

BG GROUP PLC

2001 FIRST QUARTER RESULTS

“BG Group made a good start to the year and continued to deliver strong profit and earnings growth in the first quarter.”

Richard V Giordano, Chairman

BUSINESS PERFORMANCE: RESULTS EXCLUDING EXCEPTIONAL ITEMS

	First Quarter	
	2001 £m	2000 £m <i>(restated)</i>
Turnover (i)	692	555
Total operating profit	232	178
Earnings	136	121
Earnings per share	3.9p	3.5p

- Total operating profit rose by 30% to £232 million.
- Excluding the impact of changes in gas and oil prices in the upstream business, the Group's total operating profit rose by 21%.
- Earnings per share rose by 11% to 3.9 pence.

Total operating profit/(loss) by business segment:

- Exploration and Production	171	152
- Liquefied Natural Gas	20	5
- Transmission and Distribution	8	1
- Power Generation	36	38
- Storage	5	(5)
- Other activities	(8)	(13)
	232	178

On 1 January 2001, BG implemented Financial Reporting Standard (FRS) 19, 'Deferred Tax'. 2000 earnings figures have been restated accordingly. See note 1 for further information.

i) Turnover excludes BG's share of joint ventures.

The Transco business and BG's former property, leasing, technology and energy services businesses were demerged to the Lattice Group plc with effect from 23 October 2000. Comparatives exclude discontinued operations.

BG GROUP PLC – HIGHLIGHTS

Financial Performance

- BG Group made a strong start to 2001 in the first quarter.
- Total operating profit* increased by 30% to £232 million in the first quarter.
- Excluding the impact of changes in upstream gas and oil prices, total operating profit* rose by 21%.
- Earnings* increased by 12% to £136 million.
- EPS* rose by 11% to 3.9 pence.

Business Developments

- The Rosetta field in Egypt came on stream on 31 January.
- The Elgin field in the UK North Sea achieved first production on 31 March.
- Storage's auctions of annual capacity for the Rough and Hornsea facilities achieved prices around 40% higher than at last year's auctions. Bidding for Rough capacity was nearly six times that on offer.
- BG successfully completed a partial sell down of its Northern Ireland distribution company, Phoenix Natural Gas Limited, for approximately £50 million.
- BG has been granted firm transportation capacity through the Bolivia-Brazil pipeline and also secured a gas sales agreement allowing up to 3.1 million cubic metres per day of its Bolivian equity gas to be sold to Comgas until December 2002.
- A definitive agreement was signed with the Egyptian General Petroleum Corporation enabling the development of an integrated LNG export project in Egypt. BG is in discussions with several major potential customers and is the largest holder of uncontracted gas reserves in Egypt.
- BG completed the assignment of its gas sales contracts with Wingas to EDF Trading, together with the relevant transportation capacity in the UK-Continent Interconnector pipeline and in the Belgian transit system.
- Encouraging results were received from the Kashagan West-1 well test.
- The House of Lords ruled in favour of the CATS partners in their dispute with Teesside Gas Transportation Limited, an Enron subsidiary. BG's share of the award is approximately £51 million including interest.

* *Excluding exceptional items*

FINANCIAL REVIEW**First Quarter****Group Results excluding exceptional items**

The information presented below relates to the first quarters in 2000 and 2001 unless otherwise stated.

	First Quarter		%
	2001 £m	2000 £m (restated)	
Turnover	692	555	+25%
Total operating profit	232	178	+30%
Net interest	(21)	(17)	+24%
Tax	(75)	(43)	+74%
Earnings	136	121	+12%
Earnings per share	3.9p	3.5p	+11%
Capital expenditure including investment	219	177	+24%

BG turned in a strong performance in the quarter with total operating profit increasing by 30%. Excluding the impact of changes in upstream gas and oil prices, BG's total operating profits increased by 21%.

The £4 million increase in net interest is principally due to interest payable on higher borrowings and an increase in BG's share of the interest charge of its joint ventures. A full analysis of the interest charge is set out in note 4.

The tax charge is based on an effective tax rate of 35%, which reflects the impact of the implementation of FRS 19, 'Deferred Tax', on 1 January 2001 (see note 1) for which prior periods have been restated. Had the standard not been implemented, the effective tax rate would have been approximately 2% higher.

The increase in the effective tax rate, compared to 2000, is principally due to the tax leakage resulting from the demerger. The effective tax rate used in the first quarter is based on the estimated tax rate for the year and any changes in the tax rate will be reflected in the fourth quarter.

