



## Edgar Filing: BP PLC - Form 6-K

333-103923) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

Page 1

### BP p.l.c. AND SUBSIDIARIES FORM 6-K FOR THE PERIOD ENDED SEPTEMBER 30, 2003

	Page
1. Management's Discussion and Analysis of Financial Condition and Results of Operations for the period January-September 2003.	3
2. Consolidated Financial Statements including Notes to Consolidated Financial Statements for the period January-September 2003.	15
3. Reconciliation of Historical Cost Operating Profit to Replacement Cost Operating Profit for the years ended December 31, 2002, 2001 and 2000.	66

#### DEFINITION

The following term has the meaning shown below:

OPEC-10 -- The OPEC members excluding Iraq.

Page 2

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

GROUP RESULTS JANUARY - SEPTEMBER 2003

Three months ended

Nine



## Edgar Filing: BP PLC - Form 6-K

and \$128,999 million for the equivalent periods in 2002. The increase in turnover for the third quarter and nine months reflects higher oil, natural gas and product prices, higher sales volumes and a weaker US dollar.

Historical cost profit for the three months ended September 30, 2003 was \$2,394 million, including inventory holding gains of \$84 million and net exceptional gains of \$168 million (\$172 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 \$2,840 million, including inventory holding gains of \$305 million and net exceptional gains of \$1,769 million (\$1,794 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 nine months ended September 30, 2003 was \$8,295 million, after inventory holding losses of \$68 million and including net exceptional gains of \$639 million (\$846 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 \$6,194 million, including inventory holding gains of \$1,278 million and net exceptional gains of \$1,915 million (\$2,061 million before tax) in respect of net gains on the sale of fixed assets and businesses or termination of operations.

Page 3

### 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 \$2,142 million and \$7,724 million for the three months and nine months ended September 30, 2003 respectively, compared with \$766 million and \$3,001 million for the equivalent periods of 2002.

Replacement cost profit before exceptional items for the three months ended September 30, 2003 includes charges of \$369 million resulting from new and a reassessment of our existing environmental remediation provisions and ongoing Veba integration costs of \$72 million in Refining and Marketing, charges of \$43 million comprising a provision to cover future rental payments on surplus property and charges resulting from a reassessment of environmental remediation provisions in Petrochemicals; and charges of \$122 million resulting from new and a reassessment of our existing environmental remediation provisions in Other businesses and corporate. Replacement cost profit before exceptional items for the three months ended September 30, 2002 included impairment charges of \$1,091 million and restructuring charges of \$17 million in Exploration and Production; 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 of \$7 million related to an Olympic pipeline incident in Refining and Marketing; a \$140 million asset writedown in Petrochemicals; and a \$125 million provision to cover future rental payments on surplus leasehold office accommodation in Other businesses and corporate.

Replacement cost profit before exceptional items for the nine months ended September 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; a charge of \$369

## Edgar Filing: BP PLC - Form 6-K

million resulting from new and a reassessment of our existing environmental remediation provisions and Veba integration costs of \$131 million in Refining and Marketing; charges of \$38 million comprising a provision to cover future rental payments on surplus property, a charge resulting from a reassessment of environmental remediation provisions and a credit resulting from a reduction in the provision for costs associated with closure of polypropylene capacity in Petrochemicals; charges of \$122 million resulting from new and a reassessment of our existing environmental remediation provisions in Other businesses and corporate; and a \$130 million credit related to tax restructuring benefits. Replacement cost profit before exceptional items for the nine months ended September 30, 2002 included impairment charges of \$1,091 million, restructuring charges of \$179 million and litigation costs of \$55 million in Exploration and Production; a credit of \$184 million for business interruption insurance proceeds, \$103 million Veba and other European integration costs, costs of \$54 million related to a pipeline incident and settlement costs associated with a pre-acquisition ARCO US MTBE supply contract of \$22 million in Refining and Marketing; a \$140 million asset write-down and restructuring charges and Solvay and Erdolchemie integration costs of \$75 million in Petrochemicals; a \$125 million provision to cover future rental payments on surplus leasehold office accommodation in Other businesses and corporate; and a \$355 million adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax rate.

The increase in replacement cost profit before exceptional items for the three months and nine months ended September 30, 2003 reflects higher average liquids and natural gas realizations, improvement in refining margins and higher marketing margins, particularly retail margins in the USA and Europe. In addition to these factors, the third quarter result also reflected some offset from weaker petrochemicals margins. Improved operating performance generated additional income for the quarter and nine months. Excluding charges for impairment, non-cash costs were higher in both periods due to higher depreciation from new projects coming onstream.

Interest expense for the three months and nine months ended September 30, 2003 was \$213 million and \$624 million respectively, compared with \$300 million and \$947 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 nine months ended September 30, 2003 was \$1,450 million and \$5,023 million compared with \$713 million and \$3,217 million in the equivalent periods last year. The tax charge has increased broadly in line with higher profits in 2003. The tax on exceptional items was \$4 million and \$207 million for the third quarter and nine months respectively, compared with \$25 million and \$146 million for the equivalent periods in 2002. The effective tax rate on replacement cost profit before exceptional items was 40% and 38% for the three months and nine months ended September 30, 2003, compared with 47% and 50% for the equivalent periods in 2002. The reduction in the third quarter and nine month rate reflects 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 nine month rate reduction additionally reflects the \$355 million adjustment to the North Sea deferred tax provision for the supplementary UK corporation tax in the second quarter of 2002. The effective tax rate on historical cost profit was 37% for both the three months and nine months ended September 30, 2003, compared with 20% and 34% for the three months and nine months in 2002 respectively. The lower rate in the three months and nine months ended September 30, 2002 was due to the non-taxable gain on the sale of our interest in Ruhrgas and the impact of non-taxable inventory holding gains.

## Edgar Filing: BP PLC - Form 6-K

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

Capital expenditure and acquisitions in the third quarter and nine months of 2003 was \$9.2billion and \$15.4 billion respectively, including \$5.9 billion for the acquisition of our investment in the TNK-BP joint venture in the third quarter. Capital expenditure and acquisitions for the third quarter and nine months of 2002 was \$3.2 billion and \$15.0 billion respectively, including \$5.0 billion for the acquisition of Veba in the first half. Excluding acquisitions, capital expenditure for the three months and nine months ended September, 30, 2003 was \$3.3billion and \$9.4billion respectively, compared with \$3.2billion and \$9.3billion in the equivalent periods of 2002. Disposal proceeds in the third quarter and nine months of 2003 were \$0.9billion and \$5.0billion respectively. Disposal proceeds in the third quarter of 2002 were \$2.9billion, including \$2.3billion from the sale of our investment in Ruhrgas, and \$5.8billion in the nine months.

Net cash outflow for the three months ended September 30, 2003 was \$2.4billion compared with an outflow of \$0.5billion for the equivalent period of 2002; higher cash flow from operating activities was more than offset by lower disposal proceeds. Net cash inflow for the nine months ended September 30, 2003 was \$3.2billion, compared with an outflow of \$1.1billion for the equivalent period of 2002; higher cash flow from operating activities and lower acquisition spending were partly offset by higher tax payments and lower disposal proceeds. Net cash inflow from operating activities was \$4.9billion and \$18.2billion for the three months and nine months ended September 30, 2003, compared with \$4.4billion and \$13.1billion in the equivalent periods in 2002. The increase for the quarter reflected higher profit, higher depreciation and a higher net charge for provisions partly offset by a higher requirement for working capital. The increase for the nine months was largely due to higher profit and a higher net charge for provisions.

Net debt at September 30, 2003 was \$18.5billion. The ratio of net debt to net debt plus equity was 20% at September 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 11% for the third quarter of 2003 compared with 13% 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 nine months ended September 30, 2003 the return on average capital employed was 12% compared with 10% in 2002.

## Edgar Filing: BP PLC - Form 6-K

The return on average capital employed on a replacement cost basis for the three months ended September 30, 2003 was 10% compared with 4% for the equivalent period of 2002. For the nine months ended September 30, 2003 the return was 12% compared with 5% 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 65 of this report.

BP announced a third quarterly dividend for 2003 of 6.50 cents per ordinary share. Holders of ordinary shares will receive 3.857 pence per share and holders of American Depositary Receipts (ADRs) \$0.39 per ADS. The dividend is payable on December 8, 2003 to shareholders on the register on November 14, 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 December 8, 2003. The Company did not repurchase any of its own shares during the quarter. During the nine months, 299 million shares were repurchased and cancelled at a cost of \$2 billion.

Page 5

### 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 m Sep (Un
		2003	2002	2003
Turnover	- \$m	7,310	6,220	23,811
Reconciliation of historical cost and replacement cost operating profit				
Total historical cost operating profit	- \$m	3,520	1,575	11,002
Inventory holding (gains) losses	- \$m	-	(3)	(3)
		-----	-----	-----
Total replacement cost operating profit	- \$m	3,520	1,572	10,999
		=====	=====	=====
Results include:				
Exploration expense	- \$m	136	119	349
Of which: Exploration expenditure written off	- \$m	75	55	168
Key Statistics:				
Crude oil realized by BP	Average prices - \$/bbl	27.72	26.01	28.25
	Production - mb/d	1,852	1,736	1,798
Natural gas liquids realized by BP	Average prices - \$/bbl	19.39	13.15	18.96
	Production - mb/d	202	247	211
Total liquids(a) realized by BP	Average prices - \$/bbl	26.79	24.40	27.24
	Production - mb/d	2,054	1,983	2,009
Natural gas realized by BP	Average prices - \$/mcf	3.08	2.25	3.46
	Production - mmcf/d	8,401	8,482	8,617
Total hydrocarbons(b) (c)	Average prices			

Edgar Filing: BP PLC - Form 6-K

realized by BP	- \$/boe	22.58	19.27	23.88
Production	- mboe/d	3,502	3,445	3,495
Brent oil price	- \$/bbl	28.38	26.91	28.64
West Texas Intermediate oil price	- \$/bbl	30.19	28.26	31.08
Alaska North Slope US West Coast	- \$/bbl	28.83	27.26	29.69
Henry Hub gas price (d)	- \$/mmbtu	4.97	3.16	5.65
UK Gas - National Balancing Point	- p/therm	15.08	12.74	17.92

- 
- (a) Crude oil and natural gas liquids.
  - (b) Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.
  - (c) Includes 249 mboe/d production from TNK-BP.
  - (d) Henry Hub First of the Month Index.

