BP PLC
Form 6-K
November 06, 2007

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 under
the Securities Exchange Act of 1934
for the period ended 30 September 2007
BP p.l.c.

(Translation of registrant s name into English)

1 ST JAMES S SQUARE, LONDON, SW1Y 4PD, ENGLAND

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F þ Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-110203) OF BP CANADA FINANCE COMPANY, BP CAPITAL MARKETS p.l.c., BP CAPITAL MARKETS AMERICA, INC AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-9790) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-65996) of BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 33-21868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9020) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-09798) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-34968) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-74414) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103924) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-102583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103923) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-119934) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123482) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123483) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131584) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO 333-132619) OF BP P.L.C., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146870) OF BP p.l.c. AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146873) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

BP p.l.c. AND SUBSIDIARIES
FORM 6-K FOR THE PERIOD ENDED 30 SEPTEMBER 2007

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GROUP RESULTS JANUARY SEPTEMBER 2007

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2007	**2006**	**2007**	**2006**
Profit for the period* ($ million)	4,406	6,231	16,446	19,435
- per ordinary share (pence)	11.33	16.70	43.02	52.95
- per ordinary share (cents)	23.18	31.47	85.61	96.36
- per ADS (dollars)	1.39	1.89	5.14	5.78

* Profit attributable to BP shareholders.

The following discussion should be read in conjunction with the consolidated financial statements and the related notes provided elsewhere in this Form 6-K and with the information, including the consolidated financial statements and related notes, for the year ended 31 December 2006 in BP p.l.c. s Annual Report on Form 20-F for the year ended 31 December 2006.

BP s third quarter profit was $4,406 million, compared with $6,231 million a year ago, a decrease of 29%. For the nine months, profit was $16,446 million compared with $19,435 million, down 15%. The third quarter profit included inventory holding gains of $539 million compared with inventory holdings losses of $744 million in the same period last year. For the nine months, inventory holding gains were $2,131 million compared with $762 million in the nine months of 2006. See footnote (b) on page 4 for further information.

The third quarter result (before tax) included a net gain of $99 million in respect of impairment and gains/losses on disposal and net fair value gains on embedded derivatives of $14 million, and was after a charge of $185 million in respect of new, and revisions to existing environmental and other provisions, a charge of $91 million in respect of a donation to the BP Foundation and a charge of $372 million in respect of reassessment of certain provisions. The third quarter of 2006 included a net gain of $1,889 million in respect of impairment and gains/losses on disposal, net fair value gains on embedded derivatives of $493 million and a net credit of $46 million in respect of new, and revisions to existing environmental and other provisions, and was after an additional charge of $400 million in respect of fatality and personal injury claims associated with the March 2005 Texas City refinery incident.

The nine-months result (before tax) included a net gain of $1,410 million in respect of impairment and gains/losses on disposal and net fair value gains on embedded derivatives of $452 million, and was after a charge of $185 million in respect of new, and revisions to existing environmental and other provisions, a charge of $91 million in respect of a donation to the BP Foundation and a charge of $422 million in respect of reassessment of certain provisions. The first nine months of 2006 included a net gain of $2,925 million in respect of impairment and gains/losses on disposal, net fair value gains on embedded derivatives of $312 million and a net credit of $46 million in respect of new, and revisions to existing environmental and other provisions, and was after an additional charge of $400 million in respect of fatality and personal injury claims associated with the March 2005 Texas City refinery incident and a charge of $76 million in respect of a donation to the BP Foundation.

Net cash provided by operating activities for the quarter and nine months was $6.4 billion and $20.4 billion respectively compared with $5.1 billion and $23.2 billion a year ago.

The effective tax rate on profit from continuing operations for the third quarter was 33% compared with 42% a year ago. For the nine months, the rate was 32% compared with 36% in the equivalent period of 2006.

The commentaries above and following should be read in conjunction with the cautionary statement on page 14.

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

GROUP RESULTS JANUARY SEPTEMBER 2007 (continued)

Net debt at the end of the quarter was $22.8 billion. The ratio of net debt to net debt plus equity was 20% compared with 16% a year ago.

Capital expenditure, excluding acquisitions and asset exchanges, was $4.6 billion for the quarter and for the nine months was $12.6 billion. Total capital expenditure and acquisitions was $4.6 billion for the quarter and $14 billion for the nine months. The nine months included $1.1 billion in respect of the acquisition of Chevron s Netherlands manufacturing company. Disposal proceeds were $0.2 billion for the quarter and were $3.9 billion for the nine months.

