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FOR IMMEDIATE RELEASE

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	2008	Year 2007	%
4,399	8,049	<b>(3,344)</b>	Profit (loss) for the period <sup>(a)</sup>	<b>21,157</b>	20,845	
(1,004)	1,980	<b>5,931</b>	Inventory holding (gains) losses, net of tax <sup>(b)</sup>	<b>4,436</b>	(2,475)	
<b>3,395</b>	<b>10,029</b>	<b>2,587</b>	<b>Replacement cost profit<sup>(b)</sup></b>	<b>25,593</b>	18,370	39
8.75	27.76	<b>11.32</b>	– per ordinary share (pence) <sup>(c)</sup>	<b>74.02</b>	47.92	
17.90	53.43	<b>13.93</b>	– per ordinary share (cents)	<b>136.20</b>	95.85	42
1.07	3.21	<b>0.84</b>	– per ADS (dollars)	<b>8.17</b>	5.75	

- BP's fourth-quarter replacement cost profit was \$2,587 million, compared with \$3,395 million a year ago, a decrease of 24% due largely to the significantly lower oil prices. For the full year, replacement cost profit was \$25,593 million compared with \$18,370 million a year ago, up 39%.
- Non-operating items and fair value accounting effects for the fourth quarter had a net \$18 million unfavourable impact compared to a net \$1,132 million unfavourable impact for the fourth quarter of 2007. For the full years of 2008 and 2007, the respective amounts were \$650 million unfavourable and \$571 million unfavourable - see further details on page 3. The most significant non-operating items for the fourth quarter were, on a pre-tax basis, fair value gains on embedded derivatives, which amounted to \$1,562 million, and a net charge of \$1,460 million for impairments and gains and losses on the sale of businesses and fixed assets.
- Net cash provided by operating activities for the quarter and year was \$5.6 billion and \$38.1 billion compared with \$4.3 billion and \$24.7 billion respectively a year ago.
- The effective tax rate on replacement cost profit for the fourth quarter was 44% and for the year was 36%; a year ago, the rates were 38% and 33% respectively. The rate in the fourth quarter reflects the impact of a loss from jointly controlled entities and the impairment of an investment, neither of which generate a corresponding credit to the group tax charge. We expect the tax rate to be in the range of 36% to 39% during 2009.
- Net debt at the end of the quarter was \$25.0 billion compared to \$26.8 billion a year ago. The ratio of net debt to net debt plus equity was 21%, compared with 22% a year ago.
- Total capital expenditure and acquisitions was \$7.0 billion for the quarter and \$30.7 billion for the year. Capital expenditure, excluding acquisitions and asset exchanges and excluding the accounting for our transactions with Husky (see page 24) and Chesapeake (see page 17), was \$6.8 billion for the quarter and \$21.7 billion for the year. Disposal proceeds were \$229 million for the quarter and \$929 million for the year. In 2009, we expect our capital expenditure, excluding acquisitions and asset exchanges, to be around \$20-22 billion, broadly in line with 2008, and we expect disposal proceeds to be around \$2-3 billion.
- The quarterly dividend, to be paid in March, is 14 cents per share (\$0.84 per ADS) compared with 13.525 cents per share a year ago. For the year, the dividend showed an increase of 22%. In sterling terms, the quarterly dividend is 9.818 pence per share, compared with 6.813 pence per share a year ago; for the year, the increase was 44%. During the quarter, the company did not repurchase any of its own shares for cancellation. For the year, share repurchases were 269.8 million at a cost of \$2.9 billion.

<sup>(a)</sup> Profit (loss) attributable to BP shareholders.

<sup>(b)</sup> With effect from 1 January 2008, replacement cost profit excludes inventory holding gains and losses net of tax. Comparative amounts have been amended to the new basis. See page 2 for further details.

<sup>(c)</sup> Comparative for the third quarter has been corrected from 29.75 pence to 27.76 pence.

*The commentaries above and following are based on replacement cost profit and should be read in conjunction with the cautionary statement on page 11.*

## Analysis of replacement cost profit and reconciliation to profit (loss) for the period

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
7,870	12,709	4,756	Exploration and Production	38,308	27,602
(1,296)	1,972	416	Refining and Marketing	4,176	2,621
(427)	(16)	(680)	Other businesses and corporate	(1,223)	(1,209)
(267)	838	633	Consolidation adjustment <sup>(a)</sup>	466	(220)
5,880	15,503	5,125	RC profit before interest and tax <sup>(b)</sup>	41,727	28,794
			Finance costs and net finance income relating to pensions and other post-retirement benefits	(956)	(741)
(242)	(238)	(251)	Taxation on a replacement cost basis <sup>(c)</sup>	(14,669)	(9,359)
(2,138)	(5,099)	(2,145)	Minority interest	(509)	(324)
(105)	(137)	(142)	<b>Replacement cost profit attributable to BP shareholders<sup>(c)</sup></b>	<b>25,593</b>	<b>18,370</b>
3,395	10,029	2,587	Inventory holding gains (losses)	(6,488)	3,558
1,427	(2,978)	(8,788)	Taxation (charge) credit on inventory holding gains and losses	2,052	(1,083)
(423)	998	2,857	<b>Profit (loss) for the period attributable to BP shareholders</b>	<b>21,157</b>	<b>20,845</b>
4,399	8,049	(3,344)			

- (a) The consolidation adjustments in the third and fourth quarters of 2008 were impacted by a significant fall in prices and, in the third quarter, were also impacted by a substantial reduction in the volumes of equity crude within the refining and marketing system.
- (b) Replacement cost profit reflects the replacement cost of supplies. The replacement cost profit for the period is arrived at by excluding from profit inventory holding gains and losses and their associated tax effect. Inventory holding gains and losses, for this purpose, are calculated for all inventories except for those that are held as part of a trading position and certain other temporary inventory positions. BP uses this measure to assist investors in assessing BP's performance from period to period. Replacement cost profit is not a recognized GAAP measure.
- (c) Effective 1 January 2008, replacement cost profit excludes inventory holding gains and losses and their associated tax effect. Previously, replacement cost profit excluded inventory gains and losses while the tax charge remained unadjusted and included the tax effect on inventory holding gains and losses. Comparative amounts have been amended to the new basis and the impact of the change is shown in the table below. There is no impact on profit for the period.

\$ million	Year 2007	Fourth quarter 2007
<b>Replacement cost profit attributable to BP shareholders</b>		
-as previously reported	17,287	2,972
-tax effect on inventory holding gains and losses	1,083	423
-as amended	18,370	3,395

## Non-operating items and fair value accounting effects

### Non-operating items<sup>(a)</sup>

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
(654)	1,118	244	Exploration and Production	(990)	491
(1,146)	–	(163)	Refining and Marketing	347	(952)
(87)	(128)	(301)	Other businesses and corporate	(633)	(262)
(1,887)	990	(220)		(1,276)	(723)
715	(331)	97	Taxation <sup>(b)</sup>	480	350
(1,172)	659	(123)		(796)	(373)

### Fair value accounting effects<sup>(c)</sup>

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
<b>Exploration and Production</b>					
234	739	642	Unrecognized gains (losses) brought forward from previous period	107	155
(107)	(642)	(389)	Unrecognized (gains) losses carried forward	(389)	(107)
127	97	253	Favourable (unfavourable) impact relative to management's measure of performance	(282)	48
<b>Refining and Marketing</b>					
367	489	(147)	Unrecognized gains (losses) brought forward from previous period	429	72
(429)	147	82	Unrecognized (gains) losses carried forward	82	(429)
(62)	636	(65)	Favourable (unfavourable) impact relative to management's measure of performance	511	(357)
65	733	188		229	(309)
(25)	(245)	(83)	Taxation <sup>(b)</sup>	(83)	111
40	488	105		146	(198)

### Total of non-operating items and fair value accounting effects

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
(527)	1,215	497	Exploration and Production	(1,272)	539
(1,208)	636	(228)	Refining and Marketing	858	(1,309)
(87)	(128)	(301)	Other businesses and corporate	(633)	(262)
(1,822)	1,723	(32)		(1,047)	(1,032)
690	(576)	14	Taxation <sup>(b)</sup>	397	461
(1,132)	1,147	(18)		(650)	(571)

(a) An analysis of non-operating items by type is provided on page 20 and a geographical analysis is shown on pages 7, 9 and 10.

(b) Tax is calculated using the quarter's effective tax rate on replacement cost profit. Amounts for 2007 comparative periods have been amended to reflect a redefinition of the effective tax rate on replacement cost profit arising as a result of the exclusion of tax effects on inventory holding gains and losses as described on page 2.

(c) An explanation of fair value accounting effects is provided on page 11.

