

BG GROUP PLC

2005 SECOND QUARTER AND HALF YEAR RESULTS

HIGHLIGHTS

Second Quarter			Business Performance ⁽ⁱ⁾	Half Year		
2005 £m	2004 £m			2005 £m	2004 £m	
1 133	962	+18%	Revenue and other operating income	2 227	1 818	+22%
491	347	+41%	Total operating profit including share of pre-tax operating results from joint ventures and associates	974	683	+43%
275	192	+43%	Earnings	545	379	+44%
7.8p	5.4p	+44%	Earnings per share	15.4p	10.7p	+44%
1.91p	1.73p	+10%	Interim dividend per share	1.91p	1.73p	+10%
Total results for the period (including disposals and re-measurements⁽ⁱⁱ⁾)						
1 013	962	+5%	Revenue and other operating income	2 069	1 818	+14%
731	362	+102%	Operating profit before share of results from joint ventures and associates	1 137	673	+69%
787	412	+91%	Total operating profit including share of pre-tax operating results from joint ventures and associates	1 245	770	+62%
484	229	+111%	Earnings	744	436	+71%
13.7p	6.5p	+111%	Earnings per share	21.0p	12.4p	+69%
1.91p	1.73p	+10%	Interim dividend per share	1.91p	1.73p	+10%

i) 'Business Performance' excludes disposals and certain re-measurements 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. For further explanation of Business Performance and the presentation of results from joint ventures and associates, see Presentation of Non-GAAP measures, page 12 and Results Presentation, page 3.

PERFORMANCE HIGHLIGHTS

BG Group's Chief Executive, Frank Chapman said:

"BG Group has delivered strong earnings, up 44% for the half year, driven by underlying growth and firm prices. Good progress has been made on key projects and BG Group's growth programme remains firmly on track."

- Earnings up by £166 million (44%) for the half year
- At constant US\$/UK£ exchange rates and upstream prices, total operating profit would have increased by 17% for the half year
- Interim dividend increased by 10% to 1.91p per share
- E&P volumes up 8% in the quarter and first half
- Comgas volumes up 16% for the half year
- ELNG Train 1 and related upstream fields onstream
- 13 exploration and appraisal wells completed of which 8 (62%) were successful
- BG Group to purchase approximately two ELNG Train 1 cargoes per month until end 2006
- New exploration acreage in Egypt and Canada
- Acquired full ownership of Brindisi regasification project, Italy

RESULTS PRESENTATION

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

- The re-measurement of financial instruments
- 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 (see pages 14 and 15). 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 11. 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.

Second Quarter			Half Year	
2005	2004		2005	2004
£m	£m		£m	£m
731	362	Operating profit for the period before share of results from joint ventures and associates	1 137	673
56	50	Share of pre-tax operating results from joint ventures and associates	108	97
787	412	Operating profit for the period including share of pre-tax results from joint ventures and associates	1 245	770
120	-	Disposals and re-measurements:	158	-
(416)	(65)	Re-measurements – IAS 39 ⁽ⁱ⁾	(429)	(87)
		Profit on disposal		
491	347	Business Performance – total operating profit for the period	974	683

Second Quarter			Half Year	
2005	2004		2005	2004
£m	£m		£m	£m
484	229	Earnings for the period – including disposals and re-measurements	744	436
(296)	(65)	Disposals and re-measurements – before interest and tax	(271)	(87)
(8)	-	Disposals and re-measurements – interest	(10)	-
95	28	Tax and minority interest on disposals and re-measurements	82	30
275	192	Earnings – excluding disposals and re-measurements	545	379

i) Re-measurements excluded from Business Performance

The IAS 39 re-measurements reflect movements in external market prices and exchange rates. Financial 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. For an explanation of Non-GAAP measures see page 12.

BUSINESS REVIEW

The results discussed in this Business Review (pages 4 to 11) relate to BG Group's performance excluding disposals and re-measurements. For the impact and a description of these items, see the consolidated income statement (pages 14 and 15) and Note 2 of the accounts (page 23). Results at constant US\$/UK£ exchange rates and upstream prices are also quoted. See Presentation of Non-GAAP measures (page 12) for an explanation of these metrics.

GROUP

Second Quarter			Business Performance	Half Year		
2005 £m	2004 £m			2005 £m	2004 £m	
1 133	962	+18%	Revenue and other operating income	2 227	1 818	+22%
			Total operating profit including share of pre-tax results from joint ventures and associates			
407	274	+49%	Exploration and Production	794	538	+48%
15	19	-21%	Liquefied Natural Gas	42	34	+24%
56	36	+56%	Transmission and Distribution	102	66	+55%
21	24	-13%	Power Generation	57	61	-7%
(8)	(6)	+33%	Other activities	(21)	(16)	+31%
491	347	+41%		974	683	+43%
(10)	(15)	-33%	Net finance costs ⁽ⁱ⁾	(28)	(31)	-10%
(192)	(133)	+44%	Taxation ⁽ⁱⁱ⁾	(379)	(261)	+45%
275	192	+43%	Earnings	545	379	+44%
7.8p	5.4p	+44%	Earnings per share	15.4p	10.7p	+44%
415	402	+3%	Capital investment	730	1 029	-29%
386	292	+32%	Capital investment excluding acquisitions	701	659	+6%

Second quarter

Total operating profit increased by 41% to £491 million reflecting higher E&P volumes and prices together with a strong performance from the T&D segment, partially offset by the impact of tighter LNG supply conditions and the weaker US Dollar. At constant US\$/UK£ exchange rates and prices, total operating profit increased by 14%.

