



Getting
back to
growth



THE BP PROPOSITION	
Safer	Growing sustainable free cash flow and distributions
Fit for the future	
Focused on returns	



Hello everyone and welcome, we are here in London with many in the investor community, and we are joined by more than one thousand links from around the world including North and South America, Europe, the Middle East and Asia. A warm welcome to you all.

CAUTIONARY STATEMENT



Forward-looking statements - cautionary statement

In order to utilize the 'safe harbor' provisions of the United States Private Securities Litigation Reform Act of 1995 (the 'PSLRA'), BP is providing the following 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 expectations regarding future global energy supply and demand to 2035, including global energy demand growth of 30%, growth of energy demand from emerging economies and the mix of energy demand among oil, natural gas and renewables; plans and expectations regarding BP's oil price cash balance point and growth in free cash flow through 2021; plans and expectations regarding BP's resource base and the potential of the resource base to deliver organic growth without major acquisitions; expectations regarding Rosneft's long-term role in BP's portfolio; expectations regarding Upstream project start-ups in 2017 and thereafter including the number and timing thereof, expectations that new projects will add approximately 500 thousand barrels per day of new oil equivalent production in 2017 and 800 thousand barrels per day of new oil equivalent production by 2020, expectations that new projects will average approximately 35% better margins than the 2015 portfolio and the effect of new project start-ups on cash flow over the medium term; expectations that Upstream acquisitions will add more than 200 thousand barrels per day of oil equivalent production by the end of the decade driven by renewal of the Abu Dhabi concession and the ramp-up of the project in Zohr, Egypt; expectations regarding growth in Downstream operating cash flows; expectations regarding growth of production and marketing businesses to 2021; expectations regarding the effect of new technologies on oil and gas production efficiency; expectations regarding BP's future production mix including that gas will be 60% of BP's production by 2026; plans and expectations regarding BP's Global Business Services Organization and its effect on the Group; expectations regarding 2017 first-half and full year operating cash flow and 2017 non-operating restructuring charges; expectations that 2017 organic capital expenditure will be between \$16-17 billion, 2017 divestments will be in the range of \$4.5-5.5 billion and \$2.3 billion per annum thereafter and 2017 Deepwater Horizon cash payments will be in the range of \$4.5-5.5 billion in 2017, \$2 billion in 2018 and \$1 billion per annum thereafter; plans to balance sources of uses of cash organically at around \$60 per barrel by the end of 2017 working towards balancing closer to \$55 per barrel by the end of 2017 and at \$35-\$40 per barrel over the next five years; expectations that capital expenditure will remain in the range of \$15-17 billion annually and gearing will remain in the range of 20-30%; plans to sustain BP's dividend and to address dilution from the undiscounted scrip dividend alternative and expectations regarding growth in shareholder distributions over the long term; plans to invest in Downstream manufacturing businesses; expectations regarding volume and margin growth and the effect thereof on returns; expectations that BP's return on average capital employed will exceed 10% by 2021; expectations regarding improvements in future Upstream returns including through production growth of 5% per year on average to 2021 with a capital frame of \$13-14 billion and free cash flow of \$12-13 billion; expectations that Upstream unit cost will decrease in 2017 to 40% below 2013 levels and that future cost increases can be offset by efficiencies; expectations regarding long-term Upstream growth to 2030 with base decline in the 3-5% range and a portfolio of 3 million barrels of oil equivalent per day; expectations that Upstream Greenfield projects will achieve an internal rate of return in the mid-teens at an oil price of \$60 per barrel and that Brownfield projects will reach an internal rate of return of more than 20% at an oil price of \$60 per barrel; expectations that Upstream operating efficiency will exceed 85% in 2020; plans regarding the use of digital and big data and the size of BP's data lake and the effect thereof on BP's operations; plans to install APEX and the Plant Operations Advisor in all operated assets by the end of 2018; expectations that the Downstream business will deliver \$9-10 billion of pre-tax free cash flow by 2021 with sustained pre-tax returns of 15% or more; plans related to continued focus on safety; plans and expectations related to the growth of BP's refining business by \$1 billion by 2021 and the effect on BP's refining portfolio; plans and expectations to reduce the break-even in petrochemicals by more than 40% by 2018 and the effect thereof on underlying earnings growth, returns and investment options; expectations that petrochemicals demand will grow by 4-6% per annum; plans and expectations regarding growth in BP's lubricants, fuels and retail businesses including the delivery of an additional \$2.0-2.5 of pre-tax earnings billion by 2021; plans and expectations to expand the fuels and lubricants footprint in Mexico, India, Indonesia, and China; plans and expectations with respect to the approval, development and performance of the strategic partnership with Woolworths in Australia and the timing thereof; plans to increase Downstream efficiency and simplification including by reducing the number of roles by 6,500 from 2014 to 2018; plans related to Downstream manufacturing and marketing including the growth of manufacturing earnings by more than \$2 billion from 2014 to 2021 and growth in marketing earnings by more than \$3 billion from 2014 to 2021; plans related to the transition to a lower carbon future and growth in BP's Alternative Energy business including through new business models and the investment of approximately \$200 million per year; expectations regarding the growth potential of Fulcrum Energy; plans and expectations with respect to initiatives with Princeton University and the World Bank; and expectations related to BP's ability to remain competitive in the future. 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; delays in the processes for resolving claims; 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 "Principal risks and uncertainties" in the results announcement for the period ended 30 June 2016 and "Risk factors" in BP Annual Report and Form 20-F 2015 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.

February 2017

Before we begin I, of course, need to draw your attention to our cautionary statement. 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 Announcements and SEC filings for more details. These documents are available on our website.



Earlier this month we published our year-end results for 2016 – a year where we have come a long way forward from a year ago.

That was mainly about looking back. Today, with this strategy update, we're focusing squarely on the future - we'll focus mostly on the immediate five years ahead but we'll also be looking beyond that to what you can expect from BP longer term.

Our aim is to provide you with an opportunity to understand what we are doing as a company and how that stands up as a strong, stable, balanced investment proposition that's good for all seasons.

We will be giving more detail on our view of the next five years. We have a strong and disciplined financial framework already in place and clear plans in action for the near term. These plans are made even stronger by our recent portfolio additions and new long term agreements. What you will hear today is more about the measures we are taking to strengthen the path ahead and to ensure increasing value generation into the next decade.

The last few years have been a long and hard road for BP, and you have stuck with us on that. We appreciate your support. For those of you who are new to BP – welcome.

We are in a very different shape today than five or six years ago. We are stronger and much more focused on the future.

We have used the past few years productively.

First, in recovery mode from the tragic accident and oil spill in the Gulf of Mexico.

Second, to build in resilience to the current low price environment by improving our safety and operational performance – getting simpler, more reliable and more efficient.

And third, to create a strong suite of growth opportunities in our Upstream and Downstream businesses, and in due course in the area of Alternative Energy and other low carbon options.

So what you will be hearing is the coming together of these individual strands to create a business with the strength, resilience and discipline to compete. A business that is solid and sustainable year-after-year no matter where we are in the commodity cycle. And a business well aligned to changing consumer demands.

We're a company that thinks long term. Right now our industry is changing very fast, but we are used to navigating change. We have spent time studying the changing demand patterns ahead and ways to adjust our strategy in line with our view of the future trends.

What we're sharing today is evolution not revolution. But it's evolution in the best traditions of BP, with a clear focus on ensuring the reliable delivery of significant value to investors for a long time to come.

Agenda



1

Group Overview



Bob Dudley
Group chief executive

2

Upstream



Bernard Looney
Chief executive, Upstream

3

Downstream



Tufan Erginbilgic
Chief executive, Downstream

4

New business models



Lamar McKay
Deputy group chief executive

5

Financial framework & outlook



Brian Gilvary
Chief financial officer

6

Summary



Bob Dudley
Group chief executive

7 Q&A

In terms of the agenda, I'll start with an overview of the BP group.

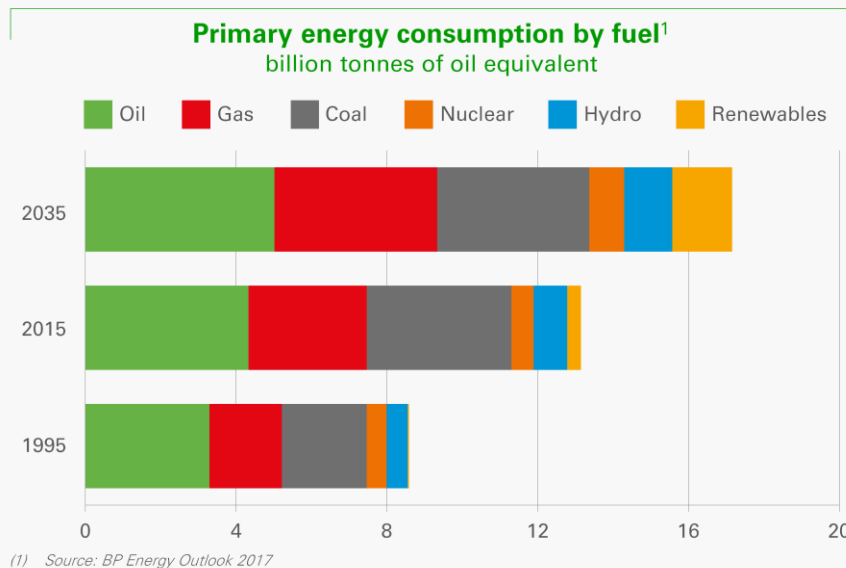
You'll then hear from Bernard and Tufan on near to medium term plans for their respective businesses. Then Lamar, who has been leading our long-term strategy work, will take a longer term view outlining the steps we are taking to position BP for a lower carbon future.

Brian will update you on our financial framework and then I'll briefly summarise the key points before we take a short break. We'll then return for Q&A, making sure we allow plenty of time for you to ask everything on your minds at this stage.

Changing dynamics of supply and demand



- Global energy demand is expected to grow by 30% to 2035
- The energy mix is changing
 - Oil demand will continue to grow, but at a slower pace
 - Natural gas to grow faster than oil and coal
 - Renewable energy is projected to be ~10% of energy demand by 2035



So let's start with the environment.

You may have heard a lot from BP recently on this, so I'll just briefly summarise how we see things.

We have seen stability returning to oil markets recently following the OPEC agreement. There is still a sizeable inventory overhang to work off. We remain optimistic about the market continuing to rebalance in 2017 but the road to a more balanced position still has uncertainties.

This environment requires discipline on costs and strong operating performance. It will reward businesses that can remain highly competitive at these prices. We believe that is a combination that suits BP.

Looking longer term, global energy demand will continue to grow – increasing by about 30% over the next two decades on the most likely path, with virtually all the demand growth coming from emerging economies around the world, particularly China and India.

Growth on this scale means the world will continue to require energy from all sources. We see oil and gas continuing to meet at least half of all demand for the next several decades as renewables grow much faster than any other fuel, but from a low base in comparison.

Oil will continue to meet the majority of transport demand, given its natural advantages.

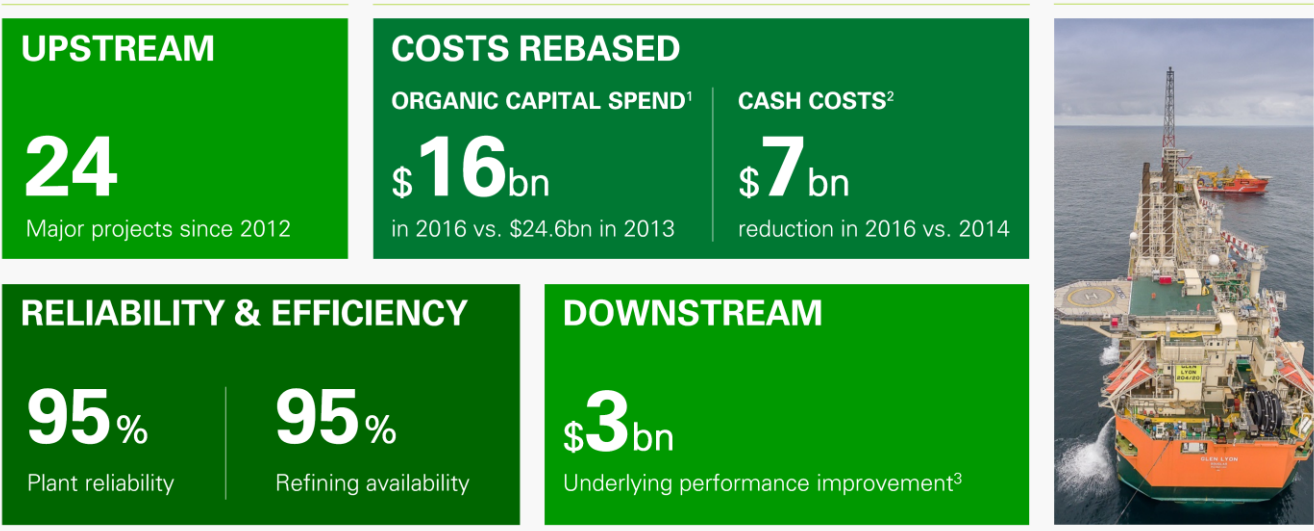
We also see natural gas growing faster than both oil and coal to help fulfill a global need for cleaner energy and lower emissions.

One conclusion you can draw from this slide is oil and gas is a growing business out to 2035, as is renewables.

As we think about our own strategy over the very long term we recognise the need to

ensure we are able to continue to meet the energy needs of a changing world. We are a global energy company with enormous reach. Our energy outlook gives us the ability to think about the future in a much more informed way and to engage with this transition to low carbon at the right pace and in a very considered way. You will notice today the steps we are taking within each of our businesses to think about the world differently and Lamar is going to spend a little time talking about our activities in this area.

Strong track record of delivery



(1) Capital expenditure excluding acquisition and asset exchanges, and the renewal of the 10% interest in the Abu Dhabi onshore oil concession, as noted in the 4Q 2016 SEA
(2) 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
(3) Incremental underlying replacement cost profit before interest and tax, adjusted for refining environment, foreign exchange, turnaround and portfolio impacts ; 2014-2016

First though – let me back up a bit to where we stand today.

We’ve spent the last several years reshaping what BP looks like, focusing on what we do best and how we deliver.

In 2014 we recognised early on that oil prices would be lower for longer and we acted quickly with a plan to right-size our cost base and reset capital expenditure. In 2016 our capital spend was some 35% lower than peak levels in 2013. Last year we also reached our targeted \$7 billion reduction in controllable cash costs compared with 2014 a year early. This agility has also given us the confidence to carefully select attractive growth opportunities throughout the investment cycle.

Our focus on reliability and efficiency is showing up in our operational metrics and is helping to strengthen BP’s underlying performance.

In Upstream we’ve brought 24 major projects online over the last five years and in 2017 we expect to see another seven start-ups. 2017 is one of the largest years for commissioning new major projects in our history. Bernard will update you on this and will tell you more about how we’re working to deliver these projects on time and on budget.

Over the last several years we have also reshaped the Downstream business, focusing on advantaged manufacturing assets, growth in our marketing businesses, and simplification and efficiency actions. Tufan will take you through how this has made the Downstream more resilient and delivered \$3 billion in underlying performance improvement since 2014.

Of course there is more to do and the environment has uncertainties, as always, but we believe we are building a strong track record of operational performance and, with that, greater resilience.

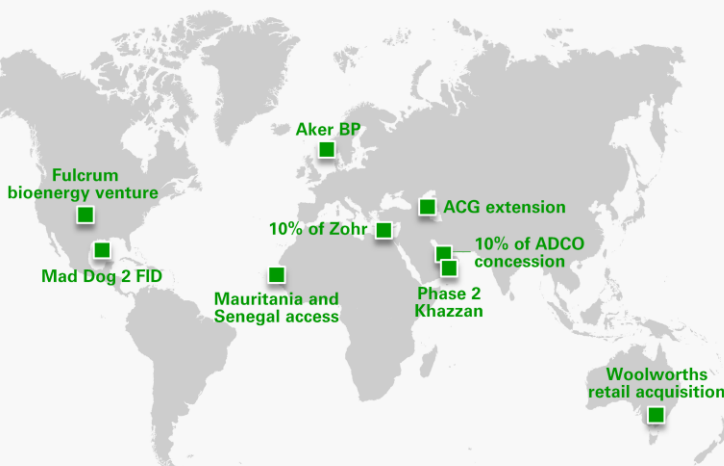
Looking to the future – disciplined growth



- Deepwater Horizon liabilities clarified
- Financial frame moving towards balance
- Culture of cost discipline embedded
- Portfolio deepened for future growth
- Momentum in our businesses

MAXIMUM
\$15-17bn
per year organic
capital expenditure
to 2021

Recent acquisitions and agreements



Since 2015 we have made substantial progress in resolving the remaining outstanding claims arising from the Deepwater Horizon accident. It has been a tough period for us. The cash outflows have weighed on our financial framework but we expect the financial impact of this to reduce materially from next year.

We are also moving towards rebalancing our financial frame while growing our business in a disciplined manner. Since the oil price downturn we've made enormous progress in reducing costs and capital. We've embedded a culture of disciplined spending and we will maintain this discipline.

This progress has given us the confidence to make what we see as some great investments at the right point in the cycle. Many of you had expressed interest in our pipeline for growth post-2020. These new investments deepen our exposure to incumbent areas that we know well and we think of as strategic. We have also steadily moved ahead with some key projects towards development near the end of this decade and beyond. I believe we are striking a balance between the immediate short term and our ability to enhance long term value. We believe we are making the right choices for our shareholders, while also sustaining and strengthening our healthy dividend.

