BP p.l.c.
Group Results
Second Quarter and Half Year 2001

London 7 August 2001

FOR IMMEDIATE RELEASE

RECORD SECOND QUARTER AND FIRST HALF PRODUCTION UP - DIVIDEND INCREASED

Second Quarter 2000	First Quarter 2001	Second Quarter 2001	$ million	2001	First Half 2000	%
2,791	3,437	**3,032**	Replacement cost profit before exceptional items	**6,469**	5,468	
442	45	**114**	Special items [a]	**159**	472	
377	644	**653**	Acquisition amortization[b]	**1,297**	377	
3,610	4,126	**3,799**	**Pro forma result adjusted for special items**	**7,925**	6,317	
10.80	12.58	**11.92**	- per ordinary share (pence)	**24.50**	19.41	26%
16.54	18.36	**16.92**	- per ordinary share (cents)	**35.28**	30.47	16%
0.99	1.10	**1.02**	- per ADS (dollars)	**2.12**	1.83	

- **BP's pro forma result, adjusted for special items, was a second quarter record at $3,799 million compared to $3,610 million a year ago. For the half year, the result was a record $7,925 million, compared to $6,317 million. The result per share was up by 16%. In sterling terms the increase was 26%. Replacement cost profit, before exceptional items, for the second quarter and half year was $3,032 million and $6,469 million respectively, compared to $2,791 million and $5,468 million a year ago.**
- **Return on average capital employed, on a pro forma basis and adjusted for special items, was 23% in the second quarter compared to 21% a year ago.**
- **The first half results reflect the generally favourable trading environment, portfolio changes and performance improvements. Compared to a year ago, strength in refining margins and gas prices largely offset weakness in the chemicals environment.**
- **First half year and second quarter oil and gas production were up 9% and 4% respectively. Even on a consistent current portfolio basis the increases were 1% and 2%. We are on track to deliver the growth target for the year, continuing the rapid turnaround in production growth from the low point last year.**
- **In July, BP announced a deal with E.ON which, subject to regulatory approval, will enhance our position in the European downstream market.**
- **The company purchased for cancellation 32 million of its own shares during the quarter, at a cost of $283 million.**
- **Quarterly dividend up 4.8% at 5.5 cents per share ($0.33 per ADS). First half dividend was 10.75 cents per share, compared with 10.0 cents per share a year ago.**

BP Group Chief Executive, Lord Browne, commented:

"Performance improvements in the first half year continue on track to deliver our targets. Our disciplined approach to cost management and investment selection is delivering profitable growth. I am especially delighted with the growth in oil and gas production and the quality of the downstream performance. All of this has given us the ability to increase the dividend."

The pro forma result, adjusted for special items, has been derived from the company'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, is provided in order to enable investors to evaluate better both the company's current performance, in the context of past performance, and its performance against that of its competitors.

(a) The special items refer to non-recurring charges and credits. The special items for the quarter and half year comprise, in Refining and Marketing, Burmah Castrol integration costs and rationalization costs in the European commercial business, and bond redemption charges.

(b) Depreciation and amortization relating to the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions.

Summary Quarterly Results

Exploration and Production's second quarter result was up by 8% on a year ago, reflecting an 11% increase in gas production, higher North American gas prices and lower exploration expense. ARCO synergies have been fully achieved. There were discoveries offshore Trinidad, Egypt and the Gulf of Mexico. Developments have been approved in Angola, Egypt, Alaska, Norway, Azerbaijan and Trinidad and in July a further 9.7% stake has been acquired in the Tangguh gas project in Indonesia.

In Gas and Power, the quarter's result reflected further improvement in marketing and trading.

The record Refining and Marketing result reflected higher refining margins, the Burmah Castrol acquisition, the consolidation of the fuels business in Europe and continued unit cost improvements. ARCO synergies have been fully achieved and Burmah Castrol synergies are on track.

The Chemicals' result was down from the first quarter as margins and costs remained under pressure from high feedstock and energy prices in a period of demand weakness, and some plants suffered operational problems.

Interest expense for the quarter and half year reflected lower interest rates, after adjusting for bond redemption charges.

The pro forma effective tax rate on replacement cost profit, before exceptional items, was 28% for the half year.

Capital expenditure, excluding acquisitions, for the quarter was $3.3 billion, and $5.8 billion for the half year. This is consistent with a 2001 outcome of around $13 billion. Total capital expenditure for the two periods was $3.8 billion and $6.3 billion.

Net debt at the end of the quarter was $18.8 billion. The pro forma ratio of net debt to net debt plus equity was 25%.

Net cash outflow for the quarter was $2,136 million, reflecting continuing strong operating cash flow, offset by higher tax payments and capital expenditure. For the half year there was a net cash inflow of $1,080 million.

The commentaries above and following are based on the pro forma replacement cost operating results for the quarter and half year, before exceptional items, adjusted for special items. The results of ARCO and Burmah Castrol have been included with effect from 14 April and 7 July 2000 respectively. The European fuels business has been consolidated with effect from 1 August 2000.