Net finance costs were lower primarily due to the reduced average net debt levels following the receipt of cash proceeds from the sale of the Group's interest in the North Caspian Sea PSA. The effective tax rate (including BG share of joint ventures and associates) was 40%.

Earnings increased by 43% to £275 million.

i) Includes Group share of net finance costs from joint ventures and associates for the quarter of £8 million (2004 £9 million) and for the half year of £17 million (2004 £18 million).

ii) Includes Group share of taxation from joint ventures and associates for the quarter of £9 million (2004 £12 million) and for the half year of £13 million (2004 £19 million).

Cash generated from operations increased by £220 million to £545 million primarily due to higher operating profit.

Capital investment in the quarter of £415 million included total current and deferred contingent consideration of €44 million (£29 million) for the acquisition of the remaining 50% of Brindisi LNG SpA in Italy and continuing investment in the Mediterranean Basin and Africa (£118 million), North America and the Caribbean (£101 million), North West Europe (£98 million), Asia and the Middle East (£36 million) and South America (£33 million).

Half year

Total operating profit increased by 43% to £974 million reflecting E&P volume growth of 8% and higher upstream prices, partially offset by the impact of the weaker US Dollar. At constant US\$/UK£ exchange rates and prices, total operating profit increased by 17%.

Net finance costs were £3 million lower primarily due to lower net interest on Group borrowings and higher investment income. The effective tax rate (including BG share of joint ventures and associates) was 40%. Cash generated by operations increased by £395 million to £1 094 million primarily due to higher operating profit. As at 30 June 2005, net borrowings were £50 million.

Capital investment of £730 million included investment in the Mediterranean Basin and Africa (£234 million), North America and the Caribbean (£165 million), Asia and the Middle East (£117 million), North West Europe (£157 million) and South America (£57 million).

In line with the BG Group policy of the interim dividend being half of the previous full year dividend, the interim dividend for 2005 is 1.91p.

EXPLORATION AND PRODUCTION

Second Quarter		Business Performance		Half Year		
2005	2004			2005	2004	
£m	£m			£m	£m	
44.6	41.2	+8%	Production volumes (mboe)	88.3	82.1	+8%
658	488	+35%	Revenue and other operating income	1 293	964	+34%
407	274	+49%	Total operating profit	794	538	+48%
193	275	-30%	Capital investment	438	722	-39%
193	170	+14%	Capital investment excluding acquisitions	438	357	+23%

Additional operating and financial data are given on page 33.

Second quarter

E&P operating profit increased by 49% to £407 million primarily 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, total E&P operating profit increased by 13%.

Increased production of 8% was primarily due to higher volumes from West Delta Deep Marine (WDDM) in Egypt following the start up of the Egyptian LNG and Damietta LNG export facilities, along with increased liquids exports from the Karachaganak field in Kazakhstan.

Unit operating expenditure was in line with last year at £2.04 (\$3.82) per boe.

The exploration charge of £34 million was £17 million higher due to the planned increase in exploration activity across the Group.

Capital investment of £193 million included expenditure in Egypt (£55 million) and North West Europe (£66 million).

Half year

E&P operating profit increased by 48% to £794 million primarily due to the 8% increase in production volumes and higher prices, partially offset by a higher exploration charge and the effect of the weaker US Dollar. Increased production was primarily due to the export of liquids from the Karachaganak field, higher production from WDDM following the start up of LNG export facilities in Egypt and the acquired Canadian and Egyptian properties.

Unit operating expenditure was £2.06 (\$3.89) per boe, an increase of 12 pence compared with 2004 but was broadly unchanged compared with the first quarter of 2005. The change from the prior year reflects higher commodity prices and changes in the production mix.

Capital investment of £438 million included expenditure in Egypt (£110 million), North West Europe (£115 million) and Asia and the Middle East (£106 million).

Second quarter business highlights

In Egypt, the El Manzala (BG Group 70% and operator) and El Burg (BG Group 100% and operator) concessions are expected to be formally granted to BG Group and partner imminently. Drilling on these offshore concessions is expected to commence in 2007.

On 17 May, BG Group was awarded Blocks CMV 4 and CMV 7 (BG Group 75% and operator) covering net 275 490 acres in the Northwest Territories, Canada. This extends BG Group's activities towards the central Mackenzie Valley.

On 19 May, Bolivia enacted a new hydrocarbons law. This is a complex change to the operation of oil and gas assets in Bolivia and BG Group and its partners are in discussion with the Bolivian Government as to how the new law should be interpreted and implemented. In the meantime, production continues from BG Group's interests.

During the quarter, further progress was made on the development of the Buzzard oil field, offshore UK (BG Group 21.7%), with the installation of three steel jackets, the wellhead deck, subsea pipelines and manifolds for water injection. Drilling of production wells is due to start this August and of water injection wells in January 2006, with first production expected towards the end of 2006. Estimated total proved and probable reserves for Buzzard are around 500 mmboe.

Since the start of the year, BG Group has completed 13 exploration and appraisal wells of which eight have been successful (62%).

LIQUEFIED NATURAL GAS

Second Quarter			Business Performance			Half Year		
2005	2004					2005	2004	
£m	£m					£m	£m	
236	276	-14%	Revenue and other operating income			456	466	-2%
1	5	-80%	Total operating profit			16	11	+45%
24	16	+50%	Shipping and marketing			45	30	+50%
(10)	(2)	+400%	Liquefaction			(19)	(7)	+171%
15	19	-21%	Business development and other			42	34	+24%
183	100	+83%	Capital investment			228	264	-14%
154	100	+54%	Capital investment excluding acquisitions			199	264	-25%

Additional operating and financial data are given on page 33.

