2Q 2009 Results Presentation to the Financial Community 28th July 2009

Fergus MacLeod, Head of Investor Relations

Welcome to BP's second-quarter 2009 results conference call. I'm Fergus MacLeod, BP's Head of Investor Relations, and joining me today are Tony Hayward, our Group Chief Executive; Byron Grote, our Chief Financial Officer; Andy Inglis, Head of Exploration and Production; and Iain Conn, Head of Refining and Marketing.

Before we start, I'd like you to take a moment to read this next slide.

Thank you, and now over to Tony.

Tony Hayward, Group Chief Executive

Thank you Fergus.

Ladies and gentlemen, a warm welcome to BP's second-quarter results for 2009. Before I hand to Byron to take you through our 2Q results in more detail, I'd like to spend a few minutes reviewing the year to date.

Let me begin with the overall business and trading environment. As all of you are well aware, it's been a pretty turbulent few months, best characterised by continued uncertainty and volatility. I'm pleased to say that BP continues to steer a steady course through choppy waters. Two years ago we set out on a journey to re-establish BP's competitiveness and, despite the current environment, we are making good progress. We're delivering growth in our upstream business, the turnaround of our downstream business is on track and we're driving cost efficiencies across the company.

Back in February we reported our 2008 results against a backdrop of a deepening global recession and predictions of stagnant economic growth in 2009. Today, available economic data and growth forecasts suggest the world economy will shrink in 2009 – the largest decline since WWII.

That deterioration is now slowing, and the global economy is expected to stop contracting and stabilize this summer. However, global GDP growth for the year will be negative and any recovery – whenever it comes – is likely to be sluggish.

As the world economy shrinks, so too does the demand for oil. Over the year to date its continued its decline with demand from the OECD falling by around 3 million barrels per day on this time last year. In response OPEC announced production cuts of over 4 million barrels per day, versus the September 2008 output, and compliance is good.

Refining margins have also suffered from weak demand and excess capacity. June saw the weakest seasonal margins for six years and global utilization rates have fallen to 80%.

Gas markets around the world have also declined. Consumption in the US has fallen more than 3% year on year and industrial gas demand has fallen by 11%. US production has continued to grow despite a significantly lower rig count, keeping US gas prices under pressure. European consumption is down more than 4% and falling demand in Asia has led to significant reductions in LNG imports.

The overall picture is of energy demand now stabilizing following the significant falls in the first half of the year. At this point we see little evidence of any growth in demand and expect the recovery to be long and drawn out.

So what does all that mean for BP? On the basis we're not counting on a recovery anytime soon, we will continue to balance the demands of today with our ongoing programme of investment for the future. Our focus on self-help will both support short-term delivery and establish a strong platform for sustainable performance.

That's a brief outline of the context. Let me now move onto the numbers. Our 2009 half-year results reflect what we believe has been a good performance from the group in a difficult environment.

- Our replacement cost profit was $5.5bn.

- Post-tax operating cash flow was $12.3bn.

- We invested a total of $9.4bn of organic expenditure and had divestments proceeds of $1bn.

- We paid a dividend of 28 cents per share, equivalent to $5.2bn

I'd now like to turn to our operational performance and give you a summary of the continued momentum we are seeing across the company.

We are continuing our focus on safe and reliable operations. We currently have 50 of our sites now running on our Operating Management System, which we established as the foundation for a safe, effective and high-performing BP – that amounts to about half of them. We are moving operations to the heart of BP and standardizing how BP operates around the world.

The tragic helicopter accident in the North Sea earlier this year was a stark reminder to us all of the risks that we face in our business and the need to continue to make safety our No. 1 priority. We are maintaining our focus on improving both personal and operational safety.

We are continuing to build capability across the businesses ensuring we have the right people in the right place with the right skills. We are also deepening expertise across BP and ensuring that reward is appropriately linked to performance.

In E&P, we are delivering volume growth in the business – with production up by more than 3% compared with the first half of last year. Unit production costs are down by 11% over the same period.

In R&M, refining availability is also up. For the first half it was around 93% - up by more than 4% on the first half of last year.

Let me now look in more detail at how our businesses performed in the first half of 2009: In Exploration and Production, we've seen very strong strategic and operational momentum.

We've continued to make good progress accessing new resources including Rumaila in Iraq - one of the world's great oilfields. We've also been awarded two new blocks in the most recent Egyptian licensing round, and as part of our asset sale in Indonesia, we've agreed a joint venture with Pertamina to look at options for coal bed methane development. In Azerbaijan, we recently signed a memorandum of understanding with SOCAR to jointly explore and develop the Shafag and Asiman structures in the Caspian Sea.

