



Mergers and acquisitions – ARCO

The information and opinions contained in this and linked pages were first published in April 1999 and are accurate as at that date. Subsequent developments including the sale of ARCO's Alaskan and certain other assets have not been taken into account.

Highlights

Transaction Summary

- Acquisition of Arco share capital
- Arco shareholders received BP Amoco ordinary shares as American Depositary Shares ("ADS"): 0.82 BP Amoco ADS per Arco share and could elect to receive BP Amoco ordinary shares
- UK GAAP results for the combined entity to be presented using acquisition accounting, with underlying earnings also stated on a pre deal-amortisation basis
- US\$-denominated group financials and dividends
- Transaction approved by both Boards
- Effective April 2000

Transaction Overview

Transaction description

- Arco shareholders exchanged their shares in Arco for either ADS representing BP Amoco ordinary shares or, if they so elected, BP Amoco ordinary shares

Accounting/reporting

- Accounted for as an acquisition under UK GAAP
- BP Amoco-Arco to report in US dollars, under UK GAAP with supplementary US GAAP information provided

Dividends

- No change to BP Amoco dividend policy
- BP Amoco ordinary shareholders will continue to receive dividends in sterling and BP Amoco ADS holders will receive dividends in US dollars

Key facts and operating statistics

The following material contains statements, particularly those regarding capital employed, capital expenditure, cashflows, costs, savings, debt, demand, disposals, dividends, earnings, efficiency, gearing, growth, margins, performance, prices, production, productivity, profits, reserves, returns, sales, strategy, synergies, tax rates, trends, value, volumes, and the effects of BP merger and acquisition activity, which are or may be forward looking statements that involve risk and uncertainty that could cause actual results to differ materially from those expressed or implied in such statements. There are a number of factors that could cause actual results to differ materially from those expressed or implied by such 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 technology and successful partnering; the actions of competitors; natural disasters; and other changes to business conditions. Additional information, including information on factors that could cause actual results to differ materially from those in the forward looking statements, are contained in BP's latest published annual report and accounts and in BP's latest published report on Form 20F filed with the US Securities and Exchange Commission.

Facts and statistics

BP Amoco

- 1998 'clean' net income of \$4.5 billion
- 1998 combined revenues exceeding \$83 billion
- Combined capital employed in 1998 was \$57 billion
- Capital budget for 1999 of \$7 billion
- Some 96,650 employees world-wide at end-1998
- Over 515,000 shareholders.

Exploration & Production

- 1998 world-wide net production of 2.0 million barrels of crude oil and natural gas liquids per day and 5.8 billion cubic feet of natural gas per day
- Estimated net proven liquid reserves of 9.3 billion barrels; estimated net proven natural gas reserves of 33 trillion cubic feet
- Production activities in 18 countries, with exploration activities in a further 9 countries
- Largest oil producer in the US with 1.25 million barrels of oil equivalent a day produced (over 10% of total US production)
- Largest oil producer in the UK North Sea with 740,000 barrels of oil equivalent output a day.

Refining and Marketing

- Total combined (crude and products) oil product sales of over 9.3 million barrels a day
- 28,000 service stations world-wide
- Refinery throughput of 2.7 million barrels a day
- Owned or part-owned refineries in 12 countries, including the UK, France, Spain, the US, Australia, South Africa and Singapore

- One of the largest marketers of aviation fuels, serving customers at more than 600 airports
- Leading supplier of fuels and lubricants to the shipping industry with facilities at more than 800 ports.

Chemicals

- Produces around 20 million tonnes of product a year
- World's largest merchant supplier of acetic acid and its derivatives
- A leading European manufacturer of polyethylene which is used in a range of modern products from food packaging to gas pipes
- More than 90 per cent of the world's manufacturing capacity for acrylonitrile uses BP Amoco's proprietary process
- BP Amoco has the world's largest acrylonitrile plant at Green Lake, Texas
- One of Europe's biggest styrenics producers and the top supplier of oxygenated solvents
- Europe's leading producer of polybutene, used in cable insulation, fuel additives and adhesives.

Solar

- World's second largest photovoltaic company
- In 1998 sales reached \$95 million, up 19 per cent on 1997
- Manufactures the highest-efficiency solar cells in volume production.

