
4Q & Full Year 2016
Results Presentation
7 February 2017
bp
Thunder Horse South Expansion, Gulf of Mexico

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

I'm Jess Mitchell, BP's Head of Investor Relations and I'm here with our Group Chief Executive, Bob Dudley, and 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 harbour' 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 and gas prices, supply, demand, inventories and market trends, including the effects of an OPEC production cut; expectations regarding organic free cash flow, the effect of future oil and gas prices on Upstream realizations and expectations regarding margins; expectations with respect to the timing and amount of future payments relating to the Gulf of Mexico oil spill; statements that Business Economic Loss claims are expected to be substantially paid in 2017; plans and expectations with respect to Upstream projects, investments and activities in the Norwegian North Sea, Abu Dhabi, Mauritania and Senegal, the Gulf of Mexico, Egypt, Azerbaijan and a Downstream partnership in Australia; expectations regarding Upstream production in the first quarter of 2017, Downstream refining margins and turnaround in the first quarter of 2017 and BP's share of Rosneft's production and net income; expectations regarding operating cash flow, restructuring charges, organic capital expenditure, inorganic cash outflow and divestment proceeds; plans and expectations to target gearing within a 20-30% band and to consider alternative funding mechanisms or further divestments; expectations related to production levels, depreciation, depletion and amortization charges, the other business and corporate average underlying quarterly charge, the Upstream pre-tax underlying replacement cost profit and the effective tax rate in 2017; plans and expectations to increase production by 800 thousand barrels of oil equivalent per day by 2020 and to balance organic sources and uses of cash at approximately $60/bbl by the end of 2017; expectations related to the strength of BP's balance sheet; 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 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; delays in the processes for resolving claims; 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 "Principal risks and uncertainties" in the results announcement for the period ended 30 June 2016 and "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.

February 2017

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 Bob.

Thanks Jess.

Agenda

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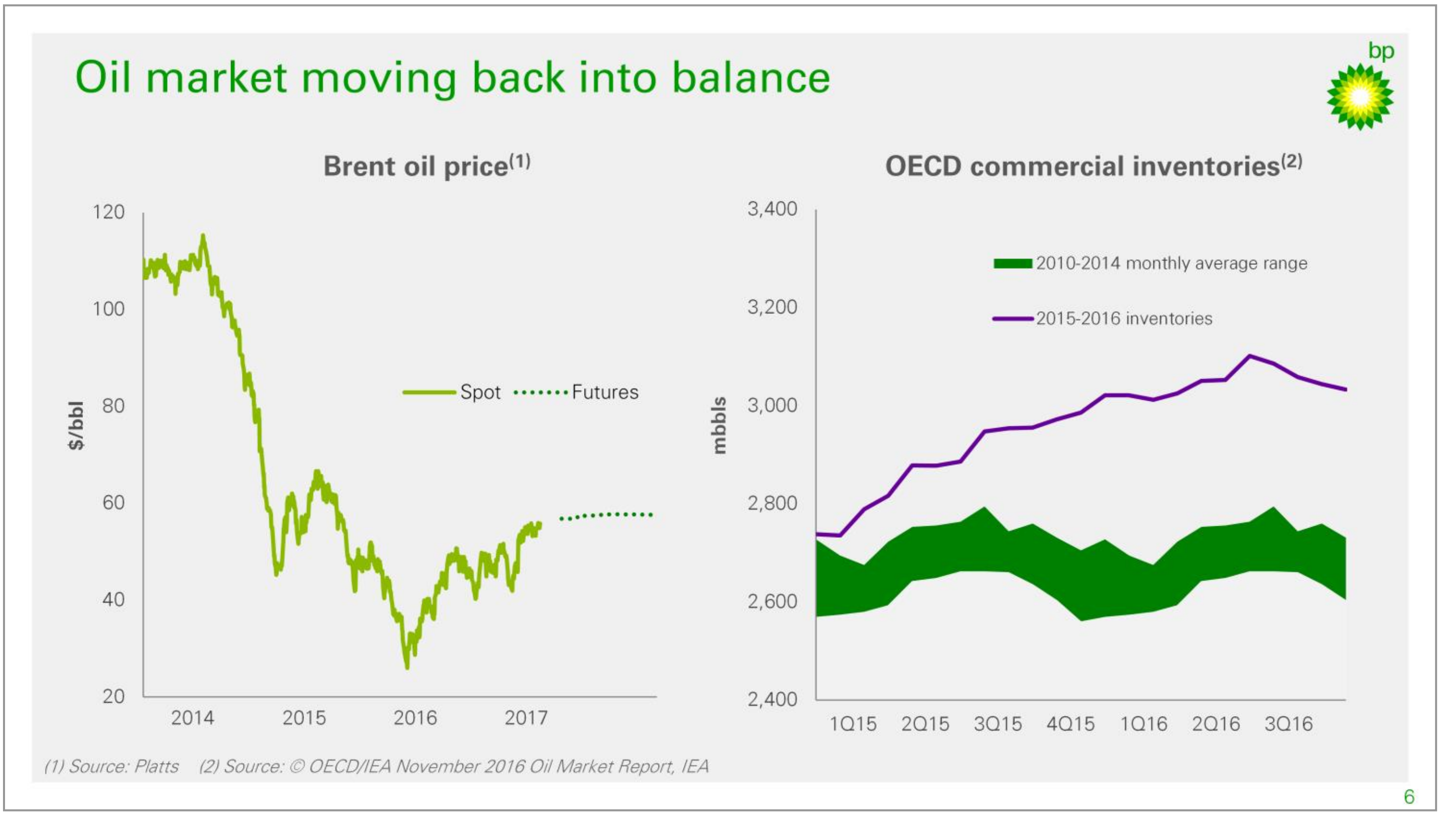
Welcome everybody and thank you for joining us.

We’re reporting on another challenging quarter today, and another challenging year for the industry. But for BP it’s been a very eventful quarter and one where we’ve continued to make good progress on many fronts.

We certainly had a busy end to 2016 – and I’ll spend some time in a moment on that and our other actions to get back to growth.

As usual Brian will take you through the detail of our fourth-quarter numbers and provide an update on our guidance for 2017. I’ll come back to briefly update you on the progress in our Upstream and Downstream businesses. And at the end Brian, Jess and I will take any questions you have.

But first I’d like to take a look at the environment.



By the end of last year we were seeing Brent oil prices around where they are today in the mid-$50s but in 2016 the average oil price was $44 per barrel, the lowest for twelve years. Henry Hub gas prices were also weak in 2016, averaging $2.50 per million British Thermal Units for the year and the refining marker margin, at $11.80 per barrel, was the lowest since 2010.

As we stand today, Brent oil prices have risen by around $10 per barrel since the OPEC deal was announced. We still expect oil demand growth to be strong this year at 1.3 million barrels per day, with modest growth in non-OPEC supply – which means the timing and extent of market rebalancing depends heavily on OPEC behaviour.

The physical market has begun to tighten with inventories falling a little faster than seasonal norms. However, OECD inventories at the end of 2016 were still close to 3 billion barrels, significantly higher than their recent historic average. We expect much of the historical inventory overhang to be eroded by the end of 2017 if OPEC and non-OPEC producers deliver on their promised production cuts. Any shortfall could delay this process and does still pose some downside risk to prices in the near term.

So while we remain optimistic about the market continuing to rebalance in 2017, we recognise that this could take some time. In short, the road to a more balanced position still has uncertainties.

We are very aware of these uncertainties, but as you'll hear today, we are confident in our resilience to the environment and we are continuing to build momentum in our businesses.

Group full-year 2016 results

- Underlying replacement cost profit of $2.6bn(1)
- Underlying operating cash flow of $17.8bn(2)
- Organic capital expenditure of $16.0bn(3)
- Divestment proceeds of $3.2bn(4)
- Gearing at 27%, within target range of 20% to 30%
- Dividend paid of $4.6bn
- Reserves replacement ratio 109%(5)

(1) *Post-tax underlying replacement cost profit. See Stock Exchange Announcement (SEA) for further information on the basis of the calculation*
(2) *Underlying operating cash flow is net cash provided by (used in) operating activities excluding pre-tax Deepwater Horizon payments*
(3) *Capital expenditure excluding acquisition and asset exchanges, and the renewal of the 10% interest in the Abu Dhabi onshore oil concession, as noted in the SEA*
(4) *Includes proceeds of $570 million cash received for sale of partial shareholding in Castrol India which are reported as a financing item in the SEA*
(5) *Combined basis of subsidiaries and equity-accounted entities, including the impact of the Abu Dhabi renewal*

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Turning to our results, the slide you are seeing now is a summary of our full-year 2016 results for the Group as a whole.

Our underlying replacement cost profit was $2.6 billion for the year.

Our underlying operating cash flow, excluding oil spill related payments was $17.8 billion for the year. This was 12% lower than last year but represents strong performance in these tough market conditions.

Organic capital expenditure in 2016 was $16.0 billion excluding the consideration for our recently announced renewal of 10% of the Abu Dhabi ADCO concession. Proceeds during the year from divestments totalled $3.2 billion.

