BG Group plc

2008 SECOND QUARTER & HALF YEAR RESULTS

BG GROUP

Second Quarter Highlights

- Strong results driven by higher prices, E&P volumes and increased LNG margins
- Group total operating profit up 92% to £1 431 million
- Earnings per share up 101% to 24.1p
- Significant progress in expanded exploration programme
- Fifth exploration success in pre-salt Brazilian Santos Basin

BG Group's Chief Executive, Frank Chapman said:

"I am delighted to report that BG Group has delivered another strong business performance and continues to create material value through our exploration programme with successful results in Brazil, Algeria, Norway, Trinidad and Tobago and the UK."

Second Quarter				Half Year		
2008 £m	2007 £m		**Business Performance[(i)(ii)]**	**2008 £m**	2007 £m	
1 431	747	+92%	Total operating profit including share of pre-tax operating results from joint ventures and associates	**2 833**	1 570	+80%
807	409	+97%	Earnings for the period	**1 596**	857	+86%
24.1p	12.0p	+101%	Earnings per share	**47.7p**	25.2p	+89%
			Total results for the period (including disposals, re-measurements and impairments)[(ii)]			
1 262	730	+73%	Operating profit before share of results from joint ventures and associates	**2 579**	1 464	+76%
1 328	793	+67%	Total operating profit including share of pre-tax operating results from joint ventures and associates	**2 698**	1 582	+71%
747	471	+59%	Earnings for the period	**1 514**	903	+68%
22.3p	13.9p	+60%	Earnings per share	**45.3p**	26.5p	+71%
4.68p	3.60p	+30%	Interim dividend per share	**4.68p**	3.60p	+30%

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 8, note 1, page 17 and note 3, page 19. Unless otherwise stated, the results discussed in this release relate to BG Group's Business Performance.

ii) The principal difference between Business Performance and Total Results is due to the non-cash mark-to-market movements on certain long-term UK gas contracts.

Business Review

Group

Second Quarter 2008 £m	Second Quarter 2007 £m		Business Performance	Half Year 2008 £m	Half Year 2007 £m	
3 216	2 162	+49%	Revenue and other operating income	**6 322**	4 142	+53%
			Total operating profit including share of pre-tax results from joint ventures and associates			
976	565	+73%	Exploration and Production	**1 918**	1 191	+61%
367	88	+317%	Liquefied Natural Gas	**762**	209	+265%
55	70	-21%	Transmission and Distribution	**86**	120	-28%
40	31	+29%	Power Generation	**78**	69	+13%
(7)	(7)	-	Other activities	**(11)**	(19)	-42%
1 431	747	+92%		**2 833**	1 570	+80%
4	(6)	-	Net finance income/(costs)	**(7)**	(15)	-53%
(617)	(317)	+95%	Taxation for the period	**(1 215)**	(673)	+81%
807	409	+97%	Earnings for the period	**1 596**	857	+86%
24.1p	12.0p	+101%	Earnings per share	**47.7p**	25.2p	+89%
950	496	+92%	Capital investment	**1 597**	1 365	+17%

Second quarter

Revenue and other operating income increased by 49% to £3 216 million, reflecting higher volumes in E&P and higher commodity prices.

Total operating profit increased by 92% to £1 431 million primarily due to higher commodity prices and higher E&P volumes, partially offset by higher gas costs at Comgas.

Cash generated by operations increased by £759 million to £1 588 million primarily due to higher operating profits.

Capital investment in the quarter of £634 million, excluding acquisitions of £316 million, comprised continuing investment in Africa, Middle East and Asia (£254 million), Europe and Central Asia (£217 million) and Americas and Global LNG (£163 million).

Half year

Total operating profit increased by 80% to £2 833 million reflecting higher commodity prices and higher E&P and LNG volumes.

Net finance costs were £8 million lower due to increased cash balances.

The Group's effective tax rate (including BG Group's share of joint ventures and associates tax) was 43% for the half year.

Cash generated by operations increased by £1 239 million to £3 154 million. As at 30 June 2008, net funds were £629 million.

Capital investment in the half year of £1 281 million, excluding acquisitions of £316 million, comprised continuing investment in Africa, Middle East and Asia (£561 million), Europe and Central Asia (£396 million) and Americas and Global LNG (£324 million).

The Board has declared an interim dividend of 4.68p per share, payable on 12 September to shareholders on the register at 8 August.

Second quarter business highlights

In June, BG Group announced its offer to acquire all of the issued shares in Origin Energy Limited (Origin) at A$15.50 cash per share by way of a formal bid, valuing Origin's ordinary equity at approximately A$13.8 billion (£6.7 billion) fully diluted.

The Origin acquisition is driven by BG Group's integrated gas strategy, linking competitively-priced exploration and production resources to downstream markets and power generation assets.

Exploration and Production (E&P)

Second Quarter 2008 £m	Second Quarter 2007 £m		Business Performance	Half Year 2008 £m	Half Year 2007 £m	
54.7	53.7	+2%	Production volumes (mmboe)	**115.4**	111.9	+3%
1 476	942	+57%	Revenue and other operating income	**2 931**	1 969	+49%
976	565	+73%	Total operating profit	**1 918**	1 191	+61%
828	369	+124%	Capital investment	**1 410**	728	+94%

Additional operating and financial data is given on page 28.

Second quarter

E&P total operating profit increased by 73% to £976 million reflecting higher commodity prices and increased production volumes.

Production volumes increased by 2%, held back by one-off outages in the UK (Grangemouth industrial action, Armada maintenance) and India (Panna outage).

The average realised gas price per produced therm in the UK rose by 8.9 pence to 32.8 pence. Guidance for the gas year remains at 34p for contracted volumes.

Unit operating expenditure increased by 50 pence to £3.24 ($6.47) per boe principally due to the impact of commodity prices on royalty costs; and tariffs.

The exploration charge of £94 million is £22 million higher than 2007, principally due to higher drilling expense.

Capital investment, including acquisitions, in the quarter of £828 million included expenditure in Australia (£320 million), Tunisia (£111 million), UK (£84 million), Egypt (£82 million), Kazakhstan (£49 million), Trinidad and Tobago (£36 million), Norway (£33 million), Brazil (£29 million), Oman (£22 million), Canada (£20 million) and India (£19 million).

Half year

E&P total operating profit increased by £727 million to £1 918 million reflecting higher commodity prices and increased production volumes, partially offset by a higher exploration charge. Production volumes have increased primarily at the Buzzard field in the UK and the Tapti field in India.

Unit operating expenditure increased by 40 pence to £3.01 ($5.99) per boe principally due to the impact of commodity prices on royalty costs.

The exploration charge of £191 million is £63 million higher than 2007 reflecting higher well write-off charges.

Capital investment, including acquisitions, in the half year of £1 410 million included expenditure in Australia (£320 million), Tunisia (£259 million), UK (£186 million), Egypt (£187 million), Kazakhstan (£96 million), Trinidad and Tobago (£89 million), Norway (£46 million), Brazil (£46 million), India (£43 million), Canada (£38 million) and Oman (£31 million).

