Annual Review 2009

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Meeting the energy demands of today and tomorrow

Oil Natural gas Wind Solar Biofuels Efficiency

Reconciliation of profit for the year to replacement cost profit

The Annual Review for the year ended 31 December 2009 includes the summary financial statement (on pages 1-7 and 10-33), which comprises summaries of the Directors' Report and the Directors' Remuneration Report and a summary of the information in the consolidated financial statements. The summary financial statement complies with the information requirements under the Companies (Summary Financial Statement) Regulations 2008. It does not contain sufficient information to allow as full an understanding of the results and the state of affairs of BP and of its policies and arrangements concerning directors' remuneration as *BP Annual Report and Accounts 2009*. Shareholders may obtain a copy of *BP Annual Report and Accounts 2009* online or on request, free of charge (*see page 33*). Outside the summarized financial statements (*see pages 24-28*), references within *BP Annual Review 2009* to 'profits', 'result' and 'return on average capital employed' are to those measures on a replacement cost basis unless otherwise indicated. The table below reconciles profit for the year to replacement cost profit.

For the year ended 31 December			$ million
	2009	2008	2007
Profit before interest and taxation	**26,426**	35,239	32,352
Finance costs and net finance expense/income relating to pensions and other post-retirement benefits	**(1,302)**	(956)	(741)
Taxation	**(8,365)**	(12,617)	(10,442)
Minority interest	**(181)**	(509)	(324)
Profit for the year attributable to BP shareholders	**16,578**	21,157	20,845
Inventory holding (gains) losses, net of tax	**(2,623)**	4,436	(2,475)
Replacement cost profit[a]	**13,955**	25,593	18,370
Exploration and Production	**24,800**	38,308	27,602
Refining and Marketing	**743**	4,176	2,621
Other businesses and corporate	**(2,322)**	(1,223)	(1,209)
Consolidation adjustment – unrealized profit in inventory	**(717)**	466	(220)
Replacement cost profit before interest and taxation	**22,504**	41,727	28,794
Finance costs and net finance expense/income relating to pensions and other post-retirement benefits	**(1,302)**	(956)	(741)
Taxation on a replacement cost basis	**(7,066)**	(14,669)	(9,359)
Minority interest	**(181)**	(509)	(324)
Replacement cost profit attributable to BP shareholders	**13,955**	25,593	18,370
Per ordinary share – cents			
Profit for the year attributable to BP shareholders	**88.49**	112.59	108.76
Replacement cost profit	**74.49**	136.20	95.85
Dividends paid per ordinary share – cents	**56.00**	55.05	42.30
– pence	**36.417**	29.387	20.995
Dividends paid per American depositary share (ADS) – dollars	**3.360**	3.303	2.538

[a] Replacement cost profit reflects the replacement cost of supplies. The replacement cost profit for the year is arrived at by excluding from profit inventory holding gains and losses and their associated tax effect. Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost to BP of supplies incurred during the year and the cost of sales calculated on the first-in first-out method, including any changes in provisions where the net realizable value of inventory is lower than its cost. Inventory holding gains and losses, for this purpose, are calculated for all inventories except for those that are held as a 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 for the group is a non-GAAP measure.

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

The term 'shareholder' in this Annual Review means, unless the context otherwise requires, investors in the equity capital of BP p.l.c., both direct and/or indirect.

BP Annual Report and Accounts 2009 and *BP Annual Review 2009* may be downloaded from *www.bp.com/annualreview*. No material on the BP website, other than the items identified as *BP Annual Report and Accounts 2009* and *BP Annual Review 2009*, forms any part of those documents.

As BP shares, in the form of ADSs, are listed on the New York Stock Exchange (NYSE), an Annual Report on Form 20-F will be filed with the US Securities and Exchange Commission (SEC) in accordance with the US Securities Exchange Act of 1934. When filed, copies may be obtained free of charge (*see page 33*). BP discloses in its *Annual Report on Form 20-F 2009* and on its website at *www.bp.com/NYSEcorporategovernancerules* significant ways (if any) in which its corporate governance practices differ from those mandated for US companies under NYSE listing standards.

Cautionary statement

BP Annual Review 2009 contains certain forward-looking statements, particularly those relating to anticipated energy demand and consumption, global economic recovery, oil and gas prices, global reserves, expected future energy mix, management aims and objectives, strategy, production, refining margins, anticipated investment in Alternative Energy, Refining and Marketing investments, and reserves increases through technological developments. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements depending on a variety of factors including the timing of bringing new fields onstream, future levels of industry product supply, demand and pricing, operational problems, general economic conditions, political stability and economic growth in relevant areas of the world, changes in laws and governmental regulations, exchange rate fluctuations, development and use of new technology, changes in public expectations and other changes in business conditions, the actions of competitors, natural disasters and adverse weather conditions, wars and acts of terrorism or sabotage, and other factors discussed elsewhere in this document and in *BP Annual Report and Accounts 2009*.

The registered office of BP p.l.c. is 1 St James's Square, London SW1Y 4PD, UK. Tel +44 (0)20 7496 4000.
Registered in England and Wales No. 102498. Stock exchange symbol 'BP'.

What's inside?

BP operates at the frontiers of the energy industry. We use world-class assets, technology, capability and know-how to meet energy needs and deliver long-term value.

The ingenuity and determination of our people have brought new resilience to BP. From deep beneath the ocean to complex refining environments, from remote tropical islands to next-generation biofuels – a revitalized BP is driving greater efficiency, sustained momentum and business growth.

Exploration and Production
Start-up was achieved ahead of schedule at Atlantis Phase 2 – one of many highlights during a year of strong operational performance.

See page **12**

Refining and Marketing
Texas City illustrates the progress made on safe, reliable and compliant operations, with refinery availability exceeding 90% in April 2009.

See page **18**

Cover images
Top Deepwater Gunashli platform, Azerbaijan sector of the Caspian Sea.
Bottom left Seismic imaging vibrator trucks, Libya.
Bottom right Texas City refinery, US.

Chairman's letter

A revitalized BP

Carl-Henric Svanberg Chairman
26 February 2010

Highlights

- BP playing key role in addressing the energy challenge.
- Strong board enhanced by new appointments.
- Powerful spirit among BP people.

I have joined BP at an exciting and testing time for the energy industry and the wider world. Crisis in the global economy has asked tough questions of everyone. Meanwhile, two long-term issues require our continued attention – the high growth in energy demand expected over coming years, and the complex challenges created by climate change.

Naturally, more and more people want to improve their quality of life, and a reliable supply of affordable energy is central to meeting their needs and aspirations. Sharing the benefits of energy with communities around the world represents important human progress, but this must be achieved with care.

Such pressing matters place BP at the heart of what is important to society. While many of the group's operations are conducted far from our towns and cities, what we produce is essential to everyday life. I have been here only a short time, but I have already seen in action the remarkable skills and technology that find and extract raw materials and turn them into much-needed energy products. I am particularly impressed by the professionalism and sheer tenacity of the BP people I have met. There is a powerful spirit here.

This spirit can be seen clearly within the executive team, under the leadership of Tony Hayward. Their focus on safety, operational performance and culture has produced great results across the group, despite tough market conditions. There is still more to do, and I look forward to working with them as BP moves forward. Our employees have also shown considerable determination over the past 12 months. They have helped to drive a notable and continuing business transformation and I thank them for their commitment.

The success of BP today is, in many ways, testament to Peter Sutherland's unique style in leading the board. As chairman for 12 years and non-executive board director for 14 years, Peter steered the group through many challenges. He leaves a strong BP that is well positioned for further success. As a board, we thank him for his exceptional contribution. We also thank those non-executives who are to leave after the annual general meeting. Sir Ian Prosser departs after 12 years of outstanding service, including 10 years as deputy chairman. Erroll Davis, Jr joined in 1998 and played an important role in key non-executive committees. Sir Tom McKillop joined in 2004 and chose to retire this year, having made a strong impression. I know my fellow board members greatly appreciate their contributions.

We are now in the process of appointing experienced and talented newcomers to the board. I have worked closely with colleagues on the nominations committee to select individuals whose skills match the needs of the business while ensuring appropriate independence. As part of our continuing refreshment of the board, I am delighted that Paul Anderson has recently joined the board and that Ian Davis will join in April 2010. Our clear objective as a board is to sustain the success of the group and I can tell you that we will not lack ambition. BP has driven itself back to competitive fitness; we must ensure we build on the hard work of the past three years and continue to grow a successful and enduring company. We now have the opportunity to plot the group's future position within a changing energy landscape.

The financial crisis has highlighted concerns about the way in which companies operate. In some cases, levels of trust between boards of directors and shareholders have been impacted. From my early contact with BP shareholders, I understand that the BP board has long been actively engaged in dialogue. I strongly endorse and encourage this and intend to build on such good practice. BP is respected for its leadership on governance and we will keep looking for ways to enhance how we govern and report on the group.

Risk remains a key issue for every business, but at BP it is fundamental to what we do. We operate at the frontiers of the energy industry, in an environment where attitude to risk is key. The countries we work in, the technical and physical challenges we take on and the investments we make – these all demand a sharp focus on how we manage risk. We must never shrink from taking on difficult challenges, but the board will strive to set high expectations of how risk is managed and remain vigilant on oversight.

As is well known, BP responded early to the issue of climate change. The group has made substantial investments in alternative energies and in lower-carbon fossil fuels such as natural gas. We support the low-carbon evolution, but must also continue to produce the high-quality hydrocarbons required by a world with a growing population, growing economies and greater mobility.

We will continue to contribute to debate around public policy, and intend to help shape and lead the energy industry of tomorrow. People need BP to keep doing what it does best.

I recognize that many institutions and individuals rely on BP for a consistent return on their investment and the board takes seriously its responsibilities in this regard. Our task is to achieve the best balance of our sources and uses of cash, making investments to generate long-term business momentum while managing debt and realizing steady rewards for shareholders. Over the past year we have demonstrated our ability to achieve this despite a very volatile business environment. While we cannot control the price of oil we can control the efficiency of our own operations, and the improving performance within the group will help us to balance financial priorities. The quarterly dividend, to be paid in March, is 14 cents per share ($0.84 per ADS), the same as a year ago. In sterling terms, the quarterly dividend is 8.679 pence per share, compared with 9.818 pence a year ago.

We are now proposing to introduce a scrip dividend programme. For those shareholders who choose to take their dividend in shares, rather than cash, the issuing of scrip shares is an attractive alternative.

So, I thank shareholders for their continued support. The group has recently celebrated its centenary and I relish the opportunity to lead the board as we move into a second century. We operate in a fast-moving world full of profound challenges and opportunities, but I see no reason why a fit and determined BP cannot thrive in this environment and remain at the heart of society for many years to come.

“BP has driven itself back to competitive fitness; we must ensure we build on the hard work of the past three years and continue to grow a successful and enduring company.”

Our market
Read about key issues affecting the energy market on pages 8-9.

Group chief executive's review

Efficiency, momentum and growth

Tony Hayward Group Chief Executive
26 February 2010

Highlights

- Progress on safe and reliable operations.
- Real momentum in growing our businesses.
- Continued focus on efficiency and improvement.

2009 saw the continuation of difficult economic conditions and a volatile energy market, with rising demand for oil in non-OECD countries failing to offset lower levels of consumption in OECD countries. Oil prices began the year at $36.55 per barrel and recovered to $77.67 per barrel in December. Refining margins and gas prices fell sharply. Despite these difficult conditions, a revitalized BP kept up its momentum and delivered strong operating and financial results while continuing to focus on safe and reliable operations. Replacement cost profit for the year was $14 billion, with a return on average capital employed[a] of 11%.

[a] The return on average capital employed on a replacement basis is the ratio of replacement cost profit before interest expense and minority interest but after tax, to the average of opening and closing capital employed. Capital employed is BP shareholders' interest, plus finance debt and minority interest.

Q Performance has been restored and the group is competitive with the industry once again, so what priorities have you now set for BP?

Our priorities have remained absolutely consistent – safety, people and performance – and you can see the results of this focus with improvements on all three fronts. This year we have increased emphasis on operational efficiency, with a particular focus on compliance and continuous improvement. Achieving safe, reliable and compliant operations is our number one priority and the foundation stone for good business. This year we achieved a reported recordable injury frequency of 0.34, an improvement of 20% over 2008. In Refining and Marketing reported major incidents have been reduced by 90% since 2005. All our operated refineries and petrochemicals plants now operate on the BP operating management system (OMS), which governs how BP's operations, sites, projects and facilities are managed. In Exploration and Production 47 of our 54 sites completed the transition to OMS by the end of 2009, and I expect all BP operations to be on OMS by the end of 2010. This represents good progress and we must remain absolutely vigilant.

Q Why are you putting such strong emphasis on operational efficiency?

In 2009 we invested $20 billion in our businesses and realized more than $4 billion in cash cost[b] savings, of which approximately 40% related to foreign exchange benefits and lower fuel costs. Within an organization of our scale, putting a long-term commitment to efficiency at the heart of the group is essential to improving earnings, year after year. Our challenge is to maintain a relentless focus on continuous improvement, making today better than yesterday, so that we continue to drive the business forward whatever the market conditions.

Q What does the focus on efficiency and continuous improvement mean for your people?

Better performance starts and ends with the actions of individuals and I want to thank our employees for the commitment they showed in 2009. Our performance speaks volumes about their motivation and skills. The results from our 2009 employee survey confirm that employee morale is improving as our operational performance improves.

We have placed greater emphasis on organizational quality, which is about driving continuous improvement in our leadership and culture, skills and capability, and systems and processes. We have redesigned the way we manage and reward people to incentivize performance. We are simplifying the organization and freeing people to do their jobs. We are placing particular value on deep specialist skills and technical expertise, and are developing and recruiting the excellent professionals we need to ensure a sustainable future for the group.

