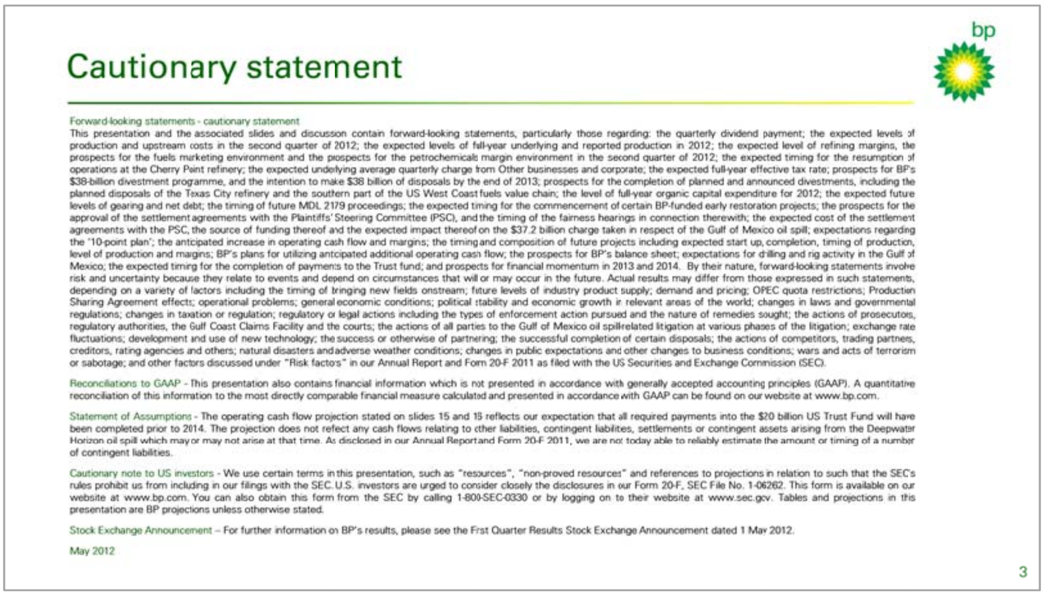
1Q 2012 Results Presentation: 1 May 2012

Jessica Mitchell, Director of Group Investor Relations

Hello and welcome to BP's first-quarter 2012 results webcast and conference call. I'm Jessica Mitchell, BP's Head of Investor Relations and joining me today is Brian Gilvary, our Chief Financial Officer.

Before we start, I'd like to 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 that 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.

Thank you, and now over to Brian.

Brian Gilvary, Chief Financial Officer

Thank you Jess and welcome to all of you joining us today on the call.

1Q 2012 Summary

Underlying earnings figures are adjusted for the costs associated with the Gulf of Mexico oil spill, other non-operating items and fair value accounting effects

$bn	1Q11	4Q11	1Q12	% YOY
Upstream	6.7	5.9	6.3	
TNK-BP[1]	1.1	1.0	1.2	
Downstream	2.2	0.8	0.9	
Other businesses & corporate	(0.3)	(0.6)	(0.4)	
Consolidation adjustment – unrealized profit in inventory	(0.5)	0.1	(0.5)	
Underlying replacement cost profit before interest and tax	**9.2**	**7.2**	**7.4**	**(19)%**
Interest and minority interest	(0.3)	(0.3)	(0.3)	
Tax	(3.4)	(1.9)	(2.3)	
Underlying replacement cost profit	**5.5**	**5.0**	**4.8**	**(13)%**
Earnings per share (cents)	**29.3**	**26.3**	**25.3**	**(14)%**
Dividend paid per share (cents)	**7.0**	**7.0**	**8.0**	
Operating cash flow	**2.4**	**5.0**	**3.4**	