Second quarter business highlights

In June, BG Group announced a further new oil discovery in the Santos Basin, offshore Brazil. The exploration well, known as Guará, discovered oil and gas within the BM-S-9 concession area (BG Group 30%) and is the second discovery within this concession. This well is BG Group's fifth consecutive drilling success in the deep water pre-salt Santos Basin since the Group began its drilling programme in 2005.

In Algeria, the RM-1 exploration well on the Hassi Ba Hamou Permit (HBH Permit) (BG Group 36.75% and operator) was a gas discovery. This will be appraised as part of the work programme due under the second prospecting period of the HBH Permit.

In Norway, there have been discoveries at the Jordbær and Pi North wells in the North Sea. At the Ververis well in the Barents Sea, the Norwegian Petroleum Directorate has announced this as a discovery and BG Group is currently evaluating the results of the well.

In Thailand, the Ton Sak exploration well on Bongkot North was the seventh consecutive success on Bongkot in the last two years.

In Trinidad and Tobago on Block 5(c), the second well of a three well programme, Bounty, is a gas discovery. The well is ten kilometres from the Dolphin platform and is currently being tested.

In the UK, the recent appraisal programme undertaken at the Jasmine field (BG Group 30.5%) confirmed the presence of hydrocarbons in a separate structure to the northeast of the initial discovery well which was drilled in 2006.

The first Jackdaw appraisal well (BG Group 43.4% and operator) was successful in identifying additional reserves in a new and higher quality reservoir section. A sidetrack well has been commenced to appraise further this discovery.

On Block 23/21, located south of the Lomond field in the central North Sea, the Moth exploration well (BG Group 31.7%) was successful. BG Group will work together with the partners to prepare a programme for the development of this discovery.

On 11 April, BG Group completed its investment in Queensland Gas Company (QGC). BG Group has a 9.9% interest in QGC's shares and a 20% direct interest in its coal seam gas assets which together give BG Group a net interest in those assets of 27.9%.

Liquefied Natural Gas (LNG)

Second Quarter 2008 £m	Second Quarter 2007 £m		Business Performance	Half Year 2008 £m	Half Year 2007 £m	
1 395	910	+53%	Revenue and other operating income	**2 731**	1 607	+70%
			Total operating profit			
345	73	+373%	Shipping and marketing	**728**	188	+287%
37	32	+16%	Liquefaction	**63**	57	+11%
(15)	(17)	-12%	Business development and other	**(29)**	(36)	-19%
367	88	+317%		**762**	209	+265%
72	21	+243%	Capital investment	**105**	81	+30%

Additional operating and financial data is given on page 28.

Second quarter

LNG total operating profit increased by £279 million to £367 million.

Shipping and marketing produced an excellent performance with operating profit increasing by £272 million to £345 million. The favourable market conditions continued during the quarter and this, combined with the effective use of BG Group's flexible portfolio, resulted in strong margin expansion.

BG Group's share of operating profit from liquefaction activities of £37 million was up 16% primarily due to the impact of increased market prices and tariffs at Atlantic LNG.

Half year

LNG total operating profit increased by £553 million to £762 million reflecting the effective deployment of our portfolio to gain access to attractive markets.

BG Group's share of operating profit from liquefaction activities increased to £63 million, principally due to an increase in the tariff at Atlantic LNG Train 4 which entered its commercial phase during 2007.

Capital investment included £61 million in Chile and £39 million in the UK.

Second quarter business highlights

BG Group signed an agreement with Samsung Heavy Industries Co. Limited of South Korea for the delivery of two new-build dual-fuel diesel electric LNG ships. The new ships will each have a cargo capacity of 170 000 cubic metres and are scheduled to be delivered in 2010.

In June, BG Group and Petroleo Brasileiro S.A. (Petrobras) signed two LNG agreements to supply the import terminals being built by Petrobras in Pecem (State of Ceara) and in Guanabara Bay (State of Rio de Janeiro), Brazil. The first agreement will provide the first LNG cargo ever to be delivered into Brazil and it will be used for the commissioning of the Pecem terminal in July 2008. The second agreement will enable LNG to be supplied to either the Pecem or Guanabara terminals as determined by Petrobras, depending on local gas demand.

In June, BG Group signed a Heads of Agreement with Castle Peak Power Company (CAPCO) to supply one million tonnes per annum to CAPCO's planned LNG import terminal in Hong Kong for a period of up to 20 years. Initial deliveries are expected to begin in 2013 to coincide with the completion of the LNG terminal on South Soko Island. The LNG will be sourced from BG Group's flexible portfolio.

The Queensland Curtis LNG project at Gladstone, a joint venture between BG Group and QGC, was granted Significant Project Status by the Government of Queensland in July. Bechtel has been appointed to commence work on the FEED study.

Transmission and Distribution (T&D)

Second Quarter 2008 £m	Second Quarter 2007 £m		Business Performance	Half Year 2008 £m	Half Year 2007 £m	
			Revenue and other operating income			
282	197	+43%	Comgas	**525**	371	+42%
45	37	+22%	Other	**91**	83	+10%
327	234	+40%		**616**	454	+36%
			Total operating profit			
41	58	-29%	Comgas	**61**	98	-38%
14	12	+17%	Other	**25**	22	+14%
55	70	-21%		**86**	120	-28%
33	29	+14%	Capital investment	**61**	45	+36%

Second quarter

T&D total operating profit for the quarter was £55 million.

At Comgas, in Brazil, total operating profit of £41 million reflected increased cost of gas purchases, partially offset by a 6% increase in volumes primarily in the power, co-generation and retail markets, and a stronger Brazilian Real exchange rate. On an underlying basis excluding the timing effect of the increased cost of gas and Brazilian Real foreign exchange movements, total operating profit would have increased by 12% to £65 million.

At the end of the quarter, the cost of gas balance to be recovered in future periods was £62 million, the majority of which is now expected to be recovered in 2009.

Half year

T&D total operating profit for the half year was £86 million. At Comgas, operating profit of £61 million reflected increased cost of gas purchases, partially offset by a 13% increase in volumes and a stronger Brazilian Real exchange rate. On an underlying basis excluding the timing effect of the increased cost of gas and Brazilian Real foreign exchange movements, total operating profit would have increased by 19% to £117 million.

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

Power Generation

Second Quarter 2008 £m	Second Quarter 2007 £m		Business Performance	Half Year 2008 £m	Half Year 2007 £m	
160	142	+13%	Revenue and other operating income	**299**	238	+26%
			Total operating profit			
44	33	+33%	Power Generation	**85**	76	+12%
(4)	(2)	+100%	Business development and other	**(7)**	(7)	-
40	31	+29%		**78**	69	+13%
16	76	-79%	Capital investment	**20**	509	-96%

Second quarter and half year

The increase in operating profit in both the second quarter and half year is primarily due to the one-off re-imbursement at BG Italia Power S.p.A. of emissions related costs.