Second quarter

Total operating profit was £4 million lower reflecting a higher level of business development expenditure, lower volumes in the shipping and marketing business and the impact of the weaker US Dollar, partially offset by higher operating profit from Atlantic LNG (ALNG).

In shipping and marketing, operating profit was £4 million lower, reflecting tight supply conditions. With the availability to BG Group of Egyptian LNG (ELNG) and Damietta cargoes during the second half of the year, supply conditions are expected to improve.

BG Group's share of operating profit from its liquefaction activities increased by £8 million to £24 million, principally due to increased volumes and price realisations from ALNG Train 1. Following the start-up of exports from Egypt, ELNG operations contributed £1 million to operating profit for the quarter.

Increased business development costs included BG Group's activity in evaluating the OK LNG project in Nigeria and other LNG opportunities.

Capital investment included £29 million of current and deferred contingent consideration relating to the acquisition of Enel's interest in Brindisi (Italy), £77 million relating to LNG vessels in construction due for delivery in 2006, and continuing investment at LNG projects in Egypt, Trinidad and the UK.

Half year

Total operating profit increased by £8 million (24%) reflecting increased volumes from the LNG shipping and marketing business, including ten cargoes directed to markets outside of the US and higher profits from ALNG, partially offset by the impact of the weaker US Dollar.

Business development increased by £12 million, reflecting higher levels of business activity across the segment.

Capital investment included £102 million relating to LNG vessels in construction due for delivery in 2006 and continuing investment at LNG projects in Egypt, Trinidad and the UK.

Second quarter business highlights

On 29 May, the first cargo of LNG from ELNG Train 1 was lifted. During the quarter, three early cargoes became available of which BG Group lifted one. On 21 June, BG Group announced it had entered into agreement with Gaz de France for the purchase of ELNG Train 1 volumes at the rate of approximately two cargoes per month from July 2005 until the end of 2006.

On 21 June, BG Group acquired sole ownership of the Brindisi regasification terminal in Italy for a cash consideration of €17 million plus a deferred contingent sum of €27 million.

On 30 June, FERC rejected the upgrade plans for the Providence, Rhode Island USA, LNG import facility. BG Group and its partner KeySpan have reviewed FERC's written order (released 5 July) and intend to petition FERC for a rehearing.

TRANSMISSION AND DISTRIBUTION

Second Quarter		Business Performance		Half Year		
2005	2004			2005	2004	
£m	£m			£m	£m	
			Revenue and other operating income			
126	95	+33%	Comgas	233	183	+27%
45	43	+5%	MetroGAS	79	69	+14%
25	24	+4%	Other	53	49	+8%
196	162	+21%		365	301	+21%
			Total operating profit			
38	18	+111%	Comgas	67	39	+72%
10	8	+25%	MetroGAS	14	9	+56%
8	10	-20%	Other	21	18	+17%
56	36	+56%		102	66	+55%
33	15	+120%	Capital investment	50	28	+79%

Second quarter

Volumes continued to grow strongly across the segment. At Comgas, in Brazil, the impact of 18% higher volumes and stronger exchange rates underpinned a £20 million increase in operating profit to £38 million. Operating profit included a £6 million benefit from lower gas costs, which is expected to be passed back to customers through lower tariffs over the next twelve months.

MetroGAS, in Argentina, reported an operating profit of £10 million, up £2 million, due primarily to increased prices on volumes sold to power generation customers.

Capital investment mainly represents development of the Comgas pipeline network.

Half year

Total operating profit rose by £36 million to £102 million, this reflected a £28 million increase in profit reported by Comgas, principally due to 16% volume growth, the stronger Brazilian Real and lower gas costs.

MetroGAS reported an increase in operating profit of 56% to £14 million, due to higher volumes sold to power generation customers. The capital restructuring of MetroGAS continues to make progress.

POWER GENERATION

Second Quarter		Business Performance			Half Year	
2005	2004			2005	2004	
£m	£m			£m	£m	
46	38	+21%	Revenue and other operating income	121	92	+32%
21	24	-13%	Total operating profit	57	61	-7%
3	1	+200%	Capital investment	3	1	+200%

Second quarter and half year

The increase in revenue is primarily due to pass through of gas costs.

Operating profit of £21 million for the quarter was £3 million lower than the same period last year, principally due to the weaker US Dollar, maintenance activity at Premier Power in Northern Ireland, and reduced availability at Seabank, UK.

The reduced availability at Seabank Power follows the failure of a steam turbine which occurred in June 2005. Remedial works are expected to be completed in 2006.

Presentation of Non-GAAP measures

Business Performance

'Business Performance' excludes certain disposals and re-measurements (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.

Disposals and re-measurements

BG Group's commercial arrangements for marketing gas include the use of long-term gas sales contracts. Whilst the activity surrounding these contracts involves the physical delivery of gas, 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 to be 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 'disposals and re-measurements'. 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 disposals and re-measurements, see the consolidated income statement, pages 14 and 15 and Note 2 to the accounts, page 23.

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 years' published 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 24.

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.

Net borrowings

BG Group provides a reconciliation of net borrowings and an analysis of the amounts included within net borrowings as management believes that this is an important liquidity measure for the Group.

