Hello and welcome. This is BP’s third-quarter 2016 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.
During today's presentation, we will make forward-looking statements that refer to our estimates, plans and expectations. Actual results and outcomes could differ materially due to factors we note on this slide and in our UK and SEC filings. Please refer to our Annual Report, Stock Exchange Announcement and SEC filings for more details. These documents are available on our website.

Thank you, and now over to Brian.
Thanks Jess.
Welcome everybody and thank you for joining us.

Today we are here to report on our results for the third quarter. As you have seen, the environment remained volatile over the quarter and continued to impact quarterly earnings across the sector. Outside of the environment we had some mainly one-off and non-cash items impacting our Upstream result for the period, while our Downstream delivered strong underlying earnings. Most notably, it has been another quarter of robust underlying operating cash delivery for the Group. This clearly demonstrates the resilience of our business operations to the current environment and the impact of our ongoing work to reset the company. We remain confident in the progress we are making to re-establish the balance in our financial frame and reposition our businesses for today’s environment.

We will begin by looking at the macro, then cover our third-quarter numbers in detail before updating you on our financial frame and the progress we are making towards rebalancing in 2017. We will finish up with a brief update on our businesses before Jess and I take your questions.
So looking first at the oil market.

Our view on the fundamentals remains largely unchanged.

The physical market appears to have moved broadly into balance, with the amount of oil produced each day broadly in line with daily consumption. Nevertheless, oil inventories are at record levels and will still take some time to reduce.

Looking ahead, we expect inventories to decline gradually next year, supported by continued demand growth and sustained weakness in non-OPEC supply. The precise pace and timing of that decline will depend on the outcome of OPEC’s meetings at the end of November.

Forward prices for Brent continue to point to a modest upward trajectory. The forward curve moved slightly higher in October following OPEC’s announcement.
Looking more specifically at the price environment for the third quarter.

Brent crude averaged $46 per barrel in the third quarter, which was largely flat compared with the second quarter. Oil prices fell in July as oil inventories reached a new high, but improved again towards the back of the quarter on improving fundamentals, further supported by the newly stated intentions of OPEC.

Henry Hub gas prices recovered in the third quarter, averaging $2.80 per million British Thermal Units. This is well above the average of $2.10 we saw in the second quarter. Prices have responded to a combination of declining production and increased demand from gas-fired power generation, which in the third quarter was at a record level in the United States. Looking forward, rising seasonal demand should support some firming in Henry Hub gas prices.

The third quarter global refining marker margin averaged $11.60 per barrel, compared to $13.80 per barrel last quarter and $20.00 per barrel a year ago. High product stock levels continue to keep refining margins under pressure, with OECD product stocks at their highest level in thirty years.

Looking ahead we expect the stronger outlook for both oil and gas prices to support improved realisations in our Upstream business into next year.

We expect refining margins to recover from the current low with modest improvement next year but still well below the very high margins of 2015. However, we are building resilience across the Downstream where refining margin volatility only impacts around half of the segment’s earnings. The balance comes from our marketing related activities, where we are experiencing continued growth.
Turning now to the results.

BP’s third-quarter underlying replacement cost profit was $930 million, down 49% on the same period a year ago, and 30% higher than the second quarter of 2016.

Compared to a year ago, the result reflects:

– Significantly weaker refining margins; and
– Lower liquids and gas realisations.

Partly offset by:

– Continued lower cash costs across the Group; and
– A one-off tax benefit arising from changes to UK supplementary taxation.

Compared to the previous quarter, the result reflects:

– The one-off UK tax benefit; and
– Stronger underlying performance in our Downstream.

Partly offset by:

– Lower refining margins; and
– Higher Upstream rig cancellation charges, exploration write-offs and various one-off items.

Non-operating items in the third quarter, which amounted to a gain of $950 million after tax, included net impairment reversals relating predominantly to assets in Angola and
the North Sea.

