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BP PLC
Form 6-K
May 15, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

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

for the period ended March 31, 2002

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

BRITANNIC HOUSE, 1 FINSBURY CIRCUS, LONDON, EC2M 7BA, ENGLAND
(Address of principal executive offices)

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

Form 20-F |X| Form 40-F

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

Yes No |X|

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-9790) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-65996) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 33-39075) OF BP AMERICA INC. AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 33-20338) OF BP AMERICA INC. AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 33-29102) OF THE STANDARD OIL COMPANY AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-83180) OF BP AUSTRALIA CAPITAL MARKETS LIMITED, BP CANADA FINANCE COMPANY, BP CAPITAL MARKETS p.l.c., BP CAPITAL MARKETS AMERICA INC. AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 33-21868) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9020) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9798) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO.

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333-79399) OF BP p.l.c., AND THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-34968) OF BP p.l.c., AND THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-74414) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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

GROUP RESULTS JANUARY - MARCH 2002

| | Three months ended March 31 (Unaudited) | |
|--|---|--------|
| | 2002 | 2001 |
| Turnover | - \$m 36,290 | 45,412 |
| Total replacement cost operating profit | - \$m 2,058 | 5,472 |
| Replacement cost profit before exceptional items | - \$m 924 | 3,001 |
| Replacement cost profit for the period | - \$m 854 | 3,068 |
| Historical cost profit for the period | - \$m 1,296 | 2,830 |
| Profit per Ordinary Share | - cents 5.78 | 12.59 |
| Dividends per Ordinary Share | - cents 5.75 | 5.25 |

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

The following discussion should be read in conjunction with the consolidated financial statements provided elsewhere in this Form 6-K and with the consolidated financial statements and related notes for the year ended December 31, 2001 included 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.

BP has acquired a 51% interest in and has consolidated Veba Oil with effect from February 1, 2002.

The reduction in turnover for the first quarter primarily reflects significant decreases in oil and natural gas prices.

Replacement cost profit before exceptional items (which excludes inventory holding gains and losses) was \$924 million for the three months ended March 31, 2002, compared with \$3,001 million for the equivalent period of 2001. These results are after charging special items of \$185 million (\$120 million after tax) for the three months ended March 31, 2002, and \$63 million (\$40 million after tax) for the equivalent period of 2001. The results for the three months

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ended March 31, 2002 and 2001 are also after charging acquisition amortization of \$538 million and \$671 million, respectively. 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. The special charges for the three months ended March 31, 2002 comprised restructuring charges for Upstream and Chemicals, Veba, Solvay and Erdoelchemie integration costs and litigation costs. Those for the corresponding period of 2001 comprise Burmah Castrol integration costs, rationalization costs in the North European commercial and industrial business in Refining and Marketing and a bond redemption charge.

The historical cost profit for the three months ended March 31, 2002 was \$1,296 million including inventory holding gains of \$473 million and after net exceptional losses of \$109 million (\$70 million after tax) in respect of net losses on the sale of fixed assets and businesses or termination of operations. For the equivalent period of 2001 there was a profit of \$2,830 million after inventory holding losses of \$238 million, and including net exceptional gains of \$218 million (\$67 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations.

Interest expense for the three months ended March 31, 2002 was \$333 million compared with \$446 million (including \$10 million relating to a bond redemption charge) in the equivalent period of 2001, primarily reflecting lower interest rates partly offset by higher net debt.

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

Net debt at March 31, 2002 was \$22.9 billion. The ratio of net debt to net debt plus equity was 25% compared to 23% 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 32% at March 31, 2002 compared with 29% at December 31, 2001. In addition to reported debt, BP uses conventional off balance sheet sources of finance such as operating leases and associate and joint venture borrowing.

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

The net debt ratio and net cash outflow reflect the Veba acquisition in the first quarter of 2002. Cash inflows from Veba related disposals will provide a significant offset in the second quarter.

Net taxation, other than production taxes, charged for the three months ended March 31, 2002 was \$753 million compared with \$2,168 million in the equivalent period last year. The first quarter 2002 included a tax credit of \$39 million in respect of exceptional items compared with a tax charge of \$151 million for the first quarter of 2001. The tax charge for the three months ended March 31, 2002 declined in line with the fall in reported profits compared with the same quarter last year. The effective tax rate on replacement cost profit before exceptional items was 46% for the three months ended March 31, 2002, compared with 40% for the equivalent period of 2001. The non-deductible acquisition amortization was similar in both periods, consequently the effective tax rate has risen from 40% to 46%.

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The changes to UK North Sea tax announced in the recent budget proposals, under which a supplementary charge would effectively increase the corporation tax rate from 30% to 40% and provision would be made for 100% first year allowances on capital expenditure, have no impact on first quarter results. If the budget proposals are enacted, the changes will be effective from April 17, 2002. This would increase the Group's tax charge rateably for the remainder of 2002 by around an estimated \$200 million, representing around a 2% increase in the effective tax rate, on the basis of average oil prices experienced in the first quarter, and additionally a one-off charge of around an estimated \$350 million would be made to increase the Group's deferred tax provision for the supplementary corporation tax. The cash impact for the remainder of 2002 would, it is anticipated, be broadly neutral, with accelerated capital allowances offsetting the impact of the tax rate increase.

Capital expenditure and acquisitions in the first quarter of 2002 was \$5.7 billion, including \$2.6 billion for the Veba transaction, compared with \$2.5 billion for the equivalent period in 2001. Excluding acquisitions, capital expenditure for the first quarter 2002 was \$3.1 billion, consistent with our target of \$12-13 billion for the year. Disposal proceeds were \$0.3 billion, in line with expectations.

Net cash outflow for the three months ended March 31, 2002 was \$2.4 billion, including \$1.5 billion for the acquisition of 51% of Veba, net of cash acquired, compared with an inflow of \$3.2 billion for the equivalent period of 2001. Compared to a year ago, operating cash flow was lower and tax, capital and dividend payments were higher. Net cash inflow from operating activities was \$3.6 billion for the three months ended March 31, 2002, compared with \$6.7 billion in the equivalent period in 2001.

The return on average capital employed on a replacement cost basis for the three months ended March 31, 2002 was 6% compared with 16% for the equivalent period of 2001. For further information on the return on average capital employed calculation see page 53 of this report.

BP announced a first quarterly dividend for 2002 of 5.75 cents per ordinary share. Holders of ordinary shares will receive 4.051 pence per share and holders of American Depositary Receipts (ADRs) \$0.345 per ADS. The dividend is payable on June 10, 2002 to shareholders on the register on May 17, 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 June 10, 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. 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. 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.

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

Owing to the significant acquisitions that took place in 2000, in addition to its reported results, BP is presenting pro forma results adjusted for special

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items in order to enable shareholders to assess current performance in the context of BP's past performance and against that of its competitors. The pro forma result is replacement cost profit before exceptional items excluding acquisition amortization as defined in footnote (a) below. The pro forma result, adjusted for special items, has been derived from BP's UK GAAP accounting information but is not in itself a recognized UK or US GAAP measure.

| Reconciliation of reported profit (loss) to pro forma result adjusted for special items | Reported ----- | Acquisition amortization(a) ----- | Special items(b) ----- | Pro fo res adjusted special it ----- |
|---|-------------------|---|------------------------------|--|
| | | (\$ million) | | |
| Three months ended March 31, 2002 | | | | |
| Exploration and Production | 1,928 | 345 | 127 | 2, |
| Gas, Power and Renewables | 111 | - | - | |
| Refining and Marketing | 68 | 193 | 26 | |
| Chemicals | 76 | - | 32 | |
| Other businesses and corporate | (125) | - | - | (|
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 2,058 | 538 | 185 | 2, |
| Interest expense | (333) | - | - | (|
| Taxation | (792) | - | (65) | (|
| Minority shareholders' interest | (9) | - | - | - |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 924 | 538 | 120 | 1, |
| | ----- | ===== | ===== | ----- |
| per ordinary share (cents) | 4.12 | | | 7 |
| | ===== | | | ===== |
| Three months ended March 31, 2001 | | | | |
| Exploration and Production | 4,666 | 470 | - | 5, |
| Gas, Power and Renewables | 100 | - | - | |
| Refining and Marketing | 740 | 201 | 53 | |
| Chemicals | 81 | - | - | |
| Other businesses and corporate | (115) | - | - | (|
| | ----- | ----- | ----- | ----- |
| Replacement cost operating profit | 5,472 | 671 | 53 | 6, |
| Interest expense | (446) | - | 10 | (|
| Taxation | (2,017) | - | (23) | (2, |
| Minority shareholders' interest | (8) | - | - | - |
| | ----- | ----- | ----- | ----- |
| Replacement cost profit before exceptional items | 3,001 | 671 | 40 | 3, |
| | ----- | ===== | ===== | ----- |
| per ordinary share (cents) | 13.35 | | | 16 |
| | ===== | | | ===== |

(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

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items for the first quarter 2002 comprise restructuring charges for Upstream and Chemicals, Veba, Solvay and Erdoelchemie integration costs and litigation costs. The special items for the first quarter 2001 comprise Burmah Castrol integration costs, rationalization costs in the North European commercial and industrial business in Refining and Marketing and a bond redemption charge. The taxation credit relating to special items has been calculated using a tax rate of 35% (2001, 36.5%).

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

DETAILED REVIEW OF BUSINESSES (EXCLUDING EXCEPTIONAL ITEMS)

EXPLORATION AND PRODUCTION

| | | Three months ended March 31 (Unaudited) | |
|---|-------------------------------|---|-------|
| | | 2002 | 2001 |
| | | ----- | |
| Turnover | - \$m | 5,638 | 9,117 |
| Total replacement cost operating profit | - \$m | 1,928 | 4,666 |
| Results included: | | | |
| Exploration expense | - \$m | 124 | 169 |
| Of which: Exploration expenditure written off | - \$m | 59 | 108 |
| Key Statistics: | | | |
| Crude oil (a) | Average prices realized by BP | - \$/bbl | 18.77 |
| | Production | - mb/d | 1,989 |
| Natural gas | Average prices realized by BP | - \$/mcf | 2.27 |
| | Production | - mcf/d | 8,746 |
| Brent oil price | - \$/bbl | 21.13 | 25.75 |
| West Texas Intermediate oil price | - \$/bbl | 21.54 | 28.71 |
| Alaska North Slope US West Coast | - \$/bbl | 19.76 | 24.93 |
| Henry Hub gas price (b) | - \$/mmBtu | 2.35 | 7.08 |

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

The reduction in turnover for the three months ended March 31, 2002 compared to the same quarter in 2001 reflects the lower oil and natural gas prices in the current quarter.

Total replacement cost operating profit for the three months ended March 31, 2002 was \$1,928 million compared with \$4,666 million for the equivalent period in 2001. The result for the first quarter 2002 is after special charges of \$127 million comprising severance and litigation costs. The severance costs reflect the significant restructuring which is underway to reposition the business in North America and the North Sea. The results are also after charging depreciation and amortization arising from the fixed asset revaluation adjustments and goodwill consequent upon the ARCO acquisition in 2000 of \$345 million and \$470 million for the first quarter of 2002 and 2001, respectively.

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Replacement cost operating profit for the quarter was significantly affected by lower oil and natural gas prices. Average liquids realizations declined by around \$6 a barrel. In particular, US realizations were down over \$7 a barrel, with WTI averaging close to Brent in the current quarter compared with a premium over Brent of close to \$3 a barrel a year ago. Average natural gas realizations were down some \$2.70 per thousand cubic feet. As US natural gas is sold on a first of the month basis, the improvement in the Henry Hub price late in the quarter has not benefited first quarter realizations.

