BP PLC
Form 6-K
October 25, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

for the period ended 30 September 2011

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): ¨

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

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-157906) OF BP CAPITAL MARKETS p.l.c. AND BP p.l.c.; THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103924) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123482) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123483) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-131584) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-132619) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146870) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-146873) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-149778) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-173136) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-177423) OF BP p.l.c., 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 30 SEPTEMBER 2011(a)

(a) In this Form 6-K, references to the nine months 2011 and nine months 2010 refer to the nine-month periods ended 30 September 2011 and 30 September 2010 respectively. References to third quarter 2011 and third quarter 2010 refer to the three-month periods ended 30 September 2011 and 30 September 2010 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 2010.

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Group results third quarter and nine months 2011

Third quarter 2010	Third quarter 2011		Nine months 2011	Nine months 2010
		$ million		
1,785	**4,907**	Profit (loss) for the period(a)	**17,651**	(9,286)
62	**233**	Inventory holding (gains) losses, net of tax	**(1,721)**	(242)
1,847	**5,140**	**Replacement cost profit (loss)**(b)	**15,930**	(9,528)
9.50	**25.90**	Profit (loss) per ordinary share (cents)	**93.47**	(49.44)
0.57	**1.55**	Profit (loss) per ADS (dollars)	**5.61**	(2.97)
9.83	**27.13**	Replacement cost profit (loss) per ordinary share (cents)	**84.35**	(50.73)
0.59	**1.63**	Replacement cost profit (loss) per ADS (dollars)	**5.06**	(3.04)

BP s profit for the third quarter was $4,907 million, compared with $1,785 million a year ago. For the nine months, the profit was $17,651 million, compared with a loss of $9,286 million a year ago. BP s third quarter replacement cost profit was $5,140 million, compared with $1,847 million a year ago. For the nine months replacement cost profit was $15,930 million compared with a loss of $9,528 million a year ago. Replacement cost profit or loss for the group is a non-GAAP measure. For further information see pages 7 and 20.

The group income statement for the third quarter and nine months includes pre-tax charges related to the Gulf of Mexico oil spill of $0.6 billion and $0.4 billion respectively. All amounts relating to the incident have been treated as non-operating items. For further information on the Gulf of Mexico oil spill and its consequences see pages 5 6, Note 2 on pages 24 29, and Legal proceedings on pages 35 40.

Non-operating items (including amounts relating to the Gulf of Mexico oil spill) and fair value accounting effects for the third quarter, on a post-tax basis, had a net unfavourable impact of $187 million compared with a net unfavourable impact of $3,684 million in the third quarter of 2010. For the nine months, the respective amounts were $378 million and $25,686 million unfavourable. Information on fair value accounting effects is non-GAAP and further details are provided on page 22.

Finance costs and net finance income or expense relating to pensions and other post-retirement benefits were $234 million for the third quarter, compared with $335 million for the same period last year. For the nine months, the respective amounts were $722 million and $777 million.

The effective tax rate on the profit for the third quarter and nine months was 31% and 34% respectively, compared with -18% and 33% on the profit or loss for the equivalent periods in 2010. Excluding the impact of the Gulf of Mexico oil spill, the effective tax rate on the profit a year ago was 25% for the quarter and 31% for the nine months. The effective tax rate on replacement cost profit for the third quarter and nine months was 31% and 35% respectively, compared with -16% and 33% a year ago. The effective tax rates for 2010 were impacted by the Gulf of Mexico oil spill, resulting in a particularly unusual rate for the third quarter. Excluding these impacts, the effective tax rate on replacement cost profit a year ago was 25% for the quarter and 31% for the nine months. We expect the full-year effective tax rate for 2011 to be around 34%.

Including the impact of the Gulf of Mexico oil spill, net cash provided by operating activities for the third quarter and nine months was $6.9 billion and $17.1 billion respectively, compared with net cash used in operating activities of $0.7 billion for the third quarter of 2010 and net cash provided by operating activities of $13.8 billion for the nine months of 2010. The amounts for the quarter and nine months of 2011 included net cash outflows of $0.9 billion and $5.6 billion respectively relating to the Gulf of Mexico oil spill.

Gross debt at the end of the quarter was $45.3 billion compared with $40.0 billion a year ago. The ratio of gross debt to gross debt plus equity was 29%, compared with 31% a year ago. Net debt at the end of the quarter was $25.8 billion, compared with $26.4 billion a year ago. The ratio of net debt to net debt plus equity was 19% compared with 23% a year ago. Net debt information is non-GAAP and is defined on page 33.

