BP PLC
Form 6-K
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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 x 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): ¨

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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333-186463) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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[(a)]

(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[(a)]	**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.

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
		RC profit before interest and tax*		
4,400	**4,049**	Upstream	**8,708**	9,962
1,016	**933**	Downstream	**1,727**	2,663
		TNK-BP[a]		12,500
218	**1,024**	Rosneft[b]	**1,542**	303
(573)	**(434)**	Other businesses and corporate	**(931)**	(1,040)
(199)	**(251)**	Gulf of Mexico oil spill response[c]	**(280)**	(221)
129	**(76)**	Consolidation adjustment UPII*	**14**	556
4,991	**5,245**	RC profit before interest and tax	**10,780**	24,723
(369)	**(356)**	Finance costs and net finance expense relating to pensions and other post-retirement benefits	**(723)**	(773)
(2,138)	**(1,643)**	Taxation on a RC basis	**(3,245)**	(4,791)
(84)	**(64)**	Non-controlling interests	**(155)**	(163)
2,400	**3,182**	RC profit attributable to BP shareholders	**6,657**	18,996
(506)	**258**	Inventory holding gains (losses)	**360**	(100)
148	**(71)**	Taxation (charge) credit on inventory holding gains and losses	**(120)**	9
2,042	**3,369**	Profit for the period attributable to BP shareholders	**6,897**	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
		Underlying RC profit before interest and tax*		
4,288	**4,655**	Upstream	**9,056**	9,990
1,201	**733**	Downstream	**1,744**	2,842
218	**1,024**	Rosneft	**1,295**	303
(438)	**(438)**	Other businesses and corporate	**(927)**	(899)
129	**(76)**	Consolidation adjustment UPII	**14**	556

5,398	**5,898**	Underlying RC profit before interest and tax	**11,182**	12,792
(359)	**(347)**	Finance costs and net finance expense relating to pensions and other post-retirement benefits	**(704)**	(753)
(2,243)	**(1,852)**	Taxation on an underlying RC basis	**(3,463)**	(4,949)
(84)	**(64)**	Non-controlling interests	**(155)**	(163)
2,712	**3,635**	Underlying RC profit attributable to BP shareholders	**6,860**	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	$ million	First half 2014	First half 2013
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*(a)	**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

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

6,244	**5,936**		**6,001**	6,418
423	**422**	Of which equity-accounted entities	**435**	410
		Total hydrocarbons* (mboe/d)		
606	**692**	US	**672**	618
147	**121**	Europe	**130**	159
1,488	**1,293**	Rest of World	**1,316**	1,508
2,241	**2,106**		**2,118**	2,285
370	**233**	Of which equity-accounted entities	**246**	368
		Average realizations[(f)]		
94.92	**96.90**	Total liquids ($/bbl)	**97.03**	99.08
5.37	**5.67**	Natural gas ($/mcf)	**5.94**	5.45
61.27	**64.90**	Total hydrocarbons ($/boe)	**65.53**	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	$ million	First half 2014	First half 2013
88,348	**86,871**	Sales and other operating revenues	**171,169**	175,132
501	**1,166**	Profit before interest and tax	**2,037**	2,556
515	**(233)**	Inventory holding (gains) losses*	**(310)**	107
1,016	**933**	RC profit before interest and tax	**1,727**	2,663
185	**(200)**	Net (favourable) unfavourable impact of non-operating items* and fair value accounting effects*	**17**	179
1,201	**733**	Underlying RC profit before interest and tax*[(a)]	**1,744**	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
		Underlying RC profit before interest and tax by region		
557	**331**	US	**743**	1,307
644	**402**	Non-US	**1,001**	1,535
1,201	**733**		**1,744**	2,842
		Non-operating items		
(17)	**180**	US	**179**	11
(306)	**(130)**	Non-US	**(407)**	(315)
(323)	**50**		**(228)**	(304)
		Fair value accounting effects		
219	**206**	US	**297**	154
(81)	**(56)**	Non-US	**(86)**	(29)
138	**150**		**211**	125
		RC profit before interest and tax		
759	**717**	US	**1,219**	1,472
257	**216**	Non-US	**508**	1,191
1,016	**933**		**1,727**	2,663
		Underlying RC profit (loss) before interest and tax by business[a][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
		Non-operating items and fair value accounting effects[c]		
(188)	**15**	Fuels	**(202)**	(177)
3	**186**	Lubricants	**186**	(2)
	(1)	Petrochemicals	**(1)**	
(185)	**200**		**(17)**	(179)
		RC profit (loss) before interest and tax[a][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

