

## First Quarter Highlights

- Profit and cash flow resilience delivered from integrated gas business model
- Total operating profit £1 275 million, earnings per share 20.5 pence
- Continued exploration success in pre-salt Santos Basin, Brazil
- Tupi flowed oil on 25 April for the commissioning of its FPSO
- Acquisition of Pure Energy in Australia

**BG Group’s Chief Executive, Frank Chapman said:**

*“The strength of BG Group’s integrated gas business is reflected in the distinctive resilience of our profits and cash flow in this challenging economic environment. We have also continued to make progress in key growth areas of our business, with the acquisition of Pure Energy in Australia, continued exploration success in Brazil and the development of projects across the portfolio.”*

<b>Business Performance</b> <sup>(i)(ii)</sup>	First Quarter		
	2009 £m	2008 £m	
Total operating profit including share of pre-tax operating results from joint ventures and associates	<b>1 275</b>	1 402	-9%
Earnings for the period	<b>690</b>	789	-13%
Earnings per share	<b>20.5p</b>	23.6p	-13%
<b>Total results for the period (including disposals, re-measurements and impairments)</b>			
Operating profit before share of results from joint ventures and associates	<b>1 218</b>	1 317	-8%
Total operating profit including share of pre-tax operating results from joint ventures and associates	<b>1 308</b>	1 370	-5%
Earnings for the period	<b>706</b>	767	-8%
Earnings per share	<b>21.0p</b>	22.9p	-8%

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 14 and note 3, page 16. 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

<b>Business Performance</b>	First Quarter		
	2009 £m	2008 £m	
Revenue and other operating income	<b>3 095</b>	3 106	–
Total operating profit including share of pre-tax results from joint ventures and associates			
Exploration and Production	<b>583</b>	942	-38%
Liquefied Natural Gas	<b>578</b>	395	+46%
Transmission and Distribution	<b>80</b>	31	+158%
Power Generation	<b>25</b>	38	-34%
Other activities	<b>9</b>	(4)	–
	<b>1 275</b>	1 402	-9%
Net finance costs	<b>(47)</b>	(11)	+327%
Taxation for the period	<b>(522)</b>	(598)	-13%
Earnings for the period	<b>690</b>	789	-13%
Earnings per share	<b>20.5p</b>	23.6p	-13%
Capital investment	<b>1 311</b>	647	+103%

#### First quarter

Revenue and other operating income of £3 095 million was in line with 2008 as higher gas prices, a favourable sales mix and the effect of a stronger US Dollar offset lower oil prices.

Total operating profit of £1 275 million was 9% lower than 2008. This resilient performance, in the face of challenging economic conditions, reflects the strength of BG Group's integrated gas business model. LNG and T&D posted strong profits and in E&P, firmer gas prices, improved sales mix and favourable US\$/UK£ exchange rates mitigated the effect of lower oil prices, a higher exploration charge and lower production volumes. Cash generated by operations of £1 392 million covered capital investment of £1 311 million; which included the acquisition of Pure Energy Resources Limited (Pure Energy). At the end of the quarter, the gearing ratio of the Group was 9%.

Net finance costs were £36 million higher principally due to lower cash balances and interest rates.

The Group's effective tax rate (including BG Group's share of joint venture and associates' tax) was 42.5% (2008 43.0%) for the quarter.

Capital investment in the quarter of £1 311 million included £464 million on the acquisition of Pure Energy, and continuing investment in E&P (£711 million), LNG (£104 million), T&D (£29 million) and Power (£3 million).

#### First quarter business highlights

On 27 March, BG Group completed the acquisition of Queensland Gas Company Limited (QGC).

During the quarter, BG Group Australia was established as a new region within BG Group's organisation, and Catherine Tanna was appointed as Executive Vice President and Managing Director, Australia. The region covers all of BG Group's interests in Australia, including the development of QGC's coal seam gas resources, domestic gas marketing and the Queensland Curtis LNG export facility.

