

BG Group plc

2011 FIRST QUARTER RESULTS

First Quarter Key Points

- Higher UK North Sea tax reduces earnings by \$265 million
- LNG operating profit for 2011 expected towards upper end of \$1.9 to \$2.2 billion range
- Significant progress on long-term growth programme
- Positive appraisal results on the Guar and Lara discoveries in Brazil
- LNG sales agreements signed with Tokyo Gas and Chubu Electric
- Third exploration success offshore Tanzania

BG Group's Chief Executive, Frank Chapman said:

"It was a challenging quarter for our E&P operations, with civil unrest in North Africa, flooding in Australia, an increase in UK tax and a shutdown in the North Sea. We now expect modest production growth in 2011. The plans for a ramp-up in production in 2012 and 2013, as well as our 2020 goals, are unaffected and are supported by significant progress with our growth projects in Brazil, the USA and Australia, as well as further exploration and appraisal success in Brazil and Tanzania."

Business Performance ^(a)	First Quarter		
	2011 \$m	2010 ^(b) \$m	
Total operating profit including share of pre-tax operating results from joint ventures and associates	1 965	1 955	+1%
Earnings for the period before prior period taxation	1 014	1 097	-8%
Prior period taxation ^(c)	(195)	–	–
Earnings for the period after prior period taxation	819	1 097	-25%
Earnings per share	24.2c	32.5c	-26%

Total results for the period (including disposals, re-measurements and impairments)^(a)

Operating profit before share of results from joint ventures and associates	1 426	1 938	-26%
Total operating profit including share of pre-tax operating results from joint ventures and associates	1 552	2 043	-24%
Earnings for the period continuing operations before prior period taxation	743	1 163	-36%
Prior period taxation ^(d)	(148)	–	–
Earnings for the period continuing operations after prior period taxation	595	1 163	-49%
Earnings per share continuing operations	17.5c	34.4c	-49%

a) 'Business Performance' excludes discontinued operations and 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. During the first quarter, Total results included a pre-tax charge of \$408 million (2010 \$140 million credit) in relation to mark-to-market movements on long-term commodity contracts and economic hedges. 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). For further details of the items included in disposals, re-measurements and impairments, see note 2 (page 15). Unless otherwise stated, the results discussed in this release relate to BG Group's Business Performance.

b) 2010 results have been restated to reflect the presentation of the majority of the businesses that comprised the Power Generation segment as discontinued operations, see note 1 (page 14) and note 6 (page 18).

c) Prior period taxation represents an additional charge of \$195 million in respect of the revision of deferred tax balances at 1 January 2011 due to changes in UK taxation rates. This comprised a charge of \$203 million as a result of the increase in North Sea taxation and a credit of \$8 million as a result of a reduction in the UK taxation rate applicable outside the North Sea.

d) In addition to (c) above, prior period taxation includes a \$47 million credit which primarily relates to the impact of the increase in North Sea taxation on certain re-measurement balances.



Business Review – Group

	First Quarter		
	2011 \$m	2010 Restated ^(a) \$m	
Business Performance			
Revenue and other operating income	4 803	4 503	+7%
Total operating profit including share of pre-tax results from joint ventures and associates			
Exploration and Production	1 258	1 192	+6%
Liquefied Natural Gas	570	633	-10%
Transmission and Distribution	145	140	+4%
Other activities	(8)	(10)	-20%
	1 965	1 955	+1%
Net finance costs	(79)	(10)	+690%
Taxation for the period	(849)	(822)	+3%
Earnings for the period before prior period taxation	1 014	1 097	-8%
Prior period taxation	(195)	–	–
Earnings for the period after prior period taxation	819	1 097	-25%
Earnings per share (cents)	24.2c	32.5c	-26%
Cash generated by operations	1 799	2 508	-28%
Capital investment ^(b)	2 296	1 901	+21%

a) See note 1 (page 14).

b) Includes capital investment relating to discontinued operations for the quarter of \$nil (2010 \$2 million).

First quarter

Revenue and other operating income increased by 7% to \$4 803 million, reflecting the benefit of higher realised prices, partially offset by lower E&P production volumes.

Total operating profit of \$1 965 million was 1% higher, as the increase in revenue and other operating income was offset by a higher exploration charge and lower profits from the LNG segment.

Cash generated by operations of \$1 799 million was in line with fourth quarter 2010, but 28% lower than last year, principally reflecting changes in working capital associated with margin calls on the Group's hedged LNG contracts. The cash outflow associated with margin calls will reverse in future periods when the underlying LNG contracts settle.

Net finance costs of \$79 million (2010 \$10 million) included foreign exchange losses of \$22 million (2010 \$51 million gains).

The Group's effective tax rate (including BG Group's share of joint venture and associates' tax) for 2011 increased to 45% (2010 42%) primarily as a result of the recently announced change in UK North Sea taxation. This increase in UK taxation led to an additional charge of \$265 million, consisting of a \$62 million charge for the quarter in addition to a one-off tax charge of \$203 million in respect of the revision of opening deferred tax balances. Taking into account this tax rate change, the Group's effective tax rate is expected to be 43% to 44% in the near term and trend downwards thereafter as more of the Group's profits are generated from outside of the North Sea.

