BP Full Year 2006 Results and Strategy Update

6 February 2007
John Browne
Group Chief Executive
Cautionary Statement

Forward Looking Statements Cautionary Statement
This presentation and the associated slides and discussion contain forward looking statements, particularly those regarding capital expenditure, capital investments, spending on integrity management, annual charges, cost inflation, production and impact of delays in projects on production, expected return to capacity of projects, share buybacks and other distributions to shareholders, group costs, divestment proceeds and their use, effective tax rate, future performance, gearing, growth opportunities, global economic growth, global oil demand growth, oil and gas prices, performance, oil and gas production, production growth, refining margins, refining availability and capacity, outlook for refining environment, the timing of major projects and their contribution to BP net resources and the application of technology. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this presentation.

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February 2007
Agenda

• Review of 2006
• Strategy and performance in context
• Trading environment
• 2007 priorities
  – Business updates
• Financial framework
• 2007 guidance
• Q&A
2006: Financial results

- Replacement cost profit
  - $22.3bn, up 15%
  - Per share 111.1¢, up 22%
- Post tax operating cash flow $28.2bn, up 5%
- Quarterly dividend per share 10.325¢
  - Up 5% vs. last quarter
  - Up 10% vs. last year
- Distributed $23.2bn to shareholders: $15.5bn by share buybacks
- Divestment proceeds of $6.3bn
- Gearing at 20%, bottom of target range
2006: Incidents and responses

- Texas City
  - Implementing Baker Panel’s process safety recommendations

- Prudhoe Bay and Thunder Horse
  - Embedding learning across the company

- Propane trading
2006: Milestones

• 2006 reserve replacement 113%
• 10 new discoveries including Kaskida, Titania, Urano and in Uvat area
• New upstream access: Pakistan, India and Oman
• Start-up of 9 new upstream projects
• Re-commissioning of Texas City continues
• Significant progress in Alternative Energy
• $3bn Whiting refinery investment sanctioned
Trading environment

### Oil realization

- **$/bbl**
- **1Q 2Q 3Q 4Q 1Q 2Q 3Q 4Q**
- **2005 2006**

### Gas realization

- **$/mcf**
- **1Q 2Q 3Q 4Q 1Q 2Q 3Q 4Q**
- **2005 2006**

### Refining indicator margin

- **$/bbl**
- **1Q 2Q 3Q 4Q 1Q 2Q 3Q 4Q**
- **2005 2006**

### Change vs. 2005

<table>
<thead>
<tr>
<th>Average realizations</th>
<th>Change vs. 2005</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil $/bbl</td>
<td>5%</td>
<td>23%</td>
</tr>
<tr>
<td>Natural gas $/mcf</td>
<td>(30)%</td>
<td>(4)%</td>
</tr>
<tr>
<td>Total hydrocarbon $/boe</td>
<td>(10)%</td>
<td>12%</td>
</tr>
<tr>
<td>Refining indicator margin $/bbl</td>
<td>(17)%</td>
<td>(2)%</td>
</tr>
</tbody>
</table>
## Financial results

### Change vs. 4Q 2005

<table>
<thead>
<tr>
<th>Results for the fourth quarter</th>
<th>$bn</th>
<th>%</th>
<th>% per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Replacement cost profit</td>
<td>3.9</td>
<td>(12)%</td>
<td>(6)%</td>
</tr>
<tr>
<td>• Profit including inventory gains/losses</td>
<td>2.9</td>
<td>(22)%</td>
<td>(16)%</td>
</tr>
<tr>
<td>• Net cash provided by operating activities</td>
<td>5.0</td>
<td>17%</td>
<td>24%</td>
</tr>
</tbody>
</table>

| £/ share                      |       |       |             |
| • Dividend to be paid next quarter | 10.325 | +10% |             |

### Change vs. 2005

<table>
<thead>
<tr>
<th>Results for full year</th>
<th>$bn</th>
<th>%</th>
<th>% per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Replacement cost profit</td>
<td>22.3</td>
<td>15%</td>
<td>22%</td>
</tr>
<tr>
<td>• Profit including inventory gains/losses</td>
<td>22.0</td>
<td>(2)%</td>
<td>4%</td>
</tr>
<tr>
<td>• Net cash provided by operating activities</td>
<td>28.2</td>
<td>5%</td>
<td>11%</td>
</tr>
</tbody>
</table>
Exploration & Production

