UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2004

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission file number 1-6841

SUNOCO, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	**23-1743282**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

TEN PENN CENTER, 1801 MARKET STREET, PHILADELPHIA, PA 19103-1699

(Address of principal executive offices)

(Zip Code)

(215) 977-3000

(Registrant s telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES x NO ¨

At September 30, 2004, there were 73,126,165 shares of Common Stock, $1 par value outstanding.

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SUNOCO, INC.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Sunoco, Inc. and Subsidiaries

(Millions of Dollars and Shares Except Per Share Amounts)

	For the Nine Months Ended September 30	
	2004	**2003***
	(UNAUDITED)	
REVENUES		
Sales and other operating revenue (including consumer excise taxes)	$ 18,072	$ 13,408
Interest income	7	5
Other income (loss), net (Notes 3, 4, 5 and 6)		7
	18,079	13,420
COSTS AND EXPENSES		
Cost of products sold and operating expenses	14,620	10,519
Consumer excise taxes	1,680	1,483
Selling, general and administrative expenses (Note 3)	613	545
Depreciation, depletion and amortization	303	271
Payroll, property and other taxes	91	81
Interest cost and debt expense	85	87
Interest capitalized	(6)	(2)
	17,386	12,984
Income before income tax expense	693	436
Income tax expense (Note 5)	266	160
NET INCOME	$ 427	$ 276
Net income per share of common stock:		
Basic	$ 5.69	$ 3.59
Diluted	$ 5.63	$ 3.56
Weighted average number of shares outstanding (Note 7):		
Basic	75.1	76.8
Diluted	75.9	77.6

Cash dividends paid per share of common stock	$ .85	$ .75

* Restated to reflect the consolidation of the Epsilon Products Company, LLC (Epsilon) polypropylene joint venture, effective January 1, 2003, in connection with the adoption of FASB Interpretation No. 46, Consolidation of Variable Interest Entities, in the first quarter of 2004 (Note 2).

(See Accompanying Notes)

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Sunoco, Inc. and Subsidiaries

(Millions of Dollars and Shares Except Per Share Amounts)

	For the Three Months Ended September 30	
	2004	**2003***
	(UNAUDITED)	
REVENUES		
Sales and other operating revenue (including consumer excise taxes)	$ 6,575	$ 4,630
Interest income	4	1
Other income (loss), net (Notes 3, 4, 5 and 6)	(21)	(11)
	6,558	4,620
COSTS AND EXPENSES		
Cost of products sold and operating expenses	5,417	3,536
Consumer excise taxes	611	556
Selling, general and administrative expenses (Note 3)	203	202
Depreciation, depletion and amortization	103	94
Payroll, property and other taxes	30	30
Interest cost and debt expense	28	29
Interest capitalized	(3)	(1)
	6,389	4,446
Income before income tax expense	169	174
Income tax expense (Note 5)	65	65
NET INCOME	$ 104	$ 109
Net income per share of common stock:		
Basic	$ 1.40	$ 1.41
Diluted	$ 1.39	$ 1.40
Weighted average number of shares outstanding (Note 7):		
Basic	74.2	77.1
Diluted	75.0	78.0
Cash dividends paid per share of common stock	$ .30	$ .25

* Restated to reflect the consolidation of the Epsilon joint venture, effective January 1, 2003, in connection with the adoption of FASB Interpretation No. 46 in the first quarter of 2004 (Note 2).

(See Accompanying Notes)

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CONDENSED CONSOLIDATED BALANCE SHEETS

Sunoco, Inc. and Subsidiaries

(Millions of Dollars)	At September 30 2004	At December 31 2003*
	(UNAUDITED)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 293	$ 431
Accounts and notes receivable, net	1,381	1,056
Inventories:		
Crude oil	328	150
Petroleum and chemical products	447	223
Materials, supplies and other	131	121
Deferred income taxes	90	91
Total Current Assets	2,670	2,072
Investments and long-term receivables	114	143
Properties, plants and equipment	8,634	8,132
Less accumulated depreciation, depletion and amortization	3,830	3,727
Properties, plants and equipment, net	4,804	4,405
Prepaid retirement costs	11	11
Deferred charges and other assets (Note 4)	457	422
Total Assets	$ 8,056	$ 7,053
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 2,010	$ 1,365
Accrued liabilities (Note 8)	441	435
Short-term borrowings (Note 6)	100	
Current portion of long-term debt (Note 6)	67	103
Taxes payable	339	242
Total Current Liabilities	2,957	2,145
Long-term debt (Note 6)	1,322	1,498
Retirement benefit liabilities (Note 9)	563	604
Deferred income taxes	708	602
Other deferred credits and liabilities (Note 8)	228	208
Commitments and contingent liabilities (Note 8)		
Minority interests (Note 3)	537	440
Shareholders equity (Note 10)	1,741	1,556
Total Liabilities and Shareholders Equity	$ 8,056	$ 7,053

* Restated to reflect the consolidation of the Epsilon joint venture, effective January 1, 2003, in connection with the adoption of FASB Interpretation No. 46 in the first quarter of 2004 (Note 2).

(See Accompanying Notes)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Sunoco, Inc. and Subsidiaries

(Millions of Dollars)

	For the Nine Months Ended September 30	
	2004	2003*
	(UNAUDITED)	
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 427	$ 276
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for asset write-downs and other matters	13	23
Loss on early extinguishment of debt	53	
Depreciation, depletion and amortization	303	271
Deferred income tax expense	114	113
Payments in excess of expense for retirement plans	(42)	(56)
Changes in working capital pertaining to operating activities, net of effect of acquisitions:		
Accounts and notes receivable	(324)	(46)
Inventories	(278)	(117)
Accounts payable and accrued liabilities	636	94
Taxes payable	112	112
Other	(3)	12
Net cash provided by operating activities	1,011	682
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(528)	(271)
Acquisitions, net of seller financing of $4 in 2003 (Note 4)	(416)	(356)
Proceeds from divestments (Note 4)	135	19
Other	6	(12)
Net cash used in investing activities	(803)	(620)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from short-term borrowings	100	
Net proceeds from issuance of long-term debt	248	
Repayments of long-term debt	(468)	(12)
Premium paid on early extinguishment of debt	(50)	
Net proceeds from issuance of Sunoco Logistics Partners L.P. limited partnership units (Note 3)	129	
Cash distributions to investors in cokemaking operations	(31)	(38)
Cash dividend payments	(64)	(58)
Purchases of common stock for treasury	(236)	
Proceeds from issuance of common stock under management incentive and employee option plans	43	20
Other	(17)	(9)
Net cash used in financing activities	(346)	(97)

Net decrease in cash and cash equivalents	(138)	(35)
Cash and cash equivalents at beginning of period	431	390
Cash and cash equivalents at end of period	$ 293	$ 355

* Restated to reflect the consolidation of the Epsilon joint venture, effective January 1, 2003, in connection with the adoption of FASB Interpretation No. 46 in the first quarter of 2004 (Note 2).

(See Accompanying Notes)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. General.

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and U.S. generally accepted accounting principles for interim financial reporting. They do not include all disclosures normally made in financial statements contained in Form 10-K. In management s opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the periods shown have been made. All such adjustments are of a normal recurring nature except for the gain on income tax settlements, the gains/losses associated with the divestment of certain retail sites, the loss on divestment of the Company s one-third interest in Belvieu Environmental Fuels (BEF), the provision for write-down of the BEF MTBE production facility to its estimated fair value and the losses from the early extinguishment of debt in connection with a debt restructuring (Notes 4, 5 and 6). Results for the three and nine months ended September 30, 2004 are not necessarily indicative of results for the full year 2004.

2. Principles of Consolidation.

The consolidated financial statements of Sunoco, Inc. and subsidiaries (collectively, Sunoco or the Company) contain the accounts of all entities that are controlled (generally more than 50 percent owned) and variable interest entities for which the Company is the primary beneficiary (see below). Corporate joint ventures and other investees over which the Company has the ability to exercise significant influence but that are not consolidated are accounted for by the equity method.

FASB Interpretation No. 46, Consolidation of Variable Interest Entities, as revised (FASB Interpretation No. 46), defines a variable interest entity (VIE) as an entity that either has investor voting rights that are not proportional to their economic interests or has equity investors that do not provide sufficient financial resources for the entity to support its activities. FASB Interpretation No. 46 requires a VIE to be consolidated by a company if that company is the primary beneficiary. The primary beneficiary is the company that is subject to a majority of the risk of loss from the VIE s activities or, if no company is subject to a majority of such risk, the company that is entitled to receive a majority of the VIE s residual returns.

In connection with the adoption of FASB Interpretation No. 46 in the first quarter of 2004, Sunoco consolidated Epsilon Products Company, LLC (Epsilon) and restated its 2003 financial statements to conform to the 2004 presentation. Epsilon is a joint venture that consists of polymer-grade propylene operations at Sunoco s Marcus Hook, PA refinery and an adjacent polypropylene plant. The following is a summary of the impact of consolidating Epsilon on Sunoco s consolidated financial position at January 1, 2003 (in millions of dollars):

Increase (decrease) in:	
Current assets	$ 11
Investments and long-term receivables	(50)
Properties, plants and equipment, net	132
Deferred charges and other assets	49
Current liabilities	(21)
Long-term debt	155
Minority interests	8

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Epsilon s long-term debt at January 1, 2003 was comprised of $120 million of floating-rate notes due 2006 and $35 million outstanding under Epsilon s $40 million revolving credit facility. The floating-rate notes are collateralized by the joint venture s polypropylene facility, which has a carrying value of $83 million at September 30, 2004. Sunoco, Inc. guarantees 100 percent of Epsilon s long-term debt.