Earnings per share increased by 11% to 3.9 pence, reflecting the higher operating profit partially offset by the increase in the effective tax rate.

Capital expenditure in the period was principally in the UK (£80 million), Kazakhstan (£39 million), the Mediterranean Basin (£12 million), the Southern Cone (£31 million) and Trinidad (£34 million).

Cash flow from operating activities decreased to £176 million from £249 million, reflecting higher operating profit offset by the payment of exceptional demerger costs (£21 million) and an increase in the level of working capital including payments made in respect of the employee profit share scheme (£29 million).

Further detail of the operating results by business segment is given below.

- **Exploration and Production**

Revenue and Profit	First Quarter		%
	2001 £m	2000 £m	
Turnover	394	322	+22%
Total operating profit	171	152	+13%

- The £72 million increase in turnover was mainly due to changes in gas and oil prices (£20 million) and an increase in sales of purchased gas (£47 million).
- Absolute production costs fell by £1 million (2%). Other costs increased by £48 million to £73 million; this was principally due to higher volumes of gas purchased for resale (£40 million), which is more than offset by the related increase in turnover.

■ **Exploration and Production (continued)**

Production and realised prices	First Quarter		
	2001	2000	%
Production volumes (mmboe)			
- oil and liquids	6.55	6.67	-2%
- gas	20.61	20.00	+3%
- total	27.16	26.67	+2%
Average realised oil and liquids price per barrel	£12.55 (\$18.40)	£12.74 (\$20.46)	-1% -10%
Average realised gas price per therm	17.06p	13.44p	+27%

- Total production volumes increased by 0.49 million barrels of oil equivalent (mmboe) in the quarter principally reflecting an increase from the Easington Catchment Area (ECA).
- The average realised gas price across BG's total portfolio rose by 3.62 pence per therm to 17.06 pence per therm, principally due to the impact of oil prices on gas contract indices and higher prices realised on gas purchased for resale.

Unit costs	First Quarter		
	2001	2000	%
Operating expenditure per boe	£1.79 (\$2.62)	£1.79 (\$2.87)	- -9%
Lifting costs per boe	£0.91 (\$1.34)	£0.95 (\$1.53)	-4% -12%

Lifting costs are defined as operating expenditure excluding royalties, tariffs and insurance

- Unit operating expenditure was stable at £1.79 per boe in the quarter despite higher royalties (6 pence per boe, principally relating to higher income from Bolivian assets), offset by a reduction in tariffs (1 pence per boe) and insurance (1 pence per boe).
- Excluding the impact of the stronger US dollar (3 pence per boe), unit lifting costs fell by 7 pence per boe (7%).

Capital expenditure	First Quarter		
	2001	2000	%
Development expenditure	£114m	£73m	+56%
Gross exploration expenditure	£21m	£19m	+11%

- The development capital expenditure in the quarter was incurred principally on the Karachaganak field in Kazakhstan (£39 million), the North Coast Marine Area (NCMA) in Trinidad (£10 million), West Delta Deep in Egypt (£8 million), and the Everest/Lomond (£12 million), Blake (£11 million), Elgin/Franklin (£7 million) and Jade (£6 million) fields in the North Sea.
- Gross exploration expenditure increased by 11% in the quarter. The expenditure was made principally in Kazakhstan on Kashagan West-1 well, in the UK on Judy and North Davy wells and on seismic acquisition offshore Tunisia. Only one exploration and appraisal well was completed in the quarter (Itau X-2 in Bolivia) and this continued BG's 100% success rate since the beginning of 2000.

▪ **Liquefied Natural Gas**

	First Quarter		%
	2001 £m	2000 £m	
Turnover	26	3	+767%
Total operating profit	20	5	+300%
Capital expenditure including investment	24	2	+1,100%

- The £23 million increase in turnover reflects increased income from BG's LNG shipping activities.
- Total operating profit was £15 million higher primarily due to the increased shipping income referred to above (£8 million increase in profit) and the increased operating profits of Atlantic LNG (ALNG) of £14 million (2000 £6 million). The improvement at ALNG reflects both higher volumes and gas prices.
- Investment in 2001 relates to the two-train expansion of ALNG.

