

BP PLC  
Form 6-K  
July 29, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 6-K**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of**

**the Securities Exchange Act of 1934**

**for the period ended 30 June 2014**

**Commission File Number 1-06262**

**BP p.l.c.**

**(Translation of registrant's name into English)**

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

**(Address of principal executive offices)**

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

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN POST-EFFECTIVE AMENDMENT NO. 2 TO THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-179953) OF BP CAPITAL MARKETS p.l.c. AND BP p.l.c.; THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103924) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123482) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123483) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131584) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-132619) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146870) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146873) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-149778) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-173136) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-177423) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-179406) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-186462) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-186463) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.



**BP p.l.c. AND SUBSIDIARIES**

**FORM 6-K FOR THE PERIOD ENDED 30 JUNE 2014<sup>(a)</sup>**

	<b>Page</b>
1. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations for the period January-June 2014<sup>(b)</sup></u>	3 12, 35 40
2. <u>Consolidated Financial Statements including Notes to Consolidated Financial Statements for the period January-June 2014</u>	13 34
3. <u>Principal risks and uncertainties</u>	41 47
4. <u>Legal proceedings</u>	48 50
5. <u>Other matters</u>	50
6. <u>Cautionary statement</u>	51
7. <u>Computation of Ratio of Earnings to Fixed Charges</u>	52
8. <u>Capitalization and Indebtedness</u>	53
9. <u>Signatures</u>	54

- (a) In this Form 6-K, references to the first half 2014 and first half 2013 refer to the six-month periods ended 30 June 2014 and 30 June 2013 respectively. References to second quarter 2014 and second quarter 2013 refer to the three-month periods ended 30 June 2014 and 30 June 2013 respectively.
- (b) This discussion should be read in conjunction with the consolidated financial statements and related notes provided elsewhere in this Form 6-K and with the information, including the consolidated financial statements and related notes, in BP's Annual Report on Form 20-F for the year ended 31 December 2013.

## Group results second quarter and half year 2014

Second quarter 2013	Second quarter 2014	\$ million	First half 2014	First half 2013
94,711	93,957	Sales and other operating revenues	185,667	188,818
2,042	3,369	Profit for the period <sup>(a)</sup>	6,897	18,905
358	(187)	Inventory holding (gains) losses*, net of tax	(240)	91
2,400	3,182	Replacement cost profit*	6,657	18,996
312	453	Net (favourable) unfavourable impact of non-operating items* and fair value accounting effects*, net of tax	203	(12,069)
2,712	3,635	Underlying replacement cost profit*	6,860	6,927
10.73	18.26	Profit per ordinary share (cents)	37.35	99.07
0.64	1.10	Profit per ADS (dollars)	2.24	5.94
12.62	17.25	Replacement cost profit per ordinary share (cents)	36.05	99.55
0.76	1.03	Replacement cost profit per ADS (dollars)	2.16	5.97
14.26	19.71	Underlying replacement cost profit per ordinary share (cents)	37.15	36.30
0.86	1.18	Underlying replacement cost profit per ADS (dollars)	2.23	2.18

BP's profit for the second quarter and half year was \$3,369 million and \$6,897 million respectively, compared with \$2,042 million and \$18,905 million for the same periods a year ago. BP's second-quarter replacement cost (RC) profit was \$3,182 million, compared with \$2,400 million a year ago. After adjusting for a net charge for non-operating items of \$481 million and net favourable fair value accounting effects of \$28 million (both on a post-tax basis), underlying RC profit for the second quarter 2014 was \$3,635 million, compared with \$2,712 million for the same period in 2013. For the half year, RC profit was \$6,657 million, compared with \$18,996 million a year ago which included a \$12.5-billion gain relating to the disposal of our interest in TNK-BP. After adjusting for a net charge for non-operating items of \$257 million and net favourable fair value accounting effects of \$54 million (both on a post-tax basis), underlying RC profit for the half year was \$6,860 million, compared with \$6,927 million for the same period last year. RC profit or loss for the group, underlying RC profit or loss and fair value accounting effects are non-GAAP measures and further information is provided on pages 5 and 37.

All amounts relating to the Gulf of Mexico oil spill have been treated as non-operating items, with a net pre-tax charge of \$260 million for the quarter and \$299 million for the half year. For further information on the Gulf of Mexico oil spill and its consequences, including information on utilization of the Deepwater Horizon Oil Spill Trust fund, see page 12 and Note 2 on page 18. See also Principal risks and uncertainties on page 41 and Legal proceedings on page 48.

Including the impact of the Gulf of Mexico oil spill, net cash provided by operating activities for the quarter and half year was \$7.9 billion and \$16.1 billion respectively, compared with \$5.4 billion and \$9.4 billion for the same periods in 2013. Excluding amounts related to the Gulf of Mexico oil spill, net cash provided by operating activities for the second quarter and half year was \$7.6 billion and \$16.5 billion respectively, compared with \$5.2 billion and \$9.5 billion respectively for the same periods in 2013.

