

BP PLC  
Form 6-K  
November 02, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 6-K  
Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934  
for the period ended 30 September 2010  
Commission File Number 1-06262  
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 of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

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

Yes

No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82- \_\_\_\_\_

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-157906) OF BP CAPITAL MARKETS p.l.c. AND BP p.l.c.; THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103924) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-102583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123482) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123483) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131584) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-132619) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146870) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146873) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-149778) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

**BP p.l.c. AND SUBSIDIARIES**  
**FORM 6-K FOR THE PERIOD ENDED 30 SEPTEMBER 2010<sup>(a)</sup>**

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(a) In this Form 6-K, references to the nine months 2010 and nine months 2009 refer to the nine-month periods ended 30 September 2010 and 30 September 2009 respectively. References to third quarter 2010 and third quarter 2009 refer to the three-month periods ended 30 September 2010 and 30 September 2009 respectively.

(b) This discussion should be read in

conjunction with the consolidated financial statements and related notes provided elsewhere in this Form 6-K and with the information, including the consolidated financial statements and related notes, in BP's *Annual Report on Form 20-F* for the year ended 31 December 2009.

Table of Contents**Group results third quarter and nine months 2010**

<b>Third quarter</b>			<b>Nine months</b>	
<b>2009</b>	<b>2010</b>		<b>2010</b>	<b>2009</b>
		<b>\$ million</b>		
5,336	<b>1,785</b>	Profit (loss) for the period <sup>(a)</sup>	<b>(9,286)</b>	12,283
(355)	<b>62</b>	Inventory holding (gains) losses, net of tax	<b>(242)</b>	(1,775)
4,981	<b>1,847</b>	<b>Replacement cost profit (loss)<sup>(b)</sup></b>	<b>(9,528)</b>	10,508
28.48	<b>9.50</b>	Profit (loss) per ordinary share (cents)	<b>(49.44)</b>	65.58
1.71	<b>0.57</b>	Profit (loss) per ADS (dollars)	<b>(2.97)</b>	3.93
26.59	<b>9.83</b>	Replacement cost profit (loss) per ordinary share (cents)	<b>(50.73)</b>	56.11
1.60	<b>0.59</b>	Replacement cost profit (loss) per ADS (dollars)	<b>(3.04)</b>	3.37

BP's profit for the third quarter was \$1,785 million, compared with \$5,336 million a year ago. For the nine months, the loss was \$9,286 million, compared with a profit of \$12,283 million a year ago. BP's third-quarter replacement cost profit was \$1,847 million, compared with \$4,981 million a year ago. For the nine months, replacement cost loss was \$9,528 million compared with a profit of \$10,508 million a year ago. Replacement cost profit (loss) for the group is a non-GAAP measure. For further information see pages 7 and 20.

The group income statement for the third quarter and nine months reflects a pre-tax charge of \$7.7 billion and \$39.9 billion respectively related to the Gulf of Mexico oil spill. All charges relating to the incident have been treated as non-operating items. Costs incurred relating to the incident were \$8.7 billion in the third quarter and \$11.6 billion in total since the incident. For further information on the Gulf of Mexico oil spill and its consequences see pages 4-6, Note 2 on pages 25-30, Principal risks and uncertainties on page 35 and in our Form 6-K for the period ended 30 June 2010 filed with the SEC on 28 July 2010 (2Q Form 6-K); and Legal proceedings on page 35-39. Further information on BP's third-quarter results is provided below.

Non-operating items and fair value accounting effects for the third quarter, on a post-tax basis, had a net unfavourable impact of \$3,684 million compared with a net favourable impact of \$307 million in the third quarter of 2009. For the nine months, the respective amounts were \$25,686 million unfavourable and \$315 million favourable. Information on fair value accounting effects is non-GAAP and further details are provided on page 22. Finance costs and net finance income or expense relating to pensions and other post-retirement benefits were \$335 million for the third quarter, compared with \$311 million for the same period last year. For the nine months, the respective amounts were \$777 million and \$1,000 million.

