

BG GROUP PLC

2006 SECOND QUARTER AND HALF YEAR RESULTS

BG Group's Chief Executive, Frank Chapman said:

"BG Group has delivered another strong performance. Operating profit for the half year is up 75%, driven by outstanding growth in E&P volumes and contracted LNG supply, together with higher realisations. We continued to add to our exploration portfolio, and made good progress on key projects keeping our growth programme on track."

HIGHLIGHTS

Second Quarter			Business Performance ⁽ⁱⁱ⁾	Half Year		
2006	2005 ⁽ⁱ⁾			2006	2005 ⁽ⁱ⁾	
£m	£m		£m	£m		
1 754	1 133	+55%	Revenue and other operating income	3 726	2 227	+67%
752	493	+53%	Total operating profit including share of pre-tax operating results from joint ventures and associates	1 710	978	+75%
401	275	+46%	Earnings for the period	926	544	+70%
(76)	-	-	Prior period taxation ⁽ⁱⁱⁱ⁾	(38)	-	-
325	275	+18%	Earnings after prior period taxation	888	544	+63%
9.3p	7.8p	+19%	Earnings per share	25.3p	15.4p	+64%
3.00p	1.91p	+57%	Interim dividend per share	3.00p	1.91p	+57%
Total results for the period (including disposals and re-measurements)						
1 839	1 013	+82%	Revenue and other operating income	3 835	2 069	+85%
773	733	+5%	Operating profit before share of results from joint ventures and associates	1 685	1 141	+48%
829	789	+5%	Total operating profit including share of pre-tax operating results from joint ventures and associates	1 811	1 249	+45%
435	484	-10%	Earnings for the period	973	743	+31%
(17)	-	-	Prior period taxation ^(iv)	23	-	-
418	484	-14%	Earnings after prior period taxation	996	743	+34%
12.0p	13.7p	-12%	Earnings per share	28.4p	21.0p	+35%

For notes i) to iv) see footnotes on page 2

PERFORMANCE HIGHLIGHTS

- Total operating profit for the second quarter increased 53% to £752 million. This excludes an additional £30 million operating profit that has been secured by selling forward LNG held in inventory for delivery in the winter.
- Operating profit for the half year rose 75%.
- At constant US\$/UK£ exchange rates and upstream prices, total operating profit for the quarter increased by 14%.
- The second quarter included a prior period tax charge of £76 million relating to the increase in North Sea taxation.
- Excluding the prior period tax charge, second quarter earnings increased by 46%, (£126 million).
- The Group has stepped up investment in its exploration programme and this is reflected in the £55 million exploration charge for the quarter.
- Dividend increased by 57% to 3p.
- Atlantic/Cromarty (UK) and Dolphin Deep (Trinidad) came onstream.
- Lake Charles second expansion completed.
- In the North Sea, Buzzard platform top sides installed and on schedule to start production in fourth quarter 2006.
- In Kazakhstan, progress has been made to sanction both the fourth liquids stabilisation train and the major Phase III development at Karachaganak.
- In Egypt, Rosetta Phase III and West Delta Deep Marine Phase IV were sanctioned.
- Exploration acreage acquired in Alaska, China, Madagascar and Nigeria.
- Further exploration success in Egypt and the UK.

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| <ul style="list-style-type: none"> i) 2005 comparatives have been restated on the application of IFRIC 4 and amendments to IAS 39. See Note 1, page 22. ii) 'Business Performance' excludes disposals and certain re-measurements as exclusion of these items provides 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. Unless otherwise stated, the results discussed in this release relate to BG Group's Business Performance. iii) Prior period taxation is as a result of the increase in North Sea taxation and includes a £38 million charge to increase the effective tax rate for the first quarter to 44%, and an additional charge of £38 million in respect of the restatement of deferred tax balances at 1 January 2006. iv) In addition to (iii) above, prior period taxation includes a £59 million credit relating to the impact of the increase in North Sea taxation on re-measurement balances. |
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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 table below sets 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.

Second Quarter	Business Performance		Disposals and re-measurements ⁽ⁱ⁾		Total Result	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Operating profit before disposal of non-current assets	696	437	85	(120)	781	317
Profits and losses on disposal of non-current assets ⁽ⁱⁱ⁾	-	-	(8)	416	(8)	416
Operating profit before share of results from joint ventures and associates	696	437	77	296	773	733
Pre-tax share of operating results of joint ventures and associates	56	56	-	-	56	56
Total operating profit	752	493	77	296	829	789
Net finance costs						
Finance income	21	19	4	18	25	37
Finance costs	(17)	(23)	(5)	(10)	(22)	(33)
Share of joint ventures and associates	(18)	(9)	-	-	(18)	(9)
	(14)	(13)	(1)	8	(15)	(5)
Taxation						
Taxation	(392)	(182)	17	(90)	(375)	(272)
Share of joint ventures and associates	(9)	(9)	-	-	(9)	(9)
	(401)	(191)	17	(90)	(384)	(281)
Profit for the period ⁽ⁱⁱⁱ⁾	337	289	93	214	430	503
Profit attributable to:						
Shareholders (earnings)	325	275	93	209	418	484
Minority interest	12	14	-	5	12	19
	337	289	93	214	430	503

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 these unrealised mark-to-market movements are best presented separately from underlying business performance. For an explanation of Non-GAAP measures see page 12.

ii) 2005 includes £416 million disposal of BG Group's interest in the North Caspian Sea PSA.

iii) 2006 includes prior period taxation adjustments following the increase in North Sea taxation.

