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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 - DECEMBER 2001

| | | Three months ended December 31 (Unaudited) | | Year ended December 31 | |
|--|---------|--|--------|---------------------------|---------|
| | | 2001 | 2000 | 2001 | 2000 |
| Turnover | - \$m | 36,817 | 44,562 | 174,218 | 148,000 |
| Total replacement cost operating profit | - \$m | 1,907 | 4,763 | 16,135 | 17,000 |
| Replacement cost profit before exceptional items | - \$m | 1,056 | 2,799 | 9,880 | 11,000 |
| Replacement cost profit for the period | - \$m | 892 | 2,971 | 9,910 | 11,000 |
| Historical cost profit for the period | - \$m | (405) | 2,410 | 8,010 | 11,000 |
| Profit per Ordinary Share | - cents | (1.78) | 10.53 | 35.70 | 54.00 |
| Dividends per Ordinary Share | - cents | 5.75 | 5.25 | 22.0 | 20.0 |

(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 year ended December 31, 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 fourth quarter primarily reflect significant decreases in oil and gas prices in Exploration and Production, as well as lower retail and wholesale fuel prices in Refining and Marketing. Turnover for the year also reflects the inclusion of ARCO for the whole of the year in 2001, compared to around nine 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, which more than offset lower prices.

Replacement cost profit before exceptional items (which excludes inventory holding gains and losses) was \$1,056 million for the three months ended December 31, 2001, compared with \$2,799 million for the equivalent period of 2000. These results are after charging special items of \$714 million (\$571 million after tax) for the three months ended December 31, 2001, and \$962 million (\$693 million after tax) for the equivalent period of 2000. The results for the three months ended December 31, 2001 and 2000 are also after charging acquisition amortization of \$577 million and \$598 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 December 31, 2001 comprised additional severance charges, mainly related to former ARCO employees, Grangemouth, Scotland restructuring charges, an impairment charge for

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our partner operated Lake Maracaibo operations in Venezuela, Castrol, Solvay and Erdolchemie integration costs and a litigation charge. Those for the corresponding period of 2000 related to ARCO, Vastar and Castrol integration costs, rationalization costs post the BP/Amoco merger, environmental charges and asset writedowns.

For the year ended December 31, 2001, the replacement cost profit before exceptional items was \$9,880 million, down from \$11,214 million in 2000. The results for 2001 are after charging special items of \$1,058 million (\$821 million after tax) and acquisition amortization of \$2,477 million. The results for 2000 include special charges of \$1,994 million (\$1,454 million after tax), and acquisition amortization of \$1,535 million.

The historical cost loss for the three months ended December 31, 2001 was \$405 million after inventory holding losses of \$1,297 million and net exceptional losses of \$38 million (\$164 million after tax) in respect of net losses on the sale of fixed assets and businesses and termination of operations. For the equivalent period of 2000 there was a profit of \$2,410 million after inventory holding losses of \$561 million, and including net exceptional gains of \$78 million (\$172 million loss after tax) in respect of net profits on the sale of fixed assets and businesses and termination of operations.

For the year ended December 31, 2001, the historical cost profit was \$8,010 million, after inventory holding losses of \$1,900 million and including net exceptional gains of \$535 million (\$30 million after tax) in respect of net profits on sale of fixed assets and businesses and terminations of operations. For the year ended December 31, 2000, the historical cost profit was \$11,870 million, including inventory holding gains of \$728 million and net exceptional gains of \$220 million (\$72 million loss 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 December 31, 2001 was \$537 million compared with \$1,242 million in the equivalent period last year. The fourth quarter 2001 included a tax charge of \$126 million in respect of exceptional items compared with a tax credit of \$94 million for the fourth quarter of 2000. The effective tax rate on replacement cost profit before exceptional items was 28% for the three months ended December 31, 2001 and 31% for the year, compared with 32% and 29% for the equivalent period of 2000. The rate reduction for the fourth quarter was due to tax relief on inventory holding losses, which more than offset the impact of higher acquisition amortization. The higher rate for the year was largely due to the increase in acquisition amortization, which is not tax deductible.

Interest expense for the three months ended December 31, 2001 was \$414 million compared with \$611 million (including \$111 million relating to a bond redemption charge) in the equivalent period of 2000 reflecting lower interest rates. For the year ended December 31, 2001, interest expense was \$1,670 million compared to \$1,770 million a year ago (including \$62 million and \$111 million, respectively, relating to bond redemption charges). Lower interest rates during 2001 were partly offset by higher average debt and the impact of revaluing environmental and other provisions at a lower interest rate.

Net cash outflow for the three months ended December 31, 2001 was \$1.0 billion, compared with \$1.6 billion for the equivalent period of 2000. Operating cash flow was similar in both periods, with higher tax payments in the fourth quarter of 2000. For the year 2001, net cash inflow was \$1.0 billion compared with a net

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cash inflow of \$3.7 billion in the same period in 2000. For the year ended December 31, 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 fourth quarter and year of 2001 were \$4.4 billion and \$14.1 billion, respectively. Expenditure for the year 2001 included the acquisition of Bayer's 50% interest in Erdolchemie and the formation of the joint venture with Solvay. Excluding acquisitions, capital expenditure for the fourth quarter and year 2001 was \$4.0 billion and \$13.2 billion. For the three months and year ended December 31, 2000 capital expenditure and acquisitions were \$5.0 billion and \$47.6 billion, respectively. Expenditure for the year ended December 31, 2000 included the acquisition of ARCO, Burmah Castrol, the Mobil share of the European Joint Venture and the minority interest in Vastar, a 2.2% interest in PetroChina, and Exxon's aviation lubricants business. Excluding the effect of these acquisitions, capital expenditure for the fourth quarter and year 2000 was \$3.4 billion and \$11.2 billion, respectively.

Net debt at December 31, 2001 was \$19.6 billion. The ratio of net debt to net debt plus equity was 21% compared to the 19% rate at September 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 26% at December 31, 2001 compared with 24% at September 30, 2000 and 27% at December 31, 2000. In addition to reported debt, BP uses conventional off balance sheet sources of finance such as operating leases and associate and joint venture borrowing.

The group has access to significant sources of liquidity in the form of committed facilities and other funding through the capital markets. At December 31, 2001 the group had available undrawn committed facilities of \$3.4 billion. These committed facilities, which are mainly with a number of international banks, expire in 2002 and we expect to renew them on an annual basis. BP believes that, taking into account the substantial amounts of undrawn borrowing facilities available, the Group has sufficient working capital for foreseeable requirements.

The return on average capital employed on a replacement cost basis for the three months ended December 31, 2001 was 6% compared with 15% for the equivalent period of 2000. For the year ended December 31, 2001, the return on average capital employed was 12%. 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 14 million of its own shares during the fourth quarter of 2001 at a cost of \$99 million. Total share purchases over the year to December 31, 2001 amounted to approximately 154 million at a cost of \$1,281 million.

BP announced a fourth quarterly dividend for 2001 of 5.75 cents per ordinary share. Holders of ordinary shares will receive 4.055 pence per share and holders of American Depositary Receipts (ADRs) \$0.345 per ADS. The dividend for the year was 22.00 cents per share, up 7%, which is equivalent to 15.436 pence per share, up 12% over last year. The dividend is payable on March 18, 2002 to shareholders on the register on February 22, 2002. Participants in the Dividend Reinvestment Plan or the dividend reinvestment facility in the US Direct Access Plan will receive the dividend in the form of shares on March 18, 2002.

