BP PLC
Form 6-K
August 17, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

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

for the period ended June 30, 2001

BP p.l.c.
(Translation of registrant's name into English)

BRITANNIC HOUSE, 1 FINSBURY CIRCUS, LONDON, EC2M 7BA, ENGLAND
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F |X| Form 40-F ___

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

Yes ___ No |X|

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-9790) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-65996) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 33-39075) OF BP AMERICA INC. AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 33-20338) OF BP AMERICA INC. AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 33-29102) OF THE STANDARD OIL COMPANY AND BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 33-21868) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9020) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9798) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., AND THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-34968) OF BP p.l.c., AND THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO.

333-67206) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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

GROUP RESULTS JANUARY - JUNE 2001

		Three months ended June 30 (Unaudited)		Six months end June 30 (Unaudited)	
		2001	2000	2001	2
Total replacement cost operating profit	- $m	4,972	4,337	10,471	8,
Replacement cost profit before exceptional items	- $m	3,032	2,791	6,469	5,
Replacement cost profit for the period	- $m	3,131	2,811	6,673	5,
Historical cost profit for the period	- $m	3,171	3,024	6,475	6,
Profit per Ordinary Share	- cents	14.12	13.59	28.82	29
Dividends per Ordinary Share	- cents	5.50	5.00	10.75	10

(a) For further information on replacement cost profit see Note 5 of Notes to Consolidated Financial Statements

The following discussion should be read in conjunction with the consolidated financial statements provided elsewhere in this Form 6-K and with the consolidated financial statements and related notes for the year ended December 31, 2000 included in BP p.l.c.'s Annual Report on Form 20-F for the year ended December 31, 2000. Comparative figures for the three months and six months ended June 30, 2000 have been restated to reflect the transfer of BP's North American NGL business from Refining and Marketing to Gas and Power.

The changes in turnover for the second quarter and half year of 2001 reflect significant increases in Gas and Power and in Refining and Marketing. In Gas and Power the increases are mainly due to higher marketing sales and increased trading activity. In Refining and Marketing the increases mainly reflect the inclusion of ARCO for the whole of the six months in 2001, compared to around three months (from April 14) in 2000, the acquisition of Burmah Castrol from July 7, 2000 and the consolidation of the European fuels business with effect from August 1, 2000. Changes in turnover also reflect movements in price and other volume changes.

Replacement cost profit before exceptional items (which excludes inventory holding gains and losses) was $3,032 million for the three months ended June 30, 2001, compared with $2,791 million for the equivalent period of 2000. The increase in profit reflects the generally favourable trading environment, performance improvements and the inclusion of ARCO and Burmah Castrol. These results are after charging special items of $159 million ($114 million after tax) for the three months ended June 30, 2001, and $600 million ($442 million after tax) for the equivalent period of 2000. The results for the three months ended June 30, 2001 and 2000 are also after charging acquisition amortization of $653 million and $377 million respectively. Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustment and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions. The special charges for the three months ended June 30, 2001 comprised in Refining and Marketing, Burmah Castrol integration costs of $35 million, rationalization costs in the European commercial business of $74 million and a bond redemption charge of $50 million. Those for the corresponding period of 2000 related to ARCO integration and rationalization costs and an asset writedown.

For the six months ended June 30, 2001, the replacement cost profit before exceptional items was $6,469 million, up from $5,468 million in 2000. The results for 2001 are after charging special items of $222 million ($159 million after tax) and acquisition amortization of $1,297 million. The results for 2000 include special charges of $640 million ($472 million after tax), and acquisition amortization of $377 million.

The historical cost profit for the three months ended June 30, 2001 was $3,171 million and included inventory holding gains of $40 million and net exceptional gains of $171 million ($99 million after tax) in respect of net profits on the sale of fixed assets and businesses and termination of operations. For the equivalent period of 2000 there was a profit of $3,024 million including inventory holding gains of $213 million, and net exceptional gains of $161 million ($20 million after tax) in respect of net profits on the sale of fixed assets and businesses and termination of operations.

For the six months ended June 30, 2001, the historical cost profit was $6,475 million, after inventory holding losses of $198 million and including net exceptional gains of $389 million ($204 million after tax) in respect of net profits on sale of fixed assets and businesses and terminations of operations. For the six months ended June 30, 2000, the historical cost profit was $6,109 million, after inventory holding gains of $745 million and including net exceptional gains of $4 million ($104 million losses after tax) in respect of net profits on sale of fixed assets and businesses and terminations of operations.

Net taxation, other than production taxes, charged for the three months ended June 30, 2001 was $1,550 million compared with $1,289 million in the equivalent period last year. This included a tax charge of $72 million in respect of exceptional items compared with a tax charge of $141 million for the second quarter of 2000. The effective tax rate on replacement cost profit before exceptional items was 32% for the three months ended June 30, 2001, and 32% for the half year, compared with 28% and 27% for the equivalent periods of 2000. The increase in the tax rate is due to the non-deductability for tax purposes of the acquisition amortization and the non-availability of prior year tax credits in 2001.

Interest expense for the three months ended June 30, 2001 was $441 million (including $50 million relating to bond redemption charges) compared with $403 million in the equivalent period of 2000 reflecting lower interest rates. For the first half of 2001 interest expense was $887 million (including $60 million relating to bond redemption charges) compared to $699 million a year ago, also reflecting the full inclusion of ARCO in the first half of 2001 and for only around three months in the first half of 2000 partly offset by lower interest rates.

Net cash outflow for the three months ended June 30, 2001 was $2,136 million, compared with an inflow of $8,536 million for the equivalent period of 2000. For the first half of 2001, net cash inflow was $1,080 million compared with a net cash inflow of $7,770 million in the same period in 2000. The decreased cash flow in both periods in 2001 is primarily driven by higher tax payments and capital expenditure and significantly lower divestment proceeds (the second quarter and first half of 2000 included the proceeds from the sale of the ARCO Alaska assets).

