

Supplementary Information - Fourth quarter 2020

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 measures or associated adjustments are defined in Glossary on pages 32-35 of our fourth-quarter 2020 results announcement:

- Underlying RC profit or loss.
- Inorganic capital expenditure.
- Organic capital expenditure.
- Capital expenditure.
- Net debt.
- Consolidation adjustment – UPII.
- Non-operating items.

Cash costs

Cash costs is a non-GAAP measure and a subset of production and manufacturing expenses plus distribution and administration expenses and excludes costs that are classified as non-operating items. They represent the substantial majority of the remaining expenses in these line items but exclude certain costs that are variable, primarily with volumes (such as freight costs). Management believes that cash costs is a performance measure that provides investors with useful information regarding the company's financial performance because it considers these expenses to be the principal operating and overhead expenses that are most directly under their control although they also include certain foreign exchange and commodity price effects.

\$ million	Year 2020	Year 2019
Income statement data		
Production and manufacturing expenses	22,494	21,815
Distribution and administration expenses	10,397	11,057
	32,891	32,872
Adjusted for certain non-operating items		
Gulf of Mexico oil spill	255	319
Other items	1,096	68
	31,540	32,485
Adjusted for certain variable costs		
Transportation and shipping costs	8,964	7,664
Other variable costs	4,060	3,894
Cash costs	18,516	20,927

Lease liability payments of principal

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

	Fourth quarter 2020
\$ billion	
Upstream	0.3
Downstream	0.2
OB&C	0.1
Total	0.6

Earnings before interest, depreciation and amortization (EBIDA)

EBIDA is defined as underlying replacement cost (RC) profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items), less taxation on an underlying RC basis. bp believes it is helpful to disclose EBIDA because it reflects how bp measures underlying business delivery.

EBIDA – Group

	Year 2020	Year 2019
\$ million		
Profit (loss) before interest and tax	(21,740)	11,706
Inventory holding (gains) losses, before tax	2,868	(667)
RC profit before interest and tax	(18,872)	11,039
Net (favourable) adverse impact of non-operating items and fair value accounting effect, before tax	16,024	7,752
Underlying RC Profit before interest and tax	(2,848)	18,791
Adjusted for:		
Taxation on an underlying RC basis	(743)	(5,596)
Depreciation, depletion and amortization	14,889	17,780
Exploration expenditure written off (EWO), net of non-operating items	7,946	631
EBIDA	19,244	31,606

EBIDA per share

EBIDA per share is calculated based on the shares in issue at period-end of 20.3 billion (2019 20.2 billion).

Return on average capital employed (ROACE)

Return on average capital employed (ROACE) is a non-GAAP measure and is underlying replacement cost profit, after adding back non-controlling interest and interest expense net of tax, divided by average capital employed (total equity plus finance debt), excluding cash and cash equivalents and goodwill. Interest expense is finance costs excluding lease interest and the unwinding of the discount on provisions and other payables before tax. BP believes it is helpful to disclose the ROACE because this measure gives an indication of the company's capital efficiency. The nearest GAAP measures of the numerator and denominator are profit or loss for the period attributable to BP shareholders and average capital employed respectively.

\$ million	Year 2020	Year 2019
Profit for the year attributable to BP shareholders	(20,305)	4,026
Inventory holding (gains) losses, net of tax	2,201	(511)
Non-operating items and fair value accounting effects, after taxation	12,414	6,475
Underlying replacement cost (RC) profit	(5,690)	9,990
Interest expense, net of tax	1,402	1,744
Non-controlling interests	(424)	164
Adjusted underlying RC profit	(4,712)	11,898
Total equity	85,568	100,708
Finance debt	72,664	67,724
Capital employed (2020 average \$163,332 million, 2019 average \$167,556 million,)	158,232	168,432
Less: Goodwill	12,480	11,868
Cash and cash equivalents	31,111	22,472
	114,641	134,092
Average capital employed (excluding goodwill and cash and cash equivalents)	124,367	133,050
ROACE	(3.8)%	8.9 %

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 2020	Third quarter 2020	Fourth quarter 2019
ETR on profit or loss	(36)	305	93
Adjusted for inventory holding gains or losses	(105)	(809)	9
ETR on RC profit or loss	(141)	(504)	102
Adjusted for non-operating items and fair value accounting effects	181	568	(75)
Underlying ETR	40	64	27

Energy transition and low carbon

Low carbon; Low carbon energy; low carbon technologies

Low carbon (renewable) electricity; bio-energy; electrification; future mobility solutions; carbon capture, use and storage (CCUS); “blue” or “green” hydrogen; and trading in low carbon products.

Low carbon and other energy transition activities

Low carbon energy / technologies as described above, together with convenience; integrated gas and power; bp Ventures and Launchpad.

Capital employed in the energy transition

Capital employed in the energy transition means capital employed in respect of Low carbon and other energy transition activities.

Convenience and mobility measures

Convenience gross margin

Convenience gross margin comprises store gross margin as well as other merchandise and service contribution, not considered as retail fuels or store gross margin, received from the retail service stations operated under a bp brand.

Convenience gross margin	2020 \$bn
Fuel marketing RC profit before interest and tax	1.8
Less non-operating items and fair value accounting effects	0.4
Fuel marketing underlying RC profit before interest and tax	2.2
Less fuels marketing fuel gross margin, cash costs, equity-accounted earnings and DD&A	0.9
Convenience gross margin	1.3

Convenience & mobility EBITDA

EBITDA is defined as underlying replacement cost (RC) profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items). bp believes it is helpful to disclose EBITDA because it reflects how bp measures underlying business delivery.

EBITDA	2019 \$bn
Downstream RC profit before interest and tax	6.5
Net (favourable) impact of non-operating items and fair value accounting effects	(0.1)
Downstream – underlying RC profit before interest and tax	6.4
Less trading/refining/petrochemicals	(2.6)
Convenience & Mobility (C&M) – underlying RC profit before interest and tax	3.8
Add C&M depreciation, depletion and amortization (DD&A)	1.1
C&M EBITDA	4.9

C&M DD&A:

DD&A	2019 \$bn
Downstream – DD&A	2.9
Less trading/refining/petrochemicals	(1.8)
C&M DD&A	1.1

Return on average capital employed

Return on average capital employed (ROACE) is underlying replacement cost profit before interest, divided by average capital employed, excluding cash and cash equivalents and goodwill. bp believes it is helpful to disclose the ROACE because this measure gives an indication of capital efficiency. The nearest GAAP measures of the numerator and denominator are replacement cost profit before interest and tax and average capital employed respectively.

ROACE calculation	2020 \$bn	2019 \$bn
C&M – underlying RC profit before interest and tax	2.9	3.8
Less tax (@25%)	(0.7)	(1.0)
C&M underlying RC profit post-tax, before interest	2.2	2.8

C&M average capital employed	11.1	10.1
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C&M – ROACE (%)	20%	28%
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C&M average capital employed calculation:

Average capital employed	2020 \$bn	2019 \$bn
Downstream	29.4	30.7
Less trading/refining/petrochemicals	(18.3)	(20.6)
C&M – average capital employed	11.1	10.1