
2Q 2015 results
28th July 2015
bp
Shah Deniz, Azerbaijan

Hello and welcome. This is BP's second-quarter 2015 results webcast and conference call.

I'm Jess Mitchell, BP's Head of Investor Relations and I'm here with our Group Chief Executive, Bob Dudley, and our Chief Financial Officer, Brian Gilvary. Before we start, I need to draw your attention to our cautionary statement.

Cautionary statement

Forward-looking statements - cautionary statement

This presentation and the associated slides and discussion contain forward-looking statements – that is, statements related to future, not past events – with respect to the financial condition, results of operations and business of BP and certain of the expectations, intentions, plans and objectives of BP with respect to these items, in particular statements regarding future global energy trends; BP's plans to continue re-setting of the capital budget; expectations regarding the level of 2015 capital expenditure, including organic capital expenditure; plans regarding the divestment of $10 billion in assets by the end of 2015; expectations regarding the future industry business environment, including with regard to costs in the supply chain; expectations and plans regarding the right-sizing of the group's cost base, the simplification of BP's organisational structure and the benefits accruing therefrom; expectations regarding $1.6 billion per annum of efficiencies by 2018; BP's expectations regarding non-operating restructuring charges for 2015; BP's focus on optimising and high-grading its portfolio, sustaining activity in core projects and managing its base assets, including rates of decline; BP's plans to maintain strong cost and capital discipline; expectations regarding oil prices in the short to medium term; expectations regarding third quarter 2015 reported production; expectations regarding third quarter refining margins, the levels of turnaround activity and the new PTA plant in Zhuhai, China; expectations regarding the effective tax rate; plans regarding BP's 2015 dividend and plans regarding gearing levels; plans to rebalance the financial framework to lower oil prices; expectations regarding additional production coming onto the market in response to the lifting of certain Iranian sanctions; the prospects for, expected timing, locations, composition, planned turnarounds and future production of major projects in 2015 and beyond; expectations regarding the planned reorganisation of BP's German refining joint operation; expectations regarding Rosneft's results and BP's share of Rosneft's production; expectations with respect to finalizing the definitive agreements, including the Consent Decree with the United States and the Gulf states, the timing of payments under the agreements and the financial impact of the settlement on BP. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including: the specific factors identified in the discussions accompanying such forward-looking statements; the receipt of relevant third party and/or regulatory approvals; the timing and level of maintenance and/or turnaround activity; the timing and volume of refinery additions and outages; the timing of bringing new fields onstream; the timing, quantum and nature of certain divestments; future levels of industry product supply, demand and pricing, including supply growth in North America; OPEC quota restrictions; PSA effects; operational and safety problems; potential lapses in product quality; economic and financial market conditions generally or in various countries and regions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; regulatory or legal actions including the types of enforcement action pursued and the nature of remedies sought or imposed; the actions of prosecutors, regulatory authorities and courts; the timing and amount of future payments relating to the Gulf of Mexico oil spill; exchange rate fluctuations; development and use of new technology; recruitment and retention of a skilled workforce; the success or otherwise of partnering; the actions of competitors, trading partners, contractors, subcontractors, creditors, rating agencies and others; our access to future credit resources; business disruption and crisis management; the impact on our reputation of ethical misconduct and non-compliance with regulatory obligations; trading losses; major uninsured losses; decisions by Rosneft's management and board of directors; the actions of contractors; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism; cyber-attacks or sabotage; and other factors discussed under "Principle risks and uncertainties" in the results announcement for the period ended 30 June 2015 and "Risk factors" in BP Annual Report and Form 20-F 2014 as filed with the US Securities and Exchange Commission.

This document contains references to non-proved resources and production outlooks based on non-proved resources that the SEC's rules prohibit us from including in our filings with the SEC. U.S. investors are urged to consider closely the disclosures in our Form 20-F, SEC File No. 1-06262. This form is available on our website at www.bp.com. You can also obtain this form from the SEC by calling 1-800-SEC-0330 or by logging on to their website at www.sec.gov

Reconciliations to GAAP - This presentation also contains financial information which is not presented in accordance with generally accepted accounting principles (GAAP). A quantitative reconciliation of this information to the most directly comparable financial measure calculated and presented in accordance with GAAP can be found on our website at www.bp.com.

Tables and projections in this presentation are BP projections unless otherwise stated.

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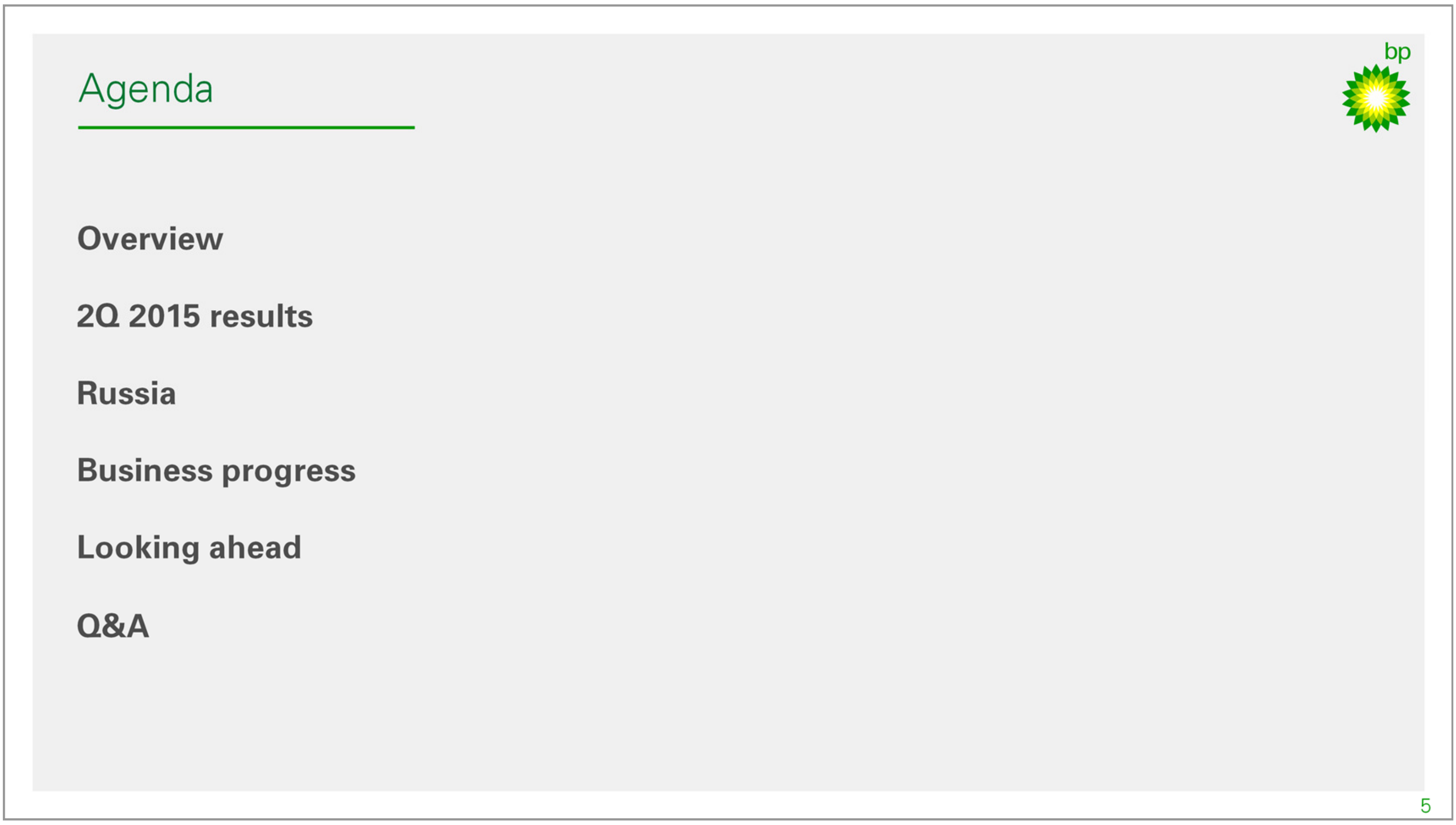
During today's presentation, we will make forward-looking statements that refer to our estimates, plans and expectations. Actual results and outcomes could differ materially due to factors we note on this slide and in our UK and SEC filings. Please refer to our Annual Report, Stock Exchange Announcement and SEC filings for more details. These documents are available on our website.

Thank you, and now over to Bob.

Thanks Jess and hello everyone. Thanks for joining us.



It has been a very important quarter for BP.

We reached agreements in principle in the United States to resolve the largest remaining liabilities in relation to the Deepwater Horizon oil spill. This has been recognised as a landmark step forward by all parties and leaves us all able to chart a much clearer course for the future.

