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.

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 equity**	**Non-controlling interests**	**Total equity**
At 1 January 2014	**129,302**	**1,105**	**130,407**
Total comprehensive income	**(8,903)**	**191**	**(8,712)**
Dividends	**(5,850)**	**(255)**	**(6,105)**
Repurchases of ordinary share capital	**(3,366)**		**(3,366)**
Share-based payments, net of tax	**185**		**185**
Share of equity-accounted entities changes in equity, net of tax	**73**		**73**
Transactions involving non-controlling interests		**160**	**160**
At 31 December 2014	**111,441**	**1,201**	**112,642**

$ million	**BP shareholders equity**	**Non-controlling interests**	**Total equity**
At 1 January 2013	118,546	1,206	119,752
Total comprehensive income	22,574	292	22,866
Dividends	(5,441)	(469)	(5,910)
Repurchases of ordinary share capital	(6,923)		(6,923)
Share-based payments, net of tax	473		473
Share of equity-accounted entities changes in equity, net of tax	73		73
Transactions involving non-controlling interests		76	76
At 31 December 2013	129,302	1,105	130,407

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Financial statements (continued)

Group balance sheet

$ million	31 December 2014	31 December 2013
Non-current assets		
Property, plant and equipment	**130,692**	133,690
Goodwill	**11,868**	12,181
Intangible assets	**20,907**	22,039
Investments in joint ventures	**8,753**	9,199
Investments in associates	**10,403**	16,636
Other investments	**1,228**	1,565
Fixed assets	**183,851**	195,310
Loans	**659**	763
Trade and other receivables	**4,787**	5,985
Derivative financial instruments	**4,442**	3,509
Prepayments	**964**	922
Deferred tax assets	**2,309**	985
Defined benefit pension plan surpluses	**31**	1,376
	197,043	208,850
Current assets		
Loans	**333**	216
Inventories	**18,373**	29,231
Trade and other receivables	**31,038**	39,831
Derivative financial instruments	**5,165**	2,675
Prepayments	**1,424**	1,388
Current tax receivable	**837**	512
Other investments	**329**	467
Cash and cash equivalents	**29,763**	22,520
	87,262	96,840
Total assets	**284,305**	305,690
Current liabilities		
Trade and other payables	**40,118**	47,159
Derivative financial instruments	**3,689**	2,322
Accruals	**7,102**	8,960
Finance debt	**6,877**	7,381
Current tax payable	**2,011**	1,945
Provisions	**3,818**	5,045
	63,615	72,812

Non-current liabilities		
Other payables	**3,587**	4,756
Derivative financial instruments	**3,199**	2,225
Accruals	**861**	547
Finance debt	**45,977**	40,811
Deferred tax liabilities	**13,893**	17,439
Provisions	**29,080**	26,915
Defined benefit pension plan and other post-retirement benefit plan deficits	**11,451**	9,778
	108,048	102,471
Total liabilities	**171,663**	175,283
Net assets	**112,642**	130,407
Equity		
BP shareholders equity	**111,441**	129,302
Non-controlling interests	**1,201**	1,105
	112,642	130,407

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Financial statements (continued)

Condensed group cash flow statement

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
		Operating activities		
1,199	**(8,078)**	Profit (loss) before taxation	**4,950**	30,221
		Adjustments to reconcile profit (loss) before taxation to net cash provided by operating activities		
5,633	**5,215**	Depreciation, depletion and amortization and exploration expenditure written off	**18,192**	16,220
431	**6,607**	Impairment and (gain) loss on sale of businesses and fixed assets	**8,070**	(11,154)
(855)	**(224)**	Earnings from equity-accounted entities, less dividends received	**(1,461)**	(1,798)
(40)	**49**	Net charge for interest and other finance expense, less net interest paid	**330**	323
(77)	**(58)**	Share-based payments	**379**	297
(483)	**(664)**	Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans	**(963)**	(920)
(84)	**551**	Net charge for provisions, less payments	**1,119**	1,061
1,110	**4,842**	Movements in inventories and other current and non-current assets and liabilities[(a)]	**6,925**	(6,843)
(1,420)	**(993)**	Income taxes paid	**(4,787)**	(6,307)
5,414	**7,247**	Net cash provided by operating activities	**32,754**	21,100
		Investing activities		
(6,798)	**(5,900)**	Capital expenditure	**(22,546)**	(24,520)
(67)	**(118)**	Acquisitions, net of cash acquired	**(131)**	(67)
(299)	**(65)**	Investment in joint ventures	**(179)**	(451)
(39)	**(128)**	Investment in associates	**(336)**	(4,994)
372	**224**	Proceeds from disposal of fixed assets	**1,820**	18,115
5	**880**	Proceeds from disposal of businesses, net of cash disposed	**1,671**	3,884
52	**48**	Proceeds from loan repayments	**127**	178
(6,774)	**(5,059)**	Net cash provided by (used in) investing activities	**(19,574)**	(7,855)
		Financing activities		
(2,265)	**(793)**	Net issue (repurchase) of shares	**(4,589)**	(5,358)
2,467	**2,779**	Proceeds from long-term financing	**12,394**	8,814
(4,212)	**(2,937)**	Repayments of long-term financing	**(6,282)**	(5,959)
(268)	**(186)**	Net increase (decrease) in short-term debt	**(693)**	(2,019)
3	**9**	Net increase (decrease) in non-controlling interests	**9**	32
(1,174)	**(1,729)**	Dividends paid BP shareholders	**(5,850)**	(5,441)
(213)	**(40)**	non-controlling interests	**(255)**	(469)
(5,662)	**(2,897)**	Net cash provided by (used in) financing activities	**(5,266)**	(10,400)
43	**(257)**	Currency translation differences relating to cash and cash equivalents	**(671)**	40

(6,979)	**(966)**	Increase (decrease) in cash and cash equivalents	**7,243**	2,885
29,499	**30,729**	Cash and cash equivalents at beginning of period	**22,520**	19,635
22,520	**29,763**	Cash and cash equivalents at end of period	**29,763**	22,520

(a) Includes

482	**4,904**	Inventory holding losses	**6,157**	190
(55)	**(187)**	Fair value gain on embedded derivatives	**(430)**	(459)
(33)	**3**	Movements related to the Gulf of Mexico oil spill response	**(1,454)**	(2,099)

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

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Financial statements (continued)

Notes

1. Basis of preparation

The results for the interim periods and for the year ended 31 December 2014 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 *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 financial statements. The directors draw attention to Note 2 on pages 18-24 which describes the uncertainties surrounding the amounts and timings of liabilities arising from the Gulf of Mexico oil spill. It is likely that the independent auditor s report in *BP Annual Report and Form 20-F 2014* will contain an emphasis of matter paragraph in relation to this matter.

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 the provision for penalties under the US Clean Water Act arising from the Gulf of Mexico oil spill, which had been estimated based on the assumption that BP did not act with gross negligence or engage in wilful misconduct. However, in September 2014 the district court ruled that the discharge of oil was the result of BP s gross negligence and wilful misconduct. No adjustment has been made to the provision and a contingent liability has been disclosed in relation to the potential for a higher penalty due to this ruling. See Note 2 for further information.

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 2013 and some with terms which were scheduled to expire at the end of 2014. 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 negotiation 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 leases will be renewed 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 page 257 and on page 35 of this report.

The group income statement includes a pre-tax charge of $477 million for the fourth quarter and $819 million for the full year in relation to the Gulf of Mexico oil spill. 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 income statement charge since the incident, in April 2010, amounts to $43,495 million.

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2. Gulf of Mexico oil spill (continued)

The cumulative income statement charge does not include amounts for obligations that BP currently considers are not possible 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 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.

