Getting back to growth

THE BP PROPOSITION

Safer
Fit for the future
Focused on returns
Growing sustainable free cash flow and distributions
BP STRATEGY UPDATE

Strategy update

Bob Dudley
In order to utilize the ‘safe harbor’ provisions of the United States Private Securities Litigation Reform Act of 1995 the ‘PSLRA’ BP is providing the following cautionary statement. This presentation and the associated slides and discussion contain forward-looking statements – that is, statements related to future, not past events – with respect to the financial condition, results of operations and business of BP and certain of the expectations, intentions, plans and objectives of BP with respect to these items, in particular expectations regarding future global energy supply and demand to 2035, including global energy demand growth of 30%, growth of energy demand from emerging economies and the mix of energy demand among oil, natural gas and renewables; plans and expectations regarding BP’s oil price cash balance point and growth in free cash flow through 2021; plans and expectations regarding BP’s resource base and the potential of the resource base to deliver growth without major acquisitions; expectations regarding Rosneft’s long-term role in BP’s portfolio; expectations regarding Upstream project start-ups in 2017 and thereafter including the number and timing thereof, expectations that new projects will add more than 500 thousand barrels per day of new oil equivalent production in 2017 and 800 thousand barrels per day of new oil equivalent production by 2020; expectations that new projects will average approximately 35% better margins than the 2015 portfolio and the effect of new project start-ups on cash flow over the medium term; expectations that Upstream acquisitions will add more than 20 thousand barrels per day of new oil equivalent production by the end of the decade driven by renewal of the Abu Dhabi concession and the ramp-up of the project in Zohr, Egypt; expectations regarding growth in Downstream operating cash flows; expectations regarding growth of production and marketing businesses to 2021; expectations regarding the effect of new technologies on oil and gas production efficiency; expectations regarding BP’s future production mix including that gas will be 60% of BP’s production by 2025; plans and expectations regarding BP’s Global Business Services organization and its effect on the Group; expectations regarding 2017 first-half and full year operating cash flow and 2017 non operating restructuring charges; expectations that 2017 organic capital expenditure will be between $16-17 billion, 2017 divestments will be in the range of $4-5.5 billion in 2017, $2 billion in 2018 and $1 billion per annum thereafter; plans to balance sources of uses of cash organically at around $60 per barrel by the end of 2017 working towards balancing closer to $55 per barrel by the end of 2017 and at $35-$40 per barrel over the next five years; expectations that capital expenditure will remain in the range of 15-17 billion annually and gearing will remain in the range of 20-30%; plans to sustain Brownfield projects to deliver dividends and expectations regarding growth in shareholder distributions over the long term; plans to invest in Downstream manufacturing businesses; expectations regarding volume and margin growth and the effect thereof on returns; expectations that BP’s return on average capital employed will exceed 10% by 2021; expectations regarding improvements in future Upstream returns including through production growth of 5% per year on average to 2021 with a capital frame of $13.14 billion and free cash flow of $12.13 billion; expectations that Upstream unit cost will decrease in 2017 to 40% below 2013 levels and that future cost increases can be offset by efficiencies; expectations regarding long-term Upstream growth to 2030 with base decline in the 3-5% range and a portfolio of 3 million barrels of oil equivalent per day; expectations that Upstream Greenfield projects will achieve an internal rate of return in the mid-teens at an oil price of $60 per barrel and that Brownfield projects will reach an internal rate of return of more than 20% at an oil price of $60 per barrel; expectations that Upstream operating efficiency will exceed 85% in 2025, plans regarding the use of digital and big data and the size of BP’s data lake and the effect thereof on Upstream operations; plans to install APEX and the Plant Operations Advisor in all operated assets by the end of 2018; expectations that the Downstream business will deliver $2-10 billion of pretax free cash flow by 2021; plans to hold pre-tax returns of 15% or more; plans related to continued focus on safety; plans and expectations related to the growth of BP’s refining business by $1 billion by 2021 and the effect on BP’s refining portfolio; plans and expectations to reduce the break-even in petrochemicals by more than 2017 and the effect thereof on underlying earnings growth, returns and investment options; expectations that petrochemicals demand will grow by 4-6% per annum; plans and expectations regarding growth in BP’s lubricants, fuels and retail businesses including the delivery of an additional $2.0-2.5 of pre-tax earnings by 2021; plans and expectations to expand the fuels and lubricants footprint in Mexico, India, Indonesia, and China; plans and expectations with respect to the approval, development and performance of the strategic partnership with Woolworths in Australia and the timing thereof; plans to increase Downstream efficiency and simplification including by reducing the number of roles by 5,500 from 2014 to 2018; plans related to Downstream manufacturing and marketing including the growth of manufacturing earnings by more than $2 billion from 2014 to 2021 and growth in marketing earnings by more than $3 billion from 2014 to 2021; plans related to the transition to a lower carbon future and growth in BP’s Alternative Energy business including through new business models and the investment of approximately $200 million per year; expectations regarding the growth potential of Fulcrum Energy; plans and expectations with respect to initiatives with Princeton University and the World Bank; and expectations related to BP’s ability to remain competitive in the future. 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 specific factors identified in the discussions accompanying such forward-looking statements; the receipt of relevant third party and/or regulatory approvals; the timing and level of maintenance and/or turnaround activity; the timing and volume of refinery additions and outages; the timing of bringing new fields onstream; the timing, quantum and nature of certain divestments; future levels of industry product supply, demand and pricing, including supply growth in North America; OPEC quota restrictions; PSA effects; operating 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 pursuant to which BP may find itself involved; the unpredictability of regulatory and court decisions; delays in the processes for resolving claims; 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; disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism; cyber-attacks or sabotage; and other factors discussed under “Principal risks and uncertainties” in the results announcement for the period ended 30 June 2016 and “Risk factors” in the Annual Report and Form 20-F as filed with the US Securities and Exchange Commission.

