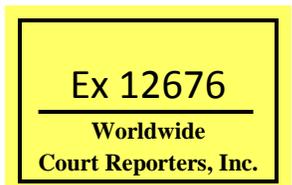


**BP Exploration and Production, Inc.**  
**Consolidated Financial Statements**  
**2Q12**

**(Un-Audited)**



IFRS Un-Audited Financial Statement \$m usd	BPXP	BPXP	BPXP
	Consolidated YTD 2Q12	Consolidated YTD 1Q12	Consolidated 2Q12 Activity
Sales and Other Operating Rev	(\$4,166)	(\$2,428)	(\$1,738)
Interest and Other Revenues	(\$30)	(\$29)	(\$0)
Profit on Sale or Termination	(\$11)	\$0	(\$11)
<b>TOTAL REVENUES AND OTHER INCOME</b>	<b>(\$4,206)</b>	<b>(\$2,456)</b>	<b>(\$1,750)</b>
Purchases	\$803	\$501	\$302
Production and Other Operating Expense	\$1,706	\$398	\$1,307
Exploration Expense	\$55	\$26	\$29
Depreciation	\$743	\$465	\$278
Exploration Write-Off	\$70	\$14	\$56
Impairment	(\$141)	\$0	(\$141)
Loss on Sale or Termination	\$1	\$0	\$1
<b>EXPENSE</b>	<b>\$3,236</b>	<b>\$1,404</b>	<b>\$1,832</b>
<b>(PROFIT)/LOSS BEFORE INTEREST AND TAX</b>	<b>(\$970)</b>	<b>(\$1,052)</b>	<b>\$82</b>
Finance Costs	\$20	\$14	\$6
Current Tax	\$55	(\$127)	\$183
Deferred Tax	\$506	\$518	(\$12)
<b>(PROFIT)/LOSS</b>	<b>(\$388)</b>	<b>(\$647)</b>	<b>\$259</b>
Decommissioning Asset	\$2,525	\$2,753	(\$228)
Property, Plant and Equipment	\$10,376	\$11,469	(\$1,093)
Exploration Assets	\$3,414	\$3,230	\$183
Investments	\$0	\$0	\$0
Non-Current Receivables/Prepayments	\$4,178	\$4,877	(\$699)
<b>NON-CURRENT ASSETS</b>	<b>\$20,493</b>	<b>\$22,330</b>	<b>(\$1,837)</b>
Cash	(\$49)	(\$41)	(\$8)
Inventory	\$310	\$262	\$48
Current Receivables	\$5,587	\$5,476	\$111
Current Group Receivables	\$2,364	\$5,276	(\$2,912)
Current Prepayments/Accrued Income	\$101	\$57	\$44
<b>CURRENT ASSETS</b>	<b>\$8,313</b>	<b>\$11,030</b>	<b>(\$2,717)</b>
Current Payables	(\$3,568)	(\$4,750)	\$1,182
Current Group Payables	(\$9,278)	(\$10,924)	\$1,647
Current Provisions	(\$6,587)	(\$6,114)	(\$473)
<b>CURRENT LIABILITIES</b>	<b>(\$19,433)</b>	<b>(\$21,789)</b>	<b>\$2,356</b>
Non-Current Group Payables	(\$300)	(\$300)	\$0
Non-Current Payables	(\$19)	(\$19)	\$1
Deferred Tax Liabilities	\$4,595	\$4,583	\$12
Non-Current Provisions	(\$11,436)	(\$12,617)	\$1,181
<b>NON-CURRENT LIABILITIES</b>	<b>(\$7,159)</b>	<b>(\$8,353)</b>	<b>\$1,193</b>
Net Assets Held for Sale	\$748	\$0	\$748
<b>NET ASSETS</b>	<b>\$2,961</b>	<b>\$3,219</b>	<b>(\$258)</b>
<b>Retained Earnings</b>	<b>\$16,748</b>	<b>\$16,748</b>	<b>\$0</b>
<b>Share Capital</b>	<b>(\$19,320)</b>	<b>(\$19,320)</b>	<b>\$0</b>
<b>Group Dividends</b>	<b>\$0</b>	<b>(\$0)</b>	<b>\$0</b>

## PROFIT/LOSS

Profit for the year 2012 is \$388m with 2Q12 resulting in a loss \$(259)m versus a profit in 1Q12. This quarter's reduction is primarily a result of additional GCRO charges, primarily Legal costs and other Litigation matters. In addition, lower production volumes driven by asset turnarounds and impacts of tropical storm Debby contributed. GCRO recognized a \$734m loss this quarter versus \$0 in 1Q12. The production decrease did reduce the depreciation charge and the P&L benefited from an asset write-back (impairment) on properties held for sale. For the first half of 2012, approximately \$2.2b of Sales and Operating Revenues were generated by Verano assets.