In April, BG Group announced it had acquired over 99% of the ordinary share capital of Pure Energy under its recommended all cash takeover offer. The offer at A\$8.25 per share valued Pure Energy's ordinary equity at £464 million. BG Group is in the process of completing the compulsory acquisition of the remaining Pure Energy shares. The acquisition of Pure Energy brings additional coal seam gas reserves and resources to BG Group at a low cost, located adjacent to key QGC licences in the Surat Basin. In addition, the acquisition brings large tracts of prospective coal seam gas acreage in Queensland's Bowen Basin. In total, BG Group now owns interests in onshore concessions in Australia covering more than 130 000 square kilometres.

## Exploration and Production (E&P)

<b>Business Performance</b>	First Quarter		
	2009 £m	2008 £m	
Production volumes (mmboe)	57.9	60.7	-5%
Revenue and other operating income	1 279	1 455	-12%
Total operating profit before exploration charge	760	1 039	-27%
Exploration charge	(177)	(97)	+82%
Total operating profit	583	942	-38%
Capital investment	1 175	582	+102%

Additional operating and financial data is given on page 21.

### First quarter

E&P total operating profit was £583 million. Excluding the exploration charge, total operating profit was 27% lower at £760 million. The resilience of this performance, in the face of sharply lower oil prices, was due to firmer gas price realisations, BG Group's success in improving its sales mix and the translation effect of a stronger US Dollar.

Volumes were 2.8 mmboe lower principally due to the expected depletion of Atlantic/Cromarty in the UK and lower local demand in Kazakhstan, Thailand and Brazil. Production guidance for the year is unchanged at 680 000 barrels of oil equivalent per day based on new projects due on stream later in the year and other production opportunities in the portfolio.

Unit operating expenditure fell to \$5.44 per barrel of oil equivalent.

The exploration charge of £177 million is £80 million higher than 2008, principally due to the phasing of exploration activity and the impact of the US\$/UK£ exchange rate on costs.

Capital investment of £1 175 million included expenditure in Australia (£511 million including £464 million on the acquisition of Pure Energy), Egypt (£114 million), UK (£102 million), Tunisia (£93 million) and Brazil (£77 million).

### First quarter business highlights

In Thailand, BG Group has agreed to acquire all the shares of Petroleum Resources (Thailand) Pty Limited (PRT). PRT holds a 16.67% participating interest in the Blocks 7, 8 and 9 Concession (B789) and a 16.67% interest in an Overriding Royalty Agreement (ORRA) covering production from Block 9a in the Gulf of Thailand. Prior to this transaction, BG Group held a 50% interest in B789 (and operatorship) and a 50% interest in the ORRA.

In Brazil, the Tupi field flowed oil on 25 April as BG Group and partners began commissioning in preparation for first commercial production, expected imminently. A second well, Tupi P1, which commences drilling in June, will also be tied back to the FPSO. The extended well test is scheduled to last for 15 months and production is expected to peak at around 15 000 barrels per day.

In April, BG Group and its partners made a new discovery in the pre-salt Santos Basin, offshore Brazil. The exploration well, known as Iguacu, has proven the presence of another accumulation of light oil, in the BM-S-9 concession. This is the third discovery by BG Group and partners in the BM-S-9 concession. Further evaluation of the discovery will continue in line with the National Petroleum Agency approved evaluation plan.

In April, BG Group encountered hydrocarbons in a pre-salt reservoir with the Corcovado-1 exploration well (BM-S-52 concession – Santos Basin). The well has reached its target depth and logging operations are ongoing. BG Group will move operations to Corcovado-2 on completion of the current well.

BG Group is the operator of the BM-S-52 concession during the exploration phase and has a 40% interest in the concession, alongside partner Petrobras with a 60% interest.

In Egypt, BG Group was awarded Block 1, North Gamasa Offshore (BG Group 100%) in the latest licensing round of blocks by the Egyptian National Gas Holding Company.