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 and are disclosed separately as 'disposals, re-measurements and impairments'.

BG Group also uses commodity instruments to manage certain price exposures in respect of optimising the timing and location of its physical gas and LNG sales commitments. These instruments are also required to be measured at fair value at the balance sheet date under IAS 39. However, IAS 39 does not always allow the matching of these fair values to the economically hedged value of the related commodity, resulting in unrealised movements in fair value being recorded in the income statement. These movements in fair value are disclosed separately as 'disposals, re-measurements and impairments'.

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 and disclosed separately as 'disposals, re-measurements and impairments'.

Realised gains and losses relating to the instruments referred to above 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, and impairments of non-current assets as they 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 statements, pages 12 and 13 and note 3, page 19.

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, 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 this is an important liquidity measure for the Group.

Legal Notice

Certain statements included in these results contain forward-looking information concerning BG Group's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which BG Group operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within BG Group's control or can be predicted by BG Group. Although BG Group 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. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the 'Risk Factors' included in BG Group plc's Annual Report and Accounts 2007. Nothing in these results should be construed as a profit forecast and 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. BG Group undertakes no obligation to update any forward-looking statements.

Risk Factors

BG Group's business, results and financial condition could be affected by a broad range of risks and uncertainties. For a full understanding of these risks see pages 42 to 45 of the BG Group 2007 Annual Report and Accounts. These risks include:

- Fluctuating market conditions, particularly commodity prices and exchange rates
- Finding and developing new reserves
- Political and regulatory environment
- Effective organisation of human resources
- Treasury, credit and insurance

The principal risks and uncertainties for the remaining six months of the financial year are unchanged from those stated in the BG Group 2007 Annual Report and Accounts.

Statement of Directors' responsibilities

The Directors' confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Statements' as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7 and 4.2.8.

The Directors of BG Group plc are listed in the 2007 Annual Report and Accounts, with the exception of the following change for the period:

The appointment on 1 July 2008 of Sir David Manning GCMG as a Non-Executive Director of BG Group plc.

By order of the Board

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Frank Chapman

Chief Executive

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Ashley Almanza

Chief Financial Officer

Independent review report to BG Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008, which comprises the income statement, balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent mis-statements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRS's as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
24 July 2008
London

(a) The maintenance and integrity of the BG Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

Second Quarter		2008			2007		
	Notes	**Business Performance[i] £m**	**Disposals, re-measure-ments and impairments (Note 2)[i] £m**	**Total Result £m**	Business Performance[i] £m	Disposals, re-measure-ments and impairments (Note 2)[i] £m	Total Result £m
Group revenue		**3 223**	**–**	**3 223**	2 155	–	2 155
Other operating income	2	**(7)**	**(103)**	**(110)**	7	27	34
Group revenue and other operating income	3	**3 216**	**(103)**	**3 113**	2 162	27	2 189
Operating costs		**(1 851)**	**–**	**(1 851)**	(1 478)	–	(1 478)
Profits and losses on disposal of non-current assets and impairments	2	**–**	**–**	**–**	–	19	19
Operating profit/(loss)[ii]	3	**1 365**	**(103)**	**1 262**	684	46	730
Finance income	2, 4	**52**	**–**	**52**	34	–	34
Finance costs	2, 4	**(38)**	**(4)**	**(42)**	(25)	(2)	(27)
Share of post-tax results from joint ventures and associates	3	**46**	**–**	**46**	38	–	38
Profit/(loss) before tax		**1 425**	**(107)**	**1 318**	731	44	775
Taxation	2, 5	**(607)**	**47**	**(560)**	(307)	18	(289)
Profit/(loss) for the period		**818**	**(60)**	**758**	424	62	486
Attributable to:							
BG Group shareholders (earnings)		**807**	**(60)**	**747**	409	62	471
Minority interest		**11**	**–**	**11**	15	–	15
		818	**(60)**	**758**	424	62	486
Earnings per share – basic	6	**24.1p**	**(1.8p)**	**22.3p**	12.0p	1.9p	13.9p
Earnings per share – diluted	6	**23.8p**	**(1.7p)**	**22.1p**	11.9p	1.9p	13.8p
Total operating profit including share of pre-tax operating results from joint ventures and associates[iii]	3	**1 431**	**(103)**	**1 328**	747	46	793

i) See Presentation of Non-GAAP measures, page 8, for an explanation of results excluding disposals, certain re-measurements and impairments and presentation of the results of joint ventures and associates.

ii) Operating profit/(loss) is before share of results from joint ventures and associates.

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

The notes on pages 17 to 27 form an integral part of these condensed financial statements.

Consolidated Income Statement

Half Year	Notes	2008 Business Performance[i] £m	2008 Disposals, re-measurements and impairments (Note 2)[i] £m	2008 Total Result £m	2007 Business Performance[i] £m	2007 Disposals, re-measurements and impairments (Note 2)[i] £m	2007 Total Result £m
Group revenue		**6 312**	**–**	**6 312**	4 098	–	4 098
Other operating income	2	**10**	**(113)**	**(103)**	44	(6)	38
Group revenue and other operating income	3	**6 322**	**(113)**	**6 209**	4 142	(6)	4 136
Operating costs		**(3 608)**	**–**	**(3 608)**	(2 690)	–	(2 690)
Profits and losses on disposal of non-current assets and impairments	2	**–**	**(22)**	**(22)**	–	18	18
Operating profit/(loss)[ii]	3	**2 714**	**(135)**	**2 579**	1 452	12	1 464
Finance income	2, 4	**92**	**1**	**93**	67	5	72
Finance costs	2, 4	**(77)**	**(5)**	**(82)**	(55)	(6)	(61)
Share of post-tax results from joint ventures and associates	3	**80**	**–**	**80**	82	–	82
Profit/(loss) before tax		**2 809**	**(139)**	**2 670**	1 546	11	1 557
Taxation	2, 5	**(1 198)**	**55**	**(1 143)**	(664)	35	(629)
Profit/(loss) for the period		**1 611**	**(84)**	**1 527**	882	46	928
Attributable to:							
BG Group shareholders (earnings)		**1 596**	**(82)**	**1 514**	857	46	903
Minority interest		**15**	**(2)**	**13**	25	–	25
		1 611	**(84)**	**1 527**	882	46	928
Earnings per share – basic	6	**47.7p**	**(2.4p)**	**45.3p**	25.2p	1.3p	26.5p
Earnings per share – diluted	6	**47.2p**	**(2.4p)**	**44.8p**	25.0p	1.3p	26.3p
Total operating profit including share of pre-tax operating results from joint ventures and associates[iii]	3	**2 833**	**(135)**	**2 698**	1 570	12	1 582

i) See Presentation of Non-GAAP measures, page 8, for an explanation of results excluding disposals, certain re-measurements and impairments and presentation of the results of joint ventures and associates.

ii) Operating profit/(loss) is before share of results from joint ventures and associates.

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

The notes on pages 17 to 27 form an integral part of these condensed financial statements.

For information on dividends paid in the year, see note 9, page 26.

