BP PLC
Form 6-K
October 30, 2012
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

for the period ended October, 2012

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 |X| Form 40-F
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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 --------------- No |X| ----------------

BP p.l.c.
Group results
Third quarter and nine months 2012

London 30 October 2012

FOR IMMEDIATE RELEASE

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
5,043	(1,385)	5,434	Profit (loss) for the period(a)	9,964	18,015
233	1,623	(747)	Inventory holding (gains) losses, net of tax	(110)	(1,721)
5,276	238	4,687	Replacement cost profit(b)	9,854	16,294
187	3,447	483	Net (favourable) unfavourable impact of non-operating items and fair value accounting effects, net of tax(c)	3,800	378
5,463	3,685	5,170	Underlying replacement cost profit(b)	13,654	16,672
			Replacement cost profit		
27.85	1.25	24.62	- per ordinary share (cents)	51.82	86.28
1.67	0.07	1.48	- per ADS (dollars)	3.11	5.18
			Underlying replacement cost profit		
28.83	19.37	27.16	- per ordinary share (cents)	71.81	88.28
1.73	1.16	1.63	- per ADS (dollars)	4.31	5.30

· BP's third-quarter replacement cost (RC) profit was $4,687 million, compared with $5,276 million a year ago. After adjusting for a net loss from non-operating items of $321 million and net unfavourable fair value accounting effects of $162 million (both on a post-tax basis), underlying RC profit for the third quarter was $5,170 million, compared with $5,463 million for the same period last year. For the nine months, RC profit was $9,854 million, compared with $16,294 million a year ago. After adjusting for a net loss from non-operating items of $3,475 million and net unfavourable fair value accounting effects of $325 million (both on a post-tax basis), underlying RC profit for the nine months was $13,654 million, compared with $16,672 million for the same period last year. RC profit or loss for the group, underlying RC profit or loss and fair value accounting effects are non-GAAP measures and further information is provided on pages 4, 19 and 21.

· The group income statement included a net adverse impact relating to the Gulf of Mexico oil spill, on a pre-tax basis, of $59 million for the third quarter and $882 million for the nine months. All amounts relating to the Gulf of Mexico oil spill have been treated as non-operating items. For further information on the Gulf of Mexico oil spill and its consequences see pages 2 - 3, Note 2 on pages 23 - 28 and Legal proceedings on pages 32 - 40.

· Finance costs and net finance income or expense relating to pensions and other post-retirement benefits were $198 million for the third quarter, compared with $234 million for the same period last year. For the nine months, the respective amounts were $640 million and $722 million.

· Including the impact of the Gulf of Mexico oil spill, net cash provided by operating activities for the third quarter and nine months was $6.3 billion and $14.1 billion respectively, compared with $6.9 billion and $17.1 billion in the same periods of last year. Excluding amounts related to the Gulf of Mexico oil spill, net cash provided by operating activities for the third quarter and nine months was $6.4 billion and $17.1 billion respectively, compared with $7.8 billion and $22.8 billion for the same periods of last year. Reflecting our proposed transaction with Rosneft, we remain confident in delivering more than 50% growth in net cash provided by operating activities by 2014(d) assuming an oil price of $100 per barrel.

· Net debt at the end of the quarter was $31.5 billion, compared with $25.8 billion a year ago. The ratio of net debt to net debt plus equity was 20.9% compared with 18.9% a year ago. Net debt is a non-GAAP measure. See page 5 for further information.

· On 22 October 2012, BP announced that it had signed heads of terms for a proposed transaction to sell its 50% share in TNK-BP to Rosneft for cash consideration of $17.1 billion and Rosneft shares representing a 12.84% stake in Rosneft. In addition, BP would use $4.8 billion of the cash consideration to acquire a further 5.66% stake in Rosneft from the Russian government. For further information, see page 11.

· BP today announced a quarterly dividend of 9 cents per ordinary share ($0.54 per ADS), which is expected to be paid on 21 December 2012. The corresponding amount in sterling will be announced on 10 December 2012. A scrip dividend alternative is available, allowing shareholders to elect to receive their dividend in the form of new ordinary shares and ADS holders in the form of new ADSs. Details of the scrip dividend programme are available at bp.com/scrip.

(a) Profit (loss) attributable to BP shareholders.
(b) See footnote (a) on page 4 for definitions of RC profit and underlying RC profit.
(c) See pages 20 and 21 respectively for further information on non-operating items and fair value accounting effects.
(d) This projection reflects our expectation that all required payments into the $20-billion Deepwater Horizon Oil Spill Trust fund will have been completed prior to 2014. The projection does not reflect any cash flows relating to other liabilities, contingent liabilities, settlements or contingent assets arising from the Gulf of Mexico oil spill which may or may not arise at that time. As disclosed in Note 2 under Contingent liabilities on page 28, we are not able at this time

to reliably estimate the amount or timing of a number of contingent liabilities.

The commentaries above and following are based on RC profit and should be read in conjunction with the cautionary statement on page 13.

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Group headlines (continued)

· The effective tax rate on replacement cost profit for the third quarter was 34%, compared with 31% a year ago. For the nine months the effective tax rate on replacement cost profit was 34%, the same as a year ago. Recently enacted changes to the taxation of UK oil and gas production resulted in a $256-million deferred tax adjustment in the third quarter 2012. An earlier change resulted in a $683-million deferred tax adjustment in the first quarter 2011. Excluding these adjustments the effective tax rate for the third quarter and nine months of 2012 was 30% and 32% respectively and 31% for the nine-month period for 2011. We now expect the full-year effective tax rate to be at the lower end of the 34 to 36% range.

· Total capital expenditure for the third quarter and nine months was $6.1 billion and $17.2 billion respectively, of which organic capital expenditure was $5.9 billion and $16.5 billion respectively(a). We now expect 2012 full-year organic capital expenditure to be between $22 billion and $23 billion. Disposal proceeds were $1.4 billion for the quarter and $4.6 billion for the nine months.

· Since the start of 2010, we have announced disposals for over $35 billion against our target of $38 billion, which includes a total of $6 billion for Upstream assets and $5 billion for Downstream assets since the end of the second quarter. In addition, we announced the proposed transaction with Rosneft for the sale of our share in TNK-BP, as described on page 1. (See pages 6, 8 and 11 and Note 3 on pages 28 - 29 for further information on these agreements.)

(a) Organic capital expenditure excludes acquisitions and asset exchanges, and expenditure associated with deepening our natural gas asset base (see page 18).

Gulf of Mexico oil spill

Completing the response

We remain committed to meeting our responsibilities to the US federal, state and local governments and communities of the Gulf Coast following the Deepwater Horizon accident and oil spill in 2010 (the Incident). During the third quarter of 2012, BP, working under the direction of the US Coast Guard's Federal On-Scene Coordinator (FOSC), and collaboratively with the individual federal and state entities, continued to work to meet the applicable clean-up standards established by the Shoreline Clean-up Completion plan.

In late August 2012, Hurricane Isaac made landfall in the Gulf Coast and deposits of buried residual oil were exposed by changes in the beach profile on some Louisiana beaches where deep cleaning had not previously been allowed. Response teams are continuing to excavate the uncovered residual material and have submitted for approval plans for deep cleaning across these beach areas. In other parts of the area of response, clean-up operations have largely returned to pre-Isaac levels after an initial post-Isaac increase in tar balls.

As at 29 September 2012, the FOSC had deemed removal actions complete on 3,941 miles of shoreline out of 4,375 miles in the area of response. A further 143 miles were awaiting approval of removal actions deemed complete or were pending final monitoring. The remaining 291 miles were undergoing patrolling and maintenance, which will continue until the shoreline segments meet the applicable clean-up standards for the FOSC to determine that operational removal activity is complete.

Economic restoration

As at 30 September 2012, BP had paid a total of over $8.8 billion for individual, business and government entity claims, advances and other payments, including payments made by BP prior to the establishment of the Deepwater Horizon Oil Spill Trust (Trust). The amount includes over $7.1 billion paid to individual and business claimants, and $1.4 billion paid to federal, state and local government entities for claims and advances. BP has also paid an additional $298 million for contributions, settlements and other payments for tourism, seafood testing and marketing, and behavioural health.

During the third quarter the Deepwater Horizon Court-Supervised Settlement Program (DHCSSP) paid $66 million to individual and business "in-class" claimants under the proposed economic loss settlement agreement reached between BP and the Plaintiffs' Steering Committee (PSC). In addition, $21 million was paid to fund the Gulf Region Health Outreach Program and for administration costs under the medical settlement agreement. The BP claims programme is processing claims received from claimants not in the class as determined by the settlement agreement or who have requested to opt out of the settlement. There were 741 requests to opt out of the settlement class during the third quarter.

Following the court's preliminary approval in May 2012 of the economic loss and medical settlement agreements reached between BP and the PSC, we await the outcome of the court's fairness hearing scheduled for 8 November 2012, which will determine whether to grant final approval of the agreements.

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Gulf of Mexico oil spill (continued)

Environmental restoration

During the third quarter we continued to work with scientists and trustee agencies through the Natural Resource Damages (NRD) assessment process to identify natural resources that may have been exposed to oil or otherwise impacted by the oil spill, and to look for evidence of injury. To date, BP has paid $819 million for NRD assessment efforts.

Under an agreement signed with federal and state agencies in April 2011, BP voluntarily committed to provide up to $1 billion to fund early restoration projects aimed at accelerating restoration efforts in the Gulf coast areas that were impacted by the accident. The agreement enables work on restoration projects to begin at the earliest opportunity, before funding is required by the Oil Pollution Act 1990 (OPA 90). These projects will be funded from the Trust. See Note 2 on pages 23 - 28.

As at 30 September 2012, $36 million has been funded towards the $60 million estimated cost of the first tranche of the early restoration project plan. This plan, which includes eight projects along the Gulf Coast, was finalized in April 2012 by the Natural Resource Damage Assessment Trustee Council following extensive public review. Collectively, these projects are intended to restore and enhance wildlife and habitats, and provide additional access for recreational use.

Financial update

The group income statement includes a pre-tax charge of $59 million for the third quarter in relation to the Incident. The charge for the third quarter reflects the regular quarterly costs of the Gulf Coast Restoration Organization and adjustments to provisions. The total cumulative charge recognized to date for the Incident amounts to $38.1 billion. The cumulative income statement charge does not include amounts for obligations that BP considers are not possible, at this time, to measure reliably, namely any obligation relating to Natural Resource Damages claims under OPA 90 (other than the estimated costs of the assessment phase and the costs of emergency and early restoration agreements referred to in Note 2 on page 26) and other potential litigation, fines, or penalties, other than as described under Provisions in Note 2 on pages 26 - 28.