Reconciliation of Reported Results to Pro Forma Results Adjusted for Special items

Pro Forma Result adjusted for special items		2Q 2001					*Pro Forma Result adjusted for special items*	
2Q 2000	**1Q 2001**	**2Q 2001**	***Special Items*** [a]	***Acq. Amort*** [b]	**Reported Earnings**	**$ million**	**First Half 2001**	**First Half 2000**
3,627	*5,136*	***3,918***	*–*	*477*	**3,441**	Exploration and Production	***9,054***	*6,854*
114	*112*	***173***	*–*	*–*	**173**	Gas and Power	***285***	*256*
1,394	*994*	***1,762***	*109*	*176*	**1,477**	Refining and Marketing	***2,756***	*1,978*
370	*81*	***9***	*–*	*–*	**9**	Chemicals	***90***	*629*
(149)	*(127)*	***(128)***	*–*	*–*	**(128)**	Other businesses and corporate	***(255)***	*(360)*
5,356	*6,196*	***5,734***	*109*	*653*	**4,972**	RC operating profit	***11,930***	*9,357*
(403)	*(436)*	***(391)***	*50*	*–*	**(441)**	Interest expense	***(827)***	*(699)*
(1,306)	*(1,623)*	***(1,523)***	*(45)*	*–*	**(1,478)**	Taxation	***(3,146)***	*(2,236)*
(37)	*(11)*	***(21)***	*–*	*–*	**(21)**	MSI	***(32)***	*(105)*
3,610	*4,126*	***3,799***	*114*	*653*	**3,032**	**RC profit before exceptional items**	***7,925***	*6,317*
					171	Exceptional items before tax		
					(72)	Taxation on exceptional items		
					3,131	RC profit after exceptional items		
					40	Stock holding gains (losses)		
					3,171	**HC profit**		

[a] The special items refer to non-recurring charges and credits. The special items for the quarter and half year comprise, in Refining and Marketing, Burmah Castrol integration costs and rationalization costs in the European commercial business, and bond redemption charges.

[b] Acquisition amortization is depreciation and amortization relating to the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions.

Net special and exceptional items before tax were $12 million credit and $167 million credit for the second quarter and half year respectively.

Operating Results

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
4,337	5,499	**4,972**	**Replacement cost operating profit** ($m)	**10,471**	8,298
2,791	3,437	**3,032**	**Replacement cost profit before exceptional items** ($m)	**6,469**	5,468
			Profit after exceptional items ($m)		
2,811	3,542	**3,131**	Replacement cost	**6,673**	5,364
3,024	3,304	**3,171**	Historical cost	**6,475**	6,109
			Per ordinary share (cents)		
16.54	18.36	**16.92**	Pro forma result adjusted for special items	**35.28**	30.47
12.60	15.29	**13.51**	RC profit before exceptional items	**28.80**	26.38
13.59	14.70	**14.12**	HC profit after exceptional items	**28.82**	29.47
			Per ADS (cents)		
99.24	110.16	**101.52**	Pro forma result adjusted for special items	**211.68**	182.82
75.60	91.74	**81.06**	RC profit before exceptional items	**172.80**	158.28
81.54	88.20	**84.72**	HC profit after exceptional items	**172.92**	176.82
			Dividends per ordinary share		
5.00	5.25	**5.50**	cents	**10.75**	10.0
3.352	3.665	**3.911**	pence	**7.576**	6.572
30.0	31.5	**33.0**	**Dividends per ADS** (cents)	**64.5**	60.0
			EBITDA[(a)] (cents)		
30.27	33.90	**32.46**	per ordinary share	**66.36**	58.74
181.62	203.40	**194.76**	per ADS	**398.16**	352.44
			Adjusted EBITDA[(b)] (cents)		
31.46	34.22	**32.00**	per ordinary share	**66.22**	58.21
188.76	205.32	**192.00**	per ADS	**397.32**	349.26

[(a)] Profit for the period before interest, tax, depreciation and amortization.

[(b)] Replacement cost profit before exceptional items, adjusted for special items, and before interest, tax, depreciation and amortization.

Operating Statistics

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
			Crude oil and natural gas liquids production (mb/d) (Net of royalties)		
519	511	**471**	UK	**491**	550
88	97	**92**	Rest of Europe	**95**	90
705	722	**742**	USA	**732**	749
585	607	**580**	Rest of World	**593**	550
1,897	1,937	**1,885**	**Total crude oil and liquids production**	**1,911**	1,939
			Natural gas production (mmcf/d) (Net of royalties)		
1,630	2,152	**1,690**	UK	**1,920**	1,688
99	169	**121**	Rest of Europe	**144**	142
3,188	3,467	**3,550**	USA	**3,509**	2,760
2,777	3,107	**3,193**	Rest of World	**3,150**	2,412
7,694	8,895	**8,554**	**Total natural gas production**	**8,723**	7,002
			Gas sales volumes (mmcf/d)		
2,424	3,395	**2,481**	UK	**2,938**	2,396
148	251	**201**	Rest of Europe	**226**	168
6,239	8,001	**8,516**	USA	**8,259**	5,512
5,006	7,403	**6,839**	Rest of World	**7,121**	4,709
13,817	19,050	**18,037**	**Total gas sales volumes**	**18,544**	12,785
			NGL sales volumes (mb/d)		
–	–	**–**	UK	**–**	–
–	–	**–**	Rest of Europe	**–**	–
129	221	**206**	USA	**214**	125
138	207	**171**	Rest of World	**189**	184
267	428	**377**	**Total NGL sales volumes**	**403**	309
			Oil sales volumes (mb/d)		
			Refined products		
227	259	**270**	UK	**265**	225
781	1,082	**1,031**	Rest of Europe	**1,057**	774
1,898	1,874	**1,954**	USA	**1,914**	1,624
459	579	**601**	Rest of World	**590**	446
3,365	3,794	**3,856**	**Total marketing sales**	**3,826**	3,069
2,071	2,159	**2,022**	**Trading/supply sales**	**2,090**	1,846
5,436	5,953	**5,878**	**Total refined product sales**	**5,916**	4,915
6,271	4,482	**4,131**	**Crude oil**	**4,307**	6,383
11,707	10,435	**10,009**	**Total oil sales**	**10,223**	11,298
			Chemicals production (kte)		
658	730	**799**	UK	**1,529**	1,525
1,692	1,688	**1,796**	Rest of Europe	**3,484**	3,332
2,562	2,257	**2,108**	USA	**4,365**	5,181
577	702	**618**	Rest of World	**1,320**	1,154
5,489	5,377	**5,321**	**Total production**	**10,698**	11,192