Total capital expenditure for the third quarter and nine months was $11.7 billion and $23.9 billion respectively. Organic capital expenditure(c) in the third quarter and nine months was $4.7 billion and $12.9 billion respectively. For the full year 2011, we expect organic capital expenditure to be around $19 billion. Disposal proceeds, including deposits received in the period, were $2.1 billion for the third quarter and $4.7 billion for the nine months. As at 24 October 2011, we had signed agreements during 2010 and 2011 totalling $26 billion to dispose of assets against our previously announced $30-billion disposal programme. We now intend to undertake an additional $15-billion disposal programme by the end of 2013, which will include the previously announced disposals of the Texas City and Carson refineries and associated marketing interests.

The quarterly dividend expected to be paid on 19 December 2011 is 7 cents per share ($0.42 per ADS). The corresponding amount in sterling will be announced on 5 December 2011. A scrip dividend alternative is available, allowing shareholders to elect to receive their dividend in the form of new ordinary shares and ADS holders in the form of new ADSs. Details of the scrip dividend programme are available at www.bp.com/scrip.

(a) Profit (loss) attributable to BP shareholders.

(b) Replacement cost profit or loss reflects the replacement cost of supplies and is the measure of profit or loss for each operating segment that is required to be disclosed under International Financial Reporting Standards (IFRS), as explained in more detail on page 20. The replacement cost profit or loss for the period is arrived at by excluding from profit or loss inventory holding gains and losses and their associated tax effect. Replacement cost profit or loss for the group is not a recognized GAAP measure. Management believes this information is useful to illustrate to investors the fact that crude oil and product prices can vary significantly from period to period and that the impact on our reported result under IFRS can be significant. Inventory holding gains and losses vary from period to period due principally to changes in oil prices as well as changes to underlying inventory levels. In order for investors to understand the operating performance of the group excluding the impact of oil price changes on the replacement of inventories, and to make comparisons of operating performance between reporting periods, BP s management believes it is helpful to disclose this information.

(c) Organic capital expenditure excludes acquisitions and asset exchanges (see page 19).

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

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Gulf of Mexico oil spill

Completing the response

We remain committed to meeting our responsibilities and rebuilding trust. The focus in the Gulf of Mexico is shifting from response to restoration. During the third quarter, work continued to clean impacted shorelines with a focus on areas that had been deferred in order not to interrupt the nesting seasons of sensitive wildlife. Discussions are under way with the Federal On-Scene Coordinator, State On-Scene Coordinators and the Federal Trustee agencies to establish the clean-up criteria which must be met before response activities in each segment of the shoreline are concluded. The anticipated next phase of activity will include a targeted survey of the shoreline after hurricane season, as well as patrolling and maintenance activities to clean up episodic tar balls in localized areas. Following reports in August 2011 of oil sheen in the gulf near MC252, a remotely operated vehicle (ROV) was mobilized to inspect the Macondo well site at the request of the US Coast Guard. ROV video inspection confirmed that there was no release of oil from either the Macondo well or the relief wells and that the wells are secure.

The phased transition from the Gulf Coast Incident Management Team (GC-IMT) to BP s Gulf Coast Restoration Organization (GCRO) continues, and resources continue to be maintained in line with operational requirements.

In a letter dated 15 July 2011 to the director of the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), BP announced that it has begun implementing a new set of voluntary drilling standards for operations in the Gulf of Mexico.

Economic restoration

To support the economic restoration of the impacted Gulf Coast communities since the incident occurred last year, BP has paid a total of $7.3 billion to fund individuals, businesses and government entity claims and advances as well as other payments for seafood research and testing, tourism, behavioural health and other contributions.

Trust update

During the third quarter, BP made contributions totalling $2.4 billion to the Deepwater Horizon Oil Spill Trust (Trust) fund, including settlements received from MOEX USA Corporation (MOEX) and Weatherford U.S., L.P. (Weatherford), bringing the total trust contributions for the first nine months of 2011 to $4.9 billion. The Trust was established in 2010 to satisfy legitimate individual and business claims administered by the Gulf Coast Claims Facility (GCCF), state and local government claims resolved by BP, final judgments and settlements and natural resource damages (NRD) and related costs.