As at 31 March 2011, the Group's net debt was \$8 510 million, with an average maturity of around 9 years, and the gearing ratio was 23%. The increase in the gearing ratio has been largely driven by investment in the Group's major growth projects. In the quarter, capital expenditure was 21% higher at \$2 296 million (including acquisitions of \$319 million) and comprised investment in E&P (\$1 826 million), LNG (\$399 million) and T&D (\$71 million).

Disposals, re-measurements and impairments – continuing operations

A post-tax charge of \$223 million for the quarter (2010 \$66 million credit) was recorded in respect of disposals, re-measurements and impairments. This included a post-tax charge of \$281 million (2010 \$90 million credit) in relation to mark-to-market movements on long-term commodity contracts and economic hedges and a \$47 million credit (2010 \$nil) which primarily relates to the impact of the increase in North Sea taxation on certain re-measurement balances. For further information, see note 2 (page 15).

Board change

Fabio Barbosa was appointed to the Board as an Executive Director and as Chief Financial Officer, effective 31 March 2011. Fabio Barbosa succeeds Ashley Almanza who stood down from the Board on 31 March 2011.



Exploration and Production (E&P)

	First Quarter		
	2011 \$m	2010 Restated ^(a) \$m	
Business Performance			
Production volumes (mmboe)	58.2	61.3	-5%
Revenue and other operating income	2 510	2 294	+9%
Total operating profit before exploration charge	1 442	1 296	+11%
Exploration charge	(184)	(104)	+77%
Total operating profit	1 258	1 192	+6%
Capital investment	1 826	1 043	+75%

a) See note 1 (page 14).

Additional operating and financial data is given on page 21.

First quarter

Revenue and other operating income increased by 9% to \$2 510 million, reflecting higher realised prices, partially offset by a 5% fall in production volumes. Total operating profit was 6% higher as a result of the increase in revenue and other operating income, partially offset by a higher quarterly exploration charge.

Production volumes were principally impacted by the shutdown, largely for elective maintenance, of the Everest and Lomond platforms in the UK North Sea. Everest and Lomond are now back onstream, with the restart of the Erskine satellite imminent.

Production in the quarter was also affected by civil unrest in North Africa. In Tunisia, the restart of the Hasdrubal plant was delayed, and in Egypt there was significant disruption to normal patterns of gas demand. As a consequence of delays already incurred and continuing unrest, BG Group expects development projects in Egypt's West Delta Deep Marine concession, scheduled for later in 2011, to be delayed by several months. In addition, production volumes in the quarter were affected by extreme weather conditions and extensive flooding in Queensland, Australia.

As a result of these factors, BG Group expects modest production growth in 2011, ahead of the strong ramp-up in production volumes which begins in 2012 and continues through the decade. The Group's goals for 2020 are also unaffected and are supported by significant progress with growth projects in Brazil, the USA and Australia, as well as further exploration and appraisal success in Brazil and Tanzania.

The Group's average realised gas price per produced therm increased by 6% to 39.45 cents, reflecting generally higher market prices and changes in the production mix.

The exploration charge increased to \$184 million due to phasing of the exploration programme.

Unit operating expenditure increased to \$7.99 per barrel of oil equivalent, principally reflecting the impact of the UK North Sea shutdown, changes in the production mix and higher commodity prices.

Capital investment of \$1 826 million in the quarter comprised investment in the Americas (\$777 million, including \$263 million on acquisitions), Australia (\$403 million), Europe and Central Asia (\$355 million, including \$56 million on acquisitions) and Africa, Middle East and Asia (\$291 million).

First quarter business highlights

Brazil

There were significant advances in the quarter with the growth programme in Brazil. Production at the first permanent module on Lula Sul increased to some 25 000 barrels of oil per day (bopd), and construction of the next two Floating Production, Storage and Offloading (FPSO) modules advanced to around 50% complete, in line with plans. Tenders for the fourth and fifth FPSOs are expected in this quarter, and work to construct the hulls for eight further modules is also progressing to plan.

In April, the Extended Well Test on Lula North East commenced utilising the *BW Cidade de São Vicente* FPSO. Current gross production has reached 18 000 bopd, constrained by facilities.

In April, BG Group announced the conclusion of a Drill Stem Test (DST) on the Guará Norte well (3-SPS-69) in Block BM-S-9 in the Santos Basin. The DST confirmed high productivity of some 6 000 bopd of light oil (approx 30° API) with flow rates constrained by test facility capacity. Production potential from this well is estimated at around 50 000 bopd. The Guará Norte well was drilled at a water depth of 2 118 metres, approximately 305 kilometres (kms) off the coast of São Paulo state and around 15 kms northeast of the original discovery well.

In March, BG Group announced the successful completion of drilling on the Iara Horst well in the BM-S-11 concession in the Santos Basin. The well encountered good quality oil (28° API) in a thick reservoir section. Initial results from Iara Horst have demonstrated superior reservoir characteristics to the discovery well located around eight kms away. A DST, completed in April, confirmed reservoir quality and well productivity. Further evaluation activity continues.

