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BP PLC  
Form 6-K  
August 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 June 30, 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      |X|      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      No      |X|  
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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333-103923) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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 - JUNE 2003

	Three months ended June 30 (Unaudited)		Six m (U
	2003	2002	2003
	-----		
	(\$ million)		
Turnover	56,307	43,655	120,095
	=====	=====	=====
Reconciliation of historical cost and replacement cost profit			
Historical cost profit (loss)	1,634	2,058	5,901
Inventory holding (gains) losses (a)	951	(531)	152
	-----	-----	-----
Replacement cost profit (b)	2,585	1,527	6,053
Exceptional items, net of tax	(131)	(216)	(471)
	-----	-----	-----
Replacement cost profit before exceptional items	2,454	1,311	5,582
	=====	=====	=====
Per Ordinary Share - cents			
Historical cost profit	7.41	9.18	26.52
Replacement cost profit before exceptional items	11.08	5.85	25.09
Dividends per Ordinary Share - cents	6.50	6.00	12.75
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(a) Net of minority shareholders' interest.

(b) Replacement cost is not a UK or US GAAP measure. For information on why management believes that presentation of replacement cost profit provides useful information to investors and management regarding the results of operations of BP, see Item 3 - Key Information in BP p.l.c.'s Annual Report on Form 20-F for the year ended December 31, 2002.

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.

To reflect BP's increased focus on chemical products derived from oil and gas, the Chemicals segment has been renamed Petrochemicals.

The second quarter and first half results reflect a trading environment that was more favourable than a year ago. For the three months ended June 30, 2003 the Brent oil price was up \$0.96 per barrel; the Henry Hub gas price was up \$2.02

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per mmbtu; the Global Indicator refining margin was up \$1.21 per barrel and the Chemicals Indicator margin was up \$11 per tonne. For the half year, the Brent oil price was more than \$5.00 per barrel higher; the Henry Hub gas price and the refining Global Indicator Margin were more than double the level of a year ago. Petrochemicals margins were above those of a year ago, although weak demand conditions persist.

Turnover for the three months and six months ended June 30, 2003 was \$56,307 million and \$120,095 million respectively, compared with \$43,655 million and \$79,945 million for the equivalent periods in 2002. The increase in turnover for the second quarter and half year reflects higher oil, natural gas and product prices, higher sales volumes and a stronger Euro.

Historical cost profit for the three months ended June 30, 2003 was \$1,634 million, after inventory holding losses of \$951 million and including net exceptional gains of \$131 million (\$280 million before tax) in respect of net gains on the sale of fixed assets and businesses or termination of operations. For the equivalent period of 2002, historical cost profit was \$2,058 million, including inventory holding gains of \$531 million and net exceptional gains of \$216 million (\$376 million before tax) in respect of net gains on the sale of fixed assets and businesses or termination of operations.

Historical cost profit for the six months ended June 30, 2003 was \$5,901 million, after inventory holding losses of \$152 million and including net exceptional gains of \$471 million (\$674 million before tax) in respect of net gains on the sale of fixed assets and businesses or termination of operations. For the equivalent period of 2002, historical cost profit was \$3,354 million, including inventory holding gains of \$998 million and net exceptional gains of \$146 million (\$267 million before tax) in respect of net gains on the sale of fixed assets and businesses or termination of operations.

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

Performance of operating segments is evaluated by management based on replacement cost operating profit or loss.

Replacement cost profit before exceptional items (which excludes inventory holding gains and losses) was \$2,454 million and \$5,582 million for the three months and six months ended June 30, 2003 respectively, compared with \$1,311 million and \$2,235 million for the equivalent periods of 2002.

Replacement cost profit before exceptional items for the three months ended June 30, 2003 included an impairment charge of \$108 million related to the Kepadong field in Indonesia and charges of \$12 million in respect of our restructuring activities in the UK in Exploration and Production, Veba integration costs of \$41 million in Refining and Marketing and a \$5 million credit resulting from a reduction in the provision for costs associated with closure of polypropylene capacity in Petrochemicals. Replacement cost profit before exceptional items for the three months ended June 30, 2002 included restructuring charges of \$90 million in Exploration and Production; a credit of \$184 million for business interruption insurance proceeds, costs of \$47 million related to a pipeline incident and Veba integration costs of \$23 million in Refining and Marketing; restructuring charges and Solvay and Erdolchemie integration costs of \$43 million in Petrochemicals; and a \$355 million adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax rate.

Replacement cost profit before exceptional items for the six months ended June

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30, 2003 included an impairment charge of \$108 million related to the Kepadong field in Indonesia, an impairment charge of \$103 million related to the Yacheng field in China, charges of \$102 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; Veba integration costs of \$59 million in Refining and Marketing; a \$5 million credit resulting from a reduction in the provision for costs associated with closure of polypropylene capacity in Petrochemicals; and a \$130 million credit related to tax restructuring benefits. Replacement cost profit before exceptional items for the six months ended June 30, 2002 included restructuring charges of \$162 million and litigation costs of \$55 million in Exploration and Production; a credit of \$184 million for business interruption insurance proceeds, costs of \$47 million related to a pipeline incident and \$49 million Veba integration costs in Refining and Marketing; restructuring charges and Solvay and Erdolchemie integration costs of \$75 million in Petrochemicals; and a \$355 million adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax rate.

The increases in both periods reflect higher average liquids and natural gas realizations, improvement in refining margins, higher marketing margins (particularly retail margins in the USA and Europe) and increased petrochemical margins. Improved operating performance generated additional income for the quarter and half year. Non-cash costs were higher in both periods.

Interest expense for the three months and six months ended June 30, 2003 was \$191 million and \$411 million respectively, compared with \$314 million and \$647 million in the same periods of 2002. The reductions in both periods reflect lower average debt and lower interest rates.

Net taxation, other than production taxes, charged for the three months and six months ended June 30, 2003 was \$1,768 million and \$3,573 million compared with \$1,751 million and \$2,504 million in the equivalent periods last year. The tax on exceptional items was \$149 million and \$203 million for the second quarter and half year respectively, compared with \$160 million and \$121 million for the equivalent periods in 2002. The effective tax rate on replacement cost profit before exceptional items was 39% and 37% for the three months and six months ended June 30, 2003, compared with 54% and 51% for the equivalent periods in 2002. The reduction in the second quarter and half year rate reflects the \$355 million adjustment to the North Sea deferred tax provision for the supplementary UK corporation tax in the second quarter of 2002, partly offset by the rateably lower impact of goodwill amortization and the depreciation charge on uplifted asset values (for which no tax deduction is available) on higher income in 2003. The effective tax rate on historical cost profit was 51% and 37% for the three months and six months ended June 30, 2003, compared with 46% and 42% for the equivalent periods in 2002. The higher rate in the three months ended June 30, 2003 was due to non-taxable inventory holding losses arising in that period, compared with non-taxable inventory holding gains in 2002. For the six months ended June 30, 2003, the impact of inventory holding losses was not significant.

Capital expenditure and acquisitions in the second quarter and first half of 2003 was \$3.3 billion and \$6.2 billion respectively. Capital expenditure and acquisitions for the second quarter and first half of 2002 was \$6.1 billion and \$11.8 billion respectively, including \$2.4 billion and \$5.0 billion for the acquisition of Veba. Excluding acquisitions, capital expenditure for the three months and six months ended June 30, 2003 was \$3.2 billion and \$6.1 billion respectively, compared with \$3.0 billion and \$6.1 billion in the equivalent periods of 2002. Disposal proceeds in the second quarter and first half of 2003 were \$1.7 billion and \$4.1 billion respectively. Disposal proceeds in the second quarter of 2002 were \$2.5 billion, including \$1.5 billion from the sale of the Veba upstream assets, and \$2.9 billion in the first half.

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

Net cash inflow for the three months ended June 30, 2003 was \$2.4 billion compared with \$1.9 billion for the equivalent period of 2002; higher cash flow from operating activities was partly offset by higher tax payments and lower disposal proceeds. Net cash inflow for the six months ended June 30, 2003 was \$5.6 billion, compared with an outflow of \$0.5 billion for the equivalent period of 2002; higher cash flow from operating activities, higher disposal proceeds and lower acquisition spending were partly offset by higher tax payments. Net cash inflow from operating activities was \$7.3 billion and \$13.3 billion for the three months and six months ended June 30, 2003, compared with \$5.1 billion and \$8.8 billion in the equivalent periods in 2002. The increase for the quarter reflected higher depreciation and a lower requirement for working capital partly offset by lower profit. The increase for the first half was due to higher profit, higher depreciation and a lower requirement for working capital.

Net debt at June 30, 2003 was \$16.2 billion. The ratio of net debt to net debt plus equity was 18% at June 30, 2003 compared with 22% at December 31, 2002. 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 petrochemicals feedstocks and throughput arrangements for pipelines. The Group expects to fulfil its obligations under these arrangements with no adverse consequences to the Group's results of operations or financial condition.

The return on average capital employed on a historical cost basis was 8% for the second quarter of 2003 compared with 10% 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. Management believes this performance measure is useful as an indication of capital productivity over the long term. For the six months ended June 30, 2003 the return on average capital employed was 13% compared with 9% in 2002. The return on average capital employed on a replacement cost basis for the three months ended June 30, 2003 was 11% compared with 7% for the equivalent period of 2002. For the six months ended June 30, 2003 the return on average capital employed was 13% compared with 6% in 2002. A reconciliation of return on average capital employed on a replacement cost basis to return on average capital employed on a historical cost basis is included on page 62 of this report.

BP announced a second quarterly dividend for 2003 of 6.50 cents per ordinary share. Holders of ordinary shares will receive 4.039 pence per share and holders of American Depositary Receipts (ADRs) \$0.39 per ADS. The dividend is payable on September 8, 2003 to shareholders on the register on August 15, 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 September 8, 2003. The company repurchased for cancellation 144

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million of its own shares during the quarter, at a cost of \$1 billion. During the first half, 299 million shares were repurchased and cancelled at a cost of \$2 billion.

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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 June 30 (Unaudited)		Six m J (Un	
		2003	2002	2003	
Turnover	- \$m	7,433	6,539	16,501	
Reconciliation of historical cost and replacement cost operating profit					
Total historical cost operating profit	- \$m	3,150	2,457	7,482	
Inventory holding (gains) losses	- \$m	3	1	(3)	
		-----	-----	-----	
Total replacement cost operating profit	- \$m	3,153	2,458	7,479	
		=====	=====	=====	
Results include:					
Exploration expense	- \$m	101	222	213	
Of which: Exploration expenditure written off	- \$m	43	147	93	
Key Statistics:					
Crude oil	Average prices realized by BP	- \$/bbl	25.73	24.27	28.50
	Production	- mb/d	1,712	1,808	1,771
Natural gas liquids	Average prices realized by BP	- \$/bbl	17.49	12.40	18.76
	Production	- mb/d	199	244	216
Total liquids(a)	Average prices realized by BP	- \$/bbl	24.90	22.81	27.47
	Production	- mb/d	1,911	2,052	1,987
Natural gas	Average prices realized by BP	- \$/mcf	3.39	2.45	3.64
	Production	- mmcf/d	8,439	8,667	8,727
Total hydrocarbons(b)	Average prices realized by BP	- \$/boe	22.43	19.01	24.49
	Production	- mboe/d	3,366	3,546	3,492
Brent oil price		- \$/bbl	26.03	25.07	28.77
West Texas Intermediate oil price		- \$/bbl	29.02	26.30	31.53
Alaska North Slope US West Coast		- \$/bbl	27.04	25.04	30.13
Henry Hub gas price (c)		- \$/mmbtu	5.40	3.38	5.96
UK Gas - National Balancing Point		- p/therm	17.44	12.10	19.35

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(a) Crude oil and natural gas liquids

(b) Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.