Payments from the Trust during the third quarter were $935 million, bringing Trust disbursements for the year to date to $3.0 billion. Third-quarter disbursements consisted of $752 million paid through the GCCF for individual and business claims, $148 million for NRD assessment costs, $5 million for state and local government claims, and $30 million for other resolved items. As of 30 September 2011, the cumulative amount paid from the Trust since its inception was $6.0 billion. BP s cumulative contributions to the Trust amounted to $9.9 billion.

Claims update

As of 30 September 2011, a total of $7.0 billion had been paid for individual, business and government claims and advances including payments made prior to the establishment of the Trust.

In total, $5.7 billion has been paid either by the GCCF or by BP to individual and business claimants. Within the GCCF process, 541,922 claimants have filed a claim and $5.3 billion has been paid by the GCCF for individual and business claims. The GCCF has made emergency advance payments to 169,191(a) claimants totalling $2.6 billion. In the final payment phase claimants received $2.7 billion which included quick pay, interim or final payments. During this final phase, a total of 340,111 claimants have filed claims, of which 52% have had final payments issued and final releases accepted, 5% have received final offers, 34% have been denied or have withdrawn their claims, and 9% currently remain under review or have been notified that additional information is required.

Since the incident occurred, BP has paid federal, state and local government entities $1.3 billion for claims and advances as well as an additional $275 million for tourism, seafood testing and marketing, and behavioural health research and studies. During the third quarter, BP received 23 new claims from government entities and has now resolved 91% of the total 991 claims filed by state and local entities.

(a) At the end of the third quarter, 233 emergency advance phase claims remain unresolved.

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Gulf of Mexico oil spill (continued)

Environmental restoration

Last year, BP announced the creation of the independent Gulf of Mexico Research Initiative (GRI), a ten-year, $500-million scientific research programme directed at studying the potential environmental and public health impacts of the Deepwater Horizon incident. To date, BP has contributed $50 million to the GRI. During 2011, two Requests for Proposals (RFPs) were issued, with a third under development. On 30 June 2011, the GRI Research Board awarded 17 grants totalling $1.5 million to support the time-sensitive acquisition of critical samples and observations. On 30 August 2011, the Research Board awarded a total of $112.5 million over three years to eight consortia comprised of over 70 research institutions. All eight consortia are led by Gulf Coast institutions. The Research Board is developing a final RFP for 2011, which will award approximately $7.5 million a year, for three years, in smaller grants to individual or small teams of researchers.

NRD assessment continues and involves over 100 studies being conducted in co-operation with federal and state trustees. Data collection is expected to start drawing to a close during the fourth quarter. Initial proposals for projects under the $1 billion early restoration framework agreement of 21 April 2011 are undergoing review.

Financial update

In the third quarter we recognized a $0.6 billion pre-tax charge relating to the incident. This reflects an increased provision for legal fees and a charge for the ongoing expenses of the GCRO, partly offset by a reduction in the estimated remaining spill response costs. For the nine months, the pre-tax charge was $0.4 billion, including the amounts recovered from MOEX and Weatherford as described below. In 2010, the pre-tax charge recognized was $40.9 billion, which included the $20-billion Trust commitment.

During the third quarter, MOEX paid BP $1.1 billion and Weatherford paid BP $75 million and these amounts were subsequently contributed to the trust fund in the period. On 17 October 2011, BP announced a final agreement with Anadarko to settle all claims related to the Deepwater Horizon incident. Under the settlement agreement, Anadarko will pay BP $4 billion, which BP will also contribute to the trust fund. Anadarko will also transfer all of its 25% interest in the MC252 lease to BP. Anadarko and BP have agreed a mutual release of all claims against each other in relation to the Deepwater Horizon incident and Anadarko will no longer pursue its allegation of gross negligence against BP. In addition, Anadarko will have the right to a 12.5% participation in certain future recoveries from third parties and certain insurance proceeds in the event that such recoveries and proceeds exceed $1.5 billion in aggregate. Any such payments to Anadarko are capped at a total of $1 billion. BP has agreed to indemnify Anadarko for certain claims arising from the incident but this excludes civil, criminal or administrative fines and penalties, claims for punitive damages and certain other claims. The agreement is not an admission of liability by any party regarding the accident. It is expected that the settlement will be received in the fourth quarter, and will be recognized in BP s financial statements in that period.

