BP PLC
Form 6-K
August 01, 2008

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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 30 June 2008
BP p.l.c.
(Translation of registrant s name into English)
1 ST JAMES S SQUARE, LONDON, SW1Y 4PD, ENGLAND
(Address of principal executive offices)

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

Form 20-F þ Form 40-F o

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

Yes o No þ

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-110203) OF BP CANADA FINANCE COMPANY, BP CAPITAL MARKETS p.l.c., BP CAPITAL MARKETS AMERICA, INC AND BP p.l.c.; THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-9790) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-65996) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-83180) OF BP AUSTRALIA CAPITAL MARKETS LIMITED, BP CANADA FINANCE COMPANY, BP CAPITAL MARKETS p.l.c., BP CAPITAL MARKETS AMERICA INC. AND BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 33-21868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9020) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-09798) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-34968) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-74414) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103924) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-102583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103923) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-119934) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123482) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123483) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131584) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO 333-1326190) 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 JUNE 2008*

* In this Form 6-K, references to the first half 2008 and first half 2007 refer to the six months ended 30 June 2008 and 30 June 2007 respectively. References to second quarter 2008 and second quarter 2007 refer to the three months ended 30 June 2008 and 30 June 2007 respectively.

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Group results January June 2008

Second Quarter 2007	2008	$ million	First half 2008	2007
81,938	**125,755**	Total revenues	**227,875**	152,341
7,376	**9,465**	Profit for the period(a)	**16,916**	12,040
19.35	**25.62**	per ordinary share (pence)	**45.55**	31.69
38.37	**50.27**	per ordinary share (cents)	**89.74**	62.43
2.30	**3.02**	per ADS (dollars)	**5.38**	3.75

The following discussion should be read in conjunction with the consolidated financial statements and the related notes provided elsewhere in this Form 6-K and with the information, including the consolidated financial statements and related notes, for the year ended 31 December 2007 in BP s Annual Report on Form-20-F for the year ended 31 December 2007.

BP s second-quarter profit was $9,465 million, compared with $7,376 million a year ago, an increase of 28%. For the half year, profit was $16,916 million compared with $12,040 million a year ago, up 40%. The second quarter profit included inventory holding gains of $2,612 million compared with gains of $888 million in the same quarter last year. For the half year, inventory holding gains were $3,475 million compared with $1,108 million in the first half of 2007. See footnote (b) below for further information.

Non-operating items and fair value accounting effects for the second quarter had a net $1,775 million unfavourable impact compared to a net $973 million favourable impact in the second quarter of 2007. For the half year, the respective amounts were $1,779 million unfavourable and $1,009 million favourable see further details on page 4. The largest non-operating item for the second quarter and year-to-date was fair value losses on embedded derivatives which amounted to $2,081 million and $2,771 million respectively on a pre-tax basis. See page 21 for further information.

Net cash provided by operating activities for the quarter and half year was $6.7 billion and $17.6 billion compared with $6.1 billion and $14.1 billion respectively a year ago.

The effective tax rate on profit for the second quarter was 35% and for the half year was 36%; a year ago, the rates were 31% and 32% respectively.

Net debt at the end of the quarter was $25.7 billion compared to $20.7 billion a year ago. The ratio of net debt to net debt plus equity was 19%, the same as a year ago. Net debt is defined on page 6.

Capital expenditure, excluding acquisitions and asset exchanges, was $5.5 billion for the quarter and for the half year was $12.6 billion. Total capital expenditure and acquisitions was $5.8 billion for the quarter and $14.8 billion for the half year. Capital expenditure, excluding acquisitions and asset exchanges and excluding the accounting for our transaction with Husky (see page 27), is expected to be around $21-22 billion for the year. Disposal proceeds were $59 million for the quarter and $335 million for the half year.

The quarterly dividend, to be paid in September, is 14 cents per share ($0.84 per ADS) compared with 10.825 cents per share a year ago. For the half year, the dividend showed an increase of 30%. In sterling terms, the quarterly dividend is 7.039 pence per share, compared with 5.278 pence per share a year ago; for the half year, the increase was 33%. During the quarter, the company repurchased 85.9 million of its own shares for cancellation at a cost of $1 billion. For the first half, share repurchases were 176.9 million at a cost of $2 billion.

(a) Profit attributable to BP

shareholders.

(b) Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost to BP of supplies incurred during the period and the cost of sales calculated on the first-in first-out (FIFO) method. Under the FIFO method, which we use for IFRS reporting, the cost of inventory charged to the income statement is based upon the historic cost of acquisition or manufacture rather than the current replacement cost. In volatile energy markets, this can have a significant distorting effect on reported income. The amounts disclosed represent the difference between the charge to the income statement on a

FIFO basis and the charge which would arise using average cost of supplies incurred during the period. For this purpose, average cost of supplies incurred during the period is calculated by dividing the total cost of inventory purchased in the period by the number of barrels acquired. The amounts disclosed are not separately reflected in the financial statements as a gain or loss.

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

Effective 1 January 2008, inventory holding gains and losses disclosed above include the associated tax effect. Previously the tax effect was not included. Comparative amounts have been amended to the new basis.

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

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Non-operating items and fair value accounting effects

Non-operating items(a)

Second quarter 2007	Second quarter 2008	$ million	First half 2008	First half 2007
378	**(1,976)**	Exploration and Production	**(2,352)**	1,135
767	**(99)**	Refining and Marketing	**510**	538
(8)	**(123)**	Other businesses and corporate	**(204)**	26
1,137	**(2,198)**		**(2,046)**	1,699
(347)	**770**	Taxation(b)	**714**	(539)
790	**(1,428)**		**(1,332)**	1,160

Fair value accounting effects(c)

Second quarter 2007	Second quarter 2008	$ million	First half 2008	First half 2007
		Exploration and Production		
124	**366**	Unrecognized gains (losses) brought forward from previous period	**107**	155
(198)	**(739)**	Unrecognized (gains) losses carried forward	**(739)**	(198)
(74)	**(373)**	Favourable (unfavourable) impact relative to management s measure of performance	**(632)**	(43)
		Refining and Marketing		
611	**328**	Unrecognized gains (losses) brought forward from previous period	**429**	72
(274)	**(489)**	Unrecognized (gains) losses carried forward	**(489)**	(274)
337	**(161)**	Favourable (unfavourable) impact relative to management s measure of performance	**(60)**	(202)
263	**(534)**		**(692)**	(245)
(80)	**187**	Taxation(b)	**245**	94
183	**(347)**		**(447)**	(151)

Total of non-operating items and fair value accounting effects

Second quarter 2007	Second quarter 2008	$ million	First half 2008	First half 2007

304	**(2,349)**	Exploration and Production	**(2,984)**	1,092
1,104	**(260)**	Refining and Marketing	**450**	336
(8)	**(123)**	Other businesses and corporate	**(204)**	26
1,400	**(2,732)**		**(2,738)**	1,454
(427)	**957**	Taxation(b)	**959**	(445)
973	**(1,775)**		**(1,779)**	1,009

(a) Non-operating items are charges and credits that BP discloses separately because it considers such disclosure to be meaningful and relevant to the economic decision-making needs of users. The main categories of non-operating items in the periods presented are: impairments; gains or losses on sale of fixed assets and the sale of businesses; environmental remediation; restructuring, integration and rationalisation costs; and changes in the fair value of embedded derivatives. These disclosures are provided in order to enable investors better to understand and evaluate the group s financial performance. An analysis of non-operating items by type is provided on page 21 and a geographical analysis is shown on pages 8, 10 and 11.