Third-quarter underlying operating cash flow, which excludes Gulf of Mexico oil spill payments, was $4.8 billion.

The third-quarter dividend, payable in the fourth quarter of 2016, remains unchanged at 10 cents per ordinary share.
In Upstream, the third-quarter underlying replacement cost loss before interest and tax of $220 million compares with a profit of $820 million a year ago and a profit of $30 million in the second quarter of 2016.

Compared to the third quarter of 2015 the result reflects:
- Lower liquids and gas realisations;
- Lower gas marketing and trading results, relative to a strong result in the same period last year; and
- Higher rig cancellation charges and exploration write-offs.

Partly offset by:
- Lower costs reflecting the benefits of simplification and efficiency activities.

Excluding Russia, third-quarter reported production versus a year ago was 5.9% lower. After adjusting for entitlement and portfolio impacts, underlying production decreased by 2% mainly due to seasonal turnaround and maintenance activities, and the impact of weather and the Pascagoula plant outage in the Gulf of Mexico.

Compared to the second quarter, the result reflects:
- Stronger marker prices offset by weaker gas realisations outside of the United States and lower midstream revenue;
- Higher exploration write-offs;
- Around $200 million of charges specific to the quarter, including higher rig cancellation costs and various other one-off adjustments; and
– The impact of Gulf of Mexico production down-time.

These were partly offset by:

– Continued underlying improvement in cost efficiency; and

– Stronger gas marketing and trading results.

Looking ahead, we expect fourth-quarter reported production to be slightly higher than the third quarter mainly reflecting recovery from planned seasonal turnaround and maintenance activity.
Turning to Downstream, the third-quarter underlying replacement cost profit before interest and tax was $1.4 billion compared with $2.3 billion a year ago and $1.5 billion in the second quarter.

The Fuels business reported an underlying replacement cost profit before interest and tax of $1.0 billion, compared with $1.9 billion in the same quarter last year and $1.0 billion in the second quarter of 2016.

Compared to a year ago this reflects:

- A significantly weaker refining environment; and
- A higher level of turnaround activity.

Partly offset by:

- Increased retail performance; and
- Lower costs from simplification and efficiency programmes.

Compared to the second quarter the result reflects:

- A weaker refining environment.

Partly offset by:

- Increased retail performance; and
- Lower turnaround impacts.

The Lubricants business reported an underlying replacement cost profit of $370 million
in the third quarter, compared with $410 million in the second quarter and $350 million a year ago.

The Petrochemicals business reported an underlying replacement cost profit of $80 million, compared with $90 million in the second quarter and $40 million a year ago.

In the fourth quarter, we expect increased turnaround activity compared to the third quarter and industry refining margins to continue to be under pressure.
Turning to Russia. Based on preliminary estimates, we have recognised $120 million as our estimate of BP’s share of Rosneft’s underlying net income for the third quarter, compared to $380 million a year ago and $250 million in the second quarter of 2016.

Our estimate of BP’s share of Rosneft’s production for the third quarter is just over 1 million barrels of oil equivalent per day, an increase of 2.7% compared with a year ago and flat compared with the previous quarter.

Further details will be available when Rosneft report their third-quarter results.

In July we received $332 million as our annual dividend. This represents 35% of our share of Rosneft’s IFRS net income in 2015, an increase from the 25% payout ratio in prior years.
In Other Businesses and Corporate, we reported a pre-tax underlying replacement cost charge of $260 million for the third quarter. The average quarterly charge for the first nine months of the year is $270 million and is in line with guidance.

The underlying effective tax rate for the third quarter was a credit of 23%. This includes a one-off deferred tax benefit from the reduction in the rate of the supplementary charge in the United Kingdom, announced in March. Excluding this one-off benefit, the underlying effective tax rate in the third quarter was 37% compared to 39% a year ago. The reduction in the rate is mainly due to foreign exchange effects and changes in the mix of profits.
Turning to the Gulf of Mexico oil spill costs and provisions.

