

BP p.l.c.
Group Results
2nd Quarter and Half Year 2004



FOR IMMEDIATE RELEASE

London 27 July 2004

RECORD HALF-YEAR RESULT; DIVIDEND PER SHARE UP 9%

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	\$ million	2004	First Half 2003	%
2,536	4,170	3,434	Replacement cost profit for the period ^(a)	7,604	5,956	
629	547	474	Acquisition amortization ^(b)	1,021	1,257	
3,165	4,717	3,908	Pro forma result	8,625	7,213	20
8.81	11.61	9.93	- per ordinary share (pence)	21.54	20.14	7
14.29	21.36	17.85	- per ordinary share (cents)	39.21	32.42	21
0.86	1.28	1.07	- per ADS (dollars)	2.35	1.95	

- BP's second quarter pro forma result was \$3,908 million, compared with \$3,165 million a year ago, an increase of 23%. For the half year, the result was \$8,625 million compared with \$7,213 million, up 20%. Replacement cost profit for the second quarter and half year was \$3,434 million and \$7,604 million respectively, compared with \$2,536 million and \$5,956 million a year ago.
- The second quarter result includes a net exceptional and non-operating charge of \$258 million compared with a net gain of \$168 million in the second quarter of 2003.
- The second quarter trading environment was generally stronger than a year ago, with higher oil and gas realizations and refining margins.
- Net cash inflow for the quarter was \$1.5 billion and net cash inflow for the half year was \$5.3 billion, compared with an inflow of \$2.4 billion and an inflow of \$5.6 billion a year ago. Net cash flow from operating activities for the quarter and half year was \$6.9 billion and \$14.6 billion respectively, compared with \$7.3 billion and \$13.3 billion a year ago.
- The pro forma ratio of net debt to net debt plus equity was 23% at the end of the quarter.
- Return on average capital employed for the quarter and half year respectively, on a pro forma basis, was 19.8% and 21.9%, compared with 18.7% and 21.2% a year ago. The cash return for the quarter was 36% compared with 32% a year ago, and for the half year was 34% compared with 35% a year ago.
- The quarterly dividend increased from 6.75 cents per share to 7.10 cents per share (\$0.426 per ADS). This compares with 6.50 cents per share a year ago. For the half year the dividend showed an increase of 8.6%. In sterling terms, the quarterly dividend is 3.860 pence per share compared with 4.039 pence a year ago; for the half year the decrease was 4.0%. During the first half, the company repurchased for cancellation 380 million of its own shares, at a cost of \$3.25 billion. The increase in the per share dividend growth rate reflects the reduction in the number of shares outstanding due to the share buyback programme. This allows the company's level of dividend payments to be allocated across a smaller equity base.

BP Group Chief Executive, Lord Browne, said:

"This has been another strong performance against the backdrop of a robust trading environment. We are on track against our targets of controlled investment for growth, increasing the dividend and using additional free cash flow to fund a significant level of share buybacks. The reduction in the number of shares outstanding has allowed us to accelerate the per share dividend growth rate. The plans to prepare the Olefins and Derivatives business for disposal are on track."

The pro forma result has been derived from the group's reported UK GAAP accounting information but is not in itself a recognized UK or US GAAP measure. This financial performance information and measures derived therefrom, shown above and elsewhere in the document, are provided in order to enable investors to evaluate better BP's performance against that of its competitors.

^(a) Replacement cost profit for the period includes the net profit or loss on the sale of fixed assets and businesses or termination of operations.

^(b) Acquisition amortization is depreciation and amortization relating to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions. The first quarter 2004 and the first half results for 2003 and 2004 include accelerated depreciation of the revaluation adjustment in respect of the impairment of former ARCO assets.

Summary Second Quarter Results

Exploration and Production's second quarter result was up 18% on a year ago reflecting higher liquids and gas realizations combined with the changing production composition primarily arising from the greater proportion of production from Russia, offset partly by exceptional losses and non-operating charges in the quarter. The corresponding quarter in 2003 contained exceptional gains and non-operating credits.

The Refining and Marketing result increased 43% compared with a year ago reflecting stronger refining margins, supported by strong US product demand coupled with below-normal inventories and the impact of industry-wide refinery maintenance.

The Petrochemicals result improved from the first quarter reflecting the absence of large exceptional losses reported in the first quarter together with improved margins.

In Gas, Power and Renewables, the result increased compared with a year ago due to a higher contribution from the natural gas liquids business in North America.

Interest and other finance expense for the quarter was \$221 million compared with \$228 million for the prior quarter.

The pro forma effective tax rate on replacement cost profit was 35.7%.

Capital expenditure was \$3.2 billion for the quarter and there were no significant acquisitions. Disposal proceeds for the quarter were \$0.66 billion.

Net debt at the end of the quarter was \$18.2 billion. The pro forma ratio of net debt to net debt plus equity was 23% at the end of the quarter compared with 22% at the end of the first quarter.

During the third quarter, shares to the value of \$1.25 billion will be issued to Alfa Group and Access-Renova (AAR) as the first instalment of the deferred consideration for our investment in TNK-BP.

The commentaries above and following are based on the pro forma replacement cost results.

TNK-BP operational and financial information has been estimated.

The financial information for 2003 has been restated to reflect (a) the transfer of natural gas liquids (NGLs) operations from the Exploration and Production segment to Gas, Power and Renewables on 1 January 2004; (b) the adoption by the group of Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17) with effect from 1 January 2004; and (c) the adoption by the group of Urgent Issues Task Force Abstract No. 38 'Accounting for ESOP Trusts' with effect from 1 January 2004. For further information see Note 1.

Exceptional and Non-Operating Items

\$ million	2Q 2004	
	Exceptional Items	Non-Operating Items and UPIS
Exploration and Production	(114)	(247)
Refining and Marketing	(18)	–
Petrochemicals	6	–
Gas, Power and Renewables	–	–
Other businesses and corporate	(1)	–
Taxation	(127) 28	(247) 88 ^(a)
	(99)	(159)

^(a) Tax on Non-Operating Items and Unrealized Profit in Stock (UPIS) is calculated using the pro forma effective tax rate on replacement cost profit, excluding exceptional items, of 35.5%.

Reconciliation of Reported Results to Pro Forma Results

Pro Forma Result					2Q 2004	Pro Forma Result				
2Q 2003	1Q 2004	2Q 2004	Acq. Amort ^(b)	Reported Earnings ^(a)	\$ million	First Half				
						2004	2003			
3,858	4,568	4,558	256	4,302	Exploration and Production	9,126	8,999			
1,093	941	1,562	218	1,344	Refining and Marketing	2,503	1,926			
306	(25)	208	–	208	Petrochemicals	183	443			
141	198	216	–	216	Gas, Power and Renewables	414	357			
(153)	1,129	(164)	–	(164)	Other businesses and corporate	965	(319)			
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5,245	6,811	6,380	474	5,906	RC profit before interest and tax	13,191	11,406			
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(276)	(228)	(221)	–	(221)	Interest and Other finance expense	(449)	(581)			
(1,744)	(1,822)	(2,199)	–	(2,199)	Taxation	(4,021)	(3,526)			
(60)	(44)	(52)	–	(52)	MSI	(96)	(86)			
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3,165	4,717	3,908	474	3,434	RC profit	8,625	7,213			
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						462		Stock holding gains (losses)		
						3,896		HC profit		
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(a) Replacement cost profit for the period includes the net profit or loss on the sale of fixed assets and businesses or termination of operations.

(b) Acquisition amortization is depreciation and amortization relating to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions. The first quarter 2004 and the first half results for 2003 and 2004 include accelerated depreciation of the revaluation adjustment in respect of the impairment of former ARCO assets.