## Per share amounts

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year 2008	2007
			<b>Results for the period</b> (\$ million)		
4,399	8,049	<b>(3,344)</b>	Profit (loss) <sup>(a)</sup>	<b>21,157</b>	20,845
3,395	10,029	<b>2,587</b>	Replacement cost profit	<b>25,593</b>	18,370
			Shares outstanding at period end (thousand) <sup>(b)</sup>	<b>18,716,098</b>	18,932,143
18,932,143	18,710,980	<b>18,716,098</b>	– ADS equivalent (thousand) <sup>(b)</sup>	<b>3,119,350</b>	3,155,357
3,155,357	3,118,497	<b>3,119,350</b>	Average number of shares outstanding (thousand) <sup>(b)</sup>	<b>18,789,827</b>	19,163,389
18,979,138	18,746,202	<b>18,713,465</b>	– ADS equivalent (thousand) <sup>(b)</sup>	<b>3,131,638</b>	3,193,898
3,163,190	3,124,367	<b>3,118,911</b>	Shares repurchased in the period (thousand)	<b>269,757</b>	663,150
121,175	92,861	–			
			<b>Per ordinary share</b> (cents)		
23.15	42.93	<b>(17.62)</b>	Profit (loss) for the period	<b>112.59</b>	108.76
17.90	53.43	<b>13.93</b>	RC profit for the period	<b>136.20</b>	95.85
			<b>Per ADS</b> (cents)		
138.90	257.58	<b>(105.72)</b>	Profit (loss) for the period	<b>675.54</b>	652.56
107.40	320.58	<b>83.58</b>	RC profit for the period	<b>817.20</b>	575.10

(a) Profit attributable to BP shareholders.

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

## Dividends

### Dividends payable

BP today announced a dividend of 14 cents per ordinary share to be paid in March. Holders of ordinary shares will receive 9.818 pence per share and holders of American Depositary Receipts (ADRs) \$0.84 per ADS. The dividend is payable on 9 March 2009 to shareholders on the register on 20 February 2009. Participants in the Dividend Reinvestment Plan (DRIP) or the DRIP facility in the US Direct Access Plan will receive the dividend in the form of shares, also on 9 March 2009.

### Dividends paid

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year 2008	2007
			<b>Dividends paid per ordinary share</b>		
10.825	14.000	<b>14.000</b>	cents	<b>55.050</b>	42.300
5.308	7.039	<b>8.705</b>	pence	<b>29.387</b>	20.995
64.95	84.00	<b>84.00</b>	<b>Dividends paid per ADS (cents)</b>	<b>330.30</b>	253.80

## Net debt ratio – net debt: net debt + equity

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
31,045	28,300	<b>33,204</b>	Gross debt	<b>33,204</b>	31,045
666	149	<b>(34)</b>	Less: fair value asset (liability) of hedges related to finance debt	<b>(34)</b>	666
30,379	28,151	<b>33,238</b>		<b>33,238</b>	30,379
3,562	6,142	<b>8,197</b>	Cash and cash equivalents	<b>8,197</b>	3,562
26,817	22,009	<b>25,041</b>	Net debt	<b>25,041</b>	26,817
94,652	106,790	<b>91,549</b>	Equity	<b>91,549</b>	94,652
22%	17%	<b>21%</b>	Net debt ratio	<b>21%</b>	22%

Net debt and net debt ratio are non-GAAP measures. We believe that these measures provide useful information to investors. Net debt enables investors to see the economic effect of gross debt, related hedges and cash and cash equivalents in total. The net debt ratio enables investors to see how significant net debt is relative to equity from shareholders. Net debt has been redefined to include the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt, for which hedge accounting is claimed. The derivatives are reported on the balance sheet within the headings 'Derivative financial instruments'. Amounts for comparative periods are presented on a consistent basis. See Note 2(c) on page 24 for further information.

## Exploration and Production

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
7,950	12,545	<b>4,497</b>	<b>Profit before interest and tax<sup>(a)</sup></b>	<b>37,915</b>	27,729
(80)	164	<b>259</b>	<b>Inventory holding (gains) losses</b>	<b>393</b>	(127)
<b>7,870</b>	<b>12,709</b>	<b>4,756</b>	<b>Replacement cost profit before interest and tax</b>	<b>38,308</b>	27,602
			<b>By region:</b>		
725	2,488	<b>2,692</b>	UK	<b>5,979</b>	3,585
266	424	<b>180</b>	Rest of Europe	<b>1,230</b>	1,402
2,240	3,739	<b>1,299</b>	US	<b>11,724</b>	7,929
4,639	6,058	<b>585</b>	Rest of World	<b>19,375</b>	14,686
<b>7,870</b>	<b>12,709</b>	<b>4,756</b>		<b>38,308</b>	27,602

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

The replacement cost profit before interest and tax for the fourth quarter and full year was \$4,756 million and \$38,308 million respectively, a decrease of 40% and an increase of 39% over the same periods of 2007.

The decrease in the fourth quarter is primarily due to lower realizations and lower earnings from equity-accounted entities (primarily TNK-BP due to the effect of lagged tax reference prices, lower prices and impairment charges). This was partly offset by the impact of higher reported volumes, lower costs and a higher contribution from the gas marketing and trading business. For the full year, the increase primarily reflects higher realizations. In addition, the full-year result reflects a higher contribution from the gas marketing and trading business but was impacted by higher production taxes and higher depreciation.

The net non-operating gain of \$244 million in the fourth quarter primarily comprises fair value gains on embedded derivatives partly offset by impairment charges primarily resulting from the current low price environment. The impairment charge for the quarter includes a \$517 million write-down of our investment in Rosneft based on its quoted market price at the end of the year. For the full year, the net non-operating charge was \$990 million with the most significant items being net impairment charges and net fair value losses on embedded derivatives, partly offset by the reversal of certain provisions. The corresponding periods in 2007 contained net non-operating losses of \$654 million and net gains of \$491 million respectively. Additionally, in the fourth quarter, fair value accounting effects had a favourable impact of \$253 million compared with a favourable impact of \$127 million a year ago. For the full year, the unfavourable effect was \$282 million compared with a favourable effect of \$48 million a year ago.

Reported production for the quarter was 3,945mboe/d, 1% higher than the fourth quarter of 2007. After adjusting for the impact of lower entitlement in our production-sharing agreements (PSAs), production was 4% higher than the fourth quarter of 2007.

Reported production for the full year was 3,838mboe/d, slightly higher than 2007. After adjusting for the effect of lower entitlement in our PSAs, production was 5% higher than 2007. This reflected strong performance from our existing assets, the continued ramp-up of production following the start-up of major projects in late 2007 and the start-up of a further nine major projects in 2008.

In December, we successfully started production from the third and fourth wells at the Thunder Horse field with production now at around 200,000 barrels of oil equivalent per day, signalling the completion of commissioning and commencement of full operation.

During the quarter, we announced that BP and BG Group agreed to exchange a package of North Sea assets. BP has agreed to acquire BG Group's interests in a number of Southern North Sea fields and BG Group has agreed to acquire BP's interests in three Central North Sea fields. BG Group also agreed to acquire 32% of the Chevron-operated Erskine field from BP. The deal is subject to government, regulatory and co-venturer approvals and completion is expected in the second quarter of 2009.

Also during the quarter, BP signed a PSA for an offshore block on the east coast of India – the block was offered in the 7th New Exploration Licensing Policy by the government of India.

Our 2008 reserves replacement ratio, excluding acquisitions and disposals, is expected to be more than 100% (details of which will be provided in *BP Annual Report and Accounts 2008*).

## Exploration and Production

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
<b>Non-operating items</b>					
(567)	1,093	<b>1,506</b>	UK	<b>(177)</b>	(230)
(3)	–	–	Rest of Europe	–	535
213	3	<b>(318)</b>	US	<b>(331)</b>	369
(297)	22	<b>(944)</b>	Rest of World	<b>(482)</b>	(183)
<b>(654)</b>	<b>1,118</b>	<b>244</b>		<b>(990)</b>	491
<b>Fair value accounting effects<sup>(a)</sup></b>					
(11)	11	<b>164</b>	UK	<b>45</b>	1
–	–	–	Rest of Europe	–	–
19	136	<b>11</b>	US	<b>(231)</b>	(77)
119	(50)	<b>78</b>	Rest of World	<b>(96)</b>	124
<b>127</b>	<b>97</b>	<b>253</b>		<b>(282)</b>	48
<b>Exploration expense</b>					
17	5	<b>16</b>	UK	<b>121</b>	46
–	–	<b>1</b>	Rest of Europe	<b>1</b>	–
61	59	<b>128</b>	US	<b>306</b>	252
123	168	<b>94</b>	Rest of World	<b>454</b>	458
<b>201</b>	<b>232</b>	<b>239</b>		<b>882</b>	756
<b>Production (net of royalties)<sup>(b)</sup></b>					
<b>Liquids (mb/d) (net of royalties)<sup>(c)</sup></b>					
199	146	<b>171</b>	UK	<b>173</b>	201
50	44	<b>45</b>	Rest of Europe	<b>43</b>	51
523	473	<b>590</b>	US	<b>538</b>	514
1,697	1,620	<b>1,654</b>	Rest of World	<b>1,647</b>	1,648
<b>2,469</b>	<b>2,283</b>	<b>2,460</b>		<b>2,401</b>	2,414
<b>Natural gas (mmcf/d) (net of royalties)</b>					
853	504	<b>837</b>	UK	<b>759</b>	768
26	23	<b>21</b>	Rest of Europe	<b>23</b>	29
2,183	2,094	<b>2,243</b>	US	<b>2,157</b>	2,174
5,275	5,390	<b>5,512</b>	Rest of World	<b>5,395</b>	5,172
<b>8,337</b>	<b>8,011</b>	<b>8,613</b>		<b>8,334</b>	8,143
<b>Total hydrocarbons (mboe/d)<sup>(d)</sup></b>					
346	233	<b>316</b>	UK	<b>304</b>	333
55	47	<b>49</b>	Rest of Europe	<b>47</b>	56
900	834	<b>976</b>	US	<b>910</b>	888
2,606	2,550	<b>2,604</b>	Rest of World	<b>2,577</b>	2,541
<b>3,907</b>	<b>3,664</b>	<b>3,945</b>		<b>3,838</b>	3,818
<b>Average realizations<sup>(e)</sup></b>					
82.72	111.47	<b>52.09</b>	Total liquids (\$/bbl)	<b>90.20</b>	67.45
4.83	6.49	<b>5.08</b>	Natural gas (\$/mcf)	<b>6.00</b>	4.53
56.03	73.49	<b>40.94</b>	Total hydrocarbons (\$/boe)	<b>62.60</b>	47.18

