

# BG GROUP PLC

## 2002 THIRD QUARTER RESULTS

---

**“BG Group maintained earnings momentum in a challenging business environment and made excellent progress on the delivery of its growth programme.”**

Sir Richard Giordano, Chairman

### HIGHLIGHTS

Third Quarter		Results excluding exceptional items*	First Nine Months			
2002 £m	2001 £m		2002 £m	2001 £m		
<b>698</b>	653	+7%	Turnover	<b>2,062</b>	1,981	+4%
<b>198</b>	202	-2%	Total operating profit	<b>634</b>	639	-1%
<b>106</b>	102	+4%	Earnings <sup>(i)</sup>	<b>294</b>	350	-16%
<b>3.0p</b>	2.9p	+3%	Earnings per share	<b>8.3p</b>	10.0p	-17%

<sup>(i)</sup> 2002 incorporates the effect of the North Sea tax surcharge, comprising £10 million in the third quarter and £82 million in the first nine months. Excluding this surcharge, earnings per share for the first nine months rose by 7% to 10.7 pence.

- Earnings rose by 4% for the quarter after incorporating the charge for the UK North Sea tax increase.
- At constant upstream prices operating profit would have increased by 9% for the quarter.
- E&P volumes grew by 22% for the quarter to 32.6 million barrels of oil equivalent.
- Production commenced from the North Coast Marine Area in Trinidad and Tobago.
- Atlantic LNG Train 2 started commercial production.
- San Lorenzo CCGT commenced commercial operations.
- Egyptian LNG Train 1 Sale and Purchase Agreement signed with Gaz de France.
- Agreement to sell 2.6 mtpa of LNG from Tangguh to Fujian, China.
- Kalamkas discovery in North Caspian Sea.
- 72% exploration and appraisal success rate in the year to date.

\* For details of exceptional items see the consolidated profit and loss account, pages 10 and 11, and note 2 of the Quarterly Accounts, page 16.

**BUSINESS REVIEW**

*The results discussed in this Business Review (pages 2 to 7) relate to BG's Business Performance. There were no exceptional items in the third quarter of 2002 or 2001.*

**GROUP RESULTS**

	Third Quarter		
	2002	2001	
	£m	£m	
Turnover	<b>698</b>	653	+7%
Exploration and Production	<b>164</b>	143	+15%
Liquefied Natural Gas	<b>(1)</b>	(5)	+80%
Transmission and Distribution	<b>10</b>	42	-76%
Power Generation	<b>28</b>	20	+40%
Storage	<b>n/a</b>	7	-
Other activities	<b>(3)</b>	(5)	+40%
Total operating profit	<b>198</b>	202	-2%
Net interest	<b>(21)</b>	(26)	+19%
Tax	<b>(71)</b>	(61)	-16%
Earnings	<b>106</b>	102	+4%
Earnings per share	<b>3.0p</b>	2.9p	+3%
Capital expenditure	<b>300</b>	278	+8%

The Group maintained positive earnings momentum despite the increase in North Sea taxation, lower UK gas prices and the effects of continued economic weakness in South America.

Total operating profit of £198 million reflected strong growth in Exploration and Production and Power, together with an improved contribution from LNG, offset by the impact on Transmission and Distribution of further economic and currency weaknesses in Argentina and Brazil.

The net interest charge was lower than 2001, see note 4, page 18, with the effect of lower interest rates offsetting higher net borrowings. The tax charge for the quarter is based on an effective rate of 40%. Earnings rose by 4% after taking into account a £10 million tax increase due to the North Sea tax surcharge. Cash inflow from normal operating activities was £297 million, compared with £115 million in 2001. The improvement mainly reflects a net working capital inflow of £52 million, compared with a £151 million outflow in 2001. Capital expenditure was £300 million in the quarter, bringing the total for the year to date to £1,189 million. The quarterly expenditure was principally in Kazakhstan (£99 million), the UK (£74 million), the Mediterranean Basin (£58 million) and Trinidad and Tobago (£24 million).

As at 30 September 2002, net borrowings were £927 million and gearing was 21.9% (1 January 2002 13.2%). Net borrowings included £373 million of non-recourse net borrowings held in subsidiary undertakings (£284 million of which is attributable to MetroGAS).