Turnover for the three months and nine months ended September 30, 2003 was \$7,310 million and \$23,811 million respectively compared with \$6,220 million and \$18,397 million in the corresponding periods in 2002, primarily reflecting higher liquids and natural gas realizations.

Historical cost operating profit for the three months ended September 30, 2003 was \$3,520 million; there were no inventory holding gains or losses for the period. For the equivalent period in 2002 there was a profit of \$1,575 million including inventory holding gains of \$3 million. Historical cost operating profit for the nine months ended September 30, 2003 was \$11,002 million including inventory holding gains of \$3 million; for the equivalent period in 2002 there was a profit of \$5,963 million including inventory holding gains of \$5 million.

Page 6

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

EXPLORATION AND PRODUCTION (concluded)

Replacement cost operating profit for the three months and nine months ended September 30, 2003 was \$3,520 million and \$10,999 million respectively, compared with \$1,572 million and \$5,958 million for the equivalent periods in 2002.

The results for the first nine months of 2003 include an impairment charge of \$108 million relating to the Kepadong field in Indonesia, an impairment charge of \$103 million relating 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 results for the third quarter of 2002 include impairment charges of \$1,091 million relating 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, and restructuring charges of \$17 million; in addition to these items the results for the nine months 2002 include further restructuring charges of \$162 million and litigation costs of \$55 million.

The results for the third quarter of 2003 reflect higher realizations, with liquids up \$2.39/bbl and natural gas up \$0.83/mcf on a year ago. North American basin differentials to the Henry Hub marker price continued to narrow over the quarter following the opening of pipeline expansion routes. The results for the



## Edgar Filing: BP PLC - Form 6-K

three months ended September 30, 2003 include income of \$15 million reflecting a lower provision for Unrealized Profit in Stock (UPIS), which removes the upstream margin from downstream inventories. This compares with a charge of \$64 million in the third quarter of last year.

The results for the nine months ended September 30, 2003 reflected the impact of significantly higher oil and gas prices and a reduction in exploration write-offs partly offset by the impact of divestments and higher depreciation excluding impairment charges.

Production for the third quarter was up by more than one and a half per cent at 3,502 mboe/d compared with a year ago. This reflects the net impact of the inclusion of incremental production volumes of 208 mboe/d from TNK-BP offset by a reduction of 179 mboe/d from divestments. Other factors include strong growth in Trinidad and decline in our mature areas. Total production for the nine months at 3,495 mboe/d was in line with a year ago.

Significant progress was made during the quarter toward completion of projects in our new profit centres. The Kapok field in Trinidad started commercial production in July. In preparation for start-up, the Na Kika tension leg platform has arrived on location in the Gulf of Mexico and the Xikomba Floating Production Storage and Offloading vessel is on location in Angola. The Holstein Spar has sailed from the fabrication yard in Finland and the Kizomba A tension leg platform has arrived in Angola. In Azerbaijan, construction is well advanced on our Azeri project and the BTC pipeline is on track for start-up in early 2005.

We are nearing the end of the 2003 programme of high-grading our portfolio with the completion of previously announced divestments in China and the Lower 48 states in the USA and the sale of 49% of our In Amenas gas project in Algeria.

On 29 August we completed the creation of our joint venture TNK-BP. This sees the establishment of the third largest integrated oil company in Russia in which we have a 50% interest. That transaction did not include Alfa Group and Access Renova's (AAR) interests in Slavneft or BP's interest in Sakhalin. We have agreed to invest a further \$1.35 billion to expand TNK-BP to include AAR's 50% interest in Slavneft; we now expect to complete this transaction by year-end. The TNK-BP result included for the period 29 August to 30 September benefited from favourable price conditions in Russia, and production was robust.

Page 7

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 months September (Unaudited)
		2003	2002	2003
Turnover	- \$m	15,904	9,313	48,777
Reconciliation of historical cost and replacement cost operating profit				
Total historical cost operating profit	- \$m	91	59	343
Inventory holding (gains) losses	- \$m	7	(2)	52

## Edgar Filing: BP PLC - Form 6-K

Total replacement cost operating profit - \$m	----- 98 =====	----- 57 =====	----- 395 =====
---	----------------------	----------------------	-----------------------

Turnover for the three months and nine months ended September 30, 2003 was \$15,904 million and \$48,777 million respectively compared with \$9,313 million and \$25,316 million in the same periods in 2002. The increase for the quarter and nine months reflects higher natural gas prices and sales volumes.

Historical cost operating profit for the three months ended September 30, 2003 was \$91 million after inventory holding losses of \$7 million; for the equivalent period in 2002 there was a profit of \$59 million including inventory holding gains of \$2 million. Historical cost operating profit for the nine months ended September 30, 2003 was \$343 million after inventory holding losses of \$52 million; for the equivalent period in 2002 there was a profit of \$292 million including inventory holding gains of \$10 million.

Replacement cost operating profit for the three months and nine months ended September 30, 2003 was \$98 million and \$395 million respectively, compared with \$57 million and \$282 million for the same periods in 2002.

The results for the third quarter and nine months 2002 include a \$30 million impairment charge related to a cogeneration power plant in the UK.

The third quarter and nine month results reflect improvement in marketing and trading, including LNG, partly offset by a lower result for the natural gas liquids business, restructuring charges in the Solar business and the absence of the contribution from Ruhrgas following the sale of our interest last year.

The increased marketing and trading result for the quarter and nine months was driven by higher gas sales volumes in North America and strong performance from the Global LNG business. Third quarter gas sales volumes were up 21%, and equity LNG sales were up 47%. During the quarter, the first delivery of LNG was made to the recently completed LNG import and regasification facility in Bilbao (BP 25%) and the first delivery was made to the facility at Cove Point (operated by Dominion Resources) in the USA, where BP has a contract for capacity access.

The results for the natural gas liquids business for the third quarter and nine months is substantially down on a year ago due to continued high gas prices relative to liquids prices in North America, which has led to lower sales volumes and margins.

The Solar and Renewables result includes a restructuring charge of \$45 million as a result of decisions taken during the quarter to improve future profitability. This charge provides for consolidation of manufacturing operations and staff reductions across the business.

Page 8

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  
Se  
(

Edgar Filing: BP PLC - Form 6-K

		2003	2002	2003
		-----	-----	-----
Turnover	- \$m	40,245	35,634	118,629
Reconciliation of historical cost and replacement cost operating profit				
Total historical cost operating profit	- \$m	544	548	1,911
Inventory holding (gains) losses	- \$m	(89)	(311)	64
		-----	-----	-----
Total replacement cost operating profit	- \$m	455	237	1,975
		=====	=====	=====
Total refined product sales	- mb/d	6,695	6,911	6,840
Refinery throughputs	- mb/d	3,086	3,154	3,124
Refining availability (a)	- %	96.2	96.5	95.7
Global Indicator Refining Margin (b)	- \$/bbl	4.59	1.98	4.13

-----

(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 nine months ended September 30, 2003 was \$40,245 million and \$118,629 million respectively, compared with \$35,634 million and \$92,393 million for the same periods in the prior year. The increase in turnover for the third quarter and nine months is principally due to a weaker US dollar, higher product prices and higher overall sales volumes.

Historical cost operating profit for the three months ended September 30, 2003 was \$544 million including inventory holding gains of \$89 million; for the equivalent period in 2002 there was a profit of \$548 million including inventory holding gains of \$311 million. Historical cost operating profit for the nine months ended September 30, 2003 was \$1,911 million after inventory holding losses of \$64 million; for the equivalent period in 2002 there was a profit of \$2,158 million including inventory holding gains of \$1,250 million.

Replacement cost operating profit for the three months and nine months ended September 30, 2003 was \$455 million and \$1,975 million respectively, compared with \$237 million and \$908 million for the corresponding periods of 2002.

The results for the third quarter of 2003 include a \$369 million charge resulting from new and a reassessment of our existing environmental remediation provisions, and ongoing Veba integration costs of \$72 million. The results for the third quarter of 2002 include Veba and other European integration of costs of \$54 million, settlement costs associated with a pre-acquisition ARCO US MTBE supply contract of \$22 million, costs related to the Olympic pipeline incident of \$7 million and a charge of \$80 million in respect of environmental remediation provisions.

The results for the nine months 2003 include a \$369 million charge resulting for new and a reassessment of our existing environmental remediation provisions, and Veba integration costs of \$131 million. The results for the nine months 2002 include a credit to income for business interruption insurance proceeds of \$184 million, mostly offset by Veba and other European integration costs of \$103

Edgar Filing: BP PLC - Form 6-K

million, a charge of \$80 million in respect of environmental remediation provisions, costs of \$54 million related to a pipeline incident and settlement costs associated with a pre-acquisition ARCO US MTBE supply contract of \$22 million.

The results for the quarter and nine months reflect improved refining margins and higher marketing margins, particularly retail margins in the USA and Europe, with some offset from higher gas fuel costs. Improved operating performance also contributed to the results in the marketing businesses.

Refining throughputs decreased by 2%, compared with a year ago, with availability at 96.2%. Marketing volumes were 6% lower than a year ago, as expected, largely due to divestments.

During the quarter, an additional 2,037 sites were reimaged, bringing the total number of sites with the BP Helios to some 14,000 worldwide.

Page 9

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

REFINING AND MARKETING (concluded)

During October, we announced that H&R WASAG has agreed to purchase our European Special Products business, including the Neuhof base oil refinery in Hamburg, Germany. The transaction is subject to a number of approvals and appropriate employee consultation.

Page 10

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

PETROCHEMICALS

		Three months ended September 30 (Unaudited)		Nine month Septemb (Unaudi
		2003	2002	2003
		-----	-----	-----
Turnover	- \$m	3,798	3,720	11,739
Reconciliation of historical cost and replacement cost operating profit				
Total historical cost operating profit	- \$m	83	121	578
Inventory holding (gains) losses	- \$m	(2)	11	(45)
Total replacement cost operating profit	- \$m	81	132	533
		=====	=====	=====
Production (a)	- kte	7,040	6,880	20,790
Chemicals Indicator Margin (b)	- \$/te	109(c)	120	113(c)

-----

## Edgar Filing: BP PLC - Form 6-K

- (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 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, 2003 was \$3,798 million and \$11,739 million respectively, compared with \$3,720 million and \$9,946 million for the equivalent periods in 2002. The increase in turnover for the third quarter and nine months reflects higher sales volumes and prices as well as the effect of a weaker US dollar.

