



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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John Browne

Group Chief Executive



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

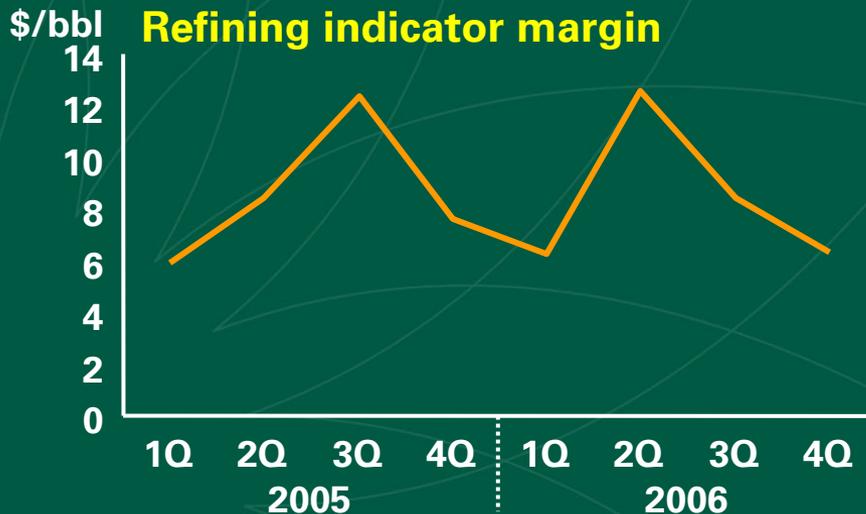
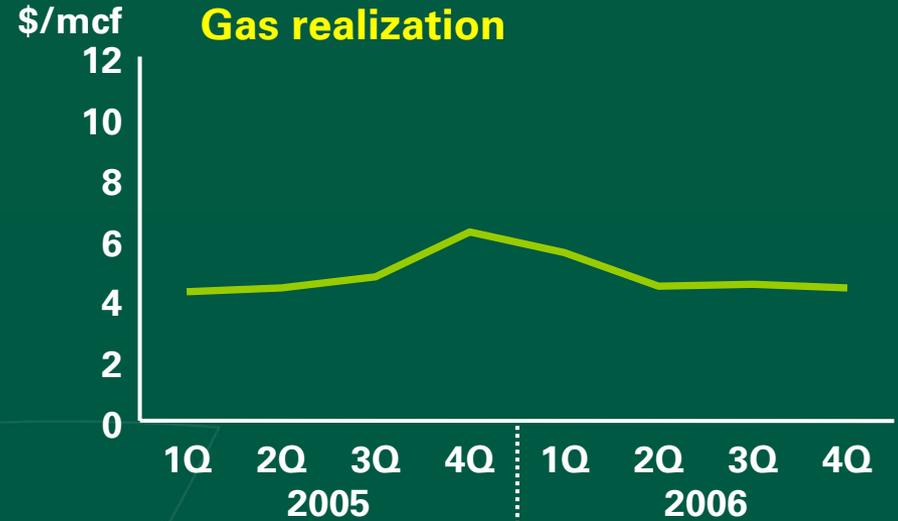
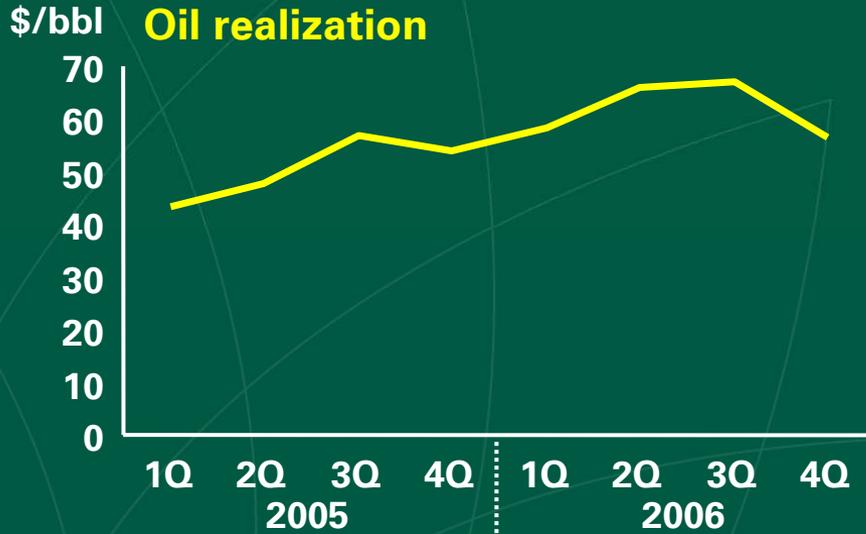


Byron Grote

Chief Financial Officer



Trading environment



| | Change vs. 2005 | |
|---|-----------------|-------------|
| | 4Q | Year |
| Average realizations | | |
| Crude oil \$/bbl | 5% | 23% |
| Natural gas \$/mcf | (30)% | (4)% |
| Total hydrocarbon \$/boe | (10)% | 12% |
| Refining indicator margin \$/bbl | (17)% | (2)% |

Financial results

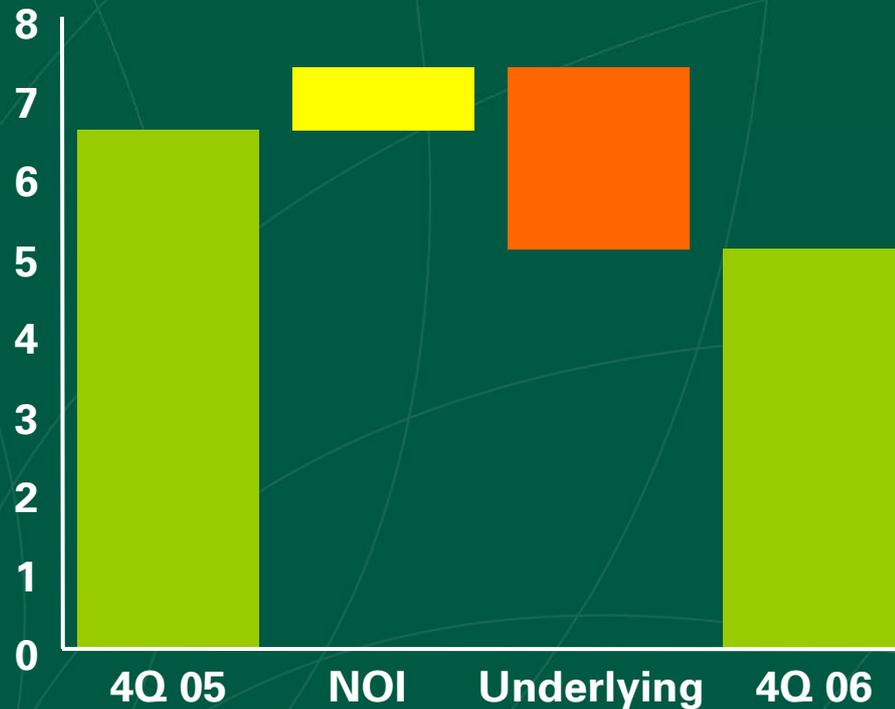


| | | <u>Change vs. 4Q 2005</u> | |
|---|-----------------|---------------------------|--------------------|
| <u>Results for the fourth quarter</u> | <u>\$bn</u> | <u>%</u> | <u>% per share</u> |
| • Replacement cost profit | 3.9 | (12)% | (6)% |
| • Profit including inventory gains/losses | 2.9 | (22)% | (16)% |
| • Net cash provided by operating activities | 5.0 | 17% | 24% |
| | ¢/ share | | |
| • Dividend to be paid next quarter | 10.325 | | +10 % |
| | | <u>Change vs. 2005</u> | |
| <u>Results for full year</u> | <u>\$bn</u> | <u>%</u> | <u>% per share</u> |
| • Replacement cost profit | 22.3 | 15% | 22% |
| • Profit including inventory gains/losses | 22.0 | (2)% | 4% |
| • Net cash provided by operating activities | 28.2 | 5% | 11% |



Exploration & Production

Pre-tax
\$bn



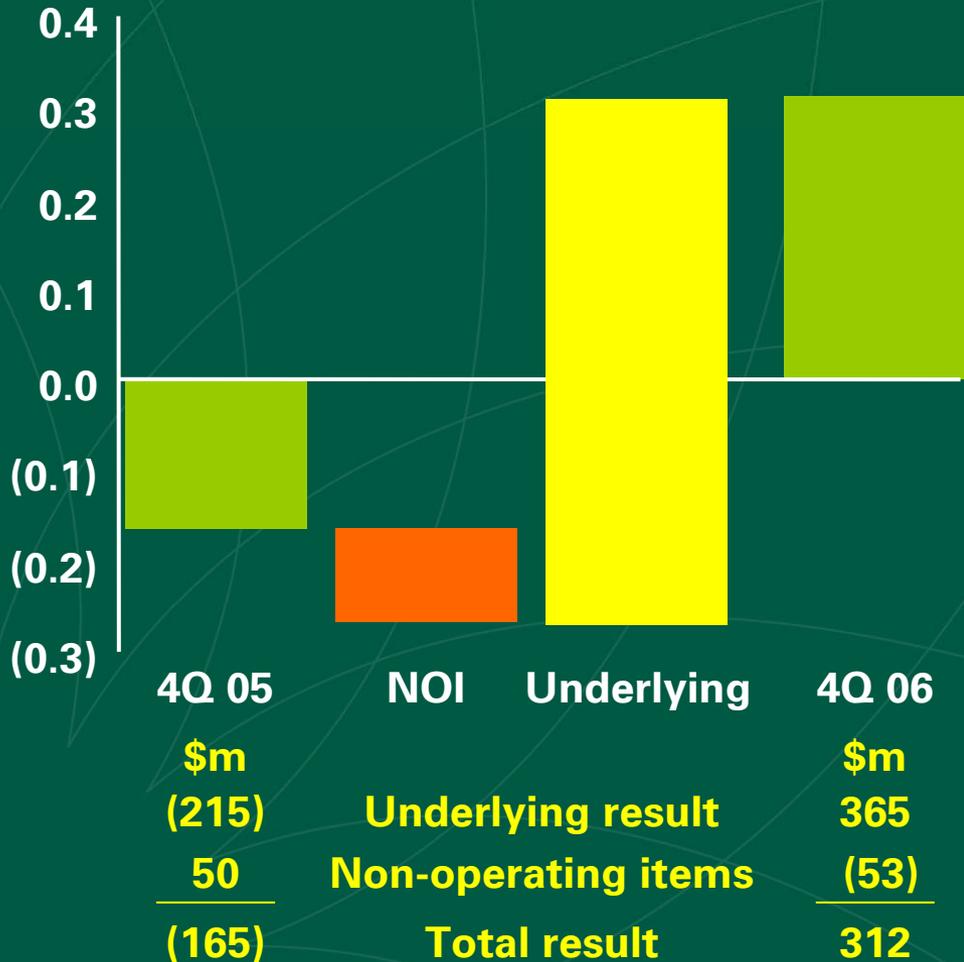
| 4Q 05 | | 4Q 06 |
|--------------|---------------------|--------------|
| \$m | | \$m |
| 7,545 | Underlying result | 5,240 |
| (979) | Non-operating items | (177) |
| <u>6,566</u> | Total result | <u>5,063</u> |

