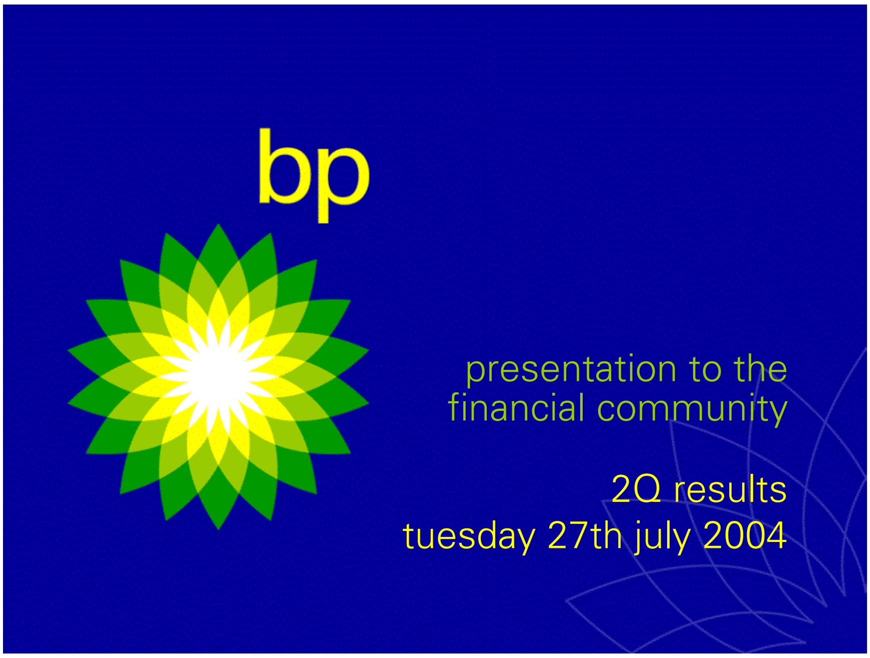
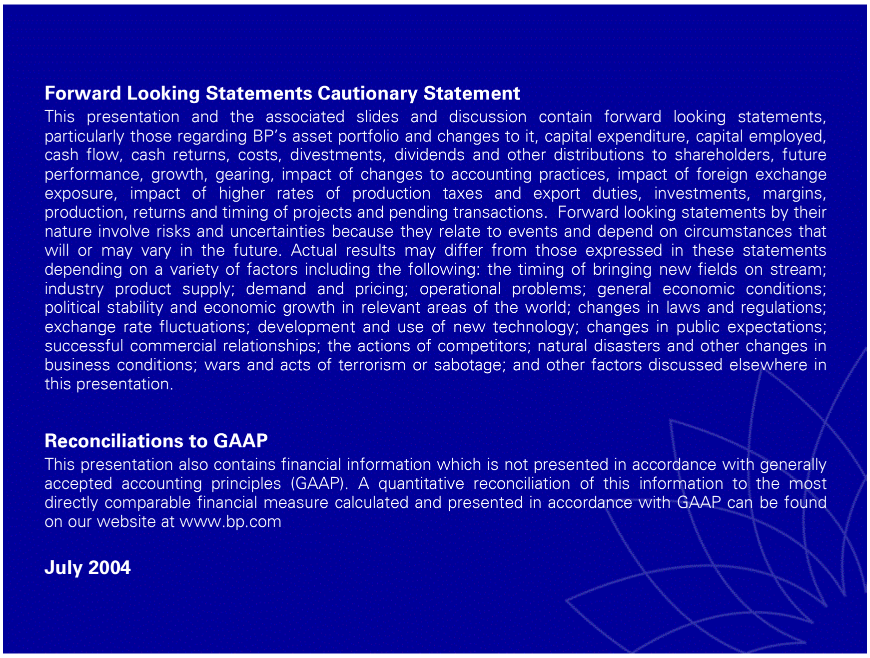
2Q 2004 Presentation to the Financial Community



Good afternoon to those of you listening in Europe and Asia, and good morning to those in the Americas. I'd like to welcome you to BP's second quarter 2004 conference call. My name is Fergus MacLeod, BP's Head of Investor Relations. Joining me today are John Browne, BP's Group Chief Executive, and Byron Grote, our Chief Financial Officer.

Safe Harbor Statement



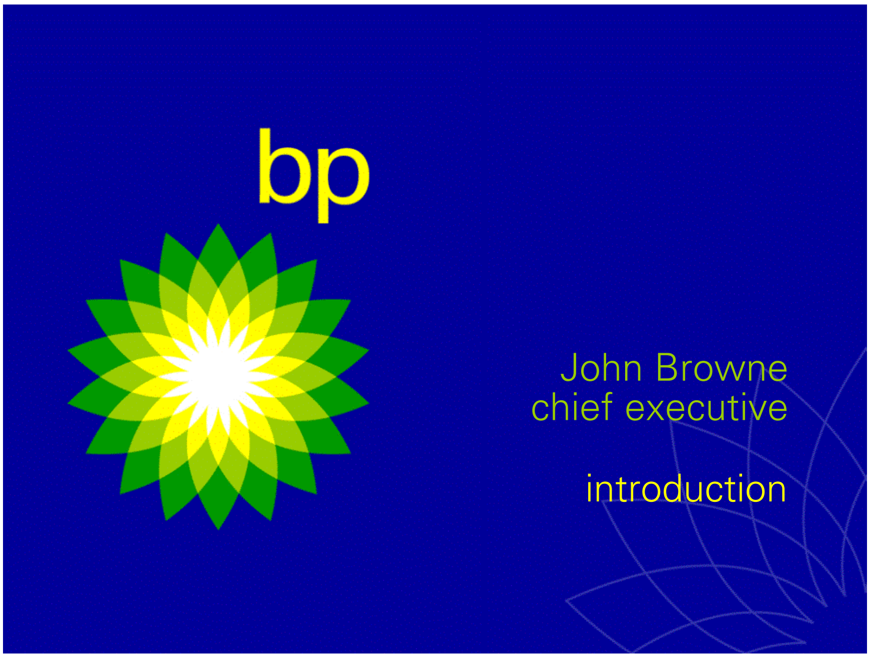
Before we start, I'd like to draw your attention to two items.

First, today's call refers to slides that we will be using during the webcast. If you are listening on the phone, the slides are available to download from the investor center on our website, bp.com. Those of you on our e-mail list should have already received the slides. If you haven't received the slides, and would like to be placed on our list, please do let us know.

Second, I would like to draw your attention to this slide. We may make forward looking statements which are identified by the use of the words 'will', 'expect' and similar phrases. Actual results may differ from these plans or forecasts for a number of reasons, such as noted here.

Now over to John.

