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BP PLC
Form 6-K
May 01, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

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

for the period ended March 31, 2003

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

1 ST JAMES'S SQUARE, LONDON, SW1Y 4PD, ENGLAND
(Address of principal executive offices)

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

Form 20-F	☒	Form 40-F
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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes	☒
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THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-9790) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-65996) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-83180) OF BP AUSTRALIA CAPITAL MARKETS LIMITED, BP CANADA FINANCE COMPANY, BP CAPITAL MARKETS p.l.c., BP CAPITAL MARKETS AMERICA INC. AND BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 33-21868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9020) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9798) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-34968) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-74414) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103924) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-102583) OF BP p.l.c. AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO.

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333-103923) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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

GROUP RESULTS JANUARY - MARCH 2003

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Turnover	63,788	36,290
	=====	=====
Profit for the period	4,267	1,296
Exceptional items, net of tax	(340)	70
	-----	-----
Profit before exceptional items	3,927	1,366
	=====	=====
Per Ordinary Share - cents		
Profit for the period	19.11	5.78
	=====	=====
Dividends per Ordinary Share - cents	6.25	5.75
	=====	=====

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 related notes, for the year ended December 31, 2002 in BP p.l.c.'s Annual Report on Form 20-F for the year ended December 31, 2002.

The first quarter trading environment was significantly more favourable than a year ago for both Exploration and Production and Refining and Marketing. The Brent oil price increased more than \$10.00 per barrel; the Henry Hub gas price and the refining Global Indicator Margin were more than double the level of a year ago.

Turnover for the three months ended March 31, 2003 was \$63,788 million compared with \$36,290 million for 2002. The increase in turnover for the first quarter reflects higher oil, natural gas and product prices, higher production, higher sales volumes and a stronger Euro.

Profit for the three months ended March 31, 2003 was \$4,267 million, compared with \$1,296 million in the same period of 2002.

Exceptional items are gains and losses on the sale of fixed assets and businesses or terminations of operations. Net exceptional gains in the first quarter of 2003 were \$394 million (\$340 million after tax) and principally relate to net gains from the sale of certain upstream interests. Net exceptional losses in the first quarter of 2002 were \$109 million (\$70 million after tax) and included the loss on closure of certain polypropylene facilities in Texas.

Profit before exceptional items was \$3,927 million for the three months ended March 31, 2003, compared with \$1,366 million for the equivalent period of 2002.

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BP average liquids and natural gas realizations were up by more than half compared with a year ago, with significant improvement in refining margins and US retail margins. Improved volumes and cost efficiencies were also reflected in the first quarter results.

For the three months ended March 31, 2003 and 2002, inventory holding gains were \$799 million and \$473 million, respectively. Inventory holding gains or losses represent the difference between the replacement cost of sales and the historical cost of sales calculated using the first-in first-out method.

Profit before exceptional items for the three months ended March 31, 2003 is after charging impairment of \$103 million related to the Yacheng field in China, costs of \$90 million in respect of our restructuring activities in North America and the UK and a \$49 million write-down of the Viscount asset in the North Sea in Exploration and Production; \$18 million Veba integration costs in Refining and Marketing and includes a \$130 million credit related to tax restructuring benefits. Profit before exceptional items for the three months ended March 31, 2002 is after charging severance costs of \$72 million resulting from restructuring in North America and the North Sea and litigation costs of \$55 million in Exploration and Production; Veba integration costs of \$26 million in Refining and Marketing, and costs of \$32 million related to major site restructuring and Solvay and Erdolchemie integration in Chemicals.

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

Interest expense for the three months ended March 31, 2003 was \$220 million compared with \$333 million in the same period of 2002, reflecting lower average debt and lower interest rates.

Net taxation, other than production taxes, charged for the three months ended March 31, 2003 was \$1,805 million compared with \$753 million in the equivalent period last year. The tax on exceptional items was \$54 million compared with a credit of \$39 million for the first quarter of 2002. The effective tax rate was 30% for the three months ended March 31, 2003, compared with 36% for the equivalent period of 2002. The reduction in the rate reflects increased tax restructuring benefits, higher inventory holding gains (which are not taxable in certain jurisdictions), a rateably lower impact of goodwill amortization and the depreciation charge on uplifted asset values (for which no tax deduction is available), and nil tax charge on certain upstream disposals in the first quarter of 2003.

Capital expenditure in the first quarter of 2003 was \$2.9 billion; there were no acquisitions during the quarter. Capital expenditure and acquisitions for the first quarter of 2002 was \$5.7 billion, including \$2.6 billion for the acquisition of 51% of Veba Oil; excluding acquisitions capital expenditure was \$3.1 billion. Disposal proceeds in the first quarter of 2003 were \$2.5 billion compared with \$0.3 billion for the equivalent period in 2002.

Net cash inflow for the three months ended March 31, 2003 was \$3.2 billion, compared with an outflow of \$2.4 billion for the equivalent period of 2002, reflecting higher operating cash flow, higher disposal proceeds and lower acquisition spending. Net cash inflow from operating activities was \$6.0 billion for the three months ended March 31, 2003, compared with \$3.6 billion in the equivalent period in 2002, reflecting higher profit and depreciation partly offset by a higher requirement for working capital.

Net debt at March 31, 2003 was \$17.7 billion compared with \$20.3 billion at December 31, 2002. The ratio of net debt to net debt plus equity was 20% at

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March 31, 2003 compared with 22% at December 31, 2002. This ratio shows the proportion of debt and equity used to finance our operations, and can also be used to measure borrowing capacity. 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 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 was 19% for the first quarter of 2003 compared with 7% for the same period in 2002. Return on average capital employed is the ratio of profit including minority shareholders' interest and excluding post-tax interest on finance debt to average capital employed for the period. Capital employed is the total of BP shareholders' interest, minority shareholders' interest and finance debt. This performance measure is useful for shareholders and management as an indication of capital productivity over the long term. For further information on the return on average capital employed calculation see page 51 of this report.

BP announced a first quarterly dividend for 2003 of 6.25 cents per ordinary share. Holders of ordinary shares will receive 3.947 pence per share and holders of American Depositary Receipts (ADRs) \$0.375 per ADS. The dividend is payable on June 9, 2003 to shareholders on the register on May 16, 2003. Participants in the Dividend Reinvestment Plan or the dividend reinvestment facility in the US Direct Access Plan will receive the dividend in the form of shares, also on June 9, 2003. The company repurchased for cancellation 155 million of its own shares during the quarter, at a cost of \$999 million.

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

DETAILED REVIEW OF BUSINESSES (EXCLUDING EXCEPTIONAL ITEMS)

EXPLORATION AND PRODUCTION

		Three months ended March 31 (Unaudited)	
		2003	2002
		-----	-----
		(\$ million)	
Turnover	- \$m	9,068	5,600
Total operating profit	- \$m	4,332	1,900
Results include:			
Exploration expense	- \$m	112	100
Of which: Exploration expenditure written off	- \$m	50	50

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Key Statistics:

Liquids(a)	Average prices realized by BP	- \$/bbl	29.82	18.
	Production	- mb/d	2,063	1,9
Natural gas	Average prices realized by BP	- \$/mcf	3.87	2.
	Production	- mmcf/d	9,017	8,7
Brent oil price		- \$/bbl	31.47	21.
West Texas Intermediate oil price		- \$/bbl	34.00	21.
Alaska North Slope US West Coast		- \$/bbl	33.16	19.
Henry Hub gas price (b)		- \$/mmBtu	6.53	2.
UK Gas - National Balancing Point		- p/therm	21.28	19.

(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 March 31, 2003 was \$9,068 million compared with \$5,638 million in the corresponding period in 2002, reflecting higher liquids and natural gas realizations as well as increased production.

Operating profit for the three months ended March 31, 2003 was \$4,332 million compared with \$1,931 million for the equivalent period in 2002. The result for the first quarter 2003 is after charging impairment of \$103 million related to the Yacheng field in China, costs of \$90 million in respect of restructuring activities in North America and the UK and a \$49 million write-down of the Viscount asset in the North Sea. The result for the first quarter of 2002 is after charging severance costs of \$72 million resulting from restructuring in North America and the North Sea and litigation costs of \$55 million.

The result for the quarter benefited from strong realizations, with liquids up \$11.05/bbl and natural gas up \$1.60/mcf on a year ago. North American natural gas realizations lagged the increase in the Henry Hub marker price, as the effects of cold weather and low inventories were partly offset by an increase in regional differentials caused by pipeline constraints. The improved realizations were partly offset by a charge of \$125 million for Unrealized Profit in Stock (UPIS) to remove the additional upstream margin from downstream inventories following an increase in the Alaska North Slope oil price. This compares to a charge of \$56 million in the equivalent quarter last year.