Historical cost operating profit for the three months ended September 30, 2003 was \$83 million including inventory holding gains of \$2 million; for the equivalent period in 2002 there was a profit of \$121 million after inventory holding losses of \$11 million. Historical cost operating profit for the nine months ended September 30, 2003 was \$578 million including inventory holding gains of \$45 million; for the equivalent period in 2002 there was a profit of \$449 million including inventory holding gains of \$38 million.

Replacement cost operating profit for the three months and nine months ended September 30, 2003, was \$81 million and \$533 million respectively, compared with \$132 million and \$411 million for the equivalent periods in 2002.

The results for the third quarter of 2003 include a \$43 million charge comprising a provision to cover future rental payments on surplus property and a charge resulting from a reassessment of our environmental remediation provisions. The results for the third quarter of 2002 include a \$140 million write-down of our Indonesian manufacturing assets.

The decrease in third quarter profits compared with the third quarter of 2002 primarily reflects lower margins, with some offset from higher demand. Following a stronger second quarter 2003, petrochemicals margins were much weaker in the third quarter as a result of higher feedstock costs, particularly in Europe. Similar margin pressure occurred in the first quarter.

The results for the nine months 2003 include a \$43 million charge comprising a provision to cover future rental payments on surplus property and a charge resulting from a reassessment of our environmental remediation provisions, and 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 results for the nine months 2002 include a \$140 million asset write-down, costs of \$46 million related to major site restructuring and Solvay and Erdolchemie integration and charges of \$29 million for restructuring our research and technology facilities.

The nine months results were below those of a year ago. The effect of increased volumes and margins was more than offset by lower income from SARS-affected businesses in Asia, several non-recurring items and portfolio rationalization.

## Edgar Filing: BP PLC - Form 6-K

Page 11

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

PETROCHEMICALS (concluded)

Petrochemicals production of 7,040 thousand tonnes in the third quarter was 270 thousand tonnes above the second quarter, reflecting capacity additions and lower turnaround activity. Production for the first nine months was 411 thousand tonnes higher than last year due to Asian PTA and acetic acid capacity additions, the Veba acquisition and growth in market demand.

During the quarter, production commenced at a new world-scale high density polyethylene plant (BP 25%), located in Cedar Bayou, Texas.

Page 12

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
		2003	2002	2003
Turnover	- \$m	138	108	378
Total historical cost operating (loss)	- \$m	(310)	(241)	(609)

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 third quarter and nine month 2003 results include a net charge of \$122 million resulting from new and a reassessment of our existing environmental remediation provisions. The results for the third quarter and nine months 2002 include a \$125 million provision to cover future rental payments on surplus leasehold office accommodation. During October, BP completed the sale of its 50% interest in the Indonesian coal mining company PT Kaltim Prima Coal to PT Bumi Resources for \$250 million.

EXCEPTIONAL ITEMS

		Three months ended September 30 (Unaudited)		Nine mont Septemb (Unaud
		2003	2002	2003
Profit (loss) on sale of fixed assets and				

## Edgar Filing: BP PLC - Form 6-K

businesses or termination of operations	- \$m	172	1,794	846
Taxation credit (charge)	- \$m	(4)	(25)	(207)
		-----	-----	-----
Exceptional items after taxation	- \$m	168	1,769	639
		=====	=====	=====

Exceptional items for the third quarter of 2003 principally relate to net gains from the sale of various upstream interests.

### OUTLOOK

World economic activity has strengthened through the third quarter. The US appears to have grown strongly, in part owing to further policy stimulus. Asia has also shown robust growth, in particular in China, but also in Japan. However, OECD industrial production has been largely flat, and Europe, as a whole, has grown slowly, with the exception of the UK. Further economic growth is expected in the fourth quarter.

Crude oil prices in the third quarter were supported by strong crude demand on the back of high refining margins, the slow recovery in Iraqi exports and lower OPEC-10 production following the quota reductions that became effective in June. Commercial oil inventories remain below normal seasonal levels but a recovery in US crude stocks has resulted in a marked narrowing of the WTI-Brent differential. OPEC has announced a new quota cut, effective November 1. Oil prices have risen by around \$5 per barrel since OPEC's September 24 announcement. The future path of oil prices will depend upon the recovery of exports from Iraq and the degree of OPEC's production restraint.

US natural gas prices softened in the third quarter but remained high by historical standards and above residual fuel oil parity. Gas price differentials in the Rockies and San Juan Basin have narrowed significantly following the opening of the Kern River pipeline expansion. High prices throughout 2003 have led to large storage injections through the summer. Gas in storage has reached historical average levels and is expected to be sufficient for the forthcoming winter heating season, assuming normal weather.

Refining margins have started the fourth quarter below the third quarter average but remain above historic average levels, particularly in the USA. The autumn refinery turnaround season is supporting margins at present but OECD commercial product inventories are recovering. Retail margins in the third quarter were below the second quarter levels but continued to be relatively strong, especially in western Europe and western USA. Fourth quarter margins are expected to soften further and revert to more typical levels.

Petrochemical margins in the third quarter fell back from second quarter levels as a result of increases in feedstock costs despite some recovery of demand in Europe. Fourth quarter prospects will be influenced by continued strength in feedstock costs.

Page 13

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

OUTLOOK (concluded)

Our capital expenditure, excluding acquisitions, was \$9.4 billion for the nine months. We now expect full year capital expenditure excluding acquisitions to be

## Edgar Filing: BP PLC - Form 6-K

slightly below the \$14-14.5 billion range indicated previously, due to continuous refinement of our spending programmes. As previously indicated, we expect 2003 to be the peak of our medium term capital spending programme. As a follow-up to the completion of the TNK-BP deal in August, we have agreed to invest a further \$1.35 billion to expand TNK-BP to include AAR's 50% interest in Slavneft; we now expect to complete this transaction by year-end. We also expect to make the remaining two-thirds of the \$2billion of incremental payments into a number of the Group's pension plans announced in July. We expect gearing to be within our 25-35% target range following these events. In light of these factors, we do not currently plan any share buy-backs during the fourth quarter.

### 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 October 28, 2003, BP p.l.c. announced a third 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 \$1,438 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares is November 14, 2003, with payment to be made on December 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



## Edgar Filing: BP PLC - Form 6-K

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 December 8, 2003.

Page 14

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

	Three months ended September 30 (Unaudited)	September 30 (Unaudited)	September 30 (Unaudited)
	2003	2002	2003
	----- (\$ million, except per share am		
Turnover - Note 2	61,056	49,423	181,913
Less: joint ventures	914	369	1,676
	-----	-----	-----
Group turnover	60,142	49,054	180,237
Cost of sales	52,335	43,632	156,223
Production taxes - Note 3	416	350	1,302
	-----	-----	-----
Gross profit	7,391	5,072	22,712
Distribution and administration expenses	3,908	3,214	10,558
Exploration expense - Note 4	136	119	349
	-----	-----	-----
Other income	3,347	1,739	11,805
	148	151	476
	-----	-----	-----
Group operating profit	3,495	1,890	12,281
Share of profits of joint ventures	300	105	522
Share of profits of associated undertakings	133	67	422
	-----	-----	-----
Total operating profit	3,928	2,062	13,225
Profit (loss) on sale of fixed assets and businesses or termination of operations - Note 5	172	1,794	846
	-----	-----	-----
Profit before interest and tax	4,100	3,856	14,071
Interest expense - Note 6	213	300	624
	-----	-----	-----
Profit before taxation	3,887	3,556	13,447
Taxation - Note 7	1,450	713	5,023
	-----	-----	-----
Profit after taxation	2,437	2,843	8,424
Minority shareholders' interest	43	3	129
	-----	-----	-----
Profit for the period (a)	2,394	2,840	8,295
	=====	=====	=====
Earnings per ordinary share - cents (a)			



Edgar Filing: BP PLC - Form 6-K

Provisions for liabilities and charges		
Deferred tax	14,282	13,5
Other	14,525	13,8
	-----	-----
	47,744	
	-----	
Net assets	74,356	
Minority shareholders' interest - equity	1,074	
	-----	
BP shareholders' interest (a) - Note 10	73,282	
	=====	
Represented by:		
Capital shares		
Preference	21	
Ordinary	5,527	
Paid-in surplus	4,423	
Merger reserve	27,060	
Retained earnings	36,105	
Other reserves	146	
	-----	
	73,282	
	=====	

-----

(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.

Page 16

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

	Three months ended September 30 (Unaudited)		Nine Se (
	2003	2002	2003
	-----		-----
	(\$ million)		
Net cash inflow from operating activities	4,891	4,376	18,198
Dividends from joint ventures	39	30	80
Dividends from associated undertakings	65	96	297
Servicing of finance and returns on investments			
Interest received	41	63	124
Interest paid	(163)	(218)	(816)
Dividends received	26	4	74
Dividends paid to minority shareholders	(4)	(13)	(17)
	-----	-----	-----
Net cash outflow from servicing of finance and returns on investments	(100)	(164)	(635)
	-----	-----	-----



## Edgar Filing: BP PLC - Form 6-K

Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities

Profit before interest and tax	4,100	3,856	14,071
Depreciation and amounts provided	2,485	3,506	7,847
Exploration expenditure written off	75	55	168
Share of profits of joint ventures and associated undertakings	(433)	(172)	(944)
Interest and other income	(72)	(62)	(220)
(Profit) loss on sale of fixed assets and businesses	(172)	(1,796)	(846)
Charge for provisions	765	332	1,171
Utilization of provisions	(278)	(392)	(822)
Decrease (increase) in inventories	(1,048)	(155)	(479)
Decrease (increase) in debtors	(638)	(379)	(4,321)
(Decrease) increase in creditors	107	(417)	2,573
	-----	-----	-----
Net cash inflow from operating activities	4,891	4,376	18,198
	=====	=====	=====
 Financing			
Long-term borrowing	(1,433)	(558)	(2,656)
Repayments of long-term borrowing	1,774	567	2,784
Short-term borrowing	(1,924)	(1,627)	(2,968)
Repayments of short-term borrowing	143	704	4,430
	-----	-----	-----
	(1,440)	(914)	1,590
Issue of ordinary share capital	(31)	(55)	(112)
Repurchase of ordinary share capital	-	750	1,999
	-----	-----	-----
Net cash outflow (inflow) from financing	(1,471)	(219)	3,477
	=====	=====	=====

-----

(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.

