

BG GROUP PLC

2006 FIRST QUARTER RESULTS

HIGHLIGHTS

Business Performance⁽ⁱ⁾	First Quarter		
	2006	2005⁽ⁱⁱ⁾	
	£m	£m	
Revenue and other operating income	1 972	1 094	+80%
Total operating profit including share of pre-tax operating results from joint ventures and associates	958	485	+98%
Earnings	563	269	+109%
Earnings per share	16.0p	7.6p	+111%
Total results for the period (including disposals and re-measurements)			
Revenue and other operating income	1 996	1 056	+89%
Operating profit before share of results from joint ventures and associates	912	408	+124%
Total operating profit including share of pre-tax operating results from joint ventures and associates	982	460	+113%
Earnings	578	259	+123%
Earnings per share	16.4p	7.3p	+125%

- 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 10 and Results Presentation, page 3.
- ii) 2005 comparatives have been restated on the application of IFRIC 4 and amendments to IAS 39. See Note 1, page 17.

PERFORMANCE HIGHLIGHTS

BG Group's Chief Executive, Frank Chapman said:

"BG has made an excellent start to the year, in line with our plans presented in February. The 111% increase in earnings per share was driven by a step change in both E&P production and contracted LNG supply, together with higher realisations."

- Earnings per share up by 111%
- At constant US\$/UK£ exchange rates and upstream prices, total operating profit increased by 42%
- E&P production increased by 28%
- First production from Glenelg, offshore UK and from Chinguetti, offshore Mauritania
- LNG operating profit up £109 million to £138 million on increased contracted supplies and strong seasonal prices in Japan and Europe
- MoU signed for further long term LNG supply from Nigeria
- New exploration acreage acquired in Norway, India and Alaska
- New country entry in Oman

RESULTS PRESENTATION

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

- The re-measurement of certain UK gas sales contracts and financial instruments.
- Profits and losses on the disposal of non-current assets and businesses.

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

Under IFRS the results of joint ventures and associates are presented net of finance costs and tax (see page 12). Given the relevance of these businesses within BG Group, the results of joint ventures and associates are presented both before interest and tax, and after tax. The pre-interest and tax result is included in Business Performance discussed on pages 3 to 9. The table below provides a reconciliation from Business Performance to the Group's Total Result, identifying the amounts related to joint ventures and associates, re-measurements under IAS 39 and profits on disposal of non-current assets and businesses.

First Quarter	Business Performance		Disposals and re-measurements ⁽ⁱ⁾		Total Result	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Operating profit before share of results from joint ventures and associates	888	433	24	(25)	912	408
Pre-tax share of operating results of joint ventures and associates	70	52	-	-	70	52
Total operating profit	958	485	24	(25)	982	460
Net finance costs						
Finance income	36	11	3	11	39	22
Finance costs	(19)	(23)	(3)	(9)	(22)	(32)
Share of joint ventures and associates	(16)	(9)	-	-	(16)	(9)
	1	(21)	-	2	1	(19)
Taxation						
Taxation	(368)	(183)	(10)	16	(378)	(167)
Share of joint ventures and associates	(16)	(4)	-	-	(16)	(4)
	(384)	(187)	(10)	16	(394)	(171)
Profit for the period	575	277	14	(7)	589	270
Profit attributable to:						
Shareholders (earnings)	563	269	15	(10)	578	259
Minority Interests	12	8	(1)	3	11	11
	575	277	14	(7)	589	270

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 presented separately from underlying business performance. For an explanation of Non-GAAP measures see page 10.

BUSINESS REVIEW

The results discussed in this Business Review (pages 4 to 9) 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 (page 12) and Note 2 of the accounts (page 18). Results at constant US\$/UK£ exchange rates and upstream prices are also quoted. See Presentation of Non-GAAP measures (page 10) for an explanation of these metrics.