The total amounts that will ultimately be paid by BP in relation to all the obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors, as discussed under Contingent liabilities on page 28, including in relation to any new information or future developments. These could have a material impact on our consolidated financial position, results of operations and cash flows. The risks associated with the Incident could also heighten the impact of the other risks to which the group is exposed, as further described under Principal risks and uncertainties on pages 32 - 38 of our second-quarter 2012 results announcement.

Trust update

During the third quarter, BP made a contribution of $1,250 million to the Trust. As at 30 September 2012, BP's cumulative contributions to the Trust amounted to $19,140 million with a final payment of $860 million scheduled for the fourth quarter of 2012. Under the terms of the settlement agreements with the PSC, qualified settlement funds (QSFs) were established during the second quarter, funded from the Trust, for the purpose of paying the costs of the settlements.

Payments from the Trust and QSFs during the third quarter were $378 million for individual and business claims through both the DHCSSP and the Gulf Coast Claims Facility, medical settlement programme payments, NRD assessment and early restoration, state and local government claims, DHCSSP expenses and other resolved items. As at 30 September 2012, the cumulative amount paid from the Trust and QSFs since inception was $8.2 billion, and the remaining cash balances were $10.9 billion.

As at 30 September 2012, the cumulative charges for provisions to be paid from the Trust and the associated reimbursement asset recognized amounted to $17.8 billion. The increased charge in the third quarter reflects higher provision estimates for the DHCSSP costs and NRD assessment costs. A further $2.2 billion could be provided in subsequent periods for items covered by the Trust, with no net impact on the income statement.

Legal proceedings and investigations

See Legal proceedings on pages 32 - 40 for details of legal proceedings, including external investigations relating to the Incident.

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Analysis of underlying RC profit and RC profit before interest and tax

and reconciliation to profit for the period

Third quarter 2011	Second quarter 2012	Third quarter 2012	$ million	Nine months 2012	Nine months 2011
			Underlying RC profit before interest and tax(a)		
6,287	4,401	4,369	Upstream	15,060	19,301
1,666	1,129	3,004	Downstream	5,057	5,254
939	452	1,294	TNK-BP(b)	2,903	3,147
(406)	(540)	(574)	Other businesses and corporate	(1,550)	(1,038)
(213)	457	(64)	Consolidation adjustment - UPII(c)	(148)	(240)
8,273	5,899	8,029	Underlying RC profit before interest and tax	21,322	26,424
			Finance costs and net finance income or expense relating to pensions and other		
(220)	(208)	(195)	post-retirement benefits	(627)	(677)
(2,413)	(1,961)	(2,598)	Taxation on an underlying RC basis	(6,869)	(8,767)
(177)	(45)	(66)	Minority interest	(172)	(308)
5,463	3,685	5,170	Underlying RC profit attributable to BP shareholders	13,654	16,672
			Non-operating items and fair value accounting effects(a)		
461	(1,488)	541	Upstream	(258)	501
(173)	(2,865)	(601)	Downstream	(3,534)	(344)
-	-	(12)	TNK-BP, net of tax	(105)	-
76	18	(523)	Other businesses and corporate	(741)	(368)
(541)	(843)	(56)	Gulf of Mexico oil spill response(d)	(869)	(308)
(177)	(5,178)	(651)	Total before interest and taxation	(5,507)	(519)
(14)	(4)	(3)	Finance costs(e)	(13)	(45)
4	1,735	171	Taxation credit (charge)(f)	1,720	186
(187)	(3,447)	(483)	Total after taxation for the period	(3,800)	(378)
			RC profit before interest and tax(a)		
6,748	2,913	4,910	Upstream	14,802	19,802
1,493	(1,736)	2,403	Downstream	1,523	4,910
939	452	1,282	TNK-BP(b)	2,798	3,147
(330)	(522)	(1,097)	Other businesses and corporate	(2,291)	(1,406)
(541)	(843)	(56)	Gulf of Mexico oil spill response(d)	(869)	(308)
(213)	457	(64)	Consolidation adjustment - UPII(c)	(148)	(240)
8,096	721	7,378	RC profit before interest and tax	15,815	25,905
			Finance costs and net finance income or expense relating to pensions and other		
(234)	(212)	(198)	post-retirement benefits	(640)	(722)
(2,409)	(226)	(2,427)	Taxation on a RC basis	(5,149)	(8,581)

(177)	(45)	(66)	Minority interest	(172)	(308)
5,276	238	4,687	RC profit attributable to BP shareholders	9,854	16,294
(372)	(2,324)	1,059	Inventory holding gains (losses)	172	2,533
139	701	(312)	Taxation (charge) credit on inventory holding gains and losses	(62)	(812)
5,043	(1,385)	5,434	Profit (loss) for the period attributable to BP shareholders	9,964	18,015

(a) Replacement cost (RC) profit or loss reflects the replacement cost of supplies and is arrived at by excluding inventory holding gains and losses from profit or loss. RC profit or loss is the measure of profit or loss for each operating segment that is required to be disclosed under International Financial Reporting Standards (IFRS). RC profit or loss for the group is not a recognized GAAP measure. For further information on RC profit or loss, see page 19. Underlying RC profit or loss is RC profit or loss after adjusting for non-operating items and fair value accounting effects. Underlying RC profit or loss and fair value accounting effects are not recognized GAAP measures. On pages 20 and 21 respectively, we provide additional information on the non-operating items and fair value accounting effects that are used to arrive at underlying RC profit or loss in order to enable a full understanding of the events and their financial impact. BP believes that underlying RC profit or loss is a useful measure for investors because it is a measure closely tracked by management to evaluate BP's operating performance and to make financial, strategic and operating decisions and because it may help investors to understand and evaluate, in the same manner as management, the underlying trends in BP's operational performance on a comparable basis, period on period, by adjusting for the effects of these non-operating items and fair value accounting effects.

(b) Net of finance costs, taxation and minority interest.

(c) The consolidation adjustment - unrealized profit in inventory (UPII) for the second quarter of 2012 was impacted by lower margins (driven by lower prices and a higher average cost of production due to a different mix of equity crude within inventory).

(d) See Note 2 on pages 23 - 28 for further information on the accounting for the Gulf of Mexico oil spill response.

(e) Finance costs relate to the Gulf of Mexico oil spill. See Note 2 on pages 23 - 28 for further details.

(f) For the Gulf of Mexico oil spill and certain impairment losses in the second quarter 2012, tax is based on US statutory tax rates. For other items, with the exception of TNK-BP items (which are reported net of tax), tax is calculated using the group's discrete quarterly effective tax rate (adjusted for the Gulf of Mexico oil spill, certain impairment losses in the second quarter 2012, equity-accounted earnings from the first quarter 2012 onwards and the deferred tax adjustments relating to changes to the taxation of UK oil and gas production ($683 million for the first quarter 2011 and $256 million for the third quarter 2012)).

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Per share amounts

Third	Second	Third		Nine	Nine

quarter 2011	quarter 2012	quarter 2012		months 2012	months 2011
			Per ordinary share (cents)		
26.62	(7.29)	28.54	Profit (loss) for the period	52.40	95.39
27.85	1.25	24.62	RC profit for the period	51.82	86.28
28.83	19.37	27.16	Underlying RC profit for the period	71.81	88.28
			Per ADS (dollars)		
1.60	(0.44)	1.71	Profit (loss) for the period	3.14	5.72
1.67	0.07	1.48	RC profit for the period	3.11	5.18
1.73	1.16	1.63	Underlying RC profit for the period	4.31	5.30

The amounts shown above are calculated based on the basic weighted average number of shares outstanding. See Note 6 on page 30 for details of the calculation of earnings per share.

Net debt ratio - net debt: net debt + equity

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
45,283	47,662	49,077	Gross debt	49,077	45,283
1,454	1,067	1,572	Less: fair value asset of hedges related to finance debt	1,572	1,454
43,829	46,595	47,505		47,505	43,829
17,997	14,881	16,041	Less: Cash and cash equivalents	16,041	17,997
25,832	31,714	31,464	Net debt	31,464	25,832
110,659	113,323	118,773	Equity	118,773	110,659
18.9%	21.9%	20.9%	Net debt ratio	20.9%	18.9%

See Note 7 on page 31 for further details on finance debt.

Net debt and net debt ratio are non-GAAP measures. Net debt includes the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt, for which hedge accounting is claimed. The derivatives are reported on the balance sheet within the headings 'Derivative financial instruments'. We believe that net debt and net debt ratio provide useful information to investors. Net debt enables investors to see the economic effect of gross debt, related hedges and cash and cash equivalents in total. The net debt ratio enables investors to see how significant net debt is relative to equity from shareholders.

Dividends

Dividends payable

BP today announced a dividend of 9 cents per ordinary share expected to be paid in December. The corresponding amount in sterling will be announced on 10 December 2012, calculated based on the average of the market exchange rates for the four dealing days commencing on 4 December 2012. Holders of American Depositary Shares (ADSs) will receive $0.54 per ADS. The dividend is due to be paid on 21 December 2012 to shareholders and ADS holders on the register on 9 November 2012. A scrip dividend alternative is available, allowing shareholders to elect to receive their dividend in the form of new ordinary shares and ADS holders in the form of new ADSs. Details of the third-quarter dividend and timetable are available at bp.com/dividends and details of the scrip dividend programme are available at bp.com/scrip.

Dividends paid

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			Dividends paid per ordinary share		
7.000	8.000	8.000	cents	24.000	21.000
4.316	5.150	5.017	pence	15.263	12.934
42.00	48.00	48.00	Dividends paid per ADS (cents)	144.00	126.00
			Scrip dividends		
14.8	11.1	15.0	Number of shares issued (millions)	65.7	154.2
101	73	105	Value of shares issued ($ million)	484	1,136

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Upstream

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
6,763	2,877	4,922	Profit before interest and tax	14,694	19,896
(15)	36	(12)	Inventory holding (gains) losses	108	(94)
6,748	2,913	4,910	RC profit before interest and tax	14,802	19,802
			Net (favourable) unfavourable impact of non-operating		
(461)	1,488	(541)	items and fair value accounting effects	258	(501)
6,287	4,401	4,369	Underlying RC profit before interest and tax(a)	15,060	19,301

(a) See footnote (a) on page 4 for information on underlying RC profit and see page 7 for a reconciliation to segment RC profit before interest and tax by region.