Going forward, we see considerable momentum in our businesses as we will show you today. Coupled with ongoing capital discipline and sticking strictly to a disciplined capital frame with a maximum \$15-17 billion per annum spend for the group out to 2021, we expect this to drive our oil price balance point steadily lower as we bring on material growth in free cash flow. Brian will show you the detail later on.

The BP proposition



BP STRATEGY UPDATE

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So that brings me to what we want to focus most of today's presentation on. What the future looks like for BP and what you can expect from us. This is our proposition to you as shareholders.

We are seeing patterns of demand changing. As we build that into how we think about our plans we see a future with different horizons – things we are doing near term to make the business more resilient, things we are doing that extend into the next decade to bring on growth, and things we are just starting to do to secure our future over the much longer term.

But no matter how one views the time horizon there are three very important drivers to our proposition:

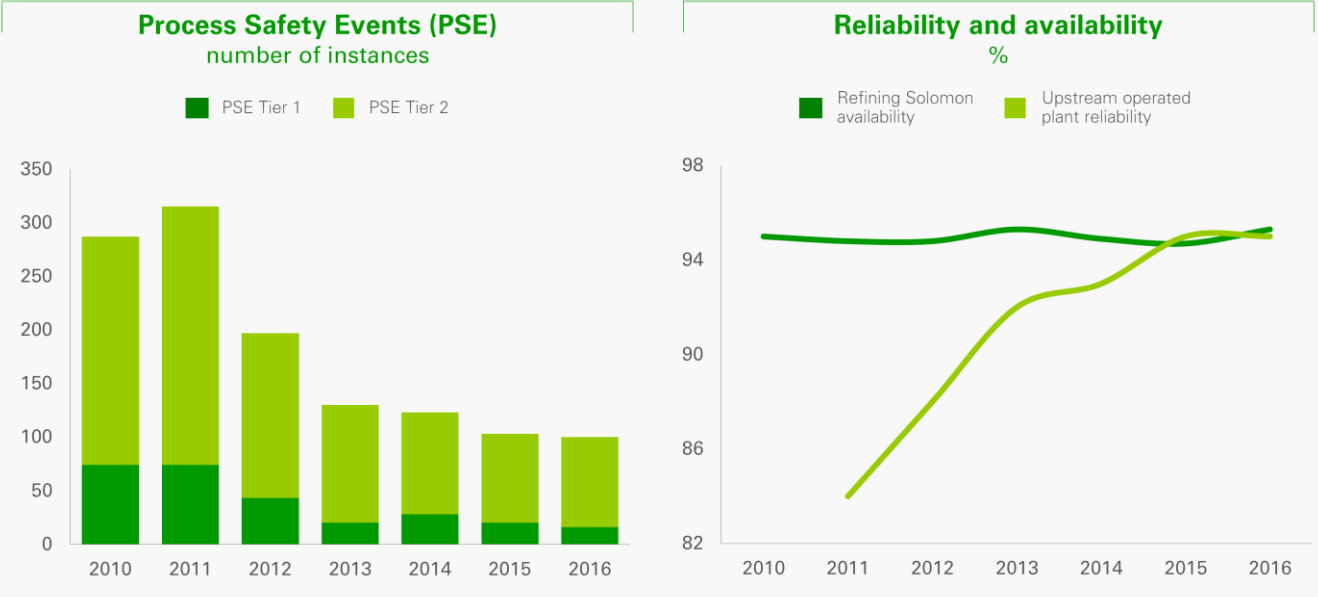
First, always executing in a way that's safe, reliable and efficient.

Second, continuing to build a portfolio that's distinctive but also fit for the future. A portfolio that builds on our strong resource base and which positions us to be resilient and competitive in any environment. And a portfolio capable of delivering sustainable growth over the long term.

Third, staying firmly focused on delivering competitive returns. We believe this is about making the right choices, what we have often referred to as 'value over volume' – investing in the right projects and activities to drive growth, while maintaining discipline over our capital spend and ensuring sustainable cost efficiency in every part of our business. We expect to be able to deliver a return on capital employed greater than 10% by 2021.

Getting all this in place supports what remains our principal aim – that of growing sustainable free cash flow and distributions to shareholders over the long term.

Let me explain each of these drivers a little further.



The first piece of our investment proposition is safe, reliable and efficient execution. This is simply good business. Getting this right will underpin the delivery of our growth aims in the near and longer term. And this means reliable cash flow.

We are confident that we have the right operating model to continue to drive progress. We will never be satisfied so long as we are having any accidents, harm to people or damage to the environment.

We have come a long way in our safety performance since the beginning of the decade, and for the most part we held those gains in 2016, continuing to see improvements in some key measures. And you can see that the same is true for operating reliability – especially in the Upstream. Our operating management system reinforces this – promoting continuous improvement and systematic, rigorous ways of working.

I’ve often talked to you about our belief that having safety as our number one priority is not just the right thing to do, it is also good business. To pick just one example, at our Rotterdam refinery we have seen steady decline in process safety events, from 12 Tier 2 events in 2012 to just one in 2016. And alongside this, the refinery’s availability has increased, with 2016 its best year in over a decade.

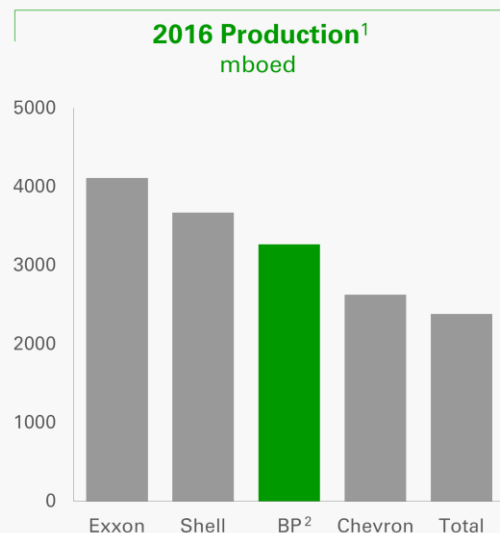
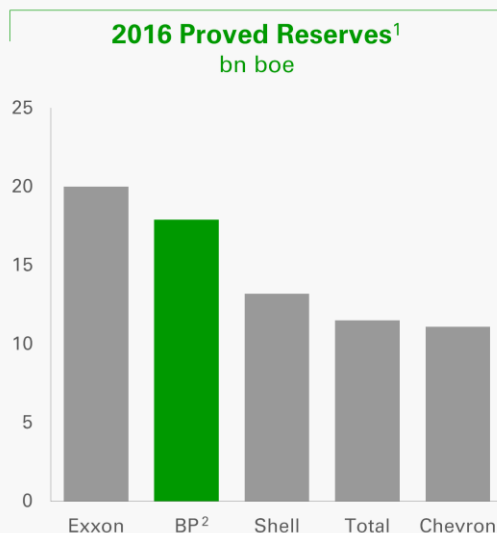
We see examples like this right across our operations - good safety leads to reliable operation of our assets, greater efficiency and, ultimately, better and more reliable financial results.

A deep resource base



14.7
years

Reserves to
production ratio²



(1) Source: Company reports (2) Includes BP's share of Rosneft

The next essential driver of our proposition is building BP's portfolio.

We are starting in a strong place having already reshaped the Group's portfolio through around \$75 billion of divestments since 2010, including our interest in TNK-BP. While this was initially in response to the Deepwater Horizon accident, it required an immediate prioritisation of our portfolio. It also put us on a road of shaping a portfolio with a much clearer purpose – that of delivering value. In today's environment we also see the benefit of having completed these transactions at a much higher point in the price cycle of our industry.

As we stand today, in the Upstream we still have a deep resource base. Excluding Russia, we produced 2.2 million barrels per day in 2016. In all, including our 19.75% equity interest in Rosneft, we are a 3.3 million barrel per day company, with 17.8 billion barrels of oil equivalent reserves. This translates to 14.7 years of reserve life which is very competitive with our peer group.

This resource base has sufficient depth and quality to deliver growth right through the next decade as Bernard will show you in detail – and this without the need for major acquisitions. We expect to continue to deepen, as you have seen us do recently, through a combination of ongoing exploration and appraisal, new access and selective additions to the portfolio. We will only look to add to the portfolio inorganically where we see this as strategic and accretive in terms of earnings and cash flow within a short time frame. And where we do this we will optimise the Group's overall capital frame to stay within the boundaries of our \$15-17 billion organic capital expenditure range.

- **Strong Upstream, strong Downstream**

- Strong incumbency
- Focus on best assets and markets

- Unique position in Russia
- Integrated value options – IST and LNG
- Largest operated renewables portfolio among peers
- Strong relationships and innovative partnerships



Looking next at the make-up of this portfolio.

Put simply, the core of our portfolio is a strong Upstream and a strong Downstream.

Our Upstream has strong incumbent positions in many of the world's top hydrocarbon basins and a strong pipeline of growth opportunities.

Our Downstream also has a strong and focused footprint. It has advantaged manufacturing assets and considerable potential for growth in its marketing businesses.

The value we generate in these core business segments is enhanced by the global scale of our Integrated Supply and Trading business, or what we call IST. It does this by joining equity sources of production to markets in ways that create additional value. We link value chains between our businesses and with 3rd parties such as with LNG, and we create flexibility and optionality to bring more value from our assets. And IST does all this with very little requirement for capital. To illustrate this – we are the No. 1 marketer of natural gas in North America, selling enough to meet the combined daily needs of France, Germany, Spain and the UK. We continue to expand the reach of this business and see more value to be added through leveraging our scale, connectivity and relationships, with more innovations planned.

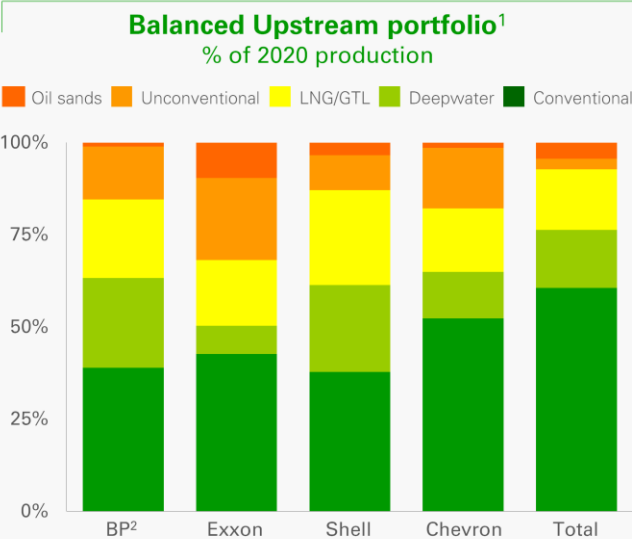
Next to all of this, in Russia we have our equity interest in Rosneft, and the extension of that relationship through participation in opportunities beyond our equity interest. This gives us a position in Russia we consider to be unique in the industry. Rosneft is a resilient business. We expect its earnings to grow as it integrates Bashneft, ramps up new projects in Russia, increases its domestic gas production and expands its interests outside of Russia. We continue to see our involvement in Russia as offering long-term value for BP shareholders.

And it doesn't stop there. As we think more about the energy frontiers of the future, here again we are not starting from a zero base. Our Alternative Energy business has been up and running for 12 years. It incorporates a lot of learning from having already

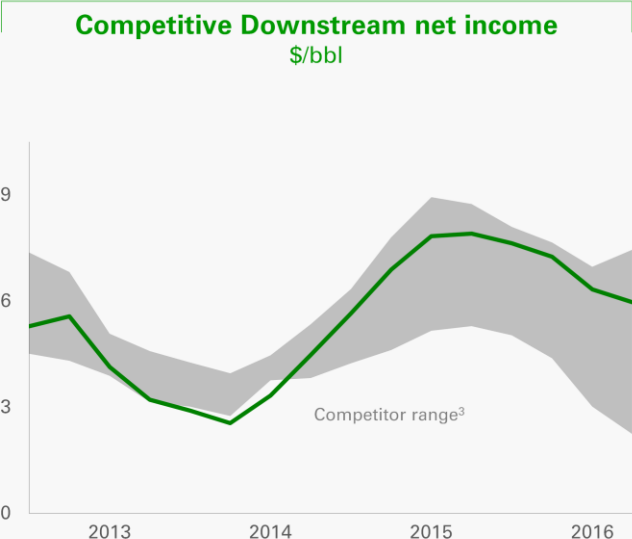
made a significant investment in this space. Today we have the largest operated renewables portfolio among our peers and we're busy incubating options for the future. Lamar is going to share some of this thinking with you today.

So that describes the shape of the BP Group. As I have said before it's a portfolio we like. Across every dimension we see a strong platform for growth. And we see how the strong relationships and partnerships we have been building over decades has made this a platform that's sustainable for the very long term.

Competitively positioned



(1) Wood Mackenzie data
(2) BP adjusted to include ADCO and Zohr. Excludes Rosneft



(3) BP estimates based on company data

At the same time we believe our portfolio is competitively positioned for today and for the future.

As an integrated business, the diversity of the portfolio balances exposure to commodity price and margin risk, as well as geopolitical exposure and potential changes in the make-up of energy demand over the longer term.

Our Upstream business, when viewed through a lens of production, as on this chart on the left, has a very balanced portfolio with exposure to different pricing models and fiscal terms. More significant is the focus into quality within each of these bricks. Within these positions are some of the most attractive established and new hydrocarbon basins in the world, with considerable potential for growth. To give a few examples, our advantaged domestic gas positions in Egypt and Oman bring competitive margins and long term growth potential to our portfolio. Many of our Deepwater positions are built around legacy hubs with considerable potential to add near-field high-return projects that leverage existing infrastructure. And an integrated mix of equity and trading expertise brings selective best-in-class LNG into the portfolio, such as the recent FID of the third train in Tangguh in Indonesia. It is one of, if not the lowest cost of supply additions of this kind in the world.

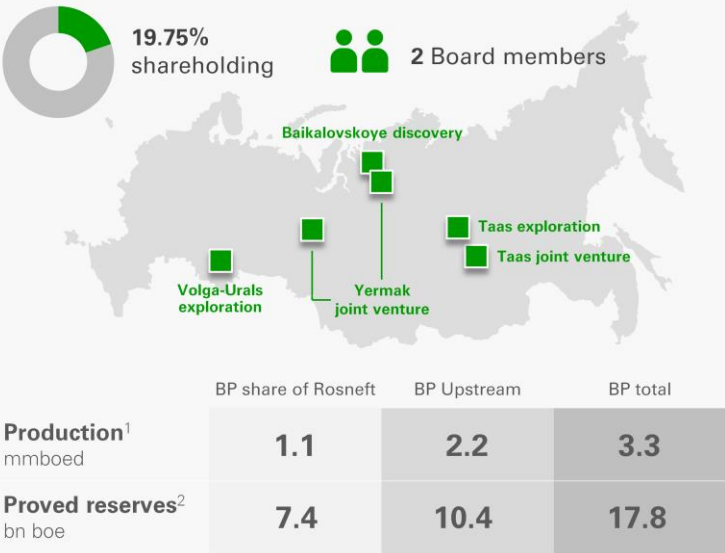
You can also see this focus into quality within our Downstream business. We have focused our footprint over more than a decade to create a set of advantaged manufacturing assets, a differentiated presence in marketing with growth market exposure and premium global brands. We are busy building a top quartile refining business and in 2016 our fuels marketing and lubricants businesses, including Castrol lubricants, together generated more than half of Downstream pre-tax earnings. These growing businesses enhance our resilience to volatility in the environment. Our Downstream is not all about refining margins.

So across both Upstream and Downstream there is a combination of balance and quality which, I believe, differentiates us amongst the competition.

A distinctive partnership in Russia



- Efficient operations, world-class projects and resilient financial performance
- Enhanced value from independent joint ventures
- Mutually strategic partnership



(1) Year ending 31 December 2016 (2) At 31 December 2016

Expanding a little more on our strategic relationship with Rosneft.

Russia remains one of the largest and lowest-cost hydrocarbon resource bases in the world and their resources play an important role in long-term global energy supply.

Through our 19.75% shareholding and our two Board seats, we are supporting and influencing the strategic direction of the company, and benefitting from a diversified portfolio of existing and potential projects within Rosneft. The company continues to produce strong growth and resilient performance both operationally and financially. Rosneft has also accessed international opportunities expanding its participation in countries such as India, Egypt, and Germany.

We have also built on this strategic relationship in signing separate standalone joint venture agreements, including in the Taas JV in the Russian Far East, the Yermak exploration JV in Western Siberia and the Volga-Urals exploration agreement. As well, we are working closely to continuously improve the performance across our respective assets and companies.

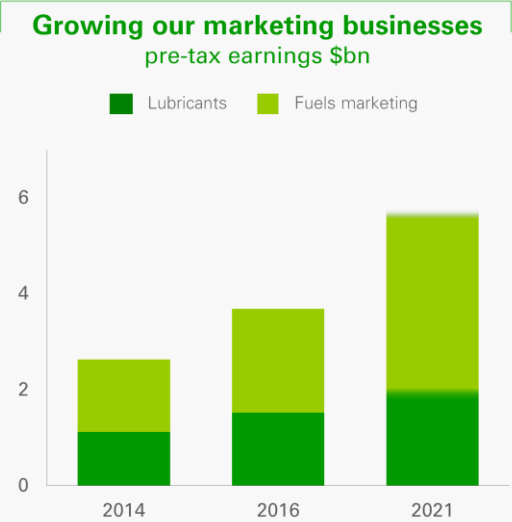
So building on 27 years of successful experience in Russia, our partnership with Rosneft adds still more balance and long-term optionality to our portfolio. It is an important part of our portfolio today and we expect it to remain so for the long-term.

