



# First half 2007 update

24 July 2007



# Cautionary Statement

## Forward Looking Statements Cautionary Statement

This presentation and the associated slides and discussion contain forward looking statements, particularly those regarding capital expenditure, annual charges, production and timing of major project, expected return of refining capacity and flexibility, share buybacks and other distributions to shareholders, divestments, future performance, gearing, and wind capacity. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; future levels of 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 governmental regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; natural disasters and adverse weather 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)

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July 2007



Tony Hayward

Group Chief Executive



# Issues addressed

## **US**

- Baker Panel report published: implementing recommendations

## **Russia**

- Way forward agreed on Kovykta

## **Management**

- Succession complete
- New team in place
- Clear priorities set



# Strategic momentum maintained

## **Exploration & Production** - asset base strong and growing:

- San Juan, Skarv and Southern North Sea projects sanctioned
- New access: Oman and Libya
- Exploration success: Angola, Gulf of Mexico and Egypt
- Strategic Alliance with Gazprom – MoU signed

## **Refining & Marketing**

- European refining portfolio restructured
- Biofuels building momentum

## **Alternative Energy**

- Solar / wind expansion
- Hydrogen Energy JV established



# Financial results for 1H 2007

- Replacement cost profit
  - \$10.4bn, down 8% vs. 1H06
  - Per share 54.2¢, down 3% vs. 1H06
- Post tax operating cash flow
  - \$14.1bn, down 22% vs. 1H06
- Quarterly dividend per share
  - 10.825¢, up 10% vs. 2Q06



# 2007 guidance

- Production
  - 3.8 – 3.9 mmoed  
*assuming \$60/bbl oil price and current portfolio*
- Organic capex
  - Around \$18bn
- Deliver upstream projects
  - Atlantis by end 2007
  - Greater Plutonio by end 2007
- Texas City
  - Expected to be processing 400,000 bpd by end of 2007



