



## Edgar Filing: BP PLC - Form 6-K

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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) 2002	2001	Six months June (Unaudited) 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

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- (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	100
Operating leases	6,498	1,023	746	678	607	500
Other long-term contractual commitments						
Take or pay contracts	8,774	1,233	1,235	678	558	500
Throughput agreements - pipeline	1,982	264	431	373	342	300
Throughput agreements - other	1,852	163	157	123	113	100

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
	=====			=====

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(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  
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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	- mmcf/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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GAS, POWER AND RENEWABLES

		Three months ended June 30 (Unaudited)	2002	2001		Six months ended June 30 (Unaudited)	2002
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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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

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(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
	=====	=====	=====	=====

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(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	
	=====	

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(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	9,526
	112	112	307	307
	-----	-----	-----	-----
Group replacement cost operating profit	4,663	4,690	9,804	9,831
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	10,444
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	10,835
Inventory holding gains (losses)	40	40	(198)	(198)
	-----	-----	-----	-----
Historical cost profit before interest and tax	5,156	5,183	10,608	10,637
Interest expense	441	441	887	887
	-----	-----	-----	-----
Profit before taxation	4,715	4,742	9,721	9,750
Taxation	1,956	1,550	4,124	3,224
	-----	-----	-----	-----
Profit after taxation	2,759	3,192	5,597	6,526
Minority shareholders' interest	18	21	26	26
	-----	-----	-----	-----
Profit for the period	2,741	3,171	5,571	6,500
	-----	-----	-----	-----
Distribution to shareholders	1,236	1,236	2,414	2,414
	-----	-----	-----	-----
Earnings per ordinary share - cents				
Basic	12.21	14.12	24.80	28.00
Diluted	12.14	14.04	24.65	28.00
	=====	=====	=====	=====
-----				
(a) Total replacement cost operating profit, by business				
Exploration and Production	3,427	3,441	8,093	8,111
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	10,444
	=====	=====	=====	=====

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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	16,500
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	107,900
Less: sales between businesses	6,709	6,991	11,491	14,100
Group excluding joint ventures	43,655	48,409	79,945	93,800
Sales of joint ventures	404	280	683	500
	44,059	48,689	80,628	94,300

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
	-----	-----	-----	-----
	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 corporat
-------------	----------------------------------	------------------------------------	------------------------------	-----------	--

(\$ 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) 2002		Six months ended June 30 (Unaudited) 2002	
	2001	2001	2002	2002
	(\$ 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	19,391
Closing balance				
Finance debt	21,409	20,498	21,409	20,498
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

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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)	(
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 June 30, 2002 (Unaudited)	At 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 June 30, 2002 (Unaudited)	At 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	-	-	-
	-----	-----	-----
Comprehensive income	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)		Six mo J (Un
	2002	2001	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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### 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

Income statement (continued)	Issuer	Guarantor	Other subsidiaries	recl
	BP Exploration (Alaska) Inc.	BP p.l.c.		
-----				
(\$ 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		
Income statement (concluded)	Exploration	BP p.l.c.	Other
	(Alaska) Inc.		subsidiaries
			recl
	-----	-----	-----
			(\$ 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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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)	
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)	
Cash flow statement (concluded)				
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.

US dollar/sterling exchange rates	Three months ended June 30 (Unaudited)		Six mo J (Un
	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		Six mo
	June 30		J
	(Unaudited)		(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