

Financial frame

Murray Auchincloss

Chief financial officer

Welcome back for the final session of bp week.

I'm Murray Auchincloss, bp's CFO.

Over the last three days you've heard a lot about our strategy and our business plans.

On August 4th I explained how this strategy will be enabled by a resilient financial frame and why we believe that our strategy and our financial frame together create a compelling investor proposition.

Today I want to reinforce some important messages:

- I will explain how our financial frame operates and why we believe it is compelling
- I will outline how we expect to deliver competitive EBIDA and returns growth
- And I will elaborate on our proposed financial disclosures to help you to monitor our progress from IOC to IEC.

Cautionary statement

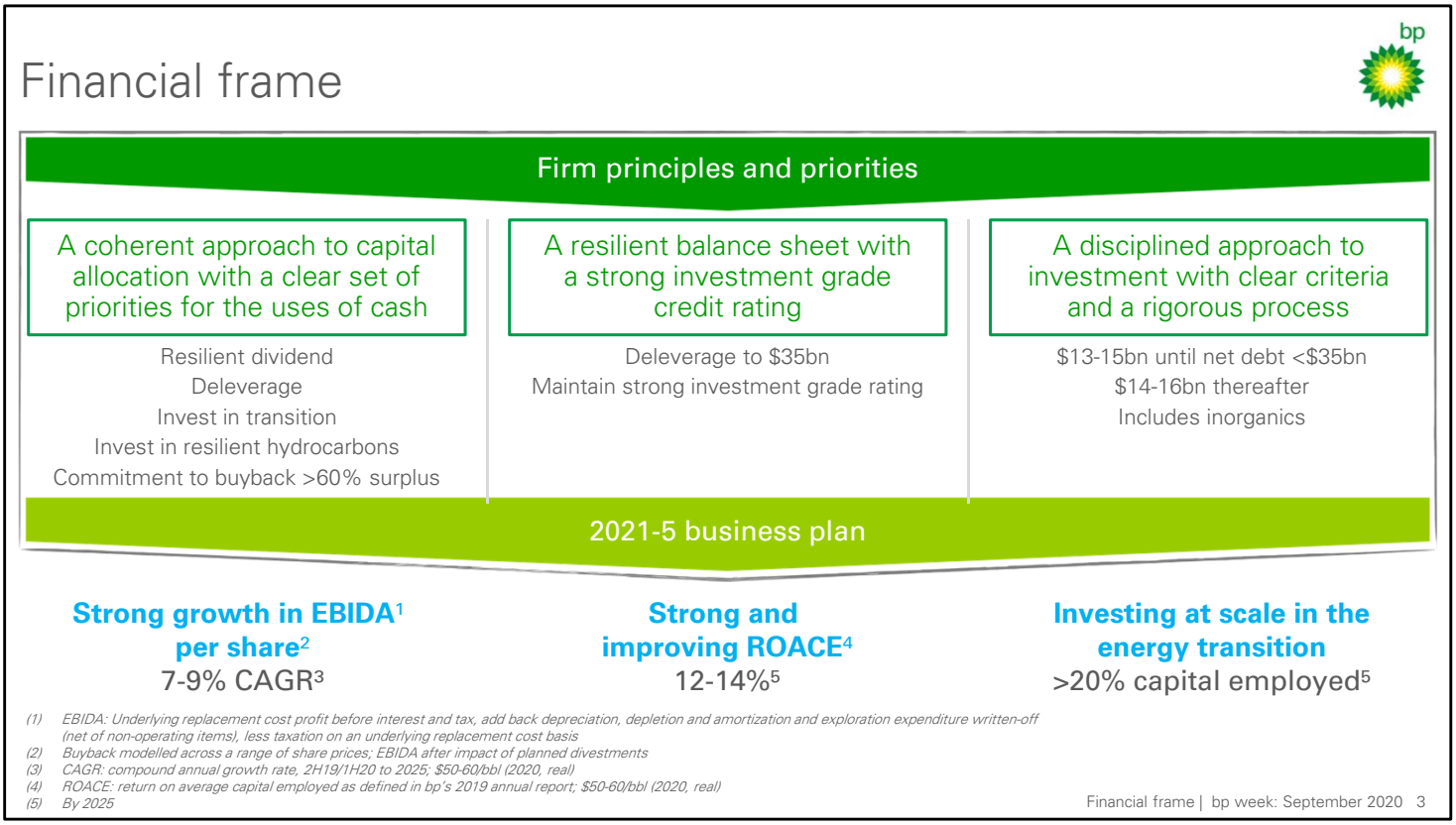
Forward-looking statements - cautionary statement

In order to utilize the 'safe harbor' provisions of the United States Private Securities Litigation Reform Act of 1995 (the 'PSLRA') and the general doctrine of cautionary statements, bp is providing the following cautionary statement: The discussion in this results announcement contains certain forecasts, projections and forward-looking statements - that is, statements related to future, not past events and circumstances - with respect to the financial condition, results of operations and businesses of bp and certain of the plans and objectives of bp with respect to these items. These statements may generally, but not always, be identified by the use of words such as 'will', 'expects', 'is expected to', 'aims', 'should', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see', 'focus on' or similar expressions.

