BP PLC
Form 6-K
November 04, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

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

for the period ended September 30, 2002

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 ________

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

Yes ________ No |X|

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

BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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

GROUP RESULTS JANUARY - SEPTEMBER 2002

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

(a) Net of minority shareholders' interest.

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

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

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

The following discussion should be read in conjunction with the consolidated financial statements and the related notes provided elsewhere in this Form 6-K and with the information, including the consolidated financial statements and related notes, for the year ended December 31, 2001 in BP p.l.c.'s Annual Report on Form 20-F for the year ended December 31, 2001. The financial information for 2001 has been restated to reflect (i) the adoption by the Group of UK Financial Reporting Standard No. 19 (FRS 19) `Deferred Tax' with effect from January 1, 2002 and (ii) the transfer of the solar, renewables and alternative fuels activities from Other businesses and corporate to Gas and Power on January 1, 2002. To reflect this transfer, Gas and Power has been renamed Gas, Power and Renewables from the same date. See Note 2 of Notes to Consolidated Financial Statements for further information.

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

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

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

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

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

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

Special items refer to non-recurring charges and credits. For the three months ended September 30, 2002, special items were $1,081 million ($556 million after tax), and comprised impairment charges and restructuring costs in Exploration and Production, an impairment charge in Gas, Power and Renewables, integration and certain other costs in Refining and Marketing, an impairment charge in Chemicals, and a provision to cover future rental payments on surplus leasehold office accommodation in Other Businesses and Corporate. For the third quarter of 2001, special items were $120 million ($79 million after tax), comprising Castrol integration costs, Erdolchemie rationalization costs and a bond redemption charge. Special items for the nine months ended September 30, 2002 were $1,285 million ($1,027 million after tax) compared with $282 million ($222 million after tax) in 2001. The special items for the nine months of both 2002 and 2001 are comprised of the same elements as those in the respective third quarter periods. In addition, the nine months of 2002 includes litigation costs in Exploration and Production, business interruption insurance proceeds in Refining and Marketing, Solvay and Erdolchemie integration costs and restructuring charges in Chemicals and an adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax. The nine months of 2001 also includes rationalization costs in the European downstream commercial business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Taxation includes a special charge of $355 million for an adjustment to the North Sea deferred tax liability for the supplementary UK corporation tax.

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

DETAILED REVIEW OF BUSINESSES (EXCLUDING EXCEPTIONAL ITEMS)

EXPLORATION AND PRODUCTION

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

(a) Crude oil and natural gas liquids

(b) Henry Hub First of the Month Index

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

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

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

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

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

EXPLORATION AND PRODUCTION (concluded)

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

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

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

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

GAS, POWER AND RENEWABLES

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

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

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

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

During the quarter BP and its partners entered into two liquefied natural gas (LNG) agreements with China National Offshore Oil Corporation. The Australian North West Shelf consortium (BP 16.6%) was selected to supply up to 3.3 million tonnes a year to China's Guangdong terminal (BP 30%). In addition, an agreement was signed to supply LNG to the Fujian terminal from Indonesia's Tangguh natural gas project (BP 49.7%). The 25-year LNG Sales and Purchase Agreement will involve the supply of up to 2.6 million tonnes of LNG a year to Fujian. Both projects are due to start up in 2006 or 2007. Separately, a supply and purchase agreement has been signed with Qatar Liquefied Gas Company Ltd. (Qatargas) for the delivery of 750,000 tonnes of LNG per year to the Spanish market over a three year period. The first LNG cargo to Spain is scheduled for delivery in the third quarter of 2003.

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

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

REFINING AND MARKETING

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

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

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

Replacement cost operating profit for the three months and nine months ended September 30, 2002 was $237 million and $908 million respectively. This compares with $990 million and $3,194 million in the corresponding periods of 2001. The results for the third quarter and nine months of 2002 include special charges of $83 million and a net credit to income for special items of $5 million respectively. For the third quarter 2002, special items include Veba and other European integration costs of $54 million, settlement costs associated with a pre-acquisition ARCO US MTBE supply contract of $22 million, and costs associated with an Olympic pipeline incident in 1999 of $7 million. Special items for the nine months also included business interruption proceeds of $184 million, partly offset by additional costs associated with the Olympic pipeline incident of $47 million and Veba integration costs of $49 million. The results are also after charging depreciation and amortization arising from the fixed asset revaluation adjustments and goodwill, arising from the ARCO and Burmah Castrol acquisitions in 2000 of $202 million and $591 million for the third quarter and nine months respectively, and $187 million and $577 million for the corresponding periods in 2001. Although not classified as a special item, the third quarter 2002 result also included a charge of $80 million in respect of environmental liabilities, following a reassessment of certain existing liabilities.