Gearing at the end of the year was just under 27%.

We distributed $4.6 billion in cash to shareholders through dividends.

And finally, our reserves replacement ratio for 2016 is estimated at 109%, including the impact of the Abu Dhabi concession renewal.

2016 highlights: a year in perspective

- Strong progress towards rebalancing the financial frame
- Deepwater Horizon commitments clarified - now fully focused on the future
- Six Upstream major project start-ups
- Our biggest Downstream fuels launch in a decade
- Resource progression and creative portfolio actions

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Putting these numbers in perspective, we finished the year ahead of where we expected to be at this point in rebalancing our organic financial frame, supported by the significant and rapid structural changes we've made to our cost base. Our organic capital expenditure of $16.0 billion was well below our original guidance of $17-19 billion for the year. As well, we reached our controllable cash cost reduction target of $7 billion versus 2014, a year early. So looking over the course of the year we are pleased with our underlying financial progress despite the very weak environment. Brian will give you some more detail on this in a minute.

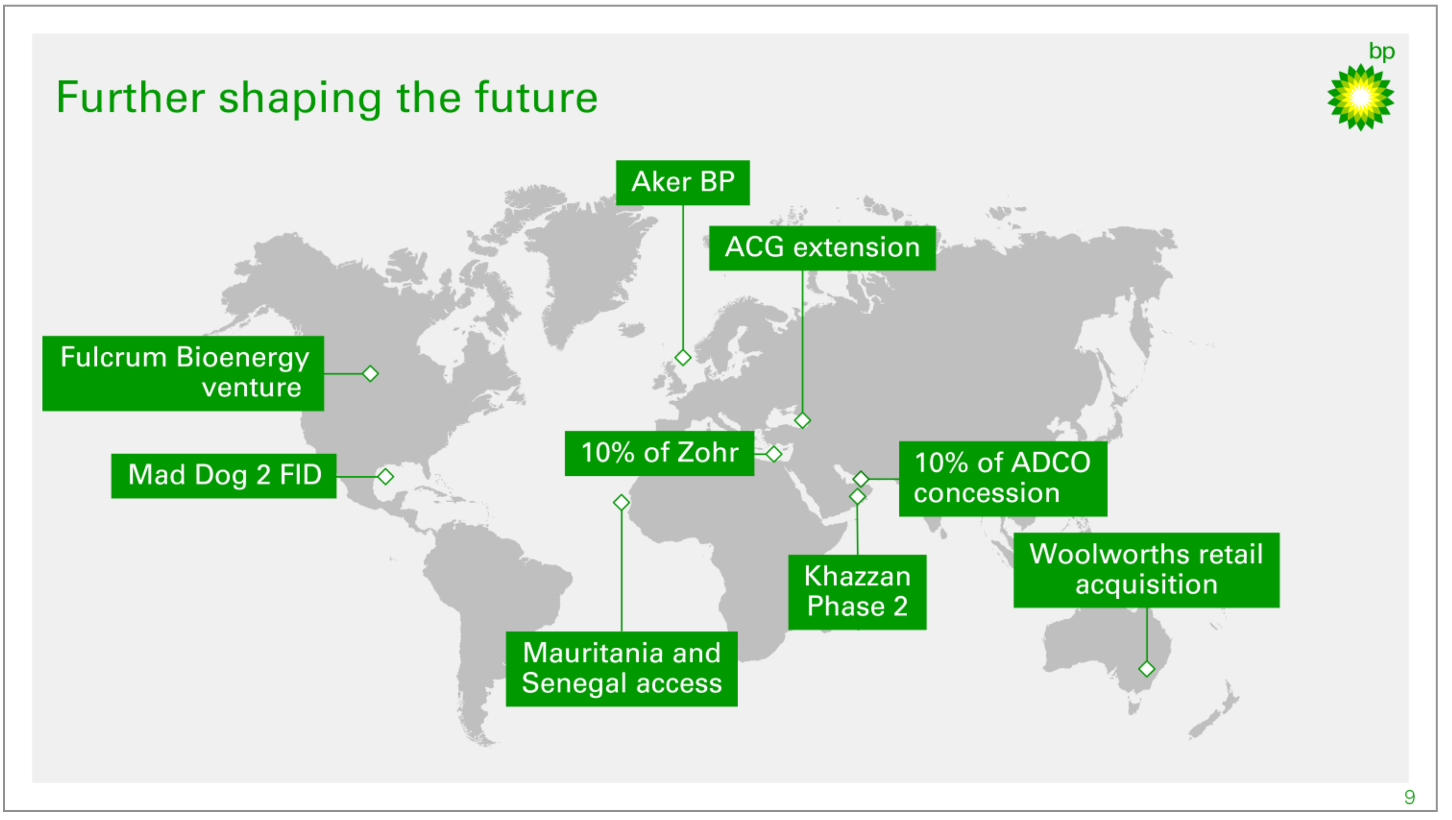
More broadly, we've had a very busy and eventful year.

We have clarified the remaining material uncertainties around our Deepwater Horizon liabilities. This has allowed us to put more of our energies into shaping a strong future for the Group.

In the Upstream, progress is visible with six major project start-ups completed in 2016, including the early start-up of the Thunder Horse South Expansion in the Gulf of Mexico. This supports our aim to drive material growth in free cash flow from this business over the medium term.

In the Downstream, we rolled out our biggest fuels launch in a decade. The new Ultimate fuels range is just one example of the differentiated customer offers helping to underpin material and reliable earnings growth in our marketing businesses.

And, most significantly, we have made big strides in creating a stronger platform for growth. We have moved forward a number of the high quality development options you are already familiar with. We have deepened our incumbent interests in some specific areas we consider to be very strategic. And we have added to our portfolio with some creative new partnerships and some exciting new opportunities.



This slide pulls together some of our key activities last year, many of which came in a busy final quarter for announcements.

Earlier in the year we completed the merger of our Norwegian North Sea portfolio with Det Norske to form Aker BP. The new company is now well established and we believe it has the potential to grow its production to around a quarter of a million barrels a day by the early 2020s.

More recently, we were awarded a 10% interest in Abu Dhabi's ADCO concession which provides us with material long-term on-shore oil reserves, low-cost oil production and cash flows. These are resources that we already understand well, which will add resilience and production to our Upstream portfolio out to 2055.

You may have also seen that we agreed to acquire world-class working interests in discoveries in Mauritania and Senegal giving us a leadership position in these emerging, low-cost gas basins which we know can be produced competitively.

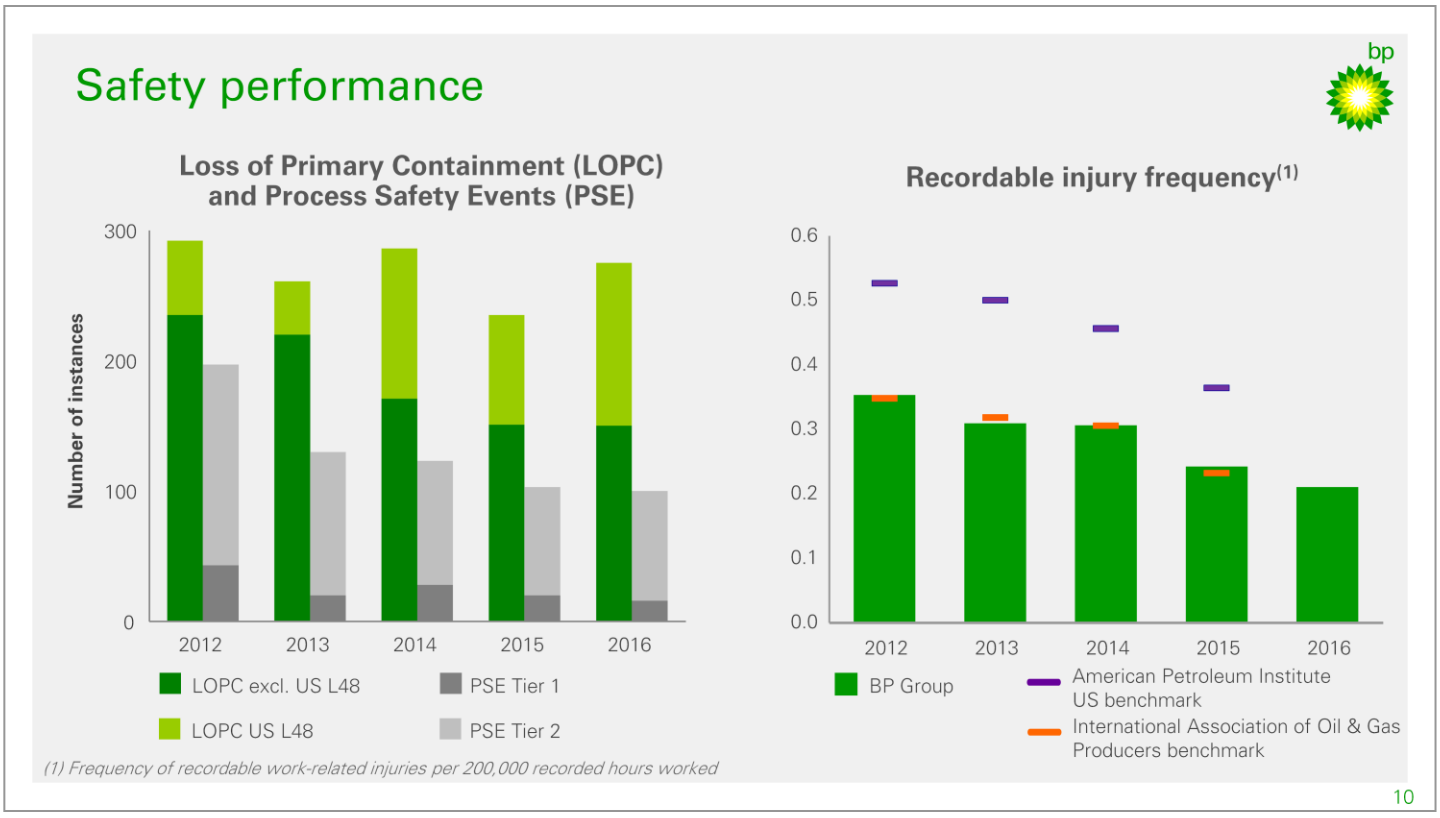
And in the Gulf of Mexico we gave Mad Dog 2 the go-ahead after three years of work to bring costs down to $9 billion, which is around 60% lower than the original figure. We expect this to add around 140 thousand barrels a day gross of oil equivalent capacity, supporting our post 2020 returns-focused growth.