First quarter production was a record, increasing by over 3% to 3,618 mboe/d compared with a year ago as a result of the ramp up of production in the Deepwater Gulf of Mexico and Trinidad as new projects continue to be added, and the impact of our increased interest in Sidanco, partly offset by declines in mature areas. The impact of acquisition and divestment activity over the past year has had a broadly neutral effect on the quarter on quarter comparison.

On April 1, 2003 two new discoveries were announced in Angola's deep offshore Block 17: Acacia-1 and Hortensia-1. During the quarter we approved the development of the Shah Deniz project in Azerbaijan, Greater Plutonio and Dalia in Angola and Rhum in the North Sea.

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

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EXPLORATION AND PRODUCTION (concluded)

We completed in the quarter the divestment of shallow water Gulf of Mexico assets to Apache and the exchange of our interest in Block A-18 in the Malaysia Thailand Joint Development Area for Amerada Hess's interests in Colombia. In addition, we completed the sale of other US assets. On April 2, 2003 we completed the sale of the Forties oil field in the North Sea to Apache. In February, we announced agreements with Perenco to sell a package of North Sea gas production assets and interests in Boqueron and Desarrollo Zuli Occidental (DZO) in Venezuela.

In February, we called for redemption our \$420 million Exchangeable Bonds, which were exchangeable for Lukoil ADSs. Bondholders converted to ADSs before the redemption date. This transaction completed the monetization of our stake in the Russian oil company Lukoil. The stake in Lukoil was obtained through the acquisition of ARCO.

Repsol exercised their option in January to acquire a further 20% of our upstream interests in Trinidad. Our interest in BP Trinidad and Tobago LLC is now 70% and the transaction provides further leverage to access the gas markets and growth opportunities in Spain. We also sold 12.5% of the Tangguh liquefied natural gas project to China National Offshore Oil Corporation as part of our strategy to serve gas markets in Southern China.

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

GAS, POWER AND RENEWABLES

		Three months ended March 31 (Unaudited)	
		2003	2002
		-----	-----
		(\$ million)	
Turnover	- \$m	17,998	7,768
Total operating profit	- \$m	221	115

Turnover for the three months ended March 31, 2003 was \$17,998 million, compared with \$7,768 million for the same period in 2002. The increase for the quarter reflects higher natural gas prices and sales volumes.

Operating profit for the three months ended March 31, 2003 was \$221 million compared with \$115 million for the same period in 2002. The result reflects improved marketing and trading and natural gas liquids performance, partly offset by the absence of a contribution from Ruhrgas.

Marketing margins were up significantly in North America as a result of prolonged cold weather in the northeast and midwest markets and an unusually large draw-down of gas in storage. In addition, North American gas volumes were 35% above the same period last year. The global LNG business continued to grow profitably as supply and shipping flexibility allowed the capture of additional business in Asia and the USA. In Spain, the Bilbao electricity generation plant (BP 25%) was commissioned as part of our gas to power strategy. The LNG ship British Innovator was delivered on March 29, 2003.

The first quarter natural gas liquids result was up due to higher liquids prices

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and improved margins on winter propane sales, partly offset by the negative processing margins that resulted from gas prices increasing more than liquids prices.

In Renewables, our solar business launched a new branded offer in California in the USA.

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

REFINING AND MARKETING

		Three months ended March 31 (Unaudited)	
		2003	2002
		-----	-----
		(\$ million)	
Turnover	- \$m	41,435	24,889
Total operating profit	- \$m	1,251	563
Total refined product sales	- mb/d	6,804	6,500
Refinery throughputs	- mb/d	3,024	2,994
Global Indicator Refining Margin (a)	- \$/bbl	4.52	1.64

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

Turnover for the three months ended March 31, 2003 was \$41,435 million compared with \$24,889 million for the same period in the prior year. The increase in turnover for the first quarter is principally due to a stronger Euro, higher product prices and an additional month of contribution from Veba.

Operating profit for the three months ended March 31, 2003 was \$1,251 million compared with \$563 million for the corresponding period of 2002. The result for the first quarter of 2003 includes inventory holding gains of \$620 million and is after charging Veba integration costs of \$18 million. The result for the first quarter of 2002 includes inventory holding gains of \$495 million and was after charging Veba integration costs of \$26 million.

The increase in the result reflects improved worldwide refining margins, with some offset from higher utility costs. Refining throughputs increased by 1%. During the quarter, BP commissioned three new clean fuels units.

The marketing environment reflected margins at normal levels, with US retail margins significantly up from the depressed levels of a year ago. Marketing volumes were flat compared with a year ago.

During the quarter, an additional 600 sites were reimaged, bringing the total number of sites with the BP Helios to some 11,000 worldwide.

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

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RESULTS OF OPERATIONS - continued

CHEMICALS

		Three months ended March 31 (Unaudited)	
		2003	2002
		-----	-----
		(\$ million)	
Turnover	- \$m	3,938	2,642
Total operating profit	- \$m	285	47
Production (a)	- kte	6,980	6,611
Chemicals Indicator Margin (b)	- \$/te	90 (c)	80

(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 Nexant (formerly 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. Among the products and businesses covered in the CIM are the olefins and derivatives, the aromatics and derivatives, linear alpha-olefins (LAOs), acetic acid, vinyl acetate monomers and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins (PAOs), anhydrides, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.

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

Turnover for the three months ended March 31, 2003 was \$3,938 million compared with \$2,642 million for the equivalent period in 2002. The increase in turnover for the first quarter primarily reflects increased prices and higher production as a result of improved plant utilization and organic growth.

Operating profit for the three months ended March 31, 2003, was \$285 million, compared with \$47 million for the equivalent period in 2002. The result for the first quarter of 2003 includes inventory holding gains of \$146 million; the result for the first quarter of 2002 is after charging inventory holding losses of \$29 million and costs of \$32 million related to major site restructuring and Solvay and Erdolchemie integration. In the first quarter of 2003 there were better margins, increased production and improved unit costs compared with the corresponding period in 2002.

Chemicals production of 6,980 thousand tonnes in the first quarter was a record and 369 thousand tonnes above a year ago. Higher production was due to improved plant utilization and organic growth, including one of our new Asian PTA plants coming on stream.

During the quarter, we continued to reduce cash fixed costs per tonne of capacity through planned cost reductions.

As part of the ongoing restructuring of our portfolio, we completed the divestment of the two remaining Burmah Castrol chemicals businesses, Fosroc Mining and Sericol. We also announced our intention to divest our speciality intermediates business (trimellitic anhydride, purified isophthalic acid (PIA)

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and maleic anhydride) based in Joliet, Illinois in the USA, plus the economic interest in our European PIA business. PT Petrokimia Nusantara Interindo (BP 75%), which operates a stand-alone polyethylene manufacturing plant in Indonesia, was sold to Indika Group on April 25, 2003.

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

OTHER BUSINESSES AND CORPORATE

		Three months ended March 31 (Unaudited)	
		2003	2002
		-----	-----
		(\$ million)	
Turnover	- \$m	111	135
Operating (loss)	- \$m	(165)	(125)

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

EXCEPTIONAL ITEMS

		Three months ended March 31 (Unaudited)	
		2003	2002
		-----	-----
		(\$ million)	
Profit (loss) on sale of fixed assets and businesses or termination of operations	- \$m	394	(109)
Taxation credit (charge)	- \$m	(54)	39
		-----	-----
Exceptional items after taxation	- \$m	340	(70)
		-----	-----

Exceptional items for the first quarter principally relate to net gains from the sale of certain upstream interests.

OUTLOOK

World economic activity has remained weak during the first quarter with few signs of an imminent recovery. Confidence has declined in the USA, Europe and more recently in parts of Asia. OECD industrial production has remained essentially flat.

Oil markets have been driven by the impact of war in Iraq, together with the loss of Venezuelan and Nigerian exports and a cold winter in the northern hemisphere. Dated Brent averaged \$31.47/bbl in the first quarter. OECD commercial oil inventories declined to record lows in February in terms of forward days' cover, but appear to have stabilized recently. Rising OPEC production from the middle of the first quarter compensated for the loss of Iraqi exports. Crude prices have since fallen back to around \$25/bbl. Oil supplies have proven adequate even without the release of strategic stocks. The prospect for prices depends upon a particularly wide range of uncertainties which include the timing and level of the return of Iraqi oil exports and the extent to which OPEC's earlier production increases are reversed.

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US natural gas prices have fallen back from the high levels of the first quarter (Henry Hub first of month index average of \$6.53/mmbtu) after the end of the winter heating season. Prices remain above fuel oil parity in face of the challenge to refill gas in storage while production continues to fall. The opening of new pipeline infrastructure later in the second quarter has the potential to narrow differentials in the Rockies.