In February, BG Group announced a new discovery of oil (approximately 26° API) in Block BM-S-10 in the Santos Basin. The discovery well, known as Macunaíma, is located in a water depth of 2 134 metres, approximately 244 kms off the coast of Rio de Janeiro state. Further evaluation of the discovery continues.

USA

BG Group's shale gas operations continued to gather momentum, with 46 wells spudded and 22 drilling rigs operating in the Haynesville shale during the quarter. Seven wells were drilled in the Marcellus shale.

Tanzania

In April, BG Group announced its third Tanzanian gas discovery. The Chaza-1 well is located in Block 1 approximately 18 kms offshore southern Tanzania in a water depth of around 950 metres. The discovery is some 200 kms south of BG Group's Pweza and Chewa discoveries. To date, approximately 5 000 square kilometres (sq kms) of new 3D seismic data has been acquired in Blocks 1, 3 and 4. It is intended that a second drilling campaign will commence in late 2011.

Kenya

In March, BG Group signed a Heads of Agreement with the Kenyan government to acquire a 40% equity interest in the exploration block L10A and a 45% interest in block L10B, subject to negotiation of Production Sharing Contracts. BG Group would operate both blocks.

India

In April, following India's New Exploration Licensing Policy (NELP) IX licensing round, a consortium led by BG Group (50% and operator), was identified as the qualifying bidder for an exploration block (MB-DWN-2010/1) offshore the west coast of India. The block is approximately 350 kms from the coast, covering an area of 7 963 sq kms and in water depths in excess of 2 000 metres. The award of the contract will be subject to final confirmation from the government of India and regulatory approvals.

Norway

In the 21st licensing round held in April, the Norwegian government awarded BG Group a 40% interest in and operatorship of licence PL599, located in the Norwegian Sea.



Liquefied Natural Gas (LNG)

	First Quarter		
	2011 \$m	2010 Restated ^(a) \$m	
Business Performance			
Revenue and other operating income	1 733	1 683	+3%
Total operating profit			
Shipping and marketing	501	585	-14%
Liquefaction	87	83	+5%
Business development and other	(18)	(35)	-49%
	570	633	-10%
Capital investment	399	804	-50%

a) See note 1 (page 14).

Additional operating and financial data is given on page 21.

First quarter

Total operating profit for the quarter was \$570 million.

Shipping and marketing total operating profit of \$501 million was in line with expectations but below first quarter 2010 results which benefited from strong weather-related gas demand.

BG Group's share of total operating profit from liquefaction activities increased by 5% to \$87 million.

At the strategy presentation in February, BG Group published guidance that its LNG segment would achieve an operating profit for 2011 and 2012 of between \$1.9 billion to \$2.2 billion per annum; the outcome for 2011 is now expected to be towards the upper end of that range.

Capital investment of \$399 million in the quarter included \$366 million in Australia.

First quarter business highlights

Australia

In March, BG Group signed a sales agreement with Tokyo Gas Co. Ltd. (Tokyo Gas), concluding negotiations announced in March 2010 for the supply of 1.2 million tonnes of LNG a year for 20 years from 2015. Tokyo Gas will be supplied with LNG from the Queensland Curtis LNG (QCLNG) facility in Australia, and from the Group's global LNG portfolio. Tokyo Gas has acquired a 1.25% equity interest in the reserves and resources of certain BG Group tenements in the Walloons Fairway of the Surat Basin in Queensland. Tokyo Gas has also become a 2.5% equity investor in QCLNG Train 2, the second of two liquefaction trains which will form the first phase of the QCLNG development, which is planned to come onstream in 2014.

BG Group has signed a sales agreement with Chubu Electric Power Co. Inc. (Chubu Electric) concluding negotiations announced in October 2010 for the long-term supply of LNG. Under the agreement, Chubu Electric will purchase up to 122 cargoes over 21 years, starting in 2014. This will be supplied from BG Group's global LNG portfolio, including the QCLNG facility in Australia.

Progress continued with the QCLNG project during the quarter. Mitigation of the effects of the severe flooding, which has primarily impacted the drilling programme, is in hand with the 2014 first LNG date unchanged.



Transmission and Distribution (T&D)

	First Quarter		
	2011 \$m	2010 Restated ^(a) \$m	
Business Performance			
Revenue and other operating income			
Comgás	547	519	+5%
Other	238	191	+25%
	785	710	+11%
Total operating profit			
Comgás	80	100	-20%
Other	65	40	+63%
	145	140	+4%
Capital investment	71	52	+37%

a) See note 1 (page 14).

First quarter

Revenue and other operating income increased by 11% to \$785 million, principally reflecting higher volumes at Comgás in Brazil and Gujarat Gas in India.

T&D total operating profit increased by 4% to \$145 million.

At Comgás, \$21 million was passed back to customers in the quarter compared with a \$11 million net recovery of gas costs in 2010. At the end of the quarter, \$116 million is due to be passed back to customers in future periods. Excluding the timing effect of gas cost recovery, total operating profit at Comgás was 13% higher, principally reflecting 8% higher volumes and favourable foreign exchange movements.

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

First quarter business highlights

In April, BG Group signed and completed a Sale and Purchase Agreement (SPA) with its partners in Genting Sanyen Power in Malaysia for them to acquire the Group's 20% interest in the power plant for approximately \$80 million.