In particular, the following, among other statements, are all forward looking in nature: bp's new financial frame to support a shift in allocating capital towards low carbon and other energy transition activities and for the combination of strategy and financial frame to provide a coherent and compelling investor proposition and create long-term value for bp's shareholders, including statements regarding bp's coherent approach to capital allocation, a resilient balance sheet with the target of maintaining a strong investment grade credit rating, disciplined approach to investment within clear ranges, resetting to a resilient level of dividend of 5.25 cents per ordinary share per quarter (subject to the board's decision each quarter), deleveraging and maintaining a strong investment grade credit rating, investing at scale into the energy transition as well as in bp's resilient hydrocarbons assets to maximize value and cash flow, committing to return at least 60% of surplus cash through share buybacks once net debt is reduced to $35 billion subject to maintaining a strong investment grade credit rating, rebalancing sources and uses of cash, on average over 2021-2025 to a balance point of around $40/bbl Brent, plans and expectations relating to divestments including targeting $25 billion of divestment proceeds between the second half of 2020 and 2025, expected hurdle rates for investments, expectations regarding the deliverability of bp's plans, delivering a 5-6% underlying EBIDA CAGR in 2025, achieving $2.5 billion of pre-tax cash cost reduction by end-2021 and $3-4 billion by end-2023 compared to 2019, driving growth in EBIDA per share at an average compounded annual growth rate of 7-9% to 2025 supported by the share buyback commitment, delivering strong and growing returns, ROACE rising to 12-14% by 2025 and holding flat around this level to 2030, declining contribution from resilient and focused hydrocarbons as well as shrinking oil and gas production, employing more than 30% of capital in transition and low carbon businesses by 2030 and maintaining capital spending in a range of $13-15 billion in Phase 1 and $14-16 billion in Phase 2 and to align new strategic themes to financial reporting.

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 extent and duration of the impact of current market conditions including the significant drop in the oil price, the impact of COVID-19, overall global economic and business conditions impacting our business and demand for our products as well as the specific factors identified in the discussions accompanying such forward-looking statements; changes in consumer preferences and societal expectations; the pace of development and adoption of alternative energy solutions; 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 acquisitions and divestments; future levels of industry product supply, demand and pricing, including supply growth in North America; OPEC quota restrictions; PSA and TSC 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; delays in the processes for resolving claims; amounts ultimately payable and timing of payments relating to the Gulf of Mexico oil spill; 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 elsewhere in this report, and under "Risk factors" in bp Annual Report and Form 20-F 2019 as filed with the US Securities and Exchange Commission.

September 2020



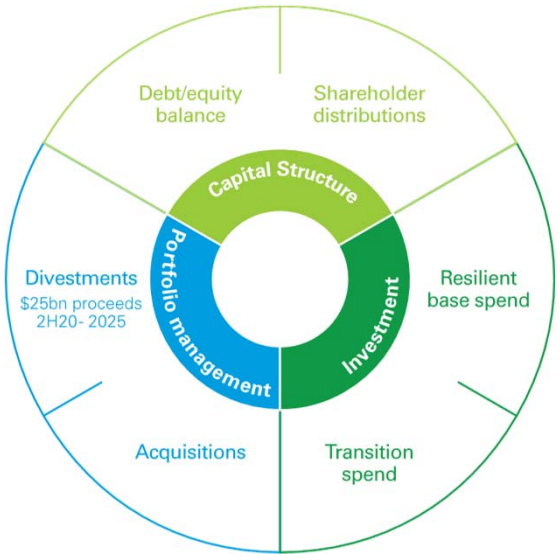
Let me start by explaining our financial frame, which comprises three firm principles and priorities:

- A coherent approach to capital allocation with a clear set of priorities for the uses of cash;
- A resilient balance sheet with the target of maintaining a strong investment grade credit rating; and
- A disciplined approach to investment within clear ranges.

This financial frame, together with our five year business plan is expected to result in three financial outcomes:

- Strong growth in EBIDA per share
- Strong and improving ROACE; and
- A material shift in our capital employed.

Coherent approach to capital allocation



Clear priorities

	Phase 1	Phase 2
1	Resilient dividend of 5.25 cents per share[1] per quarter	Resilient dividend of 5.25 cents per share[1] per quarter
2	Deleverage to $35bn	Strong investment grade credit rating
3	Low carbon[2] and convenience and mobility spend ~$4-6bn per year	Low carbon[2] and convenience and mobility spend ~$5-7bn per year
4	Resilient hydrocarbons spend ~$9bn per year	Resilient hydrocarbons spend ~$9bn per year
5		At least 60% of surplus[3] as buybacks[4]

(1) Dividend per ordinary share per quarter, intended to remain fixed at this level, subject to board discretion each quarter
(2) Low carbon electricity and energy
(3) Surplus refers to surplus of sources of cash including operating cash flow, JV loan repayments and divestment proceeds, over uses, including leases, Gulf of Mexico oil spill payments, hybrid servicing costs, dividend payments and cash capital expenditure
(4) At least 60% of surplus cash as buyback once net debt has reduced to $35bn and subject to maintaining a strong investment grade credit rating