The total amounts that will be paid by BP in relation to all obligations relating to the incident are subject to significant uncertainty as described further in Note 2 on pages 24 29.

Legal proceedings and investigations

See Gulf of Mexico oil spill on pages 34 39 of BP s *Annual Report and Form 20-F 2010* and Legal proceedings on pages 35 40 herein for details of legal proceedings, including external investigations relating to the incident.

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

Third quarter 2010	Third quarter 2011		Nine months 2011	Nine months 2010
		$ million		
8,350	**7,551**	Exploration and Production	**22,585**	22,886
1,787	**1,493**	Refining and Marketing	**4,910**	4,591
(568)	**(330)**	Other businesses and corporate	**(1,406)**	(966)
(7,656)	**(541)**	Gulf of Mexico oil spill response(a)	**(308)**	(39,848)
85	**(213)**	Consolidation adjustment	**(240)**	391
1,998	**7,960**	RC profit (loss) before interest and tax(b)	**25,541**	(12,946)
(335)	**(234)**	Finance costs and net finance income or expense relating to pensions and other post-retirement benefits	**(722)**	(777)
272	**(2,409)**	Taxation on a replacement cost basis	**(8,581)**	4,494
(88)	**(177)**	Minority interest	**(308)**	(299)
1,847	**5,140**	**Replacement cost profit (loss) attributable to BP shareholders**	**15,930**	(9,528)
(82)	**(372)**	Inventory holding gains (losses)	**2,533**	339
20	**139**	Taxation (charge) credit on inventory holding gains and losses	**(812)**	(97)
1,785	**4,907**	**Profit (loss) for the period attributable to BP shareholders**	**17,651**	(9,286)

(a) See Note 2 on pages 24 29 for further information on the accounting for the Gulf of Mexico oil spill response.
(b) Replacement cost profit or loss reflects the replacement cost of supplies. Replacement cost profit or loss for the group is a non-GAAP measure. For further information see page 20.

Total of non-operating items and fair value accounting effects(a)(b)

Third quarter 2010	Third quarter 2011		Nine months 2011	Nine months 2010
		$ million		
1,809	**461**	Exploration and Production	**501**	1,852
161	**(173)**	Refining and Marketing	**(344)**	452
(86)	**76**	Other businesses and corporate	**(368)**	(133)
(7,656)	**(541)**	Gulf of Mexico oil spill response	**(308)**	(39,848)
(5,772)	**(177)**	Total before interest and taxation	**(519)**	(37,677)
(47)	**(14)**	Finance costs(c)	**(45)**	(47)
(5,819)	**(191)**	Total before taxation	**(564)**	(37,724)

2,135	**4**	Taxation credit (charge)(d)	**186**	12,038
(3,684)	**(187)**	Total after taxation for the period	**(378)**	(25,686)

(a) An analysis of non-operating items by type is provided on page 21 and an analysis by region is shown on pages 10, 12 and 13.

(b) Information on fair value accounting effects is non-GAAP. For further details, see page 22.

(c) Finance costs relate to the Gulf of Mexico oil spill. See Note 2 on pages 24   29 for further details.

(d) Tax is calculated by applying discrete quarterly effective tax rates (excluding the impact of the Gulf of Mexico oil spill and, for the first quarter 2011, the impact of a $683-million one-off deferred tax adjustment in respect of the recently enacted increase in the supplementary charge on UK oil and gas production) on group profit or loss. However, the US statutory tax rate has been used for expenditures relating to the Gulf of Mexico oil spill that qualify for tax relief.

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Per share amounts

Third quarter 2010	Third quarter 2011		Nine months 2011	Nine months 2010
		Per ordinary share (cents)(a)		
9.50	**25.90**	Profit (loss) for the period	**93.47**	(49.44)
9.83	**27.13**	RC profit (loss) for the period	**84.35**	(50.73)
		Per ADS (dollars)(a)		
0.57	**1.55**	Profit (loss) for the period	**5.61**	(2.97)
0.59	**1.63**	RC profit (loss) for the period	**5.06**	(3.04)

(a) See Note 7 on page 32 for details of the calculation of earnings per share.

Net debt ratio net debt: net debt + equity

Third quarter 2010	Third quarter 2011		Nine months 2011	Nine months 2010
		$ million		
39,979	**45,283**	Gross debt	**45,283**	39,979
797	**1,454**	Less: fair value asset of hedges related to finance debt	**1,454**	797
39,182	**43,829**			