

BP Exploration & Production Inc.
Consolidated Financial Reports
3Q14

(Un-Audited)

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FINANCIAL HEADLINES

Third quarter 2013	Second quarter 2014	Third quarter 2014	\$ million	Nine Months 2014	Nine Months 2013
1,803	2,298	2,401	Revenues for the period	6,667	4,061
(1,498)	(1,992)	(1,568)	Expenses for the period	(5,003)	(4,096)
305	307	833	Replacement cost profit (loss)	1,664	(35)
			Net (favourable) unfavourable impact		
160	383	(43)	of non-operating items (a)	372	1,363
465	690	790	Underlying replacement cost profit (loss)	2,036	1,329

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

Third quarter replacement cost operating profit (RCOP) was \$833 million compared with a \$305 million a year ago. For the nine months, RCOP was \$1,664 million compared with a loss of \$(35) million in 2013.

Third quarter 2014 RCOP includes a non-operating gain (NOI) of \$43 million primarily from reversal of the King's Peak decommissioning provision and the annual re-charge of some Incident costs to the UK (certain Incident costs are deemed to support non-US activity thus, Tax supports a re-charge to the UK). These NOI gains were partially offset with \$32 million of third quarter Incident charges. After adjusting for NOIs, third quarter and nine month's underlying replacement cost operating profit was \$790 million and \$2,036 million, respectively, compared with \$465 million and \$1,329 million for the same periods last year.

As of third quarter 2014, the cumulative charges to be paid from the Deepwater Horizon Oil Spill trust fund reached \$20 billion. Subsequent additional costs, over and above those provided within the \$20 billion, will be charged to the income statement as they arise. Cash flow will not be affected until available Trust cash balances of \$4.9 billion have been fully exhausted. No reliable estimate can currently be made of any business economic loss claims not yet received, processed and paid, except where an eligibility notice has been issued and is not subject to further appeal by BP within the claims facility.

	30-Sep 2014	31-Dec 2013
\$ million		
Non-current assets	22,561	20,815
Current assets	3,599	4,436
Total assets	26,161	25,251
Current liabilities	5,678	10,340
Non-current liabilities	16,319	11,669
Total liabilities	21,996	22,009
Net assets	4,164	3,241

The BP Exploration & Production Inc. (BXP) net asset position improved to \$4,164 million from \$3,241 million at year end 2013. This increase represents year to date net income of \$923 million.

INCOME STATEMENT

Third quarter net income was \$450 million versus \$134 million for the same period last year. Production volumes are up 39% for this comparative period. The current quarter results reflect lower Production and other operating expense, primarily from King's Peak decommissioning provision reversal (\$68 million), Incident charge outs to the UK (\$38 million) and lower well work costs.

For the nine months of 2014, net income was \$923 million versus a loss of \$(144) million for the same period last year. The increase is largely driven by 37% higher production versus the same period last year and the absence of a redistributed asset disposal gain in 2013.

The effective tax rate for the nine months of 2014 was 42%, reflecting a current quarter deferred tax reconciliation adjustment from BP Tax.

Third quarter 2013	Second quarter 2014	Third quarter 2014	\$ million	Nine Months 2014	Nine Months 2013
1,733	2,274	2,391	Sales and other operating revenues	6,625	4,989
7	(3)	3	Interest and other income	8	12
63	28	7	Gains on sale of businesses and fixed assets	34	(939)
1,803	2,298	2,401	Total revenues and other income	6,667	4,061
418	536	574	Purchases	1,584	1,150
515	915	361	Production and other operating expenses	1,748	1,617
315	507	546	Depreciation, depletion and amortization	1,440	976
131	2	0	Impairment and losses on sale of assets	7	130
118	32	88	Exploration expense and write off	225	222
305	307	833	Profit (loss) before interest and taxation	1,664	(35)
7	24	24	Finance costs	74	23
298	282	809	Profit (loss) before taxation	1,590	(58)
165	125	359	Taxation	667	86
134	158	450	Profit (loss) for the period	923	(144)

See Appendix A for additional information on impacts of GCRO on BXP results.

