

bp



presentation to the  
financial community

2Q results  
tuesday 27th july 2004

## **Forward Looking Statements Cautionary Statement**

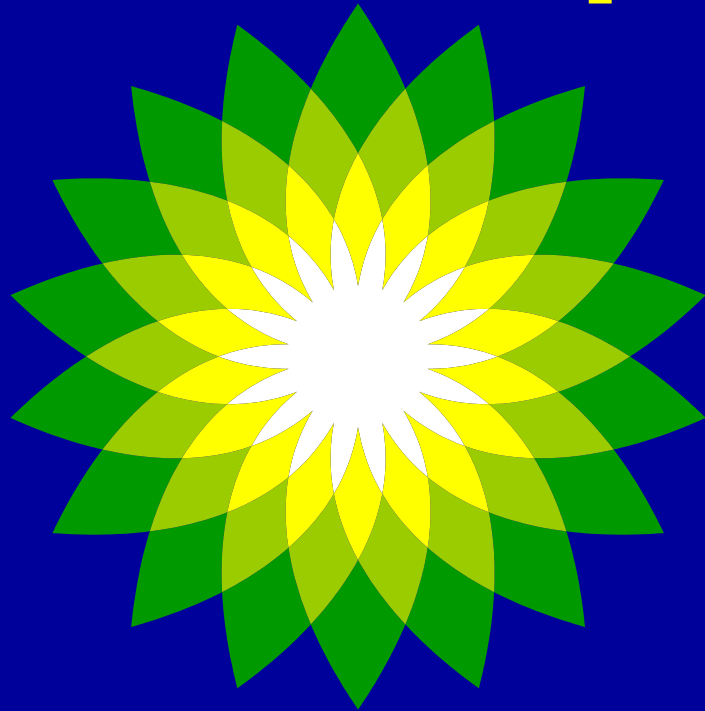
This presentation and the associated slides and discussion contain forward looking statements, particularly those regarding BP's asset portfolio and changes to it, capital expenditure, capital employed, cash flow, cash returns, costs, divestments, dividends and other distributions to shareholders, future performance, growth, gearing, impact of changes to accounting practices, impact of foreign exchange exposure, impact of higher rates of production taxes and export duties, investments, margins, production, returns and timing of projects and pending transactions. Forward looking statements by their nature involve risks and uncertainties because they relate to events and depend on circumstances that will or may vary in the future. Actual results may differ from those expressed in these statements depending on a variety of factors including the following: the timing of bringing new fields on stream; industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations; successful commercial relationships; the actions of competitors; natural disasters and other changes in business conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this presentation.

## **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](http://www.bp.com)

**July 2004**

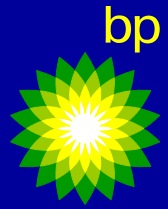
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John Browne  
chief executive

introduction

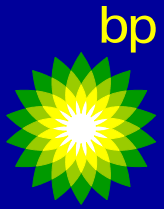
# agenda



- context: mid 2004
- 1H 2004 strategic overview
- results
- q&a

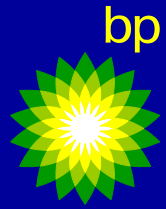


# context: mid 2004



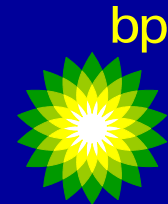
- world economy and energy demand
- oil prices and capacity utilisation
- refining margins

# highlights of 1H 2004



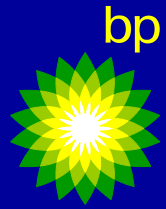
- record result of \$8.6bn
- record adjusted operating cash flow of \$12.4bn
- record production of 3993 mboed
- record quarterly dividend of 7.1 c/share,  
up 9% vs 2Q03

# generating free cash flow



- full year capital spending estimated to be around \$14bn, slightly higher than March estimate
- divestments above forecast range: \$3.5bn year to date
- 1H04 cash returns strong: 34%
- gearing below target band of 25-35%
- distribution to shareholders of \$6.2bn

# highlights of 1H 2004



- implementation of strategy
  - ▶ major upstream projects on track
  - ▶ TNK-BP performance to plan
  - ▶ near record refining and marketing result
  - ▶ Olefins & Derivatives separation progressing
- shareholder distributions
  - ▶ dividends up 9%: reduction of shares outstanding allows acceleration of per share growth rate
  - ▶ additional cash flow distributed through buybacks of \$3.25bn

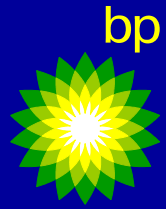




# 2004 strategic progress: exploration and production

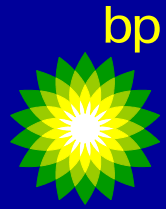
- full year expected production of over 4m mboed
- full year capital estimated at \$9.5bn
  - ▶ increase from March estimate of \$9bn due to:
    - forex
    - inflationary pressures
- new projects on track for delivery

# strategic progress - projects on track: exploration and production



- Algeria: In Salah first gas sales
- Trinidad: Atlas Methanol on line
- Australia: NWS T4 on track - 3Q start-up
- Angola: Kizomba A ahead - 3Q start-up
- Gulf of Mexico: Holstein on track - 4Q start-up
- existing profit centres: North Sea – Clair - 4Q start-up

# TNK-BP strategy update



- operations and performance to plan
- expected production growth of 12% in 2004
- 2004 capex of \$1.3bn, self funded
- 2004 dividend of \$2bn+



# 2004 strategic progress:

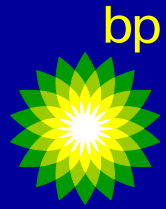
## refining & marketing

- 1H refining availability 95.1 %
- 1H shop sales up 2%, lubricants up 8% (like-for-like)
- Ultimate fuels launched in Germany and Austria