The second-quarter environment has also continued to test us.

As you have seen, our Upstream earnings for the second quarter remained under pressure, reflecting continued oil price weakness and the large maintenance program we have underway this summer. The result also includes some large non-cash write-offs.

At the same time there is clear evidence of the underlying strength and resilience of our businesses. Our Downstream continues to perform strongly and there are clear signs of efficiencies - sustainable efficiencies and cost reductions - right across the Group. Underlying cash flow for the quarter also improved.

So I will start with an overview, including our thoughts on the future.

In a moment Brian will go through the results in detail.

Then I want to come back and give you an update on our interests in Russia and take a brief look at progress in our businesses.

After summarising there will be time for Q&A.

I'd like to start with a reminder of the near-term priorities we laid out in February.

As you know, we have held the view for some time that oil prices will be 'lower-for-longer'. But whatever the oil price charts look like, we are clear on what we need to do. To describe this simply we focus on the four 'D's' of delivery, divestments, discipline and the dividend.

On **delivery**, we have had a strong first half of the year.

Group safety performance has improved across a number of metrics compared with 2014.

In the Upstream, we have started up two new projects this quarter – both in Angola – while making strong progress on the milestones that support our next wave of start-ups. We have also completed six turnarounds as part of our major programme for the year.

And in the Downstream, as you have seen, the business continues to perform strongly.

We are seeing continued safe, reliable and efficient execution right across the Group, Downstream and Upstream, which is maintaining operational momentum at the same time as we reset for the new environment.

Turning to our **divestments**, we continue to strike agreements towards our $10 billion programme, with $7.4 billion agreed to date. The total since 2010 is now roughly $45 billion, not including the TNK-BP divestment of $26 billion.

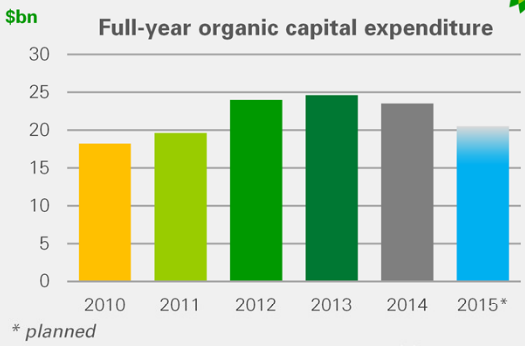
On **discipline**, our work to reset capital and cash costs is now moving fast as I will show you in a moment.

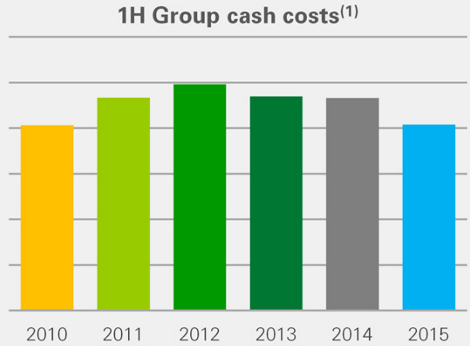
This all works towards our focus on rebalancing our financial framework to manage through a period of low oil prices, while sustaining our **dividend** as the first priority within that framework.

We are confident these remain the right priorities for the near term.

Resetting capital and cash costs

- Right-sizing the Group's cost base well underway
- 2015 capital expenditure below $20bn
- Deflation becoming evident in the sector
- Reset of cash costs delivering results
  - Across businesses and at a corporate level
  - 1H group cash costs ~$1.7bn lower than the same period last year





(1) *Cash costs are the principal operating and overhead costs that management considers to be most directly under their control; see bp.com for further information*

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Now turning to our ongoing work to reset capital and costs across the Group.

We now expect our organic capital expenditure to be below $20 billion for 2015, compared to our guidance back in a $100 world of $24-26 billion. This is being achieved, for this year, largely through rephasing and paring back of marginal activity but we are also already seeing benefits from deflation. Industry commentary suggests offshore costs are reducing rapidly and this is consistent with what are we are seeing in our supply chain. This gives us confidence in sustaining a lower level of capital spend over the medium term while maintaining the same growth aspirations.

We are also starting to see results from the many programmes we have in place to reset our controllable cash cost base. We are realising benefits from the investments we have made over the past few years in improving reliability and the simplification that followed the reshaping of our portfolio. As well, our intensified effort to reset costs in response to the environment is gaining momentum.

Total group cash costs year-to-date are around $1.7 billion lower than the same period last year. This is despite the inclusion of around $400 million of rig cancellation costs, taken as an operating item. This is an encouraging early indicator of progress, especially given there is usually a lag before cost reductions fully reflect in results.

What we are seeing is an organisation that is adapting rapidly to a new environment by adopting a more cost-conscious business model. And we will continue to identify more opportunities for simplification and efficiency. Non-operating restructuring charges are currently expected to be closer to $1.5 billion by the end of 2015, relative to the $1 billion we announced back in December, and reflects the faster pace.

So we are in action on all fronts related to cost. We are optimising the scope of our activity, leveraging deflation in the supply chain and changing how we manage our own internal costs, including extensive simplification of our organisational structures in every part of the business. We have by necessity become too complicated. We believe the benefits from the changes we are making are largely structural and will be sustainable over the long term.

A business model for the future

- Rebalancing group financial framework over a ~2 year period
- Refreshing our model for longer-term shareholder value
  - Value over volume
  - Disciplined investment to grow our portfolio over time
    - Sustaining activity in core projects
    - Getting more from existing assets through enhanced execution in the base
    - Pull-through of value-enhancing new options
  - Value return through shareholder distributions

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Let me turn now to a brief look at the longer term. Back in February we said that we anticipated a reset phase lasting around two years, during which our aim is to rebalance the Group's sources and uses of cash to underpin our dividend.

So our work on costs is a strong focus right now but we are mindful to achieve this without compromising our longer-term goals.

This involves testing and getting even clearer on the fundamental drivers of our business model in the new environment. We are taking the time and, importantly, the opportunity to understand what deflation can deliver and how our portfolio might respond in a range of price scenarios.

What I can tell you now is that we have some strongly held principles that will not change.

Our focus on value over volume will remain. It is central to our strategy and a guiding principle in any price environment. In practice it means we constantly look to create value by optimising and high-grading our portfolio, whether through divestments, farming–out early life assets, selective acquisition, or simply finding smarter ways to work our portfolio harder, as with the US Lower 48.

Our commitment to capital discipline is also unchanged. As already noted, in the Upstream, we expect to see an impact from deflation resulting in a structurally lower level of capital spend for a given level of activity over time. Our aim remains to define a disciplined level of capital spend to grow our portfolio in terms of both operating cash flow and production. To be clear, our strategy still aims to grow production while seeing growth in operating cash flow as the better measure of value.

It has become a lot harder to plan activity in the current environment but we remain focused on three areas.

First, it's about sustaining activity in our pipeline of core projects, ensuring every dollar of capital is optimally invested and leverages any deflationary opportunity. We believe that the strong pipeline of projects and appraisal options we showed you at our Upstream Day in December, extending well beyond 2020, are of sufficient quantity and quality to be a key driver of growth. As a reminder, over half of our production from new major projects to 2020 is already under construction and these projects remain on track.

Second, we see management of our base oil and gas production as a significant lever. We continue to make excellent progress. Our producing assets are becoming safer and more reliable, we are improving operating efficiency, and working to maximise recovery from our reservoirs. This is enabling us to maintain historical levels of decline within the boundaries of a lower capital budget.

And third, we are constantly looking for new high-value options to add to our portfolio near-term. This can come, for example, through inorganic deepening in strategic areas or through a shift in exploration to more near-field, high-value prospects, allowing faster pull-through.

