

1Q 2016 Results

26 April 2016



Khazzan, Oman



Hello and welcome. This is BP's first-quarter 2016 results webcast and conference call.

I'm Jess Mitchell, BP's Head of Investor Relations and I'm here with our Chief Financial Officer, Brian Gilvary.

Before we start, I need to draw your attention to our cautionary statement.



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 BP's goal of balancing sources and uses of cash by 2017 at \$50–55/bbl; expectations regarding future oil prices and market trends, including volatility, an increase in demand and a flattening of or decrease in supply; expectations regarding continued deflation and BP's flexibility to withstand a range of outcomes; plans and expectations regarding BP's goals, including a focus on safety and the growing of organic free cash flow and distributions; plans and expectations regarding non-operating restructuring charges by the end of 2016, PSA entitlement impacts, expected levels of reported production and refining margins in second-quarter 2016 and BP's share of Rosneft's production and net income, statements regarding Rosneft's intention to increase its dividend and the estimate of the amount of dividend payable to BP; expectations with respect to the total amounts that will ultimately be paid by BP in relation to the Gulf of Mexico incident and the timing thereof; expectations regarding Upstream second-quarter 2016 reported production, Downstream second-quarter 2016 turnaround activity and refining margins and Other business and corporate 2016 quarterly charges; expectations regarding future capital expenditure and the effective tax rate; expectations regarding the value of divestments in 2016 and thereafter, BP's ability to sustain its dividend and expected gearing levels; and plans and expectations regarding Upstream activities in Egypt, Oman, Kuwait, China and India. 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 such forward-looking statements; 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 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; the timing and amount of future 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 under "Risk factors" in BP Annual Report and Form 20-F 2015 as filed with the US Securities and Exchange Commission.

This document contains references to non-proved resources and production outlooks based on non-proved 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. 1-06262. 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

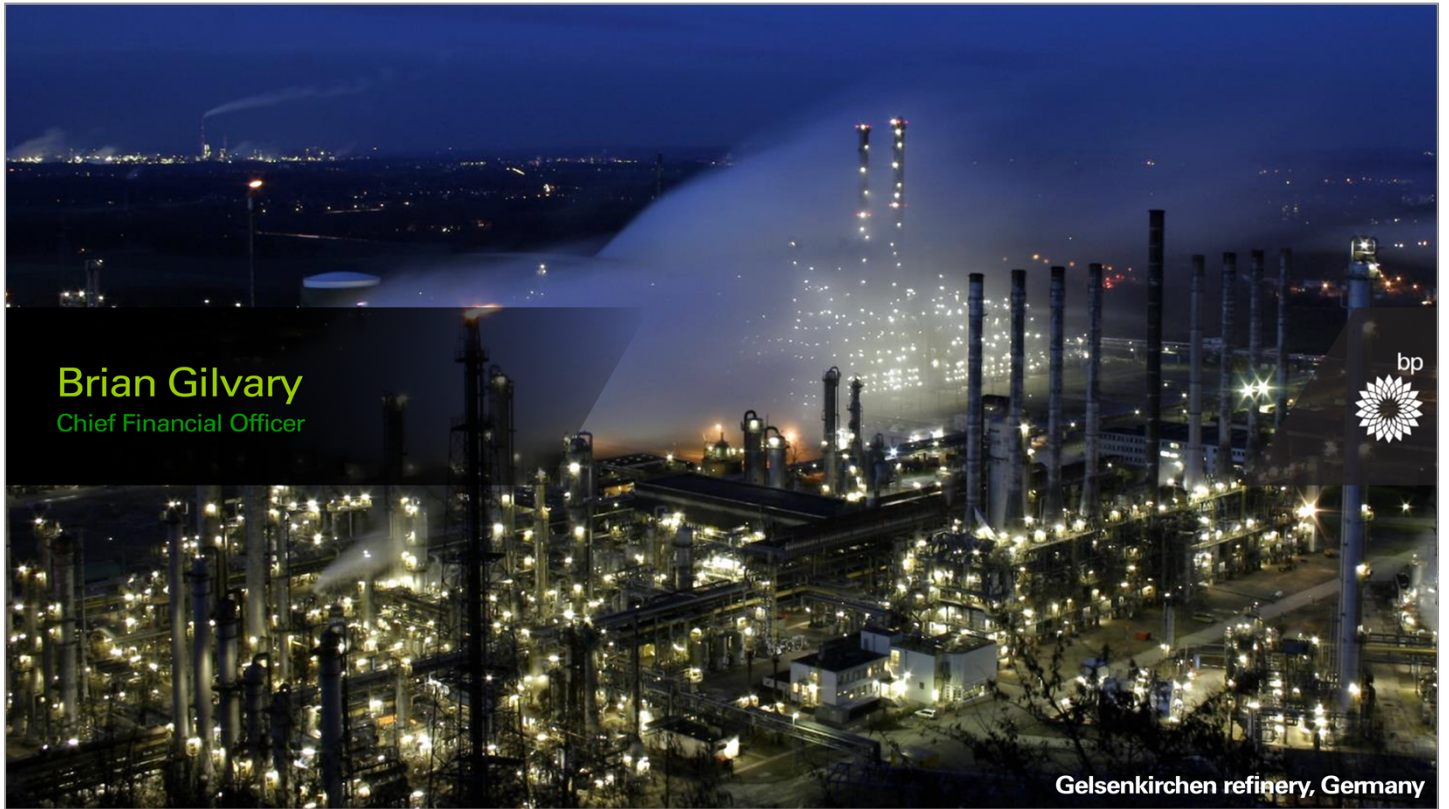
Reconciliations to GAAP - This presentation also contains financial information which is not presented in accordance with generally accepted accounting principles (GAAP). A quantitative reconciliation of this information to the most directly comparable financial measure calculated and presented in accordance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

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

April 2016

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.

Thank you, and now over to Brian.



Thanks Jess.

Agenda



Environment

1Q 2016 Results

Financial frame

Business update

Q&A

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Welcome everybody and thank you for joining us.

