BG GROUP PLC
2001 THIRD QUARTER RESULTS

"BG Group continued its delivery of strong profit and earnings growth in the third quarter, building on the solid performance achieved in the first half of the year."

Richard V Giordano, Chairman

BUSINESS PERFORMANCE: CONTINUING OPERATIONS EXCLUDING EXCEPTIONAL ITEMS

	Third Quarter		**First Nine Months**	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
		(restated)		*(restated)*
Turnover	**653**	585	**1,981**	1,690
Total operating profit	**202**	168	**639**	507
Earnings	**102**	86	**350**	302
Earnings per share	**2.92p**	2.48p	**10.0p**	8.7p

- Total operating profit rose by 20% for the quarter and by 26% for the first nine months.
- At constant upstream prices, the Group's total operating profit rose by 18% for the quarter and by 19% for the first nine months.
- Earnings per share rose by 18% for the quarter and by 15% for the first nine months.

	Third Quarter		**First Nine Months**	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
		(restated)		*(restated)*
Total operating profit/(loss) by business segment:				
- Exploration and Production	**143**	116	**453**	369
- Liquefied Natural Gas	**(5)**	6	**20**	18
- Transmission and Distribution	**42**	36	**90**	69
- Power Generation	**20**	15	**79**	69
- Storage	**7**	3	**20**	3
- Other activities	**(5)**	(8)	**(23)**	(21)
	202	168	**639**	507

BG GROUP PLC - HIGHLIGHTS

- BG Group continued to deliver strong profit and earnings growth.
- Total operating profit rose by 20% to £202 million.
- At constant upstream prices, total operating profit rose by 18%.
- Earnings per share rose by 18%.
- Unit lifting costs fell by 13%.
- BG Group progressed its strategy in India:
  - agreed acquisition of Enron's Indian upstream operations
  - contracted to buy gas from the Lakshmi field
  - secured sole ownership of the Pipavav LNG project.
- Normal operations resumed at Karachaganak on 3 November.
- La Vertiente gas processing plant expansion in Bolivia was completed.
- Hibiscus platform installed in Trinidad.
- The £270 million Juno development plan was approved.
- Armada Phase 2 development plan approved.
- Front End Engineering Design commenced for Egyptian LNG.
- The E&A success rate for the year to date is 83%.

FINANCIAL REVIEW

Third Quarter

Group Results excluding exceptional items

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

	Third Quarter		
	2001	2000	
	£m	£m *(restated)*	%
Turnover	**653**	585	+12%
Total operating profit	**202**	168	+20%
Net interest	**(26)**	(23)	+13%
Tax	**(61)**	(46)	+33%
Earnings	**102**	86	+19%
Earnings per share	**2.92p**	2.48p	+18%
Capital expenditure including investment	**278**	265	+5%

BG continued to perform strongly with total operating profit increasing by 20%. At constant upstream prices, BG's total operating profit increased by 18%.

The £3 million (13%) increase in net interest is principally due to higher debt levels (see note 4). The tax charge is based on an effective tax rate of 35% (2000 32%).

Earnings per share increased by 18% to 2.92 pence, reflecting the higher operating profit partially offset by the increases in the net interest charge and effective tax rate.

Cash flow from operating activities decreased by £202 million to £115 million. This was principally due to a net movement in working capital of £229 million. In 2000, the working capital movement included inflows of £118 million relating to transactions with Lattice Group companies prior to their demerger. During the current year, the working capital outflow includes a deposit for the purchase of two LNG ships (£47 million) and payments in respect of upstream field developments (£38 million) which have not yet been capitalised as tangible fixed assets.

Capital expenditure in the quarter was principally in the UK (£63 million), Kazakhstan (£68 million), Trinidad (£43 million), the Southern Cone (£48 million) and the Mediterranean Basin (£37 million).

With a gearing ratio of 17.5% (1 January 2001 9.7%) the Group remains strongly financed.

- **Exploration and Production**

Revenue and Profit	Third Quarter		
	2001	2000	
	£m	£m	%
Turnover	**330**	290	+14%
Total operating profit	**143**	116	+23%

- The £40 million increase in turnover came from increased production (£24 million), a change in production mix (£11 million) and increased tariff income (£6 million). The impact of price changes and foreign exchange rate movements were not significant in the quarter.

