

Rating: Buy
 S&P 500: 1235

BP plc

Raise Net Present Value to \$82 a Share

| | | | |
|---------------------------------------|---------|---|--------|
| <i>Symbol</i> | BP | <i>Ebitda Next Twelve Months ending 6/30/06 (US\$m)</i> | 52,600 |
| <i>Rating</i> | Buy | <i>North American Natural Gas/Ebitda (%)</i> | 8 |
| <i>Price (US\$/sh)</i> | 66.63 | <i>Natural Gas and Oil Production/Ebitda (%)</i> | 72 |
| <i>Pricing Date</i> | 8/1/05 | <i>Adjusted Reserves/Production NTM</i> | 9.4 |
| <i>Shares (mm)</i> | 3545 | <i>EV/Ebitda</i> | 5.1 |
| <i>Market Capitalization (US\$m)</i> | 236,200 | <i>PV/Ebitda</i> | 6.2 |
| <i>Debt (US\$m)</i> | 32,800 | <i>Undeveloped Reserves (%)</i> | 45 |
| <i>Enterprise Value (EV) (US\$m)</i> | 269,000 | <i>Natural Gas and Oil Ebitda (US\$/boe)</i> | 25.60 |
| <i>Present Value (PV) (US\$m)</i> | 323,400 | <i>Present Value Proven Reserves(US\$/boe)</i> | 12.90 |
| <i>Net Present Value (US\$/share)</i> | 82 | <i>Present Value Proven Reserves(US\$/mcf)</i> | 2.15 |
| <i>Debt/Present Value</i> | 0.10 | <i>Earnings Next Twelve Months (US\$/sh)</i> | 7.70 |
| <i>McDep Ratio - EV/PV</i> | 0.83 | <i>Price/Earnings Next Twelve Months</i> | 9 |
| <i>Dividend Yield (%/year)</i> | 3.2 | <i>Indicated Annual Dividend (US\$/sh)</i> | 2.14 |

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

We raise our estimated net present value of buy-recommended **BP plc (BP)** to \$82 a share from \$64 on the basis of an expected long-term real price for oil of \$50 a barrel up from \$40 for Light Sweet Crude. We also raise our long-term real price for natural gas to \$10 a million BTU, up from \$8 for the Henry Hub location. Our long-term real price expectation for the 3-2-1 refining crack (margin) in New York Harbor is now \$10 a barrel up from \$8. The stock has 23% appreciation potential to net present value. Risk is low with globally diversified, integrated operations and miniscule debt. Dividend increases seem likely along with stock repurchase.

Kurt H. Wulff, CFA

BP plc

Functional Cash Flow and Present Value

| | <i>NTM Ebitda</i> | <i>Adjusted</i> | <i>PV/</i> | <i>Present</i> | |
|-----------------------------|-------------------|-----------------|---------------|----------------|------|
| | <i>(US\$m)</i> | <i>R/P</i> | <i>Ebitda</i> | <i>Value</i> | |
| | | | | <i>(US\$m)</i> | |
| North American Natural Gas | 3,980 | 12.5 | 8.3 | 33,000 | 10% |
| Rest of World Natural Gas | 5,260 | 10.6 | 7.6 | 40,000 | 12% |
| Oil | 28,690 | 8.4 | 5.1 | 146,000 | 45% |
| Downstream | 14,650 | | 7.2 | 105,000 | 32% |
| | 52,580 | 9.4 | 6.2 | 324,000 | 100% |
| Debt (US\$m) | | | | 32,800 | |
| Net Present Value (US\$m) | | | | 290,700 | |
| Shares (mm) | | | | 3,545 | |
| Net Present Value (US\$/sh) | | | | 82 | |

Please see disclosures on the final page.