## EXPLORATION AND PRODUCTION

	Third Quarter		
	2002	2001	
Production volumes (mmboe)	<b>32.6</b>	26.7	+22%
Turnover including purchased gas (£m)	<b>448</b>	330	+36%
Turnover excluding purchased gas (£m)	<b>367</b>	313	+17%
Total operating profit (£m)	<b>164</b>	143	+15%
Average realised oil price per barrel	<b>£17.49</b> <b>(\$26.50)</b>	£17.47 (\$24.98)	- +6%
Average realised gas price per produced therm	<b>12.85p</b>	14.95p	-14%
Lifting costs per boe	<b>£1.15</b> <b>(\$1.74)</b>	£1.12 (\$1.60)	+3% +9%
Operating expenditure per boe	<b>£2.25</b> <b>(\$3.41)</b>	£2.08 (\$2.97)	+8% +15%
<i>Additional Operating and Financial Data are given on page 21.</i>			

Production increased by 22% including production from the new Jade (UKCS) and Indian fields, together with increased production from Karachaganak, Elgin/Franklin, Blake and La Vertiente (Bolivia). Excluding the impact of price changes and purchased gas sales, turnover increased by 22%, reflecting the increase in production. Operating profit rose by 30% at constant prices.

Turnover, excluding purchased gas sales, was up 17%. This includes the impact of lower average realised gas prices, which reflect lower UK market prices and a consequential change in sales mix. Following the annual price revision, UK contract gas prices are expected to decrease by around 12% for the 2002/2003 gas year, which commenced on 1 October 2002.

Unit lifting costs increased by 3 pence, as major maintenance programmes were undertaken at several fields during the quarter. Unit operating expenditure increased by 17 pence principally due to transportation and processing fees on production from the Jade and Blake fields.

Exploration expense rose by £13 million mainly due to a higher level of seismic work in the quarter. Capital expenditure of £236 million included continuing investment in Karachaganak, West Delta Deep, Miskar and the Easington Catchment Area.

### Third quarter business highlights

Production commenced from the Hibiscus field in Trinidad and Tobago's North Coast Marine Area (NCMA). First gas from the platform was produced into the recently commissioned second train of Atlantic LNG (ALNG) in July. The NCMA project recently achieved one million man-hours without a lost time injury during the hook up and commissioning of the platform and subsequent drilling and production activities.

The Boyle field commenced production on 22 October after having been successfully drilled from the Davy platform.

In the UK, the second phase of Easington Catchment Area (Juno) remains on schedule with production planned to begin in December 2002. Juno comprises the BG-operated Minerva and Apollo fields and the BP-operated Wollaston and Whittle fields.

BG and partners signed an amended West Delta Deep Marine (WDDM) Concession Agreement with the Egyptian General Petroleum Corporation. This amendment facilitates the development of the Egyptian LNG (ELNG) export scheme.

Since the second quarter results five exploration and appraisal wells were drilled, three in the UK and one each in Kazakhstan and India. The year-to-date success ratio is 72%.

The South West Seymour exploration well was completed at the end of October, confirming it as an economic gas discovery. The sidetrack development well, which is currently being drilled, is scheduled to be completed in early January. First gas production is targeted for the beginning of the second quarter 2003.

An exploration well drilled on the Kalamkas prospect (BG 16.67%) in the North Caspian Sea discovered hydrocarbons. The well, approximately 90 km south-west of Kashagan, flowed at 2,300 bopd of 34 degrees API on test.

Seismic data, to aid field development planning, was acquired over the western portion of the Kashagan field in the North Caspian Sea and also over the Buzzard field in the UK.

BG and partner, ChevronTexaco, have been selected as the preferred bidders for Block 2 in Venezuela's Plataforma Deltana. The Loran discovery in Block 2 is believed to extend into Block 6(d) of Trinidad and Tobago, where BG is operator with a 50% interest. Discussions have commenced with the Venezuelan Government on proposed licence terms and conditions.

**LIQUEFIED NATURAL GAS**

	Third Quarter		
	2002	2001	
	£m	£m	
Turnover	<b>73</b>	14	+421%
Total operating loss	<b>(1)</b>	(5)	+80%
Capital expenditure	<b>27</b>	32	-16%

Increased income from LNG shipping and marketing led to the £59 million increase in turnover.

The £1 million loss in the quarter compares with a loss of £5 million last year. This result comprised shipping and marketing (£2 million loss), business development costs (£4 million) and BG's share of operating profits at ALNG (£5 million profit). Business development expense fell by £8 million as ELNG and Tangguh progressed to become capital projects in the fourth quarter of 2001. Operating profits from ALNG were in line with last year with ALNG Train 2 being in start-up phase during the quarter.

Capital expenditure in the quarter relates to ELNG and the two-train expansion of ALNG.

**Third quarter business highlights**

Lake Charles received and processed 12 cargoes in the quarter, strengthening the establishment of this new business for BG. Progress continues to be made on obtaining new sources of supply for Lake Charles and new initiatives are being developed for marketing gas in the USA.