- **Exploration and Production (continued)**

Production and realised prices	**Third Quarter**		
	2001	2000	%
Production volumes (mmboe)			
- oil	**4.32**	2.40	+80%
- liquids	**2.76**	3.50	-21%
- gas	**19.57**	18.88	+4%
- total	**26.65**	24.78	+8%
Volume of gas purchased for resale (mmboe)	**1.43**	1.79	-20%
Average realised oil price per barrel	**£17.47**	£20.83	-16%
	($24.98)	($31.01)	-19%
Average realised liquids price per barrel	**£10.24**	£12.40	-17%
	($14.64)	($18.46)	-21%
Average realised gas price per produced therm	**14.95p**	12.44p	+20%
Average realised gas price per therm	**15.22p**	12.50p	+22%

- Total production volumes increased by 1.87 million barrels of oil equivalent (mmboe) reflecting new production from Rosetta, Elgin/Franklin and Blake, offset by lower production from Karachaganak. The latter was due to a planned maintenance shutdown and a delayed restart pending clarification of a new indirect tax treaty between the Republic of Kazakhstan and the Russian Federation. Clarification has now been obtained and production resumed at Karachaganak on 3 November.
- The average realised gas price per produced therm rose by 2.51 pence per therm (20%) to 14.95 pence per therm, principally reflecting higher UK contracted gas prices. Following the annual price revision, UK contracted gas prices are expected to increase by around 9% for the year which commenced on 1 October 2001.

Unit costs	**Third Quarter**		
	2001	2000	%
Lifting costs per boe	**£1.12**	£1.28	-13%
	($1.60)	($1.91)	-16%
Operating expenditure per boe	**£2.08**	£2.22	-6%
	($2.97)	($3.30)	-10%

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

- Unit lifting costs fell by 16 pence per boe (18 pence per boe excluding the impact of the stronger US dollar) reflecting both lower costs and increased volumes.
- Unit operating expenditure fell by 14 pence to £2.08 per boe, reflecting lower lifting costs (as above) and lower royalties (3 pence per boe), offset by higher unit tariff costs (5 pence per boe).

- **Exploration and Production (continued)**

Capital and gross exploration expenditure	**Third Quarter**		
	2001	2000	
	£m	£m	%
Development expenditure	**147**	142	+4%
Capitalised exploration expenditure	**22**	47	-53%
Other exploration expenditure	**8**	11	-27%
Gross exploration expenditure	**30**	58	-48%

- Development capital expenditure in the quarter was incurred principally on the Karachaganak field (£57 million), West Delta Deep (£30 million), the North Coast Marine Area (£14 million), Jade (£10 million) and Tesoro (£6 million).
- Gross exploration expenditure of £30 million was incurred principally on the Kashagan East-2, Sapphire-3, Saurus, Blake Flank, Buzzard and Rose wells. There were no well write-offs in the quarter.

- **Liquefied Natural Gas**

	Third Quarter		
	2001	2000	
	£m	£m	%
Turnover	**14**	7	+100%
Total operating profit	**(5)**	6	-183%
Capital expenditure including investment	**32**	9	+256%

- The £7 million increase in turnover reflects increased income from BG’s LNG shipping activities.
- The £5 million loss in the quarter arose principally from increased business development expense and lower profits from Atlantic LNG (ALNG). BG’s share of ALNG profits fell by £4 million mainly due to lower prices and lower volumes attributable to a planned maintenance shut-down. Business development expense in the quarter related mainly to Egyptian LNG, Pipavav LNG (including the purchase of the project interests held by BG’s partner), Tangguh LNG and ALNG Train 4.
- Investment in the quarter related mainly to the two-train expansion of ALNG.

- **Transmission and Distribution**

	Third Quarter		
	2001	2000	
	£m	£m	%
Turnover	**250**	239	+5%
Total operating profit	**42**	36	+17%
Capital expenditure including investment	**46**	45	+2%

- The 5% increase in turnover is mainly attributable to Comgas (£13 million increase) due to higher volumes and higher gas costs passed through to customers in the tariffs, offset by a weather related decrease at MetroGAS. Comgas volumes increased by 28% in the quarter following the expansion of its distribution network in the provincial regions of São Paulo state and due to increased power generation demand. Lower turnover at MetroGAS reflects lower volumes due to warmer than seasonally normal weather and higher rainfall which contributed to lower thermal power demand, partially offset by favourable price and US dollar exchange variances.
- The £6 million improvement in total operating profit is principally due to increased profits from Comgas and lower business development expense. Excluding the impact of the weaker Real, Comgas operating profit increased by £10 million reflecting the increased volumes. In MetroGAS, operating profit was flat as the impact of the decrease in volume was offset by a reduction in overheads.
- Capital expenditure in the quarter was incurred mainly on the expansion of the transmission and distribution networks at Comgas and the construction of the Southern Cross pipeline.

