

Supplementary Information – 28 February 2017 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

Cash costs

Cash costs or controllable 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 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.

Free cash flow

Free cash flow is equal to operating cash flow less net cash used in investing activities, as presented in the group cash flow statement.

Gearing

Gearing (net debt ratio) is defined as the ratio of net debt to the total of net debt plus shareholders' equity. All components of equity are included in the denominator of the calculation. BP believes these measures 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 derivatives are reported on the balance sheet within the headings 'Derivative financial instruments'.

Inorganic capital expenditure

Inorganic capital expenditure is a subset of Capital expenditure on an accruals basis, and is a non-GAAP measure. Inorganic capital expenditure comprises consideration in business combinations and certain other significant investments made by the group. It is reported on an accruals basis. BP believes that this measure provides useful information as it allows investors to understand how BP's management invests funds in projects which expand the group's activities through acquisition. Further information and a reconciliation to GAAP information is provided on page 23 of our fourth-quarter 2016 results announcement.

Organic capital expenditure

Organic capital expenditure is a subset of Capital expenditure on an accruals basis, and is a non-GAAP measure. Organic capital expenditure comprises capital expenditure on an accruals basis less inorganic capital expenditure. BP believes that this measure provides useful information as it allows investors to understand how BP's management invests funds in developing and maintaining the group's assets. An analysis of organic capital expenditure by segment and region, and a reconciliation to GAAP information is provided on page 23 of our fourth-quarter 2016 results announcement.

Organic sources and uses of cash

Organic sources (or inflows) represents operating cash flow excluding any pre-tax impacts from the Gulf of Mexico oil spill. Organic uses (or outflows) of cash are organic capex and cash dividend as stated in the group cash flow statement.

Organic free cash flow

Organic free cash flow is operating cash flow less organic capital expenditure as included in the group cash flow statement. Organic free cash flow excludes any pre-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 as at the end of 2017.

Return on average capital employed (ROACE)

ROACE is underlying replacement cost profit, after adding back minority shareholders' interests and finance interest net of notional tax at an assumed 35% effective tax rate, divided by average capital employed, excluding cash & cash equivalents and goodwill.

	\$bn	
Profit for the year	0.1	
Inventory holding (gains) losses, net of tax	(1.1)	
Replacement cost (RC) loss, net of tax	(1.0)	
Net unfavourable impact of non-operating items and fair value accounting effects, net of tax	3.6	
2016 Underlying RC profit, net of tax	2.6	
Finance costs	(1.7)	
Add back unwinding of discount	0.7	
	(1.0)	
Less notional tax at 35%	0.4	
Finance interest, net of notional tax	(0.6)	
Non-controlling interests	(0.1)	
Post-tax underlying RC profit excl. finance interest & NCI	(a) 3.3	
	2015	2016
Total equity	98.4	96.8
Gross debt	53.2	58.3
Capital employed year end	151.6	155.1
Goodwill	11.6	11.2
Cash and cash equivalent	26.4	23.5
Capital employed excl. goodwill and cash	113.5	120.4
Average capital employed excl. goodwill & cash	(b) 117.0	
2016 ROACE	(a)/(b)	2.8%

Underlying operating cash flow

Underlying operating cash flow is net cash provided by operating activities excluding amounts related to the Gulf of Mexico oil spill and is a non-GAAP measure. It is calculated by excluding pre-tax operating cash flows relating to the Gulf of Mexico oil spill as reported in Note 2 from Net cash provided by operating activities as reported in the Condensed group cash flow statement.

Upstream Measures

Cost and capital saving

Cost and capital saving represents the combined reduction in Upstream cash costs and organic capital expenditure (excluding amounts relating to the renewal of a 10% interest in the Abu Dhabi onshore oil concession) between 2014 and 2016.

Plant reliability

Plant reliability is calculated taking 100% less the ratio of total unplanned plant deferrals divided by installed production capacity. Unplanned plant deferrals are associated with the topside plant and where applicable the subsea equipment (excluding wells and reservoir). Unplanned plant deferrals include breakdowns and weather.

Production cost per barrel

Production cost is a subset of production and manufacturing expenses. It includes the costs incurred to operate and maintain wells and related equipment and facilities, excluding ad valorem and severance taxes. Production cost per boe is calculated as production costs divided by production volumes in the relevant period.

Proxy free cash flow

Proxy free cash flow is defined as underlying RC profit before interest and tax adjusted to add back depreciation, depletion and amortization (DD&A), and exploration write-offs, less organic capital expenditure (excluding amounts relating to the renewal of a 10% interest in the Abu Dhabi onshore oil concession).