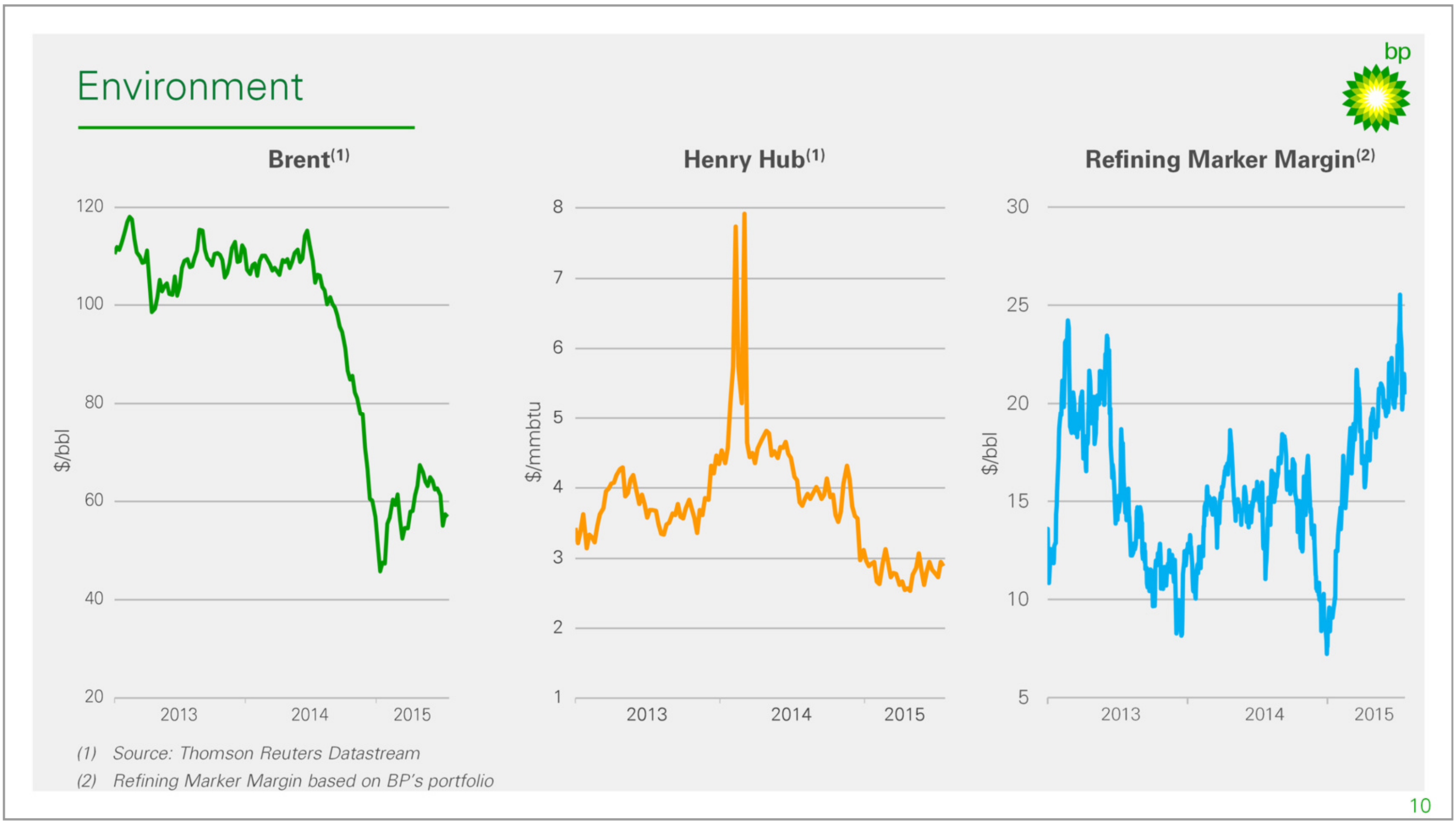
In the Downstream, we expect continued strong performance from a combination of our advantaged assets and our growth and efficiency programmes.

Group-wide, we believe that our balanced high-quality portfolio and our ongoing focus on capital and cost discipline gives us a strong platform from which to define a model to grow shareholder value. This all works towards a final fundamental principle - that of returning value to shareholders through distributions over the longer term.

We will, of course, share more detail with you as the environment firms and our plans take stronger shape. The key point for today is that we have made a head-start on resetting our capital and costs and believe we are well positioned for the challenges ahead.

I'll now hand over to Brian to take you through the quarter.

Thanks Bob and hello everyone.



Starting with the environment.

Brent oil averaged $62 per barrel in the second quarter, up from $54 per barrel in the first quarter, but still significantly below the average of $110 per barrel in the same period last year. Oil prices have fallen back again over the last few weeks in response to persistent weakness in market fundamentals. Although demand has been stronger, OPEC production is running higher than the 2014 average and production in the United States has remained resilient. The recent agreement to lift certain Iranian sanctions has also raised the prospect of additional production coming onto the market.

Henry Hub gas prices averaged $2.65 per million British Thermal Units in the second quarter, over 40% lower than the same period in 2014 and slightly lower than the first quarter average. Continued strong growth in gas production has left the market oversupplied, pushing gas prices down to levels that compete with coal for power generation.

Our global refining marker margin averaged $19.40 per barrel in the second quarter, the highest level since the third quarter of 2012. Margins have been supported by strong gasoline demand, tight supplies on the US West Coast and low product stocks outside of the United States. At the same time US-Canadian crude differentials were at their narrowest since the second quarter of 2009.

We expect oil prices to remain soft over the short to medium term, while we expect refining margins to respond to changes in regional supply and demand, as we see out the summer driving season in the United States.

2Q 2015 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	2Q14	1Q15	2Q15	% Y-o-Y
Upstream	4.7	0.6	0.5	
Downstream	0.7	2.2	1.9	
Other businesses & corporate	(0.4)	(0.3)	(0.4)	
Underlying business RCPBIT [1]	**5.0**	**2.5**	**2.0**	**(60)%**
Rosneft [2]	1.0	0.2	0.5	
Consolidation adjustment - unrealised profit in inventory	(0.1)	(0.1)	(0.0)	
Underlying RCPBIT [1]	**5.9**	**2.5**	**2.4**	**(59)%**
Finance costs [3]	(0.3)	(0.3)	(0.4)	
Tax	(1.9)	0.4	(0.7)	
Minority interest	(0.1)	(0.0)	(0.0)	
Underlying replacement cost profit	**3.6**	**2.6**	**1.3**	**(64)%**
Underlying earnings per share (cents)	**19.7**	**14.1**	**7.2**	**(64)%**
Dividend paid per share (cents)	**9.75**	**10.00**	**10.00**	**3%**
Operating cash flow [4]	**7.9**	**1.9**	**6.3**	**(20)%**

(1) Replacement cost profit before interest and tax (RCPBIT)
(2) 2Q15 represents BP estimate of Rosneft earnings after interest, tax and minority interest
(3) Finance costs and net finance income or expense relating to pensions and other post-retirement benefits
(4) Operating cash flow is net cash provided by (used in) operating activities

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So, turning to the results.

BP's second-quarter underlying replacement cost profit was $1.3 billion, down 64% on the same period a year ago, and 49% lower than the first quarter of 2015.

Compared to a year ago, the result reflects:

- Significantly lower Upstream realisations;
- Higher exploration write-offs, including additional one-off charges associated with Libya; and
- A reduced contribution from Rosneft.

Partly offset by:

- A strong Downstream performance; and
- Lower cash costs across the Group.

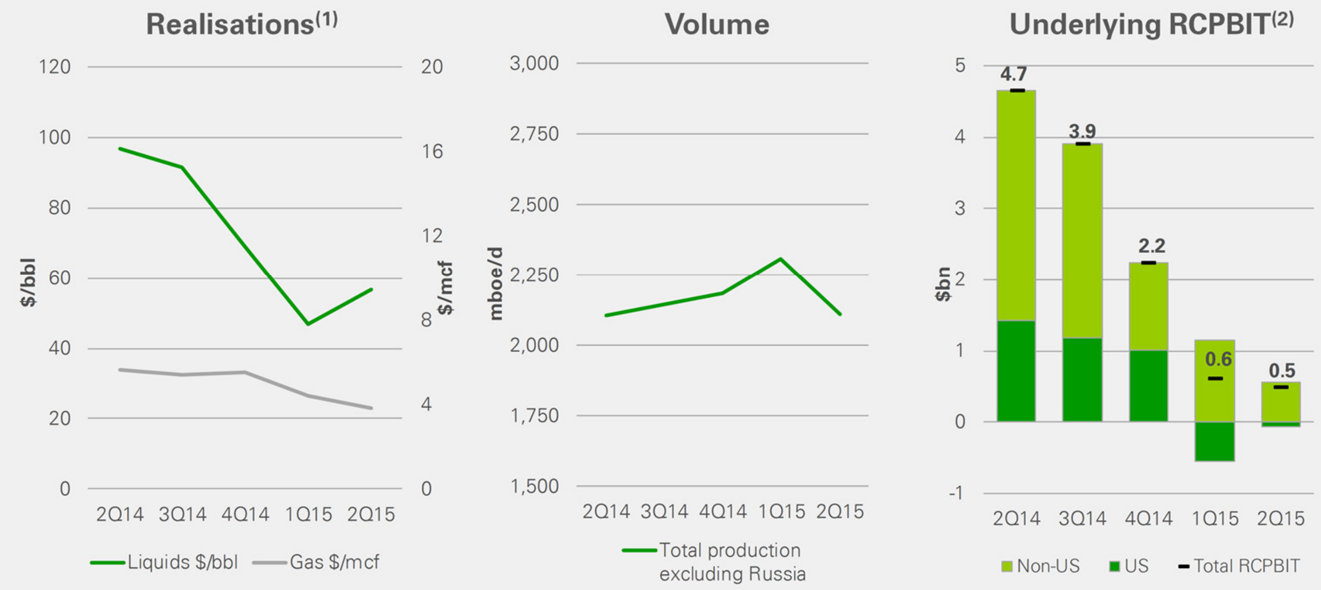
Second quarter operating cash flow was $6.3 billion.

