

# BP's Consolidated Balance Sheets (Sources)

Quarterly Financial and Operating Information 2010-2014  
Group Information

## Standard Definitions

**Replacement cost profit:** Replacement cost (RC) profit or loss reflects the replacement cost of supplies 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 for each operating segment that is required to be disclosed under International Financial Reporting Standards (IFRS). RC profit or loss for the group is not a recognized GAAP measure.

**Underlying replacement cost profit:** 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.

**Inventory holding gains and losses:** Recordations of underlying RC profit or loss to the nearest equivalent IFRS measure are provided for the segments on the segment tabs. On the non-operating item and fair value accounting effects tabs respectively, we provide additional information on the non-operating item and fair value accounting effects that are used to arrive at underlying RC profit or loss or to arrive at underlying RC profit or loss after adjusting for non-operating items and fair value accounting effects.

**Non-operating items:** BP believes that underlying RC profit or loss is a useful measure for investors because it is a measure closely tracked by management to evaluate BP's operating performance and to make financial, strategic and operating decisions and because it may help investors to understand and evaluate, in the same manner as management, the underlying trends in BP's operational performance on a comparable basis, period to period, by adjusting for the effects of these non-operating items and fair value accounting effects.

**Inventory holding gains and losses:** Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost to BP of supplies acquired during the period and the cost of sales calculated on the first-in first-out (FIFO) method after adjusting for any change 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 shipped to the income statement is based on its historic cost of purchase, or manufacturer, rather than its RC. In volatile energy markets, this can have a significant distorting effect on reported income. This amount is disclosed to 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 if an average cost of supplies was used for the period. For this purpose, the average cost of supplies during the period is practically calculated on a monthly basis by dividing the total cost of inventory acquired in the period by the number of barrels acquired. The amounts disclosed are not separately reflected in the financial statements as a gain or loss. The adjustment is made in respect of the cost of inventories in cases part of a trading position and certain other temporary inventory positions.

Management believes this information is useful to illustrate to investors the fact that 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 primarily to changes in oil prices as well as changes to underlying inventory levels. In order for investors to understand the operating performance of the group and making the impact of all 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 information.

**Non-operating items:** Non-operating items are charges and credits arising in consolidated entities and in TUK, BP and BROW 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.

## Footnotes

Footnotes disclosed relate to those disclosed in the current quarter stock exchange announcement. For prior period footnotes relating to certain matters please see prior Quarterly Financial & Operating Information publications.

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