# Making energy more

Financial and Operating Information 2001-2005

**INTERACTIVE RESOURCES** Visit *www.bp.com/investortools* to chart our key financial and operating information for the past five years, on an annual or quarterly basis, for the BP group as a whole or by business segment.

BP p.l.c. is the parent company of the BP group of companies. Unless otherwise stated, the text does not distinguish between the activities and operations of the parent company and those of its subsidiaries.

BP is a leader in our industry and that position is reflected in our standards of social responsibility, corporate governance and financial and sustainability reporting, of which this document is part. For a complete view of BP's performance, it should be read in conjunction with *BP Annual Report and Accounts 2005, BP Annual Report on Form 20-F 2005* and *BP Sustainability Report 2005.* Copies may be obtained free of charge *(see page 92)*.

**Cautionary statement**

*BP Financial and Operating Information 2001-2005* contains certain forward-looking statements, particularly those regarding capital expenditure; first tanker lifting from Ceyhan; start-up of the Shah Deniz field; completion of the associated South Caucasus pipeline; the progress and timing of projects including Greater Plutonio and In Amenas; the start of production from Thunder Horse and Atlantis; the potential of the Sakhalin region; the effect of the extension of two concessions in the Gulf of Suez; growth in gas demand in the Asia Pacific region; the commencement of exports from the North West Shelf venture; production from the Texas City refinery; the extension of the Castrol Edge range; the planned operation of an acetic acid plant at Nanjing; the start-up of and sales from Tangguh; planned investments in BP Alternative Energy; and the expected production from planned generation at Peterhead and Carson. By their nature, forward-looking statements involve risks and uncertainties 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 on stream; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this document and in *BP Annual Report and Accounts 2005.*

**Cautionary note to US investors**

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this report, such as 'reserves', that the SEC's guidelines strictly prohibit us from including in our filings with the SEC. US investors are urged to consider closely the disclosure in our Form 20-F, SEC File No. 1-6262, available from us at 1 St James's Square, London SW1Y 4PD. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

Resourcefulness and options that help fuel the

# world's possibilities

BP is one of the world's largest oil and gas companies, serving about 13 million customers in more than 100 countries across six continents. Our business segments are Exploration and Production; Refining and Marketing; and Gas, Power and Renewables. Through these business segments, we provide fuel for transportation, retail brands and energy for heat and light.

Our performance and actions as a company are underpinned by the belief that we can make energy more – so that through the choices we make and the options those choices give us the future of energy can become more efficient, diverse and secure.

# BP history at a glance

**1909**

The company is incorporated in England as the Anglo-Persian Oil Company Limited. The incorporation focuses on the commercialization of Masjid-i-Suleiman in Iran, the first commercial oil discovery in the Middle East.

**1920s-1930s**

The Anglo-Persian Oil Company Limited becomes the pre-eminent oil producer in the Middle East. The company enters into international marketing in continental Europe, Africa and Australia.

**1922**

After eight years of majority share ownership, the British government begins offering ordinary shares of BP stock for sale to the public.

**1954**

The company name becomes The British Petroleum Company Limited. Marketing activities extend to New Zealand, parts of Africa and more countries in Europe. A consortium agreement for Iranian oil gives BP a 40% stake.

**1969**

BP enters North America with its discovery and major share of the Prudhoe Bay oil field on Alaska's North Slope. This leads in the following year to BP's taking a sizeable interest in Standard Oil of Ohio.

**1978**

BP gains a majority interest in Standard Oil. The company acquires the chemicals and plastics interest in Europe of Union Carbide and, in 1979, of Monsanto.

**1987**

Privatization of BP shares is completed. Following periodic public offerings of a minority of its shareholdings over the previous 65 years, the British government disposes of nearly all its remaining shares.

BP acquires the remaining 45% shareholding in Standard Oil, which becomes a wholly owned subsidiary of BP.

**1989**

New frontier exploration strategy signals a shift in BP's focus to areas of major opportunity and future investment choices.

**1997**

In response to mounting evidence and concern regarding greenhouse gas emissions and the rising temperature of the earth, BP becomes the first in its industry to state publicly the need for precautionary action on climate change.

**1998**

BP merges with Amoco, becoming one of three leaders in the oil and gas industry. The merger gives the combined companies the opportunity to compete through a highly distinctive set of people, assets and market positions.

**2000**

ARCO joins the BP group in a $34-billion transaction that provides coast-to-coast coverage of the US fuels market. BP's acquisition of Burmah Castrol strengthens BP's market-facing business with one of the world's great brands.

**2001**

Detailed engineering and planning activity begins on the longest pipeline BP has ever built. The 1,768-kilometre Baku-Tbilisi-Ceyhan pipeline will link the landlocked Caspian Sea in the east to the Mediterranean coast at Ceyhan, Turkey.

**2002**

Acquisition of Veba's retail and refining assets in Germany and central Europe makes BP the market leader in Germany and Austria. BP markets under the Aral brand in Germany.

**2003**

TNK-BP, the joint venture between BP and AAR (the Alfa Group and Access-Renova), operating in Russia, is finalized. The venture gives BP a 50% stake in one of the world's great hydrocarbon provinces.

**2004**

BP announces plans to sell the Olefins and Derivatives business of its Petrochemicals segment while retaining the Aromatics and Acetyls businesses in Refining and Marketing.

**2005**

BP sells Innovene, comprising the Olefins and Derivatives business and refineries in Grangemouth, UK, and Lavéra, France, to UK-based INEOS for $8.3 billion cash. BP launches BP Alternative Energy, a new business dedicated to the development and wholesale marketing and trading of low-carbon power.

# Basis of financial information

To the greatest extent possible, the information in this book has been presented on the basis that BP will report its financial information in 2006.

### ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The group adopted International Financial Reporting Standards (IFRS) with effect from 1 January 2005. Financial information for 2004 and 2003 has been restated to reflect the adoption of IFRS, as has the balance sheet at 1 January 2003, BP's date of transition to IFRS. BP chose not to adopt International Accounting Standard No. 39 'Financial Instruments: Recognition and Measurement' (IAS 39) until 1 January 2005, so financial assets and liabilities including derivatives are reported on the basis of UK generally accepted accounting practice (UK GAAP) for 2004 and 2003. The balance sheet at 1 January 2005 is also presented to show the effect of adopting IAS 39.

The financial information for 2001 and 2002 has not been restated for IFRS and remains on the basis of UK GAAP.

UK GAAP information for 2002 has been restated to reflect the adoption by the group of Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17) with effect from 1 January 2004. Financial information for 2001 has not been restated for FRS 17.

### CHANGE OF ACCOUNTING POLICY

The group's accounting policy has been to present oil, natural gas and power forward sales and purchases gross in the income statement. However, during 2005, a review was undertaken into the presentation of these commodity derivative transactions and related activity, which concluded that it was more appropriate to represent transactions in these areas net rather than gross. These sale and purchase transactions are now offset and reported net in sales and other operating revenues and data for all years has been restated to reflect this. Other derivative contracts where physical delivery is the norm continue to be reported gross.

### RESEGMENTATION

The segmental financial and operating information in this book for 2003-2005 has been restated to reflect changes to the business segment boundaries following the launch of BP Alternative Energy in November 2005 and the sale of Innovene to INEOS in December 2005. Note that financial information for 2001 and 2002 has not been restated for this resegmentation. These transfers are effective from 1 January 2006:

- Following the sale of Innovene to INEOS, the transfer of three equity-accounted entities (Shanghai SECCO Petrochemical Company Limited in China and Polyethylene Malaysia Sdn Bhd (PEMSB) and Ethylene Malaysia Sdn Bhd (EMSB), both in Malaysia), previously reported in Other businesses and corporate, to Refining and Marketing.
- The formation of BP Alternative Energy has resulted in the transfer of certain mid-stream assets and activities to Gas, Power and Renewables:
  - South Houston Green Power (SHGP) co-generation facility (in Texas City refinery) from Refining and Marketing.
  - Watson Cogeneration (in Carson City refinery) from Refining and Marketing.
  - Phu My Phase 3 CCGT plant in Vietnam from Exploration and Production.
- The transfer of Hydrogen for Transport activities from Gas, Power and Renewables to Refining and Marketing.

### SALE OF INNOVENE

The Innovene operations represented a separate major line of business for BP. As a result of the sale, these operations have been treated as discontinued operations for the years ended 31 December 2005, 2004 and 2003. A single amount is shown on the face of the income statement comprising the post-tax result of discontinued operations and the post-tax loss recognized on the remeasurement to fair value less costs to sell of the discontinued operation. That is, the income and expenses of Innovene are reported separately from the continuing operations of the BP group.

Data for the years ended 31 December 2002 and 2001 has not been restated; the results of Innovene operations are included within Other businesses and corporate.

### WITHIN THIS DOCUMENT, FINANCIAL INFORMATION IS COLOUR-CODED AS FOLLOWS:

| | | |
|---|---|---|
| **Quarterly information** | | |
| 2004 IFRS | 30,000<br>**30,000** | black type<br>annual total in bold |
| 2005 IFRS | 30,000<br>**30,000** | black type in green tinted box<br>annual total in bold |
| **Annual information** | | |
| 2001-2002 UK GAAP | 30,000 | green type |
| 2003-2004 IFRS | 30,000 | black type |
| 1 Jan 2005 IFRS (including impact of IAS 39) | 30,000 | black type in grey tinted box |
| 2005 IFRS | 30,000 | black type in green tinted box |

**The financial information for 2003 (annual) and 2004 (quarterly and annual) has been restated to reflect the adoption of IFRS.**

**The financial information for 2001 and 2002 has not been restated for IFRS and remains on the basis of UK GAAP.**

**UK GAAP information for 2002 reflects the adoption by the group of Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17) with effect from 1 January 2004. Financial information for 2001 has not been restated for FRS 17.**

# Financial contents



# Financial performance

| HIGHLIGHTS | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Replacement cost profit for the year ($ million) | 8,456 | 5,691 | 12,432 | 15,432 | 19,314 |
| per ordinary share (cents) | 37.68 | 25.40 | 56.06 | 70.71 | 91.41 |
| per ADS (dollars)[a] | 2.26 | 1.52 | 3.36 | 4.24 | 5.48 |

[a] One American depositary share (ADS) is equivalent to six 25 cent ordinary shares.

| EXTERNAL ENVIRONMENT | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| BP average liquids realizations ($/bbl)[a] | 22.50 | 22.69 | 27.25 | 35.39 | 48.51 |
| BP average natural gas realizations ($/mcf) | 3.30 | 2.46 | 3.39 | 3.86 | 4.90 |
| Global Indicator Refining Margin ($/bbl)[b] | 4.36 | 2.27 | 4.08 | 6.31 | 8.60 |

[a] Crude oil and natural gas liquids.
[b] The Global Indicator Refining Margin (GIM) is the average of six regional indicator margins weighted for BP's crude oil refining capacity in each region. Each regional indicator margin is based on a single representative crude oil with product yields characteristic of the typical level of upgrading complexity. The regional indicator margins may not be representative of the margins achieved by BP in any period because of BP's particular refinery configurations and crude and product slate. The GIM data shown above excludes the Grangemouth and Lavéra refineries.

# Group income statement

For the year ended 31 December

$ million

| | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Sales and other operating revenues | 148,502 | 149,674 | 169,441 | 199,876 | 249,465 |
| Earnings from jointly controlled entities – after interest and tax | 439 | 347 | 826 | 1,818 | 3,083 |
| Earnings from associates – after interest and tax | 756 | 617 | 388 | 462 | 460 |
| Interest and other revenues | 694 | 641 | 746 | 615 | 613 |
| Total revenues | 150,391 | 151,279 | 171,401 | 202,771 | 253,621 |
| Gain on sale of businesses and fixed assets | 1,130 | 2,933 | 1,895 | 1,685 | 1,538 |
| Total revenues and other income | 151,521 | 154,212 | 173,296 | 204,456 | 255,159 |
| Purchases | (104,027) | (101,208) | (115,978) | (135,907) | (172,699) |
| Production and manufacturing expenses | (11,607) | (15,001) | (14,130) | (17,330) | (21,092) |
| Production and similar taxes | (1,689) | (1,274) | (1,723) | (2,149) | (3,010) |
| Depreciation, depletion and amortization[a] | (8,683) | (9,127) | (8,076) | (8,529) | (8,771) |
| Impairment and losses on sale of businesses and fixed assets | (770) | (3,039) | (1,801) | (1,390) | (468) |
| Exploration expense | (480) | (644) | (542) | (637) | (684) |
| Distribution and administration expenses[b] | (9,603) | (11,590) | (12,270) | (12,768) | (13,706) |
| Fair value gain (loss) on embedded derivatives | – | – | – | – | (2,047) |
| Profit before interest and taxation from continuing operations | 14,662 | 12,329 | 18,776 | 25,746 | 32,682 |
| Finance costs | (1,670) | (1,140) | (513) | (440) | (616) |
| Other finance expense | – | – | (532) | (340) | (145) |
| Profit before taxation from continuing operations | 12,992 | 11,189 | 17,731 | 24,966 | 31,921 |
| Taxation | (6,375) | (4,317) | (5,050) | (7,082) | (9,473) |
| Profit for the year from continuing operations | 6,617 | 6,872 | 12,681 | 17,884 | 22,448 |
| Profit (loss) from Innovene operations[c] | – | – | (63) | (622) | 184 |
| Profit for the year | 6,617 | 6,872 | 12,618 | 17,262 | 22,632 |
| Attributable to | | | | | |
| BP shareholders | 6,556 | 6,795 | 12,448 | 17,075 | 22,341 |
| Minority interest (MI) | 61 | 77 | 170 | 187 | 291 |
| | 6,617 | 6,872 | 12,618 | 17,262 | 22,632 |
| Earnings per ordinary share – cents | | | | | |
| Profit attributable to BP shareholders | | | | | |
| Basic | 29.21 | 30.33 | 56.14 | 78.24 | 105.74 |
| Diluted | 29.04 | 30.19 | 55.61 | 76.87 | 104.52 |
| **REPLACEMENT COST RESULTS[d]** | | | | | |
| Profit for the year | 6,556 | 6,795 | 12,448 | 17,075 | 22,341 |
| Inventory holding (gains) losses net of MI | 1,900 | (1,104) | (16) | (1,643) | (3,027) |
| Replacement cost profit for the year | 8,456 | 5,691 | 12,432 | 15,432 | 19,314 |
| [a]Depreciation of the fixed asset revaluation adjustment consequent upon the ARCO acquisition amounted to | 1,339 | 895 | 746 | 539 | 447 |
| [b]Research and development expenditure amounted to | 385 | 373 | 234 | 300 | 374 |

[c]Innovene results for the years ended 31 December 2001 and 2002 are included within the results of Other businesses and corporate.

[d]Replacement cost profit excludes inventory holding gains and losses. The effect of this is to set against income for the period the average cost of supplies incurred in the same period rather than applying costs obtained by using the first-in first-out method. Profit on the replacement cost basis therefore reflects more immediately changes in purchase costs and provides an indication of the underlying trend in trading performance in a continuing business. This basis is used to assist in the interpretation of profit. Replacement cost profit is not a recognized GAAP measure.

# Summarized group income statement by quarter

| REPLACEMENT COST RESULTS | 2001 | 2002 | IFRS 2003 |
|---|---|---|---|
| Replacement cost profit before interest and tax[a b] | | | |
| By business | | | |
| Exploration and Production | 12,472 | 8,277 | 15,081 |
| Refining and Marketing | 4,454 | 1,936 | 3,162 |
| Gas, Power and Renewables | 564 | 1,961 | 609 |
| Other businesses and corporate | (928) | (974) | (260) |
| Consolidation adjustments | | | |
| Unrealized profit in inventory | – | – | (61) |
| Net profit on transactions between continuing and Innovene operations | – | – | 193 |
| Replacement cost profit before interest and tax from continuing operations | 16,562 | 11,200 | 18,724 |
| Finance costs | (1,432) | (1,067) | (513) |
| Other finance expense | (238) | (73) | (532) |
| Replacement cost profit before taxation from continuing operations | 14,892 | 10,060 | 17,679 |
| Taxation | (6,375) | (4,317) | (5,050) |
| Replacement cost profit from continuing operations | 8,517 | 5,743 | 12,629 |
| Replacement cost profit from Innovene operations[c] | – | – | (27) |
| Replacement cost profit for the period | 8,517 | 5,743 | 12,602 |
| Attributable to | | | |
| BP shareholders | 8,456 | 5,691 | 12,432 |
| Minority interest | 61 | 52 | 170 |
| Replacement cost profit for the period | 8,517 | 5,743 | 12,602 |
| Earnings on replacement cost profit | | | |
| per ordinary share – cents | 37.68 | 25.40 | 56.06 |
| per ADS – dollars | 2.26 | 1.52 | 3.36 |
| Replacement cost profit for the period | 8,517 | 5,743 | 12,602 |
| Inventory holding gains (losses) | (1,900) | 1,104 | 16 |
| Profit for the period | 6,617 | 6,847 | 12,618 |
| Earnings on profit | | | |
| per ordinary share – cents | | | |
| Basic | 29.21 | 30.33 | 56.14 |
| Diluted | 29.04 | 30.19 | 55.61 |
| per ADS – dollars | | | |
| Basic | 1.76 | 1.82 | 3.37 |
| Diluted | 1.74 | 1.81 | 3.34 |
| Earnings on profit from continuing operations | | | |
| per ordinary share – cents | | | |
| Basic | 29.21 | 30.33 | 56.42 |
| Diluted | 29.04 | 30.19 | 55.89 |
| per ADS – dollars | | | |
| Basic | 1.76 | 1.82 | 3.39 |
| Diluted | 1.74 | 1.81 | 3.35 |
| [a]Replacement cost profit before interest and tax includes equity-accounted interest and tax | | | |
| Exploration and Production | – | – | 273 |
| Refining and Marketing | – | – | 49 |
| Gas, Power and Renewables | – | – | 2 |
| | – | – | 324 |

[b]Replacement cost profit is before inventory holding gains and losses.
[c]Innovene results for the years ended 31 December 2001 and 2002 are included within the results of Other businesses and corporate.

$ million

| IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2004** | IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2005** |
|---|---|---|---|---|---|---|---|---|---|
| 4,242 | 4,262 | 4,822 | 4,749 | **18,075** | 6,484 | 5,901 | 6,534 | 6,566 | **25,485** |
| 928 | 1,664 | 1,301 | 1,301 | **5,194** | 1,411 | 1,273 | 1,875 | (165) | **4,394** |
| 200 | 206 | 53 | 505 | **964** | 412 | 189 | 347 | 129 | **1,077** |
| 1,108 | (288) | (447) | (218) | **155** | (171) | (156) | (501) | (409) | **(1,237)** |
| (66) | (87) | (95) | 57 | **(191)** | (153) | (4) | (285) | 234 | **(208)** |
| 26 | 42 | 89 | 31 | **188** | 96 | 159 | 144 | 128 | **527** |
| 6,438 | 5,799 | 5,723 | 6,425 | **24,385** | 8,079 | 7,362 | 8,114 | 6,483 | **30,038** |
| (98) | (95) | (104) | (143) | **(440)** | (172) | (128) | (144) | (172) | **(616)** |
| (72) | (72) | (75) | (121) | **(340)** | (30) | (35) | (37) | (43) | **(145)** |
| 6,268 | 5,632 | 5,544 | 6,161 | **23,605** | 7,877 | 7,199 | 7,933 | 6,268 | **29,277** |
| (1,899) | (1,708) | (1,657) | (1,818) | **(7,082)** | (2,479) | (2,291) | (2,674) | (2,029) | **(9,473)** |
| 4,369 | 3,924 | 3,887 | 4,343 | **16,523** | 5,398 | 4,908 | 5,259 | 4,239 | **19,804** |
| (71) | (9) | (44) | (780) | **(904)** | 154 | 142 | (781) | 286 | **(199)** |
| 4,298 | 3,915 | 3,843 | 3,563 | **15,619** | 5,552 | 5,050 | 4,478 | 4,525 | **19,605** |
| 4,264 | 3,873 | 3,791 | 3,504 | **15,432** | 5,491 | 4,981 | 4,410 | 4,432 | **19,314** |
| 34 | 42 | 52 | 59 | **187** | 61 | 69 | 68 | 93 | **291** |
| 4,298 | 3,915 | 3,843 | 3,563 | **15,619** | 5,552 | 5,050 | 4,478 | 4,525 | **19,605** |
| 19.30 | 17.69 | 17.49 | 16.23 | **70.71** | 25.61 | 23.42 | 21.04 | 21.34 | **91.41** |
| 1.16 | 1.06 | 1.05 | 0.97 | **4.24** | 1.54 | 1.40 | 1.26 | 1.28 | **5.48** |
| 4,298 | 3,915 | 3,843 | 3,563 | **15,619** | 5,552 | 5,050 | 4,478 | 4,525 | **19,605** |
| 648 | 462 | 1,027 | (494) | **1,643** | 1,111 | 610 | 2,053 | (747) | **3,027** |
| 4,946 | 4,377 | 4,870 | 3,069 | **17,262** | 6,663 | 5,660 | 6,531 | 3,778 | **22,632** |
| 22.24 | 19.79 | 22.21 | 14.00 | **78.24** | 30.79 | 26.30 | 30.75 | 17.90 | **105.74** |
| 21.77 | 19.39 | 21.96 | 13.75 | **76.87** | 30.36 | 25.94 | 30.54 | 17.68 | **104.52** |
| 1.33 | 1.19 | 1.33 | 0.84 | **4.69** | 1.85 | 1.58 | 1.84 | 1.07 | **6.34** |
| 1.31 | 1.16 | 1.32 | 0.82 | **4.61** | 1.82 | 1.56 | 1.83 | 1.06 | **6.27** |
| 22.12 | 19.55 | 21.85 | 17.57 | **81.09** | 29.37 | 25.81 | 33.87 | 15.82 | **104.87** |
| 21.65 | 19.16 | 21.59 | 17.26 | **79.66** | 28.97 | 25.45 | 33.62 | 15.62 | **103.66** |
| 1.33 | 1.17 | 1.31 | 1.06 | **4.87** | 1.76 | 1.55 | 2.03 | 0.95 | **6.29** |
| 1.30 | 1.15 | 1.29 | 1.04 | **4.78** | 1.74 | 1.53 | 2.01 | 0.94 | **6.22** |
| 208 | 268 | 318 | 424 | **1,218** | 279 | 345 | 484 | 369 | **1,477** |
| 24 | 22 | 27 | 25 | **98** | 26 | 19 | 46 | 45 | **136** |
| 2 | 1 | 3 | 3 | **9** | 4 | 4 | 5 | 2 | **15** |
| 234 | 291 | 348 | 452 | **1,325** | 309 | 368 | 535 | 416 | **1,628** |

# Replacement cost profit before interest and tax by business and geographical area

| BY BUSINESS | 2001 | 2002 | IFRS 2003 |
|---|---|---|---|
| Exploration and Production | | | |
| UK | 3,395 | 2,294 | 3,468 |
| Rest of Europe | 756 | 724 | 587 |
| USA | 4,461 | 2,358 | 5,673 |
| Rest of World | 3,860 | 2,901 | 5,353 |
| | 12,472 | 8,277 | 15,081 |
| Refining and Marketing | | | |
| UK[a] | (644) | (710) | (119) |
| Rest of Europe | 875 | 1,025 | 1,472 |
| USA | 3,007 | 926 | 1,009 |
| Rest of World | 1,216 | 695 | 800 |
| | 4,454 | 1,936 | 3,162 |
| Gas, Power and Renewables | | | |
| UK | 69 | (47) | 79 |
| Rest of Europe | 189 | 1,685 | (39) |
| USA | 288 | 5 | 296 |
| Rest of World | 18 | 318 | 273 |
| | 564 | 1,961 | 609 |
| Other businesses and corporate | | | |
| UK | (472) | (506) | (167) |
| Rest of Europe | 27 | 295 | 27 |
| USA | (573) | (525) | (433) |
| Rest of World | 90 | (238) | 313 |
| | (928) | (974) | (260) |
| | 16,562 | 11,200 | 18,592 |
| Unrealized profit in inventory | – | – | (61) |
| Net profit on transactions between continuing and Innovene operations | – | – | 193 |
| Total for continuing operations | 16,562 | 11,200 | 18,724 |
| Innovene operations[b] | | | |
| UK | – | – | (155) |
| Rest of Europe | – | – | 294 |
| USA | – | – | 37 |
| Rest of World | – | – | 5 |
| | – | – | 181 |
| Net profit on transactions between continuing and Innovene operations | – | – | (193) |
| Total for Innovene operations | – | – | (12) |
| Total for period | 16,562 | 11,200 | 18,712 |
| **BY GEOGRAPHICAL AREA** | | | |
| UK[a] | 2,348 | 1,031 | 3,263 |
| Rest of Europe | 1,847 | 3,729 | 2,130 |
| USA | 7,183 | 2,764 | 6,592 |
| Rest of World | 5,184 | 3,676 | 6,739 |
| Total for continuing operations | 16,562 | 11,200 | 18,724 |

[a] UK area includes the UK-based international activities of Refining and Marketing.
[b] Innovene results for the years ended 31 December 2001 and 2002 are included within the results of Other businesses and corporate.

$ million

| IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2004** | IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2005** |
|---|---|---|---|---|---|---|---|---|---|
| 840 | 852 | 763 | 998 | **3,453** | 911 | 574 | 939 | (295) | **2,129** |
| 163 | 206 | 246 | 222 | **837** | 1,328 | 294 | 301 | 398 | **2,321** |
| 1,684 | 1,714 | 1,799 | 1,600 | **6,797** | 2,003 | 2,438 | 2,070 | 2,964 | **9,475** |
| 1,555 | 1,490 | 2,014 | 1,929 | **6,988** | 2,242 | 2,595 | 3,224 | 3,499 | **11,560** |
| 4,242 | 4,262 | 4,822 | 4,749 | **18,075** | 6,484 | 5,901 | 6,534 | 6,566 | **25,485** |
| (118) | (129) | (70) | (378) | **(695)** | (272) | (60) | 267 | (516) | **(581)** |
| 319 | 549 | 534 | 584 | **1,986** | 423 | 658 | 656 | (170) | **1,567** |
| 444 | 959 | 589 | 843 | **2,835** | 999 | 361 | 533 | 354 | **2,247** |
| 283 | 285 | 248 | 252 | **1,068** | 261 | 314 | 419 | 167 | **1,161** |
| 928 | 1,664 | 1,301 | 1,301 | **5,194** | 1,411 | 1,273 | 1,875 | (165) | **4,394** |
| 23 | (6) | (89) | 161 | **89** | 118 | 125 | (16) | (157) | **70** |
| (13) | (3) | (12) | (2) | **(30)** | 6 | (1) | (3) | (18) | **(16)** |
| 78 | 127 | 160 | 94 | **459** | 167 | 55 | 408 | 147 | **777** |
| 112 | 88 | (6) | 252 | **446** | 121 | 10 | (42) | 157 | **246** |
| 200 | 206 | 53 | 505 | **964** | 412 | 189 | 347 | 129 | **1,077** |
| (171) | (83) | (170) | 207 | **(217)** | (179) | (209) | (144) | (141) | **(673)** |
| 20 | (26) | 4 | (132) | **(134)** | 4 | 30 | 11 | (124) | **(79)** |
| (152) | (168) | (265) | (197) | **(782)** | (9) | (13) | (361) | (22) | **(405)** |
| 1,411 | (11) | (16) | (96) | **1,288** | 13 | 36 | (7) | (122) | **(80)** |
| 1,108 | (288) | (447) | (218) | **155** | (171) | (156) | (501) | (409) | **(1,237)** |
| 6,478 | 5,844 | 5,729 | 6,337 | **24,388** | 8,136 | 7,207 | 8,255 | 6,121 | **29,719** |
| (66) | (87) | (95) | 57 | **(191)** | (153) | (4) | (285) | 234 | **(208)** |
| 26 | 42 | 89 | 31 | **188** | 96 | 159 | 144 | 128 | **527** |
| 6,438 | 5,799 | 5,723 | 6,425 | **24,385** | 8,079 | 7,362 | 8,114 | 6,483 | **30,038** |
| (110) | (14) | (49) | (71) | **(244)** | (13) | 152 | (276) | 428 | **291** |
| 101 | 94 | 174 | (423) | **(54)** | 305 | 120 | (169) | (4) | **252** |
| (8) | (14) | (14) | (362) | **(398)** | 90 | 42 | (258) | (127) | **(253)** |
| (4) | 10 | (3) | (115) | **(112)** | – | 17 | (37) | 15 | **(5)** |
| (21) | 76 | 108 | (971) | **(808)** | 382 | 331 | (740) | 312 | **285** |
| (26) | (42) | (89) | (31) | **(188)** | (96) | (159) | (144) | (128) | **(527)** |
| (47) | 34 | 19 | (1,002) | **(996)** | 286 | 172 | (884) | 184 | **(242)** |
| 6,391 | 5,833 | 5,742 | 5,423 | **23,389** | 8,365 | 7,534 | 7,230 | 6,667 | **29,796** |
| 584 | 664 | 462 | 1,102 | **2,812** | 585 | 477 | 1,089 | (965) | **1,186** |
| 505 | 738 | 833 | 732 | **2,808** | 1,834 | 1,089 | 1,049 | 128 | **4,100** |
| 1,988 | 2,545 | 2,188 | 2,254 | **8,975** | 3,028 | 2,841 | 2,376 | 3,643 | **11,888** |
| 3,361 | 1,852 | 2,240 | 2,337 | **9,790** | 2,632 | 2,955 | 3,600 | 3,677 | **12,864** |
| 6,438 | 5,799 | 5,723 | 6,425 | **24,385** | 8,079 | 7,362 | 8,114 | 6,483 | **30,038** |

# Non-operating items by business

| | 2001 | 2002 | IFRS 2003 |
|---|---|---|---|
| Exploration and Production | | | |
| Impairment and gain (loss) on sale of businesses and fixed assets | 20 | (1,911) | 175 |
| Restructuring, integration and rationalization costs | (87) | (184) | (117) |
| Fair value gain (loss) on embedded derivatives | – | – | – |
| Other | (60) | (55) | – |
| | (127) | (2,150) | 58 |
| Refining and Marketing | | | |
| Impairment and gain (loss) on sale of businesses and fixed assets | 426 | 579 | (214) |
| Environmental charges and other provisions | – | – | (369) |
| Restructuring, integration and rationalization costs | (446) | (499) | (287) |
| Other | – | 100 | 10 |
| | (20) | 180 | (860) |
| Gas, Power and Renewables | | | |
| Impairment and gain (loss) on sale of businesses and fixed assets | – | 1,521 | (6) |
| Environmental charges and other provisions | – | – | – |
| Fair value gain (loss) on embedded derivatives | – | – | – |
| Other | – | – | – |
| | – | 1,521 | (6) |
| Other businesses and corporate | | | |
| Impairment and gain (loss) on sale of businesses and fixed assets | (86) | (411) | 139 |
| Environmental charges and other provisions | – | (46) | (213) |
| Restructuring, integration and rationalization costs | (228) | (91) | 5 |
| Fair value gain (loss) on embedded derivatives | – | – | – |
| Other[a] | – | (140) | 549 |
| | (314) | (688) | 480 |
| Subtotal | (461) | (1,137) | (328) |
| Bond/lease redemption charges | (62) | (15) | – |
| Total before taxation for continuing operations | (523) | (1,152) | (328) |
| Taxation credit (charge) | 224 | 494 | 94 |
| Total after taxation for continuing operations | (299) | (658) | (234) |
| Innovene operations | | | |
| Impairment and gain (loss) on sale of businesses and fixed assets | – | – | – |
| Restructuring, integration and rationalization costs | – | – | – |
| Other | – | – | – |
| Total before taxation for Innovene operations[b] | – | – | – |
| Taxation credit (charge) | – | – | – |
| Total after taxation for Innovene operations | – | – | – |
| Subtotal | (299) | (658) | (234) |
| Minority interest | – | 16 | – |
| Total after taxation for period | (299) | (642) | (234) |

[a] 2003 includes a credit of $648 million before tax, relating to a US medical plan.
[b] Includes the loss on remeasurement to fair value of $591 million recognized as $724 million loss in the third quarter and $133 million gain in the fourth quarter of 2005, impairment charges of $24 million and $35 million in the first and third quarters of 2005 respectively and a gain on disposal of $3 million in the fourth quarter of 2005.

$ million

| IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2004** | IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2005** |
|---|---|---|---|---|---|---|---|---|---|
| 25 | (274) | 16 | (236) | **(469)** | 940 | (3) | (106) | 62 | **893** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| – | – | – | – | **–** | (160) | (674) | (53) | (801) | **(1,688)** |
| – | – | (35) | 8 | **(27)** | – | 25 | 12 | (240) | **(203)** |
| 25 | (274) | (19) | (228) | **(496)** | 780 | (652) | (147) | (979) | **(998)** |
| (160) | 55 | (18) | (333) | **(456)** | (27) | 75 | (14) | 50 | **84** |
| – | – | (206) | – | **(206)** | – | – | (140) | – | **(140)** |
| – | – | – | (32) | **(32)** | – | – | – | – | **–** |
| – | – | – | – | **–** | – | (733) | – | – | **(733)** |
| (160) | 55 | (224) | (365) | **(694)** | (27) | (658) | (154) | 50 | **(789)** |
| – | – | 16 | 40 | **56** | 63 | 20 | (2) | (26) | **55** |
| – | – | – | – | **–** | – | – | 6 | – | **6** |
| – | – | – | – | **–** | 42 | 67 | 91 | (546) | **(346)** |
| – | – | – | – | **–** | – | – | – | 265 | **265** |
| – | – | 16 | 40 | **56** | 105 | 87 | 95 | (307) | **(20)** |
| 1,261 | (68) | (37) | 8 | **1,164** | – | 34 | 4 | – | **38** |
| – | – | (283) | – | **(283)** | – | 22 | (296) | (4) | **(278)** |
| 1 | – | (18) | (85) | **(102)** | (43) | (28) | (6) | (57) | **(134)** |
| – | – | – | – | **–** | (4) | (14) | 8 | (3) | **(13)** |
| – | – | – | 66 | **66** | – | 3 | – | – | **3** |
| 1,262 | (68) | (338) | (11) | **845** | (47) | 17 | (290) | (64) | **(384)** |
| 1,127 | (287) | (565) | (564) | **(289)** | 811 | (1,206) | (496) | (1,300) | **(2,191)** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| 1,127 | (287) | (565) | (564) | **(289)** | 811 | (1,206) | (496) | (1,300) | **(2,191)** |
| (341) | 87 | 171 | 166 | **83** | (255) | 384 | 167 | 421 | **717** |
| 786 | (200) | (394) | (398) | **(206)** | 556 | (822) | (329) | (879) | **(1,474)** |
| (4) | – | 1 | (1,109) | **(1,112)** | (24) | – | (35) | 3 | **(56)** |
| (1) | – | (1) | (5) | **(7)** | – | – | – | – | **–** |
| – | – | – | – | **–** | – | – | (724) | 133 | **(591)** |
| (5) | – | – | (1,114) | **(1,119)** | (24) | – | (759) | 136 | **(647)** |
| 2 | – | – | 251 | **253** | 10 | – | 167 | 190 | **367** |
| (3) | – | – | (863) | **(866)** | (14) | – | (592) | 326 | **(280)** |
| 783 | (200) | (394) | (1,261) | **(1,072)** | 542 | (822) | (921) | (553) | **(1,754)** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| 783 | (200) | (394) | (1,261) | **(1,072)** | 542 | (822) | (921) | (553) | **(1,754)** |

# Non-operating items by geographical area

| | 2001 | 2002 | IFRS 2003 |
|---|---|---|---|
| Exploration and Production | | | |
| UK | (82) | (600) | 526 |
| Rest of Europe | 8 | 13 | (30) |
| USA | (122) | (758) | (658) |
| Rest of World | 69 | (805) | 220 |
| | (127) | (2,150) | 58 |
| Refining and Marketing | | | |
| UK | (349) | (46) | (44) |
| Rest of Europe | (141) | (192) | (386) |
| USA | 191 | 462 | (431) |
| Rest of World | 279 | (44) | 1 |
| | (20) | 180 | (860) |
| Gas, Power and Renewables | | | |
| UK | – | 5 | – |
| Rest of Europe | – | 1,585 | – |
| USA | – | (69) | (6) |
| Rest of World | – | – | – |
| | – | 1,521 | (6) |
| Other businesses and corporate | | | |
| UK | (179) | (188) | (84) |
| Rest of Europe | (42) | 20 | (11) |
| USA[a] | 4 | (276) | 402 |
| Rest of World | (97) | (244) | 173 |
| | (314) | (688) | 480 |
| Subtotal | (461) | (1,137) | (328) |
| Bond/lease redemption charges | (62) | (15) | – |
| Total before taxation for continuing operations | (523) | (1,152) | (328) |
| Taxation credit (charge) | 224 | 494 | 94 |
| Total after taxation for continuing operations | (299) | (658) | (234) |
| Innovene operations | | | |
| UK | – | – | – |
| Rest of Europe | – | – | – |
| USA | – | – | – |
| Rest of World | – | – | – |
| Total before taxation for Innovene operations[b] | – | – | – |
| Taxation credit (charge) | – | – | – |
| Total after taxation for Innovene operations | – | – | – |
| Subtotal | (299) | (658) | (234) |
| Minority interest | – | 16 | – |
| Total after taxation for period | (299) | (642) | (234) |

[a] 2003 includes a credit of $648 million before tax, relating to a US medical plan.
[b] Includes the loss on remeasurement to fair value of $591 million recognized as $724 million loss in the third quarter and $133 million gain in the fourth quarter of 2005, impairment charges of $24 million and $35 million in the first and third quarters of 2005 respectively and a gain on disposal of $3 million in the fourth quarter of 2005.