## Edgar Filing: BP PLC - Form 6-K

Gross debt at the end of the quarter was \$52.9 billion compared with \$47.0 billion a year ago. The ratio of gross debt to gross debt plus equity was 28.5%, compared with 26.5% a year ago. Net debt at 30 June 2014 was \$24.4 billion, compared with \$18.2 billion a year ago. The ratio of net debt to net debt plus equity at 30 June 2014 was 15.5%, compared with 12.3% a year ago. Net debt and the ratio of net debt to net debt plus equity are non-GAAP measures. See page 27 for more information.

Total capital expenditure on an accruals basis for the second quarter was \$5.6 billion, almost all of which was organic\*. For the half year, total capital expenditure on an accruals basis was \$11.7 billion, of which organic capital expenditure was \$11.0 billion.

In October 2013, BP announced plans to divest a further \$10 billion of assets before the end of 2015, having completed its earlier divestment programme of \$38 billion in 2012. BP has agreed around \$3.4 billion of such further divestments to date. Disposal proceeds received in cash were \$0.8 billion for the quarter and \$1.8 billion for the half year.

BP today announced a quarterly dividend of 9.75 cents per ordinary share (\$0.585 per ADS), which is expected to be paid on 19 September 2014. The corresponding amount in sterling will be announced on 9 September 2014. See page 27 for further information.

\* For items marked with an asterisk throughout this document, definitions are provided in the Glossary on page 39.

(a) Profit attributable to BP shareholders.

*The commentaries above and following should be read in conjunction with the cautionary statement on page 51.*

**Group headlines (continued)**

The effective tax rate (ETR) on the profit for the second quarter and half year was 33% and 32% respectively, compared with 48% and 20% for the same periods in 2013. The ETR on RC profit for the second quarter and half year was 34% and 32% respectively, compared with 46% and 20% for the same periods in 2013. Adjusting for non-operating items and fair value accounting effects, the underlying ETR in the second quarter and half year was 33% for both periods, compared with 45% and 41% for the same periods in 2013. The underlying ETR was higher in 2013 due to foreign exchange impacts on deferred tax and a lower level of equity-accounted earnings (which are reported net of tax), compared with the corresponding periods in 2014.

Finance costs and net finance expense relating to pensions and other post-retirement benefits were a charge of \$356 million for the second quarter, compared with \$369 million for the same period in 2013. For the half year, the respective amounts were \$723 million and \$773 million.

BP repurchased 53 million ordinary shares at a cost of \$0.5 billion, including fees and stamp duty, during the second quarter of 2014. For the half year, BP repurchased 298 million ordinary shares at a cost of \$2.4 billion, including fees and stamp duty. As at 30 June 2014, BP had bought back 1,051 million shares for a total amount of \$7.9 billion, including fees and stamp duty, since the announcement on 22 March 2013 of a share repurchase programme with a total value of up to \$8 billion. The \$8-billion share repurchase programme was completed in July 2014.

**Analysis of RC profit before interest and tax  
and reconciliation to profit for the period**

Second quarter 2013	Second quarter 2014	\$ million	First half 2014	First half 2013
		<b>RC profit before interest and tax*</b>		
4,400	<b>4,049</b>	Upstream	<b>8,708</b>	9,962
1,016	<b>933</b>	Downstream	<b>1,727</b>	2,663
		TNK-BP <sup>(a)</sup>		12,500
218	<b>1,024</b>	Rosneft <sup>(b)</sup>	<b>1,542</b>	303
(573)	<b>(434)</b>	Other businesses and corporate	<b>(931)</b>	(1,040)
(199)	<b>(251)</b>	Gulf of Mexico oil spill response <sup>(c)</sup>	<b>(280)</b>	(221)
129	<b>(76)</b>	Consolidation adjustment UPII*	<b>14</b>	556
4,991	<b>5,245</b>	RC profit before interest and tax	<b>10,780</b>	24,723
(369)	<b>(356)</b>	Finance costs and net finance expense relating to pensions and other post-retirement benefits	<b>(723)</b>	(773)
(2,138)	<b>(1,643)</b>	Taxation on a RC basis	<b>(3,245)</b>	(4,791)
(84)	<b>(64)</b>	Non-controlling interests	<b>(155)</b>	(163)
2,400	<b>3,182</b>	RC profit attributable to BP shareholders	<b>6,657</b>	18,996
(506)	<b>258</b>	Inventory holding gains (losses)	<b>360</b>	(100)
148	<b>(71)</b>	Taxation (charge) credit on inventory holding gains and losses	<b>(120)</b>	9
2,042	<b>3,369</b>	Profit for the period attributable to BP shareholders	<b>6,897</b>	18,905

(a) BP ceased equity accounting for its share of TNK-BP's earnings from 22 October 2012. First half 2013 includes the gain arising on disposal of BP's interest in TNK-BP.

(b) BP's investment in Rosneft is accounted under the equity method from 21 March 2013. See page 10 for further information.

(c) See Note 2 on page 18 for further information on the accounting for the Gulf of Mexico oil spill response.