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
		Income statement		
179	**468**	Production and manufacturing expenses	**781**	430
(179)	**(468)**	**Profit (loss) before interest and taxation**	**(781)**	(430)
10	**9**	Finance costs	**38**	39
(189)	**(477)**	**Profit (loss) before taxation**	**(819)**	(469)
80	**163**	Taxation	**262**	73
(109)	**(314)**	**Profit (loss) for the period**	**(557)**	(396)

$ million	31 December 2014	31 December 2013
Balance sheet		
Current assets		
Trade and other receivables	**1,154**	2,457
Current liabilities		
Trade and other payables	**(655)**	(1,030)
Provisions	**(1,702)**	(2,951)
Net current assets (liabilities)	**(1,203)**	(1,524)
Non-current assets		

Other receivables	**2,701**	2,442
Non-current liabilities		
Other payables	**(2,412)**	(2,986)
Accruals	**(169)**	
Provisions	**(6,903)**	(6,395)
Deferred tax	**1,723**	2,748
Net non-current assets (liabilities)	**(5,060)**	(4,191)
Net assets (liabilities)	**(6,263)**	(5,715)

Fourth quarter 2013	**Fourth quarter 2014**	**$ million**	**Year 2014**	**Year 2013**
		Cash flow statement - Operating activities		
(189)	**(477)**	Profit (loss) before taxation	**(819)**	(469)
		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	**38**	39
11	**334**	Net charge for provisions, less payments	**939**	1,129
(33)	**3**	Movements in inventories and other current and non-current assets and liabilities	**(1,454)**	(2,099)
(201)	**(131)**	Pre-tax cash flows	**(1,296)**	(1,400)

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2. Gulf of Mexico oil spill (continued)

Net cash from operating activities relating to the Gulf of Mexico oil spill, on a post-tax basis, amounted to an inflow of $304 million and outflow of $9 million in the fourth quarter and full year of 2014 respectively. For the same periods in 2013, the amounts were an inflow of $120 million and an outflow of $73 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.

The funding of the Trust was completed in 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 31 December 2014. At 31 December 2014, $3,855 million of the provisions and 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	**Fourth quarter 2014**	**Year 2014**
Opening balance	**4,855**	**4,899**
Net increase in provision for items covered by the trust fund		**662**
Amounts paid directly by the trust fund	**(1,000)**	**(1,706)**
At 31 December 2014	**3,855**	**3,855**
Of which current	**1,154**	**1,154**
non-current	**2,701**	**2,701**

During the third quarter, cumulative charges to be paid by the Trust reached $20 billion. Subsequent additional costs, over and above those provided within the $20 billion, are being expensed to the income statement as incurred.

As at 31 December 2014, the aggregate cash balances in the Trust and the associated qualifying settlement funds amounted to $5.1 billion, including $1.1 billion remaining in the seafood compensation fund which has yet to be distributed and $0.4 billion held for natural resource damage early restoration. When the cash balances in the trust fund are exhausted, 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 fourth quarter and full year are presented in the tables below.

$ million		**Environmental**	**Litigation and claims**	**Clean Water Act penalties**	**Total**
At 1 October 2014		**1,740**	**4,020**	**3,510**	**9,270**
Net increase in provision			**435**		**435**
Change in discount rate		**2**			**2**
Unwinding of discount		**1**			**1**
Utilization	paid by BP	**(21)**	**(82)**		**(103)**
	paid by the trust fund	**(581)**	**(419)**		**(1,000)**
At 31 December 2014		**1,141**	**3,954**	**3,510**	**8,605**
Of which	current	**528**	**1,174**		**1,702**
	non-current	**613**	**2,780**	**3,510**	**6,903**

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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
Net increase in provision		190	1,137		1,327
Change in discount rate		2			2
Unwinding of discount		1			1
Utilization	paid by BP	(83)	(307)		(390)
	paid by the trust fund	(648)	(1,033)		(1,681)
At 31 December 2014		1,141	3,954	3,510	8,605

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. In October 2014, phase three of the natural resource damage early restoration projects was formally approved (comprising $627 million of approved project spend, of which $563 million has been paid) under the framework agreement. 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 under the Oil Pollution Act of 1990 and other legislation (State and Local Claims), except as described under *Contingent liabilities* below. Claims administration costs, legal and litigation 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, except where an eligibility notice has been issued and is not subject to appeal by BP within the claims facility. As disclosed in BP *Annual Report and Form 20-F 2013*, as part of its monitoring of payments made by the Deepwater Horizon Court Supervised Settlement Program (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 35 of this report for further details on the settlements with the PSC and related matters.

Management believes that no reliable estimate can currently be made of any business economic loss claims (i) not yet received; (ii) received, but not yet processed; or (iii) processed, but not yet paid, except where an eligibility notice has been issued and is not subject to appeal by BP within the claims facility. The inability to estimate reliably such claims is due to uncertainty regarding both the volume of such claims and the average value per claim.

In respect of uncertainty regarding the volume of claims, in December 2014, the US Supreme Court declined to hear BP s appeal of the district court ruling that the EPD Settlement Agreement contained no causation requirement beyond the revenue and related tests set forth in that agreement. This resolution, however, does not reduce uncertainty regarding the volume of claims in the short-term, since it is possible that additional claims will be made. In addition, a claims submission deadline of 8 June 2015 has now been set, which may lead to an increase in the rate of claims received until the deadline, compounding management s inability to estimate the total volume of claims that will be made.

In respect of uncertainty regarding the average value per claim, a small proportion of the filed claims have been determined under the revised policy for the matching of revenue and expenses for business economic loss claims (introduced in May 2014) and disputes, disagreements and uncertainties regarding the proper application of the revised policy to particular claims and categories of claims continue to arise as the claims administrator has begun applying the revised policy. Furthermore, there have been no, or only a small number of, claim determinations made under some of the specialised frameworks that have been put in place for particular industries and so determinations to date may not be representative of the total population of claims. In addition, due to a data secrecy order, detailed data about claims that have not yet been determined is not currently available to BP and so it is not possible to review claim demographics or identify potential populations for each category of claim.

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2. Gulf of Mexico oil spill (continued)

There is therefore very little data to build up a track record of claims determinations under the policies and protocols that are now being applied following resolution of the matching and causation issues. We therefore cannot estimate future trends of the number and proportion of claims that will be determined to be eligible, nor can we estimate the value of such claims. A provision for such business economic loss claims will be established when these uncertainties are resolved and a reliable estimate can be made of the liability.

The current estimate for the total cost of those elements of the PSC settlement that BP considers can be reliably estimated is $9.9 billion. The DHCSSP has issued eligibility notices, most of which are disputed by BP, in respect of business economic loss claims of approximately $400 million which have not been provided for. 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 $9.9 billion because the current estimate does not reflect business economic loss claims not yet received, or received but not yet processed, or processed but not yet paid, except where an eligibility notice has been issued and is not subject to appeal by BP within the claims facility.

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 35 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 of $3,510 million was recognized in 2010 for estimated civil penalties under Section 311 of the Clean Water Act. The Clean Water Act penalty is calculated by multiplying the number of barrels of oil spilled by a penalty rate per barrel. The number of barrels of oil spilled was determined by using the mid-point in the range of estimates (3.2 million barrels). A penalty rate of $1,100 per barrel was applied, the statutory maximum penalty in the absence of gross negligence or wilful misconduct.

In January 2015, the district court issued its decision in the Phase 2 trial that 3.19 million barrels of oil were discharged into the Gulf of Mexico and therefore subject to a Clean Water Act penalty. This amount is consistent with the number of barrels BP has used to calculate the provision. In addition, the district court found that BP was not grossly negligent in its source control efforts.

In September 2014, the district court issued its decision in the Phase 1 trial that the discharge of oil was the result of the gross negligence and wilful misconduct of BP Exploration & Production Inc. (BPXP) and that BPXP is therefore subject to enhanced civil penalties. The statutory maximum penalty is up to $4,300 per barrel of oil discharged where gross negligence or wilful misconduct is proven. BP does not believe that the evidence at trial supports a finding of gross negligence and wilful misconduct and in December 2014 filed notice of appeal of the Phase 1 ruling.

BP continues to believe that a provision of $3,510 million represents a reliable estimate of the amount of the liability if the appeal is successful and this provision, calculated on the basis of the previous assumptions, has been maintained in the accounts.

If BP is unsuccessful in its appeal, and the ruling of gross negligence and wilful misconduct is upheld, the maximum penalty that could be imposed is up to $4,300 per barrel. Based upon this penalty rate and the district court s ruling on the number of barrels spilled, the maximum penalty could be up to $13.7 billion.