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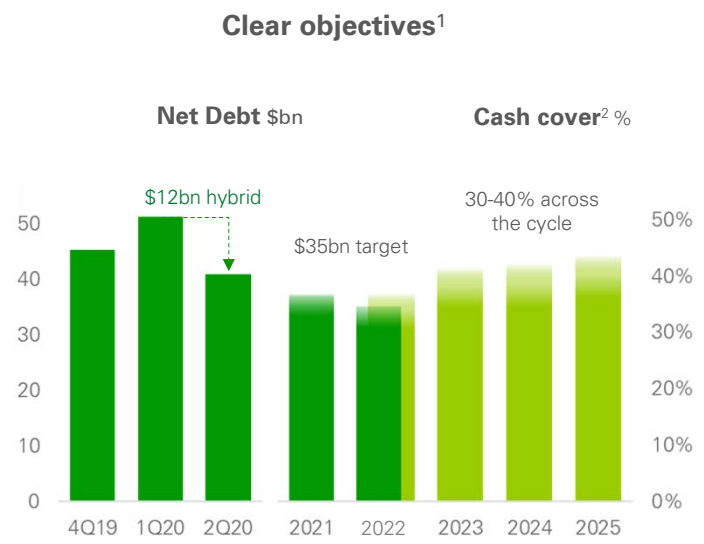
Let me now look in more detail at each component of our financial frame, starting with capital allocation.

We have a coherent approach to capital allocation with a clear set of priorities for the uses of cash with two phases.

- First, funding a resilient dividend intended to remain fixed at 5.25 cents per ordinary share, per quarter
- Second, deleveraging our balance sheet to protect our investment grade credit rating. The first step is to de-leverage to $35 billion net debt and to maintain a strong investment grade credit rating thereafter
- Third, allocating sufficient capital to advance our energy transition strategy, with this allocation intended to rise once our near-term deleveraging targets are achieved. This includes organic and inorganic capital.
- Fourth, investing appropriately in our resilient and valuable hydrocarbons business to generate sustainable cash flow; and
- Fifth, committing to return at least 60% of surplus cash as buybacks, after having reached $35 billion net debt and subject to maintaining a strong investment grade credit rating.

We believe this is a compelling frame, as it provides direct leverage to cash flow upside to shareholders and enforces investment discipline

Maintaining a strong investment grade credit rating



Strong progress

- ~$12bn hybrid bond issue
- $1.8bn 1H20 divestment proceeds

Delivery underpinned

- 2021-25 cash balance point~$40/bbl[3]
- $25bn 2H20-2025 divestment proceeds

(1) Chart presented at $50/bbl Brent (2020 real) and bp planning assumptions
(2) Cash cover ratio: funds from operating activities over expanded debt, including leases, Gulf of Mexico oil spill liabilities and decommissioning liabilities
(3) Operating cash flow excluding post-tax DWH payments, adding JV loan repayments, deducting lease payments, organic and inorganic cash capex at the low end of the $14-16bn capital frame dividend and hybrid coupon. Assuming an average of around $11/bbl RMM and $3.00/mmBtu Henry Hub (2020 real)

Now, we consider a strong balance sheet to be the foundation to pay the reset dividend and advance our strategy.

In the near-term we target de-leveraging to $35 billion of net debt.

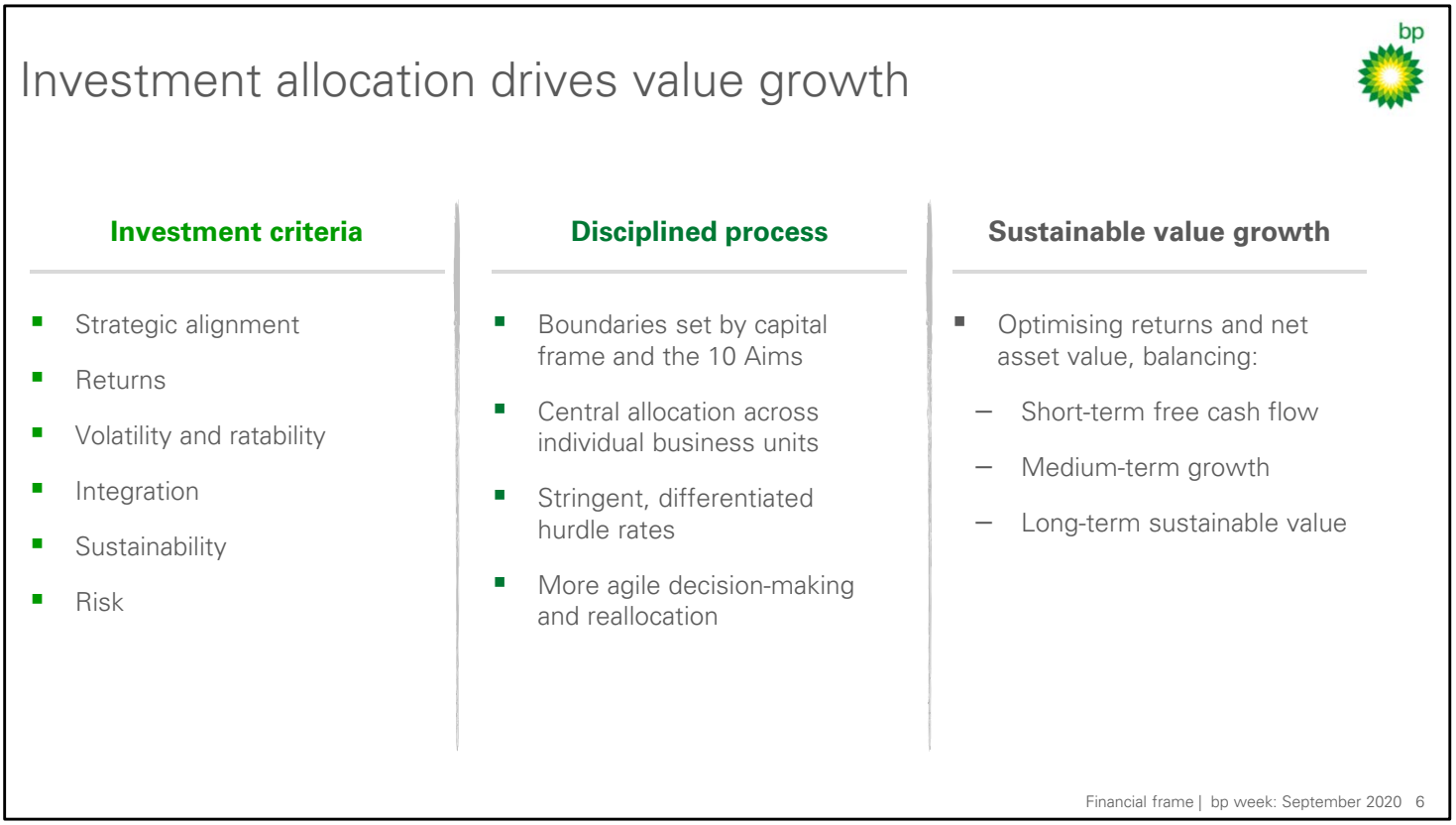
Thereafter, our target is a strong investment grade credit rating. A good indicator for this is the cash cover ratio, which we aim to keep within a 30-40% range through cycle, this is not a target.

