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BP p.l.c. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

GROUP RESULTS JANUARY - JUNE 2002

| | Three months ended June 30 (Unaudited) | | Six months June (Unaudited) |
|---|--|-----------------|-----------------------------------|
| | 2002 | 2001 | 2002 |
| | ----- (\$ million) | | |
| Turnover | 43,655 ===== | 48,409 ===== | 79,945 ===== |
| Reconciliation of historical cost and pro forma results | | | |
| Historical cost profit for the period | 2,040 | 2,741 | 3,336 |
| Inventory holding (gains) losses (a) | (531) | (40) | (973) |
| | ----- | ----- | ----- |
| Replacement cost profit for the period (b) | 1,509 | 2,701 | 2,363 |
| Exceptional items, net of tax | (216) | (53) | (146) |
| | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 1,293 | 2,648 | 2,217 |
| Special items, net of tax (c) | 351 | 103 | 471 |
| Acquisition amortization (d) | 537 | 680 | 1,075 |
| | ----- | ----- | ----- |
| Pro forma result adjusted for special items | 2,181 ===== | 3,431 ===== | 3,763 ===== |
| Per Ordinary Share - cents | | | |
| Historical cost profit | 9.10 | 12.21 | 14.88 |
| Replacement cost profit before exception items | 5.77 | 11.80 | 9.89 |
| Pro forma result adjusted for special items | 9.72 | 15.29 | 16.78 |
| Dividends per Ordinary Share - cents | 6.00 | 5.50 | 11.75 |

- (a) Net of minority shareholders' interest.
- (b) Replacement cost is not a UK or US GAAP measure. For further information on why management believes replacement cost profit is a relevant measure see Note 6 of Notes to Consolidated Financial Statements.
- (c) The special items refer to non-recurring charges and credits as described in the text below.
- (d) Depreciation and amortization relating to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.

The following discussion should be read in conjunction with the consolidated financial statements and the related notes provided elsewhere in this Form 6-K and with the information, including the consolidated financial statements and

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related notes, for the year ended December 31, 2001 in BP p.l.c.'s Annual Report on Form 20-F for the year ended December 31, 2001. The financial information for 2001 has been restated to reflect (i) the adoption by the Group of UK Financial Reporting Standard No. 19 (FRS 19) 'Deferred Tax' with effect from January 1, 2002 and (ii) the transfer of the solar, renewables and alternative fuels activities from Other businesses and corporate to Gas and Power on January 1, 2002. To reflect this transfer, Gas and Power has been renamed Gas, Power and Renewables from the same date. See Note 2 of Notes to Consolidated Financial Statements for further information.

The second quarter and first half results for 2002 reflect a less favourable environment than a year ago for Exploration and Production and Refining and Marketing. For the half year, oil realizations were down nearly \$4 per barrel, gas realizations were down nearly \$2 per thousand cubic feet, and the indicator refining margin was down over \$3 per barrel. Demand for most chemical products has improved but margins remain weak.

Turnover for the three months and six months ended June 30, 2002 was \$43,655 million and \$79,945 million respectively, compared with \$48,409 million and \$93,821 million for 2001. The reduction in turnover for the second quarter and half year primarily reflects lower oil and natural gas prices, offset in part by higher turnover in Europe attributable to the acquisition of Veba.

Replacement cost profit before exceptional items (which excludes inventory holding gains and losses) was \$1,293 million for the three months ended June 30, 2002, compared with \$2,648 million for the equivalent period of 2001. For the six months ended June 30, 2002, the replacement cost profit before exceptional items was \$2,217 million compared with \$5,649 million in 2001.

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BP p.l.c. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued

Owing to the significant acquisitions that took place in 2000, in addition to its reported results, BP is presenting pro forma results adjusted for special items in order to enable shareholders to assess current performance in the context of BP's past performance and against that of its competitors. The pro forma result, adjusted for special items, for the three months and six months ended June 30, 2002 was \$2,181 million and \$3,763 million respectively, compared with \$3,431 million and \$7,143 million in the prior year. The pro forma result, adjusted for special items, has been derived from the Group's reported UK GAAP accounting information but is not in itself a recognized UK or US GAAP measure. The pro forma result is replacement cost profit before exceptional items excluding acquisition amortization. Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustments and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000. A tabular breakdown of the reconciliation of pro forma to reported results on a replacement cost basis is provided below on page 5.

Acquisition amortization for the three months and six months ended June 30, 2002 was \$537 million and \$1,075 million, respectively, compared with \$680 million and \$1,351 million for the equivalent periods of 2001.

Special items refer to non-recurring charges and credits. For the three months ended June 30, 2002, special items were \$19 million (\$351 million after tax and including a tax special item of \$355 million), and comprised restructuring charges for Exploration and Production and Chemicals, business interruption insurance proceeds and costs related to a pipeline incident in Refining and

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Marketing, Veba, Solvay and Erdolchemie integration costs and an adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax rate. For the second quarter of 2001, special items were \$159 million (\$103 million after tax), comprising Burmah Castrol integration costs, rationalization costs in the downstream European commercial business and bond redemption charges. Special items for the six months ended June 30, 2002 were \$204 million (\$471 million after tax and including a tax special item of \$355 million) compared with \$222 million (\$143 million after tax) in 2001. The special items for the first half of both 2002 and 2001 are comprised of the same elements as those in the respective second quarter periods; in addition, the first half of 2002 includes litigation costs charged in the first quarter.

Underlying performance improvements were \$0.4 billion before tax for the first half of 2002. We are on track for the year's target of \$1.4 billion before tax. Underlying performance improvements include cost savings and volume growth, and represent increases in pre-tax results under mid-cycle operating conditions, adjusted for acquisition amortization and special items. Mid-cycle operating conditions reflect not only adjustments to hydrocarbon prices and margins, but also costs and capacity utilization, to levels which we would expect on average over the long term. Hydrocarbon production increased by over 5% and over 3% in the quarter and half year respectively. Full year hydrocarbon production growth is projected to be in the range of 4.5 to 5 per cent.

The historical cost profit for the three months ended June 30, 2002 was \$2,040 million including inventory holding gains of \$531 million and net exceptional gains of \$376 million (\$216 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations. For the equivalent period of 2001 there was a profit of \$2,741 million, including inventory holding gains of \$40 million and net exceptional gains of \$171 million (\$53 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations.

For the six months ended June 30, 2002, the historical cost profit was \$3,336 million, including inventory holding gains of \$973 million and net exceptional gains of \$267 million (\$146 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations. For the six months ended June 30, 2001, the historical cost profit was \$5,571 million, after inventory holding losses of \$198 million and including net exceptional gains of \$389 million (\$120 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations.

Performance of operating segments is evaluated by management based on replacement cost operating profit or loss. Segment results are presented in the table on page 5 and discussed in the following pages on this basis.

Interest expense for the three months and six months ended June 30, 2002 was \$314 million and \$647 million respectively, compared with \$441 million (including \$50 million bond redemption charges) and \$887 million (including \$60 million bond redemption charges) in 2001, reflecting lower interest rates for both periods in 2002.

Net taxation, other than production taxes, charged for the three months ended June 30, 2002 was \$1,751 million compared with \$1,956 million in the equivalent period last year. The second quarter 2002 included a special charge of \$355 million for an adjustment to the North Sea deferred tax liability for the supplementary UK corporation tax imposed by the UK Finance Act 2002. The tax charge in respect of exceptional items was \$160 million compared with \$118 million for the second quarter of 2001. The effective tax rate on replacement cost profit before exceptional items was 54% and 51% respectively for the three months and six months ended June 30, 2002, compared with 41% and 40% for the equivalent periods of 2001, reflecting the impact of the adjustment to the North Sea deferred tax liability for the supplementary UK tax and the

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non-deductibility of acquisition amortization for both the quarter and the half year.

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BP p.l.c. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued

The deal with E.ON announced last year has now been completed. Following BP's acquisition of 51% of Veba in the first quarter of 2002, most of Veba's upstream oil and gas assets were sold to Petro-Canada in May, with BP receiving \$1.5 billion proceeds. On June 30, E.ON's remaining 49% stake in Veba was acquired for \$2.4 billion. In addition, following a decision on July 5 by the German Minister for Economics and Technology (which is now being challenged in the German Courts), E.ON acquired BP's 25.5% stake in Ruhrgas for \$2.4 billion.

Capital expenditure and acquisitions in the second quarter of 2002 was \$6.1 billion, including \$2.4 billion for the purchase of the remaining 49% of Veba, compared with \$3.8 billion for the equivalent period in 2001. For the six months ended June 30, 2002, capital expenditure and acquisitions was \$11.8 billion, including \$5.0 billion for the Veba purchase, compared with \$6.3 billion in 2001. Excluding acquisitions, capital expenditure for the second quarter 2002 and first half was \$3.0 billion and \$6.1 billion respectively, and is on track for the upper end of the year's target range at around \$13 billion. Disposal proceeds in the second quarter were \$2.5 billion, including \$1.5 billion from the sale of Veba upstream assets, and \$2.9 billion in the first half.

Net cash inflow for the three months ended June 30, 2002 was \$1.9 billion, compared with an outflow of \$2.1 billion for the equivalent period of 2001. Compared to a year ago, tax payments were lower and disposal proceeds were higher. For the six months ended June 30, 2002, the net cash outflow was \$0.5 billion compared with an inflow of \$1.1 billion in 2001; lower operating cash flow and higher acquisition spending were partly offset by lower tax payments and higher disposal proceeds. Net cash inflow from operating activities was \$5.1 billion and \$8.8 billion for the three months and six months ended June 30, 2002 respectively, compared with \$5.1 billion and \$11.8 billion in the equivalent periods in 2001. A net reduction in working capital offset lower profit in the second quarter, and partly offset the lower profit for the half year.

Net debt at June 30, 2002 was \$19.8 billion. The ratio of net debt to net debt plus equity was 23% at June 30, 2002 as well as at December 31, 2001. After adjusting for the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions, the ratio of net debt to net debt plus equity was 28% at June 30, 2002 compared with 29% at December 31, 2001. In addition to reported debt, BP uses conventional off balance sheet sources of finance such as operating leases and joint venture and associated undertaking borrowings.

In the normal course of business the Group has entered into certain long term purchase commitments principally relating to take or pay contracts for the purchase of natural gas, crude oil and chemicals feedstocks and throughput arrangements for pipelines. The Group expects to fulfil its obligations under these arrangements with no adverse consequences to the Group's results of operations or financial condition.

At June 30, 2002 the Group's share of third party borrowings of joint ventures and associated undertakings was \$380 million and \$1,103 million respectively. These amounts are not reflected in the Group's debt on the balance sheet.

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| | Payments due by period | | | | | |
|---|------------------------|-------|-------|------|-------|-------|
| | Total | 2002 | 2003 | 2004 | 2005 | 2006 |
| | ----- | | | | | |
| | (\$ million) | | | | | |
| Long-term borrowings | 14,287 | 1,993 | 2,535 | 641 | 2,566 | 1,000 |
| Finance lease obligations | 3,648 | 97 | 159 | 165 | 173 | 1,000 |
| Operating leases | 6,498 | 1,023 | 746 | 678 | 607 | 5,000 |
| Other long-term contractual commitments | | | | | | |
| Take or pay contracts | 8,774 | 1,233 | 1,235 | 678 | 558 | 5,000 |
| Throughput agreements - pipeline | 1,982 | 264 | 431 | 373 | 342 | 3,000 |
| Throughput agreements - other | 1,852 | 163 | 157 | 123 | 113 | 1,000 |

We have in place a European Debt Issuance Programme (DIP) and a US Shelf Registration under each of which the Group may raise an aggregate of \$6 billion of debt for maturities of one month or longer. At August 30, 2002, the amount drawn down against the DIP was \$2,565 million, and the amount issued under the US Shelf Registration was \$2,000 million.

Commercial paper markets in the US and Europe are a primary source of liquidity for the Group. At June 30, 2002 the outstanding commercial paper amounted to \$3,854 million.

The Group has access to other sources of liquidity in the form of committed facilities and other funding through the capital markets. BP believes that, taking into account the substantial amounts of undrawn borrowing facilities available, the Group has sufficient working capital for foreseeable requirements.

The return on average capital employed on a replacement cost basis for the three months ended June 30, 2002 was 7% compared with 14% for the equivalent period of 2001. For the six months ended June 30, 2002, the return on average capital employed was also 7%. The return on average capital employed on a historical cost basis was 11% for the second quarter and 9% for the half year. For further information on the return on average capital employed calculation see page 64 of this report.

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BP announced a second quarterly dividend for 2002 of 6.0 cents per ordinary share. Holders of ordinary shares will receive 3.875 pence per share and holders of American Depositary Receipts (ADRs) \$0.36 per ADS. The dividend is payable on September 9, 2002 to shareholders on the register on August 16, 2002. Participants in the Dividend Reinvestment Plan or the dividend reinvestment facility in the US Direct Access Plan will receive the dividend in the form of shares also on September 9, 2002.

BP intends to continue to pay dividends in the future of around 60% of its replacement cost profit before exceptional items after adjusting for special items and acquisition amortization, adjusted to mid-cycle operating conditions. The target dividend payout ratio has been restated following adoption of FRS 19 on January 1, 2002 in order to maintain the substance of the existing financial framework.

The following table provides a breakdown of pro forma results and reconciles

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those results to replacement cost operating profit by operating segment.

| Reconciliation of replacement cost profit (loss) to pro forma result adjusted for special items | Replacement cost Profit (loss) | Acquisition amortization(a) | Special items(b) | Pro forma result adjusted special items |
|---|--------------------------------|-----------------------------|------------------|---|
| | ----- | ----- | ----- | ----- |
| | | (\$ million) | | |
| Three months ended June 30, 2002 | | | | |
| Exploration and Production | 2,458 | 341 | 90 | 2,889 |
| Gas, Power and Renewables | 114 | - | - | 114 |
| Refining and Marketing | 603 | 196 | (114) | 685 |
| Chemicals | 203 | - | 43 | 246 |
| Other businesses and corporate | (128) | - | - | (128) |
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 3,250 | 537 | 19 | 3,806 |
| Interest expense | (314) | - | - | (314) |
| Taxation | (1,591) | - | 348 (c) | (1,243) |
| Minority shareholders' interest | (52) | - | (16) | (68) |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 1,293 | 537 | 351 | 2,181 |
| | ----- | ===== | ===== | ----- |
| per ordinary share (cents) | 5.77 | | | 9.90 |
| | ===== | | | ===== |
| Three months ended June 30, 2001 | | | | |
| Exploration and Production | 3,427 | 491 | - | 3,918 |
| Gas, Power and Renewables | 161 | - | - | 161 |
| Refining and Marketing | 1,464 | 189 | 109 | 1,762 |
| Chemicals | 9 | - | - | 9 |
| Other businesses and corporate | (116) | - | - | (116) |
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 4,945 | 680 | 109 | 5,734 |
| Interest expense | (441) | - | 50 | (391) |
| Taxation | (1,838) | - | (56) | (1,894) |
| Minority shareholders' interest | (18) | - | - | (18) |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 2,648 | 680 | 103 | 3,431 |
| | ----- | ===== | ===== | ----- |
| per ordinary share (cents) | 11.80 | | | 15.20 |
| | ===== | | | ===== |

(a) Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustments and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.

(b) The special items refer to non-recurring charges and credits. The special items for the second quarter of 2002 comprise restructuring charges for Exploration and Production and Chemicals, business interruption insurance proceeds and costs related to a pipeline incident in Refining and Marketing, Veba, Solvay and Erdolchemie integration costs and an adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax. The special items for the second quarter of 2001 comprise Burmah Castrol integration costs, rationalization costs in the downstream European commercial business and a bond redemption charge. The taxation credit

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relating to special items has been calculated using a tax rate of 36% (2001, 35%).

- (c) Taxation includes a special charge of \$355 million for an adjustment to the North Sea deferred tax liability for the supplementary UK corporation tax.

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BP p.l.c. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued

| Reconciliation of replacement cost profit (loss) to pro forma result adjusted for special items | Replacement cost Profit (loss) | Acquisition amortization(a) | Special items(b) | Pro forma res adjusted special it |
|---|--------------------------------|-----------------------------|------------------|-----------------------------------|
| | ----- | ----- | ----- | ----- |
| | | (\$ million) | | |
| Six months ended June 30, 2002 | | | | |
| Exploration and Production | 4,386 | 686 | 217 | 5, |
| Gas, Power and Renewables | 225 | - | - | |
| Refining and Marketing | 671 | 389 | (88) | |
| Chemicals | 279 | - | 75 | |
| Other businesses and corporate | (253) | - | - | (|
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 5,308 | 1,075 | 204 | 6, |
| Interest expense | (647) | - | - | (|
| Taxation | (2,383) | - | 283 (c) | (2, |
| Minority shareholders' interest | (61) | - | (16) | |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 2,217 | 1,075 | 471 | 3, |
| | ----- | ===== | ===== | ----- |
| per ordinary share (cents) | 9.89 | | | 16 |
| | ===== | | | ===== |
| Six months ended June 30, 2001 | | | | |
| Exploration and Production | 8,093 | 961 | - | 9, |
| Gas, Power and Renewables | 261 | - | - | |
| Refining and Marketing | 2,204 | 390 | 162 | 2, |
| Chemicals | 90 | - | - | |
| Other businesses and corporate | (231) | - | - | (|
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 10,417 | 1,351 | 162 | 11, |
| Interest expense | (887) | - | 60 | (|
| Taxation | (3,855) | - | (79) | (3, |
| Minority shareholders' interest | (26) | - | - | |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 5,649 | 1,351 | 143 | 7, |
| | ----- | ===== | ===== | ----- |
| per ordinary share (cents) | 25.15 | | | 31 |
| | ===== | | | ===== |

(a) Acquisition amortization refers to depreciation relating to the fixed asset

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revaluation adjustments and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.

- (b) The special items refer to non-recurring charges and credits. The special items for the first half of 2002 comprise restructuring charges for Exploration and Production and Chemicals, business interruption insurance proceeds and costs related to a pipeline incident in Refining and Marketing, Veba, Solvay and Erdolchemie integration costs, litigation costs and an adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax. The special items for the first half of 2001 comprise Burmah Castrol integration costs, rationalization costs in the downstream European commercial business and a bond redemption charge. The taxation credit relating to special items has been calculated using a tax rate of 35% for both 2002 and 2001.
- (c) Taxation includes a special charge of \$355 million for an adjustment to the North Sea deferred tax liability for the supplementary UK corporation tax.