Capital expenditure in the second quarter of 2001 was $3.8 billion ($3.3 billion excluding acquisitions), up 25% (38% excluding acquisitions) on a year ago. Capital expenditure for the first half of 2001 was $6.3 billion ($5.8 billion excluding acquisitions), an increase of 14% (41% excluding acquisitions) on the first six months of the previous year. Capital expenditure in the second quarter and first half of 2001 included the acquisition of Bayer's 50% interest in Erdolchemie. BP expects total capital expenditure for 2001 to be approximately $13 billion excluding acquisitions.

Net debt at June 30, 2001 was $18.8 billion. The ratio of net debt to net debt plus equity was 20% compared with 18% at March 31, 2001 and 21% at December 31, 2000. After adjusting for the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions, the ratio of net debt to net debt plus equity was 25% at June 30, 2001 compared with 19% at June 30, 2000 and 27% at December 31, 2000.

BP believes that, taking into account the substantial amounts of undrawn borrowing facilities available, the Group has sufficient working capital for foreseeable requirements.

The return on average capital employed for the three months ended June 30, 2001 was 15% compared with 14% for the equivalent period of 2000. For the six months ended June 30, 2001, the return on average capital employed was 15%. For further information on the return on average capital employed calculation see Note 11 of Notes to Consolidated Financial Statements.

BP purchased for cancellation approximately 32 million of its own shares during the second quarter of 2001 at a cost of $283 million. Total share purchases over the six months to June 30, 2001 amounted to approximately 92 million at a cost of $783 million.

BP announced a second quarterly dividend for 2001 of 5.50 cents per ordinary share. Holders of ordinary shares will receive 3.911 pence per share and holders of American Depositary Receipts (ADRs) $0.33 per ADS. The dividend for the half year was 10.75 cents per share, up 7.5%, which is equivalent to 7.576 pence per share, up 15% over last year. The dividend is payable on September 10, 2001 to shareholders on the register on August 17, 2001. Participants in the Dividend Reinvestment Plan or the dividend reinvestment facility in the US Direct Access Plan will receive the dividend in the form of shares on September 10, 2001.

BP intends to continue to pay dividends in the future of around 50% of its replacement cost profit before exceptional items after adjusting for special items and acquisition amortization, adjusted to mid-cycle business conditions. Mid-cycle conditions are our best estimate of likely average prices and margins over the long term.

BP announced a deal with E.ON in July 2001 which will involve BP taking a majority stake in Veba Oil which owns Aral, Germany's biggest fuels retailer. Subject to regulatory approvals, the deal - in the form of a joint venture between BP and Veba Oil's owner E.ON - involves BP taking 51 per cent and operational control of Veba Oil and offers the prospect of full ownership as early as the second quarter of next year. In return, E.ON will receive 51 per cent of Gelsenberg - which holds BP's 25.5 per cent stake in Ruhrgas, Germany's leading gas distributor - plus a balancing cash payment from BP of $1.63 billion, subject to adjustments, and an assumption by BP of $950 million of debt. Terms have also been agreed which could result in BP transferring the remaining Gelsenberg holding and paying a further $340 million for the remainder of Veba Oil.

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

Owing to the significant acquisitions that took place in 2000, in addition to its reported results, BP is presenting pro forma results adjusted for special items in order to enable shareholders to assess current performance in the context of BP's past performance and against that of its competitors. The pro forma result, adjusted for special items, has been derived from BP's UK GAAP accounting information but is not in itself a recognized UK or US GAAP measure.

Reconciliation of reported profit (loss) to pro forma result adjusted for special items	Reported	Acquisition amortization(a)	Special items(b)	Pro forma result adjusted for special items
		($ million)		
Three months ended June 30, 2001				
Exploration and Production	3,441	477	-	3,918
Gas and Power	173	-	-	173
Refining and Marketing	1,477	176	109	1,762
Chemicals	9	-	-	9
Other businesses and corporate	(128)	-	-	(128)
Replacement cost operating profit	4,972	653	109	5,734
Interest expense	(441)	-	50	(391)
Taxation	(1,478)	-	(45)	(1,523)
Minority shareholders' interest	(21)	-	-	(21)
Replacement cost profit before exceptional items	3,032	653	114	3,799
per ordinary share (cents)	13.51			16.92
Three months ended June 30, 2000				
Exploration and Production	3,019	349	259	3,627
Gas and Power	114	-	-	114
Refining and Marketing	1,183	70	141	1,394
Chemicals	320	-	50	370
Other businesses and corporate	(299)	-	150	(149)
Replacement cost operating profit	4,337	419	600	5,356
Interest expense	(403)	-	-	(403)
Taxation	(1,148)	-	(158)	(1,306)
Minority shareholders' interest	5	(42)	-	(37)
Replacement cost profit before exceptional items	2,791	377	442	3,610
per ordinary share (cents)	12.60			16.54

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

(b) The special items refer to non-recurring charges and credits. The special items for the 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.