In April, the SPA for the sale of BG Group's 40% interests in both the Santa Rita and San Lorenzo power stations in the Philippines was terminated as certain consents and waivers were not received. BG Group's holding in these assets will continue to be classified as held for sale and treated as discontinued operations.



Presentation of Non-GAAP measures

Business Performance

'Business Performance' excludes discontinued operations and 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 USA. 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 and where practical have been designated as formal hedges. However, IAS 39 does not always allow the matching of 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, together with any unrealised gains and losses associated with discontinued hedge accounting relationships that continue to represent economic hedges, 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), note 2 (page 15) 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).

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 2010. 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, whether as a result of new information, future events or otherwise, except to the extent legally required.



Consolidated Income Statement

First Quarter

	Notes	2011			2010 Restated ^(a)		
		Business Performance ^(b) \$m	Disposals, re-measurements and impairments (Note 2) ^(b) \$m	Total Result \$m	Business Performance ^(b) \$m	Disposals, re-measurements and impairments (Note 2) ^(b) \$m	Total Result \$m
Group revenue		4 793	–	4 793	4 358	–	4 358
Other operating income	2	10	(408)	(398)	145	140	285
Group revenue and other operating income	3	4 803	(408)	4 395	4 503	140	4 643
Operating costs		(2 964)	–	(2 964)	(2 653)	–	(2 653)
Profits and losses on disposal of non-current assets and impairments	2	–	(5)	(5)	–	(52)	(52)
Operating profit/(loss)^(c)	3	1 839	(413)	1 426	1 850	88	1 938
Finance income	2, 4	19	74	93	65	19	84
Finance costs	2, 4	(84)	(69)	(153)	(62)	–	(62)
Share of post-tax results from joint ventures and associates	3	79	–	79	66	–	66
Profit/(loss) before tax		1 853	(408)	1 445	1 919	107	2 026
Taxation	2, 5	(1 011)	185	(826)	(796)	(41)	(837)
Profit/(loss) for the period from continuing operations	3	842	(223)	619	1 123	66	1 189
Profit/(loss) for the period from discontinued operations	6	–	2	2	–	(203)	(203)
Profit/(loss) for the period		842	(221)	621	1 123	(137)	986
Attributable to:							
BG Group shareholders (earnings)		819	(222)	597 ^(d)	1 097	(137)	960 ^(d)
Non-controlling interest		23	1	24	26	–	26
		842	(221)	621	1 123	(137)	986
Earnings per share continuing operations – basic	7	24.2c	(6.7c)	17.5c	32.5c	1.9c	34.4c
Earnings per share discontinued operations – basic		–	0.1c	0.1c	–	(6.0c)	(6.0c)
Earnings per share continuing operations – diluted	7	24.0c	(6.6c)	17.4c	32.3c	1.9c	34.2c
Earnings per share discontinued operations – diluted		–	0.1c	0.1c	–	(6.0c)	(6.0c)
Total operating profit/(loss) including share of pre-tax operating results from joint ventures and associates^(e)	3	1 965	(413)	1 552	1 955	88	2 043

a) See note 1 (page 14).

b) 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.

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

d) Includes earnings from continuing operations of \$595 million (2010 \$1 163 million) and from discontinued operations of \$2 million (2010 \$(203) million).

e) 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	
	2011 \$m	2010 \$m
Profit for the period	621	986
Hedge adjustments net of tax ^(a)	(344)	(165)
Fair value movements on 'available-for-sale' assets net of tax ^(b)	(1)	–
Currency translation adjustments	(39)	(70)
Other comprehensive (expense)/income, net of tax	(384)	(235)
Total comprehensive income for the period	237	751
Attributable to:		
BG Group shareholders	212	724
Non-controlling interest	25	27
	237	751

a) Income tax relating to hedge adjustments is a \$113 million credit for the quarter (2010 \$73 million credit).

b) Income tax relating to fair value movements on 'available-for-sale' assets is a \$1 million credit for the quarter (2010 \$nil).



Consolidated Balance Sheet

	As at 31 Mar 2011 \$m	As at 31 Dec 2010 \$m	As at 31 Mar 2010 \$m
Assets			
Non-current assets			
Goodwill	847	820	758
Other intangible assets	7 618	7 193	8 101
Property, plant and equipment	29 536	28 263	21 509
Investments	2 875	2 824	2 797
Deferred tax assets	677	518	202
Trade and other receivables	205	206	84
Commodity contracts and other derivative financial instruments	290	283	592
	42 048	40 107	34 043
Current assets			
Inventories	605	655	640
Trade and other receivables	7 202	5 994	4 671
Current tax receivable	259	233	277
Commodity contracts and other derivative financial instruments	515	550	1 426
Cash and cash equivalents	1 142	2 533	803
	9 723	9 965	7 817
Assets classified as held for sale	292	227	661
Total assets	52 063	50 299	42 521
Liabilities			
Current liabilities			
Borrowings	(1 295)	(1 258)	(302)
Trade and other payables	(4 811)	(4 388)	(3 930)
Current tax liabilities	(1 652)	(1 814)	(1 820)
Commodity contracts and other derivative financial instruments	(1 872)	(1 426)	(1 485)
	(9 630)	(8 886)	(7 537)
Non-current liabilities			
Borrowings	(8 514)	(8 446)	(5 320)
Trade and other payables	(75)	(72)	(65)
Commodity contracts and other derivative financial instruments	(1 234)	(901)	(614)
Deferred income tax liabilities	(3 386)	(3 134)	(3 144)
Retirement benefit obligations	(267)	(260)	(272)
Provisions for other liabilities and charges	(1 872)	(1 812)	(1 498)
	(15 348)	(14 625)	(10 913)
Liabilities associated with assets classified as held for sale	(105)	(104)	(26)
Total liabilities	(25 083)	(23 615)	(18 476)
Net assets	26 980	26 684	24 045
Equity			
Total shareholders' equity	26 599	26 328	23 698
Non-controlling interest in equity	381	356	347
Total equity	26 980	26 684	24 045