**Analysis of underlying RC profit before interest and tax**

Second quarter 2013	Second quarter 2014	\$ million	First half 2014	First half 2013
		<b>Underlying RC profit before interest and tax*</b>		
4,288	<b>4,655</b>	Upstream	<b>9,056</b>	9,990
1,201	<b>733</b>	Downstream	<b>1,744</b>	2,842
218	<b>1,024</b>	Rosneft	<b>1,295</b>	303
(438)	<b>(438)</b>	Other businesses and corporate	<b>(927)</b>	(899)
129	<b>(76)</b>	Consolidation adjustment UPII	<b>14</b>	556

# Edgar Filing: BP PLC - Form 6-K

5,398	<b>5,898</b>	Underlying RC profit before interest and tax	<b>11,182</b>	12,792
(359)	<b>(347)</b>	Finance costs and net finance expense relating to pensions and other post-retirement benefits	<b>(704)</b>	(753)
(2,243)	<b>(1,852)</b>	Taxation on an underlying RC basis	<b>(3,463)</b>	(4,949)
(84)	<b>(64)</b>	Non-controlling interests	<b>(155)</b>	(163)
2,712	<b>3,635</b>	Underlying RC profit attributable to BP shareholders	<b>6,860</b>	6,927

Reconciliations of underlying RC profit or loss to the nearest equivalent IFRS measure are provided on page 3 for the group and on pages 6-11 for the segments.



# Upstream

Second quarter 2013	Second quarter 2014		First half 2014	First half 2013
		\$ million		
16,418	16,739	Sales and other operating revenues	33,745	34,636
4,396	4,048	Profit before interest and tax	8,701	9,956
4	1	Inventory holding (gains) losses*	7	6
4,400	4,049	RC profit before interest and tax	8,708	9,962
(112)	606	Net (favourable) unfavourable impact of non-operating items* and fair value accounting effects*	348	28
4,288	4,655	Underlying RC profit before interest and tax <sup>(a)</sup>	9,056	9,990

(a) See page 7 for a reconciliation to segment RC profit before interest and tax by region.

## Financial results

Sales and other operating revenues for the second quarter and half year were \$17 billion and \$34 billion respectively, compared with \$16 billion and \$35 billion for the corresponding periods in 2013. For the second quarter, revenues were higher mainly due to higher realizations and higher gas marketing and trading revenues, partially offset by lower volumes. For the half year, the reduction was mainly due to lower volumes partially offset by higher gas marketing and trading revenues.

The replacement cost profit before interest and tax for the second quarter and half year was \$4,049 million and \$8,708 million respectively, compared with \$4,400 million and \$9,962 million for the same periods in 2013. The second quarter and half year included a net non-operating charge of \$516 million and \$240 million respectively, compared with a net non-operating gain of \$143 million and \$63 million a year ago. Fair value accounting effects in the second quarter and half year had unfavourable impacts of \$90 million and \$108 million respectively, compared with unfavourable impacts of \$31 million and \$91 million in the same periods of 2013.

After adjusting for non-operating items and fair value accounting effects, the underlying replacement cost profit before interest and tax for the second quarter and half year was \$4,655 million and \$9,056 million respectively, compared with \$4,288 million and \$9,990 million for the same periods in 2013. The result for the second quarter reflected higher production in higher-margin areas and higher liquids and gas realizations, partly offset by higher costs, primarily depreciation, depletion and amortization and wellwork, and the impact of divestments. The result for the first half reflected the same factors as the second quarter, with the exception of liquids realizations, which were lower, the impact of higher exploration write-offs, mainly in the first quarter, and a benefit from stronger gas marketing and trading activities, again mainly in the first quarter.

## Production

Reported production for the quarter was 2,106mboe/d, 6% lower than the second quarter of 2013. Underlying production\* for the quarter was 3.1% higher. This reflected growth in production from higher-margin areas, mainly driven by strong performance in the Gulf of Mexico. For the first half, production was 2,118mboe/d, 7.3% lower than in the same period of 2013. First-half underlying production was 1.4% higher than in 2013.

## Key events

## Edgar Filing: BP PLC - Form 6-K

In May, Rosneft and BP signed a heads of agreement that provides for implementation of a joint pilot project relating to the Domanik formations in Central Russia's Volga-Urals region and, in the event of success, the possible development of unconventional Domanik resources.

In June, production commenced from the CLOV (Cravo, Lirio, Orquidea and Violeta) major project in Angola (BP 16.67%). This is the fifth major project start-up in 2014.

Also in June, BP and the China National Offshore Oil Corporation (CNOOC) announced a heads of agreement for BP to supply up to 1.5 million tonnes of liquefied natural gas (LNG) per year over 20 years starting in 2019.

Furthermore, BP and Pantera Acquisition Group, LLC (Pantera) signed an agreement under which Pantera has agreed to acquire BP's interests in the Panhandle West and Texas Hugoton gas fields for a purchase price of \$390 million.

### **Outlook**

Looking ahead, we expect third-quarter 2014 reported production to be lower than the second quarter, primarily reflecting planned major turnaround and seasonal maintenance activities in Alaska and the Gulf of Mexico. We expect the seasonal reduction to be slightly larger than we experienced in the same quarters of 2013 due to phasing of these activities.

See also Note 1 on page 18.

