

## Supplementary Information 1Q 2010

The information below has been provided to enhance understanding of the terminology and performance measures that have been used in the accompanying presentations. We have also included reconciliations for those items we believe to be non-GAAP financial measures.

### Group Measures

#### Replacement cost profit and underlying replacement cost profit

Replacement cost profit reflects the replacement cost of supplies. The replacement cost profit for the period is arrived at by excluding from profit inventory holding gains and losses and their associated tax effect. Replacement cost profit for the group is not a recognized GAAP measure.

Underlying replacement cost profit is replacement cost profit adjusted for non-operating items and fair value accounting effects.

#### Reconciliation of profit before interest and tax for the group to underlying replacement cost profit attributable to BP shareholders

| Total Group  |         |         |         |         |         | \$million |    |    |    |         |
|--|---------|---------|---------|---------|---------|-----------|----|----|----|---------|
|  | Q1      | Q2      | Q3      | Q4      | 2009    | Q1        | Q2 | Q3 | Q4 | 2010    |
| Profit before interest and tax   | 4,498   | 7,093   | 7,901   | 6,934   | 26,426  | 9,606     | -  | -  | -  | 9,606   |
| Inventory holding (gains) losses   | (254)   | (1,874) | (538)   | (1,256) | (3,922) | (705)     | -  | -  | -  | (705)   |
| Replacement cost profit before interest and tax  | 4,244   | 5,219   | 7,363   | 5,678   | 22,504  | 8,901     | -  | -  | -  | 8,901   |
| Less non-operating items   | (360)   | 302     | 166     | (935)   | (827)   | (147)     | -  | -  | -  | (147)   |
| Less fair value accounting effects   | 49      | 9       | 266     | 334     | 658     | 73        | -  | -  | -  | 73      |
| Underlying replacement cost profit before interest and tax   | 4,555   | 4,908   | 6,931   | 6,279   | 22,673  | 8,975     | -  | -  | -  | 8,975   |
| Finance costs and net finance income (expense) relating to pensions and other post-retirement benefits | (368)   | (321)   | (311)   | (302)   | (1,302) | (228)     | -  | -  | -  | (228)   |
| Taxation on an underlying replacement cost basis   | (1,571) | (1,605) | (1,927) | (1,510) | (6,613) | (2,991)   | -  | -  | -  | (2,991) |
| Minority interest  | (35)    | (44)    | (19)    | (83)    | (181)   | (109)     | -  | -  | -  | (109)   |
| Underlying replacement cost profit attributable to BP shareholders                                     | 2,581   | 2,938   | 4,674   | 4,384   | 14,577  | 5,647     | -  | -  | -  | 5,647   |

#### Reconciliation of replacement cost profit (loss) before interest and tax for segments to underlying replacement cost profit (loss) before interest and tax

| Exploration and Production  |       |       |       |         |         | \$million |    |    |    |       |
|---|-------|-------|-------|---------|---------|-----------|----|----|----|-------|
|   | Q1    | Q2    | Q3    | Q4      | 2009    | Q1        | Q2 | Q3 | Q4 | 2010  |
| Replacement cost profit before interest and tax                   | 4,320 | 5,046 | 6,929 | 8,505   | 24,800  | 8,292     | -  | -  | -  | 8,292 |
| Less non-operating items  | 311   | 507   | 471   | 976     | 2,265   | 41        | -  | -  | -  | 41    |
| Less fair value accounting effects                                | 158   | 135   | 180   | 446     | 919     | 63        | -  | -  | -  | 63    |
| Underlying replacement cost profit before interest and tax        | 3,851 | 4,404 | 6,278 | 7,083   | 21,616  | 8,188     | -  | -  | -  | 8,188 |
| Refining and Marketing  |       |       |       |         |         |           |    |    |    |       |
| Replacement cost profit (loss) before interest and tax            | 1,090 | 680   | 916   | (1,943) | 743     | 729       | -  | -  | -  | 729   |
| Less non-operating items  | (350) | (166) | (241) | (1,846) | (2,603) | (70)      | -  | -  | -  | (70)  |
| Less fair value accounting effects                                | (109) | (126) | 86    | (112)   | (261)   | 10        | -  | -  | -  | 10    |
| Underlying replacement cost profit before interest and tax        | 1,549 | 972   | 1,071 | 15      | 3,607   | 789       | -  | -  | -  | 789   |
| Other businesses and corporate                                    |       |       |       |         |         |           |    |    |    |       |
| Replacement cost profit (loss) before interest and tax            | (761) | (583) | (586) | (392)   | (2,322) | (328)     | -  | -  | -  | (328) |
| Less non-operating items  | (321) | (39)  | (64)  | (65)    | (489)   | (118)     | -  | -  | -  | (118) |
| Less fair value accounting effects                                | -     | -     | -     | -       | -       | -         | -  | -  | -  | -     |
| Underlying replacement cost profit (loss) before interest and tax | (440) | (544) | (522) | (327)   | (1,833) | (210)     | -  | -  | -  | (210) |

#### Inventory holding gains and losses

Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost to BP of supplies acquired during the period and the cost of sales calculated on the first-in first-out (FIFO) method after adjusting for any changes in provisions where the net realizable value of the inventory is lower than its cost. Under the FIFO method, which we use for IFRS reporting, the cost of inventory charged to the income statement is based on its historic cost of purchase, or manufacture, rather than its replacement cost. In volatile energy markets, this can have a significant distorting effect on reported income. The amounts disclosed represent the difference between the charge (to the income statement) for inventory on a FIFO basis (after adjusting for any related movements in net realizable value provisions) and the charge that would have arisen if an average cost of supplies was used for the period. For this purpose, the average cost of supplies during the period is principally calculated on a monthly basis

by dividing the total cost of inventory acquired in the period by the number of barrels acquired. The amounts disclosed are not separately reflected in the financial statements as a gain or loss. No adjustment is made in respect of the cost of inventories held as part of a trading position and certain other temporary inventory positions.