ARCO Corporation

- 1998 'clean' net income of \$0.6bn
- 1998 revenues \$11 billion
- Capital employed in 1998, \$15 billion
- Capital budget for 1999 of \$2.7 billion
- Some 18,400 employees world-wide at end-1998
- Over 290,000 shareholders.

Exploration & Production

- 1998 world-wide net production averaged over 0.6 million barrels of crude oil and natural gas liquids per day and 2.1 billion cubic feet of natural gas per day
- Proven liquid reserves of 2.8 billion barrels; proven natural gas reserves of more than 9.8 trillion cubic feet
- Production activities in some 14 countries, with exploration activities in a further 18 countries
- Vastar 82% owned by ARCO and listed on NYSE – 220,000 thousand barrels of oil equivalent a day production of petroleum liquids and natural gas; proven reserves of 2.6 trillion cubic feet of natural gas and 185 million barrels of petroleum liquids.

Refining and Marketing

- Total oil product sales of 600,000 barrels a day in 1998
- More than 1700 service stations
- Leading US West Coast retail network
- Two top tier US West Coast refineries with throughput of 450,000 barrels of crude oil daily in 1998.

NOTE: BP Amoco earnings are quoted in UK GAAP and ARCO earnings in US GAAP. The 1998 figures for BP Amoco are given on a combined basis for BP and Amoco in line with the format adopted for BP Amoco's 1998 Report and Accounts.

Upstream

BP Amoco + Arco Reserves (million barrels of oil equivalent)

By product	1995	1996	1997	1998	1998%
Oil	11,268	11,715	12,306	12,159	62%
Gas	6,532	6,633	6,999	7,347	38%
Total	17,800	18,348	19,305	19,506	100%

By region	1995	1996	1997	1998	1998%
US	9,273	9,092	9,327	8,834	45%
Rest of World	8,527	9,256	9,978	10,672	55%
Total	17,800	18,348	19,305	19,506	100%

BP Amoco + Arco Production (000 barrels of oil equivalent per day)

By product	1995	1996	1997	1998	1998%
Oil	2,523	2,534	2,571	2,707	66%
Gas	1,214	1,326	1,339	1,364	34%
Total	3,737	3,860	3,910	4,071	100%

By region	1995	1996	1997	1998	1998%
US	2,056	2,060	2,044	1,985	49%
Rest of World	1,681	1,800	1,866	2,086	51%
Total	3,737	3,860	3,910	4,071	100%

Selected Highlights of Combined Portfolio

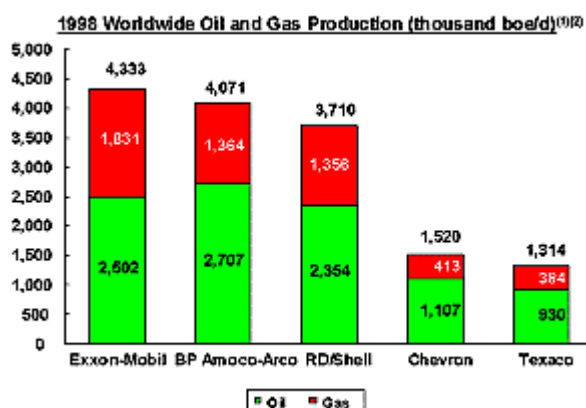
- Largest oil and gas producer in the US and in the UK
- Diverse and balanced portfolio with established core areas in: Alaska, Gulf of Mexico, UK North Sea, Latin America, North Africa, West Africa, South East Asia, Australia and the Caspian
- Potential for significant margin enhancement through synergies in OECD core : Alaska, US Lower 48, Gulf of Mexico and UK North Sea
- Leading gas company with a diverse portfolio of large scale producing gas assets such as Sanga Sanga (Indonesia), Britannia (UKCS) and North West Shelf (Australia) and exciting development projects such as Shearwater (UKCS), Trinidad LNG, Malaysia/Thailand Joint Development, North Field (Qatar), and Tangguh (Indonesia)
- A leading gas player in the Far East