$ million

| IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2004** | IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2005** |
|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (15) | **(21)** | (290) | (678) | (53) | (975) | **(1,996)** |
| – | – | (1) | – | **(1)** | 1,027 | 3 | – | 6 | **1,036** |
| (19) | (117) | 31 | (268) | **(373)** | (1) | (3) | (106) | (121) | **(231)** |
| 45 | (155) | (46) | 55 | **(101)** | 44 | 26 | 12 | 111 | **193** |
| 25 | (274) | (19) | (228) | **(496)** | 780 | (652) | (147) | (979) | **(998)** |
| (36) | (58) | (25) | (411) | **(530)** | 8 | (23) | (3) | (8) | **(26)** |
| (37) | 73 | (46) | (25) | **(35)** | 1 | (12) | (53) | (33) | **(97)** |
| (5) | 7 | (143) | 89 | **(52)** | 5 | (634) | (96) | 118 | **(607)** |
| (82) | 33 | (10) | (18) | **(77)** | (41) | 11 | (2) | (27) | **(59)** |
| (160) | 55 | (224) | (365) | **(694)** | (27) | (658) | (154) | 50 | **(789)** |
| – | – | – | – | **–** | 105 | 66 | 90 | (306) | **(45)** |
| – | – | – | (1) | **(1)** | – | – | – | – | **–** |
| – | – | – | 1 | **1** | – | 21 | 5 | – | **26** |
| – | – | 16 | 40 | **56** | – | – | – | (1) | **(1)** |
| – | – | 16 | 40 | **56** | 105 | 87 | 95 | (307) | **(20)** |
| (3) | 4 | (44) | (87) | **(130)** | (42) | (6) | (6) | (57) | **(111)** |
| 1 | (1) | (54) | (12) | **(66)** | (1) | 12 | – | – | **11** |
| (126) | (70) | (251) | 100 | **(347)** | (4) | 11 | (284) | (7) | **(284)** |
| 1,390 | (1) | 11 | (12) | **1,388** | – | – | – | – | **–** |
| 1,262 | (68) | (338) | (11) | **845** | (47) | 17 | (290) | (64) | **(384)** |
| 1,127 | (287) | (565) | (564) | **(289)** | 811 | (1,206) | (496) | (1,300) | **(2,191)** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| 1,127 | (287) | (565) | (564) | **(289)** | 811 | (1,206) | (496) | (1,300) | **(2,191)** |
| (341) | 87 | 171 | 166 | **83** | (255) | 384 | 167 | 421 | **717** |
| 786 | (200) | (394) | (398) | **(206)** | 556 | (822) | (329) | (879) | **(1,474)** |
| (5) | – | – | (218) | **(223)** | (24) | – | (301) | 242 | **(83)** |
| – | – | – | (427) | **(427)** | – | – | (224) | (49) | **(273)** |
| – | – | – | (355) | **(355)** | – | – | (208) | (51) | **(259)** |
| – | – | – | (114) | **(114)** | – | – | (26) | (6) | **(32)** |
| (5) | – | – | (1,114) | **(1,119)** | (24) | – | (759) | 136 | **(647)** |
| 2 | – | – | 251 | **253** | 10 | – | 167 | 190 | **367** |
| (3) | – | – | (863) | **(866)** | (14) | – | (592) | 326 | **(280)** |
| 783 | (200) | (394) | (1,261) | **(1,072)** | 542 | (822) | (921) | (553) | **(1,754)** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| 783 | (200) | (394) | (1,261) | **(1,072)** | 542 | (822) | (921) | (553) | **(1,754)** |

## Depreciation of fixed asset revaluation adjustment by business and geographical area[a b]

| | 2001 | 2002 | IFRS 2003 |
|---|---|---|---|
| Exploration and Production | | | |
| UK | 55 | 66 | 38 |
| USA | 1,058 | 596 | 528 |
| Rest of World | 102 | 103 | 56 |
| | 1,215 | 765 | 622 |
| Refining and Marketing | | | |
| USA | 124 | 130 | 102 |
| | 124 | 130 | 102 |
| Gas, Power and Renewables | | | |
| USA | – | – | 22 |
| | – | – | 22 |
| | 1,339 | 895 | 746 |

[a] Relates to the revaluation adjustment consequent upon the ARCO acquisition.
[b] Excludes impairment of the revaluation adjustment, which is included in non-operating items.

## Amortization of goodwill by business and geographical area[a]

| | 2001 | 2002 | IFRS 2003 |
|---|---|---|---|
| Exploration and Production | | | |
| UK | 96 | 96 | – |
| USA | 472 | 482 | – |
| Rest of World | 32 | 32 | – |
| | 600 | 610 | – |
| Refining and Marketing | | | |
| UK | 394 | 410 | – |
| USA | 252 | 254 | – |
| | 646 | 664 | – |
| | 1,246 | 1,274 | – |

[a] Amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions.

$ million

| IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2004** | IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2005** |
|---|---|---|---|---|---|---|---|---|---|
| 11 | 8 | 6 | 9 | **34** | 8 | 12 | 6 | 7 | **33** |
| 93 | 90 | 98 | 81 | **362** | 76 | 70 | 64 | 62 | **272** |
| 6 | 6 | 4 | 3 | **19** | 5 | 3 | 5 | 5 | **18** |
| 110 | 104 | 108 | 93 | **415** | 89 | 85 | 75 | 74 | **323** |
| 25 | 26 | 25 | 26 | **102** | 25 | 26 | 25 | 26 | **102** |
| 25 | 26 | 25 | 26 | **102** | 25 | 26 | 25 | 26 | **102** |
| 6 | 5 | 6 | 5 | **22** | 6 | 5 | 6 | 5 | **22** |
| 6 | 5 | 6 | 5 | **22** | 6 | 5 | 6 | 5 | **22** |
| 141 | 135 | 139 | 124 | **539** | 120 | 116 | 106 | 105 | **447** |

$ million

| IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2004** | IFRS Q1 | IFRS Q2 | IFRS Q3 | IFRS Q4 | **IFRS 2005** |
|---|---|---|---|---|---|---|---|---|---|
| – | – | – | – | **–** | – | – | – | – | **–** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| – | – | – | – | **–** | – | – | – | – | **–** |
| – | – | – | – | **–** | – | – | – | – | **–** |

## Sales and other operating revenues

$ million

| BY BUSINESS | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Exploration and Production | 27,540 | 25,083 | 30,621 | 34,700 | 47,210 |
| Refining and Marketing | 114,135 | 121,908 | 147,813 | 176,240 | 219,995 |
| Gas, Power and Renewables | 22,906 | 16,490 | 22,984 | 26,220 | 28,700 |
| Other businesses and corporate | 12,005 | 12,548 | 515 | 546 | 668 |
| Sales by continuing operations | 176,586 | 176,029 | 201,933 | 237,706 | 296,573 |
| Less | | | | | |
| Sales between businesses | 28,084 | 26,355 | 26,214 | 29,604 | 35,318 |
| Sales to Innovene operations | – | – | 6,278 | 8,226 | 11,790 |
| Third party sales of continuing operations | 148,502 | 149,674 | 169,441 | 199,876 | 249,465 |
| Innovene sales | – | – | 13,463 | 17,448 | 20,627 |
| Less sales to continuing operations | – | – | 4,501 | 6,169 | 8,251 |
| Third party sales of Innovene operations | – | – | 8,962 | 11,279 | 12,376 |
| Total third party sales | 148,502 | 149,674 | 178,403 | 211,155 | 261,841 |
| **BY GEOGRAPHICAL AREA** | | | | | |
| UK[a] | 41,245 | 38,958 | 35,546 | 60,151 | 96,134 |
| Rest of Europe | 36,701 | 46,518 | 42,033 | 44,858 | 64,305 |
| USA | 71,927 | 67,206 | 79,443 | 87,200 | 103,185 |
| Rest of World | 27,337 | 28,319 | 37,782 | 47,862 | 59,628 |
| | 177,210 | 181,001 | 194,804 | 240,071 | 323,252 |
| Less | | | | | |
| Sales between areas | 28,708 | 31,327 | 19,085 | 31,969 | 61,997 |
| Sales to Innovene operations | – | – | 6,278 | 8,226 | 11,790 |
| | 148,502 | 149,674 | 169,441 | 199,876 | 249,465 |

[a] UK area includes the UK-based international activities of Refining and Marketing.

## Taxation

$ million

| | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Production and similar taxes provided for | | | | | |
| UK | 600 | 309 | 300 | 335 | 495 |
| Overseas | 1,089 | 965 | 1,423 | 1,814 | 2,515 |
| | 1,689 | 1,274 | 1,723 | 2,149 | 3,010 |
| Production and similar taxes paid | | | | | |
| UK | 410 | 231 | 424 | 498 | 640 |
| Overseas | 1,114 | 930 | 1,386 | 1,709 | 2,327 |
| | 1,524 | 1,161 | 1,810 | 2,207 | 2,967 |
| Tax on profit from continuing operations | | | | | |
| Current tax charge[a] | | | | | |
| UK | 988 | 1,003 | 1,142 | 1,839 | 880 |
| Overseas | 3,846 | 1,883 | 3,581 | 5,022 | 7,744 |
| Group | 4,834 | 2,886 | 4,723 | 6,861 | 8,624 |
| Jointly controlled entities[b] | 94 | 75 | – | – | – |
| Associates[b] | 203 | 187 | – | – | – |
| | 5,131 | 3,148 | 4,723 | 6,861 | 8,624 |
| Deferred tax charge[c] | | | | | |
| UK | (48) | 390 | 289 | (218) | (489) |
| Overseas | 1,292 | 779 | 38 | 439 | 1,338 |
| | 1,244 | 1,169 | 327 | 221 | 849 |
| Total tax on profit from continuing operations[c] | 6,375 | 4,317 | 5,050 | 7,082 | 9,473 |
| Effective tax rates[d] on | | | | | |
| Replacement cost profit for the year | 43% | 43% | 29% | 30% | 32% |
| Profit for the year | 49% | 39% | 28% | 28% | 30% |
| Income taxes paid | 4,660 | 3,094 | 4,804 | 6,388 | 9,028 |

[a] The data for 2001 and 2002 relates to current tax on profit for total operations. The data for 2003, 2004 and 2005 relates to current tax on profit on continuing operations.
[b] The data for 2001 and 2002 includes the group's share of current tax relating to jointly controlled entities and associates. Under IFRS, the results of jointly controlled entities and associates for 2003, 2004 and 2005 are included in the income statement net of tax.
[c] The data for 2001 and 2002 relates to deferred tax for total operations. The data for 2003, 2004 and 2005 relates to deferred tax for continuing operations.
[d] The data for 2001 and 2002 relates to total operations. The data for 2003, 2004 and 2005 relates to continuing operations.

# Depreciation, depletion and amortization

$ million

| BY BUSINESS | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Exploration and Production[a] | | | | | |
| UK | 1,397 | 1,506 | 1,612 | 1,642 | 1,663 |
| Rest of Europe | 115 | 154 | 168 | 184 | 228 |
| USA | 3,147 | 2,952 | 2,627 | 2,407 | 2,426 |
| Rest of World | 946 | 989 | 1,132 | 1,350 | 1,716 |
| | 5,605 | 5,601 | 5,539 | 5,583 | 6,033 |
| Refining and Marketing[a] | | | | | |
| UK[b] | 589 | 641 | 252 | 318 | 316 |
| Rest of Europe | 303 | 554 | 606 | 645 | 687 |
| USA | 1,394 | 1,396 | 1,063 | 1,238 | 1,082 |
| Rest of World | 214 | 224 | 277 | 331 | 297 |
| | 2,500 | 2,815 | 2,198 | 2,532 | 2,382 |
| Gas, Power and Renewables[a] | | | | | |
| UK | 6 | 4 | 34 | 37 | 47 |
| Rest of Europe | 3 | 4 | 22 | 24 | 20 |
| USA | 60 | 62 | 69 | 88 | 109 |
| Rest of World | 22 | 29 | 35 | 69 | 59 |
| | 91 | 99 | 160 | 218 | 235 |
| Other businesses and corporate | | | | | |
| UK | 165 | 225 | 294 | 251 | 203 |
| Rest of Europe | 92 | 155 | 166 | 204 | 130 |
| USA | 173 | 161 | 205 | 199 | 187 |
| Rest of World | 57 | 71 | 43 | 25 | 13 |
| | 487 | 612 | 708 | 679 | 533 |
| **BY GEOGRAPHICAL AREA** | | | | | |
| UK[b] | 2,157 | 2,376 | 2,192 | 2,248 | 2,229 |
| Rest of Europe | 513 | 867 | 962 | 1,057 | 1,065 |
| USA | 4,774 | 4,571 | 3,964 | 3,932 | 3,804 |
| Rest of World | 1,239 | 1,313 | 1,487 | 1,775 | 2,085 |
| Total[c] | 8,683 | 9,127 | 8,605 | 9,012 | 9,183 |
| Innovene operations | – | – | (529) | (483) | (412) |
| Continuing operations | 8,683 | 9,127 | 8,076 | 8,529 | 8,771 |
| [a]Depreciation of the fixed asset revaluation adjustment consequent upon the ARCO acquisition | | | | | |
| Exploration and Production | 1,215 | 765 | 622 | 415 | 323 |
| Refining and Marketing | 124 | 130 | 102 | 102 | 102 |
| Gas, Power and Renewables | – | – | 22 | 22 | 22 |

[b]UK area includes the UK-based international activities of Refining and Marketing.
[c]Excludes impairments, which are included in non-operating items.

# Group balance sheet

$ million

| | 2001 | 2002 | IFRS 1 January 2003 | IFRS 31 December 2003 | IFRS 31 December 2004 | IFRS post-IAS 39 1 January 2005 | IFRS 31 December 2005 |
|---|---|---|---|---|---|---|---|
| Non-current assets | | | | | | | |
| Property, plant and equipment[a] | 77,410 | 87,682 | 84,943 | 88,607 | 93,092 | 93,092 | 85,947 |
| Goodwill[a] | 9,971 | 10,438 | 10,440 | 10,592 | 10,857 | 10,857 | 10,371 |
| Intangible assets[a] | 6,518 | 5,128 | 5,127 | 4,471 | 4,205 | 4,205 | 4,772 |
| Investments in jointly controlled entities[a] | 3,861 | 4,031 | 5,596 | 12,909 | 14,556 | 14,556 | 13,556 |
| Investments in associates | 5,433 | 4,626 | 4,514 | 4,868 | 5,486 | 5,486 | 6,217 |
| Other investments | 2,403 | 1,995 | 1,995 | 1,452 | 394 | 811 | 967 |
| Fixed assets | 105,596 | 113,900 | 112,615 | 122,899 | 128,590 | 129,007 | 121,830 |
| Loans and other receivables | 4,681 | 2,346 | 2,548 | 2,838 | 2,492 | 3,146 | 6,512 |
| Defined benefit pension plan surplus | – | 388 | 554 | 1,680 | 2,105 | 2,105 | 3,282 |
| | 110,277 | 116,634 | 115,717 | 127,417 | 133,187 | 134,258 | 131,624 |
| Current assets | | | | | | | |
| Inventories | 7,631 | 10,181 | 10,155 | 11,597 | 15,645 | 15,645 | 19,760 |
| Trade and other receivables | 21,653 | 26,811 | 26,793 | 31,329 | 44,280 | 44,956 | 52,358 |
| Current tax receivable | 335 | 94 | 94 | 92 | 159 | 159 | 212 |
| Cash and cash equivalents | 1,808 | 1,735 | 1,716 | 2,056 | 1,359 | 1,359 | 2,960 |
| | 31,427 | 38,821 | 38,758 | 45,074 | 61,443 | 62,119 | 75,290 |
| Total assets | 141,704 | 155,455 | 154,475 | 172,491 | 194,630 | 196,377 | 206,914 |
| Current liabilities | | | | | | | |
| Trade and other payables | 25,068 | 32,795 | 31,154 | 36,151 | 48,096 | 48,738 | 57,189 |
| Finance debt | 9,090 | 10,086 | 10,086 | 9,456 | 10,184 | 10,184 | 8,932 |
| Current tax payable | 3,456 | 3,420 | 3,420 | 3,441 | 4,131 | 4,131 | 4,274 |
| Provisions | 847 | 716 | 716 | 735 | 715 | 715 | 1,102 |
| | 38,461 | 47,017 | 45,376 | 49,783 | 63,126 | 63,768 | 71,497 |
| Non-current liabilities | | | | | | | |
| Other payables | 3,054 | 3,412 | 3,361 | 5,838 | 4,438 | 5,751 | 8,795 |
| Finance debt | 12,327 | 11,922 | 11,922 | 12,869 | 12,907 | 13,054 | 10,230 |
| Deferred tax liabilities | 11,702 | 13,514 | 15,045 | 16,051 | 16,701 | 16,589 | 16,443 |
| Provisions | 10,419 | 7,120 | 7,120 | 7,864 | 8,884 | 8,884 | 9,954 |
| Defined benefit pension plan and other post-retirement benefit plan deficits | – | 7,998 | 10,784 | 9,822 | 10,339 | 10,339 | 9,230 |
| | 37,502 | 43,966 | 48,232 | 52,444 | 53,269 | 54,617 | 54,652 |
| Total liabilities | 75,963 | 90,983 | 93,608 | 102,227 | 116,395 | 118,385 | 126,149 |
| Net assets | 65,741 | 64,472 | 60,867 | 70,264 | 78,235 | 77,992 | 80,765 |
| Equity | | | | | | | |
| Share capital | 5,629 | 5,616 | 5,616 | 5,552 | 5,403 | 5,403 | 5,185 |
| Share premium account | 3,590 | 3,794 | 3,794 | 3,957 | 5,636 | 5,636 | 7,371 |
| Capital redemption reserve | 424 | 449 | 449 | 523 | 730 | 730 | 749 |
| Merger reserve | 26,983 | 27,033 | 27,033 | 27,077 | 27,162 | 27,162 | 27,190 |
| Other reserves | 223 | 173 | 173 | 129 | 44 | 44 | 16 |
| Shares held by ESOP[b] trusts | (266) | (159) | (159) | (96) | (82) | (82) | (140) |
| Treasury shares | – | – | – | – | – | – | (10,598) |
| Available-for-sale investments | – | – | – | – | – | 230 | 385 |
| Cash flow hedges | – | – | – | – | – | (118) | (234) |
| Foreign currency translation reserve | – | – | – | 3,619 | 5,616 | 5,616 | 2,943 |
| Retained earnings | 28,560 | 26,928 | 23,323 | 28,378 | 32,383 | 32,028 | 47,109 |
| BP shareholders' equity | 65,143 | 63,834 | 60,229 | 69,139 | 76,892 | 76,649 | 79,976 |
| Minority interest | 598 | 638 | 638 | 1,125 | 1,343 | 1,343 | 789 |
| Total equity | 65,741 | 64,472 | 60,867 | 70,264 | 78,235 | 77,992 | 80,765 |
| [a]Revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions | | | | | | | |
| Property, plant and equipment | 6,787 | 5,804 | 5,804 | 3,983 | 3,520 | 3,520 | 3,072 |
| Goodwill | 10,467 | 9,527 | 9,527 | 9,890 | 10,180 | 10,180 | 9,778 |
| Intangible assets | 1,196 | 912 | 912 | 589 | 241 | 241 | 241 |
| Investments in jointly controlled entities | 432 | 429 | 429 | 254 | 232 | 232 | 210 |
| | 18,882 | 16,672 | 16,672 | 14,716 | 14,173 | 14,173 | 13,301 |

[b]Employee Share Ownership Plan.

# Operating capital employed[a]

| BY BUSINESS | 2001 | 2002 | IFRS 1 January 2003 | IFRS 31 December 2003 | IFRS 31 December 2004 | IFRS post-IAS 39 1 January 2005 | IFRS 31 December 2005 |
|---|---|---|---|---|---|---|---|
| | | | | | | | $ million |
| Exploration and Production[b] | | | | | | | |
| UK | 9,608 | 8,819 | 8,819 | 8,729 | 8,803 | 7,766 | 5,924 |
| Rest of Europe | 1,049 | 1,452 | 1,452 | 1,476 | 1,558 | 1,558 | 1,451 |
| USA | 24,598 | 24,426 | 24,240 | 23,308 | 24,345 | 24,465 | 25,443 |
| Rest of World | 19,488 | 22,164 | 22,029 | 25,816 | 30,485 | 30,485 | 35,871 |
| | 54,743 | 56,861 | 56,540 | 59,329 | 65,191 | 64,274 | 68,689 |
| Refining and Marketing[b] | | | | | | | |
| UK[c] | 3,037 | 3,024 | 2,878 | 3,471 | 3,485 | 3,491 | 3,696 |
| Rest of Europe | 3,195 | 10,010 | 10,005 | 10,701 | 12,543 | 12,590 | 11,588 |
| USA | 12,362 | 13,797 | 13,006 | 13,481 | 15,047 | 15,047 | 16,973 |
| Rest of World | 4,805 | 5,335 | 5,531 | 6,431 | 7,212 | 7,353 | 7,522 |
| | 23,399 | 32,166 | 31,420 | 34,084 | 38,287 | 38,481 | 39,779 |
| Gas, Power and Renewables[b] | | | | | | | |
| UK | 469 | 438 | 420 | 786 | 880 | 1,219 | 241 |
| Rest of Europe | 933 | 386 | 386 | 418 | 463 | 568 | 542 |
| USA | 1,060 | 1,044 | 1,510 | 2,130 | 2,122 | 2,143 | 2,990 |
| Rest of World | 880 | 1,054 | 1,077 | 1,427 | 1,868 | 1,865 | 1,769 |
| | 3,342 | 2,922 | 3,393 | 4,761 | 5,333 | 5,795 | 5,542 |
| Other businesses and corporate | | | | | | | |
| UK | 2,477 | 2,357 | 3,806 | 3,700 | 6,560 | 6,637 | 5,187 |
| Rest of Europe | 2,058 | (1,441) | (1,441) | (2,067) | (1,661) | (1,661) | (4,268) |
| USA | 632 | (2,028) | (1,822) | 256 | (2,306) | (2,331) | (3,953) |
| Rest of World | 4,454 | (584) | (799) | 1,695 | 290 | 290 | (137) |
| | 9,621 | (1,696) | (256) | 3,584 | 2,883 | 2,935 | (3,171) |
| Consolidation adjustment | – | – | (300) | (361) | (552) | (552) | (778) |
| | 91,105 | 90,253 | 90,797 | 101,397 | 111,142 | 110,933 | 110,061 |
| **BY GEOGRAPHICAL AREA** | | | | | | | |
| UK[c] | 15,591 | 14,638 | 15,923 | 16,686 | 19,728 | 19,113 | 15,023 |
| Rest of Europe | 7,235 | 10,407 | 10,402 | 10,528 | 12,903 | 13,055 | 9,313 |
| USA | 38,652 | 37,239 | 36,634 | 38,814 | 38,656 | 38,772 | 40,722 |
| Rest of World | 29,627 | 27,969 | 27,838 | 35,369 | 39,855 | 39,993 | 45,003 |
| Total operating capital employed | 91,105 | 90,253 | 90,797 | 101,397 | 111,142 | 110,933 | 110,061 |
| Liabilities for current and deferred taxation | (14,815) | (14,211) | (18,362) | (19,400) | (20,673) | (20,560) | (20,505) |
| Goodwill | 10,868 | 10,438 | 10,440 | 10,592 | 10,857 | 10,857 | 10,371 |
| Capital employed | 87,158 | 86,480 | 82,875 | 92,589 | 101,326 | 101,230 | 99,927 |
| Financed by | | | | | | | |
| Finance debt | 21,417 | 22,008 | 22,008 | 22,325 | 23,091 | 23,238 | 19,162 |
| Minority interest | 598 | 638 | 638 | 1,125 | 1,343 | 1,343 | 789 |
| BP shareholders' interest | 65,143 | 63,834 | 60,229 | 69,139 | 76,892 | 76,649 | 79,976 |
| Capital employed | 87,158 | 86,480 | 82,875 | 92,589 | 101,326 | 101,230 | 99,927 |

[a]Operating capital employed is total assets (excluding goodwill) less total liabilities, excluding finance debt and current and deferred taxation.

| [b]Operating capital employed revaluation adjustment consequent upon the ARCO and Burmah Castrol acquisitions | 2001 | 2002 | IFRS 1 January 2003 | IFRS 31 December 2003 | IFRS 31 December 2004 | IFRS post-IAS 39 1 January 2005 | IFRS 31 December 2005 |
|---|---|---|---|---|---|---|---|
| Exploration and Production | 6,525 | 5,366 | 5,366 | 3,222 | 2,514 | 2,514 | 2,180 |
| Refining and Marketing | 1,890 | 1,779 | 1,502 | 1,349 | 1,247 | 1,247 | 1,134 |
| Gas, Power and Renewables | – | – | 277 | 255 | 232 | 232 | 209 |
| | 8,415 | 7,145 | 7,145 | 4,826 | 3,993 | 3,993 | 3,523 |

[c]UK area includes the UK-based international activities of Refining and Marketing.

# Fixed assets – property, plant and equipment

$ million

| NET BOOK AMOUNT BY BUSINESS | 2001 | 2002 | IFRS 1 January 2003 | IFRS 31 December 2003 | IFRS 31 December 2004 | IFRS post-IAS 39 1 January 2005 | IFRS 31 December 2005 |
|---|---|---|---|---|---|---|---|
| Exploration and Production[a] | | | | | | | |
| UK | 11,573 | 11,827 | 11,827 | 11,418 | 11,783 | 11,783 | 10,972 |
| Rest of Europe | 1,030 | 1,438 | 1,438 | 1,594 | 1,985 | 1,985 | 1,727 |
| USA | 24,489 | 25,789 | 25,342 | 25,170 | 25,797 | 25,797 | 27,173 |
| Rest of World | 10,800 | 12,846 | 12,437 | 14,426 | 17,018 | 17,018 | 19,852 |
| | 47,892 | 51,900 | 51,044 | 52,608 | 56,583 | 56,583 | 59,724 |
| Refining and Marketing[a] | | | | | | | |
| UK | 2,529 | 2,719 | 2,561 | 2,874 | 2,586 | 2,586 | 2,199 |
| Rest of Europe | 3,040 | 8,472 | 7,004 | 7,626 | 8,177 | 8,177 | 6,914 |
| USA | 11,491 | 11,402 | 10,967 | 10,993 | 10,763 | 10,763 | 10,323 |
| Rest of World | 2,831 | 3,216 | 3,127 | 3,599 | 3,402 | 3,402 | 3,251 |
| | 19,891 | 25,809 | 23,659 | 25,092 | 24,928 | 24,928 | 22,687 |
| Gas, Power and Renewables | | | | | | | |
| UK | 473 | 377 | 377 | 460 | 610 | 610 | 108 |
| Rest of Europe | 104 | 132 | 132 | 148 | 155 | 155 | 125 |
| USA | 697 | 770 | 880 | 1,006 | 1,009 | 1,009 | 1,011 |
| Rest of World | 646 | 598 | 599 | 720 | 697 | 697 | 700 |
| | 1,920 | 1,877 | 1,988 | 2,334 | 2,471 | 2,471 | 1,944 |
| Other businesses and corporate | | | | | | | |
| UK | 2,661 | 2,954 | 2,954 | 3,152 | 3,222 | 3,222 | 856 |
| Rest of Europe | 1,412 | 1,584 | 1,584 | 1,873 | 2,575 | 2,575 | 1 |
| USA | 3,177 | 3,089 | 3,089 | 3,004 | 3,049 | 3,049 | 723 |
| Rest of World | 457 | 469 | 625 | 544 | 264 | 264 | 12 |
| | 7,707 | 8,096 | 8,252 | 8,573 | 9,110 | 9,110 | 1,592 |
| **NET BOOK AMOUNT BY GEOGRAPHICAL AREA** | | | | | | | |
| UK | 17,236 | 17,877 | 17,719 | 17,904 | 18,201 | 18,201 | 14,135 |
| Rest of Europe | 5,586 | 11,626 | 10,158 | 11,241 | 12,892 | 12,892 | 8,767 |
| USA | 39,854 | 41,050 | 40,278 | 40,173 | 40,618 | 40,618 | 39,230 |
| Rest of World | 14,734 | 17,129 | 16,788 | 19,289 | 21,381 | 21,381 | 23,815 |
| | 77,410 | 87,682 | 84,943 | 88,607 | 93,092 | 93,092 | 85,947 |
| **COST AND ACCUMULATED DEPRECIATION** | | | | | | | |
| Exploration and Production | | | | | | | |
| Cost | | | | | | | 122,142 |
| Accumulated depreciation | | | | | | | (62,418) |
| | | | | | | | 59,724 |
| Refining and Marketing | | | | | | | |
| Cost | | | | | | | 45,398 |
| Accumulated depreciation | | | | | | | (22,711) |
| | | | | | | | 22,687 |
| Gas, Power and Renewables | | | | | | | |
| Cost | | | | | | | 3,423 |
| Accumulated depreciation | | | | | | | (1,479) |
| | | | | | | | 1,944 |
| Other businesses and corporate | | | | | | | |
| Cost | | | | | | | 2,350 |
| Accumulated depreciation | | | | | | | (758) |
| | | | | | | | 1,592 |
| | | | | | | | 85,947 |
| [a]Fixed asset revaluation adjustment consequent upon the ARCO and Burmah Castrol acquisitions | | | | | | | |
| Exploration and Production | 5,177 | 4,302 | 4,302 | 2,634 | 2,273 | 2,273 | 1,939 |
| Refining and Marketing | 1,610 | 1,502 | 1,502 | 1,349 | 1,247 | 1,247 | 1,134 |
| | 6,787 | 5,804 | 5,804 | 3,983 | 3,520 | 3,520 | 3,073 |

# Working capital

$ million

| INVENTORIES, RECEIVABLES AND PAYABLES | 2001 | 2002 | IFRS 1 January 2003 | IFRS 31 December 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|---|
| Inventories | 6,697 | 7,779 | 7,753 | 8,729 | 11,837 | 16,321 |
| Supplies | 934 | 893 | 893 | 938 | 911 | 919 |
| | 7,631 | 8,672 | 8,646 | 9,667 | 12,748 | 17,240 |
| Trading inventories[a] | – | 1,509 | 1,509 | 1,930 | 2,897 | 2,520 |
| | 7,631 | 10,181 | 10,155 | 11,597 | 15,645 | 19,760 |
| Current receivables | | | | | | |
| Trade and other receivables | 15,436 | 18,798 | 18,780 | 23,449 | 30,657 | 33,565 |
| Jointly controlled entities | 32 | 70 | 70 | 122 | 886 | 1,345 |
| Associates | 236 | 282 | 282 | 337 | 210 | 186 |
| Prepayments and accrued income | 2,143 | 2,716 | 2,716 | 3,448 | 7,181 | 11,456 |
| Current tax receivable | 335 | 94 | 94 | 92 | 159 | 212 |
| Other | 3,806 | 4,945 | 4,945 | 3,973 | 5,346 | 5,806 |
| | 21,988 | 26,905 | 26,887 | 31,421 | 44,439 | 52,570 |
| Non-current receivables | | | | | | |
| Associates | 49 | 96 | 96 | 53 | 23 | – |
| Prepayments and accrued income | 789 | 1,771 | 1,970 | 957 | 354 | 1,269 |
| Tax receivable | 8 | 9 | 9 | – | – | – |
| Pension prepayment | 3,417 | – | – | – | – | – |
| Other | 418 | 470 | 473 | 1,828 | 2,115 | 5,243 |
| | 4,681 | 2,346 | 2,548 | 2,838 | 2,492 | 6,512 |
| Current payables | | | | | | |
| Trade | 13,129 | 17,454 | 17,210 | 20,830 | 27,471 | 28,614 |
| Jointly controlled entities | 21 | 22 | 22 | 126 | 637 | 251 |
| Associates | 268 | 287 | 287 | 322 | 865 | 627 |
| Production and similar taxes | 254 | 421 | 421 | 421 | 517 | 763 |
| Current tax payable | 3,456 | 3,420 | 3,420 | 3,441 | 4,131 | 4,274 |
| Social security | 63 | 81 | 81 | 96 | 122 | 78 |
| Accruals and deferred income | 4,843 | 5,763 | 5,763 | 6,411 | 9,556 | 15,053 |
| Dividends | 1,289 | 1,398 | 1 | 1 | 1 | 1 |
| Other | 5,201 | 7,369 | 7,369 | 7,944 | 8,927 | 11,802 |
| | 28,524 | 36,215 | 34,574 | 39,592 | 52,227 | 61,463 |
| Non-current payables | | | | | | |
| Associates | 4 | 12 | 12 | 4 | 5 | – |
| Production and similar taxes | 1,346 | 1,455 | 1,455 | 1,544 | 1,520 | 1,281 |
| Accruals and deferred income | 1,029 | 1,002 | 950 | 1,208 | 857 | 6,860 |
| Other | 675 | 943 | 944 | 3,082 | 2,056 | 654 |
| | 3,054 | 3,412 | 3,361 | 5,838 | 4,438 | 8,795 |

[a]Trading inventories are included in inventories for 2001.

