
bp
3Q 2014 Results
28th October 2014
Andrew, North Sea

Hello and welcome. This is BP's third-quarter 2014 results webcast and conference call.

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

Cautionary statement

Forward-looking statements - cautionary statement

This presentation and the associated slides and discussion contain forward-looking statements – that is, statements related to future, not past events – with respect to the financial condition, results of operations and business of BP and certain of the expectations, intentions, plans and objectives of BP with respect to these items, in particular statements regarding: expectations regarding the delivery of the ten-point plan; expectations regarding market fundamentals; expectations regarding the impact of the weaker oil price environment; expectations regarding fourth-quarter reported production; plans regarding compliance with applicable sanctions; expectations regarding turnarounds; expectations regarding seasonal demand and its impact on margins; expectations regarding the full year effective tax rate; expectations regarding the cumulative amount to be paid from the Trust Fund; plans regarding divestment of $10 billion in assets by the end of 2015 and the use of proceeds from such divestment; guidance on the pre-tax underlying replacement cost charge in Other Businesses & Corporate; prospects for future distributions to shareholders; expectations regarding the outflow for German Mineral Oil taxes; expectations regarding capital expenditure for the full year; the expected levels of gearing; expectations regarding delivery of operating cash flow of $30 to $31 billion in 2014; expectations regarding the financial outlook to 2018, including regarding growth in underlying operating cash flow and strong capital discipline; expectations regarding coverage of capital expenditure and dividend payments by underlying operating cash flow; projections regarding the impact of oil prices on free cash flow; expectations regarding growing distributions to shareholders, including progressive divided policy and surplus cash biased to future distributions; expectations regarding BP's ability to pare back or re-phase spend without compromising future growth; expectations regarding benefits of a greater focus on streamlining activity; expectations regarding the Sunrise Phase 1 project start-up; expectations regarding the number of wells to be completed in 2014; expectations regarding formal licence awards in Egypt; expectations regarding the contribution by BP's year-to-date start-ups to operating cash flow for this year and beyond; expectations regarding turnarounds in the fourth quarter; expectations regarding the contribution of priority wells to new well production in 2014; expectations regarding the impact of changes to our downstream petrochemicals business, in particular on costs and returns; plans to prioritise value over volumes; plans to grow sustainable free cash flow, including material growth in operating cash flow and capital discipline; and expectations regarding legal and trial proceedings, court decisions, potential investigations and civil actions by regulators, government entities and/or other entities or parties, and BP's intentions in respect thereof.

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 timing of 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 problems; economic and financial market conditions generally or in various countries and regions; political stability in relevant areas of the world; changes in laws and governmental regulations; changes in sanctions and other trade restrictions; regulatory or legal actions including the types of enforcement action pursued and the nature of remedies sought or imposed; the actions of prosecutors, regulatory authorities and courts; the impact on our reputation following the Gulf of Mexico oil spill; the actions of the Claims Administrator appointed under the Economic and Property Damages Settlement; the actions of all parties to the Gulf of Mexico oil spill-related litigation at various phases of the litigation; exchange rate fluctuations; development and use of new technology; the success or otherwise of partnering; the actions of competitors, trading partners, creditors, rating agencies and others; decisions by Rosneft's management and board of directors in respect of strategy, operations or otherwise; 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 BP's Stock Exchange Announcement for the period ended 30 June 2014.

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.

Statement of assumptions - The operating cash flow projections in this presentation for 2014 assume an oil price of $100/bbl and a Henry Hub gas price of $5/mmBtu, and, for 2015 to 2018, assume an oil price of $100/bbl and a Henry Hub gas price of $5/mmBtu; real. These projections have been adjusted to (i) remove TNK-BP dividends from 2011 operating cash flow; (ii) include BP's estimate of Rosneft dividends; and (iii) include the impact of payments in respect of the settlements reached of all criminal and securities claims with the U.S. government and the SEC. These projections do not reflect any other future potential cash flows relating to other liabilities, contingent liabilities, settlements or contingent assets arising from the Gulf of Mexico oil spill which may or may not arise during such periods. As disclosed in the Stock Exchange Announcement for the period ended 30 September 2014, we are currently not able to reliably estimate the amount or timing of a number of contingent liabilities.

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

October 2014

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

Thank you, and now over to Brian.

Thanks Jess, and welcome everyone to today's webcast.

Before we go through today's call, I would like to say how deeply saddened we all are by the tragic loss of Christophe de Margerie. The oil industry has lost one of its most distinguished champions, a charismatic leader and a man for whom I had great personal respect and affection. We will all miss him greatly.

Agenda

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US legal update

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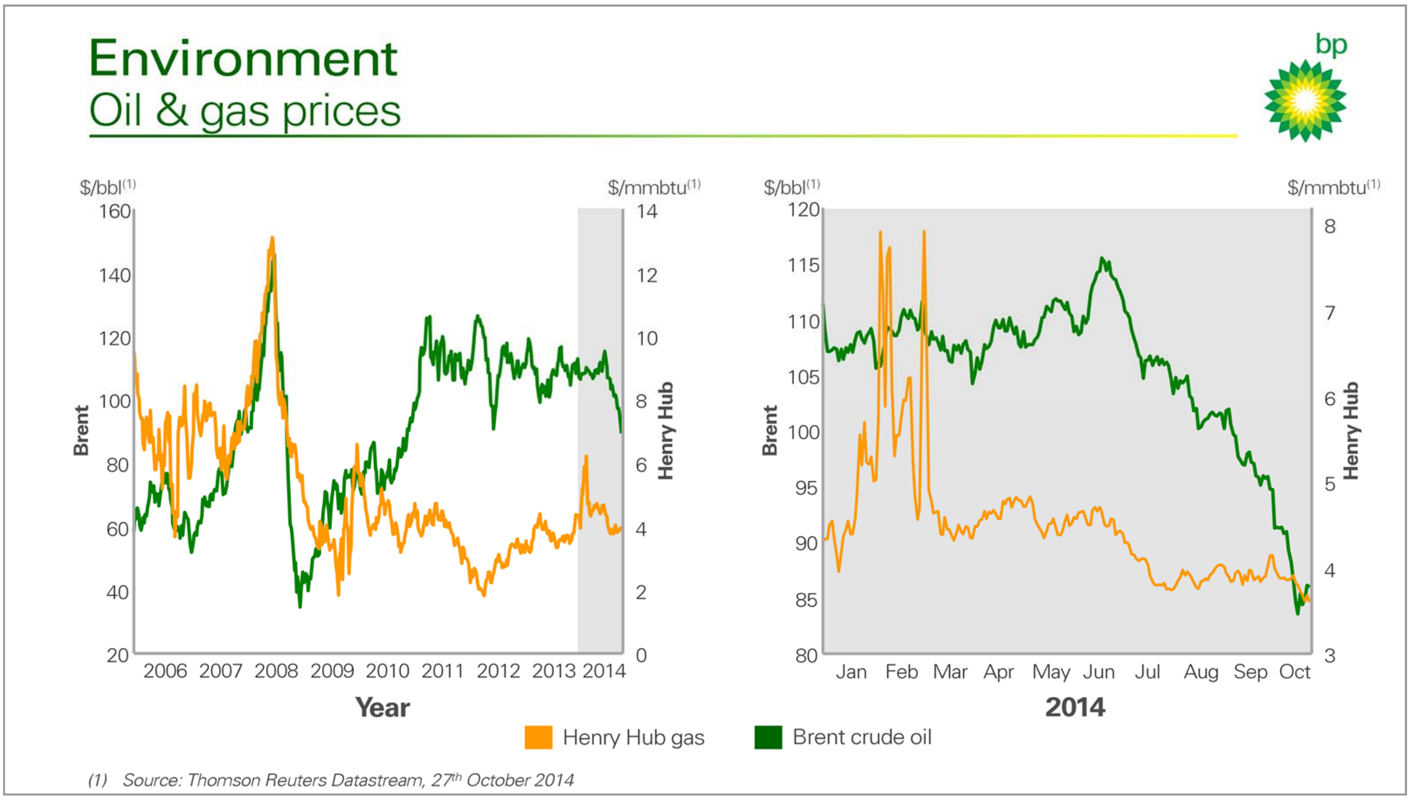
Turning to today's results.

