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BP PLC  
 Form 6-K  
 November 21, 2001

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 September 30, 2001

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

BRITANNIC HOUSE, 1 FINSBURY CIRCUS, LONDON, EC2M 7BA, 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            Form 40-F  
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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        
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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. 33-39075) OF BP AMERICA INC. AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 33-20338) OF BP AMERICA INC. AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 33-29102) OF THE STANDARD OIL COMPANY AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 33-21868) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9020) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9798) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., AND THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-34968) OF BP p.l.c., AND THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO.

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333-67206) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GROUP RESULTS JANUARY - SEPTEMBER 2001

|  | Three months ended<br>September 30<br>(Unaudited) |        | Nine months ended<br>September 30<br>(Unaudited) |         |
|--|---|--------|--|---------|
|  | 2001  | 2000   | 2001   |         |
| Turnover   | - \$m   | 43,580 | 42,631   | 137,401 |
| Total replacement cost operating profit          | - \$m   | 3,757  | 4,695  | 14,228  |
| Replacement cost profit before exceptional items | - \$m   | 2,355  | 2,947  | 8,824   |
| Replacement cost profit for the period           | - \$m   | 2,345  | 2,807  | 9,018   |
| Historical cost profit for the period            | - \$m   | 1,940  | 3,351  | 8,415   |
| Profit per Ordinary Share                        | - cents   | 8.66   | 14.85  | 37.48   |
| Dividends per Ordinary Share                     | - cents   | 5.50   | 5.25   | 16.25   |

(a) For further information on replacement cost profit see Note 6 of Notes to Consolidated Financial Statements

The following discussion should be read in conjunction with the consolidated financial statements provided elsewhere in this Form 6-K and with the consolidated financial statements and related notes for the year ended December 31, 2000 included in BP p.l.c.'s Annual Report on Form 20-F for the year ended December 31, 2000. Comparative figures for the three months and nine months ended September 30, 2000 have been restated to reflect the transfer of BP's North American NGL business from Refining and Marketing to Gas and Power.

The changes in turnover for the third quarter reflect significant increases in Gas and Power due to higher gas sales volumes, partially offset by the effect of lower oil and gas prices in Exploration and Production. Turnover for the nine months also reflects the inclusion of ARCO for the whole of the nine months in 2001, compared to around six months (from April 14) in 2000, the acquisition of Burmah Castrol from July 7, 2000 and the consolidation of the European fuels business with effect from August 1, 2000.

Replacement cost profit before exceptional items (which excludes inventory holding gains and losses) was \$2,355 million for the three months ended September 30, 2001, compared with \$2,947 million for the equivalent period of 2000. These results are after charging special items of \$122 million (\$91 million after tax) for the three months ended September 30, 2001, and \$392 million (\$289 million after tax) for the equivalent period of 2000. The results for the three months ended September 30, 2001 and 2000 are also after charging acquisition amortization of \$603 million and \$560 million, respectively. Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustment and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions. The special charges for the three months ended September 30, 2001 comprised in Refining and Marketing, Castrol integration costs of \$112 million, in Chemicals, Erdolchemie rationalization costs of \$8

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million and a bond redemption charge of \$2 million. Those for the corresponding period of 2000 related to ARCO, Vastar and Castrol integration costs, rationalization costs post the BP/Amoco merger, and an asset writedown.

For the nine months ended September 30, 2001, the replacement cost profit before exceptional items was \$8,824 million, up from \$8,415 million in 2000. The results for 2001 are after charging special items of \$344 million (\$250 million after tax) and acquisition amortization of \$1,900 million. The results for 2000 include special charges of \$1,032 million (\$761 million after tax), and acquisition amortization of \$937 million.

The historical cost profit for the three months ended September 30, 2001 was \$1,940 million after inventory holding losses of \$405 million and including net exceptional gains of \$184 million (\$10 million charge after tax) in respect of net profits on the sale of fixed assets and businesses and termination of operations. For the equivalent period of 2000 there was a profit of \$3,351 million including inventory holding gains of \$544 million, and net exceptional gains of \$138 million (\$140 million charge after tax) in respect of net profits on the sale of fixed assets and businesses and termination of operations.

For the nine months ended September 30, 2001, the historical cost profit was \$8,415 million, after inventory holding losses of \$603 million and including net exceptional gains of \$573 million (\$194 million after tax) in respect of net profits on sale of fixed assets and businesses and terminations of operations. For the nine months ended September 30, 2000, the historical cost profit was \$9,460 million, including inventory holding gains of \$1,289 million and net exceptional gains of \$142 million (\$244 million charge after tax) in respect of net profits on sale of fixed assets and businesses and terminations of operations.

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

Net taxation, other than production taxes, charged for the three months ended September 30, 2001 was \$1,212 million compared with \$1,554 million in the equivalent period last year. The third quarter 2001 included a tax charge of \$194 million in respect of exceptional items compared with a tax charge of \$278 million for the third quarter of 2000. The effective tax rate on replacement cost profit before exceptional items was 30% for the three months ended September 30, 2001 and 32% for the nine months, compared with 29% and 28% for the equivalent period of 2000. The increase in the tax rate for the third quarter is primarily due to the non-availability of prior year tax credits in 2001. For the nine months, the non-deductibility for tax purposes of the acquisition amortization was also a factor as 2001 includes a full nine months of acquisition amortization compared to around six months (from April 14) in 2000.

Interest expense for the three months ended September 30, 2001 was \$369 million (including \$2 million relating to a bond redemption charge) compared with \$460 million in the equivalent period of 2000 reflecting lower interest rates. For the nine months ended September 30, 2001 interest expense was \$1,256 million (including \$62 million relating to bond redemption charges) compared to \$1,159 million a year ago, reflecting inclusion of ARCO for the full nine months of 2001 compared to around six months in 2000, partly offset by lower interest rates.

Net cash inflow for the three months ended September 30, 2001 was \$0.9 billion, compared with an outflow of \$2.4 billion for the equivalent period of 2000. The

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third quarter of 2000 included an outflow of \$5.1 billion net of cash acquired, related to the acquisition of Burmah Castrol and the minority interest in Vastar. In the third quarter of 2001, lower operating cash flow and higher capital expenditure net of divestment proceeds were partly offset by lower tax payments due to phasing effects. For the first nine months of 2001, net cash inflow was \$2.0 billion compared with a net cash inflow of \$5.4 billion in the same period in 2000. For the nine months ended September 30, 2001 the overall decreased cash flow is primarily driven by higher capital expenditure and significantly lower divestment proceeds (the second quarter of 2000 included the proceeds from the sale of the ARCO Alaska assets).

Capital expenditure and acquisitions in the third quarter and nine months of 2001 were \$3.4 billion and \$9.7 billion, respectively. Expenditure for the nine months of 2001 included the acquisition of Bayer's 50% interest in Erdolchemie. Excluding acquisitions, capital expenditure for the third quarter and nine months of 2001 was \$3.3 billion and \$9.1 billion, up \$0.7 billion and \$2.4 billion, respectively, on the corresponding periods in 2000. For the three months and nine months ended September 30, 2000 capital expenditure and acquisitions were \$9.6 billion and \$15.1 billion, respectively. Expenditure for the three months and nine months ended September 30, 2000 included the acquisition of Burmah Castrol, the Mobil share of the European Joint Venture and the minority interest in Vastar, and in addition for the nine months ended September 30, 2000 a 2.2% interest in PetroChina. Excluding the effect of these acquisitions, capital expenditure for the third quarter and nine months of 2000 was \$2.6 billion and \$6.7 billion, respectively. BP expects total capital expenditure for 2001 to be approximately \$13 billion excluding acquisitions.

Net debt at September 30, 2001 was \$18.5 billion. The ratio of net debt to net debt plus equity was 19% compared to the 20% rate at June 30, 2001 and 21% at December 31, 2000. After adjusting for the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions, the ratio of net debt to net debt plus equity was 24% at September 30, 2001 compared with 25% at June 30, 2000 and 27% at December 31, 2000.

BP believes that, taking into account the substantial amounts of undrawn borrowing facilities available, the Group has sufficient working capital for foreseeable requirements.

The return on average capital employed for the three months ended September 30, 2001 was 11% compared with 14% for the equivalent period of 2000. For the nine months ended September 30, 2001, the return on average capital employed was 14%. For further information on the return on average capital employed calculation see Note 12 of Notes to Consolidated Financial Statements.

BP purchased for cancellation approximately 49 million of its own shares during the third quarter of 2001 at a cost of \$400 million. Total share purchases over the nine months to September 30, 2001 amounted to approximately 140 million at a cost of \$1,182 million.

BP announced a third quarterly dividend for 2001 of 5.50 cents per ordinary share. Holders of ordinary shares will receive 3.805 pence per share and holders of American Depositary Receipts (ADRs) \$0.33 per ADS. The dividend for the nine months was 16.25 cents per share, up 7%, which is equivalent to 11.381 pence per share, up 12% over last year. The dividend is payable on December 10, 2001 to shareholders on the register on November 16, 2001. Participants in the Dividend Reinvestment Plan or the dividend reinvestment facility in the US Direct Access Plan will receive the dividend in the form of shares on December 10, 2001.

BP intends to continue to pay dividends in the future of around 50% of its replacement cost profit before exceptional items after adjusting for special items and acquisition amortization, adjusted to mid-cycle business conditions. Mid-cycle conditions are our best estimate of likely average prices and margins

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over the long term.

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

Owing to the significant acquisitions that took place in 2000, in addition to its reported results, BP is presenting pro forma results adjusted for special items in order to enable shareholders to assess current performance in the context of BP's past performance and against that of its competitors. The pro forma result, adjusted for special items, has been derived from BP's UK GAAP accounting information but is not in itself a recognized UK or US GAAP measure.

| Reconciliation of reported<br>profit (loss) to pro forma result<br>adjusted for special items | Reported<br>----- | Acquisition<br>amortization(a)<br>----- | Special<br>items(b)<br>----- | Pro fo<br>res<br>adjusted<br>special it<br>----- |
|---|-------------------|---|------------------------------|--|
|   |                   | (\$ million)                            |                              |  |
| Three months ended September 30, 2001   |                   |   |                              |  |
| Exploration and Production  | 2,641             | 429                                     | -                            | 3,   |
| Gas and Power   | 130               | -                                       | -                            |  |
| Refining and Marketing  | 1,003             | 174                                     | 112                          | 1,   |
| Chemicals   | 105               | -                                       | 8                            |  |
| Other businesses and corporate  | (122)             | -                                       | -                            | (  |
|   | -----             | -----                                   | -----                        | -----  |
| Replacement cost operating profit   | 3,757             | 603                                     | 120                          | 4,   |
| Interest expense  | (369)             | -                                       | 2                            | (  |
| Taxation  | (1,018)           | -                                       | (31)                         | (1,  |
| Minority shareholders' interest   | (15)              | -                                       | -                            | -  |
|   | -----             | -----                                   | -----                        | -----  |
| Replacement cost profit before<br>exceptional items   | 2,355             | 603                                     | 91                           | 3,   |
|   | -----             | =====                                   | =====                        | -----  |
| per ordinary share (cents)  | 10.50             |   |                              | 13   |
|   | =====             |   |                              | =====  |
| Three months ended September 30, 2000   |                   |   |                              |  |
| Exploration and Production  | 3,552             | 412                                     | 192                          | 4,   |
| Gas and Power   | 132               | -                                       | -                            |  |
| Refining and Marketing  | 964               | 185                                     | 110                          | 1,   |
| Chemicals   | 263               | -                                       | 4                            |  |
| Other businesses and corporate  | (216)             | -                                       | 86                           | (  |
|   | -----             | -----                                   | -----                        | -----  |
| Replacement cost operating profit   | 4,695             | 597                                     | 392                          | 5,   |
| Interest expense  | (460)             | -                                       | -                            | (  |
| Taxation  | (1,276)           | -                                       | (103)                        | (1,  |
| Minority shareholders' interest   | (12)              | (37)                                    | -                            | -  |
|   | -----             | -----                                   | -----                        | -----  |
| Replacement cost profit before<br>exceptional items   | 2,947             | 560                                     | 289                          | 3,   |
|   | -----             | =====                                   | =====                        | -----  |
| per ordinary share (cents)  | 13.04             |   |                              | 16   |
|   | =====             |   |                              | =====  |

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- (a) Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustment and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.
- (b) The special items refer to non-recurring charges and credits. The special items for the third quarter 2001 comprise Castrol integration costs, Erdolchemie rationalization costs and a bond redemption charge. The special items for the third quarter 2000 comprise ARCO, Vastar and Castrol integration costs, rationalization costs post the BP/Amoco merger, and an asset writedown.

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

| Reconciliation of reported profit (loss) to pro forma result adjusted for special items | Reported | Acquisition amortization(a) | Special items(b) | Pro forma result adjusted special items |
|---|----------|-----------------------------|------------------|---|
|   | -----    | -----                       | -----            | -----                                   |
|   |          | (\$ million)                |                  |   |
| Nine months ended September 30, 2001  |          |                             |                  |   |
| Exploration and Production  | 10,762   | 1,362                       | -                | 12,124                                  |
| Gas and Power   | 415      | -                           | -                | 415                                     |
| Refining and Marketing  | 3,233    | 538                         | 274              | 4,045                                   |
| Chemicals   | 195      | -                           | 8                | 203                                     |
| Other businesses and corporate  | (377)    | -                           | -                | (377)                                   |
| -----   | -----    | -----                       | -----            | -----                                   |
| Replacement cost operating profit   | 14,228   | 1,900                       | 282              | 16,410                                  |
| Interest expense  | (1,256)  | -                           | 62               | (1,194)                                 |
| Taxation  | (4,101)  | -                           | (94)             | (4,195)                                 |
| Minority shareholders' interest   | (47)     | -                           | -                | (47)                                    |
| -----   | -----    | -----                       | -----            | -----                                   |
| Replacement cost profit before exceptional items  | 8,824    | 1,900                       | 250              | 10,974                                  |
| per ordinary share (cents)  | 39.30    | =====                       | =====            | 48.00                                   |
| =====   | =====    | =====                       | =====            | =====                                   |
| Nine months ended September 30, 2000  |          |                             |                  |   |
| Exploration and Production  | 9,774    | 761                         | 475              | 11,010                                  |
| Gas and Power   | 388      | -                           | -                | 388                                     |
| Refining and Marketing  | 2,731    | 255                         | 251              | 3,237                                   |
| Chemicals   | 842      | -                           | 54               | 896                                     |
| Other businesses and corporate  | (742)    | -                           | 252              | (490)                                   |
| -----   | -----    | -----                       | -----            | -----                                   |
| Replacement cost operating profit   | 12,993   | 1,016                       | 1,032            | 15,041                                  |
| Interest expense  | (1,159)  | -                           | -                | (1,159)                                 |
| Taxation  | (3,344)  | -                           | (271)            | (3,615)                                 |
| Minority shareholders' interest   | (75)     | (79)                        | -                | (154)                                   |
| -----   | -----    | -----                       | -----            | -----                                   |
| Replacement cost profit before exceptional items  | 8,415    | 937                         | 761              | 9,913                                   |
| -----   | -----    | =====                       | =====            | -----                                   |

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per ordinary share (cents) 39.42  
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- (a) Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustment and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.
- (b) The special items refer to non-recurring charges and credits. The special items for the nine months 2001 comprise Castrol integration costs, Erdolchemie rationalization costs and a bond redemption charge. The special items for the nine months 2000 comprise ARCO, Vastar and Castrol integration costs, rationalization costs post the BP/Amoco merger, and an asset writedown.

