BG Group

2008 First Quarter Results

30 April 2008

Introduction - Chris Lloyd, Head of Investor Relations

Good afternoon ladies and gentlemen and welcome to BG Group's first quarter results.

During the course of this conference call, Frank Chapman, Chief Executive, will take you briefly through the quarter's key business highlights, and then Ashley Almanza, Chief Financial Officer, will look in more detail at the financial results. After this we will take questions.

During this presentation we will be focusing on our Business Performance as highlighted in our results statement. We will also be making various forward-looking statements. Factors that could cause our actual results to differ materially from the results we currently expect are identified in detail in the statement issued today.

Thank you, and now over to Frank.

Frank Chapman, Chief Executive

Good afternoon ladies and gentlemen.

Welcome to BG Group's first quarter results. You'll have seen the results statement and in a few moments I would like to take you through the main points and I will then pass over to Ashley to take us through the financials in detail.

I would first like to make a remark on Origin Energy. You will have seen our announcement on Origin Energy. I am obviously constrained in what I can say at this very early stage of our negotiations.

This investment is driven by our Integrated Gas Major strategy linking gas to attractive markets. We like the Australian domestic market's growth outlook. We also see the opportunity to export gas as LNG.

I'd like to make it clear; in terms of value we have spent a very, very considerable amount of time assessing all elements of this investment. Accordingly we are confident that this will be a good investment for our shareholders.

Origin represents

- A strongly growing domestic market
- A new source of LNG supply
- It will underpin our Global LNG proposition
- It will be the cornerstone for our Asia-Pacific activities
- Further, it will make BG a leader in coal seam gas, an emerging new resource play, and a global leader in CSG to LNG.

You will of course understand that I am not able to add to these remarks and I do look forward to sharing further perspectives of the value of this investment to BG shareholders at the appropriate time.

BG has made an excellent start to the year with total operating profit of £1.4 billion, up 70%. Earnings per share were up 80%. At constant US dollar exchange rates and upstream prices, underlying operating profit increased by 24% for the quarter.

In Exploration and Production, total operating profit increased by 50% to £942 million.

During the quarter, we announced the successful delivery of first gas from the West Delta Deep Marine Phase IV and the Rosetta Phase III enhancement projects in Egypt.

BG Group and partners sanctioned the Buzzard Enhancement Project, which involves the construction of an additional processing platform to remove hydrogen sulphide and extend plateau production beyond 2010.

And, in February, we announced the signing of two farm-in agreements with ONGC Ltd to acquire a participating interest in two deep water blocks off the east coast of India.

Moving now to LNG. The first quarter of 2008 saw a record level of operating profit, up 226% to £395 million.

We advanced our longer-term Asia Pacific strategy in the quarter. The Group completed the acquisition of interests in the Queensland Gas Company of Australia which gives us access to coal seam gas reserves capable of supplying increased domestic demand and a new 3-4 million tonnes per annum Queensland LNG export project.

And most recently we've been appointed by the Energy Market Authority of Singapore to supply up to 3 million tonnes per annum of LNG to that market for up to 20 years, with initial deliveries expected to begin in 2012. It is envisaged that the proposed LNG facility in Australia will serve as one of the sources of supply for Singapore.

In summary then,

- Very strong performance for the quarter - underlying operating profit up 24%;
- Earnings per share up by 80%;
- Our Global LNG business continues to deliver excellent performance; and
- Significant progress in our Asia Pacific strategy through our alliance with Queensland Gas and our recent appointment to supply the Singapore market.

And now over to Ashley for a more detailed look at the financials.

Ashley Almanza, Chief Financial Officer

Thank you Frank; and good afternoon ladies and gentlemen.

Let's begin with the E&P segment.

Daily production rates were strong in the first quarter and total volumes were 4% higher than last year as we had a full quarter from Buzzard and increased production from Tapti. These increases were partially offset by the Canadian disposal. We are now entering our summer maintenance programme and this will run across the second and third quarter; followed by Train 4 tie-in work at Karachaganak in September and October. These are all matters we have referred to before and we currently expect our production for the year to be in line with market expectations.

Average gas price realisations rose by 11%, as higher oil prices flowed through to higher international gas prices.