BALANCE SHEET

As of third quarter 2014, the BPXP net asset position is \$4,164 million, up by \$923 million from year end 2013. BPXP held a Group funding (current) and Group finance debt (non-current) of \$4,689 million resulting in a gearing ratio of 53%, down from 60% at fourth quarter 2013.

BP Products North America Inc. (BPPNA) holds preferential shares in BPXP as part of a post-merger rationalization in 2001, the terms of which require that a dividend be paid on a quarterly basis. These dividends have been deferred since second quarter 2010 and therefore have accrued at a rate of just over \$120 million per quarter to a total of \$2.163 billion. Dividends on preferred stock, whether cumulative or noncumulative, do not accrue to the shareholders until declared by the directors and should be recorded only when declared.

In its decision on 4 September 2014 in the Trial of Phase 1 of MDL 2179, the federal district court in New Orleans ruled that under the US Clean Water Act, the discharge of oil was the result of the gross negligence and wilful misconduct of BPXP and that BPXP is therefore subject to enhanced civil penalties. BP intends to appeal this ruling. For the reasons described in Note 2 of the SEA, no adjustment has been made to the provision previously recognized for the liability under the Clean Water Act.

\$ million	30-Sep 2014	31-Dec 2013
Non-current assets		
Fixed Assets	19,275	18,376
Trust reimbursement asset	3,289	2,442
Trade, other receivables and prepayments	(3)	(3)
	22,561	20,815
Current assets		
Inventories	477	470
Trust reimbursement asset	1,565	2,457
Trade and other receivables	1,516	1,488
Prepayments	41	21
	3,599	4,436
Total assets	26,161	25,251
Current liabilities		
Trade, accruals and other payables	2,303	2,705
Net Group funding *	1,289	4,476
Current tax payable	(73)	(139)
Provisions	2,159	3,299
	5,678	10,340
Non-current liabilities		
Other accruals and payables	2,625	3,074
Group finance debt	3,400	300
Deferred tax liabilities	708	(176)
Provisions	9,586	8,471
	16,319	11,669
Total liabilities	21,996	22,009
Net assets	4,164	3,241

*Group funding includes NAFCO financing and BP Company NA working capital.

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

CASH FLOW

Third quarter 2014 cash flows were \$313 million. Provisions and working capital movements reflect a net cash outflow primarily related to Incident spend against provisions, a net build in receivables (mainly with BPAPC) and a net draw down of payables.

For the nine months of 2014, cash flow was \$88 million. The year to date result was negatively impacted by plea agreement payments of \$565 million in the first quarter, Incident related spend against provisions of \$287 million and other working capital movements.

Third quarter 2013	Second quarter 2014	Third quarter 2014	\$ million	Nine Months 2014	Nine Months 2013
			Operating Activities		
292	278	804	Profit (loss) before taxation	1,578	(74)
413	515	617	DD&A and exploration write off	1,610	1,135
69	(26)	(7)	Impairment and loss (gain) on asset sale	(27)	1,070
13	16	16	Finance and Interest	48	39
(508)	115	517	Net charge for provisions, less payments	535	1,188
(29)	(13)	(6)	Movement in stocks and inventories	(7)	(91)
(1,468)	(84)	(993)	Movement in debtors and creditors	(1,689)	(2,162)
268	(81)	229	Income taxes paid	283	(43)
(950)	720	1,178	Net cash provided by operating activities	2,330	1,062
			Investing Activities		
(887)	(828)	(869)	Capital expenditure	(2,525)	(2,331)
0	29	4	Proceeds from disposals	282	182
(887)	(799)	(865)	Net cash used in investing activities	(2,243)	(2,150)
(1,838)	(79)	313	Net Cash Flow	88	(1,088)

See Appendix A for additional information on impacts of GCRO on BXP results.