We believe our financial frame enables us to manage our average 2021-25 cash balance point to around $40 Brent, assuming an average RMM around $11 and Henry Hub at $3 in 2020 real terms. If prices are lower, we can easily slow down onshore drilling to balance well below $40 a barrel Brent.

Deleveraging our balance sheet will be supported by a target of $25 billion of divestment proceeds between the second half of 2020 and 2025.

Half of this target has already completed or been agreed, and includes the recently announced petrochemicals divestment and the sale of our upstream Alaska upstream business.

As we execute this programme we will be focused on value. We are not in a rush and we will wait for competitive pricing.



With our new strategy we have also refreshed our investment allocation process to align with a re-invented bp.

As you would expect, it starts with a core set of six investment criteria; balancing strategic alignment, returns, volatility, integration value, sustainability and risk.

Resource allocation is done in a more agile way, across our individual businesses.

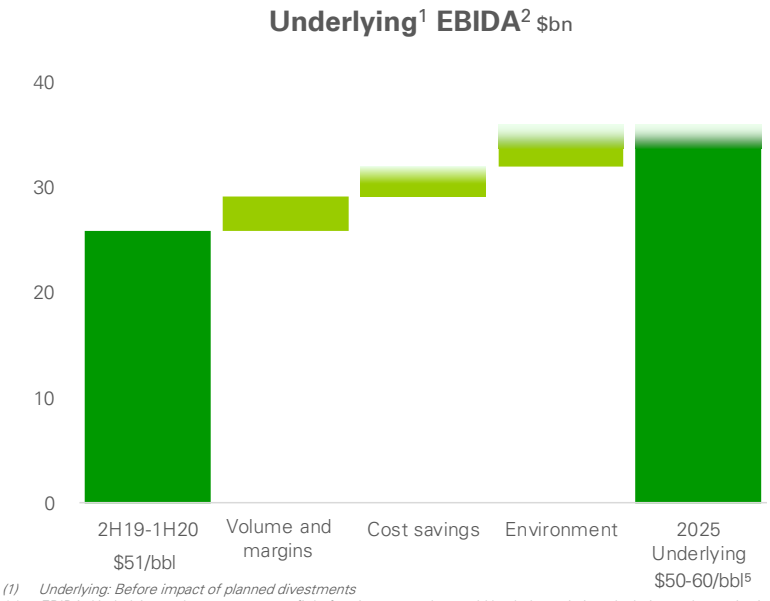
We have lowered our central case assumptions for oil, gas and RMM, and increased our carbon price.

And we have set stringent hurdle rates:

- First, a payback of less than ten years for all investments in upstream oil, refining and for fuels retail in mature markets;
- Second, a payback of less than 15 years for upstream gas;
- Third, we have a range of sector specific internal rate of return hurdles for transition and low carbon investments between 10% and 15%; and
- For renewable power, we look for returns of around 10% levered.

All of this is then optimised to make sure we are adequately trading off returns versus net present value, balancing short, medium and long-term value growth for shareholders.

Managing the financial transition



- 5-6% underlying[1] EBIDA[2] CAGR[3]
- Reinvent bp delivering $3-4bn reduction in cash costs by 2023[4]
- Growing EBIDA[2] after the impact of portfolio choices

(1) Underlying: Before impact of planned divestments
(2) EBIDA: Underlying replacement cost profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items), less taxation on an underlying replacement cost basis
(3) CAGR: compound annual growth rate; 2H19/1H20 to 2025, at $50-60/bbl (2020, real)
(4) Relative to 2019
(5) 2020, real

As Bernard said on day one, some of you have questioned how we will manage the transition from IOC to IEC while maintaining a resilient financial frame.

I have complete confidence in what we've told you over the past three days – these are deliverable plans.

This slide shows how we plan to deliver growing EBIDA to 2025.

First, we expect operational growth in each of our strategic themes, most of which will be delivered by our legacy businesses.