Consolidated Balance Sheet

	Notes	**As at 30 Jun 2008 £m**	As at 31 Dec 2007 £m	As at 30 Jun 2007 £m
Assets				
Non-current assets				
Goodwill		**445**	385	356
Other intangible assets		**1 158**	823	678
Property, plant and equipment		**8 047**	7 426	6 764
Investments		**1 487**	1 157	1 079
Deferred tax assets		**106**	86	79
Trade and other receivables		**72**	70	47
Commodity contracts and other derivative financial instruments		**1 147**	378	340
		12 462	10 325	9 343
Current assets				
Inventories		**410**	382	273
Trade and other receivables		**2 529**	2 261	1 831
Current tax receivable		**100**	52	–
Commodity contracts and other derivative financial instruments		**2 467**	489	309
Cash and cash equivalents		**2 346**	1 881	1 971
		7 852	5 065	4 384
Assets classified as held for sale		**26**	–	–
Total assets	3	**20 340**	15 390	13 727
Liabilities				
Current liabilities				
Borrowings		**(142)**	(275)	(311)
Trade and other payables		**(2 280)**	(2 251)	(1 617)
Current tax liabilities		**(1 059)**	(554)	(593)
Commodity contracts and other derivative financial instruments		**(2 907)**	(804)	(481)
		(6 388)	(3 884)	(3 002)
Non-current liabilities				
Borrowings		**(1 610)**	(1 668)	(1 530)
Trade and other payables		**(28)**	(30)	(21)
Commodity contracts and other derivative financial instruments		**(1 434)**	(366)	(189)
Deferred income tax liabilities		**(1 291)**	(1 258)	(1 188)
Retirement benefit obligations		**(172)**	(165)	(151)
Provisions for other liabilities and charges		**(678)**	(662)	(568)
		(5 213)	(4 149)	(3 647)
Liabilities associated with assets classified as held for sale		**(3)**	–	–
Total liabilities		**(11 604)**	(8 033)	(6 649)
Net assets		**8 736**	7 357	7 078
Equity				
Total shareholders' equity		**8 603**	7 225	6 958
Minority interest in equity		**133**	132	120
Total equity	8	**8 736**	7 357	7 078

The notes on pages 17 to 27 form an integral part of these condensed financial statements.

Consolidated Statement of Recognised Income and Expense

Second Quarter 2008 £m	Second Quarter 2007 £m		Half Year 2008 £m	Half Year 2007 £m
758	486	Profit for the period	**1 527**	928
(171)	11	Hedge adjustments net of tax	**(166)**	24
71	–	Fair value movements on 'available-for-sale' assets net of tax[i]	**71**	–
152	(34)	Currency translation adjustments	**115**	(8)
52	(23)	Net gains/(losses) recognised directly in equity	**20**	16
810	463	Total recognised income for the period	**1 547**	944
		Attributable to:		
793	443	BG Group shareholders	**1 527**	913
17	20	Minority interest	**20**	31
810	463		**1 547**	944

i) BG Group's 9.9% stake in Queensland Gas Company is classified as an 'available-for-sale' financial asset under IAS 39.

The notes on pages 17 to 27 form an integral part of these condensed financial statements.

Consolidated Cash Flow Statement

Second Quarter 2008 £m	Second Quarter 2007 £m		Half Year 2008 £m	Half Year 2007 £m
		Cash flows from operating activities		
1 318	775	Profit before tax	**2 670**	1 557
(46)	(38)	Share of post-tax results from joint ventures and associates	**(80)**	(82)
204	166	Depreciation and impairments of property, plant and equipment and amortisation of intangible assets	**422**	334
90	(27)	Fair value movements in commodity based contracts	**120**	45
–	(19)	(Profits) and losses on disposal of non-current assets and impairments	**22**	(18)
40	16	Unsuccessful exploration expenditure written off	**96**	26
(1)	(3)	(Decrease)/increase in provisions	**(10)**	(23)
(52)	(34)	Finance income	**(93)**	(72)
42	27	Finance costs	**82**	61
7	7	Share-based payments	**14**	14
(14)	(41)	(Increase)/decrease in working capital	**(89)**	73
1 588	829	**Cash generated by operations**	**3 154**	1 915
(235)	(190)	Income taxes paid	**(636)**	(374)
1 353	639	**Net cash inflow from operating activities**	**2 518**	1 541
		Cash flows from investing activities		
43	13	Dividends received from joint ventures and associates	**43**	37
1	381	Proceeds from disposal of subsidiary undertakings and investments	**1**	461
2	–	Proceeds from disposal of property, plant and equipment and intangible assets	**2**	**–**
(833)	(406)	Purchase of property, plant and equipment and intangible assets	**(1 311)**	(780)
(23)	8	Loans (to)/from joint ventures and associates	**(41)**	(7)
(164)	(77)	Business combinations and investments	**(174)**	(483)
(974)	(81)	**Net cash outflow from investing activities**	**(1 480)**	(772)
		Cash flows from financing activities		
2	(7)	Net interest received/(paid)[i]	**(8)**	(9)
(191)	(141)	Dividends paid	**(191)**	(141)
(19)	(13)	Dividends paid to minority	**(19)**	(13)
116	155	Net proceeds from issue of new borrowings	**154**	292
(220)	(179)	Repayment of borrowings	**(327)**	(195)
4	8	Issue of shares	**7**	15
–	(115)	Purchase of own shares	**(197)**	(211)
(308)	(292)	**Net cash outflow from financing activities**	**(581)**	(262)
71	266	**Net increase in cash and cash equivalents**	**457**	507
2 275	1 705	Cash and cash equivalents at beginning of period	**1 881**	1 463
4	–	Effect of foreign exchange rate changes	**12**	1
2 350[ii]	1 971	**Cash and cash equivalents at end of period[iii]**	**2 350[ii]**	1 971

i) Includes capitalised interest for the second quarter of £5 million (2007 £9 million), and for the half year of £13 million (2007 £20 million).

ii) The balance at 30 June 2008 includes cash and cash equivalents of £2 346 million and cash included within assets classified as held for sale of £4 million.

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

The notes on pages 17 to 27 form an integral part of these condensed financial statements.

Notes

1. Basis of preparation

These primary statements are the condensed financial statements ('the financial statements') of BG Group plc for the quarter ended and the half year ended 30 June 2008. The financial statements do 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 2007 which have been prepared in accordance with IFRSs as adopted by the EU, as they provide an update of previously reported information. The latest statutory accounts delivered to the registrar were for the year ended 31 December 2007 which were audited by BG Group's statutory auditors PricewaterhouseCoopers LLP and on which the Auditors' Report was unqualified and did not contain statements under 237(2) or 237(3) of the UK Companies Act 1985. These financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, the requirements of the Disclosure and Transparency Rules issued by the Financial Services Authority and the accounting policies, methods of computation and presentation as applied in the 2007 Annual Report and Accounts (except as disclosed below). These financial statements have been reviewed, not audited, by PricewaterhouseCoopers LLP.