[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 operating 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 is replacement cost profit before exceptional items excluding acquisition amortization as defined in footnote (a) below. 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 profit (loss) to pro forma result adjusted for special items | Reported | Acquisition amortization(a) | Special items(b) | Pro forma result adjusted special items |
|---|----------|-----------------------------|------------------|---|
| | ----- | ----- | ----- | ----- |
| | | (\$ million) | | |
| Three months ended December 31, 2001 | | | | |
| Exploration and Production | 1,655 | 397 | 322 | 2,374 |
| Gas and Power | 106 | - | - | 106 |
| Refining and Marketing | 392 | 180 | 213 | 785 |
| Chemicals | (67) | - | 106 | 39 |
| Other businesses and corporate | (179) | - | 73 | (106) |
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 1,907 | 577 | 714 | 3,198 |
| Interest expense | (414) | - | - | (414) |
| Taxation | (411) | - | (143) | (554) |
| Minority shareholders' interest | (26) | - | - | (26) |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 1,056 | 577 | 571 | 2,204 |
| | ----- | ===== | ===== | ----- |
| per ordinary share (cents) | 4.73 | | | 9.00 |
| | ===== | | | ===== |
| Three months ended December 31, 2000 | | | | |
| Exploration and Production | 4,238 | 413 | 49 | 4,700 |
| Gas and Power | 183 | - | - | 183 |
| Refining and Marketing | 792 | 185 | 344 | 1,321 |
| Chemicals | (82) | - | 222 | 140 |
| Other businesses and corporate | (368) | - | 236 | (132) |
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 4,763 | 598 | 851 | 6,212 |
| Interest expense | (611) | - | 111 | (500) |
| Taxation | (1,336) | - | (269) | (1,605) |
| Minority shareholders' interest | (17) | - | - | (17) |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 2,799 | 598 | 693 | 4,090 |
| | ----- | ===== | ===== | ----- |
| per ordinary share (cents) | 12.40 | | | 18.00 |
| | ===== | | | ===== |

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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 fourth quarter 2001 comprise additional severance charges, mainly related to former ARCO employees, an impairment charge for our partner operated Venezuelan Lake Maracaibo operations, Castrol, Solvay and Erdolchemie integration costs, Grangemouth restructuring and litigation costs. The special items for the fourth quarter 2000 comprise principally ARCO, Vasta and Burmah Castrol integration costs, rationalization costs post the BP Amoco merger, environmental charges and asset writedowns.

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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 fo res adjusted special it |
|---|----------|--------------------------------|---------------------|---|
| | ----- | ----- | ----- | ----- |
| | | (\$ million) | | |
| Year ended December 31, 2001 | | | | |
| Exploration and Production | 12,417 | 1,759 | 322 | 14, |
| Gas and Power | 521 | - | - | |
| Refining and Marketing | 3,625 | 718 | 487 | 4, |
| Chemicals | 128 | - | 114 | |
| Other businesses and corporate | (556) | - | 73 | (|
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 16,135 | 2,477 | 996 | 19, |
| Interest expense | (1,670) | - | 62 | (1, |
| Taxation | (4,512) | - | (237) | (4, |
| Minority shareholders' interest | (73) | - | - | |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 9,880 | 2,477 | 821 | 13, |
| | ----- | ----- | ----- | ----- |
| per ordinary share (cents) | 44.03 | | | 58 |
| | ===== | | | ===== |
| Year ended December 31, 2000 | | | | |
| Exploration and Production | 14,012 | 1,174 | 524 | 15, |
| Gas and Power | 571 | - | - | |
| Refining and Marketing | 3,523 | 440 | 595 | 4, |
| Chemicals | 760 | - | 276 | 1, |
| Other businesses and corporate | (1,110) | - | 488 | (|
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 17,756 | 1,614 | 1,883 | 21, |
| Interest expense | (1,770) | - | 111 | (1, |

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| | | | | |
|--|---------|-------|-------|-------|
| Taxation | (4,680) | - | (540) | (5, |
| Minority shareholders' interest | (92) | (79) | - | (|
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 11,214 | 1,535 | 1,454 | 14, |
| | ----- | ===== | ===== | ----- |
| per ordinary share (cents) | 51.82 | | | 65 |
| | ===== | | | ===== |

- (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 2001 comprise additional severance charges, mainly related to former ARCO employees, rationalization costs in the European downstream commercial business, an impairment charge for our partner operated Venezuelan Lake Maracaibo operations, Castrol, Solvay and Erdolchemie integration costs, Grangemouth restructuring and litigation costs. The special items for 2000 comprise principally ARCO, Vastar and Burmah Castrol integration costs, rationalization costs post the BP Amoco merger, environmental charges and asset writedowns.

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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 December 31 (Unaudited) | | Year ended December 31 | |
|--|--|-------|---------------------------|-------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | ----- | ----- | ----- |
| Crude oil and natural gas liquids production (thousand barrels per day), (net of royalties) | | | | |
| UK | 500 | 514 | 485 | |
| Rest of Europe | 116 | 92 | 100 | |
| USA | 772 | 725 | 744 | |
| Rest of World | 629 | 600 | 602 | |
| | ----- | ----- | ----- | ----- |
| Total crude oil and liquids production | 2,017 | 1,931 | 1,931 | 1, |
| | ===== | ===== | ===== | ===== |
| Natural gas production (million cubic feet per day), (net of royalties) | | | | |
| UK | 1,715 | 1,893 | 1,713 | 1, |
| Rest of Europe | 160 | 156 | 147 | |
| USA | 3,621 | 3,403 | 3,554 | 3, |
| Rest of World | 3,268 | 3,169 | 3,218 | 2, |
| | ----- | ----- | ----- | ----- |
| Total natural gas production | 8,764 | 8,621 | 8,632 | 7, |
| | ===== | ===== | ===== | ===== |

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| | | | | |
|---|--------|--------|--------|-------|
| Total production (a) | | | | |
| (thousand barrels of oil equivalent per day), | | | | |
| (net of royalties) | | | | |
| UK | 796 | 840 | 780 | |
| Rest of Europe | 144 | 119 | 125 | |
| USA | 1,396 | 1,312 | 1,357 | 1, |
| Rest of World | 1,192 | 1,146 | 1,157 | 1, |
| | ----- | ----- | ----- | ----- |
| Total production | 3,528 | 3,417 | 3,419 | 3, |
| | ===== | ===== | ===== | ===== |
| Natural gas sales volumes | | | | |
| (million cubic feet per day) | | | | |
| UK | 2,534 | 3,019 | 2,641 | 2, |
| Rest of Europe | 232 | 224 | 213 | |
| USA | 8,094 | 8,206 | 8,327 | 6, |
| Rest of World | 8,867 | 6,007 | 7,613 | 5, |
| | ----- | ----- | ----- | ----- |
| Total natural gas sales volumes (b) | 19,727 | 17,456 | 18,794 | 14, |
| | ===== | ===== | ===== | ===== |
| NGL sales volumes (thousand barrels per day) | | | | |
| UK | - | - | - | |
| Rest of Europe | - | - | - | |
| USA | 226 | 169 | 221 | |
| Rest of World | 215 | 241 | 189 | |
| | ----- | ----- | ----- | ----- |
| Total NGL sales volumes | 441 | 410 | 410 | |
| | ===== | ===== | ===== | ===== |

