

# Supplementary Information

The information below has been provided to enhance understanding of the terminology and performance measures that have been used in the accompanying presentations.

## Group measures

### Replacement cost profit, underlying replacement cost profit and underlying business replacement cost profit

Replacement cost (RC) profit or loss reflects the replacement cost of supplies and is arrived at by excluding inventory holding gains and losses from profit or loss. RC profit or loss is the measure of profit or loss for each operating segment that is required to be disclosed under International Financial Reporting Standards (IFRS). RC profit or loss for the group is not a recognized GAAP measure. Management believes this measure 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 measure.

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

Total Group						\$million				
	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
Profit (loss) before interest and tax	20,138	4,485	5,569	1,577	31,769	5,637	-	-	-	5,637
Inventory holding (gains) losses	(406)	506	(444)	634	290	(102)	-	-	-	(102)
Replacement cost profit before interest and tax	19,732	4,991	5,125	2,211	32,059	5,535	-	-	-	5,535
Less non-operating items:										
- Gulf of Mexico oil spill response	(22)	(199)	(30)	(179)	(430)	(29)	-	-	-	(29)
- Other non-operating items	12,433	(315)	(688)	(1,295)	10,135	237	-	-	-	237
Less fair value accounting effects	12,411	(514)	(718)	(1,474)	9,705	208	-	-	-	208
Underlying replacement cost profit before interest and tax	(73)	107	14	(470)	(422)	43	-	-	-	43
Finance costs and net finance income (expense) relating to pensions and other post-retirement benefits	7,394	5,398	5,829	4,155	22,776	5,284	-	-	-	5,284
Less finance costs relating to Gulf of Mexico oil spill response	(404)	(369)	(397)	(378)	(1,548)	(367)	-	-	-	(367)
Taxation on an underlying replacement cost basis	(10)	(10)	(9)	(10)	(39)	(10)	-	-	-	(10)
Non-controlling interests	(394)	(359)	(388)	(368)	(1,509)	(357)	-	-	-	(357)
Underlying replacement cost profit attributable to BP shareholders	(2,706)	(2,243)	(1,661)	(922)	(7,532)	(1,611)	-	-	-	(1,611)
	(79)	(84)	(88)	(56)	(307)	(91)	-	-	-	(91)
	4,215	2,712	3,692	2,809	13,428	3,225	-	-	-	3,225

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

						\$million				
	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
<b>Upstream</b>										
Replacement cost profit before interest and tax	5,562	4,400	4,158	2,537	16,657	4,659	-	-	-	4,659
Less non-operating items	(80)	143	(226)	(1,201)	(1,364)	276	-	-	-	276
Less fair value accounting effects	(60)	(31)	(39)	(114)	(244)	(18)	-	-	-	(18)
Underlying replacement cost profit before interest and tax	5,702	4,288	4,423	3,852	18,265	4,401	-	-	-	4,401
<b>Downstream</b>										
Replacement cost profit (loss) before interest and tax	1,647	1,016	616	(360)	2,919	794	-	-	-	794
Less non-operating items	19	(323)	(157)	(74)	(535)	(278)	-	-	-	(278)
Less fair value accounting effects	(13)	138	53	(356)	(178)	61	-	-	-	61
Underlying replacement cost profit before interest and tax	1,641	1,201	720	70	3,632	1,011	-	-	-	1,011
<b>TNK-BP</b>										
Replacement cost profit before interest and tax	12,500	-	-	-	12,500	-	-	-	-	-
Less non-operating items	12,500	-	-	-	12,500	-	-	-	-	-
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit before interest and tax	-	-	-	-	-	-	-	-	-	-
<b>Rosneft</b>										
Replacement cost profit before interest and tax <sup>a</sup>	85	218	792	1,058	2,153	518	-	-	-	518
Less non-operating items	-	-	(16)	(29)	(45)	247	-	-	-	247
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit before interest and tax	85	218	808	1,087	2,198	271	-	-	-	271
<b>Other businesses and corporate</b>										
Replacement cost profit (loss) before interest and tax	(467)	(573)	(674)	(605)	(2,319)	(497)	-	-	-	(497)
Less non-operating items	(6)	(135)	(289)	9	(421)	(8)	-	-	-	(8)
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit (loss) before interest and tax	(461)	(438)	(385)	(614)	(1,898)	(489)	-	-	-	(489)

<sup>a</sup> Second quarter 2013 as reported includes an amendment to first-quarter profit, which was reported based on a BP estimate.

### 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.

### Non-operating items

Non-operating items are charges and credits arising in consolidated entities and in TNK-BP and Rosneft that are included in the financial statements and that BP discloses separately because it considers such disclosures to be meaningful and relevant to investors. They are items that management considers not to be part of underlying business operations and are disclosed in order to enable investors better to understand and evaluate the group's reported financial performance.