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 statements (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

Business Performance					
Second Quarter			Half Year		
2006	2005		2006	2005	
£m	£m		£m	£m	
1 754	1 133	+55%	3 726	2 227	+67%
Revenue and other operating income					
Total operating profit including share of pre-tax results from joint ventures and associates					
647	407	+59%	1 373	794	+73%
34	17	+100%	172	46	+274%
57	56	+2%	122	102	+20%
23	21	+10%	62	57	+9%
(9)	(8)	+13%	(19)	(21)	-10%
752	493	+53%	1 710	978	+75%
(14)	(13)	+8%	(13)	(34)	-62%
(325)	(191)	+70%	(747)	(378)	+98%
401	275	+46%	926	544	+70%
(76)	-	-	(38)	-	-
325	275	+18%	888	544	+63%
9.3p	7.8p	+19%	25.3p	15.4p	+64%
401	415	-3%	787	730	+8%
Earnings per share					
Capital investment					

Second quarter

Total operating profit increased by 53% to £752 million reflecting the step up in E&P production and contracted LNG supply, and higher realisations, partially offset by an increase in exploration costs. At constant US\$/UK£ exchange rates and upstream prices, total operating profit increased by 14%.

The effective tax rate (including BG Group's share of tax attributable to joint ventures and associates) has increased to 44% following the recent increase in North Sea taxation. This excludes the effect of a prior period charge of £38 million to increase the effective tax rate for the first quarter to 44% and the effect of an additional one-off charge of £38 million to reflect the increased North Sea tax rate on deferred tax balances at 1 January 2006.

Excluding the prior period tax charge (£76 million) earnings increased by 46% to £401 million, reflecting the increased E&P production and prices referred to above.

Cash generated by operations increased by £290 million to £839 million primarily due to higher operating profit.

Capital investment in the quarter of £401 million comprised continuing investment in Europe and Central Asia (£109 million), Mediterranean Basin and Africa (£50 million), North America and the Caribbean (£172 million), South America (£40 million) and Asia Pacific (£30 million).

As at 30 June 2006, the Group had returned £632 million to shareholders as part of the share repurchase programme and net funds were £14 million.

Half year

Total operating profit increased by 75% to £1 710 million reflecting a 26% rise in E&P production, a strong performance in the downstream businesses, and higher realisations.

The effective tax rate (including BG Group's share of tax attributable to joint ventures and associates) has increased to 44% following the recent increase in North Sea taxation. This excludes the effect of a one-off charge of £38 million to reflect the increased North Sea tax rate on deferred tax balances at 1 January 2006.

Cash generated by operations increased by £724 million to £1 826 million primarily due to higher operating profit.

Capital investment of £787 million comprised continuing investment in Europe and Central Asia (£213 million), Mediterranean Basin and Africa (£127 million), North America and the Caribbean (£281 million), South America (£113 million) and Asia Pacific (£53 million).

Second quarter business highlights

During June, first production flowed from the Atlantic/Cromarty fields (BG Group - Atlantic: 75% and operator; Cromarty: 10%) in the Outer Moray Firth.

During July, the Dolphin Deep field in the East Coast Marine Area (ECMA) in Trinidad came onstream to supply Atlantic LNG Train 3 and 4. BG Group is the operator of ECMA with a 50% shareholding. The gas will be delivered via the existing Dolphin platform and the new Dolphin Beachfield and Cross Island Pipelines. Also in Trinidad, progress has been made on an agreement to increase Dolphin domestic gas sales.

At Karachaganak (BG Group 32.5%), Kazakhstan, oil exports via the Atyrau Samara pipeline into the Transneft system began on 19 June. The Fourth Train Project is progressing on schedule through FEED and project sanction is expected at the end of the year. In addition, good progress has been made on technical and commercial work which supports the sanction of the major Phase III Project in 2007.

In June, both the main process deck and the utilities and quarters deck were installed on Buzzard (BG Group 21.73%) in the Outer Moray Firth. Buzzard is on schedule to begin production in the fourth quarter of 2006.

During the quarter, BG Group sanctioned a number of major projects in the Mediterranean Basin and Africa region. In Egypt, Rosetta Phase III (BG Group 80%) and West Delta Deep Marine Phase IV (BG Group 50%) projects were sanctioned. In Tunisia, the six well infill programme on Miskar was sanctioned. The total net capital expenditure for these projects is planned to be £600 million.

On 19 May, BG Group announced success in the 2006 Nigerian Licensing Round, with the award of Oil Prospecting Licence (OPL) 286-DO. The block is located in deep water (200 – 1 000 metres) offshore the western Niger Delta, approximately 250 kilometres south-east of the capital, Lagos.

In May, BG Group signed an exploration agreement to acquire a 40% equity share in 208 000 acres of land along Alaska's Eastern North Slope, situated on the coastal plain near to the Prudhoe Bay field.

On 7 June, BG Group entered China with the signature of two Production Sharing Contracts (PSCs) covering deepwater Blocks 64/11 and 53/16 and a Geophysical Survey Agreement for Block 41/06, offshore southern China. The three blocks cover an area of approximately 25 800 square kilometres.

In June, BG Group announced that it has signed a farm-in agreement to acquire a 30% share in the Majunga Offshore Profond exploration block in Madagascar, which covers approximately 15 840 square kilometres.

During the quarter, BG Group and partners advanced work on two deepwater wells in Brazil. This is very early days in the exploration of this new province but observation of hydrocarbons in these two wells is an encouraging indicator.