Consolidated Cash Flow Statement

	First Quarter	
	2011 \$m	2010 \$m
Cash flows from operating activities		
Profit before tax ^(a)	1 448	1 727
Share of post-tax results from joint ventures and associates	(79)	(79)
Depreciation of property, plant and equipment and amortisation of intangible assets	540	526
Fair value movements in commodity based contracts	394	(121)
Profits and losses on disposal of non-current assets and impairments	4	377
Unsuccessful exploration expenditure written off	83	10
(Decrease)/increase in provisions	(38)	4
Finance income	(95)	(84)
Finance costs	153	63
Share-based payments	21	16
(Increase)/decrease in working capital	(632)	69
Cash generated by operations	1 799	2 508
Income taxes paid	(817)	(550)
Net cash inflow from operating activities	982	1 958
Cash flows from investing activities		
Dividends received from joint ventures and associates	11	11
Proceeds from disposal of property, plant and equipment, intangible assets and investments	98	–
Purchase of property, plant and equipment and intangible assets	(2 260)	(1 377)
Loans to and repayments from joint ventures and associates	(7)	2
Business combinations and investments in subsidiaries, joint ventures and associates	(96)	(47)
Net cash outflow from investing activities	(2 254)	(1 411)
Cash flows from financing activities		
Net interest paid ^(b)	(56)	(47)
Dividends paid	(1)	(1)
Dividends paid to non-controlling interest	(2)	(1)
Net proceeds/(outflow) from issue and repayment of borrowings	8	(837)
Issue of shares	18	42
Purchase of own shares	(26)	(2)
Net cash outflow from financing activities	(59)	(846)
Net decrease in cash and cash equivalents	(1 331)	(299)
Cash and cash equivalents at beginning of period	2 551 ^(d)	1 119
Effect of foreign exchange rate changes	(61)	(9)
Cash and cash equivalents at end of period^(c)	1 159^(d)	811^(d)

a) Includes profit/(loss) before tax from discontinued operations for the quarter of \$3 million (2010 \$(299) million).

b) Includes capitalised interest for the quarter of \$29 million (2010 \$14 million).

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

d) The balance at 31 March 2011 includes cash and cash equivalents of \$1 142 million (31 December 2010 \$2 533 million; 31 March 2010 \$803 million) and cash included within assets held for sale of \$17 million (31 December 2010 \$18 million; 31 March 2010 \$8 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 2011. The financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006, and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2010 which have been prepared in accordance with IFRS 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 2010 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 Sections 498(2) or 498(3) of the Companies Act 2006. 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 2010 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.

From September 2010, following the decision to dispose of the majority of the Group's Power Generation segment, these operations have been treated as discontinued operations. Power businesses that remain with BG Group have been allocated to other business segments based on their activity and location. A single amount is presented on the income statement for discontinued operations, comprising the post-tax results of these businesses and the post-tax profit or loss recognised on re-measurement to fair value less costs to sell and on disposal of the businesses. Comparative information has also been restated to reflect the presentation of discontinued operations as a separate line item.

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.

New accounting standards and interpretations

A number of amendments to accounting standards issued by the IASB are applicable from 1 January 2011. They have not had a material impact on the Group's financial statements for the quarter ended 31 March 2011.

2. Disposals, re-measurements and impairments

	First Quarter	
	2011 \$m	2010 \$m
Revenue and other operating income – re-measurements of commodity based contracts	(408)	140
Profits and losses on disposal of non-current assets and impairments	(5)	(52)
Net finance income – re-measurements of financial instruments	5	19
Taxation on disposals, re-measurements and impairments	185	(41)
	(223)	66
Non-controlling interest	(1)	–
Impact on earnings – continuing operations	(224)	66

First quarter: Revenue and other operating income

Re-measurements included within revenue and other operating income amount to a charge of \$408 million for the quarter (2010 \$140 million credit), of which a charge of \$51 million (2010 \$42 million credit) represents non-cash mark-to-market movements on certain long-term UK gas contracts. Whilst the activity surrounding these contracts involves the physical delivery of gas, the contracts fall within the scope of IAS 39 and meet the definition of a derivative instrument. In addition, re-measurements include a \$357 million charge for the quarter (2010 \$98 million credit) representing unrealised mark-to-market movements associated with economic hedges.

First quarter: Disposals of non-current assets and impairments

During the first quarter, disposals and write-offs resulted in a pre-tax charge to the income statement of \$5 million (post-tax \$8 million credit).