(1) TNK-BP earnings are after interest, tax and minority interest

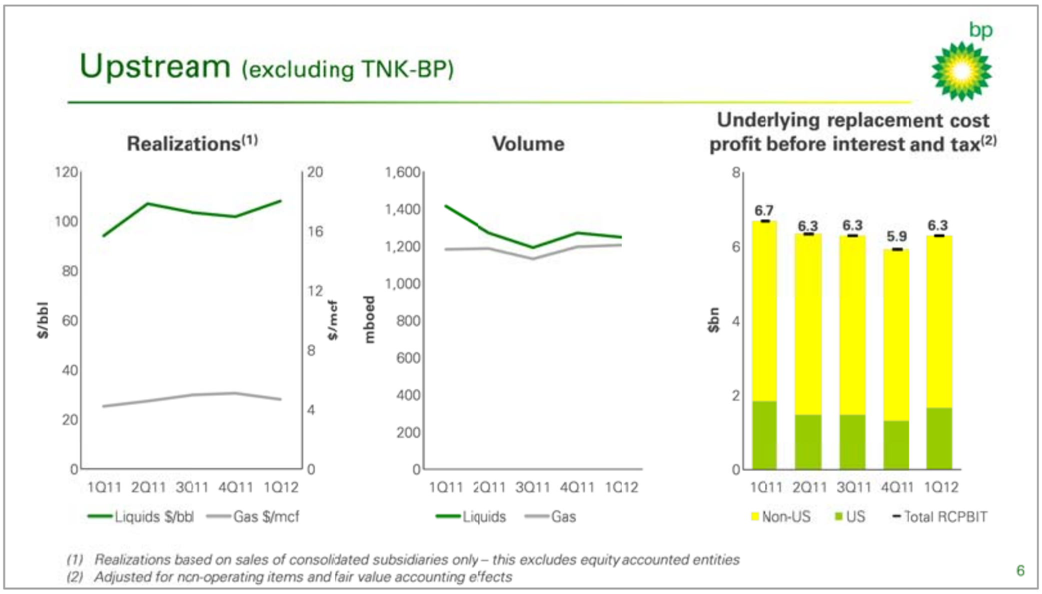
5

I'd like to start with an overview of first quarter financial performance.

- Our first quarter underlying replacement cost profit after interest and tax was $4.8 billion, down 13% on the same period a year ago and 4% lower than the fourth quarter of 2011;
- First quarter operating cash flow was $3.4 billion, including $1.2 billion of post-tax Gulf of Mexico oil spill expenses;
- 1Q operating cash flow was impacted by higher working capital including the effect of higher oil prices and inventory builds;
- Group underlying replacement cost profit for the quarter was adversely impacted by $540 million in respect of the consolidation adjustment for unrealized profit in inventory;
- As a reminder, this reflects unrealized profit in our downstream inventories related to our upstream equity barrels which will be realized in future quarters;
- Accounting rules require this to be eliminated from Group earnings while this equity crude is held in our refinery inventories;
- In this quarter the combined effects of higher crude oil prices and a higher level of crude oil held in inventory has significantly increased the charge compared to the previous quarter.

The effective tax rate for the first quarter was 33% compared to 37% in the first quarter of 2011.

Turning to the highlights at a segment level.



In Upstream, the underlying first quarter replacement cost profit before interest and tax was $6.3 billion compared with $6.7 billion a year ago and $5.9 billion in the fourth quarter.

The result versus a year ago reflects a stronger environment, more than offset by three factors:

- Firstly, higher costs – which include the impact of increased activity levels, sector inflation and higher depreciation, depletion and amortization;
- Secondly, loss of revenues associated with disposals and;
- Thirdly, lower production in some higher-margin areas.

Compared to the fourth quarter of last year the result improved, due to the better environment, a higher contribution from gas marketing and trading, and lower costs.

Liquids realizations increased 15% year-on-year in line with marker grades, while gas realizations improved slightly over the same period, with lower US gas prices offset by stronger gas realizations in other regions.

Reported production excluding TNK-BP was 2.45 million barrels of oil equivalent per day, 6% lower than 1Q 2011 mainly due to divestments and production decline in the Gulf of Mexico reflecting lower drilling activity in 2010 and 2011. This was partly offset by restoration of production at Greater Plutonio in Angola.

Underlying volumes - excluding TNK-BP and after adjusting for divestments and entitlement effects in our production sharing agreements - increased slightly year on year.

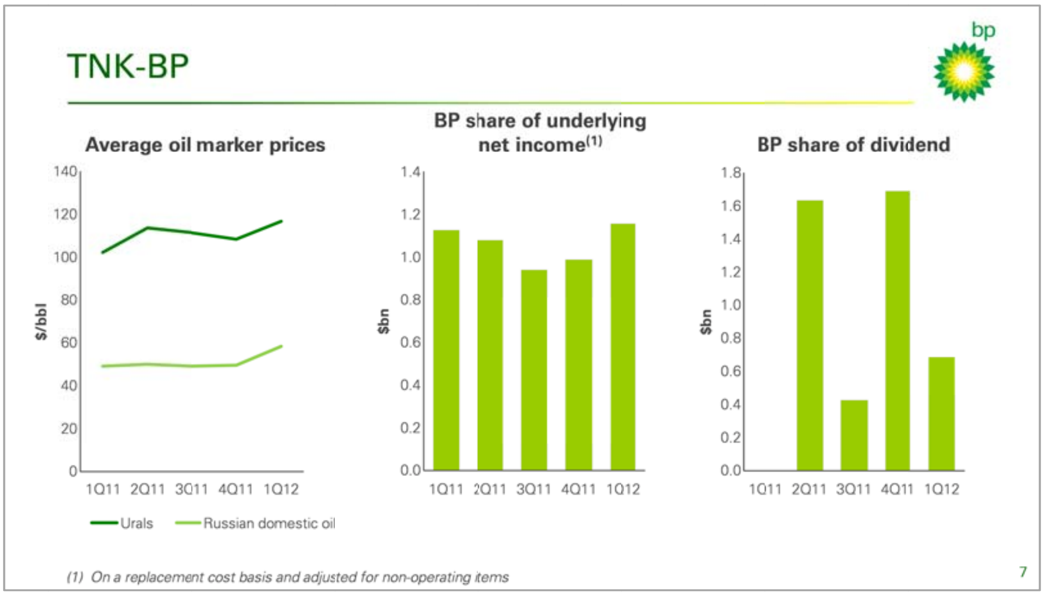
Looking ahead, we expect second-quarter reported production to be lower, and costs to be higher, as a result of normal seasonal turnaround activity concentrated on high-margin production in the Gulf of Mexico at Atlantis, Mad Dog, and Holstein.

