

BG Group



# Strategy and Q3 Results 2007



# Legal Notice

The following presentation contains forward-looking statements concerning BG Group's operations, financial performance, strategy, outlook and growth opportunities. In particular, we refer to the projects and assets we expect to contribute to our long term growth to 2015 and beyond, our projected future net gas and oil production and our plans for capital expenditure. Words such as “aim”, “anticipate”, “believe”, “could”, “expect”, “intend”, “plan”, “should”, “target” or similar expressions are intended to help identify such forward-looking statements. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances and relate to events not all of which are within our control or can be predicted. Although BG Group believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that these will prove to have been correct. Actual results could, therefore, differ from the guidance given in this presentation for a number of reasons, including changes in economic, market and operational conditions; changes in law or regulation; fluctuations in commodity prices and exchange rates; supply and demand for oil and gas; the risks inherent in project delivery and exploration and production activities; the failure of co-venturers to meet contractual obligations; political instability; natural disasters and adverse weather conditions; and war, sabotage and acts of terrorism. Accordingly, all forward-looking statements in this presentation (however expressed) are statements of management’s current plans and future expectations and are subject to these qualifications. For a more detailed analysis of the factors that may affect our business, the results of our operations and our financial performance, we urge you to look at the ‘Risk Factors’ included in BG Group's Annual Report and Accounts 2006. BG Group undertakes no obligation to update any forward-looking statements.

The financial results discussed in this presentation have been extracted from BG Group’s published, audited Annual Report and Accounts 2006 and statement of unaudited third quarter results for 2007 released on 1 November 2007 (“Q3 2007 Results”). Unless stated otherwise, the results discussed here relate to our “business performance” which excludes disposals, certain re-measurements and impairments. For the impact and a description of these excluded items, see Presentation of Non-GAAP Measures in our Q3 2007 Results.