▪ **Transmission and Distribution**

	First Quarter		%
	2001 £m	2000 £m	
Turnover	160	143	+12%
Total operating profit	8	1	+700%
Capital expenditure including investment	34	16	+113%

- The 12% increase in turnover is due to Comgas (£20 million) and arose primarily through increased volumes as a result of sales to new customers and the expansion of the industrial network. Turnover at MetroGAS fell by £9 million mainly due to wetter weather this quarter leading to the displacement of gas demand by hydroelectric power.
- The improvement in total operating profit is principally due to Comgas volumes mentioned above and a full quarter's results from the Bolivia-Brazil pipeline (an associated undertaking) which commenced commercial operations late in the first quarter of 2000.
- Capital expenditure in the quarter was incurred mainly on the expansion of the transmission and distribution networks at Comgas.

2001 FIRST QUARTER RESULTS

▪ Power Generation

	First Quarter		%
	2001 £m	2000 £m	
Turnover	65	57	+14%
Total operating profit	36	38	-5%
Capital expenditure including investment	36	72	-50%

- The 14% increase in turnover in the quarter was primarily due to the pass through of higher energy costs, offset by lower availability, at Premier Power in Northern Ireland.
- Total operating profit fell by £2 million due to a fall in Premier Power availability payments.
- Capital expenditure in 2001 was principally on the Premier Power Combined Cycle Gas Turbine (CCGT) project, the San Lorenzo project in the Philippines and Seabank Phase 2 (385 MW).

▪ Storage

	First Quarter		%
	2001 £m	2000 £m	
Turnover	20	16	+25%
Total operating profit/(loss)	5	(5)	-
Capital expenditure including investment	2	1	+100%

- The increase in turnover was due to a 25% increase in capacity sales at the Rough storage facility, offshore UK, together with higher gas prices in January, which generated increased use of the facility.
- Storage's increased operating profit was due principally to the increase in turnover, together with a £4 million reduction in the depreciation charge.

▪ Other activities

- Other activities comprise gas sales and transportation under certain long-term gas sales and purchase contracts, corporate costs and new business development expenditure. BG's share of Dynegy's operating profit was included until its disposal during the first quarter of 2000.
- Other activities made a loss of £8 million in the quarter, compared to a loss of £13 million in 2000, the improvement being principally due to improved margins on the sale of gas under certain long-term gas contracts, partially offset by an increase in new business development expenditure.

Group Results: exceptional items

	£m
House of Lords judgment: turnover	34
Partial disposal of investment: profit on disposal	21
House of Lords judgment: interest	17
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Impact on profit before tax	72
Tax impact of exceptional items	(21)
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Impact on earnings	51
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House of Lords judgment

The 2001 first quarter results have been impacted by the House of Lords judgment in favour of the Central Area Transmission System (CATS) partners (BG 51.18%) in their dispute with Teesside Gas Transportation Limited (an Enron subsidiary) (TGTL).

The dispute involved the CATS partners' claims for certain transportation tariffs from TGTL under the CATS Capacity Reservation and Transportation Agreement, and counterclaims by TGTL for reimbursement of tariffs actually paid prior to the period of dispute.

The House of Lords judgment gives rise to income of £34 million and £17 million interest receivable, resulting in a £51 million credit to profit before tax, which is partially offset by a £15 million tax charge, resulting in a net £36 million increase in earnings.

Partial disposal of investment

During the first quarter, BG disposed of a 24.5% share in Phoenix Natural Gas Limited (Phoenix), the Northern Ireland natural gas distribution company. The sale reduces BG's interest in Phoenix to 51% and realised proceeds of around £50 million resulting in a £21 million profit.

BUSINESS DEVELOPMENTS

▪ United Kingdom

First production from the Elgin field in the North Sea was achieved on 31 March. The Franklin field is anticipated to come on stream later this year. A plateau rate for the Elgin/Franklin development of 140,000 barrels of condensate per day (bcpd) and 13 million cubic metres per day (mmcmd) of gas (gross) is expected to be reached by year end.

In early March, BG disposed of a 24.5% share in Phoenix Natural Gas Limited (Phoenix), the Northern Ireland natural gas distribution company. The sale reduces BG's interest in Phoenix to 51% and realised proceeds of around £50 million.

Following the successful tender for advanced sales of storage capacity at its Rough facility in December 2000, the auctions of annual capacity at both Rough and Hornsea facilities took place in the first quarter of 2001, achieving prices around 40% higher than at last year's auctions. The bidding for capacity at Rough was almost six times the capacity on offer.