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

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

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

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

CHEMICALS

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

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

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

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

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

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

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

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

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

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

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

OTHER BUSINESSES AND CORPORATE

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

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

EXCEPTIONAL ITEMS

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

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

OUTLOOK

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

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

In order to utilize the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995, BP is providing the following cautionary statement. The foregoing discussion, in particular, although not limited to, the statements under `Group Results' and the statements under `Outlook', with regard to hydrocarbon production growth and targets, the outlook for economic recovery, trends in the trading environment, the timing of new projects, oil and gas prices and margins, refining margins, expected realizations on gas sales, inventory and product stock levels, planned product phase-outs, capacity utilization, capital expenditure trends and targets, working capital, profitability, results of operation, dividend payments and liquidity or financial position are all forward-looking in nature. Forward-looking statements are also identified by such phrases as `will', `expects', `is expected to', `should', `may', `is likely to', `intends' and `believes'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including the specific factors identified in the discussions accompanying such forward-looking statements, future levels of industry product supply, the timing of bringing new fields onstream, demand and pricing, operational problems, political stability and economic growth in relevant areas of the world, development and use of new technology, successful partnering, the actions of competitors, the actions of third party suppliers of facilities and services, natural disasters and other changes to business conditions, prolonged adverse weather conditions, wars and acts of terrorism or sabotage, and other factors discussed elsewhere in this report. These and other factors may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Additional information, including information on factors which may affect BP's business, is contained in BP's Annual Report and Annual Accounts for 2001 and the Annual Report on Form 20-F for 2001 filed with the US Securities and Exchange Commission.

2002 DIVIDENDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Restatement of comparative information

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

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

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

(b) New accounting standard for deferred tax

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

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

- Provision is made for tax on gains arising from the disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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

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

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

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

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

2. Restatement of comparative information (continued)

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

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

(a) Total replacement cost operating profit, by business			
Exploration and Production	2,627	2,641	
Gas, Power and Renewables	125	130	
Refining and Marketing	990	1,003	
Chemicals	105	105	
Other businesses and corporate	(117)	(122)	
	3,730	3,757	

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

2. Restatement of comparative information (concluded)

Balance sheet at December 31, 2001	Restated	Repor
	($ million)	
Fixed assets		

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

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

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

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

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

6. Replacement cost profit

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

Three months ended
September 30
(Unaudited)

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

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

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

(a) Includes charges relating to the early redemption of debt	-	2

10. Charge for taxation

Current	463	1,206
Deferred (a)	250	334
	713	1,540
United Kingdom	235	244
Overseas	478	1,296
	713	1,540

(a) Includes the adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax of 10%	-	-

11. Reconciliation of replacement cost results

Historical cost profit (loss) for the period	2,835	1,588
Inventory holding (gains) losses (a)	(305)	405
Replacement cost profit for the period	2,530	1,993
Exceptional items (b)	(1,769)	(57)
Replacement cost profit before exceptional items	761	1,936
Earnings per ordinary share - cents		
On replacement cost profit before exceptional items	3.39	8.63

(a) Net of minority shareholders' interest	-	-
(b) Net of tax charge	25	127

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

12. Business and geographical analysis

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

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

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

12. Business and geographical analysis (continued)

By geographical area	UK	Rest of Europe	USA	Rest of World	E
			($ million)		
Three months ended September 30, 2002					
Group turnover - third parties	8,316	11,095	22,770	6,873	
- sales between areas	3,844	2,365	110	1,664	

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

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

12. Business and geographical analysis (continued)

By business	Exploration and Production	Gas, Power and Renewables	Refining and Marketing	Chemicals	busin corp
			($ million)		
Nine months ended September 30, 2002					
Group turnover					

- third parties	4,965	24,347	89,866	9,442
- sales between businesses	13,432	969	2,527	504
	18,397	25,316	92,393	9,946
Share of sales by joint ventures	378	-	314	495
Equity accounted income	426	105	165	(20)
Total replacement cost operating profit (loss)	5,958	282	908	411
Exceptional items	407	1,584	248	(134)
Inventory holding gains (losses)	5			