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

GROUP RESULTS JANUARY - SEPTEMBER 2002

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

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- (a) Net of minority shareholders' interest.
- (b) Replacement cost is not a UK or US GAAP measure. For further information on why management believes replacement cost profit is a relevant measure see Note 6 of Notes to Consolidated Financial Statements.
- (c) The special items refer to non-recurring charges and credits as described in the text below.
- (d) Depreciation and amortization relating to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Replacement cost profit before exceptional items	761	977
Exceptional items before tax	1,794	
Taxation on exceptional items	(25)	
RC profit after exceptional items	2,530	
Stock holding gains (losses)	305	
HC profit	2,835	
-----		
Three months ended September 30, 2001		
Exploration and Production	2,627	443
Gas, Power and Renewables	125	-
Refining and Marketing	990	187
Chemicals	105	-
Other businesses and corporate	(117)	-
Replacement cost operating profit	3,730	630
Interest expense	(369)	-
Taxation	(1,413)	-
Minority shareholders' interest	(12)	-
Replacement cost profit before exceptional items	1,936	630
Exceptional items before tax	184	
Taxation on exceptional items	(127)	
RC profit after exceptional items	1,993	
Stock holding gains (losses)	(405)	
HC profit	1,588	
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- (a) Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustments and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.
- (b) The special items refer to non-recurring charges and credits. The special items for the third quarter of 2002 include impairment charges and restructuring costs in Exploration and Production, an impairment charge in Gas, Power and Renewables, integration and certain other costs in Refining and Marketing, an impairment charge in Chemicals, and a provision to cover future rental payments on surplus leasehold office accommodation in Other Businesses and Corporate. The effective tax rate on special items was 49%, reflecting the tax relief expected on asset impairments in Exploration and Production and related restructuring. The special items for the third quarter of 2001 comprise Castrol integration costs, Erdoelchemie rationalization costs and a bond redemption charge; the taxation credit relating to these special items has been calculated using a tax rate of 35%.

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

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



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

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

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

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

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

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

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

### EXPLORATION AND PRODUCTION (concluded)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### EXCEPTIONAL ITEMS

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

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

### OUTLOOK

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

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

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

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

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

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

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

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

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

#### 2002 DIVIDENDS

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

The dividend payable on December 9, 2002 entitles qualifying US ADS shareholders to a refund of the 1/9th UK tax credit (approximately \$0.04) attaching to the dividend, less a UK withholding tax limited to the amount of the tax credit. The effect of these arrangements for ADS holders is currently a cash payment of \$0.36, a gross dividend for tax purposes of \$0.40 and a potential tax credit of \$0.04 per ADS.

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



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

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

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

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

-----

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

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

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

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

-----

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

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

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

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

-----

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

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

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

(\$ million)

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

-----

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

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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

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accounting policy.

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

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

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

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

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

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

#### 2. Restatement of comparative information (continued)

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

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

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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

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

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



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

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

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

(\$ mil)

6. Replacement cost profit

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

Three months ended  
September 30  
(Unaudited)

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

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

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

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

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

12. Business and geographical analysis

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

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Share of sales by joint ventures	146	-	135	223
Equity accounted income	174	13	63	(88)
Total replacement cost operating profit (loss)	1,572	57	237	132
Exceptional items	(25)	1,585	262	11
Inventory holding gains (losses)	3	2	311	(11)
Historical cost profit (loss) before interest and tax	1,550	1,644	810	132
Capital expenditure and acquisitions	2,240	107	605	180
Three months ended September 30, 2001				
Group turnover				
- third parties	1,298	8,591	30,351	3,202
- sales between businesses	5,037	716	574	70
	6,335	9,307	30,925	3,272
Share of sales by joint ventures	217	-	89	-
Equity accounted income	124	27	80	23
Total replacement cost operating profit (loss)	2,627	125	990	105
Exceptional items	3	-	247	(81)
Inventory holding gains (losses)	(1)	(17)	(301)	(86)
Historical cost profit (loss) before interest and tax	2,629	108	936	(62)
Capital expenditure and acquisitions	2,419	87	442	350

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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	E
Three months ended September 30, 2002					
Group turnover - third parties	8,316	11,095	22,770	6,873	
- sales between areas	3,844	2,365	110	1,664	

(\$ million)

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

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

12. Business and geographical analysis (continued)

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

(\$ million)