Production is on track to deliver 5.5% growth for the year with the overall growth being back-end loaded due to the timing of project start-ups. First quarter production of 3,497 mboe/d was up 0.75% on a year ago, reflecting the benefits of new start-ups at Northstar in Alaska, Tambar in Norway and Girassol in Angola as well as increased production in the Marlin and Pompano fields in the Gulf of Mexico. These more than offset the effects of OPEC quota reductions affecting our production in Abu Dhabi, Venezuela and Norway, abnormally warm weather in the UK (impacting gas liftings), and the sale of certain UK Southern North Sea assets in 2001, amounting in total to around 100 mboe/d. Liquids production increased by 2.7%, with gas production down around 1.7%.

In mid April, the King field in the Gulf of Mexico came on stream, projected to be followed by other Gulf of Mexico fields, Princess in the second quarter, King's Peak in the third quarter and Horn Mountain in the fourth quarter. In addition, the second LNG train in Trinidad is expected to come on stream in the third quarter.

In support of continued growth, capital expenditure for the quarter was \$2.3 billion, \$0.4 billion higher than last year. During the quarter, developments were approved for the Edfu oil discovery in Egypt and Viscount in the UK North Sea.

In mid April, BP announced that it was acquiring an additional interest in Sidanco, an integrated Russian oil and gas company, for \$375 million. This increases BP's interest to 25% plus one share, in line with its current voting rights.

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

GAS, POWER AND RENEWABLES

| | | Three months ended March 31 (Unaudited) | |
|---|-------|---|--------|
| | | 2002 | 2001 |
| Turnover | - \$m | 7,768 | 12,122 |
| Total replacement cost operating profit | - \$m | 111 | 100 |

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 ended March 31, 2002 was \$7,768 million compared

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with \$12,122 million for the same period in 2001. Despite increased gas sales volumes, turnover decreased due to substantially lower gas prices during the period, particularly in North America.

Replacement cost operating profit for the three months ended March 31, 2002 was \$111 million compared with \$100 million for the same period in 2001. The result reflects higher profit from the NGL business, partly offset by lower profit from trading and marketing. NGL profit has increased, despite lower volumes, due to margins returning to more normal levels compared to the exceptionally low levels of a year ago. The trading and marketing result is down due to lower margins. BP Solar production was up over 30% on a year ago.

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

REFINING AND MARKETING

| | | Three months ended March 31 (Unaudited) | 2002 | 2001 |
|---|----------|---|--------|--------|
| | | | | |
| Turnover | - \$m | | 24,889 | 28,523 |
| Total replacement cost operating profit | - \$m | | 68 | 740 |
| Total refined product sales | - mb/d | | 6,500 | 5,953 |
| Refinery throughputs | - mb/d | | 2,994 | 2,911 |
| Global Indicator Refining Margin (a) | - \$/bbl | | 1.64 | 4.25 |

(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 ended March 31, 2002 was \$24,889 million compared with \$28,523 million for the same period in the prior year. The decrease in turnover for the first quarter 2002 primarily reflects lower fuel prices.

Replacement cost operating profit for the three months ended March 31, 2002 was \$68 million, compared with \$740 million a year ago. The result for the first quarter 2002 is after special charges of \$26 million comprising Veba Oil integration costs. Special charges for the first quarter of 2001 comprise Burmah Castrol integration costs and rationalization costs in the North European commercial and industrial business. The results are also after charging depreciation and amortization arising from the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000 of \$193 million and \$201 million for the first quarter of 2002 and 2001, respectively. The first quarter 2002 result includes Veba Oil results from February 1. The decrease in replacement cost operating profit of \$672 million reflects significantly lower worldwide refining margins and lower retail margins, particularly in the USA. Refining margins were down some 60% worldwide versus first quarter 2001 with significant drops in Europe and the USA where the majority of BP's refineries are located. US retail margins were down

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approximately 60% compared to a year ago and 80% compared to last quarter. Partially offsetting the lower margins were reduced operating costs that reflected decreased refinery fuel and electricity costs in the US and ongoing cost reduction programmes.

Refining throughputs increased by 3% compared with the first quarter of 2001, due to the effect of the Veba acquisition, which more than offset the divestments of the Mandan, South Dakota and Salt Lake City, Utah, refineries in the USA. Marketing volumes increased by 5%, reflecting the impact of the Veba acquisition; excluding Veba, marketing sales were down approximately 3%, due to lower aviation and commercial sales.

During the quarter, BP opened an additional 32 BP Connect stations, primarily in the USA and in London, England, bringing the total number of BP Connect stations worldwide to 371. An additional 300 sites were reimaged in the first quarter, bringing the total number of sites with the BP Helios to some 5,300 worldwide.

In February, BP reached agreement to sell its Yorktown, Virginia refinery. The sale is expected to be completed in the second quarter. In addition, BP completed the sale of its network of 21 service stations in Japan to Japan Energy at the end of March.

Also in February, Edinburgh, Scotland became the first city in the world where BP supplies both sulphur-free unleaded gasoline and sulphur-free diesel. The sulphur-free products will be available at 18 service stations in the Edinburgh area, supplied from the Grangemouth refinery.

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

CHEMICALS

| | | Three months ended March 31 (Unaudited) | |
|---|---------|---|-------|
| | | 2002 | 2001 |
| | | ----- | |
| Turnover | - \$m | 2,642 | 2,689 |
| Total replacement cost operating profit | - \$m | 76 | 81 |
| Production (a) | - kte | 6,611 | 5,377 |
| Chemicals Indicator Margin (b) | - \$/te | 96 (c) | 106 |

- (a) Includes BP share of joint ventures, associated undertakings and other interests in production.
- (b) The Chemicals Indicator Margin (CIM) is a weighted average of externally-based product margins. It is based on market data collected by Chem Systems in their quarterly market analyses, then weighted based on BP's product portfolio. While it does not cover our entire portfolio, it includes a broad range of products. Amongst the products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha-olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins,

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anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.

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

Turnover for the three months ended March 31, 2002 was \$2,642 million, and was broadly flat compared with \$2,689 million for the equivalent period in 2001.

Replacement cost operating profit for the three months ended March 31, 2002, was \$76 million, compared with \$81 million for the equivalent period in 2001. The result for the first quarter 2002 is after special charges of \$32 million related to major site restructuring and Solvay and Erdoelchemie integration. Excluding special charges, the result for the first quarter of 2002 reflects increased volumes due to 100% ownership of Erdoelchemie and the effect of the Solvay transaction and slightly lower fixed costs, partly offset by lower margins caused by higher feedstock prices, mainly in Europe.

Chemicals production of 6,611 thousand tonnes in the first quarter was 1,234 thousand tonnes above the same quarter last year. Higher production was the result of improving demand and increased capacity from both new plants coming on stream and the Solvay, Erdoelchemie and Veba transactions.

As part of the ongoing restructuring of our portfolio, we announced the closure of polypropylene capacity: one production line at Chocolate Bayou and the facility at Cedar Bayou, both in Texas, USA. We also announced the sale of parts of our plastics fabrication business as part of our overall plan to divest non-core businesses.

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

OTHER BUSINESSES AND CORPORATE

| | | Three months ended March 31 (Unaudited) | |
|-----------------------------------|-------|---|-------|
| | | 2002 | 2001 |
| Turnover | - \$m | 135 | 127 |
| Replacement cost operating profit | - \$m | (125) | (115) |

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

EXCEPTIONAL ITEMS

| | | Three months ended March 31 (Unaudited) | |
|---|--|---|------|
| | | 2002 | 2001 |
| Profit (loss) on sale of fixed assets and | | | |

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| | | | |
|--|-------|-------|-------|
| businesses and termination of operations | - \$m | (109) | 218 |
| Taxation credit (charge) | - \$m | 39 | (151) |
| | | ----- | ----- |
| Exceptional items after taxation | - \$m | (70) | 67 |
| | | ----- | ----- |

Exceptional items for the first quarter of 2002 include the loss on closure of certain polypropylene facilities in Texas, USA.

OUTLOOK

Led by the USA, the world economy is showing signs of demand recovery following its recent growth pause. However, the margin environment for the downstream and chemicals businesses remains challenging.

Crude oil prices have risen since the end of February as the market tightens in response to OPEC's January production cuts and some recovery in demand. The risk of Middle East supply disruption is keeping the market volatile and providing some additional support to prices. The crude oil market is expected to be broadly balanced in the second quarter, with average realizations currently anticipated to be higher than in the first quarter.

US natural gas prices have risen in line with higher oil prices despite the overhang of gas in storage. Evidence of a recovery in demand and reduced drilling activity impacting North American production is creating an expectation that inventories will reduce and that supply and demand will rebalance over the course of the year. For the second quarter, North American gas realizations are currently anticipated to be higher than in the first quarter.

Upstream production growth in 2002 is projected to be biased towards the second half of the year. Scheduled 2002 second quarter production from both new and existing fields should see year-on-year second quarter production moving towards our annual 5.5% growth target - leaving us on track to meet our performance goal by the end of the year.

During April refining margins recovered towards the levels seen in the fourth quarter of last year, with relative strength in the USA offset by continued weakness in Europe and Asia. The recovery in margins was driven by higher US gasoline refining margins as US gasoline stocks fell close to normal seasonal levels. More recently, higher crude prices and increased US product stocks have put pressure on refining margins, which have fallen back to the levels seen in the first quarter. We expect continued margin volatility.

Since mid-March, US retail marketing margins have shown improvement from the extremely depressed levels earlier in the first quarter. European marketing margins have been under pressure recently due to product price increases, but are still above the second quarter of last year. On average, global second quarter marketing margins are currently anticipated to be similar to a year ago.

Chemical margins remain depressed and vulnerable to increases in feedstock prices. There is, however, continued evidence of a pick-up in volumes.

Capital expenditure is on track for the year's target of \$12-13 billion, excluding acquisitions. The net debt ratio, which was above the mid point of the 25-35% range in the first quarter, following the Veba purchase, should move towards the middle of the range during the second quarter with the expected receipt of most of the proceeds from the sale of the Veba upstream assets.

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

FORWARD-LOOKING STATEMENTS

In order to utilize the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995, BP is providing the following cautionary statement. The foregoing discussion, in particular, although not limited to, the statements under 'Outlook', with regard to trends in the trading environment, oil and gas prices and margins, inventory and product stock levels, capacity utilization, capital expenditure, working capital, profitability, results of operation, dividend payments, liquidity or financial position and statements regarding our targets are all forward-looking in nature. Forward-looking statements are 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, demand and pricing; political stability and economic growth in relevant areas of the world; development and use of new technology and successful partnering; the actions of competitors; natural disasters and other changes to business conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this report. 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 Accounts for 2001 and in the Annual Report on Form 20-F for 2001 filed with the US Securities and Exchange Commission.

2001 DIVIDENDS

On April 30, 2002, BP p.l.c. announced a first quarterly dividend for 2002 of 5.75 cents per ordinary share of 25 cents (ordinary shares), representing \$0.345 per American Depositary Share (ADS) amounting to \$1,290 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares is May 17, 2002, with payment to be made on June 10, 2002.

The dividend payable on June 10, 2002 entitles qualifying US ADS shareholders to a refund of the 1/9th UK tax credit (approximately \$0.038) attaching to the dividend less a UK withholding tax limited to the amount of the tax credit. The effect of these arrangements for ADS holders is currently a cash payment of \$0.345, a gross dividend for tax purposes of \$0.383 and a potential tax credit of \$0.038 per ADS.

A dividend reinvestment facility is available for holders of ADSs through JPMorgan Chase Bank (formerly known as Morgan Guaranty Trust Company). Participants in the dividend reinvestment facility included in the US Direct Access Plan will receive the dividend in the form of shares on June 10, 2002.