Since the start of the year, BG Group has completed 18 exploration and appraisal wells of which 11 have been successful. Successful wells were drilled in Canada (3), Egypt (2), India (2) and the UK (4).

LIQUEFIED NATURAL GAS

Second Quarter			Business Performance			Half Year		
2006	2005					2006	2005	
£m	£m					£m	£m	
548	236	+132%	Revenue and other operating income			1 201	456	+163%
			Total operating profit					
29	3	+867%	Shipping and marketing			155	20	+675%
24	24	-	Liquefaction			54	45	+20%
(19)	(10)	+90%	Business development and other costs			(37)	(19)	+95%
34	17	+100%				172	46	+274%
139	183	-24%	Capital investment			227	228	-

Supplementary operating and financial data are given on page 31.

Second quarter

LNG total operating profit increased by £17 million to £34 million reflecting higher volumes and realisations in the shipping and marketing business, partially offset by increased business development costs.

In shipping and marketing, total operating profit increased by £26 million to £29 million, primarily due to an increase in volumes. In addition, this business secured a further £30 million operating profit by selling forward LNG held in inventory. This profit will be recognised when the gas is delivered during the winter.

BG Group's share of operating profit from liquefaction activities was in line with 2005 at £24 million.

Increased business development and other costs reflect higher activity across the segment including progressing opportunities in Nigeria and elsewhere.

Capital investment includes £134 million in relation to LNG ships under construction and due for delivery in 2006 and 2007.

Half year

LNG total operating profit increased by £126 million reflecting increased volumes and diversion income which captured strong seasonal prices in Japan and Europe during the first quarter. In addition, BG Group's share of operating profit from liquefaction activities increased by £9 million principally due to the start-up of Egyptian LNG Trains 1 and 2.

Capital investment includes £190 million in relation to LNG ships under construction.

Second quarter business highlights

On 8 July, the second expansion of regasification capacity at Lake Charles was completed. The average daily capacity is now 1.8 bcf/d with peaking capacity of 2.1 bcf/d.

Two of BG Group's 145 000 cubic metre new-build LNG carriers were delivered during the quarter (Methane Rita Andrea and the Methane Jane Elizabeth). Also during the quarter, repairs were completed on the Methane Kari Elin. All three ships will initially be deployed on BG Group's LNG trades out of Egypt.

On 15 June, FERC approval was received for the Cypress Pipeline project which will connect the regasification terminal at Elba Island, Savannah to Jacksonville, Florida. BG Group has long-term transportation capacity in the pipeline which is planned to be operational from May 2007.

During the second quarter the FEED contract for the Quintero LNG regasification terminal in Chile was awarded.

TRANSMISSION AND DISTRIBUTION

Business Performance						
Second Quarter				Half Year		
2006	2005			2006	2005	
£m	£m			£m	£m	
			Revenue and other operating income			
191	126	+52%	Comgas	359	233	+54%
-	45	-	MetroGAS	-	79	-
33	25	+32%	Other	68	53	+28%
224	196	+14%		427	365	+17%
			Total operating profit			
48	38	+26%	Comgas	98	67	+46%
-	10	-	MetroGAS	-	14	-
9	8	+13%	Other	24	21	+14%
57	56	+2%		122	102	+20%
28	33	-15%	Capital investment	53	50	+6%

Second quarter

T&D total operating profit increased by £1 million to £57 million.

At Comgas, in Brazil, operating profit increased by £10 million to £48 million, primarily due to a 9% increase in volumes and a favourable Brazilian Real (BRL) exchange rate. As anticipated, following a regulatory review of tariffs during the quarter, operating profit includes the net cost (£8 million) of passing back to customers the reduced gas costs experienced in earlier periods. A further £14 million is expected to be passed back in future periods.

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

Following the de-consolidation of MetroGAS and GASA in December 2005, these companies made no contribution to the results of BG Group in 2006.

Half year

T&D total operating profit rose by £20 million to £122 million. At Comgas, a £31 million increase in operating profit reflected a 10% increase in volumes, the stronger BRL and the net cost (£3 million) of passing back reduced gas costs to customers.

POWER GENERATION

Business Performance						
Second Quarter				Half Year		
2006	2005			2006	2005	
£m	£m			£m	£m	
50	46	+9%	Revenue and other operating income	142	121	+17%
23	21	+10%	Total operating profit	62	57	+9%
2	3	-33%	Capital investment	3	3	-

Second quarter and half year

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

Total operating profit in the quarter reflects the phasing of income at Premier Power whilst the half year also includes the one-off contribution of insurance proceeds and phasing of income at Seabank Power.

Presentation of Non-GAAP measures

Business Performance

'Business Performance' excludes certain disposals and re-measurements (see below) as exclusion of these items provides 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 mark-to-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 the 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. 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 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, page 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. 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 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 and growth programme, (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 2005. 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.