The second train of ALNG commenced operations in July and produced first LNG in August, with initial cargoes from BG and its upstream partners being delivered to Lake Charles. Commencing in the second quarter of 2003, BG and its upstream partners' LNG output is contracted for delivery to El Paso at Elba Island under a long-term contract. In addition, BG made progress towards the commercialisation of ALNG Train 4, with commencement of operations planned for the end of 2005.

A Sale and Purchase Agreement between ELNG Train 1 partners and Gaz de France (GdF) was signed on 12 October. The Participation Agreement, which provides for GdF to become a partner in both Train 1 and the common facilities, was also signed. An EPC contract for Train 1 and common facilities was signed between co-venturers and Bechtel. Construction of the 3.6 mtpa facility is underway, with first LNG expected in the third quarter of 2005.

The Tangguh partners announced the sale of 2.6 mtpa of LNG under a 25-year contract to the proposed Fujian LNG importation terminal in China. It is intended that the Tangguh project will be supplied by gas from the BG-operated Muturi PSC and two other PSCs. Marketing of the remainder of Tangguh's output continues with the intention of sanctioning the Tangguh project as planned in the second quarter of 2003. First production is now scheduled for 2007.

## TRANSMISSION AND DISTRIBUTION

	Third Quarter		
	2002	2001	
	£m	£m	
Turnover			
Excluding MetroGAS	93	97	-4%
MetroGAS	39	153	-75%
	132	250	-47%
Total operating profit			
Excluding MetroGAS	-	8	-
MetroGAS	10	34	-71%
	10	42	-76%
Capital expenditure	22	46	-52%

Comgas' volumes were up 28%, although turnover in Sterling was in line with last year, having been reduced by the weakening Brazilian Real.

Total operating profit excluding MetroGAS fell by £8 million principally due to a lower contribution from Comgas (2002 £1 million loss; 2001 £3 million profit), reflecting the Real depreciation and timing differences on gas cost pass-through, which is recovered through periodic tariff adjustments. These tariffs are expected to be revised in the fourth quarter.

MetroGAS' contribution to Group results continued to reflect the effect of the Peso devaluation and the adverse economic and regulatory environment in Argentina. Volumes rose by 6% and the business posted an operating profit of £10 million.

Capital expenditure in the quarter was incurred mainly on the expansion of the Comgas distribution network. This expenditure was financed through operating cash flows of the business and Comgas' existing lines of credit.

### Third quarter business highlights

Comgas connected 6,451 residential and commercial customers and 33 industrial and NGV customers in the quarter. Peak volumes during the quarter were 10 mmcmd.

The reorganisation of the Argentine Government's renegotiation committee has caused delay to the MetroGAS licence renegotiation process. The initial period for renegotiation has been extended by 120 business days until March 2003. The Government's plan to hold public hearings on tariff increases was cancelled by judicial order.

**POWER GENERATION**

	Third Quarter		
	2002 £m	2001 £m	
Turnover	37	36	+3%
Total operating profit	28	20	+40%
Capital expenditure	9	30	-70%

Total operating profit rose by £8 million, principally due to higher profits at Premier Power and the commissioning of the San Lorenzo power plant during the quarter. Operating profit at Premier Power increased by £3 million reflecting lower costs following the planned closure of an existing unit in the second quarter.

Capital expenditure in both years relates mainly to the Premier Power CCGT project.

**Third quarter business highlights**

In the Philippines, the 500 MW gas-fired San Lorenzo power station completed its phased commissioning and entered full commercial operations on 1 October. This completes the project programme to deliver the 2003 Power target.

BG continues to progress the key project agreements for the proposed Barca Power CCGT in Tunisia. Tenders are being evaluated for the supply of plant equipment. An environmental impact assessment for the project has been submitted to the Tunisian authorities.

**OTHER ACTIVITIES**

Other activities, which includes new business expenditure and certain corporate costs, incurred a net loss of £3 million in the third quarter (2001 £5 million loss).

## OUTLOOK

"In the third quarter, BG Group maintained earnings momentum and made excellent progress on the delivery of its growth programme. These accomplishments were impressive when considered against the challenging business environment.

BG Group remains on course to deliver a good operating performance in the fourth quarter. We will provide a detailed progress update on our targets for 2003 and beyond at our annual investor presentation in London on 14 November and in New York on 18 November."

