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 inventories sold in the period and is arrived at by excluding inventory holding gains and losses from profit or loss. RC profit or loss is the measure of profit or loss that is required to be disclosed for each operating segment under International Financial Reporting Standards (IFRS). RC profit or loss for the group is not a recognized GAAP measure. Management believes this measure 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 to changes in prices as well as changes in underlying inventory levels. In order for investors to understand the operating performance of the group excluding the impact of 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 measure.

Underlying RC profit or loss is RC profit or loss after adjusting for non-operating items and fair value accounting effects. Underlying RC profit or loss and fair value accounting effects 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

$million

Total Group	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4	2015
Profit (loss) before interest and tax	5,637	5,503	2,969	(7,697)	6,412	2,634	-	-	-	2,634
Inventory holding (gains) losses	(102)	(258)	1,585	4,985	6,210	(756)	-	-	-	(756)
Replacement cost profit (loss) before interest and tax	5,535	5,245	4,554	(2,712)	12,622	1,878	-	-	-	1,878
Less non-operating items:										
- Gulf of Mexico oil spill response	(29)	(251)	(33)	(468)	(781)	(323)	-	-	-	(323)
- Other non-operating items	237	(462)	(1,195)	(6,893)	(8,313)	(223)	-	-	-	(223)
	208	(713)	(1,228)	(7,361)	(9,094)	(546)	-	-	-	(546)
Less fair value accounting effects	43	60	212	583	898	(102)	-	-	-	(102)
Underlying replacement cost profit before interest and tax	5,284	5,898	5,570	4,066	20,818	2,526	-	-	-	2,526
Finance costs and net finance expense relating to pensions and other post-retirement benefits	(367)	(356)	(358)	(381)	(1,462)	(358)	-	-	-	(358)
Less finance costs relating to Gulf of Mexico oil spill response	(10)	(9)	(10)	(9)	(38)	(9)	-	-	-	(9)
	(357)	(347)	(348)	(372)	(1,424)	(349)	-	-	-	(349)
Taxation on an underlying replacement cost basis	(1,611)	(1,852)	(2,151)	(1,421)	(7,035)	449	-	-	-	449
Non-controlling interests	(91)	(64)	(34)	(34)	(223)	(49)	-	-	-	(49)
Underlying replacement cost profit attributable to BP shareholders	3,225	3,635	3,037	2,239	12,136	2,577	-	-	-	2,577

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

$million

	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4	2015
Upstream										
Replacement cost profit (loss) before interest and tax	4,659	4,049	3,311	(3,085)	8,934	372	-	-	-	372
Less non-operating items	276	(516)	(501)	(5,557)	(6,298)	(242)	-	-	-	(242)
Less fair value accounting effects	(18)	(90)	(87)	226	31	10	-	-	-	10
Underlying replacement cost profit before interest and tax	4,401	4,655	3,899	2,246	15,201	604	-	-	-	604
Downstream										
Replacement cost profit before interest and tax	794	933	1,231	780	3,738	2,083	-	-	-	2,083
Less non-operating items	(278)	50	(552)	(790)	(1,570)	37	-	-	-	37
Less fair value accounting effects	61	150	299	357	867	(112)	-	-	-	(112)
Underlying replacement cost profit before interest and tax	1,011	733	1,484	1,213	4,441	2,158	-	-	-	2,158
Rosneft										
Replacement cost profit before interest and tax	518	1,024	107	451	2,100	183	-	-	-	183
Less non-operating items	247	-	(3)	(19)	225	-	-	-	-	-
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit before interest and tax	271	1,024	110	470	1,875	183	-	-	-	183
Other businesses and corporate										
Replacement cost profit (loss) before interest and tax	(497)	(434)	(432)	(647)	(2,010)	(308)	-	-	-	(308)
Less non-operating items	(8)	4	(139)	(527)	(670)	(18)	-	-	-	(18)
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit (loss) before interest and tax	(489)	(438)	(293)	(120)	(1,340)	(290)	-	-	-	(290)

Inventory holding gains and losses

Inventory holding gains and losses represent the difference between the cost of sales calculated using the replacement cost of inventory 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 historical 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 based on the replacement cost of inventory. For this purpose, the replacement cost of inventory is calculated using data from each operation's production and manufacturing system, either on a monthly basis, or separately for each transaction where the system allows this approach. 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.

Non-operating items

Non-operating items are charges and credits included in the financial statements that BP discloses separately because it considers such disclosures to be meaningful and relevant to investors. 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. Non-operating items within equity-accounted earnings are reported net of incremental income tax reported by the equity-accounted entity.

Fair value accounting effects

Fair value accounting effects are non-GAAP adjustments to our IFRS profit (loss) relating to certain physical inventories, pipelines and storage capacity. Management uses a fair-value basis to value these items which, under IFRS, are accounted for on an accruals basis with the exception of trading inventories, which are valued using spot prices. The adjustments have the effect of aligning the valuation basis of the physical positions with that of any associated derivative instruments, which are required to be fair valued under IFRS, in order to provide a more representative view of the ultimate economic value. Further information and a reconciliation to GAAP information is provided on page 27 of our first-quarter 2015 results announcement.

Net debt

Net debt and net debt ratio are non-GAAP measures. Net debt is calculated as gross finance debt, as shown in the balance sheet, plus the fair value of associated derivative financial instruments that are used to hedge foreign currency exchange and interest rate risks relating to finance debt, for which hedge accounting is applied, less cash and cash equivalents. The 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'.

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								
				2014				2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross debt	53,249	52,906	53,610	52,854	57,731	-	-	-
Fair value (asset) liability of hedges related to finance debt	(633)	(1,001)	(434)	(445)	(174)	-	-	-
	52,616	51,905	53,176	52,409	57,557	-	-	-
Less: cash and cash equivalents	27,358	27,506	30,729	29,763	32,434	-	-	-
Net debt	25,258	24,399	22,447	22,646	25,123	-	-	-
Equity	130,200	132,978	126,894	112,642	111,509	-	-	-
Gross debt to gross debt-plus-equity ratio	29.0%	28.5%	29.7%	31.9%	34.1%	-	-	-
Net debt to net debt-plus-equity ratio	16.2%	15.5%	15.0%	16.7%	18.4%	-	-	-

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 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, asset exchanges and other inorganic capital expenditure. See page 25 of our first-quarter 2015 results announcement.

Organic capital expenditure (Organic Capex) Organic capital expenditure excludes acquisitions, asset exchanges, and other inorganic capital expenditure. An analysis of capital expenditure by segment and region is shown on page 25 of our first-quarter 2015 results announcement.

Operating cash flow

The terms 'operating cash' and 'operating cash flow' 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.

Free cash flow

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

Upstream measures

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.

Downstream measures

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.

Cost efficiencies

Cost efficiency is measured as the difference in cash costs between defined time periods, adjusted for inflation and changes in foreign exchange translation, energy prices, portfolio, costs in direct support of growth activities and relative turnaround activity.