

BP PLC
Form 6-K
August 01, 2017
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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 2017
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)

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Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T

Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T

Rule 101(b)(7):

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NOS. 333-208478 AND 333-208478-01) OF BP CAPITAL MARKETS p.l.c. AND 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. 333-79399) 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. 333-207188) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-207189) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-210316) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-210318) 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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(a) In this Form 6-K, references to the first half 2017 and first half 2016 refer to six-month periods ended 30 June 2017 and 30 June 2016 respectively. References to the second quarter 2017 and second quarter 2016 refer to the three-month periods ended 30 June 2017 and 30 June 2016 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 2016.

Table of Contents**Group results second quarter and half year 2017^(a)****Highlights****Solid first half; strong operations, strong cash flow.**

Profit for the second quarter was \$0.1 billion, underlying replacement cost (RC) profit* for the second quarter was \$0.7 billion.

Second-quarter operating cash flow* was \$4.9 billion after post-tax Gulf of Mexico oil spill expenditure of \$2.0 billion.

Dividend unchanged at 10 cents per share.

Second-quarter Upstream production was 10% higher than in the same period in 2016; first-half production was 6% higher.

Upstream major projects on track; two new projects sanctioned in quarter; significant gas discoveries in Senegal and Trinidad announced; \$753 million exploration write-off, predominantly in Angola.

In Downstream, first-half fuels marketing earnings around 20% higher than in the first half of 2016.

\$ million	Second quarter 2017	Second quarter 2016	First half 2017	First half 2016
Sales and other operating revenues	56,511	46,442	112,374	84,954
Profit (loss) for the period ^(a)	144	(1,419)	1,593	(2,002)
Inventory holding (gains) losses*, before tax	586	(1,188)	520	(1,056)
Taxation charge (credit) on inventory holding gains and losses	(177)	360	(148)	326

RC profit (loss)*	553	(2,247)	1,965	(2,732)
Net (favourable) unfavourable impact of non-operating items* and fair value accounting effects*, before tax	237	5,518	504	6,928
Taxation charge (credit) on non-operating items and fair value accounting effects	(106)	(2,551)	(275)	(2,944)
Underlying RC profit	684	720	2,194	1,252
Profit (loss) per ordinary share (cents)	0.73	(7.60)	8.12	(10.78)
Profit (loss) per ADS (dollars)	0.04	(0.46)	0.49	(0.65)
RC profit (loss) per ordinary share (cents)*	2.80	(12.03)	10.02	(14.71)
RC profit (loss) per ADS (dollars)	0.17	(0.72)	0.60	(0.88)
Underlying RC profit per ordinary share (cents)*	3.47	3.85	11.19	6.73
Underlying RC profit per ADS (dollars)	0.21	0.23	0.67	0.40

(a) Profit attributable to BP shareholders.

Bob Dudley Group chief executive:

We continue to position BP for the new oil price environment, with a continued tight focus on costs, efficiency and discipline in capital spending. We delivered strong operational performance in the first half of 2017 and have considerable strategic momentum coming into the rest of the year and 2018, with rising production from our new Upstream projects and marketing growth in the Downstream.

Brian Gilvary Chief financial officer:

Cash flow was strong in the first half – organic cash flow* exceeded organic capital expenditure* and dividends paid. While net debt* rose primarily due to Gulf of Mexico payments, we expect this will improve over the second half as these payments decline and divestment proceeds come in towards the end of the year.

* See definitions in the Glossary on page 37. RC profit (loss), underlying RC profit, cash flow excluding Gulf of Mexico oil spill payments, organic capital expenditure and net debt are non-GAAP measures.

The commentary above and following should be read in conjunction with the cautionary statement on page 40.

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Group headlines

Earnings

BP's profit for the second quarter and half year was \$144 million and \$1,593 million respectively, compared with a loss of \$1,419 million and a loss of \$2,002 million for the same periods in 2016.

The second-quarter replacement cost (RC) profit was \$553 million, compared with a loss of \$2,247 million for the same period in 2016. After adjusting for a net charge for non-operating items of \$215 million and net favourable fair value accounting effects of \$84 million (both on a post-tax basis), underlying RC profit for the second quarter was \$684 million, compared with \$720 million for the same period in 2016.

For the half year, RC profit was \$1,965 million, compared with a loss of \$2,732 million a year ago. After adjusting for a net charge for non-operating items of \$520 million and net favourable fair value accounting effects of \$291 million (both on a post-tax basis), underlying RC profit for the half year was \$2,194 million, compared with \$1,252 million for the same period in 2016.

See further information on page 5.

Non-operating items

Non-operating items amounted to a charge of \$359 million pre-tax and \$215 million post-tax for the quarter and a charge of \$912 million pre-tax and \$520 million post-tax for the half year.

The Gulf of Mexico oil spill charge before interest and tax for the second quarter was \$347 million to reflect the latest estimate for claims, including business economic loss claims, and associated administration costs. In addition, the half year also reflects an impairment charge in the first quarter due to the divestment of certain Upstream assets.

