

12

Bhangu, Hardev

From: Bhangu, Hardev
Sent: 20 November 2013 17:56
To: Bamfield, Nick MH
Cc: Giles, Martin F
Subject: RE: US financial data

Nick

Further clarification as requested.

1. I have cleaned up the BPAPC balance sheet to strip out the intra company financing balances (BPXP was not an issue with only 3 branches). The updated file attached. I will bring over the balance sheets hard copy
 - a. The main financing balances making up BPXP \$5bn liabilities at 3Q are:
 - i. NAFCO IFA \$2.5bn liability
 - ii. BP Company NA \$3bn liability
 - iii. Other net \$0.5bn assets
 - b. The main financing balances making up BPAPC \$4.7bn liabilities at 3Q are:
 - i. NAFCO IFA \$0.3bn asset
 - ii. BP Company NA \$5.8bn liability
 - iii. A number of balances making up difference of \$0.8bn, some of which could be trading balances classed as financing balances for Group reporting as it all crashes on Group consolidation
2. The explanation for why BPAPC is moving investments up to BP Company NA does seem to be around only retaining NAG assets. SFN will contain wording such as:

Management of the US group is proposing to restructure the assets held through BPAPC in order to more closely align the legal entities in which the business activities are conducted with the management and corporate governance of those businesses. To effectuate this restructuring, it is proposed that BPAPC distribute the stock of subsidiaries unrelated to NAG to BP Company
3. The analysis of the \$6bn of investments tagged as 'foreign' that were moved out of BPAPC to BP Co NA is schedule as Note 2 below balance sheet of BPAPC and provided as hard copy. Essentially, the term foreign may not refer to only geography but activity that is foreign to NAG activity in BPAPC
4. The journal re-financing carried out at 3Q 2013 was essentially BPXP paying \$11bn to BP Company NA reducing its inter co creditor which had stood at \$12bn ahead of payment. The settlement was funded from BPXP IFA with NAFCO which had a surplus of \$8.5bn ahead of settlement and a deficit of \$2.5bn after payment. Set out below is how the balances built up over the year. Within the 3Q discrete movement is the \$11bn settlement.

BPXP&P extract of Finance Balances: Asset / (Liability) \$bn

| | 4Q 2012 | 1Q 2013 | 2Q 2013 | 3Q 2013 | 3Q discrete move |
|---------------|---------|---------|---------|------------|------------------|
| NAFCO | | 5 | 7 | 9 / (3) | 11 |
| BP Company NA | | (9) | (11) | (12) / (3) | (9) |

Ex 12559
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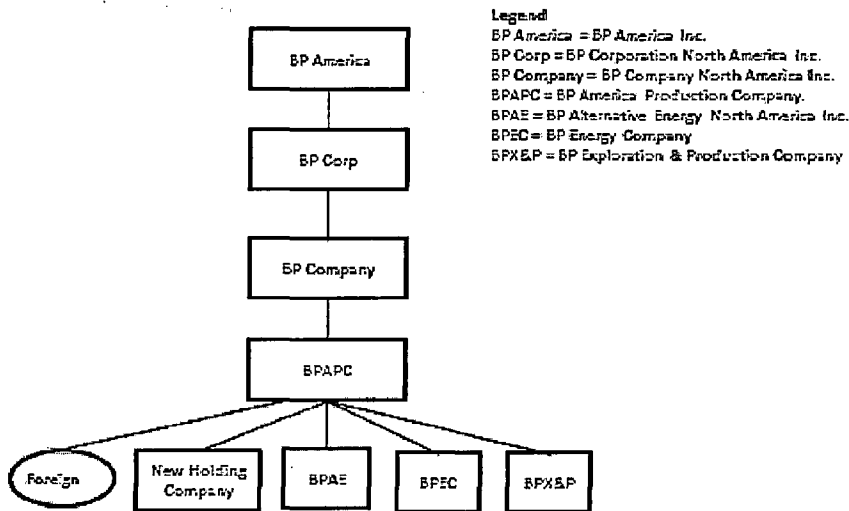
Rgds
Hardev

From: Bhangu, Hardev
Sent: Wednesday, November 20, 2013 12:07 PM
To: Bamfield, Nick MH
Cc: martin.giles@se1.bp.com
Subject: RE: US financial data

Nick

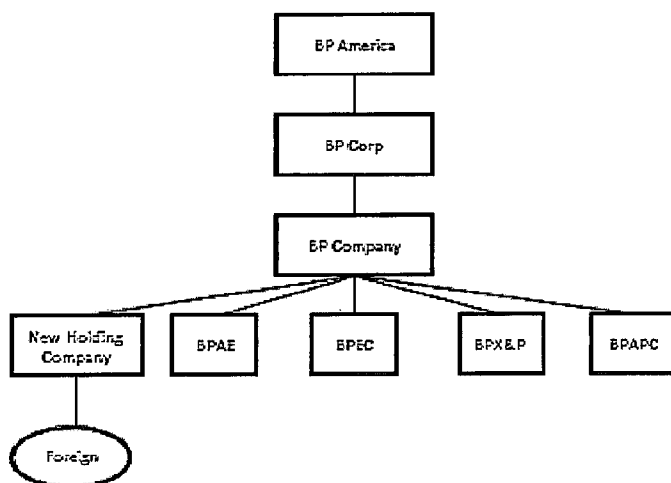
1. As discussed I have provided a detailed analysis by counter-party of the financing balances in each of the balance sheets for BPAPC and BPXP. In summary, 100% of balances are intra US. Where the balances are with NAFCO or direct parent I have highlighted. The analysis is provided as 'note 1' below each balance sheet.
2. As regards your enquiry as to equity injections into the US sub group since 2010. In December 2010, as part of project Harrison, BP America used \$10bn of new revolver funding from UK to inject \$10bn of equity into its subsidiary BP Corporation North America, who in turn placed the funds on deposit with NAFCO. This resulted in NAFCO reducing its overdraft with the UK which had ballooned beyond its facility limit prior to this action.
3. Further, you requested information on the restructuring of BPXP holding in January 2014.

