Reinventing bp

bp's new financial disclosure framework

from IOC to IEC

Good afternoon and welcome to today’s presentation on bp’s new financial disclosure framework.

I’m Craig Marshall, senior vice president, investor relations and I am joined today by bp’s chief financial officer, Murray Auchincloss.

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 presentation 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: plans and expectations relating to bp's new strategy including statements regarding the delivery of that strategy; plans and expectations with regard to bp's new reporting structure, organisational structure and operating model including the delivery of significant integration value including delivery of $3 – 4 billion of cash costs savings by 2023 relative to 2019; bp's plans and expectations for its oil and gas regions including to high-grade its portfolio and expand unit margins, bp's 2025 targets to focus group production to 2mboed, achieve bp-operated plant reliability of 96%, lower unit productions costs to around $6 per barrel and to achieve a 20% net increase in EBITDA; bp's plans and expectations for gas and low carbon energy including 2025 targets to have developed 20GW of renewables to FID, achieve at least 8 – 10% project returns from renewables, grow bp's LNG portfolio to 25Mpta and traded electricity to 350TWh; bp's plans and expectations for customer and products including statements regarding its aims to almost double earnings whilst delivering 15 to 20% return on average capital employed in the next decade, double 2019 convenience gross margin to more than $2bn by 2030, double the number of customer touchpoints in fuels retail by 2030, drive revenue and EBITDA growth in Castrol and bp's 2025 targets to have more than 25,000 EV charging points, grow the number of strategic convenience retail sites to more than 2,300, increase margin share from convenience and electrification to around 35%, expand bp's number of retail sites in growth markets to over 7,000 and grow Castrol sales to around $7.5bn; bp's targets to grow 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 employing more than 20% of capital in transition and low carbon businesses by 2025; and guidance for 2021 including expectations for upstream reported production, upstream underlying production, total capital expenditure, depreciation, depletion and amortization, Gulf of Mexico oil spill payments, OB&C underlying annual charge and the underlying effective tax rate.

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.

Reconciliations to GAAP - This presentation also contains reference to financial measures which are not presented in accordance with generally accepted accounting principles (GAAP). Quantitative reconciliation of these measures to the most directly comparable financial measure calculated and presented in accordance with GAAP can be found on our website at www.bp.com.

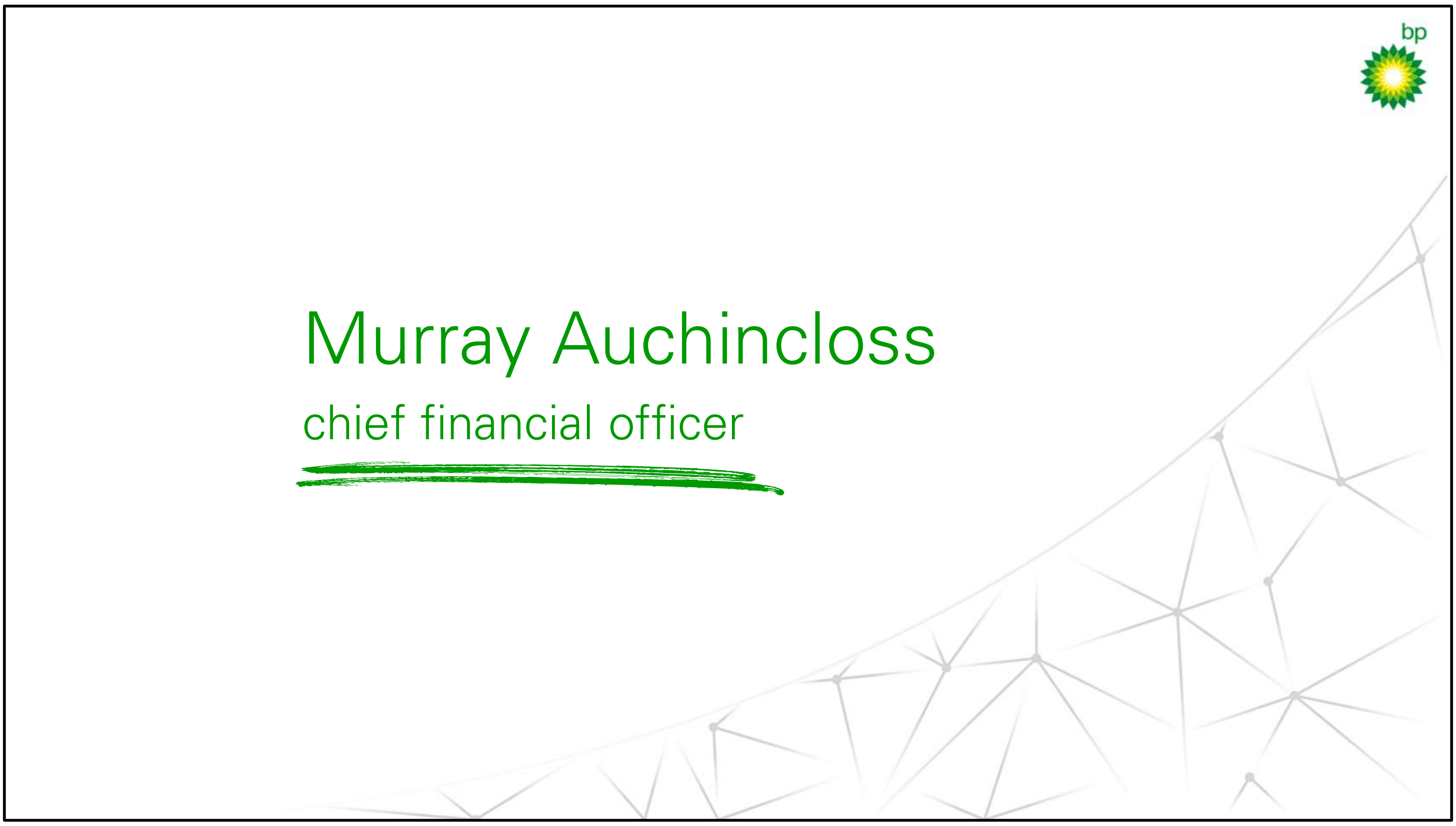
Tables and projections in this presentation are BP projections unless otherwise stated.