## NON-CURRENT ASSETS

Non-current assets have decreased primarily based on a re-class of net assets for Marlin, Horn Mountain, Holstein, Diana-Hoover and Ram Powell to Assets Held for Sale. Capex of \$0.5b for the quarter was partially offset with the depreciation charge. The long-term portion of the Trust reimbursement asset was decreased by \$(0.7)b reflecting the movement of the Trust reimbursement asset from long term to short term for the elapsed quarter time period which, subsequently, was paid for claims and settlements thus, reducing the amount of the overall reimbursement asset.

## CURRENT ASSETS / CURRENT LIABILITIES

Current Group Receivable is down \$(2.9)b but should be viewed with the change in Current Group Payable decrease of \$1.6b for a net Group change of \$(1.3)b. This was largely driven by the reduced liabilities from Current Payables related to the quarterly funding (by Group) of the \$1.3b Trust contribution which fundamentally shifts the liability from the Trust to NAFCO when NAFCO funds the Trust on BXP's behalf.

## NON-CURRENT LIABILITIES

The deferred tax recovery is limited by the overall domestic loss (ODL) adjustments which have been pushed through GCRO. Provision change primarily reflects a normal quarterly shift from long term to short term based on elapsed time, the classification of liability to Assets Held for Sale as well as the utilization of the provision, partially offset with provision increases related to Legal costs and Litigation.

## PROVISION SCHEDULE

\$m usd	BPXP	BPXP	BPXP
	Consolidated	Consolidated	Consolidated
Provision Schedule	YTD 2Q12	YTD 1Q12	2Q12 Activity
GCRO Environmental (incl Spill Resp)	(\$1,797)	(\$1,876)	\$78
GCRO Litigation/Claims	(\$9,631)	(\$9,555)	(\$76)
GCRO Other	(\$3,510)	(\$3,510)	\$0
Gom Decommissioning	(\$3,084)	(\$3,790)	\$706
	<b>(\$18,023)</b>	<b>(\$18,731)</b>	<b>\$708</b>

The BPXP balance sheet net asset position of \$3.0b at 2Q12 can be presented in the following manner to represent the GCRO impact on the financials.

<b>\$b usd IFRS</b>	<b>BPXP GCRO</b>	<b>BPXP Other</b>	<b>TOTAL</b>
Fixed Assets	\$0.0	\$16.3	\$16.3
Net Assets for Sale	\$0.0	\$0.7	\$0.7
Group Cash Funding	(\$11.3)	\$3.2	(\$8.2)
Group Working Capital	\$0.0	\$0.9	\$0.9
Other Working Capital	(\$0.3)	(\$0.3)	(\$0.5)
Tax Payable/Receivable	\$0.0	(\$0.1)	(\$0.1)
Reimburse Asset	\$9.3	\$0.0	\$9.3
Provisions	(\$14.9)	(\$3.1)	(\$18.0)
Trust Payable	(\$2.1)	\$0.0	(\$2.1)
Deferred Tax	\$7.3	(\$2.7)	\$4.6
<b>Net Assets</b>	<b>(\$12.0)</b>	<b>\$15.0</b>	<b>\$3.0</b>

The BPXP consolidated financial results for 2Q12 indicate a net asset position of \$3.0b with the GCRO portion generating a negative net asset position of \$(12.0)b, indicative of the post-tax P&L loss incurred for the GCRO operating entity partially offset with a BP APC capital contribution of \$13.9b. BPXP Other is predominantly GoM RBU which shows positive net assets of \$15.0b.

The working capital balances for the entities include Group Cash Funding (from) or cash contributions to the Group as these cash payments for expenses/investments and cash receipts for revenue/recoveries are managed by a central BP entity. The GCRO portion of the Group Cash Funding is positively impacted by the BP APC capital contribution made in 1Q12.

This Group Cash Funding represents financing thus, the gearing ratio for the BPXP entity is calculated at 73%.

There are 2 UK entities operating within GoM RBU which are not part of the BPXP legal entity.

The schedule below provides a forward view of BPXP net asset/equity positions for year ending 2012 and 2013, based on latest GFO and LTP information. As of 2Q12, the equity position stands at \$3.0b while expected post-tax profit for the second half of 2012 should generate another \$0.6b of equity. Current estimates of post-tax profit in 2013 should increase BPXP equity by another \$2.8b.

<b>\$b usd IFRS</b>	<b>4Q11</b>	<b>4Q12</b>	<b>4Q13</b>
Fixed Assets	\$17.2	\$17.5	\$21.3
Group Cash Funding	(\$21.0)	(\$10.4)	(\$6.8)
Working Capital	\$1.3	\$2.0	\$0.3
Reimburse Asset	\$9.9	\$6.1	\$1.8
Provisions	(\$19.1)	(\$13.7)	(\$9.3)
Trust Payable	(\$4.9)	\$0.0	\$0.0
Deferred Tax	\$5.1	\$2.0	(\$1.0)
<b>BPXP Total Net Assets</b>	<b>(\$11.3)</b>	<b>\$3.6</b>	<b>\$6.4</b>

The GoM RBU SMOG information from YE 2011 would indicate that, post 2013, discounted cash flows (10%) would contribute another \$24.1b to the ultimate equity position.