- 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

Pre-tax
\$bn

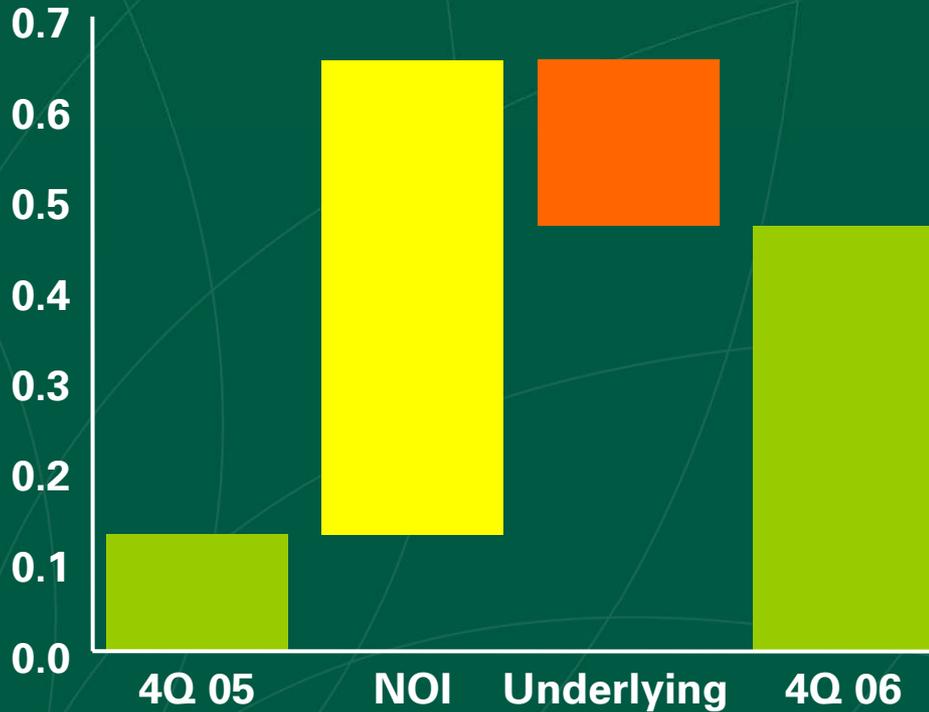


- Higher Texas City volumes
- Absence of rationalization charges
- Smaller fair value charge
- Higher turnaround costs and integrity spend
- Lower refining and marketing margins



Gas, Power & Renewables

Pre-tax
\$bn



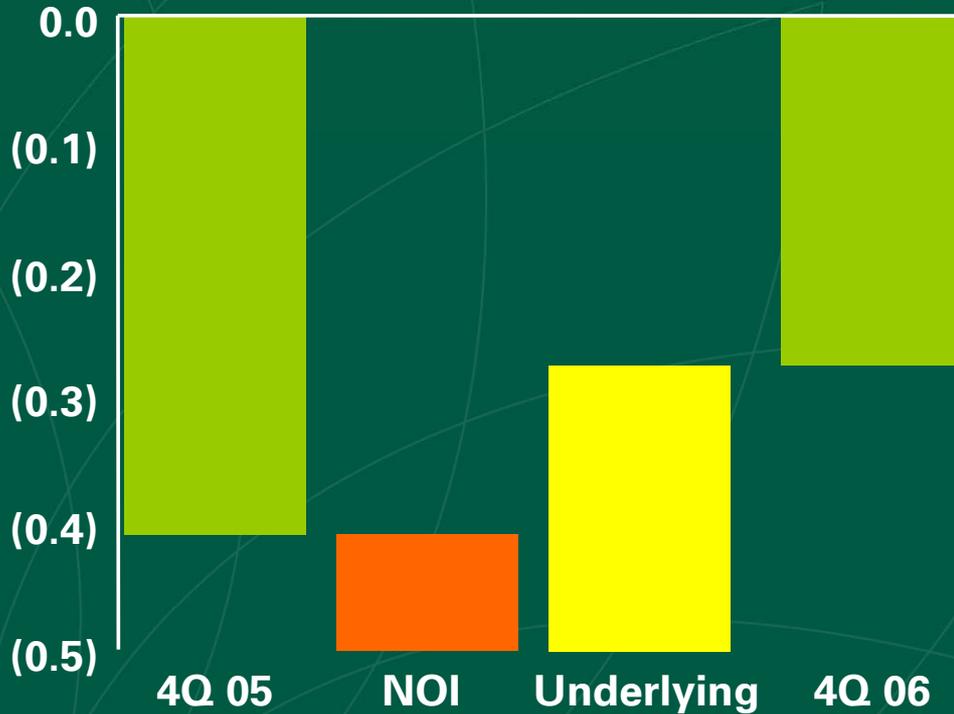
- Lower NGL and marketing & trading contribution
- Smaller fair value gain
- Non-Operating Item (NOI)
 - Disposals

| | 4Q 05 | | 4Q 06 |
|--|------------|---------------------|------------|
| | \$m | | \$m |
| | 436 | Underlying result | 255 |
| | (307) | Non-operating items | 215 |
| | <u>129</u> | Total result | <u>470</u> |



Other business & corporate

Pre-tax
\$bn



- 2006 underlying charge consistent with prior guidance

| | 4Q 05 | | 4Q 06 |
|--|--------------|---------------------|--------------|
| | \$m | | \$m |
| | (345) | Underlying result | (88) |
| | (64) | Non-operating items | (188) |
| | <u>(409)</u> | Total result | <u>(276)</u> |



Guidance on 2007 items

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

| Full year (pre-tax) | \$m |
|---|------------|
| Oil price Brent ±\$1/bbl | 500 |
| Gas price Henry Hub ±\$0.1/mmbtu | 90 |
| Refining margin GIM ±\$1/bbl | 950 |