Management believes this information is useful to illustrate to investors the fact that crude oil and product prices can vary significantly from period to period and that the impact on our reported result under IFRS can be significant. Inventory holding gains and losses vary from period to period due principally to changes in oil prices as well as changes to underlying inventory levels. In order for investors to understand the operating performance of the group excluding the impact of oil price changes on the replacement of inventories, and to make comparisons of operating performance between reporting periods, BP's management believes it is helpful to disclose this information.

### Non-operating items

Non-operating items are charges and credits arising in consolidated entities that BP discloses separately because it considers such disclosures to be meaningful and relevant to investors. These disclosures are provided in order to enable investors better to understand and evaluate the group's financial performance.

### Fair value accounting effects

Fair value accounting effects are defined on page 16 of our first-quarter 2010 results announcement. A reconciliation to GAAP information is set out below:

|   |       |       |       |         | \$million |       |    |    |    |       |
|---|-------|-------|-------|---------|-----------|-------|----|----|----|-------|
|   | Q1    | Q2    | Q3    | Q4      | 2009      | Q1    | Q2 | Q3 | Q4 | 2010  |
| <b>Exploration and Production</b>   |       |       |       |         |           |       |    |    |    |       |
| Replacement cost profit before interest and tax adjusted for fair value accounting effects        | 4,162 | 4,911 | 6,749 | 8,059   | 23,881    | 8,229 | 0  | 0  | 0  | 8,229 |
| Impact of fair value accounting effects   | 158   | 135   | 180   | 446     | 919       | 63    | 0  | 0  | 0  | 63    |
| Replacement cost profit before interest and tax   | 4,320 | 5,046 | 6,929 | 8,505   | 24,800    | 8,292 | 0  | 0  | 0  | 8,292 |
| <b>Refining and Marketing</b>   |       |       |       |         |           |       |    |    |    |       |
| Replacement cost profit (loss) before interest and tax adjusted for fair value accounting effects | 1,199 | 806   | 830   | (1,831) | 1,004     | 719   | 0  | 0  | 0  | 719   |
| Impact of fair value accounting effects   | (109) | (126) | 86    | (112)   | (261)     | 10    | 0  | 0  | 0  | 10    |
| Replacement cost profit (loss) before interest and tax  | 1,090 | 680   | 916   | (1,943) | 743       | 729   | 0  | 0  | 0  | 729   |

Net debt ratio – Ratio of net debt (finance debt, including the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt, for which hedge accounting is claimed, less cash and cash equivalents) to net debt plus equity.

The table below presents BP's Debt to Debt plus Equity ratio on a gross basis as net debt is not a recognized GAAP measure:

|                                |        |        |         |         | \$million |         |    |    |    |      |
|--------------------------------|--------|--------|---------|---------|-----------|---------|----|----|----|------|
|                                | Q1     | Q2     | Q3      | Q4      | 2009      | Q1      | Q2 | Q3 | Q4 | 2010 |
| Finance debt                   | 34,698 | 36,240 | 36,555  | 34,627  | 34,627    | 32,153  | -  | -  | -  | -    |
| Equity                         | 91,179 | 96,949 | 100,803 | 102,113 | 102,113   | 104,978 | -  | -  | -  | -    |
| Debt to debt-plus-equity ratio | 28%    | 27%    | 27%     | 25%     | 25%       | 23%     | %  | %  | %  | %    |

Cash costs – Cash costs are a subset of production and manufacturing expenses plus distribution and administration expenses. They represent the substantial majority of the expenses in these line items but exclude associated non-operating items and certain costs that are variable, primarily with volumes (such as freight costs). They are the principal operating and overhead costs that management considers to be most directly under their control although they include certain foreign exchange and commodity price effects.

## E&P measures

Unit production costs after adjusting for restructuring costs

|  | <u>\$million</u> |
|--|------------------|
|  | <u>1Q 2010</u>   |
| Production costs   | 1,524            |
| Restructuring costs included in production costs                           | (86)             |
| Production costs excluding restructuring costs                             | <u>1,438</u>     |
|  | <u>mboe/d</u>    |
| Production (excluding equity-accounted entities)                           | 2,690            |
|  | <u>\$/boe</u>    |
| <b>Unit production costs adjusted for restructuring costs</b>              | <b>5.94</b>      |
| Unit production costs in 1Q 2009   | 6.13             |
| * In 1Q 2009 there were no restructuring costs impacting production costs. |                  |
| Year-on-year change  | -3%              |