

BP p.l.c. October 2012 – Calls with Rating Agencies

Standard & Poor's
1pm, Monday 22 October 2012

Moody's
3pm, Monday 22 October 2012

Invitees:

Simon Redmond
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Invitees:

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Key messages on Rosneft / TNK-BP deal

Run through key terms

Rationale and fit with BP strategy

Fit with financial framework

1. What has been agreed and when announced

- BP agrees Heads of Terms to sell its interest in TNK-BP to Rosneft
- Consideration of \$27bn
 - \$17.1bn cash
 - 12.84% Rosneft shares
- BP will use \$4.8bn of the \$17.1bn to acquire a further 5.66% of Rosneft shares for the Russian Government
- Net position of \$12.3bn cash proceeds, 18.5% Rosneft shares, 19.75% including BP's existing 1.25% holding
- BP expects two seats on the 9 person main board
- BP expects to equity account for Rosneft results, production and reserves
- Exclusivity period of 90 days to negotiate the SPA
- Closing subject to usual approvals – governmental, regulatory, anti-trust. Closing anticipated in 1H 13
- 360 day lock-up on Rosneft shareholding

2. Rationale and fit with strategy

- Russia has been an important country for BP for 20 years and TNK-BP has been a very good investment but had run its course
- This transaction allows BP to exit TNK-BP for fair value
- Life cycle of TNK BP run its course moving from brown field to green field opportunities requiring higher capex
- Rosneft set to be a global player. BP believes this holding will deliver solid returns and a sustainable stake in Russia's energy future, consistent with Group strategy
- Opportunity for strong alignment with Rosneft:

1 of 3

Ex 12949

Worldwide
Court Reporters, Inc.

- Rosneft, like BP, is an integrated oil and gas company with similar priorities and time horizons (unlike AAR – financial investor)
- Strong existing relationship
 - Cooperation on Sakhalin
 - Refining JV in Germany
- 2 board seats and membership on board committees such as HSE, strategy, planning, operations, corporate governance

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3. Sale of AAR's stake

- BP supports Rosneft's intention to acquire additional equity in TNK-BP (from AAR) and has signed a waiver to the existing TNK-BP shareholders agreement that allows AAR to negotiate a sale to Rosneft

4. Financial Framework

- First point to make is that our Financial framework is unchanged.
 - Sizeable cash buffer (to address Macondo liabilities)
 - Outlook to reduce to middle of gearing range over time
 - Disciplined investment
 - Progressive dividend policy in line with improving circumstances of the firm
- Divestment programme is well advanced and we expect significant proceeds over the next few months– 'PRIVILEGED'
 - \$35.4bn of \$38bn divestments now announced
 - \$24.0bn cash delivered to end 3Q 12
 - Further \$7bn expected before end 2012 though some slippage into 1Q possible
 - \$4.2bn from US refinery sales expected end March 2013
 - Excludes TNK-BP
- Use of TNK BP proceeds:
 - BP will evaluate how the cash proceeds will be utilised and intends to offset the net dilutive impact on EPS resulting from the sale of the TNK-BP stake vs. Rosneft shares acquisition. This depends on:
 - Rosneft future earnings, including TNK-BP synergies
 - Rosneft future dividend payout ratio
 - Whether Rosneft acquires 50% or 100% of TNK-BP
 - As I said any distributions will be made while maintaining BP's unchanged prudent financial framework
- Dividends:
 - Rosneft policy is to pay out 25%, so lower dividend stream than TNK-BP
 - BP can still sustain and grow dividends over time and maintain a robust financial framework

- \$12bn cash proceeds from transaction, in part to offset EPS dilution
- OCF growth from ending Trust Fund payments and major project start-ups
- Divestment programme on track (\$35bn of \$38bn agreed), supporting gearing reduction

To use only if asked:

5. [Rosneft balance sheet]

- 2Q 12 net debt of \$20bn, BBB- negative outlook
- Purchase of BP interest in TNK-BP adds \$17bn debt (equity accounted so not on BP balance sheet)
- TNK-BP has \$2bn net debt, \$5bn cash, rated BBB-
- According to media reports, Rosneft has a bank facility in place
- Do we want to go into more detail here?

6. Legal

- BP believes its position is very strong. BP has followed the shareholders' agreement and sees no basis for an AAR legal challenge:
 - 'New Opportunities provision' – BP can invest up to 20% in another Russian entity for investment purposes (not strategic reasons)
 - BP is confident that given the careful way we conducted the sales process and that AAR did not bid, that we followed the 'Good faith' terms
 - Very confident this deal does not breach the existing injunction – this is not a resurrection of a previous deal
 - Under the terms of the deal BP has received certain indemnities regarding ongoing litigation re: TNK-BP