The quarterly dividend, to be paid in December, is 10.825 cents per share ($0.6495 per ADS) compared with 9.825 cents per share a year ago. For the nine months, the dividend showed an increase of 10%. In sterling terms, the quarterly dividend is 5.308 pence per share, compared with 5.241 pence per share a year ago; for the nine months, the decrease was less than 1%. During the quarter, the company repurchased 128 million of its own shares for cancellation at a cost of $1.5 billion. For the nine months, share repurchases were 542 million at a cost of $6.0 billion.

Non-GAAP information on fair value accounting effects in relation to Refining and Marketing and Gas, Power and Renewables is set out on page 12.

(b) Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost of supplies incurred during the year and the cost of sales calculated on the first-in first-out (FIFO) method. Under the FIFO method, which we use for IFRS reporting, the cost of inventory charged to the income statement is based upon the historic cost of acquisition or manufacture rather than the current replacement cost. In volatile energy markets, this can have a significant distorting effect on reported income. The amounts disclosed represent the difference between the charge to the income statement on a FIFO basis and the charge which would arise using average cost of supplies incurred during the period. For this purpose average cost of supplies incurred during the period is calculated by dividing the total cost of inventory purchased in the period by the number of barrels acquired. The amounts disclosed are not separately reflected in the financial statements as a gain or loss.

Management believes this information is useful to illustrate to investors the fact that crude oil and product prices can vary significantly from period to period and that the impact on our reported result under IFRS can be significant. Inventory holding gains and losses vary from period to period due principally to changes in oil prices as well as changes to underlying inventory levels. In order for investors to understand the operating performance of the Group excluding the impact of oil price changes on the replacement of inventories, and to make comparisons of operating performance between reporting periods, BP s Management believes it is helpful to disclose this information.

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

GROUP RESULTS JANUARY SEPTEMBER 2007 (continued)

Per share amounts

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2007	**2006**	**2007**	**2006**
Results for the period ($ million)				
Profit[(a)]	4,406	6,231	16,446	19,435
Shares in issue at period end (thousand)[(b)]	19,019,579	19,815,830	19,019,579	19,815,830
ADS equivalent (thousand)[(b)]	3,169,930	3,302,638	3,169,930	3,302,638
Average number of shares outstanding (thousand)[(b)]	19,061,853	19,818,106	19,209,757	20,167,945
ADS equivalent (thousand)[(b)]	3,176,976	3,303,018	3,201,626	3,361,324
Shares repurchased in the period (thousand)	128,253	299,155	541,975	1,023,978
Per ordinary share (cents)				
Profit for the period	23.18	31.47	85.61	96.36
Per ADS (cents)				
Profit for the period	139.08	188.82	513.66	578.16

(a) Profit attributable to BP shareholders.

(b) Excludes treasury shares.

Dividends

On 23 October 2007, BP announced a dividend of 10.825 cents per ordinary share to be paid in December. Holders of ordinary shares will receive 5.308 pence per share and holders of American Depositary Receipts (ADRs) $0.6495 per ADS. The dividend is payable on 3 December to shareholders on the register on 9 November. Participants in the Dividend Reinvestment Plan (DRIP) or the DRIP facility in the US Direct Access Plan will receive the dividend in the form of shares, also on 3 December.

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2007	**2006**	**2007**	**2006**
Dividends paid per ordinary share				
cents	10.825	9.825	31.475	28.575

pence	5.278	5.324	15.687	15.863
Dividends paid per ADS (cents)	64.95	58.95	188.85	171.45

Net Debt Ratio   Net Debt : Net Debt + Equity

	At 30 September 2007 (Unaudited)	**At 31 December 2006**
$ million		
Gross debt	25,245	24,010
Cash and cash equivalents	2,410	2,590
Net debt	22,835	21,420
Equity	91,494	85,465
Net debt ratio	20%	20%