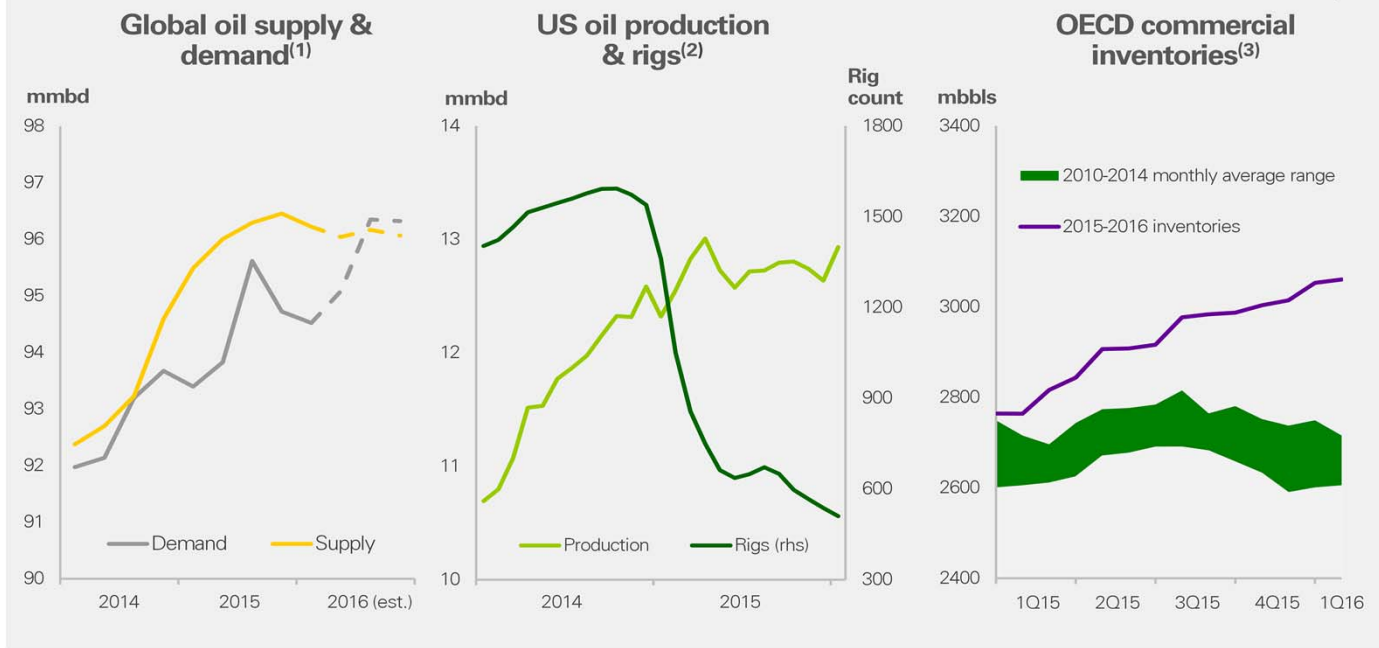
It's been a challenging start to the year for our industry. It is also a quarter in which we have seen considerable progress in our own business as we work to reposition the Group.

We continue to see real momentum in resetting the cost base. This is working to lower the point at which we expect to rebalance organic cash flows in 2017, and supports our continued commitment to sustaining the dividend as you have seen in this morning's release.

Our focus on costs, together with sound operations, has also supported the solid underlying earnings and cash flow delivery you have seen today, despite the much weaker market conditions.

So I'll start today by looking at the business environment, before covering our first-quarter numbers in detail. I'll then update you on our medium-term financial frame, where we continue to demonstrate both flexibility and resilience in our approach to resetting the company. I'll finish with a brief look at the first-quarter progress in our businesses before Jess and I take your questions.

Macro environment



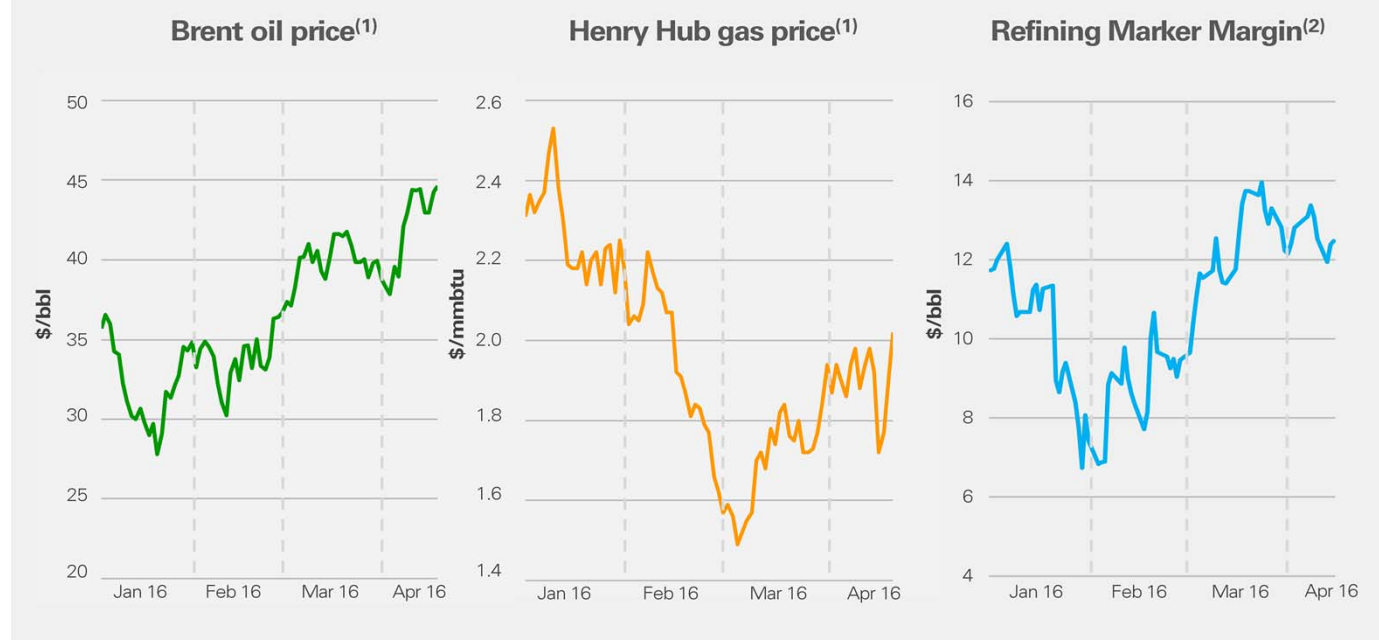
Starting with an update on the macro-economics, where the market is responding to low oil prices and progressing broadly along the path we laid out to you earlier in the year.

Global oil demand looks set to increase strongly again this year, supported by low oil prices. We expect demand growth to be around 1.4 million barrels per day this year - a little weaker than last year - but still comfortably above the historical average.

At the same time, global supply growth is likely to be flat-to-falling, with US tight oil supply falling in particular, only partially offset by increases in Iranian production.

So our view hasn't changed materially over the past six to nine months. We continue to expect the combination of robust demand and weak supply growth to move the market closer into balance by the end of this year. This will still leave record high oil inventories to be worked down, before a more settled position emerges.