We are also expanding other incumbent positions where we see opportunities for greater growth. Our purchase of a 10% share in the giant offshore gas field Zohr is an example of this as it complements our existing large gas portfolio in Egypt.

We also reached agreement with the government of Oman for phase two of the Khazzan gas project. And in Azerbaijan we will continue to build on the success of the Azeri-Chirag-Gunashli oil field following the signing of a letter of intent to extend development out to 2050.

In the Downstream we announced a new strategic partnership with Woolworths, one of Australia's largest supermarket retailers. Subject to regulatory approvals, this will see us acquiring and operating over 500 fuel and convenience sites as well as establishing a new convenience retail partnership. You may have also seen the partnership we entered into with Fulcrum Bioenergy, a pioneer in the development of low-carbon jet fuel.

Taken together, all of these opportunities are building the resilience, competitiveness and balance of our global portfolio. They are helping shape the future of the Group and getting us back to growth.



So we have been busy but our commitment to keeping our people and operations safe has remained our top priority.

This slide shows our progress at the Group level.

Overall the data suggests we have maintained the progress made in previous years and are seeing improvements in some key measures.

Tier 1 and Tier 2 Process Safety Events are industry standard process safety metrics. In 2016 we had 20% fewer Tier 1 events than in 2015 while the total number of Tier 2 events was broadly flat with 2015.

Turning to Losses of Primary Containment, or LOPCs. These refer to releases of any hazardous material from primary containment, including very small ones. LOPCs increased in our Lower 48 business, partly due to difficult winter operating conditions, but were broadly flat elsewhere.

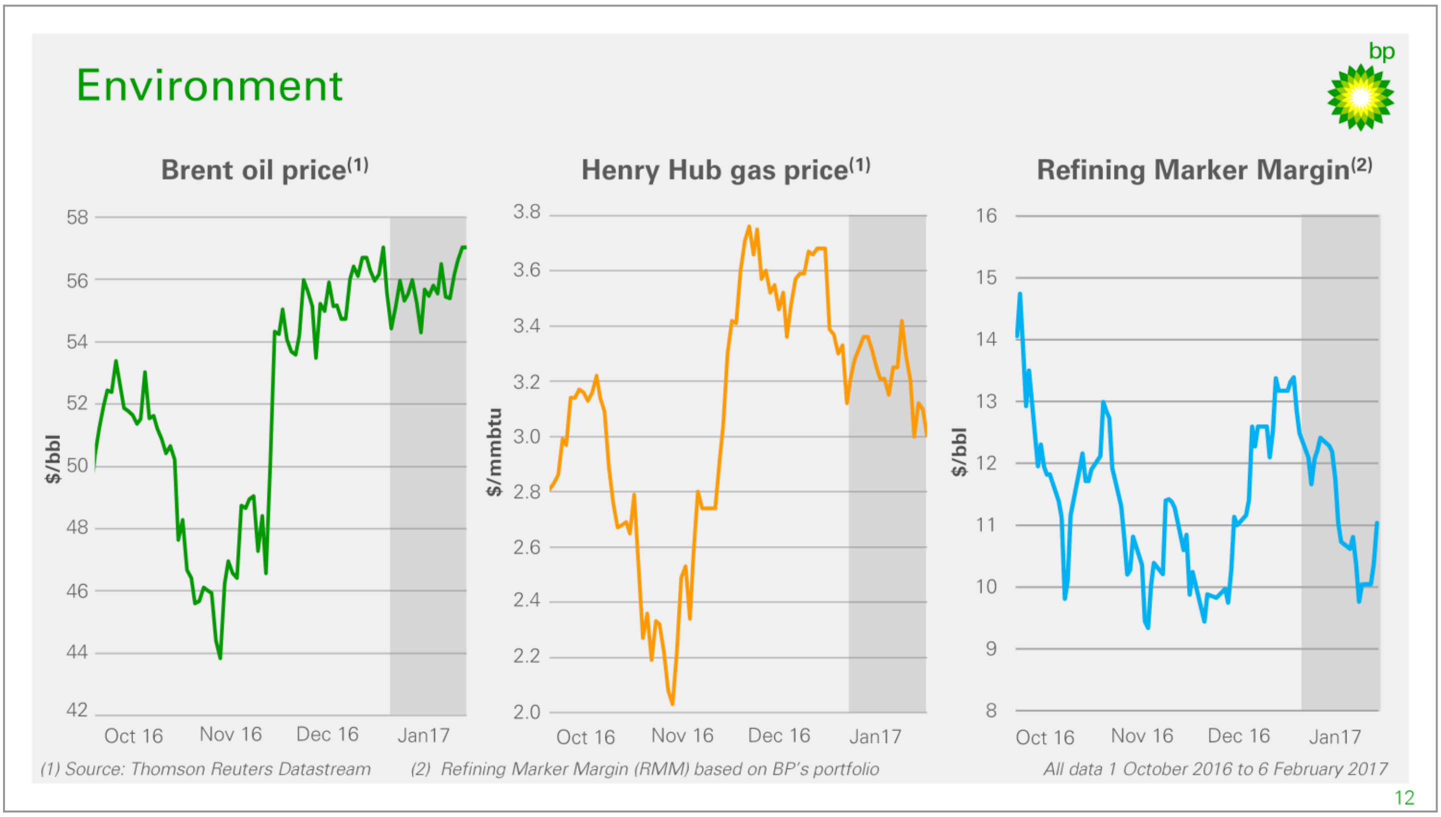
Looking at personal safety, our Recordable Injury Frequency rate has reduced in 2016. This continues a pattern of improvement in this area over a number of years.

As I will never tire of saying, safety is at the heart of all we do. We are not going to be satisfied while we are having any accidents or harming our people. We know there is always more to do.

With that I'll hand over to Brian to take you through the numbers.


Brian Gilvary
Chief Financial Officer
bp
THIALF
Juniper, Trinidad

Thanks Bob.



Looking more specifically at the oil price for the fourth quarter.

Brent crude averaged $49 per barrel in the fourth quarter, up from $46 per barrel in the third quarter. Following the production cut announced by OPEC and non-OPEC producers at the end of November, the oil price showed strong momentum and is now comfortably above $50 per barrel.

United States gas prices rallied in the fourth quarter, due to sustained falls in production and continued growth in demand. Henry Hub averaged $3.00 per million British Thermal Units, up from $2.30 a year ago and $2.80 in the third quarter.

The fourth-quarter global refining marker margin remained weak at $11.40 per barrel, compared to $11.60 per barrel in the third quarter and $13.20 per barrel a year ago.

Looking ahead we expect the stronger outlook for both oil and gas prices to support improved realisations in our Upstream business this year.

Although refining utilisation is likely to remain weak, we expect margins to recover slightly in 2017 due to lower product stocks, but to still be well below the very high margins of 2015.

4Q 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	4Q15	3Q16	4Q16	% Y-o-Y	% Q-o-Q
Upstream	(0.7)	(0.2)	0.4		
Downstream	1.2	1.4	0.9		
Other businesses & corporate	(0.3)	(0.3)	(0.4)		
Underlying business RCPBIT(1)	**0.2**	**0.9**	**0.9**	**347%**	**(10)%**
Rosneft(2)	0.2	0.1	0.1		
Consolidation adjustment - unrealised profit in inventory	0.1	0.0	(0.1)		
Underlying RCPBIT(1)	**0.5**	**1.1**	**0.9**	**74%**	**(21)%**
Finance costs(3)	(0.3)	(0.4)	(0.4)		
Tax	0.0	0.2	(0.1)		
Minority interest	0.0	0.0	(0.0)		
Underlying replacement cost profit	**0.2**	**0.9**	**0.4**	**104%**	**(57)%**
Underlying operating cash flow(4)	**5.9**	**4.8**	**4.5**	**(25)%**	**(8)%**
Underlying earnings per share (cents)	**1.1**	**5.0**	**2.1**	**97%**	**(58)%**
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 pre-tax Deepwater Horizon payments

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Turning now to the results.