[b] Cash costs are a subset of production and manufacturing expenses plus distribution and administration expenses. They represent the substantial majority of the expenses in these line items but exclude associated non-operating items and certain costs that are variable, primarily with volumes (such as freight costs). They are the principal operating and overhead costs that management considers to be most directly under their control although they include certain foreign exchange and commodity price effects.

Q How is this focus translating into performance in Exploration and Production?

2009 was an outstanding year. Reported production grew by 4% and unit production costs were down by 12%. We are now the largest producer in deepwater fields globally. In the Gulf of Mexico we ramped up production at Thunder Horse to more than 300,000 barrels of oil equivalent per day. Production started from Atlantis Phase 2, Dorado and King South. And in September we announced the Tiber discovery, the deepest oil and gas discovery well ever drilled. These successes make us the largest producer and leading resource holder in the deepwater Gulf of Mexico.

During the year we also shipped the first cargo of liquefied natural gas (LNG) from the Tangguh project in Indonesia, and we brought first gas onstream at Savonette, Trinidad & Tobago, in record time. We also gained access to new resource opportunities in Iraq, Egypt, the Gulf of Mexico, Indonesia, Jordan and onshore US. We entered Iraq through a contract to expand production from the Rumaila field near Basra, one of the largest oil fields in the world. Working with partners China National Petroleum Company (CNPC) and the Iraqi State Oil Marketing Organization (SOMO), we intend to grow production in Rumaila from approximately 1 million barrels per day to 2.85 million barrels per day.

Overall, 2009 was the 17th consecutive year of delivering reported reserves replacement of more than 100%. Our success in adding reserves and resources gives us confidence in our ability to grow oil and gas production.

Revitalizing BP
Tony Hayward discusses priorities, results and continuous improvement with employees at BP's International Centre for Business and Technology, Sunbury, UK.

What progress are you making in Refining and Marketing?

The transition to full OMS status across all our operated refineries and petrochemicals plants is a major milestone, and oil spills and recordable injuries are at the lowest levels for 10 years. So, I'm pleased with the progress made on safety and we have made very strong progress on operational performance in a year when refining margins were hit hard by recession. Refining availability is up around 5% on 2008 and we have restored our performance so that it is once again competitive with our supermajor peers.

We saw a really competitive performance from our international businesses in 2009. We are building strong positions in the petrochemicals market in China and we are continuing to enhance our six integrated fuels value chains around the world to maximize efficiency and profitability. It is critical that we keep driving efficiencies through the businesses while growing our positions in the most valuable and attractive markets.

The world must meet growing demand for energy in a sustainable way; what role will BP play in this energy evolution?

We are looking to build a future energy industry that provides energy that is available, sustainable, secure and affordable. For BP, supporting the transition to a low-carbon economy has several dimensions. First, we are improving energy efficiency in BP's own operations through close performance monitoring. We are also developing more efficient products such as BP Ultimate fuels and Castrol lubricants.

Second, we are promoting a greater role for natural gas as a key part of the energy future. Gas is easily the cleanest burning fossil fuel and is efficient, versatile and abundantly available. We are also including a cost of carbon in investment appraisals for all new major projects to allow informed investment in fossil fuels and to encourage development of the technology needed to reduce their carbon footprint.

And finally, we are investing in our low-carbon businesses. Since 2005 we have invested more than $4 billion in Alternative Energy, with our activity focused on four key areas. We are investing in advanced biofuels, which are low cost, scalable and sustainable, and can provide reductions in greenhouse gases of 80% or more relative to conventional transport fuels. We have focused our wind business on the US, where we now have more than one gigawatt[a] of spinning power generation capacity. In solar, we are repositioning our manufacturing footprint to lower-cost locations, principally India and China. And in carbon capture and storage, we are investing in two major projects – one in California, the other in Abu Dhabi.

In 2009 we saw further challenges for international oil companies in terms of generating growth and achieving access, together with the continued strong emergence of national oil companies. How is BP responding?

BP has always operated at the frontiers of the energy industry and our core strengths are more relevant and valuable than ever. BP's experience, skills, capability, technology and access to markets enable resource holders to maximize returns over the long term. We continue to show our ability to take on and manage risk, doing the difficult things that others either can't do or choose not to do. This is why we are able to form such strong relationships with governments and national oil companies and why we continue to have a critical role to play in supplying the world with its future energy needs.

In a world of increasing energy demand and growing technical challenges, I believe BP will continue to set itself apart by operating and succeeding at the frontiers of the energy industry.

[a] On a gross joint-venture basis (which includes 100% of the capacity of equity-accounted entities where BP has partial ownership). Including BP's share of joint ventures on a net basis, the capacity was 711 megawatts.

Speeches by Tony Hayward
bp.com/speeches

Progress in 2009

Safety

Personal safety – reported recordable injury frequency

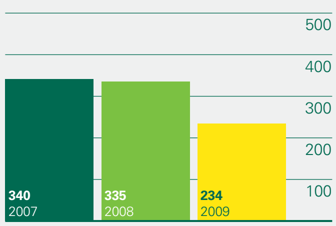
Reported recordable injury frequency (RIF) measures the number of reported work-related incidents that result in a fatality or injury (apart from minor first aid cases) per 200,000 hours worked.

Safety is BP's number one priority and we constantly seek to improve our performance through our procedures, processes and training programmes. Our workforce RIF, which includes employees and contractors combined, was 0.34 in 2009 – significantly lower than 0.43 in 2008 and 0.48 in 2007.

Process safety – oil spills

We report all spills of hydrocarbons greater than or equal to one barrel (159 litres, 42 US gallons).

The reduction in the number of oil spills in 2009 follows several years of focus across BP on procedures such as 'integrity management' and 'control of work', which are core elements of BP's operating management system.

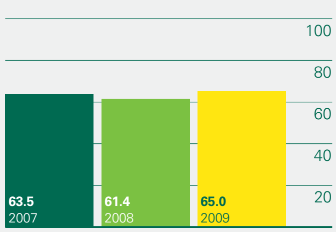


Environment – greenhouse gas emissions[a]

(million tonnes of carbon dioxide equivalent)

We report greenhouse gas (GHG) emissions, and emission reductions, on a CO_2-equivalent basis including CO_2 and methane. This represents all consolidated entities and BP's share of equity-accounted entities except TNK-BP.

The increase in GHG emissions in 2009 was driven primarily by increases in operational activity, in particular higher throughput from our US refineries, the start-up of our Tangguh LNG project in Indonesia and increased production from deepwater platforms in the Gulf of Mexico.



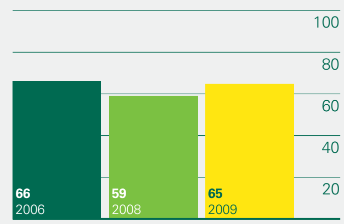
[a] See *BP Sustainability Review 2009* for more information on how we derive our sustainable GHG reductions.

People

Employee satisfaction[a] (%)

The overall Employee Satisfaction Index comprises 10 key questions that provide insight into levels of employee satisfaction across a range of topics such as pay.

The improved performance in 2009 was underpinned by increases in the categories of 'trust in management' and 'perceptions that BP is being effectively managed and well run'. This reflects our clear, simple and consistent communication to employees of BP's business performance and progress against corporate goals.

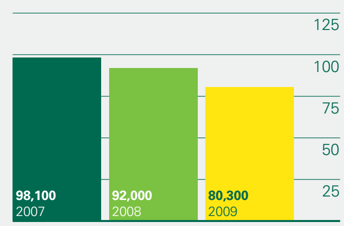


[a] The People Assurance Survey conducted in 2006 used a census methodology and targeted the entire BP employee population. Based on the same set of questions, the Pulse Plus Survey, in 2008 and 2009, adopted a sample-based approach, which achieved a representative view of BP.

Number of employees[a]

Employees include all individuals who have a contract of employment with a BP group entity.

In 2009 BP total headcount fell by 11,700, reflecting the transfer of our US convenience retail sites to a franchise model and the progress we have made in making BP a simpler, more efficient organization.

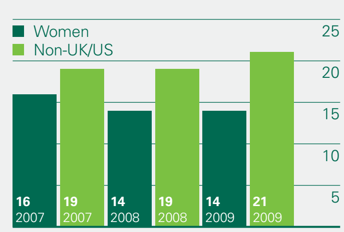


[a] As at 31 December.

Diversity and inclusion (%)

Each year we record the percentage of women and individuals from countries other than the UK and US among BP's top 492 leaders (2008 583, 2007 624).

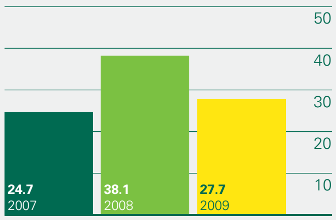
BP has maintained the percentage of female and 'most-of-world' leaders in 2009 and remains focused on building a more sustainable pipeline of diverse talent for the future.



Operating cash flow ($ billion)

Operating cash flow is net cash flow provided by operating activities, from the group cash flow statement. Operating activities are the principal revenue-generating activities of the group and other activities that are not investing or financing activities.

Lower operating cash flow in 2009 primarily reflected lower group profits, movements in working capital and a decrease in dividends from jointly controlled entities and associates. These effects were partly offset by decreases in income taxes paid.

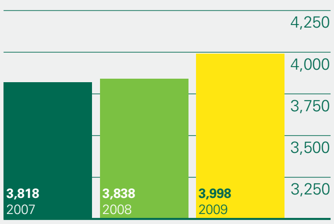


Performance

Production (thousand barrels of oil equivalent per day)

We report crude oil, natural gas liquids (NGLs) and natural gas produced from subsidiaries and equity-accounted entities. These are converted to barrels of oil equivalent (boe) at 1 barrel of NGL = 1boe and 5,800 standard cubic feet of natural gas = 1boe.

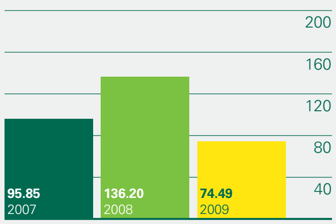
Reported production increased by 4% compared with 2008. This reflected strong performance from our existing assets, the continued ramp-up of production following the start-up of major projects in 2008 and the start-up of a further seven major projects in 2009.



Replacement cost profit per ordinary share (cents)

Replacement cost profit reflects the replacement cost of supplies. It is arrived at by excluding from profit inventory holding gains and losses and their associated tax effect. (*See footnote a on inside front cover.*)

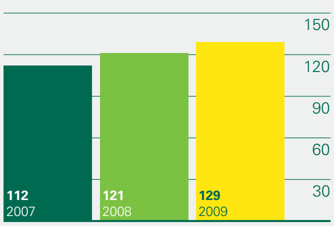
Our 2009 results were impacted by lower oil and gas realizations and lower refining margins, partly offset by higher production, stronger operational performance and lower costs.



Reserves replacement ratio[a] (%)

Proved reserves replacement ratio (also known as the production replacement ratio) is the extent to which production is replaced by proved reserves additions. The ratio is expressed in oil equivalent terms and includes changes resulting from revisions to previous estimates, improved recovery and extensions, and discoveries.

In 2009 we extended our track record for reported reserves replacement of more than 100% to 17 consecutive years. We continue to drive renewal through new access, exploration, targeted acquisitions and a strategic focus on increasing resources from fields we currently operate.

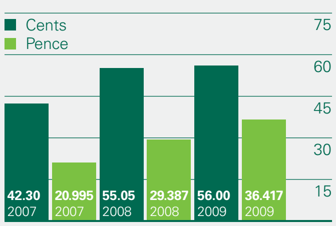


[a] Combined basis of subsidiaries and equity-accounted entities, excluding acquisitions and disposals.

Dividends paid per ordinary share

This measure shows the total dividend per share paid to ordinary shareholders in the year.

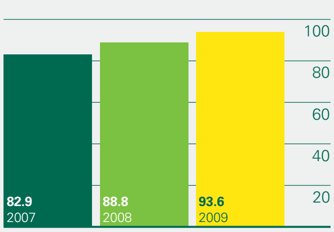
The total dividend paid per share in 2009 increased by 2% compared with 2008. We determine the dividend in US dollars as it is the economic currency of BP. In sterling terms, our 2009 dividend was 24% higher than in 2008 due to the strengthening of the dollar relative to sterling.



Refining availability (%)

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.

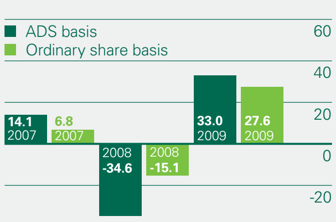
Refining availability has increased significantly each year from 2007 to 2009 and is now at the highest level since 2005. This has been a key element in our drive to restore missing revenues in our operations, with the biggest contributor being the restoration of our Texas City refinery.



Total shareholder return[a] (%)

Total shareholder return represents the change in value of a shareholding over a calendar year, assuming that dividends are re-invested to purchase additional shares at the closing price applicable on the ex-dividend date.

Total shareholder return scores in 2009 reflect BP's improving competitive performance as well as a general recovery of global stock markets compared with the low levels seen at the end of 2008.



[a] There is a small change in comparative data due to the exclusion of non-trading days from the average TSR calculation.

Meeting the world's energy needs

Energy markets remained volatile in 2009, reflecting the dramatic drop in world economic activity early in the year and indications of economic recovery in the second half. Looking ahead, the long-term outlook is one of growing demand for energy[a], particularly in Asia, alongside challenges for the industry in meeting this demand.

- Economic environment heavily impacted oil and gas prices.
- Refining margins fell sharply.
- Long-term energy demand expected to rise.

Crude oil prices

World oil consumption declined for a second successive year during 2009, with growing demand in non-OECD countries once again more than offset by falling consumption in OECD countries. Dated Brent for the year averaged $61.67 per barrel, about 37% below 2008's record average of $97.26 per barrel. Prices began the year at their lowest point for 2009 as the world economy grappled with the sharpest downturn in modern economic history. In 2010 we expect oil price movements to continue to be driven by the extent of global economic growth and its resulting implications for oil consumption, and by OPEC production decisions.

