

# Proposed acquisition of QGC

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## Key messages

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- On-market cash offer for QGC at A\$5.75/share (circa A\$5.2bn\*)
- Value creation from combination of QGC & BG skills & assets
- Fair and certain value for QGC shareholders
- Strategic Asia-Pacific resources & LNG supply for BG
- BG expects funding to be satisfied from the Group's cash reserves

\* Includes Roma Petroleum and Sunshine Gas

Proposed acquisition of QGC

## Presentation structure

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- Details of the transaction
- QGC's business
- BG Group's strategy
- Rationale: Industrial logic and strategic drivers

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## Transaction details - 1

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- BG & QGC have agreed terms of recommended transaction
- Unconditional on-market takeover offer for all QGC shares at A\$5.75/share
- The offer price is final\*
- Offer values QGC at approximately A\$5.6 billion
- Consideration A\$5.2 billion\*\* (£2.0 billion)
- Full & fair price - 80% premium to closing price & 34% to 90 day VWAP
- QGC Board recommends shareholders accept BG offer\*

\*In the absence of a superior competing offer

\*\*Includes Roma Petroleum and Sunshine Gas

## Transaction details - 2

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- BG's existing stake in QGC is 8.7%\*
- Pre-bid agreements for 8.3% of QGC shares:
  - Sentient, ANZIS
  - QGC Chairman Robert Bryan & Managing Director Richard Cottee
- QGC Directors intend to accept BG's offer on 7.1% of QGC shares\*\*
- AGL (22% QGC shareholder) intends to accept BG's offer\*\*
- In summary, shares owned/intention to accept 46.2%

\*BG's initial 9.9% stake diluted by issuance of QGC shares in Roma Petroleum and Sunshine Gas takeover bids

\*\* In the absence of a superior competing offer

## Transaction details - 3

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- AGL intends to sell 22% into BG's offer
- Separate agreement giving AGL an option to acquire:
  - 100% of Lacerta & 15% of Polaris licences for A\$856 million
  - 100% of Condamine power station\*
- AGL is able to exercise its option if BG Group acquires >50% of QGC\*\*

\*Higher of outturn cost or independent market valuation

\*\*Completion of the sale will be conditional upon approval of minority shareholders

## Transaction details - 4

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- June '08 QGC-Roma recommended takeover
- August '08 QGC-Sunshine recommended takeover
- 98% of Roma shareholder acceptance – compulsory acquisition
- 81% of Sunshine shareholder acceptance – offer open until 4/11/08
- BG will offer Roma and Sunshine shareholders \$5.75/QGC share in cash
- Expect BG offer to be welcomed by Roma and Sunshine shareholders

## Transaction details - 5

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- Federal Treasurer given approval for takeover\*
- Timing:
  - QGC shareholders are able to sell their QGC shares to BG from **today**
  - Bidder's Statement lodged today; despatch to shareholders by 12/11/08
  - QGC Target's Statement by same date
  - Offer closes by 15/12/08\*\*
- BG expects funding to be satisfied from the Group's cash reserves
- BG remains strongly financed - modest gearing & A-rated credit status

\* Under Foreign Acquisitions and Takeovers Act following Foreign Investment Review Board decision

\*\* Unless BG elects to extend

## QGC's business

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- Successful and material CSG business
- Centred on world class CSG in Walloon Fairway
- Operator of 95% of licences in Walloon Fairway; average BG/QGC licence equity 75%
- 3P reserves of 8,200 PJ<sup>(1)</sup>
- Reserves acquired at US\$0.44/mmbtu (A\$0.67/GJ)
- In addition significant exploration potential

(1) Includes Sunshine & Roma and BG's current 20% interests in the underlying assets

## February 2008 QGC-BG Group alliance

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- Alliance covering reserves, domestic market development & LNG export
- BG acquired a 9.9% stake in QGC & 20% interest in QGC CSG assets
- BG has rights to increase its interest to 30% in underlying assets<sup>(1)</sup>
- BG 70% QGC 30% interest in LNG facility
- BG 100% rights to purchase & market LNG production