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 "estimated total recoverable 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
SECOND QUARTER**

	Notes	2005			2004		
		Busi- ness Perfor- mance ⁽ⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱ⁾ £m	Total Result £m	Busi- ness Perfor- mance ⁽ⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱ⁾ £m	Total Result £m
Group revenue and other operating income	3	1 133	(120)	1 013	962	-	962
Operating costs		(698)	-	(698)	(665)	-	(665)
Profit on disposal of non-current assets		-	416	416	-	65	65
Operating profit/(loss) before share of results from joint ventures and associates	3	435	296	731	297	65	362
Finance income	4	19	-	19	10	-	10
Finance costs	4	(21)	8	(13)	(16)	-	(16)
Share of post-tax results from joint ventures and associates	3	39	-	39	29	-	29
Profit/(loss) before tax		472	304	776	320	65	385
Taxation	5	(183)	(90)	(273)	(121)	(28)	(149)
Profit for the period		289	214	503	199	37	236
Attributable to:							
BG shareholders (earnings)		275	209	484	192	37	229
Minority interest		14	5	19	7	-	7
		289	214	503	199	37	236
Earnings per share – basic	6	7.8p	5.9p	13.7p	5.4p	1.1p	6.5p
Earnings per share – diluted	6	7.7p	5.9p	13.6p	5.4p	1.1p	6.5p
Total operating profit including share of pre-tax operating results from joint ventures and associates⁽ⁱⁱ⁾	3	491	296	787	347	65	412

i) See Presentation of Non-GAAP measures, page 12, for an explanation of results excluding disposals and re-measurements 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 INCOME STATEMENT
HALF YEAR**

	Notes	2005			2004		
		Busi- ness Perfor- mance ⁽ⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱ⁾ £m	Total Result £m	Busi- ness Perfor- mance ⁽ⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱ⁾ £m	Total Result £m
Group revenue and other operating income	3	2 227	(158)	2 069	1 818	-	1 818
Operating costs		(1 361)	-	(1 361)	(1 232)	-	(1 232)
Profit on disposal of non-current assets		-	429	429	-	87	87
Operating profit/(loss) before share of results from joint ventures and associates	3	866	271	1 137	586	87	673
Finance income	4	30	-	30	21	-	21
Finance costs	4	(41)	10	(31)	(34)	-	(34)
Share of post-tax results from joint ventures and associates	3	78	-	78	60	-	60
Profit/(loss) before tax		933	281	1 214	633	87	720
Taxation	5	(366)	(74)	(440)	(242)	(30)	(272)
Profit/(loss) for the period		567	207	774	391	57	448
Attributable to:							
BG shareholders (earnings)		545	199	744	379	57	436
Minority interest		22	8	30	12	-	12
		567	207	774	391	57	448
Earnings per share – basic	6	15.4p	5.6p	21.0p	10.7p	1.7p	12.4p
Earnings per share – diluted	6	15.3p	5.6p	20.9p	10.7p	1.7p	12.4p
Total operating profit including share of pre-tax operating results from joint ventures and associates⁽ⁱⁱ⁾	3	974	271	1 245	683	87	770

i) See Presentation of Non-GAAP measures, page 12, for an explanation of results excluding disposals and re-measurements 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
HALF YEAR

	As at		
	30 Jun 2005 £m	31 Dec 2004 £m	30 Jun 2004 £m
Assets			
Non-current assets			
Goodwill	320	272	247
Other intangible assets	688	585	511
Property, plant and equipment	5 038	4 509	4 241
Investments	1 115	1 050	1 007
Deferred tax assets	68	68	39
Trade and other receivables	51	46	74
Derivative financial instruments	129	-	-
	7 409	6 530	6 119
Current assets			
Inventories	113	99	140
Trade and other receivables	1 219	1 190	832
Commodity contracts and other derivative financial instruments	34	-	-
Cash and cash equivalents	1 223	340	259
	2 589	1 629	1 231
Non-current assets classified as held for sale	-	530	426
Total assets	9 998	8 689	7 776
Liabilities			
Current liabilities			
Borrowings	(383)	(577)	(485)
Trade and other payables	(1 021)	(976)	(771)
Current tax liabilities	(439)	(264)	(171)
Commodity contracts and other derivative financial instruments	(599)	-	-
	(2 442)	(1 817)	(1 427)
Non-current liabilities			
Borrowings	(1 002)	(762)	(728)
Trade and other payables	(88)	(89)	(80)
Deferred income tax liabilities	(718)	(907)	(864)
Retirement benefit obligations	(143)	(135)	(130)
Provisions for other liabilities and charges	(367)	(325)	(287)
	(2 318)	(2 218)	(2 089)
Liabilities associated with non-current assets classified as held for sale	-	(67)	(34)
Total liabilities	(4 760)	(4 102)	(3 550)
Net assets	5 238	4 587	4 226
Attributable to:			
BG Group equity shareholders	5 195	4 567	4 225
Minority interests	43	20	1
Total equity	5 238	4 587	4 226

STATEMENT OF CHANGES IN EQUITY

Second Quarter			Half Year	
2005	2004		2005	2004
£m	£m		£m	£m
Equity as at start of period				
4 573	4 020	BG Group shareholders' funds	4 567	3 924
28	1	Minority interest	20	(9)
4 601	4 021		4 587	3 915
-	-	Effect of adoption of IAS 39	(238)	-
4 601	4 021	Equity as at start of period	4 349	3 915
503	236	Profit for the financial period	774	448
6	2	Issue of shares	14	7
(2)	-	Purchase of own shares	(2)	-
5	1	Adjustment in respect of employee share schemes	8	1
-	-	Dividends on ordinary shares ⁽ⁱ⁾	(74)	(66)
(14)	-	Dividends paid to minority interest	(14)	-
139	(34)	Currency translation and hedge adjustments net of tax	183	(79)
637	205	Net changes in equity for the financial period	889	311
Equity as at 30 June				
5 195	4 225	BG Group shareholders' funds	5 195	4 225
43	1	Minority interest	43	1
5 238	4 226		5 238	4 226

i) The 2004 final dividend of 2.08 pence per share was paid to shareholders on 13 May 2005 (20 May 2005 to ADR holders).

