BP PLC
Form 6-K
February 03, 2015
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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 31 December 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. 333-173136) 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., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-199015) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8

(FILE NO. 333-200794) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-200795) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-200796) 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.

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BP p.l.c. and subsidiaries

Form 6-K for the period ended 31 December 2014[(a)]

(a) In this Form 6-K, references to the full year 2014 and full year 2013 refer to the full year periods ended 31 December 2014 and 31 December 2013 respectively. References to fourth quarter 2014 and fourth quarter 2013 refer to the three-month periods ended 31 December 2014 and 31 December 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.

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Group results fourth quarter and year end 2014

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
1,042	**(4,407)**	Profit (loss) for the period[a]	**3,780**	23,451
465	**3,438**	Inventory holding (gains) losses*, net of tax	**4,293**	230
1,507	**(969)**	Replacement cost profit (loss)*	**8,073**	23,681
1,302	**3,208**	Net (favourable) unfavourable impact of non-operating items* and fair value accounting effects*, net of tax	**4,063**	(10,253)
2,809	**2,239**	Underlying replacement cost profit*	**12,136**	13,428
5.57	**(24.18)**	Profit (loss) per ordinary share (cents)	**20.55**	123.87
0.33	**(1.45)**	Profit (loss) per ADS (dollars)	**1.23**	7.43
8.06	**(5.32)**	Replacement cost profit (loss) per ordinary share (cents)	**43.90**	125.08
0.48	**(0.32)**	Replacement cost profit (loss) per ADS (dollars)	**2.63**	7.50
15.02	**12.28**	Underlying replacement cost profit per ordinary share (cents)	**66.00**	70.92
0.90	**0.74**	Underlying replacement cost profit per ADS (dollars)	**3.96**	4.26

BP s result for the fourth quarter and full year was a loss of $4,407 million and a profit of $3,780 million respectively, compared with a profit of $1,042 million and $23,451 million for the same periods a year ago. BP s fourth-quarter replacement cost (RC) result was a loss of $969 million, compared with a profit of $1,507 million a year ago. After adjusting for a net charge for non-operating items of $3,565 million, mainly relating to impairments in Upstream, reflecting the impact of the lower near-term price environment, revisions to reserves and other factors (see page 6 and Note 3 on page 24), and net favourable fair value accounting effects of $357 million (both on a post-tax basis), underlying RC profit for the fourth quarter 2014 was $2,239 million, compared with $2,809 million for the same period in 2013.

For the full year, RC profit was $8,073 million, compared with $23,681 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 $4,620 million and net favourable fair value accounting effects of $557 million (both on a post-tax basis), underlying RC profit for the full year was $12,136 million, compared with $13,428 million for the same period in 2013. 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 31.

All amounts relating to the Gulf of Mexico oil spill have been treated as non-operating items, with a net pre-tax charge of $477 million for the quarter and $819 million for the full year. For further information on the Gulf of Mexico oil spill and its consequences see page 12 and Note 2 on page 18. See also Legal proceedings on page 35.

Including the impact of the Gulf of Mexico oil spill, net cash provided by operating activities for the quarter and full year was $7.2 billion and $32.8 billion respectively, compared with $5.4 billion and $21.1 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 fourth quarter and full year was $6.9 billion and $32.8 billion respectively, compared with $5.3 billion and $21.2 billion respectively for the same periods in 2013.

Gross debt at 31 December 2014 was $52.9 billion compared with $48.2 billion a year ago. The ratio of gross debt to gross debt plus equity at 31 December 2014 was 31.9%, compared with 27.0% a year ago. Net debt at 31 December 2014 was $22.6 billion, compared with $25.2 billion a year ago. The ratio of net debt to net debt plus equity at 31 December 2014 was 16.7%, compared with 16.2% a year ago. We continue to target a net debt ratio in the 10-20% range. Net debt and the ratio of net debt to net debt plus equity are non-GAAP measures. See page 27 for more information.

The reserves replacement ratio* on a combined basis of subsidiaries and equity-accounted entities was estimated at 62%(b) for the year, excluding the impact of acquisitions and disposals.

Total capital expenditure on an accruals basis for the fourth quarter was $6.7 billion, of which organic capital expenditure* was $6.6 billion. For the full year, total capital expenditure on an accruals basis was $23.8 billion, of which organic capital expenditure was $22.9 billion. In 2015, we expect organic capital expenditure to be around $20 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. BP has agreed around $4.7 billion of such further divestments to date. Disposal proceeds received in cash were $1.1 billion for the quarter and $3.5 billion for the full year.

BP today announced a quarterly dividend of 10.00 cents per ordinary share ($0.600 per ADS), which is expected to be paid on 27 March 2015. The corresponding amount in sterling will be announced on 16 March 2015. See page 27 for further information.

