



**BP Exploration & Production, Inc.
Consolidated Financial Reports
4Q12**

(Un-Audited)

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FINANCIAL HEADLINES

Fourth quarter 2011	Third quarter 2012	Fourth quarter 2012	\$ million	Year 2012	Year 2011
2,919	1,778	6,889	Revenues for the period	12,873	10,470
2,953	(1,307)	(5,015)	Expenses for the period	(9,558)	(2,640)
5,871	470	1,875	Replacement cost profit	3,315	7,830
(4,860)	61	(1,051)	Net (favourable) unfavourable impact of non-operating items (a)	(275)	(3,702)
1,011	531	823	Underlying replacement cost profit	3,040	4,128

(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 fourth quarter and full year was \$1,875 million and \$3,315 million respectively, compared with \$5,871 million and \$7,830 million for the same periods in 2011. The fourth quarter included a net non-operating gain of \$1,051 million, primarily from gains on disposals of \$4,620 million and the positive impact of the transfer of \$500 million SEC charge (previously made in BPXP in the second quarter 2012) to BP PLC, partially offset with the DOJ settlement charge and other GCRO non-operating expenses. For the full year, the net non-operating gain was \$275 million, mainly relating to gains on disposals and reversal of impairment expense, mostly offset with GCRO charges over the year.

After adjusting for non-operating items, the underlying replacement cost profit before interest and tax for the fourth quarter and full year was \$823 million and \$3,040 million respectively, compared with \$1,011 million and \$4,128 million in 2011. The results in both periods of 2012 were impacted primarily by lower production.

	31-Dec 2012	31-Dec 2011
\$ million		
Non-current assets	20,674	23,979
Current assets	7,971	11,702
Total assets	28,645	35,682
Current liabilities	12,703	37,322
Non-current liabilities	12,842	9,703
Total liabilities	25,545	47,025
Net assets	3,101	(11,344)

The BPXP net asset position improved from 2011 to 2012 by \$14,445 million. This increase is primarily from the BP America Production Company (BP APC) capital contribution of \$13,916 million as well as incremental 2012 BPXP net income of \$528 million.

INCOME STATEMENT

A loss of \$(79) million occurred in the fourth quarter of 2012 as Gulf of Mexico Regional Business Unit (GoM Region) income and gains on sale of assets was offset with incremental GCRO charges. Within the quarter, a discounted charge of \$3,849 million was taken for the DoJ criminal settlement. This was partially offset with the transfer of the \$500 million SEC settlement from BPXP, which was previously expensed in second quarter 2012, to BP Plc. to reflect proper ownership of the agreement. These federal settlements are not tax deductible thus, leading to a significant taxation charge relative to the reported profit before taxation. Excluding the two federal settlements, the effective tax rate for fourth quarter is 37%. Profit for the year of \$528 million was driven by Gulf of Mexico operations and other smaller entities' net income of \$4,841 million partially offset with GCRO losses of \$(4,313) million.

Fourth quarter 2011	Third quarter 2012	Fourth quarter 2012		Year 2012	Year 2011
			\$ million		
2,145	1,726	2,262	Sales and other operating revenues	8,154	9,693
16	1	68	Interest and other income	99	18
758	50	4,560	Gains on sale of businesses and fixed assets	4,621	759
<u>2,919</u>	<u>1,778</u>	<u>6,889</u>	Total revenues and other income	<u>12,873</u>	<u>10,470</u>
275	340	476	Purchases	1,619	2,059
(3,564)	576	4,041	Production and other operating expenses	6,324	(1,723)
336	357	386	Depreciation, depletion and amortization	1,486	1,394
(56)	24	(0)	Impairment and losses on sale of assets	(117)	313
56	10	112	Exploration expense and write off	246	598
<u>5,871</u>	<u>470</u>	<u>1,875</u>	Profit before interest and taxation	<u>3,315</u>	<u>7,830</u>
42	5	5	Finance costs	30	145
<u>5,830</u>	<u>465</u>	<u>1,870</u>	Profit before taxation	<u>3,285</u>	<u>7,686</u>
2,069	246	1,949	Taxation	2,757	2,705
<u>3,760</u>	<u>219</u>	<u>(79)</u>	Profit for the period	<u>528</u>	<u>4,981</u>

See Appendix A for additional information on fourth quarter and full year 2012 impacts of GCRO on BPXP results.