## Liquefied Natural Gas (LNG)

<b>Business Performance</b>	First Quarter		
	2009 £m	2008 £m	
Revenue and other operating income	1 426	1 336	+7%
Total operating profit			
Shipping and marketing	543	383	+42%
Liquefaction	61	26	+135%
Business development and other	(26)	(14)	+86%
	578	395	+46%
Capital investment	104	33	+215%

Additional operating and financial data is given on page 21.

### First quarter

LNG total operating profit increased by £183 million to £578 million.

Shipping and marketing performed well in a seasonally strong quarter with total operating profit increasing by £160 million to £543 million principally due to higher realisations and the impact of a stronger US Dollar.

BG Group's share of operating profit from liquefaction activities increased by £35 million to £61 million reflecting a 13% increase in volumes, the impact of the stronger US\$/UK£ exchange rate and higher operating profits at Egyptian LNG.

BG Group's guidance for LNG segment operating profit is unchanged at £1.4 to £1.5 billion for 2009 and £1.2 to £1.3 billion for 2010.

Capital investment of £104 million in the quarter included £69 million relating to LNG vessels, £17 million in Chile and £12 million in Australia.

### First quarter business highlights

On 3 February, BG Group entered into an agreement with the Queensland Government to acquire a 270 hectare site at North China Bay on Curtis Island, the site of the proposed Queensland Curtis LNG project near Gladstone. The project remains on track for a final investment decision in 2010.

In February, BG Group successfully launched its first new-generation LNG carrier at the Samsung shipyard in Korea. The ship, to be delivered in 2010, will be the first of four 170 000 m<sup>3</sup> LNG carriers for BG Group with dual-fuel diesel electric (DFDE) propulsion. The ships will be the first DFDE ships in the world to integrate an onboard reliquefaction system, allowing natural gas boil-off to be consumed for propulsion or reliquefied and returned to cargo tanks.

## Transmission and Distribution (T&D)

<b>Business Performance</b>	First Quarter		
	2009 £m	2008 £m	
Revenue and other operating income			
Comgas	282	243	+16%
Other	46	46	–
	<b>328</b>	<b>289</b>	<b>+13%</b>
Total operating profit			
Comgas	70	20	+250%
Other	10	11	-9%
	<b>80</b>	<b>31</b>	<b>+158%</b>
Capital investment	<b>29</b>	<b>28</b>	<b>+4%</b>

### First quarter

At Comgas, in Brazil, total operating profit increased by £50 million to £70 million reflecting the continuing recovery of gas costs incurred in earlier periods which more than offset weaker demand in the industrial and power segments, the latter due to higher hydro generation availability.

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

## Power Generation

<b>Business Performance</b>	First Quarter		
	2009 £m	2008 £m	
Revenue and other operating income	<b>143</b>	<b>139</b>	<b>+3%</b>
Total operating profit			
Power Generation	27	41	-34%
Business development and other	(2)	(3)	-33%
	<b>25</b>	<b>38</b>	<b>-34%</b>
Capital investment	<b>3</b>	<b>4</b>	<b>-25%</b>

### First quarter

The decrease in operating profit in the quarter reflects the phasing of profits at BG Italia Power. This timing difference is expected to reverse within the year.