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

OPERATING INFORMATION

|  | Three months ended |       | Nine months ended |       |
|--|--------------------|-------|-------------------|-------|
|  | September 30       |       | September 30      |       |
|  | (Unaudited)        |       | (Unaudited)       |       |
|  | 2001               | 2000  | 2001              | 2000  |
|  | -----              | ----- | -----             | ----- |
| Crude oil and natural gas liquids production<br>(thousand barrels per day), (net of royalties) |                    |       |                   |       |
| UK   | 457                | 521   | 480               |       |
| Rest of Europe   | 96                 | 86    | 95                |       |
| USA  | 741                | 691   | 735               |       |
| Rest of World  | 589                | 604   | 592               |       |
|  | -----              | ----- | -----             | ----- |
| Total crude oil and liquids production   | 1,883              | 1,902 | 1,902             | 1,902 |
|  | =====              | ===== | =====             | ===== |
| Natural gas production (million cubic feet per day),<br>(net of royalties)                     |                    |       |                   |       |
| UK   | 1,305              | 1,340 | 1,713             | 1,713 |
| Rest of Europe   | 139                | 104   | 143               | 143   |
| USA  | 3,577              | 3,362 | 3,531             | 3,531 |
| Rest of World  | 3,298              | 2,991 | 3,200             | 3,200 |
|  | -----              | ----- | -----             | ----- |
| Total natural gas production   | 8,319              | 7,797 | 8,587             | 7,797 |
|  | =====              | ===== | =====             | ===== |
| Total production (a)<br>(thousand barrels of oil equivalent per day),<br>(net of royalties)    |                    |       |                   |       |
| UK   | 682                | 752   | 775               | 775   |
| Rest of Europe   | 120                | 104   | 120               | 120   |
| USA  | 1,358              | 1,271 | 1,344             | 1,344 |
| Rest of World  | 1,157              | 1,119 | 1,144             | 1,144 |
|  | -----              | ----- | -----             | ----- |
| Total production   | 3,317              | 3,246 | 3,383             | 3,383 |
|  | =====              | ===== | =====             | ===== |

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|  | =====  | =====  | =====  | ===== |
|--|--------|--------|--------|-------|
| Natural gas sales volumes (million cubic feet per day) |        |        |        |       |
| UK   | 2,170  | 2,289  | 2,682  | 2,    |
| Rest of Europe   | 170    | 151    | 207    |       |
| USA  | 8,692  | 6,845  | 8,403  | 5,    |
| Rest of World  | 7,331  | 5,535  | 7,191  | 4,    |
|  | -----  | -----  | -----  | ----- |
| Total natural gas sales volumes (b)                    | 18,363 | 14,820 | 18,483 | 13,   |
|  | =====  | =====  | =====  | ===== |
| NGL sales volumes (thousand barrels per day)           |        |        |        |       |
| UK   | -      | -      | -      |       |
| Rest of Europe   | -      | -      | -      |       |
| USA  | 233    | 195    | 220    |       |
| Rest of World  | 162    | 171    | 180    |       |
|  | -----  | -----  | -----  | ----- |
| Total NGL sales volumes                                | 395    | 366    | 400    |       |
|  | =====  | =====  | =====  | ===== |

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- (a) Expressed in thousand barrels of oil equivalent per day (mboe/d). Natural gas is converted to oil equivalent at 5.8 billion cubic feet: 1 million barrels.
- (b) Encompasses sales by Exploration and Production and Gas and Power, including marketing, trading and supply sales.

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

OPERATING INFORMATION

|  | Three months ended<br>September 30<br>(Unaudited) |        | Nine months ended<br>September 30<br>(Unaudited) |       |
|--|---|--------|--|-------|
|  | 2001  | 2000   | 2001   | 2000  |
|  | -----   | -----  | -----  | ----- |
| Oil sales volumes (thousand barrels per day) |   |        |  |       |
| Refined products                             |   |        |  |       |
| UK   | 269   | 276    | 266  |       |
| Rest of Europe                               | 1,058   | 981    | 1,055  |       |
| USA  | 1,863   | 1,911  | 1,897  | 1,    |
| Rest of World                                | 612   | 489    | 599  |       |
|  | -----   | -----  | -----  | ----- |
| Total marketing sales                        | 3,802   | 3,657  | 3,817  | 3,    |
| Trading/supply sales                         | 2,744   | 1,843  | 2,308  | 1,    |
|  | -----   | -----  | -----  | ----- |
| Total refined product sales                  | 6,546   | 5,500  | 6,125  | 5,    |
| Crude oil                                    | 4,680   | 5,725  | 4,431  | 6,    |
|  | -----   | -----  | -----  | ----- |
| Total oil sales                              | 11,226  | 11,225 | 10,556   | 11,   |



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|   |       |       |        |     |
|---|-------|-------|--------|-----|
| Refinery throughputs (thousand barrels per day) |       |       |        |     |
| UK  | 414   | 359   | 347    |     |
| Rest of Europe                                  | 646   | 627   | 654    |     |
| USA   | 1,568 | 1,765 | 1,578  | 1,  |
| Rest of World                                   | 375   | 362   | 379    |     |
| Total throughput                                | 3,003 | 3,113 | 2,958  | 2,  |
| Chemicals production (thousand tonnes)          |       |       |        |     |
| UK  | 804   | 779   | 2,333  | 2,  |
| Rest of Europe                                  | 2,164 | 1,680 | 5,648  | 5,  |
| USA   | 2,299 | 2,438 | 6,664  | 7,  |
| Rest of World                                   | 703   | 591   | 2,023  | 1,  |
| Total production                                | 5,970 | 5,488 | 16,668 | 16, |

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

DETAILED REVIEW OF BUSINESSES (EXCLUDING EXCEPTIONAL ITEMS)

EXPLORATION AND PRODUCTION

|   |            | Three months ended<br>September 30<br>(Unaudited) |       | Nine months ended<br>September 30<br>(Unaudited) |      |
|---|------------|---|-------|--|------|
|   |            | 2001  | 2000  | 2001   | 2000 |
| Turnover                                | - \$m      | 6,335   | 8,195 | 22,893   | 21,  |
| Total replacement cost operating profit | - \$m      | 2,641   | 3,552 | 10,762   | 9,   |
| Results included:                       |            |   |       |  |      |
| Exploration expense                     | - \$m      | 86  | 143   | 336  |      |
| Key Statistics:                         |            |   |       |  |      |
| Average prices :Crude oil (a)           | - \$/bbl   | 23.08   | 27.84 | 24.22  | 26   |
| realized by BP :Natural gas             | - \$/mcf   | 2.49  | 3.01  | 3.66   | 2    |
| Brent oil price                         | - \$/bbl   | 25.30   | 30.42 | 26.14  | 28   |
| West Texas intermediate oil price       | - \$/bbl   | 26.72   | 31.71 | 27.77  | 29   |
| Henry Hub gas price (b)                 | - \$/mmBtu | 2.93  | 4.27  | 4.88   | 3    |

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- (a) Crude oil and natural gas liquids  
(b) Henry Hub First of the Month Index

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Total replacement cost operating profit for the three months and nine months ended September 30, 2001 were \$2,641 million and \$10,762 million, respectively. This compares with \$3,552 million and \$9,774 million for the corresponding periods in 2000. Significantly lower oil and gas prices are reflected in both turnover and replacement cost operating profit for the third quarter 2001. The turnover and replacement cost operating profit results for the nine months ended September 30, 2001 also reflect the inclusion of ARCO and other portfolio changes for the whole nine months, compared to only around six months (from April 14) for the same period in 2000. Lower exploration expense reflects a more focused exploration programme and lower write-offs in 2001. In addition, the results are after charging depreciation and amortization arising from the fixed asset revaluation adjustment and goodwill consequent upon the ARCO acquisition of \$429 million for the three months and \$1,362 million for the nine months ended September 30, 2001. For the equivalent periods in 2000, the amounts were \$412 million and \$761 million, respectively. Special items in the three months ended September 30, 2000 principally comprised ARCO and Vastar integration costs and an asset write-down. The special items for the nine months ended September 30, 2000 also included the settlement of a lawsuit.

Total hydrocarbon production for the third quarter was up 2% on the third quarter of 2000, with natural gas up 7% and liquids broadly flat. On a consistent current portfolio basis, total hydrocarbon production increased by around 3% over a year ago. Crude oil production from the deepwater Gulf of Mexico increased by 25% as new capacity continues to be added. The increase in natural gas resulted from strong output growth in our joint venture in Argentina, up 40%, and in North America, up 6%. For the first nine months of 2001, total production was up 6% with natural gas up 18%. On a consistent current portfolio basis the total hydrocarbon production increase for the nine months was 1%.

In support of continued growth, capital expenditure during the quarter was \$2.4 billion, 31% higher than the same quarter a year ago, and \$6.7 billion for the nine months, up 58% on a year ago. BP approved the Clair development (BP 28.6% and operator) in the UK Continental Shelf, and agreed with its partners to invest \$940 million to develop the field. Other developments approved were Jasmin, a Girassol satellite offshore Angola, and the first stage of the Cuenca Marina Austral field in Argentina. In early November, the third phase of Schiehallion, west of Shetland was also approved.

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

#### GAS AND POWER

|   |       | Three months ended<br>September 30<br>(Unaudited) |       | Nine months en<br>September 30<br>(Unaudited) |        |
|---|-------|---|-------|---|--------|
|   |       | 2001  | 2000  | 2001  | 2000   |
| Turnover                                | - \$m | 9,241   | 5,481 | 31,756  | 12,756 |
| Total replacement cost operating profit | - \$m | 130   | 132   | 415   | 415    |

On January 1, 2001, the natural gas liquids (NGL) business located in North

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America was moved to Gas and Power from Refining and Marketing. Comparative information has been restated.

The increase in turnover for the third quarter and nine months of 2001 is primarily due to higher sales volumes in the natural gas marketing and trading business. The replacement cost operating profit for the third quarter and nine months was \$130 million and \$415 million, respectively, compared with \$132 million and \$388 million a year ago. In the third quarter, natural gas marketing and trading performance has improved on the back of a continued increase in activity with gas sales volumes up 24% on a year ago. This has largely offset the effect of lower margins in the NGL business. The nine months profit reflected improved marketing and trading performance, partly offset by a reduction in the NGL result.

In September, BP announced that it had agreed to purchase a set of natural gas marketing and trading assets from TransCanada PipeLines Limited, subject to regulatory approval in Canada. This acquisition will reinforce BP's position as a leader in the North American energy marketing and merchant business.

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

REFINING AND MARKETING

|   | Three months ended<br>September 30<br>(Unaudited) |        | Nine months ended<br>September 30<br>(Unaudited) |        |        |
|---|---|--------|--|--------|--------|
|   | 2001  | 2000   | 2001   | 2000   |        |
|   | -----   |        | -----  |        |        |
| Turnover                                | - \$m   | 30,925 | 31,311   | 93,705 | 75,000 |
| Total replacement cost operating profit | - \$m   | 1,003  | 964  | 3,233  | 2,731  |
| Global Indicator Refining Margin (a)    | - \$/bbl  | 3.83   | 4.83   | 4.62   | 3.83   |

-----

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

Turnover for the nine months primarily reflects the inclusion of ARCO for the whole of the nine months in 2001, compared to around six months (from April 14) in 2000, the acquisition of Burmah Castrol on July 7, 2000 and the consolidation of the European fuels business with effect from August 1, 2000.

The replacement cost operating profit for the three months and nine months ended September 30, 2001 was \$1,003 million and \$3,233 million, respectively. This compares with \$964 million and \$2,731 million for the equivalent periods in 2000. The results include acquisition amortization of \$174 million and \$538 million for the three months and nine months ended September 30, 2001. For the

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equivalent periods in 2000 the acquisition amortization was \$185 million and \$255 million, respectively. Special items for the three months and nine months ended September 30, 2001 were \$112 million and \$274 million, respectively. The special items comprised Castrol integration costs. Specials for the nine months also include rationalization costs in the European downstream commercial business. Specials for the nine months also include rationalization costs in the European downstream commercial business. Special items in the three months and nine months ended September 30, 2000 comprised rationalization costs post the BP/Amoco merger, ARCO and Burmah Castrol integration costs and litigation costs.

The main drivers of the improvement on the corresponding quarter last year were higher retail margins and volumes. Retail margins reflected lower wholesale prices in several regions. Refining margins were volatile throughout the quarter and were down \$1 per barrel versus the prior year as particularly strong US Midwest refining margins only partially offset lower refining margins in other areas. The nine months result benefited from higher refining margins and volume improvements compared to a year ago.

Third quarter refinery throughputs decreased by 3.5% compared to a year ago as a result of the impact of refinery disposals, which more than offset underlying throughput increases (for the nine months throughput increased by 3% over the same period in 2000). Third quarter marketing sales increased by 4% compared to a year ago (the nine months ended September 30, 2001 showed a 17% increase over the same period in 2000) and store sales were up 7% in the third quarter reflecting the consolidation of the European fuels business and the increasing number of BP Connect stores. We are on track to deliver our unit cost reduction target of 2.5% in 2001.

The roll-out of BP Connect continued during the quarter with over 230 BP Connect stores now open in the UK, USA, Australia and New Zealand. BP's leadership position in clean fuels continues to grow as BP is now providing clean fuels to 76 cities.

In September 2001, BP completed the sale of its Salt Lake City, Utah, and Mandan, North Dakota, refineries in the USA.

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

#### CHEMICALS

|   |         | Three months ended<br>September 30<br>(Unaudited) |       | Nine months ended<br>September 30<br>(Unaudited) |         |
|---|---------|---|-------|--|---------|
|   |         | 2001  | 2000  | 2001   | 2000    |
|   |         | -----   |       | -----  |         |
| Turnover                                | - \$m   | 3,272   | 2,798 | 9,034  | 8,034   |
| Total replacement cost operating profit | - \$m   | 105   | 263   | 195  | 195     |
| Chemicals Indicator Margin (a)          | - \$/te | 110 (b)   | 128   | 107 (b)  | 107 (b) |

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

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externally-based product margins reflecting industry supply/demand conditions. It is based on market data collected by Chem Systems in their quarterly market analyses, then weighted based on BP's product portfolio. The products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha olefins, anhydrides, speciality intermediates, and the remaining parts of the solvents and acetyls businesses. This quarter the margin indicator has been adjusted to reflect the Erdolchemie purchase and the impact of recently divested businesses. Prior quarters have been restated.

- (b) Provisional. The data for the quarter and nine months is based on two months' and eight months' actual data, respectively, and one month of provisional data.

Increased turnover for the third quarter and the nine months primarily reflects the inclusion of 100% of Erdolchemie results in 2001. Chemicals' replacement cost operating profit for the three months and nine months ended September 30, 2001 was \$105 million and \$195 million, respectively, after special charges of \$8 million related to Erdolchemie rationalization. For the corresponding periods in 2000 the replacement cost operating profit was \$263 million and \$842 million, after special charges of \$4 million and \$54 million, respectively. The third quarter result was a decrease of \$158 million over the equivalent quarter in 2000. The lower result was caused by a deterioration in the trading environment associated with weaker economic growth. The nine months result was significantly lower than a year ago due to the poor margin environment, higher restructuring costs and the effect of unscheduled shutdowns.

Third quarter production of 5,970kte is 9% above the same quarter of 2000. This record production benefits from full ownership of Erdolchemie for the whole quarter and restored operations at three major cracker sites. Production for the first nine months of 2001 is flat compared to 2000.

BP continues to progress the restructuring programme, announced in August, which is fundamental to its chemicals business. This is designed to lower significantly the business' cost structure and to focus its portfolio. Actions taken during the third quarter included announcement of the cessation of production of polybutenes and panasols at Texas City in the USA and of butyl acetate at Hull, England. We also announced the closure of our low-density polyethylene manufacturing operation at Wilton, England. The third quarter and nine months results include \$27 million and \$67 million, respectively, of restructuring costs, in addition to the special item relating to Erdolchemie.

In early November, BP completed its deal with Solvay, originally announced in late 2000. This deal will significantly strengthen BP's polyolefins business in Europe and in the USA. As a result of the deal BP has added Solvay's global polypropylene business to its existing business and the two companies have combined their high-density polyethylene businesses into two joint ventures - BP Solvay Polyethylene Europe (50% BP, 50% Solvay) and BP Solvay Polyethylene North America (49% BP, 51% Solvay). BP has also transferred its non-core engineering polymers business to Solvay.