(b) Tax is calculated using the quarter s effective tax rate on group profit.

(c) Information on fair value accounting effects is non-GAAP. An explanation of fair value accounting effects is provided on page 12.

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Per share amounts

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
7,376	**9,465**	Profit for the period ($ million) (a)	**16,916**	12,040
19,133,973	**18,805,089**	Shares in issue at period end (thousand)(b)	**18,805,089**	19,133,973
3,188,996	**3,134,182**	ADS equivalent (thousand)(b)	**3,134,182**	3,188,996
19,186,461	**18,823,515**	Average number of shares outstanding (thousand)(b)	**18,849,504**	19,284,938
3,197,744	**3,137,253**	ADS equivalent (thousand)(b)	**3,141,584**	3,214,156
175,806	**85,900**	Shares repurchased in the period (thousand)	**176,896**	413,722
		Per ordinary share (cents)		
38.37	**50.27**	Profit for the period	**89.74**	62.43
		Per ADS (cents)		
230.22	**301.62**	Profit for the period	**538.44**	374.58

(a) Profit attributable to BP shareholders.

(b) Excludes treasury shares.

Dividends

Dividends payable

On 29 July 2008, BP announced a dividend of 14 cents per ordinary share to be paid in September. Holders of ordinary shares will receive 7.039 pence per share and holders of American Depository Receipts (ADRs) $0.84 per ADS. The dividend is payable on 8 September to shareholders on the register on 15 August. Participants in the Dividend Reinvestment Plan (DRIP) or the DRIP facility in the US Direct Access Plan will receive the dividend in the form of shares, also on 8 September.

Dividends paid

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
		Dividends paid per ordinary share		
10.325	**13.525**	cents	**27.050**	20.650

5.151	**6.830**	pence	**13.643**	10.409
61.95	**81.15**	**Dividends paid per ADS (cents)**	**162.30**	123.90

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Net debt ratio net debt: net debt + equity

Second quarter 2007	2008	$ million	First half 2008	2007
23,754	**30,189**	Gross debt	**30,189**	23,754
379	**900**	Less: fair value asset (liability) of hedges related to finance debt	**900**	379
23,375	**29,289**		**29,289**	23,375
2,643	**3,593**	Cash and cash equivalents	**3,593**	2,643
20,732	**25,696**	Net debt	**25,696**	20,732
89,423	**106,454**	Equity	**106,454**	89,423
19%	**19%**	Net debt ratio	**19%**	19%

Net debt and net debt ratio are non-GAAP measures. We believe that these measures 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. Net debt has been redefined to include 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 . Amounts for comparative periods are presented on a consistent basis. See note 2(c) on page 26 for further information.

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Exploration and Production

Second quarter 2007	Second quarter 2008	$ million	First half 2008	First half 2007
17,002	**26,294**	**Total revenues**	**50,359**	33,349
7,165	**10,819**	**Profit before interest and tax**(a)	**20,873**	13,482
		By region:		
1,105	**(124)**	UK	**799**	2,227
183	**350**	Rest of Europe	**626**	910
2,204	**3,639**	US	**6,729**	3,944
3,673	**6,954**	Rest of World	**12,719**	6,401
7,165	**10,819**		**20,873**	13,482
		Analysis of total revenues		
16,040	24,506	Sales and other operating revenues	47,428	31,905
962	1,788	Earnings from equity-accounted entities (after interest and tax), interest, and other revenues	2,931	1,444
17,002	26,294		50,359	33,349

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

Total revenues for the second quarter were $26 billion and were $17 billion in the corresponding period in 2007. Sales and other operating revenues increased by $8 billion primarily due to higher oil and gas realizations. Total revenues for the first half were $50 billion, compared with $33 billion in the corresponding period in 2007. The increase of $16 billion in sales and other operating revenues was primarily due to higher oil and gas realizations. Gas marketing sales (included in sales and other operating revenues) increased slightly compared with the equivalent periods of 2007, primarily as a result of higher prices.

The profit before interest and tax for the second quarter and half year was $10,819 million and $20,873 million respectively, increases of 51% and 55% over the same periods of 2007. These figures included inventory holding gains of $48 million and $30 million respectively compared with inventory holding gains of $46 million and $57 million in the second quarter and first half of 2007. The increases in both periods were primarily due to higher oil and gas realizations. Partly offsetting these were higher charges for non-operating items (see below) and higher costs, primarily reflecting the impacts of sector-specific inflation, higher depreciation and higher production taxes. The results also included higher earnings from equity-accounted entities, primarily from TNK-BP due to higher prices and the effect of lagged tax reference prices.

The non-operating charge of $1,976 million in the second quarter primarily comprised fair value losses on embedded derivatives partly offset by the reversal of a previous impairment charge. In the first half, the net non-operating charge was $2,352 million with the most significant item being fair value losses on embedded derivatives partly offset by the reversal of certain provisions and the reversal of a previous impairment charge. The corresponding periods in 2007 contained net non-operating gains of $378 million and $1,135 million respectively. Additionally, in the second quarter, fair value accounting effects had an unfavourable impact of $373 million compared with an unfavourable impact of $74 million a year ago. For the first half, the unfavourable effect was $632 million compared with an unfavourable effect of $43 million a year ago. Information on fair value accounting effects is set out on page 12.

Reported production for the quarter was 2,500mboe/d for subsidiaries and 1,330mboe/d for equity-accounted entities, broadly flat with the second quarter of 2007. For subsidiaries, this reflects the continued ramp-up of production following the start-up of major projects in late 2007 and the first half of 2008, offset by the impact of lower entitlement in our production-sharing agreements (PSAs). We expect the quarterly phasing of underlying production for the group (before the impact of lower entitlement in our PSAs) during the year to reflect the normal seasonal effects associated with turnaround activity.

Reported production for the half year was 2,562mboe/d for subsidiaries and 1,309mboe/d for equity-accounted entities, broadly flat with the same period of the previous year.

During the second quarter, we had first production from the Taurt (BP 50% and operator) and Saqqara fields in Egypt. Saqqara is operated by the Gulf of Suez Petroleum Company, an equal joint venture between Egyptian General Petroleum Corporation and BP. In the Gulf of Mexico, we progressed the commissioning of Thunder Horse (BP 75% and operator) with production from the first well and on 3 July, first injection of water occurred at the Ursa waterflood project (BP 22.69%).

