

# BG GROUP PLC

## 2004 FOURTH QUARTER AND FULL YEAR RESULTS

### HIGHLIGHTS

Fourth Quarter			Results excluding exceptional items <sup>(i)</sup>	Full Year		
2004 £m	2003 £m			2004 £m	2003 £m	
<b>1,165</b>	887	+31%	Turnover	<b>4,082</b>	3,587	+14%
<b>451</b>	327	+38%	Total operating profit	<b>1,522</b>	1,251	+22%
<b>249</b>	183	+36%	Earnings	<b>842</b>	683	+23%
<b>7.0p</b>	5.2p	+35%	Earnings per share	<b>23.8p</b>	19.4p	+23%
<b>2.08p</b>	1.86p	+12%	Dividend per share	<b>3.81p</b>	3.46p	+10%

			Results including exceptional items			
<b>249</b>	215	+16%	Earnings	<b>904</b>	768	+18%
<b>7.0p</b>	6.1p	+15%	Earnings per share	<b>25.6p</b>	21.8p	+17%

- Earnings<sup>(i)</sup> up by £66 million (36%) in the fourth quarter and by 23% for the full year.
- At constant US\$/UK£ exchange rates and upstream prices<sup>(ii)</sup>, operating profit increased by approximately 8% for the full year.
- Full year dividend increased by 10% to 3.81 pence.
- Simian Sienna fields and Egyptian LNG start up accelerated.
- Comgas operating profit for the year up 38% in Sterling terms.
- Three year average unit finding and development cost<sup>(iii)</sup> was \$4.84/boe.
- Unit operating cost for the year was \$3.66/boe.
- The three year average proved reserve replacement rate was 248%<sup>(iv)</sup>. The one year proved reserve replacement rate was 126% at year end prices and 149% at constant prices.

BG Group's Chief Executive Frank Chapman said:

"2004 was another year of strong earnings progression, underpinned by continuing underlying growth. We have made excellent progress in accelerating some key projects, which will enhance our 2006 growth programme. We remain confident of the Group's outstanding long-term growth prospects."

(i) and (ii) See Non-GAAP measures, page 10, for an explanation of results excluding exceptional items and results at constant US\$/UK£ exchange rates and upstream prices.

(iii) and (iv) See page 10, for an explanation of how these ratios are calculated

**BUSINESS REVIEW**

*The results discussed in this Business Review (pages 2 to 9) relate to BG Group's performance excluding exceptional items. For the impact and a description of exceptional items, see the consolidated profit and loss accounts (pages 13 and 14) and note 2 of the accounts (page 19). Results at constant US\$/UK£ exchange rates and upstream prices are also quoted. See Non-GAAP section (page 10) for an explanation of these measures.*

**GROUP RESULTS**

Fourth Quarter			Results excluding exceptional items	Full Year		
2004 £m	2003 £m			2004 £m	2003 £m	
<b>1,165</b>	887	+31%	Turnover	<b>4,082</b>	3,587	+14%
			Total operating profit			
<b>364</b>	251	+45%	Exploration and Production	<b>1,204</b>	959	+26%
<b>22</b>	17	+29%	Liquefied Natural Gas	<b>94</b>	77	+22%
<b>41</b>	34	+21%	Transmission and Distribution	<b>134</b>	116	+16%
<b>35</b>	35	-	Power Generation	<b>121</b>	129	-6%
<b>(11)</b>	(10)	+10%	Other activities	<b>(31)</b>	(30)	+3%
<b>451</b>	327	+38%		<b>1,522</b>	1,251	+22%
<b>(20)</b>	(13)	+54%	Net interest	<b>(70)</b>	(78)	-10%
<b>(174)</b>	(126)	+38%	Tax	<b>(582)</b>	(470)	+24%
<b>249</b>	183	+36%	Earnings	<b>842</b>	683	+23%
<b>7.0p</b>	5.2p	+35%	Earnings per share	<b>23.8p</b>	19.4p	+23%
<b>509</b>	311	+64%	Capital investment	<b>1,894</b>	1,054	+80%
<b>389</b>	311	+25%	Capital investment excluding acquisitions	<b>1,373</b>	1,054	+30%

**Fourth quarter**

The Group continued to deliver strong earnings growth (up 36% to £249 million), despite the effect of the weaker US Dollar.

Total operating profit increased by 38% to £451 million reflecting higher E&P volumes and prices together with a strong performance from the LNG and T&D segments. E&P volumes increased due to liquid exports from the Karachaganak field in Kazakhstan and increased gas production from the Rosetta and Scarab Saffron fields in Egypt and production from the acquired Canadian properties.

The net interest charge was £7 million higher. The effective tax rate was unchanged at 40%. Earnings per share increased by 1.8 pence (35%).

Capital investment in the quarter was £509 million, including £120 million for the purchase of an additional 40% stake in the Rosetta field.

### Full year

Earnings for the full year are up £159 million (23%). Earnings per share rose to 23.8 pence (23%).

Total operating profit increased by 22% to £1,522 million reflecting E&P volume growth, higher prices and a strong performance from the LNG and T&D segments, partially offset by the impact of the weaker US Dollar. At constant US\$/UK£ exchange rates and upstream prices, total operating profit increased by approximately 8%.

The net interest charge was down by £8 million primarily due to lower interest on US Dollar borrowings in joint ventures and associated companies. The effective tax rate was unchanged at 40%.