This document contains references to non-proved resources and production outlooks based on non-proved resources that the SEC’s rules prohibit us from including in our filings with the SEC. U.S. investors are urged to consider closely the disclosures in our Form 20-F, SEC File No. 1-06262. This form is available on our website at www.bp.com. You can also obtain this form from the SEC by calling 1-800-SEC-0330 or by logging on to their website at www.sec.gov

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.
BP STRATEGY UPDATE

Group overview

Bob Dudley
Agenda

1. Group Overview
   - Bob Dudley
     Group chief executive

2. Upstream
   - Bernard Looney
     Chief executive, Upstream

3. Downstream
   - Tufan Erginbilgic
     Chief executive, Downstream

4. New business models
   - Lamar McKay
     Deputy group chief executive

5. Financial framework & outlook
   - Brian Gilvary
     Chief financial officer

6. Summary
   - Bob Dudley
     Group chief executive

7. Q&A
Changing dynamics of supply and demand

- Global energy demand is expected to grow by 30% to 2035

- The energy mix is changing
  - Oil demand will continue to grow, but at a slower pace
  - Natural gas to grow faster than oil and coal
  - Renewably energy is projected to be ~10% of energy demand by 2035

Primary energy consumption by fuel¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil</th>
<th>Gas</th>
<th>Coal</th>
<th>Nuclear</th>
<th>Hydro</th>
<th>Renewables</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Source: BP Energy Outlook 2017
Strong track record of delivery

**UPSTREAM**
- 24 Major projects since 2012

**COSTS REBASED**
- **ORGANIC CAPITAL SPEND**
  - $16bn in 2016 vs. $24.6bn in 2013
- **CASH COSTS**
  - $7bn reduction in 2016 vs. 2014

**RELIABILITY & EFFICIENCY**
- 95% Plant reliability
- 95% Refining availability

**DOWNSTREAM**
- **$3bn** Underlying performance improvement

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(1) Capital expenditure excluding acquisition and asset exchanges, and the renewal of the 10% interest in the Abu Dhabi onshore oil concession, as noted in the 4Q 2016 SEA
(2) Cash costs are the principal operating and overhead costs that management considers to be most directly under their control; see bp.com for further information
(3) Incremental underlying replacement cost profit before interest and tax, adjusted for refining environment, foreign exchange, turnaround and portfolio impacts; 2014-2016
Looking to the future – disciplined growth