Exploration and Production

Second Quarter 2000	First Quarter 2001	Second Quarter 2001	$ million	First Half 2001	First Half 2000
3,019	4,680	**3,441**	**Replacement cost operating profit**	**8,121**	6,222
259	–	**–**	**Special items**	**–**	283
349	456	**477**	**Acquisition amortization**	**933**	349
3,627	5,136	**3,918**	**Pro forma operating result adjusted for special items**	**9,054**	6,854
			Results include:		
168	169	**81**	Exploration expense	**250**	299
24.98	24.80	**24.74**	**BP average oil realizations**[a] ($/bbl)	**24.77**	25.30
26.88	25.75	**27.39**	**Brent oil price** ($/bbl)	**26.57**	26.89
28.96	28.71	**27.88**	**West Texas Intermediate oil price** ($/bbl)	**28.30**	28.91
2.51	4.96	**3.43**	**BP average natural gas realizations** ($/mcf)	**4.21**	2.33
3.44	7.08	**4.66**	**Henry Hub gas price**[b] ($/mmBtu)	**5.86**	2.98

[a] Crude oil and natural gas liquids.

[b] Henry Hub First of the Month Index.

The record second quarter pro forma result, adjusted for special items, increased by 8% on a year ago. The improved result reflects an 11% increase in gas production, higher North American gas prices and lower exploration expense. ARCO synergies have been fully achieved. For the half year the result also reflected portfolio changes.

Total hydrocarbon production for the quarter was up 4% on the second quarter of 2000, with natural gas volumes up by 11% and oil production stable. Even on a consistent current portfolio basis, the increase was 2%. This continues the recent quarterly achievement of a continuously improving growth rate. For the half year, the total production was up 9% and on a consistent current portfolio basis the increase was 1%. During the quarter, production started up at the Nile and Mica fields in the Gulf of Mexico. In July the Tambar field in Norway started production.

In support of growth, capital expenditure during the quarter was $2.4 billion and $4.3 billion for the half year, up 78% on a year ago. The Kizomba development in Angola was approved along with developments for an NGL plant in Egypt and the Milne Point extension project in Alaska. In July, the Valhal flank development offshore Norway, the Azeri Chirag Gunashli phase one development in Azerbaijan and the Atlas Methanol Plant in Trinidad were approved.

Exploration and Production (continued)

During the quarter, there was a discovery at Cashima (BP 100% and operator) offshore Trinidad. The Cashima 1 well, which is the first of four exploratory wells planned for 2001, discovered an estimated one trillion cubic feet of gas. There were also discoveries in Egypt and in the Gulf of Mexico. In the quarter, BP (67% and operator) successfully bid for one block in the UKCS 19th round, adjacent to the block won in the Faeroes in 2000. In addition, BP signed an agreement to take a 25% interest in Saudi Arabia's largest gas development, the Core Venture 1 project.

In June, BP announced the sale of its 9.5% stake in the Kashagan discovery offshore Kazakhstan. Shortly after the quarter end, BP acquired a further 9.7% stake in the Tangguh LNG project in Indonesia. This increases BP's share of the project to around 50%.

Gas and Power

Second Quarter 2000	First Quarter 2001	Second Quarter 2001	$ million	First Half 2001	First Half 2000
114	112	**173**	**Replacement cost operating profit**	**285**	256
–	–	**–**	**Special items**	**–**	–
–	–	**–**	**Acquisition amortization**	**–**	–
114	112	**173**	**Pro forma operating result adjusted for special items**	**285**	256

The pro forma result for the second quarter was $173 million compared with $114 million a year ago, reflecting an improved marketing and trading performance. The half year's result similarly reflected stronger marketing and trading, partly offset by pressure on NGL margins.

During the quarter, Heads of Agreement were signed for the development of China's first liquefied natural gas (LNG) import terminal at Guangdong. BP also submitted an initial investment proposal on behalf of a consortium to develop a 4,200 kilometre west-east pipeline.

Agreement has been reached with Statoil to purchase 1.6 billion cubic metres of gas per annum for 15 years with effect from 1 October. This is the first significant contract for gas supplies to the UK from the Norwegian continental shelf since the Frigg contract in 1977. In North America BP announced an agreement in principle for a strategic alliance with the Energy East Corporation, enabling the two parties to pool their combined expertise in natural gas acquisition and supply management.

In the USA, BP increased its stake in Green Mountain Energy Company, a leading marketer of cleaner and renewable energy, from 18.5% to 22.9%. The original equity stake was acquired during 2000.