**Sir Richard Giordano**  
**7 November 2002**

**LEGAL NOTICE**

*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 results, including without limitation, those concerning (i) strategies, outlook and growth opportunities, (ii) positioning to deliver future plans and to realise potential for growth, (iii) delivery of the performance required to achieve the growth programme, (iv) development of new markets, (v) the development and commencement of commercial operations of new projects, (vi) liquidity and capital resources, (vii) plans for capital and investment expenditure and (viii) statements preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements, contain certain forward-looking statements concerning 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 oil and gas prices, (ii) success in implementing business and operating initiatives, (iii) changes in the regulatory environment and other government actions, including UK and international corporation tax rates, (iv) a major recession or significant upheaval in the major markets in which the BG Group operates, (v) the failure to ensure the safe operation of assets worldwide, (vi) implementation risk, being the challenges associated with delivering capital intensive projects on time and on budget, including the need to retain and motivate staff, (vii) commodity risk, being the risk of a significant fluctuation in oil and/or gas prices from those assumed, (viii) fluctuations in exchange rates, in particular the US\$:UK£ exchange rate being significantly different to that assumed, (ix) risks encountered in the gas and oil exploration and production sector in general, (x) business risk management and (xi) the Risk Factors included in BG Group's Annual Report and Accounts 2001. BG Group undertakes no obligation to update any forward-looking statements.*

*No part of these results constitutes or shall be taken to constitute an invitation or inducement to invest in BG Group plc or any other entity and must not be relied upon in any way in connection with any investment decision.*

**SUPPLEMENTARY INFORMATION****Definitions**

In these results:

<b>bcf</b>	billion cubic feet
<b>boe</b>	barrels of oil equivalent
<b>boepd</b>	barrels of oil equivalent per day
<b>bopd</b>	barrels of oil per day
<b>CCGT</b>	combined cycle gas turbine
<b>E&amp;P</b>	Exploration and Production
<b>EPC</b>	engineering, procurement and construction
<b>FEED</b>	front end engineering design
<b>GW</b>	gigawatt
<b>LNG</b>	Liquefied Natural Gas
<b>m</b>	million
<b>mmboe</b>	million barrels of oil equivalent
<b>mmcfd</b>	million cubic feet per day
<b>mmcmd</b>	million cubic metres per day
<b>mmscfd</b>	million standard cubic feet per day
<b>mtpa</b>	million tonnes per annum
<b>MW</b>	megawatt
<b>PSC</b>	production sharing contract
<b>UKCS</b>	United Kingdom Continental Shelf

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
THIRD QUARTER**

	Notes	2002			2001		
		Total	Excep- tional items	Busi- ness perfor- mance	Total	Excep- tional items	Busi- ness perfor- mance
		£m	£m	£m	£m	£m	£m
<b>Turnover</b>	3	<b>698</b>	-	<b>698</b>	653	-	653
Operating costs		<b>(536)</b>	-	<b>(536)</b>	(483)	-	(483)
<b>Group operating profit</b>	3	<b>162</b>	-	<b>162</b>	170	-	170
Share of operating profits less losses in joint ventures and associated undertakings		<b>36</b>	-	<b>36</b>	32	-	32
<b>Total operating profit</b>	3	<b>198</b>	-	<b>198</b>	202	-	202
Loss on disposal of fixed assets		-	-	-	-	-	-
<b>Profit on ordinary activities</b>		<b>198</b>	-	<b>198</b>	202	-	202
Net interest	4	<b>(21)</b>	-	<b>(21)</b>	(26)	-	(26)
<b>Profit on ordinary activities before taxation</b>		<b>177</b>	-	<b>177</b>	176	-	176
Tax on profit on ordinary activities	5	<b>(71)</b>	-	<b>(71)</b>	(61)	-	(61)
<b>Profit on ordinary activities after taxation</b>		<b>106</b>	-	<b>106</b>	115	-	115
Minority shareholders' interest		-	-	-	(13)	-	(13)
<b>Earnings</b>		<b>106</b>	-	<b>106</b>	102	-	102
<b>Earnings per ordinary share (i)</b>	6	<b>3.0p</b>	-	<b>3.0p</b>	2.9p	-	2.9p

