



BP Exploration & Production, Inc.
Consolidated Financial Reports
1Q13

(Un-Audited)

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FINANCIAL HEADLINES

\$ million	First quarter 2013	Fourth quarter 2012	First quarter 2012
Revenues for the period	1,803	6,889	2,456
Expenses for the period	(1,195)	(5,015)	(1,404)
Replacement cost profit	608	1,875	1,052
Net (favourable) unfavourable impact of non-operating items (a)	25	(1,051)	12
Underlying replacement cost profit	633	823	1,064

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

The BP Exploration & Production, Inc. (BPXP) replacement cost profit before interest and tax for the first quarter was \$608 million, compared with \$1,052 million for the same period in 2012. The first quarter included a net non-operating loss of \$25 million, primarily from GCRO functional charges within the period.

After adjusting for non-operating items, the underlying replacement cost profit before interest and tax for the first quarter was \$633 million, compared with \$1,064 million for the same period last year. Production volumes are down from first quarter 2012 versus the current quarter, contributing to the reduction in RCOP. GCRO increased provisioned liabilities by \$482m in first quarter, primarily driven by incremental eligibility offers on business economic loss claims. These are payable from the Trust therefore, have no P&L impact.

\$ million	31-Mar 2013	31-Dec 2012
Non-current assets	20,119	20,156
Current assets	6,159	7,695
Total assets	26,279	27,851
Current liabilities	11,419	12,185
Non-current liabilities	11,394	12,566
Total liabilities	22,813	24,751
Net assets	3,466	3,101

The BPXP net asset position improved over the quarter to \$3,466 million. This increase represents the incremental first quarter BPXP net income of \$365 million.

Note on 2012 Results:

The 2012 results have been updated for the post SEA business economic loss claims adjustment, as reflected in the ARA/20F. There was no P&L impact from this adjustment. Given the inherent uncertainty that exists as BP pursues all available legal options to challenge the recent ruling, and the higher number of claims received and higher average claims payments than previously assumed by BP, which may or may not continue, management has concluded that no reliable estimate can be made of the cost of any business economic loss claims not yet received or processed by the DHCSSP. As a consequence, an amount of \$0.8 billion previously provided for such claims has been derecognized. A provision will be re-established when a reliable estimate can be made of the liability.

INCOME STATEMENT

A gain of \$365 million was realized in the first quarter of 2013 as Gulf of Mexico Regional Business Unit (GoM Region) income was slightly offset with incremental GCRO charges. Compared to the same period in 2012, production is down approximately 26% largely due to 2012 asset disposals as well as declines at Thunder Horse. Fourth quarter 2012 included large gains on asset dispositions partially offset by GCRO charges related to the DOJ settlement.

	First quarter 2013	Fourth quarter 2012	First quarter 2012
\$ million			
Sales and other operating revenues	1,804	2,262	2,428
Interest and other income	1	68	29
Gains on sale of businesses and fixed assets	(3)	4,560	(1)
Total revenues and other income	1,803	6,889	2,456
Purchases	391	476	501
Production and other operating expenses	393	4,041	398
Depreciation, depletion and amortization	363	386	465
Impairment and losses on sale of assets	(0)	(0)	0
Exploration expense and write off	48	112	40
Profit before interest and taxation	608	1,875	1,052
Finance costs	9	5	14
Profit before taxation	599	1,870	1,038
Taxation	234	1,949	391
Profit for the period	365	(79)	647

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

BALANCE SHEET

The BPXP net asset position at first quarter 2013 is \$3,466 million which is \$365 million improved from year end 2012. At the end of first quarter 2013, GCRO held a negative net asset position of \$(15,646) million while BPXP Other operations contributed \$19,112 million to the balance sheet. The GCRO negative net asset position is a result of prior year and current year post tax losses of \$(29,562) million, partially offset with a 2012 BP APC capital contribution of \$13,916 million. During the quarter, 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 first quarter 2013, BPXP held a Group finance debt of \$4,058 million (including the non-current portion) resulting in a gearing ratio of 54%. This gearing ratio is down from 61% in fourth quarter 2012 primarily due to the cash contribution to the Group from the BPXP quarterly results.

	31-Mar 2013	31-Dec 2012
\$ million		
Non-current assets		
Fixed Assets	17,075	16,652
Trust reimbursement asset	2,074	2,264
Trade, other receivables and prepayments	(3)	(3)
Deferred tax assets	974	1,244
	<u>20,119</u>	<u>20,156</u>
Current assets		
Inventories	425	381
Trust reimbursement asset	4,082	4,178
Trade and other receivables	1,599	3,163
Prepayments	78	36
Current tax receivable	41	0
Cash and cash equivalents	(65)	(62)
	<u>6,159</u>	<u>7,695</u>
Assets classified as held for sale	0	0
	<u>6,159</u>	<u>7,695</u>
Total assets	<u>26,279</u>	<u>27,851</u>
Current liabilities		
Trade, accruals and other payables	2,584	1,778
Group finance debt	3,758	4,483
Current tax payable	0	357
Provisions	5,077	5,568
	<u>11,419</u>	<u>12,185</u>
Liabilities associated with assets held for sale	0	0
	<u>11,419</u>	<u>12,185</u>
Non-current liabilities		
Other accruals and payables	2,913	29
Group finance debt	300	300
Deferred tax liabilities	0	0
Provisions	8,180	12,237
	<u>11,394</u>	<u>12,566</u>
Total liabilities	<u>22,813</u>	<u>24,751</u>
Net assets	<u>3,466</u>	<u>3,101</u>

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

CASH FLOW

BPXP cash flow for the first quarter 2013 was \$722 million, compared to \$(189) million for the same period last year. Factors contributing to the positive cash flows in first quarter of 2013 include; operating cash flows exceeding capital investment requirements and the collection of a large receivable from BP APC during the quarter.

