

BP PLC
Form 6-K
August 17, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

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

for the period ended March, 31, 2006

BP p.l.c.

(Translation of registrant's name into English)

1 ST JAMES S SQUARE, LONDON, SW1Y 4PD, ENGLAND

(Address of principal executive offices)

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

Form 20-F x Form 40-F o

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

Yes o No x

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-9790) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-65996), THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-83180) OF BP AUSTRALIA CAPITAL MARKETS LIMITED, BP CANADA FINANCE COMPANY, BP CAPITAL MARKETS p.l.c., BP CAPITAL MARKETS AMERICA INC. AND BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 33-21868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9020) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9798) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-34968) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-74414) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103924) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-102583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103923) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-119934) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123482) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123483) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131583) OF BP p.l.c. AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131584) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

BP p.l.c. AND SUBSIDIARIES

FORM 6-K FOR THE PERIOD ENDED MARCH 31, 2006

1. Management's Discussion and Analysis of Financial Condition and Results of Operations for the period January-March 2006
2. Consolidated Financial Statements including Notes to Consolidated Financial Statements for the period January-March 2006.
3. Environmental, Operating and Other Information
4. Signatures
5. Exhibit 1: Computation of Ratio of Earnings to Fixed Charges

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BP p.l.c. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

GROUP RESULTS JANUARY - MARCH 2006

	Three months ended	
	March 31	
	(Unaudited)	
	2006	2005
	(\$ million)	
Sales and other operating revenues from continuing operations (a)	65,057	52,346
Profit from continuing operations (a)	5,797	6,359
Profit for the period	5,694	6,663
Profit for the period attributable to BP shareholders	5,623	6,602
Profit attributable to BP shareholders per ordinary share - cents	27.40	30.79
Dividends payable per ordinary share - cents	9.375	8.50

(a) Excludes Innovene which was treated as a discontinued operation in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations . See Note 3 for further details.

The financial information for 2005 has been restated to reflect the following, all with effect from January 1, 2006: (a) the transfer of three equity-accounted entities from Other businesses and corporate to Refining and Marketing following the sale of Innovene; (b) the transfer of certain mid-stream assets and activities from Refining and Marketing and Exploration and Production to Gas, Power and Renewables; and (c) the transfer of Hydrogen for Transport activities from Gas, Power and Renewables to Refining and Marketing. See Note 2 for further details.

BP sold its innovene operations in December 2005. In the circumstances of discontinued operations, IFRSs require that the profits earned by the discontinued operations, in this case the Innovene operations, on sales to the continuing operations be eliminated on consolidation from the discontinued operations, and attributed to the continuing operations and vice versa. This adjustment has two offsetting elements: the net margin on crude refined by Innovene as substantially all crude for their refineries was supplied by BP and most of the refined products manufactured were taken by BP; and the margin on sales of feedstock from BP's US refineries to Innovene's manufacturing plants. The profits attributable to individual segments were not affected by this adjustment. Neither does this representation indicate the profits earned by continuing or Innovene operations, as if they were stand-alone entities, for past periods or likely to be earned in future periods. Under US GAAP, Innovene operations would not be classified as discontinued operations due to BP's continuing customer / supplier arrangements with Innovene.

The first quarter 2006 trading environment was generally stronger than a year ago with higher oil and gas realizations and similar overall marketing margins, but with slightly lower realized refining margins. For the three months ended March 31, 2006 the Brent oil price increased \$14.17 per barrel, the Henry Hub gas price was up \$2.74 per mmbtu and the refining Global Indicator Margin increased \$0.34 per barrel compared with a year ago.

The decrease in profit for the period attributable to BP shareholders compared with the first quarter of 2005 is largely due to lower gains on disposal, lower inventory holding gains and the closure of the Texas City refinery.

Sales and other operating revenues from continuing operations for the three months ended March 31, 2006 were \$65 billion, compared with \$52 billion for the equivalent period in 2005. The increase in sales and other operating revenues for the first quarter (before the elimination of sales between businesses) reflects approximately \$16 million from higher prices and around \$0.5 billion related to higher volumes of marketing and other sales (spot and term contracts, oil and gas realizations and other sales). This was partly offset by a decrease of \$1 billion from foreign exchange movements due to sales in local currencies being translated into the US dollar and a decrease of around \$0.5 billion related to lower production volumes of subsidiaries.