Natural gas prices

Natural gas prices weakened in 2009 and were volatile. The average US Henry Hub First of Month Index fell to $3.99 per million British thermal units (mmBtu) in 2009, a 56% decrease from the record $9.04/mmBtu average seen in 2008. Recession-induced demand declines and strong production caused prices to drop from $6.16/mmBtu at the start of the year to $2.84/mmBtu in September. Reduced imports from Canada, slowing US production growth and cooler temperatures allowed prices to recover to $4.49/mmBtu by year-end. Prices at the UK National Balancing Point similarly fell to an average of 30.85 pence per therm, 47% below the 2008 average price of 58.12 pence per therm. Gas markets in 2010 are expected to follow developments in the global economy, but any price movements are likely to be impacted by significant new LNG capacity as it becomes available.

Refining margins

Refining margins fell sharply in 2009 as demand for oil products reduced in the wake of the global economic recession and new refining capacity came onstream, mostly in Asia Pacific. The BP global indicator refining margin (GIM)[b] averaged $4 per barrel last year, down $2.50 per barrel compared with 2008. Refining margins are likely to remain under pressure through 2010, with capacity already exceeding demand and additional new capacity expected to come onstream during the year.

Looking ahead

Recent economic conditions have weakened global demand for primary energy, but a number of forecasts predict a return to growth in the medium term. Under the International Energy Agency's (IEA) Reference Scenario, global energy demand is projected to increase by around 40% between 2007 and 2030[a]. That scenario also projects that fossil fuels will still be satisfying as much as 80% of the world's energy needs in 2030. At current rates of consumption, the world has enough proved reserves of fossil fuels to meet these requirements[c] if investment is permitted to turn those reserves into production capacity.

A more diverse mix of energy will also be required to meet this increased demand. Such a mix is likely to include both unconventional fossil fuel resources – such as oil sands, coalbed methane and natural gas produced from shale formations – and renewable energy sources such as wind, biofuels and solar power. Beyond simply meeting growth in overall demand, a diverse mix would also help to provide enhanced national and global energy security while supporting the transition to a lower-carbon economy. Improving the efficiency of energy use will also play a key role in maintaining energy market balance in the future.

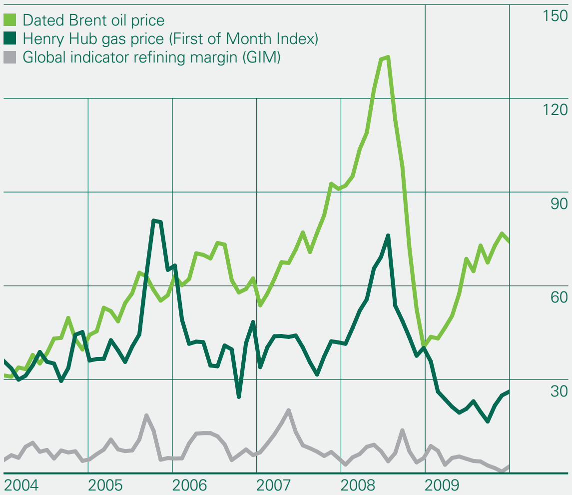
Along with increasing supply, we believe the energy industry will be required to make hydrocarbons cleaner and more efficient to use – particularly in the critical area of power generation, for which the key hydrocarbons are currently coal and gas. We believe that in many countries natural gas has the potential to provide the most significant reductions in carbon emissions from power generation in the shortest time and at the lowest cost. These reductions can be achieved using technology available today. Alternative energies such as wind, solar, wave, tide and geothermal energy have the potential to make a substantial contribution to the transition to a lower-carbon economy but, even in the most aggressive scenario put forward by the IEA, these forms of energy are estimated to meet no more than 5% of total demand in 2030[d].

[a] *World Energy Outlook 2009.* © OECD/IEA 2009, pages 622-623: 'Reference Scenario, World'.
[b] The GIM is the average of regional industry indicator margins weighted for BP's crude refining capacity in each region. See *www.bp.com/investors* for more information.
[c] *BP Statistical Review of World Energy June 2009*. This estimate is not based on proved reserves as defined by SEC rules.
[d] *World Energy Outlook 2009.* © OECD/IEA 2009, page 212: 'World primary energy demand by fuel in the 450 Scenario (Mtoe)'.

BP Statistical Review of World Energy June 2009
bp.com/statisticalreview

How BP is responding
Read about our strategy on pages 10-11.

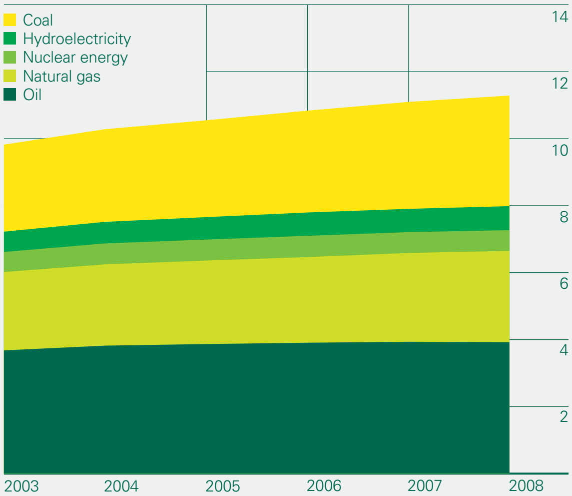
Crude oil and gas prices, and refining margins
($ per barrel of oil equivalent)



Once again, energy prices followed economic headlines. In the early part of the year crude oil and gas prices clearly reflected recession, including the decline in global demand for energy. The second half saw oil prices rise in line with the start of economic recovery. Strong production during 2009, together with expected increases in LNG capacity in 2010, served to constrain the recovery in natural gas prices. Refining margins fell sharply during the year and, in the fourth quarter, were at the lowest levels for 15 years.

Source: Platts/BP.

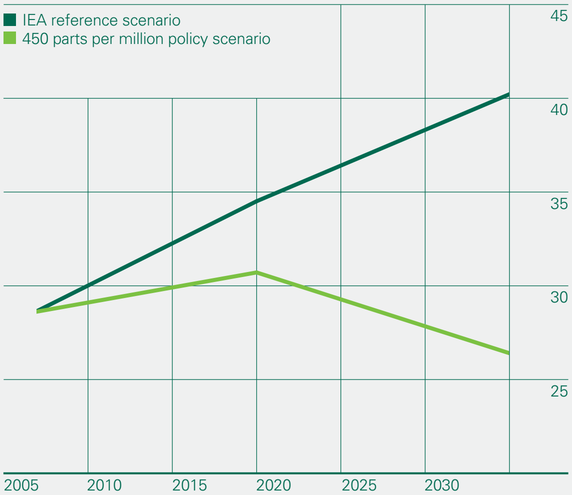
World energy consumption
(billion tonnes of oil equivalent)



Oil remained the world's dominant fuel in 2008, but lost market share to coal and natural gas. According to *BP Statistical Review of World Energy June 2009*, oil's share of the world total has fallen from 38.7% to 34.8% over the past decade, while coal, natural gas and hydroelectric generation have all increased.

Source: *BP Statistical Review of World Energy June 2009.*

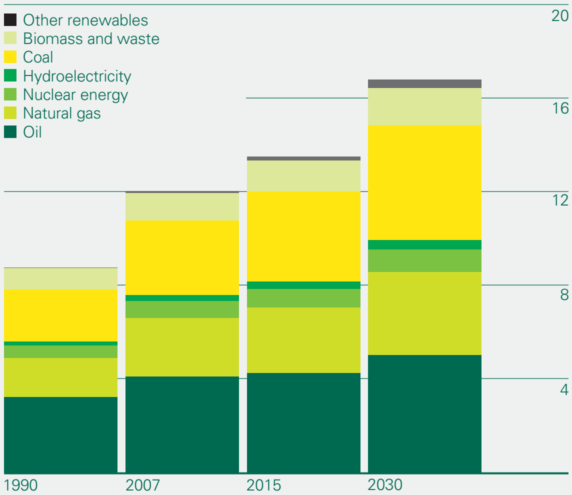
Range of carbon dioxide emission trajectories
(gigatonnes)



In the IEA's reference scenario carbon emissions continue to grow, putting the world on a path to greenhouse gas (GHG) concentration levels that many scientists regard as dangerously high. The IEA has developed an alternative case to illustrate the implications of setting a target to stabilize GHG concentrations at 450 parts per million, which it believes would offer a reasonable chance of limiting the rise in global temperature to 2˚C. This alternative case requires strong co-ordinated action to promote energy efficiency and low-carbon fuels, starting in the OECD but extending rapidly to non-OECD countries.

Source: *World Energy Outlook 2009.* © OECD/IEA 2009, page 210: 'Table 5.4 Domestic CO_2 emissions by region in the 450 Scenario (Mt); page 623: 'Reference Scenario, World'; and page 74; as adapted by BP.

Global energy demand by type
(billion tonnes of oil equivalent)



The current IEA reference scenario describes strong long-term growth, with fossil fuels remaining dominant and oil the single largest fuel in the mix. Other renewables will grow rapidly but account for just 2% of total energy demand by 2030. However, this scenario describes a future in which governments have made no change to current energy policies and measures. It is likely that policy responses to climate change, energy security and energy poverty will profoundly affect future outcomes.

Source: *World Energy Outlook 2009.* © OECD/IEA 2009, page 622: 'Reference Scenario, World'; and pages 196-197; as adapted by BP.

Sustaining momentum and growth

The priorities that drove our success in 2009 – safety, people and performance – remain the foundation of our agenda as we build on our momentum and work to further enhance our competitive position.

- Safe, reliable and compliant operations remain first priority.
- Strong emphasis on continuous improvement.
- Exploration and Production remains core vehicle for growth.

Our strategy is to invest competitively to grow oil and gas production while working to drive performance across the group through enhanced operating efficiency, capital efficiency and cost efficiency.

To meet growing world demand, BP is committed to exploring, developing and producing more fossil fuel resources; manufacturing, processing and delivering better and more advanced products; and enabling the transition to a lower-carbon future. We aim to do this while operating safely, reliably and in compliance with the law. We strive to run our business within the discipline of a clear financial framework.

In 2009 we improved our overall competitive performance by enhancing operating performance and reducing complexity and costs. Our intention is to generate and sustain business momentum and growth through a rigorous process of continuous improvement and an ongoing focus on safety, people and performance.

Safety, reliability, compliance and continuous improvement

Safe, reliable and compliant operations remain the group's first priority. A key enabler for this is the BP operating management system (OMS), which provides a common framework for all BP operations, designed to achieve consistency and continuous improvement in safety and efficiency. Alongside mandatory practices to address particular risks, OMS enables each site to focus on the most important risks in its own operations and sets out procedures on how to manage them in accordance with the group-wide framework.

The right people, skills and capability

Despite a tight global recruitment market for some of our core technical disciplines, we have been successful in building capacity and getting the right people with the right skills in the right place.

We are now going further, strengthening the culture within BP through a commitment to continuous improvement in operations and enhancing the capabilities, technical expertise and organizational quality needed to drive performance.

Enhanced performance and efficiency

Our strategy aims to create value for shareholders by investing to deliver growth in our Exploration and Production business together with enhanced efficiency and high-quality earnings and returns throughout our operations.

In Exploration and Production our strategy is to invest to grow production safely, reliably and efficiently by strengthening our portfolio of leadership positions in the world's most prolific hydrocarbon basins, enabled by the development and application of technology and strong relationships based on mutual advantage. We intend to sustainably drive cost and capital efficiency in accessing, finding, developing and producing resources, enabled by deep technical capability and a culture of continuous improvement.

In Refining and Marketing our strategic focus is on enhancing portfolio quality, integrating activities across value chains and performance efficiency. We expect to continue building our business around advantaged assets in material and significant energy markets while improving the safety and reliability of our operations. Our objective is to achieve sector-leading levels of performance on a sustainable basis. To achieve this, we need to continue upgrading the manufacturing capabilities within our integrated fuels value chains to achieve the best capacity utilization and margin capture. We continue to explore appropriate opportunities to deploy downstream capital into faster-growing non-OECD markets. We also intend to continue our selective investment in our international businesses, which include petrochemicals and lubricants, where we see potential to deliver strong and sustainable returns.

In Alternative Energy we have focused our investments in the areas where we believe we can create the greatest competitive advantage. We have substantial businesses in wind and solar power and are developing advanced biofuels and clean energy technologies such as hydrogen power and carbon capture and storage. We believe that this focused portfolio has the potential to be a material source of value creation for BP in the longer term.

Looking ahead

We intend to play a central role in meeting the world's continued need for hydrocarbons. We are creating long-term options for the future in new energy technology and low-carbon energy businesses. We are also enhancing our capabilities in natural gas, which is likely to be a vital source of relatively clean energy during the transition to a lower-carbon economy and beyond. We intend to lead and shape this transition while working to achieve sector-leading levels of return for shareholders.

How we create value

Powerful partnerships grounded in mutual advantage.	Deep technical capability and culture of continuous improvement.	A highly diverse energy portfolio, pioneering energy efficiency and innovation.

