

BG GROUP PLC

2005 FOURTH QUARTER AND FULL YEAR RESULTS

HIGHLIGHTS

Fourth Quarter			Business Performance ⁽ⁱ⁾	Full Year		
2005 £m	2004 £m			2005 £m	2004 £m	
2 098	1 161	+81%	Revenue and other operating income	5 664	4 063	+39%
858	435	+97%	Total operating profit including share of pre-tax operating results from joint ventures and associates	2 380	1 513	+57%
504	236	+114%	Earnings	1 357	829	+64%
14.2p	6.7p	+112%	Earnings per share	38.3p	23.5p	+63%
4.09p	2.08p	+97%	Dividend per share	6.00p	3.81p	+57%
Total results for the period (including disposals and re-measurements)						
1 995	1 161	+72%	Revenue and other operating income	5 424	4 063	+33%
698	388	+80%	Operating profit before share of results from joint ventures and associates	2 344	1 407	+67%
772	435	+77%	Total operating profit including share of pre-tax operating results from joint ventures and associates	2 586	1 600	+62%
463	236	+96%	Earnings	1 528	886	+72%
13.0p	6.7p	+94%	Earnings per share	43.2p	25.1p	+72%

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 increased full year earnings by 64%, driven by strong underlying volume growth.

"During the course of 2005 we brought a number of material new projects into operation. These projects add to an already substantial asset base which is distinctive in terms of its production life and provides a firm base for BG well beyond 2010. In addition, we are working on significant expansions and new opportunities, combining to make the outlook for future growth very positive.

"As a result of this step change in our business, the Board is recommending a 57% increase in the full year dividend to 6 pence per share".

- Earnings up by 114% for the quarter and 64% for the full year.
- Full year dividend increased by 57% to 6.0 pence per share.
- E&P production increased by 21% for the quarter and 10% for the full year to 184 mmbob.
- LNG operating profit increased by 276% for the quarter and 87% for the full year.
- T&D operating profit increased by 45% for the quarter and 43% for the full year.
- Atlantic LNG Train 4 in Trinidad, commenced production.
- Entry into Nigeria and Libya upstream.
- Entered into MoU to purchase 2 mtpa LNG from Brass, Nigeria.
- Three year average unit finding and development cost⁽ⁱ⁾ was \$7.07/boe.
- Three year average proved reserve replacement rate was 152%. The one year proved reserve replacement rate was 120% at year end prices and 174% on an underlying basis.⁽ⁱⁱ⁾
- Three exploration discoveries in the fourth quarter and 14 for the full year.
- New exploration licences in Brazil, Canada, Egypt, India, Libya, Norway and the UK.

i) and ii) See page 34 for an explanation of how these ratios are calculated

RESULTS PRESENTATION

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

- The re-measurement of certain financial instruments.
- Profits and losses on the disposal and associated impairment 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 4 to 11. The tables below set out the amounts related to joint ventures and associates, re-measurements under IAS 39 and profits on disposal and impairment of non-current assets and businesses.

Fourth Quarter			Full Year	
2005	2004		2005	2004
£m	£m		£m	£m
698	388	Operating profit for the period before share of results from joint ventures and associates	2 344	1 407
74	47	Share of pre-tax operating results from joint ventures and associates	242	193
772	435	Operating profit for the period including share of pre-tax results from joint ventures and associates	2 586	1 600
103	-	Disposals and re-measurements: Re-measurements – IAS 39 ⁽ⁱ⁾	240	-
(17)	-	Profits and losses on disposals and impairments	(446)	(87)
858	435	Business Performance – total operating profit for the period	2 380	1 513

Fourth Quarter			Full Year	
2005	2004		2005	2004
£m	£m		£m	£m
463	236	Earnings for the period – including disposals and re-measurements	1 528	886
86	-	Disposals and re-measurements – before finance costs and tax	(206)	(87)
(4)	-	Disposals and re-measurements – finance costs	(15)	-
(41)	-	Tax and minority interest on disposals and re-measurements	50	30
504	236	Earnings – excluding disposals and re-measurements	1 357	829

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 22). 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

Business Performance					
Fourth Quarter			Full Year		
2005	2004		2005	2004	
£m	£m		£m	£m	
2 098	1 161	+81%	5 664	4 063	+39%
Revenue and other operating income					
Total operating profit including share of pre-tax results from joint ventures and associates					
729	360	+103%	1 942	1 189	+63%
79	21	+276%	172	92	+87%
45	31	+45%	211	148	+43%
35	34	+3%	113	116	-3%
(30)	(11)	+173%	(58)	(32)	+81%
858	435	+97%	2 380	1 513	+57%
(13)	(20)	-35%	(51)	(67)	-24%
(347)	(177)	+96%	(941)	(589)	+60%
504	236	+114%	1 357	829	+64%
14.2p	6.7p	+112%	38.3p	23.5p	+63%
408	509	-20%	1 516	1 894	-20%
Capital investment					

Fourth quarter

Total operating profit increased by 97% (£423 million) to £858 million reflecting E&P volume growth of 21%, higher prices and strong organic growth in the LNG and T&D segments.

Net finance costs were £7 million lower due to reduced average net debt levels. The effective tax rate (including BG Group share of tax attributable to joint ventures and associates) was unchanged at 40%. The recent increase in North Sea taxation is expected to add approximately 4% to the Group's effective rate in 2006. The impact of the North Sea tax on the Group's tax rate will vary according to the level of profit in the North Sea but is expected to diminish over time as more of the Group's profits come from outside the UK. In addition there will be a one-off adjustment in 2006 to reflect the increased North Sea tax on opening deferred tax balances, reflecting a credit of £61 million to restate the deferred tax asset associated with mark-to-market balances and a charge of £38 million for other deferred tax balances.