First quarter environment



(1) Source: Thomson Reuters Datastream

(2) Refining Marker Margin based on BP's portfolio

All data 1 January 2016 to 20 April 2016 7

Looking more specifically at the price environment so far this year.

With continued over-supply, Brent crude oil fell to an average of \$34 per barrel in the first quarter, compared to \$44 per barrel in the fourth quarter and \$54 per barrel a year ago.

Henry Hub gas prices continued to decline in the first quarter, with spot prices averaging just below \$2 per million British Thermal Units. The mild winter in the United States continued to suppress demand while supply remained ample, including gas in storage at unseasonably high levels.

The global refining marker margin averaged \$10.50 per barrel in the first quarter, the lowest since the third quarter of 2010, weighed down by weak diesel demand and high gasoline stocks in the United States. Refining margins have recovered, averaging \$12.70 so far in the second quarter.

This weaker environment is consistent with the assumptions we built into our plans for the first part of the year. While it has had a significant impact on our results in the first quarter, this was also a period of strong operational delivery and visible progress on our cost and efficiency agenda.

1Q 2016 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	1Q15	4Q15	1Q16	% Y-o-Y	% Q-o-Q
Upstream	0.6	(0.7)	(0.7)		
Downstream	2.2	1.2	1.8		
Other businesses & corporate	(0.3)	(0.3)	(0.2)		
Underlying business RCPBIT⁽¹⁾	2.5	0.2	0.9	(64)%	365%
Rosneft ⁽²⁾	0.2	0.2	0.1		
Consolidation adjustment - unrealised profit in inventory	(0.1)	0.1	0.0		
Underlying RCPBIT⁽¹⁾	2.5	0.5	1.0	(61)%	102%
Finance costs ⁽³⁾	(0.3)	(0.3)	(0.3)		
Tax	0.4	0.0	(0.1)		
Minority interest	(0.0)	0.0	(0.0)		
Underlying replacement cost profit	2.6	0.2	0.5	(79)%	171%
Underlying operating cash flow⁽⁴⁾	2.5	5.9	3.0	18%	(50)%
Underlying earnings per share (cents)	14.1	1.1	2.9	(80)%	170%
Dividend paid per share (cents)	10.00	10.00	10.00	0%	0%

(1) Replacement cost profit before interest and tax (RCPBIT)
 (2) BP estimate of Rosneft earnings after interest, tax and minority interest
 (3) Finance costs and net finance income or expense relating to pensions and other post-retirement benefits
 (4) Underlying operating cash flow is net cash provided by (used in) operating activities excluding post-tax Deep Water Horizon payments

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Turning to the results for the Group.

BP's first-quarter underlying replacement cost profit was \$530 million, down 79% on the same period a year ago, and 170% higher than the fourth quarter of 2015.

Compared to a year ago, the result reflects:

- Lower Upstream realisations;
- A weaker refining environment; and
- The absence of a one-off tax benefit arising from changes to UK supplementary taxation.

Partly offset by:

- Lower cash costs across the Group.

Compared to the previous quarter, the result reflects:

- Lower costs across the Group; and
- A higher contribution from supply and trading.

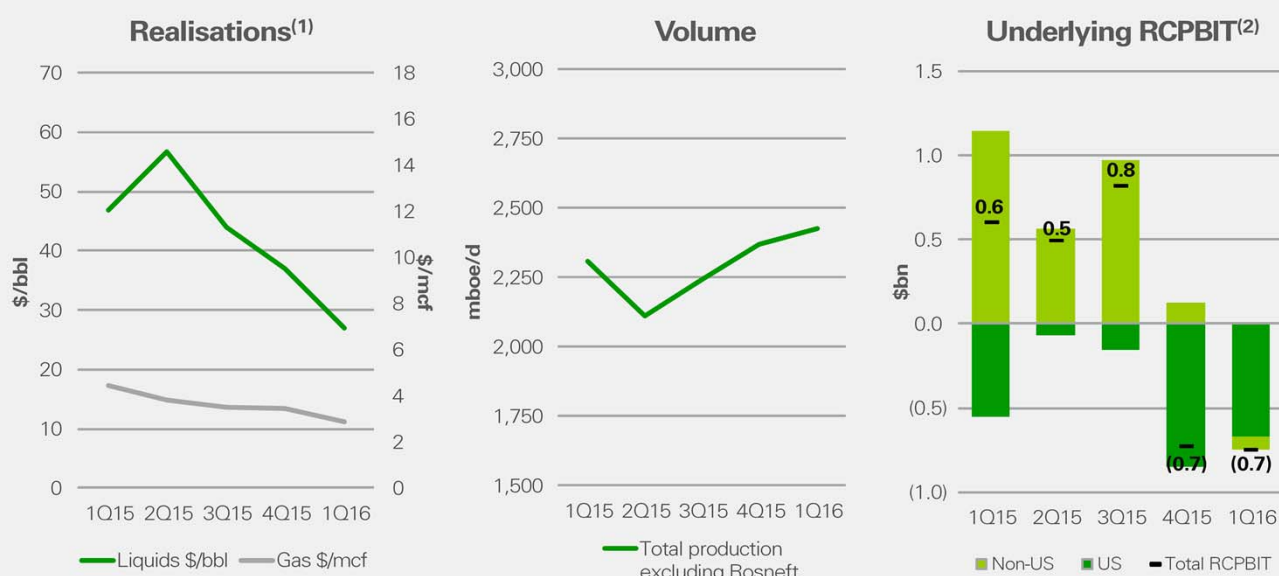
Partly offset by:

- Lower Upstream realisations; and
- A weaker refining environment.

First-quarter underlying operating cash flow, which excludes Gulf of Mexico oil spill payments, was \$3.0 billion.

The first-quarter dividend, payable in the second quarter of 2016, remains unchanged at 10 cents per ordinary share.

Upstream (excluding Rosneft)



(1) Realisations based on sales of consolidated subsidiaries only, excluding equity-accounted entities

(2) Replacement cost profit / (loss) before interest and tax (RCPBIT), adjusted for non-operating items and fair value accounting effects

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In Upstream, the underlying first-quarter replacement cost loss before interest and tax of \$750 million compares with a profit of \$600 million a year ago and a loss of \$730 million in the fourth quarter of 2015.

Compared to the first quarter of 2015 the result reflects:

- Significantly lower liquids and gas realisations.

Partly offset by:

- Lower costs from simplification and efficiency activities;
- Lower rig cancellation costs; and
- Lower DD&A.

Excluding Rosneft, first quarter reported production versus a year ago was 5.2% higher. After adjusting for entitlement and divestment impacts, underlying production decreased by 1.1%.