**CONSOLIDATED INCOME STATEMENT
SECOND QUARTER**

Notes	2006			2005 restated ⁽ⁱ⁾		
	Busi- ness Perfor- mance ⁽ⁱⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱⁱⁱ⁾ £m	Total Result £m	Busi- ness Perfor- mance ⁽ⁱⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱⁱⁱ⁾ £m	Total Result £m
Group revenue	1 753	-	1 753	1 134	-	1 134
Other operating income	1	85	86	(1)	(120)	(121)
Group revenue and other operating income	1 754	85	1 839	1 133	(120)	1 013
Operating costs	(1 058)	-	(1 058)	(696)	-	(696)
Profits and losses on disposal of non-current assets	-	(8)	(8)	-	416	416
Operating profit/(loss) before share of results from joint ventures and associates	696	77	773	437	296	733
Finance income	21	4	25	19	18	37
Finance costs	(17)	(5)	(22)	(23)	(10)	(33)
Share of post-tax results from joint ventures and associates	29	-	29	38	-	38
Profit/(loss) before tax	729	76	805	471	304	775
Taxation	(392)	17	(375)	(182)	(90)	(272)
Profit for the period	337	93	430	289	214	503
Attributable to:						
BG Group shareholders (earnings)	325	93	418	275	209	484
Minority interest	12	-	12	14	5	19
	337	93	430	289	214	503
Earnings per share – basic	9.3p	2.7p	12.0p	7.8p	5.9p	13.7p
Earnings per share – diluted	9.2p	2.7p	11.9p	7.7p	5.9p	13.6p
Total operating profit including share of pre-tax operating results from joint ventures and associates⁽ⁱⁱⁱ⁾	752	77	829	493	296	789

i) 2005 comparatives have been restated on the application of IFRIC 4 and amendments to IAS 39. See Note 1, page 22.

ii) 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.

iii) 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	2006			2005 restated ⁽ⁱ⁾		
		Busi- ness Perfor- mance ⁽ⁱⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱⁱ⁾ £m	Total Result £m	Busi- ness Perfor- mance ⁽ⁱⁱ⁾ £m	Disposals and re- measure- ments (Note 2) ⁽ⁱⁱ⁾ £m	Total Result £m
Group revenue		3 684	-	3 684	2 204	-	2 204
Other operating income	2	42	109	151	23	(158)	(135)
Group revenue and other operating income	3	3 726	109	3 835	2 227	(158)	2 069
Operating costs		(2 142)	-	(2 142)	(1 357)	-	(1 357)
Profits and losses on disposal of non-current assets	2	-	(8)	(8)	-	429	429
Operating profit/(loss) before share of results from joint ventures and associates	3	1 584	101	1 685	870	271	1 141
Finance income	2, 4	57	7	64	30	29	59
Finance costs	2, 4	(36)	(8)	(44)	(46)	(19)	(65)
Share of post-tax results from joint ventures and associates	3	67	-	67	77	-	77
Profit/(loss) before tax		1 672	100	1 772	931	281	1 212
Taxation	2, 5	(760)	7	(753)	(365)	(74)	(439)
Profit/(loss) for the period		912	107	1 019	566	207	773
Attributable to:							
BG Group shareholders (earnings)		888	108	996	544	199	743
Minority interest		24	(1)	23	22	8	30
		912	107	1 019	566	207	773
Earnings per share – basic	6	25.3p	3.1p	28.4p	15.4p	5.6p	21.0p
Earnings per share – diluted	6	25.1p	3.1p	28.2p	15.3p	5.6p	20.9p
Total operating profit including share of pre-tax operating results from joint ventures and associates⁽ⁱⁱⁱ⁾	3	1 710	101	1 811	978	271	1 249

i) 2005 comparatives have been restated on the application of IFRIC 4 and amendments to IAS 39. See Note 1, page 22.

ii) 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.

iii) 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 June 2006 £m	31 Dec 2005 restated £m	30 Jun 2005 restated £m
Assets			
Non-current assets			
Goodwill	337	342	320
Other intangible assets	812	682	688
Property, plant and equipment	5 850	5 830	5 217
Investments	1 090	1 129	1 119
Deferred tax assets	102	91	74
Trade and other receivables	47	52	51
Derivative financial instruments	111	84	129
	8 349	8 210	7 598
Current assets			
Inventories	197	185	113
Trade and other receivables	1 588	1 674	1 219
Commodity contracts and other derivative financial instruments	29	10	34
Cash and cash equivalents	1 567	1 516	1 223
	3 381	3 385	2 589
Assets classified as held for sale	-	10	-
Total assets	11 730	11 605	10 187
Liabilities			
Current liabilities			
Borrowings	(57)	(81)	(391)
Trade and other payables	(1 255)	(1 308)	(1 021)
Current tax liabilities	(533)	(409)	(439)
Commodity contracts and other derivative financial instruments	(539)	(711)	(599)
	(2 384)	(2 509)	(2 450)
Non-current liabilities			
Borrowings	(1 579)	(1 497)	(1 189)
Trade and other payables	(21)	(68)	(88)
Derivative financial instruments	(2)	(2)	-
Deferred income tax liabilities	(835)	(733)	(718)
Retirement benefit obligations	(166)	(154)	(143)
Provisions for other liabilities and charges	(375)	(372)	(371)
	(2 978)	(2 826)	(2 509)
Liabilities associated with assets classified as held for sale	-	(3)	-
Total liabilities	(5 362)	(5 338)	(4 959)
Net assets	6 368	6 267	5 228
Attributable to:			
BG Group equity shareholders	6 266	6 169	5 185
Minority interest	102	98	43
Total equity	6 368	6 267	5 228