Earnings rose by 114% due to strong operating performances, higher prices and lower finance costs.

i) Includes Group share of net finance costs from joint ventures and associates for the quarter of £13 million (2004 £8 million) and for the full year of £41 million (2004 £34 million).

ii) Includes Group share of taxation from joint ventures and associates for the quarter of £20 million (2004 £6 million) and for the full year of £41 million (2004 £34 million).

Cash generated by operations increased by £268 million to £703 million primarily due to the increase in operating profit, partially offset by increased working capital associated with higher volumes and commodity prices.

Capital investment of £408 million comprised continuing investment in Europe (£120 million), Mediterranean Basin and Africa (£95 million), North America and the Caribbean (£94 million), South America (£57 million) and Asia and Middle East (£42 million).

Full year

Total operating profit increased by 57% to £2 380 million reflecting higher E&P volumes and margins together with strong growth from the LNG and T&D segments.

Net finance costs were £16 million lower primarily due to reduced average net debt levels and higher investment income 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 Group share of tax attributable to joint venture and associates) was 40%.

Earnings for the full year increased by 64% (£528 million) to £1 357 million.

Capital investment of £1 516 million included £29 million for the acquisition of the remaining 50% of Brindisi LNG SpA in Italy and continuing investment in Europe (£418 million), North America and the Caribbean (£403 million), Mediterranean Basin and Africa (£312 million), Asia and Middle East (£194 million) and South America (£160 million).

Cash generated by operations increased by £907 million to £2 489 million primarily due to higher operating profit. As at 31 December 2005, net funds were £253 million and now exclude net debt attributable to MetroGAS which was deconsolidated in December 2005. On 8 November 2005, the Group announced a share buy back of up to £1 billion of ordinary shares.

In considering the dividend level, the Board takes account of the outlook for earnings growth, cash flow generation and financial gearing. The Group's cash flows are becoming more substantial and durable as a number of material, longer life assets come into operation. Given this strong financial position and outlook the Board believes it is now appropriate to rebase the dividend. The Board recommends a final dividend of 4.09 pence per share bringing the full year dividend to 6.00 pence per share, an increase of 57% compared with last year.

Following the rebasing of the dividend, it is the intention of the Board to continue to increase the dividend in line with underlying growth in earnings.

EXPLORATION AND PRODUCTION

Business Performance					
Fourth Quarter			Full Year		
2005	2004		2005	2004	
£m	£m		£m	£m	
54.3	45.0	+21%	183.8	166.8	+10%
1 093	650	+68%	3 074	2 148	+43%
729	360	+103%	1 942	1 189	+63%
290	420	-31%	935	1 380	-32%

Supplementary operating and financial data is given on page 33.

Fourth quarter

E&P total operating profit increased by 103% to £729 million due primarily to higher prices and volumes partially offset by the cost of increased exploration activity. At constant US\$/UK£ exchange rates and prices, total E&P operating profit increased by 15%.

Production volumes increased by 21%, primarily driven by West Delta Deep Marine (WDDM) in Egypt following the early start up of Egyptian LNG Trains 1 and 2. The Group's average realised UK gas price per produced therm was 38.9 pence as short term prices rose sharply. Average international gas prices were 21.4 pence per produced therm reflecting the benefit of new production into high value markets and higher international commodity prices.

The exploration charge of £80 million is £21 million higher reflecting the planned increase in exploration activities across the Group.

Capital investment of £290 million included expenditure in the UK (£85 million), Egypt (£34 million) and Mauritania (£20 million).

Full year

E&P operating profit increased by 63% to £1 942 million primarily due to the 10% increase in production volumes and higher prices, partially offset by a higher exploration charge.

The increase in production was primarily due to higher volumes from WDDM and increased liquids exports from the Karachaganak field in Kazakhstan.

Unit operating expenditure was up 20 pence to £2.21 (\$4.04) per boe, principally due to the impact of higher upstream prices on input costs, tariffs and royalties.

Capital investment of £935 million includes expenditure of £277 million in the UK, including £81 million on the Buzzard field, and expenditure in WDDM in Egypt of £161 million.

Fourth quarter business highlights

In the fourth quarter, three discoveries were made in the UK (2) and Mauritania (1).

On 2 December, BG Group reached agreement with ONGC to operate jointly three offshore deepwater exploration blocks on the east coast of India. Subject to agreeing farm-in arrangements and Government approval, BG Group and ONGC will each own a 50% participating interest in these blocks.

On December 8, BG Group signed concession agreements for the three blocks awarded in October's Libyan licensing round.

BG Group was successful in the 2005 Norwegian licensing round in December. The awards cover three licences in the North Tampen Area (northern North Sea) and one in the Haltenbanken Area (Norwegian Sea). BG Group will be operator in all of the licences.

On 19 January, BG Group acquired a 45% interest in, and operatorship of, deepwater Block 332, offshore Nigeria.

In 2005, BG Group completed 29 exploration and appraisal wells of which 14 have been successful. Discoveries were made in Canada (8), Egypt (1), Mauritania (2), Trinidad (1), and the UK (2).

Three discoveries made since the start of 2006: In the UK CNS (2) and in India (1).

LIQUEFIED NATURAL GAS

Fourth Quarter			Business Performance	Full Year		
2005 £m	2004 £m			2005 £m	2004 £m	
771	296	+160%	Revenue and other operating income	1 631	1 098	+49%
67	16	+319%	Total operating profit	111	51	+118%
36	16	+125%	Shipping and marketing	111	65	+71%
(24)	(11)	+118%	Liquefaction	(50)	(24)	+108%
79	21	+276%	Business development and other costs	172	92	+87%
66	56	+18%	Capital investment	422	417	+1%

Supplementary operating and financial data are given on page 33.

Fourth quarter

Total operating profit was up £58 million reflecting significantly higher volumes and realisations in the shipping and marketing business and the positive impact of an expanded liquefaction business.

In shipping and marketing, total operating profit increased by £51 million to £67 million, primarily due to exceptionally high realisations and the new contracted supplies from Egypt.