Compared to the fourth quarter, the result reflects:

- Lower realisations.

Largely offset by:

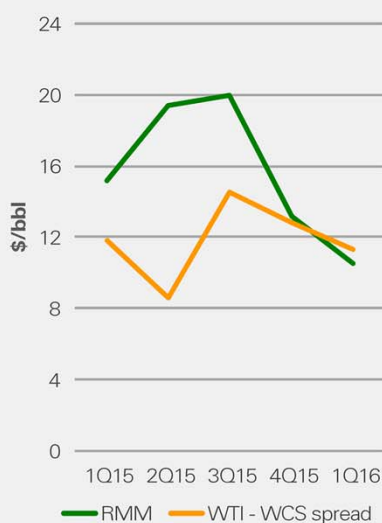
- Significantly lower costs, including lower exploration write-offs.

Looking ahead, we expect second-quarter 2016 reported production to be lower than the first quarter, reflecting PSA entitlement impacts and seasonal turnaround maintenance activity.

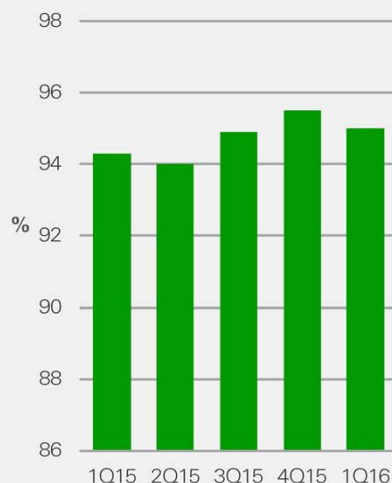
Downstream



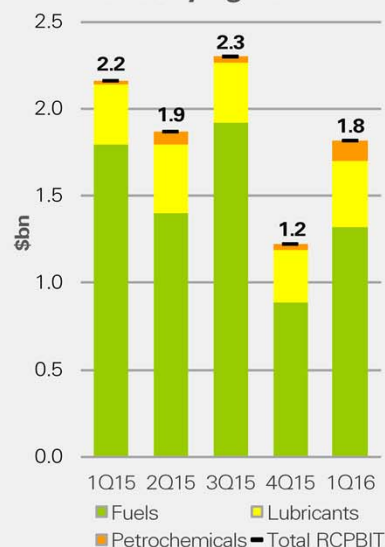
Refining environment



Refining availability



Underlying RCPBIT⁽¹⁾



(1) Replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items and fair value accounting effects

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In the Downstream, the first-quarter underlying replacement cost profit before interest and tax was \$1.8 billion, compared with \$2.2 billion a year ago and \$1.2 billion in the fourth quarter of 2015.

The Fuels business reported an underlying replacement cost profit before interest and tax of \$1.3 billion in the first quarter, compared with \$1.8 billion in the same quarter last year and \$890 million in the fourth quarter of 2015.

Compared to a year ago, the result reflects:

- A significantly weaker refining environment; and
- A lower contribution from supply and trading, compared with a very strong result in the same period last year.

Partly offset by:

- Lower costs from our simplification and efficiency programmes;
- Strong refinery operations; and
- A higher retail result supported by volume growth.

Compared to the fourth quarter, the result reflects:

- A strong contribution from supply and trading, compared with a small loss last quarter;
- Lower costs; and
- Strong refining operations.

Partly offset by:

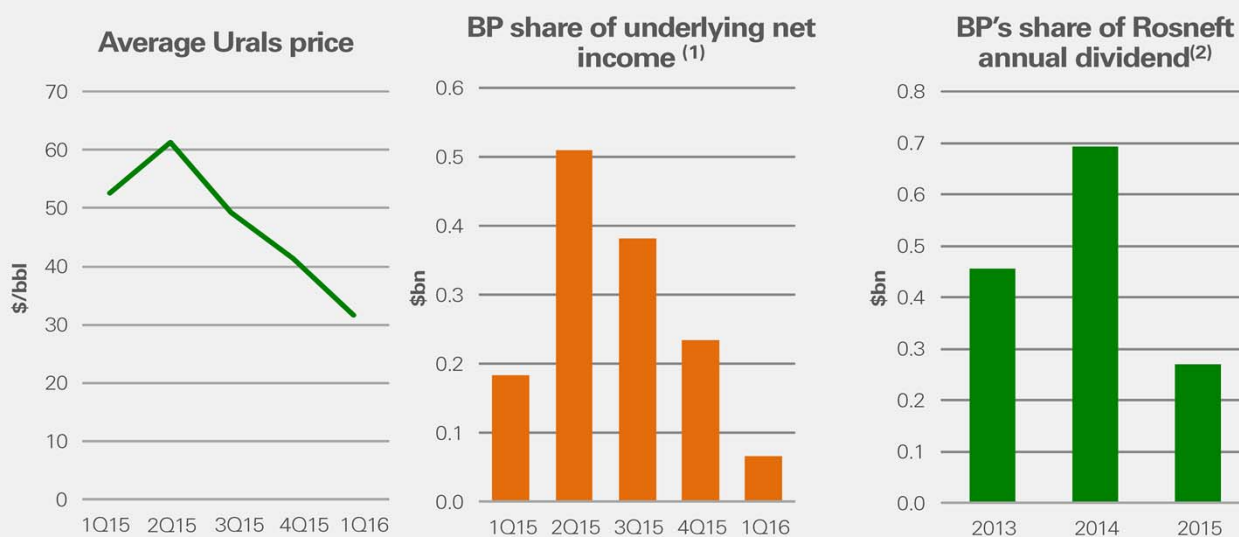
- A weaker refining environment; and
- Seasonally lower fuels marketing margin capture.

The Lubricants business delivered an underlying replacement cost profit of \$380 million in the first quarter compared with \$350 million in the same quarter last year, reflecting strong premium brand performance and margin growth despite adverse foreign exchange impacts.

The Petrochemicals business reported an underlying replacement cost profit of \$110 million, compared to \$20 million a year ago, reflecting improved operations, lower costs and a slightly improved margin environment.

In the second quarter, we expect a significantly higher level of turnaround activity, particularly in the United States and some seasonal improvement in industry refining margins.