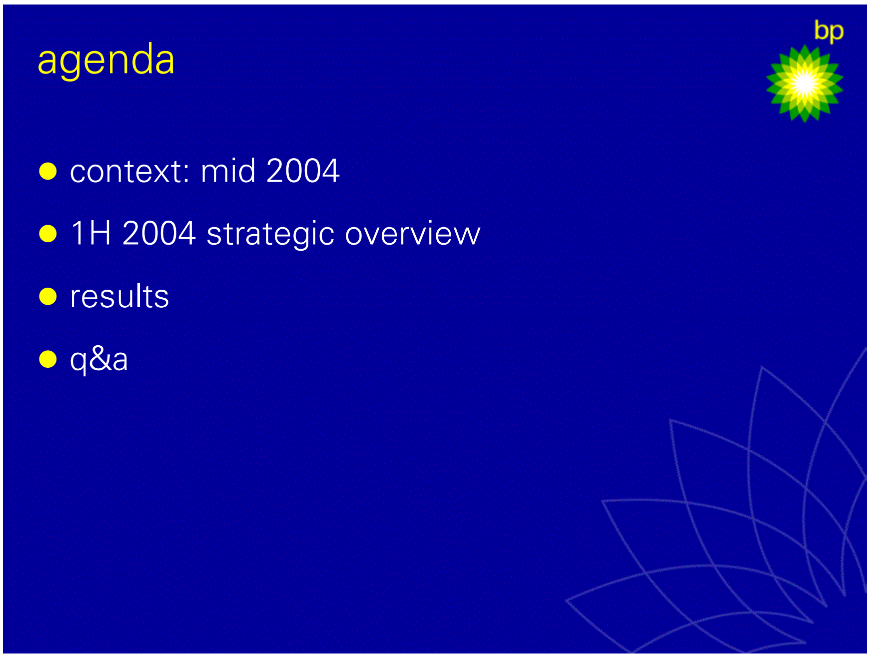
John Browne - Introduction



Thank you Fergus.

A very good afternoon to those listening in Europe and a very good morning to those in North America. Thank you for taking the time to join us today.

Agenda



In a few moments Byron will, as usual, review the detail behind our results. We will then be happy to take your questions.

Before we do that, I would like to take a few moments to step back and set these results in context.

It is almost exactly six years since we announced our merger with Amoco, and just over five years since we announced the transaction with Arco.

Since then we've built a company with a unique combination of assets, and the potential to deliver outstanding returns to shareholders.

That company produces around 4 million boe/day and has proved reserves of 10.3 bn bbl of oil and 46.5 tcf of natural gas. We're the industry leader on several measures including longer run reserves replacement and F&D costs.

The figures for the first half demonstrate that we have the ability to deliver shareholder value from the new base we've created and that we have the potential to grow and to improve – in terms of both volumes and returns. The momentum is very positive.

The results you see today are strong – but they are just the beginning. The real potential of the new company has yet to come.

<u>Context: mid 2004</u>

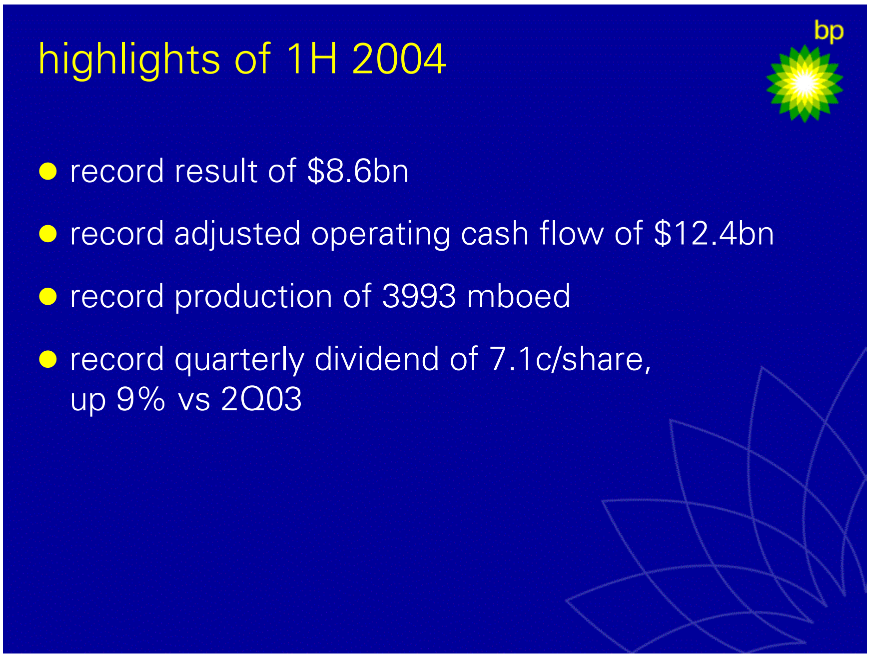
Turning now to the overall trading environment, let me make three points:

first, demand for energy is rising, driven by strong economic growth, particularly in China but also in Russia, India and Brazil. Demand may be slowing a little but we still expect to see oil consumption rising by over 2 million b/d this year;

second, there is a climate of uncertainty which has pushed up oil prices. At around $40/bbl, current oil prices clearly include a premium reflecting concerns over the security of supplies. OPEC has increased production, but today's capacity utilization is high and OPEC's control is still in place. Over the next few years, new capacity is expected to come on stream in several places but mostly from West Africa, the US, Russia, and the Caspian. Oil prices remain impossible to predict, and at the project level we continue to plan prudently. However, it does now seem likely that oil prices will be very significantly above their long run average of $20/barrel for some time to come;

third, despite strong crude prices, refining margins so far in '04 have been at their strongest level since 1986, principally because of the low stock position and strong demand.

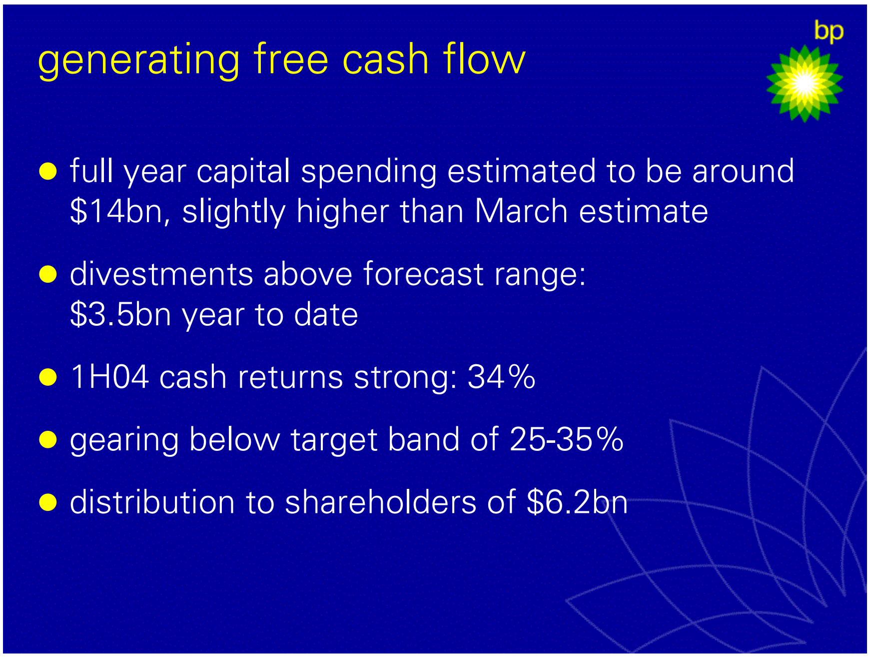
Highlights of 1H 2004



Let me now pick four highlights of our performance in the first half of '04:

a record result of $8.6bn, up 20% over last year's first half;
a record adjusted operating cash flow of $12.4bn, up 15% from last year's first half;
a record production rate of 3.993 million boed, some 14% above the first half of last year;
and record quarterly dividends of 7.1 cents per share, 9% above the level of 2Q '03.