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(c) Henry Hub First of the Month Index

Turnover for the three months and six months ended June 30, 2003 was \$7,433 million and \$16,501 respectively compared with \$6,539 million and \$12,177 million in the corresponding periods in 2002, reflecting higher liquids and natural gas realizations partly offset by lower production.

Historical cost operating profit for the three months ended June 30, 2003 was \$3,150 million after inventory holding losses of \$3 million; for the equivalent period in 2002 there was a profit of \$2,457 million after inventory holding losses of \$1 million. Historical cost operating profit for the six months ended June 30, 2003 was \$7,482 million including inventory holding gains of \$3 million; for the equivalent period in 2002 there was a profit of \$4,388 million including inventory holding gains of \$2 million.

Replacement cost operating profit for the three months and six months ended June 30, 2003 was \$3,153 million and \$7,479 million respectively, compared with \$2,458 million and \$4,386 million for the equivalent periods in 2002.

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

### EXPLORATION AND PRODUCTION (concluded)

The replacement cost operating profit for the second quarter of 2003 includes an impairment charge of \$108 million related to the Kepadong field in Indonesia and charges of \$12 million in respect of our ongoing restructuring activities in the UK. The result for the second quarter of 2002 includes restructuring charges of \$90 million relating to significant restructuring to reposition the business in North America and the North Sea.

The replacement cost operating profit for the half year 2003 includes an impairment charge of \$108 million related to the Kepadong field in Indonesia, an impairment charge of \$103 million related to the Yacheng field in China, charges of \$102 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 quarter and half year 2002 includes restructuring charges of \$162 million relating to significant restructuring to reposition the business in North America and the North Sea and litigation costs of \$55 million.

The results for the quarter reflected higher realizations, with liquids up \$2.09/bbl and natural gas up \$0.94/mcf on a year ago. North American basin differentials to the Henry Hub marker price narrowed over the quarter following the opening of pipeline expansion routes. The results include a credit of \$106 million, reflecting a reduction in the provision for Unrealized Profit in Stock (UPIS), which removes the upstream margin from downstream inventories, following a decrease in the Alaska North Slope oil price. This compares with a charge of \$83 million in the equivalent quarter last year.

The half year results also reflected the impact of higher realizations, with liquids up \$6.66/bbl and gas up \$1.28/mcf. The results include a charge of \$19 million for UPIS to remove the additional upstream margin from downstream inventories following an increase in the Alaska North Slope oil price. This compares with a charge of \$139 million in the same period of 2002.

Second quarter production was down 5% (2% after adjusting for divestments). The decrease, which follows an increase of over 3% in the first quarter, reflects

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the impact of higher prices on production sharing contract volumes, the pattern of planned quarterly maintenance and lower NGL production owing to strong US gas prices. For the half year, production was down 1% (up 1% after adjusting for divestments). Declines in existing profit centres were as expected and more than offset by growth from new profit centres, particularly Trinidad and Deepwater Gulf of Mexico.

During the quarter we had two exploration successes in Angola: Saturno in Block 31 and Clochas in Block 15; along with Saqqara in the Gulf of Suez in Egypt.

Atlantic LNG Train 3 started up ahead of schedule in April and the government of Trinidad and Tobago approved the Atlantic Train 4 project in June. Construction of the Baku-Tbilisi-Ceyhan pipeline began in May. Progress in Angola continued with the approval of the Dalia development by Sonangol in April.

We have continued our programme to improve returns and enhance value by high-grading our portfolio. During the second quarter of 2003 we have completed the divestment of several US onshore and Gulf of Mexico shelf properties and agreed the sale of the Liuhua and QHD fields in China to the China National Offshore Oil Corporation. On May 19, 2003 the sale of our interest in the Gyda field in Norway to Talisman was announced. We also announced an agreement in principle to sell 50% of the In Amenas gas condensate project and 49% of our interest in In Salah gas in Algeria to Statoil.

Progress continues in the establishment of our new joint venture TNK-BP with the signing of the agreement with the Alfa Group and Access-Renova on June 26, 2003. This agreement finalizes all the material commercial arrangements for the formation of the TNK-BP joint venture company, which will be effective from January 1, 2003, subject to the approval of regulatory authorities including those at the European Union, in Ukraine and in Russia.

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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 June 30 (Unaudited)		Six m J (Un
		2003	2002	2003
Turnover	- \$m	14,875	8,235	32,873
Reconciliation of historical cost and replacement cost operating profit				
Total historical cost operating profit	- \$m	31	118	252
Inventory holding (gains) losses	- \$m	72	(4)	45
		-----	-----	-----
Total replacement cost operating profit	- \$m	103	114	297
		=====	=====	=====

Turnover for the three months and six months ended June 30, 2003 was \$14,875 million and \$32,873 million respectively compared with \$8,235 million and \$16,003 million in the same periods in 2002. The increase for the quarter and first half reflects higher natural gas prices and sales volumes.



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Historical cost operating profit for the three months ended June 30, 2003 was \$31 million after inventory holding losses of \$72 million; for the equivalent period in 2002 there was a profit of \$118 million including inventory holding gains of \$4 million. Historical cost operating profit for the six months ended June 30, 2003 was \$252 million after inventory holding losses of \$45 million; for the equivalent period in 2002 there was a profit of \$233 million including inventory holding gains of \$8 million.

Replacement cost operating profit for the three months and six months ended June 30, 2003 was \$103 million and \$297 million respectively, compared with \$114 million and \$225 million for the same periods in 2002.

The reduction in the second quarter results is due to the absence of a \$40 million contribution from Ruhrgas following the sale of our interest last year, mostly offset by improved performance. The half-year results increased due to improved performance which more than offset the loss of the \$96 million Ruhrgas contribution.

The second quarter and half year results reflected an increase in gas sales volumes and strong performance from the global LNG business. Second quarter gas sales volumes were up 23%, and equity LNG sales up 58%. During the quarter, the first cargo of LNG was sold from the newly commissioned Train 3 of Atlantic LNG's facility in Trinidad and Tobago. On 1 July, BP took delivery of the LNG ship, the British Merchant, which is the third and final ship to be delivered under the initial phase of the global LNG strategy. Also during the quarter, BP and Oman LNG signed a memorandum of understanding for the supply of up to 4 million tonnes of LNG over a six-year period to strengthen BP's gas marketing position in Spain.

Higher gas prices relative to liquids prices in North America in the second quarter have led to lower production and sales volumes in the natural gas liquids business and a lower result compared with a year ago. The half year result was similar to a year ago.

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

REFINING AND MARKETING

		Three months ended June 30 (Unaudited)		Six mon Jun (Unau
		2003	2002	2003
		-----	-----	-----
Turnover	- \$m	36,949	31,870	78,384
Reconciliation of historical cost and replacement cost operating profit				
Total historical cost operating profit	- \$m	116	1,047	1,367
Inventory holding (gains) losses	- \$m	773	(444)	153
		-----	-----	-----
Total replacement cost operating profit	- \$m	889	603	1,520
		=====	=====	=====
Total refined product sales	- mb/d	7,023	6,479	6,914
Refinery throughputs	- mb/d	3,265	3,103	3,146
Refining availability (a)	- %	96.7	95.8	95.4

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Global Indicator Refining Margin (b) - \$/bbl 3.27 2.06 3.89

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(a) Refining availability is the weighted average percentage of the period that refinery units are available for processing, after accounting for downtime such as turnarounds.

(b) The Global Indicator Refining Margin (GIM) is the average of six regional indicator margins weighted for BP's crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity. The regional indicator margins may not be representative of the margins achieved by BP in any period because of BP's particular refinery configurations and crude and product slate.

Turnover for the three months and six months ended June 30, 2003 was \$36,949 million and \$78,384 million respectively, compared with \$31,870 million and \$56,759 million for the same periods in the prior year. The increase in turnover for the second quarter and first half is principally due to a stronger Euro and higher product prices. The increase in turnover for the first half is due to a stronger Euro, higher product prices, particularly in the USA, and an additional month of contribution from Veba.

Historical cost operating profit for the three months ended June 30, 2003 was \$116 million after inventory holding losses of \$773 million; for the equivalent period in 2002 there was a profit of \$1,047 million including inventory holding gains of \$444 million. Historical cost operating profit for the six months ended June 30, 2003 was \$1,367 million after inventory holding losses of \$153 million; for the equivalent period in 2002 there was a profit of \$1,610 million including inventory holding gains of \$939 million.

Replacement cost operating profit for the three months and six months ended June 30, 2003 was \$889 million and \$1,520 million respectively, compared with \$603 million and \$671 million for the corresponding periods of 2002.

The results for the second quarter of 2003 include Veba integration costs of \$41 million. The results for the second quarter of 2002 include a credit to income for business interruption insurance proceeds of \$184 million, partly offset by costs of \$47 million associated with an Olympic pipeline incident in 1999 and Veba integration costs of \$23 million.

The results for the first half of 2003 include Veba integration costs of \$59 million. The results for the first half of 2002 include a credit to income for business interruption insurance proceeds of \$184 million, partly offset by costs of \$47 million associated with an Olympic pipeline incident in 1999 and Veba integration costs of \$49 million.

The results for the quarter and half year reflect improved worldwide refining margins and higher marketing margins, particularly retail margins in the USA and Europe, with some offset from higher utility costs. Improved operating performance also contributed to the results in the marketing businesses.

Refining throughputs for the three months and six months ended June 30, 2003 increased by 5% and 3% respectively, compared with a year ago. Refining availability for the three months and six months ended June 30, 2003 was 96.7% and 95.4% respectively compared with 95.8% and 95.8% for the equivalent periods in 2002. Marketing volumes for the three months and six months ended June 30, 2003 were 1.8% and 0.5% lower than a year ago.

An additional 760 sites were reimaged during the second quarter, bringing the

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total number of sites with the BP Helios to some 12,000 worldwide.

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

#### PETROCHEMICALS

		Three months ended June 30 (Unaudited)		Six m J (Un
		2003	2002	2003
Turnover	- \$m	4,003	3,584	7,941
Reconciliation of historical cost and replacement cost operating profit				
Total historical cost operating profit	- \$m	210	281	495
Inventory holding (gains) losses	- \$m	103	(78)	(43)
Total replacement cost operating profit	- \$m	313	203	452
Production (a)	- kte	6,770	6,889	13,750
Chemicals Indicator Margin (b)	- \$/te	120 (c)	109	108 (c)

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(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. It does not cover our entire portfolio of products, and consequently is only indicative rather than representative of the margins achieved by BP in any particular period. Amongst the products and businesses covered in the CIM are 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 second quarter is based on two months' actual and one month of provisional data.

