

BG GROUP PLC 2001 SECOND QUARTER RESULTS

“ BG Group continued to demonstrate strong growth in profit and earnings during the quarter, building on the excellent performance delivered in the first quarter of the year.

We remain on course to deliver our 2003 targets. We will continue to focus on driving our projects around the world which should allow us to meet these targets and will fuel our growth into the future.”

Richard V Giordano, Chairman

BUSINESS PERFORMANCE: RESULTS EXCLUDING EXCEPTIONAL ITEMS

	Second Quarter		Half Year	
	2001 £m	2000 (i) £m <i>(restated)</i>	2001 £m	2000 (i) £m <i>(restated)</i>
Turnover	636	550	1,328	1,105
Total operating profit	205	161	437	339
Earnings	112	95	248	216
Earnings per share	3.2p	2.7p	7.1p	6.2p
Interim dividend per share	1.5p	1.45p	1.5p	1.45p

- Total operating profit rose by 27% for the quarter and by 29% for the half year.
- At constant upstream prices, the Group's total operating profit rose by 15% for the quarter and by 18% for the half year.
- Earnings per share rose by 19% for the quarter and by 15% for the half year.
- Interim dividend per share increased by 3%.

	Second Quarter		Half Year	
	2001 £m	2000 £m <i>(restated)</i>	2001 £m	2000 £m <i>(restated)</i>
Total operating profit/(loss) by business segment:				
- Exploration and Production	139	101	310	253
- Liquefied Natural Gas	5	7	25	12
- Transmission and Distribution	40	32	48	33
- Power Generation	23	16	59	54
- Storage	8	5	13	-
- Other activities	(10)	-	(18)	(13)
	205	161	437	339

i) The Transco business and BG's former property, leasing, technology and energy services businesses were demerged to Lattice Group plc with effect from 23 October 2000. Comparatives are stated on a pro forma basis and exclude discontinued operations. For information on the Group including discontinued operations for the half year to 30 June, see note 8.

BG GROUP PLC – HIGHLIGHTS

- BG Group produced strong results for the second quarter and half year.
- Total operating profit* rose by 27% to £205 million.
- At constant upstream prices, total operating profit* rose by 15%.
- EPS* rose by 19% to 3.2 pence.
- Blake oil field came onstream.
- Lake Charles terminal deal was announced.
- Front end engineering study commenced for Atlantic LNG Train 4.
- A significant UK oil discovery, Buzzard, was made.
- The E&A success rate for the year to date is 75%.
- In July, BG agreed to sell BG Storage for £421 million in cash.
- BG contracted to buy two new build LNG ships for delivery in 2004.

* Second quarter excluding exceptional items

More detail on business developments is set out later in this document.

FINANCIAL REVIEW

Second Quarter

Group Results excluding exceptional items

The information presented below relates to the second quarters in 2001 and 2000 unless otherwise stated and refers to continuing operations only.

	Second Quarter		%
	2001	2000	
	£m	£m (restated)	
Turnover	636	550	+16%
Total operating profit	205	161	+27%
Net interest	(20)	(17)	+18%
Tax	(64)	(41)	+56%
Earnings	112	95	+18%
Earnings per share	3.2p	2.7p	+19%
Capital expenditure including investment	278	168	+65%

BG continued to perform strongly with total operating profit increasing by 27%. At constant upstream prices, BG's total operating profits increased by 15%.

The £3 million increase in net interest is principally due to higher debt levels. 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% (2000 28%). The increase compared to 2000 is principally due to the tax leakage resulting from the demerger. The effective tax rate used in this quarter is based on the estimated tax rate for the year.

Earnings per share increased by 19% to 3.2 pence, reflecting the higher operating profit partially offset by the increase in the effective tax rate.

Cash flow from operating activities excluding the impact of exceptional items increased to £77 million from £13 million, reflecting the increased operating profit and positive working capital flows, offset by the payment for the assignment of the Wingas contract.

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

▪ Exploration and Production

Revenue and Profit	Second Quarter		%
	2001	2000	
	£m	£m	
Turnover	318	284	+12%
Total operating profit	139	101	+38%

- The £34 million increase in turnover was mainly due to increased production (£11 million), changes in gas and oil prices (£20 million) and favourable exchange rate movements (£9 million), offset by a reduction in gas purchased for resale and stock transfers (£7 million).
- Production costs fell by £5 million (10%). Other costs decreased by £10 million to £19 million; this was principally due to a reduction in the volume of gas purchased for resale.

■ **Exploration and Production (continued)**

Production and realised prices	Second Quarter		
	2001	2000	%
Production volumes (mmboe)			
- oil	2.15	2.51	-14%
- liquids	3.89	3.38	+15%
- gas	19.19	18.33	+5%
- total	25.23	24.22	+4%
Volume of gas purchased for resale (mmboe)	1.35	2.49	-46%
Average realised oil price per barrel	£20.15 (\$28.69)	£17.62 (\$27.34)	+14% +5%
Average realised liquids price per barrel	£10.64 (\$15.15)	£9.97 (\$15.47)	+7% -2%
Average realised gas price per produced therm	15.51p	13.07p	+19%
Average realised gas price per therm	15.82p	13.53p	+17%

- Total production volumes increased by 1.01 million barrels of oil equivalent (mmboe) in the quarter reflecting increases from the Easington Catchment Area (ECA), Karachaganak, Rosetta (which came onstream in the first quarter) and Elgin, offset by reductions from J-Block and Everest.
- The average realised gas price per produced therm rose by 2.44 pence per therm (19%) to 15.51 pence per therm principally reflecting the higher UK contracted gas prices established in the fourth quarter of 2000. The increase also reflects the short-term impact of oil prices on international gas price indices.
- The average realised gas price across BG's total portfolio rose by 2.29 pence per therm to 15.82 pence per therm, principally due to the reasons given above and higher prices realised on gas purchased for resale.

Unit costs	Second Quarter		
	2001	2000	%
Lifting costs per boe	£1.16 (\$1.65)	£1.30 (\$2.01)	-11% -18%
Operating expenditure per boe	£2.10 (\$2.99)	£2.31 (\$3.58)	-9% -16%

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

- Lifting costs fell by 14 pence per boe (18 pence per boe excluding the impact of the stronger US dollar).
- Unit operating expenditure decreased by 21 pence to £2.10 per boe, reflecting lower lifting costs (14 pence per boe) and lower unit tariff costs (14 pence per boe), offset by higher royalties (6 pence per boe relating mainly to Bolivian production) and insurance (1 pence per boe).