Also during the quarter, BG Group committed to sell its investment in Genting Sanyen Power. Accordingly, as at 31 March 2011, this asset was classified as held for sale at its carrying value.

During the first quarter of 2010, BG Group committed to sell its Canadian E&P assets. Accordingly, these assets were reclassified as held for sale and revalued to the lower of their carrying amount and fair value less costs to sell. This resulted in a pre-tax impairment charge of \$52 million (post-tax charge \$37 million) against these assets.

First quarter: Net finance costs

Re-measurements presented in net finance costs include certain derivatives used to hedge foreign exchange and interest rate risk, partly offset by foreign exchange movements on certain borrowings.

First quarter: Taxation

During the first quarter, taxation includes a \$47 million credit which primarily relates to the impact of the increase in North Sea taxation on re-measurement balances.



3. Segmental analysis

Profit for the period

Analysed by operating segment

	Business Performance		Disposals, re-measurements and impairments		Total Result	
	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m
First Quarter						
Group revenue						
Exploration and Production	2 518	2 253	–	–	2 518	2 253
Liquefied Natural Gas	1 715	1 579	–	–	1 715	1 579
Transmission and Distribution	785	710	–	–	785	710
Less: intra-group sales	(225)	(184)	–	–	(225)	(184)
Group revenue	4 793	4 358	–	–	4 793	4 358
Other operating income ^(a)	10	145	(408)	140	(398)	285
Group revenue and other operating income	4 803	4 503	(408)	140	4 395	4 643
Operating profit/(loss) before share of results from joint ventures and associates						
Exploration and Production	1 251	1 193	(70)	(30)	1 181	1 163
Liquefied Natural Gas	468	544	(343)	118	125	662
Transmission and Distribution	128	123	–	–	128	123
Other activities	(8)	(10)	–	–	(8)	(10)
	1 839	1 850	(413)	88	1 426	1 938
Pre-tax share of operating results of joint ventures and associates						
Exploration and Production	7	(1)	–	–	7	(1)
Liquefied Natural Gas	102	89	–	–	102	89
Transmission and Distribution	17	17	–	–	17	17
	126	105	–	–	126	105
Total operating profit/(loss)						
Exploration and Production	1 258	1 192	(70)	(30)	1 188	1 162
Liquefied Natural Gas	570	633	(343)	118	227	751
Transmission and Distribution	145	140	–	–	145	140
Other activities	(8)	(10)	–	–	(8)	(10)
	1 965	1 955	(413)	88	1 552	2 043
Net finance (costs)/income						
Finance income	19	65	74	19	93	84
Finance costs	(84)	(62)	(69)	–	(153)	(62)
Share of joint ventures and associates	(14)	(13)	–	–	(14)	(13)
	(79)	(10)	5	19	(74)	9
Taxation						
Taxation	(1 011)	(796)	185	(41)	(826)	(837)
Share of joint ventures and associates	(33)	(26)	–	–	(33)	(26)
	(1 044)	(822)	185	(41)	(859)	(863)
Profit/(loss) for the period from continuing operations	842	1 123	(223)	66	619	1 189

a) Business Performance Other operating income is attributable to segments as follows: E&P \$(8) million (2010 \$41 million) and LNG \$18 million (2010 \$104 million).

3. Segmental analysis continued

	Business Performance		Disposals, re-measurements and impairments		Total Result	
	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m
First Quarter						
Total operating profit/(loss)						
Exploration and Production	1 258	1 192	(70)	(30)	1 188	1 162
Liquefied Natural Gas	570	633	(343)	118	227	751
Transmission and Distribution	145	140	–	–	145	140
	1 973	1 965	(413)	88	1 560	2 053
Other activities	(8)	(10)	–	–	(8)	(10)
	1 965	1 955	(413)	88	1 552	2 043
Less: Pre-tax share of operating results of joint ventures and associates					(126)	(105)
Add: Share of post-tax results from joint ventures and associates					79	66
Net finance (costs)/income					(60)	22
Profit before tax					1 445	2 026
Taxation					(826)	(837)
Profit for the period from continuing operations					619	1 189

4. Net finance (costs)/income

	First Quarter	
	2011 \$m	2010 \$m
Interest payable ^(a)	(73)	(33)
Interest on obligations under finance leases	(26)	(26)
Interest capitalised	29	14
Unwinding of discount on provisions ^(b)	(14)	(17)
Disposals, re-measurements and impairments ^(c)	(69)	–
Finance costs	(153)	(62)
Interest receivable ^(a)	19	65
Disposals, re-measurements and impairments ^(c)	74	19
Finance income	93	84
Net finance (costs)/income ^(d)	(60)	22

- a) In 2011, foreign exchange losses for the quarter of \$22 million are included in interest payable. In 2010, foreign exchange gains for the quarter of \$51 million are included in interest receivable.
- b) 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.
- c) Net finance income on disposals, re-measurements and impairments for the quarter of \$5 million (2010 \$19 million) is included in note 2 (page 15) and principally reflects certain derivatives used to hedge foreign exchange and interest rate risk, partly offset by foreign exchange movements on certain borrowings.
- d) Excludes Group share of net finance costs from joint ventures and associates for the quarter of \$14 million (2010 \$13 million).