BP's fourth-quarter underlying replacement cost profit was $400 million compared with $200 million a year ago and $930 million in the third quarter of 2016.

Compared to a year ago, the result reflects:

- Lower cash and non-cash costs across the Group; and
- Higher Upstream liquids realisations.

Partly offset by:

- Weaker refining margins; and
- A higher level of turnaround activity.

Compared to the previous quarter, the result reflects:

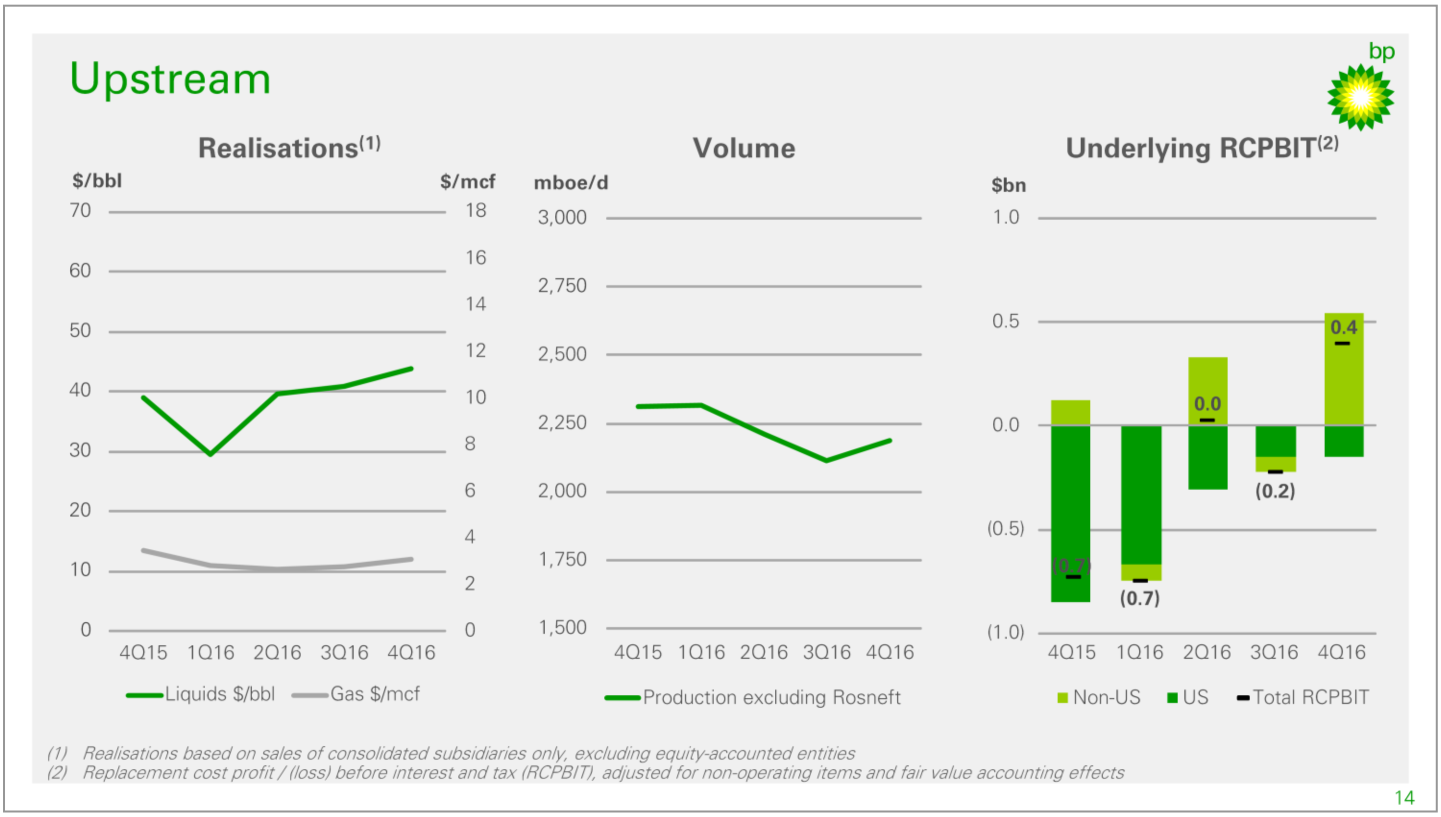
- The absence of the one-off UK tax benefit reported in the third quarter;
- A weaker supply and trading result; and
- Higher turnaround activity.

Partly offset by:

- Higher Upstream oil and gas realisations.

Fourth-quarter underlying operating cash flow, which excludes Gulf of Mexico oil spill payments, was $4.5 billion.

The fourth-quarter dividend, payable in the first quarter of 2017, remains unchanged at 10 cents per ordinary share.



In Upstream, the fourth-quarter underlying replacement cost profit before interest and tax of $400 million compares with a loss of $730 million a year ago and a loss of $220 million in the third quarter of 2016.

Compared to the fourth quarter of 2015 the result mainly reflects:

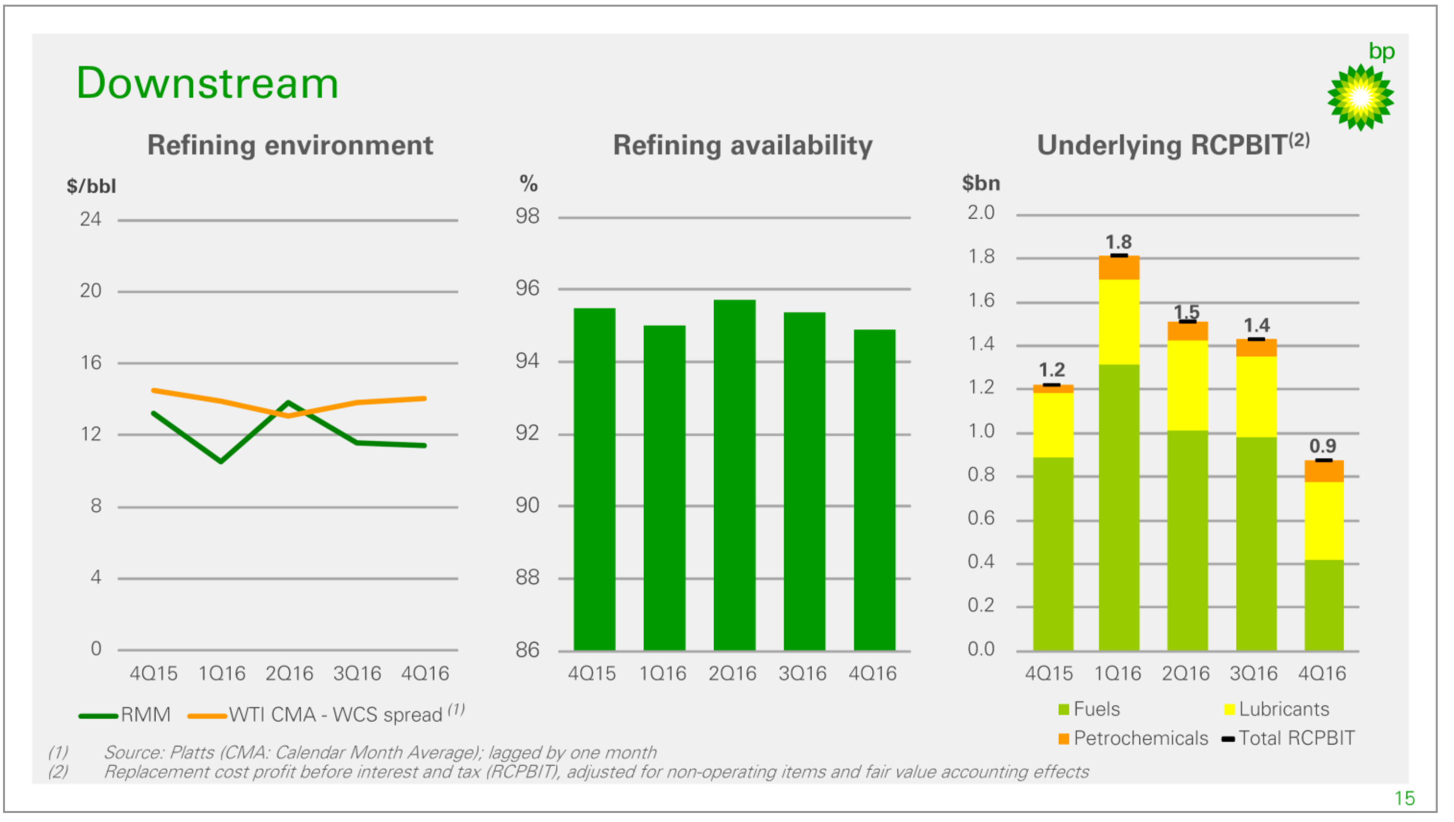
- Lower costs including the benefits of simplification and efficiency activities;
- Lower exploration write-offs; and
- Higher liquids realisations.

