

# BG GROUP PLC

## 2007 FIRST QUARTER RESULTS

BG Group's Chief Executive, Frank Chapman said:

"BG has delivered a good operating performance against a background of softer commodity prices and a weaker US dollar. In addition, the ramping up of production from Buzzard, a new LNG supply agreement from Nigeria and the award of an initial FEED contract for the Karachaganak Phase III expansion represent solid progress against our long-term growth programme."

### HIGHLIGHTS

<b>Business Performance<sup>(i)</sup></b>	<b>First Quarter</b>		
	<b>2007</b>	<b>2006</b>	
	<b>£m</b>	<b>£m</b>	
Revenue and other operating income	<b>1 980</b>	1 972	-
Total operating profit including share of pre-tax operating results from joint ventures and associates	<b>823</b>	958	-14%
Earnings for the period	<b>448</b>	563	-20%
Earnings per share	<b>13.1p</b>	16.0p	-18%
<b>Total results for the period (including disposals, re-measurements and impairments)</b>			
Revenue and other operating income	<b>1 947</b>	1 996	-2%
Operating profit before share of results from joint ventures and associates	<b>734</b>	912	-20%
Total operating profit including share of pre-tax operating results from joint ventures and associates	<b>789</b>	982	-20%
Earnings for the period	<b>432</b>	578	-25%
Earnings per share	<b>12.7p</b>	16.4p	-23%

- i) 'Business Performance' excludes disposals, certain re-measurements and impairments 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 10 and Results Presentation, page 3. Unless otherwise stated, the results discussed in this release relate to BG Group's Business Performance.

## HIGHLIGHTS

- Earnings were £448 million for the first quarter.
- At constant US\$/UK£ exchange rates and upstream prices, total operating profit would have increased by 3% for the first quarter.
- LNG managed volumes increased by 25%.
- Agreed to acquire Masspower power plant, USA.
- Sale of selected Canadian exploration and production assets.
- Sale and Purchase Agreement signed with Nigeria LNG for the acquisition of 2.25 mtpa from Train 7 for a 20 year term.
- Shareholders' Agreement signed for OKLNG, Nigeria.
- Shareholders' Agreement signed for Quintero LNG, Chile.
- Signed a Production Sharing Contract for a 45% interest in Block KG-OSN-2004/1 in the Krishna-Godavari basin, India.
- Capital investment of £869 million included the acquisitions of the Lake Road and Serene power plants.

## 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 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 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 4 to 9. 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.

First Quarter	Business Performance		Disposals, re-measurements and impairments <sup>(i)</sup>		Total Result	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Operating profit before share of results from joint ventures and associates	<b>768</b>	888	<b>(33)</b>	24	<b>735</b>	912
Profits and losses on disposal of non-current assets and impairments	-	-	<b>(1)</b>	-	<b>(1)</b>	-
Operating profit before share of results from joint ventures and associates	<b>768</b>	888	<b>(34)</b>	24	<b>734</b>	912
Pre-tax share of operating results of joint ventures and associates	<b>55</b>	70	-	-	<b>55</b>	70
Total operating profit	<b>823</b>	958	<b>(34)</b>	24	<b>789</b>	982
Net finance costs						
Finance income	<b>33</b>	36	<b>5</b>	3	<b>38</b>	39
Finance costs	<b>(30)</b>	(19)	<b>(4)</b>	(3)	<b>(34)</b>	(22)
Share of joint ventures and associates	<b>(12)</b>	(16)	-	-	<b>(12)</b>	(16)
	<b>(9)</b>	1	<b>1</b>	-	<b>(8)</b>	1
Taxation						
Taxation	<b>(357)</b>	(368)	<b>17</b>	(10)	<b>(340)</b>	(378)
Share of joint ventures and associates	<b>1</b>	(16)	-	-	<b>1</b>	(16)
	<b>(356)</b>	(384)	<b>17</b>	(10)	<b>(339)</b>	(394)
Profit for the period	<b>458</b>	575	<b>(16)</b>	14	<b>442</b>	589
Profit attributable to:						
Shareholders (earnings)	<b>448</b>	563	<b>(16)</b>	15	<b>432</b>	578
Minority interest	<b>10</b>	12	-	(1)	<b>10</b>	11
	<b>458</b>	575	<b>(16)</b>	14	<b>442</b>	589

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 10.