March 2021

Before we begin today's presentation, let me first draw your attention to our cautionary statement.

During today's presentation, we will make forward-looking statements that refer to our estimates, plans and expectations. Actual results and outcomes could differ materially due to factors we note on this slide and in our UK and SEC filings. Please refer to our Annual Report, Stock Exchange announcement and SEC filings for more details. These documents are available on our website.

I'll now handover to Murray.



Good afternoon.

Earlier today we published our new financial disclosure framework comprising our new segmental reporting structure and associated disclosures.

This is an important part of our commitment to reinventing bp. It will provide greater transparency about how our transformation to an IEC creates long-term value for you - our shareholders.

This framework is the output of a significant review, which has included comparison to pure-plays in convenience and low carbon and consultation with the financial community.

The new reporting structure and disclosures provide greater transparency against our strategic, financial and operational objectives; and will – we hope - enhance understanding of our business and the significant value of our portfolio.

Today’s session is an opportunity for you to ask questions about the new disclosures.

But first, I’m going to briefly explain some key elements.

So, how does our new reporting structure connect to our strategy and organisation?

Last year, consistent with our purpose and net zero ambition, we made a commitment to reinvent bp.

We have a new strategy, a new organisation and from the start of this year have also changed the way that we performance manage bp and report our financials.

Our strategy provides a common and enduring set of objectives as we transform bp to be an integrated energy company.

And our organisational and reporting structures enable the delivery of this strategy and define our approach to maximising value for bp.

Our organisational structure – driving operational excellence

Turning first to our organisational structure.

Our organisation is designed to drive operational excellence and synergies, and is underpinned by a focus on centralisation and integration.

The structure comprises four highly focused business groups each with core capabilities – operations, customers, low-carbon and innovation.

The most significant change is to our operations.

In the past we had an Upstream and a Downstream, with separate construction, operating and support functions for both segments.

With the strides we have made in digital and agile over the past five years, we see a huge prize in moving to a single operating model across the totality of the group.

Production & operations will now run all construction across the group – from an oil well, to a refining terminal, to an offshore wind farm. This enables us to use our sector leading projects organisation to drive excellence into construction and use common approaches to manage the supply chain.

Production & operations will also run all our operations globally – enabling us to combine our digital skills from the Upstream with the operating and cost discipline of the Downstream across all our facilities.

