BP PLC
Form 6-K
July 26, 2011
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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 June 2011

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 x 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 x

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., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-173136) 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.

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BP p.l.c. AND SUBSIDIARIES

FORM 6-K FOR THE PERIOD ENDED 30 JUNE 2011(a)

(a) In this Form 6-K, references to the first half 2011 and first half 2010 refer to the six-month periods ended 30 June 2011 and 30 June 2010 respectively. References to second quarter 2011 and second quarter 2010 refer to the three-month periods ended 30 June 2011 and 30 June 2010 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 2010.

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Group results second quarter and half year 2011

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
73,725	**101,364**	Sales and other operating revenues	**186,693**	146,796
(17,150)	**5,620**	Profit (loss) for the period(a)	**12,744**	(11,071)
177	**(311)**	Inventory holding (gains) losses, net of tax	**(1,954)**	(304)
(16,973)	**5,309**	**Replacement cost profit (loss)**(b)	**10,790**	(11,375)
(91.29)	**29.75**	Profit (loss) per ordinary share (cents)	**67.60**	(58.96)
(5.48)	**1.79**	Profit (loss) per ADS (dollars)	**4.06**	(3.54)
(90.35)	**28.10**	Replacement cost profit (loss) per ordinary share (cents)	**57.23**	(60.58)
(5.42)	**1.69**	Replacement cost profit (loss) per ADS (dollars)	**3.43**	(3.63)

BP s profit for the second quarter was $5,620 million, compared with a loss of $17,150 million a year ago. For the half year, the profit was $12,744 million, compared with a loss of $11,071 million a year ago. BP s second quarter replacement cost profit was $5,309 million, compared with a loss of $16,973 million a year ago. For the half year, replacement cost profit was $10,790 million, compared with a loss of $11,375 million a year ago. Replacement cost profit or loss for the group is a non-GAAP measure. For further information see pages 6 and 19.

The group income statement for the second quarter and half year includes pre-tax credits related to the Gulf of Mexico oil spill of $0.6 billion and $0.2 billion respectively. All amounts relating to the incident have been treated as non-operating items. For further information on the Gulf of Mexico oil spill and its consequences see pages 4 5, Note 2 on pages 23 28, Principal risks and uncertainties on pages 39 45 and Legal proceedings on pages 46 49.

Non-operating items (including amounts relating to the Gulf of Mexico oil spill) and fair value accounting effects for the second quarter, on a post-tax basis, had a net unfavourable impact of $298 million compared with a net unfavourable impact of $21,953 million in the second quarter of 2010. For the half year, the respective amounts were $191 million and $22,002 million unfavourable. Information on fair value accounting effects is non-GAAP and further details are provided on page 21.

Finance costs and net finance income or expense relating to pensions and other post-retirement benefits were $249 million for the second quarter, compared with $214 million for the same period last year. For the half year, the respective amounts were $488 million and $442 million.

The effective tax rate on the profit for the second quarter and half year was 35% and 36% respectively, compared with 30% and 27% on the loss for the equivalent periods in 2010. Excluding the impact of the Gulf of Mexico oil spill, the effective tax rate on the loss a year ago was 35% for the quarter and 34% for the half year. The effective tax rate on replacement cost profit for the second quarter and half year was 35% and 36% respectively, compared with 30% and 27% a year ago. Excluding the impact of the Gulf of Mexico oil spill, the effective tax rate on replacement cost loss a year ago was 35% for the quarter and 34% for the half year.

Including the impact of the Gulf of Mexico oil spill, net cash provided by operating activities for the quarter and half year was $7.8 billion and $10.3 billion, compared with $6.8 billion and $14.4 billion in the same periods of last year. The amounts for the quarter and half year of 2011 included net cash outflows of $1.9 billion and $4.7 billion respectively relating to the Gulf of Mexico oil spill.

Gross debt at the end of the quarter was $46.9 billion compared with $30.6 billion a year ago. The ratio of gross debt to gross debt plus equity was 30%, compared with 26% a year ago. Net debt at the end of the quarter was $27.0 billion, compared with $23.2 billion a year ago. The ratio of net debt to net debt plus equity was 20% compared with 21% a year ago. Net debt information is non-GAAP and is defined on page 7.

Total capital expenditure for the second quarter and half year was $8.2 billion and $12.2 billion respectively. Organic capital expenditure(c) in the second quarter and half year was $4.2 billion and $8.2 billion respectively. Disposal proceeds were $1.6 billion for the quarter and $2.6 billion for the half year. As at 30 June 2011, we had entered into agreements for disposals with a total value of $25 billion, against our objective of $30 billion by the end of 2011.

The quarterly dividend expected to be paid on 20 September 2011 is 7 cents per share ($0.42 per ADS). The corresponding amount in sterling will be announced on 6 September 2011. A scrip dividend alternative is available, allowing shareholders to elect to receive their dividend in the form of new ordinary shares and ADS holders in the form of new ADSs. Details of the scrip dividend programme are available at www.bp.com/scrip.

(a) Profit (loss) attributable to BP shareholders.
(b) Replacement cost profit or loss 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 19. The replacement cost profit or loss for the period is arrived at by excluding from profit or loss inventory holding gains and losses and their associated tax effect. 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 (see page 18).

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

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Gulf of Mexico oil spill

Completing the response

The majority of the shoreline clean-up phase of the incident response was completed during the first quarter. During the second quarter, limited work continued to clean impacted marshes and barrier islands, and access to some areas was restricted due to wildlife breeding seasons. Patrolling is ongoing to respond to any further residual tar balls. Monitoring against established criteria continues, with the aim of assigning cleaned shorelines to a status in which no further treatment (NFT) is required. The majority of impacted shoreline has already been transitioned to NFT. Further shoreline surveys are scheduled for the fourth quarter of 2011, after the hurricane season, to identify any remaining clean-up needs.

The pilot project to retrieve remaining boom anchors from the coastal waters of Louisiana was completed and the Federal On-Scene Coordinator (FOSC) has confirmed that further action is not warranted.

Following the completion of the majority of the subsea work during the first quarter, decontamination of the Enterprise drilling rig and seabed survey work were completed during the second quarter. No further activity is planned at the well site.

The phased transition from the Gulf Coast incident management team (GC-IMT) to BP s Gulf Coast Restoration Organization (GCRO) continues, and the response organization continues to maintain resources in line with operational requirements.

Economic restoration

A total of $6.8 billion has been paid out to fund economic and environmental restoration of the Gulf of Mexico. These payments are for claims from individuals, businesses and government entities. $0.3 billion of this is for natural resource damage assessment.

Trust update

During the first half, BP made two scheduled contributions totalling $2.5 billion to the Deepwater Horizon Oil Spill Trust fund. The Trust was established in 2010 to satisfy legitimate individual and business claims administered by the Gulf Coast Claims Facility (GCCF), state and local government claims resolved by BP, final judgments and settlements, state and local response costs, and natural resource damages (NRD) and related costs. In early July, BP received a $1.1 billion settlement payment from MOEX which was also paid into the Trust.

Payments from the Trust during the second quarter and half year respectively totalled $1.0 billion and $2.1 billion, of which in the second quarter $873 million was paid through the GCCF to individual and business claimants, $87 million for NRD assessment costs, $17 million in relation to state and local government claims, and $33 million for other resolved items. As of 30 June 2011, the cumulative amount paid from the Trust since its inception was $5.1 billion and BP s cumulative contributions to the Trust were $7.5 billion.

On 21 April 2011, BP announced a commitment of up to $1 billion for projects that will restore injured natural resources in the Gulf at the earliest opportunity. These projects will undergo public review before they are funded.

Claims update

As of 30 June 2011, a total of $6.3 billion had been paid for individual, business and government claims. This includes amounts paid directly by BP prior to the establishment of the Trust.

During the emergency advance phase in 2010, the GCCF paid 169,172(a) claimants amounts totalling $2.6 billion. In the first quarter of 2011, the GCCF issued its protocol for the resolution and finalization of claims allowing claimants submitting legitimate claims to elect to (i) receive interim payments for substantiated past losses, or (ii) receive an offer for full and final settlement payment and release, with certain exceptions, their right to sue all potentially liable entities including BP. During the second quarter, an additional 40,152 claimants filed claims at this second and final phase, taking the total number of claimants in this phase to 308,112 as of 30 June 2011. Of these, 150,672 claims have been paid and finalized for $1.7 billion, 88,873 have been denied by the GCCF, 8,776 have been determined to have no loss and 559 claims were withdrawn. The claims of the remaining 59,232 claimants have not yet been finalized and are at various stages of the GCCF s claims review process. Claimants electing to receive interim payments have been paid $208 million. As of 30 June 2011, $5.0 billion had been paid either by the GCCF or by BP to individual and business claimants.

BP received 76 new claims from government entities during the second quarter, and has processed 88% of the total 965 claims filed. Government entities have received $1.3 billion in payments for 797 claims since the incident occurred. The remaining government claims are at various stages of the claims process.

Following the first-quarter agreement with the state of Alabama to provide $16 million for tourism promotion, BP completed similar agreements during the second quarter with the states of Florida and Mississippi for $30 million and $16 million respectively. Discussions are currently under way with the state of Mississippi regarding contributions for seafood testing and marketing.

(a) Number of claimants updated from 169,005 as published in our first-quarter results announcement, reflecting a small number of payments made in the second quarter 2011 as a result of the resolution of outstanding claims from the emergency advance phase. At the end of the second quarter 2011, 273 emergency advance phase claims remained unresolved.

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Gulf of Mexico oil spill (continued)

Environmental restoration

Last year, BP announced the creation of the independent Gulf of Mexico Research Initiative (GRI), a ten-year, $500-million scientific research programme directed at studying the potential environmental and public health impacts of the Deepwater Horizon accident. The master research agreement was signed in March 2011 and three Requests for Proposals (RFPs) from research consortia or individual researchers are planned for this year, two of which were issued during the second quarter.