The replacement cost profit before interest and tax for the third quarter and nine months was $4,910 million and $14,802 million respectively, compared with $6,748 million and $19,802 million for the same periods in 2011. The third quarter was impacted by a net non-operating gain of $516 million, primarily due to gains on disposals, compared with a net gain of $500 million in 2011. For the nine months, the net non-operating charge was $157 million, mainly relating to impairment charges offset by gains on disposals, compared with a net gain of $546 million in the same period last year. In the third quarter, fair value accounting effects had a favourable impact of $25 million compared with an unfavourable impact of $39 million in 2011. For the nine months, fair value accounting effects had an unfavourable impact of $101 million compared with an unfavourable impact of $45 million in 2011.

After adjusting for non-operating items and fair value accounting effects, the underlying replacement cost profit before interest and tax for the third quarter and nine months was $4,369 million and $15,060 million respectively, compared with $6,287 million and $19,301 million a year ago. The results in both periods of 2012 were impacted by lower realizations, higher costs (primarily the impact of higher depreciation, depletion and amortization, as well as ongoing sector inflation), and lower production. The persistently low Henry Hub gas price means that our North American gas business is continuing to operate at a loss.

Production for the quarter was 2,259mboe/d, 2.7% lower than the third quarter of 2011. After adjusting for the effect of divestments and entitlement impacts in our production-sharing agreements (PSAs), production increased by 3.4%. This primarily reflected major project start-ups and improved operating performance in Angola, and increased volumes in other areas, partly offset by natural field decline and the seasonal impacts of maintenance activity. For the nine months, production was 2,328mboe/d, 5.3% lower than in the same period last year. After adjusting for the effect of divestments and PSA entitlement impacts, production for the nine months was 1.0% higher than a year ago.

Looking ahead we expect fourth-quarter reported production to be higher than the third quarter as we exit the maintenance season, and see the continuing benefit of our major project start-ups. The extent of the increased production will likely be muted by the timing of Gulf of Mexico and North Sea divestments expected to be completed during the fourth quarter.

We continue to expect full-year production in 2012 to be broadly flat with 2011, after adjusting for divestments, and the impact of entitlement effects in our PSAs.

Reported production for the full year is expected to be lower than 2011 due to the impact of divestments which we estimate at around 120mboe/d. The actual reported production outcome for the year will depend on the exact timing of divestments and project start-ups, OPEC quotas, and entitlement impacts in PSAs.

We continued to make strategic progress. In August, we announced the sale of the Sunray and Hemphill gas processing plants in Texas, together with their associated gas gathering system, to Eagle Rock Energy Partners for $228 million in cash. The transaction closed on 1 October.

In September, we announced the sanction of the Clair Ridge development, west of Shetland, UK. This is the first major project using our proprietary reduced salinity water injection technology (LoSal®).

Also in September, we announced the agreement to sell our interests in the Marlin hub, Horn Mountain, Holstein, Ram Powell and Diana Hoover assets in the deepwater Gulf of Mexico to Plains Exploration and Production Company for $5.55 billion, subject to regulatory approvals, certain pre-emption rights and customary post-closing adjustments. Additionally we announced the agreement to sell our interest in the Draugen field in the Norwegian Sea to AS Norske Shell for $240 million.

In October, we announced the successful start-up of the Devenick gas project in the central North Sea, which will provide an important new source of domestic gas for the UK. We also signed PSAs for three deepwater exploration blocks offshore Uruguay following our successful bids in their second offshore licensing round in March 2012.

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Upstream

Third quarter 2011	Second quarter 2012	Third quarter 2012	$ million	Nine months 2012	Nine months 2011
			Underlying RC profit before interest and tax		
			By region		
1,473	628	741	US	3,027	4,798
4,814	3,773	3,628	Non-US	12,033	14,503
6,287	4,401	4,369		15,060	19,301
			Non-operating items		
(32)	(2,273)	465	US	(861)	(758)
532	778	51	Non-US	704	1,304
500	(1,495)	516		(157)	546
			Fair value accounting effects(a)		
(9)	61	(28)	US	(38)	(2)
(30)	(54)	53	Non-US	(63)	(43)
(39)	7	25		(101)	(45)
			RC profit (loss) before interest and tax		
1,432	(1,584)	1,178	US	2,128	4,038
5,316	4,497	3,732	Non-US	12,674	15,764
6,748	2,913	4,910		14,802	19,802
			Exploration expense		
52	413	35	US(b)	510	985
48	203	255	Non-US(c)	656	193
100	616	290		1,166	1,178
			Production (net of royalties)(d)		
			Liquids (mb/d)(e)		
388	350	356	US	387	458
120	119	95	Europe	112	145
684	681	697	Rest of World	683	688
1,192	1,150	1,148		1,182	1,291
			Natural gas (mmcf/d)		
1,819	1,648	1,545	US	1,670	1,852
214	478	339	Europe	439	325
4,516	4,399	4,559	Rest of World	4,541	4,590
6,549	6,525	6,443		6,650	6,767
			Total hydrocarbons (mboe/d)(f)		
702	635	622	US	675	778
157	201	153	Europe	188	201
1,462	1,439	1,483	Rest of World	1,466	1,478
2,321	2,275	2,259		2,328	2,457
			Average realizations(g)		
103.53	100.89	99.00	Total liquids ($/bbl)	102.79	101.11
4.95	4.54	4.77	Natural gas ($/mcf)	4.67	4.56
63.74	60.17	60.68	Total hydrocarbons ($/boe)	61.69	61.91

(a) These effects represent the favourable (unfavourable) impact relative to management's measure of performance. Further information on fair value accounting effects is provided on page 21.

(b) Second quarter and nine months 2012 include $308 million classified within the 'other' category of non-operating items (nine months 2011 $395 million).

(c) Nine months 2011 includes $44 million classified within the 'other' category of non-operating items.

(d) Includes BP's share of production of equity-accounted entities in the Upstream segment.

(e) Crude oil and natural gas liquids.

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

(g) Based on sales of consolidated subsidiaries only - this excludes equity-accounted entities.

Because of rounding, some totals may not agree exactly with the sum of their component parts.

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Downstream

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
1,117	(3,935)	3,385	Profit (loss) before interest and tax	1,801	7,304
376	2,199	(982)	Inventory holding (gains) losses	(278)	(2,394)
1,493	(1,736)	2,403	RC profit (loss) before interest and tax	1,523	4,910
			Net (favourable) unfavourable impact of non-operating		
173	2,865	601	items and fair value accounting effects	3,534	344
1,666	1,129	3,004	Underlying RC profit before interest and tax(a)	5,057	5,254

(a) See footnote (a) on page 4 for information on underlying RC profit and see page 9 for a reconciliation to segment RC profit before interest and tax by region and by business.

The replacement cost profit before interest and tax for the third quarter and nine months was $2,403 million and $1,523 million respectively, compared with a profit of $1,493 million and $4,910 million for the same periods last year.

The results include net non-operating charges of $315 million for the third quarter, largely reflecting the reassessment of environmental provisions and $3,099 million for the nine months mainly relating to impairments. For the same periods last year there were net non-operating charges of $227 million for the third quarter and $462 million for the nine months (see pages 9 and 20 for further information on non-operating items). Fair value accounting effects had an unfavourable impact of $286 million for the third quarter and $435 million for the nine months, compared with favourable impacts of $54 million and $118 million in the same periods a year ago.

After adjusting for non-operating items and fair value accounting effects, the segment delivered a record quarterly underlying replacement cost profit before interest and tax of $3,004 million for the third quarter, compared with $1,666 million for the same period in 2011. For the nine months, underlying replacement cost profit before interest and tax was $5,057 million compared with $5,254 million a year ago.

Replacement cost profit or loss before interest and tax for the fuels, lubricants and petrochemicals businesses is set out on page 9.

The fuels business benefited from strong operations in the third quarter, with refining throughputs at the highest level for seven years and some 10% higher than the second quarter. This, coupled with a favourable refining environment, helped us to deliver a record underlying replacement cost profit before interest and tax of $2,713 million in the third quarter and $3,981 million in the nine months, compared with $1,184 million and $3,243 million in the same periods of last year. Compared with the same period a year ago, the third quarter also benefited from the positive impacts of prior month pricing of barrels into our US refining system, partly mitigating the negative impacts seen in the second quarter. For the nine months, compared with the same period last year, the benefits of the stronger refining environment were partially offset by a significantly weaker supply and trading contribution despite a recovery in the third quarter.

During the quarter, we announced the agreement to sell the Carson refinery in California and related assets in the region, including marketing and logistics assets to Tesoro Corporation for $2.5 billion. Completion of the deal is subject to regulatory and other approvals and is expected to occur before mid-2013. In October, we also announced the agreement to sell our Texas City refinery and a portion of its retail and logistics network in the south-east US to Marathon Petroleum Corporation for an estimated $2.5 billion. Completion of the deal is expected in early 2013, subject to regulatory and other approvals. See Note 3 on page 29 for further details of these agreements.

Looking ahead to the fourth quarter, we expect refining margins to decline from the unusually high levels seen in the third quarter. As indicated in our second-quarter announcement, we will imminently commence a planned transitional outage to replace the largest of three crude units at the Whiting refinery, which temporarily reduces the refinery's crude capacity by more than 50%. This is part of our major project to enable the refinery to process significantly more Canadian heavy crude. It is expected that the work will be completed by mid-year 2013, in time for the start-up of the whole project in the second half of 2013. In addition, we expect to carry out major turnarounds at two of our refineries in the fourth quarter.

The lubricants business delivered an underlying replacement cost profit before interest and tax of $311 million in the third quarter and $956 million in the nine months, compared with $247 million and $987 million in the same periods last year, reflecting continued robust performance despite a difficult marketing environment.

The petrochemicals business delivered an underlying replacement cost loss before interest and tax of $20 million in the third quarter and a profit of $120 million in the nine months, compared with a profit of $235 million and $1,024 million in the same periods last year. This reflected continued weakness in margins globally resulting from recent capacity additions in Asia, high feedstock prices for aromatics production and lower demand.

Looking ahead, we expect petrochemicals margins to remain depressed in the fourth quarter.