However, in assessing the amount of the penalty, the court is directed to consider the following statutory penalty factors: the seriousness of the violation or violations, the economic benefit to the violator, if any, resulting from the violation, the degree of culpability involved, any other penalty for the same incident, any history of prior violations, the nature, extent, and degree of success of any efforts of the violator to minimize or mitigate the effects of the discharge, the economic impact of the penalty on the violator, and any other matters as justice may require . The court has wide discretion in deciding how to apply these factors to determine the penalty and what weighting to ascribe to different factors. BP is therefore unable to ascribe probabilities to possible outcomes within the range of potential penalties and cannot determine a reliable estimate for any additional penalty which might apply should the gross negligence finding be upheld. The trial phase to determine the amount of the Clean Water Act penalty commenced on 20 January 2015.

Financial statements (continued)

Notes

2. Gulf of Mexico oil spill (continued)

The amount that may become payable by BP is subject to a very high level of uncertainty since it will depend on the outcome of BP s appeal as well as what is determined by the district court with respect to the application of statutory penalty factors as noted above. The court has wide discretion in the application of statutory penalty factors. The timing of any payment is also uncertain.

Given the significant uncertainty, the very wide range of possible outcomes if BP is unsuccessful in its appeal of the September ruling, and the inability to ascribe probabilities to possible outcomes within the range, management is not able to estimate reliably any further liability for the Clean Water Act penalty arising in the event that BP is not successful in its appeal. A contingent liability is therefore disclosed. See *Contingent liabilities* below for further information.

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 35 of this report.

Provision movements and analysis of income statement charge

A net increase in provisions of $435 million for the fourth quarter ($1,327 million for the full year) arises due to increases in the provision for litigation costs and the provision for business economic loss claims. The increase in provisions for the year also includes increases in estimated claims administration and legal costs.

Expenses incurred that are eligible to be paid from the Trust exceeded the Trust headroom by $260 million during the year.

$ million	**Fourth quarter 2014**	**Year 2014**	**Cumulative since the incident**
Environmental costs	**2**	192	3,223
Spill response costs			14,304
Litigation and claims costs	**435**	1,137	26,780
Clean Water Act penalties amount provided			3,510
Other costs charged directly to the income statement	**31**	114	1,257
Recoveries credited to the income statement			(5,681)
Charge (credit) related to the trust fund		(662)	(137)
Other costs of the trust fund			8
Loss before interest and taxation	**468**	781	43,264
Finance costs related to the trust funds			137
not related to the trust funds	**9**	38	94
Loss before taxation	**477**	819	43,495

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

Contingent liabilities

BP currently considers that it is not possible 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 35 of this report.

The cost of business economic loss claims under the PSC settlement not yet received, or received but not yet processed, or processed but not yet paid (except where an eligibility notice has been issued and is not subject to appeal by BP within the claims facility).

Any further obligation that may arise from State and Local Claims.

Any obligation that may arise from securities-related litigation.

Any obligation in relation to any further liability for the Clean Water Act penalty arising in the event that BP is not successful in its appeal of the Phase 1 ruling.
Any obligation in relation to other potential private or governmental litigation, fines or penalties (except for those items provided for as described above under Provisions).

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2. Gulf of Mexico oil spill (continued)

It is not practicable to estimate the magnitude or possible timing of payment of these contingent liabilities.

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. Impairment of fixed assets

Included within the line item in the income statement for Impairment and losses on sale of businesses and fixed assets is a net impairment loss for the fourth quarter and full year of $6,491 million and $8,216 million respectively. The fourth-quarter net impairment loss comprised $5,663 million in Upstream, $517 million in Downstream, and $311 million in Other businesses and corporate. The full-year net impairment loss comprised $6,635 million in Upstream, $1,264 million in Downstream, and $317 million in Other businesses and corporate.

The main elements of Upstream impairment losses were in the North Sea (fourth quarter 2014 $4,518 million, and full year 2014 $4,774 million) and in Angola (fourth quarter and full year 2014 $968 million).

The impairments arose for various reasons, including the impact of a lower price environment in the near term, technical reserves revisions, and increases in expected decommissioning cost estimates.

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

Fourth quarter 2013	**Fourth quarter 2014**	**$ million**	**Year 2014**	**Year 2013**
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)
2,630	**(2,501)**		**12,762**	31,910
(179)	**(468)**	Gulf of Mexico oil spill response	**(781)**	(430)
(240)	**257**	Consolidation adjustment UPII*	**641**	579

2,211	**(2,712)**	RC profit (loss) before interest and tax	**12,622**	32,059
		Inventory holding gains (losses)*		
3	**(80)**	Upstream	**(86)**	4
(480)	**(4,844)**	Downstream	**(6,100)**	(194)
(157)	**(61)**	Rosneft (net of tax)	**(24)**	(100)
1,577	**(7,697)**	Profit (loss) before interest and tax	**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
		RC profit (loss) before interest and tax*[(c)]		
(299)	**683**	US	**5,251**	3,114
2,510	**(3,395)**	Non-US	**7,371**	28,945
2,211	**(2,712)**		**12,622**	32,059

(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 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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5. Sales and other operating revenues

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
		By segment		
18,928	**15,800**	Upstream	**65,424**	70,374
85,582	**65,249**	Downstream	**323,486**	351,195
517	**616**	Other businesses and corporate	**1,989**	1,805
105,027	**81,665**		**390,899**	423,374
		Less: sales and other operating revenues between segments		
10,838	**8,270**	Upstream	**36,643**	42,327
256	**(814)**	Downstream	**(173)**	1,045
216	**212**	Other businesses and corporate	**861**	866
11,310	**7,668**		**37,331**	44,238
		Third party sales and other operating revenues		
8,090	**7,530**	Upstream	**28,781**	28,047
85,326	**66,063**	Downstream	**323,659**	350,150
301	**404**	Other businesses and corporate	**1,128**	939
93,717	**73,997**	Total third party sales and other operating revenues	**353,568**	379,136
		By geographical area[(a)]		
32,267	**27,300**	US	**132,310**	137,539
70,139	**51,933**	Non-US	**251,943**	280,317
102,406	**79,233**		**384,253**	417,856
8,689	**5,236**	Less: sales and other operating revenues between areas	**30,685**	38,720
93,717	**73,997**		**353,568**	379,136

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

6. Production and similar taxes

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
299	**56**	US	**690**	1,112
1,192	**356**	Non-US	**2,268**	5,935
1,491	**412**		**2,958**	7,047

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7. Earnings per share and shares in issue

Basic earnings per ordinary share (EpS) amounts are calculated by dividing the profit (loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. During the quarter the company repurchased 105 million ordinary shares at a cost of $715 million as part of the share buybacks as announced on 29 April 2014. The number of shares in issue is reduced when shares are repurchased, but is not reduced in respect of the period-end commitment to repurchase shares subsequent to the end of the period.

The calculation of EpS is performed separately for each discrete quarterly period, and for the year-to-date period. As a result, the sum of the discrete quarterly EpS amounts in any particular year-to-date period may not be equal to the EpS amount for the year-to-date period.

For the diluted EpS calculation the weighted average number of shares outstanding during the period is adjusted for the number of shares that are potentially issuable in connection with employee share-based payment plans using the treasury stock method. If the inclusion of potentially issuable shares would decrease the loss per share, the potentially issuable shares are excluded from the diluted EpS calculation.

Fourth quarter 2013	**Fourth quarter 2014**	**$ million**	**Year 2014**	**Year 2013**
		Results for the period		
1,042	**(4,407)**	Profit (loss) for the period attributable to BP shareholders	**3,780**	23,451
1	**1**	Less: preference dividend	**2**	2
1,041	**(4,408)**	Profit (loss) attributable to BP ordinary shareholders	**3,778**	23,449
		Number of shares (thousand)[(a)]		
18,689,386	**18,232,147**	Basic weighted average number of shares outstanding	**18,385,458**	18,931,021
3,114,897	**3,038,691**	ADS equivalent	**3,064,243**	3,155,170
18,802,026	**18,332,091**	Weighted average number of shares outstanding used to calculate diluted earnings per share	**18,497,294**	19,046,173
3,133,671	**3,055,348**	ADS equivalent	**3,082,882**	3,174,362
18,611,489	**18,199,882**	Shares in issue at period-end	**18,199,882**	18,611,489
3,101,914	**3,033,313**	ADS equivalent	**3,033,313**	3,101,914

(a)

Excludes treasury shares and the shares held by the Employee Share Ownership Plans (ESOPs) and includes certain shares that will be issued in the future under employee share-based payment plans.