Refining and Marketing

Second Quarter 2000	First Quarter 2001	Second Quarter 2001	$ million	First Half 2001	First Half 2000
1,183	753	**1,477**	**Replacement cost operating profit**	**2,230**	1,767
141	53	**109**	**Special items**	**162**	141
70	188	**176**	**Acquisition amortization**	**364**	70
1,394	994	**1,762**	**Pro forma operating result adjusted for special items**	**2,756**	1,978
4.69	4.25	**5.78**	**Global Indicator Refining Margin**[(a)] ($/bbl)	**5.02**	3.56
			Refinery throughputs (mb/d)		
265	310	**315**	UK	**313**	273
535	693	**623**	Rest of Europe	**658**	528
1,853	1,522	**1,642**	USA	**1,582**	1,573
368	386	**375**	Rest of World	**380**	360
3,021	2,911	**2,955**	**Total throughput**	**2,933**	2,734

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

The pro forma result, after adjusting for special items, for the second quarter was $1,762 million, a quarterly record, and up by $368 million or 26% on the same period last year. The special items comprised Burmah Castrol integration costs and restructuring costs for the commercial business in Europe. The half year result, also a record, was up 39% on a year ago. The main drivers of the improvement in both periods were higher refining margins, the impact of consolidation of the fuels business in Europe, the Burmah Castrol acquisition and unit cost reductions. ARCO synergies have been fully achieved and Burmah Castrol synergies are on track. US refining margins were particularly strong for some of the quarter due to tight supply in the US Midwest and on the West Coast.

Marketing sales in the second quarter increased by 15% versus a year ago reflecting consolidation of the European fuels business; this factor, together with the roll-out of BP Connect stores, led to an increase in store sales of 17%. The roll-out of BP Connect continued during the quarter with over 155 BP Connect stores now open in the UK, USA, Australia and New Zealand. BP's leadership position in clean fuels continues to grow with BP now providing clean fuels to 72 cities.

In July BP announced that, subject to regulatory approval, it is to acquire a majority stake in Veba Oil which owns Aral, Germany's biggest fuels retailer.

Also in July BP announced that it had reached an agreement with Tesoro Petroleum Corporation to sell the Mandan, North Dakota and Salt Lake City, Utah refineries in the USA, with associated storage, pipeline, distribution and gasoline marketing operations, for $677 million, excluding working capital. The agreement is subject to regulatory approval.

Chemicals

Second Quarter 2000	First Quarter 2001	Second Quarter 2001	$ million	First Half 2001	First Half 2000
320	81	**9**	**Replacement cost operating profit**	**90**	579
50	–	**–**	**Special items**	**–**	50
–	–	**–**	**Acquisition amortization**	**–**	–
370	81	**9**	**Pro forma operating result adjusted for special items**	**90**	629
132	106	**103**[b]	**Chemicals Indicator Margin**[a] ($/te)	**104**[b]	123

[a] The Chemicals Indicator Margin (CIM) is a weighted average of externally-based product margins. It is based on market data collected by Chem Systems in their quarterly market analyses, then weighted based on BP's product portfolio. While it does not cover our entire portfolio, it includes a broader range of products than our previous indicator. Among the products and businesses covered in the CIM are olefins and derivatives, aromatics and derivatives, linear alpha olefins, acetic acid, vinyl acetate monomer and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha olefins, anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.

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

Chemicals' pro forma result for the second quarter was $9 million, down from $81 million in the first quarter. The second quarter and first half 2001 results were sharply down on a year ago, reflecting the severe deterioration in the trading environment. The results for the second quarter and half year 2001 include $19 million and $40 million respectively for restructuring costs.

In the second quarter, polymer margins and costs remained under pressure from high feedstock and energy prices in a period of demand weakness. This was exacerbated by operational problems at three crackers which have since been resolved.

Production in the second quarter benefited from full ownership of Erdölchemie from 1 May 2001, but was adversely impacted by the cracker problems at Grangemouth in Scotland, Lavéra in France and Chocolate Bayou in Texas, USA. In aggregate, second quarter production of 5,321 ktes was similar to the previous quarter and 3% below the same quarter in 2000. First half 2001 volumes were 4% down on the first half of 2000.

In response to the trading environment, actions are underway to improve returns by focusing the portfolio, reducing capital expenditure and implementing additional cost reductions.

Other Businesses and Corporate

Second Quarter 2000	First Quarter 2001	Second Quarter 2001	$ million	First Half 2001	First Half 2000
(299)	(127)	**(128)**	**Replacement cost operating loss**	**(255)**	(526)
150	–	**–**	**Special items**	**–**	166
–	–	**–**	**Acquisition amortization**	**–**	–
(149)	(127)	**(128)**	**Pro forma operating result adjusted for special items**	**(255)**	(360)

Other Businesses and Corporate comprises Finance, BP Solar, the group's coal asset and aluminium asset, its investments in PetroChina and Sinopec, interest income and costs relating to corporate activities. BP Solar production for the half year was 26% higher than a year ago.

Exceptional Items

Second Quarter 2000	First Quarter 2001	Second Quarter 2001	$ million	First Half 2001	First Half 2000
161	218	**171**	Profit (loss) on sale of fixed assets and businesses and termination of operations	**389**	4
(141)	(113)	**(72)**	Taxation charge	**(185)**	(108)
20	105	**99**	**Exceptional items after taxation**	**204**	(104)

Exceptional items for the second quarter include the profit on sale of the Kashagan discovery in Kazakhstan and loss on the sale of the Carbon Fibers business in the USA.

2001 Dividends

BP today announced a second quarterly dividend for 2001 of 5.5 cents per ordinary share. Holders of ordinary shares will receive 3.911 pence per share and holders of American Depository Receipts (ADRs) $0.33 per ADS share. The dividend is payable on 10 September 2001 to shareholders on the register on 17 August 2001. 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 10 September 2001. The third quarter 2001 results and dividend will be announced on 6 November 2001.

Half Year Review

The Half Year Review will be published in the Financial Times and Wall Street Journal (Europe) on Friday, 10 August 2001.