Cash inflow from operating activities increased by £138 million to £1,582 million for the year ended December 2004, principally due to the increase in operating profit, partially offset by an increase in working capital. As at 31 December 2004, net borrowings were £999 million, including £202 million non-recourse net borrowings attributable to MetroGAS and Gas Argentino. Gearing at 31 December 2004 was 17.9% (1 January 2004 15.5%).

Capital investment was £1,894 million which included acquisitions of £521 million and investment in the North Caspian Sea PSA of £150 million. The remaining £1,223 million arose primarily in the Mediterranean Basin and Africa (£385 million), North America and the Caribbean (£383 million), North West Europe (£247 million) and Asia and the Middle East (£152 million).

BG Group's post-tax ROACE for the year was 17.6% (2003 16.3%).

In considering the dividend level, the Board takes account of the outlook for earnings growth, cash flow generation and the Group's financial position. The aim is to provide sustainable, long-term growth in the dividend. The Directors recommend a final dividend of 2.08 pence per share bringing the full year dividend to 3.81 pence per share, an increase of 10% compared with last year.

## EXPLORATION AND PRODUCTION

Fourth Quarter				Full Year		
2004	2003			2004	2003	
£m	£m			£m	£m	
<b>45.0</b>	41.3	+9%	Production volumes (mboe)	<b>166.8</b>	156.0	+7%
<b>651</b>	475	+37%	Turnover	<b>2,153</b>	1,794	+20%
<b>364</b>	251	+45%	Total operating profit	<b>1,204</b>	959	+26%
<b>£24.70</b>	£17.22	+43%	Average realised oil price per barrel	<b>£21.53</b>	£17.89	+20%
<b>(\$45.58)</b>	(\$29.13)	+56%		<b>(\$39.24)</b>	(\$29.18)	+34%
<b>£16.95</b>	£8.92	+90%	Average realised liquids price per barrel	<b>£14.21</b>	£8.86	+60%
<b>(\$31.28)</b>	(\$15.09)	+107%		<b>(\$25.90)</b>	(\$14.45)	+79%
<b>17.55p</b>	15.30p	+15%	Average realised gas price per produced therm	<b>16.18p</b>	15.16p	+7%
<b>£0.99</b>	£0.81	+22%	Lifting costs per boe	<b>£1.03</b>	£0.91	+13%
<b>(\$1.83)</b>	(\$1.37)	+34%		<b>(\$1.88)</b>	(\$1.48)	+27%
<b>£1.95</b>	£1.75	+11%	Operating expenditure per boe	<b>£2.01</b>	£1.85	+9%
<b>(\$3.60)</b>	(\$2.95)	+22%		<b>(\$3.66)</b>	(\$3.02)	+21%
<b>420</b>	168	+150%	Capital investment	<b>1,380</b>	654	+111%

*Lifting costs are defined as operating expenditure excluding royalties, tariffs and insurance.  
Additional Operating and Financial Data is given on page 24.*

## Fourth quarter

E&P operating profit increased by 45% to £364 million due to higher volumes and prices, partially offset by a higher exploration charge and the effect of the weaker US Dollar.

Production volumes increased by 9%, primarily driven by the export of liquids from the Karachaganak field in Kazakhstan and increased gas production from the Rosetta and Scarab Saffron fields in Egypt and production from the acquired Canadian properties. The average realised gas price per produced therm was up 15% due to higher UK and Canadian gas prices.

The exploration charge of £59 million is £32 million higher mainly due to a step increase in the Geological and Geophysical (G&G) programme. This includes G&G work on new exploration areas in the UKCS, Norway, Canada, Mauritania and Trinidad. Well write-offs rose by £8 million, including a £12 million charge for the write-off of the Panda discovery.

Unit operating expenditure was 20 pence per boe higher during the quarter, reflecting high lifting costs and royalties on the acquired Canadian properties and the impact of a planned shutdown at the Miskar field in Tunisia.

Capital investment of £420 million includes £120 million for the purchase of the additional stake in the Rosetta field together with continuing investment in Egypt (£76 million), Kazakhstan (£60 million) and North West Europe (£75 million).

### **Full year**

E&P operating profit increased by 26% to £1,204 million primarily due to production volume growth and higher upstream prices, partially offset by a higher exploration charge and the effect of the weaker US Dollar. At constant US\$/UK£ exchange rates and upstream prices underlying E&P operating profit increased by approximately 6%.

Production volumes increased by 7% to 166.8 mmbob mainly due to the new high value liquids exports from Karachaganak and the full year contribution from the Scarab Saffron fields.

The exploration charge increased by £44 million to £126 million, largely reflecting the step up in exploration activity across the Group. Well-write offs increased by £6 million to £52 million for the year.

Unit operating expenditure increased by 16 pence per boe due to the items referred to in the quarter above and the impact of the Karachaganak start-up and maintenance activities earlier in the year.

Total capital investment of £1,380 million includes £488 million for acquisitions completed during the year in Canada, Mauritania, Trinidad, Brazil and Egypt together with continuing investment in Egypt (£243 million), North West Europe (£215 million) and £150 million in the North Caspian Sea PSA, which is reimbursable upon the sale of BG Group's interest.

### **Fourth quarter business highlights**

From 28 October, the Tapti field in India increased production from 180 mmscfd to 250 mmscfd with the installation of new compression. In November, BG India won the Energy Institute award for upstream safety. In the nearly 3 million hours worked since 2002, the business has not lost any time through injury.

