BG GROUP PLC
2005 FIRST QUARTER RESULTS

HIGHLIGHTS

Business Performance [i]	First Quarter 2005 £m	2004 £m	
Turnover and other operating income	**1 094**	856	*+28%*
Total operating profit including share of results from joint ventures and associates	**483**	336	*+44%*
Earnings	**270**	187	*+44%*
Earnings per share	**7.6p**	5.3p	*+43%*

- Earnings up by £83 million (44%)
- At constant US$/UK£ exchange rates and upstream prices[ii], total operating profit would have increased by 21%
- Sale of BG Group's interest in the North Caspian Sea PSA completed on 6 April 2005
- First gas from Simian Sienna and Rosetta Phase 2 in Egypt
- First cargo from ELNG Train 1 due end May
- Manatee discovery in Trinidad indicated gross reserves of between 1.3 and 1.6 tcf gas

Results for the period including non-operating items [i]	2005 £m	2004 £m	
Turnover and other operating income	**1 056**	856	*+23%*
Operating profit before share of results from joint ventures and associates	**406**	311	*+31%*
Total operating profit including share of results from joint ventures and associates	**458**	358	*+28%*
Earnings	**260**	207	*+26%*
Earnings per share	**7.3p**	5.9p	*+24%*

BG Group's Chief Executive Frank Chapman said:

"BG has made an excellent start to the year. The 44% increase in total operating profit has been driven by strong underlying growth. In addition, we have continued to make good progress on the delivery of key projects, including the Simian Sienna and Sapphire fields and Egyptian LNG, where we expect Train 1 to become operational in the second quarter, three months ahead of schedule".

i) For further explanation of Business Performance and the presentation of results from joint ventures and associates see Transition to IFRS reporting, page 2, and Presentation of Non-GAAP measures, page 9.
ii) For an explanation of results at constant US$/UK£ exchange rates and upstream prices see Presentation of Non-GAAP measures, page 9.

TRANSITION TO IFRS REPORTING

The presentation of BG Group's results under IFRS separately identifies the effect of:

- The re-measurement of financial instruments (including derivatives) under IAS 39; and
- Profits and losses on the disposal of non-current assets and businesses.

These items are excluded from Business Performance in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing businesses.

Under IFRS the results of joint ventures and associates are presented net of finance costs and tax. Given the relevance of these businesses within BG Group the results of joint ventures and associates are presented both before interest and tax, and after tax. The pre-interest and tax result is included in Business Performance discussed on pages 3 to 8. The tables below set out the amounts related to joint ventures and associates, re-measurements under IAS 39 and profits on disposal of non-current assets and businesses.

	First Quarter	
	2005	2004
	£m	£m
Operating profit for the period before share of results from joint ventures and associates	**406**	311
Share of pre-tax operating results from joint ventures and associates	**52**	47
Operating profit for the period including share of pre-tax results from joint ventures and associates	**458**	358
Non-operating items:		
Re-measurements – IAS 39[(i)]	**38**	-
Profit on disposal	**(13)**	(22)
Business Performance – Total operating profit for the period	**483**	336

	First Quarter	
	2005	2004
	£m	£m
Earnings for the period – including non-operating items	**260**	207
Non-operating items – before interest and tax	**25**	(22)
Non-operating items – interest	**(2)**	-
Tax and minority interest on non-operating items	**(13)**	2
Earnings – excluding non-operating items	**270**	187

i) Non-operating items excluded from Business Performance

The IAS 39 re-measurements reflect movements in external market prices. Derivative instruments include certain long-term UK gas contracts which are classified as derivatives under IAS 39 due to the nature of the contract terms and are therefore required to be marked-to-market. This treatment has no impact on the ongoing cashflows of the business and management believes these unrealised mark-to-market movements are best presented separately from underlying business performance.

BUSINESS REVIEW

The results discussed in this Business Review (pages 3 to 8) relate to BG Group's performance excluding non-operating items. For the impact and a description of these items, see the consolidated income statement (page 12) and Note 2 of the accounts (page 18). Results at constant US$/UK£ exchange rates and upstream prices are also quoted. See Presentation of Non-GAAP measures (page 9) for an explanation of these metrics.

GROUP

Business Performance	**First Quarter**		
	2005	2004	
	£m	£m	
Turnover and other operating income	**1 094**	856	*+28%*
Total operating profit including share of results from joint ventures and associates			
Exploration and Production	**387**	264	*+47%*
Liquefied Natural Gas	**27**	15	*+80%*
Transmission and Distribution	**46**	30	*+53%*
Power Generation	**36**	37	*-3%*
Other activities	**(13)**	(10)	*+30%*
	483	336	*+44%*
Net finance costs	**(18)**	(16)	*+13%*
Taxation	**(187)**	(128)	*+46%*
Earnings	**270**	187	*+44%*
Earnings per share	**7.6p**	5.3p	*+43%*
Capital investment	**315**	627	*-50%*
Capital investment excluding acquisitions	**315**	367	*-14%*

The Group delivered strong earnings growth (up 44% to £270 million), despite the effect of the weaker US Dollar.