## **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 statement, page 10 and note 3, page 16.

### **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 16.

### **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 2008. 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.

**Consolidated Income Statement**
**First quarter**

		2009			2008		
	Notes	Business Performance <sup>(i)</sup> £m	Disposals, re-measure- ments and impairments (Note 2) <sup>(ii)</sup> £m	Total Result £m	Business Performance <sup>(i)</sup> £m	Disposals, re-measure- ments and impairments (Note 2) <sup>(ii)</sup> £m	Total Result £m
Group revenue	3	3 012	–	3 012	3 089	–	3 089
Other operating income	2	83	33	116	17	(10)	7
<b>Group revenue and other operating income</b>	3	<b>3 095</b>	<b>33</b>	<b>3 128</b>	3 106	(10)	3 096
Operating costs		(1 910)	–	(1 910)	(1 757)	–	(1 757)
Profits and losses on disposal of non-current assets and impairments	2	–	–	–	–	(22)	(22)
<b>Operating profit/(loss)<sup>(iii)</sup></b>	3	<b>1 185</b>	<b>33</b>	<b>1 218</b>	1 349	(32)	1 317
Finance income	2, 4	6	12	18	40	1	41
Finance costs	2, 4	(42)	(11)	(53)	(39)	(1)	(40)
Share of post-tax results from joint ventures and associates	3	64	–	64	34	–	34
<b>Profit/(loss) before tax</b>		<b>1 213</b>	<b>34</b>	<b>1 247</b>	1 384	(32)	1 352
Taxation	2, 5	(507)	(18)	(525)	(591)	8	(583)
<b>Profit/(loss) for the period</b>		<b>706</b>	<b>16</b>	<b>722</b>	793	(24)	769
<b>Attributable to:</b>							
BG Group shareholders (earnings)		690	16	706	789	(22)	767
Minority interest		16	–	16	4	(2)	2
		<b>706</b>	<b>16</b>	<b>722</b>	793	(24)	769
Earnings per share – basic	6	20.5p	0.5p	21.0p	23.6p	(0.7p)	22.9p
Earnings per share – diluted	6	20.4p	0.5p	20.9p	23.3p	(0.6p)	22.7p
<b>Total operating profit/(loss) including share of pre-tax operating results from joint ventures and associates<sup>(i)(iii)</sup></b>	3	<b>1 275</b>	<b>33</b>	<b>1 308</b>	1 402	(32)	1 370

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.

**Consolidated Statement of Comprehensive Income**

	First Quarter	
	2009 £m	2008 £m
Profit for the period	<b>722</b>	769
Hedge adjustments net of tax	<b>(189)</b>	5
Fair value movements on 'available-for-sale' assets net of tax	<b>5</b>	–
Currency translation adjustments	<b>137</b>	(37)
Other comprehensive income, net of tax	<b>(47)</b>	(32)
<b>Total comprehensive income for the period</b>	<b>675</b>	<b>737</b>
<b>Attributable to:</b>		
BG Group shareholders	<b>657</b>	734
Minority interest	<b>18</b>	3
	<b>675</b>	<b>737</b>

**Consolidated Balance Sheet**

	As at 31 Mar 2009 £m	As at 31 Dec 2008 £m	As at 31 Mar 2008 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	439	417	395
Other intangible assets	4 409	3 713	909
Property, plant and equipment	11 610	11 288	7 609
Investments	1 692	1 631	1 180
Deferred tax assets	87	77	89
Trade and other receivables	105	95	75
Commodity contracts and other derivative financial instruments	676	935	447
	<b>19 018</b>	<b>18 156</b>	<b>10 704</b>
<b>Current assets</b>			
Inventories	387	562	364
Trade and other receivables	3 620	3 616	2 483
Current tax receivable	125	91	59
Commodity contracts and other derivative financial instruments	1 643	1 538	1 145
Cash and cash equivalents	701	1 033	2 273
	<b>6 476</b>	<b>6 840</b>	<b>6 324</b>
Assets classified as held for sale	–	–	21
<b>Total assets</b>	<b>25 494</b>	<b>24 996</b>	<b>17 049</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	(329)	(281)	(278)
Trade and other payables	(3 122)	(3 632)	(2 289)
Current tax liabilities	(1 130)	(1 122)	(688)
Commodity contracts and other derivative financial instruments	(1 386)	(1 453)	(1 436)
	<b>(5 967)</b>	<b>(6 488)</b>	<b>(4 691)</b>
<b>Non-current liabilities</b>			
Borrowings	(1 925)	(1 897)	(1 598)
Trade and other payables	(42)	(38)	(27)
Commodity contracts and other derivative financial instruments	(767)	(528)	(485)
Deferred income tax liabilities	(2 078)	(2 056)	(1 311)
Retirement benefit obligations	(185)	(178)	(162)
Provisions for other liabilities and charges	(943)	(927)	(663)
	<b>(5 940)</b>	<b>(5 624)</b>	<b>(4 246)</b>
Liabilities associated with assets classified as held for sale	–	–	(3)
<b>Total liabilities</b>	<b>(11 907)</b>	<b>(12 112)</b>	<b>(8 940)</b>
<b>Net assets</b>	<b>13 587</b>	<b>12 884</b>	<b>8 109</b>
<b>Equity</b>			
Total shareholders' equity	13 443	12 758	7 974
Minority interest in equity	144	126	135
<b>Total equity</b>	<b>13 587</b>	<b>12 884</b>	<b>8 109</b>