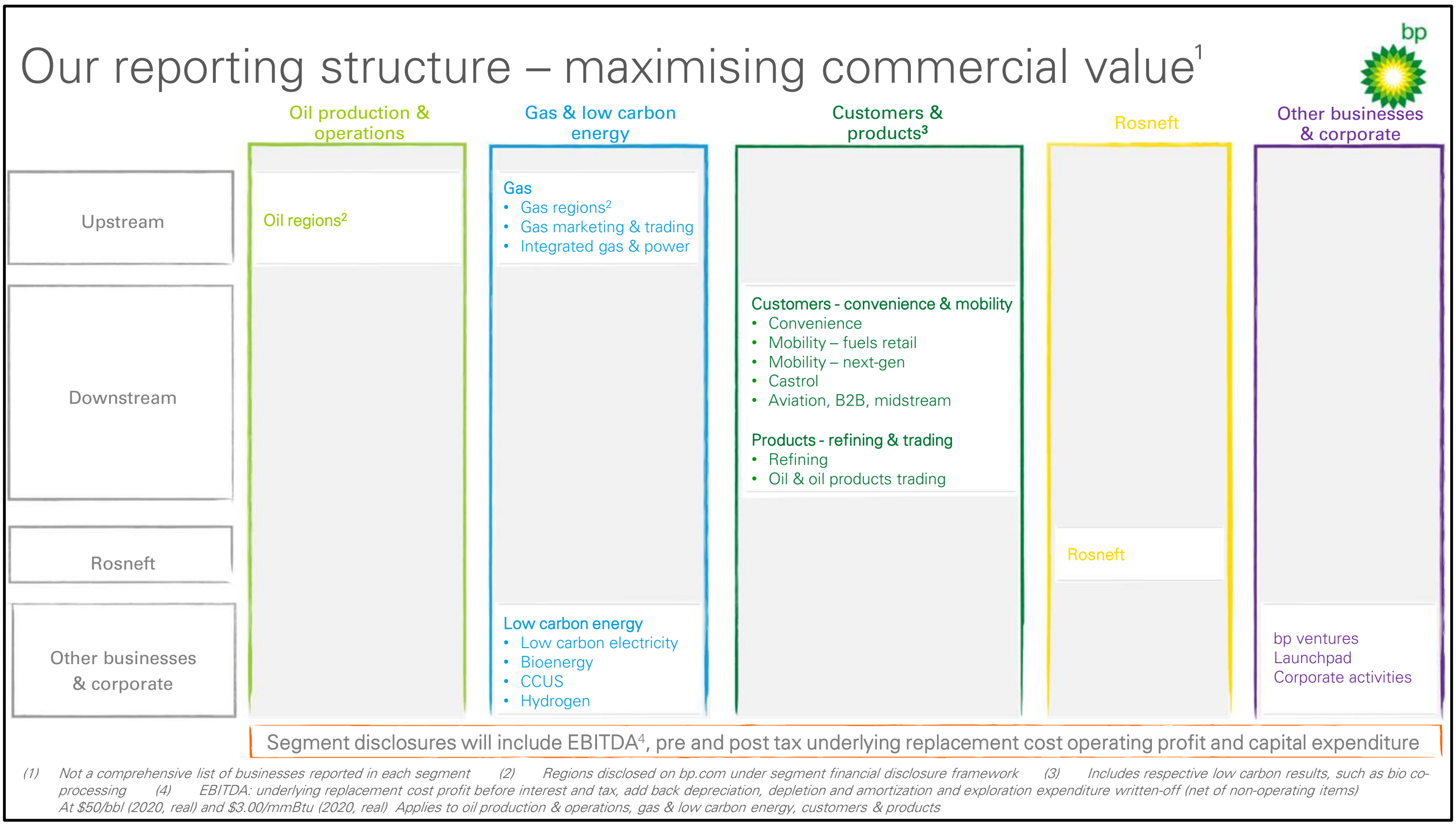
The business groups work with three integrators to facilitate collaboration and with four enablers of business delivery:

– Driving functional excellence in areas such digital, innovation and trading;

– Allowing us to centralise business enablers such as finance; and

– Promoting synergies between our businesses.

We believe this will enable the delivery of significant integration value, as well as $3-4 billion of cash cost savings by 2023, relative to 2019 as we have laid out before.



We will drive commercial delivery, performance management, and internal and external reporting through our **reporting structure**.

These segments enable us to drive value from our operating model while remaining focused on **maximising commercial value**, including through our:

– integrated fuels value chains across refining, products and trading; and

– the increasing potential for integrating gas value chains with our low carbon businesses

There are **three significant changes** to our new segment reporting structure:

– We have split the reporting of our oil and gas regions;

– We have created a new gas & low carbon energy segment; and

– We are introducing sub-segment financial disclosure within our newly created customers & products segment.

For each of these segments we are providing greater transparency, disclosing EBITDA and post-tax operating profit in addition to the existing financial metrics.

Let me provide some further detail.