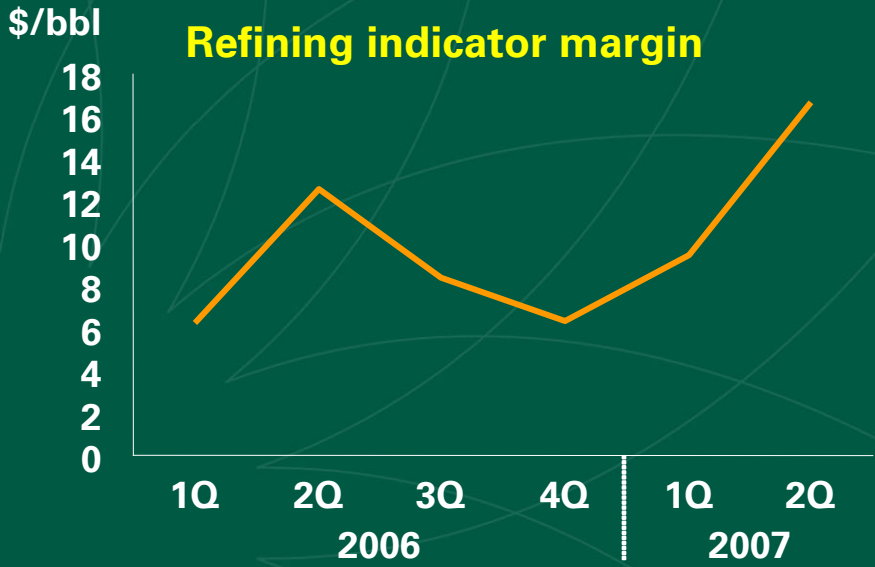
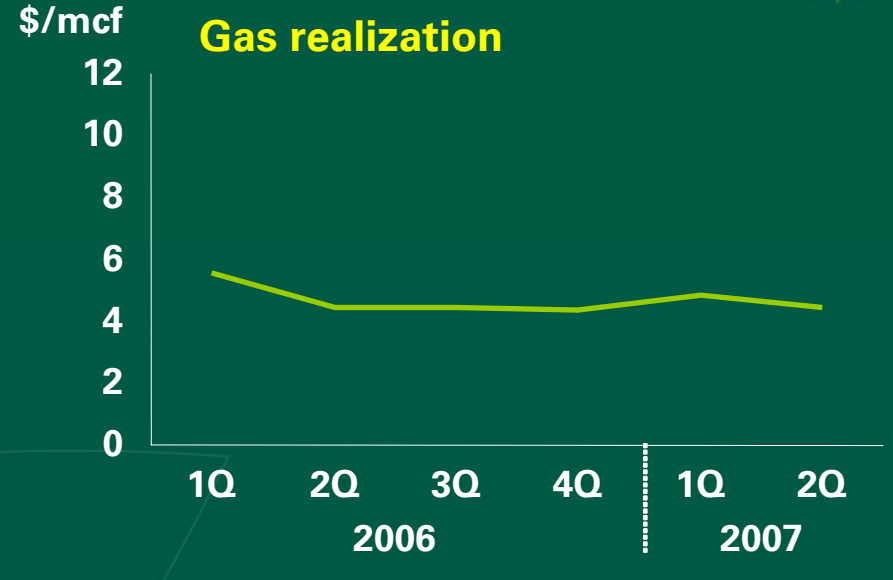
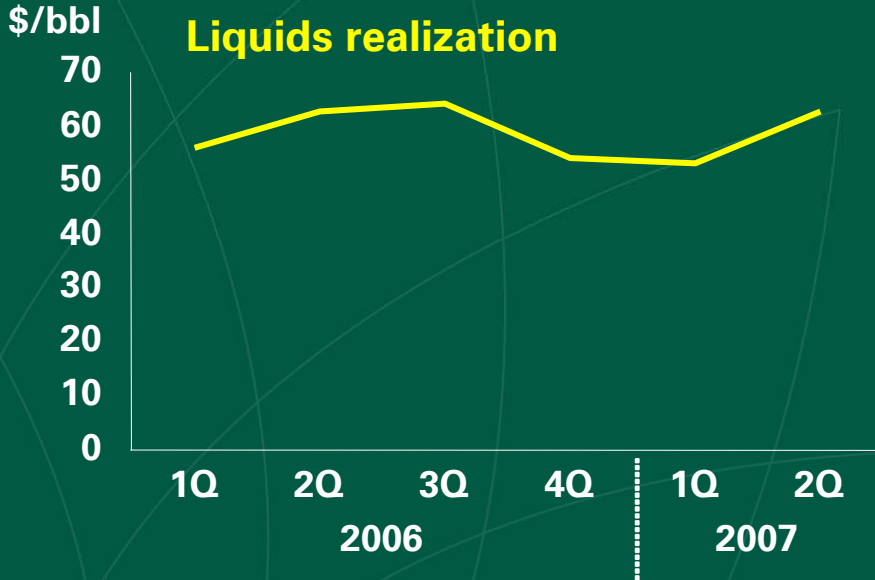
Byron Grote

Chief Financial Officer





# Trading environment



### Average realizations

- Liquids \$/bbl
- Natural gas \$/mcf
- Total hydrocarbon \$/boe

### Change vs. 2006

	2Q	1H
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Refining indicator margin \$/bbl	32%	38%
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# Financial results