The effective tax rate on the profit or loss for the third quarter and nine months was -18% and 33% respectively, compared with 29% and 33% on the profit for the equivalent periods in 2009. The effective tax rates for 2010 were impacted by the Gulf of Mexico oil spill, resulting in a particularly unusual rate for the third quarter. Excluding these impacts, the effective tax rate for the third quarter was 25% and for the nine months was 31%. The effective tax rate on replacement cost profit or loss for the third quarter and nine months was -16% and 33% respectively, compared with 29% and 33% a year ago. Excluding the impact of the Gulf of Mexico oil spill, the effective tax rate on replacement cost profit for the third quarter was 25% and for the nine months was 31%. The full-year effective tax rate, excluding the impact of the Gulf of Mexico oil spill, is expected to be around 31%.

Including the impact of the Gulf of Mexico oil spill, net cash used in operating activities for the third quarter was \$0.7 billion and net cash provided by operating activities for the nine months was \$13.8 billion, compared with net cash provided in the same periods of last year of \$8.1 billion and \$20.4 billion respectively. The amounts for 2010 included a net cash outflow of \$9.1 billion and \$10.6 billion for the third quarter and nine months respectively relating to the Gulf of Mexico oil spill.

Total capital expenditure for the third quarter and nine months was \$6.7 billion and \$17.6 billion respectively. Organic capital expenditure<sup>(c)</sup> in the third quarter and nine months was \$4.7 billion and \$13.0 billion respectively. Organic capital expenditure for 2010 is expected to be around \$18 billion. Given the strength of our underlying cash flows and the investment opportunities available to us, our 2011 capital expenditure is currently under review and is expected to exceed the \$18 billion previously indicated. Disposal proceeds for the quarter consisted of \$3.7 billion for transactions completed in the period and \$5.0 billion for deposits received relating to transactions expected to complete in subsequent periods. In July, the group announced plans to deliver up to \$30 billion of disposal proceeds during the following 18-month period. Disposal proceeds received since that time and further amounts to be received under agreements already concluded total \$14 billion. This includes some disposal proceeds relating to transactions agreed prior to 1 July 2010.

Gross debt at the end of the quarter was \$40.0 billion compared with \$36.6 billion a year ago. The ratio of gross debt to gross debt plus equity was 31%, compared with 27% a year ago. Net debt at the end of the quarter was \$26.4 billion, compared with \$26.3 billion a year ago. The ratio of net debt to net debt plus equity was 23% compared with 21% a year ago. Net debt information is non-GAAP and is defined on page 8. Both gross and net debt at the end of the quarter included \$5.0 billion received as deposits for disposals completing after 30 September 2010, which is treated as short-term debt. The ratios for both gross and net debt at the end of the third quarter 2010 were impacted by the reduction in equity arising from the liabilities we have recognized in relation to the Gulf of Mexico oil spill. The group intends to reduce net debt to \$10-15 billion by the end of 2011.

On 1 October 2010, Robert Dudley became group chief executive, succeeding Tony Hayward who stepped down from the post by mutual agreement with the BP board.

- (a) Profit  
(loss) attributable  
to BP  
shareholders.
  
- (b) Replacement cost  
profit reflects the  
replacement cost  
of supplies and is  
the measure of  
profit or loss for  
each operating  
segment that is  
required to be  
disclosed under  
International  
Financial  
Reporting  
Standards (IFRS),  
as explained in  
more detail on  
page 20. The  
replacement cost  
profit for the  
period is arrived  
at by excluding  
from profit  
inventory holding  
gains and losses  
and their

associated tax effect.

Replacement cost profit or loss for the group is not a recognized GAAP measure.

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.

- (c) Organic capital  
expenditure  
excludes  
acquisitions and  
asset exchanges,  
and the  
accounting for  
our transaction  
with Value  
Creation Inc. and  
for the purchase  
of additional  
interests in the  
Valhall and Hod  
fields in the North  
Sea (see page 19).

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



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**Gulf of Mexico oil spill**

The Mississippi Canyon 252 exploration well (MC252 well) was killed and permanently sealed on 19 September 2010. This followed the successful shutting-in of the well on 15 July, from which point no further hydrocarbons flowed into the Gulf of Mexico. We have completed the plugging and abandonment (P&A) of the first of the two relief wells that were drilled as part of the subsea response. We are currently proceeding with the P&A of the MC252 well itself and of the second relief well. BP is also dismantling and recovering containment equipment and decontaminating vessels that were in position at the well site. Further information on the oil spill was included in our 2Q Form 6-K.