Total operating profit increased by 44% to £483 million reflecting higher E&P volumes and prices together with strong performances from the LNG and T&D segments.

Net finance costs were higher primarily due to interest payments on leased ships. The effective tax rate (including BG Group share of joint ventures and associates) was unchanged at 40%.

Cash generated by operations increased by £175 million to £549 million, primarily due to higher operating profit. As at 31 March 2005, net borrowings were £905 million, whilst gearing was 15.3% (31 December 2004: 17.9%).

Capital investment in the quarter of £315 million was in the Mediterranean Basin and Africa (£87 million), Asia and the Middle East (£81 million), North America and the Caribbean (£64 million), North West Europe (£59 million) and South America (£24 million). Capital investment included £60 million in relation to the North Caspian Sea PSA which was reimbursed on completion of the sale after the end of the quarter.

On 6 April 2005, BG Group announced that it had completed the sale of its 16.67% interest in the North Caspian Sea PSA and had received an aggregate pre-tax cash consideration of approximately $1.8 billion. Cash proceeds after tax and disposal costs are expected to be approximately $1.5 billion.

EXPLORATION AND PRODUCTION

Business Performance	**First Quarter**		
	2005	2004	
	£m	£m	
Production volumes (mmboe)	**43.7**	40.9	*+7%*
Turnover and other operating income	**635**	476	*+33%*
Total operating profit	**387**	264	*+47%*
Average realised oil price per barrel	**£25.35** **($48.24)**	£17.88 ($32.56)	*+42%* *+48%*
Average realised liquids price per barrel	**£17.35** **($33.01)**	£8.93 ($16.27)	*+94%* *+103%*
Average realised gas price per produced therm	**17.48p**	15.97p	*+9%*
Lifting costs per boe	**£1.15** **($2.18)**	£0.88 ($1.60)	*+31%* *+36%*
Operating expenditure per boe	**£2.08** **($3.96)**	£1.80 ($3.28)	*+16%* *+21%*
Capital investment	**245**	447	*-45%*
Capital investment excluding acquisitions	**245**	187	*+31%*

Lifting costs are defined as operating expenditure excluding royalties, tariffs and insurance.
Additional operating and financial data are given on page 26.

E&P operating profit increased by 47% to £387 million due to higher volumes and prices, partially offset by a higher exploration charge and the effect of the weaker US Dollar. At constant US$/UK£ exchange rates and prices, E&P operating profit increased by 17%.

Production volumes increased by 7%, primarily due to the export of liquids from the Karachaganak field, increased production from the Scarab Saffron fields and production from the acquired Canadian and Egyptian properties. The average realised gas price per produced therm was up 9% principally due to favourable mix.

The exploration charge of £25 million is £9 million higher than 2004 mainly due to an increase in well write-off expense.

Unit operating expenditure was up 28 pence due to higher lifting costs and royalties. This reflects higher commodity prices and the mix effect of Canadian and Karachaganak export production.

Capital investment of £245 million included expenditure in Kazakhstan (£67 million), Egypt (£55 million) and North West Europe (£49 million).

On 15 April 2005, first gas was produced from the Simian Sienna fields for supply to Egyptian LNG Train 1 (ELNG Train 1). Also on 15 April, BG Group and partners delivered first gas from Rosetta Phase 2 to the Egyptian domestic market.

Further assessment of the Manatee discovery in Trinidad (BG Group 50%) indicates gross reserves of between 1.3 and 1.6 tcf of gas. This, together with additional reserves in BG Group-operated properties elsewhere in the country, gives BG Group and its Partners over 3.0 tcf of gross uncommitted reserves in Trinidad. Discussions to commercialise these reserves are ongoing.

Since the start of the year, BG Group has completed 11 exploration and appraisal wells of which 8 have been successful (73%).

In Canada, BG Group has successfully completed its first drilling campaign since acquisition. The 2004/05 programme ended with 9 successful exploration wells out of the 13 drilled, with a further well under evaluation.

On 8 April 2005, BG Group farmed into two exploration permits in the offshore Browse Basin, Western Australia.