# Group cash flow statement

| $ million | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Operating activities | | | | | |
| Profit before taxation from continuing operations | 12,992 | 11,189 | 17,731 | 24,966 | 31,921 |
| Adjustments to reconcile profits before taxation to net cash provided by operating activities | | | | | |
| Exploration expenditure written off | 238 | 385 | 297 | 274 | 305 |
| Depreciation, depletion and amortization | 8,683 | 9,127 | 8,076 | 8,529 | 8,771 |
| Impairment and (gain) loss on sale of businesses and fixed assets | (362) | 108 | (94) | (295) | (1,070) |
| Earnings from jointly controlled entities and associates | (1,194) | (966) | (1,214) | (2,280) | (3,543) |
| Dividends received from jointly controlled entities and associates | 632 | 566 | 548 | 2,199 | 2,833 |
| Interest receivable | (346) | (256) | (212) | (284) | (479) |
| Interest received | 256 | 231 | 186 | 331 | 401 |
| Finance costs | 1,432 | 1,067 | 513 | 440 | 616 |
| Interest paid | (1,282) | (1,204) | (1,007) | (698) | (1,127) |
| Other finance expense | 238 | 73 | 532 | 340 | 145 |
| Share-based payments | – | – | 208 | 224 | 278 |
| Net operating charge for pensions and other post-retirement benefits, less contributions | – | (39) | (2,913) | (84) | (435) |
| Net charge for provisions, less payments | (191) | (253) | 171 | (110) | 600 |
| (Increase) decrease in inventories | 1,490 | (1,521) | (657) | (3,182) | (6,638) |
| (Increase) decrease in other current and non-current assets | 1,989 | (2,367) | (2,981) | (10,225) | (16,427) |
| Increase (decrease) in other current and non-current liabilities | (2,428) | 2,897 | 1,575 | 10,290 | 18,628 |
| Income taxes paid | (4,660) | (3,094) | (4,804) | (6,388) | (9,028) |
| Net cash provided by operating activities of continuing operations | 17,487 | 15,943 | 15,955 | 24,047 | 25,751 |
| Net cash provided by (used in) operating activities of Innovene operations[a] | – | – | 348 | (669) | 970 |
| Net cash provided by operating activities | 17,487 | 15,943 | 16,303 | 23,378 | 26,721 |
| Investing activities | | | | | |
| Capital expenditures | (12,181) | (12,098) | (11,885) | (12,286) | (12,281) |
| Acquisitions, net of cash acquired | (1,210) | (4,324) | (211) | (1,503) | (60) |
| Investment in jointly controlled entities | (497) | (354) | (2,630) | (1,648) | (185) |
| Investment in associates | (586) | (971) | (987) | (942) | (619) |
| Proceeds from disposal of property, plant and equipment | 2,185 | 2,415 | 6,177 | 4,236 | 2,803 |
| Proceeds from disposal of businesses | 538 | 4,312 | 179 | 725 | 8,397 |
| Proceeds from loan repayments | 180 | 55 | 76 | 87 | 123 |
| Other | – | – | – | – | 93 |
| Net cash used in investing activities | (11,571) | (10,965) | (9,281) | (11,331) | (1,729) |
| Financing activities | | | | | |
| Net repurchase of shares | (1,133) | (573) | (1,889) | (7,208) | (11,315) |
| Proceeds from long-term financing | 1,296 | 3,707 | 4,322 | 2,675 | 2,475 |
| Repayments of long-term financing | (2,602) | (2,369) | (3,560) | (2,204) | (4,820) |
| Net increase (decrease) in short-term debt | 1,434 | (602) | (2) | (24) | (1,457) |
| Dividends paid | | | | | |
| BP shareholders | (4,827) | (5,264) | (5,654) | (6,041) | (7,359) |
| Minority interest | (54) | (40) | (20) | (33) | (827) |
| Net cash used in financing activities | (5,886) | (5,141) | (6,803) | (12,835) | (23,303) |
| Currency translation differences relating to cash and cash equivalents | (53) | 90 | 121 | 91 | (88) |
| Increase (decrease) in cash and cash equivalents | (23) | (73) | 340 | (697) | 1,601 |
| Cash and cash equivalents at beginning of year | 1,831 | 1,808 | 1,716 | 2,056 | 1,359 |
| Cash and cash equivalents at end of year | 1,808 | 1,735 | 2,056 | 1,359 | 2,960 |

[a] The cash flows of the operating activities of Innovene for the years ended 31 December 2001 and 2002 are included within the operating activities of continuing operations.

# Movement in net debt

| $ million | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Opening balance | | | | | |
| Finance debt | 21,190 | 21,417 | 22,008 | 22,325 | 23,091 |
| Cash and cash equivalents | 1,831 | 1,808 | 1,716 | 2,056 | 1,359 |
| Opening net debt | 19,359 | 19,609 | 20,292 | 20,269 | 21,732 |
| Closing balance | | | | | |
| Finance debt | 21,417 | 22,008 | 22,325 | 23,091 | 19,162 |
| Cash and cash equivalents | 1,808 | 1,735 | 2,056 | 1,359 | 2,960 |
| Closing net debt | 19,609 | 20,273 | 20,269 | 21,732 | 16,202 |
| Decrease (increase) in net debt | (250) | (664) | 23 | (1,463) | 5,530 |
| | | | | | |
| Movement in cash and cash equivalents | 30 | (163) | 219 | (788) | 1,689 |
| Net cash (inflow) outflow from financing (excluding share capital) | (128) | (736) | (760) | (431) | 3,803 |
| Adoption of IAS 39 | – | – | – | – | (147) |
| Fair value hedge adjustment | – | – | – | – | 171 |
| Partnership interests exchanged for BP loan notes | – | 1,135 | – | – | – |
| Debt transferred to TNK-BP | – | – | 93 | – | – |
| Exchange of exchangeable bonds for Lukoil American depositary shares | – | – | 420 | – | – |
| Other movements | (36) | 76 | 144 | 68 | 146 |
| Debt acquired | (55) | (1,002) | (15) | – | – |
| Movement in net debt before exchange effects | (189) | (690) | 101 | (1,151) | 5,662 |
| Exchange adjustments | (61) | 26 | (78) | (312) | (132) |
| Decrease (increase) in net debt | (250) | (664) | 23 | (1,463) | 5,530 |

# Capital expenditure, acquisitions and disposals

$ million

| BY BUSINESS | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Exploration and Production | | | | | |
| UK | 1,095 | 952 | 786 | 762 | 821 |
| Rest of Europe | 329 | 262 | 279 | 255 | 197 |
| USA | 4,047 | 4,116 | 3,906 | 3,913 | 3,870 |
| Rest of World | 3,282 | 4,153 | 10,214 | 6,072 | 5,349 |
| | 8,753 | 9,483 | 15,185 | 11,002 | 10,237 |
| Refining and Marketing | | | | | |
| UK[a] | 398 | 382 | 430 | 411 | 408 |
| Rest of Europe[b] | 393 | 5,776 | 728 | 599 | 568 |
| USA | 1,651 | 1,527 | 1,401 | 1,314 | 1,226 |
| Rest of World | 501 | 468 | 522 | 665 | 658 |
| | 2,943 | 8,153 | 3,081 | 2,989 | 2,860 |
| Gas, Power and Renewables | | | | | |
| UK | 102 | 31 | 69 | 166 | 30 |
| Rest of Europe | 156 | 161 | 76 | 19 | 26 |
| USA | 162 | 170 | 237 | 80 | 96 |
| Rest of World | 79 | 85 | 143 | 265 | 83 |
| | 499 | 447 | 525 | 530 | 235 |
| Other businesses and corporate | | | | | |
| UK | 500 | 254 | 244 | 403 | 339 |
| Rest of Europe | 909 | 357 | 163 | 1,024 | 189 |
| USA | 300 | 282 | 423 | 698 | 277 |
| Rest of World | 187 | 117 | 2 | 5 | 12 |
| | 1,896 | 1,010 | 832 | 2,130 | 817 |
| **BY GEOGRAPHICAL AREA** | | | | | |
| UK[a] | 2,095 | 1,619 | 1,529 | 1,742 | 1,598 |
| Rest of Europe[b] | 1,787 | 6,556 | 1,246 | 1,897 | 980 |
| USA | 6,160 | 6,095 | 5,967 | 6,005 | 5,469 |
| Rest of World | 4,049 | 4,823 | 10,881 | 7,007 | 6,102 |
| | 14,091 | 19,093 | 19,623 | 16,651 | 14,149 |
| Included above | | | | | |
| Acquisitions and asset exchanges[b c] | 924 | 5,790 | 6,026 | 2,841 | 211 |
| Innovene operations | – | – | 462 | 1,915 | 497 |
| Disposals | 2,903 | 6,782 | 6,356 | 4,961 | 11,200 |

[a]UK area includes the UK-based international activities of Refining and Marketing.
[b]Significant acquisitions in 2002 include Veba Oil ($5,038 million).
[c]2003 includes $5,794 million for the acquisition of our interest in TNK-BP.

# United States accounting principles

The following is a summary of adjustments to profit for the year and to BP shareholders' equity that would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of International Financial Reporting Standards.

$ million

| PROFIT FOR THE YEAR UNDER US GAAP | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Profit for the year as reported[a] | 6,556 | 6,795 | 12,448 | 17,075 | 22,341 |
| Adjustments | | | | | |
| Deferred taxation/business combinations | (1,423) | (603) | (588) | (517) | (496) |
| Provisions | (182) | 8 | 49 | (80) | 9 |
| Oil and natural gas reserve differences | – | – | – | 30 | 11 |
| Goodwill and intangible assets | 60 | 1,302 | – | (61) | – |
| Derivative financial instruments | (313) | 540 | (27) | (337) | 87 |
| Inventory valuation | – | – | 39 | 162 | (232) |
| Gain arising on asset exchange | 157 | (18) | (19) | (107) | (12) |
| Pensions and other post-retirement benefits | – | 50 | (215) | (47) | (486) |
| Impairments | – | – | – | 677 | (378) |
| Equity-accounted investments | – | – | (47) | 147 | (255) |
| Major maintenance expenditure | – | – | 120 | 217 | – |
| Share-based payments | – | – | 39 | 24 | 6 |
| Other | (26) | 35 | 90 | (93) | 156 |
| Profit for the year before cumulative effect of accounting changes as adjusted to accord with US GAAP | 4,829 | 8,109 | 11,889 | 17,090 | 20,751 |
| Cumulative effect of accounting changes | | | | | |
| Major maintenance expenditure | – | – | – | – | (794) |
| Provisions | – | – | 1,002 | – | – |
| Derivative financial instruments | (362) | – | 50 | – | – |
| Profit for the year as adjusted to accord with US GAAP | 4,467 | 8,109 | 12,941 | 17,090 | 19,957 |
| Dividend requirements on preference shares | (2) | (2) | (2) | (2) | (2) |
| Profit for the year applicable to ordinary shares as adjusted to accord with US GAAP | 4,465 | 8,107 | 12,939 | 17,088 | 19,955 |
| | | | | | |
| Per ordinary share – cents | | | | | |
| Basic – before cumulative effect of accounting changes | 21.51 | 36.20 | 53.62 | 78.31 | 98.22 |
| Cumulative effect of accounting changes | (1.61) | – | 4.74 | – | (3.76) |
| | 19.90 | 36.20 | 58.36 | 78.31 | 94.46 |
| Diluted – before cumulative effect of accounting changes | 21.38 | 36.02 | 53.10 | 76.88 | 97.09 |
| Cumulative effect of accounting changes | (1.60) | – | 4.69 | – | (3.71) |
| | 19.78 | 36.02 | 57.79 | 76.88 | 93.38 |
| Per American depositary share[b] – cents | | | | | |
| Basic – before cumulative effect of accounting changes | 129.06 | 217.20 | 321.72 | 469.86 | 589.32 |
| Cumulative effect of accounting changes | (9.66) | – | 28.44 | – | (22.56) |
| | 119.40 | 217.20 | 350.16 | 469.86 | 566.76 |
| Diluted – before cumulative effect of accounting changes | 128.28 | 216.12 | 318.60 | 461.28 | 582.54 |
| Cumulative effect of accounting changes | (9.60) | – | 28.14 | – | (22.26) |
| | 118.68 | 216.12 | 346.74 | 461.28 | 560.28 |

| BP SHAREHOLDERS' EQUITY UNDER US GAAP | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| BP shareholders' equity as reported[a] | 65,143 | 63,834 | 69,139 | 76,892 | 79,976 |
| Adjustments | | | | | |
| Deferred taxation/business combinations | (139) | (748) | 3,009 | 2,563 | 2,025 |
| Provisions | (1,054) | (1,088) | (128) | (77) | (112) |
| Oil and natural gas reserve differences | – | – | – | 30 | 41 |
| Goodwill and intangible assets | (1,414) | (84) | 248 | 224 | 171 |
| Derivative financial instruments | (675) | (135) | 26 | (315) | 225 |
| Inventory valuation | – | – | (98) | 65 | (167) |
| Gain arising on asset exchange | 157 | 142 | 269 | 251 | 239 |
| Pensions and other post-retirement benefits | (942) | 3,437 | 5,246 | 4,089 | 3,146 |
| Impairments | – | – | – | 677 | 327 |
| Equity-accounted investments | – | – | 65 | 212 | (43) |
| Dividends | 1,288 | 1,398 | – | – | – |
| Investments | (2) | 34 | 1,251 | 227 | – |
| Major maintenance expenditure | – | – | 545 | 794 | – |
| Share-based payments | – | – | (235) | (353) | (334) |
| Other | (174) | (154) | (170) | (187) | (32) |
| BP shareholders' equity as adjusted to accord with US GAAP | 62,188 | 66,636 | 79,167 | 85,092 | 85,462 |

[a]Profit for the year and BP shareholders' equity, as reported for 2003, 2004 and 2005, are on the basis of IFRS. For 2001 and 2002, profit for the year and BP shareholders' equity, as reported, are on the basis of UK GAAP.
[b]One American depositary share (ADS) is equivalent to six 25 cent ordinary shares.

# United States accounting principles *continued*

The principal differences between IFRS and US GAAP relate to the following.

Deferred taxation/business combinations  Under both IFRS and US GAAP, deferred tax assets and liabilities are recognized for the difference between the assigned values and the tax bases of the assets and liabilities recognized in a purchase business combination, with the offset in goodwill. However, business combinations prior to 1 January 2003, BP's date of transition to IFRS, were not restated and the offset was taken as an adjustment to shareholders' equity at the transition date, creating a difference relating to business combinations accounted for under the purchase method that occurred prior to the group's IFRS transition date.

Provisions  For both IFRS and US GAAP, upon initial recognition of a decommissioning provision, a corresponding amount is also recognized as an asset and is subsequently depreciated as part of the capital cost of the facilities. Under IFRS, provisions for decommissioning and environmental liabilities are measured on a discounted basis if the effect of the time value of money is material. For US GAAP, the liability is measured based on the risk-adjusted future cash outflows discounted using a credit-adjusted risk-free rate. Unlike IFRS, subsequent changes to the discount rate do not impact the carrying value of the asset or liability. Subsequent changes to the estimates of the timing or amount of future cash flows, resulting in an increase to the asset and liability, are remeasured using updated assumptions related to the credit-adjusted risk-free rate. Under US GAAP, environmental liabilities are discounted only where the timing and amounts of payments are fixed and reliably determinable. In addition, the use of different oil and natural gas reserve volumes between US GAAP and IFRS *(see below)* results in different field lives and hence differences result in the manner in which the subsequent unwinding of the discount and the depreciation of the corresponding assets associated with decommissioning provisions are recognized.

Oil and natural gas reserve differences  The US Securities and Exchange Commission (SEC) rules for estimating oil and natural gas reserves are different in certain respects from the UK Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' (SORP); in particular, the SEC requires the use of year-end prices, whereas under SORP the group uses long-term planning prices. Any consequent difference in reserve volumes results in different charges for depreciation, depletion and amortization between IFRS and US GAAP.

Goodwill and intangible assets  Under the IFRS transition rules, the group did not restate its past business combinations in accordance with IFRS, but assumed its UK GAAP carrying amount for goodwill as its IFRS carrying amount at 1 January 2003 and ceased amortization from that date. Under US GAAP, goodwill amortization ceased on 31 December 2001.

Derivative financial instruments  US GAAP accounting for derivative financial instruments is similar to IFRS. A difference arises between IFRS and US GAAP for cash flow hedges where the hedged item is the cost of a non-financial asset or liability. US GAAP does not allow the amounts taken to equity to be transferred to the initial carrying amount of the non-financial asset or liability. The amounts remain in equity and are recognized in earnings as the non-financial asset is depreciated. Prior to 1 January 2005, the group did not designate any of its derivative financial instruments as part of hedged transactions under US GAAP. As a result, all changes in fair value were recognized through earnings. A difference therefore exists between the treatment applied under SFAS 133 and that upon initial adoption of IFRS. This difference will remain until the individual derivative transactions mature.

Inventory valuation  Under IFRS, inventory held for trading purposes is measured at fair value with the changes in fair value recognized in the profit for the period. For US GAAP, all balances recorded in inventory are measured at the lower of cost and net realizable value.

Gain arising on asset exchange  Under IFRS, exchanges of non-monetary assets are generally accounted for at fair value, with any gain or loss recognized in income. Under US GAAP prior to 1 January 2005, exchanges of non-monetary assets were accounted for at book value. From 1 January 2005, exchanges of non-monetary assets are generally accounted for at fair value under both IFRS and US GAAP.

Pensions and other post-retirement benefits  Under IFRS, surpluses and deficits of funded schemes for pensions and other post-retirement benefits are included in the group balance sheet at their fair values and all movements in these balances are reflected in the income statement, except for those relating to actuarial gains and losses, which are reflected in equity. Under US GAAP, actuarial gains and losses are recognized in income only when they exceed certain thresholds. This gives rise to differences in periodic pension costs as measured under IFRS and US GAAP. In addition, when a pension plan has an accumulated benefit obligation that exceeds the fair value of the plan assets, US GAAP requires the unfunded amount to be recognized as a minimum liability in the balance sheet. The offset to this liability is recorded as an intangible asset up to the amount of any unrecognized prior service cost or transitional liability, and thereafter directly in equity. IFRS does not have a similar concept. As a result, this creates a difference in shareholders' equity as measured under IFRS and US GAAP.

Impairments  Under IFRS, in determining the amount of any impairment loss, the carrying value of property, plant and equipment and goodwill is compared with the discounted value of the future cash flows. US GAAP requires that the carrying value is compared with the undiscounted future cash flows to determine if an impairment is present, and only if the carrying value is less than the undiscounted cash flows is an impairment loss recognized. The impairment is measured using the discounted value of the future cash flows. Hence certain of the impairment charges recognized under IFRS have not been recognized for US GAAP.

Equity-accounted investments  The major difference between IFRS and US GAAP in relation to equity-accounted entities is in respect of deferred tax.

Investments  Under IFRS for periods prior to 2005, certain equity investments are carried on the balance sheet at cost, subject to review for impairment. For US GAAP, these investments are classified as available-for-sale securities and are reported at fair value with unrealized holding gains and losses reported in equity.

Consolidation of variable interest entities  Under US GAAP, a variable interest entity (VIE) is consolidated if a company is subject to a majority of the risk of loss from its activities or entitled to receive a majority of its residual returns. The group currently has several ships under construction, which are accounted for under IFRS as operating leases. Certain of the arrangements represent VIEs that are consolidated for US GAAP reporting.

Major maintenance expenditure  As of 1 January 2005, the group changed its US GAAP accounting policy to expense all overhaul costs and similar major maintenance expenditure as incurred. This new accounting policy is the same as IFRS and, as a result, a GAAP difference exists only in periods prior to 1 January 2005.

Share-based payments  For periods prior to 1 January 2005, the group has recognized share-based payments under IFRS using a fair value method that is substantially different from the intrinsic value method used under US GAAP for the same period. From 1 January 2005, the group has used the same fair value methodology to measure compensation expense under both IFRS and US GAAP. A difference in compensation expense exists, however, because the group uses a different valuation model under US GAAP for those previously issued options outstanding and unvested as of 31 December 2004. In addition, a further difference arises relating to recognition of deferred taxes on share-based compensation.

# Ratios[a]

$ million

| RETURN ON AVERAGE CAPITAL EMPLOYED | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IRFS 2005 |
|---|---|---|---|---|---|
| Replacement cost profit | 8,456 | 5,691 | 12,432 | 15,432 | 19,314 |
| Finance costs[b] | 798 | 602 | 333 | 286 | 400 |
| Minority interest | 61 | 52 | 170 | 187 | 291 |
| Adjusted replacement cost profit | 9,315 | 6,345 | 12,935 | 15,905 | 20,005 |
| Non-operating items (post-tax) | 299 | 642 | 234 | 1,072 | 1,754 |
| Adjusted replacement cost profit excluding non-operating items | 9,614 | 6,987 | 13,169 | 16,977 | 21,759 |
| Average capital employed (including goodwill) | 87,179 | 86,819 | 87,732 | 96,958 | 100,627 |
| Return on average capital employed (including goodwill and non-operating items) | 10.7% | 7.3% | 14.7% | 16.4% | 19.9% |
| Average capital employed (excluding goodwill) | 75,646 | 76,166 | 77,216 | 86,233 | 90,013 |
| Return on average capital employed (excluding goodwill and non-operating items) | 12.7% | 9.2% | 17.1% | 19.7% | 24.2% |
| **PRE-TAX CASH RETURNS** | | | | | |
| Replacement cost profit before interest and tax | 16,562 | 11,200 | 18,712 | 23,389 | 29,796 |
| Equity-accounted interest and tax | – | – | 324 | 1,328 | 1,628 |
| Non-operating items | 523 | 1,152 | 328 | 1,408 | 2,838 |
| Depreciation, depletion and amortization | 8,683 | 9,127 | 8,605 | 9,012 | 9,183 |
| Pre-tax cash returns numerator | 25,768 | 21,479 | 27,969 | 35,137 | 43,445 |
| Capital employed | 87,158 | 86,480 | 92,589 | 101,326 | 99,927 |
| Liabilities for current and deferred taxation | 14,815 | 14,211 | 19,400 | 20,673 | 20,505 |
| Goodwill | (10,868) | (10,438) | (10,592) | (10,857) | (10,371) |
| Operating capital employed | 91,105 | 90,253 | 101,397 | 111,142 | 110,061 |
| Average operating capital employed | 90,192 | 90,679 | 96,097 | 106,270 | 110,602 |
| Pre-tax cash return | 29% | 24% | 29% | 33% | 39% |
| **DEBT RATIOS** | | | | | |
| Gross debt | 21,417 | 22,008 | 22,325 | 23,091 | 19,162 |
| Cash and cash equivalents | 1,808 | 1,735 | 2,056 | 1,359 | 2,960 |
| Net debt | 19,609 | 20,273 | 20,269 | 21,732 | 16,202 |
| Equity | 65,741 | 64,472 | 70,264 | 78,235 | 80,765 |
| Debt to debt-plus-equity ratio | 25% | 25% | 24% | 23% | 19% |
| Debt to equity ratio | 33% | 34% | 32% | 30% | 24% |
| Net debt to net debt-plus-equity ratio | 23% | 24% | 22% | 22% | 17% |
| Net debt to equity ratio | 30% | 31% | 29% | 28% | 20% |

[a] The ratios are defined on page 91.
[b] Calculated on a post-tax basis using a deemed tax rate equal to the US statutory tax rate.

# BP shareholding information

| REGISTER OF MEMBERS HOLDING BP ORDINARY SHARES AS AT 31 DECEMBER 2005 | Number of shareholders | Percentage of total shareholders | Percentage of total share capital |
|---|---|---|---|
| Range of holdings | | | |
| 1 – 200 | 60,420 | 18.25 | 0.02 |
| 201 – 1,000 | 127,158 | 38.40 | 0.30 |
| 1,001 – 10,000 | 128,949 | 38.94 | 1.81 |
| 10,001 – 100,000 | 12,622 | 3.81 | 1.19 |
| 100,001 – 1,000,000 | 1,164 | 0.35 | 1.92 |
| Over 1,000,000[a] | 818 | 0.25 | 94.76 |
| | 331,131 | 100.00 | 100.00 |

[a]Includes JPMorgan Chase Bank, holding 31.07% of the total share capital as the approved depositary for ADSs, a breakdown of which is shown in the table below.

| REGISTER OF HOLDERS OF AMERICAN DEPOSITARY SHARES AS AT 31 DECEMBER 2005[a] | Number of ADS holders | Percentage of total ADS holders | Percentage of total ADSs |
|---|---|---|---|
| Range of holdings | | | |
| 1 – 200 | 81,911 | 52.25 | 0.44 |
| 201 – 1,000 | 45,386 | 28.95 | 1.95 |
| 1,001 – 10,000 | 27,478 | 17.53 | 6.73 |
| 10,001 – 100,000 | 1,955 | 1.24 | 3.07 |
| 100,001 – 1,000,000 | 29 | 0.02 | 0.57 |
| Over 1,000,000[b] | 1 | 0.01 | 87.24 |
| | 156,760 | 100.00 | 100.00 |

At 31 December 2005, there were also 1,588 preference shareholders.

[a]One American depositary share (ADS) represents six 25 cent ordinary shares.
[b]One of the holders of ADSs represents some 839,800 preference shareholders.

| | Percentage of shares in issue | | |
|---|---|---|---|
| BENEFICIAL OWNERS AS AT 31 DECEMBER 2005[a b] | Institutions | Individuals | Total |
| By principal area | | | |
| UK | 38 | 6 | 44 |
| USA | 26 | 13 | 39 |
| Rest of Europe | 9 | – | 9 |
| Rest of World | 4 | – | 4 |
| Miscellaneous[c] | – | – | 4 |
| | | | 100 |

[a]Reflects the beneficial (underlying) ownership of the shares.
[b]This represents BP's best efforts to determine the domicile of the beneficial (underlying) owners of the group's shares, based on analysis of the year-end share register.
[c]Miscellaneous represents shareholders below the 100,000-share threshold at which the 31 December 2005 share register was analysed (3%) and unidentified shares (1%). Unidentified shares represent holdings that are awaiting confirmation of the identity of the beneficial holder and the nature of their interest in the shares following enquiries made under Section 212 of the Companies Act 1985.

# Employee numbers

| | | | | | Year end |
|---|---|---|---|---|---|
| BY BUSINESS | 2001 | 2002 | 2003 | 2004 | 2005 |
| Exploration and Production | 16,300 | 16,600 | 15,100 | 15,600 | 17,000 |
| Refining and Marketing (excluding service station staff) | 38,100 | 44,900 | 42,000 | 41,900 | 43,000 |
| Gas, Power and Renewables | 4,400 | 4,600 | 3,800 | 4,000 | 4,100 |
| Other businesses and corporate | 22,800 | 18,900 | 15,800 | 13,500 | 4,300 |
| Sub-total | 81,600 | 85,000 | 76,700 | 75,000 | 68,400 |
| Service station staff | 28,500 | 30,200 | 27,000 | 27,900 | 27,800 |
| | 110,100 | 115,200 | 103,700 | 102,900 | 96,200 |
| BY GEOGRAPHICAL AREA | | | | | |
| UK | 19,600 | 17,700 | 17,100 | 17,500 | 16,500 |
| Rest of Europe | 22,800 | 29,800 | 25,300 | 25,900 | 21,300 |
| USA | 42,800 | 43,200 | 39,100 | 36,900 | 34,400 |
| Rest of World | 24,900 | 24,500 | 22,200 | 22,600 | 24,000 |
| | 110,100 | 115,200 | 103,700 | 102,900 | 96,200 |

# BP share data

| SHARE PRICE AND DIVIDENDS | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Share price (pence per ordinary share) | | | | | |
| High | 647 | 625 | 455 | 557 | 684 |
| Low | 492 | 393 | 357 | 414 | 504 |
| End year | 534 | 427 | 453 | 508 | 619 |
| Number of ordinary shares at end year (million) | 22,432 | 22,379 | 22,123 | 21,526 | 20,657 |
| Average number of shares (million) | 22,436 | 22,397 | 22,171 | 21,821 | 21,126 |
| Dividends paid (pence per ordinary share) | | | | | |
| First quarter | 3.617 | 4.055 | 3.815 | 3.674 | 4.522 |
| Second quarter | 3.665 | 4.051 | 3.947 | 3.807 | 4.450 |
| Third quarter | 3.911 | 3.875 | 4.039 | 3.860 | 5.119 |
| Fourth quarter | 3.805 | 3.897 | 3.857 | 3.910 | 5.061 |
| | 14.998 | 15.878 | 15.658 | 15.251 | 19.152 |
| Dividends paid (cents per ordinary share) | | | | | |
| First quarter | 5.25 | 5.75 | 6.25 | 6.75 | 8.50 |
| Second quarter | 5.25 | 5.75 | 6.25 | 6.75 | 8.50 |
| Third quarter | 5.50 | 6.00 | 6.50 | 7.10 | 8.925 |
| Fourth quarter | 5.50 | 6.00 | 6.50 | 7.10 | 8.925 |
| | 21.50 | 23.50 | 25.50 | 27.70 | 34.850 |
| ADS price (US dollars per ADS) | | | | | |
| High | 54.86 | 53.88 | 49.35 | 61.66 | 72.27 |
| Low | 43.23 | 36.78 | 35.37 | 47.27 | 56.61 |
| End year | 46.51 | 40.65 | 49.35 | 58.40 | 64.22 |
| Dividends paid (US dollars per ADS) | | | | | |
| First quarter | 0.315 | 0.345 | 0.375 | 0.405 | 0.510 |
| Second quarter | 0.315 | 0.345 | 0.375 | 0.405 | 0.510 |
| Third quarter | 0.330 | 0.360 | 0.390 | 0.426 | 0.535 |
| Fourth quarter | 0.330 | 0.360 | 0.390 | 0.426 | 0.536 |
| | 1.290 | 1.410 | 1.530 | 1.662 | 2.091 |
| Dividend payout ratio | | | | | |
| Based on replacement cost profit for the year | 58% | 94% | 45% | 39% | 38% |
| Based on profit for the year | 75% | 79% | 45% | 35% | 33% |
| Dividend cover | | | | | |
| Dividend cover out of income[a] | 1.71 | 1.06 | 2.20 | 2.56 | 2.62 |
| Dividend cover out of cash flow[b] | 3.62 | 3.03 | 2.88 | 3.87 | 3.63 |

[a]Based on replacement cost profit for the year.
[b]Net cash provided by operating activities, divided by gross dividends paid. The calculation is based on the assumption that all dividends are paid in cash.

shares thousand

| NUMBER OF SHARES | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Ordinary shares outstanding at period end | 22,432,077 | 22,378,651 | 22,122,610 | 21,525,978 | 20,657,045 |
| ADS equivalent | 3,738,680 | 3,729,775 | 3,687,102 | 3,587,663 | 3,442,841 |
| Average ordinary shares | 22,435,737 | 22,397,126 | 22,170,741 | 21,820,535 | 21,125,902 |
| ADS equivalent | 3,739,290 | 3,732,854 | 3,695,124 | 3,636,756 | 3,520,984 |

# 1 Exploration and Production



## Segment strategy

Build production with improving returns by:
- Focusing on finding the largest fields, concentrating our involvement in a limited number of the world's most prolific hydrocarbon basins.
- Building leadership positions in these areas.
- Managing the decline of existing producing assets and divesting assets when they no longer compete in our portfolio.

## Segment focus

BP employs a focused exploration strategy in areas with the potential for large oil and natural gas fields as new profit centres. Within our portfolio of assets, we continue to develop our new profit centres in which we have a distinctive position: Asia Pacific gas, Azerbaijan, Algeria, Angola, Trinidad, deepwater Gulf of Mexico and Russia. We also manage the decline of our existing profit centres in Alaska, Egypt, Latin America, Middle East, North American gas and the North Sea. We exercise rigorous quality through choice across our portfolio, investing in only the best opportunities.

### 2005 PERFORMANCE

The segment's replacement cost profit before interest and tax of $25,485 million for the year was a record, representing an increase of 41% over 2004. The increase reflected higher realizations, partially offset by costs associated with the severe hurricanes and the Thunder Horse stability incident, and higher operating and revenue investment costs. The result included a net charge for non-operating items of $998 million, primarily related to fair value losses on embedded derivatives, net gains on sales of assets, mainly from the sale of the Ormen Lange field in Norway, and net impairment charges.

Capital expenditure was $10.1 billion in 2005 and is expected to be around $11 billion in 2006.

Production was 4,014 thousand barrels of oil equivalent a day (boe/d) in 2005. Increases in production in our new profit centres and TNK-BP were offset by the effects of severe weather disruptions, higher planned maintenance shutdowns, anticipated decline and operational issues in our existing profit centres.

### NEW AND EXISTING PROFIT CENTRES

We continued to make significant progress in our new profit centres in 2005. In the past three years, we have brought on stream 20 major projects.

BP is operating four major projects in Azerbaijan on behalf of its consortium partners: the Azeri-Chirag-Gunashli oil fields, the Baku-Tbilisi-Ceyhan (BTC) pipeline, the Shah Deniz gas field and the South Caucasus pipeline. The Central Azeri project achieved its first production in February 2005 and the West Azeri project achieved its first production in December 2005, four months ahead of schedule. Construction of the BTC pipeline progressed and line-fill of the pipeline started in 2005, with the official inauguration ceremony held on 25 May at the Sangachal terminal near Baku. The Georgian section was inaugurated in early October and the first tanker lifting from Ceyhan is expected in the second quarter of 2006. In-country assembly of the drilling rig and platform for the Shah Deniz field is on schedule for start-up in 2006 and the associated South Caucasus pipeline is also on course to be completed during 2006.

The Kizomba B development offshore Angola achieved its first oil production four months ahead of schedule in July 2005 and the Greater Plutonio project remains on track to deliver first oil in 2007.

In Trinidad & Tobago, the Atlantic LNG Train 4 commenced liquefaction at the end of the year. The Cannonball gas development, Trinidad & Tobago's first major offshore construction project executed locally, started production in March 2006.

In Algeria, the carbon dioxide ($CO_2$) capture system in our In Salah gas project started operations. This is one of the world's largest $CO_2$ capture projects, providing emissions savings estimated to be equivalent to taking a quarter of a million cars off the road. The In Amenas project is expected to start production in the first half of 2006. BP was awarded three blocks in Algeria's sixth international licensing round.

In Indonesia, we received the final governmental approvals for the Tangguh LNG project, which is proceeding on schedule.

In the Gulf of Mexico, the Mad Dog project achieved first production in January 2005. Following stability problems in July 2005, repairs to the Thunder Horse platform are proceeding offshore. Production, originally scheduled for the end of 2005, is now expected to start in the second half of 2006. This is due to be followed by Atlantis, with first production expected around the end of 2006.

In Russia, oil production from TNK-BP grew by just under 10% compared with 2004. Total production, including gas, exceeded 2 million boe/d for the first time, in the third quarter of 2005. Total dividends received by BP amounted to $1.95 billion. Towards the end of the year, TNK-BP disposed of non-core producing assets in the Saratov region, along with the Orsk refinery. Future investment in TNK-BP's upstream business includes further extension drilling in the Ust Vakh area of the Samotlor field and in the Kammenoye field, as well as the greenfield Demiansky project in the Uvat area. BP's exploration successes in Sakhalin through Elvaryneftegaz, a joint venture with Rosneft, continued in 2005 with a second discovery. The region is now beginning to show significant potential.

In Egypt, we sanctioned investment in the Saqqara field. We also extended two concessions in the Gulf of Suez, the Merged Concession Agreement and South Garib, which will extend the life of the existing oil fields, increase the recovery of remaining reserves and provide a foundation for future growth through exploration.

Progress also continued in our other existing profit centres. The North Sea completed its biggest maintenance campaign in several years in a demanding operational environment. Three new projects – Clair, Rhum and Farragon – started production in 2005. All three came on line successfully, underpinning our long-term commitment to this mature basin. In North America, a major project was sanctioned for the further development of the Wamsutter gas field in Wyoming for $2.2 billion. In Alaska, we continue to improve our knowledge of the extraction of viscous oil resources, while striving for greater operational efficiencies on our existing facilities.

We continually seek to enhance our portfolio through planned divestments. In 2005, these yielded proceeds of $1,416 million, mainly from the sale of our interests in the Ormen Lange field in Norway and also the Teak, Samaan and Poui fields in Trinidad & Tobago.

A total of 12 new oil and gas discoveries were made from a focused exploration programme. Major successes included a number of discoveries in the deepwater Gulf of Mexico and Angola and a second discovery in offshore Sakhalin Island in Russia.