5. Taxation

The tax charge for the quarter was as follows:

First Quarter	Business Performance		Disposals, re-measurements and impairments		Total Result	
	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m
Tax charge/(credit) for the quarter	816	796	(138)	41	678	837
Prior period taxation ^(a)	195	–	(47)	–	148	–
Total excluding share of taxation from joint ventures and associates	1 011	796	(185)	41	826	837
Share of taxation from joint ventures and associates	33	26	–	–	33	26
Total including share of taxation from joint ventures and associates	1 044	822	(185)	41	859	863

Business Performance taxation for the first quarter, excluding prior period taxation but including share of taxation from joint ventures and associates, was \$849 million (2010 \$822 million).

- a) Prior period taxation relates to the revision of deferred tax balances at 1 January 2011, primarily as a result of the increase in North Sea taxation announced in March 2011.

6. Discontinued operations

The post-tax profit/loss of the businesses comprising discontinued operations for the first quarter, including profits and losses on disposals and impairments, was a \$2 million profit (2010 \$203 million loss).

During the first quarter of 2010, BG Group signed a Sale and Purchase Agreement for the sale of its power plants in the USA and its investment in the Seabank power plant in the UK. Accordingly, these assets were reclassified as held for sale and revalued to the lower of their carrying amount and fair value less costs to sell. This resulted in a pre-tax impairment charge of \$325 million (post-tax charge \$226 million) against the Group's US power plants.



7. Earnings per ordinary share – continuing operations

	First Quarter			
	2011		2010	
	\$m	cents per share	\$m	cents per share
Earnings – continuing operations excluding disposals, re-measurements and impairments	819	24.2	1 097	32.5
Disposals, re-measurements and impairments (after tax and non-controlling interest)	(224)	(6.7)	66	1.9
Earnings – continuing operations	595	17.5	1 163	34.4

Basic earnings per share calculations in 2011 are based on the weighted average number of shares in issue of 3 387 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 3 410 million for the quarter, being the weighted average number of ordinary shares in issue during the period as adjusted for dilutive equity instruments.

8. Reconciliation of net borrowings^(a) – First Quarter

	\$m
Net borrowings as at 31 December 2010	(6 973)
Net decrease in cash and cash equivalents ^(b)	(1 330)
Cash inflow from changes in borrowings	(8)
Foreign exchange and other re-measurements	(199)
Net borrowings as at 31 March 2011^(c)	(8 510)

Net borrowings attributable to Comgás were \$871 million (31 December 2010 \$798 million).

As at 31 March 2011, BG Group's share of the net borrowings in joint ventures and associates amounted to approximately \$1.8 billion, including BG Group shareholder loans of approximately \$1.4 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.

a) Net borrowings/funds are defined on page 24.

b) Excludes \$1 million relating to a decrease in cash and cash equivalents classified as held for sale.

c) Net borrowings comprise:

	As at 31 Mar 2011 \$m	As at 31 Dec 2010 \$m
<i>Amounts receivable/(due) within one year</i>		
Cash and cash equivalents	1 142	2 533
Overdrafts, loans and finance leases	(1 295)	(1 258)
Derivative financial instruments ^(d)	(38)	37
	(191)	1 312
<i>Amounts receivable/(due) after more than one year</i>		
Loans and finance leases ^(e)	(8 379)	(8 312)
Derivative financial instruments ^(d)	60	27
	(8 319)	(8 285)
Net borrowings	(8 510)	(6 973)

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

e) Includes finance lease receivable of \$135 million (2010 \$134 million) included within non-current assets on the balance sheet.

9. Capital investment: geographical analysis

	First Quarter	
	2011 \$m	2010 \$m
Europe and Central Asia	356	278
Americas and Global LNG	875	1 131
Africa, Middle East and Asia	296	250
Australia	769	242
	2 296^(a)	1 901^(a)

a) Includes capital investment relating to discontinued operations for the quarter of \$nil (2010 \$2 million).

10. Quarterly information: earnings and earnings per share

	2011 \$m	2010 \$m	2011 cents	2010 cents
First quarter				
Total Result – continuing operations	595	1 163	17.5	34.4
Total Result – discontinued operations	2	(203)	0.1	(6.0)
Business Performance	819	1 097	24.2	32.5
Second quarter				
Total Result – continuing operations		439		13.0
Total Result – discontinued operations		163		4.8
Business Performance		882		26.1
Third quarter				
Total Result – continuing operations		876		25.9
Total Result – discontinued operations		(27)		(0.8)
Business Performance		978		28.9
Fourth quarter				
Total Result – continuing operations		905		26.7
Total Result – discontinued operations		35		1.1
Business Performance		1 056		31.2
Full year				
Total Result – continuing operations		3 383		100.1
Total Result – discontinued operations		(32)		(1.0)
Business Performance		4 013		118.7