No significant volumes of oily liquid have been recovered from the surface of the Gulf of Mexico since 21 July, although small amounts continue to be collected through marshland remediation efforts along the shoreline. BP continues its efforts to repair the environmental damage and is ready to respond if any additional clean-up is required along the Gulf Coast shoreline. Consolidation of the beach clean-up resources is in progress to make them more efficient and match the current scale of the impact.

On 29 September, BP announced the creation of a new Safety and Operational Risk function to oversee and audit the company's operations around the world. The function will have its own expert staff embedded in BP's operating units, including exploration projects and refineries, with defined intervention rights with respect to BP's technical and operational activities. The function will report directly to the group chief executive and will provide assurance that BP's operations are carried out to common standards, and will audit conformance to those standards.

In addition, as an immediate measure, BP has announced to its staff that the sole criterion for performance reward for our operating businesses in the fourth quarter of 2010 will be performance in safety, compliance, process reliability and operational risk management.

BP's Gulf Coast Restoration Organization (GCRO), which was established in June, in conjunction with the Unified Area Command (UAC) continues to manage all aspects of our spill response. This includes completing the ongoing short-term response activities, as well as planning and progressing the long-term recovery and restoration of the Gulf Coast shoreline in line with BP's commitments to the region. During the third quarter, in order to support its longer-term role, the GCRO has built the necessary dedicated organizational resources and capabilities.

BP released the MC252 well accident investigation report on 8 September 2010, following a four-month investigation conducted independently by a team of over 50 technical and other specialists drawn from inside and outside BP. The report concluded that no single factor caused the tragedy but that decisions made by multiple companies and work teams contributed to the accident which arose from a complex and interlinked series of mechanical failures, human judgements, engineering design, operational implementation and team interfaces. Based on the key findings of the report, the investigation team has made a total of 26 recommendations designed to prevent a recurrence of such an accident in the future. Many of the findings and recommendations of the investigation are considered to be relevant to the wider oil industry as well as BP. The full report is available on BP's website (bp.com).

BP has announced its intent to join the Marine Well Containment Company (MWCC), a non-profit industry organization committed to improving capabilities for containing a potential future underwater blow-out in the US Gulf of Mexico. BP also intends to make its underwater well containment equipment (that is not subject to subpoena or evidence preservation obligations) available to all oil and gas companies operating in the Gulf of Mexico. In addition, BP released a report prepared for the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) on lessons learned from the accident, which is available as a guide to enhancing responses to future incidents.

BP is subject to a number of legal proceedings and investigations related to the incident, including: a US Department of Justice investigation to determine whether US civil or criminal laws have been violated; a US Presidential Commission inquiry to examine the causes of the incident; a joint investigation by the US Coast Guard and the BOEMRE; an Incident-Specific Preparedness Review by the US Coast Guard; investigations by the US Securities and Exchange Commission (SEC), the National Academy of Engineering and various US state and federal agencies including the US Chemical Safety and Hazard Investigation Board; and enquiries by the US Congress. In addition, BP group companies are among those named as defendants in more than 400 private civil lawsuits. Further information is provided in Legal proceedings on page 35-39.

**Subsea operations response**

On 15 July the three-ram capping stack was closed, stopping the flow of oil into the Gulf of Mexico. Following a series of tests and the pumping of heavy drilling mud, static conditions were achieved at the Deepwater Horizon blow-out preventer (BOP) stack on 3 August. On 5 August, cement was pumped into the MC252 well and further tests were performed in preparation for replacing the Deepwater Horizon BOP stack with the BOP stack of the Development Driller II. The replacement operation was carried out on 3 September and the Deepwater Horizon BOP has been taken into custody for examination by the US government.

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**Gulf of Mexico oil spill (continued)**

Work on the relief wells had to be suspended on several occasions due to adverse weather and the necessity to stop drilling during certain operations being conducted on the MC252 well. On 17 September the first relief well, drilled by the semi-submersible drilling rig Development Driller III, successfully intersected the MC252 wellbore at a measured depth of 17,977 feet. After completing cementing operations, on 19 September, the MC252 well was officially determined to be killed and to no longer present a threat to the Gulf of Mexico. P&A of the first relief well was completed on 30 September and work is currently ongoing to recover the containment and subsea equipment used in the Deepwater Horizon response and preserve evidence accordingly. The Development Driller II rig is recovering equipment from the MC252 well, after which it will complete the final P&A of the MC252 wellbore, followed by the P&A of the second relief well.

