

BP PLC
Form 6-K
May 01, 2012
Table of Contents

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 March 2012

Commission File Number 1-06262

BP p.l.c.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN 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

Edgar Filing: BP PLC - Form 6-K

(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333-179406) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

Table of Contents

BP p.l.c. AND SUBSIDIARIES

FORM 6-K FOR THE PERIOD ENDED 31 MARCH 2012^(a)

	Page
1. Management's Discussion and Analysis of Financial Condition and Results of Operations for the period January-March 2012 ^(b)	3 13, 21 23
2. Consolidated Financial Statements including Notes to Consolidated Financial Statements for the period January-March 2012	15 20, 24 32
3. <u>Cautionary statement</u>	14
4. <u>Legal proceedings</u>	33 34
5. <u>Signatures</u>	35
6. <u>Exhibit 99.1: Computation of Ratio of Earnings to Fixed Charges</u>	36
<u>Exhibit 99.2: Capitalization and Indebtedness</u>	37

(a) In this Form 6-K, references to the first quarter 2012 and first quarter 2011 refer to the three-month periods ended 31 March 2012 and 31 March 2011 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 and Form 20-F for the year ended 31 December 2011.

Table of Contents**Group results first quarter 2012**

	First quarter 2012	First quarter 2011
\$ million		
Profit for the period^(a)	5,915	7,254
Inventory holding (gains) losses, net of tax	(986)	(1,643)
Replacement cost profit^(b)	4,929	5,611
Net (favourable) unfavourable impact of non-operating items and fair value accounting effects, net of tax ^(c)	(130)	(107)
Underlying replacement cost profit^(b)	4,799	5,504
Profit per ordinary share (cents)	31.17	38.55
Profit per ADS (dollars)	1.87	2.31
Replacement cost profit per ordinary share (cents)	25.97	29.82
Replacement cost profit per ADS (dollars)	1.56	1.79
Underlying replacement cost profit per ordinary share (cents)	25.29	29.25
Underlying replacement cost profit per ADS (dollars)	1.52	1.76

BP's profit for the first quarter was \$5,915 million, compared with \$7,254 million a year ago. BP's first-quarter replacement cost (RC) profit was \$4,929 million, compared with \$5,611 million a year ago. After adjusting for a net credit from non-operating items of \$185 million and net unfavourable fair value accounting effects of \$55 million (both on a post-tax basis), underlying RC profit for the first quarter was \$4,799 million, compared with \$5,504 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 6, 20 and 22.

Non-operating items for the first quarter included a gain of \$933 million relating to the sale of businesses and fixed assets and a loss of \$233 million relating to impairment and losses on sale of businesses and fixed assets(c). All amounts relating to the Gulf of Mexico oil spill have been treated as non-operating items, with a de minimis net impact on the results this quarter. For further information on the Gulf of Mexico oil spill and its consequences see pages 4-5, Note 2 on pages 24-28, Legal proceedings on pages 33-34 and Legal proceedings on pages 160-164 of BP's *Annual Report and Form 20-F 2011*.

Finance costs and net finance income or expense relating to pensions and other post-retirement benefits were \$230 million for the first quarter, compared with \$239 million for the same period last year.

The effective tax rate on the profit for the first quarter 2012 was 33%, compared with 36% a year ago. The effective tax rate on RC profit for the first quarter was 33% compared with 37% a year ago. For the first quarter of 2011, the effective tax rate included the impact of a \$683-million one-off deferred tax adjustment in respect of the increase in the supplementary charge on UK oil and gas production. Excluding this impact, the effective tax rates on profit and replacement cost profit for the first quarter of 2011 were 30% and 29% respectively. The increase in the effective tax rate for the first quarter of 2012 compared with the first quarter of 2011 (excluding the impact of the one-off deferred tax adjustment) is mainly due to the impact of the divestment programme in 2011.

Edgar Filing: BP PLC - Form 6-K

Including the impact of the Gulf of Mexico oil spill, net cash provided by operating activities for the first quarter was \$3.4 billion, compared with \$2.4 billion in the same period last year. The amount for the first quarter of 2012 included a net cash outflow of \$1.2 billion relating to the Gulf of Mexico oil spill (first quarter 2011, \$2.8 billion outflow).

Gross debt at the end of the quarter was \$46.5 billion compared with \$47.1 billion a year ago. The ratio of gross debt to gross debt plus equity was 28.0% compared with 31.3% a year ago. Net debt at the end of the quarter was \$31.2 billion, compared with \$27.5 billion a year ago. The ratio of net debt to net debt plus equity was 20.7% compared with 21.0% a year ago. Net debt is a non-GAAP measure. See page 7 for further information.