Also during the quarter, we had exploration success in the North Sea with the Kinnoull discovery (BP 77% and operator) and we acquired three exploration licences in the Canadian Beaufort Sea. On 28 July, we announced that BP and its co-venturers have received authorization to develop a series of deepwater oil discoveries in offshore Angola s Block 31 (BP 26.67% and operator) where we have made 15 discoveries to date.

On 17 July, we announced that we have agreed to acquire Chesapeake Energy Corporation s interests in approximately 90,000 net acres of leasehold and producing natural gas properties in the Arkoma Basin Woodford Shale play for $1.75 billion in cash.

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Exploration and Production (continued)

Second quarter 2007	Second quarter 2008	$ million	First half 2008	First half 2007
		Non-operating items		
164	**(2,082)**	UK	**(2,776)**	316
(2)		Rest of Europe		531
178	**(8)**	US	**(16)**	171
38	**114**	Rest of World	**440**	117
378	**(1,976)**		**(2,352)**	1,135
		Fair value accounting effects(a)		
(4)	**(147)**	UK	**(130)**	34
		Rest of Europe		
(71)	**(236)**	US	**(378)**	(77)
1	**10**	Rest of World	**(124)**	
(74)	**(373)**		**(632)**	(43)
		Exploration expense		
7	**8**	UK	**100**	27
		Rest of Europe		
54	**47**	US	**119**	131
94	**63**	Rest of World	**192**	153
155	**118**		**411**	311
		Liquids(b)		
62.58	**109.95**	Average prices realized by BP(c)($/bbl)	**100.66**	57.96
1,320	**1,260**	Production for subsidiaries (mb/d) (net of royalties)	**1,299**	1,343
1,129	**1,148**	Production for equity-accounted entities (mb/d) (net of royalties)	**1,132**	1,105
		Natural gas		
4.45	**6.63**	Average prices realized by BP(c)($/mcf)	**6.25**	4.66
6,945	**7,194**	Production for subsidiaries (mmcf/d) (net of royalties)	**7,329**	7,224
914	**1,054**	Production for equity-accounted entities (mmcf/d) (net of royalties)	**1,027**	955
		Total hydrocarbons(d)		
44.97	**75.39**	Average prices realized by BP(c)($/boe)	**68.85**	42.97
2,517	**2,500**	Production for subsidiaries (mboe/d)	**2,562**	2,588
1,287	**1,330**	Production for equity-accounted entities (mboe/d)	**1,309**	1,269

(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 pages 4 and 12.

(b) Crude oil and natural gas liquids.

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

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

(e) Additional operating information is provided on pages 19, 22 and 23

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Refining and Marketing

Second quarter 2007	Second quarter 2008	$ million	First half 2008	First half 2007
63,960	**98,206**	**Total revenues**	**175,069**	117,124
3,983	**4,430**	**Profit before interest and tax**(a)	**7,003**	5,078
		By region:		
1,002	**124**	UK	**193**	906
1,029	**1,722**	Rest of Europe	**2,666**	1,510
1,633	**1,730**	US	**2,845**	1,929
319	**854**	Rest of World	**1,299**	733
3,983	**4,430**		**7,003**	5,078
		Analysis of total revenues		
11,587	**19,684**	Sale of crude oil through spot and term contracts	**33,752**	20,549
49,591	**75,133**	Marketing, spot and term sales of refined products	**135,196**	89,875
2,587	**3,076**	Other sales and operating revenues	**5,557**	6,317
195	**313**	Earnings from equity-accounted entities (after interest and tax), interest, and other revenues	**564**	383
63,960	**98,206**		**175,069**	117,124
		Mb/d		
2,161	**1,848**	Sales of crude oil through spot term contracts	**1,854**	2,089
5,675	**5,782**	Marketing, spot and term sales of refined products	**5,771**	5,735

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

Refining and Marketing comprises Fuels Value Chains (FVC) and International Businesses. The FVCs include refineries, supply, logistics and marketing and trading activities. The International Businesses include lubricants, chemicals, LPG, aviation and marine fuels.

Total revenues for the second quarter were $98 billion compared with $64 billion for the same period in the prior year. Marketing, spot and term sales of refined products increased by $26 billion due to higher prices of around $22 billion, a positive foreign exchange impact of around $3 billion and higher volumes of around $1 billion. Sales of crude oil through spot term contracts increased by $8 billion due to higher prices of around $9 billion partly offset by lower volumes of around $1 billion.

Total revenues for the first half were $175 billion compared with $117 billion for the same period in the prior year. Marketing, spot and term sales of refined products increased by $45 billion due to higher prices of around $39 billion, a positive foreign exchange impact of around $5 billion and higher volumes of around $1 billion. Sales of crude oil through spot and term contracts increased by $13 billion due to higher prices of around $15 billion, partly offset by lower volumes of around $2 billion.

The profit before interest and tax for the second quarter and half year was $4,430 million and $7,003 million respectively. This included inventory holding gains of $3,891 million and $5,215 million respectively. The results in the equivalent periods of 2007 were $3,983 million and $5,078 million respectively and included inventory holding gains of $1,241 million and $1,532 million. The current-year results included a net non-operating charge primarily relating to restructuring of $99 million in the second quarter and a net non-operating gain of $510 million in the half year. A year ago, the results included net non-operating gains of $767 million and $538 million respectively. Fair value accounting effects had unfavourable impacts of $161 million for the current quarter and $60 million for the half year. A year ago, the impact was $337 million favourable for the quarter and $202 million unfavourable for the half year. Information on fair value accounting effects is set out on page 12.

Compared with 2007, both the second quarter and half-year results reflected the adverse impacts of significantly lower refining margins, particularly in the US. This more than offset the benefits of the underlying performance improvement of our US refining operations.

The FVCs were impacted by lower refining margins and continued to experience lower sales volumes and generally flat or reduced retail margins as a result of high fuel prices and lower demand. The average refining Global Indicator Margin (GIM) and BP s actual refining margin for the second quarter and half year both remained significantly lower than in 2007.

Refining throughputs for the quarter and half year were 2,239mb/d and 2,202mb/d respectively, compared with 2,128mb/d and 2,180mb/d for the same periods last year. The higher throughputs were mainly from the recoveries at the Texas City and Whiting refineries, partially offset by the loss of throughput from the disposal of the Coryton refinery and a reduced interest in the Toledo refinery due to the Husky joint venture deal. Excluding portfolio impacts, the underlying improvement in throughputs in the second quarter was 13% year-on-year. Solomon refining availability continued to improve, reaching 88.3% in the second quarter.

