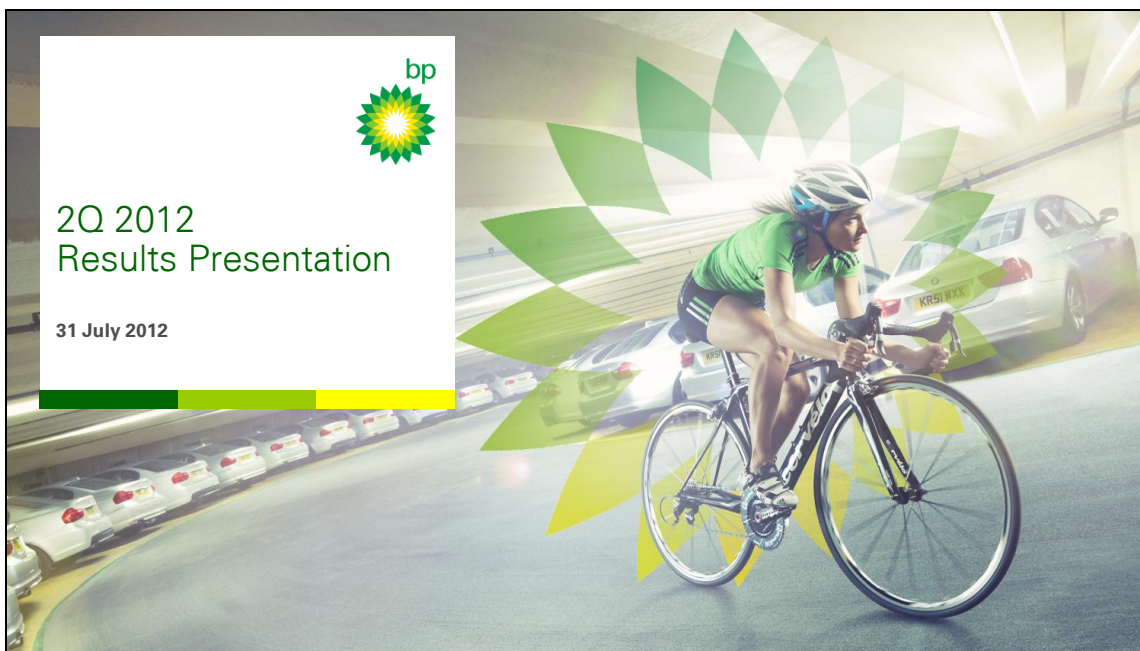


2Q 2012  
Results Presentation

31 July 2012





Hello and welcome to BP's second-quarter 2012 results webcast and conference call. I'm Jessica Mitchell, BP's Head of Investor Relations and joining me today are Bob Dudley, our Group Chief Executive and Brian Gilvary, our Chief Financial Officer.

Before we start, I'd like to draw your attention to our cautionary statement.

## Cautionary statement



### Forward-looking statements - cautionary statement

This presentation and the associated slides and discussion contain forward-looking statements, particularly those regarding: expectations regarding the '10-point plan'; expectations regarding the quarterly dividend payment and future distributions to shareholders; the prospects for financial momentum in 2013 and 2014; the expected full-year effective tax rate; the expected level of production in the third quarter and fourth quarter of 2012, the expected level of full-year production in 2012 and the expected production impact of divestments; the expected levels of full-year underlying and reported production in 2012; the expected impact of Russia's crude oil and products export duty on BP's share of TNK-BP net income; the expected level of refining margins and the prospects for the petrochemicals margin environment in the second half of 2012; expected downstream turnaround activity in the second half of 2012; the timing and prospects for upgrades to the Whiting refinery; prospects for BP's \$38 billion divestment programme, and the intention to make \$38 billion of disposals by the end of 2013; prospects for the completion of planned and announced divestments, including the sale of BP's interests in the Jonah and Pinedale operations and in the Alba and Britannia fields in the UK North Sea, and the planned disposals of the Texas City refinery and the southern part of the US West Coast fuels value chain including the Carson refinery; the expected future levels of gearing and net debt; prospects for building the company's portfolio; the anticipated increase in operating cash flow and margins; the timing and quantum of and timing for completion of contributions to and payments from the \$20-billion Trust fund; the level of full-year organic capital expenditure for 2012; the expected level of full-year depreciation, depletion and amortization; the expected average underlying quarterly charge for Other business and corporate; the prospects for and expected timing of certain investigations, claims, settlements and litigation outcomes; the timing of future MDL 2179 proceedings; the expected cost of the settlement agreements with the PSC, and the source of funding thereof; BP's plans to enter negotiations regarding the potential sale of its shareholding in TNK-BP; the prospects for, timing and composition of future projects including expected start up, completion, timing of production, level of production and margins; the prospects for BP's strategic alliance with Reliance, including the development of future projects, recommencement of the exploration programme, sanctioning of a new Floating Storage and Re-gas facility, and future review of pricing terms; the anticipated increase in operating cash flow and margins; BP's plans for utilizing anticipated additional operating cash flow; expectations for drilling and rig activity, including the expected completion of exploration wells in Angola, Brazil, the North Sea and Namibia; the expected award of new leases in the Gulf of Mexico; plans to continue to seek opportunities and prospects in BP's areas of strength, such as deepwater, gas value chains and giant fields; expectations about the future significance of deepwater drilling and unconventional projects for BP; production prospects for Galapagos project and expected timing of start-up of Nakika Phase 3 project; plans to bring Atlantis and Mad Dog back into production in the third quarter 2012; plans to restore production on Thunder Horse and Atlantis; timing of start-up and prospects of new projects currently scheduled for start-up by the end of 2014; timing of anticipated final investment decisions currently expected through the period to 2014; and future operational activity in Gulf of Mexico including new project start-up and production and development activity. Actual results may differ from those expressed in such statements, depending on a variety of factors including the timing of bringing new fields onstream; the timing of divestments; future levels of industry product supply; demand and pricing; OPEC quota restrictions; PSA effects; operational problems; general economic conditions; 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; the impact on our reputation following the Gulf of Mexico oil spill; exchange rate fluctuations; development and use of new technology; the success or otherwise of partnering; the actions of competitors; trading partners, creditors, rating agencies and others; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism or sabotage; and other factors discussed under "Principal risks and uncertainties" in our Stock Exchange Announcement for the period ended 30 June 2012 and under "Risk factors" in our Annual Report and Form 20-F 2011 as filed with the US Securities and Exchange Commission. 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](http://www.bp.com).

**Statement of Assumptions** - The operating cash flow projection for 2014 stated on slides 22, 27 and 28 of this presentation reflects our expectation that all required payments into the \$20 billion US Trust Fund will have been completed prior to 2014. The projection does not reflect any cash flows relating to other liabilities, contingent liabilities, settlements or contingent assets arising from the Gulf of Mexico oil spill which may or may not arise at that time. As disclosed in the Stock Exchange Announcement, we are not today able to reliably estimate the amount or timing of a number of contingent liabilities.