GROUP

Business Performance	First Quarter		
	2006	2005	
	£m	£m	
Revenue and other operating income	1 972	1 094	+80%
Total operating profit including share of pre-tax results from joint ventures and associates			
Exploration and Production	726	387	+88%
Liquefied Natural Gas	138	29	+376%
Transmission and Distribution	65	46	+41%
Power Generation	39	36	+8%
Other activities	(10)	(13)	-23%
	958	485	+98%
Net finance costs	1	(21)	-105%
Taxation	(384)	(187)	+105%
Earnings	563	269	+109%
Earnings per share	16.0p	7.6p	+111%
Capital investment	386	315	+23%

Total operating profit increased by 98% (£473 million) to £958 million reflecting a step up in E&P production and contracted LNG supply, together with higher realisations.

At constant US\$/UK£ exchange rates and upstream prices, total operating profit increased by 42%.

Earnings per share rose by 111% due to strong operating performances, higher volumes and prices and lower finance costs.

Cash generated by operations increased by £434 million to £987 million primarily due to the increase in operating profit.

Capital investment of £386 million comprised continuing investment in Europe and Central Asia (£104 million), Mediterranean Basin and Africa (£77 million), North America and the Caribbean (£109 million), South America (£73 million) and Asia Pacific (£23 million). The Group continued to expand its exploration portfolio and investment in the quarter included £68 million of exploration signature bonuses for the acquisition of exploration acreage, mainly in Brazil and Nigeria.

As at 31 March 2006, the Group has returned £180 million to shareholders as part of the share repurchase programme. As at 31 March 2006 net funds were £183 million.

Net finance costs were £22 million lower than in 2005 and included a net interest receipt of £18 million arising on a Lattice demerger tax settlement. The effective tax rate (including BG Group's 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 annual effective rate in 2006 and will be included in the Group's results when the Finance Bill is enacted. In addition there will be a one-off adjustment in 2006 to reflect the increased North Sea tax on opening deferred tax balances, comprising a charge of £38 million in Business Performance, and a credit of £61 million in disposals and re-measurements to restate deferred tax balances associated with mark-to-market balances.

EXPLORATION AND PRODUCTION

Business Performance	First Quarter		
	2006 £m	2005 £m	
Production volumes (mmboe)	55.8 ⁽ⁱ⁾	43.7	+28%
Revenue and other operating income	1 073	635	+69%
Total operating profit	726	387	+88%
Capital investment	271	245	+11%
<i>(i) Includes fuel gas of 1.0 mmboe, see page 24.</i>			
<i>Supplementary operating and financial data is given on page 24.</i>			

E&P total operating profit increased by 88% to £726 million primarily due to higher volumes and prices partially offset by the cost of increased exploration activity.

Production volumes increased by 28% driven by increased production from West Delta Deep Marine in Egypt and the Dolphin field in Trinidad following the start-up of Egyptian LNG Trains 1 and 2 and Atlantic LNG Train 4.

The Group's average international gas price was 18.4 pence per produced therm reflecting the benefit of new production into high value markets and higher international commodity prices. In the UK, where short term prices rose sharply, average realised price per produced therm was 38.8 pence.

The exploration charge of £44 million is £19 million higher than 2005 reflecting the increased exploration activities across the Group.

Unit operating expenditure was up 10 pence to £2.18 (\$3.82) per boe due primarily to the impact of higher upstream prices on input costs, tariffs and royalties and adverse exchange rate movements.

Capital investment of £271 million included expenditure in the UK (£70 million), Southern Cone (£48 million), Egypt (£29 million) and Nigeria (£27 million). Capital investment included £68 million relating to the acquisition of exploration acreage mainly in Brazil and Nigeria.

First quarter business highlights

On 30 April, BG Group signed an Exploration and Production Sharing Agreement with the Government of the Sultanate of Oman for a 100% interest in and operatorship of Block 60 onshore Oman. Block 60, contains the Abu Butabul gas and condensate discovery (1998) as well as other exploration prospects and covers almost 1 500 square kilometres.

On 31 March, BG Group was awarded eight new licences in the Norwegian 19th licensing round. The awards cover five licences in the Norwegian Sea (four as operator) and three licences in the Barents Sea (one as operator).