Page 18

### 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

## Edgar Filing: BP PLC - Form 6-K

December 31, 2002 included in BP's Annual Report on Form 20-F filed with the Securities and Exchange Commission.

	Three months ended September 30 (Unaudited)		Nine months September (Unaudited)
	2003	2002	2003
	(\$ million)		
2. Turnover			
By business			
Exploration and Production	7,310	6,220	23,811
Gas, Power and Renewables	15,904	9,313	48,777
Refining and Marketing	40,245	35,634	118,629
Petrochemicals	3,798	3,720	11,739
Other businesses and corporate	138	108	378
	67,395	54,995	203,334
Less: sales between businesses	7,253	5,941	23,097
	60,142	49,054	180,237
Share of sales of joint ventures	914	369	1,676
	61,056	49,423	181,913
	61,056	49,423	181,913
By geographical area			
Group excluding joint ventures			
UK	12,856	12,160	41,739
Rest of Europe	12,181	13,460	37,409
USA	31,011	22,880	88,093
Rest of World	12,766	8,537	38,604
	68,814	57,037	205,845
Less: sales between areas	8,672	7,983	25,608
	60,142	49,054	180,237
	60,142	49,054	180,237
3. Production taxes			
UK petroleum revenue tax	65	92	256
Overseas production taxes	351	258	1,046
	416	350	1,302
	416	350	1,302
4. Exploration expense			
Exploration and Production			
UK	11	16	16
Rest of Europe	23	5	32
USA	60	53	144
Rest of World	42	45	157
	136	119	349
	136	119	349

Edgar Filing: BP PLC - Form 6-K

	Three months ended September 30 (Unaudited)		Nine S
	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	196	(25)	962
Gas, Power and Renewables	(2)	1,585	4
Refining and Marketing	(21)	262	(122)
Petrochemicals	13	11	22
Other businesses and corporate	(14)	(39)	(20)
	-----	-----	-----
Exceptional items before taxation	172	1,794	846
Taxation charge	(4)	(25)	(207)
	-----	-----	-----
Exceptional items after taxation	168	1,769	639
	=====	=====	=====
6. Interest expense			
Group interest payable (a)	178	250	528
Capitalized	(53)	(27)	(130)
	-----	-----	-----
Joint ventures	125	223	398
Associated undertakings	23	15	53
Unwinding of discount on provisions	11	19	33
Unwinding of discount on deferred consideration for acquisitions of investment in TNK-BP	45	43	131
	9	-	9
	-----	-----	-----
	213	300	624
	=====	=====	=====
(a) Includes charges relating to the early redemption of debt	18	-	21
7. Charge for taxation			
Current	1,528	463	4,515
Deferred (a)	(78)	250	508
	-----	-----	-----
	1,450	713	5,023
	=====	=====	=====
UK (a)	280	235	1,178
Overseas	1,170	478	3,845
	-----	-----	-----
	1,450	713	5,023
	=====	=====	=====
(a) Includes the adjustment to the North Sea deferred tax balance for the supplementary UK corporation tax of 10%	-	-	-
	-----	-----	-----

## Edgar Filing: BP PLC - Form 6-K

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

### 8. Business and geographical analysis

By business	Exploration and Production	Gas, Power and Renewables	Refining and Marketing	Petro- chemicals	busi cor
(\$ million)					
Three months ended September 30, 2003					
Group turnover					
- third parties	1,736	15,452	39,138	3,678	
- sales between businesses	5,574	452	1,107	120	
	7,310	15,904	40,245	3,798	
Share of sales by joint ventures	675	-	129	110	
Equity accounted income	348	(1)	51	29	
Total operating profit (loss)	3,520	91	544	83	
Exceptional items	196	(2)	(21)	13	
Profit (loss) before interest and tax	3,716	89	523	96	
Capital expenditure and acquisitions	8,250	58	659	182	
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	88	
Equity accounted income	174	13	60	(88)	
Total operating profit (loss)	1,575	59	548	121	
Exceptional items	(25)	1,585	262	11	
Profit (loss) before interest and tax	1,550	1,644	810	132	
Capital expenditure and acquisitions	2,240	107	605	180	



Edgar Filing: BP PLC - Form 6-K

Page 21

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

8. Business and geographical analysis - continued

By geographical area	UK	Rest of Europe	USA	Rest of World	E
	(\$ million)				
Three months ended September 30, 2003					
Group turnover -third parties	9,093	9,977	30,398	10,674	
-sales between areas	3,763	2,204	613	2,092	
	12,856	12,181	31,011	12,766	
Share of sales by joint ventures	40	70	57	747	
Equity accounted income	(2)	2	56	377	
Total operating profit (loss)	315	513	1,343	1,757	
Exceptional items	168	(66)	(38)	108	
Profit before interest and tax	483	447	1,305	1,865	
Capital expenditure and acquisitions	377	271	1,403	7,157	
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	62	78	226	
Equity accounted income	(1)	27	62	84	
Total operating profit (loss)	(88)	748	777	625	
Exceptional items	(18)	1,672	161	(21)	
Profit before interest and tax	(106)	2,420	938	604	
Capital expenditure and acquisitions	394	353	1,389	1,044	

Page 22

# Edgar Filing: BP PLC - Form 6-K

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

### 8. Business and geographical analysis - continued

By business	Exploration and Production	Gas, Power and Renewables	Refining and Marketing	Petro- chemicals	busi cor
	(\$ million)				
Nine months ended September 30, 2003					
Group turnover					
- third parties	5,892	47,321	115,303	11,343	
- sales between businesses	17,919	1,456	3,326	396	
	23,811	48,777	118,629	11,739	
Share of sales by joint ventures	1,024	-	341	311	
Equity accounted income	743	(4)	125	56	
Total operating profit (loss)	11,002	343	1,911	578	
Exceptional items	962	4	(122)	22	
Profit (loss) before interest and tax	11,964	347	1,789	600	
Capital expenditure and acquisitions	12,849	224	1,581	476	
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	360	
Equity accounted income	426	105	163	(20)	
Total operating profit (loss)	5,963	292	2,158	449	
Exceptional items	407	1,584	248	(134)	
Profit (loss) before interest and tax	6,370	1,876	2,406	315	
Capital expenditure and acquisitions	7,126	285	6,707	538	

Edgar Filing: BP PLC - Form 6-K

Page 23

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

8. Business and geographical analysis - concluded

By geographical area	UK	Rest of Europe	USA	Rest of World	E
	-----				
	(\$ million)				
Nine months ended September 30, 2003					
Group turnover -third parties	30,298	30,673	86,530	32,736	
-sales between areas	11,441	6,736	1,563	5,868	
	-----				
	41,739	37,409	88,093	38,604	
	-----				
Share of sales by joint ventures	86	225	144	1,221	
	-----				
Equity accounted income	1	4	119	820	
	-----				
Total operating profit	1,718	1,632	5,319	4,556	
Exceptional items	693	(97)	(275)	525	
	-----				
Profit before interest and tax	2,411	1,535	5,044	5,081	
	-----				
Capital expenditure and acquisitions	1,039	640	4,341	9,388	
Nine months ended September 30, 2002					
Group turnover -third parties	24,900	28,724	56,411	18,964	
-sales between areas	10,764	6,074	1,397	4,592	
	-----				
	35,664	34,798	57,808	23,556	
	-----				
Share of sales by joint ventures	107	188	181	576	
	-----				
Equity accounted income	(4)	138	191	391	
	-----				
Total operating profit	1,004	1,842	2,737	2,785	
Exceptional items	(51)	1,637	534	(59)	
	-----				
Profit before interest and tax	953	3,479	3,271	2,726	
	-----				
Capital expenditure and acquisitions	1,203	6,158	4,387	3,275	

Page 24

## Edgar Filing: BP PLC - Form 6-K

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

	Three months ended September 30 (Unaudited)		Nine Se ( 2003
	2003	2002	2003
	----- (\$ million)		
9. Analysis of changes in net debt			
Opening balance			
Finance debt	18,594	21,409	22,008
Less: Cash	2,115	1,284	1,520
Current asset investments	329	285	215
	-----	-----	-----
Opening net debt	16,150	19,840	20,273
	-----	-----	-----
Closing balance			
Finance debt	19,970	22,276	19,970
Less: Cash	1,091	1,005	1,091
Current asset investments	404	285	404
	-----	-----	-----
Closing net debt	18,475	20,986	18,475
	-----	-----	-----
Decrease (increase) in net debt	(2,325)	(1,146)	1,798
	=====	=====	=====
Movement in cash/bank overdrafts	(1,031)	(272)	(480)
Increase (decrease) in current asset investments	76	(32)	182
Net cash outflow (inflow) from financing (excluding share capital)	(1,440)	(914)	1,590
Partnership interests exchanged for BP loan notes	-	-	-
Debt transferred to TNK-BP	93	-	93
Exchange of Exchangeable Bonds for Lukoil American Depositary Shares	-	-	420
Other movements	(31)	13	139
Debt acquired	(12)	-	(12)
	-----	-----	-----
Movements in net debt before exchange effects	(2,345)	(1,205)	1,932
Exchange adjustments	20	59	(134)
	-----	-----	-----
Decrease (increase) in net debt	(2,325)	(1,146)	1,798
	=====	=====	=====
10. Movement in BP shareholders' interest			\$ m
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 September 30, 2003			7

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

11. Earnings per share

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

	Three months ended September 30 (Unaudited)		Nin S
	2003	2002	2003
(shares thousand)			
Weighted average number of ordinary shares	22,092,365	22,408,297	22,193,403
Ordinary shares issuable under employee share schemes and as deferred consideration for TNK-BP acquisition	247,416	96,998	138,799
	<u>22,339,781</u>	<u>22,505,295</u>	<u>22,332,202</u>

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 September 30 (Unaudited)		
	2003	2002	20
(\$ million)			
Profit for the period applicable to ordinary shares, as reported	2,394	2,840	8,2

Edgar Filing: BP PLC - Form 6-K

Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(23)	(21)	(
	-----	-----	-----
Pro forma net income	2,371	2,819	8,2
	=====	=====	=====
		(cents)	
Earnings per ordinary share			
Basic - as reported	10.85	12.67	37.
Basic - pro forma	10.73	12.58	37.
Diluted - as reported	10.74	12.61	37.
Diluted - pro forma	10.61	12.52	36.

