BP PLC
Form 6-K
July 08, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

for the period ended March 31, 2004

BP p.l.c.
(Translation of registrant's name into English)

1 ST JAMES'S SQUARE, LONDON, SW1Y 4PD, ENGLAND
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F |X| Form 40-F ______

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ______ No |X|

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-9790) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-65996) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-83180) OF BP AUSTRALIA CAPITAL MARKETS LIMITED, BP CANADA FINANCE COMPANY, BP CAPITAL MARKETS p.l.c., BP CAPITAL MARKETS AMERICA INC. AND BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 33-21868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9020) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9798) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-34968) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-74414) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103924) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-102583) OF BP p.l.c. AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO.

333-103923) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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BP p.l.c. AND SUBSIDIARIES
FORM 6-K FOR THE PERIOD ENDED MARCH 31, 2004

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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 - MARCH 2004

	Three months ended March 31 (Unaudited) 2004	2003
	($ million)	
Turnover	67,602	62,031
Profit for the period	4,818	4,219
Exceptional items, net of tax	(1,300)	(340)
Profit before exceptional items	3,518	3,879
Profit for the period per ordinary share - cents	21.81	18.90
Dividends per ordinary share - cents	6.75	6.25

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 related notes, for the year ended December 31, 2003 in BP p.l.c.'s Annual Report on Form 20-F for the year ended December 31, 2003.

The financial information for 2003 has been restated to reflect (a) the transfer of natural gas liquids (NGL) operations from Exploration and Production to Gas, Power and Renewables on January 1, 2004; (b) the adoption by the Group of Financial Reporting Standard No. 17 `Retirement Benefits' (FRS 17) with effect from January 1, 2004; and (c) the adoption by the Group of Urgent Issues Task Force Abstract No. 38 `Accounting for ESOP Trusts' with effect from January 1, 2004. For further information, see Note 2 of Notes to Consolidated Financial

Statements.

The first quarter trading environment was generally stronger than in the first quarter of 2003, with higher oil realizations, refining margins and petrochemicals margins, slightly reduced gas realizations and lower NGL and marketing margins. The Brent oil price increased more than $0.56 per barrel, the refining Global Indicator Margin increased $0.10 and the Henry Hub gas price decreased $0.84 compared with the first quarter of 2003.

Turnover for the three months ended March 31, 2004 was $67,602 million compared with $62,031 million for 2003. The increase in turnover for the first quarter reflects net increases of $2,350 million from higher sales volumes, $2,300 million from foreign exchange movements and $580 million from higher prices, partly offset by a decrease of $650 million related to lower production volumes following 2003 divestments.

Profit for the three months ended March 31, 2004 was $4,818 million, including inventory holding gains of $648 million. Profit for the three months ended March 31, 2003 was $4,219 million, including inventory holding gains of $799 million. Inventory holding gains or losses represent the difference between the cost of sales calculated using the average cost of supplies incurred during the period and the cost of sales calculated using the first-in first-out method.

Profit before exceptional items was $3,518 million for the three months ended March 31, 2004, compared with $3,879 million for the equivalent period of 2003. Exceptional items are gains and losses on the sale of fixed assets and businesses or termination of operations. Net exceptional gains in the first quarter of 2004 were $1,300 million ($1,230 million before tax) and principally relate to net gains from the sale of our interests in PetroChina and Sinopec. Net exceptional gains in the first quarter of 2003 were $340 million ($394 million before tax) and principally relate to net gains from the sale of certain upstream interests.

Profit before exceptional items for the three months ended March 31, 2004 is after impairment charges of $186 million in Exploration and Production related to our interests in two fields in Venezuela, Desarrollo Zuli Occidental (DZO) and Boqueron. Profit before exceptional items for the three months ended March 31, 2003 is after charging impairment of $105 million related to the Yacheng field in China, costs of $90 million in respect of our restructuring activities in North America and the UK and a $49 million write-down of the Viscount asset in the North Sea in Exploration and Production, Veba integration costs of $18 million in Refining and Marketing, and includes a $130 million credit related to tax restructuring benefits.

In addition to the factors above, the decrease in profit before exceptional items in the first quarter reflects higher costs, the impact of the changing composition of production following 2003 divestments and slightly lower US gas realizations in Exploration and Production as well as lower marketing margins, with some offset from higher refining margins, the inclusion of our interest in TNK-BP and slightly higher liquids realizations.

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

Interest expense for the three months ended March 31, 2004 was $152 million compared with $176 million in the same period of 2003, primarily reflecting lower interest rates partly offset by the inclusion of equity-accounted interest from the TNK-BP joint venture. Other finance expense for the three months ended March 31, 2004 was $76 million compared with $129 million in the same period of

2003, primarily reflecting a reduction in net pension finance costs.

Net taxation, other than production taxes, charged for the three months ended March 31, 2004 was $1,822 million compared with $1,782 million in the equivalent period last year. The tax on exceptional items was a credit of $70 million compared with a charge of $54 million for the first quarter of 2003. The effective tax rate was 27% for the three months ended March 31, 2004, compared with 30% for the equivalent period of 2003. The reduction in the rate reflects the low tax charge on the exceptional gains reported in the current quarter.

Capital expenditure in the first quarter of 2004 was $4.5 billion including a $1.35 billion payment relating to the contribution of TNK's interest in Slavneft within TNK-BP. Capital expenditure and acquisitions for the first quarter of 2003 was $2.9 billion; there were no acquisitions. Disposal proceeds in the first quarter of 2004 were $2.8 billion compared with $2.5 billion for the equivalent period in 2003.

Net cash inflow for the three months ended March 31, 2004 was $3.8 billion, compared with an inflow of $3.2 billion for the equivalent period of 2003, reflecting higher operating cash flow partly offset by higher acquisition spending. Net cash inflow from operating activities was $7.7 billion for the three months ended March 31, 2004, compared with $6.0 billion in the equivalent period in 2003, primarily reflecting a lower requirement for working capital.

Net debt at March 31, 2004 was $17.6 billion compared with $20.2 billion at December 31, 2003. The ratio of net debt to net debt plus equity was 19% at March 31, 2004 compared with 22% at December 31, 2003. This ratio shows the proportion of debt and equity used to finance our operations, and can also be used to measure borrowing capacity. 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.

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.

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.

The return on average capital employed was 21.0% for the first quarter of 2004 compared with 20.3% for the same period in 2003. Return on average capital employed is the ratio of profit including minority shareholders' interest and excluding post-tax interest on finance debt to average capital employed for the period. Capital employed is the total of BP shareholders' interest, minority shareholders' interest and finance debt. This performance measure is useful for shareholders and management as an indication of capital productivity over the long term. For further information on the return on average capital employed calculation see page 56 of this report.

BP announced a first quarterly dividend for 2004 of 6.75 cents per ordinary share. Holders of ordinary shares received 3.807 pence per share and holders of American Depositary Receipts (ADRs) $0.405 per ADS. The dividend was paid on June 7, 2004 to shareholders on the register on May 14, 2004. Participants in the Dividend Reinvestment Plan or the dividend reinvestment facility in the US Direct Access Plan received the dividend in the form of shares, also on June 7, 2004. The company repurchased for cancellation 155 million of its own shares during the quarter, at a cost of $1,249 million.

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

DETAILED REVIEW OF BUSINESSES (EXCLUDING EXCEPTIONAL ITEMS)

EXPLORATION AND PRODUCTION

			Three months March 31 (Unaudited 2004 ($ million
Turnover		- $m	8,166
Profit before interest and tax		- $m	4,250
Exceptional (gains) losses		- $m	(211)
Total operating profit		- $m	4,039
Results include:			
Exploration expense		- $m	136
Of which: Exploration expenditure written off		- $m	67
Key Statistics:			
Crude oil	Average prices realized by BP	- $/bbl	31.30
	Production	- mb/d	2,342
Natural gas liquids	Average prices realized by BP	- $/bbl	23.14
	Production	- mb/d	191
Total liquids(a)	Average prices realized by BP	- $/bbl	30.48
	Production	- mb/d	2,533
Natural gas	Average prices realized by BP	- $/mcf	3.79
	Production	- mmcf/d	8,600
Total hydrocarbons(b)	Average prices realized by BP	- $/boe	26.48
	Production	- mboe/d	4,015
Brent oil price		- $/bbl	32.03
West Texas Intermediate oil price		- $/bbl	35.30
Alaska North Slope US West Coast		- $/bbl	34.22
Henry Hub gas price (c)		- $/mmbtu	5.69
UK Gas - National Balancing Point		- p/therm	24.59

(a) Crude oil and natural gas liquids.

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

(c) Henry Hub First of the Month Index.

Turnover for the three months ended March 31, 2004 was $8,166 million compared with $8,878 million in the corresponding period in 2003, reflecting a decrease of around $650 million due to lower production volumes as a result of divestment activity in 2003 and a further decrease of around $60 million primarily related to lower gas realizations.

Profit before interest and tax for the three months ended March 31, 2004 was $4,250 million compared with $4,724 million for the equivalent period in 2003. Profit for the first quarters of 2004 and 2003 included net exceptional gains before tax of $211 million and $433 million, respectively.

Total operating profit for the three months ended March 31, 2004 was $4,039 million including inventory holding gains of $8 million, and is after impairment charges of $186 million related to our interests in Desarrollo Zuli Occidental (DZO) and Boqueron in Venezuela. We previously reported an exceptional loss on disposal of $217 million in respect of these assets; however, the sales agreement has lapsed and we will retain our interests in the fields. As a result of the lapse of the agreement, the exceptional loss has been reversed and an impairment charge has been recognized in the quarter. Total operating profit for the three months ended March 31, 2003 was $4,291 including inventory holding gains of $6 million, and was after charging impairment of $105 million related to the Yacheng field in China, costs of $90 million in respect of restructuring activities in North America and the UK and a $49 million write-down of the Viscount asset in the North Sea.

EXPLORATION AND PRODUCTION (concluded)

In addition to the factors above, the primary reasons for the decrease in operating profit for the first quarter of 2004 compared with the first quarter of 2003 are the higher depreciation of $190 million, slightly lower US gas realizations ($135 million), higher costs due to foreign exchange movements ($95 million) and the impact of the changing composition of production resulting from the acquisition of our interest in TNK-BP and divestments made in 2003 of $95 million, partly offset by slightly higher liquids realizations of $95 million. The first quarter 2004 result also includes a charge of $66 million, reflecting an increase in the provision for unrealized profit in inventory, which removes the upstream margin from downstream inventories. This compares with a charge of $125 million in the first quarter of 2003.