Following the restoration of Whiting to its full clean fuel capacity of 360mb/d on 21 March, the Texas City refinery has successfully restored its full crude capacity and the majority of its economic capability. The residue hydrotreater at Texas City is being commissioned with the first train having started up in mid-July. We have also taken the final investment decision on the significant upgrading of the Whiting refinery, repositioning it to run more than 80% Canadian heavy crude oil.

We are making good progress with our focus on simplification and cost efficiency. The lubricants and aviation businesses are on track to reduce their geographical footprint, and the franchise model for our retail sites in the US is also progressing well. Through these changes, together with the implementation of the FVCs and the simplification of internal interfaces and processes, we are on track to deliver the anticipated reduction in headcount.

The International Businesses, in particular lubricants, continue to perform strongly in a challenging environment.

Refining margins in the third quarter to date remain lower than the second quarter and substantially below the 2007 level. Higher energy costs continue to impact refining earnings, more so in the US, offsetting the benefits from the continuing recovery of our US refining operations and availability. Refinery turnaround activities will be higher in the third quarter than in the second. Our marketing businesses continue to be impacted by the slowing of the OECD economies and the effects of high and rising wholesale prices. The current volatile pricing environment is also proving challenging for our supply optimization activities.

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Refining and Marketing (continued)

Second quarter 2007	Second quarter 2008	$ million	First half 2008	First half 2007
		Non-operating items		
844	**(10)**	UK	**(59)**	681
(44)	**(32)**	Rest of Europe	**(117)**	(56)
170	**(16)**	US	**758**	112
(203)	**(41)**	Rest of World	**(72)**	(199)
767	**(99)**		**510**	538
		Fair value accounting effects(a)		
83	**(177)**	UK	**(181)**	(98)
48	**(59)**	Rest of Europe	**(23)**	(117)
174	**53**	US	**148**	9
32	**22**	Rest of World	**(4)**	4
337	**(161)**		**(60)**	(202)
		Refinery throughputs (mb/d)		
123		UK		136
700	**753**	Rest of Europe	**764**	670
996	**1,189**	US	**1,133**	1,074
309	**297**	Rest of World	**305**	300
2,128	**2,239**	**Total throughput**	**2,202**	2,180
82.7	**88.3**	**Refining availability** (%)(b)	**88.1**	82.2
		Oil sales volumes (mb/d)		
		Refined products		
343	**315**	UK	**318**	339
1,271	**1,236**	Rest of Europe	**1,240**	1,258
1,579	**1,498**	US	**1,477**	1,571
615	**716**	Rest of World	**704**	620
3,808	**3,765**	**Total marketing sales**	**3,739**	3,788
1,867	**2,017**	**Trading/supply sales**	**2,032**	1,947
5,675	**5,782**	**Total refined product sales**	**5,771**	5,735
2,161	**1,848**	**Crude oil**	**1,854**	2,089
7,836	**7,630**	**Total oil sales**	**7,625**	7,824

		Global Indicator Refining Margin ($/bbl)(c)		
7.12	**7.46**	NWE	**6.12**	5.65
24.46	**8.59**	USGC	**7.40**	17.34
26.05	**6.53**	Midwest	**3.82**	16.89
22.71	**9.94**	USWC	**7.92**	22.46
6.01	**9.41**	Singapore	**7.09**	5.43
16.66	**8.19**	Average	**6.38**	13.07
		Chemicals production (kte)		
246	**164**	UK	**425**	502
655	**657**	Rest of Europe	**1,365**	1,403
1,047	**1,022**	US	**2,058**	2,123
1,497	**1,598**	Rest of World	**3,129**	3,017
3,445	**3,441**	**Total production**	**6,977**	7,045

(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 pages 4 and 12.

(b) Refining Solomon availability is defined as the ratio of units which are available for processing, regardless of whether they are actually being used, to total capacity. Where there is planned maintenance, such capacity is not regarded as being available.

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

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Other businesses and corporate

Second quarter 2007	Second quarter 2008	$ million	First half 2008	First half 2007
976	**1,255**	**Total revenues**	**2,447**	1,868
(171)	**(301)**	**Profit (loss) before interest and tax**(a)	**(494)**	(268)
		By region:		
(29)	**(119)**	UK	**(238)**	(55)
(8)	**(29)**	Rest of Europe	**(29)**	13
(127)	**(172)**	US	**(304)**	(259)
(7)	**19**	Rest of World	**77**	33
(171)	**(301)**		**(494)**	(268)
		Results include:		
		Non-operating items		
(15)	**(41)**	UK	**(47)**	(15)
	(47)	Rest of Europe	**(60)**	28
7	**(33)**	US	**(82)**	13
	(2)	Rest of World	**(15)**	
(8)	**(123)**		**(204)**	26

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

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

The loss before interest and tax for the second quarter was $301 million, compared with a loss of $171 million a year ago. This included inventory holding gains of $13 million and $2 million respectively. For the half year, the loss before interest and tax was $494 million, compared with $268 million a year ago. This included inventory holding gains of $33 million and $3 million respectively.

The net non-operating charge for the second quarter and half year was $123 million and $204 million, respectively. The second-quarter loss included a $75 million restructuring charge and a net charge of $48 million for impairment and other provisions. The prior year included a net non-operating charge of $8 million in the second quarter and a net gain of $26 million in the half year.

Following the first-quarter announcement that Alternative Energy and Dominion had entered into a joint venture to develop a wind farm in Indiana, construction of the Fowler Ridge installation commenced in May. As previously announced, we formed a joint venture with NRG Energy, Inc. for the development and operation of the Sherbino Mesa wind farm in Texas.

In June, we initiated a further wind project, Flat Ridge in Kansas, a partnership with Westar Energy, Inc. and on 30 June, we acquired the Whiting Clean Energy facility, a 525MW natural-gas fired combined-cycle cogeneration power plant, from NiSource, Inc.

	Second quarter 2008	2007
Wind net rated capacity as at period end (megawatts)(a)	**172**	32
Solar cell production capacity as at period end (megawatts)(b)	**255**	201

(a) Net wind 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 equivalent capacities on a gross-JV basis (which includes 100% of the capacity of equity-accounted entities where BP has partial ownership) are 373MW as at the second quarter of 2008 and 32MW as at the second quarter last year.

(b) Solar capacity is the theoretical cell production capacity per annum of in-house manufacturing facilities.

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Non-GAAP information on fair value accounting effects

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

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

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

The way that BP manages the economic exposures described above, and measures performance internally, differs from the way these activities are measured under IFRS. BP calculates this difference by comparing the IFRS result with management s internal measure of performance, under which the inventory and the supply and capacity contracts in question are valued based on fair value using relevant forward prices prevailing at the end of the period. We believe that disclosing management s estimate of this difference provides useful information for investors because it enables investors to see the economic effect of these activities as a whole. The impacts of fair value accounting effects, relative to management s internal measure of performance, are shown in the table on page 4 and are non-GAAP. A reconciliation to GAAP information is set out below.