The consolidation of Epsilon did not impact Sunoco s net income or have a significant effect on any other amounts in its condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2004 and 2003.

3. Minority Interests.

Cokemaking Operations

Since 1995, Sunoco has received $724 million in exchange for interests in its Indiana Harbor and Jewell cokemaking operations in four separate transactions. Sunoco did not recognize any gain at the dates of these transactions as the third-party investors were entitled to a preferential return on their investments. The preferential returns are currently equal to 98 percent of the cash flows and tax benefits from the respective cokemaking operations during the preferential return periods, which continue until the investors currently entitled to preferential returns recover their investments and achieve a cumulative after-tax return that averages approximately 10 percent. Income is recognized as coke production and sales generate cash flows and tax benefits which are allocated to Sunoco and the third-party investors, while expense is recognized to reflect the investors preferential returns.

The preferential return period for the Jewell operation was expected to end in 2011. However, due to anticipated higher costs associated with coal purchases from Sunoco s Jewell coal operation over the next few years, the Company now believes the preferential return period will likely extend indefinitely. The preferential return period for the Indiana Harbor operation is expected to end in 2007. Due to the difficulty of forecasting operations and tax benefits into the future, the accuracy of the Company s estimates is subject to considerable uncertainty. The estimated lengths of these preferential return periods are based upon the Company s current expectations of future cash flows and tax benefits, which are impacted by sales volumes and prices, raw material and operating costs, capital expenditure levels and the ability to recognize tax benefits under the current tax law (see below). Better-than-expected cash flows and tax benefits will shorten the investors preferential return periods, while lower-than-expected cash flows and tax benefits will lengthen the periods.

After these preferential return periods, the investor in the Jewell operation would be entitled to a minority interest in the cash flows and tax benefits from Jewell amounting to 18 percent, while the investors in the Indiana Harbor operation would be entitled to a minority interest in the cash flows and tax benefits from Indiana Harbor initially amounting to 34 percent and declining to 10 percent by 2038.

Under the current tax law, the coke production at Jewell and Indiana Harbor will no longer be eligible to generate nonconventional fuel tax credits after 2007. Prior to this date, the amount of the tax credits would be phased out on a ratable basis in the event the average annual price of domestic crude oil at the wellhead increases on an inflation-adjusted basis from $50.14 to $62.94 (in 2003 dollars). If this were to occur, the Company could be required to make cash payments to the third-party investors. Payments for the Jewell or Indiana Harbor operation would be required only if the expected end of the respective preferential return period is extended by two years or more and if the respective third-party investor is expected to achieve a cumulative after-tax return of less than approximately 6.5 percent. The Company currently does not believe that any payments to the investors would be required under this provision of the tax indemnity agreement, even if the average annual wellhead crude oil price exceeds the $62.94 threshold at which the credits are completely phased out. The Company estimates the domestic wellhead price averaged $36.70 per barrel for the ten months ended October 31, 2004 and $49.00 per barrel for the month of October 2004.

The Company also indemnifies the third-party investors in the event the Internal Revenue Service disallows the tax deductions and benefits allocated to the third parties or if there is a change in the tax laws that reduces the amount of nonconventional fuel tax credits which would be available to them. These tax indemnifications are in effect until the applicable tax returns are no longer subject to Internal Revenue Service review. In certain of these cases, if indemnification is required, the Company also has the option to purchase the third-party investors interests. Although the Company believes it is remote that it will be required to make any payments under these indemnifications, at September 30, 2004, the maximum potential payment under these tax indemnifications and the options to purchase the third-party investors interests, if exercised, would have been approximately $610 million. If this were to occur, the minority interest balance would be reduced by approximately $255 million.

The following table sets forth the minority interest balances and the changes in these balances attributable to the third-party investors interests in cokemaking operations for the nine-month periods ended September 30, 2004 and 2003 (in millions of dollars):

	Nine Months Ended September 30	
	2004	**2003**
Balance at beginning of year	$ 328	$ 379
Nonconventional fuel credit and other tax benefits*	(38)	(43)
Preferential return*	36	41
Cash distributions to third-party investors	(31)	(38)
Balance at end of period	$ 295	$ 339

* The nonconventional fuel credit and other tax benefits and the preferential return, which comprise the noncash change in the minority interest in cokemaking operations, are included in other income (loss), net, in the condensed consolidated statements of income.

Logistics Operations

On February 8, 2002, the Company contributed a substantial portion of its Logistics business to Sunoco Logistics Partners L.P., a master limited partnership formed in 2001 (the Partnership), in exchange for a 73.2 percent limited partnership interest, a 2 percent general partnership interest, incentive distribution rights and a special distribution, representing the net proceeds from the Partnership s issuance of $250 million of ten-year 7.25 percent senior notes. The Partnership concurrently issued 5.75 million limited partnership units, representing a 24.8 percent interest in the Partnership, in an initial public offering at a price of $20.25 per unit. Proceeds from the offering were used by the Partnership to establish working capital that was not contributed to the Partnership by

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Sunoco. Sunoco liquidated this retained working capital subsequent to the Partnership s formation. No gain or loss was recognized on these transactions.

Concurrent with the offering, Sunoco entered into various agreements with the Partnership which require Sunoco to pay for minimum storage and throughput usage of certain Partnership assets. These agreements also establish fees for administrative services provided by Sunoco to the Partnership and indemnifications by Sunoco for certain environmental, toxic tort and other liabilities.

On April 7, 2004, the Partnership issued 3.4 million limited partnership units under its shelf registration statement at a price of $39.75 per unit. Proceeds from the offering, net of underwriting discounts and offering expenses, totaled approximately $129 million. Coincident with the offering, the Partnership redeemed 2.2 million limited partnership units owned by Sunoco for $83 million. With the completion of the offering and the related redemption of Sunoco s limited partnership units, Sunoco now has a 62.6 percent interest in the Partnership, including its 2 percent general partnership interest. The accounts of the Partnership continue to be included in Sunoco s consolidated financial statements. No gain or loss was recognized on these transactions.

The following table sets forth the minority interest balance and the changes to this balance attributable to the third-party investors interests in Sunoco Logistics Partners L.P. for the nine-month periods ended September 30, 2004 and 2003 (in millions of dollars):

	Nine Months Ended September 30	
	2004	**2003**
Balance at beginning of year	$ 104	$ 100
Net proceeds from the public offering on April 7, 2004	129	
Minority interest share of income*	14	12
Cash distributions to third-party investors**	(14)	(8)
Balance at end of period	$ 233	$ 104

* Included in selling, general and administrative expenses in the condensed consolidated statements of income.

** The Partnership increased its quarterly cash distribution per unit from $.45 to $.4875 for the fourth quarter of 2002 and then to $.50 for the second quarter of 2003, $.5125 for the third quarter of 2003, $.55 for the fourth quarter of 2003, $.57 for the first quarter of 2004, $.5875 for the second quarter of 2004 and $.6125 for the third quarter of 2004.

4. Changes in Business.

Acquisitions

Eagle Point Refinery and Related Assets - Effective January 13, 2004, Sunoco completed the purchase of the 150 thousand barrels-per-day Eagle Point refinery and related assets from El Paso Corporation (El Paso) for $250 million, including inventory. In connection with this transaction, Sunoco assumed certain environmental and other liabilities. The Eagle Point refinery is located in Westville, NJ, near the Company s existing

Northeast refining operations. Management believes the acquisition of the Eagle Point refinery complements and enhances the Company s refining operations in the Northeast and enables the capture of significant synergies in a larger

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Northeast Refining Complex. The related assets acquired include certain pipeline and other logistics assets associated with the refinery which Sunoco sold to Sunoco Logistics Partners L.P. for $20 million in March 2004. No gain or loss was recognized on this transaction.

The Company recently settled a dispute with El Paso primarily related to the amount due for inventory purchased in connection with the Eagle Point refinery acquisition. As a result of the settlement, Sunoco made an additional $15 million payment to El Paso in October 2004, which has been treated as an adjustment to the purchase price for the acquisition.

The purchase price (including the adjustment described above) has been tentatively allocated to the assets acquired and liabilities assumed based on their relative fair market values at the acquisition date. The following is a summary of the effects of the transaction on Sunoco s consolidated financial position (in millions of dollars):

Increase in:	
Inventories	$ 159
Properties, plants and equipment, net	108
Accrued liabilities	(3)
Other deferred credits and liabilities	(14)
Cash paid for acquisition	$ 250

Service Stations - In the second quarter of 2004, Sunoco completed the purchase of 340 retail outlets operated under the Mobil® brand from ConocoPhillips for $181 million, including inventory. Of the total sites acquired, 112 are owned in fee or subject to long-term leases, with average gasoline throughput of approximately 175 thousand gallons per month. The remaining network consists of contracts to supply 34 dealer-owned and operated locations and 194 branded distributor-owned sites. These outlets, which include 31 sites that are Company-operated and have convenience stores, are located primarily in Delaware, Maryland, Virginia and Washington, D.C. These sites are being rebranded to Sunoco® gasoline and APlus® convenience stores over time. In the second quarter of 2003, Sunoco completed the purchase of 193 Speedway® retail gasoline sites from a subsidiary of Marathon Ashland Petroleum LLC for $162 million, including inventory. The sites, which are located primarily in Florida and South Carolina, are all Company-operated locations with convenience stores. Of the 193 outlets, Sunoco became lessee for 54 of the sites under long-term lease agreements. The Speedway® sites are being re-branded as Sunoco® locations in the 2003-2004 period. The Company believes these acquisitions fit its long-term strategy to build a retail and convenience store network that will provide attractive long-term returns.