Our exploration success also continued with the 17th and 18th discoveries in Angola, and we had further significant appraisal success in the Gulf of Mexico with the Mad Dog South well.

In addition to all of that, we've also seen the start-up of five major projects in the first half of 2009. They are Tangguh in Indonesia, King South and Dorado in the Gulf of Mexico and Uvat and Kamennoye in our TNK-BP joint venture. We're also seeing the very successful ongoing ramp-up of Thunder Horse.

And alongside this we've sanctioned a number of developments from our hopper of major projects including the Block 15 Clochas Mavacola development in Angola, and the Serette new field development in Trinidad.

Turning now to Refining and Marketing - despite the challenges of a difficult market, we've made significant progress in the turnaround of our Downstream business.

During the first half of 2009, a further four refineries and two petrochemicals sites transitioned to our Operating Management System.

We've refocused the activities of our R&M Head Office and have successfully implemented a new SAP back-office system in Iberia. This system and associated core processes will be progressively rolled out across all the Fuels Value Chains to deliver improved efficiency and effectiveness.

We've continued to restore revenues. Refining availability is over 93%, up by more than 4% against this time last year, and is at its highest level since the first quarter 2005. Texas City is restored to full capability.

In our drive to simplify the business, we've completed the exit of our company-owned, company-operated retail sites in the US and we've also announced the sale of our ground fuels marketing business in Greece to Hellenic Petroleum.

Cash costs are down by more than 15% versus the first half of 2008.

Before I hand to Byron, let me finish by talking about Alternative Energy and our Corporate Efficiency agenda.

In Alternative Energy, we've simplified the business to concentrate on four areas; Biofuels, Wind in the US, Solar where we are repositioning our manufacturing footprint to lower cost locations in India and China, and Carbon Capture and Sequestration where we're focused on two major projects in Abu Dhabi and California.

Turning to corporate efficiency, and our drive to reduce complexity in the business and bring down costs, we've met our original objective of reducing the headcount by more than 5,000 people by the middle of 2009.

We continue our focus on deepening expertise. We've simplified the organizational model in the functions and made it more fit for purpose. And we've created greater clarity around accountabilities.

Taken together all of this has resulted in a significant reduction in cash costs, which are down by more than $2 billion on the same period last year. I'm pleased to say we've surpassed the target we set at the beginning of the year but we are by no means complacent. There is more to be done and we will continue to drive greater efficiencies into the business to ensure that we really do make every dollar count.

Now over to Byron who will go through the 2Q results in more detail.

Byron Grote, Chief Financial Officer

Thank you Tony and good day to those joining us on this call.

I will begin my review of the results with the second quarter trading environment.

The table shows the percentage year-on-year changes in BP's average upstream realizations and refining indicator margin.

Compared with last quarter our liquids realization increased by more than 25% to $52 per barrel, while our gas realization fell around 20% to $2.90 per thousand cubic feet.

The sharp decline in Henry Hub prices continues to materially impact both our realizations and our financial results.

Taking both oil and gas together, our 2Q and year-to-date average hydrocarbon realizations are more than 50% lower than a year ago.

The refining indicator margin of $5 per barrel was down 20% compared with the previous quarter and nearly 40% lower than 2Q'08. This margin weakness has been driven by high distillate stocks and reduced demand for products. Indicator margins in the US have regained a premium over those in Europe but upgrading margins remain low globally.

Turning to the financials:

Adjusting for non-operating items and fair value accounting effects of $200 million, our underlying replacement cost profit for the quarter was $2.9 billion, down 66% versus our underlying profit in the same period last year, reflecting the much weaker environment. Compared with last quarter, its up by 14%.

The effective tax rate for the quarter was 35%. We now expect the full-year rate to be towards the bottom of the 36 - 39% guidance provided in February.

Second-quarter operating cash flow was $6.8 billion, flat compared with last year and up by 21% compared with last quarter. Cash flows for the quarter benefited from a reduction in inventories including oil volumes held in storage to access the steep contango structure of the market at the end of 1Q.

The 14 cents per share dividend announced today, which will be paid in September, is the same as last year. The sterling dividend is up around 20% year-on-year reflecting the stronger dollar.