It has been an eventful quarter, with significant volatility both geo-politically and in the markets.

BP's third-quarter results have shown further progress in our business operations along with strong operating cash flow, which supports delivery of the 10-point plan we laid out to you three years ago.

I will start with a brief overview of the environment before taking you through the numbers in more detail. I'll then provide the usual update on our US legal proceedings followed by the business highlights for the quarter.

At the end there will of course be time for your questions.



Starting with the environment.

Oil and gas prices have shown significant volatility over the last decade. Recently we have seen a prolonged period of Brent crude trading around $110 per barrel. In the third quarter, this fell to an average of just under $102 per barrel and we have seen a significant decline in recent months with Brent averaging around $88 per barrel in the fourth quarter to date.

A number of market fundamentals are driving this trend. Global supply has increased from the return of shut-in production in a number of locations as well as continued production growth in the United States, where inventory storage also remains relatively high. At the same time, there is weaker demand growth globally. In China, demand growth has weakened to roughly half the rate of 12 months ago.

Henry Hub gas prices also fell in the third quarter. The cold winter in the United States at the start of the year led to some large spikes in the gas price followed by an increase in supply and a significant build in inventories. These supply and inventory increases saw prices falling through the middle part of the year with stocks now around average levels ahead of the forthcoming winter in the United States.

As you would expect we have seen some impact from lower oil prices in our results today and the outlook remains uncertain. In this environment we benefit from being an integrated business with a strong Downstream but we expect weaker oil prices will impact our results while these conditions prevail.

3Q 2014 Summary

Underlying earnings figures are adjusted for the costs associated with the Gulf of Mexico oil spill, other non-operating items and fair value accounting effects

$bn	3Q13	2Q14	3Q14	% Y-o-Y
Upstream	4.4	4.7	3.9	
Downstream	0.7	0.7	1.5	
Other businesses & corporate	(0.4)	(0.4)	(0.3)	
Underlying business RCPBIT [(1)]	**4.8**	**5.0**	**5.1**	**7%**
Rosneft [(2)]	0.8	1.0	0.1	
Consolidation adjustment - unrealised profit in inventory	0.3	(0.1)	0.4	
Underlying RCPBIT [(1)]	**5.8**	**5.9**	**5.6**	**(4)%**
Finance costs [(3)]	(0.4)	(0.3)	(0.3)	
Tax	(1.7)	(1.9)	(2.2)	
Minority interest	(0.1)	(0.1)	(0.0)	
Underlying replacement cost profit	**3.7**	**3.6**	**3.0**	**(18)%**
Underlying earnings per share (cents)	**19.6**	**19.7**	**16.5**	**(16)%**
Dividend paid per share (cents)	**9.00**	**9.75**	**9.75**	
Operating cash flow [(4)]	**6.3**	**7.9**	**9.4**	

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

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Turning now to the financial results in more detail.

BP's underlying replacement cost profit in the third quarter was $3 billion, down 18% on the same period a year ago and down 16% on the second quarter of 2014.

Compared to a year ago, the result reflects:

- A much lower contribution from Rosneft following the significant depreciation of the Rouble, as well as lower oil prices and the associated tax duty lag effects;
- Lower oil realisations; and
- The absence of a one-off benefit in the third quarter of 2013 related to the Trans-Alaska Pipeline System.

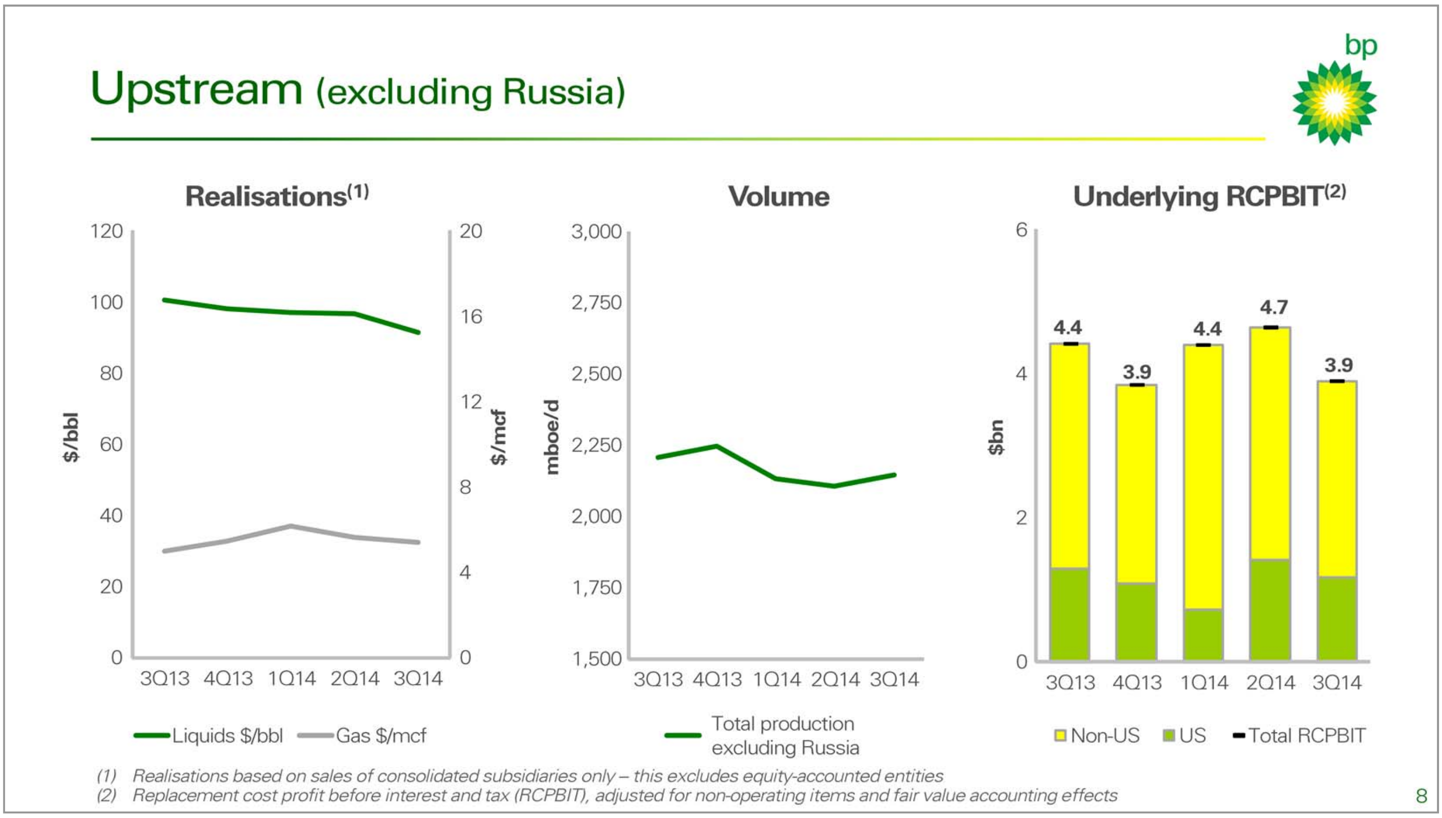
Partly offset by:

- A recovery in the downstream environment.