Unit operating costs were $5.55 per barrel, an increase of 13% as higher prices fed through to royalty costs. If the oil price remains at current levels, then I would expect our full year unit opex to be around $6.25 per barrel.

The increased level of production coming from our recently commissioned assets such as Buzzard and the Tapti expansion was reflected in a higher unit depreciation rate – which rose to £2.82 per boe.

The exploration charge increased by £41 million to £97 million. This reflects the increased scale of our E&A programme and we now expect our gross exploration expenditure for the full year to be around £800 million. Approximately £375 million is expected to be expensed.

Turning now to the LNG segment

Our shipping and marketing business delivered an excellent performance and operating profit increased by 233% to £383 million. The favourable market conditions at the end of last year strengthened during the first quarter of this year and we delivered 52 out of 58 cargoes to markets other than the US. Lake Charles received no cargoes in the quarter and 6 went to Elba Island.

The market for LNG remains strong and on this basis we estimate that our Shipping and Marketing business will deliver an operating profit of around £1.1 billion for the full year.

For the LNG segment as a whole, operating profits increased by 226% to £395 million.

Total Operating Profit in Transmission and Distribution was down £19 million to £31 million due to the impact of higher gas costs at Comgas. This impact will continue to build in the second quarter and Comgas will begin to recover the additional gas costs through the regulated tariff in the second half of the year.

Looking through these timing effects, Comgas' underlying performance was strong, with a 20% increase in volume. Excluding movements in the regulatory current account and the impact of exchange rate changes, underlying profits were up 30%.

In the Power segment, Total Operating Profit was unchanged at £38 million. Last year the quarter benefited from the settlement of a contractual dispute at Premier Power and this has been balanced in the current year, by the additional contribution from our acquisitions in Italy and the US.

For the Group as a whole, Total Operating Profit increased by 70% to £1.4 billion and earnings per share rose by 80% to 23.6 pence per share. At constant US Dollar exchange rates and upstream prices, the underlying increase in earnings per share was 30%.

Cash generated from operations rose by £480 million to £1.57 billion. Capital investment during the quarter was £647 million and our full year guidance remains at £3.1 billion, including the £300 million investment in Queensland Gas Company.

In summary then, the Group delivered a very strong operating performance and the outlook for the year remains positive.

That concludes my remarks and now Frank and I will be pleased to take your questions.

Q&A

Edward Westlake, Credit Suisse:

Good afternoon gentlemen, great results. I think we're going to have to focus on Origin to the extent that you can answer any questions, but it's more to do with strategy. Obviously if there is a bid for the whole company, maybe 50% of the value of the company might not be viewed as core, although as you mentioned it is a fast growing market. The key point is perhaps, was there another approach that you could have taken to try and get the value of the gas with perhaps less capital out from your own shareholder funds?

And then secondly - on LNG, profits fantastic in Q1 and a great outlook, which must be very pleasing. The key issue is how much do you think this year is due to some temporary factors that we're aware of in the market and where would you see a more normalised level of LNG perhaps as we look into '09? Thanks.

Ashley Almanza: Ed, good afternoon, let me take the LNG question first. I think that we would simply reiterate the view that we expressed in February which is that as far out as we can see the market remains tight i.e. supply tight.

We have delivered in the last 18 months to 14 countries and over 30 major customers and that diversity of market destination represents strength on the demand side, particularly when positioned against what we see as a tight supply outlook.

We're not in this call today looking to amend our guidance for 2009. But I think we're simply reiterating the view that for the foreseeable future the market looks tight and therefore it bodes well for our flexible supply portfolio.

Frank Chapman: On Origin Ed, as you suggested you know I am constrained in what I am going to say today. I do want you to understand that this is driven by our strategy, in the sense that BG aims to supply attractive markets with growth potential from our own resources where possible. And is experienced in supply from certain resource plays, both domestic markets as well as export markets, and extracting value from both of those plays.

So that is our strategy, this is aligned with our strategy. Actually it is driven by our strategy and the point that I want to emphasise here is that we have spent a huge amount of time and effort in satisfying ourselves that this is an appropriate thing for BG to do.