The total cumulative pre-tax charge for the incident is $61.8 billion – or $43.5 billion after tax.

As previously disclosed, following the substantial progress we have made in resolving outstanding claims arising from the 2010 Deepwater Horizon accident and oil spill, our first half results incorporated what we believe is a reliable estimate of all the remaining material liabilities in connection with the incident.

The charge for the third quarter now mainly reflects the unwind of discounting effects on the provision which has no cash impact. Going forward, you would expect to see a similar amount unwinding each quarter.

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**Gulf of Mexico oil spill costs and provisions**

<table>
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<th>Pre-tax⁽¹⁾</th>
<th>$bn</th>
<th>To end 2015</th>
<th>1H 2016</th>
<th>3Q 2016</th>
<th>Cumulative to date</th>
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<td><strong>Income statement</strong></td>
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<td>Charge / (credit) for the period</td>
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<td>6.1</td>
<td>0.2</td>
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<td>Brought forward</td>
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<td>55.5</td>
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<td>Payments into Trust Fund</td>
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<td>Cash settlements received</td>
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<td>Other related payments in the period⁽³⁾</td>
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<td>2.3</td>
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<tr>
<td>Carried forward</td>
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<td>22.2</td>
<td>20.1</td>
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<tr>
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<td>36.7</td>
<td>2.7</td>
<td>2.3</td>
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⁽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
Moving to cash flow, this slide compares our sources and uses of cash in the first nine months of 2015 and 2016.

Underlying operating cash flow, excluding pre-tax oil spill related outgoings, was $4.8 billion in the third quarter and $13.3 billion for the first nine months of 2016. Third quarter underlying operating cash flow included a working capital release of $700 million, reversing the build in the first quarter.

Gulf of Mexico oil spill payments were $5.1 billion for the first nine months and third-quarter cash outgoings of $2.3 billion included $0.9 billion for the first scheduled payment under the 2015 settlements.

Divestment proceeds amounted to $2.7 billion for the year so far, including $800 million in the third quarter. This includes $570 million from the partial sale of the Group’s shareholding in Castrol India for the first nine months, of which $270 million was received in the third quarter.

Organic capital expenditure was $11.5 billion in the first nine months and $3.6 billion in the third quarter.

We estimate that the cash impact of non-operating restructuring charges has been $900 million so far this year, with around $1.9 billion incurred since the fourth quarter of 2014. We expect the impact to be approximately $1.0 billion for 2016 as a whole.
Our medium term financial frame

- Capital expenditure of ~$16bn in 2016; $15-17bn in 2017
- Cash costs reduced by $7bn by 2017 versus 2014
- Balance organic sources and uses of cash\(^{(1)}\) at ~$50-55/bbl by 2017; organic free cash flow\(^{(2)}\) growth thereafter
- Divestments of $3-5bn 2016; $2-3bn 2017+; proceeds provide flexibility to meet Deepwater Horizon payments
- Gearing 20-30%
- Sustaining the dividend and growing distributions to shareholders over the long term

\(^{(1)}\) Based on: $2.5-3.5mmbtu Henry Hub gas and $12-14/bbl RMM; excludes Gulf of Mexico oil spill payments. Based on current portfolio
\(^{(2)}\) Organic free cash flow: operating cash flow excluding Gulf of Mexico oil spill payments less organic capex
\(^{(3)}\) Cash cost reductions measured over the preceding four quarters, relative to 2014

Now that brings me to the main components of our financial framework over the medium term.

We now expect capital expenditure to be around $16 billion this year, compared to our original guidance of $17-19 billion. In 2017 we continue to expect spending to be between $15-17 billion, but leaning more towards the lower half of this range as we continue to improve capital efficiency. This represents a 30-40% drop in capital expenditure by 2017 compared to the peak levels in 2013. The Group’s controllable cash costs for the last four quarters are now $6.1 billion below 2014 levels and well advanced towards our $7 billion cash cost reduction target for 2017 compared to 2014.