Nine months  
ended September 30, 2002  
Group turnover

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

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

12. Business and geographical analysis (concluded)

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

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

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



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

15. US generally accepted accounting principles

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

(i) Group consolidation

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

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

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

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

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

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

Nine months ended September 30, 2002  
(Unaudited)

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

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

15. US generally accepted accounting principles - continued

(i) Group consolidation (concluded)

Three months ended September 30, 2001  
(Unaudited)

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

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Nine months ended September 30, 2001  
(Unaudited)

Increase (decrease) in caption heading	As Reported	Reclassification	US GAAP Presentation
(\$ million)			
Consolidated statement of income			
Other income	486	524	1,010
Share of profits of JVs and associated undertakings	893	(893)	-
Exceptional items before taxation	573	1	574
Inventory holding gains (losses)	(603)	1	(602)
Interest expense	1,256	(158)	1,098
Taxation	5,664	(209)	5,455
Profit for the period	7,159	-	7,159

(ii) Income statement

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

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

15. US generally accepted accounting principles - continued

(iii) Turnover

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

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

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

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

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

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

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

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

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

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

15. US generally accepted accounting principles - continued

(iii) Turnover (concluded)

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Three months ended September 30, 2001  
(Unaudited)

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

Nine months ended September 30, 2001  
(Unaudited)

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

(iv) Exceptional items

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

(v) Deferred taxation/business combinations

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

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

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

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

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

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

15. US generally accepted accounting principles - continued

(vi) Provisions

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

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

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

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

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

15. US generally accepted accounting principles - continued

(vii) Sale and leaseback

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

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

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

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

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

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

(viii) Goodwill and intangible assets

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

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

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

15. US generally accepted accounting principles - continued

(viii) Goodwill and intangible assets (continued)

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

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



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

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

	Three months ended September 30, 2001 (Unaudited)	Nine months ended September 30, 2001 (Unaudited)
	-----	-----
	(\$ million)	
Profit for the period as adjusted to accord with US GAAP, as reported	1,417	6,417
Add back goodwill amortization	295	
	-----	-----
Profit for the period as adjusted to accord with US GAAP, as adjusted	1,712	7,012
	-----	-----
Per ordinary share - cents		
Basic - as reported	6.32	30.4
Adjustment	1.32	4.4
	-----	-----
Basic - as adjusted	7.64	34.8
	-----	-----
Diluted - as reported	6.29	30.4
Adjustment	1.31	4.4
	-----	-----
Diluted - as adjusted	7.60	34.8
	-----	-----
Per American Depositary Share - cents		
Basic - as reported	37.92	185.4
Adjustment	7.92	24.4
	-----	-----
Basic - as adjusted	45.84	209.8
	-----	-----
Diluted - as reported	37.74	184.4
Adjustment	7.86	24.4
	-----	-----

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Diluted - as adjusted

45.60

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

15. US generally accepted accounting principles - continued

(viii) Goodwill and intangible assets (concluded)

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

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

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

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

(ix) Derivative financial instruments and hedging activities

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

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

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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

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

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

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

(x) Gain arising on asset exchange

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

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

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

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

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

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

#### (xi) Ordinary shares held for future awards to employees

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

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

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

#### (xii) Dividends

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

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

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

#### (xiii) Investments

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

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

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

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

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

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

##### (xiv) Additional minimum pension liability

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

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

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

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

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

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

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



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

Earnings per share

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

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

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

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

Consolidated statement of cash flows

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

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

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

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

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

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

15. US generally accepted accounting principles - continued

Impact of new US accounting standards

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

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

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

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

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

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

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

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

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

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

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

15. US generally accepted accounting principles - concluded

Impact of new UK accounting standards

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

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

Impact of international accounting standards

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

16. Condensed consolidating information

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

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

16. Condensed consolidating information - continued

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

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Three months ended September 30, 2002

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

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

16. Condensed consolidating information - continued

Income statement (continued)

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

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

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

#### 16. Condensed consolidating information - continued

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

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

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

16. Condensed consolidating information - continued

Income statement (continued)

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

Issuer                      Guarantor



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

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

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

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

16. Condensed consolidating information - continued

Income statement (continued)

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

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

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

16. Condensed consolidating information - continued

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

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

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

16. Condensed consolidating information - continued

Income statement (concluded)

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

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

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(\$ million)