▪ **Exploration and Production (continued)**

Capital and gross exploration expenditure	Second Quarter		
	2001	2000	
	£m	£m	%
Development expenditure	153	104	+47%
Capitalised exploration expenditure	23	13	+77%
Other exploration expenditure	16	11	+45%
Gross exploration expenditure	39	24	+63%

- Development capital expenditure in the quarter was incurred principally on the Karachaganak field in Kazakhstan (£62 million), West Delta Deep in Egypt (£25 million), the Blake (£13 million) and Jade (£13 million) fields in the North Sea and the North Coast Marine Area in Trinidad (£8 million).
- Gross exploration expenditure increased by 63% in the quarter. The expenditure was made principally in Kazakhstan on the Kashagan West-1 well, in the UK on the Rose, Judy and Buzzard wells and in Egypt on the Rosetta-9 well. Of the eight exploration and appraisal wells completed so far in 2001, six were successful.

▪ **Liquefied Natural Gas**

	Second Quarter		
	2001	2000	
	£m	£m	%
Turnover	21	5	+320%
Total operating profit	5	7	-29%
Capital expenditure including investment	30	16	+88%

- The £16 million increase in turnover reflects increased income from BG's LNG shipping activities.
- Total operating profit was £2 million lower reflecting profits from shipping and Atlantic LNG (ALNG) broadly in line with last year, offset by higher business development expenditure. Business development expenditure in the quarter related mainly to ALNG Train 4, Egyptian LNG and Tangguh LNG. Higher volumes and prices at ALNG were offset by the effect of a semi-annual price adjustment under certain netback pricing arrangements.
- Investment in 2001 relates to the two-train expansion of ALNG.

▪ **Transmission and Distribution**

	Second Quarter		%
	2001 £m	2000 £m	
Turnover	233	202	+15%
Total operating profit	40	32	+25%
Capital expenditure including investment	39	17	+129%

- The 15% increase in turnover is mainly attributable to Comgas (£16 million increase) and MetroGAS (£9 million increase). Turnover and volumes increased by 35% at Comgas following the expansion of its distribution network. The increase at MetroGAS is due to higher prices, an increased proportion of higher price residential sales and favourable US dollar exchange rates.
- The £8 million improvement in total operating profit is principally due to increased profits from MetroGAS and lower business development expense. The former arises from higher margins resulting from the favourable sales mix. Despite the increase in turnover, Comgas' operating profit was £3 million lower reflecting the impact of the weaker Real on gas costs and the translation into sterling.
- Capital expenditure in the quarter was incurred mainly on the expansion of the transmission and distribution networks at Comgas.

▪ **Power Generation**

	Second Quarter		%
	2001 £m	2000 £m	
Turnover	42	41	+2%
Total operating profit	23	16	+44%
Capital expenditure including investment	31	10	+210%

- Turnover increased by 2% in the quarter.
- Total operating profit increased by £7 million reflecting a full quarter's results for both Seabank Phase 2 in the UK (commissioned in January 2001) and Santa Rita in the Philippines (fully operational in August 2000).
- Capital expenditure in 2001 was principally on the Premier Power Combined Cycle Gas Turbine (CCGT) project in Northern Ireland and the San Lorenzo project in the Philippines.

- **Storage**

	Second Quarter		%
	2001	2000	
	£m	£m	
Turnover	22	21	+5%
Total operating profit	8	5	+60%
Capital expenditure including investment	1	3	-67%

- The increase in turnover was due to higher capacity and commodity sales at the Rough storage facility, offshore UK.
- Storage's increased operating profit reflects the increased sales and a lower depreciation and decommissioning charge.

- **Other activities**

- Other activities comprise corporate costs, new business development expenditure and residual activities relating to certain long-term gas contracts.
- Other activities made a loss of £10 million in the quarter (2000 breakeven) principally due to an increase in new business development expenditure. The comparative period in 2000 included the one-off release of corporate accruals.

Half Year

Group Results excluding exceptional items

The information presented below relates to the first six months in 2001 and 2000 unless otherwise stated and refers to continuing operations only.

	Half Year		%
	2001 £m	2000 £m (restated)	
Turnover	1,328	1,105	+20%
Total operating profit	437	339	+29%
Net interest	(41)	(34)	+21%
Tax	(139)	(84)	+65%
Earnings	248	216	+15%
Earnings per share	7.1p	6.2p	+15%
Capital expenditure including investment	497	345	+44%

BG's total operating profit increased by £98 million (29%) and at constant upstream prices, BG's total operating profit increased by 18%.

The increase in total operating profit was due to:

- A £57 million increase in Exploration and Production due to increased production, higher gas and oil prices and favourable exchange rate movements.
- A £13 million increase in LNG due to higher volumes and prices at ALNG and an increase in shipping activity.
- A £15 million increase in Transmission and Distribution profit. MetroGAS' results reflected higher prices and favourable exchange rate movements, offset by lower volumes as a result of the wetter weather earlier in the year leading to the displacement of gas demand by hydroelectric power. Higher volumes at Comgas were offset by adverse exchange rate movements.
- A £5 million increase in Power Generation profits primarily relating to the commencement of full commercial operations at Seabank Phase 2 and Santa Rita.
- A £13 million improvement in Storage, mainly due to increased capacity and commodity sales and a lower depreciation and decommissioning charge.
- A £5 million fall in Other activities reflecting the disposal of BG's interest in Dynegy Inc. in the first quarter of 2000, one-off credits in 2000 relating to the release of corporate accruals and, in 2001, higher business development expenditure, partially offset by improved margins on the sale of gas under certain long-term contracts.

The £7 million increase in net interest is principally due to the higher level of borrowings. 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.

Earnings per share increased by 15% to 7.1 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 (£171 million), Kazakhstan (£113 million), Trinidad (£72 million), the Southern Cone (£69 million) and the Mediterranean Basin (£41 million).