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Financial statements (continued)

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8. Dividends
Dividends payable

BP today announced a dividend of 10.00 cents per ordinary share expected to be paid in March. The corresponding amount in sterling will be announced on 16 March 2015, calculated based on the average of the market exchange rates for the four dealing days commencing on 10 March 2015. Holders of American Depositary Shares (ADSs) will receive $0.600 per ADS. The dividend is due to be paid on 27 March 2015 to shareholders and ADS holders on the register on 13 February 2015. 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 fourth-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

Fourth quarter 2013	Fourth quarter 2014		Year 2014	Year 2013
		Dividends paid per ordinary share		
9.500	**10.000**	cents	**39.000**	36.500
5.801	**6.377**	pence	**23.850**	23.399
57.00	**60.00**	Dividends paid per ADS (cents)	**234.00**	219.00
		Scrip dividends		
78.1	**13.7**	Number of shares issued (millions)	**165.6**	202.1
602	**95**	Value of shares issued ($ million)	**1,318**	1,470

9. Net debt*
Net debt ratio*

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
48,192	**52,854**	Gross debt	**52,854**	48,192
(477)	**(445)**	Fair value asset of hedges related to finance debt	**(445)**	(477)
47,715	**52,409**		**52,409**	47,715
22,520	**29,763**	Less: cash and cash equivalents	**29,763**	22,520

25,195	**22,646**	Net debt	**22,646**	25,195
130,407	**112,642**	Equity	**112,642**	130,407
16.2%	**16.7%**	Net debt ratio	**16.7%**	16.2%

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Financial statements (continued)

Notes

9. Net debt* (continued)

Analysis of changes in net debt

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
		Opening balance		
50,284	**53,610**	Finance debt	**48,192**	48,800
(734)	**(434)**	Fair value asset of hedges related to finance debt	**(477)**	(1,700)
29,499	**30,729**	Less: cash and cash equivalents	**22,520**	19,635
20,051	**22,447**	Opening net debt	**25,195**	27,465
		Closing balance		
48,192	**52,854**	Finance debt	**52,854**	48,192
(477)	**(445)**	Fair value asset of hedges related to finance debt	**(445)**	(477)
22,520	**29,763**	Less: cash and cash equivalents	**29,763**	22,520
25,195	**22,646**	Closing net debt	**22,646**	25,195
(5,144)	**(199)**	Decrease (increase) in net debt	**2,549**	2,270
(7,022)	**(709)**	Movement in cash and cash equivalents (excluding exchange adjustments)	**7,914**	2,845
2,013	**344**	Net cash outflow (inflow) from financing (excluding share capital and dividends)	**(5,419)**	(836)
		Movement in finance debt relating to investing activities		632
(69)	**(3)**	Other movements	**(435)**	(192)
(5,078)	**(368)**	Movement in net debt before exchange effects	**2,060**	2,449
(66)	**169**	Exchange adjustments	**489**	(179)
(5,144)	**(199)**	Decrease (increase) in net debt	**2,549**	2,270

10. Inventory valuation

A provision of $2,879 million was held at 31 December 2014 ($322 million at 31 December 2013) to write inventories down to their net realizable value. The net movement charged to the income statement during the fourth quarter 2014 was $1,924 million (fourth quarter 2013 was a charge of $313 million).

11. Statutory accounts

The financial information shown in this publication, which was approved by the Board of Directors on 2 February 2015, is unaudited and does not constitute statutory financial statements.

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Additional information

Capital expenditure and acquisitions

Fourth quarter 2013	Fourth quarter 2014	$ million	Year 2014	Year 2013
		By segment		
		Upstream[a]		
1,726	**1,560**	US	**6,203**	6,410
3,752	**3,546**	Non-US[b]	**13,569**	12,705
5,478	**5,106**		**19,772**	19,115
		Downstream		
360	**265**	US	**942**	2,535
921	**984**	Non-US	**2,164**	1,971
1,281	**1,249**		**3,106**	4,506
		Rosneft		
		Non-US[c]		11,941

	Other current liabilities	$ 11	$ 6			
Foreign currencies	Other current assets	—	3	Other current liabilities	1	6
Equity (1)		—	—	Short-term investments	1	—

(1) Seaboard's commodity derivative assets and liabilities are presented in the condensed consolidated balance sheets on a net basis, including netting the derivatives with the related margin accounts. As of March 31, 2018 and December 31, 2017, the commodity derivatives had a margin account balance of $23 million and $20 million, respectively, resulting in a net other current asset in the condensed consolidated balance sheets of $17 million and $18 million, respectively. Seaboard's equity derivatives are also presented on a net basis, including netting the derivatives within short-term investments.

Note 7 – Employee Benefits

Seaboard has a defined benefit pension plan for its domestic salaried and clerical employees. At this time, no contributions are expected to be made to the plan in 2018. Seaboard also sponsors non-qualified, unfunded supplemental executive plans, and has certain individual, non-qualified, unfunded supplemental retirement agreements for certain retired employees. Management has no plans to provide funding for these supplemental plans in advance of when the benefits are paid.

Of the total net periodic benefit cost presented in the table below, the service cost component is recorded in either cost of sales or selling, general and administrative expenses depending upon the employee. The other components of net periodic benefit cost are recorded in miscellaneous, net in the condensed consolidated statements of comprehensive income.

The net periodic benefit cost for all of these plans was as follows:

	Three Months Ended	
(Millions of dollars)	March 31, 2018	April 1, 2017
Components of net periodic benefit cost:		
Service cost	$ 3	$ 2
Interest cost	3	3
Expected return on plan assets	(3)	(2)
Amortization and other	1	1
Net periodic benefit cost	$ 4	$ 4

Note 8 – Notes Payable, Long-term Debt, Commitments and Contingencies

Notes Payable

Notes payable outstanding under uncommitted and committed credit lines was $198 million at March 31, 2018, of which $136 million was related to foreign subsidiaries, with $75 million denominated in South African rand, $33 million denominated in Argentine pesos and $9 million denominated in Zambian kwacha. The weighted average interest rate for outstanding notes payable was 9.57% and 10.48% at March 31, 2018 and December 31, 2017, respectively. As of March 31, 2018, Seaboard had uncommitted credit lines totaling $568 million, of which $483 million related to foreign subsidiaries. The notes payable under the uncommitted credit lines are unsecured and do not require compensating balances. Also, Seaboard has a $100 million committed credit line secured by certain short-term investments, and $30 million was outstanding as of March 31, 2018. Seaboard’s borrowing capacity under its uncommitted and committed lines was reduced by $198 million drawn under the committed and uncommitted lines and letters of credit totaling $23 million as of March 31, 2018.

Long-term Debt

The following is a summary of long-term debt:

(Millions of dollars)	March 31, 2018	December 31, 2017
Term Loan due 2022	$ 481	$ 484
Foreign subsidiary obligations due 2018 through 2023	65	52
Total long-term debt at face value	546	536
Current maturities of long-term debt and unamortized discount	(24)	(54)
Long-term debt, less current maturities and unamortized discount	$ 522	$ 482

The interest rate on the Term Loan due 2022 was 3.50% and 3.20% at March 31, 2018 and December 31, 2017, respectively. The weighted average interest rate on Seaboard's foreign subsidiary obligations was 7.43% and 21.80% at March 31, 2018 and December 31, 2017, respectively. Seaboard was in compliance with all restrictive debt covenants relating to these agreements as of March 31, 2018.