On 24 November, BG Group completed its purchase of a further 40% stake in the Rosetta field offshore Egypt, taking its stake to 80%.

On 22 December first production from the Margarita Early Production Facilities commenced and has started to deliver gas to the Brazilian market.

In early December, the North West Seymour well on the BG Group-operated Seymour field (BG Group 57%) made an oil discovery. The well tested at c 5,000 bopd and development options are currently being evaluated. It is envisaged that the well will be tied back to the Armada platform.

On 15 November, BG Group announced its agreement to acquire stakes in three licences in the Norwegian North Sea. The blocks lie adjacent to the UK-Norwegian median line immediately north of three BG Group 100% owned and operated blocks. On 6 December, BG Group was offered operatorship in one block and a participating interest in another block under the 2004 Norwegian Pre-defined Areas Licensing Round.

In the fourth quarter 2004, BG Group had exploration successes in Trinidad, UK and Canada. Five appraisal wells in Mauritania, Kazakhstan and the UK were also successful. Overall 18 out of 28 exploration and appraisal wells were completed successfully during the year (64%).

## LIQUEFIED NATURAL GAS

Fourth Quarter				Full Year		
2004	2003			2004	2003	
£m	£m			£m	£m	
<b>296</b>	186	+59%	Turnover	<b>1,098</b>	945	+16%
			Total operating profit			
<b>16</b>	4	+300%	Shipping and marketing	<b>51</b>	44	+16%
<b>16</b>	21	-24%	Atlantic LNG	<b>65</b>	56	+16%
<b>(10)</b>	(8)	+25%	Other including business development	<b>(22)</b>	(23)	-4%
<b>22</b>	17	+29%		<b>94</b>	77	+22%
<b>56</b>	108	-48%	Capital investment	<b>417</b>	301	+39%

## Fourth quarter

Turnover was up 59% to £296 million reflecting increased activity and higher prices in the LNG shipping and marketing business, partially offset by the impact of the weaker US Dollar.

In shipping and marketing total volumes rose by 21% reflecting the delivery of 19 cargoes to the USA (2003 21 cargoes) and a further 7 cargoes directed to other markets to take advantage of higher prices (2003 2 cargoes). Operating profit was up £12 million to £16 million.

Atlantic LNG (ALNG) reported an operating profit of £16 million (2003 £21 million). The results reflect the impact of the weaker US Dollar, and a payment to upstream suppliers (including BG Group) arising out of the first annual tariff reconciliation at Trains 2 and 3.

## Full year

The £153 million increase in turnover reflects higher volumes in the LNG shipping and marketing business (up 11%) including 18 cargoes (2003 9 cargoes) directed to markets outside of the US.

Total operating profit was up 22% to £94 million reflecting the increased activity in the LNG shipping and marketing business and a full year contribution from ALNG Trains 2 and 3, partially offset by the weaker US Dollar.

Capital investment includes £183 million reflecting the delivery of two LNG vessels in the year, £25 million relating to three additional LNG vessels in construction due for delivery in 2006 and continuing investment on Egyptian LNG Train 2 and ALNG Train 4.

### **Fourth quarter business highlights**

In Egypt, construction of the upstream and liquefaction facilities for Egyptian LNG Trains 1 and 2 are expected to be completed ahead of schedule. As a result, the production start for both trains has been accelerated. Train 1 will start in the second quarter of 2005 rather than the third quarter of 2005 and Train 2 in the fourth quarter of 2005 rather than mid-2006.

On 1 December, BG Group and partners announced the signing of shareholders and other agreements confirming their commitment to develop the £250 million Dragon LNG import terminal at Milford Haven in Wales, which is scheduled to be operational in the fourth quarter of 2007. The agreements also triggered the award of the EPC contract.

On 20 December, Brindisi LNG (BG Group 50%) awarded the EPC contract for the LNG terminal in the port of Brindisi, Italy. On 24 January 2005, BG Group announced the signing of an SPA for 2.4 mtpa of LNG to Enel, beginning in 2008 when the Brindisi LNG terminal is expected to become operational. The supply will be sourced from Egyptian LNG Train 2, the output of which was sold in its entirety to a BG Group subsidiary.



**POWER GENERATION**

<b>Fourth Quarter</b>			<b>Full Year</b>		
<b>2004</b>	<b>2003</b>		<b>2004</b>	<b>2003</b>	
<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>	
<b>58</b>	58	-	<b>201</b>	184	+9%
<b>35</b>	35	-	<b>121</b>	129	-6%
<b>2</b>	1	+100%	<b>3</b>	3	-

**Fourth quarter**

Turnover and total operating profit were in line with last year.

**Full year**

Turnover primarily reflects pass through of gas costs. Total operating profit was adversely affected by the impact of the weaker US Dollar on the Philippines power businesses.

## PRESENTATION OF NON-GAAP MEASURES AND DEFINITIONS

### Presentation of Non-GAAP measures

- (i) Results excluding exceptional items (Business Performance) are presented as management believes that exclusion of these items facilitates understanding of the underlying performance and aids comparability of results for the periods concerned. The items excluded from Business Performance are exceptional items as defined by Financial Reporting Standard 3 – i.e. items which derive from events or transactions that fall within the ordinary activities of BG Group but which require separate disclosure in order to present a true and fair view of the performance during a period. For a reconciliation between results including and excluding exceptional items and for further details of exceptional items, see the consolidated profit and loss accounts, pages 13 and 14 and note 2 to the accounts, page 19.
- (ii) BG Group also discloses certain information, as indicated, at constant US\$/UK£ exchange rates and upstream prices. The presentation of results in this manner is intended to provide additional information to explain further the underlying trends in the business.