Excluding Rosneft, fourth-quarter reported production versus a year ago was 5.5% lower. After adjusting for entitlement and portfolio impacts, underlying production increased by 1.8%, largely reflecting major project ramp-ups.

Compared to the third quarter, the result mainly reflects:

- Higher liquids and gas realisations; and
- Lower rig cancellation and one-off charges.

Looking ahead, we expect first-quarter 2017 reported production to be higher than the fourth quarter of 2016 reflecting the impact of the Abu Dhabi concession renewal.



Now turning to Downstream, the fourth-quarter underlying replacement cost profit before interest and tax was $880 million compared with $1.2 billion a year ago and $1.4 billion in the third quarter.

The Fuels business reported an underlying replacement cost profit before interest and tax of $420 million in the fourth quarter, compared with $890 million in the same quarter last year and $980 million in the third quarter.

Compared to a year ago this reflects:

– A significantly weaker refining environment; and

– A particularly large turnaround at our Whiting refinery which had a significant impact in the quarter.

These adverse effects were partly offset by:

– Higher refining margin capture in our operations;

– Increased fuels marketing performance driven by retail growth; and

– Lower costs reflecting the benefits from our simplification and efficiency programmes.

Compared to the third quarter the result reflects:

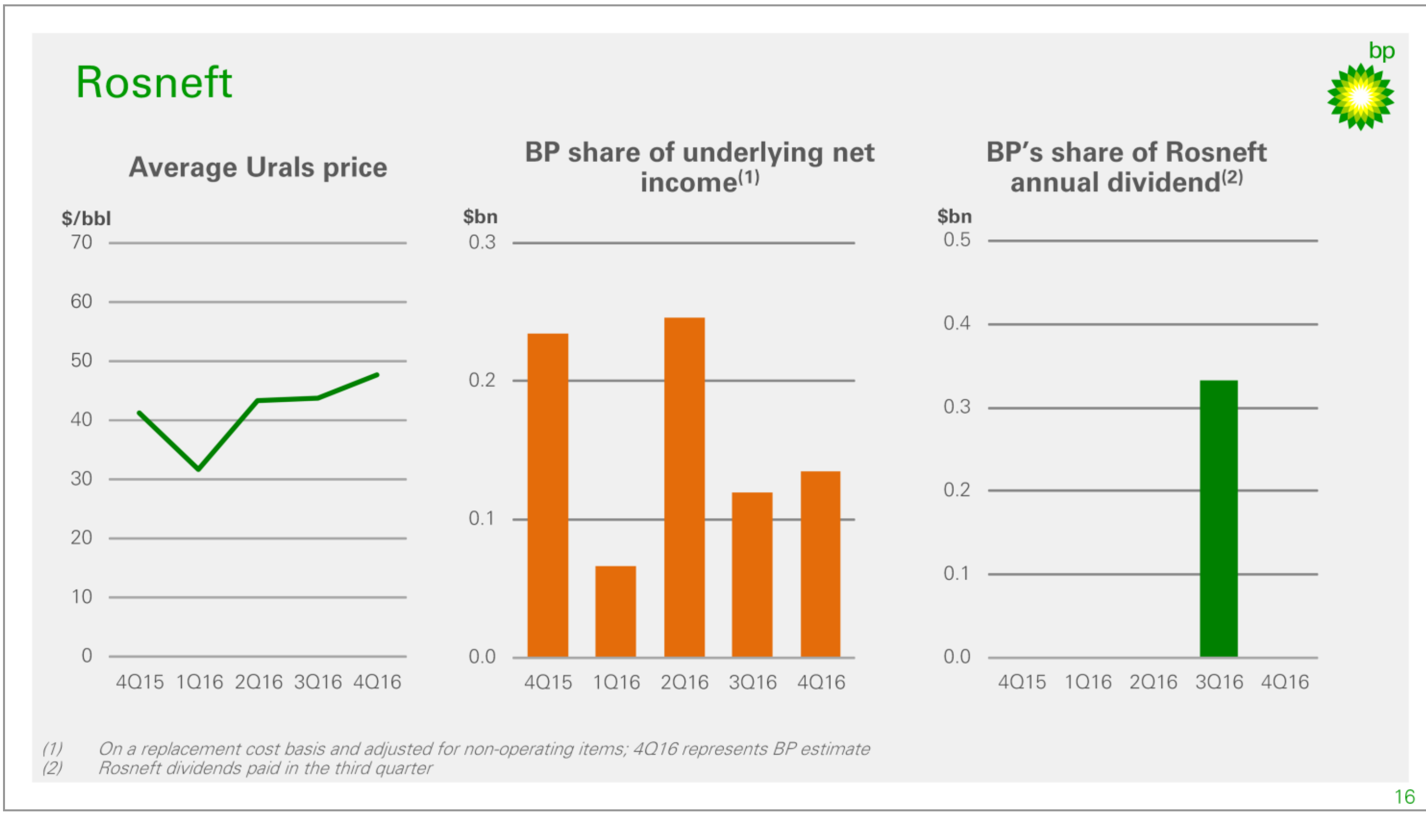
– A significantly weaker supply and trading performance; and

– The impact of the Whiting turnaround which I previously mentioned.

The Lubricants business reported an underlying replacement cost profit of $360 million in the fourth quarter, compared with $290 million a year ago and $370 million in the third quarter. This result brings our full year pre-tax earnings to a record $1.5 billion.

The Petrochemicals business reported an underlying replacement cost profit of $100 million in the fourth quarter. This brings our full year pre-tax earnings to $380 million compared with $170 million in 2015.

Looking to the first quarter of 2017, we expect a similar level of refining margins and lower turnaround activity compared with the fourth quarter.



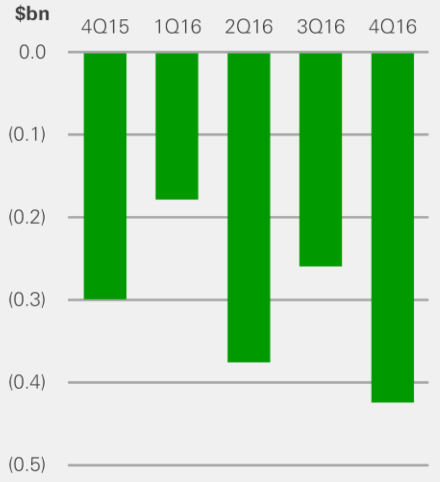
Based on preliminary estimates, we have recognised $135 million as BP's share of Rosneft's underlying net income for the fourth quarter compared with $120 million last quarter. This reflects higher Urals prices and duty lag benefits partially offset by higher expected tax impacts.

Our estimate of BP's share of Rosneft's production for the fourth quarter was 1.2 million barrels of oil equivalent per day, an increase of 12% compared with a year ago and an increase of 12% compared with the previous quarter. The increase reflects the completion of the acquisition of Bashneft and Rosneft's increased stake in the Petromonagas joint venture.

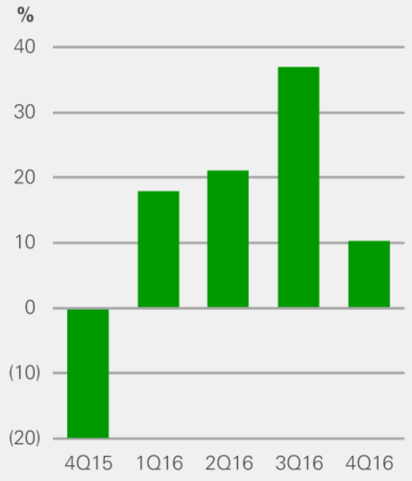
Further details will be available when Rosneft report their fourth-quarter results.

Other items

OB&C underlying RCPBIT[1]



Adjusted effective tax rate[2]



(1) Other businesses and corporate replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items
(2) Effective tax rate on replacement cost profit adjusted to remove the effects of non-operating items, fair value accounting effects and the reduction in the rate of the UK North Sea supplementary charge in 3Q16

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In Other Businesses and Corporate, the pre-tax underlying replacement cost charge was $420 million for the fourth quarter, an increase of $120 million on the same period a year ago reflecting adverse foreign exchange impacts. The average quarterly charge during 2016 was $310 million, in line with guidance.

The adjusted effective tax rate for the fourth quarter was 10% compared with 37% last quarter. This mainly reflects the reassessment of deferred tax asset positions partly offset by foreign exchange impacts. The adjusted effective tax rate for 2016 was 23% compared to 31% for 2015, excluding the impact of the North Sea tax changes in both years.