- Deepwater Horizon liabilities clarified
- Financial frame moving towards balance
- Culture of cost discipline embedded
- Portfolio deepened for future growth
- Momentum in our businesses

Recent acquisitions and agreements

- Aker BP
- Mauritania and Senegal access
- 10% of ADCO concession
- 10% of Zohr Phase 2
- Khazzan
- Mad Dog 2 FID
- Fulcrum bioenergy venture
- Woolworths retail acquisition
- 15-17 bn per year organic capital expenditure to 2021

MAXIMUM
# The BP proposition

<table>
<thead>
<tr>
<th>Safer</th>
<th>Safe, reliable and efficient execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fit for the future</td>
<td>A distinctive portfolio fit for a changing world</td>
</tr>
<tr>
<td>Focused on returns</td>
<td>Value based, disciplined investment and cost focus</td>
</tr>
</tbody>
</table>

Growing sustainable free cash flow and distributions to shareholders over the long-term
Safe, reliable and efficient execution

Process Safety Events (PSE)
number of instances

<table>
<thead>
<tr>
<th>Year</th>
<th>PSE Tier 1</th>
<th>PSE Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>2011</td>
<td>150</td>
<td>250</td>
</tr>
<tr>
<td>2012</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>2013</td>
<td>250</td>
<td>350</td>
</tr>
<tr>
<td>2014</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>2015</td>
<td>350</td>
<td>450</td>
</tr>
<tr>
<td>2016</td>
<td>400</td>
<td>500</td>
</tr>
</tbody>
</table>

Reliability and availability
%

- Refining Solomon availability
- Upstream operated plant reliability
A deep resource base

14.7 years
Reserves to production ratio

2016 Proved Reserves
bn boe

2016 Production
mboed

(1) Source: Company reports  (2) Includes BP’s share of Rosneft
A strong platform for growth

- **Strong Upstream, strong Downstream**
  - Strong incumbency
  - Focus on best assets and markets

- Unique position in Russia
- Integrated value options – IST and LNG
- Largest operated renewables portfolio among peers
- Strong relationships and innovative partnerships
Competitively positioned

**Balanced Upstream portfolio**

% of 2020 production

- **Oil sands**
- **Unconventional**
- **LNG/GTL**
- **Deepwater**
- **Conventional**

**Competitive Downstream net income**

$/bbl

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(1) Wood Mackenzie data
(2) BP adjusted to include ADCO and Zohr. Excludes Rosneft
(3) BP estimates based on company data
A distinctive partnership in Russia

- Efficient operations, world-class projects and resilient financial performance
- Enhanced value from independent joint ventures
- Mutually strategic partnership

<table>
<thead>
<tr>
<th>Production(^1) mmboed</th>
<th>BP share of Rosneft</th>
<th>BP Upstream</th>
<th>BP total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>2.2</td>
<td>3.3</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proved reserves(^2) bn boe</th>
<th>BP share of Rosneft</th>
<th>BP Upstream</th>
<th>BP total</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.4</td>
<td>10.4</td>
<td>17.8</td>
<td></td>
</tr>
</tbody>
</table>

(1) Year ending 31 December 2016  (2) At 31 December 2016
Getting back to disciplined growth

**Delivering production growth**

mboed

- **Managed base**
- **Major projects**
- **Acquisitions**

**Growing our marketing businesses**

pre-tax earnings $bn

- **Lubricants**
- **Fuels marketing**

>1 mmbboed

from new production by 2021\(^1\)

>$3bn

incremental pre-tax earnings from marketing businesses 2014-2021\(^2\)

---

(1) 800mboed from major projects 2015-2020 + major project production in 2021 + new production from recent portfolio additions

(2) At a 2016 FX environment

(3) Includes the impact of the Abu Dhabi onshore concession renewal
Clear priorities for a changing world

1. Shift to gas and advantaged oil in the Upstream

2. Market led growth in the Downstream

3. Venturing and low carbon across multiple fronts

4. Modernising the whole Group
Return focus – making the right choices

Value over volume

- Incumbency and key partnerships
- Focus on best markets and assets
- Price leverage and resilience
- Disciplined capital investment
- Actively managed portfolio