All disclosure in $m unless otherwise stated * represents new disclosure [A] represents annual disclosure, otherwise quarterly

bp

A consistent set of disclosures for our oil and gas regions

Gas regions[1] disclosure

- Liquids/gas production[2]* (mboed)
- Liquids/gas realisations* ($/boe)
- Exploration expenditure written off*
- Supplementary oil & gas information* [A]
- Gas capital expenditure*

Guidance

- Rule-of-thumb guidance* [A] (website only)
- Production guidance* (mboed) [A]

Combined disclosure

- production[2] (mboed)
- Realisation ($/boe)
- unit production costs ($/boe)
- plant reliability[3] (%)
- Supplementary oil and gas information[A]

Guidance

- Rule-of-thumb guidance [A] (website only)
- Production guidance (mboed)

Oil regions[1] disclosure

- Liquids/gas production[2]* (mboed)
- Liquids/gas realisation* ($/boe)
- Exploration expenditure written off*
- Supplementary oil and gas information* [A]

Guidance

- Rule-of-thumb guidance* [A] (website only)
- Production guidance* (mboed) [A]

Key 2025 targets

Focusing group production[2] to ~2mboed

Driving operational excellence with 96% plant reliability[3]

Delivering efficiencies to lower unit production costs to ~$6/boe

High-grading our portfolio to achieve a 20% increase in unit EBITDA[4] margin

(1) Regions disclosed on bp.com under segment financial disclosure framework (2) Excludes Rosneft (3) bp-operated (4) EBITDA: underlying replacement cost profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items). At $50/bbl (2020, real) and $3.00/mmBtu (2020, real)

Starting with the disclosures for our oil and gas regions.

Our strategy is to create a resilient and focused portfolio across oil, gas and refining. We plan to grow EBITDA to 2025 as we high-grade and drive cost savings.

As I've explained, these businesses are now organised through a single combined operating model, but with oil, gas and refining being reported through separate segments.

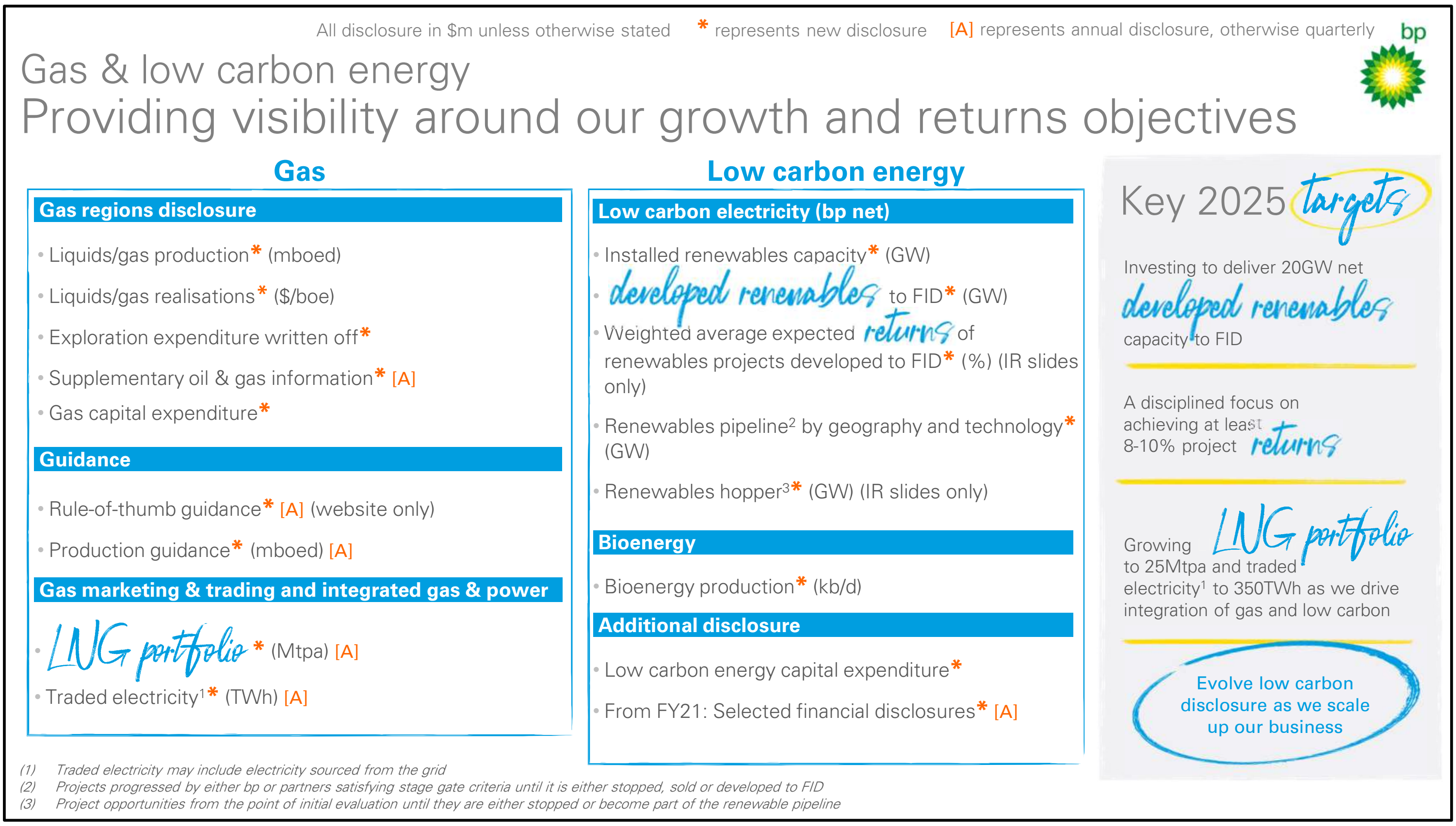
For our oil and gas regions specifically, our focus has been on ensuring consistency with our former disclosures.