Production for the quarter was up from 3,618 mboe/d in the first quarter of 2003 to 4,015 mboe/d. This reflects the impact of the inclusion of TNK-BP including the first quarter of Slavneft, growth in Trinidad, the startup of NaKika in Deepwater Gulf of Mexico and Xikomba in Angola, partly offset by decline in existing profit centres in North America and Europe and divestments made during 2003.

The first quarter saw exploration successes in Egypt with the Raven 1 and Taurt wells in the Nile Delta along with three further discoveries in Angola: Cesio 1 and Chumbo 1 in offshore Block 18 and Bavuca in Block 15.

In January, we sold 45% of our interest in Kings Peak in Deepwater Gulf of Mexico to Marubeni Oil & Gas (USA) Inc. Additionally, on February 9, 2004 we signed a sale and purchase agreement with Fairborne Energy Ltd to sell a package of non-core assets in Alberta, Canada.

REFINING AND MARKETING

		Three months ended March 31 (Unaudited) 2004	2003
		($ million)	
Turnover	- $m	41,694	39,495
Profit before interest and tax	- $m	1,249	1,248
Exceptional (gains) losses	- $m	140	52
Total operating profit	- $m	1,389	1,300
Total refined product sales	- mb/d	6,941	6,804
Refinery throughputs	- mb/d	2,943	3,024
Refining availability (a)	- %	95.1	94.2
Global Indicator Refining Margin (b)	- $/bbl	4.62	4.52

(a) Refining availability is the weighted average percentage of the period that refinery units are available for processing, after accounting for downtime such as turnarounds.

(b) The Global Indicator Refining Margin (GIM) is the average of six 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. The refining margins are industry specific measures rather than BP specific, which we believe are useful to investors in analyzing trends in the industry and their impact on our results. The margins are calculated by BP based on published crude oil and product prices and take account of fuel utilization and catalyst costs. No account is taken of BP's other cash and non-cash costs of refining such as wages and salaries and plant depreciation. The indicator margin may not be representative of the margins achieved by BP in any period because of BP's particular refinery configurations and crude and product slate.

Turnover for the three months ended March 31, 2004 was $41,694 million compared with $39,495 million for the same period in the prior year. The increase in turnover was principally due to foreign exchange movements, which contributed approximately $2,300 million, with higher prices contributing a further $500 million. These were partially offset by lower sales volumes ($800 million) due to disposals.

Profit before interest and tax for the three months ended March 31, 2004 was $1,249 million compared with $1,248 million for the equivalent period in 2003. Profit in the first quarter of 2004 was after net exceptional losses before tax of $140 million, which principally relate to the disposal of Singapore Refining company Private Limited (SRC) and the closure of the lubricants operation of the Coryton Refinery in the UK. Profit in the first quarter of 2003 was after net exceptional losses before tax of $52 million related to disposal of approximately 2.4% North Germany Retail site network, offset by gain of $9 million from disposal of 21 Retail sites in Greece, and a gain of $9 million from disposal of US Pipeline East Texas Crude line.

Total operating profit for the three months ended March 31, 2004 was $1,389 million, including inventory holding gains of $529 million. Total operating profit for the three months ended March 31, 2003 was $1,300 million, including inventory holding gains of $620 million, and is after charging Veba integration costs of $18 million.

In addition to the factors above, the increase in operating profit in the first quarter of 2004 compared with the first quarter of 2003 reflects approximately $300 million from improved refining margins, particularly in the US, due to strong demand, cold weather and concerns over US gasoline supplies. This increase was partly offset by a decrease of $100 million in as marketing margins, which were lower than in the first quarter of 2003 due to pressure from higher crude and product prices.

During the quarter, BP launched its new product line of gasoline and diesel fuels, BP Ultimate, in Portugal. We also launched a new advertising and communications campaign - Fluid Motion - for the Castrol brand in Europe, along with a new product, Castrol GTX High Mileage, in the UK.

REFINING AND MARKETING (concluded)

During the quarter, BP and the Singapore Petroleum Company Limited (SPC) announced that conditional agreement had been reached for SPC to purchase BP's interests and one-third stake in Singapore Refining Company Private Limited (SRC) for $140 million. Subsequent to this announcement, we were notified that the remaining shareholders wished to exercise their pre-emption rights. This resulted in BP's one-third share being divided equally between the two remaining shareholders in SRC, namely Caltex Singapore Private Ltd and SPC. As a result, these two companies acquired BP's one-sixth equity interest in Tanker Mooring Services Company Pte Ltd (TMS). The transaction was completed on June 30, 2004.

In the first quarter, BP and Lembaga Tabung Angkatan Tentera (LTAT) announced that agreement had been reached for LTAT to purchase BP's 70% shareholding in the BP Malaysia Sdn Bhd fuels business. Subject to receiving the necessary regulatory consents, this transaction is expected to be concluded in the third quarter of 2004.

PETROCHEMICALS

		Three months ended March 31 (Unaudited) 2004	2003
		($ million)	
Turnover	- $m	4,510	4,121

Profit before interest and tax	- $m	96	283
Exceptional (gains) losses	- $m	154	(7)
		-------	-------
Total operating profit	- $m	250	276
		=======	=======
Production (a)	- kte	7,243	6,980
Petrochemicals Indicator Margin (b)	- $/te	122(c)	96

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

(b) The Petrochemicals Indicator Margin (CIM) is a weighted average of externally-based product margins. It is based on market data collected by Nexant in their quarterly market analyses, which we weight based on BP's product portfolio. While it does not cover our entire portfolio, it includes a broad range of products. Among the products and businesses covered in the CIM are the olefins and derivatives, the aromatics and derivatives, linear alpha-olefins (LAOs), acetic acid, vinyl acetate monomers and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins (PAOs), anhydrides, speciality intermediates, and the remaining parts of the solvents and acetyls businesses. This measure is not BP specific, rather it is an indicator of relative industry profitability and BP's actual margins will differ. While not entirely representative of BP's complete range of products, we believe it does provide investors with useful information about the environment for BP's products.

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

Turnover for the three months ended March 31, 2004 was $4,510 million compared with $4,121 million for the equivalent period in 2003. The increase in turnover for the first quarter primarily reflects increases of $250 million from higher sales volumes and $140 million from higher US Olefins prices.

Profit before interest and tax for the three months ended March 31, 2004 was $96 million compared with $283 million for the equivalent period in 2003. The first quarter of 2004 was after net exceptional losses before tax of $154 million, which were largely associated with the sale of our Specialty Intermediates Business and the exit of the Baglan Bay site in the UK. The first quarter of 2003 included net exceptional gains before tax of $7 million.

Total operating profit for the three months ended March 31, 2004 was $250 million, including inventory holding gains of $121 million. Total operating profit for the three months ended March 31, 2003 was $276 million, including inventory holding gains of $146 million.

In addition to the factors above, operating profit in the first quarter of 2004 compared with the first quarter of 2003 reflects adverse foreign exchange impacts. The margin structures of our European operations continue to be affected by the strength of the euro and sterling, as we are unable to achieve offsetting price increases due to dollar-based competition.

Petrochemicals production of 7,243 thousand tonnes in the first quarter of 2004 was 263 thousand tonnes above the first quarter of 2003. Higher production was due to improved plant utilization and organic growth, including two new Asian PTA plants coming on stream and increasing our share of Asian PTA joint ventures.

During the first quarter, we announced the closure and exit from the Baglan Bay site in the UK. We signed a sale and purchase agreement for our Specialty Intermediates Business (trimellitic anhydride, purified isophthalic acid (PIA) and maleic anhydride) based in Joliet, Illinois in the USA, plus the economic interest in our European PIA business.

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

GAS, POWER AND RENEWABLES

		Three months ended March 31 (Unaudited) 2004	2003
		($ million)	
Turnover	- $m	20,975	18,080
Profit before interest and tax	- $m	188	243
Exceptional (gains) losses	- $m	-	-
Total operating profit	- $m	188	243

Turnover for the three months ended March 31, 2004 was $20,975 million, compared with $18,080 million for the same period in 2003. The increase for the quarter primarily reflects higher natural gas sales volumes.

Profit before interest and tax for the three months ended March 31, 2004 was $188 million compared with $243 million for the equivalent period in 2003.

Total operating profit for the three months ended March 31, 2004 was $188 million, after inventory holding losses of $10 million. Total operating profit for the three months ended March 31, 2003 was $243 million, including inventory holding gains of $27 million.

In addition to the factors above, operating profit in the first quarter of 2004 compared with the first quarter of 2003 reflects $54 million lower profit in marketing and trading, improvements of $30 million in global LNG and $7 million in Solar and a similar contribution from the natural gas liquids business.

The marketing and trading profit in North America is down compared with the first quarter of 2003, when the business benefited from high margins as a result of the prolonged cold weather in northeast and midwest markets. The global LNG business had a strong quarter due to higher margins and continued growth in LNG sales volumes.

The first quarter natural gas liquids result was flat, with volume increases of 32% offset by lower margins.

Profit in the first quarter of 2004 for the solar business increased compared with the first quarter of 2003, primarily as a result of the benefits of the 2003 restructuring programme.

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

OTHER BUSINESSES AND CORPORATE

		Three months ended March 31 (Unaudited) 2004	2003
		($ million)	
Turnover	- $m	121	111
Profit (loss) before interest and tax	- $m	1,129	(166)
Exceptional (gains) losses	- $m	(1,313)	(6)
Total operating profit (loss)	- $m	(184)	(172)

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

Profit before interest and tax for the three months ended March 31, 2004 was $1,129 million compared with a loss of $166 million for the equivalent period in 2003. The first quarter of 2004 included net exceptional gains before tax of $1,313 million, which were associated with the sale of our interest in PetroChina for $1.65 billion and our interest in Sinopec for $0.7 billion. The first quarter of 2003 included net exceptional gains before tax of $6 million.

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 `Group Results' with regard to working capital, fulfillment of contract obligations, the timing of acquisitions and divestments and the timing of new projects, 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', 'plans' 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, exchange rate fluctuations, operational problems, general economic conditions, political stability and economic growth in relevant areas of the world, changes in laws and governmental regulations, 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, prolonged adverse weather conditions, changes in public expectations 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 2003 and the Annual Report on Form 20-F for 2003 filed with the US Securities and Exchange Commission.

2004 DIVIDENDS

On April 27, 2004, BP p.l.c. announced a first quarterly dividend for 2004 of 6.75 cents per ordinary share of 25 cents (ordinary shares), representing $0.405 per American Depositary Share (ADS) amounting to $1,483 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares was May 14, 2004, with payment made on June 7, 2004.