- **Power Generation**

	Third Quarter		
	2001	2000	
	£m	£m	%
Turnover	**36**	29	+24%
Total operating profit	**20**	15	+33%
Capital expenditure including investment	**30**	21	+43%

- Higher availability payments and pass through energy costs contributed to the 24% increase in turnover at Premier Power.
- Total operating profit increased by £5 million reflecting the higher turnover and a full quarter's results from Seabank Phase 2 (commissioned in January 2001) and Santa Rita (fully operational in August 2000).
- Capital expenditure in the quarter was incurred on the Premier Power Combined Cycle Gas Turbine and San Lorenzo projects.

- **Storage**

	Third Quarter		
	2001	2000	
	£m	£m	%
Turnover	**21**	21	-
Total operating profit	**7**	3	+133%
Capital expenditure including investment	**1**	1	-

- Storage's increased operating profit reflects lower operating costs and depreciation charges.

- **Other activities**

- Other activities made a loss of £5 million in the quarter (2000 £8 million loss). Other activities include new business development expenditure and certain corporate costs.

BUSINESS DEVELOPMENTS

- ## United Kingdom

The BG-operated Blake oil field (BG 44%) in the northern North Sea, which commenced production two months ahead of schedule on 27 June, has averaged over 30,000 barrels of oil per day (bopd) gross reaching a peak flow of 63,000 bopd in mid-October. The successful Blake Flank appraisal well, spudded on 17 September, was drilled to test two zones. A sidetrack to the well is now being drilled to confirm volumes within the structure. If this proves successful, BG and partners intend to fast-track the Blake Flank development.

BG and the other licensees of the Buzzard discovery agreed plans to begin a two rig appraisal drilling programme of the significant Buzzard oil prospect in November. The five well appraisal drilling programme is designed to delineate further, to the north and west of the discovery, with the potential of increasing the indicated oil reserves of over 200 million barrels.

The Franklin field (BG 12.35%) commenced production on 28 August. These complex facilities are still on the start-up phase and have not yet achieved steady state operations. Production from the jointly developed Elgin field (BG 12.35%), which initially came on-stream in the first quarter, and Franklin field is expected to reach plateau of 27,170 barrels of oil equivalent per day (boepd) net to BG.

Jade (BG 35%) in the central North Sea continues to progress well with first production scheduled for late in the fourth quarter.

Armada (BG 45.27%) Phase 2 drilling is scheduled to commence in November, with production from the new wells expected in the first quarter of 2002. The programme is expected to maximise production from the field between 2002 and 2010.

The £270 million development of the Juno fields (previously known as Phase 2 of the Easington Catchment Area project) has been approved by the Department of Trade and Industry. The first gas is expected to flow in the fourth quarter of 2002; peak production of 300 million standard cubic feet per day (mmscfd) is expected during 2003. The fields to be developed are Apollo and Minerva (BG-operated) and Whittle and Wollaston (operated by BP). A fifth development field, Artemis (operated by BG) may also be integrated at a later date.

The sale of Storage and associated assets for £421 million in cash is conditional upon the Secretary of State's clearance. OFGEM has submitted its recommendations to the Office of Fair Trading. The transaction is expected to complete later this month.

- ## Trinidad

On 13 September, BG and its partners in the $300 million North Coast Marine Area (NCMA) project successfully completed the installation of the Hibiscus production and drilling platform ahead of schedule and within budget. At a height of 800 feet and with a weight of over 15,500 tonnes, Hibiscus is the largest platform to be installed in Trinidad and Tobago. First production from NCMA, in which BG has a 45.89% interest, is targeted for the second quarter of 2002.

A 105 kilometre pipeline has been completed linking NCMA to the Atlantic LNG plant in Point Fortin. NCMA is expected to supply 50% of the gas required for Atlantic LNG's second train expansion.

- ## North America

BG agreed a long-term charter of a new 138,000 cubic metre LNG ship from Golar LNG Limited from March 2003. One of two ships due from Samsung Heavy Industries in 2004 was cancelled without penalty; BG retains options on a further six ships.

• Europe and Mediterranean Basin

The Front End Engineering Design study commenced for Egyptian LNG. The planned capacity of the LNG train is 3.6 million tonnes per annum and first production of LNG is planned for 2005. Negotiations are progressing with prospective LNG purchasers.

A second appraisal well was successfully completed on the Sapphire prospect in the West Delta Deep Marine concession offshore Egypt. The well was drilled to a depth of 2,900 metres in 450 metres of water. The well showed an extension of the Saffron discovery into the Saffron Channel area and indicated that all three Sapphire wells are in communication.

The Saurus-1 well discovery in the West Delta Deep Marine area tested at over 30 mmscfd of gas through a 56/64 inch choke. Saurus is the 13th successful well drilled in the concession.

