

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

The following non-GAAP measures or associated adjustments are defined in Glossary on pages 30-33 of our fourth-quarter 2017 results announcement:

- Inorganic capital expenditure.
- Net debt and net debt ratio (gearing).
- Non-operating items.
- Operating cash flow.
- Organic capital expenditure.
- Organic cash balance
- Organic cash flows
- Underlying RC profit or loss.

Adjusted effective tax rate (ETR)

The adjusted 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.

					%
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Effective tax rate (ETR) on profit or loss	12	29	83	41	95
Adjusted for inventory holding gains or losses	(650)	-	(20)	2	154
ETR on replacement cost (RC) profit or loss	(638)	29	63	43	249
Adjusted for non-operating items and fair value accounting effects	648	4	(3)	(3)	(222)
Adjusted ETR	10	33	60	40	27

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.

Organic free cash flow

Organic free cash flow is operating cash flow less organic capital expenditure. Organic free cash flow excludes any pre-tax impacts from the Gulf of Mexico oil spill.

Underlying operating cash flow

Underlying operating cash flow is net cash provided by operating activities excluding pre-tax amounts related to the Gulf of Mexico oil spill.

	\$ billion			
	Q4 2016	Q3 2017	Q4 2017	Year 2017
Net cash provided by operating activities	2.4	6.0	5.9	18.9
Add back: Pre-tax amounts related to the Gulf of Mexico oil spill	(2.0)	(0.6)	(0.5)	(5.3)
Underlying operating cash flow	4.5	6.6	6.4	24.3

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 and cash equivalents and goodwill.

	\$ billion		
	2016	2017	
Profit for the year	0.1	3.4	
Inventory holding (gains) losses, net of tax	(1.1)	(0.6)	
Replacement cost (RC) loss, net of tax	(1.0)	2.8	
Net unfavourable impact of non-operating items and fair value accounting effects, net of tax	3.6	3.4	
Underlying RC profit, net of tax	2.6	6.2	
Finance costs	(1.7)	(2.1)	
Add back unwinding of discount	0.7	0.7	
Less notional tax at 35%	(1.0)	(1.4)	
Finance interest, net of notional tax	0.4	0.5	
Non-controlling interests	(0.6)	(0.9)	
	(0.1)	(0.1)	
Post-tax underlying RC profit excl. finance interest & NCI	(a) 3.3	7.17	
	2015	2016	2017
Total equity	98.4	96.8	100.4
Gross debt	53.2	58.3	63.2
Capital employed year end	151.6	155.1	163.6
Goodwill	11.6	11.2	11.5
Cash and cash equivalent	26.4	23.5	25.6
Capital employed excl. goodwill and cash	113.5	120.4	126.5
Average capital employed excl. goodwill & cash	(b)	117.0	123.5
ROACE	(a)/(b)	2.8%	5.8%

Upstream measures

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.

Proxy free cash flow	2016 \$bn	2017 \$bn
Underlying RC profit (loss) before interest and tax	(0.54)	5.86
DD&A	12.18	13.25
Exploration write-offs	1.11	1.51
Organic capital expenditure	(14.31)	(13.76)
Proxy free cash flow	(0.8)	6.87

Production cost per barrel

Production cost is a subset of production and manufacturing expenses. It includes the field and non-field costs associated with lifting, gathering, treating, field processing, integrity and other services/support related to the production of oil and gas, excluding ad valorem and severance taxes. Production cost per boe is calculated as production costs divided by production volumes in the relevant period.

New well D-cost

New well development costs per barrel of oil equivalent (boe) equals the gross well capital expenditure, excluding facilities costs, divided by the gross expected ultimate recovery in boe.

