# bp third quarter 2020

## financial results presentation

from IOC
to IEC

## Craig Marshall

SVP investor relations

Good morning and welcome to bp's third quarter financial results. I'm Craig Marshall, SVP investor relations and I am joined here today by Bernard Looney, chief executive officer and Murray Auchincloss, chief financial officer.

In a moment Murray will take you through the third quarter financial results before Bernard outlines the performance of our businesses as we continue to progress the transformation of bp.

There will then be time to take your questions at the end.

Before I hand to Murray, let me first draw your attention to our cautionary statement.

# 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') and the general doctrine of cautionary statements, bp is providing the following cautionary statement: This presentation and the associated slides and discussion contain certain forecasts, projections and forward-looking statements - that is, statements related to future, not past events and circumstances - with respect to the financial condition, results of operations and businesses of bp and certain of the plans and objectives of bp with respect to these items. These statements may generally, but not always, be identified by the use of words such as 'will', 'expects', 'is expected to', 'aims', 'should', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see', 'focus on' or similar expressions.

In particular, the following, among other statements, are all forward looking in nature: expectations regarding the macro environment, including outlook for oil and gas prices and demand, crude and product inventories, the futures curve for Henry Hub and future refining margins; expectations regarding full-year 2020 organic capital expenditure, DD&A, Gulf of Mexico oil spill payments and OB&C charge; expectations to incur people-related costs, including redundancy payments, of around $1.4 billion over the next 1-2 years with the majority in 2020; expectations regarding Upstream reported production and maintenance activity in the fourth-quarter and full-year 2020; expectations regarding the Downstream refining margins and marketing volumes; expectations regarding demand for bp's products in the Upstream and Downstream; plans and expectations regarding bp's hydrocarbons business, including to grow EBITDA to 2025, grow underlying production over the next 12 to 18 months, deliver major projects efficiently, drive cost and capital efficiency, high-grade the portfolio, improve the margin mix of underlying production, deliver reduced capital spend in 2020 and maximise the value of past investments; plans and expectations regarding 2020 major projects, including for Khazzan and Ghazeer to produce 1.5bcf/d and over 65mboed of condensate and to deliver Raven, KG D6 R-series and Vorlich on time; plans and expectations regarding bp's convenience and mobility business, including plans to nearly double EBITDA by 2030 with ROACE of 15-20%, grow to 5,500 retail sites in India over the next five years while targeting 7,000 retail sites in growth markets by 2025, focus on business improvement plans, invest in Castrol, deliver more than 2,300 strategic convenience sites by 2025 and to partner with Police Scotland and Aral in Germany; plans and expectations regarding bp's low carbon electricity & energy business, including to enter offshore wind through a partnership with Equinor, achieve returns with Lightsource bp of 8-10% and deliver on new projects in the US, partner with JinkoPower Technology in China and partner with Microsoft; plans and expectations to deliver organic capital spend of around $12 billion in 2020 and achieve a capital spend including inorganics at the lower end of $13-15 billion in 2021; plans and expectations to achieve 2020 cash costs of around 30% lower since 2014, to deliver $2.5 billion of structure cost savings by end of 2021 relative to 2019 and deliver $3-4 billion of pre-tax cash cost savings by 2023, and for the new organization to be in place by the end of this year; plans and expectations for bp to achieve $25 billion of divestment proceeds by 2025, to complete the sale of the petrochemicals business to INEOS in the fourth quarter of 2020, to deleverage to $35 billion of net debt and for net debt to fall in the fourth quarter of 2020 and to maintain a strong investment grade credit rating; and expectations to achieve the bulk of savings from digital and operational efficiencies between 2021 and 2023.

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 extent and duration of the impact of current market conditions including the significant drop in the oil price, the impact of COVID-19, overall global economic and business conditions impacting our business and demand for our products as well as the specific factors identified in the discussions accompanying such forward-looking statements; changes in consumer preferences and societal expectations; the pace of development and adoption of alternative energy solutions; 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 acquisitions and divestments; future levels of industry product supply, demand and pricing, including supply growth in North America; OPEC quota restrictions; PSA and TSC 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; amounts ultimately payable and timing of payments relating to the Gulf of Mexico oil spill; exchange rate fluctuations; development and use of new technology; recruitment and retention of a skilled workforce; the success or otherwise of partnering; the actions of competitors, trading partners, contractors, subcontractors, creditors, rating agencies and others; our access to future credit resources; business disruption and crisis management; the impact on our reputation of ethical misconduct and non-compliance with regulatory obligations; trading losses; major uninsured losses; decisions by Rosneft's management and board of directors; the actions of contractors; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism; cyber-attacks or sabotage; and other factors discussed elsewhere in this presentation, under "Principal risks and uncertainties" in our results announcement for the period ended 30 June 2020 and "Risk factors" in bp Annual Report and Form 20-F 2019 as filed with the US Securities and Exchange Commission.

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.

October 2020

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

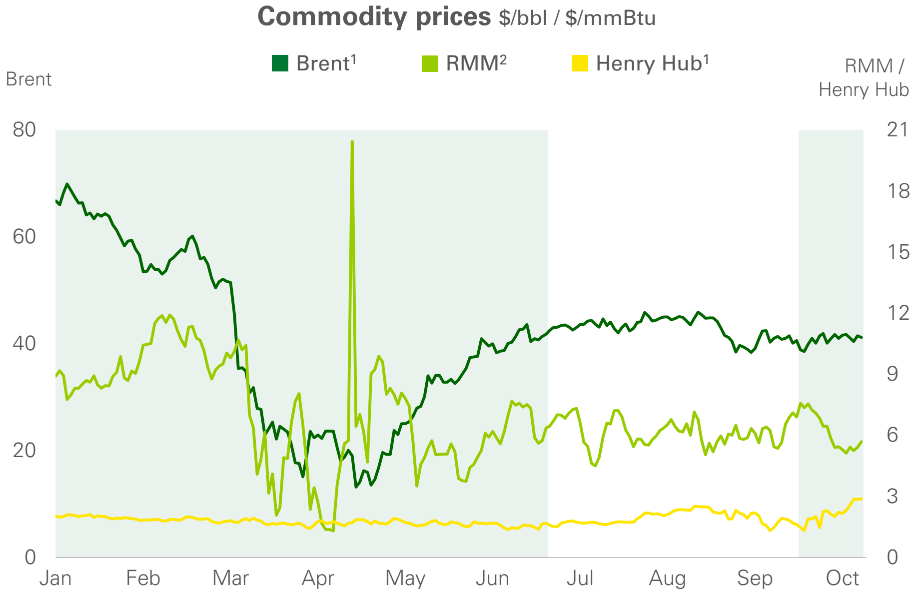
I'll now handover to Murray.

# Murray Auchincloss

## chief financial officer

Thanks Craig, and welcome everyone.

# Environment




**3Q 2020 vs 2Q 2020**

- Average Brent oil price 45% higher
- bp's average RMM[2] 5% higher
- Henry Hub first of month index gas price ~15% higher

*(1) Source: Platts*
*(2) Refining Marker Margin (RMM) based on bp's portfolio*

*All data 1 January 2020 to 23 October 2020* 5

So let's begin with the macro environment.

After a sharp contraction in the first half of the year, there have been some early signs of global economic recovery as countries move to more regional or localised restrictions on movement and governments continue to offer monetary and fiscal policy stimulus.