On 27 January, BG Group signed a participation agreement for a 33.33% equity share in 2.1 million acres of land in the Foothills area of the Alaskan North Slope.

On 13 March, BG Group signed a farm-in agreement with Oil and Natural Gas Corporation Limited for a 50% interest in three blocks in the Krishna Godavari Basin off the east coast of India. This agreement, which is subject to government approval and the execution of a Production Sharing Contract (PSC), triggers the release of technical data to BG Group. PSC and Joint Operating Agreement negotiations will proceed in parallel with data interpretation and formulation of a work programme.

On 26 March, BG Group and Sonatrach Petroleum Corporation of Algeria signed an MoU, which provides for co-operation on joint activities across the gas chain from upstream development through to new liquefaction and gas marketing activities.

On 24 February, first oil was produced from the Chinguetti field (BG Group 10.23%) offshore Mauritania. The Chinguetti development consists of sub-sea completed wells tied back to a leased floating production, storage and offloading tanker.

The Dolphin reservoir (BG Group 50%) in Trinidad began supplying Trains 3 and 4 of Atlantic LNG in mid-March via a new 24 inch offshore pipeline.

On 28 March, first production flowed from the Glenelg field (BG Group 14.70%). The gas and condensate field was developed through a well drilled from the Elgin wellhead platform.

President Evo Morales of Bolivia has issued a Supreme Decree nationalising the hydrocarbon natural resources of Bolivia with effect from 1 May 2006. BG Group is carefully reviewing this new decree and developments in Bolivia and will be engaging with the Bolivian Government in the coming months. BG Group's investment in Bolivia represents less than 2% of the Group's capital employed and less than 4% of the Group's proved reserves.

Since the start of the year, BG Group has completed 13 exploration and appraisal wells of which 9 have been successful. Successful wells were drilled in Canada, Egypt, India and the UK.

LIQUEFIED NATURAL GAS

Business Performance	First Quarter		
	2006 £m	2005 £m	
Revenue and other operating income	653	220	+197%
Total operating profit			
Shipping and marketing	126	17	+641%
Liquefaction	30	21	+43%
Business development and other costs	(18)	(9)	+100%
	138	29	+376%
Capital investment	88	45	+96%

Supplementary operating and financial data is given on page 24.

Total operating profit increased by £109 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 £109 million to £126 million, reflecting increased volumes (up 47%) and strong seasonal prices in Japan and Europe. The increased operating profit during the quarter underscores the Group's capability to re-direct its flexible LNG supply to capture higher value in alternative markets, as these opportunities arise.

BG Group's share of operating profit from liquefaction activities increased by £9 million to £30 million, principally due to higher margins at Atlantic LNG Train 1 and the start-up of Egyptian LNG Trains 1 and 2.

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

Capital investment includes £56 million in relation to LNG vessels under construction due for delivery in 2006 and 2007.

First quarter business highlights

During the quarter, BG Group took first deliveries from its 20 year 2.5 mtpa contract with Nigeria LNG. In addition, BG Group signed an MoU for 2 mtpa from Brass LNG for 20 years from 2010.

On 15 February, BG Group was selected as the preferred bidder to enter into exclusive negotiations with a group of Chilean energy companies to build and supply a regasification plant on the central Chilean coast. The proposed plant is intended to begin supplying fuel to the Chilean market by 2009. The terminal will have an anticipated capacity of 2.5 mtpa.

On 20 February, BG Group, along with its partners in the Nigerian OKLNG project (BG Group 13.5%), signed the Project Development Agreement. OKLNG is in the FEED phase.

On 7 April, BG Group took delivery of the 145 000 cubic metre Methane Rita Andrea LNG carrier.

On 5 April, BG LNG Services announced an agreement with LLC Trunkline LNG Company to enhance the operations of the Lake Charles regasification terminal in the Gulf of Mexico and extend its terminal services contract by five years to 2028. This infrastructure enhancement project will enhance fuel efficiency and reduce air emissions. It will also allow for the extraction and sale of natural gas liquids, enabling the terminal to receive LNG from a wider range of supply sources.