## gas, power & renewables

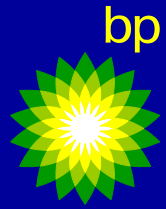
- 1H growth in natural gas sales, NGL sales and equity gas into LNG plants
- Tangguh sales agreement into Korea
- purchase agreement for Egyptian LNG

# 2004 strategic progress: petrochemicals



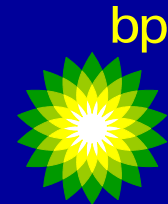
- Olefins & Derivatives separation
  - ▶ re-positioning planned for end 2004
    - new management teams appointed
    - Aromatics & Acetyls to become part of Refining & Marketing
    - Olefins & Derivatives to be run as semi-autonomous business ahead of potential IPO during 2H 2005
- Aromatics & Acetyls growth prospects
  - ▶ JV acetic acid plant in Nanjing, China
  - ▶ PTA capacity at Zhuhai, China

# reserve reporting 2003 20-F filing



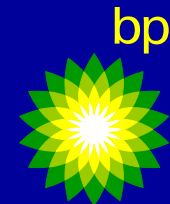
- BP's proved reserves are unchanged and as stated in the Annual Report and Accounts
- difference between BP's proved reserves and 2003 Form 20-F is immaterial
- reserve estimation and reporting centrally managed and controlled

# delivery against targets

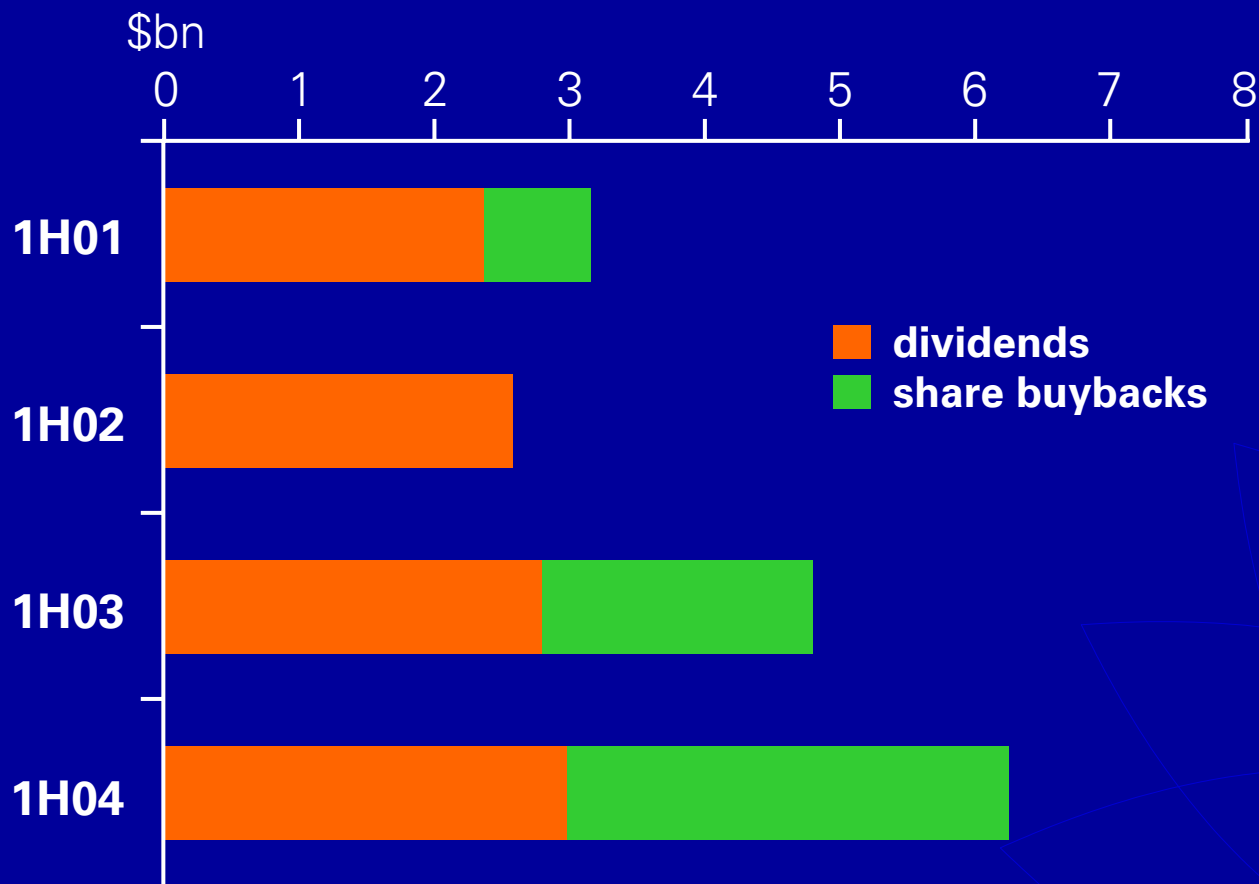


- reinvest for long term growth
  - ✓ on track
- increase dividends per share
  - ✓ +9% vs. 1H 03
- distribute 100% of additional free cash flow
  - ✓ \$3.25bn share buybacks in 1H 04