19.1	**15.4**	**BP average refining marker margin (RMM)*** ($/bbl)	**14.4**	18.2
		Refinery throughputs (mb/d)		
711	**645**	US	**630**	824
745	**757**	Europe	**777**	775
252	**250**	Rest of World	**279**	287
1,708	**1,652**		**1,686**	1,886
95.3	**95.3**	**Refining availability*** (%)	**95.1**	95.2
		Marketing sales of refined products (mb/d)		
1,340	**1,183**	US	**1,152**	1,371
1,316	**1,154**	Europe	**1,146**	1,237
549	**515**	Rest of World	**530**	553
3,205	**2,852**		**2,828**	3,161
2,527	**2,468**	Trading/supply sales of refined products	**2,442**	2,418
5,732	**5,320**	Total sales volumes of refined products	**5,270**	5,579
		Petrochemicals production (kte)		
1,081	**969**	US	**2,040**	2,157
814	**895**	Europe	**1,867**	1,828
1,519	**1,501**	Rest of World	**2,923**	2,936
3,414	**3,365**		**6,830**	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[a]	Second quarter 2014	$ million	First half 2014	First half 2013
231	**1,050**	Profit before interest and tax[b]	**1,599**	316
(13)	**(26)**	Inventory holding (gains) losses*	**(57)**	(13)
218	**1,024**	RC profit before interest and tax	**1,542**	303
		Net charge (credit) for non-operating items*	**(247)**	
218	**1,024**	Underlying RC profit before interest and tax*	**1,295**	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 Yugragazpererabotka 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[c]
		Production (net of royalties) (BP share)		
826	**816**	Liquids* (mb/d)	**822**	466
689	**1,000**	Natural gas (mmcf/d)	**993**	391
945	**988**	Total hydrocarbons* (mboe/d)	**993**	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	$ million	First half 2014	First half 2013
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)
		Underlying RC profit (loss) before interest and tax		
(142)	**(226)**	US	**(325)**	(263)
(296)	**(212)**	Non-US	**(602)**	(636)
(438)	**(438)**		**(927)**	(899)
		Non-operating items		
(134)	**4**	US	**3**	(138)
(1)		Non-US	**(7)**	(3)
(135)	**4**		**(4)**	(141)
		RC profit (loss) before interest and tax		
(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 Vivergo 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*[(a)] 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, 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	$ million	First half 2014	First half 2013
94,711	**93,957**	Sales and other operating revenues (Note 5)	**185,667**	188,818
102	**155**	Earnings from joint ventures after interest and tax	**270**	227
448	**1,228**	Earnings from associates after interest and tax	**2,011**	732
207	**157**	Interest and other income	**488**	364
236	**330**	Gains on sale of businesses and fixed assets	**379**	12,777
95,704	**95,827**	Total revenues and other income	**188,815**	202,918
75,127	**74,536**	Purchases	**146,004**	146,788
7,126	**6,980**	Production and manufacturing expenses	**13,811**	13,994
1,672	**816**	Production and similar taxes (Note 6)	**1,802**	3,667
3,162	**3,751**	Depreciation, depletion and amortization	**7,341**	6,359
610	**774**	Impairment and losses on sale of businesses and fixed assets	**1,200**	720
434	**389**	Exploration expense	**1,337**	756
3,223	**3,110**	Distribution and administration expenses	**6,310**	6,177
(135)	**(32)**	Fair value gain on embedded derivatives	**(130)**	(166)
4,485	**5,503**	Profit before interest and taxation	**11,140**	24,623
252	**277**	Finance costs	**564**	534
117	**79**	Net finance expense relating to pensions and other post-retirement benefits	**159**	239
4,116	**5,147**	Profit before taxation	**10,417**	23,850
1,990	**1,714**	Taxation	**3,365**	4,782
2,126	**3,433**	Profit for the period	**7,052**	19,068
		Attributable to		
2,042	**3,369**	BP share holders	**6,897**	18,905
84	**64**	Non-controlling interests	**155**	163
2,126	**3,433**		**7,052**	19,068
		Earnings per share (Note 7)		
		Profit for the period attributable to BP share holders		
		Per ordinary share (cents)		
10.73	**18.26**	Basic	**37.35**	99.07
10.68	**18.15**	Diluted	**37.11**	98.53
		Per ADS (dollars)		
0.64	**1.10**	Basic	**2.24**	5.94
0.64	**1.09**	Diluted	**2.23**	5.91

Financial statements (continued)

Group statement of comprehensive income

Second quarter 2013	Second quarter 2014	$ million	First half 2014	First half 2013
2,126	**3,433**	Profit for the period	**7,052**	19,068
		Other comprehensive income		
		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[a]	**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
		Attributable to		
1,956	**4,606**	BP shareholders	**6,509**	15,556
62	**70**	Non-controlling interests	**162**	137
2,018	**4,676**		**6,671**	15,693

(a) First half 2013 includes $2,061 million loss relating to the contracts to acquire Rosneft shares.

