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.

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	2013	Q1	Q2	Q3	Q4	2014
Profit (loss) before interest and tax	20,138	4,485	5,569	1,577	31,769	5,637	5,503	2,969	(7,697)	6,412
Inventory holding (gains) losses	(406)	506	(444)	634	290	(102)	(258)	1,585	4,985	6,210
Replacement cost profit (loss) before interest and tax	19,732	4,991	5,125	2,211	32,059	5,535	5,245	4,554	(2,712)	12,622
Less non-operating items:										
- Gulf of Mexico oil spill response	(22)	(199)	(30)	(179)	(430)	(29)	(251)	(33)	(468)	(781)
- Other non-operating items	12,433	(315)	(688)	(1,295)	10,135	237	(462)	(1,195)	(6,893)	(8,313)
	12,411	(514)	(718)	(1,474)	9,705	208	(713)	(1,228)	(7,361)	(9,094)
Less fair value accounting effects	(73)	107	14	(470)	(422)	43	60	212	583	898
Underlying replacement cost profit before interest and tax	7,394	5,398	5,829	4,155	22,776	5,284	5,898	5,570	4,066	20,818
Finance costs and net finance expense relating to pensions and other post-retirement benefits	(404)	(369)	(397)	(378)	(1,548)	(367)	(356)	(358)	(381)	(1,462)
Less finance costs relating to Gulf of Mexico oil spill response	(10)	(10)	(9)	(10)	(39)	(10)	(9)	(10)	(9)	(38)
	(394)	(359)	(388)	(368)	(1,509)	(357)	(347)	(348)	(372)	(1,424)
Taxation on an underlying replacement cost basis	(2,706)	(2,243)	(1,661)	(922)	(7,532)	(1,611)	(1,852)	(2,151)	(1,421)	(7,035)
Non-controlling interests	(79)	(84)	(88)	(56)	(307)	(91)	(64)	(34)	(34)	(223)
Underlying replacement cost profit attributable to BP shareholders	4,215	2,712	3,692	2,809	13,428	3,225	3,635	3,037	2,239	12,136

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	2013	Q1	Q2	Q3	Q4	2014
Upstream										
Replacement cost profit (loss) before interest and tax	5,562	4,400	4,158	2,537	16,657	4,659	4,049	3,311	(3,085)	8,934
Less non-operating items	(80)	143	(226)	(1,201)	(1,364)	276	(516)	(501)	(5,557)	(6,298)
Less fair value accounting effects	(60)	(31)	(39)	(114)	(244)	(18)	(90)	(87)	226	31
Underlying replacement cost profit before interest and tax	5,702	4,288	4,423	3,852	18,265	4,401	4,655	3,899	2,246	15,201
Downstream										
Replacement cost profit (loss) before interest and tax	1,647	1,016	616	(360)	2,919	794	933	1,231	780	3,738
Less non-operating items	19	(323)	(157)	(74)	(535)	(278)	50	(552)	(790)	(1,570)
Less fair value accounting effects	(13)	138	53	(356)	(178)	61	150	299	357	867
Underlying replacement cost profit before interest and tax	1,641	1,201	720	70	3,632	1,011	733	1,484	1,213	4,441
TNK-BP										
Replacement cost profit before interest and tax	12,500	-	-	-	12,500	-	-	-	-	-
Less non-operating items	12,500	-	-	-	12,500	-	-	-	-	-
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit before interest and tax	-	-	-	-	-	-	-	-	-	-
Rosneft										
Replacement cost profit before interest and tax[a]	85	218	792	1,058	2,153	518	1,024	107	451	2,100
Less non-operating items	-	-	(16)	(29)	(45)	247	-	(3)	(19)	225
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit before interest and tax	85	218	808	1,087	2,198	271	1,024	110	470	1,875
Other businesses and corporate										
Replacement cost profit (loss) before interest and tax	(467)	(573)	(674)	(605)	(2,319)	(497)	(434)	(432)	(647)	(2,010)
Less non-operating items	(6)	(135)	(289)	9	(421)	(8)	4	(139)	(527)	(670)
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit (loss) before interest and tax	(461)	(438)	(385)	(614)	(1,898)	(489)	(438)	(293)	(120)	(1,340)

[a] Second quarter 2013 as reported includes an amendment to first-quarter profit, which was reported based on a BP estimate.