Cash flow from operating activities excluding the impact of exceptional items increased to £274 million from £262 million, reflecting the higher operating profit and movements on working capital balances, partially offset by the payment for the assignment of the Wingas contract.

BUSINESS DEVELOPMENTS

United Kingdom

The BG-operated Blake oil field (BG 44%) in the northern North Sea commenced production on 27 June, 18 months after receiving government approval for the development. Excellent project execution enabled first production around two months ahead of schedule with costs some 10% below budget. Blake is expected to reach its peak production level before the end of the year. This project and plans for further exploration drilling in the Blake area later in 2001 underline BG's continuing commitment to the United Kingdom Continental Shelf (UKCS).

The Elgin field, which initially came onstream in the first quarter producing condensate, commenced gas export on 24 May. The Franklin field is scheduled to commence production in September. Production from the Elgin/Franklin fields (BG 12.35%) is expected to reach plateau by the end of the year.

First production from the central North Sea project Jade (BG 35%) is scheduled for the fourth quarter of 2001. The installation of the jacket and topsides was completed in late May. Modification of the rig was completed in June and work has commenced on the drilling and tie back of wells.

In the second quarter, BG announced a significant oil discovery in the North Sea. BG (19.99%) drilled and tested the Buzzard well on behalf of the consortium partners. The plan to sidetrack was announced on 7 June and this sidetrack encountered the same high quality hydrocarbon bearing reservoir sands as the original well bore. Both the discovery and sidetrack wells contain more than 250 feet of hydrocarbon bearing sandstone, with an average porosity of 24% and high permeability. The sidetrack has extended the oil column of the discovery to at least 750 feet. These two wells have indicated oil reserves of over 200 million barrels in this part of the Buzzard structure.

The P16 exploration well (BG 30.5%) in the J-Block area of the central North Sea was both successfully drilled and brought onstream in the second quarter.

BG announced the gas discovery R2 (BG 60%) in the southern North Sea. During testing, the well flowed at a maximum sand free rate of 30 million standard cubic feet per day (mmscfd) of natural gas and 90 barrels per day of condensate on a 68/64th inch choke. These rates were constrained by the limits of the testing equipment. Further studies are planned to fully evaluate the discovery.

BG was awarded three blocks in the UKCS 19th Licensing Round in May. The blocks (BG 40%) are located in the Atlantic Margin Area, west of the Shetlands - two of which are adjacent to interests in the Faroes exploration licence.

A sale and purchase agreement was signed on 16 July for the sale of BG Storage and associated assets for £421 million in cash. Completion is anticipated for around the end of the third quarter.

Trinidad

The front end engineering design (FEED) study for Atlantic LNG (ALNG) Train 4 began in the second quarter. The planned capacity of this train is 4.8 million tonnes per annum (mtpa) and first production of LNG from this train is planned for 2005, subject to government agreement.

Good progress continues to be made on ALNG Trains 2 and 3, with Train 2 due onstream in mid-2002 and Train 3 due onstream in early 2003.

The North Coast Marine Area (NCMA) Hibiscus platform is on schedule to be floated out from Morgan City, Louisiana in August for installation 40 km north of Trinidad. Horizontal drilling has started for the onshore pipeline approach to ALNG and near-shore trenching has been completed for the pipeline shore approach. BG is operator of NCMA with 45.9% equity. First production is scheduled for the third quarter of 2002.

▪ North America

On 17 May, BG announced that it had signed a 22 year agreement for LNG terminalling services utilising all of the available capacity at the Lake Charles LNG importation facility on the Gulf Coast. This is North America's largest operating terminal. BG has been assigned about 80% of the terminal capacity from 1 January 2002 and 100% of the current capacity from 1 September 2005. The terminal currently has the capability to receive, store, vaporise and deliver an average daily send-out of 630 mmscfd of gas, and has access to 15 major inter-state natural gas pipelines. BG has several options for utilising capacity at the Lake Charles terminal including physical trading of LNG cargoes using its own shipping resources, and in the medium-term, selling its own equity LNG production into the US market.

In July, BG entered into an agreement for the purchase of two new build LNG ships and for options over a further six vessels. The two new 138,000 cubic metre ships are due to be delivered in the second and third quarters of 2004 and will serve BG's growing position in the LNG market place.

▪ Europe and Mediterranean Basin

The Rosetta field has been in production since January. Following the successful completion of the run-in period on 1 May, production has averaged 182 mmscfd and has achieved rates in excess of 300 mmscfd.

The Rosetta-8 exploration well, located 35 km north-west of the Rosetta development lease, was a gas discovery. A second exploration well, Rosetta-9 was a dry hole.

Since signature with the Egyptian General Petroleum Corporation (EGPC) in April 2001 of the landmark agreements for the implementation of a LNG export project in Egypt, BG and its partners including EGPC have been in discussions with a number of potential LNG buyers and have commenced engineering studies. The intention is to proceed to sanction the project early in 2002, with the first shipment of LNG scheduled for 2005.

On the Scarab/Saffron development, site activities have commenced for the construction of the onshore terminal, adjacent to the Rosetta terminal at Idku. Additionally, the contract for the installation of the offshore equipment has been awarded.

▪ Eastern Hemisphere

Mahanagar Gas Limited (MGL), BG's joint venture in Mumbai (formerly Bombay) has received Indian government approval to extend its operations into the New Mumbai area, adjacent to existing operations. This new concession could potentially access an additional 750,000 customers. This represents a significant value addition to MGL and a major step forward in the growth of the company. Although further approval is required from the Indian Petroleum and Natural Gas Ministry, plans are already in place to start pipelaying operations in October 2001, with delivery of first gas into New Mumbai scheduled for mid-2002.

BG obtained regulatory approvals for, and commenced investment in, a venture in Surat, India, to provide broadband infrastructure and services. This leverages off Gujarat Gas' assets and customers, and is targeted to be operational by the end of 2001.

In the Philippines, First Gas Holdings Corporation (FGHC) was granted a 25 year franchise to install, operate, own and maintain a gas transmission and distribution pipeline business serving the island of Luzon, including metropolitan Manila. FGHC is the only private company to be granted such a franchise.

On the Tangguh project, the FEED study using the APCI process technology was completed on 22 April, two weeks ahead of schedule. The FEED work using the Phillips process technology is expected to be completed by August. Documentation relating to the tender for the major LNG facilities engineering, procurement and construction contracts are targeted to be issued later in the third quarter.