# shareholder distributions

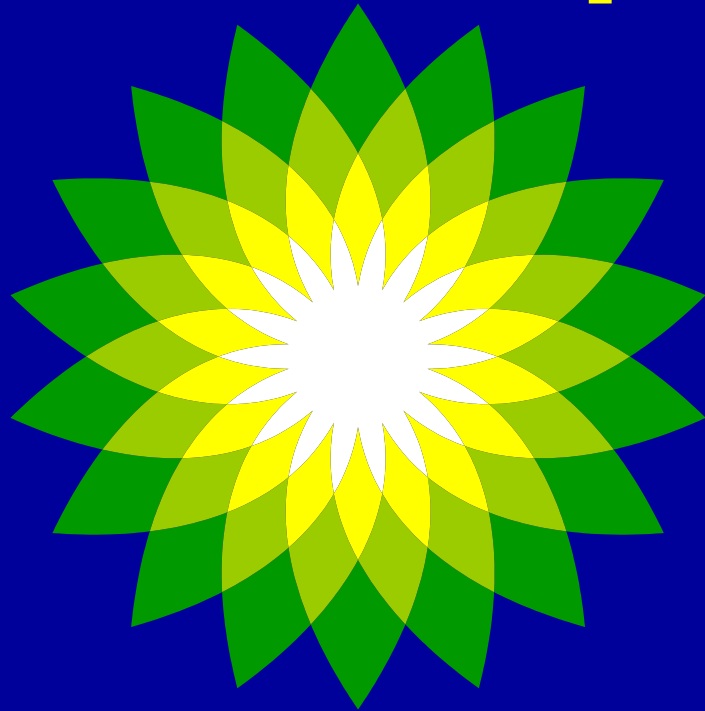


<b>Average.</b>	<b>1H01</b>	<b>1H02</b>	<b>1H03</b>	<b>1H04</b>
<b>Brent \$/bbl</b>	<b>26.6</b>	<b>23.1</b>	<b>28.8</b>	<b>33.7</b>
<b>HH \$/mcf</b>	<b>5.8</b>	<b>2.9</b>	<b>5.9</b>	<b>5.8</b>
<b>refining \$/bbl</b>	<b>5.1</b>	<b>1.8</b>	<b>3.9</b>	<b>6.2</b>





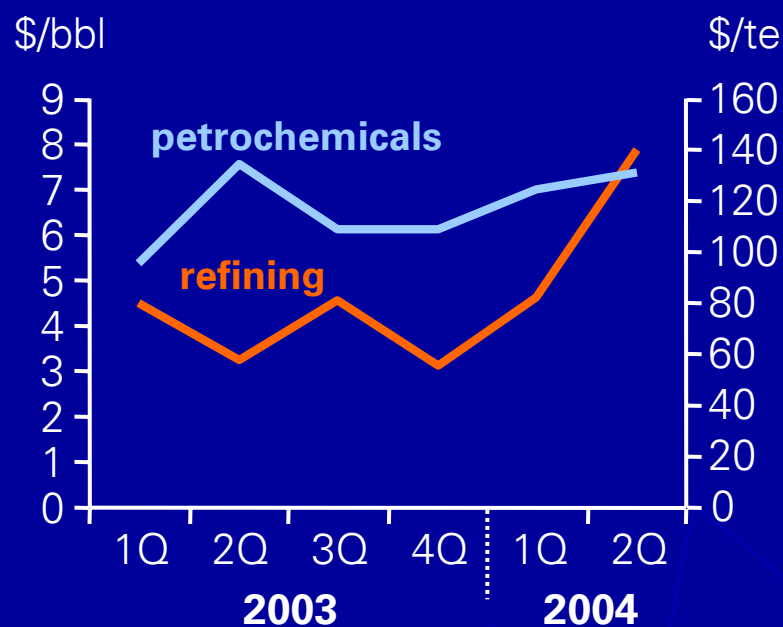
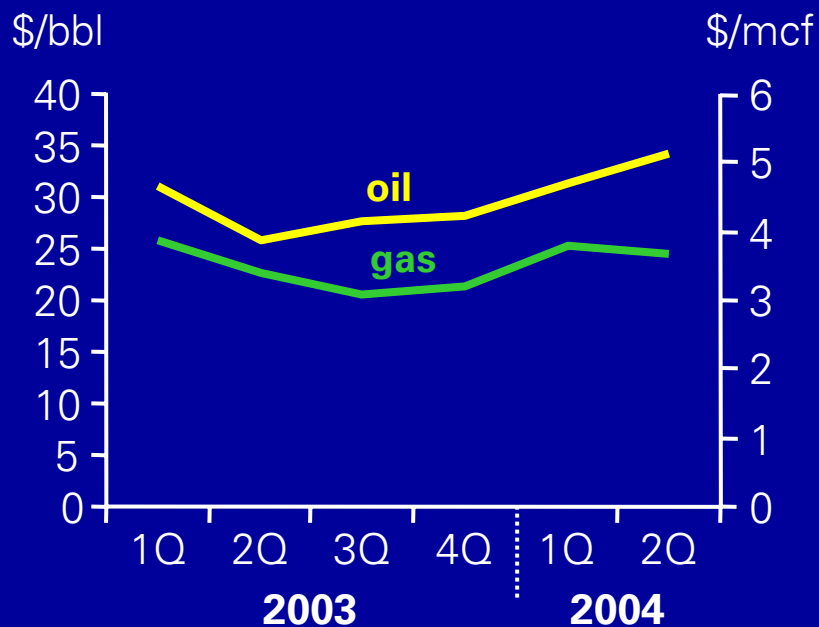
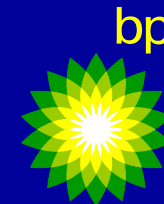
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Byron Grote  
chief financial officer

2Q 2004 results

# trading environment

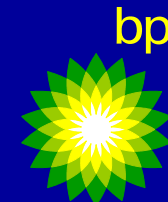


average realisations	Δ % vs 2003	
	2Q	1H
crude oil \$/bbl	+34%	+15%
natural gas \$/mcf	+9%	+3%
total hydrocarbons \$/boe	+23%	+10%

indicator margins	Δ % vs 2003	
	2Q	1H
refining \$/bbl	+141%	+61%
petrochemicals \$/te*	(2)%	+11%