Now beyond that, we're at a very early stage in all of this, and it really would not be appropriate or possible for me to add any further comments. We have a lot to say about this, and I will be delighted to share all the perspectives with you at the appropriate time and I will look forward to that at some point hopefully in the not too distant future.

Neil McMahon, Sanford Bernstein:

Hi good afternoon, maybe two questions. The first really – in terms of LNG pricing and your Singapore contracts. In terms of the longer term, maybe you could give us a bit of detail in terms of how it is linked into oil prices, these are just in a general reference. I've heard that in particular you have put in floor prices on some of your shorter term contracts. How protected are you on the downside at say $10 per mcf sort of levels? Because obviously extending those sort of pricing type of contracts going forward it will be hugely beneficial to continue this very strong LNG run? And then I've got a follow up question.

Frank Chapman: Neil I'm afraid I'm going to disappoint you on this, I don't like to do that but the whole business about how we're structuring our sales and marketing efforts in future, what pricing arrangements we're coming to, how that behaves in relation to oil price, all of those things really are commercially sensitive and you will have heard me say before I'm not really ready to share any of that with the market, because this is a changing environment and what we're trying to do with our strategy and we've shown we're able to do that in the future is to change the way this game is played, time and time again and lock in new value for BG shareholders.

Now I'm not going to explain in detail the next moves that we're going to make because that would clearly not be in our interests to do so. So I'm sorry to disappoint you but I'm not going to say anything about the pricing structures, the relationship to oil price, the balance of Asia Pacific versus Atlantic basin, the amount of arbitrage, anything like that - the amount of gas that we hope to supply into the US market this summer. I'm not going to comment on any of that.

So sorry to disappoint you, let's hope we can do better on your second question.

Ashley Almanza: Neil, I don't think I'm going to add too much other than to say our objective here is pretty clearly to ensure that our business grows in a sustainable fashion. That's the key.

Neil McMahon: Okay, well you've left me little room for manoeuvre but I'll give it a go anyway, that's sort of the nature of the job. Just looking at what you've done in Australia relative to maybe a few years ago where you were looking more at Oil Search, and Papua New Guinea with more I suppose traditional LNG liquefaction coming from gas.

I'm sort of struggling a bit as to - well you've done two deals now, or one is in progress obviously as of today. What was wrong with sort of going with the traditional Oil Search and making a move on them? Was it a share price reaction to your initial dealings with them? Or you just favoured the more coalbed methane to LNG concept?

Frank Chapman: I think that the most important thing here is to look at the do-ability of a deal and of a proposition. And I'm not talking about the transaction do-ability, that's a separate issue. I'm talking about the ability to form a project from a certain resource. And one is looking at the cost structure. These are massively important drivers of the logic of this decision. And when you've got a technical solution and in this particular case of course as with Queensland gas we're talking about delivering methane - you know whether it comes from a conventional reservoir or coal seams we're really talking about CH4.

And the technology in coal seams for the recovery of this gas is extremely simple. It's a factory sort of process. And when you compare the cost structure of delivering gas from that source with the cost structure of delivering gas from offshore it's very competitive. That was a clear driver for the QGC thing.

And when you look at the timing of possible developments, you need to think about the - geographic location, the political environment, the relationships in the partnership. And when you compare all of these things the QGC proposition was far, far superior to anything else we'd looked at.

So that's all I'm going to say really about that. I mean clearly it's something we are already cracking on with at quite a pace and are years ahead of where we would have been with some of the other things we looked at.

Neil McMahon: Great, and just finally one quick one on Nigeria. Has anything that's taken place in the last month or two given you thoughts over the sort of medium term LNG outlook in terms of supply from Nigeria. I've heard recently that they are commenting more on domestic gas consumption rather than LNG exports - if they ever get their infrastructure system and gas delivery systems set up? I don't know if you've got any comments there?

Frank Chapman: It is clear that the country is sitting on a huge resource, both oil and gas, which is extremely well positioned to supply both US and European markets.

It is clear that optimisation of the economic value of that resource is not going to be achieved entirely domestically. So the export business from Nigeria is going to clearly remain a priority of the government. However, the election of the new president has resulted in, at the moment, a large emphasis on what's going to happen inside the country. And looking as a commentator from outside, one would say this is appropriate. You know it's appropriate that the president should be focusing on the welfare of the people in the country and that's what is happening.

