



FOR IMMEDIATE RELEASE

London 25 October 2005

**STRONG ENVIRONMENT, STRONG PERFORMANCE**

Third Quarter 2004	Second Quarter 2005	Third Quarter 2005	\$ million	2005	Nine Months 2004	%
4,818 (1,027)	5,591 (610)	<b>6,463</b> <b>(2,053)</b>	Profit for the period*	<b>18,656</b>	14,065	
			Inventory holding (gains) losses	<b>(3,774)</b>	(2,137)	
3,791	4,981	<b>4,410</b>	<b>Replacement cost profit</b>	<b>14,882</b>	11,928	25
9.61	12.67	<b>11.86</b>	- per ordinary share (pence)	<b>38.08</b>	29.93	
17.49	23.42	<b>21.04</b>	- per ordinary share (cents)	<b>70.07</b>	54.48	29
1.05	1.40	<b>1.26</b>	- per ADS (dollar)	<b>4.20</b>	3.27	

As a result of the announced sale, Innovene operations have been treated as discontinued operations and presented accordingly within this document.

- BP's third quarter replacement cost profit was \$4,410 million compared with \$3,791 million a year ago, an increase of 16%. The result includes the loss on re-measurement to fair value of Innovene as a result of the recently announced divestment, and significant impacts from the effects of hurricanes Katrina and Rita. For the nine months, replacement cost profit was \$14,882 million compared with \$11,928 million, up 25%.
- The third quarter result includes a net non-operating charge of \$921 million compared with a net non-operating charge of \$394 million in the third quarter of 2004. For the nine months, the net non-operating charge was \$1,201 million compared with a net gain of \$189 million for the nine months of 2004.
- The third quarter trading environment was generally stronger than a year ago with higher oil and gas realizations and higher refining margins, but with lower retail marketing and olefins margins.
- Net cash provided by operating activities for the quarter and nine months was \$6.4 billion and \$22.5 billion, respectively, compared with \$6.1 billion and \$18.2 billion a year ago.
- The ratio of net debt to net debt plus equity was 19% compared with 20% a year ago.
- The quarterly dividend, to be paid in December, is 8.925 cents per share (\$0.5355 per ADS) compared with 7.10 cents per share a year ago. For the nine months, the dividend showed an increase of 26%. In sterling terms, the quarterly dividend is 5.061 pence per share, compared with 3.910 pence per share a year ago; for the nine months the increase was 26%. During the nine months, the company repurchased 728 million of its own shares at a cost of \$7.9 billion.

BP Group Chief Executive, Lord Browne, said:

*"The recent hurricanes in the US have impacted our results. However, underlying performance is strong, amplified by high but volatile prices of oil, gas and products. The announced sale of Innovene for cash is a good outcome. We continue to invest in opportunities which remain robust to future changes in the operating environment, to pay an increasing dividend per share over time and to return excess free cash flow to investors".*

\* Profit attributable to BP shareholders.

## Summary Quarterly Results

Exploration and Production's third quarter result was up 36% on a year ago reflecting higher realizations in both liquids and gas, partially offset by slightly lower volumes and higher operating costs and revenue investments.

The Refining and Marketing result reflects record refining margins but significantly lower retail marketing margins compared with a year ago.

In Gas, Power and Renewables the result increased compared with a year ago primarily due to higher contributions from the gas marketing business.

Interest and Other finance expense was \$181 million for the quarter compared with \$162 million in the previous quarter. This reflects higher interest costs partially offset by higher capitalized interest.

The effective tax rate on replacement cost profit of continuing operations was 33.7%.

Capital expenditure was \$3.3 billion for the quarter; there were no significant acquisitions. Disposal proceeds were \$0.2 billion.

Net debt at the end of the quarter was \$20 billion. The ratio of net debt to net debt plus equity was 19%.

During the third quarter, the company repurchased 332 million of its own shares, at a cost of \$3.8 billion. These shares are held in treasury.

On 7 October 2005, BP announced that it is to sell Innovene to INEOS. The \$9 billion cash sale, subject to regulatory approvals, includes manufacturing sites, markets and technologies. The sale is expected to be concluded early in 2006.

The commentaries above and following are based on replacement cost profit.

TNK-BP operational and financial information has been estimated.