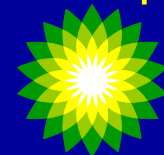
\*provisional

# financial results

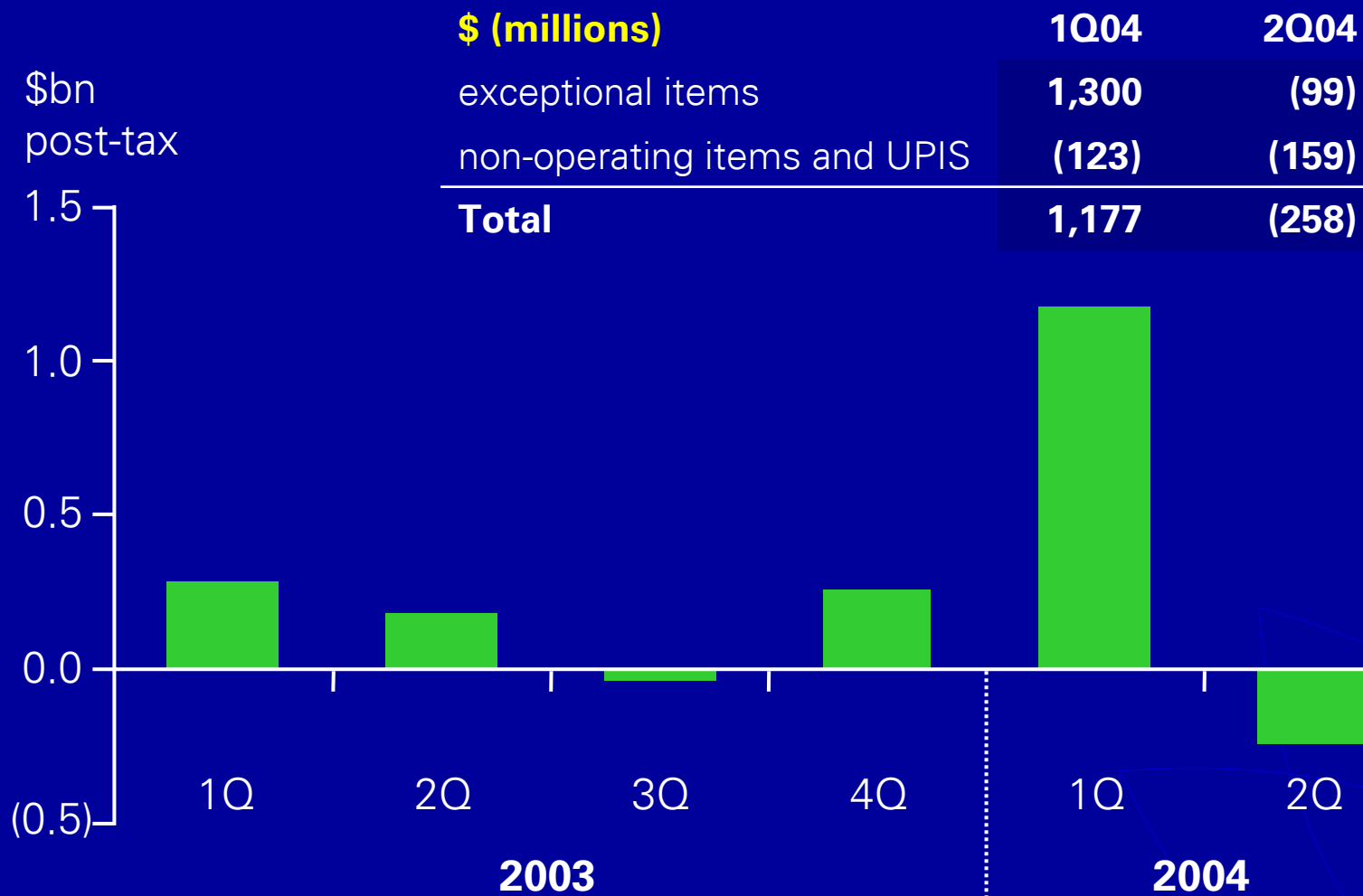


	<b>\$bn</b>	<b>% change vs 2Q03</b>
● results for the second quarter		
▶ pro forma	<b>3.9</b>	23
▶ replacement cost	<b>3.4</b>	35
▶ historical cost	<b>3.9</b>	146
▶ post-tax adjusted operating cash flow*	<b>5.3</b>	(4)
● results for the first half		<b>vs 1H03</b>
▶ pro forma	<b>8.6</b>	20
▶ replacement cost	<b>7.6</b>	28
▶ historical cost	<b>8.7</b>	50
▶ post-tax adjusted operating cash flow*	<b>12.4</b>	15