Page 26

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 Sep  
(Unaudited)

-----  
As

## Edgar Filing: BP PLC - Form 6-K

Increase (decrease) in caption heading	Reported	Reclassificati
	-----	
		(\$ million)
Consolidated statement of income		
Other income	148	3
Share of profits of JVs and associated undertakings	433	(4
Exceptional items before taxation	172	
Interest expense	213	(
Taxation	1,450	(
Profit for the period	2,394	

	Nine months ended Septe	
	(Unaudited)	
	-----	
	As	Reclassificati
	Reported	-----
		(\$ million)
Consolidated statement of income		
Other income	476	6
Share of profits of JVs and associated undertakings	944	(9
Exceptional items before taxation	846	
Interest expense	624	(
Taxation	5,023	(1
Profit for the period	8,295	

Page 27

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 Septe	
	(Unaudited)	
	-----	
	As	Reclassificati
	Reported	-----
		(\$ million)
Increase (decrease) in caption heading		
Consolidated statement of income		
Other income	151	
Share of profits of JVs and associated undertakings	172	(1
Exceptional items before taxation	1,794	
Interest expense	300	(
Taxation	713	(
Profit for the period	2,840	

Edgar Filing: BP PLC - Form 6-K

	Nine months ended September (Unaudited)	
	As Reported	Reclassificati (\$ million)
Consolidated statement of income		
Other income	423	42
Share of profits of JVs and associated undertakings	716	(71)
Exceptional items before taxation	2,061	
Interest expense	947	(10)
Taxation	3,217	(18)
Profit for the year	6,194	

(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.

Page 28

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 September 30 (Unaudited)		Nine m Sep (Un
	2003	2002	2003
	-----		
	(\$ million)		
Cost of sales	(218)	380	931
Taxation	219	(321)	(964)
Profit for the period	(1)	(59)	33



Edgar Filing: BP PLC - Form 6-K

	=====	=====	=====
			At
			September 30,
			2003
			(Unaudited)
			-----
			(\$ mi
Tangible assets			6,605
Deferred taxation			6,664
BP shareholders' interest			(59)
			=====

(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.

Page 29

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

## Edgar Filing: BP PLC - Form 6-K

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 nine months ended September 30, 2003 was to increase profit for the three month period by \$10 million and decrease profit for the nine months period by \$97 million, before cumulative effect of accounting changes as adjusted to accord with US GAAP.

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 September 30 (Unaudited)		Nine m Sep (Un
	2003	2002	2003
	-----		-----
	(\$ million)		
Cost of sales	67	61	125
Interest expense	(44)	(43)	(127)
Taxation	(51)	(8)	(51)
Profit for the period before cumulative effect of accounting changes	28	(10)	53
Cumulative effect of accounting changes	-	-	1,002
Profit for the period	28	(10)	1,055
	=====	=====	=====

	At September 30, 2003 (Unaudited)
	-----
	(\$ mi
Tangible assets	(683)
Provisions	(525)
Deferred taxation	(58)
BP shareholders' interest	(100)
	=====

Page 30

### 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 nine months ended September 30, 2003 and

Edgar Filing: BP PLC - Form 6-K

2002.

	Three months ended September 30 (Unaudited)		Nine m Sep (U
	2003	2002	2003
	-----		-----
	(\$ million)		
Profit for the period applicable to ordinary shares as adjusted to accord with US GAAP			
As reported	2,770	3,079	9,770
Pro forma	2,770	3,154	9,770
Per ordinary share - cents			
Basic - as reported	12.55	13.73	44.02
Basic - pro forma	12.55	14.07	44.02
Diluted - as reported	12.38	13.67	43.74
Diluted - pro forma	12.38	14.01	43.74
Per American Depositary Share - cents			
Basic - as reported	75.30	82.38	264.12
Basic - pro forma	75.30	84.42	264.12
Diluted - as reported	74.28	82.02	262.44
Diluted - pro forma	74.28	84.06	262.44

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

(v) Sale and leaseback

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

Edgar Filing: BP PLC - Form 6-K

13. US generally accepted accounting principles - continued

(v) Sale and leaseback (concluded)

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

Increase (decrease) in caption heading	Three months ended September 30 (Unaudited)		Nine m Sep (Un
	2003	2002	2003
	----- (\$ million)		
Cost of sales	(23)	(51)	(135)
Taxation	7	18	46
Profit for the period	16	33	89
	=====	=====	=====

	At September 30, 2003 (Unaudited)
	----- (\$ mi
Tangible assets	-
Other accounts payable and accrued liabilities	25
Provisions	2
Finance debt	-
Deferred taxation	(10)
BP shareholders' interest	(17)
	=====

(vi) Goodwill and intangible assets

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

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

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

	Three months ended September 30	Nine m Sep
--	------------------------------------	---------------

Edgar Filing: BP PLC - Form 6-K

Increase (decrease) in caption heading	(Unaudited)		(Un
	2003	2002	2003
	-----		
	(\$ million)		
Cost of sales	(342)	(334)	(1,027)
Profit for the period	342	334	1,027
	=====	=====	=====

	At September 30, 2003 (Unaudited)
	-----
	(\$ mi
Intangible assets	968
BP shareholders' interest	968
	=====

Page 32

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 nine months ended September 30, 2003 are shown below.

	Exploration expenditure	Goodwill	Other intangibles
	-----		
	(\$ million)		
Net book amount			
At January 1, 2003	4,944	10,354	488
Amortization expense	(169)	-	(60)
Other movements	(623)	(90)	44
	-----		
At September 30, 2003	4,152	10,264	472
	=====		

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

## Edgar Filing: BP PLC - Form 6-K

unit to its carrying value, including goodwill. Where the carrying value exceeds the fair value, the goodwill of the reporting unit is potentially impaired and the second step is then completed in order to measure the impairment loss, if any. No impairment charge resulted from this review.

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

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

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

All oil price derivatives and all derivatives held for trading are carried on the Group's balance sheet at fair value with changes in that value recognized in earnings of the period for both UK and US GAAP. Certain financial derivatives used to manage foreign currency and interest rate risk that qualify for hedge accounting under UK GAAP are marked to market under SFAS 133. Under US GAAP the fair values of derivative financial instruments are shown as current assets and liabilities as appropriate.

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.

Page 33

### 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

## Edgar Filing: BP PLC - Form 6-K

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 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 September 30 (Unaudited)		Nine m Sep (Un
	2003	2002	2003
	-----		-----
	(\$ million)		
Cost of sales	17	71	(418)
Taxation	(7)	(14)	145
Profit for the period before cumulative effect of accounting changes	(10)	(57)	273
Cumulative effect of accounting changes	-	-	50
Profit for the period	(10)	(57)	323
	=====	=====	=====
	At September 30, 2003 (Unaudited) ----- (\$ mi		
Inventories			(33)
Accounts payable and accrued liabilities			(332)
Deferred taxation			111
BP shareholders' interest			188
			=====

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 September 30 (Unaudited)		Nine m Sep (Un
	2003	2002	2003
	-----		-----
	(\$ million)		
Cost of sales	6	6	17
Taxation	(2)	(2)	(6)
Profit for the period	(4)	(4)	(11)
	=====	=====	=====

	At September 30, 2003 (Unaudited) ----- (\$ mi
Intangibles assets	155
Accounts payable and accrued liabilities	(49)
Deferred taxation	71
BP shareholders' interest	133
	=====

(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.



## Edgar Filing: BP PLC - Form 6-K

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

	At September 30, 2003 (Unaudited) -----
Increase (decrease) in caption heading	(\$ mi
Fixed assets - Investments	(58)
BP shareholders' interest	(58)
	=====

Page 35

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

13. US generally accepted accounting principles - continued

(x) Dividends

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

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

	At September 30, 2003 (Unaudited) -----
Increase (decrease) in caption heading	(\$ mi
Other accounts payable and accrued liabilities	(1,438)
BP shareholders' interest	1,438
	=====

(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

Edgar Filing: BP PLC - Form 6-K

shown below.

Increase (decrease) in caption heading	At September 30, 2003 (Unaudited) ----- (\$ mi
Fixed assets - Investments	735
Deferred taxation	257
BP shareholders' interest	478
	=====

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

Page 36

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).

Edgar Filing: BP PLC - Form 6-K

Profit for the period	Three months ended September 30 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Profit as reported in the consolidated statement of income	2,394	2,840
Adjustments:		
	-----	-----
Deferred taxation/business combinations (iii)	(1)	(59)
Provisions (iv)	28	(10)
Sale and leaseback (v)	16	33
Goodwill (vi)	342	334
Derivative financial instruments (vii)	(10)	(57)
Gain arising on asset exchange (viii)	(4)	(4)
Other	5	2
	-----	-----
	376	239
	-----	-----
Profit for the period as adjusted to accord with US GAAP before cumulative effect of accounting changes	2,770	3,079
Cumulative effect of accounting changes:		
Provisions	-	-
Derivative financial instruments	-	-
	-----	-----
Profit for the period as adjusted to accord with US GAAP	2,770	3,079
	=====	=====
Profit for the period as adjusted:		
Per ordinary share - cents		
Basic - before cumulative effect of accounting changes	12.55	13.73
Cumulative effect of accounting changes:		
Provisions	-	-
Derivative financial instruments	-	-
	-----	-----
	12.55	13.73
	=====	=====
Diluted - before cumulative effect of accounting changes	12.38	13.67
Cumulative effect of accounting changes:		
Provisions	-	-
Derivative financial instruments	-	-
	-----	-----
	12.38	13.67
	=====	=====
Per American Depositary Share - cents (a)		
Basic - before cumulative effect of accounting changes	75.30	82.38
Cumulative effect of accounting changes:		
Provisions	-	-
Derivative financial instruments	-	-
	-----	-----
	75.30	82.38
	=====	=====
Diluted - before cumulative effect of accounting changes	74.28	82.02
Cumulative effect of accounting changes:		
Provisions	-	-
Derivative financial instruments	-	-
	-----	-----
	74.28	82.02
	=====	=====

Edgar Filing: BP PLC - Form 6-K

Page 37

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

13. US generally accepted accounting principles - continued

	At September 30, 2003 (Unaudited)	December 31, 2002 (Unaudited)
	----- (\$ million)	
BP shareholders' interest		
BP shareholders' interest as reported in the consolidated balance sheet	73,282	-----
Adjustments:		
Deferred taxation/business combinations (iii)	(59)	
Provisions (iv)	(100)	
Sale and leaseback (v)	(17)	
Goodwill (vi)	968	
Derivative financial instruments (vii)	188	
Gain arising on asset exchange (viii)	133	
Ordinary shares held for future awards to employees (ix)	(58)	
Dividends (x)	1,438	
Investments (xi)	478	
Additional minimum pension liability (xii)	(2,286)	
Other	(44)	
	-----	
	641	
	-----	
BP shareholders' interest as adjusted to accord with US GAAP	73,923	=====

-----

(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 September 30 (Unaudited)	Three months ended September 30 (Unaudited)
	2003	2002
	-----	
	(\$ million)	
Profit for the period as adjusted to		

Edgar Filing: BP PLC - Form 6-K

accord with US GAAP	2,770	3,079
Currency translation differences	230	279
Net unrealized gain (loss) on investments	144	(69)
Additional minimum pension liability	-	-
	-----	-----
Comprehensive income	3,144	3,289
	=====	=====

Accumulated other comprehensive income at September 30, 2003 and December 31, 2002 comprised losses of \$1,542 million and \$3,709 million, respectively.