Under the former US-UK Income Tax Treaty, dividends paid to qualifying ADS holders entitled them to a refund of a deemed UK tax credit equal to 1/9th of the announced dividend. This credit was exactly offset by an amount deemed by the former US-UK Income Tax Treaty to be a UK withholding tax. The net effect for ADS holders was a cash payment equal to the amount of the announced dividend, a potential foreign tax credit equal to 1/9th of the announced dividend, and a gross dividend equal to the sum of those two amounts. Under the new US-UK Income Tax Treaty, this deemed tax credit is no longer available on dividends paid to qualifying ADS shareholders, beginning with the first quarterly dividend for 2003.

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 received the dividend in the form of shares on June 7, 2004.

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

	Three months ended March 31 (Unaudited) 2004	2003
	($ million, except per share amounts)	
Turnover - Note 3	69,480	62,429
Less: joint ventures	1,878	398
Group turnover	67,602	62,031
Cost of sales	58,750	52,668
Production taxes - Note 4	525	504
Gross profit	8,327	8,859
Distribution and administration expenses	3,240	3,244
Exploration expense - Note 5	136	112
	4,951	5,503
Other income	90	131
Group operating profit	5,041	5,634

Share of profits of joint ventures	491	118
Share of profits of associated undertakings	150	186
Total operating profit	5,682	5,938
Profit (loss) on sale of fixed assets and businesses or termination of operations - Note 6	1,230	394
Profit before interest and tax	6,912	6,332
Interest expense - Note 7	152	176
Other finance expense - Note 8	76	129
Profit before taxation	6,684	6,027
Taxation - Note 9	1,822	1,782
Profit after taxation	4,862	4,245
Minority shareholders' interest	44	26
Profit for the period (a)	4,818	4,219
Earnings per ordinary share - cents (a)		
Basic	21.81	18.90
Diluted	21.34	18.84
Earnings per American Depositary Share - cents (a)		
Basic	130.86	113.40
Diluted	128.04	113.04
Average number of outstanding ordinary shares (thousand)	22,087,796	22,326,486

(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

	March 31, 2004 (Unaudited)	Decem
	($ million)	
Fixed assets		
Intangible assets	13,386	
Tangible assets	91,800	
Investments	18,492	
	123,678	

Current assets			
Inventories	11,298		11,6
Receivables	35,099		33,9
Investments	328		1
Cash at bank and in hand	2,006		1,9
	48,731		47,6
Current liabilities - falling due within one year			
Finance debt	6,997		9,4
Accounts payable and accrued liabilities	43,018		41,1
	50,015		50,5
Net current assets (liabilities)		(1,284)	
Total assets less current liabilities		122,394	
Noncurrent liabilities			
Finance debt	12,940		12,8
Accounts payable and accrued liabilities	5,834		6,0
Provisions for liabilities and charges			
Deferred tax	14,578		14,3
Other	8,766		8,8
		42,118	
Net assets excluding pension and other postretirement benefit balances		80,276	
Defined benefit pension plan surplus	1,258		1,0
Defined benefit pension plan and other postretirement benefit plan deficits	(7,524)		(7,5
		(6,266)	
		74,010	
Net assets			
Minority shareholders' interest - equity		1,181	
BP shareholders' interest (a) - Note 12		72,829	
Represented by:			
Capital shares			
Preference		21	
Ordinary		5,500	
Paid-in surplus		4,637	
Merger reserve		27,114	
Retained earnings		35,504	
Shares held by ESOP trusts		(39)	
Other reserves		92	
		72,829	

(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.

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

	Three months ended March 31 (Unaudited) 2004	2003
	($ million)	
Net cash inflow from operating activities	7,674	5,961
Dividends from joint ventures	178	13
Dividends from associated undertakings	31	55
Servicing of finance and returns on investments		
Interest received	41	31
Interest paid	(165)	(207)
Dividends received	12	6
Dividends paid to minority shareholders	(2)	(2)
Net cash outflow from servicing of finance and returns on investments	(114)	(172)
Taxation		
UK corporation tax	(322)	(312)
Overseas tax	(258)	(320)
Tax paid	(580)	(632)
Capital expenditure and financial investment		
Payments for fixed assets	(2,941)	(2,871)
Proceeds from the sale of fixed assets	2,839	2,317
Net cash outflow for capital expenditure and financial investment	(102)	(554)
Acquisitions and disposals		
Proceeds from the sale of businesses	-	160
Net investment in TNK-BP joint venture	(1,273)	-
Net investment in other joint ventures	(92)	(14)
Investments in associated undertakings	(433)	(186)
Net cash (outflow) inflow for acquisitions and disposals	(1,798)	(40)
Equity dividends paid	(1,492)	(1,397)
Net cash inflow (outflow)	3,797	3,234

Financing	3,598	3,599
Management of liquid resources	138	13
Increase (decrease) in cash	61	(378)
	3,797	3,234

(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.

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

	Three months ended March 31 (Unaudited) 2004	2003
	($ million)	
Reconciliation of profit before interest and tax to net cash inflow from operating activities		
Profit before interest and tax	6,912	6,332
Depreciation and amounts provided	2,814	2,709
Exploration expenditure written off	67	50
Net operating charge for pensions and other post retirement benefits, less contributions	(23)	(243)
Share of profits of joint ventures and associated undertakings	(641)	(304)
Interest and other income	(64)	(48)
(Profit) loss on sale of fixed assets and businesses	(1,230)	(394)
Charge for provisions	67	29
Utilization of provisions	(155)	(116)
Decrease (increase) in inventories	247	376
(Increase) decrease in debtors	(1,586)	(6,645)
Increase (decrease) in creditors	1,266	4,215
Net cash inflow from operating activities	7,674	5,961
Financing		
Long-term borrowing	(628)	(1,015)
Repayments of long-term borrowing	836	403
Short-term borrowing	(156)	(626)
Repayments of short-term borrowing	2,408	3,899
	2,460	2,661
Issue of ordinary share capital for employee share schemes	(126)	(67)
Purchase of shares by ESOP trusts	15	6
Repurchase of ordinary share capital	1,249	999

Net cash outflow from financing	3,598	3,599

(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.

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, 2003 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 2003 has been restated to reflect the changes described below.

(a) Transfer of Natural Gas Liquids activities

With effect from January 1, 2004 natural gas liquids (NGL) activities have been transferred from Exploration and Production to Gas, Power and Renewables.

(b) New accounting standard for pensions and other postretirement benefits

With effect from January 1, 2004 BP has adopted Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17). 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. This contrasts with Statement of Standard Accounting Practice No. 24 'Accounting for Pension Costs', which requires the cost of providing pensions to be recognized on a systematic and rational basis over the period during which the employer benefits from the employee's services. The difference between the amount charged in the income statement and the amount paid as contributions into the pension fund is shown as a prepayment or provision on the balance sheet.

(c) Accounting for Employee Share Ownership Plans

With effect from January 1, 2004 BP has adopted Urgent Issues Task Force Abstract No. 38 'Accounting for ESOP Trusts'. This abstract requires that BP shares held by the Group for the purposes of Employee

Share Ownership Plans (ESOPs) are deducted from equity on the balance sheet. Such shares were previously classified as fixed asset investments.

Balance sheet at 31 December 2003	Restated	Repo
	($ million)	
Fixed assets		
Intangible assets	13,642	13
Tangible assets	91,911	91
Investments	17,458	17
	123,011	123
Current assets	47,651	54
Creditors - amounts falling due within one year	50,584	50
Net current assets (liabilities)	(2,933)	3
Total assets less current liabilities	120,078	126
Creditors - amounts falling due after more than one year	18,959	18
Provisions for liabilities and charges		
Deferred taxation	14,371	15
Other provisions	8,815	15
Net assets excluding pension and other postretirement benefit balances	77,933	77
Defined benefit pension plan surplus	1,021	
Defined benefit pension plan and other postretirement benefit plan deficits	(7,510)	
Net assets	71,444	77
Minority shareholders' interest	1,125	1
BP shareholders' interest	70,319	75

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BP p.l.c. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

Income Statement	Three months ended March 31 2003 (Unaudited)	
	Restated	Reported
	($ million)	
Exploration and Production	4,724	4,765
Refining and Marketing	1,248	1,199
Petrochemicals	283	292
Gas, Power and Renewables	243	221

Other businesses and corporate	(166)	(159)
Profit before interest and tax	6,332	6,318
Interest expense	176	220
Other finance expense	129	-
Profit before taxation	6,027	6,098
Taxation	1,782	1,805
Profit after taxation	4,245	4,293
Minority shareholders' interest	26	26
Profit for the period	4,219	4,267
Distribution to shareholders	1,386	1,386
Profit per ordinary share - cents		
Basic	18.90	19.11
Diluted	18.84	19.05

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

	Three months ended March 31 (Unaudited) 2004	2003
	($ million)	
3. Turnover		
By business		
Exploration and Production	8,166	8,878
Refining and Marketing	41,694	39,495
Petrochemicals	4,510	4,121
Gas, Power and Renewables	20,975	18,080
Other businesses and corporate	121	111
	75,466	70,685
Less: sales between businesses	7,864	8,654
Group excluding joint ventures	67,602	62,031
Share of sales of joint ventures	1,878	398
	69,480	62,429
By geographical area		
Group excluding joint ventures		

	UK	17,296	15,132
	Rest of Europe	12,041	13,317
	USA	31,803	29,341
	Rest of World	15,817	13,736
		-------	-------
		76,957	71,526
	Less: sales between areas	9,355	9,495
		-------	-------
		67,602	62,031
		=======	=======
4.	Production taxes		
	UK petroleum revenue tax	126	133
	Overseas production taxes	399	371
		-------	-------
		525	504
		=======	=======
5.	Exploration expense		
	Exploration and Production		
	UK	2	3
	Rest of Europe	2	4
	USA	97	37
	Rest of World	35	68
		-------	-------
		136	112
		=======	=======

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

		Three months ended March 31 (Unaudited)	
		2004	2003
		-------	-------
		($ million)	
6.	Analysis of exceptional items		
	Profit (loss) on sale of fixed assets and businesses or termination of operations		
	Exploration and Production	211	433
	Refining and Marketing	(140)	(52)
	Petrochemicals	(154)	7
	Gas, Power and Renewables	-	-
	Other businesses and corporate	1,313	6
		-------	-------
	Exceptional items before taxation	1,230	394
	Taxation credit (charge)	70	(54)
		-------	-------
	Exceptional items after taxation	1,300	340
		=======	=======
7.	Interest expense		
	Group interest payable	149	187