**BUSINESS REVIEW**

*The results discussed in this Business Review (pages 4 to 9) relate to BG Group's performance excluding disposals, re-measurements and impairments. For the impact and a description of these items, see the consolidated income statement (page 12) and Note 2 of the accounts (page 17). 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		
	2007 £m	2006 £m	
Revenue and other operating income	1 980	1 972	-
Total operating profit including share of pre-tax results from joint ventures and associates			
Exploration and Production	626	726	-14%
Liquefied Natural Gas	121	138	-12%
Transmission and Distribution	50	65	-23%
Power Generation	38	39	-3%
Other activities	(12)	(10)	-20%
	823	958	-14%
Net finance costs	(9)	1	-
Taxation	(356)	(384)	-7%
Earnings	448	563	-20%
Earnings per share	13.1p	16.0p	-18%
Capital investment	869	386	+125%

Revenue and other operating income was broadly in line with the prior year. Increased volumes in all segments were offset by lower prices in the E&P and LNG segments and the weaker US\$/UK£ exchange rate.

Total operating profit of £823 million reflected a 4% increase in E&P production volumes, offset by lower commodity prices and a weaker US\$/UK£ exchange rate. At constant US\$/UK£ exchange rates and upstream prices, underlying total operating profit would have increased by 3%.

The increase in the Group's effective tax rate (including BG Group's share of joint ventures and associates) from 40% to 43.7% reflects the increase in the North Sea tax rate which became effective from the second quarter 2006.

Cash conversion remained strong with cash generated by operations of £1 086 million.

Capital investment in the quarter of £869 million included power plant acquisitions of £431 million in the USA and Italy, E&P acquisitions of £67 million in the UK, and continuing investment in North America and the Caribbean (£110 million), Europe and Central Asia (£113 million), Mediterranean Basin and Africa (£93 million), Asia Pacific (£36 million) and South America (£19 million).

As at 31 March 2007, the Group had returned £105 million to shareholders as part of the share repurchase programme announced on 8 February 2007. As at 31 March 2007, net borrowings were £27 million.

**EXPLORATION AND PRODUCTION**

<b>Business Performance</b>	<b>First Quarter</b>		
	<b>2007</b>	<b>2006</b>	
	<b>£m</b>	<b>£m</b>	
Production volumes (mmboe)	<b>58.2</b>	55.8	+4%
Revenue and other operating income	<b>1 027</b>	1 073	-4%
Total operating profit	<b>626</b>	726	-14%
Capital investment	<b>359</b>	271	+32%

*Additional operating and financial data are given on page 23.*

E&P total operating profit of £626 million reflected a 4% increase in volumes, offset by lower commodity prices and a weaker US\$/UK£ exchange rate. At constant US\$/UK£ exchange rates and upstream prices, total operating profit would have increased by 6%.

Production volumes increased by 4% principally due to Atlantic/Cromarty and the start-up of the Buzzard field in the UK.

Unit operating expenditure was up 33 pence to £2.51 per boe reflecting the start-up of new fields in the UK and maintenance activity.

The exploration charge of £56 million is £12 million higher than 2006 reflecting the increased exploration activities across the Group.

The Group's average realised international gas price was 16.3 pence (2006 18.4 pence) per produced therm reflecting lower Henry Hub prices and a weaker US\$/UK£ exchange rate. In the UK, the average realised price per produced therm was 37.0 pence (2006 38.8 pence).

Capital investment of £359 million included expenditure in Egypt (£28 million), India (£31 million), Trinidad and Tobago (£21 million), Tunisia (£63 million) and the UK (£141 million).

**First quarter business highlights**

In February, Stage 1 of the Front-End Engineering and Design contract for Phase III of the development of the Karachaganak Processing Complex in Kazakhstan was awarded.

On 2 March, BG Group announced that, together with Oil and Natural Gas Corporation Limited, it had signed a Production Sharing Contract (PSC) with the Government of India for Block KG-OSN-2004/1, awarded in the NELP VI licensing round. BG Group has a 45% interest in the shallow water block, which covers an area of approximately 1 131 square kilometres and is located in the Krishna-Godavari basin off the east coast of India.

On 6 March, BG Group announced that it had signed a Sale and Purchase Agreement for the sale of producing assets in Canada - Bubbles, Ojay and Copton/Lynx - for a final consideration of C\$516 million (approximately US\$437 million). BG Group retains exploration prospects in Canada and Alaska. The sale completed on 2 April.

On 8 March, the PSC in Nigeria for offshore Block OPL 286 was completed by BG Group and partners (BG Group 66% and operator).

On 30 March, BG Group completed the acquisition of a further 11.45% of Armada and 1.0134% of Everest fields in the UKCS.