Financial update

In the second quarter we recognized a $0.6 billion reduction in the pre-tax charge for the incident. This reflects the settlements with MOEX USA Corporation, the parent company of one of our partners in the MC252 exploration block, and Weatherford, a contractor on the Macondo well, partially offset by an incremental charge for spill response costs including provisioning for shoreline patrolling and maintenance costs, plus a charge for the ongoing quarterly expenses of the Gulf Coast Restoration Organization. For the half year, the reduction in the pre-tax charge was $0.2 billion. In 2010, the pre-tax charge recognized was $40.9 billion, which included the $20-billion Trust commitment.

Under the above settlement agreements, MOEX USA Corporation paid BP $1.1 billion in early July, which was subsequently paid to the Trust, and Weatherford have paid BP $75 million which will also be contributed to the $20-billion Trust.

The total amounts that will be paid by BP in relation to all obligations relating to the incident are subject to significant uncertainty as described further in Note 2 on pages 23 28. Also see Note 2, on page 28 under Contingent assets, for information on partner recovery.

Legal proceedings and investigations

See Gulf of Mexico oil spill on pages 34 39 of BP s *Annual Report and Form 20-F 2010* and Legal proceedings on pages 46 49 herein for details of legal proceedings, including external investigations relating to the incident.

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

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
6,244	**6,614**	Exploration and Production	**15,034**	14,536
2,075	**1,338**	Refining and Marketing	**3,417**	2,804
(70)	**(598)**	Other businesses and corporate	**(1,076)**	(398)
(32,192)	**617**	Gulf of Mexico oil spill response(a)	**233**	(32,192)
98	**515**	Consolidation adjustment	**(27)**	306
(23,845)	**8,486**	RC profit (loss) before interest and tax(b)	**17,581**	(14,944)
(214)	**(249)**	Finance costs and net finance income or expense relating to pensions and other post-retirement benefits	**(488)**	(442)
7,188	**(2,858)**	Taxation on a replacement cost basis	**(6,172)**	4,222
(102)	**(70)**	Minority interest	**(131)**	(211)
(16,973)	**5,309**	**Replacement cost profit (loss) attributable to BP shareholders**	**10,790**	(11,375)
(284)	**493**	Inventory holding gains (losses)	**2,905**	421
107	**(182)**	Taxation (charge) credit on inventory holding gains and losses	**(951)**	(117)
(17,150)	**5,620**	**Profit (loss) for the period attributable to BP shareholders**	**12,744**	(11,071)

(a) See Note 2 on pages 23 28 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 for the group is a non-GAAP measure. For further information see page 19.

Total of non-operating items and fair value accounting effects(a)(b)

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
(61)	**(699)**	Exploration and Production	**40**	43
351	**(54)**	Refining and Marketing	**(171)**	291
71	**(263)**	Other businesses and corporate	**(444)**	(47)
(32,192)	**617**	Gulf of Mexico oil spill response	**233**	(32,192)
(31,831)	**(399)**	Total before interest and taxation	**(342)**	(31,905)
	(15)	Finance costs(c)	**(31)**	
(31,831)	**(414)**	Total before taxation	**(373)**	(31,905)

9,878	**116**	Taxation credit (charge)(d)	**182**	9,903
(21,953)	**(298)**	Total after taxation for the period	**(191)**	(22,002)

(a) An analysis of non-operating items by type is provided on page 20 and an analysis by region is shown on pages 9, 11 and 12.

(b) Information on fair value accounting effects is non-GAAP. For further details, see page 21.

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

(d) Tax is calculated by applying discrete quarterly effective tax rates (excluding the impact of the Gulf of Mexico oil spill and, for the first quarter 2011, the impact of a $683-million one-off deferred tax adjustment in respect of the recently enacted increase in the supplementary charge on UK oil and gas production) on group 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.

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Per share amounts

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		Per ordinary share (cents)(a)		
(91.29)	**29.75**	Profit (loss) for the period	**67.60**	(58.96)
(90.35)	**28.10**	RC profit (loss) for the period	**57.23**	(60.58)
		Per ADS (dollars)(a)		
(5.48)	**1.79**	Profit (loss) for the period	**4.06**	(3.54)
(5.42)	**1.69**	RC profit (loss) for the period	**3.43**	(3.63)

(a) See Note 6 on page 31 for details of the calculation of earnings per share.

Net debt ratio net debt: net debt + equity

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
30,580	**46,890**	Gross debt	**46,890**	30,580
53	**1,173**	Less: fair value asset of hedges related to finance debt	**1,173**	53
30,527	**45,717**		**45,717**	30,527
7,310	**18,749**	Cash and cash equivalents	**18,749**	7,310
23,217	**26,968**	Net debt	**26,968**	23,217
86,362	**108,408**	Equity	**108,408**	86,362
21%	**20%**	Net debt ratio	**20%**	21%

See Note 7 on page 32 for further details on finance debt.

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

Dividends

Dividends payable

BP today announced a dividend of 7 cents per ordinary share expected to be paid in September. The corresponding amount in sterling will be announced on 6 September 2011, calculated based on the average of the market exchange rates for the four dealing days commencing on 31 August 2011. Holders of American Depositary Shares (ADSs) will receive $0.42 per ADS. The dividend is due to be paid on 20 September 2011 to shareholders and ADS holders on the register on 5 August 2011. A scrip dividend alternative is available, allowing shareholders to elect to receive their dividend in the form of new ordinary shares and ADS holders in the form of new ADSs. Details of the scrip dividend programme including the second-quarter dividend and timetable are available at www.bp.com/scrip.

Dividends paid

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		Dividends paid per ordinary share		
	7.000	cents	**14.000**	14.000
	4.2809	pence	**8.6181**	8.679
	42.00	**Dividends paid per ADS** (cents)	**84.00**	84.00
		Scrip dividends		
	72.8	Number of shares issued (millions)	**139.4**	
	525	Value of shares issued ($ million)	**1,035**	

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Exploration and Production

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
15,215	**18,418**	**Sales and other operating revenues**	**36,823**	33,295
6,189	**6,619**	**Profit before interest and tax**	**15,154**	14,505
55	**(5)**	**Inventory holding (gains) losses**	**(120)**	31
6,244	**6,614**	**Replacement cost profit before interest and tax**(a)	**15,034**	14,536
		By region		
1,798	**731**	US	**2,606**	4,560
4,446	**5,883**	Non-US	**12,428**	9,976
6,244	**6,614**		**15,034**	14,536

(a) See page 19 for information on replacement cost reporting for operating segments.

Sales and other operating revenues for the second quarter and half year were $18 billion and $37 billion respectively, compared with $15 billion and $33 billion for the corresponding periods in 2010. The increases for both the quarter and half year were primarily due to higher realizations, partly offset by lower volumes. In addition, there were improved gas marketing and trading revenues.

The replacement cost profit before interest and tax for the second quarter and half year was $6,614 million and $15,034 million respectively, increases of 6% and 3% compared with the same periods in 2010. The second quarter was impacted by net non-operating charges of $664 million, mainly comprising impairment and other related charges in North America, partially offset by gains on disposals and fair value gains on embedded derivatives. The half year included a net non-operating gain of $46 million, with disposal gains more than offsetting impairment and other non-operating charges. In the second quarter and half year, fair value accounting effects had unfavourable impacts of $35 million and $6 million respectively compared with unfavourable impacts of $122 million and $59 million in the same periods of last year.

The primary additional factors impacting replacement cost profit for both periods, compared with a year ago, were higher realizations partially offset by lower production volumes including the impact of divestments. In addition, there were higher earnings from equity-accounted entities (mainly TNK-BP) and an improved contribution from gas marketing and trading, partly offset by higher costs including rig standby costs in the Gulf of Mexico, higher turnaround and related maintenance expenditure, higher exploration write-offs, and certain other one-off charges. In the third quarter, we expect costs to continue to be impacted by rig standby costs, and by turnaround and related maintenance expenditure.

Production for the quarter was 3,433mboe/d, 11% lower than the second quarter of 2010. After adjusting for the effect of acquisitions and divestments and entitlement impacts in our production-sharing agreements (PSAs), the decrease was 7%. This primarily reflects lower Gulf of Mexico production, as a result of ongoing decline owing to the suspension of drilling activity and also the impact of turnaround and maintenance activity, and continuing maintenance and turnaround activity weighted towards other higher-margin areas, including the Greater Plutonio turnaround in Angola and the North Sea. This was partly offset by Iraq production.

For the first half of the year, production was 3,505mboe/d, also 11% lower than in the same period last year. After adjusting for the effect of acquisitions and divestments and PSA entitlement impacts, first-half production was 7% lower than in 2010.

Looking ahead, production in the third quarter is expected to reflect the continuation of the divestment programme, ongoing seasonal turnaround activity across the portfolio and the ongoing decline in the Gulf of Mexico. We continue to expect production in 2011 to be in line with our

February guidance of around 3.4 million barrels of oil equivalent per day, with the exact outcome depending on the timing of acquisitions and divestments and PSA entitlement impacts.

We continue to make strategic progress. In May, we received final regulatory approval and completed the purchase of ten exploration and production blocks in Brazil from Devon Energy, announced in March last year.

BP agreed in May to sell its interests in the Wytch Farm, Wareham, Beacon and Kimmeridge fields to Perenco UK Ltd for up to $610 million in cash.

Also in May, the Republic of Azerbaijan ratified the new PSA between BP and SOCAR on joint exploration and development of the Shafag-Asiman structure in the Azerbaijan sector of the Caspian Sea, which was originally signed in October 2010. Under the 30-year PSA, BP will be the operator with a 50% interest while SOCAR will hold the remaining 50% equity.

On 6 July, BP sold half of the 3.29% interest in the ACG development in the Caspian Sea, which had been acquired from Devon Energy last year, to Azerbaijan (ACG) Limited (an affiliate wholly owned and controlled by the State Oil Company of the Republic of Azerbaijan) for $585 million subject to completion adjustments.