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

OTHER BUSINESSES AND CORPORATE

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|                                   |       | Three months ended<br>September 30<br>(Unaudited) |       | Nine months ended<br>September 30<br>(Unaudited) |      |
|-----------------------------------|-------|---|-------|--|------|
|                                   |       | 2001  | 2000  | 2001   | 2000 |
| Turnover                          | - \$m | 204   | 106   | 567  |      |
| Replacement cost operating profit | - \$m | (122)   | (216) | (377)  |      |

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

Replacement cost operating loss for the three months and nine months ended September 30, 2001 was \$122 million and \$377 million, respectively. This compares with \$216 million and \$742 million for the corresponding periods in 2000. There were special items of \$86 and \$252 million in the third quarter and nine months of 2000, respectively, relating primarily to rationalization costs post the BP Amoco merger and ARCO integration costs. There were no special items for the three months and nine months ended September 30, 2001.

BP Solar production for the nine months ended September 30, 2001 was 25% higher than a year ago. A total of 38 megawatts of solar panel generating capacity was sold in the nine months ended September 30, 2001.

EXCEPTIONAL ITEMS

|  |       | Three months ended<br>September 30<br>(Unaudited) |       | Nine months ended<br>September 30<br>(Unaudited) |      |
|--|-------|---|-------|--|------|
|  |       | 2001  | 2000  | 2001   | 2000 |
| Profit (loss) on sale of fixed assets and businesses and termination of operations | - \$m | 184   | 138   | 573  |      |
| Taxation credit (charge)   | - \$m | (194)   | (278) | (379)  |      |
| Exceptional items after taxation   | - \$m | (10)  | (140) | 194  |      |

Exceptional items for the three months ended September 30, 2001 include profit from the sale of the Salt Lake City and Mandan refineries in the USA and losses associated with the closure of certain chemical operations. Exceptional items for the nine months ended September 30, 2001 also include profit on the sale of the Kashagan discovery in Kazakhstan, loss on the sale of the Carbon Fibers business in the USA, and profit on the sale of the Alliance Refinery pipeline system. Exceptional items for the three months ended September 30, 2000 primarily represent the profit on sale of the Alliance Refinery. In addition, exceptional items for the nine months ended September 30, 2000 include the profit on sale of BP's interest in Altura Energy, the losses on sale of certain Venezuelan upstream interests and the subvention of Singapore Aromatics Company bank loans.

OUTLOOK

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Oil prices have softened as demand has weakened, particularly for aviation fuel, after the tragic events of 11 September, while OPEC has continued to produce beyond its quotas. The critical issue, as we look forward, is whether OPEC will curb that output sufficiently to pull the crude price back within its target range.

US natural gas prices have settled at more normal levels, though we should expect the usual seasonal variations. Refining margins continue to show significant regional differences but, overall, are likely to be down on last year because of lower product demand. Retail margins have benefited recently from falling product prices, but chemicals margins look set to stay pretty flat due to weakening demand and excess capacity.

While the climate is unsettled, the world is still open for business. For our part we are intensifying our focus on cost and investment discipline to ensure we sustain underlying performance, keep growth fully profitable and maintain our robust financial health. Production growth remains on target, at a very competitive level.

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

#### RECENT DEVELOPMENTS

BP announced on November 13, 2001 that it will restructure operations at the Company's Grangemouth refining and petrochemical complex in Scotland. The move is part of a series of initiatives and investments to radically improve the plant's ability to compete in an increasingly difficult international refining and chemicals environment. It will lead to the loss of up to 1,000 jobs over the next two years.

The decision follows a fundamental ten-week review of the site's organisation, asset structure and, most particularly, its financial performance, which has been severely impacted by the economic downturn, unprecedentedly depressed chemicals markets, and a series of operational problems.

The reorganization will streamline Grangemouth's three main businesses - refining, petrochemicals and the Forties pipeline terminal - into a single organization, designed to simplify site operations while increasing reliability and efficiency.

#### FORWARD-LOOKING STATEMENTS

In order to utilize the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995, BP is providing the following cautionary statement. The foregoing discussion, in particular, although not limited to, the statements under 'Outlook', with regard to trends in the trading environment, oil and gas prices, refining, marketing, NGL and chemicals margins, inventory and product stock levels, supply capacity, capital expenditure, working capital, profitability, results of operation, dividend payments liquidity or financial position and statements regarding our targets are all forward-looking in nature. Forward-looking statements are identified by such phrases as 'will', 'expects', 'is expected to', 'may', 'is likely to', 'intends' and 'believes'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of

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factors, including the specific factors identified in the discussions accompanying such forward-looking statements; future levels of industry product supply, demand and pricing; political stability and economic growth in relevant areas of the world; development and use of new technology and successful partnering; the actions of competitors; natural disasters and other changes to business conditions; and other factors discussed elsewhere in this report. In addition to factors set forth elsewhere in this report, the factors set forth above are important factors, although not exhaustive, that 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 Accounts for 2000 and in the Annual Report on Form 20-F for 2000 filed with the US Securities and Exchange Commission.

### 2001 DIVIDENDS

On November 6, 2001, BP p.l.c. announced a third quarterly dividend for 2001 of 5.5 cents per ordinary share of 25 cents (ordinary shares), representing \$0.33 per American Depositary Share (ADS) amounting to \$1,232 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares was November 16, 2001, with payment to be made on December 10, 2001.

The dividend payable on December 10, 2001 entitles qualifying US ADS shareholders to a refund of the 1/9th UK tax credit (approximately \$0.037) attaching to the dividend less a UK withholding tax limited to the amount of the tax credit. The effect of these arrangements for ADS holders is currently a cash payment of \$0.330, a gross dividend for tax purposes of \$0.367 and a potential tax credit of \$0.037 per ADS.

There is a Dividend Reinvestment Plan whereby holders of ordinary shares can elect to reinvest the net cash dividend in shares purchased on the London Stock Exchange. This plan is not available to any person resident in the USA or Canada, or in any jurisdiction outside the UK where such an offer requires compliance by the Company with any governmental or regulatory procedures or any similar formalities. A dividend reinvestment facility is, however, available for holders of ADSs through the Direct Access Plan of Morgan Guaranty Trust Company of New York. Participants in the Dividend Reinvestment Plan or the dividend reinvestment facility included in the US Direct Access Plan will receive the dividend in the form of shares on December 10, 2001.

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

|                      | Three months ended<br>September 30<br>(Unaudited)<br>2001 | 2000   | Nine mont<br>Septemb<br>(Unaudi |
|----------------------|---|--------|---------------------------------|
|                      | -----   | -----  | -----                           |
|                      | (\$ million, except per share amo                         |        |                                 |
| Turnover - Note 3    | 43,886  | 44,862 | 138,275                         |
| Less: joint ventures | 306   | 2,231  | 874                             |
|                      | -----   | -----  | -----                           |



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|  |        |        |         |
|--|--------|--------|---------|
| Group turnover   | 43,580 | 42,631 | 137,401 |
| Replacement cost of sales  | 36,994 | 35,365 | 114,444 |
| Production taxes - Note 4  | 337    | 511    | 1,353   |
|  | -----  | -----  | -----   |
| Gross profit   | 6,249  | 6,755  | 21,604  |
| Distribution and administration expenses   | 2,865  | 2,466  | 8,419   |
| Exploration expense - Note 5   | 86     | 143    | 336     |
|  | -----  | -----  | -----   |
|  | 3,298  | 4,146  | 12,849  |
| Other income   | 179    | 73     | 486     |
|  | -----  | -----  | -----   |
| Group replacement cost operating profit  | 3,477  | 4,219  | 13,335  |
| Share of profits of joint ventures   | 125    | 283    | 352     |
| Share of profits of associated undertakings  | 155    | 193    | 541     |
|  | -----  | -----  | -----   |
| Total replacement cost operating profit - Notes 6 & 7  | 3,757  | 4,695  | 14,228  |
| Profit (loss) on sale of fixed assets and businesses<br>and termination of operations - Note 8 | 184    | 138    | 573     |
|  | -----  | -----  | -----   |
| Replacement cost profit before interest and tax - Note 6                                       | 3,941  | 4,833  | 14,801  |
| Inventory holding gains (losses) - Note 9  | (405)  | 544    | (603)   |
|  | -----  | -----  | -----   |
| Historical cost profit before interest and tax   | 3,536  | 5,377  | 14,198  |
| Interest expense - Note 10   | 369    | 460    | 1,256   |
|  | -----  | -----  | -----   |
| Profit before taxation   | 3,167  | 4,917  | 12,942  |
| Taxation - Note 11   | 1,212  | 1,554  | 4,480   |
|  | -----  | -----  | -----   |
| Profit after taxation  | 1,955  | 3,363  | 8,462   |
| Minority shareholders' interest  | 15     | 12     | 47      |
|  | -----  | -----  | -----   |
| Profit for the period  | 1,940  | 3,351  | 8,415   |
|  | =====  | =====  | =====   |
| Earnings per ordinary share - cents (a)  |        |        |         |
| Basic  | 8.66   | 14.85  | 37.48   |
| Diluted  | 8.59   | 14.75  | 37.24   |
|  | -----  | -----  | -----   |
| Earnings per American depository share - cents (a)   |        |        |         |
| Basic  | 51.96  | 89.10  | 224.88  |
| Diluted  | 51.54  | 88.50  | 223.44  |
|  | -----  | -----  | -----   |
| Average number of outstanding ordinary shares (millions)                                       | 22,425 | 22,597 | 22,449  |
|  | =====  | =====  | =====   |

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(a) A summary of the material adjustments to profit for the period which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the United Kingdom is given in Note 16.

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|  | September 30, 2001<br>(Unaudited) | December 31, 2000 |
|--|-----------------------------------|-------------------|
|  | (\$ million)                      |                   |
| Fixed assets   |                                   |                   |
| Intangible assets                                    | 16,353                            | 16,893            |
| Tangible assets                                      | 77,624                            | 75,173            |
| Investments  | 11,542                            | 11,753            |
|  | -----                             | -----             |
|  | 105,519                           | 103,819           |
| Current assets                                       |                                   |                   |
| Business held for resale                             | -                                 | 636               |
| Inventories  | 9,027                             | 9,234             |
| Receivables  | 28,151                            | 28,418            |
| Investments  | 519                               | 661               |
| Cash at bank and in hand                             | 1,438                             | 1,170             |
|  | -----                             | -----             |
|  | 39,135                            | 40,119            |
|  | -----                             | -----             |
| Current liabilities - falling due<br>within one year |                                   |                   |
| Finance debt   | 6,625                             | 6,418             |
| Accounts payable and accrued liabilities             | 30,449                            | 30,729            |
|  | -----                             | -----             |
|  | 37,074                            | 37,147            |
|  | -----                             | -----             |
| Net current assets                                   | 2,061                             | 2,972             |
|  | -----                             | -----             |
| Total assets less current liabilities                | 107,580                           | 106,791           |
| Noncurrent liabilities                               |                                   |                   |
| Finance debt   | 13,849                            | 14,772            |
| Accounts payable and accrued liabilities             | 3,803                             | 5,223             |
| Provisions for liabilities and charges               | 12,819                            | 12,795            |
|  | -----                             | -----             |
|  | 30,471                            | 32,790            |
|  | -----                             | -----             |
| Net assets   | 77,109                            | 74,001            |
| Minority shareholders' interest                      | 646                               | 585               |
|  | -----                             | -----             |
| BP shareholders' interest (a) - Note 15              | 76,463                            | 73,416            |
|  | =====                             | =====             |
| Represented by:                                      |                                   |                   |
| Capital shares                                       |                                   |                   |
| Preference   | 21                                | 21                |
| Ordinary   | 5,611                             | 5,632             |
| Paid-in surplus                                      | 3,995                             | 3,770             |
| Merger reserve                                       | 26,982                            | 26,869            |
| Retained earnings                                    | 39,630                            | 36,668            |
| Other reserves                                       | 224                               | 456               |
|  | -----                             | -----             |
|  | 76,463                            | 73,416            |
|  | =====                             | =====             |

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(a) A summary of the material adjustments to BP shareholders' interest which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the United Kingdom is given in Note 16.

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

|   | Three months ended<br>September 30<br>(Unaudited) |         | Nine months ended<br>September 30<br>(Unaudited) |
|---|---|---------|--|
|   | 2001  | 2000    | 2001   |
|   | -----   |         |  |
|   | (\$ million)                                      |         |  |
| Net cash inflow from operating activities                               | 5,046   | 6,604   | 16,862   |
| Dividends from joint ventures   | 26  | 118     | 92   |
| Dividends from associated undertakings                                  | 155   | 100     | 424  |
| Servicing of finance and returns on investments                         |   |         |  |
| Interest received   | 23  | 195     | 173  |
| Interest paid   | (308)   | (315)   | (1,053)  |
| Dividends received  | 59  | 9       | 97   |
| Dividends paid to minority shareholders                                 | (11)  | (12)    | (16)   |
| Net cash outflow from servicing of financing and returns on investments | (237)   | (123)   | (799)  |
| Taxation  |   |         |  |
| UK corporation tax  | (231)   | (177)   | (604)  |
| Overseas tax  | (486)   | (2,532) | (2,634)  |
| Tax paid  | (717)   | (2,709) | (3,238)  |
| Capital expenditure   |   |         |  |
| Payments for fixed assets   | (2,933)   | (2,226) | (8,526)  |
| Proceeds from the sale of fixed assets                                  | 824   | 1,524   | 1,750  |
| Net cash outflow for capital expenditure                                | (2,109)   | (702)   | (6,776)  |
| Acquisitions and disposals  |   |         |  |
| Investments in associated undertakings                                  | (139)   | (456)   | (407)  |
| Acquisitions, net of cash acquired                                      | (48)  | (5,095) | (608)  |
| Net investment in joint ventures  | (144)   | (95)    | (277)  |
| Proceeds from the sale of businesses                                    | 307   | 1,106   | 307  |
| Net cash (outflow) inflow for acquisitions and disposals                | (24)  | (4,540) | (985)  |
| Equity dividends paid   | (1,235)   | (1,128) | (3,595)  |

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|                                |       |         |       |
|--------------------------------|-------|---------|-------|
| Net cash inflow (outflow)      | 905   | (2,380) | 1,985 |
|                                | ===== | =====   | ===== |
| Financing                      | 630   | 1,068   | 1,827 |
| Management of liquid resources | (44)  | (1,755) | (146) |
| Increase (decrease) in cash    | 319   | (1,693) | 304   |
|                                | ----- | -----   | ----- |
|                                | 905   | (2,380) | 1,985 |
|                                | ===== | =====   | ===== |

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(a) This cash flow statement has been prepared in accordance with UK GAAP. A cash flow statement prepared on the basis of US GAAP is included in Note 16.

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

|   | Three months ended<br>September 30<br>(Unaudited) |       | Nine months<br>September<br>(Unaudited) |
|---|---|-------|---|
|   | 2001  | 2000  | 2001                                    |
|   | -----   | ----- | -----                                   |
|   | (\$ million)                                      |       |   |
| Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities |   |       |   |
| Historical cost profit before interest and tax  | 3,536   | 5,377 | 14,198                                  |
| Depreciation and amounts provided   | 2,077   | 2,093 | 6,320                                   |
| Exploration expenditure written off   | 23  | 51    | 153                                     |
| Share of profits of joint ventures and associated undertakings  | (278)   | (515) | (891)                                   |
| Interest and other income   | (116)   | (121) | (346)                                   |
| (Profit) loss on sale of fixed assets and businesses  | (184)   | (136) | (573)                                   |
| Charge for provisions   | 115   | 232   | 821                                     |
| Utilization of provisions   | (263)   | (210) | (898)                                   |
| Decrease (increase) in stocks   | 135   | (398) | 122                                     |
| Decrease (increase) in debtors  | 2,216   | (49)  | 748                                     |
| Increase (decrease) in creditors  | (2,215)   | 280   | (2,792)                                 |
|   | -----   | ----- | -----                                   |
| Net cash inflow from operating activities   | 5,046   | 6,604 | 16,862                                  |
|   | =====   | ===== | =====                                   |
| Financing   |   |       |   |
| Long-term borrowing   | (7)   | (132) | (1,029)                                 |
| Repayments of long-term borrowing   | 988   | 483   | 2,168                                   |
| Short-term borrowing  | (743)   | (345) | (3,493)                                 |
| Repayments of short-term borrowing  | 40  | 610   | 3,167                                   |
|   | -----   | ----- | -----                                   |
|   | 278   | 616   | 813                                     |
| Issue of ordinary share capital   | (48)  | (102) | (168)                                   |
| Repurchase of ordinary share capital  | 400   | 554   | 1,182                                   |
| Stamp duty reserve tax  | -   | -     | -                                       |

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|                                 |       |       |       |
|---------------------------------|-------|-------|-------|
| Net cash outflow from financing | 630   | 1,068 | 1,827 |
|                                 | ===== | ===== | ===== |

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(a) This cash flow statement has been prepared in accordance with UK GAAP. A cash flow statement prepared on the basis of US GAAP is included in Note 16.

