

BP Exploration & Production, Inc.
Consolidated Financial Reports
4Q13

(Un-Audited)

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FINANCIAL HEADLINES

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Worldwide
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Fourth quarter 2012	Third quarter 2013	Fourth quarter 2013	\$ million	Year 2013	Year 2012
6,889	1,803	1,877	Revenues for the period	5,938	12,873
(5,015)	(1,498)	(1,440)	Expenses for the period	(5,536)	(9,558)
1,875	305	437	Replacement cost operating profit (loss)	402	3,315
(1,024)	160	22	Net (favourable) unfavourable impact of non-operating items (a)	1,385	(371)
850	465	459	Underlying replacement cost operating profit (loss)	1,787	2,944

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

BP Exploration & Production, Inc. (BPXP) reflects a fourth quarter replacement cost operating profit (RCOP) of \$437 million compared with \$1,875 million for the same period a year ago. For the full year 2013, RCOP profit was \$402 million compared with \$3,315 million for 2012.

The full year 2013 reflects a non-operating loss of \$1,385 million which includes a \$936 million reduction of prior year gains on asset disposal, primarily from a second quarter redistribution of gains to BP APC. Also contributing to this non-operating loss are GCRO functional charges and incremental provisions of \$316 million, Mad Dog Phase 2 asset impairment of \$131 million, Europa asset impairment reversal of \$(66) 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 fourth quarter and full year 2013 was \$459 million and \$1,787 million respectively, compared with \$850 million and \$2,944 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 and lower realizations.

As of yearend 2013, the cumulative charges to be paid from the Trust, and the associated reimbursement asset recognized, amounted to \$19.3 billion. No amount is provided for business economic loss claims not yet received, processed and paid by the DHCSSP. The DHCSSP has issued eligibility notices, disputed by BP, in respect of business economic loss claims of \$1,019 million which have not yet been paid. Furthermore, a significant number of business economic loss claims have been received but have not yet been processed, and further claims are likely to be received. Excluding \$1.2 billion not yet distributed from the Seafood Fund, over \$5.5 billion of available cash is remaining in the Trust with \$0.9 billion earmarked for NRD Early Restoration.

\$ million	Year 2013	Year 2012
Non-current assets	20,815	20,674
Current assets	5,344	7,971
Total assets	26,159	28,645
Current liabilities	11,248	12,703
Non-current liabilities	11,669	12,842
Total liabilities	22,917	25,545
Net assets	3,241	3,101

The BPXP net asset position improved over the year to \$3,241 million. This increase represents the full year BPXP net income of approximately \$141 million.

INCOME STATEMENT

A profit of \$285 million was recognized in the fourth quarter of 2013 versus a loss of \$(79) million for the same period last year. Compared to fourth quarter 2012, production volumes were down 10% and liquid realizations were down 7%. After adjusting for the effects of divestments, fourth quarter 2013 underlying production increased by 15% compared to the same period last year.

For the full year 2013, BPXP reflects a profit of \$141 million versus \$528 million for the same period last year. The decrease was impacted by 15% lower production volumes and a decline in liquid prices. After adjusting for the effects of divestments, underlying production increased by 8%.

During 2012, gains on asset disposals in GoM were mostly offset with the DoJ charges, which were not tax deductible thus, resulting in a large tax charge in the fourth quarter of 2012. A portion of the gain on asset disposal in 2012 was re-allocated to BPAPC in 2013, negatively impacting 2013 earnings.

Fourth quarter 2012	Third quarter 2013	Fourth quarter 2013	\$ million	Year 2013	Year 2012
2,262	1,733	1,871	Sales and other operating revenues	6,860	8,154
68	7	3	Interest and other income	15	99
4,560	63	3	Gains on sale of businesses and fixed assets	(936)	4,621
6,889	1,803	1,877	Total revenues and other income	5,938	12,873
476	418	454	Purchases	1,604	1,619
4,041	515	584	Production and other operating expenses	2,201	6,324
386	315	372	Depreciation, depletion and amortization	1,349	1,486
(0)	131	(66)	Impairment and losses on sale of assets	64	(117)
112	118	96	Exploration expense and write off	318	246
1,875	305	437	Profit (loss) before interest and taxation	402	3,315
5	7	7	Finance costs	29	30
1,870	298	430	Profit (loss) before taxation	373	3,285
1,949	165	146	Taxation	232	2,757
(79)	134	285	Profit (loss) for the period	141	528

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

BALANCE SHEET

The BPXP net asset position at yearend 2013 is \$3,241 million which is up by approximately \$141 million from year end 2012. As of the end of fourth quarter 2013, BPXP held a Group finance debt of \$4,776 million (including the non-current portion) resulting in a gearing ratio of 60%. This gearing ratio is down slightly from 61% in fourth quarter 2012 due to an overall small net contribution of cash to the Group. See cash flow analysis for key funding requirements.