Refining margins have begun the second quarter somewhat below the average for the first quarter (BP GIM \$4.52/bbl) but remain firm in most regions. OECD commercial product inventories are at five year lows and may continue to underpin refining fundamentals in the short term. Retail margins strengthened towards the end of the first quarter, although prices to the consumer are now falling in line with product prices.

Chemicals margins have been sharply lower than in the fourth quarter of last year, due to feedstock costs rising more rapidly than prices for the majority of petrochemical products. Recent declines in oil prices have begun to restore margins although weak demand conditions persist.

Consistent with our financial framework and plan for the year, we expect capital investment to be in the range of \$14 to 14.5 billion, excluding acquisitions. This excludes the initial cash payment due on completion of the TNK-BP transaction, expected to complete in the summer. We expect gearing to return to the lower half of our 21 to 30% target range following this transaction.

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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, the economic outlook, trends in the trading environment, the timing of acquisitions and divestments, the timing of new projects, oil and gas prices and margins, refining margins, retail margins, realizations on gas sales, inventory and product stock levels, capacity utilization, capital expenditure trends, gearing, working capital, profitability, results of operation, dividend payments, long term purchase commitments 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

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information on factors which may affect BP's business, is contained in BP's Annual Report and Annual Accounts for 2002 and the Annual Report on Form 20-F for 2002 filed with the US Securities and Exchange Commission.

2003 DIVIDENDS

On April 29, 2003, BP p.l.c. announced a first quarterly dividend for 2003 of 6.25 cents per ordinary share of 25 cents (ordinary shares), representing \$0.375 per American Depositary Share (ADS) amounting to \$1,386 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares is May 16, 2003, with payment to be made on June 9, 2003.

Under the former US-UK Income Tax Treaty, dividends paid to qualifying ADS holders entitled them to a refund of a deemed UK tax credit equal to 1/9th of the announced dividend. This credit was exactly offset by an amount deemed by the former US-UK Income Tax Treaty to be a UK withholding tax. The net effect for ADS holders was a cash payment equal to the amount of the announced dividend, a potential foreign tax credit equal to 1/9th of the announced dividend, and a gross dividend equal to the sum of those two amounts. Under the new US-UK Tax Treaty, this deemed tax credit is no longer available on dividends paid to qualifying ADS shareholders, beginning with the first quarterly dividend for 2003.

A dividend reinvestment facility is available for holders of ADSs through JPMorgan Chase Bank (formerly known as Morgan Guaranty Trust Company). Participants in the dividend reinvestment facility included in the US Direct Access Plan will receive the dividend in the form of shares on June 9, 2003.

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

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Turnover - Note 2	64,186	36,569
Less: joint ventures	398	279
	-----	-----
Group turnover	63,788	36,290
Cost of sales	54,439	31,078
Production taxes - Note 3	504	247
	-----	-----
Gross profit	8,845	4,965
Distribution and administration expenses	3,244	2,691
Exploration expense - Note 4	112	124
	-----	-----
Other income	5,489	2,150
	131	125
	-----	-----
Group operating profit	5,620	2,275
Share of profits of joint ventures	118	70

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Share of profits of associated undertakings	186	186
	-----	-----
Total operating profit	5,924	2,531
Profit (loss) on sale of fixed assets and businesses or termination of operations - Note 5	394	(109)
	-----	-----
Profit before interest and tax	6,318	2,422
Interest expense - Note 6	220	333
	-----	-----
Profit before taxation	6,098	2,089
Taxation - Note 7	1,805	753
	-----	-----
Profit after taxation	4,293	1,336
Minority shareholders' interest	26	40
	-----	-----
Profit for the period (a)	4,267	1,296
	=====	=====
Earnings per ordinary share - cents (a)		
Basic	19.11	5.78
Diluted	19.05	5.75
	-----	-----
Earnings per American depositary share - cents (a)		
Basic	114.66	34.68
Diluted	114.30	34.50
	-----	-----
Average number of outstanding ordinary shares (thousands)	22,326,486	22,402,868
	=====	=====

(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 13.

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

	March 31, 2003 (Unaudited)	Decem
	-----	-----
		(\$ million)
Fixed assets		
Intangible assets	14,190	
Tangible assets	88,223	
Investments	10,248	

	112,661	
Current assets		
Inventories	9,874	10,1
Receivables	39,058	33,1
Investments	228	2
Cash at bank and in hand	1,151	1,5
	-----	-----
	50,311	45,0

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-----		-----
Current liabilities - falling due within one year		
Finance debt	6,400	10,0
Accounts payable and accrued liabilities	40,614	36,2
	-----	-----
	47,014	46,3
	-----	-----
Net current liabilities	3,297	

Total assets less current liabilities	115,958	
Noncurrent liabilities		
Finance debt	12,642	11,9
Accounts payable and accrued liabilities	3,411	3,4
Provisions for liabilities and charges		
Deferred tax	13,686	13,5
Other	14,096	13,8
	-----	-----
	43,835	

Net assets	72,123	
Minority shareholders' interest - equity	1,047	

BP shareholders' interest (a) - Note 10	71,076	
	=====	
Represented by:		
Capital shares		
Preference	21	
Ordinary	5,560	
Paid-in surplus	4,345	
Merger reserve	27,050	
Retained earnings	33,944	
Other reserves	156	

	71,076	
	=====	

(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 13.

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

Three months ended	
March 31	
(Unaudited)	
2003	2002
-----	-----

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(\$ million)

Net cash inflow from operating activities	5,961	3,636
	-----	-----
Dividends from joint ventures	13	83
	-----	-----
Dividends from associated undertakings	55	53
	-----	-----
Servicing of finance and returns on investments		
Interest received	31	48
Interest paid	(207)	(309)
Dividends received	6	2
Dividends paid to minority shareholders	(2)	(13)
	-----	-----
Net cash outflow from servicing of finance and returns on investments	(172)	(272)
	-----	-----
Taxation		
UK corporation tax	(312)	(187)
Overseas tax	(320)	(258)
	-----	-----
Tax paid	(632)	(445)
	-----	-----
Capital expenditure and financial investment		
Payments for fixed assets	(2,877)	(2,799)
Proceeds from the sale of fixed assets	2,317	317
	-----	-----
Net cash outflow for capital expenditure and financial investment	(560)	(2,482)
	-----	-----
Acquisitions and disposals		
Investments in associated undertakings	(186)	(143)
Acquisitions, net of cash acquired	-	(1,550)
Net investment in joint ventures	(14)	(46)
Proceeds from the sale of businesses	160	31
	-----	-----
Net cash outflow for acquisitions and disposals	(40)	(1,708)
	-----	-----
Equity dividends paid	(1,397)	(1,288)
	-----	-----
Net cash inflow (outflow)	3,228	(2,423)
	=====	=====
Financing	3,593	(2,283)
Management of liquid resources	13	(165)
(Decrease) increase in cash	(378)	25
	-----	-----
	3,228	(2,423)
	=====	=====

(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 13.

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	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Reconciliation of profit before interest and tax to net cash inflow from operating activities		
Profit before interest and tax	6,318	2,421
Depreciation and amounts provided	2,709	2,151
Exploration expenditure written off	50	5
Share of profits of joint ventures and associated undertakings	(304)	(25)
Interest and other income	(48)	(6)
(Profit) loss on sale of fixed assets and businesses	(394)	10
Charge for provisions	202	16
Utilization of provisions	(228)	(23)
Decrease (increase) in inventories	376	(49)
Increase in debtors	(6,935)	(41)
Increase in creditors	4,215	18
	-----	-----
Net cash inflow from operating activities	5,961	3,631
	=====	=====
Financing		
Long-term borrowing	(1,015)	(1,74)
Repayments of long-term borrowing	403	23
Short-term borrowing	(626)	(3,49)
Repayments of short-term borrowing	3,899	2,81
	-----	-----
	2,661	(2,19)
Issue of ordinary share capital for employee share schemes	(67)	(9)
Repurchase of ordinary share capital	999	
	-----	-----
Net cash inflow (outflow) from financing	3,593	(2,28)
	=====	=====

(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 13.

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

- 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, 2002 included in BP's Annual Report on Form 20-F filed with the Securities and Exchange Commission.