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



Post tax
\$bn

2005

2006

40

35

30

25

20

15

10

5

0

Disposals

Operations
26.7

Buybacks

Dividends

Organic
capex

Sources

Uses

Disposals

Operations
28.2

Buybacks

Dividends

Acquisitions*

Organic
capex

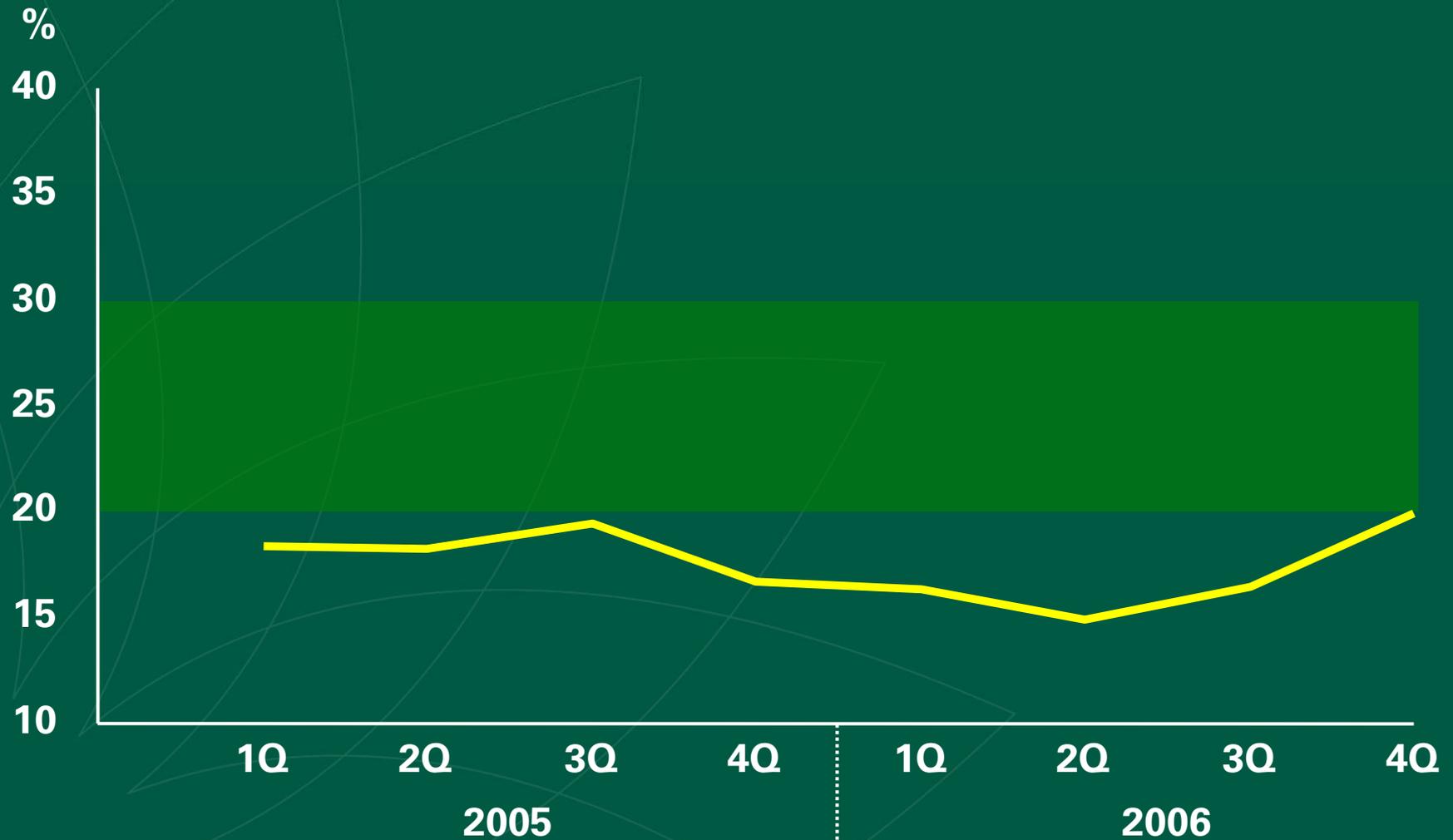
Sources

Uses

* Acquisitions include Rosneft IPO

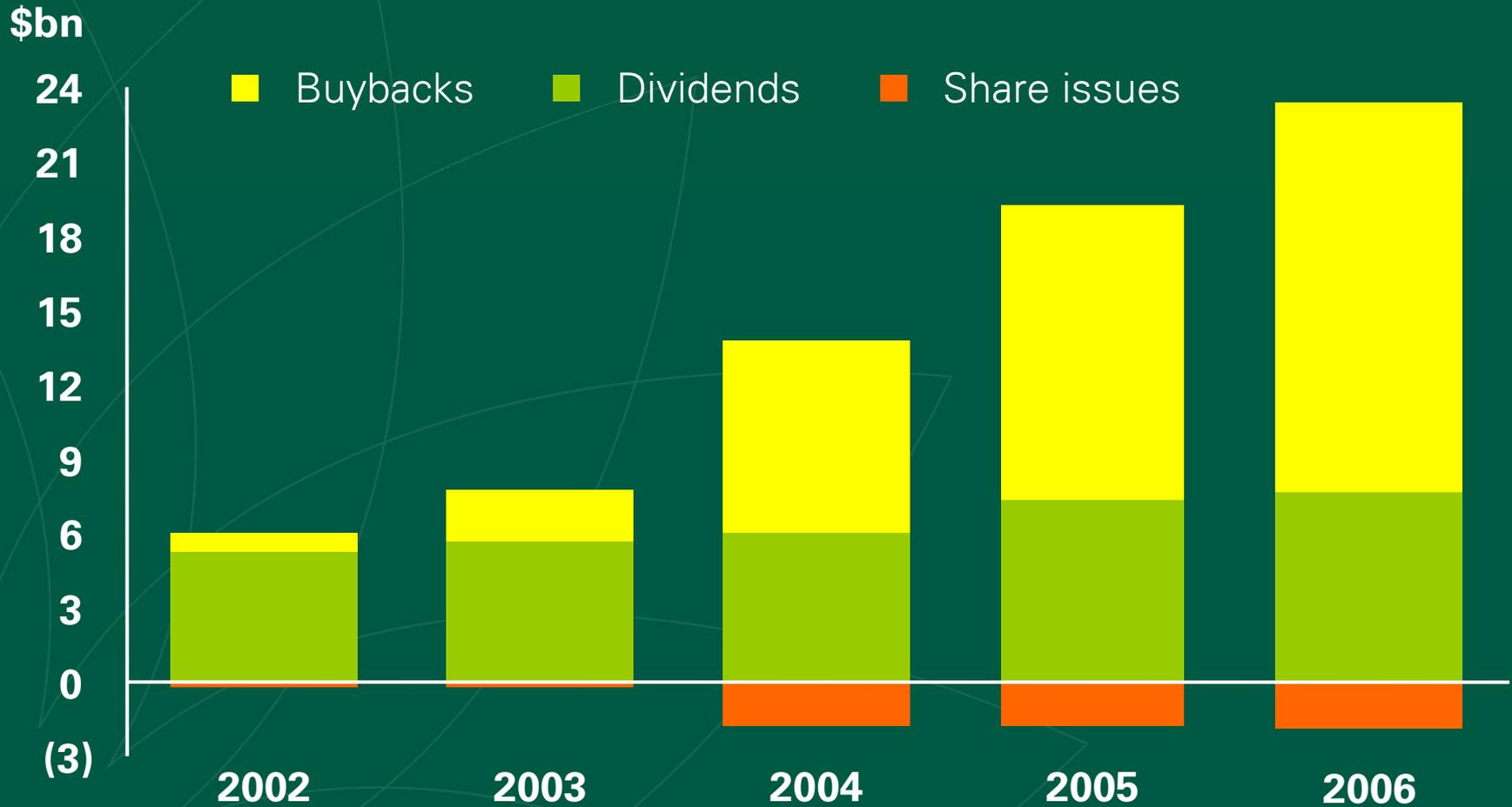


Net debt ratio



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

Shareholder distributions





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



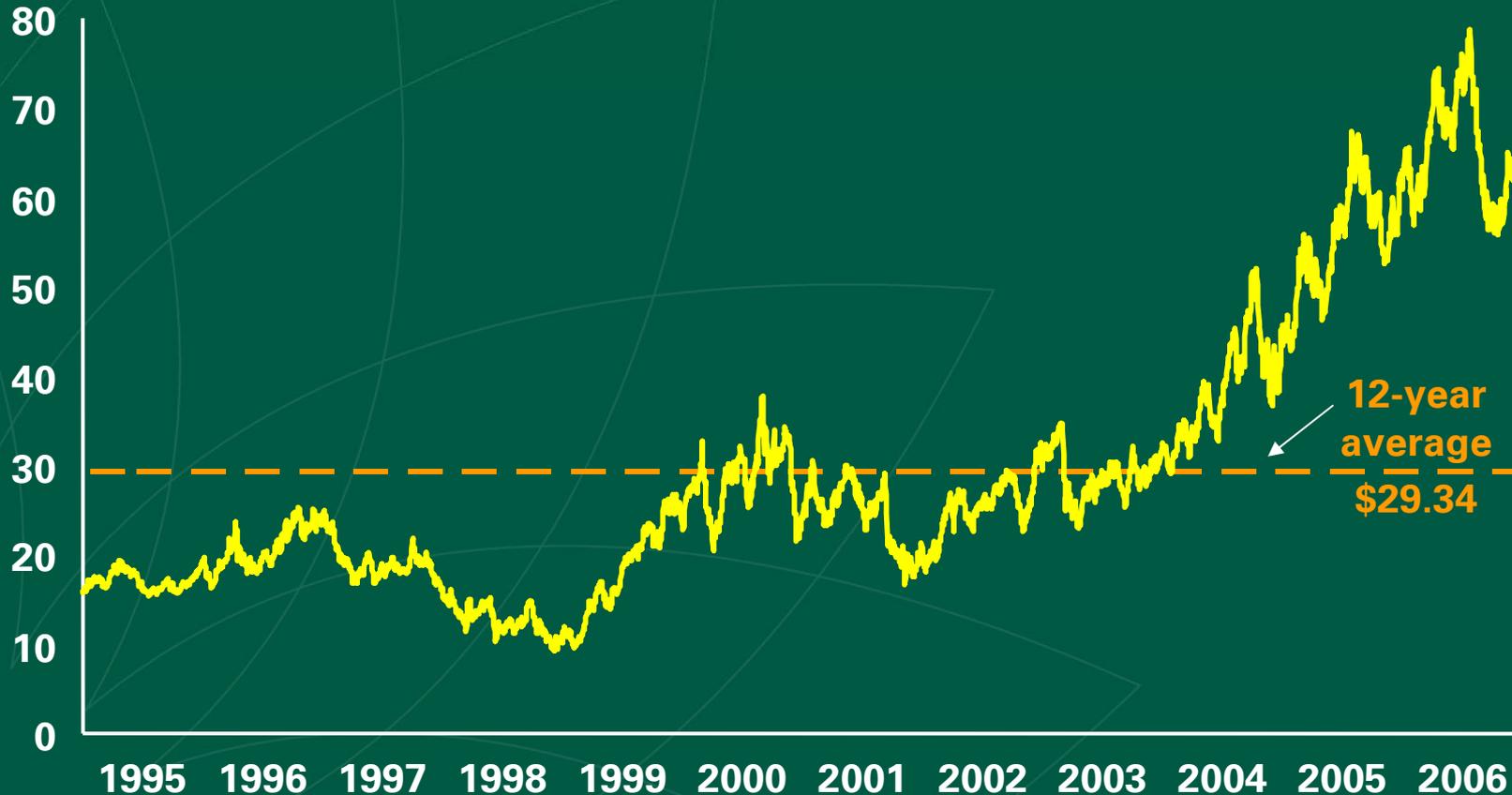
| | 1995 | 2006 | Ratio |
|---|-------------|-------------------|--------------|
| Production (mboed) | 1428 | 3926 | 2.7 |
| Production/share (boe/ADR/yr) | 0.28 | 0.43 | 1.5 |
| Reserves (bn boe) | 8.4 | 17.7 | 2.1 |
| Reserves/share (boe/ADR) | 4.5 | 5.3 | 1.2 |
| Share of gas in total production (%) | 15 | 37 | 2.5 |
| Number of countries > 100mbd | 3 | 8 | n.a. |
| Total refining capacity (mbd) | 2000 | 2818 | 1.4 |
| Average refinery size (mbd) | 120 | 215 | 1.8 |
| Share price (\$/ADR) | 25.5 | 67.1 [*] | 2.6 |
| Market capitalisation (\$bn) | 47 | 220 [*] | 4.6 |