TRANSMISSION AND DISTRIBUTION

Business Performance	First Quarter		
	2006 £m	2005 £m	
Revenue and other operating income			
Comgas	168	107	+57%
MetroGAS	-	34	-
Other	35	28	+25%
	203	169	+20%
Total operating profit			
Comgas	50	29	+72%
MetroGAS	-	4	-
Other	15	13	+15%
	65	46	+41%
Capital investment	25	17	+47%

T&D total operating profit increased by £19 million to £65 million.

At Comgas, in Brazil, operating profit increased by £21 million to £50 million, primarily due to a 11% increase in volumes and a favourable Brazilian Real (BRL) exchange rate. Operating profit included a £5 million benefit from lower gas costs. This benefit is expected to be passed back to customers through lower tariffs 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.

POWER GENERATION

Business Performance	First Quarter		
	2006	2005	
	£m	£m	
Revenue and other operating income	92	75	+23%
Total operating profit	39	36	+8%
Capital investment	1	-	-

The increase in revenue is primarily due to the pass through of gas costs. Operating profit includes a one-off contribution of insurance proceeds at Seabank Power.

First quarter business highlights

During the first quarter, remedial works were completed on the Seabank steam turbine and the plant was declared fully operational on 27 February.

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 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. 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, page 12 and note 2 to the accounts, page 18.

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 19.

Exchange rates and prices

BG Group also discloses certain information, as indicated, at constant US\$/UK£ exchange rates and upstream prices. The presentation of results in this manner is intended to provide additional information to explain further the underlying trends in the business.

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 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
FIRST QUARTER**

	Notes	2006			2005 restated ⁽ⁱⁱ⁾		
		Business Performance ⁽ⁱ⁾ £m	Disposals and re-measurements (Note 2) ⁽ⁱ⁾ £m	Total Result £m	Business Performance ⁽ⁱ⁾ £m	Disposals and re-measurements (Note 2) ⁽ⁱ⁾ £m	Total Result £m
Group revenue		1 931	-	1 931	1 070	-	1 070
Other operating income		41	24	65	24	(38)	(14)
Group revenue and other operating income	3	1 972	24	1 996	1 094	(38)	1 056
Operating costs		(1 084)	-	(1 084)	(661)	-	(661)
Profit on disposal of non-current assets		-	-	-	-	13	13
Operating profit/(loss) before share of results from joint ventures and associates	3	888	24	912	433	(25)	408
Finance income	4	36	3	39	11	11	22
Finance costs	4	(19)	(3)	(22)	(23)	(9)	(32)
Share of post-tax results from joint ventures and associates	3	38	-	38	39	-	39
Profit/(loss) before tax		943	24	967	460	(23)	437
Taxation	5	(368)	(10)	(378)	(183)	16	(167)
Profit for the period		575	14	589	277	(7)	270
Attributable to:							
BG Group shareholders (earnings)		563	15	578	269	(10)	259
Minority interest		12	(1)	11	8	3	11
		575	14	589	277	(7)	270
Earnings per share – basic	6	16.0p	0.4p	16.4p	7.6p	(0.3)p	7.3p
Earnings per share – diluted	6	15.9p	0.4p	16.3p	7.6p	(0.3)p	7.3p
Total operating profit including share of pre-tax operating results from joint ventures and associates⁽ⁱⁱⁱ⁾	3	958	24	982	485	(25)	460

i) See Presentation of Non-GAAP measures, page 10, for an explanation of results excluding disposals and re-measurements and presentation of the results of joint ventures and associates.

ii) 2005 comparatives have been restated on the application of IFRIC 4 and amendments to IAS 39. See Note 1, page 17.