Operating cash flow for the third quarter was $9.4 billion.

The third-quarter dividend payable in the fourth quarter increases to 10 cents per ordinary share, an increase of 5.3% year-on-year. This reflects our confidence in delivering our 2014 operating cash flow targets and the robustness of our financial framework in a weaker oil price environment.

Turning to the highlights at a segment level.



In the Upstream, the underlying third-quarter replacement cost profit before interest and tax of $3.9 billion compares with $4.4 billion a year ago and $4.7 billion in the second quarter.

Compared to the third quarter of 2013 the result reflects:

- Lower oil realisations;
- The absence of the 2013 one-off TAPS benefit already mentioned; and
- Higher DD&A.

Partly offset by:

- Increased production in higher-margin areas, primarily the Gulf of Mexico; and
- Higher gas realisations.

Excluding Russia, third-quarter reported production versus a year ago was 2.7% lower, primarily due to the Abu Dhabi onshore concession expiry in January. After adjusting for this, and for entitlement and divestment impacts, underlying production increased by 4.1%.

Compared to the second quarter, the result reflects:

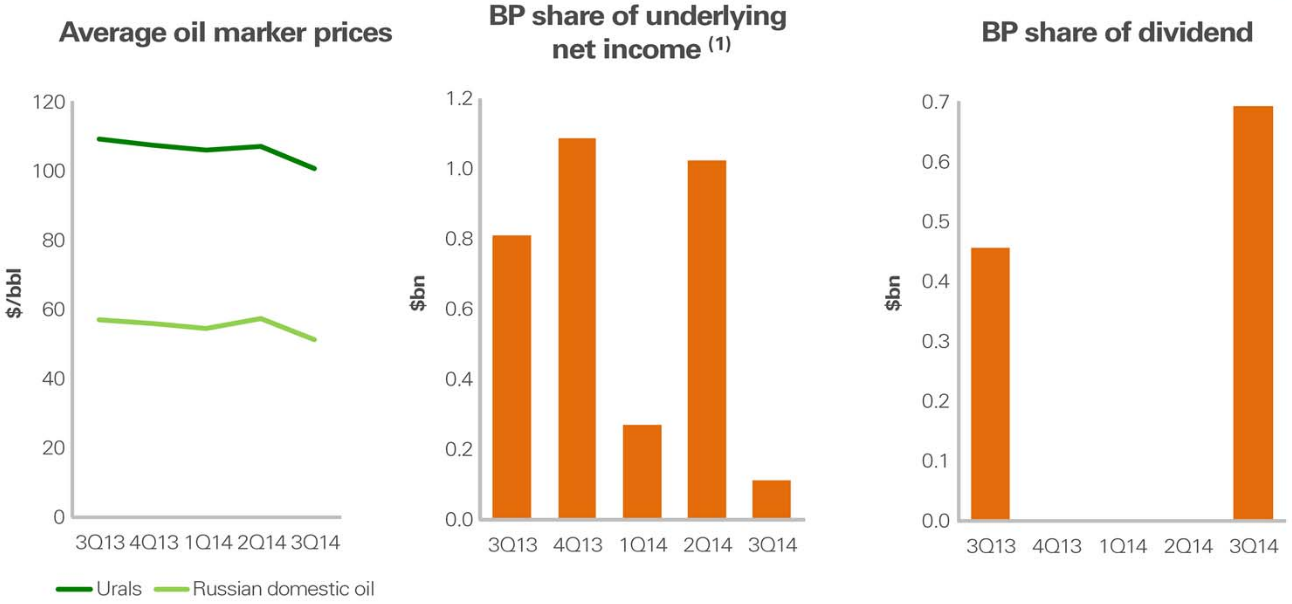
- Lower oil and gas realisations;
- Slightly higher DD&A; and
- Lower gas marketing and trading results.

Partly offset by:

– Increased production in higher-margin areas.

Third-quarter production benefited from the absence of seasonal adverse weather in the Gulf of Mexico. Depending on weather and the closing of the Alaska package sale to Hilcorp, we expect fourth-quarter reported production to be slightly lower.

Rosneft



(1) *On a replacement cost basis and adjusted for non-operating items; 3Q 2014 based on BP estimate*

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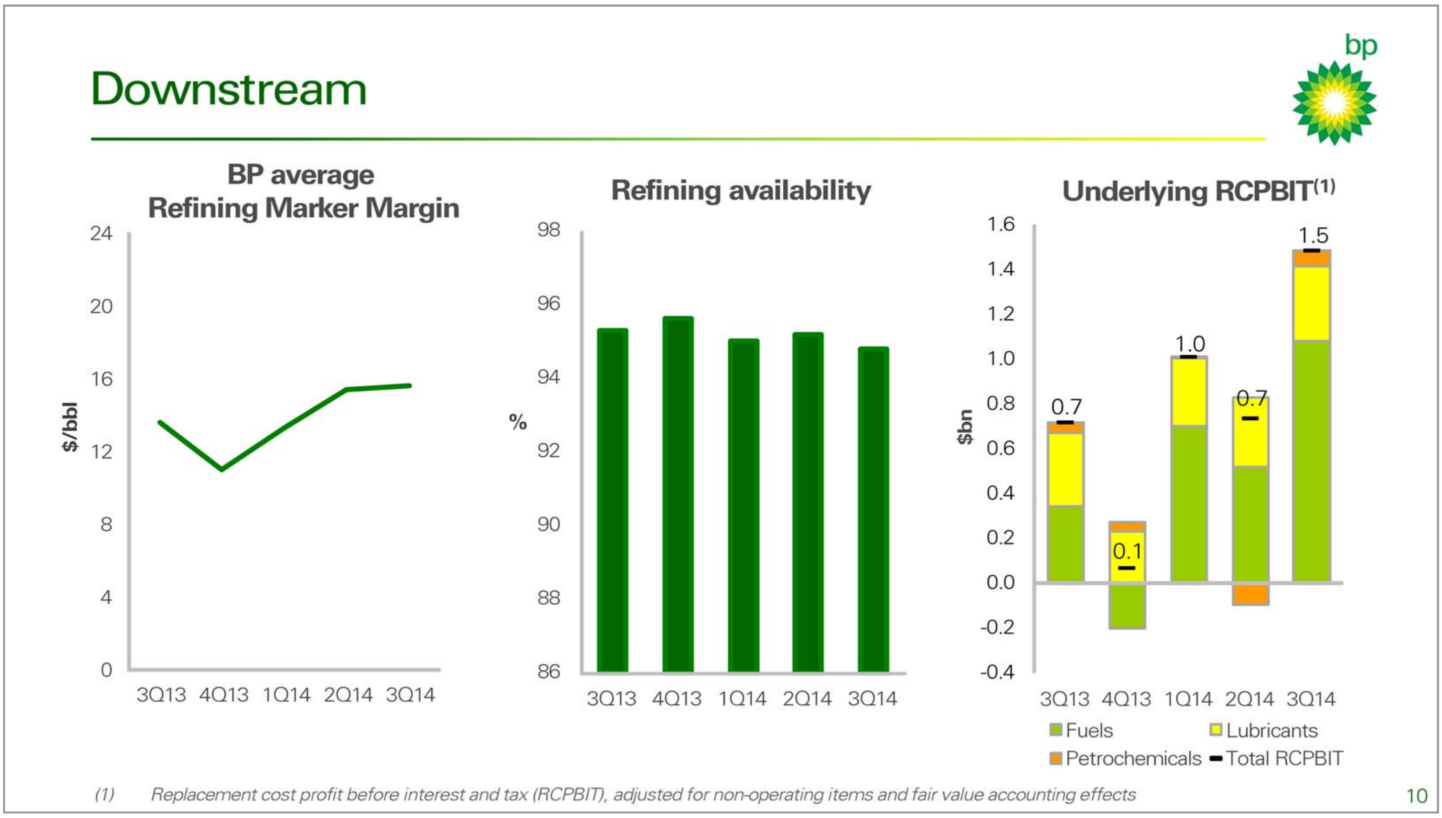
Turning to Rosneft. For the third quarter of 2014 we have recognised $110 million as BP's share of Rosneft's estimated underlying net income, compared to $810 million a year ago and $1 billion in the second quarter.