DELIVERING COMPETITIVE RETURNS

ROACE > 10% by 2021
Returns focus – disciplined capital investment

- Proven discipline and delivery
- Rigorous capital allocation process
- Strict investment returns criteria
- Optimised decision making

2016 organic capital expenditure¹

$8.6bn below 2013 peak

Group organic capital expenditure

(1) Excludes the renewal of the 10% interest in the Abu Dhabi onshore concession
Returns focus – sustainable cost efficiency

- Working in a simpler and standardised way
- Focus on continuous improvement
- Transformation and modernisation
- ‘Making it stick’

Group cash costs\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Costs ($bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>7</td>
</tr>
<tr>
<td>2014</td>
<td>6</td>
</tr>
<tr>
<td>2015</td>
<td>5</td>
</tr>
<tr>
<td>2016</td>
<td>4</td>
</tr>
</tbody>
</table>

$7bn reduction below 2014

2016 cash costs\(^1\)

$7bn

(1) See bp.com for further information
Returns focus – what makes it different this time?

- Learning from the past
- New culture of cost discipline
  - Operational transformation
  - Controls embedded in organisational process
- Networking and collaboration across our industry
- Benchmarking outside our industry
- Modernisation and use of technology
BP STRATEGY UPDATE

Upstream

Bernard Looney
Upstream key messages

**SAFETY**

#1

Core value

**DELIVERY**

<table>
<thead>
<tr>
<th>Cost and capital savings</th>
<th>Base decline</th>
<th>Major project start-ups</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9bn</td>
<td>&lt;2.5%</td>
<td>6</td>
</tr>
<tr>
<td>1 year early¹</td>
<td>5 years²</td>
<td>in 2016</td>
</tr>
</tbody>
</table>

**MEDIUM TERM GROWTH UPGRADED**

$13-14bn

Free cash flow in 2021³

- 5% production growth⁴
- Flat capital $13-14bn
- Declining unit production costs

**STRONGER LONG TERM GROWTH**

- Increased growth capacity
- Improved capital productivity and returns
- Modernisation and transformation agenda

---

(1) Cash costs and organic capital expenditure excluding capital relating to the renewal of a 10% interest in the Abu Dhabi onshore concession
(2) 2011–2016 compound annual decline rate
(3) Free cash flow proxy = Underlying RCOP+DD&A+EWO-Organic capital expenditure, at $55/bbl Brent real
(4) 2016–2021 compound annual growth rate
Upstream strategy

SAFETY

#1 Core value

EXECUTION

Greatest source of value

INCUMBENCY

Leadership in the best basins

GROWTH

From a balanced, and actively managed portfolio

CAPABILITY

Global, modern workforce, digitally enabled
Driving performance

$9bn improvement in cost and capital expenditure – delivered early

- Explicit capital choices based on investment hurdles
- Flattening decline
- Improving operating efficiency

<table>
<thead>
<tr>
<th>Capital expenditure$bn</th>
<th>Cash costs $bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5bn</td>
<td>-4bn</td>
</tr>
</tbody>
</table>

Driving down breakeven

- Arresting decline Production
- Improving efficiency Breakeven price

Prudhoe Bay

- 2014
- 2016

- 40% reduction

$9bn savings vs 2014¹ delivered one year early

<2.5% base decline² 2011-16

2016 Project start-ups

(1) Excludes the renewal of the 10% interest in the Abu Dhabi onshore concession  (2) 2011–2016 compound annual decline rate
Driving down costs

Unit production costs
$/boe

- 2013: ~12
- 2014: ~12
- 2015: ~8
- 2016: ~8
- 2017: ~6

> 40% reduction

Capital efficiency
Drilling Performance
% of top quartile offshore wells
Days/10k

- 2013: 25%
- 2014: 34%
- 2015: 45%
- 2016: 55%

~75% cost savings sustainable
Projects on track

7 major projects to start-up in 2017

- Juniper
- Khazzan
- Persephone
- Quad 204
- Trinidad Onshore Compression
- West Nile Delta – Taurus/Libra
- Zohr