Outlook

BP Group Chief Executive, Lord Browne, concluded:

> "The oil market remains essentially balanced. Oil prices have fallen from their peaks, but OPEC production cuts earlier in the year have prevented oversupply. Oil consumption is expected to recover seasonally in the coming months. OPEC's actions in regard to supply may support prices within its current target price range. US natural gas prices have fallen sharply in the face of seasonally lower demand and increasing supply, with rapid stock building. Prices have returned to levels close to parity with fuel oil. Refining margins have experienced volatility as product inventories have recovered and margins are likely to settle at levels somewhat lower than recent historic highs. Retail margins have recently risen but are likely to soften owing to competitive pressure. Chemicals margins remain depressed as a result of weak demand and excess capacity.
>
> "BP's focus is now on delivering profitable organic growth, while taking advantage of any structural opportunities which the market presents. We will continue our particular focus on cost and investment discipline to enable these plans to be realized within our financial framework. In the chemicals business, we are responding to the current trading environment by reducing investment in petrochemicals and implementing additional cost reductions."

The foregoing discussion, in particular the statements under 'Outlook', focuses on certain trends and general market and economic conditions and outlook on production levels or rates, prices, margins and currency exchange rates and, as such, are forward-looking statements that involve risk and uncertainty that could cause actual results and developments to differ materially from those expressed or implied by this discussion. By their nature, trends and outlook on production, price, margin and currency exchange rates are difficult to forecast with any precision, and there are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including future levels of industry product supply, demand and pricing; currency exchange rates; political stability and economic growth in relevant areas of the world; development and use of new technology and successful partnering; the actions of competitors, natural disasters and other changes to business conditions. Additional information, including information on factors which may affect BP's business, is contained in BP's Annual Report and Accounts for 2000 and in the Annual Report on Form 20-F filed with the US Securities and Exchange Commission.

Summarized Group Results

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million			$ million	
3,019	4,680	**3,441**	Exploration and Production	**8,121**	6,222
114	112	**173**	Gas and Power	**285**	256
1,183	753	**1,477**	Refining and Marketing	**2,230**	1,767
320	81	**9**	Chemicals	**90**	579
(299)	(127)	**(128)**	Other businesses and corporate	**(255)**	(526)
4,337	5,499	**4,972**	**Total replacement cost operating profit**	**10,471**	8,298
161	218	**171**	Profit (loss) on sale of fixed assets and businesses and termination of operations (Note 3)	**389**	4
4,498	5,717	**5,143**	**Replacement cost profit before interest and tax**	**10,860**	8,302
213	(238)	**40**	Stock holding gains (losses) (Note 5)	**(198)**	745
4,711	5,479	**5,183**	**Historical cost profit before interest and tax**	**10,662**	9,047
403	446	**441**	Interest expense (Note 6)	**887**	699
4,308	5,033	**4,742**	**Profit before taxation**	**9,775**	8,348
1,289	1,718	**1,550**	Taxation (Note 7)	**3,268**	2,176
3,019	3,315	**3,192**	**Profit after taxation**	**6,507**	6,172
(5)	11	**21**	Minority shareholders' interest	**32**	63
3,024	3,304	**3,171**	**Profit for the period**	**6,475**	6,109
1,129	1,178	**1,236**	**Distribution to shareholders**	**2,414**	2,262
			Earnings per ordinary share - cents		
13.59	14.70	**14.12**	Basic	**28.82**	29.47
13.49	14.61	**14.04**	Diluted	**28.65**	29.26

			Replacement Cost Results		
3,024	3,304	**3,171**	Historical cost profit for the period	**6,475**	6,109
(213)	238	**(40)**	Stock holding (gains) losses	**198**	(745)
2,811	3,542	**3,131**	**Replacement cost profit for the period**	**6,673**	5,364
(20)	(105)	**(99)**	Exceptional items, net of tax	**(204)**	104
2,791	3,437	**3,032**	**Replacement cost profit before exceptional items**	**6,469**	5,468
			Earnings per ordinary share - cents		
12.60	15.29	**13.51**	**On replacement cost profit before exceptional items**	**28.80**	26.38

Summarized Group Balance Sheet

	30 June 2001	31 December 2000
	$ million	
Fixed assets		
Intangible assets	**15,844**	16,893
Tangible assets	**75,704**	75,173
Investments	**11,144**	11,753
	102,692	103,819
Current assets		
Business held for resale	**666**	636
Stocks	**9,066**	9,234
Debtors	**29,983**	28,418
Investments	**563**	661
Cash at bank and in hand	**1,103**	1,170
	41,381	40,119
Creditors – amounts falling due within one year		
Finance debt	**6,303**	6,418
Other creditors	**30,932**	30,729
Net current assets	**4,146**	2,972
Total assets less current liabilities	**106,838**	106,791
Creditors – amounts falling due after more than one year		
Finance debt	**14,195**	14,772
Other creditors	**4,316**	5,223
Provisions for liabilities and charges	**12,597**	12,795
Net assets	**75,730**	74,001
Minority shareholders' interest	**630**	585
BP shareholders' interest	**75,100**	73,416

Movement in BP shareholders' interest:	**$ million**
At 31 December 2000	73,416
Profit for the period	6,475
Distribution to shareholders	(2,414)
Currency translation differences	(1,599)
Employee share schemes	120
Share buyback	(782)
Redemption of ARCO preference shares	(116)
At 30 June 2001	**75,100**