Profit attributable to BP shareholders for the three months ended March 31, 2006 was \$5,623 million, including inventory holding gains of \$358 million. Profit for the three months ended March 31, 2005 was \$6,602 million, including inventory holding gains of \$1,111 million. Inventory holding gains or losses represent the difference between the cost of sales calculated using the average cost of supplies incurred during the period and the cost of sales calculated using the first-in first-out method.

The profit attributable to BP shareholders for the three months ended March 31, 2006 includes losses from Innovene operations of \$103 million. The loss for the three months includes losses on re-measurement to fair value of Innovene operations of \$96 million. The profit attributable to BP shareholders for the three months ended March 31, 2005 includes profits from Innovene operations of \$304 million. Note 3 provides further financial information for Innovene.

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Profit attributable to BP shareholders for the three months ended March 31, 2006:

- includes net gains on disposal of \$9 million and is after net fair value losses of \$395 million on embedded derivatives relating to historical long-term North Sea gas contracts (these embedded derivatives are fair valued at each period end with the resulting gains or losses taken to the income statement) in Exploration and Production;
- includes net gains on disposal of \$564 million in Refining and Marketing;
- is after net fair value losses on embedded derivatives of \$55 million in the Gas, Power and Renewables segment; and
- includes a gain on disposal of \$1 million and net fair value gains on embedded derivatives of \$8 million in Other businesses and corporate.

Profit attributable to BP shareholders for the three months ended March 31, 2005:

- includes gains of \$1,070 million on the sale of assets, primarily from our interest in the Ormen Lange field, and is after an impairment charge of \$130 million relating to fields in the UK North Sea and fair value losses of \$160 million on embedded derivatives in certain long-term gas contracts in Exploration and Production;
- includes a gain of \$14 million relating to the sale of marketing assets and an impairment charge of \$41 million in Refining and Marketing;
- includes a gain of \$63 million on the disposal of BP's interest in Interconnector UK Ltd and net fair value gains on embedded derivatives of \$42 million in Gas, Power and Renewables;
- and is after a charge of \$43 million in respect of the separation of the olefins and derivatives business and net fair value losses on embedded derivatives of \$4 million in Other businesses and corporate.

Finance costs for continuing operations for the three months ended March 31, 2006 was \$191 million, compared with \$172 million in the same period of 2005. The increase for the three months ended March 31, 2006 primarily reflects higher interest costs partially offset by an increase in capitalized interest. These factors more than offset the absence of costs that were incurred in the first quarter of 2005 in respect of the early redemption of finance leases.

Other finance income and expense for continuing operations for the three month ended March 31, 2006 was a credit of \$48 million, compared with a charge of \$30 million in the same period of 2005. The decrease for the three months ended March 31, 2006 primarily reflects a reduction in net pension finance costs.

Net taxation for continuing operations, other than production taxes, charged for the three months ended March 31, 2006 was \$2,929 million, compared with \$2,479 million in the equivalent period last year. The effective tax rate was 34% for the three months ended March 31, 2006, compared with 28% for the equivalent period of 2005. The increase in the rate reflects the higher level of provision write-backs in 2005.

In addition to the factors above, the decrease in profit for the period attributable to BP shareholders for the first quarter of 2006 reflects the hurricane impact on volumes within Exploration and Production, the impact of the Texas City refinery closure, although this was partly offset by improved supply optimization and business improvements elsewhere within Refining and Marketing, adverse impacts from IFRS accounting effects, slightly lower realized refining margins, lower contributions from the gas trading and marketing business and similar marketing margins, partially offset by higher oil and gas realizations.

Capital expenditure and acquisitions in the first quarter of 2006 was \$3.3 billion. There were no significant acquisitions. Capital expenditure and acquisitions for the first quarter of 2005 was \$2.8 billion. Disposal proceeds in the first quarter of 2006 were \$0.7 billion and were \$1.3 billion in the first quarter of 2005.