We have taken a further $270 million non-operating restructuring charge in today's result, bringing the cumulative charge to $920 million – against the near $1.5 billion charge we now expect to see before the year end.

The second-quarter dividend, payable in the third quarter, has been announced as 10 cents per ordinary share.

Turning to the highlights at a segment level.

Upstream (excluding Russia)



(1) Realisations based on sales of consolidated subsidiaries only, excluding equity-accounted entities
(2) Replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items and fair value accounting effects

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In Upstream, the underlying second-quarter replacement cost profit before interest and tax of $490 million compares with $4.7 billion a year ago and $600 million in the first quarter of 2015.

Notably, Upstream earnings were impacted by around $600 million in Libya, including exploration write-offs and other costs, primarily due to circumstances in the country.

Compared to the second quarter last year the result reflects:

- Significantly lower liquids and gas realisations; and
- Higher exploration write-offs.

Partly offset by:

- Lower cash costs, including the benefits from simplification and efficiency programmes.

Excluding Russia, second-quarter reported production versus a year ago was 0.3% higher. After adjusting for entitlement and portfolio impacts, underlying production decreased by 1.7% mainly due to increased turnaround activity, partly offset by the ramp-up of major projects which started-up in 2014.

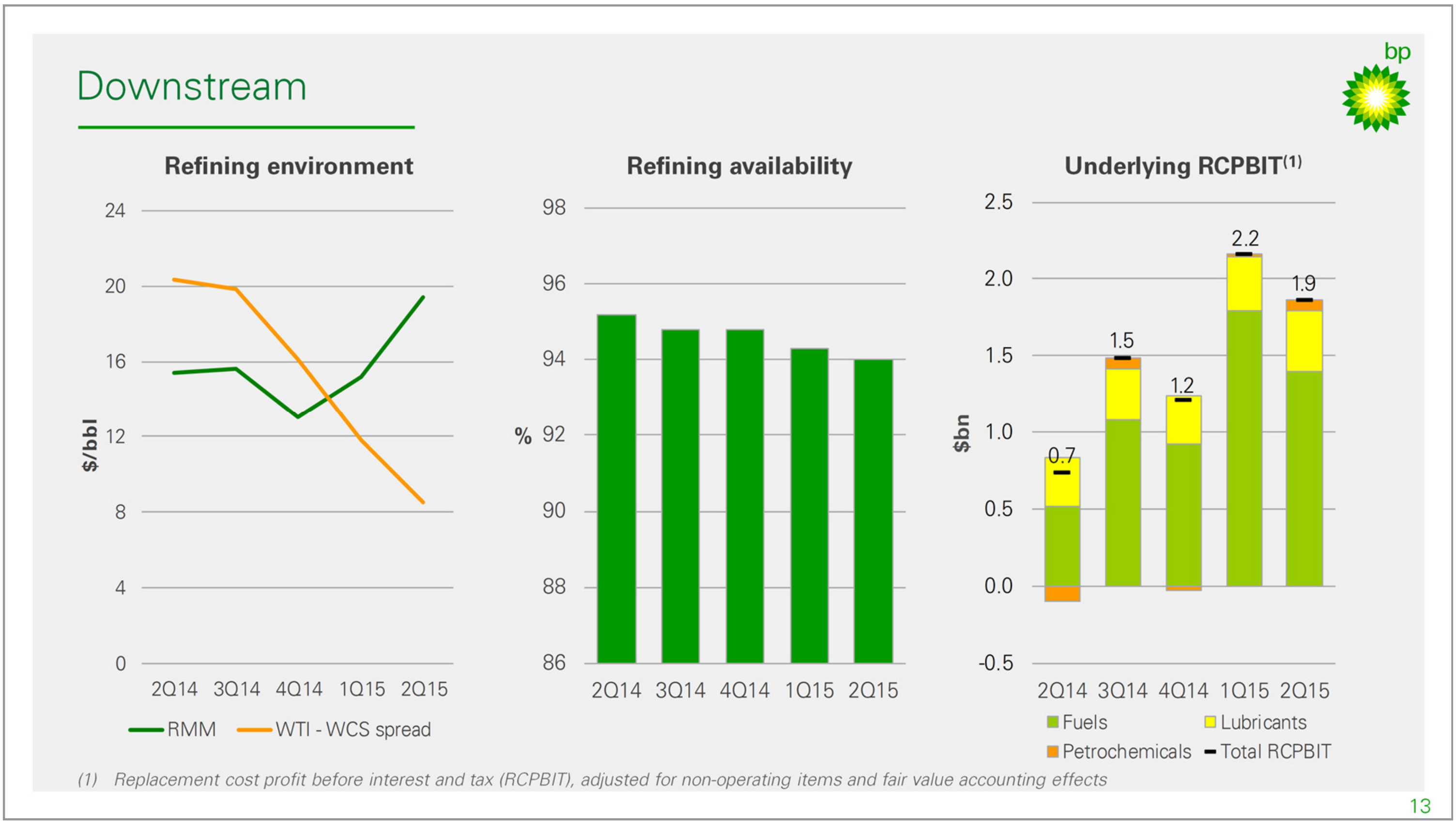
Compared to the first quarter, the result reflects:

- Exploration write-offs of $800 million relative to a charge of less than $100 million in the first quarter; and
- The impact of our seasonal turnaround programme.

Largely offset by:

- Higher liquids realisations; and
- The absence of cancellation charges relating to two deepwater rigs.

Looking ahead, we expect third-quarter reported production to be broadly flat compared to the second quarter, primarily reflecting levels of maintenance activity comparable to the second quarter.



In the Downstream, the second quarter underlying replacement cost profit before interest and tax was $1.9 billion compared with $730 million in the second quarter last year and $2.2 billion in the first quarter. This result contributes to strong first half earnings delivery for Downstream.

The fuels business reported an underlying replacement cost profit before interest and tax of $1.4 billion, compared with $520 million in the same quarter last year and $1.8 billion in the first quarter of 2015.

Compared to a year ago this reflects:

– An improved refining environment and production mix, partially offset by weaker North American crude differentials;

– A higher oil supply and trading contribution, returning to average levels for the quarter; and

– Cost benefits from simplification and efficiency programmes.

Compared to the first quarter, the result reflects:

– A lower oil supply and trading contribution relative to a strong first quarter; and

– Higher seasonal turnarounds.

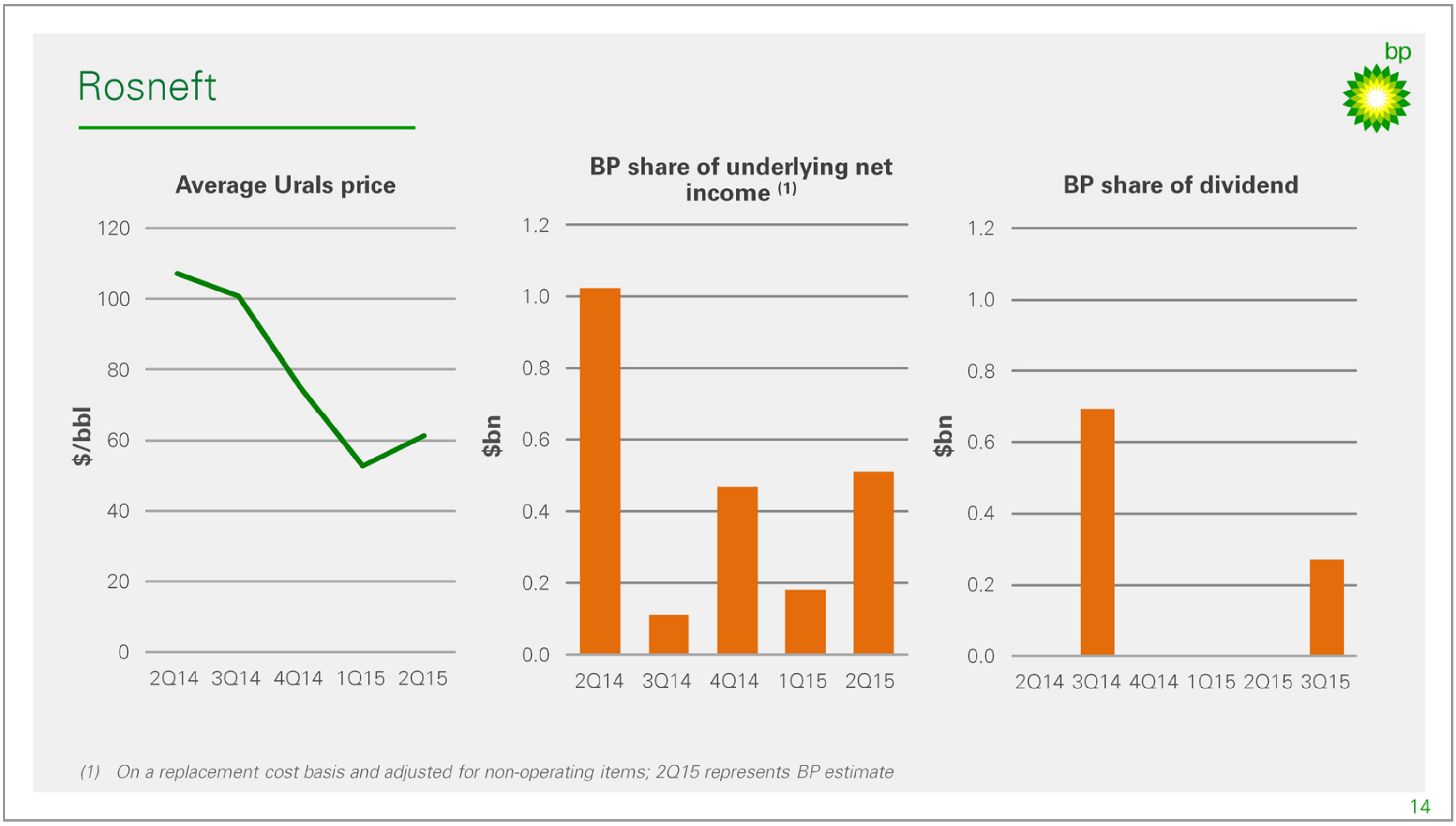
Partially offset by:

– Improved refining margins and fuels marketing volume growth.

The lubricants business delivered an underlying replacement cost profit of $400 million in the second quarter, compared with $310 million in the same quarter last year and $350 million in the first quarter of 2015. This strong quarterly performance reflects continued momentum in growth markets, premium brand performance and benefits from our simplification and efficiency programmes leading to lower costs. These benefits were partially offset by adverse foreign exchange effects.

The petrochemicals business reported an underlying replacement cost profit of $80 million in the second quarter.

Looking forward to the third quarter, we expect reduced refining margins and lower levels of turnaround activity.



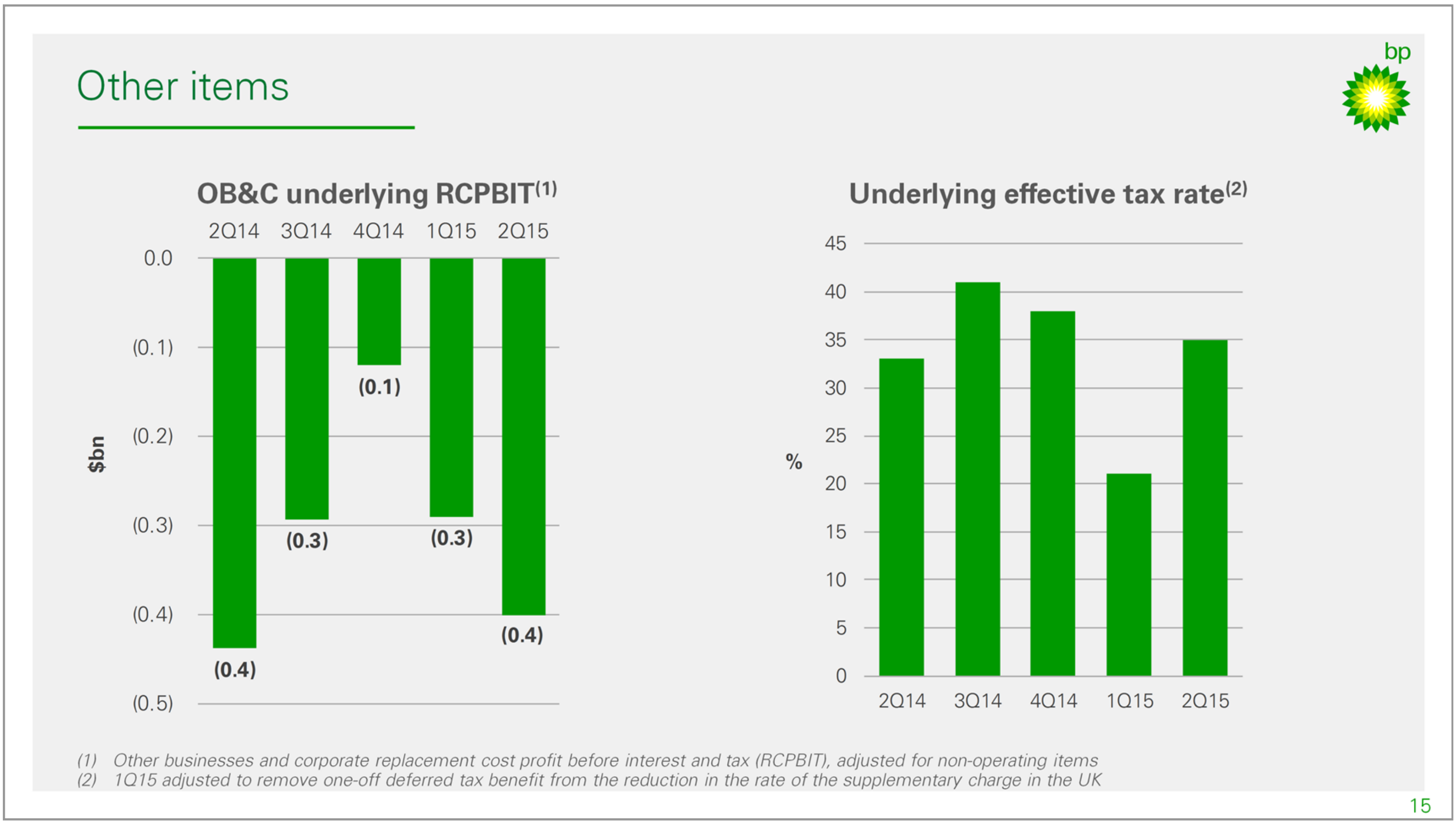
Turning to Rosneft.

Based on preliminary information, we have recognised $510 million as our estimate of BP's share of Rosneft's underlying net income for the second quarter, compared to around $1 billion a year ago and $180 million in the first quarter.

Our estimate of BP's share of Rosneft's production for the first quarter is just over 1 million barrels of oil equivalent per day, an increase of 1.8% compared with a year ago and 1.0% lower than the previous quarter.

Further details will be made available by Rosneft with their results.

Earlier in July we received our share of the Rosneft dividend in respect of 2014 which amounted to $271 million after tax.



In Other Businesses and Corporate, we reported a pre-tax underlying replacement cost charge of $400 million for the second quarter, in line with guidance.

The underlying effective tax rate for the second quarter was 35%.

Excluding the one-off North Sea deferred tax benefit reported in the first quarter, we continue to expect the full-year effective tax rate to be lower than the full-year 2014 figure of 36%.

Gulf of Mexico oil spill costs and provisions

pre-tax[1]

$bn	To end 2014	1Q 2015	2Q 2015	Cumulative to date
Income statement				
Charge (credit) for the period	**43.5**	**0.3**	**10.8**	**54.6**
Balance sheet [2]				
Brought forward		**8.0**	**7.6**	
Charge (credit) to income statement	43.5	0.3	10.8	54.6
Payments into Trust Fund	(20.0)	-	-	(20.0)
Cash settlements received	5.4	-	-	5.4
Other related payments in the period [3]	(20.9)	(0.7)	(0.1)	(21.7)
Carried forward	**8.0**	**7.6**	**18.3**	**18.3**
Cash outflow	**35.5**	**0.7**	**0.1**	**36.3**

(1) Includes contributions received from Mitsui, Weatherford, Anadarko and Cameron
(2) Balance sheet amount includes all provisions, other payables and the asset balances related to the Gulf of Mexico oil spill
(3) Please refer to details as disclosed in the second-quarter Stock Exchange Announcement

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

As we described on the 2nd of July, BP Exploration & Production reached agreements in principle with the United States government and five Gulf Coast states to settle all federal and state claims arising from the Deepwater Horizon oil spill. The agreement with the states also provides for the settlement of claims made by over 400 local government entities.

The settlement provides for total payments of up to $18.7 billion over a period of 18 years.

These agreements are subject to finalising definitive agreements, which will include a Consent Decree with the federal and state governments, all of which will be subject to final court approval.