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BP p.l.c. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued

DETAILED REVIEW OF BUSINESSES (EXCLUDING EXCEPTIONAL ITEMS)

EXPLORATION AND PRODUCTION

| | | Three months ended June 30 (Unaudited) | | Six month June (Unaudited) | |
|---|-------------------------------|--|-------|----------------------------------|-------|
| | | 2002 | 2001 | 2002 | |
| | | ----- | | ----- | |
| Turnover | - \$m | 6,539 | 7,441 | 12,177 | |
| Total replacement cost operating profit | - \$m | 2,458 | 3,427 | 4,386 | |
| Results include: | | | | | |
| Exploration expense | - \$m | 222 | 81 | 346 | |
| Of which: Exploration expenditure written off | - \$m | 147 | 22 | 206 | |
| Key Statistics: | | | | | |
| Liquids(a) | Average prices realized by BP | - \$/bbl | 22.81 | 24.74 | 20.81 |
| | Production | - mb/d | 2,052 | 1,885 | 2,020 |
| Natural gas | Average prices realized by BP | - \$/mcf | 2.45 | 3.43 | 2.36 |
| | Production | - mmmcf/d | 8,667 | 8,554 | 8,706 |
| Brent oil price | - \$/bbl | 25.07 | 27.39 | 23.12 | |
| West Texas Intermediate oil price | - \$/bbl | 26.30 | 27.88 | 23.94 | |
| Alaska North Slope US West Coast | - \$/bbl | 25.04 | 26.05 | 22.42 | |
| Henry Hub gas price (b) | - \$/mmBtu | 3.38 | 4.66 | 2.87 | |
| UK Gas - National Balancing Point | - p/therm | 12.10 | 21.66 | 15.63 | |

(a) Crude oil and natural gas liquids

(b) Henry Hub First of the Month Index

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(c) Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.

Turnover for the three months and six months ended June 30, 2002 was \$6,539 million and \$12,177 million respectively, compared with \$7,441 million and \$16,558 million for the corresponding periods of 2001. Lower oil and natural gas prices more than offset the effect of high production.

Replacement cost operating profit for the three months and six months ended June 30, 2002 was \$2,458 million and \$4,386 million respectively, compared with \$3,427 million and \$8,093 million for the equivalent periods in 2001. The result for the second quarter and half year 2002 includes special charges of \$90 million and \$217 million respectively, relating to significant restructuring to reposition the business in North America and the North Sea. The results also include depreciation and amortization arising from the fixed asset revaluation adjustments and goodwill consequent upon the ARCO acquisition in 2000 of \$341 million and \$686 million for the second quarter of and half year 2002, and \$491 million and \$961 million for the corresponding periods in 2001.

The quarter's result was significantly affected by lower oil and natural gas prices compared to a year ago. Average liquids realizations declined by some \$2 a barrel. Both Brent and WTI marker prices were down, and the realizations were also impacted by significantly lower North American NGL prices. Overall gas realizations were down by around \$1 a thousand cubic feet. North American gas realizations also suffered from widening regional differentials to the Henry Hub marker caused by short term transportation capacity restrictions from the San Juan and Rockies basins. European gas prices also fell. Higher exploration expense was mainly due to an \$85 million write-off relating to the Neptune prospect in the deepwater Gulf of Mexico. BP relinquished the lease after concluding that the discovered volumes did not rank highly enough in BP's portfolio of investment opportunities. The result included a charge of \$83 million for Unrealized Profit In Stock (UPIS) to remove the increased upstream margin included in downstream inventories, following oil price rises since the first quarter. The equivalent quarter last year included a UPIS credit of \$40 million.

The half year result reflected the impact of significantly lower oil and gas prices and higher exploration expense, partly offset by strong underlying improvements through volume growth and lower lifting costs, which were 6% down on a year ago.

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EXPLORATION AND PRODUCTION (concluded)

Total hydrocarbon production for the quarter at 3,546 mboe/d was at a record level, up 5.5% on a year ago, with first half production up over 3% from 2001. The increase for the quarter reflects the continued ramp-up of projects commissioned in 2001, start-up of the King field in the Gulf of Mexico, improved operating efficiencies, and the increased interest in Sidanco which more than offset the impact of OPEC related quota restrictions and divestments. Abnormally warm weather in the UK early in 2002 was also a factor for the half year.

In support of our long term growth plans, capital expenditure was \$4.44 billion for the half year excluding acquisitions of \$0.44 billion. Projected start-ups in the second half include King's Peak, Horn Mountain and Princess in the Gulf

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of Mexico and Trinidad's LNG Train 2. Approvals were given for the second phase of the Azeri-Chirag-Gunashli development (BP 34% and operator) in Azerbaijan and the Baku-Tbilisi-Ceyhan pipeline from the Caspian Sea to the Mediterranean.

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BP p.l.c. AND SUBSIDIARIES
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GAS, POWER AND RENEWABLES

| | | Three months ended June 30 (Unaudited) | 2002 | 2001 | Six months June (Unaudited) |
|---|-------|--|--------|--------|-----------------------------------|
| | | | | | |
| Turnover | - \$m | 8,235 | 10,491 | 16,003 | |
| Total replacement cost operating profit | - \$m | 114 | 161 | 225 | |

On January 1, 2002, the solar, renewables and alternative fuels activities were transferred from Other businesses and corporate to Gas and Power. To reflect this transfer, Gas and Power has been renamed Gas, Power and Renewables from the same date and comparative information has been restated.

Turnover for the three months and six months ended June 30, 2002 was \$8,235 million and \$16,003 million, compared with \$10,491 million and \$22,613 million for the same periods in 2001. Despite increased gas sales volumes, turnover decreased due to lower natural gas prices, particularly in North America.

Replacement cost operating profit for the three months and six months ended June 30, 2002 was \$114 million and \$225 million respectively, compared with \$161 million and \$261 million a year ago. The reduction in the second quarter result is due to less volatile gas trading conditions compared to the second quarter of 2001. The contributions in the second quarter from the NGL business and Ruhrgas were both slightly up on the comparative period in 2001. The half year result similarly reflects a lower gas marketing and trading result, partly offset by an improvement from the NGL business. BP Solar production continues to expand, and is up over 30% in the first half compared to a year ago.

During the quarter, BP announced it had reached agreement to sell its UK contract energy management business to Elyo, a subsidiary of Tractebel.

In June, BP purchased a 5% stake in Enagas, the Spanish national gas infrastructure company, for \$70 million. This investment enhances our equity gas position in Trinidad and Algeria by supporting and growing our access to the Spanish market.

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BP p.l.c. AND SUBSIDIARIES
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REFINING AND MARKETING

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| | | Three months ended June 30 (Unaudited) | | Six months June (Unaudited) |
|---|----------|--|--------|-----------------------------------|
| | | 2002 | 2001 | 2002 |
| | | ----- | ----- | ----- |
| Turnover | - \$m | 31,870 | 34,257 | 56,759 |
| Total replacement cost operating profit | - \$m | 603 | 1,464 | 671 |
| Total refined product sales | - mb/d | 6,479 | 5,878 | 6,491 |
| Refinery throughputs | - mb/d | 3,103 | 2,955 | 3,049 |
| Global Indicator Refining Margin (a) | - \$/bbl | 2.06 | 5.78 | 1.85 |

(a) The Global Indicator Refining Margin (GIM) is the average of seven regional indicator margins weighted for BP's crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity.

Turnover for the three months and six months ended June 30, 2002 was \$31,870 million and \$56,759 million respectively, compared with \$34,257 million and \$62,780 million, for the same periods in the prior year. The decrease in turnover for the second quarter and first half year 2002 primarily reflects lower product prices, which more than offset volume increases from the Veba acquisition. Results for Veba have been included from February 1, 2002.

Replacement cost operating profit for the three months and six months ended June 30, 2002 was \$603 million and \$671 million, respectively. This compares with \$1,464 million and \$2,204 million in the corresponding periods of 2001. The results for the second quarter and first half include a net credit to income for special items of \$114 million and \$88 million, respectively. For the second quarter 2002, special items comprise business interruption insurance proceeds of \$184 million, partly offset by costs of \$47 million associated with an Olympic pipeline incident in 1999 and Veba integration costs of \$23 million. Special items for the half year include additional Veba integration costs of \$26 million. The results are also after charging depreciation and amortization arising from the fixed asset revaluation adjustments and goodwill, arising from the ARCO and Burmah Castrol acquisitions in 2000 of \$196 million and \$389 million for the second quarter and half year respectively, and \$189 million and \$390 million for 2001. Compared with 2001, the second quarter 2002 results reflect substantially lower worldwide refining margins reflecting higher product inventories for the industry, and the first half also includes the impact of lower US retail margins in the first quarter.

Refining throughputs increased by 5% in the second quarter and 4% in the first half compared with 2001, due to the effect of the Veba acquisition, which more than offset the divestments of the Mandan, Salt Lake City and Yorktown refineries in the USA. Marketing volumes increased by 7% and 6% for the quarter and half year respectively, reflecting the Veba acquisition; excluding Veba, volumes were down 4% in both periods due to lower aviation fuel demand, retail divestments and reductions in lower-margin marine and commercial sales.

Retail shop sales for the second quarter and half year increased by 67% and 54% respectively, compared with a year ago, primarily reflecting the Veba acquisition. Excluding Veba, retail shop sales were up 13% for the quarter and 10% for the first half, reflecting the impact of new BP Connect stations and worldwide growth in shop sales.

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During the quarter, BP opened an additional 62 BP Connect stations, primarily in the USA and UK, bringing the total number of BP Connect stations worldwide to 433. An additional 1,600 sites were reimaged in the second quarter, bringing the total number of sites with the BP helios to some 6,900 worldwide.

In May, BP announced that it had taken the first step to phase out MTBE by the end of 2002, one year ahead of the date required by California law, in the gasoline it sells in California. Contracts with several ethanol suppliers have been signed to provide a replacement for the MTBE. In addition, BP has introduced ultra low sulphur emission control diesel fuel in California.

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BP p.l.c. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS - continued

CHEMICALS

| | | Three months ended June 30 (Unaudited) | | | Six months ended June (Unaudited) |
|---|---------|--|-------|--|--|
| | | 2002 | 2001 | | 2002 |
| Turnover | - \$m | 3,584 | 3,073 | | 6,226 |
| Total replacement cost operating profit | - \$m | 203 | 9 | | 279 |
| Production (a) | - kte | 6,889 | 5,321 | | 13,500 |
| Chemicals Indicator Margin (b) | - \$/te | 109 (c) | 105 | | 95 (c) |

(a) Includes BP share of joint ventures, associated undertakings and other interests in production.

(b) The Chemicals Indicator Margin (CIM) is a weighted average of externally-based product margins. It is based on market data collected by Chem Systems in their quarterly market analyses, then weighted based on BP's product portfolio. While it does not cover our entire portfolio, it includes a broad range of products. Amongst the products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha-olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins, anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.

(c) Provisional. The data for the second quarter is based on two months' actual and one month of provisional data.

Turnover for the three months and six months ended June 30, 2002 was \$3,584 million and \$6,226 million respectively, compared with \$3,073 million and \$5,762 million for the equivalent periods in 2001. The increase in turnover for the second quarter and first half reflects higher production as a result of acquisitions and improved site reliability.

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Replacement cost operating profit for the three months ended June 30, 2002, was \$203 million, up from \$76 million in the first quarter and \$9 million a year ago, reflecting lower unit costs and firmer margins. The half year result is \$189 million above that of a year ago, reflecting increased sales volumes, partly offset by weaker margins. Operating costs were lower due to restructuring benefits and reliability improvements. Special charges for the quarter include \$29 million for restructuring of our Research and Technology facilities and Solvay and Erdolchemie integration costs of \$14 million. Special items for the half year also include costs related to the closure of polypropylene capacity in the USA.

Record production of 6,889 thousand tonnes in the second quarter was 278 thousand tonnes above the first quarter. Production for the second quarter and first half was 29% and 26% higher than a year ago, respectively, as a result of the Solvay, Erdolchemie and Veba transactions, new plants, improved reliability and improving demand.

During the quarter, we completed the sale of our plastics fabrication business as part of our overall plan to divest non-core businesses.

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BP p.l.c. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued

OTHER BUSINESSES AND CORPORATE

| | | Three months ended June 30 (Unaudited) | | Six month June (Unaud 2002 |
|--|-------|--|-------|-------------------------------------|
| | | 2002 | 2001 | 2002 |
| Turnover | - \$m | 136 | 138 | 271 |
| Replacement cost operating profit (loss) | - \$m | (128) | (116) | (253) |

Other businesses and corporate comprises Finance, the Group's coal asset and aluminium asset, its investments in PetroChina and Sinopec, interest income and costs relating to corporate activities.

EXCEPTIONAL ITEMS

| | | Three months ended June 30 (Unaudited) | | Six month June (Unaud 2002 |
|---|-------|--|-------|-------------------------------------|
| | | 2002 | 2001 | 2002 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | - \$m | 376 | 171 | 267 |
| Taxation credit (charge) | - \$m | (118) | (160) | (121) |
| Exceptional items after taxation | - \$m | 216 | 53 | 146 |

Exceptional items for the second quarter include a gain on the redemption of certain preferred limited partnership interests BP retained following the Altura

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Energy common interest disposal in 2000 in exchange for BP loan notes held by the partnership, partly offset by a loss on the sale of the plastics fabrication business.

OUTLOOK

The world economy continued to recover during the second quarter and further growth is expected in the third quarter, though recent financial market weakness poses a downside risk to this economic outlook. BP's overall trading environment improved to around "mid-cycle" during the second quarter, but was below this level on average for the half year.

Crude oil prices have remained firm. The market has shown some signs of underlying strength as inventories stabilized rather than built seasonally. OPEC left its production quotas unchanged at its June meeting. Geopolitical concerns have remained. Realized prices are expected to remain close to the range experienced in the second quarter assuming OPEC production continues around current levels.

US natural gas prices firmed in the second half of August in the face of stronger crude prices and high late summer temperatures and despite high levels of gas in storage. Third quarter average realizations are still expected to be somewhat lower than in the second quarter following low prices in July and early August.

Third quarter 2002 hydrocarbon production growth is expected to be around 5% - lower than previously projected, due to operational problems during August associated with Schiehallion and the Interconnector in the UKCS, shut in wells in Alaska and gas export constraints in North America. Because of these operational problems and their impact on the fourth quarter, full-year hydrocarbon production growth for 2002 is expected to be in the range of 4.5 to 5 per cent. New projects which contribute to production in the second half of the year include King and Trinidad LNG train 2, already in production, and King's Peak, Horn Mountain and Princess, in the Gulf of Mexico. BP's medium-term production target of 5.5 per cent compound annual growth, averaged over the period 2000 to 2005, remains unchanged.

The third quarter impacts on production arose from: a problem with the Schiehallion offshore-loading vessel which shut down the field in August, with a loss to BP of 55,000 barrels a day (the field is now back on stream but faces reduced operating efficiency until permanent repairs to the ship's swivel mechanism and umbilical controls are completed); the shutdowns of the Interconnector pipeline which interrupted gas exports to the continent and curtailed production; a casing failure in Alaska which caused the precautionary shutdown for testing of 150 North Slope wells; and reduced North American gas output resulting from throughput constraints in third-party pipelines and processing plants.

Refining margins have remained under pressure from firm crude prices and high product inventories. Although in aggregate OECD product inventories have moved downward to close to 1997-2001 average levels, distillate stocks remain high and are likely to limit near term upward potential in refining margins.

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BP p.l.c. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS - concluded

Retail margins have stabilized, having recovered from the low levels experienced during the first quarter. Competitive pressure, especially in the USA, remains

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strong.

During the second quarter, demand for most chemical products improved, in part reflecting restocking by end-users. Margins, however, still remain weak and any strengthening is dependent upon continued global economic recovery.

Capital expenditure is on track for the upper end of the year's target range at around \$13 billion, excluding acquisitions. The net debt ratio was below the mid-point of the 25-35% range at the end of the second quarter and is likely to remain relatively stable around this level as the payment for the purchase of the remaining interest in Veba has been offset by the receipt of Ruhrgas proceeds in July. The company restarted its share buyback programme in early August and intends to continue that programme whilst the trading environment is above mid-cycle.

FORWARD-LOOKING STATEMENTS

In order to utilize the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995, BP is providing the following cautionary statement. The foregoing discussion, in particular, although not limited to, the statements under 'Outlook', with regard to hydrocarbon production growth and targets, the outlook for economic recovery, trends in the trading environment, the timing of new projects, oil and gas prices and margins, refining margins, expected realizations on gas sales, inventory and product stock levels, planned product phase-outs, capacity utilization, capital expenditure trends and targets, working capital, profitability, results of operation, dividend payments and liquidity or financial position are all forward-looking in nature. Forward-looking statements are also identified by such phrases as 'will', 'expects', 'is expected to', 'should', 'may', 'is likely to', 'intends' and 'believes'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including the specific factors identified in the discussions accompanying such forward-looking statements, future levels of industry product supply, the timing of bringing new fields onstream, demand and pricing, operational problems, political stability and economic growth in relevant areas of the world, development and use of new technology, successful partnering, the actions of competitors, the actions of third party suppliers of facilities and services, natural disasters and other changes to business conditions, wars and acts of terrorism or sabotage, and other factors discussed elsewhere in this report. These and other factors may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Additional information, including information on factors which may affect BP's business, is contained in BP's Annual Report and Annual Accounts for 2001 and the Annual Report on Form 20-F for 2001 filed with the US Securities and Exchange Commission.

2002 DIVIDENDS

On July 30, 2002, BP p.l.c. announced a second quarterly dividend for 2002 of 6.0 cents per ordinary share of 25 cents (ordinary shares), representing \$0.36 per American Depositary Share (ADS) amounting to \$1,347 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares is August 16, 2002, with payment to be made on September 9, 2002.

The dividend payable on September 9, 2002 entitles qualifying US ADS shareholders to a refund of the 1/9th UK tax credit (approximately \$0.038) attaching to the dividend less a UK withholding tax limited to the amount of the tax credit. The effect of these arrangements for ADS holders is currently a cash payment of \$0.345, a gross dividend for tax purposes of \$0.383 and a potential

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tax credit of \$0.038 per ADS.

A dividend reinvestment facility is available for holders of ADSs through JPMorgan Chase Bank (formerly known as Morgan Guaranty Trust Company). Participants in the dividend reinvestment facility included in the US Direct Access Plan will receive the dividend in the form of shares on September 9, 2002.