* For items marked with an asterisk throughout this document, definitions are provided in the Glossary on page 33.
(a) Profit (loss) attributable to BP shareholders.
(b) Includes estimated reserves data from Rosneft. The reserves replacement ratio will be finalized and reported in *BP Annual Report and Form 20-F 2014* which is scheduled to be published in early March 2015.

The commentaries above and following should be read in conjunction with the cautionary statement on page 38.

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Group headlines (continued)

The effective tax rate (ETR) on the profit or loss for the fourth quarter and full year was 46% and 19% respectively, compared with 8% and 21% for the same periods in 2013. The ETR on RC profit or loss for the fourth quarter and full year was 70% and 26% respectively, compared with 15% and 21% for the same periods in 2013. Adjusting for non-operating items and fair value accounting effects, the underlying ETR for the fourth quarter and full year was 38% and 36% respectively, compared with 24% and 35% for the same periods in 2013. The underlying ETR was higher for the fourth quarter 2014 mainly due to foreign exchange impacts on deferred tax and a lower level of equity-accounted earnings (which are reported net of tax), compared to the corresponding period in 2013. In the current environment, with our current portfolio of assets, the underlying ETR in 2015 is expected to be lower than 2014.

Finance costs and net finance expense relating to pensions and other post-retirement benefits were a charge of $381 million for the fourth quarter, compared with $378 million for the same period in 2013. For the full year, the respective amounts were $1,462 million and $1,548 million.

BP repurchased 105 million ordinary shares at a cost of $0.7 billion, including fees and stamp duty, during the fourth quarter of 2014. For the full year, BP repurchased 612 million ordinary shares at a cost of $4.8 billion, including fees and stamp duty. The $8-billion share repurchase programme announced on 22 March 2013 was completed in July 2014.

Reported production for the fourth quarter, including BP s share of Rosneft s production, was 3,214 thousand barrels of oil equivalent per day (mboe/d), compared with 3,231mboe/d for the same period in 2013 (see Upstream on page 6 and Rosneft on page 10). This reduction reflected the Abu Dhabi onshore concession expiry and divestments, substantially offset by increased production from higher-margin areas and favourable entitlement impacts in our production-sharing agreements (PSAs), resulting from lower oil prices in Upstream and higher production in Rosneft. Reported production for the full year, including BP s share of Rosneft s production, was 3,151mboe/d, compared with 3,230mboe/d in 2013 which includes BP s share of Rosneft and TNK-BP production. This reduction reflected the Abu Dhabi onshore concession expiry and divestments, partially offset by increased production from higher-margin areas and higher production in Rosneft in 2014 compared to the aggregate production in Rosneft and TNK-BP in 2013.

The charge for depreciation, depletion and amortization was $15.2 billion in 2014, compared with $13.5 billion in 2013, reflecting the impact of new major projects coming onstream. In 2015, we expect a flatter trend relative to 2014.

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Analysis of RC profit before interest and tax

and reconciliation to profit for the period

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
		RC profit (loss) before interest and tax*		
2,537	**(3,085)**	Upstream	**8,934**	16,657
(360)	**780**	Downstream	**3,738**	2,919
		TNK-BP[(a)]		12,500
1,058	**451**	Rosneft[(b)]	**2,100**	2,153
(605)	**(647)**	Other businesses and corporate	**(2,010)**	(2,319)
(179)	**(468)**	Gulf of Mexico oil spill response[(c)]	**(781)**	(430)
(240)	**257**	Consolidation adjustment UPII*	**641**	579
2,211	**(2,712)**	RC profit (loss) before interest and tax	**12,622**	32,059
(378)	**(381)**	Finance costs and net finance expense relating to pensions and other post-retirement benefits	**(1,462)**	(1,548)
(270)	**2,158**	Taxation on a RC basis	**(2,864)**	(6,523)
(56)	**(34)**	Non-controlling interests	**(223)**	(307)
1,507	**(969)**	RC profit (loss) attributable to BP shareholders	**8,073**	23,681
(634)	**(4,985)**	Inventory holding gains (losses)	**(6,210)**	(290)
169	**1,547**	Taxation (charge) credit on inventory holding gains and losses	**1,917**	60
1,042	**(4,407)**	Profit (loss) for the period attributable to BP shareholders	**3,780**	23,451

(a) BP ceased equity accounting for its share of TNK-BP s earnings from 22 October 2012. Full year 2013 includes the gain arising on the 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

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
		Underlying RC profit before interest and tax*		
3,852	**2,246**	Upstream	**15,201**	18,265
70	**1,213**	Downstream	**4,441**	3,632

1,087	**470**	Rosneft	**1,875**	2,198
(614)	**(120)**	Other businesses and corporate	**(1,340)**	(1,898)
(240)	**257**	Consolidation adjustment UPII	**641**	579
4,155	**4,066**	Underlying RC profit before interest and tax	**20,818**	22,776
(368)	**(372)**	Finance costs and net finance expense relating to pensions and other post-retirement benefits	**(1,424)**	(1,509)
(922)	**(1,421)**	Taxation on an underlying RC basis	**(7,035)**	(7,532)
(56)	**(34)**	Non-controlling interests	**(223)**	(307)
2,809	**2,239**	Underlying RC profit attributable to BP shareholders	**12,136**	13,428

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.