STATEMENT OF CHANGES IN EQUITY

Second Quarter			Half Year	
2006	2005		2006	2005
£m	restated £m		£m	restated £m
Equity as at start of period				
6 464	4 564	BG Group shareholders' funds	6 182	4 567
113	28	Minority interest	98	20
6 577	4 592	Equity as at start of period as reported	6 280	4 587
-	-	Effect of adoption of IFRIC 4 (see Note 1)	(13)	(8)
-	-	Effect of adoption of IAS 39 ⁽ⁱ⁾	-	(238)
6 577	4 592	Equity as at start of period as restated	6 267	4 341
430	503	Profit for the financial period	1 019	773
3	6	Issue of shares	9	14
(452)	(2)	Purchase of own shares ⁽ⁱⁱ⁾	(592)	(2)
2	5	Adjustment in respect of employee share schemes	8	8
13	-	Tax in respect of share schemes	13	-
-	-	Dividends on ordinary shares	(144)	(74)
(17)	(14)	Dividends paid to minority interest	(17)	(14)
(188)	138	Currency translation and hedge adjustments net of tax	(195)	182
(209)	636	Net changes in equity for the financial period	101	887
Equity as at 30 June				
6 266	5 185	BG Group shareholders' funds	6 266	5 185
102	43	Minority interest	102	43
6 368	5 228		6 368	5 228

i) BG Group adopted IAS 39 from 1 January 2005.

ii) 2006 includes £3 million of transaction costs in the quarter and £3 million in the half year.

CONSOLIDATED CASH FLOW STATEMENT

Second Quarter			Half Year	
2006	2005		2006	2005
£m	restated £m		£m	restated £m
Cash flows from operating activities				
773	733	Profit from operations	1 685	1 141
149	121	Depreciation of property, plant and equipment and amortisation of intangible assets	298	238
(92)	121	Fair value movements in commodity contracts	(133)	158
8	(416)	Profit and losses on disposal of non-current assets and impairments	8	(429)
18	11	Unsuccessful exploration expenditure written off	29	21
3	5	(Decrease)/increase in provisions	7	13
5	5	Share based payments	11	8
(25)	(31)	Decrease/(increase) in working capital	(79)	(48)
839	549	Cash generated by operations	1 826	1 102
(198)	(171)	Income taxes paid	(483)	(314)
641	378	Net cash inflow from operating activities	1 343	788
Cash flows from investing activities				
82	26	Dividends received from joint ventures and associates	93	38
1	-	Proceeds from disposal of subsidiary undertakings and investments	5	26
-	936	Proceeds from disposal of property, plant and equipment and intangible assets	-	936
(250)	(238)	Purchase of property, plant and equipment and intangible assets	(599)	(528)
12	(45)	Loans (to)/from joint ventures and associates	(4)	(54)
-	(12)	Purchase of subsidiary undertakings and investments ⁽ⁱ⁾	(2)	(12)
(155)	667	Net cash (outflow)/inflow from investing activities	(507)	406
Cash flows from financing activities				
(6)	(7)	Net interest paid ⁽ⁱⁱ⁾	2	(22)
(143)	(74)	Dividends paid	(143)	(74)
(17)	(14)	Dividends paid to minority	(17)	(14)
42	89	Net proceeds from issue of new borrowings	58	145
(33)	(62)	Repayment of borrowings	(81)	(375)
2	6	Issue of shares	8	14
1	-	Issue of shares to minority shareholder	1	-
(446)	(2)	Purchase of own shares	(593)	(2)
(600)	(64)	Net cash (outflow)/inflow from financing activities	(765)	(328)
(114)	981	Net increase/(decrease) in cash and cash equivalents	71	866
1 697	245	Cash and cash equivalents at beginning of period	1 516	340
(16)	(3)	Effect of foreign exchange rate changes	(20)	17
1 567	1 223	Cash and cash equivalents at end of period⁽ⁱⁱⁱ⁾	1 567	1 223

i) Includes cash acquired of nil (2005 £18 million) on the purchase of a subsidiary undertaking.

ii) Includes capitalised interest for the second quarter of £17 million (2005 £7 million), and for the half year of £31 million (2005 £10 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⁾ – HALF YEAR

	£m
Net funds as at 31 December 2005 as reported	253
Adoption of IFRIC 4 (See Note 1)	(283)
Net borrowings as at 31 December 2005 restated^{(i) (ii)}	(30)
Net increase in cash and cash equivalents	71
Cash outflow from changes in gross borrowings	23
Inception of finance leases	(122)
Foreign exchange and other re-measurements	72
Net funds as at 30 June 2006^{(i) (ii)}	14

Net borrowings attributable to Comgas were £212 million (31 December 2005 £189 million).

As at 30 June 2006, BG Group's share of the net borrowings in joint ventures and associates amounted to approximately £1.0 billion, including BG Group shareholder loans of approximately £0.6 billion. 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 33.

ii) Net borrowings/funds comprise:

	As at	
	30 Jun 2006	30 Jun 2005
	£m	£m
<i>Amounts receivable/(due) within one year</i>		
Cash and cash equivalents	1 567	1 223
Overdrafts, loans and finance leases	(57)	(391)
Derivative financial instruments ⁽ⁱⁱⁱ⁾	(26)	(17)
	1 484	815
<i>Amounts receivable/(due) after more than one year</i>		
Loans and finance leases	(1 579)	(1 189)
Derivative financial instruments	109	129
	(1 470)	(1 060)
Net funds/(borrowings)	14	(245)

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 2006.

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 \$963.7 million was unutilised. BGEH also had a \$2.0 billion Euro Medium Term Note Programme, of which \$1.477 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 under these finance leases amounted to \$212.8 million, such amounts being available exclusively to fund the construction of certain LNG ships.

In addition, BGEH had uncommitted multicurrency borrowing facilities of £616 million, all of which was unutilised.