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BP p.l.c. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF INCOME

| | Three months ended June 30 (Unaudited) | | Six months ended June 30 (Unaudited) | |
|---|--|--------|--|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | (\$ million, except per share amounts) | | | |
| Turnover - Note 3 | 44,059 | 48,689 | 80,628 | 94,300 |
| Less: joint ventures | 404 | 280 | 683 | 500 |
| | 43,655 | 48,409 | 79,945 | 93,800 |
| Group turnover | | | | |
| Replacement cost of sales | 37,177 | 40,706 | 68,730 | 77,800 |
| Production taxes - Note 4 | 315 | 433 | 562 | 1,000 |
| | 6,163 | 7,270 | 10,653 | 14,900 |
| Gross profit | | | | |
| Distribution and administration expenses | 3,123 | 2,638 | 5,814 | 5,100 |
| Exploration expense - Note 5 | 222 | 81 | 346 | 200 |
| | 2,818 | 4,551 | 4,493 | 9,400 |
| Other income | 147 | 112 | 272 | 300 |
| | 2,965 | 4,663 | 4,765 | 9,800 |
| Group replacement cost operating profit | | | | |
| Share of profits of joint ventures | 89 | 125 | 159 | 200 |
| Share of profits of associated undertakings | 196 | 157 | 384 | 300 |
| | 3,250 | 4,945 | 5,308 | 10,400 |
| Total replacement cost operating profit - Note 6 | | | | |
| Profit (loss) on sale of fixed assets and businesses or termination of operations - Note 7 | 376 | 171 | 267 | 300 |
| | 3,626 | 5,116 | 5,575 | 10,800 |
| Replacement cost profit before interest and tax - Note 6 | | | | |
| Inventory holding gains (losses) - Note 8 | 525 | 40 | 998 | (100) |
| | 4,151 | 5,156 | 6,573 | 10,600 |
| Historical cost profit before interest and tax | | | | |
| Interest expense - Note 9 | 314 | 441 | 647 | 800 |
| | 3,837 | 4,715 | 5,926 | 9,700 |
| Profit before taxation | | | | |
| Taxation - Note 10 | 1,751 | 1,956 | 2,504 | 4,100 |
| | 2,086 | 2,759 | 3,422 | 5,500 |
| Profit after taxation | | | | |
| Minority shareholders' interest | 46 | 18 | 86 | |
| | 2,040 | 2,741 | 3,336 | 5,500 |
| Profit for the period (a) | 2,040 | 2,741 | 3,336 | 5,500 |
| Earnings per ordinary share - cents (a) | | | | |
| Basic | 9.10 | 12.21 | 14.88 | 24.00 |

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| | | | | |
|--|--------|--------|--------|-------|
| Diluted | 9.05 | 12.14 | 14.80 | 24. |
| | ----- | ----- | ----- | ----- |
| Earnings per American depositary share - cents (a) | | | | |
| Basic | 54.60 | 73.26 | 89.28 | 148. |
| Diluted | 54.30 | 72.84 | 88.80 | 147. |
| | ----- | ----- | ----- | ----- |
| Average number of outstanding ordinary shares (millions) | 22,427 | 22,448 | 22,415 | 22,4 |
| | ===== | ===== | ===== | ===== |

(a) A summary of the material adjustments to profit for the period which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the United Kingdom is given in Note 15.

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BP p.l.c. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

| | June 30, 2002 (Unaudited) | December |
|---|------------------------------|----------|
| | ----- | ----- |
| | (\$ million) | |
| Fixed assets | | |
| Intangible assets | 16,163 | |
| Tangible assets | 85,587 | |
| Investments | 12,257 | |
| | ----- | |
| | 114,007 | |
| Current assets | | |
| Inventories | 9,818 | |
| Receivables | 32,344 | |
| Investments | 285 | |
| Cash at bank and in hand | 1,284 | |
| | ----- | |
| | 43,731 | |
| | ----- | |
| Current liabilities - falling due within one year | | |
| Finance debt | 8,854 | 9,090 |
| Accounts payable and accrued liabilities | 38,400 | 28,524 |
| | ----- | ----- |
| | 47,254 | 37,614 |
| | ----- | ----- |
| Net current liabilities | (3,523) | |
| | ----- | |
| Total assets less current liabilities | 110,484 | |
| Noncurrent liabilities | | |
| Finance debt | 12,555 | 12,327 |
| Accounts payable and accrued liabilities | 3,380 | 3,086 |
| Provisions for liabilities and charges | | |

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| | | |
|---|--------|--------|
| Deferred tax | 13,318 | 11,702 |
| Other | 13,105 | 11,482 |
| | ----- | ----- |
| | 42,358 | |
| | ----- | |
| Net assets | 68,126 | |
| Minority shareholders' interest | 558 | |
| | ----- | |
| BP shareholders' interest (a) - Note 14 | 67,568 | |
| | ===== | |
| Represented by: | | |
| Capital shares | | |
| Preference | 21 | |
| Ordinary | 5,616 | |
| Paid-in surplus | 4,131 | |
| Merger reserve | 27,026 | |
| Retained earnings | 30,594 | |
| Other reserves | 180 | |
| | ----- | |
| | 67,568 | |
| | ===== | |

(a) A summary of the material adjustments to BP shareholders' interest which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the United Kingdom is given in Note 15.

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BP p.l.c. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

| | Three months ended June 30 (Unaudited) | | Six months end June 30 (Unaudited) | |
|--|--|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| Net cash inflow from operating activities | 5,133 | 5,076 | 8,769 | 11,8 |
| | ----- | ----- | ----- | ----- |
| Dividends from joint ventures | 16 | 54 | 99 | |
| | ----- | ----- | ----- | ----- |
| Dividends from associated undertakings | 154 | 159 | 207 | 2 |
| | ----- | ----- | ----- | ----- |
| Servicing of finance and returns on investments | | | | |
| Interest received | 57 | 59 | 105 | 1 |
| Interest paid | (342) | (384) | (651) | (7 |
| Dividends received | 58 | 30 | 60 | |
| Dividends paid to minority shareholders | (3) | (5) | (16) | |
| | ----- | ----- | ----- | ----- |
| Net cash outflow from servicing of finance and returns on investments | (230) | (300) | (502) | (5 |

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| | | | | |
|--|---------|---------|---------|-------|
| Taxation | | | | |
| UK corporation tax | (167) | (169) | (354) | (3) |
| Overseas tax | (760) | (2,213) | (1,018) | (2,1) |
| Tax paid | (927) | (2,382) | (1,372) | (2,5) |
| Capital expenditure | | | | |
| Payments for fixed assets | (2,793) | (3,016) | (5,592) | (5,5) |
| Proceeds from the sale of fixed assets | 939 | 232 | 1,256 | 9 |
| Net cash outflow for capital expenditure | (1,854) | (2,784) | (4,336) | (4,6) |
| Acquisitions and disposals | | | | |
| Investments in associated undertakings | (488) | (148) | (631) | (2) |
| Acquisitions, net of cash acquired | (139) | (560) | (1,689) | (5) |
| Net investment in joint ventures | (68) | (72) | (114) | (1) |
| Proceeds from the sale of businesses | 1,584 | - | 1,615 | |
| Net cash (outflow) inflow for acquisitions and disposals | 889 | (780) | (819) | (9) |
| Equity dividends paid | (1,290) | (1,179) | (2,578) | (2,3) |
| Net cash inflow (outflow) | 1,891 | (2,136) | (532) | 1,0 |
| Financing | 2,017 | (1,669) | (266) | 1,1 |
| Management of liquid resources | 33 | (404) | (132) | (1) |
| Increase (decrease) in cash | (159) | (63) | (134) | (|
| | 1,891 | (2,136) | (532) | 1,0 |

(a) This cash flow statement has been prepared in accordance with UK GAAP. A cash flow statement presented on a SFAS 95 format is included in Note 15.

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BP p.l.c. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS - continued

| | Three months ended June 30 (Unaudited) | | Six months end June 30 (Unaudited) | |
|---|--|-------|--|------|
| | 2002 | 2001 | 2002 | 2001 |
| Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities | | | | |
| Historical cost profit before interest and tax | 4,151 | 5,156 | 6,573 | 10,6 |
| Depreciation and amounts provided | 2,227 | 2,130 | 4,380 | 4,2 |
| Exploration expenditure written off | 147 | 22 | 206 | 1 |

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| | | | | |
|--|---------|---------|---------|-------|
| Share of profits of joint ventures and associated undertakings | (288) | (282) | (544) | (6) |
| Interest and other income | (118) | (127) | (181) | (2) |
| (Profit) loss on sale of fixed assets and businesses | (374) | (171) | (265) | (3) |
| Charge for provisions | 325 | 541 | 494 | 7 |
| Utilization of provisions | (373) | (329) | (611) | (6) |
| Decrease (increase) in stocks | (807) | (371) | (1,303) | (1) |
| Decrease (increase) in debtors | (1,614) | (399) | (2,024) | (1,4) |
| Increase (decrease) in creditors | 1,857 | (1,094) | 2,044 | (5) |
| | ----- | ----- | ----- | ----- |
| Net cash inflow from operating activities | 5,133 | 5,076 | 8,769 | 11,8 |
| | ----- | ----- | ----- | ----- |
| Financing | | | | |
| Long-term borrowing | (752) | (505) | (2,498) | (1,0) |
| Repayments of long-term borrowing | 663 | 1,034 | 897 | 1,1 |
| Short-term borrowing | (753) | (2,589) | (4,252) | (2,7) |
| Repayments of short-term borrowing | 2,891 | 172 | 5,710 | 3,1 |
| | ----- | ----- | ----- | ----- |
| | 2,049 | (1,888) | (143) | 5 |
| | ----- | ----- | ----- | ----- |
| Issue of ordinary share capital | (32) | (64) | (123) | (1) |
| Repurchase of ordinary share capital | - | 283 | - | 7 |
| | ----- | ----- | ----- | ----- |
| Net cash (inflow) outflow from financing | 2,017 | (1,669) | (266) | 1,1 |
| | ===== | ===== | ===== | ===== |

(a) This cash flow statement has been prepared in accordance with UK GAAP. A cash flow statement presented on a SFAS 95 format is included in Note 15.

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BP p.l.c. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The results for the interim periods are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. The interim financial statements and notes included in this Report should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2001 included in BP's Annual Report on Form 20-F filed with the Securities and Exchange Commission.

2. Restatement of comparative information

Comparative information for 2001 has been restated to reflect the changes described below.

(a) Transfer of solar, renewables and alternative fuels activities

With effect from January 1, 2002, the solar, renewables and alternative fuels activities have been transferred from Other businesses and corporate to Gas and Power. To reflect this transfer Gas and Power has been renamed Gas, Power and Renewables from the same date.

(b) New accounting standard for deferred tax

With effect from January 1, 2002 BP has adopted Financial Reporting

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Standard No.19 'Deferred Tax' (FRS 19). This standard generally requires that deferred tax should be provided on a full liability basis rather than on a restricted liability basis as required by Statement of Standard Accounting Practice No.15 'Accounting for Deferred Tax'. The adoption of FRS 19 has been treated as a change in accounting policy.

Under FRS 19 deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less tax in the future. In particular:

- o Provision is made for tax on gains arising from the disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- o Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, joint ventures and associated undertakings only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

As a consequence of adopting FRS 19 acquisitions have been restated as if the new standard applied at that time. This leads to the creation of higher deferred tax liabilities and greater amounts of goodwill on those acquisitions.

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BP p.l.c. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Restatement of comparative information (continued)

| Income statement | Three months ended June 30 (Unaudited) | | Six months end June 30 (Unaudited) | |
|------------------|--|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | ----- | ----- | ----- |
| | (\$ million, except per share amounts) | | | |

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| | | | | |
|---|--------|--------|--------|--------|
| Turnover | 48,689 | 48,689 | 94,389 | 94,389 |
| Less: joint ventures | 280 | 280 | 568 | 568 |
| | ----- | ----- | ----- | ----- |
| Group turnover | 48,409 | 48,409 | 93,821 | 93,821 |
| Replacement cost of sales | 40,706 | 40,679 | 77,894 | 77,894 |
| Production taxes | 433 | 433 | 1,016 | 1,016 |
| | ----- | ----- | ----- | ----- |
| Gross profit | 7,270 | 7,297 | 14,911 | 14,911 |
| Distribution and administration expenses | 2,638 | 2,638 | 5,164 | 5,164 |
| Exploration expense | 81 | 81 | 250 | 250 |
| | ----- | ----- | ----- | ----- |
| Other income | 4,551 | 4,578 | 9,497 | 9,497 |
| | 112 | 112 | 307 | 307 |
| | ----- | ----- | ----- | ----- |
| Group replacement cost operating profit | 4,663 | 4,690 | 9,804 | 9,804 |
| Share of profits of joint ventures | 125 | 125 | 227 | 227 |
| Share of profits of associated undertakings | 157 | 157 | 386 | 386 |
| | ----- | ----- | ----- | ----- |
| Total replacement cost operating profit(a) | 4,945 | 4,972 | 10,417 | 10,417 |
| Profit (loss) on sale of fixed assets and and businesses or termination of operations | 171 | 171 | 389 | 389 |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before interest and tax | 5,116 | 5,143 | 10,806 | 10,806 |
| Inventory holding gains (losses) | 40 | 40 | (198) | (198) |
| | ----- | ----- | ----- | ----- |
| Historical cost profit before interest and tax | 5,156 | 5,183 | 10,608 | 10,608 |
| Interest expense | 441 | 441 | 887 | 887 |
| | ----- | ----- | ----- | ----- |
| Profit before taxation | 4,715 | 4,742 | 9,721 | 9,721 |
| Taxation | 1,956 | 1,550 | 4,124 | 3,224 |
| | ----- | ----- | ----- | ----- |
| Profit after taxation | 2,759 | 3,192 | 5,597 | 6,497 |
| Minority shareholders' interest | 18 | 21 | 26 | 26 |
| | ----- | ----- | ----- | ----- |
| Profit for the period | 2,741 | 3,171 | 5,571 | 6,471 |
| | ----- | ----- | ----- | ----- |
| Distribution to shareholders | 1,236 | 1,236 | 2,414 | 2,414 |
| | ----- | ----- | ----- | ----- |
| Earnings per ordinary share - cents | | | | |
| Basic | 12.21 | 14.12 | 24.80 | 28.80 |
| Diluted | 12.14 | 14.04 | 24.65 | 28.65 |
| | ===== | ===== | ===== | ===== |
| ----- | | | | |
| (a) Total replacement cost operating profit, by business | | | | |
| Exploration and Production | 3,427 | 3,441 | 8,093 | 8,093 |
| Gas, Power and Renewables | 161 | 173 | 261 | 261 |
| Refining and Marketing | 1,464 | 1,477 | 2,204 | 2,204 |
| Chemicals | 9 | 9 | 90 | 90 |
| Other businesses and corporate | (116) | (128) | (231) | (231) |
| | ----- | ----- | ----- | ----- |
| | 4,945 | 4,972 | 10,417 | 10,417 |
| | ===== | ===== | ===== | ===== |

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2. Restatement of comparative information (concluded)

Balance sheet at December 31, 2001

| | Restated | Reported |
|---|--------------|----------|
| | (\$ million) | |
| Fixed assets | | |
| Intangible assets | 16,489 | 15,599 |
| Tangible assets | 77,410 | 77,410 |
| Investments | 11,963 | 12,040 |
| | 105,862 | 105,059 |
| Current assets | 36,108 | 36,108 |
| Current liabilities - amounts falling due within one year | 37,614 | 37,614 |
| Net current liabilities | (1,506) | (1,506) |
| Total assets less current liabilities | 104,356 | 103,543 |
| Noncurrent liabilities | 15,413 | 15,413 |
| Provisions for liabilities and charges | | |
| Deferred taxation | 11,702 | 1,650 |
| Other provisions | 11,482 | 11,482 |
| Net assets | 65,759 | 74,999 |
| Minority shareholders' interest | 598 | 620 |
| BP shareholders' interest | 65,161 | 74,369 |

| | Three months ended June 30 (Unaudited) | | Six months ended June 30 (Unaudited) | |
|--------------------------------|--|--------|--|---------|
| | 2002 | 2001 | 2002 | 2001 |
| | (\$ million) | | | |
| 3. Turnover | | | | |
| By business | | | | |
| Exploration and Production | 6,539 | 7,441 | 12,177 | 16,518 |
| Gas, Power and Renewables | 8,235 | 10,491 | 16,003 | 22,600 |
| Refining and Marketing | 31,870 | 34,257 | 56,759 | 62,700 |
| Chemicals | 3,584 | 3,073 | 6,226 | 5,700 |
| Other businesses and corporate | 136 | 138 | 271 | 200 |
| | 50,364 | 55,400 | 91,436 | 107,918 |
| Less: sales between businesses | 6,709 | 6,991 | 11,491 | 14,100 |
| Group excluding joint ventures | 43,655 | 48,409 | 79,945 | 93,818 |
| Sales of joint ventures | 404 | 280 | 683 | 500 |
| | 44,059 | 48,689 | 80,628 | 94,318 |

By geographical area

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| | | | | |
|---------------------------|--------|--------|--------|-------|
| UK | 12,509 | 11,974 | 23,504 | 23,9 |
| Rest of Europe | 12,219 | 10,043 | 21,338 | 19,0 |
| USA | 19,663 | 24,791 | 34,928 | 47,2 |
| Rest of World | 8,035 | 8,929 | 15,019 | 18,6 |
| | ----- | ----- | ----- | ----- |
| | 52,426 | 55,737 | 94,789 | 108,8 |
| Less: Sales between areas | 8,771 | 7,328 | 14,844 | 15,0 |
| | ----- | ----- | ----- | ----- |
| | 43,655 | 48,409 | 79,945 | 93,8 |
| | ===== | ===== | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

| | Three months ended June 30 (Unaudited) | | Six months end June 30 (Unaudited) | |
|----------------------------|--|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| 4. Production taxes | | | | |
| UK petroleum revenue tax | 90 | 135 | 153 | 3 |
| Overseas production taxes | 225 | 298 | 409 | 6 |
| | ----- | ----- | ----- | ----- |
| | 315 | 433 | 562 | 1,0 |
| | ===== | ===== | ===== | ===== |
| 5. Exploration expense | | | | |
| Exploration and Production | | | | |
| UK | 4 | - | 10 | |
| Rest of Europe | 13 | 3 | 36 | |
| USA | 133 | 40 | 175 | 1 |
| Rest of World | 72 | 38 | 125 | 1 |
| | ----- | ----- | ----- | ----- |
| | 222 | 81 | 346 | 2 |
| | ===== | ===== | ===== | ===== |

6. Replacement cost profit

Replacement cost profits reflect the current cost of supplies. The replacement cost profit for the period is arrived at by excluding from the historical cost profit inventory holding gains and losses. These are the difference between the amount that is charged to cost of sales on a first-in, first-out (FIFO) basis of inventory valuation and the amount charged to cost of sales based on the average cost of supplies incurred during the period. The former basis is used in arriving at the historical cost result whereas the latter basis is used in arriving at the replacement cost result. BP presents financial information on a replacement cost basis in order to provide better comparability to the major US oil companies, which apply the last in, first out (LIFO) basis of inventory valuation. The LIFO basis is not permitted under UK GAAP. BP management believes that where inventory volumes remain constant or increase in a period, operating profit on the LIFO basis will not differ materially from operating profit on BP's replacement cost basis. For further discussion of replacement cost

