

Edgar Filing: BP PLC - Form 6-K

BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

Page 1

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

GROUP RESULTS JANUARY - SEPTEMBER 2002

| | Three months ended September 30 (Unaudited) | |
|---|---|-----------------|
| | 2002 | 2001 |
| | (\$ mil) | |
| Turnover | 49,054 ===== | 43,580 ===== |
| Reconciliation of historical cost and pro forma results | | |
| Historical cost profit for the period | 2,835 | 1,588 |
| Inventory holding (gains) losses (a) | (305) | 405 |
| | ----- | ----- |
| Replacement cost profit for the period (b) | 2,530 | 1,993 |
| Exceptional items, net of tax | (1,769) | (57) |
| | ----- | ----- |
| Replacement cost profit before exceptional items | 761 | 1,936 |
| Special items, net of tax (c) | 556 | 79 |
| Acquisition amortization (d) | 977 | 630 |
| | ----- | ----- |
| Pro forma result adjusted for special items | 2,294 ===== | 2,645 ===== |
| Per Ordinary Share - cents | | |
| Historical cost profit | 12.65 | 7.09 |
| Replacement cost profit before exceptional items | 3.39 | 8.63 |
| Pro forma result adjusted for special items | 10.24 | 11.80 |
| Dividends per Ordinary Share - cents | 6.00 | 5.50 |

(a) Net of minority shareholders' interest.

(b) Replacement cost is not a UK or US GAAP measure. For further information on why management believes replacement cost profit is a relevant measure see Note 6 of Notes to Consolidated Financial Statements.

(c) The special items refer to non-recurring charges and credits as described in the text below.

(d) Depreciation and amortization relating to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.

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

Edgar Filing: BP PLC - Form 6-K

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

The third quarter trading environment was similar to a year ago for Exploration and Production but less favourable for Refining and Marketing. The nine months trading environment was significantly less favourable than a year ago for both businesses.

Turnover for the three months and nine months ended September 30, 2002 was \$49,054 million and \$128,999 million respectively, compared with \$43,580 million and \$137,401 million for 2001. The increase in turnover for the third quarter primarily reflects volume increases in Refining and Marketing and Chemicals as a result of acquisitions and improved site reliability. Compared with a year ago, lower oil and gas prices in the nine months more than offset the effect of volume increases.

Replacement cost profit before exceptional items (which excludes inventory holding gains and losses) was \$761 million for the three months ended September 30, 2002, compared with \$1,936 million for the equivalent period of 2001. For the nine months ended September 30, 2002, the replacement cost profit before exceptional items was \$2,978 million compared with \$7,585 million in 2001.

Page 2

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 presents pro forma results adjusted for special items in order to enable shareholders to assess current performance in the context of BP's past performance and against that of its competitors. The pro forma result, adjusted for special items, for the three months and nine months ended September 30, 2002 was \$2,294 million and \$6,057 million respectively, compared with \$2,645 million and \$9,788 million in the prior year. The pro forma result, adjusted for special items, has been derived from the Group's reported UK GAAP accounting information but is not in itself a recognized UK or US GAAP measure. The pro forma result is replacement cost profit before exceptional items excluding acquisition amortization. Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustments and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000. A tabular breakdown of the reconciliation of pro forma to reported results on a replacement cost basis is provided on pages 5 and 6.

Acquisition amortization for the three months and nine months ended September 30, 2002 was \$977 million (including \$405 million accelerated depreciation of the revaluation adjustment in respect of the impairment of former ARCO assets) and \$2,052 million, respectively, compared with \$630 million and \$1,981 million for the equivalent periods of 2001.

Special items refer to non-recurring charges and credits. For the three months ended September 30, 2002, special items were \$1,081 million (\$556 million after

Edgar Filing: BP PLC - Form 6-K

tax), and comprised impairment charges and restructuring costs in Exploration and Production, an impairment charge in Gas, Power and Renewables, integration and certain other costs in Refining and Marketing, an impairment charge in Chemicals, and a provision to cover future rental payments on surplus leasehold office accommodation in Other Businesses and Corporate. For the third quarter of 2001, special items were \$120 million (\$79 million after tax), comprising Castrol integration costs, Erdolchemie rationalization costs and a bond redemption charge. Special items for the nine months ended September 30, 2002 were \$1,285 million (\$1,027 million after tax) compared with \$282 million (\$222 million after tax) in 2001. The special items for the nine months of both 2002 and 2001 are comprised of the same elements as those in the respective third quarter periods. In addition, the nine months of 2002 includes litigation costs in Exploration and Production, business interruption insurance proceeds in Refining and Marketing, Solvay and Erdolchemie integration costs and restructuring charges in Chemicals and an adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax. The nine months of 2001 also includes rationalization costs in the European downstream commercial business.

Underlying performance improvements were \$0.8 billion before tax for the nine months of 2002. Performance improvements have been impacted by weaker than expected production. The total for the year is expected to be in the range of \$1.2-\$1.4 billion. Underlying performance improvements include cost savings and volume growth, and represent increases in pre-tax results under mid-cycle operating conditions, adjusted for acquisition amortization and special items. Mid-cycle operating conditions reflect not only adjustments to hydrocarbon prices and margins, but also costs and capacity utilization, to levels which we would expect on average over the long term.

Hydrocarbon production increased by around 4% and 3% in the quarter and nine months respectively. Full year hydrocarbon production growth is expected to be about 3%.

The historical cost profit for the three months ended September 30, 2002 was \$2,835 million including inventory holding gains of \$305 million and net exceptional gains of \$1,794 million (\$1,769 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations. For the equivalent period of 2001 there was a profit of \$1,588 million, after inventory holding losses of \$405 million and including net exceptional gains of \$184 million (\$57 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations.

For the nine months ended September 30, 2002, the historical cost profit was \$6,171 million, including inventory holding gains of \$1,278 million net of minority shareholders' interest and net exceptional gains of \$2,061 million (\$1,915 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations. For the nine months ended September 30, 2001, the historical cost profit was \$7,159 million, after inventory holding losses of \$603 million and including net exceptional gains of \$573 million (\$177 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations.

Performance of operating segments is evaluated by management based on replacement cost operating profit or loss. Segment results are presented in the tables on pages 5 and 6 and discussed in the following pages on this basis.

Interest expense for the three months and nine months ended September 30, 2002 was \$300 million and \$947 million respectively, compared with \$369 million (including \$2 million bond redemption charges) and \$1,256 million (including \$62 million bond redemption charges) in 2001 reflecting lower interest rates for both periods in 2002.

Edgar Filing: BP PLC - Form 6-K

Page 3

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 and nine months ended September 30, 2002 was \$713 million and \$3,217 million respectively, compared with \$1,540 million and \$5,664 million in the equivalent period last year. The tax charge in respect of exceptional items was \$25 million compared with \$127 million for the third quarter of 2001. The effective tax rate on replacement cost profit before exceptional items was 47% and 50% respectively for the three months and nine months ended September 30, 2002, compared with 42% and 41% for the equivalent periods of 2001. The third quarter rate reflects the higher acquisition amortization charge in 2002, partly offset by the higher tax relief on asset impairment charges and related restructuring. The nine month rate also reflects higher acquisition amortization (and its rateably greater effect on lower pre-tax income in 2002), together with the \$355 million charge in the second quarter to increase the North Sea deferred tax provision for the supplementary UK tax rate.

Capital expenditure and acquisitions in the third quarter of 2002 was \$3.2 billion, compared with \$3.4 billion for the equivalent period in 2001. For the nine months ended September 30, 2002, capital expenditure and acquisitions was \$15.0 billion, including \$5.0 billion for the Veba purchase, compared with \$9.7 billion in 2001. There were no significant acquisitions in the third quarter of 2002. Excluding acquisitions, capital expenditure for the nine months 2002 was \$9.3 billion, and is on track for the upper end of the year's target range at around \$13 billion. Disposal proceeds in the third quarter were \$2.9 billion, including \$2.3 billion from the sale of our investment in Ruhrgas, and \$5.8 billion in the nine months.

Net cash outflow for the three months ended September 30, 2002 was \$0.5 billion, compared with an inflow of \$0.9 billion for the equivalent period of 2001, as higher disposal proceeds were more than offset by the payment for the remaining interest in Veba and lower operating cash flow. For the nine months ended September 30, 2002, the net cash outflow was \$1.1 billion compared with an inflow of \$2.0 billion in 2001; lower operating cash flow and higher acquisition spending were partly offset by lower tax payments and higher disposal proceeds. Net cash inflow from operating activities was \$4.4 billion and \$13.1 billion for the three months and nine months ended September 30, 2002 respectively, compared with \$5.0 billion and \$16.9 billion in the equivalent periods in 2001. For the third quarter, lower profit before exceptional items and a net increase in working capital were partly offset by higher depreciation. For the nine months, lower profit was partly offset by higher depreciation.

Net debt at September 30, 2002 was \$21.0 billion. The ratio of net debt to net debt plus equity was 23% at September 30, 2002 as well as at December 31, 2001. After adjusting for the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions, the ratio of net debt to net debt plus equity was 29% at September 30, 2002 and December 31, 2001. In addition to reported debt, BP uses conventional off balance sheet sources of finance such as operating leases and joint venture and associated undertaking borrowings.

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

In the normal course of business the Group has entered into certain long term

Edgar Filing: BP PLC - Form 6-K

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

The return on average capital employed on a replacement cost basis for the three months ended September 30, 2002 was 5% compared with 11% for the equivalent period of 2001. For the nine months ended September 30, 2002, the return on average capital employed was 6% compared with 14% for 2001. The return on average capital employed on a historical cost basis was 14% for the third quarter and 11% for the nine months. For further information on the return on average capital employed calculation see page 66 of this report.

BP announced a third quarterly dividend for 2002 of 6.0 cents per ordinary share. Holders of ordinary shares will receive 3.897 pence per share and holders of American Depositary Receipts (ADRs) \$0.36 per ADS. The dividend is payable on December 9, 2002 to shareholders on the register on November 15, 2002. Participants in the Dividend Reinvestment Plan or the dividend reinvestment facility in the US Direct Access Plan will receive the dividend in the form of shares also on December 9, 2002.

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

Page 4

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

The following tables provide a breakdown of pro forma results and reconcile those results to replacement cost operating profit by operating segment.

| Reconciliation of replacement cost profit (loss) to pro forma result adjusted for special items | Replacement cost profit (loss) | Acquisition amortization (a) | Sp |
|---|--------------------------------------|---------------------------------|--------------|
| | ----- | ----- | ----- |
| | | | (\$ million) |
| Three months ended September 30, 2002 | | | |
| Exploration and Production | 1,572 | 775 | |
| Gas, Power and Renewables | 57 | - | |
| Refining and Marketing | 237 | 202 | |
| Chemicals | 132 | - | |
| Other businesses and corporate | (241) | - | |
| | ----- | ----- | |
| Replacement cost operating profit | 1,757 | 977 | |
| Interest expense | (300) | - | |
| Taxation | (688) | - | |
| Minority shareholders' interest | (8) | - | |

Edgar Filing: BP PLC - Form 6-K

| | | |
|---|---------|-----|
| Replacement cost profit before exceptional items | 761 | 977 |
| Exceptional items before tax | 1,794 | |
| Taxation on exceptional items | (25) | |
| RC profit after exceptional items | 2,530 | |
| Stock holding gains (losses) | 305 | |
| HC profit | 2,835 | |
| ----- | | |
| Three months ended September 30, 2001 | | |
| Exploration and Production | 2,627 | 443 |
| Gas, Power and Renewables | 125 | - |
| Refining and Marketing | 990 | 187 |
| Chemicals | 105 | - |
| Other businesses and corporate | (117) | - |
| Replacement cost operating profit | 3,730 | 630 |
| Interest expense | (369) | - |
| Taxation | (1,413) | - |
| Minority shareholders' interest | (12) | - |
| Replacement cost profit before exceptional items | 1,936 | 630 |
| Exceptional items before tax | 184 | |
| Taxation on exceptional items | (127) | |
| RC profit after exceptional items | 1,993 | |
| Stock holding gains (losses) | (405) | |
| HC profit | 1,588 | |
| ----- | | |

-
- (a) Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustments and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.
- (b) The special items refer to non-recurring charges and credits. The special items for the third quarter of 2002 include impairment charges and restructuring costs in Exploration and Production, an impairment charge in Gas, Power and Renewables, integration and certain other costs in Refining and Marketing, an impairment charge in Chemicals, and a provision to cover future rental payments on surplus leasehold office accommodation in Other Businesses and Corporate. The effective tax rate on special items was 49%, reflecting the tax relief expected on asset impairments in Exploration and Production and related restructuring. The special items for the third quarter of 2001 comprise Castrol integration costs, Erdoelchemie rationalization costs and a bond redemption charge; the taxation credit relating to these special items has been calculated using a tax rate of 35%.

Edgar Filing: BP PLC - Form 6-K

| Reconciliation of replacement cost profit (loss) to pro forma result adjusted for special items | Replacement cost profit (loss) | Acquisition amortization(a) | Special items |
|---|--------------------------------|-----------------------------|---------------|
| | ----- | ----- | ----- |
| | | (\$ million) | |
| Nine months ended September 30, 2002 | | | |
| Exploration and Production | 5,958 | 1,461 | 92 |
| Gas, Power and Renewables | 282 | - | 3 |
| Refining and Marketing | 908 | 591 | (|
| Chemicals | 411 | - | 21 |
| Other businesses and corporate | (494) | - | 12 |
| | ----- | ----- | ----- |
| Replacement cost operating profit | 7,065 | 2,052 | 1,28 |
| Interest expense | (947) | - | |
| Taxation | (3,071) | - | (24 |
| Minority shareholders' interest | (69) | - | (1 |
| | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 2,978 | 2,052 | 1,02 |
| | ----- | ===== | ===== |
| Exceptional items before tax | 2,061 | | |
| Taxation on exceptional items | (146) | | |
| | ----- | | |
| RC profit after exceptional items | 4,893 | | |
| Stock holding gains (losses) | 1,278 | | |
| | ----- | | |
| HC profit | 6,171 | | |
| | ===== | | |
| Nine months ended September 30, 2001 | | | |
| Exploration and Production | 10,720 | 1,404 | |
| Gas, Power and Renewables | 386 | - | |
| Refining and Marketing | 3,194 | 577 | 27 |
| Chemicals | 195 | - | |
| Other businesses and corporate | (348) | - | |
| | ----- | ----- | ----- |
| Replacement cost operating profit | 14,147 | 1,981 | 28 |
| Interest expense | (1,256) | - | 6 |
| Taxation | (5,268) | - | (12 |
| Minority shareholders' interest | (38) | - | |
| | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 7,585 | 1,981 | 22 |
| | ----- | ===== | ===== |
| Exceptional items before tax | 573 | | |
| Taxation on exceptional items | (396) | | |
| | ----- | | |
| RC profit after exceptional items | 7,762 | | |
| Stock holding gains (losses) | (603) | | |
| | ----- | | |
| HC profit | 7,159 | | |
| | ===== | | |

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

Edgar Filing: BP PLC - Form 6-K

- (b) The special items refer to non-recurring charges and credits. The special items for the first nine months of 2002 comprise impairment charges, restructuring and litigation costs for Exploration and Production; and an impairment charge in Gas, Power and Renewables; Veba and other European integration costs, business interruption insurance proceeds, costs related to a pipeline incident and settlement of a US MTBE supply contract in Refining and Marketing; Solvay and Erdolchemie integration costs and a writedown of our Indonesian manufacturing assets in Chemicals; and a provision to cover future rental payments on surplus leasehold office accommodation in Other businesses and corporate. The special items for the first nine months of 2001 comprise Burmah Castrol integration costs, rationalization costs in Erdolchemie and the downstream European commercial business and bond redemption charges. The effective tax rate on the special items for 2002 was 46%, reflecting the tax relief expected on third quarter asset impairments in Exploration and Production and related restructuring. The effective tax rate on special items for 2001 was 35%.
- (c) Taxation includes a special charge of \$355 million for an adjustment to the North Sea deferred tax liability for the supplementary UK corporation tax.