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

Reconciliation of reported profit (loss) to pro forma result adjusted for special items	Reported	Acquisition amortization(a)	Special items(b)	Pro forma result adjusted for special items
		($ million)		
Six months ended June 30, 2001				
Exploration and Production	8,121	933	-	9,054
Gas and Power	285	-	-	285
Refining and Marketing	2,230	364	162	2,756
Chemicals	90	-	-	90
Other businesses and corporate	(255)	-	-	(255)
Replacement cost operating profit	10,471	1,297	162	11,930
Interest expense	(887)	-	60	(827)
Taxation	(3,083)	-	(63)	(3,146)
Minority shareholders' interest	(32)	-	-	(32)
Replacement cost profit before exceptional items	6,469	1,297	159	7,925
per ordinary share (cents)	28.80			35.28
Six months ended June 30, 2000				
Exploration and Production	6,222	349	283	6,854
Gas and Power	256	-	-	256
Refining and Marketing	1,767	70	141	1,978
Chemicals	579	-	50	629
Other businesses and corporate	(526)	-	166	(360)
Replacement cost operating profit	8,298	419	640	9,357
Interest expense	(699)	-	-	(699)
Taxation	(2,068)	-	(168)	(2,236)
Minority shareholders' interest	(63)	(42)	-	(105)
Replacement cost profit before exceptional items	5,468	377	472	6,317
per ordinary share (cents)	26.38			30.47

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

(b) The special items refer to non-recurring charges and credits. The special items for the 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.

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

OPERATING INFORMATION

	Three months ended June 30 (Unaudited)		Six months end June 30 (Unaudited)	
	2001	2000	2001	2
Crude oil and natural gas liquids production (thousand barrels per day), (net of royalties)				
UK	471	519	491	
Rest of Europe	92	88	95	
USA	742	705	732	
Rest of World	580	585	593	
Total crude oil and liquids production	1,885	1,897	1,911	1,
Natural gas production (million cubic feet per day) (net of royalties)				
UK	1,690	1,630	1,920	1,
Rest of Europe	121	99	144	
USA	3,550	3,188	3,509	2,
Rest of World	3,193	2,777	3,150	2,
Total natural gas production	8,554	7,694	8,723	7,
Total production (a) (thousand barrels of oil equivalent per day), (net of royalties)				
UK	762	800	822	
Rest of Europe	113	105	120	
USA	1,354	1,255	1,337	1,
Rest of World	1,131	1,064	1,136	
Total production	3,360	3,224	3,415	3,
Natural gas sales volumes (million cubic feet per day)				
UK	2,481	2,424	2,938	2,
Rest of Europe	201	148	226	
USA	8,516	6,239	8,259	5,

Rest of World	6,839	5,006	7,121	4,
Total natural gas sales volumes (b)	18,037	13,817	18,544	12,
NGL sales volumes (thousand barrels per day)				
UK	-	-	-	
Rest of Europe	-	-	-	
USA	206	129	214	
Rest of World	171	138	189	
Total NGL sales volumes	377	267	403	

(a) Expressed in thousand barrels of oil equivalent per day (mboe/d). Natural gas is converted to oil equivalent at 5.8 billion cubic feet: 1 million barrels.

(b) Encompasses sales by Exploration and Production and Gas and Power, including marketing, trading and supply sales.

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

OPERATING INFORMATION

	Three months ended June 30 (Unaudited)		Six months end June 30 (Unaudited)	
	2001	2000	2001	2
Oil sales volumes (thousand barrels per day)				
Refined products				
UK	270	227	265	
Rest of Europe	1,031	781	1,057	
USA	1,954	1,898	1,914	1,
Rest of World	601	459	590	
Total marketing sales	3,856	3,365	3,826	3,
Trading/supply sales	2,022	2,071	2,090	1,
Total refined product sales	5,878	5,436	5,916	4,
Crude oil	4,131	6,271	4,307	6,
Total oil sales	10,009	11,707	10,223	11,
Refinery throughputs (thousand barrels per day)				
UK	315	265	313	
Rest of Europe	623	535	658	
USA	1,642	1,853	1,582	1,
Rest of World	375	368	380	

Total throughput	2,955	3,021	2,933	2,
Chemicals production (thousand tonnes)				
UK	799	658	1,529	1,
Rest of Europe	1,796	1,692	3,484	3,
USA	2,108	2,562	4,365	5,
Rest of World	618	577	1,320	1,
Total production	5,321	5,489	10,698	11,

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

DETAILED REVIEW OF BUSINESSES (EXCLUDING EXCEPTIONAL ITEMS)

EXPLORATION AND PRODUCTION

		Three months ended June 30 (Unaudited)		Six months end June 30 (Unaudited)	
		2001	2000	2001	2
Turnover	- $m	7,441	7,278	16,558	13,
Total replacement cost operating profit	- $m	3,441	3,019	8,121	6,
Results included:					
Exploration expense	- $m	81	168	250	
Key Statistics:					
Average prices realized by BP :Crude oil (a)	- $/bbl	24.74	24.98	24.77	25
:Natural gas	- $/mcf	3.43	2.51	4.21	2
Brent oil price	- $/bbl	27.39	26.88	26.57	26
West Texas intermediate oil price	- $/bbl	27.88	28.96	28.30	28
Henry Hub gas price (b)	- $/mmBtu	4.66	3.44	5.86	2

(a) Crude oil and natural gas liquids
(b) Henry Hub First of the Month Index

Replacement cost operating profit for the three months and six months ended June 30, 2001 were $3,441 million and $8,121 million respectively. This compares with $3,019 million and $6,222 million for the corresponding periods in 2000. The result in 2001 and from April 14, 2000, includes a contribution from ARCO and is after charging depreciation and amortization arising from the fixed asset revaluation adjustment and goodwill consequent upon the ARCO acquisition of $477 million for the three months and $933 million for the six months ended June 30,

2001. For the equivalent periods in 2000, the amounts were $349 million in each period. The anticipated ARCO cost savings have been fully achieved.

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 first six months of 2001, the total production was up 9% and on a consistent current portfolio basis the increase was 1%. During the second quarter of 2001, production started up at the Nile and Mica fields in the Gulf of Mexico. In July the Tambar field in Norway started production.