Large tax cash outflows, related to gain on sales in fourth quarter, were largely offset by large tax cash inflows generated by the acceleration of GCRO contributions to the QSF in fourth quarter.

\$ million	First quarter 2013	Fourth quarter 2012	First quarter 2012
Operating Activities			
Profit (loss) before taxation	594	1,866	1,033
DD&A and exploration write off	390	457	478
Impairment and loss (gain) on asset sale	3	(4,560)	1
Finance and Interest	13	13	15
Net charge for provisions, less payments	305	3,244	85
Movement in stocks and inventories	(45)	(48)	(56)
Movement in debtors and creditors	434	(1,795)	(1,175)
Income taxes paid	(361)	1,435	56
Net cash provided by operating activities	1,332	611	437
Investing Activities			
Capital expenditure	(668)	(742)	(625)
Proceeds from disposals	58	4,812	(1)
Net cash used in investing activities	(610)	4,070	(626)
Net Cash Flow	722	4,681	(189)

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

FORWARD VIEW

Based on the GoM Region and GCRO 1Q 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, profit for the periods 2013 and 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 \$(202) million and \$(96) million over the next two years reflect the functional costs of the ongoing GCRO organization. GoM Region profit for the period is expected to grow on the strength of increased production and higher realizations. 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	(202)	(96)
GoM RBU Profit for the Period	871	1,127
Total Profit for the Period	<u>669</u>	<u>1,031</u>
Net Asset Position	<u>3,770</u>	<u>4,801</u>
GCRO operations and settlements	(2,033)	(1,079)
GCRO deferred tax monetization	1,017	1,396
GoM RBU from operations	2,282	3,284
GoM RBU capital expenditures	(3,584)	(4,349)
Total Net cash flow, post Tax	<u>(2,318)</u>	<u>(748)</u>
Gearing Ratio	65%	62%

A further \$1,712 million could be provided in subsequent periods for items covered by the trust fund with no net impact on the income statement. 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 31 March 2013. The \$20-billion trust fund may not be sufficient to satisfy all claims under OPA 90 or otherwise that will ultimately be paid. 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

	1Q13 GCRO	1Q13 BPXP Other
\$ million		
Sales and other operating revenues	0	1,804
Interest and other income	0	1
Gains on sale of businesses and fixed assets	0	(3)
Total revenues and other income	0	1,803
Purchases	0	391
Production and other operating expenses	12	382
Depreciation, depletion and amortization	0	363
Impairment and losses on sale of assets	0	(0)
Exploration expense and write off	0	48
Profit before interest and taxation	(11)	619
Finance costs	11	(2)
Profit before taxation	(22)	621
Taxation	8	226
Profit for the period	(30)	395

Cash Flow

	1Q13 GCRO	1Q13 BPXP Other
\$ million		
Operating Activities		
Profit (loss) before taxation	(22)	616
DD&A and exploration write off	0	390
Impairment and loss (gain) on asset sale	0	3
Finance and Interest	10	3
Net charge for provisions, less payments	305	0
Movement in stocks and inventories	0	(45)
Movement in debtors and creditors	(828)	1,262
Income taxes paid	1,904	(2,265)
Net cash provided by operating activities	1,368	(36)
Investing Activities		
Capital expenditure	0	(668)
Proceeds from disposals	0	58
Net cash used in investing activities	0	(610)
Net Cash Flow	1,368	(646)

APPENDIX A, continued

Balance Sheet

	1Q13 GCRO	1Q13 BPXP Other
\$ million		
Non-current assets		
Fixed Assets	0	17,075
Trust reimbursement asset	2,074	0
Trade, other receivables and prepayments	0	(3)
Deferred tax assets	3,782	0
	<u>5,856</u>	<u>17,072</u>
Current assets		
Inventories	0	425
Trust reimbursement asset	4,082	0
Trade and other receivables	0	1,599
Prepayments	0	78
Current tax receivable	212	0
Cash and cash equivalents	0	(65)
	<u>4,294</u>	<u>2,036</u>
Assets classified as held for sale	0	0
	<u>4,294</u>	<u>2,036</u>
Total assets	<u>10,150</u>	<u>19,108</u>
Current liabilities		
Trade, accruals and other payables	907	1,677
Group finance debt	11,135	(7,378)
Current tax payable	0	171
Provisions	4,795	283
	<u>16,837</u>	<u>(5,247)</u>
Liabilities associated with assets held for sale	0	0
	<u>16,837</u>	<u>(5,247)</u>
Non-current liabilities		
Other accruals and payables	2,985	(72)
Finance debt	0	300
Deferred tax liabilities	0	2,809
Provisions	5,974	2,206
	<u>8,959</u>	<u>5,243</u>
Total liabilities	<u>25,796</u>	<u>(4)</u>
Net assets	<u>(15,646)</u>	<u>19,112</u>
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.

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