Gulf of Mexico oil spill costs and provisions

pre-tax[1]

$bn	To end 2015	FY 2016	Cumulative to date
Income statement			
Charge for the period	**55.5**	**7.1**	**62.6**
Balance sheet[2]			
Brought forward		**18.8**	
Charge to income statement	55.5	7.1	62.6
Payments into Trust Fund	(20.0)	-	(20.0)
Cash settlements received	5.4	-	5.4
Other related payments in the period[3]	(22.0)	(7.1)	(29.1)
Carried forward	**18.8**	**18.8**	**18.8**
Cash outflow	**36.7**	**7.1**	**43.8**

(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 fourth-quarter SEA

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

The total cumulative pre-tax charge for the incident is $62.6 billion – or $44.1 billion after tax.

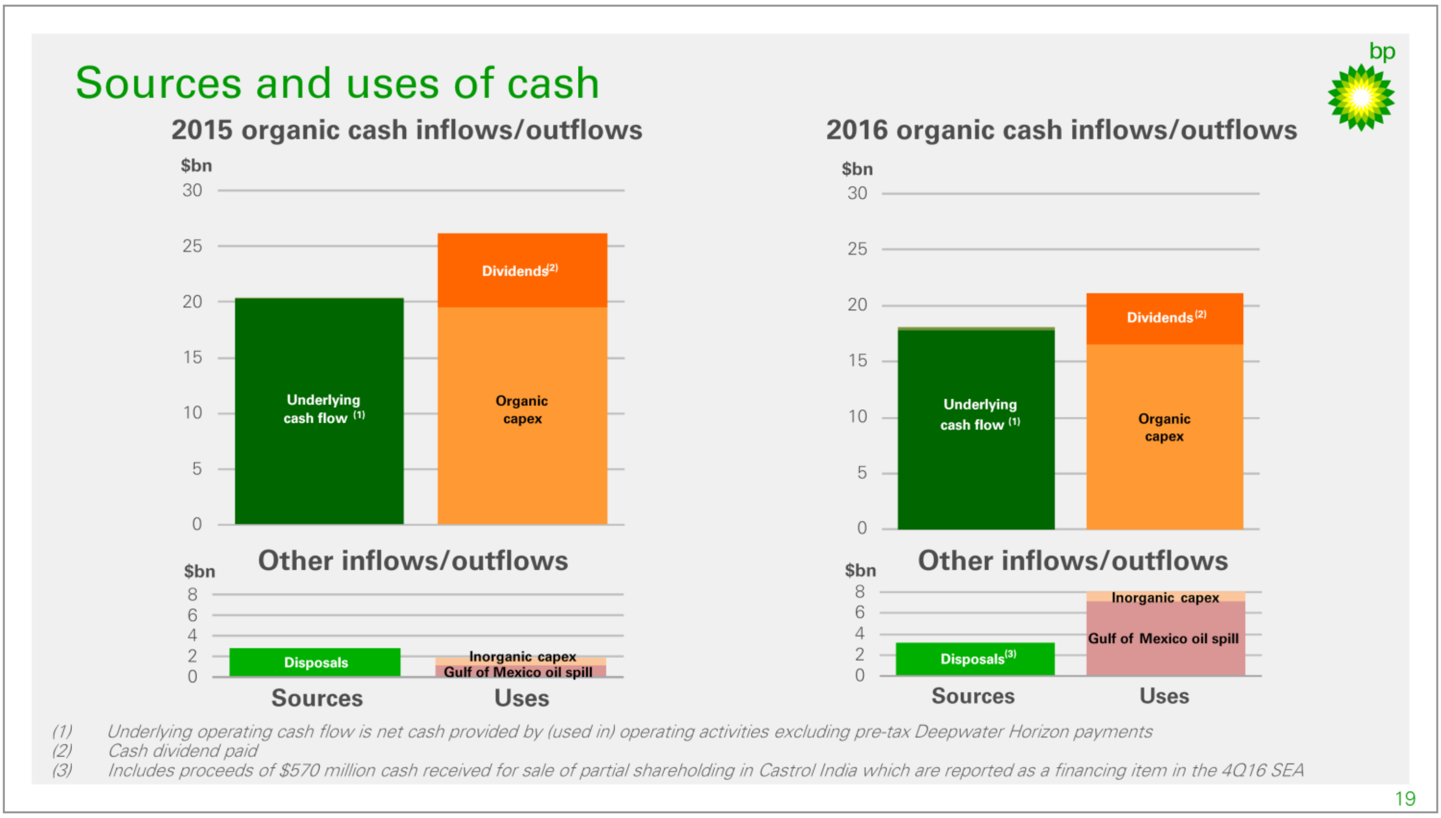
The charge taken for the fourth quarter was $800 million pre-tax – or $530 million after tax. This reflects:

– Our latest estimate for claims, including Business Economic Loss claims and other costs; and

– The ongoing unwind of discounting effects on the provision which have no impact on cash.

Significant progress has been made in the fourth quarter and we are moving towards completion of the process for resolving Business Economic Loss claims. Amounts to resolve the remaining claims are expected to be substantially paid this year. We have revised our provision for these claims to reflect our best estimate of the cost of the remaining claims.

The pre-tax cash outflow on costs related to the oil spill for the full-year 2016 was $7.1 billion.



Looking next at cash flow, this slide compares our sources and uses of cash in 2015 and 2016.

Underlying operating cash flow, which excludes pre-tax oil spill related outgoings, was $17.8 billion in 2016, of which $4.5 billion was generated in the fourth quarter. This includes a working capital release of $3.2 billion for the year, with $2.0 billion in the fourth quarter.

Organic capital expenditure for the full year of $16.0 billion, included $4.5 billion for the fourth quarter.

Divestment proceeds totalled $470 million in the fourth quarter and $3.2 billion for the year, including $570 million from the partial sale of the Group's shareholding in Castrol India.

Gulf of Mexico oil spill payments were $2.0 billion in the fourth quarter bringing full year 2016 cash payments to $7.1 billion.

We estimate that the cash impact of non-operating restructuring charges was around $1.0 billion in 2016, with around $2.0 billion since the fourth quarter of 2014.

As Bob noted, cash flow delivery from our operations was robust despite the much weaker environment, supported by delivering on our $7 billion cash cost reduction target a year ahead of plan. As well, organic capital expenditure for the year was well below our original guidance. So we ended the year ahead of where we expected to be on rebalancing organic sources and uses of cash. This helped mitigate the net inorganic outflow that arose due to a re-phasing of divestment proceeds previously expected in 2016 into 2017, and Deepwater Horizon cash payments that were higher than we anticipated for 2016, mainly due to the faster resolution of claims.

Net debt at year end was $35.5 billion and gearing was at 27%, comfortably within our 20-30% target band.

Financial framework for 2017

- Underlying operating cash flow to reflect
  - A stronger outlook for the environment
  - Growth and continuous underlying performance improvement
  - Reduced cash impact from restructuring

	2016	2017	2018 +
Organic capital expenditure	$16.0bn[(1)]	$16-17bn	Strong capital discipline
Divestments	$3.2bn	$4.5-5.5bn	Ongoing $2-3bn p.a.
Deepwater Horizon cash payments	$7.1bn	$4.5-5.5bn	~$2.0bn in 2018 Stepping down thereafter

(1) Excluding renewal of the 10% interest in the Abu Dhabi ADCO concession

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In 2017 we see a number of factors impacting our financial framework.

In addition to what we anticipate will be a stronger environment compared to 2016, we expect Group operating cash flow to reflect the full cumulative effect of having already reached our $7 billion cash cost reduction target. It will also reflect the ongoing focus on continuous efficiency improvement across the Group. With our portfolio now growing, this will show up in future mostly in the unit cost metrics of our businesses.

Non-operating restructuring charges are expected to continue into 2017 although we expect the cash flow impact to be lower than last year.

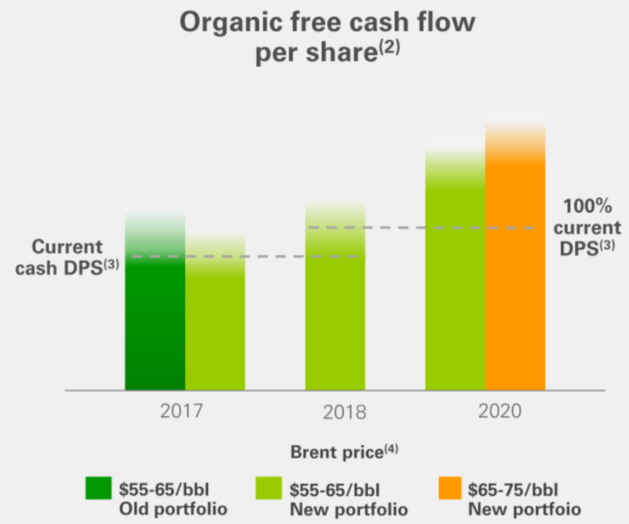
We now expect 2017 organic capital expenditure to be between $16-17 billion including the estimated operational capital spend for our portfolio additions. This compares to previous guidance towards the lower half of a $15-17 billion range for the old portfolio. In addition we expect some $700 million of inorganic cash outflow in 2017 related to these already announced transactions.

Compared to 2016, we expect divestment proceeds to be higher in 2017, in the range of $4.5-5.5 billion for the year and then reducing from 2018 to a more typical $2-3 billion per annum.