*The commentary above contains forward-looking statements and should be read in conjunction with the cautionary statement on page 51.*

## Upstream

Second quarter 2013	Second quarter 2014	\$ million	First half 2014	First half 2013
<b>Underlying RC profit before interest and tax<sup>(a)</sup></b>				
561	<b>1,419</b>	US <sup>(b)</sup>	<b>2,150</b>	1,515
3,727	<b>3,236</b>	Non-US <sup>(c)</sup>	<b>6,906</b>	8,475
4,288	<b>4,655</b>		<b>9,056</b>	9,990
<b>Non-operating items</b>				
62	<b>(72)</b>	US	<b>(131)</b>	56
81	<b>(444)</b>	Non-US	<b>(109)</b>	7
143	<b>(516)</b>		<b>(240)</b>	63
<b>Fair value accounting effects</b>				
(33)	<b>(31)</b>	US	<b>(80)</b>	(73)
2	<b>(59)</b>	Non-US	<b>(28)</b>	(18)
(31)	<b>(90)</b>		<b>(108)</b>	(91)
<b>RC profit before interest and tax<sup>(a)</sup></b>				
590	<b>1,316</b>	US	<b>1,939</b>	1,498
3,810	<b>2,733</b>	Non-US	<b>6,769</b>	8,464
4,400	<b>4,049</b>		<b>8,708</b>	9,962
<b>Exploration expense</b>				
85	<b>68</b>	US <sup>(d)</sup>	<b>727</b>	165
349	<b>321</b>	Non-US	<b>610</b>	591
434	<b>389</b>		<b>1,337</b>	756
<b>Production (net of royalties)<sup>(e)</sup></b>				
<b>Liquids* (mb/d)</b>				
335	<b>429</b>	US	<b>413</b>	351
97	<b>92</b>	Europe	<b>99</b>	106
732	<b>562</b>	Rest of World	<b>572</b>	722
1,165	<b>1,083</b>		<b>1,084</b>	1,179
297	<b>160</b>	Of which equity-accounted entities	<b>171</b>	297
<b>Natural gas (mmcf/d)</b>				
1,573	<b>1,525</b>	US	<b>1,502</b>	1,553
286	<b>166</b>	Europe	<b>182</b>	307
4,386	<b>4,244</b>	Rest of World	<b>4,317</b>	4,558

Edgar Filing: BP PLC - Form 6-K

6,244	<b>5,936</b>		<b>6,001</b>	6,418
423	<b>422</b>	Of which equity-accounted entities	<b>435</b>	410
<b>Total hydrocarbons*</b> (mboe/d)				
606	<b>692</b>	US	<b>672</b>	618
147	<b>121</b>	Europe	<b>130</b>	159
1,488	<b>1,293</b>	Rest of World	<b>1,316</b>	1,508
2,241	<b>2,106</b>		<b>2,118</b>	2,285
370	<b>233</b>	Of which equity-accounted entities	<b>246</b>	368
<b>Average realizations<sup>(f)</sup></b>				
94.92	<b>96.90</b>	Total liquids (\$/bbl)	<b>97.03</b>	99.08
5.37	<b>5.67</b>	Natural gas (\$/mcf)	<b>5.94</b>	5.45
61.27	<b>64.90</b>	Total hydrocarbons (\$/boe)	<b>65.53</b>	63.23

- (a) A minor amendment has been made to the analysis by region for the comparative periods in 2013.
- (b) The increase in the second quarter 2014 compared with the second quarter 2013 primarily reflects higher production in the Gulf of Mexico and higher realizations.
- (c) The decrease in the second quarter 2014 compared with the second quarter 2013 primarily reflects higher costs, mainly depreciation, depletion and amortization, and the impact of divestments, partly offset by higher realizations.
- (d) Following on from the decision to create a separate BP business around our US lower 48 onshore oil and gas activities, and as a consequence of disappointing appraisal results, we have decided not to proceed with development plans in the Utica shale. First half 2014 includes a \$521-million write-off relating to the Utica acreage.
- (e) Includes BP's share of production of equity-accounted entities in the Upstream segment.
- (f) Based on sales by consolidated subsidiaries only - this excludes equity-accounted entities.
- Because of rounding, some totals may not agree exactly with the sum of their component parts.

### Downstream

Second quarter 2013	Second quarter 2014		First half 2014	First half 2013
		\$ million		
88,348	<b>86,871</b>	Sales and other operating revenues	<b>171,169</b>	175,132
501	<b>1,166</b>	Profit before interest and tax	<b>2,037</b>	2,556
515	<b>(233)</b>	Inventory holding (gains) losses*	<b>(310)</b>	107
1,016	<b>933</b>	RC profit before interest and tax	<b>1,727</b>	2,663
185	<b>(200)</b>	Net (favourable) unfavourable impact of non-operating items* and fair value accounting effects*	<b>17</b>	179
1,201	<b>733</b>	Underlying RC profit before interest and tax <sup>*(a)</sup>	<b>1,744</b>	2,842

(a) See page 9 for a reconciliation to segment RC profit before interest and tax by region and by business.

#### Financial results

Sales and other operating revenues for the second quarter and half year were \$87 billion and \$171 billion respectively, compared with \$88 billion and \$175 billion for the corresponding periods in 2013. The reduction in the second quarter and half year was mainly due to lower sales volumes. In the second quarter these were largely offset by higher prices.

The replacement cost profit before interest and tax for the second quarter and half year was \$933 million and \$1,727 million respectively, compared with \$1,016 million and \$2,663 million for the same periods in 2013.