Source: Annual Reports and Financial Supplements

Notes: One barrel of crude oil = 5,800 cubic feet of gas

Reserves and production include equity affiliates or associated undertakings

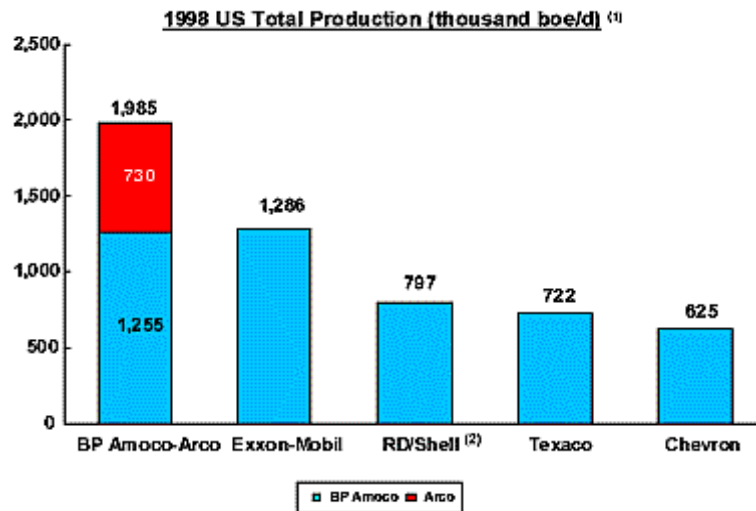
1998 Worldwide Oil and Gas Production



Source: Annual Reports, Financial Supplements and Company Press Releases

Notes:(1) One barrel of crude oil = 5,800 cubic feet of gas; (2) Includes associated undertakings

1998 US Total Production

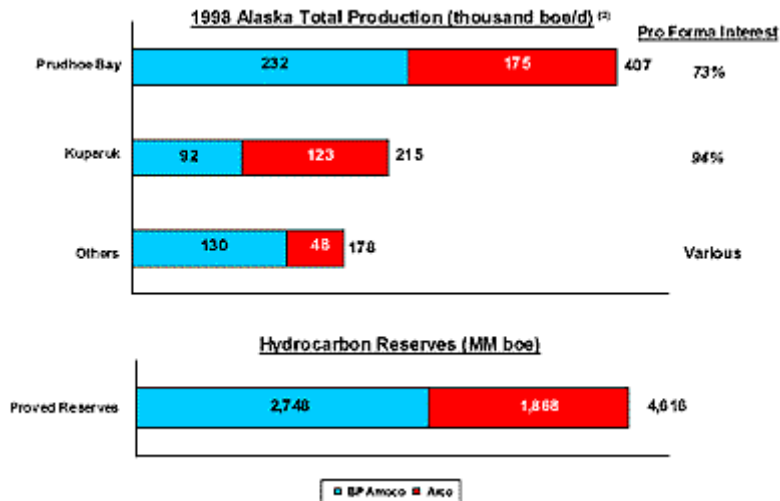


Source: Annual Reports, Financial Supplements and Company Press Releases
 Notes: Top 5 producers in the US; One barrel of crude oil = 5,800 cubic feet of gas

(1) Unless otherwise noted

(2) 1997A figures are the latest available for RD/Shell and excludes Canada

Alaska



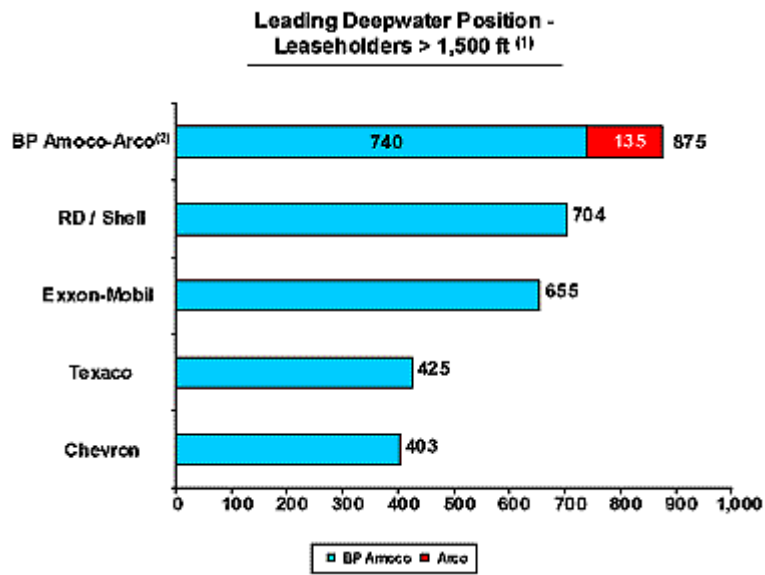
Source: Annual Reports and Financial Supplements