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

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| | Three months ended March 31 (Unaudited) | |
|---|---|--------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ million, except per share amounts) | |
| Turnover - Note 3 | 36,569 | 45,700 |
| Less: joint ventures | 279 | 288 |
| | ----- | ----- |
| Group turnover | 36,290 | 45,412 |
| Replacement cost of sales | 31,553 | 37,188 |
| Production taxes - Note 4 | 247 | 583 |
| | ----- | ----- |
| Gross profit | 4,490 | 7,641 |
| Distribution and administration expenses | 2,691 | 2,526 |
| Exploration expense - Note 5 | 124 | 169 |
| | ----- | ----- |
| Other income | 1,675 | 4,946 |
| | 125 | 195 |
| | ----- | ----- |
| Group replacement cost operating profit | 1,800 | 5,141 |
| Share of profits of joint ventures | 70 | 102 |
| Share of profits of associated undertakings | 188 | 229 |
| | ----- | ----- |
| Total replacement cost operating profit - Note 6 | 2,058 | 5,472 |
| Profit (loss) on sale of fixed assets and businesses or termination of operations - Note 7 | (109) | 218 |
| | ----- | ----- |
| Replacement cost profit before interest and tax - Note 6 | 1,949 | 5,690 |
| Inventory holding gains (losses) - Note 8 | 473 | (238) |
| | ----- | ----- |
| Historical cost profit before interest and tax | 2,422 | 5,452 |
| Interest expense - Note 9 | 333 | 446 |
| | ----- | ----- |
| Profit before taxation | 2,089 | 5,006 |
| Taxation - Note 10 | 753 | 2,168 |
| | ----- | ----- |
| Profit after taxation | 1,336 | 2,838 |
| Minority shareholders' interest | 40 | 8 |
| | ----- | ----- |
| Profit for the period (a) | 1,296 | 2,830 |
| | ===== | ===== |
| Earnings per ordinary share - cents (a) | | |
| Basic | 5.78 | 12.59 |
| Diluted | 5.75 | 12.51 |
| | ----- | ----- |
| Earnings per American depository share - cents (a) | | |
| Basic | 34.68 | 75.54 |
| Diluted | 34.50 | 75.06 |
| | ----- | ----- |
| Average number of outstanding ordinary shares (millions) | 22,403 | 22,474 |
| | ===== | ===== |

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

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

| | March 31, 2002 (Unaudited) | December 31, |
|---|-------------------------------|--------------|
| | ----- | ----- |
| | (\$ million) | |
| Fixed assets | | |
| Intangible assets | 16,089 | 16 |
| Tangible assets | 81,944 | 77 |
| Investments | 12,000 | 11 |
| | ----- | ----- |
| | 110,033 | 105 |
| Current assets | | |
| Business held for resale | 2,090 | - |
| Inventories | 8,698 | 7,631 |
| Receivables | 28,784 | 26,669 |
| Investments | 286 | 450 |
| Cash at bank and in hand | 1,379 | 1,358 |
| | ----- | ----- |
| | 41,237 | 36,108 |
| | ----- | ----- |
| Current liabilities - falling due within one year | | |
| Finance debt | 11,063 | 9,090 |
| Accounts payable and accrued liabilities | 31,648 | 28,524 |
| | ----- | ----- |
| | 42,711 | 37,614 |
| | ----- | ----- |
| Net current assets (liabilities) | (1,474) | (1) |
| | ----- | ----- |
| Total assets less current liabilities | 108,559 | 104 |
| Noncurrent liabilities | | |
| Finance debt | 13,468 | 12,327 |
| Accounts payable and accrued liabilities | 3,137 | 3,086 |
| Provisions for liabilities and charges | | |
| Deferred tax | 12,021 | 11,702 |
| Other | 12,452 | 11,482 |
| | ----- | ----- |
| | 41,078 | 38 |
| | ----- | ----- |
| Net assets | 67,481 | 65 |
| Minority shareholders' interest | 2,579 | - |
| | ----- | ----- |
| BP shareholders' interest (a) - Note 14 | 64,902 | 65 |
| | ===== | ===== |

Represented by:
Capital shares
Preference

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| | | |
|-------------------|--------|-------|
| Ordinary | 5,614 | 5 |
| Paid-in surplus | 4,100 | 4 |
| Merger reserve | 27,016 | 26 |
| Retained earnings | 27,961 | 28 |
| Other reserves | 190 | |
| | ----- | ----- |
| | 64,902 | 65 |
| | ===== | ===== |

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

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

| | Three months ended March 31 (Unaudited) | |
|--|---|---------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Net cash inflow from operating activities | 3,636 | 6,740 |
| | ----- | ----- |
| Dividends from joint ventures | 83 | 12 |
| | ----- | ----- |
| Dividends from associated undertakings | 53 | 110 |
| | ----- | ----- |
| Servicing of finance and returns on investments | | |
| Interest received | 48 | 91 |
| Interest paid | (309) | (361) |
| Dividends received | 2 | 8 |
| Dividends paid to minority shareholders | (13) | - |
| | ----- | ----- |
| Net cash outflow from servicing of finance and returns on investments | (272) | (262) |
| | ----- | ----- |
| Taxation | | |
| UK corporation tax | (187) | (204) |
| Overseas tax | (258) | 65 |
| | ----- | ----- |
| Tax paid | (445) | (139) |
| | ----- | ----- |
| Capital expenditure | | |
| Payments for fixed assets | (2,799) | (2,577) |
| Proceeds from the sale of fixed assets | 317 | 694 |
| | ----- | ----- |
| Net cash outflow for capital expenditure | (2,482) | (1,883) |
| | ----- | ----- |
| Acquisitions and disposals | | |

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| | | |
|--|---------|---------|
| Investments in associated undertakings | (143) | (120) |
| Acquisitions, net of cash acquired | (1,550) | - |
| Net investment in joint ventures | (46) | (61) |
| Proceeds from the sale of businesses | 31 | - |
| | ----- | ----- |
| Net cash (outflow) inflow for acquisitions and disposals | (1,708) | (181) |
| | ----- | ----- |
| Equity dividends paid | (1,288) | (1,181) |
| | ----- | ----- |
| Net cash inflow (outflow) | (2,423) | 3,216 |
| | ===== | ===== |
| | | |
| Financing | (2,283) | 2,866 |
| Management of liquid resources | (165) | 302 |
| Increase (decrease) in cash | 25 | 48 |
| | ----- | ----- |
| | (2,423) | 3,216 |
| | ===== | ===== |

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

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

| | Three months ended March 31 (Unaudited) | |
|---|---|---------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities | | |
| Historical cost profit before interest and tax | 2,422 | 5,452 |
| Depreciation and amounts provided | 2,153 | 2,167 |
| Exploration expenditure written off | 59 | 108 |
| Share of profits of joint ventures and associated undertakings | (256) | (331) |
| Interest and other income | (63) | (103) |
| (Profit) loss on sale of fixed assets and businesses | 109 | (218) |
| Charge for provisions | 169 | 165 |
| Utilization of provisions | (238) | (306) |
| Decrease (increase) in stocks | (496) | 358 |
| Decrease (increase) in debtors | (410) | (1,069) |
| Increase (decrease) in creditors | 187 | 517 |
| | ----- | ----- |
| Net cash inflow from operating activities | 3,636 | 6,740 |
| | ===== | ===== |
| | | |
| Financing | | |
| Long-term borrowing | (1,746) | (517) |
| Repayments of long-term borrowing | 234 | 146 |
| Short-term borrowing | (3,499) | (161) |
| Repayments of short-term borrowing | 2,819 | 2,955 |

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| | | |
|--|---------|-------|
| | ----- | ----- |
| | (2,192) | 2,423 |
| Issue of ordinary share capital | (91) | (56) |
| Repurchase of ordinary share capital | - | 499 |
| | ----- | ----- |
| Net cash (inflow) outflow from financing | (2,283) | 2,866 |
| | ===== | ===== |

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

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

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

2. Restatement of comparative information

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

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

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

(b) New accounting standard for deferred tax

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

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

o Provision is made for tax on gains arising from the disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement

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to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- o Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, joint ventures and associated undertakings only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

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

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

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

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

2. Restatement of comparative information (continued)

| Income statement | Restated | Reported |
|---|--|----------|
| | ----- | ----- |
| Three months ended March 31, 2001 | (\$ million, except per share amounts) | |
| Turnover | | |
| Less: joint ventures | 45,700 | 45,700 |
| Group turnover | 288 | 288 |
| | ----- | ----- |
| | 45,412 | 45,412 |
| Replacement cost of sales | 37,188 | 37,161 |
| Production taxes | 583 | 583 |
| | ----- | ----- |
| Gross profit | 7,641 | 7,668 |
| Distribution and administration expenses | 2,526 | 2,526 |
| Exploration expense | 169 | 169 |
| | ----- | ----- |
| Other income | 4,946 | 4,973 |
| | 195 | 195 |
| | ----- | ----- |
| Group replacement cost operating profit | 5,141 | 5,168 |
| Share of profits of joint ventures | 102 | 102 |
| Share of profits of associated undertakings | 229 | 229 |
| | ----- | ----- |
| Total replacement cost operating profit | 5,472 | 5,499 |

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| | | |
|---|-------|-------|
| Profit (loss) on sale of fixed assets and businesses or termination of operations | 218 | 218 |
| | ----- | ----- |
| Replacement cost profit before interest and tax | 5,690 | 5,717 |
| Stock holding gains (losses) | (238) | (238) |
| | ----- | ----- |
| Historical cost profit before interest and tax | 5,452 | 5,479 |
| Interest expense | 446 | 446 |
| | ----- | ----- |
| Profit before taxation | 5,006 | 5,033 |
| Taxation | 2,168 | 1,718 |
| | ----- | ----- |
| Profit (loss) after taxation | 2,838 | 3,315 |
| Minority shareholders' interest | 8 | 11 |
| | ----- | ----- |
| Profit (loss) for the period | 2,830 | 3,304 |
| | ===== | ===== |
| Distribution to shareholders | 1,178 | 1,178 |
| | ----- | ----- |
| Earnings per ordinary share - cents | | |
| Basic | 12.59 | 14.70 |
| Diluted | 12.51 | 14.61 |
| | ===== | ===== |
| | | |
| Total replacement cost operating profit, by business | | |
| Exploration and Production | 4,666 | 4,680 |
| Gas, Power and Renewables | 100 | 112 |
| Refining and Marketing | 740 | 753 |
| Chemicals | 81 | 81 |
| Other businesses and corporate | (115) | (127) |
| | ----- | ----- |
| | 5,472 | 5,499 |
| | ===== | ===== |

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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 | | |
| Intangible assets | 16,489 | 15,593 |
| Tangible assets | 77,410 | 77,410 |
| Investments | 11,963 | 12,047 |
| | ----- | ----- |
| | 105,862 | 105,050 |
| | ----- | ----- |
| Current assets | 36,108 | 36,108 |
| Current liabilities - amounts falling due within one year | 37,614 | 37,614 |
| | ----- | ----- |
| Net current liabilities | (1,506) | (1,506) |
| | ----- | ----- |

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| | | |
|--|---------|---------|
| Total assets less current liabilities | 104,356 | 103,544 |
| Noncurrent liabilities | 15,413 | 15,413 |
| Provisions for liabilities and charges | | |
| Deferred taxation | 11,702 | 1,655 |
| Other provisions | 11,482 | 11,482 |
| | ----- | ----- |
| Net assets | 65,759 | 74,994 |
| Minority shareholders' interest | 598 | 627 |
| | ----- | ----- |
| BP shareholders' interest | 65,161 | 74,367 |
| | ===== | ===== |

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

| | Three months ended March 31 (Unaudited) | |
|--------------------------------|---|--------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| 3. Turnover | | |
| By business | | |
| Exploration and Production | 5,638 | 9,117 |
| Gas, Power and Renewables | 7,768 | 12,122 |
| Refining and Marketing | 24,889 | 28,523 |
| Chemicals | 2,642 | 2,689 |
| Other businesses and corporate | 135 | 127 |
| | ----- | ----- |
| | 41,072 | 52,578 |
| Less: sales between businesses | 4,782 | 7,166 |
| | ----- | ----- |
| Group excluding joint ventures | 36,290 | 45,412 |
| Sales of joint ventures | 279 | 288 |
| | ----- | ----- |
| | 36,569 | 45,700 |
| | ===== | ===== |
| By geographical area | | |
| UK | 10,995 | 11,940 |
| Rest of Europe | 9,119 | 8,975 |
| USA | 15,265 | 22,491 |
| Rest of World | 6,984 | 9,691 |
| | ----- | ----- |
| | 42,363 | 53,097 |
| Less: Sales between areas | 6,073 | 7,685 |
| | ----- | ----- |
| | 36,290 | 45,412 |
| | ===== | ===== |
| 4. Production taxes | | |
| UK petroleum revenue tax | 63 | 238 |
| Overseas production taxes | 184 | 345 |
| | ----- | ----- |
| | 247 | 583 |

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| | | |
|----------------------------|-------|-------|
| | ===== | ===== |
| 5. Exploration expense | | |
| Exploration and Production | | |
| UK | 6 | 4 |
| Rest of Europe | 23 | 2 |
| USA | 42 | 93 |
| Rest of World | 53 | 70 |
| | ----- | ----- |
| | 124 | 169 |
| | ===== | ===== |

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. 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.