The House of Lords ruled in favour of the CATS partners in their dispute with Teesside Gas Transportation Limited (TGTL). This overturned a previous Court of Appeal ruling over a 25-year agreement with TGTL. BG's share of the award is approximately £51 million including interest.

BG completed the assignment of its onerous gas sales contracts with Wingas, which were inherited on the demerger of Centrica plc in 1997. These contracts were assigned to EDF Trading Limited (EDFT), together with the relevant transportation capacity in the UK-Continent Interconnector pipeline and in the Belgian transit system. BG has also entered into arrangements for the supply of gas to EDFT, and has agreed to pay EDFT £184 million in cash, which is fully covered by a provision.

The Jade and Blake projects continue to progress well and are on schedule.

▪ Europe and Mediterranean Basin

The Rosetta field in Egypt entered commercial production on 31 January. Production is expected to rise to a plateau rate of 275 million standard cubic feet per day (mmscfd) by mid-2002.

Also in the first quarter, BG signed a major agreement with the Egyptian General Petroleum Corporation relating to the development of an integrated liquefied natural gas (LNG) export project in Egypt. The project involves the combined development of discovered uncontracted gas reserves offshore the West Delta Deep Marine concession and the construction of a \$900 million onshore liquefaction plant at Idku on the Mediterranean coast, east of Alexandria. Negotiations are progressing with several major potential customers. It is anticipated that project sanction will follow completion of the front end engineering design studies and conclusion of LNG sales agreements. BG anticipates first deliveries of LNG in 2005.

▪ Eastern Hemisphere

Phase 2 of the Karachaganak development continues to progress on schedule and first production from the new facilities is expected to commence in 2003.

In March, linefill of the Caspian Pipeline Consortium (CPC) export pipeline commenced. BG will use the CPC export pipeline to transport liquids from the Karachaganak field.

A second well on the Kashagan structure in the Caspian Sea gave encouraging results. The Kashagan West-1 well encountered hydrocarbons and was tested in April at rates of up to 3,400 barrels of oil per day and 7.6 mmscfd. Kashagan West-1 is the second well drilled by the North Caspian Sea Consortium and is located approximately 40 kilometres from the discovery well Kashagan East-1 in the north east sector of the Caspian Sea.

▪ **Eastern Hemisphere (continued)**

Following the completion of the Kashagan West-1 well, it is planned that the Sunkar drilling rig will return to Kashagan East to continue with an appraisal drilling campaign. Studies are now commencing for the possible development of the field.

In the first quarter, Bongkot achieved its highest ever daily production level, producing 628 mmscfd and 17,449 bcpcd, during the successful Phase 3b drilling campaign.

▪ **South America**

BG has been granted firm access until December 2002 to transport gas through the Bolivia-Brazil pipeline from Santa Cruz in Bolivia to São Paulo in Brazil. It is BG's intention to seek capacity on a longer term basis. In addition, earlier this year BG was awarded interruptible capacity rights in this pipeline.

BG has also secured a gas sales agreement that allows its wholly-owned Bolivian gas company, BG Bolivia Corporation, to sell gas to Comgas, the São Paulo gas distribution company in which BG is majority shareholder. The gas sales agreement involves the supply of up to 3.1 mmcmd to Comgas until December 2002, supplied by BG's substantial reserves base in Bolivia. Of this 3.1 mmcmd, 2.1 mmcmd is through firm capacity and the remainder is on an interruptible basis.

The drilling and successful testing of the Itau X-2 well was completed in the period. In addition, a very promising long-term production test on appraisal well X-3 in the Margarita field in Bolivia was concluded in the first quarter. The well exceeded BG's expectations with an average flow rate of 30 mmscfd for 121 days. Substantial liquids production was achieved during the test and sold into local markets.

OUTLOOK

The excellent profit growth in the first quarter builds on the strong growth in 2000. Excluding the benefits of changes in upstream gas and oil prices, we achieved 21% growth in underlying operating profit for the quarter and are on track to deliver our objectives for the year.

Later this year, we look forward to seeing first production from the Blake, Jade and Franklin fields in the UK.

We remain focused on delivering our 2003 targets and we will continue to progress our projects around the world which will enable us to meet these targets, consolidating our position as BG -The Integrated Gas Major.