The current hold structure of BPXP through to BPCNA is set out below



Preferred stock omitted

The proposed re-organisation results in BPAPC carrying out a capital reduction of circa \$25bn and in consideration moving its investment in BPXP and some foreign holdings up to its parent, BP Company NA. Revised hold structure set out below.



Preferred stock omitted

The capital reduction (or distribution under US law) will be covered under several SFN's yet to be worked. The make of the investments that will be moved up to BP Company NA are set out below:

Book Value

| | |
|--|-----------------|
| Investment in BP Exploration & Production Inc. | (17,208) |
| Investment in BP Alternative Energy North America Inc. | (550) |
| Investment in BP Energy Company | (788) |
| Investment in BP America Foreign Investments Inc. | (6,416) |
| Total Proposed Distribution | (24,962) |

As explained in the balance sheet analysis of BPAPC provided, the impact of this transaction is to reduce the net assets of BPAPC from \$36bn down to \$11bn. The rationale for the transaction is to be discussed.

4. Finally, you requested information of the financing restructuring carried out in 3Q and to be carried out in 4Q 2013.
 - a. During 3Q 2013 BPXP had the following balances and carried out the following inter-company financing balance settlements to arrive at closing balances as per balance sheets provided earlier:

Asset / (Liability) \$bn

| Counter-party | Pre 3Q 2013 balance | Indicative settlements | 3Q 2013 closing balance |
|---------------|---------------------|------------------------|-------------------------|
| BP Company NA | -13.8 | 10.8 | -3 |
| BPAPC | 3.9 | -3.9 | 0 |
| NAFCO | 4.8 | -6.5 | -1.7 |

-5.1

0.4

-4.7

I will print off relevant information to talk through later

Rgds
Hardev

From: Bhangu, Hardev
Sent: Tuesday, November 19, 2013 9:59 PM
To: Bamfield, Nick MH
Cc: martin.giles@se1.bp.com
Subject: US financial data

Nick

Attached spread sheet sets out high level balance sheets for BPX&P and BPAPC at 3Q 2013 and the main financing balance movements through to current date in 4Q 13. In addition some details behind the January 2014 restructuring within BPAPC is set out. These numbers are taken from 3Q group results input.

<<...>>

In addition attached BPAPC 2Q 2013 stand-alone financials and BPXP consolidated financials. I don't think these are for wider circulation without confirmation from US Finance. They have been provided by Jared who has access to them towards progressing the settlement of inter-company balances within the US.

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For completeness, attached BPCNA and BPA 3Q 2013 financials

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Rgds

Hardev

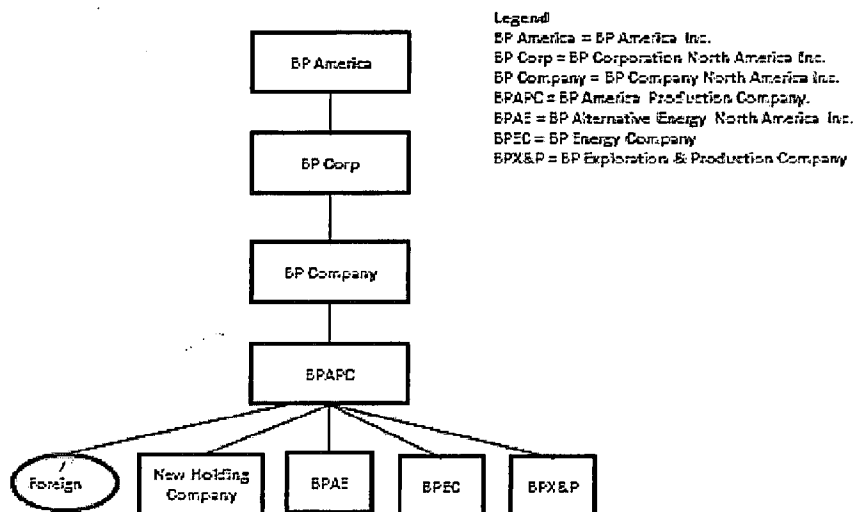
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Subject: RE: US financial data
Attachments: summary BPAPC and BPXP balance sheets 3q 13.xlsx

Nick

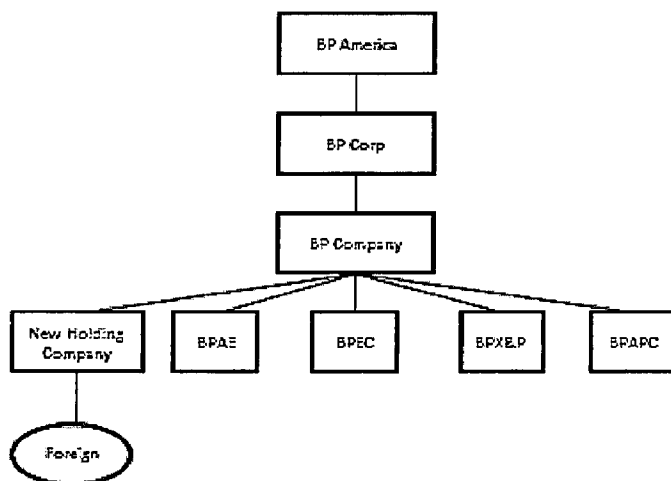
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-1.7 + 0.8 = -0.9

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0.4

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