– For the oil production & operations and gas and low carbon energy segments, we will provide production, realisations and supplementary oil and gas disclosures alongside our financial disclosures.

– To provide transparency around the performance of our combined oil and gas business, we will continue to report production, unit production costs, plant reliability and supplementary oil and gas disclosures on an aggregate basis.

– And guidance on production and rule-of-thumb will be provided at both a combined and segment level. Our updated rule-of-thumb can be found on bp.com and we will update production guidance with first quarter results.

These disclosures will provide transparency against our strategic plan to focus production, drive operational excellence and cost efficiency, and to high-grade our portfolio to expand our unit margins.



Turning now to the two segments where our disclosures have evolved most significantly.

First, gas & low carbon energy.

In addition to the disclosures for our gas regions, we will provide annual updates on our LNG portfolio and traded electricity to demonstrate the progress being made building our integrated gas and power business.

In our low carbon business, we plan to build capability and scale with capital discipline and a returns focus.

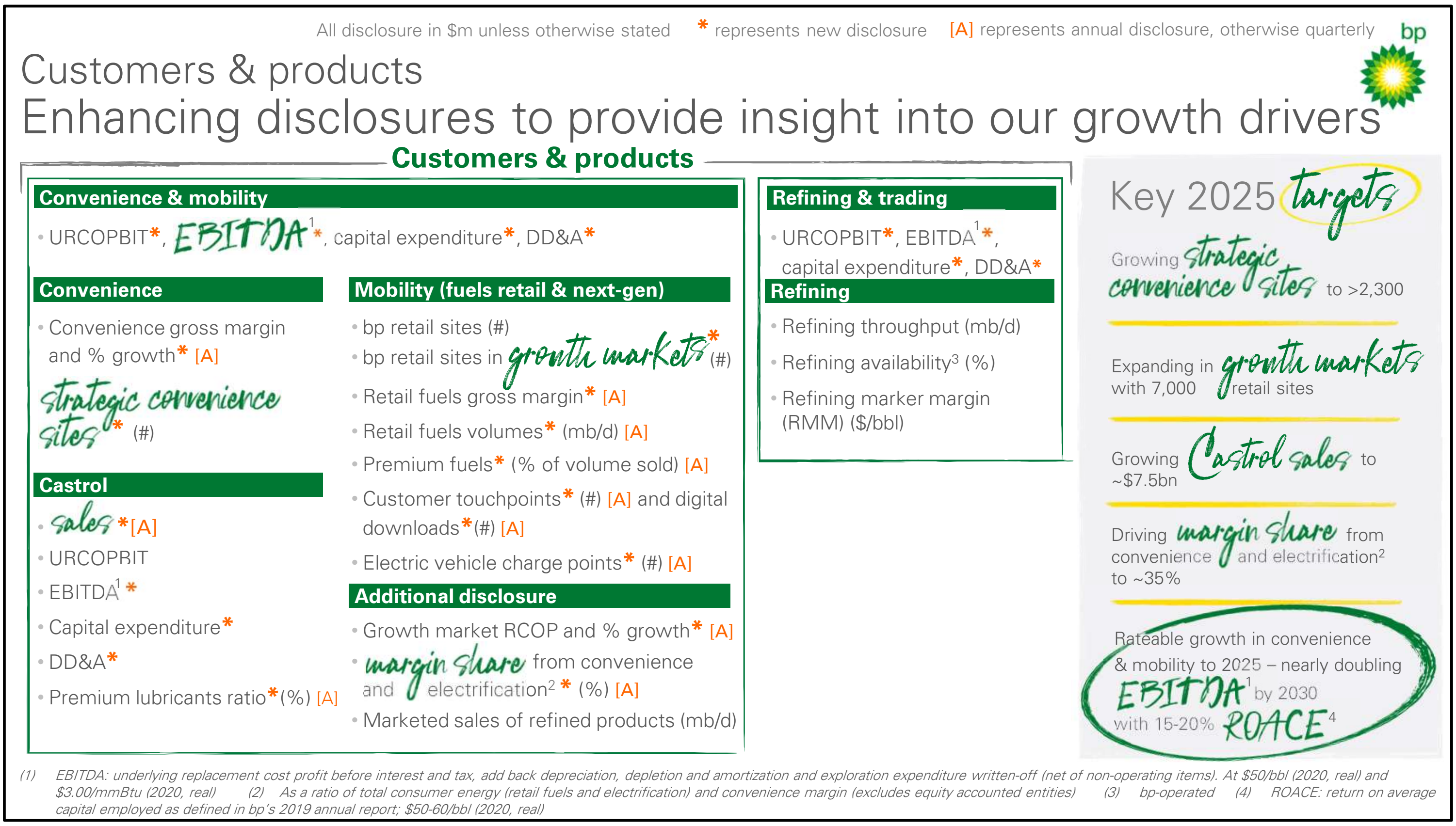
Our approach to disclosure will be consistent with this journey.