LIQUEFIED NATURAL GAS

Business Performance	First Quarter 2005 £m	2004 £m	
Turnover and other operating income	**220**	190	*+16%*
Total operating profit			
Shipping and marketing	**15**	6	*+150%*
Atlantic LNG	**21**	14	*+50%*
Other including business development	**(9)**	(5)	*+80%*
	27	15	*+80%*
Capital investment	**45**	164	*-73%*

The £30 million increase in turnover and other operating income reflects higher volumes in the LNG shipping and marketing business, including 9 cargoes (2004: 1 cargo) redirected to markets outside of the US.

Total operating profit was up 80% to £27 million reflecting the increased activity in the LNG shipping and marketing business and strong volume growth across all trains at Atlantic LNG, partially offset by the impact of the weaker US Dollar. Prior year results at Atlantic LNG were adversely impacted by industrial action.

Capital investment includes £25 million relating to three LNG vessels in construction due for delivery in 2006 and continuing investment in Egyptian LNG Train 2 (ELNG Train 2) and Atlantic LNG Train 4.

On 14 March 2005, BG Group took delivery of the first LNG cargo from Egypt's Damietta LNG plant, produced from gas from the Scarab Saffron fields.

The first pre-commissioning cargo from ELNG Train 1 is expected to be lifted towards the end of this month. The first post-commissioning cargo from ELNG Train 1 is on schedule to be delivered early in July 2005. ELNG Train 2 remains on schedule for a fourth quarter 2005 start-up.

In April 2005, BG Group, the National Nigerian Petroleum Corporation, Chevron Texaco and Shell signed a Memorandum of Understanding to study the feasibility of a 20 mtpa LNG project at Olokola, Western Nigeria.

TRANSMISSION AND DISTRIBUTION

Business Performance	**First Quarter 2005 £m**	2004 £m	
Turnover and other operating income			
Comgas	**107**	88	*+22%*
MetroGAS	**34**	26	*+31%*
Other	**28**	25	*+12%*
	169	139	*+22%*
Total operating profit			
Comgas	**29**	21	*+38%*
MetroGAS	**4**	1	*+300%*
Other	**13**	8	*+63%*
	46	30	*+53%*
Capital investment	**17**	13	*+31%*

Volumes continued to grow strongly across the segment, driving turnover growth of 22%.

At Comgas in Brazil, volumes rose by 14%, underpinning a £8 million increase in operating profit to £29 million. The increase in operating profit included a £4 million benefit from lower gas costs, which is expected to be passed back to customers through lower tariffs from the second half of the year.

MetroGAS reported an operating profit of £4 million (2004: £1 million), due to higher volumes sold to power generation customers. The capital restructuring of MetroGAS and GASA continues to make progress.

Capital investment mainly represents the development of the Comgas pipeline network.

POWER GENERATION

Business Performance	**First Quarter 2005 £m**	2004 £m	
Turnover and other operating income	**75**	54	*+39%*
Total operating profit	**36**	37	*-3%*
Capital investment	**-**	-	-

The increase in turnover is primarily due to pass-through of gas costs. Operating profit was broadly in line with the same period last year.

PRESENTATION OF NON-GAAP MEASURES AND DEFINITIONS

Presentation of Non-GAAP measures

Business Performance

'Business Performance' excludes certain non-operating items (see below) and is presented as management believes that exclusion of these items provides readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

Non-operating items

BG Group's commercial arrangements for marketing gas include the use of long-term gas sales contracts. Certain UK gas sales contracts are classified as derivatives under the rules of IAS 39 and are required to be measured at fair value at the balance sheet date. Unrealised gains or losses on these contracts reflect the comparison between current market gas prices and the actual prices realised under the gas sales contract. BG Group also uses commodity derivative instruments to manage certain price exposures in respect of optimising the timing of its gas sales, including the use of gas in storage facilities. These instruments are also required to be measured at fair value at the balance sheet date under IAS 39.

BG Group uses financial instruments, including derivatives, to manage foreign exchange and interest rate exposure. These instruments are required to be recognised at fair value or amortised cost on the balance sheet in accordance with IAS 39. Most of these instruments have been designated either as hedges of foreign exchange movements associated with the Group's net investments in foreign operations, or as hedges of interest rate risk. Where these instruments cannot be designated as hedges under IAS 39, unrealised movements in fair value are recorded in the income statement.

Unrealised gains and losses in respect of long-term gas sales contracts and other financial instruments are disclosed separately as 'non-operating items'. Realised gains and losses relating to these instruments are included in Business Performance. Management considers that this presentation best reflects the underlying performance of the business since it distinguishes between the temporary timing differences associated with re-measurements under IAS 39 rules and actual realised gains and losses.

For a reconciliation between the overall results and Business Performance and details of non-operating items, see the consolidated income statement, page 12 and Note 2 to the accounts, page 18.

Profits or losses on disposal of non-current assets or businesses are treated as non-operating items.