BG Group's share of operating profit from liquefaction activities increased by £20 million to £36 million, principally due to higher margins at Atlantic LNG (ALNG) Train 1, the early start-up of exports from Egyptian LNG (ELNG) Trains 1 and 2 and the start-up of ALNG Train 4.

Increased business development and other costs include BG Group's activity in progressing opportunities in the USA, Nigeria and elsewhere.

Capital investment primarily relates to LNG vessels in construction due for delivery in 2006 and 2007.

Full year

Total operating profit increased by £80 million to £172 million reflecting increased realisations achieved in the shipping and marketing business, including a total of 31 cargoes (2004 18 cargoes) re-directed to higher value markets, higher profits from ALNG and the contribution from ELNG following the early start-up of exports.

The increase in business development cost reflects the higher levels of activity across the segment including the development of the OK LNG project in Nigeria.

Capital investment of £422 million includes £245 million relating to LNG ships under construction, £29 million relating to the acquisition of the remaining 50% of Brindisi LNG SpA (Italy) and continuing investment at LNG projects in Egypt, Italy, Trinidad and the UK.

Fourth quarter business highlights

On 16 December, BG Group (28.89%) and partners announced the start-up of ALNG Train 4.

On 22 December, BG Group and the owners of the Elba Island regasification terminal announced plans for an expansion, increasing BG Group's vapourisation capacity rights from 446 mmscfd to 1.17 bcf, with completion expected by 2012.

On 23 January, BG Group took delivery at Lake Charles of its first LNG cargo under its long-term contract with Nigeria LNG.

On 30 January, BG Group announced an MoU with Nigeria's Brass LNG to purchase 2 mtpa of LNG for 20 years on an ex-ship basis. Initial deliveries are likely to start during 2010 to Lake Charles and Elba Island but the contract allows for destination flexibility.

TRANSMISSION AND DISTRIBUTION

Fourth Quarter		Business Performance		Full Year		
2005	2004			2005	2004	
£m	£m			£m	£m	
			Revenue and other operating income			
158	107	+48%	Comgas	532	397	+34%
32	34	-6%	MetroGAS	164	150	+9%
29	24	+21%	Other	112	97	+15%
219	165	+33%		808	644	+25%
			Total operating profit			
37	26	+42%	Comgas	147	96	+53%
1	-	-	MetroGAS	26	20	+30%
7	5	+40%	Other	38	32	+19%
45	31	+45%		211	148	+43%
47	23	+104%	Capital investment	136	66	+106%

Fourth quarter

T&D total operating profit increased by 45% to £45 million.

At Comgas, in Brazil, operating profit increased by £11 million to £37 million, primarily due to a 14% increase in volumes and a favourable Brazilian Real (BRL) exchange rate. As anticipated, operating profit included the net cost (£3 million) of passing back to customers the reduced gas costs experienced earlier in the year.

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

In December 2005, GASA (the parent company of MetroGAS) reached agreement with its creditors for a comprehensive restructuring whereby creditors receive equity in exchange for debt in both MetroGAS and GASA. This agreement results in BG Group's equity interest in MetroGAS reducing to approximately 26%.

Full year

Total operating profit rose by 43% (£63 million) to £211 million, reflecting a £51 million increase in operating profit reported by Comgas, due to 14% volume growth, stronger exchange rates and lower gas costs. The operating profit of Comgas included a net benefit from lower gas costs of £13 million which will be passed back to customers through lower tariffs in the future.

Gujarat Gas, in India, contributed £5 million to the increase in operating profit, driven by higher distribution volumes from the industrial and retail sectors.

POWER GENERATION

Fourth Quarter		Business Performance			Full Year	
2005 £m	2004 £m			2005 £m	2004 £m	
59	55	+7%	Revenue and other operating income	227	187	+21%
35	34	+3%	Total operating profit	113	116	-3%
-	2	-	Capital investment	3	3	-

Fourth quarter and full year

The increase in revenue is primarily due to the pass through of gas costs. Operating profit for the quarter and full year is broadly in line with last year.

Operating profit includes insurance income relating to operating income lost following the failure of a steam turbine in June 2005, which continues to affect Seabank Power.

OTHER ACTIVITIES**Full year**

Other activities principally comprise corporate costs and business development expense. In the year, the net cost of other activities was £58 million compared to £32 million in the prior year. The increase is primarily attributable to additional industry insurance premiums.

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.

BG Group uses commodity instruments to manage price exposures associated with its marketing and optimisation activity in the UK and US. This activity enables the Group to take advantage of commodity price movements. It is considered more appropriate to include both unrealised and realised gains and losses arising from the market of derivatives associated with this activity in 'Business Performance'.

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 and 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 instruments to manage certain price exposures in respect of optimising the timing of its gas sales associated with contracted UK storage and pipeline capacity. These instruments are also required to be measured at fair value at the balance sheet date under IAS 39. However, IAS 39 does not allow the matching of these fair values to economically hedged value of the related gas in storage (taking account of gas prices based on the forward curve or expected delivery destination and the associated storage and capacity costs).

BG Group also 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 derivatives associated with gas in UK storage and pipeline facilities and interest rate and foreign exchange exposure in respect of financial instruments which cannot be designated as hedges under IAS 39 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.

BG Group has also separately identified profits and losses associated with the disposal of non-current assets as they are considered by management to be items which require separate disclosure in order to provide a clearer understanding of the results for the period.

For a reconciliation between the overall results and Business Performance and details of disposals and re-measurements, see the consolidated income statement, pages 14 to 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 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/funds

BG Group provides a reconciliation of net borrowings/funds and an analysis of the amounts included within net borrowings/funds 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 revised 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 "Probable reserves", "Unbooked Resources", "Risky Exploration" and "total reserve/resource base" that the SEC's guidelines strictly prohibit us from including in filings with the SEC. US investors are urged to consider closely the disclosure in our Form 20-F, File No. 1-09337, available from us at BG Group, 100 Thames Valley Park Drive, Reading RG6 1PT. You may read and copy this information at the SEC's public reference room, located at 100 F Street N.E., Room 1580 Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. This filing is also available at the internet website maintained by the SEC at <http://www.sec.gov>.