Proxy free cash flow	2016 \$bn
Underlying RC loss before interest and tax	(0.5)
DD&A	12.2
Exploration write-offs	1.1
Organic capital expenditure, excluding amounts relating to the renewal of a 10% interest in the Abu Dhabi onshore oil concession	(13.6)
Proxy free cash flow	(0.8)

Years of reserve life

Years of reserve life or reserves to production ratio is the amount of remaining reserves divided by the current rate of production of those reserves. The metric is an indicator of the remaining life of the reserves.

Downstream Measures

Cash cost to gross margin ratio

Cash cost to gross margin ratio is the ratio of cash costs divided by underlying gross margin. Underlying gross margin is gross margin excluding gross margin identified as non-operating items and fair value accounting effects. A lower ratio indicates a stronger financial performance.

Downstream underlying performance improvement

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

Net income per barrel

Net income per barrel is calculated by taking underlying RC profit before interest and tax, deducting tax at an assumed 28% effective tax rate on underlying RC profit and then dividing this notional post-tax underlying RC profit by the Downstream segment's total refining capacity.

Net Income per bbl	2013				2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Underlying RC profit before interest and tax (\$bn)	1.6	1.2	0.7	0.1	1.0	0.7	1.5	1.2	2.2	1.9	2.3	1.2	1.8	1.5	1.4	0.9
Taxation (assumed at 28%) (\$bn)	-0.5	-0.3	-0.2	0.0	-0.3	-0.2	-0.4	-0.3	-0.6	-0.5	-0.6	-0.3	-0.5	-0.4	-0.4	-0.2
Underlying RC profit after tax (\$bn)	1.2	0.9	0.5	0.1	0.7	0.5	1.1	0.9	1.6	1.3	1.7	0.9	1.3	1.1	1.0	0.6
Capacity (kbd)	2,370	2,118	1,940	1,955	1,955	1,955	1,955	1,957	1,957	1,855	1,855	1,854	1,859	1,859	1,859	1,859
Net income/bbl - spot	5.54	4.49	2.90	0.28	4.14	2.97	5.94	4.85	8.82	7.96	9.71	5.14	7.72	6.44	6.03	3.69
Net income/bbl - Rolling 4Q	5.54	5.01	4.31	3.30	2.95	2.57	3.33	4.47	5.64	6.89	7.84	7.91	7.63	7.25	6.33	5.97

Pre-tax earnings

Pre-tax earnings is defined as underlying replacement cost (RC) profit before interest and tax.

Lubricants	2014 \$bn	2016 \$bn
Underlying RC profit before interest and tax	1.3	1.5
Forex adjustment to 2016 environment	(0.2)	-
Underlying RC profit before interest and tax adjusted to 2016 FX environment	1.1	1.5

Fuels Marketing	2014 \$bn	2016 \$bn
Underlying RC profit before interest and tax - Fuels	3.2	3.7
<i>less: Underlying RC profit before interest and tax - Refining and other</i>	(1.4)	(1.6)
Underlying RC profit before interest and tax - Fuels Marketing	1.8	2.1
Forex adjustment to 2016 environment	(0.3)	-
Underlying RC profit before interest and tax adjusted to 2016 FX environment	1.5	2.1

Pre-tax returns

Pre-tax returns is the ratio of underlying RC profit before interest and tax to Downstream's average operating capital employed, including goodwill, for the period.

Pre-tax returns	2013	2014	2015	2016
Numerator for pre-tax returns				
Underlying RC profit before interest and tax (\$bn)	3.6	4.4	7.5	5.6
Denominator for pre-tax returns				
Average operating capital employed for Downstream incl. Goodwill (\$bn)	54.5	51.5	43.0	38.2
Downstream pre-tax returns	6.7%	8.6%	17.6%	14.7%
Refining Marker Margin (\$/bbl)	15.4	14.4	17.0	11.8
Adjustment to \$14/bbl RMM (ROT of \$1/bbl = \$500m) (\$bn)	(0.7)	(0.2)	(1.5)	1.1
Underlying RC profit before interest and tax at \$14/bbl RMM environment (\$bn)	2.9	4.3	6.1	6.7
Downstream pre-tax returns at \$14/bbl RMM environment	5.4%	8.3%	14.1%	17.6%

Proxy free cash flow

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

Proxy free cash flow	2016 \$bn
Underlying RC profit before interest and tax	5.6
DD&A	2.0
Organic capital expenditure	(2.1)
Proxy free cash flow	5.5

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 downtime.