Reflecting this, Brent averaged $43 in the third quarter – a 45% increase versus the second quarter. Gas prices were also stronger – Henry Hub averaged $2.00 driven by strong demand in the power sector and a higher level of US LNG exports. NBP and JKM gas prices also improved quarter on quarter. However, refining margins remained weak, with an RMM of $6.20 - similar to the levels seen in the second quarter – reflecting lower demand due to COVID-19 and excess refining capacity.

Looking ahead, the gradual recovery in oil demand seen since the spring looks set to continue, led by strengthening demand in Asia. And, while the current concerns around rising cases of COVID-19 across Europe and North American is creating some uncertainty, the IEA continues to estimate an increase of around six million barrels a day in 2021 as economies continue to open up.

The OPEC+ production cuts have played a major role in stabilising the market and we are already seeing a reduction in crude and product inventories. Inventories are likely to draw through next year, although the pace at which inventories normalise will depend on the strength of economic recovery and the degree of continued OPEC+ compliance.

On gas, US gas supply is expected to continue on a declining trend in 2021, largely due to a drop in associated gas production. Tightening gas balances have caused the prompt price to rise to $2.80 and the futures curve for Henry Hub now averages above $3.00 for 2021. This should provide some support to pricing in Europe and Asia until more gas comes to the market.

Finally, the refining margin outlook remains challenging, given the record high inventory levels and the levelling off in demand recovery for gasoline and jet fuel due to COVID-19. It is likely to remain so until we see a recovery in demand or further reductions in refinery runs.

# 3Q 2020 underlying results summary

| $bn | 3Q19 | 2Q20 | 3Q20 |
|---|---|---|---|
| Underlying replacement cost profit | 2.3 | (6.7) | 0.1 |
| Underlying operating cash flow[1] | 6.5 | 4.8 | 5.3 |
| Underlying RCPBIT[2] | | | |
| Upstream | 2.1 | (8.5) | 0.9 |
| Downstream | 1.9 | 1.4 | 0.6 |
| Rosneft[3] | 0.8 | (0.1) | (0.2) |
| Other businesses and corporate | (0.3) | (0.3) | (0.1) |
| Underlying earnings per share (cents) | 11.1 | (33.0) | 0.4 |
| Dividend paid per share (cents) | 10.25 | 10.50 | 5.25 |
| Dividend declared per share (cents) | 10.25 | 5.25 | 5.25 |

**3Q 2020 vs 2Q 2020**

- Absence of significant exploration write-offs
- Higher liquids realisations
- Stronger marketing demand
- Significantly lower supply and trading contribution

*(1) Underlying operating cash flow is net cash provided by/(used in) operating activities excluding post-tax Gulf of Mexico oil spill payments*
*(2) Replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items and fair value accounting effects*
*(3) bp estimate of Rosneft earnings after interest, tax and minority interest*



Looking at bp's underlying results, we reported a third quarter underlying replacement cost profit of $100 million, compared to a loss of $6.7 billion in the second quarter.

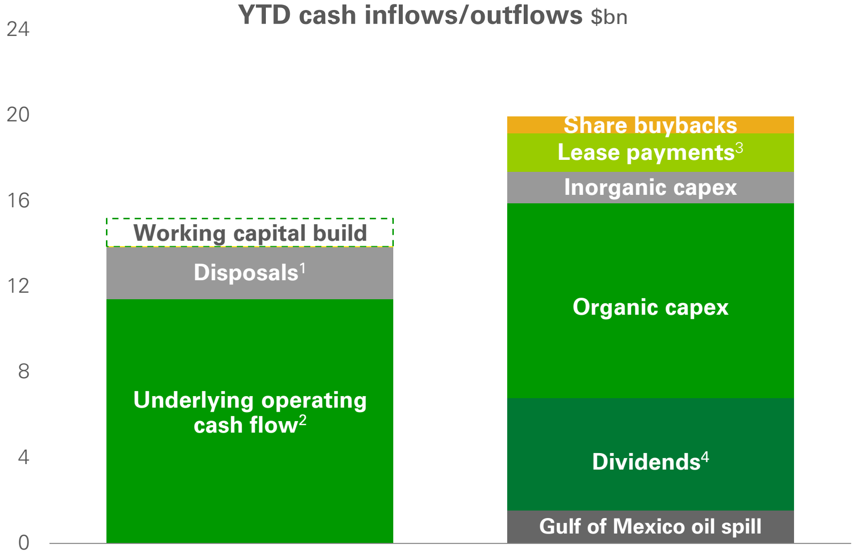
Compared to the second quarter this reflects the absence of significant exploration write-offs, higher liquids realisations and improved marketing demand. This was partly offset by a significantly lower oil trading contribution.

Compared to a year ago the result reflects lower liquids and gas realisations, lower refining margins and a lower Rosneft contribution. This was partly offset by lower DD&A following the impairments taken in the second quarter of this year.

The third quarter dividend, payable in the fourth quarter remains unchanged at 5.25 cents per ordinary share.

# Cash flow and balance sheet

**YTD cash inflows/outflows** $bn




**3Q 2020 highlights**

- Cash inflow[5] of $0.6bn
- Net debt falls to $40.4bn
- Cash balance point[6] around $42/bbl

*(1) Divestments and other proceeds (2) Underlying operating cash flow is net cash provided by/(used in) operating activities excluding post-tax Gulf of Mexico oil spill payments (3) Lease liability payments (4) Cash dividends paid (5) Underlying operating cash flow plus disposal and other proceeds less Gulf of Mexico oil spill payments, dividend payments, capex, lease payments and share buybacks (6) Operating cash flow excluding post-tax DWH payments, adding JV loan repayments, deducting lease payments, organic and inorganic cash capex, dividend and hybrid coupon. At 3Q20 average RMM and Henry Hub*

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Turning to cash flow and our balance sheet.

Reflecting the adjustment to our distribution policy communicated with second quarter results, it’s worth focusing on the third quarter.

In the third quarter, bp generated a cash inflow of $600 million despite the ongoing impact of COVID-19, hurricane outages of high-margin production in the Gulf of Mexico and cash outflows for acquisitions. As a result, at the end of the quarter net debt declined to $40.4 billion.

Supported by our actions on cost and capital discipline, in the third quarter our cash balance point was around $42 a barrel including acquisitions. This was in line with the average Brent oil price in the quarter despite weak refining margins, lower gas prices and reduced product demand.

Net debt was $11 billion lower than at the end of the first quarter, including the proceeds of hybrid bond issuance during the second quarter. This represents substantial progress toward our objective of deleveraging to $35 billion.

In summary, we have a disciplined capital allocation framework which has the dividend as the first priority.  We are deleveraging to support a resilient balance sheet and a strong investment grade credit rating. We remain focused on operational delivery, cost and capital discipline and progressing our divestment programme, and Bernard will talk more about this in a moment.

## 2020 guidance

**Fourth quarter**

**Upstream**
- Production is expected to be slightly lower due to maintenance activity

**Downstream**
- Continued pressure on industry refining margins
- Marketing volumes to remain impacted by COVID-19 restrictions

**Full year**

| | |
|---|---|
| Upstream production excluding Rosneft | Lower than 2019[1] |
| Organic capital expenditure | ~$12bn |
| DD&A | ~15% lower than 2019 |
| Gulf of Mexico oil spill payments | ~$1.5bn |
| OB&C[2] underlying quarterly charge | ~$350m |

*(1) Underlying production: the actual reported number will depend on divestments, OPEC quotas, and other factors*
*(2) OB&C: Other businesses and corporate*

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Turning lastly to the outlook and our guidance.