FORWARD VIEW

BPXP forecasts cannot be reliably estimated because of obligations that cannot be reliably estimated at this time; however it is possible to estimate BPXP outcomes excluding those items that cannot be reliably estimated. Those forecasts, based on the GoM Region and GCRO 3Q 2014 GFO submissions, are reflected in the table below. A more recent forecast reflecting changing market conditions is not yet available. 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. Additionally, estimates for tax impacts have been included, assuming a 35% effective tax rate.

Current year profit is forecast to be positive which will build equity and improve the net asset position of the company. Cash flows are projected to be slightly positive in 2014. In 2014, over 80% of GCRO operational payments will cover fines, legal costs and litigation matters. GoM Region cash from operations are expected to slightly exceed capital expenditures. The 2013 GoM Region SMOG information indicates that post-2014 discounted (10%) cash flows of proved reserves are \$20.2 billion, using the 89% estimate for BPXP impacts.

\$ million	2014
GCRO Profit (Loss) for the Period	(300)
GoM RBU Profit (Loss) for the Period	1,607
Total Profit for the Period	<u>1,306</u>
Net Asset Position	<u>4,548</u>
GCRO operations	(1,253)
GCRO net tax monetization	1,226
GoM RBU from operations	3,174
GoM RBU capital / proceeds	(3,138)
Total Net cash flow, post Tax	<u>8</u>

BP considers that it is not possible, at this time, to measure reliably other obligations arising from the Incident, namely any obligation in relation to natural resource damages claims or associated legal costs (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 including as set out in Legal proceedings in the BP Annual Report and Form 20-F 2013 the third quarter 2014 Stock Exchange Announcement (SEA), the cost of business economic loss claims under the PSC settlement not yet received, processed and paid by the DHCSSP (except where an eligibility notice has been issued and is not subject to further appeal by BP within the claims facility), any further obligation that may arise from state and local government submissions under OPA 90, any obligation that may arise from securities-related litigation, and any obligation in relation to other potential private or governmental litigation, fines or penalties (except for the Clean Water Act penalties provided for as a reliable estimate of the liability in the event of a finding of negligence rather than gross negligence or wilful misconduct and State and Local Claims as described in the SEA), nor is it practicable to estimate their magnitude or possible timing of payment.

The magnitude and timing of all possible obligations in relation to the Gulf of Mexico oil spill continue to be subject to a very high degree of uncertainty.

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 Plc. including miscellaneous 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

3Q14 BPXP Other	3Q14 GCRO	\$ million	3Q14 YTD GCRO	3Q14 YTD BPXP Other
2,391	0	Sales and other operating revenues	0	6,625
3	0	Interest and other income	0	8
7	0	Gains on sale of businesses and fixed assets	0	34
<u>2,401</u>	<u>0</u>	Total revenues and other income	<u>0</u>	<u>6,667</u>
574	0	Purchases	0	1,584
367	(6)	Production and other operating expenses	429	1,319
546	0	Depreciation, depletion and amortization	0	1,440
0	0	Impairment and losses on sale of assets	0	7
88	0	Exploration expense and write off	0	225
<u>827</u>	<u>6</u>	Profit (loss) before interest and taxation	<u>(429)</u>	<u>2,093</u>
14	10	Finance costs	31	43
<u>813</u>	<u>(4)</u>	Profit (loss) before taxation	<u>(459)</u>	<u>2,050</u>
404	(45)	Taxation	(182)	850
<u>409</u>	<u>41</u>	Profit (loss) for the period	<u>(277)</u>	<u>1,200</u>

