BP Exploration & Production, Inc.
Consolidated Financial Reports
2Q13

(Un-Audited)

For BP Internal Use Only

FINANCIAL HEADLINES

Ex 12680
Worldwide
Court Reporters, Inc.

Second quarter 2012	First quarter 2013	Second quarter 2013	$ million	First half 2013	First half 2012
1,750	1,803	**456**	Revenues for the period	**2,259**	4,206
(1,831)	(1,195)	**(1,403)**	Expenses for the period	**(2,599)**	(3,236)
(81)	608	**(948)**	Replacement cost profit (loss)	**(340)**	971
			Net (favourable) unfavourable impact		
677	25	**1,178**	of non-operating items (a)	**1,203**	634
596	633	**230**	Underlying replacement cost profit (loss)	**863**	1,605

(a) Includes non-operating expenses, impairment charges and gains/losses on asset disposals

BP Exploration & Production, Inc. (BPXP) reflects a second-quarter replacement cost (RC) loss of $(948) million compared with $(81) million a year ago. For the half year, RC loss was $(340) million compared with a profit of $971 million for the same period last year. The second quarter included a non-operating loss of $1,178 million, primarily from redistribution of gains on asset disposals which were accrued to BPXP last year (see income statement for more information). Also included in the second quarter non-operating loss are increased GCRO provisioned liabilities, impacting RC, of $178 million.

Additionally, a $1,419 million GCRO provision increase was recognized within second quarter, primarily from incremental eligibility offers on business economic loss claims and claims administrative expenses, which are payable from the Trust therefore, have no direct impact on RC. A further $293 million could be provided in subsequent periods for items covered by the trust fund with no net impact on the income statement. Given the current rate of issuing eligibility notices for business economic loss claims under the DHCSSP, we expect that in the third quarter the remaining amount for items covered by the trust fund will be fully utilized and additional amounts will be charged to the income statement.

After adjusting for non-operating items, the underlying replacement cost profit before interest and tax for the second quarter and half year was $230 million and $863 million respectively, compared with $596 million and $1,605 million respectively, for the same periods last year. Reductions in underlying RC for the periods compared with last year are largely driven by lower production volumes.

	30-Jun 2013	31-Dec 2012
$ million		
Non-current assets	**20,569**	20,156
Current assets	**6,444**	7,695
Total assets	**27,013**	27,851
Current liabilities	**12,486**	12,185
Non-current liabilities	**11,704**	12,566
Total liabilities	**24,190**	24,751
Net assets	**2,823**	3,101

The BPXP net asset position declined over the first half year to $2,823 million. This decrease represents the incremental first half BPXP net loss of $(278) million.

INCOME STATEMENT

A loss of $(643) million was recognized in the second quarter of 2013 as the Gulf of Mexico Regional Business Unit (GoM Region) redistributed $999 million of previously accrued fourth quarter 2012 gains on disposals (Project Dali) from BPXP to BPAPC. Last year, all of the approximate $4.0 billion gain had been accrued to BPXP. The current year redistribution of gain was based on the proceeds allocation provided by the buyer in second quarter 2013. The Horn Mountain asset, in which BPAPC held a 33% interest, was ultimately allocated a large portion of the total proceeds which were then subsequently applied to BPAPC in a proportionate share of their asset position in that asset.

Excluding impacts of the gain redistribution, after tax profit (loss) for the second quarter would reflect a small loss of approximately $(4) million. Contributing to this, GCRO reported a $(163) million after tax loss, primarily from increased non-Trust provisions for legal costs, partially offset with expected reductions in shoreline operations.

The second quarter of 2012 included an $828 million GCRO non-operating charge (reflected in Production and other operating expenses) as well as an impairment reversal. Production in second quarter 2013 is down nearly 40% from the same period last year, largely due to 2012 asset disposals as well as declines at Thunder Horse.

Second quarter 2012	First quarter 2013	Second quarter 2013	$ million	First half 2013	First half 2012
1,738	1,804	**1,451**	Sales and other operating revenues	**3,255**	4,166
0	1	**4**	Interest and other income	**5**	30
11	(3)	**(999)**	Gains on sale of businesses and fixed assets	**(1,002)**	11
1,750	1,803	**456**	**Total revenues and other income**	**2,259**	4,206
302	391	**341**	Purchases	**732**	803
1,307	393	**709**	Production and other operating expenses	**1,103**	1,706
278	363	**298**	Depreciation, depletion and amortization	**661**	743
(141)	(0)	**(1)**	Impairment and losses on sale of assets	**(1)**	(140)
85	48	**56**	Exploration expense and write off	**104**	124
(81)	608	**(948)**	**Profit (loss) before interest and taxation**	**(340)**	971
6	9	**7**	Finance costs	**16**	20
(87)	599	**(955)**	**Profit (loss) before taxation**	**(356)**	950
171	234	**(312)**	Taxation	**(78)**	561
(258)	365	**(643)**	**Profit (loss) for the period**	**(278)**	389

See Appendix A for additional information on first quarter impacts of GCRO on BPXP results.