(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 December 31 (Unaudited) | | Year ended December 31 | |
|--|--|-------|---------------------------|-------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | ----- | ----- | ----- |
| Oil sales volumes (thousand barrels per day) | | | | |
| Refined products | | | | |
| UK | 268 | 295 | 266 | |
| Rest of Europe | 1,084 | 1,077 | 1,062 | |
| USA | 1,773 | 1,974 | 1,866 | 1, |
| Rest of World | 612 | 539 | 603 | |

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| | | | | |
|---|--------|--------|--------|-----|
| Total marketing sales | 3,737 | 3,885 | 3,797 | 3, |
| Trading/supply sales | 2,710 | 2,878 | 2,409 | 2, |
| Total refined product sales | 6,447 | 6,763 | 6,206 | 5, |
| Crude oil | 4,599 | 5,442 | 4,473 | 5, |
| Total oil sales | 11,046 | 12,205 | 10,679 | 11, |
| Refinery throughputs (thousand barrels per day) | | | | |
| UK | 415 | 391 | 364 | |
| Rest of Europe | 692 | 727 | 663 | |
| USA | 1,371 | 1,584 | 1,526 | 1, |
| Rest of World | 369 | 383 | 376 | |
| Total throughput | 2,847 | 3,085 | 2,929 | 2, |
| Chemicals production (thousand tonnes) | | | | |
| UK | 792 | 833 | 3,126 | 3, |
| Rest of Europe | 2,278 | 1,701 | 7,925 | 6, |
| USA | 2,279 | 2,255 | 8,943 | 9, |
| Rest of World | 699 | 596 | 2,722 | 2, |
| Total production | 6,048 | 5,385 | 22,716 | 22, |

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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 December 31 (Unaudited) | | Year ended December 31 | | |
|---|----------------|--|-------|---------------------------|-------|----|
| | | 2001 | 2000 | 2001 | 2000 | |
| Turnover | - \$m | 5,336 | 8,965 | 28,229 | 30, | |
| Total replacement cost operating profit | - \$m | 1,655 | 4,238 | 12,417 | 14, | |
| Results included: | | | | | | |
| Exploration expense | - \$m | 144 | 157 | 480 | | |
| Key Statistics: | | | | | | |
| Average prices realized by BP | :Crude oil (a) | - \$/bbl | 17.72 | 28.08 | 22.50 | 26 |
| | :Natural gas | - \$/mcf | 2.28 | 3.76 | 3.30 | 2 |
| Brent oil price | - \$/bbl | 19.41 | 29.56 | 24.44 | 28 | |
| West Texas intermediate oil price | - \$/bbl | 20.31 | 31.99 | 25.89 | 30 | |
| Henry Hub gas price (b) | - \$/mmBtu | 2.43 | 5.28 | 4.26 | 3 | |

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

Total replacement cost operating profit for the three months and year ended December 31, 2001 was \$1,655 million and \$12,417 million respectively. This compares with \$4,238 million and \$14,012 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 fourth quarter 2001. Average liquids realizations declined by over \$10 a barrel for the fourth quarter and \$4 for the year; average natural gas realizations were down \$1.48 per thousand cubic feet for the quarter and up slightly for the year. The impact of lower prices on turnover and replacement cost operating profit for the year was partly offset by the inclusion of ARCO and other portfolio changes for the whole year, compared to only around nine months (from April 14) for the same period in 2000. The special items for the quarter and the year included a \$175 million impairment of our partner operated Venezuelan Lake Maracaibo operations, following a technical reassessment, \$77 million additional severance costs, \$60 million litigation and \$10 million Grangemouth restructuring costs. The fourth quarter benefited from higher volumes and continued productivity driven cost savings with lifting costs declining versus the previous quarter and the equivalent quarter last year. The year also benefited from operational improvements.

Total hydrocarbon production for 2001 increased 5.5%, in line with our growth to target. Production for the fourth quarter was a record 3.5 mmb/d, which was up over 3% compared with a year ago and up over 4% on a consistent current portfolio basis. Liquids production increased by over 4% and benefited from new production from Girassol in Angola, Northstar in Alaska and Qinghangdao in China as well as further production increases in Norway and the Gulf of Mexico. Natural gas production for the quarter was up 1.5% and 3.5% when adjusted for disposals.

The reserve replacement ratio was 191% with 2.2 billion barrels of oil equivalent booked through extensions, discoveries, revisions and improved recovery. Replacement exceeded production for the eighth consecutive year.

In support of continued growth, 2001 capital expenditure, at \$8.9 billion (including \$0.3 billion of acquisitions), was nearly \$2.5 billion higher than last year. During the quarter, the Mad Dog development (BP 60.5% and operator), in the US Gulf of Mexico, was approved. Also, BP announced that the assets of Chernogorneft have been returned to Sidanco (BP 11.2%). This completes the restructuring of Sidanco with its debt substantially repaid, subsidiaries recovered and non-core assets disposed of. Sidanco is now positioned as a low cost Russian producer.

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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 December 31 (Unaudited) | Year ended December 31 |
|------|--|---------------------------|
| 2001 | 2000 | 2001 |

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| | | | | | |
|---|-------|-------|-------|--------|-----|
| Turnover | - \$m | 7,452 | 8,553 | 39,208 | 21, |
| Total replacement cost operating profit | - \$m | 106 | 183 | 521 | |

On January 1, 2001, the natural gas liquids (NGL) business located in North America was moved to Gas and Power from Refining and Marketing. Comparative information has been restated.

The decrease in turnover for the fourth quarter 2001 reflects the significant fall in natural gas prices, which has more than offset volume increases during the same period. The increase in turnover for the year is primarily due to higher sales volumes in the natural gas marketing and trading business. Replacement cost operating profit for the fourth quarter and year was \$106 million and \$521 million, respectively, compared with \$183 million and \$571 million for the corresponding periods in 2000. Profit for the quarter is down on a year ago due to lower contributions from trading and marketing and NGLs. Despite continued growth in gas sales volumes (up 13% on the fourth quarter of 2000), marketing and trading profit is down due to less favourable market conditions. NGL volumes have increased but margins are lower than a year ago. For the year, lower contribution from NGLs was partly offset by better results from marketing and trading and Ruhrgas. NGL margins have declined significantly relative to 2000 levels.

The BP gas and power business in Spain took part in the Spanish Release Gas programme, an initiative to liberalise the market in line with the European gas directive. BP captured 25% of the total 150 bcf of gas supply auctioned by the incumbent monopoly company.

The Tangguh LNG project (BP approximately 50%) in Eastern Indonesia has secured the first letter of intent for delivery of LNG to GNPowder in the Philippines.

BP and Chevron Texaco have announced that they are to build and operate a 22.5 megawatt wind farm at their jointly owned Nerefco oil refinery in the Netherlands. It will generate electricity equivalent to the consumption of 20,000 households, displacing 20,000 tonnes of carbon dioxide emissions a year. The scheme will begin operations in the second half of 2002.