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		Three months ended March 31 (Unaudited)	
		2003	2002
		-----	-----
		(\$ million)	
2.	Turnover		
	By business		
	Exploration and Production	9,068	5,638
	Gas, Power and Renewables	17,998	7,768
	Refining and Marketing	41,435	24,889
	Chemicals	3,938	2,642
	Other businesses and corporate	111	135
		-----	-----
		72,550	41,072
	Less: sales between businesses	8,762	4,782
		-----	-----
	Group excluding joint ventures	63,788	36,290
	Share of sales by joint ventures	398	279
		-----	-----
		64,186	36,569
		=====	=====
	By geographical area		
	Group excluding joint ventures		
	UK	15,427	10,995
	Rest of Europe	13,022	9,119
	USA	31,098	15,265
	Rest of World	13,736	6,984
		-----	-----
		73,283	42,363
	Less: sales between areas	9,495	6,073
		-----	-----
		63,788	36,290
		=====	=====
3.	Production taxes		
	UK petroleum revenue tax	133	63
	Overseas production taxes	371	184
		-----	-----
		504	247
		=====	=====
4.	Exploration expense		
	Exploration and Production		
	UK	3	6
	Rest of Europe	4	23
	USA	37	42
	Rest of World	68	53
		-----	-----
		112	124
		=====	=====

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

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		Three months ended March 31 (Unaudited)	
		2003	2002
		-----	-----
		(\$ million)	
5.	Analysis of exceptional items Profit (loss) on sale of fixed assets and businesses or termination of operations		
	Exploration and Production	433	5
	Gas, Power and Renewables	-	-
	Refining and Marketing	(52)	(45)
	Chemicals	7	(60)
	Other businesses and corporate	6	(9)
		-----	-----
	Exceptional items before taxation	394	(109)
	Taxation (charge) credit	(54)	39
		-----	-----
	Exceptional items after taxation	340	(70)
		=====	=====
6.	Interest expense		
	Group interest payable	187	267
	Capitalized	(34)	(15)
		-----	-----
		153	252
	Joint ventures	13	14
	Associated undertakings	10	24
	Unwinding of discount on provisions	44	43
		-----	-----
		220	333
		=====	=====
7.	Charge for taxation		
	Current	1,581	533
	Deferred	224	220
		-----	-----
		1,805	753
		=====	=====
	United Kingdom	485	189
	Overseas	1,320	564
		-----	-----
		1,805	753
		=====	=====

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

8. Business and geographical analysis

By business	Exploration and Production	Gas, Power and Renewables	Refining and Marketing	Chemicals	Other businesses and corporate
	-----	-----	-----	-----	-----

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(\$ million)

Three months
ended March 31, 2003

Group turnover					
- third parties	2,031	17,449	40,380	3,817	11
- sales between businesses	7,037	549	1,055	121	
	9,068	17,998	41,435	3,938	11
Share of sales by joint ventures	181	-	100	117	
Equity accounted income	234	(1)	37	25	
Total operating profit (loss)	4,332	221	1,251	285	(16)
Exceptional items	433	-	(52)	7	
Profit (loss) before interest and tax	4,765	221	1,199	292	(15)
Capital expenditure and acquisitions	2,137	68	537	96	3

Three months
ended March 31, 2002

Group turnover					
- third parties	2,091	7,313	24,221	2,530	13
- sales between businesses	3,547	455	668	112	
	5,638	7,768	24,889	2,642	13
Share of sales by joint ventures	95	-	77	107	
Equity accounted income	125	54	51	9	1
Total operating profit (loss)	1,931	115	563	47	(12)
Exceptional items	5	-	(45)	(60)	(
Profit (loss) before interest and tax	1,936	115	518	(13)	(13)
Capital expenditure and acquisitions	2,313	46	3,137	188	5

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

8. Business and geographical analysis - continued

By geographical area	UK	Rest of Europe	USA	Rest of World	E
----------------------	----	----------------	-----	---------------	---

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				(\$ million)
Three months ended March 31, 2003				
Group turnover - third parties	11,214	10,762	30,612	11,200
- sales between areas	4,213	2,260	486	2,536
	15,427	13,022	31,098	13,736
Share of sales by joint ventures	28	89	42	239
Equity accounted income	(1)	(3)	35	273
Total operating profit	1,118	690	2,489	1,627
Exceptional items	(12)	(41)	(146)	593
Profit before interest and tax	1,106	649	2,343	2,220
Capital expenditure and acquisitions	301	202	1,396	975
Three months ended March 31, 2002				
Group turnover - third parties	8,412	7,318	14,998	5,562
- sales between areas	2,583	1,801	267	1,422
	10,995	9,119	15,265	6,984
Share of sales by joint ventures	32	56	43	148
Equity accounted income	(2)	61	55	142
Total operating profit	576	498	442	1,015
Exceptional items	(9)	10	(109)	(1)
Profit before interest and tax	567	508	333	1,014
Capital expenditure and acquisitions	409	2,852	1,531	944

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

	Three months ended	
	March 31	
	(Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
9. Analysis of changes in net debt		
Opening balance		

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Finance debt	22,008	21,417
Less: Cash	1,520	1,358
Current asset investments	215	450
	-----	-----
Opening net debt	20,273	19,609
	-----	-----
Closing balance		
Finance debt	19,042	24,531
Less: Cash	1,151	1,379
Current asset investments	228	286
	-----	-----
Closing net debt	17,663	22,866
	-----	-----
Decrease (increase) in net debt	2,610	(3,257)
	=====	=====
Movement in cash/bank overdrafts	(378)	25
Increase (decrease) in current asset investments	13	(165)
Net cash outflow (inflow) from financing (excluding share capital)	2,661	(2,192)
Exchange of Exchangeable Bonds for Lukoil Amercian Depositary Shares	420	-
Other movements	64	25
Debt acquired	-	(999)
	-----	-----
Movements in net debt before exchange effects	2,780	(3,306)
Exchange adjustments	(170)	49
	-----	-----
Decrease (increase) in net debt	2,610	(3,257)
	=====	=====

10.Movement in BP shareholders' interest \$ million

Balance at December 31, 2002	69,409
Profit for the period	4,267
Distribution to shareholders	(1,386)
Currency translation differences (net of tax)	(282)
Issue of ordinary share capital for employee share schemes	67
Repurchase of ordinary share capital	(999)

Balance at March 31, 2003	71,076
	=====

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

11. Earnings per share

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

Three months ended
March 31

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	(Unaudited)	
	2003	2002

	(shares thousands)	
Weighted average number of ordinary shares	22,326,486	22,402,868
Ordinary shares issuable under employee share schemes	68,313	117,560
	-----	-----
	22,394,799	22,520,428
	=====	=====

12. Share-based compensation

BP accounts for share options granted to employees using the intrinsic-value method. If the fair value of options granted in any particular year is estimated and this value amortized over the vesting period of the options, an indication of the cost of granting options to employees can be made. The fair value of each share option granted has been estimated using a Black-Scholes option pricing model.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, 'Accounting for Stock-Based Compensation', to share based employee compensation.

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Profit for the period applicable to ordinary shares, as reported	4,267	1,296
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(24)	(26)
	-----	-----
Pro forma net income	4,243	1,270
	=====	=====
	(cents)	
Earnings per share		
Basic - as reported	19.11	5.78
Basic - pro forma	19.00	5.67
Diluted - as reported	19.05	5.75
Diluted - pro forma	18.95	5.64

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

13. 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:

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(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 joint ventures and associated undertakings. In addition the Group's share of 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 March 31, 200			
(Unaudited)			
Increase (decrease) in caption heading	As		
	Reported	Reclassification	Presented
(\$ million)			
Consolidated statement of income			
Other income	131		216
Share of profits of JVs and associated undertakings	304		(304)
Exceptional items before taxation	394		-
Interest expense	220		(23)
Taxation	1,805		(65)
Profit for the period	4,267		-

Three months ended March 31, 200			
(Unaudited)			
Increase (decrease) in caption heading	As		
	Reported	Reclassification	Presented
(\$ million)			
Consolidated statement of income			

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Other income	125	153
Share of profits of JVs and associated undertakings	256	(256)
Exceptional items before taxation	(109)	-
Interest expense	333	(38)
Taxation	753	(65)
Profit for the period	1,296	-

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

13. US generally accepted accounting principles - continued

(ii) 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 termination of operations and fundamental restructuring charges. Under US GAAP these items are classified as operating income or expenses.

(iii) 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 period and to BP shareholders' interest to accord with US GAAP are summarized below.

	Three months ended March 31 (Unaudited)	
Increase (decrease) in caption heading	2003	2002
	-----	-----
	(\$ million)	
Cost of sales	692	151
Taxation	(728)	(94)
Profit for the period	36	(57)
	=====	=====

	At March 31, 2003 (Unaudited)	At December 31, 2002
	-----	-----
	(\$ million)	
Tangible assets	6,749	7,408
Deferred taxation	6,794	7,486
BP shareholders' interest	(45)	(78)

=====

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

13. US generally accepted accounting principles - continued

(iv) 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. The provisions for decommissioning and environmental liabilities are estimated using costs based on current prices and discounted using real discount rates. 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.