At the same time, we estimate the Deepwater Horizon cash payments to be lower than last year, also in the range of $4.5-5.5 billion. As already noted, we expect the remaining Business Economic Loss claims to be substantially paid this year. We therefore expect the total Deepwater Horizon cash payments to fall sharply to around $2 billion in 2018, and to then step down to a little over $1 billion per annum from 2019 onwards.

Repositioned for free cash flow growth

- Re-establishing balance in our financial frame at around $60/bbl by the end of 2017[1]
- Strong business momentum
- Gearing within a 20-30% band
- Sustaining the dividend and growing distributions to shareholders over the long term



(1) 2017 based on: $3mmbtu Henry Hub; and $13/bbl RMM. Including new portfolio additions
(2) Organic free cash flow: operating cash flow excluding Gulf of Mexico oil spill payments less organic capex. In USD cents per ordinary share
(3) DPS: dividend per ordinary share
(4) Brent prices real

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So putting all of this into context.

We remain firmly focused on re-establishing a balance in our financial framework where operating cash flow covers capital expenditure and the current dividend at the prevailing oil price.

The strong progress we have made to date in structurally rebalancing our financial frame is allowing us to maintain our dividend and underpins our confidence in pursuing the inorganic transactions already noted by Bob. This is consistent with our aim to retain the dividend at a level we believe is supported by the long-term cash generating potential of our businesses, while balancing investment to ensure we can grow free cash flow over the long term.

As already discussed, we expect the environment to remain uncertain for a while yet and we have the usual seasonal trends in our business to navigate. Our recently announced portfolio additions are accretive to cash flow over the longer term but create additional cash outflow in the early years. So current oil prices notwithstanding, we anticipate rebalancing at the prevailing oil price towards the back end of the year. This also coincides with the mostly second half start-up of our extensive programme of new Upstream major projects. Including the impacts of our announced portfolio additions, this translates to balancing organically by the end of the year at a Brent oil price of around $60 per barrel.

Our balance sheet has the flexibility to deal with near-term fluctuations. For this year we will retain the option of scrip as an un-discounted alternative to our cash dividend. We continue to target gearing within a 20-30% band going forward, monitoring our cash inflows and outflows closely. Over the near term we will explore further funding mechanisms or divestments if required to enhance cover and retain flexibility to take further advantage of growth enhancing opportunities.

Looking further out, and based on our new portfolio, we expect organic free cash flow to start to grow at around this same price level. We expect this to be supported strongly over the medium term by the ramp-up of our new slate of Upstream project start-ups, strong marketing growth and from the accretive effects of our enhanced portfolio. As noted in October, once rebalancing is achieved, we would look to address the dilution that arises from the scrip dividend alternative. We will then aim to ensure the right balance between disciplined investment for even stronger growth and growing distributions to shareholders over the longer term.

2017 Guidance

bp

	Full year 2016 actual	Full year 2017 guidance
Production (excluding Rosneft)[1]	2,208 mboed	higher than 2016 (underlying)
Organic capital expenditure	$16.0bn[2]	$16-17bn
DD&A[3]	$14.5bn	higher than 2016
Other businesses and corporate average underlying quarterly charge	$310m	~$350m
Effective tax rate[4]	23%	~40%

(1) The actual reported number will depend on divestments, OPEC quotas, and entitlement impacts in production-sharing agreements
(2) Excluding the renewal of the 10% interest in the Abu Dhabi ADCO concession
(3) Depreciation, Depletion and Amortisation (DD&A)
(4) Effective tax rate on underlying replacement cost profit; guidance based on current portfolio of assets; 2016 adjusted to remove reduction in the rate of supplementary charge in the UK North Sea

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This slide summarises our remaining guidance for 2017.

We expect full-year underlying production in 2017 to be higher than 2016 primarily due to our major project start-ups. We also expect actual reported production to be materially higher as this will include the renewal of the Abu Dhabi concession, although the actual outcome will also depend on divestments, OPEC quotas and entitlement impacts.

In 2017 we expect DD&A to be higher than the 2016 charge of $14.5 billion, mainly reflecting the impact of the Abu Dhabi concession renewal.

In Other Businesses and Corporate, the average underlying quarterly charge is expected to be around $350 million, although this may fluctuate between individual quarters.

From the first quarter of 2017 we will recognise our 10% share of the Abu Dhabi concession on a pre-tax basis within the Upstream. We expect this will have a material impact on Upstream pre-tax underlying replacement cost profit but will also reflect in a higher effective tax rate for the Group.

In the current environment we expect the effective tax rate to be in the region of 40% in 2017 mainly reflecting the inclusion of the Abu Dhabi concession.

We will publish our updated rules of thumb on our website later this quarter.

I'll now hand you back to Bob.

Thanks Brian.

Upstream growing value: now and in the future

- Continued strong operational and drilling performance
- Six major projects started up
  - Thunder Horse South Expansion 11 months early
- Five FIDs and major projects progress
  - Mad Dog Phase 2
  - Juniper jacket and topsides installed
- Enhanced portfolio through new access and exploration success

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I'd now like to take a closer look at how our Upstream and Downstream businesses are contributing to the picture of growing resilience that Brian has set out.

Looking first at the Upstream, we achieved a lot in 2016 in a challenging price environment and continue to become a more resilient business. You can see this in improvements in our operating performance, the actions we have taken to reduce cost and capital spend, and through our active portfolio management.

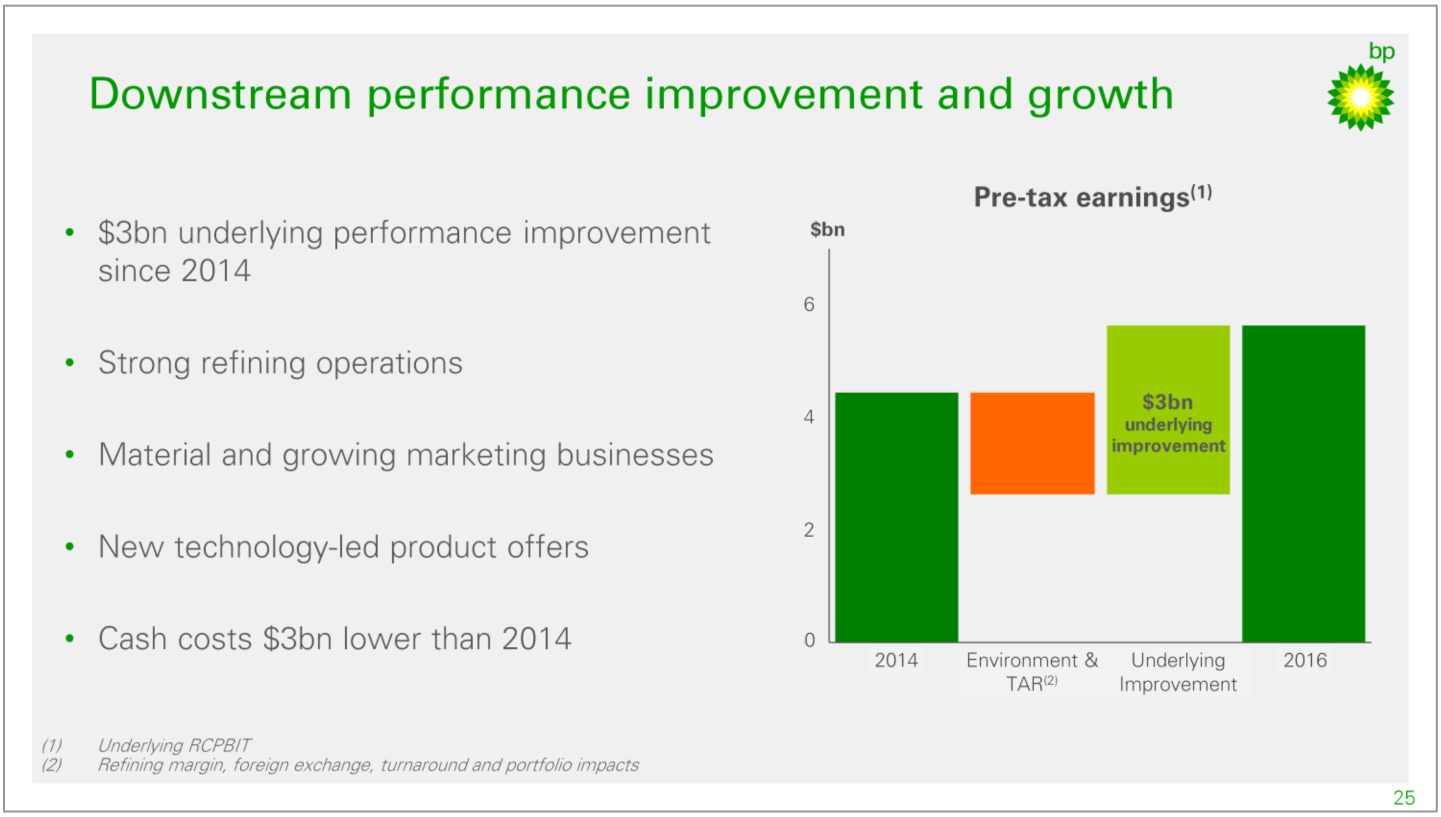
We continued to see strong operating performance in 2016 with plant reliability for operated assets at around 95%. All 11 turnarounds in 2016 were completed on or ahead of schedule. This was accompanied by strong drilling performance, with drilling and completion non-productive time reduced to around 20% compared to 26% in 2015.