(a) These effects represent the favourable (unfavourable) impact relative to management's measure of performance. Further information on fair value accounting effects is provided on pages 3 and 11.

(b) Includes BP's share of production of equity-accounted entities.

(c) Crude oil and natural gas liquids.

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

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

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

## Refining and Marketing

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
67	(823)	<b>(8,064)</b>	<b>Profit (loss) before interest and tax<sup>(a)</sup></b>	<b>(1,884)</b>	6,076
(1,363)	2,795	<b>8,480</b>	<b>Inventory holding (gains) losses<sup>(b)</sup></b>	<b>6,060</b>	(3,455)
(1,296)	1,972	<b>416</b>	<b>Replacement cost profit (loss) before interest and tax</b>	<b>4,176</b>	2,621
			<b>By region:</b>		
134	188	<b>335</b>	UK	<b>748</b>	1,048
278	1,045	<b>613</b>	Rest of Europe	<b>2,716</b>	1,652
(1,805)	338	<b>(735)</b>	US	<b>(644)</b>	(1,232)
97	401	<b>203</b>	Rest of World	<b>1,356</b>	1,153
(1,296)	1,972	<b>416</b>		<b>4,176</b>	2,621

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

(b) The large inventory holding losses in the fourth quarter reflect the substantial fall in prices over the quarter.

The replacement cost profit before interest and tax for the fourth quarter and full year of 2008 was \$416 million and \$4,176 million respectively. The results in the equivalent periods of 2007 were a loss of \$1,296 million and a profit of \$2,621 million. The net impact of non-operating items was a charge of \$163 million in the quarter and a gain of \$347 million for the full year. A year ago, the results included net non-operating charges for the fourth quarter and full year of \$1,146 million and \$952 million respectively. Fair value accounting effects had an unfavourable impact of \$65 million for the fourth quarter and a favourable impact of \$511 million for the year. A year ago, there were unfavourable impacts of \$62 million for the quarter and \$357 million for the full year.

Compared to a year ago, despite a much weaker environment, including that relating to our petrochemicals business, we have continued to deliver improvements in our performance. The fourth-quarter result benefited from improved operational performance in our refineries, a greater supply and trading contribution, lower costs and improved marketing margins. While the global refining indicator margin (GIM) was lower than a year ago, our restored capacity allowed us to better capture the available refining margins. These improvements were partially offset by negative foreign exchange effects on in-transit crude and product cargoes, caused by the rapid strengthening of the US dollar, and by the adverse impact of prior-month pricing of domestic pipeline barrels for our US refining system.

For the full year, significant performance improvements in both our Fuels Value Chains and International Businesses mitigated cost inflation and, to a large extent, the much weaker environment. The main sources of improvement were from restoring the revenues of our refining operations; improved supply and trading performance; improved marketing performance, particularly from the International Businesses, and reduced costs. The cost reductions were driven by the simplification of our business structure through the establishment of Fuels Value Chains and a reduction in our geographical footprint, as well as by strong cost management. The largest environmental factors were the weaker refining margins, particularly in the US, and the adverse impacts of foreign exchange movements and the fall in crude prices, notably in the second half of 2008.

Refining throughputs for the quarter and the year were 2,032mb/d and 2,155mb/d respectively, compared to 1,998mb/d and 2,127mb/d for the same periods a year ago. Solomon availability was seven percentage points higher than the fourth quarter of 2007 and six percentage points higher for the year as a whole, the increases being driven primarily by improvements at the Texas City and Whiting refineries. During December, Ultraformer number 3 successfully restarted, completing the restoration of the economic capability of the Texas City refinery.

The economic environment remains challenging, with continued slowing of global economies and uncertainty in the global financial markets. In this environment, our marketing businesses anticipate continued low demand for our products. Crude oil prices have stabilized recently and in the current quarter we do not expect to see a repeat of the impact from falling prices on our US domestic pipeline barrels.

## Refining and Marketing

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
<b>Non-operating items</b>					
(10)	9	(46)	UK	(96)	667
(56)	(10)	(100)	Rest of Europe	(227)	(128)
(977)	13	43	US	814	(1,181)
(103)	(12)	(60)	Rest of World	(144)	(310)
<b>(1,146)</b>	<b>–</b>	<b>(163)</b>		<b>347</b>	<b>(952)</b>
<b>Fair value accounting effects<sup>(a)</sup></b>					
1	270	97	UK	186	(52)
5	122	(45)	Rest of Europe	54	(110)
(32)	174	(91)	US	231	(165)
(36)	70	(26)	Rest of World	40	(30)
<b>(62)</b>	<b>636</b>	<b>(65)</b>		<b>511</b>	<b>(357)</b>
<b>Refinery throughputs (mb/d)</b>					
–	–	–	UK	–	67
689	730	697	Rest of Europe	739	691
996	1,158	1,063	US	1,121	1,064
313	297	272	Rest of World	295	305
<b>1,998</b>	<b>2,185</b>	<b>2,032</b>	<b>Total throughput</b>	<b>2,155</b>	<b>2,127</b>
<b>84.0</b>	<b>87.7</b>	<b>91.4</b>	<b>Refining availability (%)<sup>(b)</sup></b>	<b>88.8</b>	<b>82.9</b>
<b>Oil sales volumes (mb/d)</b>					
<b>Refined products</b>					
328	303	302	UK	310	339
1,330	1,281	1,262	Rest of Europe	1,256	1,294
1,455	1,453	1,435	US	1,460	1,533
680	662	667	Rest of World	685	640
<b>3,793</b>	<b>3,699</b>	<b>3,666</b>	<b>Total marketing sales</b>	<b>3,711</b>	<b>3,806</b>
<b>1,696</b>	<b>2,107</b>	<b>1,779</b>	<b>Trading/supply sales</b>	<b>1,987</b>	<b>1,818</b>
<b>5,489</b>	<b>5,806</b>	<b>5,445</b>	<b>Total refined product sales</b>	<b>5,698</b>	<b>5,624</b>
<b>1,659</b>	<b>1,511</b>	<b>1,540</b>	<b>Crude oil</b>	<b>1,689</b>	<b>1,885</b>
<b>7,148</b>	<b>7,317</b>	<b>6,985</b>	<b>Total oil sales</b>	<b>7,387</b>	<b>7,509</b>
<b>Global Indicator Refining Margin (\$/bbl)<sup>(c)</sup></b>					
4.84	7.13	7.48	NWE	6.72	4.99
6.82	9.87	2.49	USGC	6.78	13.48
3.39	10.47	2.53	Midwest	5.17	12.81
8.49	7.07	6.80	USWC	7.42	15.05
5.80	5.90	5.16	Singapore	6.30	5.29
5.68	8.03	5.20	Average	6.50	9.94
<b>Chemicals production (kte)</b>					
228	144	96	UK	665	967
660	711	516	Rest of Europe	2,592	2,650
1,088	850	579	US	3,487	4,328
1,497	1,358	1,196	Rest of World	5,683	6,083
<b>3,473</b>	<b>3,063</b>	<b>2,387</b>	<b>Total production</b>	<b>12,427</b>	<b>14,028</b>

- (a) These effects represent the favourable (unfavourable) impact relative to management's measure of performance. Further information on fair value accounting effects is provided on pages 3 and 11.
- (b) Refining availability represents Solomon Associates' operational availability, which is defined as the percentage of the year that a unit is available for processing after subtracting the annualized time lost due to turnaround activity and all planned mechanical, process and regulatory maintenance downtime.
- (c) The Global Indicator Refining Margin (GIM) is the average of regional indicator margins weighted for BP's crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity. The regional indicator margins may not be representative of the actual margins achieved by BP in any period because of BP's particular refinery configurations and crude and product slate.