Nine months ended September 30, 2001

Profit as reported	714	7,159	5,758
Adjustments:			
Deferred taxation/business combinations	20	343	322
Provisions	(3)	(35)	(32)
Sale and leaseback	-	(43)	(43)
Goodwill	-	45	45
Derivative financial instruments	-	(176)	(176)
Gain arising on asset exchange	-	-	-
Other	-	7	7
	-----	-----	-----
Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP	731	7,300	5,881
Cumulative effect of accounting change:			
Derivative financial instruments	-	(362)	(362)
	-----	-----	-----
Profit for the period as adjusted to accord with US GAAP	731	6,938	5,519
	=====	=====	=====

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

16. Condensed consolidating information - continued

Balance sheet	Issuer	Guarantor	Other subsidiaries	recl
	BP Exploration (Alaska) Inc.	BP p.l.c.		
	-----	-----	-----	-----
	BP			
	Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
	-----	-----	-----	-----
			(\$ million)	
At September 30, 2002				
Fixed assets				
Intangible assets	518	-	15,384	
Tangible assets	6,391	-	79,130	
Investments				
Subsidiaries - equity accounted basis	1,926	84,781	-	
Other	-	191	11,455	
	-----	-----	-----	
	1,926	84,972	11,455	
	-----	-----	-----	
Total fixed assets	8,835	84,972	105,969	
	-----	-----	-----	

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Current assets			
Inventories	85	-	9,832
Receivables	16,970	22,661	52,454
Investments	-	-	285
Cash at bank and in hand	(11)	3	1,013
	-----	-----	-----
	17,044	22,664	63,584
	-----	-----	-----
Current liabilities			
- falling due within one year			
Finance debt	1,874	-	10,527
Accounts payable and accrued liabilities	486	12,631	34,481
	-----	-----	-----
Net current assets (liabilities)	14,684	10,033	18,576
	-----	-----	-----
Total assets less current liabilities			
	23,519	95,005	124,545
Noncurrent liabilities			
Finance debt	-	-	11,694
Accounts payable and accrued liabilities	10,371	155	38,492
Provisions for liabilities and charges			
Deferred taxation	1,707	-	11,684
Other provisions	436	153	12,467
	-----	-----	-----
Net assets	11,005	94,697	50,208
Minority shareholders' interest	-	-	556
	-----	-----	-----
BP shareholders' interest	11,005	94,697	49,652
	=====	=====	=====

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

16. Condensed consolidating information - continued

	Issuer	Guarantor		
	-----			
	BP		Other	
	Exploration	BP p.l.c.	subsidiaries	recl
	(Alaska) Inc.			
	-----		-----	
	(\$ million)			
Balance sheet (continued)				
At September 30, 2002				
Capital and reserves				
Capital shares	1,050	5,615	-	-
Paid in surplus	3,145	4,226	-	-
Merger reserve	-	26,332	697	-
Other reserves	-	177	-	-

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

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

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

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

16. Condensed consolidating information - continued

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

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(\$ million)

At December 31, 2001

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

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



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(\$ million)

At December 31, 2001

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

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

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

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

16. Condensed consolidating information - continued

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

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

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

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cash and cash equivalents	-	-	26
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(5)	1	(275)
Cash and cash equivalents at beginning of period	(6)	2	1,573
	-----	-----	-----
Cash and cash equivalents at end of period	(11)	3	1,298
	=====	=====	=====

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

16. Condensed consolidating information - continued

Cash flow statement (continued)	Issuer	Guarantor	Other subsidiaries	recl
	-----	-----		
	BP Exploration (Alaska) Inc.	BP p.l.c.		
			(\$ million)	
Three months ended September 30, 2001				
Net cash inflow (outflow) from operating activities	163	1,027	3,857	
Dividends from joint ventures	-	-	26	
Dividends from associated undertakings	-	-	155	
Dividends from subsidiaries	-	97	-	
Net cash inflow (outflow) from servicing of finance and returns on investments	-	370	(607)	
Tax (paid) refund	(32)	-	(685)	
Net cash inflow (outflow) for capital expenditure and financial investment	(197)	94	(2,006)	
Net cash inflow (outflow) for acquisitions and disposals	-	(1)	(24)	
Equity dividends paid	-	(1,235)	(97)	
	-----	-----	-----	
Net cash inflow (outflow)	(66)	352	619	
	=====	=====	=====	
Financing	(99)	352	377	
Management of liquid resources	-	-	(44)	
Increase (decrease) in cash	33	-	286	
	-----	-----	-----	
	(66)	352	619	
	=====	=====	=====	