In September, we announced that we had agreed to sell all of our purified terephthalic acid interest in BP Chemicals (Malaysia) Sdn Bhd, to Reliance Global Holdings Pte. Ltd. for $230 million and the sale was completed in October 2012.

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Third quarter 2011	Second quarter 2012	Third quarter 2012	$ million	Nine months 2012	Nine months 2011
			Underlying RC profit before interest and tax - by region		
927	450	1,723	US	2,462	1,782
739	679	1,281	Non-US	2,595	3,472
1,666	1,129	3,004		5,057	5,254
			Non-operating items		
(184)	(2,433)	(229)	US	(2,750)	(439)
(43)	(245)	(86)	Non-US	(349)	(23)
(227)	(2,678)	(315)		(3,099)	(462)
			Fair value accounting effects(a)		
18	(1)	(388)	US	(432)	41
36	(186)	102	Non-US	(3)	77
54	(187)	(286)		(435)	118
			RC profit (loss) before interest and tax		
761	(1,984)	1,106	US	(720)	1,384
732	248	1,297	Non-US	2,243	3,526
1,493	(1,736)	2,403		1,523	4,910
			Underlying RC profit before interest and tax - by business(b)(c)		
1,184	781	2,713	Fuels	3,981	3,243
247	320	311	Lubricants	956	987
235	28	(20)	Petrochemicals	120	1,024
1,666	1,129	3,004		5,057	5,254
			Non-operating items and fair value accounting effects(a)		
(190)	(2,863)	(592)	Fuels	(3,523)	(434)
16	(2)	(8)	Lubricants	(10)	89
1	-	(1)	Petrochemicals	(1)	1
(173)	(2,865)	(601)		(3,534)	(344)
			RC profit (loss) before interest and tax(b)(c)		
994	(2,082)	2,121	Fuels	458	2,809
263	318	303	Lubricants	946	1,076
236	28	(21)	Petrochemicals	119	1,025
1,493	(1,736)	2,403		1,523	4,910
12.51	15.84	19.50	BP Average refining marker margin (RMM) ($/bbl)(d)	15.65	12.49
			Refinery throughputs (mb/d)		
1,371	1,295	1,403	US	1,306	1,252
776	706	791	Europe	757	764
283	281	318	Rest of World	292	302

2,430	2,282	2,512		2,355	2,318
95.3	94.5	95.0	Refining availability (%)(e)	94.8	94.7
			Marketing sales volumes (mb/d)(f)		
1,411	1,409	1,432	US	1,397	1,398
1,353	1,279	1,268	Europe	1,254	1,306
592	603	571	Rest of World	583	605
3,356	3,291	3,271		3,234	3,309
2,358	2,568	2,393	Trading/supply sales	2,447	2,448
5,714	5,859	5,664	Total refined product sales	5,681	5,757
			Petrochemicals production (kte)		
1,127	1,110	900	US	3,088	3,028
955	998	993	Europe(c)	3,002	2,990
1,504	1,750	1,686	Rest of World	5,253	5,268
3,586	3,858	3,579		11,343	11,286

(a) Fair value accounting effects represent the favourable (unfavourable) impact relative to management's measure of performance. For Downstream, these arise solely in the fuels business. Further information is provided on page 21.
(b) Segment-level overhead expenses are included in the fuels business result.
(c) BP's share of income from petrochemicals at our Gelsenkirchen and Mülheim sites in Germany is reported in the fuels business.
(d) The RMM is the average of regional indicator margins weighted for BP's crude refining capacity in each region. They 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. The quarterly regional marker margins can be found on bp.com and are updated weekly.
(e) Refining availability represents Solomon Associates' operational availability, which is defined as the percentage of the year that a unit is available for processing after subtracting the annualized time lost due to turnaround activity and all planned mechanical, process and regulatory maintenance downtime.
(f) Marketing sales do not include volumes relating to crude oil.

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TNK-BP(a)

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
1,558	852	1,818	Profit before interest and tax	4,151	4,503
(36)	(27)	(20)	Finance costs	(83)	(105)
(486)	(393)	(310)	Taxation	(934)	(970)
(108)	(69)	(141)	Minority interest	(334)	(251)
928	363	1,347	Net income (BP share)(b)	2,800	3,177
11	89	(65)	Inventory holding (gains) losses, net of tax	(2)	(30)
939	452	1,282	Net income on a RC basis	2,798	3,147

-	-	12	Net charge (credit) for non-operating items(c), net of tax	105	-
939	452	1,294	Net income on an underlying RC basis(d)	2,903	3,147
			Cash flow		
425	-	-	Dividends received	690	2,059
			Production (net of royalties) (BP share)		
883	881	876	Crude oil (mb/d)	879	866
664	779	728	Natural gas (mmcf/d)	773	686
998	1,016	1,002	Total hydrocarbons (mboe/d)(e)	1,012	985

Balance sheet	30 September 2012	31 December 2011
Investments in associates	12,126	10,013

(a) All amounts shown relate to BP's 50% share in TNK-BP.
(b) TNK-BP is an associate accounted for using the equity method and therefore BP's share of TNK-BP's earnings after interest and tax is included in the group income statement within BP's profit before interest and tax.
(c) Disclosure of non-operating items for TNK-BP began in the first quarter of 2012.
(d) See footnote (a) on page 4 for information on underlying RC profit.
(e) Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.

The net income on a replacement cost basis from BP's investment in TNK-BP for the third quarter and nine months was $1,282 million and $2,798 million respectively, compared with $939 million and $3,147 million for the same periods a year ago.

The third quarter included a net charge for non-operating items of $12 million, relating to environmental provisions partly offset by gains on disposal. The net non-operating charge of $105 million for the nine months also included an impairment charge relating to the Lisichansk refinery in the Ukraine. Prior to 2012, non-operating items relating to BP's investment in TNK-BP were not identified or disclosed.

After adjusting for non-operating items, the net income on an underlying replacement cost basis from BP's investment in TNK-BP for the third quarter and nine months was $1,294 million and $2,903 million respectively, compared with $939 million and $3,147 million for the same periods in 2011. The primary factors impacting the third-quarter result, compared with the same period last year, were positive foreign exchange effects and the impact of the tax reference price lag on Russian export duties in the rising price environment. For the nine months, the reduction was driven by the negative impact of export duty lag and lower realizations, partially offset by positive foreign exchange effects.

Total hydrocarbon production for the third quarter was 1,002mboe/d, slightly higher than the same period in 2011, and 1,012mboe/d for the nine months, 3% higher than a year ago. After adjusting for the effect of the acquisition of BP's upstream interests in Vietnam and Venezuela, production for the third quarter was slightly lower than the same period in 2011, and for the nine months was 1% higher than a year ago, with the ramp-up of recent new developments offsetting a decline in mature fields.

On 20 August, TNK-BP announced that it sold OJSC Novosibirskneftegaz and OJSC Severnoeneftegaz as part of its strategy to optimize the asset portfolio and reduce costs.

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TNK-BP

Agreement in principle with Rosneft

On 22 October 2012, BP announced that it had signed heads of terms for a proposed transaction to sell its 50% share in TNK-BP to Rosneft. The proposed transaction consists of two tranches:

(i) BP would sell its 50% shareholding in TNK-BP to Rosneft for cash consideration of $17.1 billion and Rosneft shares representing a 12.84% stake in Rosneft; and

(ii) BP intends to use $4.8 billion of the cash consideration to acquire a further 5.66% stake in Rosneft from the Russian government. BP would acquire the Rosneft shares from the Russian government at a price of $8 per share (representing a premium of 12% to the Rosneft share closing price on the bid date, 18 October 2012).

Signing of the definitive agreements is conditional on the Russian government agreeing to the sale of the 5.66% stake in Rosneft and it is intended that the TNK-BP sale and this further investment in Rosneft would complete on the same day. Therefore, on completion of the proposed transaction, BP would acquire a total 18.5% stake in Rosneft and net $12.3 billion in cash. This would result in BP holding 19.75% of Rosneft stock, when aggregated with BP's 1.25% current holding in Rosneft. At this level of ownership, BP expects to be able to account for its share of Rosneft's earnings, production and reserves on an equity basis. In addition, BP expects to have two seats on Rosneft's nine-person main board.

In accordance with the heads of terms, BP and Rosneft have an exclusivity period of 90 days to negotiate fully termed sale and purchase agreements. After signing definitive agreements, completion would be subject to certain customary closing conditions, including governmental, regulatory and anti-trust approvals, and is currently anticipated to occur during the first half of 2013. In addition, BP will agree not to dispose of any of the Rosneft shares acquired in the transaction for at least 360 days following the completion of the transaction.

Following this agreement, BP's investment in TNK-BP meets the criteria to be classified as an asset held for sale. Consequently, BP will cease equity accounting for its share of TNK-BP's earnings from the date of the announcement. BP will continue to report its share of TNK-BP's production and reserves until the transaction closes.

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Other businesses and corporate

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
(330)	(522)	(1,097)	Profit (loss) before interest and tax	(2,291)	(1,391)

-	-	-	Inventory holding (gains) losses	-	(15)
(330)	(522)	(1,097)	RC profit (loss) before interest and tax	(2,291)	(1,406)
(76)	(18)	523	Net charge (credit) for non-operating items	741	368
(406)	(540)	(574)	Underlying RC profit (loss) before interest and tax(a)	(1,550)	(1,038)
			By region		
			Underlying RC profit (loss) before interest and tax(a)		
(182)	(185)	(218)	US	(568)	(527)
(224)	(355)	(356)	Non-US	(982)	(511)
(406)	(540)	(574)		(1,550)	(1,038)
			Non-operating items		
(112)	(92)	(494)	US	(728)	(123)
188	110	(29)	Non-US	(13)	(245)
76	18	(523)		(741)	(368)
			RC profit (loss) before interest and tax		
(294)	(277)	(712)	US	(1,296)	(650)
(36)	(245)	(385)	Non-US	(995)	(756)
(330)	(522)	(1,097)		(2,291)	(1,406)

(a) See footnote (a) on page 4 for information on underlying RC profit or loss.

Other businesses and corporate comprises the Alternative Energy business, Shipping, Treasury (which includes interest income on the group's cash and cash equivalents), and corporate activities worldwide.

The replacement cost loss before interest and tax for the third quarter and nine months was $1,097 million and $2,291 million respectively, compared with $330 million and $1,406 million for the same periods last year.