Summarized Group Cash Flow Statement

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million			$ million	
5,269	6,740	**5,076**	**Net cash inflow from operating activities (a)**	**11,816**	8,033
332	12	**54**	**Dividends from joint ventures**	**66**	527
143	110	**159**	**Dividends from associated undertakings**	**269**	174
			Servicing of finance and returns on investments		
114	91	**59**	Interest received	**150**	149
(344)	(361)	**(384)**	Interest paid	**(745)**	(568)
2	8	**30**	Dividends received	**38**	3
(6)	–	**(5)**	Dividends paid to minority shareholders	**(5)**	(8)
(234)	(262)	**(300)**	**Net cash outflow from servicing of finance and returns on investments**	**(562)**	(424)
			Taxation		
(64)	(204)	**(169)**	UK corporation tax	**(373)**	(264)
(889)	65	**(2,213)**	Overseas tax	**(2,148)**	(1,226)
(953)	(139)	**(2,382)**	**Tax paid**	**(2,521)**	(1,490)
			Capital expenditure		
(2,765)	(2,577)	**(3,016)**	Payments for fixed assets	**(5,593)**	(4,186)
182	694	**232**	Proceeds from the sale of fixed assets	**926**	588
(2,583)	(1,883)	**(2,784)**	**Net cash outflow for capital expenditure and financial investment**	**(4,667)**	(3,598)
			Acquisitions and disposals		
(244)	(120)	**(148)**	Investments in associated undertakings	**(268)**	(441)
1,260	–	**(560)**	Acquisitions, net of cash acquired	**(560)**	391
(121)	(61)	**(72)**	Net investment in joint ventures	**(133)**	(123)
6,800	–	**–**	Proceeds from the sale of businesses	**–**	6,825
7,695	(181)	**(780)**	**Net cash (outflow) inflow for acquisitions and disposals**	**(961)**	6,652
(1,133)	(1,181)	**(1,179)**	**Equity dividends paid**	**(2,360)**	(2,104)
8,536	3,216	**(2,136)**	**Net cash inflow (outflow)**	**1,080**	7,770
3,327	2,866	**(1,669)**	Financing **(b)**	**1,197**	3,404
2,345	302	**(404)**	Management of liquid resources	**(102)**	2,365
2,864	48	**(63)**	(Decrease) increase in cash	**(15)**	2,001
8,536	3,216	**(2,136)**		**1,080**	7,770

Analysis of Cash Flow

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million				$ million
			(a) Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities		
4,711	5,479	**5,183**	Historical cost profit before interest and tax	**10,662**	9,047
1,933	2,140	**2,103**	Depreciation and amounts provided	**4,243**	3,128
74	108	**22**	Exploration expenditure written off	**130**	140
(535)	(331)	**(282)**	Share of profits of joint ventures and associated undertakings	**(613)**	(988)
(113)	(103)	**(127)**	Interest and other income	**(230)**	(160)
(153)	(218)	**(171)**	(Profit) loss on sale of fixed assets and businesses	**(389)**	18
282	165	**541**	Charge for provisions	**706**	437
(129)	(306)	**(329)**	Utilization of provisions	**(635)**	(333)
(611)	358	**(371)**	(Increase) decrease in stocks	**(13)**	(866)
(2,446)	(1,069)	**(399)**	(Increase) decrease in debtors	**(1,468)**	(3,586)
2,256	517	**(1,094)**	Increase (decrease) in creditors	**(577)**	1,196
5,269	6,740	**5,076**	**Net cash inflow from operating activities**	**11,816**	8,033
			(b) Financing		
(1,140)	(517)	**(505)**	Long-term borrowing	**(1,022)**	(1,452)
418	146	**1,034**	Repayments of long-term borrowing	**1,180**	511
(80)	(161)	**(2,589)**	Short-term borrowing	**(2,750)**	(703)
3,113	2,955	**172**	Repayments of short-term borrowing	**3,127**	4,063
2,311	2,423	**(1,888)**		**535**	2,419
(108)	(56)	**(64)**	Issue of ordinary share capital	**(120)**	(139)
829	499	**283**	Repurchase of ordinary share capital	**782**	829
295	–	**–**	Stamp duty reserve tax	**–**	295
3,327	2,866	**(1,669)**	Net cash outflow (inflow) from financing	**1,197**	3,404

Capital Expenditure and Acquisitions

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million				$ million
			By business		
			Exploration and Production		
277	168	**289**	UK	**457**	440
36	65	**86**	Rest of Europe	**151**	60
819	927	**1,243**	USA	**2,170**	1,200
410	706	**805**	Rest of World	**1,511**	705
1,542	1,866	**2,423**		**4,289**	2,405
			Gas and Power		
28	8	**6**	UK[a]	**14**	30
1	9	**12**	Rest of Europe	**21**	2
30	8	**29**	USA[a]	**37**	31
12	–	**4**	Rest of World	**4**	21
71	25	**51**		**76**	84
			Refining and Marketing		
29	111	**67**	UK[b]	**178**	918
65	47	**114**	Rest of Europe	**161**	109
334	180	**227**	USA	**407**	410
76	32	**79**	Rest of World	**111**	163
504	370	**487**		**857**	1,600
			Chemicals		
136	66	**63**	UK	**129**	288
34	16	**538**	Rest of Europe[c]	**554**	67
52	78	**96**	USA	**174**	91
58	56	**69**	Rest of World	**125**	325
280	216	**766**		**982**	771
647	60	**69**	**Other businesses and corporate**[d]	**129**	700
3,044	2,537	**3,796**		**6,333**	5,560
			By geographical area		
499	394	**448**	UK	**842**	1,747
138	139	**758**	Rest of Europe	**897**	244
1,273	1,210	**1,628**	USA	**2,838**	1,770
1,134	794	**962**	Rest of World	**1,756**	1,799
3,044	2,537	**3,796**		**6,333**	5,560

(a) 2Q and first half 2001 and 2000 included investment in Green Mountain Energy Company. 2Q and first half 2000 included investment in Great Yarmouth Power Station.
(b) First half 2000 included $869 million for the purchase of some 19.5% of Burmah Castrol's issued share capital.
(c) 2Q and first half 2001 included the acquisition of Bayer's 50% interest in Erdölchemie.
(d) 2Q and first half 2000 included $578 million for the acquisition of a 2.2% interest in PetroChina.