The Karachaganak field development Phase 2 continues to plan, with expected first oil from the new Phase 2 facilities in the third quarter of 2003.

The Kashagan East-2 appraisal well in the Caspian Sea (BG 14.29%) was spudded in the second quarter. Under the appraisal programme, up to five wells are planned to be drilled by 2003. It is anticipated that 3D seismic will be acquired over an area of about 1,600 square km.

▪ South America

The impact of the general economic climate on industrial and commercial demand resulted in a small reduction in overall demand (6.5%) at MetroGAS. Additionally, the impact of the mild and wet weather adversely affected the demand for gas for power generation. However, MetroGAS continued to grow its residential and Natural Gas Vehicle gas demand in the first half, up by 2% and 6.5% respectively. MetroGAS also signed a commercial agreement to supply Dock Sud, a combined cycle power plant, with additional transportation and distribution volumes of 3.3 million cubic metres per day up to 2016. MetroGAS' activities have suffered little impact as a result of the economic climate in Argentina so far. MetroGAS' mainly residential customer base does not suffer from the same volatility under economic turndowns as some gas retailers who have substantial industrial load, but we continue to monitor the situation very closely.

Comgas is showing good progress. It has increased its customer base and grown volumes by 35% in the second quarter. Additionally Comgas has constructed 180 km of new pipelines in the first half of the year.

ANP, the Brazilian upstream regulator, stated on 22 June that companies operating transportation installations, such as the Bolivia-Brazil pipeline, have to offer firm transportation capacity derived from the expansion of such installations. Furthermore it limits existing carriers with more than 50% of the firm contracted capacity to contract a maximum of 40% in the expanded capacity. BG is encouraged by this news and is working hard to extend its supply agreements and secure itself more capacity in the Bolivia-Brazil pipeline.

Drilling on the BP-1 exploration block offshore Brazil was abandoned in May as a dry hole.

In Bolivia, the initial studies into the feasibility of monetising substantial volumes of BG's reserves base in the region was completed. The studies explored the utilisation of the Margarita field via an LNG scheme to the US market, and work continues on the next phase of the study.

BG has also initiated discussions with the operators of the San Alberto field in Bolivia which is connected to Itau. BG has a 25% interest in Itau and these discussions are aimed at establishing a framework for unitisation.

OUTLOOK

“The half year saw strong profit and earnings growth, building further on the solid performance delivered in 2000.

Later this year, we look forward to seeing first production from the Jade and the Franklin fields in the UK. Looking ahead to 2002, we expect to bring the gas fields of the North Coast Marine Area into production and complete Atlantic LNG Train 2 in Trinidad. We are confident that the San Lorenzo power plant in the Philippines will be commissioned and we anticipate a full year of production from the Rosetta, Jade, Blake, Elgin and Franklin fields.

We remain on course to deliver our 2003 targets. We will continue to focus on driving our projects around the world which should allow us to meet these targets and will fuel our growth into the future, further strengthening our position as BG – The Integrated Gas Major.

We look forward to discussing further our progress towards our 2003 targets and beyond, at our presentation in September.”

Richard V Giordano
26 July 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 Blake and Elgin/Franklin fields, the sanctioning of an integrated LNG export project in Egypt with EGPC and the associated first shipment of LNG therefrom, the drilling campaign at Kashagan East and first production from the Jade and Franklin fields in the UK, the exploration drilling at the Blake field, completion of the sale of BG Storage, first production from Atlantic LNG Train 4, the timing of Atlantic LNG Trains 2 and 3 coming onstream, laying of pipelines and delivery of gas by Mahanagar Gas Limited and the associated number of additional customers, BG's venture in Surat, first oil from the Karachaganak Phase 2 facilities, the commissioning of the San Lorenzo power plant and the delivery of BG's new build LNG ships 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 and international 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 – SECOND QUARTER

	Notes	2001			2000 <i>(restated)</i>		
		Total £m	Excep- -tional items £m	Busi- ness perform- ance £m	Total £m	Excep- -tional items £m	Busi- ness perform- ance £m
Turnover	3	636	-	636	550	-	550
Operating costs		(469)	-	(469)	(630)	(216)	(414)
Group operating profit/(loss)	3	167	-	167	(80)	(216)	136
Share of operating profits less losses in joint ventures and associated undertakings		38	-	38	25	-	25
Total operating profit/(loss)	3	205	-	205	(55)	(216)	161
Profit/(loss) on disposal of fixed assets		(1)	(1)	-	1	1	-
Profit/(loss) on ordinary activities	4	204	(1)	205	(54)	(215)	161
Net interest		(20)	-	(20)	(17)	-	(17)
Profit/(loss) on ordinary activities before taxation	5	184	(1)	185	(71)	(215)	144
Tax on profit on ordinary activities		(64)	-	(64)	19	60	(41)
Profit/(loss) on ordinary activities after taxation		120	(1)	121	(52)	(155)	103
Minority shareholders' interest		(9)	-	(9)	(8)	-	(8)
Earnings/(loss)		111	(1)	112	(60)	(155)	95
Earnings/(loss) per ordinary share (i)	6	3.2p	-	3.2p	(1.7)p	(4.4)p	2.7p

i) There is no difference between basic and diluted earnings/(loss) per ordinary share.