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Upstream

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
2,540	**(3,165)**	Profit (loss) before interest and tax	**8,848**	16,661
(3)	**80**	Inventory holding (gains) losses*	**86**	(4)
2,537	**(3,085)**	RC profit (loss) before interest and tax	**8,934**	16,657
1,315	**5,331**	Net (favourable) unfavourable impact of non-operating items* and fair value accounting effects*	**6,267**	1,608
3,852	**2,246**	Underlying RC profit before interest and tax*[(a)]	**15,201**	18,265

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

Financial results

The replacement cost result before interest and tax for the fourth quarter and full year was a loss of $3,085 million and a profit of $8,934 million respectively, compared with a profit of $2,537 million and $16,657 million for the same periods in 2013. The fourth quarter and full year included a net non-operating charge of $5,557 million and $6,298 million respectively. These are primarily related to impairments associated with several assets, mainly in the North Sea and Angola reflecting the impact of the lower near-term price environment, revisions to reserves and other factors (see Note 3 on page 24 for further information). In 2013, the net non-operating charge for the fourth quarter and full year was $1,201 million and $1,364 million, respectively. Fair value accounting effects in the fourth quarter and full year had favourable impacts of $226 million and $31 million respectively, compared with unfavourable impacts of $114 million and $244 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 fourth quarter and full year was $2,246 million and $15,201 million respectively, compared with $3,852 million and $18,265 million for the same periods in 2013. The result for the fourth quarter reflected significantly lower liquids realizations, the absence of a one-off benefit to production taxes which occurred in 2013 and higher exploration write-offs, partly offset by lower costs, higher production in higher-margin areas and a benefit from stronger gas marketing and trading activities. The result for the full year reflected lower liquids realizations, higher costs, mainly depreciation, depletion and amortization and exploration write-offs and the absence of one-off benefits which occurred in 2013 related to production taxes and a cost pooling settlement agreement between the owners of the Trans-Alaska Pipeline System (TAPS), partly offset by higher production in higher-margin areas, higher gas realizations and a benefit from stronger gas marketing and trading activities.

Production

Production for the quarter was 2,187mboe/d, 2.6% lower than the fourth quarter of 2013. Underlying production* increased by 2.3%, reflecting growth in production from higher-margin areas. For the full year, reported production was 2,143mboe/d, 5% lower than in 2013. Underlying production for the full year was 2.2% higher than in 2013, also from higher-margin areas.

Key events

In November, BP was awarded two new exploration blocks as a result of the 2013 Egyptian Natural Gas Holding Company (EGAS) bid round: Block 3 North El Mataria (BP 50%), in the onshore Nile Delta, will be operated by BP; Block 8 Karawan Offshore (BP 50%) is located in the

Mediterranean Sea and will be operated by ENI. BP and its partners have committed to invest a total of $240 million in the blocks over different phases. Also in November, BP completed the sale of its interests and transfer of operatorship in four BP-operated oilfields on the North Slope of Alaska to Hilcorp.

In December, BP announced the start of operations by Husky Energy at the Sunrise Phase 1 in-situ oil sands project in Alberta, Canada (BP 50%), with the start of steam generation. BP also announced the start of production from the Kinnoull field (BP 77.06%) in the central North Sea. The Kinnoull reservoir is tied back to BP s Andrew platform. These were the final two of seven major project start-ups in 2014. In Azerbaijan, BP and the State Oil Company of the Republic of Azerbaijan (SOCAR) signed a new production-sharing agreement (PSA) to jointly explore for and develop potential resources in the shallow water area around the Absheron Peninsula in the Azerbaijan sector of the Caspian Sea.

After the end of the quarter, BP announced the formation of a new ownership and operating model with Chevron and ConocoPhillips in the deepwater Gulf of Mexico. Under the agreements, BP will sell to Chevron approximately half of its current equity interests in the Gila and Tiber fields. BP, Chevron and ConocoPhillips also have agreed to joint ownership interests in exploration blocks east of Gila known as Gibson. Chevron will operate Tiber, Gila and Gibson, with operatorship transferring after BP finishes drilling appraisal wells at Gila and Tiber.