We continue to expect full year underlying production in 2012 to be broadly flat with 2011, excluding TNK-BP.

Reported production in 2012 is expected to be lower than 2011 due to divestments which we currently estimate at 120,000 barrels of oil equivalent per day.

The actual outcome will depend on the exact timing of divestments, OPEC quotas and the impact of the oil price on production sharing agreements.

Turning to TNK-BP.

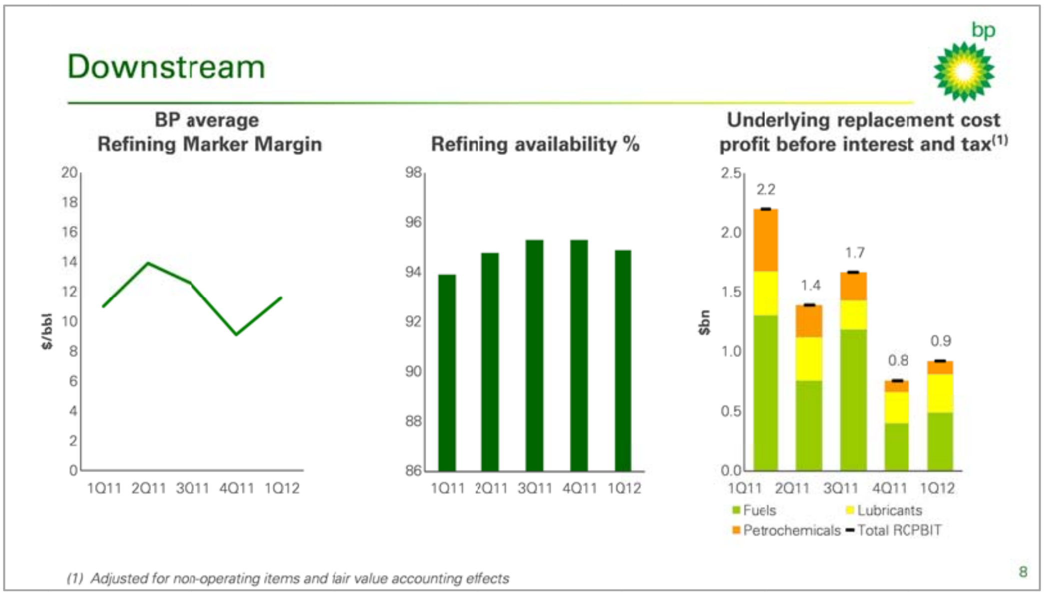


Our share of TNK-BP underlying net income was $1.2 billion in the first quarter, which was up 3% versus a year ago.

Our share of TNK-BP production in the first quarter at 1.02 million barrels of oil equivalent per day was 4% higher than the same period last year.

And we received a cash dividend of $690 million in the first quarter.

Now, turning to Downstream.



For the first quarter, the downstream segment reported underlying replacement cost profit before interest and tax of $900 million, compared with $2.2 billion a year ago and $750 million in the fourth quarter of 2011. All three downstream businesses delivered a higher underlying replacement cost profit than in the fourth quarter.

In our fuels business, we have had a challenging quarter delivering underlying replacement cost profit of around $500 million compared with $1.3 billion in the same period last year, in a broadly similar refining environment.