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operating profit see Item 3 of BP's Annual Report on Form 20-F for the year ended December 31, 2001.

| | Three months ended June 30 (Unaudited) | | Six months ended June 30 (Unaudited) | |
|---|--|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| 7. Analysis of exceptional items | | | | |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | | | | |
| Exploration and Production | 427 | 319 | 432 | 2 |
| Gas, Power and Renewables | (1) | - | (1) | |
| Refining and Marketing | 31 | (59) | (14) | 2 |
| Chemicals | (85) | (80) | (145) | (|
| Other businesses and corporate | 4 | (9) | (5) | |
| | ----- | ----- | ----- | ----- |
| Exceptional items before taxation | 376 | 171 | 267 | 3 |
| Taxation charge | (160) | (118) | (121) | (2 |
| | ----- | ----- | ----- | ----- |
| Exceptional items after taxation | 216 | 53 | 146 | 1 |
| | ===== | ===== | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

| | Three months ended June 30 (Unaudited) | | Six months ended June 30 (Unaudited) | |
|-------------------------------------|--|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million, except per share amounts) | | | |
| Income statement | | | | |
| 8. Inventory holding gains (losses) | | | | |
| Exploration and Production | (1) | (9) | 2 | |
| Gas, Power and Renewables | 4 | (33) | 8 | (|
| Refining and Marketing | 444 | 99 | 939 | (1 |
| Chemicals | 78 | (17) | 49 | (|
| | ----- | ----- | ----- | ----- |
| Minority shareholders' interest | 525 | 40 | 998 | (1 |
| | (6) | - | 25 | |
| | ----- | ----- | ----- | ----- |
| | 531 | 40 | 973 | (1 |
| | ===== | ===== | ===== | ===== |
| 9. Interest expense | | | | |
| Group interest payable (a) | 261 | 363 | 528 | 7 |
| Capitalized | (25) | (21) | (40) | (|
| | ----- | ----- | ----- | ----- |
| Joint ventures | 236 | 342 | 488 | 6 |
| | 15 | 13 | 29 | |

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| | | | | |
|---|-------|-------|-------|-------|
| Associated undertakings | 21 | 36 | 45 | |
| Unwinding of discount on provisions | 42 | 50 | 85 | 1 |
| | ----- | ----- | ----- | ----- |
| | 314 | 441 | 647 | 8 |
| | ===== | ===== | ===== | ===== |
| ----- | | | | |
| (a) Includes charges relating to the early redemption of debt | - | 50 | - | |
| | ----- | ----- | ----- | ----- |
| 10. Charge for taxation | | | | |
| Current | 1,040 | 1,640 | 1,573 | 3,3 |
| Deferred (a) | 711 | 316 | 931 | 7 |
| | ----- | ----- | ----- | ----- |
| | 1,751 | 1,956 | 2,504 | 4,1 |
| | ===== | ===== | ===== | ===== |
| United Kingdom | 646 | 250 | 835 | 5 |
| Overseas | 1,105 | 1,706 | 1,669 | 3,6 |
| | ----- | ----- | ----- | ----- |
| | 1,751 | 1,956 | 2,504 | 4,1 |
| | ===== | ===== | ===== | ===== |
| ----- | | | | |
| (a) Includes the charge relating to the supplementary UK corporation tax of 10% | 355 | - | 355 | |
| | ----- | ----- | ----- | ----- |
| 11. Reconciliation of replacement cost results | | | | |
| Historical cost profit (loss) for the period | 2,040 | 2,741 | 3,336 | 5,5 |
| Inventory holding (gains) losses (a) | (531) | (40) | (973) | 1 |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit for the period | 1,509 | 2,701 | 2,363 | 5,7 |
| Exceptional items (b) | (216) | (53) | (146) | (1 |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 1,293 | 2,648 | 2,217 | 5,6 |
| | ----- | ----- | ----- | ----- |
| Earnings per ordinary share - cents | | | | |
| On replacement cost profit before exceptional items | 5.77 | 11.80 | 9.89 | 25. |
| | ===== | ===== | ===== | ===== |
| ----- | | | | |
| (a) Net of minority shareholders' interest | 6 | - | (25) | |
| (b) Net of tax charge | 160 | 118 | 121 | 2 |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Business and geographical analysis

| By business | Exploration and Production | Gas, Power and Renewables | Refining and Marketing | Chemicals | Other businesses and corporat |
|-------------|----------------------------------|------------------------------------|------------------------------|-----------|--|
|-------------|----------------------------------|------------------------------------|------------------------------|-----------|--|

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| | (\$ million) | | | | |
|---|--------------|--------|--------|-------|-------|
| Three months ended June 30, 2002 | | | | | |
| Group turnover | | | | | |
| - third parties | 1,246 | 7,816 | 30,922 | 3,535 | 13 |
| - sales between businesses | 5,293 | 419 | 948 | 49 | |
| | 6,539 | 8,235 | 31,870 | 3,584 | 13 |
| Share of sales by joint ventures | 137 | - | 102 | 165 | |
| Equity accounted income | 127 | 38 | 51 | 57 | 1 |
| Total replacement cost operating profit (loss) | 2,458 | 114 | 603 | 203 | (12) |
| Exceptional items | 427 | (1) | 31 | (85) | |
| Inventory holding gains (losses) | (1) | 4 | 444 | 78 | |
| Historical cost profit (loss) before interest and tax | 2,884 | 117 | 1,078 | 196 | (12) |
| Capital expenditure and acquisitions | 2,573 | 132 | 2,965 | 170 | 26 |
| Three months ended June 30, 2001 | | | | | |
| Group turnover | | | | | |
| - third parties | 2,254 | 9,730 | 33,273 | 3,014 | 13 |
| - sales between businesses | 5,187 | 761 | 984 | 59 | |
| | 7,441 | 10,491 | 34,257 | 3,073 | 13 |
| Share of sales by joint ventures | 131 | - | 149 | - | |
| Equity accounted income | 138 | 29 | 60 | 33 | 2 |
| Total replacement cost operating profit (loss) | 3,427 | 161 | 1,464 | 9 | (116) |
| Exceptional items | 319 | - | (59) | (80) | (9) |
| Inventory holding gains (losses) | (9) | (33) | 99 | (17) | - |
| Historical cost profit (loss) before interest and tax | 3,737 | 128 | 1,504 | (88) | (125) |
| Capital expenditure and acquisitions | 2,423 | 68 | 487 | 766 | 52 |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Business and geographical analysis (continued)

| By geographical area | UK | Rest of Europe | USA | Rest of World | Eliminations |
|----------------------|----|----------------|-----|---------------|--------------|
|----------------------|----|----------------|-----|---------------|--------------|

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| | (\$ million) | | | | |
|--|--------------|--------|--------|-------|---------|
| Three months ended June 30, 2002 | | | | | |
| Group turnover - third parties | 8,172 | 10,311 | 18,643 | 6,529 | - |
| - sales between areas | 4,337 | 1,908 | 1,020 | 1,506 | (8,771) |
| | 12,509 | 12,219 | 19,663 | 8,035 | (8,771) |
| Share of sales by joint ventures | 72 | 70 | 60 | 202 | - |
| Equity accounted income | (3) | 50 | 74 | 164 | - |
| Total replacement cost operating profit | 504 | 526 | 1,103 | 1,117 | - |
| Exceptional items | (24) | (45) | 482 | (37) | - |
| Inventory holding gains (losses) | 12 | 70 | 415 | 28 | - |
| Historical cost profit before interest and tax | 492 | 551 | 2,000 | 1,108 | - |
| Capital expenditure and acquisitions | 400 | 2,953 | 1,467 | 1,287 | - |
| Three months ended June 30, 2001 | | | | | |
| Group turnover - third parties | 8,629 | 8,157 | 24,525 | 7,098 | - |
| - sales between areas | 3,345 | 1,886 | 266 | 1,831 | (7,328) |
| | 11,974 | 10,043 | 24,791 | 8,929 | (7,328) |
| Share of sales by joint ventures | - | - | 100 | 180 | - |
| Equity accounted income | (10) | 42 | 78 | 172 | - |
| Total replacement cost operating profit | 814 | 429 | 2,485 | 1,217 | - |
| Exceptional items | (24) | (1) | (133) | 329 | - |
| Inventory holding gains (losses) | 14 | 80 | (35) | (19) | - |
| Historical cost profit before interest and tax | 804 | 508 | 2,317 | 1,527 | - |
| Capital expenditure and acquisitions | 448 | 758 | 1,628 | 962 | - |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Business and geographical analysis (continued)

| By business | Exploration and Production | Gas, Power and Renewables | Refining and Marketing | Chemicals | Other businesses and other corporate |
|-------------|----------------------------|---------------------------|------------------------|-----------|--------------------------------------|
|-------------|----------------------------|---------------------------|------------------------|-----------|--------------------------------------|

(\$ million)

Six months ended June 30, 2002
Group turnover

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| | | | | | |
|---|--------|--------|--------|-------|------|
| - third parties | 3,337 | 15,129 | 55,143 | 6,065 | 27 |
| - sales between businesses | 8,840 | 874 | 1,616 | 161 | |
| | 12,177 | 16,003 | 56,759 | 6,226 | 27 |
| Share of sales by joint ventures | 232 | - | 179 | 272 | |
| Equity accounted income | 252 | 92 | 102 | 68 | 2 |
| Total replacement cost operating profit (loss) | 4,386 | 225 | 671 | 279 | (25) |
| Exceptional items | 432 | (1) | (14) | (145) | (|
| Inventory holding gains (losses) | 2 | 8 | 939 | 49 | |
| Historical cost profit (loss) before interest and tax | 4,820 | 232 | 1,596 | 183 | (25) |
| Capital expenditure and acquisitions | 4,886 | 178 | 6,102 | 358 | 31 |
| Six months ended June 30, 2001 | | | | | |
| Group turnover | | | | | |
| - third parties | 5,752 | 21,063 | 61,091 | 5,650 | 26 |
| - sales between between | 10,806 | 1,550 | 1,689 | 112 | |
| | 16,558 | 22,613 | 62,780 | 5,762 | 26 |
| Share of sales by joint ventures | 326 | - | 242 | - | |
| Equity accounted income | 317 | 85 | 102 | 77 | 3 |
| Total replacement cost operating profit (loss) | 8,093 | 261 | 2,204 | 90 | (23) |
| Exceptional items | 277 | (1) | 206 | (86) | (|
| Inventory holding gains (losses) | - | (44) | (144) | (10) | |
| Historical cost profit (loss) before interest and tax | 8,370 | 216 | 2,266 | (6) | (23) |
| Capital expenditure and acquisitions | 4,289 | 104 | 857 | 982 | 10 |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Business and geographical analysis (concluded)

| By geographical area | UK | Rest of Europe | USA | Rest of World | Eliminations |
|--------------------------------|--------|----------------|--------|---------------|--------------|
| (\$ million) | | | | | |
| Six months ended June 30, 2002 | | | | | |
| Group turnover - third parties | 16,584 | 17,629 | 33,641 | 12,091 | - |
| - sales between areas | 6,920 | 3,709 | 1,287 | 2,928 | (14,844) |
| | 23,504 | 21,338 | 34,928 | 15,019 | (14,844) |

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| | | | | | |
|--|--------|--------|--------|--------|----------|
| Share of sales by joint ventures | 104 | 126 | 103 | 350 | - |
| Equity accounted income | (3) | 111 | 129 | 306 | - |
| Total replacement cost operating profit | 1,034 | 912 | 1,261 | 2,101 | - |
| Exceptional items | (33) | (35) | 373 | (38) | - |
| Inventory holding gains (losses) | 58 | 182 | 699 | 59 | - |
| Historical cost profit before interest and tax | 1,059 | 1,059 | 2,333 | 2,122 | - |
| Capital expenditure and acquisitions | 809 | 5,805 | 2,998 | 2,231 | - |
| Six months ended June 30, 2001 | | | | | |
| Group turnover - third parties | 17,193 | 15,161 | 46,475 | 14,992 | - |
| - sales between areas | 6,721 | 3,857 | 807 | 3,628 | (15,013) |
| | 23,914 | 19,018 | 47,282 | 18,620 | (15,013) |
| Share of sales by joint ventures | - | - | 187 | 381 | - |
| Equity accounted income | 2 | 124 | 142 | 345 | - |
| Total replacement cost operating profit | 1,741 | 914 | 5,170 | 2,592 | - |
| Exceptional items | (14) | 1 | 106 | 296 | - |
| Inventory holding gains (losses) | (33) | 5 | (181) | 11 | - |
| Historical cost profit before interest and tax | 1,694 | 920 | 5,095 | 2,899 | - |
| Capital expenditure and acquisitions | 842 | 897 | 2,838 | 1,756 | - |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

| | Three months ended June 30 (Unaudited) | | Six months ended June 30 (Unaudited) | |
|-------------------------------------|--|--------|--|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | (\$ million) | | | |
| 13. Analysis of changes in net debt | | | | |
| Opening balance | | | | |
| Finance debt | 24,531 | 18,788 | 21,417 | 21,111 |
| Less: Cash | 1,379 | 1,188 | 1,358 | 1,111 |
| Current asset investments | 286 | 959 | 450 | 611 |
| Opening net debt | 22,866 | 16,641 | 19,609 | 19,311 |
| Closing balance | | | | |
| Finance debt | 21,409 | 20,498 | 21,409 | 20,411 |
| Less: Cash | 1,284 | 1,103 | 1,284 | 1,111 |

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| | | | | |
|---|--------|---------|--------|-------|
| Current asset investments | 285 | 563 | 285 | 5 |
| | ----- | ----- | ----- | ----- |
| Closing net debt | 19,840 | 18,832 | 19,840 | 18,8 |
| | ----- | ----- | ----- | ----- |
| (Increase) decrease in net debt | 3,026 | (2,191) | (231) | 5 |
| | ===== | ===== | ===== | ===== |
| Movement in cash/bank overdrafts | (159) | (63) | (134) | (|
| (Decrease) increase in current asset investments | 33 | (404) | (132) | (1 |
| Net cash (inflow) outflow from financing (excluding share capital) | 2,049 | (1,888) | (143) | 5 |
| Partnership interests exchanged for BP loan notes | 1,135 | - | 1,135 | |
| Other movements | 19 | 51 | 44 | |
| Debt acquired | - | (47) | (999) | (|
| | ----- | ----- | ----- | ----- |
| Movements in net debt before exchange effect | 3,077 | (2,351) | (229) | 4 |
| Exchange adjustments | (51) | 160 | (2) | |
| | ----- | ----- | ----- | ----- |
| (Increase) decrease in net debt | 3,026 | (2,191) | (231) | 5 |
| | ===== | ===== | ===== | ===== |

| | |
|--|---------------------------|
| 14. Movement in BP shareholders' interest | \$ million (Unaudited) |
| Balance at December 31, 2001 | 74,367 |
| Prior year adjustment - change in accounting policy (see Note 2) | (9,206) |
| | ----- |
| As restated | 65,161 |
| Profit for the period | 3,336 |
| Distribution to shareholders | (2,637) |
| Currency translation differences | 1,585 |
| Employee share schemes | 123 |
| | ----- |
| Balance at June 30, 2002 | 67,568 |
| | ===== |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles

The consolidated financial statements of the BP Group are prepared in accordance with UK GAAP which differs in certain respects from US GAAP. The principal differences between US GAAP and UK GAAP for BP Group reporting relate to the following:

(i) Group consolidation

Where the Group conducts activities through a joint arrangement that is not carrying on a trade or business in its own right the Group accounts for its own assets, liabilities and cash flows of the activity measured according to the terms of the arrangement. For the Group this method of accounting applies to certain oil and natural gas activities and undivided interests in pipelines. US GAAP permits these activities to be accounted for by proportional consolidation, which is

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equivalent to UK GAAP.

Joint ventures and associated undertakings are accounted for by the equity method. UK GAAP requires the consolidated financial statements to show separately the Group proportion of operating profit or loss, exceptional items, inventory holding gains or losses, interest expense and taxation of associated undertakings and joint ventures. In addition the turnover of joint ventures should be disclosed. For US GAAP the after tax profits or losses (i.e. operating results after exceptional items, inventory holding gains or losses, interest expense and taxation) are included in the income statement as a single line item.

UK GAAP requires the Group's share of the gross assets and gross liabilities of joint ventures to be shown on the face of the balance sheet whereas under US GAAP the net investment is included as a single line item.

The following summarizes the reclassifications for joint ventures and associated undertakings necessary to accord with US GAAP.

| Three months ended June 30, 2002 (Unaudited) | | | |
|--|----------------|------------------|-------------------------|
| Increase (decrease) in caption heading | As Reported | Reclassification | US GAAP Presentation |
| (\$ million) | | | |
| Consolidated statement of income | | | |
| Other income | 147 | 192 | 339 |
| Share of profits of JVs and associated undertakings | 285 | (285) | - |
| Exceptional items before taxation | 376 | (2) | 374 |
| Inventory holding gains (losses) | 525 | - | 525 |
| Interest expense | 314 | (36) | 278 |
| Taxation | 1,751 | (59) | 1,692 |
| Profit for the period | 2,040 | - | 2,040 |

| Six months ended June 30, 2002 (Unaudited) | | | |
|--|----------------|------------------|-------------------------|
| Increase (decrease) in caption heading | As Reported | Reclassification | US GAAP Presentation |
| (\$ million) | | | |
| Consolidated statement of income | | | |
| Other income | 272 | 345 | 617 |
| Share of profits of JVs and associated undertakings | 543 | (543) | - |
| Exceptional items before taxation | 267 | (2) | 265 |
| Inventory holding gains (losses) | 998 | 2 | 1,000 |
| Interest expense | 647 | (74) | 573 |
| Taxation | 2,504 | (124) | 2,380 |
| Profit for the period | 3,336 | - | 3,336 |

BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

(i) Group consolidation (concluded)

| Three months ended June 30, 2001 (Unaudited) | | | |
|--|----------------|------------------|-------------------------|
| | As Reported | Reclassification | US GAAP Presentation |
| ----- (\$ million) ----- | | | |
| Consolidated statement of income | | | |
| Other income | 112 | 175 | 287 |
| Share of profits of JVs and associated undertakings | 282 | (282) | - |
| Exceptional items before taxation | 171 | 1 | 172 |
| Inventory holding gains (losses) | 40 | (1) | 39 |
| Interest expense | 441 | (49) | 392 |
| Taxation | 1,956 | (58) | 1,898 |
| Profit for the period | 2,741 | - | 2,741 |

| Six months ended June 30, 2001 (Unaudited) | | | |
|--|----------------|------------------|-------------------------|
| | As Reported | Reclassification | US GAAP Presentation |
| ----- (\$ million) ----- | | | |
| Consolidated statement of income | | | |
| Other income | 307 | 360 | 667 |
| Share of profits of JVs and associated undertakings | 613 | (613) | - |
| Exceptional items before taxation | 389 | 1 | 390 |
| Inventory holding gains (losses) | (198) | (1) | (199) |
| Interest expense | 887 | (109) | 778 |
| Taxation | 4,124 | (144) | 3,980 |
| Profit for the period | 5,571 | - | 5,571 |

(ii) Income statement

The income statement prepared under UK GAAP shows sub-totals for replacement cost profit before interest and tax, historical cost profit before interest and tax and profit after taxation. These line items are not recognized under US GAAP.