**Surface operations response<sup>(a)</sup>**

Following the successful capping and then killing of the MC252 well, the focus of the surface response changed. With no skimmable oil on the water, priorities have changed to focus on the assessment and continuing clean-up of the impacted shorelines, beaches and marshes. At the peak of the surface response, approximately 48,000 people, 6,885 vessels, and 125 aircraft were deployed. At present, approximately 11,000 people are working to clean the impacts, recover the boom, and demobilize the vessels, equipment, and people for the next phase of the response – remediation and recovery. Currently there are approximately 3,500 vessels remaining to be demobilized and this is expected to be complete by the first quarter of 2011. BP is meeting all costs associated with this activity.

**Claims process and escrow account**

On 23 August, responsibility for the administration of individual and business claims transferred from BP to the Gulf Coast Claims Facility (GCCF) headed by Ken Feinberg. As previously announced, Mr Feinberg was jointly appointed by BP and the President of the United States and will independently manage the GCCF. BP has established a separate dedicated team for the administration of claims by state and local government entities. As part of this, BP has engaged Witt Associates, a public safety and crisis management consulting firm, to provide a dedicated service for liaising with government entities and helping to administer their claims.

During the third quarter, in support of the settlement of claims, BP Exploration & Production Inc (BP E&P) established the Deepwater Horizon Oil Spill Trust, which is a \$20-billion escrow account to be funded over a period of three and a half years. BP E&P has secured its commitments to the Trust by pledging certain Gulf of Mexico assets as collateral for the Trust. These consist of an overriding royalty interest in BP E&P's equity production from seven fields in the Gulf of Mexico. The fund is available to satisfy legitimate individual and business claims adjudicated by the 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. Fines and penalties and claims administration costs will be paid separately by BP E&P and not from the escrow account. This account does not establish BP's liability in any amount nor does it represent a cap or floor on BP's liabilities. Any amounts left in the account once all legitimate claims have been resolved and paid will revert to BP E&P. During the first nine months of 2010, claims payments totalling approximately \$1,090 million were made by BP and the Trust collectively. See Note 2 on pages 25–30 for further information on the escrow account and on contingent liabilities arising from the incident.

**Restoration, research and other donations**

In line with BP's previous commitment to donate its share of the revenue (net of royalties and transportation costs) from the sale of recovered oil to the National Fish and Wildlife Foundation (NFWF), total donations to date have amounted to \$22 million.

BP and the Gulf of Mexico Alliance (a partnership of the states of Alabama, Florida, Louisiana, Mississippi and Texas with the goal of significantly increasing regional collaboration to enhance the ecological and economic health of the Gulf of Mexico) announced detailed plans for the implementation of BP's \$500-million Gulf of Mexico Research Initiative (GRI). While the details of the programme were being developed BP awarded a series of fast-track grants to five research groups, totalling \$40 million, as part of its commitment to fund up to \$500 million over 10 years to study the impact of the oil spill, and its associated response, on the marine and shoreline environment of the Gulf of Mexico. The GRI will be managed by a board comprised of scientists from academic institutions with peer-recognized credentials. BP and the Gulf of Mexico Alliance will appoint an equal number of research scientists to the board.

BP has now contributed a total of \$240 million under its agreement to fund the \$360-million cost of the Louisiana barrier islands project.

BP has granted additional funds totalling \$517 million to federal and state governments in support of the response, tourism, behavioural health and social services.

- (a) Operational data is derived from the Deepwater Horizon Unified Area Command. The data changes on a daily basis.

**Table of Contents****Gulf of Mexico oil spill (continued)****Financial impact of the response**

Response operations following the 20 April 2010 Deepwater Horizon incident have been managed by the UAC. The UAC consists of the Federal On Scene Coordinator (FOSC – USCG), the state on scene coordinators (Texas, Louisiana, Mississippi, Alabama, and Florida), and BP (a designated Responsible Party under the Oil Pollution Act of 1990 (OPA 90)). The UAC links the organizations responding to the incident and provides a forum for those organizations to make consensus decisions. If consensus cannot be reached the FOSC – USCG carries the final decision on response related actions deemed necessary. As such, the activities undertaken by BP and its sub-contractors, and the associated costs, are not wholly within BP's control but instead are determined largely by the UAC. This will continue to be the case until control of the response operations transitions to the BP Gulf Coast Restoration Organization.