Getting back to disciplined growth



>1mboed
from new
production by
2021⁽¹⁾

>\$3bn
incremental
pre-tax earnings
from marketing
businesses
2014-2021⁽²⁾



(1) 800mboed from major projects 2015-2020 + major project production in 2021 + new production from recent portfolio additions
(2) At a 2016 FX environment (3) Includes the impact of the Abu Dhabi onshore concession renewal

Focusing now for a moment on growth - that is the growth we can see ahead in every part of the Group.

In the Upstream, we expect to add more than 1 million barrels per day of new oil equivalent production by 2021 from 2016. As we showed you last year in Baku we expect our major projects to add net to BP around 800 thousand barrels per day of new oil equivalent production by 2020 and continue to grow beyond that. This is over and above the natural decline we manage each year. These new projects should deliver on average around 35% better margins compared to the 2015 portfolio, contributing materially to growth in operating cash flow over the medium term. In addition, our recent portfolio additions are expected to add more than 200 thousand barrels per day of oil equivalent production by the end of the decade, driven by the renewal of the ADCO concession and our deepening in Zohr, in Egypt, which will start to ramp up in 2018. Our portfolio of opportunities for the next decade is taking even stronger shape and is set to drive growth over the much longer term.

At the same time, Downstream is growing all of its businesses, for example retail volumes through focused investment in key countries, expansion of differentiated fuels, and strategic convenience partnerships. This is complemented by growth and margin expansion in our Lubricants markets. We are selectively expanding in new geographies such as with our recent announcement of a strategic partnership with Woolworths in Australia and have our sights set on extending partnerships further. So you can also expect strong growth in operating cash flow from our Downstream.

When you add to all of this our share of the growth in earnings the market expects from Rosneft and the longer term possibilities of our Alternative and low carbon businesses you have a company that's getting back to growth – growth today, growth over the medium term and growth in the very long term.

Clear priorities for a changing world



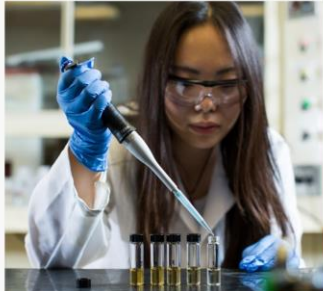
1.

Shift to gas and advantaged oil in the Upstream



2.

Market led growth in the Downstream



3.

Venturing and low carbon across multiple fronts



4.

Modernising the whole Group

BP STRATEGY UPDATE

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So disciplined growth is key but as we continue to actively manage our portfolio we are also thinking about how we want to shape that growth for the future.

I've already touched on some of the trends we highlighted as part of our Energy Outlook earlier this year. As noted, we expect global energy demand to continue to increase but we also know the demand for cleaner energy will certainly rise. We expect new technologies to enable more oil and gas to be produced more efficiently.

So while we still expect oil and gas to remain dominant sources of energy for decades to come, we know patterns of demand and supply will change. Similarly, we cannot expect price cycles to respond in the ways we have experienced in the past. To be successful we recognise we need to move with these new trends, be very considered about where we invest and find new ways to compete.

We don't expect there to be a single answer but we do see some clear priorities.

To meet the demand for cleaner energy we are shifting towards gas by investing in new large-scale gas projects. By the middle of the next decade we expect around 60% of our production to be gas, compared with around 50% today.

Our aim over time is also to continue to renew the portfolio while shifting the portfolio structurally even lower down the cost of supply curve to ensure we remain competitive in any environment. So we are pursuing access to advantaged oil projects in core lower-cost basins and leveraging exploration around our incumbent positions to capture higher returns. In short, we want to be invested in the best projects in the best basins. This also means there are some higher-cost areas where you would expect us to do less in the future – less heavy oil for example and less focus on high-cost frontier exploration. You will have noticed our recent decision not to progress exploration of the Great Australian Bight.

In our Downstream, we are focusing on differentiated positions and growth markets to achieve marketing-led growth while building increasingly competitive manufacturing businesses.

On the low carbon front we invested early beyond traditional oil and gas activities and have learnt from that experience. We are now building on our existing interests and creating new business models to respond to policy and consumer trends. We will be very measured in our investments and learn as we go. But we will be informed and ready for the future.

Importantly, in everything we do we will continue to simplify and modernise to ensure we are fit to compete. We will seize new opportunities with our partners and think creatively about how we engage with this changing world.

Return focus – making the right choices

Value over volume

- Incumbency and key partnerships
- Focus on best markets and assets
- Price leverage and resilience
- Disciplined capital investment
- Actively managed portfolio



This brings me to the third driver of our proposition, that of focusing on delivering competitive returns.

Though the macro environment has been volatile in recent years, we have remained very disciplined in the choices we have made. By focusing on returns, we ensure those choices are resilient over the long-term as we rebuild our portfolio.

Accessing the best markets and assets allows us to build a diverse pipeline of projects. We also build on established deep incumbency to create value as a committed, long-term partner.

We look to find mutually beneficial terms that incentivise not only our investment, but offer a diversified exposure to price risk, and the sharing of value over the life-cycle of the project. In this way we leverage price upside, such as in our established regions in the North Sea and the Gulf of Mexico. And build resilience to the downside, such as with our long-term projects in Azerbaijan and recently announced renewal of the Abu Dhabi concession.

Having established this foundation, we protect those returns through disciplined capital and cash cost management, and we will come back to talk to this in more detail shortly.

At the same time we actively manage the portfolio over the long-term, to optimise returns. We have used innovative ways of realising value through our portfolio, including recognising where some of our assets are better placed in the hands of others. Through the continued screening of our portfolio we aim to realise value for shareholders. This includes divestments, such as those made recently in Alaska and the UK and the approach we are taking in Norway. As well it includes careful acquisitions, such as our recent portfolio additions.

Returns focus – disciplined capital investment

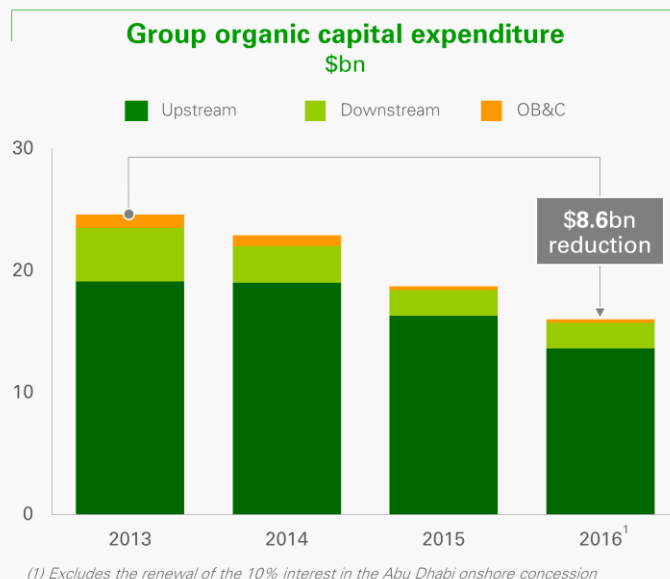


- Proven discipline and delivery
- Rigorous capital allocation process
- Strict investment returns criteria
- Optimised decision making

2016 organic capital expenditure¹

\$8.6bn

below 2013 peak



As mentioned, capital investment is one of the key measures we actively control, and we are very disciplined about this.

Over the past four years we have reduced our organic capital expenditure budget by more than \$8 billion. This comes in part from capturing deflation, but importantly also through consciously constraining capital relative to our opportunity set. In this way we ensure that the highest quality projects are selected, or are only progressed when they are 'as good as they can be'.

This is underpinned by a rigorous capital allocation process, where we ultimately look to optimise full-cycle returns of each project as it progresses through FID, to development and ultimately start-up.

We work to strict criteria so that returns are accretive to the current Group position. For example, for FIDs within the Upstream we expect all Greenfield projects to achieve mid-teens IRR at \$60 per barrel, and all Brownfield projects to be greater than 20%. And, within the Downstream, we similarly expect our portfolio of investments to achieve IRRs in the mid teens.

And we are also being selective in what we invest in, and when we invest, as evidenced by the decision we took to recycle the Mad Dog Phase 2 project, which we have subsequently just sanctioned for less than half the original cost.

Returns focus – sustainable cost efficiency



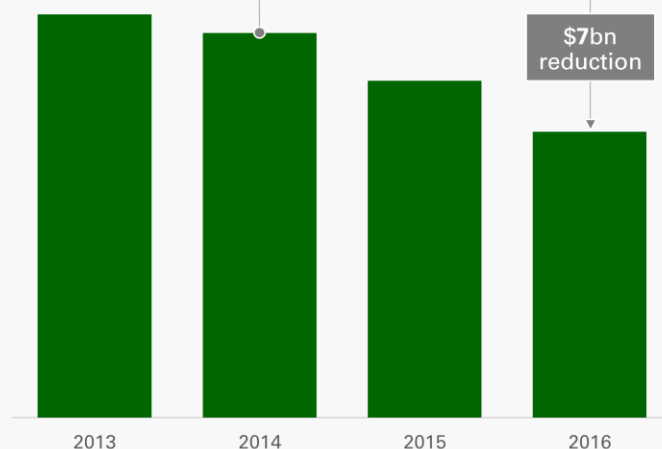
- Working in a simpler and standardised way
- Focus on continuous improvement
- Transformation and modernisation
- 'Making it stick'

2016 cash costs¹

\$7bn

below 2014

Group cash costs¹
\$bn



(1) See bp.com for further information

We approach our expenditure on cash costs, and the efficiency of that spend, with equal rigor.

Since 2014, we have reduced our Group cash costs by \$7 billion, a year ahead of plan, which is testament to the focus that has been brought to working smarter, simpler and in a more standardised way. We started the process early, initially streamlining our organisation and processes to reduce complexity after the 2010 oil spill. The sharp drop in oil prices then brought greater urgency to this activity.

So we have reached our target but it doesn't stop there. We are now focused on driving continuous improvement across every part of the BP Group.

An example of this can be seen within our Global Business Services organisation, where we are looking at where and how a number of business activities are delivered. This function now delivers a broad and growing range of services, from a small number of global service centres of significant scale, including centres in Hungary and Malaysia. This is expected to continue to drive material value growth for BP, through economies of scale and efficiency, and a sharp focus on standardising, automating and transforming processes at a global level.

We expect to continue to transform and modernise our organisation and to ensure the changes we have made are embedded and will endure into the future. Bernard and Tufan will talk shortly in more detail about some specific examples of what we are doing in both the Upstream and Downstream to make this cost efficiency and capital discipline 'stick'.

Returns focus – what makes it different this time?



- Learning from the past
- New culture of cost discipline
 - Operational transformation
 - Controls embedded in organisational process
- Networking and collaboration across our industry
- Benchmarking outside our industry
- Modernisation and use of technology



So our focus on returns is about making the right choices, about remaining very disciplined, and about making sure we drive continuous improvement in everything we do.

But spending discipline in our industry has been notoriously poor, resulting in periods of low return for shareholders. So you may well ask why it should be different this time.

At BP I do believe we have adopted a different approach through this down-cycle and that we have made changes that are largely structural and sustainable. It is rooted in a belief that to compete in today's world we need a business model for the Group that is not driven by price cycles.

As I go around the world meeting people in our businesses I can see the evolving organisational culture. We are transforming the way we operate and work internally – it is being led from our operating locations. And we are putting in place new controls to ensure changes are embedded for the future.

We have become simpler, more efficient and more streamlined, cutting out unnecessary bureaucracy. We are driving standardisation and changing how we interface with third parties. This includes learning from others, working closely with suppliers to learn about how we make the value chain more efficient. We know we have more to do to simplify our company.

And we are modernising, making use of technology across multiple fronts to open up new frontiers of thinking across our businesses.

We are also looking outside of ourselves and our industry. We are benchmarking not only against our peers, but also other extractive or capital intensive industries. This is an area where I know we have a lot still to learn, including how to be more efficient in running our operations, in managing our investments, as well as benchmarking ourselves against 'best-in-class', and not only energy businesses.

As you'll see today we are in action to transform our businesses in ways that are different to the past, and I am confident the outcomes will be enduring.

Let me now hand over to Bernard who will take you through the plans for the Upstream.



BP STRATEGY UPDATE

Upstream

Bernard Looney



Thank you Bob and a very good afternoon everyone.

Upstream key messages



SAFETY

#1

Core value

DELIVERY

Cost and capital savings

\$9bn

1 year early¹

Base decline

<2.5%

5 years²

Major project start-ups

6

in 2016



MEDIUM TERM GROWTH UPGRADED

\$13-14bn

Free cash flow in 2021³

- 5% production growth⁴
- Flat capital \$13-14bn
- Declining unit production costs

STRONGER LONG TERM GROWTH

- Increased growth capacity
- Improved capital productivity and returns
- Modernisation and transformation agenda

(1) Cash costs and organic capital expenditure excluding capital relating to the renewal of a 10% interest in the Abu Dhabi onshore concession

(2) 2011–2016 compound annual decline rate

(3) Free cash flow proxy = Underlying RCOP+DD&A+EWO-Organic capital expenditure, at \$55/bbl Brent real

(4) 2016–2021 compound annual growth rate

The last time I spoke with many of you was in Baku eight months ago when we outlined the longer term direction for the Upstream.

We have made good progress since then, and I am looking forward to giving you an update today.

I would like to start with some key messages that I will come back to again as I finish. First and foremost, it all starts with Safety.

It is a core value and will always be our top priority. Fewer people got hurt in our operations in 2016 than ever before – but one injury is one too many. And while the long term trends on process safety measures look good, our 2016 performance reminded us that we must always be diligent and never be satisfied with our performance.

Second, we are delivering what we promised.

In Baku, we told you that we planned to reduce our headcount by one-third and reduce ‘costs’ – that’s capital and cash costs – by \$9 billion, all by the end of 2017. I am pleased to report that we delivered the \$9 billion one year early and our organisation size is now 36% less than the peak in 2013.

Our guidance for base decline was 3-5% – we have exceeded this, with decline in our reservoirs averaging less than 2.5% over the past 5 years.

In Baku, we said we would start up five major projects in 2016 – we started up six, as well as taking five Final Investment Decisions.

Third, we are upgrading our plans for medium term growth.

In Baku, we also said we would deliver \$7-8 billion of free cash flow in 2020 at \$50 per barrel. Today we upgrade that number to \$13-14 billion at \$55 per barrel in 2021.

Fourth, we have strengthened our long-term outlook.

Looking beyond 2021, we have improved both capacity for growth as well as the

quality of that growth. We always look to grow value and returns, not just volume. We have done this through continued optimisation of our resources through the Area Development Planning process, the recent acquisitions, as well as our Modernisation and Transformation agenda.



So with that backdrop, let us look in greater detail at what we have done and where we are headed.

Everything we do is in service of our strategy.

Safety. It begins and ends with safety. It is our core value.

Execution. Quality execution, of our projects, our operations, our drilling, and managing our reservoirs, is the greatest source of value and returns that we have.

Incumbency. We have a great asset base. Our incumbent positions and the relationships we hold with the resource owners create both stability and opportunity. Leadership in the world's best oil and gas basins is what we aspire to.

Growth. We grow value through improving returns and cash flow. We actively manage our portfolio, divesting where it makes sense, and pursuing acquisitions where value can be created. We like our asset base, particularly its balance.

Capability. Our strategy is underpinned by the capability of our people, who are motivated and equipped to take on the world's greatest oil and gas challenges. We have a global workforce that is embracing digital technology to drive improved productivity in everything we do.

So that's our strategy – let me now walk through a more detailed update.

Driving performance

6

2016 Project start-ups

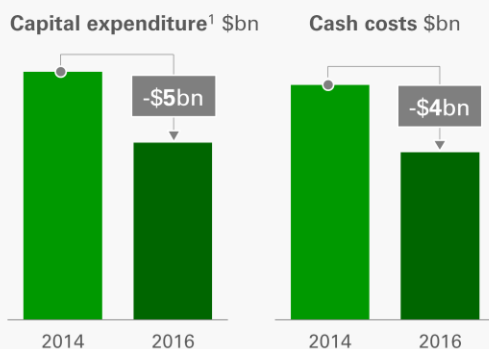
\$9bn

savings vs 2014¹
delivered one
year early

<2.5%

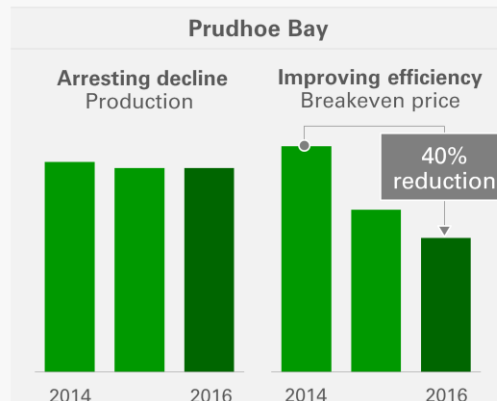
base decline²
2011-16

\$9bn improvement in cost and capital expenditure – delivered early



- Explicit capital choices based on investment hurdles

Driving down breakeven



- Flattening decline
- Improving operating efficiency

(1) Excludes the renewal of the 10% interest in the Abu Dhabi onshore concession (2) 2011–2016 compound annual decline rate

Let me start with a closer look at how we have been driving performance and establishing a track record of delivery. We have begun to deliver the projects that make up the 800 thousand barrels per day in 2020 – six started up in 2016.