**CONSOLIDATED INCOME STATEMENT
FOURTH QUARTER**

	Notes	2005			2004		
		Busi- ness Perfor- mance ⁽ⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱⁱ⁾ £m	Total Result £m	Busi- ness Perfor- mance ⁽ⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱⁱ⁾ £m	Total Result £m
Group revenue and other operating income	2, 3	2 098	(103)	1 995	1 161	-	1 161
Operating costs		(1 314)	-	(1 314)	(773)	-	(773)
Profits and losses on disposal of non-current assets and impairments	2	-	17	17	-	-	-
Operating profit/(loss) before share of results from joint ventures and associates	3	784	(86)	698	388	-	388
Finance income	4	24	-	24	9	-	9
Finance costs	2, 4	(24)	4	(20)	(21)	-	(21)
Share of post-tax results from joint ventures and associates	3	41	-	41	33	-	33
Profit/(loss) before tax		825	(82)	743	409	-	409
Taxation	2, 5	(327)	44	(283)	(171)	-	(171)
Profit for the period		498	(38)	460	238	-	238
Attributable to:							
BG Group shareholders (earnings)		504	(41)	463	236	-	236
Minority interest		(6)	3	(3)	2	-	2
		498	(38)	460	238	-	238
Earnings per share – basic	6	14.2p	(1.2)p	13.0p	6.7p	-	6.7p
Earnings per share – diluted	6	14.2p	(1.2)p	13.0p	6.7p	-	6.7p
Total operating profit including share of pre-tax operating results from joint ventures and associates⁽ⁱⁱ⁾	3	858	(86)	772	435	-	435

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
FULL YEAR**

	Notes	2005			2004		
		Business Performance ⁽ⁱ⁾ £m	Disposals and re-measurements (Note 2) ⁽ⁱⁱ⁾ £m	Total Result £m	Business Performance ⁽ⁱ⁾ £m	Disposals and re-measurements (Note 2) ⁽ⁱⁱ⁾ £m	Total Result £m
Group revenue and other operating income	2, 3	5 664	(240)	5 424	4 063	-	4 063
Operating costs		(3 526)	-	(3 526)	(2 743)	-	(2 743)
Profits and losses on disposal of non-current assets and impairments	2	-	446	446	-	87	87
Operating profit/(loss) before share of results from joint ventures and associates	3	2 138	206	2 344	1 320	87	1 407
Finance income	4	75	-	75	42	-	42
Finance costs	2, 4	(85)	15	(70)	(75)	-	(75)
Share of post-tax results from joint ventures and associates	3	160	-	160	125	-	125
Profit/(loss) before tax		2 288	221	2 509	1 412	87	1 499
Taxation	2, 5	(900)	(41)	(941)	(555)	(30)	(585)
Profit/(loss) for the period		1 388	180	1 568	857	57	914
Attributable to:							
BG Group shareholders (earnings)		1 357	171	1 528	829	57	886
Minority interest		31	9	40	28	-	28
		1 388	180	1 568	857	57	914
Earnings per share – basic	6	38.3p	4.9p	43.2p	23.5p	1.6p	25.1p
Earnings per share – diluted	6	38.2p	4.8p	43.0p	23.4p	1.6p	25.0p
Total operating profit including share of pre-tax operating results from joint ventures and associates⁽ⁱⁱ⁾	3	2 380	206	2 586	1 513	87	1 600

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
FOURTH QUARTER**

	As at	
	31 Dec 2005 £m	31 Dec 2004 £m
Assets		
Non-current assets		
Goodwill	342	272
Other intangible assets	682	585
Property, plant and equipment	5 567	4 509
Investments	1 124	1 050
Deferred tax assets	84	68
Trade and other receivables	52	46
Derivative financial instruments	84	-
	7 935	6 530
Current assets		
Inventories	185	99
Trade and other receivables	1 674	1 190
Commodity contracts and other derivative financial instruments	10	-
Cash and cash equivalents	1 516	340
	3 385	1 629
Assets classified as held for sale	10	530
Total assets	11 330	8 689
Liabilities		
Current liabilities		
Borrowings	(71)	(577)
Trade and other payables	(1 308)	(976)
Current tax liabilities	(409)	(264)
Commodity contracts and other derivative financial instruments	(711)	-
	(2 499)	(1 817)
Non-current liabilities		
Borrowings	(1 224)	(762)
Trade and other payables	(68)	(89)
Derivative financial instruments	(2)	-
Deferred income tax liabilities	(733)	(907)
Retirement benefit obligations	(154)	(135)
Provisions for other liabilities and charges	(367)	(325)
	(2 548)	(2 218)
Liabilities associated with assets classified as held for sale	(3)	(67)
Total liabilities	(5 050)	(4 102)
Net assets	6 280	4 587
Attributable to:		
BG Group equity shareholders	6 182	4 567
Minority interests	98	20
Total equity	6 280	4 587

STATEMENT OF CHANGES IN EQUITY

Fourth Quarter			Full Year	
2005	2004		2005	2004
£m	£m		£m	£m
Equity as at start of period				
5 593	4 440	BG Group shareholders' funds	4 567	3 924
48	16	Minority interest	20	(9)
5 641	4 456		4 587	3 915
-	-	Effect of adoption of IAS 39	(238)	-
5 641	4 456	Equity as at start of period	4 349	3 915
460	238	Profit for the financial period	1 568	914
6	5	Issue of shares	34	13
(39)	(1)	Purchase of own shares	(43)	(1)
9	2	Adjustment in respect of employee share schemes	20	11
10	-	Tax in respect of employee share schemes	10	-
55	-	Derecognition of minority interest on disposal	55	-
-	-	Dividends on ordinary shares	(142)	(127)
(6)	-	Dividends paid to minority interest	(29)	(2)
144	(113)	Currency translation and hedge adjustments net of tax	458	(136)
639	131	Net changes in equity for the financial period	1 931	672
Equity as at 31 December				
6 182	4 567	BG Group shareholders' funds	6 182	4 567
98	20	Minority interest	98	20
6 280	4 587		6 280	4 587