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 \$1.8 billion through year end 2013. 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.

	Year 2013	Year 2012
\$ million		
Non-current assets		
Fixed Assets	18,376	16,652
Trust reimbursement asset	2,442	2,264
Trade, other receivables and prepayments	(3)	(3)
Deferred tax assets	176	1,244
	20,991	20,156
Current assets		
Inventories	470	381
Trust reimbursement asset	2,457	4,178
Trade and other receivables	1,488	3,163
Prepayments	21	36
Current tax receivable	139	0
Cash and cash equivalents	(88)	(62)
	4,487	7,695
Total assets	25,478	27,851
Current liabilities		
Trade, accruals and other payables	2,617	1,778
Group finance debt	4,476	4,483
Current tax payable	0	357
Provisions	3,299	5,568
	10,391	12,185
Non-current liabilities		
Other accruals and payables	3,074	29
Group finance debt	300	300
Deferred tax liabilities	0	0
Provisions	8,471	12,237
	11,845	12,566
Total liabilities	22,236	24,751
Net assets	3,241	3,101

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

CASH FLOW

BPXP fourth quarter cash flow was \$1,094 million, compared to \$4,681 million for the same period last year. For the full year 2013, cash flow was \$6 million versus \$2,262 million for 2012.

In the fourth quarter of 2013, cash generated from quarterly earnings were further increased through collection of receivables from BPAPC.

For the full year 2013, cash generated from operations was nearly equally offset with investing activities. In 2012, GCRO was still contributing to the Trust fund which negatively impacted cash flows while proceeds from asset disposals contributed to cash.

Fourth quarter 2012	Third quarter 2013	Fourth quarter 2013	\$ million	Year 2013	Year 2012
			Operating Activities		
1,866	292	423	Profit (loss) before capitalized interest and taxation	349	3,270
457	413	422	DD&A and exploration write off	1,557	1,610
(4,560)	69	(69)	Impairment and loss (gain) on asset sale	1,001	(4,737)
12	13	13	Finance and Interest	52	52
3,244	(508)	11	Net charge for provisions, less payments	1,198	4,458
(48)	(29)	1	Movement in stocks and inventories	(89)	(174)
(1,795)	(1,468)	871	Movement in debtors and creditors	(1,291)	(6,579)
1,435	268	383	Income taxes paid	340	1,525
611	(950)	2,054	Net cash provided by operating activities	3,116	(576)
			Investing Activities		
(742)	(887)	(961)	Capital expenditure	(3,292)	(2,580)
4,812	0	1	Proceeds from disposals	182	5,418
4,070	(887)	(960)	Net cash used in investing activities	(3,110)	2,838
4,681	(1,838)	1,094	Net Cash Flow	6	2,262

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

FORWARD VIEW

Based on the GoM Region and GCRO 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.

Profit in 2014 is expected to be positive which will build equity and improve the net asset position of the company although cash flows are projected to be negative in 2014. Approximately 86% of GCRO disbursements cover fines and litigation matters which will exceed the monetization of the deferred tax asset. Additionally, GoM Region capital expenditures are expected to exceed cash from operations. The 2013 GoM Region SMOG information indicates that post 2015, discounted cash flows (10%) would contribute another \$18.0 billion to the company, using the 89% estimate for BPXP impacts.

\$ million	2014
GCRO Profit for the Period	(112)
GoM RBU Profit for the Period	1,029
Total Profit for the Period	<u>917</u>
Net Asset Position	<u>4,018</u>
GCRO activities	(1,227)
GCRO net tax monetization	876
GoM RBU from operations	2,652
GoM RBU capital expenditures	(3,305)
Total Net cash flow, post Tax	<u>(1,004)</u>
Gearing Ratio	59%

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 31 December 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. (BXP) 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 BXP portions of GCRO, which are reflected below, versus the total GCRO results reported at the Group level.