The schedule above does not take into account any A&D activity. A reported post-tax gain on divestments would increase BPXP's equity position for that transaction while future post-tax income from any divested assets would forego future equity growth.

The 2Q12 balance sheet currently holds liabilities of \$(3.5)b for Clean Water Act fines. Additionally, a remaining \$(2.9)b of additional Trust headroom remains as of 2Q12 which, while already expensed through the P&L, has not been specifically identified to any particular liability therefore, can be used to cover any incremental provision related to payments which could be made from the Trust.

Gearing ratios, noted previously at 73% as of 2Q12, would remain at around 73% through 2012, but improve to 51% by end of 2013 due to the equity improvements from on-going profits. The primary reason the ratio does not decline by end of 2012 is based on the assumption that a large recovery from the deferred tax unwind, expected in 4Q12, will remain as BPXP working capital (debtor) at year end and will monetize for cash purposes, thus reducing our Group Cash Funding, in 1Q13.

The BPXP forward view consolidated financial results are subject to various sensitivities, with a large sensitivity to price. The forward results presented are based on the following price assumptions:

	GFO2Q <b>2012</b>	LTP <b>2013</b>	2011 SMOG <b>Beyond</b>
Oil Realizations	\$103.57	\$96.64	\$106.85
NGL Realizations	\$ 42.53	\$47.64	\$ 51.67
Gas Realizations	\$ 2.00	\$ 4.74	\$ 3.89

For a change in Realizations, annual RCOP would change by approximately the following amounts. This would represent a change in equity:

<b>\$b USD IFRS</b>	GFO1Q <b>2012</b>
Headline RCOP Sensitivities	\$ 0.7
+/- \$10/bbl. Oil	

+/- \$ 1/mcf. HH

\$ 0.1

The schedule below shows the cash flow for BPXP for the quarter's year to date with the last column reflecting the 2Q12 activity. Year to date cash flow through 2Q12 was a negative \$(1.1)b which required additional funding from Group Financing. GCRO portion of BPXP required an incremental \$2.4b in Group Financing primarily due to the quarterly Trust funding requirements. This quarterly Trust funding generates a negative cash outflow in Debtors/Creditors as the liability is relieved. Other funding requirements for GCRO activities have been mostly offset with tax recoveries as deferred taxable losses are being realized. BPXP Other generated positive cash flows from Operating Activities of over \$2.4b but \$1.1b was re-invested in Capex thus, providing a net \$1.3b contribution back to the Group.

IFRS Un-Audited Financial Statement \$m usd	BPXP Consolidated YTD 2Q12	BPXP Consolidated YTD 1Q12	BPXP Consolidated 2Q12 Activity
Profit (Loss) before Taxation	\$943	\$1,033	(\$90)
Exploration Expenditure Write Off	\$70	\$14	\$56
Depreciation	\$743	\$465	\$278
Impairment and Gain/Loss on Sale	(\$151)	\$1	(\$152)
Finance and Interest	\$20	\$10	\$10
Charge for Provisions, less payments	\$670	\$85	\$585
Stocks and Inventory	(\$103)	(\$56)	(\$48)
Change in Debtors / Creditors	(\$2,366)	(\$1,178)	(\$1,188)
Income Taxes Paid	\$193	\$56	\$137
<b>Net Cash from Operating Activities</b>	<b>\$18</b>	<b>\$429</b>	<b>(\$411)</b>
Capital Expenditure	(\$1,053)	(\$579)	(\$475)
Adjs to Capex - Non Cash Move	(\$85)	(\$42)	(\$43)
Proceeds from Disposals	\$0	(\$1)	\$1
<b>Net Cash for Investing Activities</b>	<b>(\$1,138)</b>	<b>(\$622)</b>	<b>(\$517)</b>
<b>TOTAL CASH FLOW</b>	<b>(\$1,120)</b>	<b>(\$192)</b>	<b>(\$928)</b>
<b>BPXP GCRO Cash Flow</b>	<b>(\$2,429)</b>	<b>(\$1,287)</b>	<b>(\$1,143)</b>
<b>BPXP Other Cash Flow</b>	<b>\$1,309</b>	<b>\$1,094</b>	<b>\$215</b>

## APPENDIX A – Legal Structure

The consolidated BP Exploration and Production, Inc. (BPXP) is the primary legal entity with 3 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%
						<b>BP Exploration &amp; Production Inc.</b>		BP America Production Company, 100%	USA	100%
						BP Amoco Deepwater Partnership		BP Exploration & Production Inc., 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 RBU and GCRO. Additionally, GoM RBU and GCRO also have activities in legal entities outside of BPXP. There is approximately 11% of GoM RBU activity held within Gulf UK entities. This approximate % has been excluded from the GoM RBU forward GFO/LTP views to provide an approximate financial result for just the BPXP results.

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