Analysis of Replacement Cost Operating Profit

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million				$ million
			By business		
			Exploration and Production		
876	1,154	**970**	UK	**2,124**	1,964
185	226	**190**	Rest of Europe	**416**	373
998	2,125	**1,214**	USA	**3,339**	2,189
960	1,175	**1,067**	Rest of World	**2,242**	1,696
3,019	4,680	**3,441**		**8,121**	6,222
			Gas and Power		
4	12	**39**	UK	**51**	(1)
11	62	**34**	Rest of Europe	**96**	66
47	35	**96**	USA	**131**	61
52	3	**4**	Rest of World	**7**	130
114	112	**173**		**285**	256
			Refining and Marketing		
148	(111)	**(116)**	UK	**(227)**	181
130	136	**177**	Rest of Europe	**313**	166
814	607	**1,275**	USA	**1,882**	1,223
91	121	**141**	Rest of World	**262**	197
1,183	753	**1,477**		**2,230**	1,767
			Chemicals		
(33)	(50)	**(33)**	UK	**(83)**	(64)
118	80	**19**	Rest of Europe	**99**	196
196	13	**(1)**	USA	**12**	364
39	38	**24**	Rest of World	**62**	83
320	81	**9**		**90**	579
(299)	(127)	**(128)**	**Other businesses and corporate**	**(255)**	(526)
4,337	5,499	**4,972**		**10,471**	8,298
			By geographical area		
966	927	**814**	UK	**1,741**	1,940
461	485	**429**	Rest of Europe	**914**	827
1,762	2,712	**2,512**	USA	**5,224**	3,414
1,148	1,375	**1,217**	Rest of World	**2,592**	2,117
4,337	5,499	**4,972**		**10,471**	8,298
			US dollar/Sterling exchange rates		
1.53	1.46	**1.42**	Average rate for the period	**1.44**	1.57
1.52	1.44	**1.41**	Period-end rate	**1.41**	1.52

Notes

1. Turnover

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million				$ million
			By business		
7,278	9,117	**7,441**	Exploration and Production	**16,558**	13,782
3,724	12,080	**10,435**	Gas and Power	**22,515**	6,979
24,168	28,523	**34,257**	Refining and Marketing	**62,780**	43,864
2,914	2,689	**3,073**	Chemicals	**5,762**	5,695
51	169	**194**	Other businesses and corporate	**363**	92
38,135	52,578	**55,400**		**107,978**	70,412
4,977	7,166	**6,991**	Less: sales between businesses	**14,157**	9,543
33,158	45,412	**48,409**	Group excluding JVs	**93,821**	60,869
5,869	288	**280**	Sales of joint ventures	**568**	11,249
39,027	45,700	**48,689**		**94,389**	72,118
			By geographical area		
			Group excluding JVs		
11,112	11,940	**11,974**	UK	**23,914**	21,462
1,859	8,975	**10,043**	Rest of Europe	**19,018**	3,733
17,575	22,491	**24,791**	USA	**47,282**	30,548
6,977	9,691	**8,929**	Rest of World	**18,620**	13,337
37,523	53,097	**55,737**		**108,834**	69,080
4,365	7,685	**7,328**	Less: sales between areas	**15,013**	8,211
33,158	45,412	**48,409**		**93,821**	60,869
			Sales of joint ventures		
1,414	–	**–**	UK	**–**	2,774
5,358	–	**–**	Rest of Europe	**–**	10,365
159	87	**100**	USA	**187**	159
128	201	**180**	Rest of World	**381**	249
7,059	288	**280**		**568**	13,547
1,190	–	**–**	Less: sales between areas	**–**	2,298
5,869	288	**280**		**568**	11,249

Notes

2. Operating profits are after charging:

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million				$ million
			Exploration expense		
15	4	**–**	UK	**4**	23
8	2	**3**	Rest of Europe	**5**	12
90	93	**40**	USA	**133**	125
55	70	**38**	Rest of World	**108**	139
168	169	**81**		**250**	299
			Production taxes [(a)]		
184	238	**135**	UK petroleum revenue tax	**373**	374
304	345	**298**	Overseas production taxes	**643**	612
488	583	**433**		**1,016**	986

[(a)] Production taxes are charged against Exploration and Production's operating profit and are not included in the charge for taxation in Note 7.

3. Analysis of exceptional items

168	(42)	**319**	Exploration and Production	**277**	206
–	(1)	**–**	Gas and Power	**(1)**	–
5	265	**(59)**	Refining and Marketing	**206**	24
–	(6)	**(80)**	Chemicals	**(86)**	(210)
(12)	2	**(9)**	Other businesses and corporate	**(7)**	(16)
161	218	**171**	**Profit (loss) on sale of fixed assets and businesses and termination of operations**	**389**	4
(141)	(113)	**(72)**	**Taxation charge**	**(185)**	(108)
20	105	**99**	**Exceptional Items after taxation**	**204**	(104)

4. 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

5. Stock holding gains (losses)

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million				$ million
1	9	**(9)**	Exploration and Production	**–**	2
17	(11)	**(33)**	Gas and Power	**(44)**	22
153	(243)	**99**	Refining and Marketing	**(144)**	616
42	7	**(17)**	Chemicals	**(10)**	105
213	(238)	**40**		**(198)**	745

6. Interest expense

341	367	**363**	Group interest payable[(a)]	**730**	572
(36)	(34)	**(21)**	Capitalized	**(55)**	(51)
305	333	**342**		**675**	521
21	20	**13**	Joint ventures	**33**	35
32	40	**36**	Associated undertakings	**76**	62
45	53	**50**	Unwinding of discount on provisions	**103**	81
403	446	**441**		**887**	699

(a) Interest expense includes charges of $10 million and $50 million for the first and second quarters of 2001 respectively and $60 million for the First Half 2001 relating to the early redemption of debt.