Turnover for the three months and six months ended June 30, 2003 was \$4,003 million and \$7,941 million respectively, compared with \$3,584 million and \$6,226 million for the equivalent periods in 2002. The increase in turnover for the second quarter of 2003 as compared with 2002 primarily reflects higher product prices, with the increase for the first half also reflecting higher production as a result of improved plant utilization and organic growth.

Historical cost operating profit for the three months ended June 30, 2003 was \$210 million after inventory holding losses of \$103 million; for the equivalent period in 2002 there was a profit of \$281 million including inventory holding gains of \$78 million. Historical cost operating profit for the six months ended

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June 30, 2003 was \$495 million including inventory holding gains of \$43 million; for the equivalent period in 2002 there was a profit of \$328 million including inventory holding gains of \$49 million.

Replacement cost operating profit for the three months and six months ended June 30, 2003, was \$313 million and \$452 million respectively, compared with \$203 million and \$279 million for the equivalent periods in 2002.

The results for the three months and six months ended June 30, 2003 include a credit of \$5 million resulting from a reduction in the provision for costs associated with the closure of polypropylene capacity in the USA. The second quarter 2002 results include charges of \$29 million for restructuring our Research and Technology facilities and Solvay and Erdolchemie integration costs of \$14 million. The results for the first half of 2002 include charges of \$29 million for restructuring our Research and Technology facilities and costs of \$46 million related to major site restructuring and Solvay and Erdolchemie integration.

The higher profits for the second quarter compared with a year ago, were due primarily to lower feedstock costs and improved margins across several businesses. Production of 6,770 thousand tonnes in the second quarter was 2% below the second quarter of 2002. Although demand in Europe showed continuing weakness, overall sales remained flat.

The first half results were higher than that of a year ago, reflecting improved margins, cost management and improved reliability of operations. First half production was 250 thousand tonnes higher than a year ago due to core business sales growth from Asian PTA and acetic acid plant start-ups and an additional month of production from Veba.

During the second quarter we completed the divestment of our interest in Petrokimia Nusantara Interindo, PT (PT Peni), our polyethylene joint venture in Indonesia.

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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 June 30 (Unaudited)		Six months ended June 30 (Unaudited)
	2003	2002	2003
Turnover	- \$m	129	136
Total historical cost operating (loss)	- \$m	(134)	(128)
			240 (299)

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. In July, BP announced that it has agreed to sell its 50 per cent interest in the Indonesian coal mining company PT Kaltim Prima Coal to PT Bumi Resources, subject to the receipt of certain shareholder and other approvals.

EXCEPTIONAL ITEMS

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		Three months ended June 30 (Unaudited)		Six months ended June (Unaudited)
		2003	2002	2003
		-----	-----	-----
Profit (loss) on sale of fixed assets and businesses or termination of operations	- \$m	280	376	674
Taxation credit (charge)	- \$m	(149)	(160)	(203)
		-----	-----	-----
Exceptional items after taxation	- \$m	131	216	471
		=====	=====	=====

Exceptional items for the second quarter include a gain on the sale of our interest in the North Sea Forties oil field, partly offset by a provision for the loss on disposal of QHD in China.

OUTLOOK

World economic activity has continued to grow only slowly during the second quarter, with OECD industrial production weakening. US consumer confidence remains below the levels of last June, but with some signs of modest improvement compared with the first quarter of this year. The impact of SARS was discernible in lower economic activity in the second quarter in Asia, but there are already signs that the region is recovering into the second half of the year.

Crude oil markets continue to be characterized by relative tightness. On the basis of preliminary estimates, OECD commercial inventories ended the quarter at the lowest seasonal level for over a decade. Crude oil prices have been well supported, averaging \$26.03 per barrel (Dated Brent) in the second quarter and over \$28 per barrel in July to date. The seasonal pick-up in oil demand in the second half of the year, OPEC's June production cuts and an anticipated slow recovery in Iraqi oil production point to continued price support in coming months.

US natural gas prices fell back in the second quarter but remained high, with the Henry Hub first of the month index averaging \$5.40/mmbtu. Gas price differentials in the Rockies have narrowed significantly following the opening of the Kern River pipeline expansion. High prices have instigated a number of market reactions. These, together with mild weather, have led to a series of very high storage injections in recent weeks, despite falling domestic production. Prices look set to stay above residual fuel oil parity during the third quarter.

Refining margins have started the third quarter at similar levels to the second quarter (BP GIM \$3.27/bbl) and remain firm in most regions. OECD commercial product inventories are still at five-year lows and should continue to underpin refining fundamentals in the short term.

The strong retail margins experienced in the second quarter have softened and are projected to revert to more typical levels in the third quarter.

Petrochemical margins in the first half of 2003 were above those of last year, with higher product prices for the majority of petrochemical products. Recent increases in feedstock costs and flat demand are expected to result in a challenging environment in the third quarter.

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

Consistent with our financial framework and plan for the year, we expect capital expenditure to be in the range of \$14 to 14.5 billion, excluding acquisitions. As previously indicated, 2003 is expected to be the peak year for our medium term capital spending programme. The \$14 to 14.5 billion range excludes the initial cash payment due on completion of the TNK-BP transaction, expected to complete later in the summer. In addition, subject to the trading environment, we expect to make payments of up to \$2 billion to a number of the Group's pension funds in the second half of 2003. At the end of 2002, our expectation with respect to pension contributions in 2003 was in the range of \$0.5 billion to \$0.7 billion. This increase in the level of contributions follows finalization of the actuarial valuations and further review of the funding requirements. If additional funds are available after making the pension contributions, we will pursue further share buybacks. We expect gearing to return to the lower half of our 25-35% target range following these events.

#### 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, share repurchases, the timing of new projects, oil, gas and petrochemicals 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 operations, dividend payments, pension scheme funding, 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, exchange rate fluctuations, operational problems, political stability and economic growth in relevant areas of the world, development and use of new technology, successful partnering, the actions of competitors, the actions of third party suppliers of facilities and services, natural disasters and other changes to business conditions, prolonged adverse weather conditions, wars and acts of terrorism or sabotage, and other factors discussed elsewhere in this report. These and other factors may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Additional information, including information on factors which may affect BP's business, is contained in BP's Annual Report and Annual Accounts for 2002 and the Annual Report on Form 20-F for 2002 filed with the US Securities and Exchange Commission.

#### 2003 DIVIDENDS

On July 29, 2003, BP p.l.c. announced a second quarterly dividend for 2003 of 6.50 cents per ordinary share of 25 cents (ordinary shares), representing \$0.39 per American Depositary Share (ADS) amounting to \$1,433 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares is August 15, 2003, with payment to be made

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on September 8, 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 September 8, 2003.

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

	Three months ended June 30 (Unaudited)	2002	Six months ended June 30 (Unaudited)	2003
	2003	2002		2003
	----- (\$ million, except per share am			
Turnover - Note 2	56,671	44,059		120,857
Less: joint ventures	364	404		762
	-----	-----		-----
Group turnover	56,307	43,655		120,095
Cost of sales	49,449	36,652		103,888
Production taxes - Note 3	382	315		886
	-----	-----		-----
Gross profit	6,476	6,688		15,321
Distribution and administration expenses	3,406	3,123		6,650
Exploration expense - Note 4	101	222		213
	-----	-----		-----
Other income	2,969	3,343		8,458
	197	147		328
	-----	-----		-----
Group operating profit	3,166	3,490		8,786
Share of profits of joint ventures	104	89		222
Share of profits of associated undertakings	103	196		289
	-----	-----		-----
Total operating profit	3,373	3,775		9,297
Profit (loss) on sale of fixed assets and businesses or termination of operations - Note 5	280	376		674
	-----	-----		-----
Profit before interest and tax	3,653	4,151		9,971
Interest expense - Note 6	191	314		411
	-----	-----		-----

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Profit before taxation	3,462	3,837	9,560
Taxation - Note 7	1,768	1,751	3,573
	-----	-----	-----
Profit after taxation	1,694	2,086	5,987
Minority shareholders' interest	60	28	86
	-----	-----	-----
Profit for the period (a)	1,634	2,058	5,901
	=====	=====	=====
Earnings per ordinary share - cents (a)			
Basic	7.41	9.18	26.52
Diluted	7.39	9.13	26.44
	-----	-----	-----
Earnings per American Depositary Share - cents (a)			
Basic	44.46	55.08	159.12
Diluted	44.34	54.78	158.64
	-----	-----	-----
Average number of outstanding ordinary shares (thousand)	22,164,026	22,426,830	22,244,797
	=====	=====	=====

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(a) A summary of the material adjustments to profit for the period which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the United Kingdom is given in Note 13.

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

	June 30, 2003 (Unaudited)	Decem
	-----	-----
	(\$ million)	
Fixed assets		
Intangible assets	13,896	
Tangible assets	89,285	
Investments	10,684	
	-----	
	113,865	
Current assets		
Inventories	9,759	10,1
Receivables	36,892	33,1
Investments	329	2
Cash at bank and in hand	2,115	1,5
	-----	-----
	49,095	45,0
	-----	-----
Current liabilities - falling due within one year		
Finance debt	5,885	10,0



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Accounts payable and accrued liabilities	39,337	36,2
	-----	-----
	45,222	46,3
	-----	-----
Net current assets (liabilities)	3,873	
	-----	
Total assets less current liabilities	117,738	
Noncurrent liabilities		
Finance debt	12,709	11,9
Accounts payable and accrued liabilities	3,509	3,4
Provisions for liabilities and charges		
Deferred tax	14,322	13,5
Other	14,117	13,8
	-----	-----
	44,657	
	-----	
Net assets	73,081	
Minority shareholders' interest - equity	1,016	
	-----	
BP shareholders' interest (a) - Note 10	72,065	
	=====	
Represented by:		
Capital shares		
Preference	21	
Ordinary	5,526	
Paid-in surplus	4,393	
Merger reserve	27,057	
Retained earnings	34,919	
Other reserves	149	
	-----	
	72,065	
	=====	

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(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 June 30 (Unaudited)		Six months ended June 30 (Unaudited)
	2003	2002	2003
	-----		-----
	(\$ million)		
Net cash inflow from operating activities	7,346	5,133	13,307
	-----	-----	-----