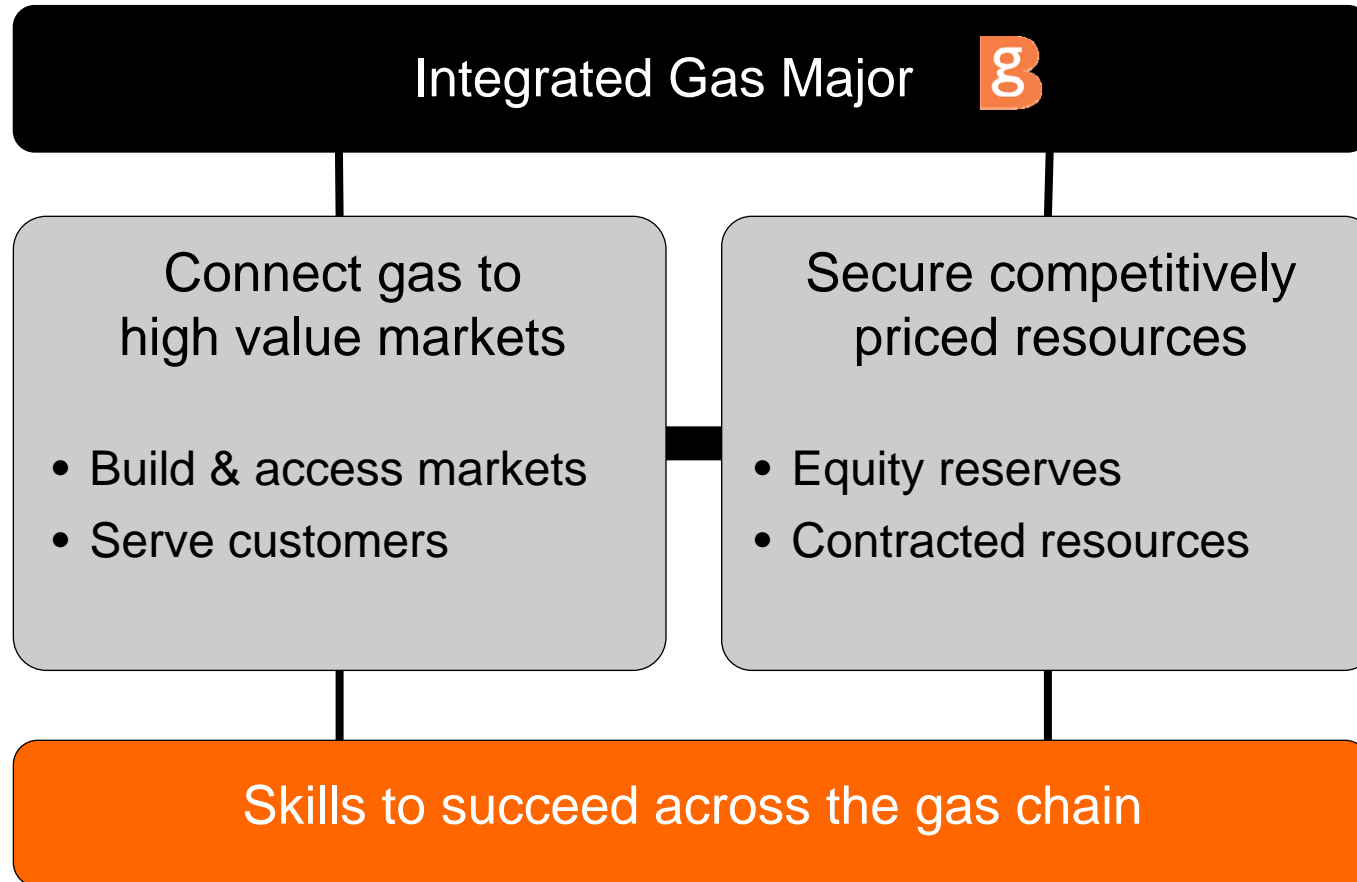
(1) On change of control or at the time of LNG plant FID or 2P reserves of 7,000 PJ