Supplementary information: Operating and financial data

	First Quarter		Fourth Quarter
	2011	2010	2010
Production volumes (mmboe)			
Oil	6.6	7.9	7.6
Liquids	8.7	9.0	8.9
Gas	42.9	44.4	44.2
Total	58.2	61.3	60.7
Production volumes (boed in thousands)			
Oil	73	88	83
Liquids	97	100	97
Gas	477	493	480
Total	647	681	660
Average realised oil price per barrel	\$108.58	\$76.45	\$82.69
Average realised liquids price per barrel	\$83.32	\$62.81	\$67.52
Average realised UK gas price per produced therm	67.32c (42.37p)	65.22c (41.00p)	69.25c (43.78p)
Average realised International gas price per produced therm	36.00c	32.64c	32.81c
Average realised gas price per produced therm	39.45c	37.37c	37.61c
Lifting costs per boe	\$5.24	\$4.48	\$4.89
Operating expenditure per boe	\$7.99	\$6.95	\$7.32
Development expenditure (including acquisitions) (\$m)	1 195	607	1 432
Gross exploration expenditure (\$m)			
Capitalised expenditure (including acquisitions)	514	341	360
Other expenditure	101	94	99
Total	615	435	459
Exploration expenditure charge (\$m)			
Capitalised expenditure written off	83	10	63
Other expenditure	101	94	99
Total	184	104	162
E&P capital investment (\$m)^(a)			
Europe and Central Asia	355	271	225
Americas	777	401	844
Africa, Middle East and Asia	291	243	521
Australia	403	128	481
Total	1 826	1 043	2 071

a) E&P capital investment includes acquisitions for the quarter of \$319 million (first quarter 2010 \$nil; fourth quarter 2010 \$nil).

Supplementary information: Operating and financial data continued

	First Quarter		Fourth Quarter
	2011	2010	2010
Depreciation and amortisation (\$m)			
Exploration and Production	454	437	483
Other	86	89	81
Total	540	526	564
LNG cargoes			
North America	8	15	7
Asia	21	24	18
Europe	11	6	7
South America	10	6	16
Other	–	4	–
Total	50	55	48
LNG managed volumes (Tbtu)	160.5	173.6	157.1

Historical information

	First Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
	2011	2010				
E&P capital investment (\$m)^(a)						
Europe and Central Asia	355	271	293	288	225	1 077
Americas	777	401	1 669	611	844	3 525
Africa, Middle East and Asia	291	243	297	326	521	1 387
Australia	403	128	175	319	481	1 103
Total	1 826	1 043	2 434	1 544	2 071	7 092

a) Includes acquisitions for the first quarter 2011 of \$319 million (first quarter 2010 \$nil; second quarter 2010 \$1 233 million; third quarter 2010 \$nil; fourth quarter 2010 \$nil and full year 2010 \$1 233 million).

LNG capital investment (\$m)

Europe and Central Asia	–	5	–	2	–	7
Americas	33	685	111	84	33	913
Africa, Middle East and Asia	–	–	–	–	4	4
Australia	366	114	143	387	300	944
Total	399	804	254	473	337	1 868

T&D and other capital investment (\$m)^(b)

Europe and Central Asia	1	–	–	1	2	3
Americas	65	45	50	58	77	230
Africa, Middle East and Asia	5	7	7	2	10	26
Total	71	52	57	61	89	259

b) Includes capital investment relating to discontinued operations for the first quarter 2011 of \$nil (first quarter 2010 \$2 million; second quarter 2010 \$25 million; third quarter 2010 \$1 million; fourth quarter 2010 \$nil and full year 2010 \$28 million).

Supplementary information: Operating and financial data continued

Historical information continued

	First Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
	2011	2010				
Depreciation and amortisation (\$m)						
Exploration and Production	454	437	430	476	483	1 826
Other	86	89	83	76	81	329
Total	540	526	513	552	564	2 155
LNG cargoes						
North America	8	15	22	13	7	57
Asia	21	24	14	20	18	76
Europe	11	6	7	9	7	29
South America	10	6	9	14	16	45
Other	–	4	1	3	–	8
Total	50	55	53	59	48	215

Price and exchange rate sensitivity

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 and assuming a constant relationship between commodity prices, a \$1.00 rise (or fall) in the Brent oil price would increase (or decrease) E&P business operating profit in 2011 by approximately \$70 million to \$100 million.

Management estimates that in 2011, other factors being constant, a 10 cent strengthening (or weakening) in the US Dollar/Pounds Sterling exchange rate would increase (or decrease) operating profit by approximately \$10 million to \$30 million.



Glossary

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

API	The specific gravity or density of oil expressed in terms of a scale devised by the American Petroleum Institute
bboe	billion barrels of oil equivalent
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
Capital investment	Comprises expenditure on property, plant and equipment, other intangible assets and investments, including business combinations
E&P	Exploration and Production
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
IAS	International Accounting Standard issued by the IASB
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
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
mmcf	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
mtpa	million tonnes per annum
Net borrowings/ funds	Comprise cash, current asset investments, finance lease liabilities/assets, currency and interest rate derivative financial instruments and short and long-term borrowings
PJ	Petajoule (1 petajoule = 0.943 bcf)
PSC	production sharing contract
SEC	US Securities and Exchange Commission
T&D	Transmission and Distribution
Tbtu	trillion british thermal units
tcf	trillion cubic feet
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. 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

Payment of 2010 final dividend	20 May 2011
Announcement of 2011 second quarter and half year results	26 July 2011

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