Generating Free Cash Flow



Our focus continues to be the delivery of our strategy through investment at the appropriate rate for long term growth and through operations to generate free cash flow. To generate that free cash flow we focus on capital expenditure, divestments, returns and gearing.

As this slide shows, capital expenditure for the year is expected to be slightly higher than that forecast in March, as a result of non-dollar expenditures translated into dollars at a weaker dollar rate, higher raw material prices and E&P supplier pricing power in a tighter market. Divestments are running at an expected level above the range of $3-4 bn given in March.

Operating capital employed has risen by around 14%. But, because of our distinctive leverage to higher oil and gas prices and US refining margins, and because of good operational performance, pre-tax cash returns have stayed at 34%, a level similar to last year's first half.

In spite of significant share buybacks gearing was at 23%, below the bottom of our target range of 25-35%, and we expect to get back to the lower half of that range by year end.

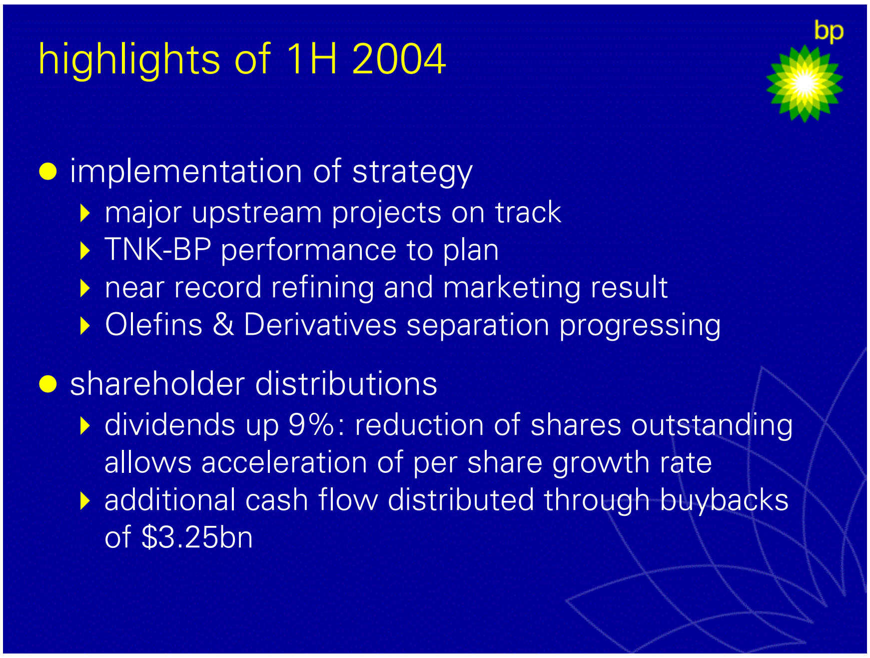
Everything we do is undertaken within a clear, long term financial framework. After paying taxes, almost half of our remaining cash flow was reinvested and the rest was returned to shareholders.

So far in '04 we have returned over $6bn to shareholders through dividends and buybacks.

In the UK that represents around 15% of the annualized distributions made to shareholders by all the companies in the FT All Share index. In other words, almost £1 in every £6 received by pension funds and similar institutions comes from BP.

US investors are also participating. Around a third of the $6bn has benefited US shareholders.

Highlights of 1H 2004



We are implementing our strategy as we said we would: our major projects in our five new profit centres are on track, and in Russia our TNK-BP joint venture is performing well and fully in line with the objectives we've set.

Results in refining and marketing are close to a record level, and in our petrochemicals segment we are making good progress in preparing our Olefins and Derivatives business for divestment, most likely via an IPO.

The share buyback programme and the consequent lower number of shares in issue has allowed us to accelerate the growth rate of our per share dividend, which is up by 9% or 0.6 cents per share from the 2Q '03 level. This 0.6 cents could be looked at as 0.5 cents from the established pattern of quarterly increases plus 0.1 cents from the reduced number of shares.

If the environment allows us to continue to repurchase shares – and in particular if oil prices remain above $20/bbl – we will continue to be able to increase the per share dividend at a rate which not only reflects the long term growth of the Group, but also reflects the allocation of the Group's dividend payments across a reduced number of shares.

2004 strategic progress : Exploration and Production

Let me now turn to the business segments starting with exploration and production.

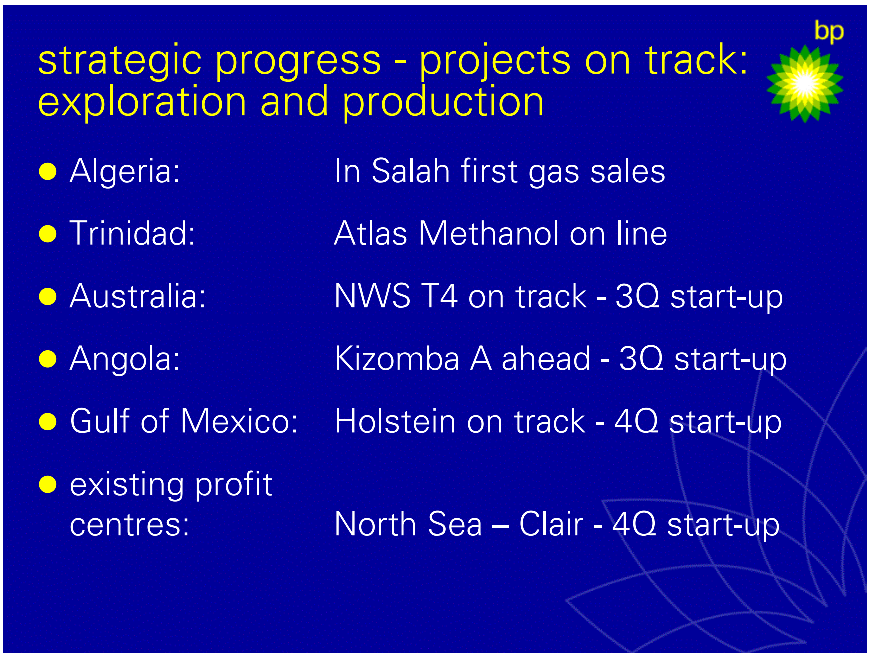
We expect production in '04 to be above 4 million boed, an increase of more than 10% from 03's level, in spite of some operational outages at Mars in the Gulf of Mexico and at our Trinidad LNG plant, amounting in total to 35mb/d during the quarter.

We said at the time of the 1Q results that our '04 capital expenditure measured in US dollars, might be affected by the continued weakness of the dollar, compounded by some price increases in raw materials and supplier pricing power.

We now expect '04 E&P capital expenditure to approach $9.5bn, compared to the $9bn level estimated in March.

The result of this increased E&P expenditure is that overall Group capex, in '04, is expected to be around $14bn.