BALANCE SHEET

The BPXP net asset position at second quarter 2013 is $2,823 million which is down by $(278) million from year end 2012. At the end of second quarter 2013, GCRO held a negative net asset position of $(15,809) million while BPXP Other operations contributed $18,632 million to the balance sheet. The GCRO negative net asset position is a result of prior year and current year post tax losses of $(29,725) million, partially offset with a 2012 BP APC capital contribution of $13,916 million. During the year, certain GCRO provisions (e.g. DOJ Fine) were reclassified from provisions to payables, both short term and long term portions, which account for large movements in these categories. The Group finance debt on the balance sheet, both current and non-current, represents the corporate financing of BPXP. As of the end of second quarter 2013, BPXP held a Group finance debt of $4,033 million (including the non-current portion) resulting in a gearing ratio of 59%. This gearing ratio is down from 61% in fourth quarter 2012 primarily due to positive cash flow to the Group.

	30-Jun 2013	31-Dec 2012
$ million		
Non-current assets		
Fixed Assets	**17,524**	16,652
Trust reimbursement asset	**2,067**	2,264
Trade, other receivables and prepayments	**(3)**	(3)
Deferred tax assets	**981**	1,244
	20,569	20,156
Current assets		
Inventories	**442**	381
Trust reimbursement asset	**4,530**	4,178
Trade and other receivables	**1,213**	3,163
Prepayments	**37**	36
Current tax receivable	**295**	0
Cash and cash equivalents	**(73)**	(62)
	6,444	7,695
Assets classified as held for sale	**0**	0
	6,444	7,695
Total assets	**27,013**	27,851
Current liabilities		
Trade, accruals and other payables	**3,401**	1,778
Group finance debt	**3,733**	4,483
Current tax payable	**0**	357
Provisions	**5,352**	5,568
	12,486	12,185
Liabilities - assets held for sale	**0**	0
	12,486	12,185
Non-current liabilities		
Other accruals and payables	**2,997**	29
Group finance debt	**300**	300
Deferred tax liabilities	**0**	0
Provisions	**8,407**	12,237
	11,704	12,566
Total liabilities	**24,190**	24,751
Net assets	**2,823**	3,101

See Appendix A for additional information on first quarter impacts of GCRO on BPXP results.

CASH FLOW

BPXP cash flow for the second quarter was $18 million, compared to $(927) million for the same period last year. For the half year, cash flow was $740 million versus $(1,120) million for the same period in 2012.

During the first half of 2012, GCRO was still contributing $1,250 million per quarter to the Trust fund which negatively impacted cash flows. Full contribution to the Trust fund was achieved in fourth quarter 2012.

In the second quarter of 2013, provision increases in GCRO which are payable from the Trust are offset with movement in debtors for a zero cash flow impact. Outside of the GCRO impacts, cash generated from operating activities were largely offset with investing activities.

Second quarter 2012	First quarter 2013	Second quarter 2013	$ million	First half 2013	First half 2012
			Operating Activities		
(90)	594	**(960)**	Profit (loss) before taxation	**(366)**	943
334	390	**332**	DD&A and exploration write off	**722**	813
(152)	3	**998**	Impairment and loss (gain) on asset sale	**1,001**	(151)
12	13	**13**	Finance and Interest	**26**	27
585	305	**1,391**	Net charge for provisions, less payments	**1,695**	670
(48)	(45)	**(16)**	Movement in stocks and inventories	**(61)**	(103)
(1,188)	434	**(1,138)**	Movement in debtors and creditors	**(704)**	(2,366)
137	(361)	**51**	Income taxes paid	**(311)**	193
(408)	1,332	**670**	**Net cash provided by operating activities**	**2,002**	26
			Investing Activities		
(521)	(668)	**(776)**	Capital expenditure	**(1,444)**	(1,146)
1	58	**123**	Proceeds from disposals	**182**	0
(519)	(610)	**(652)**	**Net cash used in investing activities**	**(1,263)**	(1,146)
(927)	722	**18**	**Net Cash Flow**	**740**	(1,120)

See Appendix A for additional information on first quarter impacts of GCRO on BPXP results.