In conjunction with the acquisition discussed in Note 10, Seaboard incurred a euro denominated note payable due to the sellers valued at $48 million at March 31, 2018. This foreign subsidiary obligation bears interest at an annual rate of 3.25%, with interest due annually on the anniversary date, until maturity on January 5, 2021. The discounted value of the note payable will be accreted to the face value over the term and recorded as additional interest expense.

Contingencies

On September 18, 2014, and subsequently in 2015 and 2016, Seaboard received a number of grand jury subpoenas and informal requests for information from the Department of Justice, Asset Forfeiture and Money Laundering Section ("AFMLS"), seeking records related to specified foreign companies and individuals. The companies and individuals as to which the requested records relate were not affiliated with Seaboard, although Seaboard has also received subpoenas and requests for additional information relating to an affiliate of Seaboard. During 2017, Seaboard received grand jury subpoenas requesting documents and information related to money transfers and bank accounts in the Democratic Republic of Congo ("DRC") and other African countries and requests to interview certain Seaboard employees and to obtain testimony before a grand jury. Seaboard has retained outside counsel and is cooperating with the government's investigation. It is impossible at this stage either to determine the probability of a favorable or unfavorable outcome or to estimate the amount of potential loss, if any, resulting from the government's inquiry.

On September 19, 2012, the U.S. Immigration and Customs Enforcement ("ICE") executed three search warrants authorizing the seizure of certain records from Seaboard's offices in Merriam, Kansas and at the Seaboard Foods LLC employment office and the human resources department in Guymon, Oklahoma. The warrants generally called for the seizure of employment-related files, certain e-mails and other electronic records relating to Medicaid and Medicaid recipients, certain health care providers in the Guymon area, and Seaboard's health plan and certain personnel issues. The U.S. Attorney's Office for the Western District of Oklahoma ("USAO"), which has been leading the investigation, previously advised Seaboard that it intended to close its investigation and that no charges would be brought against Seaboard. However, discussions continue with the USAO, ICE and the Oklahoma Attorney General's office regarding the matter, including the possibility of a settlement. No proceedings have been filed or brought as of the date of this report. It is not possible at this time to determine whether a settlement will be reached or whether Seaboard will incur any material fines, penalties or liabilities in connection with this matter.

Seaboard is subject to various administrative and judicial proceedings and other legal matters related to the normal conduct of its business. In the opinion of management, the ultimate resolution of these items is not expected to have a material adverse effect on the condensed consolidated financial statements of Seaboard.

Contingent Obligations

Certain of the non-consolidated affiliates and third-party contractors who perform services for Seaboard have bank debt supporting their underlying operations. From time to time, Seaboard will provide guarantees of that debt in order to further Seaboard's business objectives. Seaboard does not issue guarantees of third parties for compensation. As of March 31, 2018, guarantees outstanding to affiliates and third parties were not material. Seaboard has not accrued a liability for any of the affiliate or third-party guarantees as management considers the likelihood of loss to be remote. See Notes Payable above for discussion of letters of credit.

Note 9 – Stockholders' Equity and Accumulated Other Comprehensive Loss

Seaboard has a share repurchase program in place that was approved by its Board of Directors and is in effect through October 31, 2019. As of March 31, 2018, the authorized amount of repurchase under the share repurchase program remained at $100 million. Seaboard did not repurchase any shares of common stock for the three months ended March 31, 2018. Under this share repurchase program, Seaboard is authorized to repurchase its common stock from time to time in open market or privately negotiated purchases, which may be above or below the traded market price. During the period that the share repurchase program remains in effect, from time to time, Seaboard may enter into a 10b5-1 plan authorizing a third party to make such purchases on behalf of Seaboard. All stock repurchased will be made in compliance with applicable legal requirements and funded by cash on hand. The timing of the repurchases and the number of shares repurchased at any given time will depend upon market conditions, compliance with

Securities and Exchange Commission regulations, and other factors. The Board of Directors' stock repurchase authorization does not obligate Seaboard to acquire a specific amount of common stock, and the stock repurchase program may be suspended at any time at Seaboard's discretion.

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The changes in the components of other comprehensive loss, net of related taxes, are as follows:

(Millions of dollars)	Three Months Ended March 31, 2018	April 1, 2017
Foreign currency translation adjustment	$ (10)	$ (2)
Unrealized gain on investments (1)	—	1
Unrecognized pension cost (2)	1	1
Other comprehensive loss, net of tax	$ (9)	$ —

(1) Effective January 1, 2018, upon adoption of new guidance, all unrealized gains (losses) on investments are included in the condensed consolidated statement of comprehensive income. The accumulated other comprehensive income balance as of December 31, 2017, was reclassified to retained earnings on January 1, 2018.

(2) This primarily represents the amortization of actuarial losses that were included in net periodic benefit cost and was recorded in operating income. See Note 7 to the condensed consolidated financial statements for further discussion.

The components of accumulated other comprehensive loss, net of related taxes, are as follows:

(Millions of dollars)	March 31, 2018	December 31, 2017
Cumulative foreign currency translation adjustment	$ (307)	$ (297)
Unrealized gain on investments (1)	—	7
Unrecognized pension cost	(63)	(64)
Total accumulated other comprehensive loss	$ (370)	$ (354)

The foreign currency translation adjustment primarily represents the effect of the Argentine peso currency exchange fluctuation on the net assets of the Sugar segment. During the first quarter of 2018, Seaboard recognized $11 million of other comprehensive loss related to the devaluation of the Argentine peso. At March 31, 2018, the Sugar segment had $91 million in net assets denominated in Argentine pesos and $1 million in net liabilities denominated in U.S. dollars. Management cannot predict the volatility in the currency exchange rate.

For the three month period ended March 31, 2018, less than $1 million of income taxes for foreign currency translation was recorded because substantially all of the cumulative translation adjustment related to foreign subsidiaries for which no tax benefit was recorded. See Note 5 for discussion of the election to change the tax status of a wholly owned subsidiary from a partnership to a corporation. At April 1, 2017, income taxes for the cumulative foreign currency translation adjustment was recorded using a 35% effective tax rate except for $90 million related to certain subsidiaries for which no tax benefit was recorded. At March 31, 2018 and April 1, 2017, income taxes for the cumulative unrecognized pension cost were recorded using a 26% and 39%, respectively, effective tax rate except for unrecognized pension cost of $21 million and $19 million, respectively, related to employees at certain subsidiaries for which no tax benefit was recorded.

Note 10 – Segment Information

Seaboard has six reportable segments: Pork, CT&M, Marine, Sugar, Power and Turkey, each offering a specific product or service. For details on the respective product or services, refer to Note 13 to the consolidated financial statements included in Seaboard's annual report for the year ended December 31, 2017. Below are segment updates from year-end.

In February 2018, Congress retroactively extended the Federal blender's credits for 2017 which resulted in Seaboard's Pork segment recognizing approximately $42 million of revenue in the first quarter of 2018 for the biodiesel it blends. There was no tax expense on this transaction.

On January 5, 2018, Seaboard's CT&M segment acquired substantially all of the outstanding common shares of Borisniak Corp., Societe Les Grands Moulins d'Abidjan, Les Grands Moulins de Dakar, Eurafrique, and Societe Mediterraneenne de Transport, collectively operating as Groupe Mimran ("Mimran"). Mimran operates three flour mills and an associated grain trading business located in Senegal, Ivory Coast and Monaco. This acquisition is expected to increase Seaboard's flour and feed milling capacity and annual grain trading volume.

The total purchase price for this acquisition is subject to a working capital adjustment and, based on the acquisition date fair values and using the exchange rate in effect at the time of acquisition, was $330 million consisting of:

(Millions of U.S. dollars)	Fair Value
Cash payment, net of $64 million of cash acquired	$ 270
Euro denominated note payable due 2021, 3.25% interest	46
Contingent consideration	14
Total fair value of consideration at acquisition date	$ 330

See Note 8 for further description of the note payable. The fair value of the contingent consideration, classified in other non-current liabilities on the condensed consolidated balance sheet, is dependent on the probability of Mimran achieving certain financial performance targets using earnings before interest, taxes, depreciation and amortization ("EBITDA") as a metric. The contingent consideration ranges between zero and $48 million payable between five and eight years following the closing, at the discretion of the seller.