In the near-term we intend to provide quarterly disclosure that will allow you to track progress against:

- Our target of having developed 20GW of net renewable capacity to FID by 2025;
- The weighted average expected returns of renewable projects which have reached this milestone relative to our threshold of at least 8-10%;
- The pipeline of projects being progressed and the hopper of initial options that support development of our pipeline; and
- The capital investment being made in our low carbon businesses.

And looking forward, we continue to review our financial disclosures and intend to evolve them in line with this work and as we scale up our business.

Consistent with this, from the end of the 2021 financial year we plan to provide additional annual financial disclosure.



Second, **customers & products**.

Here our disclosures will provide transparency as we progress toward our aims and targets, particularly in our customer facing business where we aim to almost double EBITDA by 2030 relative to 2019 while maintaining ROACE of 15-20%.

I'm not going to outline each of the metrics, but I will explain how they fit together to provide greater insight into our business.

For the first time, we are **sub-segmenting customers - convenience & mobility** and **products - refining & trading**. Our quarterly financial disclosures for each will include EBITDA, underlying RCOP and capex. In addition, on an annual basis we plan to disclose convenience & mobility ROACE.

In our **refining & trading** business we will continue to provide a set of metrics consistent with our former disclosures.

While in **convenience & mobility**, we are breaking-out key components of our earnings together with supporting operational metrics. The framework of metrics clearly links our strategic and financial objectives and has been designed to provide comparison to competitors in similar sectors.

Taking the main businesses in turn.