The third-quarter result included a net non-operating charge of $523 million, primarily asset impairments and environmental provisions, compared with a net non-operating gain of $76 million a year ago. For the nine months the net non-operating charge was $741 million, compared with a net charge of $368 million a year ago.

After adjusting for non-operating items, the underlying replacement cost loss before interest and tax for the third quarter and nine months was $574 million and $1,550 million respectively, compared with $406 million and $1,038 million for the same periods last year. The third quarter was impacted by increased corporate costs, while the movement for the nine months was primarily due to foreign exchange effects, increased corporate costs and the sale of our aluminium business in 2011.

In Alternative Energy, net wind generation capacity(b) at the end of the third quarter was 1,274MW (1,988MW gross), compared with 774MW (1,362MW gross) at the end of the same period a year ago. BP's net share of wind generation from our 13 US wind farms for the third quarter was 628GWh (964GWh gross), compared with 420GWh (763GWh gross) in the same period a year ago. For the nine months, BP's net share was 2,572GWh (4,061GWh gross), compared with 1,669GWh (2,997GWh gross) a year ago.

In our biofuels business, BP's net share of ethanol-equivalent(c) production for the third quarter was 206 million litres (BP interest 100%) compared with 183 million litres (228 million litres gross) in the same period a year ago(d). For the nine months, BP's net share of ethanol-equivalent production was 304 million litres (BP interest 100%) compared with 278 million litres (353 million litres gross) a year ago.

(b) Net wind generation capacity is the sum of the rated capacities of the assets/turbines that have entered into commercial operation, including BP's share of equity-accounted entities. The gross data is the equivalent capacity on a gross-JV basis, which includes 100% of the capacity of equity-accounted entities where BP has partial ownership. Capacity figures include 32MW in the Netherlands managed by our Downstream segment.
(c) Ethanol-equivalent production includes ethanol and sugar.
(d) BP acquired the remaining 50% of Tropical Bioenergia on 22 November 2011.

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Cautionary statement

Cautionary statement regarding forward-looking statements: The discussion in this results announcement contains forward-looking statements, particularly those regarding BP's expectations for delivering more than 50% growth in net cash provided by operating activities by 2014; the expected level of 2012 full-year organic capital expenditure; the expected quarterly dividend payment; the expected terms of and timing of the execution of definitive agreements in respect of BP's proposed transaction with Rosneft concerning the sale of BP's stake in TNK-BP to Rosneft and the related acquisition by BP of shares in Rosneft (the Rosneft transaction); the expected timing of completion of the Rosneft transaction; the expected level of BP's holding of Rosneft stock following completion of the Rosneft transaction; expectations regarding the accounting treatment of BP's expected share of Rosneft's earnings and the reporting of production and reserves; prospects for BP's level of representation on Rosneft's board of directors; BP's intentions to retain Rosneft shares received in the Rosneft transaction for at least 360 days following the completion of the transaction; BP's intentions to continue to patrol and maintain certain shoreline segments impacted by the Gulf of Mexico oil spill; the expected timing of the fairness hearing in connection with the final approval of the settlement agreements with the Plaintiffs' Steering Committee (PSC); the source of funding for BP's $1-billion commitment to early restoration projects, and the prospects for these early restoration projects; the expected quantum of funds remaining in the $20-billion Trust fund in subsequent periods; the expected level of reported production in the fourth quarter of 2012, and the expected level of full-year reported production in 2012; the expected level of full-year production (as adjusted for divestments and the impact of entitlement effects in BP's PSAs) in 2012; the timing of and prospects for the completion of planned and announced divestments, including the disposals of the Carson refinery and the Texas City refinery; the expected level of refining margins in the fourth quarter of 2012; the expected level of refinery turnarounds in the fourth quarter of 2012; the timing of and prospects for upgrades to the Whiting refinery; the expected level of petrochemicals margins in the fourth quarter of 2012 and the prospects for and expected timing of certain investigations, claims, hearings, settlements and litigation outcomes. By their nature, forward-looking statements involve risk and uncertainty 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 onstream; the timing of divestments; future levels of industry product supply; demand and pricing; OPEC quota restrictions; PSA effects; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; regulatory or legal actions including the types of enforcement action pursued and the nature of remedies sought; the impact on our reputation following the Gulf of Mexico oil spill; exchange rate fluctuations; development and use of new technology; the success or otherwise of partnering; the actions of competitors, trading partners, creditors, rating agencies and others; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism or sabotage; and other factors discussed under "Principal risks and uncertainties" in our Form 6-K for the period ended 30 June 2012 and under "Risk factors" in our Annual Report and Form 20-F 2011 as filed with the US Securities and Exchange Commission.

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Group income statement

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
95,383	93,341	90,591	Sales and other operating revenues (Note 4)	277,972	282,076
			Earnings from jointly controlled entities - after		
300	88	235	interest and tax	613	1,093
1,108	545	1,548	Earnings from associates - after interest and tax	3,353	3,772
151	176	137	Interest and other income	488	426
790	742	610	Gains on sale of businesses and fixed assets	2,285	2,753
97,732	94,892	93,121	Total revenues and other income	284,711	290,120
73,825	75,522	68,148	Purchases	215,313	213,827
7,809	7,889	7,093	Production and manufacturing expenses(a)	21,703	20,517
2,021	1,827	1,912	Production and similar taxes (Note 5)	6,085	6,208
2,647	2,877	3,200	Depreciation, depletion and amortization	9,285	8,153
			Impairment and losses on sale of businesses		
211	4,821	486	and fixed assets	5,447	1,653
100	616	290	Exploration expense	1,166	1,178
3,693	3,213	3,627	Distribution and administration expenses	9,968	10,048
(298)	(270)	(72)	Fair value (gain) loss on embedded derivatives	(243)	98
7,724	(1,603)	8,437	Profit (loss) before interest and taxation	15,987	28,438
298	267	256	Finance costs(a)	806	920
			Net finance income relating to		
(64)	(55)	(58)	pensions and other post-retirement benefits	(166)	(198)
7,490	(1,815)	8,239	Profit (loss) before taxation	15,347	27,716
2,270	(475)	2,739	Taxation(a)	5,211	9,393
5,220	(1,340)	5,500	Profit (loss) for the period	10,136	18,323
			Attributable to		
5,043	(1,385)	5,434	BP shareholders	9,964	18,015
177	45	66	Minority interest	172	308
5,220	(1,340)	5,500		10,136	18,323
			Earnings per share - cents (Note 6)		
			Profit (loss) for the period attributable to		
			BP shareholders		
26.62	(7.29)	28.54	Basic	52.40	95.39
26.28	(7.29)	28.39	Diluted	52.05	94.22

(a)

See Note 2 on pages 23 - 28 for further details of the impact of the Gulf of Mexico oil spill on the income statement line items.

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Group statement of comprehensive income

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
5,220	(1,340)	5,500	Profit (loss) for the period	10,136	18,323
(1,483)	(1,038)	747	Currency translation differences	295	(425)
			Exchange (gains) losses on translation of foreign operations transferred to gain or loss		
6	(12)	12	on sales of businesses and fixed assets	-	19
			Actuarial gain (loss) relating to pensions and		
-	(2,301)	192	other post-retirement benefits	(689)	-
(338)	(109)	61	Available-for-sale investments marked to market	16	(167)
			Available-for-sale investments - recycled		
2	-	-	to the income statement	-	(3)
(125)	(96)	48	Cash flow hedges marked to market	27	68
(70)	28	29	Cash flow hedges - recycled to the income statement	59	(198)
(4)	4	3	Cash flow hedges - recycled to the balance sheet	12	(7)
			Share of equity-accounted entities'		
-	(334)	73	other comprehensive income, net of tax	(58)	-
6	668	56	Taxation	273	58
(2,006)	(3,190)	1,221	Other comprehensive income (expense)	(65)	(655)
3,214	(4,530)	6,721	Total comprehensive income (expense)	10,071	17,668
			Attributable to		
3,049	(4,564)	6,644	BP shareholders	9,893	17,362
165	34	77	Minority interest	178	306
3,214	(4,530)	6,721		10,071	17,668

Group statement of changes in equity

	BP shareholders' equity	Minority interest	Total equity

$ million			
At 1 January 2012	111,465	1,017	112,482
Total comprehensive income	9,893	178	10,071
Dividends	(4,077)	(72)	(4,149)
Share-based payments (net of tax)	338	-	338
Transactions involving minority interests	-	31	31
At 30 September 2012	117,619	1,154	118,773

	BP shareholders' equity	Minority interest	Total equity
$ million			
At 1 January 2011	94,987	904	95,891
Total comprehensive income	17,362	306	17,668
Dividends	(2,828)	(182)	(3,010)
Share-based payments (net of tax)	161	-	161
Transactions involving minority interests	(42)	(9)	(51)
At 30 September 2011	109,640	1,019	110,659

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Group balance sheet

	30 September 2012	31 December 2011
$ million		
Non-current assets		
Property, plant and equipment	119,687	119,214
Goodwill	11,984	12,100
Intangible assets	23,184	21,102
Investments in jointly controlled entities	15,920	15,518
Investments in associates	15,273	13,291
Other investments	1,831	2,117
Fixed assets	187,879	183,342
Loans	696	884
Trade and other receivables	7,213	4,337
Derivative financial instruments	4,766	5,038
Prepayments	1,374	1,255
Deferred tax assets	519	611
Defined benefit pension plan surpluses	25	17
	202,472	195,484
Current assets		
Loans	235	244
Inventories	28,300	25,661
Trade and other receivables	41,288	43,526

Derivative financial instruments	3,231	3,857
Prepayments	1,455	1,286
Current tax receivable	393	235
Other investments	318	288
Cash and cash equivalents	16,041	14,067
	91,261	89,164
Assets classified as held for sale (Note 3)	8,525	8,420
	99,786	97,584
Total assets	302,258	293,068
Current liabilities		
Trade and other payables	48,829	52,405
Derivative financial instruments	3,063	3,220
Accruals	7,246	5,932
Finance debt	7,679	9,044
Current tax payable	2,167	1,941
Provisions	8,111	11,238
	77,095	83,780
Liabilities directly associated with assets classified as held for sale (Note 3)	2,559	538
	79,654	84,318
Non-current liabilities		
Other payables	2,473	3,437
Derivative financial instruments	3,119	3,773
Accruals	493	389
Finance debt	41,398	35,169
Deferred tax liabilities	14,614	15,078
Provisions	29,504	26,404
Defined benefit pension plan and other post-retirement benefit plan deficits	12,230	12,018
	103,831	96,268
Total liabilities	183,485	180,586
Net assets	118,773	112,482
Equity		
BP shareholders' equity	117,619	111,465
Minority interest	1,154	1,017
	118,773	112,482