Looking at the fourth quarter:

– In the Upstream we expect reported production to be slightly lower than the third quarter due to maintenance activity;

– While in the Downstream, we expect continued pressure on industry refining margins and for marketing volumes to remain impacted by COVID-19 restrictions.

Looking at our full year guidance:

– We continue to expect Upstream production to be lower than 2019 and organic capital expenditure to be around $12 billion;

– We now expect 2020 full year DD&A to be around 15% lower than 2019, reflecting the impact of impairments taken in the second quarter;

– We expect the post-tax charge for the Gulf of Mexico oil spill payments to be around $1.5 billion in 2020; and

– The other business and corporate underlying quarterly charge is expected to be around $350 million.

Consistent with the reinvent bp programme, we expect to incur people-related costs, including redundancy payments, of around $1.4 billion over the next one to two years, with the majority in 2020.

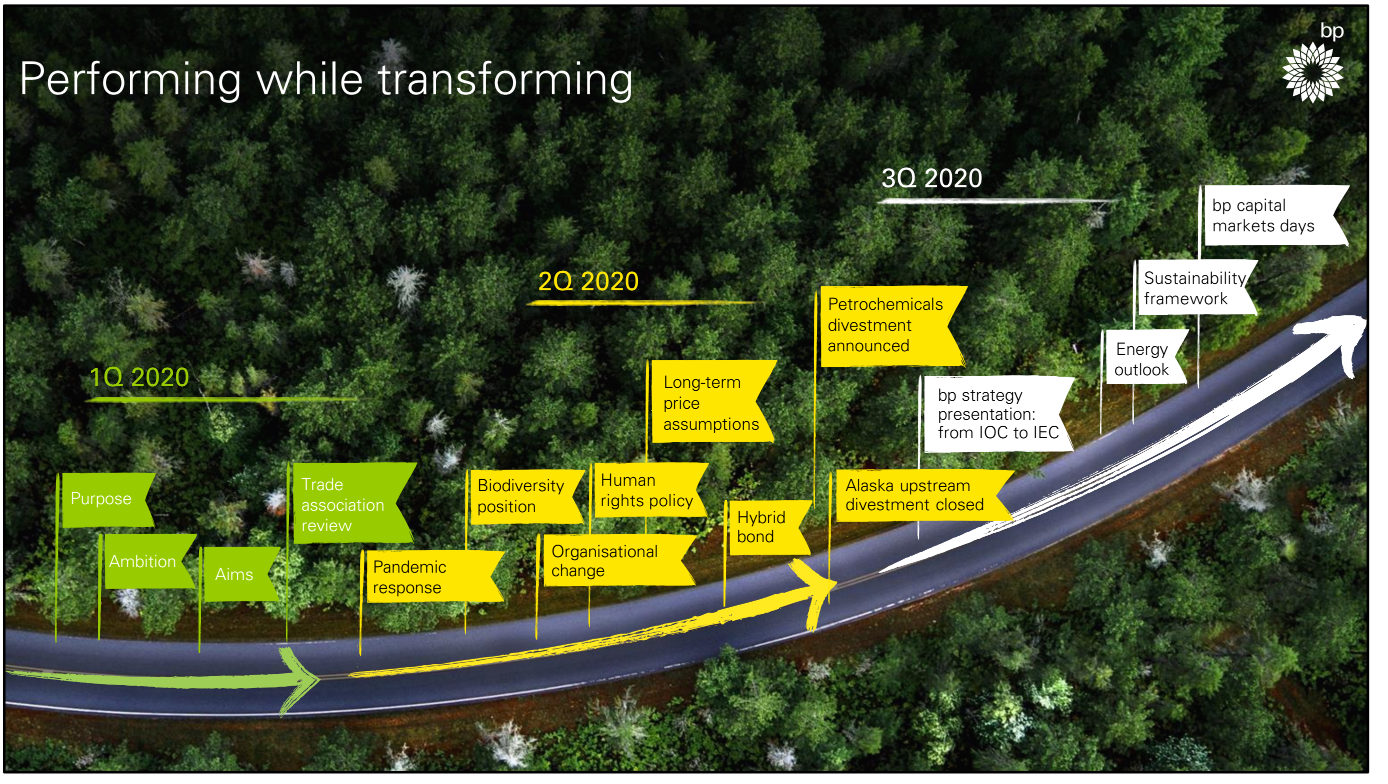
Finally, as a reminder we will start reporting under our new organisational structure on a post-tax segmental basis, effective 1 January 2021. We intend to provide pro-forma numbers to assist in modelling the new organisation shortly after our fourth quarter results and well ahead of reporting our first quarter on this new basis.

I will now handover to Bernard who is going to speak more about our operational and financial progress.

# Bernard Looney

chief executive officer

Thanks Murray, and hello to everyone on the call, it’s great to be joining you today.




I won't replay what Murray has just covered. Whilst our results today are reflective of the tough environment we are operating in, I hope they also show a clear story of robust underlying performance from our businesses.

This is what I want to talk about today. We have set out our stall on where we are taking bp. And made some great progress over the last several months – as you can see on this slide.

But now it is about getting on with the business of business. As we said in September – this is not about altruism or charity – this is about value creation. We will be judged by our actions – not by our words. By day to day delivery and that is where we are 100% focused.

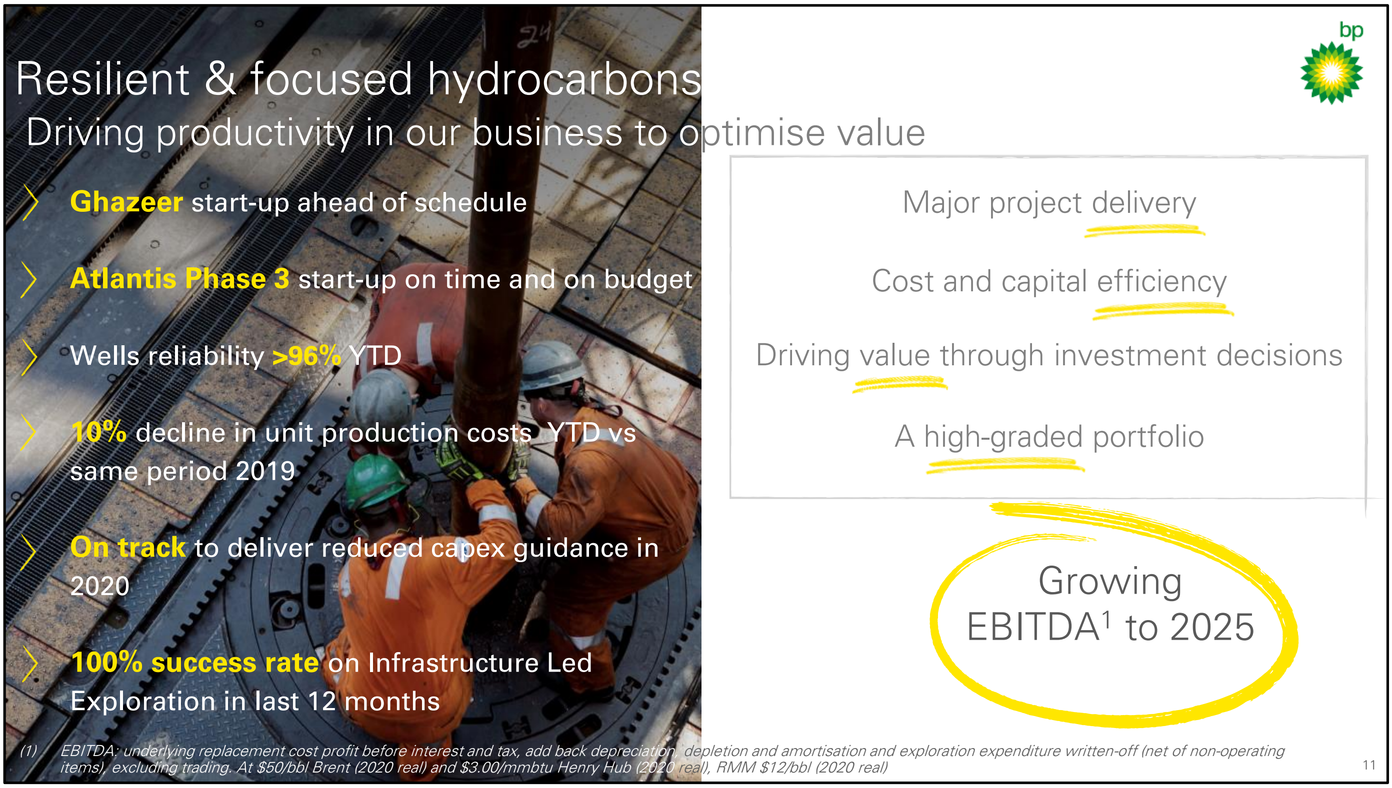
- With an absolute focus on operational excellence, so that our businesses are safe, reliable and efficient…
- …in order to deliver our growth and returns targets to 2025;
- Underpinned by a resilient financial frame and a disciplined approach to capital allocation.