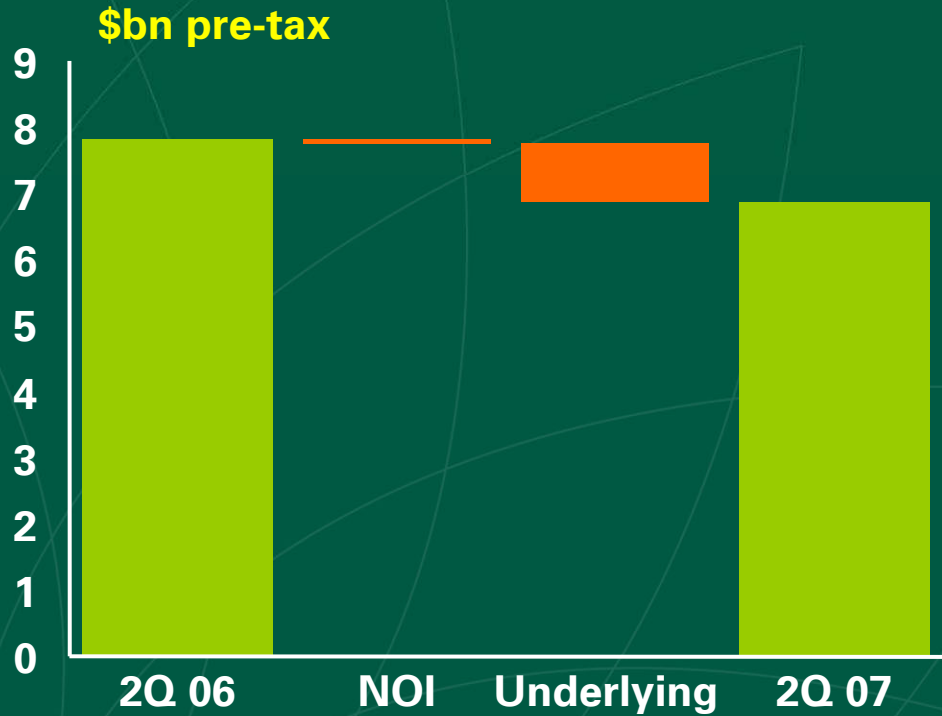


<b>Results for the second quarter</b>	<b>\$bn</b>	<b>Change vs. 2Q 2006</b>	
		<b>%</b>	<b>% per share</b>
• Replacement cost profit	<b>6.1</b>	(1)	5
• Profit including inventory gains/losses	<b>7.4</b>	2	7
• Net cash provided by operating activities	<b>6.1</b>	(33)	(29)
	<b>¢/ share</b>		
• Dividend to be paid next quarter	<b>10.825</b>		10 %

<b>Results for 1H</b>	<b>\$bn</b>	<b>Change vs. 1H 2006</b>	
		<b>%</b>	<b>% per share</b>
• Replacement cost profit	<b>10.4</b>	(8)	(3)
• Profit including inventory gains/losses	<b>12.0</b>	(7)	(1)
• Net cash provided by operating activities	<b>14.1</b>	(22)	(18)