Strategic Progress - projects on track

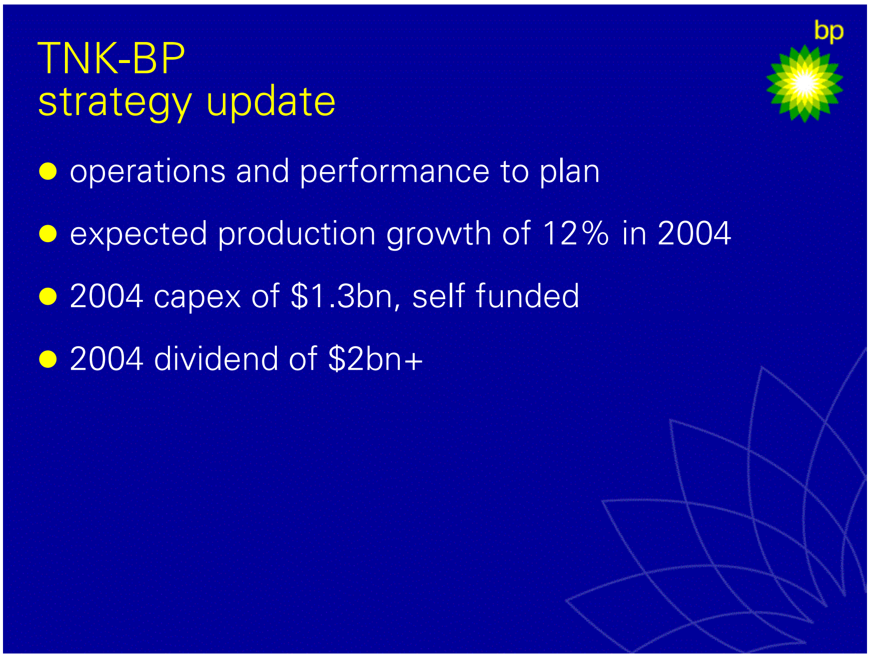


Turning to our major E&P projects, this slide shows that all the projects scheduled to start up this year are on track.

You should note that not all these projects are in the five new profit centres: the Clair field, where the jacket and deck have now been installed, is an example of a new project in an existing profit centre.

Production from the existing profit centres is declining but Clair and other projects in the North Sea, Argentina and elsewhere are helping to keep that production decline in the range of 3% to 4% a year.

TNK-BP: Strategy Update



Turning to Russia, TNK-BP is performing well. Production this year is expected to be up around 12%, or 150 thousand bpd, compared to '03. This is being achieved through the application of modern practices in oil field management, such as water flood optimization, increasing the efficiency of down hole electric submersible pumps and applying new hydraulic frac'ing techniques – all to increase recovery factors and production.

TNK-BP is increasing its capital expenditure as it accelerates new developments, but this is entirely self funded. This year, we expect TNK-BP to pay a gross dividend of well above $2bn, while still keeping gearing at the low end of its target range of 25-35%.

2004 Strategic Progress: refining & marketing / gas power and renewables

Turning now to refining and marketing, we have seen refining margins at their highest level since 1986. Continued good refining availability has allowed us to capture much of this strong environment in our results, despite some problems at our Texas City refinery.

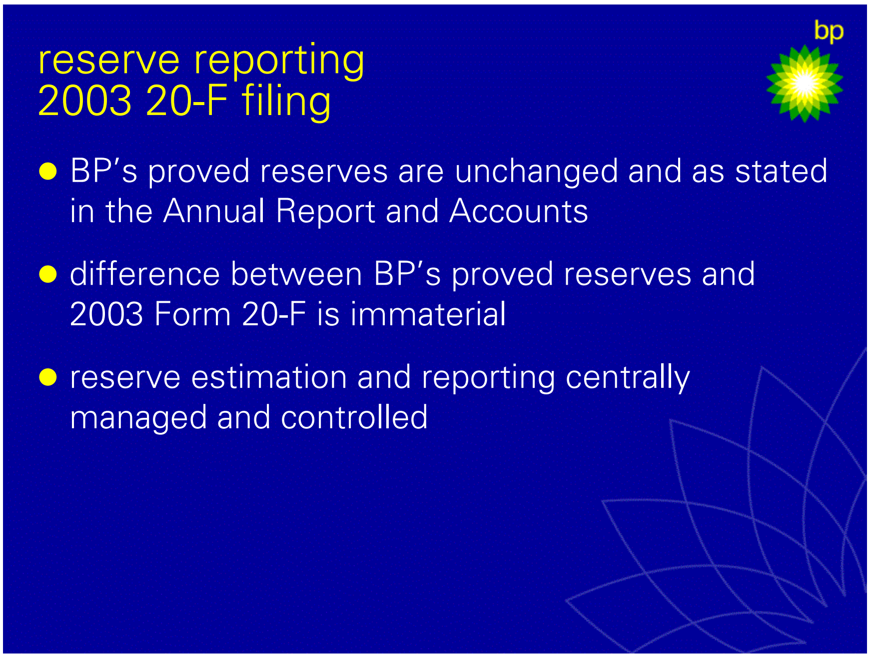
In marketing, lubricants sales have been especially strong, and the number of major markets in which we are marketing our differentiated fuels under the Ultimate brand continues to grow.

In gas and power, strong volume growth continues, even in North America, where we are already the number one producer and wholesale marketer. Another step was taken towards the launch of the Tangguh LNG project in Indonesia, while in Egypt we are establishing the base for another major LNG business.

2004 Strategic Progress: petrochemicals

Finally, in petrochemicals we are making good progress in preparing our Olefins and Derivatives business for sale, potentially by way of an IPO, in the second half of '05. The Aromatics and Acetyls business, which we are retaining, continues to expand its capacity for the Chinese market.

Reserve reporting: 2003 20F filing



Before I conclude, I want to mention the filing of our 2003 Form 20-F which happened since we last spoke to you. In this filing, we applied SEC rules to the reserves reported in our Annual Report, resulting in a positive but immaterial difference of 23 million barrels.

This difference arises from the SEC's requirement to use year end pricing, our application of the SEC's interpretive guidelines, and the reporting of fuel gas within proved reserves. We understand your concerns about reserves and we support international moves to improve the comparability of individual companies' estimates.

We remain confident in our process and methodology for estimating reserves.

Delivery against targets

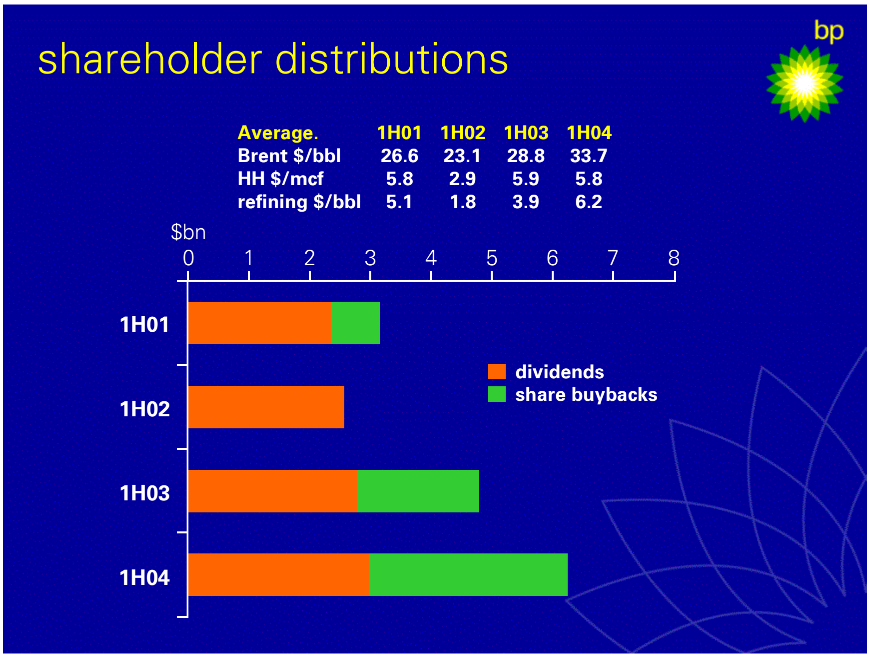
You will recall from our March presentation that we have only three delivery targets:

first, to reinvest at a rate appropriate for long term growth. This is what we are doing, with an expected level of organic capital expenditure of around $14bn this year. We continue to expect that organic capital expenditure in '05 and '06 will be around $1bn below this level;

second, to increase the dividend at a rate which is sustainable for the long term. As I have explained, the reduction in the number of shares outstanding, due to the buyback program, may allow a more rapid progression in the per share dividend than would otherwise have been possible;

and third, to distribute to shareholders 100% of all free cash flows in excess of investment and dividend needs, all other things being appropriate and generally when the price of oil is above $20/bbl. In the first half of '04 we have bought back $3.25bn of shares.