7. Charge for taxation

287	272	**250**	UK	**522**	604
1,002	1,446	**1,300**	Overseas	**2,746**	1,572
1,289	1,718	**1,550**		**3,268**	2,176

Notes

8. Analysis of changes in net debt

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million				$ million
			Opening balance		
14,357	21,190	**18,788**	Finance debt	**21,190**	14,544
462	1,170	**1,188**	Less: Cash	**1,170**	1,331
274	661	**959**	Current asset investments	**661**	220
13,621	19,359	**16,641**	**Opening net debt**	**19,359**	12,993
			Closing balance		
19,187	18,788	**20,498**	Finance debt	**20,498**	19,187
3,313	1,188	**1,103**	Less: Cash	**1,103**	3,313
2,616	959	**563**	Current asset investments	**563**	2,616
13,258	16,641	**18,832**	**Closing net debt**	**18,832**	13,258
363	2,718	**(2,191)**	**Decrease (increase) in net debt**	**527**	(265)
2,864	48	**(63)**	Movement in cash/bank overdrafts	**(15)**	2,001
2,345	302	**(404)**	(Decrease) increase in current asset investments	**(102)**	2,365
2,311	2,423	**(1,888)**	Net cash outflow (inflow) from financing (excluding share capital)	**535**	2,419
(49)	31	**51**	Other movements	**82**	7
(7,123)	–	**(47)**	Debt acquired	**(47)**	(7,123)
348	2,804	**(2,351)**	Movement in net debt before exchange effects	**453**	(331)
15	(86)	**160**	Exchange adjustments	**74**	66
363	2,718	**(2,191)**	**Decrease (increase) in net debt**	**527**	(265)

Notes

9. Consolidated statement of cash flows presented on a US GAAP format

Second Quarter 2000	First Quarter 2001	Second Quarter 2001		First Half 2001	First Half 2000
	$ million				$ million
			Operating activities		
3,019	3,315	**3,192**	Profit after taxation	**6,507**	6,172
			Adjustments to reconcile profits after tax to net cash provided by operating activities		
1,933	2,140	**2,103**	Depreciation and amounts provided	**4,243**	3,128
74	108	**22**	Exploration expenditure written off	**130**	140
19	(63)	**38**	Share of (profit) loss of joint ventures and associates less dividends received	**(25)**	(112)
(153)	(218)	**(171)**	(Profit) loss on sale of businesses and fixed assets	**(389)**	18
(583)	1,354	**(2,683)**	Working capital movement (see analysis below)	**(1,329)**	(2,551)
284	(141)	**132**	Other	**(9)**	174
4,593	6,495	**2,633**	**Net cash provided by operating activities**	**9,128**	6,969
			Investing activities		
(2,795)	(2,611)	**(3,037)**	Capital expenditures	**(5,648)**	(4,231)
1,260	–	**(560)**	Acquisitions, net of cash acquired	**(560)**	391
(244)	(120)	**(148)**	Investment in associated undertakings	**(268)**	(441)
(121)	(61)	**(72)**	Net investment in joint ventures	**(133)**	(123)
6,982	694	**232**	Proceeds from disposal of assets	**926**	7,413
5,082	(2,098)	**(3,585)**	**Net cash from investing activities**	**(5,683)**	3,009
			Financing activities		
(1,016)	(443)	**(219)**	Net proceeds from shares issued (repurchased)	**(662)**	(985)
1,140	517	**505**	Proceeds from long-term financing	**1,022**	1,452
(418)	(146)	**(1,034)**	Repayments of long-term financing	**(1,180)**	(511)
(3,033)	(2,794)	**2,417**	Net (decrease) increase in short-term debt	**(377)**	(3,360)
(1,133)	(1,181)	**(1,179)**	Dividends paid – BP shareholders	**(2,360)**	(2,104)
(6)	–	**(5)**	– Minority shareholders	**(5)**	(8)
(4,466)	(4,047)	**485**	**Net cash used in financing activities**	**(3,562)**	(5,516)
(16)	(34)	**(14)**	Currency translation differences relating to cash and cash equivalents	**(48)**	12
5,193	316	**(481)**	**(Decrease) increase in cash and cash equivalents**	**(165)**	4,474
736	1,831	**2,147**	Cash and cash equivalents at beginning of period	**1,831**	1,455
5,929	2,147	**1,666**	Cash and cash equivalents at end of period	**1,666**	5,929
			Analysis of working capital movement		
(611)	358	**(371)**	(Increase) decrease in stocks	**(13)**	(866)
(2,443)	(1,044)	**(502)**	(Increase) decrease in debtors	**(1,546)**	(3,540)
2,471	2,040	**(1,810)**	Increase (decrease) in creditors	**230**	1,855
(583)	1,354	**(2,683)**	**Total working capital movement**	**(1,329)**	(2,551)

Notes

10. Ordinary shares

Shares in issue at 30 June 2001 = 22,478.9 million.
Average number of shares in issue during January–June 2001 = 22,461.1 million (excluding shares held by the Employee Share Ownership Plans). Each BP ADS represents six BP Ordinary Shares.

11. Statutory accounts

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The 2000 group accounts have been delivered to the UK Registrar of Companies; the report of the auditors on those accounts was unqualified.

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