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Dividends from joint ventures	28	16	41
	-----	-----	-----
Dividends from associated undertakings	177	154	232
	-----	-----	-----
Servicing of finance and returns on investments			
Interest received	52	57	83
Interest paid	(446)	(342)	(653)
Dividends received	42	58	48
Dividends paid to minority shareholders	(11)	(3)	(13)
	-----	-----	-----
Net cash outflow from servicing of finance and returns on investments	(363)	(230)	(535)
	-----	-----	-----
Taxation			
UK corporation tax	(280)	(167)	(592)
Overseas tax	(1,573)	(760)	(1,893)
	-----	-----	-----
Tax paid	(1,853)	(927)	(2,485)
	-----	-----	-----
Capital expenditure and financial investment			
Payments for fixed assets	(2,760)	(2,793)	(5,637)
Proceeds from the sale of fixed assets	1,652	939	3,969
	-----	-----	-----
Net cash outflow for capital expenditure and financial investment	(1,108)	(1,854)	(1,668)
	-----	-----	-----
Acquisitions and disposals			
Investments in associated undertakings	(331)	(488)	(517)
Acquisitions, net of cash acquired	(150)	(139)	(150)
Net investment in joint ventures	(2)	(68)	(16)
Proceeds from the sale of businesses	19	1,584	179
	-----	-----	-----
Net cash (outflow) inflow for acquisitions and disposals	(464)	889	(504)
	-----	-----	-----
Equity dividends paid	(1,386)	(1,290)	(2,783)
	-----	-----	-----
Net cash inflow (outflow)	2,377	1,891	5,605
	=====	=====	=====
Financing			
Management of liquid resources	1,355	2,017	4,948
Increase (decrease) in cash	93	33	106
	-----	-----	-----
	2,377	1,891	5,605
	=====	=====	=====

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(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  
CONSOLIDATED STATEMENT OF CASH FLOWS - concluded

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	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)
	2003	2002	2003
	-----		-----
	(\$ million)		
Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities			
Profit before interest and tax	3,653	4,151	9,971
Depreciation and amounts provided	2,653	2,227	5,362
Exploration expenditure written off	43	147	93
Share of profits of joint ventures and associated undertakings	(207)	(288)	(511)
Interest and other income	(100)	(118)	(148)
(Profit) loss on sale of fixed assets and businesses	(280)	(374)	(674)
Charge for provisions	204	325	406
Utilization of provisions	(316)	(373)	(544)
Decrease (increase) in inventories	193	(807)	569
Decrease (increase) in debtors	3,252	(1,614)	(3,683)
(Decrease) increase in creditors	(1,749)	1,857	2,466
	-----	-----	-----
Net cash inflow from operating activities	7,346	5,133	13,307
	=====	=====	=====
Financing			
Long-term borrowing	(208)	(752)	(1,223)
Repayments of long-term borrowing	607	663	1,010
Short-term borrowing	(418)	(753)	(1,044)
Repayments of short-term borrowing	388	2,891	4,287
	-----	-----	-----
	369	2,049	3,030
Issue of ordinary share capital	(14)	(32)	(81)
Repurchase of ordinary share capital	1,000	-	1,999
	-----	-----	-----
Net cash outflow (inflow) from financing	1,355	2,017	4,948
	=====	=====	=====

-----

(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 June 30 (Unaudited)		Six months June 30 (Unaudited)
	2003	2002	2003
	-----		
	(\$ million)		
2. Turnover			
By business			
Exploration and Production	7,433	6,539	16,501
Gas, Power and Renewables	14,875	8,235	32,873
Refining and Marketing	36,949	31,870	78,384
Petrochemicals	4,003	3,584	7,941
Other businesses and corporate	129	136	240
	-----	-----	-----
	63,389	50,364	135,939
Less: sales between businesses	7,082	6,709	15,844
	-----	-----	-----
Group excluding joint ventures	56,307	43,655	120,095
Share of sales of joint ventures	364	404	762
	-----	-----	-----
	56,671	44,059	120,857
	=====	=====	=====
By geographical area			
Group excluding joint ventures			
UK	13,456	12,509	28,883
Rest of Europe	12,206	12,219	25,228
USA	25,984	19,663	57,082
Rest of World	12,102	8,035	25,838
	-----	-----	-----
	63,748	52,426	137,031
Less: sales between areas	7,441	8,771	16,936
	-----	-----	-----
	56,307	43,655	120,095
	=====	=====	=====
3. Production taxes			
UK petroleum revenue tax	58	90	191
Overseas production taxes	324	225	695
	-----	-----	-----
	382	315	886
	=====	=====	=====
4. Exploration expense			
Exploration and Production			
UK	2	4	5
Rest of Europe	5	13	9
USA	47	133	84
Rest of World	47	72	115
	-----	-----	-----
	101	222	213
	=====	=====	=====

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	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudited)
	2003	2002	2003
	----- (\$ million)		
5. Analysis of exceptional items			
Profit (loss) on sale of fixed assets and businesses or termination of operations			
Exploration and Production	333	427	766
Gas, Power and Renewables	6	(1)	6
Refining and Marketing	(49)	31	(101)
Petrochemicals	2	(85)	9
Other businesses and corporate	(12)	4	(6)
	-----	-----	-----
Exceptional items before taxation	280	376	674
Taxation charge	(149)	(160)	(203)
	-----	-----	-----
Exceptional items after taxation	131	216	471
	=====	=====	=====
6. Interest expense			
Group interest payable	163	261	350
Capitalized	(43)	(25)	(77)
	-----	-----	-----
	120	236	273
Joint ventures	17	15	30
Associated undertakings	12	21	22
Unwinding of discount on provisions	42	42	86
	-----	-----	-----
	191	314	411
	=====	=====	=====
7. Charge for taxation			
Current	1,406	1,040	2,987
Deferred (a)	362	711	586
	-----	-----	-----
	1,768	1,751	3,573
	=====	=====	=====
UK (a)	413	646	898
Overseas	1,355	1,105	2,675
	-----	-----	-----
	1,768	1,751	3,573
	=====	=====	=====
(a) Includes the adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax of 10%	-	355	-
	-----	-----	-----

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

8. Business and geographical analysis

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By business	Exploration and Production	Gas, Power and Renewables	Refining and Marketing	Petro- Chemicals	busin corp
	-----	-----	-----	-----	-----
			(\$ million)		
Three months ended June 30, 2003					
Group turnover					
- third parties	2,125	14,420	35,785	3,848	
- sales between businesses	5,308	455	1,164	155	
	-----	-----	-----	-----	-----
	7,433	14,875	36,949	4,003	
	-----	-----	-----	-----	-----
Share of sales by joint ventures	168	-	112	84	
	-----	-----	-----	-----	-----
Equity accounted income	161	(2)	37	2	
	-----	-----	-----	-----	-----
Total operating profit (loss)	3,150	31	116	210	
Exceptional items	333	6	(49)	2	
	-----	-----	-----	-----	-----
Profit (loss) before interest and tax	3,483	37	67	212	
	-----	-----	-----	-----	-----
Capital expenditure and acquisitions	2,462	98	385	198	
Three months ended June 30, 2002					
Group turnover					
- third parties	1,246	7,816	30,922	3,535	
- sales between businesses	5,293	419	948	49	
	-----	-----	-----	-----	-----
	6,539	8,235	31,870	3,584	
	-----	-----	-----	-----	-----
Share of sales by joint ventures	137	-	102	165	
	-----	-----	-----	-----	-----
Equity accounted income	127	38	51	57	
	-----	-----	-----	-----	-----
Total operating profit (loss)	2,457	118	1,047	281	
Exceptional items	427	(1)	31	(85)	
	-----	-----	-----	-----	-----
Profit (loss) before interest and tax	2,884	117	1,078	196	
	-----	-----	-----	-----	-----
Capital expenditure and acquisitions	2,573	132	2,965	170	

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

8. Business and geographical analysis - continued

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By geographical area	UK	Rest of Europe	USA	Rest of World	Elimin
(\$ million)					
Three months ended June 30, 2003					
Group turnover					
-third parties	9,991	9,934	25,520	10,862	
-sales between areas	3,465	2,272	464	1,240	
	13,456	12,206	25,984	12,102	
Share of sales by joint ventures	18	66	45	235	
Equity accounted income	4	5	28	170	
Total operating profit (loss)	285	429	1,487	1,172	
Exceptional items	537	10	(91)	(176)	
Profit before interest and tax	822	439	1,396	996	
Capital expenditure and acquisitions	361	167	1,542	1,256	
Three months ended June 30, 2002					
Group turnover					
-third parties	8,172	10,311	18,643	6,529	
-sales between areas	4,337	1,908	1,020	1,506	
	12,509	12,219	19,663	8,035	
Share of sales by joint ventures	72	70	60	202	
Equity accounted income	(3)	50	74	164	
Total operating profit (loss)	516	596	1,518	1,145	
Exceptional items	(24)	(45)	482	(37)	
Profit before interest and tax	492	551	2,000	1,108	
Capital expenditure and acquisitions	400	2,953	1,467	1,287	

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

8. Business and geographical analysis - continued

By business	Exploration and	Gas, Power and	Refining and	-Petro	busin
-------------	-----------------	----------------	--------------	--------	-------

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	Production	Renewables	Marketing	Chemicals	corp
	-----	-----	-----	-----	-----
	(\$ million)				
Six months ended June 30, 2003					
Group turnover					
- third parties	4,156	31,869	76,165	7,665	
- sales between businesses	12,345	1,004	2,219	276	
	-----	-----	-----	-----	-----
	16,501	32,873	78,384	7,941	
	-----	-----	-----	-----	-----
Share of sales by joint ventures	349	-	212	201	
Equity accounted income	395	(3)	74	27	
	-----	-----	-----	-----	-----
Total operating profit (loss)	7,482	252	1,367	495	
Exceptional items	766	6	(101)	9	
	-----	-----	-----	-----	-----
Profit (loss) before interest and tax	8,248	258	1,266	504	
	-----	-----	-----	-----	-----
Capital expenditure and acquisitions	4,599	166	922	294	
Six months ended June 30, 2002					
Group turnover					
- third parties	3,337	15,129	55,143	6,065	
- sales between businesses	8,840	874	1,616	161	
	-----	-----	-----	-----	-----
	12,177	16,003	56,759	6,226	
	-----	-----	-----	-----	-----
Share of sales by joint ventures	232	-	179	272	
Equity accounted income	252	92	102	66	
	-----	-----	-----	-----	-----
Total operating profit (loss)	4,388	233	1,610	328	
Exceptional items	432	(1)	(14)	(145)	
	-----	-----	-----	-----	-----
Profit (loss) before interest and tax	4,820	232	1,596	183	
	-----	-----	-----	-----	-----
Capital expenditure and acquisitions	4,886	178	6,102	358	

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

8. Business and geographical analysis - concluded



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By geographical area	UK	Rest of Europe	USA	Rest of World	E
	-----	-----	-----	-----	-----
			(\$ million)		
Six months ended June 30, 2003					
Group turnover -third parties	21,205	20,696	56,132	22,062	
-sales between areas	7,678	4,532	950	3,776	
	-----	-----	-----	-----	
	28,883	25,228	57,082	25,838	
	-----	-----	-----	-----	
Share of sales by joint ventures	46	155	87	474	
Equity accounted income	3	2	63	443	
	-----	-----	-----	-----	
Total operating profit	1,403	1,119	3,976	2,799	
Exceptional items	525	(31)	(237)	417	
	-----	-----	-----	-----	
Profit before interest and tax	1,928	1,088	3,739	3,216	
	-----	-----	-----	-----	
Capital expenditure and acquisitions	662	369	2,938	2,231	
Six months ended June 30, 2002					
Group turnover -third parties	16,584	17,629	33,641	12,091	
-sales between areas	6,920	3,709	1,287	2,928	
	-----	-----	-----	-----	
	23,504	21,338	34,928	15,019	
	-----	-----	-----	-----	
Share of sales by joint ventures	104	126	103	350	
Equity accounted income	(5)	111	129	306	
	-----	-----	-----	-----	
Total operating profit	1,092	1,094	1,960	2,160	
Exceptional items	(33)	(35)	373	(38)	
	-----	-----	-----	-----	
Profit before interest and tax	1,059	1,059	2,333	2,122	
	-----	-----	-----	-----	
Capital expenditure and acquisitions	809	5,805	2,998	2,231	