### RESERVES

On the basis of UK generally accepted accounting practice (SORP), our proved reserves replacement ratio (RRR) was 100% (including equity-accounted entities), compared with 110% in 2004. On the same basis, excluding equity-accounted entities, the RRR was 71%. This was the 13th consecutive year in which our RRR was 100% or greater. We also prepare estimates of our proved reserves on the basis of the rules and interpretation required by the US Securities and Exchange Commission (SEC). On this basis, the RRR, excluding equity-accounted entities, was 68% (compared with 78% in 2004); including equity-accounted entities, the ratio was 95% (compared with 89% in 2004). The differences from our SORP-based estimates arise mainly from the SEC's requirement that year-end prices should be used. All our proved RRRs are based on discoveries, extensions, revisions and improved recovery and exclude the effects of acquisitions and disposals. BP has a robust internal process to control the quality of its reserve bookings, which forms part of an integrated system of internal control. Details of that process and the applicable rules are described on pages 131-132 of *BP Annual Report and Accounts 2005*.

BP's total hydrocarbon proved reserves, on an oil-equivalent basis under SORP and including equity-accounted entities, stood at 18,271 million barrels of oil equivalent at 31 December 2005. Of this total, 43% was gas.

The management of our reserves is described under Other financial issues on pages 22-23 of *BP Annual Report and Accounts 2005*.

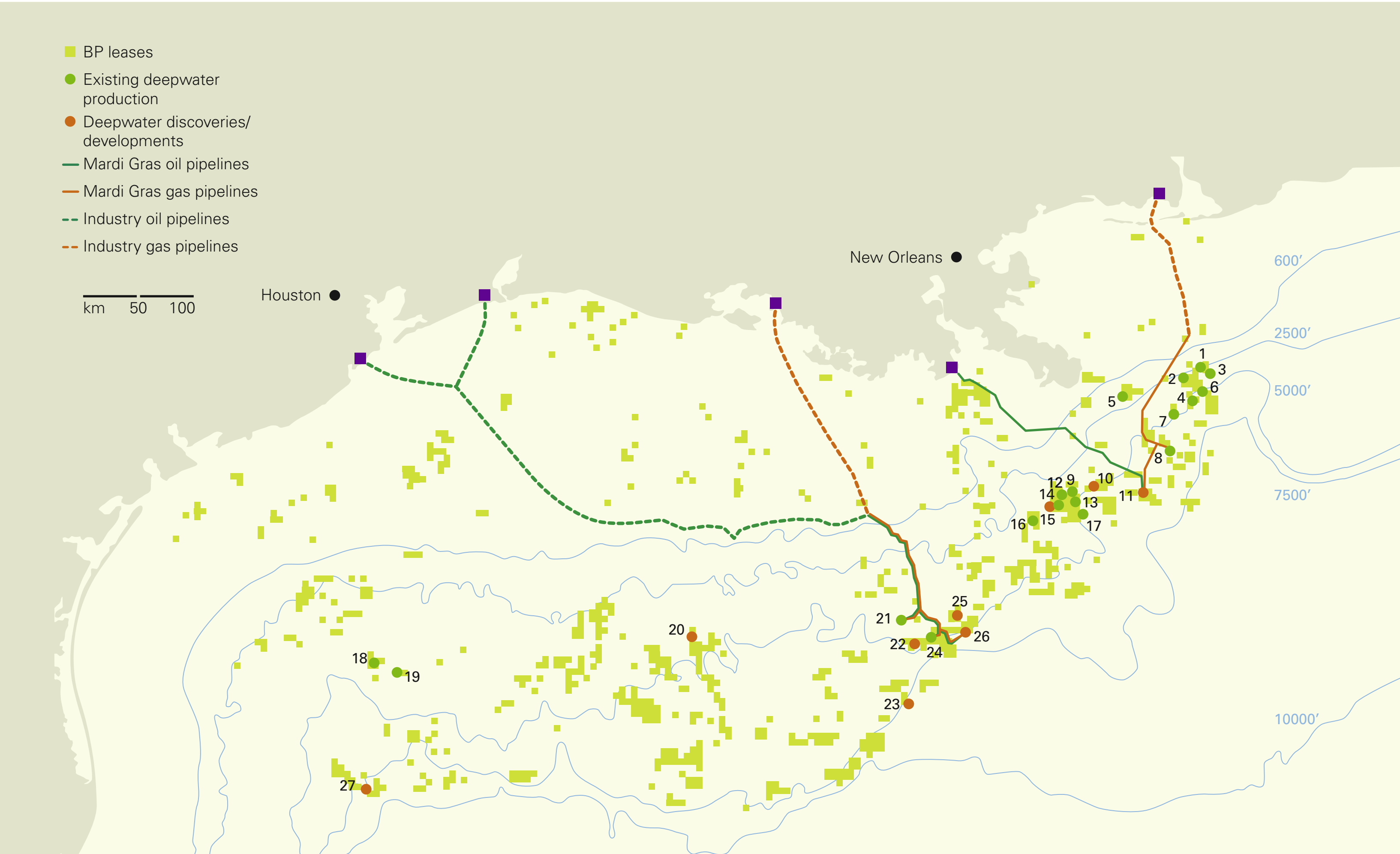
# Key indicators[a]

| | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| | | | | | $ million |
| Result and oil price | | | | | |
| Replacement cost profit before interest and tax ($ billion) | 12.47 | 8.28 | 15.08 | 18.08 | 25.49 |
| BP average liquids realizations ($/bbl)[b] | 22.50 | 22.69 | 27.25 | 35.39 | 48.51 |
| Finding and development costs ($/boe, five-year rolling average) | 3.72 | 3.72 | 3.98 | 4.65 | 5.79 |
| Finding costs ($/boe, five-year rolling average) | 1.07 | 0.91 | 0.79 | 0.81 | 0.92 |
| Lifting costs ($/boe) | 2.73 | 2.71 | 2.84 | 3.41 | 4.28 |
| Cost of supply ($/boe)[c] | 8.32 | 9.21 | 8.68 | 9.54 | 10.44 |
| Net income per barrel of oil equivalent | | | | | |
| BP ($/boe) | 5.67 | 3.33 | 7.95 | 8.40 | 12.51 |
| Range of other oil majors | | | | | |
| Maximum ($/boe) | 6.82 | 6.26 | 8.24 | 10.81 | 15.32 |
| Minimum ($/boe) | 5.31 | 5.07 | 6.32 | 7.31 | 9.74 |
| Reserves replacement | | | | | |
| BP subsidiaries (%) | 191 | 175 | 122 | 106 | 71 |
| BP subsidiaries and equity-accounted entities (%) | 191 | 168 | 109 | 110 | 100 |
| Range of other oil majors | | | | | |
| Maximum (%) | 126 | 119 | 118 | 125 | 129 |
| Minimum (%) | 74 | 49 | 66 | 35 | 13 |

[a]Except where indicated, all the data in this table relates to BP subsidiaries only.
[b]Crude oil and natural gas liquids.
[c]Cost of supply comprises exploration expense, lifting costs and depreciation, depletion and amortization.

# Exploration and Production operations


Norway
UK
Netherlands
Russia
Kazakhstan
Georgia
Turkey
Azerbaijan
Egypt
Algeria
Sharjah
Abu Dhabi
Pakistan
China
Vietnam
Indonesia
Angola
Australia



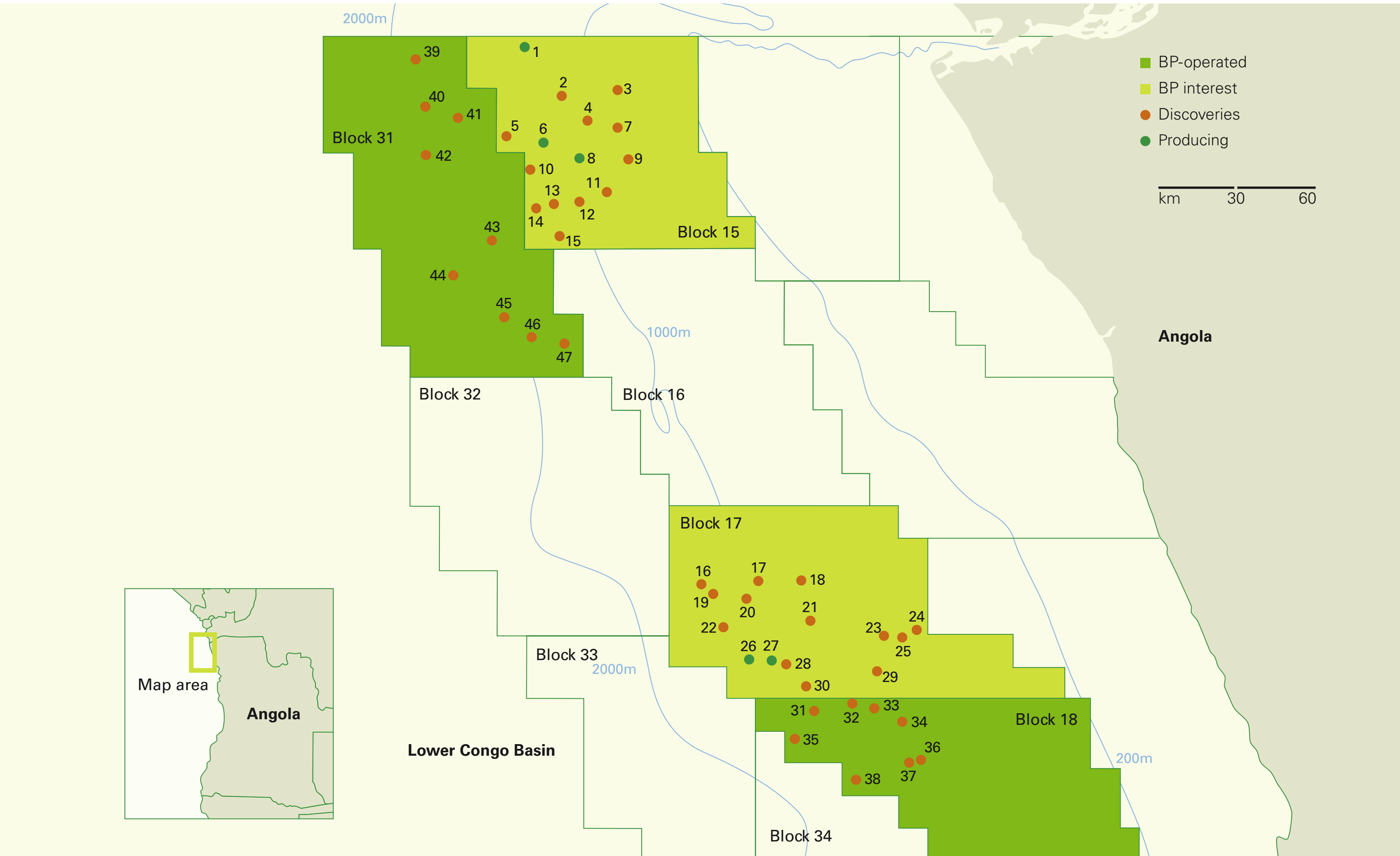

## Deepwater Gulf of Mexico

BP began deepwater Gulf of Mexico operations in the mid-1980s. Execution of our exploration strategy has delivered excellent results, yielding a strong portfolio of large, high-quality development projects. We plan to continue focused exploration across our portfolio of more than 600 leases.

Despite the impacts of major weather events – notably Hurricanes Katrina and Rita in the second half of 2005 – BP continues to produce in excess of 300,000boe/d from 18 fields. BP operates a number of subsea developments and has interests in a number of partner-operated developments.

In 2003, the Na Kika field started production and the Mardi Gras transportation system commenced operation. At the Holstein field, oil production commenced in late 2004 and Mad Dog followed with first oil production in January 2005. Production is expected to begin from the Thunder Horse development during 2006 and from the Atlantis development around the end of 2006.

1 Nile
2 Ram Powell
3 Marlin
4 Horn Mountain
5 Pompano
6 King (MC 85)
7 Mica
8 Na Kika
9 Princess
10 Tubular Bells
11 Thunder Horse
12 King (MC 764)
13 Ursa
14 Mars
15 Deimos
16 Europa
17 Crosby
18 Diana
19 Hoover
20 Entrada
21 Holstein
22 Puma
23 Cascade
24 Mad Dog
25 Shenzi
26 Atlantis
27 Great White




## Angola

BP has been involved in Angola since the 1970s and has built a strong foundation for long-term growth in the country through both exploration and development. Technical skills developed in similar deepwater basins around the world have been applied extensively in BP's operations in Angola.

BP is present in four major deepwater licences offshore Angola (Blocks 15, 17, 18 and 31). BP is operator in Block 18 and Block 31. Our first production in Angola began in December 2001 with the start-up of the Girassol field in Block 17.

In 2003, the Jasmim field (in Block 17) and Xikomba field (in Block 15) began producing. These were followed into production by the Kizomba A development (a single development of multiple fields in Block 15) in 2004. Kizomba B achieved first oil production four months ahead of schedule in July 2005. During 2005, BP also sanctioned the Kizomba C project and the next phase of the Kizomba A development. In addition, there were further exploration successes in Block 31. Greater Plutonio, the first major BP-operated project in Angola, continues on schedule for first oil in 2007.

**BLOCK 15**

1 Xikomba
2 Bavuca
3 Mondo
4 Vicango
5 Reco Reco
6 Kizomba A
7 Batuque
8 Kizomba B
9 Saxi
10 Marimba
11 Mbulumbumba
12 Kakocha
13 Mavicola
14 Clochas
15 Tchihumba

**BLOCK 17**

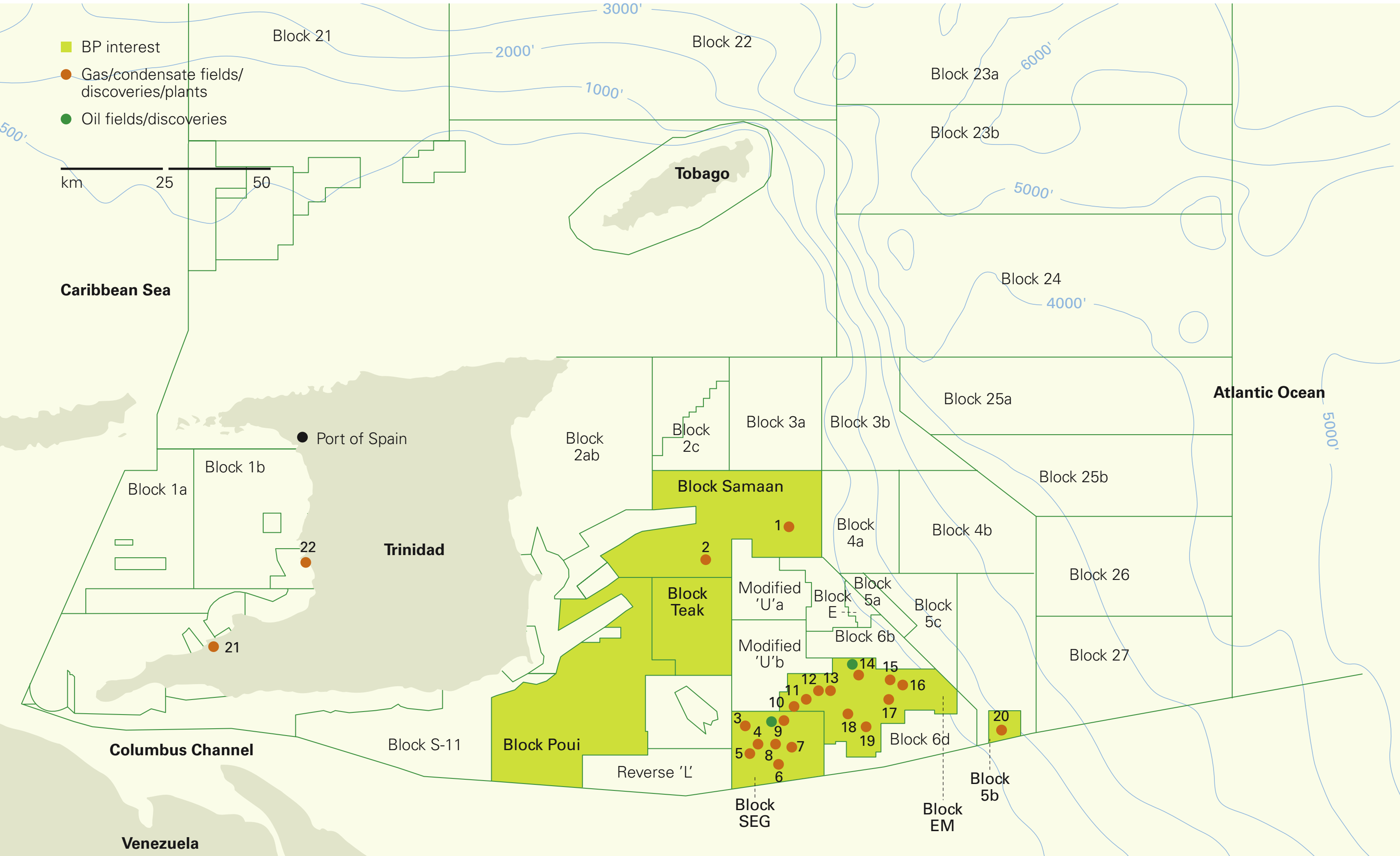
16 Lirio
17 Violeta
18 Anturio
19 Cravo
20 Orquidea
21 Tulipa
22 Rosa
23 Hortensia
24 Zinia
25 Perpetua
26 Jasmim
27 Girassol
28 Dalia
29 Acacia
30 Camelia

**BLOCK 18**

31 Platina
32 Galio
33 Cromio
34 Paladio
35 Chumbo
36 Plutonio
37 Cobalto
38 Cesio

**BLOCK 31**

39 Marte
40 Venus
41 Saturno
42 Plutão
43 Ceres
44 Hebe
45 Juno
46 Palas
47 Astraea




## Trinidad & Tobago

BP has been operating in Trinidad & Tobago since 1961. We are the largest energy company in Trinidad & Tobago and the largest single foreign investor in the country. Trinidad & Tobago enjoys prime access to LNG markets, an advantaged infrastructure position and a proven record of exploration and delivery. BP aims to continue building on its integrated position through development of our gas reserves and a continued supply to the LNG markets.

BP holds an average working interest of 41% in Atlantic LNG, which operates four LNG trains. Atlantic Train 1 started up in April 1999, followed by Trains 2 and 3 in August 2002 and April 2003 respectively, each of which is designed to produce 3.3 million tonnes per annum (mtpa). Train 4, which commenced liquefaction in late 2005, is designed to produce 5.2mtpa. The LNG produced is sold to world markets, primarily in the US and Spain. Further gas growth was added to BP's portfolio in Trinidad in 2004 with the start-up of Atlas Methanol, the largest methanol plant in the world, in which BP holds a 36.9% interest.

Much of the gas to LNG Train 4 is supplied from BPTT's Cannonball gas development. Cannonball was the industry's first major construction project executed in Trinidad & Tobago and started production in March 2006.

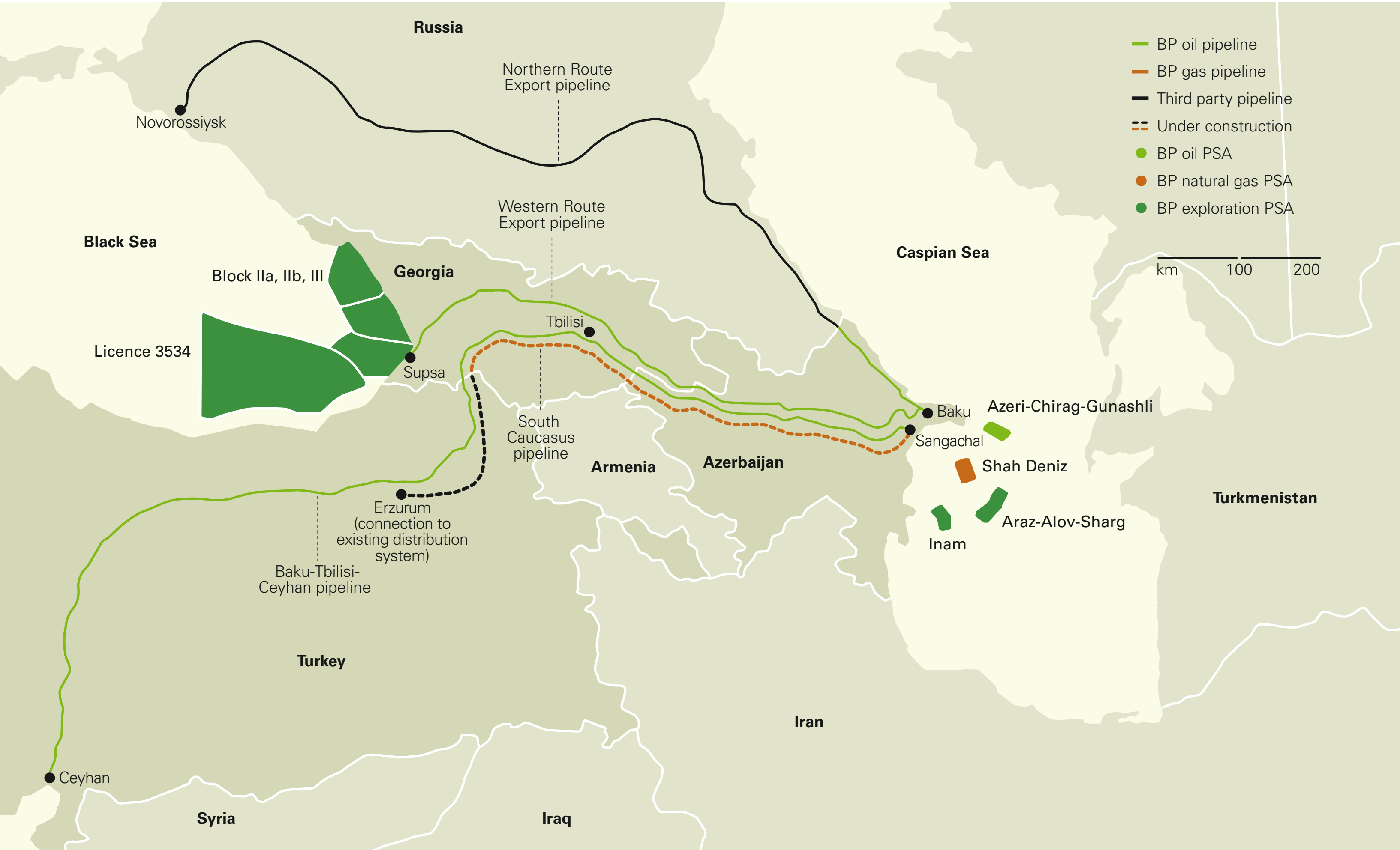
**BLOCK SAMAAN**
1 EMZ
2 El Diablo

**BLOCK SEG**
3 Red Mango
4 Iron Horse
5 Cassia
6 Kapok
7 Amherstia
8 Cannonball
9 Immortelle

**BLOCK EM**
10 Coconut
11 Flamboyant
12 Cashima
13 NEQB
14 Mahogany
15 Lantana
16 Coralita
17 Chachalaca
18 EQB
19 SEQB

**BLOCK 5B**
20 Manakin

**PLANTS**
21 Atlantic LNG
22 Atlas Methanol




## Azerbaijan, Georgia and Turkey

BP has been in Azerbaijan since 1992 and is the largest foreign investor in the country. BP operates two production-sharing agreements (PSAs), which are under development – Azeri-Chirag-Gunashli (ACG) and Shah Deniz – and holds other exploration leases in the area. The contract areas of these PSAs cover about 1,300 square kilometres in total. In addition, BP leads the Baku-Tbilisi-Ceyhan (BTC) oil pipeline project.

BP is operator of the Azerbaijan International Operating Company and has a 34.1% interest in the ACG oil fields in the Caspian Sea, offshore Azerbaijan. The Central and West Azeri projects started up successfully in 2005.

BP holds a 30.1% interest in the BTC oil pipeline project. The BTC pipeline follows a 1,768-kilometre route from the onshore terminal at Sangachal, near Baku, through Georgia to a new marine export terminal at Ceyhan on the Turkish Mediterranean coast. Construction of the pipeline progressed and line-fill of the pipeline started in 2005, with the official inauguration ceremony held on 25 May at the Sangachal terminal near Baku. The Georgian section was inaugurated in early October and the first tanker lifting from Ceyhan is expected in the second quarter of 2006. The BTC pipeline will export crude oil from the Caspian to world markets, without the creation of additional maritime shipping in the Bosporus Straits. It is also planned to complete the South Caucasus gas pipeline during 2006. Good progress continued on the Shah Deniz gas field during 2005 and the project remains on track to start production during the second half of 2006.


## Asia Pacific

During the next 10 years, the Asia Pacific region is expected to show significant growth in gas demand. BP is well positioned to capture a major portion of this growth, being one of the largest suppliers in the Asia Pacific LNG market. BP participates in this market through interests in Indonesia and Australia.

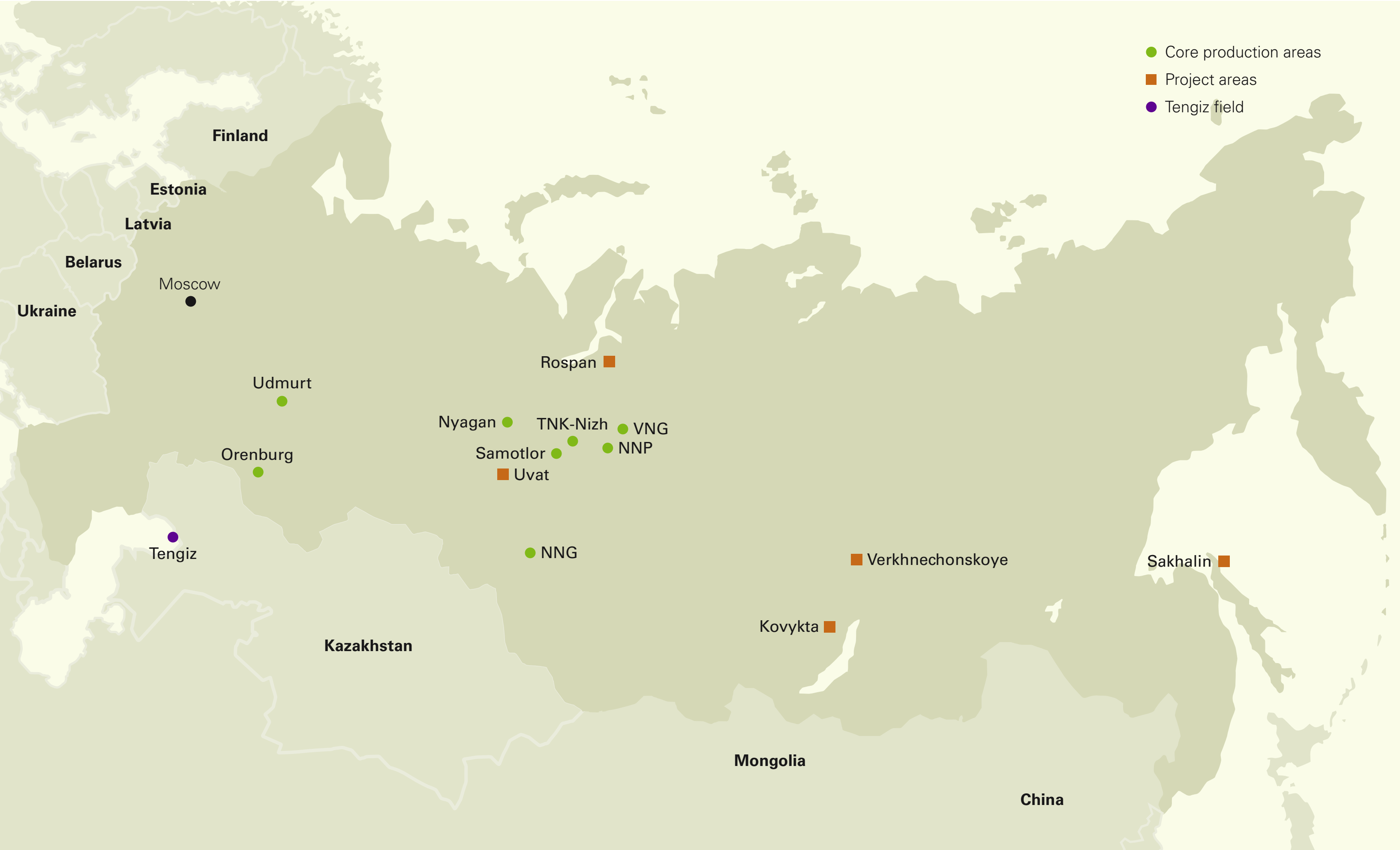
In the mid-1990s, a world-class resource of natural gas was discovered in the Berau-Bintuni Bay, Papua, Indonesia, approximately 3,200km from Indonesia's capital, Jakarta. These discoveries gave rise to the Tangguh LNG project, key to BP's LNG growth aspirations in the region. This project was approved by the Indonesian government in early 2005 and is now in the development phase.

In Australia, we are one of six equal partners in the North West Shelf venture. This joint-venture operation covers offshore production platforms, a floating storage vessel, trunk lines and onshore gas processing plants. During 2005, the venture sanctioned the construction of a fifth LNG train. It is planned to commence export of gas to markets in the Far East in 2008.

In Vietnam, BP participates in the country's biggest foreign investment, the Nam Con Son gas project. This is an integrated resource and infrastructure project, including offshore gas production, a pipeline transportation system and a power plant.

**LNG PLANTS**

1 Bontang
2 Tangguh (BP-operated)




## Russia

In August 2003, BP and AAR (the Alfa Group and Access-Renova) completed the creation of the TNK-BP joint venture, establishing one of the largest integrated oil companies operating in Russia, in which BP owns a 50% interest.

TNK-BP encompasses the full spectrum of vertical integration, from wellhead to leading positions in the marketing of petroleum products. TNK-BP's portfolio contains eight fields of greater than 250 million barrels, including Samotlor, the third-largest oil field ever discovered.

Performance to date has been very good. During 2005, TNK-BP grew oil production by just under 10% and exceeded 2 million boe/d in total production for the first time, in the third quarter of 2005.

In addition, BP has a 49% holding in Elvaryneftegaz, a joint venture with Rosneft, encompassing acreage in Sakhalin, where a second hydrocarbon discovery was made in 2005.

BP also has an interest in the Russian-Kazakh Caspian Pipeline Consortium (CPC) and the Kazakh Tengiz super-giant oil field, held through another joint venture (Lukarco) with the Russian oil company Lukoil. BP holds a 46% interest and Lukoil a 54% interest in Lukarco. Lukarco holds a 5% interest in Tengiz and a 12.5% interest in the CPC pipeline.

# Financial statistics

| | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| | | | | | $ million |
| Replacement cost profit before interest and tax by geographical area[a] | | | | | |
| UK | 3,395 | 2,294 | 3,468 | 3,453 | 2,129 |
| Rest of Europe | 756 | 724 | 587 | 837 | 2,321 |
| USA | 4,461 | 2,358 | 5,673 | 6,797 | 9,475 |
| Rest of World | 3,860 | 2,901 | 5,353 | 6,988 | 11,560 |
| | 12,472 | 8,277 | 15,081 | 18,075 | 25,485 |
| [a]Includes equity-accounted interest and tax | – | – | 273 | 1,218 | 1,477 |
| Under IFRS, the results of jointly controlled entities and associates for 2003, 2004 and 2005 are included in the income statement net of interest and tax. | | | | | |
| Operating capital employed by geographical area | | | | | |
| UK | 9,608 | 8,819 | 8,729 | 8,803 | 5,924 |
| Rest of Europe | 1,049 | 1,452 | 1,476 | 1,558 | 1,451 |
| USA | 24,598 | 24,426 | 23,308 | 24,345 | 25,443 |
| Rest of World | 19,488 | 22,164 | 25,816 | 30,485 | 35,871 |
| | 54,743 | 56,861 | 59,329 | 65,191 | 68,689 |
| Sales and other operating revenues | 27,540 | 25,083 | 30,621 | 34,700 | 47,210 |
| Capital expenditure and acquisitions by geographical area | | | | | |
| UK | 1,095 | 952 | 786 | 762 | 821 |
| Rest of Europe | 329 | 262 | 279 | 255 | 197 |
| USA | 4,047 | 4,116 | 3,906 | 3,913 | 3,870 |
| Rest of World | 3,282 | 4,153 | 10,214 | 6,072 | 5,349 |
| | 8,753 | 9,483 | 15,185 | 11,002 | 10,237 |
| **EMPLOYEE NUMBERS AT YEAR END** | 16,300 | 16,600 | 15,100 | 15,600 | 17,000 |
| **BP AVERAGE REALIZATIONS** | | | | | |
| BP average liquids realizations ($/bbl)[b] | 22.50 | 22.69 | 27.25 | 35.39 | 48.51 |
| BP average gas realizations ($/mcf) | 3.30 | 2.46 | 3.39 | 3.86 | 4.90 |
| **MARKER PRICES** | | | | | |
| Brent oil price ($/bbl) | 24.44 | 25.03 | 28.83 | 38.27 | 54.48 |
| Alaska North Slope oil ($/bbl) | 23.18 | 24.77 | 29.59 | 38.96 | 53.55 |
| WTI ($/bbl) | 25.89 | 26.14 | 31.06 | 41.49 | 56.58 |
| Henry Hub gas price ($/mmBtu)[c] | 4.26 | 3.22 | 5.37 | 6.13 | 8.65 |

[b]Crude oil and natural gas liquids.
[c]Henry Hub First of the Month Index.

# TNK-BP operational and financial information

| PRODUCTION (BP SHARE, NET OF ROYALTIES) | 2003[a] | 2004 | 2005 |
|---|---|---|---|
| Crude oil (mb/d) | 665 | 830 | 911 |
| Natural gas (mmcf/d) | 281 | 463 | 482 |
| Total hydrocarbons (mboe/d)[b] | 713 | 910 | 994 |

| INCOME STATEMENT (BP SHARE) | | | $ million |
|---|---|---|---|
| Profit before interest and tax | 521 | 2,421 | 3,817 |
| Finance costs and other finance expense* | (37) | (101) | (128) |
| Taxation | (43) | (675) | (976) |
| Minority interest | – | (43) | (104) |
| Profit for the year[c] | 441 | 1,602 | 2,609 |
| *Excludes unwinding of discount on deferred consideration | 34 | 91 | 57 |

| BALANCE SHEET | | | |
|---|---|---|---|
| Investment in jointly controlled entities | 7,098 | 8,294 | 8,089 |
| Deferred consideration | | | |
| Due within one year | 1,227 | 1,227 | 1,227 |
| Due after more than one year | 2,352 | 1,194 | – |
| | 3,579 | 2,421 | 1,227 |

| CASH FLOW | | | |
|---|---|---|---|
| Acquisition of investment in TNK-BP joint venture | (2,351) | (1,250) | – |
| Dividends received | – | 1,760 | 1,950 |
| Dividends receivable | – | – | 771 |

| | | | $ per barrel |
|---|---|---|---|
| AVERAGE OIL MARKER PRICES | 2003 | 2004 | 2005 |
| Urals (NWE – cif) | 27.20 | 34.08 | 50.29 |
| Urals (Med – cif) | 27.28 | 34.45 | 50.84 |
| Domestic oil | 16.65 | 20.61 | 28.77 |

Various TNK-BP companies have received tax notifications. Upon entering into the joint venture arrangement, each party received indemnities from its co-venturers in respect of historical tax liabilities related to assets contributed to the joint venture. BP believes existing provisions are adequate for its share of any liabilities arising from tax claims not covered by these indemnities.

[a]Year 2003 covers the period from 29 August to 31 December.
[b]Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.
[c]2005 includes a net gain of $270 million on the disposal of non-core producing assets in the Saratov region, along with the Orsk refinery.