The preparation of the 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 financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Presentation of results

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

- The re-measurement of certain financial instruments; and
- Profits and losses on the disposal and impairment of non-current assets and businesses.

These items, which are detailed in note 2 to the financial statements, page 18, 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 8). 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. The tables in note 3 provide a reconciliation between the Total Result and Business Performance and operating profit including and excluding the results of joint ventures and associates.

New accounting standards and interpretations

The Group early adopted IFRS 8 'Operating Segments' from 1 January 2008. IFRS 8 sets out the requirements for disclosure about an entity's operating segments and also about an entity's products and services, the geographical areas in which it operates and its major customers. IFRS 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Segment information measured on a 'Business Performance' basis is used for internal reporting purposes. The adoption of IFRS 8 has not had a significant impact on the presentation of the Group's segmental information. The disclosures required for interim financial reporting under IFRS 8 are included in note 3.

IFRIC 12 'Service Concession Arrangements' provides guidance on the accounting by operators for public-to-private service concession arrangements. It is applicable for accounting periods beginning on or after 1 January 2008 although it has not yet been adopted by the EU; accordingly BG Group has not adopted this interpretation in these financial statements. BG Group is currently reviewing the interpretation to determine the likely impact on the Group.

2. Disposals, re-measurements and impairments

Second Quarter 2008 £m	Second Quarter 2007 £m		Half Year 2008 £m	Half Year 2007 £m
		Revenue and other operating income –		
(103)	27	re-measurements of commodity based contracts	**(113)**	(6)
–	19	Profits and losses on disposal of non-current assets and impairments	**(22)**	18
(4)	(2)	Net finance costs – re-measurements of financial instruments	**(4)**	(1)
47	18	Taxation	**55**	35
–	–	Minority interest	**2**	–
(60)	62	Impact on earnings	**(82)**	46

Second quarter and half year: Revenue and other operating income
Re-measurements included within revenue and other operating income amount to a charge of £103 million for the quarter (2007 £27 million credit), of which £83 million (2007 £21 million credit) represents non-cash mark-to-market movements on certain long-term UK gas contracts. For the half year, a charge of £113 million in respect of re-measurements is included within revenue and other operating income (2007 £6 million charge), of which £105 million represents non-cash mark-to-market movements on certain long-term UK gas contracts (2007 £18 million credit). 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.

Second quarter and half year: 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.

Second quarter and half year: Disposals of non-current assets
During the first quarter, BG Group committed to a plan to sell certain non-core businesses and accordingly reclassified these businesses as held for sale. As a result, these businesses were revalued to the lower of their carrying amount and fair value less costs to sell. This resulted in a pre- and post-tax charge to the income statement of £21 million. The sale of one of these businesses was completed in July 2008.

Also during the first quarter, other disposals resulted in a pre- and post-tax charge to the income statement of £1 million.

2007 second quarter and half year: Disposals of non-current assets
During the second quarter of 2007, BG Group sold its 25% equity interest in Interconnector (UK) Limited whilst retaining its throughput capacity contract with this company. The net proceeds of the equity disposal were £165 million, resulting in a pre- and post-tax gain of £157 million. No tax arose on the gain on this disposal. As part of this transaction, the Group reviewed the retained capacity contracts in the Interconnector pipeline and concluded that the obligations associated with these contracts exceed the benefit expected to be received from the Interconnector interest. Accordingly, a pre-tax provision of £156 million (post-tax £124 million) was made to reflect the present obligation under these contracts. The overall transaction generated a pre-tax gain on disposal of £1 million (post-tax £33 million).

During the second quarter of 2007, BG Group disposed of selected Canadian exploration and production assets. This resulted in a gain on disposal of £18 million. No tax arose on the disposal.

During the first quarter of 2007, 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

Profit for the period

Analysed by operating segment

Second Quarter	Business Performance 2008 £m	Business Performance 2007 £m	Disposals, re-measurements and impairments 2008 £m	Disposals, re-measurements and impairments 2007 £m	Total Result 2008 £m	Total Result 2007 £m
Group revenue[i]						
Exploration and Production	**1 479**	949	**–**	–	**1 479**	949
Liquefied Natural Gas	**1 398**	896	**–**	–	**1 398**	896
Transmission and Distribution	**327**	234	**–**	–	**327**	234
Power Generation	**161**	142	**–**	–	**161**	142
Other activities	**1**	1	**–**	–	**1**	1
Less: intra-group sales	**(143)**	(67)	**–**	–	**(143)**	(67)
Group revenue	**3 223**	2 155	**–**	–	**3 223**	2 155
Other operating income[ii]	**(7)**	7	**(103)**	27	**(110)**	34
Group revenue and other operating income	**3 216**	2 162	**(103)**	27	**3 113**	2 189
Operating profit/(loss) before share of results from joint ventures and associates						
Exploration and Production	**976**	565	**(103)**	45	**873**	610
Liquefied Natural Gas	**331**	57	**–**	–	**331**	57
Transmission and Distribution	**48**	59	**–**	1	**48**	60
Power Generation	**17**	10	**–**	–	**17**	10
Other activities	**(7)**	(7)	**–**	–	**(7)**	(7)
	1 365	684	**(103)**	46	**1 262**	730
Pre-tax share of operating results of joint ventures and associates						
Liquefied Natural Gas	**36**	31	**–**	–	**36**	31
Transmission and Distribution	**7**	11	**–**	–	**7**	11
Power Generation	**23**	21	**–**	–	**23**	21
	66	63	**–**	–	**66**	63
Total operating profit/(loss)						
Exploration and Production	**976**	565	**(103)**	45	**873**	610
Liquefied Natural Gas	**367**	88	**–**	–	**367**	88
Transmission and Distribution	**55**	70	**–**	1	**55**	71
Power Generation	**40**	31	**–**	–	**40**	31
Other activities	**(7)**	(7)	**–**	–	**(7)**	(7)
	1 431	747	**(103)**	46	**1 328**	793
Net finance costs						
Finance income	**52**	34	**–**	–	**52**	34
Finance costs	**(38)**	(25)	**(4)**	(2)	**(42)**	(27)
Share of joint ventures and associates	**(10)**	(15)	**–**	–	**(10)**	(15)
	4	(6)	**(4)**	(2)	**–**	(8)
Taxation						
Taxation	**(607)**	(307)	**47**	18	**(560)**	(289)
Share of joint ventures and associates	**(10)**	(10)	**–**	–	**(10)**	(10)
	(617)	(317)	**47**	18	**(570)**	(299)
Profit for the period	**818**	424	**(60)**	62	**758**	486

i) External sales are attributable to segments as follows: E&P £1 370 million (2007 £893 million), LNG £1 364 million (2007 £885 million), T&D £327 million (2007 £234 million), Power £161 million (2007 £142 million) and Other activities £1 million (2007 £1 million). Intra-group sales are attributable to segments as follows: E&P £109 million (2007 £56 million) and LNG £34 million (2007 £11 million).

ii) Business Performance Other operating income is attributable to segments as follows: E&P £(3) million (2007 £(7) million), LNG £(3) million (2007 £14 million) and Power £(1) million (2007 £nil).