Capitalized	(50)	(34)
	99	153
Joint ventures	41	13
Associated undertakings	12	10
	152	176

8. Other finance expense

Interest on pension and other postretirement benefit plan liabilities	500	460
Expected return on pension and other postretirement benefit plan assets	(498)	(375)
Interest net of expected return on plan assets	2	85
Unwinding of discount on provisions	48	44
Unwinding of discount on deferred consideration for acquisition of investment in TNK-BP	26	-
	76	129

9. Charge for taxation

Current	1,706	1,581
Deferred	116	201
	1,822	1,782
UK	345	451
Overseas	1,477	1,331
	1,822	1,782

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

10. Business and geographical analysis

By business	Exploration and Production	Refining and Marketing	Petro-chemicals	Gas, Power and Renewables	busin corp
			($ million)		
Three months ended March 31, 2004					
Group turnover					
- third parties	2,399	40,295	4,364	20,423	
- sales between businesses	5,767	1,399	146	552	

	8,166	41,694	4,510	20,975
Share of sales by joint ventures	1,633	116	129	-
Equity accounted income	548	37	57	(1)
Total operating profit (loss)	4,039	1,389	250	188
Exceptional items	211	(140)	(154)	-
Profit (loss) before interest and tax	4,250	1,249	96	188
Capital expenditure and acquisitions	3,823	464	166	61
Three months ended March 31, 2003				
Group turnover				
- third parties	1,949	38,440	4,000	17,531
- sales between businesses	6,929	1,055	121	549
	8,878	39,495	4,121	18,080
Share of sales by joint ventures	181	100	117	-
Equity accounted income	234	37	25	(1)
Total operating profit (loss)	4,291	1,300	276	243
Exceptional items	433	(52)	7	-
Profit (loss) before interest and tax	4,724	1,248	283	243
Capital expenditure and acquisitions	2,118	537	96	87

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

10. Business and geographical analysis - concluded

By geographical area	UK	Rest of Europe	USA	Rest of World	E

	($ million)			
Three months ended March 31, 2004				
Group turnover -third parties	12,180	10,862	31,075	13,485
-sales between areas	5,116	1,179	728	2,332
	17,296	12,041	31,803	15,817
Share of sales by joint ventures	41	88	39	1,710
Equity accounted income	2	5	17	617
Total operating profit (loss)	401	753	2,435	2,093
Exceptional items	(45)	(36)	(150)	1,461
Profit before interest and tax	356	717	2,285	3,554
Capital expenditure and acquisitions	253	180	1,257	2,835
Three months ended March 31, 2003				
Group turnover -third parties	10,919	11,057	28,855	11,200
-sales between areas	4,213	2,260	486	2,536
	15,132	13,317	29,341	13,736
Share of sales by joint ventures	28	89	42	239
Equity accounted income	(1)	(3)	35	273
Total operating profit (loss)	932	786	2,585	1,635
Exceptional items	(11)	(42)	(145)	592
Profit before interest and tax	921	744	2,440	2,227
Capital expenditure and acquisitions	295	202	1,394	977

	Three months ended March 31 (Unaudited)	
	2004	2003
	($ million)	
11. Analysis of changes in net debt Opening balance		

Finance debt	22,325	22,008
Less: Cash	1,947	1,520
Current asset investments	185	215
Opening net debt	20,193	20,273
Closing balance		
Finance debt	19,937	19,042
Less: Cash	2,006	1,151
Current asset investments	328	228
Closing net debt	17,603	17,663
Decrease in net debt	2,590	2,610
Movement in cash/bank overdrafts	61	(378)
Increase in current asset investments	138	13
Net cash outflow from financing (excluding share capital)	2,460	2,661
Exchange of Exchangeable Bonds for Lukoil American Depositary Shares	-	420
Other movements	14	64
Movement in net debt before exchange effects	2,673	2,780
Exchange adjustments	(83)	(170)
Decrease in net debt	2,590	2,610

12. Movement in BP shareholders' interest

	($ million)
Balance at December 31, 2003	75,938
Prior year adjustment - change in accounting policy (see Note 2)	(5,619)
As restated	70,319
Profit for the period	4,818
Distribution to shareholders	(1,483)
Currency translation differences (net of tax)	238
Issue of ordinary share capital for employee share schemes	126
(Purchase) release of shares by ESOP trusts	60
Repurchase of ordinary share capital	(1,249)
Balance at March 31, 2004	72,829

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

13. Earnings per share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders, i.e., profit for the period less preference dividends, related to the weighted average number of ordinary shares outstanding during the period. The average number of shares outstanding excludes the shares held by the Employee Share Ownership Plans.

The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders, adjusted for the unwinding of the discount on the deferred consideration for the acquisition of our interest in TNK-BP. The number of shares outstanding is adjusted to show the potential dilution if employee share options are converted into ordinary shares, and for the ordinary shares issuable, in three annual tranches, in respect of the TNK-BP joint venture. The number of ordinary shares outstanding for basic and diluted earnings per share may be reconciled as follows:

	Three months ended March 31 (Unaudited)	
	2004	200
	(shares thousands)	
Weighted average number of ordinary shares	22,087,796	22,326,48
Ordinary shares issuable under employee share schemes	65,709	68,31
Ordinary shares issuable as consideration for BP's interest in the TNK-BP joint venture	508,782	
	22,662,287	22,394,79

14. Share-based compensation

BP accounts for share options granted to employees using the intrinsic-value method. If the fair value of options granted in any particular year is estimated and this value amortized over the vesting period of the options, an indication of the cost of granting options to employees can be made. The fair value of each share option granted has been estimated using a Black-Scholes option pricing model.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, `Accounting for Stock-Based Compensation', to share based employee compensation.

	Three months ended March 31 (Unaudited)	
	2004	200
	($ million)	
Profit for the period applicable to ordinary shares, as reported	4,818	4,21
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(20)	(2
Pro forma net income	4,798	4,19

	=======	======
	(cents)	
Earnings per share		
Basic - as reported	21.81	18.9
Basic - pro forma	21.72	18.7
Diluted - as reported	21.34	18.8
Diluted - pro forma	21.25	18.7

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 undivided interests in pipelines from production facilities to terminals for shipping or onward transmission (such as the Trans Alaska Pipeline System and UK Central Area Transmission System) and oil and natural gas exploration and production activities where the Group has a direct interest in the field or a contractual right to a share of production. The operations of the pipeline or field may be undertaken by one participant on behalf of all other participants or by a company specifically created for this purpose. In either case contractual arrangements specify the allocation of costs between participants. US GAAP permits such arrangements to be accounted for by proportional consolidation, which is 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, interest expense and taxation of joint ventures and associated undertakings. In addition the Group's share of turnover of joint ventures should be disclosed. For US GAAP the after tax profits or losses (i.e. operating results after exceptional items, 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.

Increase (decrease) in caption heading	Three months ended Marc (Unaudited)	
	As Reported	Reclassification
	($ million)	
Consolidated statement of income		
Other income	90	409
Share of profits of JVs and associated undertakings	641	(641)
Exceptional items before taxation	1,230	-
Interest expense	152	(53)
Taxation	1,822	(179)
Profit for the period	4,818	-

Increase (decrease) in caption heading	Three months ended Marc (Unaudited)	
	As Reported	Reclassification
	($ million)	
Consolidated statement of income		
Other income	131	216
Share of profits of JVs and associated undertakings	304	(304)
Exceptional items before taxation	394	-
Interest expense	176	(23)
Taxation	1,782	(65)
Profit for the period	4,219	-

15. US generally accepted accounting principles - continued

(ii) 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 termination of operations and fundamental restructuring charges. Under US GAAP these items are classified as operating income or expenses.

(iii) 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.

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

Increase (decrease) in caption heading	Three months ended March 31 (Unaudited) 2004	200
	($ million)	
Cost of sales	129	69
Taxation	(117)	(72
Profit for the period	(12)	3

	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Tangible assets	5,926	6,084
Deferred taxation	6,004	6,149
BP shareholders' interest	(78)	(65

(iv) 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. The provisions for decommissioning and environmental liabilities are estimated using costs based on current prices and discounted using real discount rates. 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.

On January 1, 2003 the Group adopted 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. Unwinding of the discount is included in operating profit for the period.

The provisions for decommissioning under SFAS 143 are set up on a similar basis to UK GAAP except that estimated future cash outflows are discounted using a credit-adjusted risk-free rate rather than a real discount rate.

15. US generally accepted accounting principles - continued

(iv) Provisions - concluded

The cumulative effect of adopting SFAS 143 at January 1, 2003 resulted in an after tax credit to income, as adjusted to accord with US GAAP, of $1,002 million. The effect of adoption also included an increase in total assets, as adjusted to accord with US GAAP, of $687 million and a reduction in total liabilities, as adjusted to accord with US GAAP, of $315 million. The effect of adoption on the three months ended March 31, 2003 was to decrease profit by $23 million, before cumulative effect of accounting changes as adjusted to accord with US GAAP.

Under US GAAP environmental liabilities are discounted only where the timing and amounts of payments are fixed and reliably determinable.

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

Increase (decrease) in caption heading	Three months ended March 31 (Unaudited) 2004	200
	($ million)	
Cost of sales	62	1
Interest expense	(48)	(4
Taxation	(1)	
Profit for the period before cumulative effect of accounting change	(13)	2
Cumulative effect of accounting change, net of taxation	-	1,00
Profit for the period	(13)	1,02

	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	

Tangible assets	(804)	(835
Provisions	(602)	(636
Deferred taxation	(72)	(71
BP shareholders' interest	(130)	(128
	=======	=======

The following data summarizes the movements in the asset retirement obligation, as adjusted to accord with US GAAP, for the three months ended March 31, 2004.

	($ million)
At January 1, 2004	3,872
Exchange adjustments	35
New provisions	22
Unwinding of discount	54
Utilized/deleted	(23)

At March 31, 2004	3,960
	========

15. US generally accepted accounting principles - continued

(v) Sale and leaseback

The sale and leaseback of an office building in Chicago, Illinois in 1998 was treated as a sale for UK GAAP whereas for US GAAP it was treated as a financing transaction. The remaining interest in this building was sold in January 2003.

Provisions were recognized under UK GAAP in 1999 and 2002 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 was reversed for US GAAP. Following the disposal of the building a provision has now been recognized 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 period and BP shareholders' interest to accord with US GAAP are summarized below.