9 start-ups under construction 2018-2021

- Atoll Phase 1
- Clair Ridge
- Tangguh Train 3
- Constellation
- Culzean
- NWS Western Flank B
- Shah Deniz 2, TANAP & TAP
- West Nile Delta - Giza/Fayoum/Raven
- Mad Dog Phase 2

Projects production build up mboed

800 mboed

800 mboed in 2020

35% greater cash margins

(1) 2016-2025 average pre-tax operating cash flow per barrel at flat $52/bbl
Next wave of competitive projects

- Potential new FIDs:
  - Pike
  - Lower 48
  - Atlantis Phase 3
  - Angelin
  - Trinidad Offshore Compression
  - PAE
  - Clair South
  - Alligin
  - Aker BP
  - Vorlich
  - Azeri East
  - Atoll Phase 2
  - Khazzan Train 3
  - India Gas Projects
  - Zinia Phase 2
  - India Gas Projects
  - Tortue Phase 1

- Projects:
  - India Gas Projects
  - Tortue
  - Phase 1
  - Khazzan Train 3
  - Trinidad Offshore Compression
  - Aker BP
  - Atoll Phase 2
  - Zinia Phase 2
  - Lower 48
  - Atlantis Phase 3
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- Potential new FIDs:
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  - Vorlich
  - Azeri East
  - Atoll Phase 2
  - Khazzan Train 3
  - India Gas Projects
  - Zinia Phase 2
  - India Gas Projects
  - Tortue Phase 1
Upstream medium-term growth upgraded

- 5% production CAGR\(^1\) to 2021
- Continued decline in unit production costs
- Additional $1bn performance improvement\(^2\)
- Constant organic capital expenditure of $13-14bn

Free cash flow – pre-tax\(^3\)
Brent $55/bbl real

\(1\) CAGR 2016–2021
\(2\) Relative to Baku guidance
\(3\) Free cash flow proxy = Underlying RCOP+DD&A+EWO-organic capital expenditure (2016 excluding capital relating to the renewal of a 10% interest in the Abu Dhabi onshore concession) at Brent oil price $55/bbl real

$13-14bn

Free cash flow\(^3\) in 2021
Enhancing portfolio quality

**NEW GAS**
- Oman license area enlarged
- Mauritania and Senegal accessed
- Lower 48 acreage capture
- Tangguh deepening
- Egypt Zohr interest acquired
- Culzean deepening

**ADVANTAGED OIL**
- ADCO agreement extension
- ACG contract extension

**FOCUSING EXPLORATION**
- Incumbent positions
  - Azerbaijan, Egypt, North Sea, GoM
- New opportunities
  - Eastern Canada, Mexico, China, Russia, Mauritania and Senegal

~5bn boe accessed for ~$1/boe cost
Improved long term growth capacity

Value from

More production capacity

Improved returns

Production potential

Progression of E&A
- North Sea
- Trinidad
- Egypt
- West Africa
- Azerbaijan
- Eastern Canada
- Russia
- China
- NWS
- GoM Miocene

Post 2020 Projects
- Mad Dog 2
- Egypt follow on phases (WND, Atoll)
- India gas projects
- Greater Clair
- ACG extension
- Tortue phase 1&2
- GoM
- Trinidad contract extension
- Khazzan Train 3
- Pike

2016-2020 Project start-ups

Managed base
- Major producing hubs
- Onshore Lower 48
- Middle East (Iraq & Abu Dhabi)
- Pan American Energy
- Aker BP
Modernisation and transformation

**AGILITY**
“Improving and simplifying the way we operate”

**DIGITAL**
“Digitising and automating our operations”

**MINDSET**
“Margin focus”

Enhancing operating performance

Improving capital efficiency
### Differentiated value from digital

<table>
<thead>
<tr>
<th>CLOUD-BASED PLATFORMS</th>
<th>GLOBAL MONITORING CENTRES</th>
<th>DIGITALLY SAVVY WORKFORCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARGUS, HAL</td>
<td>Well, field, and cost data history and analytics</td>
<td>BP Well Advisor</td>
</tr>
<tr>
<td>APEX</td>
<td>Production optimisation</td>
<td>Plant Operations Advisor</td>
</tr>
<tr>
<td>SIRAAJ</td>
<td>Digital field planning</td>
<td>Production Management Advisor</td>
</tr>
</tbody>
</table>