BP's share of Rosneft's estimated production for the third quarter was just above 1 million barrels of oil equivalent per day, an increase of 4% compared with a year ago.

Geo-political uncertainty in the region continued in the third quarter but did not have any significant impact upon Rosneft's day-to-day operations. Financial performance was adversely affected by the significant depreciation of the Rouble, as well as by lower Urals prices and the associated tax duty lag effects.

In July we received our share of Rosneft's dividend in respect of 2013, which amounted to around $700 million, net of taxes.

BP will continue to comply with all relevant sanctions. We remain committed to our strategic investment in Rosneft and hope for diplomatic solutions to the current issues. We have worked in Russia over many decades and continue to believe in the opportunities that reside in this vast hydrocarbon province. Rosneft's recent first discovery in the Arctic's Kara Sea is a clear indication of the long-term potential of the region and its importance in balancing the world's energy demands.



In the Downstream, the third-quarter underlying replacement cost profit before interest and tax was $1.5 billion compared with $720 million a year ago and $730 million in the second quarter.

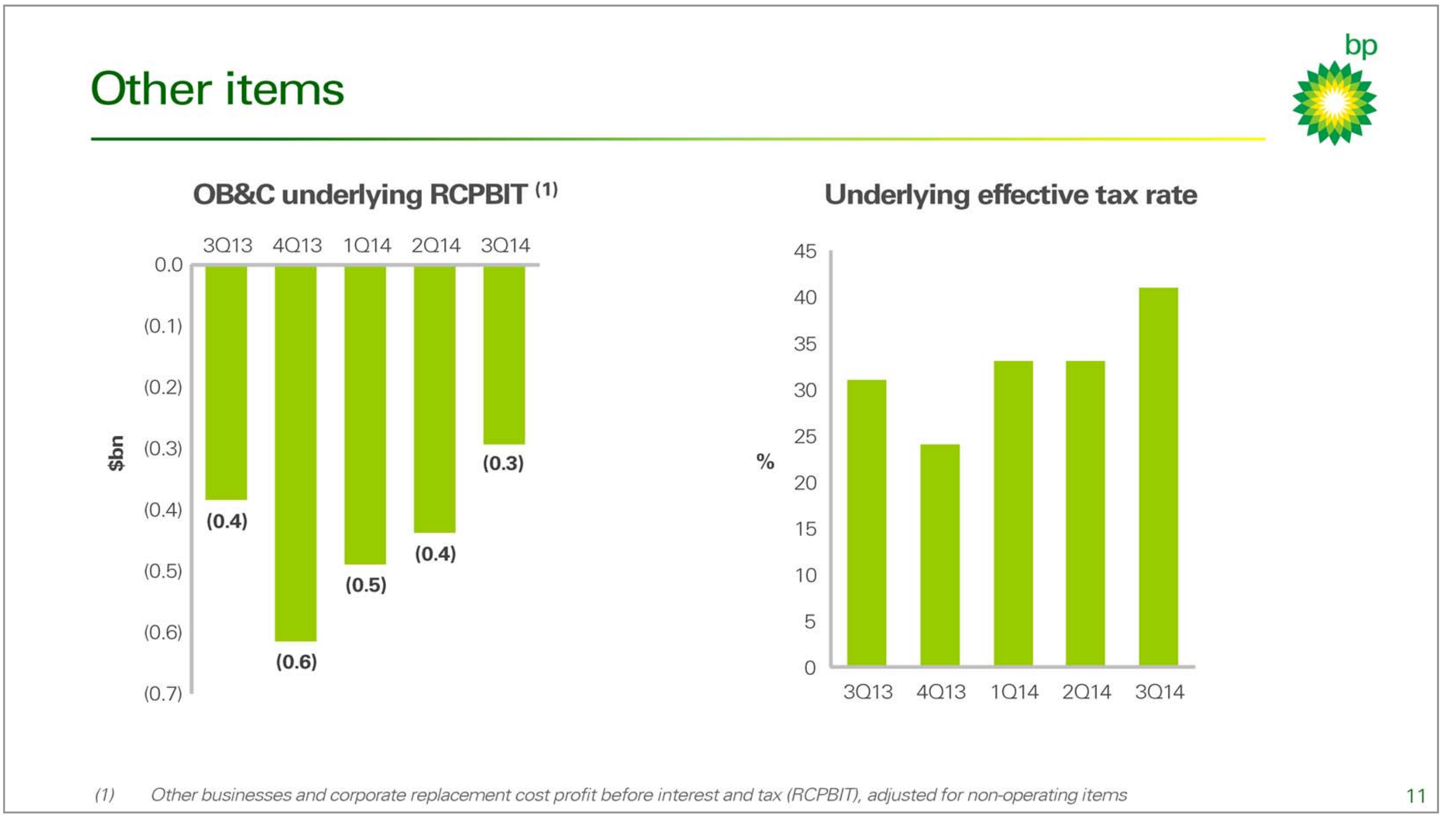
The fuels business reported an underlying replacement cost profit before interest and tax of $1.1 billion in the third quarter, compared with $340 million in the same quarter last year. The increase reflects:

- A significantly stronger refining environment;
- Stronger supply and trading; and
- A higher contribution from our fuels business, underpinned by the Whiting refinery.

The lubricants business continued to deliver consistent performance, with an underlying replacement cost profit before interest and tax of $340 million, compared with $330 million in the same quarter last year.

The petrochemicals business reported an underlying replacement cost profit of $70 million in the third quarter, compared to $50 million in the same period last year, mainly reflecting improved margins in the acetyls business.