In March, the Venezuela and Trinidad and Tobago governments signed a framework agreement on sharing cross-border reserves in the Plataforma Deltana which includes the Manatee discovery (BG Group 50%).

## LIQUEFIED NATURAL GAS

Business Performance	First Quarter		
	2007 £m	2006 £m	
Revenue and other operating income	697	653	+7%
Total operating profit			
Shipping and marketing	115	126	-9%
Liquefaction	25	30	-17%
Business development and other	(19)	(18)	+6%
	121	138	-12%
Capital investment	60	88	-32%

*Additional operating and financial data are given on page 23.*

LNG total operating profit fell by £17 million to £121 million as higher volumes were more than offset by the lower Henry Hub price and the weaker US\$/UK£ exchange rate.

In shipping and marketing, total operating profit of £115 million was down 9%, reflecting the weaker US\$ and lower Henry Hub price. At constant US\$/UK£ exchange rates, shipping and marketing underlying total operating profit would have increased by 2%.

Managed volumes were up 25% due to increased long-term contracted supply and higher spot cargo availability.

BG Group's share of operating profit from liquefaction activities decreased by £5 million to £25 million, principally due to lower Henry Hub prices.

Capital investment includes £43 million relating to LNG vessels, £6 million relating to regasification development projects and £9 million in Atlantic LNG.

### First quarter business highlights

On 12 February, BG Group announced that it had signed a Sale and Purchase Agreement with Nigeria LNG for the acquisition of 2.25 million tonnes per annum (mtpa) of LNG for a 20 year term from the planned Train 7 project in Finima, Bonny Island, Nigeria.

On 22 March, BG Group and its partners signed the Shareholders' Agreement for the OKLNG project in Nigeria (BG Group 13.5%). The Agreement governs the OKLNG Free Zone Enterprise, and the development of the OKLNG Project.

During the first quarter, BG Group signed the Shareholders' Agreement for GNL Quintero S.A., (BG Group 40%). GNL Quintero has been formed to construct, own and operate an LNG import facility in Quintero Bay, Chile.

In February, work was suspended at the Brindisi LNG site following allegations regarding the permitting process for the project. Further details of this post balance sheet event, were included in the 2006 Annual Report and Accounts.

## TRANSMISSION AND DISTRIBUTION

Business Performance	First Quarter		
	2007 £m	2006 £m	
Revenue and other operating income			
Comgas	174	168	+4%
Other	46	35	+31%
	220	203	+8%
Total operating profit			
Comgas	40	50	-20%
Other	10	15	-33%
	50	65	-23%
Capital investment	16	25	-36%

T&D total operating profit for the quarter was £50 million.

At Comgas, in Brazil, total operating profit of £40 million was down £10 million as the 7% increase in volumes was offset by the adverse effect of the Brazilian Real (BRL) exchange rate, movements in the regulatory current account and higher costs. Operating profit in the quarter includes £2 million (2006 £5 million) to be passed back to customers in future periods. At the end of the quarter, the total to be passed back to customers in future periods is £8 million.

Profits derived from Interconnector capacity were £5 million lower reflecting lower differentials between UK and European gas prices.

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

**POWER GENERATION**

<b>Business Performance</b>	<b>First Quarter</b>		
	<b>2007</b>	<b>2006</b>	
	<b>£m</b>	<b>£m</b>	
Revenue and other operating income	<b>96</b>	92	+4%
Total operating profit	<b>38</b>	39	-3%
Capital investment	<b>433</b>	1	-

The increase in revenue is primarily due to the pass through of gas costs. Total operating profit of £38 million in the quarter was broadly in line with 2006. This includes a one-off contribution from the settlement of a contractual dispute at Premier Power, and lower profits at Seabank where one-off insurance proceeds arose in 2006.

Capital investment relates primarily to the acquisitions of the Lake Road power plant in the USA and the remaining equity (66.3%) of Serene S.p.A in Italy.

**First quarter business highlights**

The acquisition of the Lake Road power plant, located in Connecticut, USA completed on 13 March and the acquisition of the remaining equity in the Serene power plants, Italy completed on 14 February.

On 2 April, BG Group announced that it had signed a Sale and Purchase Agreement to acquire the Masspower power plant, a 262 MW gas- and oil-fired combined cycle facility located in Indian Orchard, Massachusetts, USA for US\$150 million. The purchase completed on 1 May 2007.