Operating Results and Per Share Amounts

Second Quarter 2003	First Quarter 2004	Second Quarter 2004			First Half	
					2004	2003
4,616	6,264	5,906	Replacement cost profit before interest and tax (\$m)		12,170	10,149
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3,165	4,717	3,908	Results for the period (\$m)		8,625	7,213
2,536	4,170	3,434	Pro forma result		7,604	5,956
1,585	4,818	3,896	Replacement cost profit		8,714	5,804
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22,101,622	21,996,888	21,789,115	Shares in issue at period end (thousand)		21,789,115	22,101,622
3,683,604	3,666,148	3,631,519	- ADS equivalent (thousand)		3,631,519	3,683,604
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22,164,026	22,087,796	21,906,318	Average number of shares outstanding (thousand)		21,997,057	22,244,797
3,694,004	3,681,299	3,651,053	- ADS equivalent (thousand)		3,666,176	3,707,466
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Per ordinary share (cents)						
14.29	21.36	17.85	Pro forma result		39.21	32.42
11.45	18.88	15.68	RC profit for the period		34.56	26.77
7.19	21.81	17.80	HC profit for the period		39.61	26.09
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Per ADS (cents)						
85.74	128.16	107.10	Pro forma result		235.26	194.52
68.70	113.28	94.08	RC profit for the period		207.36	160.62
43.14	130.86	106.80	HC profit for the period		237.66	156.54
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Exploration and Production

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	\$ million	First Half 2004	2003
3,434	4,242	4,302	Replacement cost profit	8,544	8,152
424	326	256	before interest and tax	582	847
			Acquisition amortization		
3,858	4,568	4,558	Pro forma replacement cost result	9,126	8,999
			before interest and tax		
Results include:					
-	(123)	(160)	Asset write-downs/impairment	(283)	(49)
-	-	-	Environmental charges	-	-
(12)	-	-	Restructuring, integration and rationalization costs	-	(102)
-	-	-	Other	-	-
106	(66)	(87)	Unrealized profit in stock (UPIS)	(153)	(19)
94	(189)	(247)	Total non-operating items and UPIS	(436)	(170)
333	211	(114)	Exceptional items	97	766
			Total non-operating items, UPIS and exceptional items	(339)	596
427	22	(361)			
Exploration expense					
101	136	108	Of which:	244	213
43	67	22	Exploration expenditure written off	89	93
Production (Net of royalties)					
1,712	2,342	2,321	Crude oil (mb/d)	2,331	1,771
199	191	197	Natural gas liquids (mb/d)	194	216
1,911	2,533	2,518	Total liquids (mb/d) ^(a)	2,525	1,987
8,439	8,600	8,425	Natural gas (mmcf/d)	8,512	8,727
3,366	4,015	3,971	Total hydrocarbons (mboe/d) ^(b)	3,993	3,492
Average realizations					
25.73	31.30	34.47	Crude oil (\$/bbl)	32.85	28.50
17.49	23.14	23.71	Natural gas liquids (\$/bbl)	23.43	18.76
24.90	30.48	33.27	Total liquids (\$/bbl)	31.85	27.47
3.39	3.79	3.68	Natural gas (\$/mcf)	3.74	3.64
22.43	26.48	27.66	Total hydrocarbons (\$/bbl)	27.06	24.49
Average oil marker prices (\$/bbl)					
26.03	32.03	35.32	Brent	33.67	28.77
29.02	35.30	38.28	West Texas Intermediate	36.80	31.53
27.04	34.22	36.99	Alaska North Slope US West Coast	35.61	30.13
Average natural gas marker prices					
5.40	5.69	6.00	Henry Hub gas price (\$/mmbtu) ^(c)	5.84	5.96
17.44	24.59	20.70	UK Gas - National Balancing Point (p/therm)	22.64	19.35

(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) Henry Hub First of the Month Index.

Exploration and Production

The pro forma replacement cost result before interest and tax for the second quarter was \$4,558 million, up 18% from the second quarter of 2003. The primary drivers for the change are the higher realizations in both liquids and gas combined with the changing composition of production primarily arising from the greater proportion of production from Russia. This was partly offset by the exceptional losses and non-operating charges in the quarter. The corresponding quarter in 2003 contained exceptional gains and non-operating credits.

Included in the results for the quarter was a non-operating charge as a result of impairments totalling \$160 million in respect of a gas processing plant in the USA and a field in the Gulf of Mexico Shelf.

The second quarter result also includes a charge of \$87 million, reflecting an increase in the provision for Unrealized Profit in Stock (UPIS), which removes the upstream margin from downstream inventories. This compares with a credit of \$106 million in the equivalent quarter of last year.

Production for the quarter was up 18% from the second quarter of 2003, to 3,971 mboe/d. This reflects increased production from Russia partly offset by divestments, lower seasonal gas takes in the North Sea, anticipated decline and unplanned shutdowns at the Mars platform in the Gulf of Mexico and in Trinidad.

The result for the half year also benefited from higher realizations combined with the changing composition of production primarily resulting from increased volumes from Russia offset by the above operational items.

Projects in the New Profit Centres remain on track. In the Gulf of Mexico, offshore installation of the Holstein and Mad Dog Spars was completed, Holstein topsides have been installed, and the Thunder Horse platform has left the construction yard in Korea. In Algeria, first gas sales from the In Salah gas project have been achieved. In Azerbaijan, installation of the Central Azeri jacket was completed. In Angola, the Kizomba A Floating Production Storage and Offloading vessel arrived at the field location in Block 15 and hook-up to the tension leg platform is in progress. In Trinidad the Atlas methanol plant was brought on line. In Australia, commissioning of North West Shelf Train 4 has commenced with first gas delivered to the plant.

Projects in Existing Profit Centres are also on track. In the UK the Clair jacket and deck has been installed offshore. In Egypt, the first steps were taken towards the development of a major LNG business, with agreements signed to deliver natural gas to the Damietta plant.

In the second quarter we had a further exploration success in Angola with the Venus discovery in offshore Block 31 and two discoveries in the Nile Delta in Egypt, Temsah and Polaris.

During the quarter, we signed sale and purchase agreements in Indonesia for the divestment of our interest in the Kangean Production Sharing Contract and our participating interest in the Muriah Production Sharing Contract, in the USA for the sale of our interest in the South Pass 60 property in the Gulf of Mexico Shelf and Swordfish in the deepwater Gulf of Mexico. The total net exceptional losses in respect of these transactions for the quarter were \$114 million.

Customer Facing Segments

Refining and Marketing

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	\$ million	First Half 2004 2003	
888	720	1,344	Replacement cost profit before interest and tax	2,064	1,516
205	221	218	Acquisition amortization	439	410
1,093	941	1,562	Pro forma replacement cost result before interest and tax	2,503	1,926
-	-	-	Results include:		
-	-	-	Asset write-downs/impairment	-	-
-	-	-	Environmental charges	-	-
(41)	-	-	Restructuring, integration and rationalization costs	-	(59)
-	-	-	Other	-	-
(41)	-	-	Total non-operating items	-	(59)
(49)	(140)	(18)	Exceptional items	(158)	(101)
(90)	(140)	(18)	Total non-operating and exceptional items	(158)	(160)
416	395	404	Refinery throughputs (mb/d)		
991	884	871	UK	400	397
1,465	1,265	1,370	Rest of Europe	878	973
393	399	377	USA	1,317	1,384
			Rest of World	388	392
3,265	2,943	3,022	Total throughput	2,983	3,146
96.7	95.1	95.1	Refining availability	95.1	95.4
			Oil sales volumes (mb/d)		
			Refined products		
279	294	318	UK	306	279
1,358	1,324	1,344	Rest of Europe	1,333	1,338
1,822	1,727	1,724	USA	1,726	1,787
607	679	665	Rest of World	672	626
4,066	4,024	4,051	Total marketing sales	4,037	4,030
2,957	2,917	2,087	Trading/supply sales	2,502	2,884
7,023	6,941	6,138	Total refined product sales	6,539	6,914
5,679	5,104	5,339	Crude oil	5,222	5,104
12,702	12,045	11,477	Total oil sales	11,761	12,018
			Global Indicator Refining Margin^(a) (\$/bbl)		
2.15	2.73	5.29	NWE	4.01	2.92
3.59	6.92	9.18	USGC	8.05	4.86
4.73	4.67	9.01	Midwest	6.84	4.44
6.34	8.06	15.41	USWC	11.73	6.55
0.66	3.42	2.80	Singapore	3.11	1.81
3.27	4.62	7.89	BP Average	6.25	3.89

(a) 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.