The 2014 results included net non-operating gains of \$50 million for the second quarter and a net non-operating charge of \$228 million for the half year, compared with net non-operating charges of \$323 million and \$304 million for the same periods a year ago (see pages 9 and 36 for further information on non-operating items). The second-quarter net non-operating gains are principally associated with divestments in the fuels and lubricants businesses, and the charges for the half year reflect an impairment relating to the announced halt of the refining operations at the Bulwer refinery in Australia, planned for 2015. Fair value accounting effects had favourable impacts of \$150 million for the second quarter and \$211 million for the half year, compared with \$138 million for the second quarter and \$125 million for the half year of 2013.

After adjusting for non-operating items and fair value accounting effects, the underlying replacement cost profit before interest and tax for the second quarter and half year was \$733 million and \$1,744 million respectively, compared with \$1,201 million and \$2,842 million a year ago.

Replacement cost profit before interest and tax for the fuels, lubricants and petrochemicals businesses is set out on page 9.

#### Fuels business

The fuels business delivered an underlying replacement cost profit before interest and tax of \$516 million for the second quarter and \$1,216 million for the half year, compared with \$853 million and \$2,090 million for the same periods in 2013. The lower result in the first half was principally due to significantly weaker refining margins in both the quarter and half year and a lower contribution from supply and trading in the second quarter. These impacts were partially offset by significantly higher production at the Whiting refinery due to the commissioning of its largest crude unit which had a planned outage in the same period last year, and associated processing of heavy crude. Heavy crude processing reached a peak of 270,000 barrels per day during the quarter.

**Lubricants business**

The lubricants business delivered an underlying replacement cost profit before interest and tax of \$315 million in the second quarter and \$622 million in the half year, compared with \$372 million and \$717 million in the same periods last year. The lower result was due to restructuring programmes and foreign exchange effects. The positive long-term performance trend continues to reflect execution of our strategy, including delivery from our premium brands and focus on high growth markets.

**Petrochemicals business**

The petrochemicals business incurred an underlying replacement cost loss before interest and tax of \$98 million in the second quarter and \$94 million in the half year, compared with \$24 million and an underlying replacement cost profit before interest and tax of \$35 million, respectively, in the same periods last year. The loss was principally due to environmental factors, especially in the aromatics business, as excess supply in Asia and high xylene prices in the US created downward pressures on product margins.

**Outlook**

In the third quarter, in the fuels business we expect stronger margin capture relative to the second quarter, driven by a lower level of turnarounds and Whiting operations. In the petrochemicals business the challenging environment is expected to continue, but we should benefit from a lower level of turnarounds.

*The commentary above contains forward-looking statements and should be read in conjunction with the cautionary statement on page 51.*

# Downstream

Second quarter 2013	Second quarter 2014	\$ million		First half 2014	First half 2013
<b>Underlying RC profit before interest and tax by region</b>					
557	331	US		743	1,307
644	402	Non-US		1,001	1,535
1,201	733			1,744	2,842
<b>Non-operating items</b>					
(17)	180	US		179	11
(306)	(130)	Non-US		(407)	(315)
(323)	50			(228)	(304)
<b>Fair value accounting effects</b>					
219	206	US		297	154
(81)	(56)	Non-US		(86)	(29)
138	150			211	125
<b>RC profit before interest and tax</b>					
759	717	US		1,219	1,472
257	216	Non-US		508	1,191
1,016	933			1,727	2,663
<b>Underlying RC profit (loss) before interest and tax by business<sup>(a)(b)</sup></b>					
853	516	Fuels		1,216	2,090
372	315	Lubricants		622	717
(24)	(98)	Petrochemicals		(94)	35
1,201	733			1,744	2,842
<b>Non-operating items and fair value accounting effects<sup>(c)</sup></b>					
(188)	15	Fuels		(202)	(177)
3	186	Lubricants		186	(2)
	(1)	Petrochemicals		(1)	
(185)	200			(17)	(179)
<b>RC profit (loss) before interest and tax<sup>(a)(b)</sup></b>					
665	531	Fuels		1,014	1,913
375	501	Lubricants		808	715
(24)	(99)	Petrochemicals		(95)	35
1,016	933			1,727	2,663

Edgar Filing: BP PLC - Form 6-K

19.1	15.4	<b>BP average refining marker margin (RMM)* (\$/bbl)</b>	<b>14.4</b>	18.2
<b>Refinery throughputs (mb/d)</b>				
711	<b>645</b>	US	<b>630</b>	824
745	<b>757</b>	Europe	<b>777</b>	775
252	<b>250</b>	Rest of World	<b>279</b>	287
1,708	<b>1,652</b>		<b>1,686</b>	1,886
95.3	<b>95.3</b>	<b>Refining availability* (%)</b>	<b>95.1</b>	95.2
<b>Marketing sales of refined products (mb/d)</b>				
1,340	<b>1,183</b>	US	<b>1,152</b>	1,371
1,316	<b>1,154</b>	Europe	<b>1,146</b>	1,237
549	<b>515</b>	Rest of World	<b>530</b>	553
3,205	<b>2,852</b>		<b>2,828</b>	3,161
2,527	<b>2,468</b>	Trading/supply sales of refined products	<b>2,442</b>	2,418
5,732	<b>5,320</b>	Total sales volumes of refined products	<b>5,270</b>	5,579
<b>Petrochemicals production (kte)</b>				
1,081	<b>969</b>	US	<b>2,040</b>	2,157
814	<b>895</b>	Europe	<b>1,867</b>	1,828
1,519	<b>1,501</b>	Rest of World	<b>2,923</b>	2,936
3,414	<b>3,365</b>		<b>6,830</b>	6,921

- (a) Segment-level overhead expenses are included in the fuels business result.  
(b) BP's share of income from petrochemicals at our Gelsenkirchen and Mülheim sites in Germany is reported in the fuels business.  
(c) For Downstream, fair value accounting effects arise solely in the fuels business.