On 22 July, the Indian Minister of Petroleum announced approval for BP s alliance with Reliance Industries. While we await formal written approval, we understand the acquisition by BP of a 30% interest in 21 blocks, including the already producing KG-D6, have been unconditionally approved. Upon receipt of written approval, we can proceed with obtaining final regulatory approval of the Reserve Bank of India and then proceed to completion. The Sales and Purchase Agreement dated 21 February 2011 concerned 23 blocks and the Minister s decision on the final two blocks will be taken in due course.

On 25 July, BP announced it had been awarded a 100% interest, under PSAs, in Trinidad and Tobago deepwater blocks 23(a) and TTDAA 14.

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Exploration and Production

Second quarter 2010	Second quarter 2011		First half 2011	2010
		$ million		
		Non-operating items		
(156)	**(730)**	US	**(726)**	(218)
217	**66**	Non-US	**772**	320
61	**(664)**		**46**	102
		Fair value accounting effects(a)		
(35)	**(18)**	US	**7**	46
(87)	**(17)**	Non-US	**(13)**	(105)
(122)	**(35)**		**(6)**	(59)
		Exploration expense		
64	**625**	US(b)	**933**	133
68	**54**	Non-US(c)	**145**	119
132	**679**		**1,078**	252
		Production (net of royalties)(d)		
		Liquids (mb/d)(e)		
581	**465**	US	**494**	623
184	**151**	Europe	**158**	199
859	**860**	Russia	**858**	854
759	**653**	Rest of World	**689**	779
2,383	**2,129**		**2,199**	2,455
1,149	**1,165**	Of which equity-accounted entities	**1,164**	1,140
		Natural gas (mmcf/d)		
2,240	**1,833**	US	**1,869**	2,231
551	**391**	Europe	**382**	575
647	**675**	Russia	**697**	660
5,046	**4,664**	Rest of World	**4,626**	5,076
8,484	**7,563**		**7,574**	8,542
1,080	**1,101**	Of which equity-accounted entities	**1,114**	1,086
		Total hydrocarbons (mboe/d)(f)		
968	**781**	US	**816**	1,007
279	**218**	Europe	**224**	298
971	**976**	Russia	**978**	968
1,628	**1,458**	Rest of World	**1,487**	1,655

3,846	**3,433**		**3,505**	3,928
1,335	**1,355**	Of which equity-accounted entities	**1,356**	1,328
		Average realizations(g)		
72.90	**106.99**	Total liquids ($/bbl)	**99.98**	72.35
3.76	**4.54**	Natural gas ($/mcf)	**4.37**	4.01
47.08	**63.23**	Total hydrocarbons ($/boe)	**61.05**	48.16

(a) These effects represent the favourable (unfavourable) impact relative to management s measure of performance. Further information on fair value accounting effects is provided on page 21.
(b) First half 2011 includes $93 million related to decommissioning of idle infrastructure, as required by BOEMRE s Notice to Lessees No. 2010-GO5 issued in October 2010. Second quarter and first half 2011 include $395 million classified within the other category of non-operating items.
(c) First half 2011 includes $44 million classified within the other category of non-operating items.
(d) Includes BP s share of production of equity-accounted entities.
(e) Crude oil and natural gas liquids.
(f) Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.
(g) Based on sales of consolidated subsidiaries only - this excludes equity-accounted entities.

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

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Refining and Marketing

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
67,250	**93,886**	**Sales and other operating revenues**	**171,319**	131,536
1,850	**1,820**	**Profit before interest and tax**	**6,187**	3,258
225	**(482)**	**Inventory holding (gains) losses**	**(2,770)**	(454)
2,075	**1,338**	**Replacement cost profit before interest and tax**(a)	**3,417**	2,804
		By region		
757	**(17)**	US	**623**	694
1,318	**1,355**	Non-US	**2,794**	2,110
2,075	**1,338**		**3,417**	2,804

(a) See page 19 for information on replacement cost reporting for operating segments.

Sales and other operating revenues for the second quarter and half year were $94 billion and $171 billion respectively, compared with $67 billion and $132 billion for the corresponding periods in 2010. The increases for both the quarter and half year primarily reflected higher prices, partly offset by lower volumes. Both periods also benefited from favourable foreign exchange effects.

The replacement cost profit before interest and tax for the second quarter and half year was $1,338 million and $3,417 million respectively, compared with $2,075 million and $2,804 million for the same periods last year.

The 2011 results included net non-operating charges of $218 million for the second quarter and $235 million for the half year, mainly comprising impairment charges, primarily associated with our US divestment programme, partly offset by gains on disposal. A year ago, there were net non-operating gains of $232 million and $162 million respectively. Fair value accounting effects had favourable impacts of $164 million for the second quarter and $64 million for the half year. The corresponding periods in 2010 reflected favourable impacts of $119 million and $129 million respectively.

Compared with a year ago, the second-quarter result reflected an improved refining environment, which was more than offset by the swing to a small loss in supply and trading, reduced economic utilization at the Texas City refinery following the recent weather-related power outage, higher turnaround activities, and certain one-off charges. In addition to the factors mentioned above, the first half benefited from a particularly strong first-quarter supply and trading contribution, which more than offset the weak contribution in the second quarter, strong refining feedstock optimization in the US due to BP s location advantage in accessing WTI-priced crude grades and higher petrochemicals aromatics margins.

In the second quarter, refining throughputs in the fuels value chains reduced by over 170mb/d compared with the same period last year primarily due to operational issues following the recent power outage at the Texas City refinery. Solomon refining availability (as defined in footnote (b) on page 11) was 94.8% for the quarter.

In the international businesses, petrochemicals production volumes were down in the second quarter by approximately 8% compared with the same period last year, driven primarily by shutdowns following the power outage at the Texas City petrochemicals site, a tornado strike at the Decatur plant and turnaround activity at the Cooper River plant.

Looking ahead, we expect a typical seasonal decline in refining margins in the third quarter. Throughput at the Texas City refinery has been largely restored and we expect the last of the impacted units to return to full capacity during August. We expect petrochemicals production volumes to improve compared with the second quarter following the recent full recovery of operations at our Decatur, Texas City and Cooper River petrochemicals sites. The planned turnaround activity in the second half of 2011 is expected to be lower than in the first half.

Early last year we announced our exit from five countries in southern Africa. The sale of BP Zambia and BP Malawi to Puma Energy was completed in the second quarter of 2011, with completion of BP Tanzania, the last piece of this disposal, to follow.

Following a strategic review, we announced earlier this year our intent to divest the Texas City refinery and the southern part of our US West Coast fuels value chain, including the Carson refinery.

In the second quarter, we also executed agreements confirming the sale of 33 refined products terminals and 992 miles of pipelines as part of the ongoing divestment programme of a number of non-strategic pipelines and terminals in the US.

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Refining and Marketing

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
		Non-operating items		
151	**(239)**	US	**(255)**	148
81	**21**	Non-US	**20**	14
232	**(218)**		**(235)**	162
		Fair value accounting effects(a)		
37	**71**	US	**23**	53
82	**93**	Non-US	**41**	76
119	**164**		**64**	129
		Refinery throughputs (mb/d)		
1,350	**1,190**	US	**1,192**	1,358
770	**749**	Europe	**758**	775
309	**314**	Rest of World	**311**	295
2,429	**2,253**	**Total throughput**	**2,261**	2,428
94.6	**94.8**	**Refining availability** (%)(b)	**94.3**	94.9
		Sales volumes (mb/d)(c)		
		Marketing sales by region		
1,466	**1,407**	US	**1,391**	1,442
1,312	**1,298**	Europe	**1,283**	1,369
622	**613**	Rest of World	**611**	626
3,400	**3,318**	**Total marketing sales**	**3,285**	3,437
2,544	**2,729**	**Trading/supply sales**	**2,494**	2,583
5,944	**6,047**	**Total refined product sales**	**5,779**	6,020
		Refining Marker Margin (RMM) ($/bbl)(d)		
15.02	**15.75**	US West Coast	**15.96**	12.44
11.24	**16.81**	US Gulf Coast	**13.83**	10.78
7.24	**13.00**	US Midwest	**8.31**	6.13
11.21	**11.69**	North West Europe	**11.38**	10.51
9.59	**8.49**	Mediterranean	**8.79**	8.93
10.48	**15.00**	Singapore	**14.85**	10.54
11.04	**13.92**	BP Average RMM	**12.48**	10.06
		Chemicals production (kte)		
1,088	**766**	US	**1,901**	2,028
1,067	**1,050**	Europe(e)	**2,035**	2,130

1,846	**1,846**	Rest of World	**3,764**	3,734
4,001	**3,662**	Total production(e)	**7,700**	7,892

(a) These effects represent the favourable (unfavourable) impact relative to management s measure of performance. Further information on fair value accounting effects is provided on page 21.
(b) Refining availability represents Solomon Associates operational availability, which is defined as the percentage of the year that a unit is available for processing after subtracting the annualized time lost due to turnaround activity and all planned mechanical, process and regulatory maintenance downtime.
(c) Does not include volumes relating to crude oil.
(d) The Refining Marker Margin (RMM) is the average of regional indicator margins weighted for BP s crude refining capacity in each region. Each regional marker margin is based upon product yields and a marker crude oil deemed appropriate for the region. The regional marker margins may not be representative of the margins achieved by BP in any period because of BP s particular refinery configurations and crude and product slate.
(e) A minor amendment has been made in the second quarter and first half 2010.

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Other businesses and corporate

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
794	**985**	**Sales and other operating revenues**	**1,841**	1,584
(74)	**(592)**	**Profit (loss) before interest and tax**	**(1,061)**	(400)
4	**(6)**	**Inventory holding (gains) losses**	**(15)**	2
(70)	**(598)**	**Replacement cost profit (loss) before interest and tax**(a)	**(1,076)**	(398)
		By region		
(119)	**(168)**	US	**(356)**	(350)
49	**(430)**	Non-US	**(720)**	(48)
(70)	**(598)**		**(1,076)**	(398)
		Results include Non-operating items		
(7)	**(12)**	US	**(11)**	(113)
78	**(251)**	Non-US	**(433)**	66
71	**(263)**		**(444)**	(47)

(a) See page 19 for information on replacement cost reporting for operating segments.