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

| | | |
|---|---|-------|
| | Three months ended March 31 (Unaudited) | |
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| 7. Analysis of exceptional items | | |
| Profit (loss) on sale of fixed assets and businesses or termination of operations | | |
| Exploration and Production | 5 | (42) |
| Gas, Power and Renewables | - | (1) |
| Refining and Marketing | (45) | 265 |
| Chemicals | (60) | (6) |
| Other businesses and corporate | (9) | 2 |
| | ----- | ----- |
| Exceptional items before taxation | (109) | 218 |
| Taxation (charge) credit | 39 | (151) |
| | ----- | ----- |
| Exceptional items after taxation | (70) | 67 |
| | ===== | ===== |
| 8. Inventory holding gains (losses) | | |
| Exploration and Production | 3 | 9 |
| Gas, Power and Renewables | 4 | (11) |
| Refining and Marketing | 495 | (243) |
| Chemicals | (29) | 7 |
| | ----- | ----- |

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| | | |
|--|-------|-------|
| | 473 | (238) |
| Minority shareholders' interest | 31 | - |
| | ----- | ----- |
| | 442 | (238) |
| | ===== | ===== |
| 9. Interest expense | | |
| Group interest payable (a) | 267 | 367 |
| Capitalized | (15) | (34) |
| | ----- | ----- |
| | 252 | 333 |
| Joint ventures | 14 | 20 |
| Associated undertakings | 24 | 40 |
| Unwinding of discount on provisions | 43 | 53 |
| | ----- | ----- |
| | 333 | 446 |
| | ===== | ===== |
| (a) Includes charges relating to the early redemption of debt | - | 10 |
| | ----- | ----- |
| 10. Charge for taxation | | |
| Current | 533 | 1,735 |
| Deferred | 220 | 433 |
| | ----- | ----- |
| | 753 | 2,168 |
| | ===== | ===== |
| United Kingdom | 189 | 272 |
| Overseas | 564 | 1,896 |
| | ----- | ----- |
| | 753 | 2,168 |
| | ===== | ===== |
| 11. Reconciliation of replacement cost results | | |
| Historical cost profit (loss) for the period | 1,296 | 2,830 |
| Inventory holding (gains) losses net of minority shareholders' interest of \$31 million (2001 nil) | (442) | 238 |
| | ----- | ----- |
| Replacement cost profit for the period | 854 | 3,068 |
| Exceptional items, net of a tax credit of \$39 million (2001 charge \$151 million) | 70 | (67) |
| | ----- | ----- |
| Replacement cost profit before exceptional items | 924 | 3,001 |
| | ----- | ----- |
| Earnings per ordinary share - cents | | |
| On replacement cost profit before exceptional items | 4.12 | 13.35 |
| | ===== | ===== |

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

12. Business and geographical analysis

| | Gas, Power | Refining | Other businesses |
|-------------|---------------|----------|---------------------|
| Exploration | | | |

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| By business | and Production | and Renewables | and Marketing | Chemicals | an corporat |
|--|-------------------|-------------------|------------------|-----------|----------------|
| | ----- | ----- | ----- | ----- | ----- |
| (\$ million) | | | | | |
| Three months ended March 31, 2002 | | | | | |
| Group turnover | | | | | |
| - third parties | 2,091 | 7,313 | 24,221 | 2,530 | 13 |
| - sales between businesses | 3,547 | 455 | 668 | 112 | |
| | ----- | ----- | ----- | ----- | ----- |
| | 5,638 | 7,768 | 24,889 | 2,642 | 13 |
| | ----- | ----- | ----- | ----- | ----- |
| Share of sales by joint ventures | 95 | - | 77 | 107 | |
| | ----- | ----- | ----- | ----- | ----- |
| Equity accounted income | 125 | 54 | 51 | 11 | 1 |
| | ----- | ----- | ----- | ----- | ----- |
| Total replacement cost operating profit (loss) | 1,928 | 111 | 68 | 76 | (12) |
| Exceptional items | 5 | - | (45) | (60) | (|
| Inventory holding gains (losses) | 3 | 4 | 495 | (29) | |
| | ----- | ----- | ----- | ----- | ----- |
| Historical cost profit (loss) before interest and tax | 1,936 | 115 | 518 | (13) | (13) |
| | ----- | ----- | ----- | ----- | ----- |
| Capital expenditure and acquisitions | 2,313 | 46 | 3,137 | 188 | 5 |

| By business | Exploration and Production | Gas, Power and Renewables | Refining and Marketing | Chemicals | Othe businesse an corporat |
|--|----------------------------------|------------------------------------|------------------------------|-----------|-------------------------------------|
| | ----- | ----- | ----- | ----- | ----- |
| (\$ million) | | | | | |
| Three months ended March 31, 2001 | | | | | |
| Group turnover | | | | | |
| - third parties | 3,498 | 11,333 | 27,818 | 2,636 | 12 |
| - sales between businesses | 5,619 | 789 | 705 | 53 | |
| | ----- | ----- | ----- | ----- | ----- |
| | 9,117 | 12,122 | 28,523 | 2,689 | 12 |
| | ----- | ----- | ----- | ----- | ----- |
| Share of sales by joint ventures | 195 | - | 93 | - | |
| | ----- | ----- | ----- | ----- | ----- |
| Equity accounted income | 179 | 56 | 42 | 44 | 1 |
| | ----- | ----- | ----- | ----- | ----- |
| Total replacement cost operating profit (loss) | 4,666 | 100 | 740 | 81 | (11) |
| Exceptional items | (42) | (1) | 265 | (6) | |
| Inventory holding gains (losses) | 9 | (11) | (243) | 7 | |
| | ----- | ----- | ----- | ----- | ----- |
| Historical cost profit (loss) before interest and tax | 4,633 | 88 | 762 | 82 | (11) |
| | ----- | ----- | ----- | ----- | ----- |

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Capital expenditure and acquisitions 1,866 36 370 216

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

12. Business and geographical analysis (continued)

| By geographical area | UK | Rest of Europe | USA | Rest of World | Eliminations |
|--|--------|----------------|--------|---------------|--------------|
| | ----- | ----- | ----- | ----- | ----- |
| | | | | (\$ million) | |
| Three months ended March 31, 2002 | | | | | |
| Group turnover - third parties | 8,412 | 7,318 | 14,998 | 5,562 | - |
| - sales between areas | 2,583 | 1,801 | 267 | 1,422 | (6,073) |
| | ----- | ----- | ----- | ----- | ----- |
| | 10,995 | 9,119 | 15,265 | 6,984 | (6,073) |
| | ----- | ----- | ----- | ----- | ----- |
| Share of sales by joint ventures | 32 | 56 | 43 | 148 | - |
| | ----- | ----- | ----- | ----- | ----- |
| Equity accounted income | - | 61 | 55 | 142 | - |
| | ----- | ----- | ----- | ----- | ----- |
| Total replacement cost operating profit | 530 | 386 | 158 | 984 | - |
| Exceptional items | (9) | 10 | (109) | (1) | - |
| Inventory holding gains (losses) | 46 | 112 | 284 | 31 | - |
| | ----- | ----- | ----- | ----- | ----- |
| Historical cost profit before interest and tax | 567 | 508 | 333 | 1,014 | - |
| | ----- | ----- | ----- | ----- | ----- |
| Capital expenditure and acquisitions | 409 | 2,852 | 1,531 | 944 | - |

| By geographical area | UK | Rest of Europe | USA | Rest of World | Eliminations |
|-----------------------------------|--------|----------------|--------|---------------|--------------|
| | ----- | ----- | ----- | ----- | ----- |
| | | | | (\$ million) | |
| Three months ended March 31, 2001 | | | | | |
| Group turnover - third parties | 8,564 | 7,004 | 21,950 | 7,894 | - |
| - sales between areas | 3,376 | 1,971 | 541 | 1,797 | (7,685) |
| | ----- | ----- | ----- | ----- | ----- |
| | 11,940 | 8,975 | 22,491 | 9,691 | (7,685) |
| | ----- | ----- | ----- | ----- | ----- |
| Share of sales by joint ventures | - | - | 87 | 201 | - |

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| | | | | | |
|--|------|------|-------|-------|---|
| Equity accounted income | 12 | 82 | 64 | 173 | - |
| Total replacement cost operating profit | 927 | 485 | 2,685 | 1,375 | - |
| Exceptional items | 10 | 2 | 239 | (33) | - |
| Inventory holding gains (losses) | (47) | (75) | (146) | 30 | - |
| Historical cost profit before interest and tax | 890 | 412 | 2,778 | 1,372 | - |
| Capital expenditure and acquisitions | 394 | 139 | 1,210 | 794 | - |

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

| | Three months ended March 31 (Unaudited) | |
|---|---|--------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| 13. Analysis of changes in net debt | | |
| Opening balance | | |
| Finance debt | 21,417 | 21,190 |
| Less: Cash | 1,358 | 1,170 |
| Current asset investments | 450 | 661 |
| | ----- | ----- |
| Opening net debt | 19,609 | 19,359 |
| | ----- | ----- |
| Closing balance | | |
| Finance debt | 24,531 | 18,788 |
| Less: Cash | 1,379 | 1,188 |
| Current asset investments | 286 | 959 |
| | ----- | ----- |
| Closing net debt | 22,866 | 16,641 |
| | ----- | ----- |
| (Increase) decrease in net debt | (3,257) | 2,718 |
| | ===== | ===== |
| Movement in cash/bank overdrafts | 25 | 48 |
| (Decrease) increase in current asset investments | (165) | 302 |
| Net cash (inflow) outflow from financing (excluding share capital) | (2,192) | 2,423 |
| Other movements | 25 | 31 |
| Debt acquired | (999) | - |
| | ----- | ----- |
| Movements in net debt before exchange effects | (3,306) | 2,804 |
| Exchange adjustments | 49 | (86) |
| | ----- | ----- |
| (Increase) decrease in net debt | (3,257) | 2,718 |
| | ===== | ===== |

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| | |
|---|---------------------------|
| 14. Movement in BP shareholders' interest | \$ million (Unaudited) |
| Balance at December 31, 2001 | 74,367 |
| Prior year adjustment - change in accounting policy (see Note 2) | (9,206) |
| | ----- |
| As restated | 65,161 |
| Profit for the period | 1,296 |
| Distribution to shareholders | (1,290) |
| Currency translation differences | (356) |
| Employee share schemes | 91 |
| | ----- |
| Balance at March 31, 2002 | 64,902 |
| | ===== |