	Three months ended March 31 (Unaudited)	
Increase (decrease) in caption heading	2004	200
	-------	------

	($ million)	
Cost of sales	3	(10
Taxation	(1)	3
Profit for the period	(2)	7
	=======	=====

	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Other accounts payable and accrued liabilities	23	24
Provisions	35	32
Deferred taxation	(20)	(19
BP shareholders' interest	(38)	(37
	=======	=======

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

15. US generally accepted accounting principles - continued

(vi) Goodwill and intangible assets

There are two main differences in the basis for determining goodwill between UK and US GAAP which result in the amount of goodwill for US GAAP reporting differing from the amount recognized under UK GAAP.

Goodwill represents the difference between the consideration paid in an acquisition and the fair value of the assets and liabilities acquired. Where shares are issued in connection with an acquisition UK GAAP requires that the shares issued be valued at the time the public offer becomes unconditional. For US GAAP the consideration is determined at the date the offer is made.

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 the assets acquired and liabilities assumed in an acquisition, whereas under UK GAAP no such deferred tax liability or 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.

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

Increase (decrease) in caption heading	Three months ended March 31 (Unaudited)

	2004	200
	($ million)	
Cost of sales	(360)	(34
Profit for the period	360	34

	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Intangible assets	2,054	1,669
BP shareholders' interest	2,054	1,669

In accordance with Group accounting practice, exploration licence acquisition costs are initially capitalized as an intangible fixed asset and are amortized over the estimated period of exploration. Where proved reserves of oil or natural gas are determined and development is sanctioned, the unamortized cost is transferred to tangible production assets. Where exploration is unsuccessful, the unamortized cost is charged against income. At March 31, 2004 and December 31, 2003, exploration licence acquisition costs included in the Group's tangible fixed assets and intangible fixed assets, net of accumulated amortization, were as follows.

	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Exploration licence acquisition cost included in fixed assets (net of accumulated amortization)		
Tangible fixed assets	577	600
Intangible fixed assets	1,200	1,300

15. US generally accepted accounting principles - continued

(vi) 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 March 31, 2004 are shown below.

	Exploration expenditure	Goodwill	Gain on asset exchange (see (viii))	Additional minimum pension liability (see xiii))	inta
			($ million)		
Net book amount					
At January 1, 2004	4,236	10,838	148	43	
Amortization expense	(67)	-	(4)	-	
Other movements	119	105	-	-	
At March 31 2004	4,289	10,943	144	43	

Amortization expense relating to other intangibles is expected to be in the range $50-$75million in each of the succeeding five years.

(vii) Derivative financial instruments and hedging activities

Statement of Financial Accounting Standards No. 133, 'Accounting for Derivative Instruments and Hedging Activities' (SFAS 133) 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 that 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. 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 certain of these 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. Under SFAS 133, these contracts are marked-to-market.

In October 2002, the FASB Emerging Issues Task Force (EITF) reached a consensus with regards to EITF Issue No. 02-3, 'Issues Involved in

Accounting for Contracts Under EITF Issue No. 98-10 "Accounting for Contracts Involved in Energy Trading and Risk Management Activities"' (EITF 02-3). This consensus, which rescinded EITF Issue No. 98-10 'Accounting for Contracts Involved in Energy Trading and Risk Management Activities' (EITF 98-10), requires all energy-related, non-derivative contracts (such as transportation, storage, tolling, and requirements contracts that do not meet the definition of a derivative) to be accounted for as executory contracts on an accrual basis. Under EITF 98-10, such contracts were accounted for at fair value.

15. US generally accepted accounting principles - continued

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

The consensus is applicable for all contracts executed after October 25, 2002. Application of the consensus to contracts existing prior to October 26, 2002 is required to be accounted for as a cumulative effect of a change in accounting principle effective for periods beginning after December 15, 2002.

For BP's reporting under UK GAAP, energy-related non-derivative contracts associated with trading activities are marked to market with gains and losses recognized in the income statement.

The cumulative effect of adopting the consensus at January 1, 2003 resulted in an after tax credit to income, as adjusted to accord with US GAAP, of $50 million.

EITF 02-3 also requires trading inventories to be accounted for at historical cost. The Group marks trading inventories to market at the balance sheet date. As such, a UK/US GAAP difference arises which impacts both profit for the year and BP shareholders' interest due to the difference in inventory valuations.

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

Increase (decrease) in caption heading	Three months ended March 31 (Unaudited) 2004	200
	($ million)	
Cost of sales	(303)	1
Taxation	102	(
Profit for the period before cumulative effect of accounting change	201	(
Cumulative effect of accounting change, net of taxation	-	5
Profit for the period	201	4

	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Inventories	(116)	(150
Accounts payable and accrued liabilities	(331)	(58
Deferred taxation	85	(20
BP shareholders' interest	130	(72

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

15. US generally accepted accounting principles - continued

(viii) Gain arising on asset exchange

For UK GAAP the transaction with Solvay in 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 which gave rise to a gain on disposal. For US reporting, the gain is being recognized over 10 years.

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

Increase (decrease) in caption heading	Three months ended March 31 (Unaudited) 2004	200
	($ million)	
Cost of sales	5	
Taxation	(2)	(
Profit for the period	(3)	(

	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	

Intangible assets	144	148
Accounts payable and accrued liabilities	(51)	(51
Deferred taxation	68	70
BP shareholders' interest	127	129
	=======	=======

(ix) Consolidation of variable interest entities

In January 2003, the FASB issued FASB Interpretation No. 46 'Consolidation of Variable Interest Entities' (Interpretation 46). Interpretation 46 clarifies the application of existing consolidation requirements to entities where a controlling financial interest is achieved through arrangements that do not involve voting interests. Under Interpretation 46, a variable interest entity is consolidated if a company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns.

The Group currently has several ships under construction which will be accounted for under UK GAAP as operating leases. Under Interpretation 46 certain of the arrangements represent variable interest entities that would be consolidated by the Group. The maximum exposure to loss as a result of the Group's involvement with these entities is limited to the debt of the entity, less the fair value of the ships at the end of the lease term.

The adoption of Interpretation 46 did not have a significant effect on profit, as adjusted to accord with US GAAP. The adjustments to BP shareholders' interest to accord with US GAAP are summarized below.

Increase (decrease) in caption heading	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Tangible assets	270	217
Accounts payable and accrued liabilities	(270)	(217
BP shareholders' interest	-	-
	=======	=======

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

15. US generally accepted accounting principles - continued

(x) Pensions and other postretirement benefits

With effect from January 1, 2004 BP adopted Financial Reporting Standard No. 17 `Retirement Benefits' (FRS 17). FRS 17 requires that the assets and liabilities arising from an employer's retirement benefit obligations and any related funding should be included in the financial statements at fair value and that the operating costs of providing retirement benefits to employees should be recognized in the income statement in the periods in which the benefits are earned by employees. This contrasts with Statement of Financial Accounting Standards No. 87 'Employers' Accounting for Provisions' (SFAS 87) which requires the cost of providing pensions to be recognized on a systematic and rational basis over the period during which the employer benefits from the employee's services. Under SFAS 87 the difference between the amount charged in the income statement and the amount paid as contributions into the pension fund is shown as a prepayment or provision on the balance sheet.

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

	Three months ended March 31 (Unaudited)	
Increase (decrease) in caption heading	2004	200
	($ million)	
Cost of sales	120	1
Other finance expense	(2)	(8
Taxation	(21)	2
Profit for the period	(97)	4

	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Other receivables falling due after more than one year	6,881	6,814
Provisions for liabilities and charges - other	6,844	6,878
Defined benefit pension plan surplus	(1,258)	(1,021
Defined benefit pension plan and other postretirement benefit plan deficits	7,524	7,510
Deferred taxation	907	902
BP shareholders' interest	5,396	5,523

(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 March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Other accounts payable and accrued liabilities	(1,483)	(1,495
BP shareholders' interest	1,483	1,495
	=======	=======

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

15. US generally accepted accounting principles - continued

(xii) Investments

Under UK GAAP certain of the Group's equity investments are reported as either fixed asset or current 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.

In February 2003, BP called its $420 Exchangeable Bonds which were exchangeable for Lukoil American Depositary Shares (ADSs). Bondholders converted to ADSs before the redemption date. For the three months ended March 31, 2003, gains of $99 million were reclassified from comprehensive income to net income.

The Group sold its investments in Petrochina and Sinopec in January and February 2004, respectively, resulting in a gain on disposal of $1,314 million. For the three months ended March 31, 2004 gains of $1,165 million were reclassified from comprehensive income to net income.

The adjustments to accumulated other comprehensive income (BP shareholders' interest) to accord with US GAAP are summarized below.

Increase (decrease) in caption heading	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Fixed assets - Investments	223	1,924
Deferred taxation	78	673
BP shareholders' interest	145	1,251
	=======	=======

(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 accumulated other comprehensive income (BP shareholders' interest) to accord with US GAAP are summarized below.

Increase (decrease) in caption heading	At March 31, 2004 (Unaudited)	A December 2003
	($ million)	
Intangible assets	43	43
Noncurrent liabilities - accounts payable accrued liabilities	478	478
Deferred taxation	(158)	(158
BP shareholders' interest	(277)	(277

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 period 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).