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

|                            | Three months ended<br>September 30<br>(Unaudited) |       | Nine mont<br>Septemb<br>(Unaudi |
|----------------------------|---|-------|---------------------------------|
|                            | 2001  | 2000  | 2001                            |
|                            | -----   |       |                                 |
|                            | (\$ million)                                      |       |                                 |
| By business                |   |       |                                 |
| Exploration and Production |   |       |                                 |
| UK                         | 326   | 159   | 783                             |
| Rest of Europe             | 79  | 50    | 230                             |
| USA                        | 1,123   | 1,082 | 3,293                           |
| Rest of World              | 891   | 562   | 2,402                           |
|                            | -----   | ----- | -----                           |
|                            | 2,419   | 1,853 | 6,708                           |
|                            | -----   | ----- | -----                           |
| Gas and Power              |   |       |                                 |
| UK (a)                     | 37  | 78    | 51                              |
| Rest of Europe             | 16  | 1     | 37                              |
| USA (b)                    | 11  | 37    | 48                              |
| Rest of World              | 10  | 9     | 14                              |
|                            | -----   | ----- | -----                           |
|                            | 74  | 125   | 150                             |
|                            | -----   | ----- | -----                           |
| Refining and Marketing     |   |       |                                 |
| UK (c) (d)                 | 89  | 4,098 | 267                             |
| Rest of Europe (d)         | 10  | 1,275 | 171                             |
| USA                        | 281   | 30    | 688                             |
| Rest of World              | 62  | 90    | 173                             |
|                            | -----   | ----- | -----                           |
|                            | 442   | 5,493 | 1,299                           |
|                            | -----   | ----- | -----                           |
| Chemicals                  |   |       |                                 |
| UK                         | 50  | 122   | 179                             |
| Rest of Europe (e)         | 69  | 28    | 623                             |
| USA                        | 119   | 92    | 293                             |
| Rest of World              | 112   | 60    | 237                             |
|                            | -----   | ----- | -----                           |
|                            | 350   | 302   | 1,332                           |
|                            | -----   | ----- | -----                           |

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|                                    |       |       |       |
|------------------------------------|-------|-------|-------|
| Other businesses and corporate (f) | 78    | 1,814 | 207   |
|                                    | ----- | ----- | ----- |
|                                    | 3,363 | 9,587 | 9,696 |
|                                    | ===== | ===== | ===== |
| By geographical area               |       |       |       |
| UK                                 | 541   | 4,547 | 1,383 |
| Rest of Europe                     | 181   | 1,354 | 1,078 |
| USA                                | 1,564 | 2,965 | 4,402 |
| Rest of World                      | 1,077 | 721   | 2,833 |
|                                    | ----- | ----- | ----- |
|                                    | 3,363 | 9,587 | 9,696 |
|                                    | ===== | ===== | ===== |

- 
- (a) 3Q and nine months 2000 included \$63 million for the first instalment on two LNG ships and nine months 2000 also included investment in Great Yarmouth Power Station.
- (b) Nine months 2000 included investment in Green Mountain Energy Company.
- (c) 3Q 2000 included \$3,817 million and nine months 2000 included \$4,686 million for the purchase of Burmah Castrol's issued share capital.
- (d) 3Q and nine months 2000 included \$1,450 million for the acquisition of the Mobil share of the European Joint Venture.
- (e) Nine months 2001 included the acquisition of Bayer's 50% interest in Erdolchemie.
- (f) 3Q and nine months 2000 included \$1,688 million for the acquisition of the minority interest in Vastar. Nine months 2000 also included \$578 million for the acquisition of a 2.2% interest in PetroChina.

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BP p.l.c. AND SUBSIDIARIES  
ENVIRONMENTAL INDICATORS

|  | Three months ended<br>September 30<br>(Unaudited) |       | Nine months<br>September<br>(Unaudited) |
|--|---|-------|---|
|  | 2001  | 2000  | 2001                                    |
|  | -----   | ----- | -----                                   |
| Average oil realizations (a) - \$/bbl          |   |       |   |
| UK   | 24.34   | 28.46 | 25.33                                   |
| USA  | 22.38   | 27.44 | 23.58                                   |
| Rest of World                                  | 22.71   | 27.54 | 23.40                                   |
| BP average                                     | 23.08   | 27.84 | 24.22                                   |
| Brent oil price                                | 25.30   | 30.42 | 26.14                                   |
| West Texas Intermediate oil price              | 26.72   | 31.71 | 27.77                                   |
| Alaska North Slope US West Coast               | 24.05   | 29.82 | 25.01                                   |
| Average natural gas realizations - \$/mcf      |   |       |   |
| UK   | 2.52  | 2.33  | 3.05                                    |
| USA  | 2.63  | 3.87  | 4.68                                    |
| Rest of World                                  | 2.27  | 2.29  | 2.73                                    |
| BP average                                     | 2.49  | 3.01  | 3.66                                    |
| Henry Hub gas price (b) (\$/mmBtu)             | 2.93  | 4.27  | 4.88                                    |
| Global Indicator Refining Margins (c) - \$/bbl |   |       |   |

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|  |         |       |         |
|--|---------|-------|---------|
| Northwest Europe                       | 1.74    | 3.44  | 2.48    |
| US Gulf Coast                          | 3.24    | 3.87  | 5.87    |
| Midwest                                | 7.20    | 3.06  | 7.20    |
| US West Coast                          | 8.17    | 12.54 | 9.40    |
| Singapore                              | 0.75    | 3.19  | 0.80    |
| BP average                             | 3.83    | 4.83  | 4.62    |
| Chemicals Indicator Margin (d) - \$/te | 110 (e) | 128   | 107 (e) |

-----

- (a) Crude oil and natural gas liquids.
- (b) Henry Hub First of Month Index.
- (c) The Global Indicator Refining Margin (GIM) is the average of seven regional indicator margins weighted for BP's crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity.
- (d) The Chemicals Indicator Margin (CIM) is a weighted average of externally-based product margins reflecting industry supply/demand conditions. It is based on market data collected by Chem Systems in their quarterly market analyses, then weighted based on BP's product portfolio. The products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha olefins, anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses. This quarter the margin indicator has been adjusted to reflect the Erdolchemie purchase and the impact of recently divested businesses. Prior quarters have been restated.
- (e) Provisional. The data for the third quarter is based on two months' actual and one month of provisional data.

US dollar/sterling exchange rates

|                              | Three months ended<br>September 30<br>(Unaudited) |       | Nine months ended<br>September 30<br>(Unaudited) |
|------------------------------|---|-------|--|
|                              | 2001  | 2000  | 2001   |
|                              | -----   |       | -----  |
| Average rates for the period | 1.44  | 1.48  | 1.44   |
| Period-end rates             | 1.48  | 1.46  | 1.48   |
|                              | =====   | ===== | =====  |

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|                                     | Three months ended<br>September 30<br>(Unaudited) |       | Nine mont<br>Septemb<br>(Unaudi |
|-------------------------------------|---|-------|---------------------------------|
|                                     | 2001  | 2000  | 2001                            |
|                                     | -----   | ----- | -----                           |
|                                     | (\$ million)                                      |       |                                 |
| Special items                       |   |       |                                 |
| Exploration and Production          |   |       |                                 |
| UK                                  | -   | 42    | -                               |
| Rest of Europe                      | -   | -     | -                               |
| USA                                 | -   | 135   | -                               |
| Rest of World                       | -   | 15    | -                               |
|                                     | -----   | ----- | -----                           |
|                                     | -   | 192   | -                               |
|                                     | -----   | ----- | -----                           |
| Gas and Power                       |   |       |                                 |
| UK                                  | -   | -     | -                               |
| Rest of Europe                      | -   | -     | -                               |
| USA                                 | -   | -     | -                               |
| Rest of World                       | -   | -     | -                               |
|                                     | -----   | ----- | -----                           |
|                                     | -   | -     | -                               |
|                                     | -----   | ----- | -----                           |
| Refining and Marketing              |   |       |                                 |
| UK                                  | 18  | 14    | 61                              |
| Rest of Europe                      | 33  | 22    | 123                             |
| USA                                 | 11  | 58    | 19                              |
| Rest of World                       | 50  | 16    | 71                              |
|                                     | -----   | ----- | -----                           |
|                                     | 112   | 110   | 274                             |
|                                     | -----   | ----- | -----                           |
| Chemicals                           |   |       |                                 |
| UK                                  | -   | 2     | -                               |
| Rest of Europe                      | 8   | 1     | 8                               |
| USA                                 | -   | 1     | -                               |
| Rest of World                       | -   | -     | -                               |
|                                     | -----   | ----- | -----                           |
|                                     | 8   | 4     | 8                               |
|                                     | -----   | ----- | -----                           |
| Other businesses and corporate      |   |       |                                 |
| UK                                  | -   | 37    | -                               |
| Rest of Europe                      | -   | -     | -                               |
| USA                                 | -   | 49    | -                               |
| Rest of World                       | -   | -     | -                               |
|                                     | -----   | ----- | -----                           |
|                                     | -   | 86    | -                               |
|                                     | -----   | ----- | -----                           |
| Total special items before interest | 120   | 392   | 282                             |
| Interest - bond redemption charges  | 2   | -     | 62                              |
|                                     | -----   | ----- | -----                           |
| Total                               | 122   | 392   | 344                             |
|                                     | =====   | ===== | =====                           |
| Acquisition amortization            |   |       |                                 |
| Exploration and Production          |   |       |                                 |
| UK                                  | 42  | 29    | 110                             |
| USA                                 | 353   | 372   | 1,151                           |
| Rest of World                       | 34  | 11    | 101                             |
|                                     | -----   | ----- | -----                           |



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|                        |       |       |       |
|------------------------|-------|-------|-------|
|                        | 429   | 412   | 1,362 |
|                        | ----- | ----- | ----- |
| Refining and Marketing |       |       |       |
| UK                     | 93    | 104   | 295   |
| USA                    | 81    | 81    | 243   |
|                        | ----- | ----- | ----- |
|                        | 174   | 185   | 538   |
|                        | ===== | ===== | ===== |
| Total                  | 603   | 597   | 1,900 |
|                        | ===== | ===== | ===== |

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

1. The results for the interim periods are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. The interim financial statements and notes included in this Report should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2000 included in BP's Annual Report on Form 20-F filed with the Securities and Exchange Commission.

2. Business held for resale

The sale of Foseco was completed during the third quarter of 2001. The other former Burmah Castrol chemicals businesses originally categorized as businesses held for resale will for now be retained and have been included within the Chemicals segment from July 1, 2001.

|                                | Three months ended<br>September 30<br>(Unaudited) | September 30<br>(Unaudited) | Nine months ended<br>September 30<br>(Unaudited) |
|--------------------------------|---|-----------------------------|--|
|                                | 2001  | 2000                        | 2001   |
|                                | -----   | -----                       | -----  |
|                                | (\$ million)                                      |                             |  |
| 3. Turnover                    |   |                             |  |
| By business                    |   |                             |  |
| Exploration and Production     | 6,335   | 8,195                       | 22,893   |
| Gas and Power                  | 9,241   | 5,481                       | 31,756   |
| Refining and Marketing         | 30,925  | 31,311                      | 93,705   |
| Chemicals                      | 3,272   | 2,798                       | 9,034  |
| Other businesses and corporate | 204   | 106                         | 567  |
|                                | -----   | -----                       | -----  |
|                                | 49,977  | 47,891                      | 157,955  |
| Less: sales between businesses | 6,397   | 5,260                       | 20,554   |
|                                | -----   | -----                       | -----  |
| Group excluding joint ventures | 43,580  | 42,631                      | 137,401  |
| Sales of joint ventures        | 306   | 2,231                       | 874  |
|                                | -----   | -----                       | -----  |
|                                | 43,886  | 44,862                      | 138,275  |
|                                | =====   | =====                       | =====  |
| By geographical area           |   |                             |  |
| UK                             | 12,272  | 11,956                      | 36,186   |

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|                                |        |        |         |
|--------------------------------|--------|--------|---------|
| Rest of Europe                 | 9,026  | 5,603  | 28,044  |
| USA                            | 21,375 | 21,513 | 68,657  |
| Rest of World                  | 8,006  | 8,271  | 26,626  |
|                                | -----  | -----  | -----   |
|                                | 50,679 | 47,343 | 159,513 |
| Less: Sales between areas      | 7,099  | 4,712  | 22,112  |
|                                | -----  | -----  | -----   |
| Group excluding joint ventures | 43,580 | 42,631 | 137,401 |
|                                | =====  | =====  | =====   |
| Sales of joint ventures        |        |        |         |
| UK                             | -      | 540    | -       |
| Rest of Europe                 | -      | 1,951  | -       |
| USA                            | 49     | 24     | 236     |
| Rest of World                  | 257    | 240    | 638     |
|                                | -----  | -----  | -----   |
|                                | 306    | 2,755  | 874     |
| Less: sales between areas      | -      | 524    | -       |
|                                | -----  | -----  | -----   |
|                                | 306    | 2,231  | 874     |
|                                | =====  | =====  | =====   |
| 4. Production taxes            |        |        |         |
| UK petroleum revenue tax       | 80     | 171    | 453     |
| Overseas production taxes      | 257    | 340    | 900     |
|                                | -----  | -----  | -----   |
|                                | 337    | 511    | 1,353   |
|                                | =====  | =====  | =====   |

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

|                            | Three months ended<br>September 30<br>(Unaudited) |       | Nine months<br>September<br>(Unaudited) |
|----------------------------|---|-------|---|
|                            | 2001  | 2000  | 2001                                    |
|                            | -----   | ----- | -----                                   |
|                            | (\$ million)                                      |       |   |
| 5. Exploration expense     |   |       |   |
| Exploration and Production |   |       |   |
| UK                         | 1   | -     | 5                                       |
| Rest of Europe             | 10  | 20    | 15                                      |
| USA                        | 41  | 60    | 174                                     |
| Rest of World              | 34  | 63    | 142                                     |
|                            | -----   | ----- | -----                                   |
|                            | 86  | 143   | 336                                     |
|                            | =====   | ===== | =====                                   |
| 6. Replacement cost profit |   |       |   |

Replacement cost profits reflect the current cost of supplies. The replacement cost profit for the period is arrived at by excluding from the historical cost profit inventory holding gains and losses. These are the difference between the amount that is charged to cost of sales on a first-in, first-out (FIFO) basis of inventory valuation and the amount charged to cost of sales based on the average cost of supplies incurred

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during the period. The former basis is used in arriving at the historical cost result whereas the latter basis is used in arriving at the replacement cost result. For further discussion of replacement cost operating profit see Item 3 of BP's Annual Report on Form 20-F for the year ended December 31, 2000.