* At 31/12/06

Crude oil prices since 1995



Dated Brent
\$ per bbl

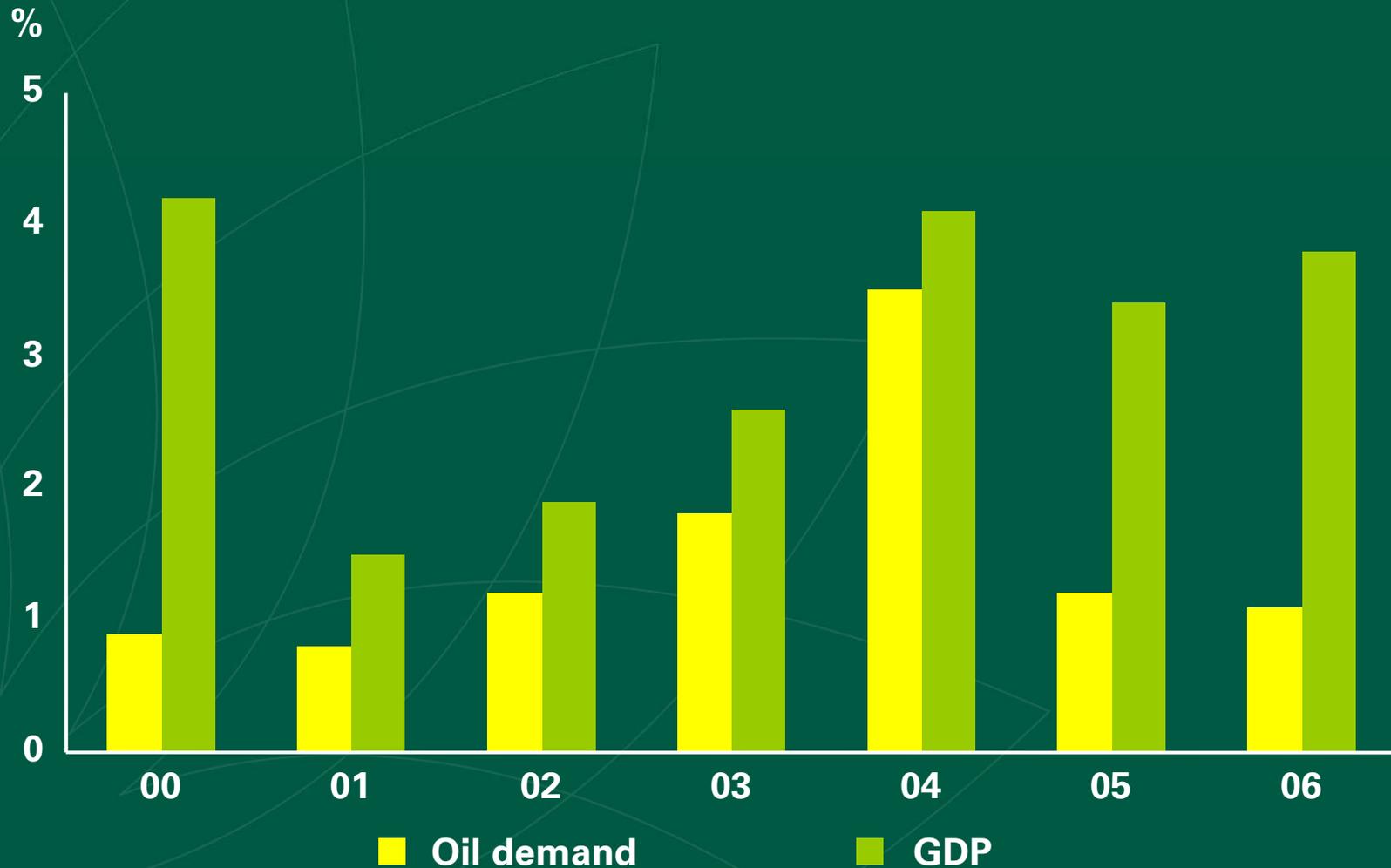


Daily prices

Source: Platts quotes



Oil demand and economic growth

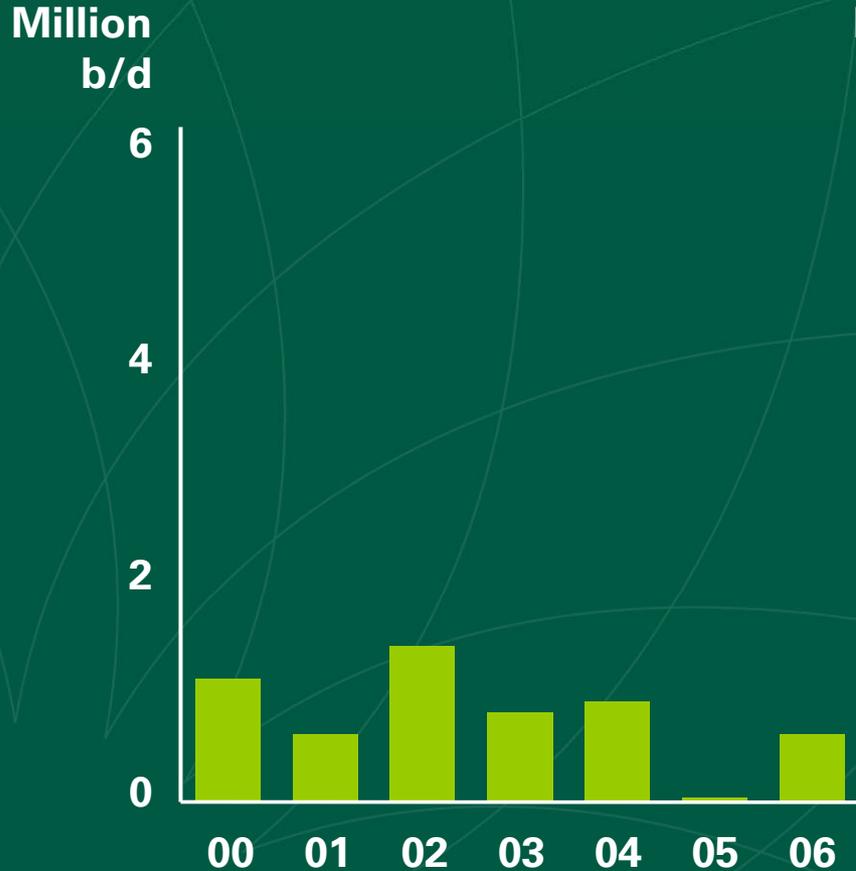


Source: oil demand, BP estimate; GDP, '00 -'06 Oxford Economic Forecasting

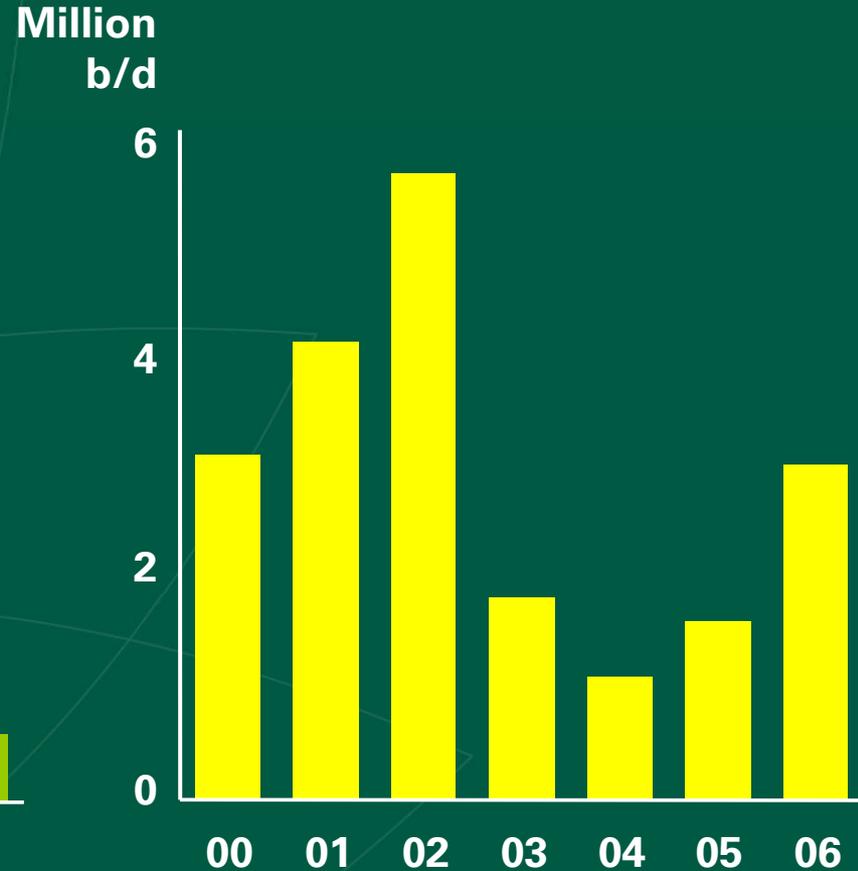


Oil supply growth and surplus capacity

Non-OPEC output growth



OPEC surplus capacity



End year;

Source: '00 – '03 DOE/EIA;

'04 – '06 BP estimates

Year-on-year change;

Source: BP

Crude oil prices 2000 to 2007



Dated Brent
\$ per bbl



Daily prices

Source: Platts quotes



US gas prices 2000 to 2007

US Henry Hub
\$ per mmbtu

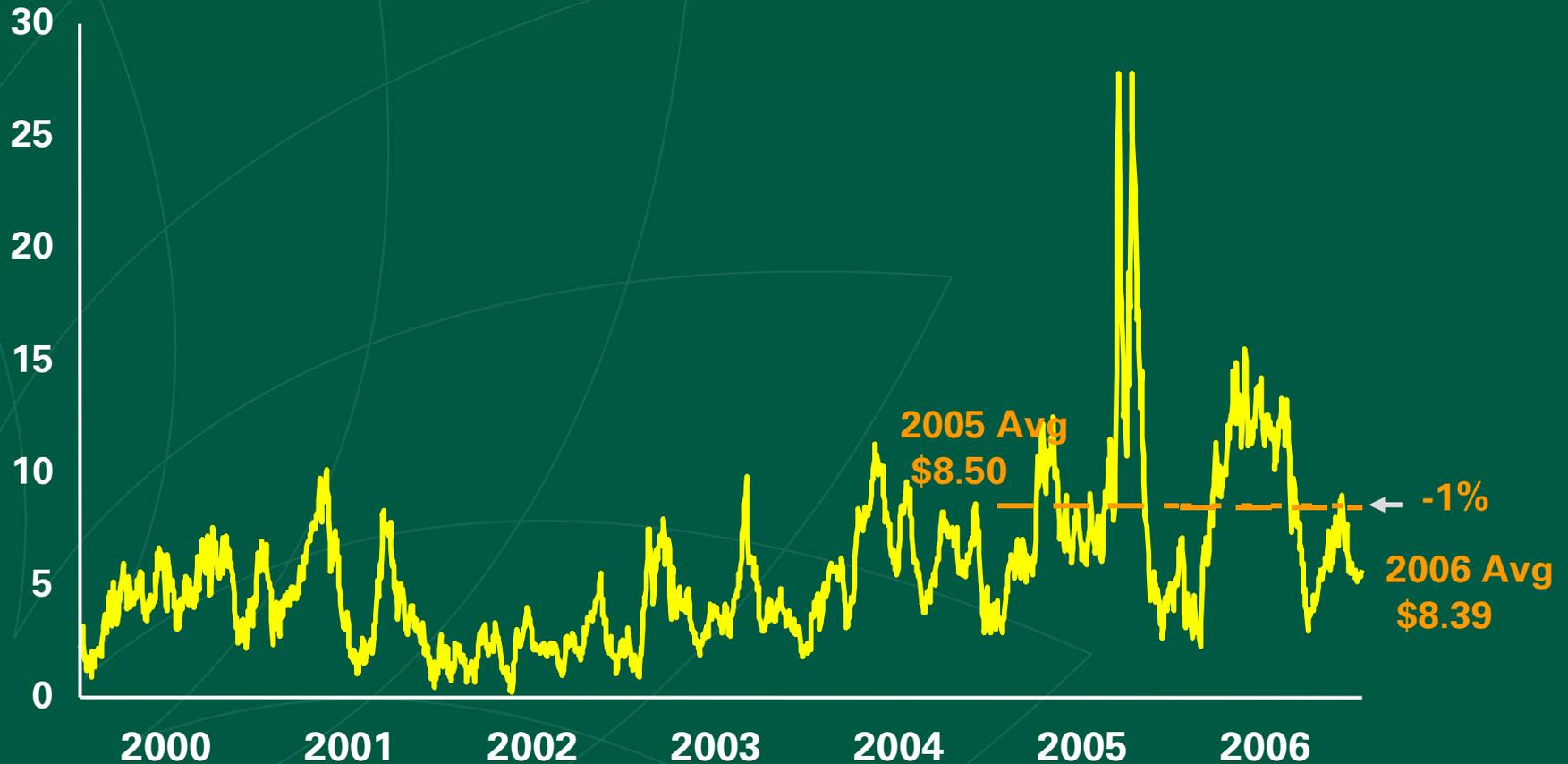


Chart uses daily "common" Henry Hub prices; annual averages are based on the "monthly Platts index"
Source: Platts quotes