The purchase prices for the service stations acquired have been allocated to the assets acquired and liabilities assumed based on their relative estimated fair market values at the acquisition dates. Sunoco engaged an independent appraisal firm to value the ConocoPhillips assets. The appraisal was completed during the third quarter of 2004. The following is a summary

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of the effects of these transactions on Sunoco s consolidated financial position as of the acquisition dates (in millions of dollars):

	Mobil® Sites	Speedway® Sites
Increase in:		
Inventories	$ 1	$ 21
Properties, plants and equipment, net	144	143
Deferred charges and other assets	37*	
Accrued liabilities	(1)	
Other deferred credits and liabilities		(2)
Cash paid for acquisition	$ 181	$ 162

* Consists of $4 million allocated to goodwill and $33 million allocated to contracts with dealers and distributors. The value of the dealer and distributor contracts is being amortized into income primarily on a straight-line basis over a 10-15 year period, which represents the expected life of the Company s affiliation with these dealers and distributors. During the five-month period since the acquisition, this amortization expense amounted to $1 million.

Transaction with Equistar Chemicals, L.P. - Effective March 31, 2003, Sunoco formed a limited partnership with Equistar Chemicals, L.P. (Equistar) involving Equistar s ethylene facility in LaPorte, TX. Equistar is a joint venture between Lyondell Chemical Company and Millennium Chemicals Inc. In connection with this transaction, Equistar and the new partnership entered into a 700 million pounds-per-year, 15-year propylene supply contract with Sunoco. Of this amount, 500 million pounds per year is priced on a cost-based formula that includes a fixed discount that declines over the life of the contract, while the remaining 200 million pounds per year is based on market prices. Sunoco also purchased Equistar s polypropylene facility in Bayport, TX. Sunoco paid $194 million in cash and borrowed $4 million from the seller to form the partnership and acquire the Bayport facility.

Through the new partnership, the Company believes it has secured a favorable long-term supply of propylene for its Gulf Coast polypropylene business, while the acquisition of the Bayport facility has increased the Company s polypropylene capacity. This transaction complements and enhances the Company s polypropylene business and strengthens its market position.

The purchase price has been allocated to the assets acquired and liabilities assumed based on their relative fair market values at the acquisition date. The following is a summary of the effects of the transaction on Sunoco s

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consolidated financial position as of the date of the transaction (in millions of dollars):

Increase in:	
Inventories	$ 11
Properties, plants and equipment, net	30
Deferred charges and other assets	160*
Accrued liabilities	(2)
Retirement benefit liabilities	(1)
	198
Seller financing:	
Current portion of long-term debt	(1)
Long-term debt	(3)
	(4)
Cash paid for acquisition	$ 194

* Represents the amounts allocated to the propylene supply contract and the related partnership. The Company is amortizing this deferred cost into income over the 15-year life of the supply contract in a manner that reflects the future decline in the fixed discount over the contract period. The unamortized cost related to the supply contract and related partnership amounted to $137 million at September 30, 2004.

Pro Forma Data for Acquisitions - The unaudited pro forma sales and other operating revenue, net income and net income per share of common stock of Sunoco, as if the acquisition of the Eagle Point refinery and related assets, the Mobil® and Speedway® retail outlets and the Bayport polypropylene facility had occurred on January 1, 2003, are as follows (in millions of dollars, except per share amounts):

	Nine Months Ended September 30		Three Months Ended September 30	
	2004	2003	2004	2003
Sales and other operating revenue	$ 18,345	$ 15,667	$ 6,575	$ 5,249
Net income	$ 432	$ 326	$ 104	$ 130
Net income per share of common stock - diluted	$ 5.69	$ 4.20	$ 1.39	$ 1.67

The pro forma amounts above do not include any effects attributable to the propylene supply contract or the related partnership with Equistar since the supply contract did not exist prior to the transaction date.

The pro forma information does not purport to be indicative of the results that actually would have been obtained if the Eagle Point refinery and related assets, the retail outlets and the Bayport polypropylene facility had been part of Sunoco s businesses during the periods presented and is not intended to be a projection of future results. Accordingly, the pro forma results do not reflect any restructuring costs, changes in operating levels, or potential cost savings and other synergies.

Divestments

Belvieu Environmental Fuels - In the third quarter of 2004, Sunoco sold its one-third partnership interest in Belvieu Environmental Fuels (BEF), a joint venture that owns and operates an MTBE production facility in Mont Belvieu, TX, to Enterprise Products Operating L.P. (Enterprise) for $15

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million in cash, resulting in a $13 million loss on divestment ($8 million after tax). In connection with the sale, Sunoco has retained one-third of any liabilities and damages exceeding $300,000 in the aggregate arising from any claims resulting from the ownership of the assets and liabilities of BEF for the period prior to the divestment date, except for any on-site environmental claims. Due to the nature of this indemnification, the Company cannot estimate the fair value, nor determine the total amount of the indemnification, if any. During 2003, as a result of various governmental actions which caused a material adverse impact on MTBE industry demand, BEF undertook a study evaluating various alternative uses for its MTBE production facility, including the conversion to the production of iso-octane or alkylate. In connection therewith, in the third quarter of 2003, BEF recorded a write-down of its MTBE production facility to its estimated fair value at that time. The estimated fair value was determined by an independent appraiser using present value techniques which reflect various alternative operating assumptions. Sunoco s share of this provision amounted to $23 million ($15 million after tax). Both of these charges are included in other income (loss), net, in the condensed consolidated statements of income.

Retail Portfolio Management Program A Retail Portfolio Management (RPM) program is ongoing, which will reduce the Company s invested capital in certain Company-owned or leased sites. As part of this program, Sunoco plans to divest or convert to contract dealers or distributors selected sites during the 2003-2005 period, including some of the recently acquired Speedway® and Mobil® sites. The Company expects to generate divestment proceeds of approximately $175 million, of which $70 million has been received related to the sale of 127 sites in 2003 and 2004. Most of the gasoline sales volume attributable to the divested sites has been retained within the Sunoco branded business. During the first nine months of 2004, a $2 million net charge ($1 million after tax) was recognized in other income (loss), net, in the condensed consolidated statement of income in connection with the RPM program. The net charge includes a $1 million accrual for employee terminations under a postemployment plan. The Company expects the RPM program to generate gains in excess of this recognized net loss.

Private Label Credit Card Program - During the second quarter of 2004, Sunoco sold its private label consumer and commercial credit card business and related accounts receivable to Citibank. In connection with this divestment, Sunoco received $100 million in cash proceeds, recognized a $3 million gain on divestment ($2 million after tax) and established a $3 million accrual ($2 million after tax) for employee terminations under a postemployment plan and for other exit costs. In addition, the two companies signed a seven-year agreement for the operation and servicing of the Sunoco private label credit card program. The transition to Citibank is expected to be completed in the fourth quarter of 2004.

Plasticizer Business - During the fourth quarter of 2003, Sunoco announced its decision to sell its plasticizer business and in that period recorded a $23 million provision ($15 million after tax) to write down the assets held for sale to their estimated fair values less costs to sell and established a $5 million accrual ($2 million after tax) for employee terminations under a postemployment plan and for other exit costs. Sunoco sold this business and related inventory in January 2004 to BASF for approximately $90 million in cash. The sale included the Company s plasticizer facility in Pasadena, TX. The Company s Neville Island, PA, site was not part of the transaction and will continue to produce plasticizers exclusively for BASF under a three-year tolling agreement. Sunoco also agreed to provide terminalling services at this facility to BASF for a 15-year period.

5. Income Tax Settlements.

During the third quarter of 2004, Sunoco received a $2 million refund related to the computation of interest on numerous federal income tax issues. In connection with this settlement, a $28 million pretax gain ($18 million after tax) was recognized in other income (loss), net, in the condensed consolidated statements of income.

During the second quarter of 2004, Sunoco settled certain federal income tax issues that had been in dispute, which increased net income by $5 million. In connection with this settlement, Sunoco received $9 million of cash proceeds.

6. Debt Restructuring.

In the third quarter of 2004, the Company repurchased outstanding debt with a par value of $352 million through a series of tender offers and open market purchases utilizing the net proceeds from the issuance of $250 million of 4 $^{7}/8$ percent, 10-year notes under its shelf registration statement and $154 million of cash. The Company recognized a $53 million loss ($34 million after tax) in the third quarter of 2004 due to the early extinguishment of the debt. This loss is reflected in other income (loss), net, in the condensed consolidated statements of income.

In November 2004, Sunoco issued $103 million of floating-rate notes. The Company intends to utilize the proceeds from these notes to redeem, in December 2004, its 7.60 percent environmental industrial revenue bonds due in 2024.

In the first quarter of 2004, the Company issued $100 million of commercial paper and used the proceeds to repay its maturing 7 $^{1}/8$ percent notes.

7. Earnings Per Share Data.

The following table sets forth the reconciliation of the weighted average number of common shares used to compute basic earnings per share (EPS) to those used to compute diluted EPS for the nine-month and three-month periods ended September 30, 2004 and 2003 (in millions):

	Nine Months Ended September 30		**Three Months Ended September 30**	
	2004	**2003**	**2004**	**2003**
Weighted average number of common shares outstanding - basic	75.1	76.8	74.2	77.1
Add effect of dilutive stock incentive awards	.8	.8	.8	.9
Weighted average number of shares - diluted	75.9	77.6	75.0	78.0

8. Commitments and Contingent Liabilities.

Sunoco is contingently liable under various arrangements that guarantee debt of third parties aggregating to approximately $11 million at September 30, 2004. At this time, management does not believe that it is likely that the Company will have to perform under any of these guarantees.