- In Resilient and focused hydrocarbons we expect EBITDA growth from new higher margin barrels coming on line;
- In Convenience and Mobility we expect ratable EBITDA growth while generating double-digit returns; and
- In low carbon electricity and energy, we don't expect a significant EBITDA contribution to 2025, instead building businesses for the second half of the decade.

Second, we expect to achieve $3-4 billion of pre-tax cash cost savings by 2023 from our programme to reinvent bp.

And third, our portfolio remains highly leveraged and as you can see the positive impact of our $50-60 per barrel price range assumption.

Together these building blocks underpin our expected EBIDA CAGR of 5-6% on an underlying basis.

Importantly, we also expect to grow EBIDA to 2025 after the impact of our planned $25 billion divestment programme.

Together with our share buyback commitment, this drives our expected 7-9% EBIDA per share CAGR.

Now turning to the second half of the decade.

After growing our ROACE to 12-14% by 2025 we plan to hold it flat around this level to 2030.

Assuming constant prices, the EBITDA contribution from resilient and focused hydrocarbons is expected to decline from 2025 to 2030 as we high grade the portfolio and maintain a strict capital framework. As described by Gordon, Oil and gas production and refining throughput are expected to shrink to 2030.

We expect this decline to be more than offset by ratable growth in convenience and mobility and in low carbon electricity and energy where we expect EBITDA growth to accelerate as the capital we are investing matures and we begin to see the benefit of scale across the business.

Through this period our disciplined capital allocation framework is expected to remain unchanged.

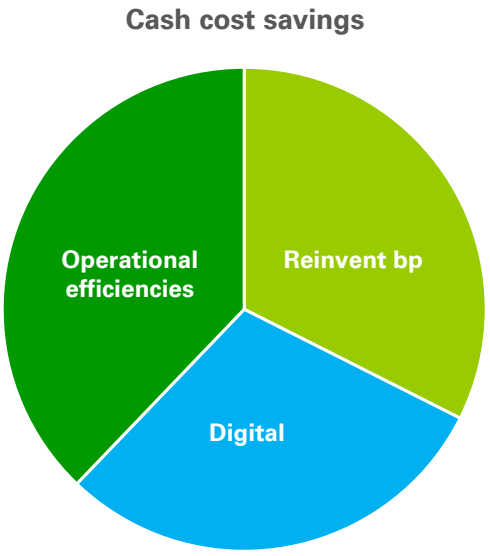
Together our continuing cash flow generation, leverage to price upside, and focus on investment discipline mean that we expect to generate surplus cash flow.

Through our commitment to return at least 60% of surplus cashflow by share buyback, we expect this to drive per share growth at a similar rate to the preceding five years.

And through the steady and disciplined allocation of capital, we expect capital employed in transition and low carbon to exceed 30% by 2030.

You know, 2030 is very hard to predict right now, but we think we have a deliverable plan and we hope to do better.

Reinventing bp – $3-4bn cash cost savings by 2023[1]



- Reinvent bp
  - Restructuring
  - Agile working practices
- Efficiency through digital
- Operational efficiencies
  - Strategic approach to supply chain
  - Single operating entity
  - Zero based budgeting

(1) *Relative to 2019*

Turning to our plans for cost savings.

On Monday Kerry spoke about our programme to reinvent the company. And in other presentations you have heard how this will drive efficiencies through our business.

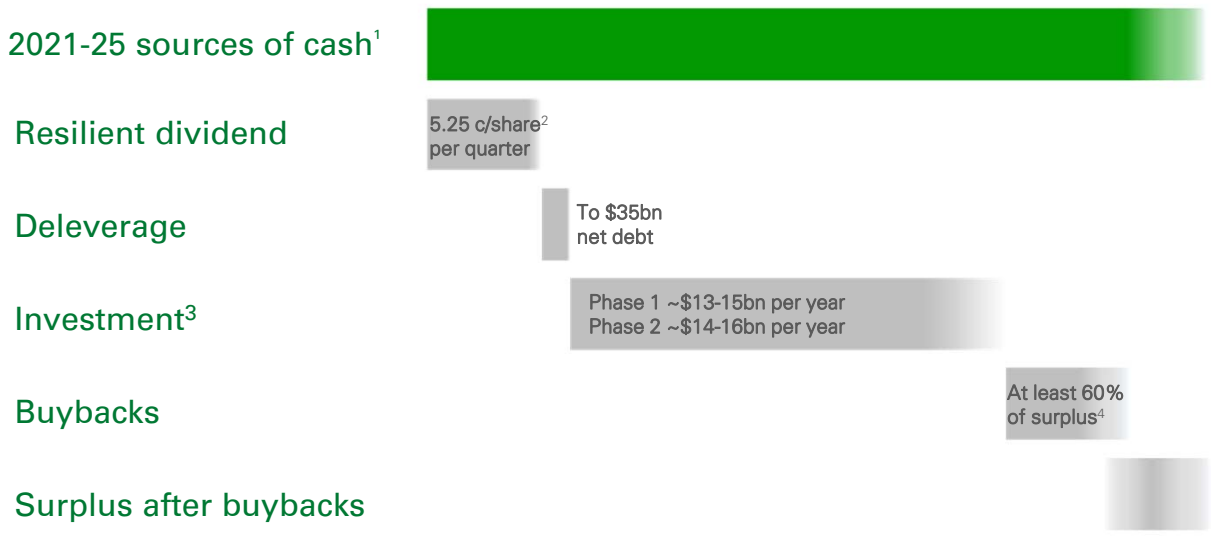
In aggregate, we expect this programme to generate $2.5 billion of pre-tax cash cost savings by year end 2021 rising to $3-4 billion by 2023 compared to 2019.