So this is where the emphasis is, it's caused a diversion if you like of focus and government energy towards domestic issues. And while that's happening, other export projects, oil and gas, have been demoted in terms of priority. Long term, focus is going to return to exports.

In our business of course, the changing prospects for LNG from, not just Nigeria but other places too, means that the stream of new supplies is somewhat delayed making the portfolio of supplies that BG has today that much more valuable for longer.

So we're not concerned about the situation in Nigeria. It's something that we can work on in the future. Meantime the portfolio is valuable.

Theepan Jothilingam, Morgan Stanley:

Hi, good afternoon gentlemen. Just a couple of questions actually - I was just wondering on volumes, whether you can make some comments on where you see the full year volumes for 2008 or where you stand versus your 2009 target?

The second question is just on international gas, it clearly benefits from a higher oil price, I was wondering whether there were any sort of renegotiations on contracts for the international gas price? And lastly just if you could provide an update perhaps on Karachaganak and Phase III how you're progressing there, thank you?

Ashley Almanza: Theepan I'll take the first two. Production as I said I believe we had a very good daily run rate in the first quarter. I think that we're on track towards our 2009 guidance. And for the full year this year I think our plans indicate that we're in line with market expectations. So going well and on track for our 2009 target.

International gas prices, really two effects feeding through there: oil prices feeding through oil indexed international gas contracts, no renegotiation as such, just the operation of a mechanical formula or mechanical operation of a formula I should say. And then also some of the contracts reflect LNG prices netting back through the upstream. So those are the two drivers, but no renegotiation.

Frank Chapman: Okay, Karachaganak, let me just say that we continue to be very pleased with the performance of Karachaganak. New production records again, now delivering, at times considerably, in excess of nameplate capacity. And the authorities, the government, also very pleased with what we've achieved in Karachaganak. The relationship is a good one.

As you know as we announced in the 4Q results, we are implementing the fourth train of processing capacity at the KPC facility, that's due on at the end of '09, that's progressing according to our plans. And the work on the Phase III front end engineering design work, as we said in February is progressing in accordance with the plan.

So nothing really new to add on the future developments, but very pleased indeed about the performance of Karachaganak and how that seems to be progressively improving.

Lucy Haskins, Lehman Brothers:

I understand it's difficult to talk about Origin but do you know as yet whether you'll have to bid for Contact as well?

Frank Chapman: Lucy, I'm going to start repeating myself I know. I've said just about as much as I can. You will appreciate that this is a very early stage of discussion and therefore I'm not able really - and it wouldn't be appropriate for me to discuss really much more than I've said. So I won't be taking - if I may say this, I won't be taking any more questions on the subject, Lucy.

Lucy Haskins: Sure, could I then perhaps and not exactly as a follow on question - do we assume that this transaction will allow you to revise the growth targets that you presented to us in February?

Frank Chapman: We have got lots of information that we're really very keen to inform the market about. And we look forward to when we can do that.

Lucy Haskins: And a final just tiny one, just within the figures themselves, could I just find out exactly what the contribution was from the Power Generation acquisitions during the course of this quarter?

Ashley Almanza: This is obviously - power generation in the US is driven largely by the summer, it's quite seasonal. So the contribution for the quarter will reflect that, around about $5 million.

Gordon Gray, JP Morgan:

Thanks, it was a follow on question about gas pricing. I think you've talked in the past about potential renegotiation of prices in Egypt. Now obviously you said nothing was concluded on new renegotiations in the quarter. I wonder if there is anything you can update us on possibly timing on those renegotiations, thanks?

Frank Chapman: Domestic gas pricing, we have agreed now new pricing structures. The details of these changes are confidential and they are awaiting the People's Assembly sigh off. Suffice to say that these are improvements and advantageous new pricing structures for BG.

Leigh Talbot, Henderson Global Investors:

Hello, thank you, I really have two questions. I did miss the number that you gave for guidance when you were talking about cash flow and capex?

Ashley Almanza: Capex for the year - £3.1 billion and that includes the £300 million investment in Queensland Gas. I didn't give guidance for cash flow, I commented only on the cash flow for the quarter that has just passed, for the first quarter and that was £1.57 billion cash generation from operations.