BG has agreed the sale of its subsidiary BG Rimi SpA for 34 billion lire (£10.89 million). These non-core assets include nine exploration permits and 18 production concessions. BG intends to concentrate its exploration programme in the Po Valley and the Sicily Channel. The transaction is expected to complete at the end of November.

In Tunisia, the Hannibal Plant upgrade was completed. This two phase project which commenced in 1998 has increased the output capacity of the plant from 37,500 boepd to 39,400 boepd. The plant produces both gas and condensate. The increased capacity was achieved through the addition of equipment designed to improve the operation of the plant at high ambient temperatures.

• Eastern Hemisphere

A series of transactions in India enabled BG to progress its strategy in one of the fastest growing gas markets in the world.

A conditional agreement was signed to acquire Enron's Indian upstream operations for $388 million. The assets to be acquired are 30% interests in the Tapti gas field and in the Panna/Mukta oil and gas field and a 62.64% interest in the CB-OS/1 exploration licence. The net proved and probable reserves of the assets are estimated to be in excess of 170 million barrels of oil equivalent. BG continues to make progress with the consents upon which the acquisition is conditional.

Gujarat Gas signed an agreement to buy gas from the Lakshmi field offshore western India. The contract provides for a plateau of 1.27 million cubic metres per day (mmcmd) for five years from July 2002. The gas will be used to supply Gujarat Gas's existing markets and Gujarat Gas plans to extend its network into the industrial cities of Ahmedabad and Vadodara.

BG has purchased the interests of its partner in the proposed Pipavav LNG importation and regasification project in the state of Gujarat, India. The transaction also secures a sub-lease for the project site for 28 years.

The Karachaganak field shut down on 1 September due to planned maintenance. Restart of production was delayed due to uncertainty over the VAT treatment of Karachaganak condensate sold to buyers in Russia, as a result of a new Kazakhstan–Russian indirect tax treaty. Following discussions, the Kazakhstan and Russian authorities entered into a Memorandum of Understanding, which clarifies that Russian buyers of Karachaganak condensate pay VAT in Kazakhstan and not in Russia. Consequently, buyers entered into commercial arrangements to purchase Karachaganak condensate and the field recommenced production on 3 November.

In addition, recent changes to Russian legislation have meant that, at present, Kazakhstan VAT cannot be offset against Russian VAT. In view of this, Karachaganak's Russian condensate customers have bid at lower prices. This will result in the condensate price realisations at Karachaganak falling by around 16% from the levels achieved in the second quarter, however, prices remain well above the levels expected at the time of the original investment. The right of offset is a bilateral trade issue between the two states and negotiations between the two governments are ongoing.

Over the weekend of 13-14 October the Caspian Pipeline Consortium, in which BG has a 2% equity stake, achieved a major milestone with the first tanker loading on the Black Sea. From 2003 the 1,500 kilometre pipeline will be used to transport liquids from Karachaganak to western markets.

A third well was drilled on the Kashagan structure. The Kashagan East-2 well showed positive results and, on a limited test basis, flowed at a rate of 7,400 bopd. Further appraisal drilling will continue on East Kashagan.

BG, along with all of the remaining partners in the Kashagan field, exercised its pre-emption rights over the interests of BP and Statoil. When completed, this will take BG's interest to 16.67%.

The Santa Rita power plant was commissioned on liquid fuel and received its first gas from the offshore Malampaya field on 27 September, five days ahead of schedule. Santa Rita's conversion from liquid fuel to natural gas was completed on 14 November.

- **South America**

The expansion and modernisation of the La Vertiente processing plant in Bolivia was successfully completed on 6 September, enabling increased gas sales to Comgas. This is another step in the Company's strategic plan to monetise BG's Bolivian reserves by selling gas to Brazil. As a result of the expansion, the gas treatment capacity for the plant was increased from 60 to 150 mmscfd.

On 6 November, BG made a formal Expression of Interest in taking additional gas transportation capacity in a proposed expansion of the Bolivia-Brazil pipeline with a view to enabling BG to supply more of its Bolivian gas to markets in Brazil, including Comgas. A firm bid is expected to be made early in 2002.

Also in Bolivia, BG continues to progress the monetisation of its significant gas reserves and is working closely with partner companies and the Bolivian Government to develop export opportunities to the USA and Mexico.

Comgas is making good progress with its industrial expansion programme having connected 16 new industrial customers during the month of August. In addition, Comgas recorded its best ever average monthly gas supply volumes of 6.9 mmcmd in September. This represents a 38% increase on last September's volumes.

OUTLOOK

“The third quarter results delivered solid profit and earnings growth and reflected the continuing improvements in underlying business performance.