- Lower gas realizations
- Lower volumes
- Sector specific inflation
- Greater integrity spend
- Higher non-cash costs
- TNK-BP
  - Absence of disposal gain
  - Lagged tax reference prices
- Non-Operating Items (NOI)
  - Embedded derivatives
Refining & Marketing

- Higher Texas City volumes
- Absence of rationalization charges
- Smaller fair value charge
- Higher turnaround costs and integrity spend
- Lower refining and marketing margins

<table>
<thead>
<tr>
<th>4Q 05</th>
<th>NOI</th>
<th>Underlying</th>
<th>4Q 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td></td>
<td></td>
<td>$m</td>
</tr>
<tr>
<td>(215)</td>
<td></td>
<td>(215)</td>
<td>365</td>
</tr>
<tr>
<td>50</td>
<td></td>
<td>Underlying result</td>
<td>(53)</td>
</tr>
<tr>
<td>(165)</td>
<td></td>
<td>Non-operating items</td>
<td>(165)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total result</td>
<td>312</td>
</tr>
</tbody>
</table>
Gas, Power & Renewables

- Lower NGL and marketing & trading contribution
- Smaller fair value gain
- Non-Operating Item (NOI)
  - Disposals

<table>
<thead>
<tr>
<th></th>
<th>4Q 05</th>
<th>NOI</th>
<th>Underlying</th>
<th>4Q 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax $bn</td>
<td>$0.1 m</td>
<td>$0.2 m</td>
<td>$0.3 m</td>
<td>$0.4 m</td>
</tr>
<tr>
<td>$m</td>
<td>436</td>
<td>Underlying result</td>
<td>255</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(307)</td>
<td>Non-operating items</td>
<td>215</td>
<td></td>
</tr>
<tr>
<td>$m</td>
<td>129</td>
<td>Total result</td>
<td>470</td>
<td></td>
</tr>
</tbody>
</table>

Underlying result: 255
Non-operating items: 215
Total result: 470
Other business & corporate

- 2006 underlying charge consistent with prior guidance

<table>
<thead>
<tr>
<th>4Q 05</th>
<th>NOI</th>
<th>Underlying</th>
<th>4Q 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>(345)</td>
<td>(64)</td>
<td>(188)</td>
<td>(276)</td>
</tr>
</tbody>
</table>

Underlying result: (345) $m
Non-operating items: (64) $m
Total result: (409) $m
Pre-tax $bn: (0.0)
Guidance on 2007 items

- OB&C: annual charge of $900m±$200m
- Full year effective tax rate: 37%
- Rules of thumb:

<table>
<thead>
<tr>
<th>Full year (pre-tax)</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oil price</strong> Brent ±$1/bbl</td>
<td>500</td>
</tr>
<tr>
<td><strong>Gas price</strong> Henry Hub ±$0.1/mmbtu</td>
<td>90</td>
</tr>
<tr>
<td><strong>Refining margin</strong> GIM ±$1/bbl</td>
<td>950</td>
</tr>
</tbody>
</table>

*Note:* Rules of thumb provided are approximate.

Actual impacts will depend on:

- Volumes / portfolio mix
- Absolute price level
- Refining availability
Sources and uses of cash

* Acquisitions include Rosneft IPO
Net debt ratio

Net debt ratio = net debt / (net debt + equity)
Shareholder distributions

$bn

24
21
18
15
12
9
6
3
0
(3)

2002  2003  2004  2005  2006

- Buybacks
- Dividends
- Share issues
John Browne

Group Chief Executive
Strategy

**E&P**
- Focus on the most prolific hydrocarbon basins and the biggest fields
- Build leadership positions in these areas
- Manage decline of existing producing assets and divest when appropriate

**Gas**
- Access to premium gas markets

**R&M**
- Integrated chains of supply based around complex efficient refineries
- Marketing
- Build acetic acid and PTA capacity in Asia