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

The replacement cost loss before interest and tax for the second quarter and half year was $598 million and $1,076 million respectively, compared with losses of $70 million and $398 million a year ago. The net non-operating charge for the second quarter was $263 million, compared with a net gain of $71 million a year ago. For the half year the net non-operating charge was $444 million, compared with a net charge of $47 million a year ago.

In addition, compared with the same periods a year ago, the results for the second quarter and first half primarily reflected higher corporate expenditure as a result of the Gulf of Mexico oil spill and lower income following business restructuring.

In Alternative Energy, BP completed the installation of the 250MW Cedar Creek 2 wind farm in Weld County, Colorado, a 50:50 joint venture with Sempra Generation. Construction commenced at the 150MW Sherbino 2 wind farm in Pecos County, Texas, and at the Trinity Hills wind farm in Archer and Young Counties, Texas. Both wind farms are 100% owned by BP. BP s net wind generation capacity(b) at the end of the second quarter was 774MW (1,362MW gross), compared with 711MW (1,237MW gross) at the end of the same period a year ago.

In our biofuels business, on 27 April BP completed the purchase of 83% of the shares of Companhia Nacional de Açúcar e Álcool (CNAA), a Brazilian ethanol and sugar producer, for $680 million.

In our solar business, a $261 million non-operating charge has been recognized with respect to raw materials purchase contracts and we intend to exit the module-only sales business.

(b) 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 gross data is the equivalent capacity on a gross-JV basis, which includes 100% of the capacity of equity-accounted entities where BP has partial ownership. Capacity figures include 32MW in the Netherlands managed by our Refining and Marketing segment.

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Cautionary statement

Cautionary statement regarding forward-looking statements: The discussion in this results announcement contains forward-looking statements particularly those regarding the quarterly dividend payment; the timing of surveys of shoreline impacted by the Gulf of Mexico oil spill; the segregation of an additional $500 million of the Trust balance to cover costs associated with projects that will restore injured natural resources in the Gulf; the issuance of further Requests for Proposals pursuant to the Gulf of Mexico Research Initiative and the master research agreement thereunder; expectations regarding the impacts on costs of rig standby costs and of turnaround and related maintenance expenditures; the expected impact on third-quarter production of the divestment programme, ongoing seasonal turnaround activity across BP s portfolio, and the ongoing decline of production in the Gulf of Mexico; expected full-year 2011 production, and the impact of acquisitions and divestments and PSA entitlement on full-year 2011 production; the magnitude and timing of remaining remediation costs related to the Gulf of Mexico oil spill; the factors that could affect the magnitude of BP s ultimate exposure and the cost to BP in relation to the spill and any potential mitigation resulting from BP s partners or others involved in the spill; the potential liabilities resulting from pending and future legal proceedings and potential investigations and civil or criminal actions that US state and/or local governments could seek to take against BP as a result of the spill; the timing of claims and litigation outcomes and of payment of legal costs; the anticipated timing for completion of the disposition of certain BP assets; contributions to and payments from the trust fund and the setting aside of assets while the fund is building; expectations for third-quarter refining margins; expectations for operations at the Texas City refinery; expected improvements in petrochemicals production volumes following the recent full recovery of operations at BP s Decatur, Texas City and Cooper River petrochemicals sites; lower anticipated planned turnaround activity in the second half of 2011; the sale of BP Tanzania; the intentions of BP s solar business to exit its module-only sales business; the anticipated timing of the completion of the disposition of ARCO Aluminum Inc.; exploration activity in four deepwater offshore blocks off of Australia; the timing for publication of investigation reports; the impact of BP s potential liabilities relating to the Gulf of Mexico oil spill on the group, including its business, results and financial condition; the anticipated commencement of the trial regarding allegations pertaining to the Atlantis platform; and BP s intentions to strongly defend itself against any claim for breach of the TNK-BP shareholders agreement that may be brought by Alfa, Access and Renova. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors including the timing of bringing new fields onstream; future levels of industry product supply; demand and pricing; OPEC quota restrictions; PSA effects; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; regulatory or legal actions including the types of enforcement action pursued and the nature of remedies sought; the impact on our reputation following the Gulf of Mexico oil spill; exchange rate fluctuations; development and use of new technology; the success or otherwise of partnering; the actions of competitors, trading partners, creditors, rating agencies and others; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism or sabotage; and other factors discussed under Risk factors in our Annual Report and Form 20-F 2010 as filed with the US Securities and Exchange Commission (SEC).

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Group income statement

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
73,725	**101,364**	Sales and other operating revenues (Note 4)	**186,693**	146,796
257	**303**	Earnings from jointly controlled entities after interest and tax	**565**	660
760	**1,255**	Earnings from associates after interest and tax	**2,664**	1,523
158	**151**	Interest and other income	**275**	300
971	**775**	Gains on sale of businesses and fixed assets	**1,963**	1,009
75,871	**103,848**	**Total revenues and other income**	**192,160**	150,288
54,536	**78,281**	Purchases	**140,002**	106,177
37,979	**6,200**	Production and manufacturing expenses(a)	**12,708**	43,719
1,238	**2,356**	Production and similar taxes (Note 5)	**4,187**	2,514
2,780	**2,671**	Depreciation, depletion and amortization	**5,506**	5,776
(56)	**1,383**	Impairment and losses on sale of businesses and fixed assets	**1,442**	108
132	**679**	Exploration expense	**1,078**	252
2,939	**3,448**	Distribution and administration expenses	**6,355**	5,959
452	**(149)**	Fair value (gain) loss on embedded derivatives	**396**	306
(24,129)	**8,979**	**Profit (loss) before interest and taxation**	**20,486**	(14,523)
225	**314**	Finance costs(a)	**622**	463
(11)	**(65)**	Net finance income relating to pensions and other post-retirement benefits	**(134)**	(21)
(24,343)	**8,730**	**Profit (loss) before taxation**	**19,998**	(14,965)
(7,295)	**3,040**	Taxation(a)	**7,123**	(4,105)
(17,048)	**5,690**	**Profit (loss) for the period**	**12,875**	(10,860)
		Attributable to		
(17,150)	**5,620**	BP shareholders	**12,744**	(11,071)
102	**70**	Minority interest	**131**	211
(17,048)	**5,690**		**12,875**	(10,860)
		Earnings per share cents (Note 6)		
		Profit for the period attributable to BP shareholders		
(91.29)	**29.75**	Basic	**67.60**	(58.96)
(91.29)	**29.39**	Diluted	**66.82**	(58.96)

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

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Group statement of comprehensive income

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
(17,048)	**5,690**	Profit (loss) for the period	**12,875**	(10,860)
(1,000)	**401**	Currency translation differences	**1,058**	(1,526)
39	**2**	Exchange (gains) losses on translation of foreign operations transferred to gain or loss on sales of businesses and fixed assets	**13**	39
(230)	**(95)**	Available-for-sale investments marked to market	**171**	(323)
(143)	**(3)**	Available-for-sale investments recycled to the income statement	**(5)**	(143)
(245)	**75**	Cash flow hedges marked to market	**193**	(407)
21	**(112)**	Cash flow hedges recycled to the income statement	**(128)**	(73)
18	**(5)**	Cash flow hedges recycled to the balance sheet	**(3)**	31
(48)	**57**	Taxation	**52**	(167)
(1,588)	**320**	Other comprehensive income (expense)	**1,351**	(2,569)
(18,636)	**6,010**	Total comprehensive income (expense)	**14,226**	(13,429)
		Attributable to		
(18,737)	**5,946**	BP shareholders	**14,085**	(13,632)
101	**64**	Minority interest	**141**	203
(18,636)	**6,010**		**14,226**	(13,429)

Group statement of changes in equity

	BP shareholders equity	Minority interest	Total equity
$ million			
At 1 January 2011	**94,987**	**904**	**95,891**
Total comprehensive income	**14,085**	**141**	**14,226**
Dividends	**(1,603)**	**(132)**	**(1,735)**
Share-based payments (net of tax)	**25**		**25**
Transactions involving minority interests		**1**	**1**
At 30 June 2011	**107,494**	**914**	**108,408**

$ million	BP shareholders equity	Minority interest	Total equity
At 1 January 2010	101,613	500	102,113
Total comprehensive income (expense)	(13,632)	203	(13,429)
Dividends	(2,626)	(131)	(2,757)
Share-based payments (net of tax)	135		135
Transactions involving minority interests		300	300
At 30 June 2010	85,490	872	86,362

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Group balance sheet

$ million	30 June 2011	31 December 2010
Non-current assets		
Property, plant and equipment	**112,205**	110,163
Goodwill	**9,470**	8,598
Intangible assets	**16,768**	14,298
Investments in jointly controlled entities	**12,483**	12,286
Investments in associates	**14,093**	13,335
Other investments	**1,366**	1,191
Fixed assets	**166,385**	159,871
Loans	**868**	894
Other receivables	**5,804**	6,298
Derivative financial instruments	**4,267**	4,210
Prepayments	**1,521**	1,432
Deferred tax assets	**546**	528
Defined benefit pension plan surpluses	**2,573**	2,176
	181,964	175,409
Current assets		
Loans	**256**	247
Inventories	**27,477**	26,218
Trade and other receivables	**42,922**	36,549
Derivative financial instruments	**3,796**	4,356
Prepayments	**3,983**	1,574
Current tax receivable	**268**	693
Other investments	**1,413**	1,532
Cash and cash equivalents	**18,749**	18,556
	98,864	89,725
Assets classified as held for sale (Note 3)	**10,167**	7,128
	109,031	96,853
Total assets	**290,995**	272,262
Current liabilities		
Trade and other payables	**51,010**	46,329
Derivative financial instruments	**3,273**	3,856
Accruals	**6,126**	5,612
Finance debt	**12,445**	14,626
Current tax payable	**3,883**	2,920
Provisions	**9,060**	9,489
	85,797	82,832