Effective tax rate

The effective tax rate (ETR) on the profit or loss for the second quarter and half year was 83% and 46% respectively, compared with 59% and 54% for the same periods in 2016. The ETR on RC profit or loss* for the second quarter and half year was 63% and 43% respectively, compared with 51% and 49% for the same periods in 2016. Adjusting for non-operating items and fair value accounting effects, the adjusted ETR* for the second quarter and half year was 60% and 45% respectively, compared with 21% and 20% for the same periods in 2016.

The adjusted ETR for the second quarter and half year is higher than a year ago mainly due to the exploration write-offs and changes in the mix of profits, notably the impact of the renewal of our interest in the Abu Dhabi onshore oil concession. We now expect the full year adjusted ETR to be above 40%.

Dividend

BP today announced a quarterly dividend of 10.00 cents per ordinary share (\$0.600 per ADS), which is expected to be paid on 22 September 2017. The corresponding amount in sterling will be announced on 12 September 2017. See page 23 for further information.

Operating cash flow*

Operating cash flow for the second quarter and half year was \$4.9 billion and \$7.0 billion respectively, after post-tax expenditure relating to the Gulf of Mexico oil spill of \$2.0 billion and \$4.3 billion. For the same periods in 2016 the equivalent amounts were \$3.9 billion and \$5.8 billion, after post-tax Gulf of Mexico oil spill expenditure of \$1.4 billion and \$2.5 billion.

Capital expenditure*

Total capital expenditure for the second quarter and half year was \$4.5 billion and \$8.6 billion respectively, compared with \$4.5 billion and \$9.0 billion for the same periods in 2016.

Organic capital expenditure* for the second quarter and half year was \$4.3 billion and \$7.9 billion respectively, compared with \$4.2 billion and \$8.7 billion for the same periods in 2016.

Inorganic capital expenditure* for the second quarter and half year was \$0.1 billion and \$0.7 billion respectively, compared with \$0.3 billion for both periods in 2016.

Organic and inorganic capital expenditure are non-GAAP measures. See page 30 for further information.

Divestment proceeds*

Divestment proceeds were \$0.5 billion for the second quarter and \$0.7 billion for the half year, compared with \$0.4 billion and \$1.6 billion for the same periods in 2016.

Debt

Gross debt at 30 June 2017 was \$63.0 billion compared with \$55.7 billion a year ago. The ratio of gross debt to gross debt plus equity at 30 June 2017 was 39.0%, compared with 37.2% a year ago.

Net debt* at 30 June 2017 was \$39.8 billion, compared with \$30.9 billion a year ago. The net debt ratio* at 30 June 2017 was 28.8%, compared with 24.7% a year ago. Net debt and the net debt ratio are non-GAAP measures. See page 24 for more information.

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

\$ million	Second quarter 2017	Second quarter 2016	First half 2017	First half 2016
Underlying RC profit before interest and tax*				
Upstream	710	29	2,080	(718)
Downstream	1,413	1,513	3,155	3,326
Rosneft	279	246	378	312
Other businesses and corporate	(366)	(376)	(806)	(554)
Consolidation adjustment - UPII*	135	(121)	67	(81)
Underlying RC profit before interest and tax	2,171	1,291	4,874	2,285
Finance costs and net finance expense relating to pensions and other post-retirement benefits	(420)	(337)	(807)	(654)
Taxation on an underlying RC basis	(1,055)	(205)	(1,818)	(325)
Non-controlling interests	(12)	(29)	(55)	(54)
Underlying RC profit attributable to BP shareholders	684	720	2,194	1,252

Reconciliations of underlying RC profit or loss to the nearest equivalent IFRS measure are provided on page 3 for the group and on pages 8-13 for the segments.

Analysis of RC profit (loss) before interest and tax and reconciliation to profit (loss) for the period

\$ million	Second quarter 2017	Second quarter 2016	First half 2017	First half 2016
RC profit (loss) before interest and tax*				
Upstream	795	(109)	2,051	(1,314)
Downstream	1,567	1,405	3,273	3,285
Rosneft	279	246	378	312
Other businesses and corporate ^(a)	(721)	(5,525)	(1,152)	(6,599)
Consolidation adjustment - UPII	135	(121)	67	(81)
RC profit (loss) before interest and tax	2,055	(4,104)	4,617	(4,397)
Finance costs and net finance expense relating to pensions and other post-retirement benefits	(541)	(460)	(1,054)	(900)
Taxation on a RC basis	(949)	2,346	(1,543)	2,619
Non-controlling interests	(12)	(29)	(55)	(54)
RC profit (loss) attributable to BP shareholders	553	(2,247)	1,965	(2,732)
Inventory holding gains (losses)	(586)	1,188	(520)	1,056

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Taxation (charge) credit on inventory holding gains and losses	177	(360)	148	(326)
Profit (loss) for the period attributable to BP shareholders	144	(1,419)	1,593	(2,002)

- (a) Includes costs related to the Gulf of Mexico oil spill. See page 13 and also Note 2 from page 18 for further information on the accounting for the Gulf of Mexico oil spill.