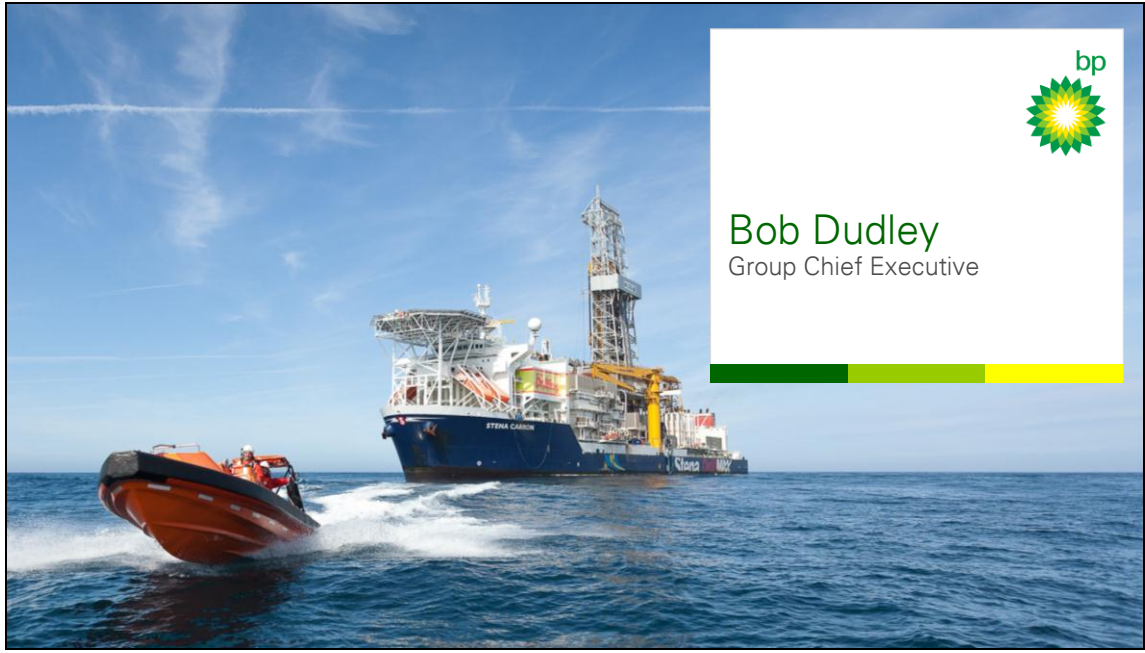
**Cautionary note to US investors** - U.S. investors are urged to consider closely the disclosures in our Form 20-F, SEC File No. 1-06262. This form is available on our website at [www.bp.com](http://www.bp.com). You can also obtain this form from the SEC by calling 1-800-SEC-0330 or by logging on to their website at [www.sec.gov](http://www.sec.gov). Tables and projections in this presentation are BP projections unless otherwise stated.

July 2012

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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 that 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.



Thank you Jess.

## Agenda

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**2Q 2012 results**

**Progress in the US**

**TNK-BP**

**Reliance Industries alliance**

**10-point plan: progress and milestones**

**Q&A**

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Our call today proves that not everything in London stops for the Olympics!

We are operating our every-day business as usual around the world, as well as embracing our role as the Official Oil & Gas Partner of the Games

Our results, at first glance, are weak for the period. There are specific reasons for this. Trading conditions have been particularly volatile resulting in lower oil prices and lower contributions from US gas. The sharp decline in oil prices has also led to some unusually large Duty Lag and forex effects in TNK-BP and adverse pricing of feedstock into our US refineries. Added to this is the impact of the large planned maintenance programme we have undertaken during the quarter in the Gulf of Mexico which is part of enhancing safety and reliability for the future. Brian will provide details in a moment.

While I am not satisfied with the 2Q results we are in the midst of a major transformation which will take some time. As we deliver this transformation we are committed to generating sustainable efficiencies in our operations.

Looking beyond the quarter we continue to transform the company and I want to give you a sense of that progress today.

We are working to resolve a number of significant uncertainties of which you will be keenly aware.

And we continue to implement the important longer term strategic priorities that do not show up in today's quarterly results. We are advancing our 2012 milestones and remain confident that these milestones will deliver underlying financial performance momentum towards the mid-term goals we have set in our 10-point plan of what you can expect and what you can measure for 2014.

Our agenda will start with Brian taking you through the second-quarter results. I will then give you an update on legal proceedings in the US, take a few moments to share some thoughts about our recently announced intentions for TNK-BP and also bring you up to date on developments in India. We will then look at specifics around how we are doing with our 10-point plan.

After that there will be time for Q&A.

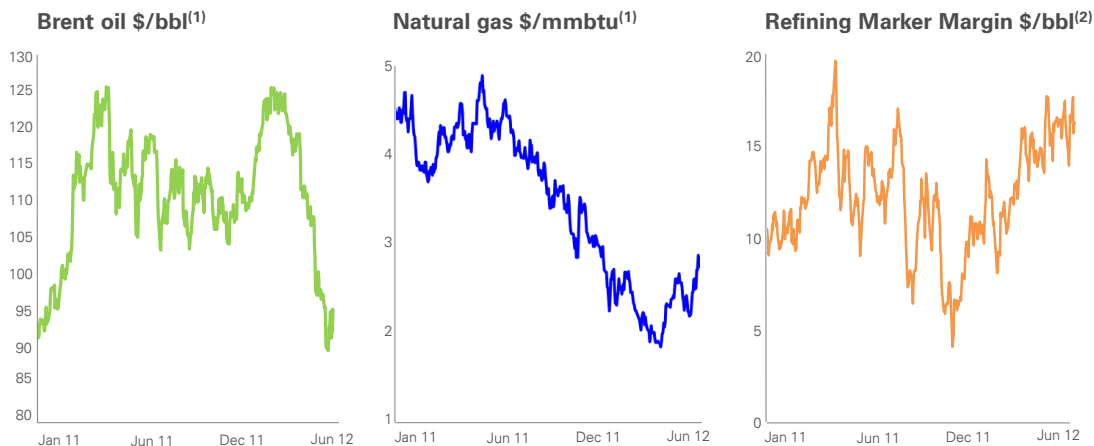
But first, over to Brian.



**Brian Gilvary**  
Chief Financial Officer

Thanks Bob.





(1) Source: Thomson Reuters Datastream  
 (2) BP Refining Marker Margin based on BP's portfolio

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As Bob noted, our earnings for this quarter have been impacted by falling oil prices, the pricing of crude into our US refineries, in addition to upstream turnarounds in the Gulf of Mexico, all of which I will provide more detail on.

But I'd like to start with the broader environmental context that underpins some of the larger movements in the quarter.

Dated Brent declined sharply throughout the quarter on the back of a variety of factors. On average dated Brent was around \$10 per barrel lower than the first quarter but it is the rapid decline from a peak of around \$126 per barrel at the start of the quarter to around \$90 per barrel at the end of the quarter that has had a marked effect on our results, reducing realizations in the Upstream but also creating particularly large Duty Lag effects in TNK-BP. This effect has also had an adverse impact on crude pricing into our US refining system.

In the US, Henry Hub prices reached ten-year lows below \$2 per mcf, during the second quarter as warm winter weather, continued production growth and high inventories forced gas to compete aggressively with coal for power sector demand. This has continued to weigh on contributions from our North American Gas business. Outside the US, gas prices have been held up by the continuing strong demand for LNG in Asia.

Refining margins, on the other hand, have continued to improve during 2012 as refinery run cuts and closures offset weakening demand growth.



