Financial frame

Murray Auchincloss
Chief financial officer
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: The discussion in this results announcement contains 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: bp’s new financial frame to support a shift in allocating capital towards low carbon and other energy transition activities and for the combination of strategy and financial frame to provide a coherent and compelling investor proposition and create long-term value for bp’s shareholders, including statements regarding bp’s coherent approach to capital allocation, a resilient balance sheet with the target of maintaining a strong investment grade credit rating, disciplined approach to investment within clear ranges, resetting to a resilient level of dividend of 5.25 cents per ordinary share per quarter (subject to the board’s decision each quarter), deleveraging and maintaining a strong investment grade credit rating, investing at scale into the energy transition as well as in bp’s resilient hydrocarbons assets to maximize value and cash flow, committing to return at least 60% of surplus cash through share buybacks once net debt is reduced to $35 billion subject to maintaining a strong investment grade credit rating, rebalancing sources and uses of cash, on average over 2021-2025 to a balance point of around $40/bbl Brent, plans and expectations relating to divestments including targeting $25 billion of divestment proceeds between the second half of 2020 and 2025, expected hurdle rates for investments, expectations regarding the deliverability of bp’s plans, delivering a 5-6% underlying EBIDA CAGR in 2025, achieving $2.5 billion of pre-tax cash cost reduction by end-2021 and $3-4 billion by end-2023 compared to 2019, driving growth in EBIDA per share at an average compounded annual growth rate of 7-9% to 2025 supported by the share buyback commitment, delivering strong and growing returns, ROACE rising to 12-14% by 2025 and holding flat around this level to 2030, declining contribution from resilient and focused hydrocarbons as well as shrinking oil and gas production, employing more than 30% of capital in transition and low carbon businesses by 2030 and maintaining capital spending in a range of $13-15 billion in Phase 1 and $14-16 billion in Phase 2 and to align new strategic themes to financial reporting.

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 dispositions; 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 report, and under “Risk factors” in bp Annual Report and Form 20-F 2019 as filed with the US Securities and Exchange Commission.
Financial frame

Firm principles and priorities

A coherent approach to capital allocation with a clear set of priorities for the uses of cash

- Resilient dividend
- Deleverage
- Invest in transition
- Invest in resilient hydrocarbons
- Commitment to buyback >60% surplus

A resilient balance sheet with a strong investment grade credit rating

- Deleverage to $35bn
- Maintain strong investment grade rating

A disciplined approach to investment with clear criteria and a rigorous process

- $13-15bn until net debt <$35bn
- $14-16bn thereafter
- Includes inorganics

2021-5 business plan

Strong growth in EBIDA¹ per share²
7-9% CAGR³

Strong and improving ROACE⁴
12-14%⁵

Investing at scale in the energy transition
>20% capital employed⁵

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¹ EBIDA: Underlying replacement cost profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items), less taxation on an underlying replacement cost basis
² Buyback modelled across a range of share prices; EBIDA after impact of planned divestments
³ CAGR: compound annual growth rate, 2H19/1H20 to 2025; $50-60/bbl (2020, real)
⁴ ROACE: return on average capital employed as defined in bp’s 2019 annual report; $50-60/bbl (2020, real)
⁵ By 2025
Coherent approach to capital allocation

Clear priorities

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Resilient dividend of 5.25 cents per share(^1) per quarter</td>
</tr>
<tr>
<td>2</td>
<td>Deleverage to $35bn</td>
</tr>
<tr>
<td>3</td>
<td>Low carbon(^2) and convenience and mobility spend ~$4-6bn per year</td>
</tr>
<tr>
<td>4</td>
<td>Resilient hydrocarbons spend ~$9bn per year</td>
</tr>
<tr>
<td>5</td>
<td>At least 60% of surplus(^3) as buybacks(^4)</td>
</tr>
</tbody>
</table>

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(1) Dividend per ordinary share per quarter, intended to remain fixed at this level, subject to board discretion each quarter