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
FIRST QUARTER**

	31 Mar 2006 £m	As at	
		31 Dec 2005 restated £m	31 Mar 2005 restated £m
Assets			
Non-current assets			
Goodwill	361	342	272
Other intangible assets	797	682	601
Property, plant and equipment	5 835	5 830	4 873
Investments	1 203	1 129	1 090
Deferred tax assets	90	91	74
Trade and other receivables	51	52	48
Derivative financial instruments	95	84	142
	8 432	8 210	7 100
Current assets			
Inventories	170	185	85
Trade and other receivables	1 837	1 674	1 224
Commodity contracts and other derivative financial instruments	12	10	26
Cash and cash equivalents	1 697	1 516	245
	3 716	3 385	1 580
Assets classified as held for sale	10	10	581
Total assets	12 158	11 605	9 261
Liabilities			
Current liabilities			
Borrowings	(47)	(81)	(381)
Trade and other payables	(1 529)	(1 308)	(1 049)
Current tax liabilities	(466)	(409)	(260)
Commodity contracts and other derivative financial instruments	(658)	(711)	(458)
	(2 700)	(2 509)	(2 148)
Non-current liabilities			
Borrowings	(1 507)	(1 497)	(1 096)
Trade and other payables	(63)	(68)	(87)
Derivative financial instruments	-	(2)	-
Deferred income tax liabilities	(774)	(733)	(787)
Retirement benefit obligations	(159)	(154)	(139)
Provisions for other liabilities and charges	(375)	(372)	(338)
	(2 878)	(2 826)	(2 447)
Liabilities associated with assets classified as held for sale	(3)	(3)	(74)
Total liabilities	(5 581)	(5 338)	(4 669)
Net assets	6 577	6 267	4 592
Attributable to:			
BG Group equity shareholders	6 464	6 169	4 564
Minority interests	113	98	28
Total equity	6 577	6 267	4 592

STATEMENT OF CHANGES IN EQUITY

	First Quarter	
	2006	2005 restated
	£m	£m
BG Group shareholders' funds	6 182	4 567
Minority interest	98	20
Equity as at 31 December 2005 and 2004 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)
Equity as at 1 January 2006 and 2005 restated	6 267	4 341
Profit for the financial period	589	270
Issue of shares	6	8
Purchase of own shares	(140)	-
Adjustment in respect of employee share schemes	6	3
Dividends on ordinary shares	(144)	(74)
Currency translation and hedge adjustments net of tax	(7)	44
Net changes in equity for the financial period	310	251
Equity as at 31 March		
BG Group shareholders' funds	6 464	4 564
Minority interest	113	28
	6 577	4 592

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

CONSOLIDATED CASH FLOW STATEMENT

	First Quarter	
	2006	2005 restated
	£m	£m
Cash flows from operating activities		
Profit from operations	912	408
Depreciation of property, plant and equipment and amortisation of intangible assets	149	117
Fair value movements in commodity contracts	(41)	37
Profit on disposal of non-current assets	-	(13)
Unsuccessful exploration expenditure written off	11	10
Increase/(decrease) in provisions	4	8
Share based payments	6	3
(Increase)/decrease in working capital	(54)	(17)
Cash generated by operations	987	553
Income taxes paid	(285)	(143)
Net cash inflow from operating activities	702	410
Cash flows from investing activities		
Dividends received from joint ventures and associates	11	12
Proceeds from disposal of subsidiary undertakings and investments	4	26
Purchase of property, plant and equipment and intangible assets	(349)	(290)
Loans (to)/from joint ventures and associates	(16)	(9)
Purchase of subsidiary undertakings and investments	(2)	-
Net cash outflow from investing activities	(352)	(261)
Cash flows from financing activities		
Net interest received/(paid) ⁽ⁱ⁾	8	(15)
Net proceeds from issue of new borrowings	16	56
Repayment of borrowings	(48)	(313)
Issue of shares	6	8
Purchase of own shares	(147)	-
Net cash outflow from financing activities	(165)	(264)
Net increase/(decrease) in cash and cash equivalents	185	(115)
Cash and cash equivalents at beginning of period	1 516	340
Effect of foreign exchange rate changes	(4)	20
Cash and cash equivalents at end of period⁽ⁱⁱ⁾	1 697	245

i) Includes capitalised interest for the first quarter of £14 million (2005 £3 million).