Leigh Talbot: Right okay. And to do you generally give any guidance on cash generated by operations?

Ashley Almanza: No we don't, I'm afraid.

Leigh Talbot: Okay and then another question that hopefully I can put in a generic enough format. Within the context of any acquisition of call it meaningful size, do you have a policy with respect to your capital structure as to what component would be debt funded? And how should we be looking at your debt capital structure in terms of both an acquisition such as this and in terms of ongoing needs in the debt capital market say for 2008?

Ashley Almanza: I think that in terms of our policy, we've for a long time now had guidance on capital structure saying that 25% book gearing (debt to debt plus equity) would represent a sort of long term capital structure. Clearly our cash flow generation has meant that we've been consistently well below that.

For this acquisition, as we said in our announcement, it will be a cash acquisition, debt financed. Beyond that, in terms of our plans for the capital markets I think that's a subject we'll return to in due course.

Leigh Talbot: Okay and in terms of acquisition of this nature, any other relative to your existing credit ratings. Do you have a certain ratings commitment level that you operate under with respect to either board policy or management policy?

Ashley Almanza: No, our objective is to maintain an investment grade rating, clearly we're comfortably in that territory. I believe that the strength of our cash flow generation merits that rating being sustained.

Leigh Talbot: The current rating or an investment grade rating?

Ashley Almanza: Investment grade rating, an A rating.

John Rigby, UBS: Hi, I've got two questions. The first is really to Ashley and on the guidance on the LNG outlook for '08. can you just give me some insight into what the critical components are of that guidance in terms of either Asia Pacific pricing or US pricing or the difference between those? And what is the most critical element of that that would need to persist in order that we would see some of the profitability in '08 that you're seeing persist into '09?

The second question and this is at the risk of being batted back by Frank, is just after the Queensland Gas acquisition, can you confirm that the time you've had with that and the work that you've done with that has given you sort of insights into the sort of resource potential of the area that you're in, with Queensland and also potentially that you will be extending with this proposed transaction?

Frank Chapman: Let me take the second one first. Let me just emphasise that the amount of time we spend analysing opportunities of this type is far longer, it predates by a long way the transaction with QGC. So we're working from a very extensive information database, and an extensive amount of analysis. And in fact the QGC transaction was a consequence of that knowledge base.

Of course since we've been involved with QGC which are a company for which I have the highest respect, it's helped us to round out some of our assumptions and fill in some of the gaps. But the basic knowledge for this is over a much longer period, and the Origin or the QGC role is one of conformation and extension and filling in the gaps.

Ashley Almanza: John, on LNG the guidance given for '08 assumes that the positive trading conditions that we experienced in the first quarter persist for the year. Now obviously there's an element of seasonality, the fourth quarter and the first quarter tend to be stronger than the summer quarters. But on the whole our view is that the market conditions not only in Asia but more generally - that we see today will persist through the year. And that isn't based on a fixed assumption about a proportion of diversions to Asia and therefore a fixed view of prices in Asia and as we've seen in previous years strong demand in Europe as well.

So I think against that background it's a robust view.

Beyond '08 I think it's just too early for us to take a view on guidance. I'll just repeat what we said in February which is that as far out as we can see the market looks to be tight and …

John Rigby: What I mean is, is there an assumption implicit in what you're saying for '09 that the gap or the pricing gap between what Europe and Asia are willing to pay and what the US is willing to pay narrows?

Ashley Almanza: No there isn't, I think that's on an explicit assumption. I think we're simply taking a prudent view that beyond the end of this year it's too soon to revise our guidance.

John Rigby: Okay, all right thank you.

Frank Chapman: And again, as I said to Neil McMahon earlier on if we have a view about how the relative basin margins are going to change we wouldn't share it.

Lucas Herman, Deutsche Bank:

Thanks very much, good afternoon gents. A few questions if I might, the first is - and I'm sorry they all focus on LNG. The first is around the use of the term flexible and how much of your portfolio of LNG needs to stay off contract in ways for you to remain flexible? Or more importantly I guess is how much you'd be happy to sign up under the kind of contracts that you've signed up with Singapore?