Liabilities directly associated with assets classified as held for sale (Note 3)	**1,127**	1,047
	86,924	83,879
Non-current liabilities		
Other payables	**10,259**	14,285
Derivative financial instruments	**3,705**	3,677
Accruals	**391**	637
Finance debt	**34,445**	30,710
Deferred tax liabilities	**13,751**	10,908
Provisions	**23,287**	22,418
Defined benefit pension plan and other post-retirement benefit plan deficits	**9,825**	9,857
	95,663	92,492
Total liabilities	**182,587**	176,371
Net assets	**108,408**	95,891
Equity		
BP shareholders equity	**107,494**	94,987
Minority interest	**914**	904
	108,408	95,891

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Condensed group cash flow statement

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
		Operating activities		
(24,343)	**8,730**	Profit (loss) before taxation	**19,998**	(14,965)
		Adjustments to reconcile profit before taxation to net cash provided by operating activities		
2,833	**3,275**	Depreciation, depletion and amortization and exploration expenditure written off	**6,402**	5,850
(1,027)	**608**	Impairment and (gain) loss on sale of businesses and fixed assets	**(521)**	(901)
(92)	**666**	Earnings from equity-accounted entities, less dividends received	**(780)**	(761)
(61)	**(121)**	Net charge for interest and other finance expense, less net interest paid	**(70)**	(15)
150	**113**	Share-based payments	**(11)**	4
(171)	**(159)**	Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans	**(598)**	(661)
17,739	**(64)**	Net charge for provisions, less payments	**209**	17,691
13,464	**(3,283)**	Movements in inventories and other current and non-current assets and liabilities(a)	**(11,106)**	11,524
(1,739)	**(1,917)**	Income taxes paid	**(3,271)**	(3,320)
6,753	**7,848**	**Net cash provided by operating activities**	**10,252**	14,446
		Investing activities		
(4,273)	**(4,289)**	Capital expenditure(b)	**(10,063)**	(8,562)
(1,268)	**(3,884)**	Acquisitions, net of cash acquired	**(3,886)**	(1,268)
(100)	**(66)**	Investment in jointly controlled entities	**(155)**	(182)
(19)	**(19)**	Investment in associates	**(30)**	(25)
636	**1,273**	Proceeds from disposal of fixed assets(c)	**1,657**	744
87	**376**	Proceeds from disposal of businesses, net of cash disposed(c)	**962**	87
203	**116**	Proceeds from loan repayments	**151**	259
(4,734)	**(6,493)**	**Net cash used in investing activities**	**(11,364)**	(8,947)
		Financing activities		
31	**18**	Net issue of shares	**30**	159
756	**2,696**	Proceeds from long-term financing	**7,613**	1,098
(192)	**(3,102)**	Repayments of long-term financing	**(5,724)**	(2,687)
(1,855)	**(157)**	Net increase (decrease) in short-term debt	**792**	(2,102)
	(795)	Dividends paid BP shareholders	**(1,603)**	(2,626)
(128)	**(96)**	Minority interest	**(102)**	(131)
(1,388)	**(1,436)**	**Net cash provided by (used in) financing activities**	**1,006**	(6,289)
(162)	**104**	Currency translation differences relating to cash and cash equivalents	**299**	(239)
469	**23**	**Increase (decrease) in cash and cash equivalents**	**193**	(1,029)
6,841	**18,726**	Cash and cash equivalents at beginning of period	**18,556**	8,339
7,310	**18,749**	Cash and cash equivalents at end of period	**18,749**	7,310

(a) Includes:

284	**(493)**	Inventory holding (gains) losses	**(2,905)**	(421)

452	**(149)**	Fair value (gain) loss on embedded derivatives	**396**	306
12,430	**(2,912)**	Movements related to Gulf of Mexico oil spill response	**(5,776)**	12,430

Inventory holding gains and losses and fair value gains and losses on embedded derivatives are also included within profit before taxation. See Note 2 for further information on the cash flow impacts of the Gulf of Mexico oil spill.

(b) First half 2011 included $2,000 million paid as a deposit relating to the transaction with Reliance Industries Limited. See page 8 for further information.

(c) Included in disposal proceeds are deposits received in respect of disposal transactions expected to complete in subsequent periods as follows: second quarter 2011 $568 million; first half 2011 $625.5 million; second quarter 2010 nil. For further information see Note 7.

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Capital expenditure and acquisitions

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
		By business		
		Exploration and Production		
3,024	**1,001**	US(a)	**2,024**	4,157
2,172	**5,439**	Non-US(b)	**7,550**	4,987
5,196	**6,440**		**9,574**	9,144
		Refining and Marketing		
704	**626**	US	**1,148**	1,232
221	**313**	Non-US	**528**	365
925	**939**		**1,676**	1,597
		Other businesses and corporate		
30	**126**	US	**256**	58
61	**689**	Non-US(c)	**709**	100
91	**815**		**965**	158
6,212	**8,194**		**12,215**	10,899
		By geographical area		
3,758	**1,753**	US(a)	**3,428**	5,447
2,454	**6,441**	Non-US(b)(c)	**8,787**	5,452
6,212	**8,194**		**12,215**	10,899
		Included above:		
1,767	**4,005**	Acquisitions and asset exchanges(a)(b)(c)	**4,014**	1,767

(a) Second quarter and first half 2010 included capital expenditure of $1,767 million in the US Deepwater Gulf of Mexico as part of the transaction with Devon Energy announced in first quarter 2010.

(b) Second quarter and first half 2011 include capital expenditure of $3,236 million in Brazil as part of the transaction with Devon Energy announced in first quarter 2010.

(c) Second quarter and first half 2011 include capital expenditure of $680 million in Brazil relating to the acquisition of CNAA. See page 12 for further information.

Exchange rates

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
1.49	**1.63**	US dollar/sterling average rate for the period	**1.62**	1.52
1.51	**1.60**	US dollar/sterling period-end rate	**1.60**	1.51
1.27	**1.44**	US dollar/euro average rate for the period	**1.40**	1.32
1.22	**1.44**	US dollar/euro period-end rate	**1.44**	1.22

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Analysis of replacement cost profit (loss) before interest and tax and

reconciliation to profit (loss) before taxation(a)

Second quarter 2010	Second quarter 2011	$ million	First half 2011	First half 2010
		By business		
		Exploration and Production		
1,798	**731**	US	**2,606**	4,560
4,446	**5,883**	Non-US	**12,428**	9,976
6,244	**6,614**		**15,034**	14,536
		Refining and Marketing		
757	**(17)**	US	**623**	694
1,318	**1,355**	Non-US	**2,794**	2,110
2,075	**1,338**		**3,417**	2,804
		Other businesses and corporate		
(119)	**(168)**	US	**(356)**	(350)
49	**(430)**	Non-US	**(720)**	(48)
(70)	**(598)**		**(1,076)**	(398)
8,249	**7,354**		**17,375**	16,942
(32,192)	**617**	Gulf of Mexico oil spill response	**233**	(32,192)
98	**515**	Consolidation adjustment	**(27)**	306
(23,845)	**8,486**	**Replacement cost profit (loss) before interest and tax**(b)	**17,581**	(14,944)
		Inventory holding gains (losses)(c)		
(55)	**5**	Exploration and Production	**120**	(31)
(225)	**482**	Refining and Marketing	**2,770**	454
(4)	**6**	Other businesses and corporate	**15**	(2)
(24,129)	**8,979**	Profit (loss) before interest and tax	**20,486**	(14,523)
225	**314**	Finance costs	**622**	463
(11)	**(65)**	Net finance income relating to pensions and other post-retirement benefits	**(134)**	(21)
(24,343)	**8,730**	**Profit (loss) before taxation**	**19,998**	(14,965)
		Replacement cost profit (loss) before interest and tax		
		By geographical area		
(29,171)	**1,361**	US	**3,174**	(26,581)
5,326	**7,125**	Non-US	**14,407**	11,637
(23,845)	**8,486**		**17,581**	(14,944)

(a) IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the chief operating decision maker for the purposes of performance assessment and resource allocation. For BP, this measure of profit or loss is replacement cost profit or loss before interest and tax. In addition, a reconciliation is required between the total of the operating segments measures of profit or loss and the group profit or loss before taxation.

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

(c) Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost to BP of supplies acquired during the period and the cost of sales calculated on the first-in first-out (FIFO) method after adjusting for any changes in provisions where the net realizable value of the inventory is lower than its cost. Under the FIFO method, which we use for IFRS reporting, the cost of inventory charged to the income statement is based on its historic cost of purchase, or manufacture, rather than its 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) for inventory on a FIFO basis (after adjusting for any related movements in net realizable value provisions) and the charge that would have arisen if an average cost of supplies was used for the period. For this purpose, the average cost of supplies during the period is principally calculated on a monthly basis by dividing the total cost of inventory acquired in the period by the number of barrels acquired. The amounts disclosed are not separately reflected in the financial statements as a gain or loss. No adjustment is made in respect of the cost of inventories held as part of a trading position and certain other temporary inventory positions.