Rosneft



(1) On a replacement cost basis and adjusted for non-operating items; 1Q16 represents BP estimate
 (2) Rosneft dividends paid in the third quarter

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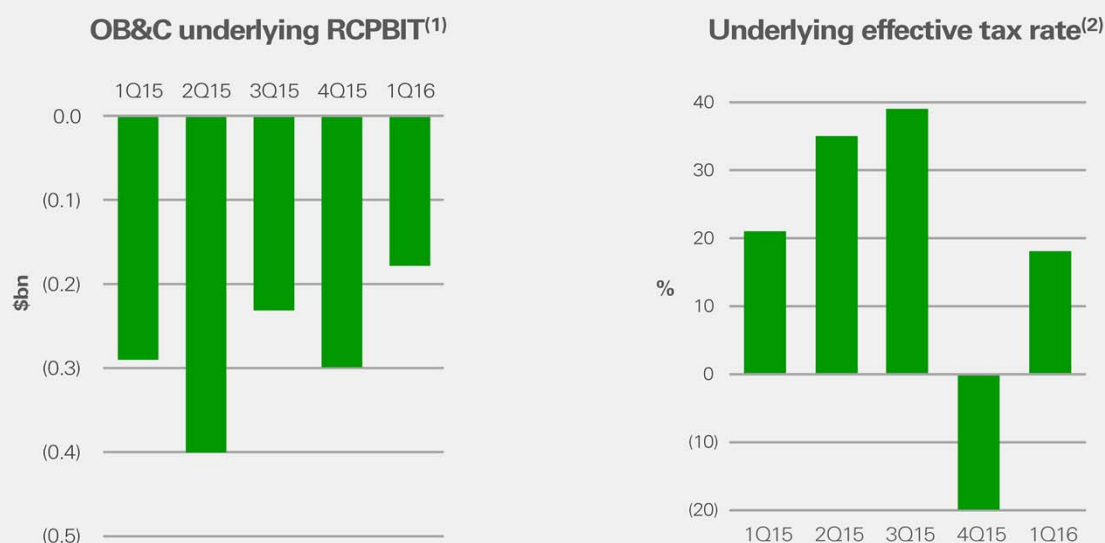
Turning to Rosneft. Based on preliminary information, we have recognised around \$70 million as our estimate of BP's share of Rosneft's underlying net income for the first quarter, compared to around \$180 million a year ago and \$235 million in the fourth quarter of 2015.

Our estimate of BP's share of Rosneft's production for the first quarter is just over 1 million barrels of oil equivalent per day, similar to both a year ago and the fourth quarter.

Additional details will be made available by Rosneft with their results.

On the 22nd of April, the Rosneft board indicated an intention to increase its dividend payout to 35% of IFRS earnings. At current exchange rates, this would imply a dividend payable to BP of around \$330 million after tax for 2015, payable in the third quarter of 2016. The final decision regarding the payout will be taken at Rosneft's Annual General Shareholders Meeting in June.

Other items



(1) Other businesses and corporate replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items
 (2) 1Q15 adjusted to remove one-off deferred tax benefit from the reduction in the rate of the supplementary charge in the UK

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In Other Businesses and Corporate, we reported a pre-tax underlying replacement cost charge of \$180 million for the first quarter, \$110 million lower than same period a year ago. This reflects lower corporate and functional costs and foreign exchange benefits. We continue to expect the average underlying quarterly charge for the year to be around \$300 million, although this may fluctuate between individual quarters.

The underlying tax rate in the first quarter was 18% and reflects tax credits from the reported Upstream loss offsetting tax charges elsewhere in the business, together with a deferred tax benefit from the weaker US dollar. This compares to a rate of 21% in the same period a year ago, after adjusting for the UK North Sea supplementary charge in 2015.

In the current environment, and with our existing portfolio of assets, we continue to expect the effective tax rate for the full year to be lower than the adjusted 2015 rate of 31%, which excludes the previously mentioned North Sea tax credit.

Gulf of Mexico oil spill costs and provisions

Pre-tax



\$bn	To end 2015	1Q16	Cumulative to date
Income statement			
Charge for the period	55.5	0.9	56.4
Balance sheet ⁽¹⁾			
Brought forward		18.8	
Charge to income statement	55.5	0.9	56.4
Payments into Trust Fund	(20.0)	-	(20.0)
Cash settlements received	5.4	-	5.4
Other related payments in the period ⁽²⁾	(22.0)	(1.1)	(23.2)
Carried forward	18.8	18.6	18.6
Cash outflow	36.7	1.1	37.8

(1) Balance sheet amount includes all provisions, other payables and the asset balances related to the Gulf of Mexico oil spill

(2) Please refer to details as disclosed in the first-quarter Stock Exchange Announcement

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Turning to the Gulf of Mexico oil spill costs and provisions.

Earlier this month, the court entered final judgment on the Consent Decree relating to the 2015 agreement to settle all federal and state claims arising from the Deepwater Horizon incident. As a result, the Consent Decree and settlement agreement are now effective.

The total cumulative pre-tax charge for the incident to date is \$56.4 billion – or \$40.7 billion after tax. The charge for the first quarter was \$917 million which includes:

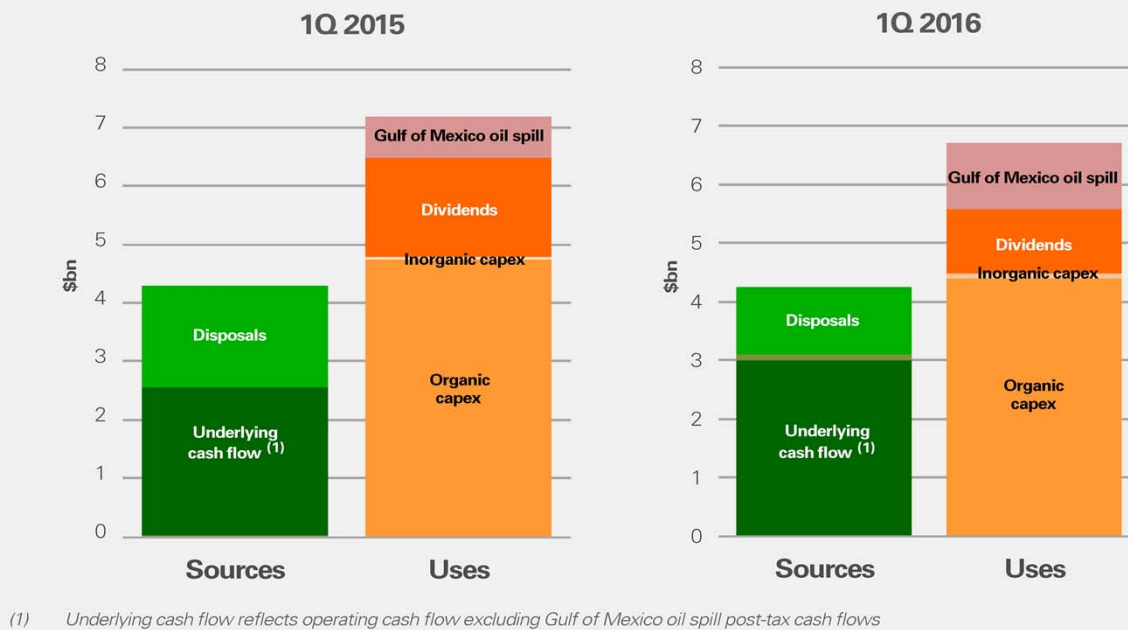
- \$593 million related to business economic loss claims not provided for;
- \$201 million of costs relating to the settlement of certain civil claims outside of the 2012 class action settlement and other administration costs; and
- Financing costs of \$123 million.