Reconciliation of non-GAAP information

Second quarter			First half	
2007	**2008**	**$ million**	**2008**	**2007**
		Exploration and Production		
7,239	**11,192**	Profit before interest and tax adjusted for fair value accounting effects	**21,505**	13,525
(74)	**(373)**	Impact of fair value accounting effects	**(632)**	(43)
7,165	**10,819**	Profit before interest and tax	**20,873**	13,482
		Refining and Marketing		
3,646	**4,591**	Profit before interest and tax adjusted for fair value accounting effects	**7,063**	5,280
337	**(161)**	Impact of fair value accounting effects	**(60)**	(202)
3,983	**4,430**	Profit before interest and tax	**7,003**	5,078

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Principal risks and uncertainties

The principal risks and uncertainties for the remaining six months of the year are described in the Risk Factors section on pages 8 and 9 of BP s Annual Report on Form-20-F for the year ended 31 December 2007 filed with the Securities and Exchange Commission. Information in relation to our investment in TNK-BP is included in Note 9 on page 30 of this Form 6-K.

FORWARD-LOOKING STATEMENTS

In order to utilize the Safe Harbour provisions of the United States Private Securities Litigation Reform Act of 1995, BP is providing the following cautionary statement. This report on Form 6-K contains certain forward-looking statements with respect to capital expenditure, expected phasing of underlying production, results of simplification and cost efficiency measures, refinery turnaround activities, the continuing impact of higher energy costs on refining earnings, of slowing OECD economies and high and rising wholesale prices on the marketing businesses as well as the impact of a volatile pricing environment on supply optimization activities. These statements may generally, but not always, be identified by the use of words such as will , expects , is expected to , may , objective , believes or expressions. By their nature, forward looking statements involve risk and uncertainty and actual results may differ from those expressed in such statements depending on a variety of factors including the following: the timing of bringing new fields on stream; industry product supply; demand and pricing; operational problems; general economic conditions (including inflation); political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; the success or otherwise non-success of partnering; the actions of competitors; natural disasters and severe adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism or sabotage; and other factors discussed in this report. In addition to factors set forth elsewhere in this report, those set out above are important factors, although not exhaustive, that may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. For more information you should refer to our Annual Report and Accounts 2007 and our 2007 Annual Report on Form 20-F filed with the US Securities and Exchange Commission.

Group income statement

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
$ million			$ million	
71,872	**108,747**	Sales and other operating revenues	**196,492**	133,179
910	**1,752**	Earnings from jointly controlled entities after interest and tax	**2,727**	1,243
173	**251**	Earnings from associates after interest and tax	**476**	336
128	**153**	Interest and other revenues	**431**	361
73,083	**110,903**	**Total revenues** (Note 4)	**200,126**	135,119
1,309	**79**	Gains on sale of businesses and fixed assets	**1,004**	1,989
74,392	**110,982**	**Total revenues and other income**	**201,130**	137,108
49,983	**77,317**	Purchases	**139,117**	92,643
6,276	**7,408**	Production and manufacturing expenses	**14,207**	12,028
827	**2,299**	Production and similar taxes (Note 5)	**3,908**	1,574
2,535	**2,850**	Depreciation, depletion and amortization	**5,632**	5,054
455	**23**	Impairment and losses on sale of businesses and fixed assets	**63**	678
155	**118**	Exploration expense	**411**	311
3,565	**3,977**	Distribution and administration expenses	**7,873**	7,022
(283)	**2,081**	Fair value (gain) loss on embedded derivatives	**2,771**	(438)
10,879	**14,909**	**Profit before interest and taxation**	**27,148**	18,236
317	**381**	Finance costs (Note 6)	**787**	648
(162)	**(160)**	Net finance income relating to pensions and other post-retirement benefits (Note 7)	**(320)**	(322)
10,724	**14,688**	**Profit before taxation**	**26,681**	17,910
3,283	**5,100**	Taxation	**9,510**	5,723
7,441	**9,588**	**Profit for the period**	**17,171**	12,187
		Attributable to:		
7,376	**9,465**	BP shareholders	**16,916**	12,040
65	**123**	Minority interest	**255**	147
7,441	**9,588**		**17,171**	12,187
		Earnings per share cents (Note 10)		
		Profit for the period attributable to BP shareholders		
38.37	**50.27**	Basic	**89.74**	62.43
38.18	**49.80**	Diluted	**88.92**	62.12

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Group balance sheet

	30 June 2008	31 December 2007
	$ million	
Non-current assets		
Property, plant and equipment	**101,787**	97,989
Goodwill	**11,016**	11,006
Intangible assets	**7,386**	6,652
Investments in jointly controlled entities	**24,883**	18,113
Investments in associates	**4,601**	4,579
Other investments	**1,981**	1,830
Fixed assets	**151,654**	140,169
Loans	**1,057**	999
Other receivables	**958**	968
Derivative financial instruments	**12,077**	3,741
Prepayments	**1,128**	1,083
Defined benefit pension plan surplus	**9,086**	8,914
	175,960	155,874
Current assets		
Loans	**173**	165
Inventories	**35,182**	26,554
Trade and other receivables	**48,482**	38,020
Derivative financial instruments	**16,075**	6,321
Prepayments	**4,153**	3,589
Current tax receivable	**195**	705
Cash and cash equivalents	**3,593**	3,562
	107,853	78,916
Assets classified as held for sale		1,286
	107,853	80,202
Total assets	**283,813**	236,076
Current liabilities		
Trade and other payables	**54,029**	43,152
Derivative financial instruments	**15,593**	6,405
Accruals	**7,019**	6,640
Finance debt	**16,638**	15,394
Current tax payable	**5,681**	3,282
Provisions	**2,080**	2,195

	101,040	77,068
Liabilities directly associated with the assets classified as held for sale		163
	101,040	77,231
Non-current liabilities		
Other payables	**2,821**	1,251
Derivative financial instruments	**15,116**	5,002
Accruals	**882**	959
Finance debt	**13,551**	15,651
Deferred tax liabilities	**20,935**	19,215
Provisions	**13,447**	12,900
Defined benefit pension plan and other post-retirement benefit plan deficits	**9,567**	9,215
	76,319	64,193
Total liabilities	**177,359**	141,424
Net assets	**106,454**	94,652
Equity		
BP shareholders equity	**105,356**	93,690
Minority interest	**1,098**	962
	106,454	94,652

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Group statement of recognized income and expense