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

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Non-operating items(a)

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
		Exploration and Production		
660	**(403)**	Impairment and gain (loss) on sale of businesses and fixed assets(b)	**686**	647
		Environmental and other provisions		
(13)		Restructuring, integration and rationalization costs		(117)
(452)	**142**	Fair value gain (loss) on embedded derivatives	**(186)**	(306)
(134)	**(403)**	Other	**(454)**	(122)
61	**(664)**		**46**	102
		Refining and Marketing		
270	**(209)**	Impairment and gain (loss) on sale of businesses and fixed assets	**(204)**	225
	(1)	Environmental and other provisions	**(1)**	
(30)	**(4)**	Restructuring, integration and rationalization costs	**(5)**	(18)
		Fair value gain (loss) on embedded derivatives		
(8)	**(4)**	Other	**(25)**	(45)
232	**(218)**		**(235)**	162
		Other businesses and corporate		
97	**4**	Impairment and gain (loss) on sale of businesses and fixed assets	**39**	29
(4)	**(12)**	Environmental and other provisions	**(12)**	(4)
(22)	**2**	Restructuring, integration and rationalization costs	**3**	(60)
	7	Fair value gain (loss) on embedded derivatives(c)	**(210)**	
	(264)	Other	**(264)**	(12)
71	**(263)**		**(444)**	(47)
(32,192)	**617**	Gulf of Mexico oil spill response	**233**	(32,192)
(31,828)	**(528)**	**Total before interest and taxation**	**(400)**	(31,975)
	(15)	Finance costs(d)	**(31)**	
(31,828)	**(543)**	Total before taxation	**(431)**	(31,975)
9,877	**160**	Taxation credit (charge)(e)	**204**	9,927
(21,951)	**(383)**	**Total after taxation for period**	**(227)**	(22,048)

(a) An analysis of non-operating items by region is shown on pages 9, 11 and 12.
(b) Second quarter 2011 included impairment charges of $1,049 million, partially offset by net gains on disposals of $646 million.
(c) Relates to an embedded derivative arising from a financing arrangement.
(d) Finance costs relate to the Gulf of Mexico oil spill. See Note 2 on pages 23 28 for further details.
(e) Tax is calculated by applying discrete quarterly effective tax rates (excluding the impact of the Gulf of Mexico oil spill and, for the first quarter 2011, the impact of a $683-million one-off deferred tax adjustment in respect of the recently enacted increase in the supplementary

charge on UK oil and gas production) on group 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.

Non-operating items are charges and credits arising in consolidated entities that BP discloses separately because it considers such disclosures to be meaningful and relevant to investors. These disclosures are provided in order to enable investors better to understand and evaluate the group s financial performance.

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Non-GAAP information on fair value accounting effects

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
		Favourable (unfavourable) impact relative to management s measure of performance		
(122)	**(35)**	Exploration and Production	**(6)**	(59)
119	**164**	Refining and Marketing	**64**	129
(3)	**129**		**58**	70
1	**(44)**	Taxation credit (charge)(a)	**(22)**	(24)
(2)	**85**		**36**	46

(a) Tax is calculated by applying discrete quarterly effective tax rates (excluding the impact of the Gulf of Mexico oil spill and, for the first quarter 2011, the impact of a $683-million one-off deferred tax adjustment in respect of the recently enacted increase in the supplementary charge on UK oil and gas production) on group profit or loss.

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

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

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

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

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

Reconciliation of non-GAAP information

Second quarter 2010	Second quarter 2011	$ million	First half 2011	First half 2010
		Exploration and Production		
6,366	**6,649**	Replacement cost profit before interest and tax adjusted for fair value accounting effects	**15,040**	14,595
(122)	**(35)**	Impact of fair value accounting effects	**(6)**	(59)
6,244	**6,614**	Replacement cost profit before interest and tax	**15,034**	14,536
		Refining and Marketing		
1,956	**1,174**	Replacement cost profit before interest and tax adjusted for fair value accounting effects	**3,353**	2,675
119	**164**	Impact of fair value accounting effects	**64**	129
2,075	**1,338**	Replacement cost profit before interest and tax	**3,417**	2,804
		Total group		
(24,126)	**8,850**	Profit (loss) before interest and tax adjusted for fair value accounting effects	**20,428**	(14,593)
(3)	**129**	Impact of fair value accounting effects	**58**	70
(24,129)	**8,979**	Profit (loss) before interest and tax	**20,486**	(14,523)

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Realizations and marker prices

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		Average realizations(a)		
		Liquids ($/bbl)(b)		
70.77	**101.40**	US	**93.51**	70.23
75.46	**114.43**	Europe	**108.14**	75.59
74.44	**111.12**	Rest of World	**104.81**	73.67
72.90	**106.99**	BP Average	**99.98**	72.35
		Natural gas ($/mcf)		
3.52	**3.61**	US	**3.40**	4.19
5.14	**7.82**	Europe	**7.41**	5.02
3.71	**4.63**	Rest of World	**4.52**	3.80
3.76	**4.54**	BP Average	**4.37**	4.01
		Total hydrocarbons ($/boe)		
50.87	**68.43**	US	**64.20**	52.80
59.89	**92.91**	Europe	**88.84**	60.16
41.47	**53.45**	Rest of World	**53.11**	41.84
47.08	**63.23**	BP Average	**61.05**	48.16
		Average oil marker prices ($/bbl)		
78.24	**117.04**	Brent	**111.09**	77.31
77.81	**102.22**	West Texas Intermediate	**98.39**	78.32
78.31	**115.26**	Alaska North Slope	**109.29**	78.72
77.42	**111.68**	Mars	**106.85**	76.64
76.92	**113.73**	Urals (NWE cif)	**108.00**	76.12
35.61	**50.26**	Russian domestic oil	**49.75**	35.57
		Average natural gas marker prices		
4.09	**4.32**	Henry Hub gas price ($/mmBtu)(c)	**4.21**	4.69
38.26	**57.47**	UK Gas National Balancing Point (p/therm)	**57.20**	36.96

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

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Notes

1. Basis of preparation

The interim financial information included in this report has been prepared in accordance with IAS 34 Interim Financial Reporting .

The results for the interim periods are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. All such adjustments are of a normal recurring nature. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the interim financial statements. This report should be read in conjunction with the consolidated financial statements and related notes for the year ended 31 December 2010 included in the *BP Annual Report and Form 20-F 2010*.

BP prepares its consolidated financial statements included within its Annual Report and Accounts on the basis of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS as adopted by the European Union (EU) and in accordance with the provisions of the UK Companies Act 2006. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB, however, the differences have no impact on the group s consolidated financial statements for the periods presented. The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing *BP Annual Report and Form 20-F 2011*, which do not differ significantly from those used in the *BP Annual Report and Form 20-F 2010*.

New or amended International Financial Reporting Standards adopted

There are no new or amended standards or interpretations adopted with effect from 1 January 2011 that have a significant impact on the financial statements.

2. Gulf of Mexico oil spill

(a) **Overview**

As a consequence of the Gulf of Mexico oil spill, BP continues to incur costs and has also recognized liabilities for future costs. The information presented in this note should be read in conjunction with *BP Annual Report and Form 20-F 2010* Financial Statements Note 2, Note 37 and Note 44, and Legal proceedings on pages 46 49 herein.

The group income statement includes a pre-tax credit of $602 million for the second quarter in relation to the Gulf of Mexico oil spill, and a pre-tax credit of $202 million for the first half of 2011. The amount for the second quarter includes credits of $1.1 billion relating to the settlement reached with MOEX Offshore 2007 LLC (MOEX), one of BP s co-owners in the Macondo well, and $75 million relating to the settlement with Weatherford U.S., L.P., the contractor that manufactured the float collar used in the well. These amounts are partially offset by higher costs associated with the ongoing spill response, mainly increased costs of patrolling and maintenance of shoreline, as well as functional expenses of the GCRO. The total pre-tax income statement charge in 2010 amounted to $40.9 billion.

The settlement amounts with MOEX and Weatherford were not received during the second quarter, but were recorded as receivables on the balance sheet at 30 June 2011.

The amounts set out below reflect the impacts on the financial statements of the Gulf of Mexico oil spill for the periods presented, as described on pages 4 5. The income statement, balance sheet and cash flow statement impacts are included within the relevant line items in those statements as set out below.

First half

Second quarter 2010	Second quarter 2011		2011	2010
		$ million		
		Income statement		
32,192	**(617)**	Production and manufacturing expenses	**(233)**	32,192
(32,192)	**617**	**Profit (loss) before interest and taxation**	**233**	(32,192)
	15	Finance costs	**31**	
(32,192)	**602**	**Profit (loss) before taxation**	**202**	(32,192)
10,003	**(234)**	Less: Taxation	**(33)**	10,003
(22,189)	**368**	**Profit (loss) for the period**	**169**	(22,189)

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2. Gulf of Mexico oil spill (continued)

	30 June 2011		31 December 2010	
	Total	Of which: amount related to the trust fund	Total	Of which: amount related to the trust fund
$ million				
Balance sheet				
Current assets				
Trade and other receivables	**7,170**	6,030	5,943	5,943
Current liabilities				
Trade and other payables	**(6,796)**	(6,146)	(6,587)	(5,002)
Provisions	**(7,414)**		(7,938)	
Net current assets (liabilities)	**(7,040)**	(116)	(8,582)	941
Non-current assets				
Other receivables	**2,667**	2,667	3,601	3,601
Non-current liabilities				
Other payables	**(6,307)**	(6,307)	(9,899)	(9,899)
Provisions	**(6,964)**		(8,397)	
Deferred tax	**10,497**		11,255	
Net non-current assets (liabilities)	**(107)**	(3,640)	(3,440)	(6,298)
Net assets	**(7,147)**	(3,756)	(12,022)	(5,357)

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
		Cash flow statement Operating activities		
(32,192)	**602**	Profit (loss) before taxation	**202**	(32,192)
		Adjustments to reconcile profit (loss) before taxation to net cash provided by operating activities		
	15	Net charge for interest and other finance expense, less net interest paid	**31**	
17,646	**(90)**	Net charge for provisions, less payments	**112**	17,646
12,430	**(2,912)**	Movements in inventories and other current and non-current assets and liabilities	**(5,776)**	12,430
(2,116)	**(2,385)**	**Pre-tax cash flows**	**(5,431)**	(2,116)

Net cash used in operating activities relating to the Gulf of Mexico oil spill, on a post-tax basis, amounted to $1,898 million and $4,706 million in the second quarter and half year 2011 respectively.

Trust fund

In 2010, BP established the Deepwater Horizon Oil Spill Trust (the Trust) to be funded in the amount of $20 billion over the period to the fourth quarter of 2013, which is available to satisfy legitimate individual and business claims administered by the Gulf Coast Claims Facility (GCCF), state and local government claims resolved by BP, final judgments and settlements, state and local response costs, and natural resource damages and related costs. In 2010 BP contributed $5 billion to the fund, and further contributions of $2.5 billion were made in the first half of 2011. The income statement charge for 2010 included $20 billion in relation to the trust fund, adjusted to take account of the time value of money. Fines, penalties and claims administration costs are not covered by the trust fund.