The financial information for 2004 has been restated to reflect the following, all with effect from 1 January 2005: (a) the adoption by the group of International Financial Reporting Standards (IFRS) (see Note 1); (b) the transfer of the aromatics and acetyls operations from the former Petrochemicals segment to the Refining and Marketing segment; (c) the transfer of the Olefins and Derivatives operations from the former Petrochemicals segment to Other businesses and corporate (as noted above we have announced the sale of Innovene and have categorized the majority of Olefins and Derivatives as discontinued operations); (d) the transfer of the Grangemouth and Lavéra refineries from the Refining and Marketing segment into Olefins and Derivatives; (e) the transfer of the Mardi Gras pipeline from the Exploration and Production segment to the Refining and Marketing segment; and (f) the transfer of the Hobbs fractionator from the Gas, Power and Renewables segment to Olefins and Derivatives. Note 2 provides further detail of the resegmentation.

### Non-operating items

<b>\$ million</b>	<b>Third Quarter 2005</b>
Exploration and Production	(147)
Refining and Marketing	(154)
Gas, Power and Renewables	95
Other businesses and corporate	(290)
	(496)
Taxation <sup>(a)</sup>	167
Continuing operations	(329)
Innovene operations	(759)
Taxation <sup>(a)</sup>	167
	(921)
Total for all operations	(921)

<sup>(a)</sup> Non-operating items related to Innovene operations, primarily the loss on re-measurement to fair value, are tax effected at 22%; other non-operating items are tax effected at 33.7%, the effective tax rate for continuing operations.

## Reconciliation of Replacement Cost Profit to Profit for the Period

Third Quarter 2004	Second Quarter 2005	Third Quarter 2005	\$ million	Nine Months 2005	2004
4,822	5,903	<b>6,535</b>	Exploration and Production	<b>18,924</b>	13,327
1,318	1,286	<b>1,858</b>	Refining and Marketing	<b>4,565</b>	3,903
30	174	<b>314</b>	Gas, Power and Renewables	<b>892</b>	420
(441)	(156)	<b>(452)</b>	Other businesses and corporate	<b>(783)</b>	400
			Consolidation adjustments		
(95)	(4)	<b>(285)</b>	Unrealized profit in inventory	<b>(442)</b>	(248)
89	159	<b>144</b>	Net Profit on transactions between continuing and Innovene operations <sup>(a)</sup>	<b>399</b>	157
5,723	7,362	<b>8,114</b>	RC profit before interest and tax	<b>23,555</b>	17,959
(183)	(162)	<b>(181)</b>	Interest and other finance expense	<b>(544)</b>	(528)
(1,657)	(2,291)	<b>(2,674)</b>	Taxation <sup>(b)</sup>	<b>(7,444)</b>	(5,263)
(52)	(69)	<b>(68)</b>	Minority interest	<b>(198)</b>	(128)
3,831	4,840	<b>5,191</b>	<b>RC profit for continuing operations attributable to BP shareholders <sup>(c)</sup></b>	<b>15,369</b>	12,040
904	648	<b>1,938</b>	Inventory holding gains (losses) for continuing operations	<b>3,547</b>	1,854
4,735	5,488	<b>7,129</b>	<b>Profit for the period for continuing operations attributable to BP shareholders</b>	<b>18,916</b>	13,894
83	103	<b>(666)</b>	<b>Profit (loss) for the period from Innovene operations <sup>(d)</sup></b>	<b>(260)</b>	171
4,818	5,591	<b>6,463</b>	<b>Profit for the period attributable to BP shareholders</b>	<b>18,656</b>	14,065
3,831	4,840	<b>5,191</b>	RC profit for continuing operations attributable to BP shareholders	<b>15,369</b>	12,040
(40)	141	<b>(781)</b>	RC profit for Innovene operations	<b>(487)</b>	(112)
3,791	4,981	<b>4,410</b>	<b>Replacement cost profit</b>	<b>14,882</b>	11,928

(a) In the circumstances of discontinued operations, Accounting Standards require that the profits earned by the discontinued operations, in this case the Innovene operations, on sales to the continuing operations and vice versa, be eliminated on consolidation from the discontinued operations, and attributed to the continuing operations. This net adjustment principally represents the net margin on crude refined by Innovene as substantially all crude for their refineries is supplied by BP and most of the refined products manufactured are taken by BP. The profits attributable to individual segments are 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.

(b) The third quarter effective tax rate on continuing operations of 33.7% is calculated as the tax charge (\$2,674 million) divided by RC profit for continuing operations after interest (\$8,114-\$181=\$7,933 million).