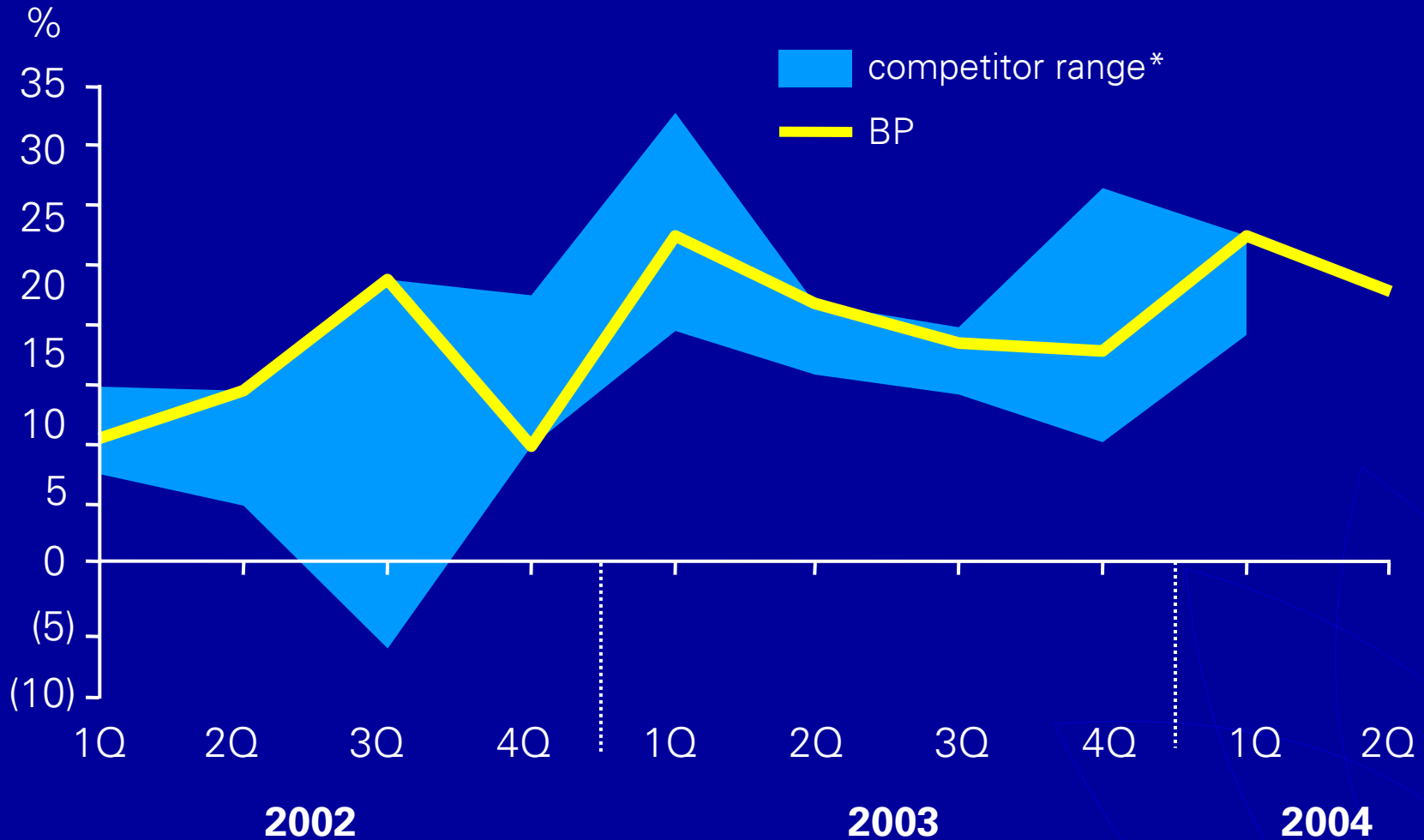
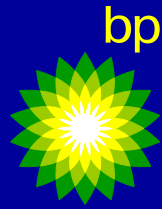
\*after discretionary pension contributions of \$(0.1)bn in 1H04 and \$(0.2)bn in 1H03



# exceptional & non-operating items



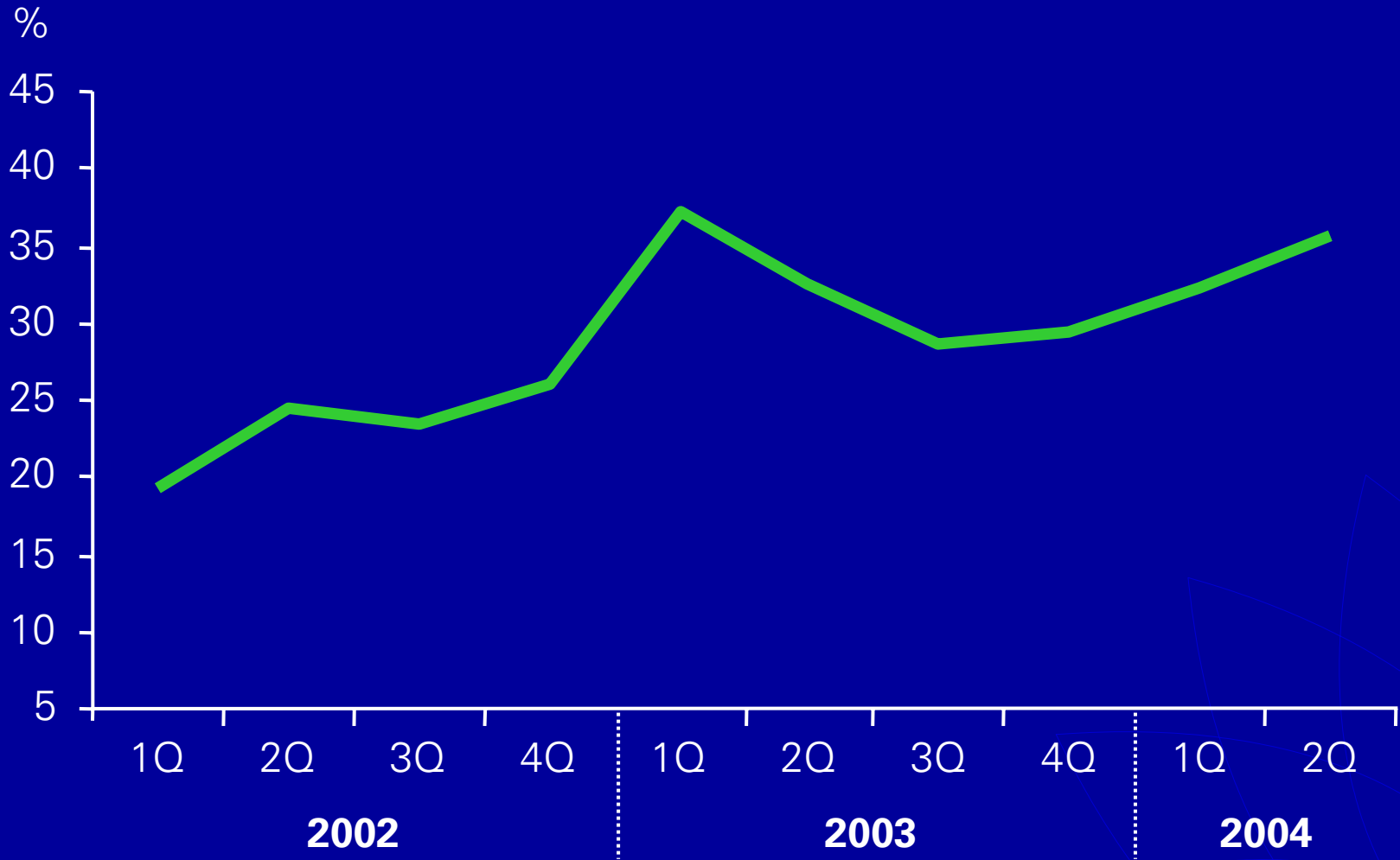
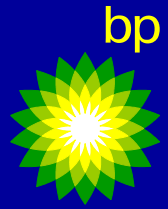
# return on average capital employed