This rebasing of costs represents strong progress towards our objective of re-balancing organic sources and uses of cash by 2017 at average Brent oil prices in the range of $50-55 per barrel. This, in turn, supports our ongoing commitment to sustaining the dividend as the first priority within our financial framework, and restoring growth in distributions to shareholders over the longer term.

We continue to expect $3-5 billion of divestments in 2016 and around $2-3 billion per annum thereafter, in keeping with historical levels. The proceeds from these divestments provide additional flexibility and cover for our Deepwater Horizon payment commitments in the United States.

We also continue to manage gearing within a 20-30% band. At the end of the third quarter net debt was $32.4 billion with gearing at 25.9%.
Looking ahead to 2017.

Our aim, as noted, is to re-establish a balance in our financial framework where operating cash flow covers capital expenditure and the current dividend in a $50-55 per barrel price range. This retains the dividend at a level we believe is supported by the long-term cash generating capability of our underlying businesses, without damaging our growth objectives.

The environment’s been tough, but we have seen robust cash flow delivery from our operations year-to-date despite the very weak environment in the first quarter and the impacts of recent down-time due to seasonal maintenance and weather. This reflects the structural efficiencies increasingly translating into cash delivery in our businesses.

Relative to 2016, we expect 2017 operating cash flow to benefit from an improved environment that would add an incremental $2-4 billion to cash flow. We also expect to see the full cumulative benefits of our cash cost reductions as we approach our $7 billion target. Non-operating restructuring charges are now expected to continue through 2017 as we continue to focus our organisation, but we expect the cash flow impact to reduce relative to this year. As we move through 2017 we also expect operating cash flow to be supported by growth and continued underlying performance improvements in both our businesses.

With oil prices likely to remain unsettled for a while yet, we will continue to judge our cash outgoings according to the environment, including optimisation of capital expenditure and taking further advantage of deflationary opportunities if oil prices remain below expectations. In short, we will work to balance at the prevailing oil price. Any take up of our scrip as an un-discounted alternative to our cash dividend provides an additional source of flexibility near-term.
Looking further out, we expect our balance point to continue to move lower driven by a continued focus on cost and capital efficiency across the Group and the growth in our businesses. Growth in our Upstream is expected to be a function of our planned new projects bringing on material new volume as well as delivering on average 35% better operating cash margins than our base assets today at flat oil prices.

Once rebalancing is achieved, and based on our current portfolio, free cash flow is expected to start to grow at prices similar to where we are today. In the first instance, we would look to address the dilution that arises from the scrip dividend alternative. We will then aim to ensure the right balance between disciplined investment for even stronger growth and growing distributions to shareholders over the longer term.
Now turning briefly to the highlights from our businesses.

Starting with the Upstream, where we continue to see strong operational performance. Plant reliability has been 95% across our operated assets year-to-date and we have completed all nine of our turnarounds on time. We also saw strong drilling performance in the quarter, with drilling and completion non-productive time at around 20% - down from 31% over the same period last year.

During the quarter we created Aker BP along with our new partners Det Norske. This innovative venture combines the strengths of both companies bringing together Det Norske’s streamlined operating model and our technical skill, international experience, and knowledge of the Norwegian sector of the North Sea built up over many decades.

This quarter we also sanctioned the Trinidad Onshore Compression project which represents our third final investment decision this year.

We also completed and installed the first platform jacket for Shah Deniz Phase 2 marking a significant milestone for the project, which is on schedule for first gas in 2018.

We are on track to start-up five major projects this year, with four of these projects already on-line and In Amenas Compression on schedule to start-up in the fourth quarter. A further eight major projects are on track for start-up in 2017. Looking out to 2020, more than 90% of the 800 thousand barrels of oil equivalent per day of new production that we expect to bring on-line has passed through the final investment decision and have either been completed or are well under construction.