Yesterday we signed releases from the vast majority of local government entities and will be making the payments required within the next few weeks.

Turning to other Gulf of Mexico legal matters, the settlements do not include claims relating to the 2012 class action settlement with the Plaintiffs' Steering Committee, including business economic loss claims not provisioned for; private claims not included within the class action settlement; or private securities litigation in MDL 2185.

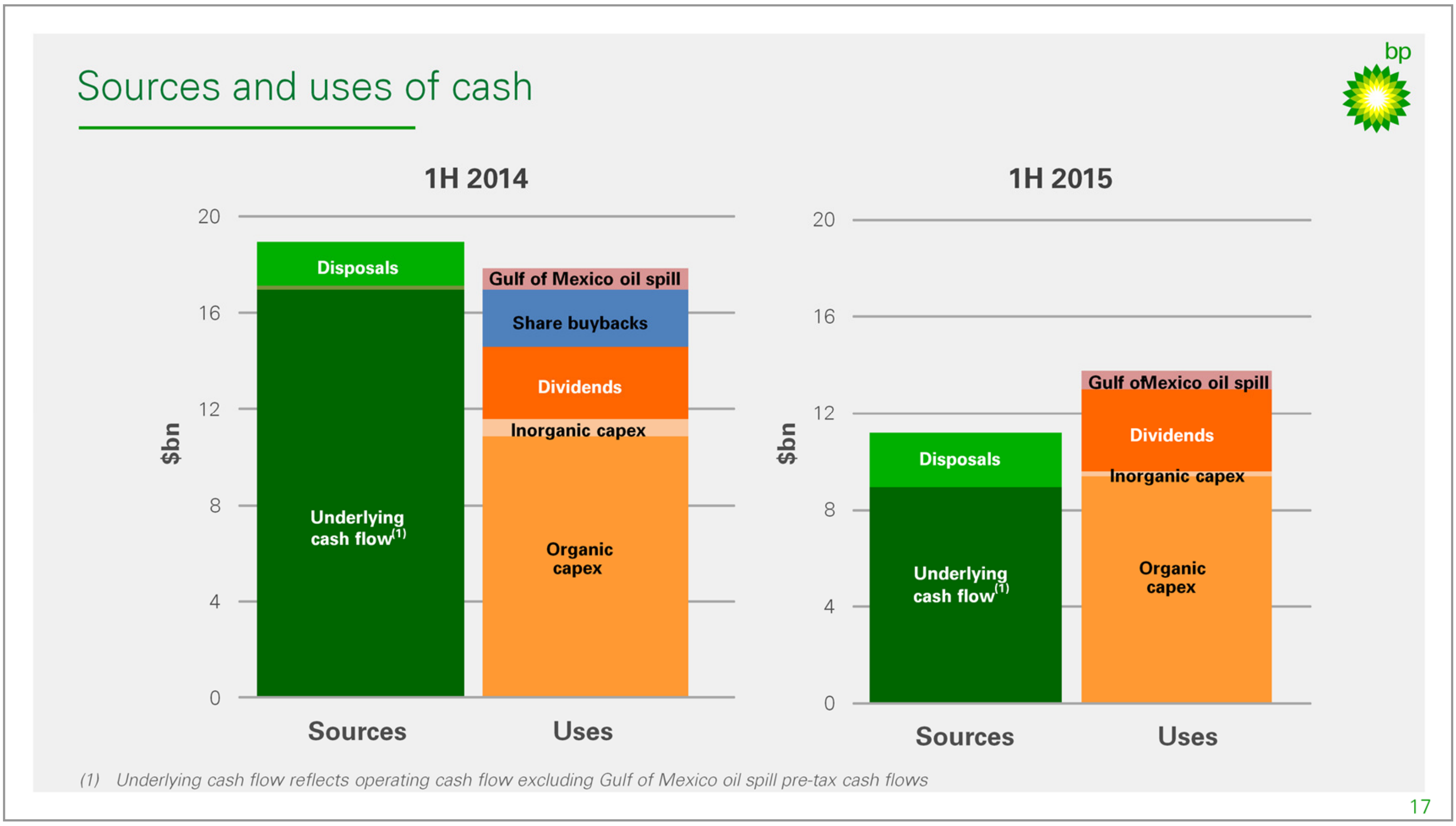
The charge taken for the incident for the second quarter was $10.8 billion which takes the total cumulative pre-tax charge to $54.6 billion. This reflects:

- Around $10 billion associated with the government settlements just mentioned;
- Around $460 million related to business economic loss claims not provided for;
- Adjustments to other provisions; and

– The ongoing costs of the Gulf Coast Restoration Organisation.

It is still not possible to reliably estimate the remaining liability for business economic loss claims and we continue to review this each quarter.

The pre-tax cash outflow on costs related to the oil spill for the second quarter was $110 million.

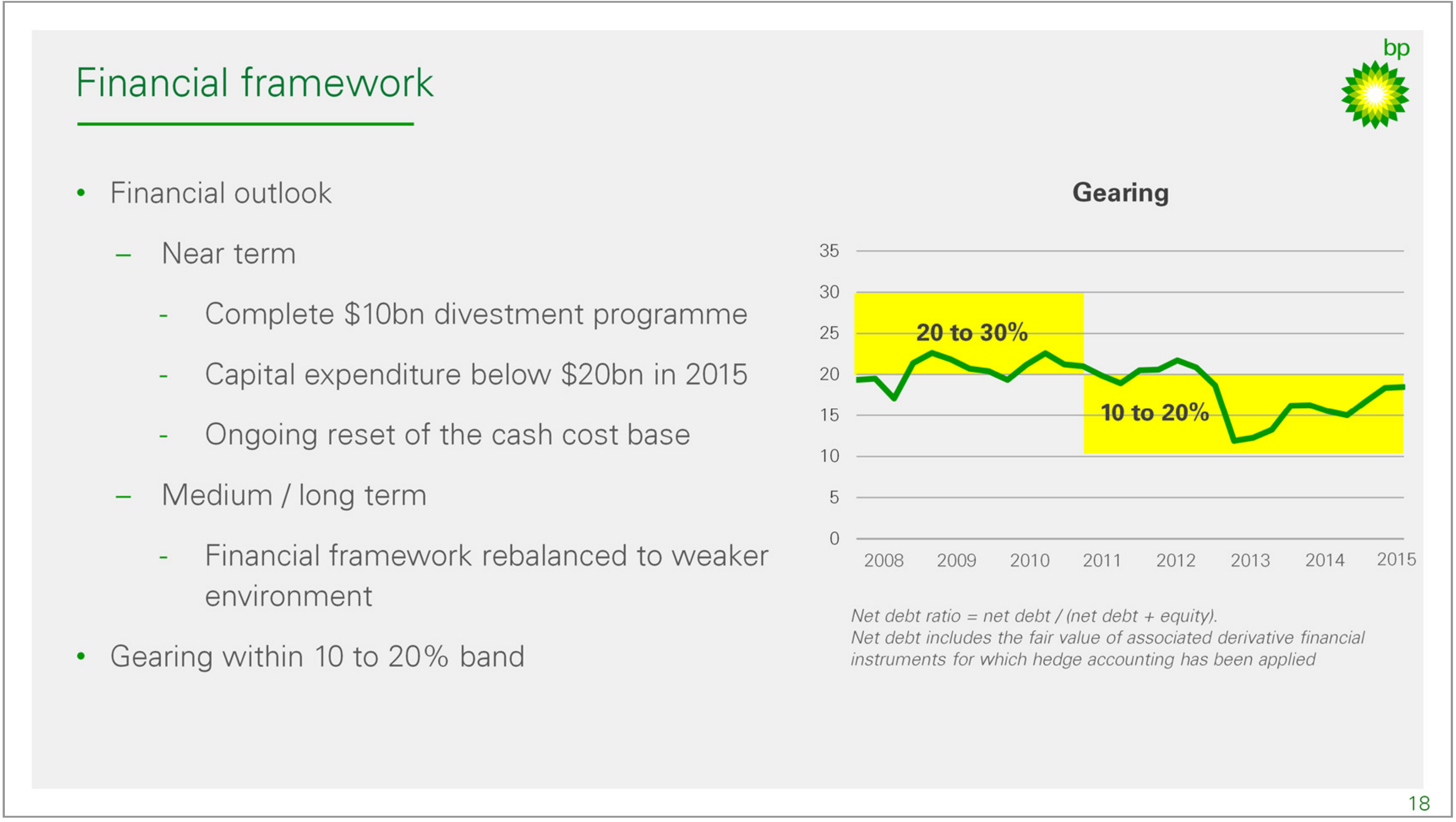


This slide compares our sources and uses of cash in the first half of 2015 to the same period a year ago.