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

	Three months ended June 30 (Unaudited)	Six
	2003	2002
	-----	-----
	(\$ million)	

9. Analysis of changes in net debt

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Opening balance			
Finance debt	19,042	24,531	22,008
Less: Cash	1,151	1,379	1,520
Current asset investments	228	286	215
	-----	-----	-----
Opening net debt	17,663	22,866	20,273
	-----	-----	-----
Closing balance			
Finance debt	18,594	21,409	18,594
Less: Cash	2,115	1,284	2,115
Current asset investments	329	285	329
	-----	-----	-----
Closing net debt	16,150	19,840	16,150
	-----	-----	-----
Decrease (increase) in net debt	1,513	3,026	4,123
	=====	=====	=====
Movement in cash/bank overdrafts	929	(159)	551
Increase (decrease) in current asset investments	93	33	106
Net cash outflow (inflow) from financing (excluding share capital)	369	2,049	3,030
Partnership interests exchanged for BP loan notes	-	1,135	-
Exchange of Exchangeable Bonds for Lukoil American Depositary Shares	-	-	420
Other movements	106	19	170
Debt acquired	-	-	-
	-----	-----	-----
Movements in net debt before exchange effects	1,497	3,077	4,277
Exchange adjustments	16	(51)	(154)
	-----	-----	-----
Decrease (increase) in net debt	1,513	3,026	4,123
	=====	=====	=====

10. Movement in BP shareholders' interest		\$ mi
Balance at December 31, 2002		6
Profit for the period		(
Distribution to shareholders		(
Currency translation differences (net of tax)		
Issue of ordinary share capital for employee share schemes		(
Repurchase of ordinary share capital		--
Balance at June 30, 2003		7
		==

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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

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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 June 30 (Unaudited)		Si
	2003	2002	2003
	-----		-----
	(shares thousand)		
Weighted average number of ordinary shares	22,164,026	22,426,830	22,244,797
Ordinary shares issuable under employee share schemes	54,194	112,433	70,293
	-----	-----	-----
	22,218,220	22,539,263	22,315,090
	=====	=====	=====

### 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 June 30 (Unaudited)		20
	2003	2002	2003
	-----		-----
	(\$ million)		
Profit for the period applicable to ordinary shares, as reported	1,634	2,058	5,9
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(23)	(22)	(
	-----	-----	-----
Pro forma net income	1,611	2,036	5,8
	=====	=====	=====
	(cents)		
Earnings per ordinary share			
Basic - as reported	7.41	9.18	26.
Basic - pro forma	7.31	9.08	26.
Diluted - as reported	7.39	9.13	26.
Diluted - pro forma	7.28	9.03	26.

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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:

(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, 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 June 30 (Unaudited)	
Increase (decrease) in caption heading	As Reported	Reclassification
	(\$ million)	
Consolidated statement of income		
Other income	197	175
Share of profits of JVs and associated undertakings	207	(207)
Exceptional items before taxation	280	-
Interest expense	191	(29)
Taxation	1,768	(3)
Profit for the period	1,634	-

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	Six months ended June 30, (Unaudited)	
	As Reported	Reclassification
	(\$ million)	
Consolidated statement of income		
Other income	328	391
Share of profits of JVs and associated undertakings	511	(511)
Exceptional items before taxation	674	-
Interest expense	411	(52)
Taxation	3,573	(68)
Profit for the year	5,901	-

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

13. US generally accepted accounting principles - continued

(i) Group consolidation (concluded)

	Three months ended June 30 (Unaudited)	
	As Reported	Reclassification
	(\$ million)	
Increase (decrease) in caption heading		
Consolidated statement of income		
Other income	147	192
Share of profits of JVs and associated undertakings	285	(285)
Exceptional items before taxation	376	(2)
Interest expense	314	(36)
Taxation	1,751	(59)
Profit for the period	2,058	-

	Six months ended June 30 (Unaudited)	
	As Reported	Reclassification
	(\$ million)	

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Consolidated statement of income		
Other income	272	345
Share of profits of JVs and associated undertakings	541	(541)
Exceptional items before taxation	267	(2)
Interest expense	647	(74)
Taxation	2,504	(124)
Profit for the year	3,354	-

(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.

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

13. US generally accepted accounting principles - continued

(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.

Increase (decrease) in caption heading	Three months ended June 30 (Unaudited)		Six mon Ju
	2003	2002	2003 (Una
	----- (\$ million) -----		
Cost of sales	457	139	1,149
Taxation	(455)	(80)	(1,183)
Profit for the period	(2)	(59)	34
	=====	=====	=====

At  
June 30,

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2003  
(Unaudited)

-----  
(\$ mi

Tangible assets	6,374
Deferred taxation	6,432
BP shareholders' interest	(58)
	=====

(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.

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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 - continued

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 and six months ended June 30, 2003 was to decrease profit for the period before cumulative effect of accounting changes as adjusted to accord with US GAAP by \$84 million and \$107 million respectively.

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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.

Increase (decrease) in caption heading	Three months ended June 30 (Unaudited)		Six mon Ju (Una
	2003	2002	2003
	-----		
	(\$ million)		
Cost of sales	(15)	32	(37)
Interest expense	18	(42)	12
Taxation	(2)	(8)	-
Profit for the period before cumulative effect of accounting changes	(1)	18	25
Cumulative effect of accounting changes	-	-	1,002
Profit for the period	(1)	18	1,027
	=====	=====	=====

	At June 30, 2003 (Unaudited) ----- (\$ mi
Tangible assets	(694)
Provisions	(660)
Deferred taxation	(7)
BP shareholders' interest	(27)
	=====

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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 assuming SFAS 143 was applied retroactively with effect from January 1, 2002 for the three and six months ended June 30, 2003 and 2002.

Three months ended June 30	Six month June
-------------------------------	-------------------



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	(Unaudited)		(Unaudi
	2003	2002	2003
	-----	-----	-----
	(\$ million)		
Profit for the period applicable to ordinary shares as adjusted to accord with US GAAP			
As reported	2,266	2,434	7,000
Pro forma	2,266	2,458	7,000
Per ordinary share - cents			
Basic - as reported	10.26	10.85	31.46
Basic - pro forma	10.26	10.96	31.46
Diluted - as reported	10.22	10.79	31.36
Diluted - pro forma	10.22	10.90	31.36
Per American Depositary Share - cents			
Basic - as reported	61.56	65.10	188.76
Basic - pro forma	61.56	65.76	188.76
Diluted - as reported	61.32	64.74	188.16
Diluted - pro forma	61.32	65.40	188.16

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 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.

13. US generally accepted accounting principles - continued

(v) Sale and leaseback (concluded)

The adjustments to profit for the period and BP shareholders' interest

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to accord with US GAAP are summarized below.

Increase (decrease) in caption heading	Three months ended June 30 (Unaudited)		Six mon Ju (Una
	2003	2002	2003
	-----		
	(\$ million)		
Cost of sales	(4)	2	(112)
Taxation	2	(1)	39
Profit for the period	2	(1)	73
	=====	=====	=====

	At June 30, 2003 (Unaudited)
	-----
	(\$ mi
Tangible assets	-
Other accounts payable and accrued liabilities	26
Provisions	23
Finance debt	-
Deferred taxation	(17)
BP shareholders' interest	(32)
	=====

(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.

Increase (decrease) in caption heading	Three months ended June 30 (Unaudited)		Six mon Ju (Una
	2003	2002	2003
	-----		
	(\$ million)		
Cost of sales	(343)	(322)	(685)

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Profit for the period	343	322	685
	=====	=====	=====

			At June 30, 2003 (Unaudited) ----- (\$ mi
Intangible assets			618
BP shareholders' interest			618
			=====

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

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 June 30, 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	(93)	-	(38)	(131)
Other movements	(754)	(140)	46	(848)
	-----			
At June 30, 2003	4,097	10,214	496	14,807
	=====			

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 2003 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

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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.

The Group has a number of long-term natural gas contracts which have been in place for many years. The pricing structure for certain of these 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. Under US GAAP, these contracts are marked-to-market.

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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 are no longer accounted for at fair value upon application of the consensus. Rather, such contracts are 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

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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 are 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.

Increase (decrease) in caption heading	Three months ended June 30 (Unaudited)		Six mon Ju (Una
	2003	2002	2003
	-----		-----
	(\$ million)		
Cost of sales	(447)	(163)	(435)
Taxation	156	65	152
Profit for the period before cumulative effect of accounting changes	291	98	283
Cumulative effect of accounting changes	-	-	50
Profit for the period	291	98	333
	=====	=====	=====
			At June 30, 2003 (Unaudited) ----- (\$ mi
Inventories			9
Accounts payable and accrued liabilities			307
Deferred taxation			118
BP shareholders' interest			208
			=====

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 gave rise to a gain on disposal.

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

Increase (decrease) in caption heading	Three months ended June 30 (Unaudited)		Six mon Ju (Una
	2003	2002	2003
	-----		-----
	(\$ million)		
Cost of sales	6	6	11
Taxation	(2)	(1)	(4)
Profit for the period	(4)	(5)	(7)
	=====	=====	=====

	At June 30, 2003 (Unaudited) ----- (\$ mi
Intangible assets	158
Accounts payable and accrued liabilities	(51)
Deferred taxation	73
BP shareholders' interest	136
	=====

(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.

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Increase (decrease) in caption heading	At June 30, 2003 (Unaudited) ----- (\$ mi
Fixed assets - Investments	(106)
BP shareholders' interest	(106) =====

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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.

Increase (decrease) in caption heading	At June 30, 2003 (Unaudited) ----- (\$ mi
Other accounts payable and accrued liabilities	(1,434)
BP shareholders' interest	1,434 =====

(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.