### Finding and Development Cost & Proved Reserve Replacement Rate

- (iii) Finding & Development Cost (F&D): The three year average unit finding & development cost is calculated by dividing the total exploration, development and unproved acquisition costs incurred over the period by the total changes in net proved reserves (excluding purchases, sales and production) for that period.
- (iv) Proved Reserve Replacement Rate (RRR): The three year average proved reserve replacement rate is the total net proved reserves changes over the three year period including purchases and sales (excluding production) divided by the total net production for that period.

## Definitions

In these results:

<b>bcf</b> <b>bcfd</b> <b>bcmpa</b> <b>boe</b> <b>boepd</b> <b>bopd</b> <b>CCGT</b> <b>CNG</b> <b>DCQ</b> <b>DTI</b> <b>E&amp;P</b> <b>FEED</b> <b>GW</b> <b>LNG</b> <b>m</b> <b>mmboe</b> <b>mmcfd</b> <b>mmcfd</b> <b>mmscfd</b> <b>mmscm</b> <b>mmscmd</b> <b>mtpa</b> <b>MW</b> <b>NGV</b> <b>ROACE</b> <b>T&amp;D</b> <b>tcf</b> <b>PSA</b> <b>PSC</b> <b>SPA</b> <b>UKCS</b>	billion cubic feet billion cubic feet per day billion cubic metres per annum barrels of oil equivalent barrels of oil equivalent per day barrels of oil per day combined cycle gas turbine Compressed Natural Gas daily contracted quantity Department of Trade and Industry Exploration and Production front end engineering design gigawatt Liquefied Natural Gas million million barrels of oil equivalent million cubic feet per day million cubic metres per day million standard cubic feet per day million standard cubic metres million standard cubic metres per day million tonnes per annum megawatt Natural Gas Vehicles return on average capital employed Transmission and Distribution trillion cubic feet production sharing agreement production sharing contract sale and purchase agreement United Kingdom Continental Shelf
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**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 2006 targets, (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 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 2003. 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.*

**Cautionary note to US investors** – *The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive information tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this press release in relation to our oil and gas reserves, such as "probable reserves", "unbooked resources", "risked exploration" and "total reserve/resource base", that the SEC's guidelines strictly prohibit us from including in filings with the SEC. US investors are urged to consider closely the disclosure in our Form 20-F, File No. 1-09337, available from us at BG Group, 100 Thames Valley Park Drive, Reading RG6 1PT. You may read and copy this information at the SEC's public reference room, located at 450 Fifth Street NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. This filing is also available at the internet website maintained by the SEC at <http://www.sec.gov>.*

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOURTH QUARTER**

	Notes	2004			2003		
		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>1,165</b>	-	<b>1,165</b>	887	-	887
Operating costs		(761)	-	(761)	(616)	-	(616)
<b>Group operating profit</b>	3	<b>404</b>	-	<b>404</b>	271	-	271
Share of operating profits less losses in joint ventures and associated undertakings		47	-	47	56	-	56
<b>Total operating profit</b>	3	<b>451</b>	-	<b>451</b>	327	-	327
Profit on disposal of fixed assets		-	-	-	32	32	-
<b>Profit on ordinary activities</b>	4	<b>451</b>	-	<b>451</b>	359	32	327
Net interest		(20)	-	(20)	(13)	-	(13)
<b>Profit on ordinary activities before taxation</b>		<b>431</b>	-	<b>431</b>	346	32	314
Tax on profit on ordinary activities		(174)	-	(174)	(126)	-	(126)
<b>Profit on ordinary activities after taxation</b>		<b>257</b>	-	<b>257</b>	220	32	188
Minority shareholders' interest		(8)	-	(8)	(5)	-	(5)
<b>Earnings</b>		<b>249</b>	-	<b>249</b>	215	32	183
Dividends		(74)			(66)		
<b>Transfer to reserves</b>		<b>175</b>			149		
<b>Earnings per ordinary share<sup>(i)</sup></b>	6	<b>7.0p</b>	-	<b>7.0p</b>	6.1p	0.9p	5.2p
Dividend per ordinary share		<b>2.08p</b>			1.86p		