Shareholder distributions



Some of you may remember the slide we showed in March, indicating the potential distribution to shareholders over the 2004-6 period under three different oil price scenarios: $20, $25 and $30 per barrel. In fact, in the first half of '04 the average Brent oil price has been $33.70/bbl, above the highest of the three scenarios.

The effect of this is shown on this slide. Over the first six months of '04, our distributions to shareholders have been $6.25bn, more than twice the level of both the first half of '01 and '02, and around 30% above those of the first half of last year.

This is a very satisfactory outcome, but we do not intend to stop here. The best, as they say, is yet to come.

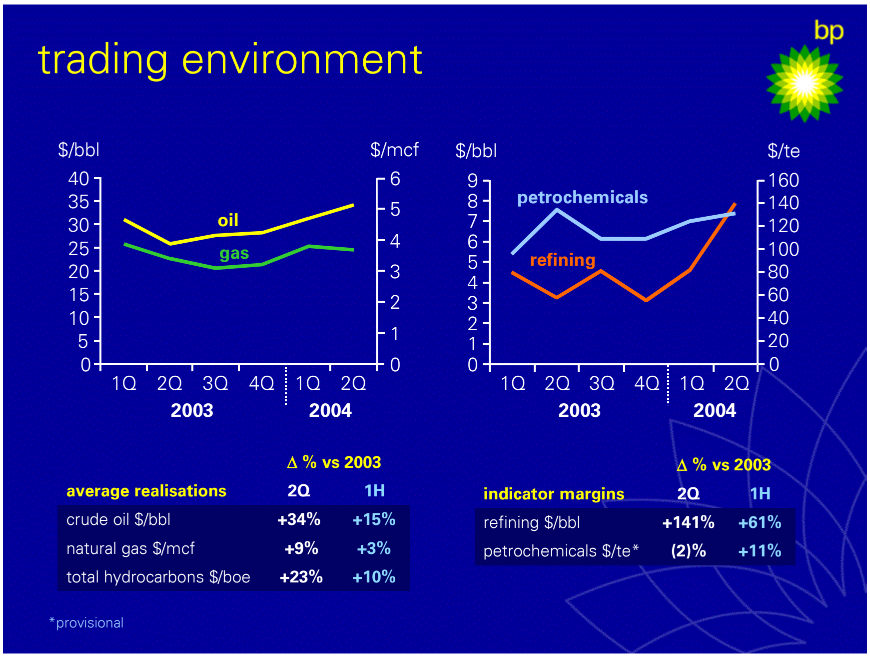
Now, let me hand over to Byron who will give you more of the detail of our results.

Byron -

Byron Grote – 2Q 2004 Results

Thank you John. I will now cover our results for the quarter and year-to-date.

Trading Environment



As shown on the left, trading conditions for our upstream business remained strong in the second quarter. Our oil realisations averaged more than $34 per barrel, one third higher than in 2Q'03. Our gas realisations averaged nearly $3.70 per thousand cubic feet, up 9%. Compared with 2003, our overall hydrocarbon realisations were up 23% in 2Q, and up 10% for the half year.

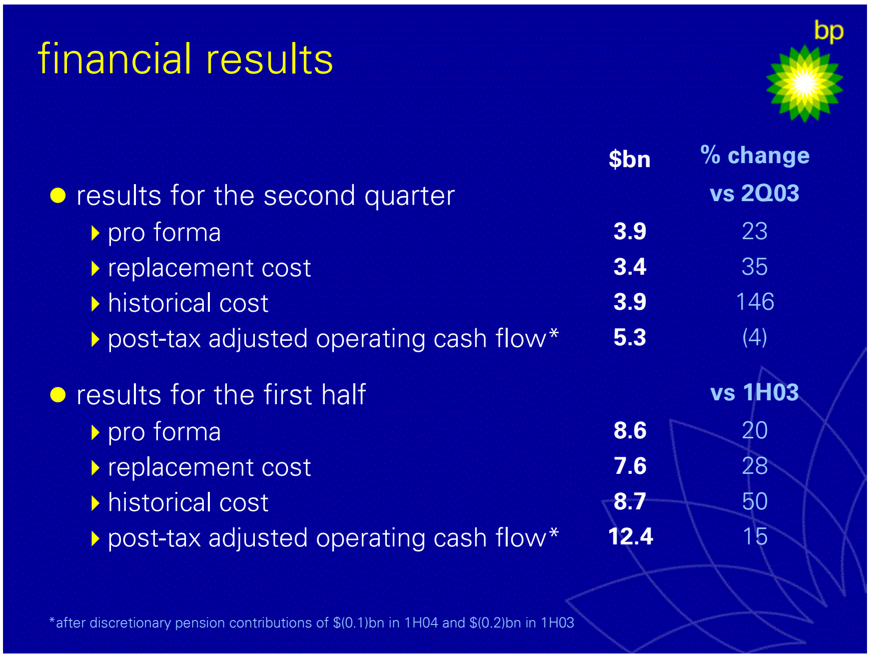
As shown on the right, the industry indicator refining margin approached $8 per barrel in 2Q, supported by strong global product demand and a tight US gasoline market. The margin gains for our own refining portfolio were substantial, but less dramatic than suggested by the indicator margin.

Although not shown, marketing margins were low early in the quarter, and then recovered in June. Our average retail fuels margin in 2Q was higher than in 1Q, but lower than in the second quarter of last year.

Petrochemicals margins continued to improve with the global economy, but remain under pressure due to high feedstock and energy prices. Continued pressure from dollar-based imports limited the margin improvement in Europe.

Overall, the business environment was very strong, and contributed to the record first half results we reported this morning.