Refining margins 2000 to 2007

\$ per bbl



Daily margins

BP Global Indicator Margin (GIM); 2006 portfolio basis

2007 priorities

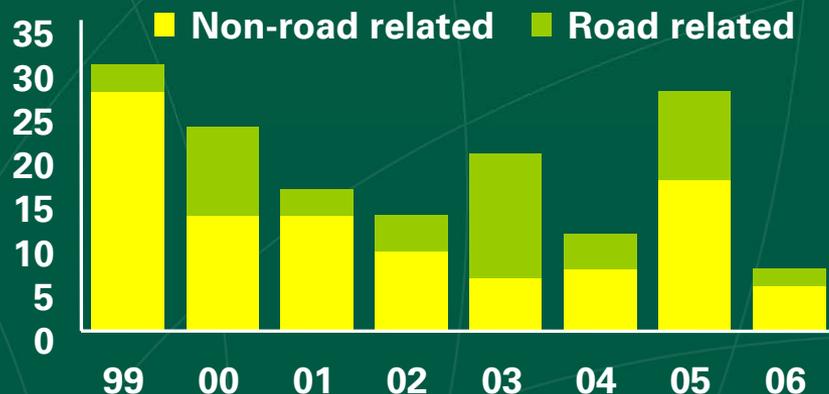


- Safety
 - Personal safety
 - Process safety
 - Environment
- Performance

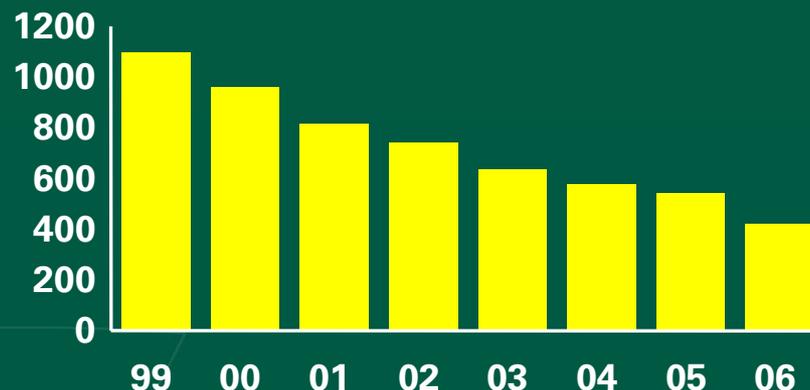
Safety in operations 1999 to 2006



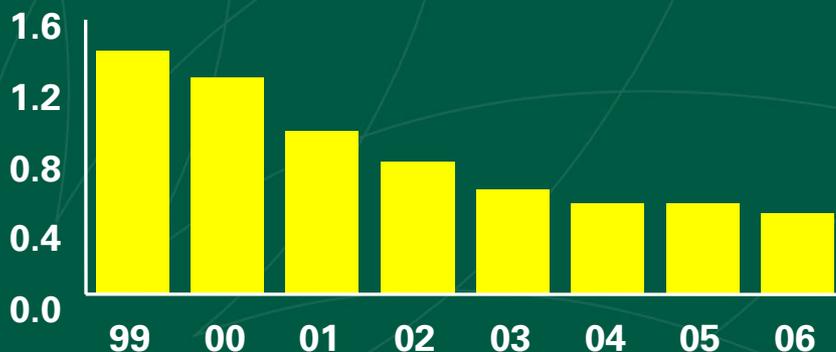
Workforce fatalities



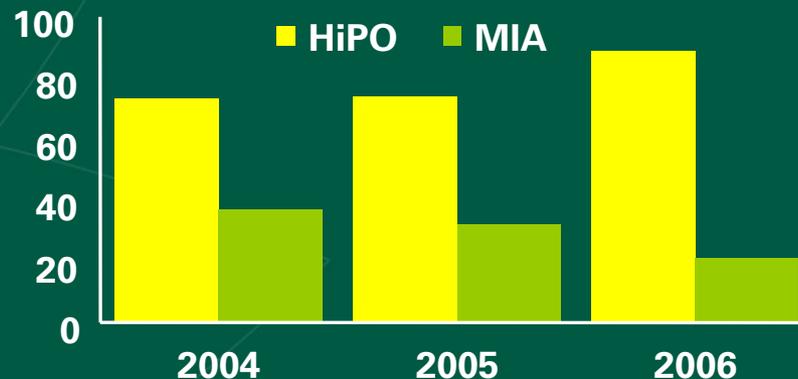
Oil spills greater 1 bbl



Recordable injury frequency



Integrity management incidents*



HiPO: High Potential Incident;
MIA: Major Incident Announcement
* Excludes Innovene