3. Segmental analysis (continued)

Half Year	Business Performance 2008 £m	Business Performance 2007 £m	Disposals, re-measurements and impairments 2008 £m	Disposals, re-measurements and impairments 2007 £m	Total Result 2008 £m	Total Result 2007 £m
Group revenue[i]						
Exploration and Production	**2 927**	1 959	**–**	–	**2 927**	1 959
Liquefied Natural Gas	**2 731**	1 573	**–**	–	**2 731**	1 573
Transmission and Distribution	**616**	454	**–**	–	**616**	454
Power Generation	**293**	238	**–**	–	**293**	238
Other activities	**3**	3	**–**	–	**3**	3
Less: intra-group sales	**(258)**	(129)	**–**	–	**(258)**	(129)
Group revenue	**6 312**	4 098	**–**	–	**6 312**	4 098
Other operating income[ii]	**10**	44	**(113)**	(6)	**(103)**	38
Group revenue and other operating income	**6 322**	4 142	**(113)**	(6)	**6 209**	4 136
Operating profit/(loss) before share of results from joint ventures and associates						
Exploration and Production	**1 918**	1 191	**(113)**	11	**1 805**	1 202
Liquefied Natural Gas	**701**	153	**–**	–	**701**	153
Transmission and Distribution	**73**	99	**(1)**	1	**72**	100
Power Generation	**33**	28	**–**	–	**33**	28
Other activities	**(11)**	(19)	**(21)**	–	**(32)**	(19)
	2 714	1 452	**(135)**	12	**2 579**	1 464
Pre-tax share of operating results of joint ventures and associates						
Liquefied Natural Gas	**61**	56	**–**	–	**61**	56
Transmission and Distribution	**13**	21	**–**	–	**13**	21
Power Generation	**45**	41	**–**	–	**45**	41
	119	118	**–**	–	**119**	118
Total operating profit/(loss)						
Exploration and Production	**1 918**	1 191	**(113)**	11	**1 805**	1 202
Liquefied Natural Gas	**762**	209	**–**	–	**762**	209
Transmission and Distribution	**86**	120	**(1)**	1	**85**	121
Power Generation	**78**	69	**–**	–	**78**	69
Other activities	**(11)**	(19)	**(21)**	–	**(32)**	(19)
	2 833	1 570	**(135)**	12	**2 698**	1 582
Net finance costs						
Finance income	**92**	67	**1**	5	**93**	72
Finance costs	**(77)**	(55)	**(5)**	(6)	**(82)**	(61)
Share of joint ventures and associates	**(22)**	(27)	**–**	–	**(22)**	(27)
	(7)	(15)	**(4)**	(1)	**(11)**	(16)
Taxation						
Taxation	**(1 198)**	(664)	**55**	35	**(1 143)**	(629)
Share of joint ventures and associates	**(17)**	(9)	**–**	–	**(17)**	(9)
	(1 215)	(673)	**55**	35	**(1 160)**	(638)
Profit for the period	**1 611**	882	**(84)**	46	**1 527**	928

i) External sales are attributable to segments as follows: E&P £2 720 million (2007 £1 842 million), LNG £2 680 million (2007 £1 561 million), T&D £616 million (2007 £454 million), Power £293 million (2007 £238 million) and Other activities £3 million (2007 £3 million). Intra-group sales are attributable to segments as follows: E&P £207 million (2007 £117 million) and LNG £51 million (2007 £12 million).

ii) Business Performance Other operating income is attributable to segments as follows: E&P £4 million (2007 £10 million), LNG £nil (2007 £34 million) and Power £6 million (2007 £nil).

3. Segmental analysis (continued)

Total Result Second Quarter	Operating profit before share of results from joint ventures and associates[i]		Share of results in joint ventures and associates[i]		Total Result	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Exploration and Production	**873**	610	**–**	–	**873**	610
Liquefied Natural Gas	**331**	57	**27**	19	**358**	76
Transmission and Distribution	**48**	60	**5**	4	**53**	64
Power Generation	**17**	10	**14**	15	**31**	25
Other activities	**(7)**	(7)	**–**	–	**(7)**	(7)
	1 262	730	**46**	38	**1 308**	768
Net finance income					**10**	7
Profit before tax					**1 318**	775
Taxation					**(560)**	(289)
Profit for the period					**758**	486

Total Result Half Year	Operating profit before share of results from joint ventures and associates[i]		Share of results in joint ventures and associates[i]		Total Result	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Exploration and Production	**1 805**	1 202	**–**	–	**1 805**	1 202
Liquefied Natural Gas	**701**	153	**43**	35	**744**	188
Transmission and Distribution	**72**	100	**9**	19	**81**	119
Power Generation	**33**	28	**28**	28	**61**	56
Other activities	**(32)**	(19)	**–**	–	**(32)**	(19)
	2 579	1 464	**80**	82	**2 659**	1 546
Net finance income					**11**	11
Profit before tax					**2 670**	1 557
Taxation					**(1 143)**	(629)
Profit for the period					**1 527**	928

i) Including disposals, re-measurements and impairments.

3. Segmental analysis (continued)

Total Assets

Analysed by operating segment

	As at	
	30 Jun 2008 £m	31 Dec 2007 £m
Exploration and Production	**9 275**	7 589
Liquefied Natural Gas	**5 487**	2 996
Transmission and Distribution	**1 632**	1 415
Power Generation	**1 207**	1 128
Other activities	**62**	56
Cash and cash equivalents, derivative financial instruments[i], interest and tax balances	**2 677**	2 206
	20 340	15 390

i) Derivative financial instruments used to hedge currency and interest rate risk.

BG Group's total assets have increased during the period. This is principally due to fair value movements on commodity contracts and other derivative financial instruments. Liabilities associated with these instruments have also increased during the period. The reasons for the increases include:

- The impact of commodity prices on gas and LNG hedging activity;
- Non-cash mark-to-market movements on certain long-term UK gas contracts; and
- The requirement (with only limited exceptions) to present amounts associated with derivatives gross on the balance sheet.

4. Net finance income

Second Quarter			Half Year	
2008 £m	2007 £m		**2008 £m**	2007 £m
(22)	(16)	Interest payable	**(46)**	(39)
(13)	(13)	Interest on obligations under finance leases	**(28)**	(26)
5	9	Interest capitalised	**13**	20
(8)	(5)	Unwinding of discount on provisions[i]	**(16)**	(10)
(4)	(2)	Disposals, re-measurements and impairments (Note 2)	**(5)**	(6)
(42)	(27)	Finance costs	**(82)**	(61)
52	34	Interest receivable	**92**	67
–	–	Disposals, re-measurements and impairments (Note 2)	**1**	5
52	34	Finance income	**93**	72
10	7	Net finance income[ii]	**11**	11

i) Relates to the unwinding of the discount on provisions 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 £10 million (2007 £15 million), and for the half year of £22 million (2007 £27 million).