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

15. US generally accepted accounting principles

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

(i) Group consolidation

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

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

| Three months ended March 31, 2002 (Unaudited) | | | |
|---|----------------|------------------|-------------------------|
| Increase (decrease) in caption heading | As Reported | Reclassification | US GAAP Presentation |
| (\$ million) | | | |
| Consolidated statement of income | | | |
| Other income | 125 | 153 | 278 |
| Share of profits of JVs and associated undertakings | 258 | (258) | - |
| Exceptional items before taxation | (109) | - | (109) |
| Inventory holding gains (losses) | 473 | 2 | 475 |
| Interest expense | 333 | (38) | 295 |
| Taxation | 753 | (65) | 688 |
| Profit for the period | 1,296 | - | 1,296 |

| Three months ended March 31, 2001 (Unaudited) | | | |
|---|----------------|------------------|-------------------------|
| Increase (decrease) in caption heading | As Reported | Reclassification | US GAAP Presentation |
| (\$ million) | | | |
| Consolidated statement of income | | | |
| Other income | 195 | 185 | 380 |
| Share of profits of JVs and associated undertakings | 331 | (331) | - |
| Exceptional items before taxation | 218 | - | 218 |
| Inventory holding gains (losses) | (238) | - | (238) |
| Interest expense | 446 | (60) | 386 |
| Taxation | 2,168 | (86) | 2,082 |
| Profit for the year | 2,830 | - | 2,830 |

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

15. US generally accepted accounting principles - continued

(ii) Income statement

The income statement prepared under UK GAAP shows sub-totals for replacement cost profit before interest and tax, historical cost

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profit before interest and tax and profit after taxation. These line items are not recognized under US GAAP.

(iii) Exceptional items

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

(iv) Deferred taxation/business combinations

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

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

| | Three months ended March 31 (Unaudited) | |
|--|---|-------------------------|
| Increase (decrease) in caption heading | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Replacement cost of sales | 151 | 263 |
| Taxation | (94) | (337) |
| Profit for the year | (57) | 74 |
| | ===== | ===== |
| | | |
| | (\$ million) | |
| | At March 31, 2002 (Unaudited) | At December 31, 2001 |
| | ----- | |
| | (\$ million) | |
| Tangible assets | 7,417 | 7,032 |
| Deferred taxation | 7,233 | 6,789 |
| BP shareholders' interest | 184 | 243 |
| | ===== | ===== |

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15. US generally accepted accounting principles - continued

(v) Provisions

UK GAAP requires provisions for decommissioning, environmental liabilities and onerous contracts to be determined on a discounted basis if the effect of the time value of money is material. Unwinding of 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 March 31 (Unaudited) | |
|--|---|-------------------------|
| Increase (decrease) in caption heading | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Replacement cost of sales | 77 | 89 |
| Interest expense | (43) | (53) |
| Taxation | (8) | (18) |
| Profit for the year | (26) | (18) |
| | ===== | ===== |
| | ----- | |
| | At March 31, 2002 (Unaudited) | At December 31, 2001 |
| | ----- | ----- |
| | (\$ million) | |
| Tangible assets | (594) | (785) |
| Provisions | 1,004 | 780 |
| Deferred taxation | (518) | (511) |
| BP shareholders' interest | (1,080) | (1,054) |
| | ===== | ===== |

(vi) Sale and leaseback

The sale and leaseback of the Amoco building in Chicago, Illinois in 1998 is treated as a sale for UK GAAP whereas for US GAAP it is 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.

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

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

15. US generally accepted accounting principles - continued

(vi) Sale and leaseback (concluded)

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

| | Three months ended March 31 (Unaudited) | |
|--|---|-------------------------|
| Increase (decrease) in caption heading | 2002 | 2001 |
| | (\$ million) | |
| Replacement cost of sales | 5 | 6 |
| Taxation | (1) | 3 |
| Profit for the year | (4) | (9) |
| | ===== | ===== |
| | ----- | |
| | At March 31, 2002 (Unaudited) | At December 31, 2001 |
| | (\$ million) | |
| Tangible assets | 169 | 171 |
| Other accounts payable and accrued liabilities | 30 | 30 |
| Provisions | (63) | (65) |
| Finance debt | 413 | 413 |
| Deferred taxation | (74) | (73) |
| BP shareholders' interest | (137) | (134) |
| | ===== | ===== |

(vii) Goodwill

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

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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.

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

15. US generally accepted accounting principles - continued

(vii) Goodwill (concluded)

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

| | Three months ended March 31 (Unaudited) | |
|--|---|-------|
| Increase (decrease) in caption heading | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Replacement cost of sales | (321) | (15) |
| Taxation | - | - |
| Profit for the year | 321 | 15 |
| | ===== | ===== |

| | At March 31, 2002 (Unaudited) | At December 31, 2001 |
|---------------------------|-------------------------------------|-------------------------|
| | ----- | |
| | (\$ million) | |
| Intangible assets | (1,094) | (1,414) |
| Deferred taxation | - | - |
| BP shareholders' interest | (1,094) | (1,414) |
| | ===== | ===== |

(viii) Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

15. US generally accepted accounting principles - continued

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

| | Three months ended March 31 (Unaudited) | |
|---|---|-------|
| Increase (decrease) in caption heading | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Replacement cost of sales | (804) | 152 |
| Taxation | 281 | (53) |
| Profit for the year before cumulative effect of accounting change | 523 | (99) |
| Cumulative effect of accounting change, net of taxation | - | (18) |
| Profit for the year | 523 | (117) |
| | ===== | ===== |

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| | At March 31, 2002 (Unaudited) | At December 31, 2001 |
|--|-------------------------------------|-------------------------|
| | ----- | |
| | (\$ million) | |
| Accounts payable and accrued liabilities | 234 | 1,038 |
| Deferred taxation | (82) | (363) |
| BP shareholders' interest | (152) | (675) |
| | ===== | ===== |

(ix) Gain arising on asset exchange

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

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

| | Three months ended March 31 (Unaudited) | |
|--|---|-------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Increase (decrease) in caption heading | | |
| Replacement cost of sales | 9 | - |
| Taxation | (4) | - |
| Profit for the year | (5) | - |
| | ===== | ===== |

| | At March 31, 2002 (Unaudited) | At December 31, 2001 |
|--|-------------------------------------|-------------------------|
| | ----- | |
| | (\$ million) | |
| Intangible assets | 181 | 188 |
| Accounts payable and accrued liabilities | (51) | (54) |
| Deferred taxation | 81 | 85 |
| BP shareholders' interest | 151 | 157 |
| | ===== | ===== |

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15. US generally accepted accounting principles - continued

(x) Ordinary shares held for future awards to employees

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

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

| | At March 31, 2002 (Unaudited) | At December 31, 2001 |
|--|-------------------------------------|-------------------------|
| Increase (decrease) in caption heading | | |
| | ----- | ----- |
| | (\$ million) | |
| Fixed assets - Investments | (219) | (266) |
| BP shareholders' interest | (219) | (266) |
| | ===== | ===== |

(xi) Dividends

Under UK GAAP, dividends are recorded in the year 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 March 31, 2002 (Unaudited) | At December 31, 2001 |
|--|-------------------------------------|-------------------------|
| Increase (decrease) in caption heading | | |
| | ----- | ----- |
| | (\$ million) | |
| Other accounts payable and accrued liabilities | (1,290) | (1,288) |
| BP shareholders' interest | 1,290 | 1,288 |
| | ===== | ===== |

(xii) Investments

Under UK GAAP the Group's equity investments in Lukoil, Sinopec and PetroChina are held for the long term and reported as fixed asset investments and carried on the balance sheet at cost subject to review for impairment. For US GAAP these investments are classified as available-for-sale securities. Consequently they are reported at fair value, with unrealized holding gains and losses, net of tax, reported in accumulated other comprehensive income. If a decline in fair value below cost is 'other than temporary' the unrealized loss is accounted for as a realized loss and charged against income.

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

| | At March 31, 2002 (Unaudited) | At December 31, 2001 |
|--|-------------------------------------|-------------------------|
| Increase (decrease) in caption heading | ----- | ----- |
| | (\$ million) | |
| Fixed assets - Investments | 245 | (3) |
| Deferred taxation | 86 | (1) |
| BP shareholders' interest | 159 | (2) |
| | ===== | ===== |

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

15. US generally accepted accounting principles - continued

(xiii) Additional minimum pension liability

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

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

| | At March 31, 2002 (Unaudited) | At December 31, 2001 |
|---|-------------------------------------|-------------------------|
| Increase (decrease) in caption heading | ----- | ----- |
| | (\$ million) | |
| Intangible assets | 112 | 112 |
| Other receivables falling due after more than one year | (1,015) | (1,015) |
| Noncurrent liabilities - accounts payable accrued liabilities | 548 | 548 |
| Deferred taxation | (509) | (509) |
| BP shareholders' interest | (942) | (942) |
| | ===== | ===== |

(xiv) Goodwill and intangible assets

Profit for the period, as adjusted to accord with US GAAP, for the three months ended March 31, 2001, adjusted to exclude amortization of

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goodwill no longer being amortized pursuant to SFAS 142 (see (vii) Goodwill), is shown below.

| | Three months ended March 31, 2001 (Unaudited) |
|---|---|
| | (\$ million) |
| Profit for the period as adjusted to accord with US GAAP, as reported | 2,778 |
| Add back goodwill amortization | 306 |
| | ----- |
| Profit for the period as adjusted to accord with US GAAP, as adjusted | 3,084 |
| | ----- |
| Per ordinary share - cents | |
| Basic - as reported | 12.36 |
| Adjustment | 1.36 |
| | ----- |
| Basic - as adjusted | 13.72 |
| | ----- |
| Diluted - as reported | 12.28 |
| Adjustment | 1.35 |
| | ----- |
| Diluted - as adjusted | 13.63 |
| | ----- |
| Per American Depositary Share - cents | |
| Basic - as reported | 74.16 |
| Adjustment | 8.16 |
| | ----- |
| Basic - as adjusted | 82.32 |
| | ----- |
| Diluted - as reported | 73.68 |
| Adjustment | 8.10 |
| | ----- |
| Diluted - as adjusted | 81.78 |
| | ----- |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

15. US generally accepted accounting principles - continued

(xiv) Goodwill and intangible assets (concluded)

Changes to exploration expenditure, goodwill and other intangible assets, as adjusted to accord with US GAAP, during the three months ended March 31, 2002 are shown below.

| | Exploration expenditure | Goodwill (\$ million) | Other intangibles | Total |
|--------------------|----------------------------|--------------------------|----------------------|--------|
| Net book amount | | | | |
| At January 1, 2002 | 5,334 | 9,453 | 288 | 15,075 |

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| | | | | |
|----------------------|-------|-------|------|--------|
| Amortization expense | (59) | - | (16) | (75) |
| Other movements | (8) | (64) | 67 | (5) |
| ----- | | | | |
| At March 31, 2002 | 5,267 | 9,389 | 339 | 14,995 |
| ===== | | | | |