**Alternative Energy**
- Build sustainable low carbon business
## Strategic indicators

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2006</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (mboed)</td>
<td>1428</td>
<td>3926</td>
<td>2.7</td>
</tr>
<tr>
<td>Production/share (boe/ADR/yr)</td>
<td>0.28</td>
<td>0.43</td>
<td>1.5</td>
</tr>
<tr>
<td>Reserves (bn boe)</td>
<td>8.4</td>
<td>17.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Reserves/share (boe/ADR)</td>
<td>4.5</td>
<td>5.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Share of gas in total production (%)</td>
<td>15</td>
<td>37</td>
<td>2.5</td>
</tr>
<tr>
<td>Number of countries &gt; 100mbd</td>
<td>3</td>
<td>8</td>
<td>n.a.</td>
</tr>
<tr>
<td>Total refining capacity (mbd)</td>
<td>2000</td>
<td>2818</td>
<td>1.4</td>
</tr>
<tr>
<td>Average refinery size (mbd)</td>
<td>120</td>
<td>215</td>
<td>1.8</td>
</tr>
<tr>
<td>Share price ($/ADR)</td>
<td>25.5</td>
<td>67.1</td>
<td>*</td>
</tr>
<tr>
<td>Market capitalisation ($bn)</td>
<td>47</td>
<td>220</td>
<td>*</td>
</tr>
</tbody>
</table>

* At 31/12/06
Crude oil prices since 1995

Dated Brent
$ per bbl

12-year average
$29.34

Daily prices
Source: Platts quotes
Oil demand and economic growth

Source: oil demand, BP estimate; GDP, ‘00 -’06 Oxford Economic Forecasting
Oil supply growth and surplus capacity

Non-OPEC output growth

Million b/d

Year-on-year change;
Source: BP

OPEC surplus capacity

Million b/d

End year;
Source: ‘00 – ‘03 DOE/EIA;
‘04 – ‘06 BP estimates
US gas prices 2000-07

US Henry Hub
$ per mmbtu

Chart uses daily “common” Henry Hub prices; annual averages are based on the “monthly Platts index”
Source: Platts quotes
Refining margins 2000-07

Daily margins
BP Global Indicator Margin (GIM); 2006 portfolio basis
2007 priorities

- Safety
  - Personal safety
  - Process safety
  - Environment

- Performance
Safety in operations
1999-2006

Workforce fatalities
- Non-road related
- Road related

Recordable injury frequency

Oil spills greater 1 bbl

Integrity management incidents*

HiPO: High Potential Incident;
MIA: Major Incident Announcement
* Excludes Innolene
Focus on process safety

• Actions under way to improve integrity of plant and operations
  − Implementing new standards
  − Implementing new Operations Management System
• Baker Panel recommendations accepted – provides further learning
• Sustaining level of integrity management spending
  − Around $1bn increase over 2006
2007 priorities

- Safety

- Performance
  - Deliver upstream projects
    - Atlantis by end 2007
    - Thunder Horse by end 2008
  - Texas City
    - Expected to be processing 400,000 bpd by end of 2007
Tony Hayward

Group Chief Executive Designate
Exploration & Access

**Exploration**
- Deepwater Gulf of Mexico
  - Kaskida
- Angola
  - Titania and Urano
- TNK-BP
  - Uvat area

**Access**
- Oman
- Pakistan
- India
- Gulf of Mexico lease sale
Reserves replacement

5 year moving average

Reserves replacement for subsidiaries + associates, excludes the effects of acquisitions & divestments, SEC basis
Major projects
2006 key start ups

• Azerbaijan
  – BTC Pipeline / East Azeri

• Algeria
  – In Amenas

• Trinidad
  – Cannonball

• Egypt
  – Temsah Redevelopment

• Angola
  – Dalia
Major projects
2007 key start ups

• Angola
  – Greater Plutonio
  – Rosa
  – Kizomba A Phase 2

• Gulf of Mexico
  – Atlantis
  – King Subsea

• Trinidad
  – Red Mango

• North America Gas
  – San Juan Coal Bed Methane expansion
Existing Profit Centres
Alaska, North Sea, North America Gas, Latin America, Egypt, Middle East

- Production lower than forecast in Alaska and North Sea
  - Increased levels of downtime
  - Reduced operational efficiency
  - Infill drilling activity slippage - tight supply chain