Net cash provided by operating activities for the three months ended March 31, 2006 was \$8.9 billion compared with \$9.4 billion for the equivalent period of 2005, reflecting higher income taxes paid and lower net cash provided by operating activities of Innovene operations, partly

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offset by lower working capital requirements, higher dividends from jointly controlled entities and associates a lower net credit for impairment and gain / loss on sale of businesses and fixed assets. Net cash used in by investing activities was \$2.7 billion compared with \$1.6 billion for the equivalent period of 2005, reflecting higher capital expenditure and lower proceeds from the sale of fixed assets and businesses.

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Net debt at March 31, 2006 was \$15.7 billion compared with \$16.2 billion at December 31, 2005. The ratio of net debt to net debt plus equity was 16% at March 31, 2006 compared with 17% at December 31, 2005. This ratio shows the proportion of debt and equity used to finance our operations, and can also be used to measure borrowing capacity. In addition to reported debt, BP uses conventional off balance sheet sources of finance such as operating leases and joint venture and associate borrowings.

The Group has access to other sources of liquidity in the form of committed facilities and other funding through the capital markets. BP believes that, taking into account the substantial amounts of undrawn borrowing facilities available, the Group has sufficient working capital for foreseeable requirements.

In the normal course of business the Group has entered into certain long-term purchase commitments principally relating to take or pay contracts for the purchase of natural gas, crude oil and chemicals feedstocks and throughput arrangements for pipelines. The Group expects to fulfil its obligations under these arrangements with no adverse consequences to the Group's results of operations or financial condition.

On April 25, BP announced a quarterly dividend of 9.375 cents per ordinary share which was paid on June 5, 2006 to shareholders on the register on May 12, 2006. Holders of ordinary shares received 5.251 pence per share and holders of American Depositary Receipts (ADRs) \$0.5625 per ADS. Participants in the Dividend Reinvestment Plan or the dividend reinvestment plan facility in the US Direct Access Plan received the dividend in the form of shares, also on June 5, 2006. The Company repurchased 349 million of its own shares during the quarter, at a cost of \$4 billion.

DETAILED REVIEW OF BUSINESSES

EXPLORATION AND PRODUCTION

		Three months ended March 31 (Unaudited)	
		2006	2005
Sale and other operating revenues from continuing operations	- \$m	13,918	10,186
Profit before interest and tax from continuing operations(a)	- \$m	6,816	6,489
Results include:			
<i>Exploration expense</i>	- \$m	189	160
<i>Of which: Exploration expenditure written off</i>	- \$m	114	84
Key Statistics:			
<i>Crude oil</i>			
<i>-Average prices realized by BP</i>	- \$/bbl	58.25	43.37
<i>- Production for subsidiaries</i>	- mb/d	1,234	1,318
<i>- Production for equity-accounted entities</i>	- mb/d	1,126	1,087
<i>Natural gas liquids</i>			
<i>- Average prices realized by BP</i>	- \$/bbl	35.47	28.14
<i>- Production for subsidiaries</i>	- mb/d	169	184
<i>- Production for equity-accounted entities</i>	- mb/d	4	4
<i>Total liquids(b)</i>			
<i>- Average prices realized by BP</i>	- \$/bbl	55.88	41.74
<i>- Production for subsidiaries</i>	- mb/d	1,403	1,502
<i>- Production for equity-accounted entities</i>	- mb/d	1,130	1,091
<i>Natural gas</i>			
<i>- Average prices realized by BP</i>	- \$/mcf	5.54	4.26
<i>- Production for subsidiaries</i>	- mmcf/d	7,622	7,721
<i>- Production for equity-accounted entities</i>	- mmcf/d	1,091	1,024
<i>Total hydrocarbons(c)</i>			
<i>- Average prices realized by BP</i>	- \$/boe	44.20	33.60
<i>- Production for subsidiaries</i>	- mboe/d	2,717	2,833
<i>- Production for equity-accounted entities</i>	- mboe/d	1,318	1,268
<i>Brent oil price</i>	- \$/bbl	61.79	47.62
<i>West Texas Intermediate oil price</i>	- \$/bbl	63.29	49.88
<i>Alaska North Slope US West Coast oil price</i>	- \$/bbl	60.89	45.07
<i>Henry Hub gas price (d)</i>	- \$/mmbtu	9.01	6.27
<i>UK Gas National Balancing Point</i>	- p/therm	70.00	37.96

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- (a) Includes profit after interest and tax of equity-accounted entities.
- (b) Crude oil and natural gas liquids.
- (c) Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.
- (d) Henry Hub First of the Month Index.