(c) Replacement cost profit reflects the current cost of supplies. The replacement cost profit for the period is arrived at by excluding from profit inventory holding gains and losses. BP uses this measure to assist investors to assess BP's performance from period to period. Replacement cost profit is not a recognized GAAP measure. Operating cash flow is calculated from the starting point of profit before taxation which includes inventory holding gains and losses. Operating cash flow also reflects working capital movements including inventories, trade and other receivables and trade and other payables. The carrying value of these working capital items will change for various reasons, including movements in oil, gas and products prices.

(d) See further detail in Note 3.

## Per Share Amounts

---

Third Quarter 2004	Second Quarter 2005	Third Quarter 2005		Nine Months	
				2005	2004
			<b>Results for the period (\$m)</b>		
4,818	5,591	<b>6,463</b>	Profit*	<b>18,656</b>	14,065
3,791	4,981	<b>4,410</b>	Replacement cost profit	<b>14,882</b>	11,928
21,713,966	21,174,934	<b>20,984,851</b>	Shares in issue at period end (thousand)	<b>20,984,851</b>	21,713,966
3,618,994	3,529,156	<b>3,497,475</b>	- ADS equivalent (thousand)	<b>3,497,475</b>	3,618,994
21,683,963	21,270,485	<b>21,007,316</b>	Average number of shares outstanding (thousand)	<b>21,238,117</b>	21,891,936
3,613,994	3,545,081	<b>3,501,219</b>	- ADS equivalent (thousand)	<b>3,539,686</b>	3,648,656
			<b>Per ordinary share (cents)</b>		
22.21	26.30	<b>30.75</b>	Profit for the period	<b>87.84</b>	64.24
17.49	23.42	<b>21.04</b>	RC profit for the period	<b>70.07</b>	54.48
			<b>Per ADS (cents)</b>		
133.26	157.80	<b>184.50</b>	Profit for the period	<b>527.04</b>	385.44
104.94	140.52	<b>126.24</b>	RC profit for the period	<b>420.42</b>	326.88

\* Profit attributable to BP shareholders.



## **Exploration and Production**

---

The replacement cost profit before interest and tax for the third quarter was \$6,535 million, an increase of 36% over the third quarter of 2004. This result benefited from higher realizations in both liquids and gas, partially offset by slightly lower volumes and higher operating costs and revenue investments. The results of the third quarter were significantly affected by hurricanes Katrina and Rita and their aftermath. The effects include profits foregone owing to lost oil and gas production from the US Gulf of Mexico and additional costs incurred because of damage to facilities.

Net non-operating charges for the third quarter total \$147 million, primarily arising from fair value losses of \$53 million on embedded derivatives relating to North Sea gas contracts and a charge for impairment of \$100 million in respect of a field in the Gulf of Mexico Shelf following the hurricane damage, which continues to be assessed. The corresponding quarter in 2004 contained non-operating charges for impairments and other items of \$42 million and gains on sales of assets of \$23 million.

Production for the quarter at 3,824 mboe/d was 2% lower than the third quarter of 2004. This primarily reflected the loss in production owing to the hurricanes in the Gulf of Mexico and higher planned maintenance shutdowns in the North Sea, partly offset by production growth from major projects in the New Profit Centres and TNK-BP.

The replacement cost profit before interest and tax of \$18,924 million for the nine months represented an increase of some 42% over the same period of the previous year. This result benefited from higher realizations and higher volumes partly offset by higher operating costs and revenue investments. The nine months result included net gains on sales of assets of \$1,061 million, fair value losses of \$887 million on embedded derivatives and charges for impairments of \$230 million.

In the Gulf of Mexico, repairs to the Thunder Horse are proceeding offshore, with production expected to start in the second half of 2006. The costs incurred to secure and repair the facility were \$107 million for the quarter.

Elsewhere, projects remain on track. In Azerbaijan, line-fill of the Baku-Tbilisi-Ceyhan (BTC) oil export pipeline continues and the inauguration of the Georgian section of the pipeline was held in early October. In Angola, Kizomba B started producing in early July. In Trinidad, both the Cannonball project and the Atlantic LNG Train 4 remain on course for start-up of production in the fourth quarter. In October, we announced the planned investment of \$2.2 billion in the Wamsutter natural gas field in Wyoming, USA.

We have had continued exploration success in Angola with the 'Juno-1' 'Astraea-1' and 'Hebe-1' oil discoveries in ultra-deepwater Block 31. These bring the number of successful discoveries that BP has drilled in Block 31 to nine. Also, we have made a second discovery offshore Sakhalin Island with the Udachnaya well.