## Consolidated Cash Flow Statement

	First Quarter	
	2009 £m	2008 £m
<b>Cash flows from operating activities</b>		
Profit before tax	1 247	1 352
Share of post-tax results from joint ventures and associates	(64)	(34)
Depreciation and impairments of property, plant and equipment and amortisation of intangible assets	284	218
Fair value movements in commodity based contracts	(42)	30
Losses on disposal of non-current assets and impairments	–	22
Unsuccessful exploration expenditure written off	113	56
Increase/(decrease) in provisions	3	(9)
Finance income	(18)	(41)
Finance costs	53	40
Share-based payments	7	7
Increase in working capital	(191)	(75)
<b>Cash generated by operations</b>	<b>1 392</b>	<b>1 566</b>
Income taxes paid	(439)	(401)
<b>Net cash inflow from operating activities</b>	<b>953</b>	<b>1 165</b>
<b>Cash flows from investing activities</b>		
Dividends received from joint ventures and associates	19	–
Purchase of property, plant and equipment and intangible assets	(817)	(478)
Loans to joint ventures and associates	(9)	(18)
Business combinations and investments	(492)	(10)
<b>Net cash outflow from investing activities</b>	<b>(1 299)</b>	<b>(506)</b>
<b>Cash flows from financing activities</b>		
Net interest paid <sup>(i)</sup>	(20)	(10)
Net proceeds from issue of new borrowings	38	38
Repayment of borrowings	(14)	(107)
Issue of shares	10	3
Purchase of own shares	(3)	(197)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>11</b>	<b>(273)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(335)</b>	<b>386</b>
Cash and cash equivalents at beginning of period	1 033	1 881
Effect of foreign exchange rate changes	3	8
<b>Cash and cash equivalents at end of period<sup>(iii)</sup></b>	<b>701</b>	<b>2 275<sup>(iii)</sup></b>

i) Includes capitalised interest for the first quarter of £4 million (2008 £8 million).

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

iii) The balance at 31 March 2008 includes cash and cash equivalents of £2 273 million and cash included within assets classified as held for sale of £2 million.

## Notes

### 1. Basis of preparation

These primary statements are the unaudited interim consolidated financial statements ('the financial statements') of BG Group plc for the quarter ended 31 March 2009. 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 2008, as they provide an update of previously reported information. The latest statutory accounts delivered to the registrar were for the year ended 31 December 2008 which were audited by BG Group's statutory auditors PricewaterhouseCoopers LLP. These financial statements are Interim Management Statements and have been prepared in accordance with the requirements of the Disclosure and Transparency Rules issued by the Financial Services Authority and the accounting policies set out in the 2008 Annual Report and Accounts.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities 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 15, 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

IAS 1 (revised) 'Presentation of Financial Statements' is applicable to BG Group for the period beginning 1 January 2009. In accordance with this standard, the Group has continued to report a separate 'Consolidated Income Statement' and has reported a separate 'Consolidated Statement of Comprehensive Income' in place of a 'Consolidated Statement of Recognised Income and Expense'. In addition, the Group will present a 'Consolidated Statement of Changes in Equity' as part of its primary financial statements in the 2009 half year financial statements and the 2009 Annual Report and Accounts.