Looking to the fourth quarter, in the fuels business we expect a similar level of turnarounds to the third quarter of this year. Additionally, we anticipate lower seasonal demand versus the third quarter to negatively impact margins in both the fuels and petrochemicals businesses.



In Other Businesses and Corporate, we reported a pre-tax underlying replacement cost charge of $290 million for the third quarter, compared to $390 million a year ago. This reflects a number of one-off benefits in the quarter. Our full year guidance of an average charge of $400-500 million per quarter remains unchanged.

The underlying effective tax rate for the third quarter was 41% compared to 31% a year ago. This primarily reflects the impact of the strengthening of the US dollar on deferred tax balances and the significantly lower contribution of equity-accounted income from Rosneft, which is reported net of tax.

We continue to expect the full year effective tax rate to be around 35%.

Gulf of Mexico oil spill costs and provisions pre-tax[(1)]

$bn	To end 2013	1H 2014	3Q 2014	Cumulative to date
Income statement				
Charge / (credit) for the period	**42.7**	**0.3**	**0.0**	**43.0**
Balance sheet[(2)]				
Brought forward		**8.5**	**7.9**	
Charge / (credit) to income statement	42.7	0.3	0.0	43.0
Payments into Trust Fund	(20.0)	-	-	(20.0)
Cash settlements received	5.4	-	-	5.4
Other related payments in the period [(3)]	(19.6)	(0.9)	(0.3)	(20.8)
Carried forward	**8.5**	**7.9**	**7.6**	**7.6**
Cash outflow	**34.2**	**0.9**	**0.3**	**35.4**

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

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The charge for the Gulf of Mexico oil spill was $43 million for the third quarter, primarily reflecting the ongoing costs of running the Gulf Coast Restoration Organisation.

The total cumulative pre-tax charge for the incident to date is unchanged at $43 billion. This does not include any provision for business economic loss claims that are yet to be received or processed. There is a small provision for some claims that have been processed and are not subject to appeal within the claims facility.

As we have previously advised, it is still not possible to reliably estimate the remaining liability for business economic loss claims. We will revisit this each quarter as we continue to contest what we consider to be unreasonable claims, a process which could take some time.

Regarding the Clean Water Act, as you know we will be appealing the recent gross negligence ruling. We continue to believe that our original provision of $3.5 billion represents a reliable estimate of the penalty in the event we are successful in our appeal and we have maintained the provision at this level. Today's Stock Exchange Announcement includes further information on the provision and contingent liabilities associated with this matter.

The pre-tax cash outflow on costs related to the oil spill for the third quarter was $290 million.

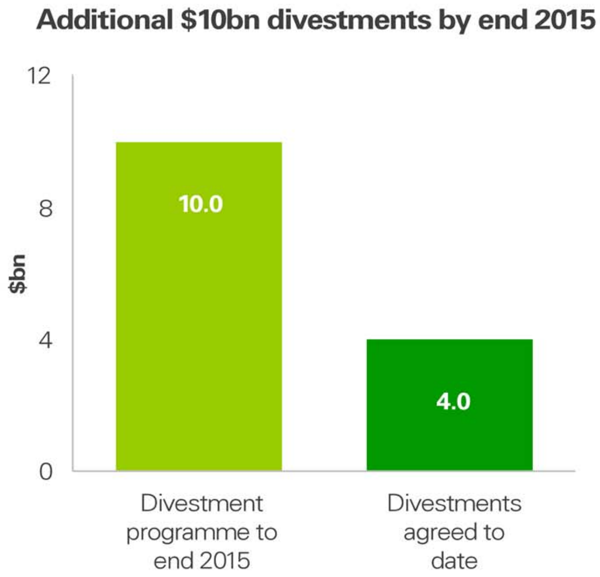
The cumulative amount estimated to be paid from the Trust Fund has now reached $20 billion. The previously reported headroom in the Trust of approximately $700m has now been utilised - primarily by higher estimates for claims administration and also charges in the quarter for business economic loss claims and natural resource damage assessment costs. Going forward, additional costs not provided for will be charged to the income statement as they arise.

At the end of the quarter, the aggregate remaining cash balances in the Trust and qualified settlement funds totalled $6 billion, including $1.1 billion remaining in the Seafood Compensation Fund, with $20 billion paid in and $14 billion paid out.

I will provide a more general update on the legal proceedings later.

Divestments

- $38bn divestment programme completed in 2012
- $10bn of further divestments planned by end 2015
- $4bn of divestments agreed to date including:
  - Package of assets on Alaskan North Slope
  - Oman-Khazzan farm-down
  - Natural gas assets in Texas
  - Global Aviation Turbine Oils Business