# Exploration & Production

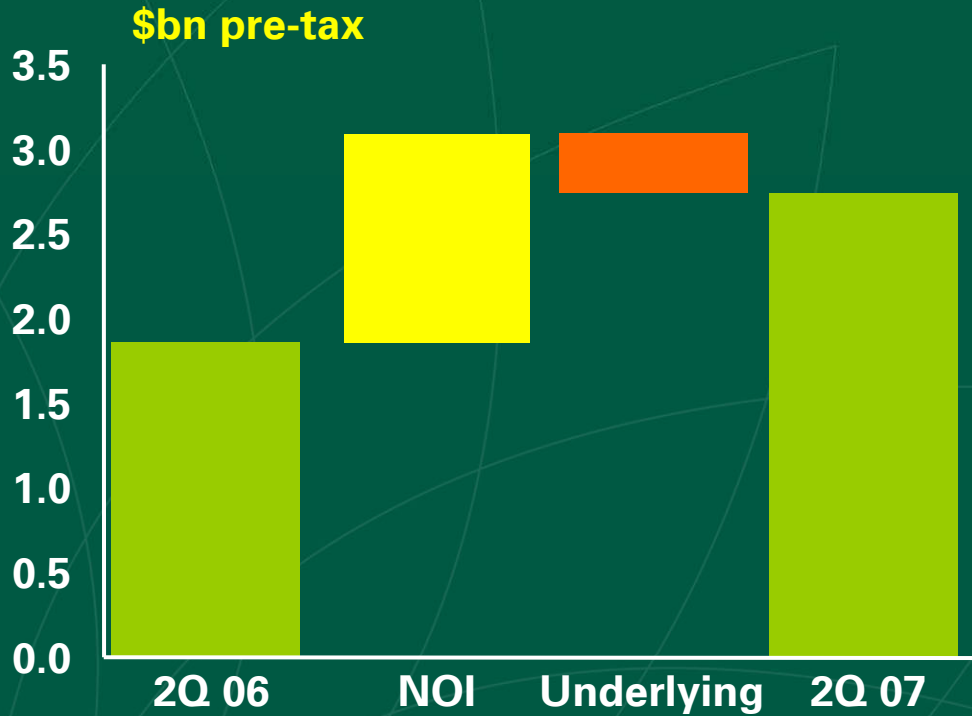


- Lower volumes
- Sector specific inflation
- Greater integrity spend
- Higher DD&A
- Non-Operating Items (NOI)
  - Disposal gains
  - Embedded derivatives

<b>7,347</b>	<b>Underlying result \$m</b>	<b>6,494</b>
<b>479</b>	<b>Non-operating items \$m</b>	<b>399</b>
<b>7,826</b>	<b>Total result \$m</b>	<b>6,893</b>



# Refining & Marketing

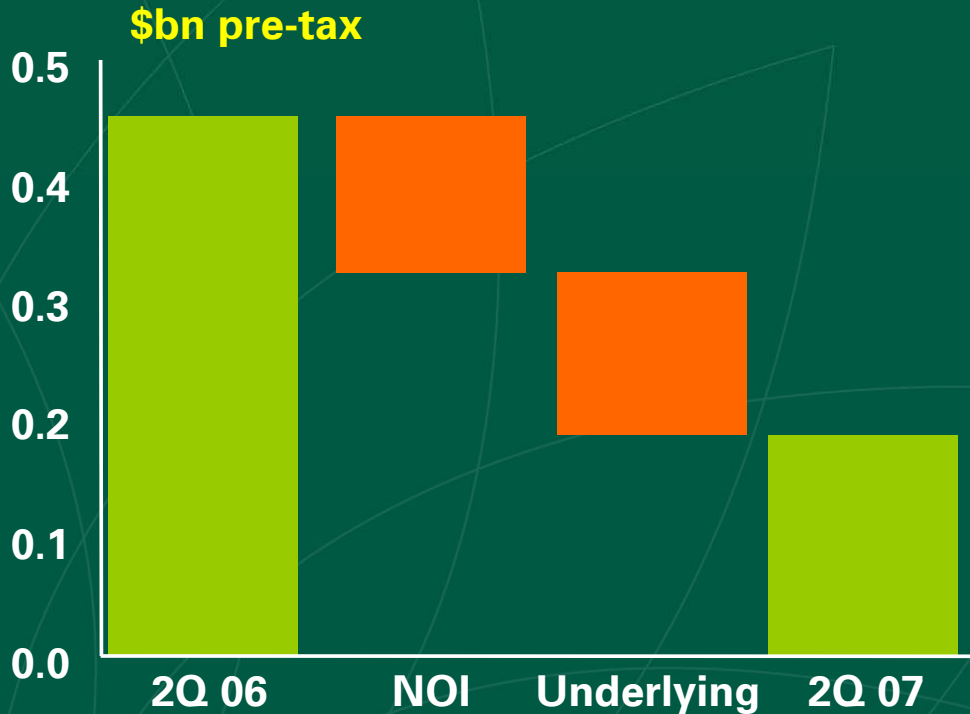


- Higher refining and marketing margins
- Lower refining availability
- Greater integrity spend
- Lower supply optimization
- Favourable fair value accounting effects
- Non-Operating Items (NOI)
  - Disposal gains

<b>2,320</b>	<b>Underlying result \$m</b>	<b>1,973</b>
<b>(464)</b>	<b>Non-operating items \$m</b>	<b>767</b>
<hr/>		<hr/>
<b>1,856</b>	<b>Total result \$m</b>	<b>2,740</b>