Page 6

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 September 30 (Unaudited) | | Nine Months (U | |
|---|-------------------------------|---|-------|----------------------|-------|
| | | 2002 | 2001 | 2002 | |
| Turnover | - \$m | 6,220 | 6,335 | 18,397 | |
| Total replacement cost operating profit | - \$m | 1,572 | 2,627 | 5,958 | |
| Results include: | | | | | |
| Exploration expense | - \$m | 119 | 86 | 465 | |
| Of which: Exploration expenditure written off | - \$m | 55 | 23 | 261 | |
| Key Statistics: | | | | | |
| Liquids(a) | Average prices realized by BP | - \$/bbl | 24.40 | 23.08 | 21.99 |
| | Production | - mb/d | 1,983 | 1,883 | 2,008 |
| Natural gas | Average prices realized by BP | - \$/mcf | 2.25 | 2.49 | 2.32 |
| | Production | - mmcf/d | 8,482 | 8,319 | 8,631 |
| Brent oil price | - \$/bbl | 26.91 | 25.30 | 24.40 | |
| West Texas Intermediate oil price | - \$/bbl | 28.26 | 26.72 | 25.40 | |
| Alaska North Slope US West Coast | - \$/bbl | 27.26 | 24.05 | 24.06 | |
| Henry Hub gas price (b) | - \$/mmBtu | 3.16 | 2.93 | 2.94 | |
| UK Gas - National Balancing Point | - p/therm | 12.74 | 17.07 | 14.53 | |

Edgar Filing: BP PLC - Form 6-K

- (a) Crude oil and natural gas liquids
- (b) Henry Hub First of the Month Index
- (c) Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.

Turnover for the three months ended September 30, 2002 was \$6,220 million compared with \$6,335 million in the corresponding period in 2001, with the effect of higher production and oil price increases offset by lower gas prices. Turnover for the nine months ended September 30, 2002 was \$18,397 million compared with \$22,893 million for the corresponding period of 2001, with the effect of higher production more than offset by lower oil and natural gas prices.

Replacement cost operating profit for the three months and nine months ended September 30, 2002 was \$1,572 million and \$5,958 million respectively, compared with \$2,627 million and \$10,720 million for the equivalent periods in 2001. The result for the third quarter 2002 includes special charges of \$686 million and accelerated acquisition amortization of \$405 million related to the impairments of Shearwater in the North Sea, Rhourde El Baguel in Algeria, LL652 and Boqueron in Venezuela, Pagerungan in Indonesia and Badami in Alaska, following full technical reassessments and evaluations of future investment opportunities. In addition, there were special restructuring charges of \$17 million. The nine months 2002 also includes special charges of \$217 million relating to significant restructuring to reposition the business in North America and the North Sea and litigation costs. The results also include depreciation and amortization arising from the fixed asset revaluation adjustments and goodwill consequent upon the ARCO acquisition in 2000 of \$775 million and \$1,461 million for the third quarter and nine months of 2002, including \$405 million accelerated depreciation of the revaluation adjustment in respect of former ARCO assets included in the impairments described above, and \$443 million and \$1,404 million for the corresponding periods in 2001.

Overall hydrocarbon production for the quarter at 3,445 mboe/d was up around 4% on a year ago reflecting new production from Alaska, Deep Water Gulf of Mexico, Trinidad, Angola and China and from our increased holding in Sidanco. These increases were partly offset by the impact of operational problems in the UK and USA and tropical storms in the Gulf of Mexico. During the quarter, King's Peak in the Gulf of Mexico and Trinidad LNG train 2 came on stream. Horn Mountain, Aspen, Princess and the Vietnam integrated gas project are expected to come on stream in the fourth quarter.

Page 7

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

EXPLORATION AND PRODUCTION (concluded)

The third quarter result reflected an increase in liquids realizations of \$1.32/bbl. There was some offset from the charge of \$64 million for Unrealized Profit In Stock (UPIS) to remove the upstream margin from downstream inventories following price rises since the second quarter. There was a negligible UPIS effect in the equivalent quarter last year. Overall natural gas realizations were down by \$0.24 per thousand cubic feet. North American natural gas realizations suffered from widening regional differentials to the Henry Hub marker caused by continued transportation capacity restrictions and weak local demand in the Rockies region.

Edgar Filing: BP PLC - Form 6-K

The nine months result at \$5,958 million, down \$4,762 million on a year ago, reflected the impact of significantly lower oil and gas prices and higher exploration expense, mainly due to the second quarter write-off of the Neptune project in the Gulf of Mexico, and a charge of \$203 million for UPIS. These adverse factors were partly offset by volume growth and unit lifting cost reductions. Total hydrocarbon production for the nine months at 3,496 mboe/d was up 3% compared with a year ago.

During the quarter BP participated in three discoveries: in Angola, the Plutao oil discovery in Block 31 (BP 26.7% and operator), offshore Trinidad, the Iron Horse gas discovery (BP 90% and operator) and in the Gulf of Mexico, the Great White prospect (BP 33%).

Page 8

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

GAS, POWER AND RENEWABLES

| | | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|---|-------|---|-------|----------------------|
| | | 2002 | 2001 | 2002 |
| Turnover | - \$m | 9,313 | 9,307 | 25,316 |
| Total replacement cost operating profit | - \$m | 57 | 125 | 282 |

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

Turnover for the three months and nine months ended September 30, 2002 was \$9,313 million and \$25,316 million, compared with \$9,307 million and \$31,920 million for the same periods in 2001. Despite increased gas sales volumes, turnover was flat in the third quarter and decreased for the nine months due to lower natural gas prices, particularly in North America.

Replacement cost operating profit for the three months and nine months ended September 30, 2002 was \$57 million and \$282 million respectively, compared with \$125 million and \$386 million a year ago. The result for the third quarter 2002 includes special charges of \$30 million related to the impairment of a cogeneration power plant in the UK. The third quarter's marketing and trading result was down, despite a 15% increase in gas sales volumes, due to lower margins in North America and losses associated with the unscheduled shutdown of the UK/Belgium Interconnector. The NGL business result was up on a year ago due to improved margins. The result includes only one month of contribution from Ruhrgas due to the disposal of this investment during the third quarter. The nine months result reflects lower marketing and trading margins and a lower Ruhrgas contribution, partly offset by an improvement in the NGL business.

During the quarter BP and its partners entered into two liquefied natural gas (LNG) agreements with China National Offshore Oil Corporation. The Australian North West Shelf consortium (BP 16.6%) was selected to supply up to 3.3 million tonnes a year to China's Guangdong terminal (BP 30%). In addition, an agreement was signed to supply LNG to the Fujian terminal from Indonesia's Tangguh natural

Edgar Filing: BP PLC - Form 6-K

gas project (BP 49.7%). The 25-year LNG Sales and Purchase Agreement will involve the supply of up to 2.6 million tonnes of LNG a year to Fujian. Both projects are due to start up in 2006 or 2007. Separately, a supply and purchase agreement has been signed with Qatar Liquefied Gas Company Ltd. (Qatargas) for the delivery of 750,000 tonnes of LNG per year to the Spanish market over a three year period. The first LNG cargo to Spain is scheduled for delivery in the third quarter of 2003.

In North America, BP announced a multi-year agreement with Kinder Morgan that will provide BP with natural gas supply and gas transportation and storage facilities on Kinder Morgan's Texas intra-state pipeline systems.

Page 9

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 September 30 (Unaudited) | | Nine m Sep (Un |
|---|----------|---|--------|----------------------|
| | | 2002 | 2001 | 2002 |
| Turnover | - \$m | 35,634 | 30,925 | 92,393 |
| Total replacement cost operating profit | - \$m | 237 | 990 | 908 |
| Total refined product sales | - mb/d | 6,911 | 6,546 | 6,630 |
| Refinery throughputs | - mb/d | 3,154 | 3,003 | 3,084 |
| Global Indicator Refining Margin (a) | - \$/bbl | 1.98 | 3.83 | 1.90 |

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

Turnover for the three months and nine months ended September 30, 2002 was \$35,634 million and \$92,393 million respectively, compared with \$30,925 million and \$93,705 million, for the same periods in the prior year. The increase in turnover for the third quarter is due to volume increases from the Veba acquisition. The decrease in turnover for the nine months primarily reflects lower product prices, which more than offset volume increases from Veba. Results for Veba have been included from February 1, 2002.

Replacement cost operating profit for the three months and nine months ended September 30, 2002 was \$237 million and \$908 million respectively. This compares with \$990 million and \$3,194 million in the corresponding periods of 2001. The results for the third quarter and nine months of 2002 include special charges of \$83 million and a net credit to income for special items of \$5 million respectively. For the third quarter 2002, special items include Veba and other European integration costs of \$54 million, settlement costs associated with a pre-acquisition ARCO US MTBE supply contract of \$22 million, and costs associated with an Olympic pipeline incident in 1999 of \$7 million. Special items for the nine months also included business interruption proceeds of \$184 million, partly offset by additional costs associated with the Olympic pipeline incident of \$47 million and Veba integration costs of \$49 million. The results

Edgar Filing: BP PLC - Form 6-K

are also after charging depreciation and amortization arising from the fixed asset revaluation adjustments and goodwill, arising from the ARCO and Burmah Castrol acquisitions in 2000 of \$202 million and \$591 million for the third quarter and nine months respectively, and \$187 million and \$577 million for the corresponding periods in 2001. Although not classified as a special item, the third quarter 2002 result also included a charge of \$80 million in respect of environmental liabilities, following a reassessment of certain existing liabilities.

Significantly lower refining margins are the primary reason for the decreases versus last year. Refining margins declined in the third quarter compared with the second quarter, reflecting high product inventories early in the quarter and pressure from higher crude prices. Retail margins for the quarter were lower than a year ago, particularly in the US, with the nine months similar to the prior year. Partly offsetting the poorer trading environment were the contributions from Veba and improved refining and marketing operational performance.

Refining throughputs increased by 5% compared with the third quarter of 2001 due to the Veba acquisition and better availability; these factors more than offset the Yorktown, Mandan and Salt Lake City refinery divestments. Marketing volumes increased by 14%, largely due to Veba. Excluding Veba, marketing volumes were flat. Shop sales increased by 64%, primarily due to Veba. Excluding Veba, shop sales increased by 11%, reflecting the growing number of BP Connect stations and same store sales growth.

During the quarter, BP opened an additional 13 BP Connect stations, primarily in the USA and UK, bringing the total number of BP Connect stations worldwide to 446. An additional 1,900 sites were reimaged in the third quarter, bringing the total number of sites with the BP Helios to some 8,800 worldwide.

Page 10

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

CHEMICALS

| | | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|---|---------|---|-------|----------------------|
| | | 2002 | 2001 | 2002 |
| Turnover | - \$m | 3,720 | 3,272 | 9,946 |
| Total replacement cost operating profit | - \$m | 132 | 105 | 411 |
| Production (a) | - kte | 6,880 | 5,970 | 20,379 |
| Chemicals Indicator Margin (b) | - \$/te | 115 (c) | 114 | 101 (|

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

(b) The Chemicals Indicator Margin (CIM) is a weighted average of externally-based product margins. It is based on market data collected by Chem Systems in their quarterly market analyses, then weighted based on

Edgar Filing: BP PLC - Form 6-K

BP's product portfolio. While it does not cover our entire portfolio, it includes a broad range of products. Amongst the products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha-olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins, anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.

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

Turnover for the three months and nine months ended September 30, 2002 was \$3,720 million and \$9,946 million respectively, compared with \$3,272 million and \$9,034 million for the equivalent periods in 2001. The increase in turnover for the third quarter and nine months primarily reflects higher production as a result of acquisitions, organic growth and improved site reliability.

Replacement cost operating profit for the three months ended September 30, 2002, was \$132 million, down from \$203 million in the second quarter and up from \$105 million a year ago. The results for the third quarter and nine months 2002 include special charges of \$140 million and \$215 million respectively. The special item for the third quarter 2002 is a writedown of our Indonesian manufacturing assets following a review of its immediate prospects and opportunities for future growth in a highly competitive regional market. Special items for the nine months 2002 also include Solvay and Erdoelchemie integration costs and costs related to restructuring our Research and Technology facilities and the closure of polypropylene capacity in the USA.

The third quarter result, excluding special items, increased \$159 million over a year ago, primarily reflecting a lower cost structure and the benefits of portfolio additions, restructuring and reliability improvements. The increase in the nine months result was due to volume growth through improved operations, organic growth and acquisitions, and lower costs, against a weaker margin environment.

Chemicals production for the third quarter and nine months was up 15% and 22% respectively, as a result of the Solvay, Erdoelchemie and Veba transactions, new plants and improved reliability.

During the quarter we completed the sale of two-thirds of our interest in the European ethylene pipeline company, ARG, in accordance with EU commission requirements in relation to the Veba acquisition.

Page 11

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 September 30 (Unaudited) | 2002 | 2001 | Nine m Sep (Un |
|--|-------|---|-------|-------|----------------------|
| | | | | | |
| Turnover | - \$m | 108 | 138 | 379 | |
| Replacement cost operating profit (loss) | - \$m | (241) | (117) | (494) | |

Edgar Filing: BP PLC - Form 6-K

Other businesses and corporate comprises Finance, the Group's coal asset and aluminium asset, its investments in PetroChina and Sinopec, interest income and costs relating to corporate activities. The results for the third quarter and nine months 2002 include a special charge of \$125 million for a provision to cover future rental payments on surplus leasehold office accommodation.

EXCEPTIONAL ITEMS

| | | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|---|-------|---|-------|----------------------|
| | | 2002 | 2001 | 2002 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | - \$m | 1,794 | 184 | 2,061 |
| Taxation credit (charge) | - \$m | (25) | (127) | (146) |
| Exceptional items after taxation | - \$m | 1,769 | 57 | 1,915 |

Exceptional items for the third quarter include the profit on disposal of BP's Ruhrgas interest and an electronic payment system.

OUTLOOK

The world economy sustained its gradual recovery in the third quarter, and some modest growth is expected to continue in the fourth quarter, though the current environment has little upside and significant downside risks. BP's overall trading environment remained broadly at "mid-cycle" during the third quarter.

Recent demand growth has been partly met by increased OPEC production, though quotas remain unchanged. Oil inventories are below normal seasonal levels. In the fourth quarter, assuming a normal seasonal demand increase and no material increase in OPEC production beyond high September levels, crude oil prices should remain around third quarter levels.

Though storage levels for US natural gas remain high relative to seasonal norms, prices have strengthened recently. This reflects declining production and the expectation of firming seasonal demand.

Refining margins have improved in recent weeks, and are now above the weak third quarter level, with commercial product inventories below the 1997-2001 average. Oil product inventories are likely to tighten further during the fourth quarter and should underpin margins.

Average third quarter retail margins were broadly in line with the second quarter, though US margins came under pressure in the latter part of the quarter. Retail margins may come under further pressure in the fourth quarter reflecting a seasonal slowdown in demand and an increasingly competitive market.

The Chemicals business environment has weakened in recent weeks with demand softening and margins under pressure from high feedstock prices.

Capital expenditure is on track for the upper end of the year's target range, at around \$13 billion, excluding acquisitions. The net debt ratio was below the mid-point of the 25-35% range at the end of the third quarter and is likely to

Edgar Filing: BP PLC - Form 6-K

remain relatively stable around this level for the remainder of the year.