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Sales and other operating revenues for the three months ended March 31, 2006 were \$14 billion, compared with \$10 billion in the corresponding period in 2005, primarily reflecting an increase of around \$4 billion related to higher liquids and gas realizations partly offset by a decrease of around \$0.5 billion due to lower volumes of subsidiaries.

Profit before interest and tax for the three months ended March 31, 2006 was \$6,816 million, including net gains on disposal of \$9 million, and is after inventory holding losses of \$7 million and net fair value losses of \$395 million on embedded derivatives relating to historical long-term North Sea gas contracts where the contract price is tied to oil and electricity prices rather than indexed to the gas price. These embedded derivatives are fair valued at each period end with the resulting gains or losses taken to the income statement. Profit before interest and tax for the three months ended March 31, 2005 was \$6,489 million, including inventory holding gains of \$5 million and gains of \$1,070 million on the sales of assets, primarily from our interest in the Ormen Lange field, and is after an impairment charge of \$130 million relating to fields in the UK North Sea and fair value losses of \$160 million on embedded derivatives in certain long-term gas contracts.

In addition to the factors above, the primary reasons for the increase in profit for the three months ended March 31, 2006 compared with the three months ended March 31, 2005 are higher liquids and gas realizations contributing around \$2,600 million, partially offset by the impact of lower volumes of approximately \$650 million as a consequence of residual hurricane impacts, primarily at Mars in the Gulf of Mexico.

Production for the first quarter of 2006 was 2,717 mboe/d for subsidiaries and 1,318 mboe/d for equity-accounted entities compared with 2,833 mboe/d and 1,268 mboe/d respectively, a year ago. For subsidiaries, the decrease primarily reflects the effects of severe weather disruptions. For equity-accounted entities, the increase primarily reflects increased production from TNK-BP.

Projects in our New Profit Centres are progressing well. In Trinidad, the first cargo of LNG from the Atlantic LNG Train 4 plant was loaded in January for delivery in the UK, and the Cannonball gas development project started production in mid March. In Azerbaijan, good progress was made on the filling and commissioning of the BTC pipeline, with the first lifting at Ceyhan in Turkey occurring in June 2006.

Offshore repair work on Thunder Horse is proceeding and we anticipate having approval to introduce hydrocarbons to the facilities in the third quarter. Recent work has focused on testing of the subsea equipment in readiness for start-up. However, during a routine hydrotest we experienced two leaks in a subsea manifold. We are taking a precautionary approach and are fully investigating the events before starting up the platform. Subject to a satisfactory outcome of these investigations our current plan anticipates replacing just the damaged subsea equipment. Depending upon weather, this would enable a start-up of production in early 2007.

During the first quarter, we were the highest bidder on 73 blocks in the Central Gulf of Mexico lease sale and we were awarded three new exploration blocks in offshore Pakistan, subject to government approval.

We reached agreement for the sale of our 4.84% interest in the Staffjord oil and gas field and of our interest in the Luva gas discovery, both in the North Sea. Completion of these sales occurred in the second quarter. On April 19, it was announced that we had reached agreement with Apache to sell our remaining Gulf of Mexico Shelf assets, with reserves of 59 million barrels of oil equivalent and average daily production of 27 mboe, for \$1.3 billion. Completion took place in the second quarter of 2006. Certain participants in the fields exercised their right of pre-emption, and completion of these transactions is expected in the third quarter of 2006.

On August 7, 2006 we announced that we had begun an orderly and phased shut down of the Prudhoe Bay field in Alaska following discovery of corrosion in the oil transit pipelines. It was a precautionary move made in order to ensure that we did not take unacceptable risks regarding the safety of our operation and protection of the natural environment. On August 11, we announced that we will continue production from the western side of the field after close consultation with federal and state regulatory agencies and review of inspections data. BP has shut down the transit lines from the eastern areas of the field and is working closely with the US Department of Transportation and the Alaska Department of Environmental Conservation, among others to restore production safely and as quickly as possible. Current production from Prudhoe Bay is around 150,000 barrels of oil and natural gas liquids per day (BP has a 26% interest in the Prudhoe Bay field). Production from the eastern area was approximately 180,000 barrels per day prior to the shut-in. BP will replace the main oil transit lines (16 miles) in both the Eastern and Western Operating Areas of Prudhoe Bay and expects to complete this early next year.