Notes: One barrel of crude oil = 5,800 cubic feet of gas

(1) Equals 40% of combined US production and 52% of combined US reserves

(2) Excludes gas produced and reinjected

Gulf of Mexico



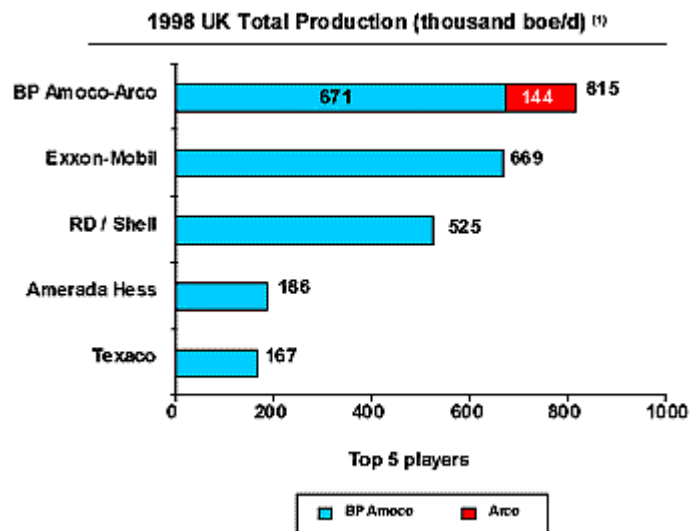
Source: Offshore Data Services, Inc.

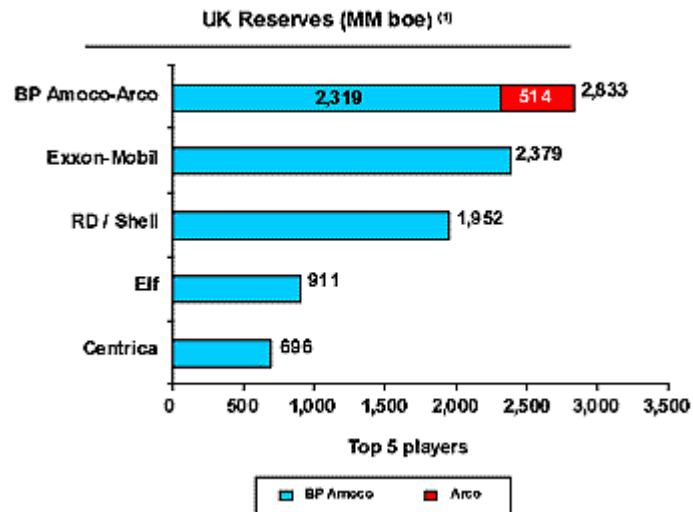
Notes:

(1) Ranked by Number of Blocks (% interest)

(2) Includes 100% of Vastar share, Arco owns 82.1% of Vastar

UK





Source: Wood Mackenzie UK Corporate Services, August 1998 and Annual Reports and Financial Supplements

Note: (1) One barrel of crude oil = 5,800 cubic feet of gas

Key Assets & Interests

- Britannia 9%
- Bruce 37%
- ETAP Various
- Foinaven 72%
- Forties 95%
- Harding 70%
- Magnus 85%
- Miller & Brae 20-40%
- Schiehallion 33%
- Shearwater 28%
- Southern North Sea Various
- Wytch Farm 68%

Downstream

BP Amoco-Arco Downstream Volumes and Share

Petroleum Product Sales Volumes (thousand boe/d)			
	1996	1997	1998
UK	242	260	261
Rest of Europe	672	752	769
US	1,972	2,009	2,067
ROW	571	606	603
Trading/supply sales	1,530	1,592	1,665
Total	4,987	5,219	5,365

Estimated 1997 Market Share of Retail Fuel Sale in OECD Europe(1)	
Shell	12%
Exxon	11%
BP/Mobil	9%
Agip	7%
Elf (2)	6%
Repsol	4%
Aral	5%
Others	46%
Total	100%

Source: Annual Reports and Financial Supplements

Notes:

(1) Source: Wood Mackenzie, April 1998

(2) Includes 100% of Cepsa

BP Amoco-Arco Refining Capacity (3)		
Country	Net Capacity (thousand boe/d)	% of Total
US	1,940	59%
UK	274	8%
France	207	6%
Germany	100	3%
Netherlands	193	6%
Spain	77	2%
Turkey	48	2%
Total Europe	899	28%
Australia	213	6%
New Zealand	28	1%
Singapore	95	3%
Kenya	12	0%
South Africa	90	3%
Total Rest of World	438	13%
Total	3,277	100%

