BP 4Q & FULL YEAR 2017 RESULTS & STRATEGY UPDATE

STRONGER FUTURE IN A CHANGING WORLD
Hello everyone and welcome to BP’s fourth-quarter and full-year 2017 results and an update on BP’s strategy.

I would like to thank everyone for joining us – here in the room in London, as well as those of you online around the globe.

I know it’s very early in the morning or late in the evening for some of you, so a particular thanks to you.
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 expectations related to future oil prices and supply and demand, expectations related to global energy supply and demand including with respect to natural gas and renewables; expectations regarding industry refining margins, turnaround activity and discounts for North American heavy crude oil in the first quarter of 2018; expectations regarding Upstream underlying production in 2018 and Upstream reported production in the first quarter of 2018; expectations regarding the timing and amount of future payments relating to the Gulf of Mexico oil spill; plans and expectations regarding the strategic partnership with Lightsource; plans and expectations with respect to Upstream projects, production, investments and activities in the Africa Transform Margin, the Atlantic Margin, Argentina, Azerbaijan, Brazil, Egypt, the Gulf of Mexico, India, Indonesia, the Lower 48, the North Sea, Norway, Nova Scotia, Oman, and Trinidad; plans and expectations regarding joint ventures with Rosneft; plans and expectations regarding major projects production including with respect to margins and production of 900 thousand barrels per day by 2021; expectations regarding organic capital expenditure, organic free cash flow, the organic break-even point, incurred cash flow, average operating cash flow, the DO&O change, the Other Businesses and Corporate average underlying quantity change and the 2010 adjusted effective tax rate; plans and expectations regarding sustainable free cash flow and distributions to shareholders over the long term; expectations that ROACE will exceed 10% by 2021; plans and expectations regarding downstream underlying earnings growth, free cash flow and per-share returns by 2021; plans and expectations regarding retail markets in Mexico, India, Indonesia and China; expectations with respect to base decline, margin per barrel and development costs per barrel; plans to set operational emissions reduction targets and expectations regarding operational emissions; plans and expectations regarding spending and development of renewables (including through new technologies, new business models, venturing and research), OGCI collaboration and the $1 billion investment fund; plans and expectations regarding the BP-Beyond Limits partnership; plans to maintain focus on safety and discipline; plans and expectations to offset scrip dilution and balance disciplined investment and regarding deleveraging of the balance sheet and distributions growth; expectations regarding the amount and timing of investment proceeds; plans and expectations to target (paving within a 20-30% band); and plans and expectations with respect to dividends. 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 each forward-looking statement; 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 lapse 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 actions 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 partners; 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 “Principal risks and uncertainties” in the results announcement for the year ended 31 December 2016 and the discussion contained in the report on Form 20-F for the year ended 31 December 2016. Other than as required under the U.S. federal securities laws, we do not have any intention to update any forward-looking statements whether as a result of new information, future events or otherwise. BP’s presentation contains references to non-proven resources and production outlooks based on non-proven 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. 1-09232. 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.

February 2018

Before we begin, I need to draw your attention to the cautionary statement. It is long and detailed, but necessary. Please have a read when you have a moment.
Here’s the agenda for today, and you’ll hear from me first with an overview of our progress against the strategy we laid out a year ago.

Brian will then take you through our financial results for the fourth quarter and, also update you on our financial framework and guidance for 2018.

We will then move on to update you on the strategy, looking out to 2021 and beyond.

Lamar will focus specifically on our approach to the energy transition, and what BP is doing across the business to adapt and position itself for a lower carbon future.

That will provide you with some wider context for the updates from Bernard and Tufan on how our Upstream and Downstream plans and portfolio are evolving over the medium term, as well as what we are doing to create and deliver longer-term growth prospects.