Over the years, Sunoco has sold thousands of retail gasoline outlets as well as refineries, terminals, coal mines, oil and gas properties and various other assets. In connection with these sales, the Company has indemnified the purchasers for potential environmental and other contingent liabilities

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related to the period prior to the transaction dates. In most cases, the effect of these arrangements was to afford protection for the purchasers with respect to obligations for which the Company was already primarily liable. While some of these indemnities have spending thresholds, which must be exceeded before they become operative, or limits on Sunoco s maximum exposure, they generally are not limited. The Company recognizes the fair value of the obligations undertaken for all guarantees entered into or modified after January 1, 2003. In addition, the Company accrues for any obligations under these agreements when a loss is probable and reasonably estimable. The Company cannot reasonably estimate the maximum potential amount of future payments under these agreements.

Sunoco is subject to extensive and frequently changing federal, state and local laws and regulations, including, but not limited to, those relating to the discharge of materials into the environment or that otherwise deal with the protection of the environment, waste management and the characteristics and composition of fuels. As with the industry generally, compliance with existing and anticipated laws and regulations increases the overall cost of operating Sunoco s businesses, including the capital costs to construct, maintain and upgrade equipment and facilities. Existing laws and regulations result in liabilities and loss contingencies for remediation at Sunoco s facilities and at third-party or formerly owned sites. The accrued liability for environmental remediation is classified in the condensed consolidated balance sheets as follows (in millions of dollars):

	At September 30 2004	At December 31 2003
Accrued liabilities	$ 39	$ 44
Other deferred credits and liabilities	111	102
	$ 150	$ 146

The following table summarizes the changes in the accrued liability for environmental remediation activities by category for the nine-month periods ended September 30, 2004 and 2003 (in millions of dollars):

	Refineries	Marketing Sites	Chemicals Facilities	Pipelines and Terminals	Hazardous Waste Sites	Other	Total
Balance at January 1, 2003	$ 52	$ 72	$ 8	$ 19	$ 5	$ 3	$ 159
Accruals	1	15	1	6	1	(1)	23
Payments	(5)	(14)	(1)	(6)	(1)		(27)
Other*				4			4
Balance at September 30, 2003	$ 48	$ 73	$ 8	$ 23	$ 5	$ 2	$ 159
Balance at January 1, 2004	$ 43	$ 74	$ 7	$ 15	$ 5	$ 2	$ 146
Accruals	1	14		1	1		17
Payments	(7)	(15)	(1)	(2)	(2)		(27)
Acquisitions and divestments	11		(1)				10
Other*	2	2					4

Balance at September 30, 2004	$	50	$	75	$	5	$	14	$	4	$	2	$ 150

* Consists of increases in the accrued liability for which recovery from third parties is probable.

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Sunoco s accruals for environmental remediation activities reflect its estimates of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are both probable and reasonably estimable. Engineering studies, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in determining the estimated accruals for environmental remediation activities. Losses attributable to unasserted claims are also reflected in the accruals to the extent they are probable of occurrence and reasonably estimable.

Total future costs for the environmental remediation activities identified above will depend upon, among other things, the identification of any additional sites, the determination of the extent of the contamination at each site, the timing and nature of required remedial actions, the technology available and needed to meet the various existing legal requirements, the nature and terms of cost sharing arrangements with other potentially responsible parties, the availability of insurance coverage, the nature and extent of future environmental laws, inflation rates and the determination of Sunoco s liability at the sites, if any, in light of the number, participation level and financial viability of the other parties. Management believes it is reasonably possible (i.e., less than probable but greater than remote) that additional environmental remediation losses will be incurred. At September 30, 2004, the aggregate of the estimated maximum additional reasonably possible losses, which relate to numerous individual sites, totaled approximately $100 million. However, the Company believes it is very unlikely that it will realize the maximum loss at every site. Furthermore, the recognition of additional losses, if and when they were to occur, would likely extend over many years and, therefore, likely would not have a material impact on the Company s financial position.

Under various environmental laws, including the Resource Conservation and Recovery Act (RCRA) (which relates to solid and hazardous waste treatment, storage and disposal), Sunoco has initiated corrective remedial action at its facilities, formerly owned facilities and third-party sites. At the Company s major manufacturing facilities, Sunoco has consistently assumed continued industrial use and a containment/remediation strategy focused on eliminating unacceptable risks to human health or the environment. The remediation accruals for these sites reflect that strategy. Accruals include amounts to prevent off-site migration and to contain the impact on the facility property, as well as to address known, discrete areas requiring remediation within the plants. Activities include closure of RCRA solid waste management units, recovery of hydrocarbons, handling of impacted soil, mitigation of surface water impacts and prevention of off-site migration.

Many of Sunoco s current terminals are being addressed with the above containment/remediation strategy. At some smaller or less impacted facilities and some previously divested terminals, the focus is on remediating discrete interior areas to attain regulatory closure.

Sunoco owns or operates certain retail gasoline outlets where releases of petroleum products have occurred. Federal and state laws and regulations require that contamination caused by such releases at these sites and at formerly owned sites be assessed and remediated to meet the applicable standards. The obligation for Sunoco to remediate this type of contamination varies, depending on the extent of the release and the applicable laws and regulations. A portion of the remediation costs may be recoverable from the reimbursement fund of the applicable state, after any deductible has been met.

Future costs for environmental remediation activities at the Company s marketing sites also will be influenced by the extent of MTBE contamination of groundwater, the cleanup of which will be driven by thresholds based on

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drinking water protection. Though not all groundwater is used for drinking, several states have initiated or proposed more stringent MTBE cleanup requirements. Cost increases result directly from extended remedial operations and maintenance on sites that, under prior standards, could otherwise have been completed. Cost increases will also result from installation of additional remedial or monitoring wells and purchase of more expensive equipment because of the presence of MTBE. While actual cleanup costs for specific sites are variable and depend on many of the factors discussed above, expansion of similar MTBE remediation thresholds to additional states or adoption of even more stringent requirements for MTBE remediation would result in further cost increases.

The accrued liability for hazardous waste sites is attributable to potential obligations to remove or mitigate the environmental effects of the disposal or release of certain pollutants at third-party sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) (which relates to releases and remediation of hazardous substances) and similar state laws. Under CERCLA, Sunoco is potentially subject to joint and several liability for the costs of remediation at sites at which it has been identified as a potentially responsible party (PRP). As of September 30, 2004, Sunoco had been named as a PRP at 47 sites identified or potentially identifiable as Superfund sites under federal and state law. The Company is usually one of a number of companies identified as a PRP at a site. Sunoco has reviewed the nature and extent of its involvement at each site and other relevant circumstances and, based upon the other parties involved or Sunoco s negligible participation therein, believes that its potential liability associated with such sites will not be significant.

Management believes that none of the current remediation locations, which are in various stages of ongoing remediation, is individually material to Sunoco as its largest accrual for any one Superfund site, operable unit or remediation area was less than $8 million at September 30, 2004. As a result, Sunoco s exposure to adverse developments with respect to any individual site is not expected to be material. However, if changes in environmental regulations occur, such changes could impact multiple Sunoco facilities and formerly owned and third-party sites at the same time. As a result, from time to time, significant charges against income for environmental remediation may occur.

The Company maintains insurance programs that cover certain of its existing or potential environmental liabilities, which programs vary by year, type and extent of coverage. For underground storage tank remediations, the Company can also seek reimbursement through various state funds of certain remediation costs above a deductible amount. For certain acquired properties, the Company has entered into arrangements with the sellers or others that allocate environmental liabilities and provide indemnities to the Company for remediating contamination that occurred prior to the acquisition dates. Some of these environmental indemnifications are subject to caps and limits. No accruals have been recorded for any potential contingent liabilities that will be funded by the prior owners as management does not believe, based on current information, that it is likely that any of the former owners will not perform under any of these agreements. Other than the preceding arrangements, the Company has not entered into any arrangements with third parties to mitigate its exposure to loss from environmental contamination. Claims for recovery of environmental liabilities that are probable of realization totaled $23 million at September 30, 2004 and are included in deferred charges and other assets in the condensed consolidated balance sheets.

In December 1999, the U.S. Environmental Protection Agency (EPA) adopted a rule under the Clean Air Act (which relates to emissions of materials into

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the air) that phases in limitations on the sulfur content of gasoline beginning in 2004. In January 2001, the EPA adopted another rule which will require limitations on the allowable sulfur content of on-road diesel fuel beginning in 2006. The rules include banking and trading credit systems, which could provide refiners flexibility until 2006 for the low-sulfur gasoline and until 2010 for the on-road low-sulfur diesel. These rules are expected to have a significant impact on Sunoco and its operations, primarily with respect to the capital and operating expenditures at its five current refineries. Most of the capital spending is likely to occur in the 2004-2006 period, while the higher operating costs will be incurred when the low-sulfur fuels are produced. The Company estimates that the total capital outlays to comply with the new gasoline and on-road diesel requirements will be approximately $550 million, including amounts attributable to the recently acquired Eagle Point refinery. Spending to meet these requirements totaled $129 million through September 30, 2004. In May 2004, the EPA adopted a third rule which will phase in limitations on the allowable sulfur content in off-road diesel fuel beginning in mid-2007. The off-road diesel rule is currently being analyzed but it is not expected to have a significant impact on Sunoco s capital expenditures. The ultimate impact of the rules may be affected by such factors as technology selection, the effectiveness of the systems pertaining to banking and trading credits, timing uncertainties created by permitting requirements and construction schedules and any effect on prices created by changes in the level of gasoline and diesel fuel production.