1

2

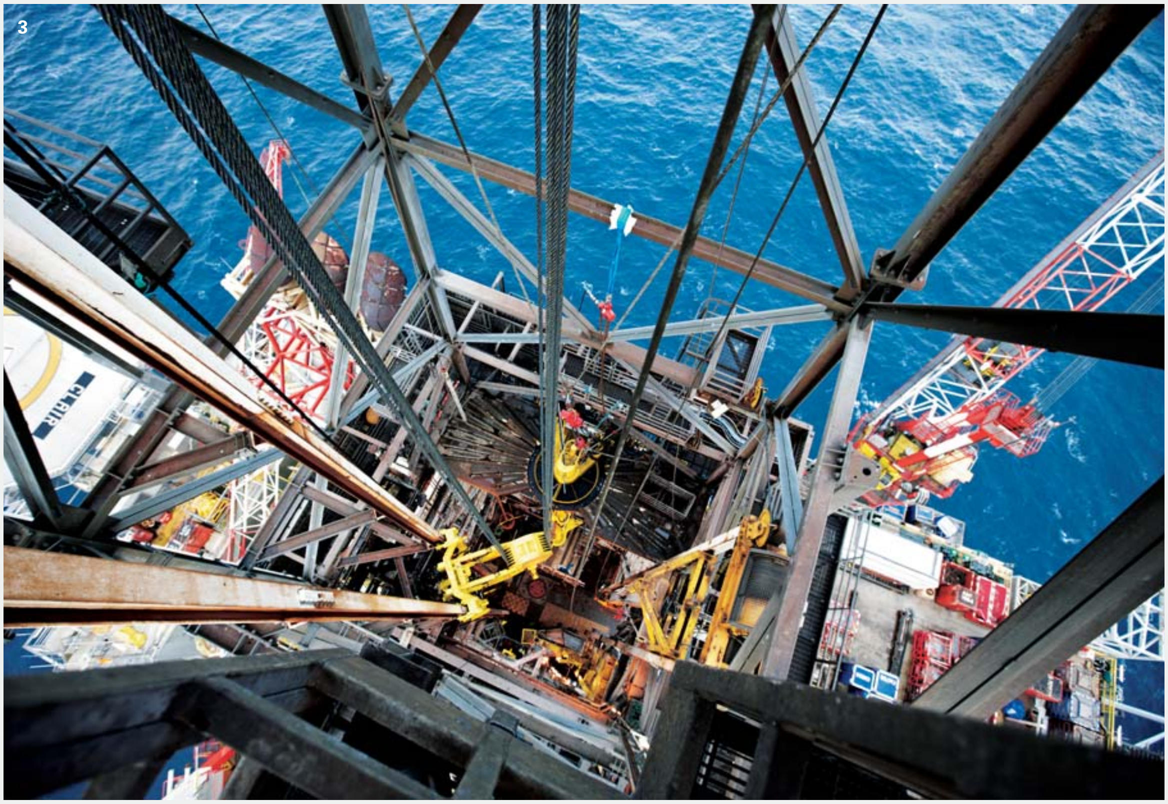
1 US
We have now restored every major unit at our Texas City refinery. All BP-operated refineries and petrochemicals plants are now operating on the BP OMS.

2 China
Purified terephthalic acid (PTA) is an essential raw material in the manufacture of plastic bottles and polyester clothes. BP has a very strong manufacturing position in the largest PTA market – China. Our Zhuhai 2 plant is the world's largest single-train unit and one of the lowest-cost PTA manufacturing units in the world.

3 UK
On the Clair platform in the North Sea. The culture of continuous improvement in our North Sea drilling team helped improve drilling capital efficiencies in 2009.

4 US
Employees in our trading centre, Houston. Our focus on getting the right people with the right skills in the right place is helping to drive efficiency, momentum and growth.

5 Brazil
Cane harvest at our Brazilian biofuels joint venture, which completed its first 12 months of operations in 2009. This was a key milestone in a year when BP's biofuels business was voted Biofuels Corporation of the Year by the World Refining Association.



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Our business performance

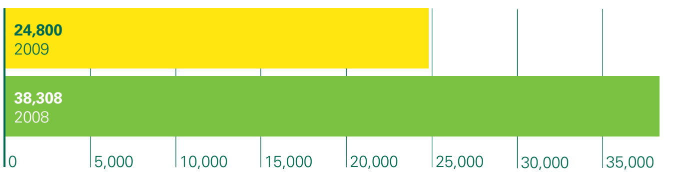
Exploration and Production

Andy Inglis

Chief Executive,
Exploration and Production

Exploration and Production

Results ($ million)



Replacement cost profit before interest and tax is our key measure of profitability. The decrease in 2009, compared with the record level in 2008, was primarily driven by lower oil and gas realizations, offset in part by strong underlying production growth of 5% and improved cost management, which contributed to a 12% reduction in unit production costs.

2009 was an excellent year for Exploration and Production. We improved personal safety and process safety, grew production and improved efficiency. We extended our track record for reported reserves replacement to 17 years and made outstanding progress in securing resources to support long-term growth.

Highlights

- 5% underlying production growth[a], with strong operational performance.
- 12% reduction in unit production costs.
- 17th consecutive year of reported reserves replacement of more than 100%.
- Tiber discovery in the deepwater Gulf of Mexico and three further discoveries in Block 31 in Angola.
- New resource access in Iraq, Jordan, Egypt, Indonesia, the Gulf of Mexico and onshore US.
- Tangguh and six other major projects brought onstream.

[a] Underlying production growth excludes the effect of entitlement changes in our production-sharing agreements (driven by changes in oil and gas prices) and the effect of OPEC quota restrictions.

What we do

BP's Exploration and Production business finds, develops, produces and transports oil and gas to market. We operate in 30 countries and employ 21,500 people.

Our strategy

Our strategy is to invest to grow production safely, reliably and efficiently by:

- Strengthening our portfolio of leadership positions in the world's most prolific hydrocarbon basins, enabled by the development and application of technology and strong relationships based on mutual advantage.
- Sustainably driving cost and capital efficiency in accessing, finding, developing and producing resources, enabled by deep technical capability and a culture of continuous improvement.

Our performance

Maintaining our focus on safety

Safety, both personal and process, remains our highest priority. 2009 brought further improvement in personal safety with the segment's reported recordable injury frequency improving from 0.43 in 2008 to 0.39 in 2009.

We also achieved improvements in the number of process safety-related incidents and a significant reduction in the number of spills.

During the year we continued our migration to the BP operating management system (OMS), which provides an increased focus on process safety and continuous improvement. By the end of 2009, 87% of our operating sites had transitioned to OMS.

In 2009 a third-party-operated helicopter carrying contractors from BP's Miller platform crashed in the North Sea, resulting in the tragic loss of 16 lives. In addition, we sustained two fatalities within our own operations. We deeply regret the loss of these lives.

Our financial performance in 2009

2009 was a successful year, with positive financial and operational momentum despite a backdrop of weaker oil and gas prices. Replacement cost profit before interest and tax was $24.8 billion – a 35% decrease compared with the record level in 2008. This result was primarily driven by lower oil and gas realizations, offset in part by strong underlying production growth of 5% and improved cost management, which contributed to a 12% reduction in unit production costs.

Production from our established centres, including the North Sea, Alaska, North America Gas and Trinidad & Tobago was on plan, with improved operating efficiency for the segment as a whole. We had strong production growth in the Gulf of Mexico, including excellent performance from Thunder Horse, together with start-ups ahead of schedule for Atlantis Phase 2, Dorado and King South. Production from Egypt and TNK-BP also made a strong contribution to our growth.

The reduction in production costs was achieved through a combination of high-grading activity, improved execution efficiency, capturing the benefits of the deflationary cost environment at the beginning of the year and favourable foreign exchange effects. This was done while maintaining our focus on safety and integrity. We also improved the quality of our procurement and supply-chain management organization, systems and processes, which we expect will help deliver sustained cost efficiency in the future.

Deepwater expertise

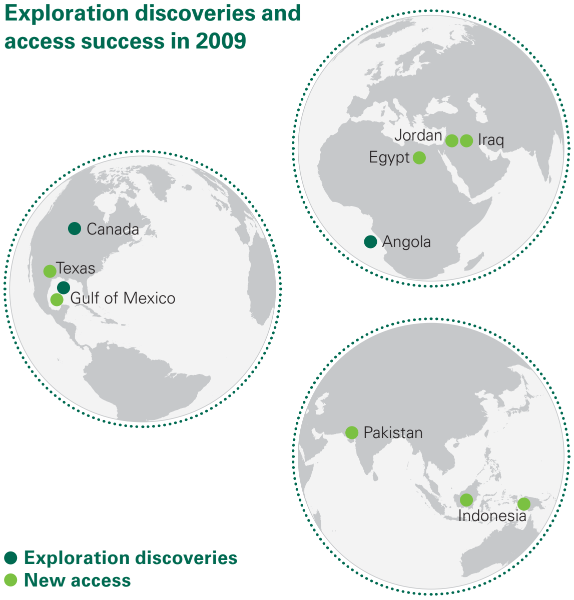
BP is the leading operator in the deepwater Gulf of Mexico. We are the biggest producer, the leading resource holder and have the largest exploration acreage position.

Thunder Horse is now the largest single producing field in the Gulf of Mexico. Fully operational and performing beyond expectations, it has enabled us to grow our Gulf of Mexico production from 240,000 barrels of oil equivalent per day in 2007 to more than 400,000 barrels of oil equivalent per day in 2009. During the year we also started production at three new projects – Atlantis Phase 2, Dorado and King South.

2009 was another year in which our technical capabilities led to exceptional exploration success. The Tiber oil discovery saw us execute the deepest oil and gas discovery well ever. With new discoveries, successful start-ups, efficient operations and a strong portfolio of new projects, we are exceptionally well placed to sustain our success in the deepwater Gulf of Mexico over the long term.

Images
1 Operations on the Thunder Horse platform, Gulf of Mexico.
2 Drilling riser on the Thunder Horse platform.
3 The drillship *Transocean Discoverer Enterprise*.
4 Atlantis platform, Gulf of Mexico.

Exploration discoveries and access success in 2009



● **Exploration discoveries**
● **New access**

Exploration success in 2009 has created the basis for an exciting future. We drilled the deepest oil and gas discovery well ever to make the Tiber discovery in the deepwater Gulf of Mexico. We are setting world records for land 3D seismic data acquisition rates in Libya and acquired the most northerly 3D survey on the planet, in Canada. We continued to build interests in the Gulf of Mexico, Egypt, Indonesia, Pakistan and in US shale gas, and we made major new entries into Iraq and Jordan.

Growing our resource base

Our oil and gas resource base provides the foundation for future growth. Each year we set out to replace more reserves of oil and gas than we produced in the previous 12 months. 2009 was the 17th consecutive year we achieved this, delivering reported reserves replacement of 129%. We continue to drive renewal through new access, exploration, targeted acquisitions and a strategic focus on increasing resources from fields we currently operate.

In 2009 our exploration track record continued with the Tiber discovery in the deepwater Gulf of Mexico, three further discoveries in the ultra deepwater Block 31 in Angola, and in Canada, where we discovered natural gas with the Ellice J27 well. We were also successful in accessing substantial new resource opportunities in Iraq (Rumaila), Egypt, the Gulf of Mexico, Indonesia (Sanga Sanga coalbed methane and, subject to Government of Indonesia approval, West Papua Blocks I and III) and Jordan. We also acquired new resources, adding to our shale gas portfolio with a transaction to access acreage in the Eagle Ford Shale in south Texas, which provides the potential for further growth of our North America Gas business.

Project start-ups

In 2009 we brought seven major projects onstream. We continue to grow our position and leverage our experience as the largest producer in the Gulf of Mexico, starting up three projects ahead of schedule, including the second phase of Atlantis.

We started up the Tangguh LNG project in 2009, with the first LNG cargo shipped from West Papua in Indonesia to South Korea just over four years after final project sanction. Tangguh is a major new resource to global energy markets, adding around 7.6 million tonnes of LNG for export per year. Located more than 3,000 kilometres east of the Indonesian capital Jakarta, hundreds of miles from the nearest major city, and accessible only by air or sea, the project faced environmental, social and technical challenges. It was nevertheless delivered in record time and is now one of the world's most sophisticated and efficient LNG projects. Its success is a tribute to the close co-operation throughout its development between BP, the Government of Indonesia, regulators, partners, contractors and the local communities in Papua.

In Trinidad we started production from Savonette. Here, gas will supply Atlantic LNG's liquefaction plant for export as LNG to international markets, as well as the domestic market. The Savonette platform is the fourth in a series of normally unmanned installations developed using an efficient, standardized approach to platform design and construction.

Through TNK-BP we saw the start-up of another two projects in Russia, in the northern hub of Kamennoye and in the Urna and Ust-Tegus fields in the Uvat area. Also in 2009 we saw the full benefit of our 2008 start-ups, including Thunder Horse in the Gulf of Mexico, and the Saqqara and Taurt fields in Egypt.

Developing flagship technologies

Developing and applying new technology is the key to increasing recovery from our resource base and operating safely and more efficiently. Technology also affords us a competitive advantage when bidding for new access opportunities. We focus on technologies with the potential to have the greatest impact on our business – we call them flagship technologies – and we prioritize our research and development and technology investments here. We have 10 flagship technologies and consider that each has the potential to add more than 1 billion barrels of oil equivalent of additional reserves.

Transforming potential into production

In 2009 we operated more enhanced oil recovery projects in conventional oil fields than any of our major competitors and this helped us retain our industry-leading track record on reported reserves replacement. Our know-how and technologies are enabling us to maximize new resources and reawaken significant, well-established fields such as Samotlor in Russia and now Rumaila in Iraq.

Some 60% of BP's oil production is supported by water flooding – the technique of using water to help push oil out of reservoirs. By developing new technologies to increase recovery beyond conventional water flooding, such as Bright Water™ and LoSal™, we have the potential to shift today's technical limit and further improve recovery factors. We have now performed 38 Bright Water™ treatments in Alaska, Argentina and Pakistan, which have delivered an increase of more than 9 million barrels to our recoverable volumes at a development cost of less than $6 per barrel.