This is underpinned by:

- First, a reorganisation to drive centralisation and remove duplication inherent in our old segment model. In June we announced a plan to remove 10,000 positions – most of this by the end of the year. And Gordon explained earlier today how we are moving towards an agile structure – improving cycle times and enabling delayering. This is unique in our sector;
- Second, investment in digital to drive efficiencies through centralisation and automation as David outlined very well in the last session; and
- Third, driving operational efficiencies through a strategic approach to our supply chain supported by the creation of a single production and operations entity and the application of zero based budgeting.

These are important components of our plan to create a bp that is a leaner and faster moving company and we are confident we will be able to deliver these savings.

Clear priorities for uses of cash



(1) Sources of cash includes operating cash flow at $50-60/bbl Brent (2020 real) and bp planning assumptions plus JV loan repayments and divestment proceeds, deducting leases, Gulf of Mexico oil spill payments and hybrid servicing costs
(2) Dividend per ordinary share per quarter, intended to remain fixed at this level, subject to board discretion each quarter
(3) Investment refers to organic and inorganic capital expenditure
(4) At least 60% of surplus cash as buyback after having reached $35bn Net Debt and subject to maintaining a strong investment grade credit rating

As I have already said, we have clear priorities for the cash that we generate.

Assuming an oil price of $50-60 Brent and including divestment proceeds, this slide shows how we intend to:

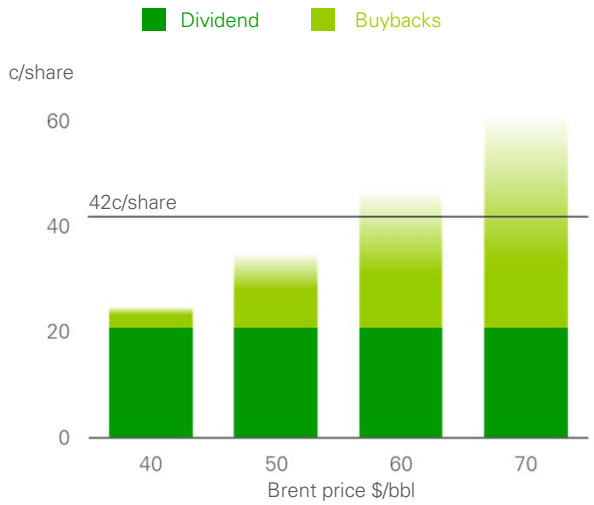
- Pay a resilient dividend;
- De-leverage our balance sheet;
- Invest at scale in the energy transition;
- Invest in our resilient hydrocarbons business; and
- Distribute at least 60% of surplus cash flow through share buybacks with the remainder of any surplus allocated according to board discretion.

Committed distributions

Clear policy

- Resilient dividend intended to stay fixed at 5.25 cents per share per quarter[1]
- Commitment to return at least 60% of surplus[2] cash flow via buybacks
  - once net debt target achieved; and
  - subject to maintaining a strong investment grade credit rating
- Remainder of surplus at board discretion

Per share[3] distributions[4]



(1) Dividend per ordinary share per quarter, intended to remain fixed at this level, subject to board discretion each quarter
(2) Surplus refers to surplus of sources of cash including operating cash flow, JV loan repayments and divestment proceeds, over uses, including leases, Gulf of Mexico oil spill payments, hybrid servicing costs, dividend payments and cash capital expenditure
(3) Per share distributions: dividend per share plus total buyback expenditure divided by projected share count
(4) 2021-25 average

Focusing on an important component of this – distributions.

Our first priority is a resilient dividend of 5.25 cents per ordinary share per quarter that we intend to remain fixed at this level.

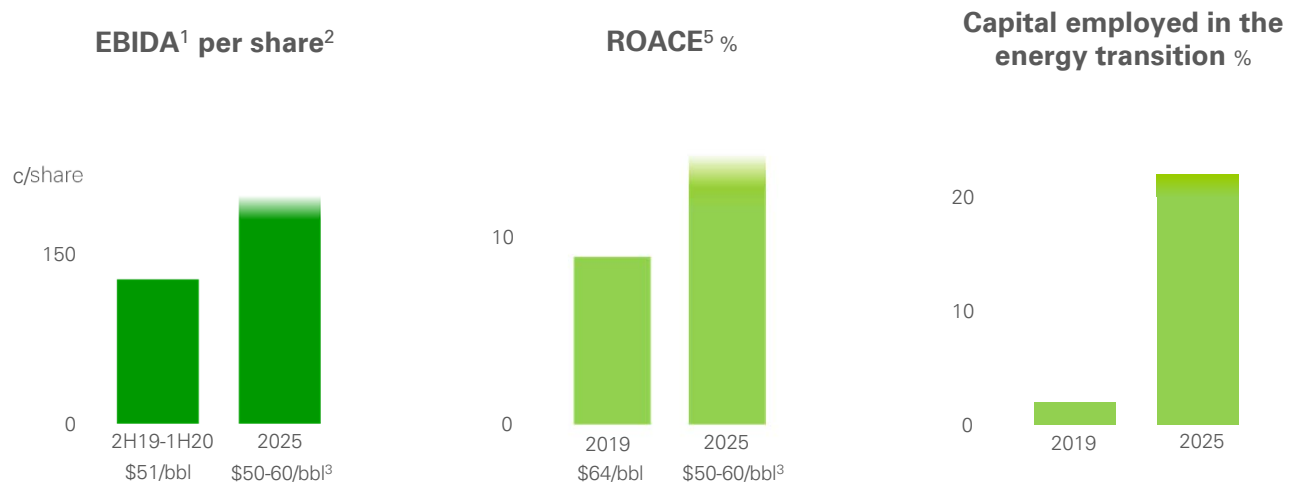
This is supplemented by a commitment to distribute at least 60% of surplus cash through share buybacks once our net debt target is achieved and subject to maintaining a strong investment grade credit rating. This creates direct exposure to the successful delivery of our business plan and higher commodity prices.