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT – HALF YEAR

	Notes	2001			2000 (restated)		
		Total £m	Excep- tional items £m	Busi- ness perfor- mance £m	Total £m	Excep- tional items £m	Busi- ness perfor- mance £m
Turnover	3	1,362	34	1,328	1,105	-	1,105
Operating costs		(971)	-	(971)	(1,047)	(216)	(831)
Group operating profit	3	391	34	357	58	(216)	274
Share of operating profits less losses in joint ventures and associated undertakings		80	-	80	65	-	65
Total operating profit	3	471	34	437	123	(216)	339
Profit on disposal of fixed assets		20	20	-	286	286	-
Profit on ordinary activities	4	491	54	437	409	70	339
Net interest		(24)	17	(41)	(34)	-	(34)
Profit on ordinary activities before taxation	5	467	71	396	375	70	305
Tax on profit on ordinary activities		(160)	(21)	(139)	(24)	60	(84)
Profit on ordinary activities after taxation		307	50	257	351	130	221
Minority shareholders' interest		(9)	-	(9)	(5)	-	(5)
Earnings		298	50	248	346	130	216
Earnings per ordinary share (i)	6	8.5p	1.4p	7.1p	10.0p	3.8p	6.2p

i) There is no difference between basic and diluted earnings/(loss) per ordinary share.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES – HALF YEAR

	2001 £m	2000 £m (restated)
Earnings	298	346
Currency translation adjustments	40	3
Total recognised gains and losses	338	349

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	
	30 Jun 2001 £m	31 Dec 2000 £m <i>(restated)</i>
Fixed assets:		
Intangible assets	883	876
Tangible assets	4,146	3,863
Investments	646	562
	5,675	5,301
Current assets:		
Stocks	77	99
Debtors: amounts falling due within one year	602	522
Debtors: amounts falling due after one year	104	95
Investments	48	129
Cash at bank and in hand	79	65
	910	910
Creditors: amounts falling due within one year:		
Borrowings	(218)	(321)
Other creditors	(923)	(831)
	(1,141)	(1,152)
Net current liabilities	(231)	(242)
Total assets less current liabilities	5,444	5,059
Creditors: amounts falling due after more than one year:		
Borrowings	(514)	(233)
Other creditors	(241)	(257)
	(755)	(490)
Provisions for liabilities and charges	(1,008)	(1,211)
	3,681	3,358
CAPITAL AND RESERVES		
BG shareholders' funds	3,443	3,158
Minority shareholders' interest	238	200
	3,681	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 – SECOND QUARTER AND HALF YEAR

	Second Quarter 2001 £m	Half Year 2001 £m
Profit for the financial period	111	298
Dividend	(53)	(53)
	58	245
Currency translation adjustments	(1)	40
Net movement in BG shareholders' funds for the financial period	57	285
BG shareholders' funds at the beginning of the period:		
- as previously published	3,386	3,550
- restatement to prior period (i)	-	(392)
- as restated	3,386	3,158
BG shareholders' funds as at 30 June	3,443	3,443

- 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 – SECOND QUARTER

	2001 £m	2000 £m
Total operating profit/(loss)	205	(55)
Less: Exceptional operating items	-	216
Total operating profit excluding exceptional items	205	161
Less: share of operating profit in joint ventures and associated undertakings	(38)	(25)
Group operating profit excluding exceptional items	167	136
Depreciation and amortisation	89	101
Unsuccessful exploration expenditure written off	4	1
Provisions for liabilities and charges	(12)	(19)
Movement in provision on sale of certain long-term gas contracts	(184)	-
Receipt of exceptional income	34	-
Movement in working capital	13	(206)
Net cash flow from operating activities	111	13
Dividends from joint ventures and associated undertakings	26	8
Returns on investments and servicing of finance (i)	9	(3)
Tax paid	(41)	(14)
Capital expenditure and investment (ii)	(261)	(163)
Proceeds from sales of assets (iii)	2	179
Equity dividends paid	(51)	(159)
Management of liquid resources	10	27
Net cash flow before financing	(195)	(112)
Changes in share capital	2	2
Net movement in borrowings	246	(20)
Funding movements with Lattice (iv)	-	103
Net cash flow from financing activities	248	85
NET MOVEMENT IN CASH	53	(27)
Opening cash	42	57
Changing values of currency	(16)	4
CLOSING CASH (v)	79	34

- i) Includes capitalised interest of £5 million (2000 £5 million) and £17 million received in respect of exceptional items (see note 2).
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 £79 million (2000 £34 million) offset by bank overdrafts of £nil (2000 £nil).

CONSOLIDATED CASH FLOW STATEMENT – HALF YEAR

	2001 £m	2000 £m
Total operating profit	471	123
Less: Exceptional operating items	(34)	216
Total operating profit excluding exceptional items	437	339
Less: share of operating profit in joint ventures and associated undertakings	(80)	(65)
Group operating profit excluding exceptional items	357	274
Depreciation and amortisation	185	207
Unsuccessful exploration expenditure written off	4	1
Provisions for liabilities and charges	(11)	(28)
Movement in provision on sale of certain long-term gas contracts	(184)	-
Payment of exceptional demerger costs	(21)	-
Receipt of exceptional income	34	-
Movement in working capital	(77)	(192)
Net cash flow from operating activities	287	262
Dividends from joint ventures and associated undertakings	34	8
Returns on investments and servicing of finance (i)	(6)	(2)
Tax paid	(89)	(45)
Capital expenditure and investment (ii)	(460)	(342)
Proceeds from sales of assets (iii)	53	524
Equity dividends paid	(51)	(159)
Management of liquid resources	81	(8)
Net cash flow before financing	(151)	238
Changes in share capital	4	-
Net movement in borrowings	175	(102)
Funding movements with Lattice (iv)	-	(142)
Net cash flow from financing activities	179	(244)
NET MOVEMENT IN CASH	28	(6)
Opening cash	64	31
Changing values of currency	(13)	9
CLOSING CASH (v)	79	34

- i) Includes capitalised interest of £6 million (2000 £10 million) and £17 million received in respect of exceptional items (see note 2).
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 £79 million (2000 £34 million) offset by bank overdrafts of £nil (2000 £nil).

RECONCILIATION OF NET BORROWINGS – HALF YEAR

	£m
Net borrowings as at 1 January 2001	(360)
Net increase in cash in the period	28
Cash inflow from the management of liquid resources	(81)
Decrease in short-term borrowings	109
Increase in long-term borrowings	(284)
Net increase in borrowings	(175)
Foreign exchange	(17)
Net borrowings as at 30 June 2001	(605)

Net borrowings attributable to MetroGAS, Comgas and Gujarat Gas are £396 million (1 January 2001 £343 million).

LIQUIDITY AND CAPITAL RESOURCES

All the information below is as at 30 June 2001, unless otherwise stated.

The Group's principal borrowing entities are BG Energy Holdings Limited (BGEH) (as borrower or as guarantor of the borrowings of certain wholly-owned subsidiary undertakings), and MetroGAS and Comgas, which conduct their borrowing activities on a stand-alone basis.