In July 1997, the EPA promulgated new, more stringent National Ambient Air Quality Standards (NAAQS) for ozone and fine particles, which is resulting in identification of non-attainment areas throughout the country, including Texas, Pennsylvania, Ohio and West Virginia, where Sunoco operates facilities. The EPA issued final ozone non-attainment area designations in April 2004, which became effective June 15, 2004. Fine particle non-attainment areas are not expected to be designated until early 2005. These standards will result in further controls of both nitrogen oxide and volatile organic compound emissions. The EPA has designated certain areas, including Philadelphia and Houston, as moderate non-attainment areas, which would require them to meet the ozone requirements by 2010, which is before existing federally mandated control programs would take effect. However, EPA s designation of non-attainment areas and the EPA s rule on state implementation are currently being challenged by the state of Ohio, trade associations and health and environmental groups. In September 2004, the EPA requested that the court remove certain issues relating to the 8-hour ozone NAAQS standards from the litigation, and has indicated that it will seek reconsideration of those issues. Regulatory programs, when established to implement the EPA s standards, could have an impact on Sunoco and its operations. However, the potential financial impact cannot be reasonably estimated until the EPA completes the non-attainment area designation process and promulgates regulatory programs to attain the standards, and the states, as necessary, develop and implement revised State Implementation Plans to respond to the new regulations.

Since the late 1990s, the EPA has undertaken significant enforcement initiatives under authority of the Clean Air Act, targeting industries with large manufacturing facilities that are significant sources of emissions, including the refining industry. The EPA has asserted that many of these facilities have modified or expanded their operations over time without complying with New Source Review regulations that require permits and new emission controls in connection with any significant facility modifications or expansions that could increase emissions above certain thresholds, and have violated various other provisions of the Clean Air Act, including the New Source Review and Prevention of Significant Deterioration (NSR/PSD) Program, Benzene Waste Operations National Emissions Standards for Hazardous Air Pollutants (NESHAP), Leak Detection and Repair (LDAR) and flaring

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requirements. As part of this enforcement initiative, the EPA has entered into Consent Agreements with several refiners that require them to pay civil fines and penalties and make significant capital expenditures to install emissions control equipment at selected facilities. For some of these refineries, the cost of the required emissions control equipment is significant, depending on the size, age and configuration of the refinery. Sunoco received information requests in 2000, 2001 and 2002 in connection with the enforcement initiative pertaining to its Marcus Hook, Philadelphia, Toledo and Tulsa refineries, the Puerto Rico refinery divested in 2001 and its phenol facility in Philadelphia, PA. Sunoco has completed its responses to the EPA. In 2003, Sunoco received an additional information request pertaining to its phenol plant in Philadelphia.

Sunoco has received Notices of Violation and Findings of Violation from the EPA relating to its Marcus Hook, Philadelphia and Toledo refineries. The Notices and Findings of Violation allege failure to comply with certain requirements relating to benzene wastewater emissions at the Company s Marcus Hook, Toledo and Philadelphia refineries and failure to comply with certain requirements relating to leak detection and repair at the Toledo refinery. In addition, the EPA has alleged that: at the Company s Philadelphia refinery, certain modifications were made to one of the fluid catalytic cracking units in 1992 and 1998 without obtaining requisite permits; at the Company s Marcus Hook refinery, certain modifications were made to the fluid catalytic cracking unit in 1990 and 1996 without obtaining requisite permits; and at the Company s Toledo refinery, certain physical and operational changes were made to the fluid catalytic cracking unit in 1985 without obtaining requisite permits. The EPA has also alleged that at the Company s Toledo refinery, certain physical and operational changes were made to the sulfur plant in 1995, 1998 and 1999 without obtaining requisite permits; certain physical and operational changes were made to a flare system without obtaining requisite permits; and that the flare system was not being operated in compliance with the Clean Air Act. Sunoco has met with representatives of the EPA on these Notices and Findings of Violation and is currently evaluating its position. Although Sunoco does not believe that it has violated any Clean Air Act requirements, as part of this initiative, Sunoco could be required to make significant capital expenditures, incur higher operating costs, operate these refineries at reduced levels and pay significant penalties. There were no liabilities accrued at September 30, 2004 in connection with this initiative. With respect to the Company s recently acquired Eagle Point refinery, El Paso Corporation, its prior owner, has entered into a consent decree with the EPA and the New Jersey Department of Environmental Protection as part of the EPA s enforcement initiative. Sunoco does not anticipate substantial capital expenditures on its part as a result of El Paso s consent decree.

Energy policy legislation continues to be debated in the U.S. Congress. The Bush Administration and the U.S. Senate and U.S. House have been unable to reach agreement on final legislation. It does not appear that a federal energy bill will pass during 2004. There are numerous issues being debated, including an MTBE phase-out, ethanol and MTBE safe harbor liability provisions, ethanol and renewable fuels mandates and other issues that could impact gasoline production. Sunoco uses MTBE and ethanol as oxygenates in different geographic areas of its refining and marketing system. While federal action is uncertain, California, New York and Connecticut began enforcing state-imposed MTBE bans on January 1, 2004. Sunoco does not market in California but is complying with the bans in New York and Connecticut. These bans have resulted in unique gasoline blends, which could have a significant impact on market conditions depending on the details of future regulations, the impact on gasoline supplies, the cost and availability of ethanol and alternate oxygenates if the minimum oxygenate requirements remain in effect, and the ability of Sunoco and the industry in general to recover their costs in the marketplace. A number of additional states, including some in the northeastern United States, are considering or have approved bans of MTBE, with legislative and administrative actions underway that could lead to additional MTBE bans by 2007.

Sunoco, along with other refiners, manufacturers and sellers of gasoline, owners and operators of retail gasoline sites, and manufacturers of MTBE, are defendants in over 60 cases in 17 states involving the manufacture and use of MTBE in gasoline and MTBE contamination in groundwater. Plaintiffs, which include private well owners, water providers and certain governmental authorities, allege that refiners and suppliers of gasoline containing MTBE are responsible for manufacturing and distributing a defective product. Plaintiffs also generally are alleging groundwater contamination, nuisance, trespass, negligence, failure to warn, violation of environmental laws and deceptive business practices. Plaintiffs are seeking compensatory damages, and in some cases injunctive relief and punitive damages. The public water provider cases have been removed to federal court by motion of the defendants and consolidated for pretrial purposes in the U.S. District Court for the Southern District of New York. Motions to remand these cases to their respective state courts have been denied. Motions to remand certain other cases are pending. Up to this point, for the group of MTBE cases currently pending, there has been little information developed about the plaintiffs legal theories or the facts that would be relevant to an analysis of potential exposure. Based on the current law and facts available at this time, Sunoco believes that these cases will not have a material adverse effect on its consolidated financial position.

Many other legal and administrative proceedings are pending or possible against Sunoco from its current and past operations, including proceedings related to commercial and tax disputes, product liability, antitrust, employment claims, leaks from pipelines and underground storage tanks, natural resource damage claims, premises-liability claims, allegations of exposures of third parties to toxic substances (such as benzene or asbestos) and general environmental claims. The ultimate outcome of these proceedings and the matters discussed above cannot be ascertained at this time; however, it is reasonably possible that some of them could be resolved unfavorably to Sunoco. Management believes that these matters could have a significant impact on results of operations for any future quarter or year. However, management does not believe that any additional liabilities which may arise pertaining to such matters would be material in relation to the consolidated financial position of Sunoco at September 30, 2004. Furthermore, management does not believe that the overall costs for environmental activities will have a material impact over an extended period of time on Sunoco s cash flows or liquidity.

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9. Retirement Benefit Plans.

The following sets forth the components of defined benefit plans and postretirement benefit plans expense for the nine-month and three-month periods ended September 30, 2004 and 2003 (in millions of dollars):

	Defined Benefit Plans Nine Months Ended September 30		Postretirement Benefit Plans Nine Months Ended September 30	
	2004	2003	2004	2003
Service cost (cost of benefits earned during the year)	$ 35	$ 28	$ 6	$ 5
Interest cost on benefit obligations	64	67	18	18
Expected return on plan assets	(63)	(63)		
Amortization of:				
Prior service cost (benefit)	2	2	(5)	(9)
Unrecognized losses	25	16	2	2
	$ 63	$ 50	$ 21	$ 16

	Defined Benefit Plans Three Months Ended September 30		Postretirement Benefit Plans Three Months Ended September 30	
	2004	2003	2004	2003
Service cost (cost of benefits earned during the year)	$ 12	$ 9	$ 2	$ 2
Interest cost on benefit obligations	22	23	6	6
Expected return on plan assets	(22)	(21)		
Amortization of:				
Prior service cost (benefit)	1	1	(1)	(4)
Unrecognized losses	8	5		1
	$ 21	$ 17	$ 7	$ 5

During the first nine months of 2004, Sunoco contributed $95 million to its defined benefit pension plans. Management does not expect to make any additional contributions to its defined benefit pension plans during the remainder of 2004.