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(iii) Exceptional items

Under UK GAAP certain exceptional items are shown separately on the face of the income statement after operating profit. These items are profits or losses on the sale of fixed assets and businesses or sale or termination of operations and fundamental restructuring charges. Under US GAAP these items are classified as operating income or expenses.

(iv) Deferred taxation/business combinations

US GAAP requires the recognition of a deferred tax asset or liability for the tax effects of differences between the assigned values and the tax bases of assets acquired and liabilities assumed in a purchase business combination, whereas under UK GAAP no such deferred tax asset or liability is recognized. Under US GAAP the deferred tax asset or liability is amortized over the same period as the assets and liabilities to which it relates.

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

(iv) Deferred taxation/business combinations (concluded)

The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

| Increase (decrease) in caption heading | Three months ended June 30 (Unaudited) | | Six months ended June 30 (Unaudited) | |
|--|--|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| Replacement cost of sales | 139 | 304 | 290 | 5 |
| Taxation | (80) | (335) | (174) | (6) |
| Profit for the year | (59) | 31 | (116) | 1 |
| | ===== | ===== | ===== | ===== |

| | At June 30, 2002 (Unaudited) | At December 2001 |
|---------------------------|---------------------------------------|------------------------|
| | ----- | |
| | (\$ million) | |
| Tangible assets | 7,339 | 7,0 |
| Deferred taxation | 7,217 | 6,7 |
| BP shareholders' interest | 122 | 2 |
| | ===== | ===== |

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(v) Provisions

UK GAAP requires provisions for decommissioning, environmental liabilities and onerous contracts to be determined on a discounted basis if the effect of the time value of money is material. Unwinding of the discount and the effect of a change in the discount rate is included in interest expense in the period. When a decommissioning provision is set up, a tangible fixed asset of the same amount is also recognized and is subsequently depreciated as part of the capital costs of the facilities. Under US GAAP (i) environmental liabilities are discounted only where the timing and amounts of payments are fixed and reliably determinable and (ii) provisions for decommissioning are provided on a unit-of-production basis over field lives; there is no corresponding tangible fixed asset.

The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

| Increase (decrease) in caption heading | Three months ended June 30 (Unaudited) | | Six months ended June 30 (Unaudited) | |
|--|--|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| Replacement cost of sales | 32 | 68 | 109 | 1 |
| Interest expense | (42) | (50) | (85) | (1) |
| Taxation | (8) | (30) | (16) | (1) |
| Profit for the year | 18 | 12 | (8) | |
| | ===== | ===== | ===== | ===== |

| | At June 30, 2002 (Unaudited) | At December 2001 |
|---------------------------|---------------------------------------|------------------------|
| | ----- | |
| | (\$ million) | |
| Tangible assets | (871) | (7) |
| Provisions | 747 | 7 |
| Deferred taxation | (531) | (5) |
| BP shareholders' interest | (1,087) | (1,0) |
| | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

(vi) Sale and leaseback

The sale and leaseback of an office building in Chicago, Illinois

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in 1998 was treated as a sale for UK GAAP whereas for US GAAP it was treated as a financing transaction.

A provision was recognized under UK GAAP in 1999 to cover the likely shortfall on rental income from subletting the Chicago office building. As the original sale and leaseback was not treated as a sale for US GAAP the provision has been reversed for US GAAP.

Under UK GAAP the profit arising on the sale and operating leaseback of certain railcars in 1999 was taken to income in the period in which the transaction occurred. Under US GAAP this profit was not recognized immediately but amortized over the term of the operating lease.

The adjustments to profit for the year and BP shareholders' interest to accord with US GAAP are summarized below.

| Increase (decrease) in caption heading | Three months ended June 30 (Unaudited) | | Six months end June 30 (Unaudited) | |
|--|--|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| Replacement cost of sales | 2 | 31 | 7 | |
| Taxation | (1) | (1) | (2) | |
| Profit for the year | (1) | (30) | (5) | (1) |
| | ===== | ===== | ===== | ===== |

| | At June 30, 2002 (Unaudited) | At December 2001 |
|--|---------------------------------------|------------------------|
| | ----- | |
| | (\$ million) | |
| Tangible assets | 166 | 171 |
| Other accounts payable and accrued liabilities | 29 | 30 |
| Provisions | (64) | (65) |
| Finance debt | 413 | 413 |
| Deferred taxation | (74) | (73) |
| BP shareholders' interest | (138) | (134) |
| | ===== | ===== |

(vii) Goodwill and intangible assets

Various differences in the basis for determining goodwill between UK and US GAAP result in goodwill for US GAAP reporting differing from the amount recognized under UK GAAP.

On January 1, 2002 the Group adopted Statement of Financial Accounting Standards No. 142 'Goodwill and Other Intangible Assets' (SFAS 142) for US GAAP reporting. This standard eliminates the requirement to amortize goodwill and indefinite lived intangible assets. Rather, such

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assets are subject to periodic impairment testing. Intangible assets that are not deemed to have an indefinite life continue to be amortized over their estimated useful lives. Amortization of goodwill charged to income under UK GAAP has been reversed for US GAAP.

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BP p.l.c. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

(vii) Goodwill and intangible assets (continued)

The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

| | Three months ended June 30 (Unaudited) | | Six months end June 30 (Unaudited) | |
|--|--|-------|--|-------|
| Increase (decrease) in caption heading | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| Replacement cost of sales | (322) | (15) | (643) | (|
| Taxation | - | - | - | |
| Profit for the year | 322 | 15 | 643 |) |
| | ===== | ===== | ===== | ===== |

| | At June 30, 2002 (Unaudited) | At December 2001 |
|---------------------------|---------------------------------------|------------------------|
| | ----- | |
| | (\$ million) | |
| Intangible assets | (760) | (1,4 |
| Deferred taxation | - | |
| BP shareholders' interest | (760) | (1,4 |
| | ===== | ===== |

Profit for the period, as adjusted to accord with US GAAP, for the three month and six month periods ended June 30, 2001, adjusted to exclude amortization of goodwill no longer being amortized pursuant to SFAS 142 is shown below.

| | Three months ended June 30, 2001 (Unaudited) | Six months end June 30, 2001 (Unaudited) |
|--|--|--|
| | ----- | |
| | (\$ million) | |

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| | | |
|---|-------|--------|
| Profit for the period as adjusted to accord with US GAAP, as reported | 2,743 | 5,521 |
| Add back goodwill amortization | 315 | 621 |
| | ----- | ----- |
| Profit for the period as adjusted to accord with US GAAP, as adjusted | 3,058 | 6,142 |
| | ----- | ----- |
| Per ordinary share - cents | | |
| Basic - as reported | 12.22 | 24.58 |
| Adjustment | 1.40 | 2.76 |
| | ----- | ----- |
| Basic - as adjusted | 13.62 | 27.34 |
| | ----- | ----- |
| Diluted - as reported | 12.15 | 24.43 |
| Adjustment | 1.39 | 2.75 |
| | ----- | ----- |
| Diluted - as adjusted | 13.54 | 27.18 |
| | ----- | ----- |
| Per American Depositary Share - cents | | |
| Basic - as reported | 73.32 | 147.48 |
| Adjustment | 8.40 | 16.56 |
| | ----- | ----- |
| Basic - as adjusted | 81.72 | 164.04 |
| | ----- | ----- |
| Diluted - as reported | 72.90 | 146.58 |
| Adjustment | 8.34 | 16.50 |
| | ----- | ----- |
| Diluted - as adjusted | 81.24 | 163.08 |
| | ----- | ----- |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

(vii) Goodwill and intangible assets (concluded)

Changes to exploration expenditure, goodwill and other intangible assets, as adjusted to accord with US GAAP, during the three months ended June 30, 2002 are shown below.

| | Exploration expenditure | Goodwill | Other intangibles | Total |
|----------------------|----------------------------|----------|----------------------|--------|
| | ----- | | | |
| | (\$ million) | | | |
| Net book amount | | | | |
| At January 1, 2002 | 5,334 | 9,453 | 288 | 15,075 |
| Amortization expense | (206) | - | (28) | (234) |
| Other movements | 278 | 140 | 144 | 562 |
| | ----- | ----- | ----- | ----- |
| At June 30, 2002 | 5,406 | 9,593 | 404 | 15,403 |

=====

Amortization expense relating to other intangibles is expected to be in the range \$60-\$100 million in each of the succeeding five years.

During the second quarter of 2002 the Group completed a goodwill impairment review using the two-step process prescribed in SFAS 142. The first step includes a comparison of the fair value of a reporting unit to its carrying value, including goodwill. Where the carrying value exceeds the fair value, the goodwill of the reporting unit is potentially impaired and the second step is then completed in order to measure the impairment loss, if any. No impairment charge resulted from this review.

(viii) Derivative financial instruments and hedging activities

On January 1, 2001 the Group adopted Statement of Financial Accounting Standards No. 133 'Accounting for Derivative Instruments and Hedging Activities' (SFAS 133) as amended by Statement Nos. 137 and 138, for US GAAP reporting.

SFAS 133, as amended, requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. To the extent certain criteria are met, SFAS 133 permits, but does not require, hedge accounting.

In the normal course of business the Group is a party to derivative financial instruments with off-balance sheet risk, primarily to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt. The Group also manages certain of its exposures to movements in oil and natural gas prices. In addition, the Group trades derivatives in conjunction with these risk management activities.

All oil price derivatives and all derivatives held for trading are carried on the Group's balance sheet at fair value with changes in that value recognized in earnings of the period for both UK and US GAAP. Certain financial derivatives used to manage foreign currency and interest rate risk that qualify for hedge accounting under UK GAAP are marked to market under SFAS 133. For these derivatives, the cumulative effect of adopting SFAS 133 resulted in a pre-tax charge to income, as adjusted to accord with US GAAP, of \$27 million (\$18 million after tax). Under US GAAP the fair values of derivative financial instruments are shown as current assets and liabilities as appropriate.

The Group has a number of long-term natural gas contracts which have been in place for many years. The pricing structure for those contracts is not directly related to the market price of natural gas but to the price of other commodities or indices, such as fuel oil or consumer price indices. On the basis of SFAS 133 Implementation Issue C11, these contracts have been marked to market with effect from July 1, 2001.

The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

(viii) Derivative financial instruments and hedging activities (concluded)

| Increase (decrease) in caption heading | Three months ended June 30 (Unaudited) | | Six months ended June 30 (Unaudited) | |
|---|--|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| Replacement cost of sales | (163) | 46 | (967) | 1 |
| Taxation | 65 | (17) | 346 | (|
| Profit for the year before cumulative effect of accounting change | 98 | (29) | 621 | (1 |
| Cumulative effect of accounting change, net of taxation | - | - | - | (|
| Profit for the year | 98 | (29) | 621 | (1 |
| | ===== | ===== | ===== | ===== |

| | At June 30, 2002 (Unaudited) | At December 2001 |
|--|---------------------------------------|------------------------|
| | ----- | |
| | (\$ million) | |
| Accounts payable and accrued liabilities | 71 | 1,0 |
| Deferred taxation | (17) | (3 |
| BP shareholders' interest | (54) | (6 |
| | ===== | ===== |

(ix) Gain arising on asset exchange

For UK GAAP the transaction with Solvay in the fourth quarter of 2001, which led to the exchange of businesses for an interest in a joint venture and an associated undertaking, has been treated as an asset swap which does not give rise to a gain or loss. Under US GAAP the transaction has been treated as a disposal and acquisition at fair value which gives rise to a pre-tax gain on disposal of \$242 million (\$157 million after tax).

The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

Three months ended Six months ended

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| Increase (decrease) in caption heading | June 30 (Unaudited) | | June 30 (Unaudited) | |
|--|------------------------|-------|------------------------|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| Replacement cost of sales | 6 | - | 15 | |
| Taxation | (1) | - | (5) | |
| Profit for the year | (5) | - | (10) | |
| | ===== | ===== | ===== | ===== |

| | At | At |
|--|---------------------------------|------------------|
| | June 30, 2002 (Unaudited) | December 2001 |
| | ----- | |
| | (\$ million) | |
| Intangible assets | 177 | 1 |
| Accounts payable and accrued liabilities | (53) | (|
| Deferred taxation | 80 | |
| BP shareholders' interest | 150 | 1 |
| | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

(x) Ordinary shares held for future awards to employees

Under UK GAAP, Company shares held by an Employee Share Ownership Plan to meet future requirements of employee share schemes are recorded in the balance sheet as Fixed assets -- investments. Under US GAAP, such shares are recorded in the balance sheet as a reduction of shareholders' interest.

The adjustment to BP shareholders' interest to accord with US GAAP is shown below.

| Increase (decrease) in caption heading | At | At |
|--|---------------------------------|------------------|
| | June 30, 2002 (Unaudited) | December 2001 |
| | ----- | |
| | (\$ million) | |
| Fixed assets - Investments | (218) | (2 |
| BP shareholders' interest | (218) | (2 |
| | ===== | ===== |

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(xi) Dividends

Under UK GAAP, dividends are recorded in the period in respect of which they are announced or declared by the board of directors to the shareholders. Under US GAAP, dividends are recorded in the period in which dividends are declared.

The adjustment to BP shareholders' interest to accord with US GAAP is shown below.

| Increase (decrease) in caption heading | At June 30, 2002 (Unaudited) | At December 2001 |
|--|---------------------------------------|------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Other accounts payable and accrued liabilities | (1,346) | (1,2 |
| BP shareholders' interest | 1,346 | 1,2 |
| | ===== | ===== |

(xii) Investments

Under UK GAAP the Group's equity investments in Lukoil, Sinopec and PetroChina are held for the long term and reported as fixed asset investments and carried on the balance sheet at cost subject to review for impairment. For US GAAP these investments are classified as available-for-sale securities. Consequently they are reported at fair value, with unrealized holding gains and losses, net of tax, reported in accumulated other comprehensive income. If a decline in fair value below cost is 'other than temporary' the unrealized loss is accounted for as a realized loss and charged against income.

The adjustment to BP shareholders' interest to accord with US GAAP is shown below.

| Increase (decrease) in caption heading | At June 30, 2002 (Unaudited) | At December 2001 |
|--|---------------------------------------|------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Fixed assets - Investments | 275 | |
| Deferred taxation | 96 | |
| BP shareholders' interest | 179 | |
| | ===== | ===== |

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(xiii)Additional minimum pension liability

Where a pension plan has an unfunded accumulated benefit obligation, US GAAP requires such amount to be recognized as a liability in the balance sheet. The adjustment resulting from the recognition of any such minimum liability, including the elimination of amounts previously recognized as a prepaid benefit cost, is reported as an intangible asset to the extent of unrecognized prior service cost with the remaining amount reported in comprehensive income.

The adjustments to BP shareholders' interest to accord with US GAAP are summarized below.

| Increase (decrease) in caption heading | At June 30, 2002 (Unaudited) | At December 2001 |
|---|---------------------------------------|------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Intangible assets | 112 | 1 |
| Other receivables falling due after more than one year | (1,015) | (1,0 |
| Noncurrent liabilities - accounts payable accrued liabilities | 548 | 5 |
| Deferred taxation | (509) | (5 |
| BP shareholders' interest | (942) | (9 |
| | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

The following is a summary of the adjustments to profit for the year and to BP shareholders' interest which would be required if generally accepted accounting principles in the USA (US GAAP) had been applied instead of those generally accepted in the United Kingdom (UK GAAP).

These results are stated using the first-in first-out method of inventory valuation.

| Profit for the period | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|--|--|---------|--------------------|
| | 2002 | 2001(a) | 2002 |
| | ----- | | |
| | (\$ million) | | |
| Profit as reported in the consolidated statement of income | 2,040 | 2,741 | 3,336 |
| Adjustments: | | | |
| Deferred taxation/business combinations (iv) | (59) | 31 | (116) |
| Provisions (v) | 18 | 12 | (8) |
| Sale and leaseback (vi) | (1) | (30) | (5) |

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| | | | |
|--|-------|-------|--------|
| Goodwill (vii) | 322 | 15 | 643 |
| Derivative financial instruments (viii) | 98 | (29) | 621 |
| Gain arising on asset exchange (ix) | (5) | - | (10) |
| Other | 3 | 3 | 6 |
| | ----- | ----- | ----- |
| | 376 | 2 | 1,131 |
| | ----- | ----- | ----- |
| Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP | 2,416 | 2,743 | 4,467 |
| Cumulative effect of accounting change: | | | |
| Derivative financial instruments (viii) | - | - | - |
| | ----- | ----- | ----- |
| Profit for the period as adjusted to accord with US GAAP | 2,416 | 2,743 | 4,467 |
| | ===== | ===== | ===== |
| Profit for the period as adjusted: | | | |
| Per ordinary share - cents | | | |
| Basic - before cumulative effect of accounting change | 10.77 | 12.22 | 19.92 |
| Cumulative effect of accounting change | - | - | - |
| | ----- | ----- | ----- |
| | 10.77 | 12.22 | 19.92 |
| | ----- | ----- | ----- |
| Diluted - before cumulative effect of accounting change | 10.71 | 12.15 | 19.82 |
| Cumulative effect of accounting change | - | - | - |
| | ----- | ----- | ----- |
| | 10.71 | 12.15 | 19.82 |
| | ----- | ----- | ----- |
| Per American Depositary Share - cents (b) | | | |
| Basic - before cumulative effect of accounting change | 64.62 | 73.32 | 119.52 |
| Cumulative effect of accounting | - | - | - |
| | ----- | ----- | ----- |
| | 64.62 | 73.32 | 119.52 |
| | ----- | ----- | ----- |
| Diluted - before cumulative effect of accounting change | 64.26 | 72.90 | 118.92 |
| Cumulative effect of accounting change | - | - | - |
| | ----- | ----- | ----- |
| | 64.26 | 72.90 | 118.92 |
| | ----- | ----- | ----- |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

| | | |
|---------------------------|------------------------------|-----------------------|
| BP shareholders' interest | June 30, 2002 (Unaudited) | December 31, 2001 (a) |
| | ----- | ----- |
| | | (\$ million) |

BP shareholders' interest as reported

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| | | |
|---|-----------------|-----------------|
| in the consolidated balance sheet | 67,568 | 65,161 |
| Adjustments: | | |
| Deferred taxation/business combinations (iv) | 122 | 243 |
| Provisions (v) | (1,087) | (1,054) |
| Sale and leaseback (vi) | (138) | (134) |
| Goodwill (vii) | (760) | (1,414) |
| Derivative financial instruments (viii) | (54) | (675) |
| Gain arising on asset exchange (ix) | 150 | 157 |
| Ordinary shares held for future awards to employees (x) | (218) | (266) |
| Dividends (xi) | 1,346 | 1,288 |
| Investments (xii) | 179 | (2) |
| Additional minimum pension liability (xiii) | (942) | (942) |
| Other | (50) | (40) |
| | ----- | ----- |
| | (1,452) | (2,839) |
| | ----- | ----- |
| BP shareholders' interest as adjusted to accord with US GAAP | 66,116 ===== | 62,322 ===== |

(a) The profit reported under UK GAAP for the three month and six month periods ended June 30, 2001 and BP shareholders' interest reported under UK GAAP at December 31, 2001 have been restated to reflect the adoption of FRS 19. Consequently certain of the adjustments in the UK/US GAAP reconciliation have also been restated. Profit and BP shareholders' interest, as adjusted to accord with US GAAP, are unaffected by the adoption of FRS 19.