BG Group remains on track to substantially deliver its growth programme for 2001, including seven new projects, the last of which, the Jade field, we anticipate bringing on-stream late this year.

As indicated at our 24 September investor presentation, BG Group expected to meet its planned production levels for the year. We are able to confirm that we expect to be within one per cent of our planned production volumes notwithstanding the loss of more than 3 million barrels of oil equivalent of production from the Karachaganak field.

We expect to continue our strong underlying growth into next year and, with our spread of activities and a growth profile based on known named prospects, we remain on course to deliver our targets for 2003 and beyond.”

Richard V Giordano
15 November 2001

CERTAIN FORWARD LOOKING STATEMENTS

These results 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 Group's strategies, outlook and growth, (ii) BG Group’s positioning to deliver its future plans and to realise its potential for growth, (iii) delivery of the performance required to meet its 2003 and 2006 targets, (iv) expectations regarding prices of gas including the annual price revision for UK contracted gas prices on 1 October, (v) commercialisation and project delivery activities including, but not limited to, the commencement of drilling on the Buzzard discovery and associated reserves additions, the production rate of the Elgin/Franklin field, the first production from the Jade field in the UK, the commencement of Armada Phase 2 drilling and associated start up of production, the first production and production rate of the Juno fields, the supply by NCMA of 50% of the gas required for Atlantic LNG’s second train expansion, the first production from the Hibiscus field in Trinidad, the statements relating to an integrated LNG export project in Egypt, the commencement of the use of the Caspian Pipeline from Karachaganak to western markets and the completion of the sales of BG Storage and BG Rimi and of the acquisition of Enron’s Indian upstream assets and BP and Statoil’s Kashagan interests and (vi) statements preceded by “expected”, “scheduled”, “targeted”, “planned”, “proposed”, “intention” or similar expressions, 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 (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 Group’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) fluctuations in exchange rates, (viii) risks encountered in the gas and oil exploration and production sector in general, (ix) business risk management and (x) the Risk Factors included in BG Group’s Annual Report and Accounts 2000, among other factors. BG Group does not undertake any obligation to publicly update or revise any forward looking statements contained in these results, whether as a result of new information, future events or otherwise.

CONSOLIDATED PROFIT AND LOSS ACCOUNT – THIRD QUARTER

		2001			2000 *(restated)*		
		Total	**Excep -tional items**	**Busi- ness perfor- mance**	Total	Excep- tional items	Busi- ness perfor- mance
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Turnover	3	653	-	653	585	-	585
Operating costs		(483)	-	(483)	(451)	(2)	(449)
Group operating profit	3	170	-	170	134	(2)	136
Share of operating profits less losses in joint ventures and associated undertakings		32	-	32	32	-	32
Total operating profit	3	202	-	202	166	(2)	168
Loss on disposal of fixed assets		-	-	-	(6)	(6)	-
Profit on ordinary activities		202	-	202	160	(8)	168
Net interest	4	(26)	-	(26)	(23)	-	(23)
Profit on ordinary activities before taxation		176	-	176	137	(8)	145
Tax on profit on ordinary activities	5	(61)	-	(61)	(46)	-	(46)
Profit on ordinary activities after taxation		115	-	115	91	(8)	99
Minority shareholders' interest		(13)	-	(13)	(13)	-	(13)
Earnings		102	-	102	78	(8)	86
Earnings per ordinary share (i)	6	2.9p	-	2.9p	2.2p	(0.3)p	2.5p

i) There is no difference between basic and diluted earnings 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 – FIRST NINE MONTHS

		2001			2000 (restated)		
		Total	**Excep -tional items**	**Busi- ness perfor- mance**	Total	Excep -tional items	Busi- ness perfor -mance
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Turnover	3	2,015	34	1,981	1,690	-	1,690
Operating costs		(1,454)	-	(1,454)	(1,498)	(218)	(1,280)
Group operating profit	3	561	34	527	192	(218)	410
Share of operating profits less losses in joint ventures and associated undertakings		112	-	112	97	-	97
Total operating profit	3	673	34	639	289	(218)	507
Profit on disposal of fixed assets		20	20	-	280	280	-
Profit on ordinary activities		693	54	639	569	62	507
Net interest	4	(50)	17	(67)	(57)	-	(57)
Profit on ordinary activities before taxation		643	71	572	512	62	450
Tax on profit on ordinary activities	5	(221)	(21)	(200)	(70)	60	(130)
Profit on ordinary activities after taxation		422	50	372	442	122	320
Minority shareholders' interest		(22)	-	(22)	(18)	-	(18)
Earnings		400	50	350	424	122	302
Earnings per ordinary share (i)	6	11.4p	1.4p	10.0p	12.2p	3.5p	8.7p

i) There is no difference between basic and diluted earnings 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 BALANCE SHEET