CONSOLIDATED CASH FLOW STATEMENT

Fourth Quarter			Full Year	
2005	2004		2005	2004
£m	£m		£m	£m
Cash flows from operating activities				
698	388	Profit from operations	2 344	1 407
142	116	Depreciation of property, plant and equipment and amortisation of intangible assets	492	443
116	-	Fair value movements in commodity contracts	253	-
(17)	-	Profit and losses on disposal of non-current assets and impairments	(446)	(87)
38	29	Unsuccessful exploration expenditure written off	70	52
7	23	(Decrease)/increase in provisions	7	21
9	4	Share based payments	20	8
(290)	(125)	Decrease/(increase) in working capital	(251)	(262)
703	435	Cash generated by operations	2 489	1 582
(340)	(124)	Income taxes paid	(883)	(387)
363	311	Net cash inflow from operating activities	1 606	1 195
Cash flows from investing activities				
33	43	Dividends received from joint ventures and associates	93	81
(93)	-	Proceeds from disposal of subsidiary undertakings and investments	(67)	32
1	(1)	Proceeds from disposal of property, plant and equipment and intangible assets	950	142
(171)	(387)	Purchase of property, plant and equipment and intangible assets	(1 064)	(1 022)
59	(21)	Loans (to)/from joint ventures and associates	65	(4)
(26)	(22)	Purchase of subsidiary undertakings and investments ⁽ⁱ⁾	(39)	(364)
(197)	(388)	Net cash (outflow) from investing activities	(62)	(1 135)
Cash flows from financing activities				
7	10	Net interest paid ⁽ⁱⁱ⁾	(11)	(12)
-	(1)	Dividends paid	(142)	(124)
(6)	(1)	Dividends paid to minority	(29)	(3)
15	42	Net increase/(decrease) in short-term borrowings	(238)	167
23	8	Net increase/(decrease) in long-term borrowings	23	(68)
6	5	Issue of shares	34	13
(33)	-	Purchase of own shares	(37)	-
12	63	Net cash inflow/(outflow) from financing activities	(400)	(27)
178	(14)	Net increase/(decrease) in cash and cash equivalents	1 144	33
1 335	350	Cash and cash equivalents at beginning of period	340	313
3	4	Effect of foreign exchange rate changes	32	(6)
1 516	340	Cash and cash equivalents at end of period⁽ⁱⁱⁱ⁾	1 516	340

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

ii) Includes capitalised interest for the fourth quarter of £11 million (2004 £5 million), and for the full year of £30 million (2004 £13 million).

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

RECONCILIATION OF NET BORROWINGS/FUNDS⁽ⁱ⁾ – FULL 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	1 144
Cash outflow from changes in gross borrowings	215
Inception of finance leases	(215)
Effect of disposals	186
Foreign exchange and other re-measurements	(72)
Net funds as at 31 December 2005 ^{(i) (ii)}	253

Net borrowings attributable to Comgas were £189 million (31 December 2004 £98 million).

As at 31 December 2005, BG Group's share of the net borrowings in joint ventures and associates amounted to approximately £1.2 billion, including BG Group shareholder loans of approximately £500 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/funds are defined on page 35.

ii) Net borrowings/funds comprise:

	As at	
	31 Dec 2005	31 Dec 2004
	£m	£m
<i>Amounts receivable/(due) within one year</i>		
Cash and cash equivalents	1 516	340
Overdrafts, loans and finance leases	(71)	(577)
Derivative financial instruments	(50)⁽ⁱⁱⁱ⁾	-
	1 395	(237)
<i>Amounts receivable/(due) after more than one year</i>		
Loans and finance leases	(1 224)	(762)
Derivative financial instruments	82	-
	(1 142)	(762)
Net funds/(borrowings)	253	(999)

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

RECONCILIATION OF NET BORROWINGS – FULL YEAR (Continued)

LIQUIDITY AND CAPITAL RESOURCES

All the information below is as at 31 December 2005.

The Group's principal borrowing entities are; BG Energy Holdings Limited, including wholly-owned subsidiary undertakings, the majority of whose borrowings are guaranteed by BG Energy Holdings Limited (collectively BGEH), and 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 \$965.2 million was unutilised. BGEH also had a \$2.0 billion Euro Medium Term Note Programme, of which \$1.452 billion was unutilised.

BGEH had aggregate committed multicurrency revolving borrowing facilities of \$1.105 billion, of which \$552 million matures in August 2006 and \$553 million matures in April 2009. There are no restrictions on the application of funds under these facilities, which were undrawn.

BGEH is also lessee under a number of LNG ship charters which constitute finance leases. The total unutilised facility amounts under these finance leases amounted to \$433 million, such amounts being available exclusively to fund the construction of certain LNG ships.

In addition, BGEH had uncommitted multicurrency borrowing facilities of £621 million, of which £601 million was unutilised.

Comgas had committed borrowing facilities of BRL 1 242.5 million, of which BRL 441.1 million was unutilised and uncommitted borrowing facilities of BRL 574.9 million, of which BRL 381.5 million was unutilised.

Gujarat Gas Company Limited had committed borrowing facilities of Indian Rupees (INR) 1 500 million, of which INR 780 million was unutilised.

Notes

1. Basis of preparation

These primary statements are the unaudited consolidated financial statements of BG Group plc for both the quarter ended and the year ended 31 December 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 was 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 statement has been prepared in accordance with the accounting policies under IFRS published on page 110 of the 2004 Annual Report and Accounts.

The preparation of the 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 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.