- 5 -

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

REVIEW OF BUSINESSES
EXPLORATION AND PRODUCTION

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2007	**2006**	**2007**	**2006**
$ million				
Profit before interest and tax[a]	6,347	9,929	19,295	24,572
By region:				
UK	703	1,306	2,878	4,305
Rest of Europe	221	264	1,124	960
US	1,845	3,820	5,545	8,379
Rest of World	3,578	4,539	9,748	10,928
	6,347	9,929	19,295	24,572
Exploration expense				
UK	2	7	29	14
Rest of Europe				
US	60	188	191	309
Rest of World	182	156	335	314
	244	351	555	637
Liquids[b]				
Average prices realized by BP[c] ($/bbl)	71.12	64.15	62.00	60.91
Production for subsidiaries (mb/d) (net of royalties)	1,170	1,299	1,285	1,357
Production for equity-accounted entities (mb/d) (net of royalties)	1,123	1,123	1,110	1,138
Natural gas				
Average prices realized by BP[c] ($/mcf)	3.93	4.49	4.42	4.83
Production for subsidiaries (mmcf/d) (net of royalties)	7,026	7,129	7,157	7,480
Production for equity-accounted entities (mmcf/d) (net of royalties)	853	957	920	991
Total hydrocarbons[d]				
Average prices realized by BP[c] ($/boe)	46.36	45.47	44.05	44.74
Production for subsidiaries (mboe/d)	2,381	2,528	2,519	2,645
Production for equity-accounted entities (mboe/d)	1,270	1,288	1,269	1,309

(a) Profit from continuing operations and includes profit after interest and tax of equity-accounted entities.

(b) Crude oil and natural gas liquids.

(c) Based on sales of consolidated subsidiaries only. This excludes equity-accounted entities.

(d) Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.

(e) Additional operating information is provided on pages 26-28.

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

EXPLORATION AND PRODUCTION (concluded)

Profit before interest and tax for the third quarter was $6,347 million, a decrease of 36% from the third quarter of 2006. This included inventory holding gains of $4 million compared with inventory holding losses of $6 million in the third quarter of 2006. The result benefited from higher liquids realizations, but was impacted by lower gas realizations, lower reported volumes and higher costs. In addition, the result was lower due to the absence of significant disposal gains and fair value gains on embedded derivatives gains in the third quarter of 2006 (see below) and the absence of disposal gains in equity-accounted entities, primarily the $892 million gain on TNK-BP s disposal of the Udmurtneft assets.

The result for the third quarter of 2007 included a net gain of $1 million in respect of impairment and gains/losses on disposal, fair value gains of $33 million on embedded derivatives relating to North Sea gas contracts and a charge of $12 million in respect of new, and revisions to existing, environmental and other provisions. The result for the third quarter of 2006 included a net gain of $1,962 million in respect of impairment and gains/losses on disposal, fair value gains of $521 million on embedded derivatives and was after a charge of $17 million in respect of new, and revisions to environmental and other provisions.

Profit before interest and tax of $19,295 million for the first nine months represents a decrease of 21% over the same period of the previous year. This included inventory holding gains of $16 million compared with inventory holding losses of $12 million in the equivalent period of 2006. This result was impacted by lower gas realizations as well as lower reported volumes and higher costs, reflecting sector-specific inflation, increased integrity spend and higher depreciation charges.

The nine-months result included a net gain of $704 million in respect of impairment and gains/losses on disposal, fair value gains of $477 million on embedded derivatives relating to North Sea gas contracts and a charge of $12 million in respect of new, and revisions to existing, environmental and other provisions. The result for the first nine months of 2006 included a net gain of $2,301 million in respect of impairment and gains/losses on disposal, fair value gains of $275 million on embedded derivatives and was after a charge of $17 million in respect of new, and revisions to environmental and other provisions.

Reported production for the third quarter was 2,381mboe/d for subsidiaries and 1,270mboe/d for equity-accounted entities compared with 2,528mboe/d and 1,288mboe/d in the third quarter of 2006. Reported production for the nine months was 2,519mboe/d for subsidiaries and 1,269mboe/d for equity-accounted entities compared with 2,645mboe/d and 1,309mboe/d in the equivalent period of 2006. For subsidiaries, the decrease in both periods primarily reflected the effect of disposals, entitlement changes in our production-sharing agreements and the impact of the CATS pipeline incident in the North Sea.

During the quarter, we were the highest bidder for 91 blocks in the Western Gulf of Mexico lease sale and we were awarded two new exploration licences in Colombia. Additionally, in early October we participated in the Central Gulf of Mexico lease sale, where we were highest bidder for 83 blocks.

Our major projects are progressing well. In October, we had first oil from Greater Plutonio in Angola, where BP holds a 50% working interest. In the Gulf of Mexico we have started commissioning the Atlantis field.