# Oil and natural gas exploration and production activities[a]

$ million

| RESULTS OF OPERATIONS FOR YEAR ENDED 31 DECEMBER | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2001 Total |
|---|---|---|---|---|---|---|---|---|---|
| Sales and other operating revenues[b] | | | | | | | | | |
| Third parties | 2,979 | 564 | 1,601 | 848 | 689 | 546 | – | 498 | 7,725 |
| Sales between businesses | 3,003 | 462 | 9,540 | 2,141 | 420 | 526 | – | 1,805 | 17,897 |
| | 5,982 | 1,026 | 11,141 | 2,989 | 1,109 | 1,072 | – | 2,303 | 25,622 |
| Exploration expenditure | (14) | (22) | (256) | (75) | (41) | (43) | (6) | (23) | (480) |
| Production costs | (878) | (91) | (1,325) | (371) | (148) | (228) | – | (168) | (3,209) |
| Production taxes | (559) | (17) | (384) | (69) | (36) | (2) | – | (581) | (1,648) |
| Other income (costs)[c] | (25) | (33) | (1,741) | (538) | (148) | (224) | (58) | (566) | (3,333) |
| Depreciation, depletion and amortization | (1,353) | (115) | (3,067) | (360) | (228) | (130) | – | (222) | (5,475) |
| Impairments and gains and losses on sale of businesses and fixed assets | (12) | 8 | (45) | (175) | – | – | – | 244 | 20 |
| Profit before taxation | 3,141 | 756 | 4,323 | 1,401 | 508 | 445 | (64) | 987 | 11,497 |
| Allocable taxes | (1,026) | (331) | (1,444) | (682) | (167) | (105) | (1) | (411) | (4,167) |
| Results of operations | 2,115 | 425 | 2,879 | 719 | 341 | 340 | (65) | 576 | 7,330 |
| **CAPITALIZED COSTS AT 31 DECEMBER** | | | | | | | | | |
| Gross capitalized costs | | | | | | | | | |
| Proved properties | 23,627 | 2,912 | 42,436 | 8,070 | 5,100 | 6,578 | 1 | 1,739 | 90,463 |
| Unproved properties | 313 | 120 | 1,426 | 970 | 1,969 | 456 | 113 | 169 | 5,536 |
| | 23,940 | 3,032 | 43,862 | 9,040 | 7,069 | 7,034 | 114 | 1,908 | 95,999 |
| Accumulated depreciation | (13,320) | (1,883) | (19,322) | (4,047) | (1,910) | (4,134) | (14) | (875) | (45,505) |
| Net capitalized costs | 10,620 | 1,149 | 24,540 | 4,993 | 5,159 | 2,900 | 100 | 1,033 | 50,494 |
| **COSTS INCURRED FOR YEAR ENDED 31 DECEMBER** | | | | | | | | | |
| Acquisition of properties | | | | | | | | | |
| Proved | – | – | – | – | – | – | – | 47 | 47 |
| Unproved | 4 | – | 20 | 4 | 155 | 34 | – | – | 217 |
| | 4 | – | 20 | 4 | 155 | 34 | – | 47 | 264 |
| Exploration and appraisal costs[d] | 109 | 80 | 295 | 253 | 68 | 248 | 7 | 42 | 1,102 |
| Development costs | 930 | 271 | 3,714 | 825 | 240 | 664 | – | 205 | 6,849 |
| Total costs | 1,043 | 351 | 4,029 | 1,082 | 463 | 946 | 7 | 294 | 8,215 |

[a]This note relates to the requirements contained within the UK Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'. Mid-stream activities of natural gas gathering and distribution and the operation of the main pipelines and tankers are excluded. The main mid-stream activities are the Alaskan transportation facilities, the Forties Pipeline system and the Central Area Transmission System. The group's share of jointly controlled entities' and associates' activities is excluded from the tables and included in the footnotes, with the exception of the Abu Dhabi operations, which are included in the income and expenditure items above.

[b]Sales and other operating revenues represents proceeds from the sale of production and other crude oil and gas, including royalty oil sold on behalf of others where royalty is payable in cash.

[c]Includes the value of royalty oil sold on behalf of others where royalty is payable in cash, property taxes and other government take.

[d]Includes exploration and appraisal drilling expenditure and licence acquisition costs, which are capitalized within intangible fixed assets, and geological and geophysical exploration costs, which are charged to income as incurred.

$ million

| EXPLORATION AND PRODUCTION REPLACEMENT COST PROFIT | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2001 Total |
|---|---|---|---|---|---|---|---|---|---|
| Exploration and production activities | | | | | | | | | |
| Group (as above) | 3,141 | 756 | 4,323 | 1,401 | 508 | 445 | (64) | 987 | 11,497 |
| Equity-accounted entities after interest and tax | – | – | – | 241 | 68 | – | 56 | 19 | 384 |
| Mid-stream activities | 254 | – | 138 | 92 | 54 | – | – | 53 | 591 |
| Total replacement cost profit before interest and tax | 3,395 | 756 | 4,461 | 1,734 | 630 | 445 | (8) | 1,059 | 12,472 |

# Oil and natural gas exploration and production activities[a] *continued*

$ million

| RESULTS OF OPERATIONS FOR YEAR ENDED 31 DECEMBER | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2002 Total |
|---|---|---|---|---|---|---|---|---|---|
| Sales and other operating revenues[b] | | | | | | | | | |
| Third parties | 2,249 | 465 | 1,290 | 884 | 457 | 512 | – | 644 | 6,501 |
| Sales between businesses | 3,169 | 594 | 7,776 | 1,754 | 905 | 1,015 | – | 1,278 | 16,491 |
| | 5,418 | 1,059 | 9,066 | 2,638 | 1,362 | 1,527 | – | 1,922 | 22,992 |
| Exploration expenditure | (27) | (47) | (258) | (167) | (67) | (50) | (17) | (11) | (644) |
| Production costs | (820) | (104) | (1,318) | (403) | (190) | (237) | – | (122) | (3,194) |
| Production taxes | (279) | (7) | (288) | (115) | (36) | – | – | (519) | (1,244) |
| Other income (costs)[c] | (315) | (36) | (1,556) | (341) | (110) | (331) | (42) | (670) | (3,401) |
| Depreciation, depletion and amortization | (1,875) | (154) | (3,118) | (413) | (296) | (134) | – | (140) | (6,130) |
| Impairments and gains and losses on sale of businesses and fixed assets | (32) | 13 | (479) | (234) | (311) | (230) | – | (14) | (1,287) |
| Profit before taxation | 2,070 | 724 | 2,049 | 965 | 352 | 545 | (59) | 446 | 7,092 |
| Allocable taxes | (1,327) | (412) | (925) | (480) | (291) | 86 | 18 | (220) | (3,551) |
| Results of operations | 743 | 312 | 1,124 | 485 | 61 | 631 | (41) | 226 | 3,541 |

| CAPITALIZED COSTS AT 31 DECEMBER | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Gross capitalized costs | | | | | | | | | |
| Proved properties | 26,804 | 4,029 | 46,555 | 9,406 | 5,275 | 7,803 | – | 2,120 | 101,992 |
| Unproved properties | 294 | 179 | 1,045 | 806 | 2,148 | 479 | – | 236 | 5,187 |
| | 27,098 | 4,208 | 47,600 | 10,212 | 7,423 | 8,282 | – | 2,356 | 107,179 |
| Accumulated depreciation | (16,394) | (2,591) | (22,416) | (4,729) | (2,360) | (4,489) | – | (1,075) | (54,054) |
| Net capitalized costs | 10,704 | 1,617 | 25,184 | 5,483 | 5,063 | 3,793 | – | 1,281 | 53,125 |

| COSTS INCURRED FOR YEAR ENDED 31 DECEMBER | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition of properties | | | | | | | | | |
| Proved | – | 4 | – | – | – | – | – | 59 | 63 |
| Unproved | – | – | 29 | 7 | – | 1 | – | – | 37 |
| | – | 4 | 29 | 7 | – | 1 | – | 59 | 100 |
| Exploration and appraisal costs[d] | 28 | 68 | 441 | 179 | 161 | 160 | 17 | 54 | 1,108 |
| Development costs | 895 | 219 | 3,607 | 684 | 129 | 1,164 | – | 526 | 7,224 |
| Total costs | 923 | 291 | 4,077 | 870 | 290 | 1,325 | 17 | 639 | 8,432 |

[a]This note relates to the requirements contained within the UK Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'. Mid-stream activities of natural gas gathering and distribution and the operation of the main pipelines and tankers are excluded. The main mid-stream activities are the Alaskan transportation facilities, the Forties Pipeline system and the Central Area Transmission System. The group's share of jointly controlled entities' and associates' activities is excluded from the tables and included in the footnotes, with the exception of the Abu Dhabi operations, which are included in the income and expenditure items above.

[b]Sales and other operating revenues represents proceeds from the sale of production and other crude oil and gas, including royalty oil sold on behalf of others where royalty is payable in cash.

[c]Includes the value of royalty oil sold on behalf of others where royalty is payable in cash, property taxes and other government take.

[d]Includes exploration and appraisal drilling expenditure and licence acquisition costs, which are capitalized within intangible fixed assets, and geological and geophysical exploration costs, which are charged to income as incurred.

$ million

| EXPLORATION AND PRODUCTION REPLACEMENT COST PROFIT | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2002 Total |
|---|---|---|---|---|---|---|---|---|---|
| Exploration and production activities | | | | | | | | | |
| Group (as above) | 2,070 | 724 | 2,049 | 965 | 352 | 545 | (59) | 446 | 7,092 |
| Equity-accounted entities after interest and tax | – | – | 16 | 163 | 70 | 1 | 115 | 117 | 482 |
| Mid-stream activities | 224 | – | 293 | 138 | 56 | (8) | – | – | 703 |
| Total replacement cost profit before interest and tax | 2,294 | 724 | 2,358 | 1,266 | 478 | 538 | 56 | 563 | 8,277 |

# Oil and natural gas exploration and production activities[a] *continued*

$ million

| RESULTS OF OPERATIONS FOR YEAR ENDED 31 DECEMBER | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | IFRS 2003 Total |
|---|---|---|---|---|---|---|---|---|---|
| Sales and other operating revenues[b] | | | | | | | | | |
| Third parties | 2,257 | 441 | 1,491 | 1,233 | 421 | 444 | – | 777 | 7,064 |
| Sales between businesses | 2,901 | 568 | 10,991 | 2,589 | 925 | 974 | – | 1,707 | 20,655 |
| | 5,158 | 1,009 | 12,482 | 3,822 | 1,346 | 1,418 | – | 2,484 | 27,719 |
| Exploration expenditure | (17) | (37) | (204) | (164) | (15) | (32) | (21) | (52) | (542) |
| Production costs | (825) | (113) | (1,262) | (463) | (166) | (241) | – | (135) | (3,205) |
| Production taxes | (233) | (14) | (439) | (189) | (40) | – | – | (742) | (1,657) |
| Other income (costs)[c] | 151 | (57) | (2,019) | (438) | (160) | (38) | (30) | (946) | (3,537) |
| Depreciation, depletion and amortization | (1,530) | (167) | (2,492) | (531) | (197) | (219) | – | (134) | (5,270) |
| Impairments and gains and losses on sale of businesses and fixed assets | 553 | (30) | (573) | 387 | (347) | 122 | 65 | (2) | 175 |
| Profit before taxation | 3,257 | 591 | 5,493 | 2,424 | 421 | 1,010 | 14 | 473 | 13,683 |
| Allocable taxes | (1,306) | (305) | (1,574) | (847) | 52 | (438) | (56) | (47) | (4,521) |
| Results of operations | 1,951 | 286 | 3,919 | 1,577 | 473 | 572 | (42) | 426 | 9,162 |
| **CAPITALIZED COSTS AT 31 DECEMBER** | | | | | | | | | |
| Gross capitalized costs | | | | | | | | | |
| Proved properties | 21,398 | 4,421 | 42,960 | 10,379 | 3,659 | 9,856 | 1 | 3,295 | 95,969 |
| Unproved properties | 299 | 230 | 1,278 | 713 | 1,779 | 563 | 51 | 64 | 4,977 |
| | 21,697 | 4,651 | 44,238 | 11,092 | 5,438 | 10,419 | 52 | 3,359 | 100,946 |
| Accumulated depreciation | (13,013) | (2,886) | (19,658) | (5,080) | (2,413) | (5,642) | (33) | (1,246) | (49,971) |
| Net capitalized costs | 8,684 | 1,765 | 24,580 | 6,012 | 3,025 | 4,777 | 19 | 2,113 | 50,975 |
| **COSTS INCURRED FOR YEAR ENDED 31 DECEMBER** | | | | | | | | | |
| Acquisition of properties | | | | | | | | | |
| Proved | – | – | – | – | – | – | – | – | – |
| Unproved | – | – | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | – | – | – |
| Exploration and appraisal costs[d] | 20 | 69 | 288 | 119 | 57 | 205 | 26 | 40 | 824 |
| Development costs | 740 | 236 | 3,476 | 512 | 42 | 1,614 | – | 917 | 7,537 |
| Total costs | 760 | 305 | 3,764 | 631 | 99 | 1,819 | 26 | 957 | 8,361 |

[a]This note relates to the requirements contained within the UK Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'. Mid-stream activities of natural gas gathering and distribution and the operation of the main pipelines and tankers are excluded. The main mid-stream activities are the Alaskan transportation facilities, the Forties Pipeline system and the Central Area Transmission System. The group's share of jointly controlled entities' and associates' activities is excluded from the tables and included in the footnotes, with the exception of the Abu Dhabi operations, which are included in the income and expenditure items above.

[b]Sales and other operating revenues represents proceeds from the sale of production and other crude oil and gas, including royalty oil sold on behalf of others where royalty is payable in cash.

[c]Includes the value of royalty oil sold on behalf of others where royalty is payable in cash, property taxes and other government take.

[d]Includes exploration and appraisal drilling expenditure and licence acquisition costs, which are capitalized within intangible fixed assets, and geological and geophysical exploration costs, which are charged to income as incurred.

$ million

| EXPLORATION AND PRODUCTION REPLACEMENT COST PROFIT | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | IFRS 2003 Total |
|---|---|---|---|---|---|---|---|---|---|
| Exploration and production activities | | | | | | | | | |
| Group (as above) | 3,257 | 591 | 5,493 | 2,424 | 421 | 1,010 | 14 | 473 | 13,683 |
| Equity-accounted entities after interest and tax | – | – | 1 | 171 | 20 | – | 573 | 25 | 790 |
| Mid-stream activities | 211 | (4) | 179 | 228 | (2) | (2) | – | (2) | 608 |
| Total replacement cost profit before interest and tax | 3,468 | 587 | 5,673 | 2,823 | 439 | 1,008 | 587 | 496 | 15,081 |

# Oil and natural gas exploration and production activities[a] *continued*

$ million

| RESULTS OF OPERATIONS FOR YEAR ENDED 31 DECEMBER | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | IFRS 2004 Total |
|---|---|---|---|---|---|---|---|---|---|
| Sales and other operating revenues[b] | | | | | | | | | |
| Third parties | 3,458 | 626 | 1,735 | 1,776 | 977 | 492 | 5 | 403 | 9,472 |
| Sales between businesses | 2,424 | 609 | 11,794 | 2,556 | 530 | 1,439 | – | 2,912 | 22,264 |
| | 5,882 | 1,235 | 13,529 | 4,332 | 1,507 | 1,931 | 5 | 3,315 | 31,736 |
| Exploration expenditure | (26) | (25) | (361) | (141) | (14) | (45) | (17) | (8) | (637) |
| Production costs | (901) | (117) | (1,428) | (535) | (142) | (323) | – | (131) | (3,577) |
| Production taxes | (273) | (30) | (477) | (239) | (45) | – | – | (1,023) | (2,087) |
| Other income (costs)[c] | 211 | (38) | (1,884) | (458) | (96) | (122) | 3 | (1,380) | (3,764) |
| Depreciation, depletion and amortization | (1,524) | (172) | (2,268) | (611) | (174) | (287) | – | (121) | (5,157) |
| Impairments and gains and losses on sale of businesses and fixed assets | (21) | (1) | (344) | 55 | (113) | (48) | – | 3 | (469) |
| Profit before taxation | 3,348 | 852 | 6,767 | 2,403 | 923 | 1,106 | (9) | 655 | 16,045 |
| Allocable taxes | (1,242) | (534) | (2,103) | (859) | 4 | (441) | (2) | (150) | (5,327) |
| Results of operations | 2,106 | 318 | 4,664 | 1,544 | 927 | 665 | (11) | 505 | 10,718 |
| **CAPITALIZED COSTS AT 31 DECEMBER** | | | | | | | | | |
| Gross capitalized costs | | | | | | | | | |
| Proved properties | 27,540 | 4,691 | 43,011 | 10,450 | 2,892 | 10,401 | – | 3,834 | 102,819 |
| Unproved properties | 300 | 170 | 1,395 | 456 | 1,240 | 526 | 119 | 105 | 4,311 |
| | 27,840 | 4,861 | 44,406 | 10,906 | 4,132 | 10,927 | 119 | 3,939 | 107,130 |
| Accumulated depreciation | (17,681) | (2,794) | (19,713) | (5,546) | (1,350) | (5,573) | – | (1,014) | (53,671) |
| Net capitalized costs | 10,159 | 2,067 | 24,693 | 5,360 | 2,782 | 5,354 | 119 | 2,925 | 53,459 |
| **COSTS INCURRED FOR YEAR ENDED 31 DECEMBER** | | | | | | | | | |
| Acquisition of properties | | | | | | | | | |
| Proved | – | – | – | – | – | – | – | – | – |
| Unproved | 2 | – | 58 | 5 | – | 13 | – | – | 78 |
| | 2 | – | 58 | 5 | – | 13 | – | – | 78 |
| Exploration and appraisal costs[d] | 51 | 17 | 423 | 199 | 85 | 142 | 113 | 9 | 1,039 |
| Development costs | 679 | 262 | 3,247 | 527 | 88 | 1,460 | – | 1,007 | 7,270 |
| Total costs | 732 | 279 | 3,728 | 731 | 173 | 1,615 | 113 | 1,016 | 8,387 |

[a]This note relates to the requirements contained within the UK Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'. Mid-stream activities of natural gas gathering and distribution and the operation of the main pipelines and tankers are excluded. The main mid-stream activities are the Alaskan transportation facilities, the Forties Pipeline system and the Central Area Transmission System. The group's share of jointly controlled entities' and associates' activities is excluded from the tables and included in the footnotes, with the exception of the Abu Dhabi operations, which are included in the income and expenditure items above.
[b]Sales and other operating revenues represents proceeds from the sale of production and other crude oil and gas, including royalty oil sold on behalf of others where royalty is payable in cash.
[c]Includes the value of royalty oil sold on behalf of others where royalty is payable in cash, property taxes and other government take.
[d]Includes exploration and appraisal drilling expenditure and licence acquisition costs, which are capitalized within intangible fixed assets, and geological and geophysical exploration costs, which are charged to income as incurred.

$ million

| EXPLORATION AND PRODUCTION REPLACEMENT COST PROFIT | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | IFRS 2004 Total |
|---|---|---|---|---|---|---|---|---|---|
| Exploration and production activities | | | | | | | | | |
| Group (as above) | 3,348 | 852 | 6,767 | 2,403 | 923 | 1,106 | (9) | 655 | 16,045 |
| Equity-accounted entities after interest and tax | – | – | – | 113 | 36 | – | 1,665 | – | 1,814 |
| Mid-stream activities | 105 | (15) | 30 | 123 | (50) | (19) | – | 42 | 216 |
| Total replacement cost profit before interest and tax | 3,453 | 837 | 6,797 | 2,639 | 909 | 1,087 | 1,656 | 697 | 18,075 |

# Oil and natural gas exploration and production activities[a] *continued*

$ million

| RESULTS OF OPERATIONS FOR YEAR ENDED 31 DECEMBER | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | IFRS 2005 Total |
|---|---|---|---|---|---|---|---|---|---|
| Sales and other operating revenues[b] | | | | | | | | | |
| Third parties | 4,667 | 635 | 2,048 | 2,260 | 1,045 | 1,350 | – | 690 | 12,695 |
| Sales between businesses | 2,458 | 976 | 14,842 | 2,863 | 782 | 2,402 | – | 4,796 | 29,119 |
| | 7,125 | 1,611 | 16,890 | 5,123 | 1,827 | 3,752 | – | 5,486 | 41,814 |
| Exploration expenditure | (32) | (1) | (426) | (84) | (6) | (81) | (37) | (17) | (684) |
| Production costs | (1,082) | (118) | (1,814) | (578) | (159) | (460) | – | (180) | (4,391) |
| Production taxes | (485) | (33) | (610) | (281) | (54) | – | – | (1,536) | (2,999) |
| Other income (costs)[c] | (1,857) | 55 | (2,200) | (537) | (170) | (98) | (8) | (2,042) | (6,857) |
| Depreciation, depletion and amortization | (1,548) | (220) | (2,288) | (675) | (162) | (542) | – | (193) | (5,628) |
| Impairments and gains and losses on sale of businesses and fixed assets | (44) | 1,038 | (232) | 133 | – | – | (2) | – | 893 |
| Profit before taxation | 2,077 | 2,332 | 9,320 | 3,101 | 1,276 | 2,571 | (47) | 1,518 | 22,148 |
| Allocable taxes | (405) | (880) | (3,377) | (1,390) | (447) | (1,043) | 1 | (409) | (7,950) |
| Results of operations | 1,672 | 1,452 | 5,943 | 1,711 | 829 | 1,528 | (46) | 1,109 | 14,198 |
| **CAPITALIZED COSTS AT 31 DECEMBER** | | | | | | | | | |
| Gross capitalized costs | | | | | | | | | |
| Proved properties | 28,453 | 4,608 | 46,288 | 9,585 | 2,922 | 12,183 | – | 5,184 | 109,223 |
| Unproved properties | 276 | 135 | 1,547 | 583 | 1,124 | 656 | 185 | 155 | 4,661 |
| | 28,729 | 4,743 | 47,835 | 10,168 | 4,046 | 12,839 | 185 | 5,339 | 113,884 |
| Accumulated depreciation | (19,203) | (2,949) | (22,016) | (4,919) | (1,508) | (6,112) | – | (1,200) | (57,907) |
| Net capitalized costs | 9,526 | 1,794 | 25,819 | 5,249 | 2,538 | 6,727 | 185 | 4,139 | 55,977 |
| **COSTS INCURRED FOR YEAR ENDED 31 DECEMBER** | | | | | | | | | |
| Acquisition of properties | | | | | | | | | |
| Proved | – | – | – | – | – | – | – | – | – |
| Unproved | – | – | 29 | 34 | – | – | – | – | 63 |
| | – | – | 29 | 34 | – | – | – | – | 63 |
| Exploration and appraisal costs[d] | 51 | 7 | 606 | 133 | 11 | 264 | 126 | 68 | 1,266 |
| Development costs | 790 | 188 | 2,965 | 681 | 186 | 1,691 | – | 1,177 | 7,678 |
| Total costs | 841 | 195 | 3,600 | 848 | 197 | 1,955 | 126 | 1,245 | 9,007 |

[a]This note relates to the requirements contained within the UK Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'. Mid-stream activities of natural gas gathering and distribution and the operation of the main pipelines and tankers are excluded. The main mid-stream activities are the Alaskan transportation facilities, the Forties Pipeline system and the Central Area Transmission System. The group's share of jointly controlled entities' and associates' activities is excluded from the tables and included in the footnotes, with the exception of the Abu Dhabi operations, which are included in the income and expenditure items above.

[b]Sales and other operating revenues represents proceeds from the sale of production and other crude oil and gas, including royalty oil sold on behalf of others where royalty is payable in cash.

[c]Includes the value of royalty oil sold on behalf of others where royalty is payable in cash, property taxes and other government take.

[d]Includes exploration and appraisal drilling expenditure and licence acquisition costs, which are capitalized within intangible fixed assets, and geological and geophysical exploration costs, which are charged to income as incurred.

$ million

| EXPLORATION AND PRODUCTION REPLACEMENT COST PROFIT | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | IFRS 2005 Total |
|---|---|---|---|---|---|---|---|---|---|
| Exploration and production activities | | | | | | | | | |
| Group (as above) | 2,077 | 2,332 | 9,320 | 3,101 | 1,276 | 2,571 | (47) | 1,518 | 22,148 |
| Equity-accounted entities after interest and tax | – | – | – | 309 | 35 | – | 2,685 | – | 3,029 |
| Mid-stream activities | 52 | (11) | 155 | 148 | (20) | (39) | (1) | 24 | 308 |
| Total replacement cost profit before interest and tax | 2,129 | 2,321 | 9,475 | 3,558 | 1,291 | 2,532 | 2,637 | 1,542 | 25,485 |

# Movements in estimated net proved reserves – crude oil[a]

million barrels

| SUBSIDIARIES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2001 Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | 1,138 | 213 | 2,150 | 365 | 109 | 208 | – | 135 | 4,318 |
| Undeveloped | 254 | 160 | 1,043 | 309 | 71 | 287 | – | 66 | 2,190 |
| | 1,392 | 373 | 3,193 | 674 | 180 | 495 | – | 201 | 6,508 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (16) | 16 | (39) | (86) | 6 | 16 | – | 6 | (97) |
| Purchases of reserves-in-place | 9 | – | – | 10 | 1 | – | – | – | 20 |
| Extensions, discoveries and other additions | 94 | – | 641 | 52 | 2 | 182 | – | 316 | 1,287 |
| Improved recovery | 24 | 29 | 48 | 8 | – | 4 | – | – | 113 |
| Production | (177) | (37) | (243) | (61) | (24) | (39) | – | (20) | (601) |
| Sales of reserves-in-place | (1) | – | (11) | (1) | – | – | – | – | (13) |
| | (67) | 8 | 396 | (78) | (15) | 163 | – | 302 | 709 |
| At 31 December[b] | | | | | | | | | |
| Developed | 1,008 | 269 | 2,195 | 401 | 113 | 200 | – | 122 | 4,308 |
| Undeveloped | 317 | 112 | 1,394 | 195 | 52 | 458 | – | 381 | 2,909 |
| | 1,325 | 381 | 3,589 | 596 | 165 | 658 | – | 503 | 7,217 |

| EQUITY-ACCOUNTED ENTITIES (BP SHARE) | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | – | – | – | 116 | 3 | – | 19 | 848 | 986 |
| Undeveloped | 5 | – | – | 111 | 7 | – | – | 26 | 149 |
| | 5 | – | – | 227 | 10 | – | 19 | 874 | 1,135 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | – | – | – | 22 | 1 | – | 33 | (1) | 55 |
| Purchases of reserves-in-place | – | – | – | – | – | – | – | – | – |
| Extensions, discoveries and other additions | – | – | – | 24 | – | – | – | – | 24 |
| Improved recovery | – | – | – | 21 | – | – | – | – | 21 |
| Production | – | – | – | (19) | (2) | – | (7) | (48) | (76) |
| Sales of reserves-in-place | – | – | – | – | – | – | – | – | – |
| | – | – | – | 48 | (1) | – | 26 | (49) | 24 |
| At 31 December[c] | | | | | | | | | |
| Developed | 5 | – | – | 129 | 3 | – | 45 | 800 | 982 |
| Undeveloped | – | – | – | 146 | 6 | – | – | 25 | 177 |
| | 5 | – | – | 275 | 9 | – | 45 | 825 | 1,159 |
| Total group and BP share of equity-accounted entities | 1,330 | 381 | 3,589 | 871 | 174 | 658 | 45 | 1,328 | 8,376 |

[a]Crude oil includes natural gas liquids and condensate. Net proved reserves of crude oil exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b]Minority interest in BP Trinidad and Tobago LLC included 29, 39, 55, 17 and 20 million barrels at 31 December 2005, 2004, 2003, 2002 and 2001 respectively within Rest of Americas.
[c]Basis of reserves reporting in Abu Dhabi (where interests are held through associated undertakings in onshore and offshore concessions expiring in 2014 and 2018 respectively) is that reserves are restricted to those volumes expected to be produced by the end of the life of the concessions.

# Movements in estimated net proved reserves – crude oil[a] *continued*

million barrels

| SUBSIDIARIES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2002 Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | 1,008 | 269 | 2,195 | 401 | 113 | 200 | – | 122 | 4,308 |
| Undeveloped | 317 | 112 | 1,394 | 195 | 52 | 458 | – | 381 | 2,909 |
| | 1,325 | 381 | 3,589 | 596 | 165 | 658 | – | 503 | 7,217 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (58) | – | (33) | (28) | 36 | 27 | – | 27 | (29) |
| Purchases of reserves-in-place | 8 | 2 | – | 210 | – | – | – | 7 | 227 |
| Extensions, discoveries and other additions | 9 | – | 199 | 39 | – | 263 | – | 347 | 857 |
| Improved recovery | 19 | 4 | 60 | 20 | 5 | – | – | 24 | 132 |
| Production | (168) | (38) | (254) | (65) | (27) | (46) | – | (21) | (619) |
| Sales of reserves-in-place | (8) | – | – | (1) | – | – | – | (14) | (23) |
| | (198) | (32) | (28) | 175 | 14 | 244 | – | 370 | 545 |
| At 31 December[b] | | | | | | | | | |
| Developed | 858 | 250 | 2,225 | 573 | 125 | 179 | – | 125 | 4,335 |
| Undeveloped | 269 | 99 | 1,336 | 198 | 54 | 723 | – | 748 | 3,427 |
| | 1,127 | 349 | 3,561 | 771 | 179 | 902 | – | 873 | 7,762 |

| EQUITY-ACCOUNTED ENTITIES (BP SHARE) | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | 5 | – | – | 129 | 3 | – | 45 | 800 | 982 |
| Undeveloped | – | – | – | 146 | 6 | – | – | 25 | 177 |
| | 5 | – | – | 275 | 9 | – | 45 | 825 | 1,159 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | – | – | – | (4) | (1) | – | 80 | 1 | 76 |
| Purchases of reserves-in-place | – | – | – | – | – | – | 203 | – | 203 |
| Extensions, discoveries and other additions | – | – | – | 7 | – | – | – | – | 7 |
| Improved recovery | – | – | – | 55 | – | – | – | – | 55 |
| Production | – | – | – | (21) | (1) | – | (27) | (43) | (92) |
| Sales of reserves-in-place | (5) | – | – | – | – | – | – | – | (5) |
| | (5) | – | – | 37 | (2) | – | 256 | (42) | 244 |
| At 31 December[c] | | | | | | | | | |
| Developed | – | – | – | 173 | 1 | – | 252 | 752 | 1,178 |
| Undeveloped | – | – | – | 139 | 6 | – | 49 | 31 | 225 |
| | – | – | – | 312 | 7 | – | 301 | 783 | 1,403 |
| Total group and BP share of equity-accounted entities | 1,127 | 349 | 3,561 | 1,083 | 186 | 902 | 301 | 1,656 | 9,165 |

[a]Crude oil includes natural gas liquids and condensate. Net proved reserves of crude oil exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b]Minority interest in BP Trinidad and Tobago LLC included 29, 39, 55, 17 and 20 million barrels at 31 December 2005, 2004, 2003, 2002 and 2001 respectively within Rest of Americas.
[c]Basis of reserves reporting in Abu Dhabi (where interests are held through associated undertakings in onshore and offshore concessions expiring in 2014 and 2018 respectively) is that reserves are restricted to those volumes expected to be produced by the end of the life of the concessions.

# Movements in estimated net proved reserves – crude oil[a] *continued*

million barrels

| | | | | | | | | | 2003 |
|---|---|---|---|---|---|---|---|---|---|
| **SUBSIDIARIES** | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
| At 1 January | | | | | | | | | |
| Developed | 858 | 250 | 2,225 | 573 | 125 | 179 | – | 125 | 4,335 |
| Undeveloped | 269 | 99 | 1,336 | 198 | 54 | 723 | – | 748 | 3,427 |
| | 1,127 | 349 | 3,561 | 771 | 179 | 902 | – | 873 | 7,762 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | 5 | (3) | (246) | (28) | 33 | 57 | – | 25 | (157) |
| Purchases of reserves-in-place | – | – | – | 42 | – | – | – | – | 42 |
| Extensions, discoveries and other additions | 6 | 16 | 240 | 1 | – | 402 | – | 36 | 701 |
| Improved recovery | 38 | 5 | 84 | 42 | – | – | – | 3 | 172 |
| Production | (138) | (30) | (237) | (71) | (22) | (43) | – | (21) | (562) |
| Sales of reserves-in-place | (144) | (19) | (164) | (13) | (24) | (145) | – | – | (509) |
| | (233) | (31) | (323) | (27) | (13) | 271 | – | 43 | (313) |
| At 31 December[b] | | | | | | | | | |
| Developed | 678 | 231 | 1,885 | 378 | 83 | 206 | – | 115 | 3,576 |
| Undeveloped | 216 | 87 | 1,353 | 366 | 83 | 967 | – | 801 | 3,873 |
| | 894 | 318 | 3,238 | 744 | 166 | 1,173 | – | 916 | 7,449 |
| **EQUITY-ACCOUNTED ENTITIES (BP SHARE)** | | | | | | | | | |
| At 1 January | | | | | | | | | |
| Developed | – | – | – | 173 | 1 | – | 252 | 752 | 1,178 |
| Undeveloped | – | – | – | 139 | 6 | – | 49 | 31 | 225 |
| | – | – | – | 312 | 7 | – | 301 | 783 | 1,403 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | – | – | – | 3 | – | – | – | 2 | 5 |
| Purchases of reserves-in-place | – | – | – | – | – | – | 1,600 | – | 1,600 |
| Extensions, discoveries and other additions | – | – | – | 6 | – | – | – | – | 6 |
| Improved recovery | – | – | – | 42 | – | – | – | – | 42 |
| Production | – | – | – | (23) | (1) | – | (107) | (53) | (184) |
| Sales of reserves-in-place | – | – | – | – | (5) | – | – | – | (5) |
| | – | – | – | 28 | (6) | – | 1,493 | (51) | 1,464 |
| At 31 December[c d] | | | | | | | | | |
| Developed | – | – | – | 206 | 1 | – | 1,384 | 705 | 2,296 |
| Undeveloped | – | – | – | 134 | – | – | 410 | 27 | 571 |
| | – | – | – | 340 | 1 | – | 1,794 | 732 | 2,867 |
| Total group and BP share of equity-accounted entities | 894 | 318 | 3,238 | 1,084 | 167 | 1,173 | 1,794 | 1,648 | 10,316 |

[a]Crude oil includes natural gas liquids and condensate. Net proved reserves of crude oil exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b]Minority interest in BP Trinidad and Tobago LLC included 29, 39, 55, 17 and 20 million barrels at 31 December 2005, 2004, 2003, 2002 and 2001 respectively within Rest of Americas.
[c]Basis of reserves reporting in Abu Dhabi (where interests are held through associated undertakings in onshore and offshore concessions expiring in 2014 and 2018 respectively) is that reserves are restricted to those volumes expected to be produced by the end of the life of the concessions.
[d]Includes 127 and 97 million barrels in respect of the 5.4% minority interest in TNK-BP at 31 December 2004 and 2003 respectively, and 97 million barrels of crude oil in respect of the 4.47% minority interest in TNK-BP in 2005, within Russia.