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

RECONCILIATION OF NET BORROWINGS/FUNDS⁽ⁱ⁾ – FIRST QUARTER

	£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	185
Cash outflow from changes in gross borrowings	32
Inception of finance leases	(18)
Foreign exchange and other re-measurements	14
Net funds as at 31 March 2006^{(i) (ii)}	183

Net borrowings attributable to Comgas were £203 million (31 December 2005 £189 million).

As at 31 March 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 funds/(borrowings) are defined on page 26.

ii) Net funds/(borrowings) comprise:

	As at	
	31 Mar 2006	31 Dec 2005
	£m	£m
<i>Amounts receivable/(due) within one year</i>		
Cash and cash equivalents	1 697	1 516
Overdrafts, loans and finance leases	(47)	(81)
Derivative financial instruments ⁽ⁱⁱⁱ⁾	(55)	(50)
	1 595	1 385
<i>Amounts receivable/(due) after more than one year</i>		
Loans and finance leases	(1 507)	(1 497)
Derivative financial instruments	95	82
	(1 412)	(1 415)
Net funds/(borrowings)	183	(30)

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

Notes

1. Basis of preparation

These primary statements are the unaudited interim consolidated financial statements of BG Group plc for the quarter ended 31 March 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.

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 the 2005 first quarter income statement is an increase in operating profit of £2 million and an increase in finance costs of £3 million, resulting in a decrease in earnings of £1 million.

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.

2. Disposals and re-measurements

	First Quarter	
	2006	2005
	£m	£m
Revenue and other operating income – re-measurements of commodity contracts	24	(38)
Profit on disposal of non-current assets	-	13
Net finance costs – re-measurements of financial instruments	-	2
Taxation	(10)	16
Minority interest	1	(3)
Impact on earnings	15	(10)

Revenue and other operating income

Re-measurements included within revenue and other operating income amount to a credit of £24 million for the quarter (2005 £38 million charge), of which £19 million (2005 £29 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.

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.

2005 first quarter: Disposal of investment

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

3. Segmental analysis

Group revenue and other operating income	Business Performance	Disposals and re-measurements	Total	Business Performance	Disposals and re-measurements	Total
	2006 £m	2006 £m	2006 £m	2005 £m	2005 £m	2005 £m
Exploration and Production	1 073	24	1 097	635	(34)	601
Liquefied Natural Gas	653	-	653	220	(4)	216
Transmission and Distribution	203	-	203	169	-	169
Power Generation	92	-	92	75	-	75
Other activities	3	-	3	2	-	2
Less: intra-group sales	(52)	-	(52)	(7)	-	(7)
	1 972	24	1 996	1 094	(38)	1 056

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
Exploration and Production	750	353	-	-	750	353	(24)	34	726	387
Liquefied Natural Gas	108	4	30	21	138	25	-	4	138	29
Transmission and Distribution	54	48	11	11	65	59	-	(13)	65	46
Power Generation	10	16	29	20	39	36	-	-	39	36
Other activities	(10)	(13)	-	-	(10)	(13)	-	-	(10)	(13)
	912	408	70	52	982	460	(24)	25	958	485

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 first quarter is £38 million (2005 £39 million).

ii) Business Performance excludes certain disposals and re-measurements. See Note 2, page 18 and Presentation of Non-GAAP measures, page 10.

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	2005	2006	2005	2006	2005
First Quarter	£m	£m	£m	£m	£m	£m
Exploration and Production	750	353	-	-	750	353
Liquefied Natural Gas	108	4	12	17	120	21
Transmission and Distribution	54	48	6	10	60	58
Power Generation	10	16	20	12	30	28
Other activities	(10)	(13)	-	-	(10)	(13)
	912	408	38	39	950	447
Net finance income/(costs)					17	(10)
Taxation					(378)	(167)
Profit for the period					589	270

4. Net finance costs

	First Quarter	
	2006 £m	2005 £m
Interest payable	(18)	(16)
Interest on obligations under finance leases	(12)	(7)
Interest capitalised	14	3
Unwinding of discount on provisions ⁽ⁱ⁾	(3)	(3)
Disposals and re-measurements (Note 2)	(3)	(9)
Finance costs	(22)	(32)
Interest receivable	36	11
Disposals and re-measurements (Note 2)	3	11
Finance income	39	22
Net finance income/(costs)⁽ⁱⁱ⁾	17	(10)

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 first quarter of £16 million (2005 £9 million).