Page 12

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 'Group Results' and the statements under 'Outlook', with regard to hydrocarbon production growth and targets, the outlook for economic recovery, trends in the trading environment, the timing of new projects, oil and gas prices and margins, refining margins, expected realizations on gas sales, inventory and product stock levels, planned product phase-outs, capacity utilization, capital expenditure trends and targets, working capital, profitability, results of operation, dividend payments and liquidity or financial position are all forward-looking in nature. Forward-looking statements are also identified by such phrases as 'will', 'expects', 'is expected to', 'should', 'may', 'is likely to', 'intends' and 'believes'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including the specific factors identified in the discussions accompanying such forward-looking statements, future levels of industry product supply, the timing of bringing new fields onstream, demand and pricing, operational problems, political stability and economic growth in relevant areas of the world, development and use of new technology, successful partnering, the actions of competitors, the actions of third party suppliers of facilities and services, natural disasters and other changes to business conditions, prolonged adverse weather conditions, wars and acts of terrorism or sabotage, and other factors discussed elsewhere in this report. These and other factors may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Additional information, including information on factors which may affect BP's business, is contained in BP's Annual Report and Annual Accounts for 2001 and the Annual Report on Form 20-F for 2001 filed with the US Securities and Exchange Commission.

2002 DIVIDENDS

On October 29, 2002, BP p.l.c. announced a third quarterly dividend for 2002 of 6.0 cents per ordinary share of 25 cents (ordinary shares), representing \$0.36 per American Depositary Share (ADS) amounting to \$1,340 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares is November 15, 2002, with payment to be made on December 9, 2002.

The dividend payable on December 9, 2002 entitles qualifying US ADS shareholders to a refund of the 1/9th UK tax credit (approximately \$0.04) 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 \$0.36, a gross dividend for tax purposes of \$0.40 and a potential tax credit of \$0.04 per ADS.

A dividend reinvestment facility is available for holders of ADSs through JPMorgan Chase Bank (formerly known as Morgan Guaranty Trust Company). Participants in the dividend reinvestment facility included in the US Direct

Edgar Filing: BP PLC - Form 6-K

Access Plan will receive the dividend in the form of shares on December 9, 2002.

Page 13

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

| | Three months ended September 30 (Unaudited) | | |
|---|---|--------|----|
| | 2002 | 2001 | |
| ----- | | | |
| (\$ million, except per share) | | | |
| Turnover - Note 3 | 49,558 | 43,886 | 13 |
| Less: joint ventures | 504 | 306 | |
| | ----- | ----- | |
| Group turnover | 49,054 | 43,580 | 12 |
| Replacement cost of sales | 43,940 | 37,208 | 11 |
| Production taxes - Note 4 | 350 | 337 | |
| | ----- | ----- | |
| Gross profit | 4,764 | 6,035 | 1 |
| Distribution and administration expenses | 3,214 | 2,678 | |
| Exploration expense - Note 5 | 119 | 86 | |
| | ----- | ----- | |
| Other income | 1,431 | 3,271 | |
| | 151 | 179 | |
| | ----- | ----- | |
| Group replacement cost operating profit | 1,582 | 3,450 | |
| Share of profits of joint ventures | 104 | 125 | |
| Share of profits of associated undertakings | 71 | 155 | |
| | ----- | ----- | |
| Total replacement cost operating profit - Note 6 | 1,757 | 3,730 | |
| Profit (loss) on sale of fixed assets and businesses | 1,794 | 184 | |
| or termination of operations - Note 7 | ----- | ----- | |
| Replacement cost profit before interest and tax - Note 6 | 3,551 | 3,914 | |
| Inventory holding gains (losses) - Note 8 | 305 | (405) | |
| | ----- | ----- | |
| Historical cost profit before interest and tax | 3,856 | 3,509 | 1 |
| Interest expense - Note 9 | 300 | 369 | |
| | ----- | ----- | |
| Profit before taxation | 3,556 | 3,140 | |
| Taxation - Note 10 | 713 | 1,540 | |
| | ----- | ----- | |
| Profit after taxation | 2,843 | 1,600 | |
| Minority shareholders' interest | 8 | 12 | |
| | ----- | ----- | |
| Profit for the period (a) | 2,835 | 1,588 | |
| | ===== | ===== | |
| Earnings per ordinary share - cents (a) | | | |
| Basic | 12.65 | 7.08 | |
| Diluted | 12.59 | 7.03 | |
| | ----- | ----- | |
| Earnings per American depositary share - cents (a) | | | |
| Basic | 75.90 | 42.48 | 1 |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|---|------------|------------|-------|
| Diluted | 75.54 | 42.18 | 1 |
| | ----- | ----- | --- |
| Average number of outstanding ordinary shares (thousands) | 22,408,297 | 22,425,374 | 22,41 |
| | ===== | ===== | ===== |

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

Page 14

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

| | September 30, 2002 (Unaudited) | | |
|---|-----------------------------------|---------|--------------|
| | ----- | | (\$ million) |
| Fixed assets | | | |
| Intangible assets | | 15,902 | |
| Tangible assets | | 85,521 | |
| Investments | | 11,646 | |
| | | ----- | |
| | | 113,069 | |
| Current assets | | | |
| Inventories | 9,917 | | |
| Receivables | 31,781 | | |
| Investments | 285 | | |
| Cash at bank and in hand | 1,005 | | |
| | ----- | | |
| | 42,988 | | |
| | ----- | | |
| Current liabilities - falling due within one year | | | |
| Finance debt | 10,582 | | |
| Accounts payable and accrued liabilities | 34,870 | | |
| | ----- | | |
| | 45,452 | | |
| | ----- | | |
| Net current liabilities | | (2,464) | |
| | | ----- | |
| Total assets less current liabilities | | 110,605 | |
| Noncurrent liabilities | | | |
| Finance debt | 11,694 | | |
| Accounts payable and accrued liabilities | 3,261 | | |
| Provisions for liabilities and charges | | | |
| Deferred tax | 13,391 | | |
| Other | 13,056 | | |
| | ----- | | |
| | | 41,402 | |
| | | ----- | |

Edgar Filing: BP PLC - Form 6-K

| | |
|---|--------|
| Net assets | 69,203 |
| Minority shareholders' interest | 556 |
| | ----- |
| BP shareholders' interest (a) - Note 14 | 68,647 |
| | ===== |
| Represented by: | |
| Capital shares | |
| Preference | 21 |
| Ordinary | 5,594 |
| Paid-in surplus | 4,226 |
| Merger reserve | 27,029 |
| Retained earnings | 31,600 |
| Other reserves | 177 |
| | ----- |
| | 68,647 |
| | ===== |

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

Page 15

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

| | Three months ended September 30 (Unaudited) | |
|--|---|-------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Net cash inflow from operating activities | 4,376 | 5,046 |
| | ----- | ----- |
| Dividends from joint ventures | 30 | 26 |
| | ----- | ----- |
| Dividends from associated undertakings | 96 | 155 |
| | ----- | ----- |
| Servicing of finance and returns on investments | | |
| Interest received | 63 | 23 |
| Interest paid | (218) | (308) |
| Dividends received | 4 | 59 |
| Dividends paid to minority shareholders | (13) | (11) |
| | ----- | ----- |
| Net cash outflow from servicing of finance and returns on investments | (164) | (237) |
| | ----- | ----- |
| Taxation | | |
| UK corporation tax | (206) | (231) |
| Overseas tax | (455) | (486) |
| | ----- | ----- |
| Tax paid | (661) | (717) |
| | ----- | ----- |

Edgar Filing: BP PLC - Form 6-K

| | | |
|--|---------|---------|
| Capital expenditure | | |
| Payments for fixed assets | (2,980) | (2,933) |
| Proceeds from the sale of fixed assets | 488 | 824 |
| | ----- | ----- |
| Net cash outflow for capital expenditure | (2,492) | (2,109) |
| | ----- | ----- |
| Acquisitions and disposals | | |
| Investments in associated undertakings | (125) | (139) |
| Proceeds from sale of investment in Ruhrgas | 2,338 | - |
| Acquisitions, net of cash acquired | (2,607) | (48) |
| Net investment in joint ventures | (23) | (144) |
| Proceeds from the sale of businesses | 55 | 307 |
| | ----- | ----- |
| Net cash (outflow) inflow for acquisitions and disposals | (362) | (24) |
| | ----- | ----- |
| Equity dividends paid | (1,346) | (1,235) |
| | ----- | ----- |
| Net cash inflow (outflow) | (523) | 905 |
| | ===== | ===== |
| Financing | (219) | 630 |
| Management of liquid resources | (32) | (44) |
| Increase (decrease) in cash | (272) | 319 |
| | ----- | ----- |
| | (523) | 905 |
| | ===== | ===== |

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

Page 16

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

| | Three months ended September 30 (Unaudited) | |
|---|---|--------------|
| | 2002 | 2001 |
| | ----- | ----- |
| Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities | | |
| | | (\$ million) |
| Historical cost profit before interest and tax | 3,856 | 3,509 |
| Depreciation and amounts provided | 3,506 | 2,104 |
| Exploration expenditure written off | 55 | 23 |
| Share of profits of joint ventures and associated undertakings | (172) | (278) |
| Interest and other income | (62) | (116) |
| (Profit) loss on sale of fixed assets and businesses | (1,796) | (184) |
| Charge for provisions | 332 | 115 |
| Utilization of provisions | (392) | (263) |

Edgar Filing: BP PLC - Form 6-K

| | | |
|---|---------|---------|
| Decrease (increase) in stocks | (155) | 135 |
| Decrease (increase) in debtors | (379) | 2,216 |
| Increase (decrease) in creditors | (417) | (2,215) |
| | ----- | ----- |
| Net cash inflow from operating activities | 4,376 | 5,046 |
| | ===== | ===== |
| | | |
| Financing | | |
| Long-term borrowing | (558) | (7) |
| Repayments of long-term borrowing | 567 | 988 |
| Short-term borrowing | (1,627) | (743) |
| Repayments of short-term borrowing | 704 | 40 |
| | ----- | ----- |
| | (914) | 278 |
| | | |
| Issue of ordinary share capital | (55) | (48) |
| Repurchase of ordinary share capital | 750 | 400 |
| | ----- | ----- |
| Net cash (inflow) outflow from financing | (219) | 630 |
| | ===== | ===== |

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

Page 17

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

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

2. Restatement of comparative information

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

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

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

(b) New accounting standard for deferred tax

With effect from January 1, 2002 BP has adopted Financial Reporting Standard No.19 'Deferred Tax' (FRS 19). This standard generally requires that deferred tax should be provided on a full liability basis rather than on a restricted liability basis as required by Statement of Standard Accounting Practice No.15 'Accounting for Deferred Tax'. The adoption of FRS 19 has been treated as a change in

Edgar Filing: BP PLC - Form 6-K

accounting policy.

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

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

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

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

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

Page 18

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

2. Restatement of comparative information (continued)

| Income statement | Three months ended September 30, 2001 (Unaudited) | | Re |
|---------------------------|---|----------|-----|
| | Restated | Reported | --- |
| | ----- | | |
| | (\$ million, except per share) | | |
| Turnover | 43,886 | 43,886 | 1 |
| Less: joint ventures | 306 | 306 | |
| | ----- | ----- | --- |
| Group turnover | 43,580 | 43,580 | 1 |
| Replacement cost of sales | 37,208 | 37,181 | 1 |
| Production taxes | 337 | 337 | |

Edgar Filing: BP PLC - Form 6-K

| | | |
|---|-------|-------|
| Gross profit | 6,035 | 6,062 |
| Distribution and administration expenses | 2,678 | 2,678 |
| Exploration expense | 86 | 86 |
| | 3,271 | 3,298 |
| Other income | 179 | 179 |
| Group replacement cost operating profit | 3,450 | 3,477 |
| Share of profits of joint ventures | 125 | 125 |
| Share of profits of associated undertakings | 155 | 155 |
| Total replacement cost operating profit (a) | 3,730 | 3,757 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | 184 | 184 |
| Replacement cost profit before interest and tax | 3,914 | 3,941 |
| Inventory holding gains (losses) | (405) | (405) |
| Historical cost profit before interest and tax | 3,509 | 3,536 |
| Interest expense | 369 | 369 |
| Profit before taxation | 3,140 | 3,167 |
| Taxation | 1,540 | 1,212 |
| Profit after taxation | 1,600 | 1,955 |
| Minority shareholders' interest | 12 | 15 |
| Profit for the period | 1,588 | 1,940 |
| Distribution to shareholders | 1,232 | 1,232 |
| Earnings per ordinary share - cents | | |
| Basic | 7.08 | 8.66 |
| Diluted | 7.03 | 8.59 |
| | ===== | ===== |
| (a) Total replacement cost operating profit, by business | | |
| Exploration and Production | 2,627 | 2,641 |
| Gas, Power and Renewables | 125 | 130 |
| Refining and Marketing | 990 | 1,003 |
| Chemicals | 105 | 105 |
| Other businesses and corporate | (117) | (122) |
| | 3,730 | 3,757 |
| | ===== | ===== |

Page 19

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

2. Restatement of comparative information (concluded)

Balance sheet at December 31, 2001

Restated Reported

(\$ million)

Fixed assets

Edgar Filing: BP PLC - Form 6-K

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

| | Three months ended September 30 (Unaudited) | | |
|--------------------------------|---|--------|--------------|
| | 2002 | 2001 | |
| | ----- | | ----- |
| | | | (\$ million) |
| 3. Turnover (a) | | | |
| By business | | | |
| Exploration and Production | 6,220 | 6,335 | 18 |
| Gas, Power and Renewables | 9,313 | 9,307 | 25 |
| Refining and Marketing | 35,634 | 30,925 | 92 |
| Chemicals | 3,720 | 3,272 | 9 |
| Other businesses and corporate | 108 | 138 | |
| | ----- | ----- | ----- |
| | 54,995 | 49,977 | 146 |
| Less: sales between businesses | 5,941 | 6,397 | 17 |
| | ----- | ----- | ----- |
| Group excluding joint ventures | 49,054 | 43,580 | 128 |
| Sales of joint ventures | 504 | 306 | 1 |
| | ----- | ----- | ----- |
| | 49,558 | 43,886 | 130 |
| | ===== | ===== | ===== |
| By geographical area | | | |
| UK | 12,160 | 12,272 | 35 |
| Rest of Europe | 13,460 | 9,026 | 34 |
| USA | 22,880 | 21,375 | 57 |
| Rest of World | 8,537 | 8,006 | 23 |
| | ----- | ----- | ----- |
| | 57,037 | 50,679 | 151 |
| Less: sales between areas | 7,983 | 7,099 | 22 |
| | ----- | ----- | ----- |
| | 49,054 | 43,580 | 128 |
| | ===== | ===== | ===== |

Edgar Filing: BP PLC - Form 6-K

- (a) Contracts for the sale and purchase of crude oil, refined products, natural gas and power, which are held for trading purposes and marked-to-market, that require delivery of the underlying commodity are reported on a gross basis.

Page 20

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

| | | Three months ended September 30 (Unaudited) | |
|---|----------------------------|---|-------|
| | | 2002 | 2001 |
| | | ----- | ----- |
| 4 | Production taxes | | |
| | UK petroleum revenue tax | 92 | 80 |
| | Overseas production taxes | 258 | 257 |
| | | ----- | ----- |
| | | 350 | 337 |
| | | ===== | ===== |
| 5 | Exploration expense | | |
| | Exploration and Production | | |
| | UK | 16 | 1 |
| | Rest of Europe | 5 | 10 |
| | USA | 53 | 41 |
| | Rest of World | 45 | 34 |
| | | ----- | ----- |
| | | 119 | 86 |
| | | ===== | ===== |

(\$ mil)

6. Replacement cost profit

Replacement cost profits reflect the current cost of supplies. The replacement cost profit for the period is arrived at by excluding from the historical cost profit inventory holding gains and losses. These are the difference between the amount that is charged to cost of sales on a first-in, first-out (FIFO) basis of inventory valuation and the amount charged to cost of sales based on the average cost of supplies incurred during the period. The former basis is used in arriving at the historical cost result whereas the latter basis is used in arriving at the replacement cost result. BP presents financial information on a replacement cost basis in order to provide better comparability to the major US oil companies, which apply the last in, first out (LIFO) basis of inventory valuation. The LIFO basis is not permitted under UK GAAP. BP management believes that where inventory volumes remain constant or increase in a period, operating profit on the LIFO basis will not differ materially from operating profit on BP's replacement cost basis. For further discussion of replacement cost operating profit see Item 3 of BP's Annual Report on Form 20-F for the year ended December 31, 2001.