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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 December 31 (Unaudited) | | Year ended December 31 | |
|---|----------|--|--------|---------------------------|------|
| | | 2001 | 2000 | 2001 | 2000 |
| Turnover | - \$m | 26,528 | 32,708 | 120,233 | 107, |
| Total replacement cost operating profit | - \$m | 392 | 792 | 3,625 | 3, |
| Global Indicator Refining Margin (a) | - \$/bbl | 2.40 | 4.46 | 4.06 | 4 |

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

The decrease in turnover for the fourth quarter reflects lower retail and wholesale fuel prices. Turnover for the year primarily reflects the inclusion of ARCO for the whole of the year in 2001, compared to around nine 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.

Replacement cost operating profit for the three months and year ended December 31, 2001 was \$392 million and \$3,625 million, respectively, including special charges of \$213 million and \$487 million. For the corresponding periods in 2000, replacement cost operating profit was \$792 and \$3,523 after special charges of \$344 million and \$595 million, respectively. The special charges for the fourth quarter comprised \$146 million Castrol integration costs, \$37 million associated with restructuring of operations at the Grangemouth, Scotland refinery and \$30 million additional severance charges related to former ARCO employees. Special charges for the year also included rationalization costs in the downstream European commercial business. Lower profit for the fourth quarter was primarily the result of lower US and European refining margins. Refining throughputs in the quarter declined by 8% compared with the previous year because of the sale of the Mandan, North Dakota and Salt Lake City, Utah refineries in the third quarter of 2001 and a turnaround at the Whiting, Indiana refinery. Marketing volumes declined by 3% in the quarter, reflecting the slowdown in the world economy. Retail shop sales increased by 14% versus a year ago, reflecting the impact of new BP Connect stations and worldwide growth in shop sales. Average retail margins were little changed from a year ago, though fell away at the end of the quarter. Profit for the year reflects the benefit of the ARCO and Burmah Castrol acquisitions and the consolidation of the fuels business in Europe, and improved marketing volumes, offset by the effects of a larger refinery maintenance programme in 2001.

For the year marketing volumes increased by 11% (2% excluding portfolio changes). Retail shop sales grew 23% (7% excluding portfolio changes). We achieved a unit cash cost reduction of 6% during the year, compared to our target of 2.5%.

The clean fuels programme was rolled out to the 113th city by the end of the year. A total of 339 BP Connect stations were open at the end of the year, in the USA, Europe, Australia and New Zealand. In addition, we have reimaged in excess of 4,600 retail stations worldwide to incorporate BP's new Helios logo.

In December, BP received approval from the European Commission and German Cartel office for its acquisition of Veba Oel AG, subject to certain disposals. The deal, initially for a 51% interest, was completed on February 1, 2002. This completes one part of the arrangement initially announced in mid 2001.

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

CHEMICALS

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| | | Three months ended | | Year ended | |
|--------------------------------|---------|--------------------|---------|-------------|---------|
| | | December 31 | | December 31 | |
| | | (Unaudited) | | | |
| | | 2001 | 2000 | 2001 | 2000 |
| Turnover | - \$m | 2,481 | 2,754 | 11,515 | 11,515 |
| Total replacement cost | - \$m | (67) | (82) | 128 | 128 |
| operating profit | | | | | |
| Chemicals Indicator Margin (a) | - \$/te | 108 (b) | 117 (c) | 108 (b) | 108 (b) |

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

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

(c) Restated following review of product margins with Chem Systems.

Turnover for the fourth quarter primarily reflects lower prices. For the year, the effect of lower prices was more than offset by the inclusion of 100% of Erdolchemie in 2001. Replacement cost operating loss for the three months ended December 31, 2001 was \$67 million compared with \$82 million for the prior year, including special charges of \$106 million and \$222 million, respectively. For the year, replacement cost operating profit was \$128 million in 2000 compared with \$760 million in the previous year, including special charges of \$114 million and \$276 million, respectively. Excluding special charges, fourth quarter profit reflected ongoing deterioration in market conditions during 2001. Profit for the year decreased due to a weaker trading environment, operational problems in the first half of 2001, and costs associated with restructuring to improve the efficiency of underlying operations.

Chemicals production of 6,048 thousand tonnes in the fourth quarter was just above the previous quarter, as a result of the Solvay joint venture and organic growth from our new linear alpha olefins, vinyl acetate monomer and ethyl acetate plants coming on stream. Production for the year was 22,716 thousand tonnes, up 3% on 2000 due to new production and acquired assets.

Major restructuring continued throughout 2001, aimed at repositioning the portfolio and lowering the cost base. Special charges for the year of \$106 million and \$114 million for the quarter and year, respectively, include charges for Grangemouth restructuring and those related to Erdolchemie and Solvay integration costs. In addition to special items, the fourth quarter and full year results include \$36 million and \$102 million, respectively, for rationalization costs.

During the quarter we announced further portfolio rationalization, including the sale of our butyl and isopropyl acetate business in Antwerp, Belgium, the closure of a high-density polyethylene facility as part of the restructuring at

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Grangemouth, Scotland, the idling of one of the polypropylene lines at Chocolate Bayou, USA and the cessation of alcohol production to concentrate on production of linear alpha olefins at Pasadena, USA.

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

OTHER BUSINESSES AND CORPORATE

| | Three months ended December 31 (Unaudited) | | Year ended December 31 | |
|-----------------------------------|--|-------|---------------------------|-------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | | ----- | |
| Turnover | - \$m | 216 | 51 | 783 |
| Replacement cost operating profit | - \$m | (179) | (368) | (556) |

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 year ended December 31, 2001 was \$179 million and \$556 million, respectively, after special charges of \$73 million comprising additional severance charges mainly related to former ARCO employees. This compares with \$368 million and \$1,110 million for the corresponding periods in 2000, after special charges of \$236 million and \$488 million, respectively, comprising rationalization costs post the BP Amoco merger, ARCO integration costs and an environmental charge.

BP Solar increased its share of the world's solar market to 18% during 2001; production for the year was 30% higher. At the end of the year, as part of its global real estate strategy, BP completed the purchase of a new head office building in London, England. This will permit rationalization of other BP occupied London properties.

EXCEPTIONAL ITEMS

| | Three months ended December 31 (Unaudited) | | Year ended December 31 | |
|---|--|-------|---------------------------|-------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | | ----- | |
| Profit (loss) on sale of fixed assets and businesses and termination of operations | - \$m | (38) | 78 | 535 |
| Taxation credit (charge) | - \$m | (126) | 94 | (505) |
| Exceptional items after taxation - \$m | | (164) | 172 | 30 |

Exceptional items for the fourth quarter include losses on the termination or sale of chemicals activities and the sale of BP's interest in Kazakhstan pipeline ventures, largely offset by gains on the sale of our majority interest

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in Vysis and the Frontier and Mandan pipeline systems in the USA.

OUTLOOK

Demand for oil and gas is weaker than last year because of the global economy, a mild US winter and reduced jet fuel demand following the events of September 11. The crude oil market looks broadly balanced for the first half of 2002, if OPEC's latest round of quota reductions offset current demand weakness. Additional OPEC oil may be required in the second half of the year to balance the market if demand improves in line with an economic recovery.

In the US gas market, a combination of economic recovery and lower gas prices may boost demand over the course of 2002 whilst lower drilling activity could curtail domestic production growth. In the near term, high levels of gas in storage are likely to maintain the downward pressure on prices. UK gas fundamentals had improved following cold weather across Europe during November and December, though prices have eased recently, reflecting warmer weather.

Refining margins have been poor so far in 2002 and may remain under pressure in the near term because of weak oil product demand growth and relatively high inventories, especially in the key US market. Retail margins are currently weaker due to intense competitive pressure.