Through working with the supply chain, reducing the size of our organisation, and being disciplined with every dollar, we have delivered the \$9 billion savings we promised – 1 year early – and are confident we can do more. This is not just about deflation, but about simplifying, using industry standard solutions, focusing on quality execution, and eliminating defects, all in service of driving efficiency.

We continue to use the same strict investment hurdles to maintain capital discipline. IRRs in the mid-teens for greenfield projects at \$60 per barrel; greater than 20% for brownfield projects.

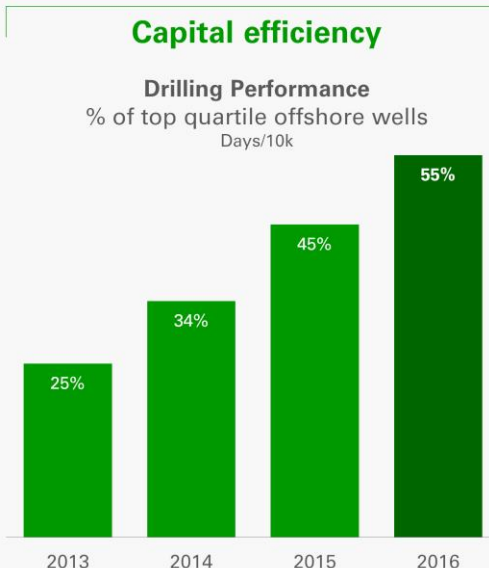
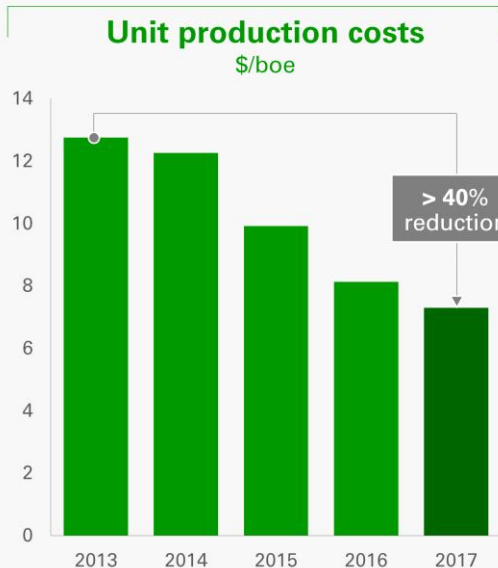
And our capital frame remains a flat \$13-14 billion through 2021.

In terms of choices, that means that some activities won't make the cut, and as Bob said, we demonstrated that with our decision regarding the Great Australian Bight.

Over the past 5 years we have maintained our base decline at less than 2.5% by improving the reliability of our facilities, and delivering valuable well work and infill drilling. 2016 was a particularly good year with decline less than 1%. Plant reliability was 95% and we are focusing on improving overall operating efficiency to in excess of 85%.

We are driving down the breakeven oil price each year and making the business more resilient. Our teams around the world are working on this, and let me give you just one example from Prudhoe Bay in Alaska. The team there has been focused on developing the most advantaged barrels from across the field – executing wellwork and optimising field activities. The results have been fantastic - in spite of reducing drilling, we have reduced decline holding production almost flat. And the result is a business whose overall breakeven is down by 40%.

Driving down costs



~75%

cost savings
sustainable

BP STRATEGY UPDATE

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Turning now to our cost base, where we are really seeing these efficiencies start to show up. In Baku we promised a 33% unit production cost reduction in 2016 over 2013. We actually delivered more than that, with a reduction of 36%. I believe this will continue to position us solidly in the top quartile amongst peers. That trend will continue with a further reduction in 2017 resulting in a total unit production cost reduction of over 40%.

And these changes are sustainable – around 40% of our savings to date from our supply chain have come from efficiency as opposed to rate. Combined with savings from scope optimisation and headcount reductions, around 75% are then sustainable in any environment.

Efficient execution is key as we focus on capital efficiency. We are seeing that pay off in our drilling performance. As you can see here, we have significantly improved the percent of top quartile offshore wells delivered with 55% achieved in 2016. We have internal targets to improve this further.

A great example of capital efficiency is our Thunder Horse South Expansion project. It started up 11 months ahead of schedule and \$150 million under budget. This was achieved through early engagement with suppliers to agree the right scope and execution plan, and streamlining ways of working.










Projects on track



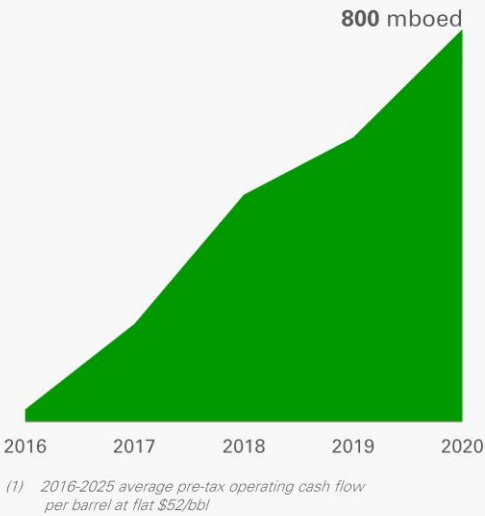
7 major projects to start-up in 2017

- Juniper
- Khazzan
- Persephone
- Quad 204
- Trinidad Onshore Compression
- West Nile Delta – Taurus/Libra
- Zohr

9 start-ups under construction 2018-2021

 Atoil Phase 1	 Clair Ridge	 Tangguh Train 3
 Constellation	 Culzean	 NWS Western Flank B
 Shah Deniz 2, TANAP & TAP	 West Nile Delta - Giza/ Fayoum/ Raven	 Mad Dog Phase 2

Projects production build up mboed



800
mboed
in 2020

35%
greater cash
margins¹

Looking now at the medium term, I am pleased to report that the 800 thousand barrels per day of new project production is firmly on track. I have reviewed all of the projects in detail over the last two weeks. There is much to do, but I am confident in the trajectory we show here. The portfolio under construction is ahead of schedule and around 15% under budget.

We aim to startup seven projects this year, contributing to the 500 thousand barrels per day of new capacity by the end of this year. You will see the impact towards the back end of the year, with production ramping up as we go into 2018.

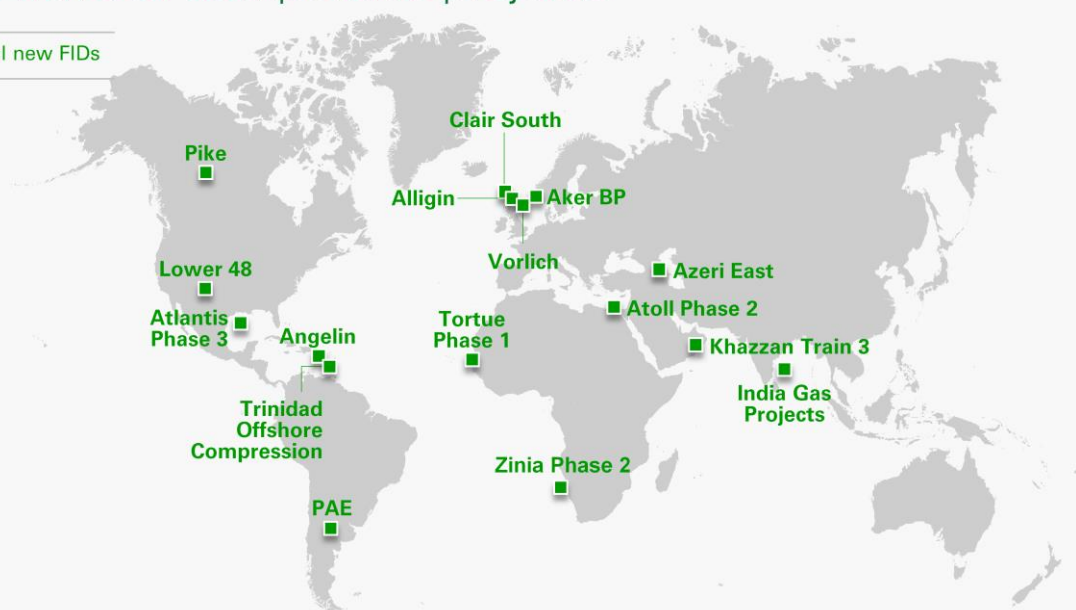
Looking further out, we have nine major projects under construction that are on track for startup in the 2018 to 2021 time period.

Importantly our projects deliver operating cash margins 35% better than the base portfolio in 2015. They also carry a development cost which is around 20% lower on average than the existing portfolio and drive an increase in the percentage of capital in service.

Next wave of competitive projects



■ Potential new FIDs



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In addition to the projects under construction we have a strong portfolio of potential FIDs – including the first phase of the discovered gas in Mauritania and Senegal, a potential exciting extension of our Atlantis field, India gas projects, and the third train of our Khazzan project in Oman, to name a few.

We continue to optimise these projects – rigorously testing and only proceeding when they exceed our hurdle rates, and are the best they can be.

We also continue to invest for value growth in our existing base businesses. For example, in our lower 48 onshore business we have improved capital efficiency through innovative well designs including a very successful multilateral program, enhanced completions and horizontal development. Wood Mackenzie has acknowledged this by increasing their estimate of the value of the business by around 70%.

All these efforts result in a 5% per annum average production growth out to 2021 – compared to 2016.

Upstream medium-term growth upgraded



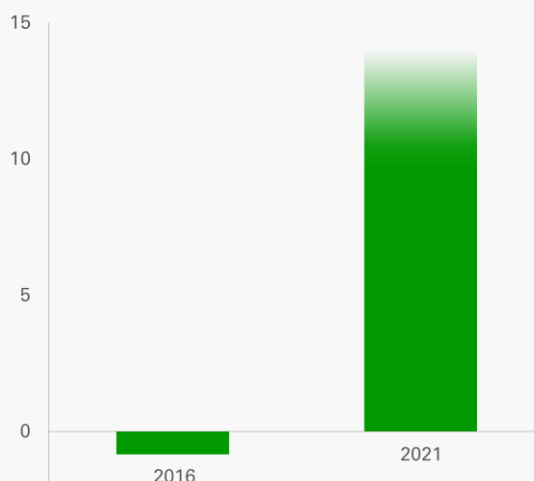
- 5% production CAGR¹ to 2021
- Continued decline in unit production costs
- Additional \$1bn performance improvement²
- Constant organic capital expenditure of \$13-14bn

\$13-14bn

Free cash flow³
in 2021

- (1) CAGR 2016–2021
(2) Relative to Baku guidance
(3) Free cash flow proxy = Underlying RCOP+DD&A+EWO-organic capital expenditure (2016 excluding capital relating to the renewal of a 10% interest in the Abu Dhabi onshore concession) at Brent oil price \$55/bbl real

Free cash flow – pre-tax³
Brent \$55/bbl real



All of this work has given us the confidence to upgrade our medium term growth target that we outlined in Baku.

We now expect to deliver \$13-14 billion of pre-tax free cash flow in 2021 at \$55 per barrel. That is equivalent to around \$14 billion of incremental pre-tax free cash flow in 2021 as compared to 2016.

The key underpinnings are as follows:

- 5% per annum average production growth;
- Continued declining unit production costs;
- \$1billion of free cash flow performance improvement since Baku; all delivered within
- A constant capital frame of \$13-14 billion.

You will begin to see this growth late this year and building each year thereafter.

Enhancing portfolio quality

NEW GAS



- Oman license area enlarged



- Mauritania and Senegal accessed



- Egypt Zohr interest acquired



- Lower 48 acreage capture



- Tangguh deepening



- Culzean deepening

ADVANTAGED OIL



- ADCO agreement extension



- ACG contract extension

FOCUSING EXPLORATION

Incumbent positions

- Azerbaijan, Egypt, North Sea, GoM

New opportunities

- Eastern Canada, Mexico, China, Russia, Mauritania and Senegal



~5bn boe accessed for ~\$1/boe cost

So that describes our view of the next five years.

Longer term, we believe in the strength of our portfolio, which is balanced, competitive, and positioned to reflect the direction of travel in the wider energy sector. We have enhanced the quality of the portfolio since Baku by continuing to optimize the Area Development Plans, through the acquisitions and extensions, and through our Modernization and Transformation Agenda – which you will hear more about shortly.

Looking at some specifics, we have underpinned our shift towards competitive gas through:

- New acreage in Oman underpinning a third gas train;
- Accessing 10% of Zohr in Egypt;
- Deepening in Tangguh, and Culzean in the North Sea; and of course
- Our deal with Kosmos in Mauritania and Senegal, a deal which gives BP a leadership position in a huge low cost gas resource, and creates the opportunity to build a new material 'leg' to our portfolio.

We have also capitalised on incumbency in key regions to access more advantaged oil through, for example:

- A heads of agreement to extend our ACG license in Azerbaijan; as well as
- The extension of the ADCO concession in Abu Dhabi.

And we have also accessed new exploration acreage in Canada, Mexico and China.

Where we have made acquisitions, I would call these 'not to be missed' opportunities, accessing around 5 billion barrels at a very competitive cost of around \$1 per barrel. Going forward, we will progress these new activities within our Baku capital frame of \$13-14 billion.

We will also continue to put assets into the right hands to drive the best value, and you

saw this with the creation of Aker BP. We created a company of around 700 million boe (proved and probable), and the valuation has risen over 80% in less than a year. We recently announced another creative deal with Enquest around Magnus and the Sullom Voe Terminal in the North Sea.

Improved long term growth capacity

Value from

More production capacity

Improved returns



Progression of E&A

- North Sea
- Trinidad
- Egypt
- West Africa
- Azerbaijan
- Eastern Canada
- Russia
- China
- NWS
- GoM Miocene

Post 2020 Projects

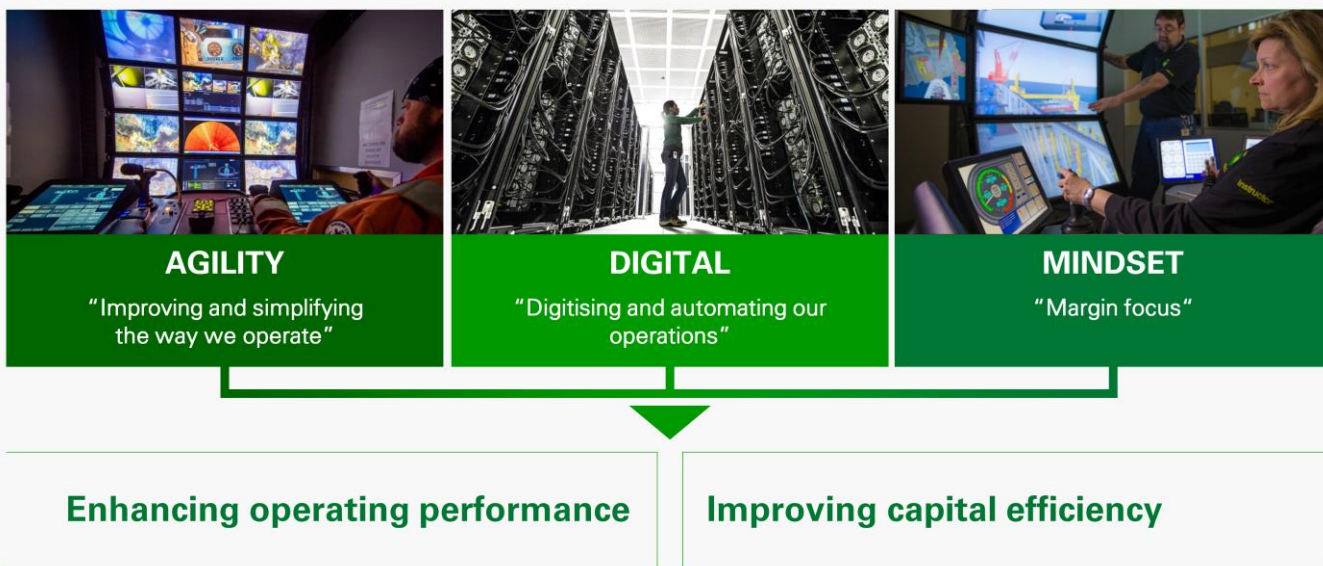
- Mad Dog 2
- Egypt follow on phases (WND, Atoll)
- India gas projects
- Greater Clair
- ACG extension
- Tortue phase 1&2
- GoM
- Trinidad contract extension
- Khazzan Train 3
- Pike

2016-2020 Project start-ups

Managed base

- Major producing hubs
- Onshore Lower 48
- Middle East (Iraq & Abu Dhabi)
- Pan American Energy
- Aker BP

Looking now to the longer term. Our performance delivery track record, the projects under construction, and our portfolio, give us confidence that we have the capacity for quality growth through to 2030. We have the ability to be around a 3 million barrels per day company during the next decade, excluding Russia. To be clear, this is not a target – we know all too well that growth in cash and returns is more important than volume. It is simply a measure of our confidence in our portfolio and our ability to execute.



That brings me to our modernisation and transformation agenda. This is about delivering a sustainable step change in our performance, getting us fit for the energy transition, and importantly changing what it feels like to work in the Upstream.




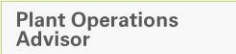


It is an ambitious agenda. We will make our organisation more agile and improve decision making; we are looking to truly embrace digital and the opportunities presented by big data; and we will create a mindset inside the upstream consistent with a margin business. All is in service of industry-leading capital productivity, operational effectiveness, and returns.