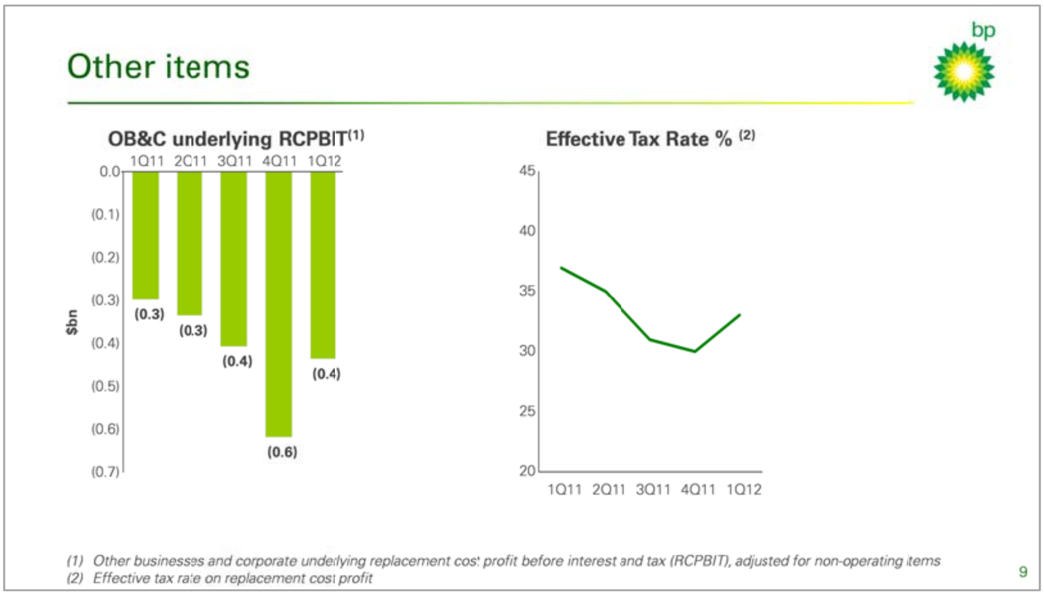
We continued to capture the benefit of accessing WTI-linked crudes in the US Midwest through good refining availability. This benefit was however more than offset by weak performance in supply and trading compared to the strong first quarter of 2011, unfavourable local crude differentials in Europe, and a difficult fuels marketing environment due to weaker demand. In addition, our Cherry Point refinery has been under repair following the incident in February.

Looking ahead to the second quarter, we expect refining margins to continue to improve in line with seasonal trends and fuels volumes to remain subdued. We expect that the Cherry Point refinery will resume full operations during May having completed both repairs and the scheduled second quarter turnaround.

In lubricants, underlying replacement cost profit was around $300 million, reflecting robust performance despite weak demand in some OECD markets and continued high base oil prices.

In petrochemicals, underlying replacement cost profit was around $100 million for the quarter, some $400 million below the same period last year reflecting a significantly weaker margin environment than the record levels seen in the previous year.

Despite this, volumes have improved compared with the low levels in the fourth quarter as a result of stronger demand and higher availability. We expect the petrochemicals margin environment to remain challenging.



In Other Businesses and Corporate, we reported a pre-tax underlying replacement cost charge before interest and tax of $(440) million for the first quarter, an increase of $(140) million versus the charge a year ago, primarily reflecting higher corporate and functional costs, and the loss of income from the aluminium business which was sold in the third quarter of 2011.

Guidance for 2012 remains unchanged from that given in February, with underlying quarterly charges volatile and averaging around $(500) million each quarter.

The effective tax rate for the first quarter was 33%, compared to 37% in the first quarter of 2011 which was impacted by a one-off deferred tax adjustment of some $700 million arising from changes to the UK taxation of North Sea production.

Guidance for the full year effective tax rate remains in the range of 34 to 36%.

Gulf of Mexico oil spill costs and provisions pre-tax[1]

$bn	To end 2011	1Q12	Cumulative to date
Income statement			
Charge / (credit) for the period	**37.2**	**(0.0)**	**37.2**
Balance sheet[2]			
Brought forward		**10.6**	
Charge / (credit) to income statement	37.2	(0.0)	37.2
Payments into Trust Fund	(15.1)	(1.5)	(16.6)
Cash settlements received	5.1	0.3	5.4
Other related payments in the period[3]	(16.6)	(0.5)	(17.1)
Carried forward	**10.6**	**8.9**	**8.9**
Cash outflow	**26.6**	**1.7**	**28.3**

(1) Includes contributions received from Mitsui, Weatherford, Anadarko and Cameron
(2) Balance sheet amount includes all provisions, other payables and the asset balances related to the Gulf of Mexico oil spill
(3) Please refer to details as disclosed in the Stock Exchange Announcement

