Supplementary Information – February 2012 Investor presentation

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

<u>Replacement cost profit and underlying replacement cost profit</u>

Replacement cost profit or loss reflects the replacement cost of supplies. The replacement cost profit or loss for the period is arrived at by excluding from profit or loss inventory holding gains and losses and their associated tax effect. Replacement cost profit or loss for the group is not a recognized GAAP measure. Underlying replacement cost profit is replacement cost profit or loss adjusted for non-operating items and fair value accounting effects.

<u>Reconciliation of profit (loss) before interest and tax for the group to underlying replacement cost profit attributable to BP shareholders</u>

$million

Total Group	**Q1**	**Q2**	**Q3**	**Q4**	**2010**	**Q1**	**Q2**	**Q3**	**Q4**	**2011**
Profit (loss) before interest and tax	9,606	(24,129)	1,916	8,905	(3,702)	11,637	9,077	7,724	11,379	39,817
Inventory holding (gains) losses	(705)	284	82	(1,445)	(1,784)	(2,412)	(493)	372	(101)	(2,634)
Replacement cost profit (loss) before interest and tax	8,901	(23,845)	1,998	7,460	(5,486)	9,225	8,584	8,096	11,278	37,183
Less non-operating items:										
- Gulf of Mexico oil spill response	-	(32,192)	(7,656)	(1,010)	(40,858)	(384)	617	(541)	4,108	3,800
- Other non-operating items	(147)	364	2,037	1,375	3,629	512	(1,145)	349	(10)	(294)
	(147)	(31,828)	(5,619)	365	(37,229)	128	(528)	(192)	4,098	3,506
Less fair value accounting effects	73	(3)	(153)	122	39	(71)	129	15	1	74
Underlying replacement cost profit before interest and tax	8,975	7,986	7,770	6,973	31,704	9,168	8,983	8,273	7,179	33,603
Finance costs and net finance income (expense) relating to pensions and other post-retirement benefits	(228)	(214)	(335)	(346)	(1,123)	(239)	(249)	(234)	(261)	(983)
Less Finance costs relating to Gulf of Mexico oil spill response	-	-	(47)	(30)	(77)	(16)	(15)	(14)	(13)	(58)
	(228)	(214)	(288)	(316)	(1,046)	(223)	(234)	(220)	(248)	(925)
Taxation on an underlying replacement cost basis	(2,991)	(2,690)	(1,863)	(2,197)	(9,741)	(3,380)	(2,974)	(2,413)	(1,856)	(10,623)
Minority interest	(109)	(102)	(88)	(96)	(395)	(61)	(70)	(177)	(89)	(397)
Underlying replacement cost profit attributable to BP shareholders	5,647	4,980	5,531	4,364	20,522	5,504	5,705	5,463	4,986	21,658

<u>Reconciliation of replacement cost profit before interest and tax for segments to underlying replacement cost profit before interest and tax</u>

$million

	Q1	**Q2**	**Q3**	**Q4**	**2010**	**Q1**	**Q2**	**Q3**	**Q4**	**2011**
Exploration and Production										
Replacement cost profit before interest and tax	8,292	6,244	8,350	8,000	30,886	8,550	6,712	7,687	7,551	30,500
Less non-operating items	41	61	1,741	1,356	3,199	710	(664)	500	584	1,130
Less fair value accounting effects	63	(122)	68	(12)	(3)	29	(35)	(39)	56	11
Underlying replacement cost profit before interest and tax	8,188	6,305	6,541	6,656	27,690	7,811	7,411	7,226	6,911	29,359
Refining and Marketing										
Replacement cost profit before interest and tax	729	2,075	1,787	964	5,555	2,079	1,338	1,493	564	5,474
Less non-operating items	(70)	232	382	86	630	(17)	(218)	(227)	(140)	(602)
Less fair value accounting effects	10	119	(221)	134	42	(100)	164	54	(55)	63
Underlying replacement cost profit before interest and tax	789	1,724	1,626	744	4,883	2,196	1,392	1,666	759	6,013
Other businesses and corporate										
Replacement cost profit (loss) before interest and tax	(328)	(70)	(568)	(550)	(1,516)	(478)	(598)	(330)	(1,072)	(2,478)
Less non-operating items	(118)	71	(86)	(67)	(200)	(181)	(263)	76	(454)	(822)
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit (loss) before interest and tax	(210)	(141)	(482)	(483)	(1,316)	(297)	(335)	(406)	(618)	(1,656)

<u>Inventory holding gains and losses</u>

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. They include all charges and credits relating to the Gulf of Mexico oil spill. 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 19 of our fourth-quarter 2011 results announcement. A reconciliation to GAAP information is set out below:

$million	Q1	Q2	Q3	Q4	2010	Q1	Q2	Q3	Q4	2011
Exploration and Production										
Replacement cost profit before interest and tax adjusted for fair value accounting effects	8,229	6,366	8,282	8,012	30,889	8,521	6,747	7,726	7,495	30,489
Impact of fair value accounting effects	63	(122)	68	(12)	(3)	29	(35)	(39)	56	11
Replacement cost profit before interest and tax	8,292	6,244	8,350	8,000	30,886	8,550	6,712	7,687	7,551	30,500
Refining and Marketing										
Replacement cost profit (loss) before interest and tax adjusted for fair value accounting effects	719	1,956	2,008	830	5,513	2,179	1,174	1,439	619	5,411
Impact of fair value accounting effects	10	119	(221)	134	42	(100)	164	54	(55)	63
Replacement cost profit before interest and tax	729	2,075	1,787	964	5,555	2,079	1,338	1,493	564	5,474

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	2009	2010	2011
Gross debt	34,627	45,336	44,213
Less: Fair value asset (liability) of hedges related to finance debt	127	916	1,133
	34,500	44,420	43,080
Less: Cash and cash equivalents	8,339	18,556	14,067
Net debt	26,161	25,864	29,013
Equity	102,113	95,891	112,482
Gross debt to gross debt-plus-equity ratio	25.3%	32.1%	28.2%
Net debt to net debt-plus-equity ratio	20.4%	21.2%	20.5%

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.

Inorganic capital expenditure (Inorganic Capex) is equal to acquisitions and asset exchanges plus, for 2011, the expenditure associated with deepening our natural gas asset base.

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, excluding TNK-BP dividends. When used in the context of a segment rather than the group, the terms refer to the segment's share thereof.

Exploration and Production:

Unit operating cash margin
Unit operating cash margin is operating cash margin for the E&P segment, divided by the total number of barrels of oil equivalent produced, excluding TNK-BP production, within a defined period.

Production – Crude oil, natural gas liquids (NGL) and natural gas produced from consolidated operations, and BP's interest in joint ventures and associates. Converted to barrels of oil equivalent (boe) at 1 barrel of NGL = 1 boe and 5,800 standard cubic feet of natural gas = 1 boe. Historical volumes shown are as previously reported. Projections reflect indications, not targets. This is not an amount that can be targeted, nor is it a specific forecast for a year.

Proved oil and gas reserves – Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:
  (a) The area identified by drilling and limited by fluid contacts, if any, and
  (b) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(a) Successful testing by a pilot project in an area of the reservoir with properties no more favourable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(b) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The main marker prices used for 2011 were $110.96/bbl Brent (oil) and $4.12/mmBtu Henry Hub (natural gas).

Undeveloped oil and gas reserves – Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

Reserve replacement ratio – The ratio of reserves booked through discoveries, extensions, net revisions and improved recovery to production for the period. This measure excludes the effects of acquisitions and disposals. Unless stated otherwise, this ratio is based on a combined basis which includes both subsidiaries and equity-accounted entities, excluding acquisitions and disposals and is based on reserves estimated in accordance with the SEC rules and relevant guidance.

Total Resources – Total resources are the estimated quantities of crude oil, bitumen, natural gas liquids and natural gas likely to be produced in the fullness of time from fields in which BP has current entitlement. The estimation, categorization and progression of total resources is founded on a discrete deterministic base case informed by interpretation and integration of the relevant data.

Total resources are divided into reserves and contingent resources and are evaluated using existing economic conditions.

Non-proved resources – that portion of our total resources that has not yet been categorized within our proved reserves.

Resources replacement ratio: The ratio of resources booked through discoveries, extensions, net revisions and improved recovery to production for the period. This measure excludes the effects of acquisitions and disposals. Unless stated otherwise, this ratio is based on a combined basis which includes both subsidiaries and equity-accounted entities, excluding acquisitions and disposals.

Refining and Marketing:

Refining Marker Margin: The RMM is the average of regional indicator margins weighted for BP's crude refining capacity in each region. They may not be representative of the margins achieved by BP in any period because of BP's particular refinery configurations and crude and product slate. The quarterly regional marker margins can be found on bp.com and are updated weekly.

Competitive performance ranges – The R&M segment's measures for ROACE and underlying net income per barrel are compared with the nearest comparative measures of our super-major competitors, as calculated using published competitor data.