# Gas, Power & Renewables



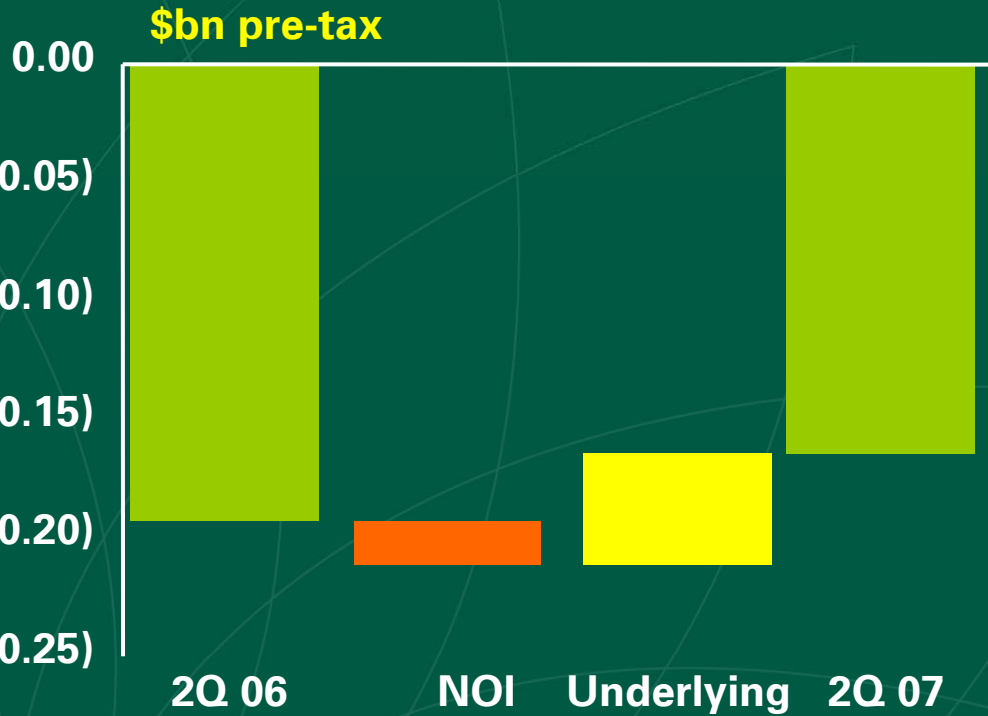
- Lower marketing & trading contribution
- Growing expenditure in Alternative Energy
- Favourable fair value accounting effect
- Non-Operating Items (NOI)
  - Embedded derivatives

<b>347</b>	<b>Underlying result \$m</b>	<b>226</b>
<b>106</b>	<b>Non-operating items \$m</b>	<b>(36)</b>
<b>453</b>	<b>Total result \$m</b>	<b>190</b>