Customer Facing Segments

Refining and Marketing

The pro forma replacement cost result before interest and tax for the second quarter was \$1,562 million. This compares with \$1,093 million for the same period last year, an increase of 43%. The result for the half year represents an increase of \$577 million (30%), at \$2,503 million.

Refining margins in the second quarter were stronger for most regions than in both the equivalent quarter a year ago and the first quarter of 2004, supported by strong US product demand, coupled with below-normal inventories and the impact of industry-wide planned and unplanned refinery maintenance. Compared to the second quarter of 2003, the increase in the result was less than suggested by movements in the Global Indicator Margin (GIM), due to operational outages at the Texas City Refinery, scheduled refinery turnarounds and higher purchased energy costs. Marketing margins increased relative to the previous quarter, particularly at the end of the quarter, but were below seasonal norms due to pressure from rising crude and product prices.

The improvement relative to the first half of 2003 was attributable to the stronger refining margins, with overall marketing margins lower due to factors outlined above.

Refining throughputs for the quarter were 3,022 mb/d, some 7% below the second quarter of 2003 due to the disposal of the Bayernoil refinery and the planned turnaround at Cherry Point refinery. The throughputs were some 3% higher than those in the previous quarter due to lower turnaround activity. The quarter's refining availability was 95.1%. Marketing sales were 4,051 mb/d, a similar level to both the equivalent quarter last year and the previous quarter.

During the quarter, BP continued the successful roll-out of its new Ultimate^{®(a)} generation gasoline and diesel fuels with launches in Germany and Austria.

Also in the quarter, BP announced the closure of refining operations at the ATAS Refinery in Mersin, south eastern Turkey. The site will continue to operate as a fuels terminal.

The quarter's exceptional charges included an additional charge associated with the termination of the lubricants operation at the Coryton Refinery and the closure of a terminal elsewhere in the UK.

The disposal of BP's interests in the Singapore Refining Company Private Limited was concluded on 30 June.

Shortly after the quarter, BP and the Singapore Petroleum Company Limited (SPC) announced that conditional agreement had been reached for SPC to purchase BP's Retail and LPG Business in the Singapore retail network and related assets for \$70 million; the transaction completion is expected towards the end of 2004.

^(a) Ultimate[®] is a trademark of BP p.l.c.

Customer Facing Segments

Petrochemicals

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	\$ million	First Half	
				2004	2003
306	(25)	208	Replacement cost profit before interest and tax	183	443
–	–	–	Acquisition amortization	–	–
306	(25)	208	Pro forma replacement cost result before interest and tax	183	443
–	–	–	Results include:		
–	–	–	Provision against fixed asset investments/asset write-downs/impairment	–	–
–	–	–	Environmental charges	–	–
5	–	–	Restructuring, integration and rationalization costs	–	5
–	–	–	Other	–	–
5	–	–	Total non-operating items	–	5
2	(154)	6	Exceptional items	(148)	9
7	(154)	6	Total non-operating and exceptional items	(148)	14
134	125	131 ^(b)	Chemicals Indicator Margin^(a) (\$/te)	128 ^(b)	115
714	840	856	Petrochemicals production (kte)		
2,681	2,728	2,726	UK	1,696	1,583
2,503	2,543	2,514	Rest of Europe	5,454	5,444
872	1,132	1,075	USA	5,057	5,039
			Rest of World	2,207	1,684
6,770	7,243	7,171	Total production	14,414	13,750

(a) The Chemicals Indicator Margin (CIM) is a weighted average of externally-based product margins. It is based on market data collected by Nexant 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 of the margins achieved by BP in any particular period.

(b) Provisional. The data for the second quarter is based on two months' actuals and one month of provisional data.

Petrochemicals' pro forma replacement cost result before interest and tax for the second quarter was \$208 million, up from a loss of \$25 million in the first quarter. The improvement is due to the absence of large exceptional losses in the first quarter and improved margins. The second quarter result was a decrease of \$98 million compared with the second quarter a year ago as higher product realizations were more than offset by adverse foreign exchange impacts, higher energy costs and increased feedstock prices. The first half result was 59% lower than that of a year ago, reflecting exceptional losses and lower margins. Production of 7,171 thousand tonnes in the second quarter was 72 thousand tonnes down on the previous quarter due to seasonal turnaround activity. First half production was 664 thousand tonnes higher than a year ago due to new Asian PTA capacity and higher asset utilization.

During the second quarter we signed a heads of agreement with our joint venture partner, Sinopec (BP share 50%), to build a new 500 thousand tonnes a year acetic acid plant in China. We signed a letter of intent to examine the viability of expanding production at the BP Zhuhai PTA plant in China (BP share 85%) to 1,200 thousand tonnes a year. We completed the sale of our Speciality Intermediates Business.

We have progressed with plans to consolidate the Olefins and Derivatives (O&D) business into a stand-alone entity able to operate separately from the BP Group. The BP Group plans to sell O&D in due course, possibly commencing the sale through an Initial Public Offering, depending on market circumstances and necessary approvals in the second half of 2005. We intend to retain the balance of our petrochemicals portfolio, comprising the aromatics and acetyls business.

Customer Facing Segments

Gas, Power and Renewables

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	\$ million	First Half 2004 2003	
141	198	216	Replacement cost profit before interest and tax	414	357
-	-	-	Acquisition amortization	-	-
141	198	216	Pro forma replacement cost result before interest and tax	414	357
-	-	-	Results include:		
-	-	-	Asset write-downs/impairment	-	-
-	-	-	Environmental charges	-	-
-	-	-	Restructuring, integration and rationalization costs	-	-
-	-	-	Other	-	-
-	-	-	Total non-operating items	-	-
6	-	-	Exceptional items	-	6
6	-	-	Total non-operating and exceptional items	-	6
2,581	3,027	2,495	Gas sales volumes (mmcf/d)		
421	442	266	UK	2,761	2,896
10,441	13,618	12,470	Rest of Europe	354	447
10,839	13,902	12,070	USA	13,044	11,084
			Rest of World	12,986	11,194
24,282	30,989	27,301	Total gas sales volumes	29,145	25,621
1	4	8	NGL sales volumes (mb/d)		
-	1	3	UK	6	3
289	462	334	Rest of Europe	2	-
147	244	166	USA	397	285
			Rest of World	205	199
437	711	511	Total NGL sales volumes	610	487

The pro forma replacement cost result before interest and tax for the second quarter and half year was \$216 million and \$414 million respectively, compared with \$141 million and \$357 million a year ago. The primary reason for these increases is a higher contribution from the natural gas liquids business in North America.

The half year result also benefited from higher contributions from the global LNG and Solar businesses whilst the marketing and trading result is down due to lower margins partly offset by higher gas sales volumes.

During the quarter, the Guangdong Dapeng LNG Company Ltd. (BP share 30%) in China signed a series of milestone agreements relating to the Guangdong LNG terminal and trunkline project which is due on stream in 2006. In addition, since the quarter-end, the Tangguh LNG project in Indonesia (BP share 37.16%) signed a sale and purchase agreement for the supply of 0.55 million tonnes per annum for a period of 20 years to Posco, who is currently building an LNG import terminal at Gwangyang in South Korea. BP Gas Marketing Ltd. has signed an agreement with the Egyptian Natural Gas Holding Company to purchase LNG under a long term contract from the Damietta LNG plant which is expected to start commercial production in 2005.

Other Businesses and Corporate

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	\$ million	First Half	
				2004	2003
(153)	1,129	(164)	Replacement cost profit (loss) before interest and tax	965	(319)
-	-	-	Acquisition amortization	-	-
(153)	1,129	(164)	Pro forma replacement cost result before interest and tax	965	(319)
-	-	-	Results include:		
-	-	-	Asset write-downs/impairment	-	-
-	-	-	Environmental charges	-	-
-	-	-	Restructuring, integration and rationalization costs	-	-
-	-	-	Other	-	-
-	-	-	Total non-operating items	-	-
(12)	1,313	(1)	Exceptional items	1,312	(6)
(12)	1,313	(1)	Total non-operating and exceptional items	1,312	(6)

Other businesses and corporate comprises Finance, the group's aluminium asset and interest income and costs relating to corporate activities. In the first quarter, BP sold its interest in PetroChina for \$1.65 billion and its interest in Sinopec for \$0.7 billion. These interests were previously included in other businesses and corporate.