## Rosneft

Second quarter 2013 <sup>(a)</sup>	Second quarter 2014		First half 2014	First half 2013
		\$ million		
231	<b>1,050</b>	Profit before interest and tax <sup>(b)</sup>	<b>1,599</b>	316
(13)	<b>(26)</b>	Inventory holding (gains) losses*	<b>(57)</b>	(13)
218	<b>1,024</b>	RC profit before interest and tax	<b>1,542</b>	303
		Net charge (credit) for non-operating items*	<b>(247)</b>	
218	<b>1,024</b>	Underlying RC profit before interest and tax*	<b>1,295</b>	303

Replacement cost profit before interest and tax for the second quarter and half year was \$1,024 million and \$1,542 million respectively, compared with \$218 million and \$303 million for the same periods in 2013.

There were no non-operating items in the second quarter of 2014 and a non-operating gain of \$247 million in the first half of 2014, relating to Rosneft's sale of its interest in the Yugrazaprererabotka joint venture. There were no non-operating items in the first half of 2013.

After adjusting for non-operating items, the underlying replacement cost profit for the second quarter and half year was \$1,024 million and \$1,295 million respectively, compared with \$218 million and \$303 million for the same periods in 2013. The primary factor impacting the second-quarter result, compared with the same period last year, was favourable foreign exchange effects. The half-year result reflected a full six months this year compared with 11 days of the first quarter and three months of the second quarter reported in the same period last year as well as favourable foreign exchange effects.

On 27 June 2014, Rosneft's Annual General Meeting of Shareholders approved the distribution of a dividend of 12.85 roubles per share. We received our share of this dividend in July 2014, which amounted to \$693 million after the deduction of withholding tax.

See also Principal risks and uncertainties – Rosneft investment on page 42 and Other matters on page 50 for information on sanctions.

Second quarter 2013	Second quarter 2014		First half 2014	First half 2013 <sup>(c)</sup>
		<b>Production (net of royalties) (BP share)</b>		
826	<b>816</b>	Liquids* (mb/d)	<b>822</b>	466
689	<b>1,000</b>	Natural gas (mmcf/d)	<b>993</b>	391
945	<b>988</b>	Total hydrocarbons* (mboe/d)	<b>993</b>	533

(a) Second quarter 2013 as reported includes an amendment to first-quarter profit, which was reported based on a BP estimate.

(b) The Rosneft segment result includes equity-accounted earnings arising from BP's 19.75% shareholding in Rosneft as adjusted for the accounting required under IFRS relating to BP's purchase of its interest in Rosneft and the amortization of the deferred gain relating to the disposal of BP's interest in TNK-BP. BP's share of Rosneft's earnings after their finance costs, taxation and non-controlling interests, as adjusted, is included in the BP group income statement within profit before interest and taxation.

(c) First half 2013 reflects production for the period 21 March – 30 June averaged over the half year.



## Other businesses and corporate

Second quarter 2013	Second quarter 2014		First half 2014	First half 2013
		\$ million		
414	412	Sales and other operating revenues	843	834
(573)	(434)	Profit (loss) before interest and tax	(931)	(1,040)
		Inventory holding (gains) losses*		
(573)	(434)	RC profit (loss) before interest and tax	(931)	(1,040)
135	(4)	Net charge (credit) for non-operating items*	4	141
(438)	(438)	Underlying RC profit (loss) before interest and tax*	(927)	(899)
		<b>Underlying RC profit (loss) before interest and tax</b>		
(142)	(226)	US	(325)	(263)
(296)	(212)	Non-US	(602)	(636)
(438)	(438)		(927)	(899)
		<b>Non-operating items</b>		
(134)	4	US	3	(138)
(1)		Non-US	(7)	(3)
(135)	4		(4)	(141)
		<b>RC profit (loss) before interest and tax</b>		
(276)	(222)	US	(322)	(401)
(297)	(212)	Non-US	(609)	(639)
(573)	(434)		(931)	(1,040)

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

## Financial results

The replacement cost loss before interest and tax for the second quarter and half year was \$434 million and \$931 million respectively, compared with \$573 million and \$1,040 million for the same periods last year.

The second-quarter result included a net non-operating gain of \$4 million, compared with a net non-operating charge of \$135 million a year ago. The charge in the second quarter last year related principally to impairments of assets in our wind business. For the half year, the net non-operating charge was \$4 million, compared with a net non-operating charge of \$141 million a year ago.

After adjusting for non-operating items, the underlying replacement cost loss before interest and tax for the second quarter and half year was \$438 million and \$927 million respectively, compared with \$438 million and \$899 million for the same periods last year.