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

REFINING AND MARKETING

	Three months ended 30 September (Unaudited)		NIne months ended 30 September (Unaudited)	
	2007	**2006**	**2007**	**2006**
$ million				
Profit (loss) before interest and tax[(a)]	936	717	6,046	6,247
By region:				
UK	(10)	46	954	57
Rest of Europe	623	387	2,133	1,858
US	(136)	65	1,784	2,919
Rest of World	459	219	1,175	1,413
	936	717	6,046	6,247
Refinery throughputs (mb/d)				
UK		200	90	158
Rest of Europe	735	622	691	644
US	1,109	1,213	1,086	1,130
Rest of World	304	252	302	268
Total throughput	2,148	2,287	2,169	2,200
Refining availability (%)[(b)]	83.4	82.2	82.6	83.2
Oil sales volumes (mb/d)				
Refined products				
UK	350	370	343	356
Rest of Europe	1,329	1,367	1,282	1,331
US	1,535	1,609	1,559	1,613
Rest of World	641	578	627	575
Total marketing sales	3,855	3,924	3,811	3,875
Trading/supply sales	1,687	1,911	1,860	1,932
Total refined product sales	5,542	5,835	5,671	5,807
Crude oil	1,709	1,913	1,964	2,160
Total oil sales	7,251	7,748	7,635	7,967
Global Indicator Refining Margin ($/bbl)[(c)]				
NWE	3.82	4.54	5.03	4.40
USGC	12.58	11.47	15.74	13.36
Midwest	14.31	11.50	16.02	10.38

USWC	6.90	12.30	17.22	14.93
Singapore	4.52	3.58	5.12	4.65
BP Average	8.05	8.40	11.38	9.09
Chemicals production (kte)				
UK	237	230	739	831
Rest of Europe	587	776	1,990	2,359
US	1,117	883	3,240	2,488
Rest of World	1,569	1,682	4,586	5,097
Total production	3,510	3,571	10,555	10,775

(a) Profit from continuing operations and includes profit after interest and tax of equity-accounted entities.

(b) Refining availability is defined as the ratio of units which are available for processing, regardless of whether they are actually being used, to total capacity. Where there is planned maintenance, such capacity is not regarded as being available. During 2006, there was planned maintenance of a substantial part of the Texas City refinery.

(c) The Global Indicator Refining Margin (GIM) is the average of regional indicator margins weighted for BP s crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity. The regional indicator margins may not be representative of the margins achieved by BP in any period because of BP s particular refinery configurations and crude and product slate.

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

REFINING AND MARKETING (concluded)

Profit before interest and tax for the third quarter and nine months was $936 million and $6,046 million respectively and included inventory holding gains of $560 million and $2,092 million. The results in the equivalent periods of 2006 were $717 million and $6,247 million respectively. The result for the third quarter of 2006 was after inventory holding losses of $786 million and the nine-months result included inventory holding gains of $776 million.

The third-quarter result included a net gain of $105 million in respect of impairment and gains/losses on disposal and was after a charge of $138 million in respect of new, and revisions to existing, environmental and other provisions, a charge of $91 million in respect of a donation to the BP Foundation and a charge of $220 million related to reassessment of certain provisions. The nine-months result included a net gain of $693 million in respect of impairment and gains/losses on disposal and was after a charge of $138 million in respect of new, and revisions to existing, environmental and other provisions, a charge of $91 million in respect of a donation to the BP Foundation and a charge of $270 million related to reassessment of certain provisions.

Compared with the third quarter of 2006, realized refining margins were lower due to the effects of narrowing light heavy crude differentials, particularly in the US. Marketing margins remained robust although they were lower than the exceptionally strong margins of a year ago. Relative to 2006, both refining and marketing margins were stronger in the first nine months of 2007. Compared with the equivalent periods of 2006, both the current quarter and nine-months results reflected the adverse impact of operational issues, particularly at the Whiting refinery, and scheduled turnarounds, along with reduced supply optimization benefits and higher integrity and repair costs.

Non-GAAP information on fair value accounting effects is set out on page 12.

Refining throughputs for the quarter and nine months were 2,148mb/d and 2,169mb/d respectively, compared with 2,287mb/d and 2,200mb/d for the same periods last year. The lower throughputs were mainly due to the disposal of Coryton refinery on 31 May 2007 and lower availability at the Whiting refinery, partially offset by the benefits of the ongoing recommissioning at the Texas City refinery and the acquisition of the remaining interests in the Rotterdam refinery.

Marketing sales were 3,855mb/d for the quarter and 3,811mb/d for the nine months, slightly lower than the comparative periods in the previous year, mainly due to lower European heating oil demand as a result of milder weather.

Refining availability, at 83.4%, improved for the third successive quarter. We continue to make progress in the recommissioning of both the Texas City and Whiting refineries. In line with our prior guidance, by the end of the fourth quarter of 2007 we expect available production capacity to reach 400mb/d and 300mb/d at Texas City and Whiting respectively, with sour crude processing having resumed at Whiting. We expect to restore both refineries to their full crude capacity and flexibility in the first half of 2008.