Performance improvement: - The performance improvement is the cumulative improvement in R&M's pre-tax underlying replacement cost profit, for each year since the year specified, after adjusting for the effects of the refining margin and petrochemicals environment (including energy costs), foreign exchange impacts and price-lag effects for crude and product purchases.

$billion

	2007	2008	2009	2010	2011
Underlying replacement cost profit before interest and tax	3.9	3.3	3.6	4.9	6.0
Year-on-year change in underlying RC profit before interest and tax		(0.6)	0.3	1.3	1.1
Adjustment for refining and petrochemical environment, foreign exchange impacts and price lag effects crude and product purchases		(3.3)	(1.8)	0.4	0.7
Underlying year on year performance improvement		2.7	2.1	0.9	0.4
Underlying year on year performance improvement since 2009					1.3
Underlying year on year performance improvement since 2007					6.1

Pre-tax returns – R&M's underlying replacement cost profit before interest and tax for each year, divided by R&M's four-quarter average operating capital employed including goodwill.

$million

	2007	2008	2009	2010	2011
Numerator for pre-tax returns					
Replacement cost profit before interest and tax	2,621	4,176	743	5,555	5,474
Less non-operating items	(952)	347	(2,603)	630	(602)
Less fair value accounting effects	(357)	511	(261)	42	63
R&M pre-tax underlying replacement cost profit	3,930	3,318	3,607	4,883	6,013
Denominator for pre-tax returns					
Four-quarter average operating capital employed for R&M (excluding goodwill)	43,138	51,173	43,002	45,893	52,030
Four-quarter average goodwill for R&M*	6,633	6,377	5,500	4,080	4,146
Four-quarter average operating capital employed for R&M (including goodwill)	49,771	57,550	48,502	49,973	56,176
R&M pre-tax returns	**7.9%**	**5.8%**	**7.4%**	**9.8%**	**10.7%**

* a minor adjustment to 2008.

Underlying Net Income / barrel – R&M's underlying net income / barrel is calculated by taking R&M's underlying replacement cost profit before interest and tax, deducting tax at the group effective tax rate on replacement cost profit (excluding the impact of the Gulf of Mexico oil spill) and then dividing this notional post tax underlying replacement cost profit by the R&M segment's total refining capacity.

Underlying post-tax return on average capital employed (ROACE) for R&M segment

- *Numerator* – Replacement cost profit for the period, adjusted for non-operating items and fair value accounting effects. The numerator is tax effected using the BP group effective tax rate on replacement cost profit (excluding the impact of the Gulf of Mexico oil spill).
- *Denominator* – Annual average capital employed, which equals the average of the operating capital employed for the R&M segment (excluding goodwill) on 1 January and 31 December of each year, including liabilities for current and deferred taxation allocated on the basis of the segment's relative percentage of the group's operating capital employed (excluding the impact of the Gulf of Mexico oil spill).

Reconciliation of R&M replacement cost profit before interest and tax to ROACE and to Net Income / bbl

					$ million
	2007	**2008**	**2009**	**2010**	**2011**
Underlying replacement cost profit before interest and tax	3,930	3,318	3,607	4,883	6,013
Taxation*	(1,297)	(1,194)	(1,190)	(1,514)	(1,984)
R&M underlying replacement cost profit after tax	**2,633**	**2,124**	**2,417**	**3,369**	**4,029**

R&M ROACE					$million
Denominator for ROACE	**2007**	**2008**	**2009**	**2010**	**2011**
Operating Capital Employed (excluding goodwill)	47,911	41,199	46,501	48,422	50,945
Liabilities for current and deferred taxation**	(7,650)	(5,814)	(6,387)	(6,857)	(7,118)
Capital Employed for R&M (excluding goodwill)	40,261	35,385	40,114	41,565	43,827
Average capital employed	**37,204**	**37,823**	**37,750**	**40,839**	**42,696**
R&M Underlying ROACE	**7.1%**	**5.6%**	**6.4%**	**8.3%**	**9.4%**

Net income per barrel					
Denominator for NI/bbl					
Capacity (mmbbls)	1,011	988	975	973	973
R&M Underlying Net Income ($) per bbl	**2.6**	**2.1**	**2.5**	**3.5**	**4.1**

*BP does not present post-tax segment results. For the purposes of comparison with competitors, tax has been applied using the BP group effective tax rate on replacement cost profit, excluding the impact of the Gulf of Mexico oil spill.

** Liabilities for current and deferred taxation have been allocated to R&M on the basis of the segment's relative percentage share of the group's operating capital employed.