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Financial statements (continued)

Group statement of changes in equity

$ million	BP shareholders equity	Non-controlling interests	Total equity
At 1 January 2014	**129,302**	**1,105**	**130,407**
Total comprehensive income	**6,509**	**162**	**6,671**
Dividends	**(2,999)**	**(153)**	**(3,152)**
Repurchases of ordinary share capital	**(1,527)**		**(1,527)**
Share-based payments, net of tax	**576**		**576**
Transactions involving non-controlling interests		**3**	**3**
At 30 June 2014	**131,861**	**1,117**	**132,978**

$ million	BP shareholders equity	Non-controlling interests	Total equity
At 1 January 2013	118,546	1,206	119,752
Total comprehensive income	15,556	137	15,693
Dividends	(3,020)	(236)	(3,256)
Repurchases of ordinary share capital	(2,469)		(2,469)
Share-based payments, net of tax	378		378
Transactions involving non-controlling interests		35	35
At 30 June 2013	128,991	1,142	130,133

Financial statements (continued)

Group balance sheet

$ million	30 June 2014	31 December 2013
Non-current assets		
Property, plant and equipment	**135,854**	133,690
Goodwill	**12,197**	12,181
Intangible assets	**21,931**	22,039
Investments in joint ventures	**9,173**	9,199
Investments in associates	**17,370**	16,636
Other investments	**1,270**	1,565
Fixed assets	**197,795**	195,310
Loans	**681**	763
Trade and other receivables	**5,782**	5,985
Derivative financial instruments	**3,609**	3,509
Prepayments	**983**	922
Deferred tax assets	**1,308**	985
Defined benefit pension plan surpluses	**978**	1,376
	211,136	208,850
Current assets		
Loans	**334**	216
Inventories	**29,442**	29,231
Trade and other receivables	**40,056**	39,831
Derivative financial instruments	**2,852**	2,675
Prepayments	**1,630**	1,388
Current tax receivable	**648**	512
Other investments	**376**	467
Cash and cash equivalents	**27,506**	22,520
	102,844	96,840
Assets classified as held for sale (Note 3)	**1,475**	
	104,319	96,840
Total assets	**315,455**	305,690
Current liabilities		
Trade and other payables	**50,025**	47,159
Derivative financial instruments	**2,323**	2,322
Accruals	**7,245**	8,960
Finance debt	**7,570**	7,381
Current tax payable	**2,386**	1,945
Provisions	**4,454**	5,045

	74,003	72,812
Liabilities directly associated with assets classified as held for sale (Note 3)	**428**	
	74,431	72,812
Non-current liabilities		
Other payables	**3,652**	4,756
Derivative financial instruments	**1,765**	2,225
Accruals	**807**	547
Finance debt	**45,336**	40,811
Deferred tax liabilities	**18,328**	17,439
Provisions	**28,204**	26,915
Defined benefit pension plan and other post-retirement benefit plan deficits	**9,954**	9,778
	108,046	102,471
Total liabilities	**182,477**	175,283
Net assets	**132,978**	130,407
Equity		
BP shareholders equity	**131,861**	129,302
Non-controlling interests	**1,117**	1,105
	132,978	130,407

Financial statements (continued)

Condensed group cash flow statement

Second quarter 2013	Second quarter 2014	$ million	First half 2014	First half 2013
		Operating activities		
4,116	**5,147**	Profit before taxation	**10,417**	23,850
		Adjustments to reconcile profit before taxation to net cash provided by operating activities		
3,453	**3,953**	Depreciation, depletion and amortization and exploration expenditure written off	**8,375**	6,822
374	**444**	Impairment and (gain) loss on sale of businesses and fixed assets	**821**	(12,057)
(254)	**(1,080)**	Earnings from equity-accounted entities, less dividends received	**(1,764)**	(454)
21	**(3)**	Net charge for interest and other finance expense, less net interest paid	**167**	193
175	**178**	Share-based payments	**284**	221
(86)	**(105)**	Net operating charge for pensions and other post- retirement benefits, less contributions and benefit payments for unfunded plans	**(207)**	(370)
1,308	**56**	Net charge for provisions, less payments	**(137)**	1,505
(1,796)	**654**	Movements in inventories and other current and non-current assets and liabilities[(a)]	**339**	(7,141)
(1,924)	**(1,367)**	Income taxes paid	**(2,187)**	(3,215)
5,387	**7,877**	Net cash provided by operating activities	**16,108**	9,354
		Investing activities		
(6,111)	**(5,499)**	Capital expenditure	**(11,390)**	(11,840)
		Acquisitions, net of cash acquired	**(10)**	
(47)	**(3)**	Investment in joint ventures	**(36)**	(98)
(8)	**(47)**	Investment in associates	**(135)**	(4,891)
656	**227**	Proceeds from disposal of fixed assets	**1,205**	17,436
2,284	**571**	Proceeds from disposal of businesses, net of cash disposed	**597**	3,785
68	**53**	Proceeds from loan repayments	**70**	90
(3,158)	**(4,698)**	Net cash provided by (used in) investing activities	**(9,699)**	4,482
		Financing activities		
(1,890)	**(447)**	Net issue (repurchase) of shares	**(2,173)**	(1,835)
3,039	**856**	Proceeds from long-term financing	**6,835**	3,102
(891)	**(1,720)**	Repayments of long-term financing	**(2,957)**	(1,179)
(382)	**(57)**	Net increase (decrease) in short-term debt	**20**	(1,873)
(1,398)	**(1,572)**	Dividends paid BP shareholders	**(2,999)**	(3,020)
(85)	**(140)**	non-controlling interests	**(153)**	(116)
(1,607)	**(3,080)**	Net cash provided by (used in) financing activities	**(1,427)**	(4,921)
12	**49**	Currency translation differences relating to cash and cash equivalents	**4**	(237)
634	**148**	Increase (decrease) in cash and cash equivalents	**4,986**	8,678