(b) One American Depositary Share is equivalent to six ordinary shares.

Earnings per share

Basic earnings per share excludes the dilutive effects of options, warrants and convertible securities. Diluted earnings per share reflects the potential dilution that could occur if options, warrants or convertible securities were exercised or converted into ordinary shares that shared in the earnings of the Group. The dilutive effect of outstanding share options is as follows:

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|--|--|--------|--------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | ----- |
| | (shares million) | | |
| Weighted average number of ordinary shares | 22,427 | 22,448 | 22,415 |
| Ordinary shares issuable under employee share schemes | 112 | 135 | 119 |
| | ----- | ----- | ----- |
| | 22,539 | 22,583 | 22,534 |
| | ===== | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

Comprehensive income

The components of comprehensive income, net of related tax are as follows:

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|---|--|-------|--------------------|
| | 2002 | 2001 | 2002 |
| | (\$ million) | | |
| Profit for the period as adjusted to accord with US GAAP | 2,416 | 2,743 | 4,467 |
| Currency translation differences | 1,941 | (605) | 1,585 |
| Derivative financial instruments | - | (8) | - |
| Net unrealized gain on investments | 20 | 205 | 181 |
| Additional minimum pension liability | - | - | - |
| | 4,377 | 2,335 | 6,233 |
| | ===== | ===== | ===== |

Accumulated other comprehensive income at June 30, 2002 and December 31, 2001 comprised losses of \$3,968 million and \$5,734 million, respectively.

Consolidated statement of cash flows

The Group's financial statements include a consolidated statement of cash flows in accordance with the revised UK Financial Reporting Standard No. 1 (FRS 1). The statement prepared under FRS 1 presents substantially the same information as that required under FASB Statement of Financial Accounting Standards No. 95 'Statement of Cash Flows' (SFAS 95).

Under FRS 1 cash flows are presented for (i) operating activities; (ii) dividends from joint ventures; (iii) dividends from associated undertakings; (iv) servicing of finance and returns on investments; (v) taxation; (vi) capital expenditure and financial investment; (vii) acquisitions and disposals; (viii) dividends; (ix) financing; and (x) management of liquid resources. SFAS 95 only requires presentation of cash flows from operating, investing and financing activities.

Cash flows under FRS 1 in respect of dividends from joint ventures and associated undertakings, taxation and servicing of finance and returns on investments are included within operating activities under SFAS 95. Interest paid includes payments in respect of capitalized interest, which under SFAS 95 are included in capital expenditure under investing activities. Cash flows under FRS 1 in respect of capital expenditure and acquisitions and disposals are included in investing activities under SFAS 95. Dividends paid are included within financing activities. All short-term investments are regarded as liquid resources for FRS 1. Under SFAS 95 short-term investments with original maturities of three months or less are classified as cash equivalents and aggregated with cash in the cash flow statement. Cash flows in respect of short-term investments with original maturities exceeding three months are included in operating activities.

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

The consolidated statement of cash flows presented in accordance with SFAS 95 is as follows:

| | Three months ended June 30 (Unaudited) 2002 | 2001 | Six mo J (Un 2002 |
|---|--|---------|----------------------------|
| | ----- | | ----- |
| | (\$ million) | | |
| Operating activities | | | |
| Profit after taxation | 2,086 | 2,759 | 3,422 |
| Adjustments to reconcile profits after tax to net cash provided by operating activities | | | |
| Depreciation and amounts provided | 2,227 | 2,130 | 4,380 |
| Exploration expenditure written off | 147 | 22 | 206 |
| Share of profits of joint ventures and associated undertakings less dividends received | (23) | 38 | (40) |
| (Profit) loss on sale of businesses and fixed assets | (374) | (171) | (265) |
| Working capital movement (a) | (652) | (2,683) | (1,321) |
| Deferred Taxation | 711 | 316 | 931 |
| Other | 52 | 222 | (56) |
| | ----- | ----- | ----- |
| Net cash provided by operating activities | 4,174 | 2,633 | 7,257 |
| | ----- | ----- | ----- |
| Investing activities | | | |
| Capital expenditures | (2,818) | (3,037) | (5,632) |
| Acquisitions, net of cash acquired | (139) | (560) | (1,689) |
| Investment in associated undertakings | (488) | (148) | (631) |
| Net investment in joint ventures | (68) | (72) | (114) |
| Proceeds from disposal of assets | 2,523 | 232 | 2,871 |
| | ----- | ----- | ----- |
| Net cash used in investing activities | (990) | (3,585) | (5,195) |
| | ----- | ----- | ----- |
| Financing activities | | | |
| Proceeds from shares issued (repurchased) | 32 | (219) | 123 |
| Proceeds from long-term financing | 752 | 505 | 2,498 |
| Repayments of long-term financing | (663) | (1,034) | (897) |
| Net decrease (increase) in short term debt | (2,138) | 2,417 | (1,458) |
| Dividends paid - BP Shareholders | (1,290) | (1,179) | (2,578) |
| - Minority shareholders | (3) | (5) | (16) |
| | ----- | ----- | ----- |
| Net cash used in financing activities | (3,310) | 485 | (2,328) |
| | ----- | ----- | ----- |
| Currency translation differences relating to cash and cash equivalents | 30 | (14) | 27 |
| | ----- | ----- | ----- |
| Increase (decrease) in cash and cash equivalents | (96) | (481) | (239) |
| | ----- | ----- | ----- |
| Cash and cash equivalents at beginning of period | 1,665 | 2,147 | 1,808 |

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| | | | |
|--|---------|---------|---------|
| Cash and cash equivalents at end of period | 1,569 | 1,666 | 1,569 |
| | ===== | ===== | ===== |
| (a) Working capital: | | | |
| Inventories (increase) decrease | (807) | (371) | (1,303) |
| Receivables (increase) decrease | (1,691) | (502) | (2,134) |
| Current liabilities - excluding finance debt increase (decrease) | 1,846 | (1,810) | 2,116 |
| | ----- | ----- | ----- |
| | (652) | (2,683) | (1,321) |
| | ===== | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - concluded

Impact of new US accounting standards

New US accounting standards adopted: The Group has adopted Statement of Financial Accounting Standards No. 141 'Business Combinations' (SFAS 141) for US GAAP reporting with effect from January 1, 2002. Under SFAS 141, the pooling of interest method of accounting is no longer permitted. Also on January 1, 2002 the Group adopted Statement of Financial Accounting Standards No. 144 'Accounting for the Impairment or Disposal of Long-Lived Assets' (SFAS 144). SFAS 144 retains the requirement to recognize an impairment loss only where the carrying value of a long-lived asset is not recoverable from its undiscounted cash flows and to measure such loss as the difference between the carrying amount and fair value of the asset. SFAS 144, among other things, changes the criteria that have to be met in order to classify an asset as held-for-sale and requires that operating losses from discontinued operations be recognized in the period that the losses are incurred rather than as of the measurement date.

The adoption of SFAS 141 and SFAS 144 had no impact on profit, as adjusted to accord with US GAAP, for the three month and six month periods ended June 30, 2002 or on BP shareholders' interest, as adjusted to accord with US GAAP, at June 30, 2002.

Asset retirement obligations: In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143 'Accounting for Asset Retirement Obligations' (SFAS 143). SFAS 143 requires companies to record liabilities equal to the fair value of their asset retirement obligations when they are incurred (typically when the asset is installed at the production location). When the liability is initially recorded, companies capitalize an equivalent amount as part of the cost of the asset. Over time the liability is accreted for the change in its present value each period, and the initial capitalized cost is depreciated over the useful life of the related asset. SFAS 143 is effective for accounting periods beginning after June 15, 2002.

The provisions of SFAS 143 are similar to the accounting policy used by the Group in preparing its financial statements under UK GAAP. The Company has not yet determined the effect of adopting SFAS 143 on its results of operations or shareholders' interest as adjusted to accord with US GAAP.

Costs associated with exit or disposal activities: In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 "Accounting for

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Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 requires that a liability for costs associated with an exit or disposal activity be recognized only when the liability is incurred, rather than at the date of an entity's commitment to an exit plan. SFAS 146 requires that the liability be initially measured at fair value. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company has not yet determined the effect of adopting SFAS 146 on its results of operations or shareholders' interest as adjusted to accord with US GAAP.

Impact of new UK accounting standards

Retirement benefits: In December 2000, the UK Accounting Standards Board issued Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17). This standard was to be fully effective for accounting periods ending on or after June 22, 2003 with certain of the disclosure requirements effective for periods prior to 2003. FRS 17 requires that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. The operating costs of providing retirement benefits are recognized in the period in which they are earned together with any related finance costs and changes in the value of related assets and liabilities. The Company has not yet completed its evaluation of the impact of adopting FRS 17 on the Group's results of operations, and there will be no significant effect on the Group's financial position.

In July 2002, the UK Accounting Standards Board issued a proposed amendment to FRS17, which would defer full adoption until January 1, 2005.

Impact of international accounting standards

In June 2002, the European Union Council of Ministers adopted a Regulation which would require the Group to prepare its primary consolidated financial statements in accordance with International Accounting Standards (IAS) beginning January 1, 2005, with restatement of prior periods presented. IAS differ in several respects from UK and US GAAP. In addition, significant revisions are currently being contemplated and other revisions may be adopted prior to January 1, 2005. The Group has not determined the effects of adopting IAS.

16. Condensed consolidating information

The following information is presented in accordance with the financial reporting rules of the Securities and Exchange Commission regarding issuers and guarantors of guaranteed securities.

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BP p.l.c. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|------------------|------------------------------|-----------|-----------------------|------|
| | ----- | | | |
| | BP | | | |
| Income statement | Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | | | |

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(\$ million)

Three months ended June 30, 2002

| | | | |
|--|------|-------|--------|
| Turnover | 588 | - | 43,995 |
| Less: Joint ventures | - | - | 404 |
| <hr/> | | | |
| Group turnover | 588 | - | 43,591 |
| Replacement cost of sales | 301 | - | 37,411 |
| Production taxes | 53 | - | 262 |
| <hr/> | | | |
| Gross profit | 234 | - | 5,918 |
| Distribution and administration expenses | - | 272 | 2,851 |
| Exploration expense | 7 | - | 215 |
| <hr/> | | | |
| | 227 | (272) | 2,852 |
| Other income | 6 | 155 | 106 |
| <hr/> | | | |
| Group replacement cost operating profit | 233 | (117) | 2,958 |
| Share of profits of joint ventures | - | - | 89 |
| Share of profits of associated undertakings | - | - | 196 |
| Equity accounted income of subsidiaries | 77 | 3,430 | - |
| <hr/> | | | |
| Total replacement cost operating profit | 310 | 3,313 | 3,243 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | - | 1,213 | 1,213 |
| <hr/> | | | |
| Replacement cost profit before interest and tax | 310 | 4,526 | 4,456 |
| Inventory holding gains (losses) | (21) | 525 | 525 |
| <hr/> | | | |
| Historical cost profit before interest and tax | 289 | 5,051 | 4,981 |
| Interest expense | 27 | 423 | 367 |
| <hr/> | | | |
| Profit before taxation | 262 | 4,628 | 4,614 |
| Taxation | 95 | 1,751 | 1,666 |
| <hr/> | | | |
| Profit after taxation | 167 | 2,877 | 2,948 |

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| | | | |
|---------------------------------|-----|-------|-------|
| Minority shareholders' interest | - | - | 46 |
| | | | |
| Profit for the period | 167 | 2,877 | 2,902 |
| | | | |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

Income Statement (continued)

The following is a summary of the adjustments to the profit for the period which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

| | Issuer | Guarantor | | |
|---|---------------|-----------|--------------|-------|
| | ----- | ----- | | |
| | BP | | Other | recl |
| | Exploration | | subsidiaries | |
| | (Alaska) Inc. | BP p.l.c. | | |
| | ----- | ----- | ----- | ----- |
| | | | (\$ million) | |
| Three months ended June 30, 2002 | | | | |
| Profit as reported | 167 | 2,877 | 2,902 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | (32) | (59) | (38) | |
| Provisions | (1) | 18 | 18 | |
| Sale and leaseback | - | (1) | (1) | |
| Goodwill | - | 322 | 322 | |
| Derivative financial instruments | - | 98 | 98 | |
| Gain arising on asset exchange | - | (5) | (5) | |
| Other | - | 3 | 3 | |
| | | | | |
| Profit for the period as adjusted to accord with US GAAP | 134 | 3,253 | 3,299 | |
| | | | | |

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BP p.l.c. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|--|------------------------------|-----------|--------------|------|
| | ----- | | | |
| | BP | | Other | |
| Income statement (continued) | Exploration (Alaska) Inc. | BP p.l.c. | subsidiaries | recl |
| | ----- | | | |
| | | | (\$ million) | |
| Three months ended June 30, 2001 | | | | |
| Turnover | 524 | - | 48,689 | |
| Less: Joint ventures | - | - | 280 | |
| | ----- | | | |
| Group turnover | 524 | - | 48,409 | |
| Replacement cost of sales | 249 | - | 40,990 | |
| Production taxes | 50 | - | 383 | |
| | ----- | | | |
| Gross profit | 225 | - | 7,036 | |
| Distribution and administration expenses | - | 48 | 2,590 | |
| Exploration expense | 8 | - | 73 | |
| | ----- | | | |
| | 217 | (48) | 4,373 | |
| Other income | - | 339 | 110 | |
| | ----- | | | |
| Group replacement cost operating profit | 217 | 291 | 4,483 | |
| Share of profits of joint ventures | - | - | 125 | |
| Share of profits of associated undertakings | - | - | 157 | |
| Equity accounted income of subsidiaries | 112 | 4,964 | - | |
| | ----- | | | |
| Total replacement cost operating profit | 329 | 5,255 | 4,765 | |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | - | 171 | 171 | |
| | ----- | | | |
| Replacement cost profit before interest and tax | 329 | 5,426 | 4,936 | |

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| | | | |
|--|-----|-------|-------|
| Inventory holding gains (losses) | 1 | 40 | 40 |
| Historical cost profit before interest and tax | 330 | 5,466 | 4,976 |
| Interest expense | 17 | 769 | 775 |
| Profit before taxation | 313 | 4,697 | 4,201 |
| Taxation | 144 | 1,956 | 1,905 |
| Profit after taxation | 169 | 2,741 | 2,296 |
| Minority shareholders' interest | - | - | 18 |
| Profit for the period | 169 | 2,741 | 2,278 |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

Income Statement (continued)

The following is a summary of the adjustments to the profit for the period which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

| | Issuer | Guarantor | | |
|---|------------------------------------|-----------|-----------------------|--------------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | | | |
| | | | | (\$ million) |
| Three months ended June 30, 2001 | | | | |
| Profit as reported | 169 | 2,741 | 2,278 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | 14 | 31 | 25 | |
| Provisions | (1) | 12 | 14 | |
| Sale and leaseback | - | (30) | (30) | |

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| | | | |
|---|-----|-------|-------|
| Goodwill | - | 15 | 15 |
| Derivative financial instruments | - | (29) | (29) |
| Gain arising on asset exchange | - | - | - |
| Other | - | 3 | 3 |
| ----- | | | |
| Profit for the period as adjusted to accord with US GAAP | 182 | 2,743 | 2,276 |
| ===== | | | |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|--|------------------------------------|-----------|-----------------------|--------------|
| | ----- | | | |
| Income statement (continued) | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | | | |
| | | | | (\$ million) |
| Six months ended June 30, 2002 | | | | |
| Turnover | 1,094 | - | 80,564 | |
| Less: Joint ventures | - | - | 683 | |
| ----- | | | | |
| Group turnover | 1,094 | - | 79,881 | |
| Replacement cost of sales | 620 | - | 69,159 | |
| Production taxes | 97 | - | 465 | |
| ----- | | | | |
| Gross profit | 377 | - | 10,257 | |
| Distribution and administration expenses | - | 326 | 5,488 | |
| Exploration expense | 13 | - | 333 | |
| ----- | | | | |
| | 364 | (326) | 4,436 | |
| Other income | 21 | 308 | 162 | |
| ----- | | | | |

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| | | | |
|--|-----|-------|-------|
| Group replacement cost operating profit | 385 | (18) | 4,598 |
| Share of profits of joint ventures | - | - | 159 |
| Share of profits of associated undertakings | - | - | 384 |
| Equity accounted income of subsidiaries | 100 | 5,440 | - |
| ----- | | | |
| Total replacement cost operating profit | 485 | 5,422 | 5,141 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | - | 1,104 | 1,104 |
| ----- | | | |
| Replacement cost profit before interest and tax | 485 | 6,526 | 6,245 |
| Inventory holding gains (losses) | 5 | 998 | 998 |
| ----- | | | |
| Historical cost profit before interest and tax | 490 | 7,524 | 7,243 |
| Interest expense | 40 | 847 | 760 |
| ----- | | | |
| Profit before taxation | 450 | 6,677 | 6,483 |
| Taxation | 177 | 2,504 | 2,352 |
| ----- | | | |
| Profit after taxation | 273 | 4,173 | 4,131 |
| Minority shareholders' interest | - | - | 86 |
| ----- | | | |
| Profit for the period | 273 | 4,173 | 4,045 |
| ===== | | | |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

Income Statement (continued)

The following is a summary of the adjustments to the profit for the period which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

| Issuer | Guarantor |
|-------------------|-----------|
| ----- | |
| BP Exploration | Other |