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

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FULL YEAR**

	Notes	2004			2003		
		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>4,082</b>	-	<b>4,082</b>	3,587	-	3,587
Operating costs		(2,753)	-	(2,753)	(2,530)	-	(2,530)
<b>Group operating profit</b>	3	<b>1,329</b>	-	<b>1,329</b>	1,057	-	1,057
Share of operating profits less losses in joint ventures and associated undertakings		193	-	193	194	-	194
<b>Total operating profit</b>	3	<b>1,522</b>	-	<b>1,522</b>	1,251	-	1,251
Profit on disposal of fixed assets		92	92	-	117	117	-
<b>Profit on ordinary activities</b>		<b>1,614</b>	<b>92</b>	<b>1,522</b>	1,368	117	1,251
Net interest	4	(70)	-	(70)	(78)	-	(78)
<b>Profit on ordinary activities before taxation</b>		<b>1,544</b>	<b>92</b>	<b>1,452</b>	1,290	117	1,173
Tax on profit on ordinary activities	5	(612)	(30)	(582)	(502)	(32)	(470)
<b>Profit on ordinary activities after taxation</b>		<b>932</b>	<b>62</b>	<b>870</b>	788	85	703
Minority shareholders' interest		(28)	-	(28)	(20)	-	(20)
<b>Earnings</b>		<b>904</b>	<b>62</b>	<b>842</b>	768	85	683
Dividends		(135)			(122)		
<b>Transfer to reserves</b>		<b>769</b>			646		
<b>Earnings per ordinary share<sup>(i)</sup></b>	6	<b>25.6p</b>	<b>1.8p</b>	<b>23.8p</b>	21.8p	2.4p	19.4p
Dividend per ordinary share		3.81p			3.46p		

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

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED  
GAINS AND LOSSES – FULL YEAR**

	<b>2004</b>	2003
	<b>£m</b>	£m
<b>Earnings</b>	<b>904</b>	768
<b>Currency translation adjustments</b>	<b>(146)</b>	(37)
<hr/>		
<b>Total recognised gains and losses</b>	<b>758</b>	731
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## CONSOLIDATED BALANCE SHEET

	As at	
	31 Dec 2004 £m	31 Dec 2003 £m
<b>Fixed assets:</b>		
Intangible assets	1,215	840
Tangible assets	4,567	4,020
Investments	1,063	1,038
	<b>6,845</b>	<b>5,898</b>
<b>Current assets:</b>		
Stocks	99	119
Debtors: amounts falling due within one year	1,212	749
Debtors: amounts falling due after one year	96	88
Investments	208	201
Cash at bank and in hand	132	112
	<b>1,747</b>	<b>1,269</b>
<b>Creditors: amounts falling due within one year:</b>		
Borrowings	(577)	(495)
Other creditors	(1,394)	(988)
	<b>(1,971)</b>	<b>(1,483)</b>
<b>Net current liabilities</b>	<b>(224)</b>	<b>(214)</b>
<b>Total assets less current liabilities</b>	<b>6,621</b>	<b>5,684</b>
<b>Creditors: amounts falling due after more than one year:</b>		
Borrowings	(762)	(539)
Other creditors	(156)	(154)
	<b>(918)</b>	<b>(693)</b>
<b>Provisions for liabilities and charges</b>	<b>(1,113)</b>	<b>(1,075)</b>
	<b>4,590</b>	<b>3,916</b>
<b>CAPITAL AND RESERVES</b>		
BG Group shareholders' funds	4,570	3,925
Minority shareholders' interest	20	(9)
	<b>4,590</b>	<b>3,916</b>

## MOVEMENT IN BG GROUP SHAREHOLDERS' FUNDS

Fourth Quarter			Full Year	
2004	2003		2004	2003
£m	£m		£m	£m
249	215	Profit for the financial period	904	768
5	-	Issue of shares	13	2
2	-	Adjustment in respect of employee share schemes	10	-
(1)	(10)	Own shares <sup>(i)</sup>	(1)	(10)
(74)	(66)	Dividend	(135)	(122)
(116)	(94)	Currency translation adjustments	(146)	(37)
<b>65</b>	<b>45</b>	<b>Net movement in BG Group shareholders' funds for the financial period</b>	<b>645</b>	<b>601</b>
<b>4,505</b>	<b>3,880</b>	<b>BG Group shareholders' funds at the beginning of the period</b>	<b>3,925</b>	<b>3,324</b>
<b>4,570</b>	<b>3,925</b>	<b>BG Group shareholders' funds as at 31 December</b>	<b>4,570</b>	<b>3,925</b>

(i) 2004 comprises own shares purchased and 2003 comprises £10 million reclassified from debtors falling due within one year.

## CONSOLIDATED CASH FLOW STATEMENT

Fourth Quarter			Full Year	
2004	2003		2004	2003
£m	£m		£m	£m
451	327	Total operating profit	1,522	1,251
(47)	(56)	Less: share of operating profit in joint ventures and associated undertakings	(193)	(194)
404	271	Group operating profit	1,329	1,057
123	125	Depreciation and amortisation	468	444
29	21	Unsuccessful exploration expenditure written off	52	46
22	(6)	Provisions	14	(8)
(143)	(2)	Working capital	(281)	(95)
435	409	<b>Net cash flow from operating activities</b>	<b>1,582</b>	<b>1,444</b>
43	47	<b>Dividends from joint ventures and associated undertakings</b>	<b>81</b>	<b>88</b>
9	(5)	<b>Returns on investments and servicing of finance<sup>(i)</sup></b>	<b>(15)</b>	<b>(30)</b>
(124)	(51)	<b>Tax paid</b>	<b>(387)</b>	<b>(332)</b>
(432)	(335)	<b>Capital expenditure and investment<sup>(ii)</sup></b>	<b>(1,531)</b>	<b>(1,101)</b>
1	121	<b>Proceeds from sales of assets<sup>(iii)</sup></b>	<b>315</b>	<b>202</b>
(1)	(2)	<b>Equity dividends paid</b>	<b>(124)</b>	<b>(112)</b>
7	(111)	<b>Management of liquid resources</b>	<b>(15)</b>	<b>(76)</b>
(62)	73	<b>Net cash flow before financing</b>	<b>(94)</b>	<b>83</b>
5	-	Changes in share capital	13	2
-	2	Shares issued to minority interests	-	5
50	(171)	Net movement in gross borrowings	99	(120)
55	(169)	<b>Net cash flow from financing activities</b>	<b>112</b>	<b>(113)</b>
(7)	(96)	<b>NET MOVEMENT IN CASH</b>	<b>18</b>	<b>(30)</b>
129	205	Opening cash	112	141
10	3	Changing values of currency	2	1
132	112	<b>CLOSING CASH</b>	<b>132</b>	<b>112</b>

(i) Includes capitalised interest for the fourth quarter of £5 million (2003 £5 million) and for the year of £13 million (2003 £22 million).