Joint ventures and associates

Under IFRS the results from jointly controlled entities (joint ventures) and associates, accounted for under the equity method, are required to be presented net of finance costs and tax on the face of the income statement. Given the relevance of these businesses within BG Group, the results of joint ventures and associates are presented before interest and tax, and after tax. Management considers that this approach aids comparability with prior year results and provides additional information on the source of BG Group's operating profits. For a reconciliation between operating profit and earnings including and excluding the results of joint ventures and associates see Note 3 to the accounts, page 19.

Exchange rates and prices

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.

Definitions

In these results:

bcf	billion cubic feet
bcfd	billion cubic feet per day
bcmpa	billion cubic metres per annum
boe	barrels of oil equivalent
boed	barrels of oil equivalent per day
bopd	barrels of oil per day
CCGT	combined cycle gas turbine
DCQ	daily contracted quantity
E&P	Exploration and Production
EPC	engineering, procurement and construction
EPIC	engineering, procurement, installation and commissioning
FEED	front end engineering design
Gearing	Net borrowings as a percentage of total shareholders' funds (excluding the re-measurement of commodity financial instruments) plus net borrowings
GW	gigawatt
IAS 39	International Accounting Standard 39 (Financial Instruments)
IFRS	International Financial Reporting Standards
LNG	Liquefied Natural Gas
m	million
mmboe	million barrels of oil equivalent
mmcfd	million cubic feet per day
mmcmd	million cubic metres per day
mmscfd	million standard cubic feet per day
mmscm	million standard cubic metres
mmscmd	million standard cubic metres per day
mtpa	million tonnes per annum
MW	megawatt
Net borrowings	Comprise cash, current asset investments, finance leases, currency and interest rate derivative financial instruments and short- and long-term borrowings
ROACE	return on average capital employed
T&D	Transmission and Distribution
Total operating profit	Group operating profit plus share of pre-tax operating results of joint ventures and associates
PSA	production sharing agreement
UKCS	United Kingdom Continental Shelf

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 2004. 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 formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this press release, such as "indicated gross reserves", "additional reserves" and "gross uncommitted reserves" 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 SEC at http://www.sec.gov.*

CONSOLIDATED INCOME STATEMENT
FIRST QUARTER

	Notes	2005 Business Performance £m	2005 Non-operating items (Note 2) £m	2005 Total £m	2004 Business Performance £m	2004 Non-operating items (Note 2) £m	2004 Total £m
Group turnover and other operating income	3	**1 094**	**(38)**	**1 056**	856	-	856
Operating costs		**(663)**	**-**	**(663)**	(567)	-	(567)
Profit on disposal of non-current assets[(i)]		**-**	**13**	**13**	-	22	22
Operating profit/(loss) before share of results from joint ventures and associates	3	**431**	**(25)**	**406**	289	22	311
Finance income		**11**	**-**	**11**	11	-	11
Finance costs	4	**(20)**	**2**	**(18)**	(18)	-	(18)
Share of post-tax results from joint ventures and associates		**39**	**-**	**39**	31	-	31
Profit/(loss) before tax		**461**	**(23)**	**438**	313	22	335
Taxation	5	**(183)**	**16**	**(167)**	(121)	(2)	(123)
Profit/(loss) for the period		**278**	**(7)**	**271**	192	20	212
Attributable to:							
BG shareholders		**270**	**(10)**	**260**	187	20	207
Minority interest		**8**	**3**	**11**	5	-	5
		278	**(7)**	**271**	192	20	212
Earnings per share – basic	6	**7.6p**	**(0.3p)**	**7.3p**	5.3p	0.6p	5.9p
Earnings per share – diluted	6	**7.6p**	**(0.3p)**	**7.3p**	5.3p	0.6p	5.9p
Total operating profit including share of results from joint ventures and associates[(ii)]	3	**483**	**(25)**	**458**	336	22	358

i) See Presentation of Non-GAAP measures, page 9, for an explanation of results excluding non-operating items and presentation of the results of joint ventures and associates.
ii) This measurement is shown by BG Group as it is used by management as a means of measuring the underlying performance of the business.