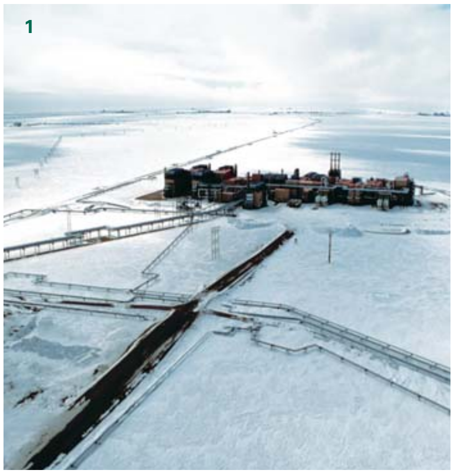
A new spirit

We continue to drive efficiency into every part of our business. Improving capital efficiency in our projects and our worldwide drilling operations illustrates our progress. In 2009, for example, we achieved a BP record launch-to-production time of 18 months with the Savonette project, in Trinidad & Tobago. This is the fourth of our 'clone' platforms, which follow a standardized design that optimizes the efficiency of each new platform.

Meanwhile, the culture of continuous improvement in our North Sea drilling team helped to move drilling performance from fourth quartile in 2007 to first quartile in 2008[a], and generated additional drilling capital efficiencies in 2009. New technology is being deployed in the North Sea too, with conductor splitting technology alone doubling the number of wells we can drill from one platform. As BP North Sea Wells vice president Morty Denholm expresses it: "Our people are now really motivated and looking forward to delivering even better performance next year."

[a] BP Drilling and Completions Global Benchmarking.

Images
1 Our Eastern Trough Area Project platform, North Sea.
2 Atlantic LNG facility, Trinidad & Tobago.
3 Operations on the Harding platform, North Sea.
4 Cassia platform, Trinidad & Tobago.

1


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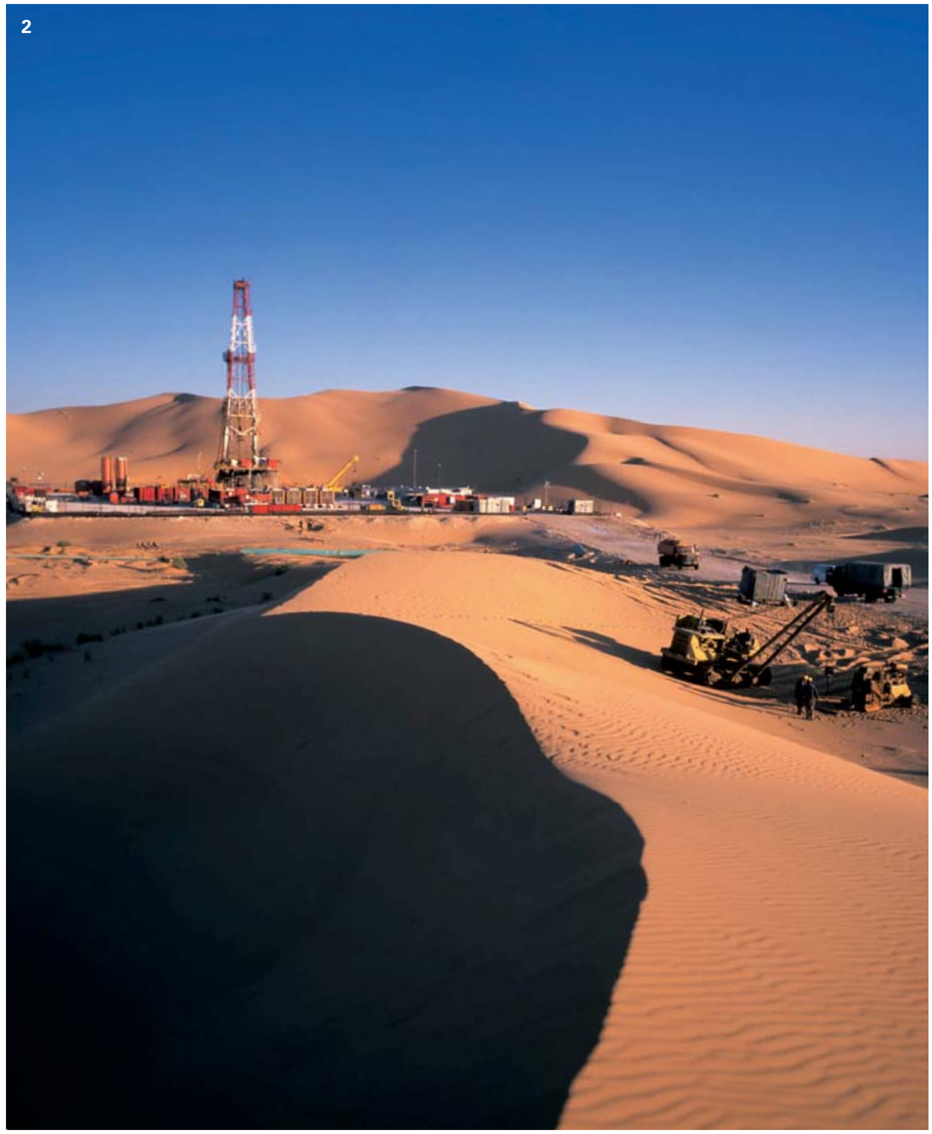

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OMS at the front line

BP's operating management system (OMS) provides us with a systematic framework for safe, reliable and efficient operations. Throughout 2009 OMS helped us to deliver continuous improvement in how we manage our people, processes, plant and performance.

From onshore facilities to offshore platforms, a total of 47 exploration and production operating sites completed their transition to OMS by the end of 2009, with the remaining seven sites on track to transition to OMS in 2010. North America Gas has led the way, with all 16 of its sites already up and running on OMS.

Ultimately, OMS is about helping BP people identify and eliminate defects and deliver tangible improvements at the front line, day after day after day. In the words of Mike Rees, production foreman at our Whitney Canyon facility: "The OMS process of identifying gaps, establishing priorities, setting targets and assigning accountabilities has streamlined our annual business planning process and is driving improvements into our system." OMS represents a step-change in operational management, but there is no finishing line. As each site transitions to OMS its focus switches to driving continuous improvement.

4


Images
1 Central gas facility, Prudhoe Bay, Alaska.
2 Rhourde El Baguel oil field, Algeria.
3 Drilling operations at the Arkoma Basin, Oklahoma, US.
4 Permian Basin, Texas, US.

Total net proved reserves 2009[a b]
(million barrels of oil equivalent)

■ **Liquids**[c]
■ **Natural gas**

2009 was our 17th consecutive year of delivering reported reserves replacement of more than 100%.

[a] Combined basis of subsidiaries and equity-accounted entities, on a basis consistent with general industry practice.
[b] On 31 December 2008 the SEC published a revision of Rule 4-10 (a) of Regulation S-X for the estimation of reserves. These revised rules form the basis of the 2009 year-end estimation of proved reserves and the application of the technical aspects resulted in an immaterial increase of less than 1% to BP's total proved reserves.
[c] Crude oil, condensate and natural gas liquids.

These technologies cover every stage in the exploration and production process, from seismic imaging to advanced control systems, and we are industry leaders in many of these areas. Through enhanced oil recovery technologies, we are pushing recovery factors to new limits. By increasing the overall recovery factor from our fields by 1%, we believe we can add 2 billion barrels of oil equivalent to our reserves.

Investing in people

It is essential that we have the right people in the right roles and a pipeline of highly capable and talented individuals for the future. We build and renew our talent pool through our global graduate programme, and in 2009 recruited more than 300 graduates. We support career development within Exploration and Production through 10-year-career road maps to professional excellence. From 2010 our new Exploration and Production learning centre in Houston, US, will provide a comprehensive learning curriculum of technical training.

Looking ahead

In 2010 we aim to use the momentum generated in 2009 to continue to improve operational, cost and capital efficiency, while ensuring we maintain our priorities of safe, reliable and efficient operations. We intend to continue to focus on building personnel and technological capability for the future. We believe our portfolio of assets is strong and well positioned to compete and grow in a range of external conditions and we will continue to grow our resource base and build people and technological capability for the future. Also in 2010, we intend to create a centralized developments organization to deliver our major projects. By bringing our project expertise into one team, we expect to continue our drive for improved capital efficiency by fully optimizing our project designs and improving project execution.

Seismic shift

Each new major discovery, like Tiber in the deepwater Gulf of Mexico in 2009, underlines the exceptional value we gain from our investment in advanced seismic technology. BP-developed technologies such as the wide azimuth towed streamer (WATS) – which uses multiple sound sources to generate richer data – are enabling us to discover reservoirs previously obscured by features such as sub-sea salt. Advanced technologies are also enabling us to generate far more accurate images of new and existing reservoirs, so we can place wells in the best locations to maximize recovery and efficiency.

As we survey at scale, costs are critical. Our proprietary independent simultaneous sweeping (ISS)[a] technique – pioneered in Oman in 2008 and deployed in Libya in 2009 – has made large-scale land surveys fast and affordable. While seismic surveying often takes place in tough terrain, from deserts to deepwater, the frontiers of data processing can be equally challenging. Our high-performance super-computing centre uses 3,000 terabytes of disk to organize and analyse survey data, 24 hours a day. This combination of higher-quality and lower-cost surveying with powerful processing is enabling us to achieve a seismic shift in exploration.

[a] ISS is a new technique developed by BP geophysicists. It enables us to survey up to 30 square kilometres of desert each day.

Unconventional thinking

Natural gas is the cleanest burning fossil fuel. It will play an important role on the pathway to a low-carbon future, especially in power generation. In the US there has been a revolution in the natural gas business in the past few years with the introduction of new technologies to produce unconventional gas – 'unconventional' because the gas is in rock formations whose geology makes production particularly difficult.

BP is an industry leader in the technical innovation required to produce unconventional gas. In the US we have successfully developed and trialled a range of pioneering technologies, including new approaches to finding and producing the gas – from advanced imaging to hydraulic fracturing and multilateral drilling. By applying our proven know-how and technologies we have also been able to access significant new resources in Oman and Jordan, and extend the life of our established fields in Algeria. Through pushing the limits of what is possible, we are helping to unlock one of the world's most valuable natural resources.

E&P in more detail
bp.com/whatwedo

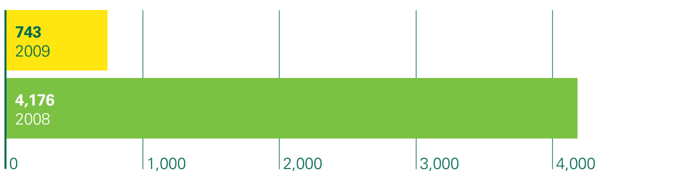
Our market
Read about key issues affecting our market on pages 8-9.

Refining and Marketing

Iain Conn

Chief Executive,
Refining and Marketing

Refining and Marketing
Results ($ million)



In 2009 the replacement cost profit before interest and tax was heavily impacted by non-operating items[a] and the significantly weaker refining environment. These adverse factors were partly offset by greatly improved operational performance and a reduction in costs of more than 15%[b].

In 2009 Refining and Marketing continued to drive forward its transformation, achieving a strong performance while maintaining its focus on safe, reliable and compliant operations. This reflects the fundamental improvements we have made to the business, which is now able to compete and win despite tough market conditions.

Highlights

- Overall performance again competitive with peers.
- All our operated refineries and petrochemicals plants now on BP's operating management system (OMS).
- Operational performance significantly improved, with both refining availability and throughput up.
- Costs reduced by more than 15%[b] across the segment.
- International businesses performing well and extending positions in emerging markets.
- Integrated fuels value chains (FVCs) delivering benefits from simplification.

[a] Non-operating items are charges and credits arising in consolidated entities that BP discloses separately because it considers such disclosures to be meaningful and relevant to investors. See footnote b on page 23 for more information.
[b] Based on Refining and Marketing's share of production and manufacturing expenses plus distribution and administration expenses.

What we do

Our Refining and Marketing business is responsible for the supply and trading, refining, manufacturing, marketing and transportation of crude oil, petroleum, petrochemicals products and related services to wholesale and retail customers. We market our products in more than 80 countries and have a particularly strong presence in Europe and North America. We also manufacture and market our products across Australasia, in China and other parts of Asia, Africa and Central and South America.

Our market

Refining margins fell sharply in 2009 as demand for oil products contracted in the wake of the global economic recession and new refining capacity was completed, mostly in Asia. During 2009 distillate inventories were consistently above the top of the range of the past five years. Gasoline inventories grew steadily and were generally at or slightly above the average level of the past five years. Overall, this led to an excess of supply over demand for oil products.

As a result, the BP global indicator refining margin – a broad measure of refining profitability – averaged $4 per barrel in 2009, down $2.50 per barrel compared with 2008. This margin decline had a significant adverse impact on our financial performance.

In our international businesses, we saw a decline in demand for lubricants due to the financial crisis. During the year we saw a partial recovery in the demand for our petrochemicals products.

Our strategy

Our purpose is to be the product- and service-led arm of BP, focused on fuels, lubricants, petrochemicals products and related services. We aim to be excellent in the markets we choose to be in – those that allow BP to serve the major energy markets of the world. We are in pursuit of competitive returns and enduring growth, as we serve customers and promote BP and our brands through quality products. Key to our continued success is holding a portfolio of quality, efficient, integrated positions and accessing available growth.

Our performance

In 2007 we identified that our financial performance lagged that of competitors. Our objective was to restore performance over a period of three to four years by focusing on achieving safe, reliable and compliant operations, restoring missing revenues and delivering sustainable competitive returns and cash flows.

Our 2009 performance has benefited from the fundamental improvements we have made – and continue to make – across the business. This includes measures taken to restore the availability of our refining system, reduce costs and simplify the organization.

Refining throughput

Refining throughput measures the average number of barrels per day we process through our refineries. In 2009 we increased our refining throughput by 132,000 barrels per day. This is the equivalent of adding a medium-sized refinery to our portfolio.

2.3 million
barrels per day

Connected, simplified, competitive

Establish one set of targets, priorities and processes for the entire regional organization, from refining to logistics, marketing, supply, trading and service stations. That was the clear but immense task facing our Australia and New Zealand (ANZ) business back in 2001, when performance failed to match expectation. In response, teams worked together to start to simplify decision-making, integrate planning between assets and clarify accountability, with the aim of creating our first integrated fuels value chain (FVC). An independent but 100%-owned back-office organization was formed to enhance customer service and reduce costs. Complex internal transfers were scrapped and our focus was on overall value-chain profitability.