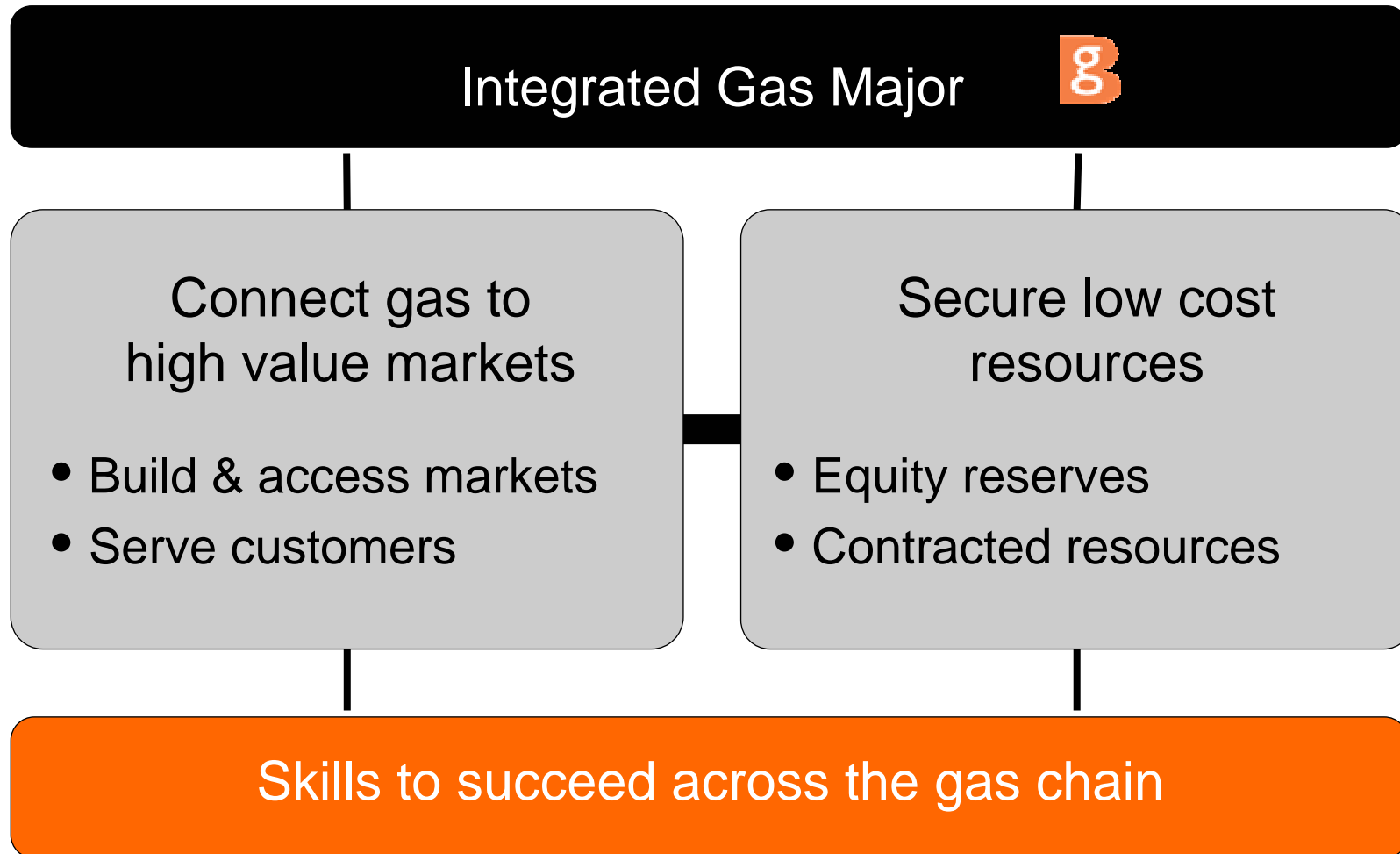
## **Cautionary Note to US investors**

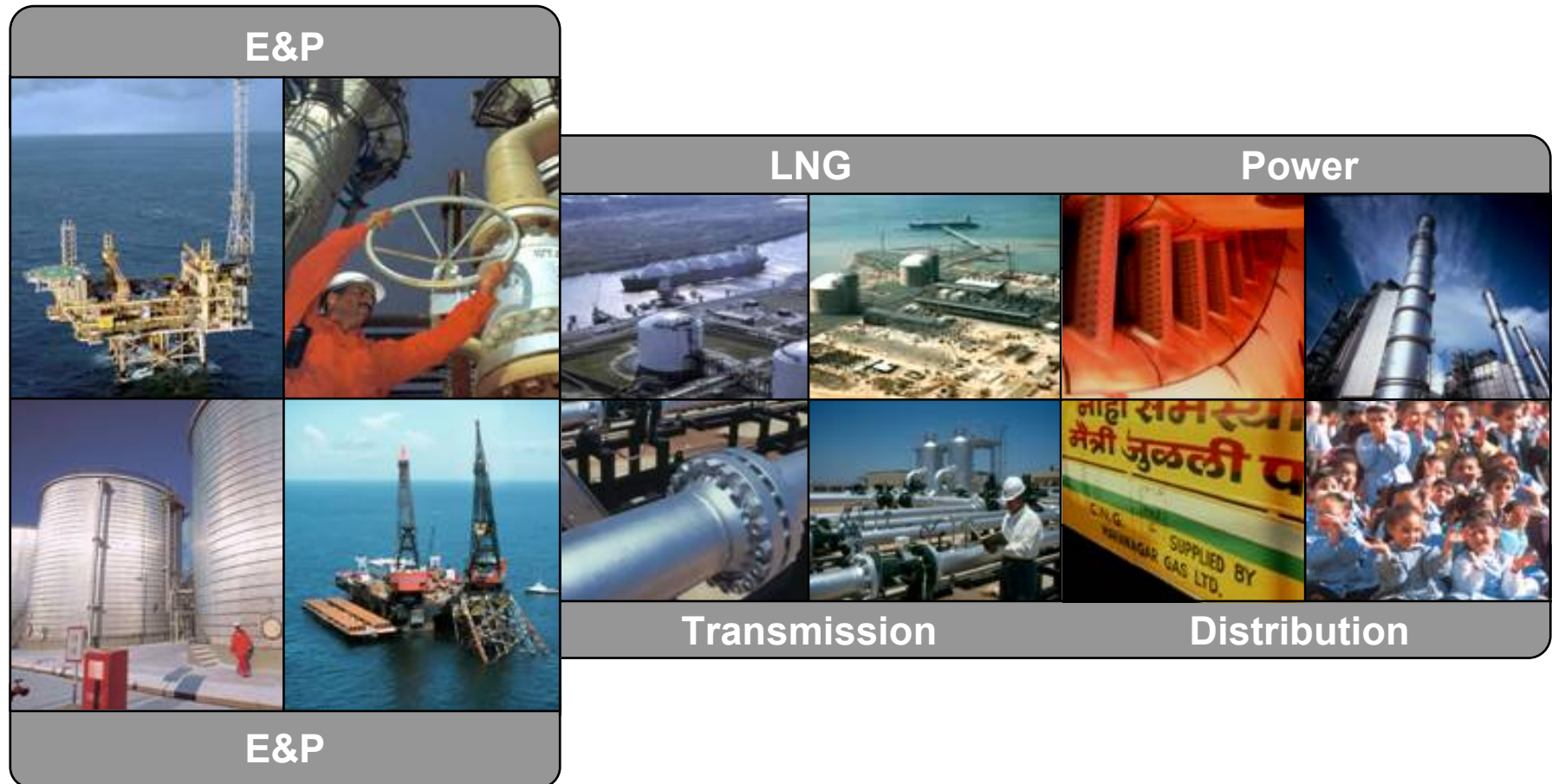
US investors are referred to the cautionary note in the Appendices relating to the disclosures in this presentation regarding BG Group’s gas and oil reserves and resources.



- Good results despite operational issues
- Progress made on growth programme
- Broad portfolio of long term options
- Robust strategy delivering value to shareholders