We are also making significant progress in exploration by shortening our cycle time from discovery to production on some of our latest discoveries. Our Nooros discoveries
in Egypt were on production two months after discovery and Kepler-3 came online within 11 months of discovery, which is faster than typical Gulf of Mexico developments of this scale.

In Egypt we made two further exploration discoveries in the Messinian and signed a number of concession amendments which will continue to encourage further investment in this region.

We also signed a second production sharing contract for shale gas exploration in the Sichuan Basin with China National Petroleum Corporation. This builds on the successful cooperation we are already seeing with the previously announced agreement signed earlier this year.

Our progress this quarter shows our effort to drive efficiency and productivity is supporting strong operational performance, while we continue to lay the foundations for future growth. We are finding creative ways to generate more value from our focused and balanced portfolio. And we are building a business model in the Upstream that is sustainable in a $50 per barrel world. We’re focused on growing value, both now and in the future.
In the Downstream, we continue to deliver strong underlying performance improvement, helping us to mitigate the impact of the weak refining environment.

Our refining operations have continued their year-on-year improvement with Solomon availability for the year standing at 95.4% compared to 94.4% for the same period last year.

We are continuing to grow profitability in our marketing businesses.

Across our retail businesses, volumes have increased by 3% year-to-date and we have also entered into two new strategic convenience partnerships in Europe, further strengthening our retail position in these markets.

In Lubricants, pre-tax earnings have grown more than 7% so far this year reflecting continued progress in our growth markets and premium brand performance.

We are also leveraging our technology capability to develop differentiated products. This quarter, we launched Castrol MAGNATEC with DUALOCK technology, a lubricant which provides 50% more protection from stop-start engine wear. In Petrochemicals, we launched a new low carbon brand of PTA which, through our proprietary technology, supports around a 30% lower carbon footprint than the average European PTA production.

And lastly we have further progressed our simplification and efficiency agenda. Cash costs to the end of the third quarter are now 25% below the same period in 2014, demonstrating strong progress towards delivering the Downstream target.

So, the Downstream has material and growing marketing businesses and continues to deliver underlying performance improvement in our manufacturing operations. Together, this gives us both resilience to a range of market conditions and, of course, opportunities for further growth.
To sum up.

We are confident in the Group outlook going forward. As Bob said last quarter it’s all about sticking to a clear set of principles that work in any environment. It requires us to operate safely and to make sound value-based decisions about our portfolio as we maintain discipline over our uses of capital. And it requires us to sustain and drive continuous improvement into our cost base as we work to position ourselves competitively down the cost curve. It’s about resilience, sustainability and growth.

In our Upstream, growth is imminent and visible to the end of the next decade. As we laid out in Baku we expect our Upstream to drive material growth in free cash flow for the Group over the medium term, even at oil prices where they are today. And we are making careful choices to ensure we remain competitive longer term. An example of this is our recent decision not to participate in exploration of the Great Australian Bight.

In the Downstream we have a high-performing business model with good resilience to the environment, ongoing opportunities for growth and relatively low capital intensity. We expect this business to similarly continue to contribute material and growing free cash flow for the group.

The environment is moving slowly towards a more balanced position but we are not relying on this going forward. Our plan is to execute effectively to bring on growth while sustaining discipline on capital and costs. You will have heard our Upstream refer to this as ‘making it stick’. This will steadily bring us into a balanced cash position at the prevailing oil price. In the meantime our balance sheet remains sufficiently resilient to deal with any ongoing volatility.

Near term, this translates in our financial frame to rebalancing organic sources and uses of cash by 2017 at $50-55 per barrel. This allows us to sustain our dividend while still
investing enough to grow long term. Looking further out our primary objective remains to grow sustainable free cash flow and distributions to shareholders. Thank you for listening and we’ll now open up for questions.
Q&A

Brian Gilvary
Chief Financial Officer

Jess Mitchell
Head of Group Investor Relations