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Increase (decrease) in caption heading	At June 30, 2003 (Unaudited) ----- (\$ mi
Fixed assets - Investments	514
Deferred taxation	180
BP shareholders' interest	334
	=====

(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 June 30, 2003 (Unaudited) ----- (\$ mi
Other receivables falling due after more than one year	137
Noncurrent liabilities - accounts payable and accrued liabilities	(1,211)
Deferred taxation	2,459
BP shareholders' interest	(1,247)
Intangible assets	(2,286)
	=====

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

13. US generally accepted accounting principles - continued

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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Profit for the period	Three months ended June 30 (Unaudited)		
	2003	2002	(\$ million)
	-----	-----	
Profit as reported in the consolidated statement of income	1,634	2,058	
Adjustments:			
	-----	-----	
Deferred taxation/business combinations (iii)	(2)	(59)	
Provisions (iv)	(1)	18	
Sale and leaseback (v)	2	(1)	
Goodwill (vi)	343	322	
Derivative financial instruments (vii)	291	98	
Gain arising on asset exchange (viii)	(4)	(5)	
Other	3	3	
	-----	-----	
	632	376	
	-----	-----	
Profit for the period as adjusted to accord with US GAAP before cumulative effect of accounting changes	2,266	2,434	
Cumulative effect of accounting changes:			
Provisions	-	-	
Derivative financial instruments	-	-	
	-----	-----	
Profit for the period as adjusted to accord with US GAAP	2,266	2,434	
	=====	=====	
Profit for the period as adjusted:			
Per ordinary share - cents			
Basic - before cumulative effect of accounting changes	10.26	10.85	
Cumulative effect of accounting changes:			
Provisions	-	-	
Derivative financial instruments	-	-	
	-----	-----	
	10.26	10.85	
	=====	=====	
Diluted - before cumulative effect of accounting changes	10.22	10.79	
Cumulative effect of accounting changes:			
Provisions	-	-	
Derivative financial instruments	-	-	
	-----	-----	
	10.22	10.79	
	=====	=====	
Per American Depositary Share - cents (a)			
Basic - before cumulative effect of accounting changes	61.56	65.10	
Cumulative effect of accounting changes:			
Provisions	-	-	
Derivative financial instruments	-	-	
	-----	-----	
	61.56	65.10	
	=====	=====	
Diluted - before cumulative effect of accounting changes	61.32	64.74	
Cumulative effect of accounting changes:			
Provisions	-	-	
Derivative financial instruments	-	-	
	-----	-----	
	61.32	64.74	
	=====	=====	

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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	June 30, 2003 (Unaudited)	Decem
	-----	
	(\$ million)	
BP shareholders' interest as reported in the consolidated balance sheet	72,065	
Adjustments:		
	-----	
Deferred taxation/business combinations (iii)	(58)	
Provisions (iv)	(27)	
Sale and leaseback (v)	(32)	
Goodwill (vi)	618	
Derivative financial instruments (vii)	208	
Gain arising on asset exchange (viii)	136	
Ordinary shares held for future awards to employees (ix)	(106)	
Dividends (x)	1,434	
Investments (xi)	334	
Additional minimum pension liability (xii)	(2,286)	
Other	(48)	
	-----	
	173	
	-----	
BP shareholders' interest as adjusted to accord with US GAAP	72,238	
	=====	

-----  
(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 June 30 (Unaudited)		Six m J (Un
	2003	2002	2003
	-----		-----
	(\$ million)		
Profit for the period as adjusted to accord with US GAAP	2,266	2,434	8,052
Currency translation differences	1,775	1,941	1,493
Net unrealized gain (loss) on investments	300	20	327
Additional minimum pension liability	-	-	-

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Comprehensive income	----- 4,341 =====	----- 4,395 =====	----- 9,872 =====
----------------------	-------------------------	-------------------------	-------------------------

Accumulated other comprehensive income at June 30, 2003 and December 31, 2002 comprised losses of \$1,889 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 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:

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	Three months ended June 30 (Unaudited)		
	2003	2002	
	-----		
	(\$ million)		
Operating activities			
Profit after taxation	1,694	2,086	5
Adjustments to reconcile profits after tax to net cash provided by operating activities			
Depreciation and amounts provided	2,653	2,227	5
Exploration expenditure written off	43	147	
Share of profits of joint ventures and associated undertakings less dividends received	30	(23)	
(Profit) loss on sale of businesses and fixed assets	(280)	(374)	
Working capital movement (a)	1,107	(652)	
Deferred taxation	362	711	
Other	(220)	52	
	-----	-----	--
Net cash provided by operating activities	5,389	4,174	10
	-----	-----	--
Investing activities			
Capital expenditures	(2,803)	(2,818)	(5)
Acquisitions, net of cash acquired	(150)	(139)	
Investment in associated undertakings	(331)	(488)	
Net investment in joint ventures	(2)	(68)	
Proceeds from disposal of assets	1,671	2,523	4
	-----	-----	--
Net cash used in investing activities	(1,615)	(990)	(2)
	-----	-----	--
Financing activities			
Net proceeds from shares issued (repurchased)	(986)	32	(1)
Proceeds from long-term financing	208	752	1
Repayments of long-term financing	(607)	(663)	(1)
Net increase (decrease) in short-term debt	30	(2,138)	(3)
Dividends paid - BP Shareholders	(1,386)	(1,290)	(2)
- Minority shareholders	(11)	(3)	
	-----	-----	--
Net cash used in financing activities	(2,752)	(3,310)	(7)
	-----	-----	--
Currency translation differences relating to cash and cash equivalents	43	30	
	-----	-----	--
Increase (decrease) in cash and cash equivalents	1,065	(96)	
Cash and cash equivalents at beginning of period	1,379	1,665	1
	-----	-----	--
Cash and cash equivalents at end of period	2,444	1,569	2
	=====	=====	==
(a) Working capital:			
Inventories (increase) decrease	193	(807)	
Receivables (increase) decrease	3,234	(1,691)	(3)
Current liabilities - excluding finance debt increase (decrease)	(2,320)	1,846	2
	-----	-----	--
	1,107	(652)	
	=====	=====	==

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

**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 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.

**Financial instruments:** In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149). SFAS 149 amends and clarifies the financial accounting and reporting of derivative instruments and hedging activities under SFAS 133. SFAS 149 applies to contracts entered into or modified after June 30, 2003, and hedging relationships designated after June 30, 2003.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). SFAS 150 establishes standards for classifying and measuring certain financial instruments that have characteristics of both liabilities and equity. SFAS 150 applies to instruments entered into or modified after May 31, 2003. For instruments existing at May 31, 2003, SFAS 150 is effective for accounting periods beginning after June 15, 2003.

The Company is currently carrying out the analysis necessary to adopt SFAS

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149 and SFAS 150. The Company does not expect that the adoption of SFAS 149 and SFAS 150 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			
Income statement	Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
			(\$ million)	
Three months ended June 30, 2003				
Turnover	750	-	56,671	
Less: Joint ventures	-	-	364	
<hr style="border-top: 1px dashed black;"/>				
Group turnover	750	-	56,307	
Cost of sales	329	-	49,941	
Production taxes	58	-	324	
<hr style="border-top: 1px dashed black;"/>				
Gross profit	363	-	6,042	
Distribution and administration expenses	-	(25)	3,431	
Exploration expense	7	-	94	
<hr style="border-top: 1px dashed black;"/>				
	356	25	2,517	
Other income	5	235	173	
<hr style="border-top: 1px dashed black;"/>				
Group operating profit	361	260	2,690	
Share of profits of joint ventures	-	-	104	
Share of profits of associated undertakings	-	-	103	
Equity accounted income of subsidiaries	103	3,198	-	
<hr style="border-top: 1px dashed black;"/>				
Total operating profit	464	3,458	2,897	
Profit (loss) on sale of fixed assets and businesses or termination of operations	1	282	279	
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Profit before interest and tax	465	3,740	3,176	
Interest expense	70	336	286	
<hr style="border-top: 1px dashed black;"/>				
Profit before taxation	395	3,404	2,890	
Taxation	178	1,768	1,619	
<hr style="border-top: 1px dashed black;"/>				
Profit after taxation	217	1,636	1,271	
Minority shareholders' interest	-	-	60	
<hr style="border-top: 1px dashed black;"/>				
Profit for the period	217	1,636	1,211	
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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 June 30, 2003				
Profit as reported	217	1,636	1,211	
Adjustments:				
Deferred taxation/business combinations	(3)	(2)	1	
Provisions	(1)	(1)	1	
Sale and leaseback	-	2	2	
Goodwill	-	343	343	
Derivative financial instruments	-	291	291	
Gain arising on asset exchange	-	(4)	(4)	
Other	(16)	3	3	
	-----			
Profit for the period as adjusted to accord with US GAAP	197	2,268	1,848	
	=====			

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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)
Income statement (continued)				
Three months ended June 30, 2002				
Turnover	588	-	43,995	
Less: Joint ventures	-	-	404	
	-----			



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Group turnover	588	-	43,591
Cost of sales	322	-	36,886
Production taxes	53	-	262
-----			
Gross profit	213	-	6,443
Distribution and administration expenses	-	272	2,851
Exploration expense	7	-	215
-----			
	206	(272)	3,377
Other income	6	155	106
-----			
Group operating profit	212	(117)	3,483
Share of profits of joint ventures	-	-	89
Share of profits of associated undertakings	-	-	196
Equity accounted income of subsidiaries	77	3,955	-
-----			
Total operating profit	289	3,838	3,768
Profit (loss) on sale of fixed assets and businesses or termination of operations	-	1,213	1,213
-----			
Profit before interest and tax	289	5,051	4,981
Interest expense	27	423	367
-----			
Profit before taxation	262	4,628	4,614
Taxation	95	1,751	1,666
-----			
Profit after taxation	167	2,877	2,948
Minority shareholders' interest	-	-	28
-----			
Profit for the period	167	2,877	2,920
=====			

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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)			

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Three months ended June 30, 2002

Profit as reported	167	2,877	2,920
Adjustments:			
Deferred taxation/business combinations	(32)	(59)	(38)
Provisions	(1)	18	18
Sale and leaseback	-	(1)	(1)
Goodwill	-	322	322
Derivative financial instruments	-	98	98
Gain arising on asset exchange	-	(5)	(5)
Other	-	3	3
Profit for the period as adjusted to accord with US GAAP	134	3,253	3,317

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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)			
Six months ended June 30, 2003				
Turnover	1,630	-	120,857	
Less: Joint ventures	-	-	762	
Group turnover	1,630	-	120,095	
Cost of sales	729	-	104,936	
Production taxes	126	-	760	
Gross profit	775	-	14,399	
Distribution and administration expenses	-	39	6,611	
Exploration expense	8	-	205	
Other income	767	(39)	7,583	
	11	382	302	
Group operating profit	778	343	7,885	
Share of profits of joint ventures	-	-	222	
Share of profits of associated undertakings	-	-	289	
Equity accounted income of subsidiaries	228	9,088	-	

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Total operating profit	1,006	9,431	8,396
Profit (loss) on sale of fixed assets and businesses or termination of operations	-	676	674
Profit before interest and tax	1,006	10,107	9,070
Interest expense	138	631	524
Profit before taxation	868	9,476	8,546
Taxation	389	3,573	3,259
Profit after taxation	479	5,903	5,287
Minority shareholders' interest	-	-	86
Profit for the period	479	5,903	5,201

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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)			
Six months ended June 30, 2003				
Profit as reported	479	5,903	5,201	
Adjustments:				
Deferred taxation/business combinations	(6)	34	40	
Provisions	(5)	25	26	
Sale and leaseback	-	73	73	
Goodwill	-	685	685	
Derivative financial instruments	-	283	283	
Gain arising on asset exchange	-	(7)	(7)	
Other	-	6	6	
Profit for the period before cumulative effect of accounting changes as adjusted				

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to accord with US GAAP	468	7,002	6,307
Cumulative effect of accounting changes:			
Provisions	214	1,313	1,099
Derivative financial instruments	-	-	-
Profit for the period as adjusted to accord with US GAAP	682	8,315	7,406