Dividends

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half	
				2004	2003
6.50	6.75	7.10	Dividends per ordinary share	13.85	12.75
4.039	3.807	3.860	cents	7.667	7.986
39.0	40.5	42.6	Dividends per ADS (cents)	83.1	76.5
			pence		

BP today announced a second quarterly dividend for 2004 of 7.10 cents per ordinary share. Holders of ordinary shares will receive 3.860 pence per share and holders of American Depositary Receipts (ADRs) \$0.426 per ADS share. The dividend is payable on 7 September to shareholders on the register on 13 August. Participants in the Dividend Reinvestment Plan (DRIP) or the DRIP facility in the US Direct Access Plan will receive the dividend in the form of shares, also on 7 September. The third quarter 2004 results and dividend will be announced on 26 October 2004.

Outlook

BP Group Chief Executive, Lord Browne, concluded:

“The world economy slowed in the second quarter of 2004, although growth remains above historic trend levels. The pace of economic activity seems to be easing in the US, while specific policy actions in China have been put in place to slow domestic demand growth. However, the momentum in Japan has continued and signs of recovery are emerging within Europe. Continued global economic growth is expected.

“Oil prices in the second quarter averaged \$35.32 per barrel (Dated Brent), the highest of any quarter for more than 20 years and over 10% and \$3 per barrel higher than in the first quarter. Prices have strengthened further during July to date, averaging over \$37 per barrel. Prices have been supported by continued strong oil demand growth and concerns about supply disruptions. OECD commercial inventories have remained low relative to five year averages even though OPEC production has increased following the 3 June agreement to raise the OPEC-10 output ceiling. Oil prices should remain supported by limited spare OPEC production capacity and further oil demand growth.

“US natural gas prices averaged \$6/mmbtu (Henry Hub first of month index) in the second quarter, up \$0.31/mmbtu versus the first quarter. Since the beginning of May spot gas prices have traded in the upper half of the residual fuel oil and distillate parity range. The July first of month price was \$6.14/mmbtu, although daily spot prices have since eased below \$6/mmbtu as confidence has grown over gas availability through the summer cooling period. Working gas in storage remains close to the 5 year average. US industrial gas demand has increased. Supply is increasing as imports grow both from Canada and in the form of LNG and as onshore domestic production rises. Summer temperatures and oil prices will be the keys to near term gas prices.

“Refining margins in the second quarter strengthened sharply relative to the first quarter of 2004. Low product inventories, strong global oil demand growth and concerns about US gasoline supply were all very supportive. The margin gains were most pronounced in the US but Europe also benefited. Margins in the third quarter will be increasingly dependent on perceived demand for distillate. Marketing margins recovered late in the second quarter but remain exposed to crude and product price volatility.

“Petrochemical margins in the second quarter improved versus the previous quarter as continued global economic growth supported demand. Further growth in demand is anticipated, assuming the global economy remains on track. Volatility of energy prices and exchange rates will continue to influence future margins.

“Capital expenditure, excluding acquisitions, for the first half of 2004 was \$6.4 billion, and will be around \$14 billion for the year, slightly above our previous forecast primarily due to the weaker US dollar. The share buyback programme is continuing, reducing the number of shares outstanding and increasing our ability to accelerate per share dividend growth.”

The foregoing discussion, in particular the statements under "Outlook", contains forward looking statements particularly those regarding BP's asset portfolio and changes in it, capital expenditure, costs, demand, future performance, growth and other trend projections, maintenance, margins, prices, production, sales, share repurchases, supply and the timing of projects and pending transactions. Forward looking statements by their nature involve risks and uncertainties and actual results may differ from those expressed in such statements depending on a variety of factors including the following: the timing of bringing new fields on stream; industry product supply; demand and pricing; currency exchange rates; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in governmental regulations; exchange rate fluctuations; development and use of new technology and successful commercial relationships; the actions of competitors; natural disasters and other changes in business conditions; prolonged adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed in this Announcement. For more information you should refer to our Annual Report and Accounts 2003 and our 2003 Annual Report on Form 20-F filed with the US Securities and Exchange Commission.

Summarized Group Results

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	2003
\$ million				\$ million	
3,434	4,242	4,302	Exploration and Production	8,544	8,152
888	720	1,344	Refining and Marketing	2,064	1,516
306	(25)	208	Petrochemicals	183	443
141	198	216	Gas, Power and Renewables	414	357
(153)	1,129	(164)	Other businesses and corporate	965	(319)
4,616	6,264	5,906	Replacement cost profit before interest and tax	12,170	10,149
(951)	648	462	Stock holding gains (losses) (Note 5)	1,110	(152)
3,665	6,912	6,368	Historical cost profit before interest and tax	13,280	9,997
149	152	145	Interest expense (Note 6)	297	325
127	76	76	Other finance expense (Note 7)	152	256
3,389	6,684	6,147	Profit before taxation	12,831	9,416
1,744	1,822	2,199	Taxation (Note 8)	4,021	3,526
1,645	4,862	3,948	Profit after taxation	8,810	5,890
60	44	52	Minority shareholders' interest	96	86
1,585	4,818	3,896	Profit for the period	8,714	5,804
1,434	1,483	1,536	Distribution to shareholders	3,019	2,820
7.19	21.81	17.80	Earnings per ordinary share - cents	39.61	26.09
7.16	21.34	17.43	Basic	38.77	26.00
			Diluted		
Replacement Cost Results					
1,585	4,818	3,896	Historical cost profit for the period	8,714	5,804
951	(648)	(462)	Stock holding (gains) losses net of minority shareholders' interest	(1,110)	152
2,536	4,170	3,434	Replacement cost profit for the period	7,604	5,956
11.45	18.88	15.68	Earnings per ordinary share - cents	34.56	26.77
			On replacement cost profit for the period		

Summarized Group Balance Sheet

	30 June 2004	31 December 2003
	\$ million	
Fixed assets		
Intangible assets	13,113	13,642
Tangible assets	91,275	91,911
Investments	19,034	17,458
	123,422	123,011
Current assets		
Stocks	12,470	11,617
Debtors	36,347	33,902
Investments	172	185
Cash at bank and in hand	1,531	1,947
	50,520	47,651
Creditors – amounts falling due within one year		
Finance debt	7,393	9,456
Other creditors	44,859	41,128
	(1,732)	(2,933)
Net current assets (liabilities)		
	121,690	120,078
Creditors – amounts falling due after more than one year		
Finance debt	12,465	12,869
Other creditors	5,728	6,090
Provisions for liabilities and charges		
Deferred taxation	14,539	14,371
Other provisions	8,610	8,815
	80,348	77,933
Net assets excluding pension and other post-retirement benefit balances		
Defined benefit pension plan surplus	1,258	1,021
Defined benefit pension plan and other post-retirement benefit plan deficits	(7,556)	(7,510)
	74,050	71,444
Net assets		
Minority shareholders' interest - equity	1,232	1,125
	72,818	70,319
BP shareholders' interest		
	72,818	70,319
Movement in BP shareholders' interest:		\$ million
At 31 December 2003		75,938
Prior year adjustment - change in accounting policy (see Note 1)		(5,619)
As restated		70,319
Profit for the period		8,714
Distribution to shareholders		(3,019)
Currency translation differences (net of tax)		(202)
Issue of ordinary share capital for employee share schemes		222
Net release of shares by ESOP trusts		33
Repurchase of ordinary share capital		(3,249)
At 30 June 2004		72,818