Richard V Giordano
10 May 2001

CERTAIN FORWARD LOOKING STATEMENTS

The preceding pages include "forward looking information" within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. Certain statements included in these pages, including without limitation, those concerning (i) BG's strategies, outlook and growth, (ii) BG's positioning to deliver its future plans and to realise its potential for growth, particularly growth in BG's underlying operating profit offsetting the impact of the higher tax rate, (iii) delivery of the performance required to meet its 2003 targets, (iv) expectations regarding demand for and prices of gas and, (v) the completion and commencement of commercial operations of certain of BG's projects including, but not limited to, the production rate of the Rosetta field in Egypt, the development of an integrated LNG export project in Egypt with EGPC and the conclusion of LNG sales agreements consequent thereon, first production from the new facilities at Karachaganak in 2003, the commencement of an appraisal drilling campaign at Kashagan East and first production from the Blake, Jade and Franklin fields in the UK, contain certain forward looking statements concerning the Company's operations, economic performance and financial condition. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, including gas and oil prices, (ii) success of implementing business and operating initiatives, (iii) changes in the regulatory environment and other government actions including UK corporation tax rates, (iv) the failure to ensure the safe operation of BG's assets worldwide, (v) implementation risk, being the challenges associated with delivering capital intensive projects on time and on budget, including the need to retain and motivate staff, (vi) commodity risk, being the risk of a significant fluctuation in gas and/or oil prices from those assumed, (vii) foreign exchange risk, in particular the US\$/UK£ exchange rate being significantly different to that assumed, (viii) risks encountered in the gas and oil exploration and production sector in general and (ix) business risk management, among other factors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT – FIRST QUARTER

	Notes	2001			2000 <i>(restated)</i>		
		Total £m	Excep- -tional items £m	Busi- -ness perfor- -mance £m	Total £m	Excep- -tional items £m	Busi- -ness perfor- -mance £m
Turnover – excluding share of joint ventures	3	726	34	692	555	-	555
Operating costs		(502)	-	(502)	(417)	-	(417)
Group operating profit	3	224	34	190	138	-	138
Share of operating profits less losses in joint ventures and associated undertakings		42	-	42	40	-	40
Total operating profit	3	266	34	232	178	-	178
Profit on disposal of subsidiary and associated undertakings		21	21	-	285	285	-
Profit on ordinary activities	3	287	55	232	463	285	178
Net interest	4	(4)	17	(21)	(17)	-	(17)
Profit on ordinary activities before taxation		283	72	211	446	285	161
Tax on profit on ordinary activities	5	(96)	(21)	(75)	(43)	-	(43)
Profit on ordinary activities after taxation		187	51	136	403	285	118
Minority shareholders' interest		-	-	-	3	-	3
Earnings		187	51	136	406	285	121
Earnings per ordinary share	6	5.3p	1.4p	3.9p	11.7p	8.2p	3.5p
Diluted earnings per ordinary share		5.3p	1.4p	3.9p	11.7p	8.2p	3.5p

NOTE: 2000 figures have been restated to reflect the implementation of FRS 19, 'Deferred Tax', on 1 January 2001 (see note 1).

CONSOLIDATED BALANCE SHEET

	As at	
	31 Mar 2001 £m	31 Dec 2000 £m <i>(restated)</i>
Fixed assets:		
Intangible assets	876	876
Tangible assets	4,003	3,863
Investments	611	562
	5,490	5,301
Current assets:		
Stocks	68	99
Debtors: amounts falling due within one year	616	522
Debtors: amounts falling due after one year	106	95
Current asset investments	58	129
Cash at bank and in hand	44	65
	892	910
Creditors: amounts falling due within one year:		
Borrowings	(250)	(321)
Other creditors	(822)	(831)
	(1,072)	(1,152)
Net current liabilities	(180)	(242)
Total assets less current liabilities	5,310	5,059
Creditors: amounts falling due after more than one year:		
Borrowings	(237)	(233)
Other creditors	(255)	(257)
	(492)	(490)
Provisions for liabilities and charges	(1,203)	(1,211)
	3,615	3,358
CAPITAL AND RESERVES		
BG shareholders' funds	3,386	3,158
Minority shareholders' interest	229	200
	3,615	3,358

NOTE: 2000 figures have been restated to reflect the implementation of FRS 19, 'Deferred Tax', on 1 January 2001 (see note 1).