- Strategy
- Business segments
- Portfolio for growth
- Q3 2007 results





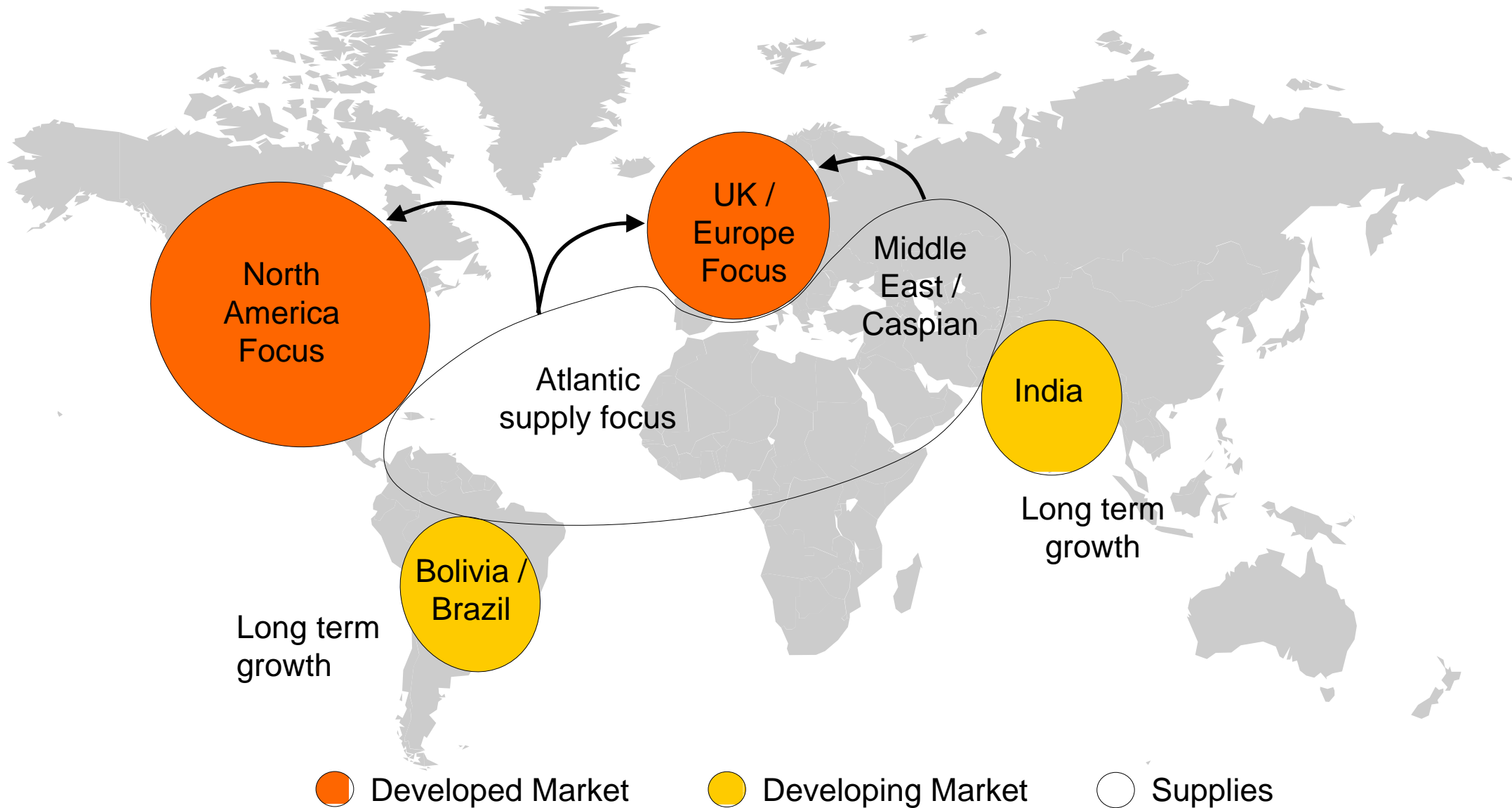
Resources



Enabling



Markets



# Countries of current operation



Active in over 25 countries