Operating cash flow in the first half was $8.1 billion, of which $6.3 billion was generated in the second quarter. This compares with $16.1 billion in the first half of 2014 and $7.9 billion in the second quarter of 2014. Excluding oil spill related outgoings, first half underlying cash flow was $8.9 billion. This reflects the impact of lower oil prices on earnings as well as a build of $1.4 billion in working capital in the first half of 2015 which we expect to unwind as the year progresses.

Our organic capital expenditure was $8.9 billion in the first half and $4.5 billion in the second quarter.

We received divestment proceeds of $2.3 billion in the first half of 2015, including $530 million in the second quarter.



Now turning to the financial framework and the approach we laid out to you in February.

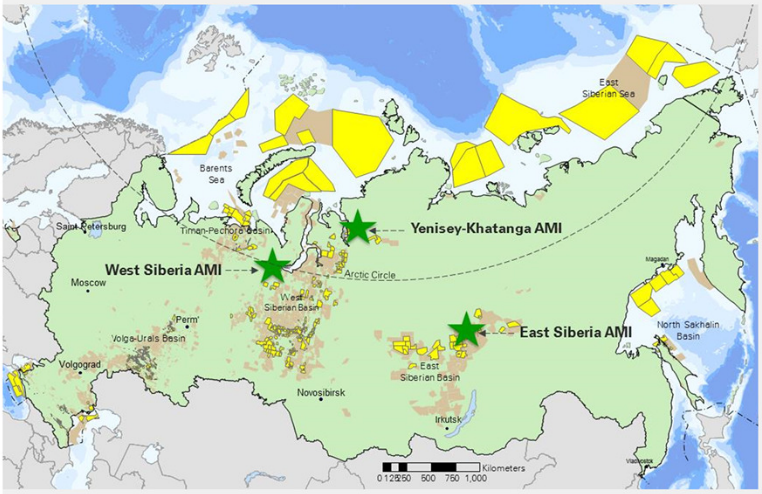
We now expect organic capital expenditure to be below $20 billion in 2015 and have agreed $7.4 billion of our $10 billion divestment programme. We are taking advantage of sector deflation to continue to optimise our capital costs while actively resetting our cash costs to deliver sustainable efficiency. These changes are largely structural and they support our principle objective of rebalancing sources and uses of cash so that underlying operating cash flow covers capital expenditure and dividends. We are working to re-establish this balance for a sustained weaker environment.

Lastly, just a few words on gearing. Our policy since the Deepwater Horizon incident has been to maintain gearing within a band of 10-20% while uncertainties remain. At the end of last year our balance sheet reflected gearing at 16.7%, well within this band against the backdrop of the near $100 per barrel average oil price environment in 2014. Gearing at the second quarter stands at 18.8%. This reflects average oil prices of $58 per barrel over the first half of this year and an impact of around 1% due to our recent agreements in principle to settle with the United States government and Gulf States. Once these agreements are finalised a considerable uncertainty in relation to our financial framework would be removed, placing our gearing band in a much stronger context.

Now let me hand you back to Bob.

Thanks Brian.

Russia



Rosneft operated

Rosneft shareholding

- Rosneft AGM[1]
  - Dividend approved and paid
  - Bob Dudley re-elected to the Board
  - Guillermo Quintero elected to the Board

BP in Russia

- Agreements to purchase 20% of Taas Yuryakh Neftegazodobycha, in Eastern Siberia
- Established exploration AMI[2] in Eastern Siberia
- Established two Western Siberian exploration AMIs[2]

(1) Annual General Shareholders Meeting (AGM)
(2) Area of Mutual Interest (AMI)

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First, to recent developments in Russia.

In June Rosneft held their Annual General Meeting in St. Petersburg. Amongst other matters, shareholders approved the once-a-year dividend payable for 2014, as Brian mentioned, and voted for the new Rosneft board. In addition to my own re-election, we now have a second BP executive on the nine-person board - Guillermo Quintero. Guillermo is currently BP's Regional President in Brazil and is a highly experienced oil and gas executive.

Beyond our shareholding in Rosneft, we recently signed agreements to purchase a 20% equity share in Rosneft's Taas project. This project is on the existing conventional oil field in Eastern Siberia which currently produces around 20,000 barrels of oil a day. The full field development plan for Taas ramps production up to 100,000 barrels a day by the end of the decade, with further potential for gas production. Along with the Taas equity, we also agreed three conventional exploration 'Areas of Mutual Interest' with Rosneft. One in Eastern Siberia, located around the Taas interests, in a relatively unexplored region, and two in the already prolific Western Siberian hydrocarbon basin.

We are pleased with the progress, both through our shareholding and also in partnership with Rosneft. As always we remain mindful of the geo-political situation but look forward to continuing to pursue these and other potential future opportunities, where not prohibited by sanctions.

Upstream – milestones and progress

- Access and exploration
  - Two discoveries in Egypt
- Major projects
  - Two major projects onstream so far this year
  - Two further start-ups on track for 2015
  - Future start-ups progressing well
- Operations and wells
  - Six turnarounds completed in 2015
  - Plant reliability continues upward trend
  - North Sea benefitting from asset-specific reliability plans

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Turning to the Upstream and starting with exploration, we made a high-value discovery with the Atoll well, offshore Egypt, in the first quarter. In the second quarter, we have had a further gas discovery, at the Nooros prospect in the Abu Madi West lease. We expect production from this well later this year and we see follow-on opportunities in neighbouring BP-operated blocks.

In projects, we successfully started-up Greater Plutonio Phase 3 in June, our second major project start-up in Angola this year.

Two further start-ups are planned for 2015:

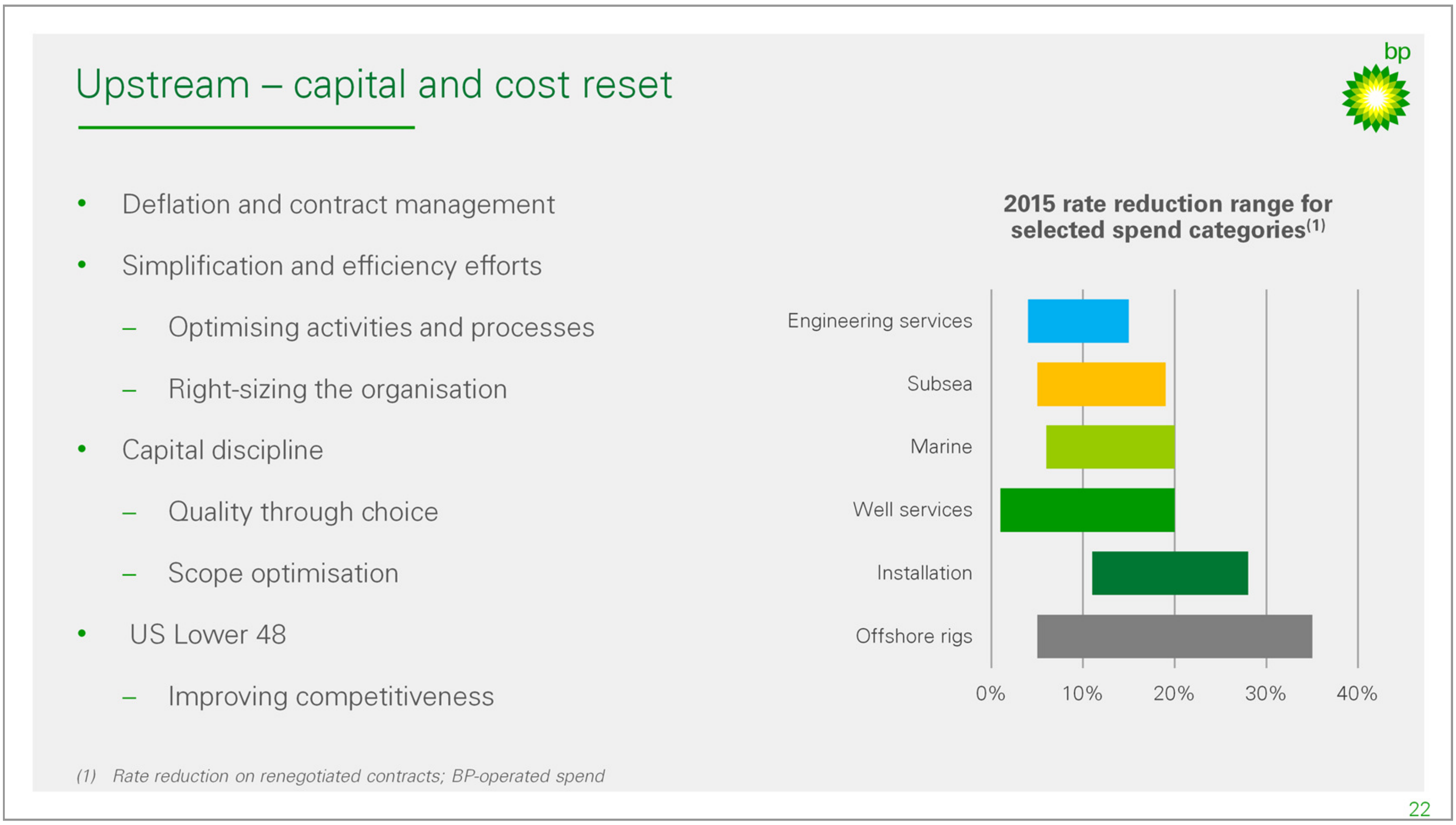
- The In Salah Southern Fields project in Algeria; and
- The Western Flank A project on the Australian North West Shelf.