Now I would like to try something a little different. I have a video which describes a vision of what life could be like in Operations in the not too distant future. We are creating something similar for Projects, for Reservoir Management and for Drilling. Its purpose is to show what is possible when we take all these themes and add them to what we are learning from other industries. It is meant for an internal audience but I hope you find it helpful.

[Video played]

I hope that gives you some sense of where we are heading. Working like this will be very different – it will unleash ideas and solutions we can't even imagine today.

And the good news is we are already in action on a lot of what you just saw. Let's look at Digital where our ambition is to become *the* Digital Upstream company.

CLOUD-BASED PLATFORMS		GLOBAL MONITORING CENTRES		DIGITALLY SAVVY WORKFORCE
	ARGUS, HAL Well, field, and cost data history and analytics		BP Well Advisor Drilling efficiency	<ul style="list-style-type: none">Advanced analyticsData driven decisionsRapid cycle-time
	APEX Production optimisation		Plant Operations Advisor Plant reliability	
	SIRAAJ Digital field planning		Production Management Advisor Well reliability	

BP'S PROPRIETARY DATA LAKE

Infinite scalability **Cloud-based** **1 to 6PB** (Petabytes) in the next four years **1-5 second refresh**

BP STRATEGY UPDATE

Two years ago, we started building BP’s proprietary data lake. Today, it holds more than 1 petabyte - a billion million bytes - of data. That’s a lot!

We have developed cloud-based platforms which access our data lake to enable rapid analysis and decision making with state-of-the-art visualisation and predictive tools. A few examples:

ARGUS is our wells data platform. Today 2,458 wells – or 99.5% of all our well stock - are in it.

APEX is our system optimizer. It enables us to optimise production real time by monitoring and modelling physical constraints across the production system -live. It will be installed in all operated assets by 2018.

SIRAAJ is our field development platform – it was pioneered in Oman. It enables live updating of our development plan as results stream in from new drilling data.

We are now monitoring and analysing drilling operations and wells, from remote centres around the world. This will improve our decision making and make our organisation more efficient.

The Plant Operations Advisor – which you saw on the video – is in pilot testing on a facility in the Gulf of Mexico. At the moment it is running over 20 million calculations per day and assesses the operational state of 150 pieces of equipment, every 2 seconds. Again by end 2018, we expect to have it fully deployed.

As you can tell – I am very excited. This agenda is real, it is transformative, and I personally believe, it is essential.

Upstream key messages



SAFETY

#1

Core value

DELIVERY

Cost and capital savings

\$9bn

1 year early¹

Base decline

<2.5%

5 years²

Major project start-ups

6

in 2016

MEDIUM TERM GROWTH UPGRADED

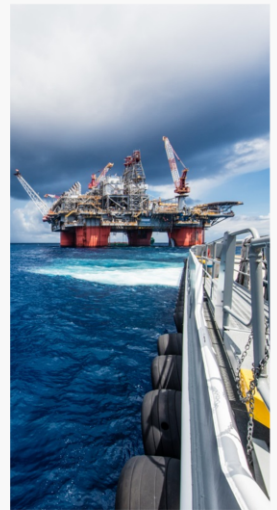
\$13-14bn

Free cash flow in 2021³

- 5% production growth⁴
- Flat capital \$13-14bn
- Declining unit production costs

STRONGER LONG TERM GROWTH

- Increased growth capacity
- Improved capital productivity and returns
- Modernisation and transformation agenda



(1) Cash costs and organic capital expenditure excluding amounts relating to the renewal of a 10% interest in the Abu Dhabi onshore concession
(2) 2011–2016 compound annual decline rate

(3) Free cash flow proxy = Underlying RCOP+DD&A+EWO-Organic capital expenditure, at \$55/bbl Brent real
(4) 2016–2021 compound annual growth rate

So that seems a good point to stop and recap.

First and foremost, Safety remains a core value – job number one.

Second, we have delivered what we said we would in Baku, and continue to make huge strides around efficiency.

Third, we have upgraded our plans for medium-term growth – growth in production, free cash flow, and returns, all without changing our capital frame.

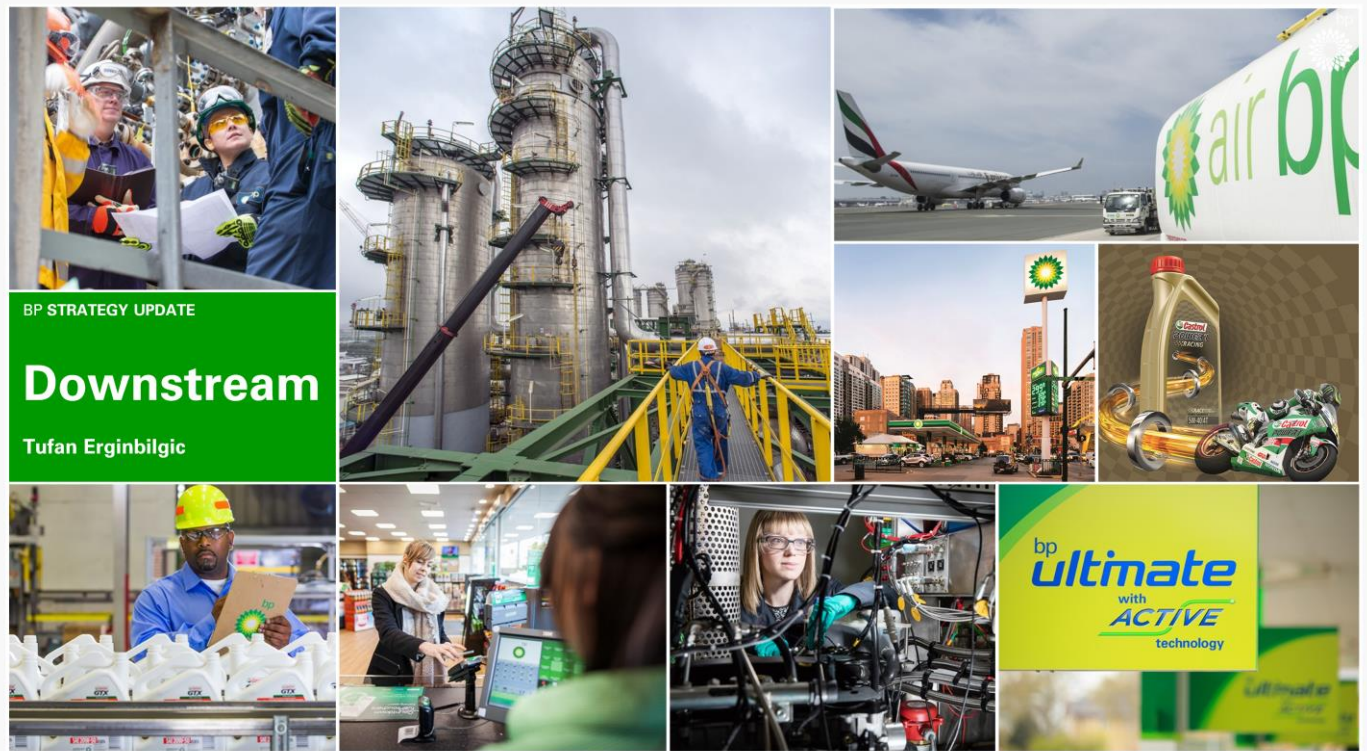
And finally, we have improved our portfolio quality, strengthened our long-term growth capacity, and are making progress on our commitment to modernise and transform our business.

So I want to close by reiterating my confidence in:

- our business model;
- our outstanding people;
- our long term relationships;
- our portfolio; and
- in the plan we have laid out for you here today.

We have the flexibility, the optionality and the resources to deliver real tangible growth for you – our owners – for decades to come.

Thank you for listening. Let me now handover to Tufan.



Thank you Bernard.

I'd like to continue the theme of performance improvement and growth by taking you through the significant potential we see across all of our businesses in Downstream.

Let me start by recapping briefly on the progress we have made.

Two years ago we set out our strategy to build a high quality portfolio of businesses that offer us significant competitive advantages.

What you see today is a Downstream business that is safer, more resilient, more profitable and has a strong track record of performance improvement. We have delivered \$3 billion of underlying performance improvement in the last two years – and that expands the earnings potential of the business and improves its resilience to environmental volatility.

And, there is more to come. We expect more growth from our marketing businesses, further strengthening of our competitive position in our manufacturing activities, and a continued focus to manage costs and deliver efficiencies as we pursue profit and cash growth. All of which we do with safety as our first priority – always our first priority.

I am confident that with the performance improvement we've achieved, along with the exciting growth potential that we have, we will deliver between \$9 to 10 billion of pre-tax free cash flow in 2021, that is more than 50% higher than 2016.

So let me now take you through the Downstream plans.



The execution of the strategy that I laid out 2 years ago is delivering results. Our strategic aims are to:

- Deliver underlying performance improvement and growth to expand the earnings potential of Downstream, improve its resilience; and
- Build competitively advantaged businesses.

Our performance improvement is the result of focussing on five strategic priorities:

Our first priority and core value is safety.

We have seen multi-year improvements in both personal and process safety and, in 2016, we delivered our best overall safety performance on record. And, we will continue to strive to improve safety further.

Second, advantaged manufacturing; we continue to build a top quartile refining business and in petrochemicals we are improving the cash breakeven performance of the business.

Third, our fuels marketing and lubricants businesses are differentiated and high returning. And our strategy is to grow these businesses in important global markets.

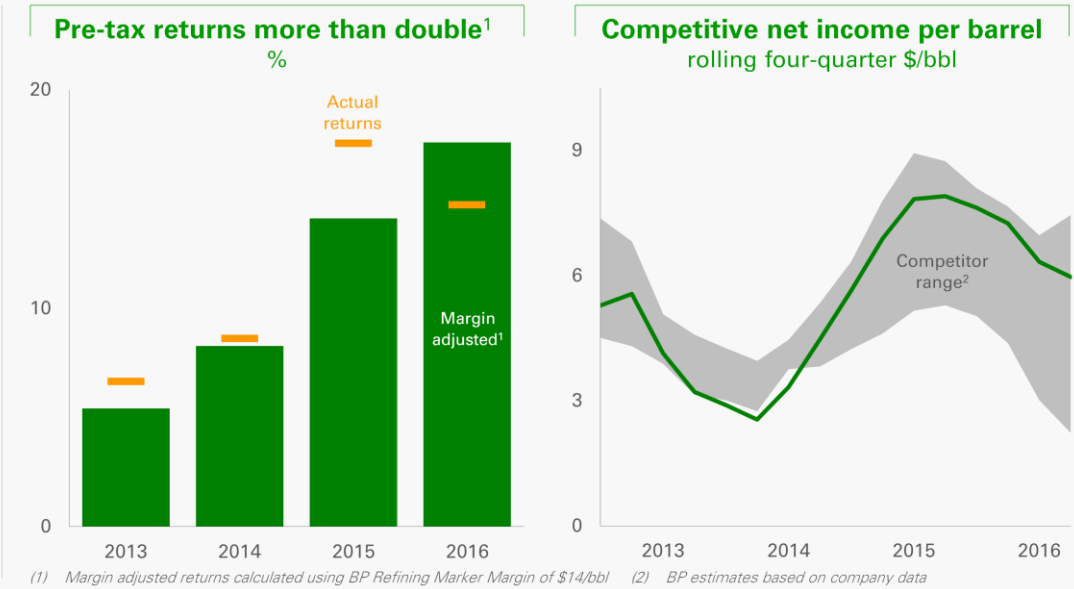
Fourth, efficiency and simplification programmes. These remain central to what we do and they are delivering ahead of plan.

And finally, we are pursuing and developing new products and offers that support the transition to a lower carbon and digitally enabled future over the long-term.

Execution of Downstream strategy is delivering results



Doubling pre-tax returns¹
Competitive net income per barrel



Let me now take you through the results that we have achieved by implementing this strategy.

As you can see from the chart on the left, returns have more than doubled since 2014, when measured at a constant refining margin, reflecting continued performance improvement. Indeed, 2016 on a reported basis was our second best result on record, after 2015, and this was delivered when refining margins were weak.

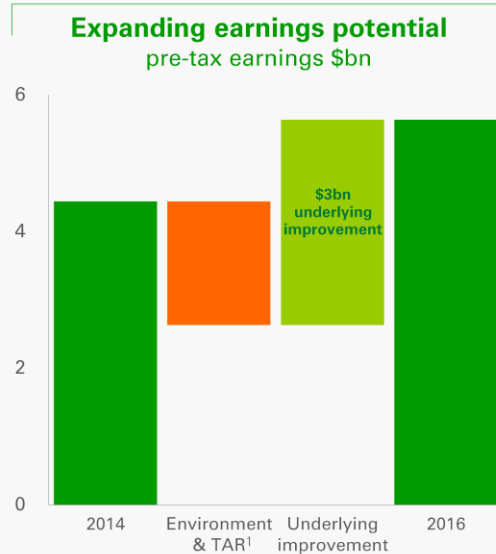
We have also significantly improved our competitiveness on a net income per barrel basis, you can see this from the chart on the right. We are now firmly in the upper end of the competitive range.

Turning to our performance improvement in more detail.

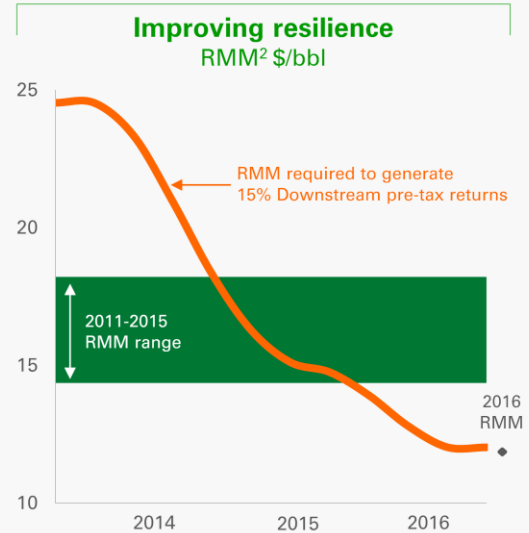
Expanding earnings potential and improving resilience



\$3bn
underlying
performance
improvement



(1) Refining environment, foreign exchange, turnaround and portfolio impacts



(2) BP Refining Marker Margin as published on bp.com

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On the left you see pre-tax earnings. Our full year earnings in 2016 of \$5.6 billion were more than 25% higher than 2014 despite the refining environment being significantly weaker and indeed, one of the weakest in the last 10 years.

We have delivered \$3.0 billion of underlying performance improvement in two years. This delivery is underpinned by improvements in all of our businesses through margin capture and cost efficiency initiatives.

Looking at it another way, the chart on the right shows the level of refining margin required to generate a Downstream pre-tax return of 15%. Through the execution of our strategy we have now reduced by about half the refining margin required to deliver this level of returns. That means we can deliver attractive returns even at industry refining margins below the five year historic range. Indeed, in 2016 we delivered returns of 15% when refining margins were well below this historic range.

So we are expanding Downstream's earnings potential and building a business that is more resilient to the environment – and we are doing so in a way that is not just sustainable, but which we expect will further improve – and we have plans to achieve that.

Now let me take you through each of our businesses in turn.

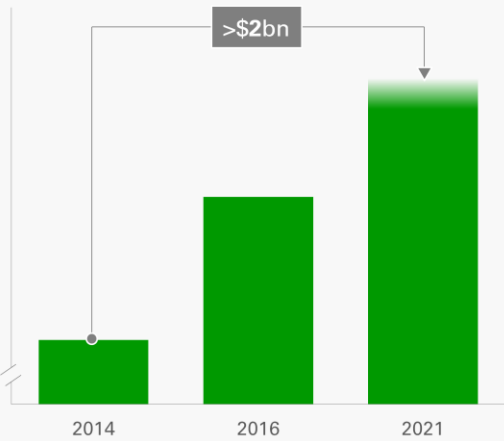


Significant progress and more to come

- Top quartile refining¹
- More than \$1bn pre-tax earnings improvement in 2016 versus 2014
- Improved reliability and efficiency
- Advantaged feedstock and optimisation

>\$2bn
refining growth
2014-2021²

Refining continued growth pre-tax earnings \$bn²



(1) Solomon net cash margin benchmarked

(2) At constant refining environment, including \$14.0/bbl BP Refining Marker Margin, \$15/bbl WTI-WCS crude differential and normalised turnaround levels

Starting with our manufacturing businesses.

In refining we continue to build a top-quartile business. We measure this through net cash margin per barrel, which is a metric that measures refining competitive profitability. In 2016, our refining portfolio ranked within the top quartile of this metric when compared to the most recent Solomon benchmarking study. This means we are delivering leading competitive profitability.

As you can see from the chart, refining earnings have grown by more than \$1 billion since 2014 at a constant refining environment.

And, we expect to deliver more underlying earnings growth, in fact around another \$1.0 billion at a constant BP refining marker margin of \$14 per barrel.