BP's West Coast refining and marketing system remains adequately supplied in the short term and no disruptions of crude or fuel supplies are expected at this time. BP has been purchasing crude oil on the global market to help cover the shortfall in Prudhoe Bay output.

REFINING AND MARKETING

		Three months ended March 31 (Unaudited)	
		2006	2005
Sales and other operating revenues from continuing operations	- \$m	55,880	46,009
Profit (loss) before interest and tax from continuing operations(a)	- \$m	2,038	2,353
Key statistics:			
Refinery throughputs	- mb/d	2,022	2,510
Refining availability(b)	- %	79.9	95.2
Global Indicator Refining Margin(c)	- \$/bbl	6.28	5.94

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

(b) Refining availability is defined as the ratio of units which are available for processing, regardless of whether they are actually being used, to total capacity. Where there is planned maintenance, such capacity is not regarded as being available. During the first quarter of 2006, there was planned maintenance of a substantial part of the Texas City refinery.

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

The changes in sales and other operating revenues are explained in more detail below:

		Three months ended March 31 (Unaudited)	
		2006	2005
Sale of crude oil through spot and term contracts	- \$m	11,247	6,683
Marketing, spot and term sales of refined products	- \$m	40,053	34,275
Other sales including non-oil and to other segments	- \$m	4,580	5,051
		55,880	46,009
Sale of crude oil through spot term contracts	- mb/d	2,731	2,504
Marketing, spot and term sales of refined products	- mb/d	6,030	6,126

Sales and other operating revenues for the three months ended March 31, 2006 were \$56 billion, compared with \$46 billion for the same period in the prior year. Marketing, spot and term sales of refined products increased by around \$6 billion due to higher prices of around \$7 billion partly offset by a negative foreign exchange impact due to a stronger dollar of \$1 billion. Sales of crude oil through spot and term contracts increased by around \$5 billion primarily due to higher prices of around \$4 billion and higher volumes of around \$1 billion. Other sales remained relatively flat.

Profit before interest and tax for the three months ended March 31, 2006 was \$2,038 million, including inventory holding gains of \$426 million and net gains of \$564 million primarily in respect of the divestments described on the following page. Profit before interest and tax for the three months ended March 31, 2005 was \$2,353 million, including inventory holding gains of \$942 million and a gain of \$14 million relating to the sale of marketing assets, and is after an impairment charge of \$41 million.

The primary additional factors reflected in the decrease in profit before interest and tax for the three months ended March 31, 2006 compared with the three months ended March 31, 2005 are a reduction of around \$650 million in respect of the Texas City refinery closure, including the impact on associated businesses, an adverse impact of around \$120 million due to IFRS accounting effects (see paragraph below) and an impact

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of around \$70 million due to slightly lower realized refining margins. This was partially offset by improved supply optimization and business improvements contributing approximately \$430 million. Overall marketing margins were similar to those of the first quarter of 2005.

Where derivative instruments are used to manage certain economic exposures that cannot themselves be fair valued or accounted for as hedges, timing differences in relation to the recognition of gains and losses occur. Gains and losses on derivative commodity contracts are recognized immediately through the income statement whilst gains and losses on the related physical transaction are recognized when the commodity is sold. These

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economic exposures primarily relate to inventories held in excess of normal operating requirements that are not designated as held for trading and fair valued, and forecast transactions to replenish inventory.

Additionally, IFRS requires that inventory designated as held for trading is fair valued using period end spot prices whilst the related derivative instruments are valued using forward prices consistent with the contract maturity. Depending on market conditions, these forward prices can be either higher or lower than spot prices resulting in quarterly timing differences.

Refining throughputs for the quarter were 2,022 mb/d compared with 2,510 mb/d in the first quarter of 2005. The reduction in throughputs was mainly due to the continued shutdown of the Texas City refinery. Recommissioning of the site began at the end of March, with current throughput of 200 mb/d. Our focus is to continue re-commissioning the site safely and to bring it back onstream in a phased manner. The site will not be fully operational until 2007. Excluding the Texas City refinery, refining availability for the first quarter of 2006 was 96.0%. Marketing volumes of 3,826 mb/d in the first quarter compared with 3,930 mb/d for the corresponding period in 2005 reflecting divestment activities.