Comgas had committed borrowing facilities of BRL 985.1 million, of which BRL 145.0 million was unutilised and uncommitted borrowing facilities of BRL 575.7 million, of which BRL 428.8 million was unutilised.

Gujarat Gas Company Limited had sanctioned borrowing facilities of Indian Rupees (INR) 1 500 million, of which INR 720 million was unutilised.

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 2006 which comprises the consolidated interim balance sheet as at 30 June 2006 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the six months then ended and related notes. 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 Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in Note 1.

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 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
London
24 July 2006

(a) The maintenance and integrity of the BG Group plc web site 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 web site.

(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 2006. 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 2005, as they provide an update of previously reported information. These financial statements have been prepared in accordance with the requirements of the UK Listing Rules and the accounting policies set out in the 2005 Annual Report and Accounts with the exception of the adoption of new accounting standards as set out below.

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 judgment 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.

IFRIC Interpretation 4 'Determining whether an Arrangement contains a Lease'

IFRIC 4 requires companies to determine whether they have any arrangements which are or contain leases based on an assessment of whether specific assets are required to fulfil each arrangement or whether each arrangement conveys a right of use of the asset. If an arrangement contains a lease, the requirements of IAS 17, 'Leases', should be applied to the lease element of the arrangement.

BG Group has applied IFRIC 4 from 1 January 2006 and has concluded that the contract for the provision of capacity at Lake Charles contains a finance lease. Comparative information has been amended to reflect this arrangement. As at 1 January 2006, borrowings have been increased by £283 million, property, plant and equipment has increased by £263 million, deferred tax assets have increased by £7 million and retained earnings have decreased by £13 million to reflect this arrangement; comparative information has also been restated. The effect of this restatement on operating profit is a £2 million increase in the quarter and a £4 million increase in the half year and an increase in finance costs of £3 million in the quarter and £6 million in the half year. The tax effect was a £1 million decrease in both the quarter and half year, resulting in a nil effect in earnings in the quarter and a £1 million decrease in the half year.

IAS 39 'Financial Guarantee Contracts and Credit Insurance'

In August 2005, the IASB issued an amendment to IAS 39 which covers the accounting required for financial guarantee contracts that provide payment to be made if a debtor fails to make a payment when due. These contracts should be initially measured at fair value and subsequently re-measured using the higher of the provision set out in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' or the initial amount less cumulative amortisation in accordance with IAS 18, 'Revenue'. This amendment is mandatory for periods beginning on or after 1 January 2006 and BG Group has adopted it from that date. As at 1 January 2006, investments have been increased by £5 million and provisions for other liabilities and charges have been increased by £5 million; comparative information has also been restated. The effect of this restatement on operating profit is nil for both quarter and half year. There is a decrease of £1 million in finance costs and a £1 million decrease to the pre-tax share of operating results of joint ventures and associates in both the quarter and half year.

2. Disposals and re-measurements

Second Quarter			Half Year	
2006	2005		2006	2005
£m	£m		£m	£m
85	(120)	Revenue and other operating income – re-measurements of commodity contracts	109	(158)
(8)	416	Profits and losses on disposal of non-current assets	(8)	429
(1)	8	Finance costs – re-measurements of financial instruments	(1)	10
17	(90)	Taxation	7	(74)
-	(5)	Minority interest	1	(8)
93	209	Impact on earnings	108	199

Second quarter and half year: Revenue and other operating income

Re-measurements included within revenue and other operating income amount to a credit of £85 million for the quarter (2005 £120 million charge), of which £82 million (2005 £109 million) 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. For the first quarter of 2006, re-measurements included within revenue and other operating income amounted to a credit of £24 million (2005 £38 million charge).

Net finance costs

Re-measurements presented in net finance costs relate primarily to certain derivatives used to hedge foreign exchange and interest rate risk which have not been designated as hedges under IAS 39, partly offset by foreign exchange movements on certain borrowings in a subsidiary. In 2005, re-measurements included the retranslation of MetroGAS US Dollar and Euro borrowings which could not be designated as hedges under IAS 39. Following the de-consolidation of MetroGAS and GASA in December 2005, these companies made no contribution to the results of BG Group in 2006.

2006 second quarter: Disposal of non-current assets

During the second quarter, BG Group disposed of its telecoms businesses. This resulted in a loss on disposal of £8 million. No tax arose on the disposal.

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

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.

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.

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	2006 £m	2006 £m	2006 £m	2005 £m	2005 £m	2005 £m
Exploration and Production	984	85	1 069	658	(124)	534
Liquefied Natural Gas	548	-	548	236	4	240
Transmission and Distribution	224	-	224	196	-	196
Power Generation	50	-	50	46	-	46
Other activities	2	-	2	4	-	4
Less: intra-group sales	(54)	-	(54)	(7)	-	(7)
	1 754	85	1 839	1 133	(120)	1 013

Group revenue and other operating income	Business Performance	Disposals and re-measurements	Total	Business Performance	Disposals and re-measurements	Total
Half Year	2006 £m	2006 £m	2006 £m	2005 £m	2005 £m	2005 £m
Exploration and Production	2 057	109	2 166	1 293	(158)	1 135
Liquefied Natural Gas	1 201	-	1 201	456	-	456
Transmission and Distribution	427	-	427	365	-	365
Power Generation	142	-	142	121	-	121
Other activities	5	-	5	6	-	6
Less: intra-group sales	(106)	-	(106)	(14)	-	(14)
	3 726	109	3 835	2 227	(158)	2 069

