

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 from profit or loss inventory holding gains and losses and their associated tax effect. RC profit or loss for the group is not a recognized GAAP measure.

Underlying RC profit is replacement cost profit or loss adjusted for non-operating items and fair value accounting effects. Underlying business RC profit is underlying RC profit or loss adjusted to exclude the results of the TNK-BP and Rosneft segments and the group consolidation adjustment that arises due to the in-period change in the value of unrealized profit in inventory. Underlying RC profit, fair value accounting effects and underlying business RC profit are not recognized GAAP measures.

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	2012	Q1	Q2	Q3	Q4	2013
Profit (loss) before interest and tax	9,161	(1,599)	8,440	3,767	19,769	20,138	4,485	5,569	1,577	31,769
Inventory holding (gains) losses	(1,437)	2,324	(1,059)	766	594	(406)	506	(444)	634	290
Replacement cost profit before interest and tax	7,724	725	7,381	4,533	20,363	19,732	4,991	5,125	2,211	32,059
Less non-operating items:										
- Gulf of Mexico oil spill response	30	(843)	(56)	(4,126)	(4,995)	(22)	(199)	(30)	(179)	(430)
- Other non-operating items	387	(4,155)	(334)	3,567	(535)	12,433	(315)	(688)	(1,295)	10,135
	417	(4,998)	(390)	(559)	(5,530)	12,411	(514)	(718)	(1,474)	9,705
Less fair value accounting effects	(95)	(180)	(261)	(25)	(561)	(73)	107	14	(470)	(422)
Underlying replacement cost profit before interest and tax	7,402	5,903	8,032	5,117	26,454	7,394	5,398	5,829	4,155	22,776
Finance costs and net finance income (expense) relating to pensions and other post-retirement benefits	(405)	(390)	(376)	(467)	(1,638)	(404)	(369)	(397)	(378)	(1,548)
Less Finance costs relating to Gulf of Mexico oil spill response	(6)	(4)	(3)	(6)	(19)	(10)	(10)	(9)	(10)	(39)
	(399)	(386)	(373)	(461)	(1,619)	(394)	(359)	(388)	(368)	(1,509)
Taxation on an underlying replacement cost basis	(2,291)	(1,921)	(2,576)	(742)	(7,530)	(2,706)	(2,243)	(1,661)	(922)	(7,532)
Non-controlling interests	(61)	(45)	(66)	(62)	(234)	(79)	(84)	(88)	(56)	(307)
Underlying replacement cost profit attributable to BP shareholders	4,651	3,551	5,017	3,852	17,071	4,215	2,712	3,692	2,809	13,428

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

Upstream						\$million				
	Q1	Q2	Q3	Q4	2012	Q1	Q2	Q3	Q4	2013
Replacement cost profit before interest and tax	6,983	2,913	4,907	7,688	22,491	5,562	4,400	4,158	2,537	16,657
Less non-operating items	822	(1,495)	516	3,346	3,189	(80)	143	(226)	(1,201)	(1,364)
Less fair value accounting effects	(133)	7	25	(33)	(134)	(60)	(31)	(39)	(114)	(244)
Underlying replacement cost profit before interest and tax	6,294	4,401	4,366	4,375	19,436	5,702	4,288	4,423	3,852	18,265
Downstream										
Replacement cost profit (loss) before interest and tax	859	(1,732)	2,408	1,329	2,864	1,647	1,016	616	(360)	2,919
Less non-operating items	(106)	(2,678)	(315)	(73)	(3,172)	19	(323)	(157)	(74)	(535)
Less fair value accounting effects	38	(187)	(286)	8	(427)	(13)	138	53	(356)	(178)
Underlying replacement cost profit before interest and tax	927	1,133	3,009	1,394	6,463	1,641	1,201	720	70	3,632
TNK-BP										
Replacement cost profit before interest and tax	1,064	452	1,282	575	3,373	12,500	-	-	-	12,500
Less non-operating items	(93)	-	(12)	351	246	12,500	-	-	-	12,500
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit before interest and tax	1,157	452	1,294	224	3,127	-	-	-	-	-
Rosneft										
Replacement cost profit before interest and tax ^a	-	-	-	-	-	85	218	792	1,058	2,153
Less non-operating items	-	-	-	-	-	-	-	(16)	(29)	(45)
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit before interest and tax	-	-	-	-	-	85	218	808	1,087	2,198
Other businesses and corporate										
Replacement cost profit (loss) before interest and tax	(671)	(522)	(1,096)	(505)	(2,794)	(467)	(573)	(674)	(605)	(2,319)
Less non-operating items	(236)	18	(523)	(57)	(798)	(6)	(135)	(289)	9	(421)
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit (loss) before interest and tax	(435)	(540)	(573)	(448)	(1,996)	(461)	(438)	(385)	(614)	(1,898)