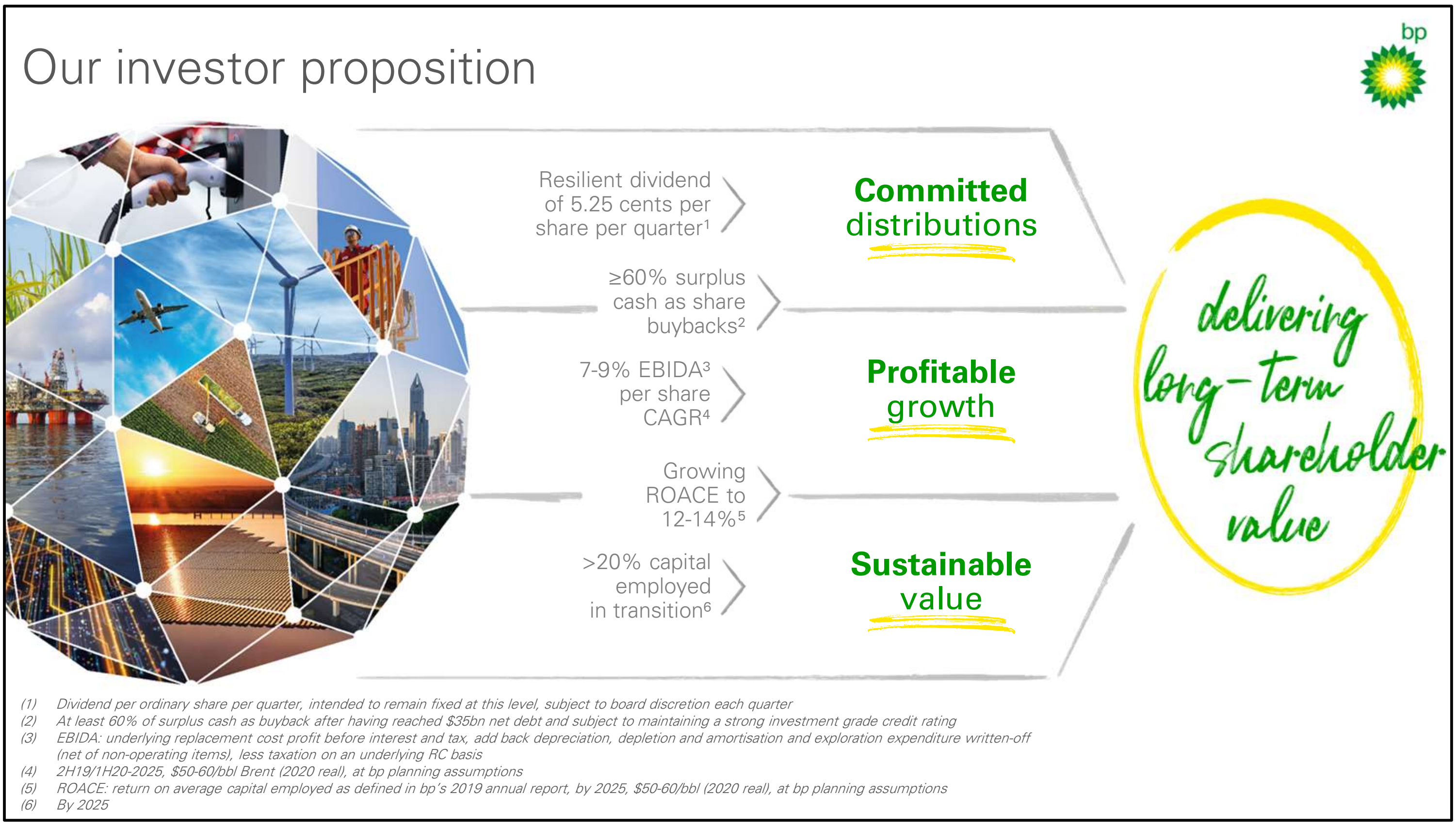
In **convenience** we plan to double our 2019 gross margin to more than $2bn by 2030. We plan to drive growth and margin expansion as we roll-out strategic convenience sites and enhance our retail offer supported by digital and loyalty programmes. We will make disclosures on each of these metrics.

In **fuels retail**, our sites generally sell more fuel than industry average and we have a leading premium fuel offer. We plan to double customer touchpoints at our retail sites through investment in growth markets and from our digital platforms and loyalty programmes which will be important to our convenience and fuels retail targets, supporting margin expansion. Each of these elements is reflected in our new disclosures.

In Castrol our enhanced disclosures will give insight into our plan to drive revenue and EBITDA growth – through exposure to growth markets, investment in marketing and technology, leveraging our premium products, and cost efficiencies.

And finally, in next-gen mobility, electrification will become an increasingly important source of revenue generation. In the near-term we will provide updates on our roll-out of EV charging points as we seek to reach over 25,000 by 2025. We are committed to providing additional disclosure as this business grows.

Together our disclosures give insight into the key elements driving our strategic plan to rateably grow EBITDA in convenience & mobility as we expand our convenience offer, drive increased margin share from convenience and electrification and expand in growth markets.

