



BP Exploration & Production, Inc.
Consolidated Financial Reports
3Q13

(Un-Audited)

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FINANCIAL HEADLINES

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Third quarter 2012	Second quarter 2013	Third quarter 2013	\$ million	Nine months 2013	Nine months 2012
1,778	456	1,803	Revenues for the period	4,061	5,984
(1,307)	(1,403)	(1,498)	Expenses for the period	(4,096)	(4,543)
470	(948)	305	Replacement cost operating profit (loss)	(35)	1,440
29	1,178	160	Net (favourable) unfavourable impact of non-operating items (a)	1,363	653
500	230	465	Underlying replacement cost operating profit (loss)	1,329	2,093

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

BP Exploration & Production, Inc. (BXP) reflects a third quarter replacement cost operating profit (RCOP) of \$305 million compared with \$470 million a year ago. For the first nine months, RCOP loss was \$(35) million compared with a profit of \$1,440 million for the same period last year.

The first nine month of the year reflect a non-operating loss of \$1,363 million which includes \$939 million reduction of prior year gains on asset disposal (primarily from a second quarter redistribution of gains to BP APC), GCRO charges and incremental provisions of \$225 million, Mad Dog Phase 2 asset impairment of \$131 million and the establishment of a \$68 million decommissioning liability for Kings Peak. After adjusting for non-operating items, the underlying replacement cost operating profit before interest and tax for the third quarter and first nine months of the year was \$465 million and \$1,329 million respectively, compared with \$500 million and \$2,093 million respectively, for the same periods last year. Reductions in underlying RCOP for the periods compared with last year are largely driven by lower production volumes.

As of the third quarter, the cumulative charges to be paid from the Trust, and the associated reimbursement asset recognized, amounted to \$19.3 billion. This represents a decrease of \$0.4 billion for the quarter which relates primarily to the de-recognition of provisions in respect of business economic loss claims processed by the DHCSSP but not yet paid which can no longer be measured reliably as a result of the decision of the US Court of Appeals for the Fifth Circuit (the Fifth Circuit) on 2 October 2013. No amount is provided for business economic loss claims not yet received, processed and paid by the DHCSSP. The DHCSSP has issued eligibility notices in respect of business economic loss claims amounting to \$1,029 million which have not yet been paid.

	30-Sep 2013	31-Dec 2012
\$ million		
Non-current assets	20,653	20,156
Current assets	5,872	7,695
Total assets	26,525	27,851
Current liabilities	11,881	12,185
Non-current liabilities	11,688	12,566
Total liabilities	23,568	24,751
Net assets	2,957	3,101

The BXP net asset position declined over the first nine months of the year to \$2,957 million. This decrease represents the first nine month of BXP net loss of \$(144) million.

INCOME STATEMENT

A profit of \$134 million was recognized in the third quarter of 2013 versus \$219 million for the same period last year. Production volumes were down 8% in the period versus last year but these declines were offset with higher liquid realizations resulting in similar revenue results. Third quarter 2013 was negatively impacted by impairments and exploration write-offs. GCRO generated a \$(79) million loss for the quarter due to on-going operating activity and tax charges.

For the first nine months of 2013, BPXP reflects a loss of \$(144) million versus a profit of \$607 million for the same period last year. The decrease is largely driven by 17% lower production volumes and a decline in liquid prices. Additionally, the redistribution of a prior year gain on asset disposals to BP APC contributed to current year reduced income.

Third quarter 2012	Second quarter 2013	Third quarter 2013	\$ million	Nine months 2013	Nine months 2012
1,726	1,451	1,733	Sales and other operating revenues	4,989	5,892
1	4	7	Interest and other income	12	31
50	(999)	63	Gains on sale of businesses and fixed assets	(939)	61
1,778	456	1,803	Total revenues and other income	4,061	5,984
340	341	418	Purchases	1,150	1,143
576	709	515	Production and other operating expenses	1,617	2,282
357	298	315	Depreciation, depletion and amortization	976	1,100
24	(1)	131	Impairment and losses on sale of assets	130	(116)
10	56	118	Exploration expense and write off	222	134
470	(948)	305	Profit (loss) before interest and taxation	(35)	1,440
5	7	7	Finance costs	23	25
465	(955)	298	Profit (loss) before taxation	(58)	1,415
246	(312)	165	Taxation	86	808
219	(643)	134	Profit (loss) for the period	(144)	607