Capital expenditure during the quarter was $2.4 billion, up 57% on the same quarter in 2000 and $4.3 billion for the half year, up 78% on a year ago. The Kizomba development in Angola was approved by BP along with developments for an NGL plant in Egypt and the Milne Point extension project in Alaska. In July, the Valhall flank development offshore Norway, the Azeri Chirag Gunashli phase one development in Azerbaijan and the Atlas Methanol Plant in Trinidad were approved by BP.

During the quarter, there was a natural gas discovery at Cashima (BP 100% and operator) offshore Trinidad. Cashima 1 is the first of four exploratory wells planned for 2001 offshore Trinidad. 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 UK Continental Shelf 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

		Three months ended June 30 (Unaudited)		Six months end June 30 (Unaudited)	
		2001	2000	2001	2
Turnover	- $m	10,435	3,724	22,515	6,
Total replacement cost operating profit	- $m	173	114	285	

On January 1, 2001, the natural gas liquids (NGL) business located in North America was moved to Gas and Power from Refining and Marketing. Comparative information has been restated.

The increase in turnover for the second quarter and half year of 2001 is mainly due to higher marketing sales and increased trading activity. The replacement cost operating profit for the second quarter of 2001 was $173 million compared with $114 million a year ago. The result reflects improved marketing and trading performance partly offset by pressure on NGL margins. Profit for the first six months of 2001 was $285 million, up $29 million on the same period in 2000, reflecting the above factors and, in addition, growth in natural gas sales in the first quarter contributed to the result.

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 October 1, 2001. 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.

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

REFINING AND MARKETING

		Three months ended June 30 (Unaudited)		Six months end June 30 (Unaudited)	
		2001	2000	2001	2
Turnover	- $m	34,257	24,168	62,780	43,
Total replacement cost operating profit	- $m	1,477	1,183	2,230	1,
Global Indicator Refining Margin (a)	- $/bbl	5.78	4.69	5.02	3

(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 turnover increases in the second quarter and half year mainly reflect the inclusion of ARCO for the whole of the six months in 2001, compared to around three months in 2000, the acquisition of Burmah Castrol on July 7, 2000 and the consolidation of the European fuels business with effect from August 1, 2000. The replacement cost operating profit for the three months and six months ended June 30, 2001 was $1,477 million and $2,230 million respectively. This compares with $1,183 million and $1,767 million for the same periods in 2000. The results include acquisition amortization of $176 million for the three months and $364 million for the six months ended June 30, 2001 and $70 million for both the three months and half year ended June 30, 2000. Special items for the three months and six months ended June 30, 2001 were $109 million and $162 million respectively. For the second quarter this comprised $35 million of costs arising from Burmah Castrol integration activities and $74 million relating to rationalization costs in the European commercial business. For the six months ended June 30, 2001, special items include $76 million relating to Burmah Castrol integration and $86 million relating to the European commercial business. 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. The anticipated ARCO cost savings have been fully achieved and cost savings expected as a result of the Burmah Castrol acquisition are on track. US refining margins were particularly strong for some of the second quarter of 2001 due to tight supply in the 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 (the six months ended June 30, 2001 showed a 25% increase over the same period in 2000); this factor, together with the roll-out of BP Connect stores, led to an increase in store sales of 17%, the increase in marketing sales was offset in part by reduced commercial volumes resulting from the end of the heating season in the northern hemisphere. 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

		Three months ended June 30 (Unaudited)		Six months end June 30 (Unaudited)	
		2001	2000	2001	2
Turnover	- $m	3,073	2,914	5,762	5,
Total replacement cost operating profit	- $m	9	320	90	
Chemicals Indicator Margin (a)	- $/te	103(b)	132	104(b)	

(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 BP's entire portfolio, it includes a broader range of products than BP's 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 quarter and half year is based on two and five months' actual data respectively and one month of provisional data.

Chemicals' replacement cost operating profit for the three months and six months ended June 30, 2001 was $9 million and $90 million respectively. For the corresponding periods in 2000 the replacement cost operating profit was $320 million and $579 million, with special charges of $50 million in each period. 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.

The first six months of 2001 saw polymer margins and costs 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 Erdolchemie from May 1, 2001, but was adversely impacted by the cracker problems at Grangemouth in Scotland, Lavera 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.

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

OTHER BUSINESSES AND CORPORATE

		Three months ended June 30 (Unaudited)		Six months end June 30 (Unaudited)	
		2001	2000	2001	2
Turnover	- $m	194	51	363	
Replacement cost operating profit	- $m	(128)	(299)	(255)	(

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.

Replacement cost operating loss for the three months and six months ended June 30, 2001 was $128 million and $255 million respectively. This compares with $299 million and $526 million for the corresponding periods in 2000. There were special items of $150 million for the three months and $166 million for the six months ended June 30, 2000 in respect of ARCO integration costs and rationalization costs post the BP Amoco merger. There were no special items for the three months and six months ended June 30, 2001.

BP Solar production for the half year was 26% higher than a year ago. A total of 25 megawatts of solar panel generating capacity was sold in the first half of 2001.

EXCEPTIONAL ITEMS

		Three months ended June 30 (Unaudited)		Six months end June 30 (Unaudited)	
		2001	2000	2001	2
Profit (loss) on sale of fixed assets and businesses and termination of operations	- $m	171	161	389	
Taxation credit (charge)	- $m	(72)	(141)	(185)	(
Exceptional items after taxation	- $m	99	20	204	(

Exceptional items for the second quarter of 2001 include the profit on sale of the Kashagan discovery in Kazakhstan and loss on the sale of the Carbon Fibers business in the USA. In addition, exceptional items for the half year include the profit on sale of the Alliance Refinery pipeline system.

OUTLOOK

BP believes 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 that 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 capital investment in petrochemicals and implementing additional cost reductions.