On January 1, 2003 the Group adopted 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.

The provisions for decommissioning under SFAS 143 are set up on a similar basis to UK GAAP except that estimated future cash outflows are discounted using a credit-adjusted risk-free rate rather than a real discount rate.

The cumulative effect of adopting SFAS 143 at January 1, 2003 resulted in an after tax credit to income, as adjusted to accord with US GAAP, of \$1,002 million. The effect of adoption also included an increase in total assets, as adjusted to accord with US GAAP, of \$687 million and a reduction in total liabilities, as adjusted to accord with US GAAP, of \$315 million. The effect of adoption on the three months ended March 31, 2003 was to decrease profit for the period before cumulative effect of accounting changes as adjusted to accord with US GAAP by \$23 million.

Under US GAAP environmental liabilities are discounted only where the timing and amounts of payments are fixed and reliably determinable.

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

	Three months ended March 31 (Unaudited)	
Increase (decrease) in caption heading	2003	2002
	-----	-----

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	(\$ million)	
Cost of sales	(34)	77
Interest expense	6	(43)
Taxation	2	(8)
Profit for the period before cumulative effect of accounting changes	26	(26)
Cumulative effect of accounting changes	1,002	-
Profit for the period	1,028	(26)
	=====	=====

	At March 31, 2003 (Unaudited)	At December 31, 2002
	-----	-----
	(\$ million)	
Tangible assets	(601)	(1,297)
Provisions	(533)	412
Deferred taxation	(5)	(621)
BP shareholders' interest	(63)	(1,088)
	=====	=====

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

13. US generally accepted accounting principles - continued

(iv) Provisions (concluded)

The following pro forma data summarize the results of operations for the three months ended March 31, 2003 and 2002 assuming SFAS 143 was applied retroactively with effect from January 1, 2002.

	Three months ended March 31, 2003 ----- (\$ million)
Profit for the period applicable to ordinary shares as adjusted to accord with US GAAP, as reported	
As reported	4,734
Pro forma	4,734
Per ordinary share - cents	
Basic - as reported	21.20
Basic - pro forma	21.20
Diluted - as reported	21.14

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Diluted - pro forma	21.14
Per American Depositary Share - cents	
Basic - as reported	127.20
Basic - pro forma	127.20
Diluted - as reported	126.84
Diluted - pro forma	126.84

The pro forma asset retirement obligation at January 1, 2002 and December 31, 2002, assuming SFAS 143 was applied retroactively with effect from January 1, 2002, amounts to \$3,268 million and \$3,469 million, respectively.

(v) 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 under US GAAP. The remaining interest in this building was sold in January 2003.

Provisions were recognized under UK GAAP in 1999 and 2002 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 was reversed for US GAAP. Following the disposal of the building a provision has now been recognized 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.

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

13. US generally accepted accounting principles - continued

(v) Sale and leaseback (concluded)

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

	Three months ended March 31 (Unaudited)	
Increase (decrease) in caption heading	2003	2002
	-----	-----
	(\$ million)	
Cost of sales	(108)	5
Taxation	37	(1)
Profit for the period	71	(4)
	=====	=====

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	At March 31, 2003 (Unaudited)	At December 31, 2002
	-----	-----
	(\$ million)	
Tangible assets	-	161
Other accounts payable and accrued liabilities	26	27
Provisions	29	(117)
Finance debt	-	413
Deferred taxation	(19)	(56)
BP shareholders' interest	(36)	(106)
	=====	=====

(vi) 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.

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

	Three months ended March 31 (Unaudited)	
Increase (decrease) in caption heading	2003	2002
	-----	-----
	(\$ million)	
Cost of sales	(342)	(321)
Profit for the period	342	321
	=====	=====

	At March 31, 2003 (Unaudited)	At December 31, 2002
	-----	-----
	(\$ million)	
Intangible assets	245	(84)
BP shareholders' interest	245	(84)
	=====	=====

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13. US generally accepted accounting principles - continued

(vi) Goodwill and intangible assets (concluded)

Changes to exploration expenditure, goodwill and other intangible assets, as adjusted to accord with US GAAP, during the three months ended March 31, 2003 are shown below.

	Exploration expenditure	Goodwill	Other intangibles	Total

	(\$ million)			
Net book amount				
At January 1, 2003	4,944	10,354	488	15,786
Amortization expense	(50)	-	(13)	(63)
Acquisitions	-	-	-	-
Other movements	(639)	(263)	9	(893)

At March 31, 2003	4,255	10,091	484	14,830
	=====			

Amortization expense relating to other intangibles is expected to be in the range \$100-\$200 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.

(vii) Derivative financial instruments and hedging activities

SFAS 133 'Accounting for Derivative Instruments and Hedging Activities' 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.

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. Under US GAAP the fair values of derivative financial instruments are shown as current assets and liabilities as appropriate.

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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.

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

13. US generally accepted accounting principles - continued

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

In October 2002, the FASB Emerging Issues Task Force (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) and trading inventories 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 accruals basis.

The consensus is applicable for all contracts executed after October 25, 2002. Application of the consensus to contracts existing prior to October 26, 2002 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 cumulative effect of adopting the consensus at January 1, 2003 resulted in an after tax credit to income, as adjusted to accord with US GAAP, of \$50 million.

Also in October 2002, the FASB Emerging Issues Task Force (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 trading inventories should be recorded on the balance sheet at historical cost. The Group marks trading inventories to market at the balance sheet date. Thus a UK/US GAAP difference arises which impacts both profit for the year and BP shareholders' interest due to the difference in inventory valuations.

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

	Three months ended March 31 (Unaudited)	
Increase (decrease) in caption heading	2003	2002

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	-----	-----
	(\$ million)	
Cost of sales	12	(804)
Taxation	(4)	281
Profit for the period before cumulative effect of accounting changes	(8)	523
Cumulative effect of accounting changes	50	-
Profit for the period	42	523
	=====	=====

	At March 31, 2003 (Unaudited)	At December 31, 2002
	-----	-----
	(\$ million)	
Inventories	(148)	(209)
Accounts payable and accrued liabilities	(17)	(13)
Deferred taxation	(39)	(61)
BP shareholders' interest	(92)	(135)
	=====	=====

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

13. US generally accepted accounting principles - continued

(viii) 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 period and to BP shareholders' interest to accord with US GAAP are summarized below.

	Three months ended March 31 (Unaudited)	
Increase (decrease) in caption heading	2003	2002
	-----	-----
	(\$ million)	
Cost of sales	5	9
Taxation	(2)	(4)
Profit for the period	(3)	(5)
	=====	=====

At March 31, 2003 (Unaudited)	At December 31, 2002
-----	-----

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	-----	-----
	(\$ million)	
Intangible assets	163	167
Accounts payable and accrued liabilities	(50)	(52)
Deferred taxation	75	77
BP shareholders' interest	138	142
	=====	=====

(ix) Ordinary shares held for future awards to employees

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

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

	At March 31, 2003 (Unaudited)	At December 31, 2002
Increase (decrease) in caption heading	-----	-----
	(\$ million)	
Fixed assets - Investments	(117)	(159)
BP shareholders' interest	(117)	(159)
	=====	=====

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

13. US generally accepted accounting principles - continued

(x) 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 March 31, 2003 (Unaudited)	At December 31, 2002
Increase (decrease) in caption heading	-----	-----
	(\$ million)	
Other accounts payable and accrued liabilities	(1,386)	(1,398)

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BP shareholders' interest	(1,386)	(1,398)
	=====	=====

(xi) Investments

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

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

Increase (decrease) in caption heading	At March 31, 2003 (Unaudited)	At December 31, 2002
	-----	-----
	(\$ million)	
Fixed assets - Investments	11	52
Deferred taxation	4	18
BP shareholders' interest	7	34
	=====	=====

(xii) 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.