The second is around Gladstone, Santos and your talks with Santos about the running of a pipeline from Queensland through to Brisbane. And I guess you know implicit in that also is you know how might - well given Origins interest in Fairview does that help - or could that help those discussions?

And the third question really is just around the timing of the announcement on Origin and the fact that it's come out today. Clearly you want to put yourself in a position where you can talk and you find that you're unable to do that at this time. So why is it that this announcement has actually come out on this particular day and a day where quite frankly in ways it is unfortunately overshadowing what are an excellent set of underlying results?

Frank Chapman: Well first off on the LNG about how much is going to be flexible and how much is going to be fixed and all of that, I'm sorry I'm going to be a broken record, I'm not telling you. Okay, because that really is getting very close to how we're structuring our strategy, I can't say.

What we will do of course - we know this is difficult for you to model and we will try as best we can to give you ways of understanding where we think this is heading, a reasonable amount of time ahead of time.

The one thing that is clear is that this portfolio is getting much, much more valuable. And there's enough evidence in what's happening with projects around the world and demand patterns - there's enough evidence there for you to be able to see that that picture is generally a favourable one.

Lucas Herman: Yeah I can see - I guess the question Frank would be - you know if you were Martin would you be happy to lock in 100%?

Frank Chapman: No but I'm not going to answer that. You've asked the same question again so the answer is going to be the same Lucas. I'm absolutely not going to answer that question. And I think we really have managed this portfolio well and those are the sorts of big judgement calls that are going to be needed in the future. And it would be foolish actually to share that.

Now, regarding this whole thing to do with Santos, Gladstone, Fairview, Bowens, Surat, Walloons, Origin all of that, I'm just not going to answer any of that. I can't. You know we will be in a much better position to tell you more and when we tell you we'll give you a full story and you'll understand all about it - you know when we can. Sorry to say that Lucas but you know that's where we are.

Lucas Herman: And timing Frank - of the announcement today? Why today?

Frank Chapman: One is not always a master of ones own destiny in terms of timing. And there's a conjunction of events that caused this announcement at this time and that's where we are.

Lucas Herman: Okay and can I ask one more since I've struck out on the first - well pretty much three. And that's China and the deals that Shell and Qatar announced a couple of weeks ago, to what extent are you in those discussions or have you been involved in discussion with the Chinese over potential supply as well. Or is your relationship just not with those institutions?

Frank Chapman: Having supplied 14 out of 17 markets and we've done our first trades with China, you will understand that we are active in every LNG importing country in the world today, and a number of those who are prospective importing countries, such as we see in the Singapore case, such as you see in Chile.

So you can rest assured that where there is an opportunity our people are working it.

Lucas Herman: So why are you not securing those opportunities, Frank?

Frank Chapman: Lucas, you know we are doing extremely well with our LNG business, we are progressing at a pace which is appropriate and accords with our plans. So you know we're doing fine, we're doing fine.

Lucas Herman: No, I agree with that entirely and my question wasn't meant aggressively.

Frank Chapman: No, no perish the thought Lucas.

Lucas Herman: All right, thanks gents.

Jason Kenney, ING: Hi there and congratulations on the good results today. I can perhaps understand how you can use cash and debt to fund Origin but how do you also expect to fund Brazil development over the next decade, which by market estimates looks to be quite burdensome? Do you think that you require a significantly higher oil macro? Are you going to be looking for divestments? Or would you follow the Petrobras route and consider bond issuance to fund your commitment for Tupi, for instance?

Ashley Almanza: Let me just take the first part of that. We are not assuming and nor do we require a higher oil macro. I think we have significant financial capacity in the business we have already. And obviously Origin is an operating business with its own operating cash flows. So we're comfortable that we can finance not only the acquisition but also our investment in Brazil.

As we said in February, that investment is phased over a number of years between now and 2015.

Frank Chapman: And indeed I think it's fair to say, just to be clear on this, that the self financing approach is maintained over very significantly lower oil prices than we're experiencing today.

Jason Kenney: Thanks very much a nice problem to have I suppose?

Frank Chapman: Yeah.

Ashley Almanza: Yeah.

Tiger Craft, Fortress Investment:
Hi guys, you said that the LNG market remains tight in terms of supply as far as you can see. How far is that?