- Resource base strong - reservoirs performing as expected

- Other EPCs – strong performance
  - North America Gas
  - Pan American Energy
  - Egypt
Bob Dudley

President and CEO TNK-BP
Project areas

Core production areas

Refineries

Volga Urals

West Siberia

East Siberia

Ukraine

Moscow

Ryazan

Saratov

Orenburg

Nyagan

Rospam

Samotlor

Verknechonsk

Kovykta

Uvat

Kovykta

TNK-BP
Strategy and performance highlights

The strategy remains unchanged

• Resources to Reserves to Production
  – Production growth of 30% since 2003
  – Licence extensions
  – New Resource Access of 5 Bn boe risked, 60% Exploration Success rate

• Margin Enhancement
  – $600m Ryazan Modernization, Increased Refining throughputs > 15%
  – Retail Expansion, TNK re-branding and BP Ultimate launch
  – Marketing business growth (Lubes, Bitumen)

• Gas
  – Associated Gas Utilization Programme
  – Foundation of major gas projects
TNK-BP production and capex
2003-2007

TNK-BP projection for 2007
Major projects and new access
Underpinning the future

• The four promises made in February 2003:
  − Production Growth
  − Technology Transfer
  − Corporate Governance
  − Good Corporate Citizen of Russia

• Organisational Capability – building a world-class company
Tony Hayward

Group Chief Executive Designate

2006 Capex excludes Rosneft
BP projection for 2007
TNK-BP and PAE are self-funding
Margin pressures

• Inflationary pressure on operating costs partly mitigated by
  - Supply chain management
  - Focussing activity on the most material opportunities

• Government take increasing

• Rising depreciation per barrel
Portfolio evolution

Reported production associated with assets divested between 2001 and 2006 inclusive

1 Reported production associated with assets divested between 2001 and 2006 inclusive
2 Retained - 1/1/07 Portfolio
Production outlook

**Guidance impacted by:**

- Focus on safety and operational efficiency
- PSC entitlements - $40/bbl to $60/bbl price assumption
- 2006 divestments
- Gulf of Mexico project delays
- TNK-BP project phasing
- Conservatism
  - Greater allowance for unplanned downtime
  - Operational efficiency
  - Unexpected events
  - Activity deferred to increase value
Production guidance

Guidance based on current portfolio at $60/barrel:

2007  3.8 - 3.9 mmboed
   Effectively flat vs 2006 after allowing for divestment impact

By 2009  More than 4.0 mmboed

By 2012  More than 4.3 mmboed

Reserve base strong: portfolio lengthening: sustainable growth

BP estimates for 2007, 2009 and 2012
Resource growth & progression
2002-2006

Start ‘02 resources
26.2

Purchased
12.1

Further appraisal, revisions
8.3

New discoveries
7.2

Non-proved

8.0

Sold
4.5

End ‘06 resources
41.3

Proved

16.3

2.4

42.5

8.0

Produced
7.0

2.0

17.7

4.5

16.3

2.0

59.0

Totals in billion boe
Proved reserves SEC basis
The ultimate prize: improving recovery

• Recovery to date: 19%

• Proved reserves: 28%
  – 12 years of current production

• Today’s non-proved recovery limit: 49%
  – Additional 29 years of current production

• The future: 1% improvement = 2 billion boe
E&P – a sustainable future

- Focussed and successful exploration and access strategy
- 13 year track record of 100%+ reserves replacement continues*
- Sustainable growth
  - More than 4.3 mmboed by 2012
- Strong and growing resource base
- Challenges: Alaska and North Sea operational performance, major project delays, margin pressure as a result of cost inflation, rising depreciation and government take
- Response: Discipline, focus & technology

* SEC basis, 5 year moving average

BP estimates for 2012
John Manzoni

Chief Executive, Refining & Marketing
R&M: Key messages

• Focus on safety and integrity

• Improvement from 2006

• Disciplined execution of strategy
Baker Panel

• Implement panel recommendations

• Recommendations in line with actions already underway; more to do

• BP committed to becoming an industry leader in process safety

• Integrity spend in US refineries increased from $1.2bn (2005) to $1.7bn per year (2007-10)

*BP estimates for 2007-2010*
Refining: Texas City

Throughput (kbpd)