Profit for the period	Three months ended March 31 (Unaudited) 2004	2003
	($ million)	
Profit as reported in the consolidated statement of income	4,818	4,219
Adjustments:		
Deferred taxation/business combinations (iii)	(12)	36
Provisions (iv)	(13)	26
Sale and leaseback (v)	(2)	71
Goodwill and intangible assets(vi)	360	342
Derivative financial instruments (vii)	201	(8)

Gain arising on asset exchange (viii)	(3)	(3)
Pensions and other postretirement benefits (x)	(97)	48
Other	3	3
	-------	-------
	437	515
	-------	-------
Profit for the period as adjusted to accord with US GAAP before cumulative effect of accounting changes	5,255	4,734
Cumulative effect of accounting changes:		
Provisions	-	1,002
Derivative financial instruments	-	50
	-------	-------
Profit for the period as adjusted to accord with US GAAP	5,255	5,786
	=======	=======
Profit for the period as adjusted:		
Per ordinary share - cents		
Basic - before cumulative effect of accounting changes	23.79	21.20
Cumulative effect of accounting changes		
Provisions	-	4.49
Derivative financial instruments	-	0.23
	-------	-------
	23.79	25.92
	=======	=======
Diluted - before cumulative effect of accounting changes	23.27	21.14
Cumulative effect of accounting changes		
Provisions	-	4.47
Derivative financial instruments	-	0.23
	-------	-------
	23.27	25.84
	=======	=======
Per American Depositary Share - cents (b)		
Basic - before cumulative effect of accounting changes	142.74	127.20
Cumulative effect of accounting changes		
Provisions	-	26.94
Derivative financial instruments	-	1.38
	-------	-------
	142.74	155.52
	=======	=======
Diluted - before cumulative effect of accounting changes	139.62	126.84
Cumulative effect of accounting changes		
Provisions	-	26.82
Derivative financial instruments	-	1.38
	-------	-------
	139.62	155.04
	=======	=======

15. US generally accepted accounting principles - continued

BP shareholders' interest	March 31, 2004 (Unaudited)	December 31,
	$ million)	
BP shareholders' interest as reported in the consolidated balance sheet	72,829	70,3
Adjustments:		
Deferred taxation/business combinations (iii)	(78)	(
Provisions (iv)	(130)	(1
Sale and leaseback (v)	(38)	(
Goodwill and intangible assets (vi)	2,054	1,6
Derivative financial instruments (vii)	130	(
Gain arising on asset exchange (viii)	127	1
Consolidation of variable interest entities (ix)	-	
Pensions and other postretirement benefits (x)	5,396	5,5
Dividends (xi)	1,483	1,4
Investments (xii)	145	1,2
Additional minimum pension liability (xiii)	(277)	(2
Other	(38)	(
	8,774	9,4
BP shareholders' interest as adjusted to accord with US GAAP	81,603	79,7

(a) The profit reported under UK GAAP for the three months ended March 31, 2003, and BP shareholders' interest at December 31, 2003, have been restated to reflect the adoption of FRS 17 and UITF 38. Consequently certain of the adjustments in the UK/US GAAP reconciliation have also been restated. Profit for the period and BP shareholders' interest, as adjusted to accord with US GAAP, are unaffected by the adoption of FRS 17 and UITF 38.

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

Comprehensive income

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

	Three months ended March 31 (Unaudited) 2004	2003
	($ million)	
Profit for the period as adjusted to accord with US GAAP	5,255	5,786
Currency translation differences	238	(282)
Unrealized gains	59	72
Unrealized losses	-	-
Less: reclassification adjustment for gains included in net income	(1,165)	(99)
Additional minimum pension liability	-	-

Comprehensive income	4,387	5,477

Accumulated other comprehensive income at March 31, 2004 and December 31, 2003 comprised gains of $2,570 million and $3,438 million, respectively.

15. US generally accepted accounting principles - continued

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.

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 March 31 (Unaudited) 2004	2003
	($ million)	
Operating activities		
Profit after taxation	4,862	4,245
Adjustments to reconcile profits after tax to net cash provided by operating activities		
Depreciation and amounts provided	2,814	2,709
Exploration expenditure written off	67	50
Net charge for pensions and other postretirement benefits, less contributions	(21)	(158)
Share of profits of joint ventures and associated undertakings less dividends received	(199)	(148)
(Profit) loss on sale of businesses and fixed assets	(1,230)	(394)
Working capital movement (a)	928	(1,185)
Deferred taxation	116	201
Other	(94)	(59)
Net cash provided by operating activities	7,243	5,261
Investing activities		
Capital expenditures	(2,993)	(2,905)
Acquisitions, net of cash acquired	-	-
Investment in associated undertakings	(433)	(186)
Net investment in joint ventures	(1,365)	(14)
Proceeds from disposal of assets	2,839	2,477
Net cash used in investing activities	(1,952)	(628)
Financing activities		
Net proceeds from shares issued (repurchased)	(1,138)	(938)
Proceeds from long-term financing	628	1,015
Repayments of long-term financing	(836)	(403)
Net increase (decrease) in short-term debt	(2,252)	(3,273)
Dividends paid - BP Shareholders	(1,492)	(1,397)
- Minority shareholders	(2)	(2)
Net cash used in financing activities	(5,092)	(4,998)
Currency translation differences relating to cash and cash equivalents	3	9
Increase (decrease) in cash and cash equivalents	202	(356)
Cash and cash equivalents at beginning of period	2,132	1,735
Cash and cash equivalents at end of period	2,334	1,379
(a) Working capital:		
Inventories (increase) decrease	247	376
Receivables (increase) decrease	(1,599)	(6,656)
Current liabilities - excluding finance debt increase (decrease)	2,280	5,095

928	(1,185)

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

15. US generally accepted accounting principles - continued

Impact of new US accounting standards

Other postretirement benefits: In May 2004, the FASB issued Staff Position No. 106-2 'Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003' (FSP 106-2). The provisions of the Act provide for a federal subsidy for plans that provide prescription drug benefits to Medicare-eligible retired employees and meet certain qualifications. Alternatively, the Act allows prescription drug plan sponsors to co-ordinate with the Medicare benefit.

BP's postretirement medical plans provide prescription drug coverage for Medicare-eligible retired employees. The Group's obligation for other postretirement benefits at March 31, 2004 and December 31, 2003 do not reflect the effects of the Act. FSP 106-2 is effective for accounting periods beginning after June 15, 2004. The Company continues to evaluate the impact of the Act on its benefit plan design and accounting.

Tangible assets: The Securities and Exchange Commission requested the FASB to consider whether oil and natural gas mineral rights held under lease or other contractual arrangement should be classified on the balance sheet as a tangible asset (property, plant and equipment) or as an intangible asset (exploration expenditure). At its March 2004 meeting, the EITF reached a consensus on Issue No. 04-2, (`Whether Mineral Rights are Tangible or Intangible Assets') that all mineral rights should be considered tangible assets for accounting purposes. In April 2004, the FASB issued FASB Staff Position Nos. FAS 141-1 and FAS 142-1 (`Interaction of FASB Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, and EITF Issue No. 04-2, Whether Mineral Rights are Tangible or Intangible Assets'), which amended SFAS 141 and 142 to remove mineral rights as an example of an intangible asset consistent with the EIFT's consensus. The EITF consensus and the FASB Staff Position are effective for reporting periods beginning after April 29, 2004.

Impact of new UK accounting standards

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. However, in November 2002, the UK Accounting Standards Board issued an amendment to FRS 17, which allows deferral of full adoption to no later than January 1, 2005; although the disclosure requirements apply to periods prior to 2005. 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.

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

15. US generally accepted accounting principles - concluded

Impact of new UK accounting standards - concluded

With effect from January 1, 2004, BP has fully adopted FRS17. This change in accounting policy results in a prior year adjustment. Upon adoption, shareholder funds at January 1, 2003 have been reduced by $5,601 million, and profit for the three months ended March 31, 2003 has been decreased by $48 million.

In addition, with effect from January 1, 2004 BP has also changed its accounting policy for shares held in employee share ownership plans for the benefit of employee share schemes.

Urgent Issues Task Force Abstract 38 `Accounting for Employee Share Ownership Plan (ESOP) trusts' (Abstract 38) changes the presentation of an entity's own shares held in an ESOP trust from requiring them to be recognized as assets to requiring them to be deducted in arriving at shareholders' funds. Transactions in an entity's own shares by an ESOP trust are similarly recorded as changes in shareholders' funds and do not give rise to gains or losses. This treatment is in line with the accounting for purchases and sales of own shares set out in Urgent Issues Task Force Abstract 37 `Purchases and Sales of Own Shares' (Abstract 37).

Abstract 37 requires a holding of an entity's own shares to be accounted for as a deduction in arriving at shareholders' funds, rather than being recorded as assets. Transactions in an entity's own shares are similarly recorded as changes in shareholders' funds and do not give rise to gains or losses. Abstract 37 applies where a company purchases treasury shares under new legislation that came into effect in December 2003.

Urgent Issues Task Force Abstract 17 `Employee share schemes' (Abstract 17) was amended by Abstract 38 to reflect the consequences for the profit and loss account of the changes in the presentation of an entity's own shares held by an ESOP trust. Amended Abstract 17 requires that the minimum expense should be the difference between the fair value of the shares at the date of award and the amount that an employee may be required to pay for the shares (i.e. the `intrinsic value' of the award). The expense was previously determined either as the intrinsic value or, where purchases of shares had been made by an ESOP trust at fair value, by reference to the cost or book value of shares that were available for the award. The effect of adopting Abstract 17 was to reduce BP shareholders' interest at December 31, 2003 by $96 million; the impact on profit before taxation for 2003 was negligible.

Impact of International accounting standards

An 'International Accounting Standards Regulation' was adopted by the Council of the European Union (EU) in June 2002. This regulation, which automatically becomes law in all EU countries, requires all EU companies listed on a EU Stock Exchange to use 'endorsed' International Financial

Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), to report their consolidated results with effect from January 1, 2005. The IASB published 15 revised standards in December 2003 and the remaining standards of its stable platform on March 31, 2004. The stable platform is the set of IFRS to be adopted on a mandatory basis in 2005. A process of endorsement of IFRS has been established by the EU for completion in due time to allow adoption by companies in 2005, but objections to certain IFRS by certain EU member states may disrupt this process.

BP has established a broadly based project team involving representatives of business segments and functions to plan for and achieve a smooth transition to IFRS. The project team is looking at all implementation aspects, including changes to accounting policies, systems impacts and the wider business issues that may arise from such a fundamental change. We currently expect that the Group will be fully prepared for the transition in 2005.

The Group has not yet determined the effects of adopting IFRS. Our preliminary view is that the major differences between our current accounting practice and IFRS will be in respect of hedge accounting, accounting for embedded derivatives and other items falling within the scope of the financial instruments standards, accounting for business combinations, deferred tax and share-based payments.

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

16. TNK-BP operational and financial information

	Three months ended March 31, 2004 (Unaudited)
Production (Net of Royalties) (BP share)	
Crude oil (mb/d)	766
Natural gas (mmcf/d)	382
Total hydrocarbons (mboe/d) (a)	832
Income statement (BP share)	($ million)
Total operating profit	374
Profit (loss) on sale of fixed assets and businesses	-
Interest expense	(30)
Taxation	(115)
Minority shareholders' interest	(10)
Net income	219

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

17. Condensed consolidating information

BP p.l.c. fully and unconditionally guarantees the payment obligations of its 100% owned subsidiary BP Exploration (Alaska) Inc. under the BP Prudhoe Bay Royalty Trust. The following financial information for BP p.l.c., and BP Exploration (Alaska) Inc. and all other subsidiaries on a condensed consolidating basis is intended to provide investors with meaningful and comparable financial information about BP p.l.c. and its subsidiary issuers of registered securities and is provided pursuant to Rule 3-10 of Regulation S-X in lieu of the separate financial statements of each subsidiary issuer of public debt securities. Investments include the investments in subsidiaries recorded under the equity method for the purposes of the condensed consolidating financial information. Equity income of subsidiaries is the Group's share of operating profit related to such investments. The eliminations and reclassifications column includes the necessary amounts to eliminate the intercompany balances and transactions between BP p.l.c., BP Exploration (Alaska) Inc. and other subsidiaries.