CONSOLIDATED CASH FLOW STATEMENT

Second Quarter			Half Year	
2005	2004		2005	2004
£m	£m		£m	£m
Cash flows from operating activities				
731	362	Profit from operations	1 137	673
119	106	Depreciation of property, plant and equipment	234	217
121	-	Fair value movements in commodity contracts	158	-
(416)	(65)	Profit on disposal of non-current assets	(429)	(87)
11	4	Unsuccessful exploration expenditure written off	21	7
5	-	Increase in provisions	13	2
5	-	Share based payments	8	-
(31)	(82)	Increase in working capital	(48)	(113)
545	325	Cash generated by operations	1 094	699
(171)	(93)	Income taxes paid	(314)	(169)
374	232	Net cash inflow from operating activities	780	530
Cash flows from investing activities				
26	28	Dividends received from joint ventures and associates	38	33
-	-	Proceeds from disposal of subsidiary undertakings and investments	26	32
936	143	Proceeds from disposal of property, plant and equipment and intangible assets	936	143
(238)	(206)	Purchase of property, plant and equipment and intangible assets	(528)	(421)
(45)	105	Loans (to)/from joint ventures and associates	(54)	36
(12)	(92)	Purchase of subsidiary undertakings and investments ⁽ⁱ⁾	(12)	(342)
667	(22)	Net cash inflow/(outflow) from investing activities	406	(519)
Cash flows from financing activities				
(4)	(15)	Net interest paid ⁽ⁱⁱ⁾	(16)	(19)
(74)	(65)	Dividends paid	(74)	(65)
(14)	-	Dividends paid to minority	(14)	-
-	(66)	Net increase/(decrease) in short-term borrowings	(257)	79
28	(57)	Net increase/(decrease) in long-term borrowings	29	(54)
6	2	Issue of shares	14	7
(2)	-	Purchase of own shares	(2)	-
(60)	(201)	Net cash outflow from financing activities	(320)	(52)
981	9	Net increase/(decrease) in cash and cash equivalents	866	(41)
245	260	Cash and cash equivalents at beginning of period	340	313
(3)	(10)	Effect of foreign exchange rate changes	17	(13)
1 223	259	Cash and cash equivalents at end of period⁽ⁱⁱⁱ⁾	1 223	259

i) Includes cash acquired of £18 million (2004 £10 million) on the purchase of a subsidiary undertaking.

ii) Includes capitalised interest for the second quarter of £7 million (2004 £4 million), and for the half year of £10 million (2004 £6 million).

iii) Cash and cash equivalents comprise cash and short-term liquid investments that are readily convertible to cash.

RECONCILIATION OF NET BORROWINGS⁽ⁱ⁾ – HALF YEAR

	£m
Net borrowings as at 31 December 2004 ^{(i) (ii)}	(999)
Adoption of IAS 39	(6)
	(1 005)
Net increase in cash and cash equivalents	866
Cash outflow from changes in gross borrowings	228
Inception of finance leases	(46)
Foreign exchange and other re-measurements	(93)
Net borrowings as at 30 June 2005 ^{(i) (ii)}	(50)

Net borrowings attributable to MetroGAS (including Gas Argentino) and Comgas were £348 million (31 December 2004 £300 million).

The gearing ratio (net borrowings as a percentage of net borrowings plus equity) was 0.9% (31 December 2004 17.9%).

As at 30 June 2005, BG Group's share of the net borrowings in joint ventures and associates amounted to approximately £0.8 billion, including BG Group shareholder loans of approximately £600 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.

i) Net borrowings are defined on page 35.

ii) Net borrowings comprise:

	As at	
	30 Jun	31 Dec
	2005	2004
	£m	£m
<i>Amounts receivable/(due) within one year</i>		
Cash and cash equivalents	1 223	340
Overdrafts, loans and finance leases	(383)	(577)
Derivative financial instruments	(17)⁽ⁱⁱⁱ⁾	-
	823	(237)
<i>Amounts receivable/(due) after more than one year</i>		
Loans and finance leases	(1 002)	(762)
Derivative financial instruments	129	-
	(873)	(762)
Net borrowings	(50)	(999)

iii) These items are included within commodity contracts and other derivative financial instrument balances on the balance sheet.

RECONCILIATION OF NET BORROWINGS – HALF YEAR (Continued)

LIQUIDITY AND CAPITAL RESOURCES

All the information below is as at 30 June 2005, 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 \$968.3 million was unutilised.

BGEH had aggregate committed multicurrency revolving borrowing facilities of \$1.105 billion, of which \$552 million matures in August 2005 and \$553 million matures in April 2007. These facilities were undrawn.

In addition, BGEH had uncommitted multicurrency borrowing facilities of £636 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 18 July 2005, MetroGAS obtained the support of creditors representing \$76 million.

Comgas had committed borrowing facilities of Brazilian Reals (BRL) 1 264.4 million, of which BRL 623.8 million was unutilised, and uncommitted borrowing facilities of BRL 573.4 million, of which BRL 389.4 million was unutilised.