Under the settlement agreement noted above, MOEX paid BP $1.1 billion in early July, which was subsequently contributed to the trust fund, and Weatherford have paid BP $75 million which will also be contributed to the trust fund.

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2. Gulf of Mexico oil spill (continued)

The table below shows movements in the funding obligation during the period to 30 June 2011. This liability is recognized within other payables on the balance sheet apportioned between current and non-current elements according to the agreed schedule of contributions.

	Second quarter 2011	First half 2011
$ million		
Opening balance	**13,668**	**14,901**
Unwinding of discount	**14**	**28**
Contribution	**(1,250)**	**(2,500)**
Other	**21**	**24**
At 30 June 2011	**12,453**	**12,453**
Of which current	**6,146**	**6,146**
non-current	**6,307**	**6,307**

An asset has been recognized representing BP s right to receive reimbursement from the trust fund. This is the portion of the estimated future expenditure provided for that will be settled by payments from the trust fund. We use the term reimbursement asset to describe this asset. BP will not actually receive any reimbursements from the trust fund, instead payments will be made directly to claimants from the trust fund, and BP will be released from its corresponding obligation. The reimbursement asset is recorded within other receivables on the balance sheet apportioned between current and non-current elements. The table below shows movements in the reimbursement asset during the period to 30 June 2011. The amount of the reimbursement asset at 30 June 2011 is equal to the amount of provisions recognized at that date that will be covered by the trust fund see below.

	Second quarter 2011	First half 2011
$ million		
Opening balance	**9,544**	**9,544**
Increase in provision for items covered by the trust fund	**163**	**1,225**
Amounts paid directly by the trust fund	**(1,010)**	**(2,072)**
At 30 June 2011	**8,697**	**8,697**
Of which current	**6,030**	**6,030**
non-current	**2,667**	**2,667**

As noted above, the obligation to fund the $20-billion trust fund has been recognized in full. Any increases in the provision that will be covered by the trust fund (up to the amount of $20 billion) have no net income statement effect as a reimbursement asset is also recognized, as described above. As at 30 June 2011, the cumulative charges for provisions, and the associated reimbursement asset recognized, amounted to $13,792 million. Thus, a further $6,208 million could be provided in subsequent periods for items covered by the trust fund with no net impact on the income statement. Such future increases in amounts provided could arise from adjustments to existing provisions, or from the initial recognition of provisions for items that currently cannot be estimated reliably, namely final judgments and settlements and natural resource damages and related costs. Further information on those items that currently cannot be reliably estimated is provided under *Provisions and contingencies* below.

It is not possible at this time to conclude whether the $20-billion trust fund will be sufficient to satisfy all claims under the Oil Pollution Act 1990 (OPA 90) that will ultimately be paid.

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

Notes

2. Gulf of Mexico oil spill (continued)

(b) Provisions and contingencies

BP has recorded certain provisions and disclosed certain contingencies as a consequence of the Gulf of Mexico oil spill. These are described below and in more detail in *BP Annual Report and Form 20-F 2010* Financial statements Notes 2, 37 and 44.

Provisions

BP has recorded provisions relating to the Gulf of Mexico oil spill in relation to environmental expenditure, spill response costs, litigation and claims, and Clean Water Act penalties.

On 21 April 2011, BP entered a framework agreement with natural resource trustees for the United States and five Gulf coast states, providing for up to $1 billion to be spent on early restoration projects to address natural resource injuries resulting from the Gulf of Mexico oil spill. Funding for these projects will come from the $20-billion Deepwater Horizon Oil Spill Trust.

BP considers that it is not possible, at this time, to measure reliably any obligation in relation to Natural Resources Damages claims under OPA 90 (other than the estimated costs of the assessment phase and the costs of the early and emergency restoration agreements referred to above) or litigation arising from alleged violations of OPA 90, any amounts in relation to fines and penalties except for those relating to the Clean Water Act and any obligation in relation to litigation or in relation to legal fees beyond 2012. These items are therefore disclosed as contingent liabilities see below.

Movements in the provision during the second quarter and the half year are presented in the tables below.

	Environmental	Spill response	Litigation and claims	Clean Water Act penalties	Total
$ million					
At 1 April 2011	**1,740**	**470**	**9,757**	**3,510**	**15,477**
Increase in provision items not covered by the trust fund	**30**	**338**	**(9)**		**359**
Increase in provision items covered by the trust fund			**163**		**163**
Unwinding of discount	**1**				**1**
Utilization paid by BP	**(7)**	**(270)**	**(335)**		**(612)**
paid by the trust fund	**(89)**		**(921)**		**(1,010)**
At 30 June 2011	**1,675**	**538**	**8,655**	**3,510**	**14,378**
Of which current	**773**	**538**	**6,103**		**7,414**
non-current	**902**		**2,552**	**3,510**	**6,964**
Of which payable from the trust fund	**1,226**		**7,471**		**8,697**

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2. Gulf of Mexico oil spill (continued)

$ million	Environmental	Spill response	Litigation and claims	Clean Water Act penalties	Total
At 1 January 2011	809	1,043	10,973	3,510	16,335
Increase in provision items not covered by the trust fund	30	640	(9)		661
Increase in provision items covered by the trust fund	1,000		225		1,225
Unwinding of discount	3				3
Utilization paid by BP	(10)	(1,145)	(619)		(1,774)
paid by the trust fund	(157)		(1,915)		(2,072)
At 30 June 2011	**1,675**	**538**	**8,655**	**3,510**	**14,378**

The total charge in the income statement is analysed in the table below.

$ million	Second quarter 2011	First half 2011
Increase in provision	**522**	**1,886**
Recognition of reimbursement asset	**(163)**	**(1,225)**
Other costs charged directly to the income statement	**199**	**281**
Settlements credited to the income statement	**(1,175)**	**(1,175)**
(Profit) loss before interest and taxation	**(617)**	**(233)**
Finance costs	**15**	**31**
(Profit) loss before taxation	**(602)**	**(202)**

The total amounts that will ultimately be paid by BP in relation to all obligations relating to the incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors. Furthermore, the amount of claims that become payable by BP, the amount of fines ultimately levied on BP (including any determination of BP s negligence), the outcome of litigation and arbitration proceedings, and any costs arising from any longer-term environmental consequences of the oil spill, will also impact upon the ultimate cost for BP.

In estimating the amount of the provision at 30 June 2011 for Individual and Business Claims, as administered by the GCCF, and State and Local Claims, BP has concluded that a reasonable range of possible outcomes is $4.4 billion to $10.8 billion. BP believes that the provision recorded at 30 June 2011 of $7.2 billion represents a reliable best estimate from within this range of possible outcomes. This amount is included within amounts payable from the trust fund under *Litigation and claims* in the table above.

Although the provision recognized is the current best reliable estimate of expenditures required to settle certain present obligations at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligation reliably as noted below under *Contingent liabilities*.

As noted above, an agreement has been reached with MOEX, one of the co-owners of the Macondo prospect leasehold, to settle all claims between the companies related to the incident and the prospect. The settlement has been recorded in the income statement in the second quarter. No amount has been recognized for recovery of costs from the other co-owner, Anadarko Petroleum Corporation (Anadarko), because under

IFRS the recovery must be virtually certain before such receivables can be recognized. This item is therefore disclosed as a contingent asset.

Further information on provisions is provided in *BP Annual Report and Form 20-F 2010* Financial statements Note 37.

Notes

2. Gulf of Mexico oil spill (continued)

Contingent liabilities

BP has provided for its best estimate of certain claims under OPA 90 that will be paid through the $20-billion trust fund. It is not possible, at this time, to measure reliably any other items that will be paid from the trust fund, namely any obligation in relation to Natural Resource Damages claims (except for the estimated costs of the assessment phase and the costs relating to early and emergency restoration agreements as described above under *Provisions)* and claims resolved by civil litigation, nor is it practicable to estimate their magnitude or possible timing of payment. Therefore no amounts have been provided for these items as of 30 June 2011.

For those items not covered by the trust fund it is not possible to measure reliably any obligation in relation to other litigation or potential fines and penalties except, subject to certain assumptions, for those relating to the Clean Water Act. It is also not possible to reliably estimate legal fees beyond 2012. Therefore no amounts have been provided for these items as of 30 June 2011.

See Legal proceedings on pages 46 49 and *BP Annual Report and Form 20-F 2010* Financial statements Note 44 for further information on contingent liabilities.

Contingent assets

See Legal proceedings on pages 46 49 and *BP Annual Report and Form 20-F 2010* Financial statements Note 44 for information on contingent assets.

As of 30 June 2011, $5.5 billion had been billed to our co-owner, Anadarko, which BP believes to be contractually recoverable pursuant to the terms of the Macondo Prospect Offshore Deepwater Operating Agreement. Billings to co-owners under this Operating Agreement are based upon costs incurred to date rather than amounts provided in the period. As further costs are incurred, BP believes that certain of the costs will be billable to Anadarko under the Operating Agreement. No recovery amounts from Anadarko have been recognized in the financial statements as at 30 June 2011.

On 4 April 2011, BP initiated contractual out-of-court dispute resolution proceedings against Anadarko, claiming that it has breached the parties contract by failing to reimburse BP for their working-interest share of incident-related costs. These procedures will culminate in arbitration if the parties cannot resolve their disputes through negotiation. On 19 April 2011, Anadarko filed a cross-claim against BP, alleging gross negligence and 15 other counts under state and federal laws. Anadarko seeks a declaration that it is excused from its contractual obligation to pay incident-related costs. Anadarko also seeks damages from alleged economic losses and contribution or indemnity for claims filed against it by other parties. BP disputes Anadarko s cross-claims and intends to defend against them vigorously.

On 15 July 2011, the judge in the federal multi-district litigation proceeding in New Orleans stayed Anadarko s claims against BP pursuant to the arbitration clause in the operating agreement between the parties pertaining to the Macondo well.