We’ll then take a short break, and when we return I’ll provide a summary before moving to Q&A.
2017 – a year of strong delivery

Financial highlights

Underlying replacement cost profit
$6.2bn

Underlying operating cash flow¹
$24.3bn

Organic capital expenditure
$16.5bn

Divestment proceeds²
$4.3bn

Gulf of Mexico oil spill payments³
$5.3bn

Gearing
27.4%

(¹) Underlying operating cash flow is net cash provided (used in) operating activities excluding pre-tax Gulf of Mexico oil spill payments
(²) Total proceeds, includes net proceeds received from the initial public offering of BP Midstream Partners LP
(³) Gulf of Mexico pre-tax oil spill payments

So, let’s start with an overview of our strategic progress in 2017.

At the start of last year we told you 2017 would be very important for the company - a significant year of disciplined execution and growth across the business.

I’m very pleased with how we’ve delivered on the commitments, which you can see in some of the highlights on this slide.

You might recall we said we would start-up seven major projects in the Upstream during the year.

Some people weren’t sure we could do that, but we’ve brought each project online – on average on schedule and under budget.

Those projects, along with the ramp-up of the six start-ups in 2016, have contributed to a 10% year-on-year increase in BP’s reported production.

We’re on track with our plans for 800 thousand barrels of new, major project production by 2020, and have also strengthened our portfolio, creating growth for the future:

- We had our most successful year of exploration since 2004, with around a billion barrels discovered this year;
- We had our best reserves replacement ratio in over a decade, estimated at 143%; and
- We sanctioned three exciting new projects in Trinidad, India and the Gulf of Mexico.

We’ve also seen strong growth in the Downstream – one of our best years in history in terms of earnings – with our marketing and manufacturing businesses together...
delivering around $1 billion of underlying earnings improvement in the year, through:

– Continued volume growth in premium fuels and lubricants;
– The strong performance of our refining operations, averaging more than 95% availability across the year; and
– Earnings growth of over 10% in fuels marketing. We now have around 1,100 retail convenience partnership sites around the world. We have plans to continue growing our retail network across existing markets as well as new markets such as India, Indonesia, Mexico and China.

We also grew our Alternative Energy businesses - with availability around 95% resulting in strong operating cash flow in 2017. We went back into solar, but in a new way, in partnership with Lightsource. This is a very exciting development for us. We are combining our scale, relationships and expertise in major projects with Lightsource’s expertise in developing solar projects.

Overall, 2017 has proved to be one of the strongest years of operational delivery in recent history, and this is also reflected in our full-year financial results:

– Our underlying replacement cost profit of $6.2 billion, more than double that of 2016;
– An underlying operating cash flow of $24.3 billion, excluding pre-tax oil spill related payments; and
– Gearing of 27.4% at year end, comfortably within our 20-30% target band.

In addition:

– Our organic capital expenditure was $16.5 billion;
– Total divestments and other proceeds were $4.3 billion, and we made pre-tax Gulf of Mexico oil spill payments of $5.3 billion; and
– We distributed $7.9 billion of dividends to shareholders, of which $6.2 billion were in cash.

And as you saw in our announcement in October, with the strong underlying performance and our confidence in growing organic free cash flow, we recommenced a share buyback programme in the fourth quarter of 2017, buying back shares through the fourth quarter to offset the scrip dividend issued in September. That commitment remains.
Our 2017 performance was achieved in an environment that improved through the year, but which still remains challenging.

So far this year the Brent oil price has averaged almost $70 per barrel, up from an average of $54 for 2017 – a year which was, hard to believe, the first average annual increase since 2012.

The gradual decline in inventories over the past 6 months or so, together with heightened geopolitical uncertainty, has driven prices up. But our expectation is that some of this recent strength could be short-lived, and that prices will moderate over the medium-term.

In terms of long-term outlook, the base case of our 2017 Energy Outlook expects:

- Global energy demand to grow, up by around a third over the next two decades;
- Virtually all that demand to come from emerging economies, notably, China and India, driven by rising prosperity; and
- The rate of growth will slow down, compared to past decades, as the energy transition evolves, and there is increasing attention on energy sustainability and efficiency.