In the fourth quarter of 2003, Congress passed the Medicare Prescription Drug Act of 2003, which authorized Medicare to provide prescription drug benefits to retirees. To encourage employers to retain or provide postretirement drug benefits for their Medicare-eligible employees, beginning in 2006, the federal government will begin to make subsidy payments to employers who sponsor postretirement benefit plans under which retirees receive prescription drug benefits that are actuarially equivalent to the prescription drug benefits provided under Medicare. In May 2004, FASB Staff Position No. 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (FSP No. 106-2), was issued which provides guidance on accounting for the effects of the new Medicare legislation. Adoption of FSP No. 106-2, which became effective in the third quarter of 2004, did not materially impact Sunoco s consolidated financial statements.

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10. Shareholders Equity.

	At September 30 2004	At December 31 2003
	(Millions of Dollars)	
Common stock, par value $1 per share	$ 138	$ 137
Capital in excess of par value	1,618	1,552
Earnings employed in the business	2,739	2,376
Accumulated other comprehensive loss	(183)	(187)
Common stock held in treasury, at cost	(2,571)	(2,322)
Total	$ 1,741	$ 1,556

During the first nine months of 2004, the Company repurchased 3,698,134 shares of common stock for $236 million. In September 2004, the Company announced that its Board of Directors approved an additional $500 million of share repurchase authorization. At September 30, 2004, the Company has a remaining authorization to purchase up to $550 million of common stock, including $50 million available under a previous program, in the open market from time to time depending on prevailing market conditions and available cash.

In the third quarter of 2004, Sunoco s Board of Directors increased the Company s quarterly dividend two and one-half cents per share, or nine percent, to a new quarterly dividend rate of 30 cents per share.

11. Comprehensive Income.

The following table sets forth Sunoco s comprehensive income for the nine-month and three-month periods ended September 30, 2004 and 2003 (in millions of dollars):

	Nine Months Ended September 30		Three Months Ended September 30	
	2004	2003	2004	2003
Net income	$ 427	$ 276	$ 104	$ 109
Other comprehensive income, net of related income taxes:				
Net hedging gains (losses)	8	3	3	(1)
Reclassifications of net hedging (gains) losses to earnings	(4)	(5)	2	1
Comprehensive income	$ 431	$ 274	$ 109	$ 109

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12. Business Segment Information.

The following tables set forth certain income statement information concerning Sunoco s business segments for the nine-month and three-month periods ended September 30, 2004 and 2003 (in millions of dollars):

	Sales and Other Operating Revenue		
Nine Months Ended September 30, 2004	**Unaffiliated Customers**	**Inter-segment**	**Segment Income (Loss) (after tax)**
Refining and Supply	$ 8,126	$ 5,168	$ 406
Retail Marketing	7,033		39
Chemicals	1,532		54
Logistics	1,180	1,238	26
Coke	201		30
Corporate and Other			(128)*
Consolidated	$ 18,072		$ 427
Nine Months Ended September 30, 2003			
Refining and Supply	$ 5,309	$ 3,657	$ 241
Retail Marketing	5,625		66
Chemicals	1,281**		27
Logistics	1,007	1,019	29
Coke	186		32
Corporate and Other			(119)***
Consolidated	$ 13,408		$ 276

* Consists of $40 million of after-tax corporate expenses, $63 million of after-tax net financing expenses and other, an $18 million after-tax gain on an income tax settlement, a $1 million after-tax loss associated with the Retail Marketing Portfolio management program, an $8 million after-tax loss on divestment of the Company s one-third interest in BEF and a $34 million after-tax loss from the early extinguishment of debt in connection with a debt restructuring (Notes 4, 5 and 6).

** Restated to reflect the consolidation of the Epsilon joint venture in connection with the adoption of FASB Interpretation No. 46 in the first quarter of 2004 (Note 2).

*** Consists of $29 million of after-tax corporate expenses, $75 million of after-tax net financing expenses and other and a $15 million after-tax provision for write-down of the BEF MTBE production facility to its estimated fair value (Note 4).

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	Sales and Other Operating Revenue		
Three Months Ended September 30, 2004	**Unaffiliated Customers**	**Inter-segment**	**Segment Income (Loss) (after tax)**
Refining and Supply	$ 2,961	$ 1,924	$ 89
Retail Marketing	2,546		19
Chemicals	& #000000">		

Refer footnotes on page 16.

BHP Billiton operational review for the quarter ended 30 September 2014 15

BHP BILLITON PRODUCTION

(1) LPG and ethane are reported as natural gas liquids (NGL). Product-specific conversions are made and NGL is reported in barrels of oil equivalent (boe). Total boe conversions are based on 6,000 scf of natural gas equals 1 boe.
(2) Metal production is reported on the basis of payable metal.
(3) Shown on 100% basis. BHP Billiton interest in saleable production is 57.5%.
(4) Includes Cerro Colorado and Spence.
(5) Iron ore production is reported on a wet tonnes basis.
(6) Shown on 100% basis. BHP Billiton interest in saleable production is 85%.
(7) All production from Wheelarra is now processed via the Jimblebar processing hub.
(8) Metallurgical coal production is reported on the basis of saleable product. Production figures include some thermal coal.
(9) Shown on 100% basis. BHP Billiton interest in saleable production is 80%.
(10) Shown on 100% basis. BHP Billiton interest in saleable production is 90%.
(11) Aluminium smelting at Bayside ceased with the closure of the final potline in June 2014.
(12) Shown on 100% basis. BHP Billiton interest in saleable production is 60%, except Hotazel Manganese Mines which is 44.4%.
(13) Production includes Medium Carbon Ferro Manganese.

PRODUCTION AND SALES REPORT

	QUARTER ENDED					YEAR TO DATE	
	SEP 2013	DEC 2013	MAR 2014	JUN 2014	**SEP 2014**	**SEP 2014**	SEP 2013
Petroleum							
Crude oil, condensate and NGL (Mboe)							
Crude oil and condensate							
Bass Strait	2,247	1,958	2,095	2,355	**2,818**	**2,818**	2,247
North West Shelf	1,865	1,497	1,504	1,408	**1,501**	**1,501**	1,865
Stybarrow	348	317	282	255	**225**	**225**	348
Pyrenees	1,707	1,295	2,386	2,075	**2,109**	**2,109**	1,707
Other Australia (1)	14	12	11	14	**17**	**17**	14
Atlantis (2)	2,953	3,988	3,734	4,114	**4,175**	**4,175**	2,953
Mad Dog (2)	732	496	704	187	**390**	**390**	732
Shenzi (2)	3,467	3,201	3,467	3,530	**3,530**	**3,530**	3,467
Onshore US (3)	5,044	4,238	5,589	7,069	**7,677**	**7,677**	5,044
Trinidad/Tobago	320	314	279	248	**252**	**252**	320
Other Americas (2) (4)	378	373	329	371	**349**	**349**	378
UK (5)	142	305	254	27	**34**	**34**	142
Algeria	1,142	1,156	1,069	996	**1,011**	**1,011**	1,142
Pakistan	62	52	49	37	**38**	**38**	62
Total	20,421	19,202	21,752	22,686	**24,126**	**24,126**	20,421
NGL							
Bass Strait	2,001	1,603	1,621	2,026	**2,161**	**2,161**	2,001
North West Shelf	399	234	276	288	**293**	**293**	399
Atlantis (2)	255	348	288	111	**248**	**248**	255
Mad Dog (2)	38	24	36	39	**21**	**21**	38
Shenzi (2)	266	252	280	252	**271**	**271**	266
Onshore US (3)	2,656	2,295	2,986	3,471	**3,783**	**3,783**	2,656
Other Americas (2) (4)	11	10	2		**38**	**38**	11
UK (5)	6	5	3	4	**4**	**4**	6
Total	5,632	4,771	5,492	6,191	**6,819**	**6,819**	5,632
Total crude oil, condensate and NGL	26,053	23,973	27,244	28,877	**30,945**	**30,945**	26,053
Natural gas (bcf)							
Bass Strait	34.2	22.7	21.2	30.5	**33.3**	**33.3**	34.2
North West Shelf	34.2	30.3	31.4	31.8	**36.9**	**36.9**	34.2
Other Australia (1)	9.3	15.1	13.2	13.6	**16.4**	**16.4**	9.3
Atlantis (2)	1.3	1.8	1.8	1.9	**1.7**	**1.7**	1.3

Mad Dog (2)	0.1	0.1	0.1	0.1	**0.1**	**0.1**	0.1
Shenzi (2)	0.8	0.8	0.8	0.8	**0.8**	**0.8**	0.8
Onshore US (3)	114.9	105.3	109.7	118.9	**113.6**	**113.6**	114.9
Trinidad/Tobago	9.9	9.7	9.3	9.1	**8.8**	**8.8**	9.9
Other Americas (2) (4)	0.3	0.3	0.2	0.2	**0.2**	**0.2**	0.3
UK (5)	3.5	6.2	5.4	0.8	**0.7**	**0.7**	3.5
Pakistan	11.2	10.3	8.9	7.3	**6.4**	**6.4**	11.2
Total	219.7	202.6	202.0	215.0	**218.9**	**218.9**	219.7
Total petroleum production (MMboe) (6)	62.7	57.7	60.9	64.7	**67.4**	**67.4**	62.7

(1) Other Australia includes Minerva and Macedon.
(2) Gulf of Mexico volumes are net of royalties.
(3) Onshore US volumes are net of mineral holder royalties.
(4) Other Americas includes Neptune, Genesis and Overriding Royalty Interest.
(5) UK includes Bruce/Keith and Liverpool Bay. BHP Billiton completed the sale of its 46.1% operated interest in Liverpool Bay on 31 March 2014.
(6) Total boe conversions are based on 6,000 scf of natural gas equals 1 boe.