## 2. Disposals, re-measurements and impairments

	First Quarter	
	2009 £m	2008 £m
Revenue and other operating income –		
re-measurements of commodity based contracts	33	(10)
Profits and losses on disposal of non-current assets and impairments	–	(22)
Net finance income – re-measurements of financial instruments	1	–
Taxation	(18)	8
Minority interest	–	2
Impact on earnings	16	(22)

### First quarter: Revenue and other operating income

Re-measurements included within revenue and other operating income amount to a credit of £33 million for the quarter (2008 £10 million charge), including a £41 million credit (2008 £22 million charge) representing 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.

### First quarter: Disposals of non-current assets and impairments

During the first quarter of 2008, 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.

### First quarter: 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.

### 3. Segmental analysis and results presentation

#### Profit for the period

Analysed by operating segment

	Business Performance		Disposals, re-measurements and impairments		Total Result	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
<b>First Quarter</b>						
<b>Group revenue</b>						
Exploration and Production	1 264	1 448	–	–	1 264	1 448
Liquefied Natural Gas	1 363	1 333	–	–	1 363	1 333
Transmission and Distribution	328	289	–	–	328	289
Power Generation	138	132	–	–	138	132
Other activities	–	2	–	–	–	2
Less: intra-group sales	(81)	(115)	–	–	(81)	(115)
<b>Group revenue</b>	<b>3 012</b>	<b>3 089</b>	<b>–</b>	<b>–</b>	<b>3 012</b>	<b>3 089</b>
Other operating income <sup>(i)</sup>	83	17	33	(10)	116	7
<b>Group revenue and other operating income</b>	<b>3 095</b>	<b>3 106</b>	<b>33</b>	<b>(10)</b>	<b>3 128</b>	<b>3 096</b>
<b>Operating profit/(loss) before share of results from joint ventures and associates</b>						
Exploration and Production	583	942	34	(10)	617	932
Liquefied Natural Gas	518	370	–	–	518	370
Transmission and Distribution	74	25	(1)	(1)	73	24
Power Generation	1	16	–	–	1	16
Other activities	9	(4)	–	(21)	9	(25)
	<b>1 185</b>	<b>1 349</b>	<b>33</b>	<b>(32)</b>	<b>1 218</b>	<b>1 317</b>
<b>Pre-tax share of operating results of joint ventures and associates</b>						
Liquefied Natural Gas	60	25	–	–	60	25
Transmission and Distribution	6	6	–	–	6	6
Power Generation	24	22	–	–	24	22
	<b>90</b>	<b>53</b>	<b>–</b>	<b>–</b>	<b>90</b>	<b>53</b>
<b>Total operating profit/(loss)</b>						
Exploration and Production	583	942	34	(10)	617	932
Liquefied Natural Gas	578	395	–	–	578	395
Transmission and Distribution	80	31	(1)	(1)	79	30
Power Generation	25	38	–	–	25	38
Other activities	9	(4)	–	(21)	9	(25)
	<b>1 275</b>	<b>1 402</b>	<b>33</b>	<b>(32)</b>	<b>1 308</b>	<b>1 370</b>
<b>Net finance costs</b>						
Finance income	6	40	12	1	18	41
Finance costs	(42)	(39)	(11)	(1)	(53)	(40)
Share of joint ventures and associates	(11)	(12)	–	–	(11)	(12)
	<b>(47)</b>	<b>(11)</b>	<b>1</b>	<b>–</b>	<b>(46)</b>	<b>(11)</b>
<b>Taxation</b>						
Taxation	(507)	(591)	(18)	8	(525)	(583)
Share of joint ventures and associates	(15)	(7)	–	–	(15)	(7)
	<b>(522)</b>	<b>(598)</b>	<b>(18)</b>	<b>8</b>	<b>(540)</b>	<b>(590)</b>
<b>Profit for the period</b>	<b>706</b>	<b>793</b>	<b>16</b>	<b>(24)</b>	<b>722</b>	<b>769</b>

i) Business Performance Other operating income is attributable to segments as follows: E&P £15 million (2008 £7 million), LNG £63 million (2008 £3 million) and Power £5 million (2008 £7 million).