### 7. Total replacement cost operating profit

#### By business

##### Exploration and Production

|                |       |       |        |
|----------------|-------|-------|--------|
| UK             | 729   | 997   | 2,853  |
| Rest of Europe | 188   | 221   | 604    |
| USA            | 850   | 1,247 | 4,189  |
| Rest of World  | 874   | 1,087 | 3,116  |
|                | ----- | ----- | -----  |
|                | 2,641 | 3,552 | 10,762 |
|                | ----- | ----- | -----  |

##### Gas and Power

|                |       |       |       |
|----------------|-------|-------|-------|
| UK             | 36    | 14    | 87    |
| Rest of Europe | 24    | 28    | 120   |
| USA            | 89    | 14    | 220   |
| Rest of World  | (19)  | 76    | (12)  |
|                | ----- | ----- | ----- |
|                | 130   | 132   | 415   |
|                | ----- | ----- | ----- |

##### Refining and Marketing

|                |       |       |       |
|----------------|-------|-------|-------|
| UK             | (51)  | 63    | (278) |
| Rest of Europe | 222   | 233   | 535   |
| USA            | 696   | 600   | 2,578 |
| Rest of World  | 136   | 68    | 398   |
|                | ----- | ----- | ----- |
|                | 1,003 | 964   | 3,233 |
|                | ----- | ----- | ----- |

##### Chemicals

|                |       |       |       |
|----------------|-------|-------|-------|
| UK             | (58)  | (17)  | (141) |
| Rest of Europe | 87    | 75    | 186   |
| USA            | 59    | 161   | 71    |
| Rest of World  | 17    | 44    | 79    |
|                | ----- | ----- | ----- |
|                | 105   | 263   | 195   |
|                | ----- | ----- | ----- |

##### Other businesses and corporate

|  |       |       |        |
|--|-------|-------|--------|
|  | (122) | (216) | (377)  |
|  | ----- | ----- | -----  |
|  | 3,757 | 4,695 | 14,228 |
|  | ===== | ===== | =====  |

##### By geographical area

|                |       |       |        |
|----------------|-------|-------|--------|
| UK             | 552   | 999   | 2,293  |
| Rest of Europe | 512   | 578   | 1,426  |
| USA            | 1,582 | 1,856 | 6,806  |
| Rest of World  | 1,111 | 1,262 | 3,703  |
|                | ----- | ----- | -----  |
|                | 3,757 | 4,695 | 14,228 |
|                | ===== | ===== | =====  |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

|   | Three months ended<br>September 30<br>(Unaudited) |       | Nine mont<br>Septemb<br>(Unaudi |
|---|---|-------|---------------------------------|
|   | 2001  | 2000  | 2001                            |
|   | (\$ million)                                      |       |                                 |
| 8. Analysis of exceptional items  |   |       |                                 |
| Profit (loss) on sale of fixed assets and<br>businesses and termination of operations |   |       |                                 |
| Exploration and Production  | 3   | 9     | 280                             |
| Gas and Power   | -   | (1)   | (1)                             |
| Refining and Marketing  | 247   | 161   | 453                             |
| Chemicals   | (81)  | (30)  | (167)                           |
| Other businesses and corporate  | 15  | (1)   | 8                               |
|   | -----   | ----- | -----                           |
| Exceptional items before taxation   | 184   | 138   | 573                             |
| Taxation charge   | (194)   | (278) | (379)                           |
|   | -----   | ----- | -----                           |
| Exceptional items after taxation  | (10)  | (140) | 194                             |
|   | =====   | ===== | =====                           |
| 9. Inventory holding gains (losses)   |   |       |                                 |
| Exploration and Production  | (1)   | 3     | (1)                             |
| Gas and Power   | (17)  | -     | (61)                            |
| Refining and Marketing  | (301)   | 524   | (445)                           |
| Chemicals   | (86)  | 17    | (96)                            |
|   | -----   | ----- | -----                           |
|   | (405)   | 544   | (603)                           |
|   | =====   | ===== | =====                           |
| 10. Interest expense  |   |       |                                 |
| Group interest payable (a)  | 292   | 384   | 1,022                           |
| Capitalized   | (19)  | (32)  | (74)                            |
|   | -----   | ----- | -----                           |
|   | 273   | 352   | 948                             |
| Joint ventures  | 16  | 24    | 49                              |
| Associated undertakings   | 33  | 36    | 109                             |
| Unwinding of discount on provisions   | 47  | 48    | 150                             |
|   | -----   | ----- | -----                           |
|   | 369   | 460   | 1,256                           |
|   | =====   | ===== | =====                           |
| (a) Includes charges relating<br>to the early redemption of debt                      | 2   | -     | 62                              |
|   | -----   | ----- | -----                           |
| 11. Charge for taxation   |   |       |                                 |
| United Kingdom  | 244   | 269   | 766                             |
| Overseas  | 968   | 1,285 | 3,714                           |
|   | -----   | ----- | -----                           |
|   | 1,212   | 1,554 | 4,480                           |
|   | =====   | ===== | =====                           |

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

|  | Three months ended<br>September 30<br>(Unaudited) |        | Nine months ended<br>September 30<br>(Unaudited) |
|--|---|--------|--|
|  | 2001  | 2000   | 2001   |
|  | -----   |        |  |
|  | (\$ million)                                      |        |  |
| 12. Return on average capital employed (ROACE)     |   |        |  |
| Replacement cost basis                             |   |        |  |
| Replacement cost profit before exceptional items   | 2,355   | 2,947  | 8,824  |
| Interest   | 369   | 460    | 1,256  |
| Minority shareholders' interest                    | 15  | 12     | 47   |
|  | -----   | -----  | -----  |
|  | 2,739   | 3,419  | 10,127   |
|  | =====   | =====  | =====  |
| Average capital employed                           | 96,906  | 96,333 | 96,387   |
| ROACE  | 11.3%   | 14.2%  | 14.0%  |
|  | -----   | -----  | -----  |
| Acquisitions and special items adjustments         |   |        |  |
| Acquisition amortization                           | 603   | 560    | 1,900  |
| Special items (post tax)                           | 89  | 289    | 204  |
| Average capital employed                           | 19,677  | 22,172 | 20,325   |
| ROACE - pro forma basis adjusted for special items | 17.8%   | 23.0%  | 21.4%  |
|  | -----   | -----  | -----  |
| Historical cost basis                              |   |        |  |
| Historical cost profit after exceptional items     | 1,940   | 3,351  | 8,415  |
| Interest   | 369   | 460    | 1,256  |
| Minority shareholders' interest                    | 15  | 12     | 47   |
|  | -----   | -----  | -----  |
|  | 2,324   | 3,823  | 9,718  |
|  | =====   | =====  | =====  |
| ROACE  | 9.6%  | 16.4%  | 13.4%  |
|  | =====   | =====  | =====  |

\* As the acquisition of ARCO was completed in April and of Burmah Castrol in July, it is not meaningful to show ROACE for the nine months ended September 30, 2000.

|                                     |        |        |        |
|-------------------------------------|--------|--------|--------|
| 13. Analysis of changes in net debt |        |        |        |
| Opening balance                     |        |        |        |
| Finance debt                        | 20,498 | 19,187 | 21,190 |
| Less: Cash                          | 1,103  | 3,313  | 1,170  |
| Current asset investments           | 563    | 2,616  | 661    |
|                                     | -----  | -----  | -----  |
| Opening net debt                    | 18,832 | 13,258 | 19,359 |
|                                     | -----  | -----  | -----  |
| Closing balance                     |        |        |        |
| Finance debt                        | 20,474 | 19,688 | 20,474 |
| Less: Cash                          | 1,438  | 1,607  | 1,438  |

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|  |        |         |        |
|--|--------|---------|--------|
| Current asset investments  | 519    | 862     | 519    |
|  | -----  | -----   | -----  |
| Closing net debt   | 18,517 | 17,219  | 18,517 |
|  | -----  | -----   | -----  |
| Decrease (increase) in net debt                                    | 315    | (3,961) | 842    |
|  | =====  | =====   | =====  |
| Movement in cash/bank overdrafts                                   | 319    | (1,693) | 304    |
| (Decrease) increase in current asset investments                   | (43)   | (1,755) | (145)  |
| Net cash (inflow) outflow from financing (excluding share capital) | 278    | 616     | 813    |
| Other movements  | (102)  | (27)    | (20)   |
| Debt acquired  | -      | (949)   | (47)   |
|  | -----  | -----   | -----  |
| Movements in net debt before exchange effects                      | 452    | (3,808) | 905    |
| Exchange adjustments   | (137)  | (153)   | (63)   |
|  | -----  | -----   | -----  |
| Decrease (increase) in net debt                                    | 315    | (3,961) | 842    |
|  | =====  | =====   | =====  |

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

|  | Three months ended<br>September 30<br>(Unaudited) |        | Nine mont<br>Septemb<br>(Unaudi |
|--|---|--------|---------------------------------|
|  | 2001  | 2000   | 2001                            |
|  | -----   | -----  | -----                           |
|  |   |        | (\$ million)                    |
| 14. Net debt ratio - net debt: net debt + equity |   |        |                                 |
| Gross debt                                       | 20,474  | 19,688 | 20,474                          |
| Cash and current asset investments               | 1,957   | 2,469  | 1,957                           |
|  | -----   | -----  | -----                           |
| Net debt   | 18,517  | 17,219 | 18,517                          |
| Equity   | 77,109  | 73,673 | 77,109                          |
|  | -----   | -----  | -----                           |
| Net debt ratio                                   | 19%   | 19%    | 19%                             |
| Acquisition adjustment (a)                       | 19,375  | 21,137 | 19,375                          |
|  | -----   | -----  | -----                           |
| Net debt ratio - pro forma basis (b)             | 24%   | 25%    | 24%                             |
|  | =====   | =====  | =====                           |

-----

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

15. Movement in BP shareholders' interest \$ million  
(Unaudited)

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|                                      |         |
|--------------------------------------|---------|
| Balance at December 31, 2000         | 73,416  |
| Profit for the period                | 8,415   |
| Distribution to shareholders         | (3,646) |
| Currency translation differences     | (592)   |
| Employee share schemes               | 168     |
| Share buyback                        | (1,182) |
| Redemption of ARCO preference shares | (116)   |
|                                      | -----   |
| Balance at September 30, 2001        | 76,463  |
|                                      | =====   |

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

16. US generally accepted accounting principles

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 United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

| Profit for the period  | Three months ended |       | Nine mont |
|--|--------------------|-------|-----------|
|  | September 30       |       | Septemb   |
|  | (Unaudited)        |       | (Unaudi   |
|  | 2001               | 2000  | 2001      |
|  | -----              | ----- | -----     |
|  | (\$ million)       |       |           |
| Profit as reported in the consolidated statement of income   | 1,940              | 3,351 | 8,415     |
| Adjustments:   | -----              | ----- | -----     |
| Depreciation charge  | (265)              | (138) | (844)     |
| Decommissioning and environmental expense  | (129)              | (48)  | (313)     |
| Onerous property leases  | (7)                | (9)   | (41)      |
| Derivative financial instruments   | (58)               | -     | (257)     |
| Interest expense   | 47                 | 48    | 150       |
| Deferred taxation  | 238                | 48    | 185       |
| Other  | 4                  | 14    | 14        |
|  | -----              | ----- | -----     |
|  | (170)              | (85)  | (1,106)   |
|  | -----              | ----- | -----     |
| Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP | 1,770              | 3,266 | 7,309     |
| Cumulative effect of accounting change:  |                    |       |           |
| Derivative financial instruments   | -                  | -     | (18)      |
|  | -----              | ----- | -----     |
| Profit for the period as adjusted to accord with US GAAP   | 1,770              | 3,266 | 7,291     |
|  | =====              | ===== | =====     |

Profit for the period as adjusted:

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|   |       |       |        |
|---|-------|-------|--------|
| Per ordinary share - cents                              |       |       |        |
| Basic - before cumulative effect of accounting change   | 7.89  | 14.48 | 32.56  |
| Cumulative effect of accounting change                  | -     | -     | (0.08) |
|   | ----- | ----- | -----  |
|   | 7.89  | 14.48 | 32.48  |
|   | ----- | ----- | -----  |
|   |       |       |        |
| Diluted - before cumulative effect of accounting change | 7.85  | 14.37 | 32.35  |
| Cumulative effect of accounting change                  | -     | -     | (0.08) |
|   | ----- | ----- | -----  |
|   | 7.85  | 14.37 | 32.27  |
|   | ----- | ----- | -----  |
| Per American Depositary Share - cents (a)               |       |       |        |
| Basic - before cumulative effect of accounting change   | 47.34 | 86.88 | 195.36 |
| Cumulative effect of accounting change                  | -     | -     | (0.48) |
|   | ----- | ----- | -----  |
|   | 47.34 | 86.88 | 194.88 |
|   | ----- | ----- | -----  |
|   |       |       |        |
| Diluted - before cumulative effect of accounting change | 47.10 | 86.22 | 194.10 |
| Cumulative effect of accounting change                  | -     | -     | (0.48) |
|   | ----- | ----- | -----  |
|   | 47.10 | 86.22 | 193.62 |
|   | ----- | ----- | -----  |

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

16.US generally accepted accounting principles - continued

| BP shareholders' interest  | September 30, 2001<br>(Unaudited) | December 31, 2000 |
|--|-----------------------------------|-------------------|
|  | -----                             | -----             |
|  | (\$ million)                      |                   |
| BP shareholders' interest as reported<br>in the consolidated balance sheet | 76,463                            | 73,416            |
| Adjustments:   | -----                             | -----             |
| Fixed assets   | 7,926                             | 8,777             |
| Ordinary shares held for future awards to employees                        | (293)                             | (360)             |
| Sale and leaseback of Chicago office building                              | (413)                             | (413)             |
| Decommissioning and environmental provisions                               | (1,106)                           | (921)             |
| Onerous property leases  | 67                                | 105               |
| Derivative financial instruments   | (273)                             | -                 |
| Deferred taxation  | (15,700)                          | (15,843)          |
| Quarterly dividend   | 1,232                             | 1,178             |
| Pension liability adjustment   | (145)                             | (145)             |
| Other  | (112)                             | (128)             |
|  | -----                             | -----             |
|  | (8,817)                           | (7,750)           |
|  | -----                             | -----             |
| BP shareholders' interest as adjusted<br>to accord with US GAAP            | 67,646                            | 65,666            |



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- (a) One American Depositary Share is equivalent to six ordinary shares.
- (b) As reported in Note 43 of Notes to Financial Statements included in BP's Annual Report on Form 20-F for the year ended December 31, 2000.

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

## 16.US generally accepted accounting principles - continued

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

|   | Three months ended<br>September 30<br>(Unaudited) | September 30<br>(Unaudited) | September 30<br>(Unaudited) |
|---|---|-----------------------------|-----------------------------|
|   | 2001  | 2000                        | 2001                        |
|   | -----   |                             | -----                       |
|   | (\$ million)                                      |                             |                             |
| Operating activities  |   |                             |                             |
| Profit after taxation   | 1,955   | 3,363                       | 8,462                       |
| Adjustments to reconcile profits after tax to net cash provided by operating activities |   |                             |                             |
| Depreciation and amounts provided   | 2,077   | 2,093                       | 6,320                       |
| Exploration expenditure written off   | 23  | 51                          | 153                         |
| Share of profits of joint ventures and associates less dividends received               | 17  | (187)                       | (8)                         |
| (Profit) loss on sale of businesses and fixed assets                                    | (184)   | (136)                       | (573)                       |
| Working capital movement (see analysis below)   | 561   | 281                         | (768)                       |
| Other   | (145)   | (1,431)                     | (154)                       |
|   | -----   | -----                       | -----                       |
| Net cash provided by operating activities   | 4,304   | 4,034                       | 13,432                      |
|   | -----   | -----                       | -----                       |
| Investing activities  |   |                             |                             |
| Capital expenditures  | (2,952)   | (2,258)                     | (8,600)                     |
| Acquisitions, net of cash acquired  | (48)  | (5,095)                     | (608)                       |
| Investment in associated undertakings   | (139)   | (456)                       | (407)                       |
| Net investment in joint ventures  | (144)   | (95)                        | (277)                       |
| Proceeds from disposal of assets  | 1,131   | 2,630                       | 2,057                       |
|   | -----   | -----                       | -----                       |
| Net cash used in investing activities   | (2,152)   | (5,274)                     | (7,835)                     |
|   | -----   | -----                       | -----                       |
| Financing activities  |   |                             |                             |
| Net proceeds from shares (repurchased) issued   | (352)   | (452)                       | (1,014)                     |
| Proceeds from long-term financing   | 7   | 132                         | 1,029                       |
| Repayments of long-term financing   | (988)   | (483)                       | (2,168)                     |
| Net increase (decrease) in short-term debt  | 703   | (265)                       | 326                         |
| Dividends paid - BP shareholders  | (1,235)   | (1,128)                     | (3,595)                     |