27,679	**27,358**	Cash and cash equivalents at beginning of period	**22,520**	19,635
28,313	**27,506**	Cash and cash equivalents at end of period	**27,506**	28,313

(a) Includes

509	**(233)**	Inventory holding (gains) losses	**(307)**	102
(135)	**(32)**	Fair value gain on embedded derivatives	**(130)**	(166)
(1,430)	**(33)**	Movements related to the Gulf of Mexico oil spill response	**(611)**	(2,258)

Inventory holding gains and losses and fair value gains on embedded derivatives are also included within profit before taxation. See Note 2 for further information on the cash flow impacts of the Gulf of Mexico oil spill.

Financial statements (continued)

Notes

1. Basis of preparation

The interim financial information included in this report has been prepared in accordance with IAS 34 Interim Financial Reporting .

The results for the interim periods are unaudited and, in the opinion of management, include all adjustments necessary for a fair presentation of the results for each period. All such adjustments are of a normal recurring nature. This report should be read in conjunction with the consolidated financial statements and related notes for the year ended 31 December 2013 included in the *BP Annual Report and Form 20-F 2013*.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the interim financial statements.

BP prepares its consolidated financial statements included within *BP Annual Report and Form 20-F* on the basis of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS as adopted by the European Union (EU) and in accordance with the provisions of the UK Companies Act 2006. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB; however, the differences have no impact on the group s consolidated financial statements for the periods presented.

The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing *BP Annual Report and Form 20-F 2014,* which do not differ significantly from those used in *BP Annual Report and Form 20-F 2013*.

In *BP Annual Report and Form 20-F 2013* we disclosed a significant estimate or judgement in relation to exploration and appraisal expenditure which is capitalized and is subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop, or otherwise extract value from, the discovery. Under IFRS 6 Exploration for and Evaluation of Mineral Resources , one of the facts and circumstances which indicates that an entity should test such assets for impairment, is that the period for which the entity has a right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

BP has leases in the Gulf of Mexico making up a prospect, some with terms which were scheduled to expire at the end of last year and some with terms which are scheduled to expire in the near future. A significant proportion of our capitalized exploration and appraisal costs in the Gulf of Mexico relate to this prospect. This prospect requires the development of subsea technology to ensure that the hydrocarbons can be extracted safely. BP is in correspondence with the US Bureau of Safety and Environmental Enforcement in relation to seeking extension of these leases so that the discovered hydrocarbons can be developed. BP remains committed to developing this prospect and expects that the lease terms will be extended and therefore continues to carry the capitalized costs on its balance sheet. See also Notes 10 and 16 in *BP Annual Report and Form 20-F 2013* Financial statements.

2. Gulf of Mexico oil spill

(a) **Overview**

As a consequence of the Gulf of Mexico oil spill, BP continues to incur various costs and has also recognized liabilities for future costs. The information presented in this note should be read in conjunction with *BP Annual Report and Form 20-F 2013* Financial statements Note 2 and Legal proceedings on pages 257-265 and page 48 of this report.

The group income statement includes a pre-tax charge of $260 million for the second quarter and $299 million for the first half of 2014 in relation to the Gulf of Mexico oil spill. 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 income statement charge since the incident, in April 2010, amounts to $42,975 million.

The cumulative income statement charge does not include amounts for obligations that BP considers are not possible, at this time, to measure reliably. For further information, including developments in relation to the interpretation of business economic loss claims under the Plaintiffs Steering Committee (PSC) settlement, see *Provisions* below.