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

BALANCE SHEET

The BPXP net asset position at third quarter 2013 is \$2,957 million which is down by \$(144) million from year end 2012. As of the end of third quarter 2013, BPXP held a Group finance debt of \$5,871 million (including the non-current portion) resulting in a gearing ratio of 67%. This gearing ratio is up from 61% in fourth quarter 2012 due to increased cash needs from the Group. Group funding has increased \$1,088 million since year end 2012. See cash flow analysis for key funding requirements.

	30-Sep 2013	31-Dec 2012
\$ million		
Non-current assets		
Fixed Assets	17,914	16,652
Trust reimbursement asset	2,286	2,264
Trade, other receivables and prepayments	(3)	(3)
Deferred tax assets	456	1,244
	20,653	20,156
Current assets		
Inventories	471	381
Trust reimbursement asset	2,860	4,178
Trade and other receivables	2,193	3,163
Prepayments	39	36
Current tax receivable	387	0
Cash and cash equivalents	(79)	(62)
	5,872	7,695
Total assets	26,525	27,851
Current liabilities		
Trade, accruals and other payables	2,580	1,778
Group finance debt	5,571	4,483
Current tax payable	0	357
Provisions	3,731	5,568
	11,881	12,185
Non-current liabilities		
Other accruals and payables	2,905	29
Group finance debt	300	300
Deferred tax liabilities	0	0
Provisions	8,482	12,237
	11,688	12,566
Total liabilities	23,568	24,751
Net assets	2,957	3,101

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

CASH FLOW

BPXP cash flow for the third quarter was \$(1,838) million, compared to \$(1,310) million for the same period last year. For the first nine months of the year, cash flow was \$(1,088) million versus \$(2,419) million for the same

In the third quarter of 2013, the redistribution of prior year gains on asset disposals (P&L impacts were mostly recorded in the second quarter) was settled via a funds transfer to BP APC thus, creating a large cash outflow through the "Movement in debtors and creditors" category. Additionally, GoM receivable balances increased during the third quarter which negatively impacted current period cash flows.

During the first three quarters 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.

Third quarter 2012	Second quarter 2013	Third quarter 2013	\$ million	Nine months 2013	Nine months 2012
			Operating Activities		
462	(960)	292	Profit (loss) before taxation	(74)	1,405
340	332	413	DD&A and exploration write off	1,135	1,153
(26)	998	69	Impairment and loss (gain) on asset sale	1,070	(177)
12	13	13	Finance and Interest	39	39
544	1,391	(508)	Net charge for provisions, less payments	1,188	1,214
(23)	(16)	(29)	Movement in stocks and inventories	(91)	(126)
(2,429)	(1,131)	(1,468)	Movement in debtors and creditors	(2,162)	(4,784)
(104)	51	268	Income taxes paid	(43)	89
(1,224)	677	(950)	Net cash provided by operating activities	1,062	(1,187)
			Investing Activities		
(692)	(776)	(887)	Capital expenditure	(2,331)	(1,838)
605	123	0	Proceeds from disposals	182	606
(86)	(652)	(887)	Net cash used in investing activities	(2,150)	(1,232)
(1,310)	25	(1,838)	Net Cash Flow	(1,088)	(2,419)

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

FORWARD VIEW

Based on the GoM Region and GCRO mid 4Q GFO and Plan 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 of \$(129) million will reduce the BPXP net asset position and contribute to moving the gearing ratio to 67%. 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.