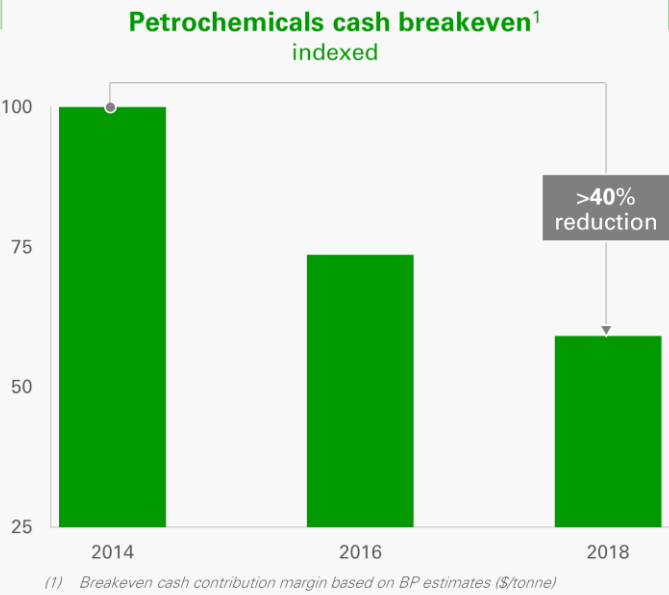
This will come from our site-by-site programmes which are focussing on operating reliability, efficiency improvements, advantaged feedstock and commercial optimisation.

These improvements will make our refining portfolio even more competitive and more resilient to the environment.



Repositioning the business and growing earnings

- Access to a growing market
- Industry leading proprietary technology
- Repositioning petrochemicals to improve bottom-of-cycle resilience
- Cash breakeven reduction – target increased to more than 40%
- \$400m higher pre-tax earnings in 2016 versus 2014



BP STRATEGY UPDATE

In petrochemicals we have an increasingly competitive business in a growing market. Over the last number of years the environment has been challenging, in part due to over-supply. However, demand growth for our primary products, aromatics and acetyls, is strong and industry analysts forecast continued demand growth in the range of 4-6% per annum.

Against this backdrop, we are leveraging our industry leading proprietary technology to make the business more efficient and more competitive. Indeed, our latest Zhuhai PTA plant in China, now operates with industry leading cost efficiency and environmental performance.

In a cyclical industry like Petrochemicals, reducing cash breakeven is key to improving resilience to environmental volatility. Since 2014 we have reduced the breakeven of Petrochemicals by 27%. This has helped support more than \$400m of earnings growth over this period. And we see further opportunities and now plan to reduce breakeven by more than 40% by 2018. This will ensure that we will have competitively advantaged assets in each of the regions in which we operate.

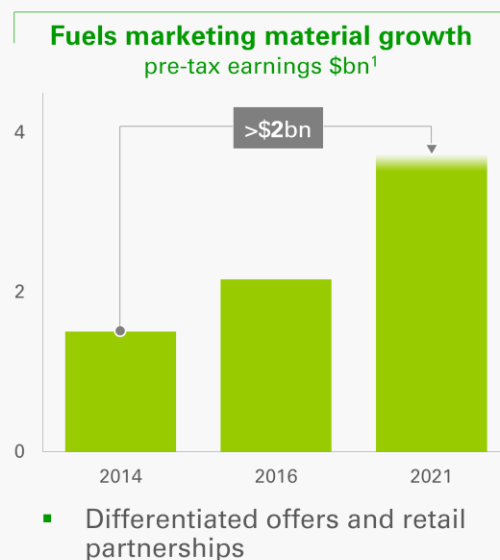
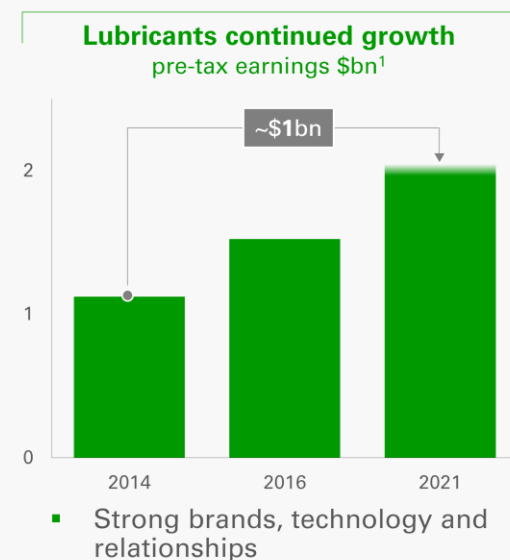
These improvements, along with our access to market growth and leading technology, positions our petrochemicals business strongly for the future. It supports underlying earnings growth and the delivery of double-digit returns over the next couple of years even in a similar environment to today, as well as creating optionality to invest in this growing market.

Marketing - material earnings and attractive returns



>\$3bn
marketing growth
2014-2021¹

Combined \$3.7bn
earnings in 2016



(1) At 2016 foreign exchange environments

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Moving now to our lubricants and fuels marketing businesses, which deliver material and reliable earnings, with attractive returns and where we have a track record of growth.

Together these businesses generated around \$3.7 billion of pre-tax earnings in 2016.

Here we are differentiated through our strong market positions and distinctive customer offers. This is underpinned by strong brands, technology, customer relationships and retail partnerships.

Our strategy is to grow these businesses which have good exposure to growth opportunities in existing and new markets. Indeed, in addition to our recently announced retail growth investment plans in Australia, we are actively looking to build and expand our footprint in Mexico, India, Indonesia and China. And, we are also developing new products and offers that support the transition to a lower carbon future over the long-term which I will talk about later.

In Lubricants, earnings have grown by \$400 million since 2014 at constant currencies, with around 60% of total earnings coming from growth markets last year. And, as you can see from the chart on the left, there is more to come. We plan to deliver this growth through increasing the sales mix of premium lubricants, our growth market exposure, and leveraging our differentiated offer.

In Fuels marketing, earnings have also materially grown. We have seen growth of \$600 million since 2014 at constant currencies and as with Lubricants, there is more to come. This growth will come from all parts of fuels marketing – from retail, the B2B fuels businesses and aviation fuels.

Retail is the most material part of our fuels marketing operations. It has strong and growing earnings, reliable cash streams and high returns. The continued success of our premium fuels, expansion of our convenience partnerships, new customer offers and growth market access will all underpin this growth.

Together our lubricants and fuels marketing businesses have delivered around \$1 billion of underlying earnings growth since 2014 and through the effective delivery of our marketing strategy we expect to deliver around another \$2.0 to 2.5 billion by 2021.

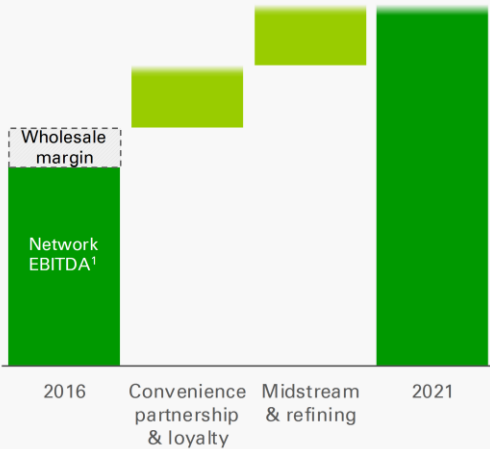
Let me now talk about one specific retail growth opportunity.



Accretive to earnings and operating cash

Strategic convenience partnership

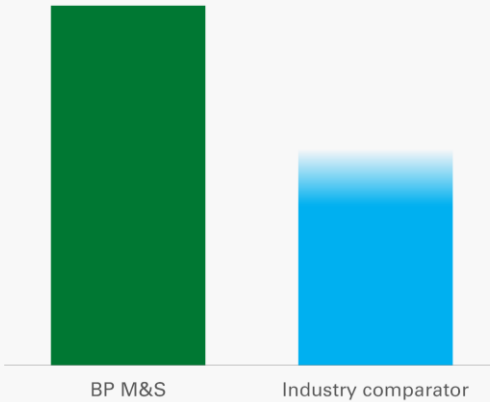
Significant sources of value



(1) EBITDA: Earnings before interest, tax, depreciation and amortisation

Competitive site profitability

UK M&S convenience partnership model⁽²⁾



(2) 2015 average site operating contribution (indexed)

As we announced recently, we plan to establish a new strategic partnership with Woolworths in Australia. Woolworths is one of Australia’s largest supermarket retailers and the agreement we announced includes BP acquiring and operating over 500 Woolworths’ fuel and convenience sites across the country, including providing these sites with the wholesale supply of fuels. We will also be creating a world-class convenience partnership with the Woolworths Group called Metro @ BP.

This new partnership will be accretive to earnings and operating cash flow with returns that are competitive with the rest of our Downstream portfolio.

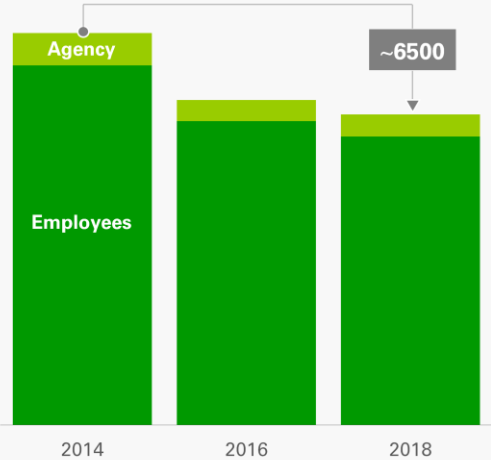
If you look at the chart on the left you can see that, by bringing together Woolworth’s retail network, high-quality food products, loyalty program and our international expertise in fuels and convenience offers we expect to deliver significant incremental value. Value from convenience partnership and loyalty offers, along with midstream and refining opportunities.

We have the expertise to deliver leading convenience and loyalty offers through major partnerships around the world. It is a proven model for us. Our UK offer, partnered with Marks and Spencer, is a good example. If you look at the right-hand chart, you can see how through our BP owned and operated network and distinctive offer, including differentiated fuels, we have been able to deliver a strong value proposition to our customers, as well as very differentiated results for BP.

The transaction is subject to Australian Competition and Consumer Commission and Foreign Investment Review Board approval which we expect to complete over the next 12 months.

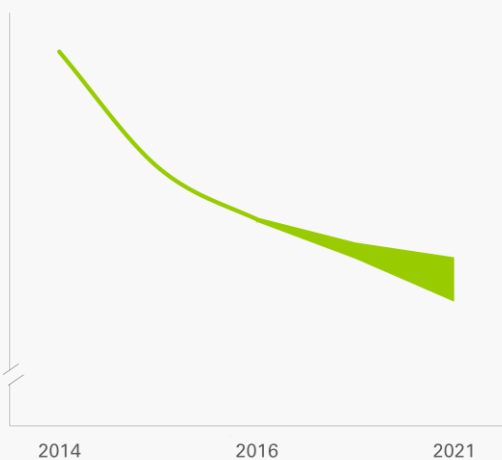
This is an exciting opportunity not just for us, but our Australian customers.

Headcount: circa 6500 role reduction¹



(1) Excludes retail site staff

Cash Costs to Gross Margin ratio²



(2) Cash costs divided by underlying gross margin adjusted to BP Refining Marker Margin of \$14/bbl

\$3bn

lower cash costs delivered

Continued focus on **efficiencies and costs**

Turning to efficiency and simplification, the work we have done over the past two years has driven our cash costs down to their lowest level in more than 10 years. As Bob shared with you earlier in the month, our cash costs are now \$3 billion lower than in 2014.

Third party spend continues to reduce and our simplification and efficiency programme covers all parts of Downstream. For example, we have delivered around \$350 million cost savings in Downstream head office through the streamlining and elimination of activities.

Across Downstream, since 2014, we have reduced the number of roles by more than 5000, a year ahead of schedule. And we have plans in place to reduce this further, to 6,500 by 2018.

All of this has supported a material improvement in our ratio of cash costs to gross margin since 2014. This is a metric we use to help run the business and measure its competitiveness. We will continue to maintain a rigorous focus on cost management and efficiencies while capturing profit growth opportunities.

Bio and low carbon

New fuels, lubricants and plastics



Advanced mobility

Electric, connected and autonomous vehicles



Digital

Driver convenience and new channels to customers



Now turning to new trends we are seeing in our industry in mobility and the transition to a lower carbon future.

We have a clear strategic frame to develop new customer offers in mobility and to transition Downstream towards a lower carbon future over the long term covering three focus areas of:

- Bio and low carbon products;
- Advanced mobility; and
- Digital.

We plan to create differentiated offers that build on our capabilities, retail assets and brand strengths – and which represent material and scalable business options in each of these areas.

We will form new strategic partnerships and create innovative ventures as we develop new business models. Let me take you through some of the progress we are making.

In the first area of bio and low carbon products, Castrol have recently launched a new 'bio' variant of Castrol Edge and Castrol Magnatec with 25% of the oil derived from plant sources. We have also invested in a company called Biosynthetic Technologies. A company that produces renewable base oils for lubricants. And through our venture investment in Fulcrum Bioenergy we are involved in making bio-jet from municipal solid waste.

In the second area, Advanced Mobility, we are exploring opportunities presented by electrification, connected cars and autonomous vehicles.

We already have electric car charging facilities at selected petrol stations such as in Auckland, New Zealand, as shown on the slide, where the charging facilities have been developed in partnership with Vector, New Zealand's largest distributor of electricity and gas. We are looking to learn from these installations as we explore

the best model for us to pursue across our global network.

And in the third area, Digital, which actually underpins many of our new offers, we have invested in a new venture, RocketRoute, which is transforming the aviation industry through the provision of flight planning and integrated support services.

We also recently launched our new retail app, BPMe which customers can use to find their most convenient BP Petrol station and can pay for fuel from within their vehicle. This provides us with a direct, personalised channel to our high value customers and provides a platform for the continuing digitisation of our customer offer.

This is just a small taster of the activity we have in progress. But as you can see we are well underway with our plans with the transition to a lower carbon Downstream business and we have first mover advantage with a number of our developments.

Growing Downstream free cash flow



- Continued underlying performance improvement
- Top quartile refining and repositioning petrochemicals
- Capturing growth in marketing businesses
- Continued focus on efficiencies and costs
- Pre-tax returns of ~20% in 2021¹

\$9-10_{bn}
free cash flow
in 2021¹



(1) Free cash flow proxy = underlying RCOP + DD&A – organic capital expenditure. 2021 at \$14/bbl RMM, \$15/bbl WTI-WCS crude differential and Brent oil price \$55/bbl real.

So, what does this all mean?

Since 2014 we have delivered \$3 billion of sustainable underlying performance improvement and we have halved the refining margin required to deliver 15% pre-tax returns for Downstream. And, as you have heard, there is more to come.

We are now in the top quartile of the refining net cash margin industry benchmark and we have robust programs in place to further strengthen this position and to continue to grow the profitability of the refining business.

In petrochemicals, we have improved performance and are ahead of our target to reduce the cash breakeven, making the business more resilient and supporting further profitable growth.

Our marketing businesses continue to deliver material and reliable earnings with attractive returns and we have plans to significantly grow earnings further.

And we will do all of this while rigorously managing costs and delivering efficiencies.

Taking all these together, we expect Downstream to deliver between \$9 to10 billion of free cash flow, with returns of around 20% in 2021.

Downstream key messages



SAFETY

#1

Core value

ADVANTAGED MANUFACTURING

>\$2.5bn

underlying earnings
growth 2014-21¹

MARKETING GROWTH

>\$3bn

underlying earnings
growth 2014-21¹

EFFICIENCIES & COSTS

\$3bn

cash costs reduction
2016 versus 2014

Continued focus

MEDIUM TERM GROWTH

\$9-10bn

free cash flow in 2021²

~20%

pre-tax returns in 2021²



(1) Incremental underlying replacement cost profit before interest and tax, adjusted for refining environment, foreign exchange, turnaround and portfolio impacts

(2) Free cash flow proxy = underlying RCOP + DD&A – organic capital expenditure. 2021 at \$14/bbl RMM, \$15/bbl WTI-WCS crude differential and Brent oil price \$55/bbl real.

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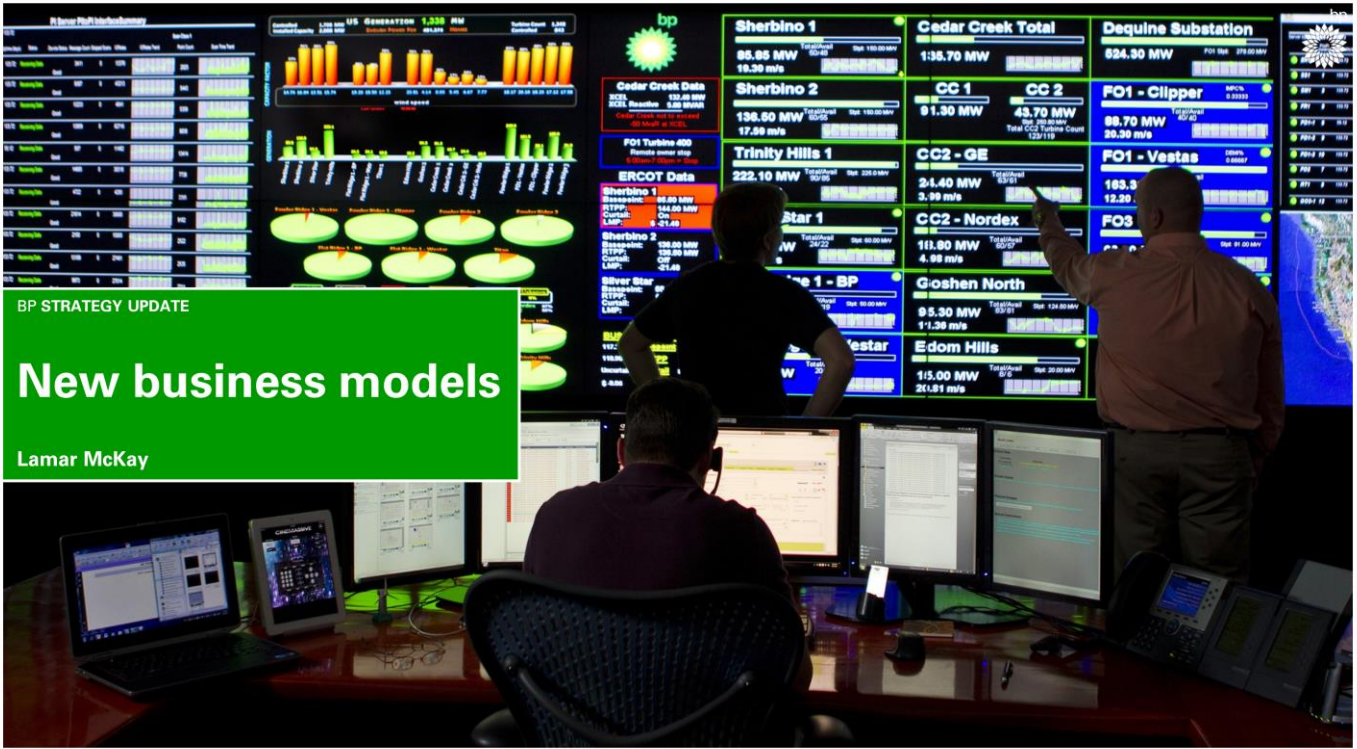
In summary, through the disciplined execution of our strategy we have made significant strategic and financial progress and that will continue.