Total capital expenditure for the first quarter was \$5.6 billion, almost all of which was organic(d). Disposal proceeds were \$1.3 billion for the quarter. Since the start of 2010, we have announced disposals for a total of around \$23 billion.

The quarterly dividend expected to be paid on 27 June 2012 is 8 cents per share (\$0.48 per ADS). The corresponding amount in sterling will be announced on 13 June 2012. A scrip dividend alternative is available, allowing shareholders to elect to receive their dividend in the form of new ordinary shares and ADS holders in the form of new ADSs. Details of the scrip dividend programme are available at bp.com/scrip.

- (a) Profit attributable to BP shareholders.
- (b) See footnote (a) on page 6 for definitions of RC profit and underlying RC profit.
- (c) See pages 21 and 22 respectively for further information on non-operating items and fair value accounting effects.
- (d) Organic capital expenditure excludes acquisitions and asset exchanges (see page 19).

The commentaries above and following should be read in conjunction with the cautionary statement on page 14.

Table of Contents

Gulf of Mexico oil spill

Completing the response

We remain committed to meeting our responsibilities to the US federal, state and local governments and communities of the Gulf Coast following the Deepwater Horizon accident and oil spill (the Incident). During the first quarter of 2012, BP, working under the direction of the US Coast Guard's Federal On-Scene Coordinator (FOSC), and collaboratively with the individual federal and state entities, continued to patrol and maintain areas of the shoreline impacted by the oil spill. These shoreline segments will continue to be patrolled and maintained until they meet the applicable clean-up standards.

Economic restoration

Settlement agreements with the Plaintiffs' Steering Committee

On 18 April 2012, BP reached definitive and fully documented agreements with the Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in New Orleans (MDL 2179), subject to court approval, to resolve the substantial majority of legitimate private economic loss and medical claims stemming from the Incident.

The settlement approval process began with the parties' request that the court grant preliminary approval of the settlement agreements. The parties have also asked the court to approve proposed plans to notify class members of their rights under the settlement agreements and to schedule fairness hearings. Once these hearings have taken place, the court will decide whether to grant final approval of each settlement agreement. The timing of both the fairness hearings and future MDL 2179 proceedings will be determined by the court.

The proposed settlement provides for a transition from the Gulf Coast Claims Facility (GCCF). On 8 March, a transitional claims process for economic loss claims commenced operation while the infrastructure for the new court-supervised claims process is put in place.

BP estimates that the settlement will cost approximately \$7.8 billion, including administration costs, plaintiffs' attorneys' fees and expenses. The cost is expected to be paid from the \$20-billion Deepwater Horizon Oil Spill Trust fund (Trust). While BP has sought to reliably estimate the cost of the settlement agreements, it is possible that the actual cost could be higher or lower than this estimate depending on the outcomes of the court-supervised claims processes.

Claims update

To support the economic restoration of the impacted Gulf Coast communities, as at 31 March 2012, BP had paid a total of \$8.3 billion for individual, business and government entity claims, advances and other payments, including payments made by BP prior to the establishment of the Trust.

As at 31 March 2012, \$6.6 billion in total had been paid to individual and business claimants, and BP had paid federal, state and local government entities \$1.4 billion for claims and advances. BP has also paid an additional \$319 million of contributions, settlements and other payments for research, tourism, seafood testing and marketing, and behavioural health.

From its inception in August 2010 until 7 March 2012, the GCCF received a total of 1,059,873 claims from 574,379 claimants and paid out over \$6.1 billion to individuals and businesses. A total of 195,438 final offers were accepted by claimants with 195,085 final payments issued and an additional 353 final payments pending. From 8 March 2012 to 18 April 2012, the date that definitive agreements were reached, the transitional court-supervised claims facility paid out more than \$168 million in economic loss claims.

Environmental restoration

During the first quarter we continued to work with scientists and trustee agencies through the Natural Resource Damages (NRD) assessment process to identify natural resources that may have been exposed to oil or otherwise impacted by the oil spill, and to look for evidence of injury. To date, BP has paid approximately \$675 million for NRD assessment efforts.

Edgar Filing: BP PLC - Form 6-K

Under an agreement signed with federal and state agencies in April 2011, BP voluntarily committed to provide up to \$1 billion to fund early restoration projects aimed at accelerating restoration efforts in the Gulf coast areas that were impacted by the accident. The agreement enables work on restoration projects to begin at the earliest opportunity, before funding is required by the Oil Pollution Act 1990 (OPA 90). These projects will be funded from the Trust.