MOVEMENT IN BG SHAREHOLDERS' FUNDS – FIRST QUARTER

	2001
	£m
Profit for the financial period	187
Currency translation adjustment	41
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Net increase in BG shareholders' funds for the financial period	228
BG shareholders' funds as at 31 December 2000:	
- as previously published	3,550
- restatement to prior period (i)	(392)
- as restated	3,158
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BG shareholders' funds as at 31 March 2001	3,386
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- i) 2000 figures have been restated to reflect the implementation of FRS 19, 'Deferred Tax', on 1 January 2001(see note 1).

CONSOLIDATED CASH FLOW STATEMENT – FIRST QUARTER

	2001 £m	2000 £m
Total operating profit	266	178
Less: House of Lords judgment in favour of the CATS partners	(34)	-
Total operating profit excluding exceptional items	232	178
Less: share of operating profit in joint ventures and associated undertakings	(42)	(40)
Group operating profit	190	138
Depreciation and amortisation	96	106
Unsuccessful exploration expenditure written off	-	-
Provisions for liabilities and charges	1	(9)
Payment of exceptional demerger costs	(21)	-
(Increase)/decrease in working capital	(90)	14
Net cash flow from operating activities	176	249
Dividends from joint ventures and associated undertakings	8	-
Returns on investments and servicing of finance (i)	(15)	1
Tax paid	(48)	(31)
Capital expenditure and investment (ii)	(199)	(179)
Proceeds from sales of assets (iii)	51	345
Management of liquid resources	71	(35)
Net cash flow before financing	44	350
Repurchase of share capital	-	(4)
Shares issued to minority shareholders	2	2
Net decrease in borrowings	(71)	(82)
Funding movements with Lattice (iv)	-	(245)
Net cash flow from financing activities	(69)	(329)
NET (DECREASE)/INCREASE IN CASH	(25)	21
Opening cash	64	31
Changing values of currency	3	5
CLOSING CASH (v)	42	57

i) Includes capitalised interest of £1 million (2000 £5 million).

ii) Includes loans to joint ventures and associated undertakings.

iii) Includes repayment of loans by joint ventures and associated undertakings.

iv) In 2000, represents settlement of balances between BG and the businesses demerged to Lattice, effective 23 October 2000.

v) Represents cash at bank and in hand of £44 million (2000 £57 million) offset by bank overdrafts of £2 million (2000 £nil).

RECONCILIATION OF NET BORROWINGS – FIRST QUARTER

	£m
Net borrowings as at 1 January 2001	(360)
Net decrease in cash in the period	(25)
Cash inflow from the management of liquid resources	(71)
Decrease in short-term borrowings	74
Increase in long-term borrowings	(3)
Net decrease in borrowings	71
Net borrowings as at 31 March 2001	(385)

Net borrowings attributable to MetroGAS, Comgas and Gujarat Gas are £376 million (1 January 2001 £343 million).

LIQUIDITY AND CAPITAL RESOURCES

All the information below is as at 31 March 2001, unless otherwise stated.

BG conducts its borrowing activities principally through BG Energy Holdings Limited (BGEH) (as borrower and as guarantor of the borrowings of certain wholly-owned subsidiary undertakings), MetroGAS and Comgas.

BGEH had a US\$1.0 billion US Commercial Paper Programme, which was undrawn.

BGEH also had 364-day committed multicurrency borrowing facilities of US\$0.617 billion, and medium-term committed multicurrency borrowing facilities of US\$0.617 billion, on which commitment fees of between 12.5 and 17.5 basis points per annum are payable. These facilities were undrawn. In addition, BGEH had uncommitted multicurrency borrowing facilities of £0.390 billion, of which £0.286 billion was unutilised.

MetroGAS had uncommitted borrowing facilities of Argentinian Pesos (ARS) 272.0 million, of which ARS 206.9 million was unutilised.

Comgas had committed borrowing facilities of Brazilian Reals (BRL) 20.0 million, which were undrawn, and uncommitted borrowing facilities of BRL 671.5 million, of which BRL 506.8 million was unutilised.

The gearing ratio (net borrowings as a percentage of net borrowings plus equity) was 9.6% (1 January 2001 9.7% (restated)).

Notes

1. Basis of preparation

The financial information contained in this quarterly report is unaudited and does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. BG's statutory accounts for the year ended 31 December 2000, which include the unqualified report of the auditors, have been filed with the Registrar of Companies. This results statement has been prepared on the basis of the accounting policies set out in those Annual Report and Accounts, with the exception of Financial Reporting Standard 19, 'Deferred Tax', which, as disclosed in the 2000 Annual Report and Accounts, has been adopted by BG as of 1 January 2001 (see below).