Seaboard is in the process of obtaining a third-party valuation of the tangible and intangible assets and therefore the initial allocation of the purchase price is subject to refinement. The purchase was recorded at fair value and preliminarily allocated as follows:

(Millions of dollars)	Fair Value
Current assets	$ 84
Property, plant and equipment	57
Intangible assets	100
Goodwill	161
Other long-term assets	4
Total fair value of assets acquired	406
Current liabilities	(38)
Other long-term liabilities	(34)
Total fair value of liabilities assumed	(72)
Less: Noncontrolling interest	(4)
Net fair value of assets acquired	$ 330

The intangible assets include $28 million allocated to trade names, amortizable over 7-9 years, and $72 million allocated to customer relationships, amortizable over 7-11 years. Goodwill represents Mimran's market presence and an experienced workforce. The intangible assets and goodwill are not deductible for income tax purposes.

Certain Mimran entities acquired will be accounted for on a three-month lag and sales, and net earnings from these entities' operations will be reflected in the second quarter of 2018 results. Net sales of $44 million and net income of $5 million, for Mimran entities not on a lag, were recognized in Seaboard's condensed consolidated financial statements from the date of acquisition. Acquisition costs, incurred primarily in 2017, of $1 million were expensed in selling, general and administrative expenses.

The following unaudited pro forma information presents the combined consolidated financial results for Seaboard as if the acquisition had been completed at January 1, 2017.

	Three months ended	
	March 31,	April 1,

(Millions of dollars except per share amounts)	2018	2017
Net sales	$ 1,639	$ 1,463
Net earnings	$ 36	$ 91
Earnings per common share	$ 30.46	$ 76.78

Also during the first quarter of 2018, Seaboard's CT&M segment invested total consideration of $18 million for a 50% noncontrolling interest in a grain trading and flour milling business in Mauritania. The investment amount is subject to change dependent upon resolution of certain contingencies. The investment will be accounted for using the equity method of accounting and reported on a three-month lag. Seaboard's first proportionate share of income (loss) from affiliates will be recognized in the second quarter of 2018.

The CT&M segment has a 50% noncontrolling interest in a bakery located in the DRC. Seaboard's investment balance is zero. As part of its original investment, Seaboard has an interest bearing long-term note receivable from this affiliate that had a principal and interest balance of approximately $13 million and $15 million at March 31, 2018 and December 31, 2017, all classified as long-term in other non-current assets given uncertainty of the timing of payments in the future. The note receivable is 50% guaranteed by the other shareholder in the entity. Beginning with the third quarter of 2017, Seaboard has recorded this entity's current period losses against the note receivable and the losses were $2 million for the first quarter of 2018. If the future long-term cash flows of this bakery do not improve, more of the recorded value of the note receivable from affiliate could be deemed uncollectible in the future, which could result in a further charge to earnings.

The Marine segment has a 36% noncontrolling interest in a holding company that owns a Caribbean start-up terminal operation. During the first quarter of 2017, the holding company's terminal operations encountered the loss of a customer and defaulted on certain third-party debt obligations. In addition, third-party engineering studies identified significant unexpected construction modifications needed for the terminal operation. As a result, Seaboard evaluated its investment in affiliate and receivables for impairment and recorded a $5 million charge on its investment, a $1 million charge on its convertible note receivable and a $3 million allowance on its affiliate receivables. The holding company is investigating various strategic alternatives, such as additional capital calls, restructuring of the third-party debt and restructuring of the affiliate equity and receivables, which includes the deferral of all affiliated receivable payments until such future time as cash flow is sufficient to pay all third-party debt. If future long-term cash flows do not improve, there is a possibility that there could be additional charges.

In March 2017, the Power segment was notified by the Ministry of Environment and Natural Resources (the "Ministry"), a division within the Dominican Republic government, that it would not renew the environmental license for Seaboard's power plant on a barge located in the Ozama River, which would have required Seaboard to find a new location by the third quarter of 2018. However, during the first quarter of 2018, the Ministry renewed Seaboard's environmental license to operate the power plant in its current location through 2020.

The Turkey segment, accounted for using the equity method, represents Seaboard's investment in Butterball, LLC ("Butterball"). As of March 31, 2018 and December 31, 2017, Butterball had total assets of $1,061 million and $999 million, respectively. Butterball's summarized income statement information was as follows:

	Three Months Ended	
	March 31,	April 1,
(Millions of dollars)	2018	2017
Net sales	$ 321	$ 350
Operating income	$ 2	$ 10
Net income	$ 2	$ 5

The following tables set forth specific financial information about each segment as reviewed by Seaboard's management. Operating income for segment reporting is prepared on the same basis as that used for consolidated operating income. Operating income, along with income or loss from affiliates for the Pork, CT&M and Turkey segments, is used as the measure of evaluating segment performance because management does not consider interest, other investment income (loss) and income tax expense on a segment basis.

Sales to External Customers:	Three Months Ended	
	March 31,	April 1,
(Millions of dollars)	2018	2017
Pork	$ 466	$ 370

Commodity Trading and Milling	786	727
Marine	249	234
Sugar	51	40
Power	23	24
All Other	4	4
Segment/Consolidated Totals	$ 1,579	$ 1,399

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Operating Income (Loss):	Three Months Ended	
	March 31,	April 1,
(Millions of dollars)	2018	2017
Pork	$ 92	$ 50
Commodity Trading and Milling	11	17
Marine	(4)	3
Sugar	2	3
Power	—	2
All Other	—	—
Segment Totals	101	75
Corporate	(4)	(7)
Consolidated Totals	$ 97	$ 68

Income (Loss) from Affiliates:	Three Months Ended	
	March 31,	April 1,
(Millions of dollars)	2018	2017
Pork	$ (7)	$ —
Commodity Trading and Milling	(2)	4
Marine	—	(6)
Sugar	—	—
Power	2	—
Turkey	1	3
Segment/Consolidated Totals	$ (6)	$ 1

Total Assets:	March 31,	December 31,
(Millions of dollars)	2018	2017
Pork	$ 1,386	$ 1,309
Commodity Trading and Milling	1,431	964
Marine	347	376
Sugar	175	197
Power	190	188
Turkey	311	315
All Other	6	4
Segment Totals	3,846	3,353
Corporate	1,409	1,808
Consolidated Totals	$ 5,255	$ 5,161

Investments in and Advances to Affiliates: (Millions of dollars)	March 31, 2018	December 31, 2017
Pork	$ 224	$ 231
Commodity Trading and Milling	259	240
Marine	29	28
Sugar	4	4
Power	39	38
Turkey	311	310
Segment/Consolidated Totals	$ 866	$ 851

Administrative services provided by the corporate office are allocated to the individual segments and represent corporate services rendered to and costs incurred for each specific segment, with no allocation to individual segments of general corporate management oversight costs. Corporate assets include short-term investments, other current assets related to deferred compensation plans, fixed assets, and other miscellaneous items. Corporate operating losses represent certain operating costs not specifically allocated to individual segments and include costs related to Seaboard's deferred compensation plans, which are offset by the effect of the mark-to-market adjustments on these investments recorded in other investment income (loss), net.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES

Summary of Sources and Uses of Cash

Cash and short-term investments as of March 31, 2018 decreased $328 million to $1,364 million from December 31, 2017. The decrease was primarily the result of a business acquisition discussed below. Cash from operating activities increased $14 million for the three months ended March 31, 2018 compared to the same period in 2017 primarily as a result of higher cash from net earnings, partially offset by decreased cash from working capital, primarily receivables.

Capital Expenditures, Acquisitions and Other Investing Activities

During the three months ended March 31, 2018, Seaboard Corporation and its subsidiaries ("Seaboard") invested $36 million in property, plant and equipment, of which $25 million was in the Pork segment, $5 million in the Commodity Trading and Milling ("CT&M") segment, $5 million in the Marine segment and the remaining amount in other segments. The Pork segment expenditures were primarily for improvements to existing facilities and related equipment and additional hog finishing barns. All other capital expenditures were primarily of a normal recurring nature and primarily included replacements of machinery and equipment and general facility modernizations and upgrades.