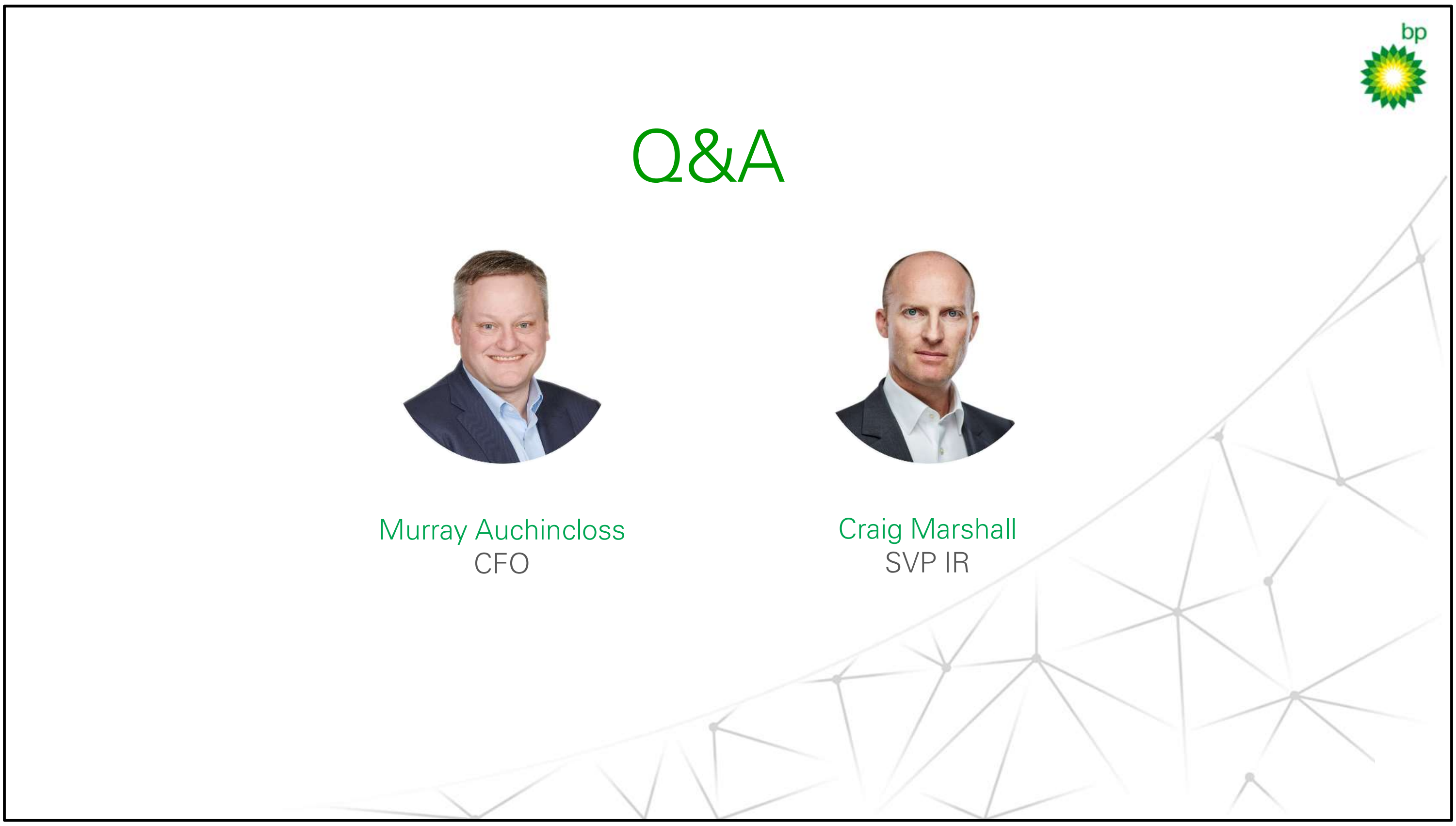


In conclusion, we think this package of disclosures represents a major advance in the level of transparency that we are providing, particularly for our growth focused businesses.

Taken together they are designed to provide line-of-sight to our key group performance measures of growing EBIDA per share, generating 12-14% ROACE and sustainably evolving our capital employed. We will disclose progress against each of these group measures on an annual basis.

We recognise that today is a first, but important step, and we commit to evolving the disclosures consistent with the maturity of our businesses. The direction of travel is clear.

Thank you for your time and now let me hand you back to Craig.



Thank you, Murray.

We have around 45 minutes allocated for Q&A today. So, could I please ask that you limit yourself to one question in each.

And could I also request that you take the opportunity to focus questions on our new financial disclosure framework. We will not be addressing questions relating to other matters, including first quarter performance, on this call.

Appendix

Guidance

Full year 2021

Upstream reported production (ex. Rosneft)	Lower than 2020 due to the impact of the ongoing divestment programme
Upstream underlying[1] production (ex. Rosneft)	Slightly higher than 2020 due to the ramp-up of major projects, primarily in gas regions, partly offset by the impacts of reduced capital investment and decline in lower-margin gas assets
Total capital expenditure	~$13bn
DD&A	Similar level to 2020
Gulf of Mexico oil spill payments	~$1bn post-tax
OB&C[2] underlying annual charge	$1.2-1.4bn Quarterly charge may vary quarter to quarter
Underlying effective tax rate[3]	>40%

1Q21 vs 4Q 2020

Oil and gas production

- Slightly higher reported production

Refining

- Industry refining margins and utilisation to remain under pressure

Marketing

- Renewed COVID-19 restrictions to have a greater impact on product demand
- January retail volumes down by around 20% year on year

(1) Underlying production: the actual reported number will depend on divestments, OPEC quotas, and other factors (2) OB&C: Other businesses and corporate
(3) Underlying effective tax rate is sensitive to the impact that volatility in the current environment may have on the geographical mix of the group's profits and losses