5. Taxation

The taxation charge for the second quarter before disposals, re-measurements and impairments was £607 million (2007 £307 million) and the taxation charge including disposals, re-measurements and impairments was £560 million (2007 £289 million).

For the half year, the taxation charge before disposals, re-measurements and impairments was £1 198 million (2007 £664 million) and the taxation charge including disposals, re-measurements and impairments was £1 143 million (2007 £629 million).

The Group share of taxation from joint ventures and associates for the second quarter was £10 million (2007 £10 million) and for the half year was £17 million (2007 £9 million).

The effective tax rate for the half year is based on the best estimate of the weighted average annual income tax rate expected for the full year.

6. Earnings per ordinary share

Second Quarter					Half Year			
2008		2007			**2008**		2007	
£m	**Pence per share**	£m	Pence per share		**£m**	**Pence per share**	£m	Pence per share
747	**22.3**	471	13.9	Earnings	**1 514**	**45.3**	903	26.5
60	**1.8**	(62)	(1.9)	Disposals, re-measurements and impairments (after tax and minority interest)	**82**	**2.4**	(46)	(1.3)
807	**24.1**	409	12.0	Earnings – excluding disposals, re-measurements and impairments	**1 596**	**47.7**	857	25.2

Basic earnings per share calculations in 2008 are based on the weighted average number of shares in issue of 3 346 million for the quarter and 3 345 million for the half year.

The earnings figure used to calculate diluted earnings per ordinary share is the same as that used to calculate earnings per ordinary share given above, divided by 3 384 million for the quarter and 3 383 million for the half year, being the weighted average number of ordinary shares in issue during the period as adjusted for dilutive equity instruments.

7. Reconciliation of net borrowings/funds[i] – Half Year

	£m
Net funds as at 31 December 2007	**25**
Net increase in cash and cash equivalents	**457**
Cash outflow from changes in borrowings	**173**
Foreign exchange and other re-measurements	**(22)**
Cash and cash equivalents classified as held for sale	**(4)**
Net funds as at 30 June 2008[i] [ii]	**629**

Net borrowings attributable to Comgas were £442 million (31 December 2007 £318 million).

As at 30 June 2008, 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 £0.7 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 30.

ii) Net borrowings/funds comprise:

	As at 30 Jun 2008 £m	As at 31 Dec 2007 £m
Amounts receivable/(due) within one year		
Cash and cash equivalents	**2 346**	1 881
Overdrafts, loans and finance leases	**(142)**	(275)
Derivative financial instruments[iii]	**(15)**	60
	2 189	1 666
Amounts receivable/(due) after more than one year		
Loans and finance leases	**(1 610)**	(1 668)
Derivative financial instruments[iii]	**50**	27
	(1 560)	(1 641)
Net funds/(borrowings)	**629**	25

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

7. Reconciliation of net borrowings/funds – Half Year (continued)

Liquidity and Capital Resources

All the information below is as at 30 June 2008
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 US$1.0 billion US Commercial Paper Programme, which was unutilised, and a US$1.0 billion Eurocommercial Paper Programme, of which US$971 million was unutilised. BGEH also had a US$2.0 billion Euro Medium Term Note Programme, of which US$1.55 billion was unutilised.

BGEH had aggregate committed multicurrency revolving borrowing facilities of US$1.04 billion which expire in 2012. There are no restrictions on the application of funds under these facilities, which were undrawn.

In addition, BGEH had uncommitted borrowing facilities including multicurrency lines, overdraft facilities of £60 million and credit facilities of US$40 million, all of which were unutilised.

On 23 June 2008, BGEH entered into a syndicated facility agreement allowing it, subject to certain conditions, to borrow up to US$12.125 billion and A$2 billion in aggregate in connection with the proposed acquisition of Origin.

Comgas had committed borrowing facilities of Brazilian Reals (BRL) 1 756.1 million, of which BRL 267.9 million was unutilised, and uncommitted borrowing facilities of BRL 280 million, of which BRL 96.6 million were unutilised.

8. Statement of changes in equity

	Called up share capital £m	Share premium account £m	Hedging reserve £m	Translation reserve £m	Other reserves £m	Retained earnings £m	Total £m	Minority Interest £m	Total £m
Equity as at 31 December 2007	**358**	**165**	**(39)**	**(164)**	**1 702**	**5 203**	**7 225**	**132**	**7 357**
Profit for the financial period	–	–	–	–	–	1 514	**1 514**	13	**1 527**
Issue of shares	–	7	–	–	–	–	**7**	–	**7**
Adjustment in respect of employee share schemes	–	–	–	–	–	37	**37**	–	**37**
Dividends on ordinary shares	–	–	–	–	–	(193)	**(193)**	–	**(193)**
Dividends paid to minority interest	–	–	–	–	–	–	–	(19)	**(19)**
Fair value movements on 'available-for-sale' assets net of tax[(i)]	–	–	–	–	–	71	**71**	–	**71**
Currency translation adjustments and hedge adjustments net of tax	–	–	(165)	107	–	–	**(58)**	7	**(51)**
Equity as at 30 June 2008	**358**	**172**	**(204)**	**(57)**	**1 702**	**6 632**	**8 603**	**133**	**8 736**

	Called up share capital £m	Share premium account £m	Hedging reserve £m	Translation reserve £m	Other reserves £m	Retained earnings £m	Total £m	Minority Interest £m	Total £m
Equity as at 31 December 2006	356	116	51	(256)	1 702	4 394	6 363	102	6 465
Profit for the financial period	–	–	–	–	–	903	903	25	928
Issue of shares	1	14	–	–	–	–	15	–	15
Purchase of own shares	–	–	–	–	–	(216)	(216)	–	(216)
Adjustment in respect of employee share schemes	–	–	–	–	–	26	26	–	26
Dividends on ordinary shares	–	–	–	–	–	(143)	(143)	–	(143)
Dividends paid to minority interest	–	–	–	–	–	–	–	(13)	(13)
Currency translation adjustments and hedge adjustments net of tax	–	–	19	(9)	–	–	10	6	16
Equity as at 30 June 2007	357	130	70	(265)	1 702	4 964	6 958	120	7 078

i) BG Group's 9.9% stake in QGC is classified as an 'available-for-sale' financial asset under IAS 39.

9. Dividends

	Half Year			
	2008		2007	
	£m	**Pence per share**	£m	Pence per share
Prior year final dividend, paid in the period	**193**	**5.76**	143	4.20

The final dividend of 5.76p (£193 million) in respect of the year ended 31 December 2007 was paid on 23 May 2008 to shareholders (2 June 2008 to ADR holders) on the register at the close of business on 11 April 2008. The interim dividend of 4.68p (£157 million) in respect of the year ended 31 December 2008 is payable on 12 September 2008 (19 September 2008 to ADR holders).