This is what we mean by 'performing while transforming' and today we are sharing clear evidence of that:

- Driving capital and cost efficiency in our resilient and focused hydrocarbons business;
- Driving growth in convenience and mobility through a focus on our customers;
- Building scale in our low carbon businesses through capital and returns discipline;

And doing so while delivering divestments and reducing debt.

Let me take each in turn.




I want to start with the engine room of bp – our resilient and focused hydrocarbons business.

We believe it is a high-quality business with great assets and resource options. From this foundation we will create further value by:

– Delivering our suite of major projects;

– Continuing to drive costs down and improve capital productivity;

– Focusing capital on the very best opportunities – with an increasing emphasis on leveraging existing infrastructure; and

– As and when the market is right – divesting non-core assets for value.

As a result of these actions, we expect to grow underlying production over the next 12 to 18 months. And we expect to grow headline EBITDA through to 2025 – even after divestments.

Let me go into each of these actions in a bit more detail.

First, we plan to improve the margin mix of our underlying production through continued major project delivery.

Earlier this month we announced the start-up of Ghazeer – the second phase of the Block 61 tight gas development in Oman. At capacity we expect the two phases – Khazzan and Ghazeer – to produce 1.5 billion cubic feet a day and over 65 thousand barrels oil equivalent per day of condensate. This project exemplifies resilient hydrocarbons.

Ghazeer was delivered with capital discipline and in just 33 months – ahead of the scheduled 2021 start-up.

We are seeing continuous improvement in our drilling programme with wells being delivered in record time and at lower cost, and with lower emissions. Additionally, early indications show a richer condensate mix than anticipated.

Start-up of Ghazeer is another important milestone in our partnership with Oman, a partnership we will further strengthen as we commence exploration activities on Block 77.

The second major project start-up was Atlantis Phase 3 in August, a subsea tie-back to the Atlantis platform in the Gulf of Mexico. It is a great example of the sort of fast payback, high return project we are prioritising in our capital allocation. This project was delivered on time and on budget despite the impact of COVID-19. Along with an impressive safety record – drilling completions and offshore construction were executed with zero personal injuries and zero regulatory compliance issues – a fantastic achievement.

Looking forward, we are on track to deliver the remaining 2020 major projects; Raven, KG D6 R-Series and Vorlich.

Second, we are transforming our operations to drive cost and capital efficiency.

Our unit production costs are down 10% in the first three quarters, compared to the same period a year ago. This was enabled by progress on the efficiency of our operations with continued reductions in underlying operating costs and the impact of strategic divestments.

We are also focusing on capital efficiency, a good example of this is the transformation agenda in our Wells organisation:

- Changing the way we work using centralised and agile teams in well planning and execution. Recently, one rig, managed from the UK, drilled a record breaking well in Mauritania and Senegal, before moving to Egypt where it delivered bp’s lowest cost Oligocene well in Atoll North. And the same rig – managed by the same team in the UK – has now moved to Angola and has commenced infill drilling operations there;
- Focusing on well construction design, multiple projects have helped to increase our top quartile wells by 15% in the first three quarters compared to the same period a year ago. One example is

our Atlantis Phase 3 wells, where optimising casing design, enabled the removal of a string, saving time and money; and

- We have maintained our wells reliability at over 96% year-to-date, in part due to our progress on mitigating deferrals from safety valve failures and well performance issues.

Third, we are in action to drive value through our investment decisions.

We are on-track to deliver reduced capital spend in 2020 consistent with the guidance provided earlier this year. We are utilising short cycle flexibility in BPX Energy and optimising spend across the portfolio.

And in line with our focus on maximising the value of past investments, we are focusing our exploration spend on existing hubs. In the last twelve months we have a success rate of 100% on our Infrastructure Led Exploration programme, with seven out of seven on wells, adding resources around existing assets in the Gulf of Mexico, Trinidad and Egypt. All of which could be developed with short cycle times.


Turning to convenience and mobility.

There has been a lot of interest in this business since bp week in September. It is an integral part of our growth and returns strategy as we look to 2021 and beyond.

Under our new organisational structure we plan to provide ongoing disclosures to help the market better understand its financial contribution and growth potential.

This is a business which has:

– Scale – delivering around $5 billion EBITDA in 2019;

– A track record of growth – at around 7% per annum since 2014; and

– Excellent returns – generating ROACE of more than 20% in 2019.

We aim to nearly double EBITDA by 2030 with ROACE of between 15 and 20%

This growth will be driven by businesses that we know well and have a strong track record.

We are expanding in growth markets:

– In July we completed the formation of Jio-bp, our Indian fuels and mobility joint venture with Reliance, more than doubling the number of retail sites in growth markets to around 2,700. With plans to grow to 5,500 hundred retail sites in India over the next five years, this is a key contributor to our target of 7,000 retail sites in growth markets by 2025, and is an important source of expected EBITDA growth; and

– In Castrol, we delivered a strong recovery in the third quarter with volumes growing by more than 5% in China and India. As we look to 2021 and beyond, we will focus on making this business better through our improvement plan, integration with mobility and investing in the strong brand that helps make Castrol such a resilient business.