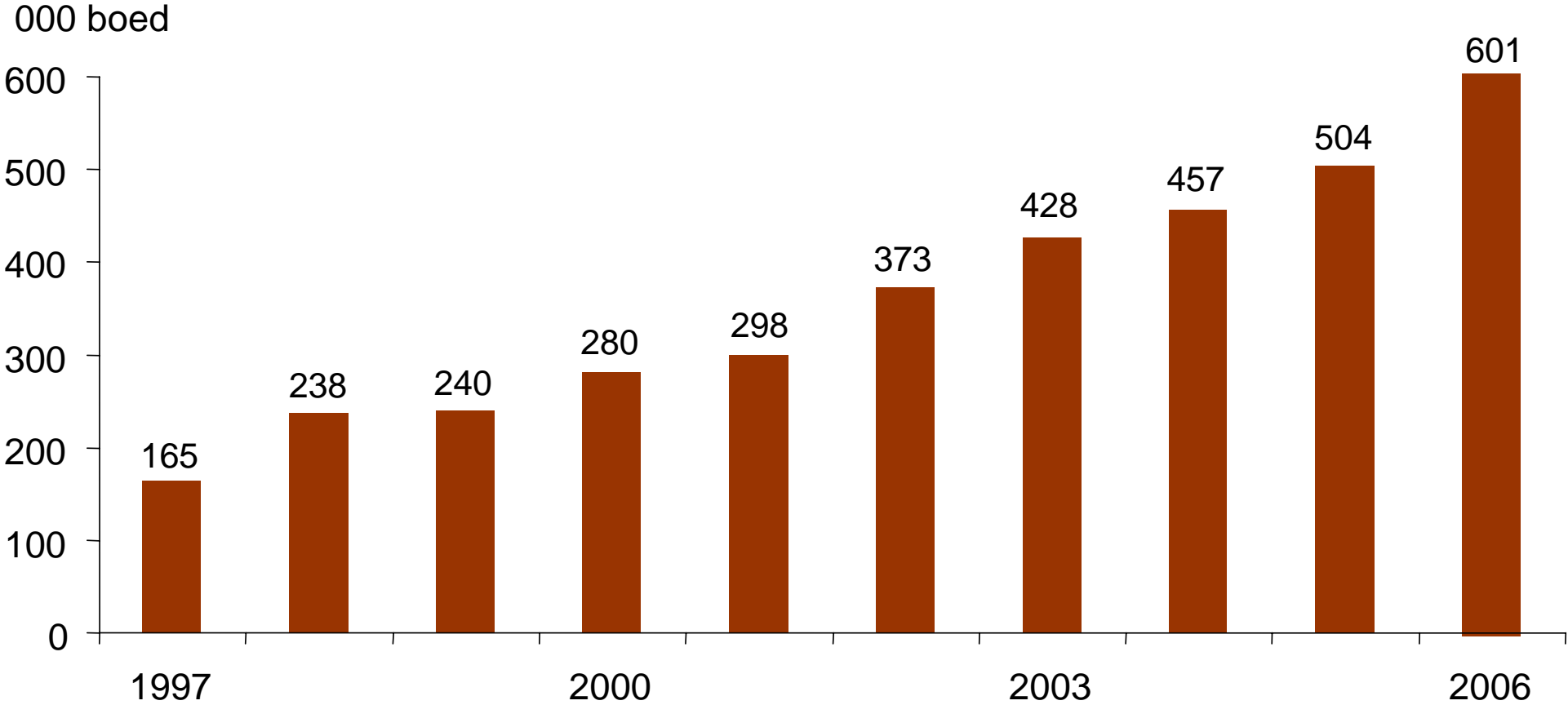
# Business segments



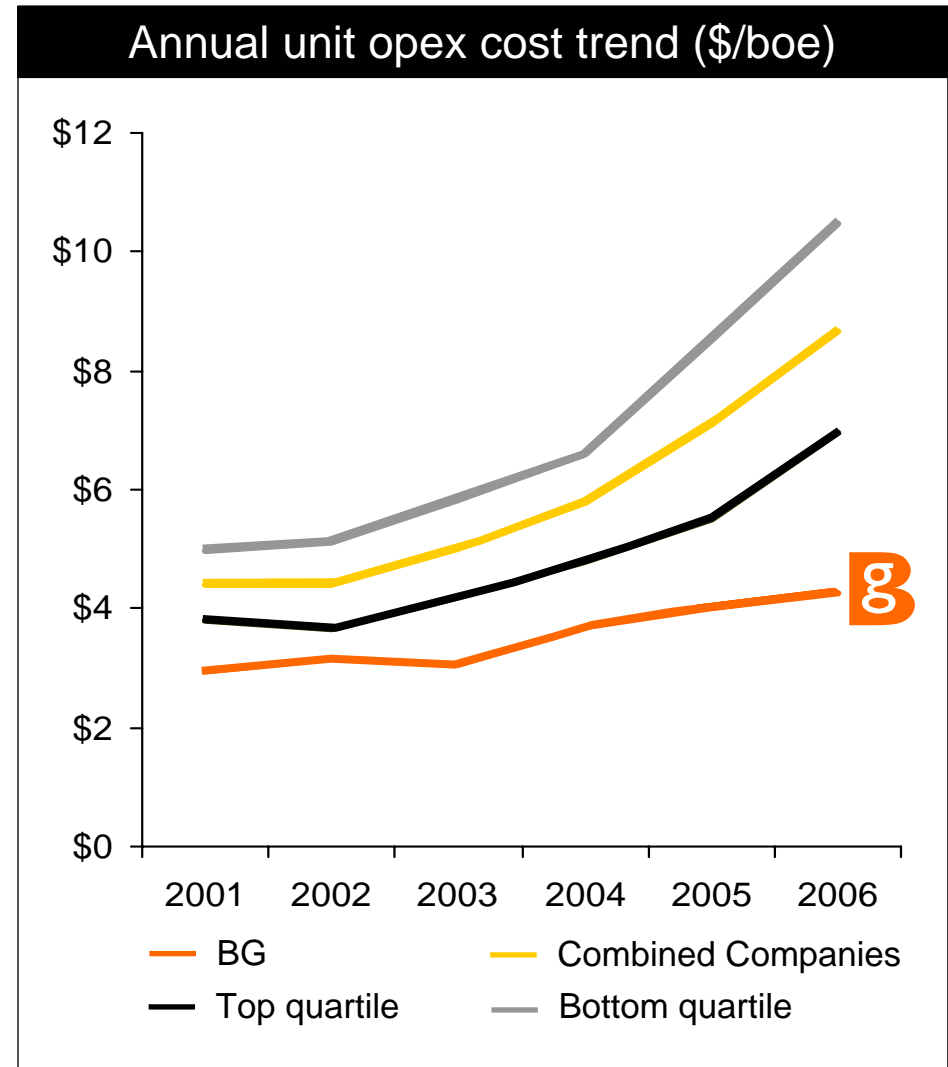
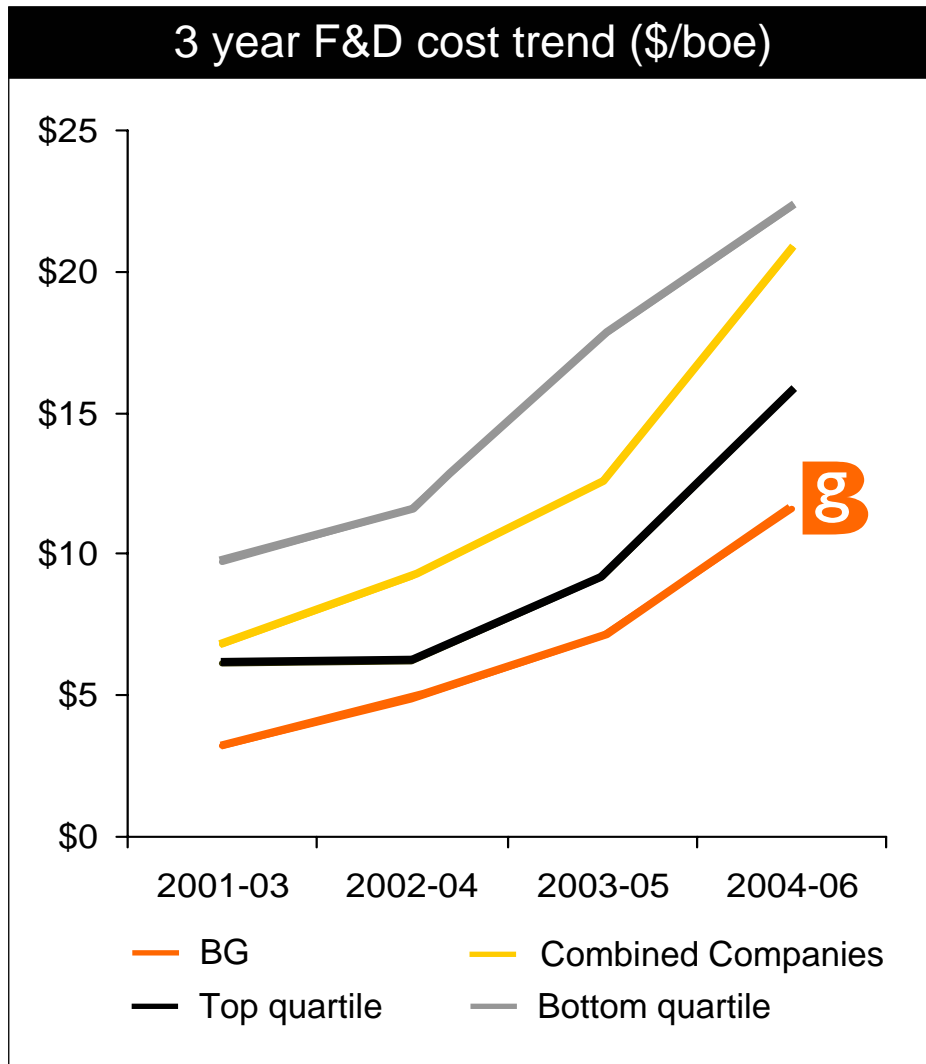
# Business segments E&P volumes