These decisive actions have transformed the ANZ business, with financial performance improving considerably since the creation of the FVC. We are winning in a fast-growing regional market. We are also better positioned to address energy security, given the complexity that comes from Australia's dispersed population and demand, and the distance from supply sources. The ANZ turnaround is proving an invaluable example as we move to fully integrated FVCs across our six geographies worldwide.

Images
1 BP supply ship at Texas City refinery, US.
2 BP truck at Whinstanes Terminal, Australia.
3 *ampm* service station, US.
4 Texas City refinery, US.

Liquid innovation

From cars to ships, from steel mills to oil rigs – advanced lubricants are an essential element across industry and transport. NASA even used a Castrol fluid in a Mars probe. Given the global challenge of increasing energy efficiency while reducing emissions, lubricants are set to play an even more important role. You will already find teams at our technology centres helping to design and test the engines of tomorrow.

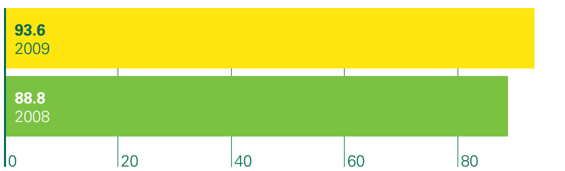
By combining technical know-how with distinctive branding, deep customer relationships and a global supply chain, BP has established itself as a key player in the lubricants market. We are now focused on enhancing our position as a high-performance brand and organization. In 2009 this meant continuing to prioritize the pursuit of industry-leading product innovation and efficiency to ensure that we provide the best possible value to our customers. We have the strongest brand loyalty in the lubricants category across our core markets[a] and we have extended our position in China, India, Brazil and Russia, with almost 30% of income generated from emerging markets in 2009. Our challenge now is to sustain success in a fast-changing market.

[a] Millward Brown.

Images
1 Castrol lubricants dealership, Vietnam.
2 Loading marine fuels, Netherlands.
3 Castrol brand packaging, in-store.
4 Castrol sponsorship, 2010 FIFA World Cup™.

Photo by Action Images

Refining availability (%)



Refining availability measures the readiness of our refineries to refine crude oil into fuels. In 2009 we increased our refining availability[a] by around five percentage points to 93.6%. This improvement enabled us to capture more of the available margin.

SECCO upgrades to meet demand in China

In 2009 our SECCO joint venture with Sinopec expanded its capacity by 25%, creating China's largest ethylene cracker, capable of producing 1.3 million tonnes of ethylene per year. The plant's exceptional scale and efficiency enables it to meet strong demand growth competitively in the heart of the world's largest market – China.

Restoration complete, improvement continues

BP's refining business is on a journey to become, and remain, the safest and most competitive in the industry.

Since the shutdown in 2005, the Texas City refinery has undergone a major transformation with 275,000 feet of piping inspected, 27 miles of steam system renovated and 200 temporary structures removed. All major units are now fully restored and, during April 2009, the site's Solomon refining availability[a] exceeded 90% for the first time in four years. To achieve this transformation, the refinery has invested more than 60 million work-hours and both replaced retired staff and added new positions, with a total of 1,000 new employees during this period.

As important as the physical rebuild of the site is the cultural change that has been achieved, reflecting a relentless focus on safe, reliable and compliant operations. Process and personal safety metrics continue to show marked improvements and the site has completed the transition to the BP OMS four months ahead of schedule. Activities are prioritized with a focus on continuing progress toward being the leader in process safety and implementing the Baker Panel recommendations. Despite this significant progress, we have further to go in rebuilding relationships with our regulators, and we are committed to doing so.

We believe our overall performance has now returned to being competitive with our supermajor peers, but that there is significant potential for further performance improvements.

Safety remains our top priority – both process and personal safety. By the end of 2009, all our operated refineries and petrochemicals plants were operating on the BP OMS. Within our US refineries, we continue to implement the recommendations of the BP US Refineries Independent Safety Review Panel (Baker Panel) and regulatory bodies. This has helped us to reduce the number of reported major incidents by 90% since 2005. We have also reduced the number of oil spills and the recordable injury frequency in our workforce to the lowest levels for 10 years, and there were no workforce fatalities associated with our operations in 2009.

Replacement cost profit before interest and tax was $0.7 billion for 2009, compared with $4.2 billion in 2008 despite refining margins being down $2.50 per barrel. The result was heavily impacted by a one-off, non-operating charge of $1.6 billion to write off all the segment's goodwill relating to BP's 2000 ARCO acquisition. This resulted from our annual review of goodwill as required under International Financial Reporting Standards and reflects the prevailing weak refining environment that, together with a review of future margin expectations in the FVC, has led to a reduction in the expected future cash flows. Despite this, our financial performance benefited from improved operational performance and costs being more than 15%[b] lower than 2008 levels. In our international businesses, performance was better than in 2008, driven by lower costs.

Our focus on operations delivered significant performance improvements in 2009. Refining availability[a] for the year was 93.6%, up around 5% from 2008. Average throughputs were up by 132,000 barrels per day in 2008, up more than 6%. 2009 also saw further significant improvements at Texas City, with a steady ramp-up of production and increasing Solomon availability each quarter. The site is now operating at its highest availability level since 2004.

Looking ahead

In 2010, although demand has stabilized, we expect the challenging economic environment to continue, with weak demand for products and pressure on margins. In response, we will continue to focus on delivering safe, reliable and compliant operations, improving the performance of our integrated FVCs businesses – particularly in the US – and driving further cost efficiencies across all our businesses. We intend to maintain investment at 2009 levels, with the largest single investment being the Whiting refinery modernization project, which will strengthen our Midwest FVC.

[a] Refining 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.
[b] Based on Refining and Marketing's share of production and manufacturing expenses plus distribution and administration expenses.

R&M in more detail
bp.com/whatwedo

Alternative Energy

Alternative Energy made good progress in 2009, focusing on four key businesses that we believe have the potential to be a material source of low-carbon energy and are aligned with BP's core capabilities.

Highlights

- Announced $55 million in biofuels joint ventures.
- 279 megawatts (MW) of wind power capacity added.
- Solar power sales up 25%.
- Funding and regulatory approvals for hydrogen power projects.

What we do

Alternative Energy comprises BP's low-carbon businesses and future growth options outside oil and gas. We are focused on four key businesses with the potential to be viable, large-scale and long-term – biofuels, wind, solar, and hydrogen power and carbon capture and storage (CCS). Since 2005 we have invested more than $4 billion in Alternative Energy, in line with our commitment to invest $8 billion by 2015.

Our performance

BP continues to invest throughout the entire biofuels value chain, from sustainable feedstocks that minimize pressure on food supplies through to the development of the advantaged fuel molecule biobutanol. We now have our first joint-venture ethanol refinery, in Brazil, and a second joint-venture facility is under construction in the UK. In 2009 we announced a $45-million investment in a joint venture with Verenium, which plans to construct a facility to produce lignocellulosic bioethanol in Florida, US. We also announced a $10-million multi-year agreement with Martek Biosciences Corporation to establish proof of concept for large-scale microbial biodiesel production through the fermentation of sugars.

Our wind business has focused its operations in the US, where we have a very strong portfolio and see the most attractive opportunities. In 2009 we added a further 279MW of capacity with the construction of two wind farms – Fowler Ridge II in Indiana and Titan I in South Dakota. This, together with the start of commercial operations at other facilities during 2009, took our total capacity in commercial operation to 711MW (1,237MW gross) – an increase of 65% over 2008.

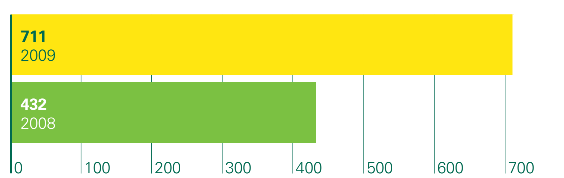
BP's solar business increased unit sales by 25% over 2008 despite a challenging solar market, with weak demand in the first half of the year and a significant decrease in module sales prices of about 40%. During 2009 we continued to restructure manufacturing activities to reduce unit cost and increase competitiveness.

BP has also played a leading role in the CCS industry for more than 10 years, and today focuses on full-scale projects and a continuing programme of research and technology development.

Our 400MW Hydrogen Power Abu Dhabi project, with partner Masdar, made progress during 2009 after its environment and social impact assessment was fully approved by Abu Dhabi's environmental regulator, an important project milestone.

BP and Rio Tinto continue to develop the Hydrogen Energy California 250MW power project with CCS, which secured $308 million of Department of Energy funding during 2009.

Net rated wind capacity at year-end (megawatts)[a]



[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.

Images
1 Fowler Ridge II wind farm, Indiana, US.
2 Tropical BioEnergia biofuels joint venture, Brazil.

Strong operational delivery

Byron Grote Chief Financial Officer
26 February 2010

Highlights

- Lower realizations and margins impacted profit.
- Strong operating performance partly offset weaker environment.
- Distribution balanced in favour of dividends.
- Scrip dividend programme proposed.

Results

As a result of significantly lower oil and gas realizations and weaker refining margins, in 2009 replacement cost profit for the year fell to $13,955 million, compared with $25,593 million in 2008.

The continued underlying business momentum from production growth, improved operational performance and lower costs partly offset the impact of this weaker environment.

Profit after inventory holding gains and losses[a] in 2009 was $16,578 million, compared with $21,157 million in 2008.

Our profit for 2009 also included a net post-tax charge for non-operating items[b] of $1,067 million, which compared with a net charge of $796 million in 2008.

As a result of the much weaker environment, our return on average capital employed on a replacement cost basis[c] was lower, at 11%, compared with 22% in 2008. Based on profit after inventory holding gains and losses, the figure was 13% (2008 18%).

Finance costs reduced in 2009 to $1,110 million, compared with $1,547 million in 2008, largely due to lower interest rates. Net finance expense relating to pensions and other post-retirement benefits was $192 million in 2009, compared with an income of $591 million in 2008. The year-on-year change primarily reflects a reduction in the expected return on pension plan assets.

In 2009 the corporate tax charge on replacement cost profit was $7,066 million, compared with $14,669 million in 2008. Taxation on profit including inventory holding gains and losses was $8,365 million in 2009, compared with $12,617 million in 2008. The group earns income in many countries and, on average, pays taxes at rates higher than the UK statutory rate of 28%. In 2009 the effective rate on a replacement cost basis was 33%, compared with 36% in 2008. This decrease in the effective tax rate reflects a higher proportion of income from associates and jointly controlled entities (where tax is included in the pre-tax group profit), foreign exchange effects and changes to the geographical mix of the group's income.

Capital expenditure and acquisitions amounted to $20,309 million in 2009, compared with $30,700 million in 2008. In 2008 this included $4,731 million in respect of our transaction with Husky Energy Inc. and $3,667 million in respect of our purchase of shale gas assets from Chesapeake Energy Corporation.

Net cash provided by operating activities for the year ended 31 December 2009 was $27,716 million, compared with $38,095 million for 2008. In addition to lower profits for the year, the reduction in net cash was adversely affected by movements in working capital and a decrease in dividends from jointly controlled entities and associates. These effects were partly offset by decreases in income taxes paid. Net cash used in investing activities was $18,133 million in 2009, compared with $22,767 million in 2008, reflecting a decrease in capital expenditure and acquisitions and an increase in disposal proceeds.

We use net debt[d] as a measure of financial gearing. Net debt was $26,161 million at the end of 2009, an increase of $1,120 million compared with 2008. We believe that a net debt ratio (net debt to net debt plus equity) of 20-30% provides an efficient capital structure and the appropriate level of financial flexibility. The net debt ratio was 20% at the end of 2009, compared with 21% at the end of 2008, so we are at the lower end of our target band.

Dividends and other distributions to shareholders

The total dividend paid to BP shareholders in 2009 was $10,483 million, compared with $10,342 million for 2008. The dividend paid per share was 56 cents, an increase of 2% compared with 2008. In sterling terms, the dividend increased 24% due to the strengthening of the dollar relative to sterling. We determine the dividend in US dollars because it is the economic currency of BP.

Our aim is to strike the right balance for our shareholders between current returns via the dividend, sustained investment for long-term growth in our business and prudent gearing. During 2008 we rebalanced our distributions away from share buybacks in favour of dividends. In 2009 no share buybacks took place.

Subject to shareholder approval at the annual general meeting on 15 April 2010, we intend to introduce an optional scrip dividend programme. This would enable shareholders to choose to receive dividends in the form of new fully paid ordinary shares in BP p.l.c. in lieu of cash. The scrip dividend programme would be available for future dividends, and would replace the company's current dividend reinvestment plans.

[a] Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost to BP of supplies incurred during the year and the cost of sales calculated on the first-in first-out method, including any changes in provisions where the net realizable value of the inventory is lower than its cost.
[b] Non-operating items are charges and credits arising in consolidated entities that BP discloses separately because it considers such disclosures to be meaningful and relevant to investors. The main categories of non-operating items included here are: impairments; gains or losses on sale of fixed assets and the sale of businesses; environmental remediation costs; restructuring, integration and rationalization costs; and changes in the fair value of embedded derivatives. These disclosures are provided in order to enable investors better to understand and evaluate the group's financial performance. Tax on non-operating items is calculated using the effective tax rate on group profit. In 2009 no tax credit has been calculated on the goodwill impairment in Refining and Marketing because the charge is not tax deductible.
[c] The return on average capital employed on a replacement basis is the ratio of replacement cost profit before interest expense and minority interest but after tax, to the average of opening and closing capital employed. Capital employed is BP shareholders' interest, plus finance debt and minority interest.
[d] Net debt equals finance debt, including 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, less cash and cash equivalents.