Downstream measures

Downstream underlying earnings growth

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

Downstream underlying earnings growth 2014 - 16	2014 \$bn	2016 \$bn
Downstream RC profit before interest and tax	3.7	5.2
Non-operating items and fair value accounting effects	0.7	0.4
Downstream underlying RC profit before interest and tax	4.4	5.6
Earnings growth 2014-16		1.2
Adjustment for FX, refining and petrochemicals environment and normalized turnaround and portfolio impacts		1.8
Underlying earnings growth 2014-16		3.0

Downstream underlying earnings growth 2016 - 17	2016 \$bn	2017 \$bn
Downstream RC profit before interest and tax	5.2	7.2
Non-operating items and fair value accounting effects	0.4	(0.2)
Downstream underlying RC profit before interest and tax	5.6	7.0
Earnings growth 2016-17		1.4
Adjustment for FX, refining and petrochemicals environment and normalized turnaround and portfolio impacts		(0.7)
Underlying earnings growth 2016-17		0.7
By business:		
Marketing		0.2
Manufacturing		0.8
Supply, trading and other		(0.3)

Earnings: Sub-segment underlying RC before interest and tax

Earnings	Fuels marketing				Lubricants			
	2014 \$bn	2015 \$bn	2016 \$bn	2017 \$bn	2014 \$bn	2015 \$bn	2016 \$bn	2017 \$bn
RC profit before interest and tax	1.6	1.5	2.1	2.4	1.4	1.2	1.4	1.5
Non-operating items and fair value accounting effects	0.2	0.3	0.0	0.0	(0.1)	0.2	0.1	0.0
Earnings	1.8	1.8	2.1	2.4	1.3	1.4	1.5	1.5
Forex adjustment to 2017 environment	(0.2)	(0.0)	0.1	0.0	(0.2)	0.0	0.0	0.0
Earnings adjusted to 2017 FX environment	1.6	1.8	2.2	2.4	1.1	1.4	1.5	1.5

Downstream free cash flow

Downstream 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.

Downstream free cash flow proxy	2016 \$bn	2017 \$bn
Underlying RC profit before interest and tax	5.6	7.0
DD&A	2.0	2.0
Organic capital expenditure	(2.1)	(2.4)
Pre-tax free cash flow	5.5	6.6

Pre-tax returns

Downstream 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	2014	2016	2017
Numerator for pre-tax returns			
RC profit before interest and tax (\$bn)	3.7	5.2	7.2
Non-operating items and fair value accounting effects (\$bn)	0.7	0.4	(0.2)
Underlying RC profit before interest and tax (\$bn)	4.4	5.6	7.0
Denominator for pre-tax returns			
Average operating capital employed for Downstream (\$bn)	51.5	38.2	37.8
Downstream pre-tax returns - reported	8.6%	14.7%	18.4%
Adjustment to \$14/bbl RMM and \$15/bbl WTI-WCS differential	(0.7)	1.2	0.3
Underlying RC profit before interest and tax at \$14/bbl RMM and \$15/bbl WTI-WCS environment (\$bn)	3.7	6.8	7.3
Denominator for pre-tax returns			
Adjustment to Brent crude price of \$55/bbl real at 2017	(4.8)	1.3	0.1
Average operating capital employed for Downstream at Brent crude price of \$55/bbl real at 2017 (\$bn)	46.7	39.5	37.9
Downstream pre-tax returns - adjusted	7.9%	17.4%	19.3%

Refining net cash margin per bbl

Refining net cash margin is defined by Solomon Associates as the net margin achieved after subtracting cash operating expenses and adding any refinery revenue from other sources. Net cash margin is expressed in US dollars per barrel of net refinery input.

Petrochemicals reduction in cash breakeven The reduction in variable cost margin required to cover cash fixed costs net of licensing income, including sustainable reductions in variable costs.

Petrochemicals reliability

Petrochemicals reliability is defined as production capacity less production volumes lost as a result of reliability events divided by plant capacity. Reliability events are events caused by unscheduled equipment failures, operational upsets, or unscheduled maintenance.

Return on sales

Return on sales is the ratio of underlying RC profit before interest and tax divided by sales and other operating revenues.