FORWARD VIEW

Based on the GoM Region and GCRO 2Q GFO and LTP submissions, high level results of BPXP outcomes can be estimated and are reflected in the table below. See comments below concerning other obligations that cannot be reliably measured at this time. Approximately 89% of GoM Region activity is operated within the BPXP entities thus, the forward projections related to the GoM Region have been adjusted to reflect just that estimated portion of the expected results.

Overall, an expected loss in 2013, driven by the current year redistribution of 2012 gains on asset disposals and GCRO costs, will reduce the BPXP net asset position and move the gearing ratio to 65%. Profit in 2014 is expected to be positive which will build equity and improve the net asset position of the company. The 2012 GoM Region SMOG information indicates that post 2014, discounted cash flows (10%) would contribute another $17.8 billion to the company, using the 89% estimate for BPXP impacts.

GCRO expected losses of $(330) million and $(107) million over the next two years reflect increased non-trust liabilities and the functional costs of the ongoing GCRO organization. GoM Region generated profit for the period is expected to grow on the strength of increased production and higher realizations, while 2013 is negatively impacted by the gain redistribution. The GCRO net cash outflows for operations and settlement payments will be partially offset with the recapture of the deferred tax asset over the next two years. This monetization of the deferred tax asset is dependent upon the earnings of the overall BP U.S. Group. GoM Region cash flows from operations continue to increase, in line with profit, but higher capital expenditures will leave BPXP in a negative cash flow position.

$ million	**2013**	**2014**
GCRO Profit for the Period	(330)	(107)
GoM RBU Profit for the Period	301	1,127
Total Profit for the Period	(29)	1,020
Net Asset Position	3,072	4,092
GCRO opertions and settlements	(1,518)	(1,455)
GCRO net tax monetization	1,257	1,700
GoM RBU from operations	2,476	3,284
GoM RBU capital expenditures	(3,201)	(4,349)
Total Net cash flow, post Tax	(985)	(820)
Gearing Ratio	65%	62%

It is not possible, at this time, to measure reliably other obligations arising from the accident, namely any obligation in relation to Natural Resource Damages claims (except for the estimated costs of the assessment phase and the costs relating to early restoration agreements), claims asserted in civil litigation (including any further litigation through excluded parties from the PSC settlement), the cost of business economic loss claims under the PSC settlement not yet received or processed by the DHCSSP, any further obligation that may arise from state and local government presentment claims under OPA 90 and any obligation in relation to other potential private or governmental litigation, fines or penalties (except for the Clean Water Act civil penalty claims and governmental claims), nor is it practicable to estimate their magnitude or possible timing of payment. Therefore, no amounts have been provided for these obligations as at 30 June 2013. Additionally, while amounts for the Clean Water Act civil penalty have been provided, the associated net cash outflow is not reflected in the estimates noted above.

APPENDIX A

The financial impacts of the Gulf of Mexico Oil Spill are contained within the Gulf Coast Restoration Organization (GCRO) and reported separately through the Group financial results. The majority of GCRO financial results are reported through BP Exploration & Production, Inc. (BPXP) but some portions are reported through BP America

Production Company (BP APC) and BP Plc. These latter two companies hold GCRO expenditures and liabilities for BP staff related costs and the Securities and Exchange Commission fine. Therefore, differences will exist between the BPXP portions of GCRO, which are reflected below, versus the total GCRO results reported at the Group level.

BPXP Other, as reported below, is predominantly Gulf of Mexico Regional Business Unit (GoM Region) but only contains the BPXP portion of GoM Region. Additionally, other BP operating units report some portion of their financial results through BPXP thus, those results are captured within BPXP Other as noted below.

Income Statement

2Q13 BPXP Other	2Q13 GCRO	$ million	2Q13 YTD GCRO	2Q13 YTD BPXP Other
1,451	0	Sales and other operating revenues	0	3,255
4	0	Interest and other income	0	5
(999)	0	Gains on sale of businesses and fixed assets	0	(1,002)
456	0	**Total revenues and other income**	0	2,259
341	0	Purchases	0	732
518	191	Production and other operating expenses	203	900
298	0	Depreciation, depletion and amortization	0	661
(1)	0	Impairment and losses on sale of assets	0	(1)
56	0	Exploration expense and write off	0	104
(757)	(191)	**Profit (loss) before interest and taxation**	(202)	(137)
(3)	10	Finance costs	21	(5)
(753)	(201)	**Profit (loss) before taxation**	(224)	(132)
(273)	(39)	Taxation	(31)	(47)
(480)	(163)	**Profit (loss) for the period**	(192)	(85)