Financial Results

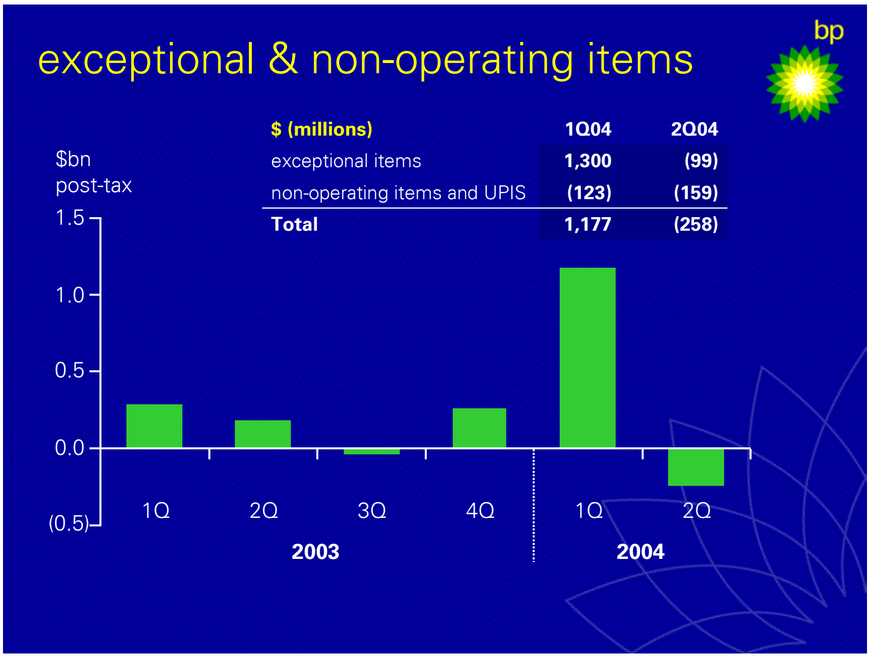


Starting with the second quarter data at the top of the slide, our pro forma result of $3.9 billion was up 23% compared with the second quarter of last year. Our replacement cost profit of $3.4 billion, which includes acquisition impacts, was up 35%. Our historic cost profit of $3.9 billion, which includes both acquisition impacts and unrealized inventory gains and losses, was more than twice last year's level.

Our post tax adjusted operating cash flow of $5.3 billion was down slightly compared with 2Q '03. Last year, working capital declined as prices fell. In contrast, this year, working capital increased as prices rose. This is normal. Excluding working capital movements, our 2Q operating cash flow improved 75% year-on-year.

Our first half results were up across the board. Each of the measures shown is a record for the half-year, again reflecting the strong trading conditions I noted earlier.

Exceptional & Non-Operating Items



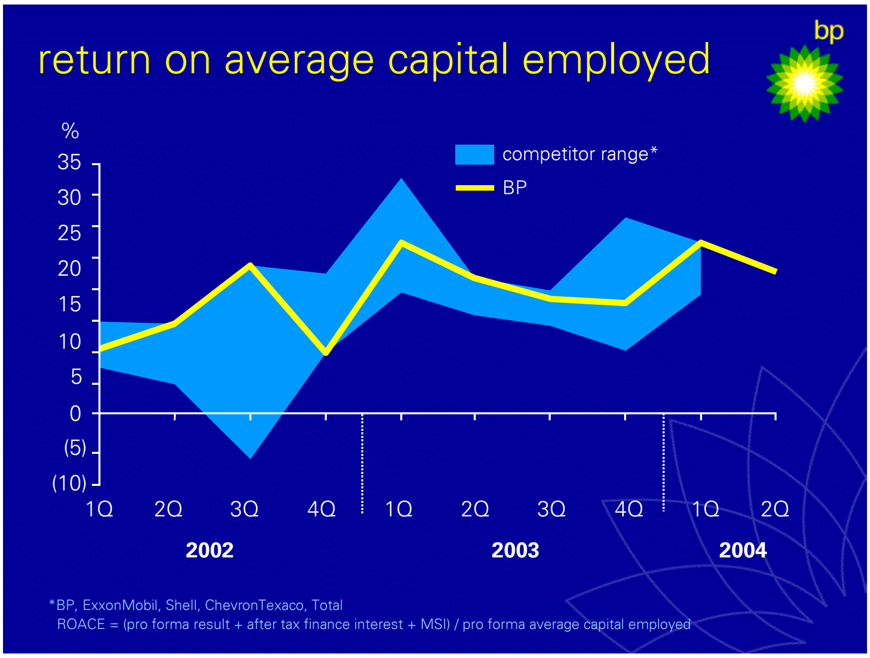
The results just reviewed include a number of gains and losses not directly related to ongoing operations. These fall into two categories.

First, UK GAAP requires us to separately report as Exceptional Items any gain or loss from disposals or termination of operations. You will recall that in 1Q, these totaled a gain of $1.3 billion, mainly profits on the sale of our successful investments in Petrochina and Sinopec. This quarter, post-tax Exceptional losses were just under $100 million, mainly related to disposals in E&P.

We also disclose material non-operating items in order to help you better understand our underlying results. We include the accounting adjustment for Unrealised Profit in Stock, or UPIS, in this category, as it can have a material impact on quarterly results. In the first half, these items totaled a loss of nearly $300 million post-tax. Around one-third of this was a UPIS charge directly related to rising oil prices. Our Stock Exchange Announcement provides further details of these items.

Before leaving this slide I would like to refer back to the third quarter of last year. As you may recall, we reported pre-tax environmental remediation charges totaling $500m in that quarter, about half related to a shift to a consistent Group wide methodology and thus shown as a non-operating item. Our 2004 environmental review is now in progress. Current indications are that we may see new provisions of a similar overall total amount. We will provide further information on the results of this review in our 3Q Trading Update in early October.

Return on Average Capital Employed

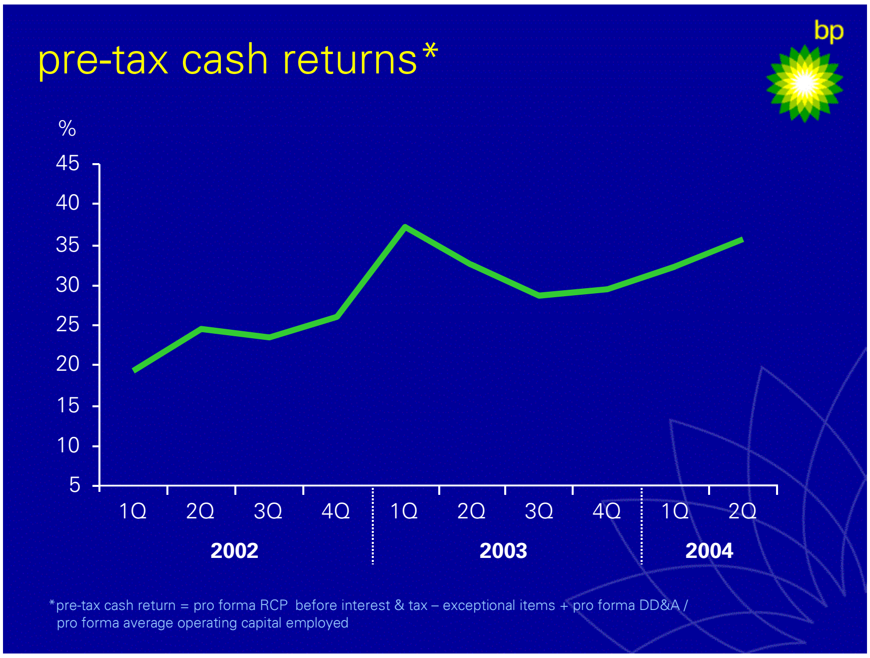


This slide shows BP's pro forma return on capital employed relative to our principal competitors. The results shown are on a "headline" basis, and include all items that various companies refer to as exceptionals, specials, non-operating items, and the like. These items make earnings, and hence ROACE, more volatile. For example, the decline in BP's headline return in 2Q masks the actual improvement because of the absence of the 1Q gain from our Chinese share sales.