Implementation of new accounting standard: FRS 19, 'Deferred Tax'

FRS 19 has been implemented with effect from 1 January 2001. As the adoption represents a change in accounting policy, prior periods have been restated. Opening net assets have been reduced by £392 million and the effective tax rate for the quarter has been reduced by approximately 2% as a result of the adoption. Results above the profit before taxation line are not impacted.

Before adopting FRS 19, BG provided for deferred tax under Statement of Standard Accounting Practice (SSAP) 15, 'Accounting for Deferred Tax' under which deferred tax in respect of timing differences was provided only to the extent that it is probable that a liability or asset will crystallise. Under FRS 19, deferred tax is provided for all timing differences in full. BG has chosen not to discount the provision.

Note 7 sets out the impact of the adoption of FRS 19 on the quarterly results of 2000, continuing operations only.

2. Exceptional items

House of Lords judgment

The 2001 first quarter results have been impacted by the House of Lords judgment in favour of the Central Area Transmission System (CATS) partners in their dispute with Teesside Gas Transportation Limited (an Enron subsidiary). BG has a 51.18% ownership share in CATS.

In respect of this, income of £34 million is included within the turnover of Exploration and Production and there is a £17 million credit to interest. The resulting tax impact is a £15 million charge, leading to a net £36 million increase in earnings.

Partial disposal of investment

During the first quarter, BG disposed of a 24.5% share in Phoenix Natural Gas Limited (Phoenix), the Northern Ireland natural gas distribution company. The sale reduces BG's interest in Phoenix to 51% and realised proceeds of around £50 million resulting in a £21 million profit (Transmission and Distribution).

3. Segmental analysis: excluding exceptional items

The segmental analysis of turnover is shown below:

First Quarter	Turnover excluding share of joint ventures	
	2001 £m	2000 £m
Exploration and Production (i)	394	322
Liquefied Natural Gas	26	3
Transmission and Distribution	160	143
Power Generation	65	57
Storage	20	16
Other activities	44	19
Less: intra-group sales	(17)	(5)
	692	555

The segmental analysis of group operating profit/(loss), share of operating profits in joint ventures and associated undertakings and total operating profit/(loss) is shown below:

First Quarter	Group operating profit/(loss)		Share of operating profit in joint ventures and associated undertakings		Total operating profit/(loss)	
	2001 £m	2000 £m	2001 £m	2000 £m	2001 £m	2000 £m
Exploration and Production (i)	171	148	-	4	171	152
Liquefied Natural Gas	6	(1)	14	6	20	5
Transmission and Distribution	1	(4)	7	5	8	1
Power Generation	15	16	21	22	36	38
Storage	5	(5)	-	-	5	(5)
Other activities	(8)	(16)	-	3	(8)	(13)
	190	138	42	40	232	178

i) *Exploration and Production's 2001 results are stated excluding an exceptional receipt of £34 million in respect of the House of Lords judgment in favour of the CATS partners (see note 2). Including this receipt, Exploration and Production's results would have been: turnover £428 million and total operating profit £205 million.*

The share of turnover in joint ventures for the three months ended 31 March 2001 was £45 million (2000 £30 million). BG's share of operating profit of joint ventures for the three months ended 31 March 2001 was £18 million (2000 £17 million).

4. Net interest – first quarter

	2001 £m	2000 £m
Net interest payable on net borrowings	(6)	(3)
Interest capitalised	1	5
	(5)	2
Unwinding of discount on provisions (i)	(4)	(8)
Unwinding of discount on deferred income	(2)	(3)
Net interest: Group	(11)	(9)
Joint ventures	(7)	(2)
Associated undertakings	(3)	(6)
Total net interest: excluding exceptional items	(21)	(17)
Interest receivable on House of Lords judgment in favour of the CATS partners	17	-
Total net interest: including exceptional items	(4)	(17)

i) *Relates to the unwinding of the discount on provisions, included in the profit and loss account as a financial item within the net interest charge. The charge for the three months ended 31 March 2001 comprises interest arising on provisions in respect of: certain long-term gas sales contracts £nil (2000 £5 million) and decommissioning costs £4 million (2000 £3 million).*

5. Taxation – first quarter

The taxation charge for the period before exceptional items was £75 million (2000 £43 million), representing an effective tax rate of 35% (2000 27%) and the taxation charge including exceptional items was £96 million (2000 £43 million), representing an effective tax rate of 34% (2000 10%).