CAGR 15% 1997-2006



# E&P benchmarking

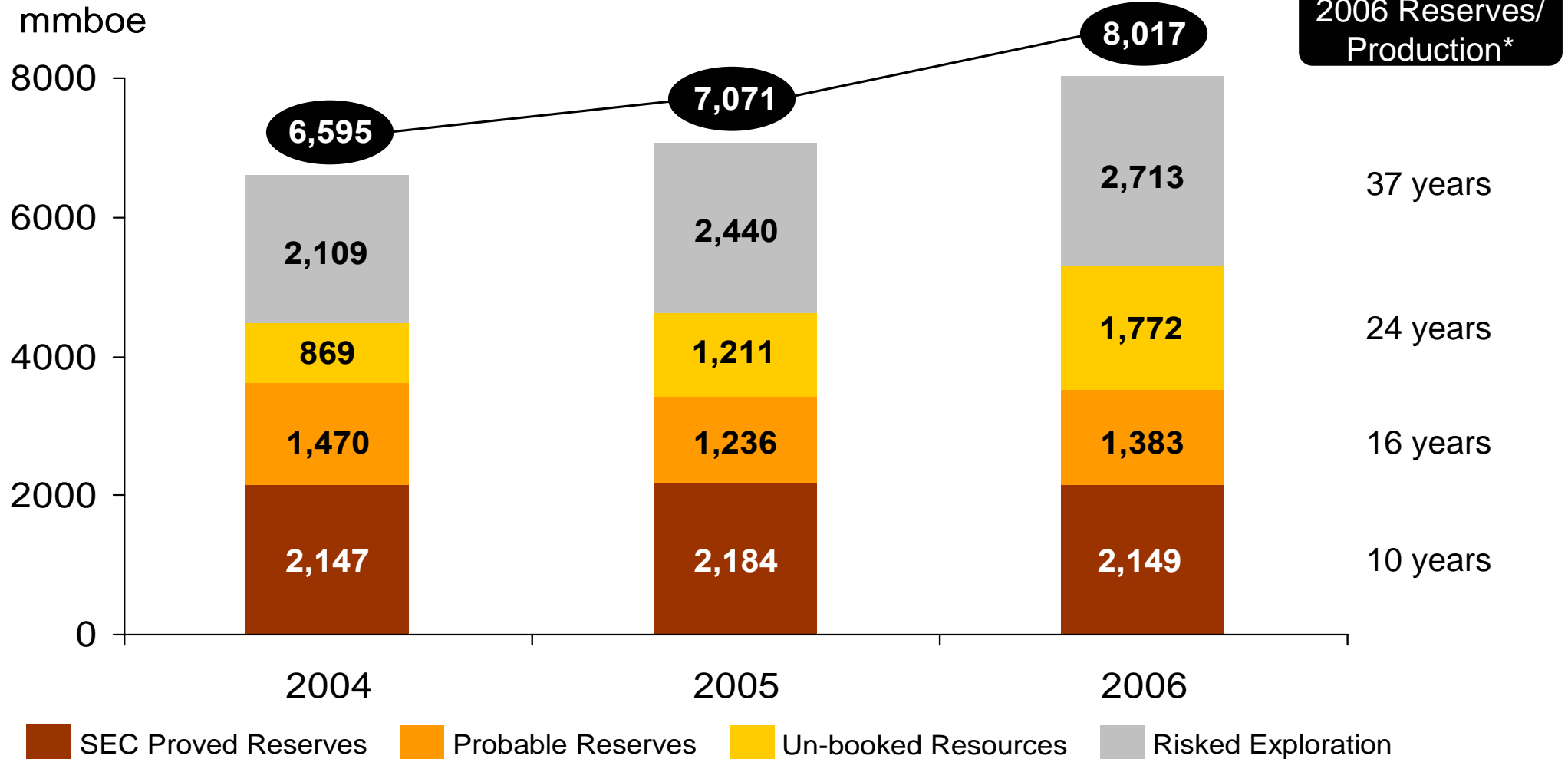


Source: Evaluate Energy 2007, BG Group  
Peer Group includes Super Majors, US and European Integrated Majors