## 2Q 2012 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



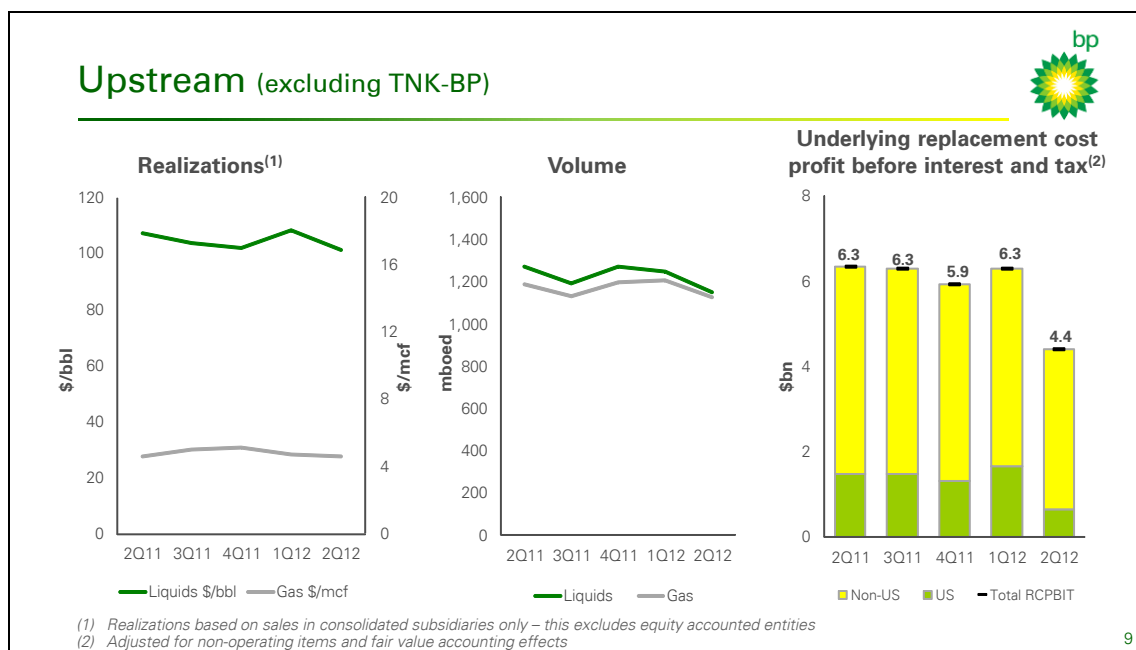
\$bn	2Q11	1Q12	2Q12	% Y-o-Y
Upstream	6.3	6.3	4.4	
TNK-BP <sup>(1)</sup>	1.1	1.2	0.5	
Downstream	1.4	0.9	1.1	
Other businesses & corporate	(0.3)	(0.4)	(0.5)	
Consolidation adjustment - unrealized profit in inventory	0.5	(0.5)	0.5	
<b>Underlying replacement cost profit before interest and tax</b>	<b>9.0</b>	<b>7.4</b>	<b>5.9</b>	<b>(34)%</b>
Interest and minority interest	(0.3)	(0.3)	(0.3)	
Tax	(3.0)	(2.3)	(2.0)	
<b>Underlying replacement cost profit</b>	<b>5.7</b>	<b>4.8</b>	<b>3.7</b>	<b>(35)%</b>
<b>Underlying earnings per share (cents)</b>	<b>30.2</b>	<b>25.3</b>	<b>19.4</b>	<b>(36)%</b>
<b>Dividend paid per share (cents)</b>	<b>7.0</b>	<b>8.0</b>	<b>8.0</b>	
<b>Operating cash flow</b>	<b>7.8</b>	<b>3.4</b>	<b>4.4</b>	

(1) TNK-BP earnings are after interest, tax and minority interest

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Turning to an overview of the second-quarter financials.

- BP's second-quarter underlying replacement cost profit after interest and tax was \$3.7 billion, down 35% on the same period a year ago and 23% lower than the first quarter of 2012.
- Group underlying replacement cost profit for the quarter benefited by \$460 million from the consolidation adjustment for unrealized profit in inventory. Reversing the loss reported in the first quarter.
- Our second-quarter headline replacement cost profit includes a pre-tax non-operating charge of \$5.0 billion, which includes impairments of \$4.8 billion, of which \$2.7 billion were in the downstream relating to the global refining portfolio predominantly in the United States, and \$2.1 billion were in the upstream relating to US shale gas assets and the decision to suspend the Liberty project in Alaska.
- The underlying effective tax rate for the second quarter was 34% the same as for the second quarter of 2011. Guidance for the full-year effective tax rate remains in the range of 34-36%.
- Second-quarter operating cash flow, was \$4.4 billion, including \$1.7 billion of post-tax Gulf of Mexico oil spill expenses, of which \$1.25 billion represents the payment into the Trust Fund.



In Upstream, the underlying second-quarter replacement cost profit before interest and tax was \$4.4 billion compared with \$6.3 billion a year ago and \$6.3 billion in the first quarter.

The result versus a year ago largely reflects:

- A weaker price environment with Brent trading on average around \$9 per barrel lower than a year ago, and Henry Hub trading on average \$2 lower than a year ago. This softness in Henry Hub has reached the point where our North American Gas business is operating at a loss.
- Production was 7.4% lower than a year ago, primarily due to divestments and offline production in the Gulf of Mexico. Underlying volumes, excluding TNK-BP and after adjusting for divestments and entitlement effects in our production sharing agreements, reduced by around 2.7% year-on-year.
- Costs also increased year-on-year, including higher DD&A as we indicated earlier in the year, and the ongoing impact of sector inflation.

Compared to the first quarter, our second-quarter result is \$1.9 billion lower. Just over half of this related to the reduction in volumes concentrated in high-margin areas, with the balance relating mostly to the weaker price environment. Costs also increased slightly, primarily related to maintenance.

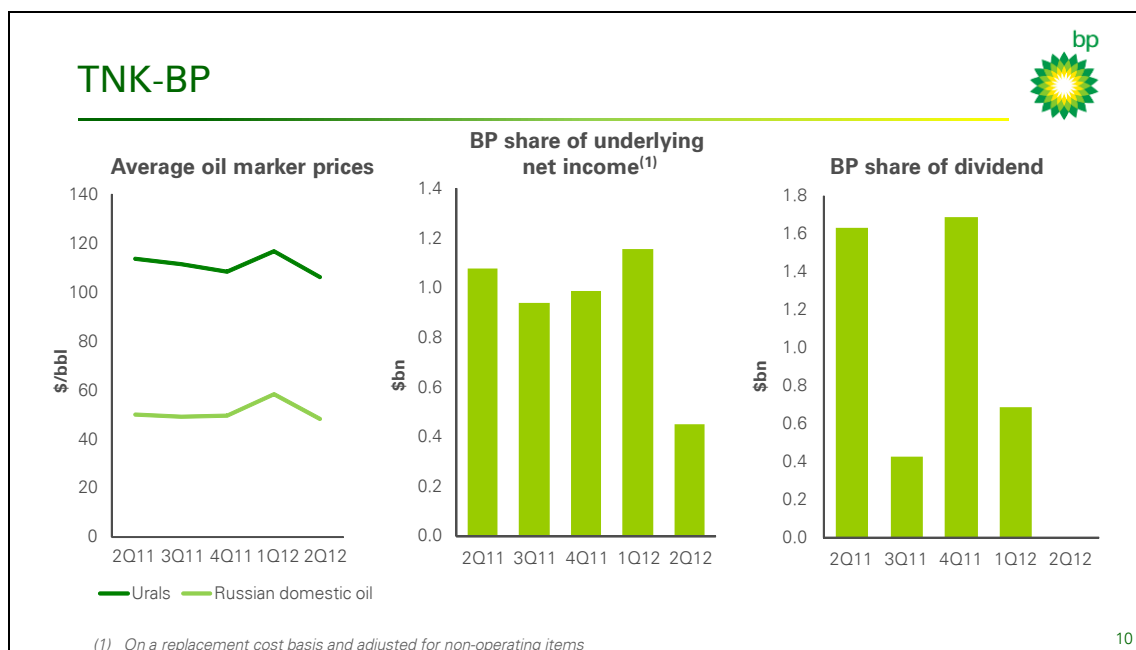
As we signalled at the time of our first-quarter results, the second quarter brings the onset of seasonal maintenance and turnarounds which are typically concentrated in the Gulf of Mexico. During the second quarter we lost an average 86 thousand barrels oil equivalent per day of production in this region. There were a number of programmes carried out on BP-operated facilities as well as on facilities operated by others. The most significant event was the complete replacement of the facilities

on the seabed at Atlantis which resulted in a shutdown of the facility for the entire quarter. Tropical Storm Debby at the end of the quarter also contributed to the drop in production. During the third quarter we will bring both Mad Dog, after a fifteen month shutdown, and Atlantis back online.

Looking ahead we expect 3<sup>rd</sup> quarter reported production to be slightly lower than 2Q. Although we are seeing the restart of the facilities in the Gulf of Mexico, we are now beginning the turnaround season for the North Sea - also a high-margin region. In addition there are other planned activities in 3Q that will impact production to a lesser extent. In aggregate, our top four high-margin areas, will be slightly down in 3Q relative to 2Q production. Finally, 3Q production will be impacted by the continued effects of the divestment programme as we reshape the portfolio.

We expect production to rise up in the 4<sup>th</sup> quarter as we come out of the summer maintenance season and see the benefit of the continued ramp-up of our major project start-ups.