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Strategic progress

Upstream

Upstream operating performance was strong in the first half, underpinned by 6% production growth and an 18% reduction in unit production costs.

BP's major projects programme is on track to deliver 800,000boe/d of new production by 2020. Three projects have already come online in 2017, Persephone in Australia and Juniper in Trinidad are in final commissioning, and Khazzan Phase 1 in Oman and Zohr in Egypt are expected online before year end. In the second quarter, BP sanctioned development of two new major gas projects: R-Series in India and Angelin in Trinidad.

BP announced four gas discoveries in the first half. One in Egypt and two in Trinidad may support future developments and the major Yakaar discovery offshore Senegal marked a further step in building BP's new business in Mauritania and Senegal. BP decided to exit some exploration assets in Angola, leading to higher exploration write-offs in the second quarter.

Downstream

BP's fuels marketing business continues to make good strategic progress; first-half earnings were around 20% higher than in the first half of 2016.

Premium fuel volumes continue to grow and around 90 new convenience partnership sites have been added so far this year. In lubricants, BP signed an agreement to be the

Financial framework

Operating cash flow* in the first half of 2017, after post-tax expenditure relating to the Gulf of Mexico oil spill of \$4.3 billion, was \$7.0 billion, with \$4.9 billion in the second quarter, after post-tax expenditure relating to the Gulf of Mexico oil spill of \$2.0 billion. This compares with \$5.8 billion for the first half of 2016, after post-tax Gulf of Mexico oil spill expenditure of \$2.5 billion.

Organic capital expenditure* of \$4.3 billion in the second quarter brought the total for the first half of 2017 to \$7.9 billion. BP continues to intend to keep annual organic capital expenditure in the range \$15-17 billion.

In the first half of 2017, operating cash flow, excluding Gulf of Mexico payments*, exceeded organic capital expenditure and cash dividend payments.

BP expects **divestments** of \$4.5-5.5 billion in 2017, with proceeds weighted to the second half of the year. Divestment proceeds for the first half of 2017 were \$0.7 billion.

Gulf of Mexico oil spill payments were \$2.0 billion in the second quarter and \$4.3 billion in the first half of 2017. Payments are expected to be considerably lower in the second half, and the 2017 full-year estimate is unchanged at \$4.5-5.5 billion. The additional charge in the second quarter is not expected to have any significant effect on forecast cash flows in the second half of 2017.

exclusive premium brand sold by Kroger, the largest supermarket chain in the US.

BP continues to target a **gearing*** range of 20-30%. At the end of the second quarter, gearing was 28.8%.

In refining, BP increased the level of advantaged feedstock processed in the US and, in petrochemicals, BP's industry-leading PTA technology is now operational at all its key PTA sites.

Operating metrics	First half 2017 (vs. First half 2016)	Financial metrics	First half 2017 (vs. First half 2016)
Safety	11	Underlying RC profitⁱ	\$2.2bn
Tier 1 process safety events*	(+2)		(+\$0.9bn)
Safety	0.22	Operating cash flow excluding Gulf of Mexico oil spill payments	(b)
Reported recordable injury frequency*	(-3%)		
Group production	3,544mboe/d	Organic capital expenditureⁱⁱ	\$7.9bn
	(+8%)		(-\$0.8bn)
Upstream production excluding Rosneft segment	2,410mboe/d	Gulf of Mexico oil spill payments	\$4.3bn
	(+6%)		(+\$1.8bn)
Upstream unit production costs*	\$7.20/boe	Divestment proceeds	\$0.7bn
	(-18%)		(-\$0.9bn)
BP-operated Upstream operating efficiency*(a)	81.4%	Net debt ratio (gearing)ⁱⁱⁱ	28.8%
			(+4.1)
Refining availability*	94.8%	Dividend per ordinary share	10.00 cents
	(-0.5)		()

(a) Reported on a one-quarter lagged basis and represents 1Q 2017 actuals only.

(b) SEC regulations do not permit inclusion of this non-GAAP metric in this SEC filing. Operating cash flow excluding Gulf of Mexico oil spill payments is calculated by excluding post-tax

expenditure relating to the Gulf of Mexico oil spill from net cash provided by operating activities, as reported in the condensed group cash flow statement. For the first half, net cash provided by operating activities was \$7.0 billion and post-tax Gulf of Mexico oil spill expenditure was \$4.3 billion.

Nearest GAAP equivalent measures

i	Profit for the period:	\$1.6bn
ii	Capital expenditure*:	\$8.6bn
iii	Gross debt ratio:	39.0%

The commentary above contains forward-looking statements and should be read in conjunction with the cautionary statement on page 40.

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Upstream

	Second quarter 2017	Second quarter 2016	First half 2017	First half 2016
\$ million				
Sales and other operating revenues ^(a)	10,493	8,176	21,820	15,607
Profit (loss) before interest and tax	796	(24)	2,046	(1,260)
Inventory holding (gains) losses*	(1)	(85)	5	(54)
RC profit (loss) before interest and tax	795	(109)	2,051	(1,314)