3Q 2009 Results Presentation to the Financial Community 27th October 2009

Fergus MacLeod, Head of Investor Relations

Welcome to BP's third-quarter 2009 results webcast and conference call. I'm Fergus MacLeod, BP's Head of Investor Relations and joining me today is Byron Grote, our Chief Financial Officer.

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

As usual during our presentation we will be making forward-looking statements. Actual results may differ from these plans or forecasts for a number of reasons, such as those noted on this slide and in our SEC filings.

Thank you, and now over to Byron.

Byron Grote, Chief Financial Officer

Thank you Fergus.

Ladies and gentlemen, good day and welcome to BP's third-quarter results for 2009.

As usual, I will begin my review of the quarter with the trading environment.

The table shows the percentage year-on-year changes in BP's average upstream realizations and the refining indicator margin, for the third quarter as well as year-to-date.

Compared with last quarter our liquids realization increased by 20% to $63 per barrel.

Our average gas realization was flat versus last quarter at $2.80 per thousand cubic feet. In the United States, our gas realizations increased, despite the small drop in the Henry Hub marker, due to a narrowing of regional differentials.

Taking both oil and gas together, our 3Q and year-to-date average hydrocarbon realizations were around 50% lower than a year ago.

Our refining indicator margin was $3.40 per barrel in 3Q, down 30% compared with the previous quarter and about 60% lower than a year ago. BP's actual margin declined by less than the indicator due to differences in energy costs and product mix assumptions. On a nine-month basis, the refining indicator margin was down by 30% compared with 2008. Margins have remained weak in October.

Turning to the financials.

Adjusting for $300 million of non-operating items and fair value accounting effects, our underlying replacement cost profit was $4.7 billion, down 47% versus last year reflecting the much weaker environment. Compared with last quarter, it is up by 60%, reflecting higher oil prices and stronger operational and cost performance.

The 3Q effective tax rate at 29% is lower than previous guidance, reflecting a higher proportion of income from equity-accounted entities, primarily TNK-BP, foreign exchange effects and adjustments to tax provisions. We now expect the 2009 full-year rate to be around 32-33%.

Third-quarter operating cash flow was $8.1 billion, down 46% compared with last year but up by 20% compared with last quarter, again reflecting strong operational and cost performance.

The 14 cents per share dividend announced today, which will be paid in December, is the same as a year ago.

In Exploration and Production, after adjusting for non-operating items and fair value accounting effects of $650 million, we reported a pre-tax underlying replacement cost profit of $6.3 billion for 3Q, down $5.2 billion compared with last year, reflecting the significantly weaker price environment.

Production exceeded 3.9 million barrels of oil equivalent per day – 7% higher than a year ago. This increase reflects continued strong operational performance and the absence of hurricanes so far this year. Adjusting for the effect of hurricanes on last year's production, third-quarter production was 4% higher.

Compared with the second quarter, earnings benefited from a greater percentage of higher-margin barrels, in particular from the Gulf of Mexico.

We maintained momentum in reducing costs, with unit production costs down by 18% on 3Q08, even after adjusting for the effect of last year's hurricanes. DD&A is higher than a year ago, in line with previous guidance.

BP's share of TNK-BP net income was $730 million for the quarter and we received a dividend of $250 million. The result benefited from strong operating performance and a $100 million disposal gain.

Our distinctive track record of exploration success continued with the announcement of the giant 'Tiber' oil discovery in the deepwater Gulf of Mexico. The well was drilled to a total depth of over 35,000 feet making it the deepest well ever drilled by the industry.

In Iraq, we are awaiting formal approval of the technical services contract to develop the super-giant Rumaila field, won by BP and CNPC in the bid round in June 2009.

And finally, subject to government and Parliamentary approval, we will be farming into the onshore 'Risha' concession in Jordan, in the north-east of the country, as a partner with the state-owned National Petroleum Company.

In Refining and Marketing, after adjusting for non-operating items and fair value accounting effects of $155 million, we reported a pre-tax underlying replacement cost profit of $1.1 billion for 3Q. While this is a decrease of about $250 million compared with a year ago, it is a strong performance in a materially weaker refining environment. The refining indicator margin is less than half the level seen in the third quarter of 2008 and upgrading margins continue to be poor.

This performance reflects good progress in both operations and costs. Our refineries are running well, with 3Q availability over 94% and throughputs up by nearly 150,000 barrels per day versus a year ago. For the nine months, our underlying result improved by 34% relative to the same period in 2008, despite average refining indicator margins having fallen by 30% year-on-year.

In the Fuel Value Chains, our efficiency programme continues to deliver significant cost reductions.

The International Businesses continued to perform well, with strong contributions from Lubricants, Global Fuels and Petrochemicals. Petrochemicals volumes were over 20% higher than in 2Q, and also up versus last year.

And we have continued to focus the footprint of our business with the disposal of company owned and operated sites in the United States and the announced sale of our ground fuels business in Greece.

Looking ahead to the fourth quarter, with new capacity coming on-stream, we expect petrochemicals margins to be under pressure. In refining, turnaround activities are expected to be higher than in the third quarter.

In other businesses and corporate, after adjusting for $60 million of non-operating items, the third quarter's result was a charge of $520 million, down $630 million compared with a year ago.

This year-on-year change was primarily due to negative foreign exchange effects and a much weaker margin environment for Shipping and Solar, partially offset by the continued reduction in corporate costs.

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

Operating cash flow was over $20 billion. In addition, we have received nearly $2 billion of disposal proceeds.

We used this cash to fund around $15 billion of organic capex, and pay around $8 billion in dividends.

We indicated at the start of 2009 our intention to balance our sources and uses of cash in an oil price environment of around $60 per barrel.

We are making good progress in achieving this goal, as evidenced by a positive net cash flow for both the quarter and over the past six months, in spite of much weaker than expected refining margins and North American gas prices.

This progress can also be seen in our net debt ratio, which ended 3Q at 21% and remains at the lower end of our targeted band.

Looking forward to 4Q, net debt will be impacted by the normal year-end factors.

Our strategy remains on track.

In the Upstream, we are ahead of our indicated growth trajectory.

In the Downstream, operating performance has been strong with refining availability more than 5% higher than last year.

Across the Group, we are driving greater efficiency. Year-to-date cash costs are down by more than $3 billion, and we now expect a full-year decrease of around $4 billion, twice the level projected at the start of the year.

We continue to high-grade our portfolio, with $2-3 billion of disposal proceeds expected in 2009.

And we are continuing to invest to grow the company, with projected organic capital expenditure of around $20 billion for the year.

This concludes my remarks.

Fergus and I would now be delighted to address any questions.