## Customer Facing Segments

### Refining and Marketing

The replacement cost profit before interest and tax for the third quarter was a record \$1,858 million. This is compared to \$1,318 million for the same period last year. The nine months' result was \$4,565 million, an increase of \$662 million, or 17%, year-on-year.

The quarter's result includes a charge of \$154 million for non-operating items. This is primarily in respect of new, and revisions to existing, environmental and other provisions. The non-operating charge for the corresponding quarter in 2004 was \$224 million.

This quarter's result reflects record refining margins and significantly lower retail marketing margins. The impact of hurricanes Katrina and Rita on the third quarter's result was significant. The effects include margin foregone due to refinery and other production shutdowns and supply disruptions to marketing operations. BP's increase in the third quarter refining margin was lower than the increase reflected in the Global Indicator Margin (GIM) as a result of the actual yield differing from the yields assumed in the GIM.

Refinery throughputs for the quarter and nine months were 2,513 mb/d and 2,520 mb/d respectively, lower than in the corresponding periods of 2004 due to the effects of the Texas City incident in March 2005 and the complete shut down of the refinery late in the quarter in advance of hurricane Rita. The Texas City refinery is expected to resume production late in the fourth quarter, with initial gasoline production expected during December.

Marketing sales were 4,044 mb/d for the third quarter and 3,979 mb/d for the first nine months of the year, compared with 4,057 mb/d and 4,007 mb/d for the corresponding periods in the previous year. The third quarter result reflects depressed retail marketing margins caused by a quarter of rapidly rising wholesale product prices not fully recovered in the market place. The marketing result was also affected by supply disruptions caused by the hurricanes in the USA, which led to plant shutdowns within the Aromatics and Acetyls business.

During the quarter, we announced plans for a second PTA plant at the BP Zhuhai Chemical Company Limited site in Guangdong Province, China, subject to approval from the Government. The new plant will have operating capacity of 900,000 tonnes a year and will be the first plant to use BP's latest generation PTA technology. Also, the transaction announced in 2004 for the sale of BP's 70% shareholding in BP Malaysia Sdn Bhd to Lembaga Tabung Angkatan Tentera (LTAT) was successfully concluded.

During early October, BP has agreed terms for the disposal to Österreichische Mineralöl Verwaltung Aktiengesellschaft (OMV) of BP's network of 70 Retail sites in the Czech Republic and signed a letter of intent with Hindustan Petroleum Corporation Limited to form a 50/50 strategic joint venture covering the refining and marketing sector in India.





## Outlook

---

BP Group Chief Executive, Lord Browne, concluded:

“World economic growth appears to have been sustained at close to trend rates, despite the disruptions and uncertainties following hurricanes Katrina and Rita.

“Crude oil prices averaged \$61.63 per barrel (Dated Brent) in the third quarter, an increase of \$10 per barrel from the second quarter average, and more than \$20 per barrel above the same period last year. Hurricanes Katrina and Rita resulted in the loss of as much as 1.5 mmb/d of production in the US Gulf of Mexico. However, in recent weeks, the temporary loss of Gulf Coast refining capacity and signs of weaker consumption have caused crude prices to drift downward. Nonetheless, prices are expected to be well supported into the winter.

“US natural gas prices averaged \$8.53/mmbtu (Henry Hub first of month index) in the third quarter, up nearly \$2 per mmbtu versus the second quarter. Hurricanes Katrina and Rita shut in about 20% of US domestic output and raised prices to around imputed distillate parity. We expect US gas prices to continue to trade close to distillate parity.

“Average global refining margins reached a record \$12.35/bbl in the third quarter. Hurricanes Katrina and Rita caused extensive damage to refining facilities in the US Gulf, shutting-in 5mmb/d of refining capacity, of which 1.5 mmb/d is yet to return to operation. Oil product stocks and anticipated recoveries in refining capacity generally are adequate to meet current demand but the situation remains finely balanced and vulnerable to further disruptions or a colder than normal winter. Therefore, refining margins are likely to remain high during the fourth quarter.

“During the third quarter, retail margins have been impacted negatively by high and rising product prices. As the fourth quarter opens, some easing in wholesale gasoline prices is evident. However, significant uncertainty exists about the strength of the consequent margin recovery and the outlook for marketing margins remains highly volatile.