The Phase 1 Early Restoration Plan was finalized on 18 April 2012 by the Natural Resource Damage Assessment (NRDA) Trustee Council following extensive public review. This plan includes eight projects along the Gulf Coast with a total estimated cost of approximately \$60 million. The NRDA trustees are working to move the next phase of early restoration projects forward. Collectively, the projects are intended to restore and enhance wildlife and habitats, and provide additional access for recreational use.

Table of Contents

Gulf of Mexico oil spill (continued)

Financial update

The group income statement includes a pre-tax credit of \$24 million for the first quarter in relation to the Incident. This primarily reflects a credit relating to certain claims administration costs now expected to be paid from the Trust, partially offset by an increase in the provision for the costs of patrolling and maintenance of shoreline, and functional expenses of the Gulf Coast Restoration Organization (GCRO). The total cumulative charge recognized to date for the incident amounts to \$37.2 billion.

The total amounts that will be paid by BP in relation to all obligations relating to the oil spill are subject to significant uncertainty as described further in Note 2 on pages 24–28.

Trust update

During the first quarter, BP made contributions totalling \$1.5 billion to the trust fund, including a \$250-million cash settlement received in January from Cameron. As at 31 March 2012, BP's cumulative contributions to the Trust amounted to \$16.6 billion.

Payments from the Trust during the first quarter were \$494 million, consisting of \$353 million paid for individual and business claims, \$62 million for NRD assessment costs, and \$79 million for state and local government claims and other resolved items. As at 31 March 2012, the cumulative amount paid from the Trust since its inception was \$7.2 billion.

As at 31 March 2012, the cumulative charges for provisions to be paid from the Trust and the associated reimbursement asset recognized amounted to \$17.1 billion. This represents an increase of \$0.5 billion for the quarter, including updates to provisions for claims payments, estimated NRD assessment costs and costs of claims administration. A further \$2.9 billion could be provided in subsequent periods for items covered by the Trust, with no net impact on the income statement.

Legal proceedings and investigations

In addition to the information provided on page 4 relating to the settlement agreements with the PSC, see also Legal proceedings on pages 33–34 herein, and Gulf of Mexico oil spill on pages 76–79 and Legal proceedings on pages 160–164 of BP's *Annual Report and Form 20-F 2011* for details of legal proceedings, including external investigations relating to the Incident.

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

\$ million	First quarter 2012	First quarter 2011
Underlying RC profit before interest and tax^(a)		
Upstream	6,290	6,684
Downstream	924	2,196
TNK-BP ^(b)	1,157	1,127
Other businesses and corporate	(436)	(297)
Consolidation adjustment unrealized profit in inventory ^(c)	(541)	(542)
Underlying RC profit before interest and tax	7,394	9,168
Finance costs and net finance income or expense relating to pensions and other post-retirement benefits	(224)	(223)
Taxation on an underlying RC basis	(2,310)	(3,380)
Minority interest	(61)	(61)
Underlying RC profit attributable to BP shareholders	4,799	5,504
Non-operating items and fair value accounting effects^(a)		
Upstream	689	739
Downstream	(68)	(117)
TNK-BP, net of tax	(93)	
Other businesses and corporate	(236)	(181)
Gulf of Mexico oil spill response ^(d)	30	(384)
Total before interest and taxation	322	57
Finance costs ^(e)	(6)	(16)
Taxation credit (charge) ^(f)	(186)	66
Total after taxation for the period	130	107
RC profit before interest and tax^(a)		
Upstream	6,979	7,423
Downstream	856	2,079
TNK-BP ^(b)	1,064	1,127
Other businesses and corporate	(672)	(478)
Gulf of Mexico oil spill response ^(d)	30	(384)
Consolidation adjustment unrealized profit in inventory ^(c)	(541)	(542)
RC profit before interest and tax	7,716	9,225
Finance costs and net finance income or expense relating to pensions and other post-retirement benefits	(230)	(239)
Taxation on a RC basis	(2,496)	(3,314)
Minority interest	(61)	(61)
RC profit attributable to BP shareholders	4,929	5,611
Inventory holding gains (losses)	1,437	2,412
Taxation (charge) credit on inventory holding gains and losses	(451)	(769)

Profit for the period attributable to BP shareholders**5,915**

7,254

- (a) Replacement cost (RC) profit or loss reflects the replacement cost of supplies and is arrived at by excluding inventory holding gains and losses from profit or loss. RC profit or loss is the measure of profit or loss for each operating segment that is required to be disclosed under International Financial Reporting Standards (IFRS). RC profit or loss for the group is not a recognized GAAP measure. For further information on RC profit or loss, see page 20. Underlying RC profit or loss is RC profit or loss after adjusting for non-operating items and fair value accounting effects.