# Movements in estimated net proved reserves – crude oil[a] *continued*

million barrels

| | | | | | | | | | 2004 |
|---|---|---|---|---|---|---|---|---|---|
| **SUBSIDIARIES** | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
| At 1 January | | | | | | | | | |
| Developed | 678 | 231 | 1,885 | 378 | 83 | 206 | – | 115 | 3,576 |
| Undeveloped | 216 | 87 | 1,353 | 366 | 83 | 967 | – | 801 | 3,873 |
| | 894 | 318 | 3,238 | 744 | 166 | 1,173 | – | 916 | 7,449 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (97) | 32 | 63 | (111) | 5 | 38 | – | 194 | 124 |
| Purchases of reserves-in-place | – | – | – | – | – | – | – | – | – |
| Extensions, discoveries and other additions | 22 | – | 74 | 5 | 8 | 48 | – | 212 | 369 |
| Improved recovery | 57 | 4 | 55 | 31 | – | 6 | – | 3 | 156 |
| Production | (121) | (28) | (217) | (63) | (17) | (48) | – | (21) | (515) |
| Sales of reserves-in-place | – | – | (17) | (10) | (6) | – | – | – | (33) |
| | (139) | 8 | (42) | (148) | (10) | 44 | – | 388 | 101 |
| At 31 December[b] | | | | | | | | | |
| Developed | 548 | 217 | 1,938 | 296 | 70 | 275 | – | 79 | 3,423 |
| Undeveloped | 207 | 109 | 1,258 | 300 | 86 | 942 | – | 1,225 | 4,127 |
| | 755 | 326 | 3,196 | 596 | 156 | 1,217 | – | 1,304 | 7,550 |
| **EQUITY-ACCOUNTED ENTITIES (BP SHARE)** | | | | | | | | | |
| At 1 January | | | | | | | | | |
| Developed | – | – | – | 206 | 1 | – | 1,384 | 705 | 2,296 |
| Undeveloped | – | – | – | 134 | – | – | 410 | 27 | 571 |
| | – | – | – | 340 | 1 | – | 1,794 | 732 | 2,867 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | – | – | – | (4) | – | – | 382 | 15 | 393 |
| Purchases of reserves-in-place | – | – | – | – | – | – | 252 | – | 252 |
| Extensions, discoveries and other additions | – | – | – | 2 | – | – | – | – | 2 |
| Improved recovery | – | – | – | 17 | – | – | 37 | – | 54 |
| Production | – | – | – | (25) | – | – | (304) | (55) | (384) |
| Sales of reserves-in-place | – | – | – | – | – | – | (4) | – | (4) |
| | – | – | – | (10) | – | – | 363 | (40) | 313 |
| At 31 December[c d] | | | | | | | | | |
| Developed | – | – | – | 204 | 1 | – | 1,863 | 593 | 2,661 |
| Undeveloped | – | – | – | 126 | – | – | 294 | 99 | 519 |
| | – | – | – | 330 | 1 | – | 2,157 | 692 | 3,180 |
| Total group and BP share of equity-accounted entities | 755 | 326 | 3,196 | 926 | 157 | 1,217 | 2,157 | 1,996 | 10,730 |

[a]Crude oil includes natural gas liquids and condensate. Net proved reserves of crude oil exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b]Minority interest in BP Trinidad and Tobago LLC included 29, 39, 55, 17 and 20 million barrels at 31 December 2005, 2004, 2003, 2002 and 2001 respectively within Rest of Americas.
[c]Basis of reserves reporting in Abu Dhabi (where interests are held through associated undertakings in onshore and offshore concessions expiring in 2014 and 2018 respectively) is that reserves are restricted to those volumes expected to be produced by the end of the life of the concessions.
[d]Includes 127 and 97 million barrels in respect of the 5.4% minority interest in TNK-BP at 31 December 2004 and 2003 respectively, and 97 million barrels of crude oil in respect of the 4.47% minority interest in TNK-BP in 2005, within Russia.

# Movements in estimated net proved reserves – crude oil[a] *continued*

million barrels

| SUBSIDIARIES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2005 Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | 548 | 217 | 1,938 | 296 | 70 | 275 | – | 79 | 3,423 |
| Undeveloped | 207 | 109 | 1,258 | 300 | 86 | 942 | – | 1,225 | 4,127 |
| | 755 | 326 | 3,196 | 596 | 156 | 1,217 | – | 1,304 | 7,550 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (39) | (10) | 15 | (20) | 19 | (193) | – | (144) | (372) |
| Purchases of reserves-in-place | – | – | 2 | – | – | – | – | – | 2 |
| Extensions, discoveries and other additions | 11 | – | 62 | 3 | 11 | 131 | – | – | 218 |
| Improved recovery | 33 | 21 | 240 | 1 | – | 2 | – | 13 | 310 |
| Production | (101) | (28) | (200) | (52) | (17) | (64) | – | (34) | (496) |
| Sales of reserves-in-place | – | (15) | (1) | (35) | – | – | – | – | (51) |
| | (96) | (32) | 118 | (103) | 13 | (124) | – | (165) | (389) |
| At 31 December[b] | | | | | | | | | |
| Developed | 475 | 209 | 1,801 | 206 | 73 | 202 | – | 94 | 3,060 |
| Undeveloped | 184 | 85 | 1,513 | 287 | 96 | 891 | – | 1,045 | 4,101 |
| | 659 | 294 | 3,314 | 493 | 169 | 1,093 | – | 1,139 | 7,161 |
| **EQUITY-ACCOUNTED ENTITIES (BP SHARE)** | | | | | | | | | |
| At 1 January | | | | | | | | | |
| Developed | – | – | – | 204 | 1 | – | 1,863 | 593 | 2,661 |
| Undeveloped | – | – | – | 126 | – | – | 294 | 99 | 519 |
| | – | – | – | 330 | 1 | – | 2,157 | 692 | 3,180 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | – | – | – | – | – | – | 368 | 111 | 479 |
| Purchases of reserves-in-place | – | – | – | – | – | – | – | – | – |
| Extensions, discoveries and other additions | – | – | – | 2 | – | – | – | – | 2 |
| Improved recovery | – | – | – | 25 | – | – | – | – | 25 |
| Production | – | – | – | (26) | – | – | (333) | (57) | (416) |
| Sales of reserves-in-place | – | – | – | – | – | – | (24) | – | (24) |
| | – | – | – | 1 | – | – | 11 | 54 | 66 |
| At 31 December[c d] | | | | | | | | | |
| Developed | – | – | – | 207 | 1 | – | 1,682 | 582 | 2,472 |
| Undeveloped | – | – | – | 124 | – | – | 486 | 164 | 774 |
| | – | – | – | 331 | 1 | – | 2,168 | 746 | 3,246 |
| Total group and BP share of equity-accounted entities | 659 | 294 | 3,314 | 824 | 170 | 1,093 | 2,168 | 1,885 | 10,407 |

[a]Crude oil includes natural gas liquids and condensate. Net proved reserves of crude oil exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b]Minority interest in BP Trinidad and Tobago LLC included 29, 39, 55, 17 and 20 million barrels at 31 December 2005, 2004, 2003, 2002 and 2001 respectively within Rest of Americas.
[c]Basis of reserves reporting in Abu Dhabi (where interests are held through associated undertakings in onshore and offshore concessions expiring in 2014 and 2018 respectively) is that reserves are restricted to those volumes expected to be produced by the end of the life of the concessions.
[d]Includes 127 and 97 million barrels in respect of the 5.4% minority interest in TNK-BP at 31 December 2004 and 2003 respectively, and 97 million barrels of crude oil in respect of the 4.47% minority interest in TNK-BP in 2005, within Russia.

## Movements in estimated net proved reserves – natural gas[a]

billion cubic feet

2001

| SUBSIDIARIES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | 3,898 | 275 | 12,111 | 4,755 | 2,291 | 518 | – | 421 | 24,269 |
| Undeveloped | 1,058 | 71 | 2,400 | 8,868 | 2,085 | 2,237 | – | 112 | 16,831 |
| | 4,956 | 346 | 14,511 | 13,623 | 4,376 | 2,755 | – | 533 | 41,100 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (25) | (10) | 16 | (840) | 103 | 12 | – | 18 | (726) |
| Purchases of reserves-in-place | 14 | – | 2 | – | 102 | – | – | – | 118 |
| Extensions, discoveries and other additions | 70 | 15 | 620 | 2,157 | 255 | 1,334 | – | 2 | 4,453 |
| Improved recovery | 136 | 11 | 988 | 121 | – | 3 | – | 8 | 1,267 |
| Production[b] | (625) | (54) | (1,358) | (586) | (309) | (69) | – | (86) | (3,087) |
| Sales of reserves-in-place | (154) | – | (12) | – | – | – | – | – | (166) |
| | (584) | (38) | 256 | 852 | 151 | 1,280 | – | (58) | 1,859 |
| At 31 December[c] | | | | | | | | | |
| Developed | 3,212 | 265 | 12,232 | 4,549 | 2,307 | 826 | – | 358 | 23,749 |
| Undeveloped | 1,160 | 43 | 2,535 | 9,926 | 2,220 | 3,209 | – | 117 | 19,210 |
| | 4,372 | 308 | 14,767 | 14,475 | 4,527 | 4,035 | – | 475 | 42,959 |

| EQUITY-ACCOUNTED ENTITIES (BP SHARE) | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | – | – | – | 1,049 | 168 | – | – | 51 | 1,268 |
| Undeveloped | 25 | – | – | 991 | 501 | – | – | 33 | 1,550 |
| | 25 | – | – | 2,040 | 669 | – | – | 84 | 2,818 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (1) | – | – | 74 | 1 | – | – | 18 | 92 |
| Purchases of reserves-in-place | – | – | – | – | – | – | – | – | – |
| Extensions, discoveries and other additions | – | – | – | 360 | – | – | – | – | 360 |
| Improved recovery | – | – | – | 71 | – | – | – | – | 71 |
| Production | – | – | – | (99) | (26) | – | – | – | (125) |
| Sales of reserves-in-place | – | – | – | – | – | – | – | – | – |
| | (1) | – | – | 406 | (25) | – | – | 18 | 398 |
| At 31 December | | | | | | | | | |
| Developed | 24 | – | – | 1,288 | 153 | – | – | 67 | 1,532 |
| Undeveloped | – | – | – | 1,158 | 491 | – | – | 35 | 1,684 |
| | 24 | – | – | 2,446 | 644 | – | – | 102 | 3,216 |
| Total group and BP share of equity-accounted entities | 4,396 | 308 | 14,767 | 16,921 | 5,171 | 4,035 | – | 577 | 46,175 |

[a]Net proved reserves of natural gas exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b]Includes 64, 76, 69, 63 and 61 billion cubic feet for 2005, 2004, 2003, 2002 and 2001 respectively of natural gas consumed in Alaskan operations.
[c]Minority interest in BP Trinidad and Tobago LLC included 3,872, 4,117, 4,505, 1,185 and 1,258 billion cubic feet of natural gas at 31 December 2005, 2004, 2003, 2002 and 2001 respectively.

## Year-end estimated net proved reserves – crude oil and natural gas

million barrels oil equivalent[a]

2001

| TOTAL DEVELOPED AND UNDEVELOPED OIL AND NATURAL GAS RESERVES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Subsidiaries | 2,079 | 434 | 6,135 | 3,091 | 946 | 1,354 | – | 585 | 14,624 |
| Equity-accounted entities (BP share) | 9 | – | – | 697 | 120 | – | 45 | 842 | 1,713 |
| Total group and BP share of equity-accounted entities | 2,088 | 434 | 6,135 | 3,788 | 1,066 | 1,354 | 45 | 1,427 | 16,337 |

[a]5.8 billion cubic feet of natural gas = 1 million barrels of oil equivalent.

## Movements in estimated net proved reserves – natural gas[a] *continued*

billion cubic feet

| SUBSIDIARIES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2002 Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | 3,212 | 265 | 12,232 | 4,549 | 2,307 | 826 | – | 358 | 23,749 |
| Undeveloped | 1,160 | 43 | 2,535 | 9,926 | 2,220 | 3,209 | – | 117 | 19,210 |
| | 4,372 | 308 | 14,767 | 14,475 | 4,527 | 4,035 | – | 475 | 42,959 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (137) | 3 | (149) | 30 | 1,061 | 38 | – | 46 | 892 |
| Purchases of reserves-in-place | 77 | 3 | 1 | 4 | – | – | – | 52 | 137 |
| Extensions, discoveries and other additions | 126 | – | 340 | 2,687 | – | 11 | – | 4 | 3,168 |
| Improved recovery | 64 | – | 738 | 1,263 | – | – | – | – | 2,065 |
| Production[b] | (566) | (54) | (1,334) | (655) | (313) | (93) | – | (86) | (3,101) |
| Sales of reserves-in-place | (70) | – | (2) | (39) | – | – | – | (165) | (276) |
| | (506) | (48) | (406) | 3,290 | 748 | (44) | – | (149) | 2,885 |
| At 31 December[c] | | | | | | | | | |
| Developed | 3,215 | 216 | 12,102 | 4,637 | 2,528 | 815 | – | 260 | 23,773 |
| Undeveloped | 651 | 44 | 2,259 | 13,128 | 2,747 | 3,176 | – | 66 | 22,071 |
| | 3,866 | 260 | 14,361 | 17,765 | 5,275 | 3,991 | – | 326 | 45,844 |

| EQUITY-ACCOUNTED ENTITIES (BP SHARE) | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2002 Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | 24 | – | – | 1,288 | 153 | – | – | 67 | 1,532 |
| Undeveloped | – | – | – | 1,158 | 491 | – | – | 35 | 1,684 |
| | 24 | – | – | 2,446 | 644 | – | – | 102 | 3,216 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | – | – | – | (251) | 82 | – | – | 12 | (157) |
| Purchases of reserves-in-place | – | – | – | 18 | – | – | 2 | – | 20 |
| Extensions, discoveries and other additions | – | – | – | 27 | – | – | – | – | 27 |
| Improved recovery | – | – | – | 1 | – | – | – | – | 1 |
| Production | (2) | – | – | (104) | (28) | – | (2) | (4) | (140) |
| Sales of reserves-in-place | (22) | – | – | – | – | – | – | – | (22) |
| | (24) | – | – | (309) | 54 | – | – | 8 | (271) |
| At 31 December | | | | | | | | | |
| Developed | – | – | – | 1,282 | 160 | – | – | 64 | 1,506 |
| Undeveloped | – | – | – | 855 | 538 | – | – | 46 | 1,439 |
| | – | – | – | 2,137 | 698 | – | – | 110 | 2,945 |
| Total group and BP share of equity-accounted entities | 3,866 | 260 | 14,361 | 19,902 | 5,973 | 3,991 | – | 436 | 48,789 |

[a]Net proved reserves of natural gas exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b]Includes 64, 76, 69, 63 and 61 billion cubic feet for 2005, 2004, 2003, 2002 and 2001 respectively of natural gas consumed in Alaskan operations.
[c]Minority interest in BP Trinidad and Tobago LLC included 3,872, 4,117, 4,505, 1,185 and 1,258 billion cubic feet of natural gas at 31 December 2005, 2004, 2003, 2002 and 2001 respectively.

## Year-end estimated net proved reserves – crude oil and natural gas *continued*

million barrels oil equivalent[a]

| TOTAL DEVELOPED AND UNDEVELOPED OIL AND NATURAL GAS RESERVES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2002 Total |
|---|---|---|---|---|---|---|---|---|---|
| Subsidiaries | 1,794 | 394 | 6,037 | 3,834 | 1,088 | 1,590 | – | 930 | 15,667 |
| Equity-accounted entities (BP share) | – | – | – | 680 | 127 | – | 301 | 803 | 1,911 |
| Total group and BP share of equity-accounted entities | 1,794 | 394 | 6,037 | 4,514 | 1,215 | 1,590 | 301 | 1,733 | 17,578 |

[a]5.8 billion cubic feet of natural gas = 1 million barrels of oil equivalent.

## Movements in estimated net proved reserves – natural gas[a] *continued*

billion cubic feet

| | | | | | | | | | 2003 |
|---|---|---|---|---|---|---|---|---|---|
| **SUBSIDIARIES** | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
| At 1 January | | | | | | | | | |
| Developed | 3,215 | 216 | 12,102 | 4,637 | 2,528 | 815 | – | 260 | 23,773 |
| Undeveloped | 651 | 44 | 2,259 | 13,128 | 2,747 | 3,176 | – | 66 | 22,071 |
| | 3,866 | 260 | 14,361 | 17,765 | 5,275 | 3,991 | – | 326 | 45,844 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (64) | 27 | (777) | (801) | (81) | 9 | – | 19 | (1,668) |
| Purchases of reserves-in-place | – | – | 1 | 85 | – | – | – | – | 86 |
| Extensions, discoveries and other additions | 397 | 1,213 | 293 | 64 | – | – | – | 764 | 2,731 |
| Improved recovery | 72 | 1 | 2,083 | 262 | – | – | – | 28 | 2,446 |
| Production[b] | (528) | (43) | (1,224) | (792) | (283) | (92) | – | (74) | (3,036) |
| Sales of reserves-in-place | (253) | (33) | (900) | (12) | – | (1,229) | – | – | (2,427) |
| | (376) | 1,165 | (524) | (1,194) | (364) | (1,312) | – | 737 | (1,868) |
| At 31 December[c] | | | | | | | | | |
| Developed | 2,673 | 214 | 11,290 | 4,087 | 1,923 | 651 | – | 235 | 21,073 |
| Undeveloped | 817 | 1,211 | 2,547 | 12,484 | 2,988 | 2,028 | – | 828 | 22,903 |
| | 3,490 | 1,425 | 13,837 | 16,571 | 4,911 | 2,679 | – | 1,063 | 43,976 |
| **EQUITY-ACCOUNTED ENTITIES (BP SHARE)** | | | | | | | | | |
| At 1 January | | | | | | | | | |
| Developed | – | – | – | 1,282 | 160 | – | – | 64 | 1,506 |
| Undeveloped | – | – | – | 855 | 538 | – | – | 46 | 1,439 |
| | – | – | – | 2,137 | 698 | – | – | 110 | 2,945 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | – | – | – | 190 | 17 | – | 47 | (21) | 233 |
| Purchases of reserves-in-place | – | – | – | – | – | – | – | – | – |
| Extensions, discoveries and other additions | – | – | – | 12 | – | – | – | – | 12 |
| Improved recovery | – | – | – | 35 | – | – | – | – | 35 |
| Production | – | – | – | (114) | (26) | – | (47) | (3) | (190) |
| Sales of reserves-in-place | – | – | – | – | (482) | – | – | – | (482) |
| | – | – | – | 123 | (491) | – | – | (24) | (392) |
| At 31 December | | | | | | | | | |
| Developed | – | – | – | 1,437 | 130 | – | – | 58 | 1,625 |
| Undeveloped | – | – | – | 823 | 77 | – | – | 28 | 928 |
| | – | – | – | 2,260 | 207 | – | – | 86 | 2,553 |
| Total group and BP share of equity-accounted entities | 3,490 | 1,425 | 13,837 | 18,831 | 5,118 | 2,679 | – | 1,149 | 46,529 |

[a] Net proved reserves of natural gas exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b] Includes 64, 76, 69, 63 and 61 billion cubic feet for 2005, 2004, 2003, 2002 and 2001 respectively of natural gas consumed in Alaskan operations.
[c] Minority interest in BP Trinidad and Tobago LLC included 3,872, 4,117, 4,505, 1,185 and 1,258 billion cubic feet of natural gas at 31 December 2005, 2004, 2003, 2002 and 2001 respectively.

## Year-end estimated net proved reserves – crude oil and natural gas *continued*

million barrels oil equivalent[a]

| | | | | | | | | | 2003 |
|---|---|---|---|---|---|---|---|---|---|
| **TOTAL DEVELOPED AND UNDEVELOPED OIL AND NATURAL GAS RESERVES** | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | Total |
| Subsidiaries | 1,496 | 564 | 5,624 | 3,601 | 1,013 | 1,635 | – | 1,098 | 15,031 |
| Equity-accounted entities (BP share) | – | – | – | 730 | 37 | – | 1,794 | 746 | 3,307 |
| Total group and BP share of equity-accounted entities | 1,496 | 564 | 5,624 | 4,331 | 1,050 | 1,635 | 1,794 | 1,844 | 18,338 |

[a] 5.8 billion cubic feet of natural gas = 1 million barrels of oil equivalent.

# Movements in estimated net proved reserves – natural gas[a] *continued*

billion cubic feet

| SUBSIDIARIES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2004 Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | 2,673 | 214 | 11,290 | 4,087 | 1,923 | 651 | – | 235 | 21,073 |
| Undeveloped | 817 | 1,211 | 2,547 | 12,484 | 2,988 | 2,028 | – | 828 | 22,903 |
| | 3,490 | 1,425 | 13,837 | 16,571 | 4,911 | 2,679 | – | 1,063 | 43,976 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (226) | 16 | (791) | (1,889) | (2) | (9) | – | 338 | (2,563) |
| Purchases of reserves-in-place | – | – | 3 | 2 | – | – | – | – | 5 |
| Extensions, discoveries and other additions | 31 | – | 140 | 991 | 2,478 | 233 | – | 3 | 3,876 |
| Improved recovery | 134 | 4 | 870 | 75 | – | 29 | – | 38 | 1,150 |
| Production[b] | (427) | (46) | (1,097) | (854) | (284) | (98) | – | (73) | (2,879) |
| Sales of reserves-in-place | – | – | (202) | (91) | (247) | (103) | – | – | (643) |
| | (488) | (26) | (1,077) | (1,766) | 1,945 | 52 | – | 306 | (1,054) |
| At 31 December[c] | | | | | | | | | |
| Developed | 2,079 | 216 | 10,207 | 3,981 | 1,578 | 1,054 | – | 257 | 19,372 |
| Undeveloped | 923 | 1,183 | 2,553 | 10,824 | 5,278 | 1,677 | – | 1,112 | 23,550 |
| | 3,002 | 1,399 | 12,760 | 14,805 | 6,856 | 2,731 | – | 1,369 | 42,922 |
| **EQUITY-ACCOUNTED ENTITIES (BP SHARE)** | | | | | | | | | |
| At 1 January | | | | | | | | | |
| Developed | – | – | – | 1,437 | 130 | – | – | 58 | 1,625 |
| Undeveloped | – | – | – | 823 | 77 | – | – | 28 | 928 |
| | – | – | – | 2,260 | 207 | – | – | 86 | 2,553 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | – | – | – | 68 | (13) | – | 319 | – | 374 |
| Purchases of reserves-in-place | – | – | – | – | – | – | – | – | – |
| Extensions, discoveries and other additions | – | – | – | – | – | – | – | – | – |
| Improved recovery | – | – | – | 23 | – | – | – | – | 23 |
| Production | – | – | – | (129) | (22) | – | (168) | (3) | (322) |
| Sales of reserves-in-place | – | – | – | – | – | – | – | – | – |
| | – | – | – | (38) | (35) | – | 151 | (3) | 75 |
| At 31 December | | | | | | | | | |
| Developed | – | – | – | 1,318 | 103 | – | 151 | 60 | 1,632 |
| Undeveloped | – | – | – | 904 | 69 | – | – | 23 | 996 |
| | – | – | – | 2,222 | 172 | – | 151 | 83 | 2,628 |
| Total group and BP share of equity-accounted entities[d] | 3,002 | 1,399 | 12,760 | 17,027 | 7,028 | 2,731 | 151 | 1,452 | 45,550 |

[a]Net proved reserves of natural gas exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b]Includes 64, 76, 69, 63 and 61 billion cubic feet for 2005, 2004, 2003, 2002 and 2001 respectively of natural gas consumed in Alaskan operations.
[c]Minority interest in BP Trinidad and Tobago LLC included 3,872, 4,117, 4,505, 1,185 and 1,258 billion cubic feet of natural gas at 31 December 2005, 2004, 2003, 2002 and 2001 respectively.
[d]Includes 54 billion cubic feet of natural gas in respect of the 4.47% minority interest in TNK-BP in 2005 and 9 billion cubic feet of natural gas in respect of the 5.9% minority interest in TNK-BP in 2004.

# Year-end estimated net proved reserves – crude oil and natural gas *continued*

million barrels oil equivalent[a]

| TOTAL DEVELOPED AND UNDEVELOPED OIL AND NATURAL GAS RESERVES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2004 Total |
|---|---|---|---|---|---|---|---|---|---|
| Subsidiaries | 1,273 | 567 | 5,396 | 3,149 | 1,338 | 1,688 | – | 1,539 | 14,950 |
| Equity-accounted entities (BP share) | – | – | – | 713 | 31 | – | 2,183 | 706 | 3,633 |
| Total group and BP share of equity-accounted entities | 1,273 | 567 | 5,396 | 3,862 | 1,369 | 1,688 | 2,183 | 2,245 | 18,583 |

[a]5.8 billion cubic feet of natural gas = 1 million barrels of oil equivalent.

# Movements in estimated net proved reserves – natural gas[a] *continued*

billiion cubic feet

| SUBSIDIARIES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2005 Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | |
| Developed | 2,079 | 216 | 10,207 | 3,981 | 1,578 | 1,054 | – | 257 | 19,372 |
| Undeveloped | 923 | 1,183 | 2,553 | 10,824 | 5,278 | 1,677 | – | 1,112 | 23,550 |
| | 3,002 | 1,399 | 12,760 | 14,805 | 6,856 | 2,731 | – | 1,369 | 42,922 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | (15) | (12) | (2) | 122 | 140 | 301 | – | 125 | 659 |
| Purchases of reserves-in-place | – | – | 66 | 2 | – | – | – | – | 68 |
| Extensions, discoveries and other additions | 17 | 17 | 62 | 225 | 201 | 18 | – | – | 540 |
| Improved recovery | 124 | 18 | 1,730 | 83 | – | – | – | 9 | 1,964 |
| Production[b] | (395) | (39) | (1,006) | (870) | (274) | (154) | – | (77) | (2,815) |
| Sales of reserves-in-place | – | (1,153) | (16) | (203) | – | – | – | – | (1,372) |
| | (269) | (1,169) | 834 | (641) | 67 | 165 | – | 57 | (956) |
| At 31 December[c] | | | | | | | | | |
| Developed | 1,962 | 184 | 9,916 | 3,433 | 1,423 | 987 | – | 242 | 18,147 |
| Undeveloped | 771 | 46 | 3,678 | 10,731 | 5,500 | 1,909 | – | 1,184 | 23,819 |
| | 2,733 | 230 | 13,594 | 14,164 | 6,923 | 2,896 | – | 1,426 | 41,966 |
| **EQUITY-ACCOUNTED ENTITIES (BP SHARE)** | | | | | | | | | |
| At 1 January | | | | | | | | | |
| Developed | – | – | – | 1,318 | 103 | – | 151 | 60 | 1,632 |
| Undeveloped | – | – | – | 904 | 69 | – | – | 23 | 996 |
| | – | – | – | 2,222 | 172 | – | 151 | 83 | 2,628 |
| Changes attributable to | | | | | | | | | |
| Revisions of previous estimates | – | – | – | 21 | (77) | – | 1,340 | 103 | 1,387 |
| Purchases of reserves-in-place | – | – | – | – | – | – | – | – | – |
| Extensions, discoveries and | | | | | | | | | – |
| other additions | – | – | – | 27 | – | – | – | – | 27 |
| Improved recovery | – | – | – | 53 | – | – | – | – | 53 |
| Production | – | – | – | (137) | (17) | – | (176) | (3) | (333) |
| Sales of reserves-in-place | – | – | – | – | – | – | (119) | – | (119) |
| | – | – | – | (36) | (94) | – | 1,045 | 100 | 1,015 |
| At 31 December[d] | | | | | | | | | |
| Developed | – | – | – | 1,403 | 50 | – | 1,019 | 131 | 2,603 |
| Undeveloped | – | – | – | 783 | 28 | – | 177 | 52 | 1,040 |
| | – | – | – | 2,186 | 78 | – | 1,196 | 183 | 3,643 |
| Total group and BP share of equity-accounted entities | 2,733 | 230 | 13,594 | 16,350 | 7,001 | 2,896 | 1,196 | 1,609 | 45,609 |

[a] Net proved reserves of natural gas exclude production royalties due to others, whether royalty is payable in cash or in kind.
[b] Includes 64, 76, 69, 63 and 61 billion cubic feet for 2005, 2004, 2003, 2002 and 2001 respectively of natural gas consumed in Alaskan operations.
[c] Minority interest in BP Trinidad and Tobago LLC included 3,872, 4,117, 4,505, 1,185 and 1,258 billion cubic feet of natural gas at 31 December 2005, 2004, 2003, 2002 and 2001 respectively.
[d] Includes 54 billion cubic feet of natural gas in respect of the 4.47% minority interest in TNK-BP in 2005 and 9 billion cubic feet of natural gas in respect of the 5.9% minority interest in TNK-BP in 2004.

# Year-end estimated net proved reserves – crude oil and natural gas *continued*

million barrels oil equivalent[a]

| TOTAL DEVELOPED AND UNDEVELOPED OIL AND NATURAL GAS RESERVES | UK | Rest of Europe | USA | Rest of Americas | Asia Pacific | Africa | Russia | Other | 2005 Total |
|---|---|---|---|---|---|---|---|---|---|
| Subsidiaries | 1,130 | 334 | 5,658 | 2,935 | 1,363 | 1,592 | – | 1,385 | 14,397 |
| Equity-accounted entities (BP share) | – | – | – | 708 | 14 | – | 2,374 | 778 | 3,874 |
| Total group and BP share | | | | | | | | | – |
| of equity-accounted entities | 1,130 | 334 | 5,658 | 3,643 | 1,377 | 1,592 | 2,374 | 2,163 | 18,271 |

[a] 5.8 billion cubic feet of natural gas = 1 million barrels of oil equivalent.

# Group production interests – oil (includes NGLs and condensate)

| | Field | Interest % | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|
| | | | BP net share of production thousand barrels a day[a] | | | | |
| **UK – OFFSHORE** | ETAP[b] | Various | 80 | 61 | 56 | 55 | 49 |
| | Foinaven[c] | Various | 60 | 72 | 55 | 48 | 39 |
| | Magnus[c] | 85.0 | 37 | 31 | 39 | 34 | 30 |
| | Schiehallion/Loyal[c] | Various | 40 | 43 | 42 | 39 | 28 |
| | Harding[c] | 70.0 | 42 | 42 | 34 | 27 | 22 |
| | Andrew[c] | 62.8 | 25 | 23 | 17 | 12 | 12 |
| | Other | Various | 165 | 157 | 105 | 89 | 75 |
| **UK – ONSHORE** | Wytch Farm[c] | 67.8 | 36 | 32 | 29 | 26 | 22 |
| | | | 485 | 461 | 377 | 330 | 277 |
| **REST OF EUROPE** | | | | | | | |
| Netherlands | Various | Various | 1 | 1 | 1 | 1 | 1 |
| Norway | Valhall[c] | 28.1 | 22 | 21 | 21 | 25 | 25 |
| | Draugen | 18.4 | 40 | 37 | 25 | 27 | 20 |
| | Ula[c] | 80.0 | 18 | 18 | 16 | 16 | 17 |
| | Other | Various | 19 | 27 | 21 | 8 | 12 |
| | | | 100 | 104 | 84 | 77 | 75 |
| **USA** | | | | | | | |
| Alaska | Prudhoe Bay[c] | 26.4 | 123 | 113 | 105 | 97 | 89 |
| | Kuparuk | 39.2 | 76 | 74 | 73 | 68 | 62 |
| | Northstar[c] | 98.6 | 3 | 36 | 46 | 49 | 46 |
| | Milne Point[c] | 100.0 | 45 | 44 | 44 | 44 | 37 |
| | Other | Various | 41 | 42 | 43 | 37 | 34 |
| Lower 48 onshore | Various | Various | 213 | 192 | 160 | 142 | 130 |
| Gulf of Mexico | Na Kika[c] | 50.0 | – | – | – | 27 | 44 |
| | Horn Mountain[c] | 66.6 | – | 1 | 42 | 41 | 26 |
| | King[c] | 100.0 | – | 12 | 31 | 26 | 24 |
| | Mars | 28.5 | 42 | 41 | 43 | 35 | 21 |
| | Ursa | 22.7 | 23 | 20 | 17 | 29 | 19 |
| | Other | Various | 178 | 190 | 122 | 71 | 80 |
| | | | 744 | 765 | 726 | 666 | 612 |
| **REST OF WORLD** | | | | | | | |
| Angola | Kizomba A | 26.7 | – | – | – | 16 | 56 |
| | Girassol | 16.7 | 1 | 29 | 33 | 31 | 34 |
| | Xikomba | 26.7 | – | – | 2 | 18 | 10 |
| | Other | Various | – | – | – | 6 | 28 |
| Australia | Various | 15.8 | 40 | 43 | 40 | 36 | 36 |
| Azerbaijan | ACG (Chirag)[c] | 34.1 | 35 | 38 | 38 | 39 | 76 |
| Canada | Various | Various | 18 | 16 | 13 | 11 | 10 |
| Colombia | Various | Various | 48 | 46 | 53 | 48 | 41 |
| Egypt | Various | Various | 91 | 85 | 73 | 57 | 47 |
| Trinidad & Tobago | Various | 100.0 | 48 | 67 | 74 | 59 | 40 |
| Venezuela | Various | Various | 54 | 51 | 53 | 55 | 55 |
| Other | Various | Various | 59 | 61 | 49 | 31 | 26 |
| | | | 394 | 436 | 428 | 407 | 459 |
| Total group | | | 1,723 | 1,766 | 1,615 | 1,480 | 1,423 |
| Equity-accounted entities (BP share) | | | | | | | |
| Abu Dhabi | Various | Various | 126 | 113 | 138 | 142 | 148 |
| Argentina – Pan American Energy | Various | Various | 50 | 53 | 60 | 64 | 67 |
| Russia – TNK-BP | Various | Various | 20 | 73 | 296 | 831 | 911 |
| Other | Various | Various | 12 | 13 | 12 | 14 | 13 |
| Total equity-accounted entities | | | 208 | 252 | 506 | 1,051 | 1,139 |
| Total group and BP share of equity-accounted entities[d] | | | 1,931 | 2,018 | 2,121 | 2,531 | 2,562 |

[a]Net of royalty, whether payable in cash or in kind.
[b]Out of nine fields, BP operates six and Shell three.
[c]BP operator.
[d]Includes NGLs (natural gas liquids) from processing plants in which an interest is held of 58 thousand barrels a day in 2005 (67 thousand barrels a day in 2004 and 70 thousand barrels a day in 2003).