BP plc
Next Twelve Months Operating and Financial Estimates

| | <i>Q4</i> | <i>Year</i> | <i>Q1</i> | <i>Q2</i> | <i>Q3E</i> | <i>Q4E</i> | <i>Year</i> | <i>Q1E</i> | <i>Q2E</i> | <i>Next Twelve Months</i> |
|----------------------------|-----------------|-----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|-----------------------------------|
| | <i>12/31/04</i> | <i>2004</i> | <i>3/31/05</i> | <i>6/30/05</i> | <i>9/30/05</i> | <i>12/31/05</i> | <i>2005E</i> | <i>3/31/06</i> | <i>6/30/06</i> | <i>6/30/06</i> |
| Volume | | | | | | | | | | |
| Natural Gas (mmcf) | | | | | | | | | | |
| U.S. (or North America) | 2,651 | 2,756 | 2,648 | 2,727 | 2,727 | 2,727 | 2,722 | 2,727 | 2,727 | 2,727 |
| Overseas (or Int'l) | 6,063 | 5,771 | 6,097 | 5,934 | 5,934 | 5,934 | 6,008 | 5,934 | 5,934 | 5,934 |
| Total | 8,714 | 8,527 | 8,745 | 8,661 | 8,661 | 8,661 | 8,730 | 8,661 | 8,661 | 8,661 |
| Oil (mbd) | 2,593 | 2,531 | 2,593 | 2,619 | 2,619 | 2,619 | 2,612 | 2,619 | 2,619 | 2,619 |
| Total gas & oil (mmb) | 372 | 1,445 | 373 | 370 | 374 | 374 | 1,490 | 366 | 370 | 1,483 |
| Price | | | | | | | | | | |
| Natural gas (\$/mcf) | | | | | | | | | | |
| Henry Hub (\$/mmbtu) | 7.10 | 6.15 | 6.27 | 6.76 | 7.60 | 8.69 | 7.33 | 9.44 | 8.04 | 8.44 |
| U.S. (or North America) | 5.72 | 5.11 | 5.31 | 5.83 | 6.55 | 7.50 | 6.31 | 8.14 | 6.94 | 7.28 |
| Overseas (or Int'l) | 3.65 | 3.26 | 3.80 | 3.71 | 4.24 | 4.43 | 4.05 | 4.52 | 4.47 | 4.42 |
| Total | 4.28 | 3.86 | 4.26 | 4.38 | 4.97 | 5.40 | 4.75 | 5.66 | 5.25 | 5.32 |
| Oil (\$/bbl) | | | | | | | | | | |
| WTI Cushing | 48.31 | 41.44 | 49.65 | 53.05 | 60.62 | 63.32 | 56.66 | 64.52 | 63.88 | 63.09 |
| Worldwide | 39.88 | 35.51 | 41.74 | 45.95 | 52.51 | 54.84 | 48.78 | 55.88 | 55.33 | 54.63 |
| Total gas & oil (\$/bbl) | 34.78 | 31.07 | 35.92 | 38.96 | 44.45 | 46.86 | 41.56 | 48.09 | 46.86 | 46.55 |
| NY Harbor 3-2-1 (\$/bbl) | 5.72 | 7.74 | 6.17 | 10.59 | 12.11 | 7.97 | 9.21 | 8.32 | 11.22 | 9.91 |
| BP Refining Indicator | 5.60 | 6.08 | 5.94 | 8.42 | | | | | | |
| Revenue (\$mm) | | | | | | | | | | |
| Natural Gas | | | | | | | | | | |
| U.S. (or North America) | 1,395 | 5,145 | 1,294 | 1,447 | 1,644 | 1,881 | 6,265 | 1,998 | 1,722 | 7,245 |
| Overseas (or Int'l) | 2,036 | 6,860 | 2,134 | 2,005 | 2,317 | 2,420 | 8,875 | 2,412 | 2,415 | 9,563 |
| Total | 3,431 | 12,005 | 3,427 | 3,452 | 3,961 | 4,300 | 15,141 | 4,410 | 4,136 | 16,808 |
| Oil | 9,514 | 32,895 | 9,957 | 10,951 | 12,651 | 13,213 | 46,773 | 13,172 | 13,187 | 52,224 |
| Other | 67,719 | 250,250 | 66,425 | 73,401 | 73,401 | 73,401 | 286,627 | 73,401 | 73,401 | 293,603 |
| Total | 80,664 | 295,150 | 79,810 | 87,804 | 90,013 | 90,914 | 348,541 | 90,984 | 90,724 | 362,635 |
| Expense (\$mm) | | | | | | | | | | |
| Production | 6,045 | 20,154 | 5,985 | 7,203 | 7,645 | 7,825 | 28,658 | 7,839 | 7,787 | 31,097 |
| Other | 64,301 | 237,942 | 62,492 | 69,738 | 69,738 | 69,738 | 271,707 | 69,738 | 69,738 | 278,953 |
| Ebitda (\$mm) | | | | | | | | | | |
| Exploration and Production | 6,900 | 24,747 | 7,400 | 7,200 | 8,967 | 9,688 | 33,255 | 9,744 | 9,536 | 37,935 |
| Other | 3,418 | 12,307 | 3,934 | 3,662 | 3,662 | 3,662 | 14,921 | 3,662 | 3,662 | 14,650 |
| Total Ebitda | 10,318 | 37,054 | 11,334 | 10,862 | 12,629 | 13,351 | 48,176 | 13,406 | 13,198 | 52,584 |
| Exploration | 151 | 274 | 160 | 139 | 139 | 139 | 577 | 139 | 139 | 556 |
| Deprec., Deplet., & Amort. | 4,383 | 12,583 | 2,288 | 2,375 | 2,375 | 2,375 | 9,413 | 2,375 | 2,375 | 9,500 |
| Other non cash | - | (518) | 246 | 585 | | | | | | |
| Ebit | 5,784 | 24,715 | 8,640 | 7,763 | 10,115 | 10,837 | 37,355 | 10,892 | 10,684 | 42,528 |
| Interest | 189 | 642 | 172 | 128 | 128 | 128 | 556 | 128 | 128 | 512 |
| Ebt | 5,595 | 24,073 | 8,468 | 7,635 | 9,987 | 10,709 | 36,799 | 10,764 | 10,556 | 42,016 |
| Income Tax | 1,958 | 8,426 | 2,964 | 2,672 | 3,496 | 3,748 | 12,880 | 3,767 | 3,695 | 14,706 |
| Net Income (\$mm) | | | | | | | | | | |
| Exploration and Production | 5,489 | 19,759 | 5,706 | 6,555 | | | | | | |
| Other | 2,198 | 6,917 | 2,032 | 2,380 | | | | | | |
| Unallocated | (4,050) | (11,029) | (2,234) | (3,972) | | | | | | |
| Total | 3,637 | 15,647 | 5,504 | 4,963 | 6,492 | 6,961 | 23,919 | 6,997 | 6,861 | 27,311 |
| Shares (millions) | | | | | | | | | | |
| Per share (\$) | 1.01 | 4.30 | 1.54 | 1.40 | 1.83 | 1.96 | 6.73 | 1.97 | 1.94 | 7.70 |
| Ebitda Margin (E&P) | 53% | 55% | 55% | 50% | 54% | 55% | 54% | 55% | 55% | 55% |
| Tax Rate | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |

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Oil and Gas Producers
Rank by McDep Ratio: Market Cap and Debt to Present Value

| | <i>Symbol/</i> | | <i>Price</i> | | <i>Market</i> | <i>Net</i> | | |
|-------------------------|------------------------|---|----------------|---------------|------------------|----------------|----------------|--------------|
| | <i>Rating</i> | | <i>(\$/sh)</i> | <i>Shares</i> | <i>Cap</i> | <i>Present</i> | <i>Debt/</i> | <i>McDep</i> |
| | | | <i>1-Aug</i> | <i>(mm)</i> | <i>(\$mm)</i> | <i>Value</i> | <i>Present</i> | <i>Ratio</i> |
| | | | <i>2005</i> | | | <i>(\$/sh)</i> | <i>Value</i> | |
| Mega Cap | | | | | | | | |
| BP plc | BP | B | 66.63 | 3,545 | 236,000 | 82.00 | 0.10 | 0.83 |
| Total S.A. | TOT | B | 126.26 | 1,192 | 151,000 | 160.00 | 0.12 | 0.81 |
| Exxon Mobil Corporation | XOM | B | 59.23 | 6,370 | 377,000 | 74.00 | 0.04 | 0.81 |
| Royal Dutch Shell plc | RDS-A | B | 63.02 | 3,372 | 213,000 | 84.00 | 0.11 | 0.78 |
| Chevron Corporation | CVX | B | 58.43 | 2,086 | 122,000 | 90.00 | 0.08 | 0.68 |
| | <i>Total or Median</i> | | | | <i>1,099,000</i> | | <i>0.10</i> | <i>0.81</i> |

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