(2) Low carbon electricity and energy

(3) Surplus refers to surplus of sources of cash including operating cash flow, JV loan repayments and divestment proceeds, over uses, including leases, Gulf of Mexico oil spill payments, hybrid servicing costs, dividend payments and cash capital expenditure

(4) At least 60% of surplus cash as buyback once net debt has reduced to $35bn and subject to maintaining a strong investment grade credit rating
Maintaining a strong investment grade credit rating

Clear objectives

- Net Debt $bn
- Cash cover %

Strong progress

- ~$12bn hybrid bond issue
- $1.8bn 1H20 divestment proceeds

Delivery underpinned

- 2021-25 cash balance point ~$40/bbl
- $25bn 2H20-2025 divestment proceeds

(1) Chart presented at $50/bbl Brent (2020 real) and bp planning assumptions
(2) Cash cover ratio: funds from operating activities over expanded debt, including leases, Gulf of Mexico oil spill liabilities and decommissioning liabilities
(3) Operating cash flow excluding post-tax DWH payments, adding JV loan repayments, deducting lease payments, organic and inorganic cash capex at the low end of the $14-16bn capital frame dividend and hybrid coupon. Assuming an average of around $11/bbl RMM and $3.00/mmBtu Henry Hub (2020 real)
### Investment allocation drives value growth

#### Investment criteria
- Strategic alignment
- Returns
- Volatility and ratability
- Integration
- Sustainability
- Risk

#### Disciplined process
- Boundaries set by capital frame and the 10 Aims
- Central allocation across individual business units
- Stringent, differentiated hurdle rates
- More agile decision-making and reallocation

#### Sustainable value growth
- Optimising returns and net asset value, balancing:
  - Short-term free cash flow
  - Medium-term growth
  - Long-term sustainable value
Managing the financial transition

- 5-6% underlying\(^1\) EBIDA\(^2\) \(^3\) CAGR\(^3\)
- Reinvent bp delivering $3-4bn reduction in cash costs by 2023\(^4\)
- Growing EBIDA\(^2\) after the impact of portfolio choices

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\(^1\) Underlying: Before impact of planned divestments
\(^2\) EBIDA: Underlying replacement cost profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items), less taxation on an underlying replacement cost basis
\(^3\) CAGR: compound annual growth rate; 2H19/1H20 to 2025, at $50-60/bbl (2020, real)
\(^4\) Relative to 2019
\(^5\) 2020, real
Reinventing bp – $3-4bn cash cost savings by 2023¹

- Reinvent bp
  - Restructuring
  - Agile working practices

- Efficiency through digital

- Operational efficiencies
  - Strategic approach to supply chain
  - Single operating entity
  - Zero based budgeting

¹ Relative to 2019
Clear priorities for uses of cash

2021-25 sources of cash\(^1\)

**Resilient dividend**

5.25 c\$/share\(^2\) per quarter

**Deleverage**

To $35bn net debt

**Investment\(^3\)**

Phase 1 ~$13-15bn per year
Phase 2 ~$14-16bn per year

**Buybacks**

At least 60% of surplus\(^4\)

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(1) Sources of cash includes operating cash flow at $50-60/bbl Brent (2020 real) and bp planning assumptions plus JV loan repayments and divestment proceeds, deducting leases, Gulf of Mexico oil spill payments and hybrid servicing costs.

(2) Dividend per ordinary share per quarter, intended to remain fixed at this level, subject to board discretion each quarter.

(3) Investment refers to organic and inorganic capital expenditure.