It is still not possible to reliably estimate the remaining liability for business economic loss claims and we continue to review this each quarter. We have, however, now agreed simplified and accelerated procedures for processing claims which you see reflected in today's higher charge.

Of the \$20 billion paid into the Trust fund, \$19.8 billion has now been paid out with the remainder allocated to amounts already provided for.

The pre-tax cash outflow on costs related to the oil spill for the first quarter was \$1.1 billion, including \$530 million relating to the 2012 criminal settlement with the United States Department of Justice. We also expect a further \$1.1 billion of payments in respect of the 2015 settlement, as well as further payments relating to business economic loss claims and other costs not yet provided for. We will continue to update you on a quarterly basis, including any further developments with the private securities litigation under MDL 2185.

Sources and uses of cash



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Now looking at cash flow, this slide compares our sources and uses of cash in the first quarter of 2016.

Excluding oil spill related outgoings, underlying cash flow for the quarter was \$3.0 billion, including a working capital build of around \$800 million.

Gulf of Mexico oil spill payments of \$1.1 billion were offset against divestment proceeds, which also amounted to \$1.1 billion in the first quarter.

Including oil spill payments, operating cash flow for the quarter was \$1.9 billion, similar to a year ago.

Organic capital expenditure in the first quarter was \$3.9 billion, compared to \$4.4 billion a year ago.

Focus on long term value growth for shareholders



Optimising the portfolio in a low price environment

- Value over volume
- Disciplined and timely allocation of capital
 - Balancing pace to capture deflation
 - Preserving future growth
- Selective acquisition and divestment of assets



Turning now to our financial frame and starting with some context.

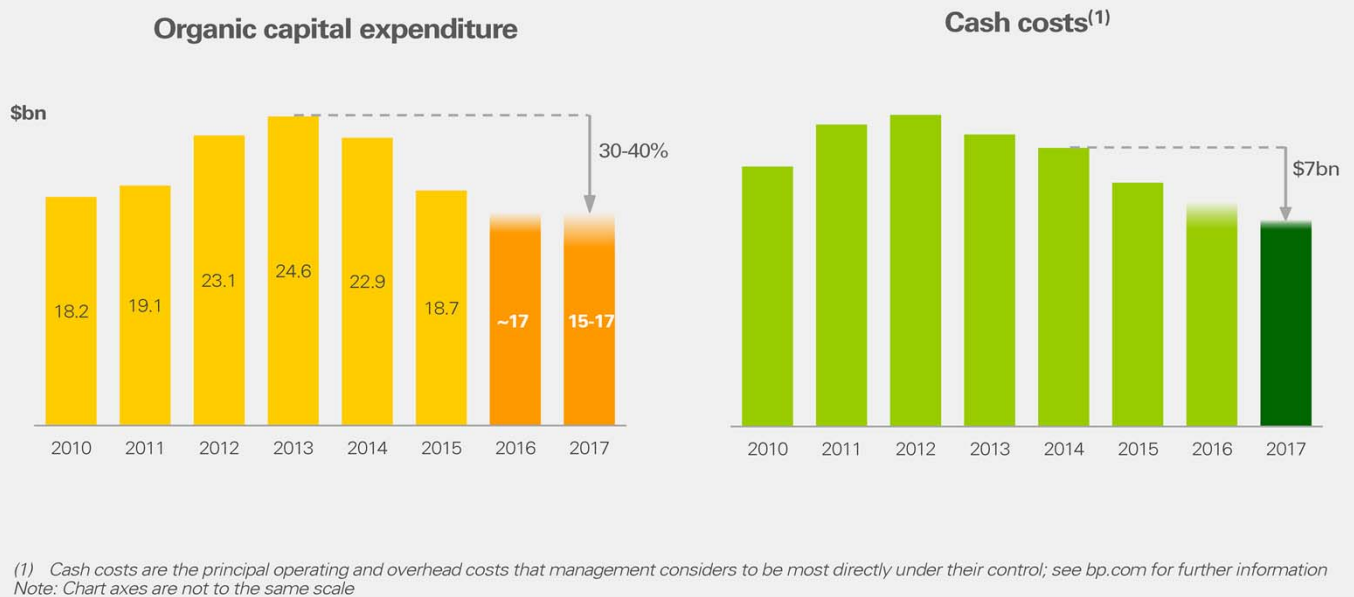
Our financial framework is designed to grow long-term value for shareholders while maintaining the financial health and liquidity of the Group. This requires us to determine the right level of re-investment to continue to grow value while ensuring we distribute sustainable returns to shareholders.

We believe getting this right is strongly linked to making the right decisions about our portfolio.

At its simplest we have prioritised value over volume – and will continue to do so on an ongoing basis. We look to divest assets which no longer fit with our strategy and deepen in assets which add the most value. At the same time we drive returns through disciplined investment into the best projects. In the current environment all this still applies, but we have an added imperative to make very careful judgements about how we use our scarce capital. We have to balance the pace of investment to capture maximum deflation while ensuring we maintain safe operations and preserve future growth. We also wish to retain flexibility to add to the portfolio at the lowest point of the cycle if the right opportunities present themselves.

So there are a lot of moving parts that we need to continue to manage while the environment remains unsettled. We entered this down-cycle with a strong balance sheet and we have a strong portfolio, with a resilient Downstream and a new wave of material Upstream project start-ups in sight. We have also moved very quickly to reset the cost base of the company for a lower price environment. Consistent with many others, we anticipate a modestly more favourable oil price environment in 2017 than we see today, but believe we have the flexibility to withstand a range of outcomes. If oil prices remain lower for longer than anticipated, there will inevitably be trade-offs that we need to take, but we will continue to be governed in these decisions by what we consider to be in the best long-term interests of shareholders.

Continued capital and cost discipline



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Looking at the specifics of our financial frame.

We continue to make strong progress on resetting both the capital and cash cost base of the Group.

We now expect capital expenditure in relation to the current portfolio to be around \$17 billion this year. We see room to reduce this to between \$15-17 billion per annum for 2017 in the event of a continued low oil price. This compares to our guidance in February of \$17-19 billion per annum for the same period, while at that time 2016 spend was expected to be at the lower end of that range.