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

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FIRST NINE MONTHS**

	Notes	2002			2001		
		Total £m	Excep- tional items £m	Busi- ness perfor- mance £m	Total £m	Excep- tional items £m	Busi- ness perfor- mance £m
<b>Turnover</b>	3	<b>2,062</b>	-	<b>2,062</b>	2,015	34	1,981
Operating costs		(1,538)	-	(1,538)	(1,454)	-	(1,454)
<b>Group operating profit</b>	3	<b>524</b>	-	<b>524</b>	561	34	527
Share of operating profits less losses in joint ventures and associated undertakings		110	-	110	112	-	112
<b>Total operating profit</b>	3	<b>634</b>	-	<b>634</b>	673	34	639
Profit /(loss) on disposal of fixed assets		(10)	(10)	-	20	20	-
<b>Profit on ordinary activities</b>		<b>624</b>	<b>(10)</b>	<b>634</b>	693	54	639
Net interest	4	(60)	-	(60)	(50)	17	(67)
<b>Profit on ordinary activities before taxation</b>		<b>564</b>	<b>(10)</b>	<b>574</b>	643	71	572
Tax on profit on ordinary activities	5	(280)	-	(280)	(221)	(21)	(200)
<b>Profit on ordinary activities after taxation</b>		<b>284</b>	<b>(10)</b>	<b>294</b>	422	50	372
Minority shareholders' interest		-	-	-	(22)	-	(22)
<b>Earnings</b>		<b>284</b>	<b>(10)</b>	<b>294</b>	400	50	350
<b>Earnings per ordinary share (i)</b>	6	<b>8.0p</b>	<b>(0.3)p</b>	<b>8.3p</b>	11.4p	1.4p	10.0p

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

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FIRST NINE MONTHS**

	2002 £m	2001 £m
<b>Earnings</b>	<b>284</b>	400
<b>Currency translation adjustments (i)</b>	<b>(372)</b>	(21)
<b>Total recognised gains and losses</b>	<b>(88)</b>	379

i) The movement in 2002 includes the retranslation of the Group's net investments in Comgas (£(194) million) and MetroGAS (£(84) million).

## CONSOLIDATED BALANCE SHEET

	As at	
	30 Sept 2002 £m	31 Dec 2001 £m
<b>Fixed assets:</b>		
Intangible assets	763	798
Tangible assets	4,011	3,707
Investments	723	663
	<b>5,497</b>	<b>5,168</b>
<b>Current assets:</b>		
Stocks	123	98
Debtors: amounts falling due within one year	603	616
Debtors: amounts falling due after one year	103	125
Investments	67	326
Cash at bank and in hand	157	92
	<b>1,053</b>	<b>1,257</b>
<b>Creditors:</b> amounts falling due within one year:		
Borrowings	(593)	(493)
Other creditors	(984)	(847)
	<b>(1,577)</b>	<b>(1,340)</b>
<b>Net current liabilities</b>	<b>(524)</b>	<b>(83)</b>
<b>Total assets less current liabilities</b>	<b>4,973</b>	<b>5,085</b>
<b>Creditors:</b> amounts falling due after more than one year:		
Borrowings	(558)	(463)
Other creditors	(201)	(228)
	<b>(759)</b>	<b>(691)</b>
<b>Provisions for liabilities and charges</b>	<b>(903)</b>	<b>(864)</b>
	<b>3,311</b>	<b>3,530</b>
<b>CAPITAL AND RESERVES</b>		
BG shareholders' funds	3,266	3,406
Minority shareholders' interest	45	124
	<b>3,311</b>	<b>3,530</b>

## MOVEMENT IN BG SHAREHOLDERS' FUNDS

Third Quarter			First Nine Months	
2002	2001		2002	2001
£m	£m		£m	£m
106	102	Profit for the financial period	284	400
-	-	Issue of shares	3	-
-	-	Dividend	(55)	(53)
<b>106</b>	<b>102</b>		<b>232</b>	<b>347</b>
(157)	(61)	Currency translation adjustments	(372)	(21)
<b>(51)</b>	<b>41</b>	Net movement in BG shareholders' funds for the financial period	<b>(140)</b>	<b>326</b>
BG shareholders' funds at the beginning of the period:				
<b>3,317</b>	<b>3,443</b>	- as previously published	<b>3,406</b>	<b>3,550</b>
-	-	- restatement to prior period (i)	-	(392)
<b>3,317</b>	<b>3,443</b>	- as restated	<b>3,406</b>	<b>3,158</b>
<b>3,266</b>	<b>3,484</b>	BG shareholders' funds as at 30 September	<b>3,266</b>	<b>3,484</b>

i) Relates to the implementation of FRS 19, 'Deferred Tax', on 1 January 2001.