Three months ended
September 30
(Unaudited)

Edgar Filing: BP PLC - Form 6-K

| | 2002 | 2001 |
|---|--------------|-------|
| | ----- | |
| | (\$ million) | |
| 7. Analysis of exceptional items | | |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | | |
| Exploration and Production | (25) | 3 |
| Gas, Power and Renewables | 1,585 | - |
| Refining and Marketing | 262 | 247 |
| Chemicals | 11 | (81) |
| Other businesses and corporate | (39) | 15 |
| | ----- | ----- |
| Exceptional items before taxation | 1,794 | 184 |
| Taxation charge | (25) | (127) |
| | ----- | ----- |
| Exceptional items after taxation | 1,769 | 57 |
| | ===== | ===== |

Page 21

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

| | Three months ended September 30 (Unaudited) | |
|---|---|-------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ mi | |
| 8. Inventory holding gains (losses) | | |
| Exploration and Production | 3 | (1) |
| Gas, Power and Renewables | 2 | (17) |
| Refining and Marketing | 311 | (301) |
| Chemicals | (11) | (86) |
| | ----- | ----- |
| | 305 | (405) |
| Minority shareholders' interest | - | - |
| | ----- | ----- |
| | 305 | (405) |
| | ===== | ===== |
| 9 Interest expense | | |
| Group interest payable (a) | 250 | 292 |
| Capitalized | (27) | (19) |
| | ----- | ----- |
| | 223 | 273 |
| Joint ventures | 15 | 16 |
| Associated undertakings | 19 | 33 |
| Unwinding of discount on provisions | 43 | 47 |
| | ----- | ----- |
| | 300 | 369 |
| | ===== | ===== |
| (a) Includes charges relating to the early redemption of debt | - | 2 |
| | ----- | ----- |

Edgar Filing: BP PLC - Form 6-K

| | | |
|---|---------|-------|
| 10. Charge for taxation | | |
| Current | 463 | 1,206 |
| Deferred (a) | 250 | 334 |
| | ----- | ----- |
| | 713 | 1,540 |
| | ===== | ===== |
| United Kingdom | 235 | 244 |
| Overseas | 478 | 1,296 |
| | ----- | ----- |
| | 713 | 1,540 |
| | ===== | ===== |
| ----- | | |
| (a) Includes the adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax of 10% | - | - |
| | ----- | ----- |
| 11. Reconciliation of replacement cost results | | |
| Historical cost profit (loss) for the period | 2,835 | 1,588 |
| Inventory holding (gains) losses (a) | (305) | 405 |
| | ----- | ----- |
| Replacement cost profit for the period | 2,530 | 1,993 |
| Exceptional items (b) | (1,769) | (57) |
| | ----- | ----- |
| Replacement cost profit before exceptional items | 761 | 1,936 |
| | ----- | ----- |
| Earnings per ordinary share - cents | | |
| On replacement cost profit before exceptional items | 3.39 | 8.63 |
| | ===== | ===== |
| ----- | | |
| (a) Net of minority shareholders' interest | - | - |
| (b) Net of tax charge | 25 | 127 |

Page 22

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

12. Business and geographical analysis

| By business | Exploration and Production | Gas, Power and Renewables | Refining and Marketing | Chemicals | busin corp |
|---------------------------------------|----------------------------------|------------------------------------|------------------------------|-----------|---------------|
| | ----- | ----- | ----- | ----- | ----- |
| | | | | | (\$ million) |
| Three months ended September 30, 2002 | | | | | |
| Group turnover | | | | | |
| - third parties | 1,628 | 9,218 | 34,723 | 3,377 | |
| - sales between businesses | 4,592 | 95 | 911 | 343 | |
| | ----- | ----- | ----- | ----- | |
| | 6,220 | 9,313 | 35,634 | 3,720 | |
| | ----- | ----- | ----- | ----- | |

Edgar Filing: BP PLC - Form 6-K

| | | | | |
|--|--------|--------|--------|-------|
| | 12,160 | 13,460 | 22,880 | 8,537 |
| Share of sales by joint ventures | 3 | 197 | 78 | 226 |
| Equity accounted income | (1) | 27 | 62 | 87 |
| Total replacement cost operating profit | (131) | 620 | 672 | 596 |
| Exceptional items | (18) | 1,672 | 161 | (21) |
| Inventory holding gains (losses) | 43 | 128 | 105 | 29 |
| Historical cost profit before interest and tax | (106) | 2,420 | 938 | 604 |
| Capital expenditure and acquisitions | 394 | 353 | 1,389 | 1,044 |
| Three months ended September 30, 2001 | | | | |
| Group turnover -third parties | 8,975 | 6,864 | 21,297 | 6,444 |
| -sales between areas | 3,297 | 2,162 | 78 | 1,562 |
| | 12,272 | 9,026 | 21,375 | 8,006 |
| Share of sales by joint ventures | - | - | 49 | 257 |
| Equity accounted income | 3 | 38 | 80 | 159 |
| Total replacement cost operating profit | 552 | 512 | 1,555 | 1,111 |
| Exceptional items | (64) | (8) | 258 | (2) |
| Inventory holding gains (losses) | (65) | (111) | (195) | (34) |
| Historical cost profit before interest and tax | 423 | 393 | 1,618 | 1,075 |
| Capital expenditure and acquisitions | 541 | 181 | 1,564 | 1,077 |

Page 24

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

12. Business and geographical analysis (continued)

| By business | Exploration and Production | Gas, Power and Renewables | Refining and Marketing | Chemicals | busin corp |
|-------------|----------------------------------|------------------------------------|------------------------------|-----------|---------------|
|-------------|----------------------------------|------------------------------------|------------------------------|-----------|---------------|

(\$ million)

Nine months
ended September 30, 2002
Group turnover

Edgar Filing: BP PLC - Form 6-K

| | | | | |
|---|--------|--------|--------|-------|
| - third parties | 4,965 | 24,347 | 89,866 | 9,442 |
| - sales between businesses | 13,432 | 969 | 2,527 | 504 |
| | 18,397 | 25,316 | 92,393 | 9,946 |
| Share of sales by joint ventures | 378 | - | 314 | 495 |
| Equity accounted income | 426 | 105 | 165 | (20) |
| Total replacement cost operating profit (loss) | 5,958 | 282 | 908 | 411 |
| Exceptional items | 407 | 1,584 | 248 | (134) |
| Inventory holding gains (losses) | 5 | 10 | 1,250 | 38 |
| Historical cost profit (loss) before interest and tax | 6,370 | 1,876 | 2,406 | 315 |
| Capital expenditure and acquisitions | 7,126 | 285 | 6,707 | 538 |
| Nine months ended September 30, 2001 | | | | |
| Group turnover | | | | |
| - third parties | 7,050 | 29,654 | 91,442 | 8,852 |
| - sales between businesses | 15,843 | 2,266 | 2,263 | 182 |
| | 22,893 | 31,920 | 93,705 | 9,034 |
| Share of sales by joint ventures | 543 | - | 331 | - |
| Equity accounted income | 441 | 112 | 182 | 100 |
| Total replacement cost operating profit (loss) | 10,720 | 386 | 3,194 | 195 |
| Exceptional items | 280 | (1) | 453 | (167) |
| Inventory holding gains (losses) | (1) | (61) | (445) | (96) |
| Historical cost profit (loss) before interest and tax | 10,999 | 324 | 3,202 | (68) |
| Capital expenditure and acquisitions | 6,708 | 191 | 1,299 | 1,332 |

Page 25

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

12. Business and geographical analysis (concluded)

Edgar Filing: BP PLC - Form 6-K

| By geographical area | UK | Rest of Europe | USA | Rest of World |
|--|--------|----------------|--------|---------------|
| (\$ million) | | | | |
| Nine months ended September 30, 2002 | | | | |
| Group turnover -third parties | 24,900 | 28,724 | 56,411 | 18,964 |
| -sales between areas | 10,764 | 6,074 | 1,397 | 4,592 |
| | 35,664 | 34,798 | 57,808 | 23,556 |
| Share of sales by joint ventures | 107 | 323 | 181 | 576 |
| Equity accounted income | (4) | 138 | 191 | 393 |
| Total replacement cost operating profit | 903 | 1,532 | 1,933 | 2,697 |
| Exceptional items | (51) | 1,637 | 534 | (59) |
| Inventory holding gains (losses) | 101 | 310 | 804 | 88 |
| Historical cost profit before interest and tax | 953 | 3,479 | 3,271 | 2,726 |
| Capital expenditure and acquisitions | 1,203 | 6,158 | 4,387 | 3,275 |
| Nine months ended September 30, 2001 | | | | |
| Group turnover -third parties | 26,168 | 22,025 | 67,772 | 21,436 |
| -sales between areas | 10,018 | 6,019 | 885 | 5,190 |
| | 36,186 | 28,044 | 68,657 | 26,626 |
| Share of sales by joint ventures | - | - | 236 | 638 |
| Equity accounted income | 5 | 162 | 222 | 504 |
| Total replacement cost operating profit | 2,293 | 1,426 | 6,725 | 3,703 |
| Exceptional items | (78) | (7) | 364 | 294 |
| Inventory holding gains (losses) | (98) | (106) | (376) | (23) |
| Historical cost profit before interest and tax | 2,117 | 1,313 | 6,713 | 3,974 |
| Capital expenditure and acquisitions | 1,383 | 1,078 | 4,402 | 2,833 |

Page 26

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

Edgar Filing: BP PLC - Form 6-K

| | Three months ended September 30 (Unaudited) | | Nin S |
|---|---|--------|----------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | ----- |
| | (\$ million) | | |
| 13. Analysis of changes in net debt | | | |
| Opening balance | | | |
| Finance debt | 21,409 | 20,498 | 21,417 |
| Less: Cash | 1,284 | 1,103 | 1,358 |
| Current asset investments | 285 | 563 | 450 |
| | ----- | ----- | ----- |
| Opening net debt | 19,840 | 18,832 | 19,609 |
| | ----- | ----- | ----- |
| Closing balance | | | |
| Finance debt | 22,276 | 20,474 | 22,276 |
| Less: Cash | 1,005 | 1,438 | 1,005 |
| Current asset investments | 285 | 519 | 285 |
| | ----- | ----- | ----- |
| Closing net debt | 20,986 | 18,517 | 20,986 |
| | ----- | ----- | ----- |
| (Increase) decrease in net debt | (1,146) | 315 | (1,377) |
| | ===== | ===== | ===== |
| Movement in cash/bank overdrafts | (272) | 319 | (406) |
| (Decrease) increase in current asset investments | (32) | (43) | (164) |
| Net cash (inflow) outflow from financing (excluding share capital) | (914) | 278 | (1,057) |
| Partnership interests exchanged for BP loan notes | - | - | 1,135 |
| Other movements | 13 | (102) | 57 |
| Debt acquired | - | - | (999) |
| | ----- | ----- | ----- |
| Movements in net debt before exchange effects | (1,205) | 452 | (1,434) |
| Exchange adjustments | 59 | (137) | 57 |
| | ----- | ----- | ----- |
| (Increase) decrease in net debt | (1,146) | 315 | (1,377) |
| | ===== | ===== | ===== |
| 14. Movement in BP shareholders' interest | | | \$ milli (Unaudit |
| Balance at December 31, 2001 | | | 74,36 |
| Prior year adjustment - change in accounting policy (see Note 2) | | | (9,20 |
| | | | ----- |
| As restated | | | 65,16 |
| Profit for the period | | | 6,17 |
| Distribution to shareholders | | | (3,97 |
| Currency translation differences | | | 1,86 |
| Employee share schemes | | | 17 |
| Share buyback | | | (75 |
| | | | ----- |
| Balance at September 30, 2002 | | | 68,64 |
| | | | ===== |

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

15. US generally accepted accounting principles

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

(i) Group consolidation

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

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

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

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

| Increase (decrease) in caption heading | Three months ended September 30, 2002 (Unaudited) | | |
|--|--|------------------|-------------------------|
| | As Reported | Reclassification | US GAAP Presentation |
| | (\$ million) | | |
| Consolidated statement of income | | | |
| Other income | 151 | 76 | 227 |
| Share of profits of JVs and associated undertakings | 175 | (175) | - |
| Exceptional items before taxation | 1,794 | 2 | 1,796 |
| Inventory holding gains (losses) | 305 | - | 305 |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|-----------------------|-------|------|-------|
| Interest expense | 300 | (34) | 266 |
| Taxation | 713 | (63) | 650 |
| Profit for the period | 2,835 | - | 2,835 |

Nine months ended September 30, 2002
(Unaudited)

| Increase (decrease) in caption heading | ----- | | |
|--|----------------|------------------|-------------------------|
| | As Reported | Reclassification | US GAAP Presentation |
| | ----- | | |
| | (\$ million) | | |
| Consolidated statement of income | | | |
| Other income | 423 | 421 | 844 |
| Share of profits of JVs and associated undertakings | 718 | (718) | - |
| Exceptional items before taxation | 2,061 | - | 2,061 |
| Inventory holding gains (losses) | 1,303 | 2 | 1,305 |
| Interest expense | 947 | (108) | 839 |
| Taxation | 3,217 | (187) | 3,030 |
| Profit for the period | 6,171 | - | 6,171 |

Page 28

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

15. US generally accepted accounting principles - continued

(i) Group consolidation (concluded)

Three months ended September 30, 2001
(Unaudited)

| Increase (decrease) in caption heading | ----- | | |
|--|----------------|------------------|-------------------------|
| | As Reported | Reclassification | US GAAP Presentation |
| | ----- | | |
| | (\$ million) | | |
| Consolidated statement of income | | | |
| Other income | 179 | 164 | 343 |
| Share of profits of JVs and associated undertakings | 280 | (280) | - |
| Exceptional items before taxation | 184 | - | 184 |
| Inventory holding gains (losses) | (405) | 2 | (403) |
| Interest expense | 369 | (49) | 320 |
| Taxation | 1,540 | (65) | 1,475 |
| Profit for the period | 1,588 | - | 1,588 |

Edgar Filing: BP PLC - Form 6-K

Nine months ended September 30, 2001
(Unaudited)

| Increase (decrease) in caption heading | As Reported | Reclassification | US GAAP Presentation |
|--|----------------|------------------|-------------------------|
| | (\$ million) | | |
| Consolidated statement of income | | | |
| Other income | 486 | 524 | 1,010 |
| Share of profits of JVs and 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 | 5,664 | (209) | 5,455 |
| Profit for the period | 7,159 | - | 7,159 |

(ii) Income statement

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

Page 29

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

15. US generally accepted accounting principles - continued

(iii) Turnover

In addition to the risk management activities related to equity crude disposal, refinery supply and marketing, BP's supply and trading organization undertakes trading in the full range of conventional derivative financial and commodity instruments and physical cargoes available in the oil markets. The Group also uses financial and commodity derivatives to manage certain of its exposures to price fluctuations on natural gas and power transactions. For BP's reporting under UK GAAP, contracts for the sale and purchase of crude oil, refined products, natural gas and power, which are held for trading purposes and marked-to-market, that are capable of physical settlement are reported on a gross basis as turnover for sales and cost of sales for purchases.

The BP entities that engage in oil trading, natural gas trading and certain gas supply and marketing arrangements and power trading are categorized as energy trading activities as defined by FASB Emerging Issues Task Force (EITF) Abstract 98-10 'Accounting for Contracts Involved in Energy Trading and Risk Management Activities' and consequently all their activities are marked-to-market for the group's UK and US GAAP reporting.