# Other Business & Corporate

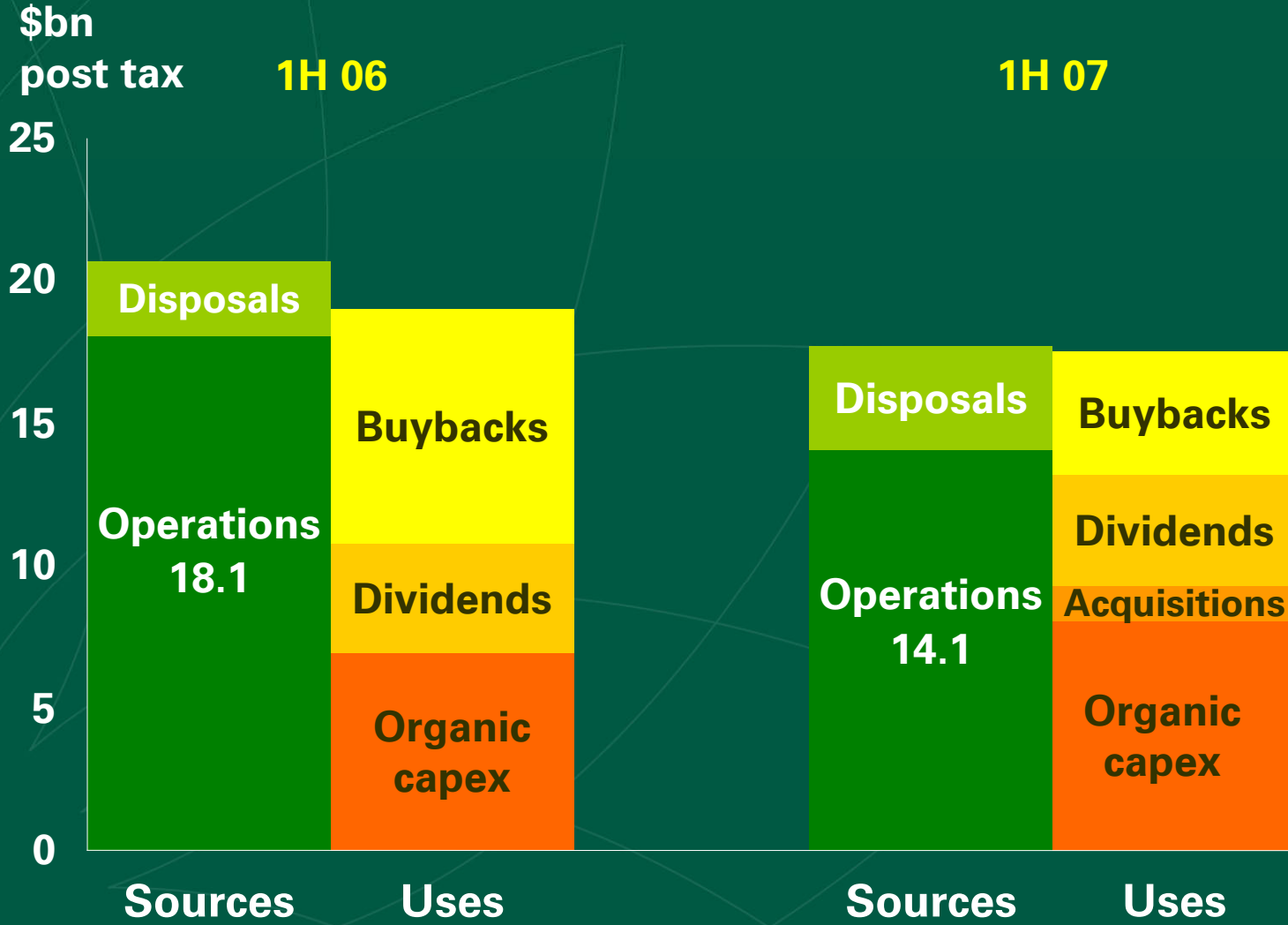
- Expected annual charge of \$900m±\$200m



<b>(219)</b>	<b>Underlying result \$m</b>	<b>(171)</b>
<b>26</b>	<b>Non-operating items \$m</b>	<b>7</b>
<b>(193)</b>	<b>Total result \$m</b>	<b>(164)</b>