Turning to TNK-BP.



BP's share of TNK-BP underlying net income was \$450 million in the second quarter, 58% lower than a year ago and 61% lower than the previous quarter.

The result reflects a reduction in net income for the quarter driven primarily by the drop in Urals crude prices. Additionally, net income was reduced by the lagging effect of the export duty which has a disproportionate effect in periods of falling prices. This Duty Lag is unusually large in 2Q.

Russia's crude oil and products export duty is linked to the Tax Reference Price which is set two weeks prior to the start of the month, based on the average Urals price for the preceding 30 days so when prices fall quickly as they did in 2Q, the export duty is relatively high. We have seen this effect in past quarters when the Urals price drops significantly below the Tax Reference Price, but not to this extent.

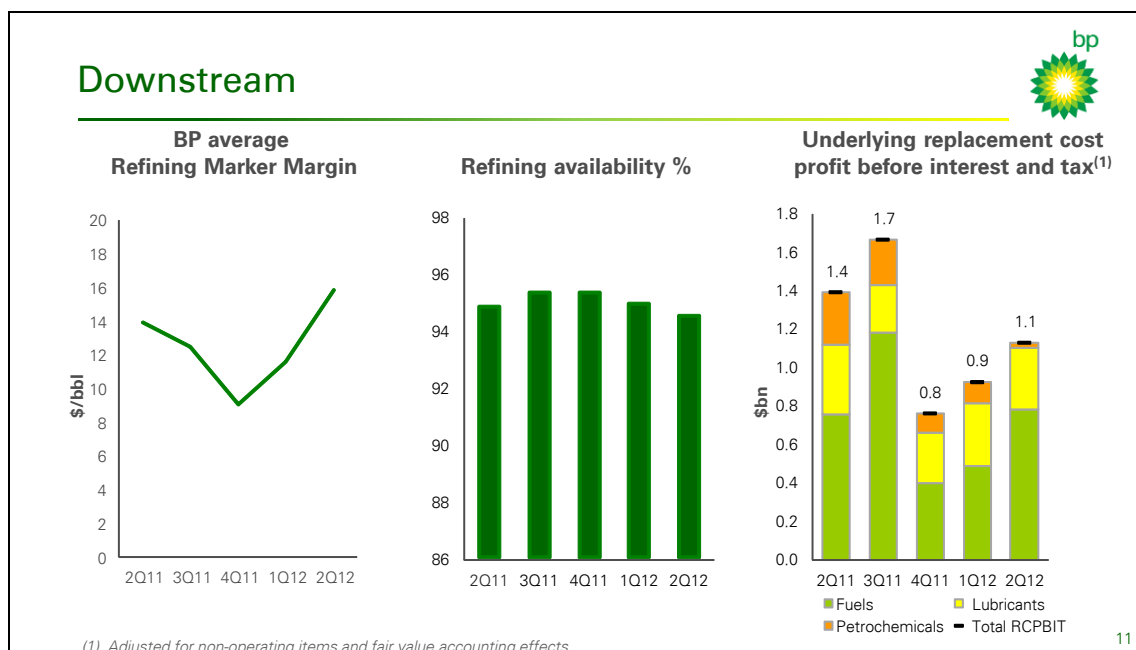
In addition, the weakening of the Russian Rouble relative to the US dollar in the second quarter, which is typically correlated to the decrease in oil prices, results in a foreign exchange effect on deferred taxes.

Taken together, the price, Duty Lag and forex elements had an adverse impact of around \$700 million on BP's second-quarter share of net income compared to the first quarter of 2012.

At current Urals prices, we would expect 3Q net income to show some positive reversal of the Duty Lag.

TNK-BP operational performance remained strong. BP's share of TNK-BP production in the second quarter at 1.02 million barrels of oil equivalent per day was around 4% higher than the same period last year.

No dividend was paid by TNK-BP in the second quarter.



Now turning to the Downstream, underlying replacement cost profit was \$1.1 billion for the quarter compared with \$1.4 billion a year ago and \$900 million last quarter.

The fuels business delivered an underlying replacement cost profit of \$800 million, higher than both the same quarter last year and the first quarter of 2012.

Compared with the same period last year the result benefited from:

- The higher refining environment, and
- Continued strong refining feedstock optimization in the US Midwest.

This was however largely offset by:

- The adverse impact of prior month pricing of barrels into our US refining system. We commit to purchasing crude before we take it in to inventory based on the prior month's pricing, which in a time of rapidly falling crude prices typically results in a negative contribution
- Negative foreign exchange effects, and
- A weak supply and trading contribution, leading to a loss in the first half of 2012.

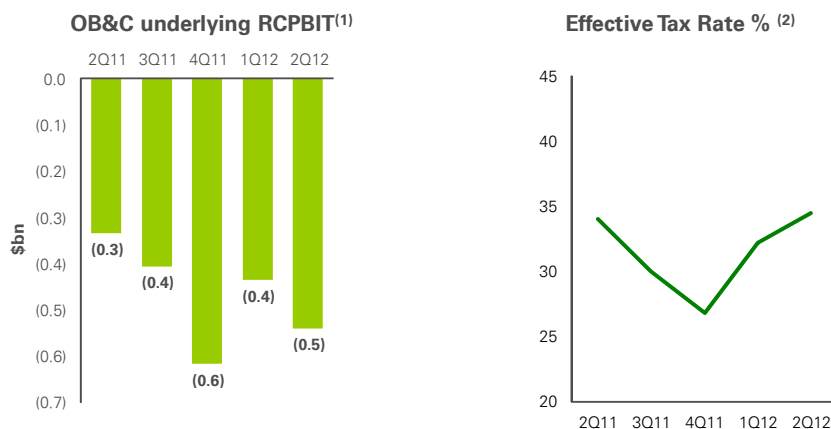
Looking ahead, we expect refining margins in the second half to decline in line with seasonal trends and the level of turnaround activity to be lower than in the second quarter. In addition, in the fourth quarter of 2012 we expect to commence, and complete during the first half of 2013, a transitional outage to substantially reconfigure the largest of three crude units at our Whiting refinery as part of our major project to upgrade the refinery in time for its expected start up in the second half of 2013.

The lubricants business delivered an underlying replacement cost profit of \$320 million compared with \$370 million in the same period last year. It continued to

deliver resilient profitability both year-on-year and compared with last quarter despite weaker demand, higher base oil prices and adverse foreign exchange effects.

The petrochemicals business delivered an underlying replacement cost profit of \$30 million compared with \$270 million in the same period last year driven by weak aromatics margins resulting from growing capacity and subdued demand. Looking ahead, we expect the weak margin environment to continue for the remainder of 2012 in our petrochemicals business.

## Other items



(1) Other businesses and corporate underlying replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items  
 (2) Effective tax rate on underlying replacement cost profit

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In Other Businesses and Corporate, we reported a pre-tax underlying replacement cost charge before interest and tax of \$540 million for the second quarter, which is in line with the guidance given in February for an underlying quarterly charge averaging around \$500 million.

The increase in the charge relative to last quarter and the same period last year is mainly due to foreign exchange effects.