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|  |         |         |         |
|--|---------|---------|---------|
| - Minority shareholders  | (11)    | (12)    | (16)    |
|  | -----   | -----   | -----   |
| Net cash used in financing activities                                  | (1,876) | (2,208) | (5,438) |
|  | -----   | -----   | -----   |
| Currency translation differences relating to cash and cash equivalents | 15      | (12)    | (33)    |
|  | -----   | -----   | -----   |
| (Decrease) increase in cash and cash equivalents                       | 291     | (3,460) | 126     |
|  | -----   | -----   | -----   |
| Cash and cash equivalents at beginning of period                       | 1,666   | 5,929   | 1,831   |
|  | -----   | -----   | -----   |
| Cash and cash equivalents at end of period                             | 1,957   | 2,469   | 1,957   |
|  | =====   | =====   | =====   |
| <br>   |         |         |         |
| Analysis of working capital movement                                   |         |         |         |
| Decrease (increase) in inventories                                     | 135     | (398)   | 122     |
| Decrease (increase) in receivables                                     | 2,249   | (57)    | 703     |
| (Decrease) increase in current liabilities (excluding finance debt)    | (1,823) | 736     | (1,593) |
|  | -----   | -----   | -----   |
| Total working capital movement   | 561     | 281     | (768)   |
|  | =====   | =====   | =====   |

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

16. US generally accepted accounting principles - continued

Earnings per share

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

|   | Three months ended<br>September 30<br>(Unaudited) |                  | Nine months ended<br>September 30<br>(Unaudited) |
|---|---|------------------|--|
|   | 2001  | 2000             | 2001   |
|   | -----   | -----            | -----  |
|   |   |                  |  |
|   |   | (shares million) |  |
| Weighted average number of ordinary shares            | 22,425  | 22,560           | 22,449   |
| Ordinary shares issuable under employee share schemes | 134   | 168              | 142  |
|   | -----   | -----            | -----  |
|   | 22,559  | 22,728           | 22,591   |
|   | =====   | =====            | =====  |

Comprehensive income

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

|   | Three months ended<br>September 30<br>(Unaudited) |         | Nine mont<br>Septemb<br>(Unaudi |
|---|---|---------|---------------------------------|
|   | 2001  | 2000    | 2001                            |
|   | -----   |         |                                 |
|   | (\$ million)                                      |         |                                 |
| Profit for the period as adjusted<br>to accord with US GAAP | 1,770   | 3,266   | 7,291                           |
| Currency translation differences                            | 1,007   | (1,163) | (592)                           |
| Derivative financial instruments                            | (7)   | -       | 8                               |
| Pension liability   | -   | -       | -                               |
|   | -----   | -----   | -----                           |
| Comprehensive income  | 2,770   | 2,103   | 6,707                           |
|   | =====   | =====   | =====                           |

Accumulated other comprehensive income at September 30, 2001 and December 31, 2000 comprised losses of \$4,611 million and \$4,027 million, respectively.

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

16.US generally accepted accounting principles - continued

Accounting for associated undertakings and joint ventures

Under the provisions of UK Financial Reporting Standard No.9 'Associates and Joint Ventures', the Company includes its share of the results of associated undertakings and joint ventures (JVs) within various captions in the consolidated statement of income. Under US GAAP, the Company's share of the after tax profit or loss of associated undertakings and joint ventures would be recognized as a single amount. The following summarizes the reclassifications necessary to accord with US GAAP.

|  | Three months ended September 30, 2001<br>(Unaudited) |                  |                         |
|--|--|------------------|-------------------------|
|  | As<br>Reported                                       | Reclassification | US GAAP<br>Presentation |
|  | -----  |                  |                         |
|  | (\$ million)   |                  |                         |
| Consolidated statement of income                       |  |                  |                         |
| Other income   | 179  | 164              | 343                     |
| Share of profits of JVs and<br>associated undertakings | 280  | (280)            | -                       |
| Exceptional items before taxation                      | 184  | -                | 184                     |
| Inventory holding gains (losses)                       | (405)  | 2                | (403)                   |
| Interest expense                                       | 369  | (49)             | 320                     |

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|                       |       |      |       |
|-----------------------|-------|------|-------|
| Taxation              | 1,212 | (65) | 1,147 |
| Profit for the period | 1,940 | -    | 1,940 |

Nine months ended September 30, 2001  
(Unaudited)

|  | As<br>Reported | Reclassification | US GAAP<br>Presentation |
|--|----------------|------------------|-------------------------|
| (\$ million)   |                |                  |                         |
| Consolidated statement of income                       |                |                  |                         |
| Other income   | 486            | 524              | 1,010                   |
| Share of profits of JVs and<br>associated undertakings | 893            | (893)            | -                       |
| Exceptional items before taxation                      | 573            | 1                | 574                     |
| Inventory holding gains (losses)                       | (603)          | 1                | (602)                   |
| Interest expense                                       | 1,256          | (158)            | 1,098                   |
| Taxation   | 4,480          | (209)            | 4,271                   |
| Profit for the period                                  | 8,415          | -                | 8,415                   |

Three months ended September 30, 2000  
(Unaudited)

|  | As<br>Reported | Reclassification | US GAAP<br>Presentation |
|--|----------------|------------------|-------------------------|
| (\$ million)   |                |                  |                         |
| Consolidated statement of income                       |                |                  |                         |
| Other income   | 73             | 405              | 478                     |
| Share of profits of JVs and<br>associated undertakings | 476            | (476)            | -                       |
| Exceptional items before taxation                      | 138            | (2)              | 136                     |
| Inventory holding gains (losses)                       | 544            | (37)             | 507                     |
| Interest expense                                       | 460            | (60)             | 400                     |
| Taxation   | 1,554          | (50)             | 1,504                   |
| Profit for the period                                  | 3,351          | -                | 3,351                   |

Nine months ended September 30, 2000  
(Unaudited)

|  | As<br>Reported | Reclassification | US GAAP<br>Presentation |
|--|----------------|------------------|-------------------------|
| (\$ million)   |                |                  |                         |
| Consolidated statement of income                       |                |                  |                         |
| Other income   | 533            | 1,218            | 1,751                   |
| Share of profits of JVs and<br>associated undertakings | 1,248          | (1,248)          | -                       |
| Exceptional items before taxation                      | 142            | (24)             | 118                     |
| Inventory holding gains (losses)                       | 1,289          | (231)            | 1,058                   |
| Interest expense                                       | 1,159          | (157)            | 1,002                   |
| Taxation   | 3,730          | (128)            | 3,602                   |
| Profit for the period                                  | 9,460          | -                | 9,460                   |

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### 16.US generally accepted accounting principles - continued

#### Derivative instruments and hedging activities

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

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

The Group's accounting policies under UK GAAP do not satisfy the criteria for hedge accounting under SFAS 133. The Group does not intend to modify its practice under UK GAAP.

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 those derivative instruments, there was no impact of adopting SFAS 133 on the Group's results of operations and financial position, as adjusted to accord with US GAAP. Certain financial derivatives used to manage foreign currency and interest rate risk that qualify for hedge accounting under UK GAAP are marked to market under SFAS 133. For these derivatives, the cumulative effect of adopting SFAS 133 resulted in a pre tax charge to income, as adjusted to accord with US GAAP, of \$27 million (\$18 million after tax) and a pre tax credit to other comprehensive income of \$57 million (\$37 million after tax). The net gain included in other comprehensive income as of January 1, 2001 is expected to be reclassified into earnings during 2001. During the first nine months of 2001 a pre-tax credit of \$45 million (\$29 million after tax) included in other comprehensive income was reclassified into earnings. Under US GAAP the fair values of derivative financial instruments is shown as current assets and liabilities as appropriate.

Because the Company does not intend to modify its accounting practice to satisfy the criteria for hedge accounting under SFAS 133, the Group's results of operations, as adjusted to accord with US GAAP, will not necessarily be representative of the results it would report if US GAAP were used to prepare the consolidated financial statements of the Group and the Group sought to meet the hedge criteria of SFAS 133.

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### 16.US generally accepted accounting principles - concluded

#### Recently issued accounting standards

In June 2001 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No.141 'Business Combinations' (SFAS 141) and No. 142 'Goodwill and Other Intangible Assets' (SFAS 142). Under SFAS 141, the pooling of interest method of accounting is no longer permitted; the purchase method must be used for all business combinations initiated after June 30, 2001. SFAS 142, which is effective for accounting periods beginning after December 15, 2001, eliminates the requirement to amortize goodwill and indefinite lived intangible assets. Rather, such assets are subject to periodic impairment testing. Intangible assets that are not deemed to have an indefinite life will continue to be amortized over their estimated useful lives.

It is estimated that application of these new standards would increase the Group's results of operations, as adjusted to accord with US GAAP, by approximately \$1,300 million for the year ended December 31, 2002, assuming no impairment of goodwill.

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

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

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, 'Accounting for the Impairment or Disposal of Long-Lived Assets' (SFAS 144). SFAS 144 retains the requirement to recognize an impairment loss only where the carrying value of a long-lived asset is not recoverable from its undiscounted cash flows and to measure such loss as the difference between the carrying amount and fair value of the asset. SFAS 144, among other things, changes the criteria that have to be met in order to classify an asset as held-for-sale and requires that operating losses from discontinued operations be recognized in the period that the losses are incurred rather than as of the measurement date. SFAS 144 is effective for accounting periods beginning after December 15, 2001.

The Company has not yet determined the effect of adopting SFAS 144 on its results of operations and shareholders' interest as adjusted to accord with US GAAP.

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### 17. Restatement of 2000 segment information

On January 1, 2001 the natural gas liquids (NGL) operations located in the USA and Canada, were moved to the Gas and Power business from Refining and Marketing. Comparative information for 2000 has been restated as shown below.

|  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|--|------------------|-------------------|------------------|-------------------|
| (\$ million)                                     |                  |                   |                  |                   |
| Replacement cost operating profit                |                  |                   |                  |                   |
| Previously reported Refining and Marketing total | 674              | 1,271             | 1,048            | 915               |
| Previously reported Gas and Power total          | 52               | 26                | 48               | 60                |
|  |                  |                   |                  |                   |
| Restated as:                                     |                  |                   |                  |                   |
| Refining and Marketing                           |                  |                   |                  |                   |
| UK   | 33               | 148               | 63               | (71)              |
| Rest of Europe                                   | 36               | 130               | 233              | 354               |
| USA  | 409              | 814               | 600              | 388               |
| Rest of World                                    | 106              | 91                | 68               | 121               |
|  |                  |                   |                  |                   |
|  | 584              | 1,183             | 964              | 792               |
|  |                  |                   |                  |                   |
| Gas and Power                                    |                  |                   |                  |                   |
| UK   | (5)              | 4                 | 14               | 1                 |
| Rest of Europe                                   | 55               | 11                | 28               | 54                |
| USA  | 14               | 47                | 14               | 29                |
| Rest of World                                    | 78               | 52                | 76               | 99                |
|  |                  |                   |                  |                   |
|  | 142              | 114               | 132              | 183               |
|  |                  |                   |                  |                   |
| Turnover   |                  |                   |                  |                   |
| Previously reported Refining and Marketing total | 20,778           | 25,120            | 32,555           | 34,362            |
| Previously reported Gas and Power total          | 2,173            | 2,772             | 4,237            | 6,899             |
|  |                  |                   |                  |                   |
| Restated as:                                     |                  |                   |                  |                   |
| Refining and Marketing                           | 19,696           | 24,168            | 31,311           | 32,708            |
| Gas and Power                                    | 3,255            | 3,724             | 5,481            | 8,553             |
|  |                  |                   |                  |                   |

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

#### 17. Restatement of 2000 segment information - concluded

|  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|--|------------------|-------------------|------------------|-------------------|
| (\$ million)                                     |                  |                   |                  |                   |
| Exceptional items                                |                  |                   |                  |                   |
| Previously reported Refining and Marketing total | 19               | 5                 | 160              | (85)              |
| Previously reported Gas and Power total          | -                | -                 | -                | -                 |
| Restated as:                                     |                  |                   |                  |                   |
| Refining and Marketing                           | 19               | 5                 | 161              | (87)              |
| Gas and Power                                    | -                | -                 | (1)              | 2                 |
| Capital expenditure and acquisitions             |                  |                   |                  |                   |
| Previously reported Refining and Marketing total | 1,102            | 518               | 5,504            | 1,626             |
| Previously reported Gas and Power total          | 7                | 57                | 114              | 101               |
| Restated as:                                     |                  |                   |                  |                   |
| Refining and Marketing                           |                  |                   |                  |                   |
| UK   | 889              | 29                | 4,098            | 393               |
| Rest of Europe                                   | 44               | 65                | 1,275            | 328               |
| USA  | 76               | 334               | 30               | 652               |
| Rest of World                                    | 87               | 76                | 90               | 227               |
| 1,096      504      5,493      1,600             |                  |                   |                  |                   |
| Gas and Power                                    |                  |                   |                  |                   |
| UK   | 2                | 28                | 78               | 86                |
| Rest of Europe                                   | 1                | 1                 | 1                | 13                |
| USA  | 1                | 30                | 37               | 5                 |
| Rest of World                                    | 9                | 12                | 9                | 23                |
| 13      71      125      127                     |                  |                   |                  |                   |
|  |                  |                   |                  |                   |

#### 18. Condensed Consolidating Information

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



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

18. Condensed consolidating information - continued

|   | Issuer             | Issuer                             | Guarantor |                       |
|---|--------------------|------------------------------------|-----------|-----------------------|
|   | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|   | (\$ million)       |                                    |           |                       |
| Three months ended September 30, 2001   |                    |                                    |           |                       |
| Turnover  | 549                | 300                                | -         | 43,337                |
| Less: Joint ventures  | -                  | -                                  | -         | 306                   |
| Group turnover  | 549                | 300                                | -         | 43,031                |
| Replacement cost of sales   | 541                | 231                                | -         | 36,526                |
| Production taxes  | -                  | 44                                 | -         | 293                   |
| Gross profit  | 8                  | 25                                 | -         | 6,212                 |
| Distribution and administration expenses  | -                  | -                                  | (2)       | 2,867                 |
| Exploration expense   | -                  | 5                                  | -         | 81                    |
| Other income  | 8                  | 20                                 | 2         | 3,264                 |
|   | 3                  | -                                  | 368       | 176                   |
| Group replacement cost operating profit   | 11                 | 20                                 | 370       | 3,440                 |
| Share of profits of joint ventures  | -                  | -                                  | -         | 125                   |
| Share of profits of associated undertakings   | -                  | -                                  | -         | 155                   |
| Equity accounted income of subsidiaries   | 3,108              | 335                                | 3,738     | -                     |
| Total replacement cost operating profit   | 3,119              | 355                                | 4,108     | 3,720                 |
| Profit (loss) on sale of fixed assets and<br>businesses and termination of operations | 168                | -                                  | 184       | 184                   |
| Replacement cost profit<br>before interest and tax                                    | 3,287              | 355                                | 4,292     | 3,904                 |
| Inventory holding gains (losses)  | (205)              | (6)                                | (405)     | (404)                 |
| Historical cost profit before<br>interest and tax                                     | 3,082              | 349                                | 3,887     | 3,500                 |
| Interest expense  | 367                | 8                                  | 735       | 739                   |
| Profit before taxation  | 2,715              | 341                                | 3,152     | 2,761                 |
| Taxation  | 825                | 7                                  | 1,212     | 1,293                 |
| Profit after taxation   | 1,890              | 334                                | 1,940     | 1,468                 |
| Minority shareholders' interest   | -                  | -                                  | -         | 15                    |
| Profit for the period   | 1,890              | 334                                | 1,940     | 1,453                 |

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

18. Condensed consolidating information - continued

Income statement (continued)

The following is a summary of the adjustments to 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             | Issuer                             | Guarantor |                       |
|---|--------------------|------------------------------------|-----------|-----------------------|
|   | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|   | (\$ million)       |                                    |           |                       |
| Three months ended September 30, 2001                       |                    |                                    |           |                       |
| Profit as reported  | 1,890              | 334                                | 1,940     | 1,453                 |
| Adjustments:  |                    |                                    |           |                       |
| Depreciation charge   | (283)              | (9)                                | (265)     | (256)                 |
| Decommissioning and environmental expense                   | (127)              | (2)                                | (129)     | (127)                 |
| Onerous property leases                                     | (25)               | -                                  | (7)       | (7)                   |
| Derivative financial instruments                            | 14                 | -                                  | (58)      | (34)                  |
| Interest expense  | 24                 | 2                                  | 47        | 45                    |
| Sale and leaseback of fixed assets                          | -                  | -                                  | -         | -                     |
| Deferred taxation   | (143)              | (32)                               | 238       | 268                   |
| Other   | 1                  | -                                  | 4         | 4                     |
| Profit for the period as adjusted to<br>accord with US GAAP | 1,351              | 293                                | 1,770     | 1,346                 |