\*BP, ExxonMobil, Shell, ChevronTexaco, Total

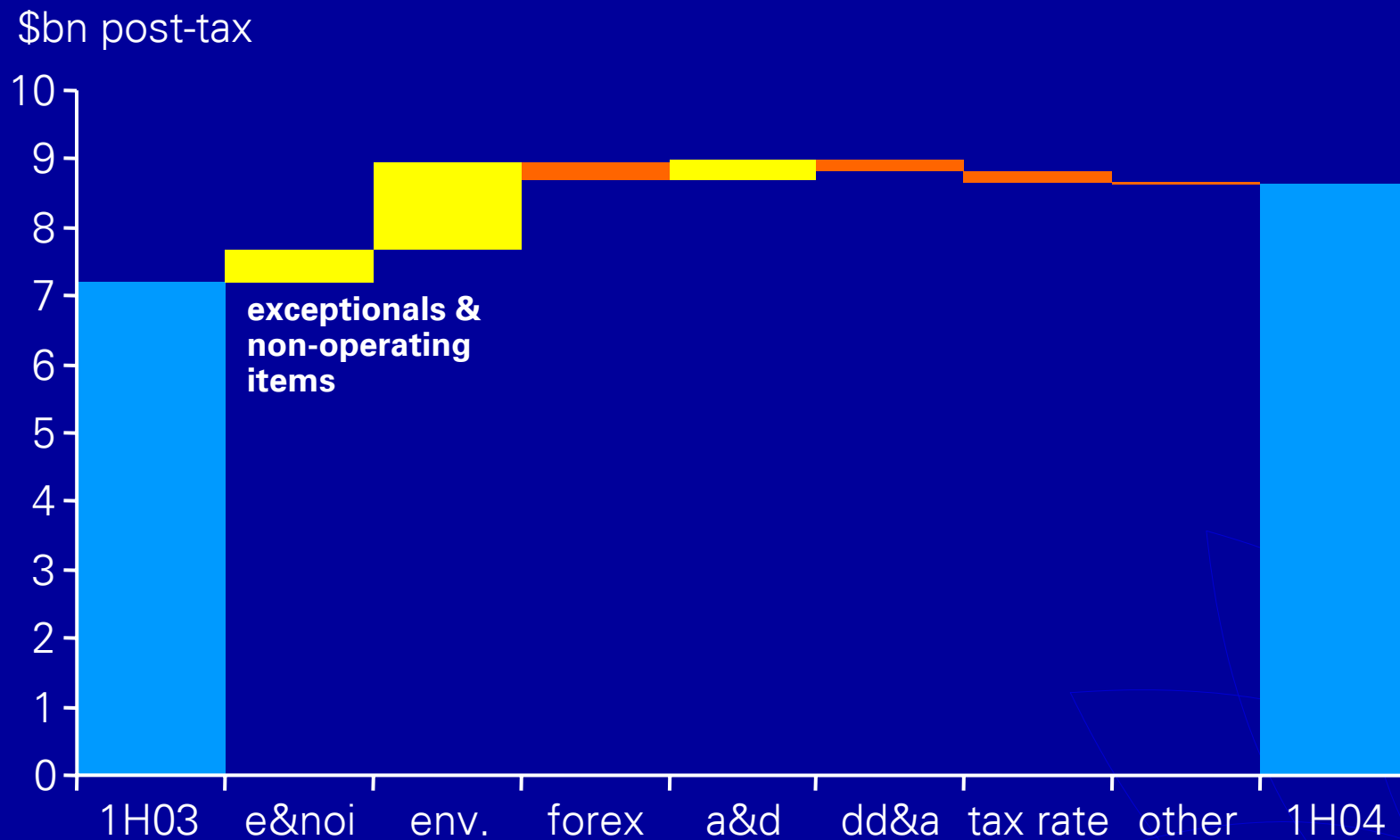
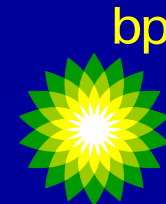
ROACE = (pro forma result + after tax finance interest + MSI) / pro forma average capital employed

# pre-tax cash returns\*

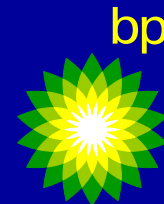


\*pre-tax cash return =  $\frac{\text{pro forma RCP before interest \& tax} - \text{exceptional items} + \text{pro forma DD\&A}}{\text{pro forma average operating capital employed}}$