6. Earnings per ordinary share

The reconciliation of basic earnings and earnings excluding exceptional items is given below:

First Quarter	2001		2000 <i>(restated)</i>	
	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	187	5.3	406	11.7
Profit on disposals	(21)	(0.6)	(285)	(8.2)
House of Lords judgment in favour of the CATS partners	(51)	(1.4)	-	-
Tax impact of exceptional items	21	0.6	-	-
Earnings – excluding exceptional items	136	3.9	121	3.5

The reconciliation of basic earnings and earnings before interest, tax, depreciation and amortisation (EBITDA) is given below:

First Quarter	2001		2000 <i>(restated)</i>	
	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	187	5.3	406	11.7
Minority interest	-	-	(3)	(0.1)
Tax	96	2.8	43	1.2
Interest	4	0.1	17	0.5
Depreciation and amortisation	96	2.8	106	3.1
EBITDA – including exceptional items	383	11.0	569	16.4
Profit on disposals	(21)	(0.6)	(285)	(8.2)
House of Lords judgment in favour of the CATS partners	(34)	(1.0)	-	-
EBITDA – excluding exceptional items	328	9.4	284	8.2

NOTE: 2000 figures have been restated to reflect the implementation of FRS 19, 'Deferred Tax', on 1 January 2001 (see note 1).

7. Restatement of 2000 for adoption of FRS 19, 'Deferred Tax'

BG's adoption of FRS 19 (Deferred Tax) on 1 January 2001 requires the results of previous periods to be restated. The effect of this change in policy on the quarterly 2000 results of continuing operations only is set out below.

2000	First Quarter £m	Second Quarter £m	Third Quarter £m	Fourth Quarter £m	Full Year £m
Excluding exceptional items					
Profit before taxation	161	144	145	158	608
Tax – as previously published	(39)	(38)	(43)	(44)	(164)
Impact of FRS 19	(4)	(3)	(3)	(3)	(13)
Tax – as restated	(43)	(41)	(46)	(47)	(177)
Profit after taxation	118	103	99	111	431
Minority shareholders' interest	3	(8)	(13)	(1)	(19)
Earnings – as restated	121	95	86	110	412
Earnings per ordinary share	3.5p	2.7p	2.5p	3.2p	11.9p
Including exceptional items					
Earnings/(loss) – as previously published	410	(117)	81	20	394
Impact of FRS 19	(4)	57	(3)	(3)	47
Earnings/(loss) – as restated	406	(60)	78	17	441
Earnings/(loss) per ordinary share	11.7p	(1.7)p	2.2p	0.5p	12.7p
Impact on net assets - 2000					
		31 Mar £m	30 Jun £m	30 Sept £m	31 Dec £m
Net assets - as previously published		3,770	3,605	3,756	3,750
Impact of FRS 19 on provision for liabilities and charges		(443)	(386)	(389)	(392)
Net assets - as restated		3,327	3,219	3,367	3,358

8. Quarterly information

	2001	2000	2001	2000
	£m	£m	pence	pence
		<i>(restated)</i>		<i>(restated)</i>
First quarter				
- basic	187	406	5.3	11.7
- excluding exceptional items	136	121	3.9	3.5
Second quarter				
- basic		(60)		(1.7)
- excluding exceptional items		95		2.7
Third quarter				
- basic		78		2.2
- excluding exceptional items		86		2.5
Fourth quarter				
- basic		17		0.5
- excluding exceptional items		110		3.1
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Full year				
- basic		441		12.7
- excluding exceptional items		412		11.8
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**BG shareholders' funds
as at the period end**

	2001	2000
	£m	£m
		<i>(restated)</i>
First quarter	3,386	3,140
Second quarter		3,025
Third quarter		3,159
Fourth quarter		3,158

NOTE: 2000 figures have been restated to reflect the implementation of FRS 19, 'Deferred Tax', on 1 January 2001 (see note 1).

Enquiries

Enquiries relating to BG's results, business and financial position should be made to:

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Financial Calendar

Payment of 2000 final dividend

UK holders	8 June 2001
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American depository receipt holders	18 June 2001
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Announcement of 2001 second quarter and half year results	26 July 2001
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BG Group plc website: www.bg-group.com

Registered office

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