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

FORWARD-LOOKING STATEMENTS

In order to utilize the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995, BP is providing the following cautionary statement. The foregoing discussion, in particular the statements under `Outlook', with regard to trends in the trading environment, oil and gas prices, refining, marketing, NGL and chemicals margins, inventory and product stock levels, supply capacity, profitability, results of operation, liquidity or financial position and statements regarding our targets are all forward-looking in nature. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including the specific factors identified in the discussions accompanying such forward-looking statements; future levels of industry product supply, demand and pricing; 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; and other factors discussed elsewhere in this report. In addition to factors set forth elsewhere in this report, the factors set forth above are important factors, although not exhaustive, that may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Additional information, including information on factors which may affect BP's business, is contained in BP's Annual Report and Accounts for 2000 and in the Annual Report on Form 20-F for 2000 filed with the US Securities and Exchange Commission.

2001 DIVIDENDS

On August 7, 2001, BP p.l.c. announced a second quarterly dividend for 2001 of 5.5 cents per ordinary share of 25 cents (ordinary shares), representing $0.33 per American Depositary Share (ADS) amounting to $1,236 million in total. The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares was August 17, 2001, with payment to be made on September 10, 2001.

The dividend payable on September 10, 2001 entitles qualifying US ADS shareholders to a refund of the 1/9th UK tax credit (approximately $0.037) attaching to the dividend less a UK withholding tax limited to the amount of the tax credit. The effect of these arrangements for ADS holders is currently a cash payment of $0.330, a gross dividend for tax purposes of $0.367 and a potential tax credit of $0.037 per ADS.

There is a Dividend Reinvestment Plan whereby holders of ordinary shares can elect to reinvest the net cash dividend in shares purchased on the London Stock Exchange. This plan is not available to any person resident in the USA or Canada, or in any jurisdiction outside the UK where such an offer requires compliance by the Company with any governmental or regulatory procedures or any similar formalities. A dividend reinvestment facility is, however, available for holders of ADSs through the Direct Access Plan of Morgan Guaranty Trust Company of New York. Participants in the Dividend Reinvestment Plan or the dividend reinvestment facility included in the US Direct Access Plan will receive the dividend in the form of shares on September 10, 2001.

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

	Three months ended June 30	Six months June 30

	(Unaudited) 2001	2000	(Unaudite 2001
	($ million, except per share amou		
Turnover - Note 2	48,689	39,027	94,389
Less: joint ventures	280	5,869	568
Group turnover	48,409	33,158	93,821
Replacement cost of sales	40,490	27,158	77,450
Production taxes - Note 3	433	488	1,016
Gross profit	7,486	5,512	15,355
Distribution and administration expenses	2,827	1,815	5,554
Exploration expense - Note 4	81	168	250
	4,578	3,529	9,551
Other income	112	354	307
Group replacement cost operating profit	4,690	3,883	9,858
Share of profits of joint ventures	125	286	227
Share of profits of associated undertakings	157	168	386
Total replacement cost operating profit - Notes 5 & 6	4,972	4,337	10,471
Profit (loss) on sale of fixed assets and businesses and termination of operations - Note 7	171	161	389
Replacement cost profit before interest and tax - Note 5	5,143	4,498	10,860
Inventory holding gains (losses) - Note 8	40	213	(198)
Historical cost profit before interest and tax	5,183	4,711	10,662
Interest expense - Note 9	441	403	887
Profit before taxation	4,742	4,308	9,775
Taxation - Note 10	1,550	1,289	3,268
Profit after taxation	3,192	3,019	6,507
Minority shareholders' interest	21	(5)	32
Profit for the period	3,171	3,024	6,475
Earnings per ordinary share - cents (a)			
Basic	14.12	13.59	28.82
Diluted	14.04	13.49	28.65
Earnings per American depositary share - cents (a)			
Basic	84.72	81.54	172.92
Diluted	84.24	80.94	171.90
Average number of outstanding ordinary shares (millions)	22,448	22,030	22,461

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

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

	June 30, 2001 (Unaudited)		December 31, 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	
Inventories	9,066		9,234	
Receivables	29,983		28,418	
Investments	563		661	
Cash at bank and in hand	1,103		1,170	
	41,381		40,119	
Current liabilities - falling due within one year				
Finance debt	6,303		6,418	
Accounts payable and accrued liabilities	30,932		30,729	
	37,235		37,147	
Net current assets		4,146		2,972
Total assets less current liabilities		106,838		106,791
Noncurrent liabilities				
Finance debt	14,195		14,772	
Accounts payable and accrued liabilities	4,316		5,223	
Provisions for liabilities and charges	12,597		12,795	
		31,108		32,790
Net assets		75,730		74,001
Minority shareholders' interest		630		585
BP shareholders' interest (a) - Note 14		75,100		73,416
Represented by:				
Capital shares				
Preference		21		21
Ordinary		5,620		5,632
Paid-in surplus		3,934		3,770
Merger reserve		26,996		26,869
Retained earnings		38,319		36,668
Other reserves		210		456
		75,100		73,416

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

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

	Three months ended June 30 (Unaudited) 2001	2000	Six months June 30 (Unaudite 2001
	($ million)		
Net cash inflow from operating activities	5,076	5,269	11,816
Dividends from joint ventures	54	332	66
Dividends from associated undertakings	159	143	269
Servicing of finance and returns on investments			
Interest received	59	114	150
Interest paid	(384)	(344)	(745)
Dividends received	30	2	38
Dividends paid to minority shareholders	(5)	(6)	(5)
Net cash outflow from servicing of finance and returns on investments	(300)	(234)	(562)
Taxation			
UK corporation tax	(169)	(64)	(373)
Overseas tax	(2,213)	(889)	(2,148)
Tax paid	(2,382)	(953)	(2,521)
Capital expenditure			
Payments for fixed assets	(3,016)	(2,765)	(5,593)
Proceeds from the sale of fixed assets	232	182	926
Net cash outflow for capital expenditure	(2,784)	(2,583)	(4,667)
Acquisitions and disposals			
Investments in associated undertakings	(148)	(244)	(268)
Acquisitions	(560)	1,260	(560)
Net investment in joint ventures	(72)	(121)	(133)
Proceeds from the sale of businesses	-	6,800	-
Net cash outflow for acquisitions and disposals	(780)	7,695	(961)
Equity dividends paid	(1,179)	(1,133)	(2,360)
Net cash inflow (outflow)	(2,136)	8,536	1,080