We are redefining convenience:

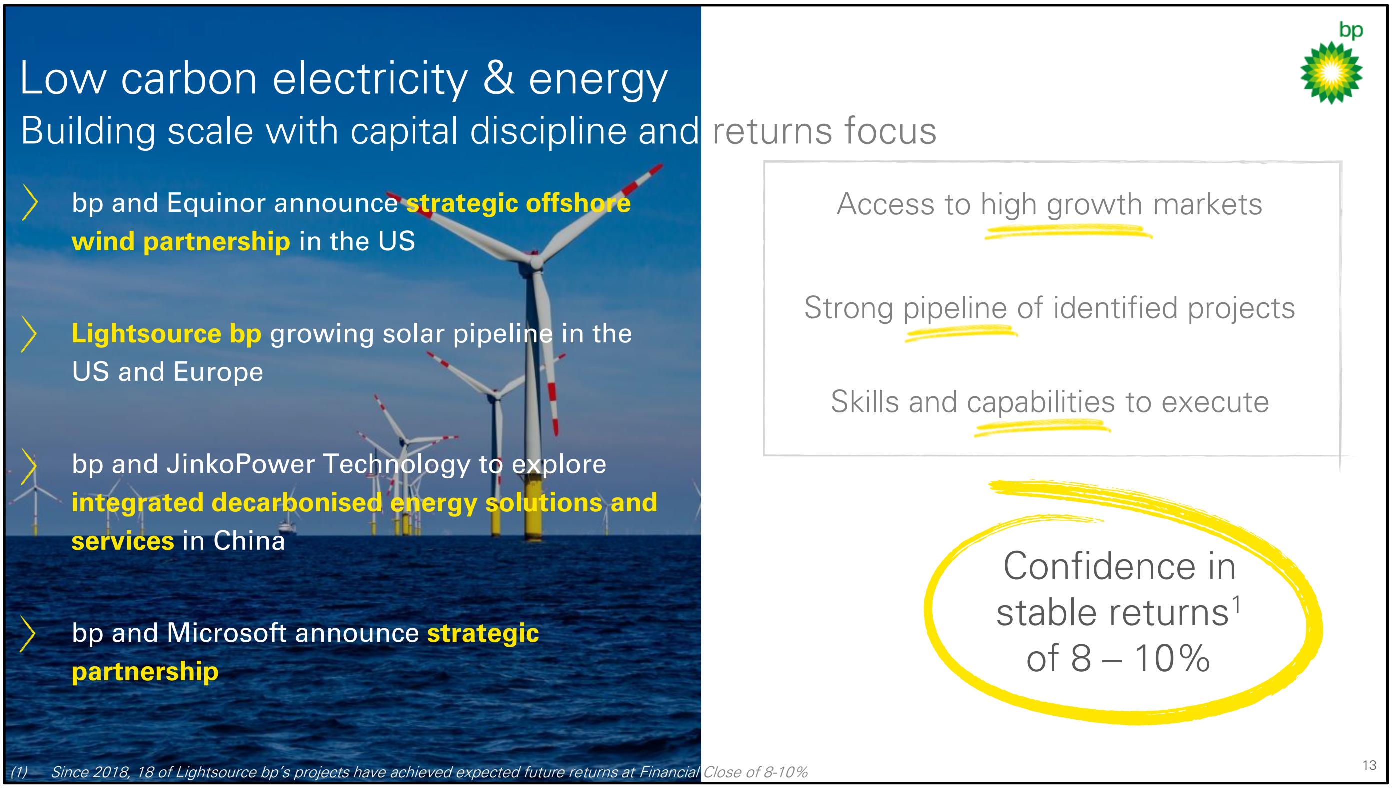
- In the third quarter our like-for-like convenience gross margin was 4% higher compared to the same period last year, demonstrating the strength of our customer offer. This was an important contributor to 3% year-on-year growth in fuels marketing earnings in the third quarter despite COVID-19 driven fuels demand impact of 7% in retail and around 60% in aviation;

- We have continued to grow the number of strategic convenience sites, a key part of our strategy to redefine convenience for our customers and deliver our 2025 target of more than 2,300.

In next-gen mobility, we now have more than 8,500 electric charging points globally and continue with our growth plans:

- Earlier this month bp Chargemaster was awarded the UK's largest ever EV infrastructure contract by Police Scotland to deliver more than 1,000 charging points over the next four years; and

- We are also in action to build a network of ultra-fast charging across Germany, beginning with the rollout of more than 100 charging points at Aral retail sites over the next 12 months.




Turning to low carbon. We are putting in place the building blocks to grow scale and deliver on our returns target.

We are building on our established businesses and looking for new and emerging opportunities, with further progress in the third quarter:

- In the US, we announced our first entry into offshore wind through a partnership with Equinor. It includes the development of existing offshore wind leases on the US east coast and the agreement to jointly pursue further opportunities for offshore wind. Equinor has recently submitted bids into New York's second round offshore wind round. The state is accepting proposals for up to 2.5 gigawatts of offshore wind and a multi-port infrastructure investment plan;

- Lightsource bp completed several financing and acquisition deals in the US and Europe and finished construction of three solar sites in Franklin County, Pennsylvania. These sites will deliver electricity to Penn State University under a 70 megawatt power purchase agreement and will provide over 100 million kilowatt-hours of electricity in year one. This is a business with a proven track record of growth, and since 2018, 18 of the projects delivered have achieved returns in the 8 to 10% range or above.

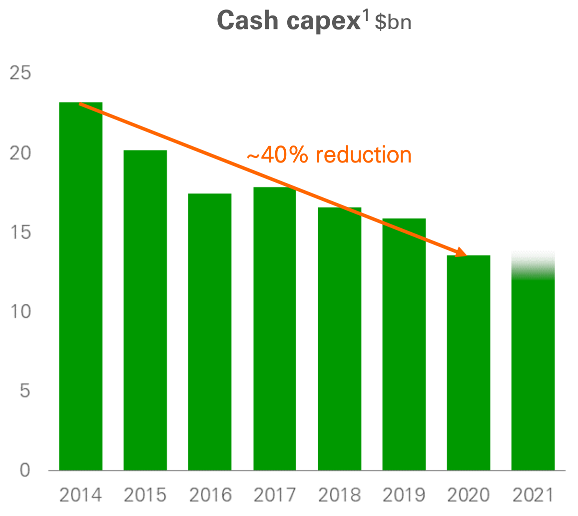
- In China, the world's largest and fastest growing renewable market, we signed a memorandum of understanding with JinkoPower Technology, a leading solar project developer. The partnership will seek to provide integrated decarbonised energy solutions and services to customers, further supporting China's aim of reaching 50% of power generation from non-fossil fuels by 2030; and

- We recently announced a partnership with Microsoft under which the two companies will co-operate to progress their sustainability aims. As part of this, bp has agreed to supply Microsoft with renewable energy and to extend its use of

Microsoft's cloud-based services.

This is a strategy of value not volume. As we build and grow these businesses and transform our company, we will exercise rigour and discipline in our investment choices, pursuing only those opportunities that we believe can generate the returns we, and our shareholders expect.

## Delivering a disciplined approach to investment




- On track for organic capex of ~$12bn in 2020
- Expect capex at lower end of $13-15bn range including inorganics in 2021
- Focused on capital efficiency and returns

(1) *Organic and inorganic cash capital expenditure excluding acquisition of US onshore assets from BHP*



Looking in more detail at our disciplined approach to investment.

We are on track to deliver capital spend of around $12 billion in 2020, excluding inorganics. This is a reduction of around 25% relative to our plans laid out at the start of the year and is a consequence of our decisive action to further strengthen our financial frame.