In June 2002, the EITF reached a consensus with regards to EITF Issue No. 02-3, 'Issues Involved in Accounting for Contracts Under EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities"' (EITF 02-3). Under this consensus,

Edgar Filing: BP PLC - Form 6-K

among other things, all gains and losses (realized and unrealized) on energy trading contracts are shown net in the income statement, irrespective of whether the contract is physically or financially settled. The consensus is effective for financial statements issued for interim periods ending after July 15, 2002, with prior periods restated.

The EITF is still discussing issues regarding the reporting of energy trading activities which could lead to further changes and amendments to the information disclosed by the Group.

This change in accounting classification to accord with US GAAP has no impact on profit for the period or on BP shareholders' interest as adjusted to accord with US GAAP.

The adjustments to Group turnover and replacement cost of sales for the three months and nine months ended September 30, 2002 and 2001 to accord with US GAAP are summarized below.

| Three months ended September 30, 2002 (Unaudited) | | | |
|--|----------------|------------------|-------------------------|
| Increase (decrease) in caption heading | As Reported | Reclassification | US GAAP Presentation |
| (\$ million) | | | |
| Consolidated statement of income | | | |
| Group turnover | 49,054 | (14,456) | 34,598 |
| Replacement cost of sales | 43,940 | (14,456) | 29,484 |
| Profit for the period | 2,835 | - | 2,835 |

| Nine months ended September 30, 2002 (Unaudited) | | | |
|---|----------------|------------------|-------------------------|
| Increase (decrease) in caption heading | As Reported | Reclassification | US GAAP Presentation |
| (\$ million) | | | |
| Consolidated statement of income | | | |
| Group turnover | 128,999 | (38,225) | 90,774 |
| Replacement cost of sales | 112,670 | (38,225) | 74,445 |
| Profit for the period | 6,171 | - | 6,171 |

Page 30

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

15. US generally accepted accounting principles - continued

(iii) Turnover (concluded)

Edgar Filing: BP PLC - Form 6-K

Three months ended September 30, 2001
(Unaudited)

| | As Reported | Reclassification | US GAAP Presentation |
|----------------------------------|----------------|------------------|-------------------------|
| | (\$ million) | | |
| Consolidated statement of income | | | |
| Group turnover | 43,580 | (14,241) | 29,339 |
| Replacement cost of sales | 37,208 | (14,241) | 22,967 |
| Profit for the period | 1,588 | - | 1,588 |

Nine months ended September 30, 2001
(Unaudited)

| | As Reported | Reclassification | US GAAP Presentation |
|----------------------------------|----------------|------------------|-------------------------|
| | (\$ million) | | |
| Consolidated statement of income | | | |
| Group turnover | 137,401 | (42,775) | 94,626 |
| Replacement cost of sales | 115,102 | (42,775) | 72,327 |
| Profit for the period | 7,159 | - | 7,159 |

(iv) Exceptional items

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

(v) Deferred taxation/business combinations

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

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

| Increase (decrease) in caption heading | Three months ended September 30 (Unaudited) | | Nine months end September 30 (Unaudited) | |
|--|---|------|--|------|
| | 2002 | 2001 | 2002 | 2001 |
| | | | | |

Edgar Filing: BP PLC - Form 6-K

| | (\$ million) | | | |
|---------------------------|--------------|-------|-------|-------|
| Replacement cost of sales | 380 | 279 | 670 | 8 |
| Taxation | (321) | (517) | (495) | (1,1 |
| Profit for the period | (59) | 238 | (175) | 3 |
| | ===== | ===== | ===== | ===== |

| | At September 30, 2002 (Unaudited) | At December 31, 2001 |
|---------------------------|--|----------------------------|
| | ----- (\$ million) ----- | |
| Tangible assets | 6,948 | 7,0 |
| Deferred taxation | 6,882 | 6,7 |
| BP shareholders' interest | 66 | 2 |
| | ===== | ===== |

Page 31

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

15. US generally accepted accounting principles - continued

(vi) Provisions

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

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

| | Three months ended September 30 (Unaudited) | | Nine months ended September 30 (Unaudited) | |
|--|---|------|--|------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- (\$ million) ----- | | | |
| Increase (decrease) in caption heading | | | | |
| Replacement cost of sales | 61 | 96 | 170 | 2 |
| Interest expense | (43) | (47) | (128) | (1 |
| Taxation | (8) | (20) | (24) | (|
| Profit for the period | (10) | (29) | (18) | (|

Edgar Filing: BP PLC - Form 6-K

| | At September 30, 2002 (Unaudited) | At December 31, 2001 |
|---------------------------|--|----------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Tangible assets | (877) | (78) |
| Provisions | 772 | 78 |
| Deferred taxation | (540) | (51) |
| BP shareholders' interest | (1,109) | (1,05) |
| | ===== | ===== |

Page 32

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

15. US generally accepted accounting principles - continued

(vii) Sale and leaseback

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

A provision was recognized under UK GAAP in 1999 to cover the likely shortfall on rental income from subletting the Chicago office building. As the original sale and leaseback was not treated as a sale for US GAAP the provision has been reversed for US GAAP. A further provision has been recognized in 2002 under UK GAAP, which has also been reversed for US GAAP.

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

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

| Increase (decrease) in caption heading | Three months ended September 30 (Unaudited) | | Nine months ended September 30 (Unaudited) | |
|--|---|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (\$ million) | | | |
| Replacement cost of sales | (51) | 8 | (44) | |
| Taxation | 18 | (4) | 16 | |
| Profit for the period | 33 | (4) | 28 | |
| | ===== | ===== | ===== | ===== |

Edgar Filing: BP PLC - Form 6-K

| | At September 30, 2002 (Unaudited) ----- | At December 31, 2001 ----- |
|--|---|-------------------------------------|
| | (\$ million) | |
| Tangible assets | 164 | 17 |
| Other accounts payable and accrued liabilities | 27 | 3 |
| Provisions | (116) | (6) |
| Finance debt | 413 | 41 |
| Deferred taxation | (55) | (7) |
| BP shareholders' interest | (105) | (13) |
| | ===== | ===== |

(viii) Goodwill and intangible assets

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

On January 1, 2002 the Group adopted Statement of Financial Accounting Standards No. 142 'Goodwill and Other Intangible Assets' (SFAS 142) for US GAAP reporting. This standard eliminates the requirement to amortize goodwill and indefinite lived intangible assets. Rather, such assets are subject to periodic impairment testing. Intangible assets that are not deemed to have an indefinite life continue to be amortized over their estimated useful lives. Amortization of goodwill charged to income under UK GAAP has been reversed for US GAAP.

Page 33

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

15. US generally accepted accounting principles - continued

(viii) Goodwill and intangible assets (continued)

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

| Increase (decrease) in caption heading | Three months ended September 30 (Unaudited) | | Nine months ended September 30 (Unaudited) | |
|--|---|------|--|------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | ----- | |
| | (\$ million) | | | |
| Replacement cost of sales | (334) | (15) | (977) | (|
| Taxation | - | - | - | |
| Profit for the period | 334 | 15 | 977 | |

Edgar Filing: BP PLC - Form 6-K

| | At September 30, 2002 (Unaudited) | At December 31, 2001 |
|---------------------------|--|----------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Intangible assets | (422) | (1,411) |
| Deferred taxation | - | - |
| BP shareholders' interest | (422) | (1,411) |
| | ===== | ===== |

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

| | Three months ended September 30, 2001 (Unaudited) | Nine months ended September 30, 2001 (Unaudited) |
|---|---|--|
| | ----- | ----- |
| | (\$ million) | |
| Profit for the period as adjusted to accord with US GAAP, as reported | 1,417 | 6,417 |
| Add back goodwill amortization | 295 | 895 |
| | ----- | ----- |
| Profit for the period as adjusted to accord with US GAAP, as adjusted | 1,712 | 7,312 |
| | ----- | ----- |
| Per ordinary share - cents | | |
| Basic - as reported | 6.32 | 30.4 |
| Adjustment | 1.32 | 4.4 |
| | ----- | ----- |
| Basic - as adjusted | 7.64 | 34.8 |
| | ----- | ----- |
| Diluted - as reported | 6.29 | 30.4 |
| Adjustment | 1.31 | 4.4 |
| | ----- | ----- |
| Diluted - as adjusted | 7.60 | 34.8 |
| | ----- | ----- |
| Per American Depositary Share - cents | | |
| Basic - as reported | 37.92 | 185.4 |
| Adjustment | 7.92 | 24.4 |
| | ----- | ----- |
| Basic - as adjusted | 45.84 | 209.8 |
| | ----- | ----- |
| Diluted - as reported | 37.74 | 184.4 |
| Adjustment | 7.86 | 24.4 |
| | ----- | ----- |

Edgar Filing: BP PLC - Form 6-K

Diluted - as adjusted

45.60

208

Page 34

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

15. US generally accepted accounting principles - continued

(viii) Goodwill and intangible assets (concluded)

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

| | Exploration expenditure | Goodwill | Other intangibles | Total |
|-----------------------|----------------------------|----------|----------------------|--------|
| | (\$ million) | | | |
| Net book amount | | | | |
| At January 1, 2002 | 5,334 | 9,453 | 288 | 15,075 |
| Amortization expense | (261) | - | (53) | (314) |
| Other movements | 219 | 225 | 275 | 719 |
| At September 30, 2002 | 5,292 | 9,678 | 510 | 15,480 |

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

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

(ix) Derivative financial instruments and hedging activities

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

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

Edgar Filing: BP PLC - Form 6-K

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

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

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

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

Page 35

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

15. US generally accepted accounting principles - continued

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

| Increase (decrease) in caption heading | Three months ended September 30 (Unaudited) | | Nine months ended September 30 (Unaudited) | |
|---|---|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | ----- | |
| | (\$ million) | | | |
| Replacement cost of sales | 71 | 73 | (896) | 2 |
| Taxation | (14) | (25) | 332 | (|
| Profit for the period before cumulative effect of accounting change | (57) | (48) | 564 | (1 |
| Cumulative effect of accounting change, net of taxation | - | (344) | - | (3 |
| Profit for the period | (57) | (392) | 564 | (5 |
| | ===== | ===== | ===== | ===== |

Edgar Filing: BP PLC - Form 6-K

| | At September 30, 2002 (Unaudited) | At December 31, 2001 |
|--|--|----------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Accounts payable and accrued liabilities | 142 | 1,03 |
| Deferred taxation | (31) | (36) |
| BP shareholders' interest | (111) | (67) |
| | ===== | ===== |

(x) Gain arising on asset exchange

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

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

| Increase (decrease) in caption heading | Three months ended September 30 (Unaudited) | | Nine months ended September 30 (Unaudited) | |
|--|---|-------|--|-------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | ----- | ----- | ----- |
| | (\$ million) | | | |
| Replacement cost of sales | 6 | - | 21 | |
| Taxation | (2) | - | (7) | |
| Profit for the period | (4) | - | (14) | |
| | ===== | ===== | ===== | ===== |

| | At September 30, 2002 (Unaudited) | At December 31, 2001 |
|--|--|----------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Intangible assets | 172 | 18 |
| Accounts payable and accrued liabilities | (52) | (5) |
| Deferred taxation | 78 | 8 |
| BP shareholders' interest | 146 | 15 |
| | ===== | ===== |

Edgar Filing: BP PLC - Form 6-K

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

15. US generally accepted accounting principles - continued

(xi) Ordinary shares held for future awards to employees

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

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

| | At September 30, 2002 (Unaudited) | At December 31, 2001 |
|----------------------------|--|----------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Fixed assets - Investments | (188) | (26) |
| BP shareholders' interest | (188) | (26) |
| | ===== | ===== |

(xii) Dividends

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

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

| | At September 30, 2002 (Unaudited) | At December 31, 2001 |
|--|--|----------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Other accounts payable and accrued liabilities | (1,340) | (1,28) |
| BP shareholders' interest | 1,340 | 1,28 |
| | ===== | ===== |

(xiii) Investments

Under UK GAAP the Group's equity investments in Lukoil, Sinopec and PetroChina are held for the long term and reported as fixed asset investments and carried on the balance sheet at cost subject to review for impairment. For US GAAP these investments are classified as

Edgar Filing: BP PLC - Form 6-K

available-for-sale securities. Consequently they are reported at fair value, with unrealized holding gains and losses, net of tax, reported in accumulated other comprehensive income. If a decline in fair value below cost is 'other than temporary' the unrealized loss is accounted for as a realized loss and charged against income.

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

| | At September 30, 2002 (Unaudited) | At December 31, 2001 |
|----------------------------|--|----------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Fixed assets - Investments | 169 | (|
| Deferred taxation | 59 | (|
| BP shareholders' interest | 110 | (|
| | ===== | ===== |

Page 37

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

15. US generally accepted accounting principles - continued

(xiv) Additional minimum pension liability

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

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

| | At September 30, 2002 (Unaudited) | At December 31, 2001 |
|---|--|----------------------------|
| | ----- | ----- |
| | (\$ million) | |
| Intangible assets | 112 | 11 |
| Other receivables falling due after more than one year | (1,015) | (1,015) |
| Noncurrent liabilities - accounts payable accrued liabilities | 548 | 54 |
| Deferred taxation | (509) | (50) |
| BP shareholders' interest | (942) | (94) |
| | ===== | ===== |

Edgar Filing: BP PLC - Form 6-K

Page 38

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

15. US generally accepted accounting principles - continued

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

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

| Profit for the period | Three months ended September 30 (Unaudited) 2002 | 2001 (a) | Nine m Sept (Un 2002 |
|--|---|----------|-------------------------------|
| | ----- (\$ million) | | |
| Profit as reported in the consolidated statement of income | 2,835 | 1,588 | 6,171 |
| Adjustments: | | | |
| Deferred taxation/business combinations (v) | (59) | 238 | (175) |
| Provisions (vi) | (10) | (29) | (18) |
| Sale and leaseback (vii) | 33 | (4) | 28 |
| Goodwill (viii) | 334 | 15 | 977 |
| Derivative financial instruments (ix) | (57) | (48) | 564 |
| Gain arising on asset exchange (x) | (4) | - | (14) |
| Other | 2 | 1 | 8 |
| | ----- | ----- | ----- |
| | 239 | 173 | 1,370 |
| | ----- | ----- | ----- |
| Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP | 3,074 | 1,761 | 7,541 |
| Cumulative effect of accounting change: | | | |
| Derivative financial instruments (ix) | - | (344) | - |
| | ----- | ----- | ----- |
| Profit for the period as adjusted to accord with US GAAP | 3,074 | 1,417 | 7,541 |
| | ===== | ===== | ===== |
| Profit for the period as adjusted: | | | |
| Per ordinary share - cents | | | |
| Basic - before cumulative effect of accounting change | 13.72 | 7.85 | 33.64 |
| Cumulative effect of accounting change | - | (1.53) | - |
| | ----- | ----- | ----- |
| | 13.72 | 6.32 | 33.64 |
| | ----- | ----- | ----- |
| Diluted - before cumulative effect of accounting change | 13.66 | 7.81 | 33.47 |
| Cumulative effect of accounting change | - | (1.52) | - |
| | ----- | ----- | ----- |
| | 13.66 | 6.29 | 33.47 |
| | ----- | ----- | ----- |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|---|-------|--------|--------|
| Per American Depositary Share - cents (b) | | | |
| Basic - before cumulative effect of accounting change | 82.32 | 47.10 | 201.84 |
| Cumulative effect of accounting change | - | (9.18) | - |
| | ----- | ----- | ----- |
| | 82.32 | 37.92 | 201.84 |
| | ----- | ----- | ----- |
| | | | |
| Diluted - before cumulative effect of accounting change | 81.96 | 46.86 | 200.82 |
| Cumulative effect of accounting change | - | (9.12) | - |
| | ----- | ----- | ----- |
| | 81.96 | 37.74 | 200.82 |
| | ----- | ----- | ----- |