There are also audit rights concerning billings under the Operating Agreement which may be exercised by Anadarko, and which may or may not lead to an adjustment of the amount billed. BP may ultimately need to enforce its rights to collect payment from Anadarko following any successful arbitration proceedings as provided for in the Operating Agreement. There is a risk that amounts billed to Anadarko may not ultimately be recovered should Anadarko be found not liable for these costs or be unable to pay them. Moreover, negotiations with Anadarko could result in settlement of these claims, which if reached, may result in amounts to be received by BP differing from the amounts billed.

3. Non-current assets held for sale

As a result of the group s disposal programme following the Gulf of Mexico oil spill, various assets, and associated liabilities, have been presented as held for sale in the group balance sheet at 30 June 2011. The carrying amount of the assets held for sale is $10,167 million, with associated liabilities of $1,127 million. Included within these amounts are the following items, all of which relate to the Exploration and Production segment unless otherwise stated.

On 14 December 2010, BP announced that it had reached agreement to sell its exploration and production assets in Pakistan to United Energy Group Limited for $775 million in cash. These assets, and associated liabilities, have been classified as held for sale in the group balance sheet at 30 June 2011. An interim injunction entered by the Islamabad High Court on 9 March 2011 in a preferential rights dispute affecting the Mirpur Khas and Khipro concessions has now been lifted. The sale is expected to be completed in the third quarter of 2011, subject to certain conditions precedent, including the satisfaction of closing conditions and the receipt of government and regulatory approvals.

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3. Non-current assets held for sale (continued)

On 18 October 2010, BP announced that it had reached agreement to sell its upstream and midstream assets in Vietnam, together with its upstream businesses and associated interests in Venezuela, to TNK-BP for $1.8 billion in cash, subject to post-closing adjustments. The sale of the Venezuelan business completed during the second quarter of 2011. The sale of the Vietnam business is expected to be completed in the third quarter of 2011, subject to regulatory and other approvals and conditions. The assets, and associated liabilities, of the Vietnam business have been classified as held for sale in the group balance sheet at 30 June 2011.

On 28 November 2010, BP announced that it had reached agreement to sell its interests in Pan American Energy (PAE) to Bridas Corporation for $7.06 billion in cash. PAE is an Argentina-based oil and gas company owned by BP (60%) and Bridas Corporation (40%). The transaction excludes the shares of PAE E&P Bolivia Ltd. BP s investment in PAE has been classified as held for sale in the group balance sheet at 30 June 2011. The sale is expected to be completed in 2011, subject to closing conditions and government and regulatory approvals.

On 4 April 2011, BP announced that it had agreed the sale of its wholly-owned subsidiary, ARCO Aluminum Inc. (reported within Other businesses and corporate), to a consortium of Japanese companies for cash consideration of $680 million, subject to closing adjustments. The assets, and associated liabilities, of this subsidiary have been classified as held for sale in the group balance sheet at 30 June 2011. Subject to obtaining required regulatory approvals, the parties expect to complete the transaction in the third quarter of 2011.

In Canada, BP intends to dispose of its NGL business. The assets, and associated liabilities, of this business have been classified as held for sale in the group balance sheet at 30 June 2011. The sale is expected to be completed in 2011.

On 17 May 2011, BP announced that it had reached agreement to sell its interests in the Wytch Farm, Wareham, Beacon and Kimmeridge fields to Perenco UK Ltd (Perenco) for up to $610 million in cash. The price includes $55 million contingent on Perenco s future development of the Beacon field and on oil prices in 2011-13. The sale is expected to be completed in early 2012, subject to a number of third party and regulatory approvals. These assets, and associated liabilities, have been classified as held for sale in the group balance sheet at 30 June 2011.

As previously announced, following a strategic review of our Refining and Marketing business, BP intends to divest the Texas City refinery. The non-current assets, together with the inventories, of this business have been classified as held for sale in the group balance sheet at 30 June 2011. The sale is expected to be completed in 2012.

Disposal proceeds of $4.6 billion ($6.2 billion at 31 December 2010) received in advance of completion of certain of these transactions have been classified as finance debt on the group balance sheet. See Note 7 for further information.

The majority of the transactions noted above are subject to post-closing adjustments, which may include adjustments for working capital and adjustments for profits attributable to the purchaser between the agreed effective date and the closing date of the transaction. Such post-closing adjustments may result in the final amounts received by BP from the purchasers differing from the disposal proceeds noted above.

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4. Sales and other operating revenues

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
		By business		
15,215	**18,418**	**Exploration and Production**	**36,823**	33,295
67,250	**93,886**	Refining and Marketing	**171,319**	131,536
794	**985**	Other businesses and corporate	**1,841**	1,584
83,259	**113,289**		**209,983**	166,415
		Less: sales between businesses		
9,042	**11,539**	Exploration and Production	**22,064**	18,788
281	**165**	Refining and Marketing	**791**	416
211	**221**	Other businesses and corporate	**435**	415
9,534	**11,925**		**23,290**	19,619
		Third party sales and other operating revenues		
6,173	**6,879**	Exploration and Production	**14,759**	14,507
66,969	**93,721**	Refining and Marketing	**170,528**	131,120
583	**764**	Other businesses and corporate	**1,406**	1,169
73,725	**101,364**	**Total third party sales and other operating revenues**	**186,693**	146,796
		By geographical area		
27,762	**38,817**	US	**69,664**	53,870
53,111	**73,350**	Non-US	**137,205**	107,120
80,873	**112,167**		**206,869**	160,990
7,148	**10,803**	Less: sales between areas	**20,176**	14,194
73,725	**101,364**		**186,693**	146,796

5. Production and similar taxes

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
209	**563**	US	**937**	522
1,029	**1,793**	Non-US	**3,250**	1,992

1,238	**2,356**	**4,187**	2,514

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6. Earnings per share and shares in issue

Basic earnings per ordinary share (EpS) amounts are calculated by dividing the profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The calculation of EpS is performed separately for each discrete quarterly period, and for the year-to-date period. As a result, the sum of the discrete quarterly EpS amounts in any particular year-to-date period may not be equal to the EpS amount for the year-to-date period.

For the diluted EpS calculation the weighted average number of shares outstanding during the period is adjusted for the number of shares that are potentially issuable in connection with employee share-based payment plans using the treasury stock method. If the inclusion of potentially issuable shares would decrease the loss per share, the potentially issuable shares are excluded from the diluted EpS calculation.

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
		Results for the period		
(17,150)	**5,620**	Profit (loss) for the period attributable to BP shareholders	**12,744**	(11,071)
1	**1**	Less: preference dividend	**1**	1
(17,151)	**5,619**	Profit (loss) attributable to BP ordinary shareholders	**12,743**	(11,072)
177	**(311)**	Inventory holding (gains) losses, net of tax	**(1,954)**	(304)
(16,974)	**5,308**	RC profit (loss) attributable to BP ordinary shareholders	**10,789**	(11,376)
18,787,629	**18,886,382**	Basic weighted average number of shares outstanding (thousand)(a)	**18,851,483**	18,779,227
3,131,272	**3,147,730**	ADS equivalent (thousand)(a)	**3,141,914**	3,129,871
19,031,671	**19,118,850**	Weighted average number of shares outstanding used to calculate diluted earnings per share (thousand)(a)	**19,071,882**	19,007,478
3,171,945	**3,186,475**	ADS equivalent (thousand)(a)	**3,178,647**	3,167,913
18,791,926	**18,940,090**	Shares in issue at period-end (thousand)(a)	**18,940,090**	18,791,926
3,131,988	**3,156,682**	ADS equivalent (thousand)(a)	**3,156,682**	3,131,988

(a) Excludes treasury shares and the shares held by the Employee Share Ownership Plans and includes certain shares that will be issued in the future under employee share plans.

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7. Analysis of changes in net debt

Second quarter 2010	Second quarter 2011		First half 2011	First half 2010
		$ million		
		Opening balance		
32,153	**47,102**	Finance debt	**45,336**	34,627
6,841	**18,726**	Less: Cash and cash equivalents	**18,556**	8,339
152	**870**	Less: FV asset of hedges related to finance debt	**916**	127
25,160	**27,506**	**Opening net debt**	**25,864**	26,161
		Closing balance		
30,580	**46,890**	Finance debt	**46,890**	30,580
7,310	**18,749**	Less: Cash and cash equivalents	**18,749**	7,310
53	**1,173**	Less: FV asset of hedges related to finance debt	**1,173**	53
23,217	**26,968**	**Closing net debt**	**26,968**	23,217
1,943	**538**	**Decrease (increase) in net debt**	**(1,104)**	2,944
631	**(81)**	Movement in cash and cash equivalents (excluding exchange adjustments)	**(106)**	(790)
1,291	**563**	Net cash outflow (inflow) from financing (excluding share capital)	**(2,681)**	3,691
	2	Movement in finance debt relating to investing activities(a)	**1,597**	
20	**5**	Other movements	**(16)**	27
1,942	**489**	Movement in net debt before exchange effects	**(1,206)**	2,928
1	**49**	Exchange adjustments	**102**	16
1,943	**538**	**Decrease (increase) in net debt**	**(1,104)**	2,944

(a) During the second quarter 2011 disposal transactions were completed in respect of which deposits of $502 million, (first half 2011 $2,097 million) had been received in 2010. In addition, deposits of $500 million were received in the second quarter 2011, in respect of disposals expected to complete within the next year.

At 30 June 2011, $626 million of finance debt, ($1,155 million at 30 June 2010) was secured by the pledging of assets, and $3,530 million was secured in connection with deposits received relating to certain disposal transactions expected to complete in subsequent periods. In addition, in connection with $3,014 million of finance debt, BP has entered into crude oil sales contracts in respect of oil produced from certain fields in offshore Angola and Azerbaijan to provide security to the lending banks. The remainder of finance debt was unsecured.

During the first quarter 2011 the company signed new three-year committed standby facilities totalling $6.8 billion, available to draw and repay until mid-March 2014, largely replacing existing arrangements. At 30 June 2011 the total available undrawn committed borrowing facilities stood at $7.2 billion.

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8. TNK-BP operational and financial information

Second quarter 2010	Second quarter 2011	First half