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
$ million			$ million	
621	**255**	Currency translation differences	**1,033**	795
(128)		Exchange gain on translation of foreign operations transferred to gain on sale of businesses and fixed assets		(147)
6	**322**	Available-for-sale investments marked to market	**131**	(103)
		Available-for-sale investments recycled to the income statement	**(5)**	
13	**49**	Cash flow hedges marked to market	**123**	41
(21)	**1**	Cash flow hedges recycled to the income statement	**(1)**	(81)
	(18)	Cash flow hedges recycled to the balance sheet	**(41)**	(7)
105	**107**	Taxation	**(11)**	28
596	**716**	Net income (expense) recognized directly in equity	**1,229**	526
7,441	**9,588**	Profit for the period	**17,171**	12,187
8,037	**10,304**	Total recognized income and expense for the period	**18,400**	12,713
		Attributable to:		
7,967	**10,182**	BP shareholders	**18,142**	12,545
70	**122**	Minority interest	**258**	168
8,037	**10,304**		**18,400**	12,713

Movement in shareholders equity

$ million	BP shareholders equity	Minority interest	Total equity
At 31 December 2007	93,690	962	94,652
Currency translation differences (net of tax)	1,093	3	1,096
Available-for-sale investments (net of tax)	161		161
Cash flow hedges (net of tax)	76		76
Tax on share-based payments	(104)		(104)
Profit for the period	16,916	255	17,171
Total recognized income and expense for the period	18,142	258	18,400
Dividends	(5,099)	(122)	(5,221)

Repurchase of ordinary share capital	(1,796)		(1,796)
Share-based payments	419		419
At 30 June 2008	**105,356**	**1,098**	**106,454**

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Group cash flow statement

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
$ million			$ million	
		Operating activities		
10,724	**14,688**	Profit before taxation	**26,681**	17,910
		Adjustments to reconcile profits before tax to net cash provided by operating activities		
60	**44**	Exploration expenditure written off	**228**	115
2,535	**2,850**	Depreciation, depletion and amortization	**5,632**	5,054
(854)	**(56)**	Impairment and (gain) loss on sale of businesses and fixed assets	**(941)**	(1,311)
(1,083)	**(2,003)**	Earnings from jointly controlled entities and associates	**(3,203)**	(1,579)
813	**512**	Dividends received from jointly controlled entities and associates	**1,899**	1,042
(6,109)	**(9,317)**	Working capital and other movements	**(12,684)**	(7,167)
6,086	**6,718**	**Net cash provided by operating activities**	**17,612**	14,064
		Investing activities		
(4,334)	**(4,713)**	Capital expenditure	**(9,148)**	(7,979)
(111)	**(209)**	Acquisitions, net of cash acquired	**(209)**	(1,198)
(12)	**(247)**	Investment in jointly controlled entities	**(613)**	(21)
(65)	**(3)**	Investment in associates	**(7)**	(109)
836	**59**	Proceeds from disposal of fixed assets	**335**	1,146
1,905		Proceeds from disposal of businesses, net of cash disposed		2,513
33	**212**	Proceeds from loan repayments	**334**	78
374		Other		374
(1,374)	**(4,901)**	**Net cash (used in) provided by investing activities**	**(9,308)**	(5,196)
		Financing activities		
(1,918)	**(928)**	Net repurchase of shares	**(1,817)**	(4,320)
1,513	**655**	Proceeds from long-term financing	**2,832**	2,871
(93)	**(1,654)**	Repayments of long-term financing	**(2,191)**	(1,227)
(1,499)	**1,516**	Net increase (decrease) in short-term debt	**(1,908)**	(2,057)
(1,983)	**(2,545)**	Dividends paid BP shareholders	**(5,099)**	(3,984)
(71)	**(86)**	Minority interest	**(122)**	(135)
(4,051)	**(3,042)**	**Net cash (used in) provided by financing activities**	**(8,305)**	(8,852)
26	**(2)**	Currency translation differences relating to cash and cash equivalents	**32**	37
687	**(1,227)**	**Increase (decrease) in cash and cash equivalents**	**31**	53

1,956	**4,820**	Cash and cash equivalents at beginning of period	**3,562**	2,590
2,643	**3,593**	Cash and cash equivalents at end of period	**3,593**	2,643

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Group cash flow statement

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
$ million			$ million	
		Working capital and other movements		
(93)	**(118)**	Interest receivable	**(215)**	(188)
103	**110**	Interest received	**209**	188
317	**381**	Finance costs	**787**	648
(335)	**(396)**	Interest paid	**(762)**	(668)
(162)	**(160)**	Net finance income relating to pensions and other post-retirement benefits	**(320)**	(322)
107	**173**	Share-based payments	**238**	182
(31)	**46**	Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans	**163**	(118)
(257)	**(40)**	Net charge for provisions, less payments	**(205)**	(414)
(683)	**(8,485)**	(Increase) decrease in inventories	**(7,942)**	(1,331)
(621)	**(18,626)**	(Increase) decrease in other current and non-current assets	**(28,470)**	2,518
(2,429)	**21,219**	Increase (decrease) in other current and non-current liabilities	**29,214**	(4,429)
(2,025)	**(3,421)**	Income taxes paid	**(5,381)**	(3,233)
(6,109)	**(9,317)**		**(12,684)**	(7,167)

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Capital expenditure and acquisitions

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
$ million			$ million	
		By business		
		Exploration and Production		
198	**256**	UK	**481**	420
108	**165**	Rest of Europe	**333**	195
1,542	**1,801**	US	**3,016**	2,609
1,886	**1,727**	Rest of World [(a)]	**6,121**	3,533
3,734	**3,949**		**9,951**	6,757
		Refining and Marketing		
90	**77**	UK	**130**	160
266	**379**	Rest of Europe [(b)]	**595**	1,476
380	**662**	US [(a)]	**2,959**	649
118	**126**	Rest of World	**228**	198
854	**1,244**		**3,912**	2,483
		Other businesses and corporate		
34	**45**	UK	**116**	78
3	**12**	Rest of Europe	**25**	12
63	**463**	US	**730**	114
8	**89**	Rest of World	**113**	12
108	**609**		**984**	216
4,696	**5,802**		**14,847**	9,456
		By geographical area		
322	**378**	UK	**727**	658
377	**556**	Rest of Europe	**953**	1,683
1,985	**2,926**	US	**6,705**	3,372
2,012	**1,942**	Rest of World	**6,462**	3,743
4,696	**5,802**		**14,847**	9,456
		Included above:		
332	**324**	Acquisitions and asset exchanges [(a)(b)]	**2,288**	1,445

(a) First half 2008 includes capital

expenditure of $2,848 million in Exploration and Production and an asset exchange of $1,904 million in Refining and Marketing relating to the formation of an integrated North American oil sands business. Second quarter 2008 includes $111 million in Refining and Marketing reflecting closing adjustments relating to this transaction. For further information see Note 3.

(b) First half 2007 includes $1,132 million for the acquisition of Chevron s Netherlands manufacturing company.