CONSOLIDATED BALANCE SHEET

	As at 31 Mar 2005 £m	As at 31 Dec 2004 £m
Assets		
Non-current assets		
Goodwill	**272**	272
Intangible assets	**601**	585
Property, plant and equipment	**4 697**	4 509
Investments accounted for using equity method	**1 086**	1 050
Deferred tax assets	**69**	68
Trade and other receivables	**48**	46
Derivative financial instruments	**142**	-
	6 915	6 530
Current assets		
Inventories	**85**	99
Trade and other receivables	**1 224**	1 190
Commodity contracts and other derivative financial instruments	**26**	-
Cash and cash equivalents	**245**	340
	1 580	1 629
Non-current assets classified as held for sale	**581**	530
Total assets	**9 076**	8 689
Liabilities		
Current liabilities		
Borrowings	**(374)**	(577)
Trade and other payables	**(1 049)**	(976)
Current income tax liabilities	**(260)**	(264)
Commodity contracts and other derivative financial instruments	**(458)**	-
	(2 141)	(1 817)
Non-current liabilities		
Borrowings	**(913)**	(762)
Trade and other payables	**(87)**	(89)
Deferred income tax liabilities	**(787)**	(907)
Retirement benefit obligations	**(139)**	(135)
Provisions for other liabilities and charges	**(334)**	(325)
	(2 260)	(2 218)
Liabilities associated with non-current assets classified as held for sale	**(74)**	(67)
Total liabilities	**(4 475)**	(4 102)
Net assets	**4 601**	4 587
Attributable to:		
Equity shareholders	**4 573**	4 567
Minority interests	**28**	20
Total equity	**4 601**	4 587

STATEMENT OF CHANGES IN EQUITY

	First Quarter	
	2005	2004
	£m	£m
Equity as at 31 December 2004 and 2003		
BG Group shareholders' funds	**4 567**	3 924
Minority interest	**20**	(9)
	4 587	3 915
Effect of adoption of IAS 39	**(238)**	-
Equity as at 1 January 2005 and 2004	**4 349**	3 915
Profit for the financial period	**271**	212
Issue of shares	**8**	5
Adjustment in respect of employee share schemes	**3**	-
Dividend on ordinary shares	**(74)**	(66)
Currency translation and hedge adjustments	**44**	(45)
Net changes in equity for the financial period	**252**	106
Equity as at 31 March		
BG Group shareholders' funds	**4 573**	4 020
Minority interest	**28**	1
	4 601	4 021

CONSOLIDATED CASH FLOW STATEMENT

	First Quarter 2005 £m	First Quarter 2004 £m
Cash flows from operating activities		
Profit from operations	**406**	311
Depreciation of property, plant and equipment	**115**	111
Fair value movements in commodity contracts	**37**	-
Profit on disposal of non-current assets	**(13)**	(22)
Unsuccessful exploration expenditure written off	**10**	3
Increase in provisions	**8**	2
Share based payments	**3**	-
Increase in working capital	**(17)**	(31)
Cash generated by operations	**549**	374
Income taxes paid	**(143)**	(76)
Net cash inflow from operating activities	**406**	298
Cash flows from investing activities		
Dividends received from joint ventures and associates	**12**	5
Proceeds from disposal of subsidiary undertakings and investments	**26**	32
Purchase of property, plant and equipment and intangible assets	**(290)**	(215)
Loans to joint ventures and associates	**(9)**	(69)
Purchase of subsidiary undertakings and investments	**-**	(250)
Net cash outflow from investing activities	**(261)**	(497)
Cash flows from financing activities		
Net interest paid(i)	**(12)**	(4)
Net (decrease)/increase in short-term borrowings	**(257)**	145
Net increase in long-term borrowings	**1**	3
Issue of shares	**8**	5
Net cash (outflow)/inflow from financing activities	**(260)**	149
Net decrease in cash and cash equivalents	**(115)**	(50)
Cash and cash equivalents at beginning of period	**340**	313
Effect of foreign exchange rate changes	**20**	(3)
Cash and cash equivalents at end of period(ii)	**245**	260

i) Includes capitalised interest for the first quarter of £3 million (2004 £2 million).
ii) Cash and cash equivalents comprise cash and short-term liquid investments that are readily convertible to cash.

RECONCILIATION OF NET BORROWINGS – FIRST QUARTER

	£m
Net borrowings as at 31 December 2004	**(999)**
Adoption of IAS 39	**(6)**
	(1 005)
Net decrease in cash and cash equivalents	**(115)**
Cash outflow from changes in gross borrowings	**256**
Inception of finance leases	**(16)**
Foreign exchange and other re-measurements	**(25)**
Net borrowings as at 31 March 2005	**(905)**

Net borrowings attributable to MetroGAS (including Gas Argentino) and Comgas were £298 million (31December 2004 £300 million).

The gearing ratio (net borrowings as a percentage of net borrowings plus equity) was 15.3% (31 December 2004 17.9%).

As at 31 March 2005, BG Group's share of the net borrowings in joint ventures and associates amounted to approximately £1.0 billion, including BG Group shareholder loans of approximately £610 million. These net borrowings are included in BG Group's share of the net assets in joint ventures and associates which are consolidated in BG Group's accounts.