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Condensed group cash flow statement

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
			Operating activities		
7,490	(1,815)	8,239	Profit (loss) before taxation	15,347	27,716

			Adjustments to reconcile profit (loss) before taxation to net cash provided by operating activities		
2,674	3,269	3,318	Depreciation, depletion and amortization and exploration expenditure written off	9,875	9,076
(579)	4,079	(124)	Impairment and (gain) loss on sale of businesses and fixed assets	3,162	(1,100)
(687)	(224)	(1,306)	Earnings from equity-accounted entities, less dividends received	(2,054)	(1,695)
15	(154)	(33)	Net charge for interest and other finance expense, less net interest paid	(201)	(55)
128	99	132	Share-based payments	265	117
(106)	(210)	(53)	Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans	(423)	(704)
555	265	971	Net charge for provisions, less payments	1,401	764
(372)	949	(2,909)	Movements in inventories and other current and non-current assets and liabilities(a)	(8,120)	(11,478)
(2,226)	(1,855)	(1,948)	Income taxes paid	(5,195)	(5,497)
6,892	4,403	6,287	Net cash provided by operating activities	14,057	17,144
			Investing activities		
(4,146)	(4,951)	(5,742)	Capital expenditure	(16,132)	(12,040)
(2,005)	(116)	-	Acquisitions, net of cash acquired	(116)	(7,891)
(171)	(449)	(380)	Investment in jointly controlled entities	(1,073)	(495)
(6)	(11)	(3)	Investment in associates	(37)	(36)
447	521	1,400	Proceeds from disposal of fixed assets	3,188	2,104
1,627	1,402	(4)	Proceeds from disposal of businesses, net of cash disposed	1,443	2,589
63	142	57	Proceeds from loan repayments	264	214
(4,191)	(3,462)	(4,672)	Net cash used in investing activities	(12,463)	(15,555)
			Financing activities		
14	17	23	Net issue of shares	61	44
391	3,037	1,206	Proceeds from long-term financing	8,056	8,004
(1,863)	(613)	(556)	Repayments of long-term financing	(3,585)	(7,587)
(145)	(745)	83	Net increase (decrease) in short-term debt	2	647
(1,225)	(1,447)	(1,418)	Dividends paid - BP shareholders	(4,077)	(2,828)
(80)	(51)	(20)	Dividends paid - Minority interest	(72)	(182)
(2,908)	198	(682)	Net cash provided by (used in) financing activities	385	(1,902)
(545)	(350)	227	Currency translation differences relating to cash and cash equivalents	(5)	(246)
(752)	789	1,160	Increase (decrease) in cash and cash equivalents	1,974	(559)
18,749	14,092	14,881	Cash and cash equivalents at beginning of period	14,067	18,556
17,997	14,881	16,041	Cash and cash equivalents at end of period	16,041	17,997

(a) Includes

315	2,186	(979)	Inventory holding (gains) losses	(203)	(2,469)
(298)	(270)	(72)	Fair value (gain) loss on embedded derivatives	(243)	98
(1,523)	(1,439)	(2,017)	Movements related to Gulf of Mexico oil spill response	(5,317)	(7,299)

Inventory holding gains and losses and fair value gains and losses on embedded derivatives are also included within profit before taxation. A minor amendment has been made to comparative periods. See Note 2 for further information on the cash flow impacts of the Gulf of Mexico oil spill.

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Capital expenditure and acquisitions

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
			By business		
			Upstream		
1,003	1,149	1,747	US(a)	4,542	3,027
9,309	2,641	2,870	Non-US(b)(c)	8,340	16,859
10,312	3,790	4,617		12,882	19,886
			Downstream		
729	890	921	US	2,485	1,877
356	378	360	Non-US	940	884
1,085	1,268	1,281		3,425	2,761
			Other businesses and corporate		
198	253	127	US	538	454
63	120	100	Non-US(d)	359	772
261	373	227		897	1,226
11,658	5,431	6,125		17,204	23,873
			By geographical area		
1,930	2,292	2,795	US(a)	7,565	5,358
9,728	3,139	3,330	Non-US(b)(c)(d)	9,639	18,515
11,658	5,431	6,125		17,204	23,873
			Included above:		
6,987	164	(19)	Acquisitions and asset exchanges(b)(c)(d)	155	11,001

(a)

Third quarter and nine months 2012 include $200 million and $511 million, respectively, associated with deepening our natural gas asset base.

(b) Nine months 2011 includes capital expenditure of $3,236 million in Brazil as part of the transaction with Devon Energy.

(c) Third quarter and nine months 2011 include $6,957 million relating to the acquisition from Reliance Industries of interests in 21 oil and gas production sharing agreements in India.

(d) Nine months 2011 includes capital expenditure of $680 million in Brazil relating to the acquisition of CNAA.

Exchange rates

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
1.61	1.58	1.58	US dollar/sterling average rate for the period	1.58	1.61
1.57	1.55	1.62	US dollar/sterling period-end rate	1.62	1.57
1.41	1.28	1.25	US dollar/euro average rate for the period	1.28	1.40
1.36	1.24	1.29	US dollar/euro period-end rate	1.29	1.36

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Analysis of replacement cost profit (loss) before interest and tax and reconciliation to profit (loss) before taxation(a)

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
			By business		
6,748	2,913	4,910	Upstream	14,802	19,802
1,493	(1,736)	2,403	Downstream	1,523	4,910
939	452	1,282	TNK-BP(b)	2,798	3,147
(330)	(522)	(1,097)	Other businesses and corporate	(2,291)	(1,406)
8,850	1,107	7,498		16,832	26,453
(541)	(843)	(56)	Gulf of Mexico oil spill response	(869)	(308)
(213)	457	(64)	Consolidation adjustment - unrealized profit in inventory	(148)	(240)
8,096	721	7,378	RC profit before interest and tax(c)	15,815	25,905
			Inventory holding gains (losses)(d)		
15	(36)	12	Upstream	(108)	94
(376)	(2,199)	982	Downstream	278	2,394
(11)	(89)	65	TNK-BP (net of tax)	2	30
-	-	-	Other businesses and corporate	-	15

7,724	(1,603)	8,437	Profit (loss) before interest and tax	15,987	28,438
298	267	256	Finance costs	806	920
			Net finance income relating to pensions and other		
(64)	(55)	(58)	post-retirement benefits	(166)	(198)
7,490	(1,815)	8,239	Profit (loss) before taxation	15,347	27,716
			RC profit (loss) before interest and tax		
			By geographical area		
1,141	(4,246)	1,422	US	(889)	4,315
6,955	4,967	5,956	Non-US	16,704	21,590
8,096	721	7,378		15,815	25,905

(a) IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the chief operating decision maker for the purposes of performance assessment and resource allocation. For BP, both RC profit or loss before interest and tax and underlying RC profit or loss before interest and tax (see page 4 for further information) are provided regularly to the chief operating decision maker. In such cases IFRS requires that the measure of profit disclosed for each operating segment is the measure that is closest to IFRS, which for BP is RC profit or loss before interest and tax. In addition, a reconciliation is required between the total of the operating segments' measures of profit or loss and the group profit or loss before taxation.

(b) Net of finance costs, taxation and minority interest.

(c) RC profit or loss reflects the replacement cost of supplies. The RC profit or loss for the period is arrived at by excluding from profit or loss inventory holding gains and losses and their associated tax effect. RC profit or loss for the group is not a recognized GAAP measure.

(d) Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost to BP of supplies acquired during the period and the cost of sales calculated on the first-in first-out (FIFO) method after adjusting for any changes in provisions where the net realizable value of the inventory is lower than its cost. Under the FIFO method, which we use for IFRS reporting, the cost of inventory charged to the income statement is based on its historic cost of purchase, or manufacture, rather than its RC. 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) for inventory on a FIFO basis (after adjusting for any related movements in net realizable value provisions) and the charge that would have arisen if an average cost of supplies was used for the period. For this purpose, the average cost of supplies during the period is principally calculated on a monthly basis by dividing the total cost of inventory acquired 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. No adjustment is made in respect of the cost of inventories held as part of a trading position and certain other temporary inventory positions.

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.

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Non-operating items(a)

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
			Upstream		
321	(1,455)	492	Impairment and gain (loss) on sale of businesses and fixed assets(b)	(35)	1,007
(25)	-	(48)	Environmental and other provisions	(48)	(25)
1	-	-	Restructuring, integration and rationalization costs	-	1
211	271	73	Fair value gain (loss) on embedded derivatives	244	25
(8)	(311)	(1)	Other	(318)	(462)
500	(1,495)	516		(157)	546
			Downstream		
(16)	(2,653)	(115)	Impairment and gain (loss) on sale of businesses and fixed assets(c)	(2,853)	(220)
(193)	-	(171)	Environmental and other provisions	(171)	(194)
(12)	(12)	(21)	Restructuring, integration and rationalization costs	(45)	(17)
-	-	-	Fair value gain (loss) on embedded derivatives	-	-
(6)	(13)	(8)	Other	(30)	(31)
(227)	(2,678)	(315)		(3,099)	(462)
			TNK-BP (net of tax)(d)		
-	-	38	Impairment and gain (loss) on sale of businesses and fixed assets	(55)	-
-	-	(50)	Environmental and other provisions	(50)	-
-	-	-	Restructuring, integration and rationalization costs	-	-
-	-	-	Fair value gain (loss) on embedded derivatives	-	-
-	-	-	Other	-	-
-	-	(12)		(105)	-
			Other businesses and corporate		
274	29	(253)	Impairment and gain (loss) on sale of businesses and fixed assets	(274)	313
(135)	-	(246)	Environmental and other provisions	(261)	(147)
(18)	(1)	-	Restructuring, integration and rationalization costs	(1)	(15)
87	(1)	(1)	Fair value gain (loss) on embedded derivatives(e)	(1)	(123)
(132)	(9)	(23)	Other(f)	(204)	(396)