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

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

15. US generally accepted accounting principles - continued

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

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

| Profit for the period | Three months ended March 31 (Unaudited) | |
|--|---|---------|
| | 2002 | 2001(a) |
| | ----- | |
| | (\$ million) | |
| Profit as reported in the consolidated statement of income | 1,296 | 2,830 |
| Adjustments: | | |
| Deferred taxation/business combinations (iv) | (57) | 74 |
| Provisions (v) | (26) | (18) |
| Sale and leaseback (vi) | (4) | (9) |
| Goodwill (vii) | 321 | 15 |
| Derivative financial instruments (viii) | 523 | (99) |
| Gain arising on asset exchange (ix) | (5) | - |
| Other | 3 | 3 |
| | ----- | ----- |
| | 755 | (34) |
| | ----- | ----- |
| Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP | 2,051 | 2,796 |
| Cumulative effect of accounting change: | | |
| Derivative financial instruments (viii) | - | (18) |
| | ----- | ----- |
| Profit for the period as adjusted to accord with US GAAP | 2,051 | 2,778 |
| | ===== | ===== |
| Profit for the period as adjusted: | | |
| Per ordinary share - cents | | |
| Basic - before cumulative effect of accounting change | 9.16 | 12.44 |
| Cumulative effect of accounting change | - | (0.08) |
| | ----- | ----- |

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| | | |
|---|-------|--------|
| | 9.16 | 12.36 |
| | ----- | ----- |
| Diluted - before cumulative effect of accounting change | 9.11 | 12.36 |
| Cumulative effect of accounting change | - | (0.08) |
| | ----- | ----- |
| | 9.11 | 12.28 |
| | ----- | ----- |
| Per American Depositary Share - cents (b) | | |
| Basic - before cumulative effect of accounting change | 54.96 | 74.64 |
| Cumulative effect of accounting change | - | (0.48) |
| | ----- | ----- |
| | 54.96 | 74.16 |
| | ----- | ----- |
| Diluted - before cumulative effect of accounting change | 54.66 | 74.16 |
| Cumulative effect of accounting change | - | (0.48) |
| | ----- | ----- |
| | 54.66 | 73.68 |
| | ----- | ----- |

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

15. US generally accepted accounting principles - continued

| BP shareholders' interest | March 31, 2002 (Unaudited) | December 31, 2001 (a) |
|--|-------------------------------|-----------------------|
| | ----- | ----- |
| | (\$ million) | |
| BP shareholders' interest as reported in the consolidated balance sheet | 64,902 | 65,161 |
| Adjustments: | | |
| Deferred taxation/business combinations (iv) | 184 | 243 |
| Provisions (v) | (1,080) | (1,054) |
| Sale and leaseback (vi) | (137) | (134) |
| Goodwill (vii) | (1,094) | (1,414) |
| Derivative financial instruments (viii) | (152) | (675) |
| Gain arising on asset exchange (ix) | 151 | 157 |
| Ordinary shares held for future awards to employees (x) | (219) | (266) |
| Dividends (xi) | 1,290 | 1,288 |
| Investments (xii) | 159 | (2) |
| Additional minimum pension liability (xiii) | (942) | (942) |
| Other | (37) | (40) |
| | ----- | ----- |
| | (1,877) | (2,839) |
| | ----- | ----- |
| BP shareholders' interest as adjusted to accord with US GAAP | 63,025 | 62,322 |
| | ===== | ===== |

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- (a) The profit reported under UK GAAP for the three months ended March 31, 2001 and BP shareholders' interest reported under UK GAAP at December 31, 2001 have been restated to reflect the adoption of FRS 19. Consequently certain of the adjustments in the UK/US GAAP reconciliation have also been restated. Profit and BP shareholders' interest, as adjusted to accord with US GAAP, are unaffected by the adoption of FRS 19.
- (b) One American Depositary Share is equivalent to six ordinary shares.

Earnings per share

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

| | Three months ended March 31 (Unaudited) | |
|---|---|--------|
| | 2002 | 2001 |
| | ----- | |
| | (shares million) | |
| Weighted average number of ordinary shares | 22,403 | 22,474 |
| Ordinary shares issuable under employee share schemes | 117 | 140 |
| | ----- | ----- |
| | 22,520 | 22,614 |
| | ===== | ===== |

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

15. US generally accepted accounting principles - continued

Comprehensive income

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

| | Three months ended March 31 (Unaudited) | |
|--|---|------|
| | 2002 | 2001 |
| | ----- | |

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| | (\$ million) | |
|--|--------------|-------|
| Profit for the period as adjusted to accord with US GAAP | 2,051 | 2,778 |
| Currency translation differences | (356) | (994) |
| Derivative financial instruments | - | 23 |
| Net unrealized gain on investments | 161 | 64 |
| Additional minimum pension liability | - | - |
| | ----- | ----- |
| Comprehensive income | 1,856 | 1,871 |
| | ===== | ===== |

Accumulated other comprehensive income at March 31, 2002 and December 31, 2001 comprised losses of \$5,929 million and \$5,734 million, respectively.

Consolidated statement of cash flows

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

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

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

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

15. US generally accepted accounting principles - continued

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

Three months ended
March 31
(Unaudited)

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| | 2002 | 2001 |
|---|--------------|---------|
| | ----- | |
| | (\$ million) | |
| Operating activities | | |
| Profit after taxation | 1,336 | 2,838 |
| Adjustments to reconcile profits after tax to net cash provided by operating activities | | |
| Depreciation and amounts provided | 2,153 | 2,167 |
| Exploration expenditure written off | 59 | 108 |
| Share of profits of joint ventures and associated undertakings less dividends received | (17) | (63) |
| (Profit) loss on sale of businesses and fixed assets | 109 | (218) |
| Working capital movement (a) | (669) | 1,354 |
| Deferred Taxation | 220 | 433 |
| Other | (108) | (124) |
| | ----- | ----- |
| Net cash provided by operating activities | 3,083 | 6,495 |
| | ----- | ----- |
| Investing activities | | |
| Capital expenditures | (2,814) | (2,611) |
| Acquisitions, net of cash acquired | (1,550) | - |
| Investment in associated undertakings | (143) | (120) |
| Net investment in joint ventures | (46) | (61) |
| Proceeds from disposal of assets | 348 | 694 |
| | ----- | ----- |
| Net cash used in investing activities | (4,205) | (2,098) |
| | ----- | ----- |
| Financing activities | | |
| Proceeds from shares issued (repurchased) | 91 | (443) |
| Proceeds from long-term financing | 1,746 | 517 |
| Repayments of long-term financing | (234) | (146) |
| Net decrease (increase) in short-term debt | 680 | (2,794) |
| Dividends paid - BP Shareholders | (1,288) | (1,181) |
| - Minority shareholders | (13) | - |
| | ----- | ----- |
| Net cash used in financing activities | 982 | (4,047) |
| | ----- | ----- |
| Currency translation differences relating to cash and cash equivalents | (3) | (34) |
| | ----- | ----- |
| Increase (decrease) in cash and cash equivalents | (143) | 316 |
| | ----- | ----- |
| Cash and cash equivalents at beginning of period | 1,808 | 1,831 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | 1,665 | 2,147 |
| | ===== | ===== |
| (a) Working capital: | | |
| Inventories (increase) decrease | (496) | 358 |
| Receivables (increase) decrease | (443) | (1,044) |
| Current liabilities - excluding finance debt increase (decrease) | 270 | 2,040 |
| | ----- | ----- |
| | (669) | 1,354 |
| | ===== | ===== |

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

15. US generally accepted accounting principles - concluded

Impact of new US accounting standards

New US accounting standards adopted: The Group has adopted Statement of Financial Accounting Standards No. 141 'Business Combinations' (SFAS 141) for US GAAP reporting with effect from January 1, 2002. Under SFAS 141, the pooling of interest method of accounting is no longer permitted. Also on January 1, 2002 the Group adopted Statement of Financial Accounting Standards No. 144 'Accounting for the Impairment or Disposal of Long-Lived Assets' (SFAS 144). SFAS 144 retains the requirement to recognize an impairment loss only where the carrying value of a long-lived asset is not recoverable from its undiscounted cash flows and to measure such loss as the difference between the carrying amount and fair value of the asset. SFAS 144, among other things, changes the criteria that have to be met in order to classify an asset as held-for-sale and requires that operating losses from discontinued operations be recognized in the period that the losses are incurred rather than as of the measurement date.

The adoption of SFAS 141 and SFAS 144 had no impact on profit, as adjusted to accord with US GAAP, for the three months ended March 31, 2002 or on BP shareholders' interest, as adjusted to accord with US GAAP, at March 31, 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.

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 is fully effective for accounting periods ending on or after June 22, 2003. Certain of the disclosure requirements are 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.

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16. Condensed consolidating information

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

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

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | recl |
|---|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | |
| (\$ million) | | | | |
| Three months ended March 31, 2002 | | | | |
| Turnover | 506 | - | 36,569 | |
| Less: Joint ventures | - | - | 279 | |
| Group turnover | 506 | - | 36,290 | |
| Replacement cost of sales | 319 | - | 31,748 | |
| Production taxes | 44 | - | 203 | |
| Gross profit | 143 | - | 4,339 | |
| Distribution and administration expenses | - | 54 | 2,637 | |
| Exploration expense | 6 | - | 118 | |
| | 137 | (54) | 1,584 | |
| Other income | 15 | 153 | 56 | |
| Group replacement cost operating profit | 152 | 99 | 1,640 | |
| Share of profits of joint ventures | - | - | 70 | |
| Share of profits of associated undertakings | - | - | 188 | |
| Equity accounted income of subsidiaries | 23 | 2,010 | - | |
| Total replacement cost operating profit | 175 | 2,109 | 1,898 | |
| Profit (loss) on sale of fixed assets and businesses | - | (109) | (109) | |
| Replacement cost profit before | | | | |

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| | | | |
|--|-----|-------|-------|
| interest and tax | 175 | 2,000 | 1,789 |
| Inventory holding gains (losses) | 26 | 473 | 473 |
| Historical cost profit before interest and tax | 201 | 2,473 | 2,262 |
| Interest expense | 13 | 424 | 393 |
| Profit before taxation | 188 | 2,049 | 1,869 |
| Taxation | 82 | 753 | 686 |
| Profit after taxation | 106 | 1,296 | 1,183 |
| Minority shareholders' interest | - | - | 40 |
| Profit for the period | 106 | 1,296 | 1,143 |

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

16. Condensed consolidating information - continued

| Income statement (continued) | Issuer | | Guarantor | |
|---|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | (\$ million) | | | |
| Three months ended March 31, 2002 | | | | |
| Profit as reported | 106 | 1,296 | 1,143 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | (33) | (57) | (36) | |
| Provisions | - | (26) | (25) | |
| Sale and leaseback | - | (4) | (4) | |
| Goodwill | - | 321 | 321 | |
| Derivative financial instruments | - | 523 | 523 | |
| Gain arising on asset exchange | - | (5) | (5) | |
| Other | - | 3 | 3 | |
| Profit for the period as | | | | |

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adjusted to accord with US GAAP 73 2,051 1,920

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

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|---|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | (\$ million) | | | |
| Three months ended March 31, 2001 | | | | |
| Turnover | 604 | - | 45,700 | |
| Less: Joint ventures | - | - | 288 | |
| Group turnover | 604 | - | 45,412 | |
| Replacement cost of sales | 273 | - | 37,525 | |
| Production taxes | 59 | - | 524 | |
| Gross profit | 272 | - | 7,363 | |
| Distribution and administration expenses | - | 69 | 2,457 | |
| Exploration expense | 4 | - | 165 | |
| | 268 | (69) | 4,741 | |
| Other income | - | 362 | 197 | |
| Group replacement cost operating profit | 268 | 293 | 4,938 | |
| Share of profits of joint ventures | - | - | 102 | |
| Share of profits of associated undertakings | - | - | 229 | |
| Equity accounted income of subsidiaries | 161 | 5,529 | - | |
| Total replacement cost operating profit | 429 | 5,822 | 5,269 | |
| Profit (loss) on sale of fixed assets and businesses | 1 | 218 | 217 | |
| Replacement cost profit | | | | |

