

Lord Browne 1Q Press Remarks

26th April 2005

1Q 05 Results Press Briefing

Good morning and welcome. I hope you have had a chance to read our Stock Exchange Announcement concerning the first quarter's results. My remarks are an extract from this announcement. Byron Grote, Chief Financial officer, will be briefing the investment community by way of a web-cast this afternoon.

Cautionary statement

Everything we are going to talk about today is covered by this precautionary statement, which I encourage you to read.

Joining me today are Byron; David Allen, Chief of Staff; Iain Conn, Head of Functions and Regions; Viv Cox, Head of GP&R; Tony Hayward, Head of E&P; John Manzoni, Head of R&M; Fergus MacLeod, Head of Investor Relations, and Roddy Kennedy.

We would all be happy to take your questions after these brief remarks.

Highlights

This morning we were delighted to report:

- record profit of \$5.5bn, up 29% against 1Q '04;
- earnings per share up 33%, reflecting the reduced number of shares following our buyback programme;
- underlying earnings per share – that is, excluding 'one-off' non-operating items, up by 46%;
- record net cash flow from operations of \$9.4bn, up 34%;
- a quarterly dividend of 8.5 cents per share to be paid in June, unchanged from the dividend paid in 1Q '05, and up 27% against the same period last year;

- share buy backs of \$2.0bn completed in the quarter;
- capital expenditure of \$2.8bn, in line with expectations; and
- gearing of 18%, slightly below our target range of 20% to 30%.

These results were achieved in a favourable trading environment.

Compared to 1Q '04, the price we received for each barrel equivalent of hydrocarbon (combining oil and gas) was 26% higher, and refining indicator margins were 21% higher.

Increases seen in earnings per share, underlying earnings per share, profit and net cash from operations were somewhat higher than those increases in prices and margins.

I think this shows that, in spite of this favourable environment, the results for the quarter could not have been delivered without the internal improvements achieved over the last decade, and without the disciplined execution of an unchanged strategy.

Trading Environment

Let me now briefly cover the context.

World economic growth was sustained into the first quarter across all regions. Our current outlook is for some moderation of global growth toward trend rates during '05.

Oil prices averaged almost \$48 per barrel, and look set to remain supported at above \$40 per barrel for the rest of the year on the back of world oil consumption growth, and limited spare production capacity. These two factors seem to be mitigating the effect of OECD commercial inventories being above five year trend levels.

Our outlook remains unchanged from that given to you six months ago, namely that oil prices are likely to have a support level of around \$30/bbl for at least the medium term. They may well average at a higher level than the support level.

Refining margins were 25 cents higher than the last quarter at around \$6 per barrel. They increased towards the end of the quarter and are maintaining their strength, supported by demand growth.

Generally, refining margins should be expected to remain strong in the face of robust demand, and broadly static seasonally adjusted inventories.

Turning now to some of the more important operational highlights:

Exploration and Production

First, E&P. Production at 4.1m boe/d was broadly flat compared to the last quarter. We remain on track to achieve our previously indicated range of 4.1 to 4.2 million barrels per day of oil equivalent, for the whole year.

You should note that this level is estimated at our traditional \$20/bbl, but if prices remain at \$48/bbl, volumes from production sharing contracts would go down by about 50 mb/d.

Production increased in the New Profit Centres, notably in the deepwater Gulf of Mexico, and also in TNK-BP. The overall mix of production improved our ability to capture additional margin.

All new projects remain on track. The Azeri project in Azerbaijan started production, and the construction of the BTC pipeline is on track for completion.

In the Gulf of Mexico, the Mad Dog project started production in January, the Thunder Horse facility sailed away to location, and the Atlantis platform was

successfully loaded for transportation to Texas, for the installation of its topsides modules. The Clair field in the UK started production.

In addition, we approved investments in the Saqqara gas field in Egypt, and the Tangguh gas project in Papua, Indonesia.

We made additional discoveries in the deepwater block 31 in Angola, and were awarded additional exploration acreage in Algeria.

Underlying activities are on track. We continue to see the impact of a weak dollar on non-dollar expenditures, and inflationary trends specific to the E&P sector. We are offsetting some of these effects through technologically driven cost reductions, and management of the supply chain.

We successfully concluded the disposal of our 10.3% interest in the Ormen Lange field for \$1.2bn.

As to Russia, I had a very encouraging meeting with President Putin last Friday. This meeting was reinforced by his remarks, yesterday, in his "State of the Nation" speech.

Customer Facing Businesses

Turning now to Refining and Marketing. Refining throughputs, excluding the impact of the closure of our Turkish refinery, and the disposal of our interests in a Singapore refinery were flat, and availability was maintained at 95%.

As you are aware, there was a major explosion and fire at Texas City at the end of the quarter. Our investigations continue, and when we have the results, we will take appropriate actions.

Marketing volumes were broadly flat, in spite of strong product prices. Petroleum product sales were slightly below those of a year ago, although

lubricants like for like sales grew by around 1% and retail same store sales grew by 2%.

In other activities, plans are on track.

Preparations for the disposal of Innovene are proceeding well for execution in the fourth quarter of the year, probably by way of an IPO, subject to market conditions and necessary approvals. The Shanghai Secco plant has been successfully started, somewhat ahead of schedule.

Summary

Overall our targets are being met:

first, to underpin growth by a focus on performance, particularly cash returns, investing at a rate appropriate for long term growth;

second, to increase dividends in the light of our policy;

and thirdly, to distribute 100% of all free cash flow in excess of investment and dividend needs, generally when the price of oil is above \$20/bbl, all other things being appropriate.

All the subsidiary indicators, which are not targets, are on track.

Over the past few years we have built a strong base for the Group with material assets and markets into which we are investing. We are doing so with discipline and have created the momentum for the future.

Thank you, and let us now take some questions.