In Chemicals, the near-term pattern of demand is likely to be unchanged.

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

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 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; wars and acts of terrorism or sabotage; 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.

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2001 DIVIDENDS

On February 12, 2002, BP p.l.c. announced a fourth quarterly dividend for 2001 of 5.75 cents per ordinary share of 25 cents (ordinary shares), representing \$0.345 per American Depositary Share (ADS) amounting to \$1,289 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares was February 12, 2002, with payment to be made on March 18, 2002.

The dividend payable on March 18 2002 entitles qualifying US ADS shareholders to a refund of the 1/9th UK tax credit (approximately \$0.038) attaching to the dividend less a UK withholding tax limited to the amount of the tax credit. The effect of these arrangements for ADS holders is currently a cash payment of \$0.345, a gross dividend for tax purposes of \$0.383 and a potential tax credit of \$0.038 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 March 18, 2002.

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

| | Three months ended December 31 (Unaudited) | | Year ended December 31 | |
|---|--|--------|---------------------------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | | | |
| | (\$ million, except per share amounts) | | | |
| Turnover - Note 3 | 37,114 | 44,846 | 175,389 | 161,114 |
| Less: joint ventures | 297 | 284 | 1,171 | 13,114 |
| | ----- | ----- | ----- | ----- |
| Group turnover | 36,817 | 44,562 | 174,218 | 148,000 |
| Replacement cost of sales | 32,499 | 36,827 | 146,893 | 121,114 |
| Production taxes - Note 4 | 336 | 564 | 1,689 | 2,114 |
| | ----- | ----- | ----- | ----- |
| Gross profit | 4,032 | 7,171 | 25,636 | 24,114 |
| Distribution and administration expenses | 2,499 | 2,875 | 10,918 | 8,114 |
| Exploration expense - Note 5 | 144 | 157 | 480 | 1,114 |
| | ----- | ----- | ----- | ----- |
| Other income | 1,389 | 4,139 | 14,238 | 15,114 |
| | 208 | 272 | 694 | 1,114 |
| | ----- | ----- | ----- | ----- |
| Group replacement cost operating profit | 1,597 | 4,411 | 14,932 | 16,114 |
| Share of profits of joint ventures | 91 | 92 | 443 | 1,114 |
| Share of profits of associated undertakings | 219 | 260 | 760 | 1,114 |

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| | | | | |
|--|---------|--------|---------|-----|
| Total replacement cost operating profit | | | | |
| Notes 6 and 7 | 1,907 | 4,763 | 16,135 | 17, |
| Profit (loss) on sale of fixed assets and businesses and termination of operations - Note 8 | 38 | (78) | (537) | (|
| Replacement cost profit before interest and tax - Note 6 | 1,869 | 4,841 | 16,670 | 17, |
| Inventory holding gains (losses) - Note 9 | (1,297) | (561) | (1,900) | |
| Historical cost profit before interest and tax | 572 | 4,280 | 14,770 | 18, |
| Interest expense - Note 10 | 414 | 611 | 1,670 | 1, |
| Profit before taxation | 158 | 3,669 | 13,100 | 16, |
| Taxation - Note 11 | 537 | 1,242 | 5,017 | 4, |
| Profit after taxation | (379) | 2,427 | 8,083 | 11, |
| Minority shareholders' interest | 26 | 17 | 73 | |
| Profit for the period | (405) | 2,410 | 8,010 | 11, |
| Earnings per ordinary share - cents (a) | | | | |
| Basic | (1.78) | 10.53 | 35.70 | 54 |
| Diluted | (1.76) | 10.47 | 35.48 | 54 |
| Earnings per American depositary share - cents (a) | | | | |
| Basic | (10.68) | 63.18 | 214.2 | 32 |
| Diluted | (10.56) | 62.82 | 212.9 | 36 |
| Average number of outstanding ordinary shares (millions) | 22,396 | 22,516 | 22,436 | 21, |

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

| | December 31, 2001 (Unaudited) | December 31, |
|---|----------------------------------|--------------|
| | | (\$ million) |
| Fixed assets | | |
| Intangible assets | 15,593 | 16 |
| Tangible assets | 77,410 | 74 |
| Investments | 12,047 | 11 |
| | ----- | ----- |
| | 105,050 | 103 |
| Current assets | | |
| Business held for resale | - | 636 |
| Inventories | 7,631 | 9,234 |
| Receivables | 26,669 | 28,418 |
| Investments | 450 | 661 |
| Cash at bank and in hand | 1,358 | 1,170 |
| | ----- | ----- |
| | 36,108 | 40,119 |
| Current liabilities - falling due within one year | | |
| Finance debt | 9,090 | 6,418 |

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| | | |
|--|---------|--------|
| Accounts payable and accrued liabilities | 28,524 | 31,298 |
| | ----- | ----- |
| | 37,614 | 37,716 |
| | ----- | ----- |
| Net current assets (liabilities) | (1,056) | 2 |
| | ----- | ----- |
| Total assets less current liabilities | 103,544 | 105 |
| Noncurrent liabilities | | |
| Finance debt | 12,327 | 14,772 |
| Accounts payable and accrued liabilities | 3,086 | 3,842 |
| Provisions for liabilities and charges | 13,137 | 12,795 |
| | ----- | ----- |
| | 28,550 | 31 |
| | ----- | ----- |
| Net assets | 74,994 | 74 |
| Minority shareholders' interest | 627 | |
| | ----- | ----- |
| BP shareholders' interest (a) - Note 15 | 74,367 | 73 |
| | ===== | ===== |
| Represented by: | | |
| Capital shares | | |
| Preference | 21 | |
| Ordinary | 5,608 | 5 |
| Paid-in surplus | 4,014 | 3 |
| Merger reserve | 26,286 | 26 |
| Retained earnings | 23,757 | 36 |
| Other reserves | 247 | |
| | ----- | ----- |
| | 74,367 | 73 |
| | ===== | ===== |

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

| | Three months ended December 31 (Unaudited) | | Year ended December 31 | |
|---|--|-------|---------------------------|-------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | ----- | ----- | ----- |
| | (\$ million) | | | |
| Net cash inflow from operating activities | 5,547 | 5,779 | 22,409 | 20, |
| | ----- | ----- | ----- | ----- |
| Dividends from joint ventures | 12 | - | 104 | |
| | ----- | ----- | ----- | ----- |
| Dividends from associated undertakings | 104 | 120 | 528 | |
| | ----- | ----- | ----- | ----- |
| Servicing of finance and returns on investments | | | | |
| Interest received | 83 | 100 | 256 | |
| Interest paid | (229) | (471) | (1,282) | (1, |
| Dividends received | 35 | 30 | 132 | |
| Dividends paid to minority shareholders | (38) | (4) | (54) | |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|------------------------------------|-------|-------|--------|-------|
| Gas and Power | | | | |
| UK (a) | 46 | 86 | 97 | |
| Rest of Europe | 45 | 13 | 82 | |
| USA (b) | 61 | 5 | 109 | |
| Rest of World | 57 | 23 | 71 | |
| | ----- | ----- | ----- | ----- |
| | 209 | 127 | 359 | |
| | ----- | ----- | ----- | ----- |
| Refining and Marketing | | | | |
| UK (c) (d) | 127 | 393 | 394 | 5, |
| Rest of Europe (d) | 209 | 328 | 380 | 1, |
| USA (e) | 623 | 652 | 1,311 | 1, |
| Rest of World | 157 | 227 | 330 | |
| | ----- | ----- | ----- | ----- |
| | 1,116 | 1,600 | 2,415 | 8, |
| | ----- | ----- | ----- | ----- |
| Chemicals | | | | |
| UK | 26 | 210 | 205 | |
| Rest of Europe (f) | 294 | 17 | 917 | |
| USA | 167 | 166 | 460 | |
| Rest of World | 107 | 119 | 344 | |
| | ----- | ----- | ----- | ----- |
| | 594 | 512 | 1,926 | 1, |
| | ----- | ----- | ----- | ----- |
| Other businesses and corporate (g) | | | | |
| | 356 | 596 | 563 | 30, |
| | ----- | ----- | ----- | ----- |
| | 4,428 | 4,960 | 14,124 | 47, |
| | ===== | ===== | ===== | ===== |
| By geographical area | | | | |
| UK | 745 | 1,144 | 2,128 | 7, |
| Rest of Europe | 709 | 443 | 1,787 | 2, |
| USA | 1,758 | 1,796 | 6,160 | 34, |
| Rest of World | 1,216 | 1,577 | 4,049 | 4, |
| | ----- | ----- | ----- | ----- |
| | 4,428 | 4,960 | 14,124 | 47, |
| | ===== | ===== | ===== | ===== |