10

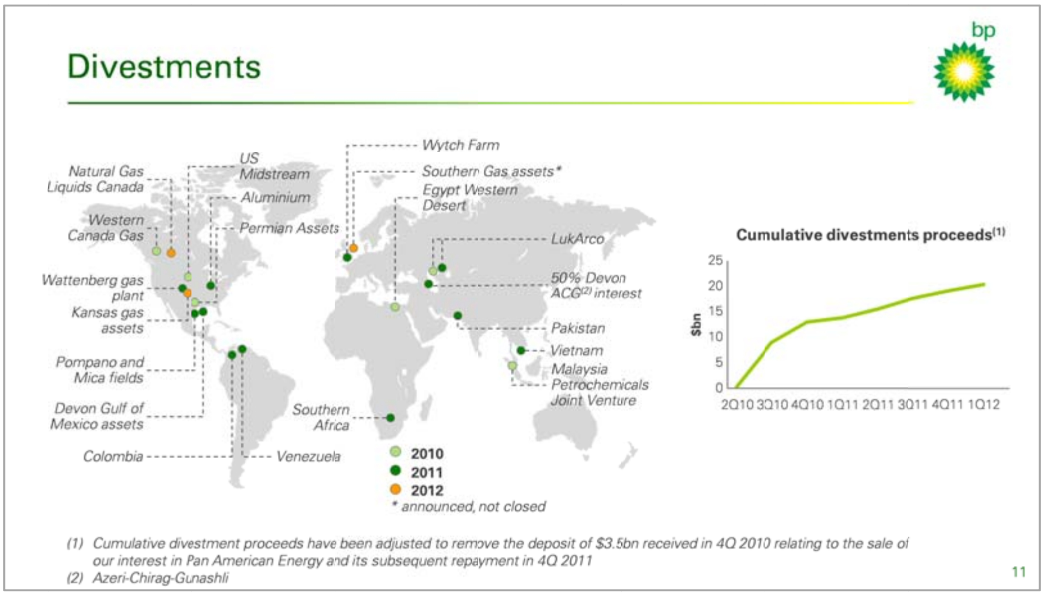
Next I would like to provide you with an update on the costs and provisions associated with the Gulf of Mexico oil spill.

In the first quarter an adjustment to provisions offset the usual quarterly expenses of the Gulf Coast Restoration Organization, so the total cumulative net charge taken for the incident to date remains at $37.2 billion.

Under a settlement agreement finalized in late 2011, Cameron paid BP $250 million in January which was subsequently paid into the $20 billion Trust Fund.

Pre-tax BP cash out flow relating to oil spill costs and the Trust Fund for the quarter was $1.7 billion.

As we indicated in previous quarters, we continue to believe that BP was not grossly negligent and we have taken the charge against income on that basis.



Turning to our divestment programme.

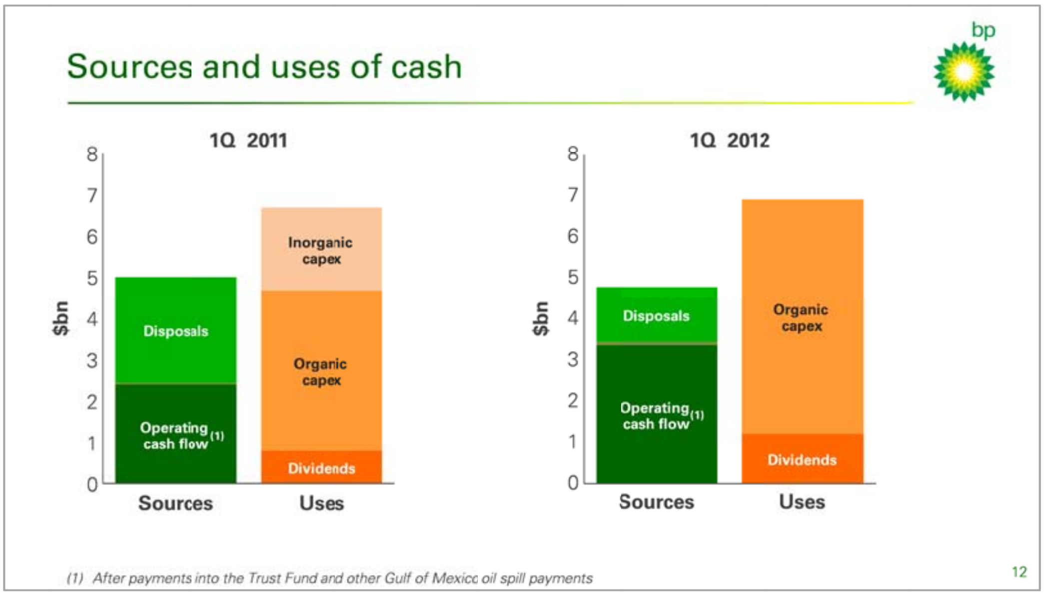
In the first quarter we completed the sale of our Kansas gas assets for $1.2 billion and announced an agreement to sell our southern North Sea gas interests.

In 2012 we will continue to focus our portfolio through divestments, with a total of $38 billion expected between 2010 and the end of next year.

Announced divestments now stand at around $23 billion since the start of 2010. This comprises completed divestments totalling $20.8 billion and agreements in place for some further $2.0 billion of sales at the end of the quarter, including the sale of our Natural Gas Liquids business in Canada which completed on 1st April.