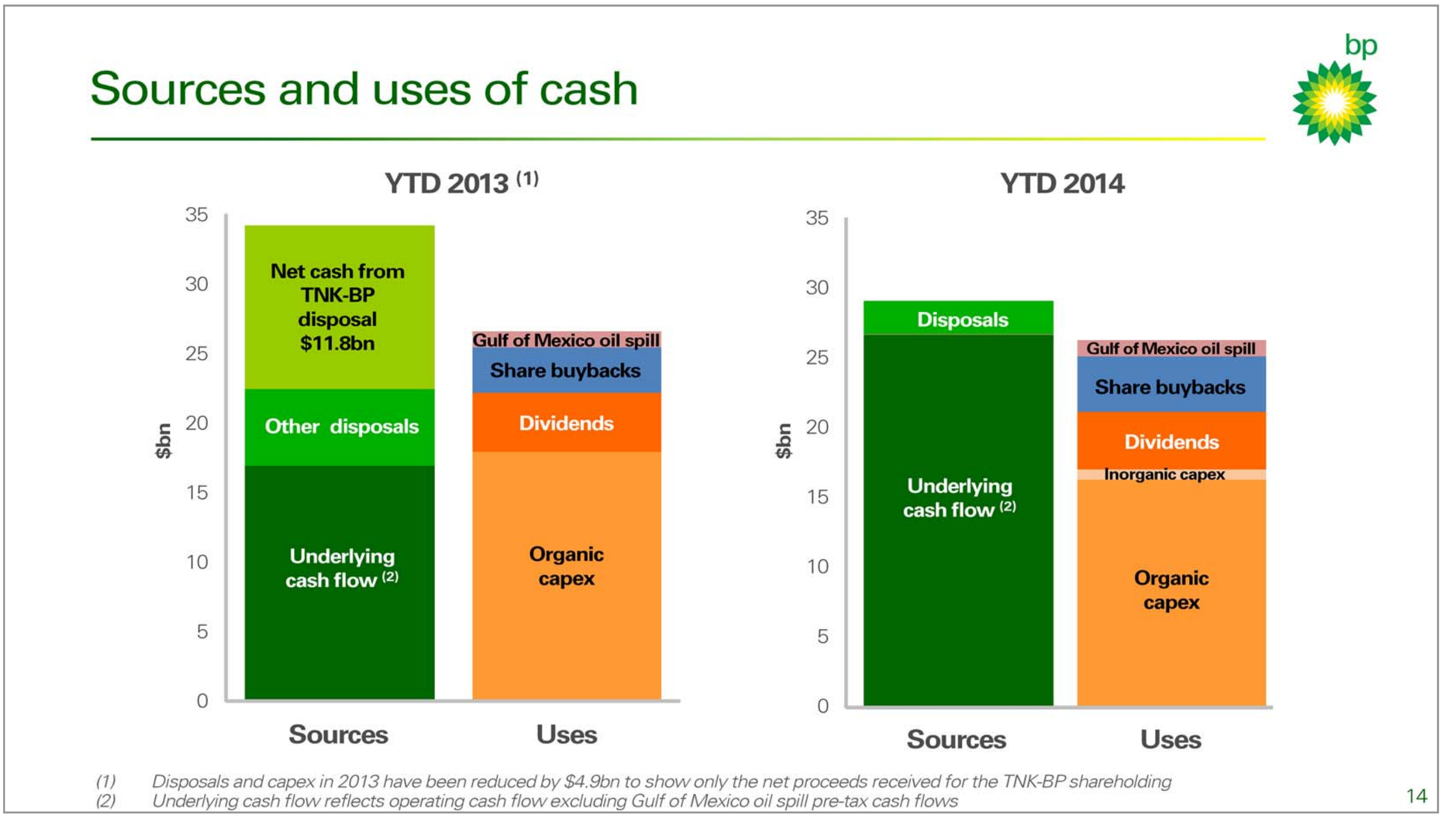


Turning to progress on divestments and our objective to divest $10 billion of assets by the end of 2015.

Agreed deals have now reached $4 billion. These include:

- The sale of a package of assets on the Alaskan North Slope;
- The farm-down of 40% of our interest in the Oman-Khazzan project;
- The sale of our Texas Hugoton and Panhandle West gas assets; and
- The sale of our Global Aviation Turbine Oils business.

Our intention is to use the post-tax proceeds from this divestment programme predominantly for shareholder distributions, with a bias to share buybacks.



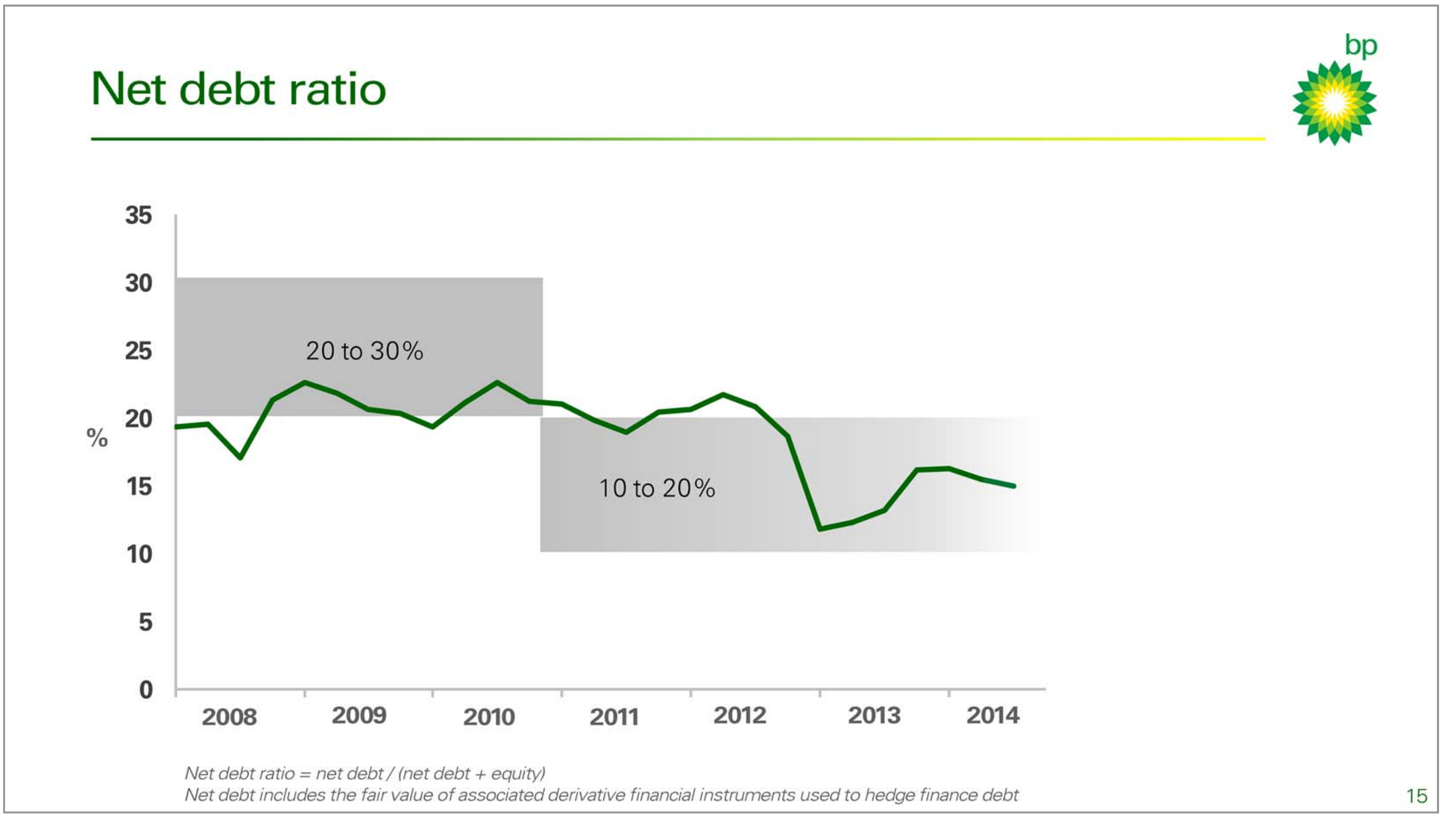
Moving to cash flow, this slide compares our source and uses of cash in the first nine months of 2013 and 2014.

Operating cash flow in the first nine months was $25.5 billion, of which $9.4 billion was generated in the third quarter. Excluding oil spill related outgoings, underlying operating cash flow in the first nine months of 2014 was $26.7 billion, $9.8 billion higher than a year ago.

This includes a working capital release of $2.3 billion year-to-date of which $1 billion is in respect of the third quarter, in part reflecting the recent fall in oil prices. Note, as with previous years, we expect working capital in the fourth quarter to include an outflow for German Mineral Oil taxes, which is typically around $2 billion.

Organic capital expenditure was $16.3 billion in the first nine months and $5.3 billion in the third quarter. We now expect capital expenditure for the full year to be around $23 billion, relative to our guidance of $24-25 billion.

In the first nine months of the year we have bought back $4 billion of shares, including $1.6 billion in the third quarter. The cumulative total since early 2013 is now $10 billion. Around $8 billion of this reflects the proceeds of the sale of our interest in TNK-BP, with the balance coming from the proceeds of our $10 billion divestment programme.



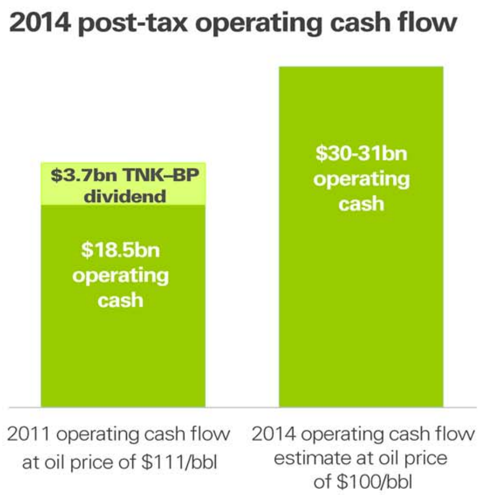
Net debt at the end of the third quarter was $22.4 billion with gearing of 15% compared to 13.3% a year ago.