2005 2006 2007e 2008e

Sweet  Sour  High value products

BP estimates for 2007-2008
Refining: Availability

Availability

%  

<table>
<thead>
<tr>
<th>Year</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>90</td>
</tr>
<tr>
<td>2005</td>
<td>90</td>
</tr>
<tr>
<td>2006</td>
<td>80</td>
</tr>
<tr>
<td>2007e</td>
<td>60</td>
</tr>
<tr>
<td>2008e</td>
<td>100</td>
</tr>
</tbody>
</table>

BP estimates for 2007-2008
Refining: Portfolio

Circle area proportional to nameplate capacity

2 mmbbl/d

Source: Oil & Gas Journal 2006
Excludes TNK-BP
Marketing: Strategy unchanged

- Differentiated branded offers and disciplined execution to grow gross margin
- Focused investment in markets where we can be number 1 or 2
- Cost management to ensure efficiency improves over time
Marketing: Cost efficiency

- On track to deliver $0.5bn cost benefits in 2008 from efficiency projects

- Further productivity improvements to come from investments into systems

*BP estimates for 2007 and 2008*
R&M: Investment patterns

Organic capex $bn

2004 – 2006 average

2007e

BP estimates for 2007
R&M: Key messages

- Focus on safety and integrity
- Improvement from 2006
- Disciplined execution of strategy
John Browne
Group Chief Executive
Gas, Power & Renewables

- Gas remains an important part of the portfolio
- Growing LNG marketing and trading business
- Second largest gas producers among IOCs
- World’s largest marketer and trader among IOCs
- Wind capacity 450 MW by end 2007
- Solar capacity 300 MW by end 2007

*BP estimates for 2007*
## Investment

<table>
<thead>
<tr>
<th>$bn</th>
<th>2005</th>
<th>2006</th>
<th>2007e</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>13.9</td>
<td>15.9*</td>
<td>~18</td>
</tr>
<tr>
<td>Exploration &amp; Production</td>
<td>10.1</td>
<td>12.1*</td>
<td>~13</td>
</tr>
<tr>
<td>Refining &amp; Marketing</td>
<td>2.8</td>
<td>3.1</td>
<td>~4</td>
</tr>
<tr>
<td>Gas, Power, Renewables &amp; Other</td>
<td>1.0</td>
<td>0.7</td>
<td>~1</td>
</tr>
</tbody>
</table>

*Organic capex only*
*Excludes $1bn investment in Rosneft IPO*
*BP estimates for 2007*
Historical dividend

2001-2006 Average

1987-2006 Average

Dividends as paid basis
## Impact of share buyback programme 2006 vs. 2001

<table>
<thead>
<tr>
<th></th>
<th>Absolute growth (%)</th>
<th>Per-share growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Replacement cost profit</strong></td>
<td>163</td>
<td>195</td>
</tr>
<tr>
<td><strong>Cash from operations</strong></td>
<td>61</td>
<td>80</td>
</tr>
<tr>
<td><strong>Dividend</strong></td>
<td>59</td>
<td>79</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>15</td>
<td>29</td>
</tr>
</tbody>
</table>
2007 guidance

- Production
  - 3.8 – 3.9 mmboed
    - assuming $60/bbl oil price and current portfolio

- Organic capex
  - Around $18bn

- Total Group costs
  - Expected to grow in line with sector inflation

- Distribution policy unchanged
  - Distribute 100% of all excess free cash flow to shareholders

BP estimates
Summary

- Priorities: safety and performance
- High-quality asset base
- Acting on lessons learned from 2005-06
- Robust and unchanged financial framework
# Questions & answers

## LONDON

**John Browne**  
Group Chief Executive

**Byron Grote**  
Chief Financial Officer

**Tony Hayward**  
Group Chief Executive Designate

**Bob Dudley**  
Chief Executive Officer TNK-BP

**John Manzoni**  
Chief Executive R&M

**Vivienne Cox**  
Chief Executive GP&R

## NEW YORK

**Bob Malone**  
Chairman & President, BP America Inc.

**David Allen**  
Group Managing Director & Chief of Staff

**Iain Conn**  
Group Managing Director

**Andy Inglis**  
Chief Executive E&P