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BP profits fall on low oil price

LONDON (News agencies) – BP's second-quarter profit slumped by nearly two thirds from a year ago as it grappled with lower crude prices and took a huge \$10.8 billion charge related to the 2010 Gulf of Mexico oil spill.

In a sign it was hunkering down for an extended period of lower oil prices, the British oil and gas company also cut its planned full-year capital spending again to "below \$20 billion", after cutting it 13 per cent to \$20 billion earlier this year.

BP reached an \$18.7 billion settlement with the US government and five states

this month to resolve most claims from the oil spill five years ago, the largest corporate settlement in US history.

While BP had been expected to take a \$10 billion charge for this at some point, it said yesterday it had also agreed to pay up to \$1 billion to resolve claims from local government entities, taking cumulative pretax charges for the Macondo rig explosion and spill that killed 11 workers to \$55 billion.

As a result, the company took a pretax charge of \$10.8 billion in the second quarter, including a \$9.8 billion charge related

to the government settlements. Profits were also hit by a \$600 million exploration write off in Libya as a result security issues, leaving underlying replacement cost profit, BP's definition of net income, at \$1.3 billion, below analysts expectations of \$1.64 billion.

BP also raised costs linked to restructuring following the oil price slide to \$1.5 billion from the \$1 billion announced in December.

"The external environment remains challenging," Chief Executive Officer Bob Dudley said in a statement.