Financing	(1,669)	3,327	1,197
Management of liquid resources	(404)	2,345	(102)
Increase (decrease) in cash	(63)	2,864	(15)
	(2,136)	8,536	1,080

(a) This cash flow statement has been prepared in accordance with UK GAAP. A cash flow statement prepared on the basis of US GAAP is included in Note 15.

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

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite
	2001	2000	2001
		($ million)	
Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities			
Historical cost profit before interest and tax	5,183	4,711	10,662
Depreciation and amounts provided	2,103	1,933	4,243
Exploration expenditure written off	22	74	130
Share of profits of joint ventures and associated undertakings	(282)	(557)	(613)
Interest and other income	(127)	(113)	(230)
(Profit) loss on sale of fixed assets and businesses	(171)	(153)	(389)
Charge for provisions	541	282	706
Utilization of provisions	(329)	(129)	(635)
Decrease (increase) in stocks	(371)	(611)	(13)
Increase in debtors	(399)	(2,446)	(1,468)
Increase (decrease) in creditors	(1,094)	2,278	(577)
Net cash inflow from operating activities	5,076	5,269	11,816
Financing			
Long-term borrowing	(505)	(1,140)	(1,022)
Repayments of long-term borrowing	1,034	418	1,180
Short-term borrowing	(2,589)	(80)	(2,750)
Repayments of short-term borrowing	172	3,113	3,127
	(1,888)	2,311	535
Issue of ordinary share capital	(64)	(108)	(120)
Repurchase of share capital	283	829	782
Stamp duty reserve tax	-	295	-
Net cash outflow from financing	(1,669)	3,327	1,197

(a) This cash flow statement has been prepared in accordance with UK GAAP. A cash flow statement prepared on the basis of US GAAP is included in Note 15.

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

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite
	2001	2000	2001
	($ million)		
By business			
Exploration and Production			
UK	289	277	457
Rest of Europe	86	36	151
USA	1,243	819	2,170
Rest of World	805	410	1,511
	2,423	1,542	4,289
Gas and Power			
UK (a)	6	28	14
Rest of Europe	12	1	21
USA (a)	29	30	37
Rest of World	4	12	4
	51	71	76
Refining and Marketing			
UK (b)	67	29	178
Rest of Europe	114	65	161
USA	227	334	407
Rest of World	79	76	111
	487	504	857
Chemicals			
UK	63	136	129
Rest of Europe (c)	538	34	554
USA	96	52	174
Rest of World	69	58	125
	766	280	982
Other businesses and corporate (d)	69	647	129
	3,796	3,044	6,333

By geographical area				
UK	448	499	842	
Rest of Europe	758	138	897	
USA	1,628	1,273	2,838	
Rest of World	962	1,134	1,756	
	-------	-------	-------	--
	3,796	3,044	6,333	
	=======	=======	=======	==

(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 Erdolchemie.
(d) 2Q and first half 2000 included $578 million for the acquisition of a 2.2% interest in PetroChina.

BP p.l.c. AND SUBSIDIARIES
ENVIRONMENTAL INDICATORS

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite
	2001	2000	2001
	($ million)		
Average oil realizations (a) - $/bbl			
UK	26.58	26.24	25.78
USA	23.58	23.77	24.18
Rest of World	23.93	24.64	23.72
BP average	24.74	24.98	24.77
Brent oil price	27.39	26.88	26.57
West Texas Intermediate oil price	27.88	28.96	28.30
Average natural gas realizations - $/mcf			
UK	2.85	1.99	3.23
USA	4.35	3.01	5.73
Rest of World	2.58	2.20	2.97
BP average	3.43	2.51	4.21
Henry Hub gas price (b) ($/mcf)	4.66	3.44	5.86
Global Indicator Refining Margins (c) - $/bbl			
Northwest Europe	3.35	4.26	2.85
US Gulf Coast	7.71	5.22	7.21
US West Coast	9.11	6.00	10.02
Singapore	0.96	0.63	0.83
BP average	5.78	4.69	5.02
Chemicals Indicator Margin (d) - $/te	103(e)	132	104(e)

(a) Crude oil and natural gas liquids.

(b) Henry Hub First of Month Index.

(c) The Global Indicator Refining Margin (GIM) is the average of 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.

(d) 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.

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

US dollar/sterling exchange rates

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite	
	2001	2000	2001	
	($ million)			
Average rates for the period	1.42	1.53	1.44	
Period-end rates	1.41	1.52	1.41	

BP p.l.c. AND SUBSIDIARIES
SPECIAL ITEMS AND ACQUISITION AMORTIZATION BY SEGMENT (PRE-TAX)

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite	
	2001	2000	2001	
	($ million)			
Special items				

Exploration and Production			
UK	-	70	-
Rest of Europe	-	-	-
USA	-	152	-
Rest of World	-	37	-
	-	259	-
Gas and Power			
UK	-	-	-
Rest of Europe	-	-	-
USA	-	-	-
Rest of World	-	-	-
	-	-	-
Refining and Marketing			
UK	28	-	43
Rest of Europe	64	29	90
USA	4	112	8
Rest of World	13	-	21
	109	141	162
Chemicals			
UK	-	3	-
Rest of Europe	-	1	-
USA	-	46	-
Rest of World	-	-	-
	-	50	-
Other businesses and corporate			
UK	-	19	-
Rest of Europe	-	-	-
USA	-	131	-
Rest of World	-	-	-
	-	150	-
Total special items before interest	109	600	162
Interest - bond redemption charges	50	-	60
Total	159	600	222

Acquisition amortization

Exploration and Production			
UK	39	26	68
USA	406	313	798
Rest of World	32	10	67
	477	349	933
Refining and Marketing			
UK	98	-	202
USA	78	70	162
	176	70	364
Total	653	419	1,297

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

1. The results for the interim periods are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. The interim financial statements and notes included in this Report should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2000 included in BP's Annual Report on Form 20-F filed with the Securities and Exchange Commission.