### Fair value accounting effects

Fair value accounting effects are non-GAAP adjustments to our IFRS profit relating to certain physical inventories, pipelines and storage capacity. Management uses a fair-value basis to value these items which, under IFRS, are accounted for on an accruals basis with the exception of trading inventories, which are valued using spot prices. The adjustments have the effect of aligning the valuation basis of the physical positions with that of any associated derivative instruments, which are required to be fair valued under IFRS, in order to provide a more representative view of the ultimate economic value. Further information and a reconciliation to GAAP information is provided on page 27 of our first-quarter 2014 results announcement.

						<b>\$million</b>				
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>2013</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>2014</b>
<b>Upstream</b>										
Replacement cost profit before interest and tax adjusted for fair value accounting effects	5,622	4,431	4,197	2,651	16,901	4,677	-	-	-	4,677
Impact of fair value accounting effects	(60)	(31)	(39)	(114)	(244)	(18)	-	-	-	(18)
Replacement cost profit before interest and tax	5,562	4,400	4,158	2,537	16,657	4,659	-	-	-	4,659
<b>Downstream</b>										
Replacement cost profit (loss) before interest and tax adjusted for fair value accounting effects	1,660	878	563	(4)	3,097	733	-	-	-	733
Impact of fair value accounting effects	(13)	138	53	(356)	(178)	61	-	-	-	61
Replacement cost profit (loss) before interest and tax	1,647	1,016	616	(360)	2,919	794	-	-	-	794
<b>Total group</b>										
Profit (loss) before interest and tax adjusted for fair value accounting effects	20,211	4,378	5,555	2,047	32,191	5,594	-	-	-	5,594
Impact of fair value accounting effects	(73)	107	14	(470)	(422)	43	-	-	-	43
Profit (loss) before interest and tax	20,138	4,485	5,569	1,577	31,769	5,637	-	-	-	5,637

Net debt – Net debt and net debt ratio are non-GAAP measures. Net debt includes 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. The derivatives are reported on the balance sheet within the headings 'Derivative financial instruments'. We believe that net debt and net debt ratio provide useful information to investors. Net debt enables investors to see the economic effect of gross debt, related hedges and cash and cash equivalents in total. The net debt ratio enables investors to see how significant net debt is relative to equity from shareholders. The net debt ratio is defined as the ratio of finance debt (borrowings, including the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt, plus obligations under finance leases) to the total of finance debt plus shareholders' interest.

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, except ratios							
	2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross debt	46,425	46,990	50,284	48,192	53,249	-	-	-
Fair value asset (liability) of hedges related to finance debt	(1,083)	(460)	(734)	(477)	(633)	-	-	-
	45,342	46,530	49,550	47,715	52,616	-	-	-
Less: Cash and cash equivalents	27,679	28,313	29,499	22,520	27,358	-	-	-
Net debt	17,663	18,217	20,051	25,195	25,258	-	-	-
Equity	131,085	130,133	131,251	130,407	130,200	-	-	-
Gross debt to gross debt-plus-equity ratio	26.2%	26.5%	27.7%	27.0%	29.0%	-	-	-
Net debt to net debt-plus-equity ratio	11.9%	12.3%	13.3%	16.2%	16.2%	-	-	-

Inorganic capital expenditure (Inorganic Capex) is equal to acquisitions, asset exchanges and certain other inorganic capital expenditure. See page 25 of our first-quarter 2014 results announcement.

Organic capital expenditure (Organic Capex) Organic capital expenditure excludes acquisitions, asset exchanges, and other inorganic capital expenditure. An analysis of capital expenditure by segment and region is shown on page 25 of our first-quarter 2014 results announcement.

Operating capital employed – total assets (excluding goodwill) less total liabilities, excluding finance debt and current and deferred taxation. BP publishes segment results on a pre-tax basis and publishes operating capital employed for each segment.

#### Operating cash flow

The terms 'operating cash', 'operating cash flow' and 'operating cash margin' are defined as 'net cash provided by (used in) operating activities' as stated in the condensed group cash flow statement. When used in the context of a segment rather than the group, the terms refer to the segment's share thereof.

### **Upstream measures**

#### Plant efficiency

Plant efficiency is the actual production of a plant facility expressed as a percentage of the total achievable installed production capacity of the asset including the reservoir, well, plant and export systems.

### **Downstream measures**

#### Refining availability

Refining availability represents Solomon Associates' operational availability, which is defined as the percentage of the year that a unit is available for processing after subtracting the annualized time lost due to turnaround activity and all planned mechanical, process and regulatory maintenance downtime.