Safety will always remain our core value and first priority.

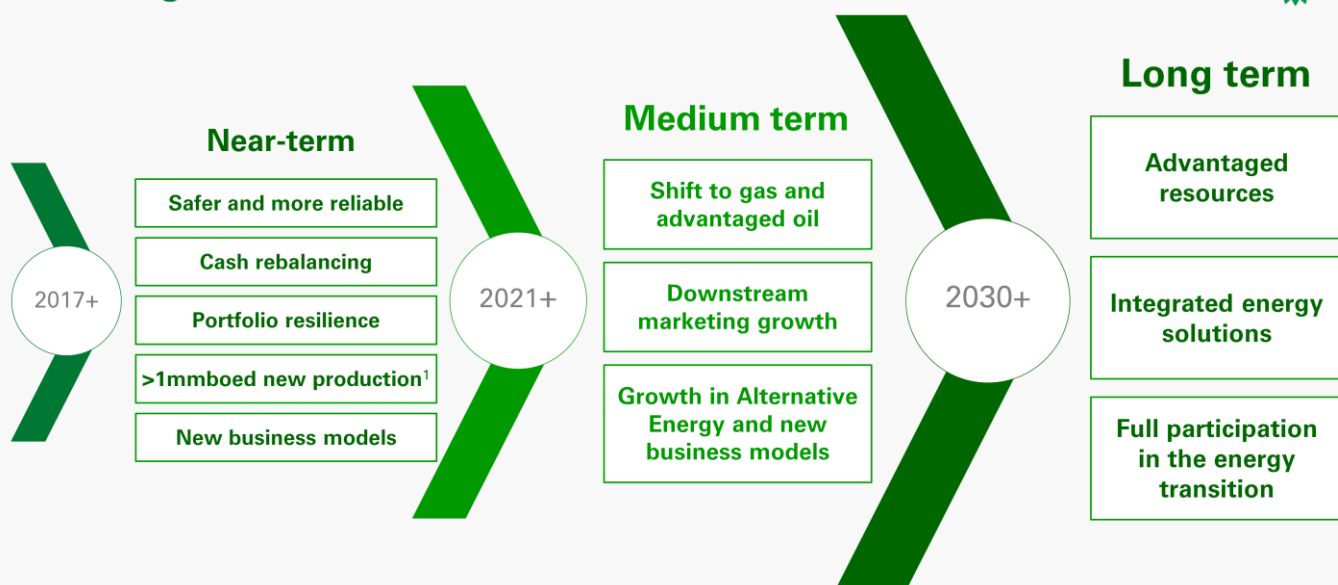
In manufacturing, we are growing underlying earnings by more than \$2.5 billion and, in marketing, by more than \$3 billion by 2021 compared to 2014. That means more than \$3 billion still to come across Downstream between now and 2021. All of this underpins the growth of our free cash flow to \$9 to \$10 billion with returns of around 20% in 2021.

The plans we have in place to deliver this are robust and I am very excited by the opportunities I see across Downstream.

Now, let me hand you over to Lamar.



Thanks Tufan.



(1) 800mboed from major projects 2015-2020 + major project production in 2021 + new production from recent portfolio additions

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We've spent much of today looking at the nearer term, but I now want to focus a bit on the medium- and longer-term and describe how we plan to incubate and grow new business models for the future which are built around our core businesses.

So, in developing our strategic priorities over a very long term time horizon we have used our Energy and Technology Outlooks as key inputs for thinking about the future.

Specifically, we have developed three scenarios to frame our strategy and to make portfolio choices.

In broad terms, these scenarios corresponded to a return to the oil price cycle as we have experienced before, a second scenario of oil and gas oversupply, chiefly from shale and OPEC, and a third scenario representing our 'faster transition' cases described in this year's Energy Outlook of strong climate policies including faster renewable energy penetration and mobility revolution.

Key for us is a strategy and investment choices that are robust to this range of scenarios and, given the uncertainties of the energy outlook, should not to be fixed on a single view. Our strategy is resilient to, and can achieve growth, under a range of outcomes.

You have heard from Tufan and Bernard about our plans to grow in Downstream growth markets and our shift to gas and advantaged oil as well as the recent investments we have made in support of these priorities.

We also have solid operating performance in Alternative Energy and potential opportunities for growth.

In addition to these well-established parts of the group we have created a new set of activities to develop new business models for the future through venturing and partnerships aimed at multi-decade transition.

More on this shortly.

- Strong safety and operational performance
- Generating operating cash
- Focus on optimisation and efficiency
- Technology commercialisation
- Evaluating growth options

US Wind

1,432

MW capacity



BP Biofuels

10

Mte/yr capacity



First, I want to spend some time on our existing and sizeable Alternative Energy portfolio as it stands today. BP's Alternative Energy business started in the last decade and since that time, we have learned a lot and focused on two businesses that fit well within our core activities.

Our Brazilian biofuels and our US Wind businesses represent the largest operated renewables businesses amongst our oil and gas peers. The hard work put into focusing on safe, reliable and efficient operations has transformed both businesses, positioning them strongly amongst competitors.

Last year the reliability of our operated Biofuels and Wind operations was 93.3% and 91.4%, respectively. We have also continued to see improved performance on safety particularly in process safety.

We continue to drive efficiencies across the business. And, in 2016, these businesses were generating positive operating cash. To further progress the optimisation of our Wind Energy assets we are upgrading some of our existing turbines through a repowering programme.

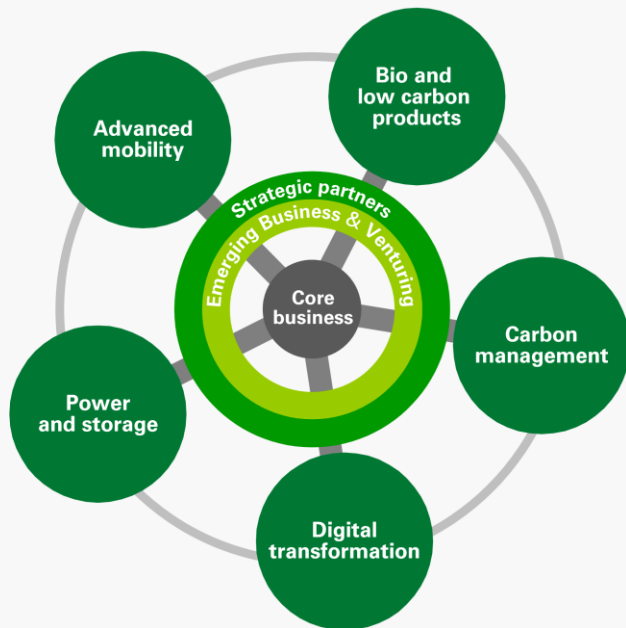
We are also utilising digital technologies analysing some two billion data points a day to continually optimise turbine performance.

In Biofuels we continue to improve the efficiency of our operations through improvement in feedstock yields and costs. In 2016, our Tropical site achieved a 39% increase in production from debottlenecking activities.

We are looking at options to commercialise technology at scale in renewable fuels and an example is our Butamax joint venture with DuPont.

In addition to our current focus on biofuels and wind, we are also evaluating other areas where we can access lower-carbon, commercially attractive opportunities to work synergistically with our existing businesses.

In summary, we believe we can continue to deliver disciplined and value accretive growth options through sound business models in our Alternative Energy business.



- New participation models: venturing and low carbon
- Building on existing core businesses
- Medium to long-term growth opportunities

We are also actively developing new business models in the venturing and low carbon space in five areas.

Firstly, sustainable and advanced mobility which includes vehicle electrification, new mobility models, and automation.

Secondly advanced bio-products, including bio-plastics, bio-PX, bio-lubricants and bio-jet. As Tufan mentioned, an example of a recent investment in this area is Fulcrum Energy, a bio-jet from waste company in the US, which has material growth potential in this new market.

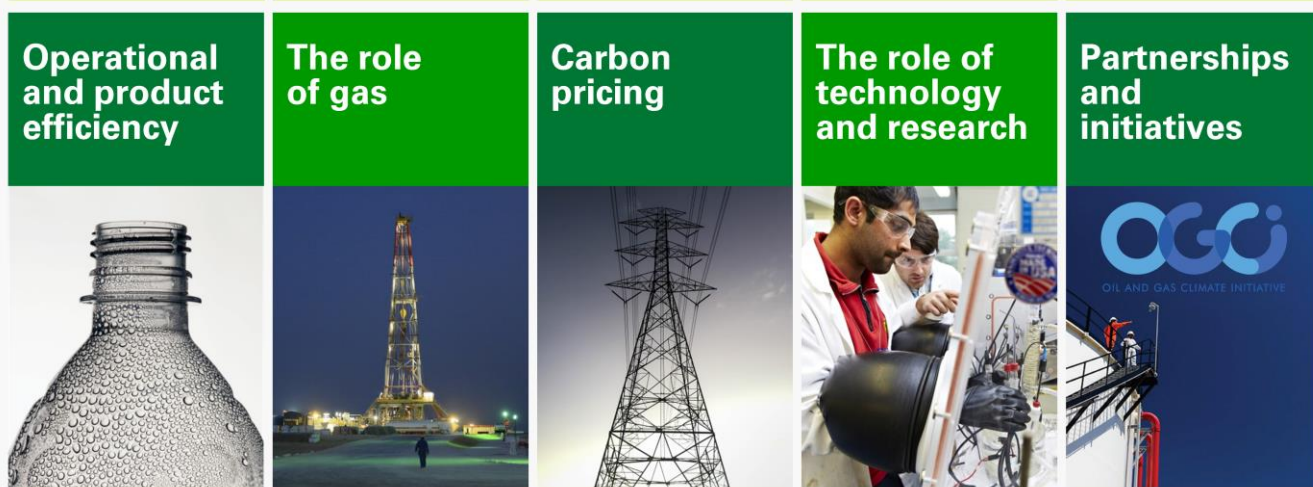
The third area is carbon management, including carbon markets, carbon offsets and carbon capture use and storage. We are one of the leaders in the Chinese carbon market, and have invested in breakthrough technology ventures in carbon capture and use, such as Solidia low carbon cement.

We also are pursuing potential opportunities in the renewable natural gas space and plan on being part of this growing market.

The fourth area is low carbon power and storage, in particular where it links in with our existing Alternative Energy and Upstream businesses.

Lastly, digital transformation which looks beyond the near- and medium-term operational efficiency and data analytics to new digital platforms such as blockchain, quantum computing and cognitive computing.

We don't expect these new business models to deliver profits overnight, but our current portfolio of over 30 projects, ventures, partnerships and proofs of concept we believe will yield material businesses of the future. To that end we are investing around \$200 million per year for now, which is included within our capital framework, to incubate and grow options.



Now that I've given you an overview of our existing Alternative Energy portfolio and the new business models that we are working on I'd like to wrap up with the advocacy actions we are taking that extend outside BP, and our industry.

Alongside the operational efficiency you've heard a lot about today we also continue to improve the efficiency and quality of our fuels and lubricants products as the vast majority, 80-90%, of carbon emissions come from their use. Recent examples include PTAir, a low-carbon product in our Petrochemicals business and our new Ultimate fuels with Active technology, launched in 2016.

As we shift our portfolio to be more weighted towards gas we also look to manage methane emissions which will only help to strengthen the case for gas. And today we are announcing a further leg of our Carbon Mitigation Initiative with Princeton University which will further develop scientific understanding of the methane cycle.

We also continue to make the case for carbon pricing, as we've long advocated. We see this is likely to be the most efficient mechanism through which to achieve emissions reductions at scale. Carbon pricing would make energy efficiency more attractive and lower-emissions energy sources such as natural gas and renewables, more cost competitive.

The role of technology and research is a very important one. This includes our research support at universities as well as our scanning of and investment in emerging and disruptive technology companies. These efforts are very active in the areas I previously discussed in the five new business models.

Last, is our involvement in partnerships and initiatives such as the World Bank Flaring initiative, the Carbon Pricing Leadership Coalition, and OGCI, which Bob now chairs.

One practical outcome of this collaboration is the new OGCI investment partnership, which is a \$1 billion commitment to support the development of innovative technologies that have the potential to reduce greenhouse gas emissions significantly.

To summarise, we are engaged and active in the lower carbon transition, focused on continuing to grow knowledge, relationships and options.

So with that, I'll pass you over to Brian to take you through our financial frame.



BP STRATEGY UPDATE

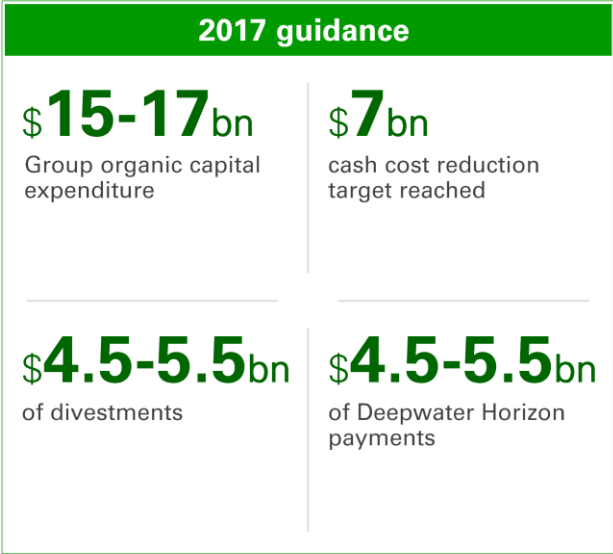
Financial framework and outlook

Brian Gilvary

Thanks Lamar.



- Driving down the oil price rebalance point including the new portfolio
 - Group capital frame maintained
 - Continued focus on capital and cost efficiency
- 2H17 underlying operating cash flow to improve materially as new projects ramp-up



Let me now bring all of these plans together to show you how this shapes the financial outlook for the Group and what this means for shareholders.

I'll start first with some context around our financial framework as it stands today and what to expect for 2017.

Two years ago we presented an outlook that expected oil prices to remain suppressed over the medium term as a result of the supply overhang at the end of 2014. We said that prices would be 'lower for longer'. At the time there was uncertainty in the market with some predicting a rebound in oil prices by the summer of 2015.

Remaining bearish at that time, we moved quickly to reduce capital spending and cash costs, with the goal of rebalancing cash flows over the next 8 quarters at the prevailing oil price. We have made strong progress, delivering on both capital and cost targets a year ahead of time.

And our plans showed the portfolio balancing organically at a Brent oil price of \$55 per barrel - with a lower assumption on refining margins and natural gas prices and with capital at the lower end of our target range.

This gave us confidence to complete a number of deals at the end of last year creating optionality in the portfolio with new growth vectors for the future. These require a modest amount of additional capital expenditure in 2017 within our existing \$15-17 billion capital frame, but as Bernard has shown and I will come back to, they do not require any further capital spend outside of this frame going forward.

As outlined earlier this month, this increase in capital has a near term "technical" effect of raising our forecast organic cash rebalance point to around \$60 per barrel by end 2017 before reducing steadily thereafter.

That said, capital discipline and focus on costs is undiminished. As we further assimilate these deals into our plans and maintain our focus on both capital and costs,

we will continue to optimise our overall spend driving the balance point down through the year. Indeed, we will drive the balance point closer to \$55 per barrel by the end of this year, including the impacts of these portfolio additions.

At the same time, in 2017 we expect to benefit from the continued start-up of our extensive suite of Upstream major projects. This will become very visible to you later in the year, with the ramp-up resulting in a material improvement in the Groups operating cash flow through the second half. At the same time, we expect continued underlying performance in the Downstream.

Having already rebased the Group's cash costs a year ahead of schedule, operating cash flow will also reflect the ongoing focus on continuous efficiency improvement and transformation taking place across the Group. Non-operating restructuring charges are expected to continue into 2017 although we expect the cash flow impact to be lower than last year.

Looking to inorganic sources and uses of cash, Deepwater Horizon cash payments are expected to be in a range of \$4.5-5.5 billion with the larger part of the outflow in the first half as we make payment on the annual settlement amounts. Divestments are also expected to be in the range of \$4.5-5.5 billion for the year with disposal proceeds weighted towards the second half.

