

SPEECH BY BOB DUDLEY, GROUP CHIEF EXECUTIVE, BP, AT BP'S ANNUAL GENERAL MEETING, 11 APRIL 2013

Good morning everyone.

Thank you all for coming along today and thank you for supporting BP over the years.

Before I review 2012 and look ahead, let me add to Carl-Henric's words and describe BP's journey over a slightly longer timeframe.

2010 was the year of the tragic accident in the Gulf of Mexico in which eleven of our colleagues died. That event caused us to look afresh at everything we do in BP, not only safety, but also how we create value in a way that is sustainable over many decades.

After the accident, 2011 was a year of recovery and consolidation. We put in place structures and systems to further embed safety and operational reliability. We created a new, powerful Safety and Operational Risk function. We restructured our upstream and we set out a clear 10 point plan to grow value over the medium term.

The year 2012, as we promised, was a year full of milestones, as we set about delivering that programme of change and delivering on our 10 Point Plan.

Looking forward, 2013 will be a year of execution as we continue to build financial momentum in the company.

Then 2014 will be a year of delivery, by the end of which we plan to achieve an important objective – set out in the 10 point plan – and that is to increase operating cash flow by 50% over 2011. This assumes an oil price of \$100 per barrel, which has some uncertainties.

Beyond 2014, our vision is for BP to continue to grow as a safe, focused oil and gas company, with a high performing, cash generating downstream, and most of our capital investment going into a pipeline of high quality upstream projects. We can identify around 45 major projects in total between now and the end of the current decade, and we will need to prioritize very carefully.

That's the big picture, the broader canvas. Fundamentally, it is about making BP both a safer and a stronger company – but also a sustainable one.

So - how did we put that plan into action last year?

Now, I will start with our progress on safety, as that is our top priority. Tragically, during 2012, we did suffer four fatalities in our operations, two in vehicle accidents in the UK and Brazil, one resulting from a fall in India, and the other from a compressor station incident in the US. We are committed to learn all we can from these incidents and our thoughts and condolences are with those who lost loved ones.

While I acknowledge these tragic events, we have worked hard to make our operations more systematic and to introduce more checks and balances. And on the positive side, our safety record showed some significant progress.

You can see here - on the left - how our recordable injury rate is on a downward trend.

On the right you can see the decrease in losses of primary containment – that's basically leaks.

And you can also see the decrease in the most serious process safety incidents – what we call Tier One events.

Now, the Chairman has described the milestones we passed in 2012 in the US and Russia. More broadly, we also reshaped our portfolio to build a platform for growth. And we started up a series of major projects.

Let me give you a little more detail.

Many of you may be asking why BP is continuing to invest in Russia.

I'd give you three reasons. First, we've proved we can create value there through our work with TNK-BP. That successful investment the Chairman mentioned was based on applying our distinctive strengths, particularly managing giant fields. Over the eight years to 2011 TNK-BP's reserves rose by 50% and its production by 40%.

Second, there is the future potential of Russia itself. The country already has the world's largest reserves and is the largest producer of oil and gas combined.

It also has the greatest potential. It has over four times the combined proved oil and gas reserves of the US. The scope for growth is massive.

And third, there is the potential of Rosneft as a company. With the addition of TNK-BP, Rosneft now has a huge portfolio of oil fields, gas fields, refineries and retail networks, as you can see on the screen.

Given our own experience of large scale mergers, we have been asked to help integrate the two sets of assets, and I will be joining the Rosneft Board. As shareholders, you stand to benefit in at least three ways – growth in the value of our share of Rosneft – dividends paid to us by Rosneft – and any ventures that we undertake with Rosneft in Russia or outside Russia.

So I believe we have turned a problem in Russia into an opportunity.

In the US, too, we have been moving forward, with the important settlements that the Chairman described.

Our current focus is our involvement in the civil trial in New Orleans relating to the 2010 accident. We are putting forward our case and have confidence in our legal team. As we have said previously, we do not believe we acted with gross negligence and believe that this was a multi-party, multi-causal accident, which has been affirmed by every official investigation. We have faith in the US justice system to deliver a fair outcome.

Meanwhile, we have kept our word to the people of the Gulf Coast region. We have supported environmental research and provided funds for the tourism and fishing industries. In total, we have made payments of over \$32 billion related to the accident and oil spill.

As well as these developments in Russia and the US, we have been working to make BP even stronger all around the globe.

We are following some very simple principles, such as:

Don't try to do everything, and

Play to our strengths.

So we have been divesting non-strategic assets and investing in our areas of strength.

By this we mean:

- oil and gas exploration,
- operating in deepwater,
- managing giant fields,
- creating gas value chains,
- operating world-class downstream businesses,
- deploying advanced technologies ;and
- forging strong relationships.

We have reached our \$38 billion target for divestments, shown here on the slide as at the end of 2012 - and we reached it a year ahead of schedule.

This has significantly increased the quality of the Upstream portfolio while reducing its age and complexity - and the risks which come with that.