# E&P: Reserves and resources



CAGR 10%

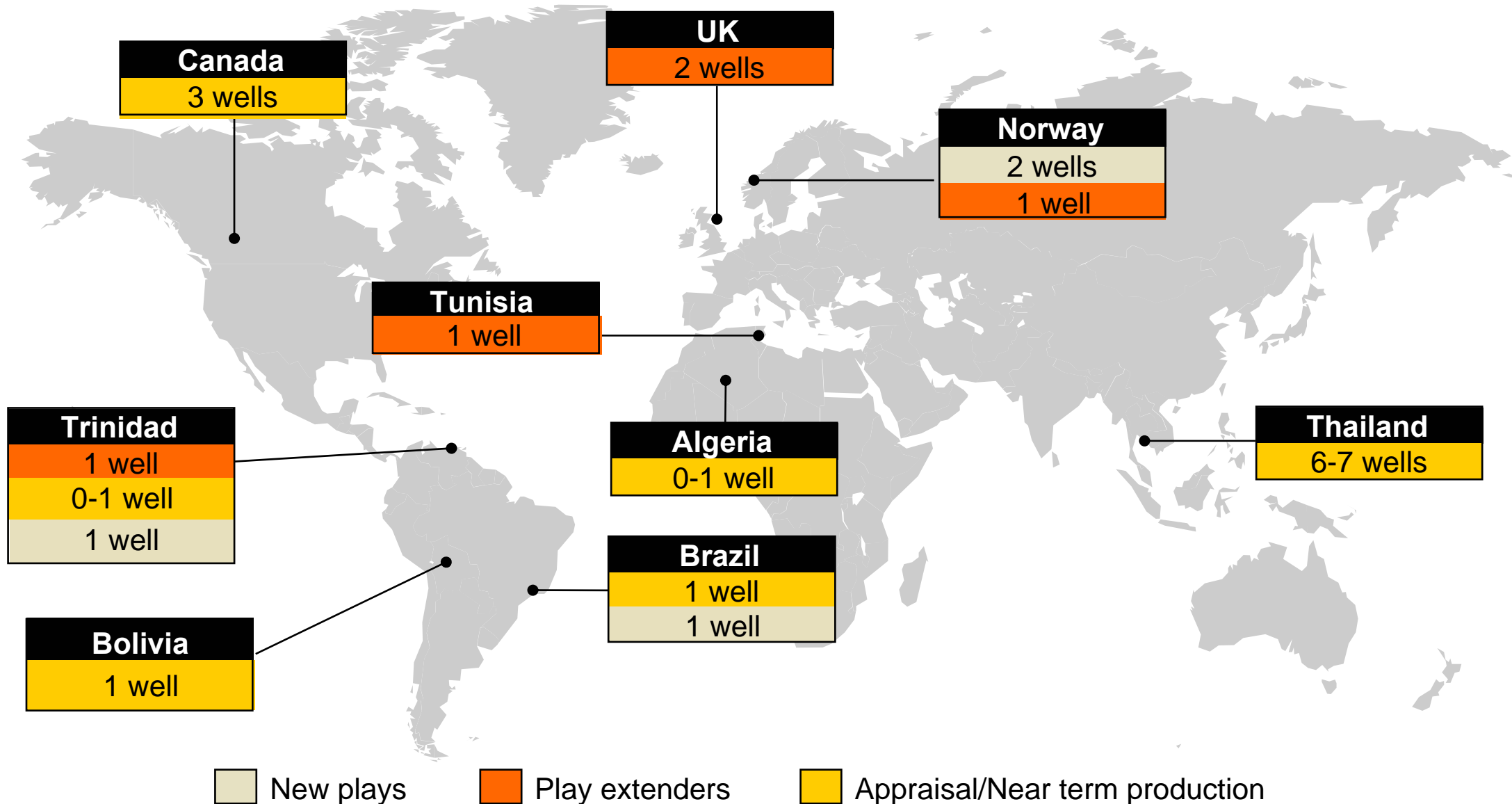


Reserves/Resources as at year end

\*Based on 2006 production of 219.2 mmboe

Reserves/resources now over 8bn boe

# E&P: 2007 E&A preview



20-23 E&A wells planned to complete drilling in 2007

# Global LNG: A unique competitive position

## Flexible LNG

- Long term supply with destination flexibility

## Multiple markets

- Delivery to 12 countries in 2006
- Flexible US backstop

## People and skills

- Proven delivery along the chain
- Strong market understanding

## Infrastructure

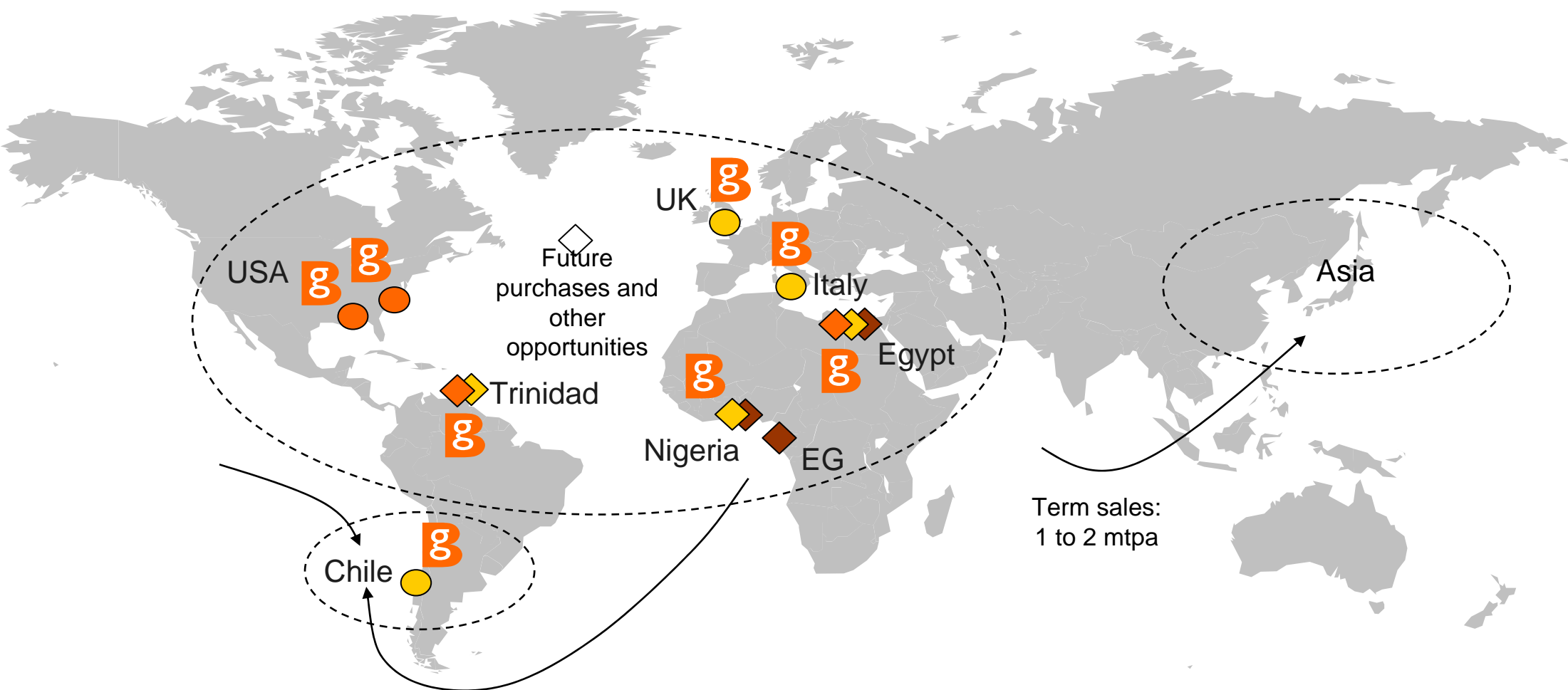
- Low cost & expandable US access
- Developing access in Europe & S. America