Increase (decrease) in caption heading	At March 31, 2003 (Unaudited)	At December 31, 2002
	-----	-----
	(\$ million)	
Intangible assets	137	137
Other receivables falling due after more than one year	(1,211)	(1,211)
Noncurrent liabilities - accounts payable accrued liabilities	2,459	2,459
Deferred taxation	(1,247)	(1,247)
BP shareholders' interest	(2,286)	(2,286)
	=====	=====

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

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

13. US generally accepted accounting principles - continued

(xii) Additional minimum pension liability (concluded)

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

Profit for the period	Three months ended March 31 (Unaudited)	
	2003	2002 (a)

	(\$ million)	
Profit as reported in the consolidated statement of income	4,267	1,296
Adjustments:		
Deferred taxation/business combinations (iii)	36	(57)
Provisions (iv)	26	(26)
Sale and leaseback (v)	71	(4)
Goodwill (vi)	342	321
Derivative financial instruments (vii)	(8)	523
Gain arising on asset exchange (viii)	(3)	(5)
Other	3	3
	-----	-----
	467	755
	-----	-----
Profit (loss) for the period as adjusted to accord with US GAAP before cumulative effect of accounting changes	4,734	2,051
Cumulative effect of accounting changes:		
Provisions	1,002	-
Derivative financial instruments	50	-
	-----	-----
Profit for the period as adjusted to accord with US GAAP	5,786	2,051
	=====	=====
Profit for the period as adjusted:		
Per ordinary share - cents		
Basic - before cumulative effect of accounting changes	21.20	9.16
Cumulative effect of accounting changes		
Provisions	4.49	-
Derivative financial instruments	0.23	-
	-----	-----
	25.92	9.16
	=====	=====

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Diluted - before cumulative effect of accounting changes	21.14	9.11
Cumulative effect of accounting changes		
Provisions	4.49	-
Derivative financial instruments	0.22	-
	-----	-----
	25.84	9.11
	=====	=====
Per American Depositary Share - cents (b)		
Basic - before cumulative effect of accounting changes	127.20	54.96
Cumulative effect of accounting changes		
Provisions	26.94	-
Derivative financial instruments	1.38	-
	-----	-----
	155.52	54.96
	=====	=====
Diluted - before cumulative effect of accounting changes	126.84	54.66
Cumulative effect of accounting changes		
Provisions	26.88	-
Derivative financial instruments	1.32	-
	-----	-----
	155.04	54.66
	=====	=====

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

13. US generally accepted accounting principles - continued

BP shareholders' interest	March 31, 2003	
	(Unaudited)	December 31, 2002

	(\$ million)	
BP shareholders' interest as reported in the consolidated balance sheet	71,076	69,409
Adjustments:		
	-----	-----
Deferred taxation/business combinations	(45)	(78)
Provisions (iv)	(63)	(1,088)
Sale and leaseback (v)	(36)	(106)
Goodwill (vi)	245	(84)
Derivative financial instruments (vii)	(92)	(135)
Gain arising on asset exchange (viii)	138	142
Ordinary shares held for future awards to employees (ix)	(117)	(159)
Dividends (x)	1,386	1,398
Investments (xi)	7	34
Additional minimum pension liability (xii)	(2,286)	(2,286)
Other	(47)	(48)
	-----	-----
	(910)	(2,410)
	-----	-----
BP shareholders' interest as adjusted to accord with US GAAP	70,166	66,999

=====

=====

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

Comprehensive income

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

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Profit for the period as adjusted to accord with US GAAP	5,786	2,051
Currency translation differences	(282)	(356)
Derivative financial instruments	43	-
Net unrealized gain (loss) on investments	(27)	161
Additional minimum pension liability	-	-
	-----	-----
Comprehensive income	5,520	1,856
	=====	=====

Accumulated other comprehensive income at March 31, 2003 and December 31, 2002 comprised losses of \$3,975 million and \$3,709 million, respectively.

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

13. US generally accepted accounting principles - continued

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

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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

13. US generally accepted accounting principles - continued

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

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Operating activities		
Profit after taxation	4,293	1,336
Adjustments to reconcile profits after tax to net cash provided by operating activities		
Depreciation and amounts provided	2,709	2,153
Exploration expenditure written off	50	59
Share of profits of joint ventures and associated undertakings less dividends received	(148)	(17)
(Profit) loss on sale of businesses and fixed assets	(394)	109
Working capital movement (a)	(1,475)	(669)
Deferred taxation	224	220
Other	2	(108)
	-----	-----
Net cash provided by operating activities	5,261	3,083
	=====	=====
Investing activities		
Capital expenditures	(2,911)	(2,814)
Acquisitions, net of cash acquired	-	(1,550)
Investment in associated undertakings	(186)	(143)
Net investment in joint ventures	(14)	(46)
Proceeds from disposal of assets	2,477	348
	-----	-----
Net cash used in investing activities	(634)	(4,205)
	-----	-----
Financing activities		
Proceeds from shares issued (repurchased)	(932)	91
Proceeds from long-term financing	1,015	1,746
Repayments of long-term financing	(403)	(234)
Net decrease (increase) in short-term debt	(3,273)	680
Dividends paid - BP Shareholders	(1,397)	(1,288)
- Minority shareholders	(2)	(13)
	-----	-----
Net cash used in financing activities	(4,992)	982
	-----	-----
Currency translation differences relating to cash and cash equivalents	9	(3)
	-----	-----
Increase (decrease) in cash and cash equivalents	(356)	(143)

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Cash and cash equivalents at beginning of period	1,735	1,808
	-----	-----
Cash and cash equivalents at end of period	1,379	1,665
	=====	=====
(a) Working capital:		
Inventories (increase) decrease	376	(496)
Receivables (increase) decrease	(6,946)	(443)
Current liabilities - excluding finance debt		
increase (decrease)	5,095	270
	-----	-----
	(1,475)	(669)
	=====	=====

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

13. US generally accepted accounting principles - continued

Impact of new US accounting standards

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.

Stock-based compensation: In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure" (SFAS 148). SFAS 148 amends SFAS 123 to permit alternative methods of transition for adopting a fair value based method of accounting for stock-based employee compensation. As required by UK GAAP, the Group uses the intrinsic value method to account for stock-based employee compensation.

Guarantees: In November 2002, the FASB issued FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (Interpretation 45). Interpretation 45 elaborates on existing disclosure requirements for guarantees and clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of Interpretation 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002.

Consolidation: In January 2003, the FASB issued FASB Interpretation No. 46 "Consolidation of Variable Interest Entities" (Interpretation 46). Interpretation 46 clarifies the application of existing consolidation requirements to entities where a controlling financial interest is achieved through arrangements that do not involve voting interests. Under Interpretation 46, a variable interest entity is consolidated if a company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Interpretation 46 applies to variable interest entities created or acquired after January 31, 2003. For variable interest entities

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existing at January 31, 2003, Interpretation 46 is effective for accounting periods beginning after June 15, 2003.

The Company is currently carrying out the analysis necessary to adopt Interpretation 46 in the third quarter of 2003 for existing entities. The Company does not expect that the adoption of Interpretation 46 will have a significant effect on profit, as adjusted to accord with US GAAP, or BP 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

13. 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.

In November 2002, the UK Accounting Standards Board issued an amendment to FRS 17, which defers 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.

14. 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.

BP p.l.c. fully and unconditionally guarantees the payment obligations of its 100% owned subsidiary BP Exploration (Alaska) Inc. under the Prudhoe Bay Royalty Trust.

BP p.l.c. also fully and unconditionally guarantees securities issued by BP Australia Capital Markets Limited, BP Canada Finance Company, BP Capital Markets p.l.c. and BP Capital Markets America Inc. These companies are 100%-owned finance subsidiaries of BP p.l.c.

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

14. Condensed consolidating information - continued

	Issuer	Guarantor	
	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries
			recl
			(\$ million)
Three months ended March 31, 2003			
Turnover	880	-	64,186
Less: Joint ventures	-	-	398
Group turnover	880	-	63,788
Cost of sales	400	-	54,995
Production taxes	68	-	436
Gross profit	412	-	8,357
Distribution and administration expenses	-	64	3,180
Exploration expense	1	-	111
	411	(64)	5,066
Other income	6	147	129
Group operating profit	417	83	5,195
Share of profits of joint ventures	-	-	118
Share of profits of associated undertakings	-	-	186
Equity accounted income of subsidiaries	125	5,890	-
Total operating profit	542	5,973	5,499
Profit (loss) on sale of fixed assets and businesses or termination of operations	(1)	394	395
Profit before interest and tax	541	6,367	5,894

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Interest expense	68	295	238
Profit before taxation	473	6,072	5,656
Taxation	211	1,805	1,640
Profit after taxation	262	4,267	4,016
Minority shareholders' interest	–	–	26
Profit for the period	262	4,267	3,990

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

14. 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		
BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
(\$ million)			

Three months ended March 31, 2003

Profit as reported	262	4,267	3,990
Adjustments:			
Deferred taxation/business combinations	(3)	36	39
Provisions	(4)	26	25
Sale and leaseback	–	71	71
Goodwill	–	342	342
Derivative financial instruments	–	(8)	(8)
Gain arising on asset exchange	–	(3)	(3)

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Other	16	3	3
Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP	271	4,734	4,459
Cumulative effect of accounting change:			
Provisions	214	1,002	788
Derivative financial instruments	—	50	50
Profit for the period as adjusted to accord with US GAAP	485	5,786	5,297