Summarized Group Cash Flow Statement

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	2003
\$ million				\$ million	
7,346	7,674	6,917	Net cash inflow from operating activities (a)	14,591	13,307
28	178	7	Dividends from joint ventures	185	41
177	31	97	Dividends from associated undertakings	128	232
			Servicing of finance and returns on investments		
52	41	45	Interest received	86	83
(446)	(165)	(154)	Interest paid	(319)	(653)
42	12	18	Dividends received	30	48
(11)	(2)	(8)	Dividends paid to minority shareholders	(10)	(13)
(363)	(114)	(99)	Net cash outflow from servicing of finance and returns on investments	(213)	(535)
			Taxation		
(280)	(322)	(388)	UK corporation tax	(710)	(592)
(1,573)	(258)	(1,231)	Overseas tax	(1,489)	(1,893)
(1,853)	(580)	(1,619)	Tax paid	(2,199)	(2,485)
			Capital expenditure and financial investment		
(2,760)	(2,941)	(2,764)	Payments for fixed assets	(5,705)	(5,631)
1,652	2,839	352	Proceeds from the sale of fixed assets	3,191	3,969
(1,108)	(102)	(2,412)	Net cash outflow for capital expenditure and financial investment	(2,514)	(1,662)
			Acquisitions and disposals		
(150)	–	(14)	Acquisitions, net of cash acquired	(14)	(150)
19	–	305	Proceeds from the sale of businesses	305	179
–	(1,273)	–	Net investment in TNK-BP joint venture	(1,273)	–
(2)	(92)	(21)	Net investment in other joint ventures	(113)	(16)
(331)	(433)	(148)	Investments in associated undertakings	(581)	(517)
(464)	(1,798)	122	Net cash (outflow) inflow for acquisitions and disposals	(1,676)	(504)
(1,386)	(1,492)	(1,478)	Equity dividends paid	(2,970)	(2,783)
2,377	3,797	1,535	Net cash inflow (outflow)	5,332	5,611
			Financing (b)		
1,355	3,598	2,155	Management of liquid resources	5,753	4,954
93	138	(153)	(Decrease) increase in cash	(15)	106
929	61	(467)		(406)	551
2,377	3,797	1,535		5,332	5,611

Analysis of Cash Flow

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	2003
\$ million				\$ million	
(a) Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities					
3,665	6,912	6,368	Historical cost profit before interest and tax	13,280	9,997
2,653	2,814	2,738	Depreciation and amounts provided	5,552	5,362
43	67	22	Exploration expenditure written off	89	93
45	(23)	(34)	Net operating charge for pensions and other post-retirement benefits, less contributions	(57)	(198)
(207)	(641)	(868)	Share of profits of joint ventures and associated undertakings	(1,509)	(511)
(100)	(64)	(74)	Interest and other income	(138)	(148)
(280)	(1,230)	127	(Profit) loss on sale of fixed assets and businesses	(1,103)	(674)
29	67	50	Charge for provisions	117	58
(209)	(155)	(95)	Utilization of provisions	(250)	(325)
193	247	(1,412)	(Increase) decrease in stocks	(1,165)	569
3,263	(1,586)	(1,400)	(Increase) decrease in debtors	(2,986)	(3,382)
(1,749)	1,266	1,495	Increase (decrease) in creditors	2,761	2,466
7,346	7,674	6,917	Net cash inflow from operating activities	14,591	13,307
(b) Financing					
(208)	(628)	(430)	Long-term borrowing	(1,058)	(1,223)
607	836	434	Repayments of long-term borrowing	1,270	1,010
(418)	(156)	(111)	Short-term borrowing	(267)	(1,044)
388	2,408	314	Repayments of short-term borrowing	2,722	4,287
369	2,460	207	Issue of ordinary share capital for employee share schemes	2,667	3,030
(14)	(126)	(96)	Purchase of shares by ESOP trusts	(222)	(81)
-	15	44	Repurchase of ordinary share capital	59	6
1,000	1,249	2,000	Net cash outflow (inflow) from financing	3,249	1,999
1,355	3,598	2,155		5,753	4,954

Adjusted Operating Cash Flow

7,346	7,674	6,917	Net cash inflow from operating activities ^(a)	14,591	13,307
28	178	7	Dividends received from joint ventures	185	41
177	31	97	Dividends received from associated undertakings	128	232
(363)	(114)	(99)	Net cash outflow from servicing of finance and returns on investments	(213)	(535)
7,188	7,769	6,922	Adjusted operating cash flow (pre-tax)	14,691	13,045
(1,704)	(650)	(1,647)	Tax paid on operations*	(2,297)	(2,282)
5,484	7,119	5,275	Adjusted operating cash flow (post-tax)	12,394	10,763
* Components of tax payments					
(1,704)	(650)	(1,647)	Tax paid on operations	(2,297)	(2,282)
(149)	70	28	Tax refunded/(paid) on exceptional items ^(b)	98	(203)
(1,853)	(580)	(1,619)	Total tax paid	(2,199)	(2,485)

(a) Includes pre-tax discretionary pension funding of \$81 million in 2Q 2004 (\$56 million post-tax), \$166 million in first half 2004 (\$116 million post-tax), \$27 million in 2Q 2003 (\$17 million post-tax) and \$335 million in first half 2003 (\$214 million post-tax).

(b) Approximated as the tax credit/(charge) on exceptional items in the income statement.

Capital Expenditure and Acquisitions

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	First Half 2004 2003	
\$ million			\$ million	
By business				
Exploration and Production				
220	153	211	364	416
73	48	45	93	124
1,005	932	1,027	1,959	1,968
1,136	2,690	1,022	3,712	2,044
2,434	3,823	2,305	6,128	4,552
Refining and Marketing				
66	77	82	159	139
64	92	173	265	168
228	258	330	588	564
27	37	55	92	51
385	464	640	1,104	922
Petrochemicals				
30	20	22	42	30
21	38	53	91	52
62	47	68	115	106
85	61	38	99	106
198	166	181	347	294
Gas, Power and Renewables				
24	1	5	6	32
9	2	3	5	24
52	11	14	25	93
41	47	60	107	64
126	61	82	143	213
Other businesses and corporate				
21	2	13	15	39
-	-	-	-	1
162	9	13	22	172
-	-	-	-	1
183	11	26	37	213
3,326	4,525	3,234	7,759	6,194
By geographical area				
361	253	333	586	656
167	180	274	454	369
1,509	1,257	1,452	2,709	2,903
1,289	2,835	1,175	4,010	2,266
3,326	4,525	3,234	7,759	6,194

(a) First quarter and first half 2004 included \$1,354 million investment in TNK's interest in Slavneft within TNK-BP.

Exchange rates

1.62	1.84	1.81	US dollar/sterling average rate for the period	1.82	1.61
1.65	1.83	1.81	US dollar/sterling period-end rate	1.81	1.65
1.14	1.25	1.20	US dollar/euro average rate for the period	1.23	1.10
1.14	1.22	1.21	US dollar/euro period-end rate	1.21	1.14

Analysis of Replacement Cost Profit Before Interest and Tax

Second Quarter 2003	First Quarter 2004	Second Quarter 2004			First Half 2004	2003
\$ million					\$ million	
			By business			
			Exploration and Production			
993	823	835	UK		1,658	2,071
143	163	206	Rest of Europe		369	338
1,374	1,494	1,503	USA		2,997	3,032
924	1,762	1,758	Rest of World		3,520	2,711
3,434	4,242	4,302			8,544	8,152
			Refining and Marketing			
(117)	(189)	(195)	UK		(384)	(160)
499	289	444	Rest of Europe		733	860
337	409	872	USA		1,281	482
169	211	223	Rest of World		434	334
888	720	1,344			2,064	1,516
			Petrochemicals			
(38)	(156)	(62)	UK		(218)	(128)
232	154	183	Rest of Europe		337	349
82	(109)	3	USA		(106)	136
30	86	84	Rest of World		170	86
306	(25)	208			183	443
			Gas, Power and Renewables			
17	12	(2)	UK		10	21
(5)	(11)	(3)	Rest of Europe		(14)	(14)
126	79	114	USA		193	183
3	118	107	Rest of World		225	167
141	198	216			414	357
			Other businesses and corporate			
(149)	(163)	(50)	UK		(213)	(242)
(2)	(6)	(1)	Rest of Europe		(7)	(10)
(43)	(30)	(109)	USA		(139)	(124)
41	1,328	(4)	Rest of World		1,324	57
(153)	1,129	(164)			965	(319)
4,616	6,264	5,906			12,170	10,149
			By geographical area			
706	327	526	UK		853	1,562
867	589	829	Rest of Europe		1,418	1,523
1,876	1,843	2,383	USA		4,226	3,709
1,167	3,505	2,168	Rest of World		5,673	3,355
4,616	6,264	5,906			12,170	10,149
			Included above:			
101	485	734	Share of profits of joint ventures		1,219	218
110	141	130	Share of profits of associated undertakings		271	290
211	626	864			1,490	508