BALANCE SHEET

The BPXP net asset position at year end 2012 is \$3,101 million which is \$14,445 million improved from year end 2011. At year end 2012, GCRO held a negative net asset position of \$(15,616) million while BPXP Other operations contributed \$18,717 million to the balance sheet. The GCRO negative net asset position is a result of prior year and current year post tax losses of \$(29,532) million, partially offset with the BP APC capital contribution of \$13,916 million. The Group finance debt on the balance sheet, both current and non-current, represents the corporate financing of BPXP. As of year end 2012, BPXP held a Group finance debt of \$4,783 million (including the non-current portion) resulting in a gearing ratio of 61%. This gearing ratio is down from 75% in third quarter 2012 primarily due to the cash contribution to the Group from the recent asset sales.

	31-Dec 2012	31-Dec 2011
\$ million		
Non-current assets		
Fixed Assets	16,652	17,241
Trust reimbursement asset	2,782	1,641
Trade, other receivables and prepayments	(3)	(5)
Deferred tax assets	1,244	5,101
	<u>20,674</u>	<u>23,979</u>
Current assets		
Inventories	381	206
Trust reimbursement asset	4,454	6,333
Trade and other receivables	3,163	4,966
Prepayments	36	168
Current tax receivable	0	67
Cash and cash equivalents	(62)	(38)
	<u>7,971</u>	<u>11,702</u>
Assets classified as held for sale	0	0
	<u>7,971</u>	<u>11,702</u>
Total assets	<u>28,645</u>	<u>35,682</u>
Current liabilities		
Trade, accruals and other payables	1,778	6,965
Group finance debt	4,483	20,661
Current tax payable	357	0
Provisions	6,086	9,697
	<u>12,703</u>	<u>37,322</u>
Liabilities associated with assets held for sale	0	0
	<u>12,703</u>	<u>37,322</u>
Non-current liabilities		
Other accruals and payables	29	16
Group finance debt	300	300
Deferred tax liabilities	0	0
Provisions	12,513	9,387
	<u>12,842</u>	<u>9,703</u>
Total liabilities	<u>25,545</u>	<u>47,025</u>
Net assets	<u>3,101</u>	<u>(11,344)</u>

See Appendix A for additional information on fourth quarter and full year 2012 impacts of GCRO on BPXP results.

CASH FLOW

BPXP cash flow for the fourth quarter 2012 was \$4,681 million, largely reflecting the proceeds from asset sales in the quarter. Additionally, the gains on asset sales recorded in the fourth quarter helped allow for some monetization of the deferred tax asset thus, supporting a positive cash recovery on income taxes of \$1,435 million within the quarter. Cash flow for the full year 2012 was \$2,262 million which includes \$5,418 million from asset sales and \$440 million net cash after capital expenditures from GoM Region and other BP operating entities, partially offset with cash outflows of \$(3,595) million related to GCRO activities.

Fourth quarter 2011	Third quarter 2012	Fourth quarter 2012	\$ million	Year 2012	Year 2011
			Operating Activities		
5,826	462	1,866	Profit (loss) before taxation	3,270	7,674
365	340	457	DD&A and exploration write off	1,610	1,858
(814)	(26)	(4,560)	Impairment and loss (gain) on asset sale	(4,737)	(445)
32	12	13	Finance and Interest	52	115
2,359	544	4,038	Net charge for provisions, less payments	5,252	2,714
(38)	(23)	(48)	Movement in stocks and inventories	(174)	(95)
(9,171)	(2,433)	(2,593)	Movement in debtors and creditors	(7,388)	(16,188)
647	(104)	1,435	Income taxes paid	1,525	1,585
<u>(796)</u>	<u>(1,227)</u>	<u>607</u>	Net cash provided by operating activities	<u>(591)</u>	<u>(2,781)</u>
			Investing Activities		
(467)	(688)	(738)	Capital expenditure	(2,565)	(2,021)
168	606	4,812	Proceeds from disposals	5,418	385
<u>(300)</u>	<u>(83)</u>	<u>4,074</u>	Net cash used in investing activities	<u>2,853</u>	<u>(1,636)</u>
<u>(1,096)</u>	<u>(1,310)</u>	<u>4,681</u>	Net Cash Flow	<u>2,262</u>	<u>(4,418)</u>

See Appendix A for additional information on fourth quarter and full year 2012 impacts of GCRO on BPXP results.