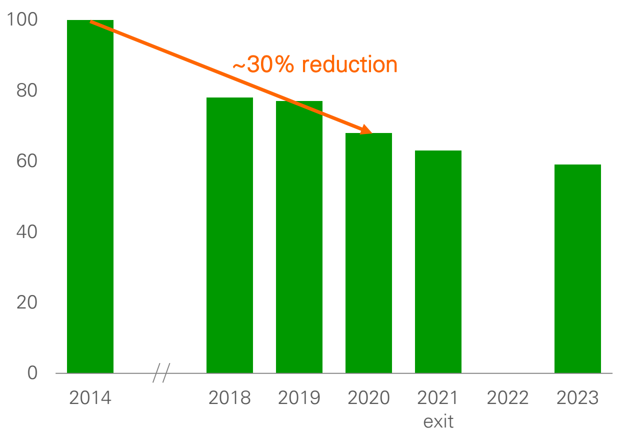
Looking ahead, we expect investment in 2021 to be at the lower end of our $13-15 billion guidance, including inorganics.

And we have further flexibility to respond should the environment deteriorate further.

As ever – as we invest to evolve our capital employed we will exercise rigour and discipline – applying stringent hurdle rates and taking decisions to create sustainable long-term value.

## Driving cash cost reductions as we reinvent bp

**Total cash costs** indexed




**Progress on cash cost reductions**

- On track to deliver $2.5bn pre-tax cash cost savings by end-2021[1]
- 11% lower YTD[2]
- $3-4bn of pre-tax cash cost savings expected by 2023[1]
- Absolute cost base expected to reduce by ~40% by 2023 vs 2014

*(1) Relative to 2019*
*(2) Cash costs saving relative to same period in 2019*



We are also focused on driving efficiency through our cost base, and as shown in the journey from 2014 we have a track record of delivery.

At the end of the third quarter, year-to-date cash costs were down 11% relative to the same period in 2019.

This demonstrates the swift and decisive action we have taken to strengthen bp's financial frame during volatile and challenging market conditions.

To set the context – this means that for 2020 cash costs are expected to be down by around 30% since 2014.

And there is further to go, with bp's reinvent programme and associated cost reduction gathering momentum.

This programme not only supports our commitment to deliver $2.5 billion of pre-tax cash cost savings by the end of 2021 relative to 2019, but it also underpins our target to deliver $3-4 billion of pre-tax cash cost savings by 2023.

Reinvent will see us create a bp that is a leaner and faster moving company as we reorganise to drive centralisation and remove duplication, invest in digital to drive further efficiency, and achieve operational efficiencies through a strategic approach to our supply chain.

A key part of this programme is the reorganisation of bp. The plan is on track, with the new organisation fully defined and on-schedule to be in place by the end of this year:

– We have already fully defined the extended leadership team, cutting the number of senior executive positions in half – from 240 to 120;

- In total, bp's headcount has reduced by around 2,800 so far during 2020. This includes around 300 people who have already left the organisation as part of our reinvent bp programme.

- A further 2,100 have elected to leave under reinvent bp, and we continue to expect a total reduction of around 10,000 positions, the majority of which will happen by the end of this year.

And we are removing layers. In the new organisation around 50% of roles will be within five layers of the CEO. This compares to just 20% in the legacy organisation. In addition, we are focused on driving cost savings through digital and operational efficiencies – and we are making progress here too:

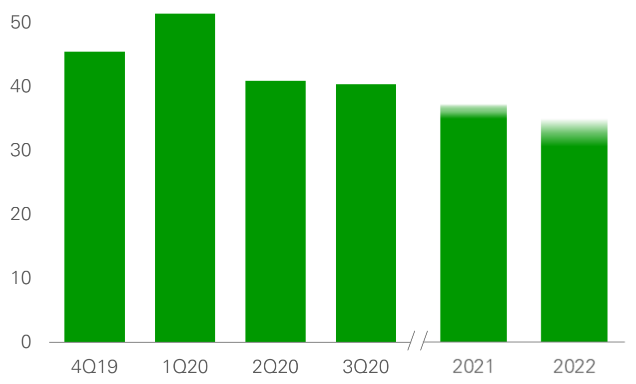
We have put in place the governance structures to enable zero based budgeting across our supply chain in advance of further roll-out. We expect the bulk of these savings to be delivered between 2021 and 2023;

- We are bringing together all of our finance and procurement activities for the group in one place – effective from the start of 2021; and

- We continue to invest in digital to deliver incremental value to the group. For example, in the third quarter we completed full alignment of our exploration and production financial systems onto one common template. This will contribute to lower back-office costs while enabling improved operational and cost efficiency in the field. A different, field-based example is our continued roll out of robotic crawler technology to reduce third party inspection and maintenance costs.

# Deleveraging our balance sheet

**Net debt**[1] $bn




- Expect $25bn divestment proceeds 2H20-2025
  - $5bn petchems sale expected to complete 4Q20
- 3Q20 cash balance point[2] around $42/bbl
- Net debt reduced to $40.4bn at end-3Q20
- Aiming to deleverage to $35bn net debt

*(1) Forecast net debt at $50/bbl Brent (2020 real) and bp planning assumptions*
*(2) Operating cash flow excluding post-tax DWH payments, adding JV loan repayments, deducting lease payments, organic and inorganic cash capex, dividend and hybrid coupon. At 3Q20 average RMM and Henry Hub*

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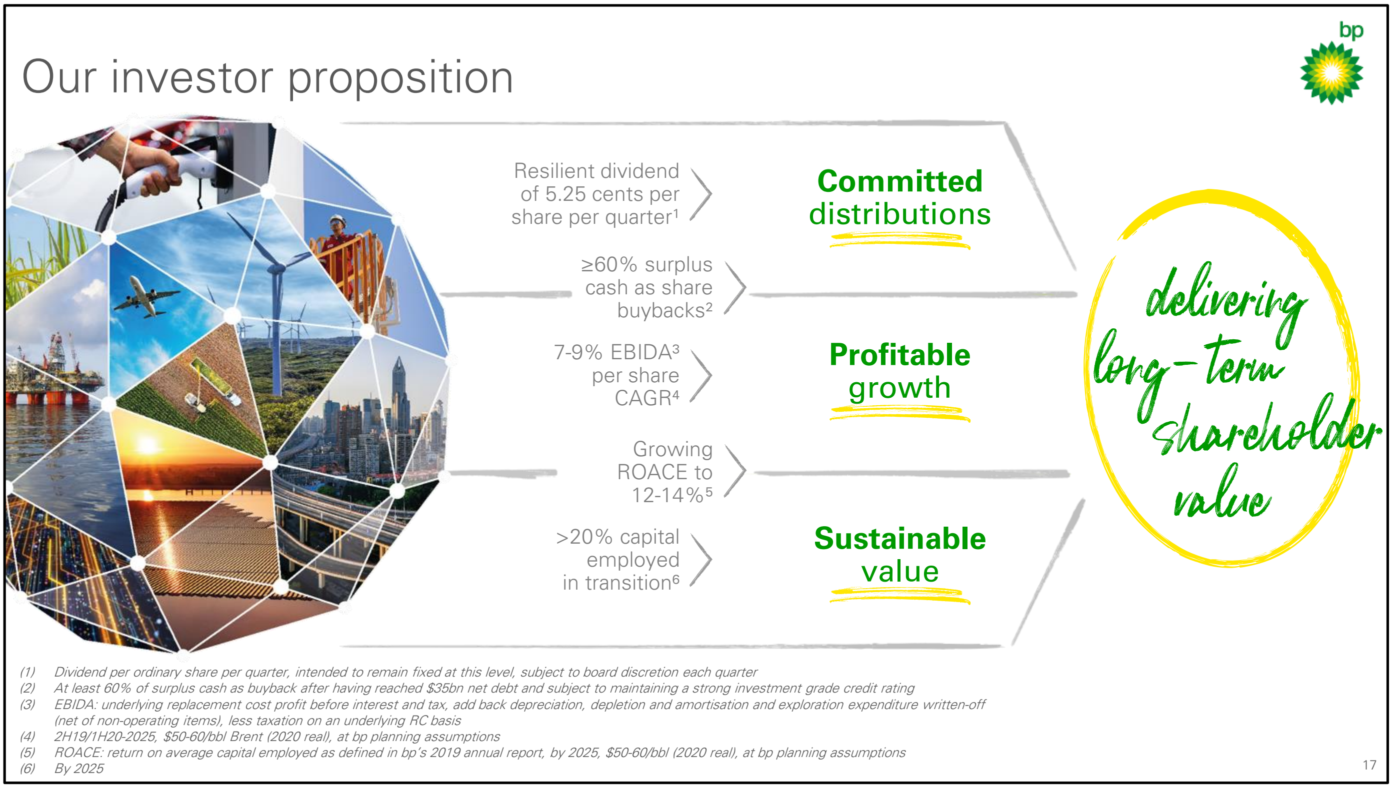
Finally, we continue to make progress executing our divestment programme, lowering our cash balance point and deleveraging our balance sheet.

