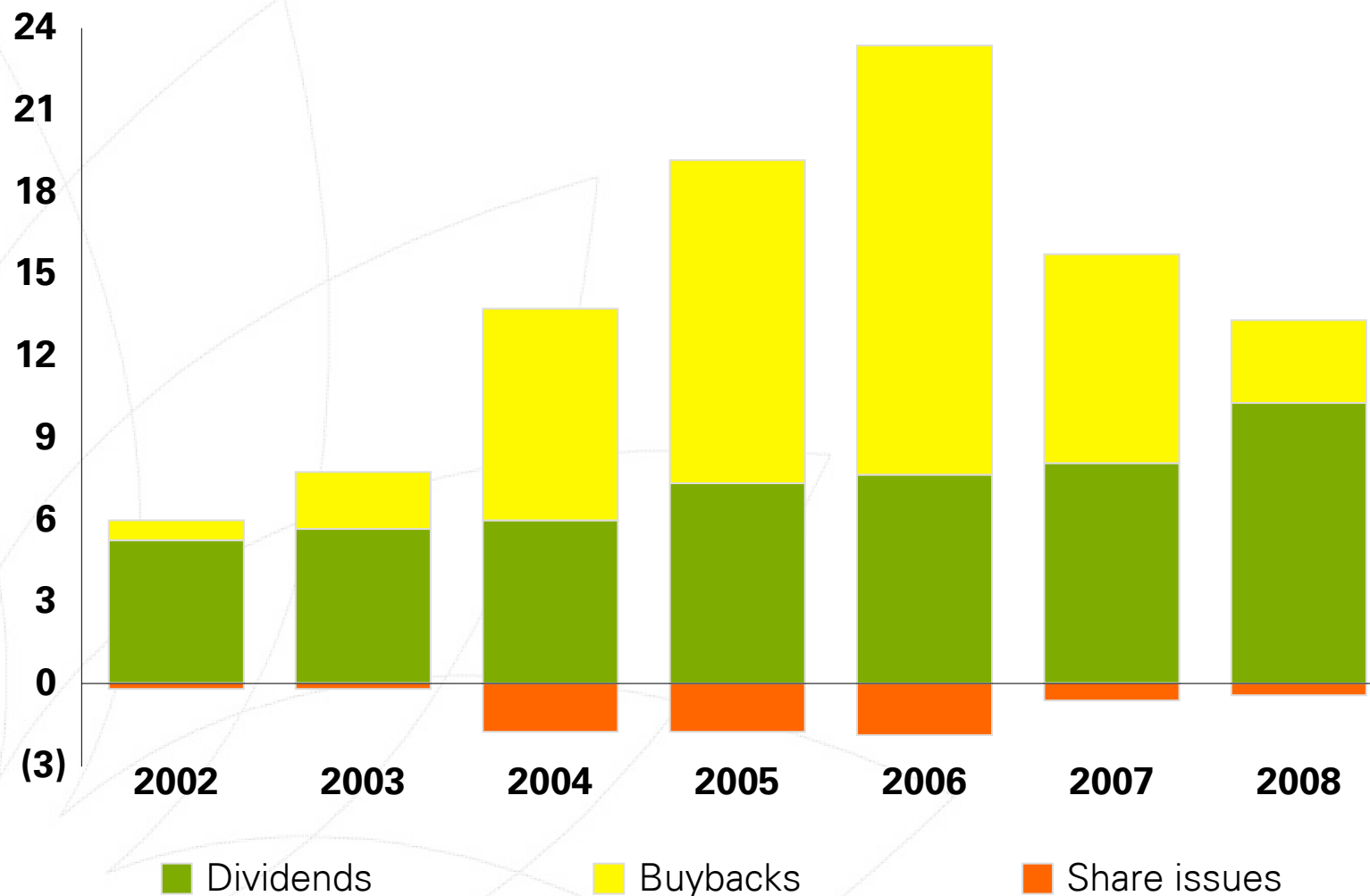
# Net debt ratio



*Net debt ratio = net debt / (net debt + equity)*

*Net debt includes the fair value of associated derivative financial instruments used to hedge finance debt*

# Shareholder distribution



## 2009 Outlook

- Capital expenditure: \$20-22bn
- Divestments: ~\$2-3bn
- Full year effective tax rate: 36-39%

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**Tony Hayward**  
Group Chief Executive

# Responding to a challenging world

- Operational momentum
  - Production growth
  - Increased refining availability
- Cost reduction
  - Corporate simplification
  - Deflation into the supply chain

# BP strategy

- **Upstream** growth
- **Downstream** turnaround
- **Alternative Energy:** focused, disciplined
- **Corporate** simplification and cost reduction

# Q&A



**Tony Hayward**  
**Group Chief Executive**



**Byron Grote**  
**Chief Financial Officer**



**Andy Inglis**  
**Chief Executive  
Exploration & Production**



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