The contractual arrangements put in place at the height of the response to the Gulf of Mexico oil spill were complex, involving many parties including contractors, sub-contractors and the UAC. Arrangements were put in place rapidly to ensure that the response was timely. BP has provided for the cost of all estimable known obligations but it is possible that further costs might arise from the intense activity that took place at that time.

The group income statement for the third quarter reflects a further pre-tax charge of \$7.7 billion in relation to the Gulf of Mexico oil spill, making a total of \$39.9 billion for the nine months. Costs incurred relating to the incident were \$8.7 billion in the third quarter and \$11.6 billion for the nine months. This includes payments of \$0.8 billion during the third quarter from the escrow account which was formally established in August. Costs incurred exclude payments by BP into the escrow account of \$3 billion in the third quarter.

The income statement charge for the year to date comprises costs incurred up to 30 September 2010, estimated obligations for future costs that can be estimated reliably at this time and rights and obligations under the escrow account. The third-quarter charge reflects experience from response activities in the third quarter and further information in relation to obligations arising. The charge arises due to additional time taken to complete the well-kill operations (including delays due to adverse weather and being required to maintain full response readiness), contractual costs now estimable related to decontamination and demobilization of vessels involved in the response, additional legal costs, and claims centre administration costs.

Costs incurred during the third quarter include the cost of the spill response, containment, relief well drilling, grants to the states whose shorelines have been affected, claims paid, federal costs (including the involvement of the US Coast Guard) and Gulf Coast Restoration Organization expenses. See Note 2 on pages 25 – 30 for further information.

The amount provided for future costs reflects ongoing response, remediation and assessment efforts, BP's commitment to the GRI, estimated legal costs expected to be incurred in relation to litigation, remaining payments to the escrow account, claims centre administration costs and an amount for estimated penalties for strict liability under the Clean Water Act. The calculation for fines and penalties under the Clean Water Act has been determined using an estimate of the flow rate within the range of figures published and is based upon BP's belief that it was not grossly negligent. The charge does not reflect any amounts in relation to fines and penalties except for those relating to the Clean Water Act, as it is not possible to estimate reliably either the amount or timing of such additional amounts.

The total amounts that will ultimately be paid by BP in relation to all obligations relating to the incident are subject to significant uncertainty. The ultimate exposure and cost to BP will be dependent on many factors including the rate at which the number of people involved in the response is gradually reduced, the time taken to reduce the number of vessels involved in the response and to complete associated decontamination activities, and the timing of transition of control of the operation from the UAC to the BP Gulf Coast Restoration Organization. Furthermore, the amount of claims that become payable by BP, the amount of fines ultimately levied on BP (including any determination of negligence by BP), the outcome of federal and derivative lawsuits, and any costs arising from any longer-term environmental consequences of the oil spill, will also impact upon the ultimate cost for BP.

*Contingent liabilities*

BP has provided for its best estimate of items that will be paid through the \$20-billion escrow account. At the present time, BP considers it is not possible to measure reliably any obligation in relation to future claims, including natural resource damage under OPA 90, or litigation actions that have been received to date or may be received in the future.

Although it is not possible at the current time to estimate a liability in excess of the amount currently provided, BP's full obligation under the \$20-billion escrow account has been expensed in the income statement, taking account of the time value of money.

For those items not covered by the escrow account it is not possible to measure reliably any obligation in relation to other litigation or potential fines and penalties except, subject to certain assumptions noted above, for those relating to the Clean Water Act.

The magnitude and timing of possible obligations in relation to the Gulf of Mexico oil spill are subject to a very high degree of uncertainty as described further in our 2Q Form 6-K under *Principal risks and uncertainties*. Any such possible obligations are therefore contingent liabilities and, at present, it is not practicable to estimate their magnitude or possible timing of payment. Therefore no amounts have been provided as at 30 September 2010 in relation to these. Furthermore, other material unanticipated obligations may arise in future in relation to the incident.

*Co-owner recovery*

BP is the operator of the MC252 well and holds a 65% working interest, with the remaining 35% interest held by two joint venture partners. Under International Financial Reporting Standards (IFRS), recovery must be virtually certain for receivables to be recognized. While BP believes that it has a contractual right to recover the partners' shares of the costs incurred, no amounts have been recognized in the financial statements. As at the end of October, \$4,278 million has been billed to the joint venture partners, which BP believes to be contractually recoverable. Of this amount, \$3,728 million relates to costs incurred in the first nine months of 2010 and the balance relates to the advance-billing of costs expected to be incurred for the month of October. Our joint venture partners have each written to BP indicating that they are withholding payment in light of the investigations surrounding the incident.