## Presentation of Non-GAAP measures

### Business Performance

'Business Performance' excludes disposals, certain re-measurements and impairments (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, certain re-measurements and impairments

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, re-measurements and impairments'. 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, closures and impairments, 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, re-measurements and impairments, see the consolidated income statement, page 12 and note 2 to the accounts, page 17.

### 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 18.

### 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 BG Group's 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 2006. 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	2007			2006		
		Business Performance <sup>(i)</sup> £m	Disposals, re-measurements and impairments (Note 2) <sup>(ii)</sup> £m	Total Result £m	Business Performance <sup>(i)</sup> £m	Disposals, re-measurements and impairments (Note 2) <sup>(ii)</sup> £m	Total Result £m
Group revenue		1 943	-	1 943	1 931	-	1 931
Other operating income	2	37	(33)	4	41	24	65
<b>Group revenue and other operating income</b>	3	<b>1 980</b>	<b>(33)</b>	<b>1 947</b>	<b>1 972</b>	<b>24</b>	<b>1 996</b>
Operating costs		(1 212)	-	(1 212)	(1 084)	-	(1 084)
Profits and losses on disposal of non-current assets and impairments	2	-	(1)	(1)	-	-	-
<b>Operating profit/(loss) before share of results from joint ventures and associates</b>	3	<b>768</b>	<b>(34)</b>	<b>734</b>	<b>888</b>	<b>24</b>	<b>912</b>
Finance income	2, 4	33	5	38	36	3	39
Finance costs	2, 4	(30)	(4)	(34)	(19)	(3)	(22)
Share of post-tax results from joint ventures and associates	3	44	-	44	38	-	38
<b>Profit/(loss) before tax</b>		<b>815</b>	<b>(33)</b>	<b>782</b>	<b>943</b>	<b>24</b>	<b>967</b>
Taxation	2, 5	(357)	17	(340)	(368)	(10)	(378)
<b>Profit for the period</b>		<b>458</b>	<b>(16)</b>	<b>442</b>	<b>575</b>	<b>14</b>	<b>589</b>
<b>Attributable to:</b>							
BG Group shareholders (earnings)		448	(16)	432	563	15	578
Minority interest		10	-	10	12	(1)	11
		<b>458</b>	<b>(16)</b>	<b>442</b>	<b>575</b>	<b>14</b>	<b>589</b>
Earnings per share – basic	6	13.1p	(0.4p)	12.7p	16.0p	0.4p	16.4p
Earnings per share – diluted	6	13.0p	(0.4p)	12.6p	15.9p	0.4p	16.3p
<b>Total operating profit including share of pre-tax operating results from joint ventures and associates<sup>(ii)</sup></b>	3	<b>823</b>	<b>(34)</b>	<b>789</b>	<b>958</b>	<b>24</b>	<b>982</b>

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

ii) This measurement is shown by BG Group as it is used as a means of measuring the underlying performance of the business.

## CONSOLIDATED BALANCE SHEET

	As at		
	31 Mar 2007 £m	31 Dec 2006 <sup>(i)</sup> £m	31 Mar 2006 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	339	328	361
Other intangible assets	665	694	797
Property, plant and equipment	6 535	5 960	5 835
Investments	1 094	1 086	1 203
Deferred tax assets	70	74	90
Trade and other receivables	48	49	51
Commodity contracts and other derivative financial instruments	402	273	95
	<b>9 153</b>	<b>8 464</b>	<b>8 432</b>
<b>Current assets</b>			
Inventories	228	247	170
Trade and other receivables	1 828	1 854	1 837
Commodity contracts and other derivative financial instruments	247	575	12
Cash and cash equivalents	1 705	1 463	1 697
	<b>4 008</b>	<b>4 139</b>	<b>3 716</b>
Assets classified as held for sale	224	85	10
<b>Total assets</b>	<b>13 385</b>	<b>12 688</b>	<b>12 158</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	(66)	(103)	(47)
Trade and other payables	(1 711)	(1 618)	(1 529)
Current tax liabilities	(513)	(357)	(466)
Commodity contracts and other derivative financial instruments	(507)	(741)	(658)
	<b>(2 797)</b>	<b>(2 819)</b>	<b>(2 700)</b>
<b>Non-current liabilities</b>			
Borrowings	(1 768)	(1 559)	(1 507)
Trade and other payables	(19)	(21)	(63)
Commodity contracts and other derivative financial instruments	(196)	(90)	-
Deferred income tax liabilities	(1 171)	(1 146)	(774)
Retirement benefit obligations	(145)	(167)	(159)
Provisions for other liabilities and charges	(402)	(387)	(375)
	<b>(3 701)</b>	<b>(3 370)</b>	<b>(2 878)</b>
Liabilities associated with assets classified as held for sale	(27)	(34)	(3)
<b>Total liabilities</b>	<b>(6 525)</b>	<b>(6 223)</b>	<b>(5 581)</b>
<b>Net assets</b>	<b>6 860</b>	<b>6 465</b>	<b>6 577</b>
<b>Attributable to:</b>			
BG Group equity shareholders	6 747	6 363	6 464
Minority interest	113	102	113
<b>Total equity</b>	<b>6 860</b>	<b>6 465</b>	<b>6 577</b>

