

Supplementary Information - Third quarter 2020

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 measures or associated adjustments are defined in Glossary on pages 32-35 of our third-quarter 2020 results announcement:

- Cash balancing point.
- Gearing.
- Inorganic capital expenditure.
- Non-operating items.
- Organic capital expenditure.
- Underlying replacement cost (RC) profit.
- Upstream unit production cost.
- Working capital.

Cash costs

Cash costs is a non-GAAP measure and a subset of production and manufacturing expenses plus distribution and administration expenses and excludes costs that are classified as non-operating items. They represent the substantial majority of the remaining expenses in these line items but exclude certain costs that are variable, primarily with volumes (such as freight costs). Management believes that cash costs is a performance measure that provides investors with useful information regarding the company's financial performance because it considers these expenses to be the principal operating and overhead expenses that are most directly under their control although they also include certain foreign exchange and commodity price effects.

\$ million	Nine months 2020	Nine months 2019
Income statement data		
Production and manufacturing expenses	16,383	16,006
Distribution and administration expenses	7,628	8,061
	24,011	24,067
Adjusted for certain non-operating items		
Gulf of Mexico oil spill	115	256
Other items	366	148
	23,530	23,663
Adjusted for certain variable costs		
Transportation and shipping costs	7,068	5,450
Other variable costs	2,680	2,614
Cash costs	13,782	15,599

Lease liability payments of principal

Lease liability payments of principal are reported as financing activities in the group cash flow statement.

	Third quarter 2020
\$billion	
Upstream	0.2
Downstream	0.1
OB&C	0.4
Total	0.7

Underlying effective tax rate (ETR)

The underlying 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.

Effective tax rate

%	Third quarter 2020	Second quarter 2020	Third quarter 2019
ETR on profit or loss	305	19	(2,824)
Adjusted for inventory holding gains or losses	(809)	—	2,992
ETR on RC profit or loss	(504)	19	168
Adjusted for non-operating items and fair value accounting effects	568	(10)	(128)
Underlying ETR	64	9	40

Underlying cash flow

Operating cash flow excluding Gulf of Mexico oil spill payments.

Convenience and mobility measures

Earnings before interest, taxation, depreciation and amortization (EBITDA)

EBITDA is defined as underlying replacement cost (RC) profit before interest and tax, add back depreciation, depletion and amortization and exploration expenditure written-off (net of non-operating items). bp believes it is helpful to disclose EBITDA because it reflects how bp measures underlying business delivery.

EBITDA	2019 \$bn
Downstream RC profit before interest and tax	6.5
Net (favourable) impact of non-operating items and fair value accounting effects	(0.1)
Downstream – underlying RC profit before interest and tax	6.4
Less trading/refining/petrochemicals	(2.6)
Convenience & Mobility (C&M) – underlying RC profit before interest and tax	3.8
Add C&M depreciation, depletion and amortization (DD&A)	1.1
C&M EBITDA	4.9

C&M DD&A:

DD&A	2019 \$bn
Downstream – DD&A	2.9
Less trading/refining/petrochemicals	(1.8)
C&M DD&A	1.1

Return on average capital employed

Return on average capital employed (ROACE) is underlying replacement cost profit before interest, divided by average capital employed, excluding cash and cash equivalents. bp believes it is helpful to disclose the ROACE because this measure gives an indication of capital efficiency. The nearest GAAP measures of the numerator and denominator are replacement cost profit before interest and tax and average capital employed respectively.

ROACE calculation	2019 \$bn
C&M – underlying RC profit before interest and tax	3.8
Less tax (@25%)	(1.0)
C&M underlying RC profit post-tax, before interest	2.8

C&M average capital employed	13.4
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C&M – ROACE (%)	21%
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C&M average capital employed calculation:

Average capital employed	2019 \$bn
Downstream	34.8
Less trading/refining/petrochemicals	(21.4)
C&M – average capital employed	13.4