## Alternative Energy

*Biofuels*

In our biofuels business we have three operating mills in Brazil where ethanol-equivalent production (which includes ethanol and sugar) for the second quarter was 113 million litres compared with 116 million litres in the same period a year ago. There was no production at our Brazilian mills in the first quarter of 2014 or 2013 due to the inter-harvest season. In the UK, the Viverno joint venture (BP 47%) had ethanol production of 26 million litres (54 million litres gross) for the second quarter and 43 million litres (90 million litres gross) for the first half of 2014.

*Wind*

Net wind generation capacity<sup>\*(a)</sup> was 1,590MW (2,619MW gross) at 30 June 2014, the same level as at 30 June 2013. BP's net share of wind generation for the second quarter and half year was 1,248GWh (2,082GWh gross) and 2,540GWh (4,303GWh gross) respectively, compared with 1,143GWh (1,957GWh gross) and 2,287GWh (4,021GWh gross) for the same periods of 2013.

(a) Capacity figures include 32MW in the Netherlands managed by our Downstream segment.

---

**Gulf of Mexico oil spill**

In April 2014, the US Coast Guard ended patrols and operations on the final three shoreline miles in Louisiana. The Coast Guard has now transitioned all shoreline areas to the National Response Center process and has indicated that if oil is later discovered in a shoreline segment where removal actions have been deemed complete, it will follow long-standing response protocols established under the law and contact whoever it believes is the responsible party or parties.

**Financial update**

The replacement cost loss before interest and tax for the second quarter and half year was \$251 million and \$280 million respectively, compared with a \$199 million loss and a \$221 million loss for the same periods last year. The second-quarter charge reflects an increase in the provision for legal costs and the ongoing costs of the Gulf Coast Restoration Organization. The cumulative pre-tax charge recognized to date amounts to \$43.0 billion.

The cumulative income statement charge does not include amounts for obligations that BP considers are not possible, at this time, to measure reliably. The total amounts that will ultimately be paid by BP in relation to all the obligations relating to the incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors, as discussed under Provisions and contingent liabilities in Note 2 on page 18, including in relation to any new information or future developments. These could have a material impact on our consolidated financial position, results and cash flows. The risks associated with the incident could also heighten the impact of the other risks to which the group is exposed, as further described under Principal risks and uncertainties on page 41.

**Trust update**

During the second quarter, \$219 million was paid out of the Deepwater Horizon Oil Spill Trust (the Trust) and qualified settlement funds (QSFs), including \$201 million for claims payments, administrative costs of the Deepwater Horizon Court Supervised Settlement Program (DHCSSP) and other resolved items, and \$18 million for natural resource damage assessment. In addition, \$15 million was paid to claimants from the seafood compensation fund, for which the related provision and reimbursement asset had been previously derecognized upon funding of the QSF. At 30 June 2014, the aggregate cash balances in the Trust and the QSFs amounted to \$6.3 billion, including \$1.1 billion remaining in the seafood compensation fund which is yet to be distributed, and \$0.9 billion held for natural resource damage early restoration projects.

As at 30 June 2014, the cumulative charges to be paid from the Trust, and the associated reimbursement asset recognized, amounted to \$19.3 billion. No amount is provided for business economic loss claims not yet received, processed, and paid by the DHCSSP. See Note 2 on page 18 and Legal proceedings on page 48 for further details.

**Legal proceedings**

The federal district court in New Orleans (the District Court) scheduled the penalty phase in MDL 2179 to commence in January 2015. In this phase, the District Court will determine the amount of civil penalties owed to the United States under the Clean Water Act based on the court's rulings as to the presence of negligence, gross negligence or wilful misconduct and quantification of discharge in the earlier phases of the trial and the application of the penalty factors under the Clean Water Act. The District Court could issue its decision on the issues presented in the earlier trial phases at any time.

The District Court ruled in December 2013 requiring the claims administrator, in administering business economic loss claims, to match a claimant's revenue with corresponding variable expenses and develop a revised matching policy accordingly. In March 2014, the claims administrator issued a revised matching policy reflecting this order and in May 2014 it was approved by the District Court. The Plaintiffs Steering Committee has filed a motion seeking to amend the revised policy.

In March 2014, the US Court of Appeals for the Fifth Circuit (the Fifth Circuit) affirmed the District Court's ruling that the Economic and Property Damages Settlement Agreement contained no causation requirement beyond the revenue and related tests set out in an exhibit to that agreement. In March 2014, BP filed a petition that all the active judges of the Fifth Circuit review the decision; in May 2014 this was denied. The District Court dissolved the injunction that had halted the processing and payment of business economic loss claims and instructed the claims administrator to resume the processing and payment of claims. BP has announced it will seek review by the US Supreme Court of the Fifth Circuit's decisions relating to compensation of claims for losses with no apparent connection to the Deepwater Horizon spill. In June 2014,

## Edgar Filing: BP PLC - Form 6-K

BP also asked the District Court to order the return of excessive payments made by the DHCSSP under the matching policy in effect before the December 2013 Ruling.

The Medical Benefits Class Action Settlement Agreement provides for claims to be paid to qualifying class members for one year from the agreement's effective date, which was February 2014.