(i) Restated as a result of post balance sheet events as detailed in the 2006 Annual Report and Accounts.

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

	<b>First Quarter</b>	
	<b>2007</b>	<b>2006</b>
	<b>£m</b>	<b>£m</b>
Profit for the period	<b>442</b>	589
Hedge adjustments net of tax	<b>13</b>	22
Currency translation adjustments	<b>26</b>	(29)
Net gains/(losses) recognised directly in equity	<b>39</b>	(7)
Total recognised income for the period	<b>481</b>	582
Attributable to:		
Minority interests	<b>11</b>	15
Shareholders	<b>470</b>	567
	<b>481</b>	582

## CONSOLIDATED CASH FLOW STATEMENT

	First Quarter	
	2007	2006
	£m	£m
<b>Cash flows from operating activities</b>		
Profit before taxation	782	967
Share of post-tax results from joint ventures and associates	(44)	(38)
Depreciation of property, plant and equipment and amortisation of intangible assets	168	149
Fair value movements in commodity contracts	72	(41)
Profit and losses on disposal of non-current assets and impairments	1	-
Unsuccessful exploration expenditure written off	10	11
(Decrease)/increase in provisions	(20)	4
Finance income	(38)	(39)
Finance costs	34	22
Share-based payments	7	6
Decrease/(increase) in working capital	114	(54)
<b>Cash generated by operations</b>	<b>1 086</b>	<b>987</b>
Income taxes paid	(184)	(285)
<b>Net cash inflow from operating activities</b>	<b>902</b>	<b>702</b>
<b>Cash flows from investing activities</b>		
Dividends received from joint ventures and associates	24	11
Proceeds from disposal of subsidiary undertakings and investments	80	4
Purchase of property, plant and equipment and intangible assets	(374)	(349)
Loans (to)/from joint ventures and associates	(15)	(16)
Business combinations and investments	(406)	(2)
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(691)</b>	<b>(352)</b>
<b>Cash flows from financing activities</b>		
Net interest received/(paid) <sup>(i)</sup>	(2)	8
Net proceeds from issue of new borrowings	137	16
Repayment of borrowings	(16)	(48)
Issue of shares	7	6
Purchase of own shares	(96)	(147)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>30</b>	<b>(165)</b>
<b>Net increase in cash and cash equivalents</b>	<b>241</b>	<b>185</b>
Cash and cash equivalents at beginning of period	1 463	1 516
Effect of foreign exchange rate changes	1	(4)
<b>Cash and cash equivalents at end of period<sup>(ii)</sup></b>	<b>1 705</b>	<b>1 697</b>

i) Includes capitalised interest for the first quarter of £11 million (2006 £14 million).

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

**RECONCILIATION OF NET BORROWINGS/FUNDS<sup>(i)</sup> – FIRST QUARTER**

	<b>£m</b>
Net borrowings as at 31 December 2006 <sup>(i) (ii)</sup>	<b>(103)</b>
Net increase in cash and cash equivalents	<b>241</b>
Cash inflow from changes in gross borrowings	<b>(121)</b>
Inception of finance leases	<b>(16)</b>
Effect of acquisitions	<b>(40)</b>
Foreign exchange and other re-measurements	<b>12</b>
<b>Net borrowings as at 31 March 2007<sup>(i) (ii)</sup></b>	<b>(27)</b>

Net borrowings attributable to Comgas were £265 million (31 December 2006 £242 million).