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite
	2001	2000	2001
	($ million)		
2. Turnover			
By business			
Exploration and Production	7,441	7,278	16,558
Gas and Power	10,435	3,724	22,515
Refining and Marketing	34,257	24,168	62,780
Chemicals	3,073	2,914	5,762
Other businesses and corporate	194	51	363
	55,400	38,135	107,978
Less: sales between businesses	6,991	4,977	14,157
Group excluding joint ventures	48,409	33,158	93,821
Sales of joint ventures	280	5,869	568
	48,689	39,027	94,389
By geographical area			
UK	11,974	11,112	23,914
Rest of Europe	10,043	1,859	19,018
USA	24,791	17,575	47,282
Rest of World	8,929	6,977	18,620
	55,737	37,523	108,834
Less: Sales between areas	7,328	4,365	15,013
Group excluding joint ventures	48,409	33,158	93,821
Sales of joint ventures			
UK	-	1,414	-
Rest of Europe	-	5,358	-
USA	100	159	187
Rest of World	180	128	381
	280	7,059	568
Less: sales between areas	-	1,190	-

	280	5,869	568	
3. Production taxes				
UK petroleum revenue tax	135	184	373	
Overseas production taxes	298	304	643	
	433	488	1,016	
4. Exploration expense				
Exploration and Production				
UK	-	15	4	
Rest of Europe	3	8	5	
USA	40	90	133	
Rest of World	38	55	108	
	81	168	250	

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

5. Replacement cost profit

Replacement cost profits reflect the current cost of supplies. The replacement cost profit for the period is arrived at by excluding from the historical cost profit inventory holding gains and losses. These are the difference between the amount that is charged to cost of sales on a first-in, first-out (FIFO) basis of inventory valuation and the amount charged to cost of sales based on the average cost of supplies incurred during the period. The former basis is used in arriving at the historical cost result whereas the latter basis is used in arriving at the replacement cost result. For further discussion of replacement cost operating profit see Item 3 of BP`s Annual Report on Form 20-F for the year ended December 31, 2000.

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite	
	2001	2000	2001	
	($ million)			
6. Total replacement cost operating profit				
By business				
Exploration and Production				
UK	970	876	2,124	
Rest of Europe	190	185	416	
USA	1,214	998	3,339	
Rest of World	1,067	960	2,242	
	3,441	3,019	8,121	
Gas and Power				
UK	39	4	51	
Rest of Europe	34	11	96	

USA	96	47	131
Rest of World	4	52	7
	173	114	285
Refining and Marketing			
UK	(116)	148	(227)
Rest of Europe	177	130	313
USA	1,275	814	1,882
Rest of World	141	91	262
	1,477	1,183	2,230
Chemicals			
UK	(33)	(33)	(83)
Rest of Europe	19	118	99
USA	(1)	196	12
Rest of World	24	39	62
	9	320	90
Other businesses and corporate	(128)	(299)	(255)
	4,972	4,337	10,471
By geographical area			
UK	814	966	1,741
Rest of Europe	429	461	914
USA	2,512	1,762	5,224
Rest of World	1,217	1,148	2,592
	4,972	4,337	10,471

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

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite
	2001	2000	2001
	($ million)		
7. Analysis of exceptional items			
Profit (loss) on sale of fixed assets and businesses and termination of operations			
Exploration and Production	319	168	277
Gas and Power	-	-	(1)
Refining and Marketing	(59)	5	206
Chemicals	(80)	-	(86)
Other businesses and corporate	(9)	(12)	(7)
Exceptional items before taxation	171	161	389
Taxation charge	(72)	(141)	(185)
Exceptional items after taxation	99	20	204

8. Inventory holding gains (losses)			
Exploration and Production	(9)	1	-
Gas and Power	(33)	17	(44)
Refining and Marketing	99	153	(144)
Chemicals	(17)	42	(10)
	40	213	(198)
9. Interest expense			
Group interest payable (a)	363	341	730
Capitalized	(21)	(36)	(55)
	342	305	675
Joint ventures	13	21	33
Associated undertakings	36	32	76
Unwinding of discount on provisions	50	45	103
	441	403	887

(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 six months ended June 30, 2001 relating to the early redemption of debt.