Notes

1. Basis of preparation

These primary statements are the unaudited interim consolidated financial statements of BG Group plc for the quarter ended 31 March 2005. The financial information does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985, and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2004, as they provide an update of previously reported information.

From 1 January 2005, BG Group is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Union. In the 2004 Annual Report and Accounts (pages 110 to 118) information was provided in order to provide clarity on the impact of IFRS in advance of the publication of results under these standards. It included details of BG Group's principal accounting policies under IFRS and the adjustments required to restate comparative information for the year ended 31 December 2003 (including the transition balance sheet as at 1 January 2003) and the year ended 31 December 2004. The financial information set out in this interim statement has been prepared in accordance with the accounting policies under IFRS published in the 2004 Annual Report and Accounts.

Standards currently in issue and adopted by the EU are subject to interpretation issued from time to time by the International Financial Reporting Interpretations Committee (IFRIC). Further standards may be issued by the International Accounting Standards Board that will be adopted for financial years beginning on or after 1 January 2005. Additionally, IFRS is currently being applied in the United Kingdom and in a large number of countries simultaneously for the first time. Furthermore, due to a number of new and revised Standards included within the body of the Standards that comprise IFRS, there is not yet a significant body of established practice on which to draw in forming options regarding interpretation and application. Accordingly, practice is continuing to evolve. At this preliminary stage, therefore, the full financial effect of reporting under IFRS as it will be applied and reported on in the Company’s first IFRS Financial Statements for the year ended 31 December 2005 may be subject to change.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management’s best judgement at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Income tax expense is recognised based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

2. Non-operating items

	First Quarter	
	2005	2004
	£m	£m
Profit on disposal of investments	**13**	22
Turnover and other operating income – non-cash re-measurements of commodity contracts	**(38)**	-[(i)]
Finance costs – non-cash re-measurements of financial instruments	**2**	-[(i)]
Taxation	**16**	(2)
Minority interest	**(3)**	-
Impact on earnings	**(10)**	20

i) BG Group adopted IAS 39 from 1 January 2005 so figures for 2004 do not contain any non-cash re-measurements.

2005 first quarter: Turnover and other operating income

Re-measurements included within turnover and other operating income amount to a charge of £38 million, £29 million of which represents unrealised mark-to-market movements on certain long-term UK gas contracts. Whilst the activity surrounding these contracts involves the physical delivery of gas, the contracts fall within the scope of IAS 39 as they are considered to contain written options relating to buyer flexibility.

An additional £9 million charge represents unrealised mark-to-market movements on derivatives used for gas marketing activity in the UK and US.

2005 first quarter: Finance costs

Re-measurements presented in finance costs relate primarily to the retranslation of MetroGAS US Dollar and Euro borrowings which cannot be designated as hedges under IAS 39. In addition there are movements in respect of certain derivatives used to hedge foreign exchange and interest rate risk which have not been designated as hedges under IAS 39, partly offset by foreign exchange movements on certain borrowings in a subsidiary.

2005 first quarter: Disposal of investment

During the first quarter of 2005, BG Group disposed of its 50% interest in Premier Transmission Limited to Premier Transmission Financing Plc for cash proceeds of £26 million. No tax arose on the disposal.

2004 first quarter: Disposal of investment

During the first quarter of 2004, 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.

3. Segmental analysis

Group turnover and other operating income **First Quarter**	**Business Performance 2005 £m**	**Non-operating items 2005 £m**	**Total 2005 £m**	Business Performance 2004 £m	Non-operating items 2004 £m	Total 2004 £m
Exploration and Production	**635**	**(34)**	**601**	476	-	476
Liquefied Natural Gas	**220**	**(4)**	**216**	190	-	190
Transmission and Distribution	**169**	**-**	**169**	139	-	139
Power Generation	**75**	**-**	**75**	54	-	54
Other activities	**2**	**-**	**2**	1	-	1
Less: intra-group sales	**(7)**	**-**	**(7)**	(4)	-	(4)
	1 094	**(38)**	**1 056**	856	-	856

First Quarter	**Before share of results from joint ventures and associates**		**Share of results in joint ventures and associates[i]**		**Including share of results from joint ventures and associates**		**Non-operating items[ii]**		**Business Performance[ii]**	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
Exploration and Production	**353**	264	**-**	-	**353**	264	**34**	-	**387**	264
Liquefied Natural Gas	**2**	1	**21**	14	**23**	15	**4**	-	**27**	15
Transmission and Distribution	**48**	20	**11**	10	**59**	30	**(13)**	-	**46**	30
Power Generation	**16**	14	**20**	23	**36**	37	**-**	-	**36**	37
Other activities	**(13)**	12	**-**	-	**(13)**	12	**-**	(22)	**(13)**	(10)
Operating Profit	**406**	311	**52**	47	**458**	358	**25**	(22)	**483**	336

i) Share of results in joint ventures and associates after finance costs and taxation is £39 million (2004 £31 million).
ii) Business Performance excludes certain non-operating items. See Note 2, page 18 and Presentation of Non-GAAP measures, page 9.