During the first quarter of 2006, we completed the disposal of our shareholding in Zhenhai Refining and Chemicals Company to Sinopec and completed the sale of our Czech Republic retail network to Österreichische Mineralöl Verwaltung Aktiengesellschaft (OMV).

Also during the quarter, BP sold its shareholding in Eiffage, the French based construction company, and completed a restructuring of Olympic Pipeline which reduced our interest from 100% to 35%.

GAS, POWER AND RENEWABLES

		Three months ended March 31 (Unaudited)	
		2006	2005
Sales and other operating revenues from continuing operations	- \$m	6,979	6,461
Profit before interest and tax from continuing operations(a)	- \$m	238	426

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

The changes in sales and other operating revenues are explained in more detail below:

		Three months ended	
		March 31	
		(Unaudited)	
		2006	2005
Gas marketing sales	- \$m	3,799	3,921
Other sales (including NGL marketing)	- \$m	3,181	2,540
		6,979	6,461
Gas marketing sales volumes	(mb/d)	4,685	6,123
Natural gas sales by Exploration and Production	(mb/d)	4,988	4,545

Sales and other operating revenues for the three months ended March 31, 2006 were \$7 billion, compared with \$6.5 billion for the same period in 2005. Gas marketing sales decreased by \$0.1 as price increases of \$0.8 billion were more than offset lower volumes of \$0.9 billion. Other sales (including NGL marketing) increased by around \$0.6 billion reflecting \$0.3 billion related to higher prices and \$0.3 billion related to lower volumes.

Profit before interest and tax for the three months ended March 31, 2006 was \$238 million is after inventory holding losses of \$63 million and net fair value losses on embedded derivatives of \$55 million. Profit before interest and tax for the three months ended March 31, 2005 was \$426 million, including inventory holding gains of \$14 million, a gain of \$63 million on the disposal of BP's interest in Interconnector UK Ltd and fair value gains of \$42 million on embedded derivatives.

The primary additional factors reflected in profit before interest and tax for the three months ended March 31, 2006 compared with the equivalent period in 2005 are a higher contribution from marketing and trading of around \$180 million partially offset by IFRS fair value accounting charges of around \$70 million.

In February, BP announced plans to build a 500 MW \$1 billion hydrogen-fuelled power plant alongside BP's Carson refinery near Los Angeles. The plant is expected to generate enough low carbon power to serve 325,000 homes in South California.

OTHER BUSINESSES AND CORPORATE

		Three months ended	
		March 31	
		(Unaudited)	
		2006	2005
Sales and other operating revenues from continuing operations	- \$m	206	172
Profit (loss) before interest and tax from continuing operations(a)	- \$m	(215)	(171)

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

Other businesses and corporate comprises Finance, the Group's aluminium asset, interest income and costs relating to corporate activities.

The loss before interest and tax for the three months ended March 31, 2006 was \$215 million, including inventory holding gains of \$2 million, a gain on disposal of \$1 million and net fair value gains on embedded derivatives of \$8 million. The loss before interest and tax for the three months ended March 31, 2005 was \$171 million and is after a charge of \$43 million in respect of the separation of the olefins and derivatives business and net fair value losses on embedded derivatives of \$4 million.

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OUTLOOK STATEMENT

World economic growth has been sustained. US economic growth appears to have slowed compared to the first quarter, but Europe appears to have grown faster; growth in other regions has been sustained. The near-term global outlook appears resilient.

Crude oil prices averaged \$69.59 per barrel (Dated Brent) in the second quarter of 2006, an increase of nearly \$8 per barrel from the first quarter and \$18 per barrel above the same period last year. Prices rose in face of heightened geopolitical concerns. Demand is growing strongly in China and the Middle East, offsetting weakness in the US and Europe. Ample inventories and increased spare OPEC production capacity have failed to stem the increase. Oil prices are expected to remain strong.