As at 31 March 2007, BG Group's share of the net borrowings in joint ventures and associates amounted to approximately £1 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 25.*

ii) *Net borrowings/funds comprise:*

	<b>As at</b>	
	<b>31 Mar 2007</b>	<b>31 Dec 2006</b>
	<b>£m</b>	<b>£m</b>
<i>Amounts receivable/(due) within one year</i>		
Cash and cash equivalents	<b>1 705</b>	1 463
Overdrafts, loans and finance leases	<b>(66)</b>	(103)
Derivative financial instruments <sup>(iii)</sup>	<b>(7)</b>	-
	<b>1 632</b>	1 360
<i>Amounts receivable/(due) after more than one year</i>		
Loans and finance leases	<b>(1 768)</b>	(1 559)
Derivative financial instruments <sup>(iii)</sup>	<b>109</b>	96
	<b>(1 659)</b>	(1 463)
<b>Net borrowings</b>	<b>(27)</b>	(103)

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 2007. 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 2006, 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 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.

### 2. Disposals, re-measurements and impairments

	First Quarter	
	2007 £m	2006 £m
Revenue and other operating income – re-measurements of commodity contracts	(33)	24
Profits and losses on disposal of non-current assets and impairments	(1)	-
Net finance income – re-measurements of financial instruments	1	-
Taxation	17	(10)
Minority interest	-	1
<b>Impact on earnings</b>	<b>(16)</b>	<b>15</b>

#### First quarter: Revenue and other operating income

Re-measurements included within revenue and other operating income amount to a charge of £33 million for the quarter (2006 £24 million credit), of which a £3 million charge (2006 £19 million credit) 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.

#### 2007 first quarter: Disposal of non-current assets

During the first quarter, BG Group disposed of its Mauritanian interests. This resulted in a loss on disposal of £1 million. No tax arose on the disposal.

### 3. Segmental analysis

Group revenue and other operating income	Business Performance	Disposals, re-measurements and impairments	Total Result	Business Performance	Disposals, re-measurements and impairments	Total Result
First Quarter	2007 £m	2007 £m	2007 £m	2006 £m	2006 £m	2006 £m
Exploration and Production	1 027	(33)	994	1 073	24	1 097
Liquefied Natural Gas	697	-	697	653	-	653
Transmission and Distribution	220	-	220	203	-	203
Power Generation	96	-	96	92	-	92
Other activities	2	-	2	3	-	3
Less: intra-group sales	(62)	-	(62)	(52)	-	(52)
	<b>1 980</b>	<b>(33)</b>	<b>1 947</b>	<b>1 972</b>	<b>24</b>	<b>1 996</b>

First Quarter	Business Performance <sup>(i)</sup>		Disposals, re-measurements and impairments <sup>(i)</sup>		Total Result	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
<b>Total operating profit before share of results from joint ventures and associates</b>						
Exploration and Production	626	726	(34)	24	592	750
Liquefied Natural Gas	96	108	-	-	96	108
Transmission and Distribution	40	54	-	-	40	54
Power Generation	18	10	-	-	18	10
Other activities	(12)	(10)	-	-	(12)	(10)
	<b>768</b>	<b>888</b>	<b>(34)</b>	<b>24</b>	<b>734</b>	<b>912</b>
<b>Pre-tax share of operating results of joint ventures and associates<sup>(ii)</sup></b>						
Liquefied Natural Gas	25	30	-	-	25	30
Transmission and Distribution	10	11	-	-	10	11
Power Generation	20	29	-	-	20	29
	<b>55</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>70</b>
<b>Total operating profit including share of results from joint ventures and associates</b>						
Exploration and Production	626	726	(34)	24	592	750
Liquefied Natural Gas	121	138	-	-	121	138
Transmission and Distribution	50	65	-	-	50	65
Power Generation	38	39	-	-	38	39
Other activities	(12)	(10)	-	-	(12)	(10)
	<b>823</b>	<b>958</b>	<b>(34)</b>	<b>24</b>	<b>789</b>	<b>982</b>

i) Business Performance excludes disposals, certain re-measurements and impairments. See Note 2, page 17 and Presentation of Non-GAAP measures, page 10.

ii) 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 £44 million (2006 £38 million).

**3. Segmental analysis (continued)**

<b>Total Result</b>	<b>Operating profit before share of results from joint ventures and associates</b>		<b>Share of results in joint ventures and associates</b>		<b>Total Result</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>First Quarter</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Exploration and Production	<b>592</b>	750	-	-	<b>592</b>	750
Liquefied Natural Gas	<b>96</b>	108	<b>16</b>	12	<b>112</b>	120
Transmission and Distribution	<b>40</b>	54	<b>15</b>	6	<b>55</b>	60
Power Generation	<b>18</b>	10	<b>13</b>	20	<b>31</b>	30
Other activities	<b>(12)</b>	(10)	-	-	<b>(12)</b>	(10)
	<b>734</b>	912	<b>44</b>	38	<b>778</b>	950
Net finance income					<b>4</b>	17
Taxation					<b>(340)</b>	(378)
<b>Profit for the period</b>					<b>442</b>	<b>589</b>