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* below, 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.

Financial statements (continued)

Notes

2. Gulf of Mexico oil spill (continued)

The amounts set out below reflect the impacts on the financial statements of the Gulf of Mexico oil spill for the periods presented. The income statement, balance sheet and cash flow statement impacts are included within the relevant line items in those statements as set out below.

Second quarter 2013	Second quarter 2014	$ million	First half 2014	First half 2013
		Income statement		
199	**251**	Production and manufacturing expenses	**280**	221
(199)	**(251)**	**Profit (loss) before interest and taxation**	**(280)**	(221)
10	**9**	Finance costs	**19**	20
(209)	**(260)**	**Profit (loss) before taxation**	**(299)**	(241)
42	**44**	Taxation	**54**	37
(167)	**(216)**	**Profit (loss) for the period**	**(245)**	(204)

$ million	30 June 2014	31 December 2013
Balance sheet		
Current assets		
Trade and other receivables	**1,944**	2,457
Current liabilities		
Trade and other payables	**(838)**	(1,030)
Provisions	**(2,345)**	(2,951)
Net current assets (liabilities)	**(1,239)**	(1,524)
Non-current assets		
Other receivables	**2,569**	2,442
Non-current liabilities		
Other payables	**(2,397)**	(2,986)
Accruals	**(170)**	
Provisions	**(6,653)**	(6,395)
Deferred tax	**2,285**	2,748
Net non-current assets (liabilities)	**(4,366)**	(4,191)

Net assets (liabilities)	**(5,605)**	(5,715)

Second quarter 2013	Second quarter 2014	$ million	First half 2014	First half 2013
		Cash flow statement - Operating activities		
(209)	**(260)**	Profit (loss) before taxation	**(299)**	(241)
		Adjustments to reconcile profit (loss) before taxation to net cash provided by operating activities		
10	**9**	Net charge for interest and other finance expense, less net interest paid	**19**	20
1,390	**116**	Net charge for provisions, less payments	**19**	1,694
(1,430)	**(33)**	Movements in inventories and other current and non-current assets and liabilities	**(611)**	(2,258)
(239)	**(168)**	Pre-tax cash flows	**(872)**	(785)

Net cash from operating activities relating to the Gulf of Mexico oil spill, on a post-tax basis, amounted to an inflow of $229 million and outflow of $355 million in the second quarter and first half of 2014 respectively. For the same periods in 2013, the amounts were an inflow of $142 million and an outflow of $189 million respectively.

Trust fund

BP established the Deepwater Horizon Oil Spill Trust (the Trust), funded in the amount of $20 billion, to satisfy legitimate individual and business claims, state and local government claims resolved by BP, final judgments and settlements, state and local response costs, and natural resource damages and related costs. Fines and penalties are not covered by the trust fund.

Financial statements (continued)

Notes

2. Gulf of Mexico oil spill (continued)

The funding of the Trust was completed in the fourth quarter of 2012. The obligation to fund the $20-billion trust fund, adjusted to take account of the time value of money, was recognized in full in 2010 and charged to the income statement. An asset has been recognized representing BP s right to receive reimbursement from the trust fund. This is the portion of the estimated future expenditure provided for that will be settled by payments from the trust fund.

The table below shows movements in the reimbursement asset during the period to 30 June 2014. For more information about the movement in provisions for items covered by the trust fund, see *Provisions* below. At 30 June 2014, $4,487 million of the provisions, and $26 million of the payables are eligible to be paid from the Trust. The reimbursement asset is recorded within other receivables on the balance sheet apportioned between current and non-current elements.

$ million	Second quarter 2014	First half 2014
Opening balance	**4,730**	**4,899**
Net increase in provision for items covered by the trust fund	**2**	**6**
Amounts paid directly by the trust fund	**(219)**	**(392)**
At 30 June 2014	**4,513**	**4,513**
Of which current	**1,944**	**1,944**
non-current	**2,569**	**2,569**

Increases in estimated future expenditure that will be covered by the trust fund up to an aggregate of $20 billion have no net income statement effect as a reimbursement asset is also recognized, as described above. As at 30 June 2014, the cumulative charges, and the associated reimbursement asset recognized, amounted to $19,344 million. Thus, a further $656 million could be charged in subsequent periods for items covered by the trust fund with no net impact on the income statement. Additional liabilities in excess of this amount regarding claims under the Oil Pollution Act of 1990 (OPA 90), claims that are currently administered by the Deepwater Horizon Court Supervised Settlement Program (DHCSSP), or otherwise, including the various claims described in Legal proceedings on pages 257-265 of *BP Annual Report and Form 20-F 2013* and page 48 of this report, would be expensed to the income statement. Information on those items that currently cannot be estimated reliably is provided under *Provisions and contingent liabilities* below.