10. Capital investment: geographical analysis

Second Quarter 2008 £m	Second Quarter 2007 £m		Half Year 2008 £m	Half Year 2007 £m
217	152	Europe and Central Asia	**396**	412
479	168	Americas and Global LNG	**640**	648
254	176	Africa, Middle East and Asia	**561**	305
950	496		**1 597**	1 365

11. Quarterly information: earnings and earnings per share

	2008 £m	2007 £m	2008 pence	2007 pence
First quarter				
including disposals, re-measurements and impairments	**767**	432	**22.9**	12.7
excluding disposals, re-measurements and impairments	**789**	448	**23.6**	13.1
Second quarter				
including disposals, re-measurements and impairments	**747**	471	**22.3**	13.9
excluding disposals, re-measurements and impairments	**807**	409	**24.1**	12.0
Third quarter				
including disposals, re-measurements and impairments		357		10.6
excluding disposals, re-measurements and impairments		368		10.9
Fourth quarter				
including disposals, re-measurements and impairments		486		14.4
excluding disposals, re-measurements and impairments		558		16.6
Full year				
including disposals, re-measurements and impairments		1 746		51.6
excluding disposals, re-measurements and impairments		1 783		52.7

12. Commitments and contingencies

Details of the Group's commitments and contingent liabilities as at 31 December 2007 can be found in note 27, page 112 of the 2007 Annual Report and Accounts.

There have been no material changes to the Group's commitments in respect of capital expenditure in the six month period to 30 June 2008. There have been no material changes to the Group's other commitments and contingent liabilities in the period.

13. Related party transactions

The Group provides goods and services to, and receives goods and services from, its joint ventures and associates. In addition, the Group provides financing to some of these parties by way of loans. Details of related party transactions for the year ended 31 December 2007 can be found in note 28, page 114 of the 2007 Annual Report and Accounts. There have been no material changes in these relationships in the following period ending 30 June 2008. No related party transactions have taken place in the first six months of the current financial year that have materially affected the financial position or the performance of the Group during that period.

Supplementary information: Operating and financial data

Second Quarter 2008	Second Quarter 2007	First Quarter 2008		Half Year 2008	Half Year 2007
			Production volumes (mmboe)		
7.2	7.4	7.9	– oil	**15.1**	13.9
9.2	9.7	9.3	– liquids	**18.5**	18.5
38.3	36.6	43.5	– gas	**81.8**	79.5
54.7	53.7	60.7	– total	**115.4**	111.9
			Production volumes (boed in thousands)		
79	81	87	– oil	**83**	77
101	107	102	– liquids	**102**	102
421	402	478	– gas	**449**	439
601	590	667	– total	**634**	618
£60.61	£34.81	£49.69	Average realised oil price per barrel	**£54.92**	£32.37
($120.93)	($69.07)	($98.49)		**($109.21)**	($63.89)
£48.97	£28.58	£41.05	Average realised liquids price per barrel	**£44.98**	£25.99
($97.69)	($56.72)	($81.35)		**($89.45)**	($51.31)
32.79p	23.88p	38.73p	Average realised UK gas price per produced therm	**36.11p**	31.48p
20.43p	15.11p	19.54p	Average realised International gas price per produced therm	**19.97p**	15.75p
22.94p	17.00p	23.87p	Average realised gas price per produced therm	**23.43p**	19.43p
£1.87	£1.74	£1.57	Lifting costs per boe	**£1.71**	£1.62
($3.72)	($3.44)	($3.11)		**($3.40)**	($3.20)
£3.24	£2.74	£2.80	Operating expenditure per boe	**£3.01**	£2.61
($6.47)	($5.41)	($5.55)		**($5.99)**	($5.16)
406	301	407	Development expenditure (£m)	**813**	592
			Gross exploration expenditure (£m)		
180	46	146	– capitalised expenditure (excluding acquisitions)	**326**	105
54	56	41	– other expenditure	**95**	102
234	102	187	– gross expenditure	**421**	207
			Exploration expenditure charge (£m)		
40	16	56	– capitalised expenditure written off	**96**	26
54	56	41	– other expenditure	**95**	102
94	72	97	– exploration charge	**191**	128
			LNG cargoes		
17	64	6	– delivered to US	**23**	99
46	7	52	– delivered to global markets	**98**	24
63	71	58	– total	**121**	123
186.0	208.8	177.8	LNG managed volumes (Tbtu)	**363.8**	353.6

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 2008 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 2008, other factors being constant, a 10 cent strengthening (or weakening) in the US Dollar would increase (or decrease) operating profit by approximately £250 million to £300 million.

Glossary

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

bcf	billion cubic feet
bcfd	billion cubic feet per day
bcmpa	billion cubic metres per annum
boe	barrels of oil equivalent
boed	barrels of oil equivalent per day
bopd	barrels of oil per day
CCGT	combined cycle gas turbine
DCQ	daily contracted quantity
E&P	Exploration and Production
EBITDA	earnings before interest, tax, depreciation and amortisation
EPC	engineering, procurement and construction
EPIC	engineering, procurement, installation and commissioning
FEED	front end engineering design
FERC	Federal Energy Regulatory Commission
Gearing ratio	net borrowings as a percentage of total shareholders' funds (excluding the re-measurement of commodity financial instruments and associated deferred tax) plus net borrowings
GW	gigawatt
IAS 39	International Accounting Standard 39 (Financial Instruments)
IFRS	International Financial Reporting Standards
kboed	thousand barrels of oil equivalent per day
LNG	Liquefied Natural Gas
Managed volumes	Comprises all LNG volumes contracted for purchase and having related revenue and other operating income recognised in the applicable period
m	million
mmboe	million barrels of oil equivalent
mmbtu	million british thermal units
mmcfd	million cubic feet per day
mmcmd	million cubic metres per day
mmscfd	million standard cubic feet per day
mmscm	million standard cubic metres
mmscmd	million standard cubic metres per day
MoU	Memorandum of Understanding
mtpa	million tonnes per annum
MW	megawatt
Net borrowings/funds	Comprise cash, current asset investments, finance leases, currency and interest rate derivative financial instruments and short- and long-term borrowings
NGL	Natural gas liquids
PJ	Petajoules
PSA	production sharing agreement
SEC	US Securities and Exchange Commission
T&D	Transmission and Distribution
Tbtu	trillion british thermal units
Total operating profit	Group operating profit plus share of pre-tax operating results of joint ventures and associates
UKCS	United Kingdom Continental Shelf
Unit operating expenditure per boe	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.
Unit lifting costs per boe	'Unit operating expenditure' as defined above, excluding royalty, tariff and insurance costs incurred over the period divided by the net production for the period.

Enquiries

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

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High resolution images are available at www.vismedia.co.uk

BG Group is listed on the US over-the-counter market known as the International OTCQX. Enquiries should be made to:

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Financial Calendar

Ex-dividend for 2008 interim dividend	6 August 2008
Record date for 2008 interim dividend	8 August 2008
Payment of 2008 interim dividend:	
Shareholders	12 September 2008
American depositary receipt holders	19 September 2008
Announcement of 2008 third quarter results	4 November 2008

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

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Registered in England No. 3690065