## Other businesses and corporate

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	\$ million	Year	
				2008	2007
(443)	(35)	(729)	<b>Profit (loss) before interest and tax<sup>(a)</sup></b>	<b>(1,258)</b>	(1,233)
16	19	49	<b>Inventory holding (gains) losses</b>	<b>35</b>	24
(427)	(16)	(680)	<b>Replacement cost profit (loss) before interest and tax</b>	<b>(1,223)</b>	(1,209)
<b>By region:</b>					
(87)	385	(483)	UK	<b>(336)</b>	(30)
5	(78)	(41)	Rest of Europe	<b>(148)</b>	(103)
(336)	(288)	(277)	US	<b>(902)</b>	(960)
(9)	(35)	121	Rest of World	<b>163</b>	(116)
(427)	(16)	(680)		<b>(1,223)</b>	(1,209)
<b>Results include:</b>					
<b>Non-operating items</b>					
(28)	(20)	(106)	UK	<b>(173)</b>	(42)
(2)	(2)	(18)	Rest of Europe	<b>(80)</b>	15
(57)	(105)	(115)	US	<b>(302)</b>	(239)
–	(1)	(62)	Rest of World	<b>(78)</b>	4
(87)	(128)	(301)		<b>(633)</b>	(262)

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

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

The replacement cost loss before interest and tax for the fourth quarter was \$680 million, compared with a loss of \$427 million a year ago. For the year, the replacement cost loss before interest and tax was \$1,223 million in 2008 compared with a loss of \$1,209 million a year ago.

The net non-operating charge was \$301 million for the fourth quarter and \$633 million for the full year. The fourth quarter included a net charge of \$174 million for impairment, a \$91 million restructuring charge, a charge of \$41 million in relation to revisions to environmental and other provisions and a net \$8 million gain on disposals. The prior year included net non-operating charges of \$87 million in the fourth quarter and \$262 million for the year.

In Alternative Energy, we announced full commercial operations of phase I of the Sherbino Wind Farm in Texas. The first 150MW of the project, which has a potential capacity of 750MW, has been built through a 50:50 joint venture agreement with Padoma Wind Power LLC, a wholly owned subsidiary of NRG Energy, Inc.

During the fourth quarter, due to increasingly competitive market conditions, BP Solar announced plans to refocus operations to larger-scale plants to achieve lower cost manufacturing, and in November we announced the closure of our manufacturing plant in Australia.

The fourth-quarter reduction in solar capacity was the result of a fire in our Tata BP Solar joint venture in India.

In 2009, we expect quarterly charges, excluding non-operating items, for Other businesses and corporate to average in the range of \$400-500 million.

	Fourth quarter 2008	Third quarter 2008	Fourth quarter 2007
<b>Wind</b> – net rated capacity as at period end (megawatts) <sup>(a)</sup>	<b>432</b>	243	172
<b>Solar</b> – cell production capacity as at period end (megawatts) <sup>(b)</sup>	<b>213</b>	277	228

(a) Net wind capacity is the sum of the rated capacities of the assets/turbines that have entered into commercial operation, including BP's share of equity-accounted entities. The equivalent capacities on a gross-JV basis (which includes 100% of the capacity of equity-accounted entities where BP has partial ownership) are 785MW as at the fourth quarter of 2008, 453MW as at the third quarter of 2008 and 373MW as at the fourth quarter last year.

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

## Information on fair value accounting effects

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

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

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

The way that BP manages the economic exposures described above, and measures performance internally, differs from the way these activities are measured under IFRS. BP calculates this difference by comparing the IFRS result with management's internal measure of performance, under which the inventory and the supply and capacity contracts in question are valued based on fair value using relevant forward prices prevailing at the end of the period. We believe that disclosing management's estimate of this difference provides useful information for investors because it enables investors to see the economic effect of these activities as a whole. The impacts of fair value accounting effects, relative to management's internal measure of performance, are shown in the table on page 3. Information for all quarters of 2006, 2007 and 2008 can be found at [www.bp.com/FVAE](http://www.bp.com/FVAE).

*Cautionary statement: The foregoing discussion and the notes which follow contain forward-looking statements particularly those regarding tax rate; capital expenditure; disposal proceeds; the expected timing of completion of certain transactions; expected 2008 reserves replacement ratio; the continued slowing of global economies and uncertainty in the global financial markets; anticipated low demand for certain products; impact from falling crude oil prices on US domestic pipeline barrels; potential capacity of the Sherbino wind farm; quarterly charges and expected timing of commencement of production at the Sunrise field. By their nature, forward-looking statements involve risk and uncertainty and actual results may differ from those expressed in such statements depending on a variety of factors including the following: the timing of bringing new fields onstream; industry product supply; demand and pricing; operational problems; general economic conditions (including inflation); political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations and quotas; exchange rate fluctuations; development and use of new technology; the success or otherwise of partnering; the actions of competitors; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism or sabotage; and other factors discussed in this announcement. For more information you should refer to our Annual Report and Accounts 2007 and our 2007 Annual Report on Form 20-F filed with the US Securities and Exchange Commission.*

## Group income statement

Fourth quarter 2007	Third quarter 2008	Fourth Quarter 2008		Year	
\$ million				2008	2007
				\$ million	
79,852	103,174	<b>61,477</b>	Sales and other operating revenues	<b>361,143</b>	284,365
992	1,172	<b>(876)</b>	Earnings from jointly controlled entities - after interest and tax	<b>3,023</b>	3,135
157	155	<b>167</b>	Earnings from associates - after interest and tax	<b>798</b>	697
221	135	<b>170</b>	Interest and other revenues	<b>736</b>	754
81,222	104,636	<b>60,938</b>	<b>Total revenues</b> (Note 4)	<b>365,700</b>	288,951
270	193	<b>156</b>	Gains on sale of businesses and fixed assets	<b>1,353</b>	2,487
81,492	104,829	<b>61,094</b>	<b>Total revenues and other income</b>	<b>367,053</b>	291,438
56,313	77,234	<b>49,860</b>	Purchases	<b>266,982</b>	200,766
7,590	7,549	<b>7,427</b>	Production and manufacturing expenses	<b>29,183</b>	25,915
1,518	1,886	<b>732</b>	Production and similar taxes (Note 5)	<b>6,526</b>	4,013
3,020	2,653	<b>2,700</b>	Depreciation, depletion and amortization	<b>10,985</b>	10,579
872	54	<b>1,616</b>	Impairment and losses on sale of businesses and fixed assets	<b>1,733</b>	1,679
201	232	<b>239</b>	Exploration expense	<b>882</b>	756
4,212	3,794	<b>3,745</b>	Distribution and administration expenses	<b>15,412</b>	15,371
459	(1,098)	<b>(1,562)</b>	Fair value (gain) loss on embedded derivatives	<b>111</b>	7
7,307	12,525	<b>(3,663)</b>	<b>Profit (loss) before interest and taxation</b>	<b>35,239</b>	32,352
408	391	<b>369</b>	Finance costs (Note 6)	<b>1,547</b>	1,393
(166)	(153)	<b>(118)</b>	Net finance income relating to pensions and other post-retirement benefits (Note 7)	<b>(591)</b>	(652)
7,065	12,287	<b>(3,914)</b>	<b>Profit (loss) before taxation</b>	<b>34,283</b>	31,611
2,561	4,101	<b>(712)</b>	Taxation	<b>12,617</b>	10,442
4,504	8,186	<b>(3,202)</b>	<b>Profit (loss) for the period</b>	<b>21,666</b>	21,169
			<b>Attributable to:</b>		
4,399	8,049	<b>(3,344)</b>	BP shareholders	<b>21,157</b>	20,845
105	137	<b>142</b>	Minority interest	<b>509</b>	324
4,504	8,186	<b>(3,202)</b>		<b>21,666</b>	21,169
			<b>Earnings per share – cents</b>		
			Profit (loss) for the period attributable to BP shareholders		
23.15	42.93	<b>(17.62)</b>	Basic	<b>112.59</b>	108.76
22.65	42.56	<b>(17.62)</b>	Diluted	<b>111.56</b>	107.84