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 arising in consolidated entities and in TNK-BP and Rosneft that are included in the financial statements and 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.

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 29 of our fourth-quarter 2014 results announcement.

										$million
	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
Upstream										
Replacement cost profit (loss) before interest and tax adjusted for fair value accounting effects	5,622	4,431	4,197	2,651	16,901	4,677	4,139	3,398	(3,311)	8,903
Impact of fair value accounting effects	(60)	(31)	(39)	(114)	(244)	(18)	(90)	(87)	226	31
Replacement cost profit (loss) before interest and tax	5,562	4,400	4,158	2,537	16,657	4,659	4,049	3,311	(3,085)	8,934
Downstream										
Replacement cost profit (loss) before interest and tax adjusted for fair value accounting effects	1,660	878	563	(4)	3,097	733	783	932	423	2,871
Impact of fair value accounting effects	(13)	138	53	(356)	(178)	61	150	299	357	867
Replacement cost profit (loss) before interest and tax	1,647	1,016	616	(360)	2,919	794	933	1,231	780	3,738
Total group										
Profit (loss) before interest and tax adjusted for fair value accounting effects	20,211	4,378	5,555	2,047	32,191	5,594	5,443	2,757	(8,280)	5,514
Impact of fair value accounting effects	(73)	107	14	(470)	(422)	43	60	212	583	898
Profit (loss) before interest and tax	20,138	4,485	5,569	1,577	31,769	5,637	5,503	2,969	(7,697)	6,412

Net debt
Net debt and net debt ratio are non-GAAP measures. Net debt includes 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. The derivatives are reported on the balance sheet within the headings ‘Derivative financial instruments’. We believe that net debt and net debt ratio 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 net debt ratio is defined as the ratio of finance debt (borrowings, including the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt, plus obligations under finance leases) to the total of finance debt plus shareholders’ interest.

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

				2013				2014
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Gross debt	46,425	46,990	50,284	48,192	53,249	52,906	53,610	52,854
Fair value (asset) liability of hedges related to finance debt	(1,083)	(460)	(734)	(477)	(633)	(1,001)	(434)	(445)
	45,342	46,530	49,550	47,715	52,616	51,905	53,176	52,409
Less: cash and cash equivalents	27,679	28,313	29,499	22,520	27,358	27,506	30,729	29,763
Net debt	17,663	18,217	20,051	25,195	25,258	24,399	22,447	22,646
Equity	131,085	130,133	131,251	130,407	130,200	132,978	126,894	112,642
Gross debt to gross debt-plus-equity ratio	26.2%	26.5%	27.7%	27.0%	29.0%	28.5%	29.7%	31.9%
Net debt to net debt-plus-equity ratio	11.9%	12.3%	13.3%	16.2%	16.2%	15.5%	15.0%	16.7%

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.

Underlying cash costs – Underlying Cash costs are cash costs excluding any cash flows associated with non-operating items.

Inorganic capital expenditure (Inorganic Capex) is equal to acquisitions, asset exchanges and other inorganic capital expenditure. See page 27 of our fourth-quarter 2014 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 27 of our fourth-quarter 2014 results announcement.

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' 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 efficiency

Plant efficiency is the actual production of a plant facility expressed as a percentage of the total achievable installed production capacity of the asset including the reservoir, well, plant and export systems.

Plant reliability

Plant reliability is the Plant efficiency of a plant facility excluding the impacts of planned events such as Turnarounds, Annual maintenance activities and other similar planned activities. Thus, Plant reliability is the actual production plus planned deferrals (of a plant facility) expressed as a percentage of the total achievable installed production capacity of the asset including the reservoir, well, plant and export systems

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.

Cash Cost to Gross Margin Ratio

Cash cost to Gross Marin ratio is the ratio of underlying 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.

Pre-tax Returns

Pre-Tax Return is the ratio of underlying replacement cost (RC) profit before interest and tax to the average operating capital employed for the period.

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.