BP p.l.c. also fully and unconditionally guarantees securities issued by BP Australia Capital Markets Limited, BP Canada Finance Company, BP Capital Markets p.l.c. and BP Capital Markets America Inc. These companies are 100%-owned finance subsidiaries of BP p.l.c.

17. Condensed consolidating information - continued

Income statement	Issuer: BP Exploration (Alaska) Inc.	Guarantor: BP p.l.c.	Other subsidiaries	recl
			($ million)	
Three months ended March 31, 2004				
Turnover	880	-	69,480	
Less: Joint ventures	-	-	1,878	
Group turnover	880	-	67,602	
Cost of sales	371	-	59,264	
Production taxes	64	-	461	
Gross profit	445	-	7,877	

Distribution and administration expenses	-	84	3,156
Exploration expense	-	-	136
	445	(84)	4,585
Other income	4	367	43
Group operating profit	449	283	4,628
Share of profits of joint ventures	-	-	491
Share of profits of associated undertakings	-	-	150
Equity-accounted income of subsidiaries	159	5,674	-
Total operating profit	608	5,957	5,269
Profit (loss) on sale of fixed assets and businesses or termination of operations	-	1,230	1,230
Profit before interest and tax	608	7,187	6,499
Interest expense	22	471	463
Other finance expense	4	76	72
Profit before taxation	582	6,640	5,964
Taxation	229	1,822	1,651
Profit after taxation	353	4,818	4,313
Minority shareholders' interest	-	-	44
Profit for the period	353	4,818	4,269

17. 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 BP Exploration (Alaska) Inc.	Guarantor BP p.l.c.	Other subsidiaries	recl
			($ million)	
Three months ended March 31, 2004				
Profit as reported	353	4,818	4,269	
Adjustments:				
Deferred taxation/business combinations	(3)	(12)	(9)	
Provisions	-	(13)	(13)	
Sale and leaseback	-	(2)	(2)	
Goodwill	-	360	360	
Derivative financial instruments	(7)	201	201	
Gain arising on asset exchange	-	(3)	(3)	
Pensions and other postretirement benefits	-	(97)	(84)	
Other	-	3	3	
Profit for the period as adjusted to accord with US GAAP	343	5,255	4,722	

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

17. Condensed consolidating information - continued

Income statement	Issuer BP Exploration (Alaska) Inc.	Guarantor BP p.l.c.	Other subsidiaries	recl
			($ million)	
Three months ended March 31, 2003				
Turnover	880	-	62,429	
Less: Joint ventures	-	-	398	

Group turnover	880	-	62,031
Cost of sales	400	-	53,224
Production taxes	68	-	436
Gross profit	412	-	8,371
Distribution and administration expenses	-	207	3,037
Exploration expense	1	-	111
	411	(207)	5,223
Other income	6	147	129
Group operating profit	417	(60)	5,352
Share of profits of joint ventures	-	-	118
Share of profits of associated undertakings	-	-	186
Equity-accounted income of subsidiaries	125	6,047	-
Total operating profit	542	5,987	5,656
Profit (loss) on sale of fixed assets and businesses or termination of operations	(1)	394	395
Profit before interest and tax	541	6,381	6,051
Interest expense	65	251	247
Other finance expense	3	129	127
Profit before taxation	473	6,001	5,677
Taxation	211	1,782	1,617
Profit after taxation	262	4,219	4,060
Minority shareholders' interest	-	-	26
Profit for the period	262	4,219	4,034

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

17. 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.

Income statement	Issuer: BP Exploration (Alaska) Inc.	Guarantor: BP p.l.c.	Other subsidiaries	recl
			($ million)	
Three months ended March 31, 2003				
Profit as reported	262	4,219	4,034	
Adjustments:				
Deferred taxation/business combinations	(3)	36	39	
Provisions	(4)	26	25	
Sale and leaseback	-	71	71	
Goodwill	-	342	342	
Derivative financial instruments	16	(8)	(8)	
Gain arising on asset exchange	-	(3)	(3)	
Pensions and other postretirement benefits	-	48	(44)	
Other	-	3	3	
Profit for the period before cumulative effect of accounting changes as adjusted to accord with US GAAP	271	4,734	4,459	
Cumulative effect of accounting changes:				
Provisions	214	1,002	788	
Derivative financial instruments	-	50	50	
Profit for the period as adjusted to accord with US GAAP	485	5,786	5,297	

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

17. Condensed consolidating information - continued

Balance Sheet	Issuer: BP Exploration (Alaska) Inc.	Guarantor: BP p.l.c.	Other subsidiaries	recl
			($ million)	
At March 31, 2004				
Fixed assets				
Intangible assets	423	-	12,963	
Tangible assets	6,392	-	85,408	
Investments				
Subsidiaries - equity-accounted basis	2,901	73,103	-	
Other	-	2	18,490	
	2,901	73,105	18,490	
Total fixed assets	9,716	73,105	116,861	
Current assets				
Inventories	77	-	11,221	
Receivables	10,707	29,471	42,280	
Investments	-	-	328	
Cash at bank and in hand	(5)	2	2,009	
	10,779	29,473	55,838	
Current liabilities - falling due within one year				
Finance debt	56	-	6,942	
Accounts payable and accrued liabilities	796	5,036	50,147	
Net current assets (liabilities)	9,927	24,437	(1,251)	

Total assets less current liabilities			
Noncurrent liabilities			
Finance debt	-	-	12,940
Accounts payable and accrued liabilities	4,261	50	35,920
Provisions for liabilities and charges			
Deferred taxation	1,745	-	12,833
Other provisions	580	172	8,014
Net assets excluding pension and other postretirement benefit balances	13,057	97,320	45,903
Defined benefit pension plan surplus	-	1,156	102
Defined benefit pension plan and other post-retirement benefit plan deficits	-	-	(7,524)
Net assets	13,057	98,476	38,481
Minority shareholders' interest - equity	-	-	1,181
BP shareholders' interest	13,057	98,476	37,300

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

17. Condensed consolidating information - continued

Balance Sheet (continued)	Issuer: BP Exploration (Alaska) Inc.	Guarantor: BP p.l.c.	Other subsidiaries	recl
			($ million)	
At March 31, 2004				
Capital and reserves				
Capital shares	1,903	5,521	-	
Paid-in surplus	3,145	4,637	-	

Merger reserve	-	26,417	697
Other reserves	-	92	-
Shares held by ESOP trusts	-	(39)	-
Retained earnings	8,009	61,848	36,603
	13,057	98,476	37,300

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	13,057	98,476	37,300	
Adjustments:				
Deferred taxation/business combinations	59	(78)	(137)	
Provisions	28	(130)	(157)	
Sale and leaseback	-	(38)	(38)	
Goodwill	-	2,054	2,054	
Derivative financial instruments	(70)	130	130	
Gain arising on asset exchange	-	127	127	
Pensions and other postretirement benefits	-	5,396	3,879	
Dividends	-	1,483	-	
Investments	-	145	145	
Additional minimum pension liability	-	(277)	(277)	
Other	-	(38)	(38)	
Shareholders' interest as adjusted to accord with US GAAP	13,074	107,250	42,988	

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

17. Condensed consolidating information - continued

Balance Sheet (continued)	Issuer: BP Exploration (Alaska) Inc.	Guarantor: BP p.l.c.	Other subsidiaries	recl
			($ million)	
At December 31, 2003				
Fixed assets				
Intangible assets	424	-	13,218	
Tangible assets	6,432	-	85,479	
Investments				
Subsidiaries - equity-accounted basis	2,814	78,076	-	
Other	-	2	17,456	
	2,814	78,078	17,456	
Total fixed assets	9,670	78,078	116,153	
Current assets				
Inventories	102	-	11,515	
Receivables	11,214	24,300	43,277	
Investments	-	-	185	
Cash at bank and in hand	(5)	3	1,949	
	11,311	24,303	56,926	
Current liabilities - falling due within one year				
Finance debt	55	-	9,401	
Accounts payable and accrued liabilities	1,541	6,746	48,376	

Net current assets (liabilities)	9,715	17,557	(851)
Total assets less current liabilities	19,385	95,635	115,302
Noncurrent liabilities			
Finance debt	-	-	12,869
Accounts payable and accrued liabilities	4,272	50	31,122
Provisions for liabilities and charges			
Deferred taxation	1,745	-	12,626
Other provisions	569	216	8,030
Net assets excluding pension and other postretirement benefit balances	12,799	95,369	50,655
Defined benefit pension plan surplus	-	1,093	(72)
Defined benefit pension plan and other postretirement benefit plan deficits	-	-	(7,510)
Net assets	12,799	96,462	43,073
Minority shareholders' interest - equity	-	-	1,125
BP shareholders' interest	12,799	96,462	41,948

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

17. Condensed consolidating information - continued

Balance Sheet (concluded)	Issuer: BP Exploration (Alaska) Inc.	Guarantor: BP p.l.c.	Other subsidiaries	recl
			($ million)	
At December 31, 2003				
Capital and reserves				
Capital shares	1,903	5,552	-	

Paid-in surplus	3,145	4,480	-
Merger reserve	-	26,380	697
Other reserves	-	129	-
Shares held by ESOP trusts	-	(96)	-
Retained earnings	7,751	60,017	41,251
	12,799	96,462	41,948