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

14. Condensed consolidating information - continued

	Issuer	Guarantor	
	-----	-----	
	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries
Income statement (continued)			recl
	-----	-----	-----
			(\$ million)
Three months ended March 31, 2002			
Turnover	506	-	36,569
Less: Joint ventures	-	-	279
	-----	-----	-----
Group turnover	506	-	36,290
Cost of sales	319	-	31,273
Production taxes	44	-	203
	-----	-----	-----
Gross profit	143	-	4,814
Distribution and administration expenses	-	54	2,637
Exploration expense	6	-	118
	-----	-----	-----
	137	(54)	2,059

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Other income	15	153	56
Group operating profit	152	99	2,115
Share of profits of joint ventures	-	-	70
Share of profits of associated undertakings	-	-	186
Equity accounted income of subsidiaries	49	2,483	-
Total operating profit	201	2,582	2,371
Profit (loss) on sale of fixed assets and businesses or termination of operations	-	(109)	(109)
Profit before interest and tax	201	2,473	2,262
Interest expense	13	424	393
Profit before taxation	188	2,049	1,869
Taxation	82	753	686
Profit after taxation	106	1,296	1,183
Minority shareholders' interest	-	-	40
Profit for the period	106	1,296	1,143

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

14. 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)

Three months ended March 31, 2002

Profit as reported	106	1,296	1,143
Adjustments:			
Deferred taxation/business combinations	(33)	(57)	(36)
Provisions	-	(26)	(25)
Sale and leaseback	-	(4)	(4)
Goodwill	-	321	321
Derivative financial instruments	-	523	523
Gain arising on asset exchange	-	(5)	(5)
Other	-	3	3
Profit for the period as adjusted to accord with US GAAP	73	2,051	1,920

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

14. Condensed consolidating information - continued

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

At March 31, 2003

Fixed assets

Intangible assets	430	-	13,760
Tangible assets	6,386	-	81,837
Investments			

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Subsidiaries - equity accounted basis	2,629	95,864	-
Other	-	120	10,128
	2,629	95,984	10,128
Total fixed assets	9,445	95,984	105,725
Current assets			
Inventories	78	-	9,796
Receivables	18,411	12,770	59,419
Investments	-	-	228
Cash at bank and in hand	(10)	(11)	1,172
	18,479	12,759	70,615
Current liabilities - falling due within one year			
Finance debt	7,386	-	6,345
Accounts payable and accrued liabilities	621	11,366	40,030
Net current assets (liabilities)	10,472	1,393	24,240
Total assets less current liabilities	19,917	97,377	129,965
Noncurrent liabilities			
Finance debt	-	-	12,642
Accounts payable and accrued liabilities	5,480	49	30,690
Provisions for liabilities and charges			
Deferred taxation	1,698	-	11,988
Other provisions	495	125	13,476
Net assets	12,244	97,203	61,169
Minority shareholders' interest - equity	-	-	1,047
BP shareholders' interest	12,244	97,203	60,122

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

14. Condensed consolidating information - continued

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	Issuer	Guarantor		
	-----	-----		
	BP		Other	
Balance sheet (continued)	Exploration	BP p.l.c.	subsidiaries	recl
	(Alaska) Inc.			
	-----	-----	-----	-----
			(\$ million)	
At March 31, 2003				
Capital and reserves				
Capital shares	1,903	5,581	-	
Paid-in surplus	3,145	4,345	-	
Merger reserve	-	26,353	697	
Other reserves	-	156	-	
Retained earnings	7,196	60,768	59,425	
	-----	-----	-----	-----
	12,244	97,203	60,122	
	=====	=====	=====	=====

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	recl
	(Alaska) Inc.			
	-----	-----	-----	-----
			(\$ million)	
Shareholders' interest as reported	12,244	97,203	60,122	
Adjustments:				
Deferred taxation/business combinations	71	(45)	(116)	
Provisions	24	(63)	(87)	
Sale and leaseback	-	(36)	(36)	
Goodwill	-	245	245	
Derivative financial instruments	-	(92)	(92)	
Gain arising on asset exchange	-	138	138	
Ordinary shares held for future				

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awards to employees	-	(117)	-
Quarterly dividend	-	1,386	-
Investments	-	7	7
Additional minimum pension liability	-	(2,286)	(2,286)
Other	(34)	(47)	(47)
Shareholders' interest as adjusted to accord with US GAAP	12,305	96,293	57,848

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

14. Condensed consolidating information - continued

	Issuer	Guarantor	
	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries
			recl
			(\$ million)
At December 31, 2002			
Fixed assets			
Intangible assets	427	-	15,139
Tangible assets	6,405	-	81,277
Investments			
Subsidiaries - equity accounted basis	2,561	91,939	-
Other	-	162	10,649
	2,561	92,101	10,649
Total fixed assets	9,393	92,101	107,065
Current assets			
Inventories	102	-	10,079
Receivables	18,169	13,581	51,022
Investments	-	-	215
Cash at bank and in hand	(11)	1	1,530

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	18,260	13,582	62,846
Current liabilities - falling due within one year			
Finance debt	1,768	-	10,031
Accounts payable and accrued liabilities	1,129	9,906	35,369
Net current assets (liabilities)	15,363	3,676	17,446
Total assets less current liabilities	24,756	95,777	124,511
Noncurrent liabilities			
Finance debt	-	-	11,922
Accounts payable and accrued liabilities	10,586	98	30,491
Provisions for liabilities and charges			
Deferred taxation	1,686	-	11,828
Other provisions	489	142	13,255
Net assets	11,995	95,537	57,015
Minority shareholders' interest - equity	-	-	638
BP shareholders' interest	11,995	95,537	56,377

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

14. Condensed consolidating information - continued

	Issuer	Guarantor		
	-----	-----		
	BP			
Balance sheet (concluded)	Exploration		Other	
	(Alaska) Inc.	BP p.l.c.	subsidiaries	recl
	-----	-----	-----	-----
			(\$ million)	
At December 31, 2002				
Capital and reserves				
Capital shares	1,903	5,616	-	

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Paid-in surplus	3,145	4,243	-
Merger reserve	-	26,336	697
Other reserves	-	173	-
Retained earnings	6,947	59,169	55,680
	11,995	95,537	56,377

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	11,995	95,537	56,377
Adjustments:			
Deferred taxation/business combinations	74	(78)	(152)
Provisions	(190)	(1,088)	(902)
Sale and leaseback	-	(106)	(106)
Goodwill	-	(84)	(84)
Derivative financial instruments	50	(135)	(135)
Gain arising on asset exchange	-	142	142
Ordinary shares held for future awards to employees	-	(159)	-
Quarterly dividend	-	1,398	-
Investments	-	34	34
Additional minimum pension liability	-	(2,286)	(2,286)
Other	-	(48)	(48)
Shareholders' interest as adjusted to accord with US GAAP	11,929	93,127	52,840

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

14. Condensed consolidating information - continued

	Issuer	Guarantor		
	-----	-----		
	BP		Other	recl
Cash flow statement	Exploration	BP p.l.c.	subsidiaries	
	(Alaska) Inc.			
	-----	-----	-----	-----
			(\$ million)	
Three months ended March 31, 2003				
Net cash inflow (outflow) from operating activities	518	2,253	3,163	
Dividends from joint ventures	-	-	13	
Dividends from associated undertakings	-	-	55	
Dividends from subsidiaries	10	-	-	
Net cash inflow (outflow) from servicing of finance and returns on investments	(22)	27	(150)	
Tax paid	-	-	(632)	
Net cash inflow (outflow) for capital expenditure and financial investment	(97)	36	(499)	
Net cash inflow (outflow) for acquisitions and disposals	6	-	(46)	
Equity dividends paid	-	(1,397)	(10)	
Net cash inflow (outflow)	415	919	1,894	
Financing	414	931	2,248	
Management of liquid resources	-	-	13	
Increase (decrease) in cash	1	(12)	(367)	
	415	919	1,894	

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

Issuer Guarantor

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	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
			(\$ million)	
Net cash provided by (used in) operating activities	534	2,280	2,449	
Net cash provided by (used in) investing activities	(97)	36	(545)	
Net cash provided by (used in) financing activities	(436)	(2,328)	(2,258)	
Currency translation differences relating to cash and cash equivalents	-	-	9	
Increase (decrease) in cash and cash equivalents	1	(12)	(345)	
Cash and cash equivalents at beginning of period	(11)	1	1,745	
Cash and cash equivalents at end of period	(10)	(11)	1,400	