	As at 30 Sept 2001 £m	As at 31 Dec 2000 £m *(restated)*
Fixed assets:		
Intangible assets	**889**	876
Tangible assets	**4,157**	3,863
Investments	**696**	562
	5,742	5,301
Current assets:		
Stocks	**100**	99
Debtors: amounts falling due within one year	**629**	522
Debtors: amounts falling due after one year	**124**	95
Investments	**261**	129
Cash at bank and in hand	**45**	65
	1,159	910
Creditors: amounts falling due within one year:		
Borrowings	**(571)**	(321)
Other creditors	**(864)**	(831)
	(1,435)	(1,152)
Net current liabilities	**(276)**	(242)
Total assets less current liabilities	**5,466**	5,059
Creditors: amounts falling due after more than one year:		
Borrowings	**(524)**	(233)
Other creditors	**(234)**	(257)
	(758)	(490)
Provisions for liabilities and charges	**(986)**	(1,211)
	3,722	3,358
CAPITAL AND RESERVES		
BG shareholders' funds	**3,484**	3,158
Minority shareholders' interest	**238**	200
	3,722	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 – THIRD QUARTER AND FIRST NINE MONTHS

	Third Quarter 2001 £m	First Nine Months 2001 £m
Profit for the financial period	**102**	**400**
Dividend	**-**	**(53)**
	102	**347**
Currency translation adjustments	**(61)**	**(21)**
Net movement in BG shareholders' funds for the financial period	**41**	**326**
BG shareholders' funds at the beginning of the period:		
- as previously published	**3,443**	**3,550**
- restatement to prior period (i)	**-**	**(392)**
- as restated	**3,443**	**3,158**
BG shareholders' funds as at 30 September	**3,484**	**3,484**

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 – THIRD QUARTER

	2001 £m	2000 £m
Total operating profit	**202**	166
Less: Exceptional operating items	**-**	2
Total operating profit excluding exceptional items	**202**	168
Less: Share of operating profit in joint ventures and associated undertakings	**(32)**	(32)
Group operating profit excluding exceptional items	**170**	136
Depreciation and amortisation	**103**	109
Provisions for liabilities and charges	**(7)**	(6)
Movement in working capital	**(151)**	78
Net cash flow from operating activities	**115**	317
Dividends from joint ventures and associated undertakings	**7**	3
Returns on investments and servicing of finance (i)	**(21)**	(4)
Tax paid	**(82)**	(49)
Capital expenditure and investment	**(247)**	(250)
Proceeds from sales of assets	**2**	7
Management of liquid resources	**(222)**	83
Net cash flow before financing	**(448)**	107
Shares issued to minority interests	**3**	2
Net movement in borrowings	**401**	(12)
Funding movements with Lattice (ii)	**-**	(86)
Net cash flow from financing activities	**404**	(96)
NET MOVEMENT IN CASH	**(44)**	11
Opening cash	**79**	34
Changing values of currency	**10**	2
CLOSING CASH (iii)	**45**	47

i) Includes capitalised interest of £8 million (2000 £nil).
ii) In 2000, represents settlement of balances between BG and the businesses demerged to Lattice, effective 23 October 2000.
iii) Represents cash at bank and in hand of £45 million (2000 £47 million) offset by bank overdrafts of £nil (2000 £nil).

CONSOLIDATED CASH FLOW STATEMENT – FIRST NINE MONTHS

	2001 £m	2000 £m
Total operating profit	**673**	289
Less: Exceptional operating items	**(34)**	218
Total operating profit excluding exceptional items	**639**	507
Less: Share of operating profit in joint ventures and associated undertakings	**(112)**	(97)
Group operating profit excluding exceptional items	**527**	410
Depreciation and amortisation	**288**	316
Unsuccessful exploration expenditure written off	**4**	1
Provisions for liabilities and charges	**(18)**	(34)
Movement in provision on sale of certain long-term gas contracts	**(184)**	-
Payment of exceptional demerger costs	**(21)**	(1)
Receipt of exceptional income	**34**	-
Movement in working capital	**(228)**	(113)
Net cash flow from operating activities	**402**	579
Dividends from joint ventures and associated undertakings	**41**	11
Returns on investments and servicing of finance (i)	**(27)**	(6)
Tax paid	**(171)**	(94)
Capital expenditure and investment	**(707)**	(592)
Proceeds from sales of assets	**55**	531
Equity dividends paid	**(51)**	(159)
Management of liquid resources	**(141)**	75
Net cash flow before financing	**(599)**	345
Changes in share capital	**-**	(3)
Shares issued to minority interests	**7**	5
Net movement in borrowings	**576**	(114)
Funding movements with Lattice (ii)	**-**	(228)
Net cash flow from financing activities	**583**	(340)
NET MOVEMENT IN CASH	**(16)**	5
Opening cash	**64**	31
Changing values of currency	**(3)**	11
CLOSING CASH (iii)	**45**	47