Pro Forma Result: Replacement Cost Profit Before Interest and Tax Adjusted for Acquisition Amortization

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	First Half 2004 2003	
\$ million			\$ million	
			By business	
			Exploration and Production	
1,027	858	867	UK	1,725 2,138
143	163	206	Rest of Europe	369 338
1,631	1,708	1,713	USA	3,421 3,548
1,057	1,839	1,772	Rest of World	3,611 2,975
3,858	4,568	4,558		9,126 8,999
			Refining and Marketing	
(7)	(63)	(72)	UK	(135) 60
499	289	444	Rest of Europe	733 860
432	504	967	USA	1,471 672
169	211	223	Rest of World	434 334
1,093	941	1,562		2,503 1,926
			Petrochemicals	
(38)	(156)	(62)	UK	(218) (128)
232	154	183	Rest of Europe	337 349
82	(109)	3	USA	(106) 136
30	86	84	Rest of World	170 86
306	(25)	208		183 443
			Gas, Power and Renewables	
17	12	(2)	UK	10 21
(5)	(11)	(3)	Rest of Europe	(14) (14)
126	79	114	USA	193 183
3	118	107	Rest of World	225 167
141	198	216		414 357
			Other businesses and corporate	
(149)	(163)	(50)	UK	(213) (242)
(2)	(6)	(1)	Rest of Europe	(7) (10)
(43)	(30)	(109)	USA	(139) (124)
41	1,328	(4)	Rest of World	1,324 57
(153)	1,129	(164)		965 (319)
5,245	6,811	6,380		13,191 11,406
			By geographical area	
850	488	681	UK	1,169 1,849
867	589	829	Rest of Europe	1,418 1,523
2,228	2,152	2,688	USA	4,840 4,415
1,300	3,582	2,182	Rest of World	5,764 3,619
5,245	6,811	6,380		13,191 11,406

Analysis of Exceptional Items

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	2003
\$ million				\$ million	
			Exploration and Production		
576	(1)	(2)	UK	(3)	577
–	–	–	Rest of Europe	–	–
(69)	(19)	43	USA	24	(229)
(174)	231	(155)	Rest of World	76	418
333	211	(114)		97	766
			Refining and Marketing		
(31)	(36)	(58)	UK	(94)	(46)
12	(17)	–	Rest of Europe	(17)	(28)
(30)	(5)	7	USA	2	(26)
–	(82)	33	Rest of World	(49)	(1)
(49)	(140)	(18)		(158)	(101)
			Petrochemicals		
–	(7)	3	UK	(4)	3
–	(19)	73	Rest of Europe	54	(1)
–	(126)	(70)	USA	(196)	4
2	(2)	–	Rest of World	(2)	3
2	(154)	6		(148)	9
			Gas, Power and Renewables		
–	–	–	UK	–	–
–	–	–	Rest of Europe	–	–
9	–	–	USA	–	9
(3)	–	–	Rest of World	–	(3)
6	–	–		–	6
			Other businesses and corporate		
(10)	(1)	1	UK	–	(10)
–	–	(1)	Rest of Europe	(1)	(1)
(2)	–	–	USA	–	5
–	1,314	(1)	Rest of World	1,313	–
(12)	1,313	(1)		1,312	(6)
			Profit (loss) on sale of fixed assets and businesses or termination of operations		
280	1,230	(127)		1,103	674
(149)	70	28	Taxation credit (charge)	98	(203)
131	1,300	(99)	Exceptional items after taxation	1,201	471

Identified Non-operating Items and UPIS

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	First Half 2003
\$ million				\$ million	
			Exploration and Production		
(12)	–	–	UK	–	(65)
–	–	–	Rest of Europe	–	–
106	(66)	(247)	USA (a)	(313)	(100)
–	(123)	–	Rest of World	(123)	(5)
94	(189)	(247)		(436)	(170)
			Refining and Marketing		
–	–	–	UK	–	–
(41)	–	–	Rest of Europe	–	(59)
–	–	–	USA	–	–
–	–	–	Rest of World	–	–
(41)	–	–		–	(59)
			Petrochemicals		
–	–	–	UK	–	–
–	–	–	Rest of Europe	–	–
5	–	–	USA	–	5
–	–	–	Rest of World	–	–
5	–	–		–	5
			Gas, Power and Renewables		
–	–	–	UK	–	–
–	–	–	Rest of Europe	–	–
–	–	–	USA	–	–
–	–	–	Rest of World	–	–
–	–	–		–	–
			Other businesses and corporate		
–	–	–	UK	–	–
–	–	–	Rest of Europe	–	–
–	–	–	USA	–	–
–	–	–	Rest of World	–	–
–	–	–		–	–
58	(189)	(247)	Total before taxation	(436)	(224)
(21)	66	88	Taxation credit (charge)	154	206
37	(123)	(159)	Total after taxation	(282)	(18)

(a) Includes charges for Unrealized Profit in Stock (UPIS) of \$87 million in 2Q 2004 and \$153 million in the first half 2004 and a credit of \$106 million in 2Q 2003 and a charge of \$19 million in the first half of 2003, which removes the upstream margin from downstream inventories.

Acquisition Amortization by Business

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	First Half 2003
\$ million				\$ million	
			Exploration and Production		
34	35	32	UK	67	67
257	214	210	USA	424	516
133	77	14	Rest of World	91	264
424	326	256		582	847
			Refining and Marketing		
110	126	123	UK	249	220
95	95	95	USA	190	190
205	221	218		439	410
629	547	474	Total acquisition amortization	1,021	1,257

Production and Realizations

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	First Half 2004 2003	
\$ million			\$ million	
Production				
Crude oil (mb/d) (net of royalties)				
325	344	321	333	383
80	73	80	76	85
569	564	541	552	588
738	1,361	1,379	1,370	715
1,712	2,342	2,321	2,331	1,771
Natural gas liquids (mb/d) (net of royalties)				
18	20	21	20	24
5	5	5	5	5
144	137	140	139	155
32	29	31	30	32
199	191	197	194	216
Liquids ^(a) (mb/d) (net of royalties)				
343	364	342	353	407
85	78	85	81	90
713	701	681	691	743
770	1,390	1,410	1,400	747
1,911	2,533	2,518	2,525	1,987
Natural gas ^(b) (mmcf/d) (net of royalties)				
1,407	1,355	1,213	1,284	1,602
103	142	136	139	117
3,145	2,869	2,790	2,829	3,290
3,784	4,234	4,286	4,260	3,718
8,439	8,600	8,425	8,512	8,727
Average realizations				
Crude oil (\$/bbl)				
25.16	29.36	33.99	31.60	28.60
27.09	32.69	35.82	34.22	29.48
24.16	30.80	32.64	31.69	26.90
25.73	31.30	34.47	32.85	28.50
Natural gas liquids (\$/bbl)				
11.97	25.70	28.30	27.04	18.86
17.80	22.25	23.13	22.71	18.05
20.16	24.61	22.17	23.36	21.63
17.49	23.14	23.71	23.43	18.76
Liquids ^(a) (\$/bbl)				
24.45	29.16	33.64	31.33	28.04
25.61	31.08	33.67	32.36	27.55
23.93	30.42	31.90	31.14	26.58
24.90	30.48	33.27	31.85	27.47
Natural gas (\$/mcf)				
2.84	4.70	3.59	4.18	3.11
4.52	4.72	5.11	4.91	4.91
2.53	2.67	2.54	2.60	2.63
3.39	3.79	3.68	3.74	3.64

(a) Crude oil and natural gas liquids.