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| | (Alaska) Inc. | BP p.l.c. | subsidiaries | recl |
|---|---------------|-----------|--------------|------|
| | ----- | | | |
| | (\$ million) | | | |
| Six months ended June 30, 2002 | | | | |
| Profit as reported | 273 | 4,173 | 4,045 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | (65) | (116) | (74) | |
| Provisions | (1) | (8) | (7) | |
| Sale and leaseback | - | (5) | (5) | |
| Goodwill | - | 643 | 643 | |
| Derivative financial instruments | - | 621 | 621 | |
| Gain arising on asset exchange | - | (10) | (10) | |
| Other | - | 6 | 6 | |
| ----- | | | | |
| Profit for the period as adjusted to accord with US GAAP | 207 | 5,304 | 5,219 | |
| ===== | | | | |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|--------------------------------|------------------------------------|-----------|-----------------------|------|
| | ----- | | | |
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | | | |
| | (\$ million) | | | |
| Six months ended June 30, 2001 | | | | |
| Turnover | 1,128 | - | 94,389 | |
| Less: Joint ventures | - | - | 568 | |
| ----- | | | | |

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| | | | |
|--|-------|--------|--------|
| Group turnover | 1,128 | - | 93,821 |
| Replacement cost of sales | 522 | - | 78,515 |
| Production taxes | 109 | - | 907 |
| ----- | | | |
| Gross profit | 497 | - | 14,399 |
| Distribution and administration expenses | - | 117 | 5,047 |
| Exploration expense | 12 | - | 238 |
| ----- | | | |
| | 485 | (117) | 9,114 |
| Other income | - | 701 | 307 |
| ----- | | | |
| Group replacement cost operating profit | 485 | 584 | 9,421 |
| Share of profits of joint venture | - | - | 227 |
| Share of profits of associated undertakings | - | - | 386 |
| Equity accounted income of subsidiaries | 273 | 10,493 | - |
| ----- | | | |
| Total replacement cost operating profit | 758 | 11,077 | 10,034 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | 1 | 389 | 388 |
| ----- | | | |
| Replacement cost profit before interest and tax | 759 | 11,466 | 10,422 |
| Inventory holding gains (losses) | (6) | (198) | (198) |
| ----- | | | |
| Historical cost profit before interest and tax | 753 | 11,268 | 10,224 |
| Interest expense | 19 | 1,573 | 1,583 |
| ----- | | | |
| Profit before taxation | 734 | 9,695 | 8,641 |
| Taxation | 318 | 4,124 | 4,000 |
| ----- | | | |
| Profit after taxation | 416 | 5,571 | 4,641 |
| Minority shareholders' interest | - | - | 26 |
| ----- | | | |
| Profit for the period | 416 | 5,571 | 4,615 |
| ===== | | | |

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BP p.l.c. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

Income Statement (concluded)

The following is a summary of the adjustments to the profit for the period which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

| | Issuer | Guarantor | | |
|--|---------------|-----------|--------------|-------|
| | ----- | ----- | | |
| | BP | | Other | |
| Income statement (concluded) | Exploration | BP p.l.c. | subsidiaries | recl |
| | (Alaska) Inc. | | | |
| | ----- | ----- | ----- | ----- |
| | | | (\$ million) | |
| Six months ended June 30, 2001 | | | | |
| Profit as reported | 416 | 5,571 | 4,615 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | 24 | 105 | 98 | |
| Provisions | (2) | (6) | (3) | |
| Sale and leaseback | - | (39) | (39) | |
| Goodwill | - | 30 | 30 | |
| Derivative financial instruments | - | (128) | (128) | |
| Gain arising on asset exchange | - | - | - | |
| Other | - | 6 | 6 | |
| | ----- | ----- | ----- | |
| Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP | 438 | 5,539 | 4,579 | |
| Cumulative effect of accounting change: | | | | |
| Derivative financial instruments | - | (18) | (18) | |
| | ----- | ----- | ----- | |
| Profit for the period as adjusted to accord with US GAAP | 438 | 5,521 | 4,561 | |
| | ===== | ===== | ===== | |

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BP p.l.c. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

| | Issuer | Guarantor | |
|---|------------------------------------|-----------|-----------------------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
| | | | recl |
| | | | (\$ million) |
| Balance sheet | | | |
| At June 30, 2002 | | | |
| Fixed assets | | | |
| Intangible assets | 517 | - | 15,646 |
| Tangible assets | 6,479 | - | 79,108 |
| Investments | | | |
| Subsidiaries - equity accounted basis | 1,898 | 81,774 | - |
| Other | - | 221 | 12,035 |
| | 1,898 | 81,996 | 12,035 |
| Total fixed assets | 8,894 | 81,996 | 106,789 |
| Current assets | | | |
| Inventories | 82 | - | 9,736 |
| Receivables | 16,336 | 21,204 | 49,224 |
| Investments | - | - | 285 |
| Cash at bank and in hand | (6) | 2 | 1,288 |
| | 16,412 | 21,206 | 60,533 |
| Current liabilities - falling due within one year | | | |
| Finance debt | 1,440 | - | 8,799 |
| Accounts payable and accrued liabilities | 423 | 9,210 | 36,919 |
| Net current assets (liabilities) | 14,549 | 11,996 | 14,815 |

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| | | | |
|--|--------|--------|---------|
| Total assets less current liabilities | 23,443 | 93,992 | 121,604 |
| Noncurrent liabilities | | | |
| Finance debt | - | - | 12,555 |
| Accounts payable and accrued liabilities | 10,448 | 152 | 38,052 |
| Provisions for liabilities and charges | | | |
| Deferred taxation | 1,707 | - | 13,318 |
| Other provisions | 409 | 222 | 10,768 |
| Net assets | 10,879 | 93,618 | 46,911 |
| Minority shareholders' interest | - | - | 558 |
| BP shareholders' interest | 10,879 | 93,618 | 46,353 |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

| Balance sheet (continued) | Issuer | | Guarantor | |
|---------------------------|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| (\$ million) | | | | |
| At June 30, 2002 | | | | |
| Capital and reserves | | | | |
| Capital shares | 1,050 | 5,637 | - | |
| Paid in surplus | 3,145 | 4,131 | - | |
| Merger reserve | - | 26,329 | 697 | |
| Other reserves | - | 180 | - | |
| Retained earnings | 6,684 | 57,341 | 45,656 | |
| | 10,879 | 93,618 | 46,353 | |

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The following is a summary of the adjustments to BP shareholders' interest which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

| | Issuer | Guarantor | |
|---|------------------------------------|-----------|-----------------------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
| | | | recl |
| | | | (\$ million) |
| Shareholders' interest as reported | 10,879 | 93,618 | 46,353 |
| Adjustments: | | | |
| Deferred taxation/business combinations | 138 | 122 | 7 |
| Provisions | (187) | (1,087) | (901) |
| Sale and leaseback | - | (138) | (138) |
| Goodwill | - | (760) | (760) |
| Derivative financial instruments | - | (54) | (54) |
| Gain arising on asset exchange | - | 150 | 150 |
| Ordinary shares held for future awards to employees | - | (218) | - |
| Quarterly dividend | - | 1,346 | - |
| Investments | - | 179 | 179 |
| Additional minimum pension liability | - | (942) | (942) |
| Other | - | (50) | (50) |
| Shareholders' interest as adjusted to accord with US GAAP | 10,830 | 92,166 | 43,844 |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

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| Balance sheet (continued) | Issuer | Guarantor | | |
|--|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | | | | |
| | | | (\$ million) | |
| At December 31, 2001 | | | | |
| Fixed assets | | | | |
| Intangible assets | 489 | - | 16,000 | |
| Tangible assets | 6,418 | - | 70,992 | |
| Investments | | | | |
| Subsidiaries - equity accounted basis | 1,846 | 76,877 | - | |
| Other | - | 269 | 11,694 | |
| | 1,846 | 77,146 | 11,694 | |
| Total fixed assets | 8,753 | 77,146 | 98,686 | |
| Current assets | | | | |
| Inventories | 92 | - | 7,539 | |
| Receivables | 15,333 | 21,272 | 41,858 | |
| Investments | - | - | 450 | |
| Cash at bank and in hand | (29) | 3 | 1,384 | |
| | 15,396 | 21,275 | 51,231 | |
| Current liabilities - falling due within one year | | | | |
| Finance debt | 406 | - | 9,035 | |
| Accounts payable and accrued liabilities | 260 | 7,642 | 27,797 | |
| Net current assets (liabilities) | 14,730 | 13,633 | 14,399 | |
| Total assets less current liabilities | 23,483 | 90,779 | 113,085 | |
| Noncurrent liabilities | | | | |

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| | | | |
|--|--------|--------|--------|
| Finance debt | - | - | 12,327 |
| Accounts payable and accrued liabilities | 10,795 | 191 | 36,433 |
| Provisions for liabilities and charges | | | |
| Deferred taxation | 1,668 | - | 11,702 |
| Other provisions | 392 | 216 | 10,879 |
| ----- | | | |
| Net assets | 10,628 | 90,372 | 41,744 |
| Minority shareholders' interest | - | - | 598 |
| ----- | | | |
| BP shareholders' interest | 10,628 | 90,372 | 41,146 |
| ===== | | | |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|---------------------------|------------------------------------|-----------|-----------------------|--------------|
| | ----- | | | |
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | | | |
| | | | | (\$ million) |
| Balance sheet (concluded) | | | | |
| At December 31, 2001 | | | | |
| Capital and reserves | | | | |
| Capital shares | 1,050 | 5,629 | - | |
| Paid in surplus | 3,145 | 4,014 | - | |
| Merger reserve | - | 26,286 | 697 | |
| Other reserves | - | 223 | - | |
| Retained earnings | 6,433 | 54,220 | 40,449 | |
| ----- | | | | |
| | 10,628 | 90,372 | 41,146 | |
| ===== | | | | |

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The following is a summary of the adjustments to BP shareholders' interest which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

| | Issuer | Guarantor | | |
|---|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | | | (\$ million) | |
| Shareholders' interest as reported | 10,628 | 90,372 | 41,146 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | 203 | 243 | 86 | |
| Provisions | (186) | (1,054) | (869) | |
| Sale and leaseback | - | (134) | (134) | |
| Goodwill | - | (1,414) | (1,414) | |
| Derivative financial instruments | - | (675) | (675) | |
| Gain arising on asset exchange | - | 157 | 157 | |
| Ordinary shares held for future awards to employees | - | (266) | - | |
| Quarterly dividend | - | 1,288 | - | |
| Investments | - | (2) | (2) | |
| Additional minimum pension liability | - | (942) | (942) | |
| Other | - | (40) | (40) | |
| Shareholders' interest as adjusted to accord with US GAAP | 10,645 | 87,533 | 37,313 | |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

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| | | | |
|---|-------|---------|---------|
| Net cash provided by (used in) operating activities | (24) | 494 | 2,912 |
| Net cash provided by (used in) investing activities | (138) | 763 | (826) |
| Net cash provided by (used in) financing activities | 167 | (1,258) | (2,216) |
| Currency translation differences relating to cash and cash equivalents | - | - | 30 |
| ----- | | | |
| Increase (decrease) in cash and cash equivalents | 5 | (1) | (100) |
| Cash and cash equivalents at beginning of period | (11) | 3 | 1,673 |
| ----- | | | |
| Cash and cash equivalents at end of period | (6) | 2 | 1,573 |
| ===== | | | |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|---|------------------------------------|-----------|-----------------------|-------|
| | ----- | ----- | | |
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | ----- | ----- | ----- |
| | | | (\$ million) | |
| Cash flow statement (continued) | | | | |
| Three months ended June 30, 2001 | | | | |
| Net cash inflow (outflow) from operating activities | 220 | 1,159 | 3,697 | |
| Dividends from joint ventures | - | - | 54 | |
| Dividends from associated undertakings | - | - | 159 | |
| Dividends from subsidiaries | - | 16 | - | |
| Net cash inflow (outflow) from servicing of finance and returns on investments | - | 328 | (628) | |
| Tax (paid) refund | (56) | - | (2,326) | |
| Net cash inflow (outflow) for capital | | | | |

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| | | | |
|--|-------|---------|---------|
| expenditure and financial investment | (208) | (104) | (2,472) |
| Net cash inflow (outflow) for acquisitions and disposals | (1) | - | (779) |
| Equity dividends paid | - | (1,179) | (16) |
| ----- | | | |
| Net cash inflow (outflow) | (45) | 220 | (2,311) |
| ===== | | | |
| Financing | (30) | 220 | (1,859) |
| Management of liquid resources | - | - | (404) |
| Increase (decrease) in cash | (15) | - | (48) |
| ----- | | | |
| | (45) | 220 | (2,311) |
| ===== | | | |

The consolidated statement of cash flows presented in accordance with SFAS 95 is as follows:

| | Issuer | Guarantor | | |
|--|------------------------------------|-----------|-----------------------|--------------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | | | |
| | | | | (\$ million) |
| Net cash provided by (used in) operating activities | 163 | 1,502 | 956 | |
| Net cash provided by (used in) investing activities | (208) | (104) | (3,251) | |
| Net cash provided by (used in) financing activities | 30 | (1,398) | 1,843 | |
| Currency translation differences relating to cash and cash equivalents | - | - | (14) | |
| ----- | | | | |
| Increase (decrease) in cash and cash equivalents | (15) | - | (466) | |
| Cash and cash equivalents at beginning of period | (19) | - | 2,166 | |
| ----- | | | | |
| Cash and cash equivalents at end of period | (34) | - | 1,700 | |
| ===== | | | | |

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BP p.l.c. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|--|---------------|-----------|--------------|-------|
| | ----- | ----- | | |
| | BP | | Other | |
| Cash flow statement (continued) | Exploration | BP p.l.c. | subsidiaries | recl |
| | (Alaska) Inc. | | | |
| | ----- | ----- | ----- | ----- |
| | | | (\$ million) | |
| Six months ended June 30, 2002 | | | | |
| Net cash inflow (outflow) from operating activities | 215 | 1,485 | 6,206 | |
| Dividends from joint ventures | - | - | 99 | |
| Dividends from associated undertakings | - | - | 207 | |
| Dividends from subsidiaries | 15 | - | - | |
| Net cash inflow (outflow) from servicing of finance and returns on investments | - | 126 | (628) | |
| Tax (paid) refund | (46) | (1) | (1,325) | |
| Net cash inflow (outflow) for capital expenditure and financial investment | (288) | (18) | (4,030) | |
| Net cash inflow (outflow) for acquisitions and disposals | - | 863 | (819) | |
| Equity dividends paid | - | (2,578) | (15) | |
| | ----- | ----- | ----- | |
| Net cash inflow (outflow) | (104) | (123) | (305) | |
| | ===== | ===== | ===== | |
| Financing | (127) | (122) | (17) | |
| Management of liquid resources | - | - | (132) | |
| Increase (decrease) in cash | 23 | (1) | (156) | |
| | ----- | ----- | ----- | |
| | (104) | (123) | (305) | |
| | ===== | ===== | ===== | |

The consolidated statement of cash flows presented in accordance with SFAS 95 is as follows:

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| | Issuer | Guarantor | | |
|---|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | | | |
| | (\$ million) | | | |
| Net cash provided by (used in) operating activities | 184 | 1,610 | 4,574 | |
| Net cash provided by (used in) investing activities | (288) | 846 | (4,864) | |
| Net cash provided by (used in) financing activities | 127 | (2,457) | 2 | |
| Currency translation differences relating to cash and cash equivalents | - | - | 27 | |
| | ----- | | | |
| Increase (decrease) in cash and cash equivalents | 23 | (1) | (261) | |
| Cash and cash equivalents at beginning of period | (29) | 3 | 1,834 | |
| | ----- | | | |
| Cash and cash equivalents at end of period | (6) | 2 | 1,573 | |
| | ===== | | | |

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BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - concluded

16. Condensed consolidating information - concluded

| | Issuer | Guarantor | | |
|--|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | | | |
| | (\$ million) | | | |
| Six months ended June 30, 2001 | | | | |
| Net cash inflow (outflow) from operating activities | 551 | 2,460 | 8,821 | |
| Dividends from joint ventures | - | - | 66 | |
| Dividends from associated undertakings | - | - | 269 | |

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| | | | |
|--|-------|---------|---------|
| Dividends from subsidiaries | - | 16 | - |
| Net cash inflow (outflow) from servicing of finance and returns on investments | - | 682 | (1,244) |
| Tax (paid) refund | (313) | (1) | (2,207) |
| Net cash inflow (outflow) for capital expenditure and financial investment | (401) | (120) | (4,146) |
| Net cash inflow (outflow) for acquisitions and disposals | - | (16) | (961) |
| Equity dividends paid | - | (2,360) | (16) |
| Net cash inflow (outflow) | (163) | 661 | 582 |
| Financing | (161) | 663 | 695 |
| Management of liquid resources | - | - | (102) |
| Increase (decrease) in cash | (2) | (2) | (11) |
| | (163) | 661 | 582 |

The consolidated statement of cash flows presented in accordance with SFAS 95 is as follows:

| | Issuer | Guarantor | |
|--|------------------------------------|-----------|-----------------------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
| | | | recl |
| | | | (\$ million) |
| Net cash provided by (used in) operating activities | 238 | 3,156 | 5,705 |
| Net cash provided by (used in) investing activities | (401) | (136) | (5,107) |
| Net cash provided by (used in) financing activities | 161 | (3,022) | (711) |
| Currency translation differences relating to cash and cash equivalents | - | - | (48) |
| Increase (decrease) in cash and cash equivalents | (2) | (2) | (161) |
| Cash and cash equivalents at beginning of period | (32) | 2 | 1,861 |

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Cash and cash equivalents at
end of period (34) - 1,700

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BP p.l.c. AND SUBSIDIARIES
ENVIRONMENTAL INDICATORS

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|--|--|-------|--------------------|
| | 2002 | 2001 | 2002 |
| Average oil realizations (a) - \$/bbl | | | |
| UK | 24.59 | 26.58 | 22.59 |
| USA | 21.81 | 23.58 | 19.61 |
| Rest of World | 22.20 | 23.93 | 20.43 |
| BP average | 22.81 | 24.74 | 20.81 |
| Brent oil price | 25.07 | 27.39 | 23.12 |
| West Texas Intermediate oil price | 26.30 | 27.88 | 23.94 |
| Alaska North Slope US West Coast | 25.04 | 26.05 | 22.42 |
| Average natural gas realizations - \$/mcf | | | |
| UK | 2.50 | 2.85 | 2.81 |
| USA | 2.76 | 4.35 | 2.44 |
| Rest of World | 2.04 | 2.58 | 1.98 |
| BP average | 2.45 | 3.43 | 2.36 |
| Henry Hub gas price (b) (\$/mmBtu) | 3.38 | 4.66 | 2.87 |
| UK Gas - National Balancing point (p/therm) | 12.10 | 21.66 | 15.63 |
| Global Indicator Refining Margins (c) - \$/bbl | | | |
| Northwest Europe | 0.59 | 3.35 | 0.34 |
| US Gulf Coast | 2.62 | 7.71 | 2.33 |
| Midwest | 3.76 | 10.51 | 2.91 |
| US West Coast | 4.46 | 9.11 | 4.95 |
| Singapore | 0.18 | 0.96 | 0.20 |
| BP average | 2.06 | 5.78 | 1.85 |
| Chemicals Indicator Margin (d) - \$/te | 109 (e) | 105 | 95 (|

(a) Crude oil and natural gas liquids.