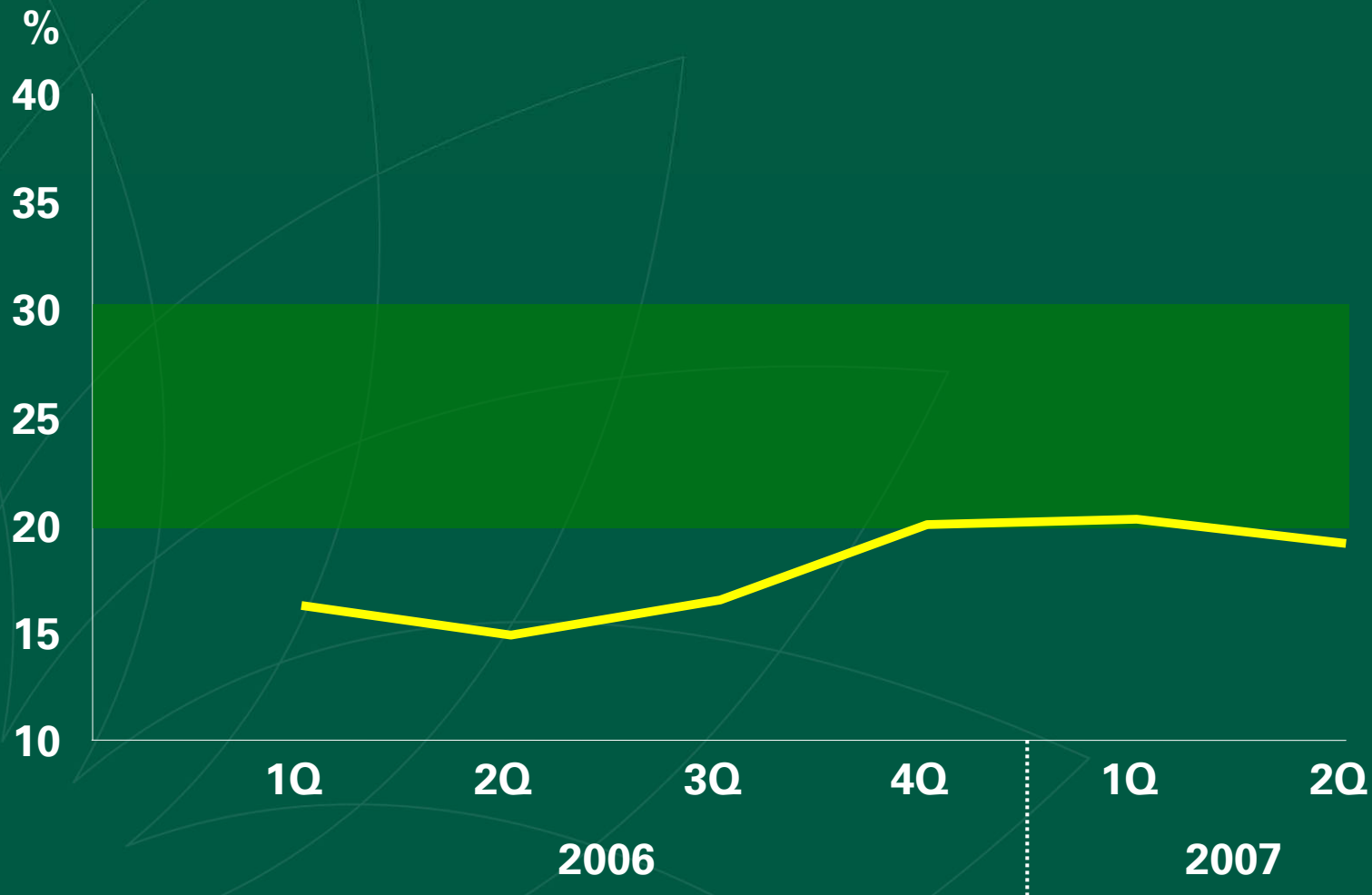


# Sources and uses of cash





# Net debt ratio

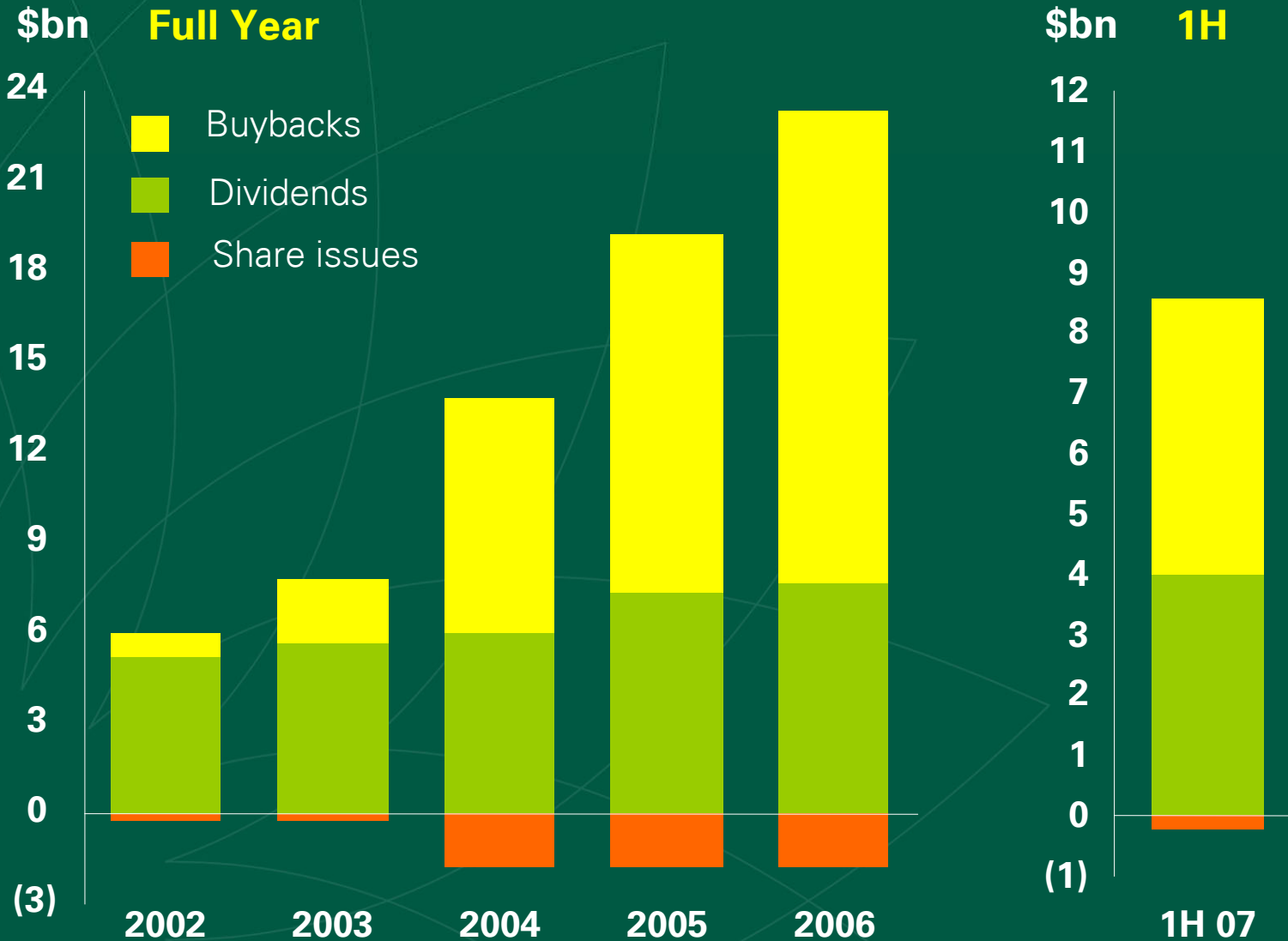


*Net debt ratio = net debt / (net debt + equity)*





# Shareholder distributions





Tony Hayward

Group Chief Executive



# Our agenda

## **Safety**

- Implement Baker Panel recommendations
- Implement Operating Management System

## **People**

- Invest in capability
- Increase openness and transparency
- Restore pride & confidence

## **Performance**

- Restore revenues
- Reduce complexity and increase efficiency



# Strong foundations for the future

## Strategy

- Robust and enduring

## Financial framework

- Distribute all free cash flow to shareholders
- Target gearing range 20 – 30%

## Strength of asset base

- 17.7 bn boe proved reserves<sup>(1)</sup>
- 41.3 bn boe non-proved resources<sup>(1)</sup>
- 1% improvement in recovery factor adds 2 billion boe

*(1) At end 2006*

# Q&A



**Tony Hayward**  
Group Chief Executive



**Byron Grote**  
Chief Financial Officer



**Andy Inglis**  
Chief Executive  
Exploration & Production



**Iain Conn**  
Chief Executive  
Refining & Marketing



**Vivienne Cox**  
Chief Executive  
Gas, Power & Renewables



**Fergus MacLeod**  
Head of Investor Relations