Growing sustainable free cash flow to 2021



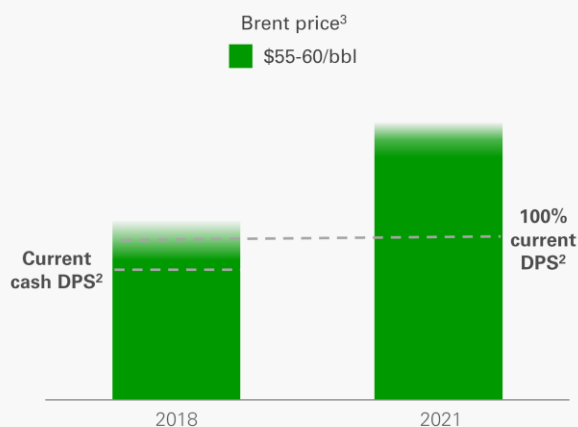
■ Delivering growth in operating cash flow

- Upstream ramp-up of major projects
- Downstream marketing growth and increased resilience
- Continued modernisation and efficiency improvements
- Portfolio enhancements

■ Group organic capital expenditure maintained at \$15-17bn

■ Gearing within 20-30% band

Organic free cash flow per share¹



(1) Organic free cash flow: operating cash flow excluding Gulf of Mexico oil spill payments less organic capital expenditure. In USD cents per ordinary share

(2) DPS: dividend per ordinary share. Cash DPS assumes 20% scrip uptake

(3) Brent prices real

Looking further out, we expect to deliver material growth in free cash flow in line with the shape we show here. As you can see this plan does not rely on materially higher oil prices. The outlook is driven by a combination of underlying momentum in operating cash flow in both our core businesses, coupled with strong capital discipline across the Group.

In the Upstream, growth in operating cash flow is substantially driven by:

- The ramp-up of our major projects as well as the average 35% higher operating cash margins of the new project pipeline compared to our 2015 portfolio;
- A strong focus on ongoing operating efficiency and modernisation; and
- The impact of our recent portfolio additions which deliver incremental free cash flow over the longer term.

In the Downstream, the key sources of incremental cash flow include:

- Continued operating reliability and efficiency improvements in our manufacturing assets;
- Strong marketing growth in both existing and new markets; and
- A continued focus on simplification and efficiency across the segment.

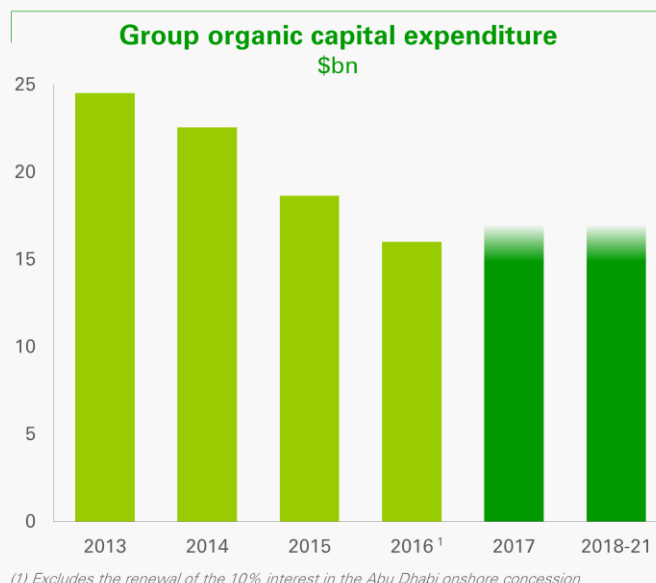
At the same time, having absorbed the marginal increase in capital associated with our recent portfolio additions, we expect to be able to maintain the organic capital expenditure of the group within a range of \$15–17 billion per annum across this time frame, including 2017, while also keeping gearing within our 20-30% target band.

Group organic capital expenditure



- \$15-17bn in 2017 including impact of new portfolio
- maintained at \$15-17bn per year from 2018-2021

MAXIMUM
\$15-17bn
per year organic
capital expenditure



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As Bob said we are going to be very disciplined about the \$15–17 billion capital frame. Expenditure in individual years could vary and we will optimise the spend levels across the businesses to ensure the optimal outcome for the Group, but we do not expect to exceed \$17 billion of expenditure for the Group in any one year.

As already noted, the capital frame remains the same as we showed you in Baku, including the new portfolio. It represents a substantial reduction in spend relative to the peak of \$24.6 billion for the Group in 2013, primarily reflecting material improvement in capital efficiency across the company along with capturing deflation in the Upstream.

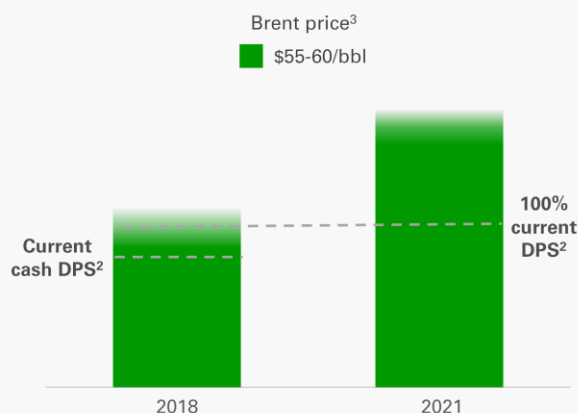
The Upstream will continue to invest in a high quality pipeline of new projects to drive growth out to 2021 and through the end of the next decade. And the Downstream will continue to invest mainly in strengthening the competitive position of our manufacturing businesses along with high return marketing growth, which as Tufan described, is highly accretive to free cash flow for the Group.

We do not see a need to increase capital expenditure above this range to support the growth agenda of the Group. The lower end of this range indicates the flexibility we have to tighten capital expenditure in the event of periods with lower oil prices, without materially impacting our longer term outlook. So our current dividend is underpinned, both in the near and longer term, by the strong momentum we see ahead in our businesses as well as the flexibility within the capital frame.

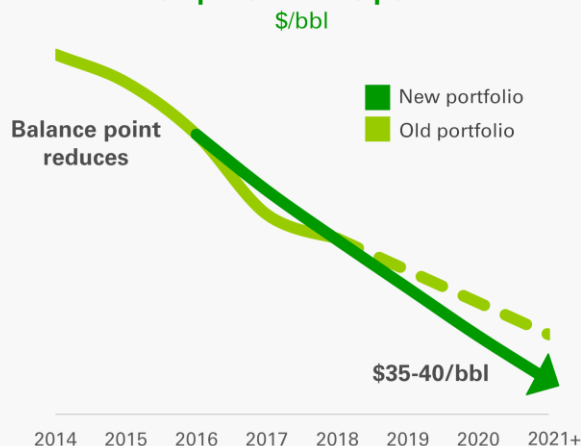
Capacity to grow distributions



Organic free cash flow per share¹



Oil price balance point⁴



(1) Organic free cash flow: operating cash flow excluding Gulf of Mexico oil spill payments less organic capital expenditure. In USD cents per ordinary share

(2) DPS: dividend per ordinary share. Cash DPS assumes 20% scrip uptake

(3) Brent oil prices real

(4) Illustrative only, not to scale. Based on BP planning assumptions. Covers full dividend

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Putting this all together.

From 2018 we expect our organic oil price cash balance point for the Group to fall steadily as already material growth in free cash flow is further improved by the additions to the portfolio. Based on our current planning assumptions we would expect our cash balance point to reduce to around \$35-40 per barrel over the next five years.

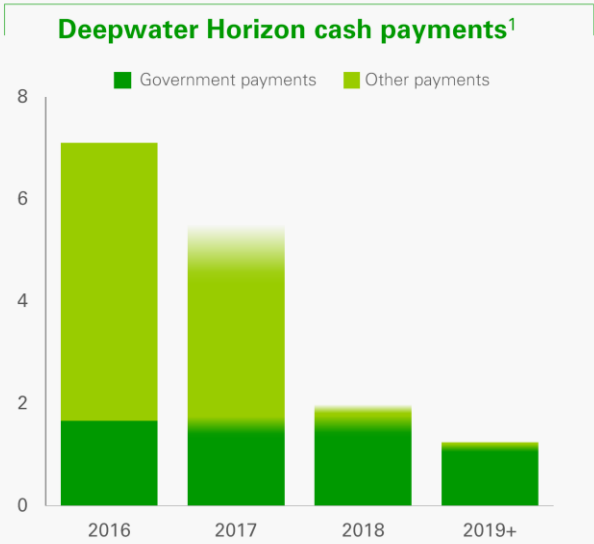
This is a further indicator of flexibility within our financial frame even if oil prices are lower than they are today.

As always we work to ensure that the dividend can be sustained by the underlying cash generation of our businesses over time.

With organic free cash flow growing we would look, in the first instance, to address the dilution that arises from the undiscounted scrip dividend alternative we currently have in place.

We would then aim to balance disciplined investment for even stronger growth with our objective of growing distributions to shareholders over the long term.

Deepwater Horizon payments and divestments



(1) Government payments includes criminal and civil settlements. Other payments are cash flows associated with all other provisions. See bp.com for details

Turning to a bit more detail on divestments and Deepwater Horizon payments over the medium term.

Divestment proceeds amounted to \$3.2 billion in 2016. As already noted, we expect divestment proceeds to be higher in 2017, in the range of \$4.5 to 5.5 billion for the year. A good number of divestment projects are in progress and we expect to receive proceeds for most of those projects within 2017.

Beyond 2017 the level of divestments will be a function of ongoing active management of our portfolio which typically results in around \$2-3 billion of divestments per annum.

At the same time, we also estimate 2017 Deepwater Horizon cash payments to be lower than last year, also in the range of \$4.5 to 5.5 billion. With amounts to resolve the remaining Business Economic Loss claims expected to be substantially paid this year we expect the total Deepwater Horizon cash payments to fall to around \$2 billion in 2018, and to then step down to a little over \$1 billion per annum from 2019.

Return on average capital employed

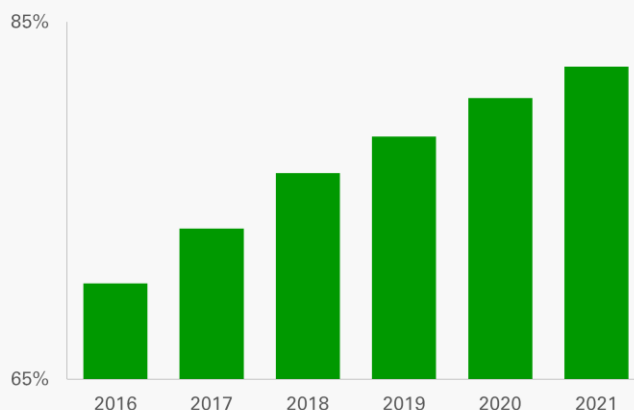


ROACE¹ to exceed 10%
by 2021

- Increasing levels of capital in service
- Growth in volumes and margins
- Strong capital and cost discipline

ROACE
>10%
by 2021

Increasing capital in service²
%



(1) ROACE reflects underlying replacement cost profit, after adding back minority shareholders' interests and finance interest net of notional tax at an assumed 35% effective tax rate, divided by average capital employed excluding cash & cash equivalents and goodwill. Assumes Brent oil price \$55/bbl real

(2) Capital in service is calculated before tax and excludes Deepwater Horizon and OB&C impacts

Looking next at returns.

Bob talked earlier about our focus on returns and the drivers of this at both a Group and business segment level. Given the volatility in our industry we generally regard sustainable free cash flow to be a more reliable measure of shareholder value growth.

That said, we recognise that return on average capital employed is an important long term indicator. Returns over the last few years have been low right across the industry. This reflects the very challenging environment we all face as we rebase our businesses after a period of investing at historically high oil prices and cost. For BP, we have also been in a strong build phase related to our upcoming project start-ups, post the sale of around \$50 billion of high returning assets when prices were over \$100 per barrel. Looking ahead, we expect volume and margin growth across our businesses to drive our returns higher, in line with increasing levels of capital in service. Greater capital discipline and improved contract and fiscal terms in some areas will also support the sustainability of these returns.

To see a meaningful trend we have assumed a stable price environment and portfolio. On this basis, with the strong growth we see ahead and our focus on costs, we expect BP's ROACE to recover steadily over the next few years and to exceed 10% by 2021 at oil prices similar to the levels we see today.



	2017	2018 to 2021
Organic free cash flow ¹	Driving towards rebalancing by end 2017	Material growth, balance point falls steadily
Organic capital expenditure	\$15-17bn	\$15-17bn
Divestments	\$4.5-5.5bn	\$2-3bn
DWH payments	\$4.5-5.5bn	~\$2bn in 2018, stepping down thereafter
Gearing	20% to 30%	20% to 30%
Group ROACE @ \$55/bbl ²		>10% by 2021

(1) Excluding Deepwater Horizon payments (2) Brent oil prices real

In summary.

We have greater clarity on our Deepwater Horizon commitments with payments expected to step down materially in 2018.

As we continue to integrate our new portfolio additions and drive further capital and cost efficiency we are working towards rebalancing the financial framework of the Group by the end of 2017, with the balance point falling steadily thereafter.

Be in no doubt – we have not taken our focus off capital discipline with the new portfolio. Our financial frame is strongly underpinned over the medium term by growth in our businesses and continued disciplined capital and cost management.

Our balance sheet is strong and we intend to maintain gearing within our 20-30% band over time.

So looking out to 2021, the package we have laid out today is expected to deliver material growth in free cash flow and steadily improving returns at modest price assumptions, in turn supporting growth in shareholder distributions over the long term.

I'll now hand you back to Bob.



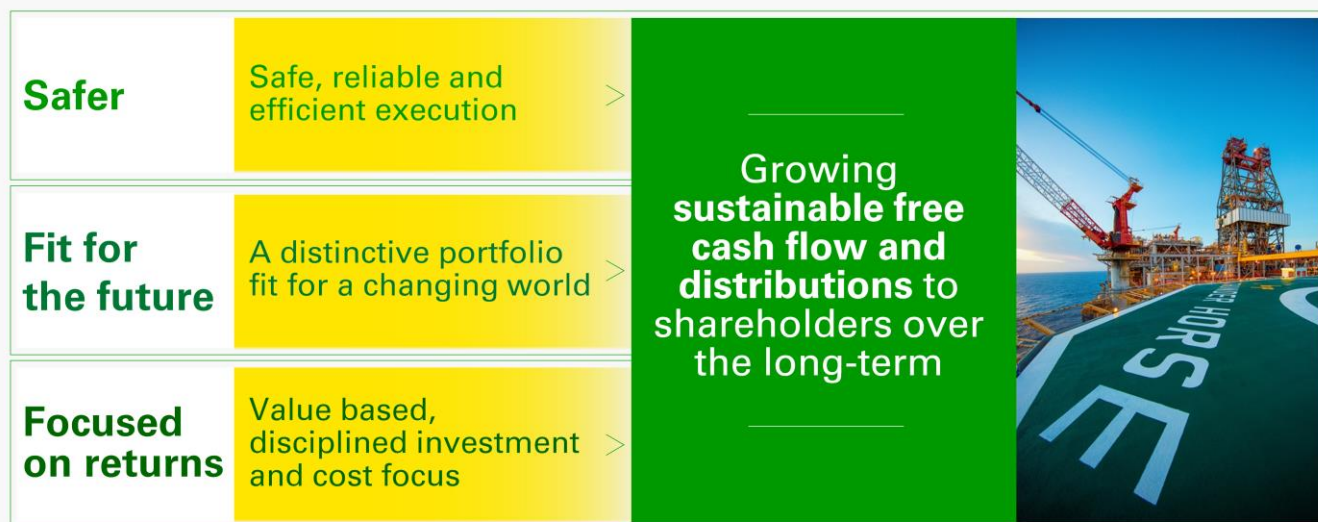
BP STRATEGY UPDATE

Summary

Bob Dudley

Thank you Brian.

The BP proposition



That's lot of information from us today, but what I hope has been coming across is substantive evidence of a business that is fit for all seasons. We know it is not what we say, it is what we do.

We are building a company that is competitive in a low price environment – increasingly so through the progress we have made on efficiency, reliability and the discipline you are seeing on capital and costs.

We're a business that is building resilience to a range of different conditions. Resilience that is coming from the balance and quality we have right across our portfolio, Upstream and Downstream – both of which are fully primed with growth opportunities.

And a business that will remain competitive as the world changes – which it is doing faster than ever. We are going to see increasing demands on the energy sector in support of lower carbon, lower emissions fuels and products – and we will be ready for that.

In the Upstream we have agreements in place around the world for very competitive oil and gas – with substantial growth potential extending out through this decade, the next decade and beyond.

We also have outstanding growth potential in the Downstream. Our Downstream business has been performing really well for us for a couple of years now and there is still more to do and more growth to come.

And we have viable and growing businesses in alternative energy – and the potential to excel in the low carbon space in due course, and with informed discipline.

At the same time, as a team we are driving up safety, reliability and efficiency, and translating that into enhanced operational and financial performance.

You are seeing the outcome in a base business that's working well and which will continue to do so as we add new barrels, launch new products and enter new

markets.

So we have built a solid platform of strong underlying performance and excellent growth prospects.

I believe this positions BP to be a very attractive, very dependable investment proposition for the long term.

That has always been the focus of this management team, and I look forward to hearing your views after we've taken a short break for refreshments.