Page 39

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

15. US generally accepted accounting principles - continued

| BP shareholders' interest | September 30, 2002 (Unaudited) | December 31, 2001 (a) |
|---|-----------------------------------|-----------------------|
| | ----- | |
| | (\$ million) | |
| BP shareholders' interest as reported in the consolidated balance sheet | 68,647 | 65,161 |
| Adjustments: | | |
| Deferred taxation/business combinations (v) | 66 | 243 |
| Provisions (vi) | (1,109) | (1,054) |
| Sale and leaseback (vii) | (105) | (134) |
| Goodwill (viii) | (422) | (1,414) |
| Derivative financial instruments (ix) | (111) | (675) |
| Gain arising on asset exchange (x) | 146 | 157 |
| Ordinary shares held for future awards to employees (xi) | (188) | (266) |
| Dividends (xii) | 1,340 | 1,288 |
| Investments (xiii) | 110 | (2) |
| Additional minimum pension liability (xiv) | (942) | (942) |
| Other | (47) | (40) |
| | ----- | ----- |
| | (1,262) | (2,839) |
| | ----- | ----- |
| BP shareholders' interest as adjusted to accord with US GAAP | 67,385 | 62,322 |
| | ===== | ===== |

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

Edgar Filing: BP PLC - Form 6-K

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

Earnings per share

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

| | Three months ended September 30 (Unaudited) | | Nine months ended September 30 (Unaudited) | |
|---|---|------------|--|------------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | | | |
| | (shares thousands) | | | |
| Weighted average number of ordinary shares | 22,408,297 | 22,425,374 | 22,412,655 | 22,449,041 |
| Ordinary shares issuable under employee share schemes | 96,998 | 133,365 | 113,159 | 141,945 |
| | ----- | ----- | ----- | ----- |
| | 22,505,295 | 22,558,739 | 22,525,814 | 22,590,986 |
| | ===== | ===== | ===== | ===== |

Page 40

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

15. US generally accepted accounting principles - continued

Comprehensive income

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

| | Three months ended September 30 (Unaudited) | | Nine m Sept (Un |
|--|---|----------|-----------------------|
| | 2002 | 2001 (a) | 2002 |
| | ----- | | |
| | (\$ million) | | |
| Profit for the period as adjusted to accord with US GAAP | 3,074 | 1,417 | 7,541 |
| Currency translation differences | 279 | 1,007 | 1,864 |
| Derivative financial instruments | - | (7) | - |
| Net unrealized gain on investments | (69) | (195) | 112 |
| Additional minimum pension liability | - | - | - |
| | ----- | ----- | ----- |
| Comprehensive income | 3,284 | 2,222 | 9,517 |
| | ===== | ===== | ===== |

Edgar Filing: BP PLC - Form 6-K

Accumulated other comprehensive income at September 30, 2002 and December 31, 2001 comprised losses of \$3,758 million and \$5,734 million, respectively.

Consolidated statement of cash flows

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

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

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

Page 41

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

15. US generally accepted accounting principles - continued

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

| | Three months ended September 30 (Unaudited) | | Ni |
|---|---|-------|-----|
| | 2002 | 2001 | 2 |
| | ----- | | --- |
| | (\$ million) | | |
| Operating activities | | | |
| Profit after taxation | 2,843 | 1,600 | 6, |
| Adjustments to reconcile profits after tax to net cash provided by operating activities | | | |
| Depreciation and amounts provided | 3,506 | 2,104 | 7, |
| Exploration expenditure written off | 55 | 23 | |
| Share of profits of joint ventures and associated undertakings less dividends received | 51 | 17 | |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|--|---------|---------|-------|
| (Profit) loss on sale of businesses and fixed assets | (1,796) | (184) | (2, |
| Working capital movement (a) | (1,002) | 561 | (2, |
| Deferred Taxation | 250 | 334 | 1, |
| Other | (191) | (151) | (|
| | ----- | ----- | ----- |
| Net cash provided by operating activities | 3,716 | 4,304 | 10, |
| | ----- | ----- | ----- |
| Investing activities | | | |
| Capital expenditures | (3,007) | (2,952) | (8, |
| Acquisitions, net of cash acquired | (2,607) | (48) | (4, |
| Investment in associated undertakings | (125) | (139) | (|
| Net investment in joint ventures | (23) | (144) | (|
| Proceeds from disposal of assets | 2,881 | 1,131 | 5, |
| | ----- | ----- | ----- |
| Net cash used in investing activities | (2,881) | (2,152) | (8, |
| | ----- | ----- | ----- |
| Financing activities | | | |
| Proceeds from shares issued (repurchased) | (695) | (352) | (|
| Proceeds from long-term financing | 558 | 7 | 3, |
| Repayments of long-term financing | (567) | (988) | (1, |
| Net decrease (increase) in short-term debt | 923 | 703 | (|
| Dividends paid - BP Shareholders | (1,346) | (1,235) | (3, |
| - Minority shareholders | (13) | (11) | |
| | ----- | ----- | ----- |
| Net cash used in financing activities | (1,140) | (1,876) | (3, |
| | ----- | ----- | ----- |
| Currency translation differences relating to cash and cash equivalents | 26 | 15 | |
| | ----- | ----- | ----- |
| Increase (decrease) in cash and cash equivalents | (279) | 291 | (|
| Cash and cash equivalents at beginning of period | 1,569 | 1,666 | 1, |
| | ----- | ----- | ----- |
| Cash and cash equivalents at end of period | 1,290 | 1,957 | 1, |
| | ===== | ===== | ===== |
| (a) Working capital: | | | |
| Inventories (increase) decrease | (155) | 135 | (1, |
| Receivables (increase) decrease | (345) | 2,249 | (2, |
| Current liabilities - excluding finance debt increase (decrease) | (502) | (1,823) | 1, |
| | ----- | ----- | ----- |
| | (1,002) | 561 | (2, |
| | ===== | ===== | ===== |

Page 42

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

15. US generally accepted accounting principles - continued

Impact of new US accounting standards

New US accounting standards adopted: The Group has adopted Statement of Financial Accounting Standards No. 141 'Business Combinations' (SFAS 141) for US GAAP reporting with effect from January 1, 2002. Under SFAS 141, the pooling of interest method of accounting is no longer permitted. Also on January 1, 2002 the Group adopted Statement of Financial Accounting Standards No. 144 'Accounting for the Impairment or Disposal of Long-Lived

Edgar Filing: BP PLC - Form 6-K

Assets' (SFAS 144). SFAS 144 retains the requirement to recognize an impairment loss only where the carrying value of a long-lived asset is not recoverable from its undiscounted cash flows and to measure such loss as the difference between the carrying amount and fair value of the asset. SFAS 144, among other things, changes the criteria that have to be met in order to classify an asset as held-for-sale and requires that operating losses from discontinued operations be recognized in the period that the losses are incurred rather than as of the measurement date.

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

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

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

Costs associated with exit or disposal activities: In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 'Accounting for Costs Associated with Exit or Disposal Activities' (SFAS 146). SFAS 146 requires that a liability for costs associated with an exit or disposal activity be recognized only when the liability is incurred, rather than at the date of an entity's commitment to an exit plan. SFAS 146 requires that the liability be initially measured at fair value. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company has not yet determined the effect of adopting SFAS 146 on its results of operations or shareholders' interest as adjusted to accord with US GAAP.

Contracts involved in energy trading activities: In October 2002, the EITF reached a consensus which rescinded EITF Issue No. 98-10, 'Accounting for Contracts Involved in Energy Trading and Risk Management Activities' (EITF 98-10). As a result of this consensus, all energy-related, non-derivative contracts (such as transportation, storage, tolling, and requirements contracts that do not meet the definition of a derivative) that are accounted for at fair value pursuant to EITF 98-10 will no longer be accounted for at fair value upon application of the consensus. Rather, such contracts will be accounted for as executory contracts on an accrual basis.

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

For BP's reporting under UK GAAP, energy-related non-derivative contracts associated with trading activities are marked to market with gains and losses recognized in the income statement. The Company has not yet determined the effect of adopting this consensus on its results of

Edgar Filing: BP PLC - Form 6-K

operations or shareholders' interest as adjusted to accord with US GAAP.

Page 43

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

15. US generally accepted accounting principles - concluded

Impact of new UK accounting standards

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

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

Impact of international accounting standards

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

16. Condensed consolidating information

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

Page 44

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

16. Condensed consolidating information - continued

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

Edgar Filing: BP PLC - Form 6-K

Three months ended September 30, 2002

| | | | |
|--|-------|-------|--------|
| Turnover | 635 | - | 49,558 |
| Less: Joint ventures | - | - | 504 |
| | ----- | ----- | ----- |
| Group turnover | 635 | - | 49,054 |
| Replacement cost of sales | 427 | - | 44,159 |
| Production taxes | 49 | - | 301 |
| | ----- | ----- | ----- |
| Gross profit | 159 | - | 4,594 |
| Distribution and administration expenses | - | 77 | 3,137 |
| Exploration expense | 3 | - | 116 |
| | ----- | ----- | ----- |
| Other income | 156 | (77) | 1,341 |
| | 5 | 192 | 92 |
| | ----- | ----- | ----- |
| Group replacement cost operating profit | 161 | 115 | 1,433 |
| Share of profits of joint ventures | - | - | 104 |
| Share of profits of associated undertakings | - | - | 71 |
| Equity accounted income of subsidiaries | 45 | 1,761 | - |
| | ----- | ----- | ----- |
| Total replacement cost operating profit | 206 | 1,876 | 1,608 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | - | 1,794 | 1,769 |
| | ----- | ----- | ----- |
| Replacement cost profit before interest and tax | 206 | 3,670 | 3,377 |
| Inventory holding gains (losses) | 4 | 305 | 305 |
| | ----- | ----- | ----- |
| Historical cost profit before interest and tax | 210 | 3,975 | 3,682 |
| Interest expense | 23 | 427 | 416 |
| | ----- | ----- | ----- |
| Profit before taxation | 187 | 3,548 | 3,266 |
| Taxation | 55 | 713 | 666 |
| | ----- | ----- | ----- |
| Profit after taxation | 132 | 2,835 | 2,600 |
| Minority shareholders' interest | - | - | 8 |
| | ----- | ----- | ----- |
| Profit for the period | 132 | 2,835 | 2,592 |
| | ===== | ===== | ===== |

Page 45

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

16. Condensed consolidating information - continued

Income statement (continued)

Edgar Filing: BP PLC - Form 6-K

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

| | Issuer | Guarantor | | |
|--|---------------|-----------|--------------|------|
| | ----- | | | |
| | BP | | Other | |
| | Exploration | BP p.l.c. | subsidiaries | recl |
| | (Alaska) Inc. | | | |
| | ----- | | | |
| | | | (\$ million) | |
| Three months ended September 30, 2002 | | | | |
| Profit as reported | 132 | 2,835 | 2,592 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | (32) | (59) | (39) | |
| Provisions | 10 | (10) | (20) | |
| Sale and leaseback | - | 33 | 33 | |
| Goodwill | - | 334 | 334 | |
| Derivative financial instruments | - | (57) | (57) | |
| Gain arising on asset exchange | - | (4) | (4) | |
| Other | - | 2 | 2 | |
| | ----- | ----- | ----- | |
| Profit for the period as adjusted to accord with US GAAP | 110 | 3,074 | 2,841 | |
| | ===== | ===== | ===== | |

Page 46

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

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|---------------------------------------|---------------|-----------|--------------|------|
| | ----- | | | |
| | BP | | Other | |
| | Exploration | BP p.l.c. | subsidiaries | recl |
| | (Alaska) Inc. | | | |
| | ----- | | | |
| | | | (\$ million) | |
| Three months ended September 30, 2001 | | | | |
| Turnover | 300 | - | 43,886 | |
| Less: Joint ventures | - | - | 306 | |
| | ----- | ----- | ----- | |
| Group turnover | 300 | - | 43,580 | |
| Replacement cost of sales | 231 | - | 37,286 | |
| Production taxes | 44 | - | 293 | |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|--|-------|-------|-------|
| | ----- | ----- | ----- |
| Gross profit | 25 | - | 6,001 |
| Distribution and administration expenses | - | (2) | 2,680 |
| Exploration expense | 5 | - | 81 |
| | ----- | ----- | ----- |
| | 20 | 2 | 3,240 |
| Other income | - | 368 | 178 |
| | ----- | ----- | ----- |
| Group replacement cost operating profit | 20 | 370 | 3,418 |
| Share of profits of joint ventures | - | - | 125 |
| Share of profits of associated undertakings | - | - | 155 |
| Equity accounted income of subsidiaries | 337 | 3,714 | - |
| | ----- | ----- | ----- |
| Total replacement cost operating profit | 357 | 4,084 | 3,698 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | - | 184 | 184 |
| | ----- | ----- | ----- |
| Replacement cost profit before interest and tax | 357 | 4,268 | 3,882 |
| Inventory holding gains (losses) | (6) | (405) | (405) |
| | ----- | ----- | ----- |
| Historical cost profit before interest and tax | 351 | 3,863 | 3,477 |
| Interest expense | 8 | 735 | 741 |
| | ----- | ----- | ----- |
| Profit before taxation | 343 | 3,128 | 2,736 |
| Taxation | 45 | 1,540 | 1,581 |
| | ----- | ----- | ----- |
| Profit after taxation | 298 | 1,588 | 1,155 |
| Minority shareholders' interest | - | - | 12 |
| | ----- | ----- | ----- |
| Profit for the period | 298 | 1,588 | 1,143 |
| | ===== | ===== | ===== |

Page 47

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

16. Condensed consolidating information - continued

Income statement (continued)

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

Issuer Guarantor

Edgar Filing: BP PLC - Form 6-K

| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
|--|------------------------------------|-----------|-----------------------|------|
| | (\$ million) | | | |
| Three months ended September 30, 2001 | | | | |
| Profit as reported | 298 | 1,588 | 1,143 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | (4) | 238 | 224 | |
| Provisions | (1) | (29) | (29) | |
| Sale and leaseback | - | (4) | (4) | |
| Goodwill | - | 15 | 15 | |
| Derivative financial instruments | - | (48) | (48) | |
| Gain arising on asset exchange | - | - | - | |
| Other | - | 1 | 1 | |
| | ----- | ----- | ----- | |
| Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP | 293 | 1,761 | 1,302 | |
| Cumulative effect of accounting change: | | | | |
| Derivative financial instruments | - | (344) | (344) | |
| | ----- | ----- | ----- | |
| Profit for the period as adjusted to accord with US GAAP | 293 | 1,417 | 958 | |
| | ===== | ===== | ===== | |

Page 48

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

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | | |
|--------------------------------------|------------------------------------|-----------|---------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | | | Other subsidiaries | recl |
| | (\$ million) | | | | |
| Nine months ended September 30, 2002 | | | | | |
| Turnover | 1,729 | - | 130,122 | | |
| Less: Joint ventures | - | - | 1,187 | | |
| | ----- | ----- | ----- | | |
| Group turnover | 1,729 | - | 128,935 | | |
| Replacement cost of sales | 1,047 | - | 113,318 | | |
| Production taxes | 146 | - | 766 | | |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|--|-------|--------|--------|
| | ----- | ----- | ----- |
| Gross profit | 536 | - | 14,851 |
| Distribution and administration expenses | - | 403 | 8,625 |
| Exploration expense | 16 | - | 449 |
| | ----- | ----- | ----- |
| | 520 | (403) | 5,777 |
| Other income | 26 | 500 | 254 |
| | ----- | ----- | ----- |
| Group replacement cost operating profit | 546 | 97 | 6,031 |
| Share of profits of joint ventures | - | - | 263 |
| Share of profits of associated undertakings | - | - | 455 |
| Equity accounted income of subsidiaries | 145 | 7,201 | - |
| | ----- | ----- | ----- |
| Total replacement cost operating profit | 691 | 7,298 | 6,749 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | - | 2,898 | 2,873 |
| | ----- | ----- | ----- |
| Replacement cost profit before interest and tax | 691 | 10,196 | 9,622 |
| Inventory holding gains (losses) | 9 | 1,303 | 1,303 |
| | ----- | ----- | ----- |
| Historical cost profit before interest and tax | 700 | 11,499 | 10,925 |
| Interest expense | 63 | 1,274 | 1,176 |
| | ----- | ----- | ----- |
| Profit before taxation | 637 | 10,225 | 9,749 |
| Taxation | 232 | 3,217 | 3,018 |
| | ----- | ----- | ----- |
| Profit after taxation | 405 | 7,008 | 6,731 |
| Minority shareholders' interest | - | - | 94 |
| | ----- | ----- | ----- |
| Profit for the period | 405 | 7,008 | 6,637 |
| | ===== | ===== | ===== |