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

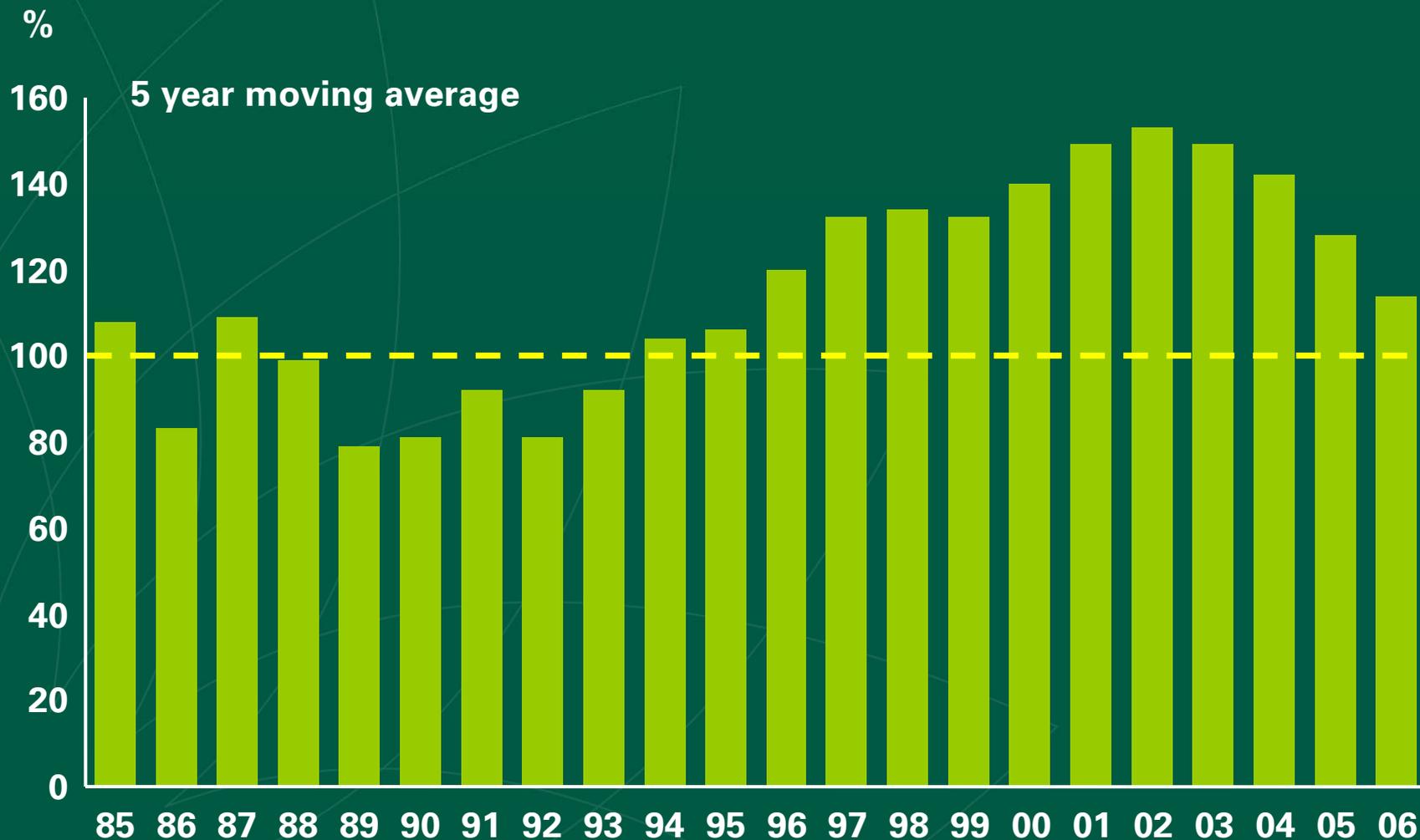
Exploration

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

Access

- Oman
- Pakistan
- India
- Gulf of Mexico lease sale

Reserves replacement



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

THK·BP



Bob Dudley

President and CEO THK-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

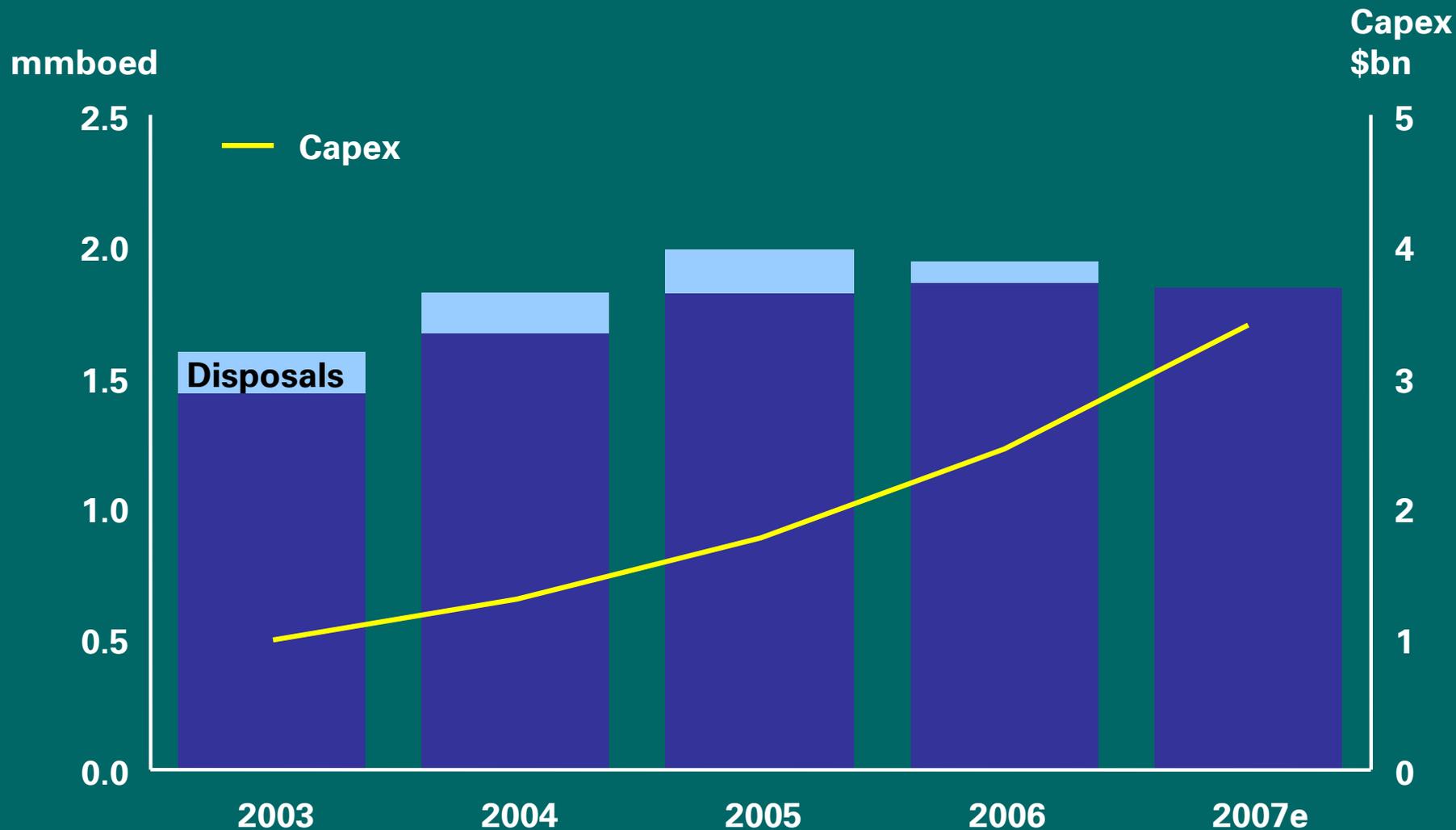
Margin Enhancement

- \$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



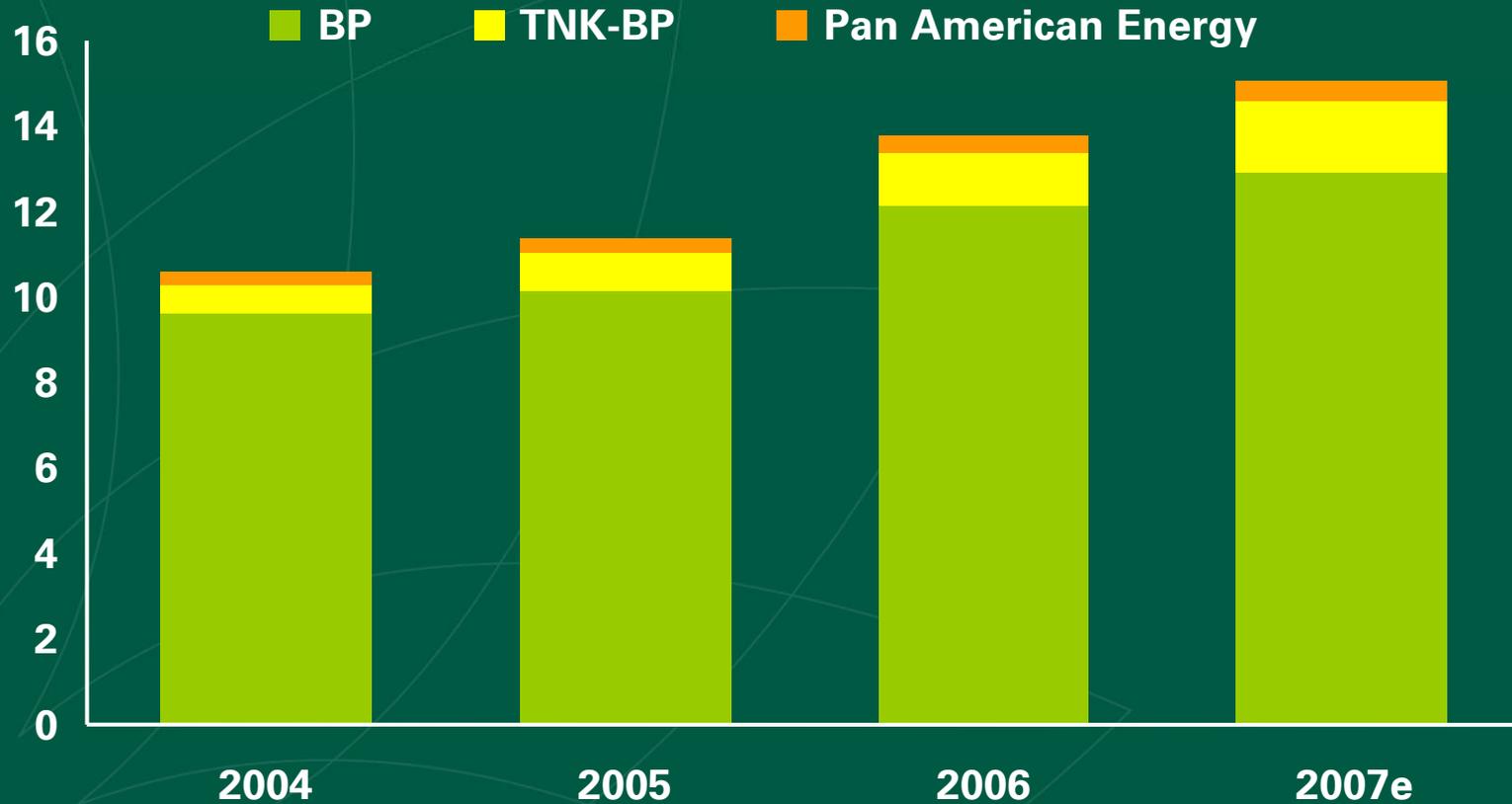
Tony Hayward

Group Chief Executive Designate



E&P investment: 2004 – 2007

Organic Capex
\$bn



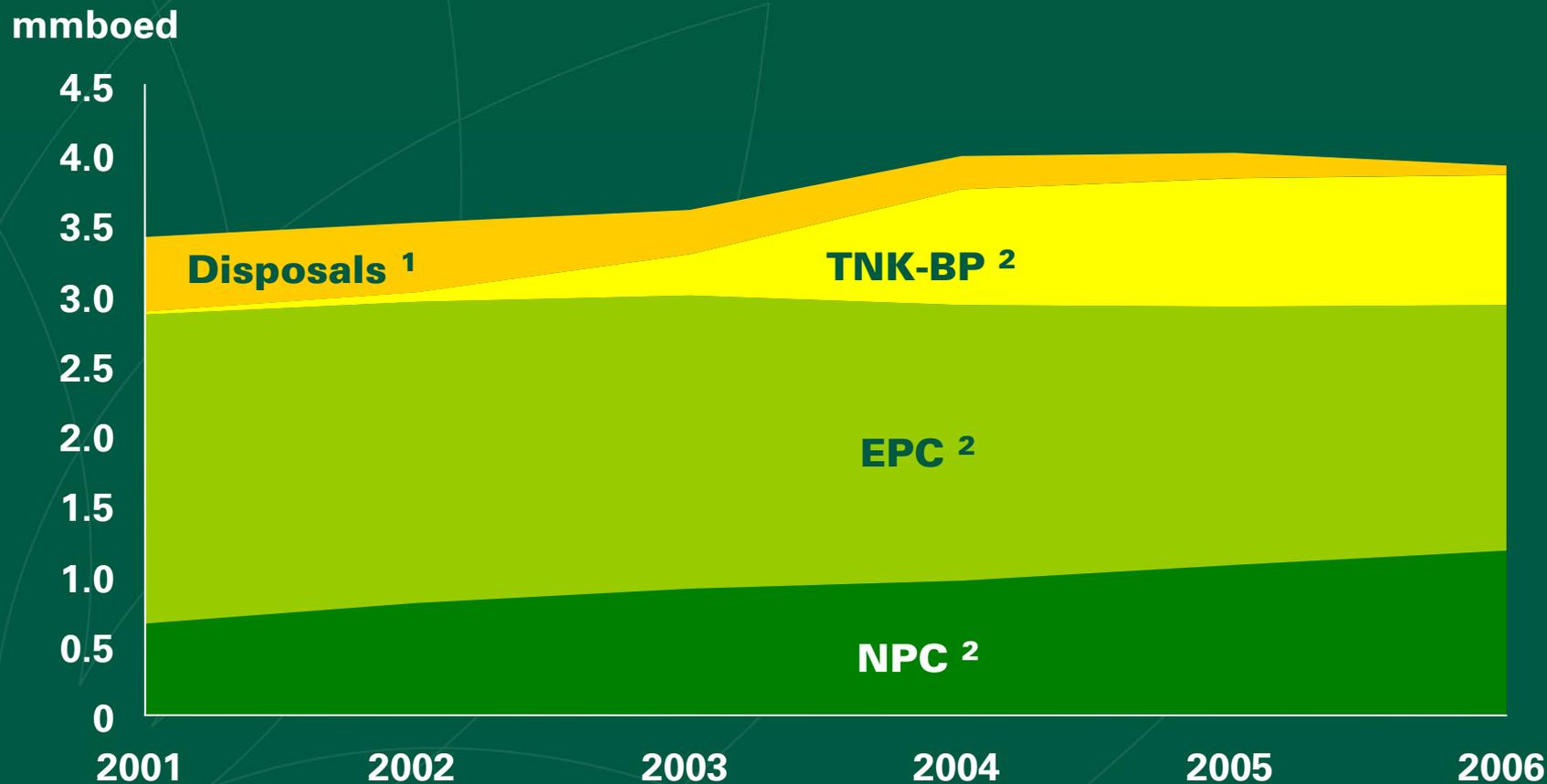
*2006 Capex excludes Rosneft
BP projection for 2007
TNK-BP and PAE are self-funding*



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



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:

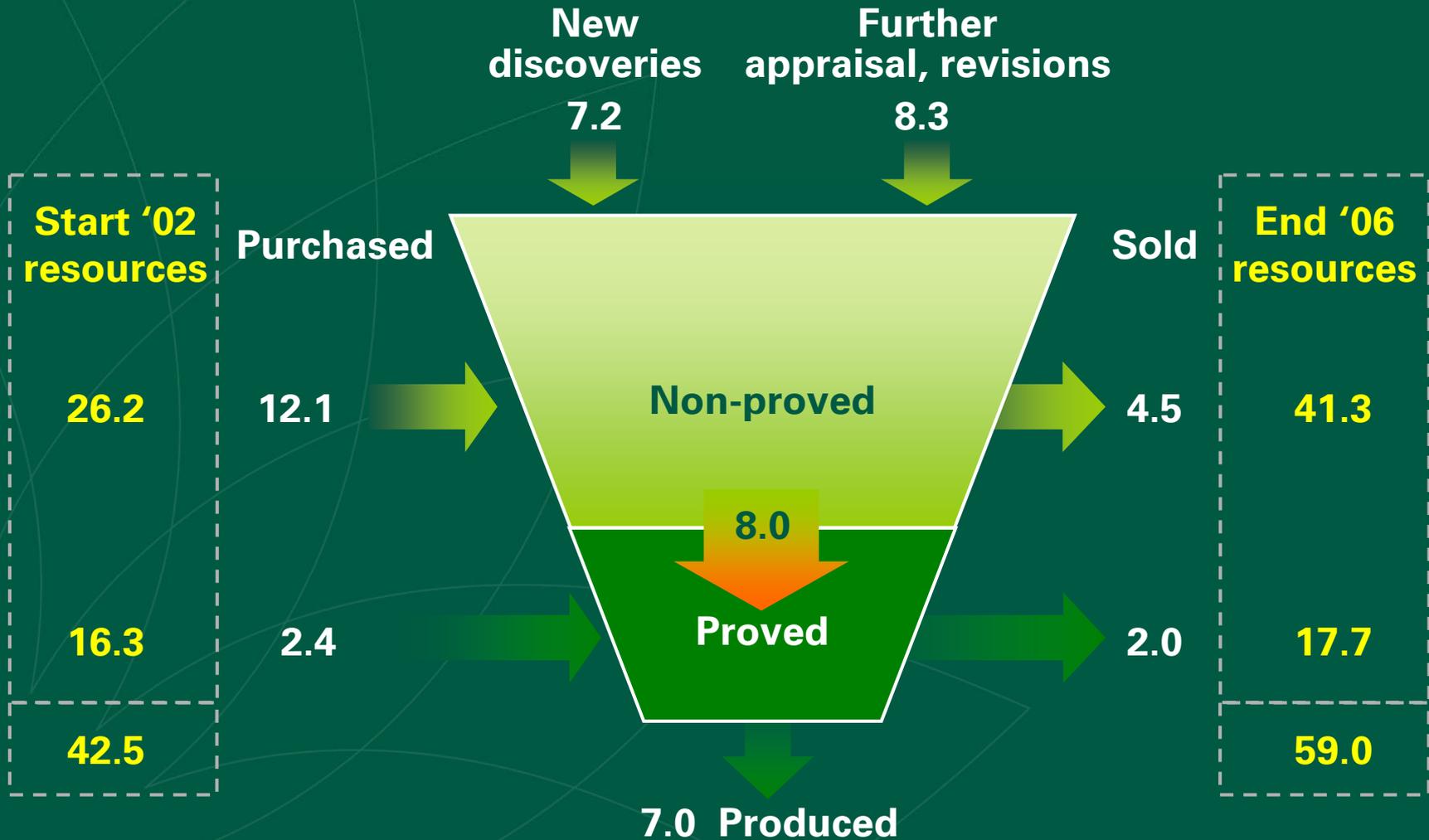
2007 3.8 –3.9 mmoed
Effectively flat vs 2006 after allowing for divestment impact