76	18	(523)		(741)	(368)
(541)	(843)	(56)	Gulf of Mexico oil spill response	(869)	(308)
(192)	(4,998)	(390)	Total before interest and taxation	(4,971)	(592)
(14)	(4)	(3)	Finance costs(g)	(13)	(45)
(206)	(5,002)	(393)	Total before taxation	(4,984)	(637)
9	1,663	72	Taxation credit (charge)(h)	1,509	213
(197)	(3,339)	(321)	Total after taxation for period	(3,475)	(424)

(a) Non-operating items are charges and credits arising in consolidated entities and in TNK-BP that are included in the financial statements and that BP discloses separately because it considers such disclosures to be meaningful and relevant to investors. They are items that management considers not to be part of underlying business operations and are disclosed in order to enable investors better to understand and evaluate the group's reported financial performance. An analysis of non-operating items by region is shown on pages 7, 9 and 12.
(b) Second quarter 2012 includes net impairment charges of $2,113 million, primarily relating to our US shale gas assets and the decision to suspend the Liberty project in Alaska, partially offset by net gains on disposals of $658 million.
(c) Second quarter 2012 includes impairment charges of $2,665 million in the fuels business, mainly relating to certain refineries in our global portfolio, predominantly in the US.
(d) Non-operating items for TNK-BP are reported in the group income statement within earnings from associates - after interest and tax.
(e) Nine months 2011 includes a loss on an embedded derivative arising from a financing arrangement.
(f) Third quarter and nine months 2012 include $20 million and $191 million respectively relating to our exit from the solar business (third quarter 2011 $137 million, nine months 2011 $398 million).
(g) Finance costs relate to the Gulf of Mexico oil spill. See Note 2 on pages 23 - 28 for further details.
(h) For the Gulf of Mexico oil spill and certain impairment losses in the second quarter 2012, tax is based on US statutory tax rates. For other items, with the exception of TNK-BP items (which are reported net of tax), tax is calculated using the group's discrete quarterly effective tax rate (adjusted for the Gulf of Mexico oil spill, certain impairment losses in the second quarter 2012, equity-accounted earnings from the first quarter 2012 onwards and the deferred tax adjustments relating to changes to the taxation of UK oil and gas production ($683 million for the first quarter 2011 and $256 million for the third quarter 2012).

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Non-GAAP information on fair value accounting effects

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
			Favourable (unfavourable) impact relative to management's measure of performance		

(39)	7	25	Upstream	(101)	(45)
54	(187)	(286)	Downstream	(435)	118
15	(180)	(261)		(536)	73
(5)	72	99	Taxation credit (charge)(a)	211	(27)
10	(108)	(162)		(325)	46

(a) Tax is calculated using the group's discrete quarterly effective tax rate (adjusted for the Gulf of Mexico oil spill, certain impairment losses in the second quarter 2012, equity-accounted earnings from the first quarter 2012 onwards and the deferred tax adjustments relating to changes to the taxation of UK oil and gas production ($683 million for the first quarter 2011 and $256 million for the third quarter 2012).

BP uses derivative instruments to manage the economic exposure relating to inventories above normal operating requirements of crude oil, natural gas and petroleum products. Under IFRS, these inventories are recorded at historic cost. 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 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.

BP enters into commodity contracts to meet certain business requirements, such as the purchase of crude for a refinery or the sale of BP's gas production. Under IFRS these contracts are treated as derivatives and are required to be fair valued when they are managed as part of a larger portfolio of similar transactions. Gains and losses arising are recognized in the income statement from the time the derivative commodity contract is entered into.

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.

BP enters into contracts for pipelines and storage capacity, oil and gas processing and liquefied natural gas (LNG) that, 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 for consolidated entities by comparing the IFRS result with management's internal measure of performance. Under management's internal measure of performance the inventory, capacity, oil and gas processing and LNG contracts in question are valued based on fair value using relevant forward prices prevailing at the end of the period and the commodity contracts for business requirements are accounted for on an accruals basis. 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 impacts of fair value accounting effects, relative to management's internal measure of performance, are shown in the table above. A reconciliation to GAAP information is set out below.

Third quarter	Second quarter	Third quarter		Nine months	Nine months

2011	2012	2012		2012	2011
			$ million		
			Upstream		
			Replacement cost profit before interest and tax		
6,787	2,906	4,885	adjusted for fair value accounting effects	14,903	19,847
(39)	7	25	Impact of fair value accounting effects	(101)	(45)
6,748	2,913	4,910	Replacement cost profit before interest and tax	14,802	19,802
			Downstream		
			Replacement cost profit (loss) before interest and tax		
1,439	(1,549)	2,689	adjusted for fair value accounting effects	1,958	4,792
54	(187)	(286)	Impact of fair value accounting effects	(435)	118
1,493	(1,736)	2,403	Replacement cost profit (loss) before interest and tax	1,523	4,910
			Total group		
			Profit (loss) before interest and tax		
7,709	(1,423)	8,698	adjusted for fair value accounting effects	16,523	28,365
15	(180)	(261)	Impact of fair value accounting effects	(536)	73
7,724	(1,603)	8,437	Profit (loss) before interest and tax	15,987	28,438

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Realizations and marker prices

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			Average realizations(a)		
			Liquids ($/bbl)(b)		
100.04	101.16	90.62	US	97.05	95.46
104.34	104.18	108.74	Europe	110.25	107.03
106.83	99.72	104.39	Rest of World	106.25	105.52
103.53	100.89	99.00	BP Average	102.79	101.11
			Natural gas ($/mcf)		
3.48	1.91	2.54	US	2.22	3.43
8.14	9.06	8.46	Europe	8.44	7.57
5.42	5.09	5.31	Rest of World	5.25	4.82
4.95	4.54	4.77	BP Average	4.67	4.56
			Total hydrocarbons ($/boe)		
65.42	61.35	59.36	US	61.29	64.58
91.41	82.13	86.88	Europe	85.48	89.54
58.52	55.48	57.64	Rest of World	57.84	54.94
63.74	60.17	60.68	BP Average	61.69	61.91
			Average oil marker prices ($/bbl)		
113.41	108.29	109.50	Brent	112.21	111.89
89.48	93.30	92.10	West Texas Intermediate	96.13	95.37

111.55	109.85	109.04	Alaska North Slope	112.42	110.05
109.54	104.05	104.17	Mars	107.87	107.76
111.52	106.31	108.69	Urals (NWE - cif)	110.71	109.22
49.12	48.22	55.24	Russian domestic oil	53.86	49.52
			Average natural gas marker prices		
4.20	2.21	2.80	Henry Hub gas price ($/mmBtu)(c)	2.58	4.21
54.28	57.38	56.79	UK Gas - National Balancing Point (p/therm)	57.86	56.19

(a) Based on sales of consolidated subsidiaries only - this excludes equity-accounted entities.
(b) Crude oil and natural gas liquids.
(c) Henry Hub First of Month Index.

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Notes

1. Basis of preparation

The interim financial information included in this report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The results for the interim periods are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. All such adjustments are of a normal recurring nature. This report should be read in conjunction with the consolidated financial statements and related notes for the year ended 31 December 2011 included in the BP Annual Report and Form 20-F 2011.

BP prepares its consolidated financial statements included within BP Annual Report and Form 20-F on the basis of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS as adopted by the European Union (EU) and in accordance with the provisions of the UK Companies Act 2006. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB, however, the differences have no impact on the group's consolidated financial statements for the periods presented. The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing BP Annual Report and Form 20-F 2012, which do not differ significantly from those used in the BP Annual Report and Form 20-F 2011.

Segmental reporting

For the purposes of segmental reporting, the group's operating segments are established on the basis of those components of the group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. With effect from 1 January 2012, the former Exploration and Production segment was separated to form two new operating segments, Upstream and TNK-BP, reflecting the way in which our investment in TNK-BP is managed. In addition, we began reporting the Refining and Marketing segment as Downstream.

2. Gulf of Mexico oil spill

(a) Overview

As a consequence of the Gulf of Mexico oil spill, BP continues to incur various costs and has also recognized liabilities for future costs. The information presented in this note should be read in conjunction with BP Annual Report and Form 20-F 2011 - Financial statements - Note 2, Note 36 and Note 43 and Group results second quarter and half year 2012 - Note 2 and Legal proceedings on pages 32 - 40 herein.

The group income statement includes a pre-tax charge of $59 million for the third quarter in relation to the Gulf of Mexico oil spill and a pre-tax charge of $882 million for the nine months of 2012. The charge for the third quarter includes ongoing costs of the Gulf Coast Restoration Organization and adjustments to provisions. The charge for the nine months also reflects a credit relating to certain claims administration costs now expected to be paid from the Deepwater Horizon Oil Spill Trust. The cumulative pre-tax income statement charge since the incident amounts to $38,075 million.

The cumulative income statement charge does not include amounts for obligations that BP considers are not possible, at this time, to measure reliably, namely any obligation in relation to Natural Resource Damages claims under OPA 90 (other than the estimated costs of the assessment phase and the costs of emergency and early restoration agreements referred to below) and other potential litigation, fines, or penalties, other than as described under Provisions below.

The total amounts that will ultimately be paid by BP in relation to all the obligations relating to the incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors, as discussed under Contingent liabilities below, including in relation to any new information or future developments. These could have a material impact on our consolidated financial position, results of operations and cash flows. The risks associated with the incident could also heighten the impact of the other risks to which the group is exposed as further described under Principal risks and uncertainties on pages 32 - 38 of Group results second quarter and half year 2012.

The amounts set out below reflect the impacts on the financial statements of the Gulf of Mexico oil spill for the periods presented, as described on pages 2 - 3. The income statement, balance sheet and cash flow statement impacts are included within the relevant line items in those statements as set out below.