Progress is being made with the divestments of our previously announced refining and associated marketing assets in the US, and we are aiming to announce both of these deals by the end of this year.

We are also marketing for sale certain non-strategic assets in the Gulf of Mexico, including our interests in the Marlin, Horn Mountain, Holstein, Ram Powell and Diana Hoover fields.



Moving now to cash flow movements, this slide compares our sources and uses of cash in the first quarter of 2011 and 2012.

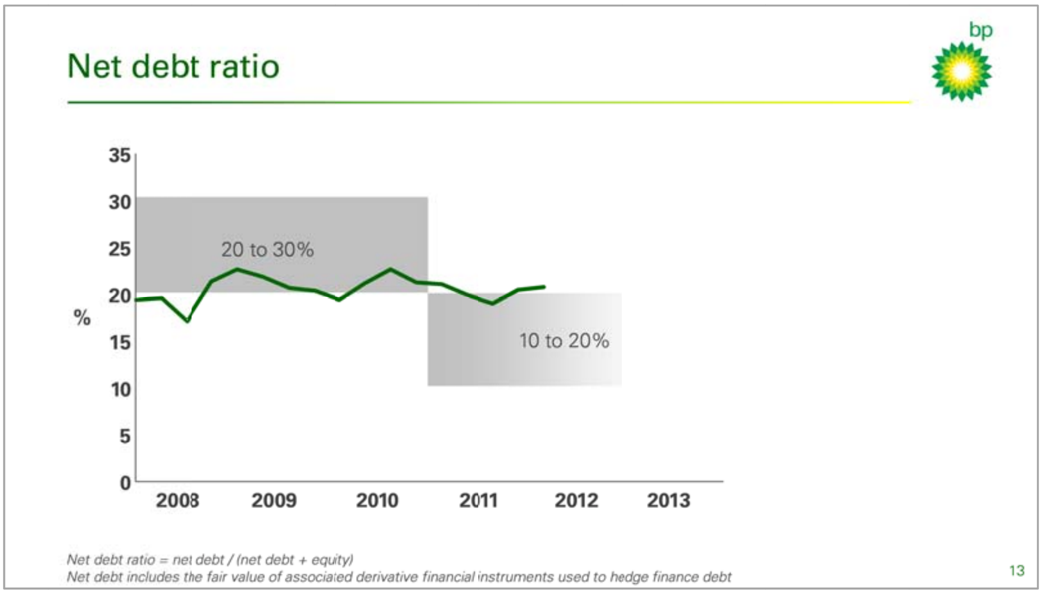
Operating cash flow was $3.4 billion in the first quarter of 2012 compared to $2.4 billion a year ago. After excluding Gulf of Mexico oil spill related expenditures of $(1.2) billion underlying operating cash flow in the quarter was $4.6 billion.

We received $1.3 billion of divestment proceeds during the first quarter.

Our organic capital expenditure in the first quarter was $5.6 billion. We continue to expect full year spend to be around $22 billion.

Total cash held on deposit at the end of the quarter was $14.1 billion.

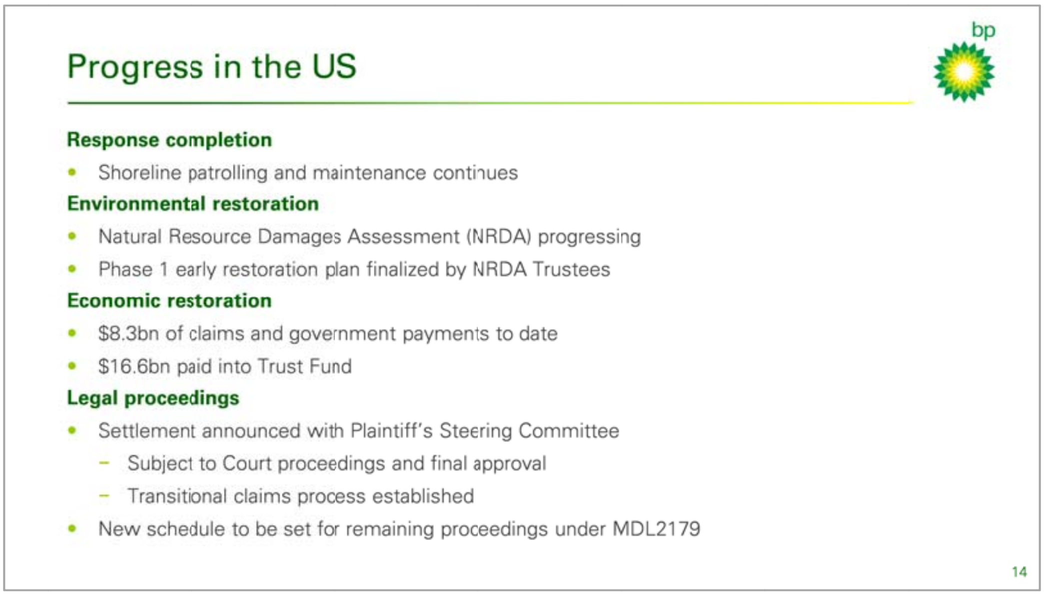
First quarter operating cash flow reflects around $3.0 billion net working capital build, including the effect of higher oil prices and inventory builds.