Starting with divestments. We have already completed or agreed transactions approaching half of our target of $25 billion of proceeds by 2025. This includes the sale of our petrochemicals business to INEOS which we expect to complete during the fourth quarter. As we look forward, we have a deep hopper of potential divestment options. And as we execute this programme we will continue to be focused on value. We are not in a rush and we will wait for competitive pricing.

Moving to the cash balance point. As Murray has already mentioned, in the third quarter our cash balance point including acquisitions was around $42 a barrel. This is in line with the average Brent oil price in the quarter, despite weak refining margins, low gas prices and reduced product demand.

Taken together, our actions on cost and capital efficiency, divestments and capital structure have allowed us to reduce our net debt to $40.4 billion at the end of the third quarter compared to $51.4 billion at the end of the first quarter. As we look forward, we expect net debt to fall again in the fourth quarter – supporting our objective of maintaining a strong investment grade credit rating and marking further progress toward our $35 billion net debt target. As a reminder, within our capital allocation framework this represents the trigger to commence buybacks.




So in summary, we are making strong progress – 'performing while transforming'.

Delivering tangible operational progress relative to our strategic objectives:

– EBITDA growth in resilient and focused hydrocarbons to 2025 even after divestments;

– In convenience and mobility, nearly doubling EBITDA by 2030 with ROACE of 15 to 20% through a focus on growth markets, convenience retail and next gen mobility; and

– Achieving stable returns of 8 to 10% in low carbon electricity and energy, demonstrating capital discipline and a clear focus on value as we build capability and scale.

Together with our disciplined and resilient financial frame this underpins the confidence we have in our investor proposition. That is:

– Committed distributions – including the dividend as the number one priority within our capital allocation framework;

– Profitable growth; and

– Sustainable value.

All in service of delivering long-term value to shareholders. That's our job.

Thank you for your time today. Now, Murray, Craig and I will take your questions.

# Q&A

Bernard Looney
CEO

Murray Auchincloss
CFO

Craig Marshall
SVP IR

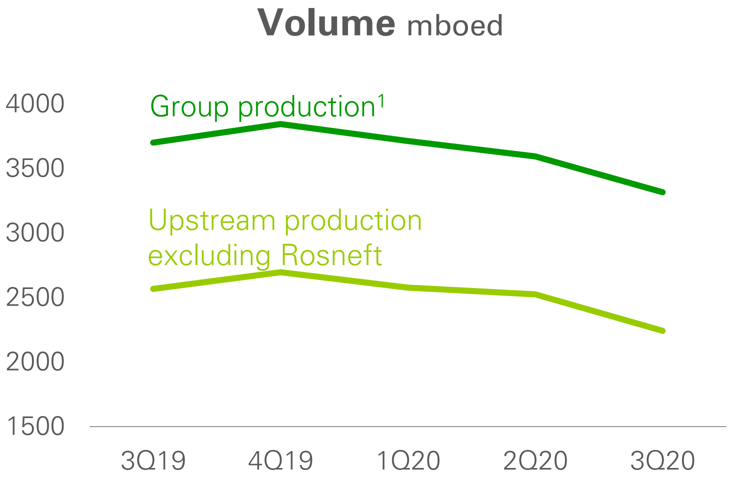
# Appendix

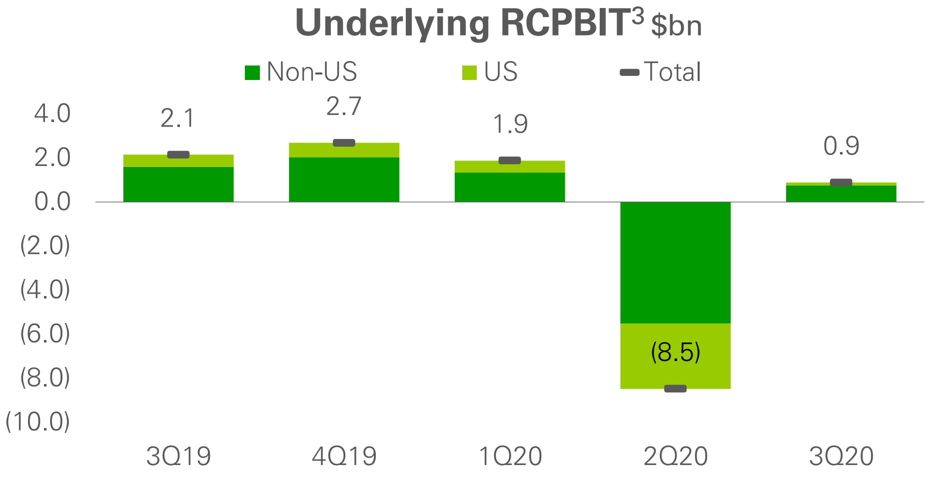
# 3Q 2020 summary

| $bn | 3Q19 | 2Q20 | 3Q20 | % Y-o-Y | % Q-o-Q |
|---|---|---|---|---|---|
| Upstream | 2.1 | (8.5) | 0.9 | | |
| Downstream | 1.9 | 1.4 | 0.6 | | |
| Other businesses and corporate | (0.3) | (0.3) | (0.1) | | |
| **Underlying business RCPBIT[1]** | **3.7** | **(7.3)** | **1.4** | **(63%)** | **(119%)** |
| Rosneft[2] | 0.8 | (0.1) | (0.2) | | |
| Consolidation adjustment – unrealised profit in inventory | 0.0 | (0.0) | 0.0 | | |
| **Underlying RCPBIT[1]** | **4.5** | **(7.4)** | **1.2** | **(73%)** | **(117%)** |
| Finance costs[3] | (0.8) | (0.7) | (0.6) | | |
| Tax | (1.5) | 0.8 | (0.4) | | |
| Minority interest | (0.0) | 0.7 | (0.1) | | |
| **Underlying replacement cost profit** | **2.3** | **(6.7)** | **0.1** | **(96%)** | **(101%)** |
| Underlying effective tax rate[4] | 40% | 9% | 64% | | |
| Underlying operating cash flow[5] | 6.5 | 4.8 | 5.3 | (17%) | 11% |
| Underlying earnings per share (cents) | 11.1 | (33.0) | 0.4 | (96%) | (101%) |
| Dividend paid per share (cents) | 10.25 | 10.50 | 5.25 | (49%) | (50%) |
| Dividend declared per share (cents) | 10.25 | 5.25 | 5.25 | (49%) | 0% |