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

Reconciliation of Historical Cost Profit (Loss) to Pro Forma Result

\$ million	Reported earnings	Acquisition amortization	Pro forma result
1Q 2004			
Exploration and Production	4,242	326	4,568
Refining and Marketing	720	221	941
Petrochemicals	(25)	–	(25)
Gas, Power and Renewables	198	–	198
Other businesses and corporate	1,129	–	1,129
RC profit before interest and tax	6,264	547	6,811
Interest and other finance expense	(228)	–	(228)
Taxation	(1,822)	–	(1,822)
MSI	(44)	–	(44)
RC profit	4,170	547	4,717
Stock holding gains (losses)	648		
HC profit	4,818		
2Q 2003			
Exploration and Production	3,434	424	3,858
Refining and Marketing	888	205	1,093
Petrochemicals	306	–	306
Gas, Power and Renewables	141	–	141
Other businesses and corporate	(153)	–	(153)
RC profit before interest and tax	4,616	629	5,245
Interest and other finance expense	(276)	–	(276)
Taxation	(1,744)	–	(1,744)
MSI	(60)	–	(60)
RC profit	2,536	629	3,165
Stock holding gains (losses)	(951)		
HC profit	1,585		

Reconciliation of Historical Cost Profit (Loss) to Pro Forma Result

\$ million	Reported earnings	Acquisition amortization	Pro forma result
1H 2004			
Exploration and Production	8,544	582	9,126
Refining and Marketing	2,064	439	2,503
Petrochemicals	183	–	183
Gas, Power and Renewables	414	–	414
Other businesses and corporate	965	–	965
RC profit before interest and tax	12,170	1,021	13,191
Interest and other finance expense	449	–	449
Taxation	4,021	–	4,021
MSI	96	–	96
RC profit	7,604	1,021	8,625
Stock holding gains (losses)	1,110		
HC profit	8,714		
1H 2003			
Exploration and Production	8,152	847	8,999
Refining and Marketing	1,516	410	1,926
Petrochemicals	443	–	443
Gas, Power and Renewables	357	–	357
Other businesses and corporate	(319)	–	(319)
RC profit before interest and tax	10,149	1,257	11,406
Interest and other finance expense	(581)	–	(581)
Taxation	(3,526)	–	(3,526)
MSI	(86)	–	(86)
RC profit	5,956	1,257	7,213
Stock holding gains (losses)	(152)		
HC profit	5,804		

Return on Average Capital Employed

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	2003
\$ million				\$ million	
			Replacement cost basis		
2,536	4,170	3,434	RC profit for the period ^(a)	7,604	5,956
78	64	62	Interest ^(b)	126	177
60	44	52	Minority shareholders' interest	96	86
2,674	4,278	3,548	Adjusted RC profit	7,826	6,219
85,472	93,858	93,965	Average capital employed	93,876	85,980
12.5%	18.2%	15.1%	ROACE - replacement cost basis	16.7%	14.5%
			Pro forma basis		
2,674	4,278	3,548	Adjusted RC profit ^(a)	7,826	6,219
629	547	474	Acquisition amortization	1,021	1,257
3,303	4,825	4,022	Adjusted RC profit - pro forma basis	8,847	7,476
85,472	93,858	93,965	Average capital employed	93,876	85,980
14,839	13,146	12,689	Average capital employed acquisition adjustment	12,905	15,571
70,633	80,712	81,276	Average capital employed (pro forma basis)	80,971	70,409
18.7%	23.9%	19.8%	ROACE - pro forma basis	21.9%	21.2%
			Historical cost basis		
1,585	4,818	3,896	Profit for the period ^(a)	8,714	5,804
78	64	62	Interest ^(b)	126	177
60	44	52	Minority shareholders' interest	96	86
1,723	4,926	4,010	Adjusted historical cost profit	8,936	6,067
85,472	93,858	93,965	Average capital employed	93,876	85,980
8.1%	21.0%	17.1%	ROACE - historical cost basis	19.0%	14.1%

(a) 2Q 2004 includes (\$99) million in respect of exceptional items and (\$159) million in respect of non-operating items and UPIS. First half 2004 includes \$1,201 million in respect of exceptional items and (\$282) million in respect of non-operating items and UPIS. 2Q 2003 includes \$131 million in respect of exceptional items and \$37 million in respect of non-operating items and UPIS. First half 2003 includes \$471 million in respect of exceptional items and (\$18) million in respect of non-operating items and UPIS.

(b) Excludes interest on joint venture and associated undertakings' debt and is on a post-tax basis using a deemed tax rate equal to the US statutory tax rate.

Pre-Tax Cash Returns

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	First Half 2003
\$ million				\$ million	
4,616 (280)	6,264 (1,230)	5,906 127	Replacement cost profit before interest and tax Exceptional items	12,170 (1,103)	10,149 (674)
4,336 629	5,034 547	6,033 474	Replacement cost operating profit Acquisition amortization	11,067 1,021	9,475 1,257
4,965 –	5,581 123	6,507 160	Pro forma replacement cost operating profit Non-cash non-operating items	12,088 283	10,732 49
2,024	2,144	2,104	Pro forma DD&A, adjusted for non-cash non-operating items	4,248	4,056
6,989	7,848	8,771	Cash returns numerator	16,619	14,837
85,666 15,550	93,947 17,207	93,982 17,461	Capital employed Liabilities for current and deferred taxation	93,982 17,461	85,666 15,550
101,216 (14,469)	111,154 (12,930)	111,443 (12,447)	Operating capital employed Acquisition adjustment	111,443 (12,447)	101,216 (14,469)
86,747	98,224	98,996	Cash returns denominator	98,996	86,747
86,066	97,350	98,610	Average cash returns denominator	97,736	85,291
32%	32%	36%	Cash return	34%	35%

Net Debt Ratio - Net Debt: Net Debt + Equity

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	First Half 2003
\$ million				\$ million	
18,594 2,444	19,937 2,334	19,858 1,703	Gross debt Cash and current asset investments	19,858 1,703	18,594 2,444
16,150	17,603	18,155	Net debt	18,155	16,150
67,072 19%	74,010 19%	74,124 20%	Equity Net debt ratio	74,124 20%	67,072 19%
14,469	12,930	12,447	Acquisition adjustment	12,447	14,469
23%	22%	23%	Net debt ratio - pro forma basis	23%	23%

Notes

1. Restatement of comparative information

Comparative information for 2003 has been restated to reflect the changes described below.

(a) **Transfer of natural gas liquids activities**

With effect from 1 January 2004 natural gas liquids (NGLs) activities have been transferred from the Exploration and Production segment to Gas, Power and Renewables.

(b) **New accounting standard for pensions and other post-retirement benefits**

With effect from 1 January 2004 BP has adopted Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17). 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. This contrasts with Statement of Standard Accounting Practice No. 24 'Accounting for Pension Costs', which requires the cost of providing pensions to be recognized on a systematic and rational basis over the period during which the employer benefits from the employee's services. The difference between the amount charged in the income statement and the amount paid as contributions into the pension fund is shown as a prepayment or provision on the balance sheet.

(c) **Accounting for Employee Share Ownership Plans**

With effect from 1 January 2004 BP has adopted Urgent Issues Task Force Abstract No. 38 'Accounting for ESOP Trusts'. This abstract requires that BP shares held by the group for the purposes of Employee Share Ownership Plans (ESOPs) are deducted from equity on the balance sheet. Such shares were previously classified as fixed asset investments.