Note: (3) Crude distillation capacity as at 31/12/1998

Vastar

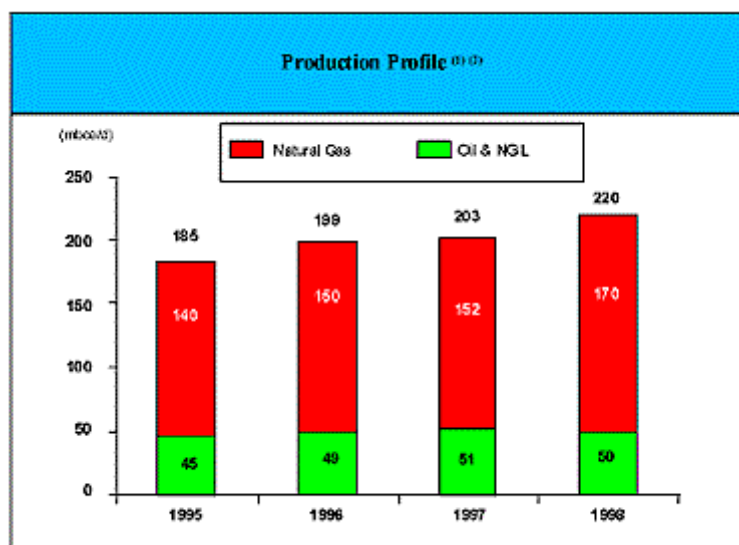
Overview

- Vastar is one of the largest independent oil and natural gas exploration and production companies in the United States
- Headquartered in Houston, Texas, Vastar has approximately 1,100 employees
- Vastar Common Stock is traded on the New York Stock Exchange under the symbol VRI
- The company was created in 1993 and became a public company in 1994 through an initial public offering of shares by parent firm Arco (ARC)
- Arco owns 82.1 percent of Vastar's common shares

Valuation Summary

Share Price (\$)(3)	48.44	Shares Outstanding (MM) (2)	97.4
52 Week High (\$)	52.31	Equity Value (\$MM)	4,718
52 Week Low (\$)	37.56	Net Debt 98 (\$MM) (2)	1,284
% of 52 Week High	93%	Aggregate Value (\$MM)	6,002

Production Profile (1) (2)



Notes:

(1) One barrel of crude oil = 5,800 cubic feet of gas

(2) Source: Vastar 1998 10-K

(3) As of March 30, 1999

1998 Reserves (1) (2)

Proved Reserves	Gas (bcf)	Liquids (MM bbl)	Total (MM boe)
Gulf of Mexico	863	133	282
Gulf Coast	186	32	64
San Juan/Rockies	775	2	136
Mid-Continent	766	18	150
Total	2,590	185	632

Chemicals

Chemicals Ranking

Company	1998 Sales (US\$ bn)
Dow	18.4 (1)
BASF	15.0 (2)
Royal Dutch Shell	12.3
Exxon	11.7
BP Amoco-Arco (3)	9.7
Union Carbide	5.7

Other Oil Companies	1998 Sales (US\$ bn)
ENI (4)	5.7
Chevron	3.2
Mobil	2.4

Global Market Position

- #1 PTA (5)
- #1 Paraxylene
- #1 Acetic acid free market
- #1 Acrylonitrile
- #1 PIB (6)
- #2 Polypropylene
- #2 Alpha-Olefins

Leading Technology

- PTA
- Acetic acid and VAM (7)
- Polyethylene
- Polypropylene
- Acrylonitrile
- Solvents
- Alpha-Olefins

Source: Annual Reports and Financial Supplements

Notes:

- (1) Includes share of JV sales
- (2) Basic chemicals and plastics/fibres business
- (3) Excludes JV sales
- (4) 1997A figures
- (5) Purified terephthalic acid
- (6) Polybutene
- (7) Vinyl acetate

