

Performing While transforming

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Bernard Looney
Chief executive officer

\$7.6bn

profit attributable to bp shareholders
(2020 loss \$(20.3)bn)



2020:

Direction ✓

We set out a new direction: a new purpose, ambition, strategy, financial frame, sustainability frame, and a new leadership team.

2021:

Change ✓

This year was about change and the largest restructuring in our history – so that we are organized to deliver.

2022 and beyond:

Deliver

And now it's about delivery. The safe, efficient and disciplined delivery of the plans we have laid out.

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Dear shareholders,

The desperate situation in Ukraine is dominating our thoughts at bp as I write to you. Our hearts go out to everyone affected, especially the people of Ukraine and in the wider region.

As Helge sets out in his letter, we already announced we will exit our involvement with Rosneft in Russia. Our ongoing priority continues to be our employees and their families in Russia. Additionally we are supporting the humanitarian efforts in the region – for example, leveraging our businesses in neighbouring countries, leveraging our global employees' desire to help, as well as donations to charities.

Like Helge, I am absolutely convinced that the decisions we have taken are in the best long-term interests of shareholders – and consistent with who we are as a company.

Strengthening and improving

Against that backdrop – bp's finances are strong and resilient. We are making substantial progress on our strategy to pivot from an international oil company to an integrated energy company. To repeat words that you may have heard me use before, we are performing while transforming – delivering for you today while preparing bp for tomorrow.

The bedrock, as always, has been safe and reliable operations, day-in, day-out. Overall, we saw improvements in safety during 2021 across several areas. Tragically though, we lost a colleague in a fatal accident at our Castellón refinery in Spain, and a cyclist in the UK died in an accident with one of our contractors' road tankers. We will remain constantly focused on eliminating accidents, particularly those that take or change lives – nothing is more important.

With this foundation we are building a track record of delivery. We met our target of \$2.5 billion of cash cost^a savings (compared with 2019), reduced our net debt^a by over \$8 billion, and grew returns (ROACE)^b to 13.3%. Our operating cash flow^c for the year was \$23.6 billion and our underlying RC profit^c was \$12.8 billion.

This performance enabled the board, in line with our disciplined financial frame, to make a number of decisions in relation to distributions. First, an increase of 4% to the dividend in the second quarter. Second, to return \$4.15 billion to you through share buybacks from 2021 surplus cash flow^c. And third, an expectation that we can deliver buybacks of around \$4 billion a year and will have the capacity to increase the dividend per ordinary share by 4% each year through to 2025

– based on our current forecasts at an oil price of around \$60 and subject to the board's discretion.

Progressing our strategy

I want to pay tribute to the bp team, not just for the strong performance delivered in 2021, but also the strong progress they have achieved across each of the three pillars of our strategy: resilient hydrocarbons, convenience and mobility, and low carbon energy.

- Resilient hydrocarbons – we started up seven major projects[★] in the year. These are part of a programme of 35 projects initiated in 2016, completed on schedule and, on average, around 15% under budget. We will continue to high-grade our portfolio with four more start-ups planned in 2022.
- Convenience and mobility – we have grown margin share from convenience and electrification[★] from 25% to 29% since 2019^c – demonstrating the strength of our customer offers; and we increased the number of EV charge points[★] to over 13,000, installing 115 charging points a week at the end of 2021. We now aim to grow our EV charge points to more than 100,000 globally by 2030, up from our previous aim of 70,000.
- Low carbon energy – our renewables pipeline[★] quadrupled to over 23GW since the start of 2020, and now includes three offshore wind projects in two of the world's best regions. We have also built a portfolio of options in hydrogen.

You will find more information on our strategic progress throughout this report, including how our trading and shipping and regions, cities and solutions teams are helping to knit together integrated energy solutions for our customers.

Integration in action

Nowhere better illustrates the potential of an integrated energy company than our home market of the UK, where in the next few years we anticipate spending £2 for every £1 of profit we make. We plan to continue to invest in the North Sea, to produce much-needed oil and gas while lowering emissions through efficiencies, working to eliminate routine flaring and electrification of our operations. We're building a new renewables business with large-scale offshore wind projects in the Irish Sea and off the coast of Scotland. As these businesses grow, they can not only power millions of homes but also our growing network of electric vehicle chargers – an increasingly important part of our retail network, where customers come to fuel their vehicles as well as enjoy the growing number of M&S convenience stores on our forecourts.

And looking further ahead, we are leading the industrial regeneration of the north-east of England. Here we have plans for a gas-fired power station connected with a carbon capture and storage system, which will safely lock away the vast majority of the CO₂ emissions. And at the same time – we are laying the foundations for a world-class hydrogen sector for the UK.

Opportunity and resilience

Given the inherent uncertainties in a decades-long energy transition, we developed bp's strategy for both responsiveness and resilience – responsiveness to opportunities and resilience to volatility.

In terms of opportunity – we see great potential for our company in five transition growth engines – bioenergy, convenience, electric vehicle charging, renewables and hydrogen. In each of these areas, our skills, networks, assets and brand give us real competitive advantage. There are all in growth sectors where the potential for returns is strong.

In terms of uncertainty, our strategy is designed to accommodate a range of scenarios for the energy transition. This also gives us confidence that it is resilient to the heightened volatility in energy markets arising from the conflict in Ukraine. Exiting from bp's shareholding in Rosneft will result in some material non-cash charges in our financial results for the first quarter of 2022. Importantly, this does not mean any changes to our strategy or our financial frame, as detailed elsewhere in this report.

In 2020 we set a new direction for the company, with our new purpose, ambition and strategy. That is now done. In 2021 we reorganized the company from top to bottom through the most wide-ranging restructuring in bp's history. That is also done. We are now focused on one thing and one thing only – the safe delivery of our strategy. Delivering for you, our shareholders, today. Delivering the energy the world needs, today. All while transforming bp for tomorrow.

Thank you for your continued support for and belief in bp – especially through these unprecedented times of challenge and change.



Bernard Looney

Chief executive officer
18 March 2022

a Nearest equivalent GAAP measure is finance debt. See Financial statement – Note 26 for more information.

b Nearest equivalent GAAP measures of the numerator and denominator are profit or loss for the year attributable to bp shareholders (\$7.6 billion) and total equity (\$90.4 billion) respectively.

c Nearest equivalent GAAP measures of the numerator and denominator are replacement cost profit before interest and tax for the customers & products segment. A reconciliation to GAAP information is provided on page 354.