## Gulf of Mexico oil spill costs and provisions pre-tax<sup>(1)</sup>



\$bn	To end 2011	1Q12	2Q12	Cumulative to date
<b>Income statement</b>				
Charge / (credit) for the period	37.2	(0.0)	0.8	38.0
<b>Balance sheet<sup>(2)</sup></b>				
Brought forward		10.6	8.9	
Charge / (credit) to income statement	37.2	(0.0)	0.8	38.0
Payments into Trust Fund	(15.1)	(1.5)	(1.3)	(17.9)
Cash settlements received	5.1	0.3	-	5.4
Other related payments in the period <sup>(3)</sup>	(16.6)	(0.5)	(0.4)	(17.5)
Carried forward	10.6	8.9	8.0	8.0
Cash outflow	26.6	1.7	1.7	30.0

(1) Includes contributions received from Mitsui, Weatherford, Anadarko and Cameron

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

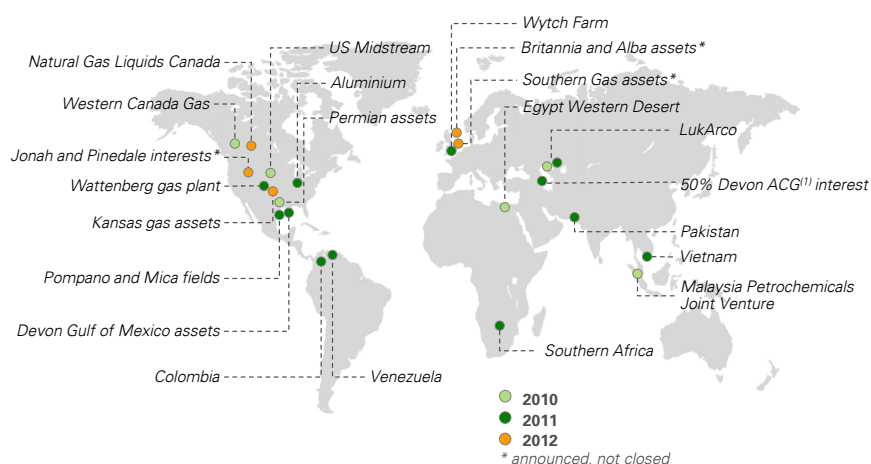
(3) Please refer to details as disclosed in the second quarter Stock Exchange Announcement

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Next I would like to provide you with an update on the costs and provisions associated with the Gulf of Mexico oil spill.

- The second-quarter charge has been increased by some \$850 million to reflect an increase in the provision for various costs and litigation relating to the Gulf of Mexico oil spill.
- This brings the total cumulative net charge for the incident to date to \$38.0 billion.
- Pre-tax BP cash out flow relating to the oil spill cost and the \$20 billion Trust Fund for the quarter was \$1.7 billion.
- At the end of the second quarter, the cash balances in the Trust and the Qualified Settlement Funds amounted to \$10.1 billion, with \$17.9 billion contributed in and \$7.8 billion paid out.
- As we indicated in previous quarters, we continue to believe that BP was not grossly negligent and we have taken the charge against income on that basis.

## Divestments

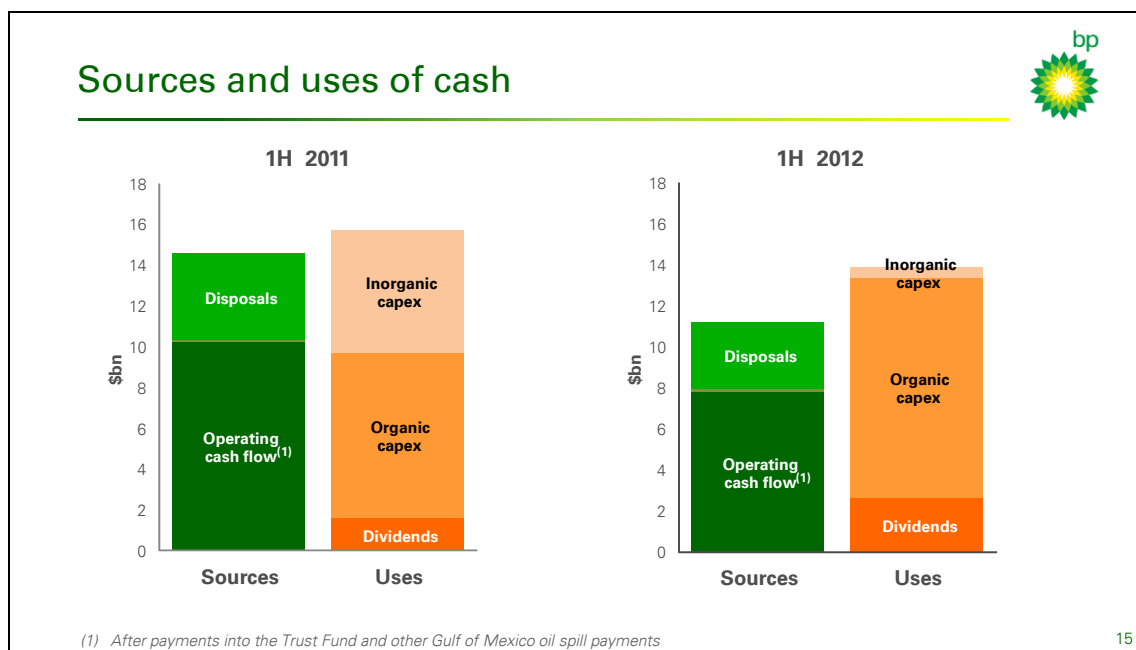


(1) Azeri-Chirag-Gunashli

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Turning to our divestment programme.

- In the second quarter we announced agreements to sell our interests in the Jonah and Pinedale upstream operations in Wyoming, USA for \$1 billion and our interests in the Alba and Britannia fields in the UK North Sea for \$280 million.
- Announced divestments now stand at \$24 billion since the start of 2010, of which \$22.5 billion have been completed, with agreements in place for a further \$1.7 billion at the end of the quarter.
- We will continue to focus our portfolio through divestments, with a further \$14 billion targeted between now and the end of next year.



Moving now to cash flow, this slide compares our sources and uses of cash in the first and second half of 2011 and 2012.

- Operating cash flow in the first half was \$7.8 billion, of which \$4.4 billion was generated in the second quarter. After excluding Gulf of Mexico oil spill related expenditures of \$2.9 billion, underlying operating cash flow in the first half of the year was \$10.6 billion.
- We received \$3.2 billion of divestment proceeds during the first half; \$1.9 billion in the second quarter.
- Organic capital expenditure in the first half was \$10.6 billion and \$5.3 billion in the second quarter.
- Operating cash flow for the first half reflects around \$3 billion net working capital build, no dividend from TNK-BP in the second quarter, and the absence of high-margin barrels due to our second-quarter maintenance programme.

## Net debt ratio



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

*Net debt includes the fair value of associated derivative financial instruments used to hedge finance debt*

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- At the end of the second quarter net debt was \$31.7 billion. Gearing is 21.9% compared to 20.7% at the end of the first quarter. This was in part due to a small increase in net debt, but primarily driven by the impact on equity of the impairments taken in the quarter.
- As we deliver the next tranche of divestments we expect gearing to reduce and, as noted in February, whilst uncertainties remain, we are targeting gearing in the lower half of the 10 to 20% range over time.
- Our intention remains to meet all of our US obligations, generate sufficient cash to both grow distributions to our shareholders over time as the circumstances of the firm improve, and invest to build our portfolio.

## 2012 Guidance



	1H 2012	Full year 2012 guidance
Organic capital expenditure	\$10.6bn	~ \$22bn
DD&A <sup>(1)</sup>	\$6.1bn	~ \$1.4bn higher than FY 2011
Production (excluding TNK-BP)	2,364 mboed	~ flat, underlying <sup>(2)</sup>
Other businesses and corporate: average underlying quarterly charge	\$490m	~ \$500m
Effective tax rate	33% <sup>(3)</sup>	34% - 36%

(1) Depreciation, depletion and amortization

(2) 2012 production is based on \$100 oil normalized for the impact of divestments, OPEC quotas and price effects

(3) Effective tax rate on underlying replacement cost profit

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Before handing you back to Bob I would like to update you on our guidance for 2012.

Organic capital expenditure in the first half of 2012 was \$10.6 billion and we expect the full year to be around \$22 billion in line with the guidance we gave you in February.

In February we told you that full year depreciation, depletion and amortization for 2012 would be around \$1 billion higher than in 2011. We now expect it to be around \$1.4 billion higher than 2011 with the revision mainly due to higher decommissioning costs.

We continue to expect full-year underlying production in 2012 to be broadly flat with 2011, excluding TNK-BP. Reported production for the full year is expected to be lower than 2011 due to the impact of divestments which we continue to estimate at around 120 thousand barrels of oil equivalent per day. The actual outcome will depend on the exact timing of divestments and project start-ups, OPEC quotas, and the impact of the oil price on production sharing agreements.