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

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Cash flow statement (continued)	Issuer	Guarantor	Other subsidiaries	recl
	BP Exploration (Alaska) Inc.	BP p.l.c.		
			(\$ million)	
Net cash provided by (used in) operating activities	132	1,494	2,746	
Net cash provided by (used in) investing activities	(197)	93	(2,030)	
Net cash provided by (used in) financing activities	99	(1,587)	(474)	
Currency translation differences relating to cash and cash equivalents	-	-	15	
Increase (decrease) in cash and cash equivalents	34	-	257	
Cash and cash equivalents at beginning of period	(34)	-	1,700	
Cash and cash equivalents at end of period	-	-	1,957	

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

16. Condensed consolidating information - continued

Cash flow statement (continued)	Issuer	Guarantor	Other subsidiaries	recl
	BP Exploration (Alaska) Inc.	BP p.l.c.		
			(\$ million)	
Nine months ended September 30, 2002				
Net cash inflow (outflow) from operating activities	334	3,440	8,445	
Dividends from joint ventures	-	-	129	
Dividends from associated undertakings	-	-	303	
Dividends from subsidiaries	26	-	-	

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

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

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

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

## 16. Condensed consolidating information - concluded

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

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

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	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	370	4,650	8,451	
Net cash provided by (used in) investing activities	(598)	(43)	(7,137)	
Net cash provided by (used in) financing activities	260	(4,609)	(1,185)	
Currency translation differences relating to cash and cash equivalents	-	-	(33)	
	-----	-----	-----	
Increase (decrease) in cash and cash equivalents	32	(2)	96	
Cash and cash equivalents at beginning of period	(32)	2	1,861	
	-----	-----	-----	
Cash and cash equivalents at end of period	-	-	1,957	
	=====	=====	=====	

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BP p.l.c. AND SUBSIDIARIES  
ENVIRONMENTAL INDICATORS

	Three months ended September 30 (Unaudited)		Nine m Sep (Un
	2002	2001	2002
	-----	-----	-----
Average oil realizations (a) - \$/bbl			
UK	26.26	24.34	23.74
USA	22.94	22.38	20.71
Rest of World	24.43	22.71	21.81
BP average	24.40	23.08	21.99
 Brent oil price	26.91	25.30	24.40
West Texas Intermediate oil price	28.26	26.72	25.40
Alaska North Slope US West Coast	27.26	24.05	24.06
Average natural gas realizations - \$/mcf			
UK	2.58	2.52	2.75
USA	2.34	2.63	2.41
Rest of World	1.99	2.27	1.99
BP average	2.25	2.49	2.32

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Henry Hub gas price (b) (\$/mmBtu)	3.16	2.93	2.94
UK Gas - National Balancing point (p/therm)	12.74	17.07	14.53
Global Indicator Refining Margins (c) - \$/bbl			
Northwest Europe	1.28	1.74	0.66
US Gulf Coast	1.82	3.24	2.16
Midwest	3.27	7.20	3.03
US West Coast	3.54	8.17	4.47
Singapore	0.47	0.75	0.28
BP average	1.98	3.83	1.90
Chemicals Indicator Margin (d) - \$/te	115(e)	114	101(e)

-----

- (a) Crude oil and natural gas liquids.
- (b) Henry Hub First of Month Index.
- (c) The Global Indicator Refining Margin (GIM) is the average of seven regional indicator margins weighted for BP's crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity.
- (d) The Chemicals Indicator Margin (CIM) is a weighted average of externally-based product margins. It is based on market data collected by Chem Systems in their quarterly market analyses, then weighted based on BP's product portfolio. While it does not cover our entire portfolio, it includes a broad range of products. Amongst the products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha-olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins, anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.
- (e) Provisional. The data for the second quarter is based on two months' actual and one month of provisional data.

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

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BP p.l.c. AND SUBSIDIARIES  
OPERATING INFORMATION



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

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(a) Expressed in thousand barrels of oil equivalent per day (mboe/d). Natural gas is converted to oil equivalent at 5.8 billion cubic feet: 1 million

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

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

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

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

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

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

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

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

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

Acquisition amortization

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

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

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

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

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

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

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

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

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

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

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

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



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- (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: November 4, 2002

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

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