#### 4. Net finance costs

	First Quarter	
	2007	2006
	£m	£m
Interest payable	(23)	(18)
Interest on obligations under finance leases	(13)	(12)
Interest capitalised	11	14
Unwinding of discount on provisions <sup>(i)</sup>	(5)	(3)
Disposals, re-measurements and impairments (Note 2)	(4)	(3)
Finance costs	(34)	(22)
Interest receivable	33	36
Disposals, re-measurements and impairments (Note 2)	5	3
Finance income	38	39
Net finance income <sup>(ii)</sup>	4	17

i) Relates to the unwinding of the discount on provisions in respect of decommissioning and amounts in respect of pension obligations which represent the unwinding of discount on the plans' liabilities offset by the expected return on the plans' assets.

ii) Excludes Group share of net finance costs from joint ventures and associates for the quarter of £12 million (2006 £16 million).

#### 5. Taxation

The taxation charge for the quarter before disposals, re-measurements and impairments was £357 million (2006 £368 million) and the taxation charge including disposals, re-measurements and impairments was £340 million (2006 £378 million).

The Group share of taxation from joint ventures and associates for the quarter was £1 million credit (2006 £16 million charge).

**6. Earnings per ordinary share**

	<b>First Quarter</b>			
	<b>2007</b>		<b>2006</b>	
	<b>£m</b>	<b>Pence per share</b>	<b>£m</b>	<b>Pence per share</b>
Earnings	<b>432</b>	<b>12.7</b>	578	16.4
Re-measurements (after tax and minority interest)	<b>15</b>	<b>0.4</b>	(15)	(0.4)
Profits and losses on disposals (after tax)	<b>1</b>	-	-	-
<b>Earnings – excluding disposals, re-measurements and impairments</b>	<b>448</b>	<b>13.1</b>	563	16.0

Basic earnings per share calculations in 2007 are based on shares in issue of 3 407 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 3 437 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	
	2007	2006
	£m	£m
Europe and Central Asia	260	104
South America	19	73
Asia Pacific	36	23
North America and the Caribbean	461	109
Mediterranean Basin and Africa	93	77
	<b>869</b>	<b>386</b>

## 8. Quarterly information: earnings and earnings per share

	2007	2006	2007	2006
	£m	£m	pence	pence
First quarter				
- including disposals, re-measurements and impairments	432	578	12.7	16.4
- excluding disposals, re-measurements and impairments	448	563	13.1	16.0
Second quarter				
- including disposals, re-measurements and impairments		418		12.0
- excluding disposals, re-measurements and impairments		325		9.3
Third quarter				
- including disposals, re-measurements and impairments		394		11.5
- excluding disposals, re-measurements and impairments		342		10.0
Fourth quarter				
- including disposals, re-measurements and impairments		389 <sup>(i)</sup>		11.4 <sup>(i)</sup>
- excluding disposals, re-measurements and impairments		410		12.0
Full year				
- including disposals, re-measurements and impairments		1 779 <sup>(i)</sup>		51.4 <sup>(i)</sup>
- excluding disposals, re-measurements and impairments		1 640		47.4

(i) Restated as a result of post balance sheet events as detailed in the 2006 Annual Report and Accounts.

## Supplementary information: Operating and financial data

	First Quarter		Fourth Quarter
	2007	2006	2006
Production volumes (mmboe)			
- oil	6.5	5.6	5.9
- liquids	8.8	7.4	8.7
- gas	42.9	42.8	42.6
- total	<b>58.2</b>	55.8	57.2
Production volumes (kboed)			
- oil	72	62	64
- liquids	98	82	95
- gas	477	476	463
- total	<b>647</b>	620	622
LNG cargoes			
- Lake Charles, USA	18	2	13
- Elba Island, USA	15	9	14
- Europe, Asia and other USA	19	29	23
- total	<b>52</b>	40	50
LNG managed volumes (thousand mmbtu)	<b>144 752</b>	115 812	139 763
Average realised oil price per barrel	<b>£29.60</b> <b>(\$58.13)</b>	£35.74 (\$62.53)	£31.57 (\$60.13)
Average realised liquids price per barrel	<b>£23.21</b> <b>(\$45.57)</b>	£28.68 (\$50.17)	£24.36 (\$46.40)
Average realised UK gas price per produced therm	<b>37.03p</b>	38.84p	34.41p
Average realised International gas price per produced therm	<b>16.31p</b>	18.40p	16.69p
Average realised gas price per produced therm	<b>21.50p</b>	23.69p	21.28p
Lifting costs per boe	<b>£1.51</b> <b>(\$2.97)</b>	£1.19 (\$2.08)	£1.51 (\$2.88)
Operating expenditure per boe	<b>£2.51</b> <b>(\$4.92)</b>	£2.18 (\$3.82)	£2.53 (\$4.82)
Development expenditure (£m)	<b>291</b>	131	201
Gross exploration expenditure (£m)			
- capitalised expenditure	<b>59</b>	136	129
- other expenditure	<b>46</b>	33	51
- gross expenditure	<b>105</b>	169	180