10. Charge for taxation			
United Kingdom	250	287	522
Overseas	1,300	1,002	2,746
	1,550	1,289	3,268

BP p.l.c. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

	Three months ended June 30 (Unaudited) 2001	2000	Six months June 30 (Unaudite 2001
	($ million)		
11. Return on average capital employed (ROACE)			
Replacement cost basis			
RC profit before exceptional items	3,032	2,791	6,469
Interest	441	403	887

Minority shareholders' interest	21	(5)	32
	3,494	3,189	7,388
Average Capital Employed	94,862	94,599	95,710
ROACE	14.7%	13.5%	15.4%
Acquisitions and special items adjustments			
Acquisition amortization	653	419	1,297
Special items (post tax)	78	442	115
Average Capital Employed	20,305	18,028	20,627
ROACE - Pro forma basis	22.7%	21.2%	23.4%
Historical cost basis			
Historical cost profit after exceptional items	3,171	3,024	6,475
Interest	441	403	887
Minority shareholders' interest	21	(5)	32
	3,633	3,422	7,394
ROACE	15.3%	14.5%	15.5%

12. Analysis of changes in net debt

Opening balance			
Finance debt	18,788	14,357	21,190
Less: Cash	1,188	462	1,170
Current asset investments	959	274	661
Opening net debt	16,641	13,621	19,359
Closing balance			
Finance debt	20,498	19,187	20,498
Less: Cash	1,103	3,313	1,103
Current asset investments	563	2,616	563
Closing net debt	18,832	13,258	18,832
Decrease (increase) in net debt	(2,191)	363	527
Movement in cash/bank overdrafts	(63)	2,864	(15)
(Decrease) increase in current asset investments	(404)	2,345	(102)
Net cash (inflow) outflow from financing (excluding share capital)	(1,888)	2,311	535
Other movements	51	(49)	82
Debt acquired	(47)	(7,123)	(47)
Movements in net debt before exchange effects	(2,351)	348	453
Exchange adjustments	160	15	74
Decrease (increase) in net debt	(2,191)	363	527

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite
	2001	2000	2001
	($ million)		
13. Net debt ratio - net debt: net debt + equity			
Gross debt	20,498	19,187	20,498
Cash and current asset investments	1,666	5,929	1,666
Net debt	18,832	13,258	18,832
Equity	75,730	74,128	75,730
Net debt ratio	20%	15%	20%
Acquisition adjustment (a)	19,978	17,920	19,978
Net debt ratio - pro forma basis (b)	25%	19%	25%

(a) Acquisition adjustment refers to the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions.

(b) Based on equity excluding the fixed asset revaluation adjustment and goodwill resulting from the ARCO and Burmah Castrol acquisitions.

14. Movement in BP shareholders' interest	$ million (Unaudited)
Balance at December 31, 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)
Balance at June 30, 2001	75,100

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

15. US generally accepted accounting principles

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

Profit for the period	Three months ended June 30 (Unaudited) 2001	2000	Six months June 30 (Unaudite 2001
	($ million)		
Profit as reported in the consolidated statement of income	3,171	3,024	6,475
Adjustments:			
Depreciation charge	(315)	(101)	(579)
Decommissioning and environmental expense	(79)	(98)	(184)
Onerous property leases	(27)	(5)	(34)
Derivative financial instruments	(47)	-	(199)
Interest expense	50	45	103
Deferred taxation	(15)	(199)	(53)
Other	5	16	10
	(428)	(342)	(936)
Profit for the period before cumulative effect of accounting change as adjusted to accord with US GAAP	2,743	2,682	5,539
Cumulative effect of accounting change:			
Derivative financial instruments	-	-	(18)
Profit for the period as adjusted to accord with US GAAP	2,743	2,682	5,521
Profit for the period as adjusted:			
Per ordinary share - cents			
Basic - before cumulative effect of accounting change	12.22	12.17	24.66
Cumulative effect of accounting change	-	-	(0.08)
	12.22	12.17	24.58
Diluted - before cumulative effect of accounting change	12.15	12.08	24.51
Cumulative effect of accounting change	-	-	(0.08)
	12.15	12.08	24.43
Per American Depositary Share - cents (a)			
Basic - before cumulative effect of accounting change	73.32	73.02	147.96
Cumulative effect of accounting change	-	-	(0.48)
	73.32	73.02	147.48

Diluted - before cumulative effect of accounting change	72.90	72.48	147.06	
Cumulative effect of accounting change	-	-	(0.48)	
	72.90	72.48	146.58	

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

15. US generally accepted accounting principles - continued

BP shareholders' interest	June 30, 2001 (Unaudited)	December 31, 2000 (
	($ million)	
BP shareholders' interest as reported in the consolidated balance sheet	75,100	73,416
Adjustments:		
Fixed assets	8,218	8,777
Ordinary shares held for future awards to employees	(312)	(360)
Sale and leaseback of Chicago office building	(413)	(413)
Decommissioning and environmental provisions	(1,132)	(921)
Onerous property leases	74	105
Derivative financial instruments	(203)	-
Deferred taxation	(15,880)	(15,843)
Quarterly dividend	1,236	1,178
Pension liability adjustment	(145)	(145)
Other	(111)	(128)
	(8,668)	(7,750)
BP shareholders' interest as adjusted to accord with US GAAP	66,432	65,666

(a) One American Depositary Share is equivalent to six ordinary shares.

(b) As reported in Note 43 of Notes to Financial Statements included in BP's Annual Report on Form 20-F for the year ended December 31, 2000.

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

15. US generally accepted accounting principles - continued

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

	Three months ended June 30 (Unaudited)		Six months June 30 (Unaudite
	2001	2000	2001
	($ million)		
Operating activities			
Profit after taxation	3,192	3,019	6,507
Adjustments to reconcile profits after tax to net cash provided by operating activities			
Depreciation and amounts provided	2,103	1,933	4,243
Exploration expense	22	74	130
Share of profits of joint ventures and associates less dividends received	38	19	(25)
(Profit) loss on sale of businesses and fixed assets	(171)	(153)	(389)
Working capital movement (see analysis below)	(2,683)	(583)	(1,329)
Other	132	284	(9)
Net cash provided by operating activities	2,633	4,593	9,128
Investing activities			
Capital expenditures	(3,037)	(2,795)	(5,648)
Acquisitions, net of cash acquired	(560)	1,260	(560)
Investment in associated undertakings	(148)	(244)	(268)
Net investm			