Gujarat Gas Company Limited had committed borrowing facilities of Indian Rupees (INR) 1 500 million, of which INR 900 million was unutilised. Gujarat Gas also had an uncommitted guarantee facility of INR 1 600 million, of which INR 972 million was unutilised, for issuing various standby letters of credit and Bank Guarantees.

Independent review report to BG Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprise the consolidated interim balance sheet as at 30 June 2005 and the related consolidated interim statements of income, cash flows, changes in shareholders' equity and the related notes for the six months then ended. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in Note 1, the next annual financial statements of the group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in Note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in Note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations that will be applicable and adopted for use in the European Union at 31 December 2005 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
London
27 July 2005

Notes:

- (a) The maintenance and integrity of BG Group's website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Notes

1. Basis of preparation

These primary statements are the unaudited interim consolidated financial statements of BG Group plc for both the quarter ended and the half year ended 30 June 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 accounting standards adopted for use in 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 International Financial Reporting Standards (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 opinions 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. Disposals and re-measurements

Second Quarter			Half Year	
2005	2004		2005	2004
£m	£m		£m	£m
(120)	-(i)	Revenue and other operating income – re-measurements of commodity contracts	(158)	-(i)
416	65	Profit on disposal of non-current assets	429	87
8	-(i)	Finance costs – re-measurements of financial instruments	10	-(i)
(90)	(28)	Taxation	(74)	(30)
(5)	-	Minority interest	(8)	-
209	37	Impact on earnings	199	57

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

2005 second quarter and half year: Revenue and other operating income

Re-measurements included within revenue and other operating income amount to a charge of £120 million for the second quarter, £109 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 and meet the definition of a derivative instrument. An additional £11 million charge represents unrealised mark-to-market movements on derivatives used for gas marketing activity in the UK and US.

For the first quarter of 2005, re-measurements included within revenue and other operating income amounted to a charge of £38 million.

2005 second quarter and half year: Disposal of non-current assets

During the second quarter of 2005, BG Group completed the sale of its 16.67% interest in the North Caspian Sea PSA and received net pre-tax proceeds of approximately \$1.8 billion realising a £416 million pre-tax and £279 million post-tax profit on the sale.

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 second quarter and half year: Disposal of non-current assets

Profits on disposal of non-current 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 £66 million pre-tax and £38 million post-tax profit on the sale.

£1 million of pre- and post-tax expenditure was incurred relating to a prior year disposal.

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.

2005 second quarter and half year: 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 re-measurement 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 subsidiaries.

3. Segmental analysis

Group revenue and other operating income	Business Performance	Disposals and re-measurements	Total	Business Performance	Disposals and re-measurements	Total
Second Quarter	2005 £m	2005 £m	2005 £m	2004 £m	2004 £m	2004 £m
Exploration and Production	658	(124)	534	488	-	488
Liquefied Natural Gas	236	4	240	276	-	276
Transmission and Distribution	196	-	196	162	-	162
Power Generation	46	-	46	38	-	38
Other activities	4	-	4	2	-	2
Less: intra-group sales	(7)	-	(7)	(4)	-	(4)
	1 133	(120)	1 013	962	-	962

Group revenue and other operating income	Business Performance	Disposals and re-measurements	Total	Business Performance	Disposals and re-measurements	Total
Half Year	2005 £m	2005 £m	2005 £m	2004 £m	2004 £m	2004 £m
Exploration and Production	1 293	(158)	1 135	964	-	964
Liquefied Natural Gas	456	-	456	466	-	466
Transmission and Distribution	365	-	365	301	-	301
Power Generation	121	-	121	92	-	92
Other activities	6	-	6	3	-	3
Less: intra-group sales	(14)	-	(14)	(8)	-	(8)
	2 227	(158)	2 069	1 818	-	1 818

3. Segmental analysis (continued)

Business Performance	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		Disposals and re-measurements ⁽ⁱⁱ⁾		Business Performance ⁽ⁱⁱ⁾	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Second Quarter										
Exploration and Production	699	320	-	-	699	320	(292)	(46)	407	274
Liquefied Natural Gas	(5)	22	24	16	19	38	(4)	(19)	15	19
Transmission and Distribution	46	25	10	11	56	36	-	-	56	36
Power Generation	(1)	1	22	23	21	24	-	-	21	24
Other activities	(8)	(6)	-	-	(8)	(6)	-	-	(8)	(6)
Operating Profit	731	362	56	50	787	412	(296)	(65)	491	347

Business Performance	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		Disposals and re-measurements ⁽ⁱⁱ⁾		Business Performance ⁽ⁱⁱ⁾	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Half Year										
Exploration and Production	1 052	584	-	-	1 052	584	(258)	(46)	794	538
Liquefied Natural Gas	(3)	23	45	30	42	53	-	(19)	42	34
Transmission and Distribution	94	45	21	21	115	66	(13)	-	102	66
Power Generation	15	15	42	46	57	61	-	-	57	61
Other activities	(21)	6	-	-	(21)	6	-	(22)	(21)	(16)
Operating Profit	1 137	673	108	97	1 245	770	(271)	(87)	974	683

- i) Share of results in joint ventures and associates in the table above is before finance costs and taxation. The share of results after finance costs and taxation for the quarter is £39 million (2004 £29 million), and for the half year is £78 million (2004 £60 million).
- ii) Business Performance excludes certain disposals and re-measurements. See Note 2, page 23 and Presentation of Non-GAAP measures, page 12.