Today's guidance suggests a 30-40% drop in capital expenditure by 2017 compared to around \$25 billion of spend at the peak in 2013, when Brent oil prices averaged \$109 per barrel.

The reduction has come through:

- Paring back exploration spend;
- Prioritisation of marginal activity; and
- The capture of accelerating deflation in the supply chain as we time our investment decisions.

Significantly, it also reflects a strong drive towards capital efficiency in our development plans which is allowing us to deliver the same activity for less spend. In areas where we still see flexibility to optimise activity we will judge very carefully the implications to the business, retaining the ability to increase activity if prices strengthen. We will continue to realise deepening deflation and balance the overall best use of funds to the prevailing oil price. Our intention remains to stay very focused on both safety and our growth plans for

the future.

We also continue to move quickly to lower controllable cash costs across the Group. The Group's cash costs over the last four quarters were \$4.6 billion lower than 2014. This demonstrates the ongoing momentum behind our efforts to reduce costs and puts us about two-thirds of the way through to delivering \$7 billion of cash cost reduction by 2017, compared to 2014.

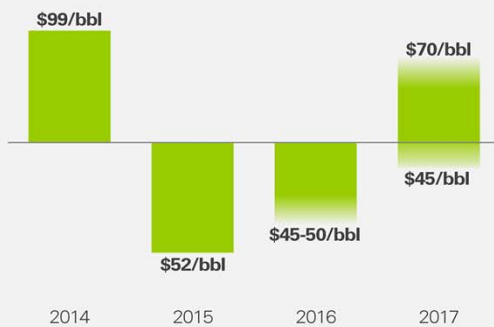
As we continue to lock-in capital efficiencies and embed structural simplification along with a more controlled organisation, we expect a large part of the cost savings to be sustainable for the future.

Non-operating restructuring charges are expected to approach \$2.5 billion in total by the end of 2016, with around \$1.9 billion incurred so far since the fourth quarter of 2014. Of this, around \$350 million was incurred in the first quarter.

Balancing the financial frame

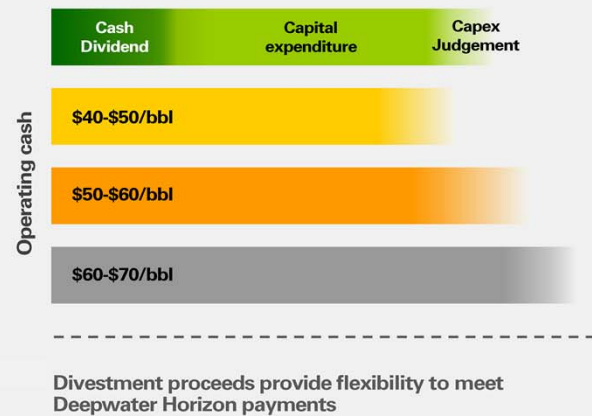


Organic cash balance/imbalance



Rebalance organic sources and uses of cash by 2017 at oil prices in the range of \$50-55/bbl

Organic sources and uses of cash in 2017



Notes: Based on \$2.5 mmbtu Henry Hub gas (real) and \$14/bbl Refining Marker Margin; excludes Gulf of Mexico oil spill payments; based on current portfolio; level of cash dividend will reflect dividend declared and scrip uptake; capex judgement represents capital investment flexibility dependent on oil prices.

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Our principal aim is to re-establish a balance where operating cash flow covers capital expenditure and the dividend over time. In this way we look to ensure that levels of re-investment and distributions are consistent with the long-term growth of our underlying business.

We have been working towards a goal of rebalancing by 2017 at the prevailing oil price which back in October 2015 we pegged at \$60 per barrel, consistent with the forward curve at that time. As we steadily take more costs out, the Brent oil price at which we would expect to break-even continues to move lower. We now anticipate re-balancing organic sources and uses of cash by 2017 at oil prices in the range of \$50-55 per barrel.

This currently defines the basis for our ongoing commitment to sustaining the dividend as the first priority within our financial framework. Actual inflows and outflows will be subject to ongoing recalibration to the environment, including the judgements we make around levels of capital expenditure and any changes to the portfolio.

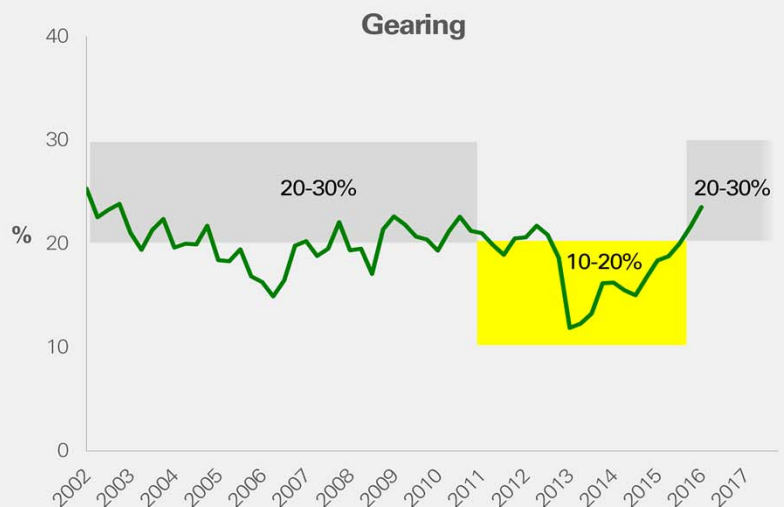
Once rebalancing is achieved, organic free cash flow is expected to start to grow at constant prices supported by the stronger cash flows expected from our Upstream project start-ups over the medium term. This will, in turn, support distributions to shareholders.

With divestments having reached \$10 billion over 2014 and 2015, we continue to expect \$3-5 billion of divestments in 2016 and around \$2-3 billion per annum thereafter, in line with our historical norms. The proceeds from these divestments provide additional flexibility to manage oil price volatility and capacity to meet our Deepwater Horizon payment commitments in the United States.

Balance sheet resilience



- 10-20% gearing band put in place in 2010 to manage uncertainty
- Greater clarity on Deepwater Horizon commitments
- Gearing band of 20-30% re-established



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Turning to gearing.

At the end of the first quarter net debt was \$30 billion with gearing at 23.6%.

This includes the impact that the Consent Decree and settlement agreement with the Gulf States had on our balance sheet during 2015, and the scheduling of payments over an extended period.

As a reminder, during 2010 we lowered our gearing band from a historical range of 20-30% down to 10-20% to manage uncertainties, mainly in relation to the Deepwater Horizon incident. Having finalised these agreements, we are re-establishing a 20-30% gearing band going forward.