Balance sheet at 31 December 2003	Restated	Reported
	\$ million	
Fixed assets		
Intangible assets	13,642	13,642
Tangible assets	91,911	91,911
Investments	17,458	17,554
	123,011	123,107
Current assets	47,651	54,465
Creditors – amounts falling due within one year	50,584	50,584
Net current assets (liabilities)	(2,933)	3,881
Total assets less current liabilities	120,078	126,988
Creditors – amounts falling due after more than one year	18,959	18,959
Provisions for liabilities and charges		
Deferred taxation	14,371	15,273
Other provisions	8,815	15,693
Net assets excluding pension and other post-retirement benefit balances	77,933	77,063
Defined benefit pension plan surplus	1,021	–
Defined benefit pension plan and other post-retirement benefit plan deficits	(7,510)	–
Net assets	71,444	77,063
Minority shareholders' interest	1,125	1,125
BP shareholders' interest	70,319	75,938

Notes

Income statements

	Restated		Reported	
	Second Quarter 2003	First Half 2003	Second Quarter 2003	First Half 2003
	\$ million			
Exploration and Production	3,434	8,152	3,486	8,245
Refining and Marketing	888	1,516	840	1,419
Petrochemicals	306	443	315	461
Gas, Power and Renewables	141	357	109	303
Other businesses and corporate	(153)	(319)	(146)	(305)
Replacement cost profit before interest and tax	4,616	10,149	4,604	10,123
Stock holding gains (losses)	(951)	(152)	(951)	(152)
Historical cost profit before interest and tax	3,665	9,997	3,653	9,971
Interest expense	149	325	191	411
Other finance expense	127	256	–	–
Profit before taxation	3,389	9,416	3,462	9,560
Taxation	1,744	3,526	1,768	3,573
Profit after taxation	1,645	5,890	1,694	5,987
Minority shareholders' interest	60	86	60	86
Profit for the period	1,585	5,804	1,634	5,901
Distribution to shareholders	1,434	2,820	1,434	2,820
Earnings per ordinary share - cents				
Basic	7.19	26.09	7.41	26.52
Diluted	7.16	26.00	7.39	26.44

Notes

2. Turnover

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	First Half	
			2004	2003
\$ million			\$ million	
			By business	
7,272	8,166	8,213	Exploration and Production	16,379 16,150
34,874	41,694	45,467	Refining and Marketing	87,161 74,369
4,197	4,510	4,805	Petrochemicals	9,315 8,318
14,910	20,975	18,434	Gas, Power and Renewables	39,409 32,990
129	121	132	Other businesses and corporate	253 240
61,382	75,466	77,051		
6,956	7,864	7,960	Less: sales between businesses	152,517 132,067
54,426	67,602	69,091	Group excluding JVs	136,693 116,457
364	1,878	2,063	Share of sales by joint ventures	3,941 762
54,790	69,480	71,154		
			140,634 117,219	
			By geographical area	
			Group excluding JVs	
13,161	17,296	17,355	UK	34,651 28,293
12,501	12,041	13,332	Rest of Europe	25,373 25,818
24,103	31,803	33,541	USA	65,344 53,444
12,102	15,817	15,787	Rest of World	31,604 25,838
61,867	76,957	80,015		
7,441	9,355	10,924	Less: sales between areas	156,972 133,393
54,426	67,602	69,091		20,279 16,936
				136,693 116,457

3. Replacement cost profit

Replacement cost profits reflect the current cost of supplies. The replacement cost profit for the period is arrived at by excluding from the historical cost profit stock holding gains and losses.

Notes

4. Operating profits are after charging:

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	2003
\$ million				\$ million	
			Exploration expense		
2	2	3	UK	5	5
5	2	6	Rest of Europe	8	9
47	97	63	USA	160	84
47	35	36	Rest of World	71	115
101	136	108		244	213
			Production taxes^(a)		
58	126	46	UK petroleum revenue tax	172	191
324	399	378	Overseas production taxes	777	695
382	525	424		949	886

^(a) Production taxes are charged against Exploration and Production's operating profit and are not included in the charge for taxation in Note 8.

5. Stock holding gains (losses)

(3)	8	–	Exploration and Production	8	3
(773)	529	428	Refining and Marketing	957	(153)
(103)	121	40	Petrochemicals	161	43
(72)	(10)	(6)	Gas, Power and Renewables	(16)	(45)
(951)	648	462		1,110	(152)

Notes

6. Interest expense

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	First Half 2003
\$ million				\$ million	
163 (43)	149 (50)	147 (52)	Group interest payable Capitalized	296 (102)	350 (77)
120 17 12	99 41 12	95 39 11	Joint ventures Associated undertakings	194 80 23	273 30 22
149	152	145		297	325

7. Other finance expense

460 (375)	500 (498)	491 (491)	Interest on pension and other post-retirement benefit plan liabilities Expected return on pension and other post-retirement benefit plan assets	991 (989)	920 (750)
85 42	2 48	– 50	Interest net of expected return on plan assets Unwinding of discount on provisions	2 98	170 86
–	26	26	Unwinding of discount on deferred consideration for acquisition of investment in TNK-BP	52	–
127	76	76		152	256

8. Charge for taxation

1,406 338	1,706 116	2,165 34	Current Deferred	3,871 150	2,987 539
1,744	1,822	2,199		4,021	3,526
379 1,365	345 1,477	366 1,833	UK Overseas	711 3,310	830 2,696
1,744	1,822	2,199		4,021	3,526

Notes

9. Analysis of changes in net debt

Second Quarter 2003	First Quarter 2004	Second Quarter 2004		First Half 2004	2003
\$ million				\$ million	
			Opening balance		
19,042	22,325	19,937	Finance debt	22,325	22,008
1,151	1,947	2,006	Less: Cash	1,947	1,520
228	185	328	Current asset investments	185	215
17,663	20,193	17,603	Opening net debt	20,193	20,273
			Closing balance		
18,594	19,937	19,858	Finance debt	19,858	18,594
2,115	2,006	1,531	Less: Cash	1,531	2,115
329	328	172	Current asset investments	172	329
16,150	17,603	18,155	Closing net debt	18,155	16,150
1,513	2,590	(552)	Decrease (increase) in net debt	2,038	4,123
929	61	(467)	Movement in cash/bank overdrafts	(406)	551
93	138	(153)	(Decrease) increase in current asset investments	(15)	106
369	2,460	207	Net cash outflow (inflow) from financing (excluding share capital)	2,667	3,030
–	–	–	Exchange of Exchangeable Bonds for Lukoil American Depository Shares	–	420
106	14	7	Other movements	21	170
1,497	2,673	(406)	Movement in net debt before exchange effects	2,267	4,277
16	(83)	(146)	Exchange adjustments	(229)	(154)
1,513	2,590	(552)	Decrease (increase) in net debt	2,038	4,123

Notes

10. TNK-BP Operational and Financial Information

Second Quarter 2003	First Quarter 2004	Second Quarter 2004	First Half	
			2004	2003
			Production (Net of royalties) (BP share)	
–	766	814	790	–
–	382	450	416	–
–	832	891	862	–
			Average oil marker prices (\$/bbl)	
24.10	29.01	32.32	30.67	26.85
24.18	28.98	32.60	30.79	26.97
7.44	17.08	19.71	18.40	6.47
\$ million			\$ million	
			Income statement (BP share)	
			Replacement cost profit before interest and tax	
–	374	581	955	–
–	–	–	–	–
–	(30)	(26)	(56)	–
–	(115)	(171)	(286)	–
–	(10)	(10)	(20)	–
			Net income	
–	219	374	593	–
			†Excludes unwinding of discount on deferred consideration	
–	26	26	52	–
			Cash Flow	
–	(1,416)	–	(1,416)	–
–	143	–	143	–
			Net investment in TNK-BP joint venture	
–	(1,273)	–	(1,273)	–
			Dividends received	
–	119	–	119	–
Balance Sheet			30 June 2004	31 December 2003
Fixed assets - investments				
Gross assets			12,239	10,339
Gross liabilities			(3,361)	(3,290)
			8,878	7,049
Deferred consideration				
Due within one year			1,244	1,227
Due after more than one year			2,387	2,352
			3,631	3,579

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

BP's share of the result of the TNK-BP joint venture has been included within Exploration and Production with effect from 29 August 2003. TNK-BP operational and financial information has been estimated and includes adjustments to net income in respect of prior periods amounting to charges of \$7 million in 2Q 2004 and \$36 million in first half 2004.

Notes

11. Statutory accounts

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The 2003 Annual Report and Accounts have been delivered to the UK Registrar of Companies; the report of the auditors on those accounts was unqualified.

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