## CONSOLIDATED CASH FLOW STATEMENT

Third Quarter			First Nine Months	
2002	2001		2002	2001
£m	£m		£m	£m
198	202	Total operating profit	634	673
-	-	Less: exceptional operating items	-	(34)
198	202	Total operating profit excluding exceptional items	634	639
(36)	(32)	Less: share of operating profit in joint ventures and associated undertakings	(110)	(112)
162	170	Group operating profit excluding exceptional items	524	527
95	103	Depreciation and amortisation	297	288
(12)	(7)	Provisions and other non-cash flow items	(12)	(14)
52	(151)	Working capital	(72)	(228)
297	115	<b>Cash flow from normal operating activities</b>	737	573
-	-	Movement in provision on sale of certain long-term contracts	-	(184)
-	-	Receipt of exceptional income	-	34
-	-	Net impact of demerger	-	(21)
297	115	<b>Net cash flow from operating activities</b>	737	402
8	7	<b>Dividends from joint ventures and associated undertakings</b>	39	41
(11)	(21)	<b>Returns on investments and servicing of finance (i)</b>	(20)	(27)
(63)	(82)	<b>Tax paid</b>	(167)	(171)
(291)	(247)	<b>Capital expenditure and investment (ii) (iii)</b>	(1,098)	(707)
2	2	<b>Proceeds from sales of assets (iv)</b>	7	55
-	-	<b>Equity dividends paid</b>	(52)	(51)
(29)	(222)	<b>Management of liquid resources</b>	254	(141)
(87)	(448)	<b>Net cash flow before financing</b>	(300)	(599)
-	-	Changes in share capital	3	-
2	3	Shares issued to minority interests	5	7
93	401	Net movement in gross borrowings	345	576
95	404	<b>Net cash flow from financing activities</b>	353	583
8	(44)	<b>NET MOVEMENT IN CASH</b>	53	(16)
138	79	Opening cash	92	64
11	10	Changing values of currency	12	(3)
157	45	<b>CLOSING CASH (v)</b>	157	45

- i) Includes capitalised interest for the third quarter of £2 million (2001 £8 million) and for the nine months of £8 million (2001 £14 million). In 2001, also includes £17 million received in respect of exceptional items in the nine months.
- ii) Includes loans to joint ventures and associated undertakings.
- iii) In 2002 nine months, includes cash acquired of £57 million on the purchase of a subsidiary undertaking.
- iv) Includes repayment of loans by joint ventures and associated undertakings.
- v) Represents cash at bank and in hand of £157 million (2001 £45 million) offset by bank overdrafts of £nil (2001 £nil).

**RECONCILIATION OF NET BORROWINGS – FIRST NINE MONTHS**

	<b>£m</b>
Net borrowings as at 1 January 2002	<b>(538)</b>
Net increase in cash in the period (i)	<b>53</b>
Cash inflow from the management of liquid resources	<b>(254)</b>
Net increase in gross borrowings	<b>(345)</b>
Foreign exchange	<b>157</b>
<hr/>	
Net borrowings as at 30 September 2002	<b>(927)</b>
<hr/>	

*i) Includes cash acquired of £57 million on the purchase of a subsidiary undertaking.*

Net borrowings attributable to MetroGAS (including Gas Argentino), Comgas and Gujarat Gas were £373 million (1 January 2002 £452 million).

The gearing ratio (net borrowings as a percentage of net borrowings plus equity) was 21.9% (1 January 2002 13.2%).

## 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 2001, 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 statutory accounts.

### 2. Exceptional items

Third Quarter			First Nine Months	
2002	2001		2002	2001
£m	£m		£m	£m
-	-	Turnover: House of Lords judgment	-	34
-	-	Impact on operating profit	-	34
-	-	Profit/(loss) on disposal of fixed assets	(10)	20
-	-	Interest: House of Lords judgment	-	17
-	-	Impact on profit before tax	(10)	71
-	-	Tax impact of exceptional items	-	(21)
-	-	Impact on earnings	(10)	50

#### 2002 second quarter: Disposal of investment

BG disposed of its 100% investment in Iqara EcoFuels Limited, realising a £7 million loss.

#### 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) gave rise to income of £34 million (Exploration and Production) and £17 million interest receivable. The resulting tax impact was 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 £49 million resulting in a £21 million profit (Transmission and Distribution). The resulting tax impact was a £6 million charge.

### 3. Segmental analysis: excluding exceptional items

Third Quarter		Turnover excluding share of joint ventures	First Nine Months	
2002 £m	2001 £m		2002 £m	2001 £m
448	330	Exploration and Production (i)	1,278	1,042
73	14	Liquefied Natural Gas	198	61
132	250	Transmission and Distribution	422	643
37	36	Power Generation	141	143
n/a	21	Storage	n/a	63
23	12	Other activities	63	69
(15)	(10)	Less: intra-group sales	(40)	(40)
<b>698</b>	<b>653</b>		<b>2,062</b>	<b>1,981</b>