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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)			
Six months ended June 30, 2002				
Turnover	1,094	-	80,564	
Less: Joint ventures	-	-	683	
Group turnover	1,094	-	79,881	
Cost of sales	641	-	68,159	
Production taxes	97	-	465	
Gross profit	356	-	11,257	
Distribution and administration expenses	-	326	5,488	
Exploration expense	13	-	333	
Other income	343	(326)	5,436	
	21	308	162	
Group operating profit	364	(18)	5,598	
Share of profits of joint ventures	-	-	159	
Share of profits of associated undertakings	-	-	382	
Equity accounted income of subsidiaries	126	6,438	-	
Total operating profit	490	6,420	6,139	
Profit (loss) on sale of fixed assets and businesses or termination of operations	-	1,104	1,104	
Profit before interest and tax	490	7,524	7,243	
Interest expense	40	847	760	

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Profit before taxation	450	6,677	6,483
Taxation	177	2,504	2,352
-----			
Profit after taxation	273	4,173	4,131
Minority shareholders' interest	-	-	68
-----			
Profit for the period	273	4,173	4,063
=====			

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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		Other	recl
	Exploration	BP p.l.c.	subsidiaries	
	(Alaska) Inc.			
	-----	-----	-----	-----
			(\$ million)	
Six months ended June 30, 2002				
Profit as reported	273	4,173	4,063	
Adjustments:				
Deferred taxation/business combinations	(65)	(116)	(74)	
Provisions	(1)	(8)	(7)	
Sale and leaseback	-	(5)	(5)	
Goodwill	-	643	643	
Derivative financial instruments	-	621	621	
Gain arising on asset exchange	-	(10)	(10)	
Other	-	6	6	
-----				
Profit for the period as adjusted to accord with US GAAP	207	5,304	5,237	
=====				

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

#### 14. Condensed consolidating information - continued

	Issuer	Guarantor	Other	recl
Balance sheet	BP Exploration (Alaska) Inc.	BP p.l.c.	subsidiaries	
	(\$ million)			
At June 30, 2003				
Fixed assets				
Intangible assets	424	-	13,472	
Tangible assets	6,373	-	82,912	
Investments				
Subsidiaries - equity accounted basis	2,680	80,931	-	
Other	-	108	10,576	
	2,680	81,039	10,576	
Total fixed assets	9,477	81,039	106,960	
Current assets				
Inventories	80	-	9,679	
Receivables	19,543	27,684	56,776	
Investments	-	-	329	
Cash at bank and in hand	(11)	18	2,108	
	19,612	27,702	68,892	
Current liabilities - falling due within one year				
Finance debt	8,080	-	5,830	
Accounts payable and accrued liabilities	868	10,373	38,717	
Net current assets (liabilities)	10,664	17,329	24,345	
Total assets less current liabilities	20,141	98,368	131,305	
Noncurrent liabilities				
Finance debt	-	-	12,709	
Accounts payable and accrued liabilities	5,492	49	46,433	
Provisions for liabilities and charges				
Deferred taxation	1,707	-	12,615	
Other provisions	498	124	13,495	
Net assets	12,444	98,195	46,053	
Minority shareholders' interest - equity	-	-	1,016	
BP shareholders' interest	12,444	98,195	45,037	

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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	
Balance sheet (continued)	Exploration (Alaska) Inc.	BP p.l.c.	subsidiaries	recl
	-----			
			(\$ million)	
At June 30, 2003				
Capital and reserves				
Capital shares	1,903	5,547	-	
Paid-in surplus	3,145	4,393	-	
Merger reserve	-	26,360	697	
Other reserves	-	149	-	
Retained earnings	7,396	61,746	44,340	
	-----	-----	-----	
	12,444	98,195	45,037	
	=====			

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 (Alaska) Inc.	BP p.l.c.	subsidiaries	recl
	-----			
			(\$ million)	
Shareholders' interest as reported	12,444	98,195	45,037	
Adjustments:				
Deferred taxation/business combinations	68	(58)	(126)	
Provisions	25	(27)	(53)	
Sale and leaseback	-	(32)	(32)	
Goodwill	-	618	618	
Derivative financial instruments	(50)	208	208	
Gain arising on asset exchange	-	136	136	
Ordinary shares held for future awards to employees	-	(106)	-	
Quarterly dividend	-	1,434	-	
Investments	-	334	334	
Additional minimum pension liability	-	(2,286)	(2,286)	
Other	-	(48)	(48)	
	-----			

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Shareholders' interest as adjusted to accord with US GAAP	12,487	98,368	43,788
--	--------	--------	--------

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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 (continued)	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
	-----	-----	-----
	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			



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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		Other	recl
Balance sheet (concluded)	Exploration	BP p.l.c.	subsidiaries	
	(Alaska) Inc.			
	-----			
	(\$ million)			
At December 31, 2002				
Capital and reserves				
Capital shares	1,903	5,616	-	
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		Other	recl
Shareholders' interest as reported	Exploration	BP p.l.c.	subsidiaries	
	(Alaska) Inc.			
	-----			
	(\$ million)			
Shareholders' interest as reported	11,995	95,537	56,377	

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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	11,829	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

Cash flow statement	Issuer		Guarantor	
	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
-----				
(\$ million)				
Three months ended June 30, 2003				
Net cash inflow (outflow) from operating activities	372	(15,793)	22,767	
Dividends from joint ventures	-	-	28	
Dividends from associated undertakings	-	-	177	
Dividends from subsidiaries	-	18,133	-	
Net cash inflow (outflow) from servicing of finance and returns on investments	-	43	(406)	
Tax paid	(47)	(3)	(1,803)	
Net cash inflow (outflow) for capital expenditure and financial investment	(115)	22	(1,015)	
Net cash inflow (outflow) for acquisitions and disposals	3	-	(467)	
Equity dividends paid	-	(1,386)	(18,133)	
-----				
Net cash inflow (outflow)	213	1,016	1,148	
=====				
Financing	214	987	154	
Management of liquid resources	-	-	93	

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Increase (decrease) in cash	(1)	29	901
	213	1,016	1,148

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	328	2,379	20,763	
Net cash provided by (used in) investing activities	(115)	24	(1,482)	
Net cash provided by (used in) financing activities	(214)	(2,374)	(18,287)	
Currency translation differences relating to cash and cash equivalents	-	-	43	
Increase (decrease) in cash and cash equivalents	(1)	29	1,037	
Cash and cash equivalents at beginning of period	(10)	(11)	1,400	
Cash and cash equivalents at end of period	(11)	18	2,437	

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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)			
Cash flow statement (continued)				

Three months ended June 30, 2002

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Net cash inflow (outflow) from operating activities	227	434	3,708
Dividends from joint ventures	-	-	16
Dividends from associated undertakings	-	-	154
Dividends from subsidiaries	-	-	-
Net cash inflow (outflow) from servicing of finance and returns on investments	-	61	(291)
Tax paid	(46)	(1)	(880)
Net cash inflow (outflow) for capital expenditure and financial investment	(138)	(1)	(1,715)
Net cash inflow (outflow) for acquisitions and disposals	-	764	889
Equity dividends paid	-	(1,290)	-
Net cash inflow (outflow)	43	(33)	1,881
Financing	38	(32)	2,011
Management of liquid resources	-	-	33
Increase (decrease) in cash	5	(1)	(163)
	43	(33)	1,881

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	181	494	2,707	
Net cash provided by (used in) investing activities	(138)	763	(826)	
Net cash provided by (used in) financing activities	(38)	(1,258)	(2,011)	
Currency translation differences relating to cash and cash equivalents	-	-	30	
Increase (decrease) in cash and cash equivalents	5	(1)	(100)	
Cash and cash equivalents at beginning of period	(11)	3	1,673	
Cash and cash equivalents at end of period	(6)	2	1,573	

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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	
Cash flow statement (continued)	Exploration (Alaska) Inc.	BP p.l.c.	subsidiaries	recl
			(\$ million)	
Six months ended June 30, 2003				
Net cash inflow (outflow) from operating activities	890	(13,540)	25,957	
Dividends from joint ventures	-	-	41	
Dividends from associated undertakings	-	-	232	
Dividends from subsidiaries	10	18,133	-	
Net cash inflow (outflow) from servicing of finance and returns on investments	(22)	70	(583)	
Tax paid	(47)	(3)	(2,435)	
Net cash inflow (outflow) for capital expenditure and financial investment	(212)	58	(1,514)	
Net cash inflow (outflow) for acquisitions and disposals	9	-	(513)	
Equity dividends paid	-	(2,783)	(18,143)	
	-----	-----	-----	
Net cash inflow (outflow)	628	1,935	3,042	
	=====	=====	=====	
Financing	628	1,918	2,402	
Management of liquid resources	-	-	106	
Increase (decrease) in cash	-	17	534	
	-----	-----	-----	
	628	1,935	3,042	
	=====	=====	=====	

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

	Issuer	Guarantor		
	-----	-----		
	BP		Other	
	Exploration (Alaska) Inc.	BP p.l.c.	subsidiaries	recl
			(\$ million)	
Net cash provided by (used in) operating activities	862	4,659	23,212	
Net cash provided by (used in)				

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investing activities	(212)	60	(2,027)
Net cash provided by (used in)			
financing activities	(650)	(4,702)	(20,545)
Currency translation differences relating to cash and cash equivalents	-	-	52
-----			
Increase (decrease) in cash and cash equivalents	-	17	692
Cash and cash equivalents at beginning of period	(11)	1	1,745
-----			
Cash and cash equivalents at end of period	(11)	18	2,437
=====			

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

14. Condensed consolidating information - concluded

	Issuer	Guarantor		
	-----			
	BP		Other	
Cash flow statement (concluded)	Exploration	BP p.l.c.	subsidiaries	recl
	(Alaska) Inc.			
	-----			
				(\$ million)
Six months ended June 30, 2002				
Net cash inflow (outflow) from operating activities	594	1,485	5,827	
Dividends from joint ventures	-	-	99	
Dividends from associated undertakings	-	-	207	
Dividends from subsidiaries	15	-	-	
Net cash inflow (outflow) from servicing of finance and returns on investments	-	126	(628)	
Tax paid	(46)	(1)	(1,325)	
Net cash inflow (outflow) for capital expenditure and financial investment	(288)	(18)	(4,030)	
Net cash inflow (outflow) for acquisitions and disposals	-	863	(819)	
Equity dividends paid	-	(2,578)	(15)	
-----				
Net cash inflow (outflow)	275	(123)	(684)	
=====				
Financing	252	(122)	(396)	
Management of liquid resources	-	-	(132)	
Increase (decrease) in cash	23	(1)	(156)	
-----				
	275	(123)	(684)	

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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	563	1,610	4,195
Net cash provided by (used in) investing activities	(288)	846	(4,864)
Net cash provided by (used in) financing activities	(252)	(2,457)	381
Currency translation differences relating to cash and cash equivalents	-	-	27
Increase (decrease) in cash and cash equivalents	23	(1)	(261)
Cash and cash equivalents at beginning of period	(40)	6	3,507
Cash and cash equivalents at end of period	(17)	5	3,246

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BP p.l.c. AND SUBSIDIARIES  
ENVIRONMENTAL INDICATORS