-
- (a) 4Q 2000 included \$62 million for the second instalment on two LNG ships. Year 2000 also included investment in Great Yarmouth Power Station plus the first and second instalment on the two LNG ships.
- (b) Year 2000, 4Q 2001 and year 2001 included investment in Green Mountain Energy Company.
- (c) Year 2000 included \$4,686 million for the purchase of Burmah Castrol's issued share capital. 4Q and year 2000 included \$175 million for the acquisition of the minority interest in Castrol India.
- (d) Year 2000 included \$1,450 million for the acquisition of the Mobil share of the European Joint Venture.
- (e) 4Q and year 2000 included \$110 million for the Olympic pipeline and \$70 million for Exxon's aviation lubricants business.
- (f) 4Q 2001 included the formation of the joint venture with Solvay. Year 2001 also included the acquisition of Bayer's 50% interest in Erdolchemie.
- (g) 4Q and year 2000 included \$416 million for the investment in Sinopac. Year 2000 included \$27,506 million for the acquisition of ARCO, \$1,688 million for the acquisition of the minority interest in Vastar and \$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 | | Year ended | |
|--|--------------------|--------|-------------|-------|
| | December 31 | | December 31 | |
| | (Unaudited) | | | |
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | | ----- | |
| Average oil realizations (a) - \$/bbl | | | | |
| UK | 18.53 | 28.55 | 23.55 | 27.55 |
| USA | 17.05 | 28.02 | 21.87 | 25.55 |
| Rest of World | 17.70 | 27.48 | 21.90 | 26.55 |
| BP average | 17.72 | 28.08 | 22.50 | 26.55 |
| | | | | |
| Brent oil price | 19.41 | 29.56 | 24.44 | 28.55 |
| West Texas Intermediate oil price | 20.31 | 31.99 | 25.89 | 30.55 |
| Alaska North Slope US West Coast | 17.79 | 29.42 | 23.18 | 28.55 |
| | | | | |
| Average natural gas realizations - \$/mcf | | | | |
| UK | 3.15 | 3.03 | 3.07 | 2.55 |
| USA | 2.06 | 5.15 | 3.99 | 3.55 |
| Rest of World | 1.99 | 2.63 | 2.52 | 2.55 |
| BP average | 2.28 | 3.76 | 3.30 | 2.55 |
| | | | | |
| Henry Hub gas price (b) (\$/mmBtu) | 2.45 | 5.28 | 4.26 | 3.55 |
| | | | | |
| Global Indicator Refining Margins (c) - \$/bbl | | | | |
| Northwest Europe | 1.53 | 3.63 | 2.24 | 3.55 |
| US Gulf Coast | 1.79 | 3.78 | 4.84 | 3.55 |
| Midwest | 2.63 | 3.54 | 6.05 | 4.55 |
| US West Coast | 6.25 | 10.21 | 8.60 | 8.55 |
| Singapore | 1.20 | 2.18 | 0.90 | 2.55 |
| BP average | 2.40 | 4.46 | 4.06 | 4.55 |
| | | | | |
| Chemicals Indicator Margin (d) - \$/te | 108(e) | 117(f) | 108(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. It is based on market data collected by Chem Systems in their quarterly market analyses, then weighted based on BP's product portfolio. While it does not cover our entire portfolio, it includes a broader range of products than our previous indicator. Amongst the products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha olefins, anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.
- (e) Provisional. The data for the fourth quarter is based on two months' actuals and one month of provisional data.

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(f) Restated following review of product margins with Chem Systems.

US dollar/sterling exchange rates

| | Three months ended | | Year ended | |
|------------------------------|--------------------|-------|-------------|-------|
| | December 31 | | December 31 | |
| | (Unaudited) | | | |
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | | ----- | |
| Average rates for the period | 1.44 | 1.45 | 1.44 | 1.45 |
| Period-end rates | 1.45 | 1.49 | 1.45 | 1.49 |
| | ===== | ===== | ===== | ===== |

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

| | Three months ended | | Year ended | |
|----------------------------|--------------------|-------|-------------|-------|
| | December 31 | | December 31 | |
| | (Unaudited) | | | |
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | | ----- | |
| | (\$ million) | | | |
| Special items | | | | |
| Exploration and Production | | | | |
| UK | 70 | 5 | 70 | 5 |
| Rest of Europe | - | - | - | - |
| USA | 77 | 25 | 77 | 25 |
| Rest of World | 175 | 19 | 175 | 19 |
| | ----- | ----- | ----- | ----- |
| | 322 | 49 | 322 | 49 |
| | ----- | ----- | ----- | ----- |
| Gas and Power | | | | |
| UK | - | - | - | - |
| Rest of Europe | - | - | - | - |
| USA | - | - | - | - |
| Rest of World | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| Refining and Marketing | | | | |
| UK | 70 | 59 | 131 | 118 |
| Rest of Europe | 44 | 38 | 167 | 136 |
| USA | 63 | 188 | 82 | 276 |
| Rest of World | 36 | 59 | 107 | 115 |
| | ----- | ----- | ----- | ----- |
| | 213 | 344 | 487 | 645 |
| | ----- | ----- | ----- | ----- |
| Chemicals | | | | |
| UK | 89 | 1 | 89 | 1 |
| Rest of Europe | 33 | 18 | 41 | 18 |
| USA | (16) | 18 | (16) | 18 |