This largely reflects the impact of our share buyback programme over the course of the year.

Our intention is to keep gearing in a target band of 10-20% while uncertainties remain.

Growing sustainable free cash flow

- Delivery of the 10-point plan on track
  - $30-31bn of operating cash flow in 2014 at $100/bbl(1)
- Financial outlook to 2018
  - Growth in underlying operating cash flow
  - Strong capital discipline
- $10bn of divestments planned by end 2015; ongoing portfolio management
- Gearing within 10-20% while uncertainties remain
- Growing distributions to shareholders
  - Progressive dividend policy
  - Surplus cash biased to further distributions



(1) See statement of assumptions under cautionary statement;
Adjusted to remove TNK-BP dividends from 2011 operating cash flow; 2014 includes BP estimate of Rosneft dividend;
2014 includes the impact of payments in respect of the settlement of all criminal and securities claims reached with the US Government and SEC; does not reflect other future potential cash flows arising from the Gulf of Mexico oil spill
BP assumption for 2014; $100/bbl oil, $5/mmbtu Henry Hub gas. 2015 to 2018 based on $100/bbl Brent and $5/mmbtu Henry Hub; real

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Turning to our financial outlook.

The strong operating cash delivery in the quarter and the year-to-date total of $25.5 billion leaves us on track to deliver the $30-31 billion of operating cash flow planned for 2014. This will mark the delivery of our 10-point plan. Relative to 2013, it reflects the higher expected contribution from major projects in the Upstream, the progressive ramp-up of the Whiting refinery and some reversal of the working capital builds seen in 2012 and 2013.

Looking out to 2018, and notwithstanding the impact of a period of lower oil prices, the principles of our strategy remain as we laid out to you in March. Our intention is to build on this platform to realise growth in underlying operating cash flow and to manage capital in a very disciplined way in order to grow free cash flow, and in turn, distributions. This is underpinned by our quality upstream project pipeline, our repositioned Downstream and the opportunities we see to drive efficiency across the group.

As already discussed, oil prices have weakened considerably in recent weeks. This is prompting the whole sector to consider the implications of a sustained period of lower oil prices.

As we stand today, our balance sheet is very robust with relatively low gearing of 15% and strong cash balances. In 2014 we expect underlying operating cash flow to cover capital expenditure and dividend payments. Our financial framework aims to underpin this position over the long-term. Over time free cash flow grows materially at average oil prices of $100 per barrel while we see downside support at average oil prices of around $80 per barrel, the level at which we sanction projects. In addition we have the surplus cash from our $10 billion disposal programme that is currently being used to fund our buyback programme. So we have a lot of flexibility to withstand a period of low oil prices.

Our first priority within the financial framework will always be the dividend. Our aim is to grow dividend per share progressively, in accordance with the growth in underlying operating cash flow from our businesses over time. We then judge the use of cash for discretionary re-investment and other forms of distribution on an ongoing basis, with a bias to distributions. We will look very closely at levels of capital spend. Where we have room at the margin to pare back or re-phase spend without compromising future growth, we will do so. Relative to current guidance, I expect this could make a difference of $1-2 billion in 2015, with lower spend in the Downstream following the completion of the Whiting Refinery Modernisation Project.

As we move further into 2015 you might also expect to see the benefits of a greater focus on streamlining activity, a process we began some 18 months ago in response to resizing the Group. We have a strong drive towards operating efficiency currently underway in our Upstream. In the Downstream we have introduced a more streamlined organisation structure that we expect to drive more efficiencies across the portfolio and we have around 60 simplification initiatives at the corporate level. At the same time our industry tends to be self-correcting so one would expect to see some deflation if current oil prices remain low relative to recent history.

We will keep you updated on our plans as we move into the new year.

US legal update

MDL 2179 Trial

- Phase 1 and 2 proceedings complete
- Phase 1 decision issued 4 September; Phase 2 decision pending
- Penalty phase scheduled to begin 20 January 2015

PSC settlement[1]

- BEL[2] contract misinterpretation litigation
  - New matching policy adopted
  - BP seeking Supreme Court review of Fifth Circuit decisions regarding class certification and causation

MDL 2185 Securities litigation

- Class action trial set for 2015, subject to appeals

(1) Plaintiffs' Steering Committee (PSC)
(2) Business economic loss (BEL)

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Now let me give you a brief update on the main Gulf of Mexico related legal proceedings in the United States.

The first and second phases of the MDL 2179 trial have been completed, and on the 4th of September, the Court issued its ruling on Phase 1. As we outlined on our investor call, BP strongly disagrees with the Court's gross negligence ruling. The law is clear that proving gross negligence is a very high bar, and BP believes that the Court's findings were not warranted by the evidence presented at trial.

BP will appeal this decision and, in the meantime, has filed a post-trial motion with the District Court asking the Court to amend its findings or order a new trial. We have done this as BP believes the Court's findings and conclusions are based substantially on expert witness opinions that the Court appropriately and expressly excluded from evidence at the trial.

The District Court's ruling is the first of three steps in the process of determining the amount of penalties under the Clean Water Act.

The Court still needs to rule in the Phase 2 proceedings on the amount of oil that was spilled and the penalty phase is scheduled to begin on the 20th of January 2015. Appeals notwithstanding, by law, the penalty is not automatically assessed at the statutory maximum. The District Court must consider eight statutory factors in determining an appropriate penalty between zero and the statutory maximum. BP Exploration & Production will submit strong evidence in support of these potentially mitigating factors.

Regarding business economic loss claims, a new policy that provides for the matching of revenues and expenses in calculating lost profits for business claims is now in place, and business economic loss payments have resumed. In the third quarter $120 million was paid out on business economic loss claims. This compares with over $810 million in the same period a year ago.

BP's motion to allow it to seek restitution from claimants who were overpaid as a result of the previous policy has been denied, and we have filed a notice of appeal with the Fifth Circuit. Separately, BP is seeking Supreme Court review of the issue of causation as it relates to approval of the settlement and certification of the class.

In the MDL 2185 securities litigation, the trial for the class action is set for the 18th of May next year, subject to the ongoing appeals around certification of the class. BP believes that all of the plaintiffs' securities claims are meritless and we will continue to vigorously defend against them.

As we have said before, we are determined to pursue fair outcomes in all legal matters while protecting the best interests of our shareholders at all times.

We compartmentalise these legal activities and BP's operational delivery teams remain fully focused on our core business.

Upstream – milestones and progress

Exploration and access

- New discoveries at Xerelete in Brazil, Vorlich in the North Sea and Guadalupe in the Gulf of Mexico
- New access in Australia, Gulf of Mexico and Egypt

Major projects

- Kinnoull start-up in progress, will take start-ups this year to 6
- Sunrise Phase 1 project on track to start up in December

Operations and wells

- 5 major turnarounds completed in 3Q; Rhum restarted
- All 2014 priority wells completed

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Turning to the Upstream, we continue to focus on delivery of this year's key milestones.

Sixteen exploration wells have already been drilled this year, on track for our stated goal of completing between 15 and 20. We have recently made three discoveries – at Xerelete in Brazil, Vorlich in the North Sea and Guadalupe in the Gulf of Mexico – bringing the total for the year to five.