As I previously mentioned, guidance for the full-year effective tax rate remains in the range of 34% to 36%. In 3Q we expect a one-off charge of around \$250 to \$300 million related to further changes to the UK taxation of North Sea production.

With that let me hand you back to Bob.



Thank you Brian.

Following that outline of the second-quarter results, I would now like to turn our attention to the longer term, and the work to reset the company and create the platform to grow value for shareholders.

I will start with updating you on our efforts to resolve two significant uncertainties, that related to legal proceedings in the US and that related to our interests in TNK-BP in Russia.

We are also approaching the first anniversary of our alliance in India with Reliance Industries so this is a good moment to pause briefly and update you on developments there before covering progress with our 10-point plan.

## US legal proceedings



- \$8.8bn of claims and government payments to end 2Q
- \$17.9bn paid into the Trust Fund, payments to end in 4Q
- Settlement announced with Plaintiffs' Steering Committee in 1Q 2012
  - Subject to Court proceedings and final approval
  - Court-supervised settlement program established
- Trial date of 14 January 2013 for remaining proceedings under MDL2179

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In the US, by the end of the second quarter, we had paid a total of \$8.8 billion to meet individual and business claims and government payments. Nearly \$18 billion has been paid into the Trust Fund as of the end of the second quarter, with the final payments to complete the \$20 billion funding scheduled for 4Q this year.

As we announced at 1Q, we have reached definitive and fully documented agreements with the Plaintiffs' Steering Committee to resolve the substantial majority of eligible private economic and medical claims stemming from the Deepwater Horizon incident. On May 2<sup>nd</sup> this year the Court gave preliminary approval to the proposed economic and medical settlements, and scheduled a fairness hearing for November 8<sup>th</sup> to determine whether to grant final approval of the settlements. We estimate the cost of the settlement, to be paid from the Trust Fund, to be around \$7.8 billion.

Further to these agreements the Court has scheduled a new trial date of the 14<sup>th</sup> of January 2013 for the remaining proceedings under MDL 2179. In MDL 2185 in Houston, the Court has granted BP's motion to dismiss the dividend class action and a trial date for other claims is not yet set.

We have said all along that we are willing to settle if we can do so on fair and reasonable terms and this remains our position. As anticipated this is attracting considerable media attention but that is not the place to focus our energy and our commitment remains to update you as and when appropriate.



## TNK-BP



- A successful joint venture for the shareholders and for Russia
- Both BP and Alfa Access Renova (AAR) now seek long-term clarity
- Unsolicited expressions of interest received to acquire BP's shareholding
- BP notified AAR of its intention to pursue a sale on 1 June 2012
- AAR notified BP of its intention to enter into negotiations with BP for the acquisition of BP's equity in TNK-BP on 18 July 2012
- Negotiations to take place with Rosneft and any other interested parties in parallel
- Process could take several months
- No guarantee that a sale will be completed

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We have also been working to resolve uncertainties in Russia.

TNK-BP has been a very successful venture for both sets of shareholders and for the Russian government, despite periodic volatility.

The venture is almost ten years old now and BP has been working hard to try to define a long-term solution that will bring clarity to the situation for all parties. So far we have not been able to find such a solution.

Having received unsolicited indications of interest regarding a potential acquisition of our shares in TNK-BP we notified Alfa Access Renova on the 1<sup>st</sup> of June of our intent to sell, as required by our shareholders' agreement.

On the 18<sup>th</sup> of July Alfa Access Renova notified us of their intention to enter into negotiations for the acquisition of BP's equity in TNK-BP. We followed this notification with a statement indicating that BP would enter into a 90-day period of good faith negotiations with Alfa Access Renova as required by the TNK-BP shareholder agreement. BP has also since announced that it will begin negotiations with Rosneft and any other interested parties in parallel.

There is of course no guarantee a sale will be completed as a result of this process.

The process itself could take several months during which we will be bound by confidentiality agreements and we will adhere to the agreements methodically. So, we will provide additional information if and when we can.

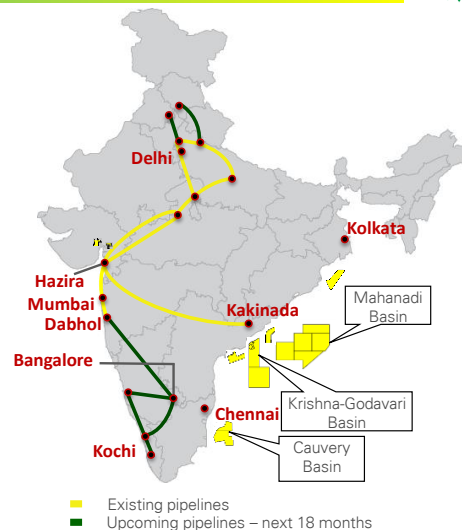
This notification does not mean that we intend to leave Russia. We have a long and successful history there and we continue to support many activities including technology, educational and cultural initiatives and will continue to do so in the future. BP hopes to continue to play a role in Russia's energy sector for many decades to come.

## Reliance Industries alliance



### Long-term strategic acquisition

- Medium-term
  - restoration of KG-D6
  - development of already discovered resource
- Significant exploration opportunities
- Gas marketing joint venture provides exposure to rapidly growing market



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In India our new strategic alliance with Reliance Industries has provided BP with a 30% share in the significant East Coast Krishna-Godavari, Cauvery and Mahanadi basins and also includes a 50/50 gas marketing Joint Venture. This positions BP as the only IOC in the full gas value chain in India in a potentially huge gas market expected to grow at around 5% per annum.

12-months on our technical assessments continue to support strong resource potential to BP. To date we have booked only the remaining proved and developed reserves in the KG-D6 producing fields and all partners now share a comparable technical view of these existing fields.

We see the potential to increase these proven reserves through effective base production management. We have deep operating experience in this arena and it is central to why we are involved in the alliance.

We maintain a view of D6 as a “golden block”. It currently produces around 1.1 billion cubic feet per day gross from around only 350 square kilometers of the approximately seven and a half thousand square kilometers in the block. In addition to the already producing fields - D1D3 & D26 - there are ten other discoveries within KG-D6. Reliance, as operator, is currently performing sea bed surveys so that development of this 5 plus TCF of already discovered gas can begin. In 2013 we expect to sanction and begin developing the Satellites and R-Series, with NEC 25 projects beyond that.

We also expect to restart the exploration programme in 2013 and are aiming to sanction a new Floating Storage and Re-gas facility in the first half of the year, to import LNG into energy-hungry India.

We are also looking for a review of pricing terms. The current KG-D6 gas price of \$4.20 per mmbtu is fixed until April 2014. Today imported spot LNG is around \$16.

Recognizing that a transparent, arms-length & competitive pricing framework is essential for India to enhance exploration and production activity and develop its own energy security we see considerable potential for a more market-linked gas pricing regime to be in place post 2014.

In summary, we see three very clear sources of value. Firstly, from the substantial medium-term opportunities for developing the already discovered gas; secondly from finding new oil and gas through the re-start of exploration activities; and thirdly from establishing our gas marketing Joint Venture in one of the fastest growing markets in the world.