At the end of the first quarter net debt was $31.2 billion resulting in a gearing of 20.7%.

As noted in February, whilst uncertainties remain, we are targeting gearing in the bottom half of the 10 to 20% range over time.

We remain confident that net debt and gearing will fall through the second half of the year and into 2013 as we see cash inflows from divestments, new higher-margin projects coming onstream, and the end of payments into the Trust.



I'd now like to update you on progress in the US.

- Active shoreline patrolling and maintenance continues across the affected area of the Gulf Coast;
- We are progressing projects for early restoration of the natural habitats along the Gulf under our initial $1 billion commitment for Natural Resources Damages Assessment;
- The first eight of these projects will soon begin along the Gulf Coast, following the finalization of the Phase 1 Early Restoration Plan by the Trustees;
- By the end of the first quarter, we had paid a total of $8.3 billion to meet individual and business claims and government payments. Over $16.6 billion has been paid into the Trust Fund at the end of the 1st quarter.

On 18th April this year, BP announced that it had reached definitive and fully documented agreements with the Plaintiffs' Steering Committee to resolve the substantial majority of eligible private economic loss and medical claims stemming from the Deepwater Horizon incident.

The settlement agreements allow for a new court-supervised claims process to be set in place within 30 days of preliminary Court approval, which will operate under the framework agreed as part of the settlement. In the meantime a transitional claims process is in operation.

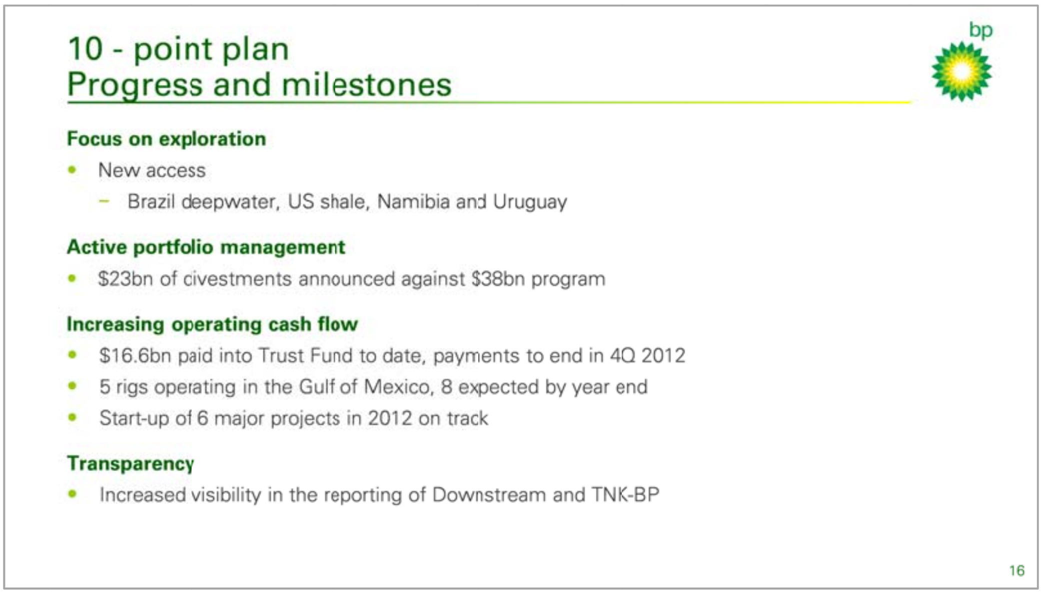
BP estimates that the cost of the settlement, expected to be paid from the $20 billion Trust, would be approximately $7.8 billion. This is not expected to result in any increase to the $37.2 billion charge taken in respect of the Gulf of Mexico oil spill to the end of the first quarter.

A new schedule is expected to be set by the Court for remaining proceedings under MDL2179.

Before closing I'd like to say a few words about our strategic progress. In October we laid out our roadmap for growing value - a clear 10-point plan; five things you can expect and five things you can measure.