(b) Henry Hub First of Month Index.

(c) The Global Indicator Refining Margin (GIM) is the average of seven regional indicator margins weighted for BP's crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity.

(d) The Chemicals Indicator Margin (CIM) is a weighted average of

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externally-based product margins. It is based on market data collected by Chem Systems in their quarterly market analyses, then weighted based on BP's product portfolio. While it does not cover our entire portfolio, it includes a broad range of products. Amongst the products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha-olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins, anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.

- (e) Provisional. The data for the second quarter is based on two months' actual and one month of provisional data.

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|-----------------------------------|--|------|--------------------|
| US dollar/sterling exchange rates | 2002 | 2001 | 2002 |
| | ----- | | ----- |
| Average rate for the period | 1.46 | 1.42 | 1.44 |
| Period-end rate | 1.52 | 1.41 | 1.52 |

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BP p.l.c. AND SUBSIDIARIES OPERATING INFORMATION

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|---|--|-------|--------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | ----- |
| Crude oil and natural gas liquids production (thousand barrels per day) (net of royalties) | | | |
| UK | 481 | 471 | 481 |
| Rest of Europe | 108 | 92 | 106 |
| USA | 791 | 742 | 775 |
| Rest of World | 672 | 580 | 658 |
| | ----- | | ----- |
| Total crude oil and liquids production | 2,052 | 1,885 | 2,020 |
| | ===== | | ===== |
| Natural gas production (million cubic feet per day) (net of royalties) | | | |
| UK | 1,602 | 1,690 | 1,615 |
| Rest of Europe | 157 | 121 | 159 |
| USA | 3,565 | 3,550 | 3,563 |
| Rest of World | 3,343 | 3,193 | 3,369 |
| | ----- | | ----- |
| Total natural gas production | 8,667 | 8,554 | 8,706 |
| | ===== | | ===== |
| Total production (a) | | | |

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| | | | |
|--|--------|--------|--------|
| (thousand barrels of oil equivalent per day) | | | |
| (net of royalties) | | | |
| UK | 757 | 762 | 759 |
| Rest of Europe | 135 | 113 | 133 |
| USA | 1,406 | 1,354 | 1,389 |
| Rest of World | 1,248 | 1,131 | 1,239 |
| | ----- | ----- | ----- |
| Total production | 3,546 | 3,360 | 3,520 |
| | ===== | ===== | ===== |
| Natural gas sales volumes (million cubic feet per day) | | | |
| UK | 2,349 | 2,481 | 2,483 |
| Rest of Europe | 390 | 201 | 402 |
| USA | 8,451 | 8,516 | 8,591 |
| Rest of World | 8,618 | 6,839 | 8,952 |
| | ----- | ----- | ----- |
| Total natural gas sales volumes (b) | 19,808 | 18,037 | 20,428 |
| | ===== | ===== | ===== |
| NGL sales volumes (thousand barrels per day) | | | |
| UK | - | - | - |
| Rest of Europe | - | - | - |
| USA | 189 | 206 | 196 |
| Rest of World | 196 | 171 | 189 |
| | ----- | ----- | ----- |
| Total NGL sales volumes | 385 | 377 | 385 |
| | ===== | ===== | ===== |

(a) Expressed in thousand barrels of oil equivalent per day (mboe/d). Natural gas is converted to oil equivalent at 5.8 billion cubic feet: 1 million barrels.

(b) Encompasses sales by Exploration and Production and Gas, Power and Renewables, including marketing, trading and supply sales.

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BP p.l.c. AND SUBSIDIARIES
OPERATING INFORMATION - concluded

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|--|--|-------|--------------------|
| | 2002 | 2001 | 2002 |
| | ----- | ----- | ----- |
| Oil sales volumes (thousand barrels per day) | | | |
| Refined products | | | |
| UK | 230 | 270 | 243 |
| Rest of Europe | 1,444 | 1,031 | 1,360 |
| USA | 1,941 | 1,954 | 1,888 |
| Rest of World | 522 | 601 | 561 |
| | ----- | ----- | ----- |
| Total marketing sales | 4,137 | 3,856 | 4,052 |
| Trading/supply sales | 2,342 | 2,022 | 2,439 |

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| | | | |
|---|--------|--------|--------|
| Total refined product sales | 6,479 | 5,878 | 6,491 |
| Crude oil | 4,915 | 4,131 | 4,862 |
| Total oil sales | 11,394 | 10,009 | 11,353 |
| Refinery throughputs (thousand barrels per day) | | | |
| UK | 376 | 315 | 384 |
| Rest of Europe | 924 | 623 | 879 |
| USA | 1,464 | 1,642 | 1,429 |
| Rest of World | 339 | 375 | 357 |
| Total throughput | 3,103 | 2,955 | 3,049 |
| Chemicals production (thousand tonnes) | | | |
| UK | 837 | 799 | 1,666 |
| Rest of Europe | 2,595 | 1,796 | 5,178 |
| USA | 2,695 | 2,108 | 5,184 |
| Rest of World | 762 | 618 | 1,472 |
| Total production | 6,889 | 5,321 | 13,500 |

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BP p.l.c. AND SUBSIDIARIES
Total replacement cost operating profit

| | Three months ended June 30 (Unaudited) | | Six months ended June 30 (Unaudited) |
|----------------------------|--|-------|--|
| | 2002 | 2001 | 2002 |
| | (\$ million) | | |
| By business | | | |
| Exploration and Production | | | |
| UK | 649 | 970 | 1,376 |
| Rest of Europe | 172 | 190 | 324 |
| USA | 771 | 1,200 | 1,093 |
| Rest of World | 866 | 1,067 | 1,593 |
| | 2,458 | 3,427 | 4,386 |
| Gas, Power and Renewables | | | |
| UK | 1 | 37 | 3 |
| Rest of Europe | 35 | 35 | 82 |
| USA | 13 | 86 | (12) |
| Rest of World | 65 | 3 | 152 |
| | 114 | 161 | 225 |
| Refining and Marketing | | | |

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| | | | |
|--------------------------------|-------|-------|-------|
| UK | (61) | (116) | (185) |
| Rest of Europe | 249 | 177 | 388 |
| USA | 279 | 1,262 | 200 |
| Rest of World | 136 | 141 | 268 |
| | ----- | ----- | ----- |
| | 603 | 1,464 | 671 |
| | ----- | ----- | ----- |
| Chemicals | | | |
| UK | (10) | (33) | (41) |
| Rest of Europe | 64 | 19 | 111 |
| USA | 84 | (1) | 107 |
| Rest of World | 65 | 24 | 102 |
| | ----- | ----- | ----- |
| | 203 | 9 | 279 |
| | ----- | ----- | ----- |
| Other businesses and corporate | (128) | (116) | (253) |
| | ----- | ----- | ----- |
| | 3,250 | 4,945 | 5,308 |
| | ===== | ===== | ===== |
| By geographical area | | | |
| UK | 504 | 814 | 1,034 |
| Rest of Europe | 526 | 429 | 912 |
| USA | 1,103 | 2,485 | 1,261 |
| Rest of World | 1,117 | 1,217 | 2,101 |
| | ----- | ----- | ----- |
| | 3,250 | 4,945 | 5,308 |
| | ===== | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
CAPITAL EXPENDITURE AND ACQUISITIONS

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|----------------------------|--|-------|--------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | |
| | (\$ million) | | |
| By business | | | |
| Exploration and Production | | | |
| UK | 247 | 289 | 508 |
| Rest of Europe | 57 | 86 | 128 |
| USA | 1,077 | 1,243 | 2,244 |
| Rest of World (a) | 1,192 | 805 | 2,006 |
| | ----- | ----- | ----- |
| | 2,573 | 2,423 | 4,886 |
| | ----- | ----- | ----- |
| Gas, Power and Renewables | | | |
| UK | 5 | 6 | 21 |
| Rest of Europe (b) | 87 | 15 | 91 |
| USA (c) | 32 | 40 | 48 |
| Rest of World | 8 | 7 | 18 |
| | ----- | ----- | ----- |
| | 132 | 68 | 178 |
| | ----- | ----- | ----- |

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| | | | |
|------------------------------------|-------|-------|--------|
| Refining and Marketing | | | |
| UK | 100 | 67 | 176 |
| Rest of Europe (d) | 2,556 | 114 | 5,288 |
| USA | 260 | 227 | 563 |
| Rest of World | 49 | 79 | 75 |
| | ----- | ----- | ----- |
| | 2,965 | 487 | 6,102 |
| | ----- | ----- | ----- |
| Chemicals | | | |
| UK | 17 | 63 | 25 |
| Rest of Europe (e) | 60 | 538 | 105 |
| USA | 55 | 96 | 97 |
| Rest of World | 38 | 69 | 131 |
| | ----- | ----- | ----- |
| | 170 | 766 | 358 |
| | ----- | ----- | ----- |
| Other businesses and corporate (f) | 267 | 52 | 319 |
| | ----- | ----- | ----- |
| | 6,107 | 3,796 | 11,843 |
| | ===== | ===== | ===== |
| By geographical area | | | |
| UK | 400 | 448 | 809 |
| Rest of Europe | 2,953 | 758 | 5,805 |
| USA | 1,467 | 1,628 | 2,998 |
| Rest of World | 1,287 | 962 | 2,231 |
| | ----- | ----- | ----- |
| | 6,107 | 3,796 | 11,843 |
| | ===== | ===== | ===== |

- (a) Three months and six months ended June 30, 2002 included the acquisition of an additional interest in Sidanco.
- (b) Three months and six months ended June 30, 2002 included the acquisition of a 5% stake in Enagas.
- (c) Three months and six months ended June 30, 2001 included investment in Green Mountain Energy Company.
- (d) Three months and six months ended June 30, 2002 included the acquisition of 49% and 100% of Veba respectively.
- (e) Three months and six months ended June 30, 2001 included the acquisition of Bayer's 50% interest in Erdolchemie.
- (f) Three months and six months ended June 30, 2002 included the acquisition of the minority interest in Veba's upstream oil and gas assets.

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BP p.l.c. AND SUBSIDIARIES
SPECIAL ITEMS AND ACQUISITION AMORTIZATION BY SEGMENT (PRE-TAX)

| | | |
|--|--------------------|--------|
| | Three months ended | Six mo |
| | June 30 | J |
| | (Unaudited) | (Un |
| | 2002 | 2002 |

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| | ----- (\$ million) ----- | | |
|-------------------------------------|--------------------------------|-------|-------|
| Special items | | | |
| Exploration and Production | | | |
| UK | 82 | - | 132 |
| Rest of Europe | - | - | - |
| USA | 8 | - | 70 |
| Rest of World | - | - | 15 |
| | ----- | ----- | ----- |
| | 90 | - | 217 |
| | ----- | ----- | ----- |
| Gas, Power and Renewables | | | |
| UK | - | - | - |
| Rest of Europe | - | - | - |
| USA | - | - | - |
| Rest of World | - | - | - |
| | ----- | ----- | ----- |
| | - | - | - |
| | ----- | ----- | ----- |
| Refining and Marketing | | | |
| UK | - | 28 | - |
| Rest of Europe | 23 | 64 | 49 |
| USA | (137) | 4 | (137) |
| Rest of World | - | 13 | - |
| | ----- | ----- | ----- |
| | (114) | 109 | (88) |
| | ----- | ----- | ----- |
| Chemicals | | | |
| UK | 22 | - | 22 |
| Rest of Europe | 16 | - | 18 |
| USA | 5 | - | 35 |
| Rest of World | - | - | - |
| | ----- | ----- | ----- |
| | 43 | - | 75 |
| | ----- | ----- | ----- |
| Other businesses and corporate | | | |
| UK | - | - | - |
| Rest of Europe | - | - | - |
| USA | - | - | - |
| Rest of World | - | - | - |
| | ----- | ----- | ----- |
| | - | - | - |
| | ----- | ----- | ----- |
| Total special items before interest | 19 | 109 | 204 |
| Interest - bond redemption charges | - | 50 | - |
| | ----- | ----- | ----- |
| Total | 19 | 159 | 204 |
| | ===== | ===== | ===== |
| Acquisition amortization | | | |
| Exploration and Production | | | |
| UK | 37 | 39 | 69 |
| USA | 268 | 420 | 549 |
| Rest of World | 36 | 32 | 68 |
| | ----- | ----- | ----- |
| | 341 | 491 | 686 |
| | ----- | ----- | ----- |
| Refining and Marketing | | | |
| UK | 100 | 98 | 197 |

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| | | | |
|-------|-------|-------|-------|
| USA | 96 | 91 | 192 |
| | ----- | ----- | ----- |
| | 196 | 189 | 389 |
| | ----- | ----- | ----- |
| Total | 537 | 680 | 1,075 |
| | ===== | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
RETURN ON AVERAGE CAPITAL EMPLOYED

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|---|--|--------|--------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | |
| | (\$ million) | | |
| Replacement cost basis | | | |
| Replacement cost profit before exceptional items | 1,293 | 2,648 | 2,217 |
| Interest | 314 | 441 | 647 |
| Minority shareholders' interest | 52 | 18 | 61 |
| | ----- | ----- | ----- |
| Adjusted replacement cost profit | 1,659 | 3,107 | 2,925 |
| | ===== | ===== | ===== |
| Average capital employed | 90,774 | 86,241 | 88,356 |
| ROACE - replacement cost basis | 7.3% | 14.4% | 6.6% |
| | ----- | ----- | ----- |
| Pro forma basis | | | |
| Adjusted replacement cost profit | 1,659 | 3,107 | 2,925 |
| Acquisition amortization | 537 | 680 | 1,075 |
| Special items (post tax) | 367 | 53 | 487 |
| | ----- | ----- | ----- |
| Adjusted replacement cost profit (pro forma basis) | 2,563 | 3,840 | 4,487 |
| | ===== | ===== | ===== |
| Average capital employed | 90,774 | 86,241 | 88,356 |
| Average capital employed acquisition adjustment (a) | 18,163 | 21,334 | 18,455 |
| | ----- | ----- | ----- |
| Average capital employed (pro forma basis) | 72,611 | 64,907 | 69,901 |
| ROACE - pro forma basis adjusted for special items | 14.1% | 23.7% | 12.8% |
| | ----- | ----- | ----- |
| Historical cost basis | | | |
| Historical cost profit (loss) after exceptional items | 2,040 | 2,741 | 3,336 |
| Interest | 314 | 441 | 647 |
| Minority shareholders' interest | 46 | 18 | 86 |
| | ----- | ----- | ----- |
| Adjusted historical cost profit | 2,400 | 3,200 | 4,069 |
| | ===== | ===== | ===== |
| Average capital employed | 90,774 | 86,241 | 88,356 |
| ROACE - historical cost basis after exceptionals | 10.6% | 14.8% | 9.2% |

(a) Acquisition adjustment refers to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions.

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BP p.l.c. AND SUBSIDIARIES
NET DEBT RATIO

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|--|--|--------|--------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | |
| | (\$ million) | | |
| Net debt ratio - net debt: net debt + equity | | | |
| Gross debt | 21,409 | 20,498 | 21,409 |
| Cash and current asset investments | 1,569 | 1,666 | 1,569 |
| | ----- | ----- | ----- |
| Net debt | 19,840 | 18,832 | 19,840 |
| | ----- | ----- | ----- |
| Equity | 68,126 | 66,880 | 68,126 |
| Net debt ratio | 23% | 22% | 23% |
| | ----- | ----- | ----- |
| Acquisition adjustment (a) | 18,028 | 20,933 | 18,028 |
| | ----- | ----- | ----- |
| Net debt ratio - pro forma basis (b) | 28% | 29% | 28% |
| | ===== | ===== | ===== |

- (a) Acquisition adjustment refers to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions.
- (b) Based on equity excluding the fixed asset revaluation adjustment and goodwill resulting from the ARCO and Burmah Castrol acquisitions.

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BP p.l.c. AND SUBSIDIARIES
REPLACEMENT COST OPERATING PROFIT ADJUSTED FOR NON-CASH
CHARGES AND CERTAIN OTHER ITEMS

Replacement cost operating profit adjusted for non-cash charges and certain other items essentially represents the Group's cash flow from operations (on a net of tax paid basis, tax is adjusted for the estimated effect of exceptional items and interest paid) excluding changes in working capital. BP is presenting this information as it gives a better insight into underlying cash flow from operating activities. This measure is derived from BP's UK GAAP accounting information but is not itself a recognised UK or US GAAP measure.

| | Three months ended June 30 (Unaudited) | | Six mo J (Un |
|--|--|------|--------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | |

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(\$ million)

| | | | |
|--|-------|---------|---------|
| Replacement cost operating profit (RCOP) (reported) (a) | 3,250 | 4,945 | 5,308 |
| Depreciation and amounts provided (b) | 2,227 | 2,130 | 4,380 |
| Exploration expenditure written off | 147 | 22 | 206 |
| Dividends from joint ventures and associated undertakings less share of RCOP | (115) | (69) | (237) |
| Dividends paid to minority shareholders | (3) | (5) | (16) |
| Adjust provisions to cash basis (c) | (48) | 212 | (117) |
| Adjust interest and other income to cash basis (d) | (3) | (38) | (16) |
| | ----- | ----- | ----- |
| Tax paid adjusted for certain items* | 5,455 | 7,197 | 9,508 |
| | (869) | (2,379) | (1,446) |
| | ----- | ----- | ----- |
| Adjusted RCOP after tax paid | 4,586 | 4,818 | 8,062 |
| | ----- | ----- | ----- |
| * Calculation of tax paid adjusted for certain items | | | |
| Cash tax paid | (927) | (2,382) | (1,372) |
| Tax charge on exceptional items | 160 | 118 | 121 |
| Tax shield assumption + | (102) | (115) | (195) |
| | ----- | ----- | ----- |
| | (869) | (2,379) | (1,446) |
| | ----- | ----- | ----- |
| + Calculation of tax shield assumption | | | |
| Interest paid | (342) | (384) | (651) |
| Tax rate assumption (e) | 30% | 30% | 30% |
| | ----- | ----- | ----- |
| | (102) | (115) | (195) |
| | ----- | ----- | ----- |

(a) Total replacement cost operating profit is before exceptional items, inventory holding gains and losses and interest expense.

(b) Includes depreciation and amortization relating to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions.

(c) Calculated as the net of charge for provisions and utilization of provisions.

(d) Calculated as interest and other income, less interest received and dividends received from the Group cash flow statement.

(e) Deemed tax rate for tax shield adjustment is equal to the UK statutory tax rate.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BP p.l.c.
(Registrant)

Dated: September 4, 2002

/s/ D. J. PEARL
.....
D. J. PEARL
Deputy Company Secretary