## QGC-BG Group alliance progress

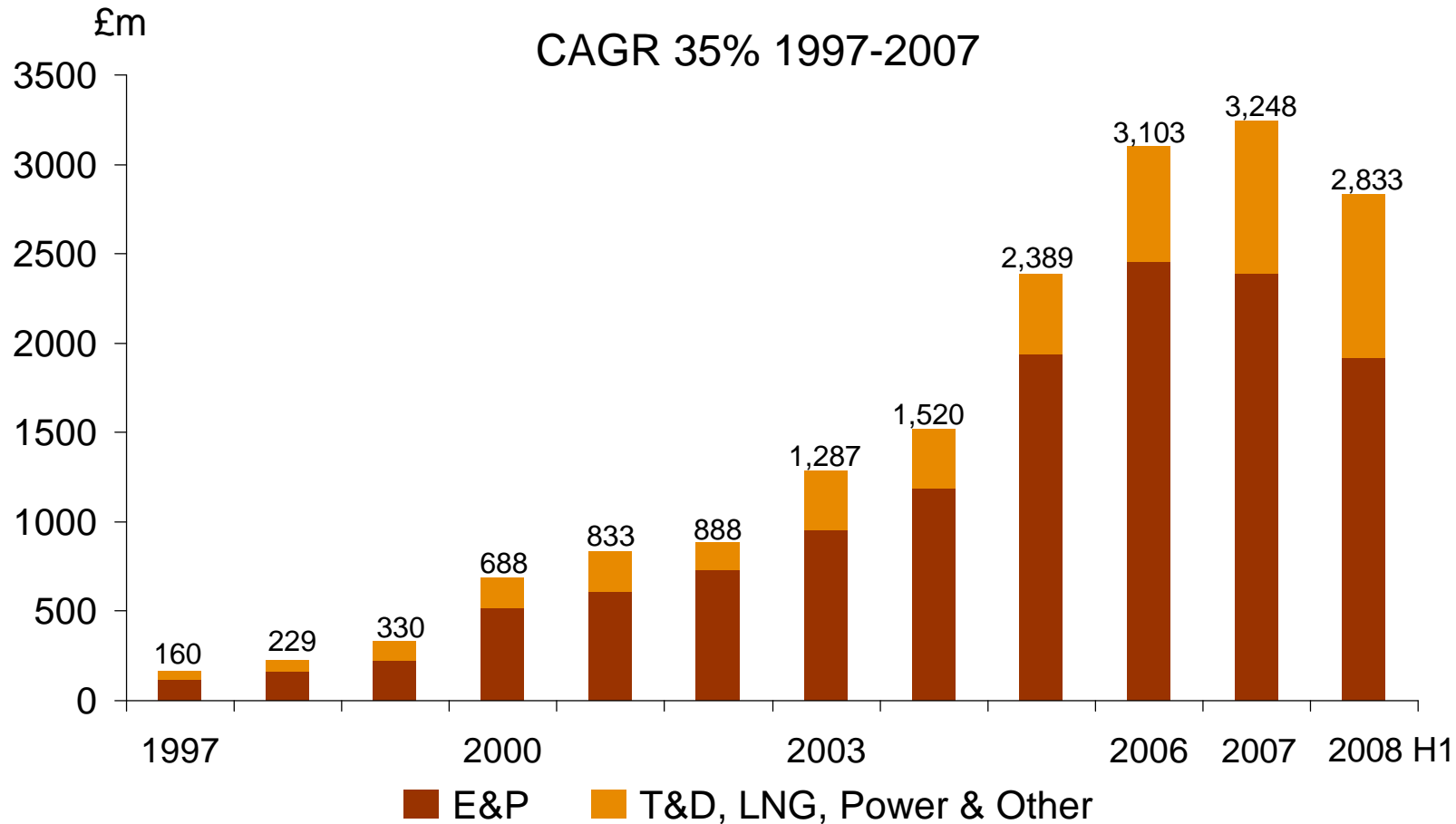
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- Good progress on reserves maturation; 2P + 3P reserves > doubled
- LNG site delineated for up to 12 mtpa plant
- Land acquired by Queensland government
- FEED study underway with Bechtel
- FID anticipated in 2010
- BG anticipates 2 trains (7.5mtpa) in the 1st phase