## Group balance sheet

	31 December 2008	31 December 2007
	\$ million	
<b>Non-current assets</b>		
Property, plant and equipment	103,200	97,989
Goodwill	9,878	11,006
Intangible assets	10,260	6,652
Investments in jointly controlled entities	23,826	18,113
Investments in associates	4,000	4,579
Other investments	855	1,830
<b>Fixed assets</b>	<b>152,019</b>	<b>140,169</b>
Loans	995	999
Other receivables	710	968
Derivative financial instruments	5,054	3,741
Prepayments	1,338	1,083
Defined benefit pension plan surpluses	1,738	8,914
	<b>161,854</b>	<b>155,874</b>
<b>Current assets</b>		
Loans	168	165
Inventories	16,821	26,554
Trade and other receivables	29,261	38,020
Derivative financial instruments	8,510	6,321
Prepayments	3,050	3,589
Current tax receivable	377	705
Cash and cash equivalents	8,197	3,562
	<b>66,384</b>	<b>78,916</b>
Assets classified as held for sale	–	1,286
	<b>66,384</b>	<b>80,202</b>
<b>Total assets</b>	<b>228,238</b>	<b>236,076</b>
<b>Current liabilities</b>		
Trade and other payables	33,644	43,152
Derivative financial instruments	8,977	6,405
Accruals	6,743	6,640
Finance debt	15,740	15,394
Current tax payable	3,144	3,282
Provisions	1,545	2,195
	<b>69,793</b>	<b>77,068</b>
Liabilities directly associated with the assets classified as held for sale	–	163
	<b>69,793</b>	<b>77,231</b>
<b>Non-current liabilities</b>		
Other payables	3,080	1,251
Derivative financial instruments	6,271	5,002
Accruals	784	959
Finance debt	17,464	15,651
Deferred tax liabilities	16,758	19,215
Provisions	12,108	12,900
Defined benefit pension plan and other post-retirement benefit plan deficits	10,431	9,215
	<b>66,896</b>	<b>64,193</b>
<b>Total liabilities</b>	<b>136,689</b>	<b>141,424</b>
<b>Net assets</b>	<b>91,549</b>	<b>94,652</b>
<b>Equity</b>		
BP shareholders' equity	90,743	93,690
Minority interest	806	962
	<b>91,549</b>	<b>94,652</b>

## Group statement of recognized income and expense

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year	
				2008	2007
\$ million				\$ million	
304	(3,125)	(2,830)	Currency translation differences	(4,922)	1,887
–	–	–	Exchange gain on translation of foreign operations transferred to gain on sale of businesses and fixed assets	–	(147)
1,717	–	(8,430)	Actuarial gain (loss) relating to pensions and other post-retirement benefits	(8,430)	1,717
225	(703)	(422)	Available-for-sale investments marked to market	(994)	200
–	(15)	546	Available-for-sale investments – recycled to the income statement	526	(91)
(25)	(594)	(702)	Cash flow hedges marked to market	(1,173)	155
12	16	30	Cash flow hedges – recycled to the income statement	45	(74)
(31)	(20)	23	Cash flow hedges – recycled to the balance sheet	(38)	(40)
(181)	203	2,564	Taxation	2,756	(63)
2,021	(4,238)	(9,221)	Net income (expense) recognized directly in equity	(12,230)	3,544
4,504	8,186	(3,202)	Profit (loss) for the period	21,666	21,169
6,525	3,948	(12,423)	Total recognized income and expense for the period	9,436	24,713
			Attributable to:		
6,448	3,825	(12,501)	BP shareholders	9,002	24,365
77	123	78	Minority interest	434	348
6,525	3,948	(12,423)		9,436	24,713

## Movement in shareholders' equity

	BP shareholders' equity	Minority interest	Total equity
<b>\$ million</b>			
At 31 December 2007	93,690	962	94,652
Currency translation differences (net of tax)	(4,747)	(75)	(4,822)
Available-for-sale investments (net of tax)	(418)	–	(418)
Cash flow hedges (net of tax)	(972)	–	(972)
Tax on share-based payments	(190)	–	(190)
Actuarial gain (loss) on pension and other post-retirement benefit plans (net of tax)	(5,828)	–	(5,828)
Profit for the period	21,157	509	21,666
Total recognized income and expense for the period	9,002	434	9,436
Dividends	(10,342)	(425)	(10,767)
Repurchase of ordinary share capital	(2,414)	–	(2,414)
Share-based payments	807	–	807
Minority interest buyout	–	(165)	(165)
<b>At 31 December 2008</b>	<b>90,743</b>	<b>806</b>	<b>91,549</b>

## Group cash flow statement

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year	
\$ million				2008	2007
				\$ million	
			<b>Operating activities</b>		
7,065	12,287	<b>(3,914)</b>	Profit (loss) before taxation	<b>34,283</b>	31,611
			Adjustments to reconcile profit before tax to net cash provided by operating activities		
86	98	<b>59</b>	Exploration expenditure written off	<b>385</b>	347
3,020	2,653	<b>2,700</b>	Depreciation, depletion and amortization	<b>10,985</b>	10,579
602	(139)	<b>1,460</b>	Impairment and (gain) loss on sale of businesses and fixed assets	<b>380</b>	(808)
(1,149)	(1,327)	<b>709</b>	Earnings from jointly controlled entities and associates	<b>(3,821)</b>	(3,832)
371	759	<b>1,070</b>	Dividends received from jointly controlled entities and associates	<b>3,728</b>	2,473
(5,706)	533	<b>3,535</b>	Working capital and other movements	<b>(7,845)</b>	(15,661)
4,289	14,864	<b>5,619</b>	<b>Net cash provided by operating activities</b>	<b>38,095</b>	24,709
			<b>Investing activities</b>		
(5,515)	(7,748)	<b>(5,762)</b>	Capital expenditure	<b>(22,658)</b>	(17,830)
-	-	<b>(186)</b>	Acquisitions, net of cash acquired	<b>(395)</b>	(1,225)
(285)	(194)	<b>(202)</b>	Investment in jointly controlled entities	<b>(1,009)</b>	(428)
(41)	(14)	<b>(60)</b>	Investment in associates	<b>(81)</b>	(187)
392	365	<b>218</b>	Proceeds from disposal of fixed assets	<b>918</b>	1,749
5	-	<b>11</b>	Proceeds from disposal of businesses, net of cash disposed	<b>11</b>	2,518
69	150	<b>163</b>	Proceeds from loan repayments	<b>647</b>	192
-	(200)	-	Other	<b>(200)</b>	374
(5,375)	(7,641)	<b>(5,818)</b>	<b>Net cash used in investing activities</b>	<b>(22,767)</b>	(14,837)
			<b>Financing activities</b>		
(1,352)	(814)	<b>64</b>	Net issue (repurchase) of shares	<b>(2,567)</b>	(7,113)
5,131	397	<b>4,732</b>	Proceeds from long-term financing	<b>7,961</b>	8,109
(1,596)	(65)	<b>(1,565)</b>	Repayments of long-term financing	<b>(3,821)</b>	(3,192)
2,125	(1,380)	<b>1,973</b>	Net increase (decrease) in short-term debt	<b>(1,315)</b>	1,494
(2,056)	(2,624)	<b>(2,619)</b>	Dividends paid - BP shareholders	<b>(10,342)</b>	(8,106)
(68)	(110)	<b>(193)</b>	- Minority interest	<b>(425)</b>	(227)
2,184	(4,596)	<b>2,392</b>	<b>Net cash (used in) provided by financing activities</b>	<b>(10,509)</b>	(9,035)
54	(78)	<b>(138)</b>	Currency translation differences relating to cash and cash equivalents	<b>(184)</b>	135
1,152	2,549	<b>2,055</b>	<b>Increase (decrease) in cash and cash equivalents</b>	<b>4,635</b>	972
2,410	3,593	<b>6,142</b>	Cash and cash equivalents at beginning of period	<b>3,562</b>	2,590
3,562	6,142	<b>8,197</b>	Cash and cash equivalents at end of period	<b>8,197</b>	3,562

## Group cash flow statement

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year	
\$ million				2008	2007
\$ million				\$ million	
			<b>Working capital and other movements</b>		
(147)	(96)	<b>(96)</b>	Interest receivable	<b>(407)</b>	(489)
160	89	<b>87</b>	Interest received	<b>385</b>	500
408	391	<b>369</b>	Finance costs	<b>1,547</b>	1,393
(395)	(206)	<b>(323)</b>	Interest paid	<b>(1,291)</b>	(1,363)
(166)	(153)	<b>(118)</b>	Net finance income relating to pensions and other post-retirement benefits	<b>(591)</b>	(652)
109	128	<b>93</b>	Share-based payments	<b>459</b>	420
(225)	(14)	<b>(322)</b>	Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans	<b>(173)</b>	(404)
(40)	92	<b>(185)</b>	Net charge for provisions, less payments	<b>(298)</b>	(92)
(5,121)	6,096	<b>10,085</b>	(Increase) decrease in inventories	<b>9,010</b>	(7,255)
1,736	22,470	<b>8,439</b>	(Increase) decrease in other current and non-current assets	<b>2,439</b>	5,210
676	(23,736)	<b>(11,579)</b>	Increase (decrease) in other current and non-current liabilities	<b>(6,101)</b>	(3,857)
(2,701)	(4,528)	<b>(2,915)</b>	Income taxes paid	<b>(12,824)</b>	(9,072)
(5,706)	533	<b>3,535</b>		<b>(7,845)</b>	(15,661)