Page 38

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.

Page 39

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

Edgar Filing: BP PLC - Form 6-K

13. US generally accepted accounting principles - continued

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

	Three months ended September 30 (Unaudited)	
	2003	2002
	-----	-----
	(\$ million)	
Operating activities		
Profit after taxation	2,437	2,843
Adjustments to reconcile profits after tax to net cash provided by operating activities		
Depreciation and amounts provided	2,485	3,506
Exploration expenditure written off	75	55
Share of profits of joint ventures and associated undertakings less dividends received	(197)	51
(Profit) loss on sale of businesses and fixed assets	(172)	(1,796)
Working capital movement (a)	(873)	(1,002)
Deferred taxation	(78)	250
Other	472	(191)
	-----	-----
Net cash provided by operating activities	4,149	3,716
	-----	-----
Investing activities		
Capital expenditures	(3,116)	(3,007)
Acquisitions, net of cash acquired	(2,653)	(2,607)
Investment in associated undertakings	(243)	(125)
Net investment in joint ventures	-	(23)
Proceeds from disposal of assets	874	2,881
	-----	-----
Net cash used in investing activities	(5,138)	(2,881)
	-----	-----
Financing activities		
Net proceeds from shares issued (repurchased)	31	(695)
Proceeds from long-term financing	1,433	558
Repayments of long-term financing	(1,774)	(567)
Net increase (decrease) in short-term debt	1,781	923
Dividends paid - BP Shareholders	(1,433)	(1,346)
- Minority shareholders	(4)	(13)
	-----	-----
Net cash provided by financing activities	34	(1,140)
	-----	-----
Currency translation differences relating to cash and cash equivalents	6	26
	-----	-----
Decrease in cash and cash equivalents	(949)	(279)
Cash and cash equivalents at beginning of period	2,444	1,569
	-----	-----
Cash and cash equivalents at end of period	1,495	1,290
	=====	=====
(a) Working capital:		
Inventories (increase) decrease	(1,048)	(155)

Edgar Filing: BP PLC - Form 6-K

Receivables (increase) decrease	(656)	(345)
Current liabilities - excluding finance debt increase (decrease)	831	(502)
	-----	-----
	(873)	(1,002)
	=====	=====

Page 40

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 ending after December 15, 2003.

The Company is currently carrying out the analysis necessary to adopt Interpretation 46 in the fourth 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.

The Company currently has several ships under construction which will be accounted for under UK GAAP as operating leases. Under Interpretation 46, certain of the arrangements represent variable interest entities that would be consolidated by the Group. At September 30, 2003 consolidation of these entities would result in an increase in tangible assets and finance debt of approximately \$150 million. The maximum exposure to loss as a result of the Group's involvement with these entities is limited to the debt of the entity, less the fair value of the ships at the end of the lease term.

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

## Edgar Filing: BP PLC - Form 6-K

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 adoption of SFAS 149 and SFAS 150 did not have a significant effect on profit, as adjusted to accord with US GAAP, or BP shareholders' interest, as adjusted to accord with US GAAP.

**Tangible assets:** The Securities and Exchange Commission has requested the FASB to consider whether oil and natural gas mineral rights held under lease or other contractual arrangement should be classified on the balance sheet as a tangible asset (property, plant and equipment) or as an intangible asset (exploration expenditure). The FASB, along with other accounting and reporting issues impacting extractive industries, is currently considering whether additional guidance is necessary.

In accordance with Group accounting practice, exploration license acquisition costs are initially capitalized as an intangible fixed asset and are amortized over the estimated period of exploration. Where proved reserves of oil or natural gas are determined and development is sanctioned, the unamortized cost is transferred to tangible production assets. Where exploration is unsuccessful, the unamortized cost is charged against income. At September 30, 2003, exploration license acquisition costs included in the Group's tangible fixed assets amounted to approximately \$1.1 billion, net of accumulated depletion.

Page 41

### 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



## Edgar Filing: BP PLC - Form 6-K

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. TNK-BP operational and financial information

	29 August - 30 September 2003
Production (Net of Royalties) (BP share)	
Crude oil (mb/d)	654
Natural gas (mmcf/d)	239
Total hydrocarbons (mboe/d) (a)	695
	=====
Income statement (BP share)	\$ million
Total operating profit	158
Profit (loss) on sale of fixed assets and businesses	-
Interest expense	(13)
Taxation	(30)
Minority shareholders' interest	(1)
	-----
Net income	114
	=====

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

15. 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.

Page 42

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

15. Condensed consolidating information - continued

Issuer                      Guarantor

Edgar Filing: BP PLC - Form 6-K

Income statement	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
			(\$ million)	
Three months ended September 30, 2003				
Turnover	784	-	61,056	
Less: Joint ventures	-	-	914	
Group turnover	784	-	60,142	
Cost of sales	378	-	52,817	
Production taxes	58	-	358	
Gross profit	348	-	6,967	
Distribution and administration expenses	3	38	3,867	
Exploration expense	8	-	129	
	337	(38)	2,971	
Other income	5	112	204	
Group operating profit	342	74	3,175	
Share of profits of joint ventures	-	-	300	
Share of profits of associated undertakings	-	-	133	
Equity accounted income of subsidiaries	64	3,908	-	
Total operating profit	406	3,982	3,608	
Profit (loss) on sale of fixed assets and businesses or termination of operations	-	184	172	
Profit before interest and tax	406	4,166	3,780	
Interest expense	69	310	261	
Profit before taxation	337	3,856	3,519	
Taxation	216	1,450	1,248	
Profit after taxation	121	2,406	2,271	
Minority shareholders' interest	-	-	43	





Edgar Filing: BP PLC - Form 6-K

Profit before interest and tax	1,412	14,273	12,850
Interest expense	207	941	785
-----			
Profit before taxation	1,205	13,332	12,065
Taxation	605	5,023	4,507
-----			
Profit after taxation	600	8,309	7,558
Minority shareholders' interest	-	-	129
-----			
Profit for the period	600	8,309	7,429
=====			

Page 45

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

15. 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)
Nine months ended September 30, 2003				
Profit as reported	600	8,309	7,429	
Adjustments:				
Deferred taxation/business combinations	(9)	33	42	
Provisions	(25)	53	73	
Sale and leaseback	-	89	89	
Goodwill	-	1,027	1,027	
Derivative financial instruments	8	273	273	

Edgar Filing: BP PLC - Form 6-K

Gain arising on asset exchange	-	(11)	(11)
Other	-	11	11
-----			
Profit for the period before cumulative effect of accounting changes as adjusted to accord with US GAAP	574	9,784	8,933
Cumulative effect of accounting changes:			
Provisions	214	1,002	788
Derivative financial instruments	-	50	50
-----			
Profit for the period as adjusted to accord with US GAAP	788	10,836	9,771
=====			

Page 46

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

15. Condensed consolidating information - continued

	Issuer	Guarantor		
	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
	-----			
				(\$ million)
Income statement (continued)				
Three months ended September 30, 2002				
Turnover	635	-	49,423	
Less: Joint ventures	-	-	369	
-----				
Group turnover	635	-	49,054	
Cost of sales	427	-	43,854	
Production taxes	49	-	301	
-----				
Gross profit	159	-	4,899	
Distribution and administration expenses	-	77	3,137	
Exploration expense	3	-	116	
-----				

Edgar Filing: BP PLC - Form 6-K

	156	(77)	1,646
Other income	5	192	92
-----			
Group operating profit	161	115	1,738
Share of profits of joint ventures	-	-	104
Share of profits of associated undertakings	-	-	71
Equity accounted income of subsidiaries	49	2,066	-
-----			
Total operating profit	210	2,181	1,913
Profit (loss) on sale of fixed assets and businesses or termination of operations	-	1,794	1,769
-----			
Profit before interest and tax	210	3,975	3,682
Interest expense	23	427	416
-----			
Profit before taxation	187	3,548	3,266
Taxation	55	713	666
-----			
Profit after taxation	132	2,835	2,600
Minority shareholders' interest	-	-	3
-----			
Profit for the period	132	2,835	2,597
=====			

Page 47

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

15. 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

Edgar Filing: BP PLC - Form 6-K

	Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
	(\$ million)			
Three months ended September 30, 2002				
Profit as reported	132	2,835	2,597	
Adjustments:				
Deferred taxation/business combinations	(32)	(59)	(39)	
Provisions	10	(10)	(20)	
Sale and leaseback	-	33	33	
Goodwill	-	334	334	
Derivative financial instruments	-	(57)	(57)	
Gain arising on asset exchange	-	(4)	(4)	
Other	-	2	2	
Profit for the period as adjusted to accord with US GAAP	110	3,074	2,846	

Page 48

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

15. Condensed consolidating information - continued

	Issuer	Guarantor		
	-----			
	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
	(\$ million)			
Income statement (continued)				
Nine months ended September 30, 2002				
Turnover	1,729	-	129,987	
Less: Joint ventures	-	-	1,052	
Group turnover	1,729	-	128,935	