### BP’S PROPRIETARY DATA LAKE

- **Infinite scalability**
- **Cloud-based**
- **1 to 6PB** (Petabytes) in the next four years
- **1-5 second refresh**
## Upstream Key Messages

### Safety

**#1**

**Core Value**

### Delivery

- **Cost and capital savings**
  - $9bn
  - 1 year early\(^1\)

- **Base decline**
  - <2.5%
  - 5 years\(^2\)

- **Major project start-ups**
  - 6
  - in 2016

### Medium Term Growth Upgraded

- **$13-14bn**

- Free cash flow in 2021\(^3\)

- ▪ 5% production growth\(^4\)

- ▪ Flat capital $13-14bn

- ▪ Declining unit production costs

### Stronger Long Term Growth

- **Increased growth capacity**

- **Improved capital productivity and returns**

- **Modernisation and transformation agenda**

---

\(^1\) Cash costs and organic capital expenditure excluding amounts relating to the renewal of a 10% interest in the Abu Dhabi onshore concession

\(^2\) 2011–2016 compound annual decline rate

\(^3\) Free cash flow proxy = Underlying RCOP+DD&A+EVWO-Organic capital expenditure, at $55/bbl Brent real

\(^4\) 2016–2021 compound annual growth rate
Downstream strategy

SAFETY

#1
Core value

ADVANTAGED MANUFACTURING

EFFICIENCY AND SIMPLIFICATION

Transition to LOWER CARBON AND DIGITALLY ENABLED FUTURE

Profitable MARKETING GROWTH
Execution of Downstream strategy is delivering results

**Doubling pre-tax returns**

**Competitive net income per barrel**

**Pre-tax returns more than double**

%  

- **2013**: 4%  
- **2014**: 8%  
- **2015**: 16%  
- **2016**: 32%

**Competitive net income per barrel**

rolling four-quarter $/bbl

- **2013**: $3/bbl  
- **2014**: $5/bbl  
- **2015**: $7/bbl  
- **2016**: $9/bbl

**Notes:**

1. Margin adjusted returns calculated using BP Refining Marker Margin of $14/bbl
2. BP estimates based on company data
Expanding earnings potential and improving resilience

Expanding earnings potential
pre-tax earnings $bn

Improving resilience
RMM $/bbl

$3bn underlying performance improvement

(1) Refining environment, foreign exchange, turnaround and portfolio impacts

(2) BP Refining Marker Margin as published on bp.com
Advantaged manufacturing – refining

**Significant progress and more to come**

- Top quartile refining\(^1\)
- More than $1bn pre-tax earnings improvement in 2016 versus 2014
- Improved reliability and efficiency
- Advantaged feedstock and optimisation

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**Refining continued growth**

**pre-tax earnings $bn\(^2\)**

- >$2bn

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\(^1\) Solomon net cash margin benchmarked

\(^2\) At constant refining environment, including $14.0/bbl BP Refining Marker Margin, $15/bbl WTI-WCS crude differential and normalised turnaround levels
Advantaged manufacturing – petrochemicals

Repositioning the business and growing earnings

- Access to a growing market
- Industry leading proprietary technology
- Repositioning petrochemicals to improve bottom-of-cycle resilience
- Cash breakeven reduction – target increased to more than 40%
- $400m higher pre-tax earnings in 2016 versus 2014

Petrochemicals cash breakeven\(^1\) indexed

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakeven</td>
<td>100</td>
<td>75</td>
<td>50</td>
</tr>
</tbody>
</table>

\(^1\) Breakeven cash contribution margin based on BP estimates ($/tonne)

>40% reduction
Marketing - material earnings and attractive returns

>3bn marketing growth 2014-2021\(^1\)

Combined $3.7bn earnings in 2016

Licurcants continued growth
pre-tax earnings $bn\(^1\)