We expect the introduction of International Financial Reporting Standards next year to make earnings and ROACE more volatile.

For these reasons, we find cash returns a better indicator of business performance.

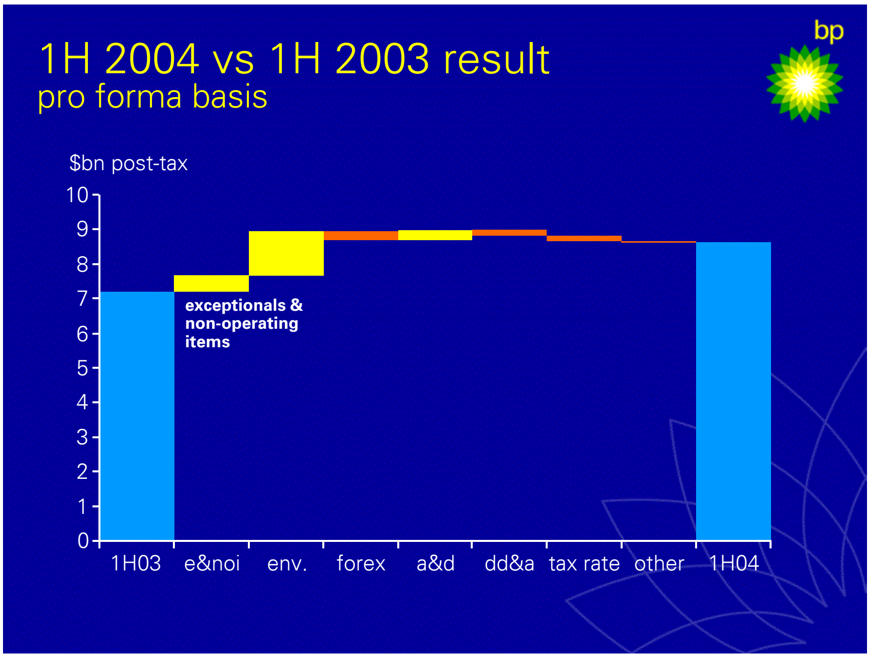
Pre-Tax Cash Return



This chart shows our pre-tax cash return over the same period. We explained this measure and its calculation in our Strategy Presentation in March. By removing the volatility related to tax phasing and price-driven working capital changes, we believe this measure provides a clearer view of cash generation.

Our 36% cash return in 2Q represents higher cash generation on a growing capital base. The data shown are based on actual prices and margins. The peak in 1Q'03 and the increase in the first half of 2004 are driven by strong trading conditions. After factoring out changes in the business environment, we believe that the underlying trend of our cash returns remains one of improvement, and we expect the underlying return to grow by around 2 percentage points by 2006 as capital in our major projects enters service.

1H 2004 vs. 1H 2003 Result



This chart shows the main elements driving the $1.4 billion improvement in our first half result, from $7.2 billion in 2003 to $8.6 billion in 2004.

The main sources of improvement, shown in yellow, were greater gains from exceptional and non-operating items, the stronger business environment, and the cumulative effect of acquisitions and divestitures. I've already discussed our exceptional and non-operating items, so let me cover the remaining two.

The stronger business environment added around $1 billion to our half-year result. This includes a $1.25 billion improvement in prices and margins, as described earlier, less a $250 million adverse foreign exchange impact.

In total, our portfolio upgrading activity over the past year added around $300 million to our first half result. The TNK-BP acquisition added some $550 million, which more than offset the impact of disposals in E&P and the customer facing segments.

Depreciation charges, excluding foreign exchange effects, were up $150 million between years on a post-tax basis. The increase is mainly in Exploration and Production, and reflects the change in portfolio composition and the start-up of new projects over the past year.

We also saw a $150 million impact from an increase in the Group's effective tax rate, from 34% in the first half of last year to above 35% in the first half of this year. Higher pre-tax earnings, largely due to the stronger price and margin environment, drove this rise in the effective tax rate. As I explained in our March Strategy Presentation, these higher earnings are taxed at a <u>marginal</u> rate of around 40%, which in turn increased the group <u>average</u> tax rate.

All other factors basically netted out between periods, as underlying improvements in our operations offset inflationary pressures.

TNK-BP

TNK-BP

$m impact on BP results	1Q 04	**2Q 04**
BP share of TNK-BP net income	219	**374**
deferred shares consideration accretion	(26)	**(26)**
impact on BP net income	193	**348**
production mboed	832	**891**
dividend received	262	**-**

- 2Q benefits from export duty lag
- future production tax/export duty increases
- $450m dividend received in July

The figures just discussed include a strong contribution from TNK-BP. As shown here, our share of TNK-BP net income was $374 million in 2Q, compared with $219 million in 1Q. After subtracting the accretion of discount on the shares we will issue to Alpha Access Renova, TNK-BP contributed $348 million to our 2Q net income, up from $193 million in 1Q.

The 2Q result includes a full quarter contribution from Slavneft for the first time, which amounted to $40 million in 2Q compared with $31 million for 76 days of ownership in 1Q. It also includes a $7 million charge related to finalization of results in prior periods.

The 2Q improvement is dominated by increased volumes, price effects and favorable tax lags.

Production rose by more than 7% between 1Q and 2Q, partly reflecting the inclusion of a full quarter of Slavneft volumes. Crude oil volumes were up 6% and gas volumes were up 18%.

The Urals price into Northwest Europe rose nearly $3.50 per barrel in the quarter, and Russian domestic prices increased by around $2.50 per barrel. Russian export duties are linked to the Urals price, but lag by around three months thus benefiting our TNK-BP earnings in the second quarter.

TNK-BP did not pay a dividend in 2Q. However, in the first half of July we received $450 million with respect to 4Q'03 and a portion of the first quarter. We will show $23m of this as an offset to the Slavneft acquisition cost, and the rest as operating cash flow in the third quarter.

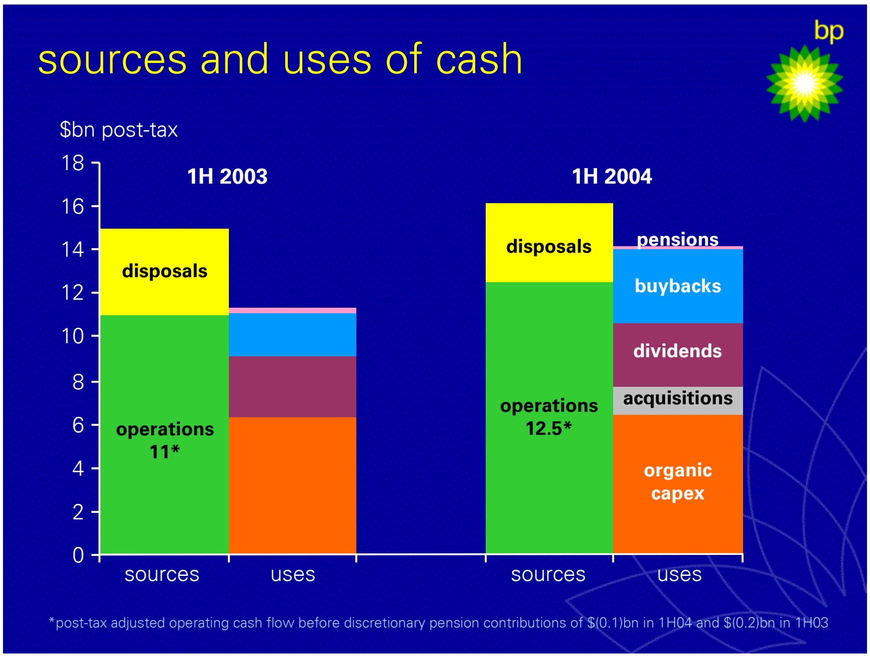
Turning from cash flow back to earnings, I'd like to mention two material items that will influence TNK-BP's future results.