i) Includes capitalised interest of £14 million (2000 £10 million) and £17 million received in respect of exceptional items (see note 2).
ii) In 2000, represents settlement of balances between BG and the businesses demerged to Lattice, effective 23 October 2000.
iii) Represents cash at bank and in hand of £45 million (2000 £47 million) offset by bank overdrafts of £nil (2000 £nil).

RECONCILIATION OF NET BORROWINGS – FIRST NINE MONTHS

	£m
Net borrowings as at 1 January 2001	**(360)**
Net decrease in cash in the period	**(16)**
Cash outflow from the management of liquid resources	**141**
Increase in short-term borrowings	**(253)**
Increase in long-term borrowings	**(323)**
Net increase in borrowings	**(576)**
Foreign exchange	**22**
Net borrowings as at 30 September 2001	**(789)**

Net borrowings attributable to MetroGAS, Comgas and Gujarat Gas are £403 million (1 January 2001 £343 million).

The gearing ratio (net borrowings as a percentage of net borrowings plus equity) was 17.5% (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 (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 year to date 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

	Third Quarter		**First Nine Months**	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
Turnover: House of Lords judgment	**-**	-	**34**	-
Operating costs:				
- Storage impairment	**-**	-	**-**	(200)
- demerger costs	**-**	(2)	**-**	(18)
Impact on operating profit	**-**	(2)	**34**	(218)
Profit/(loss) on disposal of fixed assets	**-**	(6)	**20**	280
Interest: House of Lords judgment	**-**	-	**17**	-
Impact on profit before tax	**-**	(8)	**71**	62
Tax impact of exceptional items	**-**	-	**(21)**	60
Impact on earnings	**-**	(8)	**50**	122

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).

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 and third quarters: Demerger costs

BG incurred costs associated with the demerger, including corporate restructuring costs, of £18 million (Other activities) of which £16 million was incurred in the second quarter and £2 million in the third quarter.

2000 first quarter: Disposal of fixed asset investment

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

3. Segmental analysis: excluding exceptional items

Third Quarter	Turnover excluding share of joint ventures	
	2001	2000
	£m	£m
Exploration and Production	**330**	290
Liquefied Natural Gas	**14**	7
Transmission and Distribution	**250**	239
Power Generation	**36**	29
Storage	**21**	21
Other activities	**12**	6
Less: intra-group sales	**(10)**	(7)
	653	585

Third 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**	£m
Exploration and Production	**143**	116	**-**	-	**143**	116
Liquefied Natural Gas	**(10)**	(3)	**5**	9	**(5)**	6
Transmission and Distribution	**34**	29	**8**	7	**42**	36
Power Generation	**1**	(1)	**19**	16	**20**	15
Storage	**7**	3	**-**	-	**7**	3
Other activities (i)	**(5)**	(8)	**-**	-	**(5)**	(8)
	170	136	**32**	32	**202**	168

i) The above results are stated excluding exceptional items. Exceptional items comprise a £2 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 third quarter was £30 million (2000 £55 million) and £17 million (2000 £14 million) respectively.

3. Segmental analysis: excluding exceptional items (continued)

First Nine Months	Turnover excluding share of joint ventures 2001 £m	2000 £m
Exploration and Production (i)	**1,042**	896
Liquefied Natural Gas	**61**	15
Transmission and Distribution	**643**	584
Power Generation	**143**	127
Storage	**63**	58
Other activities	**69**	28
Less: intra-group sales	**(40)**	(18)
	1,981	1,690

First Nine Months	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)	**453**	365	**-**	4	**453**	369
Liquefied Natural Gas	**(6)**	(4)	**26**	22	**20**	18
Transmission and Distribution	**68**	52	**22**	17	**90**	69
Power Generation	**15**	17	**64**	52	**79**	69
Storage (i)	**20**	3	**-**	-	**20**	3
Other activities (i)	**(23)**	(23)	**-**	2	**(23)**	(21)
	527	410	**112**	97	**639**	507

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 £18 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 first nine months was £106 million (2000 £126 million) and £55 million (2000 £41 million) respectively.