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| | | | | |
|-------------------------------------|-------|-------|-------|-------|
| Rest of World | - | 185 | - | |
| | ----- | ----- | ----- | ----- |
| | 106 | 222 | 114 | |
| | ----- | ----- | ----- | ----- |
| Other businesses and corporate | | | | |
| UK | - | 63 | - | |
| Rest of Europe | - | - | - | |
| USA | 73 | 173 | 73 | |
| Rest of World | - | - | - | |
| | ----- | ----- | ----- | ----- |
| | 73 | 236 | 73 | |
| | ----- | ----- | ----- | ----- |
| Total special items before interest | 714 | 851 | 996 | 1, |
| Interest - bond redemption charges | - | 111 | 62 | |
| | ----- | ----- | ----- | ----- |
| Total | 714 | 962 | 1,058 | 1, |
| | ===== | ===== | ===== | ===== |
| Acquisition amortization | | | | |
| Exploration and Production | | | | |
| UK | 41 | 30 | 151 | |
| USA | 323 | 373 | 1,474 | 1, |
| Rest of World | 33 | 10 | 134 | |
| | ----- | ----- | ----- | ----- |
| | 397 | 413 | 1,759 | 1, |
| | ----- | ----- | ----- | ----- |
| Refining and Marketing | | | | |
| UK | 99 | 104 | 394 | |
| USA | 81 | 81 | 324 | |
| | ----- | ----- | ----- | ----- |
| | 180 | 185 | 718 | |
| | ===== | ===== | ===== | ===== |
| Total | 577 | 598 | 2,477 | 1, |
| | ===== | ===== | ===== | ===== |

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

1. The financial statements and notes included in this Report for the year ended December 31, 2001 do not constitute statutory accounts. It is an extract from the 2001 annual accounts (except Notes 16 and 17), approved by a duly appointed and authorized committee of the Board of Directors at the Results Committee on February 12, 2002, but not yet delivered to the UK Registrar of Companies; the report of the auditors on those accounts was unqualified. The accounting policies used in preparing the 2001 annual accounts are consistent with those applied in the preceding annual accounts. The results for the three months ended December 31, 2001 and 2000 are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. The 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

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businesses held for resale will for now be retained and have been included within the Chemicals segment from July 1, 2001.

| | Three months ended December 31 (Unaudited) | | Year ended December 31 | |
|--------------------------------|--|--------|---------------------------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| | (\$ million) | | | |
| 3. Turnover | | | | |
| By business | | | | |
| Exploration and Production | 5,336 | 8,965 | 28,229 | 30,111 |
| Gas and Power | 7,452 | 8,553 | 39,208 | 21,111 |
| Refining and Marketing | 26,528 | 32,708 | 120,233 | 107,111 |
| Chemicals | 2,481 | 2,754 | 11,515 | 11,111 |
| Other businesses and corporate | 216 | 51 | 783 | 1,111 |
| | ----- | ----- | ----- | ----- |
| | 42,013 | 53,031 | 199,968 | 171,111 |
| Less: sales between businesses | 5,196 | 8,469 | 25,750 | 23,111 |
| | ----- | ----- | ----- | ----- |
| Group excluding joint ventures | 36,817 | 44,562 | 174,218 | 148,111 |
| Sales of joint ventures | 297 | 284 | 1,171 | 13,111 |
| | ----- | ----- | ----- | ----- |
| | 37,114 | 44,846 | 175,389 | 161,111 |
| | ===== | ===== | ===== | ===== |
| By geographical area | | | | |
| UK | 11,432 | 11,982 | 47,618 | 45,111 |
| Rest of Europe | 8,657 | 11,217 | 36,701 | 20,111 |
| USA | 16,039 | 19,023 | 84,696 | 71,111 |
| Rest of World | 7,285 | 9,406 | 33,911 | 31,111 |
| | ----- | ----- | ----- | ----- |
| | 43,413 | 51,628 | 202,926 | 168,111 |
| Less: Sales between areas | 6,596 | 7,066 | 28,708 | 19,111 |
| | ----- | ----- | ----- | ----- |
| Group excluding joint ventures | 36,817 | 44,562 | 174,218 | 148,111 |
| | ===== | ===== | ===== | ===== |
| Sales of joint ventures | | | | |
| UK | 13 | - | 13 | 3 |
| Rest of Europe | 30 | - | 30 | 12 |
| USA | 82 | 87 | 318 | 16 |
| Rest of World | 172 | 197 | 810 | 16 |
| | ----- | ----- | ----- | ----- |
| | 297 | 284 | 1,171 | 16,111 |
| Less: sales between areas | - | - | - | 2,111 |
| | ----- | ----- | ----- | ----- |
| | 297 | 284 | 1,171 | 13,111 |
| | ===== | ===== | ===== | ===== |
| 4. Production taxes | | | | |
| UK petroleum revenue tax | 147 | 162 | 600 | 1,111 |
| Overseas production taxes | 189 | 402 | 1,089 | 1,111 |
| | ----- | ----- | ----- | ----- |
| | 336 | 564 | 1,689 | 2,111 |
| | ===== | ===== | ===== | ===== |

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| | (1,297) | (561) | (1,900) | |
|---|---------|-------|---------|-------|
| | ===== | ===== | ===== | ===== |
| 10. Interest expense | | | | |
| Group interest payable (a) | 286 | 532 | 1,308 | 1, |
| Capitalized | (7) | (42) | (81) | (|
| | ----- | ----- | ----- | ----- |
| | 279 | 490 | 1,227 | 1, |
| Joint ventures | 21 | 19 | 70 | |
| Associated undertakings | 26 | 42 | 135 | |
| Unwinding of discount on provisions | 46 | 60 | 196 | |
| Change in discount rate for provisions | 42 | - | 42 | |
| | ----- | ----- | ----- | ----- |
| | 414 | 611 | 1,670 | 1, |
| | ===== | ===== | ===== | ===== |
| (a) Includes charges relating to the early redemption of debt (a) | - | 111 | 62 | |
| | ----- | ----- | ----- | ----- |
| 11. Charge for taxation | | | | |
| United Kingdom | 174 | 334 | 940 | 1, |
| Overseas | 363 | 908 | 4,077 | 3, |
| | ----- | ----- | ----- | ----- |
| | 537 | 1,242 | 5,017 | 4, |
| | ===== | ===== | ===== | ===== |

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

| | Three months ended December 31 (Unaudited) | | Year ended December 31 | |
|--|--|--------|---------------------------|-------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | ----- | ----- | ----- |
| | (\$ million) | | | |
| 12. Return on average capital employed (ROACE) | | | | |
| Replacement cost basis | | | | |
| Replacement cost profit before exceptional items | 1,056 | 2,799 | 9,880 | 11, |
| Interest | 414 | 611 | 1,670 | 1, |
| Minority shareholders' interest | 26 | 17 | 73 | |
| | ----- | ----- | ----- | ----- |
| | 1,496 | 3,427 | 11,623 | 13, |
| | ===== | ===== | ===== | ===== |
| Average capital employed | 97,025 | 94,402 | 95,829 | 86, |
| ROACE | 6.2% | 15% | 12.1% | |
| | ----- | ----- | ----- | ----- |
| Acquisitions and special items adjustments | | | | |
| Acquisition amortization | 577 | 598 | 2,477 | 1, |
| Special items (post tax) | 571 | 582 | 775 | 1, |
| Average capital employed | 18,275 | 20,762 | 19,225 | 20, |
| ROACE - pro forma basis adjusted for special items | 13.4% | 25% | 19.4% | |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|--|-------|-------|-------|-------|
| Historical cost basis | | | | |
| Historical cost profit after exceptional items | (405) | 2,410 | 8,010 | 11, |
| Interest | 414 | 611 | 1,670 | 1, |
| Minority shareholders' interest | 26 | 17 | 73 | |
| | ----- | ----- | ----- | ----- |
| | 35 | 3,038 | 9,753 | 13, |
| | ===== | ===== | ===== | ===== |
| ROACE | 0.1% | 13% | 10.2% | |
| | ===== | ===== | ===== | ===== |

* As the acquisition of ARCO was completed in April 2000 and Burmah Castrol in July 2000, the average capital employed for 2000 has been calculated as the average of the four discrete quarters.