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

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18. Condensed consolidating information - continued

|   | Issuer             | Issuer                             | Guarantor |                       |
|---|--------------------|------------------------------------|-----------|-----------------------|
|   | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
| Income statement (continued)  |                    |                                    |           |                       |
|   | (\$ million)       |                                    |           |                       |
| Three months ended September 30, 2000   |                    |                                    |           |                       |
| Turnover  | -                  | 722                                | -         | 44,862                |
| Less: Joint ventures  | -                  | -                                  | -         | 2,231                 |
| Group turnover  | -                  | 722                                | -         | 42,631                |
| Replacement cost of sales   | -                  | 274                                | -         | 35,821                |
| Production taxes  | -                  | 68                                 | -         | 443                   |
| Gross profit  | -                  | 380                                | -         | 6,367                 |
| Distribution and administration expenses  | -                  | -                                  | 72        | 2,394                 |
| Exploration expense   | -                  | 4                                  | -         | 139                   |
| Other income  | -                  | 376                                | (72)      | 3,834                 |
|   | -                  | 15                                 | 45        | 55                    |
| Group replacement cost operating profit   | -                  | 391                                | (27)      | 3,889                 |
| Share of profits of joint ventures  | -                  | -                                  | -         | 283                   |
| Share of profits of associated undertakings   | -                  | -                                  | -         | 193                   |
| Equity accounted income of subsidiaries   | 3,895              | 161                                | 4,855     | -                     |
| Total replacement cost operating profit   | 3,895              | 552                                | 4,828     | 4,365                 |
| Profit (loss) on sale of fixed assets and<br>businesses and termination of operations | 192                | (1)                                | 138       | 138                   |
| Replacement cost profit<br>before interest and tax                                    | 4,087              | 551                                | 4,966     | 4,503                 |
| Inventory holding gains (losses)  | 276                | (5)                                | 544       | 544                   |
| Historical cost profit before<br>interest and tax                                     | 4,363              | 546                                | 5,510     | 5,047                 |
| Interest expense  | 455                | 3                                  | 494       | 501                   |
| Profit before taxation  | 3,908              | 543                                | 5,016     | 4,546                 |
| Taxation  | 1,178              | 182                                | 1,554     | 1,395                 |
| Profit after taxation   | 2,730              | 361                                | 3,462     | 3,151                 |
| Minority shareholders' interest   | -                  | -                                  | -         | 12                    |
| Profit for the period   | 2,730              | 361                                | 3,462     | 3,139                 |

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

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18. Condensed consolidating information - continued

Income statement (continued)

The following is a summary of the adjustments to 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             | Issuer                             | Guarantor |                       |
|---|--------------------|------------------------------------|-----------|-----------------------|
|   | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|   | -----              |                                    |           |                       |
|   | (\$ million)       |                                    |           |                       |
| Three months ended September 30, 2000                       |                    |                                    |           |                       |
| Profit as reported  | 2,730              | 361                                | 3,462     | 3,13                  |
| Adjustments:  |                    |                                    |           |                       |
| Depreciation charge   | (123)              | (12)                               | (138)     | (12)                  |
| Decommissioning and environmental expense                   | (10)               | (2)                                | (48)      | (4)                   |
| Onerous property leases                                     | (16)               | -                                  | (9)       | (                     |
| Interest expense  | 26                 | 2                                  | 48        | 4                     |
| Sale and leaseback of fixed assets                          | -                  | -                                  | -         |                       |
| Deferred taxation   | (192)              | (74)                               | 48        | 10                    |
| Other   | -                  | -                                  | 14        | 1                     |
|   | -----              |                                    |           |                       |
| Profit for the period as adjusted<br>to accord with US GAAP | 2,415              | 275                                | 3,377     | 3,12                  |
|   | =====              |                                    |           |                       |

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

18. Condensed consolidating information - continued

|  | Issuer | Issuer | Guarantor |
|--|--------|--------|-----------|
|  | -----  |        |           |

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| Income statement (continued)  | BP                 |                              |           |                       |
|---|--------------------|------------------------------|-----------|-----------------------|
|   | BP America<br>Inc. | Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
| (\$ million)  |                    |                              |           |                       |
| Nine months ended September 30, 2001  |                    |                              |           |                       |
| Turnover  | 878                | 1,428                        | -         | 137,397               |
| Less: Joint ventures  | -                  | -                            | -         | 874                   |
| Group turnover  | 878                | 1,428                        | -         | 136,523               |
| Replacement cost of sales   | 870                | 753                          | -         | 114,268               |
| Production taxes  | -                  | 153                          | -         | 1,200                 |
| Gross profit  | 8                  | 522                          | -         | 21,055                |
| Distribution and administration expenses  | -                  | -                            | 115       | 8,304                 |
| Exploration expense   | -                  | 17                           | -         | 319                   |
| Other income  | 8                  | 505                          | 115       | 12,432                |
|   | 16                 | -                            | 1,069     | 470                   |
| Group replacement cost operating profit   | 24                 | 505                          | 954       | 12,902                |
| Share of profits of joint ventures  | -                  | -                            | -         | 352                   |
| Share of profits of associated undertakings   | -                  | -                            | -         | 541                   |
| Equity accounted income of subsidiaries   | 11,595             | 610                          | 14,279    | -                     |
| Total replacement cost operating profit   | 11,619             | 1,115                        | 15,233    | 13,795                |
| Profit (loss) on sale of fixed assets and<br>businesses and termination of operations | 326                | 1                            | 573       | 572                   |
| Replacement cost profit<br>before interest and tax                                    | 11,945             | 1,116                        | 15,806    | 14,367                |
| Inventory holding gains (losses)  | (414)              | (12)                         | (603)     | (602)                 |
| Historical cost profit before<br>interest and tax                                     | 11,531             | 1,104                        | 15,203    | 13,765                |
| Interest expense  | 1,251              | 27                           | 2,308     | 2,314                 |
| Profit before taxation  | 10,280             | 1,077                        | 12,895    | 11,451                |
| Taxation  | 3,424              | 214                          | 4,480     | 4,437                 |
| Profit after taxation   | 6,856              | 863                          | 8,415     | 7,014                 |
| Minority shareholders' interest   | -                  | -                            | -         | 47                    |
| Profit for the period   | 6,856              | 863                          | 8,415     | 6,967                 |

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

18. Condensed consolidating information - continued

Income statement (continued)

The following is a summary of the adjustments to profit for the period which

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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             | Issuer                             | Guarantor |                       |
|--|--------------------|------------------------------------|-----------|-----------------------|
|  | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|  | -----              |                                    |           |                       |
|  | (\$ million)       |                                    |           |                       |
| Nine months ended September 30, 2001   |                    |                                    |           |                       |
| Profit as reported   | 6,856              | 863                                | 8,415     | 6,967                 |
| Adjustments:   |                    |                                    |           |                       |
| Depreciation charge  | (851)              | (28)                               | (844)     | (816)                 |
| Decommissioning and<br>environmental expense   | (188)              | (7)                                | (313)     | (306)                 |
| Onerous property leases  | (41)               | -                                  | (41)      | (41)                  |
| Derivative financial instruments   | (124)              | -                                  | (257)     | (229)                 |
| Interest expense   | 93                 | 6                                  | 150       | 144                   |
| Sale and leaseback of fixed assets   | -                  | -                                  | -         | -                     |
| Deferred taxation  | (66)               | (103)                              | 185       | 281                   |
| Other  | 3                  | -                                  | 14        | 14                    |
|  | -----              |                                    |           |                       |
| Profit for the period before cumulative<br>effect of accounting change<br>as adjusted to accord with US GAAP | 5,682              | 731                                | 7,309     | 6,014                 |
| Cumulative effect of accounting change:  |                    |                                    |           |                       |
| Derivative financial instruments   | (13)               | -                                  | (18)      | (5)                   |
|  | -----              |                                    |           |                       |
| Profit for the period as adjusted to<br>accord with US GAAP  | 5,669              | 731                                | 7,291     | 6,009                 |
|  | =====              |                                    |           |                       |

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

18. Condensed consolidating information - continued

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|   | Issuer     | Issuer        | Guarantor |              |
|---|------------|---------------|-----------|--------------|
|   |            | BP            |           |              |
| Income statement (continued)  | BP America | Exploration   | BP p.l.c. | Other        |
|   | Inc.       | (Alaska) Inc. |           | subsidiaries |
|   |            |               |           |              |
|   |            |               |           | (\$ million) |
| Nine months ended September 30, 2000  |            |               |           |              |
| Turnover  | -          | 2,035         | -         | 116,980      |
| Less: Joint ventures  | -          | -             | -         | 13,480       |
| Group turnover  | -          | 2,035         | -         | 103,500      |
| Replacement cost of sales   | -          | 823           | -         | 85,923       |
| Production taxes  | -          | 202           | -         | 1,295        |
| Gross profit  | -          | 1,010         | -         | 16,282       |
| Distribution and administration expenses  | -          | -             | 158       | 5,502        |
| Exploration expense   | -          | 26            | -         | 416          |
| Other income  | 1          | (12)          | 321       | 540          |
| Group replacement cost operating profit   | 1          | 972           | 163       | 10,904       |
| Share of profits of joint ventures  | -          | -             | -         | 716          |
| Share of profits of associated undertakings   | -          | -             | -         | 532          |
| Equity accounted income of subsidiaries   | 10,072     | 220           | 13,161    | -            |
| Total replacement cost operating profit   | 10,073     | 1,192         | 13,324    | 12,152       |
| Profit (loss) on sale of fixed assets and<br>businesses and termination of operations | 309        | (1)           | 142       | 160          |
| Replacement cost profit before<br>interest and tax                                    | 10,382     | 1,191         | 13,466    | 12,312       |
| Inventory holding gains (losses)  | 682        | 58            | 1,289     | 1,289        |
| Historical cost profit before<br>interest and tax                                     | 11,064     | 1,249         | 14,755    | 13,601       |
| Interest expense  | 1,032      | 25            | 1,454     | 1,459        |
| Profit before taxation  | 10,032     | 1,224         | 13,301    | 12,142       |
| Taxation  | 2,717      | 420           | 3,730     | 3,406        |
| Profit after taxation   | 7,315      | 804           | 9,571     | 8,736        |
| Minority shareholders' interest   | -          | -             | -         | 75           |
| Profit for the period   | 7,315      | 804           | 9,571     | 8,661        |

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

18. Condensed consolidating information - continued

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Income statement (concluded)

The following is a summary of the adjustments to 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             | Issuer                             | Guarantor |                       |
|---|--------------------|------------------------------------|-----------|-----------------------|
|   | -----              | -----                              | -----     |                       |
|   | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|   | -----              | -----                              | -----     | -----                 |
|   |                    |                                    |           | (\$ million)          |
| Nine months ended September 30, 2000                        |                    |                                    |           |                       |
| Profit as reported  | 7,315              | 804                                | 9,571     | 8,661                 |
| Adjustments:  |                    |                                    |           |                       |
| Depreciation charge   | (235)              | (40)                               | (258)     | (218)                 |
| Decommissioning and environmental expense                   | (83)               | (28)                               | (214)     | (186)                 |
| Onerous property leases                                     | (28)               | -                                  | (21)      | (21)                  |
| Interest expense  | 73                 | 7                                  | 129       | 122                   |
| Sale and leaseback of fixed assets                          | 2                  | -                                  | -         | -                     |
| Deferred taxation   | (713)              | 24                                 | (665)     | (661)                 |
| Other   | -                  | -                                  | 45        | 45                    |
|   | -----              | -----                              | -----     | -----                 |
| Profit for the period as adjusted to<br>accord with US GAAP | 6,331              | 767                                | 8,587     | 7,742                 |
|   | =====              | =====                              | =====     | =====                 |

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

18. Condensed consolidating information - continued

|               | Issuer             | Issuer                             | Guarantor |                       |
|---------------|--------------------|------------------------------------|-----------|-----------------------|
|               | -----              | -----                              | -----     |                       |
|               | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|               | -----              | -----                              | -----     | -----                 |
| Balance sheet |                    |                                    |           |                       |



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|  | (\$ million) |        |         |         |
|--|--------------|--------|---------|---------|
| At September 30, 2001                            |              |        |         |         |
| Fixed assets                                     |              |        |         |         |
| Intangible assets                                | -            | 510    | -       | 15,843  |
| Tangible assets                                  | 7            | 6,325  | -       | 71,292  |
| Investments                                      |              |        |         |         |
| Subsidiaries - equity accounted basis            | 70,725       | 1,040  | 84,486  | -       |
| Other  | -            | -      | 296     | 11,246  |
|  | 70,725       | 1,040  | 84,782  | 11,246  |
| Total fixed assets                               | 70,732       | 7,875  | 84,782  | 98,381  |
| Current assets                                   |              |        |         |         |
| Business held for resale                         | -            | -      | -       | -       |
| Inventories                                      | 5            | 71     | -       | 8,951   |
| Receivables                                      | 7,524        | 8,783  | 21,652  | 43,223  |
| Investments                                      | -            | -      | -       | 519     |
| Cash at bank and in hand                         | (3)          | -      | -       | 1,441   |
|  | 7,526        | 8,854  | 21,652  | 54,134  |
| Current liabilities -falling due within one year |              |        |         |         |
| Finance debt                                     | 6,473        | 137    | -       | 6,625   |
| Accounts payable and accrued liabilities         | 381          | 336    | 4,379   | 29,300  |
| Net current assets (liabilities)                 | 672          | 8,381  | 17,273  | 18,209  |
| Total assets less current liabilities            | 71,404       | 16,256 | 102,055 | 116,590 |
| Noncurrent liabilities                           |              |        |         |         |
| Finance debt                                     | -            | -      | -       | 13,849  |
| Accounts payable and accrued liabilities         | 1,423        | 4,632  | 162     | 37,960  |
| Provisions for liabilities and charges           | 50           | 274    | 217     | 12,278  |
| Net assets                                       | 69,931       | 11,350 | 101,676 | 52,503  |
| Minority shareholders' interest                  | -            | -      | -       | 646     |
| BP shareholders' interest                        | 69,931       | 11,350 | 101,676 | 51,857  |

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

18. Condensed consolidating information - continued

|                           | Issuer             | Issuer                             | Guarantor |                       |
|---------------------------|--------------------|------------------------------------|-----------|-----------------------|
|                           | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|                           | (\$ million)       |                                    |           |                       |
| Balance sheet (continued) |                    |                                    |           |                       |
| At September 30, 2001     |                    |                                    |           |                       |
| Capital and reserves      |                    |                                    |           |                       |
| Capital shares            | 8                  | -                                  | 5,632     | -                     |
| Paid in surplus           | 30,865             | 3,145                              | 3,575     | -                     |
| Merger reserve            | -                  | -                                  | 26,285    | 697                   |
| Other reserves            | -                  | -                                  | 644       | -                     |
| Retained earnings         | 39,058             | 8,205                              | 65,540    | 51,160                |
|                           | 69,931             | 11,350                             | 101,676   | 51,857                |

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             | Issuer                             | Guarantor |                       |
|------------------------------------|--------------------|------------------------------------|-----------|-----------------------|
|                                    | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|                                    | (\$ million)       |                                    |           |                       |
| Shareholders' interest as reported | 69,931             | 11,350                             | 101,676   | 51,857                |
| Adjustments:                       |                    |                                    |           |                       |
| Fixed assets                       | 7,878              | 510                                | 7,926     | 7,424                 |