Third Quarter	Group operating profit/(loss)		Share of operating profit in joint ventures and associated undertakings		Total operating profit/(loss)	
	2002 £m	2001 £m	2002 £m	2001 £m	2002 £m	2001 £m
Exploration and Production	164	143	-	-	164	143
Liquefied Natural Gas	(6)	(10)	5	5	(1)	(5)
Transmission and Distribution	2	34	8	8	10	42
Power Generation	5	1	23	19	28	20
Storage	n/a	7	n/a	-	n/a	7
Other activities	(3)	(5)	-	-	(3)	(5)
	<b>162</b>	<b>170</b>	<b>36</b>	<b>32</b>	<b>198</b>	<b>202</b>
<b>First Nine Months</b>						
Exploration and Production (i)	517	453	-	-	517	453
Liquefied Natural Gas	(15)	(6)	18	26	3	20
Transmission and Distribution	7	68	24	22	31	90
Power Generation	25	15	68	64	93	79
Storage	n/a	20	n/a	-	n/a	20
Other activities	(10)	(23)	-	-	(10)	(23)
	<b>524</b>	<b>527</b>	<b>110</b>	<b>112</b>	<b>634</b>	<b>639</b>

- i) *Exploration and Production's nine months 2001 results are stated excluding an exceptional receipt of £34 million in respect of the House of Lords judgment in favour of the CATS partners (see note 2). Including this receipt, Exploration and Production's results for 2001 would have been: turnover £1,076 million and total operating profit £487 million for the nine months.*

BG's share of turnover and operating profit in joint ventures for the third quarter was £25 million (2001 £30 million) and £22 million (2001 £17 million) respectively; and for the nine months was £114 million (2001 £106 million) and £61 million (2001 £55 million) respectively.

**4. Net interest**

<b>Third Quarter</b>			<b>First Nine Months</b>	
<b>2002</b>	2001		<b>2002</b>	2001
<b>£m</b>	£m		<b>£m</b>	£m
<b>(9)</b>	(17)	Net interest payable on net borrowings	<b>(26)</b>	(31)
<b>2</b>	8	Interest capitalised	<b>8</b>	14
<b>(7)</b>	(9)		<b>(18)</b>	(17)
<b>(3)</b>	(4)	Unwinding of discount on provisions (i)	<b>(9)</b>	(12)
<b>(2)</b>	(2)	Unwinding of discount on deferred income	<b>(6)</b>	(7)
<b>(12)</b>	(15)	Net interest: Group	<b>(33)</b>	(36)
<b>(6)</b>	(7)	Joint ventures	<b>(19)</b>	(20)
<b>(3)</b>	(4)	Associated undertakings	<b>(8)</b>	(11)
<b>(21)</b>	(26)	Total net interest: excluding exceptional items	<b>(60)</b>	(67)
-	-	Interest receivable on House of Lords judgment in favour of the CATS partners	-	17
<b>(21)</b>	(26)	Total net interest: including exceptional items	<b>(60)</b>	(50)

i) Relates to the unwinding of the discount on provisions in respect of decommissioning, included in the profit and loss account as a financial item within the net interest charge.

**5. Taxation – nine months**

The tax charge for the nine months before exceptional items was £280 million (2001 £200 million). This incorporates the rate changes enacted in the Finance Act 2002, comprising a 10% surcharge on North Sea profits and a £51 million charge recognised in the second quarter relating to opening UK deferred tax balances. Excluding the prior year item, the Group's effective tax rate for the year is expected to be around 40% (2001 34.5%). The tax charge including exceptional items was £280 million (2001 £221 million).

## 6. Earnings per ordinary share

### Reconciliation of earnings and earnings per share including and excluding exceptional items

Third Quarter				First Nine Months			
2002		2001		2002		2001	
£m	Pence per share	£m	Pence per share	£m	Pence per share	£m	Pence per share
<b>106</b>	<b>3.0</b>	102	2.9	<b>284</b>	<b>8.0</b>	400	11.4
-	-	-	-	-	-	(51)	(1.4)
-	-	-	-	<b>10</b>	<b>0.3</b>	(20)	(0.6)
-	-	-	-	-	-	21	0.6
<b>106</b>	<b>3.0</b>	102	2.9	<b>294</b>	<b>8.3</b>	350	10.0

### Earnings and earnings per share before interest, tax, depreciation and amortisation – including and excluding exceptional items

Third Quarter				First Nine Months			
2002		2001		2002		2001	
£m	Pence per share	£m	Pence per share	£m	Pence per share	£m	Pence per share
<b>106</b>	<b>3.0</b>	102	2.9	<b>284</b>	<b>8.0</b>	400	11.4
-	-	13	0.4	-	-	22	0.6
<b>71</b>	<b>2.0</b>	61	1.8	<b>280</b>	<b>8.0</b>	221	6.4
<b>21</b>	<b>0.6</b>	26	0.7	<b>60</b>	<b>1.7</b>	50	1.4
<b>95</b>	<b>2.7</b>	103	2.9	<b>297</b>	<b>8.4</b>	288	8.3
<b>293</b>	<b>8.3</b>	305	8.7	<b>921</b>	<b>26.1</b>	981	28.1
-	-	-	-	-	-	(34)	(1.0)
-	-	-	-	<b>10</b>	<b>0.3</b>	(20)	(0.6)
<b>293</b>	<b>8.3</b>	305	8.7	<b>931</b>	<b>26.4</b>	927	26.5

i) *Relates to the House of Lords judgment in favour of the CATS partners.*

Earnings per share calculations in 2002 are based on shares in issue of 3,524 million.