As at 30 June 2014, the aggregate cash balances in the Trust and the associated qualifying settlement funds amounted to $6.3 billion, including $1.1 billion remaining in the seafood compensation fund which has yet to be distributed and $0.9 billion held for natural resource damage early restoration. Should the cash balances in the trust fund not be sufficient, payments in respect of legitimate claims and other costs will be made directly by BP.

(b) **Provisions and contingent liabilities**

BP has recorded certain provisions and disclosed certain contingent liabilities as a consequence of the Gulf of Mexico oil spill. These are described below and in more detail in *BP Annual Report and Form 20-F 2013* Financial statements Note 2.

Provisions

BP has recorded provisions relating to the Gulf of Mexico oil spill in relation to environmental expenditure, litigation and claims, and Clean Water Act penalties. Movements in each class of provision during the second quarter and first half are presented in the tables below.

$ million		Environmental	Litigation and claims	Clean Water Act penalties	Total
At 1 April 2014		**1,627**	**3,939**	**3,510**	**9,076**
Increase in provision	items not covered by the trust fund		**224**		**224**
Net increase in provision	items covered by the trust fund		**2**		**2**
Utilization	paid by BP	**(16)**	**(94)**		**(110)**
	paid by the trust fund	**(18)**	**(176)**		**(194)**
At 30 June 2014		**1,593**	**3,895**	**3,510**	**8,998**
Of which	current	**747**	**1,598**		**2,345**
	non-current	**846**	**2,297**	**3,510**	**6,653**

Financial statements (continued)

Notes

2. Gulf of Mexico oil spill (continued)

$ million		Environmental	Litigation and claims	Clean Water Act penalties	Total
At 1 January 2014		**1,679**	**4,157**	**3,510**	**9,346**
Increase (decrease) in provision items not covered by the trust fund			**224**		**224**
Net increase in provision items covered by the trust fund			**6**		**6**
Utilization	paid by BP	**(44)**	**(167)**		**(211)**
	paid by the trust fund	**(42)**	**(325)**		**(367)**
At 30 June 2014		**1,593**	**3,895**	**3,510**	**8,998**

Environmental

The environmental provision includes amounts for BP s commitment to fund the Gulf of Mexico Research Initiative, estimated natural resource damage assessment costs and early natural resource damage restoration projects under the $1-billion framework agreement with natural resource trustees for the US and five Gulf coast states. Until the size, location and duration of the impact is assessed, it is not possible to estimate reliably the amounts or timing of any further natural resource damages claims, therefore no additional amounts have been provided for these items and they are disclosed as a contingent liability.

Litigation and claims

The litigation and claims provision includes amounts that can be estimated reliably for the future cost of settling claims by individuals and businesses for damage to real or personal property, lost profits or impairment of earning capacity and loss of subsistence use of natural resources (Individual and Business Claims), and claims by state and local government entities for removal costs, damage to real or personal property, loss of government revenue and increased public services costs (State and Local Claims) under OPA 90 and other legislation, except as described under *Contingent liabilities* below. Claims administration costs and legal costs have also been provided for.

BP has provided for its best estimate of the cost associated with the PSC settlement agreements with the exception of the cost of business economic loss claims. As disclosed in BP Annual Report and Form 20-F 2013, as part of its monitoring of payments made by the DHCSSP, BP identified multiple business economic loss claim determinations that appeared to result from an interpretation of the Economic and Property Damages Settlement Agreement (EPD Settlement Agreement) by the claims administrator that BP believes was incorrect. See Legal proceedings on pages 257-265 of BP Annual Report and Form 20-F 2013 and page 48 of this report for further details on the settlements with the PSC and related matters.

Until the uncertainties described below are resolved, management is unable to estimate reliably the value and volume of future business economic loss claims and whether, and to what extent, received or processed but unpaid business economic loss claims will be paid. Firstly, the inherent uncertainty as to the interpretation of the EPD Settlement Agreement in respect of causation issues will continue until the issue of causation and the requirements for class membership under the EPD Settlement Agreement are resolved on appeal, if an appeal to the Supreme Court is allowed, and until the impact of any new policies and procedures implemented in response to these issues and of the revised policy for the matching of revenue and expenses for business economic loss claims on the value and volume of business economic loss claims becomes clear. Secondly, uncertainty arises from the lack of sufficient claims data under the DHCSSP from which to extrapolate any reliable trends the number of business economic loss claims received and the average amounts paid in respect of such claims prior to the district court s injunction were higher than previously assumed by BP. This inability to extrapolate any reliable trends may or may not continue once claims have been assessed against the revised policy for the matching of revenue and expenses for business economic loss claims (implemented in May 2014) and uncertainties concerning interpretation of the EPD Settlement Agreement described above have been resolved. Reassessment of existing claims by the DHCSSP under the revised matching policy is ongoing. The PSC has filed a motion seeking to amend the revised matching policy. Thirdly, the ultimate deadline for filing business economic loss claims is uncertain as claims can be brought at any point up to six months after the date on which all relevant appeals are concluded and the date when all relevant appeals will be concluded is not yet known. Management believes, therefore, that no reliable estimate can currently be made of any business economic loss claims not yet received, processed and paid by the DHCSSP. A provision for business economic loss claims will be established when a reliable estimate can be made of the liability.