## BG Group's strategy

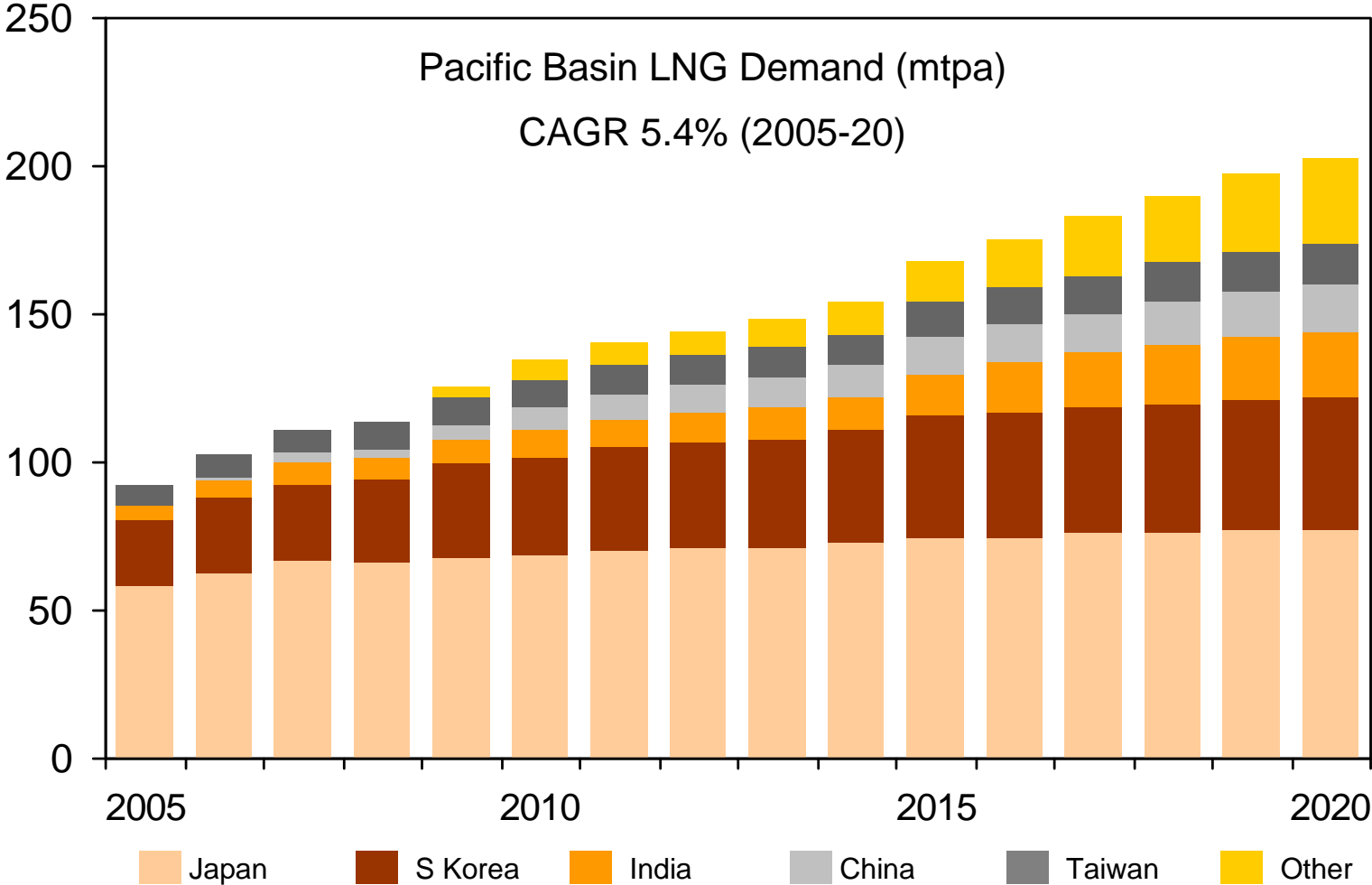


## BG Group's operating profit



Continuing operations excluding disposals, certain re-measurements and impairments  
Results prior to 2003 stated under UK GAAP; post 2003 stated under IFRS. 2003, 2004 & 2005 restated for IFRIC 4.  
Total operating profit includes BG's share of pre-tax operating results from joint ventures and associates.

# LNG demand









Source: Wood Mackenzie

# BG Group's global LNG strategy & markets



\*exclusive right to supply – awarded 18 April 2008  
 \*\*HoA to supply 1 mtpa to CAPCO (Hong Kong) for up to 20 years starting ca 2013

 **Current and future equity positions**

-  Existing import capacity
-  Future import capacity
-  Markets supplied
-  Existing liquefaction
-  Future liquefaction
-  Long-term purchases (contracted)

## Industrial logic

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- Material value creation through combination of BG & QGC's skills & assets
- Single, efficient, integrated organisation
- Seamless and enduring alignment of objectives & operating performance
- Timing of LNG supply project phases
  - Optimised around market dynamics
  - Unconstrained by any partnership alignment or capacity issues
- Next phase needs step-change for QGC
- QGC skills & assets benefit from BG resources & balance sheet capacity
- Value creation facilitates fair premium for QGC & growth opportunity for BG

## Strategic drivers

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- Establishes a material BG business in a stable, OECD country
- Provides step change to BG's Asia Pacific business footprint
- Material resources close to domestic and regional markets