3. Segmental analysis (continued)

Total Result	Operating profit before share of results from joint ventures and associates		Share of results in joint ventures and associates		Total Result	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Second Quarter						
Exploration and Production	699	320	-	-	699	320
Liquefied Natural Gas	(5)	22	19	10	14	32
Transmission and Distribution	46	25	6	5	52	30
Power Generation	(1)	1	14	14	13	15
Other activities	(8)	(6)	-	-	(8)	(6)
	731	362	39	29	770	391
Net finance income/(costs)					6	(6)
Taxation					(273)	(149)
Profit for the period					503	236

Total Result	Operating profit before share of results from joint ventures and associates		Share of results in joint ventures and associates		Total Result	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Half Year						
Exploration and Production	1 052	584	-	-	1 052	584
Liquefied Natural Gas	(3)	23	36	18	33	41
Transmission and Distribution	94	45	16	11	110	56
Power Generation	15	15	26	31	41	46
Other activities	(21)	6	-	-	(21)	6
	1 137	673	78	60	1 215	733
Net finance costs					(1)	(13)
Taxation					(440)	(272)
Profit for the period					774	448

4. Net finance costs

Second Quarter			Half Year	
2005	2004		2005	2004
£m	£m		£m	£m
(22)	(14)	Interest payable	(38)	(31)
(3)	(3)	Interest on obligations under finance leases	(7)	(4)
7	4	Interest capitalised	10	6
(3)	(3)	Unwinding of discount on provisions ⁽ⁱ⁾	(6)	(5)
8	-	Disposals and re-measurements (Note 2)	10	-
(13)	(16)	Finance costs	(31)	(34)
19	10	Finance income	30	21
6	(6)	Net finance income/(costs) ⁽ⁱⁱ⁾	(1)	(13)

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.

ii) Excludes Group share of net finance costs from joint ventures and associates for the quarter of £8 million (2004 £9 million), and for the half year of £17 million (2004 £18 million).

5. Taxation

The taxation charge for the quarter before disposals and re-measurements was £183 million (2004 £121 million), and the taxation charge including disposals and re-measurements was £273 million (2004 £149 million).

For the half year, the taxation charge before disposals and re-measurements was £366 million (2004 £242 million). The taxation charge including disposals and re-measurements was £440 million (2004 £272 million), including £257 million (2004 £100 million) in respect of overseas tax.

The Group share of taxation from joint ventures and associates for the quarter was £9 million (2004 £12 million) and for the half year was £13 million (2004 £19 million).

6. Earnings per ordinary share

		Second Quarter			Half Year			
		2005	2004		2005	2004		
£m	Pence per share	£m	Pence per share		£m	Pence per share	£m	Pence per share
484	13.7	229	6.5	Earnings	744	21.0	436	12.4
70	2.0	-	-	Disposals and re-measurements (after tax and minority interest)	93	2.6	-	-
(279)	(7.9)	(37)	(1.1)	Profit on disposals	(292)	(8.2)	(57)	(1.7)
275	7.8	192	5.4	Earnings – excluding disposals and re-measurements	545	15.4	379	10.7

Basic earnings per share calculations in 2005 are based on shares in issue of 3 539 million for the quarter and 3 538 million for the year to date.

The earnings figure used to calculate diluted earnings per ordinary share is the same as that used to calculate earnings per ordinary share given above, divided by 3 552 million for the quarter and 3 551 million for the year to date, being the weighted average number of ordinary shares in issue during the year as adjusted for share options.

7. Capital investment – geographical analysis

Second Quarter			Half Year	
2005	2004		2005	2004
£m	£m		£m	£m
98	50	North West Europe	157	78
33	37	South America	57	54
36	54	Asia and the Middle East	117	150
101	218	North America and the Caribbean	165	524
147	43	Mediterranean Basin and Africa	234	223
415	402		730	1 029

8. Quarterly information: earnings and earnings per share

	2005	2004	2005	2004
	£m	£m	pence	pence
First quarter				
- including disposals and re-measurements	260	207	7.3	5.9
- excluding disposals and re-measurements	270	187	7.6	5.3
Second quarter				
- including disposals and re-measurements	484	229	13.7	6.5
- excluding disposals and re-measurements	275	192	7.8	5.4
Third quarter				
- including disposals and re-measurements		214		6.1
- excluding disposals and re-measurements		214		6.1
Fourth quarter				
- including disposals and re-measurements		236		6.7
- excluding disposals and re-measurements		236		6.7
Full year				
- including disposals and re-measurements		886		25.1
- excluding disposals and re-measurements		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 and six months ended 30 June 2004), together with the equity at the end of the comparable period (30 June 2004) as follows:

Reconciliation of earnings between UK GAAP and IFRS	Notes	Second Quarter 2004 £m	Half Year 2004 £m
Profit attributable to shareholders (earnings) under UK GAAP		234	440
Effect of transition to IFRS:			
Pensions	1	(2)	(4)
Premier Power CCGT Project	2	(1)	(2)
Goodwill amortisation	3	4	8
Regulatory current account	4	-	4
Tax	5	(1)	(5)
Profit on disposal of non-current assets	6	(5)	(5)
Profit attributable to shareholders (earnings) under IFRS		229	436

Reconciliation of equity between UK GAAP and IFRS	Notes	30 June 2004 £m
Total equity under UK GAAP		4 226
Effect of transition to IFRS:		
Pensions	1	(39)
Premier Power CCGT Project	2	17
Goodwill	3	25
Regulatory current account	4	8
Deferred tax	5	(78)
Dividends	7	61
Other		6
Total equity under IFRS		4 226

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 £2 million for the quarter ended 30 June 2004 (£4 million for the six months ended 30 June 2004) compared to UK GAAP. The impact on earnings is a reduction of £2 million for

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

1. Pensions (continued)

the quarter ended 30 June 2004 (£4 million for the six months ended 30 June 2004) compared to UK GAAP and the impact on net assets as at 30 June 2004 is a reduction of £39 million compared to UK GAAP.