Financial statements (continued)

Notes

2. Gulf of Mexico oil spill (continued)

The current estimate for the total cost of those elements of the PSC settlement that BP considers can be reliably estimated is $9.2 billion. The DHCSSP has issued eligibility notices, most of which are disputed by BP, in respect of business economic loss claims of $987 million which have not yet been paid. The majority of these claims are being re-assessed using the new matching policy. Furthermore, a significant number of business economic loss claims have been received but have not yet been processed, and further claims are likely to be received. The total cost of the PSC settlement is likely to be significantly higher than the amount recognized to date of $9.2 billion because the current estimate does not reflect business economic loss claims not yet received, processed and paid.

The provision recognized for litigation and claims includes an estimate for State and Local Claims. Although the provision recognized is BP s current reliable best estimate of the amount required to settle these obligations, significant uncertainty exists in relation to the outcome of any litigation proceedings and the amount of claims that will become payable by BP. See Legal proceedings on pages 257-265 of *BP Annual Report and Form 20-F 2013* and *Contingent liabilities* below for further details.

Significant uncertainties exist in relation to the amount of claims that are to be paid and will become payable, including claims payable under the DHCSSP and State and Local Claims. There is significant uncertainty in relation to the amounts that ultimately will be paid in relation to current claims, and the number, type and amounts payable for claims not yet reported as described above and in Legal proceedings on page 48 and the outcomes of any further litigation including in relation to potential opt-outs from the PSC settlement or otherwise. There is also uncertainty as to the cost of administering the claims process under the DHCSSP.

Clean Water Act penalties

A provision was recognized in 2010 for the estimated civil penalties for strict liability under the Clean Water Act, which are based on a specified range per barrel of oil released. No adjustments have been made subsequently to this estimate. The penalty rate per barrel used to calculate the provision is based upon the company s conclusion, amongst other things, that it did not act with gross negligence or engage in wilful misconduct. The amount and timing of the amount to be paid ultimately is subject to significant uncertainty since it will depend on what is determined by the court in the federal multi-district litigation proceedings in New Orleans (MDL 2179) as to negligence, gross negligence or wilful misconduct, the volume of oil spilled and the application of statutory penalty factors. The trial court could issue its decision on the first two phases of the trial at any time and has scheduled a trial on the subsequent phase regarding the application of statutory penalty factors starting on 20 January 2015. The court has wide discretion in its determination as to whether a defendant s conduct involved negligence or gross negligence as well as in its determinations on the volume of oil spilled and the application of statutory penalty factors. See *BP Annual Report and Form 20-F 2013* Financial statements Note 2 for further details and Legal proceedings on pages 257-265 and on page 48 of this report.

Provision movements and analysis of income statement charge

An increase in the provision for the estimated cost of the settlement with the PSC of $32 million for the second quarter and $36 million for the first half was recognized, partially offset by other provision reductions. The second-quarter income statement charge reflects an increase in the provision for legal costs and the ongoing costs of the Gulf Coast Restoration Organization. The total charge in the income statement is analysed in the table below.

$ million	Second quarter 2014	First half 2014	Cumulative since the incident

Environmental costs			3,031
Spill response costs			14,304
Litigation and claims costs	**226**	230	25,873
Clean Water Act penalties amount provided			3,510
Other costs charged directly to the income statement	**27**	56	1,199
Recoveries credited to the income statement			(5,681)
Charge (credit) related to the trust fund	**(2)**	(6)	519
Other costs of the trust fund			8
Loss before interest and taxation	**251**	280	42,763
Finance costs related to the trust fund			137
not related to the trust fund	**9**	19	75
Loss before taxation	**260**	299	42,975

Further information on provisions is provided in *BP Annual Report and Form 20-F 2013* Financial statements Note 2.