For the remainder of 2018, management has budgeted capital expenditures totaling $202 million. The Pork segment plans to spend $81 million primarily for improvements to existing facilities and related equipment and additional hog finishing barns. The CT&M segment plans to spend $36 million primarily for milling assets and other improvements to existing facilities and related equipment. The Marine segment plans to spend $58 million primarily for additional cargo carrying and handling equipment and port improvements. The Sugar segment plans to spend $25 million primarily for increasing milling capacity and improving logistics infrastructure. The balance of $2 million is planned to be spent in all other businesses primarily for normal upgrades to existing operations. Management anticipates paying for these capital expenditures from a combination of available cash, the use of available short-term investments and Seaboard's available borrowing capacity.

During the first quarter of 2018, Seaboard's CT&M segment acquired three flour mills and an associated grain trading business located in Senegal, Ivory Coast and Monaco for total consideration of $330 million, net of cash acquired. The acquisition was primarily funded using proceeds from Seaboard's short-term investments and the incurrence of a note payable to the sellers. With this business, the CT&M segment expects to increase Seaboard's flour and feed milling capacity and annual grain trading volumes. Also during the first quarter, Seaboard's CT&M segment invested total consideration of $18 million for a 50% noncontrolling interest in a grain trading and flour milling business in Mauritania. See Note 10 to the condensed consolidated financial statements for further information on this purchase and investment.

Financing Activities and Debt

As of March 31, 2018, Seaboard had short-term uncommitted lines of credit totaling $568 million and a committed line of credit totaling $100 million. Borrowings under the committed and uncommitted lines of credit totaled $198 million, of which $136 million related to foreign subsidiaries. There was $30 million and $168 million borrowed under the committed and uncommitted lines of credit, respectively, as of March 31, 2018. Seaboard's borrowing capacity under its uncommitted lines was further reduced by letters of credit totaling $23 million.

As of March 31, 2018, Seaboard had an unsecured term loan, which matures in 2022, with a balance of $481 million and $65 million of foreign subsidiary debt, primarily denominated in euros and Argentine pesos. Seaboard was in compliance with all restrictive covenants related to these loans and facilities as of March 31, 2018. See Note 8 to the condensed consolidated financial statements for current debt balances and for a summary of Seaboard's contingent obligations, including guarantees issued to support certain activities of non-consolidated affiliates or third parties who provide services for Seaboard.

As of March 31, 2018, Seaboard had cash and short-term investments of $1,364 million and additional total net working capital of $752 million. Accordingly, management believes Seaboard's combination of internally generated cash, liquidity, capital resources and borrowing capabilities will be adequate for its existing operations and any currently known potential plans for expansion of existing operations or business segments for 2018. Management intends to continue seeking opportunities for expansion in the industries in which Seaboard operates, utilizing existing liquidity, available borrowing capacity and other financing alternatives.

As of March 31, 2018, $211 million of the $1,364 million of cash and short-term investments were held by Seaboard's foreign subsidiaries, and Seaboard could be required to accrue and pay taxes to repatriate these funds if needed for

Seaboard's operations in the United States ("U.S."). However, Seaboard's intent is to permanently reinvest foreign profits, including all cash and short-term investments, outside the U.S., and current plans do not demonstrate a need to repatriate them to fund Seaboard's U.S. operations.

RESULTS OF OPERATIONS

Net sales for the three month period of 2018 increased $180 million over the same period in 2017. The increase was primarily the result of the Federal blender's credits, higher sales of market hogs in the Pork segment and higher volume of sales in the CT&M segment.

Operating income increased $29 million for the three month period of 2018 compared to the same period in 2017. The increase primarily reflected the Federal blender's credits in the Pork segment, partially offset by lower margins in the CT&M and Marine segments.

Pork Segment

	Three Months Ended	
	March 31,	April 1,
(Millions of dollars)	2018	2017
Net sales	$ 466	$ 370
Operating income	$ 92	$ 50
Income (loss) from affiliates	$ (7)	$ —

Net sales for the Pork segment increased $96 million for the three month period of 2018 compared to the same period in 2017. The increase was primarily the result of the receipt of the Federal blender's credits of $42 million recorded as revenue and higher sales of market hogs to third-parties and affiliates. See Note 10 to the condensed consolidated financial statements for further discussion of the Federal blender's credits.

Operating income for the Pork segment increased $42 million for the three month period of 2018 compared to the same period in 2017. The increase was primarily the result of the Federal blender's credits of $42 million as discussed above. Seaboard sells pork to international customers, including China, and recent incremental tariffs may negatively impact future sales prices. Management is unable to predict future market prices for pork products, the cost of feed or cost of third-party hogs. However, management anticipates positive operating income for this segment for the remainder of 2018.

Income from affiliates decreased $7 million for the three month period of 2018 compared to the same period in 2017, primarily due to the start-up of Seaboard Triumph Foods, LLC operations, which began in September 2017.

Commodity Trading and Milling Segment

	Three Months Ended	
	March 31,	April 1,

(Millions of dollars)	2018	2017
Net sales	$ 786	$ 727
Operating income as reported	$ 11	$ 17
Mark-to-market gains	(6)	(4)
Operating income excluding mark-to-market adjustments	$ 5	$ 13
Income (loss) from affiliates	$ (2)	$ 4

Net sales for the CT&M segment increased $59 million for the three month period of 2018 compared to the same period in 2017. The increase primarily reflected higher volume of third-party and affiliate sales, partially offset by lower third-party sales prices.

Operating income for this segment decreased $6 million for the three month period of 2018 compared to the same period in 2017. The decrease for the three month period primarily reflected lower margins on affiliate and third-party sales, primarily on corn and rice commodities and higher selling, general and administrative costs. The decrease was partially offset by fluctuations of $2 million of mark-to-market derivative contracts as discussed below.

Due to worldwide commodity price fluctuations, the uncertain political and economic conditions in the countries in which this segment operates, and the current volatility in the commodity markets, management is unable to predict future sales and operating results for this segment. However, management anticipates positive operating income for this segment for the remainder of 2018, excluding the effects of marking to market derivative contracts.

Had Seaboard not applied mark-to-market accounting to its derivative instruments, operating income for this segment would have been lower by $6 million and $4 million for the three month periods of 2018 and 2017, respectively. While management believes its commodity futures, options and foreign exchange contracts are primarily economic hedges of its firm purchase and sales contracts or anticipated sales contracts, Seaboard does not perform the extensive record-keeping required to account for these transactions as hedges for accounting purposes. Accordingly, while the changes in value of the derivative instruments were marked-to-market, the changes in value of the firm purchase or sales contracts were not. As products are delivered to customers, these existing mark-to-market adjustments should be primarily offset by realized margins or losses as revenue is recognized over time, and these mark-to-market adjustments could reverse in 2018. Management believes eliminating these mark-to-market adjustments provides a more reasonable presentation to compare and evaluate period-to-period financial results for this segment.

Marine Segment

	Three Months Ended	
	March 31,	April 1,
(Millions of dollars)	2018	2017
Net sales	$ 249	$ 234
Operating income (loss)	$ (4)	$ 3
Loss from affiliates	$ —	$ (6)

Net sales for the Marine segment increased $15 million for the three month period of 2018 compared to the same period in 2017. The increase was primarily the result of higher volumes in certain markets during 2018 compared to 2017.

Operating income for this segment decreased $7 million for the three month period of 2018 compared to the same period in 2017. The decrease was primarily the result of higher voyage costs related to fuel price increases and other expenses. Management cannot predict changes in future cargo volumes, cargo rates and fuel costs, or to what extent changes in economic conditions in markets served will affect net sales or operating income during the remainder of 2018. However, management anticipates this segment will have positive operating income for the remainder of 2018.

Loss from affiliates for the three month period of 2018 decreased $6 million compared to the same period in 2017 primarily due to an other-than-temporary impairment charge of $6 million incurred in 2017 related to Seaboard's equity method investment in a holding company that owns a start-up terminal operation. See Note 10 to the condensed consolidated financial statements for further information on this affiliate.