Cash Flow

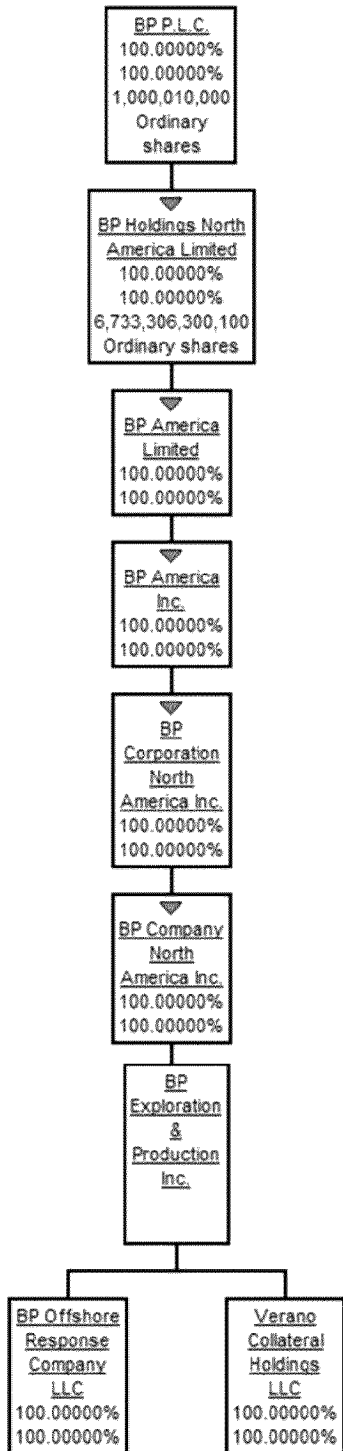
3Q14 BPXP Other	3Q14 GCRO	\$ million	3Q14 YTD GCRO	3Q14 YTD BPXP Other
		Operating Activities		
808	(4)	Profit (loss) before taxation	(459)	2,038
617	0	DD&A and exploration write off	0	1,610
(7)	0	Impairment and loss (gain) on asset sale	0	(27)
7	9	Finance and Interest	29	19
(68)	585	Net charge for provisions, less payments	603	(68)
(6)	0	Movement in stocks and inventories	0	(7)
(324)	(669)	Movement in debtors and creditors	(1,281)	(408)
<u>(223)</u>	<u>452</u>	Income taxes paid	<u>890</u>	<u>(607)</u>
<u>804</u>	<u>374</u>	Net cash provided by operating activities	<u>(218)</u>	<u>2,548</u>
		Investing Activities		
(869)	0	Capital expenditure	0	(2,525)
4	0	Proceeds from disposals	0	282
<u>(865)</u>	<u>0</u>	Net cash used in investing activities	<u>0</u>	<u>(2,243)</u>
<u>(61)</u>	<u>374</u>	Net Cash Flow	<u>(218)</u>	<u>305</u>

APPENDIX A, continued

Balance Sheet

	3Q14	
	GCRO	BPXP Other
\$ million		
Non-current assets		
Fixed Assets	0	19,275
Trust reimbursement asset	3,289	0
Trade, other receivables and prepayments	0	(3)
	<u>3,289</u>	<u>19,272</u>
Current assets		
Inventories	0	477
Trust reimbursement asset	1,565	0
Trade and other receivables	0	1,516
Prepayments	0	41
	<u>1,565</u>	<u>2,034</u>
Total assets	<u>4,854</u>	<u>21,306</u>
Current liabilities		
Trade, accruals and other payables	653	1,650
Net Group funding	10,932	(9,643)
Current tax payable/(receivable)	(336)	263
Provisions	1,923	236
	<u>13,172</u>	<u>(7,494)</u>
Non-current liabilities		
Other accruals and payables	2,570	54
Group Finance debt	0	3,400
Deferred tax liabilities/(asset)	(1,995)	2,703
Provisions	7,323	2,263
	<u>7,899</u>	<u>8,420</u>
Total liabilities	<u>21,071</u>	<u>926</u>
Net assets	<u>(16,216)</u>	<u>20,380</u>
Retained Earnings	(29,855)	13,776
Share Capital	13,916	5,404

APPENDIX B – Legal Structure



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 activity in legal entities outside of BPXP. Approximately 11% of GoM Region activity is owned outside of BPXP. This approximate % has been excluded from any GoM Region forward GFO views to provide an approximate financial result for just the BPXP results.

BP Company North America Inc. became the direct parent of BP Exploration and Production Inc. effective January 1, 2014. Previously, BPAPC was the direct parent of BPXP.