Notes

2. Gulf of Mexico oil spill (continued)

Contingent liabilities

BP considers that it is not possible, at this time, to measure reliably other obligations arising from the incident, namely any obligation in relation to natural resource damages claims or associated legal costs (except for the estimated costs of the assessment phase and the costs relating to early restoration agreements referred to above), claims asserted in civil litigation including any further litigation through excluded parties from the PSC settlement including as set out in Legal proceedings on pages 257-265 of *BP Annual Report* and *Form 20-F 2013* and page 48 of this report, the cost of business economic loss claims under the PSC settlement not yet received, processed and paid by the DHCSSP, any further obligation that may arise from state and local government submissions under OPA 90, any obligation that may arise from securities-related litigation, and any obligation in relation to other potential private or governmental litigation, fines or penalties (except for the Clean Water Act civil penalty claims and State and Local Claims as described above under *Provisions*), nor is it practicable to estimate their magnitude or possible timing of payment.

The magnitude and timing of all possible obligations in relation to the Gulf of Mexico oil spill continue to be subject to a very high degree of uncertainty.

See also *BP Annual Report and Form 20-F 2013* Financial statements Note 2.

3. Non-current assets held for sale

On 22 April 2014, BP announced that it had reached agreement to sell its interests in the Northstar and Endicott oilfields and 50% of its interests in each of the Milne Point and Liberty oilfields on the North Slope of Alaska to Hilcorp Alaska LLC, a subsidiary of Hilcorp Energy for $1.25 billion plus an additional carry of up to $250 million if the Liberty field is developed. The sale also includes BP s interests in the oil and gas pipelines associated with these fields. These assets, amounting to $1,475 million, and associated liabilities of $428 million, have been classified as held for sale in the group balance sheet at 30 June 2014. The sale is expected to be complete by the end of the year, subject to state and federal regulatory approval.

Financial statements (continued)

Notes

4. Analysis of replacement cost profit before interest and tax and reconciliation to profit before taxation

Second quarter 2013	Second quarter 2014	$ million	First half 2014	First half 2013
4,400	**4,049**	Upstream	**8,708**	9,962
1,016	**933**	Downstream	**1,727**	2,663
		TNK-BP[a]		12,500
218	**1,024**	Rosneft[b]	**1,542**	303
(573)	**(434)**	Other businesses and corporate	**(931)**	(1,040)
5,061	**5,572**		**11,046**	24,388
(199)	**(251)**	Gulf of Mexico oil spill response	**(280)**	(221)
129	**(76)**	Consolidation adjustment UPII*	**14**	556
4,991	**5,245**	RC profit before interest and tax	**10,780**	24,723
		Inventory holding gains (losses)*		
(4)	**(1)**	Upstream	**(7)**	(6)
(515)	**233**	Downstream	**310**	(107)
13	**26**	Rosneft (net of tax)	**57**	13
4,485	**5,503**	Profit before interest and tax	**11,140**	24,623
252	**277**	Finance costs	**564**	534
117	**79**	Net finance expense relating to pensions and other post-retirement benefits	**159**	239
4,116	**5,147**	Profit before taxation	**10,417**	23,850
		RC profit before interest and tax*[c]		
1,156	**1,643**	US	**2,768**	2,883
3,835	**3,602**	Non-US	**8,012**	21,840
4,991	**5,245**		**10,780**	24,723

(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 Rosneft on page 10 for further information.
(c) A minor amendment has been made to the analysis by region for the comparative periods in 2013.

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Financial statements (continued)

Notes

5. Sales and other operating revenues

Second quarter 2013	Second quarter 2014	$ million	First half 2014	First half 2013
		By segment		
16,418	**16,739**	Upstream	**33,745**	34,636
88,348	**86,871**	Downstream	**171,169**	175,132
414	**412**	Other businesses and corporate	**843**	834
105,180	**104,022**		**205,757**	210,602
		Less: sales and other operating revenues between segments		
10,116	**9,729**	Upstream	**18,946**	20,977
109	**152**	Downstream	**714**	349
244	**184**	Other businesses and corporate	**430**	458
10,469	**10,065**		**20,090**	21,784
		Third party sales and other operating revenues		
6,302	**7,010**	Upstream	**14,799**	13,659
88,239	**86,719**	Downstream	**170,455**	174,783
170	**228**	Other businesses and corporate	**413**	376
94,711	**93,957**	Total third party sales and other operating revenues	**185,667**	188,818
		By geographical area[a]		
34,536	**35,507**	US	**70,332**	69,731
69,919	**67,303**	Non-US	**133,608**	138,286
104,455	**102,810**		**203,940**	208,017
9,744	**8,853**	Less: sales and other operating revenues between areas	**18,273**	19,199
94,711	**93,957**		**185,667**	188,818

(a) A minor amendment has been made to the analysis by region for the comparative periods in 2013.

6. Production and similar taxes

Second quarter 2013	Second quarter 2014	$ million	First half 2014	First half 2013
218	**215**	US	**494**	