

BP Exploration & Production, Inc.
Consolidated Financial Reports
1Q14

(Un-Audited)

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Ex 12774

**Worldwide
Court Reporters, Inc.**

FINANCIAL HEADLINES

\$ million	First quarter 2014	Fourth quarter 2013	First quarter 2013
Revenues for the period	1,968	1,877	1,803
Expenses for the period	(1,444)	(1,440)	(1,195)
Replacement cost operating profit (loss)	524	437	608
Net (favourable) unfavourable impact of non-operating items (a)	31	22	23
Underlying replacement cost operating profit (loss)	555	459	631

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

BP Exploration & Production, Inc. (BXP) reflects a first quarter replacement cost operating profit (RCOP) of \$524 million compared with \$608 million for the same period a year ago.

First quarter 2014 includes a non-operating loss of \$31 million primarily from GCRO functional charges and loss on asset disposals. After adjusting for non-operating items, the underlying replacement cost operating profit before interest and tax was \$555 million compared with \$631 million for the same period last year. Higher revenues, versus last year, resulted from increased production volumes which more than offset lower realizations. Costs were also higher though, contributing to lower RCOP versus last year.

As of first quarter 2014, the cumulative charges to be paid from the Trust, and the associated reimbursement asset recognized, remained at \$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 \$1,017 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, \$5.4 billion of cash remains available in the Trust with \$0.9 billion earmarked for NRD Early Restoration.

\$ million	31-Mar 2014	31-Dec 2013
Non-current assets	21,264	20,815
Current assets	3,798	4,436
Total assets	25,061	25,251
Current liabilities	6,681	10,340
Non-current liabilities	14,824	11,669
Total liabilities	21,505	22,009
Net assets	3,556	3,241

The BXP net asset position improved over the first quarter to \$3,556 million. This increase represents the first quarter BXP net income of \$315 million.

INCOME STATEMENT

A profit of \$315 million was recognized in the first quarter of 2014 versus \$365 million for the same period last year. Compared to first quarter 2013, production volumes were up approximately 15%, more than offsetting an - 8% decline in oil realizations. Costs were up nearly 21% contributing to lower net income.

The effective tax rate for first quarter 2014 was 37% compared with 39% in the same period last year.

The increase in Finance costs versus prior quarters reflects the quarterly interest charges related to the 1Q14 NAFCO loan.

\$ million	First quarter 2014	Fourth quarter 2013	First quarter 2013
Sales and other operating revenues	1,960	1,871	1,804
Interest and other income	8	3	1
Gains on sale of businesses and fixed assets	(0)	3	(3)
Total revenues and other income	1,968	1,877	1,803
Purchases	473	454	391
Production and other operating expenses	472	584	393
Depreciation, depletion and amortization	388	372	363
Impairment and losses on sale of assets	5	(66)	(0)
Exploration expense and write off	105	96	48
Profit (loss) before interest and taxation	524	437	608
Finance costs	25	7	9
Profit (loss) before taxation	499	430	599
Taxation	184	146	234
Profit (loss) for the period	315	285	365

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

BALANCE SHEET

The BPXP net asset position is \$3,556 million, up by \$315 million from year end 2013. As of the end of first quarter 2014, BPXP held a Group finance debt of \$4,923 million (including the non-current portion) resulting in a gearing ratio of 58%. This gearing ratio is down slightly from 60% at fourth quarter 2013 due to an overall increase in net asset position relative to group funding. 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 over \$1.9 billion through first quarter 2014. 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.

	31-Mar 2014	31-Dec 2013
\$ million		
Non-current assets		
Fixed Assets	18,467	18,376
Trust reimbursement asset	2,799	2,442
Trade, other receivables and prepayments	(3)	(3)
	21,264	20,815
Current assets		
Inventories	459	470
Trust reimbursement asset	1,930	2,457
Trade and other receivables	1,336	1,488
Prepayments	73	21
	3,798	4,436
Total assets	25,061	25,251
Current liabilities		
Trade, accruals and other payables	2,467	2,705
Net Group finance debt	1,523	4,476
Current tax payable	72	(139)
Provisions	2,619	3,299
	6,681	10,340
Non-current liabilities		
Other accruals and payables	2,650	3,074
Group finance debt	3,400	300
Deferred tax liabilities	(69)	(176)
Provisions	8,843	8,471
	14,824	11,669
Total liabilities	21,505	22,009
Net assets	3,556	3,241

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

CASH FLOW

BPXP incurred a first quarter 2014 cash outflow of \$(146) million compared to a cash flow of \$725 million for the same period last year. Scheduled plea agreement payments of \$565 million were made in first quarter 2014, reflected in the large cash outflow in debtors and creditors movements per the schedule below. Additionally, GCRO payments against provisions contributed to the negative cash flow during the quarter.

\$ million	First quarter 2014	Fourth quarter 2013	First quarter 2013
Operating Activities			
Profit (loss) before capitalized interest and taxation	497	423	594
DD&A and exploration write off	478	422	390
Impairment and loss (gain) on asset sale	6	(69)	3
Finance and Interest	16	13	13
Net charge for provisions, less payments	(97)	11	305
Movement in stocks and inventories	11	1	(45)
Movement in debtors and creditors	(612)	871	437
Income taxes paid	135	383	(361)
Net cash provided by operating activities	433	2,054	1,335
Investing Activities			
Capital expenditure	(829)	(961)	(668)
Proceeds from disposals	250	1	58
Net cash used in investing activities	(579)	(960)	(610)
Net Cash Flow	(146)	1,094	725

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

FORWARD VIEW

Based on the GoM Region and GCRO Mid 1Q GFO 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. Additionally, estimates for tax impacts have been included, assuming a 35% effective tax rate.