Page 49

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

16. Condensed consolidating information - continued

Income statement (continued)

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

Edgar Filing: BP PLC - Form 6-K

| | Issuer | Guarantor | | |
|---|---------------|-----------|--------------|------|
| | ----- | | | |
| | BP | | Other | |
| | Exploration | BP p.l.c. | subsidiaries | recl |
| | (Alaska) Inc. | | | |
| | ----- | | | |
| | | | | |
| | | | (\$ million) | |
| Nine months ended September 30, 2002 | | | | |
| Profit as reported | 405 | 7,008 | 6,637 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | (97) | (175) | (113) | |
| Provisions | 9 | (18) | (27) | |
| Sale and leaseback | - | 28 | 28 | |
| Goodwill | - | 977 | 977 | |
| Derivative financial instruments | - | 564 | 564 | |
| Gain arising on asset exchange | - | (14) | (14) | |
| Other | - | 8 | 8 | |
| | ----- | ----- | ----- | |
| Profit for the period as adjusted to accord with US GAAP | 317 | 8,378 | 8,060 | |
| | ===== | ===== | ===== | |

Page 50

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

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|--|---------------|-----------|--------------|------|
| | ----- | | | |
| | BP | | Other | |
| | Exploration | BP p.l.c. | subsidiaries | recl |
| | (Alaska) Inc. | | | |
| | ----- | | | |
| | | | | |
| | | | (\$ million) | |
| Nine months ended September 30, 2001 | | | | |
| Turnover | 1,428 | - | 138,275 | |
| Less: Joint ventures | - | - | 874 | |
| | ----- | ----- | ----- | |
| Group turnover | 1,428 | - | 137,401 | |
| Replacement cost of sales | 753 | - | 115,801 | |
| Production taxes | 153 | - | 1,200 | |
| | ----- | ----- | ----- | |
| Gross profit | 522 | - | 20,400 | |
| Distribution and administration expenses | - | 115 | 7,727 | |
| Exploration expense | 17 | - | 319 | |
| | ----- | ----- | ----- | |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|--|-------|--------|--------|
| | 505 | (115) | 12,354 |
| Other income | - | 1,069 | 485 |
| | ----- | ----- | ----- |
| Group replacement cost operating profit | 505 | 954 | 12,839 |
| Share of profits of joint ventures | - | - | 352 |
| Share of profits of associated undertakings | - | - | 541 |
| Equity accounted income of subsidiaries | 610 | 14,207 | - |
| | ----- | ----- | ----- |
| Total replacement cost operating profit | 1,115 | 15,161 | 13,732 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | 1 | 573 | 572 |
| | ----- | ----- | ----- |
| Replacement cost profit before interest and tax | 1,116 | 15,734 | 14,304 |
| Inventory holding gains (losses) | (12) | (603) | (603) |
| | ----- | ----- | ----- |
| Historical cost profit before interest and tax | 1,104 | 15,131 | 13,701 |
| Interest expense | 27 | 2,308 | 2,324 |
| | ----- | ----- | ----- |
| Profit before taxation | 1,077 | 12,823 | 11,377 |
| Taxation | 363 | 5,664 | 5,581 |
| | ----- | ----- | ----- |
| Profit after taxation | 714 | 7,159 | 5,796 |
| Minority shareholders' interest | - | - | 38 |
| | ----- | ----- | ----- |
| Profit for the period | 714 | 7,159 | 5,758 |
| | ===== | ===== | ===== |

Page 51

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

16. Condensed consolidating information - continued

Income statement (concluded)

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

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

Edgar Filing: BP PLC - Form 6-K

| | | | |
|-------------------|--------|--------|--------|
| Retained earnings | 6,810 | 58,347 | 48,955 |
| | ----- | ----- | ----- |
| | 11,005 | 94,697 | 49,652 |
| | ===== | ===== | ===== |

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

| | Issuer | Guarantor | |
|---|---------------|-----------|--------------|
| | ----- | | |
| | BP | | Other |
| | Exploration | BP p.l.c. | subsidiaries |
| | (Alaska) Inc. | | recl |
| | ----- | | ----- |
| | (\$ million) | | |
| Shareholders' interest as reported | 11,005 | 94,697 | 49,652 |
| Adjustments: | | | |
| Deferred taxation/business combinations | 106 | 66 | (29) |
| Provisions | (179) | (1,109) | (932) |
| Sale and leaseback | - | (105) | (105) |
| Goodwill | - | (422) | (422) |
| Derivative financial instruments | - | (111) | (111) |
| Gain arising on asset exchange | - | 146 | 146 |
| Ordinary shares held for future awards to employees | - | (188) | - |
| Quarterly dividend | - | 1,340 | - |
| Investments | - | 110 | 110 |
| Additional minimum pension liability | - | (942) | (942) |
| Other | - | (47) | (47) |
| | ----- | ----- | ----- |
| Shareholders' interest as adjusted to accord with US GAAP | 10,932 | 93,435 | 47,320 |
| | ===== | ===== | ===== |

Page 54

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

16. Condensed consolidating information - continued

| | Issuer | Guarantor | |
|---------------------------|---------------|-----------|--------------|
| | ----- | | |
| | BP | | Other |
| | Exploration | BP p.l.c. | subsidiaries |
| | (Alaska) Inc. | | recl |
| | ----- | | ----- |
| Balance sheet (continued) | | | |

Edgar Filing: BP PLC - Form 6-K

(\$ million)

At December 31, 2001

| | | | |
|--|--------|--------|---------|
| Fixed assets | | | |
| Intangible assets | 489 | - | 16,000 |
| Tangible assets | 6,418 | - | 70,992 |
| Investments | | | |
| Subsidiaries - equity accounted basis | 1,846 | 76,877 | - |
| Other | - | 269 | 11,694 |
| | ----- | ----- | ----- |
| | 1,846 | 77,146 | 11,694 |
| | ----- | ----- | ----- |
| Total fixed assets | 8,753 | 77,146 | 98,686 |
| | ----- | ----- | ----- |
| Current assets | | | |
| Inventories | 92 | - | 7,539 |
| Receivables | 15,333 | 21,272 | 41,858 |
| Investments | - | - | 450 |
| Cash at bank and in hand | (29) | 3 | 1,384 |
| | ----- | ----- | ----- |
| | 15,396 | 21,275 | 51,231 |
| | ----- | ----- | ----- |
| Current liabilities - falling due within one year | | | |
| Finance debt | 406 | - | 9,035 |
| Accounts payable and accrued liabilities | 260 | 7,642 | 27,797 |
| | ----- | ----- | ----- |
| Net current assets (liabilities) | 14,730 | 13,633 | 14,399 |
| | ----- | ----- | ----- |
| Total assets less current liabilities | 23,483 | 90,779 | 113,085 |
| Noncurrent liabilities | | | |
| Finance debt | - | - | 12,327 |
| Accounts payable and accrued liabilities | 10,795 | 191 | 36,433 |
| Provisions for liabilities and charges | | | |
| Deferred taxation | 1,668 | - | 11,702 |
| Other provisions | 392 | 216 | 10,879 |
| | ----- | ----- | ----- |
| Net assets | 10,628 | 90,372 | 41,744 |
| Minority shareholders' interest | - | - | 598 |
| | ----- | ----- | ----- |
| BP shareholders' interest | 10,628 | 90,372 | 41,146 |
| | ===== | ===== | ===== |

Page 55

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

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|---------------------------|---------------|-----------|--------------|-------|
| | ----- | ----- | | |
| | BP | | | |
| | Exploration | | Other | |
| Balance sheet (concluded) | (Alaska) Inc. | BP p.l.c. | subsidiaries | recl |
| | ----- | ----- | ----- | ----- |

Edgar Filing: BP PLC - Form 6-K

(\$ million)

At December 31, 2001

| | | | |
|----------------------|--------|--------|--------|
| Capital and reserves | | | |
| Capital shares | 1,050 | 5,629 | - |
| Paid in surplus | 3,145 | 4,014 | - |
| Merger reserve | - | 26,286 | 697 |
| Other reserves | - | 223 | - |
| Retained earnings | 6,433 | 54,220 | 40,449 |
| | ----- | ----- | ----- |
| | 10,628 | 90,372 | 41,146 |
| | ===== | ===== | ===== |

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

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

Page 56

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

16. Condensed consolidating information - continued

Edgar Filing: BP PLC - Form 6-K

| Cash flow statement | Issuer | Guarantor | Other subsidiaries | recl |
|--|------------------------------|-----------|--------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | | |
| (\$ million) | | | | |
| Three months ended September 30, 2002 | | | | |
| Net cash inflow (outflow) from operating activities | 119 | 1,955 | 2,239 | |
| Dividends from joint ventures | - | - | 30 | |
| Dividends from associated undertakings | - | - | 96 | |
| Dividends from subsidiaries | 11 | - | - | |
| Net cash inflow (outflow) from servicing of finance and returns on investments | - | 63 | (164) | |
| Tax (paid) refund | (29) | (1) | (631) | |
| Net cash inflow (outflow) for capital expenditure and financial investment | (139) | 25 | (2,378) | |
| Net cash inflow (outflow) for acquisitions and disposals | - | - | (362) | |
| Equity dividends paid | - | (1,346) | (11) | |
| Net cash inflow (outflow) | (38) | 696 | (1,181) | |
| Financing | (33) | 695 | (881) | |
| Management of liquid resources | - | - | (32) | |
| Increase (decrease) in cash | (5) | 1 | (268) | |
| | (38) | 696 | (1,181) | |

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

| Cash flow statement | Issuer | Guarantor | Other subsidiaries | recl |
|---|------------------------------|-----------|--------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | | |
| (\$ million) | | | | |
| Net cash provided by (used in) operating activities | 101 | 2,017 | 1,569 | |
| Net cash provided by (used in) investing activities | (139) | 25 | (2,740) | |
| Net cash provided by (used in) financing activities | 33 | (2,041) | 870 | |
| Currency translation differences relating to | | | | |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|---|-------|---------|---------|
| Net cash inflow (outflow) from servicing of finance and returns on investments | - | 189 | (792) |
| Tax (paid) refund | (75) | (2) | (1,956) |
| Net cash inflow (outflow) for capital expenditure and financial investment | (427) | 7 | (6,408) |
| Net cash inflow (outflow) for acquisitions and disposals | - | 863 | (1,181) |
| Equity dividends paid | - | (3,924) | (26) |
| Net cash inflow (outflow) | (142) | 573 | (1,486) |
| | ===== | ===== | ===== |
| Financing | (160) | 573 | (898) |
| Management of liquid resources | - | - | (164) |
| Increase (decrease) in cash | 18 | - | (424) |
| | ----- | ----- | ----- |
| | (142) | 573 | (1,486) |
| | ===== | ===== | ===== |

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

| Cash flow statement (continued) | Issuer | Guarantor | Other subsidiaries | recl |
|---|------------------------------------|-----------|--------------------|------|
| | ----- | ----- | | |
| | BP Exploration (Alaska) Inc. | BP p.l.c. | | |
| | | | (\$ million) | |
| Net cash provided by (used in) operating activities | 285 | 3,627 | 6,143 | |
| Net cash provided by (used in) investing activities | (427) | 871 | (7,604) | |
| Net cash provided by (used in) financing activities | 160 | (4,498) | 872 | |
| Currency translation differences relating to cash and cash equivalents | - | - | 53 | |
| | ----- | ----- | ----- | |
| Increase (decrease) in cash and cash equivalents | 18 | - | (536) | |
| Cash and cash equivalents at beginning of period | (29) | 3 | 1,834 | |
| | ----- | ----- | ----- | |
| Cash and cash equivalents at end of period | (11) | 3 | 1,298 | |
| | ===== | ===== | ===== | |

Edgar Filing: BP PLC - Form 6-K

Page 59

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

16. Condensed consolidating information - concluded

| | Issuer | Guarantor | | |
|--|------------------------------|-------------------------|-------------------------|------|
| | ----- | ----- | | |
| | BP | | Other | |
| Cash flow statement (concluded) | Exploration (Alaska) Inc. | BP p.l.c. | subsidiaries | recl |
| | | | | |
| | | | (\$ million) | |
| Nine months ended September 30, 2001 | | | | |
| Net cash inflow (outflow) from operating activities | 714 | 3,487 | 12,678 | |
| Dividends from joint ventures | - | - | 92 | |
| Dividends from associated undertakings | - | - | 424 | |
| Dividends from subsidiaries | - | 113 | - | |
| Net cash inflow (outflow) from servicing of finance and returns on investments | - | 1,052 | (1,851) | |
| Tax (paid) refund | (345) | (1) | (2,892) | |
| Net cash inflow (outflow) for capital expenditure and financial investment | (598) | (26) | (6,152) | |
| Net cash inflow (outflow) for acquisitions and disposals | - | (17) | (985) | |
| Equity dividends paid | - | (3,595) | (113) | |
| Net cash inflow (outflow) | ----- (229) ===== | ----- 1,013 ===== | ----- 1,201 ===== | |
| Financing | (260) | 1,015 | 1,072 | |
| Management of liquid resources | - | - | (146) | |
| Increase (decrease) in cash | 31 | (2) | 275 | |
| | ----- (229) ===== | ----- 1,013 ===== | ----- 1,201 ===== | |

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

Edgar Filing: BP PLC - Form 6-K

| | | | |
|--|--------|-------|--------|
| Henry Hub gas price (b) (\$/mmBtu) | 3.16 | 2.93 | 2.94 |
| UK Gas - National Balancing point (p/therm) | 12.74 | 17.07 | 14.53 |
| Global Indicator Refining Margins (c) - \$/bbl | | | |
| Northwest Europe | 1.28 | 1.74 | 0.66 |
| US Gulf Coast | 1.82 | 3.24 | 2.16 |
| Midwest | 3.27 | 7.20 | 3.03 |
| US West Coast | 3.54 | 8.17 | 4.47 |
| Singapore | 0.47 | 0.75 | 0.28 |
| BP average | 1.98 | 3.83 | 1.90 |
| Chemicals Indicator Margin (d) - \$/te | 115(e) | 114 | 101(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 broad range of products. Amongst the products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha-olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins, anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.
- (e) Provisional. The data for the second quarter is based on two months' actual and one month of provisional data.

| US dollar/sterling exchange rates | Three months ended September 30 (Unaudited) | | Nine m Sep |
|-----------------------------------|---|------|---------------|
| | 2002 | 2001 | (Un 2002 |
| | ----- | | ----- |
| Average rate for the period | 1.55 | 1.44 | 1.48 |
| Period-end rate | 1.55 | 1.48 | 1.55 |

Edgar Filing: BP PLC - Form 6-K

| | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|---|---|--------|----------------------|
| | 2002 | 2001 | 2002 |
| | ----- | ----- | ----- |
| Crude oil and natural gas liquids production (thousand barrels per day) (net of royalties) | | | |
| UK | 414 | 457 | 459 |
| Rest of Europe | 107 | 96 | 106 |
| USA | 754 | 741 | 768 |
| Rest of World | 708 | 589 | 675 |
| | ----- | ----- | ----- |
| Total crude oil and liquids production | 1,983 | 1,883 | 2,008 |
| | ===== | ===== | ===== |
| Natural gas production (million cubic feet per day) (net of royalties) | | | |
| UK | 1,240 | 1,305 | 1,488 |
| Rest of Europe | 131 | 139 | 150 |
| USA | 3,450 | 3,577 | 3,525 |
| Rest of World | 3,661 | 3,298 | 3,468 |
| | ----- | ----- | ----- |
| Total natural gas production | 8,482 | 8,319 | 8,631 |
| | ===== | ===== | ===== |
| Total production (a) (thousand barrels of oil equivalent per day) (net of royalties) | | | |
| UK | 628 | 682 | 716 |
| Rest of Europe | 130 | 120 | 132 |
| USA | 1,349 | 1,358 | 1,376 |
| Rest of World | 1,339 | 1,157 | 1,273 |
| | ----- | ----- | ----- |
| Total production | 3,446 | 3,317 | 3,497 |
| | ===== | ===== | ===== |
| Natural gas sales volumes (million cubic feet per day) | | | |
| UK | 1,809 | 2,170 | 2,256 |
| Rest of Europe | 353 | 170 | 385 |
| USA | 9,332 | 8,692 | 8,841 |
| Rest of World | 9,556 | 7,331 | 9,155 |
| | ----- | ----- | ----- |
| Total natural gas sales volumes (b) | 21,050 | 18,363 | 20,637 |
| | ===== | ===== | ===== |
| NGL sales volumes (thousand barrels per day) | | | |
| UK | - | - | - |
| Rest of Europe | - | - | - |
| USA | 178 | 233 | 190 |
| Rest of World | 185 | 162 | 187 |
| | ----- | ----- | ----- |
| Total NGL sales volumes | 363 | 395 | 377 |
| | ===== | ===== | ===== |

(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

Edgar Filing: BP PLC - Form 6-K

barrels.