4. Net interest

	Third Quarter		First Nine Months	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
Net interest payable on net borrowings	**(17)**	(2)	**(31)**	(2)
Interest capitalised	**8**	-	**14**	10
	(9)	(2)	**(17)**	8
Unwinding of discount on provisions (i)	**(4)**	(8)	**(12)**	(31)
Unwinding of discount on deferred income	**(2)**	(3)	**(7)**	(8)
Net interest: Group	**(15)**	(13)	**(36)**	(31)
Joint ventures	**(7)**	(5)	**(20)**	(10)
Associated undertakings	**(4)**	(5)	**(11)**	(16)
Total net interest: excluding exceptional items	**(26)**	(23)	**(67)**	(57)
Interest receivable on House of Lords judgment in favour of the CATS partners	**-**	-	**17**	**-**
Total net interest: including exceptional items	**(26)**	(23)	**(50)**	(57)

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 third quarter of £nil (2000 £4 million) and for the first nine months of £nil (2000 £21 million) and decommissioning costs for the third quarter of £4 million (2000 £4 million) and for the first nine months of £12 million (2000 £10 million).

5. Taxation

The tax charge for the first nine months before exceptional items was £200 million (2000 £130 million), representing an effective tax rate of 35% (2000 29%) and the tax charge including exceptional items was £221 million (2000 £70 million), representing an effective tax rate of 34% (2000 14%).

6. Earnings per ordinary share

Third Quarter	**2001**		2000 *(restated)*	
	£m	**Pence per ordinary share**	£m	Pence per ordinary share
Earnings – basic	**102**	**2.9**	78	2.2
Demerger costs	**-**	**-**	2	0.1
Loss on disposals	**-**	**-**	6	0.2
Earnings – excluding exceptional items	**102**	**2.9**	86	2.5

Third Quarter	**2001**		2000 *(restated)*	
	£m	**Pence per ordinary share**	£m	Pence per ordinary share
Earnings – basic	**102**	**2.9**	78	2.2
Minority interest	**13**	**0.4**	13	0.4
Tax	**61**	**1.8**	46	1.3
Interest	**26**	**0.7**	23	0.7
Depreciation and amortisation	**103**	**2.9**	109	3.1
EBITDA – including exceptional items	**305**	**8.7**	269	7.7
Demerger costs	**-**	**-**	2	0.1
Loss on disposals	**-**	**-**	6	0.2
EBITDA – excluding exceptional items	**305**	**8.7**	277	8.0

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

6. Earnings per ordinary share (continued)

First Nine Months	**2001**		2000 *(restated)*	
	£m	**Pence per ordinary share**	£m	Pence per ordinary share
Earnings – basic	**400**	**11.4**	424	12.2
House of Lords judgment in favour of the CATS partners	**(51)**	**(1.4)**	-	-
Impairment of assets	**-**	**-**	200	5.8
Demerger costs	**-**	**-**	18	0.5
Profit on disposals	**(20)**	**(0.6)**	(280)	(8.1)
Tax impact of exceptional items	**21**	**0.6**	(60)	(1.7)
Earnings – excluding exceptional items	**350**	**10.0**	302	8.7

First Nine Months	**2001**		2000 *(restated)*	
	£m	**Pence per ordinary share**	£m	Pence per ordinary share
Earnings – basic	**400**	**11.4**	424	12.2
Minority interest	**22**	**0.6**	18	0.5
Tax	**221**	**6.4**	70	2.0
Interest	**50**	**1.4**	57	1.7
Depreciation and amortisation	**288**	**8.3**	316	9.1
Impairment of assets	**-**	**-**	200	5.8
EBITDA – including exceptional items	**981**	**28.1**	1,085	31.3
House of Lords judgment in favour of the CATS partners	**(34)**	**(1.0)**	-	-
Demerger costs	**-**	**-**	18	0.5
Profit on disposals	**(20)**	**(0.6)**	(280)	(8.1)
EBITDA – excluding exceptional items	**927**	**26.5**	823	23.7

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

7. Quarterly information: earnings

	2001 £m	2000 £m *(restated)*	**2001 pence**	2000 pence *(restated)*
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	**102**	78	**2.9**	2.2
- excluding exceptional items	**102**	86	**2.9**	2.5
Fourth quarter				
- basic		17		0.5
- excluding exceptional items		110		3.1
Full year				
- basic		441		12.7
- excluding exceptional items		412		11.8

	BG shareholders' funds as at the period end	
	2001 £m	2000 £m *(restated)*
First quarter	**3,386**	3,140
Second quarter	**3,443**	3,025
Third quarter	**3,484**	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
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Financial Calendar

Payment of 2001 interim dividend:	
UK holders	14 December 2001
American depository receipt holders	24 December 2001
Announcement of 2001 fourth quarter and full year results	21 February 2002
Announcement of 2002 first quarter results	9 May 2002

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

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