“We anticipate production from the deepwater Gulf of Mexico to be back to normal, with the exception of the Shell-operated Mars project, by the end of the year. Thunder Horse is expected to start production in the second half of 2006. The Texas City refinery is expected to resume production late in the fourth quarter, with initial gasoline production expected during December.

“Our strategy is unchanged. We continue to execute it with discipline and focus. Our ability to capture the benefit of current prices and margin strength underpins continued dividend growth and continuing share buybacks subject to market conditions and constraints. Capital expenditure is now expected to be approximately \$14 billion for the year and around \$15 billion in 2006.”

---

*The foregoing discussion, in particular the statements under "Outlook", contains forward looking statements particularly those regarding capital expenditure, costs, demand, dividends, future performance, growth and other trend projections, margins, prices, production, share buybacks, supply and the timing of projects. By their nature, forward looking statements involve risks and uncertainties and actual results may differ from those expressed in such statements depending on a variety of factors including the following: the timing of bringing new fields on stream; industry product supply; demand and pricing; currency exchange rates; operational problems; general economic conditions including inflationary pressures; political stability and economic growth in relevant areas of the world; changes in governmental regulations; exchange rate fluctuations; development and use of new technology; the actions of competitors; natural disasters and other changes in business conditions; prolonged adverse weather 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 2004 and our 2004 Annual Report on Form 20-F filed with the US Securities and Exchange Commission.*

---



















## Depreciation of Fixed Asset Revaluation Adjustment

Third Quarter 2004	Second Quarter 2005	Third Quarter 2005		Nine Months 2005	2004
\$ million				\$ million	
			<b>Exploration and Production</b>		
6	12	6	UK	25	25
98	70	64	USA	211	281
4	3	5	Rest of World	12	16
108	85	75		248	322
			<b>Refining and Marketing</b>		
31	31	31	USA	93	93
31	31	31		93	93
139	116	106	<b>Total depreciation of revaluation adjustment <sup>(a)(b)</sup></b>	<b>341</b>	<b>415</b>

<sup>(a)</sup> Relates to the revaluation adjustment consequent upon the ARCO acquisition.

<sup>(b)</sup> Excludes impairment of the revaluation adjustment which is included in non-operating items.

## Net Debt Ratio - Net Debt: Net Debt + Equity

Third Quarter 2004	Second Quarter 2005	Third Quarter 2005		30 September 2005	2004
\$ million				\$ million	
20,445	19,302	22,159	Gross debt	22,159	20,445
1,741	1,360	2,182	Cash and cash equivalents	2,182	1,741
18,704	17,942	19,977	Net debt	19,977	18,704
75,114	80,097	82,726	Equity	82,726	75,114
20%	18%	19%	Net debt ratio	19%	20%











## Notes

### 4. Sales and other operating revenues

Third Quarter 2004	Second Quarter 2005	Third Quarter 2005		Nine Months 2005	2004
\$ million				\$ million	
			<b>By business</b>		
8,601	10,934	<b>11,321</b>	Exploration and Production	<b>32,441</b>	24,870
46,639	61,022	<b>68,790</b>	Refining and Marketing	<b>181,458</b>	141,795
20,443	23,110	<b>28,917</b>	Gas, Power and Renewables	<b>75,694</b>	59,852
137	174	<b>161</b>	Other businesses and corporate	<b>507</b>	390
75,820	95,240	<b>109,189</b>	Sales by continuing operations	<b>290,100</b>	226,907
7,873	7,843	<b>8,511</b>	Less: sales between businesses	<b>24,723</b>	21,367
2,183	3,926	<b>4,158</b>	sales to Innovene operations	<b>10,197</b>	5,956
65,764	83,471	<b>96,520</b>	<b>Third party sales of continuing operations</b>	<b>255,180</b>	199,584
			<b>By geographical area</b>		
20,355	29,998	<b>37,406</b>	UK	<b>92,233</b>	52,075
11,499	16,916	<b>16,904</b>	Rest of Europe	<b>49,644</b>	32,309
30,476	38,115	<b>45,759</b>	USA	<b>116,818</b>	94,037
16,552	20,028	<b>19,595</b>	Rest of World	<b>58,237</b>	47,806
78,882	105,057	<b>119,664</b>	Sales by continuing operations	<b>316,932</b>	226,227
10,935	17,660	<b>18,986</b>	Less: sales between areas	<b>51,555</b>	20,687
2,183	3,926	<b>4,158</b>	sales to Innovene operations	<b>10,197</b>	5,956
65,764	83,471	<b>96,520</b>		<b>255,180</b>	199,584