In March 2014, BP p.l.c., BP Exploration & Production and all other temporarily suspended BP entities entered into an agreement with the US Environmental Protection Agency resolving all issues related to suspension or debarment arising from the Deepwater Horizon incident, allowing BP entities to enter into new contracts or leases with the US Government. Under the terms and conditions of the agreement, which will apply for five years, BP has agreed to a set of safety and operations, ethics and compliance and corporate governance requirements.

In May 2014, the judge denied plaintiffs' motion in the multi-district litigation proceeding in federal district court in Houston (MDL 2185) to certify a proposed class of ADS purchasers before the explosion (from 8 November 2007 to 20 April 2010) and granted plaintiffs' motion to certify a class of post-explosion ADS purchasers (from 26 April 2010 to 28 May 2010). Both defendants and plaintiffs were granted permission by the Fifth Circuit to appeal from that decision in July 2014.

For further details, see Legal proceedings on page 48.

## Financial statements

## Group income statement

Second quarter 2013	Second quarter 2014		First half 2014	First half 2013
		\$ million		
94,711	<b>93,957</b>	Sales and other operating revenues (Note 5)	<b>185,667</b>	188,818
102	<b>155</b>	Earnings from joint ventures after interest and tax	<b>270</b>	227
448	<b>1,228</b>	Earnings from associates after interest and tax	<b>2,011</b>	732
207	<b>157</b>	Interest and other income	<b>488</b>	364
236	<b>330</b>	Gains on sale of businesses and fixed assets	<b>379</b>	12,777
95,704	<b>95,827</b>	Total revenues and other income	<b>188,815</b>	202,918
75,127	<b>74,536</b>	Purchases	<b>146,004</b>	146,788
7,126	<b>6,980</b>	Production and manufacturing expenses	<b>13,811</b>	13,994
1,672	<b>816</b>	Production and similar taxes (Note 6)	<b>1,802</b>	3,667
3,162	<b>3,751</b>	Depreciation, depletion and amortization	<b>7,341</b>	6,359
610	<b>774</b>	Impairment and losses on sale of businesses and fixed assets	<b>1,200</b>	720
434	<b>389</b>	Exploration expense	<b>1,337</b>	756
3,223	<b>3,110</b>	Distribution and administration expenses	<b>6,310</b>	6,177
(135)	<b>(32)</b>	Fair value gain on embedded derivatives	<b>(130)</b>	(166)
4,485	<b>5,503</b>	Profit before interest and taxation	<b>11,140</b>	24,623
252	<b>277</b>	Finance costs	<b>564</b>	534
117	<b>79</b>	Net finance expense relating to pensions and other post-retirement benefits	<b>159</b>	239
4,116	<b>5,147</b>	Profit before taxation	<b>10,417</b>	23,850
1,990	<b>1,714</b>	Taxation	<b>3,365</b>	4,782
2,126	<b>3,433</b>	Profit for the period	<b>7,052</b>	19,068
		Attributable to		
2,042	<b>3,369</b>	BP share holders	<b>6,897</b>	18,905
84	<b>64</b>	Non-controlling interests	<b>155</b>	163
2,126	<b>3,433</b>		<b>7,052</b>	19,068
<b>Earnings per share (Note 7)</b>				
Profit for the period attributable to BP share holders				
Per ordinary share (cents)				
10.73	<b>18.26</b>	Basic	<b>37.35</b>	99.07
10.68	<b>18.15</b>	Diluted	<b>37.11</b>	98.53
Per ADS (dollars)				
0.64	<b>1.10</b>	Basic	<b>2.24</b>	5.94
0.64	<b>1.09</b>	Diluted	<b>2.23</b>	5.91





## Financial statements (continued)

## Group statement of comprehensive income

Second quarter 2013	Second quarter 2014		First half 2014	First half 2013
		\$ million		
2,126	3,433	Profit for the period	7,052	19,068
		<b>Other comprehensive income</b>		
		Items that may be reclassified subsequently to profit or loss		
(1,506)	1,005	Currency translation differences	92	(2,093)
	2	Available-for-sale investments marked to market	(1)	(172)
	1	Available-for-sale investments reclassified to the income statement	1	(523)
(25)	77	Cash flow hedges marked to market <sup>(a)</sup>	100	(2,166)
(1)	(49)	Cash flow hedges reclassified to the income statement	(69)	(1)
12	(2)	Cash flow hedges reclassified to the balance sheet	(3)	15
(88)	51	Share of items relating to equity-accounted entities, net of tax	(22)	(55)
26	9	Income tax relating to items that may be reclassified	9	195
(1,582)	1,094		107	(4,800)
		Items that will not be reclassified to profit or loss		
2,206	222	Remeasurements of the net pension and other post-retirement benefit liability or asset	(714)	2,156
		Share of items relating to equity-accounted entities, net of tax	5	
(732)	(73)	Income tax relating to items that will not be reclassified	221	(731)
1,474	149		(488)	1,425
(108)	1,243	Other comprehensive income	(381)	(3,375)
2,018	4,676	Total comprehensive income	6,671	15,693
		<b>Attributable to</b>		
1,956	4,606	BP shareholders	6,509	15,556
62	70	Non-controlling interests	162	137
2,018	4,676			