Outlook

Reported production for the full year 2015 is expected to be higher than 2014. The actual reported outcome will depend on the exact timing of project start-ups, divestments, OPEC quotas and entitlement impacts in our PSAs. We expect full-year underlying production in 2015 to be broadly flat with 2014. We expect first-quarter 2015 reported production to be higher than the fourth quarter, mainly reflecting higher entitlements in PSA regions on the basis of assumed lower oil prices.

The commentary above contains forward-looking statements and should be read in conjunction with the cautionary statement on page 38.

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Upstream

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
		Underlying RC profit before interest and tax[a]		
1,050	**1,007**	US	**4,338**	3,836
2,802	**1,239**	Non-US	**10,863**	14,429
3,852	**2,246**		**15,201**	18,265
		Non-operating items[b]		
(3)	**(30)**	US	**(36)**	58
(1,198)	**(5,527)**	Non-US[c][d]	**(6,262)**	(1,422)
(1,201)	**(5,557)**		**(6,298)**	(1,364)
		Fair value accounting effects		
(112)	**152**	US	**23**	(269)
(2)	**74**	Non-US	**8**	25
(114)	**226**		**31**	(244)
		RC profit (loss) before interest and tax[a]		
935	**1,129**	US	**4,325**	3,625
1,602	**(4,214)**	Non-US	**4,609**	13,032
2,537	**(3,085)**		**8,934**	16,657
		Exploration expense		
126	**426**	US[e]	**1,295**	438
2,048	**1,029**	Non-US[c][d][f]	**2,337**	3,003
2,174	**1,455**		**3,632**	3,441
		Production (net of royalties)[g]		
		Liquids* (mb/d)		
392	**407**	US	**411**	363
97	**85**	Europe	**94**	96
712	**656**	Rest of World	**602**	718
1,201	**1,149**		**1,106**	1,176
297	**166**	Of which equity-accounted entities[h]	**170**	302
		Natural gas (mmcf/d)		
1,507	**1,526**	US	**1,519**	1,539
190	**163**	Europe	**173**	237

4,360	**4,332**	Rest of World	**4,324**	4,483
6,057	**6,021**		**6,016**	6,259
416	**415**	Of which equity-accounted entities[h]	**431**	415
		Total hydrocarbons* (mboe/d)		
652	**670**	US	**673**	628
130	**114**	Europe	**123**	137
1,464	**1,403**	Rest of World	**1,347**	1,491
2,246	**2,187**		**2,143**	2,256
368	**238**	Of which equity-accounted entities[h]	**245**	374
		Average realizations[i]		
98.26	**69.03**	Total liquids ($/bbl)	**87.96**	99.24
5.49	**5.54**	Natural gas ($/mcf)	**5.70**	5.35
65.04	**51.53**	Total hydrocarbons ($/boe)	**60.85**	63.58

(a) A minor amendment has been made to the analysis by region for the comparative periods in 2013.
(b) See Note 3 for more information on impairment losses in the fourth quarter and full year 2014.
(c) Fourth quarter and full year 2014 include write-offs of $20 million and $395 million respectively relating to Block KG D6 in India. This is classified in the other category of non-operating items (see page 30). In addition, impairment charges of $20 million and $415 million for the same periods were also recorded in relation to this block.
(d) Fourth quarter and full year 2013 include an $845-million write-off relating to the value ascribed to block BM-CAL-13 offshore Brazil as part of the accounting for the acquisition of upstream assets from Devon Energy in 2011 and $216 million of costs relating to the Pitanga exploration well, which was drilled in this block and did not encounter commercial quantities of oil or gas. The $845-million write-off has been classified in the other category of non-operating items (see page 30).
(e) Fourth quarter and full year 2014 include the write-off of costs relating to the Moccasin discovery in the deepwater Gulf of Mexico. 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. Full year 2014 includes a $544-million write-off relating to the Utica acreage.
(f) Fourth quarter and full year 2014 include the write-off of $524 million relating to the Bourarhat Sud block licence in the Illizi Basin of Algeria. Fourth quarter and full year 2013 include the write-off of costs relating to the Risha concession in Jordan.
(g) Includes BP s share of production of equity-accounted entities in the Upstream segment.
(h) A minor amendment has been made to the equity-accounted entities production volumes for the comparative periods in 2013.
(i) 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.

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Downstream

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
(840)	**(4,064)**	Profit (loss) before interest and tax	**(2,362)**	2,725
480	**4,844**	Inventory holding (gains) losses*	**6,100**	194
(360)	**780**	RC profit (loss) before interest and tax	**3,738**	2,919
430	**433**	Net (favourable) unfavourable impact of non-operating items* and fair value accounting effects*	**703**	713
70	**1,213**	Underlying RC profit before interest and tax*[(a)]	**4,441**	3,632

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

Financial results

The replacement cost profit before interest and tax for the fourth quarter and full year was $780 million and $3,738 million respectively, compared with a replacement cost loss before interest and tax of $360 million and a replacement cost profit before interest and tax of $2,919 million for the same periods in 2013.