On the supply side, there is a shift to an abundance of resources, with:

- Natural gas growing faster than both oil and coal;
- Oil demand continuing to grow over the next 20 years or so, with the prospect of a plateau further out; and
- Renewables growing faster than any other fuel, but from a low base.
Spencer Dale, our Group Chief Economist, will have more to say on the macro environment later this month, when we launch our updated Energy Outlook, but for now it’s clear to say this is a time of transformational change.

There’s a challenge to produce more of the affordable energy that society needs. That involves modernising and embracing new, advanced technologies, while being disciplined on capital investment, lowering production costs and continuing to unlock new resources.

And there is also the challenge to produce energy that’s less carbon intensive, to help meet the world’s climate goals.

The key to this dual challenge is to recognise it’s not a race to renewables, it’s a race to lower greenhouse gas emissions.

And, as fast as renewables and clean energy can grow – faster than any fuel in history – the world is going to require gas and oil for decades to come, to fulfil much of its energy demand.

In BP, we have been committed to the low carbon transition for a long time – and we’ve gained a lot of experience along the way that we are putting to good use:

– We’re reducing our own emissions through operational emission reduction activities;

– We’re improving our products to enable our customers to lower their emissions; and

– We’re creating low-carbon businesses to complement our existing portfolio.
There is a lot of uncertainty around the pace and direction of change – probably more than at any time I can recall – but we have a strong and flexible platform to build on, giving us the ability to adapt quickly in any environment.

With the experience we have, the portfolio we have created and the flexibility of our strategy, we can embrace the low-carbon future in a way that enhances our investor proposition.

You’ll hear more detail from Lamar on what we have been doing around advancing the energy transition.
### The BP proposition

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- Growing sustainable free cash flow and distributions to shareholders over the long-term

Turning to our investor proposition, which you can see on this slide.

It’s the proposition we set out last year at our strategy update, and I’d like to take a few moments to remind everyone of the key elements:

- Safe, reliable and efficient execution;
- A distinctive portfolio fit for a changing world; and
- Growing returns through value-based, disciplined investment and cost focus.

These all underpin our aim of growing sustainable free cash flow and distributions to our shareholders over the long term, and I’ll take each of these in turn in a bit more detail.
First and foremost is safe, reliable and efficient operations – a core value and our number one priority.

Our focus, as we have said before, is on being systematic, disciplined and process-driven - that has seen a continued reduction in the overall trend of process safety events.

We are also focused on learning, investigating safety incidents and using leading indicators to monitor and strengthen the controls we have in place to prevent future incidents. We are looking increasingly at how human behaviour influences safety, and also at how we can take people out of harm’s way using new technologies as well as drones, crawlers and autonomous vehicles.

We have plenty of evidence that, if done right, these approaches not only improve safety but also lower operating costs and improve business performance. We see this coming through in our strong operating reliability, which was at 95% in both the Upstream and the Downstream in 2017.

Overall, we have worked hard at focusing on, and simplifying, how we work, embedding a culture of accountability and improving our execution – creating an environment where our people feel empowered to adapt and drive delivery, both in terms of safety performance and also business outcomes.

It is this focus that underpinned our confidence last year that we would deliver all seven major projects by the end of the year – and why we’re confident we’ll do the same with the six major projects scheduled for 2018.

This includes Shah Deniz phase 2, part of the Southern Gas Corridor mega-project, one of the most complex projects we have ever undertaken. It spans six countries, involves 11 shareholder companies, with 176 million manhours worked since FID was taken four years ago. Shah Deniz stage 2 is on track for start-up in 2018, currently on time and under budget, and with zero days away from work due to injury last year.
A distinctive portfolio

The second element of our proposition is what we believe is a distinctive portfolio.

Over the past several years we have continued to actively high-grade the portfolio through:

– Focusing on quality and optionality;
– Creating innovative commercial opportunities; and
– Acquiring assets and positions that are accretive to our underlying business.

What you see today is a global, integrated business with a strong and distinctive set of assets, brands and relationships.

It’s a business portfolio that drives value creation today and has deep and flexible options to support future growth.

In other words, we are resilient to a changing environment and we’re moving in a direction that plays to our strengths.