Cash Flow

2Q13 BPXP Other	2Q13 GCRO	$ million	2Q13 YTD GCRO	2Q13 YTD BPXP Other
		Operating Activities		
(759)	(201)	Profit (loss) before taxation	(224)	(142)
332	0	DD&A and exploration write off	0	722
998	0	Impairment and loss (gain) on asset sale	0	1,001
3	10	Finance and Interest	20	6
0	1,391	Net charge for provisions, less payments	1,695	0
(16)	0	Movement in stocks and inventories	0	(61)
292	(1,431)	Movement in debtors and creditors	(2,259)	1,555
(159)	209	Income taxes paid	2,113	(2,424)
692	(22)	**Net cash provided by operating activities**	1,346	657
		Investing Activities		
(776)	0	Capital expenditure	0	(1,444)
123	0	Proceeds from disposals	0	182
(652)	0	**Net cash used in investing activities**	0	(1,263)
40	(22)	**Net Cash Flow**	1,346	(606)

APPENDIX A, continued

Balance Sheet

This balance sheet reflects some balances differently based on the gross overall position. Example is the Group Finance contribution and debt, shown below, is netted into a Group debt position in the overall BPXP balance sheet.

	2Q13 GCRO	2Q13 BPXP Other
$ million		
Non-current assets		
Fixed Assets	0	17,524
Trust reimbursement asset	2,067	0
Trade, other receivables and prepayments	0	(3)
Deferred tax assets	3,443	0
	5,510	17,521
Current assets		
Inventories	0	442
Trust reimbursement asset	4,530	0
Trade and other receivables	0	1,213
Group finance contribution	0	7,425
Prepayments	0	37
Current tax receivable	381	0
Cash and cash equivalents	0	(73)
	4,911	9,044
Assets classified as held for sale	0	0
	4,911	9,044
Total assets	10,420	26,565
Current liabilities		
Trade, accruals and other payables	887	2,514
Group finance debt	11,158	0
Current tax payable	0	86
Provisions	5,168	183
	17,213	2,783
Liabilities - assets held for sale	0	0
	17,213	2,783
Non-current liabilities		
Other accruals and payables	2,969	28
Finance debt	0	300
Deferred tax liabilities	0	2,462
Provisions	6,047	2,360
	9,016	5,150
Total liabilities	26,229	7,933
Net assets	(15,809)	18,632
Retained Earnings	(29,532)	13,313
Share Capital	13,916	5,404

APPENDIX B – Legal Structure

The consolidated BP Exploration & Production, Inc. (BPXP) is the primary legal entity with 2 additional legal entities as part of the consolidated financial results, as shown below.

Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 7		Owning Entity (See Help for information on multiple ownership)	Formation Country	% BP Owned	
	BP P.L.C.								View Ownership Chart for BP p.l.c.	United Kingdom	100%
		BP Holdings North America Limited							BP P.L.C., 100%	United Kingdom	100%
			BP America Inc.						BP Holdings North America Limited, 100%	USA	100%
				BP Corporation North America Inc.					BP America Inc., 100%	USA	100%
					BP Company North America Inc.				BP Corporation North America Inc., 100%	USA	100%
						BP America Production Company			BP Company North America Inc., 100%	USA	100%
							BP Exploration & Production Inc.		BP America Production Company, 100%	USA	100%
								BP Offshore Response Company LLC	BP Exploration & Production Inc., 100%	USA	100%
								Verano Collateral Holdings LLC	BP Exploration & Production Inc., 100%	USA	100%

BP reporting in the United States is a matrix of legal entities and operating units. As such, the consolidated BPXP financial statements do not represent any specific operating unit in total but are largely made up of GoM Region and GCRO. Additionally, GoM Region and GCRO also have activities in legal entities outside of BPXP. There is approximately 11% of GoM Region activity held within Gulf UK entities. This approximate % has been excluded from any GoM Region forward GFO/LTP views to provide an approximate financial result for just the BPXP results.

OpenForm&&121

OpenForm&&121

Note:

BPXP second quarter and first half 2013 results, as presented, have been manually adjusted to take into account a pending adjustment related to the asset disposal gain redistribution. While the adjustment is reflected in these 2Q13 results, the actual adjustment will be recorded in within the ledger in 3Q13 and subsequently, the 3Q13 results will be manually adjusted to reverse the effect.