# 1H 2004 vs 1H 2003 result pro forma basis



# TNK-BP

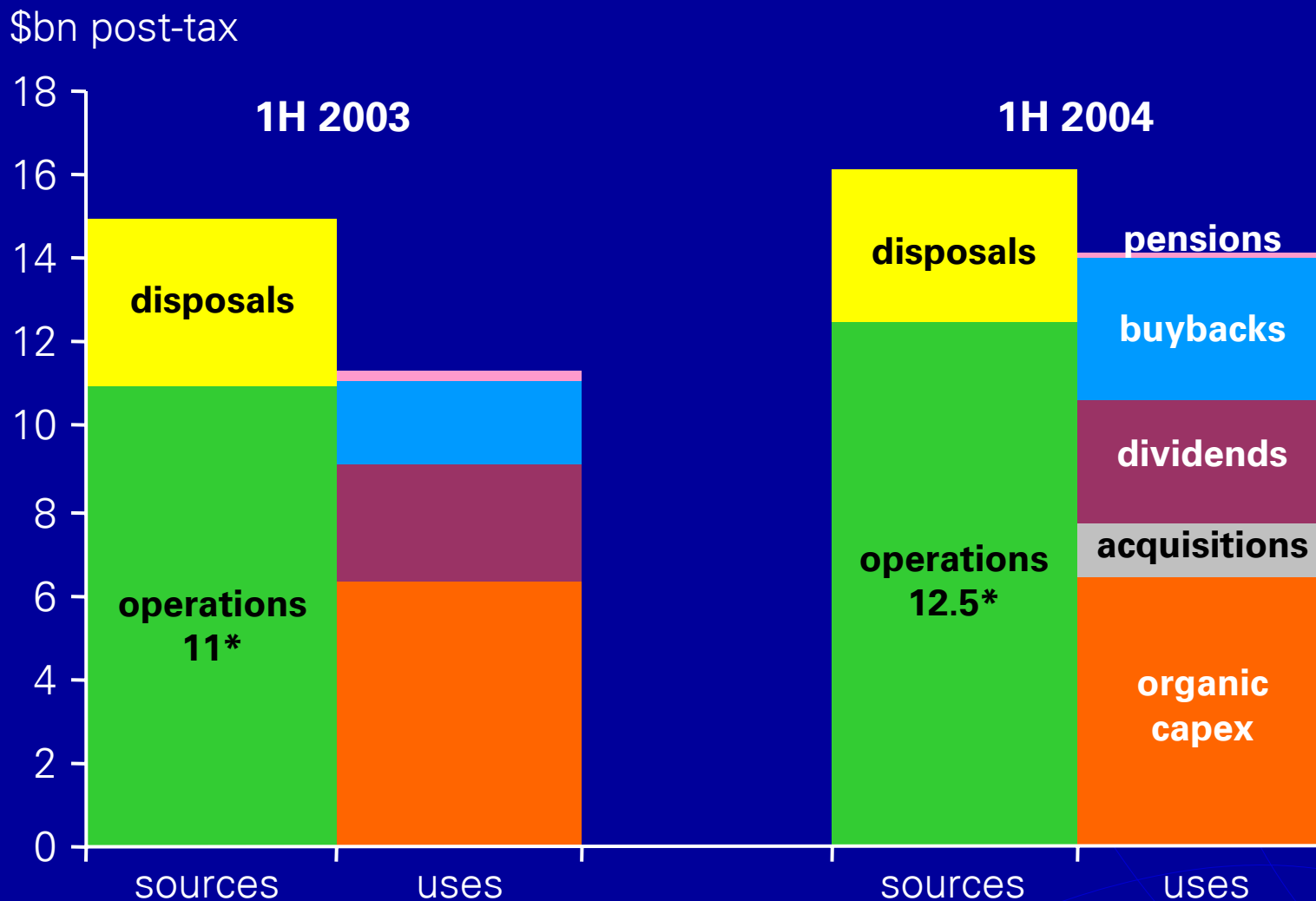
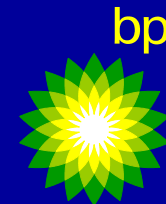


	1Q 04	<b>2Q 04</b>
\$m impact on BP results		
BP share of TNK-BP net income	219	<b>374</b>
deferred shares consideration accretion	(26)	<b>(26)</b>
impact on BP net income	193	<b>348</b>
production mboed	832	<b>891</b>
dividend received	262	-

- 2Q benefits from export duty lag
- future production tax/export duty increases
- \$450m dividend received in July

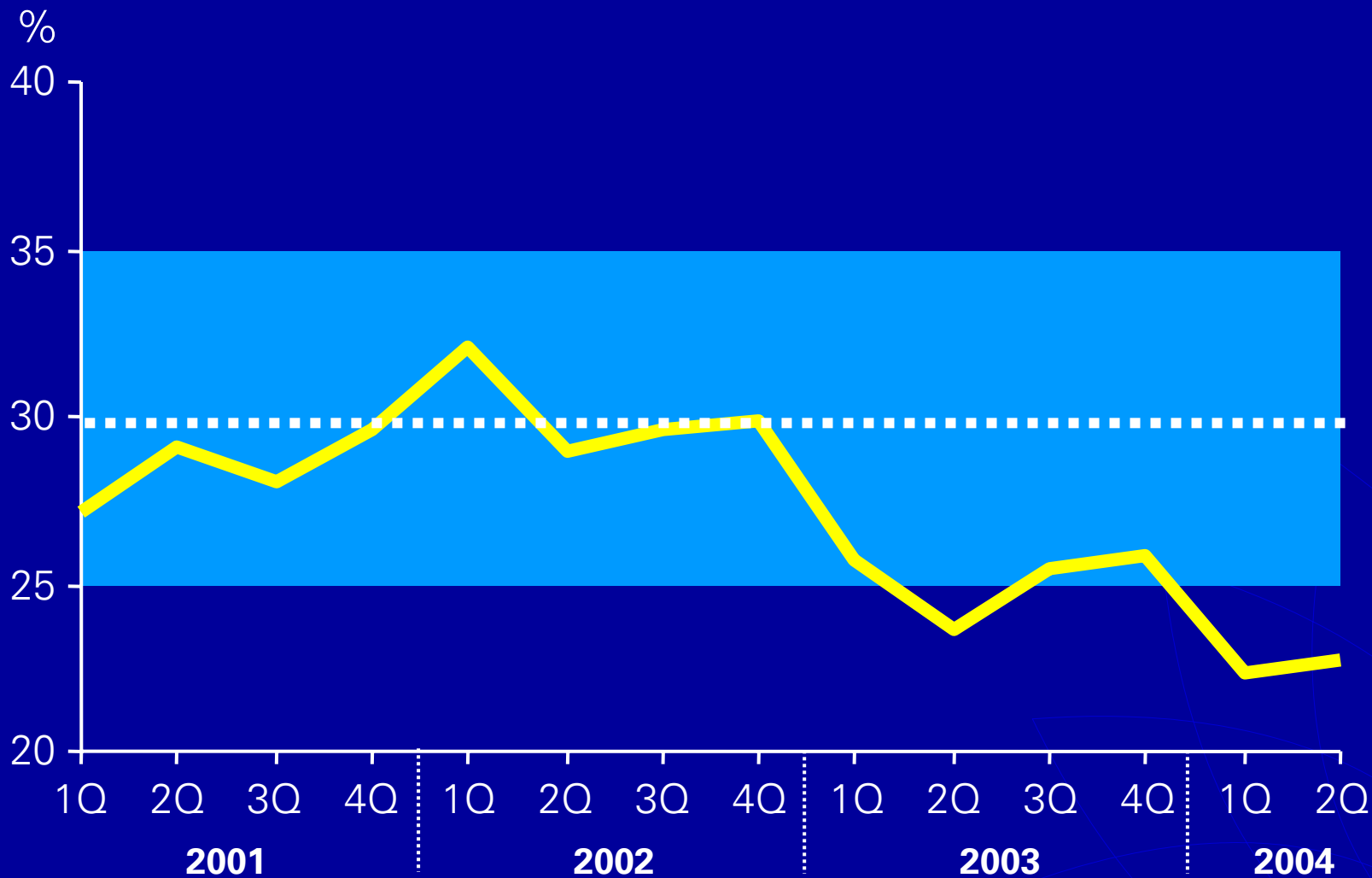
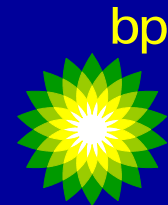