Ashley Almanza: I think in the past we've said the next sort of three to five years.

Tiger Craft: Three to five years, okay. That's helpful.

Ashley Almanza: But you know you can see scenarios where that persists into the next decade.

Frank Chapman: Well beyond the end of the next decade. I mean I think that you know there's a lot of stuff out there from various commentators on LNG supply/demand. The idea that overall global LNG demand could be in the five to six hundred million tonnes per annum range with very significant growth both in Atlantic Basin markets and Asia Pacific markets. These are credible cases to be looked at.

You'll have to see a lot of new developments needed to supply those. And therefore there's a dynamic going on here where some of the longer standing countries growing their demand - LNG importing countries growing their demand will effectively as they mop up the supply fix the timing of entry of a lot of new entrants who are standing on the side lines waiting for the appropriate cost structure and availability of LNG before they step into the demand pool. That's the sort of dynamic you're seeing. And of course the picture of rising LNG demand goes out as far as you can see in fact.

So if you look at Wood Mac, if you look at any of these sort of data sources you know the pattern is there for you to observe.

Tiger Craft: Just a quick follow up, talking of Petronet LNG over in India they say that they could sell a tonne more spot cargoes into the domestic market at $15 plus right now if they could find them and if they had the regas capacity, so they're building up the regas capacity but don't seem particularly convinced that they'll be able to find the cargoes. Is that a situation that you would see in other developing markets as well?

Frank Chapman: It's only a matter of price. You know where you have a traded market like this and the question is - and you have enough infrastructure and transportation capacity to move the cargoes then you know they will find the highest margin.

Tiger Craft: Just quickly last question, any thoughts on how much LNG we see going to the US for the remainder of this summer?

Frank Chapman: I mentioned earlier on I won't answer those sorts of question, that is commercially significant. It gives a picture of our understanding of how markets will develop and move in the near term and I think it's not appropriate to share that.

Neil Morton, MF Global:

Thank you, good afternoon just one question left, it's on Asia Pacific LNG in general. I guess you may feel you have enough on your plate to be going on with Queensland, potentially Origin, the Singapore deal, but I just wondered if you could perhaps give us a flavour of what other options you might have to further strengthen your position in this region. And I was also thinking with specific reference to Alaska? Thank you.

Frank Chapman: Yeah you know I think you're probably right we do have enough. There are a large number of opportunities in terms of the customer base we're looking at. We've said that we aim to, by 2015, have secured 20 million tonnes per annum of LNG supply, both equity and third party supply across the two basins and we're developing a large portfolio of customers in Europe, the US, and in Asia Pacific.

Yeah we've got enough to go on with, I mean that's basically it, we're doing okay.

Neil Morton: And Alaska?

Frank Chapman: You know I'm not going to comment - I'm not going to speculate what we might do in the future. We're looking at a lot of things in this market because this is a very long term play for us, it will be a very material and significant part of the group in the future. We're looking at many permutations both as to how we use the portfolio and which new destinations, which customers, which sources of supply. And I don't really want to speculate around that. When we've got something to say like Singapore, like Chile. If you think about Chile I like to remind everyone how that fits so well into what we're going being sort of climatically counter cyclical, you know on the West Coast of the Americas and in this Asia Pacific basin, you know how that is strong alongside Singapore, alongside some of our customers in Japan. And we're going to continue to make those incremental developments and we're going to continue to secure third party and equity supply to work that network of customers.

That's really all I want to say, I mean we're busy with a lot of things. if I'd have told you six months ago or a year ago and told the world with a megaphone that we intended to win Singapore and we were working very hard on it, that wouldn't have helped.

Neil Morton: Okay, I guess we'll wait and see, thank you.

Frank Chapman

Okay, thank you everyone for the questions.

Finally, I'd like to recap the main highlights:

- Very strong performance for the quarter - underlying operating profit up 24%;
- Earnings per share up by 80%;
- Our Global LNG business continues to deliver excellent performance; and
- Significant progress in our Asia Pacific strategy through our alliance with Queensland Gas and our recent appointment to supply the Singapore market.

Thank you for taking part in the conference call today and I'd like to remind you that we'll be announcing our second quarter results on 24 July.

Thank you very much and goodbye.