## Moving BP Forward 10 - point plan



### What you can expect

1. Relentless focus on safety and managing risk
2. Play to our strengths
3. Stronger and more focused
4. Simpler and more standardized
5. More visibility and transparency to value

### What you can measure

6. Active portfolio management to continue
7. New upstream projects onstream with unit operating cash margins double the 2011 average<sup>(1)</sup>
8. Generate around 50% more annually in operating cash flow by 2014 versus 2011 at \$100/bbl<sup>(2)</sup>
9. Half of incremental operating cash for re-investment, half for other purposes including distributions
10. Strong balance sheet

(1) Assuming a constant \$100/bbl oil price and excluding TNK-BP  
(2) See Statement of Assumptions in Cautionary Statement

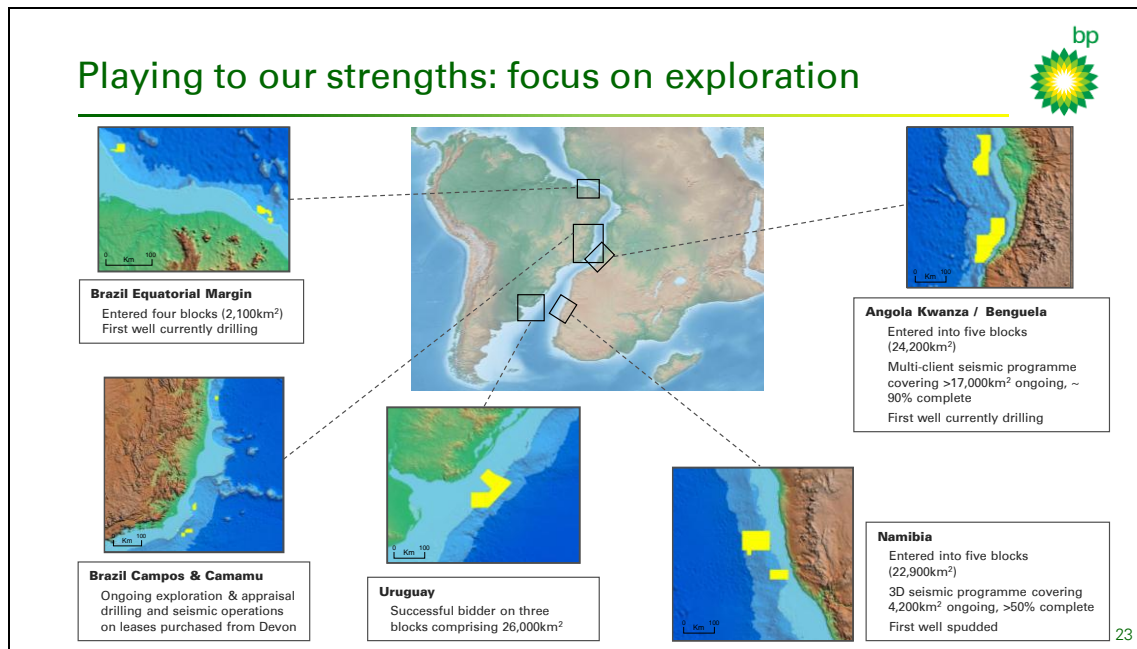
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So progress is being made on a number of important fronts, but we are also focusing on the core of BP. Which brings me to our 10-point plan. In October last year we laid out our roadmap through 2014 for growing value - five things you can expect from BP and five things you can measure.

By now you are familiar with this framework - with our intention to play to our strengths and with our drive to be safer, stronger, simpler and more standardized – and with the way we intend to grow value from a portfolio of the right size. We expect this to generate the operating cash flow to both invest in a reloaded pipeline of projects and exploration prospects, and to grow distributions to shareholders as Brian described.

In February we said 2012 would be a year of milestones as we increase investment and activity and that 2013 and 2014 would bring financial momentum, so that by 2014 you can expect an increase of around 50% in operating cash flow based on an oil price assumption of \$100 per barrel – about half from ending Gulf of Mexico Trust Fund payments and around half from operations.

So let me update you on our progress.



We are playing to our strengths in exploration and activity is ramping up.

We continue a strong run of new access in core areas.

This map shows how the continents of South America and Africa reconstruct in the geologic past and provides the context for plays on both sides of the Atlantic where we have been increasing our participation.

Thus far in 2012 we have entered into new positions in Namibia and been awarded three new blocks offshore Uruguay, subject to government approval. And we have increased our acreage in the equatorial margin plays of deepwater Brazil, together with Petrobras. Extensive seismic acquisition and exploration drilling are underway in Angola and Namibia. We aim to increase activity in these exciting new plays in coming years.

In the Gulf of Mexico we acquired 43 new leases in the June 2012 lease sale, which will be awarded subject to regulatory review, and in North Africa we have lifted Libya's force majeure, a first step towards re-instating exploration activity both offshore and onshore.

We have also added to our growing North America liquids-rich shale position with entry into the Utica shale formation in Ohio.

We expect to complete around nine exploration wells this year including wells in Angola, Brazil, the North Sea and Namibia.

This is part of a clear plan to test 15 new plays in the next four years.

## Active portfolio management continues

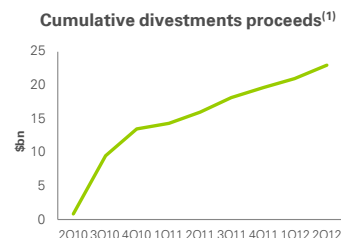


### Portfolio focus

- Value not volume
- Focus where we have distinctive capabilities
- Reduce footprint in non-core areas of high operational risk

### Divestments update

- \$24bn of divestments announced towards \$38bn program
- Reserves of 1.2bn boe and non-proved resources of 2.9bn boe
- Production impact of ~200mboed on a full-year basis



(1) Cumulative divestment proceeds have been adjusted to remove the deposit of \$3.5bn received in 4Q 2010 relating to the sale of our interest in Pan American Energy and its subsequent repayment in 4Q 2011

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At the same time we are moving ahead with our planned programme of divestments.

Our focus is on value not volume, with a simple objective to own assets where we have distinctive capabilities and the potential to grow returns. At the same time this process improves the balance of risk in our portfolio as we reduce our footprint in areas that are non-core but carry higher operational risk.

As Brian said, in the near term our intention remains to divest \$38 billion of assets by the end of 2013. To date we have announced \$24 billion against this programme representing some 8% of our reserves and 8% of our production.

Brian has already updated you on our recent transactions and we continue to pursue a wide range of options to complete this programme.

Progress continues to be made with the planned divestment of two US refineries and some associated marketing assets.

We are in advanced discussions on both assets and it remains our expectation to announce both of these deals by the end of the year.

And we are also currently marketing certain non-strategic assets in the Gulf of Mexico, as previously announced.

Longer term, we will continue to actively manage our portfolio as we reshape, resize and strengthen the portfolio to grow value. This includes continuing to actively divest to drive quality and reduce risk but could also include acquiring selectively for strategic advantage.

## Major projects underpin operating cash growth



**Deepwater**



**Gas**



**Giant Fields**

Start-up	Project	WI% <sup>(2)</sup>	Gross Capacity	Project	WI%	Gross Capacity	Project	WI%	Gross Capacity
<b>2012</b>	Block 31 PSVM <sup>(1)</sup>	27	150 mboed	Angola LNG	14	1,100 mmcsfd	Skarv <sup>(1)</sup>	24	165 mboed
	Clochas-Mavacola	27	100 mboed				Devenick <sup>(1)</sup>	89	200 mmcsfd
	Galapagos <sup>(1)</sup>	47-67	60 mboed						
<b>2013 / 2014</b>	Na Kika Phase 3 <sup>(1)</sup>	50	40 mboed	North Rankin 2	17	1,800 mmcsfd	Kinnoull <sup>(1)</sup>	77	50 mboed
	CLOV	17	160 mboed	In Salah Southern Fields	33	420 mmcsfd	Chirag Oil <sup>(1)</sup>	36	140 mboed
	Mars B	29	130 mboed	In Amenas Compression	46	330 mmcsfd	Sunrise	50	60 mboed

(1) BP operated

(2) Working Interest

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So let's look in more detail at the progress being made towards our operating cash growth objective.

We have a number of significant milestones in sight to deliver our planned increase in operating cash flow by 2014.

Our pipeline of 15 new projects planned for start-up by the end of 2014 is a significant driver of this cash flow growth. These are world class projects focused on our highest-margin production areas with around twice the average unit operating cash margin of our 2011 portfolio at a \$100 per barrel oil price.

In the second quarter we have seen the start-up of Galapagos in the Gulf of Mexico and Clochas Mavacola in Angola and we remain on track to start up six projects this year.

The pipeline is also robust for the longer term. Over ten major project FIDs are expected through the period to 2014. We are increasing investment in our core growth engines of deepwater, gas value chains and giant fields. As outlined in February, we anticipate that deepwater, with its conventionally stronger returns, will remain a core building block at least through the end of this decade, complemented by a measured increase in unconventional projects providing a baseload of longer-life cash flows.