	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)
	2003	2002	2003
Average crude oil realizations - \$/bbl			
UK	25.16	25.15	28.60
USA	27.09	24.53	29.48
Rest of World	24.16	22.75	26.90
BP average	25.73	24.27	28.50
Average natural gas liquids realizations - \$/bbl			
UK	11.97	13.95	18.86
USA	17.80	11.91	18.05

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Rest of World	20.16	13.63	21.63
BP average	17.49	12.40	18.76
Average liquids realizations (a) - \$/bbl			
UK	24.45	24.59	28.04
USA	25.61	21.81	27.55
Rest of World	23.93	22.20	26.58
BP average	24.90	22.81	27.47
Average natural gas realizations - \$/mcf			
UK	2.84	2.50	3.11
USA	4.52	2.76	4.91
Rest of World	2.53	2.04	2.63
BP average	3.39	2.45	3.64
Total hydrocarbons - \$/boe			
UK	21.15	20.91	23.99
USA	25.88	19.24	27.96
Rest of World	18.75	16.62	20.09
BP average	22.43	19.01	24.49
Average oil marker prices (a) - \$/bbl			
Brent oil price	26.03	25.07	28.77
West Texas Intermediate oil price	29.02	26.30	31.53
Alaska North Slope US West Coast	27.04	25.04	30.13
Henry Hub gas price (b) (\$/mmbtu)			
UK Gas - National Balancing point (p/therm)	5.40	3.38	5.96
	17.44	12.10	19.35
Global Indicator Refining Margins (c) - \$/bbl			
Northwest Europe	2.15	0.59	2.92
US Gulf Coast	3.59	2.62	4.86
Midwest	4.73	3.76	4.44
US West Coast	6.34	4.46	6.55
Singapore	0.66	0.18	1.81
BP average	3.27	2.06	3.89
Chemicals Indicator Margin (d) - \$/te			
	120 (e)	109	108 (e)

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BP p.l.c. AND SUBSIDIARIES  
ENVIRONMENTAL INDICATORS

-----  
(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 six regional indicator margins weighted for BP's crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity. The regional indicator margins may not be representative of the margins achieved by BP in any period because of BP's particular refinery configurations and crude and product slate.



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- (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. It does not cover our entire portfolio of products, and consequently is only indicative rather than representative of the margins achieved by BP in any particular period. Amongst the products and businesses covered in the CIM are 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 second quarter is based on two months' actuals and one month of provisional data.

The table below shows the US dollar/sterling exchange rates used in the preparation of the financial statements. The period-end rate is the mid-point closing rate as published in the London edition of the Financial Times on the last day of the period. The average rate for the period is the average of the daily mid-point closing rates for the period.

US dollar/sterling exchange rates	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2003	2002	2003	2002
Average rate for the period	1.62	1.46	1.61	1.44
Period-end rate	1.65	1.52	1.65	1.52

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### BP p.l.c. AND SUBSIDIARIES OPERATING INFORMATION

	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)
	2003	2002	2003
Crude oil production (thousand barrels per day) (net of royalties)			
UK	325	457	383
Rest of Europe	80	102	85
USA	569	605	588
Rest of World	738	644	715
Total crude oil production	1,712	1,808	1,771

Natural gas liquids production

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(thousand barrels per day) (net of royalties)			
UK	18	24	24
Rest of Europe	5	6	5
USA	144	186	155
Rest of World	32	28	32
	-----	-----	-----
Total natural gas liquids production	199	244	216
	=====	=====	=====
Liquids production (a)			
(thousand barrels per day) (net of royalties)			
UK	343	481	407
Rest of Europe	85	108	90
USA	713	791	743
Rest of World	770	672	747
	-----	-----	-----
Total liquids production	1,911	2,052	1,987
	=====	=====	=====
Natural gas production (million cubic feet per day)			
(net of royalties)			
UK	1,407	1,602	1,602
Rest of Europe	103	157	117
USA	3,145	3,565	3,290
Rest of World	3,784	3,343	3,718
	-----	-----	-----
Total natural gas production	8,439	8,667	8,727
	=====	=====	=====
Total production (b)			
(thousand barrels of oil equivalent per day)			
(net of royalties)			
UK	586	757	683
Rest of Europe	103	135	110
USA	1,255	1,406	1,310
Rest of World	1,422	1,248	1,388
	-----	-----	-----
Total production	3,366	3,546	3,491
	=====	=====	=====

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

	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)
	2003	2002	2003
	-----	-----	-----
Natural gas sales volumes (million cubic feet per day)			
UK	2,581	2,349	2,896
Rest of Europe	421	390	447

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USA	10,441	8,451	11,084
Rest of World	10,839	8,618	11,194
	-----	-----	-----
Total natural gas sales volumes (c)	24,282	19,808	25,621
	=====	=====	=====
NGL sales volumes (thousand barrels per day)			
UK	-	-	-
Rest of Europe	-	-	-
USA	136	189	131
Rest of World	124	196	178
	-----	-----	-----
Total NGL sales volumes	260	385	309
	=====	=====	=====
Oil sales volumes (thousand barrels per day)			
Refined products			
UK	279	230	279
Rest of Europe	1,358	1,444	1,338
USA	1,822	1,941	1,787
Rest of World	607	522	626
	-----	-----	-----
Total marketing sales	4,066	4,137	4,030
Trading/supply sales	2,957	2,342	2,884
	-----	-----	-----
Total refined product sales	7,023	6,479	6,914
Crude oil	5,679	4,915	5,104
	-----	-----	-----
Total oil sales	12,702	11,394	12,018
	=====	=====	=====
Refinery throughputs (thousand barrels per day)			
UK	416	376	397
Rest of Europe	991	924	973
USA	1,465	1,464	1,384
Rest of World	393	339	392
	-----	-----	-----
Total throughput	3,265	3,103	3,146
	=====	=====	=====
Petrochemicals production (thousand tonnes)			
UK	714	837	1,583
Rest of Europe	2,681	2,595	5,444
USA	2,503	2,695	5,039
Rest of World	872	762	1,684
	-----	-----	-----
Total production	6,770	6,889	13,750
	=====	=====	=====

-----

- (a) Crude oil and natural gas liquids.
- (b) 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.
- (c) 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  
TOTAL REPLACEMENT COST OPERATING PROFIT

	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)
	2003	2002	2003
	-----		
	(\$ million)		
By business			
Exploration and Production			
UK	473	649	1,607
Rest of Europe	141	172	334
USA	1,441	771	3,246
Rest of World	1,098	866	2,292
	-----	-----	-----
	3,153	2,458	7,479
	-----	-----	-----
Gas, Power and Renewables			
UK	18	1	21
Rest of Europe	(5)	35	(14)
USA	85	13	121
Rest of World	5	65	169
	-----	-----	-----
	103	114	297
	-----	-----	-----
Refining and Marketing			
UK	(31)	(61)	(5)
Rest of Europe	423	249	760
USA	323	279	420
Rest of World	174	136	345
	-----	-----	-----
	889	603	1,520
	-----	-----	-----
Petrochemicals			
UK	25	(10)	(9)
Rest of Europe	199	64	287
USA	65	84	107
Rest of World	24	65	67
	-----	-----	-----
	313	203	452
	-----	-----	-----
Other businesses and corporate	(134)	(128)	(299)
	-----	-----	-----
	4,324	3,250	9,449
	=====	=====	=====
By geographical area			
UK	363	504	1,416
Rest of Europe	756	526	1,358
USA	1,863	1,103	3,745
Rest of World	1,342	1,117	2,930
	-----	-----	-----
	4,324	3,250	9,449
	=====	=====	=====

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

	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)
	2003	2002	2003
	----- (\$ million)		
By business			
Exploration and Production			
UK	220	247	416
Rest of Europe	73	57	124
USA	1,009	1,077	1,975
Rest of World (a)	1,160	1,192	2,084
	-----	-----	-----
	2,462	2,573	4,599
	-----	-----	-----
Gas, Power and Renewables			
UK	24	5	32
Rest of Europe (b)	9	87	24
USA	48	32	86
Rest of World	17	8	24
	-----	-----	-----
	98	132	166
	-----	-----	-----
Refining and Marketing			
UK	66	100	139
Rest of Europe (c)	64	2,556	168
USA	228	260	564
Rest of World	27	49	51
	-----	-----	-----
	385	2,965	922
	-----	-----	-----
Petrochemicals			
UK	30	17	30
Rest of Europe	21	60	52
USA	95	55	141
Rest of World	52	38	71
	-----	-----	-----
	198	170	294
	-----	-----	-----
Other businesses and corporate (d)			
	183	267	219
	-----	-----	-----
	3,326	6,107	6,200
	=====	=====	=====
By geographical area			
UK	361	400	662
Rest of Europe	167	2,953	369
USA	1,542	1,467	2,938
Rest of World	1,256	1,287	2,231

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-----	-----	-----
3,326	6,107	6,200
=====	=====	=====

-----

- (a) 2Q and first half 2002 included the acquisition of an additional interest in Sidanco.
- (b) 2Q and first half 2002 included the acquisition of a 5% stake in Enagas.
- (c) 1Q 2002 and 2Q 2002 included the acquisition of 51% and 49% of Veba respectively.
- (d) 2Q and first half 2002 included the acquisition of the minority interest in Veba's upstream oil and gas assets.

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

	Three months ended June 30 (Unaudited)		Six (U
	2003	2002	2003
	-----		
	(\$ million)		
Historical cost profit for the period	1,634	2,058	5,901
Interest (a)	78	153	177
Minority shareholders' interest	60	28	86
	-----	-----	-----
Adjusted historical cost profit	1,772	2,239	6,164
Inventory holding (gains) losses	951	(525)	152
Exceptional items, net of tax	(131)	(216)	(471)
	-----	-----	-----
Adjusted replacement cost profit	2,592	1,498	5,845
	=====	=====	=====
Capital employed at beginning of period:			
BP shareholders' interest	71,076	64,902	69,409
Minority shareholders' interest	1,047	2,579	638
Finance debt	19,042	24,531	22,008
	-----	-----	-----
Capital employed	91,165	92,012	92,055
	=====	=====	=====
Capital employed at end of period:			
BP shareholders' interest	72,065	67,568	72,065
Minority shareholders' interest	1,016	558	1,016
Finance debt	18,594	21,409	18,594
	-----	-----	-----
Capital employed	91,675	89,535	91,675
	=====	=====	=====
	91,420	90,774	91,865
Average capital employed			

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	=====	=====	=====
ROACE - historical cost basis	7.8%	9.9%	13.4%
ROACE - replacement cost basis	11.3%	6.6%	12.7%

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(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 June 30 (Unaudited) 2003	At December 31 2002
	-----	-----
	(\$ million)	
Net debt ratio - net debt: net debt + equity		
Gross finance debt	18,594	22,008
Cash and current asset investments	2,444	1,735
	-----	-----
Net debt	16,150	20,273
	-----	-----
Equity	73,081	70,047
Net debt ratio	18%	22%
	-----	-----
Acquisition adjustment (a)	14,469	16,672
	-----	-----
Net debt ratio - pro forma basis (b)	22%	28%
	=====	=====

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(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

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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: August 1, 2003

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

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