A GCRO expected loss of \$(117) million in 2014 reflects functional costs of the ongoing GCRO organization. Certain items which could impact P&L are not estimable at this time, as noted below. GoM Region generated profit is expected to grow in 2014 on the strength of increased production, while 2013 is negatively impacted by the gain redistribution. The 2014 GCRO net cash outflows for operations and settlement payments will exceed the recapture of the deferred tax asset. 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	(334)	(117)
GoM RBU Profit for the Period	205	1,029
Total Profit for the Period	(129)	912
Net Asset Position	2,972	3,883
GCRO operations and settlements	(1,247)	(1,257)
GCRO net tax monetization	2,904	1,000
GoM RBU from operations	88	2,652
GoM RBU capital expenditures	(3,021)	(3,305)
Total Net cash flow, post Tax	(1,276)	(910)
Gearing Ratio	67%	64%

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, processed or paid 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 September 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

3Q13 GCRO	3Q13 BPXP Other		3Q13 YTD GCRO	3Q13 YTD BPXP Other
		\$ million		
0	1,733	Sales and other operating revenues	0	4,989
0	7	Interest and other income	1	12
0	63	Gains on sale of businesses and fixed assets	0	(939)
0	1,803	Total revenues and other income	1	4,061
0	418	Purchases	0	1,150
22	492	Production and other operating expenses	225	1,392
0	315	Depreciation, depletion and amortization	0	976
0	131	Impairment and losses on sale of assets	0	130
0	118	Exploration expense and write off	0	222
(22)	328	Profit (loss) before interest and taxation	(225)	190
10	(4)	Finance costs	32	(9)
(33)	331	Profit (loss) before taxation	(256)	199
46	119	Taxation	15	72
(79)	213	Profit (loss) for the period	(271)	128

Cash Flow

3Q13 GCRO	3Q13 BPXP Other		3Q13 YTD GCRO	3Q13 YTD BPXP Other
		\$ million		
		Operating Activities		
(33)	325	Profit (loss) before taxation	(256)	183
0	413	DD&A and exploration write off	0	1,135
0	69	Impairment and loss (gain) on asset sale	0	1,070
10	3	Finance and Interest	29	10
(576)	69	Net charge for provisions, less payments	1,119	69
0	(29)	Movement in stocks and inventories	0	(91)
367	(1,835)	Movement in debtors and creditors	(1,892)	(270)
379	(111)	Income taxes paid	2,492	(2,535)
146	(1,097)	Net cash provided by operating activities	1,492	(430)
		Investing Activities		
0	(887)	Capital expenditure	0	(2,331)
0	0	Proceeds from disposals	0	182
0	(887)	Net cash used in investing activities	0	(2,150)
146	(1,984)	Net Cash Flow	1,492	(2,580)

APPENDIX A, continued

Balance Sheet

This segregated balance sheet reflects some balances differently from the BPXP consolidated balance sheet 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.

	3Q13 GCRO	3Q13 BPXP Other
\$ million		
Non-current assets		
Fixed Assets	0	17,914
Trust reimbursement asset	2,286	0
Trade, other receivables and prepayments	0	(3)
Deferred tax assets	2,989	0
	<u>5,275</u>	<u>17,911</u>
Current assets		
Inventories	0	471
Trust reimbursement asset	2,860	0
Trade and other receivables	0	2,192
Group finance contribution	0	5,441
Prepayments	0	39
Current tax receivable	410	0
Cash and cash equivalents	0	(79)
	<u>3,271</u>	<u>8,065</u>
Assets classified as held for sale	0	0
	<u>3,271</u>	<u>8,065</u>
Total assets	<u>8,545</u>	<u>25,976</u>
Current liabilities		
Trade, accruals and other payables	853	1,726
Group finance debt	11,011	0
Current tax payable	0	23
Provisions	3,437	294
	<u>15,302</u>	<u>2,043</u>
Liabilities - assets held for sale	0	0
	<u>15,302</u>	<u>2,043</u>
Non-current liabilities		
Other accruals and payables	2,977	(72)
Finance debt	0	300
Deferred tax liabilities	0	2,532
Provisions	6,154	2,328
	<u>9,131</u>	<u>5,089</u>
Total liabilities	<u>24,433</u>	<u>7,131</u>
Net assets	<u>(15,887)</u>	<u>18,844</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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Note:

BPXP second quarter and third quarter 2013 results, as presented, have been manually adjusted to take into account an adjustment related to the asset disposal gain redistribution. While the adjustment is reflected in the 2Q13 results,

the actual adjustment was recorded within the ledger in 3Q13 and subsequently, the 3Q13 results are manually adjusted to reverse the effect.