In the Upstream that means growing our gas and advantaged oil portfolio, with assets that are low-cost or high-margin, and building on an already deep resource base.

Including our equity production in Russia, we are a 3.6 million barrel per day company with an estimated 18.4 billion barrels of proved oil equivalent reserves, providing us with 13.7 years of reserve life.

Across our total Upstream resource base of 48 billion barrels, we have sufficient opportunities to deliver quality growth through the next decade, and beyond, without the need for acquisitions or further exploration.

Around two-thirds of our portfolio is leveraged to price, either through direct or indirect
oil and gas indexation. But importantly, this is balanced with production from fixed-price or similar contracts, which provide a base of steady, resilient, long-term cash flow.

We also have a strong and differentiated Downstream business – which some of you may be familiar with if you joined Tufan and the team at his investor day at our Downstream Technology Centre in Pangbourne last June.

The portfolio today is a high-quality group of competitively advantaged businesses. It covers marketing, manufacturing and our integrated supply and trading function creating an integrated and value-optimised business.

A differentiated and high-returning marketing business is underpinned by strong brands, a distinctive premium offer, and has an increasing exposure to growth markets. And in manufacturing, the refining portfolio is geographically balanced with good access to advantaged feedstock such as heavy Canadian crude. While in Petrochemicals, our latest technology allows us to deliver industry-leading cost and environmental performance.

I’ve already mentioned our move back into solar, which is a significant addition to the wind and biofuels businesses in our Alternative Energy portfolio. We have one of the largest operated renewables portfolio among our peers, and we are selectively investing in emerging new businesses and technologies to ensure we stay at the forefront of changing global needs and the energy transition.
Another highly distinctive aspect of our portfolio is our strategic partnership with Russia’s largest oil company.

Rosneft has a strong portfolio of current and future opportunities onshore and offshore, with assets in all of Russia’s key hydrocarbon regions.

We have developed our relationship with Rosneft in recent years to create what is a unique and advantageous position for BP in one of the largest and lowest-cost hydrocarbon resource basins in the world, with access to huge markets, both east and west.

Our 19.75% shareholding in Rosneft, together with our two Board seats, allows us to influence the strategic direction of the company as well as benefit from a diversified set of existing and potential projects in the Russian oil and gas sector. In 2017 BP’s share of production from Rosneft was around 1.1 million per day. We also received $314 million in dividends, supported by the recent changes in dividend policy to pay out at least 50% of IFRS net profit.

In addition to that equity position, we are building a material business that is generating incremental value through standalone joint ventures in Russia, and internationally.

We currently have interests in three joint ventures in Russia:

- The Taas JV, in which we have a 20% interest, is developing an oil and gas condensate field in East Siberia. The field is currently producing around 25 thousand barrels per day and the expansion project is expected to start up in 2018 and raise production to 100 thousand barrels per day by 2021.

- A 49% interest in the Yermak JV, which is conducting onshore exploration in West Siberia. It also holds seven exploration and production licenses.
– We have reached agreement to form a new JV for the Kharampur field, in which we will have a 49% interest. Most regulatory approvals are in place and we do not see any barriers for the deal closure by the end of 2018.

Outside Russia, we also have a 10% interest in the Zohr gas field in Egypt, in which Rosneft holds a 30% interest.

A third aspect to the relationship is technical co-operation to benefit both Rosneft’s performance and the performance of our JV’s.

For example, cooperating on health, safety and environmental issues, including providing these services on a contractual basis, in order to share best practice and improve asset performance.

In addition we are developing and applying new methods and products to improve mature oil and gas fields and refining performance, as well as working to increase the safety, efficiency of exploration, appraisal and field development activities.

Obviously, we work within sanction requirements. Over time, we expect to continue to work with Rosneft to further build an important partnership across a range of activities.
The third element of the BP proposition is our focus on returns.

Returns have been a challenge for the industry as a whole in recent years, with heavy investment through the high-price, high-cost cycle, followed by the challenge of bringing costs down in the lower price environment. And for BP, we had the impact of portfolio changes and our own significant build phase.