In Exploration and Production, after adjusting for non-operating items and fair value accounting effects of some $600 million, we reported a pre-tax underlying replacement cost profit of $4.4 billion for 2Q, down $8.7 billion compared with last year, again reflecting the significantly weaker price environment. The gas marketing and trading contribution was comparable to the prior year but lower than the strong 1Q performance.

Reported production again exceeded 4 million barrels of oil equivalent per day – more than 4% higher than a year ago. Adjusting for the impacts of production-sharing agreements and the effects of OPEC quota restrictions, underlying production was also 4% higher than a year ago.

We maintained momentum in reducing costs with unit production cost down by 12% on 2Q08. However, in line with previous guidance, DD&A is higher than a year ago.

BP's share of TNK-BP net income was nearly $550 million, and we received a dividend of $470 million during the quarter.

In Refining and Marketing, after adjusting for a charge of nearly $300 million related to non-operating items and fair value accounting effects, we reported a pre-tax underlying replacement cost profit of $970 million for 2Q. This is an increase of nearly $200 million compared with a year ago, despite a much weaker refining environment and the impact of the very narrow light heavy spread.

Refining demonstrated continued operational momentum with availability up by more than 5% versus 2Q08.

The International Businesses continued to perform well, with lubricants maintaining strong delivery and with some recovery in petrochemicals.

Across R&M, the focus on simplification and cost efficiency continued to deliver material year-on-year benefits.

Supply optimization and trading, which made an exceptional contribution in 1Q, returned to a more typical level.

And the weakening of the US dollar and the increase in crude prices in the second quarter created a gain on in-transit barrels.

In Other Businesses and Corporate, after adjusting for $40 million of non-operating items, the second quarter's result was a charge of $540 million, around $350 million more than a year ago.

The increased charge was primarily due to negative foreign exchange effects and a much weaker business environment for Shipping and Alternative Energy, partially offset by the continued reduction in corporate costs.

Our guidance for the second half is unchanged from the $400 to 500 million underlying quarterly charge I indicated in February.

Turning now to cash flow, this slide compares our sources and uses of cash in the first half of 2008 and 2009.

Cash inflows were over $13 billion with operating cash flow down 30% reflecting the weaker environment.

Cash expenditures were over $15 billion, including about $10 billion of organic cash capex.

Our net debt ratio of 22% remains at the lower end of our targeted band.

In closing, I would like to say a few words regarding our progress in 2009 and the outlook for the rest of the year.

We continue to expect growth in production. The normal E&P turnaround season will impact 3Q with planned activities across many of our operations, including some of our highest margin areas. This will impact volumes, margins and costs.

For the first half of 2009, refining availability has been more than 4% higher than the same period last year, and we expect availability to continue at higher levels than 2008 for the remainder of the year.

Cash costs in the first half were down by more than $2 billion compared to the same period last year. We now expect cash costs for the full year to be down by more than $3 billion compared to 2008.

In line with previous guidance, organic capital expenditure is expected to be below $20 billion for the full year. We continue to anticipate $2 to 3 billion in disposal proceeds and have already delivered $1billion during the first half.

A final comment; the challenges of the difficult environment remain with us, but we are making significant progress. We continue to fund the dividend and invest to grow the firm. The balance sheet is taking up the slack for the time being but we are committed to getting our cash flows in balance under the tough industry conditions that we have faced in recent months. We are not there yet, but with the momentum we have we expect to be there soon.

That concludes my remarks. Now back to Tony.

Tony Hayward, Group Chief Executive

Thanks Byron

Before we take your questions, I'd like to reiterate the strategy we've been pursuing for the last 2 years.

In the Upstream we said we would deliver profitable growth – and we are. Production is expected to grow again this year. Costs are coming down and capital efficiency is going up.

In the Downstream we said we would turn around the business – and we are. Operational momentum has been restored and we're driving cost efficiency here too.

In Alternative Energy we said we would focus and simplify the business – and we are.

And finally we're continuing to drive efficiency at the corporate centre.

I'm also pleased to welcome Carl-Henric Svanberg, to BP to replace Peter Sutherland as Chairman. Carl Henric – who many of you will know as the Chief Executive of Ericsson - will take up his post on the 1st January next year and I'm very much looking forward to working with him.

In closing….let me say we've made good progress over the last couple of years but there's no room for complacency. Today we have strong operational momentum across all of our businesses. We have a clear strategy that we're delivering, and today's results give you an indication of the progress we're making. I believe we have the best set of assets in our industry and we now intend to get the most out of them.

Ladies and gentlemen, thank you for listening.

We would now be delighted to take your questions.