3. Segmental analysis (continued)

Total operating profit	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⁾	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Second Quarter										
Exploration and Production	732	699	-	-	732	699	(85)	(292)	647	407
Liquefied Natural Gas	10	(3)	24	24	34	21	-	(4)	34	17
Transmission and Distribution	46	46	11	10	57	56	-	-	57	56
Power Generation	2	(1)	21	22	23	21	-	-	23	21
Other activities	(17)	(8)	-	-	(17)	(8)	8	-	(9)	(8)
Operating profit	773	733	56	56	829	789	(77)	(296)	752	493

Total operating profit	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⁾	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Half Year										
Exploration and Production	1 482	1 052	-	-	1 482	1 052	(109)	(258)	1 373	794
Liquefied Natural Gas	118	1	54	45	172	46	-	-	172	46
Transmission and Distribution	100	94	22	21	122	115	-	(13)	122	102
Power Generation	12	15	50	42	62	57	-	-	62	57
Other activities	(27)	(21)	-	-	(27)	(21)	8	-	(19)	(21)
Operating profit	1 685	1 141	126	108	1 811	1 249	(101)	(271)	1 710	978

- 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 £29 million (2005 £38 million), and for the half year is £67 million (2005 £77 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	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Second Quarter						
Exploration and Production	732	699	-	-	732	699
Liquefied Natural Gas	10	(3)	10	18	20	15
Transmission and Distribution	46	46	7	6	53	52
Power Generation	2	(1)	12	14	14	13
Other activities	(17)	(8)	-	-	(17)	(8)
	773	733	29	38	802	771
Net finance income/(costs)					3	4
Taxation					(375)	(272)
Profit for the period					430	503

Total Result	Operating profit before share of results from joint ventures and associates		Share of results in joint ventures and associates		Total Result	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Half Year						
Exploration and Production	1 482	1 052	-	-	1 482	1 052
Liquefied Natural Gas	118	1	22	35	140	36
Transmission and Distribution	100	94	13	16	113	110
Power Generation	12	15	32	26	44	41
Other activities	(27)	(21)	-	-	(27)	(21)
	1 685	1 141	67	77	1 752	1 218
Net finance income/(costs)					20	(6)
Taxation					(753)	(439)
Profit for the period					1 019	773

4. Net finance costs

Second Quarter			Half Year	
2006	2005		2006	2005
£m	£m		£m	£m
(13)	(24)	Interest payable	(31)	(43)
(18)	(3)	Interest on obligations under finance leases	(30)	(7)
17	7	Interest capitalised	31	10
(3)	(3)	Unwinding of discount on provisions ⁽ⁱ⁾	(6)	(6)
(5)	(10)	Disposals and re-measurements (Note 2)	(8)	(19)
(22)	(33)	Finance costs	(44)	(65)
21	19	Interest receivable	57	30
4	18	Disposals and re-measurements (Note 2)	7	29
25	37	Finance income	64	59
3	4	Net finance income/(costs)⁽ⁱⁱ⁾	20	(6)

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 £18 million (2005 £9 million), and for the half year of £34 million (2005 £18 million).

5. Taxation

The taxation charge for the second quarter before disposals and re-measurements was £392 million (2005 £182 million). This includes a charge of £38 million (2005 nil) to reflect an increase in the rate of North Sea taxation on the results for the first quarter and a further charge of £38 million (2005 nil) to reflect the increased tax rate on deferred tax balances as at 1 January 2006.

The taxation charge for the second quarter including disposals and re-measurements was £375 million (2005 £272 million). This includes a charge of £40 million (2005 nil) to reflect the increased North Sea tax rate on the results for the first quarter and a credit of £23 million (2005 nil) to reflect the increased tax rate on deferred tax balances as at 1 January 2006.

For the half year, the taxation charge before disposals and re-measurements was £760 million (2005 £365 million). This includes a charge of £38 million (2005 nil) to reflect the increased North Sea tax rate on deferred tax balances as at 1 January 2006.

The taxation charge for the half year including disposals and re-measurements was £753 million (2005 £439 million), including £384 million (2005 £257 million) in respect of overseas tax. This includes a credit of £23 million (2005 nil) to reflect the increased North Sea tax rate on deferred tax balances as at 1 January 2006.

The Group share of taxation from joint ventures and associates for the second quarter was £9 million (2005 £9 million) and for the half year was £25 million (2005 £13 million).

6. Earnings per ordinary share

Second Quarter					Half Year			
2006		2005			2006		2005	
£m	Pence per share	£m	Pence per share		£m	Pence per share	£m	Pence per share
418	12.0	484	13.7	Earnings	996	28.4	743	21.0
(101)	(2.9)	70	2.0	Re-measurements (after tax and minority interest)	(116)	(3.3)	93	2.6
8	0.2	(279)	(7.9)	Profits and losses on disposals (after tax)	8	0.2	(292)	(8.2)
325	9.3	275	7.8	Earnings – excluding disposals and re-measurements	888	25.3	544	15.4

Basic earnings per share calculations in 2006 are based on shares in issue of 3 493 million for the quarter and 3 510 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 3 518 million for the quarter and 3 535 million for the year to date, being the weighted average number of ordinary shares in issue during the quarter as adjusted for share options.

