

Supplementary Information - Fourth quarter 2019

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

The following non-GAAP measures or associated adjustments are defined in Glossary on pages 32-35 of our fourth-quarter 2019 results announcement:

- Free cash flow.
- Gearing.
- Inorganic capital expenditure.
- Non-operating items.
- Organic capital expenditure.
- Underlying cash flow
- Underlying RC profit.
- Working capital.

Underlying effective tax rate (ETR)

The underlying ETR is calculated by dividing taxation on an underlying RC basis by underlying RC profit or loss before tax. Taxation on an underlying RC basis is taxation on a RC basis for the period adjusted for taxation on non-operating items and fair value accounting effects.

Effective tax rate

	Fourth quarter 2019	Third quarter 2019	Fourth quarter 2018
%			
ETR on profit or loss	93	(2,824)	68
Adjusted for inventory holding gains or losses	9	2,992	(23)
ETR on RC profit or loss	102	168	45
Adjusted for non-operating items and fair value accounting effects	(75)	(128)	(7)
Underlying ETR	27	40	38

Lease liability payments of principal

Lease liability payments of principal are reported as financing activities in the group cash flow statement.

	Fourth quarter 2019
\$billion	
Upstream	0.3
Downstream	0.2
OB&C	0.1
Total	0.6

Organic free cash flow

Organic free cash flow is operating cash flow less organic capital expenditure and lease liability payments. Organic free cash flow excludes any post-tax impacts from the Gulf of Mexico oil spill.

Organic free cash flow per share

Organic free cash flow per share is organic free cash flow divided by the estimated number of shares in issue at the end of the year.

Downstream measures

Downstream underlying earnings growth

Downstream underlying earnings growth is defined as the change in underlying RC profit before interest and tax, after adjusting for the impact of refining and petrochemicals environment, foreign exchange, turnaround and portfolio impacts.

Downstream underlying earnings growth 2016 - 19	2016 \$bn	2019 \$bn
Downstream RC profit before interest and tax	5.2	6.5
Non-operating items and fair value accounting effects	0.4	(0.1)
Downstream underlying RC profit before interest and tax	5.6	6.4
Earnings growth 2016-19		0.8
Adjustment for FX, refining and petrochemicals environment and normalised turnaround and portfolio impacts		1.5
Underlying earnings growth 2016-19		2.3

Downstream free cash flow proxy

Downstream free cash flow proxy is defined as underlying RC profit before interest and tax adjusted to add back depreciation, depletion and amortization (DD&A), less organic cash capital expenditure, less adjustments for lease impacts.

Downstream free cash flow proxy	2019 \$bn
Underlying RC profit before interest and tax	6.4
DD&A	2.9
Organic cash capex	(3.0)
Adjustment for lease impacts	(0.7)
Pre-tax free cash flow - reported	5.6
Adjustment to \$14/bbl RMM and \$15/bbl WTI-WCS crude differential	0.9
Pre-tax free cash flow - adjusted	6.5