## **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 2007 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 2007, other factors being constant, a 10 cent strengthening (or weakening) in the US Dollar would increase (or decrease) operating profit by approximately £140 million to £160 million.

## Glossary

In BG Group's results some or all of the following definitions are used:

<b>bcf</b>	billion cubic feet
<b>bcfd</b>	billion cubic feet per day
<b>bcmpa</b>	billion cubic metres per annum
<b>boe</b>	barrels of oil equivalent
<b>boed</b>	barrels of oil equivalent per day
<b>bopd</b>	barrels of oil per day
<b>CCGT</b>	combined cycle gas turbine
<b>DCQ</b>	daily contracted quantity
<b>E&amp;P</b>	Exploration and Production
<b>EPC</b>	engineering, procurement and construction
<b>EPIC</b>	engineering, procurement, installation and commissioning
<b>FEED</b>	front end engineering design
<b>FERC</b>	Federal Energy Regulatory Commission
<b>Gearing ratio</b>	net borrowings as a percentage of total shareholders' funds (excluding the re-measurement of commodity financial instruments and associated deferred tax) plus net borrowings
<b>GW</b>	gigawatt
<b>IAS 39</b>	International Accounting Standard 39 (Financial Instruments)
<b>IFRS</b>	International Financial Reporting Standards
<b>kboed</b>	thousand barrels of oil equivalent per day
<b>LNG</b>	Liquefied Natural Gas
<b>Managed volumes</b>	Comprises all LNG volumes contracted for purchase and having related revenue and other operating income recognised in the applicable period
<b>m</b>	million
<b>mboe</b>	million barrels of oil equivalent
<b>mmbtu</b>	million british thermal units
<b>mmcf</b>	million cubic feet per day
<b>mmcmd</b>	million cubic metres per day
<b>mmscfd</b>	million standard cubic feet per day
<b>mmscm</b>	million standard cubic metres
<b>mmscmd</b>	million standard cubic metres per day
<b>MoU</b>	Memorandum of understanding
<b>mtpa</b>	million tonnes per annum
<b>MW</b>	megawatt
<b>Net borrowings/funds</b>	Comprise cash, current asset investments, finance leases, currency and interest rate derivative financial instruments and short- and long-term borrowings
<b>NGL</b>	Natural gas liquids
<b>PSA</b>	production sharing agreement
<b>T&amp;D</b>	Transmission and Distribution
<b>Total operating profit</b>	Group operating profit plus share of pre-tax operating results of joint ventures and associates
<b>UKCS</b>	United Kingdom Continental Shelf
<b>UKCNS</b>	United Kingdom central North Sea
<b>Unit operating expenditure per boe</b>	Production costs and royalties incurred over the period divided by the net production for the period. Production costs and royalties (other operating costs) for the period are disclosed under "results of operations" in the Supplementary information – Oil and Gas disclosures in BG Group's Annual Report & Accounts for the period. This measure does not include the impact of depreciation and amortisation costs and exploration costs as they are not considered to be costs associated with the operation of producing assets.
<b>Unit lifting costs per boe</b>	Unit operating expenditure as defined above, excluding royalty, tariff and insurance costs incurred over the period divided by the net production for the period. Unit lifting costs as used in this ratio do not represent "Production (Lifting) Costs" as defined by FAS 19 and FAS 69.

## Enquiries

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

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General enquiries about shareholder matters should be made to:

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## Financial Calendar

Payment of 2006 final dividend:

Shareholders 25 May 2007

American depositary receipt holders 4 June 2007

Announcement of 2007 second quarter and half year results 27 July 2007

**BG Group plc website: [www.bg-group.com](http://www.bg-group.com)**

### **Registered office**

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