## Capital expenditure and acquisitions

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	Year	
\$ million			2008	2007
			\$ million	
<b>By business</b>				
<b>Exploration and Production</b>				
303	323	<b>243</b>	<b>1,047</b>	1,002
145	173	<b>206</b>	<b>712</b>	464
1,311	5,252	<b>2,091</b>	<b>10,359</b>	5,096
2,391	1,682	<b>2,306</b>	<b>10,109</b>	7,645
<b>4,150</b>	<b>7,430</b>	<b>4,846</b>	<b>22,227</b>	14,207
<b>Refining and Marketing</b>				
151	77	<b>124</b>	<b>331</b>	438
683	323	<b>514</b>	<b>1,432</b>	2,538
757	564	<b>774</b>	<b>4,297</b>	1,872
294	152	<b>194</b>	<b>574</b>	647
<b>1,885</b>	<b>1,116</b>	<b>1,606</b>	<b>6,634</b>	5,495
<b>Other businesses and corporate</b>				
119	55	<b>59</b>	<b>230</b>	232
20	8	<b>10</b>	<b>43</b>	38
324	228	<b>432</b>	<b>1,390</b>	519
115	21	<b>42</b>	<b>176</b>	150
<b>578</b>	<b>312</b>	<b>543</b>	<b>1,839</b>	939
<b>6,613</b>	<b>8,858</b>	<b>6,995</b>	<b>30,700</b>	20,641
<b>By geographical area</b>				
573	455	<b>426</b>	<b>1,608</b>	1,672
848	504	<b>730</b>	<b>2,187</b>	3,040
2,392	6,044	<b>3,297</b>	<b>16,046</b>	7,487
2,800	1,855	<b>2,542</b>	<b>10,859</b>	8,442
<b>6,613</b>	<b>8,858</b>	<b>6,995</b>	<b>30,700</b>	20,641
<b>Included above:</b>				
-	-	<b>226</b>	<b>2,514</b>	1,447
			Acquisitions and asset exchanges <sup>(b)(c)</sup>	

Capital expenditure, excluding acquisitions and asset exchanges and excluding the accounting for our transactions with Husky (see page 24) and Chesapeake (see note (a) below), was \$6,757 million for the quarter and \$21,697 million for the year.

- (a) The third quarter of 2008 included capital expenditure of \$3,652 million in Exploration and Production relating to the purchase of all of Chesapeake Energy Corporation's interest in the Arkoma Basin Woodford Shale assets and the purchase of a 25% interest in Chesapeake's Fayetteville Shale assets. The fourth quarter of 2008 included a further \$15 million reflecting closing adjustments relating to these transactions.
- (b) Full year 2008 included capital expenditure of \$2,822 million in Exploration and Production and an asset exchange of \$1,909 million in Refining and Marketing relating to the formation of an integrated North American oil sands business with Husky Energy Inc. For further information see Note 3.
- (c) Full year 2007 included \$1,132 million for the acquisition of Chevron's Netherlands manufacturing company.

## Exchange rates

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	Year	
			2008	2007
2.05	1.89	<b>1.57</b>	<b>1.84</b>	2.00
1.99	1.81	<b>1.44</b>	<b>1.44</b>	1.99
1.45	1.50	<b>1.31</b>	<b>1.46</b>	1.37
1.47	1.44	<b>1.41</b>	<b>1.41</b>	1.47
			US dollar/sterling average rate for the period	
			US dollar/sterling period-end rate	
			US dollar/euro average rate for the period	
			US dollar/euro period-end rate	

## Analysis of profit (loss) before interest and tax

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	Year	
\$ million			2008	2007
			\$ million	
<b>By business</b>				
<b>Exploration and Production</b>				
725	2,488	<b>2,692</b>	<b>5,979</b>	3,585
266	424	<b>180</b>	<b>1,230</b>	1,403
2,277	3,677	<b>1,253</b>	<b>11,659</b>	7,995
4,682	5,956	<b>372</b>	<b>19,047</b>	14,746
<u>7,950</u>	<u>12,545</u>	<u><b>4,497</b></u>	<u><b>37,915</b></u>	<u>27,729</u>
<b>Refining and Marketing</b>				
165	30	<b>(56)</b>	<b>167</b>	1,058
786	172	<b>(2,357)</b>	<b>481</b>	2,919
(1,215)	(1,343)	<b>(4,893)</b>	<b>(3,391)</b>	583
331	318	<b>(758)</b>	<b>859</b>	1,516
<u>67</u>	<u>(823)</u>	<u><b>(8,064)</b></u>	<u><b>(1,884)</b></u>	<u>6,076</u>
<b>Other businesses and corporate</b>				
(87)	385	<b>(483)</b>	<b>(336)</b>	(30)
4	(78)	<b>(41)</b>	<b>(148)</b>	(104)
(351)	(307)	<b>(326)</b>	<b>(937)</b>	(983)
(9)	(35)	<b>121</b>	<b>163</b>	(116)
<u>(443)</u>	<u>(35)</u>	<u><b>(729)</b></u>	<u><b>(1,258)</b></u>	<u>(1,233)</u>
7,574	11,687	<b>(4,296)</b>	<b>34,773</b>	32,572
(267)	838	<b>633</b>	<b>466</b>	(220)
<u>7,307</u>	<u>12,525</u>	<u><b>(3,663)</b></u>	<u><b>35,239</b></u>	<u>32,352</u>
<b>By geographical area</b>				
804	2,904	<b>2,151</b>	<b>5,808</b>	4,613
988	807	<b>(1,740)</b>	<b>1,541</b>	4,164
521	2,657	<b>(3,882)</b>	<b>7,831</b>	7,439
4,994	6,157	<b>(192)</b>	<b>20,059</b>	16,136
<u>7,307</u>	<u>12,525</u>	<u><b>(3,663)</b></u>	<u><b>35,239</b></u>	<u>32,352</u>

## Analysis of replacement cost profit before interest and tax

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008	Year	
\$ million			2008	2007
			\$ million	
<b>By business</b>				
<b>Exploration and Production</b>				
725	2,488	<b>2,692</b>	<b>5,979</b>	3,585
266	424	<b>180</b>	<b>1,230</b>	1,402
2,240	3,739	<b>1,299</b>	<b>11,724</b>	7,929
4,639	6,058	<b>585</b>	<b>19,375</b>	14,686
<u>7,870</u>	<u>12,709</u>	<u><b>4,756</b></u>	<u><b>38,308</b></u>	<u>27,602</u>
<b>Refining and Marketing</b>				
134	188	<b>335</b>	<b>748</b>	1,048
278	1,045	<b>613</b>	<b>2,716</b>	1,652
(1,805)	338	<b>(735)</b>	<b>(644)</b>	(1,232)
97	401	<b>203</b>	<b>1,356</b>	1,153
<u>(1,296)</u>	<u>1,972</u>	<u><b>416</b></u>	<u><b>4,176</b></u>	<u>2,621</u>
<b>Other businesses and corporate</b>				
(87)	385	<b>(483)</b>	<b>(336)</b>	(30)
5	(78)	<b>(41)</b>	<b>(148)</b>	(103)
(336)	(288)	<b>(277)</b>	<b>(902)</b>	(960)
(9)	(35)	<b>121</b>	<b>163</b>	(116)
<u>(427)</u>	<u>(16)</u>	<u><b>(680)</b></u>	<u><b>(1,223)</b></u>	<u>(1,209)</u>
6,147	14,665	<b>4,492</b>	<b>41,261</b>	29,014
(267)	838	<b>633</b>	<b>466</b>	(220)
<u>5,880</u>	<u>15,503</u>	<u><b>5,125</b></u>	<u><b>41,727</b></u>	<u>28,794</u>
<b>By geographical area</b>				
773	3,062	<b>2,542</b>	<b>6,389</b>	4,603
480	1,680	<b>1,230</b>	<b>3,776</b>	2,897
(91)	4,419	<b>371</b>	<b>10,678</b>	5,581
4,718	6,342	<b>982</b>	<b>20,884</b>	15,713
<u>5,880</u>	<u>15,503</u>	<u><b>5,125</b></u>	<u><b>41,727</b></u>	<u>28,794</u>

## Analysis of non-operating items

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year 2008	2007
\$ million				\$ million	
<b>By business</b>					
<b>Exploration and Production</b>					
149	33	(1,180)	Impairment and gain (loss) on sale of businesses and fixed assets	(1,015)	857
–	(7)	–	Environmental and other provisions	(12)	(12)
(186)	(6)	(7)	Restructuring, integration and rationalization costs	(57)	(186)
(449)	1,098	1,505	Fair value gain (loss) on embedded derivatives	(163)	–
(168)	–	(74)	Other	257	(168)
(654)	1,118	244		(990)	491
<b>Refining and Marketing</b>					
(728)	114	(114)	Impairment and gain (loss) on sale of businesses and fixed assets	801	(35)
–	(62)	(2)	Environmental and other provisions	(64)	(138)
(118)	(52)	(104)	Restructuring, integration and rationalization costs	(447)	(118)
–	–	57	Fair value gain (loss) on embedded derivatives	57	–
(300)	–	–	Other	–	(661)
(1,146)	–	(163)		347	(952)
<b>Other businesses and corporate</b>					
(23)	(8)	(166)	Impairment and gain (loss) on sale of businesses and fixed assets	(166)	(14)
–	(76)	(41)	Environmental and other provisions	(117)	(35)
(34)	(30)	(91)	Restructuring, integration and rationalization costs	(254)	(34)
(10)	–	–	Fair value gain (loss) on embedded derivatives	(5)	(7)
(20)	(14)	(3)	Other	(91)	(172)
(87)	(128)	(301)		(633)	(262)
(1,887)	990	(220)	<b>Total before taxation</b>	(1,276)	(723)
715	(331)	97	<b>Taxation credit (charge)<sup>(a)</sup></b>	480	350
(1,172)	659	(123)	<b>Total after taxation for period</b>	(796)	(373)

(a) Tax on non-operating items is calculated using the quarter's effective tax rate on replacement cost profit. Amounts for 2007 comparative periods have been amended to reflect a redefinition of the effective tax rate on replacement cost profit arising as a result of the exclusion of tax effects on inventory holding gains and losses as described on page 2.