So, what do we mean by focus on returns.

First, as you’ll have heard me say many times, it is a continuous drive to simplify and reduce our costs – without in any way compromising on safety.

Second, is to be very disciplined on capital investment. In both the Upstream and Downstream, we maintain strict investment hurdle rates of return, ensuring we only progress the best options. Once sanctioned, we also optimise full cycle returns of each project as they progress through the life of the project.

Third is the active optimisation of the portfolio. We manage for value over the long-term, seeking new ways to grow returns inorganically. Two recent examples are:

- The transaction in the Norwegian North Sea to create AkerBP; and
- The merger of BP and Bridas assets to create Argentina’s largest private integrated oil and gas company – Pan American Energy Group or PAEG; and

Fourth, building mutually beneficial relationships that allow you to operate further down the cost curve. This can be with resource holders in the most competitive basins, or with business partners with complementary capabilities – as we’re doing with Kosmos Energy to develop our offshore discoveries in Mauritania and Senegal.

We are now seeing the benefits of the significant build phase of the past few years becoming evident in the bottom line, as our Upstream and Downstream businesses earnings and cash grow. Return on average capital employed, or ROACE, more than doubled in 2017 versus a year ago, to 5.8%, obviously, still a long way to go. As volumes and margins continue to grow across our operating businesses we expect ROACE to recover steadily and exceed 10% by 2021.
You’ve heard a lot from me, but let me briefly sum up before I hand over to Brian.

As you’ll see from the results in a moment, our five-year plan is delivering results. We have established strong operational momentum across the business. We have rebalanced organic sources and use of cash. And we have a clear set of strategic priorities that are shaping how we will continue to generate value in a rapidly changing world.

In the Upstream, we are focused on growing oil and gas in a way that offers us advantages in terms of margin and value, and which contributes to our ambition to advance the low carbon transition.

In the Downstream, we continue to develop our advantaged manufacturing and marketing businesses focused on maximising value from existing, new and emerging markets.

BP has been through a lot of change over recent years, but has shown its resilience over recent years through its focus on simplification, cost and capital efficiency and strong underlying financial performance. We are modernising how BP works, using technology to work more efficiently, and digitizing our processes.

We are also looking to the future and showing characteristic BP innovation and leadership when it comes to the dual energy challenge of more energy, but lower emissions. We are doing this across our operating businesses, and by leveraging our existing knowledge from the development of our Alternative Energy businesses.

And we are investing in new emerging companies and technologies through our venturing arm, as well as creating new low-carbon businesses.

We are one year into our five year plan, but we have real confidence across BP and a strong platform to build on.

I’ll handover to Brian now, who will take you through our financial results and framework.
Welcome back. Before we move to Q&A I would like to take just a few minutes to summarise a few key points.
The BP proposition

I’d like to thank everyone for your interest and attention. It’s been a long haul but I hope we’ve provided you with a lot of useful information about the business and our direction.

We’ve just completed our strongest set of full-year results for some time and the momentum we have in the business is giving us great confidence for the year ahead and beyond.

Our goal is to keep growing sustainable free cash flow and distributions to our shareholders over the long-term and we believe we are in the right shape to do that.

As you’ve heard from Brian, we are back in balance, and our financial frame is not just robust, it gives us room for manoeuvre when we see the right options.

You’ve also heard in some detail about our medium and long-term plans and options – in our core oil and gas business and with new opportunities in low carbon.

We are in great shape to act where we see the opportunity to generate value for the people who own the company.

But we’ll always do so safely, first and foremost – and while maintaining our discipline – you’ll always hear that from me.

The world is changing fast and there is a lot of uncertainty about exactly what the future looks like.

But this is when BP really comes to the fore. I don’t believe there is another company of our size and scale that can adapt and manage change better than we can. We have been doing so for a long time and with a lot of success.

BP is a global integrated energy business, and has over 100 years of experience of meeting society’s demand for energy. We have an outstanding team, a clear and flexible plan, great options – and a very bright future.

Thank you for listening, and over to you now for your questions.