- Bridgehead to existing and new Asia-Pacific markets
- Enhances BG's global LNG position with new QC LNG supply
- CSG skills give access to an emerging global, material resource play
- QGC's staff & skills can be developed across BG's portfolio
- Secures creation of material LNG business in Queensland

## Key messages

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## Appendix: Valuation metrics

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Date announced	Buyer	Seller	3P reserves PJ	A\$ per GJ	US\$ per mmbtu	US\$ per boe
Proposed transaction including BG's existing interest	BG	QGC	8,200*	0.67	0.44	2.64

(1) Includes Sunshine & Roma and BG's current 20% interests in the underlying assets

## Glossary

A\$	Australian dollar	GJ	Giga Joules
US\$	United States dollar	HoA	Heads of Agreement
£	UK pounds sterling	H1	First Half year
£m	Million UK pounds sterling	IFRIC	International Financial Reporting Interpretation Committee
2P	Proved + Probable reserves	IFRS	International Financial Reporting Standards
3P	Proved + Probable + Possible reserves	LNG	Liquefied Natural Gas
AGL	AGL Energy Limited	mmbtu	Million British thermal units
billion or bn	One thousand million	mtpa	Million tonnes per annum
boe	Barrels of oil equivalent	OECD	Organisation for Economic Co-operation & Development
ca	circa	PJ	Peta Joules
CAGR	Compound Annual Growth Rate	QC	Queensland Curtis
CAPCO	Castle Peak Power Company	QGC	Queensland Gas Company
CSG	Coal Seam Gas	sq km	Square kilometres
FEED	Front End Engineering and Design	T&D	Transmission & Distribution
FID	Final Investment Decision	VWAP	Volume Weighted Average Price
E&P	Exploration and Production		
GAAP	Generally Accepted Accounting Principles		