By 2009 More than 4.0 mmoed

By 2012 More than 4.3 mmoed

Reserve base strong : portfolio lengthening : sustainable growth

Resource growth & progression 2002 – 2006



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 mmoed 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)

Refining: Texas City

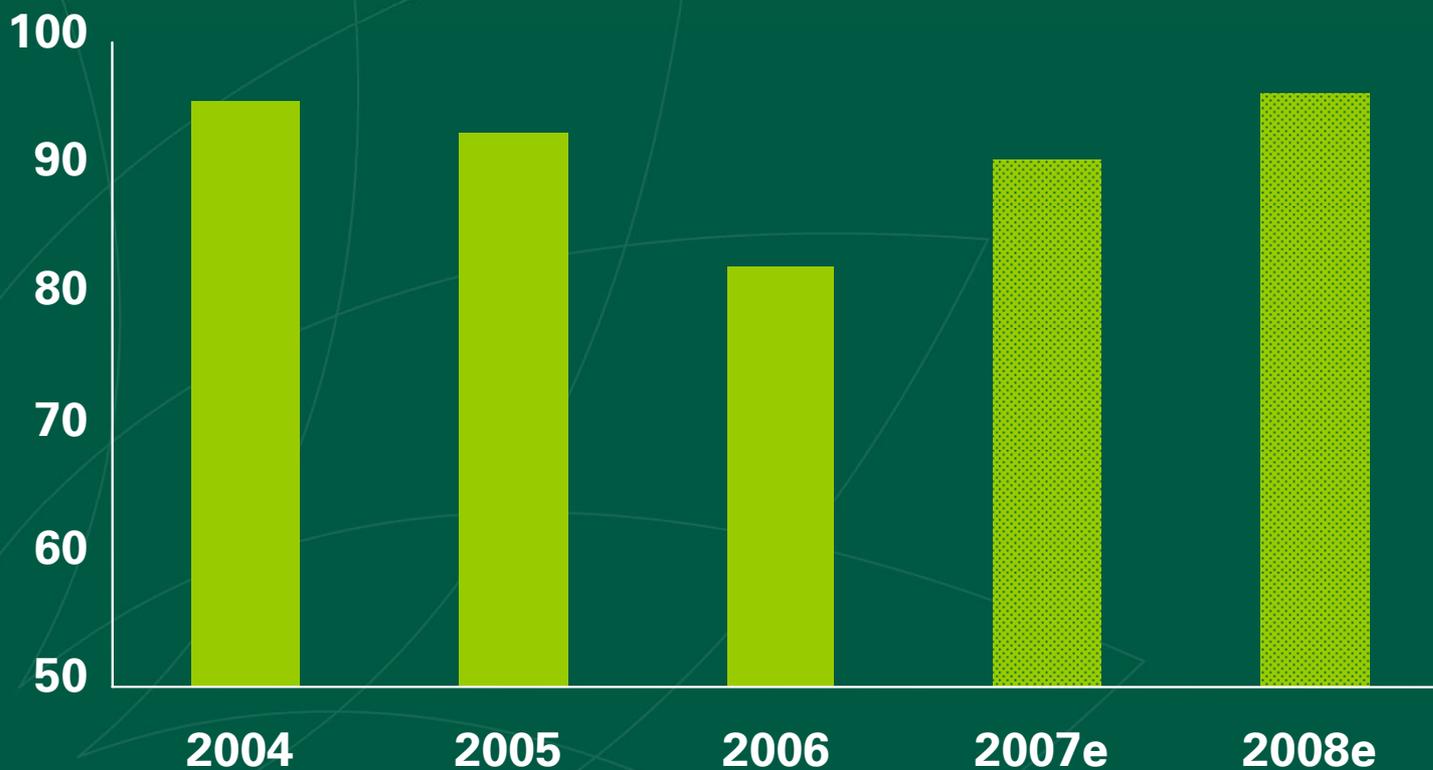


BP estimates for 2007-2008

Refining: Availability

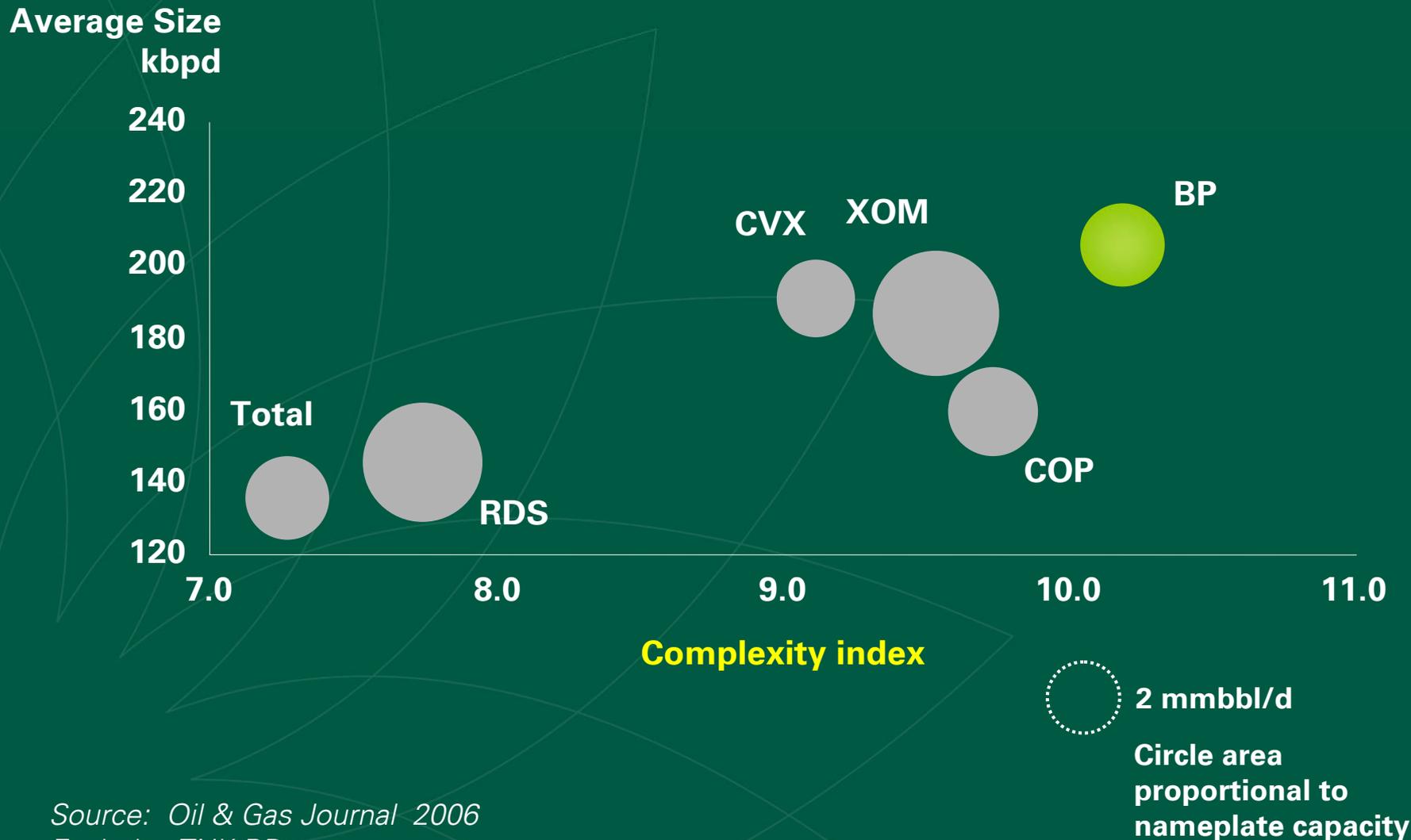


Availability
%



BP estimates for 2007-2008

Refining: Portfolio



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

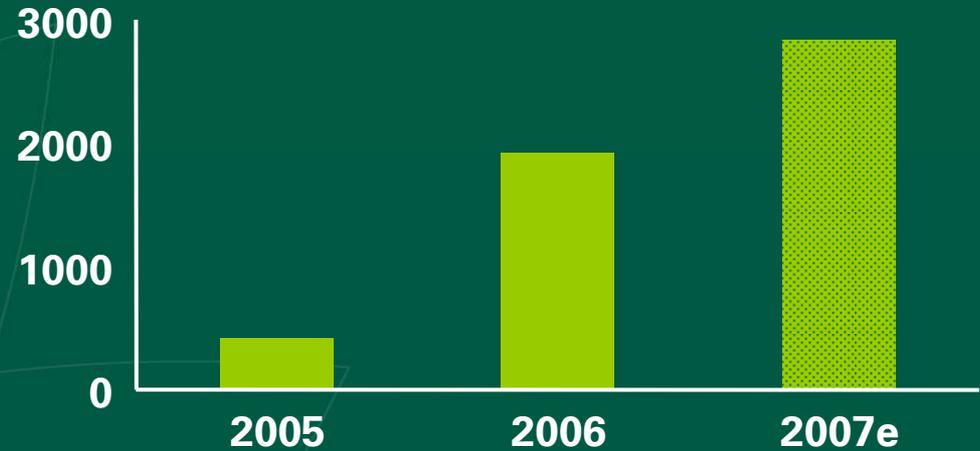




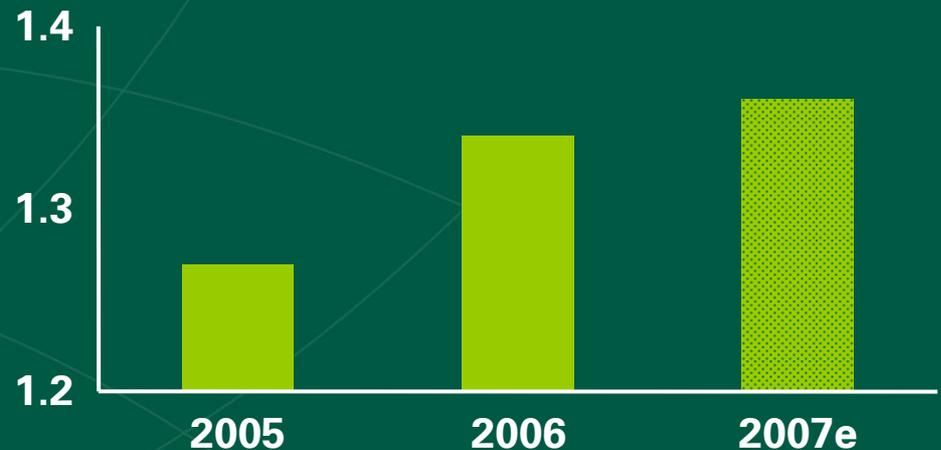
Marketing: Cost efficiency

- On track to deliver \$0.5bn cost benefits in 2008 from efficiency projects
- Further productivity improvements to come from investments into systems