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|   |          |         |          |          |
|---|----------|---------|----------|----------|
| Ordinary shares held for future awards to employees       | -        | -       | (293)    | -        |
| Sale and leaseback of Chicago office building             | (413)    | -       | (413)    | (413)    |
| Decommissioning and environmental provisions              | (1,041)  | (314)   | (1,106)  | (778)    |
| Onerous property leases                                   | 67       | -       | 67       | 67       |
| Derivative financial instruments                          | (144)    | -       | (273)    | (226)    |
| Deferred taxation   | (14,737) | (1,879) | (15,700) | (13,933) |
| Quarterly dividend  | -        | -       | 1,232    | -        |
| Pension liability adjustment                              | (38)     | -       | (145)    | (145)    |
| Other   | (31)     | -       | (112)    | (112)    |
| -----   |          |         |          |          |
| Shareholders' interest as adjusted to accord with US GAAP | 61,472   | 9,667   | 92,859   | 43,741   |
| =====   |          |         |          |          |

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

18. Condensed consolidating information - continued

|                                       | Issuer          | Issuer                       | Guarantor |                    |
|---------------------------------------|-----------------|------------------------------|-----------|--------------------|
|                                       | -----           |                              |           |                    |
|                                       | BP America Inc. | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
|                                       | -----           |                              |           |                    |
|                                       | (\$ million)    |                              |           |                    |
| Balance sheet (continued)             |                 |                              |           |                    |
| At December 31, 2000                  |                 |                              |           |                    |
| Fixed assets                          |                 |                              |           |                    |
| Intangible assets                     | -               | 512                          | -         | 16,381             |
| Tangible assets                       | 7               | 5,942                        | -         | 69,224             |
| Investments                           |                 |                              |           |                    |
| Subsidiaries - equity accounted basis | 63,718          | 619                          | 77,826    | -                  |
| Other                                 | -               | -                            | 363       | 11,390             |
|                                       | -----           |                              |           |                    |
|                                       | 63,718          | 619                          | 78,189    | 11,390             |

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|  |        |        |        |         |
|--|--------|--------|--------|---------|
| Total fixed assets                               | 63,725 | 7,073  | 78,189 | 96,995  |
| Current assets                                   |        |        |        |         |
| Business held for resale                         | -      | -      | -      | 636     |
| Inventories                                      | -      | 75     | -      | 9,159   |
| Receivables                                      | 7,007  | 10,033 | 23,395 | 28,868  |
| Investments                                      | -      | -      | -      | 661     |
| Cash at bank and in hand                         | (2)    | (32)   | 2      | 1,202   |
|  | 7,005  | 10,076 | 23,397 | 40,526  |
| Current liabilities -falling due within one year |        |        |        |         |
| Finance debt                                     | 6,848  | -      | -      | 6,418   |
| Accounts payable and accrued liabilities         | 85     | 973    | 2,582  | 35,556  |
| Net current assets (liabilities)                 | 72     | 9,103  | 20,815 | (1,448) |
| Total assets less current liabilities            | 63,797 | 16,176 | 99,004 | 95,547  |
| Noncurrent liabilities                           |        |        |        |         |
| Finance debt                                     | -      | 1,150  | -      | 14,772  |
| Accounts payable and accrued liabilities         | 1,099  | 4,275  | 178    | 24,091  |
| Provisions for liabilities and charges           | 49     | 264    | 197    | 12,285  |
| Net assets                                       | 62,649 | 10,487 | 98,629 | 44,399  |
| Minority shareholders' interest                  | -      | -      | -      | 585     |
| BP shareholders' interest                        | 62,649 | 10,487 | 98,629 | 43,814  |

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

18. Condensed consolidating information - continued

|                           | Issuer     | Issuer         | Guarantor |
|---------------------------|------------|----------------|-----------|
| Balance sheet (concluded) | BP America | BP Exploration | Other     |

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|                      | Inc.   | (Alaska) Inc. | BP p.l.c. | subsidiaries |
|----------------------|--------|---------------|-----------|--------------|
| (\$ million)         |        |               |           |              |
| At December 31, 2000 |        |               |           |              |
| Capital and reserves |        |               |           |              |
| Capital shares       | 8      | -             | 5,653     | -            |
| Paid in surplus      | 30,440 | 3,145         | 3,770     | -            |
| Merger reserve       | -      | -             | 26,172    | 697          |
| Other reserves       | -      | -             | 456       | -            |
| Retained earnings    | 32,201 | 7,342         | 62,578    | 43,117       |
|                      | 62,649 | 10,487        | 98,629    | 43,814       |

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          | Issuer                       | Guarantor |                    |
|---|-----------------|------------------------------|-----------|--------------------|
|   | BP America Inc. | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
| (\$ million)  |                 |                              |           |                    |
| Shareholders' interest as reported                  | 62,649          | 10,487                       | 98,629    | 43,814             |
| Adjustments:  |                 |                              |           |                    |
| Fixed assets  | 8,757           | 566                          | 8,777     | 8,215              |
| Ordinary shares held for future awards to employees | -               | -                            | (360)     | -                  |
| Sale and leaseback of Chicago office building       | (413)           | -                            | (413)     | (41)               |
| Decommissioning and environmental provisions        | (927)           | (317)                        | (921)     | (58)               |
| Onerous property leases                             | 105             | -                            | 105       | 10                 |
| Deferred taxation                                   | (14,805)        | (1,784)                      | (15,843)  | (14,16)            |
| Quarterly dividend                                  | -               | -                            | 1,178     | -                  |
| Pension liability adjustment                        | (38)            | -                            | (145)     | (14)               |
| Other   | (34)            | -                            | (128)     | (12)               |

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|  |        |       |        |       |
|--|--------|-------|--------|-------|
| Shareholders' interest as adjusted<br>to accord with US GAAP | 55,294 | 8,952 | 90,879 | 36,69 |
|--|--------|-------|--------|-------|

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

18. Condensed consolidating information - continued

|  | Issuer             | Issuer                             | Guarantor |                       |
|--|--------------------|------------------------------------|-----------|-----------------------|
|  | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|  | (\$ million)       |                                    |           |                       |
| Three months ended September 30, 2001  |                    |                                    |           |                       |
| Net cash inflow (outflow) from<br>operating activities                           | 39                 | 163                                | 1,027     | 3,818                 |
| Dividends from joint ventures  | -                  | -                                  | -         | 26                    |
| Dividends from associated undertakings   | -                  | -                                  | -         | 155                   |
| Dividends from subsidiaries  | 231                | -                                  | 97        | -                     |
| Net cash inflow (outflow) from servicing<br>of finance and returns on investment | 2                  | -                                  | 370       | (609)                 |
| Tax (paid) refund  | (282)              | (32)                               | -         | (403)                 |
| Net cash inflow (outflow) for capital<br>expenditure and financial investment    | (40)               | (197)                              | 94        | (1,966)               |
| Net cash inflow (outflow) for<br>acquisitions and disposals                      | -                  | -                                  | (1)       | (24)                  |
| Equity dividends paid  | -                  | -                                  | (1,235)   | (328)                 |
| Net cash inflow (outflow)  | (50)               | (66)                               | 352       | 669                   |
| Financing  | (48)               | (99)                               | 352       | 425                   |
| Management of liquid resources   | -                  | -                                  | -         | (44)                  |
| Increase (decrease) in cash  | (2)                | 33                                 | -         | 288                   |
|  | (50)               | (66)                               | 352       | 669                   |

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

|  | Issuer          | Issuer                       | Guarantor |                    |
|--|-----------------|------------------------------|-----------|--------------------|
|  | BP America Inc. | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
|  | (\$ million)    |                              |           |                    |
| Net cash provided by (used in) operating activities                    | (10)            | 131                          | 1,494     | 2,988              |
| Net cash provided by (used in) investing activities                    | (40)            | (197)                        | 93        | (1,990)            |
| Net cash provided by (used in) financing activities                    | 48              | 99                           | (1,587)   | (753)              |
| Currency translation differences relating to cash and cash equivalents | -               | -                            | -         | 15                 |
| Increase (decrease) in cash and cash equivalents                       | (2)             | 33                           | -         | 260                |
| Cash and cash equivalents at beginning of period                       | (1)             | (33)                         | -         | 1,700              |
| Cash and cash equivalents at end of period                             | (3)             | -                            | -         | 1,960              |

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

#### 18. Condensed consolidating information - continued

|   | Issuer          | Issuer                       | Guarantor |                    |
|---|-----------------|------------------------------|-----------|--------------------|
|   | BP America Inc. | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
|   | (\$ million)    |                              |           |                    |
| Cash flow statement (continued)                     |                 |                              |           |                    |
| Three months ended September 30, 2000               |                 |                              |           |                    |
| Net cash inflow (outflow) from operating activities | (31)            | 525                          | 5,880     | 4,664              |

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|   |     |       |         |         |
|---|-----|-------|---------|---------|
| Dividends from joint ventures   | -   | -     | -       | 118     |
| Dividends from associated undertakings  | -   | -     | -       | 100     |
| Dividends from subsidiaries   | 463 | -     | -       | -       |
| Net cash inflow (outflow) from servicing of<br>finance and returns on investments | 1   | -     | 34      | (267)   |
| Tax (paid) refund   | 14  | (28)  | 3       | (2,698) |
| Net cash inflow (outflow) for capital<br>expenditure and financial investment     | -   | (127) | (16)    | (559)   |
| Net cash inflow (outflow) for<br>acquisitions and disposals                       | -   | 1     | (4,325) | (4,541) |
| Equity dividends paid   | -   | -     | (1,128) | (463)   |
| Net cash inflow (outflow)   | 447 | 371   | 448     | (3,646) |
| Financing   | 447 | 367   | 452     | (198)   |
| Management of liquid resources  | -   | -     | -       | (1,755) |
| Increase (decrease) in cash   | -   | 4     | (4)     | (1,693) |
|   | 447 | 371   | 448     | (3,646) |

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

|   | Issuer             | Issuer                             | Guarantor |                       |
|---|--------------------|------------------------------------|-----------|-----------------------|
|   | BP America<br>Inc. | BP<br>Exploration<br>(Alaska) Inc. | BP p.l.c. | Other<br>subsidiaries |
|   | (\$ million)       |                                    |           |                       |
| Net cash provided by (used in)<br>operating activities                    | 446                | 497                                | 5,916     | 1,917                 |
| Net cash provided by (used in)<br>investing activities                    | 1                  | (126)                              | (4,340)   | (5,100)               |
| Net cash provided by (used in)<br>financing activities                    | (447)              | (367)                              | (1,580)   | (265)                 |
| Currency translation differences relating<br>to cash and cash equivalents | -                  | -                                  | -         | (12)                  |
| Increase (decrease) in cash<br>and cash equivalents                       | -                  | 4                                  | (4)       | (3,460)               |
| Cash and cash equivalents at  |                    |                                    |           |                       |



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|  |     |      |   |       |
|--|-----|------|---|-------|
| beginning of period                        | (1) | (20) | 4 | 5,946 |
| Cash and cash equivalents at end of period | (1) | (16) | - | 2,486 |

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

18. Condensed consolidating information - continued

|  | Issuer          | Issuer                       | Guarantor |                    |
|--|-----------------|------------------------------|-----------|--------------------|
|  | BP America Inc. | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
|  | (\$ million)    |                              |           |                    |
| Nine months ended September 30, 2001   |                 |                              |           |                    |
| Net cash inflow (outflow) from operating activities                            | 364             | 714                          | 3,487     | 12,314             |
| Dividends from joint ventures  | -               | -                            | -         | 92                 |
| Dividends from associated undertakings   | -               | -                            | -         | 424                |
| Dividends from subsidiaries  | 925             | -                            | 113       | -                  |
| Net cash inflow (outflow) from servicing of finance and returns on investments | 2               | -                            | 1,052     | (1,853)            |
| Tax (paid) refund  | (1,248)         | (345)                        | (1)       | (1,644)            |
| Net cash inflow (outflow) for capital expenditure and financial investment     | (740)           | (598)                        | (26)      | (5,412)            |
| Net cash inflow (outflow) for acquisitions and disposals                       | -               | -                            | (17)      | (985)              |
| Equity dividends paid  | -               | -                            | (3,595)   | (1,038)            |
| Net cash inflow (outflow)  | (697)           | (229)                        | 1,013     | 1,898              |
| Financing  | (696)           | (260)                        | 1,015     | 1,768              |
| Management of liquid resources   | -               | -                            | -         | (146)              |
| Increase (decrease) in cash  | (1)             | 31                           | (2)       | 276                |
|  | (697)           | (229)                        | 1,013     | 1,898              |

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

|  | Issuer          | Issuer                       | Guarantor |                    |
|--|-----------------|------------------------------|-----------|--------------------|
|  | BP America Inc. | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
|  | (\$ million)    |                              |           |                    |
| Net cash provided by (used in) operating activities                    | 43              | 370                          | 4,650     | 9,333              |
| Net cash provided by (used in) investing activities                    | (740)           | (598)                        | (43)      | (6,397)            |
| Net cash provided by (used in) financing activities                    | 696             | 260                          | (4,609)   | (2,806)            |
| Currency translation differences relating to cash and cash equivalents | -               | -                            | -         | (33)               |
| Increase (decrease) in cash and cash equivalents                       | (1)             | 32                           | (2)       | 97                 |
| Cash and cash equivalents at beginning of period                       | (2)             | (32)                         | 2         | 1,863              |
| Cash and cash equivalents at end of period                             | (3)             | -                            | -         | 1,960              |

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

18. Condensed consolidating information - concluded

|                                 | Issuer          | Issuer                       | Guarantor |                    |
|---------------------------------|-----------------|------------------------------|-----------|--------------------|
|                                 | BP America Inc. | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
|                                 | (\$ million)    |                              |           |                    |
| Cash flow statement (concluded) |                 |                              |           |                    |

Nine months ended September 30, 2000

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|  |       |       |         |         |
|--|-------|-------|---------|---------|
| Net cash inflow (outflow) from operating activities                            | (120) | 1,486 | 10,345  | 9,010   |
| Dividends from joint ventures  | -     | -     | -       | 645     |
| Dividends from associated undertakings   | -     | -     | -       | 274     |
| Dividends from subsidiaries  | 463   | -     | 18      | -       |
| Net cash inflow (outflow) from servicing of finance and returns on investments | (2)   | -     | 293     | (974)   |
| Tax (paid) refund  | 44    | (736) | 7       | (3,514) |
| Net cash inflow (outflow) for capital expenditure and financial investment     | -     | (387) | (49)    | (3,864) |
| Net cash inflow (outflow) for acquisitions and disposals                       | 13    | 23    | (5,948) | 2,076   |
| Equity dividends paid  | -     | -     | (3,232) | (481)   |
| -----  |       |       |         |         |
| Net cash inflow (outflow)  | 398   | 386   | 1,434   | 3,172   |
| =====  |       |       |         |         |
| Financing  | 396   | 384   | 1,437   | 2,255   |
| Management of liquid resources   | -     | -     | -       | 610     |
| Increase (decrease) in cash  | 2     | 2     | (3)     | 307     |
| -----  |       |       |         |         |
|  | 398   | 386   | 1,434   | 3,172   |
| =====  |       |       |         |         |

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

|  | Issuer          | Issuer                       | Guarantor |                    |
|--|-----------------|------------------------------|-----------|--------------------|
|  | BP America Inc. | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries |
|  | -----           |                              |           |                    |
|  | (\$ million)    |                              |           |                    |
| Net cash provided by (used in) operating activities                    | 384             | 750                          | 10,662    | 5,537              |
| Net cash provided by (used in) investing activities                    | 14              | (364)                        | (5,996)   | (1,788)            |
| Net cash provided by (used in) financing activities                    | (396)           | (384)                        | (4,669)   | (2,736)            |
| Currency translation differences relating to cash and cash equivalents | -               | -                            | -         | -                  |
| -----  |                 |                              |           |                    |
| Increase (decrease) in cash  |                 |                              |           |                    |

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|  |     |      |     |      |
|--|-----|------|-----|------|
| and cash equivalents                             | 2   | 2    | (3) | 1,01 |
| Cash and cash equivalents at beginning of period | (3) | (18) | 3   | 1,47 |
| Cash and cash equivalents at end of period       | (1) | (16) | -   | 2,48 |

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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: November 21, 2001

.....  
D. J. PEARL  
Deputy Company Secretary