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. In 2014, approximately 75% of GCRO payments will cover fines and litigation matters. 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	(100)
GoM RBU Profit for the Period	1,026
Total Profit for the Period	<u>926</u>
 Net Asset Position	 <u>4,167</u>
 GCRO activities	 (1,203)
GCRO net tax monetization	827
GoM RBU from operations	2,586
GoM RBU capital expenditures	(3,254)
Total Net cash flow, post Tax	<u>(1,043)</u>
 Gearing Ratio	 58%

It is not possible, at this time, to measure reliably any other obligations arising from the incident, 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, 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 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 March 2014. 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 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

	1Q14 GCRO	1Q14 BPXP Other
\$ million		
Sales and other operating revenues	0	1,960
Interest and other income	0	8
Gains on sale of businesses and fixed assets	0	(0)
Total revenues and other income	0	1,968
Purchases	0	473
Production and other operating expenses	26	446
Depreciation, depletion and amortization	0	388
Impairment and losses on sale of assets	0	5
Exploration expense and write off	0	105
Profit (loss) before interest and taxation	(26)	550
Finance costs	10	15
Profit (loss) before taxation	(36)	535
Taxation	(9)	193
Profit (loss) for the period	(27)	342

Cash Flow

	1Q14 GCRO	1Q14 BPXP Other
Operating Activities		
Profit (loss) before capitalized interest and taxation	(36)	533
DD&A and exploration write off	0	478
Impairment and loss (gain) on asset sale	0	6
Finance and Interest	10	6
Net charge for provisions, less payments	(97)	0
Movement in stocks and inventories	0	11
Movement in debtors and creditors	(578)	(34)
Income taxes paid	319	(184)
Net cash provided by operating activities	(383)	816
Investing Activities		
Capital expenditure	0	(829)
Proceeds from disposals	0	250
Net cash used in investing activities	0	(579)
Net Cash Flow	(383)	237

APPENDIX A, continued

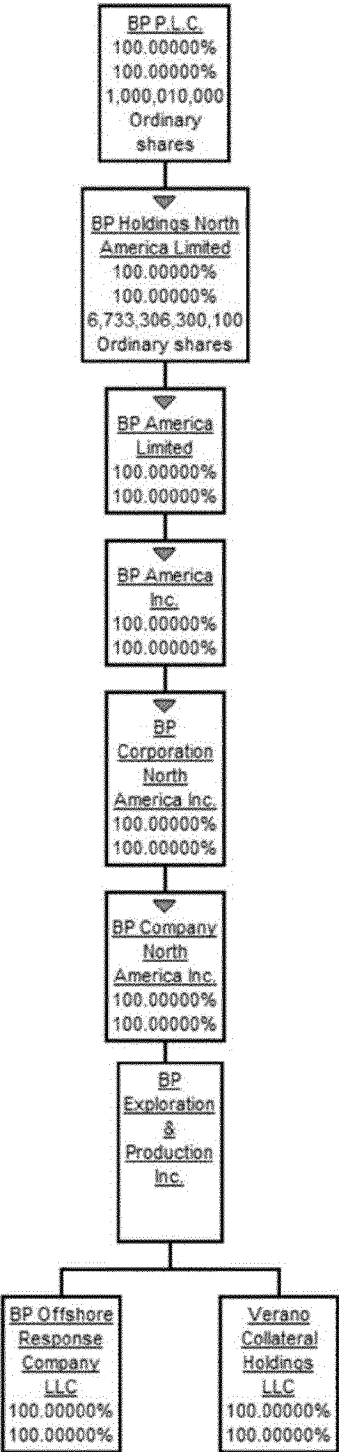
Balance Sheet

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.

	1Q14 GCRO	1Q14 BPXP Other
\$ million		
Non-current assets		
Fixed Assets	0	18,467
Trust reimbursement asset	2,799	0
Trade, other receivables and prepayments	0	(3)
	<u>2,799</u>	<u>18,464</u>
Current assets		
Inventories	0	459
Trust reimbursement asset	1,930	0
Trade and other receivables	0	1,336
Prepayments	0	73
	<u>1,930</u>	<u>1,867</u>
Total assets	<u>4,730</u>	<u>20,331</u>
Current liabilities		
Trade, accruals and other payables	712	1,755
Net Group finance debt	11,097	(9,574)
Current tax payable	(119)	192
Provisions	2,364	256
	<u>14,053</u>	<u>(7,372)</u>
Non-current liabilities		
Other accruals and payables	2,564	85
Group Finance debt	0	3,400
Deferred tax liabilities	(2,609)	2,540
Provisions	6,688	2,155
	<u>6,643</u>	<u>8,180</u>
Total liabilities	<u>20,696</u>	<u>809</u>
Net assets	<u>(15,966)</u>	<u>19,523</u>
Retained Earnings	(29,855)	13,776
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 operated outside of BPXP. This approximate % has been excluded from any GoM Region forward GFO/LTP 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, BP APC was the direct parent of BPXP.