- As a brief reminder we said we would focus relentlessly on safety, play to our strengths, and be stronger, more focused, simpler and more standardized. We promised to create more visibility and transparency to value;
- In terms of measures, we said you will see continuing active portfolio management. We aim to divest $38 billion of assets by the end of 2013;
- We said you can expect to see 15 new projects coming onstream over the next three years with operating cash margins around double the 2011 upstream average by 2014 – and that's at $100 per barrel and excluding TNK-BP;
- And you can expect us to generate an increase of around 50% in additional operating cash flow by 2014 compared to 2011 - approximately half from ending Gulf of Mexico Trust Fund payments and around half from operations;
- We plan to use around half that extra cash for re-investment and half for other purposes including shareholder distributions. And all of this will be underpinned by a strong balance sheet;

We remain committed to a progressive dividend policy going forward with future increases contingent upon improved cash flow delivery, balanced by the need to retain financial flexibility, and our continuing obligations to the Trust Fund.



So let me update you on progress in the first quarter:

Consistent with our increased focus on exploration, BP has added significantly to its interests in promising South Atlantic equatorial margin plays during the quarter, with the announcement of:

- Farm-ins to four exploration concessions with Petrobras in Brazil;
- Deepening of our interests in offshore Namibia, and being awarded three new blocks in offshore Uruguay;
- BP also gained access to the promising potentially liquids-rich shale acreage in the Utica shale formations in Ohio.

We continue to actively manage our portfolio. As I noted earlier we have announced $23 billion of divestments to date against the $38 billion we aim to divest by the end of 2013. I have mentioned the divestments announced this quarter and as I said earlier we continue to progress our plans to divest the two US refineries.

In February we said 2012 would be a year of milestones and we are seeing progress.

With over $16 billion already paid into the Trust Fund, we expect payments into the Trust to end in the fourth quarter this year.

In the Gulf of Mexico, five rigs are operational and we expect to have eight operating before the end of the year. Of those five rigs, two are now undertaking production activity; two on appraisal activity; and one is completing plugging and abandonment work.

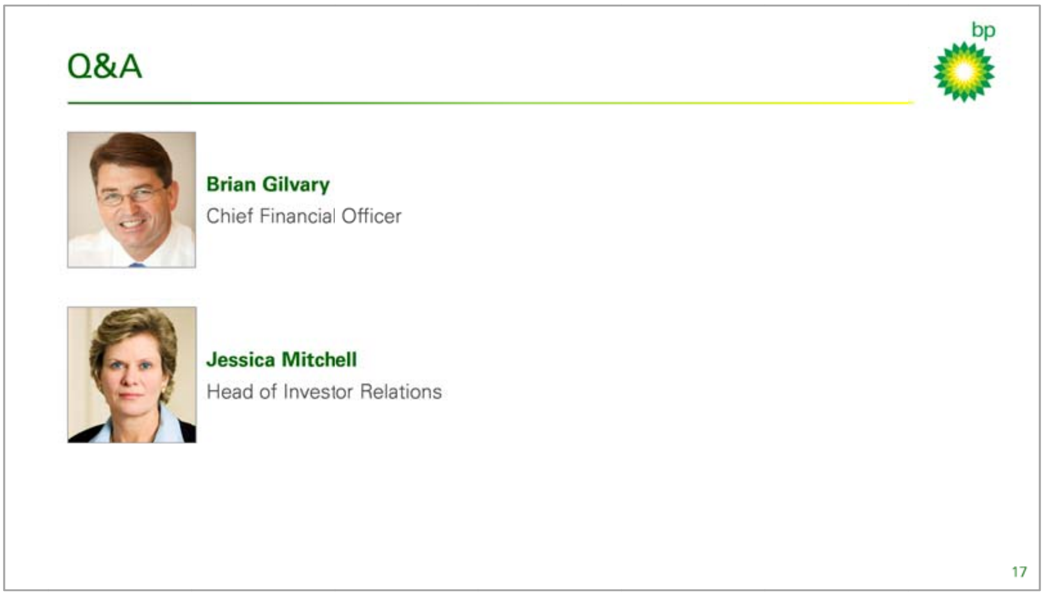
Work continues on our major projects and we are on track to start-up six of them this year. In the second quarter we expect to see the start-up of Clochas-Mavacola in deepwater Angola; and Galapagos in the Gulf of Mexico.

You will also have seen the increased visibility of our Downstream business and the separate reporting of TNK-BP in the Stock Exchange Announcement we released this morning. A separate Rule of Thumb for the Upstream and TNK-BP is now available on our website.

Of course one quarter provides only a very narrow window to gauge progress. As we look towards the second half and into 2013 we expect to see this increasing momentum reflected in operating cash flow from:

- The start-up of new upstream projects with on average higher operating cash margins;
- The strong year to date oil price environment continuing to feed operating cash flow into the second half of the year without the associated step-up in working capital;
- And as we make the final payment into the Trust Fund in the fourth quarter.

Our intention remains to generate sufficient cash to both invest to build our portfolio, and grow distributions over time as the circumstances of the firm improve.



That concludes my remarks. Jess and I will now be happy to take your questions.