The remainder of any surplus cash flow will be allocated at board discretion.

Together this creates a more flexible model for shareholder returns, resulting in comparable distributions at around $55 per barrel while also offering increased exposure to investment in the energy transition.

We believe the combination of a resilient dividend and a commitment to share buy-backs is unusual and will be highly valued.

2021-25 key financial performance measures



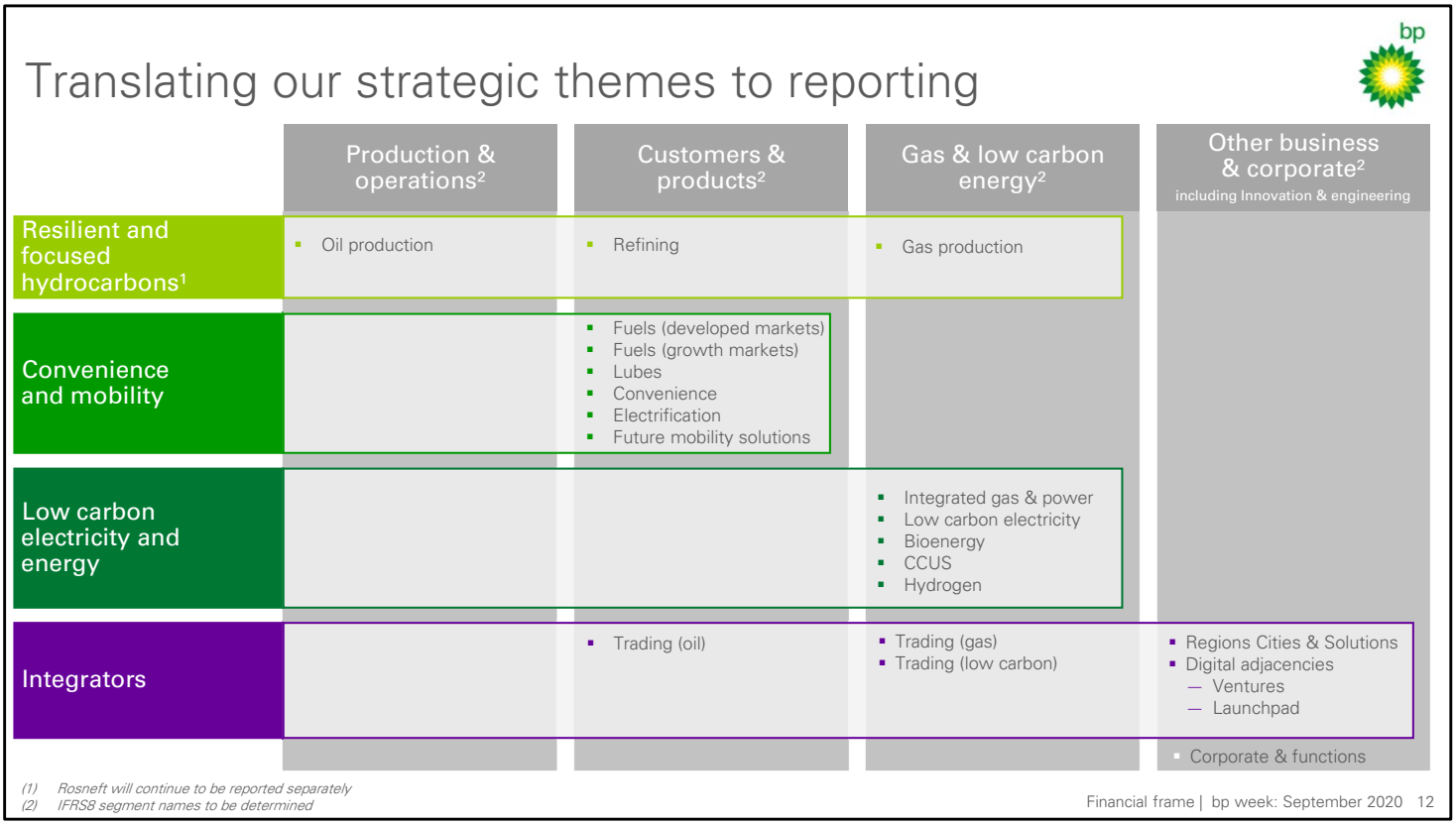
- 7-9% EBIDA[1] per share[2] CAGR[4]
- 12-14% group ROACE[5] in 2025
- >20% of capital employed in energy transition by 2025

(1) EBIDA: underlying replacement cost profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items), less taxation on an underlying replacement cost basis
(2) Buyback modelled across a range of share prices; EBIDA after impact of planned divestments
(3) 2020, real
(4) CAGR: compound annual growth rate
(5) ROACE: return on average capital employed as defined in bp's 2019 annual report

Through the next five years we will be focused on three key measures as shown here.