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| | | | |
|--|-----|-------|-------|
| before interest and tax | 430 | 6,040 | 5,486 |
| Inventory holding gains (losses) | (7) | (238) | (238) |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Historical cost profit before interest and tax | 423 | 5,802 | 5,248 |
| Interest expense | 2 | 804 | 808 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Profit before taxation | 421 | 4,998 | 4,440 |
| Taxation | 174 | 2,168 | 2,095 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Profit after taxation | 247 | 2,830 | 2,345 |
| Minority shareholders' interest | - | - | 8 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Profit for the period | 247 | 2,830 | 2,337 |
| <hr style="border-top: 3px double black;"/> | | | |

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

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|---|------------------------------------|-----------|-----------------------|------|
| | ----- | ----- | | |
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- | | | |
| | (\$ million) | | | |
| Income statement (concluded) | | | | |
| Three months ended March 31, 2001 | | | | |
| Profit as reported | 247 | 2,830 | 2,337 | |
| Adjustments: | | | | |
| Deferred taxation/business combinations | 10 | 74 | 73 | |
| Provisions | (1) | (18) | (17) | |
| Sale and leaseback | - | (9) | (9) | |
| Goodwill | - | 15 | 15 | |
| Derivative financial instruments | - | (99) | (99) | |
| Gain arising on asset exchange | - | - | - | |
| Other | - | 3 | 3 | |
| <hr style="border-top: 1px dashed black;"/> | | | | |

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| | | | |
|--|-----|-------|-------|
| Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP | 256 | 2,796 | 2,303 |
| Cumulative effect of accounting change: Derivative financial instruments | - | (18) | (18) |
| Profit for the period as adjusted to accord with US GAAP | 256 | 2,778 | 2,285 |

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

16. Condensed consolidating information - continued

| | Issuer | Guarantor | | |
|---------------------------------------|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | (\$ million) | | | |
| Balance sheet | | | | |
| At March 31, 2002 | | | | |
| Fixed assets | | | | |
| Intangible assets | 518 | - | 15,571 | |
| Tangible assets | 6,461 | - | 75,483 | |
| Investments | | | | |
| Subsidiaries - equity accounted basis | 1,873 | 77,633 | - | |
| Other | - | 223 | 11,777 | |
| | 1,873 | 77,856 | 11,777 | |
| Total fixed assets | 8,852 | 77,856 | 102,831 | |
| Current assets | | | | |
| Business held for resale | - | - | 2,090 | |
| Inventories | 76 | - | 8,622 | |
| Receivables | 15,780 | 20,899 | 44,621 | |
| Investments | - | - | 286 | |

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| | | | |
|-------------------|--------|--------|--------|
| Capital shares | 1,050 | 5,635 | - |
| Paid in surplus | 3,145 | 4,100 | - |
| Merger reserve | - | 26,318 | 698 |
| Other reserves | - | 190 | - |
| Retained earnings | 6,539 | 53,871 | 42,442 |
| | ----- | ----- | ----- |
| | 10,734 | 90,114 | 43,140 |
| | ===== | ===== | ===== |

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 | 10,734 | 90,114 | 43,140 |
| Adjustments: | | | |
| Deferred taxation/business combinations | 170 | 184 | 48 |
| Provisions | (186) | (1,080) | (894) |
| Sale and leaseback | - | (137) | (137) |
| Goodwill | - | (1,094) | (1,094) |
| Derivative financial instruments | - | (152) | (152) |
| Gain arising on asset exchange | - | 151 | 151 |
| Ordinary shares held for future awards to employees | - | (219) | - |
| Quarterly dividend | - | 1,290 | - |
| Investments | - | 159 | 159 |
| Additional minimum pension liability | - | (942) | (942) |
| Other | - | (37) | (37) |
| | ----- | ----- | ----- |
| Shareholders' interest as adjusted to accord with US GAAP | 10,718 | 88,237 | 40,242 |
| | ===== | ===== | ===== |

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

16. Condensed consolidating information - continued

| Balance sheet (continued) | Issuer | Guarantor | | |
|--|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | ----- (\$ million) | | | |
| At December 31, 2001 | | | | |
| Fixed assets | | | | |
| Intangible assets | 489 | - | 16,000 | |
| Tangible assets | 6,418 | - | 70,992 | |
| Investments | | | | |
| Subsidiaries - equity accounted basis | 1,846 | 76,877 | - | |
| Other | - | 269 | 11,694 | |
| | 1,846 | 77,146 | 11,694 | |
| Total fixed assets | 8,753 | 77,146 | 98,686 | |
| Current assets | | | | |
| Business held for resale | - | - | - | |
| 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 | |

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| | | | |
|--|--------|--------|---------|
| 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 |

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

16. Condensed consolidating information - continued

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

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

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

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

16. Condensed consolidating information - continued

Issuer Guarantor

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| Cash flow statement | BP | | | recl |
|--|------------------------------|-----------|-----------------------|------|
| | Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | |
| | (\$ million) | | | |
| Three months ended March 31, 2002 | | | | |
| Net cash inflow (outflow) from operating activities | 193 | 1,051 | 2,583 | |
| Dividends from joint ventures | - | - | 83 | |
| Dividends from associated undertakings | - | - | 53 | |
| Dividends from subsidiaries | 15 | - | - | |
| Net cash inflow (outflow) from servicing of finance and returns on investments | - | 65 | (626) | |
| Tax (paid) refund | - | - | (445) | |
| Net cash inflow (outflow) for capital expenditure and financial investment | (150) | (17) | (2,315) | |
| Net cash inflow (outflow) for acquisitions and disposals | - | 99 | (1,708) | |
| Equity dividends paid | - | (1,289) | (15) | |
| Net cash inflow (outflow) | 58 | (91) | (2,390) | |
| Financing | 40 | (91) | (2,232) | |
| Management of liquid resources | - | - | (165) | |
| Increase (decrease) in cash | 18 | - | 7 | |
| | 58 | (91) | (2,390) | |

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

| | Issuer | | | recl |
|---|------------------------------|-----------|-----------------------|------|
| | Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | |
| | (\$ million) | | | |
| Net cash provided by (used in) operating activities | 208 | 1,116 | 1,663 | |
| Net cash provided by (used in) investing activities | (150) | 82 | (4,038) | |

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| | | | |
|--|------|---------|-------|
| Net cash provided by (used in) financing activities | (40) | (1,198) | 2,217 |
| Currency translation differences relating to cash and cash equivalents | - | - | (3) |
| Increase (decrease) in cash and cash equivalents | 18 | - | (161) |
| Cash and cash equivalents at beginning of period | (29) | 3 | 1,834 |
| Cash and cash equivalents at end of period | (11) | 3 | 1,673 |

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

16. Condensed consolidating information - concluded

| | Issuer | Guarantor | | |
|--|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | (\$ million) | | | |
| Three months ended March 31, 2001 | | | | |
| Net cash inflow (outflow) from operating activities | 331 | 1,301 | 5,124 | |
| Dividends from joint ventures | - | - | 12 | |
| Dividends from associated undertakings | - | - | 110 | |
| Dividends from subsidiaries | - | - | - | |
| Net cash inflow (outflow) from servicing of finance and returns on investments | - | 354 | (616) | |
| Tax (paid) refund | (257) | (1) | 119 | |
| Net cash inflow (outflow) for capital expenditure and financial investment | (193) | (16) | (1,674) | |
| Net cash inflow (outflow) for acquisitions and disposals | 1 | (16) | (182) | |
| Equity dividends paid | - | (1,181) | - | |
| Net cash inflow (outflow) | (118) | 441 | 2,893 | |

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| | | | |
|--------------------------------|-------|-----|-------|
| Financing | (131) | 443 | 2,554 |
| Management of liquid resources | - | - | 302 |
| Increase (decrease) in cash | 13 | (2) | 37 |
| | (118) | 441 | 2,893 |

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

| | Issuer | Guarantor | | |
|--|------------------------------------|-----------|-----------------------|------|
| | BP Exploration (Alaska) Inc. | BP p.l.c. | Other subsidiaries | recl |
| | (\$ million) | | | |
| Cash flow statement (concluded) | | | | |
| Net cash provided by (used in) operating activities | 75 | 1,654 | 4,783 | |
| Net cash provided by (used in) investing activities | (193) | (32) | (1,890) | |
| Net cash provided by (used in) financing activities | 131 | (1,624) | (2,554) | |
| Currency translation differences relating to cash and cash equivalents | - | - | (34) | |
| Increase (decrease) in cash and cash equivalents | 13 | (2) | 305 | |
| Cash and cash equivalents at beginning of period | (32) | 2 | 1,861 | |
| Cash and cash equivalents at end of period | (19) | - | 2,166 | |

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BP p.l.c. AND SUBSIDIARIES
ENVIRONMENTAL INDICATORS

Three months ended
March 31
(Unaudited)
2002 2001

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| | | |
|--|--------|-------|
| ----- | | |
| Average oil realizations (a) - \$/bbl | | |
| UK | 20.67 | 25.04 |
| USA | 17.26 | 24.79 |
| Rest of World | 18.63 | 23.52 |
| BP average | 18.77 | 24.80 |
| | | |
| Brent oil price | 21.13 | 25.75 |
| West Texas Intermediate oil price | 21.54 | 28.71 |
| Alaska North Slope US West Coast | 19.76 | 24.93 |
| | | |
| Average natural gas realizations - \$/mcf | | |
| UK | 3.12 | 3.53 |
| USA | 2.13 | 7.13 |
| Rest of World | 1.93 | 3.37 |
| BP average | 2.27 | 4.96 |
| | | |
| Henry Hub gas price (b) (\$/mmBtu) | 2.35 | 7.08 |
| | | |
| Global Indicator Refining Margins (c) - \$/bbl | | |
| Northwest Europe | 0.09 | 2.35 |
| US Gulf Coast | 2.04 | 6.69 |
| Midwest | 2.06 | 3.85 |
| US West Coast | 5.43 | 10.94 |
| Singapore | 0.21 | 0.70 |
| BP average | 1.64 | 4.25 |
| | | |
| Chemicals Indicator Margin (d) - \$/te | 96 (e) | 106 |
| ----- | | |

(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 first quarter is based on two months' actuals and one month of provisional data.

Three months ended
 March 31
 (Unaudited)
 2002 2001

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| | | |
|-----------------------------|-------|-------|
| Average rate for the period | 1.43 | 1.46 |
| Period-end rate | 1.42 | 1.44 |
| | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
OPERATING INFORMATION

| | Three months ended March 31 (Unaudited) | |
|--|---|--------|
| | 2002 | 2001 |
| | ----- | ----- |
| Crude oil and natural gas liquids production (thousand barrels per day), (net of royalties) | | |
| UK | 482 | 511 |
| Rest of Europe | 104 | 97 |
| USA | 760 | 722 |
| Rest of World | 643 | 607 |
| | ----- | ----- |
| Total crude oil and liquids production | 1,989 | 1,937 |
| | ===== | ===== |
| Natural gas production (million cubic feet per day), (net of royalties) | | |
| UK | 1,628 | 2,152 |
| Rest of Europe | 162 | 169 |
| USA | 3,561 | 3,467 |
| Rest of World | 3,395 | 3,107 |
| | ----- | ----- |
| Total natural gas production | 8,746 | 8,895 |
| | ===== | ===== |
| Total production (a) (thousand barrels of oil equivalent per day), (net of royalties) | | |
| UK | 763 | 882 |
| Rest of Europe | 132 | 126 |
| USA | 1,374 | 1,320 |
| Rest of World | 1,228 | 1,143 |
| | ----- | ----- |
| Total production | 3,497 | 3,471 |
| | ===== | ===== |
| Natural gas sales volumes (million cubic feet per day) | | |
| UK | 2,619 | 3,395 |
| Rest of Europe | 413 | 251 |
| USA | 8,733 | 8,001 |
| Rest of World | 9,289 | 7,403 |
| | ----- | ----- |
| Total natural gas sales volumes (b) | 21,054 | 19,050 |
| | ===== | ===== |