13. Analysis of changes in net debt

| | | | | |
|---|---------|---------|--------|-------|
| Opening balance | | | | |
| Finance debt | 20,474 | 19,688 | 21,190 | 14, |
| Less:Cash | 1,438 | 1,607 | 1,170 | 1, |
| Current asset investments | 519 | 862 | 661 | |
| | ----- | ----- | ----- | ----- |
| Opening net debt | 18,517 | 17,219 | 19,359 | 12, |
| | ----- | ----- | ----- | ----- |
| Closing balance | | | | |
| Finance debt | 21,417 | 21,190 | 21,417 | 21, |
| Less:Cash | 1,358 | 1,170 | 1,358 | 1, |
| Current asset investments | 450 | 661 | 450 | |
| | ----- | ----- | ----- | ----- |
| Closing net debt | 19,609 | 19,359 | 19,609 | 19, |
| | ----- | ----- | ----- | ----- |
| Decrease (increase) in net debt | (1,092) | (2,140) | (250) | (6, |
| | ===== | ===== | ===== | ===== |
| Movement in cash/bank overdrafts | (63) | (430) | 241 | (|
| (Decrease) increase in current asset investments | (65) | (158) | (211) | |
| Net cash (inflow) outflow from financing (excluding share capital) | (941) | (1,661) | (128) | 1, |
| Other movements | (17) | (24) | (36) | |
| Debt acquired | (8) | - | (55) | (8, |
| | ----- | ----- | ----- | ----- |
| Movements in net debt before exchange effects | (1,094) | (2,273) | (189) | (6, |
| Exchange adjustments | 2 | 133 | (61) | |
| | ----- | ----- | ----- | ----- |
| Decrease (increase) in net debt | (1,092) | (2,140) | (250) | (6, |
| | ===== | ===== | ===== | ===== |

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| | December 31 (Unaudited) | | December 31 | |
|--|----------------------------|--------|-------------|--------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | | | |
| | (\$ million) | | | |
| 14. Net debt ratio - net debt: net debt + equity | | | | |
| Gross debt | 21,417 | 21,190 | 21,417 | 21,190 |
| Cash and current asset investments | 1,808 | 1,831 | 1,808 | 1,831 |
| | ----- | ----- | ----- | ----- |
| Net debt | 19,609 | 19,359 | 19,609 | 19,359 |
| Equity | 74,994 | 74,001 | 74,994 | 74,001 |
| | ----- | ----- | ----- | ----- |
| Net debt ratio | 21% | 21% | 21% | 21% |
| Acquisition adjustment (a) | 17,986 | 20,463 | 17,986 | 20,463 |
| | ----- | ----- | ----- | ----- |
| Net debt ratio - pro forma basis (b) | 26% | 27% | 26% | 27% |
| | ===== | ===== | ===== | ===== |

(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 |
|---|------------|
| Balance at December 31, 2000 | 73,416 |
| Profit for the period | 8,010 |
| Distribution to shareholders | (4,935) |
| Currency translation differences | (908) |
| Employee share schemes | 181 |
| Share buyback | (1,281) |
| Redemption of ARCO preference shares | (116) |
| | ----- |
| Balance at December 31, 2001 | 74,367 |
| | ===== |

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

16. Consolidated statement of cash flows presented on a SFAS95 format

| | Three months ended December 31 (Unaudited) | | Year ended December 31 | |
|---|--|-------|---------------------------|--------|
| | 2001 | 2000 | 2001 | 2000 |
| | ----- | | | |
| | (\$ million) | | | |
| Operating activities | | | | |
| Profit after taxation | (379) | 2,427 | 8,083 | 11,000 |
| Adjustments to reconcile profits after tax to | | | | |

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| | | | | |
|---|---------|---------|----------|-------|
| net cash provided by operating activities | | | | |
| Depreciation and amounts provided | 2,430 | 2,228 | 8,750 | 7, |
| Exploration expenditure written off | 85 | 73 | 238 | |
| Share of profits of joint ventures and associates less dividends received | (52) | (78) | (60) | (|
| (Profit) loss on sale of businesses and fixed assets | 36 | (78) | (537) | (|
| Working capital movement (see analysis below) | 2,087 | (578) | 1,319 | (2, |
| Other | (71) | (393) | (225) | (1, |
| | ----- | ----- | ----- | ----- |
| Net cash provided by operating activities | 4,136 | 3,601 | 17,568 | 14, |
| | ----- | ----- | ----- | ----- |
| Investing activities | | | | |
| Capital expenditures | (3,695) | (3,731) | (12,295) | (10, |
| Acquisitions, net of cash acquired | (602) | (1,561) | (1,210) | (6, |
| Investment in associated undertakings | (179) | (88) | (586) | (|
| Net investment in joint ventures | (220) | - | (497) | (|
| Proceeds from disposal of assets | 846 | 1,319 | 2,903 | 11, |
| | ----- | ----- | ----- | ----- |
| Net cash used in investing activities | (3,850) | (4,061) | (11,685) | (6, |
| | ----- | ----- | ----- | ----- |
| Financing activities | | | | |
| Net proceeds from shares (repurchased) issued | (86) | (602) | (1,100) | (2, |
| Proceeds from long-term financing | 267 | 96 | 1,296 | 1, |
| Repayments of long-term financing | (434) | (1,359) | (2,602) | (2, |
| Net increase (decrease) in short-term debt | 1,108 | 2,924 | 1,434 | (|
| Dividends paid - BP shareholders | (1,232) | (1,183) | (4,827) | (4, |
| - Minority shareholders | (38) | (4) | (54) | |
| | ----- | ----- | ----- | ----- |
| Net cash used in financing activities | (415) | (128) | (5,853) | (7, |
| | ----- | ----- | ----- | ----- |
| Currency translation differences relating to cash and cash equivalents | (20) | (50) | (53) | |
| | ----- | ----- | ----- | ----- |
| (Increase) decrease in cash and cash equivalents | (149) | (638) | (23) | |
| | ----- | ----- | ----- | ----- |
| Cash and cash equivalents at beginning of period | 1,957 | 2,469 | 1,831 | 1, |
| | ----- | ----- | ----- | ----- |
| Cash and cash equivalents at end of period | 1,808 | 1,831 | 1,808 | 1, |
| | ===== | ===== | ===== | ===== |
| Analysis of working capital movement | | | | |
| Decrease (increase) in inventories | 1,368 | (185) | 1,490 | (1, |
| Decrease (increase) in receivables | 1,202 | (1,904) | 1,905 | (5, |
| (Decrease) increase in current liabilities (excluding finance debt) | (483) | 1,511 | (2,076) | 4, |
| | ----- | ----- | ----- | ----- |
| Total working capital movement | 2,087 | (578) | 1,319 | (2, |
| | ===== | ===== | ===== | ===== |

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

17. Restatement of 2000 segment information

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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 Quarter | Second Quarter | Third Quarter | Fourth 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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| | First Quarter | Second Quarter | Third Quarter | Fourth 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 |
| ===== | | | | |

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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

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undersigned, thereunto duly authorized.

BP p.l.c.
(Registrant)

Dated: February 19, 2002

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