## Progress and milestones in the Gulf of Mexico

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**Exploration & Appraisal**

- 43 new leases in June
- Next steps in Paleogene

**Drilling activity**

- 6 rigs operating – 8 in place by year end
- Ramp-up in development drilling


**Production**

- Galapagos start-up in 2Q12
- Atlantis and Mad Dog back online in 3Q12
- 2013: Start-up of Na Kika Phase 3

June lease sale – extending our leadership position



\*Pending BOEM approval



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Turning to the Gulf of Mexico.

In 2Q we continue to complete the necessary integrity work to support a long-term leadership position in this world class basin and to reinforce the Gulf of Mexico as a platform for future growth. As mentioned by Brian, we have completed major turnarounds at Mad Dog and Atlantis.

We are progressing the planned divestment of our interests in Marlin, Horn Mountain, Holstein, Ram Powell and Diana Hoover fields to really focus our Gulf of Mexico footprint.

These are essential foundations of a strategy to increasingly focus our production and development activity in our four major production key hubs in the Gulf while working to unlock the exploration potential of our leading leasehold position.

And we are marching forward on drilling and projects.

We now have six rigs operational with the start-up of the West Capricorn rig in July and we plan to have eight rigs in place by the end of the year.

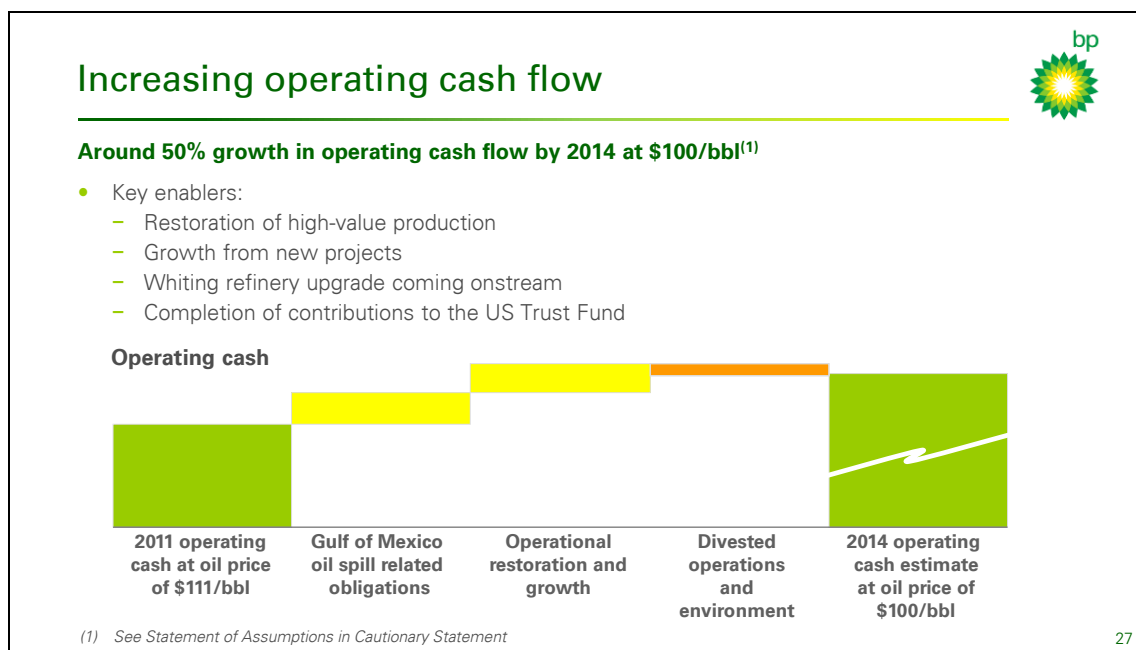
Two of these rigs are currently working on production activities, two are drilling appraisal wells and two are working on plug & abandonment activity. By the end of the first quarter next year we expect to have six deepwater rigs engaged in production-enhancing activity. In particular, this activity will focus on restoring production on Thunder Horse and Atlantis as we work to offset the decline from the reduced drilling over the last two years.

On projects, in 2Q we had the start-up of Galapagos, BP's first subsea tie back to Na Kika which is expected to add around 25mboed of net production at peak. In 2013 we will start up Na Kika Phase 3, a two-well subsea expansion of Na Kika.

In exploration I have already mentioned our participation in the June lease sale.

And we continue to appraise and test our Paleogene portfolio through the drilling of Kaskida and expect to spud an appraisal well on the Moccasin discovery in 3Q. We also expect Gila exploration and Tiber appraisal to start in 2013.

This is a multi-year journey. Looking out to 2014, after the divestments and with the return to an appropriate level of activity we expect to see a return to underlying volume growth. But the rate of growth will depend on the actual pace of drilling activities and reservoir performance. So, the timing of the ramp-up is difficult to predict, but I am confident in the long-term future of our position in the Gulf of Mexico.



So as noted in February there are four key drivers of the planned increase of around 50% in operating cash flow by 2014.

Payments into the Trust Fund are expected to end in 4Q. This approaches half of the expected increase.

As you have just seen we are marching on to deliver our new projects and restoring high-value production.

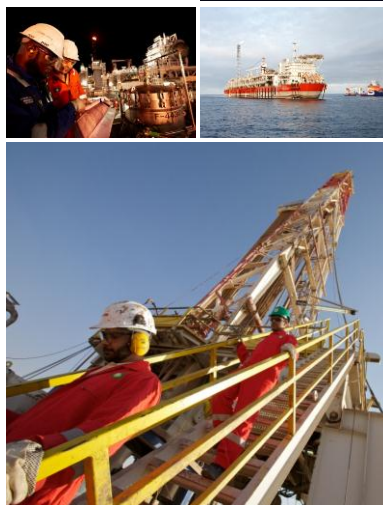
Construction of the Whiting Refinery Modernisation Project remains on track to come onstream in the 2nd half of 2013. This has the ability to generate significant additional cash flow from a modernised refinery capable of processing over 80% lower-cost heavy crudes.

So in a \$100 barrel world, the expectation of an increase in operating cash flow by 2014 remains strongly supported by the progress being made.

## Moving BP Forward



- Safety is our continuing priority
- Progress on reducing uncertainties
  - US legal proceedings
  - Seeking new direction for TNK-BP
- 2012 is a year of significant milestones
- 2013/14 brings financial momentum
  - Around 50% improvement in operating cash flow by 2014 versus 2011<sup>(1)</sup>
- Increasing investment to grow a reshaped and reloaded portfolio
- Intention to grow distributions over time in line with improving circumstances of the firm



(1) See Statement of Assumptions in Cautionary Statement

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To summarize....the quarter has been challenging but we will move ahead on multiple fronts and our eyes do remain firmly on the goals we have set out.

We are a company going through a major transformation.

Safety is our continuing priority and our extensive turnaround and maintenance programme is an investment in building a safe and reliable platform for the future.

We are working hard to reduce uncertainty, and you are well aware of what the large ones are.

In the meantime we have line-of-sight on a number of significant milestones in 2012 and beyond. We remain confident in the financial momentum you can expect to see coming through to 2014 and our ability to deliver our objective of growing operating cash flow by around 50% by 2014 at \$100 per barrel.

All of this will enable us to make investment to grow our reshaped and reloaded portfolio while also growing distributions for shareholders in line with the improving circumstances of the firm.

I am determined that we will deliver long-term sustainable value for shareholders. Today's quarterly results are one part of the story, reflecting one 90-day window, but I would ask you to take a look at the really important story of what we are doing for the long term - in our portfolio, in our investments, in our developments and in our workforce - to build a company of sustainable quality for many years to come.

## Q&A



**Bob Dudley**  
Group Chief Executive



**Brian Gilvary**  
Chief Financial Officer



**Jessica Mitchell**  
Head of Investor Relations

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That concludes my remarks, and now Brian, Jess and I will be happy to take your questions.