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

Page 62

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

| | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|---|---|--------|----------------------|
| | 2002 | 2001 | 2002 |
| | ----- | ----- | ----- |
| Oil sales volumes (thousand barrels per day) | | | |
| Refined products | | | |
| UK | 258 | 269 | 248 |
| Rest of Europe | 1,604 | 1,058 | 1,441 |
| USA | 1,847 | 1,863 | 1,874 |
| Rest of World | 613 | 612 | 578 |
| | ----- | ----- | ----- |
| Total marketing sales | 4,322 | 3,802 | 4,141 |
| Trading/supply sales | 2,589 | 2,744 | 2,489 |
| | ----- | ----- | ----- |
| Total refined product sales | 6,911 | 6,546 | 6,630 |
| Crude oil | 3,648 | 4,680 | 4,458 |
| | ----- | ----- | ----- |
| Total oil sales | 10,559 | 11,226 | 11,088 |
| | ===== | ===== | ===== |
| Refinery throughputs (thousand barrels per day) | | | |
| UK | 394 | 414 | 387 |
| Rest of Europe | 956 | 646 | 905 |
| USA | 1,455 | 1,568 | 1,438 |
| Rest of World | 349 | 375 | 354 |
| | ----- | ----- | ----- |
| Total throughput | 3,154 | 3,003 | 3,084 |
| | ===== | ===== | ===== |
| Chemicals production (thousand tonnes) | | | |
| UK | 858 | 804 | 2,523 |
| Rest of Europe | 2,669 | 2,164 | 7,847 |
| USA | 2,570 | 2,299 | 7,754 |
| Rest of World | 783 | 703 | 2,255 |
| | ----- | ----- | ----- |
| Total production | 6,880 | 5,970 | 20,379 |
| | ===== | ===== | ===== |

Page 63

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

Edgar Filing: BP PLC - Form 6-K

| | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|--------------------------------|---|-------|----------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | ----- |
| | (\$ million) | | |
| By business | | | |
| Exploration and Production | | | |
| UK | 185 | 729 | 1,561 |
| Rest of Europe | 213 | 188 | 537 |
| USA | 661 | 836 | 1,754 |
| Rest of World | 513 | 874 | 2,106 |
| | ----- | ----- | ----- |
| | 1,572 | 2,627 | 5,958 |
| | ----- | ----- | ----- |
| Gas, Power and Renewables | | | |
| UK | (66) | 34 | (63) |
| Rest of Europe | 17 | 27 | 99 |
| USA | 28 | 82 | 16 |
| Rest of World | 78 | (18) | 230 |
| | ----- | ----- | ----- |
| | 57 | 125 | 282 |
| | ----- | ----- | ----- |
| Refining and Marketing | | | |
| UK | (158) | (51) | (343) |
| Rest of Europe | 236 | 222 | 624 |
| USA | 55 | 683 | 255 |
| Rest of World | 104 | 136 | 372 |
| | ----- | ----- | ----- |
| | 237 | 990 | 908 |
| | ----- | ----- | ----- |
| Chemicals | | | |
| UK | 6 | (58) | (35) |
| Rest of Europe | 161 | 87 | 272 |
| USA | 54 | 59 | 161 |
| Rest of World | (89) | 17 | 13 |
| | ----- | ----- | ----- |
| | 132 | 105 | 411 |
| | ----- | ----- | ----- |
| Other businesses and corporate | | | |
| | (241) | (117) | (494) |
| | ----- | ----- | ----- |
| | 1,757 | 3,730 | 7,065 |
| | ===== | ===== | ===== |
| By geographical area | | | |
| UK | (131) | 552 | 903 |
| Rest of Europe | 620 | 512 | 1,532 |
| USA | 672 | 1,555 | 1,933 |
| Rest of World | 596 | 1,111 | 2,697 |
| | ----- | ----- | ----- |
| | 1,757 | 3,730 | 7,065 |
| | ===== | ===== | ===== |

Edgar Filing: BP PLC - Form 6-K

| | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|------------------------------------|---|-------|----------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | ----- |
| | (\$ million) | | |
| By business | | | |
| Exploration and Production | | | |
| UK | 270 | 326 | 778 |
| Rest of Europe | 61 | 79 | 189 |
| USA | 980 | 1,123 | 3,224 |
| Rest of World (a) | 929 | 891 | 2,935 |
| | ----- | ----- | ----- |
| | 2,240 | 2,419 | 7,126 |
| | ----- | ----- | ----- |
| Gas, Power and Renewables | | | |
| UK | 7 | 37 | 28 |
| Rest of Europe (b) | 29 | 23 | 120 |
| USA | 52 | 15 | 100 |
| Rest of World | 19 | 12 | 37 |
| | ----- | ----- | ----- |
| | 107 | 87 | 285 |
| | ----- | ----- | ----- |
| Refining and Marketing | | | |
| UK | 56 | 89 | 232 |
| Rest of Europe (c) | 198 | 10 | 5,486 |
| USA | 298 | 281 | 861 |
| Rest of World | 53 | 62 | 128 |
| | ----- | ----- | ----- |
| | 605 | 442 | 6,707 |
| | ----- | ----- | ----- |
| Chemicals | | | |
| UK | 30 | 50 | 55 |
| Rest of Europe (d) | 58 | 69 | 163 |
| USA | 49 | 119 | 146 |
| Rest of World | 43 | 112 | 174 |
| | ----- | ----- | ----- |
| | 180 | 350 | 538 |
| | ----- | ----- | ----- |
| Other businesses and corporate (e) | | | |
| | 48 | 65 | 367 |
| | ----- | ----- | ----- |
| | 3,180 | 3,363 | 15,023 |
| | ===== | ===== | ===== |
| By geographical area | | | |
| UK | 394 | 541 | 1,203 |
| Rest of Europe | 353 | 181 | 6,158 |
| USA | 1,389 | 1,564 | 4,387 |
| Rest of World | 1,044 | 1,077 | 3,275 |
| | ----- | ----- | ----- |
| | 3,180 | 3,363 | 15,023 |
| | ===== | ===== | ===== |

(a) Nine months ended September 30, 2002 included the acquisition of an additional interest in Sidanco.

Edgar Filing: BP PLC - Form 6-K

- (b) Nine months ended September 30, 2002 included the acquisition of a 5% stake in Enagas.
- (c) Nine months ended September 30, 2002 included the acquisition of 100% of Veba.
- (d) Nine months ended September 30, 2001 included the acquisition of Bayer's 50% interest in Erdolchemie.
- (e) Nine months ended September 30, 2002 included the acquisition of the minority interest in Veba's upstream oil and gas assets.

Page 65

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

| | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|--------------------------------|---|------|----------------------|
| | 2002 | 2001 | 2002 |
| | (\$ million) | | |
| Special items | | | |
| Exploration and Production | | | |
| UK | 105 | - | 237 |
| Rest of Europe | - | - | - |
| USA | 115 | - | 185 |
| Rest of World | 483 | - | 498 |
| | 703 | - | 920 |
| Gas, Power and Renewables | | | |
| UK | 30 | - | 30 |
| Rest of Europe | - | - | - |
| USA | - | - | - |
| Rest of World | - | - | - |
| | 30 | - | 30 |
| Refining and Marketing | | | |
| UK | 16 | 18 | 16 |
| Rest of Europe | 38 | 33 | 87 |
| USA | 29 | 11 | (108) |
| Rest of World | - | 50 | - |
| | 83 | 112 | (5) |
| Chemicals | | | |
| UK | - | - | 22 |
| Rest of Europe | - | 8 | 18 |
| USA | - | - | 35 |
| Rest of World | 140 | - | 140 |
| | 140 | 8 | 215 |
| Other businesses and corporate | | | |
| UK | 35 | - | 35 |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|-------------------------------------|-------|-------|-------|
| Rest of Europe | - | - | - |
| USA | 90 | - | 90 |
| Rest of World | - | - | - |
| | ----- | ----- | ----- |
| | 125 | - | 125 |
| | ----- | ----- | ----- |
| Total special items before interest | 1,081 | 120 | 1,285 |
| Interest - bond redemption charges | - | 2 | - |
| | ----- | ----- | ----- |
| Total | 1,081 | 122 | 1,285 |
| | ===== | ===== | ===== |

Acquisition amortization

| | | | |
|----------------------------|-------|-------|-------|
| Exploration and Production | | | |
| UK | 378 | 42 | 447 |
| USA | 283 | 367 | 832 |
| Rest of World | 114 | 34 | 182 |
| | ----- | ----- | ----- |
| | 775 | 443 | 1,461 |
| | ----- | ----- | ----- |
| Refining and Marketing | | | |
| UK | 106 | 93 | 303 |
| USA | 96 | 94 | 288 |
| | ----- | ----- | ----- |
| | 202 | 187 | 591 |
| | ----- | ----- | ----- |
| Total | 977 | 630 | 2,052 |
| | ===== | ===== | ===== |

Page 66

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

| | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|--|---|--------|----------------------|
| | 2002 | 2001 | 2002 |
| | ----- | ----- | ----- |
| | (\$ million) | | |
| Replacement cost basis | | | |
| Replacement cost profit before exceptional items | 761 | 1,936 | 2,978 |
| Interest | 300 | 369 | 947 |
| Minority shareholders' interest | 8 | 12 | 69 |
| | ----- | ----- | ----- |
| Adjusted replacement cost profit | 1,069 | 2,317 | 3,994 |
| | ===== | ===== | ===== |
| Average capital employed | 90,507 | 87,892 | 89,328 |
| ROACE - replacement cost basis | 4.7% | 10.5% | 6.0% |
| | ----- | ----- | ----- |
| Pro forma basis | | | |
| Adjusted replacement cost profit | 1,069 | 2,317 | 3,994 |
| Acquisition amortization | 977 | 630 | 2,052 |
| Special items (post tax) | 556 | 77 | 1,043 |
| | ----- | ----- | ----- |
| Adjusted replacement cost profit (pro forma basis) | 2,602 | 3,024 | 7,089 |

Edgar Filing: BP PLC - Form 6-K

| | | | |
|---|--------|--------|--------|
| Average capital employed | 90,507 | 87,892 | 89,328 |
| Average capital employed acquisition adjustment (a) | 17,581 | 20,673 | 18,008 |
| Average capital employed (pro forma basis) | 72,926 | 67,219 | 71,320 |
| ROACE - pro forma basis adjusted for special items | 14.3% | 18.0% | 13.3% |
| Historical cost basis | | | |
| Historical cost profit (loss) after exceptional items | 2,835 | 1,588 | 6,171 |
| Interest | 300 | 369 | 947 |
| Minority shareholders' interest | 8 | 12 | 94 |
| Adjusted historical cost profit | 3,143 | 1,969 | 7,212 |
| Average capital employed | 90,507 | 87,892 | 89,328 |
| ROACE - historical cost basis after exceptionals | 13.9% | 9.0% | 10.8% |

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

Page 67

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

| | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|--|---|--------|----------------------|
| | 2002 | 2001 | 2002 |
| | (\$ million) | | |
| Net debt ratio - net debt: net debt + equity | | | |
| Gross debt | 22,276 | 20,474 | 22,276 |
| Cash and current asset investments | 1,290 | 1,957 | 1,290 |
| Net debt | 20,986 | 18,517 | 20,986 |
| Equity | 69,203 | 67,931 | 69,203 |
| Net debt ratio | 23% | 21% | 23% |
| Acquisition adjustment (a) | 17,134 | 20,412 | 17,134 |
| Net debt ratio - pro forma basis (b) | 29% | 28% | 29% |

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

(b) Based on equity excluding the fixed asset revaluation adjustment and goodwill resulting from the ARCO and Burmah Castrol acquisitions.

Edgar Filing: BP PLC - Form 6-K

Page 68

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

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

| | Three months ended September 30 (Unaudited) | | Nine m Sep (Un |
|--|---|-------|----------------------|
| | 2002 | 2001 | 2002 |
| | ----- | | |
| | (\$ million) | | |
| Replacement cost operating profit (RCOP) (reported) (a) | 1,757 | 3,730 | 7,065 |
| Depreciation and amounts provided (b) | 3,506 | 2,104 | 7,886 |
| Exploration expenditure written off | 55 | 23 | 261 |
| Dividends from joint ventures and associated undertakings less share of RCOP | (49) | (99) | (286) |
| Dividends paid to minority shareholders | (13) | (11) | (29) |
| Adjust provisions to cash basis (c) | (60) | (148) | (177) |
| Adjust interest and other income to cash basis (d) | 5 | (34) | (11) |
| | ----- | ----- | ----- |
| Tax paid adjusted for certain items* | 5,201 | 5,565 | 14,709 |
| | (702) | (682) | (2,148) |
| | ----- | ----- | ----- |
| Adjusted RCOP after tax paid | 4,499 | 4,883 | 12,561 |
| | ----- | ----- | ----- |
| * Calculation of tax paid adjusted for certain items | | | |
| Cash tax paid | (661) | (717) | (2,033) |
| Tax charge on exceptional items | 25 | 127 | 146 |
| Tax shield assumption + | (66) | (92) | (261) |
| | ----- | ----- | ----- |
| | (702) | (682) | (2,148) |
| | ----- | ----- | ----- |
| + Calculation of tax shield assumption | | | |
| Interest paid | (218) | (308) | (869) |
| Tax rate assumption (e) | 30% | 30% | 30% |
| | ----- | ----- | ----- |
| | (66) | (92) | (261) |
| | ----- | ----- | ----- |

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

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

Edgar Filing: BP PLC - Form 6-K

- (c) Calculated as the net of charge for provisions and utilization of provisions.
- (d) Calculated as interest and other income, less interest received and dividends received from the Group cash flow statement.
- (e) Deemed tax rate for tax shield adjustment is equal to the UK statutory tax rate.

Page 69

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 4, 2002

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

Page 70