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

Income Statement

4Q13		4Q13		2013		2013	
GCRO	BXP Other			GCRO	BXP Other		
\$ million							
0	1,871	Sales and other operating revenues		0	6,860		
0	3	Interest and other income		1	14		
0	3	Gains on sale of businesses and fixed assets		0	(936)		
0	1,877	Total revenues and other income		1	5,938		
0	454	Purchases		0	1,604		
91	493	Production and other operating expenses		316	1,885		
0	372	Depreciation, depletion and amortization		0	1,349		
0	(66)	Impairment and losses on sale of assets		0	64		
0	96	Exploration expense and write off		0	318		
(91)	528	Profit (loss) before interest and taxation		(316)	718		
10	(4)	Finance costs		42	(13)		
(102)	532	Profit (loss) before taxation		(358)	731		
(50)	196	Taxation		(35)	267		
(51)	336	Profit (loss) for the period		(323)	464		

Cash Flow

4Q13		4Q13		2013		2013	
GCRO	BXP Other			GCRO	BXP Other		
Operating Activities							
(102)	524	Profit (loss) before capitalized interest and taxation		(358)	707		
0	422	DD&A and exploration write off		0	1,557		
0	(69)	Impairment and loss (gain) on asset sale		0	1,001		
10	3	Finance and Interest		39	13		
11	0	Net charge for provisions, less payments		1,130	69		
0	1	Movement in stocks and inventories		0	(89)		
(32)	903	Movement in debtors and creditors		(1,924)	633		
410	(27)	Income taxes paid		2,902	(2,562)		
297	1,757	Net cash provided by operating activities		1,789	1,327		
Investing Activities							
0	(961)	Capital expenditure		0	(3,292)		
0	1	Proceeds from disposals		0	182		
0	(960)	Net cash used in investing activities		0	(3,110)		
297	797	Net Cash Flow		1,789	(1,783)		

APPENDIX A, continued

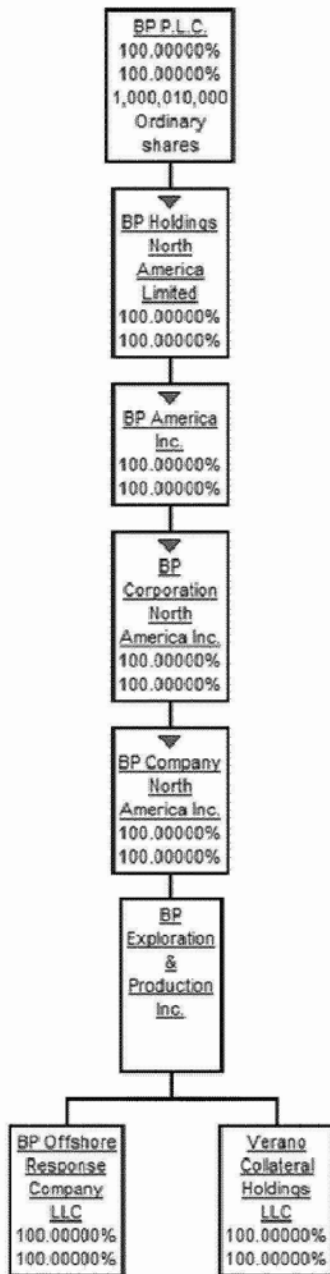
Balance Sheet

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.

	2013 GCRO	2013 BPXP Other
\$ million		
Non-current assets		
Fixed Assets	0	18,376
Trust reimbursement asset	2,442	0
Trade, other receivables and prepayments	0	(3)
Deferred tax assets	2,720	0
	<u>5,162</u>	<u>18,373</u>
Current assets		
Inventories	0	470
Trust reimbursement asset	2,457	0
Trade and other receivables	0	1,488
Group finance contribution	0	6,238
Prepayments	0	21
Current tax receivable	319	0
Cash and cash equivalents	0	(88)
	<u>2,777</u>	<u>8,128</u>
Total assets	<u>7,939</u>	<u>26,501</u>
Current liabilities		
Trade, accruals and other payables	855	1,762
Group finance debt	10,714	0
Current tax payable	0	180
Provisions	2,926	372
	<u>14,495</u>	<u>2,314</u>
Non-current liabilities		
Other accruals and payables	2,986	88
Finance debt	0	300
Deferred tax liabilities	0	2,544
Provisions	6,396	2,075
	<u>9,382</u>	<u>5,007</u>
Total liabilities	<u>23,877</u>	<u>7,321</u>
Net assets	<u>(15,939)</u>	<u>19,180</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.



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.

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.