^a 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.

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 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 include all charges and credits relating to the Gulf of Mexico oil spill. 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 defined on page 21 of our fourth-quarter 2013 results announcement. A reconciliation to GAAP information is set out below:

	Q1	Q2	Q3	Q4	2012	Q1	Q2	Q3	Q4	2013
Upstream										
Replacement cost profit before interest and tax adjusted for fair value accounting effects	7,116	2,906	4,882	7,721	22,625	5,622	4,431	4,197	2,651	16,901
Impact of fair value accounting effects	(133)	7	25	(33)	(134)	(60)	(31)	(39)	(114)	(244)
Replacement cost profit before interest and tax	6,983	2,913	4,907	7,688	22,491	5,562	4,400	4,158	2,537	16,657
Downstream										
Replacement cost profit (loss) before interest and tax adjusted for fair value accounting effects	821	(1,545)	2,694	1,321	3,291	1,660	878	563	(4)	3,097
Impact of fair value accounting effects	38	(187)	(286)	8	(427)	(13)	138	53	(356)	(178)
Replacement cost profit (loss) before interest and tax	859	(1,732)	2,408	1,329	2,864	1,647	1,016	616	(360)	2,919
Total group										
Profit (loss) before interest and tax adjusted for fair value accounting effects	9,256	(1,419)	8,701	3,792	20,330	20,211	4,378	5,555	2,047	32,191
Impact of fair value accounting effects	(95)	(180)	(261)	(25)	(561)	(73)	107	14	(470)	(422)
Profit (loss) before interest and tax	9,161	(1,599)	8,440	3,767	19,769	20,138	4,485	5,569	1,577	31,769

Net debt – 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, except ratios							
	2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross debt	46,471	47,647	49,071	48,800	46,425	46,990	50,284	48,192
Less: fair value asset (liability) of hedges related to finance debt	1,224	1,067	1,572	1,700	1,083	460	734	477
	45,247	46,580	47,499	47,100	45,342	46,530	49,550	47,715
Less: Cash and cash equivalents	14,267	15,075	16,174	19,635	27,679	28,313	29,499	22,520
Net debt	30,980	31,505	31,325	27,465	17,663	18,217	20,051	25,195
Equity	119,315	113,415	118,883	119,752	131,085	130,133	131,251	130,407
Gross debt to gross debt-plus-equity ratio	28.0%	29.6%	29.2%	29.0%	26.2%	26.5%	27.7%	27.0%
Net debt to net debt-plus-equity ratio	20.6%	21.7%	20.9%	18.7%	11.9%	12.3%	13.3%	16.2%

Free cash flow

Net cash provided by operating activities plus net cash provided by investing activities.

Inorganic capital expenditure (Inorganic Capex) is equal to acquisitions, asset exchanges and certain other inorganic capital expenditure. See page 18 of our fourth-quarter 2013 results announcement.

Organic capital expenditure (Organic Capex) is equal to total capital expenditure and acquisitions less inorganic capital expenditure.

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.