Upstream milestones and progress

- Continued strong operational performance
- Major projects on track
 - 2 major project start-ups this year to date;
4 more on track
 - 800mboed of new net production by 2020
- Nooros East exploration discovery and Kepler-3 evaluation
- New licences including Norway and Canada; gas market reform in India; agreement to extend Oman licenses; new contracts in Kuwait and China



Oman Khazzan Central Processing Facility



Clair Ridge Production modules en route



Shah Deniz 2 Facilities Fabrication

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Now turning briefly to the highlights for the quarter from our businesses.

Starting with the Upstream, we have seen continued strong operational performance. Plant reliability was 95% across our operated producing assets and we saw strong drilling performance, particularly in the United States Lower 48 and Azerbaijan, delivering both cost and efficiency benefits.

The first quarter saw the start-up of the In Salah Southern Fields major project in Algeria and we also recently saw the start-up of the Point Thomson project in Alaska. We also have two projects in the commissioning stage and two further projects continue to progress well for start-up later in the year, with facilities work nearing completion. For example we saw the safe arrival of the new FPSO for Quad 204 in Norway ahead of its installation to the West of Shetland this summer, ready for start-up around the end of the year.

Overall we continue to have momentum on our Upstream major projects portfolio as we look beyond this year. Our 2017 start-ups are on-track, and together with our six 2016 start-ups, we expect to put in place 500 thousand oil equivalent barrels per day of new net BP capacity by the end of 2017 versus 2015.

For example our Khazzan project facilities are now 69% complete with 46 well pads completed and start-up expected to be a little ahead of schedule. Juniper, which will back-fill production into our Trinidad LNG trains, is progressing well with over 55% facilities completion. In Egypt facilities for the Taurus-Libra phase of our West Nile Delta project are also on schedule and around 50% complete, while the topsides modules for Clair Ridge in the North Sea are en route from South Korea and are expected to arrive later this quarter.

Beyond these 2017 start-ups, the production facilities for our Shah Deniz Phase 2 project are ahead of plan at around 70% completion, with first gas scheduled for 2018.

All of this means we remain on track for the delivery of over 800 thousand barrels of oil

equivalent per day of production from new major projects by 2020.

In February, our first exploration discovery of the year was announced on the Nooros East prospect in Egypt by the operator Eni, who have now tied it back for production. Meanwhile we have completed evaluation of the BP-operated Kepler-3 discovery, drilled in late 2015, and are in the process of tying this well into our Na Kika platform with the aim of starting production later this year. These are great examples of the opportunity for rapid monetisation of near-field discoveries, or what we call infrastructure-led exploration.

The first quarter was a strong quarter for new access including farm-ins and licences awarded for new acreage in Norway and Newfoundland Canada, with an aggregate total of around 12,000 square kilometres.

In Oman, we signed a major agreement to extend the Khazzan license to access a further 1,000 square kilometres, estimated to contain around 3.5 trillion cubic feet of gas. Combined plateau production from Phases 1 and 2 is expected to total approximately 1.5 billion cubic feet of gas a day, equivalent to around 40% of Oman's current total domestic gas production.

Additionally in the first quarter, the Government of India announced a series of policy initiatives, including marketing and pricing freedom for natural gas produced from deepwater discoveries, which we believe is a positive development and are evaluating for future projects.

We also signed two new agreements – one with the Kuwait Petroleum Corporation to enhance recovery of existing oil and gas resources and pursue future oil and gas exploration opportunities; and a Production Sharing Agreement in China to develop shale gas resources.

Downstream milestones and progress

- Continued underlying performance improvement
- Advantaged manufacturing
 - Strong refining operations
 - Petrochemicals improved cash break-even
- Marketing growth
 - ULTIMATE fuels launch and retail growth
 - Lubricants premium brands and growth markets
- Simplification and efficiency



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In the Downstream, the first quarter saw strong year-on-year underlying performance improvement mitigating the impact of a weaker refining environment.

At the same time, our refineries saw a 4% increase in utilisation, while we increased the amount of advantaged heavy crude processed by more than 20%. And in Petrochemicals we are improving the cash breakeven of the business, making it more robust to a bottom-of-cycle environment.

Our marketing growth strategy continues to deliver results. The global roll-out of our Ultimate fuels with ACTIVE technology represents our biggest fuel launch in over a decade. We also expanded our convenience retail partnerships in Germany and the Netherlands; and we became the world's first supplier for commercial jet biofuel using existing airport infrastructure.

In Lubricants we continue to see double-digit earnings growth at constant currencies, supported by strong premium brand performance and growth market positions.

And simplification and efficiency has progressed across the Downstream into 2016, keeping the business on track to deliver \$2.5 billion of cost efficiencies by the end of 2017.

Taken together, this momentum in underlying performance improvement continues to support the increased resilience of the Downstream business.

Our future



A clear set of enduring principles

- Relentless focus on safety and reliability
- A balanced portfolio with distinctive capabilities
- Portfolio actively managed for value over volume
- Continued capital and cost discipline

Growing sustainable free cash flow and distributions over the long term

A medium-term financial frame

- Capex: ~17bn for 2016; \$15-17bn in 2017
- Cash costs reduced by \$7bn for 2017 versus 2014
- Balance organic sources and uses of cash⁽¹⁾ at \$50-55/bbl by 2017; organic free cash flow⁽²⁾ growth thereafter
- Divestments of \$3-5bn in 2016; \$2-3bn 2017+
- Gearing in a re-established 20-30% band

Sustaining the dividend

(1) Based on: \$2.5 mmbtu Henry Hub gas (real) and \$14/bbl Refining Marker Margin. Excludes Gulf of Mexico oil spill payments. Based on current portfolio.
(2) Organic free cashflow = Operating cash flow excluding Gulf of Mexico oil spill payments less organic capex. Based on current portfolio

In summary.

The environment is very challenging but we are seeing the benefit of having moved quickly to respond.

We have considerable momentum around resetting our cost base. This is driven by both the pace at which we are capturing deflation and our own simplification efforts. You have seen more evidence of this across all our businesses in today's results.

We are steadily lowering the oil price at which we expect to balance organic sources and uses of cash by 2017, while retaining sufficient flexibility to make the right choices about our portfolio to sustain growth.

I believe we are making strong progress. We are executing our projects safely and more efficiently, driving down costs and making careful judgements about the best use of scarce capital.

And all our decisions continue to be guided by our ultimate aim to grow sustainable free cash flow and distributions to shareholders over the long term.

On that note, thank you for listening, and I'll now open up for questions.

Q&A



Brian Gilvary
Chief Financial Officer



Jess Mitchell
Head of Group Investor Relations