2. Disposals and re-measurements

Fourth Quarter			Full Year	
2005	2004		2005	2004
£m	£m		£m	£m
(103)	-(i)	Revenue and other operating income – re-measurements of commodity contracts	(240)	-(i)
17	-	Profits and losses on disposal of non-current assets and impairments	446	87
4	-(i)	Finance costs – re-measurements of financial instruments	15	-(i)
44	-	Taxation	(41)	(30)
(3)	-	Minority interest	(9)	-
(41)	-	Impact on earnings	171	57

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

2005 fourth quarter and full year: Revenue and other operating income

Re-measurements included within revenue and other operating income amount to a charge of £103 million for the quarter, £111 million of which represents non-cash 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. Re-measurements in respect of the above for the full year was a £224 million charge.

2005 fourth quarter and full year: Disposals of non-current assets

New Businesses

During the fourth quarter, management committed to withdraw from the non-core telecoms business. This resulted in a pre-tax charge to the income statement of £32 million in the quarter.

MetroGAS and Gasoducto Cruz Del Sur

During the fourth quarter of 2005 BG Group signed a Master Restructuring Agreement with the other shareholder and creditors of Gas Argentino (GASA), the parent company of MetroGAS. This agreement sets out the way in which the debt and equity of the company will be restructured, resulting in a reduction of BG Group's control over GASA (and therefore MetroGAS). This restructuring is due to complete in 2006, subject to Regulator approval. Having assessed the status of the transaction in the light of the requirements of IAS 27, BG Group believes it is appropriate to deconsolidate GASA and MetroGAS. This deconsolidation and reduction in economic interest has resulted in a gain on disposal of £56 million (representing the Group's share of net liabilities deconsolidated and including £6 million of currency translation gains released from the translation reserve). As at 31 December 2005 these companies are accounted for under the equity method and recognised at nil value in the Group's financial statements.

In the light of the MetroGAS restructuring described above, during the fourth quarter BG Group reviewed its planning assumptions associated with its investment in the Uruguayan pipeline business, Gasoducto Cruz Del Sur S.A.. Gas supply and demand uncertainties in Argentina and Uruguay, combined with the reduced presence of BG Group in Argentina and the reduced control of GASA, have meant that the value in use of this investment is lower than the carrying amount. Accordingly, an impairment charge of £8 million has been recognised.

North Caspian disposal

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.

2. Disposals and re-measurements (continued)

Other disposals

During the fourth quarter of 2005, BG Group disposed of its interest in a North Sea asset resulting in a gain of £1 million.

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 fourth quarter and full year: Disposals 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.

During the second quarter, £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 fourth quarter and full 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
Fourth Quarter	2005 £m	2005 £m	2005 £m	2004 £m	2004 £m	2004 £m
Exploration and Production	1 093	(118)	975	650	-	650
Liquefied Natural Gas	771	15	786	296	-	296
Transmission and Distribution	219	-	219	165	-	165
Power Generation	59	-	59	55	-	55
Other activities	5	-	5	2	-	2
Less: intra-group sales	(49)	-	(49)	(7)	-	(7)
	2 098	(103)	1 995	1 161	-	1 161

Group revenue and other operating income	Business Performance	Disposals and re-measurements	Total	Business Performance	Disposals and re-measurements	Total
Full Year	2005 £m	2005 £m	2005 £m	2004 £m	2004 £m	2004 £m
Exploration and Production	3 074	(239)	2 835	2 148	-	2 148
Liquefied Natural Gas	1 631	(1)	1 630	1 098	-	1 098
Transmission and Distribution	808	-	808	644	-	644
Power Generation	227	-	227	187	-	187
Other activities	15	-	15	8	-	8
Less: intra-group sales	(91)	-	(91)	(22)	-	(22)
	5 664	(240)	5 424	4 063	-	4 063

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
Fourth Quarter										
Exploration and Production	612	360	-	-	612	360	117	-	729	360
Liquefied Natural Gas	58	5	36	16	94	21	(15)	-	79	21
Transmission and Distribution	82	22	11	9	93	31	(48)	-	45	31
Power Generation	8	12	27	22	35	34	-	-	35	34
Other activities	(62)	(11)	-	-	(62)	(11)	32	-	(30)	(11)
Operating profit	698	388	74	47	772	435	86	-	858	435

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
Full Year										
Exploration and Production	2 120	1 235	-	-	2 120	1 235	(178)	(46)	1 942	1 189
Liquefied Natural Gas	60	46	111	65	171	111	1	(19)	172	92
Transmission and Distribution	230	108	42	40	272	148	(61)	-	211	148
Power Generation	24	28	89	88	113	116	-	-	113	116
Other activities	(90)	(10)	-	-	(90)	(10)	32	(22)	(58)	(32)
Operating profit	2 344	1 407	242	193	2 586	1 600	(206)	(87)	2 380	1 513

- 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 £41 million (2004 £33 million), and for the full year is £160 million (2004 £125 million).
- ii) Business Performance excludes certain disposals and re-measurements. See Note 2, page 22 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
Fourth Quarter						
Exploration and Production	612	360	-	-	612	360
Liquefied Natural Gas	58	5	28	13	86	18
Transmission and Distribution	82	22	4	7	86	29
Power Generation	8	12	9	13	17	25
Other activities	(62)	(11)	-	-	(62)	(11)
	698	388	41	33	739	421
Net finance income/(costs)					4	(12)
Taxation					(283)	(171)
Profit for the period					460	238

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
Full Year						
Exploration and Production	2 120	1 235	-	-	2 120	1 235
Liquefied Natural Gas	60	46	86	45	146	91
Transmission and Distribution	230	108	26	24	256	132
Power Generation	24	28	48	56	72	84
Other activities	(90)	(10)	-	-	(90)	(10)
	2 344	1 407	160	125	2 504	1 532
Net finance income/(costs)					5	(33)
Taxation					(941)	(585)
Profit for the period					1 568	914