Chemical Site Locations

Site	Country	Main Products
Lima	US	Acrylonitrile
Green Lake	US	Acrylonitrile
Texas City	US	Acetic Acid, Solvents, Styrene, Paraxylene
Whiting	US	Polymers
Joliet	US	Industrial Chemicals
Decatur	US	Paraxylene/PTA
Cooper River	US	PTA
Pasadena Deer Park	US	Alpha-olefins
Chocolate Bayou	US	Olefins, Polypropylene
Cedar Bayou	US	Polypropylene
Marietta	US	Polymers
Augusta	US	Polymers
Greenville/Rockhill	US	Polymers
Baglan Bay	UK	Solvents, Styrene
Grangemouth	UK	Polymers, Olefins, Solvents
Hull	UK	Acetic acids, Solvents
Wilton	UK	Polymers, Olefins

Feluy	Belgium	Alpha-Olefins
Geel	Belgium	PTA, Polypropylene
Lavera	France	Polymers, Olefins, Solvents
Gonfreville	France	Polypropylene
Wingles	France	Styrenics
Dormagen	Germany	Polymers, Olefins
Marl	Germany	Styrenics
Merak	Indonesia	Polymers, Olefins
Kertih	Malaysia	Polymers, Olefins
Kuantan	Malaysia	PTA
Chongqing	China	Acetic Acid
Kaohsiung	Taiwan	PTA
Ulsan	South Korea	PTA, Acetic Acid, Solvents
Singapore	Singapore	Paraxylene, Electronic materials
	Italy	Others
	Sweden	Styrenics

Source: Annual Reports and Financial Supplements

Sector Rankings

#2 Oil and Gas Production(3)(4)

thousand boe/d

Exxon-Mobil	4,333
BP Amoco-Arco	4,071
RD/Shell	3,710
Chevron	1,520
Texaco	1,314
ENI(7)	1,021
Elf	1,003

#3 Oil and Gas Reserves(2)(4)	
	MM boe/d
Exxon-Mobil(6)	21,092
RD/Shell(7)	20,445
BP Amoco-Arco	19,506
Chevron	6,301
ENI(8)	5,210
Total(9)	5,083
Texaco	4,697

#2 SEC 10(5)	
	US\$ bn
Exxon-Mobil(6)	50.9
BP Amoco-Arco	45.6
RD/Shell	44.8
ENI	19.4
Chevron	15
Texaco	12.1

#3 Net Refining Capacity(10)	
	thousand boe/d
Exxon-Mobil	6,088
RD/Shell	4,030
BP Amoco-Arco	3,399
Chevron	1,548
Texaco	1,546
ENI	955
Elf	930

Source: Annual Reports, Financial Supplements and Company Press Releases

Notes:

(1) Worldwide publicly traded companies included

(2) Booked reserves at 31/12/98, excludes proven unbooked reserves

(3) Average daily production during 1998

(4) One barrel of oil equivalent = 5,800 cubic feet of gas, unless indicated otherwise

(5) Standardised measure of discounted future net cash flows relating to proved oil and gas reserves, as at 31/12/97

(6) Exxon figures from 1998 10-K; Mobil figures from company press release

(7) Based on estimated replacement ratios for oil and gas proved reserves of 140% and 250%, respectively, per press release on February 11, 1999

(8) Oil equivalents per preliminary results

(9) As reported in Exchange Offer Prospectus, March 24, 1999 (does not include Petrofina)

(10) As at 31/12/97

Key Statistics 1998

UK GAAP BP Amoco

- Revenues \$83,732
- Operating Profit(2) \$6,437
- Replacement cost profit (3) \$4,651
- RC profit before exceptional items \$3,999
- Avg. capital employed \$56,169
- ROACE (4), 9.1%
- Employees (YE 1998) 96,650
- Reserves (6) 14,967 MM boe
- Production (6) 3.050 MM boe/d

US GAAP ARCO

- Revenues \$10,809
- Operating profit \$(1,282)
- Reported net income (3) \$452
- Net income before special items & discontinued operations \$575
- Avg. capital employed \$14,566
- ROACE (4)(5) 6.9%
- Employees (YE 1998) 18,400
- Reserves (6) 4,539 MM boe
- Production (6) 1.021 MM boe/d

Notes:

(1) All \$ amounts in millions. Source: Annual Reports

(2) Total replacement cost operating profit

(3) BP Amoco based on UK GAAP, ARCO based on US GAAP

(4) ROACE defined as (net income pre exceptionals plus pre-tax interest expense) / average capital employed. Capital employed defined as total debt + minorities + equity, ROACE not strictly comparable since based on different GAAP

(5) Interest expense adjusted for \$153 million tax refund in 1998

(6) One barrel of crude oil = 5,800 cubic feet of gas