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 30 June 2004 of £1 million (£2 million for the six months ended 30 June 2004) and an increase in net assets as at 30 June 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 30 June 2004 is increased by £25 million and operating costs in respect of goodwill amortisation under UK GAAP for the quarter ended 30 June 2004 of £4 million, and for the six months ended 30 June 2004 of £8 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 for the quarter ended 30 June 2004 of £nil million, for the six months ended 30 June 2004 of £4 million, and has led to an increase in net assets as at 30 June 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 effective tax rate under IFRS is 40% for the quarter and the six months ended 30 June 2004. The impact of these adjustments is an increase to the deferred tax provision as at 30 June 2004 of £78 million.

6. Profit on disposal of non-current assets

The adjustment to profit on disposal of non-current assets represents foreign currency losses previously recognised in equity which are recycled through the income statement on the disposal of the related assets in accordance with IAS 21.

7. Dividends

UK GAAP requires that any dividends proposed as at the balance sheet date should be recognised as a liability at that date. IAS 10 states that if an entity declares a dividend after the balance sheet date, the dividends should not be recognised as a liability at the balance sheet date. The liability reversed at 30 June 2004 was £61 million.

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 30 June 2005, the amounts and transactions were not significantly different to those at the year end, except for the following:

Commitments for capital expenditure were £437 million lower principally reflecting the Kashagan disposal.

The outstanding balance on loans guaranteed by BG Energy Holdings Limited had decreased by £220 million.

Supplementary information: Operating and financial data

Second Quarter		First Quarter		Half Year	
2005	2004	2005		2005	2004
			Production volumes (mmboe)		
4.5	5.3	4.7	- oil	9.2	10.8
8.4	5.7	7.7	- liquids	16.1	11.4
31.7	30.2	31.3	- gas	63.0	59.9
44.6	41.2	43.7	- total	88.3	82.1
			Production volumes (boepd in thousands)		
50	58	52	- oil	51	59
92	63	86	- liquids	89	63
348	332	348	- gas	348	329
490	453	486	- total	488	451
			LNG cargoes (standard)		
10	16	8	- delivered to Lake Charles	18	28
11	10	10	- delivered to Elba Island	21	18
1	2	10	- re-marketed	11	3
22	28	28		50	49
£28.01 (\$52.36)	£19.95 (\$36.17)	£25.35 (\$48.24)	Average realised oil price per barrel	£26.65 (\$50.27)	£18.90 (\$34.33)
£21.15 (\$39.54)	£12.46 (\$22.59)	£17.35 (\$33.01)	Average realised liquids price per barrel	£18.34 (\$34.59)	£10.54 (\$19.15)
22.98p	17.89p	24.12p	Average realised UK gas price per produced therm	23.59p	18.84p
14.16p	13.83p	13.85p	Average realised International gas price per produced therm	14.01p	13.43p
16.81p	15.40p	17.48p	Average realised gas price per produced therm	17.15p	15.68p
£1.13 (\$2.10)	£1.07 (\$1.93)	£1.15 (\$2.18)	Lifting costs per boe ⁽ⁱ⁾	£1.14 (\$2.14)	£0.97 (\$1.76)
£2.04 (\$3.82)	£2.09 (\$3.78)	£2.08 (\$3.96)	Operating expenditure per boe	£2.06 (\$3.89)	£1.94 (\$3.53)
174	125	155	Development expenditure (£m)	329	264
			Gross exploration expenditure (£m)		
15	50	87	- capitalised expenditure	102	95
23	13	15	- other expenditure	38	26
38	63	102	- gross expenditure	140	121

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

Supplementary information: Operating and financial data (continued)

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.

Definitions

In these results:

<p>bcf bcfd bcmpa boe boed bopd CCGT DCQ E&P EPC EPIC FEED FERC Gearing</p> <p>GW IAS 39 IFRS LNG m mmboe mmcfd mmcmd mmscfd mmscm mmscmd mtpa MW Net borrowings</p> <p>PSA ROACE T&D Total operating profit</p> <p>UKCS</p>	<p>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 daily contracted quantity Exploration and Production engineering, procurement and construction engineering, procurement, installation and commissioning front end engineering design Federal Energy Regulatory Commission Net borrowings as a percentage of total shareholders' funds (excluding the re-measurement of commodity financial instruments) plus net borrowings gigawatt International Accounting Standard 39 (Financial Instruments) International Financial Reporting Standards 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 Comprise cash, current asset investments, finance leases, currency and interest rate derivative financial instruments and short- and long-term borrowings production sharing agreement return on average capital employed Transmission and Distribution Group operating profit plus share of pre-tax operating results of joint ventures and associates United Kingdom Continental Shelf</p>
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Enquiries

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

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Tel: 0870 600 3951
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Financial Calendar

Ex-dividend date for 2005 interim dividend	10 August 2005
Record date for 2005 interim dividend	12 August 2005
Payment of 2005 interim dividend:	
Shareholders	16 September 2005
American depositary receipt holders	23 September 2005
Announcement of 2005 third quarter results	8 November 2005

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

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