We continue to make progress on a number of projects set to start-up over the next few years, including in Oman and the Shah Deniz 2 project, among others.

In our operations, we remain focused on the optimisation of our base assets. We have completed six turnarounds this year, with three currently underway and a further six yet to start.

We are seeing the results of investment in our producing assets with BP-operated plant reliability up from around 85% in 2011 to 94% in the first half of 2015. Our asset-specific plans in the UK North Sea have helped to improve BP-operated plant reliability from 67% to 82% over the last six quarters. And in our drilling activities, we have decreased non-productive time by over 20% since 2012.

All of these efforts have allowed us to increase operating efficiency and support underlying production growth, while maintaining strict capital discipline.



As I highlighted earlier, we are resetting our cost base and capital frame and driving deflation and efficiency into the way we work across the Upstream.

Since the beginning of the year we have been working with our suppliers to rebase our costs in some of our biggest areas of Upstream spending and you can see a range of rate reductions we have achieved to date on the chart. We expect the benefits to show up in both capital expenditure and cash costs and examples include:

– 33% savings against the subsea installation budget on one of our Gulf of Mexico expansion projects;

– Negotiating a rate reduction of over 30% for drilling our latest development well on the Mungo asset in the UK North Sea; and

– Around 10% rate reductions from major well service suppliers globally – including a 20% rate reduction on tubulars.

We have also delivered additional efficiencies through optimising activities and processes. For example:

– An 18% reduction in logistics costs through more efficient use of boats and helicopters in our operated Gulf of Mexico assets;

– Savings of 19% from optimisation of our repair and maintenance programme in Angola; and

– An 8% saving on well placement costs through improved monitoring and utilisation of components in Trinidad.

At the same time, we are right-sizing our organisation to reduce costs further. Since 2013, Upstream staff headcount is down 8%, while agency headcount is down 37%. Expatriate employee numbers are at their lowest level since 2011.

As we have said before, we are exercising strict capital discipline across the Upstream. We are testing the resilience of project economics in a low price environment, and progressing only the highest quality options in the portfolio. We are retaining optionality on remaining resources and recycling projects where we see potential for optimisation. On our Mad Dog 2 project in the Gulf of Mexico, standardisation, scope optimisation and industry deflation is enabling us to develop around 90% of the resources using half the capital, whilst retaining optionality for future expansion. Our global projects team are now driving this agenda systematically across all our projects worldwide.

In the Lower 48 of the US, we have empowered our new business units to implement their own capital and operating efficiency improvements. We are beginning to see the benefits of these efforts. Operating costs are trending lower and in our Woodford and Haynesville assets we have halved the cost of bringing new wells onstream.

Downstream – strategic progress

- Strong 1H Downstream earnings delivery
  - Year-on-year Fuels profit[1] growth of $2bn
  - 1H Lubricants profit[1] growth over 15%
- Proposed reorganisation of German Ruhr Oel refining joint venture
- Zhuhai 3 PTA[2] plant fully commissioned and operational
- Benefits from simplification and efficiency programmes

(1) Underlying replacement cost profit before interest and tax
(2) Purified Terephthalic Acid (PTA)

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In the Downstream, our strong first-half performance demonstrates clear progress against the strategic goals we outlined in February this year.

In Fuels, our focus on advantaged manufacturing and marketing growth is beginning to deliver additional gross margin benefits with year-on-year pre-tax earnings growth of $2 billion in the first half. We continue to upgrade our portfolio and during the quarter we ceased refining operations at our Bulwer Island facility in Australia. In addition we recently announced, together with our partner Rosneft, a planned reorganisation of our German refining joint operation, which will further simplify our fuels organisation and operations. Our fuels marketing business is also experiencing growth with volumes up by around 2% year-to-date.

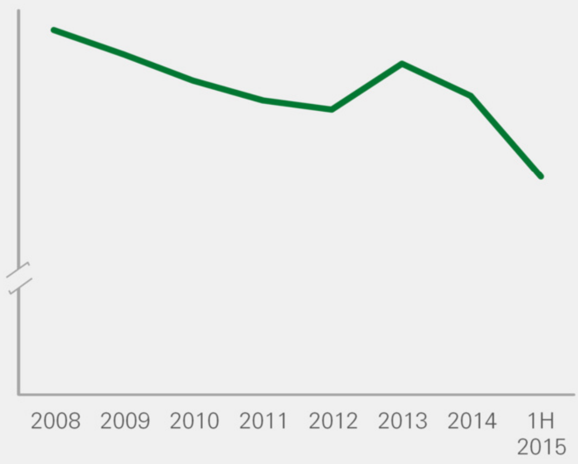
In Lubricants, our sustained focus on growth markets and premium products has contributed to strong first half pre-tax operating profits, over 15% higher than 2014.

And in Petrochemicals, our new world-scale PTA plant in Zhuhai, China is now fully commissioned and operational. This plant, with its advanced technology, is expected to operate with industry leading operating cost efficiency, creating a higher earnings potential business, more resilient to bottom-of-cycle conditions.

Downstream – simplification and efficiency

- A simplified business model and portfolio
  - Consolidation of Fuels businesses
  - Simplification of Lubricants business structure
- Streamlining our head office functions
- Manufacturing efficiency
  - Delivering efficiencies through application of technology and process improvements
- Focus on third party costs

Ratio of cash costs to gross margin[1]



(1) Cash cost to gross margin ratio is the ratio of underlying cash costs divided by underlying gross margin. See further details in the supplementary information

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Across the Downstream, we are also seeing significant year-on-year benefits from our simplification and efficiency programmes.

Cash costs were 15% lower at the half-year than the same period in 2014.

This year-to-date reduction includes the benefits from a comprehensive simplification and efficiency programme, comprising some 30 initiatives that are currently underway.

In addition to the announced proposal to restructure the German refining joint operation, we have simplified our Fuels organisation, reducing the number of businesses from nine to three and are also simplifying our Lubricants business structure. Together these changes will eliminate duplication, reduce interfaces and simplify our route to market.

We are also streamlining our head office functions, eliminating activity which does not directly support our strategy, and simplifying the way we operate. These changes have reduced the number of Downstream head office functions by over 50%.

And in manufacturing, we are delivering efficiencies through the application of technology and implementing plans refinery-by-refinery to further improve our competitveness.

As well, we are maintaining strict cost discipline in our daily operations, including a focus on third party costs.

Taken together, these programmes underpin the accelerated delivery of the $1.6 billion per annum of Downstream efficiencies we highlighted in February.

Looking ahead

Clear near-term priorities

- Delivery: safe, reliable and efficient execution
- Divestments: completion of $10bn programme
- Discipline: capital and cost reset
- Dividend: focus on rebalancing sources and uses of cash

Developing a roadmap for the future

- Operating off a reset base
- Upstream: next wave of major projects
- Downstream: leveraging an advantaged portfolio and growing returns
- Continued focus on capital and cost discipline
- Focused on shareholder value

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So let me leave you with just a few thoughts in summary.

It is a challenging time for our industry but I remain confident that moving quickly to simplify and reset the company for a sustained weaker environment is the right thing to do for all seasons.

I believe we have made a good start. We are staying very focused on operational delivery. We are working steadily to complete our planned divestments. And we are resetting capital and cash costs in a way that drives sustainable efficiencies. This supports our efforts to rebalance our sources and uses of cash and ensure we can sustain our dividend. This is the clear priority within our financial framework right now.

Whilst the amount is very large, we also recognise that we have found a realistic path to closure on the largest remaining legal exposures in the Gulf of Mexico. Removing this legal overhang and uncertainty allows us to focus on our future.

Looking further out, we see the strength of our portfolio and our strong commitment to capital and cost discipline giving us a strong base from which to define the right model to grow shareholder value in a new environment.

On that note, thank you for listening and now let's take your questions.

Q&A

Bob Dudley
Group Chief Executive

Brian Gilvary
Chief Financial Officer

Jess Mitchell
Head of Group Investor Relations