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

On 29 June 2001 BGEH entered into agreements for a US\$1.0 billion multicurrency Eurocommercial Paper programme. This programme became available for drawing on 2 July 2001.

BGEH also had 364-day committed multicurrency borrowing facilities of US\$617 million, and medium-term committed multicurrency borrowing facilities of US\$617 million, 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 £520 million, of which £407 million was unutilised.

MetroGAS had uncommitted borrowing facilities of Argentinian Pesos (ARS) 342 million, of which ARS 132 million was unutilised.

Comgas had committed borrowing facilities of Brazilian Reals (BRL) 20 million, which were undrawn, and uncommitted borrowing facilities of BRL 832 million, of which BRL 516 million was unutilised.

The gearing ratio (net borrowings as a percentage of net borrowings plus equity) was 14.1% (1 January 2001 9.7% (restated)).

Independent review report to BG Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2001 which comprises the consolidated profit and loss account, statement of total recognised gains and losses, balance sheet, movement in shareholders' funds, cash flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

A copy of the interim financial information of the Company is placed on the BG Group plc website. The maintenance and integrity of the BG Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

PricewaterhouseCoopers
Chartered Accountants
1 Embankment Place
London WC2N 6RH
26 July 2001

NOTES

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 (FRS) 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. Under FRS 19, deferred tax is provided for all timing differences in full. BG does not discount the provision. 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 half year has been reduced by approximately 2% as a result of the adoption. Results above the profit before taxation line are not impacted.

The 2001 first quarter results, note 7, sets out the impact of the adoption of FRS 19 on the quarterly results of 2000, continuing operations only.

2. Exceptional items

	Second Quarter		Half Year	
	2001 £m	2000 £m	2001 £m	2000 £m
Turnover: House of Lords judgment	-	-	34	-
Operating costs:				
- Storage impairment	-	(200)	-	(200)
- demerger costs	-	(16)	-	(16)
Impact on operating profit	-	(216)	34	(216)
Profit/(loss) on disposal of fixed assets	(1)	1	20	286
Interest: House of Lords judgment	-	-	17	-
Impact on profit before tax	(1)	(215)	71	70
Tax impact of exceptional items	-	60	(21)	60
Impact on earnings	(1)	(155)	50	130

2001 first quarter: House of Lords judgment

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 Corp. subsidiary) gives rise to income of £34 million (Exploration and Production) and £17 million interest receivable. The resulting tax impact is a £15 million charge, leading to a net £36 million increase in earnings.

2001 first quarter: Partial disposal of investment

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

NOTES

2. Exceptional items (continued)**2000 second quarter: Impairment**

A review of the carrying value of the UK storage assets resulted in a £200 million exceptional charge to operating profit (Storage) in respect of the impairment of the Rough offshore storage facility.

2000 second quarter: Demerger costs

BG incurred costs associated with the demerger, including corporate restructuring costs, of £16 million (Other activities).

2000 first quarter: Disposal of fixed asset investment

The disposal of BG's interest in Dynegey resulted in a profit of £305 million (Other activities). Proceeds of £466 million arose on the sale.

3. Segmental analysis: excluding exceptional items

Second Quarter			Turnover excluding share of joint ventures				
			2001	2000			
				£m	£m		
Exploration and Production			318	284			
Liquefied Natural Gas			21	5			
Transmission and Distribution			233	202			
Power Generation			42	41			
Storage			22	21			
Other activities			13	3			
Less: intra-group sales			(13)	(6)			
			636	550			

Second Quarter	Group operating profit/(loss)		Share of operating profit in joint ventures and associated undertakings		Total operating profit/(loss)		
	2001	2000	2001	2000	2001	2000	
		£m	£m	£m	£m	£m	
Exploration and Production	139	101	-	-	139	101	
Liquefied Natural Gas	(2)	-	7	7	5	7	
Transmission and Distribution	33	27	7	5	40	32	
Power Generation	(1)	2	24	14	23	16	
Storage (i)	8	5	-	-	8	5	
Other activities (i)	(10)	1	-	(1)	(10)	-	
		167	136	38	25	205	161

i) The above results are stated excluding exceptional items. Exceptional items impact the 2000 results of Storage and Other activities. These are: £200 million operating charge to Storage in respect of an impairment of assets and £16 million operating charge to Other activities in respect of demerger costs.

BG's share of turnover and operating profit in joint ventures for the second quarter was £31 million (2000 £41 million) and £20 million (2000 £10 million) respectively.

NOTES

3. Segmental analysis: excluding exceptional items (continued)

Half Year	Turnover excluding share of joint ventures	
	2001 £m	2000 £m
Exploration and Production (i)	712	606
Liquefied Natural Gas	47	8
Transmission and Distribution	393	345
Power Generation	107	98
Storage	42	37
Other activities	57	22
Less: intra-group sales	(30)	(11)
	1,328	1,105

Half Year	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)	310	249	-	4	310	253
Liquefied Natural Gas	4	(1)	21	13	25	12
Transmission and Distribution	34	23	14	10	48	33
Power Generation	14	18	45	36	59	54
Storage (i)	13	-	-	-	13	-
Other activities (i)	(18)	(15)	-	2	(18)	(13)
	357	274	80	65	437	339

i) The above results are stated excluding exceptional items. Exceptional items impact the 2001 results of Exploration and Production and the 2000 results of Storage and Other activities. These are: £34 million receipt in 2001 (turnover and operating profit) to Exploration and Production in respect of the House of Lords judgment in favour of the CATS partners; £200 million operating charge in 2000 to Storage in respect of an impairment of assets; and £16 million operating charge in 2000 to Other activities in respect of demerger costs.

BG's share of turnover and operating profit in joint ventures for the half year was £76 million (2000 £71 million) and £38 million (2000 £27 million) respectively.