We expect growth in EBIDA per share, strong and improving ROACE and a significant increase in the capital exposed to the energy transition.

These are the financial measures by which our performance should be assessed.



Turning finally to our financial disclosure.

As we deliver this transition we recognise the need to be transparent in our financial, operational and emissions disclosures to allow you to assess our progress.

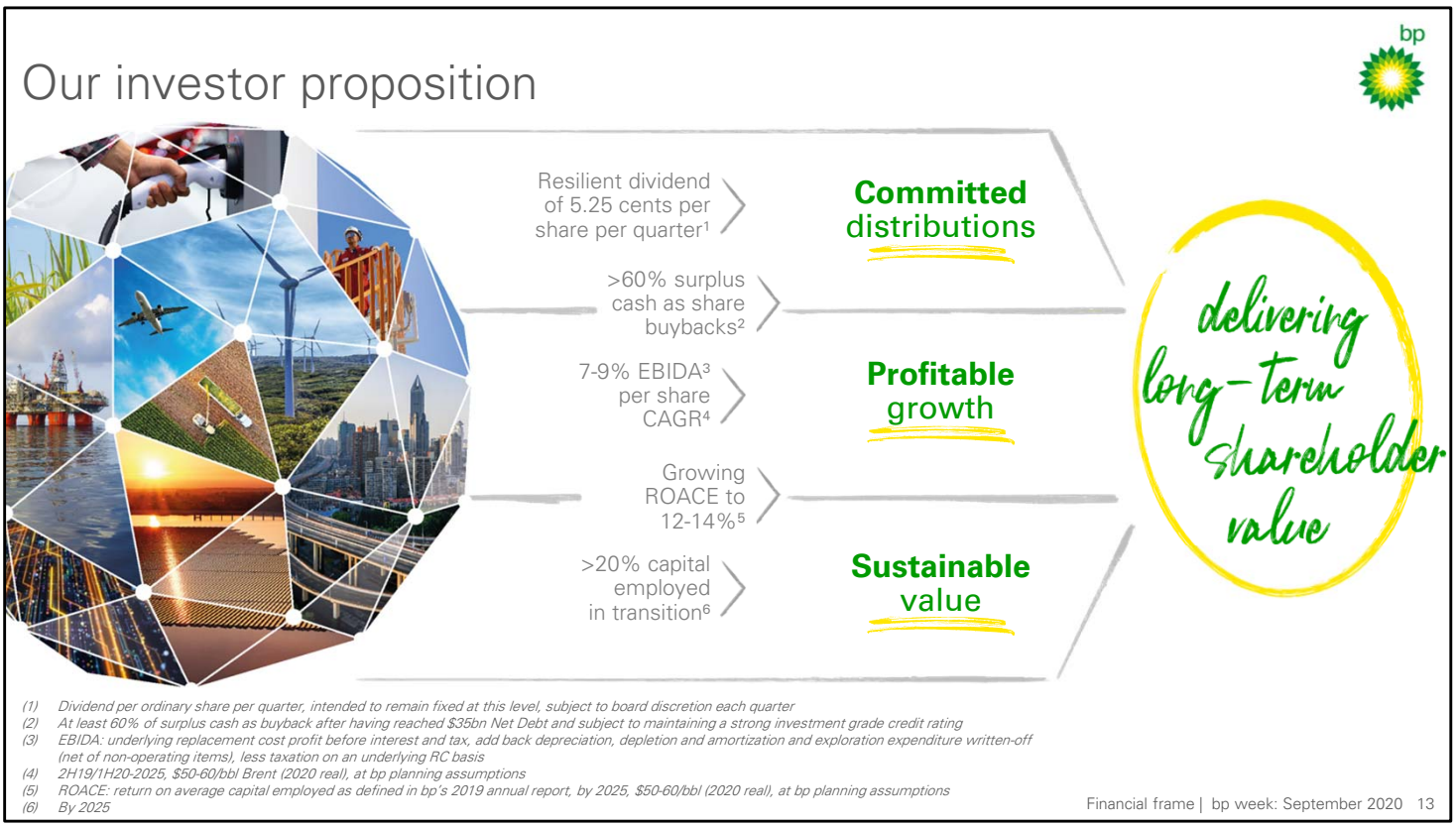
We will begin reporting under our new organisational structure from 1st Jan 2021.

The matrix here shows how the strategic themes we have discussed over the last three days will map to our new reporting structure.

We also intend to provide some pro-forma numbers to assist in modelling the new organisation in early 2021.

Disclosures from 2021 will include certain elements below the business group level in order to help our stakeholders to model and benchmark our business, although not necessarily each of the line items referenced in this slide.

And reflecting on feedback from our stakeholders, we intend to move to post-tax segmental reporting starting in 2021.



In conclusion, we believe that our strategy and financial frame will deliver a compelling investor proposition. A proposition that balances:

Committed distributions;

Profitable growth; and

Sustainable long-term value as we transition from an IOC to and IEC.

…All in service of delivering long term shareholder value.

I'm excited.

Now, let me now hand back to Bernard.