*(1) Replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items and fair value accounting effects*
*(2) bp estimate of Rosneft earnings after interest, tax and minority interest*
*(3) Finance costs and net finance income or expense relating to pensions and other post-retirement benefits*
*(4) Underlying effective tax rate on replacement cost profit adjusted to remove the effects of non-operating items and fair value accounting effects*
*(5) Underlying operating cash flow is net cash provided by/(used in) operating activities excluding post-tax Gulf of Mexico oil spill payments*

# Upstream




| Realisations[2] | 3Q19 | 2Q20 | 3Q20 |
|---|---|---|---|
| Liquids ($/bbl) | 56 | 23 | 38 |
| Gas ($/mcf) | 3.1 | 2.5 | 2.6 |

## 3Q 2020 vs 2Q 2020

- The absence of write downs of certain exploration intangible carrying values; and
- Higher liquids realisations

(1) *Group reported oil and gas production including Rosneft*
(2) *Realisations based on sales of consolidated subsidiaries only, excluding equity-accounted entities*
(3) *Replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items and fair value accounting effects*

# Downstream

**96%**

Refining availability[1]

2Q20: 96%

| Refining environment | 3Q19 | 2Q20 | 3Q20 |
|---|---|---|---|
| RMM ($/bbl) | 14.7 | 5.9 | 6.2 |

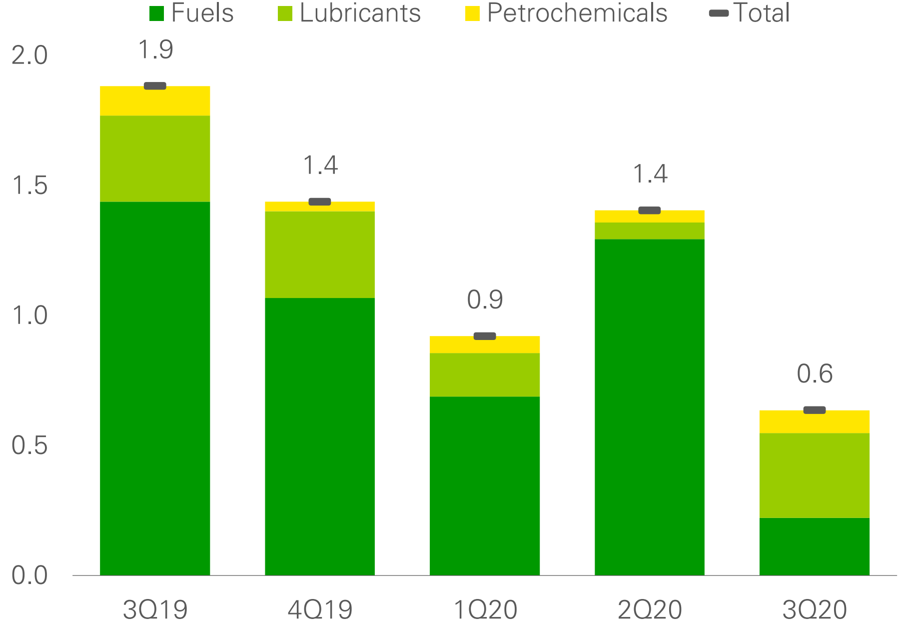
## 3Q 2020 vs 2Q 2020

- Stronger fuels marketing and lubricants earnings

*More than offset by*

- A significantly lower contribution from supply and trading; and
- Weaker refining margins including impact of narrower WTI-WCS

**Underlying RCPBIT[2] $bn**

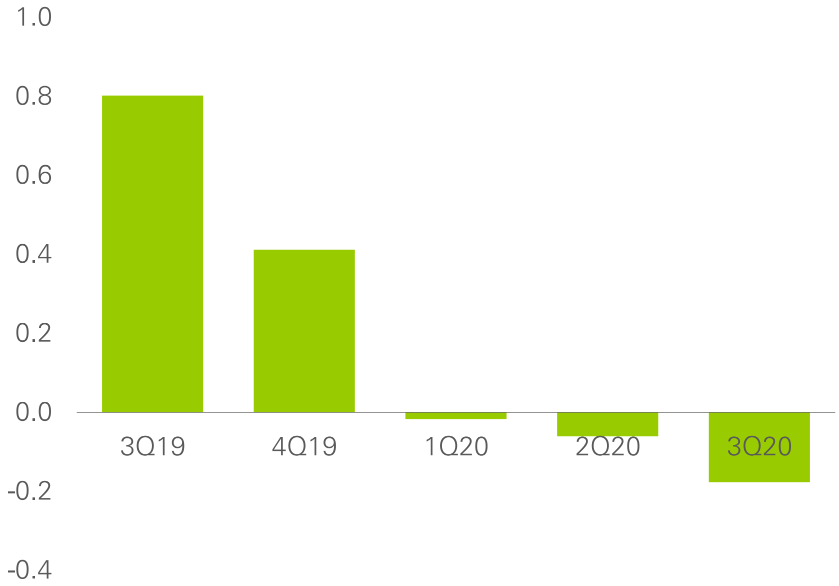



(1) bp-operated refining availability

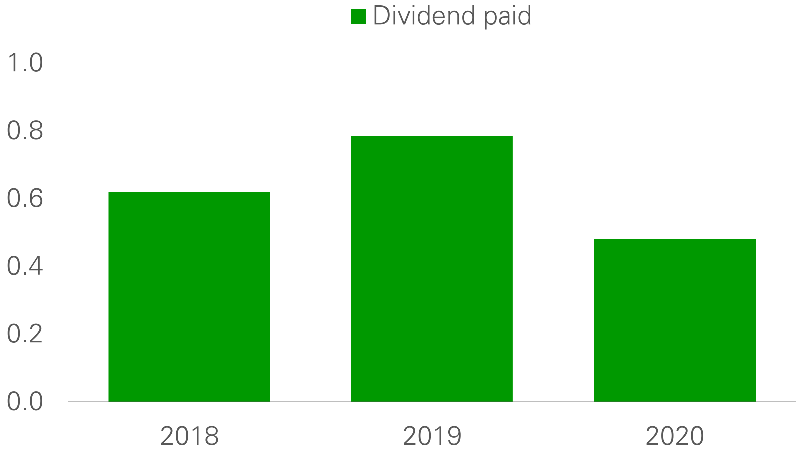
(2) Replacement cost profit before interest and tax (RCPBIT), adjusted for non-operating items and fair value accounting effects

# Rosneft

**bp share of underlying net income**[1] $bn




**bp share of Rosneft dividend**[2] $bn




1.1mmboed

bp share of Rosneft production[3]

*(1) On a replacement cost basis and adjusted for non-operating items; 3Q20 represents bp estimate*
*(2) From 2018, represents bp's share of 50% of Rosneft's IFRS net profit*
*(3) Average daily production for 3Q20*