**Table of Contents****Analysis of replacement cost profit (loss) before interest and tax and reconciliation to profit (loss) for the period**

<b>Third quarter</b>			<b>Nine months</b>	
<b>2009</b>	<b>2010</b>		<b>2010</b>	<b>2009</b>
		<b>\$ million</b>		
6,929	<b>8,350</b>	Exploration and Production	<b>22,886</b>	16,295
916	<b>1,787</b>	Refining and Marketing	<b>4,591</b>	2,686
(586)	<b>(568)</b>	Other businesses and corporate	<b>(966)</b>	(1,930)
	<b>(7,656)</b>	Gulf of Mexico oil spill response <sup>(a)</sup>	<b>(39,848)</b>	
104	<b>85</b>	Consolidation adjustment	<b>391</b>	(225)
7,363	<b>1,998</b>	RC profit (loss) before interest and tax <sup>(b)</sup>	<b>(12,946)</b>	16,826
(311)	<b>(335)</b>	Finance costs and net finance income or expense relating to pensions and other post-retirement benefits	<b>(777)</b>	(1,000)
(2,052)	<b>272</b>	Taxation on a replacement cost basis	<b>4,494</b>	(5,220)
(19)	<b>(88)</b>	Minority interest	<b>(299)</b>	(98)
4,981	<b>1,847</b>	<b>Replacement cost profit (loss) attributable to BP shareholders</b>	<b>(9,528)</b>	10,508
538	<b>(82)</b>	Inventory holding gains (losses)	<b>339</b>	2,666
(183)	<b>20</b>	Taxation (charge) credit on inventory holding gains and losses	<b>(97)</b>	(891)
5,336	<b>1,785</b>	<b>Profit (loss) for the period attributable to BP shareholders</b>	<b>(9,286)</b>	12,283

(a) See Note 2 on pages 25–30 for further information on the accounting for the Gulf of Mexico oil spill response.

(b) Replacement cost profit or loss reflects the replacement cost of supplies. Replacement cost profit (loss) for the

group is a non-GAAP measure. For further information see page 20.

**Total of non-operating items and fair value accounting effects<sup>(a)(b)</sup>**

<b>Third quarter</b>			<b>Nine months</b>	
<b>2009</b>	<b>2010</b>		<b>2010</b>	<b>2009</b>
		<b>\$ million</b>		
651	<b>1,809</b>	Exploration and Production	<b>1,852</b>	1,762
(155)	<b>161</b>	Refining and Marketing	<b>452</b>	(906)
(64)	<b>(86)</b>	Other businesses and corporate	<b>(133)</b>	(424)
	<b>(7,656)</b>	Gulf of Mexico oil spill response	<b>(39,848)</b>	
432	<b>(5,772)</b>	Total before interest and taxation	<b>(37,677)</b>	432
	<b>(47)</b>	Finance costs <sup>(c)</sup>	<b>(47)</b>	
432	<b>(5,819)</b>	Total before taxation	<b>(37,724)</b>	432
(125)	<b>2,135</b>	Taxation credit (charge) <sup>(d)</sup>	<b>12,038</b>	(117)
307	<b>(3,684)</b>	Total after taxation for period	<b>(25,686)</b>	315

(a) An analysis of non-operating items by type is provided on page 21 and an analysis by region is shown on pages 10, 12 and 13.

(b) Information on fair value accounting effects is non-GAAP. For further details, see page 22.

(c) Third quarter and nine months 2010 finance costs relate to the Gulf of Mexico oil spill. See Note 2 on pages 25-30 for



further details.

- (d) Tax is calculated using the quarter s effective tax rate (excluding the impact of the Gulf of Mexico oil spill) on replacement cost profit or loss. However, the US statutory tax rate has been used for expenditures relating to the Gulf of Mexico oil spill that qualify for tax relief.