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| NGL sales volumes (thousand barrels per day) | | |
|--|-------|-------|
| UK | - | - |
| Rest of Europe | - | - |
| USA | 203 | 221 |
| Rest of World | 181 | 207 |
| | ----- | ----- |
| Total NGL sales volumes | 384 | 428 |
| | ===== | ===== |

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

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

| | Three months ended March 31 (Unaudited) | |
|---|---|--------|
| | 2002 | 2001 |
| | ----- | ----- |
| Oil sales volumes (thousand barrels per day) | | |
| Refined products | | |
| UK | 256 | 259 |
| Rest of Europe | 1,275 | 1,082 |
| USA | 1,834 | 1,874 |
| Rest of World | 600 | 579 |
| | ----- | ----- |
| Total marketing sales | 3,965 | 3,794 |
| Trading/supply sales | 2,535 | 2,159 |
| | ----- | ----- |
| Total refined product sales | 6,500 | 5,953 |
| Crude oil | 4,809 | 4,482 |
| | ----- | ----- |
| Total oil sales | 11,309 | 10,435 |
| | ===== | ===== |
| Refinery throughputs (thousand barrels per day) | | |
| UK | 392 | 310 |
| Rest of Europe | 833 | 693 |
| USA | 1,394 | 1,522 |
| Rest of World | 375 | 386 |
| | ----- | ----- |
| Total throughput | 2,994 | 2,911 |
| | ===== | ===== |
| Chemicals production (thousand tonnes) | | |
| UK | 829 | 730 |

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| | | |
|------------------|-------|-------|
| Rest of Europe | 2,583 | 1,688 |
| USA | 2,489 | 2,257 |
| Rest of World | 710 | 702 |
| | ----- | ----- |
| Total production | 6,611 | 5,377 |
| | ===== | ===== |

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BP p.l.c. AND SUBSIDIARIES
TOTAL REPLACEMENT COST OPERATING PROFIT

| | | |
|--------------------------------|---|-------|
| | Three months ended March 31 (Unaudited) | |
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| By business | | |
| Exploration and Production | | |
| UK | 727 | 1,154 |
| Rest of Europe | 152 | 226 |
| USA | 322 | 2,111 |
| Rest of World | 727 | 1,175 |
| | ----- | ----- |
| | 1,928 | 4,666 |
| | ----- | ----- |
| Gas, Power and Renewables | | |
| UK | 2 | 10 |
| Rest of Europe | 47 | 63 |
| USA | (25) | 25 |
| Rest of World | 87 | 2 |
| | ----- | ----- |
| | 111 | 100 |
| | ----- | ----- |
| Refining and Marketing | | |
| UK | (124) | (111) |
| Rest of Europe | 139 | 136 |
| USA | (79) | 594 |
| Rest of World | 132 | 121 |
| | ----- | ----- |
| | 68 | 740 |
| | ----- | ----- |
| Chemicals | | |
| UK | (31) | (50) |
| Rest of Europe | 47 | 80 |
| USA | 23 | 13 |
| Rest of World | 37 | 38 |
| | ----- | ----- |
| | 76 | 81 |
| | ----- | ----- |
| Other businesses and corporate | (125) | (115) |
| | ----- | ----- |
| | 2,058 | 5,472 |

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| | ===== | ===== |
|----------------------|-------|-------|
| By geographical area | | |
| UK | 530 | 927 |
| Rest of Europe | 386 | 485 |
| USA | 158 | 2,685 |
| Rest of World | 984 | 1,375 |
| | ----- | ----- |
| | 2,058 | 5,472 |
| | ===== | ===== |

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

| | Three months ended March 31 (Unaudited) | |
|----------------------------|---|-------|
| | 2002 | 2001 |
| | ----- | ----- |
| | (\$ million) | |
| By business | | |
| Exploration and Production | | |
| UK | 261 | 168 |
| Rest of Europe | 71 | 65 |
| USA | 1,167 | 927 |
| Rest of World | 814 | 706 |
| | ----- | ----- |
| | 2,313 | 1,866 |
| | ----- | ----- |
| Gas, Power and Renewables | | |
| UK | 16 | 8 |
| Rest of Europe | 4 | 11 |
| USA | 16 | 17 |
| Rest of World | 10 | - |
| | ----- | ----- |
| | 46 | 36 |
| | ----- | ----- |
| Refining and Marketing | | |
| UK | 76 | 111 |
| Rest of Europe (a) | 2,732 | 47 |
| USA | 303 | 180 |
| Rest of World | 26 | 32 |
| | ----- | ----- |
| | 3,137 | 370 |
| | ----- | ----- |
| Chemicals | | |
| UK | 8 | 66 |
| Rest of Europe | 45 | 16 |
| USA | 42 | 78 |
| Rest of World | 93 | 56 |
| | ----- | ----- |
| | 188 | 216 |
| | ----- | ----- |

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| | | |
|--------------------------------|-------|-------|
| Other businesses and corporate | 52 | 49 |
| | ----- | ----- |
| | 5,736 | 2,537 |
| | ===== | ===== |
| By geographical area | | |
| UK | 409 | 394 |
| Rest of Europe | 2,852 | 139 |
| USA | 1,531 | 1,210 |
| Rest of World | 944 | 794 |
| | ----- | ----- |
| | 5,736 | 2,537 |
| | ===== | ===== |

(a) The three months ended March 31, 2002 includes the acquisition of 51% of Veba.

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

| | Three months ended March 31 (Unaudited) | |
|----------------------------|---|-------|
| | 2002 | 2001 |
| | ----- | ----- |
| | (\$ million) | |
| Special items | | |
| Exploration and Production | | |
| UK | 50 | - |
| Rest of Europe | - | - |
| USA | 62 | - |
| Rest of World | 15 | - |
| | ----- | ----- |
| | 127 | - |
| | ----- | ----- |
| Gas, Power and Renewables | | |
| UK | - | - |
| Rest of Europe | - | - |
| USA | - | - |
| Rest of World | - | - |
| | ----- | ----- |
| | - | - |
| | ----- | ----- |
| Refining and Marketing | | |
| UK | - | 15 |
| Rest of Europe | 26 | 26 |
| USA | - | 4 |
| Rest of World | - | 8 |
| | ----- | ----- |
| | 26 | 53 |
| | ----- | ----- |
| Chemicals | | |
| UK | - | - |

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| | | |
|-------------------------------------|-------|-------|
| Rest of Europe | 2 | - |
| USA | 30 | - |
| Rest of World | - | - |
| | ----- | ----- |
| | 32 | - |
| | ----- | ----- |
| Other businesses and corporate | | |
| UK | - | - |
| Rest of Europe | - | - |
| USA | - | - |
| Rest of World | - | - |
| | ----- | ----- |
| | - | - |
| | ----- | ----- |
| Total special items before interest | 185 | 53 |
| Interest - bond redemption charges | - | 10 |
| | ----- | ----- |
| Total | 185 | 63 |
| | ===== | ===== |
| Acquisition amortization | | |
| Exploration and Production | | |
| UK | 32 | 29 |
| USA | 281 | 406 |
| Rest of World | 32 | 35 |
| | ----- | ----- |
| | 345 | 470 |
| | ----- | ----- |
| Refining and Marketing | | |
| UK | 97 | 104 |
| USA | 96 | 97 |
| | ----- | ----- |
| | 193 | 201 |
| | ----- | ----- |
| Total | 538 | 671 |
| | ===== | ===== |

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

| | Three months ended March 31 (Unaudited) | |
|--|---|-------|
| | 2002 | 2001 |
| | ----- | ----- |
| | (\$ million) | |
| Replacement cost basis | | |
| Replacement cost profit before exceptional items | 924 | 3,001 |
| Interest | 333 | 446 |
| Minority shareholders' interest | 9 | 8 |
| | ----- | ----- |
| Adjusted replacement cost profit | 1,266 | 3,455 |
| | ===== | ===== |

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| | | |
|---|--------|--------|
| Average capital employed | 89,594 | 86,223 |
| ROACE - replacement cost basis | 6% | 16% |
| | ----- | ----- |
| Pro forma basis | | |
| Adjusted replacement cost profit | 1,266 | 3,455 |
| Acquisition amortization | 538 | 671 |
| Special items (post tax) | 120 | 40 |
| | ----- | ----- |
| Adjusted replacement cost profit (pro forma basis) | 1,924 | 4,166 |
| | ===== | ===== |
| Average capital employed | 89,594 | 86,223 |
| Average capital employed acquisition adjustment (a) | 18,590 | 22,165 |
| | ----- | ----- |
| Average capital employed (pro forma basis) | 71,004 | 64,058 |
| ROACE - pro forma basis adjusted for special items | 11% | 26% |
| Historical cost basis | | |
| Historical cost profit (loss) after exceptional items | 1,296 | 2,830 |
| Interest | 333 | 446 |
| Minority shareholders' interest | 40 | 8 |
| | ----- | ----- |
| Adjusted historical cost profit | 1,669 | 3,284 |
| | ===== | ===== |
| Average capital employed | 89,594 | 86,223 |
| ROACE - historical cost basis after exceptionals | 7% | 15% |

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

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

| | Three months ended March 31 (Unaudited) | |
|--|---|--------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Net debt ratio - net debt: net debt + equity | | |
| Gross debt | 24,531 | 18,788 |
| Cash and current asset investments | 1,665 | 2,147 |
| | ----- | ----- |
| Net debt | 22,866 | 16,641 |
| | ----- | ----- |
| Equity | 67,481 | 66,316 |
| Net debt ratio | 25% | 20% |
| | ----- | ----- |
| Acquisition adjustment (a) | 18,297 | 21,734 |
| | ----- | ----- |

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| | | |
|--------------------------------------|-------|-------|
| Net debt ratio - pro forma basis (b) | 32% | 27% |
| | ===== | ===== |

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

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

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

| | Three months ended March 31 (Unaudited) | |
|--|---|---------------|
| | 2002 | 2001 |
| | ----- | |
| | (\$ million) | |
| Replacement cost operating profit (RCOP) (reported) (a) | 2,058 | 5,472 |
| Depreciation and amounts provided (b) | 2,153 | 2,167 |
| Exploration expenditure written off | 59 | 108 |
| Dividends from joint ventures and associated undertakings less share of RCOP | (122) | (209) |
| Dividends paid to minority shareholders | (13) | - |
| Adjust provisions to cash basis (c) | (69) | (141) |
| Adjust interest and other income to cash basis (d) | (13) | (4) |
| | ----- | ----- |
| Tax paid adjusted for certain items* | 4,053 (577) | 7,393 (96) |
| | ----- | ----- |
| Adjusted RCOP after tax paid | 3,476 | 7,297 |
| | ----- | ----- |
| * Calculation of tax paid adjusted for certain items | | |
| Cash tax paid | (445) | (139) |
| Tax charge on exceptional items | (39) | 151 |
| Tax shield assumption + | (93) | (108) |
| | ----- | ----- |
| | (577) | (96) |
| | ----- | ----- |

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| | | |
|--|-------|-------|
| + Calculation of tax shield assumption | | |
| Interest paid | (309) | (361) |
| Tax rate assumption (e) | 30% | 30% |
| | ----- | ----- |
| | (93) | (108) |
| | ----- | ----- |

- (a) Total replacement cost operating profit is before exceptional items, inventory holding gains and losses and interest expense.
- (b) Includes depreciation and amortization relating to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions.
- (c) Calculated as the net of charge for provisions and utilization of provisions.
- (d) Calculated as interest and other income, less interest received and dividends received from the Group cash flow statement.
- (e) Deemed tax rate for tax shield adjustment is equal to the UK statutory tax rate.

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SIGNATURES

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

BP p.l.c.
(Registrant)

Dated: May 15, 2001

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