7. Results Presentation

Half Year	Business Performance		Disposals and re-measurements ⁽ⁱ⁾		Total Result	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Operating profit before disposal of non-current assets	1 584	870	109	(158)	1 693	712
Profits and losses on disposal of non-current assets ⁽ⁱⁱ⁾	-	-	(8)	429	(8)	429
Operating profit before share of results from joint ventures and associates	1 584	870	101	271	1 685	1 141
Pre-tax share of operating results of joint ventures and associates	126	108	-	-	126	108
Total operating profit	1 710	978	101	271	1 811	1 249
Net finance costs						
Finance income	57	30	7	29	64	59
Finance costs	(36)	(46)	(8)	(19)	(44)	(65)
Share of joint ventures and associates	(34)	(18)	-	-	(34)	(18)
	(13)	(34)	(1)	10	(14)	(24)
Taxation						
Taxation	(760)	(365)	7	(74)	(753)	(439)
Share of joint ventures and associates	(25)	(13)	-	-	(25)	(13)
	(785)	(378)	7	(74)	(778)	(452)
Profit for the period ⁽ⁱⁱⁱ⁾	912	566	107	207	1 019	773
Profit attributable to:						
Shareholders (earnings)	888	544	108	199	996	743
Minority interest	24	22	(1)	8	23	30
	912	566	107	207	1 019	773

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 these unrealised mark-to-market movements are best presented separately from underlying business performance. For an explanation of Non-GAAP measures see page 12.

ii) 2006 includes £416 million on disposal of BG Group's interest in the North Caspian PSA.

iii) 2006 includes prior period taxation adjustments following the increase in North Sea taxation.

8. Capital investment: geographical analysis

Second Quarter			Half Year	
2006	2005		2006	2005
£m	£m		£m	£m
109	109	Europe and Central Asia	213	235
40	33	South America	113	57
30	25	Asia Pacific	53	39
172	101	North America and the Caribbean	281	165
50	147	Mediterranean Basin and Africa	127	234
401	415		787	730

9. Quarterly information: earnings and earnings per share

	2006	2005	2006	2005
	£m	£m	pence	pence
First quarter				
- including disposals and re-measurements	578	259	16.4	7.3
- excluding disposals and re-measurements	563	269	16.0	7.6
Second quarter				
- including disposals and re-measurements	418	484	12.0	13.7
- excluding disposals and re-measurements	325	275	9.3	7.8
Third quarter				
- including disposals and re-measurements		320		9.0
- excluding disposals and re-measurements		307		8.7
Fourth quarter				
- including disposals and re-measurements		462		13.0
- excluding disposals and re-measurements		503		14.2
Full year				
- including disposals and re-measurements		1 525		43.1
- excluding disposals and re-measurements		1 354		38.3

Supplementary information: Operating and financial data

Second Quarter		First	Half Year	
2006	2005	Quarter	2006	2005
		2006		
Production volumes (mmboe)				
5.3	4.5	5.6	10.9	9.2
7.6	8.4	7.4	15.0	16.1
42.7⁽ⁱ⁾	31.7	42.8	85.5⁽ⁱ⁾	63.0
55.6	44.6	55.8	111.4	88.3
Production volumes (boepd in thousands)				
58	50	62	60	51
84	92	82	83	89
468	348	476	472	348
610	490	620	615	488
LNG cargoes				
22	9	2	24	17
14	11	9	23	21
13	1	29	42	11
49	21	40	89	49
£38.71	£28.01	£35.74	£37.18	£26.65
(\$69.76)	(\$52.36)	(\$62.53)	(\$66.03)	(\$50.27)
£31.51	£21.15	£28.68	£30.14	£18.34
(\$56.79)	(\$39.54)	(\$50.17)	(\$53.51)	(\$34.59)
26.20p	22.98p	38.84p	32.96p	23.59p
17.05p	14.16p	18.40p	17.71p	14.01p
19.09p	16.81p	23.69p	21.38p	17.15p
£1.21	£1.13	£1.19	£1.20	£1.14
(\$2.18)	(\$2.10)	(\$2.08)	(\$2.13)	(\$2.14)
£2.07	£2.04	£2.18	£2.13	£2.06
(\$3.72)	(\$3.82)	(\$3.82)	(\$3.77)	(\$3.89)
160	174	131	291	329
Gross exploration expenditure (£m)				
66	15	136	202	102
37	23	33	70	38
103	38	169	272	140

i) Includes fuel gas for the second quarter of 1.19 mmboe and 2.22 mmboe for the half year.

ii) 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.

Definitions

In these results:

<p>bcf bcfd bcmpa boe boed bopd CCGT DCQ E&P EPC EPIC FEED FERC GW IAS 39 IFRS LNG m mmboe mmbtu mmcf mmcmd mmscfd mmscm mmscmd MoU mtpa MW Net borrowings/funds</p> <p>NGL PSA T&D Total operating profit</p> <p>UKCS UKCNS</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 gigawatt International Accounting Standard 39 (Financial Instruments) International Financial Reporting Standards Liquefied Natural Gas million million barrels of oil equivalent million british thermal units 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 Memorandum of understanding 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 Natural gas liquids production sharing agreement Transmission and Distribution Group operating profit plus share of pre-tax operating results of joint ventures and associates United Kingdom Continental Shelf United Kingdom central North Sea</p>
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Enquiries

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Financial Calendar

Ex-dividend date for 2006 interim dividend	9 August 2006
Record date for 2006 interim dividend	11 August 2006
Payment of 2006 interim dividend:	
Shareholders	15 September 2006
American depositary receipt holders	22 September 2006
Announcement of 2006 third quarter results	2 November 2006

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

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