Edgar Filing: BP PLC - Form 6-K

Cost of sales	1,047	-	112,013
Production taxes	146	-	766
-----			
Gross profit	536	-	16,156
Distribution and administration expenses	-	403	8,625
Exploration expense	16	-	449
-----			
	520	(403)	7,082
Other income	26	500	254
-----			
Group operating profit	546	97	7,336
Share of profits of joint ventures	-	-	263
Share of profits of associated undertakings	-	-	453
Equity accounted income of subsidiaries	154	8,504	-
-----			
Total operating profit	700	8,601	8,052
Profit (loss) on sale of fixed assets and businesses or termination of operations	-	2,898	2,873
-----			
Profit before interest and tax	700	11,499	10,925
Interest expense	63	1,274	1,176
-----			
Profit before taxation	637	10,225	9,749
Taxation	232	3,217	3,018
-----			
Profit after taxation	405	7,008	6,731
Minority shareholders' interest	-	-	71
-----			
Profit for the period	405	7,008	6,660
=====			

Page 49

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

15. Condensed consolidating information - continued

Edgar Filing: BP PLC - Form 6-K

Income statement (concluded)

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

	Issuer -----	Guarantor -----	
	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries recl
	-----		
	(\$ million)		
Nine months ended September 30, 2002			
Profit as reported	405	7,008	6,660
Adjustments:			
Deferred taxation/business combinations	(97)	(175)	(113)
Provisions	9	(18)	(27)
Sale and leaseback	-	28	28
Goodwill	-	977	977
Derivative financial instruments	-	564	564
Gain arising on asset exchange	-	(14)	(14)
Other	-	8	8
	-----		
Profit for the period as adjusted to accord with US GAAP	317	8,378	8,083
	=====		

Page 50

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

15. Condensed consolidating information - continued

Issuer -----	Guarantor -----
BP	





Edgar Filing: BP PLC - Form 6-K

	Issuer	Guarantor		
	-----	-----		
	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
			-----	
			(\$ million)	
Shareholders' interest as reported	12,546	99,424	45,671	
Adjustments:				
Deferred taxation/business combinations	65	(59)	(124)	
Provisions	25	(100)	(125)	
Sale and leaseback	-	(17)	(17)	
Goodwill	-	968	968	
Derivative financial instruments	(58)	188	188	
Gain arising on asset exchange	-	133	133	
Ordinary shares held for future awards to employees	-	(58)	-	
Dividends	-	1,438	-	
Investments	-	478	478	
Additional minimum pension liability	-	(2,286)	(2,286)	
Other	-	(44)	(44)	
Shareholders' interest as adjusted to accord with US GAAP	12,578	100,065	44,842	

Page 52

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

15. Condensed consolidating information - continued

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

Edgar Filing: BP PLC - Form 6-K

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

Deferred taxation	1,686	-	11,828
-------------------	-------	---	--------

Other provisions	489	142	13,255
------------------	-----	-----	--------

---



Edgar Filing: BP PLC - Form 6-K

	BP Exploration (Alaska) Inc.	BP p.l.c.	Other subsidiaries	recl
			(\$ million)	
Shareholders' interest as reported	11,995	95,537	56,377	
Adjustments:				
Deferred taxation/business combinations	74	(78)	(152)	
Provisions	(190)	(1,088)	(902)	
Sale and leaseback	-	(106)	(106)	
Goodwill	-	(84)	(84)	
Derivative financial instruments	(50)	(135)	(135)	
Gain arising on asset exchange	-	142	142	
Ordinary shares held for future awards to employees	-	(159)	-	
Dividends	-	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	

Page 54

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

15. Condensed consolidating information - continued

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

Three months ended September 30, 2003



Edgar Filing: BP PLC - Form 6-K

Net cash inflow (outflow) from operating activities	447	(589)	5,021
Dividends from joint ventures	-	-	39
Dividends from associated undertakings	-	-	65
Dividends from subsidiaries	8	4,568	-
Net cash inflow (outflow) from servicing of finance and returns on investments	(35)	53	(118)
Tax paid	(40)	-	(763)
Net cash inflow (outflow) for capital expenditure and financial investment	(92)	(2,665)	568
Net cash inflow (outflow) for acquisitions and disposals	1	12	(2,897)
Equity dividends paid	-	(1,433)	(4,576)
-----			
Net cash inflow (outflow)	289	(54)	(2,661)
=====			
Financing	281	(31)	(1,721)
Management of liquid resources	-	-	76
Increase (decrease) in cash	8	(23)	(1,016)
-----			
	289	(54)	(2,661)
=====			

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	416	4,032	4,244	
Net cash provided by (used in) investing activities	(92)	(2,653)	(2,329)	
Net cash provided by (used in) financing activities	(316)	(1,402)	(2,855)	
Currency translation differences relating to cash and cash equivalents	-	-	6	
-----				

Edgar Filing: BP PLC - Form 6-K

Increase (decrease) in cash and cash equivalents	8	(23)	(934)
Cash and cash equivalents at beginning of period	(11)	18	2,437
-----			
Cash and cash equivalents at end of period	(3)	(5)	1,503
=====			

Page 55

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

15. Condensed consolidating information - continued

	Issuer	Guarantor		
	-----	-----		
	BP		Other	
Cash flow statement (continued)	Exploration	BP p.l.c.	subsidiaries	recl
	(Alaska) Inc.			
	-----	-----	-----	-----
			(\$ million)	
Three months ended September 30, 2002				
Net cash inflow (outflow) from operating activities	340	1,955	2,081	
Dividends from joint ventures	-	-	30	
Dividends from associated undertakings	-	-	96	
Dividends from subsidiaries	11	-	-	
Net cash inflow (outflow) from servicing of finance and returns on investments	-	63	(227)	
Tax paid	(29)	(1)	(631)	
Net cash inflow (outflow) for capital expenditure and financial investment	(139)	25	(2,378)	
Net cash inflow (outflow) for acquisitions and disposals	-	-	(362)	
Equity dividends paid	-	(1,346)	(11)	
-----				
Net cash inflow (outflow)	183	696	(1,402)	
=====				
Financing	188	695	(1,102)	

Edgar Filing: BP PLC - Form 6-K

Management of liquid resources	-	-	(32)
Increase (decrease) in cash	(5)	1	(268)
	-----	-----	-----
	183	696	(1,402)
	=====	=====	=====

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	322	2,017	1,348
Net cash provided by (used in) investing activities	(139)	25	(2,740)
Net cash provided by (used in) financing activities	(188)	(2,041)	1,091
Currency translation differences relating to cash and cash equivalents	-	-	26
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(5)	1	(275)
Cash and cash equivalents at beginning of period	(6)	2	1,573
	-----	-----	-----
Cash and cash equivalents at end of period	(11)	3	1,298
	=====	=====	=====

page 56

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

15. Condensed consolidating information - continued

Issuer	Guarantor
-----	-----



Edgar Filing: BP PLC - Form 6-K

investing activities	(304)	(2,593)	(4,356)
Net cash provided by (used in) financing activities	(966)	(6,104)	(23,400)
Currency translation differences relating to cash and cash equivalents	-	-	58
-----			
Increase (decrease) in cash and cash equivalents	8	(6)	(242)
Cash and cash equivalents at beginning of period	(11)	1	1,745
-----			
Cash and cash equivalents at end of period	(3)	(5)	1,503
=====			

Page 57

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

15. Condensed consolidating information - concluded

	Issuer	Guarantor		
	-----	-----		
	BP		Other	recl
Cash flow statement (concluded)	Exploration	BP p.l.c.	subsidiaries	
	(Alaska) Inc.			
	-----	-----	-----	-----
			(\$ million)	
Nine months ended September 30, 2002				
Net cash inflow (outflow) from operating activities	934	3,440	7,908	
Dividends from joint ventures	-	-	129	
Dividends from associated undertakings	-	-	303	
Dividends from subsidiaries	26	-	-	
Net cash inflow (outflow) from servicing of finance and returns on investments	-	189	(855)	
Tax paid	(75)	(2)	(1,956)	
Net cash inflow (outflow) for capital expenditure and financial investment	(427)	7	(6,408)	
Net cash inflow (outflow) for acquisitions and disposals	-	863	(1,181)	

Edgar Filing: BP PLC - Form 6-K

Equity dividends paid	-	(3,924)	(26)
Net cash inflow (outflow)	458	573	(2,086)
Financing	440	573	(1,498)
Management of liquid resources	-	-	(164)
Increase (decrease) in cash	18	-	(424)
	458	573	(2,086)

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	885	3,627	5,543
Net cash provided by (used in) investing activities	(427)	871	(7,604)
Net cash provided by (used in) financing activities	(440)	(4,498)	1,472
Currency translation differences relating to cash and cash equivalents	-	-	53
Increase (decrease) in cash and cash equivalents	18	-	(536)
Cash and cash equivalents at beginning of period	(29)	3	1,834
Cash and cash equivalents at end of period	(11)	3	1,298

Edgar Filing: BP PLC - Form 6-K

	Three months ended September 30 (Unaudited)		Nine m Sep (Un
	2003	2002	2003
Average crude oil realizations - \$/bbl			
UK	27.68	26.78	28.33
USA	28.61	25.86	29.19
Rest of World	26.30	25.13	26.69
BP average	27.72	26.01	28.25
Average natural gas liquids realizations - \$/bbl			
UK	22.62	15.30	20.09
USA	18.37	12.59	18.15
Rest of World	21.76	13.75	21.65
BP average	19.39	13.15	18.96
Average liquids realizations (a) - \$/bbl			
UK	27.34	26.26	27.83
USA	26.90	22.94	27.34
Rest of World	25.98	24.43	26.35
BP average	26.79	24.40	27.24
Average natural gas realizations - \$/mcf			
UK	2.69	2.58	2.99
USA	4.14	2.34	4.66
Rest of World	2.31	1.99	2.51
BP average	3.05	2.25	3.46
Total hydrocarbons - \$/boe			
UK	22.71	22.41	23.62
USA	25.63	18.73	27.21
Rest of World	19.27	18.13	20.29
BP average	22.58	19.27	23.88
Average oil marker prices - \$/bbl			
Brent oil price	28.38	26.91	28.64
West Texas Intermediate oil price	30.19	28.26	31.08
Alaska North Slope US West Coast	28.83	27.26	29.69
Henry Hub gas price (b) (\$/mmbtu)	4.97	3.16	5.65
UK Gas - National Balancing point (p/therm)	15.08	12.74	17.92
Global Indicator Refining Margins (c) - \$/bbl			
Northwest Europe	2.47	1.28	2.77
US Gulf Coast	5.61	1.82	5.11
Midwest	6.39	3.27	5.09
US West Coast	9.04	3.54	7.39
Singapore	1.27	0.47	1.63
BP average	4.59	1.98	4.13
Chemicals Indicator Margin (d) - \$/te	109 (e)	120	113 (