4. Net finance costs

Fourth Quarter			Full Year	
2005	2004		2005	2004
£m	£m		£m	£m
(23)	(20)	Interest payable	(82)	(66)
(7)	(2)	Interest on obligations under finance leases	(19)	(10)
11	5	Interest capitalised	30	13
(5)	(4)	Unwinding of discount on provisions ⁽ⁱ⁾	(14)	(12)
4	-	Disposals and re-measurements (Note 2)	15 ⁽ⁱⁱ⁾	-
(20)	(21)	Finance costs	(70)	(75)
24	9	Finance income	75	42
4	(12)	Net finance income/(costs) ⁽ⁱⁱⁱ⁾	5	(33)

- 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) Re-measurements of financial instruments as at 31 December 2005 comprises income (£30 million) and costs (£15 million) presented net within finance costs.
- iii) Excludes Group share of net finance costs from joint ventures and associates for the quarter of £13 million (2004 £8 million), and for the full year of £41 million (2004 £34 million).

5. Taxation

The taxation charge for the quarter before disposals and re-measurements was £327 million (2004 £171 million), and the taxation charge including disposals and re-measurements was £283 million (2004 £171 million).

For the full year, the taxation charge before disposals and re-measurements was £900 million (2004 £555 million). The taxation charge including disposals and re-measurements was £941 million (2004 £585 million), including £671 million (2004 £283 million) in respect of overseas tax.

The Group share of taxation from joint ventures and associates for the quarter was £20 million (2004 £6 million) and for the full year was £41 million (2004 £34 million).

6. Earnings per ordinary share

		Fourth Quarter			Full Year			
		2005	2004		2005	2004	2005	2004
£m	Pence per share	£m	Pence per share		£m	Pence per share	£m	Pence per share
463	13.0	236	6.7	Earnings	1 528	43.2	886	25.1
58	1.6	-	-	Re-measurements (after tax and minority interest)	138	3.9	-	-
(17)	(0.4)	-	-	Profit and losses on disposals and impairments (after tax)	(309)	(8.8)	(57)	(1.6)
504	14.2	236	6.7	Earnings – excluding disposals and re-measurements	1 357	38.3	829	23.5

Basic earnings per share calculations in 2005 are based on shares in issue of 3 547 million for the quarter and 3 540 million for the year.

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 3 565 million for the quarter and 3 557 million for the year, being the weighted average number of ordinary shares in issue during the year as adjusted for share options.

7. Capital investment – geographical analysis

Fourth Quarter			Full Year	
2005	2004		2005	2004
£m	£m		£m	£m
120	104	Europe	447	247
57	30	South America	160	102
42	77	Asia and the Middle East	194	302
94	58	North America and the Caribbean	403	664
95	240	Mediterranean Basin and Africa	312	579
408	509		1 516	1 894

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	321	214	9.1	6.1
- excluding disposals and re-measurements	308	214	8.7	6.1
Fourth quarter				
- including disposals and re-measurements	463	236	13.0	6.7
- excluding disposals and re-measurements	504	236	14.2	6.7
Full year				
- including disposals and re-measurements	1 528	886	43.2	25.1
- excluding disposals and re-measurements	1 357	829	38.3	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 IAS 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 preliminary statement BG Group is also presenting a reconciliation from UK GAAP to IFRS of the profit for the comparable financial period (the quarter and year ended 31 December 2004), together with the equity at the end of the comparable period (31 December 2004) as follows:

Reconciliation of earnings between UK GAAP and IFRS	Notes	Fourth Quarter 2004 £m	Full Year 2004 £m
Profit attributable to shareholders (earnings) under UK GAAP		249	904
Effect of transition to IFRS:			
Pensions	1	(1)	(6)
Premier Power CCGT Project	2	-	(3)
Goodwill amortisation	3	4	16
Regulatory current account	4	(8)	(1)
Share-based payments	5	(3)	(6)
Tax	6	(5)	(13)
Profit on disposal of non-current assets	7	-	(5)
Profit attributable to shareholders (earnings) under IFRS		236	886

Reconciliation of equity between UK GAAP and IFRS	Notes	31 December 2004 £m
Total equity under UK GAAP		4 590
Effect of transition to IFRS:		
Pensions	1	(41)
Premier Power CCGT Project	2	15
Goodwill	3	33
Regulatory current account	4	-
Deferred tax	6	(81)
Dividends	8	74
Other		(3)
Total equity under IFRS		4 587

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

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

1. Pensions (continued)

pensions has increased by £2 million for the quarter ended 31 December 2004 (£7 million for the year ended 31 December 2004) compared to UK GAAP. The impact on earnings is a reduction of £1 million for the quarter ended 31 December 2004 (£6 million for the year ended 31 December 2004) compared to UK GAAP and the impact on net assets as at 31 December 2004 is a reduction of £41 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 31 December 2004 of £1 million (£4 million for the year ended 31 December 2004) and an increase in net assets as at 31 December 2004 of £15 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 December 2004 is increased by £33 million and operating costs in respect of goodwill amortisation under UK GAAP for the quarter ended 31 December 2004 of £4 million, and for the year ended 31 December 2004 of £16 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 an increase in operating costs for the quarter ended 31 December 2004 of £11 million and for the year ended 31 December 2004 of £1 million with a decrease in earnings for the quarter ended 31 December 2004 of £8 million (£1 million for the year ended 31 December 2004).

5. Share-based payments

On adoption of IFRS 2, BG Group has recognised the cost of providing share-based payments to employees in the income statement over the relevant vesting period. The cost is based on the fair value of the options and shares allocated determined using a Black-Scholes option pricing model and a Monte Carlo projection model. This has resulted in a decrease in earnings for the quarter ended 31 December 2004 of £3 million and for the year ended 31 December 2004 of £6 million.