Our financial performance
Read about our key measures of progress on pages 6-7.

Group income statement

For the year ended 31 December	Note	2009	2008	$ million 2007
Sales and other operating revenues		**239,272**	361,143	284,365
Earnings from jointly controlled entities – after interest and tax		**1,286**	3,023	3,135
Earnings from associates – after interest and tax		**2,615**	798	697
Interest and other income		**792**	736	754
Gains on sale of businesses and fixed assets		**2,173**	1,353	2,487
Total revenues and other income		**246,138**	367,053	291,438
Purchases		**163,772**	266,982	200,766
Production and manufacturing expenses		**23,202**	26,756	24,225
Production and similar taxes		**3,752**	8,953	5,703
Depreciation, depletion and amortization		**12,106**	10,985	10,579
Impairment and losses on sale of businesses and fixed assets		**2,333**	1,733	1,679
Exploration expense		**1,116**	882	756
Distribution and administration expenses		**14,038**	15,412	15,371
Fair value (gain) loss on embedded derivatives		**(607)**	111	7
Profit before interest and taxation	2	**26,426**	35,239	32,352
Finance costs		**1,110**	1,547	1,393
Net finance expense (income) relating to pensions and other post-retirement benefits		**192**	(591)	(652)
Profit before taxation		**25,124**	34,283	31,611
Taxation		**8,365**	12,617	10,442
Profit for the year		**16,759**	21,666	21,169
Attributable to				
BP shareholders		**16,578**	21,157	20,845
Minority interest		**181**	509	324
		16,759	21,666	21,169
Earnings per share – cents				
Profit for the year attributable to BP shareholders				
Basic	4	**88.49**	112.59	108.76
Diluted	4	**87.54**	111.56	107.84

Group statement of comprehensive income

For the year ended 31 December			$ million
	2009	2008	2007
Profit for the year	**16,759**	21,666	21,169
Currency translation differences	**1,826**	(4,362)	1,887
Exchange gain on translation of foreign operations transferred to gain or loss on sale of businesses and fixed assets	**(27)**	–	(147)
Actuarial (loss) gain relating to pensions and other post-retirement benefits	**(682)**	(8,430)	1,717
Available-for-sale investments marked to market	**705**	(994)	200
Available-for-sale investments – recycled to the income statement	**2**	526	(91)
Cash flow hedges marked to market	**652**	(1,173)	155
Cash flow hedges – recycled to the income statement	**366**	45	(74)
Cash flow hedges – recycled to the balance sheet	**136**	(38)	(40)
Taxation	**525**	2,946	(276)
Other comprehensive income	**3,503**	(11,480)	3,331
Total comprehensive income	**20,262**	10,186	24,500
Attributable to			
BP shareholders	**20,137**	9,752	24,152
Minority interest	**125**	434	348
	20,262	10,186	24,500

Group statement of changes in equity

									$ million
			2009			2008			2007
	BP shareholders' equity	**Minority interest**	**Total equity**	BP shareholders' equity	Minority interest	Total equity	BP shareholders' equity	Minority interest	Total equity
At 1 January	**91,303**	**806**	**92,109**	93,690	962	94,652	84,624	841	85,465
Total comprehensive income	**20,137**	**125**	**20,262**	9,752	434	10,186	24,152	348	24,500
Dividends	**(10,483)**	**(416)**	**(10,899)**	(10,342)	(425)	(10,767)	(8,106)	(227)	(8,333)
Repurchase of ordinary share capital	**–**	**–**	**–**	(2,414)	–	(2,414)	(7,997)	–	(7,997)
Share-based payments (net of tax)	**721**	**–**	**721**	617	–	617	1,017	–	1,017
Changes in associates' equity	**(43)**	**–**	**(43)**	–	–	–	–	–	–
Minority interest buyout	**(22)**	**(15)**	**(37)**	–	(165)	(165)	–	–	–
At 31 December	**101,613**	**500**	**102,113**	91,303	806	92,109	93,690	962	94,652

Group balance sheet

At 31 December		$ million
	2009	2008
Non-current assets		
Property, plant and equipment	**108,275**	103,200
Goodwill	**8,620**	9,878
Intangible assets	**11,548**	10,260
Investments in jointly controlled entities	**15,296**	23,826
Investments in associates	**12,963**	4,000
Other investments	**1,567**	855
Fixed assets	**158,269**	152,019
Loans	**1,039**	995
Other receivables	**1,729**	710
Derivative financial instruments	**3,965**	5,054
Prepayments	**1,407**	1,338
Deferred tax assets	**516**	–
Defined benefit pension plan surpluses	**1,390**	1,738
	168,315	161,854
Current assets		
Loans	**249**	168
Inventories	**22,605**	16,821
Trade and other receivables	**29,531**	29,261
Derivative financial instruments	**4,967**	8,510
Prepayments	**1,753**	3,050
Current tax receivable	**209**	377
Cash and cash equivalents	**8,339**	8,197
	67,653	66,384
Total assets	**235,968**	228,238
Current liabilities		
Trade and other payables	**35,204**	33,644
Derivative financial instruments	**4,681**	8,977
Accruals	**6,202**	6,743
Finance debt	**9,109**	15,740
Current tax payable	**2,464**	3,144
Provisions	**1,660**	1,545
	59,320	69,793
Non-current liabilities		
Other payables	**3,198**	3,080
Derivative financial instruments	**3,474**	6,271
Accruals	**703**	784
Finance debt	**25,518**	17,464
Deferred tax liabilities	**18,662**	16,198
Provisions	**12,970**	12,108
Defined benefit pension plan and other post-retirement benefit plan deficits	**10,010**	10,431
	74,535	66,336
Total liabilities	**133,855**	136,129
Net assets	**102,113**	92,109
Equity		
Share capital	**5,179**	5,176
Reserves	**96,434**	86,127
BP shareholders' equity	**101,613**	91,303
Minority interest	**500**	806
Total equity	**102,113**	92,109

The summary financial statement on pages 1-7 and 10-33 was approved and signed by the chairman and group chief executive on 26 February 2010 having been duly authorized to do so by the board of directors.

C-H Svanberg Chairman
Dr A B Hayward Group Chief Executive

Group cash flow statement

For the year ended 31 December	**2009**	2008	2007
			$ million
Operating activities			
Profit before taxation	**25,124**	34,283	31,611
Depreciation and other similar non-cash charges	**12,859**	11,750	10,118
Earnings from equity-accounted entities, less dividends received	**(898)**	(93)	(1,359)
Net charge for interest and other finance expense, less net interest paid	**338**	(357)	(611)
Share-based payments	**450**	459	420
Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans	**(887)**	(173)	(404)
Net charge for provisions, less payments	**650**	(298)	(92)
Movements in working capital	**(3,596)**	5,348	(5,902)
Income taxes paid	**(6,324)**	(12,824)	(9,072)
Net cash provided by operating activities	**27,716**	38,095	24,709
Net cash used in investing activities	**(18,133)**	(22,767)	(14,837)
Net cash used in financing activities	**(9,551)**	(10,509)	(9,035)
Currency translation differences relating to cash and cash equivalents	**110**	(184)	135
Increase in cash and cash equivalents	**142**	4,635	972
Cash and cash equivalents at beginning of year	**8,197**	3,562	2,590
Cash and cash equivalents at end of year	**8,339**	8,197	3,562

Notes

1 Presentation of the financial statements

These summarized financial statements represent an abridged version of the financial statements in *BP Annual Report and Accounts 2009*, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as adopted for use by the European Union (EU). IFRS as adopted for use 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 years presented.

Comparative figures in the income statement have been restated to include amounts previously reported as production and manufacturing expenses of $2,427 million for 2008 and $1,690 million for 2007, which we believe are more appropriately classified as production taxes. There was no effect on the group profit for the year or the group balance sheet.

2 Analysis of replacement cost profit before interest and tax and reconciliation to profit before tax

	2009	2008	2007
			$ million
By business			
Exploration and Production	**24,800**	38,308	27,602
Refining and Marketing	**743**	4,176	2,621
Other businesses and corporate	**(2,322)**	(1,223)	(1,209)
	23,221	41,261	29,014
Consolidation adjustment	**(717)**	466	(220)
Replacement cost profit before interest and tax[a]	**22,504**	41,727	28,794
By geographical area			
US	**2,806**	10,678	5,581
Non-US	**19,698**	31,049	23,213
Replacement cost profit before interest and tax[a]	**22,504**	41,727	28,794
Inventory holding gains (losses)	**3,922**	(6,488)	3,558
Profit before interest and tax	**26,426**	35,239	32,352
Finance costs	**1,110**	1,547	1,393
Net finance expense (income) relating to pensions and other post-retirement benefits	**192**	(591)	(652)
Profit before tax	**25,124**	34,283	31,611

[a] 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. Replacement cost profit for the group is not a recognized GAAP measure.

3 Dividends

	pence per share			cents per share			$ million		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Dividends announced and paid									
Preference shares							**2**	2	2
Ordinary shares									
March	**9.818**	6.813	5.258	**14.000**	13.525	10.325	**2,619**	2,553	2,000
June	**9.584**	6.830	5.151	**14.000**	13.525	10.325	**2,619**	2,545	1,983
September	**8.503**	7.039	5.278	**14.000**	14.000	10.825	**2,620**	2,623	2,065
December	**8.512**	8.705	5.308	**14.000**	14.000	10.825	**2,623**	2,619	2,056
	36.417	29.387	20.995	**56.000**	55.050	42.300	**10,483**	10,342	8,106
Dividend announced per ordinary share, payable in March 2010	**8.679**	–	–	**14.000**	–	–	**2,626**	–	–

The group does not account for dividends until they have been paid. The accounts for the year ended 31 December 2009 do not reflect the dividend announced on 2 February 2010 and payable in March 2010; this will be treated as an appropriation of profit in the year ended 31 December 2010.

4 Earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The average number of shares outstanding 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.

For the diluted earnings per share calculation, the weighted average number of shares outstanding during the year is adjusted for the number of shares that are potentially issuable in connection with employee share-based payment plans using the treasury stock method.

5 Capital expenditure and acquisitions

		$ million
	2009	2008
By business		
Exploration and Production	**14,896**	22,227
Refining and Marketing	**4,114**	6,634
Other businesses and corporate	**1,299**	1,839
	20,309	30,700
By geographical area		
US	**9,865**	16,046
Non-US	**10,444**	14,654
	20,309	30,700

6 Directors' remuneration

			$ million
	2009	2008	2007
Total for all directors			
Emoluments	**19**	19	26
Gains made on the exercise of share options	**2**	1	2
Amounts awarded under incentive schemes	**2**	–	10

Emoluments These amounts comprise fees paid to the non-executive chairman and the non-executive directors and, for executive directors, salary and benefits earned during the relevant financial year, plus bonuses awarded for the year. Ex gratia superannuation payments of $3 million were included in 2007. Also included was compensation for loss of office of $1 million in 2008 and $1 million in 2007.
Pension contributions Three executive directors participated in a non-contributory pension scheme established for UK employees by a separate trust fund to which contributions are made by BP based on actuarial advice. Two US executive directors participated in the US BP Retirement Accumulation Plan during 2009.
Office facilities for former chairmen and deputy chairmen It is customary for the company to make available to former chairmen and deputy chairmen, who were previously employed executives, the use of office and basic secretarial facilities following their retirement. The cost involved in doing so is not significant.
More information Details of individual directors' remuneration are given in the directors' remuneration report on pages 30-31.

Independent auditor's statement

To the members of BP p.l.c.
We have examined the summary financial statement for the year ended 31 December 2009 set out on pages 1-7 and 10-33.

Respective responsibilities of directors and auditors
The directors are responsible for preparing *BP Annual Review 2009* in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within *BP Annual Review 2009* with the consolidated financial statements, the Directors' Remuneration Report and the Directors' Report, and its compliance with the relevant requirements of Section 428 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in *BP Annual Review 2009* and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement. The other information comprises only 'Our market' on pages 8-9.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our reports on the consolidated and parent company financial statements contained within *BP Annual Report and Accounts 2009* describe the basis of our opinions on those financial statements, the Directors' Remuneration Report and the Directors' Report.

Opinion
In our opinion the summary financial statement is consistent with the consolidated financial statements, the Directors' Report and the Directors' Remuneration Report of BP p.l.c. for the year ended 31 December 2009 and complies with the applicable requirements of Section 428 of the Companies Act 2006, and the regulations made thereunder.

Ernst & Young LLP
Statutory auditor
London
26 February 2010

Directors' statement

The auditor has issued unqualified reports on the consolidated and parent company financial statements, the auditable part of the Directors' Remuneration Report and on the consistency of the Directors' Report with those financial statements. Their report on the consolidated and parent company financial statements and the auditable part of the Directors' Remuneration Report contained no statement under Sections 498(2) or 498(3) of the Companies Act 2006.

Supplementary information

Crude oil production[a]

	thousand barrels per day (net of royalties)		
	2009	2008	2007
US	**665**	538	513
Europe	**208**	216	252
Russia	**840**	826	832
Rest of World	**822**	821	817
	2,535	2,401	2,414

Natural gas production[a]

	million cubic feet per day (net of royalties)		
	2009	2008	2007
US	**2,316**	2,157	2,174
Europe	**634**	782	797
Russia	**601**	564	451
Rest of World	**4,934**	4,831	4,721
	8,485	8,334	8,143

[a] Includes BP's share of production of equity-accounted entities.