The 2014 results included net non-operating charges of $790 million for the fourth quarter and $1,570 million for the full year, compared with net non-operating charges of $74 million and $535 million for the same periods a year ago (see pages 9 and 30 for further information on non-operating items). The fourth-quarter non-operating charges are mainly related to impairment losses in our fuels business and costs associated with our restructuring programme and charges for the full year are mainly related to impairment losses in our fuels and petrochemicals businesses. Fair value accounting effects had favourable impacts of $357 million for the fourth quarter and $867 million for the full year, compared with unfavourable impacts of $356 million for the fourth quarter and $178 million for the full year in 2013.

After adjusting for non-operating items and fair value accounting effects, the underlying replacement cost profit before interest and tax for the fourth quarter and full year was $1,213 million and $4,441 million respectively, compared with $70 million and $3,632 million a year ago with the increase in profits mainly arising in the fuels business.

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 reported an underlying replacement cost profit before interest and tax of $925 million for the fourth quarter and $3,219 million for the full year, compared with an underlying replacement cost loss before interest and tax of $204 million and an underlying replacement cost profit before interest and tax of $2,230 million for the same periods in 2013. Relative to the same period in 2013, despite an overall weaker refining environment which was primarily due to falling crude price differentials in the US, the result for the quarter benefited from an improved fuels marketing performance, increased heavy crude processing in the US, lower turnaround activity and an improved contribution from supply and trading. The stronger full-year result was also impacted by the weaker refining environment which was more than offset by higher fuels marketing performance, increased heavy crude processing and increased production, mainly associated with the ramp-up of operations at our Whiting refinery following the completion of the modernization project.

Lubricants business

The lubricants business reported an underlying replacement cost profit before interest and tax of $313 million in the fourth quarter and $1,271 million for the full year, compared with $230 million and $1,272 million in the same periods last year. The fourth-quarter result reflects continued margin improvement in growth markets and benefits, in comparison with the same period in 2013, from the absence of restructuring charges which were recorded in the same period in 2013. These factors were partially offset by adverse foreign exchange impacts. Similarly the full-year result benefited from improved margin across the portfolio, contributing to a 6% improvement in the result which, however, was offset by adverse foreign exchange translation impacts.

Petrochemicals business

The petrochemicals business reported an underlying replacement cost loss before interest and tax of $25 million in the fourth quarter and $49 million in the full year, compared with an underlying replacement cost profit before interest and tax of $44 million and $130 million respectively in the same periods last year. The decrease in the fourth quarter and full year reflects a continuation of the weak margin environment, particularly in the Asian aromatics sector, and unplanned operational events.

Outlook

Looking to 2015, at this point, we anticipate a weaker refining environment due to narrowing crude differentials in the low crude price environment. We expect the financial impact of refinery turnarounds to be at similar levels as 2014 and the petrochemicals margin environment to gradually improve.

The commentary above contains forward-looking statements and should be read in conjunction with the cautionary statement on page 38.

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Downstream

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
		Underlying RC profit (loss) before interest and tax - by region		
(162)	**338**	US	**1,684**	1,123
232	**875**	Non-US	**2,757**	2,509
70	**1,213**		**4,441**	3,632
		Non-operating items		
(20)	**(337)**	US	**(339)**	(154)
(54)	**(453)**	Non-US	**(1,231)**	(381)
(74)	**(790)**		**(1,570)**	(535)
		Fair value accounting effects		
(446)	**379**	US	**914**	(211)
90	**(22)**	Non-US	**(47)**	33
(356)	**357**		**867**	(178)
		RC profit (loss) before interest and tax		
(628)	**380**	US	**2,259**	758
268	**400**	Non-US	**1,479**	2,161
(360)	**780**		**3,738**	2,919
		Underlying RC profit (loss) before interest and tax - by business[(a)(b)]		
(204)	**925**	Fuels	**3,219**	2,230
230	**313**	Lubricants	**1,271**	1,272
44	**(25)**	Petrochemicals	**(49)**	130
70	**1,213**		**4,441**	3,632
		Non-operating items and fair value accounting effects[(c)]		
(430)	**(383)**	Fuels	**(389)**	(712)
	(45)	Lubricants	**136**	2
	(5)	Petrochemicals	**(450)**	(3)
(430)	**(433)**		**(703)**	(713)
		RC profit (loss) before interest and tax[(a)(b)]		
(634)	**542**	Fuels	**2,830**	1,518
230	**268**	Lubricants	**1,407**	1,274
44	**(30)**	Petrochemicals	**(499)**	127