US natural gas prices averaged \$6.80/mmbtu (Henry Hub First of Month Index) in the second quarter, \$2.21/mmbtu below the first quarter. Gas prices traded below parity with residual fuel oil during the quarter. Onshore gas supplies and net imports have grown; recovery of hurricane-affected production has continued. Working gas inventories at the end of June were 29% above the five-year average. US gas prices have increased recently but have generally remained below resid parity so far in the third quarter.

UK gas prices (NBP day-ahead) fell in the second quarter to average 34.6 pence per therm, compared to 70 pence per therm in the first quarter, but 15% higher than in the second quarter of 2005. The Rough storage facility has re-opened and inventories are expected to reach normal levels by October, but concerns over winter supply have led NBP futures to remain near 80 pence per therm.

Global average refining margins rose sharply to \$12.59/bbl in the second quarter of 2006 compared with \$6.28/bbl in the first quarter. A heavy US refinery maintenance programme extended into the second quarter and coincided with the switch from MTBE to ethanol for reformulated gasolines. Margins increased strongly to encourage sufficient product imports from abroad. So far in the third quarter, margins have remained near the second quarter average. The US driving season and the transition to ULSD are likely to support the refining environment over the near term.

Although retail margins deteriorated in April they recovered in May and June on the back of movements in the cost of product. This has resulted in overall second quarter retail margins being slightly ahead of the first quarter. So far in the third quarter, a further rise in wholesale gasoline and crude prices is evident; marketing margins are therefore expected to remain volatile.

The UK Government's announced increase in the North Sea supplemental tax rate has been enacted. This increase will have two effects; first to create a one-time deferred tax charge and second to increase current tax to reflect the 2006 impact of the proposed higher rate, which is retroactive to the start of the year. The full year aggregate effective tax rate is expected to be around 39%.

We have 16 major projects currently under development scheduled to start up in the 2007-9 period, and a further 11 under appraisal. Beyond 2009 we now see a further 26 major projects which are expected to be developed.

Our previous guidance was that full year 2006 production would be between 2.8 and 2.85 mmb/d for subsidiaries and between 1.3 and 1.35 mmb/d for equity-accounted entities, after adjusting for divestments and the impact of higher prices on entitlements under production sharing contracts. On the basis of divestments announced in 2006 to date, and assuming that oil prices remain at around \$70/barrel, the adjustment for divestments is expected to amount to around 41 mboe/d and 24 mboe/d for subsidiaries and equity-accounted entities respectively, this year, and the adjustment for price impact is expected to amount to around 45 mboe/d for subsidiaries this year. At this time it is uncertain what impact the shutdown of the Eastern Operating Area of Prudhoe Bay will have on 2006 production.

Capital expenditure excluding acquisitions is expected to be between \$15.5 billion and \$16 billion for the year, greater than previously estimated as a result of higher sector-specific inflation, driven by high oil prices. Divestment proceeds are also expected to be significantly higher than previously estimated at more than \$6 billion.

FORWARD-LOOKING STATEMENTS

In order to utilize the Safe Harbor provisions of the United States Private Securities Litigation Reform Act of 1995, BP is providing the following cautionary statement. The foregoing discussion, in particular, although not limited to, the statements under Group Results ,

Exploration and Production , Refining and Marketing , and Outlook , with regard to BP's capital expenditure costs, demand, growth and other trends, projections, future performance margins, prices, production, including full year production, the timing of new fields to start production and the timing of production from the Thunder Horse platform, the timings for the bringing on stream of units at the Texas City refinery and the expected timing for that site to be fully operational, the expected timing for the replacement of the main oil transit lines from Prudhoe Bay, expectations regarding supply to BP's West Coast refining and marketing systems, working capital, fulfilment of contract obligations and timing for completion of transactions are all forward-looking in nature. Forward-looking statements are also identified by such phrases as will , expects , is expected to , should , may , is likely to , intends , plans , appears and believes . By their nature, forward-looking statements involve uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including the specific factors identified in the discussions accompanying such forward-looking statements; future levels of industry product supply, demand and pricing; the timing of bringing new fields onstream; exchange rate fluctuations; operational problems; general economic conditions, including inflationary pressure, political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; successful partnering; the actions of competitors; the actions of competitors and third party suppliers of facilities and services; natural disasters and prolonged adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this report. These and other factors may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Additional information, including information on factors which may affect BP's business, is contained in BP's Annual Report and Annual Accounts for 2005 and the Annual Report on Form 20-F/A for 2005 filed with the US Securities and Exchange Commission.