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	12,799	96,462	41,948	
Adjustments:				
Deferred taxation/business combinations	62	(65)	(127)	
Provisions	27	(128)	(155)	
Sale and leaseback	-	(37)	(37)	
Goodwill	-	1,669	1,669	
Derivative financial instruments	(63)	(72)	(9)	
Gain arising on asset exchange	-	129	129	
Pensions and other postretirement benefits	-	5,523	4,047	
Dividends	-	1,495	-	
Investments	-	1,251	1,251	
Additional minimum pension liability	-	(277)	(277)	
Other	-	(43)	(43)	
Shareholders' interest as adjusted				

to accord with US GAAP	12,825	105,907	48,396

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

17. Condensed consolidating information - continued

Cash flow statement	Issuer: BP Exploration (Alaska) Inc.	Guarantor: BP p.l.c.	Other subsidiaries	recl
			($ million)	
Three months ended March 31, 2004				
Net cash inflow (outflow) from operating activities	540	(6,657)	13,574	
Dividends from joint ventures	-	-	178	
Dividends from associated undertakings	-	-	31	
Dividends from subsidiaries	8	9,070	-	
Net cash inflow (outflow) from servicing of finance and returns on investments	(30)	217	(84)	
Tax paid	-	(1)	(579)	
Net cash inflow (outflow) for capital expenditure and financial investment	(92)	-	(10)	
Net cash inflow (outflow) for acquisitions and disposals	-	-	(1,798)	
Equity dividends paid	-	(1,492)	(9,078)	
Net cash inflow (outflow)	426	1,137	2,234	
Financing	426	1,138	2,034	
Management of liquid resources	-	-	138	
Increase (decrease) in cash	-	(1)	62	
	426	1,137	2,234	

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	548	2,629	13,120	
Net cash provided by (used in) investing activities	(92)	-	(1,808)	
Net cash provided by (used in) financing activities	(456)	(2,630)	(11,112)	
Currency translation differences relating to cash and cash equivalents	-	-	3	
Increase (decrease) in cash and cash equivalents	-	(1)	203	
Cash and cash equivalents at beginning of period	(5)	3	2,134	
Cash and cash equivalents at end of period	(5)	2	2,337	

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

17. Condensed consolidating information - concluded

	Issuer	Guarantor		
Cash flow statement (concluded)	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
			($ million)	
Three months ended March 31, 2003				
Net cash inflow (outflow) from operating activities	518	2,253	3,163	
Dividends from joint ventures	-	-	13	
Dividends from associated undertakings	-	-	55	

Dividends from subsidiaries	10	-	-
Net cash inflow (outflow) from servicing of finance and returns on investments	(22)	27	(150)
Tax paid	-	-	(632)
Net cash inflow (outflow) for capital expenditure and financial investment	(97)	42	(499)
Net cash inflow (outflow) for acquisitions and disposals	6	-	(46)
Equity dividends paid	-	(1,397)	(10)
Net cash inflow (outflow)	415	925	1,894
Financing	414	937	2,248
Management of liquid resources	-	-	13
Increase (decrease) in cash	1	(12)	(367)
	415	925	1,894

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	534	2,280	2,449	
Net cash provided by (used in) investing activities	(97)	42	(545)	
Net cash provided by (used in) financing activities	(436)	(2,334)	(2,258)	
Currency translation differences relating to cash and cash equivalents	-	-	9	
Increase (decrease) in cash and cash equivalents	1	(12)	(345)	
Cash and cash equivalents at beginning				

of period	(11)	1	1,745
Cash and cash equivalents at end of period	(10)	(11)	1,400

BP p.l.c. AND SUBSIDIARIES
ENVIRONMENTAL INDICATORS

	Three months ended March 31 (Unaudited)	
	2004	2003
Average crude oil realizations - $/bbl		
UK	29.36	31.16
USA	32.69	31.74
Rest of World	30.80	29.91
BP average	31.30	31.07
Average natural gas liquids realizations - $/bbl		
UK	25.70	23.28
USA	22.25	18.26
Rest of World	24.61	23.05
BP average	23.14	19.82
Average liquids realizations (a) - $/bbl		
UK	29.16	30.67
USA	31.08	29.36
Rest of World	30.42	29.48
BP average	30.48	29.82
Average natural gas realizations - $/mcf		
UK	4.70	3.32
USA	4.72	5.27
Rest of World	2.67	2.70
BP average	3.79	3.87
Total hydrocarbons - $/boe		
UK	28.42	26.14
USA	29.48	29.90
Rest of World	21.58	21.53
BP average	26.48	26.39
Average oil marker prices - $/bbl		
Brent oil price	32.03	31.47
West Texas Intermediate oil price	35.30	34.00
Alaska North Slope US West Coast	34.22	33.16
Henry Hub gas price (b) ($/mmbtu)	5.69	6.53
UK Gas - National Balancing point (p/therm)	24.59	21.28
Global Indicator Refining Margins (c) - $/bbl		
Northwest Europe	2.73	3.70

US Gulf Coast	6.92	6.14
Midwest	4.67	4.14
US West Coast	8.06	6.77
Singapore	3.42	2.98
BP average	4.62	4.52
Petrochemicals Indicator Margin (d) - $/te	122 (e)	96

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BP p.l.c. AND SUBSIDIARIES
ENVIRONMENTAL INDICATORS - concluded

(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 six 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. The regional indicator margins may not be representative of the margins achieved by BP in any period because of BP's particular refinery configurations and crude and product slate.

(d) The Petrochemicals Indicator Margin (CIM) is a weighted average of externally-based product margins. It is based on market data collected by Nexant (formerly Chem Systems) in their quarterly market analyses, then weighted based on BP's product portfolio. It does not cover our entire portfolio of products, and consequently is only indicative rather than representative of the margins achieved by BP in any particular period. Amongst the products and businesses covered in the CIM are olefins and derivatives, the aromatics and derivatives, linear alpha-olefins (LAOs), acetic acid, vinyl acetate monomers and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins (PAOs), anhydrides, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.

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

The table below shows the US dollar/sterling exchange rates used in the preparation of the financial statements. The period-end rate is the mid-point closing rate as published in the London edition of the Financial Times on the last day of the period. The average rate for the period is the average of the daily mid-point closing rates for the period.

US dollar/sterling exchange rates	Three months ended March 31 (Unaudited) 2004	2003

Average rate for the period	1.84	1.60
Period-end rate	1.83	1.57

BP p.l.c. AND SUBSIDIARIES
OPERATING INFORMATION

	Three months ended March 31 (Unaudited)	
	2004	2003
Crude oil production		
(thousand barrels per day) (net of royalties)		
UK	344	442
Rest of Europe	73	90
USA	564	606
Rest of World	1,361	692
Total crude oil production	2,342	1,830
Natural gas liquids production		
(thousand barrels per day) (net of royalties)		
UK	20	29
Rest of Europe	5	5
USA	137	167
Rest of World	29	32
Total natural gas liquids production	191	233
Liquids production (a)		
(thousand barrels per day) (net of royalties)		
UK	364	471
Rest of Europe	78	95
USA	701	773
Rest of World	1,390	724
Total liquids production	2,533	2,063
Natural gas production (million cubic feet per day)		
(net of royalties)		
UK	1,355	1,798
Rest of Europe	142	131
USA	2,869	3,437
Rest of World	4,234	3,651
Total natural gas production	8,600	9,017
Total production (b) (thousand barrels of oil equivalent per day)		
(net of royalties)		
UK	597	781

Rest of Europe	102	118
USA	1,196	1,366
Rest of World	2,120	1,353
Total production	4,015	3,618

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

	Three months ended March 31 (Unaudited)	
	2004	2003
Natural gas sales volumes (million cubic feet per day)		
UK	3,027	3,215
Rest of Europe	442	473
USA	13,618	11,734
Rest of World	13,902	11,553
Total natural gas sales volumes (c)	30,989	26,975
NGL sales volumes (thousand barrels per day)		
UK	4	5
Rest of Europe	1	-
USA	462	282
Rest of World	244	251
Total NGL sales volumes	711	538
Oil sales volumes (thousand barrels per day)		
Refined products		
UK	294	279
Rest of Europe	1,324	1,318
USA	1,727	1,751
Rest of World	679	645
Total marketing sales	4,024	3,993
Trading/supply sales	2,917	2,811
Total refined product sales	6,941	6,804
Crude oil	5,104	4,529
Total oil sales	12,045	11,333
Refinery throughputs (thousand barrels per day)		
UK	395	377
Rest of Europe	884	954
USA	1,265	1,302
Rest of World	399	391

Total throughput	2,943	3,024
Petrochemicals production (thousand tonnes)		
UK	840	869
Rest of Europe	2,728	2,763
USA	2,543	2,536
Rest of World	1,132	812
Total production	7,243	6,980

(a) Crude oil and natural gas liquids.

(b) 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.

(c) 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
CAPITAL EXPENDITURE AND ACQUISITIONS

	Three months ended March 31 (Unaudited)	
	2004	2003
	($ million)	
By business		
Exploration and Production		
UK	153	196
Rest of Europe	48	51
USA	932	963
Rest of World (a)	2,690	908
	3,823	2,118
Refining and Marketing		
UK	77	73
Rest of Europe	92	104
USA	258	336
Rest of World	37	24
	464	537
Petrochemicals		
UK	20	-
Rest of Europe	38	31

USA	47	44
Rest of World	61	21
	166	96
Gas, Power and Renewables		
UK	1	8
Rest of Europe	2	15
USA	11	41
Rest of World	47	23
	61	87
Other businesses and corporate		
UK	2	18
Rest of Europe	-	1
USA	9	10
Rest of World	-	1
	11	30
	4,525	2,868
By geographical area		
UK	253	295
Rest of Europe	180	202
USA	1,257	1,394
Rest of World	2,835	977
	4,525	2,868

(a) First quarter 2004 included the investment in TNK's interest in Slavneft within TNK-BP.

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

	Three months ended March 31 (Unaudited)	
	2004	2003
	($ million)	
Profit for the period	4,818	4,219
Interest (a)	64	99
Minority shareholders' interest	44	26
Adjusted profit	4,926	4,344
Capital employed at beginning of period:		
BP shareholders' interest	70,319	63,649

Minority shareholders' interest	1,125	638
Finance debt	22,325	22,008
	-------	-------
Capital employed	93,769	86,295
	=======	=======
Capital employed at end of period:		
BP shareholders' interest	72,829	65,189
Minority shareholders' interest	1,181	1,047
Finance debt	19,937	19,042
	-------	-------
Capital employed	93,947	85,278
	=======	=======
Average capital employed	93,858	85,787
	=======	=======
ROACE	21.0%	20.3%

(a) Excludes interest on joint venture and associated undertakings' debt and is on a post-tax basis, using a deemed tax rate equal to the US statutory tax rate.

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

	At March 31 (Unaudited) 2004	2003
	-------	-------
	($ million)	
Net debt ratio - net debt: net debt + equity		
Gross finance debt	19,937	19,042
Cash and current asset investments	2,334	1,379
	-------	-------
Net debt	17,603	17,663
	-------	-------
Equity	74,010	66,236
Net debt ratio	19%	21%
	=======	=======

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BP p.l.c.
(Registrant)

Dated: July 8, 2004

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