## Realizations and marker prices

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year	
				2008	2007
			<b>Average realizations<sup>(a)</sup></b>		
			<b>Liquids (\$/bbl)<sup>(b)</sup></b>		
88.05	99.80	<b>34.21</b>	UK	<b>89.82</b>	69.17
78.28	112.03	<b>59.95</b>	US	<b>89.22</b>	64.18
84.51	114.59	<b>49.70</b>	Rest of World	<b>91.05</b>	69.56
82.72	111.47	<b>52.09</b>	BP Average	<b>90.20</b>	67.45
			<b>Natural gas (\$/mcf)</b>		
7.83	8.28	<b>8.88</b>	UK	<b>8.41</b>	6.40
5.41	7.88	<b>3.89</b>	US	<b>6.77</b>	5.43
3.94	5.61	<b>4.94</b>	Rest of World	<b>5.19</b>	3.71
4.83	6.49	<b>5.08</b>	BP Average	<b>6.00</b>	4.53
			<b>Average oil marker prices (\$/bbl)</b>		
88.45	115.09	<b>55.48</b>	Brent	<b>97.26</b>	72.39
90.47	118.07	<b>59.13</b>	West Texas Intermediate	<b>100.06</b>	72.20
88.65	117.16	<b>56.70</b>	Alaska North Slope US West Coast	<b>98.86</b>	71.68
81.38	112.85	<b>53.84</b>	Mars	<b>93.95</b>	66.58
85.41	113.32	<b>54.58</b>	Urals (NWE - cif)	<b>94.83</b>	69.16
48.98	52.94	<b>20.01</b>	Russian domestic oil	<b>45.59</b>	39.81
			<b>Average natural gas marker prices</b>		
6.97	10.25	<b>6.95</b>	Henry Hub gas price (\$/mmbtu) <sup>(c)</sup>	<b>9.04</b>	6.86
46.70	61.48	<b>57.16</b>	UK Gas - National Balancing Point (p/therm)	<b>58.12</b>	29.95

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

(b) Crude oil and natural gas liquids.

(c) Henry Hub First of Month Index.

# Notes

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## 1. Basis of preparation

The results for the interim periods and for the year ended 31 December 2008 are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. All such adjustments are of a normal recurring nature. The financial statements and notes included in this report should be read in conjunction with the consolidated financial statements and related notes for the year ended 31 December 2007 included in *BP Annual Report and Accounts 2007*.

BP prepares its consolidated financial statements included within its Annual Report and Accounts in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS as adopted by the European Union (EU) and in accordance with the provisions of the Companies Act 1985. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB, however, the differences have no impact on the group's consolidated financial statements for the periods presented. The financial information presented herein has been prepared in accordance with the accounting policies that will be used in preparing *BP Annual Report and Accounts 2008*, which do not differ significantly from those used in *BP Annual Report and Accounts 2007*.

As a consequence of the change described in Note 9, our investment in TNK-BP will be reclassified from a jointly controlled entity to an associate with effect from 9 January 2009. This reflects the ability of the independent directors to decide on certain matters in the event of disagreement between the shareholder representatives on the board. Our investment will continue to be accounted for using the equity method.

## 2. Resegmentation and other changes to comparatives

### (a) Resegmentation

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

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

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

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

Financial information for 2003 to 2007 has been restated to reflect the resegmentation and is available in *BP Financial and Operating Information 2003-2007* and to download from [www.bp.com/investors](http://www.bp.com/investors). Quarterly data is provided for 2004-2007 and annual data for 2003.

## Notes

### 2. Resegmentation and other changes to comparatives (continued)

	Resegmented		As reported	
	Year 2007	Fourth quarter 2007	Year 2007	Fourth quarter 2007
<b>\$ million</b>				
<b>Total revenues</b>				
Exploration and Production	37,293	10,709	19,138	5,696
Refining and Marketing	248,983	69,732	249,514	69,861
Gas, Power and Renewables	–	–	19,289	5,379
Other businesses and corporate	2,675	781	1,010	286
<b>Total third party revenues</b>	<b>288,951</b>	<b>81,222</b>	<b>288,951</b>	<b>81,222</b>
<b>Profit before interest and tax</b>				
Exploration and Production	27,729	7,950	26,938	7,643
Refining and Marketing	6,076	67	6,072	26
Gas, Power and Renewables	–	–	674	304
Other businesses and corporate	(1,233)	(443)	(1,128)	(389)
	32,572	7,574	32,556	7,584
Consolidation adjustment	(220)	(267)	(204)	(277)
<b>Profit before interest and tax</b>	<b>32,352</b>	<b>7,307</b>	<b>32,352</b>	<b>7,307</b>

(b) **Revised income statement presentation**

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

	Year 2007	Fourth quarter 2007
<b>As reported</b>		
<b>\$ million</b>		
Profit before interest and taxation	32,352	7,307
Finance costs	(1,110)	(333)
Other finance income	369	91
<b>Profit before taxation</b>	<b>31,611</b>	<b>7,065</b>
<b>As amended</b>		
<b>\$ million</b>		
Profit before interest and taxation	32,352	7,307
Finance costs	(1,393)	(408)
Net finance income relating to pensions and other post-retirement benefits	652	166
<b>Profit before taxation</b>	<b>31,611</b>	<b>7,065</b>

## Notes

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### 2. Resegmentation and other changes to comparatives (continued)

(c) **Revised definition of net debt**

Net debt has been redefined to include the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt, for which hedge accounting is claimed. The derivatives are reported on the balance sheet within the headings 'Derivative financial instruments'. Amounts for comparative periods are presented on a consistent basis.

	<b>Year 2007</b>
<b><u>As reported</u></b>	
<b><u>\$ million</u></b>	
Net debt	27,483
Equity	94,652
Ratio of net debt to net debt plus equity	<u>23%</u>
<b><u>As amended</u></b>	
<b><u>\$ million</u></b>	
Net debt	26,817
Equity	94,652
Ratio of net debt to net debt plus equity	<u>22%</u>

### 3. Significant transaction in the year

In December 2007, BP signed a memorandum of understanding with Husky Energy Inc. to form an integrated North American oil sands business. The transaction was completed on 31 March 2008, with BP contributing its Toledo refinery to a US jointly controlled entity to which Husky contributed \$250 million cash and a payable of \$2,588 million. In Canada, Husky contributed its Sunrise field to a second jointly controlled entity, with BP contributing \$250 million in cash and a payable of \$2,264 million. The Toledo refinery assets and associated liabilities were classified as a disposal group held for sale at 31 December 2007.

These amounts reflect the initial recording of the transaction at 31 March 2008 and subsequent closing adjustments.

Both jointly controlled entities are owned 50:50 by BP and Husky and are accounted for using the equity method.

## Notes

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### 3. Significant transaction in the year (continued)

	\$ million
<b>Income statement</b>	
Gains on sale of businesses and fixed assets	803
<b>Profit before taxation</b>	<u>803</u>
Taxation	344
<b>Profit for the period</b>	<u>459</u>
<b>Balance sheet</b>	
Non-current assets – investments in jointly controlled entities	4,731
Current liabilities – trade and other payables	266
Non-current liabilities	
Other payables	1,998
Deferred tax liabilities	652
	<u>2,650</u>
Total liabilities	<u>2,916</u>
<b>Net assets</b>	<u>1,815</u>
<b>Cash flow statement</b>	
Investment in jointly controlled entities	<u>(250)</u>
<b>Capital expenditure and acquisitions</b>	
Exploration and Production	2,822
Refining and Marketing	1,909
	<u>4,731</u>
Including acquisitions and asset exchanges:	<u>1,909</u>

During the year, equity-accounted earnings from these jointly controlled entities amounted to a loss of \$70 million.

BP purchased refined products from the Toledo jointly controlled entity during the year amounting to \$3,440 million. In addition, BP purchased crude oil from third parties which it sold to the Toledo jointly controlled entity under an agency agreement. The fees earned by BP for this service, and the total amounts receivable and payable at 31 December 2008 under these arrangements, were not significant. BP will also purchase refinery feedstocks from the Sunrise jointly controlled entity once production commences, which is expected in 2013.