Sugar Segment

	Three Months Ended	
	March 31,	April 1,
(Millions of dollars)	2018	2017
Net sales	$ 51	$ 40
Operating income	$ 2	$ 3
Income from affiliates	$ —	$ —

Net sales for the Sugar segment increased $11 million for the three month period of 2018 compared to the same period in 2017. The increase primarily reflected higher volumes of alcohol and higher volumes and selling prices for sugar, partially offset by lower prices of alcohol sold. Sugar and alcohol sales are denominated in Argentine pesos. The increase in local sale prices in terms of U.S. dollars was partially offset by exchange rate changes as the Argentine peso continued to weaken against the U.S. dollar. Management cannot predict local sugar and alcohol prices or the volatility in the currency exchange rate.

Operating income for the Sugar segment decreased $1 million for the three month period of 2018 compared to the same period in 2017. The decrease for the three month period primarily reflected higher sugar production costs, partially offset by higher margins on alcohol. Sugar costs for the first quarter of 2018 included $7 million in severance costs related to a restructuring of its workforce. Based on market conditions, management currently cannot predict if this segment will be profitable for the remainder of 2018.

Power Segment

(Millions of dollars)	Three Months Ended March 31, 2018	April 1, 2017
Net sales	$ 23	$ 24
Operating income	$ —	$ 2
Income from affiliates	$ 2	$ —

Net sales for the Power segment decreased $1 million for the three month period of 2018 compared to the same period in 2017. The decrease primarily reflected lower volumes as a result of weather conditions and a change in sales presentation from gross to net for a certain service with the adoption of the new revenue guidance further discussed in Note 2 to the condensed consolidated financial statements.

Operating income for the Power segment decreased $2 million for the three month period of 2018 compared to the same period in 2017. The decrease primarily reflected higher fuel costs in conjunction with lower sales volumes. Management cannot predict future fuel costs or the extent that spot market rates will fluctuate compared to fuel costs. However, management anticipates positive operating income for this segment for the remainder of 2018.

Turkey Segment

(Millions of dollars)	Three Months Ended March 31, 2018	April 1, 2017
Income from affiliates	$ 1	$ 3

The Turkey segment, accounted for using the equity method, represents Seaboard’s investment in Butterball, LLC (“Butterball”). The decrease in income from affiliates for the three month period of 2018 compared to the same period in 2017 was primarily the result of lower prices and volumes of turkey products sold. Management is unable to predict future market prices for turkey products or the cost of feed. However, management anticipates positive income for this segment for the remainder of 2018.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses increased $5 million for the three month period of 2018 compared to the same period in 2017 primarily due to increased personnel-related costs. As a percentage of total net sales, SG&A was 5% for the three month period of 2018 and 2017.

Interest Expense

Interest expense increased $5 million for the three month period of 2018 compared to the same period in 2017 primarily due to more debt outstanding and an increase in interest rates.

Interest Income from Affiliates

Interest income from affiliates decreased $5 million for the three month period of 2018 compared to the same period in 2017 primarily due to a note receivable with Butterball that was repaid in December 2017.

Other Investment Income (Loss), Net

Other investment income, net decreased $74 million for the three month period of 2018 compared to the same period in 2017 primarily due to unrealized losses on short-term investments due to mark-to-market fluctuations, partially offset by realized gains.

Income Tax Expense

The effective tax rate for the three month period of 2018 was higher than the three month period of 2017 primarily due to the change in tax classification of a wholly owned subsidiary from a partnership to a corporation, partially offset by tax exempt income from the retroactive extension of the 2017 Federal blender's credits during the first quarter of 2018 and the lower statutory U.S. Federal income tax rate.

Other Financial Information

See Note 1 to the condensed consolidated financial statements for a discussion of recently issued accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Seaboard is exposed to various types of market risks in its day-to-day operations. Primary market risk exposures result from changing commodity prices, foreign currency exchange rates, interest rates and equity prices. Occasionally, Seaboard utilizes derivative instruments to manage these overall market risks. The nature of Seaboard's market risk exposure related to these items has not changed materially since December 31, 2017. See Note 6 to the condensed consolidated financial statements for further discussion.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures — Seaboard's management evaluated, under the direction of the Chief Executive and Chief Financial Officers, the effectiveness of Seaboard's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) as of March 31, 2018. Based upon and as of the date of that evaluation, Seaboard's Chief Executive and Chief Financial Officers concluded that Seaboard's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports it files and submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required. It should be noted that any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any system of disclosure controls and procedures is based in part upon assumptions about the likelihood of future events. Due to these and other inherent limitations of any such system, there can be no assurance that any design will always succeed in achieving its stated goals under all potential future conditions.

Change in Internal Controls — On January 5, 2018, Seaboard acquired five entities operating as Groupe Mimran ('Mimran") as further disclosed in Note 10 to the condensed consolidated financial statements. Management is reviewing and evaluating its internal control procedures and the design of those procedures related to the Mimran acquisition and assessing when it will complete an evaluation and review of Mimran's internal controls over financial reporting. Under guidelines established by the Securities and Exchange Commission, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company. Except as set forth above, there have been no changes in Seaboard's internal control over financial reporting required by Exchange Act Rule 13a-15(f) that occurred during the fiscal quarter ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, Seaboard's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For information related to Seaboard's legal proceedings, see Note 8 to the condensed consolidated financial statements.

Item 1A. Risk Factors

There have been no material changes in the risk factors as previously disclosed in Seaboard's annual report on Form 10 K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

As of the date of this report, Seaboard may repurchase up to $100 million market value of its common stock from time to time in open market or privately negotiated purchases under its share repurchase program. See Note 9 to the condensed consolidated financial statements for further discussion. There were no purchases made pursuant to Seaboard’s share repurchase program during the first quarter of 2018.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Forward-looking Statements

This Form 10-Q contains forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Seaboard Corporation and its subsidiaries (“Seaboard”). Forward-looking statements generally may be identified as statements that are not historical in nature and statements preceded by, followed by or that include the words “believes,” “expects,” “may,” “will,” “should,” “could,” “anticipates,” “esti “intends,” or similar expressions. In more specific terms, forward-looking statements, include without limitation: statements concerning projection of revenues, income or loss, capital expenditures, capital structure or other financial items, including the impact of mark-to-market accounting on operating income; statements regarding the plans and objectives of management for future operations; statements of future economic performance; statements regarding the intent, belief or current expectations of Seaboard and its management with respect to: (i) Seaboard’s ability to obtain adequate financing and liquidity; (ii) the price of feed stocks and other materials used by Seaboard; (iii) the sales price or market conditions for pork, agricultural commodities, sugar, turkey and other products and services; (iv) the recorded tax effects under certain circumstances and changes in tax laws; (v) the volume of business and working capital requirements associated with the competitive trading environment for the CT&M segment; (vi) the charter hire rates and fuel prices for vessels; (vii) the fuel costs and related spot market prices in the Dominican Republic; (viii) the effect of the fluctuation in foreign currency exchange rates; (ix) the profitability or sales volume of any of

Seaboard's segments; (x) the anticipated costs and completion timetables for Seaboard's scheduled capital improvements, acquisitions and dispositions; (xi) the productive capacity of facilities that are planned or under construction, and the timing of the commencement of operations at such facilities; or (xii) other trends affecting Seaboard's financial condition or results of operations, and statements of the assumptions underlying or relating to any of the foregoing statements.

This list of forward-looking statements is not exclusive. Seaboard undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changes in assumptions or otherwise. Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions. Actual results may differ materially from those contemplated by the forward-looking statements due to a variety of factors. The information contained in this report, including without limitation the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," identifies important factors that could cause such differences.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEABOARD CORPORATION
(Registrant)

by: /s/ Robert L. Steer
Robert L. Steer, Executive Vice President,
Chief Financial Officer
(principal financial officer)

Date: May 2, 2018

by: /s/ Michael D. Trollinger
Michael D. Trollinger, Vice President, Corporate Controller
and Chief Accounting Officer
(principal accounting officer)

Date: May 2, 2018