In fact, if you look at the divestments we have made since April 2010, we have sold around half our upstream installations and pipelines, and one-third of our wells – but only around 10% of our proved reserves.

The assets that remain are high quality ones where we can apply our strengths to generate sustainable growth.

And in 2012, we started up five major projects.

Two are huge!

PSVM in Angola is the largest sub-sea development in the world and the deepest in Africa - it is expected to reach peak production of 150 thousand barrels of oil equivalent a day.

To give you some idea of the scale – here is its footprint compared with the M25 motorway around London. And it sits in very deep water, equivalent to 6 Eiffel Towers standing on top of each other. You can also see the enormous complexity of the advanced engineering involved here.

And this one is the Skarv development in the Norwegian Sea. It is also a massive operation, with a technologically advanced vessel that is built to withstand rough waters, with expected peak production of 165 thousand barrels a day.

In the downstream, it's a similar pattern. We have divested non-strategic assets such as the refineries at Texas City and Carson and we have invested to maximise the quality of our refineries, retail networks, petrochemical plants and lubricant product lines.

The major upgrade of our Whiting refinery in the US Mid-West is on track to start up in the second half of this year. This has been a once-in-a-century modernization to enable the refinery to process Canadian and other heavier crudes.

Similarly in lower carbon energy, while we continue to build gas value chains – offering a lower carbon alternative to coal - and commercial businesses in advanced biofuels, we are divesting non-strategic assets such as our wind business where others can generate more value.

Now, looking to the financial outcomes for last year, our after-tax profit was \$17.6 billion - compared to \$21.7 billion in 2011.

This reduction was in our plans and it reflects the circumstances of BP at the end of last year – and that included two one-off impacts:

- first, the short term effect of the \$38bn divestment programme on production; which reduced cash flow and profit by roughly \$5bn

- and second, the fact that we were unable to record any income from TNK-BP after 21 October because its status was that of being 'held for sale'.

Looking ahead, as I mentioned, we have a pipeline of around 45 potential high-quality upstream projects during the rest of this decade.

We are particularly focusing on four areas – The Gulf of Mexico, Angola, Azerbaijan and the North Sea. We expect around half our operating cash to come from those four places. There are then a further eight locations around the world where we are also well-established, including the Middle East, the Asia Pacific region and Trinidad.

And as an indication of their quality, the projects to be started up in the next five years will have average unit operating cash margins roughly twice the 2011 average.

We expect to see operating cash flow reach around \$30 to \$31 billion in 2014, meeting the objective of achieving more than 50% growth on 2011 on a like-for-like basis.

Further ahead, we have a very promising portfolio of exploration leases. Since 2010, we have been awarded many new licences that cover a combined area roughly twice the size of the UK – a vast area to explore. We have secured more exploration acreage in the last two years than in the nine years before that.

I would ask you to see BP as a plant that has been carefully pruned. Right now it's a little smaller, but healthier and stronger and in much better shape for future growth, and the green shoots are already coming through.

One final point: I've talked about making BP safer and stronger. But there is something more fundamental that I want to share with you.

Something I learned early on in my career – working in the North Sea and elsewhere – is that both safety and strength in fact come from a single foundation.

And that single foundation is one of truly systematic operations – having the same high quality processes – and the same disciplined way of working - from Alaska to Angola and Azerbaijan to Australia.

However, processes by themselves won't achieve anything – they need to be implemented by people who have the right mentality and behaviours to operate in this way.

We have therefore continued to put two things right at the heart of the company. The first is our Operating Management System – or OMS - which provides the single consistent framework for all of our operations.

The second is our values - Safety, Respect, Excellence, Courage and One Team – and the behaviours that bring them to life.

And this is not just management-speak.

I have been quite humbled to see the way that people across BP have looked to these values as a touchstone – even in our darkest hours.

Let me share with you one of the hundreds of messages of condolence that were sent by BP staff after the brutal attack in Algeria in January – where four BP employees and 36 colleagues from other companies were murdered.

This employee wrote: “I know that words cannot replace your loved ones – but I wanted you to know that my heart and prayers are with you. The Courage and One Team response that everyone has shown is an example for the world. I am proud to be a part of the BP Family.”

That person spoke for all of us. Our thoughts remain with the families and friends of those who lost their lives and with all those affected.

The incident tragically underlined the risks we face as we perform the vital task of delivering heat, light and power to communities all around the world for development and growth.

But I know of no-one better able to perform this task than those who work for BP – the ‘BP family’ as they have often been referred to in recent months.

We truly have great and talented people.

They have shown great resilience and dependability. The board and the executive team are deeply grateful to all of them.

In closing, let me also add my thanks to Byron for his many years of service, his 12 years on the Board, his wise counsel to all of us; his friendship and enormous contribution to BP over his long and interesting career, full of great variety.

And let me once again thank all of you here today for your support.

I hope that you will leave here confident that your company is on the right course – in good shape to safely deliver energy for customers and sustainable growth for our shareholders.

Thank you very much.