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

GAS, POWER AND RENEWABLES

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
$ million	**2007**	**2006**	**2007**	**2006**
Profit before interest and tax[(a)]	(71)	152	370	853
By region:				
UK	(85)	(46)	(75)	70
Rest of Europe	(37)	(15)	(37)	(10)
US	(26)	141	122	566
Rest of World	77	72	360	227
	(71)	152	370	853

(a) Profit from continuing operations and includes profit after interest and tax of equity-accounted entities.

The loss before interest and tax for the third quarter was $71 million compared with a profit of $152 million in the same period of 2006. The third quarter of 2007 was after inventory holding losses of $14 million (there were no inventory holding gains or losses in the third quarter of 2006). Profit before interest and tax for the nine months was $370 million compared with $853 million in the same period of 2006. The first nine months of 2007 included inventory holding gains of $31 million and profit for the first nine months of 2006 was after inventory holding losses of $53 million. The result for the quarter included a net gain of $4 million in respect of impairment and gains/losses on disposal and was after fair value losses of $12 million on embedded derivatives related to long-term gas contracts. The result for the corresponding quarter of 2006 was after a net charge of $65 million in respect of impairment and gains/losses on disposal and fair value losses of $20 million on embedded derivatives.

The third-quarter result decreased by more than $200 million over the third quarter of 2006. This reflected a significant reduction in the contribution from the marketing and trading businesses, lower natural gas liquids volumes and higher Alternative Energy expenditure, partly offset by improved margins in the natural gas liquids business and a lower impact from impairment charges and fair value losses on embedded derivatives (as noted above). The nine-months result was lower than the same period in 2006, largely reflecting weaker contributions from the marketing and trading businesses and higher expenditure in the Alternative Energy business.

Non-GAAP information on fair value accounting effects is set out on page 12.

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

OTHER BUSINESSES AND CORPORATE

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2007	**2006**	**2007**	**2006**
$ million				
Profit (loss) before interest and tax[a]	(462)	(213)	(739)	(620)

[a] Profit from continuing operations and includes profit (loss) after interest and tax of equity-accounted entities.

Other businesses and corporate comprises Finance, the group s aluminium asset, interest income and costs relating to corporate activities. The third quarter s result was after a net charge of $11 million in respect of impairment and gains/losses on disposals, a charge of $35 million in respect of new, and revisions to existing environmental and other provisions, net fair value losses of $7 million on embedded derivatives and a charge of $152 million in respect of revisions to certain provisions.

Table of Contents

BP p.l.c. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-GAAP information on fair value accounting effects

BP uses derivative instruments to manage the economic exposure relating to inventories above normal operating requirements of crude oil, natural gas and petroleum products as well as certain contracts to supply physical volumes at future dates. Under IFRS, these inventories and contracts are recorded at historic cost and on an accruals basis respectively. The related derivative instruments, however, are required to be recorded at fair value with gains and losses recognized in income because hedge accounting is either not permitted or not followed, principally due to the impracticality of effectiveness testing requirements. Therefore, measurement differences in relation to recognition of gains and losses occur. Gains and losses on these inventories and contracts are not recognized until the commodity is sold in a subsequent accounting period. Gains and losses on the related derivative commodity contracts are recognized in the income statement from the time the derivative commodity contract is entered into on a fair value basis using forward prices consistent with the contract maturity.

IFRS requires that inventory held for trading be recorded at its fair value using period end spot prices whereas any related derivative commodity instruments are required to be recorded at values based on forward prices consistent with the contract maturity. Depending on market conditions, these forward prices can be either higher or lower than spot prices resulting in measurement differences.

The Gas, Power and Renewables business enters into contracts for pipelines and storage capacity which, under IFRS, are recorded on an accruals basis. These contracts are risk managed using a variety of derivative instruments which are fair valued under IFRS. This results in measurement differences in relation to recognition of gains and losses.

The way that BP manages the economic exposures described above, and measures performance internally, differs from the way these activities are measured under IFRS. BP calculates this difference by comparing the IFRS result with management s internal measure of performance, under which the inventory and the supply and capacity contracts in question are valued based on fair value using relevant forward prices prevailing at the end of the period. We believe that disclosing management s estimate of this difference provides useful information for investors because it enables investors to see the economic effect of these activities as a whole. The impact of fair value accounting effects, relative to management s internal measure of performance, is shown in the table below and is non-GAAP.

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
$ million	**2007**	**2006**	**2007**	**2006**
Refining and Marketing				
Unrecognized gains (losses) brought forward from previous period	274	332	72	283
Unrecognized (gains) losses carried forward	(367)	252	(367)	252