5. Taxation

The taxation charge for the first quarter before disposals and re-measurements was £368 million (2005 £183 million), and the taxation charge including disposals and re-measurements was £378 million (2005 £167 million).

The Group share of taxation from joint ventures and associates for the first quarter was £16 million (2005 £4 million).

6. Earnings per ordinary share

	First Quarter			
	2006		2005	
	£m	Pence per share	£m	Pence per share
Earnings	578	16.4	259	7.3
Re-measurements (after tax and minority interest)	(15)	(0.4)	23	0.7
Profit on disposals (after tax)	-	-	(13)	(0.4)
Earnings – excluding disposals and re-measurements	563	16.0	269	7.6

Basic earnings per share calculations in 2006 are based on shares in issue of 3 527 million for the quarter.

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 3 551 million for the quarter, being the weighted average number of ordinary shares in issue during the quarter as adjusted for share options.

7. Capital investment – geographical analysis

	First Quarter	
	2006 £m	2005 £m
Europe and Central Asia	104	126
South America	73	24
Asia Pacific	23	14
North America and the Caribbean	109	64
Mediterranean Basin and Africa	77	87
	386	315

8. Quarterly information: earnings and earnings per share

	2006 £m	2005 £m	2006 pence	2005 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		484		13.7
- excluding disposals and re-measurements		275		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

	First Quarter		Fourth Quarter
	2006	2005	2005
Production volumes (mmboe)			
- oil	5.6	4.7	5.5
- liquids	7.4	7.7	7.8
- gas	42.8 ⁽ⁱ⁾	31.3	41.0
- total	55.8	43.7	54.3
Production volumes (boepd in thousands)			
- oil	62	52	60
- liquids	82	86	85
- gas	476	348	445
- total	620	486	590
LNG cargoes (standard)			
- delivered to Lake Charles	2	8	12
- delivered to Elba Island	9	10	14
- re-marketed	29	10	13
- total	40	28	39
Average realised oil price per barrel	£35.74 (\$62.53)	£25.35 (\$48.24)	£33.36 (\$58.55)
Average realised liquids price per barrel	£28.68 (\$50.17)	£17.35 (\$33.01)	£26.87 (\$47.17)
Average realised UK gas price per produced therm	38.84p	24.12p	38.89p
Average realised International gas price per produced therm	18.40p	13.85p	21.43p
Average realised gas price per produced therm	23.69p	17.48p	26.11p
Lifting costs per boe ⁽ⁱⁱ⁾	£1.19 (\$2.08)	£1.15 (\$2.18)	£1.09 (\$1.92)
Operating expenditure per boe	£2.18 (\$3.82)	£2.08 (\$3.96)	£2.19 (\$3.85)
Development expenditure (£m)	131	155	188
Gross exploration expenditure (£m)			
- capitalised expenditure	136	87	89
- other expenditure	33	15	42
- gross expenditure	169	102	131

i) Q1 2006 includes fuel gas of 1.0 mmboe.

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 JOA IAS 39 IFRS LNG m mmboe mmbtu mmcfd mmcmd mmscfd mmscm mmscmd MoU mtpa MW Net borrowings/funds </p> <p> NGL PSA PSC Standard Cargo 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 Joint operating agreement 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 production sharing contract 2 750 000 mmbtu 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

Payment of 2005 final dividend:

Shareholders **12 May 2006**

American depositary receipt holders **19 May 2006**

Announcement of 2006 second quarter and half year results **26 July 2006**

Announcement of 2006 third quarter results **2 November 2006**

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

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