First, the higher Urals price in 2Q will drive higher export duties in the third quarter. Assuming production growth remains on track and crude and product exports remain around 70% of production, we estimate that the lagged higher export duties at unchanged fiscal terms will reduce TNK-BP's 3Q earnings by around $55 million, net to BP, relative to 2Q.

In addition, future earnings will reflect the recent changes to the Russian fiscal regime, which I mentioned in our 1Q webcast. Russia is introducing progressively higher rates of production taxes and export duties when the Urals price exceeds $20 per barrel. The higher export duties become effective in August, and the higher production taxes start in 2005. In 3Q, we expect the new export duty rates to reduce our share of TNK-BP earnings by around $65 million.

Adding these two items, our share of TNK-BP earnings in 3Q would be around $120 million lower than the 2Q results shown on this slide, other factors being equal.

Sources & Uses of Cash

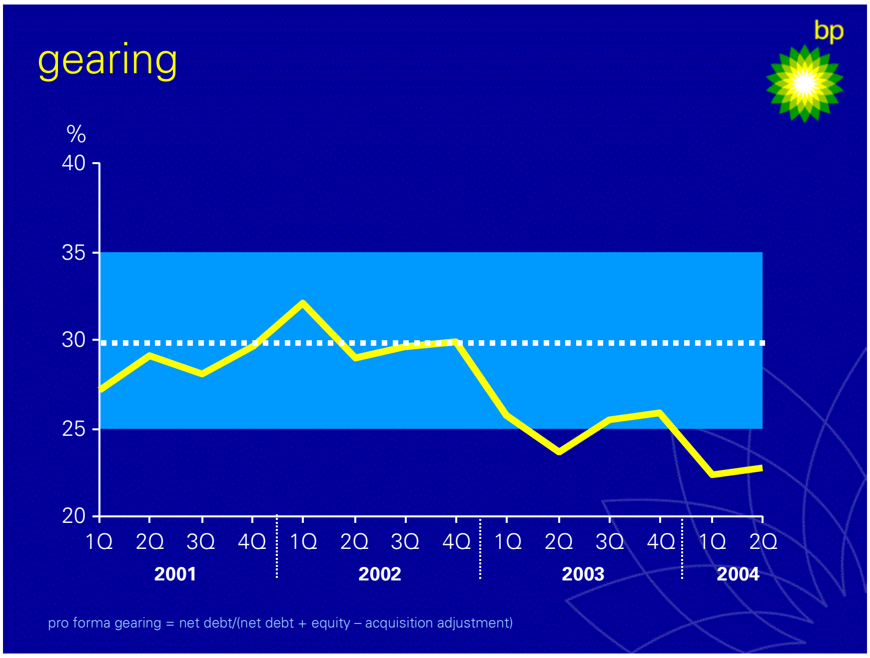


Group-wide cash inflows remained robust in the first half. Operating cash flow of $12.5 billion, before pension funding, was a record. The China share sales and other disposals added $3.6 billion after tax, bringing total sources to more than $16 billion.

We reinvested around $6.4 billion of this cash directly back into the business. In addition we invested $1.35 billion to incorporate the Slavneft interest into TNK-BP. Dividends totaled $3 billion, and we bought back $3.25 billion of shares.

In aggregate, total cash sources have exceeded uses by $2 billion, despite year-on-year increases in organic capex, acquisitions, and shareholder distributions. This resulted in lower net debt.

Gearing

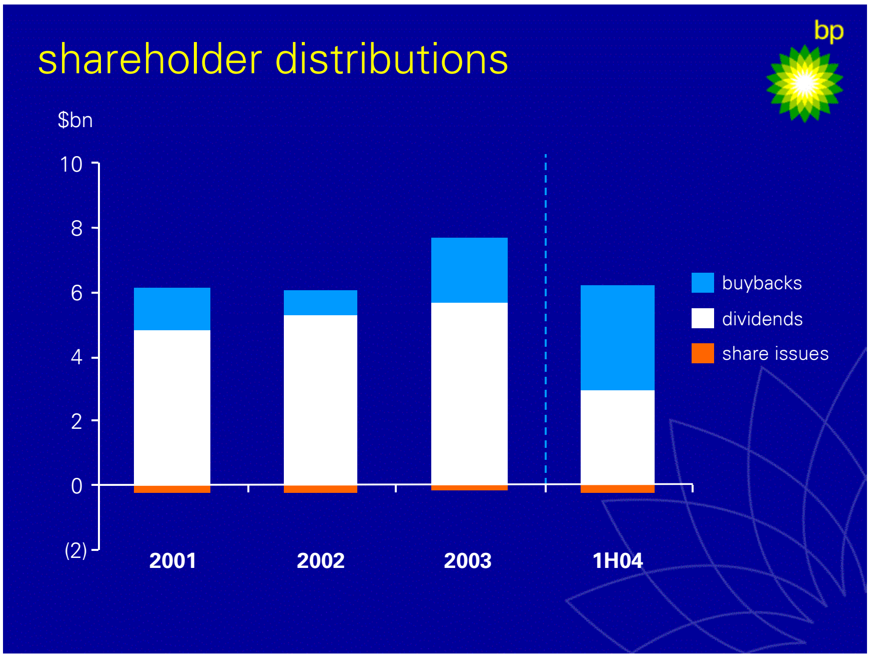


As shown here, we ended 2Q with 23% gearing, down from 26% at year-end 2003 and remaining below our target band of 25-35%. We aim to restore gearing to the bottom half of the band by further distributions to shareholders.

Our policy is as we stated in March. As long as oil prices remain above $20 per barrel, we intend to return 100% of additional cash flow to investors. Consistent with this, we have already purchased another $500 million of shares in 3Q under our closed period buyback program.

As you may recall, we have agreed with Alpha Access Renova to suspend buybacks during the 30 days that are used to determine each $1.25bn deferred share payment for TNK-BP. The 2004 suspension is from August 21st through September 19th. Other factors being appropriate, we expect to continue buybacks up to this suspension period, and to resume buybacks thereafter.

<u>Shareholder Distributions</u>



This chart compares our shareholder distributions in the first half of 2004 with previous full-year totals. It's another way to illustrate the points John made earlier. We distributed more than $6 billion in the first half of 2004. This exceeds the full-year totals in 2001 and 2002, and is 80% of our full-year 2003 distributions.

It does not yet reflect the buybacks we have already made in the third quarter, or the 9% year-on-year dividend per share increase we announced this morning.

The strong trading conditions I noted at the start of my remarks have allowed us both to return cash to investors directly via share buybacks, and to increase the <u>per-share</u> dividend to our continuing shareholders.

Q&A Session

That concludes our prepared remarks. We would now be pleased to take your questions over the phone or Internet.