NOTES

4. Net interest

	Second Quarter		Half Year	
	2001 £m	2000 £m	2001 £m	2000 £m
Net interest (payable)/receivable on net borrowings	(8)	3	(14)	-
Interest capitalised	5	5	6	10
	(3)	8	(8)	10
Unwinding of discount on provisions (i)	(4)	(15)	(8)	(23)
Unwinding of discount on deferred income	(3)	(2)	(5)	(5)
Net interest: Group	(10)	(9)	(21)	(18)
Joint ventures	(6)	(3)	(13)	(5)
Associated undertakings	(4)	(5)	(7)	(11)
Total net interest: excluding exceptional items	(20)	(17)	(41)	(34)
Interest receivable on House of Lords judgment in favour of the CATS partners	-	-	17	-
Total net interest: including exceptional items	(20)	(17)	(24)	(34)

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 comprises interest arising on provisions in respect of: certain long-term gas sales contracts for the second quarter of £nil (2000 £12 million) and for the half year of £nil (2000 £17 million) and decommissioning costs for the second quarter of £4 million (2000 £3 million) and for the half year of £8 million (2000 £6 million).

5. Taxation

The tax charge for the half year before exceptional items was £139 million (2000 £84 million), representing an effective tax rate of 35% (2000 28%) and the tax charge including exceptional items was £160 million (2000 £24 million), representing an effective tax rate of 34% (2000 6%).

NOTES

6. Earnings per ordinary share

Second Quarter	2001		2000 <i>(restated)</i>	
	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings/(loss) – basic	111	3.2	(60)	(1.7)
Impairment of assets	-	-	200	5.7
Demerger costs	-	-	16	0.4
(Profit)/loss on disposals	1	-	(1)	-
Tax impact of exceptional items	-	-	(60)	(1.7)
Earnings – excluding exceptional items	112	3.2	95	2.7

Second Quarter	2001		2000 <i>(restated)</i>	
	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings/(loss) – basic	111	3.2	(60)	(1.7)
Minority interest	9	0.3	8	0.2
Tax	64	1.8	(19)	(0.5)
Interest	20	0.6	17	0.5
Depreciation and amortisation	89	2.5	101	2.9
Impairment of assets	-	-	200	5.7
EBITDA – including exceptional items	293	8.4	247	7.1
Demerger costs	-	-	16	0.4
(Profit)/loss on disposals	1	-	(1)	-
EBITDA – excluding exceptional items	294	8.4	262	7.5

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

NOTES

6. Earnings per ordinary share (continued)

Half Year	2001		2000 <i>(restated)</i>	
	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	298	8.5	346	10.0
House of Lords judgment in favour of the CATS partners	(51)	(1.4)	-	-
Impairment of assets	-	-	200	5.7
Demerger costs	-	-	16	0.4
Profit on disposals	(20)	(0.6)	(286)	(8.2)
Tax impact of exceptional items	21	0.6	(60)	(1.7)
Earnings – excluding exceptional items	248	7.1	216	6.2

Half Year	2001		2000 <i>(restated)</i>	
	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	298	8.5	346	10.0
Minority interest	9	0.3	5	0.1
Tax	160	4.6	24	0.7
Interest	24	0.7	34	1.0
Depreciation and amortisation	185	5.3	207	6.0
Impairment of assets	-	-	200	5.7
EBITDA – including exceptional items	676	19.4	816	23.5
House of Lords judgment in favour of the CATS partners	(34)	(1.0)	-	-
Demerger costs	-	-	16	0.4
Profit on disposals	(20)	(0.6)	(286)	(8.2)
EBITDA – excluding exceptional items	622	17.8	546	15.7

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

NOTES

7. Quarterly information: earnings

	2001 £m	2000 £m <i>(restated)</i>	2001 pence	2000 pence <i>(restated)</i>
First quarter				
- basic	187	406	5.3	11.7
- excluding exceptional items	136	121	3.9	3.5
Second quarter				
- basic	111	(60)	3.2	(1.7)
- excluding exceptional items	112	95	3.2	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
<hr/>				
Full year				
- basic		441		12.7
- excluding exceptional items		412		11.8
<hr/>				

**BG shareholders' funds
as at the period end**

	2001 £m	2000 £m <i>(restated)</i>
First quarter	3,386	3,140
Second quarter	3,443	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).

NOTES

8. Group information for the half year, including discontinued operations

The information set out in this note represents all the operations of the Group for the half year, including (for the half year ended 30 June 2000) those operations demerged to Lattice Group plc effective 23 October 2000. Further information regarding the impact of the demerger on BG is set out in the 2000 Annual Report and Accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT – HALF YEAR

	2001 £m	2000 £m (restated)
Turnover – excluding joint ventures	1,362	2,750
Operating costs before exceptional charge	(971)	(1,804)
Exceptional charge	-	(216)
Total operating costs	(971)	(2,020)
Group operating profit	391	730
Share of operating profits less losses in joint ventures and associated undertakings	80	65
Total operating profit	471	795
Profit on disposal of fixed assets	20	278
Profit on ordinary activities	491	1,073
Net interest	(24)	(259)
Profit on ordinary activities before taxation	467	814
Tax on profit on ordinary activities	(160)	(193)
Profit on ordinary activities after taxation	307	621
Minority shareholders' interest	(9)	(5)
Earnings	298	616
Earnings per ordinary share – basic	8.5p	17.8p
Earnings per ordinary share – excluding exceptional items	7.1p	14.3p
Diluted earnings per ordinary share – basic	8.5p	17.6p
Diluted earnings per ordinary share – excluding exceptional items	7.1p	14.2p

The 2000 profit and loss account includes modified historical cost adjustments in respect of discontinued operations only as follows: additional depreciation necessary to bring historical cost depreciation up to a full modified historical cost depreciation charge (£63 million); an adjustment recognising the difference between the modified historical cost and historical cost profit or loss on disposal (£1 million). The profit before taxation for 2000 on a historical cost basis was £878 million.