# Group production interests – natural gas

| | | | BP net share of production million cubic feet a day[a] | | | | |
|---|---|---|---|---|---|---|---|
| | Field | Interest % | 2001 | 2002 | 2003 | 2004 | 2005 |
| **UK – OFFSHORE** | Braes[b] | Various | 100 | 116 | 174 | 147 | 165 |
| | Bruce[c] | 37.0 | 256 | 221 | 222 | 163 | 161 |
| | West Sole[c] | 100.0 | 81 | 72 | 73 | 67 | 55 |
| | Marnock[c] | 62.0 | 125 | 135 | 98 | 70 | 47 |
| | Britannia | 9.0 | 65 | 56 | 55 | 54 | 46 |
| | Shearwater | 27.5 | – | 66 | 70 | 76 | 37 |
| | Armada | 18.2 | 71 | 71 | 58 | 50 | 30 |
| | Other | Various | 1,015 | 813 | 696 | 547 | 549 |
| | | | 1,713 | 1,550 | 1,446 | 1,174 | 1,090 |
| **REST OF EUROPE** | | | | | | | |
| Netherlands | P/18-2[c] | 48.7 | 47 | 41 | 30 | 34 | 25 |
| | Other | Various | 52 | 46 | 37 | 46 | 37 |
| Norway | Various | Various | 48 | 60 | 52 | 45 | 46 |
| | | | 147 | 147 | 119 | 125 | 108 |
| **USA** | | | | | | | |
| Lower 48 onshore | San Juan[c] | Various | 832 | 797 | 802 | 772 | 753 |
| | Arkoma | Various | 219 | 206 | 201 | 183 | 198 |
| | Hugoton[c] | Various | 180 | 169 | 182 | 158 | 151 |
| | Tuscaloosa | Various | 187 | 138 | 136 | 96 | 111 |
| | Wamsutter[c] | 70.5 | 100 | 108 | 111 | 105 | 110 |
| | Jonah[c] | 65.0 | 109 | 113 | 119 | 114 | 97 |
| | Other | Various | 733 | 715 | 558 | 514 | 465 |
| Gulf of Mexico | Na Kika[c] | 50.0 | – | – | – | 133 | 133 |
| | Marlin[c] | 78.2 | 79 | 106 | 93 | 43 | 52 |
| | Other | Various | 1,104 | 1,079 | 843 | 553 | 395 |
| Alaska | Various | Various | 11 | 52 | 83 | 78 | 81 |
| | | | 3,554 | 3,483 | 3,128 | 2,749 | 2,546 |
| **REST OF WORLD** | | | | | | | |
| Australia | Various | 15.8 | 237 | 295 | 285 | 308 | 367 |
| Canada | Various | Various | 584 | 514 | 422 | 349 | 307 |
| China | Yacheng[c] | 34.3 | 108 | 102 | 74 | 99 | 98 |
| Egypt | Ha'py[c] | 50.0 | 66 | 74 | 83 | 80 | 106 |
| | Others | Various | 124 | 182 | 170 | 115 | 83 |
| Indonesia | Sanga Sanga (direct)[c] | 26.3 | 164 | 174 | 165 | 137 | 110 |
| | Other[c] | 46.0 | 337 | 283 | 218 | 144 | 128 |
| Sharjah | Sajaa[c] | 40.0 | 125 | 110 | 101 | 103 | 113 |
| | Other | 40.0 | 35 | 24 | 19 | 14 | 10 |
| Trinidad & Tobago | Kapok[c] | 100.0 | – | – | 79 | 553 | 1,005 |
| | Mahogany[c] | 100.0 | 529 | 521 | 503 | 453 | 303 |
| | Amherstia[c] | 100.0 | 244 | 492 | 624 | 408 | 289 |
| | Parang[c] | 100.0 | – | – | 152 | 137 | 154 |
| | Immortelle[c] | 100.0 | 128 | 154 | 235 | 172 | 132 |
| | Cassia[c] | 100.0 | – | – | 30 | 85 | 83 |
| | Other[c] | 100.0 | 110 | 71 | 71 | 111 | 21 |
| Other | Various | Various | 82 | 148 | 168 | 308 | 459 |
| | | | 2,873 | 3,144 | 3,399 | 3,576 | 3,768 |
| Total group | | | 8,287 | 8,324 | 8,092 | 7,624 | 7,512 |
| Equity-accounted entities (BP share) | | | | | | | |
| Argentina – Pan American Energy | Various | Various | 236 | 251 | 281 | 317 | 343 |
| Russia – TNK-BP | Various | Various | – | 6 | 129 | 458 | 482 |
| Other | Various | Various | 109 | 126 | 111 | 104 | 87 |
| Total equity-accounted entities | | | 345 | 383 | 521 | 879 | 912 |
| Total group and BP share of equity-accounted entities | | | 8,632 | 8,707 | 8,613 | 8,503 | 8,424 |

[a]Net of royalty, whether payable in cash or in kind.
[b]2004 includes 11 million cubic feet a day of natural gas received as in-kind tariff payments.
[c]BP operator.

# Group production interests – oil and natural gas

thousand barrels oil equivalent a day

| OIL AND NATURAL GAS PRODUCTION (NET OF ROYALTY) | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| UK | 780 | 729 | 626 | 532 | 465 |
| Rest of Europe | 125 | 129 | 105 | 99 | 94 |
| USA | 1,357 | 1,365 | 1,265 | 1,142 | 1,051 |
| Rest of World | 1,157 | 1,296 | 1,610 | 2,224 | 2,404 |
| Total group including equity-accounted entities | 3,419 | 3,519 | 3,606 | 3,997 | 4,014 |

| BP AVERAGE LIQUIDS REALIZATIONS[a b] | | | | | $/bbl |
|---|---|---|---|---|---|
| UK | 23.55 | 24.44 | 27.80 | 35.87 | 50.45 |
| Rest of Europe | 23.86 | 24.61 | 28.33 | 37.89 | 52.48 |
| USA | 21.87 | 21.34 | 27.23 | 35.41 | 47.83 |
| Rest of World | 21.90 | 22.65 | 26.60 | 34.51 | 47.56 |
| BP average | 22.50 | 22.69 | 27.25 | 35.39 | 48.51 |

| BP AVERAGE NATURAL GAS REALIZATIONS | | | | | $/bbl |
|---|---|---|---|---|---|
| UK | 3.07 | 2.78 | 3.19 | 4.32 | 5.53 |
| Rest of Europe | 3.60 | 2.87 | 3.59 | 3.89 | 4.86 |
| USA | 3.99 | 2.63 | 4.47 | 5.11 | 6.78 |
| Rest of World | 2.52 | 2.10 | 2.47 | 2.74 | 3.46 |
| BP average | 3.30 | 2.46 | 3.39 | 3.86 | 4.90 |

[a]Crude oil and natural gas liquids.
[b]Based on sales of consolidated subsidiaries only (this excludes equity-accounted entities).

# Exploration interests at 31 December

Oil and natural gas acreage
thousand acres

| BY GEOGRAPHICAL AREA | 2003 | | | | 2004 | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Undeveloped[a] | | Developed | | Undeveloped[a] | | Developed | | Undeveloped[a] | | Developed | |
| | Gross | Net | Gross | Net | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| UK | 2,660 | 1,395.2 | 748 | 216.3 | 2,484 | 1,328.5 | 507 | 221.9 | 2,325 | 1,232.3 | 500 | 218.4 |
| Rest of Europe | 3,311 | 1,077.5 | 132 | 42.7 | 2,972 | 1,120.3 | 138 | 46.1 | 1,668 | 617.5 | 138 | 46.2 |
| USA | | | | | | | | | | | | |
| Alaska | 455 | 256.6 | 556 | 233.2 | 298 | 153.7 | 550 | 230.2 | 278 | 140.0 | 543 | 226.4 |
| Lower 48 onshore | 3,315 | 2,102.0 | 5,964 | 4,203.0 | 3,258 | 2,070.0 | 5,865 | 4,170.0 | 3,261 | 2,064.0 | 5,786 | 4,108.0 |
| Gulf of Mexico | 4,078 | 3,019.0 | 1,100 | 572.0 | 3,968 | 3,164.0 | 796 | 444.0 | 3,630 | 2,932.0 | 730 | 403.0 |
| Rest of World | | | | | | | | | | | | |
| South America and Canada | 25,082 | 14,123.8 | 2,617 | 1,313.1 | 23,506 | 12,803.6 | 2,410 | 1,271.8 | 13,893 | 6,913.2 | 2,728 | 1,303.4 |
| Middle East, Africa and Former Soviet Union | 38,567 | 13,682.7 | 6,096 | 2,433.9 | 38,835 | 14,338.5 | 5,972 | 2,108.4 | 44,155 | 18,384.2 | 6,600 | 2,500.5 |
| Australasia and Far East | 24,108 | 10,108.8 | 685 | 222.9 | 9,615 | 3,794.2 | 671 | 208.0 | 7,977 | 3,019.5 | 1,072 | 262.4 |
| | 101,576 | 45,765.6 | 17,898 | 9,237.1 | 84,936 | 38,772.8 | 16,909 | 8,700.4 | 77,187 | 35,302.7 | 18,097 | 9,068.3 |

[a]Undeveloped acreage includes leases and concessions.

# Exploration and development wells

| PRODUCTIVE WELLS DRILLED | 2001 Gross | 2001 Net | 2002 Gross | 2002 Net | 2003 Gross | 2003 Net | 2004 Gross | 2004 Net | 2005 Gross | 2005 Net |
|---|---|---|---|---|---|---|---|---|---|---|
| Exploration | | | | | | | | | | |
| UK | 6 | 3.2 | 1 | 0.8 | 2 | 0.3 | – | – | 1 | 0.5 |
| Rest of Europe | 3 | 0.9 | 2 | 0.4 | 2 | 1.1 | – | – | 1 | 0.8 |
| USA | 12 | 5.7 | 9 | 2.1 | 1 | 1.0 | 4 | 2.1 | 24 | 10.7 |
| Rest of World | 48 | 18.7 | 37 | 17.3 | 27 | 10.6 | 49 | 20.2 | 45 | 18.8 |
| | 69 | 28.5 | 49 | 20.6 | 32 | 13.0 | 53 | 22.3 | 71 | 30.8 |
| Development | | | | | | | | | | |
| UK | 36 | 13.5 | 48 | 17.3 | 35 | 11.0 | 32 | 10.0 | 39 | 10.6 |
| Rest of Europe | 10 | 4.2 | 6 | 1.5 | 10 | 2.8 | 1 | 0.3 | 9 | 3.5 |
| USA | 1,084 | 705.3 | 955 | 384.2 | 812 | 466.2 | 979 | 513.3 | 836 | 473.9 |
| Rest of World | 714 | 325.2 | 497 | 212.9 | 483 | 225.8 | 790 | 342.5 | 977 | 417.2 |
| | 1,844 | 1,048.2 | 1,506 | 615.9 | 1,340 | 705.8 | 1,802 | 866.1 | 1,861 | 905.2 |

| DRY WELLS DRILLED | 2001 Gross | 2001 Net | 2002 Gross | 2002 Net | 2003 Gross | 2003 Net | 2004 Gross | 2004 Net | 2005 Gross | 2005 Net |
|---|---|---|---|---|---|---|---|---|---|---|
| Exploration | | | | | | | | | | |
| UK | 2 | 1.2 | – | – | – | – | – | – | 1 | 0.3 |
| Rest of Europe | 1 | 0.7 | 2 | 0.5 | 1 | 0.2 | – | – | – | – |
| USA | 8 | 3.8 | 3 | 1.0 | 1 | 0.7 | 5 | 3.2 | 10 | 6.4 |
| Rest of World | 11 | 2.5 | 30 | 19.5 | 11 | 4.9 | 23 | 9.8 | 17 | 7.8 |
| | 22 | 8.2 | 35 | 21.0 | 13 | 5.8 | 28 | 13.0 | 28 | 14.5 |
| Development | | | | | | | | | | |
| UK | 4 | 1.6 | 6 | 2.8 | 2 | 0.4 | 1 | 0.1 | – | – |
| Rest of Europe | – | – | – | – | 1 | 0.3 | – | – | 1 | 0.3 |
| USA | 34 | 25.7 | 29 | 19.7 | 7 | 5.4 | 4 | 3.0 | 10 | 5.0 |
| Rest of World | 52 | 33.5 | 37 | 28.2 | 13 | 8.2 | 34 | 14.9 | 46 | 22.7 |
| | 90 | 60.8 | 72 | 50.7 | 23 | 14.3 | 39 | 18.0 | 57 | 28.0 |

| NUMBER OF PRODUCTIVE WELLS AT END OF 2005 | UK | Rest of Europe | USA | Rest of World | Total |
|---|---|---|---|---|---|
| Oil wells[a] | | | | | |
| Gross | 372 | 86 | 8,589 | 27,598 | 36,645 |
| Net | 144.3 | 28.5 | 2,629.1 | 12,287.1 | 15,089.0 |
| Natural gas wells[b] | | | | | |
| Gross | 298 | 44 | 17,442 | 2,939 | 20,723 |
| Net | 140.9 | 16.1 | 11,238.2 | 1,616.0 | 13,011.2 |

[a]Includes approximately 1,072 gross (336.3 net) multiple completion wells (more than one formation producing into the same well bore).
[b]Includes approximately 2,473 gross (1,586.0 net) multiple completion wells. If one of the multiple completions in a well is an oil completion, the well is classified as an oil well.

| DRILLING AND PRODUCTION ACTIVITIES IN PROGRESS AT END OF 2005[a] | UK | Rest of Europe | USA | Rest of World | Total |
|---|---|---|---|---|---|
| Exploratory | | | | | |
| Gross | – | 1 | 26 | 20 | 47 |
| Net | – | 0.1 | 11.5 | 7.7 | 19.3 |
| Development | | | | | |
| Gross | 9 | 1 | 248 | 117 | 375 |
| Net | 2.8 | 0.3 | 125.7 | 49.0 | 177.8 |

[a]Includes suspended development and exploratory wells.

# 2 Refining and Marketing



## Segment strategy

- Continue to focus on advantaged refining locations, where we can earn distinctive returns.
- Operate in retail markets where supply advantage and distinctive offer can capture market share and margin, underpinned by efficiency improvements.
- Increase brand loyalty in lubricants.
- Apply advantaged technology in A&A, building new capacity in Asia.
- Build strong strategic relationships in business-to-business sector.

## Segment focus

We aim to improve the quality and capability of our manufacturing portfolio. Our marketing businesses, underpinned by world-class manufacturing, generate customer value by providing quality products and offers. Our retail strategy provides differentiated fuel and convenience offers to some of the most attractive global markets. Our lubricants brands offer customers benefits through technology and relationships, and we focus on increasing brand and product loyalty in Castrol lubricants. We continue to build deep customer relationships and strategic partnerships in the business-to-business sector.

## 2005 PERFORMANCE

Replacement cost profit before interest and tax for the segment was $4,394 million, compared with $5,194 million in 2004. This was affected by the Texas City refinery outage, adverse impacts related to fair value accounting and costs associated with rationalization and efficiency programmes. The full year average Global Indicator Refining Margin (GIM) was higher than that for the full year 2004 and consistent with the increase in BP's actual realized refining margin. Retail marketing margins, despite the recovery in the fourth quarter, were significantly lower than those for the full year 2004, although partly offset by increases in our other marketing businesses. The result included a net charge for non-operating items of $789 million. Of this, $700 million was in respect of fatality and personal injury claims associated with the incident at the Texas City refinery on 23 March 2005.

## REFINING

The average GIM was higher in 2005 than in 2004, owing to the strength of demand and concerns over supply disruptions, particularly in the US. BP's refining margin also reflected the benefits of locational advantages and supply optimization.

Refining volumes were lower in 2005, owing to the impact of disposal of the Mersin and Singapore refineries in 2004 and reduced availability at the Texas City refinery. The latter resulted from the explosion in the isomerization unit in March 2005 and the refinery's complete shutdown in late September, like other refineries in the area, owing to Hurricane Rita. Subsequent assessments revealed that this precautionary measure necessitated additional work to prepare the refinery for a safe and reliable start-up, prolonging the period of the shutdown. Following a comprehensive refurbishment, the steam system at the Texas City refinery was successfully recommissioned in December 2005. The refinery remained shut down in the first quarter of 2006, with a phased recommissioning starting at the end of March. Refinery throughputs for 2005 were 2,399 thousand barrels a day (mb/d), compared with 2,607mb/d in 2004.

We have continued to upgrade our refining portfolio. Following the sale of the Lavéra, France, and Grangemouth, UK, refineries that were part of Innovene, our refining portfolio is weighted more heavily to the US, where margins are structurally higher. Our capital investments continue to focus on further enhancing our position in the US and repositioning our European activities by continuing to invest in upgrading existing facilities.

## MARKETING

Retail marketing margins were lower than in 2004, reflecting sustained pressure from rising crude oil and product prices. There was also unprecedented volatility in margins. This was partly due to the effects of Hurricanes Katrina and Rita on supply and pricing in the US.

Marketing sales were 3,942mb/d in 2005, compared with 4,002mb/d the previous year. The decrease was due mainly to the effects of the price increases as a result of the supply disruption and market uncertainty. Shop sales maintained a similar level to those of the previous year, despite the impact of the rise in fuel prices.

In 2005, the lubricants business was affected by significantly higher costs of base oil, additives, packaging and logistics. Marketing volumes were weaker than in 2004 in some developed markets. Volumes continued to grow in some emerging markets. In 2005, we launched Castrol Edge passenger car oils in Australia, South Africa, Sweden and the UK, seeking to bring a new generation of quality-conscious consumers to the Castrol brand. It is planned to extend the range to other countries during 2006. We formed a joint venture between Castrol and the Dong Feng group, a Chinese automobile manufacturer, to supply lubricants to the Chinese market. Our strength in fast-growth emerging markets depends on strong brands and focused technological innovation.

BP enjoys strong market shares and leading technologies in the high-growth aromatics and acetyls (A&A) business. In Asia, we continue to develop a strong position in PTA (the main component of polyester fibres and packaging) and acetic acid (commonly used for paints, adhesives and inks). Our investment is biased towards this high-growth region, especially China. Capital expenditure in our A&A business increased slightly in 2005 as we invested to maintain our leadership position.

BP and Sinopec Corporation of China signed a joint-venture contract to build a world-scale acetic acid plant in Nanjing, Jiangsu province. The 500,000-tonnes-a-year operation is planned to come on stream in the second half of 2007. The sale of BP's 70% shareholding in BP Malaysia Sdn Bhd to Lembaga Tabung Angkatan, announced in 2004, was successfully concluded during the third quarter of 2005. We also announced plans for a second purified terephthalic acid (PTA) plant at the BP Zhuhai Chemical Company's site in China's Guangdong province, subject to governmental approval. The new plant is designed to have an operating capacity of 900,000 tonnes a year and will be the first plant to use BP's new-generation proprietary PTA technology.

## Key indicators

| | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Result and refining margin | | | | | |
| Replacement cost profit before interest and tax ($ billion) | 4.45 | 1.94 | 3.16 | 5.19 | 4.39 |
| Global Indicator Refining Margin ($/bbl) | 4.36 | 2.27 | 4.08 | 6.31 | 8.60 |
| Refining availability (%)[a] | 95.6 | 96.1 | 95.5 | 95.4 | 92.9 |
| Shop sales ($ million) | 3,234 | 5,171 | 5,708 | 6,061 | 6,083 |

[a] Refining availability is the weighted average percentage of the period that refinery units are available for processing, after accounting for downtime such as turnarounds.

# Financial statistics

$ million

| | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Replacement cost profit before interest and tax by geographical area[a] | | | | | |
| UK[b] | (644) | (710) | (119) | (695) | (581) |
| Rest of Europe | 875 | 1,025 | 1,472 | 1,986 | 1,567 |
| USA | 3,007 | 926 | 1,009 | 2,835 | 2,247 |
| Rest of World | 1,216 | 695 | 800 | 1,068 | 1,161 |
| | 4,454 | 1,936 | 3,162 | 5,194 | 4,394 |
| [a] Includes equity-accounted interest and tax | – | – | 49 | 98 | 136 |
| Under IFRS, the results of jointly controlled entities and associates for 2003, 2004 and 2005 are included in the income statement net of interest and tax. | | | | | |
| Operating capital employed by geographical area | | | | | |
| UK[b] | 3,037 | 3,024 | 3,471 | 3,485 | 3,696 |
| Rest of Europe | 3,195 | 10,010 | 10,701 | 12,543 | 11,588 |
| USA | 12,362 | 13,797 | 13,481 | 15,047 | 16,973 |
| Rest of World | 4,805 | 5,335 | 6,431 | 7,212 | 7,522 |
| | 23,399 | 32,166 | 34,084 | 38,287 | 39,779 |
| Sales and other operating revenues | 114,135 | 121,908 | 147,813 | 176,240 | 219,995 |
| Property, plant and equipment (net book value) | | | | | |
| UK[b] | 2,529 | 2,719 | 2,874 | 2,586 | 2,199 |
| Rest of Europe | 3,040 | 8,472 | 7,626 | 8,177 | 6,914 |
| USA | 11,491 | 11,402 | 10,993 | 10,763 | 10,323 |
| Rest of World | 2,831 | 3,216 | 3,599 | 3,402 | 3,251 |
| | 19,891 | 25,809 | 25,092 | 24,928 | 22,687 |
| Capital expenditure and acquisitions by geographical area | | | | | |
| UK[b] | 398 | 382 | 430 | 411 | 408 |
| Rest of Europe | 393 | 5,776 | 728 | 599 | 568 |
| USA | 1,651 | 1,527 | 1,401 | 1,314 | 1,226 |
| Rest of World | 501 | 468 | 522 | 665 | 658 |
| | 2,943 | 8,153 | 3,081 | 2,989 | 2,860 |

| EMPLOYEE NUMBERS AT YEAR END | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Excluding service station staff | 38,100 | 44,900 | 42,000 | 41,900 | 43,000 |
| Service station staff | 28,500 | 30,200 | 27,000 | 27,900 | 27,800 |
| | 66,600 | 75,100 | 69,000 | 69,800 | 70,800 |

$ per barrel

| GLOBAL INDICATOR REFINING MARGIN[c] | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| NWE | 2.24 | 1.04 | 2.62 | 4.28 | 5.47 |
| USGC | 4.84 | 2.36 | 4.71 | 7.15 | 11.40 |
| USMW | 6.05 | 3.30 | 4.54 | 5.08 | 13.49 |
| USWC | 8.60 | 4.34 | 7.06 | 11.27 | 8.19 |
| Singapore | 0.90 | 0.57 | 1.77 | 4.94 | 5.56 |
| BP average | 4.36 | 2.27 | 4.08 | 6.31 | 8.60 |

[b] UK area includes the UK-based international activities of Refining and Marketing.
[c] The Global Indicator Refining Margin (GIM) is the average of six regional indicator margins weighted for BP's crude oil refining capacity in each region. Each regional indicator margin is based on a single representative crude oil with product yields characteristic of the typical level of upgrading complexity. The regional indicator margins may not be representative of the margins achieved by BP in any period because of BP's particular refinery configurations and crude and product slate. The GIM data shown above excludes the Grangemouth and Lavéra refineries.

# Crude oil sales

| CRUDE OIL SALES | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| | | | | | thousand barrels a day |
| UK | 2,139 | 2,015 | 908 | 1,174 | 1,205 |
| Rest of Europe | 114 | 223 | 113 | 82 | 82 |
| USA | 1,220 | 1,144 | 957 | 539 | 673 |
| Rest of World | 437 | 553 | 859 | 897 | 750 |
| | 3,910 | 3,935 | 2,837 | 2,692 | 2,710 |

# Major plant capacities by site

## Aromatics and Acetyls

| Geographical area | Site | Product | BP share of capacity at end 2005 thousand tonnes a year | |
|---|---|---|---|---|
| **UK** | | | | |
| | Hull | acetic acid | 677 | |
| | | acetic anhydride | 141 | |
| | | vinyl acetate | 208 | |
| | | ethyl acetate | 228 | |
| | | acetone | 38 | |
| | | other | 49 | |
| **REST OF EUROPE** | | | | |
| Belgium | Geel | PTA | 1,044 | |
| | | paraxylene | 520 | |
| **USA** | | | | |
| | Cooper River | PTA | 1,330 | |
| | Decatur | PTA | 1,100 | |
| | | paraxylene | 1,121 | |
| | | NDC | 27 | |
| | Texas City | acetic acid | 527[a] | |
| | | paraxylene | 1,282 | |
| | | metaxylene | 122 | |
| **REST OF WORLD** | | | | |
| Brazil | São Paulo | PTA | 143 | (49% of Rhodiaco) |
| China | Chongqing | acetic acid | 169 | (51% of YARACO)[b] |
| | | esters | 52 | (51% of YARACO)[b] |
| | Zhuhai | PTA | 583 | |
| Indonesia | Merak | PTA | 250 | (50% of PT Ami) |
| Korea | Ulsan | PTA | 550 | (47% of SPC)[c] |
| | | VAM | 56 | (34% of ASACCO)[d] |
| | | acetic acid | 229 | (51% of SS-BP)[e] |
| | Seosan | PTA | 339 | (47% of SPC)[e] |
| Malaysia | Kertih | acetic acid | 544 | |
| | Kuantan | PTA | 703 | |
| Taiwan | Kaohsiung | PTA | 825 | (61% of CAPCO)[f] |
| | Taichung | PTA | 458 | (61% of CAPCO)[f] |
| | Mai Ling | acetic acid | 162 | (50% FBPC)[g] |
| | | | 13,477 | |

[a] Sterling Chemicals plant, the output of which is marketed by BP.
[b] Yangtze River Acetyls Company.
[c] Samsung-Petrochemicals Company Ltd.
[d] Asian Acetyls Company Ltd.
[e] Samsung-BP Chemicals Ltd.
[f] China American Petrochemical Company Ltd.
[g] Formosa BP Chemicals Corporation.
[h] Ruhr Oel GmbH.
[i] Shanghai SECCO Petrochemical Company Limited.
[j] Polyethylene Malaysia Sdn Bhd.
[k] Ethylene Malaysia Sdn Bhd.

## Olefins and Derivatives

| Geographical area | Site | Product | BP share of capacity at end 2005 thousand tonnes a year | |
|---|---|---|---|---|
| **REST OF EUROPE** | | | | |
| Germany | Gelsenkirchen | ethylene | 599 | (61% of ROG)[h] |
| | | propylene | 276 | (57% of ROG)[h] |
| | | benzene | 101 | (50% of ROG)[h] |
| | | butadiene | 218 | (61% of ROG)[h] |
| | | other | 308 | (50% of ROG)[h] |
| | Münchmünster | ethylene | 325 | (50% of ROG)[h] |
| | | propylene | 230 | (50% of ROG)[h] |
| | | benzene | 67 | (50% of ROG)[h] |
| | Mülheim | other | 72 | (50% of ROG)[h] |
| **REST OF WORLD** | | | | |
| China | Caojing | acrylonitrile | 143 | (50% of SECCO)[i] |
| | | ethylene | 521 | (50% of SECCO)[i] |
| | | HDPE | 354 | (50% of SECCO)[i] |
| | | polypropylene | 134 | (50% of SECCO)[i] |
| | | polystyrene | 165 | (50% of SECCO)[i] |
| | | styrene | 274 | (50% of SECCO)[i] |
| | | other | 251 | (50% of SECCO)[i] |
| Malaysia | Kertih | HDPE | 185 | (60% of PEMSB)[j] |
| | | ethylene | 66 | (15% of EMSB)[k] |
| | | | 4,289 | |

# Refinery throughputs and utilization

| REFINERY THROUGHPUTS[a] | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| | | | | | thousand barrels a day |
| UK | 190 | 206 | 202 | 208 | 180 |
| Rest of Europe | 505 | 758 | 753 | 684 | 667 |
| USA | 1,526 | 1,439 | 1,386 | 1,373 | 1,255 |
| Rest of World | 376 | 357 | 382 | 342 | 297 |
| | 2,597 | 2,760 | 2,723 | 2,607 | 2,399 |
| For BP by others | 14 | 14 | – | – | – |
| | 2,611 | 2,774 | 2,723 | 2,607 | 2,399 |
| Crude distillation capacity at 31 December | 2,836 | 3,111 | 2,983 | 2,823 | 2,747 |
| Crude distillation capacity utilization[b] | 92% | 92% | 91% | 93% | 87% |

[a] Includes actual crude oil and other feedstock input both for BP and third parties.
[b] Crude distillation capacity utilization is defined as the percentage utilization of capacity per calendar day over the year after making allowance for average annual shutdowns at BP refineries (i.e. net rated capacity).

| CRUDE OIL INPUT | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| | | | | | % |
| Low sulphur crude | 54 | 55 | 55 | 47 | 52 |
| High sulphur crude | 46 | 45 | 45 | 53 | 48 |

| REFINERY YIELD[a] | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| | | | | | thousand barrels a day |
| Aviation fuels | 256 | 262 | 264 | 241 | 241 |
| Gasolines | 1,055 | 1,141 | 1,059 | 1,025 | 940 |
| Middle distillates | 713 | 787 | 793 | 717 | 715 |
| Fuel oil | 168 | 150 | 170 | 144 | 133 |
| Other products | 442 | 548 | 528 | 534 | 474 |
| | 2,634 | 2,888 | 2,814 | 2,661 | 2,503 |

[a] Refinery yields exceed throughputs because of volumetric expansion.

# Refineries

thousand barrels a day

**REFINERY CAPACITIES**

| Wholly and partly owned refineries at 31 December 2005 | | Group interest %[c] | Crude distillation capacities[a] Total | BP share | Major upgrading plant capacities[b] Vacuum distillation | Fluid catalytic cracking | Hydro-cracking | Catalytic reforming | Alkylation | Hydro-treating 232°C & lighter | Hydro-treating 232°C & heavier | Vis-breaking | Coker | Isomer-ization | Lubes | Other[d] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EUROPE** | | | | | | | | | | | | | | | | |
| UK | Coryton | 100 | 172 | 172 | 99 | 62 | – | 38 | 21 | 66 | 53 | – | – | 35 | – | – |
| France | Reichstett | 17 | 84 | 14 | 34 | 14 | – | 13 | – | 21 | 21 | 17 | – | – | – | – |
| Germany[e] | Bayernoil | 23 | 269 | 62 | 24 | 15 | – | 11 | – | 20 | 24 | 10 | – | 3 | – | 1 |
| | Gelsenkirchen | 50 | 270 | 135 | 55 | 15 | 23 | 16 | – | 46 | 46 | 10 | 16 | 5 | – | – |
| | Karlsruhe | 12 | 308 | 37 | 17 | 11 | – | 7 | 2 | 13 | 24 | 3 | 4 | 2 | – | 1 |
| | Lingen | 100 | 91 | 91 | 42 | – | 27 | 30 | 7 | 32 | 39 | – | 23 | 9 | – | – |
| | Schwedt | 19 | 230 | 43 | 28 | 11 | – | 7 | 2 | 17 | 27 | 9 | – | 3 | – | – |
| Netherlands | Nerefco | 69 | 400 | 276 | 61 | 43 | – | 21 | 6 | 115 | 63 | 25 | – | – | – | 2 |
| Spain | Castellón | 100 | 110 | 110 | 47 | 30 | – | 17 | 4 | 56 | 33 | – | – | 19 | – | – |
| | | | 1,934 | 940 | 407 | 201 | 50 | 160 | 42 | 386 | 330 | 74 | 43 | 76 | – | 4 |
| **USA** | | | | | | | | | | | | | | | | |
| California | Carson | 100 | 260 | 260 | 140 | 103 | 45 | 52 | 16 | 83 | 129 | – | 71 | 23 | – | – |
| Washington | Cherry Point | 100 | 232 | 232 | 101 | – | 57 | 63 | – | 57 | 26 | – | 63 | – | – | – |
| Indiana | Whiting | 100 | 405 | 405 | 189 | 165 | – | 84 | 25 | 144 | 183 | – | 35 | 32 | – | – |
| Ohio | Toledo | 100 | 155 | 155 | 72 | 52 | 31 | 43 | 12 | 40 | 64 | – | 34 | – | – | – |
| Texas | Texas City | 100 | 475 | 475 | 237 | 210 | 130 | 138 | 55 | 253 | 243 | – | 43 | 29 | – | – |
| | | | 1,527 | 1,527 | 739 | 530 | 263 | 380 | 108 | 577 | 645 | – | 246 | 84 | – | – |
| **REST OF WORLD** | | | | | | | | | | | | | | | | |
| Australia | Bulwer | 100 | 97 | 97 | 39 | 23 | 21 | 16 | 3 | 13 | 42 | – | – | – | – | – |
| | Kwinana | 100 | 137 | 137 | 22 | 35 | – | 24 | 4 | 44 | 49 | – | – | 15 | – | – |
| New Zealand | Whangerei | 24 | 107 | 25 | 51 | – | 34 | 27 | – | 62 | – | – | – | – | – | – |
| Kenya | Mombasa | 17 | 90 | 15 | – | – | – | 9 | – | 36 | – | – | – | – | – | – |
| South Africa | Durban | 50 | 182 | 91 | 68 | 37 | – | 34 | 3 | 69 | 62 | 30 | – | 14 | 3 | – |
| | | | 613 | 365 | 180 | 95 | 55 | 110 | 10 | 224 | 153 | 30 | – | 29 | 3 | – |
| | | | 4,074 | 2,832 | 1,326 | 826 | 368 | 650 | 160 | 1,187 | 1,128 | 104 | 289 | 189 | 3 | 4 |

[a] Gross-rated capacity is defined as the owner's maximum achievable utilization of capacity (24-hour assessment) based on standard feed.
[b] These are shown as BP share of capacities; BP has varying interests.
[c] BP share of equity, which is not necessarily the same as BP share of processing entitlements.
[d] Other consists of MTBE, except for Castellón, which includes Makfiner, 29 thousand barrels a day, and Scanfiner, 10 thousand barrels a day.
[e] Interests in the Gelsenkirchen, Karlsruhe, Lingen and Schwedt refineries and an additional interest in Bayernoil were acquired as part of the Veba acquisition.

thousand barrels a day

| **REGIONAL REFINING DISTILLATION CAPACITY** | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Europe | 787 | 1,118 | 1,002 | 934 | 939 |
| USGC | 470 | 470 | 470 | 470 | 475 |
| USMW | 575 | 575 | 575 | 560 | 560 |
| USWC | 492 | 492 | 492 | 492 | 492 |
| Other USA | 62 | – | – | – | – |
| Total USA | 1,599 | 1,537 | 1,537 | 1,522 | 1,527 |
| Rest of World | 450 | 456 | 444 | 367 | 366 |
| Total | 2,836 | 3,111 | 2,983 | 2,823 | 2,832 |

# Petroleum product sales

thousand barrels a day

| REGIONAL MARKETING SALES VOLUMES[a] | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| UK | | | | | |
| Aviation fuels | 54 | 62 | 65 | 57 | 77 |
| Gasolines | 88 | 85 | 92 | 118 | 109 |
| Middle distillates | 81 | 77 | 96 | 116 | 116 |
| Fuel oil | 20 | 16 | 6 | 9 | 15 |
| Other products | 23 | 13 | 16 | 22 | 38 |
| | 266 | 253 | 275 | 322 | 355 |
| Rest of Europe | | | | | |
| Aviation fuels | 123 | 144 | 148 | 144 | 138 |
| Gasolines | 293 | 382 | 350 | 316 | 307 |
| Middle distillates | 428 | 551 | 600 | 649 | 635 |
| Fuel oil | 124 | 272 | 101 | 139 | 155 |
| Other products | 94 | 118 | 109 | 112 | 118 |
| | 1,062 | 1,467 | 1,308 | 1,360 | 1,353 |
| USA | | | | | |
| Aviation fuels | 267 | 257 | 245 | 219 | 196 |
| Gasolines | 1,131 | 1,120 | 1,119 | 1,093 | 1,044 |
| Middle distillates | 387 | 415 | 346 | 333 | 307 |
| Fuel oil | 66 | 65 | 41 | 26 | 30 |
| Other products | 15 | 17 | 15 | 11 | 57 |
| | 1,866 | 1,874 | 1,766 | 1,682 | 1,634 |
| Rest of World | | | | | |
| Aviation fuels | 71 | 66 | 72 | 74 | 88 |
| Gasolines | 147 | 157 | 153 | 148 | 142 |
| Middle distillates | 181 | 189 | 161 | 157 | 126 |
| Fuel oil | 141 | 98 | 148 | 169 | 179 |
| Other products | 63 | 76 | 86 | 90 | 63 |
| | 603 | 586 | 620 | 638 | 599 |
| Product totals | | | | | |
| Aviation fuels | 515 | 529 | 530 | 494 | 499 |
| Gasolines | 1,659 | 1,744 | 1,714 | 1,675 | 1,603 |
| Middle distillates | 1,077 | 1,232 | 1,203 | 1,255 | 1,185 |
| Fuel oil | 351 | 451 | 296 | 343 | 379 |
| Other products | 195 | 224 | 226 | 235 | 276 |
| Total marketing sales | 3,797 | 4,180 | 3,969 | 4,002 | 3,942 |
| Trading/supply sales[b] | 2,409 | 2,383 | 2,719 | 2,396 | 1,946 |
| Total oil product sales | 6,206 | 6,563 | 6,688 | 6,398 | 5,888 |

[a] Marketing sales are sales to service stations, end consumers, bulk buyers, jobbers and small resellers.
[b] Trading/supply sales are sales to large unbranded resellers and other oil companies.