PRODUCTION AND SALES REPORT

		QUARTER ENDED					YEAR TO DATE	
		SEP 2013	DEC 2013	MAR 2014	JUN 2014	**SEP 2014**	**SEP 2014**	SEP 2013
Copper								
Metals production is payable metal unless otherwise stated.								
Escondida, Chile (1)								
Material mined	(kt)	93,744	93,814	96,420	94,673	**101,920**	**101,920**	93,744
Sulphide ore milled	(kt)	18,276	19,584	21,051	21,438	**20,651**	**20,651**	18,276
Average copper grade	(%)	1.37%	1.30%	1.12%	1.33%	**1.20%**	**1.20%**	1.37%
Production ex mill	(kt)	210.6	214.4	195.5	235.6	**205.5**	**205.5**	210.6
Production								
Payable copper (2)	(kt)	205.1	208.0	190.6	241.0	**199.4**	**199.4**	205.1
Payable gold concentrate	(fine oz)	*12,490*	19,384	*20,110*	20,920	**21,980**	**21,980**	*12,490*
Copper cathode (EW)	(kt)	73.2	77.5	75.8	81.5	**69.3**	**69.3**	73.2
Payable silver concentrate	(koz)	891	982	1,078	1,320	**1,159**	**1,159**	891
Sales								
Payable copper	(kt)	192.3	228.1	173.2	239.1	**203.3**	**203.3**	192.3
Payable gold concentrate	(fine oz)	12,490	18,602	20,889	20,920	**21,980**	**21,980**	12,490
Copper cathode (EW)	(kt)	63.0	86.7	76.4	83.3	**64.1**	**64.1**	63.0
Payable silver concentrate	(koz)	836	1,076	1,046	1,320	**1,159**	**1,159**	836

(1) Shown on 100% basis. BHP Billiton interest in saleable production is 57.5%.

(2) June 2014 quarter includes 4.3 kt of copper contained in ore sold to third parties.

Pampa Norte, Chile								
Cerro Colorado								
Material mined	(kt)	15,771	17,487	15,939	17,087	**15,517**	**15,517**	15,771
Ore milled	(kt)	4,161	4,501	4,508	4,016	**4,189**	**4,189**	4,161

Average copper grade	(%)	0.78%	0.76%	0.75%	0.76%	**0.77%**	**0.77%**	0.78%
Production								
Copper cathode (EW)	(kt)	17.6	19.4	22.0	21.3	**15.7**	**15.7**	17.6
Sales								
Copper cathode (EW)	(kt)	17.3	17.6	12.4	28.7	**20.0**	**20.0**	17.3
<u>Spence</u>								
Material mined	(kt)	24,331	27,911	25,037	25,962	**24,238**	**24,238**	24,331
Ore milled	(kt)	4,860	4,788	4,735	3,775	**4,409**	**4,409**	4,860
Average copper grade	(%)	1.11%	1.25%	1.23%	1.30%	**1.33%**	**1.33%**	1.11%
Production								
Copper cathode (EW)	(kt)	25.9	40.0	41.4	45.5	**40.1**	**40.1**	25.9
Sales								
Copper cathode (EW)	(kt)	25.9	35.9	40.0	49.6	**36.9**	**36.9**	25.9

PRODUCTION AND SALES REPORT

		QUARTER ENDED					YEAR TO DATE	
		SEP 2013	DEC 2013	MAR 2014	JUN 2014	**SEP 2014**	**SEP 2014**	SEP 2013
Copper								
Metals production is payable metal unless otherwise stated.								
Antamina, Peru								
Material mined (100%)	(kt)	56,428	50,872	45,837	49,797	**54,675**	**54,675**	56,428
Sulphide ore milled (100%)	(kt)	11,765	12,521	11,729	12,756	**12,370**	**12,370**	11,765
Average head grades								
- Copper	(%)	1.21%	1.15%	1.00%	0.77%	**0.81%**	**0.81%**	1.21%
- Zinc	(%)	0.56%	0.72%	0.54%	0.58%	**0.84%**	**0.84%**	0.56%
Production								
Payable copper	(kt)	41.9	42.4	33.0	26.2	**25.7**	**25.7**	41.9
Payable zinc	(t)	12,522	16,732	9,335	13,450	**20,736**	**20,736**	12,522
Payable silver	(koz)	1,205	1,350	961	843	**954**	**954**	1,205
Payable lead	(t)	158	580	363	397	**633**	**633**	158
Payable molybdenum	(t)	458	379	281	83	**40**	**40**	458
Sales								
Payable copper	(kt)	41.3	44.5	30.2	26.5	**26.3**	**26.3**	41.3
Payable zinc	(t)	16,123	18,397	10,158	14,527	**12,912**	**12,912**	16,123
Payable silver	(koz)	1,503	1,367	910	893	**896**	**896**	1,503
Payable lead	(t)	297	368	405	521	**320**	**320**	297
Payable molybdenum	(t)	411	442	347	142	**50**	**50**	411
Cannington, Australia								
Material mined	(kt)	893	974	773	806	**823**	**823**	893
Ore milled	(kt)	750	852	779	821	**819**	**819**	750
Average head grades								
- Silver	(g/t)	315	274	311	286	**301**	**301**	315
- Lead	(%)	7.4%	6.7%	7.3%	6.9%	**7.1%**	**7.1%**	7.4%
- Zinc	(%)	3.3%	3.1%	2.4%	3.1%	**3.8%**	**3.8%**	3.3%
Production								
Payable silver	(koz)	6,361	6,306	6,465	6,029	**6,701**	**6,701**	6,361
Payable lead	(t)	46,287	47,259	47,214	45,768	**48,941**	**48,941**	46,287
Payable zinc	(t)	16,033	16,123	10,074	15,666	**19,927**	**19,927**	16,033
Sales								
Payable silver	(koz)	7,844	6,548	6,127	5,641	**7,084**	**7,084**	7,844
Payable lead	(t)	56,500	47,185	43,649	41,607	**51,197**	**51,197**	56,500
Payable zinc	(t)	17,286	18,241	11,020	15,708	**15,450**	**15,450**	17,286

PRODUCTION AND SALES REPORT

		QUARTER ENDED					YEAR TO DATE	
		SEP 2013	DEC 2013	MAR 2014	JUN 2014	**SEP 2014**	**SEP 2014**	SEP 2013
Copper								
Metals production is payable metal unless otherwise stated.								
Olympic Dam, Australia								
Material mined [1]	(kt)	2,897	2,717	2,495	2,405	**2,692**	**2,692**	2,897
Ore milled	(kt)	2,404	2,641	2,421	2,654	**2,206**	**2,206**	2,404
Average copper grade	(%)	1.85%	1.86%	1.90%	1.91%	**1.97%**	**1.97%**	1.85%
Average uranium grade	(kg/t)	0.53	0.52	0.54	0.51	**0.59**	**0.59**	0.53
Production								
Copper cathode (ER)	(kt)	25.9	47.6	48.4	51.3	**36.9**	**36.9**	25.9
Copper cathode (EW)	(kt)	2.0	3.3	2.7	3.2	**2.3**	**2.3**	2.0
Uranium oxide concentrate	(t)	970	1,008	966	1,044	**866**	**866**	970
Refined gold	(fine oz)	27,649	26,271	28,630	38,785	**30,364**	**30,364**	27,649
Refined silver	(koz)	190	212	253	317	**254**	**254**	190
Sales								
Copper cathode (ER)	(kt)	26.8	43.3	47.5	54.2	**36.6**	**36.6**	26.8
Copper cathode (EW)	(kt)	2.1	2.8	2.5	3.0	**2.5**	**2.5**	2.1
Uranium oxide concentrate	(t)	930	1,037	732	1,426	**848**	**848**	930
Refined gold	(fine oz)	21,675	32,226	31,129	38,500	**30,707**	**30,707**	21,675
Refined silver	(koz)	176	177	262	367	**227**	**227**	176

(1) Material mined refers to run of mine ore mined and hoisted.

Pinto Valley, US [1]								
Production								
Payable copper	(kt)	10.9	1.6					10.9
Copper cathode (EW)	(kt)	0.8	0.1					0.8
Payable silver	(koz)	41						41
Payable gold	(oz)	49						49
Sales								
Payable copper	(kt)	10.0						10.0
Copper cathode (EW)	(kt)	1.1	0.2					1.1
Payable silver	(koz)	41						41
Payable gold	(oz)	49						49

(1) On 11 October 2013 BHP Billiton completed the sale of its Pinto Valley operations.

PRODUCTION AND SALES REPORT

	QUARTER ENDED					YEAR TO DATE	
	SEP 2013	DEC 2013	MAR 2014	JUN 2014	**SEP 2014**	**SEP 2014**	SEP 2013
Iron Ore							
(kt)							
Iron ore							
Pilbara, Australia							
Production (1)							
Newman	12,196	12,483	15,470	16,766	**16,707**	**16,707**	12,196
Yarrie (2)	202	428	206				202
Area C Joint Venture	11,814	11,383	11,282	12,481	**13,265**	**13,265**	11,814
Yandi Joint Venture	18,146	17,135	15,622	17,615	**16,607**	**16,607**	18,146
Jimblebar (3)	700	1,702	2,721	3,740	**3,971**	**3,971**	700
Wheelarra (4)	3,166	2,716	1,698	2,973	**3,115**	**3,115**	3,166
Total	46,224	45,847	46,999	53,575	**53,665**	**53,665**	46,224
Total production (100%)	54,258	53,638	54,812	62,369	**62,436**	**62,436**	54,258
Sales							
Lump	10,292	9,996	11,230	11,572	**12,766**	**12,766**	10,292
Fines	35,283	35,756	35,880	40,834	**41,633**	**41,633**	35,283
Total	45,575	45,752	47,110	52,406	**54,399**	**54,399**	45,575
Total sales (100%)	53,561	53,808	55,018	61,015	**63,303**	**63,303**	53,561

(1) Iron ore production and sales are reported on a wet tonnes basis.
(2) Yarrie ceased production on 25 February 2014.
(3) Shown on 100% basis. BHP Billiton interest in saleable production is 85%.
(4) All production from Wheelarra is now processed via the Jimblebar processing hub.