4. Finance costs

	First Quarter	
	2005	2004
	£m	£m
Interest payable	**(16)**	(17)
Interest on obligations under finance leases	**(4)**	(1)
Interest capitalised	**3**	2
Unwinding of discount on provisions[(i)]	**(3)**	(2)
Non-operating items (Note 2)	**2**	-
Finance costs	**(18)**	(18)

i) *Relates to the unwinding of the discount on provisions in respect of decommissioning and pension obligations, included in the income statement as a financial item within net finance costs.*

5. Taxation – first quarter

The taxation charge for the period before non-operating items was £183 million (2004 £121 million), and the taxation charge including non-operating items was £167 million (2004 £123 million).

6. Earnings per ordinary share

Reconciliation of earnings and earnings per share including and excluding non-operating items

	First Quarter			
	2005		2004	
	£m	**Pence per share**	£m	Pence per share
Earnings	**260**	**7.3**	207	5.9
Non-operating items (after tax and minority interest)	**23**	**0.7**	-	-
Profit on disposals	**(13)**	**(0.4)**	(20)	(0.6)
Earnings – excluding non-operating items	**270**	**7.6**	187	5.3

Earnings per share calculations in 2005 are based on shares in issue of 3 537 million for the quarter.

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

7. Capital investment – geographical analysis

	First Quarter 2005 £m	2004 £m
North West Europe	**59**	28
South America	**24**	17
Asia and the Middle East	**81**	96
North America and the Caribbean	**64**	306
Mediterranean Basin and Africa	**87**	180
	315	627

8. Quarterly information: earnings and earnings per share

	2005 £m	2004 £m	**2005 pence**	2004 pence
First quarter				
- including non-operating items	**260**	207	**7.3**	5.9
- excluding non-operating items	**270**	187	**7.6**	5.3
Second quarter				
- including non-operating items		229		6.5
- excluding non-operating items		192		5.4
Third quarter				
- including non-operating items		214		6.1
- excluding non-operating items		214		6.1
Fourth quarter				
- including non-operating items		236		6.7
- excluding non-operating items		236		6.7
Full year				
- including non-operating items		886		25.1
- excluding non-operating items		829		23.5

9. IFRS 1 requirement – Reconciliation of profit and equity to previous GAAP

Included within the Annual Report and Accounts for BG Group for the year ended 31 December 2004 is a reconciliation of the income statement from UK GAAP to IFRS for the years ended 31 December 2003 and 2004 and a reconciliation of equity at the transition date (1 January 2003), 31 December 2003, 31 December 2004 and 1 January 2005, the date of adoption of IAS 32 and 39. This document also provides details of the impact of the adoption of IAS 32 and IAS 39 from 1 January 2005, details of the reconciling items, BG Group's principal accounting policies under IFRS and the exemptions taken by BG Group in accordance with IFRS 1 on transition to IFRS.

In order to comply with IFRS 1, in this interim statement BG Group is also presenting a reconciliation from UK GAAP to IFRS of the profit for the comparable financial period (the quarter ended 31 March 2004), together with the equity at the end of the comparable period (31 March 2004) as follows:

Reconciliation of earnings between UK GAAP and IFRS	**Notes**	**First Quarter 2004 £m**
Profit attributable to shareholders (earnings) under UK GAAP		206
Effect of transition to IFRS:		
Pensions	1	(2)
Premier Power CCGT Project	2	(1)
Goodwill amortisation	3	4
Regulatory current account	4	4
Tax	5	(4)
Profit attributable to shareholders (earnings) under IFRS		207

Reconciliation of equity between UK GAAP and IFRS	**Notes**	**31 March 2004 £m**
Total equity under UK GAAP		4 085
Effect of transition to IFRS:		
Pensions	1	(37)
Premier Power CCGT Project	2	17
Goodwill	3	21
Regulatory current account	4	8
Deferred tax	5	(73)
Total equity under IFRS		4 021

Notes

1. Pensions

Cumulative actuarial gains and losses in respect of the Group's pension and post-retirement benefit plans have been recognised in full on transition to IFRS (1 January 2003). Actuarial gains and losses arising from the transition date are recognised over the average remaining service lives of employees (commonly referred to as the 'corridor' approach). The charge to operating costs in respect of pensions has increased by £3 million in the quarter ended 31 March 2004 compared to UK GAAP. The impact on earnings is a reduction of £2 million compared to UK GAAP and the impact on net assets as at 31 March 2004 is a reduction of £37 million compared to UK GAAP.