(ii) Includes loans to joint ventures and associated undertakings and cash acquired of £12 million on the purchase of subsidiary undertakings in 2004.

(iii) Includes repayment of loans by joint ventures and associated undertakings of £2 million (2003 £2 million) for the fourth quarter and £141 million (2003 £11 million) for the full year.

**RECONCILIATION OF NET BORROWINGS – FULL YEAR**

	<b>£m</b>
Net borrowings as at 1 January 2004	<b>(721)</b>
Net increase in cash in the period	<b>18</b>
Cash outflow from the management of liquid resources	<b>15</b>
Cash inflow from change in gross borrowings	<b>(99)</b>
Inception of finance leases	<b>(283)</b>
Foreign exchange	<b>71</b>
<hr/>	
Net borrowings as at 31 December 2004	<b>(999)</b>
<hr/>	

Net borrowings (non-recourse) attributable to MetroGAS (including Gas Argentino) and Comgas were £300 million (1 January 2004 £345 million).

The gearing ratio (net borrowings as a percentage of net borrowings plus equity) was 17.9% (1 January 2004 15.5%).

As at 31 December 2004, BG Group's share of the net borrowings in joint ventures and associated undertakings amounted to approximately £1.1 billion, including BG Group shareholder loans of £605 million. These net borrowings which form part of BG Group's share of the net assets in joint ventures and associated undertakings are included in BG Group's accounts.

**LIQUIDITY AND CAPITAL RESOURCES**

*All the information below is as at 31 December 2004, unless otherwise stated.*

The Group's principal borrowing entities are BG Energy Holdings Limited, including wholly-owned subsidiary undertakings whose borrowings are guaranteed by BG Energy Holdings Limited (collectively BGEH), and MetroGAS, Gas Argentino, Comgas and Gujarat Gas, which conduct their borrowing activities on a stand-alone basis.

BGEH had a \$1.0 billion US Commercial Paper Programme, which was unutilised, and a \$1.0 billion Eurocommercial Paper Programme, of which \$519 million was unutilised. BGEH also had a \$2.0 billion Euro Medium Term Note Programme, of which \$1.365 billion was unutilised.

BGEH had aggregate committed multicurrency revolving borrowing facilities of \$1.105 billion, of which \$552.5 million matures in 2005 and \$552.5 million matures in 2007. These facilities were undrawn.

In addition, BGEH had uncommitted multicurrency borrowing facilities of £633 million all of which was unutilised.

MetroGAS announced in 2002 that it had suspended payments of principal and interest on its financial indebtedness of approximately \$450 million. Gas Argentino also suspended debt service on borrowings of \$70 million. All the borrowings of MetroGAS and Gas Argentino are non-recourse to other members of the Group. On 7 November, 2003 MetroGAS announced an offer to restructure its financial obligations pursuant to an out-of-court agreement. As of January 5, 2005 MetroGAS obtained the support of creditors representing \$85 million.

Comgas had committed borrowing facilities of Brazilian Reals (BRL) 735 million, of which BRL 223 million was unutilised, and uncommitted borrowing facilities of BRL 669 million, of which BRL 485 million was unutilised.

The principal source of liquidity at Gujarat Gas, which had no borrowings, was cash and current asset investments of Indian Rupees (INR) 1.81 billion.

## 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 Group's statutory accounts for the year ended 31 December 2003, 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

Fourth Quarter			Full Year	
2004	2003		2004	2003
£m	£m		£m	£m
-	32	Profit on disposal of fixed assets	92	117
-	-	Tax impact	(30)	(32)
-	32	Impact on earnings	62	85

#### 2004 second quarter: Disposal of investment

Profits on disposal of fixed assets during the second quarter of 2004 included the disposal of BG Group's interest in the Muturi Production Sharing Contract in Indonesia for £142 million realising a £71 million pre-tax and £43 million post-tax profit on the sale.

#### 2004 first quarter: Disposal of investment

BG Group disposed of its 1.21% holding of shares in a listed company, Gas Authority of India Limited, for £32 million. Tax of £2 million arose on the profit on disposal, based on the effective rate of capital gains tax applicable in India for long-term investments.

#### 2003 fourth quarter: Disposal of investment

BG Group disposed of its remaining 51% investment in Phoenix Natural Gas Limited, realising a £32 million profit. Proceeds of £120 million arose on the sale.

#### 2003 third quarter: Disposal of investment

BG Group disposed of a number of North Sea gas production assets for a profit of £79 million. The resulting tax impact was a £32 million charge, leading to a net £47 million increase in earnings. Proceeds of £72 million arose on the sale.

#### 2003 second quarter: Disposal of investment

BG Group disposed of 50% of its 100% investment in BG Brindisi LNG S.p.A, realising a £6 million pre- and post-tax profit.