## Notes

### 4. Total revenues

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year 2008	2007
\$ million				\$ million	
			<b>By business</b>		
21,258	24,694	<b>14,849</b>	Exploration and Production	<b>89,902</b>	69,376
70,030	92,458	<b>52,931</b>	Refining and Marketing	<b>320,458</b>	250,897
1,102	1,494	<b>1,099</b>	Other businesses and corporate	<b>5,040</b>	3,972
<b>92,390</b>	<b>118,646</b>	<b>68,879</b>		<b>415,400</b>	324,245
			Less: sales between businesses		
10,549	13,043	<b>7,184</b>	Exploration and Production	<b>45,931</b>	32,083
298	403	<b>286</b>	Refining and Marketing	<b>1,918</b>	1,914
321	564	<b>471</b>	Other businesses and corporate	<b>1,851</b>	1,297
<b>11,168</b>	<b>14,010</b>	<b>7,941</b>		<b>49,700</b>	35,294
			Third party revenues		
10,709	11,651	<b>7,665</b>	Exploration and Production	<b>43,971</b>	37,293
69,732	92,055	<b>52,645</b>	Refining and Marketing	<b>318,540</b>	248,983
781	930	<b>628</b>	Other businesses and corporate	<b>3,189</b>	2,675
<b>81,222</b>	<b>104,636</b>	<b>60,938</b>	<b>Total third party revenues</b>	<b>365,700</b>	288,951
			<b>By geographical area</b>		
33,075	40,830	<b>24,255</b>	UK	<b>150,184</b>	110,023
22,938	27,230	<b>14,910</b>	Rest of Europe	<b>93,603</b>	78,499
28,800	37,714	<b>21,719</b>	US	<b>130,321</b>	105,406
22,292	31,889	<b>17,929</b>	Rest of World	<b>109,938</b>	78,406
<b>107,105</b>	<b>137,663</b>	<b>78,813</b>		<b>484,046</b>	372,334
25,883	33,027	<b>17,875</b>	Less: sales between areas	<b>118,346</b>	83,383
<b>81,222</b>	<b>104,636</b>	<b>60,938</b>		<b>365,700</b>	288,951

### 5. Production and similar taxes

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year 2008	2007
\$ million				\$ million	
164	57	<b>88</b>	UK	<b>370</b>	197
1,354	1,829	<b>644</b>	Overseas	<b>6,156</b>	3,816
<b>1,518</b>	<b>1,886</b>	<b>732</b>		<b>6,526</b>	4,013

### 6. Finance costs

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year 2008	2007
\$ million				\$ million	
393	314	<b>307</b>	Interest payable	<b>1,319</b>	1,433
(60)	(31)	<b>(42)</b>	Capitalized	<b>(162)</b>	(323)
75	75	<b>69</b>	Unwinding of discount on provisions	<b>287</b>	283
–	33	<b>35</b>	Unwinding of discount on other payables	<b>103</b>	–
<b>408</b>	<b>391</b>	<b>369</b>		<b>1,547</b>	1,393

## Notes

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

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year 2008	2007
\$ million				\$ million	
564	594	513	Interest on pension and other post-retirement benefit plan liabilities	2,331	2,203
(730)	(747)	(631)	Expected return on pension and other post-retirement benefit plan assets	(2,922)	(2,855)
(166)	(153)	(118)		(591)	(652)

### 8. Analysis of changes in net debt

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year 2008	2007
\$ million				\$ million	
			<b>Opening balance</b>		
25,245	30,189	28,300	Finance debt	31,045	24,010
2,410	3,593	6,142	Less: Cash and cash equivalents	3,562	2,590
640	900	149	Less: FV asset (liability) of hedges related to finance debt	666	298
22,195	25,696	22,009	<b>Opening net debt</b>	26,817	21,122
			<b>Closing balance</b>		
31,045	28,300	33,204	Finance debt	33,204	31,045
3,562	6,142	8,197	Less: Cash and cash equivalents	8,197	3,562
666	149	(34)	Less: FV asset (liability) of hedges related to finance debt	(34)	666
26,817	22,009	25,041	<b>Closing net debt</b>	25,041	26,817
(4,622)	3,687	(3,032)	<b>Decrease (increase) in net debt</b>	1,776	(5,695)
1,098	2,627	2,193	Movement in cash and cash equivalents (excluding exchange adjustments)	4,819	837
(5,660)	1,048	(5,140)	Net cash outflow (inflow) from financing (excluding share capital)	(2,825)	(6,411)
(89)	(8)	(7)	Other movements	(136)	(134)
(4,651)	3,667	(2,954)	Movement in net debt before exchange effects	1,858	(5,708)
29	20	(78)	Exchange adjustments	(82)	13
(4,622)	3,687	(3,032)	<b>Decrease (increase) in net debt</b>	1,776	(5,695)

In the first quarter of 2008, net debt was redefined - for further information see Note 2. Amounts for comparative periods are presented on a consistent basis.

## Notes

### 9. TNK-BP operational and financial information

Fourth quarter 2007	Third quarter 2008	Fourth quarter 2008		Year	
				2008	2007
			<b>Production</b> (Net of royalties) (BP share)		
829	833	<b>827</b>	Crude oil (mb/d)	<b>826</b>	832
437	579	<b>621</b>	Natural gas (mmcf/d)	<b>565</b>	451
904	932	<b>934</b>	Total hydrocarbons (mboe/d) <sup>(a)</sup>	<b>923</b>	910
<b>\$ million</b>				<b>\$ million</b>	
			<b>Income statement</b> (BP share)		
1,278	1,345	<b>(992)</b>	<b>Profit before interest and tax</b>	<b>3,588</b>	3,743
(71)	(71)	<b>(72)</b>	Finance costs	<b>(275)</b>	(264)
(413)	(369)	<b>342</b>	Taxation	<b>(882)</b>	(993)
(42)	(56)	<b>40</b>	Minority interest	<b>(169)</b>	(215)
752	849	<b>(682)</b>	<b>Net income</b>	<b>2,262</b>	2,271
			<b>Cash flow</b>		
–	300	<b>640</b>	Dividends received	<b>2,140</b>	1,300
<b>Balance sheet</b>				<b>31 December 2008</b>	<b>31 December 2007</b>
				<b>\$ million</b>	
Investments in jointly controlled entities				<b>8,939</b>	8,817

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

The TNK-BP loss in the fourth quarter reflected the impact of the calculation lag on Russian export duties in the falling price environment and several asset impairments.

On 4 September 2008, BP announced that it had signed a memorandum of understanding with Alfa Access-Renova (AAR), setting out the parties' agreement in principle, subject to execution of definitive agreements, to a number of matters, including new commercial principles relating to the governance of TNK-BP. On 9 January 2009, BP announced that a revised shareholder agreement with AAR had been finalised.

The revised shareholder agreement includes governance adjustments such as replacing the evenly-balanced main board structure with four representatives each from BP and AAR plus three independent directors agreed by both sides. Unanimous board support is required for certain matters including substantial acquisitions, divestments and contracts, and projects outside the business plan, together with approval of key changes to the TNK-BP group's financial framework and of related party transactions. A number of other matters will be decided by approval of a majority of the board, so that the independent directors will have the ability to decide in the event of disagreement between the shareholder representatives on the board. BP will continue to nominate the chief executive, subject to main board approval, and AAR will continue to appoint the chairman.

The TNK-BP shareholders have appointed three independent directors to the restructured main board: the former chancellor of the Federal Republic of Germany, Gerhard Schroeder; James Leng, chairman designate of Rio Tinto; and Alexander Shokhin, president of the Russian Union of Industrialists and Entrepreneurs.

The shareholders have also resolved, or have agreed a process for resolving, all outstanding claims between them, including those relating to Russian back taxes. The suit filed in Russia by a minority shareholder in TNK-BP Holding, alleging that an agreement for BP specialists to provide services to the TNK-BP group is invalid and demanding repayment of sums paid to BP for such services, has been withdrawn.

The parties have reiterated their agreement to a potential future sale of up to 20 per cent of a subsidiary of TNK-BP through an initial public offering (IPO) at an appropriate future point, subject to certain conditions and the consent of the Russian authorities.

## Notes

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### 10. Inventory valuation

Due to falling oil prices, at 31 December 2008 a provision of \$1,412 million was held to write inventories down to their net realizable value. The increase in the amount of the provision during the fourth quarter was \$168 million and for the year was \$1,295 million. This affects profit for the period only; replacement cost profit is unaffected.

### 11. First quarter 2009 results

BP's first quarter results will be announced on 28 April 2009.

### 12. Statutory accounts

The financial information shown in this publication, which was approved by the Board of Directors on 2 February 2009, is unaudited and does not constitute statutory financial statements. Audited financial information for 2008 will be published in *BP Annual Report and Accounts 2008* on 4 March 2009 and delivered to the Registrar of Companies in due course. *BP Annual Report and Accounts 2007* has been filed with the Registrar of Companies; the report of the auditors on those accounts was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985.

## Contacts

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