FORWARD VIEW

Based on the GoM Region and GCRO GFO Zero 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. As net cash outflows exceed profit in 2013, the gearing ratio will increase from 2012 to 61% in 2013. This ratio begins to decline in 2014 as the profit for the period exceeds the cash outflows. 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 \$(185) million and \$(96) million over the next two years reflect the functional costs of the ongoing GCRO organization of which IT&S information management projects account for the majority of the spend. 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 largely offset with 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	(185)	(96)
GoM RBU Profit for the Period	769	1,127
Total Profit for the Period	<u>584</u>	<u>1,031</u>
Net Asset Position	<u>3,685</u>	<u>4,716</u>
GCRO operations and settlements	(2,033)	(1,079)
GCRO deferred tax monetization	2,000	1,396
GoM RBU from operations	2,130	3,284
GoM RBU capital expenditures	(3,350)	(4,349)
Total Net cash flow	<u>(1,253)</u>	<u>(748)</u>
Gearing Ratio	62%	59%

A further \$1,410 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 emergency and early restoration agreements as described within the SEA), claims asserted in civil litigation including any further litigation through excluded parties from the PSC settlement 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 as described within the SEA), 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 2012. 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

4Q12 GCRO	4Q12 BPXP Other		Year 2012 GCRO	Year 2012 BPXP Other
		\$ million		
0	2,262	Sales and other operating revenues	0	8,154
0	67	Interest and other income	1	97
0	4,560	Gains on sale of businesses and fixed assets	0	4,621
<u>0</u>	<u>6,889</u>	Total revenues and other income	<u>1</u>	<u>12,872</u>
0	476	Purchases	0	1,619
3,536	505	Production and other operating expenses	4,367	1,956
0	386	Depreciation, depletion and amortization	0	1,486
0	(0)	Impairment and losses on sale of assets	0	(117)
0	112	Exploration expense and write off	0	246
<u>(3,536)</u>	<u>5,411</u>	Profit before interest and taxation	<u>(4,366)</u>	<u>7,681</u>
6	(1)	Finance costs	27	3
<u>(3,542)</u>	<u>5,412</u>	Profit before taxation	<u>(4,393)</u>	<u>7,678</u>
<u>(65)</u>	<u>2,014</u>	Taxation	<u>(79)</u>	<u>2,836</u>
<u>(3,477)</u>	<u>3,398</u>	Profit for the period	<u>(4,313)</u>	<u>4,841</u>

Cash Flow

4Q12	4Q12	\$ million	Year 2012	Year 2012
GCRO	BPXP Other		GCRO	BPXP Other
		Operating Activities		
(3,542)	5,407	Profit (loss) before taxation	(4,393)	7,663
0	457	DD&A and exploration write off	0	1,610
0	(4,560)	Impairment and loss (gain) on asset sale	0	(4,737)
5	7	Finance and Interest	19	33
4,038	0	Net charge for provisions, less payments	5,252	0
0	(48)	Movement in stocks and inventories	0	(174)
(1,391)	(1,202)	Movement in debtors and creditors	(6,880)	(507)
1,385	50	Income taxes paid	2,407	(882)
<u>496</u>	<u>112</u>	Net cash provided by operating activities	<u>(3,595)</u>	<u>3,005</u>
		Investing Activities		
0	(738)	Capital expenditure	0	(2,565)
0	4,812	Proceeds from disposals	0	5,418
<u>0</u>	<u>4,074</u>	Net cash used in investing activities	<u>0</u>	<u>2,853</u>
<u>496</u>	<u>4,186</u>	Net Cash Flow	<u>(3,595)</u>	<u>5,857</u>

APPENDIX A, continued

Balance Sheet

	2012 GCRO	2012 BPXP Other
\$ million		
Non-current assets		
Fixed Assets	0	16,652
Trust reimbursement asset	2,782	0
Trade, other receivables and prepayments	0	(3)
Deferred tax assets	4,002	0
	<u>6,784</u>	<u>16,649</u>
Current assets		
Inventories	0	381
Trust reimbursement asset	4,454	0
Trade and other receivables	64	3,099
Prepayments	0	36
Current tax receivable	1,904	0
Cash and cash equivalents	0	(62)
	<u>6,421</u>	<u>3,453</u>
Assets classified as held for sale	0	0
	<u>6,421</u>	<u>3,453</u>
Total assets	13,205	20,102
Current liabilities		
Trade, accruals and other payables	349	1,429
Group finance debt	12,503	(8,021)
Current tax payable	0	2,261
Provisions	5,710	376
	<u>18,562</u>	<u>(3,956)</u>
Liabilities associated with assets held for sale	0	0
	<u>18,562</u>	<u>(3,956)</u>
Non-current liabilities		
Other accruals and payables	0	29
Finance debt	0	300
Deferred tax liabilities	0	2,758
Provisions	10,259	2,254
	<u>10,259</u>	<u>5,341</u>
Total liabilities	28,821	1,385
Net assets	(15,616)	18,717
Retained Earnings	(25,219)	8,471
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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