- Strong brands, technology and relationships

Fuels marketing material growth
pre-tax earnings $bn\(^1\)

- Differentiated offers and retail partnerships

(1) At 2016 foreign exchange environments
Australia strategic partnership

**Significant sources of value**

- Network EBITDA\(^1\)
- Convenience partnership & loyalty
- Midstream & refining
- 2016
- 2021

**Competitive site profitability**

UK M&S convenience partnership model\(^2\)

- BP M&S
- Industry comparator

(1) EBITDA: Earnings before interest, tax, depreciation and amortisation
(2) 2015 average site operating contribution (indexed)
Efficiency and simplification

Headcount: circa 6500 role reduction

Cash Costs to Gross Margin ratio

- **$3bn**
  - lower cash costs delivered

- Continued focus on efficiencies and costs

**3bn** lower cash costs delivered

**Continued focus on efficiencies and costs**

- **$3** billion

- **Employees**

- **Agency**

- **2014**
- **2016**
- **2018**

- **~6500**

- (1) Excludes retail site staff

- **Cash Costs to Gross Margin ratio**

- **2014**
- **2016**
- **2021**

- (2) Cash costs divided by underlying gross margin adjusted to BP Refining Marker Margin of $14/bbl
Building on our strengths – mobility and low carbon future

Bio and low carbon
New fuels, lubricants and plastics

Advanced mobility
Electric, connected and autonomous vehicles

Digital
Driver convenience and new channels to customers
Growing Downstream free cash flow

- Continued underlying performance improvement
- Top quartile refining and repositioning petrochemicals
- Capturing growth in marketing businesses
- Continued focus on efficiencies and costs
- Pre-tax returns of ~20% in 2021¹

$9-10 bn free cash flow in 2021¹

Free cash flow – pre-tax¹

$bn

2016  2021

(1) Free cash flow proxy = underlying RCOP + DD&A – organic capital expenditure. 2021 at $14/bbl RMM, $15/bbl WTI-WCS crude differential and Brent oil price $55/bbl real.
Downstream key messages

SAFETY

#1 Core value

ADVANTAGED MANUFACTURING

> $2.5bn underlying earnings growth 2014-21¹

MARKETING GROWTH

> $3bn underlying earnings growth 2014-21¹

EFFICIENCIES & COSTS

$3bn cash costs reduction 2016 versus 2014

Continued focus

MEDIUM TERM GROWTH

$9-10bn free cash flow in 2021²

~20% pre-tax returns in 2021²

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¹ Incremental underlying replacement cost profit before interest and tax, adjusted for refining environment, foreign exchange, turnaround and portfolio impacts.
² Free cash flow proxy = underlying RCOP + DD&A – organic capital expenditure. 2021 at $14/bbl RMM,$15/bbl WTI-WCS crude differential and Brent oil price $55/bbl real.
New business models

Lamar McKay
Strategic Horizons

Near-term
- Safer and more reliable
- Cash rebalancing
- Portfolio resilience
- >1mmboed new production\(^1\)
- New business models

Medium term
- Shift to gas and advantaged oil
- Downstream marketing growth
- Growth in Alternative Energy and new business models

Long term
- Advantaged resources
- Integrated energy solutions
- Full participation in the energy transition

(1) 800mmboed from major projects 2015-2020 + major project production in 2021 + new production from recent portfolio additions
Alternative Energy

- Strong safety and operational performance
- Generating operating cash
- Focus on optimisation and efficiency
- Technology commercialisation
- Evaluating growth options

US Wind

1,432 MW capacity

BP Biofuels

10 Mte/yr capacity
New Business Models

- New participation models: venturing and low carbon
- Building on existing core businesses
- Medium to long-term growth opportunities
Advocacy and Actions

- Operational and product efficiency
- The role of gas
- Carbon pricing
- The role of technology and research
- Partnerships and initiatives
BP STRATEGY UPDATE

Financial framework and outlook

Brian Gilvary
2017 financial framework

- Driving down the oil price rebalance point including the new portfolio
  - Group capital frame maintained
  - Continued focus on capital and cost efficiency
- 2H17 underlying operating cash flow to improve materially as new projects ramp-up