Exchange rates

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
1.99	**1.97**	US dollar/sterling average rate for the period	**1.97**	1.97
2.00	**1.99**	US dollar/sterling period-end rate	**1.99**	2.00
1.35	**1.56**	US dollar/euro average rate for the period	**1.53**	1.33
1.35	**1.58**	US dollar/euro period-end rate	**1.58**	1.35

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Analysis of profit before interest and tax

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
$ million			$ million	
		By business		
		Exploration and Production		
1,105	**(124)**	UK	**799**	2,227
183	**350**	Rest of Europe	**626**	910
2,204	**3,639**	US	**6,729**	3,944
3,673	**6,954**	Rest of World	**12,719**	6,401
7,165	**10,819**		**20,873**	13,482
		Refining and Marketing		
1,002	**124**	UK	**193**	906
1,029	**1,722**	Rest of Europe	**2,666**	1,510
1,633	**1,730**	US	**2,845**	1,929
319	**854**	Rest of World	**1,299**	733
3,983	**4,430**		**7,003**	5,078
		Other businesses and corporate		
(29)	**(119)**	UK	**(238)**	(55)
(8)	**(29)**	Rest of Europe	**(29)**	13
(127)	**(172)**	US	**(304)**	(259)
(7)	**19**	Rest of World	**77**	33
(171)	**(301)**		**(494)**	(268)
10,977	**14,948**		**27,382**	18,292
(98)	**(39)**	Consolidation adjustment	**(234)**	(56)
10,879	**14,909**	**Total for period**	**27,148**	18,236
		By geographical area		
2,080	**(120)**	UK	**753**	3,078
1,213	**2,065**	Rest of Europe	**3,228**	2,458
3,622	**5,144**	US	**9,070**	5,554
3,964	**7,820**	Rest of World	**14,097**	7,146
10,879	**14,909**	**Total for period**	**27,148**	18,236

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Analysis of non-operating items

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
$ million			$ million	
		By business		
		Exploration and Production		
102	**111**	Impairment and gain (loss) on sale of businesses and fixed assets	**132**	707
	(5)	Environmental and other provisions	**(5)**	
		Restructuring, integration and rationalization costs	**(44)**	
276	**(2,082)**	Fair value gain (loss) on embedded derivatives	**(2,766)**	428
		Other	**331**	
378	**(1,976)**		**(2,352)**	1,135
		Refining and Marketing		
767	**(13)**	Impairment and gain (loss) on sale of businesses and fixed assets	**801**	**588**
		Environmental and other provisions		
	(86)	Restructuring, integration and rationalization costs	**(291)**	
		Fair value gain (loss) on embedded derivatives		
		Other		(50)
767	**(99)**		**510**	538
		Other businesses and corporate		
(15)	**(42)**	Impairment and gain (loss) on sale of businesses and fixed assets	**8**	16
		Environmental and other provisions		
	(75)	Restructuring, integration and rationalization costs	**(133)**	
7	**1**	Fair value gain (loss) on embedded derivatives	**(5)**	10
	(7)	Other	**(74)**	
(8)	**(123)**		**(204)**	26
1,137	**(2,198)**	**Total before taxation**	**(2,046)**	1,699
(347)	**770**	**Taxation credit (charge) [(a)]**	**714**	(539)
790	**(1,428)**	**Total after taxation for period**	**(1,332)**	1,160

(a) Tax on non-operating items is

calculated using
the quarter s
effective tax
rate on group
profit.

Realizations and marker prices

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
		Average realizations [a]		
		Liquids ($/bbl) [b]		
63.82	**128.56**	UK	**111.49**	59.47
59.42	**101.88**	US	**95.23**	55.57
64.76	**111.23**	Rest of World	**101.58**	59.36
62.58	**109.95**	BP Average	**100.66**	57.96
		Natural gas ($/mcf)		
4.84	**8.39**	UK	**8.21**	6.19
5.94	**8.76**	US	**7.74**	5.85
3.56	**5.26**	Rest of World	**5.11**	3.74
4.45	**6.63**	BP Average	**6.25**	4.66
		Average oil marker prices ($/bbl)		
68.76	**121.18**	Brent	**109.05**	63.22
64.89	**123.81**	West Texas Intermediate	**111.14**	61.53
65.77	**123.61**	Alaska North Slope US West Coast	**110.40**	60.86
62.16	**116.82**	Mars	**104.17**	57.76
65.03	**117.47**	Urals (NWE cif)	**105.50**	59.65
39.56	**63.15**	Russian domestic oil	**55.01**	33.48
		Average natural gas marker prices		
7.55	**10.94**	Henry Hub gas price ($/mmbtu) [c]	**9.49**	7.16
20.24	**60.72**	UK Gas National Balancing Point (p/therm)	**56.86**	21.31

(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.

Operating information

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
		Liquids production for subsidiaries [a][c] (mb/d) (net of royalties)		
218	**186**	UK	**188**	227
43	**40**	Rest of Europe	**42**	52
532	**534**	US	**544**	529
527	**500**	Rest of World	**525**	535
1,320	**1,260**		**1,299**	1,343
		Natural gas production for subsidiaries[c] (mmcf/d) (net of royalties)		
731	**723**	UK	**847**	818
22	**21**	Rest of Europe	**23**	32
2,165	**2,140**	US	**2,144**	2,164
4,027	**4,310**	Rest of World	**4,315**	4,210
6,945	**7,194**		**7,329**	7,224
		Total production for subsidiaries [b] [c] (mboe/d) (net of royalties)		
344	**311**	UK	**335**	368
47	**43**	Rest of Europe	**46**	57
905	**903**	US	**914**	902
1,221	**1,243**	Rest of World	**1,267**	1,260
2,517	**2,500**		**2,562**	2,588
		Equity-accounted entitites (BP share)		
1,287	**1,330**	Total production [b] (mboe/d) (net of royalties)	**1,309**	1,269

(a) Crude oil and natural gas liquids.

(b) Expressed in thousand barrels of oil equivalent per day (mboe/d). Natural gas is converted to oil equivalent at 5.8 billion cubic feet: 1 million barrels.

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

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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.

The interim financial statements and notes included in this report should be read in conjunction with the consolidated financial statements and related notes for the year ended 31 December 2007 included in BP s Annual Report on Form 20-F filed with the Securities and Exchange Commission.

BP prepares its consolidated financial statements included within its Annual Report on Form 20-F on the basis of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the European Union (EU). 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 the Annual Report on Form 20-F for the year ended 2008, which do not differ significantly from those used in the Annual Report on Form 20-F for the year ended 31 December 2007.

2. Resegmentation and other changes to comparatives

(a) **Resegmentation**

On 11 October 2007, we announced our intention to simplify the organizational structure of BP. From 1 January 2008, there are only two business segments Exploration and Production and Refining and Marketing. A separate business, Alternative Energy, handles BP s low-carbon businesses and future growth options outside oil and gas. This includes solar, wind, gas-fired power, hydrogen, biofuels and coal conversion.