DIVIDENDS PAYABLE

On April 25, 2006, BP p.l.c. announced a quarterly dividend of 9.375 cents per ordinary share of 25 cents (ordinary shares) to be paid in June, representing \$0.5625 per American Depositary Share (ADS). The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares was May 12, 2006, and payment was made on June 5, 2006.

A dividend reinvestment facility is available for holders of ADSs through JPMorgan Chase Bank. Participants in the dividend reinvestment facility included in the US Direct Access Plan received the dividend in the form of shares on June 5, 2006.

BP p.l.c. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Three months ended March 31 (Unaudited)	
	2006	2005
	(\$ million, except per share amounts)	
Sales and other operating revenues (Note 4)	65,057	52,346
Earnings from jointly controlled entities after interest and tax (Note 17)	573	486
Earnings from associates after interest and tax (Note 17)	115	114
Interest and other revenues	198	166
Total revenues	65,943	53,112
Gains on sale of businesses and fixed assets	597	1,162
Total revenues and other income	66,540	54,274
Purchases	45,588	34,044
Production and manufacturing expenses	5,217	4,702
Production and similar taxes (Note 5)	932	649
Depreciation, depletion and amortization	2,184	2,147
Impairment and losses on sale of businesses and fixed assets	23	186
Exploration expense (Note 5)	189	160
Distribution and administration expenses	3,096	3,224
Fair value (gain) loss on embedded derivatives	442	122
Profit before interest and taxation from continuing operations	8,869	9,040
Finance costs (Note 6)	191	172
Other finance (income) expense (Note 7)	(48)	30
Profit before taxation from continuing operations	8,726	8,838
Taxation	2,929	2,479
Profit from continuing operations	5,797	6,359
Profit (loss) from Innovene operations (Note 3)	(103)	304
Profit for the period (a)	5,694	6,663
Attributable to:		
BP shareholders	5,623	6,602
Minority interest	71	61
	5,694	6,663
Earnings per ordinary share cents (a) (Note 12)		
Profit attributable to BP shareholders		
Basic	27.40	30.79
Diluted	27.13	30.36
Profit from continuing operations attributable to BP shareholders		
Basic	27.90	29.37
Diluted	27.63	28.97
Earnings per American Depositary share cents (a)		
Profit attributable to BP shareholders		
Basic	164.40	184.74
Diluted	162.78	182.16

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(a) A summary of the material adjustments to profit for the period which would be required if generally accepted accounting principles in the United States had been applied instead of International Financial Reporting Standards is given in Note 15.

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BP p.l.c. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	March 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)
	(\$ million)	
Noncurrent assets		
Property, plant and equipment	85,487	85,947
Goodwill	10,322	10,371
Other intangible assets	4,887	4,772
Investments in jointly controlled entities	15,007	13,556
Investments in associates	5,371	6,217
Other investments	700	967
Fixed assets	121,774	121,830
Loans	849	821
Other receivables	875	770
Derivative financial instruments	3,278	3,652
Prepayments and accrued income	1,524	1,269
Defined benefit pension plan surplus	3,469	3,282
	131,769	131,624
Current assets		
Loans	125	132
Inventories	18,823	19,760
Trade and other receivables	39,757	40,902
Derivative financial instruments	8,381	9,726
Prepayments and accrued income	3,918	1,598
Current tax receivable	222	212
Cash and cash equivalents	2,939	2,960
	74,165	75,290
Assets classified as held for sale	1,160	
Total assets	207,094	206,914
Current liabilities		
Trade and other payables	42,712	42,136
Derivative financial instruments	7,553	9,083
Accruals and deferred income	6,852	5,970
Finance debt	9,222	8,932
Current tax payable	3,909	4,274
Provisions	1,597	1,602
	71,845	71,997
Noncurrent liabilities		
Other payables	1,812	1,935
Derivative financial instruments	3,159	3,696
Accruals and deferred income	4,112	3,164
Finance debt	9,457	10,230
Deferred tax liabilities	16,881	16,258
Provisions	9,527	9,954
Defined benefit pension plan and other postretirement benefit plan deficits	9,336	9,230