9. IFRS 1 requirement – Reconciliation of profit and equity to previous GAAP (continued)

2. Premier Power CCGT Project

In 2000, BG Group's wholly-owned subsidiary Premier Power Limited received £168 million in consideration for the restructuring of power purchase agreements with Northern Ireland Electricity following agreement to construct a new CCGT power plant at Ballylumford. Under UK GAAP this amount was treated as deferred income and released over the life of the remaining power agreements, matched to the associated asset depreciation charge. Under IFRS the amount has been recognised as income in the year of receipt, along with the impairment of the property, plant and equipment associated with the original power plants. This has resulted in a reduction in operating profit for the quarter ended March 2004 of £1 million and an increase in net assets as at 31 March 2004 of £17 million.

3. Goodwill amortisation

BG Group has used the exemption available under IFRS 1 for not restating business combinations. IFRS 3 requires that goodwill arising from business combinations should not be amortised. Accordingly, the carrying value of goodwill as at 31 March 2004 is increased by £21 million and operating costs in respect of goodwill amortisation under UK GAAP for the quarter ended 31 March 2004 of £4 million have been reversed. There is no tax impact.

4. Regulatory current account balances – Comgas

Comgas (BG Group's Brazilian gas distribution business) recognised balances under UK GAAP in respect of the pass-through of costs after formal approval of a revised tariff by the Comgas Regulator. These balances do not meet the criteria for recognition under current IFRS and accordingly have been de-recognised. This has resulted in a decrease in operating costs of £7 million, an increase in earnings of £4 million for the quarter ended 31 March 2004, and an increase in net assets as at 31 March 2004 of £8 million.

5. Deferred tax

On adoption of IAS 12, BG Group has recognised deferred tax liabilities in respect of unremitted earnings of overseas associates and jointly controlled entities and in respect of fixed assets held at fair value following a business combination. The impact of these adjustments is an increase to the deferred tax provision as at 31 March 2004 of £67 million. In addition, the carrying value of one of BG Group's associates has been adjusted by £3 million as at 31 March 2004 as a result of the recognition of a deferred tax provision in respect of additional taxable temporary differences. The effective tax rate under IFRS is 40% for the quarter ended 31 March 2004.

10. Commitments and Contingencies

Pages 93 and 94 of the 2004 Annual Report and Accounts provide details of the size and nature of BG Group's commitments and contingencies as at 31 December 2004. As at 31 March 2005, there were no amounts or transactions which were significantly different to those at the year end.

11. Post Balance Sheet Events

On 6 April 2005, BG Group announced that it had completed the sale of its 16.67% interest in the North Caspian Sea PSA and had received an aggregate pre-tax cash consideration of approximately $1.8 billion. The pre-tax gain on disposal of £0.4 billion will be included in the second quarter results.

Supplementary information: Operating and financial data

	First Quarter 2005	2004	
Production volumes (mmboe)			
- oil	**4.7**	5.5	*-15%*
- liquids	**7.7**	5.7	*+35%*
- gas	**31.3**	29.7	*+5%*
- total	**43.7**	40.9	*+7%*
Average realised oil price per barrel	**£25.35**	£17.88	*+42%*
	($48.24)	($32.56)	*+48%*
Average realised liquids price per barrel	**£17.35**	£8.93	*+94%*
	($33.01)	($16.27)	*+103%*
Average realised UK gas price per produced therm	**24.12p**	19.68p	*+23%*
Average realised International gas price per produced therm	**13.85p**	12.99p	*+7%*
Average realised gas price per produced therm	**17.48p**	15.97p	*+9%*
Lifting costs per boe[i]	**£1.15**	£0.88	*+31%*
	($2.18)	($1.60)	*+36%*
Operating expenditure per boe	**£2.08**	£1.80	*+16%*
	($3.96)	($3.28)	*+21%*
Development expenditure (£m)	**155**	139	*+12%*
Gross exploration expenditure (£m)			
- capitalised expenditure	**87**	45	*+93%*
- other expenditure	**15**	13	*+15%*
- gross expenditure	**102**	58	*+76%*

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

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) in the US Dollar would increase (or decrease) operating profit by approximately £70 million.

Enquiries

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

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Worthing
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Tel: 0870 600 3951

Financial Calendar

Payment of 2004 final dividend:

Shareholders	**13 May 2005**
American depositary receipt holders	**20 May 2005**
Announcement of 2005 second quarter and half year results	**27 July 2005**
Announcement of 2005 third quarter results	**8 November 2005**

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

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