Group effective tax rate on replacement cost profit (excluding the impact of the Gulf of Mexico oil spill)	33%	36%	33%	31%	33%

Reconciliation of operating capital employed to capital employed

	2007	2008	2009	2010	2011
					$million
E&P	84,619	92,757	101,154	106,272	115,810
R&M	47,911	41,199	46,501	48,422	50,945
OB&C	4,882	742	1,882	14,383	5,318
GOM	–	–	–	(23,277)	(10,629)
Consolidation adjustment	(929)	(298)	(1,016)	(564)	(676)
Total operating capital employed	136,483	134,400	148,521	145,236	160,768
Liabilities for current and deferred taxation	(21,792)	(18,965)	(20,401)	(12,607)	(16,173)
Goodwill	11,006	9,878	8,620	8,598	12,100
Capital employed	125,697	125,313	136,740	141,227	156,695
Net assets	94,652	92,109	102,113	95,891	112,482
Finance debt	31,045	33,204	34,627	45,336	44,213
Capital employed	125,697	125,313	136,740	141,227	156,695

Pre-tax underlying replacement cost profit by business – The R&M segment is made up of three businesses. Segment-level overhead expenses are included in the fuels business result.:

Replacement cost profit by business

	2007	2008	2009	2010	2011
					$ million
Fuels	1,442	2,885	(914)	2,628	3,003
Lubricants	686	967	1,059	1,357	1,350
Petrochemicals	493	324	598	1,570	1,121
	2,621	4,176	743	5,555	5,474

Non-operating items and fair value accounting effects

	2007	2008	2009	2010	2011
					$ million
Fuels	(948)	995	(2,655)	381	(640)
Lubricants	(26)	(54)	(171)	(47)	100
Petrochemicals	(335)	(83)	(38)	338	1
	(1,309)	858	(2,864)	672	(539)

Note: Fair value accounting effects apply solely to the fuels business.

Underlying replacement cost profit by business

	2007	2008	2009	2010	2011
					$ million
Fuels	2,390	1,890	1,741	2,247	3,643
Lubricants	712	1,021	1,230	1,404	1,250
Petrochemicals	828	407	636	1,232	1,120
	3,930	3,318	3,607	4,883	6,013

Four-quarter average operating capital employed by business including goodwill: Average operating capital employed shown here is four-quarter average operating capital employed including goodwill.

	2007	2008	2009	2010	2011
					$million
Fuels	37,631	45,260	37,920	39,355	45,018
Lubricants	6,391	6,246	5,287	5,094	5,369
Petrochemicals	5,749	6,044	5,295	5,524	5,789
	49,771	57,550	48,502	49,973	56,176

Fuels business pre-tax returns: Fuels underlying replacement cost profit before interest and tax for each year, divided by Fuels four-quarter average operating capital employed including goodwill.

	2007	2008	2009	2010	2011
Pre-tax return	6%	4%	5%	6%	8%

Sales and other operating revenues by business: Sales and other operating revenues represent third party sales and other operating revenues, and exclude sales made by joint ventures which are equity accounted.

$million

	2007	2008	2009	2010	2011
Fuels	232,902	302,198	198,505	249,021	322,747
Lubricants	7,743	8,545	7,662	8,258	9,141
Petrochemicals	7,662	7,378	6,062	8,114	10,832
	248,307	318,121	212,229	265,393	342,720

Lubricants return on sales: pre-tax underlying replacement cost profit divided by third party sales and other operating revenues.

	2007	2008	2009	2010	2011
Pre-tax return on sales	9%	12%	16%	17%	14%

Lubricants gross margin: Lubricants gross margin is the business share of total revenues and other income less gains on sales of businesses and fixed assets, less costs that are variable, primarily with volumes.

Lubricants total costs: Lubricants total costs are the business share of depreciation, depletion and amortisation plus production and manufacturing and distribution and administration expenses less any costs deducted in the gross margin calculation.

Petrochemicals return on sales: pre-tax underlying replacement cost profit divided by third party sales and other operating revenues.

	2007	2008	2009	2010	2011
Pre-tax return on sales	11%	6%	10%	15%	10%

Petrochemicals production volumes: Petrochemicals production volumes comprise actual production from our share of petrochemicals production capacities as reported in our Annual Report and Form 20-F less petrochemicals produced at our petrochemicals plants in Germany which are managed by our fuels business.

Petrochemicals variable contribution margin: Petrochemicals unit variable contribution margin is an indicator of petrochemicals margins based on BP actual financials. It is calculated as sales and other operating revenues plus interest and other income, less purchases (on a replacement cost basis) and other costs which are variable, primarily with volumes, divided by petrochemicals production in the period. It also reflects the equivalent amounts for the BP share of equity accounted entities.