6. 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. In addition, BG Group recognised deferred tax in an associate in respect of taxable temporary differences. The effective tax rate under IFRS is 40% for the quarter and the year ended 31 December 2004. The impact of these adjustments is an increase to the deferred tax provision as at 31 December 2004 of £81 million.

7. 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.

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

8. 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 31 December 2004 was £74 million.

Supplementary information: Operating and financial data

Fourth Quarter		Third Quarter		Full Year	
2005	2004	2005		2005	2004
			Production volumes (mmboe)		
5.5	5.8	4.6	- oil	19.3	21.4
7.8	7.8	5.8	- liquids	29.7	25.6
41.0	31.4	30.8	- gas	134.8	119.8
54.3	45.0	41.2	- total	183.8	166.8
			Production volumes (boepd in thousands)		
60	63	50	- oil	53	59
85	85	63	- liquids	82	70
445	341	335	- gas	369	327
590	489	448	- total	504	456
			LNG cargoes (standard)		
12	9	9	- delivered to Lake Charles	39	62
14	11	15	- delivered to Elba Island	50	40
13	7	7	- re-marketed	31	18
39	27	31	- total	120	120
£33.36 (\$58.55)	£24.70 (\$45.58)	£35.25 (\$63.02)	Average realised oil price per barrel	£30.60 (\$55.96)	£21.53 (\$39.24)
£26.87 (\$47.17)	£16.95 (\$31.28)	£26.98 (\$48.23)	Average realised liquids price per barrel	£22.84 (\$41.77)	£14.21 (\$25.90)
38.89p	22.59p	20.10p	Average realised UK gas price per produced therm	27.30p	19.64p
21.43p	14.66p	17.92p	Average realised International gas price per produced therm	17.27p	13.95p
26.11p	17.55p	18.42p	Average realised gas price per produced therm	20.15p	16.18p
£1.09 (\$1.92)	£0.99 (\$1.83)	£1.42 (\$2.54)	Lifting costs per boe ⁽ⁱ⁾	£1.19 (\$2.17)	£1.03 (\$1.88)
£2.19 (\$3.85)	£1.95 (\$3.60)	£2.56 (\$4.57)	Operating expenditure per boe	£2.21 (\$4.04)	£2.01 (\$3.66)
188	205	166	Development expenditure (£m)	683	620
			Gross exploration expenditure (£m)		
89	92	34	- capitalised expenditure	225	262
42	30	31	- other expenditure	111	74
131	122	65	- gross expenditure	336	336

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 2006 by approximately £40 million to £50 million.

BG Group's exposure to the US\$/UK£ exchange rate varies according to a number of factors including commodity prices and the timing of US Dollar revenues and costs including capital expenditure. Management estimates that in 2006, other factors being constant, a 10 cent strengthening (or weakening) in the US Dollar would increase (or decrease) operating profit by approximately £120 million to £140 million.

Additional information: Exploration and Production – reserves/resource data

	As at	
	31 Dec 2005 mmboe	31 Dec 2004 mmboe
Proved	2 184	2 147
Probable	1 236	1 470
Unbooked resources	1 211	869
Risked exploration	2 440	2 109
Total reserve/resource base	<u>7 071</u>	<u>6 595</u>

Total additions and revisions to proved reserves during the year were 219 mmboe. This includes revisions due to new data and improved reservoir performance (172 mmboe), new developments and sales agreements (146 mmboe), a revision in the treatment of fuel gas (89 mmboe) and the net effect of increases in prices (188 mmboe decrease).

The company has for the first time included fuel gas of 89 mmboe in its proved reserves as permitted by SEC rules. In our view this facilitates a greater degree of comparability with BG Group's industry peer group.

Proved Reserve Replacement Rate (RRR):

The three/one year average proved reserve replacement rate is the total net proved reserves changes over the three/one year period including purchases and sales (excluding production) divided by the total net production for that period calculated at year end prices.

For information:

	3 year	1 year
Underlying performance ⁽ⁱ⁾	172%	174%
SEC data ⁽ⁱⁱ⁾	152%	120%

Finding & Development Cost (F&D):

The three year average unit finding & development cost is calculated by dividing the total exploration, development and unproved acquisition costs incurred over the period by the total changes in net proved reserves (excluding purchases, sales and production) for that period at year end.

For information:

	3 year	1 year
Underlying performance ⁽ⁱ⁾	\$6.23/boe	\$5.86/boe
SEC data ⁽ⁱⁱ⁾	\$7.07/boe	\$8.50/boe

- (i) Underlying performance includes reserves revisions and new developments but excludes fuel gas and is calculated at constant prices.
- (ii) SEC data includes all reserves revisions and includes fuel gas and is calculated at year end prices.

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
FERC	Federal Energy Regulatory Commission
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
mmbtu	million british thermal units
mmcf	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
MoU	Memorandum of understanding
mtpa	million tonnes per annum
MW	megawatt
Net borrowings/funds	Comprise cash, current asset investments, finance leases, currency and interest rate derivative financial instruments and short- and long-term borrowings
NGL	Natural gas liquids
PSA	production sharing agreement
Standard Cargo	2 750 000 mmbtu
T&D	Transmission and Distribution
Total operating profit	Group operating profit plus share of pre-tax operating results of joint ventures and associates
UKCS	United Kingdom Continental Shelf
UKCNS	United Kingdom central North Sea

Enquiries

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

Investor Relations Department
BG Group plc
Thames Valley Park Drive
Reading
Berkshire
RG6 1PT

Tel: 0118 929 3025
e-mail: invrel@bg-group.com

General enquiries about shareholder matters should be made to:

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

Tel: 0870 600 3951
e-mail: bg@lloydstsb-registrars.co.uk

Financial Calendar

Ex-dividend date for 2005 final dividend	29 March 2006
Record date for 2005 final dividend	31 March 2006
Announcement of 2006 first quarter results	3 May 2006
Payment of 2005 final dividend:	
Shareholders	12 May 2006
American depositary receipt holders	19 May 2006

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

Registered office

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