Samarco, Brazil							
Production (1)	2,729	2,841	2,281	3,068	**3,426**	**3,426**	2,729
Sales	2,676	3,025	2,036	3,077	**3,303**	**3,303**	2,676

(1) Iron ore production and sales are reported on a wet tonnes basis.

PRODUCTION AND SALES REPORT

	QUARTER ENDED					YEAR TO DATE	
	SEP 2013	DEC 2013	MAR 2014	JUN 2014	**SEP 2014**	**SEP 2014**	SEP 2013
Coal							
(kt)							
Metallurgical coal							
Queensland Coal							
Production (1)							
BMA							
Blackwater	1,691	1,655	1,759	1,625	**1,777**	**1,777**	1,691
Goonyella	1,737	1,999	2,041	1,553	**2,144**	**2,144**	1,737
Peak Downs	1,112	1,201	1,314	1,282	**1,144**	**1,144**	1,112
Saraji	1,197	1,195	1,108	1,058	**1,022**	**1,022**	1,197
Gregory Joint Venture	464	850	654	997	**808**	**808**	464
Daunia	504	594	585	518	**628**	**628**	504
Caval Ridge				563	**705**	**705**	
Total BMA	6,705	7,494	7,461	7,596	**8,228**	**8,228**	6,705
BHP Mitsui Coal (2)							
South Walker Creek	1,298	1,313	1,312	1,323	**1,391**	**1,391**	1,298
Poitrel	759	801	683	820	**813**	**813**	759
Total BHP Mitsui Coal	2,057	2,114	1,995	2,143	**2,204**	**2,204**	2,057
Total Queensland Coal	8,762	9,608	9,456	9,739	**10,432**	**10,432**	8,762
Sales							
Coking coal	6,123	6,517	7,030	7,250	**7,306**	**7,306**	6,123
Weak coking coal	2,397	2,505	2,594	2,358	**2,859**	**2,859**	2,397
Thermal coal	160	271	122	134	**43**	**43**	160
Total	8,680	9,293	9,746	9,742	**10,208**	**10,208**	8,680

(1) Metallurgical coal production is reported on the basis of saleable product. Production figures include some thermal coal.
(2) Shown on 100% basis. BHP Billiton interest in saleable production is 80%.

Illawarra, Australia							
Production (1)	1,423	1,932	2,011	2,147	**2,337**	**2,337**	1,423
Sales							

Coking coal	1,084	1,495	1,581	1,761	**1,617**	**1,617**	1,084
Thermal coal	359	318	460	486	**373**	**373**	359
Total	1,443	1,813	2,041	2,247	**1,990**	**1,990**	1,443

(1) Metallurgical coal production is reported on the basis of saleable product. Production figures include some thermal coal.

PRODUCTION AND SALES REPORT

	QUARTER ENDED					YEAR TO DATE	
	SEP 2013	DEC 2013	MAR 2014	JUN 2014	**SEP 2014**	**SEP 2014**	SEP 2013
Coal							
(kt)							
Energy coal							
South Africa [1]							
Production	7,937	7,036	7,398	8,013	**8,026**	**8,026**	7,937
Sales							
Export	2,504	4,087	3,179	3,528	**3,739**	**3,739**	2,504
Local utility	4,543	3,811	3,478	4,498	**4,367**	**4,367**	4,543
Inland					**36**	**36**	
Total	7,047	7,898	6,657	8,026	**8,142**	**8,142**	7,047

(1) Shown on 100% basis. BHP Billiton interest in saleable production is 90%.

New Mexico, USA							
Production							
Navajo Coal [1]	1,670	1,400	975	1,082	**1,243**	**1,243**	1,670
San Juan Coal	1,475	1,496	1,384	1,330	**1,447**	**1,447**	1,475
Total	3,145	2,896	2,359	2,412	**2,690**	**2,690**	3,145
Sales - local utility	3,129	2,950	2,360	2,382	**2,723**	**2,723**	3,129

(1) BHP Billiton completed the sale of Navajo Mine on 30 December 2013. As BHP Billiton will retain control of the mine until full consideration is received, production will continue to be reported by the Group.

NSW Energy Coal, Australia							
Production	5,372	4,544	5,018	5,030	**4,752**	**4,752**	5,372
Sales							
Export	4,037	4,887	4,346	4,548	**4,787**	**4,787**	4,037
Inland	446	332	270	333	**371**	**371**	446
Total	4,483	5,219	4,616	4,881	**5,158**	**5,158**	4,483
Cerrejón, Colombia							
Production	3,185	3,291	2,948	2,908	**2,369**	**2,369**	3,185

Sales - export	3,155	3,067	2,647	2,858	**3,077**	**3,077**	3,155

PRODUCTION AND SALES REPORT

	QUARTER ENDED					YEAR TO DATE	
	SEP 2013	DEC 2013	MAR 2014	JUN 2014	**SEP 2014**	**SEP 2014**	SEP 2013
Aluminium, Manganese and Nickel							
(kt)							
Alumina							
Saleable production							
Worsley, Australia	946	1,024	936	1,010	**893**	**893**	946
Alumar, Brazil	305	328	314	315	**342**	**342**	305
Total	1,251	1,352	1,250	1,325	**1,235**	**1,235**	1,251
Sales							
Worsley, Australia	897	961	986	1,020	**875**	**875**	897
Alumar, Brazil	278	320	262	388	**323**	**323**	278
Total	1,175	1,281	1,248	1,408	**1,198**	**1,198**	1,175
Aluminium							
Production							
Hillside, South Africa	184	183	172	176	**180**	**180**	184
Bayside, South Africa (1)	24	24	23	18			24
Alumar, Brazil	35	28	26	15	**13**	**13**	35
Mozal, Mozambique	67	67	65	67	**68**	**68**	67
Total	310	302	286	276	**261**	**261**	310
Sales							
Hillside, South Africa	180	173	187	168	**174**	**174**	180
Bayside, South Africa (1)	24	24	24	24			24
Alumar, Brazil	34	28	25	17	**15**	**15**	34
Mozal, Mozambique	68	74	72	62	**64**	**64**	68
Total	306	299	308	271	**253**	**253**	306

(1) Aluminium smelting at Bayside ceased with the closure of the final potline in June 2014.

Manganese ores							
Saleable production							
South Africa (1)	864	944	782	936	**1,049**	**1,049**	864
Australia (1)	1,182	1,256	1,019	1,319	**1,210**	**1,210**	1,182

Total	2,046	2,200	1,801	2,255	**2,259**	**2,259**	2,046
Sales							
South Africa (1)	920	714	915	931	**999**	**999**	920
Australia (1)	1,078	1,445	1,252	1,288	**1,224**	**1,224**	1,078
Total	1,998	2,159	2,167	2,219	**2,223**	**2,223**	1,998
Manganese alloys							
Saleable production							
South Africa (1) (2)	86	94	91	106	**112**	**112**	86
Australia (1)	51	72	71	75	**59**	**59**	51
Total	137	166	162	181	**171**	**171**	137
Sales							
South Africa (1) (2)	88	87	113	112	**115**	**115**	88
Australia (1)	54	63	85	74	**56**	**56**	54
Total	142	150	198	186	**171**	**171**	142

(1) Shown on 100% basis. BHP Billiton interest in saleable production is 60%, except Hotazel Manganese Mines which is 44.4%.

(2) Production includes Medium Carbon Ferro Manganese.

PRODUCTION AND SALES REPORT

	QUARTER ENDED					YEAR TO DATE	
	SEP 2013	DEC 2013	MAR 2014	JUN 2014	**SEP 2014**	**SEP 2014**	SEP 2013
Aluminium, Manganese and Nickel							
(kt)							
Nickel							
Cerro Matoso, Colombia							
Production	12.0	12.3	9.8	10.2	**10.7**	**10.7**	12.0
Sales	12.6	12.3	10.0	10.2	**10.5**	**10.5**	12.6
Nickel West, Australia							
Saleable production							
Nickel contained in concentrate	3.4	2.4	2.5	1.6	**2.2**	**2.2**	3.4
Nickel contained in finished matte	8.8	6.1	6.1	4.4	**9.1**	**9.1**	8.8
Nickel metal	16.2	17.0	15.7	14.7	**13.7**	**13.7**	16.2
Nickel production	28.4	25.5	24.3	20.7	**25.0**	**25.0**	28.4
Sales							
Nickel contained in concentrate	2.7	2.8	2.3	1.6	**2.1**	**2.1**	2.7
Nickel contained in finished matte	7.8	7.4	5.3	6.2	**6.6**	**6.6**	7.8
Nickel metal	15.3	17.2	16.7	14.4	**11.9**	**11.9**	15.3
Nickel sales	25.8	27.4	24.3	22.2	**20.6**	**20.6**	25.8

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.

		BHP Billiton Limited and BHP Billiton Plc
Date: 22 October 2014	By:	/s/ Nicole Duncan
	Name:	Nicole Duncan
	Title:	Company Secretary