**Table of Contents****Per share amounts**

<b>Third quarter</b>			<b>Nine months</b>	
<b>2009</b>	<b>2010</b>		<b>2010</b>	<b>2009</b>
		<b>Per ordinary share</b> (cents) <sup>(a)</sup>		
28.48	<b>9.50</b>	Profit (loss) for the period	<b>(49.44)</b>	65.58
26.59	<b>9.83</b>	RC profit (loss) for the period	<b>(50.73)</b>	56.11
		<b>Per ADS</b> (dollars) <sup>(a)</sup>		
1.71	<b>0.57</b>	Profit (loss) for the period	<b>(2.97)</b>	3.93
1.60	<b>0.59</b>	RC profit (loss) for the period	<b>(3.04)</b>	3.37

(a) See Note 6 on page 32 for details of the calculation of earnings per share.

**Net debt ratio net debt: net debt + equity**

<b>Third quarter</b>			<b>Nine months</b>	
<b>2009</b>	<b>2010</b>		<b>2010</b>	<b>2009</b>
		<b>\$ million</b>		
36,555	<b>39,979</b>	Gross debt	<b>39,979</b>	36,555
370	<b>797</b>	Less: fair value asset (liability) of hedges related to finance debt	<b>797</b>	370
36,185	<b>39,182</b>		<b>39,182</b>	36,185
9,883	<b>12,803</b>	Cash and cash equivalents	<b>12,803</b>	9,883
26,302	<b>26,379</b>	Net debt	<b>26,379</b>	26,302
100,803	<b>90,366</b>	Equity	<b>90,366</b>	100,803
21%	<b>23%</b>	Net debt ratio	<b>23%</b>	21%

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**

Following the Gulf of Mexico oil spill and the agreement to establish the \$20-billion escrow account, the BP board reviewed its dividend policy and decided to cancel the previously announced first-quarter interim ordinary share dividend scheduled for payment on 21 June, and further decided that no interim ordinary share dividends will be paid in respect of the second and third quarters of 2010. The board will consider its position on future ordinary share dividend payments again in February 2011, at the time of issuance of the fourth quarter 2010 results.

**Dividends paid**

<b>Third quarter</b>			<b>Nine months</b>	
<b>2009</b>	<b>2010</b>		<b>2010</b>	<b>2009</b>
		<b>Dividends paid per ordinary share</b>		
14.000		cents	<b>14.000</b>	42.000
8.503		pence	<b>8.679</b>	27.905
84.00		<b>Dividends paid per ADS (cents)</b>	<b>84.00</b>	252.00

**Table of Contents****Exploration and Production**

<b>Third quarter</b>			<b>Nine months</b>	
<b>2009</b>	<b>2010</b>		<b>2010</b>	<b>2009</b>
		<b>\$ million</b>		
6,930	<b>8,351</b>	<b>Profit before interest and tax<sup>(a)</sup></b>	<b>22,856</b>	16,278
(1)	(1)	<b>Inventory holding (gains) losses</b>	<b>30</b>	17
6,929	<b>8,350</b>	<b>Replacement cost profit before interest and tax<sup>(b)</sup></b>	<b>22,886</b>	16,295
		<b>By region</b>		
1,864	<b>3,602</b>	US	<b>8,162</b>	4,168
5,065	<b>4,748</b>	Non-US	<b>14,724</b>	12,127
6,929	<b>8,350</b>		<b>22,886</b>	16,295

(a) Includes profit after interest and tax of equity-accounted entities.

(b) See page 20 for information on replacement cost reporting for operating segments.

The replacement cost profit before interest and tax for the third quarter and first nine months was \$8,350 million and \$22,886 million respectively, compared with \$6,929 million and \$16,295 million respectively for the same periods in 2009. The increase in both periods reflected the impact of higher realizations and lower depreciation, partly offset by lower production. In addition, gas marketing and trading incurred a small loss in the third quarter resulting in a significantly lower contribution compared with the same periods last year. The increase also reflected the impact of non-operating items as described in more detail below. The first nine months of 2010 also reflected higher earnings from equity-accounted entities, primarily TNK-BP, and higher production taxes.

The third quarter and first nine months benefited from net non-operating gains of \$1,741 million and \$1,843 million respectively, primarily gains on the sale of the majority of our US Permian basin assets in Texas and New Mexico to Apache Corporation, partly offset by impairment charges and a charge resulting from the annual reassessment of environmental provisions. The first nine months also included net fair value losses on embedded derivatives. The corresponding periods in 2009 included net non-operating gains of \$471 million and \$1,289 million respectively. In the third quarter and first nine months, fair value accounting effects had favourable impacts of \$68 million and \$9 million respectively compared with favourable impacts of \$180 million and \$473 million in the same periods of last year.