(360)	**780**		**3,738**	2,919
11.0	**13.0**	**BP average refining marker margin (RMM)*** ($/bbl)	**14.4**	15.4
		Refinery throughputs (mb/d)		
641	**657**	US	**642**	726
742	**807**	Europe	**782**	766
312	**318**	Rest of World	**297**	299
1,695	**1,782**		**1,721**	1,791
95.6	**94.8**	**Refining availability*** (%)	**94.9**	95.3
		Marketing sales of refined products (mb/d)		
1,179	**1,166**	US	**1,166**	1,282
1,189	**1,173**	Europe	**1,177**	1,237
603	**534**	Rest of World	**529**	565
2,971	**2,873**		**2,872**	3,084
2,504	**2,470**	Trading/supply sales of refined products	**2,448**	2,485
5,475	**5,343**	Total sales volumes of refined products	**5,320**	5,569
		Petrochemicals production (kte)		
993	**872**	US	**3,844**	4,264
952	**937**	Europe	**3,851**	3,779
1,426	**1,719**	Rest of World	**6,319**	5,900
3,371	**3,528**		**14,014**	13,943

(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.

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Rosneft

Fourth quarter 2013	Fourth quarter 2014[(a)]	$ million	Year 2014[(a)]	Year 2013
901	**390**	Profit before interest and tax[(b)(c)]	**2,076**	2,053
157	**61**	Inventory holding (gains) losses*	**24**	100
1,058	**451**	RC profit before interest and tax	**2,100**	2,153
29	**19**	Net charge (credit) for non-operating items*	**(225)**	45
1,087	**470**	Underlying RC profit before interest and tax*	**1,875**	2,198

Replacement cost profit before interest and tax for the fourth quarter and full year was $451 million and $2,100 million respectively, compared with $1,058 million and $2,153 million for the same periods in 2013.

The 2014 results included a non-operating charge of $19 million for the fourth quarter and a gain of $225 million for the full year relating to Rosneft s sale of its interest in the Yugragazpererabotka joint venture, compared with a non-operating charge of $29 million and $45 million for the same periods in 2013.

After adjusting for non-operating items, the underlying replacement cost profit for the fourth quarter and full year was $470 million and $1,875 million respectively, compared with $1,087 million and $2,198 million for the same periods in 2013. Compared with 2013, the results for both periods were affected by an unfavourable duty lag effect, lower oil prices and other items, partially offset by certain foreign exchange effects which had a favourable impact on the result. See also Group statement of comprehensive income Share of items relating to equity-accounted entities, net of tax, and footnote (a), on page 14 for other 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 Other matters on page 37 for information on sanctions.

Fourth quarter 2013	Fourth quarter 2014[(a)]		Year 2014[(a)]	Year 2013[(d)]
		Production (net of royalties) (BP share)		
833	**819**	Liquids* (mb/d)	**821**	650
884	**1,203**	Natural gas (mmcf/d)	**1,084**	617
985	**1,027**	Total hydrocarbons* (mboe/d)	**1,008**	756

(a) The operational and financial information of the Rosneft segment for the fourth quarter and full year 2014 is based on preliminary operational and financial results of Rosneft for the three months ended 31 December 2014. Actual results may differ from these amounts.

(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 finance costs, taxation and non-controlling interests, as adjusted, is included in the BP group income statement within profit before interest and taxation.

(c) Full year 2014 includes $25 million of foreign exchange losses arising on the dividend received ($5 million loss in the full year 2013).
(d) Full year 2013 reflects production for the period 21 March 31 December averaged over the full year.

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Other businesses and corporate

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
(605)	**(647)**	Profit (loss) before interest and tax	**(2,010)**	(2,319)
		Inventory holding (gains) losses*		
(605)	**(647)**	RC profit (loss) before interest and tax	**(2,010)**	(2,319)
(9)	**527**	Net charge (credit) for non-operating items*	**670**	421
(614)	**(120)**	Underlying RC profit (loss) before interest and tax*	**(1,340)**	(1,898)
		Underlying RC profit (loss) before interest and tax		
(228)	**(167)**	US	**(594)**	(800)
(386)	**47**	Non-US	**(746)**	(1,098)
(614)	**(120)**		**(1,340)**	(1,898)
		Non-operating items		
(14)	**(219)**	US	**(360)**	(449)
23	**(308)**	Non-US	**(310)**	28
9	**(527)**		**(670)**	(421)
		RC profit (loss) before interest and tax		
(242)	**(386)**	US	**(954)**	(1,249)
(363)	**(261)**	Non-US	**(1,056)**	(1,070)
(605)	**(647)**		**(2,010)**	(2,319)

Other businesses and corporate comprises biofuels and wind businesses, 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 fourth quarter and full year was $647 million and $2,010 million respectively, compared with $605 million and $2,319 million for the same periods in 2013.