(4) At least 60% of surplus cash as buyback after having reached $35bn Net Debt and subject to maintaining a strong investment grade credit rating.
Committed distributions

Clear policy

- Resilient dividend intended to stay fixed at 5.25 cents per share per quarter

- Commitment to return at least 60% of surplus cash flow via buybacks
  - once net debt target achieved; and
  - subject to maintaining a strong investment grade credit rating

- Remainder of surplus at board discretion

Per share distributions

<table>
<thead>
<tr>
<th>Brent price $/bbl</th>
<th>Dividend (c/share)</th>
<th>Buybacks (c/share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>50</td>
<td>20</td>
<td>20</td>
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<td>60</td>
<td>20</td>
<td>20</td>
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<tr>
<td>70</td>
<td>20</td>
<td>20</td>
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</tbody>
</table>

42c/share

(1) Dividend per ordinary share per quarter, intended to remain fixed at this level, subject to board discretion each quarter
(2) Surplus refers to surplus of sources of cash including operating cash flow, JV loan repayments and divestment proceeds, over uses, including leases, Gulf of Mexico oil spill payments, hybrid servicing costs, dividend payments and cash capital expenditure
(3) Per share distributions: dividend per share plus total buyback expenditure divided by projected share count
(4) 2021-25 average
2021-25 key financial performance measures

**EBIDA\(^1\) per share\(^2\)**
- 7-9% EBIDA\(^1\) per share\(^2\) CAGR\(^4\)
  - 2H19-1H20: $51/bbl
  - 2025: $50-60/bbl\(^3\)

**ROACE\(^5\) %**
- 12-14% group ROACE\(^5\) in 2025
  - 2019: $64/bbl
  - 2025: $50-60/bbl\(^3\)

**Capital employed in the energy transition %**
- >20% of capital employed in energy transition by 2025

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(1) EBIDA: underlying replacement cost profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items), less taxation on an underlying replacement cost basis
(2) Buyback modelled across a range of share prices; EBIDA after impact of planned divestments
(3) 2020, real
(4) CAGR: compound annual growth rate
(5) ROACE: return on average capital employed as defined in bp’s 2019 annual report
Translating our strategic themes to reporting

<table>
<thead>
<tr>
<th>Production &amp; operations²</th>
<th>Customers &amp; products²</th>
<th>Gas &amp; low carbon energy²</th>
<th>Other business &amp; corporate²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resilient and focused hydrocarbons¹</td>
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<tr>
<td>· Oil production</td>
<td>· Refining</td>
<td>· Gas production</td>
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<tr>
<td>Convenience and mobility</td>
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<td></td>
<td></td>
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<tr>
<td>· Fuels (developed markets)</td>
<td>· Fuels (growth markets)</td>
<td>· Integrated gas &amp; power</td>
<td></td>
</tr>
<tr>
<td>Low carbon electricity and energy</td>
<td>· Lubes</td>
<td>· Low carbon electricity</td>
<td></td>
</tr>
<tr>
<td>· Convenience</td>
<td>· Electrification</td>
<td>· Bioenergy</td>
<td></td>
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<tr>
<td>· Future mobility solutions</td>
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<td>· CCUS</td>
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<tr>
<td>Integrators</td>
<td>· Trading (oil)</td>
<td>· Trading (gas)</td>
<td>· Regions Cities &amp; Solutions</td>
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<tr>
<td></td>
<td></td>
<td>· Trading (low carbon)</td>
<td>· Ventures</td>
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<td>· Launchpad</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>· Corporate &amp; functions</td>
</tr>
</tbody>
</table>

(1) Rosneft will continue to be reported separately
(2) IFRS8 segment names to be determined
Our investor proposition

- Resilient dividend of 5.25 cents per share per quarter¹
- >60% surplus cash as share buybacks²
- 7-9% EBIDA³ per share CAGR⁴
- Growing ROACE to 12-14%⁵
- >20% capital employed in transition⁶

Committed distributions

Profitable growth

Sustainable value

(1) Dividend per ordinary share per quarter, intended to remain fixed at this level, subject to board discretion each quarter
(2) At least 60% of surplus cash as buyback after having reached $35bn Net Debt and subject to maintaining a strong investment grade credit rating
(3) EBIDA: underlying replacement cost profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items), less taxation on an underlying RC basis
(4) 2H19/1H20-2025, $50-60/bbl Brent (2020 real), at bp planning assumptions
(5) ROACE: return on average capital employed as defined in bp’s 2019 annual report, by 2025, $50-60/bbl (2020 real), at bp planning assumptions
(6) By 2025