There is no difference between the figures presented above and diluted earnings per share.

**7. Quarterly information: earnings and earnings per share**

	<b>2002</b>	2001	<b>2002</b>	2001
	<b>£m</b>	£m	<b>pence</b>	pence
First quarter				
- including exceptional items	<b>130</b>	187	<b>3.7</b>	5.3
- excluding exceptional items	<b>133</b>	136	<b>3.8</b>	3.9
Second quarter				
- including exceptional items	<b>48</b>	111	<b>1.4</b>	3.2
- excluding exceptional items	<b>55</b>	112	<b>1.6</b>	3.2
Third quarter				
- including exceptional items	<b>106</b>	102	<b>3.0</b>	2.9
- excluding exceptional items	<b>106</b>	102	<b>3.0</b>	2.9
Fourth quarter				
- including exceptional items		186		5.3
- excluding exceptional items		115		3.3
<hr/>				
Full year				
- including exceptional items		586		16.7
- excluding exceptional items		465		13.3
<hr/>				

**Additional information: Exploration and Production - operating and financial data**

Third Quarter				First Nine Months		
2002	2001			2002	2001	
			Production volumes (mmboe)			
5.7	4.3	+33%	- oil	16.7	8.6	+94%
4.5	2.8	+61%	- liquids	14.3	11.1	+29%
22.4	19.6	+14%	- gas	68.5	59.4	+15%
<b>32.6</b>	<b>26.7</b>	<b>+22%</b>	- total	<b>99.5</b>	<b>79.1</b>	<b>+26%</b>
8.8	1.4	+529%	Volume of gas purchased for resale (mmboe)	16.2	8.0	+103%
£17.49 (\$26.50)	£17.47 (\$24.98)	- +6%	Average realised oil price per barrel	£16.56 (\$24.25)	£18.53 (\$26.68)	-11% -9%
£8.55 (\$12.96)	£10.24 (\$14.64)	-17% -11%	Average realised liquids price per barrel	£7.59 (\$11.12)	£10.05 (\$14.47)	-24% -23%
13.31p	16.06p	-17%	Average realised UK gas price per produced therm	15.73p	16.39p	-4%
12.39p	13.56p	-9%	Average realised International gas price per produced therm	12.36p	13.84p	-11%
12.85p	14.95p	-14%	Average realised gas price per produced therm	14.12p	15.32p	-8%
13.79p	15.22p	-9%	Average realised gas price per therm	14.46p	16.11p	-10%
£1.15 (\$1.74)	£1.12 (\$1.60)	+3% +9%	Lifting costs per boe*	£1.04 (\$1.52)	£1.06 (\$1.53)	-2% -1%
£2.25 (\$3.41)	£2.08 (\$2.97)	+8% +15%	Operating expenditure per boe	£2.11 (\$3.09)	£1.99 (\$2.86)	+6% +8%
202	147	+37%	Development expenditure (£m)	538	414	+30%
			Gross exploration expenditure (£m)			
30	22	+36%	- capitalised expenditure	221	54	+309%
18	8	+125%	- other expenditure	48	36	+33%
<b>48</b>	<b>30</b>	<b>+60%</b>	- gross expenditure	<b>269</b>	<b>90</b>	<b>+199%</b>

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

BG's exposure to the oil price varies according to a number of factors including the mix of production and sales. Management estimates that, assuming a normal volume mix, a US\$1.00 movement in the Brent price would have an impact on operating profit in 2003 of approximately £30 million.

BG's exposure to the US\$/UK£ exchange rate varies according to a number of factors including the timing of revenues and costs. Management estimates that for 2003 a 10 cent movement in the US\$/UK£ exchange rate would have an impact on operating profit of approximately £45 million.

## 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](mailto: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 14 November 2002

Payment of 2002 interim dividend:

Shareholders 13 December 2002

American depositary receipt holders 23 December 2002

Announcement of 2002 fourth quarter and full year results 18 February 2003

Announcement of 2003 first quarter results 13 May 2003

**BG Group plc website: [www.bg-group.com](http://www.bg-group.com)**

### **Registered office**

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