The fourth-quarter result included a net non-operating charge of $527 million, primarily relating to restructuring provisions and impairments, compared with a net credit of $9 million a year ago. For the full year, the net non-operating charge was $670 million, compared with a net charge of $421 million in 2013.

After adjusting for non-operating items, the underlying replacement cost loss before interest and tax for the fourth quarter was $120 million, compared with $614 million for the same period in 2013. For the full year, the underlying replacement cost loss before interest and tax was $1,340 million compared with $1,898 million in 2013. The underlying charge in the fourth quarter and full year 2014 was lower than 2013 resulting from improved business performances and a number of one-off credits.

Biofuels

The net ethanol-equivalent production (which includes ethanol and sugar) for the fourth quarter and full year was 242 million litres and 653 million litres respectively, compared with 140 million litres and 521 million litres for the same periods in 2013.

Wind

Net wind generation capacity*(a) was 1,588MW at 31 December 2014, compared with 1,590MW at 31 December 2013. BP s net share of wind generation for the fourth quarter and full year was 1,240GWh and 4,617GWh respectively, compared with 1,203GWh and 4,203GWh for the same periods in 2013.

Outlook

In 2015, Other businesses and corporate average quarterly charges, excluding non-operating items, are expected to be around $400 million although this will fluctuate from quarter to quarter.

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

The commentary above contains forward-looking statements and should be read in conjunction with the cautionary statement on page 38.

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Gulf of Mexico oil spill

Financial update

The replacement cost loss before interest and tax for the fourth quarter and full year was $468 million and $781 million respectively, compared with $179 million and $430 million for the same periods last year. The fourth-quarter charge reflects an increased provision for litigation costs, additional business economic loss claims and the ongoing costs of the Gulf Coast Restoration Organization. The cumulative pre-tax charge recognized to date amounts to $43.5 billion.

The cumulative income statement charge does not include amounts for obligations that BP currently considers are not possible 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 20. These could have a material impact on our consolidated financial position, results and cash flows.

Trust update

As previously disclosed in our third-quarter results announcement, the cumulative charges to be paid from the Trust, and the associated reimbursement asset recognized, had reached $20 billion. Subsequent additional costs are being charged to the income statement as incurred. In the fourth quarter this included a $235-million charge for additional business economic loss claims under the Plaintiffs Steering Committee settlement. See Note 2 on page 18 and Legal proceedings on page 35 for further details.

During the fourth quarter, $1.0 billion was paid out of the Deepwater Horizon Oil Spill Trust (the Trust) and qualified settlement funds (QSFs), including $419 million for claims payments, administrative costs of the Deepwater Horizon Court Supervised Settlement Program (DHCSSP) and other resolved items, and $581 million for natural resource damage early restoration projects and assessment. At 31 December 2014, the aggregate cash balances in the Trust and the QSFs amounted to $5.1 billion, including $1.1 billion remaining in the seafood compensation fund which is yet to be distributed, and $0.4 billion held for natural resource damage early restoration projects.

Legal proceedings

The federal district court in New Orleans (the District Court) issued its ruling on Phase 1 in the Trial of Liability, Limitation, Exoneration and Fault Allocation in MDL 2179 (the Trial) on 4 September 2014. It found that BP Exploration & Production Inc. (BPXP), BP America Production Company (BPAPC) and various other parties are each liable under general maritime law for the blowout, explosion and oil spill from the Macondo well. With respect to the United States claim against BPXP under the Clean Water Act, the District Court found that the discharge of oil was the result of BPXP s gross negligence and wilful misconduct and that BPXP is therefore subject to enhanced civil penalties, which may be up to $4,300 per barrel of oil discharged into the Gulf of Mexico.

BPXP and BPAPC have filed a notice of appeal of the Phase 1 ruling to the United States Court of Appeals for the Fifth Circuit (the Fifth Circuit).

The District Court issued its ruling on Phase 2 of the Trial on 15 January 2015, finding that 3.19 million barrels of oil were discharged into the Gulf of Mexico and therefore subject to a Clean Water Act penalty. In addition, the District Court found that BP was not grossly negligent in its source control efforts.

The penalty phase of the Trial began on 20 January 2015 and is scheduled to last three weeks. 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 (or ultimate determinations on appeal) in Phases 1 and 2, and the application of the penalty factors under the Clean Water Act.

With regard to the Plaintiffs Steering Committee (PSC) settlement, on 24 September 2014, the District Court denied BP s motion to order the return of excessive payments made by the DHCSSP under the matching policy in effect before the District Court s December 2013 ruling requiring a claimant s revenue to be matched with variable expenses. BP has appealed this decision to the Fifth Circuit.