$ million

| PETROLEUM PRODUCT SALES BY GEOGRAPHICAL AREA[a] | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| UK[b] | 8,474 | 8,335 | 10,612 | 16,596 | 22,477 |
| Rest of Europe | 22,494 | 28,120 | 30,824 | 34,072 | 47,479 |
| USA | 39,212 | 38,379 | 44,845 | 54,400 | 63,363 |
| Rest of World | 12,061 | 12,686 | 15,721 | 19,390 | 21,779 |
| | 82,241 | 87,520 | 102,002 | 124,458 | 155,098 |

[a] Proceeds exclude sales to other BP businesses, customs duties and sales taxes.
[b] UK area includes the UK-based international activities of Refining and Marketing.

## Chemicals production[a]

| PRODUCTION BY GEOGRAPHICAL AREA | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| | | | | | thousand tonnes |
| UK | 1,121 | 1,193 | 1,157 | 1,302 | 1,199 |
| Rest of Europe | 1,217 | 2,864 | 3,074 | 3,189 | 3,123 |
| USA | 3,909 | 4,312 | 4,364 | 4,643 | 3,891 |
| Rest of World | 2,451 | 2,797 | 3,797 | 4,224 | 5,863 |
| | 8,698 | 11,166 | 12,392 | 13,358 | 14,076 |

[a] Production of aromatics and acetyls and olefins and derivatives.

## Service stations

| at 31 December | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| UK | 1,400 | 1,300 | 1,300 | 1,300 | 1,300 |
| Rest of Europe | 6,100 | 9,200 | 8,200 | 8,000 | 7,900 |
| USA (excluding jobbers) | 4,900 | 4,400 | 4,100 | 3,900 | 3,100 |
| USA jobbers | 10,600 | 10,500 | 10,600 | 10,300 | 9,700 |
| Rest of World | 3,800 | 3,800 | 3,600 | 3,300 | 3,200 |
| | 26,800 | 29,200 | 27,800 | 26,800 | 25,200 |

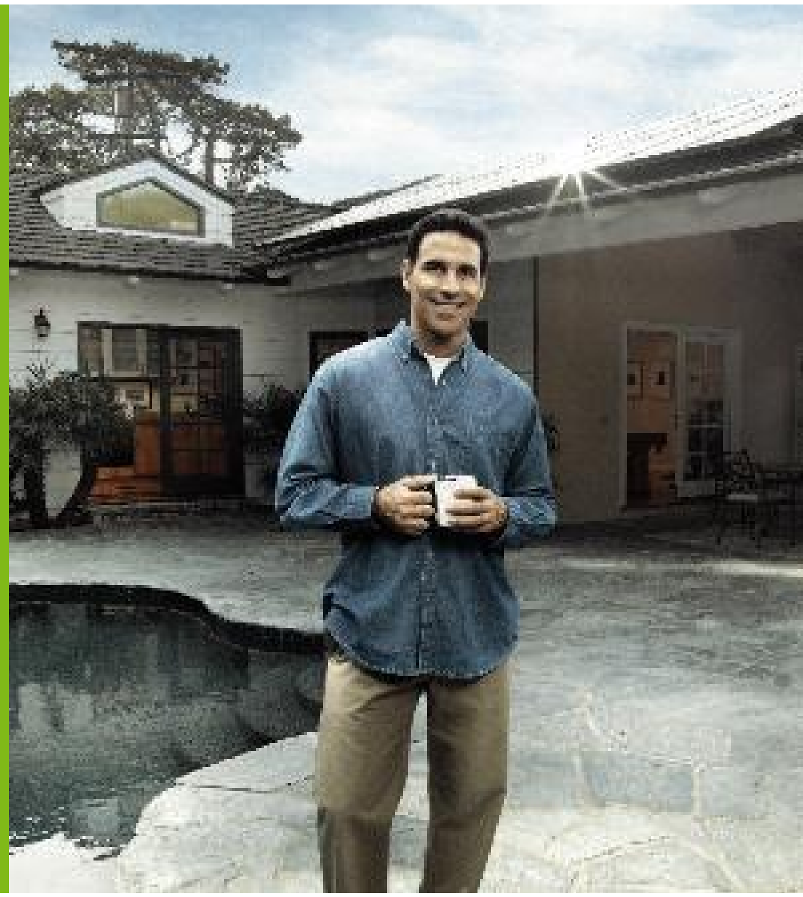
## Shop sales[a]

| $ million | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| UK | 458 | 527 | 567 | 655 | 628 |
| Rest of Europe | 904 | 2,638 | 3,000 | 3,090 | 3,069 |
| USA | 1,510 | 1,585 | 1,620 | 1,715 | 1,776 |
| Rest of World | 362 | 421 | 521 | 601 | 610 |
| | 3,234 | 5,171 | 5,708 | 6,061 | 6,083 |
| Direct-managed | 1,650 | 1,869 | 2,090 | 2,319 | 2,489 |
| Franchise | 1,504 | 3,216 | 3,508 | 3,623 | 3,533 |
| Shop alliances | 80 | 86 | 110 | 119 | 61 |
| | 3,234 | 5,171 | 5,708 | 6,061 | 6,083 |

[a] Shop sales reported are sales through direct-managed stations, franchisees and the BP share of shop alliances. Sales figures exclude VAT and lottery sales but include quick-service restaurant sales.

# 3 Gas, Power and Renewables





## Segment strategy

- Capture distinctive world-scale gas market positions by accessing key pieces of infrastructure.
- Expand gross margin by providing distinctive products to selected customer segments and optimizing the gas and power value chains.
- Develop the world's leading low-carbon power generation and wholesale marketing and trading businesses.

## Segment focus

In line with growing demand for cleaner fuels, BP seeks to participate on a large scale in fast-growing markets for natural gas, gas liquids and low-carbon power. We have strong upstream gas assets near the major markets, significant interests in gas pipelines and a series of integrated LNG positions in the Pacific and Atlantic basins. We are expanding our LNG business by accessing import terminals in Asia Pacific, North America and Europe. We are extending our strength in US natural gas liquids (NGLs) processing and marketing on a global basis. Our emerging Alternative Energy business is being developed from a strong base in gas-fired and solar power assets and power marketing and trading, together with planned developments in hydrogen and wind power.

**2005 PERFORMANCE**

Replacement cost profit before interest and tax for the segment for the year was $1,077 million, compared with $964 million in 2004. The result includes a net charge for non-operating items of $20 million (2004 $56 million gain), which primarily comprises fair value losses on embedded derivatives of $346 million and compensation of $265 million received on cancellation of an intra-group gas supply contract. The operating business result has increased by 21% over 2004, with higher margins from gas marketing and trading and NGLs businesses. The volumes of gas supplied into liquefaction plants rose by 1%. Our solar and power businesses continued to grow profitably.

**GAS AND NGLs**

Our intent is to grow the business in the medium term by 2-3% a year, in line with global gas demand. North America, where we continue to hold the largest market share, is our most important gas market. This position is anchored by our strong upstream positions around the Gulf of Mexico, the mid-continent, the Rockies, Canada and Trinidad & Tobago. We have strong positions in the North Sea, the Caspian and North Africa that, together with imports of LNG, give us the opportunity to support Europe's move towards cleaner gas-fired heat and power. We have significant gas sales via pipeline and LNG in Asia.

Our LNG plans remain on track. Our Atlantic basin LNG business is underpinned by our upstream positions in Trinidad & Tobago, Egypt and, in future, Angola. We are bringing this gas to market through investment in downstream regasification and logistics assets. In the US, we have long-term capacity agreements in place at Cove Point, Maryland, for 250 million standard cubic feet per day (mmscfd) and Elba Island, Georgia, for 150mmscfd. We are continuing to seek approval to develop a regasification facility at Crown Landing in New Jersey, where important progress was made in relation to associated shipping, environmental and legal matters. BP also has a long-term contract to supply LNG into the Dominican Republic.

In the UK, we began to supply LNG cargoes to the new Isle of Grain terminal where, with Sonatrach, we have rights to 450mmscfd of capacity. Despite tightness in world LNG supplies, we were able to source cargoes of LNG successfully from Trinidad & Tobago and Algeria in response to increases in UK market prices. In Spain, we are partners (BP 25%) in the 700mmscfd Bilbao regasification plant and 800MW gas-fired power station. BP supplies LNG cargoes into the Pacific Basin, including Japan and Taiwan. We have also started LNG supply into the Gwangyang regasification terminal in South Korea since its start-up in mid-2005. Sales into this terminal will be sourced from Tangguh after its start-up, expected in 2008. It is planned that Tangguh will supply gas into new terminals in Fujian, China, and Baja, Mexico. In 2005, we made good progress in the construction of China's first LNG import facility in Guangdong, where BP is a joint-venture partner. When the facility becomes operational, which is due to be in 2006, gas will be supplied from the NWS partnership (BP 16.7%) in Australia.

We continue to be the largest NGLs marketer in the US. Our capacity utilization was well above plan, despite disruptions to supply following the summer's Gulf of Mexico hurricanes. Full operations at our joint venture NGLs plant in Egypt started in the first quarter of 2005 and the plant reached full gas processing capacity of close to 1.1 billion cubic feet per day in the second half of the year.

**BP ALTERNATIVE ENERGY**

In 2005, we announced the launch of BP Alternative Energy, a business dedicated to the development and wholesale marketing and trading of low-carbon power. We believe we have sufficient new technologies and sound commercial opportunities within our reach to build a significant and sustainable business in alternative and renewable energy. BP Alternative Energy will manage a first phase of investment of around $1.8 billion during the next three years, the first part of our aim to invest $8 billion over 10 years. It is planned to spread this first phase investment in broadly equal proportions between solar, wind, hydrogen and high-efficiency gas-fired power generation. The business will initially employ around 2,500 people. It will bring together the group's existing activities in these technologies with our power marketing and trading capabilities to form a single business. In solar, our sales grew by 6% in 2005 and continued to generate profits. We are committed to doubling our manufacturing capacity of solar cells between 2004 and the end of 2006. In 2005, we successfully completed the Frederick solar plant expansion in Maryland, US. We also signed a joint venture agreement with Xinjiang SunOasis Company, a leading photovoltaic module manufacturer and system supplier in China.

We completed the construction and commissioning of our 9MW Amsterdam wind farm, and have begun feasibility studies at several US sites with a view to building new wind farms five to 10 times the size of our largest existing site. We are also looking for additional opportunities across Europe and Asia.

We finalized all the commercial agreements and commissioned the first unit of K-Power's 1,100MW gas-fired power plant in South Korea, where we have a 35% interest. We successfully started commercial operations at our wholly owned 50MW combined heat and power plant in Hythe, UK, which supplies steam and electricity to local industrial customers. We sold our 100% interest in the Great Yarmouth 400MW gas-fired power station to RWE in November 2005 for $282 million. At the end of 2005, two new co-generation projects in North America, with capacity totalling over 700MW, were in the early stages of development.

In June 2005, together with our partners, we announced plans for the development of the world's first large project to generate electricity from hydrogen, while reducing carbon dioxide ($CO_2$) emissions and enhancing oil recovery in the North Sea. The hydrogen is to be used at a power station in Peterhead, UK, to generate 350MW of 'clean' electricity and the $CO_2$ reinjected into the offshore Miller field. Work has begun on the front-end engineering design stage, addressing significant technical challenges that we believe we and our partners are well placed to manage. At the same time, we are keeping under constant review the schedule of the project and its commercial viability, which is itself dependent on clarification of the regulatory regime.

A second hydrogen power plant, planned for Carson, California, in the US, is to use petroleum coke as feedstock, demonstrating how low-carbon energy can be generated from coal, which is plentiful in the US. Once operational, the Carson project is expected to produce 500MW of low-carbon electricity, enough to power about 325,000 homes in southern California. The facility would also capture and permanently store about 4 million tonnes of $CO_2$ a year. BP and our partner, Edison Mission Group, hope to complete detailed engineering and commercial studies for the Carson project in 2006, to finalize project investment decisions in 2008 and to bring the new power plant on line by 2011.

# Key indicators

| | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Replacement cost profit before interest and tax ($ million) | 564 | 1,961 | 609 | 964 | 1,077 |

# Gas, Power and Renewables operations


Peterhead
Teesside
Amsterdam and Nerefco
Isle of Grain
Bilbao
Rosignano
Madrid
Egypt
ADGAS
Angola
Bangalore
K-Power
Gwangyang
Japan
Fujian
Guangdong
Phu My
Tangguh
Bontang
North West Shelf
Sydney

## Financial statistics

$ million

| | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Replacement cost profit before interest and tax by geographical area[a] | | | | | |
| UK | 69 | (47) | 79 | 89 | 70 |
| Rest of Europe | 189 | 1,685 | (39) | (30) | (16) |
| USA | 288 | 5 | 296 | 459 | 777 |
| Rest of World | 18 | 318 | 273 | 446 | 246 |
| | 564 | 1,961 | 609 | 964 | 1,077 |
| [a] Includes equity-accounted interest and tax | – | – | 2 | 9 | 15 |
| Under IFRS, the results of jointly controlled entities and associates for 2003, 2004 and 2005 are included in the income statement net of interest and tax. | | | | | |
| Operating capital employed by geographical area | | | | | |
| UK | 469 | 438 | 786 | 880 | 241 |
| Rest of Europe | 933 | 386 | 418 | 463 | 542 |
| USA | 1,060 | 1,044 | 2,130 | 2,122 | 2,990 |
| Rest of World | 880 | 1,054 | 1,427 | 1,868 | 1,769 |
| | 3,342 | 2,922 | 4,761 | 5,333 | 5,542 |
| Sales and other operating revenues | 22,906 | 16,490 | 22,984 | 26,220 | 28,700 |
| Capital expenditure and acquisitions by geographical area | | | | | |
| UK | 102 | 31 | 69 | 166 | 30 |
| Rest of Europe | 156 | 161 | 76 | 19 | 26 |
| USA | 162 | 170 | 237 | 80 | 96 |
| Rest of World | 79 | 85 | 143 | 265 | 83 |
| | 499 | 447 | 525 | 530 | 235 |
| **EMPLOYEE NUMBERS AT YEAR END** | 4,400 | 4,600 | 3,800 | 4,000 | 4,100 |

## LNG projects

| Upstream supply | | | | | | LNG plant | | | |
|---|---|---|---|---|---|---|---|---|---|
| LNG supply | | Start-up year | BP % of capacity[a] | Total plant capacity mscfd | BP plant capacity mmscfd | BP equity gas into plant 2005 mmscfd | BP % equity in the plant | Plant total capacity mtpa | BP equity capacity mtpa | Markets served |
| Trinidad | Trains 1-4 | 1999-2006 | 72 | 2,659 | 1,922 | 1,167 | 39 | 15.2 | 5.9 | US, Spain, UK |
| NWS | Trains 1-4 | 1989-2004 | 17 | 2,150 | 358 | 276 | 17 | 12.0 | 2.0 | Japan, China |
| Bontang | | 1977 | n/a | 3,622 | n/a | 139 | – | 22.2 | – | Japan, Korea, Taiwan |
| ADGAS | Trains 1-3 | 1977 | – | 800 | – | – | 10 | 5.6 | 0.6 | Japan, Spain |
| Total | | | | | 1,916 | 1,581 | | 55.0 | 8.5 | |

[a] Share of equity ownership and input capacity varies between LNG trains – average percentages shown, weighted by train capacity.

# Other businesses and corporate – financial statistics

$ million

| | 2001 | 2002 | IFRS 2003 | IFRS 2004 | IFRS 2005 |
|---|---|---|---|---|---|
| Replacement cost profit before interest and tax by geographical area[a] | | | | | |
| UK | (472) | (506) | (167) | (217) | (673) |
| Rest of Europe | 27 | 295 | 27 | (134) | (79) |
| USA | (573) | (525) | (433) | (782) | (405) |
| Rest of World | 90 | (238) | 313 | 1,288 | (80) |
| | (928) | (974) | (260) | 155 | (1,237) |
| [a] Includes equity-accounted interest and tax | – | – | – | – | – |
| Under IFRS, the results of jointly controlled entities and associates for 2003, 2004 and 2005 are included in the income statement net of interest and tax. | | | | | |
| Operating capital employed by geographical area | | | | | |
| UK | 2,477 | 2,357 | 3,700 | 6,560 | 5,187 |
| Rest of Europe | 2,058 | (1,441) | (2,067) | (1,661) | (4,268) |
| USA | 632 | (2,028) | 256 | (2,306) | (3,953) |
| Rest of World | 4,454 | (584) | 1,695 | 290 | (137) |
| | 9,621 | (1,696) | 3,584 | 2,883 | (3,171) |
| Sales and other operating revenues | 12,005 | 12,548 | 515 | 546 | 668 |
| Capital expenditure and acquisitions by geographical area | | | | | |
| UK | 500 | 254 | 244 | 403 | 339 |
| Rest of Europe | 909 | 357 | 163 | 1,024 | 189 |
| USA | 300 | 282 | 423 | 698 | 277 |
| Rest of World | 187 | 117 | 2 | 5 | 12 |
| | 1,896 | 1,010 | 832 | 2,130 | 817 |
| **EMPLOYEE NUMBERS AT YEAR END** | 22,800 | 18,900 | 15,800 | 13,500 | 4,300 |

Other businesses and corporate comprises Finance, the group's coal asset (divested in October 2003) and aluminium asset, its investments in PetroChina and Sinopec (both divested in early 2004), interest income and costs relating to corporate activities worldwide.

# Other businesses and corporate – Innovene

BP announced on 7 October 2005 its intention to sell Innovene, its olefins, derivatives and refining group, to INEOS. The transaction became unconditional on 9 December on receipt of European Commission clearance and was completed on 16 December 2005. The transaction included all Innovene's manufacturing sites, markets and technologies. The equity-accounted investments in China and Malaysia that were part of the Olefins and Derivatives business remain with BP and are now included in Refining and Marketing.

Gross proceeds received amounted to $8,477 million. There were selling costs of $120 million and initial closing adjustments of $43 million. The proceeds are subject to final closing adjustments. The remeasurement to fair value less costs to sell resulted in a loss of $591 million before tax.

Financial information for the Innovene operations after group eliminations is presented below.

| | 2003 | 2004 | 2005 |
|---|---|---|---|
| Total revenues and other income | 8,986 | 11,327 | 12,441 |
| Expenses | 9,034 | 12,041 | 11,709 |
| Profit (loss) before interest and taxation | (48) | (714) | 732 |
| Other finance income (expense) | (15) | (17) | 3 |
| Profit (loss) before taxation and loss recognized on remeasurement to fair value less costs to sell and on disposal | (63) | (731) | 735 |
| Loss recognized on the remeasurement to fair value less costs to sell and on disposal | – | – | (591) |
| Profit (loss) before taxation from Innovene operations | (63) | (731) | 144 |
| Tax (charge) credit | | | |
| On profit (loss) before loss recognized on remeasurement to fair value less costs to sell and on disposal | – | 109 | (306) |
| On loss recognized on the remeasurement to fair value less costs to sell and on disposal | – | – | 346 |
| Profit (loss) from Innovene operations | (63) | (622) | 184 |
| Earnings (loss) per share from Innovene operations – cents | | | |
| Basic | (0.28) | (2.85) | 0.87 |
| Diluted | (0.28) | (2.79) | 0.86 |
| The cash flows of Innovene operations are presented below | | | |
| Net cash provided by (used in) operating activities | 348 | (669) | 970 |
| Net cash used in investing activities | (572) | (1,731) | (524) |
| Net cash provided by (used in) financing activities | 224 | 2,400 | (446) |

# Accounting policies

**BASIS OF PREPARATION**

This is the first year in which the group has prepared its financial statements under IFRSs and the comparative financial information for 2004 and 2003 has been restated from UK generally accepted accounting practice (UK GAAP) to comply with IFRSs. Financial information for 2002 and 2001 has not been restated. The accounting policies that follow set out those policies that apply in preparing the consolidated financial statements for the year ended 31 December 2005.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest million dollars ($ million), except where otherwise indicated.

**BASIS OF CONSOLIDATION**

The group financial statements consolidate the financial statements of BP p.l.c. and the entities it controls (its subsidiaries) drawn up to 31 December each year. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct and indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All inter-company balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the group and is presented separately within equity in the consolidated balance sheet.

**INTERESTS IN JOINT VENTURES**

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the group jointly controls with its fellow venturers.

The results, assets and liabilities of a jointly controlled entity are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investment in a jointly controlled entity is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the jointly controlled entity, less distributions received and less any impairment in value of the investment. The group income statement reflects the group's share of the results after tax of the jointly controlled entity. The group statement of recognized income and expense reflects the group's share of any income and expense recognized by the jointly controlled entity outside profit and loss.

Financial statements of jointly controlled entities are prepared for the same reporting year as the group. Where necessary, adjustments are made to those financial statements to bring the accounting policies used into line with those of the group.

Unrealized gains on transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The group ceases to use the equity method of accounting on the date from which it no longer has joint control over, or significant influence in, the joint venture, or when the interest becomes held for sale.

Certain of the group's activities, particularly in the Exploration and Production segment, are conducted through joint ventures where the venturers have a direct ownership interest in and jointly control the assets of the venture. The income, expenses, assets and liabilities of these jointly controlled assets are included in the consolidated financial statements in proportion to the group's interest.

**INTERESTS IN ASSOCIATES**

An associate is an entity over which the group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, but which is not a subsidiary or a jointly controlled entity.

The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate, less distributions received and less any impairment in value of the investment. The group income statement reflects the group's share of the results after tax of the associate. The group statement of recognized income and expense reflects the group's share of any income and expense recognized by the associate outside profit and loss.

The financial statements of associates are prepared for the same reporting year as the group. Where necessary, adjustments are made to those financial statements to bring the accounting policies used into line with those of the group.

Unrealized gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The group ceases to use the equity method of accounting on the date from which it no longer has significant influence in the associate or when the interest becomes held for sale.

**FOREIGN CURRENCY TRANSLATION**

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rates of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

In the consolidated financial statements, the assets and liabilities of non-US dollar functional currency subsidiaries, jointly controlled entities and associates, including related goodwill, are translated into US dollars at the rate of exchange ruling at the balance sheet date. The results and cash flows of non-US dollar functional currency subsidiaries, jointly controlled entities and associates are translated into US dollars using average rates of exchange. Exchange adjustments arising when the opening net assets and the profits for the year retained by non-US dollar functional currency subsidiaries, jointly controlled entities and associates are translated into US dollars are taken to a separate component of equity and reported in the statement of recognized income and expense. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the group's non-US dollar investments are also taken to equity. On disposal of a non-US dollar functional currency subsidiary, jointly controlled entity or associate, the deferred cumulative amount recognized in equity relating to that particular non-US dollar operation is recognized in the income statement.

### BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the net fair value of the identifiable assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. Where the group does not acquire 100% ownership of the acquired company, the interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority shareholders in excess of the minority interest are allocated against the interests of the parent.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. For this purpose, cash-generating units are set at one level below a business segment. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Goodwill arising on business combinations prior to 1 January 2003 is stated at the previous UK GAAP carrying amount.

Goodwill may also arise upon investments in jointly controlled entities and associates, being the surplus of the cost of investment over the group's share of the net fair value of the identifiable assets. Such goodwill is recorded within investments in jointly controlled entities and associates, and any impairment of the goodwill is included within the income from jointly controlled entities and associates.

### NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated.

### INTANGIBLE ASSETS

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets include expenditure on the exploration for and evaluation of oil and natural gas resources, computer software, patents, licences, trademarks and product development costs.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. An intangible asset acquired as part of a business combination is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Product development costs are capitalized as intangible assets when a project has obtained internal sanction and the future recoverability of such costs can reasonably be regarded as assured.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives. For patents, licences and trademarks, expected useful life is the lower of the duration of the legal agreement and economic useful life, which can range from three to 15 years. Computer software costs have a useful life of three to five years.

The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalized product development expenditure is reviewed for impairment annually before being brought into use.

### OIL AND NATURAL GAS EXPLORATION AND DEVELOPMENT EXPENDITURE

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting.

**Licence and property acquisition costs** Exploration and property leasehold acquisition costs are capitalized within intangible fixed assets and amortized on a straight-line basis over the estimated period of exploration. Each property is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves'), amortization ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within intangible assets. When development is approved internally, the relevant expenditure is transferred to property, plant and equipment.

Exploration expenditure Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalized as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to property, plant and equipment.

Development expenditure Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized within property, plant and equipment.

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

Exchanges of assets are measured at the fair value of the asset given up unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the group, the expenditure is capitalized. Inspection costs associated with major maintenance programmes are capitalized and amortized over the period to the next inspection. Overhaul costs for major maintenance programmes are expensed as incurred. All other maintenance costs are expensed as incurred.

Oil and natural gas properties are depreciated using a unit-of-production method. The cost of producing wells is amortized over proved developed reserves. Licence acquisition, decommissioning and field development costs are amortized over total proved reserves. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Other property, plant and equipment is depreciated on a straight-line basis over its expected useful life.

The useful lives of the group's other property, plant and equipment are as follows:

| | |
|---|---|
| Land improvements | 15 to 25 years |
| Buildings | 20 to 40 years |
| Refineries | 20 to 30 years |
| Petrochemicals plants | 20 years |
| Pipelines | Unit-of-throughput |
| | 10 to 50 years |
| Service stations | 15 years |
| Office equipment | 3 to 7 years |
| Fixtures and fittings | 5 to 15 years |

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognized.

#### IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the group makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**FINANCIAL ASSETS**

Financial assets are classified as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets, as appropriate. Financial assets include cash and cash equivalents; trade receivables; other receivables; loans; other investments; and derivative financial instruments. The group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The group has not restated comparative amounts, on first applying IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement', as permitted in IFRS 1 'First-time Adoption of International Financial Reporting Standards'.

All regular way purchases and sales of financial assets are recognized on the trade date, being the date that the group commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the marketplace. The subsequent measurement of financial assets depends on their classification, as follows:

Financial assets at fair value through profit or loss Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets are carried on the balance sheet at fair value with gains or losses recognized in the income statement.

Loans and receivables Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process. Investments intended to be held for an undefined period are not included in this classification.

Available-for-sale financial assets Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's-length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and pricing models. Otherwise assets are carried at cost.

**IMPAIRMENT OF FINANCIAL ASSETS**

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its fair value is transferred from equity to the income statement.

Reversals of impairment losses on debt instruments are taken through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement.

**INVENTORIES**

Inventories, other than inventory held for trading purposes, are stated at the lower of cost and net realizable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses.

Inventories held for trading purposes are stated at fair value less costs to sell and any changes in net realizable value are recognized in the income statement.

Supplies are valued at cost to the group mainly using the average method or net realizable value, whichever is the lower.

**TRADE AND OTHER RECEIVABLES**

Trade and other receivables are carried at the original invoice amount, less allowances made for doubtful receivables. Where the time value of money is material, receivables are carried at amortized cost. Provision is made when there is objective evidence that the group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand; current balances with banks and similar institutions; and short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

For the purpose of the group cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**TRADE AND OTHER PAYABLES**

Trade and other payables are carried at payment or settlement amounts. Where the time value of money is material, payables are carried at amortized cost.

**INTEREST-BEARING LOANS AND BORROWINGS**

All loans and borrowings are initially recognized at cost, being the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest and other revenues and other finance expense.

**LEASES**

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

**DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES**

Financial assets A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts, together with any costs or fees incurred are recognized in profit or loss.

**DERIVATIVE FINANCIAL INSTRUMENTS**

The group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices. From 1 January 2005, such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the group's expected purchase, sale or usage requirements, are financial instruments.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability;
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, including intra-group transactions; or
- Hedges of the net investment in a foreign entity.

Any gains or losses arising from changes in the fair value of all other derivatives, which are classified as held for trading, are taken to the income statement. These may arise from derivatives for which hedge accounting is not applied because they are either not designated or not effective as hedging instruments or from derivatives that are acquired for trading purposes.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Fair value hedges For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss. For hedged items carried at amortized cost, the adjustment is amortized through the income statement such that it is fully amortized by maturity. When an unrecognized firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

The group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

Cash flow hedges For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, the hedged transaction ceases to be highly probable, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If a forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss.

Hedges of the net investment in a foreign entity For hedges of the net investment in a foreign entity, the effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Amounts taken to equity are transferred to the income statement when the foreign entity is sold.

Embedded derivatives Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Contracts are assessed for embedded derivatives when the group becomes a party to them, including at the date of a business combination. These embedded derivatives are measured at fair value at each period end. Any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

### PROVISIONS

Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as other finance expense. Any change in the amount recognized for environmental and litigation and other provisions arising through changes in discount rates is included within other finance expense.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

### ENVIRONMENTAL LIABILITIES

Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognized when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

### DECOMMISSIONING

Liabilities for decommissioning costs are recognized when the group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the facility or item of plant.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

**EMPLOYEE BENEFITS**

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the group. Deferred bonus arrangements that have a vesting date more than 12 months after the period end are valued on an actuarial basis using the projected unit credit method and amortized on a straight-line basis over the service period until the award vests. The accounting policy for pensions and other post-retirement benefits is described below.

**SHARE-BASED PAYMENTS**

Equity-settled transactions The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognized over the original vesting period. In addition, an expense is recognized over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognized if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognized in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Cash-settled transactions The cost of cash-settled transactions is measured at fair value using an appropriate option valuation model.

Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period, a liability is recognized representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognized in profit or loss for the period.

**PENSIONS AND OTHER POST-RETIREMENT BENEFITS**

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognized in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognized in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognized in the income statement as other finance income or expense.

Actuarial gains and losses are recognized in full in the group statement of recognized income and expense in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds), less any past service cost not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognized past service costs and the present value of any amount the group expects to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognized in the income statement in the period in which they become payable.

**CORPORATE TAXES**

Tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profits for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences:

- Except where the deferred tax liability arises on goodwill that is not tax deductible or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary differences can be controlled by the group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, jointly controlled entities and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

### CUSTOMS DUTIES AND SALES TAXES

Revenues, expenses and assets are recognized net of the amount of customs duties or sales tax except:

- Where the customs duty or sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the customs duty or sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of customs duty or sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### OWN EQUITY INSTRUMENTS

The group's holding in its own equity instruments, including shares held by Employee Share Ownership Plans, are classified as 'treasury shares', and shown as deductions from shareholders' equity at cost. Consideration received for the sale of such shares is also recognized in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognized in the performance statements on the purchase, sale, issue or cancellation of equity shares.

### REVENUE

Revenue arising from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemicals products and all other items are recognized when the title passes to the customer. Supply buy/sell arrangements with common counterparties are reported net as are physical exchanges. Similarly, oil and natural gas forward sales/purchase contracts and sales/purchases of trading inventory are included on a net basis in sales and other operating revenues. Generally, revenues from the production of oil and natural gas properties in which the group has an interest with other producers are recognized on the basis of the group's working interest in those properties (the entitlement method). Differences between the production sold and the group's share of production are not significant.

Interest income is recognized as the interest accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend income from investments is recognized when the shareholders' right to receive the payment is established.

### RESEARCH

Research costs are expensed as incurred.

### FINANCE COSTS

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other finance costs are recognized in the income statement in the period in which they are incurred.

### USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

# Definitions

### DEBT TO DEBT-PLUS-EQUITY RATIO

The ratio of finance debt (borrowings plus obligations under finance leases) to the total of finance debt plus shareholders' interest.

### DEBT TO EQUITY RATIO

The ratio of finance debt (borrowings plus obligations under finance leases) to shareholders' interest.

### DIVIDEND COVER

The dividend cover out of income is calculated as the replacement cost profit for the period, divided by the dividend paid in the period.

The dividend cover out of cash is calculated as the net cash provided by operating activities divided by the gross dividends paid. The calculation is based on the assumption that all dividends are paid in cash.

### DIVIDEND PAYOUT RATIO

The ratio of dividend paid for the period to replacement cost profit, expressed as a percentage.

### EARNINGS PER SHARE

The profit in cents attributable to each equity share, based on the appropriate consolidated profit of the period after tax and after deducting minority interests and preference dividends, divided by the weighted average number of equity shares in issue during the period.

### EFFECTIVE TAX RATE

The ratio of the tax charge to the profit after interest expense but before tax.

### NET DEBT

Net debt equals finance debt less cash and cash equivalents.

### PRE-TAX CASH RETURNS

The ratio of replacement cost profit before interest and tax and excluding equity-accounted interest and tax, non-operating items and depreciation, depletion and amortization to the average operating capital employed (which excludes goodwill).

### RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)

The ratio of replacement cost profit before interest expense and minority interest but after tax to the average of opening and closing capital employed.

Capital employed is BP shareholders' interest plus finance debt and minority interest.

A further ROACE measure is presented based on average capital employed after deducting goodwill from the denominator in the calculation and excluding non-operating items from the numerator.

### US GAAP

Represents the net profit prepared under US generally accepted accounting principles (GAAP).

# Further information

Although this publication of financial and operating information is unaudited, much of the information it contains is derived from the BP group's audited accounts.

Enquiries about the contents of this document should be addressed to:

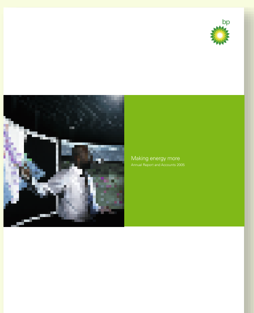
UK
Investor Relations
BP p.l.c.
1 St James's Square, London SW1Y 4PD
Telephone: +44 (0)20 7496 4632
Fax: +44 (0)20 7496 4570
*ir@bp.com*

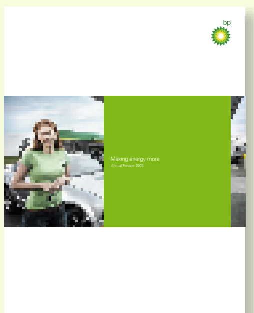
US
Investor Relations
BP p.l.c.
535 Madison Avenue – 22nd Floor
New York, NY 10022
Telephone: +1 212 451 8136
Fax: +1 212 451 8089
*ir@bp.com*

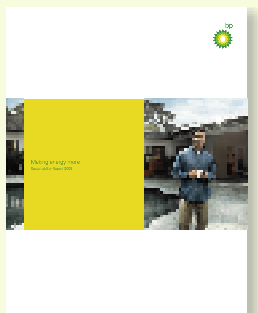
Internet
Spreadsheets containing the data in this document can be downloaded from our website at *www.bp.com/financialandoperating.*

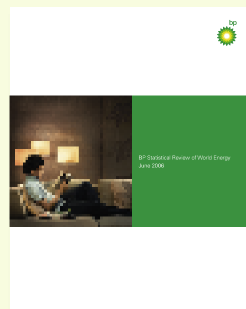
BP news via e-mail
To receive the latest news and information about BP via e-mail, register at *www.bp.com/email.*

**PUBLICATIONS**


1


2


3


4

These and other BP publications may be obtained, free of charge, from the following sources:

US and Canada
BP Shareholder Services
Toll-free: +1 800 638 5672
Fax: +1 630 821 3456
*shareholderus@bp.com*

UK and Rest of World
BP Distribution Services
Telephone: +44 (0)870 241 3269
Fax: +44 (0)870 240 5753
*bpdistributionservices@bp.com*

1 www.bp.com/annualreport
*BP Annual Report and Accounts 2005* gives details of our financial and operating performance.

2 www.bp.com/annualreview
*BP Annual Review 2005* summarizes our financial and operating performance.

3 www.bp.com/sustainabilityreport
*BP Sustainability Report 2005* explains our environmental and social commitments and performance.

4 www.bp.com/statisticalreview
*BP Statistical Review of World Energy*, published in June each year, reports on key global energy trends.

**ACKNOWLEDGEMENTS**
Design VSA Partners, Chicago
Typesetting Pauffley, London
Printing St Ives Financial, UK
Photography Tom Nagy

Paper This document is printed on FSC-certified Mohawk Options 100% PC White, which is manufactured entirely with wind energy and contains 100% post-consumer recycled fibre. This paper is certified by SmartWood for FSC standards.

beyond petroleum®