### 3. Segmental analysis

Fourth Quarter		Turnover excluding share of joint ventures	Full Year	
2004 £m	2003 £m		2004 £m	2003 £m
651	475	Exploration and Production	2,153	1,794
296	186	Liquefied Natural Gas	1,098	945
165	172	Transmission and Distribution	644	678
58	58	Power Generation	201	184
2	1	Other activities	8	3
(7)	(5)	Less: intra-group sales	(22)	(17)
<b>1,165</b>	<b>887</b>		<b>4,082</b>	<b>3,587</b>

Fourth Quarter	Group operating profit/(loss)		Share of operating profit in joint ventures and associated undertakings		Total operating profit/(loss)	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
Exploration and Production	364	251	-	-	364	251
Liquefied Natural Gas	6	(4)	16	21	22	17
Transmission and Distribution	32	22	9	12	41	34
Power Generation	13	12	22	23	35	35
Other activities	(11)	(10)	-	-	(11)	(10)
	<b>404</b>	<b>271</b>	<b>47</b>	<b>56</b>	<b>451</b>	<b>327</b>
<b>Full Year</b>						
Exploration and Production	1,204	959	-	-	1,204	959
Liquefied Natural Gas	29	21	65	56	94	77
Transmission and Distribution	94	74	40	42	134	116
Power Generation	33	33	88	96	121	129
Other activities	(31)	(30)	-	-	(31)	(30)
	<b>1,329</b>	<b>1,057</b>	<b>193</b>	<b>194</b>	<b>1,522</b>	<b>1,251</b>

BG Group's share of turnover and operating profit in joint ventures for the fourth quarter was £57 million (2003 £66 million) and £21 million (2003 £22 million) respectively; and for the full year was £238 million (2003 £247 million) and £82 million (2003 £91 million) respectively.

#### 4. Net interest

Fourth Quarter			Full Year	
2004	2003		2004	2003
£m	£m		£m	£m
(19)	(20)	Net interest payable	(57)	(77)
(2)	-	Finance lease interest	(10)	-
5	5	Interest capitalised	13	22
(16)	(15)		(54)	(55)
(2)	(3)	Unwinding of discount on provisions <sup>(i)</sup>	(10)	(12)
(1)	(1)	Unwinding of discount on deferred income	(5)	(7)
7	18	Other net interest <sup>(ii)</sup>	33	37
(12)	(1)	Net interest: Group	(36)	(37)
(6)	(8)	Joint ventures	(23)	(28)
(2)	(4)	Associated undertakings	(11)	(13)
(20)	(13)	Total net interest	(70)	(78)

(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.

(ii) Includes £4 million (2003 £4 million) receivable from joint ventures and associated undertakings in the quarter, and £16 million (2003 £17 million) for the full year.

#### 5. Taxation – full year

The taxation charge for the period before exceptional items was £582 million (2003 £470 million), representing an effective tax rate of 40% and the taxation charge including exceptional items was £612 million (2003 £502 million), representing an effective tax rate of 40%.

## 6. Earnings per ordinary share

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

		Fourth Quarter				Full Year			
		2004	2003			2004	2003		
£m	Pence per share	£m	Pence per share			£m	Pence per share	£m	Pence per share
<b>249</b>	<b>7.0</b>	215	6.1	Earnings		<b>904</b>	<b>25.6</b>	768	21.8
-	-	(32)	(0.9)	Profit on disposals		<b>(62)</b>	<b>(1.8)</b>	(85)	(2.4)
<b>249</b>	<b>7.0</b>	183	5.2	Earnings – excluding exceptional items		<b>842</b>	<b>23.8</b>	683	19.4

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

		Fourth Quarter				Full Year			
		2004	2003			2004	2003		
£m	Pence per share	£m	Pence per share			£m	Pence per share	£m	Pence per share
<b>249</b>	<b>7.0</b>	215	6.1	Earnings		<b>904</b>	<b>25.6</b>	768	21.8
<b>8</b>	<b>0.2</b>	5	0.2	Minority interest		<b>28</b>	<b>0.8</b>	20	0.6
<b>174</b>	<b>4.9</b>	126	3.5	Tax		<b>612</b>	<b>17.3</b>	502	14.2
<b>20</b>	<b>0.6</b>	13	0.3	Interest		<b>70</b>	<b>2.0</b>	78	2.2
<b>123</b>	<b>3.5</b>	125	3.6	Depreciation and amortisation		<b>468</b>	<b>13.3</b>	444	12.6
<b>574</b>	<b>16.2</b>	484	13.7	EBITDA – including exceptional items		<b>2,082</b>	<b>59.0</b>	1,812	51.4
-	-	(32)	(0.9)	Profit on disposals		<b>(92)</b>	<b>(2.6)</b>	(117)	(3.3)
<b>574</b>	<b>16.2</b>	452	12.8	EBITDA – excluding exceptional items		<b>1,990</b>	<b>56.4</b>	1,695	48.1

Earnings per share calculations in 2004 are based on shares in issue of 3,533 million for the quarter and 3,531 million for the full year.