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

8. Group information for the half year, including discontinued operations (continued)**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES – HALF YEAR**

	2001	2000
	£m	£m (restated)
Earnings	298	616
Unrealised surplus on revaluation of tangible fixed assets (i)	-	102
Currency translation adjustments	40	3
	40	105
<hr/> Total recognised gains and losses	338	721

- i) *Modified historical cost regulatory fixed assets in Great Britain (relating to discontinued operations only) are stated under Financial Reporting Standard 11 ('Impairment of Fixed Assets and Goodwill') at an estimate of the net present value of future cash flows. The revaluation surplus represents the excess of modified historical cost over historical cost net book value, and the movement in this revaluation surplus is recorded in the Statement of Total Recognised Gains and Losses.*

NOTES

8. Group information for the half year, including discontinued operations (continued)**CONSOLIDATED CASH FLOW STATEMENT – HALF YEAR**

	2001 £m	2000 £m
Total operating profit	471	795
Less: Exceptional operating items	(34)	216
Total operating profit excluding exceptional items	437	1,011
Less: share of operating profit in joint ventures and associated undertakings	(80)	(65)
Group operating profit	357	946
Historical cost depreciation	185	388
Depreciation in excess of historical cost depreciation	-	63
Unsuccessful exploration expenditure written off	4	1
Provisions for liabilities and charges	(195)	(69)
Receipt/(payment) of exceptional items	13	(9)
Movement in working capital	(77)	47
Net cash flow from operating activities	287	1,367
Dividends from joint ventures and associated undertakings	34	8
Returns on investments and servicing of finance	(6)	(236)
Tax paid	(89)	(90)
Capital expenditure and investment	(460)	(630)
Proceeds from sales of assets	53	555
Equity dividends paid	(51)	(159)
Management of liquid resources	81	163
Net cash flow before financing	(151)	978
Issue of ordinary share capital	-	1
Repurchase of share capital	-	(4)
Shares issued to minority shareholders	4	3
Net increase/(decrease) in borrowings	175	(1,013)
Repayment of finance leases	-	(4)
Net cash flow from financing activities	179	(1,017)
NET MOVEMENT IN CASH	28	(39)
Opening cash	64	30
Changing values of currency	(13)	12
CLOSING CASH	79	3

Supplementary information for North American investors (unaudited)

The Group prepares its consolidated financial statements in accordance with generally accepted accounting principles applicable in the United Kingdom (UK GAAP), which differ in certain significant respects from those applicable in the United States (US GAAP). The adjustments necessary to restate net income for the periods and shareholders' funds in accordance with US GAAP are shown in the tables set out below. Details of these differences are given in the Group's Annual Report and Accounts for the year ended December 31, 2000.

On January 1, 2001, BG adopted Financial Accounting Standard (FAS) 133, 'Accounting for Derivative Instruments and Hedging Activities' (i).

ESTIMATED EFFECT ON NET INCOME OF SIGNIFICANT DIFFERENCES BETWEEN UK AND US GAAP - CONTINUING OPERATIONS

	Half Year	
	2001 £m	2000 (ii) £m
Net income (UK GAAP)	298	346
Less: restatement for UK accounting policy change (iii)	-	(53)
As previously reported for 2000 less restatement for demerger (ii)	298	293
US GAAP adjustments:		
Impairment of fixed assets	-	200
Pension costs	(5)	(8)
Goodwill	(8)	(15)
Reversal of goodwill written off (iv)	-	24
Commodity contracts	10	-
Currency and interest rate derivative instruments	6	-
Deferred income taxes	(5)	54
Income before cumulative effect of a change in accounting principle	296	548
Cumulative effect on prior years (to December 31, 2000) of adoption of FAS 133:		
- Commodity contracts (net of tax of £8 million)	(20)	-
Net income (US GAAP) (ii)	276	548
Currency translation adjustments	51	3
Cumulative effect on prior years (to December 31, 2000) of adoption of FAS 133:		
- Currency and interest rate derivative instruments (net of tax of £2 million)	(3)	-
Other comprehensive income	324	551
Earnings per ADS (US GAAP)	£0.39	£0.79

NOTES

Supplementary information for North American investors (unaudited) (continued)**ESTIMATED EFFECT ON SHAREHOLDERS' FUNDS OF SIGNIFICANT DIFFERENCES BETWEEN UK AND US GAAP – CONTINUING OPERATIONS**

	As at June 30	
	2001 £m	2000 (ii) £m
BG shareholders' funds (UK GAAP)	3,443	3,025
Less: restatement for UK accounting policy change (iii)	-	386
As previously reported for 2000 less restatement for demerger (ii)	3,443	3,411
US GAAP adjustments:		
Impairment of fixed assets (v)	200	200
Pension costs	60	66
Goodwill	89	102
Commodity contracts	(18)	-
Currency and interest rate derivative instruments	12	-
Deferred income taxes	(91)	(599)
Own shares (vi)	(14)	(75)
Dividend	53	172
BG shareholders' funds (US GAAP) (i)	3,734	3,277

- i) *The Financial Accounting Standards Board has recently issued implementation guidance which will have a material impact on the application of FAS 133 in the future.*
- ii) *Comparative figures have been presented as if the demerger had happened on January 1, 2000, on a basis consistent with the presentation of the UK comparative information elsewhere in this results statement. The effect of discontinued operations on UK net income for the half year and historical cost shareholders' funds as at June 30 was £362 million and £(500) million respectively. The effect of discontinued operations on US net income for the half year and shareholders' funds as at June 30 was £293 million and £838 million.*
- iii) *BG adopted FRS 19, 'Deferred Taxation', in 2001, which resulted in a prior year adjustment under UK GAAP. There was no corresponding change in taxation accounting under US GAAP. The prior year adjustment is therefore reversed in the calculation of net income and shareholders' equity under US GAAP.*
- iv) *The £24 million in 2000 represents the writeback of goodwill on the sale of Dynegy.*
- v) *Represents adjustment to recognise the different treatment of impairment of fixed assets. Under US GAAP an impairment of fixed assets is recognised on the basis of undiscounted cash flows and measured on the basis of discounted cash flows. Under UK GAAP both the recognition and measurement of an impairment of fixed assets are based on discounted cash flows.*
- vi) *Relates to shares in BG held as a current asset by an all employee share ownership plan.*

Enquiries

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

Investor Relations Department
BG Group plc
100 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT

Tel: 0118 929 3025
e-mail: invrel@bg-group.com

General enquiries about shareholder matters should be made to:

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

Tel: 0870 600 3951

Financial Calendar

Annual investor presentation	24 September 2001
Ex-dividend date for 2001 interim dividend	24 October 2001
Record date for 2001 interim dividend	26 October 2001
Announcement of third quarter results	15 November 2001
Payment of 2001 interim dividend	
UK holders	14 December 2001
American depository receipt holders	24 December 2001

BG Group plc website: www.bg-group.com

Registered office
100 Thames Valley Park Drive, Reading, RG6 1PT
Registered in England No. 3690065