Estimated net proved reserves

	2009	2008	2007
Crude oil reserves (million barrels)			
Subsidiaries	**5,658**	5,665	5,492
Equity-accounted entities	**4,853**	4,688	4,581
Natural gas reserves (billion cubic feet)			
Subsidiaries	**40,388**	40,005	41,130
Equity-accounted entities	**4,742**	5,203	3,770

Refinery throughputs

	thousand barrels per day		
	2009	2008	2007
US	**1,238**	1,121	1,064
Europe	**755**	739	758
Rest of World	**294**	295	305
	2,287	2,155	2,127
Refining availability	**93.6%**	88.8%	82.9%

Oil sales volumes

	thousand barrels per day		
	2009	2008	2007
US	**1,426**	1,460	1,533
Europe	**1,504**	1,566	1,633
Rest of World	**630**	685	640
Total marketing sales	**3,560**	3,711	3,806
Trading/supply sales	**2,327**	1,987	1,818
Total refined product sales	**5,887**	5,698	5,624
Crude oil	**1,824**	1,689	1,885
Total oil sales	**7,711**	7,387	7,509

Chemicals production

	thousand metric tonnes		
	2009	2008	2007
Total chemicals production	**12,391**	12,518	14,028

Summary directors' remuneration report

An excellent year

Dr D S Julius Chairman
Remuneration Committee
26 February 2010

Highlights

- Targets exceeded, some substantially.
- Rewards reflect achievements.
- Remuneration policy review completed.

In a volatile year for the world economy, the BP executive team produced excellent results. While salaries were frozen for all directors in 2009, the variable performance-related pay reflected the impressive achievements of the year and the turnaround of performance over the past three years. The details of executive director remuneration are set out in the table on the opposite page.

The remuneration committee sets the measures and targets for the annual bonus element of variable pay at the beginning of the year, based on the strategy and annual plan accepted by the board. The strategy is built around safety, people and performance. The measures included key safety measures (15% of bonus), staff numbers and survey results to reflect the people priorities (15%) and a set of financial and operational targets to measure performance (70%). Nearly all targets were exceeded, some substantially, with particularly strong performance on cost reduction, exploration success, production start-ups and refining performance. This overall excellent performance was also reflected in the market, where BP shareholders recorded the highest total shareholder return (TSR) of all the oil majors for the year.

The other element of variable pay is awarded in shares based on BP's performance over three years, compared with the other oil majors. Following the process approved by shareholders in the Executive Directors' Incentive Plan (EDIP), the committee first reviews the three-year TSR of BP compared with its peers and then considers a set of underlying business metrics, again in comparison with peers. When there is a difference between the two comparisons, the committee decides which level of vesting best represents BP's relative three-year performance. This year the TSR result was tightly clustered and sensitive to calculation methodology. For example, based on a three-month averaging of endpoints, BP came fourth whereas on a one-month averaging it came second. On underlying metrics, BP ranked first on four of the six reviewed (production growth, earnings per share growth, change in return on average capital employed and free cash flow) and second or third on the others (Refining and Marketing earnings per barrel and net income growth). Following the process set out in the EDIP, the committee judged BP to be tied for third place and thus shared the vesting outcome for third and fourth place to result in a vesting of 17.5% of the maximum award.

During the year the committee conducted a full review of BP's remuneration policy, and particularly the EDIP, which is being put before shareholders for renewal this year. We consulted with a number of our shareholders, reviewed the actual experience with applying EDIP rules over the past five years and considered recent developments in the marketplace. Overall we concluded that the basic structure of the EDIP remains appropriate, but that some rebalancing of elements is warranted. The key change we propose is to require a portion of the annual bonus to be deferred, paid in shares and matched after three years subject to an assessment of safety and environmental sustainability over the three-year period. This change would place more focus on the long term, highlight the importance of safety and build a larger equity stake for executives that we believe aligns their interests well with shareholders. To balance this additional bonus element, we propose to reduce the maximum award of performance shares in the renewed EDIP so as to maintain the current quantum of total remuneration. These changes are summarized in the table below.

It has been an excellent year for BP and its shareholders. In determining annual and long-term awards, the committee has recognized the very real achievements of the executive team. For the future, we believe our revised EDIP provides a sound framework with which to competitively reward our top executives for continued success in this long-term business.

Summary of future remuneration components

Salary	• Normally reviewed mid-year (no increases in 2009). Current salaries: Dr Hayward £1,045,000, Mr Conn £690,000, Mr Dudley \$1,000,000, Dr Grote \$1,380,000, Mr Inglis £690,000.
Bonus	• On-target bonus of 150% of salary and maximum of 225% of salary based on performance relative to targets set at start of year relating to financial and operational metrics.
Deferred bonus and match	• One-third of actual bonus awarded as shares with three-year deferral, with ability to voluntarily defer an additional one-third. • All deferred shares matched one-for-one, both subject to an assessment of safety and environmental performance over the three-year period.
Performance shares	• Following EDIP renewal, award of shares of up to 5.5 times salary for group chief executive, 4.75 times for the chief executive of Exploration and Production, and 4 times for other executive directors. • Vesting after three years based on performance relative to other oil majors. • Three-year retention period after vesting before release of shares.
Pension	• Final salary scheme appropriate to home country of executive.

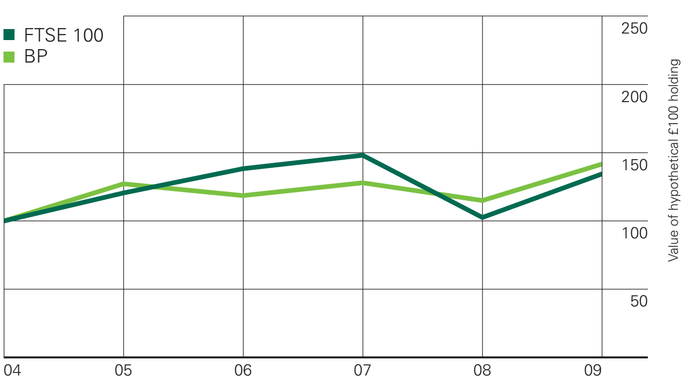
Summary of annual remuneration of executive directors in 2009[a]

	Annual remuneration								Long-term remuneration				
									Share element of EDIP				
									2006-2008 plan (vested in Feb 2009)		**2007-2009 plan (vested in Feb 2010)**		2009-2011 plan
	Salary[b] (thousand)		Annual performance bonus (thousand)		Non-cash benefits and other emoluments (thousand)		Total (thousand)		Actual[c] shares vested	Value[d] (thousand)	Actual[c] shares vested	Value[e] (thousand)	Potential maximum performance shares[f]
	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**					
Dr A B Hayward	£998	**£1,045**	£1,496	**£2,090**	£15	**£23**	£2,509	**£3,158**	66,136	£336	147,985	£852	1,182,540
I C Conn	£670	**£690**	£871	**£1,104**	£45	**£46**	£1,586	**£1,840**	66,136	£336	95,697	£551	780,816
R W Dudley[g h]	n/a	**$750**	n/a	**$1,125**	n/a	**$304**[i]	n/a	**$2,179**	n/a	n/a	n/a	n/a	539,634
Dr B E Grote[g]	$1,340	**$1,380**	$1,742	**$2,070**	$8	**$8**	$3,090	**$3,458**	80,231	$603	101,502[e]	$933	992,928
A G Inglis	£670	**£690**	£1,173	**£1,311**	£212	**£216**[j i]	£2,055	**£2,217**	54,994	£279	83,859	£483	780,816

Amounts shown are in the currency received by executive directors. Annual bonuses are shown in the year they were earned.

[a] This information has been subject to audit.
[b] Figures show the total salary received during the calendar year. The last salary increase was in July 2008.
[c] Includes shares representing reinvested dividends received on the shares that vested at the end of the performance period.
[d] Based on market price on vesting date (£5.08 per share/$45.13 per ADS).
[e] Based on market price on vesting date (£5.76 per share/$55.17 per ADS).
[f] Maximum potential shares that could vest at the end of the three-year period depending on performance.
[g] Dr Grote and Mr Dudley hold shares in the form of ADSs. The above number reflects calculated equivalent in ordinary shares.
[h] Reflects remuneration received by Mr Dudley since appointment as executive director on 6 April 2009.
[i] This amount includes costs of London accommodation and any tax liability thereon.
[j] In addition to this amount, under a tax equalization arrangement, BP discharged a US tax liability arising from the participation by Mr Inglis in the UK pension scheme amounting to $90,314.

Historical TSR performance



This graph shows the growth in value of a hypothetical £100 holding in BP p.l.c. ordinary shares over five years, relative to the FTSE 100 Index (of which the company is a constituent). The values of the hypothetical £100 holdings at the end of the five-year period were £141.75 and £134.58 respectively.

Remuneration of non-executive directors in 2009[a]

		£ thousand
	2008	**2009**
P D Sutherland	600	**600**
A Burgmans	90	**93**
Sir William Castell	108	**115**
C B Carroll	93	**90**
G David[b]	100	**118**
E B Davis, Jr	105	**105**
D J Flint	90	**85**
Dr D S Julius	110	**105**
Sir Ian Prosser	170	**165**
C-H Svanberg[c]	n/a	**30**
Directors leaving the board in 2009		
Sir Tom McKillop	95	**33**

[a] This information has been subject to audit.
[b] Also received £4,166 for serving as a member of BP's technology advisory committee.
[c] Appointed on 1 September 2009.

While fees were held at 2008 levels, in 2009 actual fees paid to non-executive directors were affected by changes in committee membership and the number of transatlantic meetings for which an attendance allowance was paid.

In 2009 the chairman reviewed non-executive director remuneration taking into account the review completed in 2008. The chairman made a recommendation to the board (which was agreed) to maintain the 2008 structure until a further review in 2010.

Board of directors

Carl-Henric Svanberg
Chairman
Chairman of the chairman's and the nomination committees and attends meetings of the remuneration committee

Non-executive directors

Sir Ian Prosser
Deputy Chairman
Member of the chairman's, the nomination and the remuneration committees and chairman of the audit committee

Paul Anderson
Member of the chairman's and the safety, ethics and environment assurance committees

Antony Burgmans, KBE
Member of the chairman's, the remuneration and the safety, ethics and environment assurance committees

Cynthia B Carroll
Member of the chairman's and the safety, ethics and environment assurance committees

Sir William Castell, LVO
Member of the chairman's and the nominations committees and chairman of the safety, ethics and environment assurance committee

George David
Member of the chairman's, the audit and the remuneration committees

Erroll B Davis, Jr
Member of the chairman's, the audit and the safety, ethics and environment assurance committees

Douglas J Flint, CBE
Member of the chairman's and the audit committees

Dr DeAnne S Julius, CBE
Member of the chairman's and the nomination committees and chairman of the remuneration committee

Executive directors

Dr Anthony B Hayward
Group Chief Executive

Iain C Conn
Chief Executive, Refining and Marketing

Robert W Dudley
Managing Director, Asia and the Americas

Dr Byron E Grote
Chief Financial Officer

Andrew G Inglis
Chief Executive, Exploration and Production

Changes to the board

Mr C-H Svanberg was appointed as a director and chairman designate on 1 September 2009 and appointed chairman on 1 January 2010 on the retirement of Mr P D Sutherland. Mr P Anderson was appointed as a director on 1 February 2010. Sir Tom McKillop resigned as a director on 16 April 2009.

At the company's 2009 annual general meeting the following directors retired, offered themselves for election/re-election and were duly elected/re-elected: Mr A Burgmans; Mrs C B Carroll; Sir William Castell; Mr I C Conn; Mr G David; Mr E B Davis, Jr; Mr R W Dudley; Mr D J Flint; Dr B E Grote; Dr A B Hayward; Mr A G Inglis; Dr D S Julius; Sir Ian Prosser and Mr P D Sutherland.

Mr I E L Davis has been appointed as a director with effect from 2 April 2010.

All the directors, including Mr Davis, will offer themselves for election/re-election at the company's 2010 annual general meeting.

Company secretary

David Jackson (57) was appointed company secretary in 2003. A solicitor, he is a director of BP Pension Trustees Limited and a member of the Listing Authorities Advisory Committee.

Information for shareholders

Annual general meeting

The 2010 annual general meeting will be held on Thursday, 15 April 2010 at 11.30 a.m. at ExCeL London, One Western Gateway, Royal Victoria Dock, London E16 1XL. A separate notice convening the meeting is distributed to shareholders, which includes an explanation of the items of special business to be considered at the meeting.

All resolutions of which notice has been given will be decided on a poll.

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution for their reappointment is included in *Notice of BP Annual General Meeting 2010*.

Dividends

We currently announce dividends on our ordinary shares in US dollars and state an equivalent sterling dividend. The rate of exchange used to determine the sterling amount equivalent is the average of the forward exchange rate in London over the five business days prior to the announcement date. Dividends are normally paid in March, June, September and December. Holders of ordinary shares receive their dividends in sterling; holders of ADSs receive their dividends in US dollars. One ADS represents six ordinary shares.

Subject to shareholder approval at the annual general meeting on 15 April, an optional scrip dividend programme, allowing shareholders to choose to receive dividends in the form of new fully paid shares or ADSs in BP p.l.c. instead of cash, will be available for future dividends. If approved, the requirements of the programme mean that there will be certain changes to our current dividend timetable. The programme would replace the company's current dividend reinvestment plans.

More information

For more information on holding BP shares or ADSs, our investor centre at *www.bp.com/investor* contains information that you may find helpful regarding your investment in BP.

BP Annual Review 2009 contains a summary of certain information in *BP Annual Report and Accounts 2009*. For a full understanding of the results and state of affairs of BP and of its policies and arrangements concerning directors' remuneration, please see *BP Annual Report and Accounts 2009*.

To change how you receive shareholder documents, or if you have any queries about the administration of shareholdings, you should contact Equiniti (ordinary and preference shareholders) or JPMorgan (ADS holders). See *www.bp.com/shareholderservices* for more information.

Reports and publications

BP's reports and publications are available to view online or download from *www.bp.com/annualreview*.

Annual Report and Accounts
Read details of our financial and operating performance in *BP Annual Report and Accounts 2009* in print or online.
www.bp.com/annualreport

Sustainability Review
Read the summary *BP Sustainability Review 2009* in print or read more online from April 2010.
www.bp.com/sustainability

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