

RISK FACTORS

We urge you to carefully consider the risks described below. If any of these risks actually occur, our business, financial condition and results of operations could suffer, and the trading price and liquidity of our securities could decline, in which case you may lose all or part of your investment.

External Risks

There are a number of risks that arise as a result of the business climate, which are not directly controllable.

Competition Risk: The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency.

Price Risk: Oil prices are subject to international supply and demand. Political developments (especially in the Middle East) and the outcome of meetings of OPEC can particularly affect world supply and oil prices. In addition to the adverse effect on revenues, margins and profitability from any future fall in oil and natural gas prices, a prolonged period of low prices or other indicators would lead to a review for impairment of the BP Group's oil and natural gas properties. This review would reflect management's view of long-term oil and natural gas prices. Such a review could result in a charge for impairment which could have a significant effect on the BP Group's results of operations in the period in which it occurs.

Regulatory Risks: The oil industry is subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalization, expropriation, cancellation or non-renewal of contract rights. The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities and operates in certain tax jurisdictions which have a degree of uncertainty relating to the interpretation of, and changes to, tax law. As a result of new laws and regulations or other factors, we could be required to curtail or cease certain operations, causing our production to decrease, or we could incur additional costs.

Developing Country Risk: We have operations in developing countries where political, economic and social transition is taking place. Some countries have experienced political instability, expropriation or nationalization of property, civil strife, strikes, acts of war and insurrections. Any of these conditions occurring could disrupt or terminate our operations, causing our development activities to be curtailed or terminated in these areas or our production to decline and could cause us to incur additional costs.

Currency Risk: Crude oil prices are generally set in US dollars while sales of refined products may be in a variety of currencies. Fluctuation in exchange rates can therefore give rise to foreign exchange exposures.

Economic Risk - Refining and Petrochemicals Market: Refining profitability can be volatile with both periodic oversupply and supply tightness in various regional markets. Sectors of the chemicals industry are also subject to fluctuations in supply and demand within the petrochemicals market, with consequent effect on prices and profitability.

Reputational Risks

We set ourselves high standards of corporate citizenship and aspire to contribute to a better quality of life through the products and services we provide. This may create risks to our reputation if it is perceived that our actions are not aligned to these standards and aspirations.

Social Responsibility Risk: Risk could arise if it is perceived that we are not respecting or advancing the economic and social progress of the communities in which we operate.

Environmental Risk: We seek to conduct our activities in such a manner that there is no or minimum damage to the environment. Risk could arise if we do not apply our resources to overcome the perceived trade-off between global access to energy and the protection or improvement of the natural environment.

Compliance Risk: Incidents of non-compliance with applicable laws and regulation or ethical misconduct could be damaging to our reputation and shareholder value.

Operational Risks

Inherent in our operations are hazards which require continual oversight and control. If operational risks materialized it could result in loss of life, damage to the environment or loss of production.

Drilling and Production Risk: Exploration and production require high levels of investment and have particular economic risks and opportunities. They are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field. The cost of drilling, completing or operating wells is often uncertain. We may be required to curtail, delay or cancel drilling operations because of a variety of factors including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements.

Technical Integrity Risk: There is a risk of loss of containment of hydrocarbons and other hazardous material at operating sites, pipelines or during transportation by road, rail or sea.

Security Risk: Acts of terrorism that threaten our plants and offices, pipelines, transportation or computer systems would severely disrupt business and operations.

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. This document contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of BP and certain of the plans and objectives of BP with respect to these items. These statements may generally, but not always, be identified by the use of words such as 'will', 'expects', 'is expected to', 'should', 'may', 'is likely to', 'intends', 'believes', 'plans', 'we see' or similar expressions. In particular, among other statements, (i) certain statements in Item 4 – Information on the Company and Item 5 – Operating and Financial Review with regard to management aims and objectives, future capital expenditure, future hydrocarbon production volume, date or period(s) in which production is scheduled or expected to come on stream or a project or action is scheduled or expected to be completed, capacity of planned plants or facilities and impact of health, safety and environmental regulations; (ii) the statements in Item 4 – Information on the Company with regard to planned expansion, investment or other projects and future regulatory actions; and (iii) the statements in Item 5 – Operating and Financial Review with regard to the plans of the Group, cash flows, opportunities for material acquisitions, the cost of future remediation programmes, liquidity and costs for providing pension and other postretirement benefits; and including under 'Liquidity and Capital Resources' with regard to future cash flows, future levels of capital expenditure and divestments, working capital, the renewal of borrowing facilities, shareholder distributions and share buybacks and expected payments under contractual and commercial commitments; under 'Outlook' with regard to global and certain regional economies, oil and gas prices and realizations, expectations for supply and demand, refining and marketing margins; 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 or may 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; the timing of bringing new fields on stream; future levels of industry product supply, demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; the success or otherwise of partnering; the actions of competitors; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this report including under 'Risk Factors' above. 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.

STATEMENTS REGARDING COMPETITIVE POSITION

Statements made in Item 4 – Information on the Company, referring to BP's competitive position are based on the Company's belief, and in some cases rely on a range of sources, including investment analysts' reports, independent market studies and BP's internal assessments of market share based on publicly available information about the financial results and performance of market participants.

SPECIAL NOTICE

The Company has received comments from the Staff of the SEC relating to our 2003 Annual Report on Form 20-F and as of the date of filing this 2004 Form 20-F, the SEC review process is still ongoing.

ITEM 4 – INFORMATION ON THE COMPANY

GENERAL

Unless otherwise indicated, information in this Item reflects 100% of the assets and operations of the Company and its subsidiaries which were consolidated at the date or for the periods indicated, including minority interests. Also, unless otherwise indicated, figures for business turnover include sales between BP businesses.

BP was created on December 31, 1998 by the merger of Amoco Corporation, incorporated in Indiana, USA, in 1889, and The British Petroleum Company p.l.c., registered in 1909 in England and Wales. The resulting company, BP p.l.c., is a public limited company, registered in England and Wales.

BP is one of the world's leading oil companies on the basis of market capitalization and proved reserves. Our worldwide headquarters is located in London, UK. Our registered address is:

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United Kingdom
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Our agent in the USA is:

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Tel: +1 630 821 2222

Overview of the Group

For years to December 31, 2004, our operating business segments were Exploration and Production; Refining and Marketing; Petrochemicals; and Gas, Power and Renewables. Exploration and Production's activities include oil and natural gas exploration and field development and production (upstream activities), together with pipeline transportation and natural gas processing (midstream activities). The activities of Refining and Marketing include oil supply and trading as well as refining and marketing (downstream activities). Petrochemicals activities include manufacturing, marketing and distribution. The Petrochemicals segment ceased to report separately as from January 1, 2005 (see Resegmentation in 2005 in this Item on page 16). Gas, Power and Renewables activities include marketing and trading of natural gas, NGL, new market development and LNG, and solar and renewables. The Group provides high quality technological support for all its businesses through its research and engineering activities.

These segments fall into two groupings: the Resources Business comprising Exploration and Production; and Customer Facing Businesses comprising Refining and Marketing, Petrochemicals and Gas, Power and Renewables.

The Group's operating business segments are managed on a global basis and not on a regional basis. Geographical information for the Group and segments is given to provide additional information for investors, but does not reflect the way BP manages its activities. Information by geographical area is provided for production and reserves in response to the requirements of Appendix A to Item 4D of Form 20-F.