## Edgar Filing: BP PLC - Form 6-K

### 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.
- (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 third 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 September 30 (Unaudited)		Nine months ended September 30 (Unaudited)	
	2003	2002	2003	2002
	-----		-----	
Average rate for the period	1.61	1.55	1.61	1.55
Period-end rate	1.66	1.55	1.66	1.55



Edgar Filing: BP PLC - Form 6-K

	Three months ended September 30 (Unaudited)		Nine Se (U
	2003	2002	2003
	-----	-----	-----
Crude oil production (thousand barrels per day) (net of royalties)			
UK	312	395	359
Rest of Europe	74	101	81
USA	558	561	578
Rest of World	908	679	780
	-----	-----	-----
Total crude oil production	1,852	1,736	1,798
	=====	=====	=====
Natural gas liquids production (thousand barrels per day) (net of royalties)			
UK	23	19	24
Rest of Europe	5	6	5
USA	141	193	150
Rest of World	33	29	32
	-----	-----	-----
Total natural gas liquids production	202	247	211
	=====	=====	=====
Liquids production (a) (thousand barrels per day) (net of royalties)			
UK	335	414	383
Rest of Europe	79	107	86
USA	699	754	728
Rest of World	941	708	812
	-----	-----	-----
Total liquids production	2,054	1,983	2,009
	=====	=====	=====
Natural gas production (million cubic feet per day) (net of royalties)			
UK	1,267	1,240	1,489
Rest of Europe	98	131	111
USA	3,005	3,450	3,194
Rest of World	4,031	3,661	3,823
	-----	-----	-----
Total natural gas production	8,401	8,482	8,617
	=====	=====	=====
Total production (b) (thousand barrels of oil equivalent per day) (net of royalties)			
UK	553	628	640
Rest of Europe	96	130	105
USA	1,217	1,349	1,279
Rest of World	1,636	1,338	1,471
	-----	-----	-----
Total production	3,502	3,445	3,495
	=====	=====	=====

## Edgar Filing: BP PLC - Form 6-K

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

	Three months ended September 30 (Unaudited)		Nine Se (U
	2003	2002	2003
Natural gas sales volumes (million cubic feet per day)			
UK	2,174	1,809	2,653
Rest of Europe	362	353	418
USA	11,808	9,332	11,328
Rest of World	11,133	9,556	11,173
	-----	-----	-----
Total natural gas sales volumes (c)	25,477	21,050	25,572
	=====	=====	=====
NGL sales volumes (thousand barrels per day)			
UK	-	-	-
Rest of Europe	-	-	-
USA	188	178	150
Rest of World	163	185	173
	-----	-----	-----
Total NGL sales volumes	351	363	323
	=====	=====	=====
Oil sales volumes (thousand barrels per day)			
Refined products			
UK	270	258	276
Rest of Europe	1,293	1,604	1,323
USA	1,828	1,874	1,800
Rest of World	657	613	636
	-----	-----	-----
Total marketing sales	4,048	4,322	4,035
Trading/supply sales	2,647	2,589	2,805
	-----	-----	-----
Total refined product sales	6,695	6,911	6,840
Crude oil	5,316	3,648	5,175
	-----	-----	-----
Total oil sales	12,011	10,559	12,015
	=====	=====	=====
Refinery throughputs (thousand barrels per day)			
UK	405	394	399
Rest of Europe	909	956	951
USA	1,406	1,455	1,391
Rest of World	366	349	383
	-----	-----	-----
Total throughput	3,086	3,154	3,124
	=====	=====	=====
Petrochemicals production (thousand tonnes)			
UK	771	858	2,354
Rest of Europe	2,724	2,669	8,168
USA	2,563	2,570	7,602
Rest of World	982	783	2,666
	-----	-----	-----

Edgar Filing: BP PLC - Form 6-K

Total production	7,040 =====	6,880 =====	20,790 =====
------------------	----------------	----------------	-----------------

-----

- (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.

Page 62

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

	Three months ended September 30 (Unaudited)		Nine Months ended September 30 (Unaudited)
	2003	2002	2003
	-----		
	(\$ million)		
By business			
Exploration and Production			
UK	582	185	2,189
Rest of Europe	124	213	458
USA	1,368	661	4,614
Rest of World	1,446	513	3,738
	-----	-----	-----
	3,520	1,572	10,999
	-----	-----	-----
Gas, Power and Renewables			
UK	13	(66)	34
Rest of Europe	(12)	17	(26)
USA	54	28	175
Rest of World	43	78	212
	-----	-----	-----
	98	57	395
	-----	-----	-----
Refining and Marketing			
UK	(119)	(158)	(124)
Rest of Europe	325	236	1,085
USA	51	55	471
Rest of World	198	104	543
	-----	-----	-----
	455	237	1,975
	-----	-----	-----
Petrochemicals			
UK	(63)	6	(72)
Rest of Europe	54	161	341
USA	47	54	154
Rest of World	43	(89)	110
	-----	-----	-----
	81	132	533

Edgar Filing: BP PLC - Form 6-K

	-----	-----	-----
Other businesses and corporate	(310)	(241)	(609)
	-----	-----	-----
	3,844	1,757	13,293
	=====	=====	=====
By geographical area			
UK	314	(131)	1,730
Rest of Europe	494	620	1,852
USA	1,295	672	5,040
Rest of World	1,741	596	4,671
	-----	-----	-----
	3,844	1,757	13,293
	=====	=====	=====

Page 63

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

	Three months ended September 30 (Unaudited)		Nine Months (U
	2003	2002	2003
	-----		
	(\$ million)		
By business			
Exploration and Production			
UK	182	270	598
Rest of Europe	80	61	204
USA	989	980	2,964
Rest of World (a)	6,999	929	9,083
	-----	-----	-----
	8,250	2,240	12,849
	-----	-----	-----
Gas, Power and Renewables			
UK	15	7	47
Rest of Europe (b)	6	29	30
USA	18	52	104
Rest of World	19	19	43
	-----	-----	-----
	58	107	224
	-----	-----	-----
Refining and Marketing			
UK	89	56	228
Rest of Europe (c)	169	198	337
USA	322	298	886
Rest of World	79	53	130
	-----	-----	-----
	659	605	1,581
	-----	-----	-----
Petrochemicals			
UK	51	30	81
Rest of Europe	16	58	68
USA	55	49	196
Rest of World	60	43	131
	-----	-----	-----

Edgar Filing: BP PLC - Form 6-K

	182	180	476
	-----	-----	-----
Other businesses and corporate (d)	59	48	278
	-----	-----	-----
	9,208	3,180	15,408
	=====	=====	=====
By geographical area			
UK	377	394	1,039
Rest of Europe	271	353	640
USA	1,403	1,389	4,341
Rest of World	7,157	1,044	9,388
	-----	-----	-----
	9,208	3,180	15,408
	=====	=====	=====

- 
- (a) Third quarter and nine months 2003 included the investment in the TNK-BP joint venture. Nine months 2002 included the acquisition of an additional interest in Sidanco.
- (b) Nine months 2002 included the acquisition of a 5% stake in Enagas.
- (c) Nine months 2002 included the acquisition of 100% of Veba.
- (d) Nine months 2002 included the acquisition of the minority interest in Veba's upstream oil and gas assets.

Page 64

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

	Three months ended September 30 (Unaudited) 2003	2002	Nine Se (U 2003
	-----		-----
	(\$ million)		
Historical cost profit for the period	2,394	2,840	8,295
Interest (a)	82	145	259
Minority shareholders' interest	43	3	129
	-----	-----	-----
Adjusted historical cost profit	2,519	2,988	8,683
Inventory holding (gains) losses	(84)	(305)	68
Exceptional items, net of tax	(168)	(1,769)	(639)
	-----	-----	-----
Adjusted replacement cost profit	2,267	914	8,112
	=====	=====	=====
Capital employed at beginning of period:			
BP shareholders' interest	72,065	67,586	69,409
Minority shareholders' interest	1,016	540	638
Finance debt	18,594	21,409	22,008
	-----	-----	-----
Capital employed	91,675	89,535	92,055
	=====	=====	=====

Edgar Filing: BP PLC - Form 6-K

Capital employed at end of period:			
BP shareholders' interest	73,282	68,670	73,282
Minority shareholders' interest	1,074	533	1,074
Finance debt	19,970	22,276	19,970
	-----	-----	-----
Capital employed	94,326	91,479	94,326
	=====	=====	=====
	93,001	90,507	93,191
Average capital employed	=====	=====	=====
ROACE - historical cost basis	10.8%	13.2%	12.4%
ROACE - replacement cost basis	9.8%	4.0%	11.6%

-----

(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.

Page 65

BP p.l.c. AND SUBSIDIARIES  
RECONCILIATION OF HISTORICAL COST OPERATING PROFIT AND  
REPLACEMENT COST OPERATING PROFIT

	Exploration and Production	Gas, Power and Renewables	Refining and Marketing	Petrochemicals	bu c
	-----				
Year ended December 31, 2002					
Total operating profit	9,209	405	1,921	541	
Inventory holding (gains) losses	(3)	(51)	(1,049)	(26)	
	-----				
Total replacement cost operating profit	9,206	354	872	515	
	=====				
Year ended December 31, 2001					
Total operating profit	12,355	407	1,990	(102)	
Inventory holding (gains) losses	6	81	1,583	230	
	-----				
Total replacement cost operating profit	12,361	488	3,573	128	
	=====				

Edgar Filing: BP PLC - Form 6-K

Year ended December 31, 2000

Total operating profit	13,976	543	4,106	853
Inventory holding (gains) losses	(4)	(11)	(620)	(93)
-----				
Total replacement cost operating profit	13,972	532	3,486	760
=====				

Page 66

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

	At September 30 (Unaudited) 2003	At December 31 2002
	-----	-----
	(\$ million)	
Net debt ratio - net debt: net debt + equity		
Gross finance debt	19,970	22,008
Cash and current asset investments	1,495	1,735
	-----	-----
Net debt	18,475	20,273
	-----	-----
Equity	74,356	70,047
Net debt ratio	20%	22%
	=====	=====

Page 67

SIGNATURES

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

BP p.l.c.

Edgar Filing: BP PLC - Form 6-K

(Registrant)

Dated: October 31, 2003

/s/ D. J. Pearl

.....

D. J. PEARL

Deputy Company Secretary