**3. Segmental analysis and results presentation (continued)**

<b>Total Result</b>	<b>Operating profit before share of results from joint ventures and associates<sup>(i)</sup></b>		<b>Share of results in joint ventures and associates</b>		<b>Total Result</b>	
	<b>2009 £m</b>	<b>2008 £m</b>	<b>2009 £m</b>	<b>2008 £m</b>	<b>2009 £m</b>	<b>2008 £m</b>
<b>First Quarter</b>						
Exploration and Production	<b>617</b>	932	–	–	<b>617</b>	932
Liquefied Natural Gas	<b>518</b>	370	<b>46</b>	16	<b>564</b>	386
Transmission and Distribution	<b>73</b>	24	<b>4</b>	4	<b>77</b>	28
Power Generation	<b>1</b>	16	<b>14</b>	14	<b>15</b>	30
Other activities	<b>9</b>	(25)	–	–	<b>9</b>	(25)
	<b>1 218</b>	1 317	<b>64</b>	34	<b>1 282</b>	1 351
Net finance (costs)/income					<b>(35)</b>	1
Profit before tax					<b>1 247</b>	1 352
Taxation					<b>(525)</b>	(583)
<b>Profit for the period</b>					<b>722</b>	769

i) Including disposals, re-measurements and impairments.

#### 4. Net finance (costs)/income

	First Quarter	
	2009 £m	2008 £m
Interest payable	(21)	(24)
Interest on obligations under finance leases	(13)	(15)
Interest capitalised	4	8
Unwinding of discount on provisions <sup>(i)</sup>	(12)	(8)
Disposals, re-measurements and impairments (Note 2)	(11)	(1)
Finance costs	(53)	(40)
Interest receivable	6	40
Disposals, re-measurements and impairments (Note 2)	12	1
Finance income	18	41
Net finance (costs)/income <sup>(ii)</sup>	(35)	1

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 £11 million (2008 £12 million).

#### 5. Taxation

The taxation charge for the first quarter before disposals, re-measurements and impairments was £507 million (2008 £591 million) and the taxation charge including disposals, re-measurements and impairments was £525 million (2008 £583 million).

The Group share of taxation from joint ventures and associates for the first quarter was a charge of £15 million (2008 £7 million).

#### 6. Earnings per ordinary share

	First Quarter			
	2009		2008	
	£m	Pence per share	£m	Pence per share
Earnings	706	21.0	767	22.9
Disposals, re-measurements and impairments (after tax and minority interest)	(16)	(0.5)	22	0.7
Earnings – excluding disposals, re-measurements and impairments	690	20.5	789	23.6

Basic earnings per share calculations in 2009 are based on shares in issue and ranking for dividend of 3 358 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 3 384 million for the quarter, being the weighted average number of ordinary shares in issue and ranking for dividend during the period as adjusted for dilutive equity instruments.

## 7. Reconciliation of Net Borrowings<sup>(i)</sup>

	£m
Net borrowings as at 31 December 2008	<b>(972)</b>
Net decrease in cash and cash equivalents	<b>(335)</b>
Cash inflow from changes in gross borrowings	<b>(24)</b>
Foreign exchange and other re-measurements	<b>(47)</b>
Net borrowings as at 31 March 2009 <sup>(i)(ii)</sup>	<b>(1 378)</b>

Net borrowings attributable to Comgas were £526 million (31 December 2008 £443 million).