Production for the quarter was 3,763mboe/d, 4% lower than the third quarter of 2009. After adjusting for entitlement impacts in our production-sharing agreements (PSAs) and the effects of acquisitions and divestments, the decrease was 3%. This reflects seasonal turnaround activity and impacts to production as a consequence of the Gulf of Mexico oil spill. Production for the first nine months was 3,872mboe/d, 3% lower than the same period of 2009. After adjusting for entitlement impacts in our PSAs and the effects of acquisitions and divestments, production was 1% lower.

Looking ahead, we expect fourth-quarter production and margins to reflect normal seasonal trends, continued turnaround activity in the North Sea and Angola, continued impacts as a consequence of the Gulf of Mexico oil spill and an impact of around 100mboe/d from announced divestments. The gas marketing and trading contribution is expected to improve in the fourth quarter, but not to reach historic levels if lack of volatility in the market continues. We have continued to make strategic progress. In China, BP's acquisition of an interest in Block 42/05 in the South China Sea has been approved by the Chinese Government. In Azerbaijan, BP and the State Oil Company of the

Republic of Azerbaijan (SOCAR) signed a new 30-year PSA on joint exploration and development of the new Shafag-Asiman structure in the Azerbaijan sector of the Caspian Sea. BP will be the operator with a 50% interest and SOCAR will hold the remaining 50%. We also completed the purchase of an additional 3.29% interest in the BP-operated Azeri-Chirag-Gunashli oilfield development in the Azerbaijan sector of the Caspian Sea, a component of our transaction with Devon Energy. In October, BP was awarded seven blocks in the 26<sup>th</sup> UK offshore exploration licensing round.

The sale of the majority of our US Permian basin assets in Texas and New Mexico to Apache Corporation was completed during the quarter and, after the end of the quarter, we completed the sale of our Western Canadian upstream gas assets, also to Apache Corporation, and the sale of our remaining US Permian basin assets. Also, we announced that we have agreed to sell our oil and gas exploration, production and transportation business in Colombia to a consortium of Ecopetrol and Talisman of Canada for \$1.9 billion in cash, subject to post-closing adjustments. A cash deposit of \$1.25 billion was received in the third quarter, with the balance payable on completion. The sale is expected to be completed around the end of the year, subject to regulatory approvals. After the end of the quarter, we announced that we have reached agreement to sell our upstream businesses and associated interests in Venezuela and Vietnam to TNK-BP for \$1.8 billion, subject to post-closing adjustments. TNK-BP paid a deposit of \$1 billion on 29 October, with the balance due on completion. The sales to TNK-BP are expected to be completed in the first half of 2011, subject to regulatory and other approvals as well as certain pre-emption rights. We have also reached agreement to sell our interests in four mature producing oil and gas fields in the deepwater Gulf of Mexico to Marubeni Oil and Gas for \$650 million, subject to post-closing adjustments. The interests in the fields were acquired earlier in the year as part of our wider transaction with Devon Energy. We expect to complete this sale in early 2011, subject to regulatory approvals.

BP announced that in 2011 it intends to organize its Exploration and Production segment in three functional divisions Exploration, Development and Production with each reporting directly to the group chief executive.

Following publication of EU Council regulations published on 27 October, 2010 on restrictive measures against Iran, BP is seeking appropriate clarification from the UK Government on certain aspects of the regulations and how they apply to the BP-operated Rhum field in the North Sea (in which the Iranian Oil Company (UK) Limited has a 50% interest).

Table of Contents**Exploration and Production**

<b>Third quarter</b>			<b>Nine months</b>	
<b>2009</b>	<b>2010</b>		<b>2010</b>	<b>2009</b>
		<b>\$ million</b>		
		<b>Non-operating items</b>		
(65)	<b>1,681</b>	US	<b>1,463</b>	124
536	<b>60</b>	Non-US	<b>380</b>	1,165
471	<b>1,741</b>		<b>1,843</b>	1,289
		<b>Fair value accounting effects<sup>(a)</sup></b>		
169	<b>86</b>	US	<b>132</b>	469
11	<b>(18)</b>	Non-US	<b>(123)</b>	4
180	<b>68</b>		<b>9</b>	473