Headcount reduction



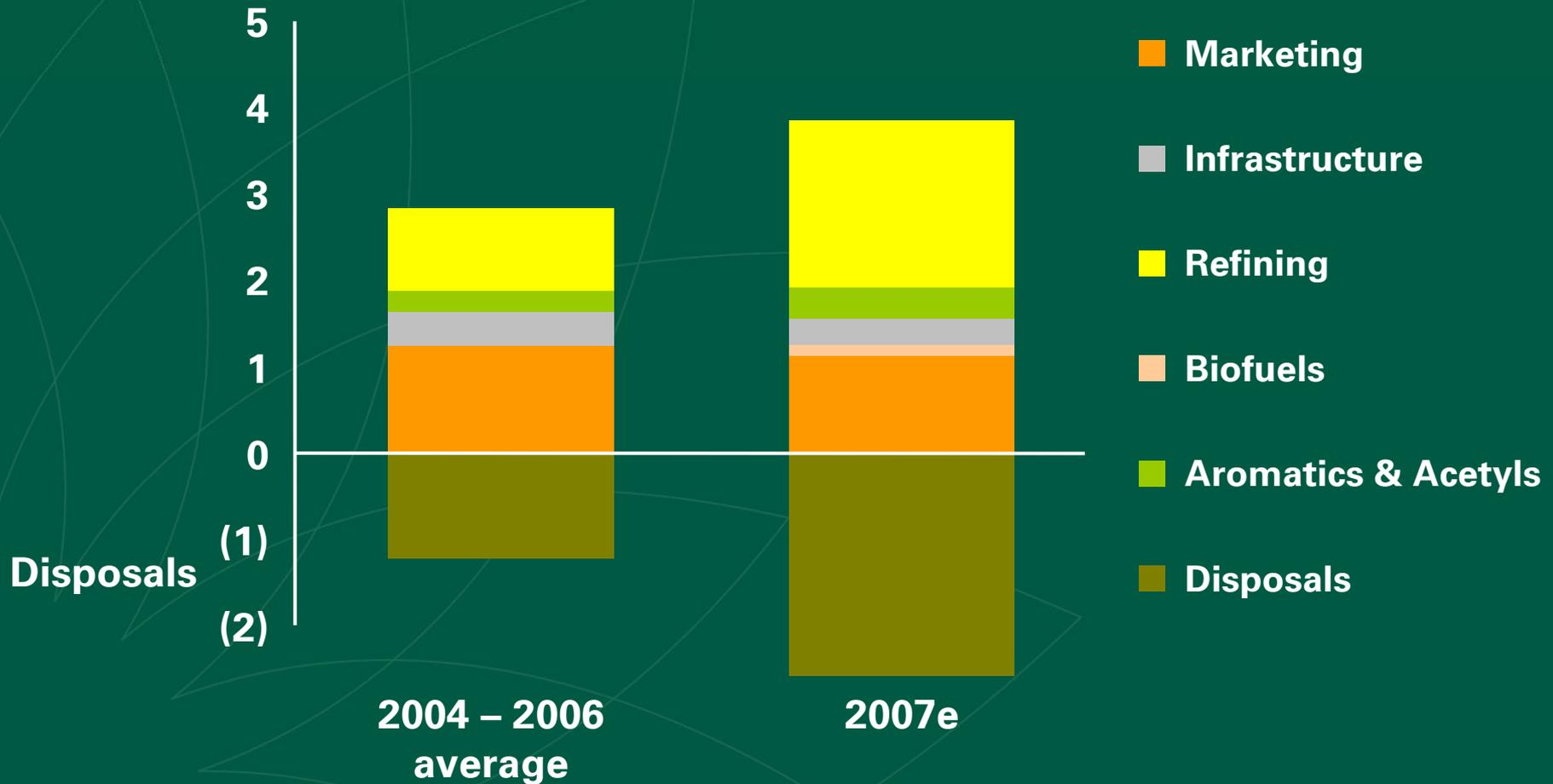
Gross Margin / Distribution and admin costs





R&M: Investment patterns

Organic capex
\$bn





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

Investment



| \$bn | 2005 | 2006 | 2007e |
|--------------------------------|-------------|--------------|--------------|
| Capital expenditure | 13.9 | 15.9* | ~18 |
| Exploration & Production | 10.1 | 12.1* | ~13 |
| Refining & Marketing | 2.8 | 3.1 | ~4 |
| Gas, Power, Renewables & Other | 1.0 | 0.7 | ~1 |

Organic capex only

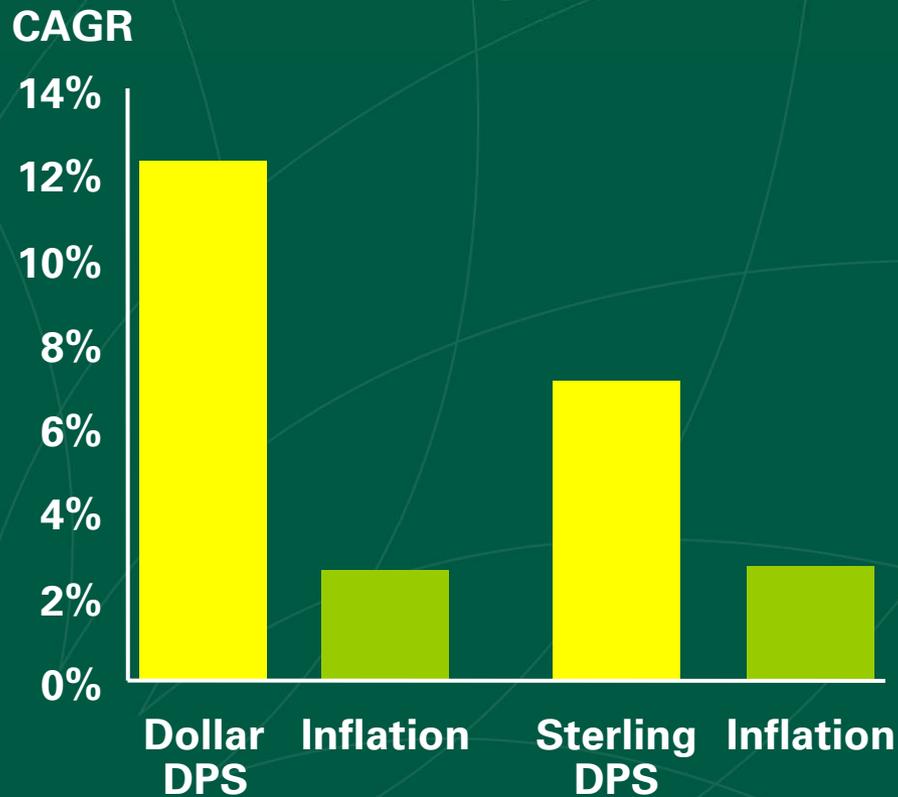
**Excludes \$1bn investment in Rosneft IPO*

BP estimates for 2007

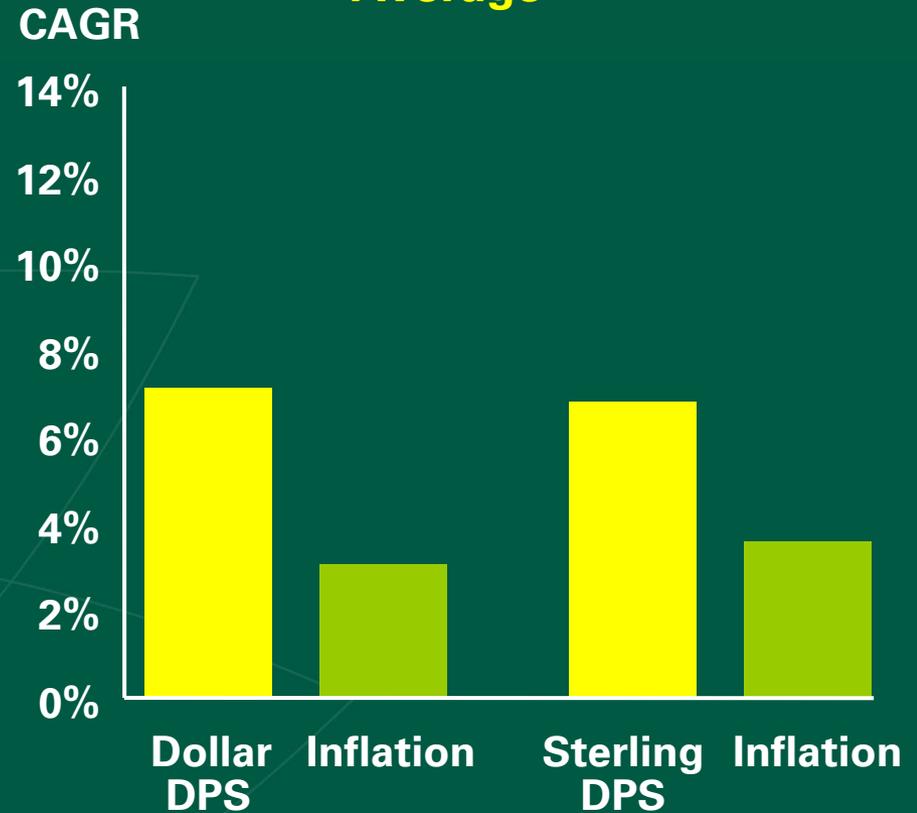


Historical dividend

**2001-2006
Average**



**1987-2006
Average**



Impact of share buyback programme 2006 vs. 2001



| | Absolute growth (%) | Per-share growth (%) |
|------------------------------------|--------------------------------|---------------------------------|
| Replacement cost profit | 163 | 195 |
| Cash from operations | 61 | 80 |
| Dividend | 59 | 79 |
| Production | 15 | 29 |



2007 guidance

- Production
 - 3.8 – 3.9 mmoed
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



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

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