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

14. Condensed consolidating information - concluded

	Issuer	Guarantor	
	-----	-----	
Cash flow statement (concluded)	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries recl
	-----	-----	-----
			(\$ million)
Three months ended March 31, 2002			
Net cash inflow (outflow) from operating activities	367	1,051	2,119
Dividends from joint ventures	-	-	83
Dividends from associated undertakings	-	-	53
Dividends from subsidiaries	15	-	-
Net cash inflow (outflow) from servicing of finance and returns on investments	-	65	(337)

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Tax paid	-	-	(445)
Net cash inflow (outflow) for capital expenditure and financial investments	(150)	(17)	(2,315)
Net cash inflow (outflow) for acquisitions and disposals	-	99	(1,708)
Equity dividends paid	-	(1,288)	(15)
Net cash inflow (outflow)	232	(90)	(2,565)
Financing	214	(90)	(2,407)
Management of liquid resources	-	-	(165)
Increase (decrease) in cash	18	-	7
	232	(90)	(2,565)

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

	Issuer	Guarantor	
	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries
			recl
			(\$ million)
Net cash provided by (used in) operating activities	382	1,116	1,488
Net cash provided by (used in) investing activities	(150)	83	(4,038)
Net cash provided by (used in) financing activities	(214)	(1,199)	2,392
Currency translation differences relating to cash and cash equivalents	-	-	(3)
Increase (decrease) in cash and cash equivalents	18	-	(161)
Cash and cash equivalents at beginning of period	(29)	3	1,834
Cash and cash equivalents at end of period	(11)	3	1,673

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BP p.l.c. AND SUBSIDIARIES ENVIRONMENTAL INDICATORS

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
Average oil realizations (a) - \$/bbl		
UK	30.67	20.67
USA	29.36	17.26
Rest of World	29.48	18.63
BP average	29.82	18.77
 Brent oil price	31.47	21.13
West Texas Intermediate oil price	34.00	21.54
Alaska North Slope US West Coast	33.16	19.76
Average natural gas realizations - \$/mcf		
UK	3.32	3.12
USA	5.27	2.13
Rest of World	2.70	1.93
BP average	3.87	2.27
 Henry Hub gas price (b) (\$/mmBtu)	6.53	2.35
UK Gas - National Balancing point (p/therm)	21.28	19.22
 Global Indicator Refining Margins (c) - \$/bbl		
Northwest Europe	3.70	0.09
US Gulf Coast	6.14	2.04
Midwest	4.14	2.06
US West Coast	6.77	5.43
Singapore	2.98	0.21
BP average	4.52	1.64
 Chemicals Indicator Margin (d) - \$/te	90 (e)	80

- (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 Nexant (formerly 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. Among the products and businesses covered in the CIM are the olefins and derivatives, the aromatics and derivatives, linear alpha-olefins (LAOs), acetic acid, vinyl acetate monomers and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins (PAOs), anhydrides, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.
- (e) Provisional. The data for the fourth quarter is based on two months' actual and one month of provisional data.

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	Three months ended March 31 (Unaudited)	
US dollar/sterling exchange rates	2003	2002
	-----	-----
Average rate for the period	1.60	1.43
Period-end rate	1.57	1.42

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BP p.l.c. AND SUBSIDIARIES OPERATING INFORMATION

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
Crude oil and natural gas liquids production (thousand barrels per day) (net of royalties)		
UK	471	482
Rest of Europe	95	104
USA	773	760
Rest of World	724	643
	-----	-----
Total crude oil and liquids production	2,063	1,989
	=====	=====
Natural gas production (million cubic feet per day) (net of royalties)		
UK	1,798	1,628
Rest of Europe	131	162
USA	3,437	3,561
Rest of World	3,651	3,395
	-----	-----
Total natural gas production	9,017	8,746
	=====	=====
Total production (a) (thousand barrels of oil equivalent per day) (net of royalties)		
UK	781	763
Rest of Europe	118	132
USA	1,366	1,374
Rest of World	1,353	1,228
	-----	-----
Total production	3,618	3,497
	=====	=====
Natural gas sales volumes (million cubic feet per day)		
UK	3,215	2,619
Rest of Europe	473	413
USA	11,734	8,733
Rest of World	11,553	9,289
	-----	-----
Total natural gas sales volumes (b)	26,975	21,054
	=====	=====
NGL sales volumes (thousand barrels per day)		

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UK	-	-
Rest of Europe	-	-
USA	126	153
Rest of World	232	231
	-----	-----
Total NGL sales volumes	358	384
	=====	=====

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

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

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
Oil sales volumes (thousand barrels per day)		
Refined products		
UK	279	256
Rest of Europe	1,318	1,275
USA	1,751	1,834
Rest of World	645	600
	-----	-----
Total marketing sales	3,993	3,965
Trading/supply sales	2,811	2,535
	-----	-----
Total refined product sales	6,804	6,500
Crude oil	4,529	4,809
	-----	-----
Total oil sales	11,333	11,309
	=====	=====
Refinery throughputs (thousand barrels per day)		
UK	377	392
Rest of Europe	954	833
USA	1,302	1,394
Rest of World	391	375
	-----	-----
Total throughput	3,024	2,994
	=====	=====
Chemicals production (thousand tonnes)		
UK	869	829
Rest of Europe	2,763	2,583
USA	2,536	2,489
Rest of World	812	710
	-----	-----

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Total production	6,980	6,611
	=====	=====

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

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
By business		
Exploration and Production		
UK	1,134	727
Rest of Europe	193	152
USA	1,811	325
Rest of World	1,194	727
	-----	-----
	4,332	1,931
	-----	-----
Gas, Power and Renewables		
UK	3	2
Rest of Europe	(8)	47
USA	41	(24)
Rest of World	185	90
	-----	-----
	221	115
	-----	-----
Refining and Marketing		
UK	68	(73)
Rest of Europe	407	270
USA	596	205
Rest of World	180	161
	-----	-----
	1,251	563
	-----	-----
Chemicals		
UK	(11)	(50)
Rest of Europe	105	41
USA	139	19
Rest of World	52	37
	-----	-----
	285	47
	-----	-----
Other businesses and corporate	(165)	(125)
	-----	-----
	5,924	2,531
	=====	=====
By geographical area		
UK	1,118	576
Rest of Europe	690	498
USA	2,489	442
Rest of World	1,627	1,015
	-----	-----
	5,924	2,531
	=====	=====

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

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
By business		
Exploration and Production		
UK	196	261
Rest of Europe	51	71
USA	966	1,167
Rest of World	924	814
	-----	-----
	2,137	2,313
	-----	-----
Gas, Power and Renewables		
UK	8	16
Rest of Europe	15	4
USA	38	16
Rest of World	7	10
	-----	-----
	68	46
	-----	-----
Refining and Marketing		
UK	73	76
Rest of Europe (a)	104	2,732
USA	336	303
Rest of World	24	26
	-----	-----
	537	3,137
	-----	-----
Chemicals		
UK	-	8
Rest of Europe	31	45
USA	46	42
Rest of World	19	93
	-----	-----
	96	188
	-----	-----
Other businesses and corporate	36	52
	-----	-----
	2,874	5,736
	=====	=====
By geographical area		
UK	301	409
Rest of Europe	202	2,852
USA	1,396	1,531
Rest of World	975	944
	-----	-----
	2,874	5,736
	=====	=====

(a) Three months ended March 31, 2003 included the acquisition of 51% of Veba.

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

	Three months ended March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Profit for the period	4,267	1,296
Interest (a)	99	164
Minority shareholders' interest	26	40
	-----	-----
Adjusted profit	4,392	1,500
	=====	=====
Capital employed at beginning of period:		
BP shareholders' interest	69,409	65,161
Minority shareholders' interest	638	598
Finance debt	22,008	21,417
	-----	-----
Capital employed	92,055	87,176
	=====	=====
Capital employed at end of period:		
BP shareholders' interest	71,076	64,902
Minority shareholders' interest	1,047	2,579
Finance debt	19,042	24,531
	-----	-----
Capital employed	91,165	92,012
	=====	=====
Average capital employed	91,610	92,012
	=====	=====
ROACE	19.2%	6.7%

- (a) Excludes interest on joint venture and associated undertakings debt as well as unwinding of discount on provisions and effect of change in discount rate on provisions, and is on a post-tax basis, using a deemed tax rate equal to the US statutory tax rate.

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

	At March 31 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Net debt ratio - net debt: net debt + equity		
Gross finance debt	19,042	24,531
Cash and current asset investments	1,379	1,665

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Net debt	----- 17,663	----- 22,866
Equity	----- 72,123	----- 67,481
Net debt ratio	20%	25%
Acquisition adjustment (a)	----- 15,208	----- 18,297
Net debt ratio - pro forma basis (b)	----- 24%	----- 32%
	=====	=====

- (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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SIGNATURES

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

BP p.l.c.
(Registrant)

Dated: May 1, 2003

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

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