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

**7. Capital investment by region**

Fourth Quarter			Full Year	
2004	2003		2004	2003
£m	£m		£m	£m
<b>104</b>	36	North West Europe	<b>247</b>	150
<b>30</b>	28	South America	<b>102</b>	76
<b>77</b>	71	Asia and Middle East	<b>302</b>	313
<b>58</b>	76	North America and the Caribbean	<b>664</b>	174
<b>240</b>	100	Mediterranean Basin and Africa	<b>579</b>	341
<b>509</b>	311		<b>1,894</b>	1,054

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

	2004	2003	2004	2003
	£m	£m	pence	pence
First quarter				
- including exceptional items	<b>206</b>	179	<b>5.8</b>	5.1
- excluding exceptional items	<b>186</b>	179	<b>5.3</b>	5.1
Second quarter				
- including exceptional items	<b>234</b>	166	<b>6.6</b>	4.7
- excluding exceptional items	<b>192</b>	160	<b>5.4</b>	4.5
Third quarter				
- including exceptional items	<b>215</b>	208	<b>6.1</b>	5.9
- excluding exceptional items	<b>215</b>	161	<b>6.1</b>	4.6
Fourth quarter				
- including exceptional items	<b>249</b>	215	<b>7.0</b>	6.1
- excluding exceptional items	<b>249</b>	183	<b>7.0</b>	5.2
Full year				
- including exceptional items	<b>904</b>	768	<b>25.6</b>	21.8
- excluding exceptional items	<b>842</b>	683	<b>23.8</b>	19.4

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

Fourth Quarter		Exploration and Production			Full Year		
2004	2003			2004	2003		
Production volumes (mmboe)							
<b>5.8</b>	6.0	-3%	- oil	<b>21.4</b>	23.7	-10%	
<b>7.8</b>	5.5	+42%	- liquids	<b>25.6</b>	19.2	+33%	
<b>31.4</b>	29.8	+5%	- gas	<b>119.8</b>	113.1	+6%	
<b>45.0</b>	41.3	+9%	- total	<b>166.8</b>	156.0	+7%	
<b>£24.70</b>	£17.22	+43%	Average realised oil price per barrel	<b>£21.53</b>	£17.89	+20%	
<b>(\$45.58)</b>	(\$29.13)	+56%		<b>(\$39.24)</b>	(\$29.18)	+34%	
<b>£16.95</b>	£8.92	+90%	Average realised liquids price per barrel	<b>£14.21</b>	£8.86	+60%	
<b>(\$31.28)</b>	(\$15.09)	+107%		<b>(\$25.90)</b>	(\$14.45)	+79%	
<b>22.59p</b>	18.57p	+22%	Average realised UK gas price per produced therm	<b>19.64p</b>	16.92p	+16%	
<b>14.66p</b>	12.95p	+13%	Average realised International gas price per produced therm	<b>13.95p</b>	13.67p	+2%	
<b>17.55p</b>	15.30p	+15%	Average realised gas price per produced therm	<b>16.18p</b>	15.16p	+7%	
<b>£0.99</b>	£0.81	+22%	Lifting costs per boe	<b>£1.03</b>	£0.91	+13%	
<b>(\$1.83)</b>	(\$1.37)	+34%		<b>(\$1.88)</b>	(\$1.48)	+27%	
<b>£1.95</b>	£1.75	+11%	Operating expenditure per boe	<b>£2.01</b>	£1.85	+9%	
<b>(\$3.60)</b>	(\$2.95)	+22%		<b>(\$3.66)</b>	(\$3.02)	+21%	
<b>195</b>	134	+46%	Development expenditure (£m)	<b>610</b>	486	+26%	
Gross exploration expenditure (£m)							
<b>92</b>	30	+207%	- capitalised expenditure	<b>262</b>	156	+68%	
<b>30</b>	6	+400%	- other expenditure	<b>74</b>	36	+106%	
<b>122</b>	36	+239%	- gross expenditure	<b>336</b>	192	+75%	

BG Group's exposure to the oil price varies according to a number of factors including the mix of production and sales. Management estimates that, other factors being constant, a \$1.00 rise (or fall) in the Brent price would increase (or decrease) operating profit in 2005 by approximately £30 million to £40 million.

BG Group's exposure to the US\$/UK£ exchange rate varies according to a number of factors including the timing of US Dollar revenues and costs including capital expenditure. Management estimates that in 2005, other factors being constant, a 10 cent strengthening (or weakening) of the US Dollar would increase (or decrease) operating profit by approximately £70 million.

**Additional information: Exploration and Production – reserves/resource data**

	<b>As at</b>	
	<b>31 Dec<sup>(i)</sup></b>	<b>31 Dec<sup>(ii)</sup></b>
	<b>2004</b>	<b>2003</b>
	<b>mmboe</b>	<b>mmboe</b>
Proved	<b>2,147</b>	2,104
Probable	<b>1,470</b>	1,464
Unbooked resources	<b>869</b>	852
Risked exploration	<b>2,109</b>	2,338
Total reserve/resource base	<b>6,596</b>	6,758

(i) Excludes North Caspian assets

(ii) Excludes North Caspian and Muturi assets.

## 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  
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

<b>Ex-dividend date for 2004 final dividend</b>	<b>30 March 2005</b>
<b>Record date for 2004 final dividend</b>	<b>1 April 2005</b>
<b>Announcement of 2005 first quarter results</b>	<b>10 May 2005</b>
<b>Payment of 2004 final dividend:</b>	
<b>Shareholders</b>	<b>13 May 2005</b>
<b>American depository receipt holders</b>	<b>20 May 2005</b>

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

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