2017 guidance

- **$15-17bn** Group organic capital expenditure
- **$7bn** cash cost reduction target reached
- **$4.5-5.5bn** of divestments
- **$4.5-5.5bn** of Deepwater Horizon payments
Growing sustainable free cash flow to 2021

- **Delivering growth in operating cash flow**
  - Upstream ramp-up of major projects
  - Downstream marketing growth and increased resilience
  - Continued modernisation and efficiency improvements
  - Portfolio enhancements

- **Group organic capital expenditure maintained at $15-17bn**

- **Gearing within 20-30% band**

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**Organic free cash flow per share**

- Brent price
  - $55-60/bbl

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(1) Organic free cash flow: operating cash flow excluding Gulf of Mexico oil spill payments less organic capital expenditure. In USD cents per ordinary share
(2) DPS: dividend per ordinary share. Cash DPS assumes 20% scrip uptake
(3) Brent prices real
Group organic capital expenditure

- $15-17bn in 2017 including impact of new portfolio
- Maintained at $15-17bn per year from 2018-2021

MAXIMUM
$15-17bn per year organic capital expenditure

(1) Excludes the renewal of the 10% interest in the Abu Dhabi onshore concession
Capacity to grow distributions

**Organic free cash flow per share**

- Brent price: $55-60/bbl

**Oil price balance point**

- Balance point reduces
- New portfolio
- Old portfolio
- $35-40/bbl

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1. Organic free cash flow: operating cash flow excluding Gulf of Mexico oil spill payments less organic capital expenditure. In USD cents per ordinary share.
2. DPS: dividend per ordinary share. Cash DPS assumes 20% scrip uptake.
3. Brent oil prices real.
4. Illustrative only, not to scale. Based on BP planning assumptions. Covers full dividend.
Deepwater Horizon payments and divestments

Deepwater Horizon cash payments\(^1\)

- **Government payments**
- **Other payments**

- **2016**
- **2017**
- **2018**
- **2019+**

Divestments

- **Announced**
- **In progress**
- **Yet to be identified**

- **2016**
- **2017**
- **2018**
- **2019+**

(1) Government payments includes criminal and civil settlements. Other payments are cash flows associated with all other provisions. See bp.com for details.
Return on average capital employed

ROACE$^1$ to exceed 10% by 2021

- Increasing levels of capital in service
- Growth in volumes and margins
- Strong capital and cost discipline

(1) ROACE reflects underlying replacement cost profit, after adding back minority shareholders’ interests and finance interest net of notional tax at an assumed 35% effective tax rate, divided by average capital employed excluding cash & cash equivalents and goodwill. Assumes Brent oil price $55/bbl real.

(2) Capital in service is calculated before tax and excludes Deepwater Horizon and OB&C impacts.

Increasing capital in service$^2$

%
Financial framework

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018 to 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic free cash flow</td>
<td>Driving towards rebalancing by end 2017</td>
<td>Material growth, balance point falls steadily</td>
</tr>
<tr>
<td>Organic capital expenditure</td>
<td>$15-17bn</td>
<td>$15-17bn</td>
</tr>
<tr>
<td>Divestments</td>
<td>$4.5-5.5bn</td>
<td>$2-3bn</td>
</tr>
<tr>
<td>DWH payments</td>
<td>$4.5-5.5bn</td>
<td>~$2bn in 2018, stepping down thereafter</td>
</tr>
<tr>
<td>Gearing</td>
<td>20% to 30%</td>
<td>20% to 30%</td>
</tr>
<tr>
<td>Group ROACE @ $55/bbl</td>
<td></td>
<td>&gt;10% by 2021</td>
</tr>
</tbody>
</table>

(1) Excluding Deepwater Horizon payments (2) Brent oil prices real
The BP proposition

**Safer**
Safe, reliable and efficient execution

**Fit for the future**
A distinctive portfolio fit for a changing world

**Focused on returns**
Value based, disciplined investment and cost focus

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Growing sustainable free cash flow and distributions to shareholders over the long-term