# sources and uses of cash



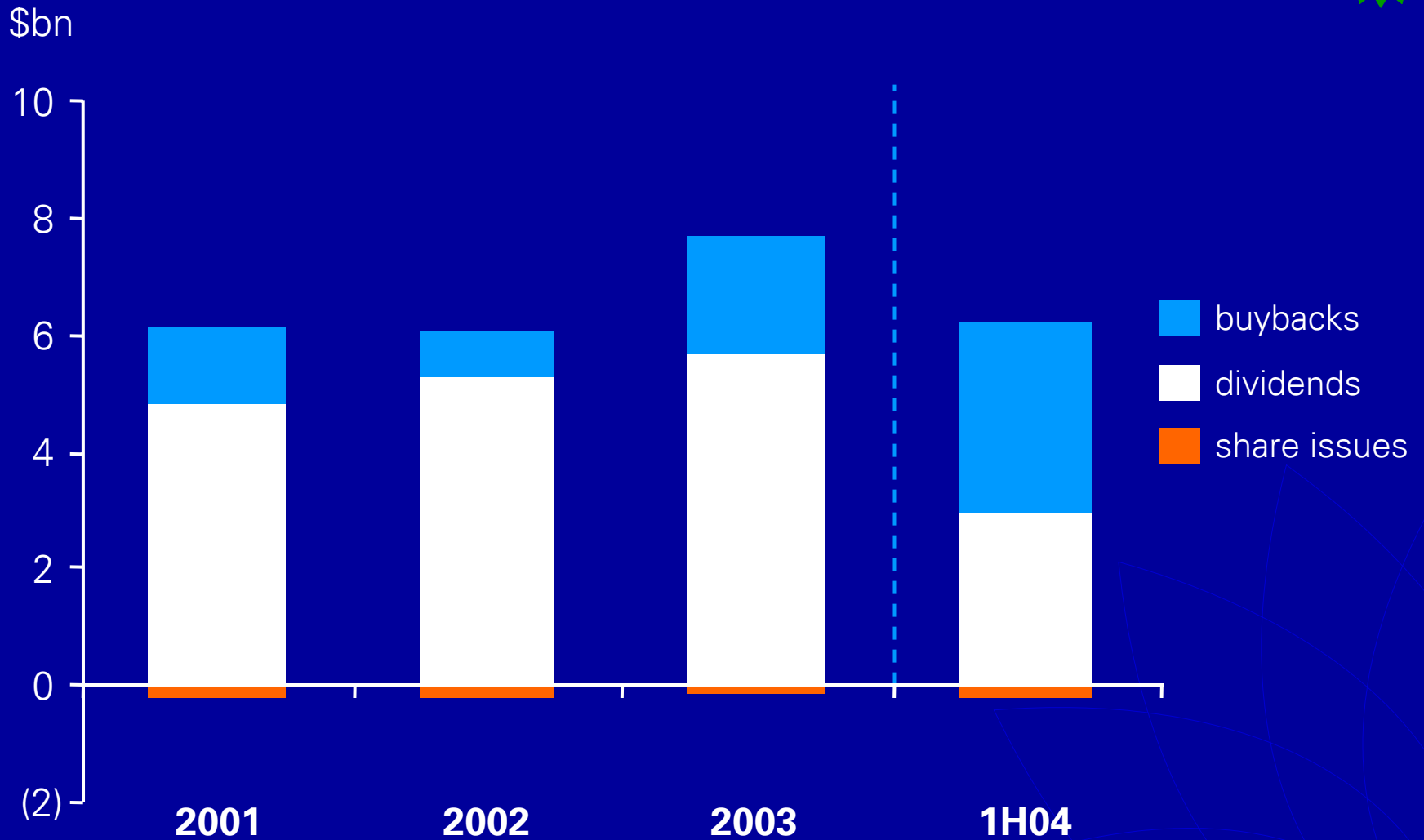
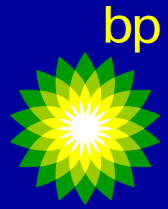
\*post-tax adjusted operating cash flow before discretionary pension contributions of \$(0.1)bn in 1H04 and \$(0.2)bn in 1H03

# gearing

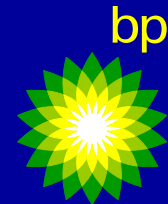


pro forma gearing =  $\text{net debt} / (\text{net debt} + \text{equity} - \text{acquisition adjustment})$

# shareholder distributions



# q&a session



John Browne

*chief executive*

Byron Grote

*chief financial officer*

Tony Hayward

*chief executive, e&p*

Fergus MacLeod

*head of investor relations*