I've already mentioned we had six start-ups last year, which makes 2016 a big year for major projects, with another big year to come. The first of the 2016 start-ups was in February, with the start-up of In Salah Southern Fields in Algeria. Then came Point Thomson in Alaska in April, the restart of Angola LNG and Thunder Horse Water Injection in the Gulf of Mexico, both in May, and in December the In Amenas Compression project in Algeria. Last on the list is the Thunder Horse South Expansion in the Gulf of Mexico which started 11 months ahead of schedule and $150 million under budget.

We also made Final Investment Decisions, or FIDs, on five major projects this year, including most recently the Mad Dog Phase 2 in the US Gulf of Mexico. Last month, we completed installation of the jacket and topsides for the Juniper project in Trinidad, marking a significant milestone for the project. This organic growth keeps us on track for the planned 800 thousand barrels of oil equivalent per day of new production from major projects by 2020, and contributes to growth beyond this.

In addition to the 2016 exploration discoveries previously announced in Egypt and Angola, we have made significant progress in enhancing our portfolio with significant new access through our agreement with Kosmos Energy in Mauritania and Senegal, again the 10% share in the Zohr field in Egypt, two new deepwater exploration blocks in the Saline basin in Mexico and our previously announced new access in China and Newfoundland, Canada.

So, 2016 was a busy year for the Upstream. With our recent announcements we now have a stronger and more diversified Upstream portfolio that lays the foundation for future growth.



In the Downstream, the execution of strategy has delivered another year of material underlying performance improvement. Full year pre-tax earnings of $5.6 billion are more than 25% higher than 2014 despite the refining environment being significantly weaker than 2014 and one of the weakest in the last 10 years.

This includes $3 billion of underlying performance improvement at constant margins since 2014, $1.2 billion of which was delivered in 2016. This demonstrates that we continue to expand the earnings potential of our business.

Our refining operational performance was strong with Solomon availability increasing to 95.3% for the full-year.

In the fourth quarter, we also completed the dissolution of our German joint operation with Rosneft. This will greatly simplify and refocus our refining business in the heart of Europe.

In our fuels marketing and lubricants businesses we saw continued growth in pre-tax earnings of more than 15% versus last year, reflecting underlying performance improvement and benefits from continued investment.

Across our Retail business, which is the most material element of our fuels marketing operations, volumes increased by 3% supported by the success of our new Ultimate fuels with ACTIVE technology and the expansion of our convenience partnerships with leading retailers.

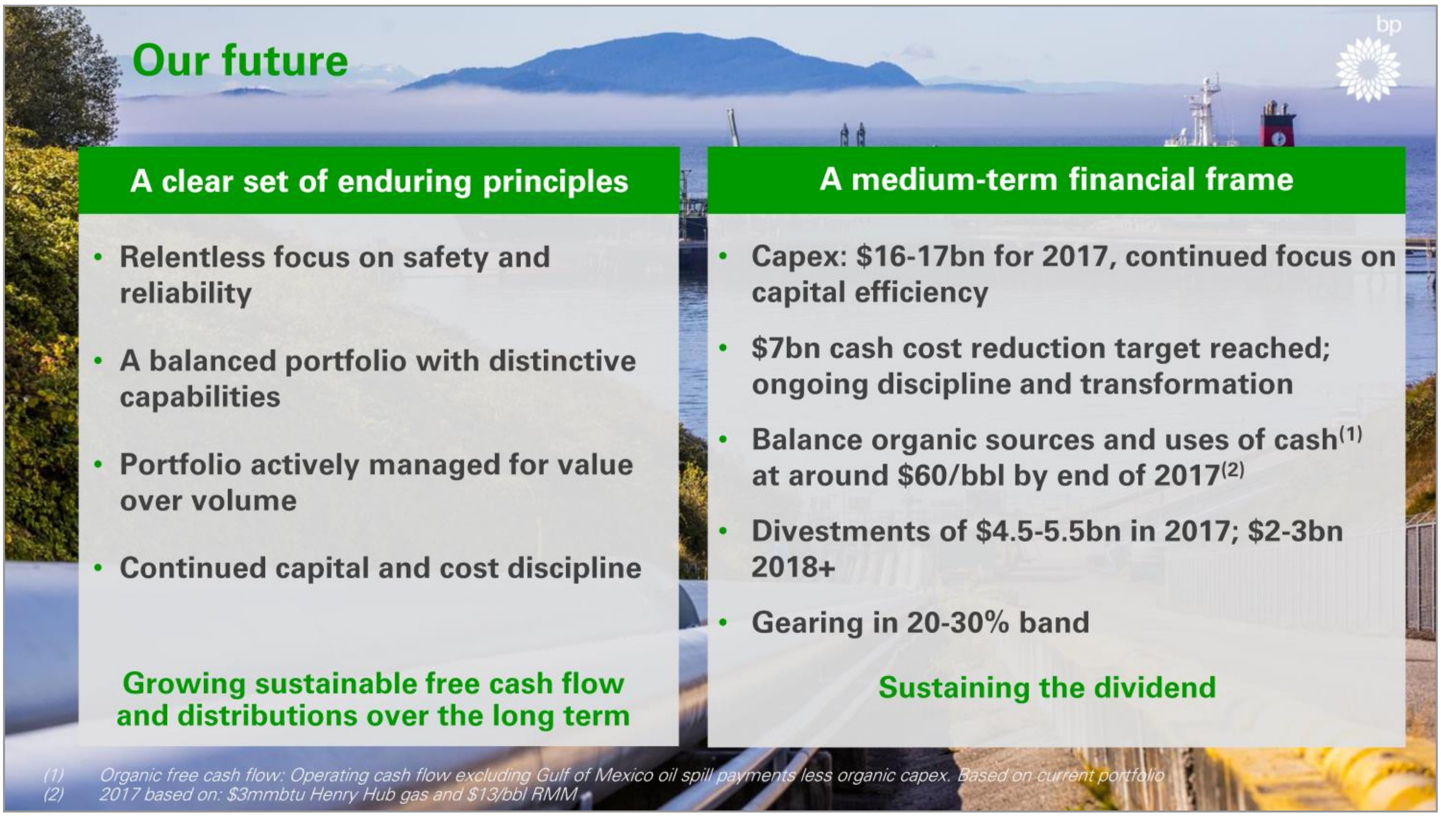
As I mentioned earlier, our recently announced strategic partnership with Woolworths in Australia demonstrates our strategy of growing our advantaged marketing businesses in important global markets. Once completed, it will provide additional earnings and operating cash flows to Downstream.

In Lubricants, this year we had record pre-tax earnings. We had good growth across our growth markets and premium brands, such as Castrol.

And, through technology we continued to develop new offers and lower carbon products for our customers. In addition to Ultimate fuels, we also launched new products in Lubricants and Petrochemicals.

Finally, total cash costs in the Downstream are now $3 billion lower than 2014, their lowest level in more than 10 years. This reflects the benefits, mainly from our simplification and efficiency programmes, along with some foreign exchange impacts.

In summary, 2016 has been another year of delivery for our Downstream business. It has continued to grow underlying earnings, is more resilient to the environment and has built a great platform for further exciting growth opportunities.



Now it's time we moved on to take some questions, but let me briefly sum up what you've heard from us.

First and foremost, our strong focus on safety and reliability is underpinning a track record of continually improving operational performance.

Second, we have been working systematically to a plan to rebase our capital and cash spend. As Brian laid out, the Group is moving steadily towards rebalancing our financial framework organically by the end of 2017 at around $60per barrel oil prices, which includes the operational impacts of our many recent portfolio announcements. Our balance sheet is sufficiently strong to deal with near term volatility, while also being flexible. That's why we have been able to be creative with our portfolio to step in and capture a set of strategic opportunities that will add value and enhance future earnings and cash flow for many, many years to come.

Third, we are increasingly resilient to all conditions, with that resilience coming from the progress we are making in focusing and simplifying both our Upstream and Downstream businesses.

Fourth, both Upstream and Downstream have been building capacity to deliver material and growing free cash flow for the Group over the medium term – even if the environment stays much where it is today.

Our confidence in this outlook allows us to continue to sustain our dividend.

Looking further out our primary objective remains to grow sustainable free cash flow and distributions to shareholders. We are looking forward to showing you more of the detail in our Strategy Update on the 28th of February. We aim to show you how we are building an even stronger platform for growth, how we are retaining a focus on returns and how we are shaping our longer term future in what we all know is a rapidly changing world.

So thank you very much for listening and we'll now open up for questions.

Q&A

Bob Dudley
Group Chief Executive

Brian Gilvary
Chief Financial Officer

Jess Mitchell
Head of Group Investor Relations