In March 2014, the Fifth Circuit affirmed the District Court s ruling that the Economic and Property Damages Settlement Agreement (EPD Settlement Agreement) contained no causation requirement beyond the revenue and related tests set out in an exhibit to that agreement. 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. In August 2014, BP petitioned for 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. On 8 December 2014, the US Supreme Court declined to review BP s petition. As a result, the final deadline for filing claims under the EPD Settlement Agreement (other than those that fall under the Seafood Compensation Program) is 8 June 2015.

For further details, see Legal proceedings on page 35.

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Financial statements

Group income statement

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
93,717	**73,997**	Sales and other operating revenues (Note 5)	**353,568**	379,136
101	**181**	Earnings from joint ventures after interest and tax	**570**	447
1,000	**519**	Earnings from associates after interest and tax	**2,802**	2,742
235	**238**	Interest and other income	**843**	777
43	**161**	Gains on sale of businesses and fixed assets	**895**	13,115
95,096	**75,096**	Total revenues and other income	**358,678**	396,217
74,960	**60,411**	Purchases	**281,907**	298,351
7,257	**7,002**	Production and manufacturing expenses	**27,375**	27,527
1,491	**412**	Production and similar taxes (Note 6)	**2,958**	7,047
3,736	**3,866**	Depreciation, depletion and amortization	**15,163**	13,510
474	**6,768**	Impairment and losses on sale of businesses and fixed assets (Note 3)	**8,965**	1,961
2,174	**1,455**	Exploration expense	**3,632**	3,441
3,482	**3,066**	Distribution and administration expenses	**12,696**	13,070
(55)	**(187)**	Fair value gain on embedded derivatives	**(430)**	(459)
1,577	**(7,697)**	Profit (loss) before interest and taxation	**6,412**	31,769
255	**299**	Finance costs	**1,148**	1,068
123	**82**	Net finance expense relating to pensions and other post-retirement benefits	**314**	480
1,199	**(8,078)**	Profit (loss) before taxation	**4,950**	30,221
101	**(3,705)**	Taxation	**947**	6,463
1,098	**(4,373)**	Profit (loss) for the period	**4,003**	23,758
		Attributable to		
1,042	**(4,407)**	BP shareholders	**3,780**	23,451
56	**34**	Non-controlling interests	**223**	307
1,098	**(4,373)**		**4,003**	23,758
		Earnings per share (Note 7)		
		Profit (loss) for the period attributable to BP shareholders		
		Per ordinary share (cents)		
5.57	**(24.18)**	Basic	**20.55**	123.87
5.54	**(24.18)**	Diluted	**20.42**	123.12
		Per ADS (dollars)		
0.33	**(1.45)**	Basic	**1.23**	7.43
0.33	**(1.45)**	Diluted	**1.23**	7.39

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Financial statements (continued)

Group statement of comprehensive income

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
1,098	**(4,373)**	Profit (loss) for the period	**4,003**	23,758
		Other comprehensive income		
		Items that may be reclassified subsequently to profit or loss		
(177)	**(3,496)**	Currency translation differences[a]	**(6,838)**	(1,608)
13	**54**	Exchange gains (losses) on translation of foreign operations reclassified to gain or loss on sale of business and fixed assets	**51**	22
		Available-for-sale investments marked to market	**(1)**	(172)
		Available-for-sale investments reclassified to the income statement	**1**	(523)
62	**(111)**	Cash flow hedges marked to market[b]	**(155)**	(2,000)
3	**17**	Cash flow hedges reclassified to the income statement	**(73)**	4
(8)		Cash flow hedges reclassified to the balance sheet	**(11)**	17
	(2,418)	Share of items relating to equity-accounted entities, net of tax[a]	**(2,584)**	(24)
(23)	**151**	Income tax relating to items that may be reclassified	**147**	147
(130)	**(5,803)**		**(9,463)**	(4,137)
		Items that will not be reclassified to profit or loss		
2,298	**(2,825)**	Remeasurements of the net pension and other post-retirement benefit liability or asset	**(4,590)**	4,764
2	**(1)**	Share of items relating to equity-accounted entities, net of tax	**4**	2
(676)	**856**	Income tax relating to items that will not be reclassified	**1,334**	(1,521)
1,624	**(1,970)**		**(3,252)**	3,245
1,494	**(7,773)**	Other comprehensive income	**(12,715)**	(892)
2,592	**(12,146)**	Total comprehensive income	**(8,712)**	22,866
		Attributable to		
2,533	**(12,155)**	BP shareholders	**(8,903)**	22,574
59	**9**	Non-controlling interests	**191**	292
2,592	**(12,146)**		**(8,712)**	22,866

(a) Fourth quarter and full year 2014 are principally affected by a weakening of the rouble compared to the US dollar. See Rosneft regulatory announcement dated 3 February 2015 titled New Treatment of Foreign Currency Risk .

(b) Full year 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 equi**