As a result, and with effect from 1 January 2008:

- The Gas, Power and Renewables segment ceased to report separately.
- The natural gas liquids (NGLs), liquefied natural gas and gas and power marketing and trading businesses were transferred from the Gas, Power and Renewables segment to the Exploration and Production segment.
- The Alternative Energy business was transferred from the Gas, Power and Renewables segment to Other businesses and corporate.
- The Emerging Consumers Marketing Unit was transferred from Refining and Marketing to Alternative Energy.
- The Biofuels business was transferred from Refining and Marketing to Alternative Energy.
- The Shipping business was transferred from Refining and Marketing to Other businesses and corporate.

As a result of the transfers identified above, Other businesses and corporate has been redefined. It now consists of the Alternative Energy business, Shipping, the group s aluminium asset, Treasury (which includes interest income on the group s cash and cash equivalents) and corporate activities worldwide.

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2. Resegmentation and other changes to comparatives (continued)

	Resegmented		As reported	
	First half 2007	Second quarter 2007	First half 2007	Second quarter 2007
$ million				
Total revenues				
Exploration and Production	18,170	9,028	8,910	4,483
Refining and Marketing	115,735	63,438	116,013	63,570
Gas, Power and Renewables			9,746	4,824
Other businesses and corporate	1,214	617	450	206
Total third party revenues	135,119	73,083	135,119	73,083
Profit before interest and tax				
Exploration and Production	13,482	7,165	12,948	6,894
Refining and Marketing	5,078	3,983	5,110	3,981
Gas, Power and Renewables			441	235
Other businesses and corporate	(268)	(171)	(277)	(162)
	18,292	10,977	18,222	10,948
Consolidation adjustment	(56)	(98)	14	(69)
Profit before interest and tax	18,236	10,879	18,236	10,879

(b) **Revised income statement presentation**

We have implemented a minor change in the presentation of the group income statement whereby the unwinding of the discount on provisions and on other payables is now included within finance costs. Previously, this was included within other finance income or expense. This line item has now been renamed net finance income or expense relating to pensions and other post-retirement benefits. This change does not affect profit before interest and taxation, profit before taxation or profit for the period. The financial information for comparative periods shows the revised presentation, as set out below.

	First half 2007	Second quarter 2007
As reported		
$ million		
Profit before interest and taxation	18,236	10,879
Finance costs	515	251
Other finance income	(189)	(96)

Profit before taxation	17,910	10,724

As amended		
$ million		
Profit before interest and taxation	18,236	10,879
Finance costs	648	317
Net finance income relating to pensions and other post-retirement benefits	(322)	(162)
Profit before taxation	17,910	10,724

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2. Resegmentation and other changes to comparatives (continued)

(c) **Revised definition of net debt**
Net debt has been redefined to include 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 . Amounts for comparative periods are presented on a consistent basis.

	First half and second quarter 2007
As reported	
$ million	
Net debt	21,111
Equity	89,423
Ratio of net debt to net debt plus equity	19%
As amended	
$ million	
Net debt	20,732
Equity	89,423
Ratio of net debt to net debt plus equity	19%

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3. Significant transaction in the first half

In December 2007, BP signed a memorandum of understanding with Husky Energy Inc. to form an integrated North American oil sands business. The transaction was completed on 31 March 2008, with BP contributing its Toledo refinery to a US jointly controlled entity to which Husky contributed $250 million cash and a payable of $2,590 million. In Canada, Husky contributed its Sunrise field to a second jointly controlled entity, with BP contributing $250 million in cash and a payable of $2,290 million. The Toledo refinery assets and associated liabilities were classified as a disposal group held for sale at 31 December 2007.

Both jointly controlled entities are owned 50:50 by BP and Husky and are accounted for using the equity method. The amounts set out below reflect the initial recording of the transaction at 31 March 2008 and subsequent closing adjustments.

	$ million
Income statement	
Gains on sale of businesses and fixed assets	806
Profit before taxation	806
Taxation	345
Profit for the period	461
Balance sheet	
Non-current assets investments in jointly controlled entities	4,752
Current liabilities trade and other payables	266
Non-current liabilities	
Other payables	2,024
Deferred tax liabilities	653
	2,677
Total liabilities	2,943
Net assets	1,809
Cash flow statement	
Investment in jointly controlled entities	(250)
Capital expenditure and acquisitions	
Exploration and Production	2,848
Refining and Marketing	1,904
	4,752

Including acquisitions and asset exchanges:	1,904

During the second quarter, equity-accounted earnings from these jointly controlled entities amounted to $145 million. BP purchased refined products from the Toledo jointly controlled entity during the second quarter amounting to $1,551 million. In addition, BP purchased crude oil from third parties which it sold to the Toledo jointly controlled entity under an agency agreement. The fees earned by BP for this service, and the total amounts receivable and payable at 30 June 2008 under these arrangements, were not significant. BP will also purchase refinery feedstocks from the Sunrise jointly controlled entity once production commences, which is expected in 2012.

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4. Total revenues

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
$ million			$ million	
		By business		
17,002	**26,294**	Exploration and Production	**50,359**	33,349
63,960	**98,206**	Refining and Marketing	**175,069**	117,124
976	**1,255**	Other businesses and corporate	**2,447**	1,868
81,938	**125,755**		**227,875**	152,341
		Less: sales between businesses		
7,974	**13,485**	Exploration and Production	**25,704**	15,179
522	**960**	Refining and Marketing	**1,229**	1,389
359	**407**	Other businesses and corporate	**816**	654
8,855	**14,852**		**27,749**	17,222
		Third party revenues		
9,028	**12,809**	Exploration and Production	**24,655**	18,170
63,438	**97,246**	Refining and Marketing	**173,840**	115,735
617	**848**	Other businesses and corporate	**1,631**	1,214
73,083	**110,903**	**Total third party revenues**	**200,126**	135,119
		By geographical area		
27,630	**48,202**	UK	**85,099**	51,730
19,219	**27,806**	Rest of Europe	**51,463**	35,875
26,923	**39,157**	US	**70,888**	50,073
19,314	**33,263**	Rest of World	**60,120**	36,658
93,086	**148,428**		**267,570**	174,336
20,003	**37,525**	Less: sales between areas	**67,444**	39,217
73,083	**110,903**		**200,126**	135,119

5. Production and similar taxes

Second quarter 2007	Second quarter 2008		First half 2008	First half 2007
$ million			$ million	
	68	UK	**225**	67

827	**2,231**	Overseas	**3,683**	1,507
827	**2,299**		**3,908**	1,574

6. Finance costs

Second quarter			First half	
2007	**2008**		**2008**	**2007**
$ million			**$ million**	
345	**316**	Interest payable	**698**	692
(94)	**(44)**	Capitalized	**(89)**	(177)
66	**74**	Unwinding of discount on provisions	**143**	133
	35	Unwinding of discount on other payables	**35**	
317	**381**		**787**	648

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7. Net finance income relating to pensions and other post-retirement benefits

Second quarter	First half
2007	