We also continue to acquire new acreage. In the third quarter we accessed the outer offshore Canning Basin in Western Australia and were also awarded a number of blocks in the Gulf of Mexico western lease sale. This is in addition to the 24 blocks we were awarded in the Gulf of Mexico central lease sale in the second quarter of 2014. We have also been awarded the El Matariya and Karawan concessions as part of the recent bidding round in Egypt, subject to final approval.

Turning to major projects, the start-up of Kinnoull is now in progress, which will bring the total number of start-ups this year to six.

Our year-to-date start-ups continue to ramp-up their production as planned and are contributing significantly to operating cash flow this year and beyond.

Of the seven planned major project start-ups in 2014, the one remaining project - Sunrise Phase 1 in Canada - is on track, with construction of the central processing facility over 95% complete. Final commissioning continues and start-up is expected to begin in December.

Turning to operations, in the third quarter we successfully completed five turnarounds - three in Alaska, as well as Bruce in the North Sea and Mad Dog in the Gulf of

Mexico. This takes the total completed for the year to seven, against our planned total of eight. One final turnaround is scheduled for the fourth quarter.

Additionally, operations at the Rhum gas field in the central North Sea have resumed in accordance with the agreed temporary management scheme.

We have now completed all of our priority wells for 2014, with just one remaining to be brought online. We expect them to contribute two-thirds of total new well production in 2014.

Lastly, in India the government announced a new domestic gas price formula as part of a package of oil and gas sector reforms. This increases the gas price applicable for existing production and is a positive first step towards creating the more competitive economic landscape required to encourage the development of India's gas resources. We expect further clarity on the new pricing policy and the premiums for future developments to emerge in due course.

Downstream – milestones and progress

- Sustained strong Solomon availability at 95%
- Whiting refinery fully operational
- Lubricants premium brands consistently delivering results
- Restructuring of Petrochemicals Aromatics portfolio

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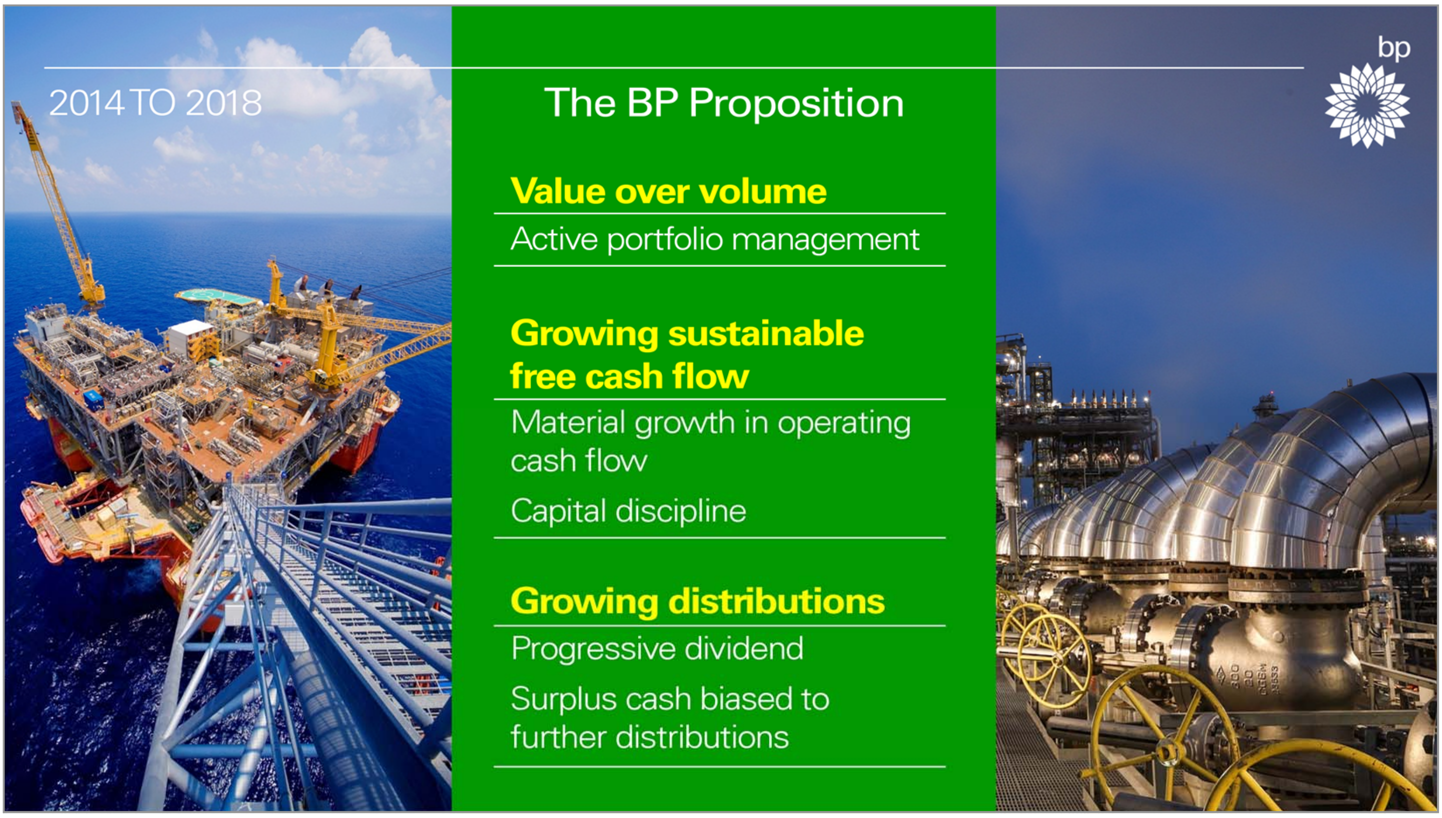
In the Downstream, we continued to deliver strong operational performance across our refining system with Whiting now fully operational. Additionally we have sustained strong year-to-date Solomon availability at 95% during the year.

We continue to focus on the overall quality of our portfolio.

The Lubricants business is delivering consistent results by focusing on growth markets, premium brands and advantaged technology.

In the third quarter our Petrochemicals business completed a strategic review. This resulted in a decision to halt operations at some of our older and less advantaged facilities while continuing to retrofit several facilities with new technologies. We expect these changes to lower fixed and variable costs as well as improve returns.

And, as previously announced, Tufan Erginbilgic became the Chief Executive of the Downstream on the 1st of October. Tufan brings a deep knowledge of BP's downstream operations, having held a variety of roles across the segment. Tufan is a great addition to the Executive Team.



So, in summarising, it has been an eventful quarter and one where operational momentum is continuing to feed through into results.

This is evident in our progress on major project start-ups, in further exploration successes, in the strong contribution from our Downstream with its modernised Whiting refinery and in our continued drive towards operational efficiency across all of our businesses.

As we approach the end of the year, delivery of our 10-point plan is firmly on track.

At the same time we continue to work towards completing our divestment programme and on maintaining strong capital discipline, ensuring we have a robust financial frame.

The environment has its challenges but we remain clear on the direction and focus of BP.

So, on that note, thank you for listening and now Jess and I will be happy to take your questions.

Q&A

Brian Gilvary

Chief Financial Officer

Jess Mitchell

Head of Group Investor Relations