As at 31 March 2009, BG Group's share of the net borrowings in joint ventures and associates amounted to approximately £1.4 billion, including BG Group shareholder loans of approximately £0.9 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 23.

ii) Net borrowings/funds comprise:

	As at 31 Mar 2009 £m	As at 31 Dec 2008 £m
<i>Amounts receivable/(due) within one year</i>		
Cash and cash equivalents	<b>701</b>	1 033
Overdrafts, loans and finance leases	<b>(329)</b>	(281)
Derivative financial instruments <sup>(iii)</sup>	<b>130</b>	(49)
	<b>502</b>	703
<i>Amounts receivable/(due) after more than one year</i>		
Loans and finance leases	<b>(1 925)</b>	(1 897)
Derivative financial instruments <sup>(iii)</sup>	<b>45</b>	222
	<b>(1 880)</b>	(1 675)
<b>Net borrowings</b>	<b>(1 378)</b>	<b>(972)</b>

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

## 8. Capital investment: geographical analysis

	First Quarter	
	2009 £m	2008 £m
Europe and Central Asia	145	179
Americas and Global LNG	281	161
Africa, Middle East and Asia	362	307
Australia	523	–
	<b>1 311</b>	<b>647</b>

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

	2009 £m	2008 £m	2009 pence	2008 pence
First quarter				
including disposals, re-measurements and impairments	706	767	21.0	22.9
excluding disposals, re-measurements and impairments	690	789	20.5	23.6
Second quarter				
including disposals, re-measurements and impairments		747		22.3
excluding disposals, re-measurements and impairments		807		24.1
Third quarter				
including disposals, re-measurements and impairments		857		25.6
excluding disposals, re-measurements and impairments		777		23.2
Fourth quarter				
including disposals, re-measurements and impairments		756		22.5
excluding disposals, re-measurements and impairments		695		20.7
Full year				
including disposals, re-measurements and impairments		3 127		93.4
excluding disposals, re-measurements and impairments		3 068		91.6

**Supplementary information: Operating and financial data**

	First Quarter 2009	2008	Fourth Quarter 2008
<b>Production volumes (mmboe)</b>			
– oil	8.1	7.9	8.0
– liquids	8.6	9.3	8.7
– gas	41.2	43.5	40.6
– total	57.9	60.7	57.3
<b>Production volumes (boed in thousands)</b>			
– oil	90	87	87
– liquids	96	102	95
– gas	457	478	441
– total	643	667	623
Average realised oil price per barrel	£30.38 (\$43.46)	£49.69 (\$98.49)	£33.05 (\$55.18)
Average realised liquids price per barrel	£23.08 (\$33.02)	£41.05 (\$81.35)	£17.83 (\$29.76)
Average realised UK gas price per produced therm	63.58p	38.73p	60.79p
Average realised International gas price per produced therm	23.84p	19.54p	25.10p
Average realised gas price per produced therm	31.41p	23.87p	32.52p
Lifting costs per boe	£2.24 (\$3.21)	£1.57 (\$3.11)	£2.21 (\$3.69)
Operating expenditure per boe	£3.80 (\$5.44)	£2.80 (\$5.55)	£3.93 (\$6.55)
Development expenditure (£m)	401	407	537
<b>Gross exploration expenditure (£m)</b>			
– capitalised expenditure (excluding acquisitions)	302	146	257
– other expenditure	64	41	50
– gross expenditure	366	187	307
<b>Exploration expenditure charge (£m)</b>			
– capitalised expenditure written off	113	56	95
– other expenditure	64	41	50
– exploration charge	177	97	145
<b>LNG cargoes</b>			
– delivered to US	9	6	12
– delivered to global markets	46	52	37
– total	55	58	49
LNG managed volumes (Tbtu)	180.2	177.8	125.4

**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 US\$1.00 rise (or fall) in the Brent price would increase (or decrease) operating profit in our E&P business in 2009 by approximately £55 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 2009, 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
boe	barrels of oil equivalent
boed	barrels of oil equivalent per day
bopd	barrels of oil per day
CAGR	compound annual growth rate
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
FPSO	Floating Production Storage and Offloading system
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
tcf	trillion cubic feet
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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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

Announcement of 2009 second quarter and half year results	29 July 2009
Payment of 2008 final dividend:	
Shareholders	22 May 2009
American depositary receipt holders	1 June 2009

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