Third quarter 2011	Second quarter 2012	Third quarter 2012		Nine months 2012	Nine months 2011
			$ million		
			Income statement		
541	843	56	Production and manufacturing expenses	869	308
(541)	(843)	(56)	Profit (loss) before interest and taxation	(869)	(308)
14	4	3	Finance costs	13	45
(555)	(847)	(59)	Profit (loss) before taxation	(882)	(353)
115	102	(51)	Taxation	25	82
(440)	(745)	(110)	Profit (loss) for the period	(857)	(271)

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Notes

2. Gulf of Mexico oil spill (continued)

$ million	30 September 2012 Total	Of which: amount related to the trust fund	31 December 2011 Total	Of which: amount related to the trust fund
Balance sheet				
Current assets				
Trade and other receivables	4,913	4,886	8,487	8,233
Current liabilities				
Trade and other payables	(1,118)	(881)	(5,425)	(4,872)
Provisions	(6,181)	-	(9,437)	-
Net current assets (liabilities)	(2,386)	4,005	(6,375)	3,361
Non-current assets				
Other receivables	4,754	4,754	1,642	1,642
Non-current liabilities				
Provisions	(8,909)	-	(5,896)	-
Deferred tax	5,841	-	7,775	-
Net non-current assets (liabilities)	1,686	4,754	3,521	1,642
Net assets (liabilities)	(700)	8,759	(2,854)	5,003

Third quarter 2011	Second quarter 2012	Third quarter 2012	$ million	Nine months 2012	Nine months 2011
			Cash flow statement - Operating activities		
(555)	(847)	(59)	Profit (loss) before taxation	(882)	(353)
			Adjustments to reconcile profit (loss) before taxation to net cash provided by operating activities		
14	4	3	Net charge for interest and other finance expense, less net interest paid	13	45
244	585	546	Net charge for provisions, less payments	1,216	356
(1,523)	(1,439)	(2,017)	Movements in inventories and other current and non-current assets and liabilities	(5,317)	(7,299)
(1,820)	(1,697)	(1,527)	Pre-tax cash flows	(4,970)	(7,251)

Net cash used in operating activities relating to the Gulf of Mexico oil spill, on a post-tax basis, amounted to $134 million and $3,011 million in the third quarter and nine months of 2012 respectively. For the third quarter and nine months of 2011 the amounts were $929 million and $5,635 million respectively.

Trust fund

In 2010, BP established the Deepwater Horizon Oil Spill Trust (the Trust) to be funded in the amount of $20 billion over the period to the fourth quarter of 2013, which is available to satisfy legitimate individual and business claims administered by the Gulf Coast Claims Facility (GCCF), state and local government claims resolved by BP, final judgments and settlements, state and local response costs, and natural resource damages and related costs. The Trust is available to satisfy claims processed through the transitional court-supervised claims facility, to fund the qualified settlement funds established under the terms of the proposed settlement agreement with the PSC, and the separate BP claims programme - see below for further information.

BP's cumulative contributions to the fund to 30 September 2012 amount to $19,140 million, including $5,390 million received from co-owners and other third parties. As a result of these accelerated contributions, it is now expected that the $20-billion commitment will have been paid in full by the end of 2012. The income statement charge for 2010 included $20 billion in relation to the trust fund, adjusted to take account of the time value of money. Fines and penalties are not covered by the trust fund.

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2. Gulf of Mexico oil spill (continued)

The table below shows movements in the funding obligation during the period to 30 September 2012. This liability is recognized within current other payables on the balance sheet and includes amounts reimbursable to the Trust for administrative costs incurred.

$ million	Third quarter 2012	Nine months 2012
Opening balance	2,128	4,872
Unwinding of discount	3	12
Contributions	(1,250)	(4,000)
Other	-	(3)
At 30 September 2012	881	881

An asset has been recognized representing BP's right to receive reimbursement from the trust fund. This is the portion of the estimated future expenditure provided for that will be settled by payments from the trust fund. We use the term 'reimbursement asset' to describe this asset. BP will not actually receive any reimbursements from the trust fund, instead payments will be made directly from the trust fund, and BP will be released from its corresponding obligation. The reimbursement asset is recorded within other receivables on the balance sheet apportioned between current and non-current elements. The table below shows movements in the reimbursement asset during the period to 30 September 2012. The amount of the reimbursement asset at 30 September 2012 is equal to the amount of provisions recognized at that date that will be covered by the trust fund - see below.

$ million	Third quarter 2012	Nine months 2012
Opening balance	9,290	9,875
Increase in provision for items covered by the trust funds	728	1,225
Amounts paid directly by the trust funds	(378)	(1,460)
At 30 September 2012	9,640	9,640
Of which - current	4,886	4,886
- non-current	4,754	4,754

As noted above, the obligation to fund the $20-billion trust fund was recognized in full. Any increases in the provision that will be covered by the trust fund (up to the amount of $20 billion) have no net income statement effect as a reimbursement asset is also recognized, as described above. As at 30 September 2012, the cumulative charges for provisions, and the associated reimbursement asset recognized, amounted to $17,830 million. Thus, a further $2,170 million could be provided in subsequent periods for items covered by the trust fund with no net impact on the income statement. Future increases in amounts provided could arise from adjustments to existing provisions, or from the initial recognition of provisions for items that currently cannot be estimated reliably, namely final judgments and settlements and natural resource damages and related costs. Further information on those items that currently cannot be reliably estimated is provided under Provisions and contingent liabilities below.

It is not possible at this time to conclude whether the $20-billion trust fund will be sufficient to satisfy all claims under the Oil Pollution Act 1990 (OPA) or otherwise that will ultimately be paid.

The Trust agreement does not require BP to make further contributions to the trust fund in excess of the agreed $20 billion should this be insufficient to cover all claims administered by the GCCF or by the PSC court-supervised claims processes, or to settle other items that are covered by the trust fund, as described above. Should the $20-billion trust fund not be sufficient, BP would commence settling legitimate claims and other costs by making payments directly. In this case, increases in estimated future expenditure above $20 billion would be recognized as provisions with a corresponding charge in the income statement. The provisions would be utilized and derecognized at the point that BP made the payments.

The proposed settlement agreement with the Plaintiffs' Steering Committee (PSC) provides for a transition from the GCCF and a transitional claims facility for economic loss claims commenced operation in March 2012. The transitional claims facility ceased processing new claims in June 2012 but will continue to process payments when final releases are received on unexpired outstanding offers. A new court-supervised settlement programme began processing claims from "in-class" claimants under the PSC settlement agreements covering economic loss claims and medical claims. In addition, a separate BP claims programme began processing claims from claimants not in the class as determined by the settlement agreement or who have requested to opt out of the settlement.

2. Gulf of Mexico oil spill (continued)

Under the terms of the proposed PSC settlement agreement, several qualified settlement funds (QSFs) were established during the second quarter. These QSFs each relate to specific elements of the proposed agreement and are available to make payments to claimants in accordance with those elements of the agreement. The QSFs are, in turn, funded by the Trust. The establishment of the QSFs under the proposed settlement agreement has had no impact on the amounts charged to the income statement nor on amounts recognized as provisions or reimbursement assets.

As at 30 September 2012, the cash balances in the Trust and the QSFs amounted to $10,928 million.

(b) Provisions and contingent liabilities

BP has recorded certain provisions and disclosed certain contingent liabilities as a consequence of the Gulf of Mexico oil spill. These are described below and in more detail in BP Annual Report and Form 20-F 2011 - Financial statements - Notes 2, 36 and 43.

Provisions

BP has recorded provisions relating to the Gulf of Mexico oil spill in relation to environmental expenditure, spill response costs, litigation and claims, and Clean Water Act penalties. Movements in each class of provision during the third quarter and nine months are presented in the table below.

The environmental provision includes amounts for BP's commitment to fund the Gulf of Mexico Research Initiative, natural resource damage (NRD) assessment costs, emergency NRD restoration projects and early NRD restoration projects under the $1-billion framework agreement. The provision for NRD assessment costs was increased in the third quarter.

Further amounts for spill response costs were provided during the first quarter primarily to recognize increased costs of patrolling and maintenance of the shoreline. The spill response provision also includes costs of shoreline clean-up following Hurricane Isaac. Minor adjustments in the second and third quarters led to a slight reduction in the spill response provision. The majority of the active clean-up of the shorelines was completed in 2011.

The litigation and claims provision includes the estimated future cost of settling Individual and Business claims, and State and Local claims under OPA 90, claims for personal injuries, and other private and governmental litigation and claims as well as claims administration costs and legal fees. BP announced on 3 March 2012 that a proposed settlement had been reached with the PSC, subject to final written agreement and court approvals, to resolve the substantial majority of legitimate economic loss and property damage claims (Individual and Business Claims) and medical claims stemming from the Deepwater Horizon accident and oil spill. The PSC acts on behalf of the individual and business plaintiffs in the multi-district litigation proceedings pending in New Orleans (MDL 2179). The proposed settlement was an adjusting event after the 2011 reporting period and the estimated $7.8-billion cost was therefore reflected in the 2011 financial statements. On 18 April 2012 BP announced that it had reached definitive and fully documented settlement agreements with the PSC consistent with the terms of that settlement. The agreements remain subject to final court approval. See page 2 and Legal proceedings on pages 32 - 40 herein for further information.

During the first quarter certain claims administration costs, previously treated as payable from outside the trust fund, were reallocated as payable by the trust fund, as a result of the definitive PSC settlement agreements noted above. In addition, an increase in the provision for Individual and Business claims, payable from the Trust, was recognized in the first quarter. The increase in the provision during the second and third quarters reflects various costs (including further claims administration costs of $280 million) and litigation relating to the Gulf of Mexico oil spill.

A provision was recognized in 2010 for the estimated civil penalties for strict liability under the Clean Water Act, which are based on a specified range per barrel of oil released. No adjustments have been made subsequently to this estimate. The penalty rate per barrel used to calculate the provision is based upon the company's conclusion, amongst other things, that it did not act with gross negligence or engage in wilful misconduct.

Notes

2. Gulf of Mexico oil spill (continued)

BP considers that it is not possible, at this time, to measure reliably any obligation in relation to Natural Resource Damages claims under OPA 90 (other than the estimated costs of the assessment phase and the costs of emergency and early restoration agreements referred to above). It is also not possible to measure reliably any obligation in relation to other potential litigation, fines, or penalties, other than as described above. These items are therefore disclosed as contingent liabilities - see below.

		Environmental	Spill response	Litigation and claims	Clean Water Act penalties	Total
$ million						
At 1 July 2012		1,453	328	9,631	3,510	14,922
Increase (decrease) in provision - items not covered by the trust funds		60	(5)	15	-	70
Increase in provision - items covered by the trust funds		363	-	365	-	728
Utilization	- paid by BP	(31)	(20)	(201)	-	(252)
	- paid by the trust funds	(117)	-	(261)	-	(378)
At 30 September 2012		1,728	303	9,549	3,510	15,090
Of which	- current	715	241	5,225	-	6,181
	- non-current	1,013	62	4,324	3,510	8,909
Of which	- payable from the trust funds	1,286	-	8,354	-	9,640

Spill