Underlying RC profit or loss and fair value accounting effects are not recognized GAAP measures. On pages 21 and 22 respectively, we provide additional information on the non-operating items and fair value accounting effects that are used to arrive at underlying RC profit or loss in order to enable a full understanding of the events and their financial impact. BP believes that underlying RC profit or loss is a useful measure for investors because it is a measure closely tracked by management to evaluate BP's operating performance and to make financial, strategic and operating decisions and because it may help investors to understand and evaluate, in the same manner as management, the underlying trends in BP's operational performance on a comparable basis, period on period, by adjusting for the effects of these non-operating items and fair value accounting effects.

- (b) Net of finance costs, taxation and minority interest.
- (c) The consolidation adjustment in the first quarter of 2012 was impacted by higher margins (driven both by a lower average cost of production and higher prices) and an increase in the volume of equity crude within the US refining and marketing system. In the first quarter of 2011, it was impacted by increases in volume (particularly in Europe) and higher prices.
- (d) See Note 2 on pages 24 – 28 for further information on the accounting for the Gulf of Mexico oil spill response.
- (e) Finance costs relate to the Gulf of Mexico oil spill. See Note 2 on pages 24 – 28 for further details.
- (f) Tax is calculated by applying discrete quarterly effective tax rates (excluding the impact of the Gulf of Mexico oil spill, equity-accounted earnings from the first quarter 2012, and, for the first quarter 2011, the impact of a \$683-million one-off deferred tax adjustment in respect of an increase in the supplementary charge on UK oil and gas production) on group profit or loss. However, the US statutory tax rate has been used for recoveries relating to the Gulf of Mexico oil spill and expenditures that qualify for tax relief. Excludes tax relating to TNK-BP items, which are reported after tax in the BP group income statement.

Table of Contents**Per share amounts**

	First quarter 2012	First quarter 2011
Per ordinary share (cents)		
Profit for the period	31.17	38.55
RC profit for the period	25.97	29.82
Underlying RC profit for the period	25.29	29.25
Per ADS (dollars)		
Profit for the period	1.87	2.31
RC profit for the period	1.56	1.79
Underlying RC profit for the period	1.52	1.76

See Note 6 on page 31 for details of the calculation of earnings per share.

Net debt ratio net debt: net debt + equity

	First quarter 2012	First quarter 2011
\$ million		
Gross debt	46,470	47,102
Less: fair value asset of hedges related to finance debt	1,224	870
	45,246	46,232
Less: Cash and cash equivalents	14,092	18,726
Net debt	31,154	27,506
Equity	119,220	103,313
Net debt ratio	20.7%	21.0%

See Note 7 on page 32 for further details on finance debt.

Net debt and net debt ratio are non-GAAP measures. Net debt includes the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt, for which hedge accounting is claimed. The derivatives are reported on the balance sheet within the headings *Derivative financial instruments*. We believe that net debt and net debt ratio provide useful information to investors. Net debt enables investors to see the economic effect of gross debt, related hedges and cash and cash equivalents in total. The net debt ratio enables investors to see how significant net debt is relative to equity from shareholders.

Dividends**Dividends payable**

Edgar Filing: BP PLC - Form 6-K

BP today announced a dividend of 8 cents per ordinary share expected to be paid in June. The corresponding amount in sterling will be announced on 13 June 2012, calculated based on the average of the market exchange rates for the four dealing days commencing on 7 June 2012. Holders of American Depositary Shares (ADSs) will receive \$0.48 per ADS. The dividend is due to be paid on 27 June 2012 to shareholders and ADS holders on the register on 11 May 2012. A scrip dividend alternative is available, allowing shareholders to elect to receive their dividend in the form of new ordinary shares and ADS holders in the form of new ADSs. Details of the first-quarter dividend and timetable are available at bp.com/dividends and details of the scrip dividend programme are available at bp.com/scrip.

Dividends paid

	First quarter 2012	First quarter 2011
Dividends paid per ordinary share		
cents	8.000	7.000
pence	5.0958	4.3372
Dividends paid per ADS (cents)	48.00	42.00
Scrip dividends		
Number of shares issued (millions)	39.6	66.6
Value of shares issued (\$ million)	306	510

Table of Contents

Upstream

	First quarter 2012	First quarter 2011
\$ million		
Profit before interest and tax	6,895	7,479