## Shipping capacity

- 17 ships\* by Jan 2009
- Enables integrated strategy

\*owned or chartered

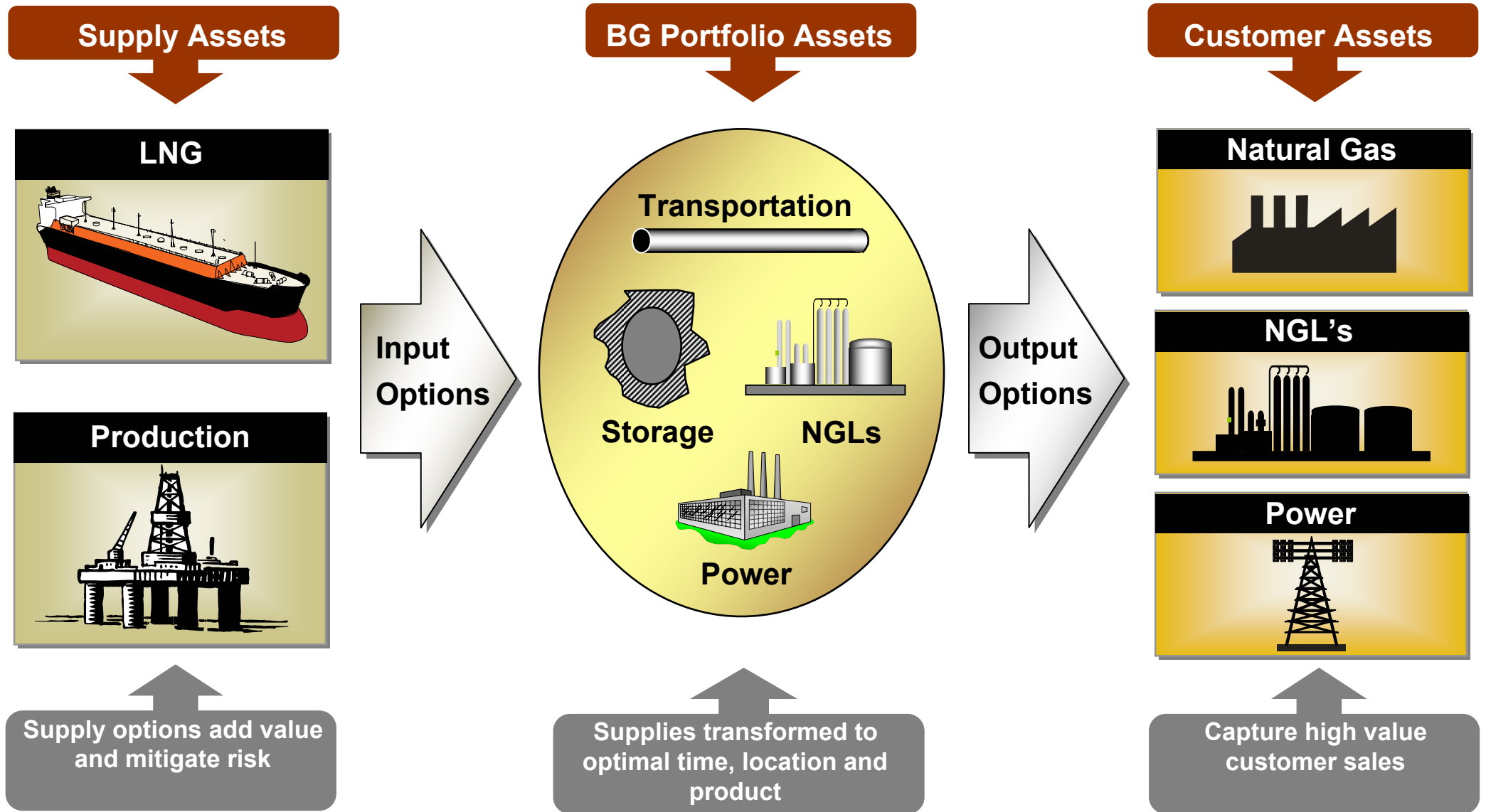
# Global LNG: Growing a global business



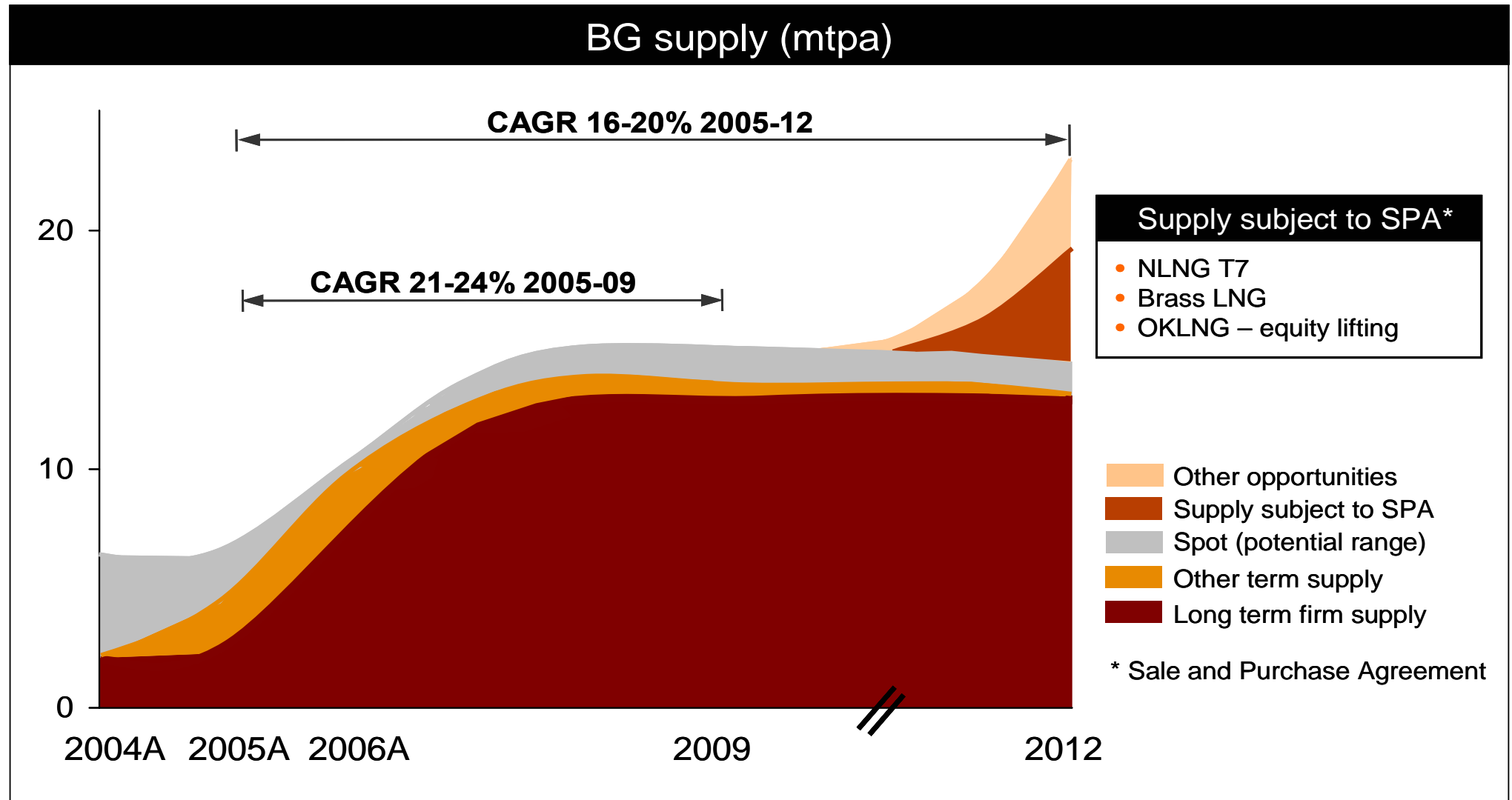
## **g** Current and future equity positions

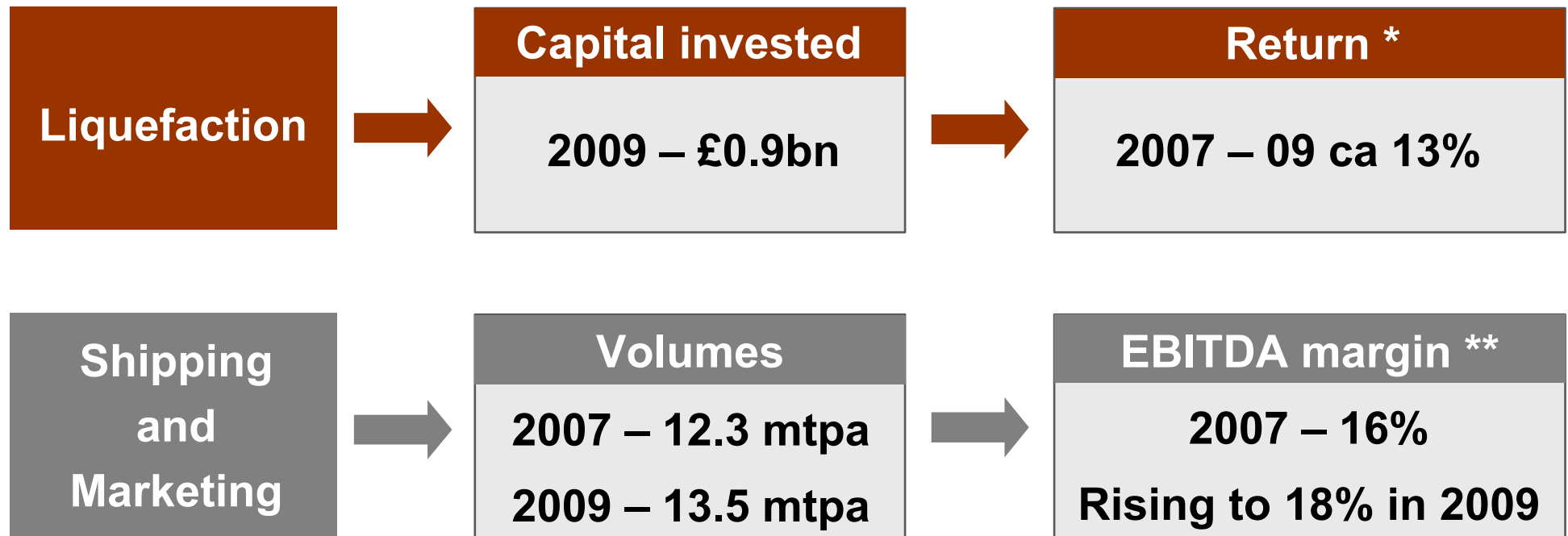
- Existing import capacity
- Future import capacity
- Existing liquefaction
- Future liquefaction
- Long-term purchases (contracted)
- Future opportunity

# Global LNG: Integrated US gas strategy



# Global LNG: Supply





\* Pre-tax nominal return on capital invested

\*\* EBITDA margin:

- 1 mtpa = 51.7 tbtu
- Portfolio average expressed as a percentage of sales at \$6/mmbtu Henry Hub
- Excludes business development expenditure

# Transmission and distribution

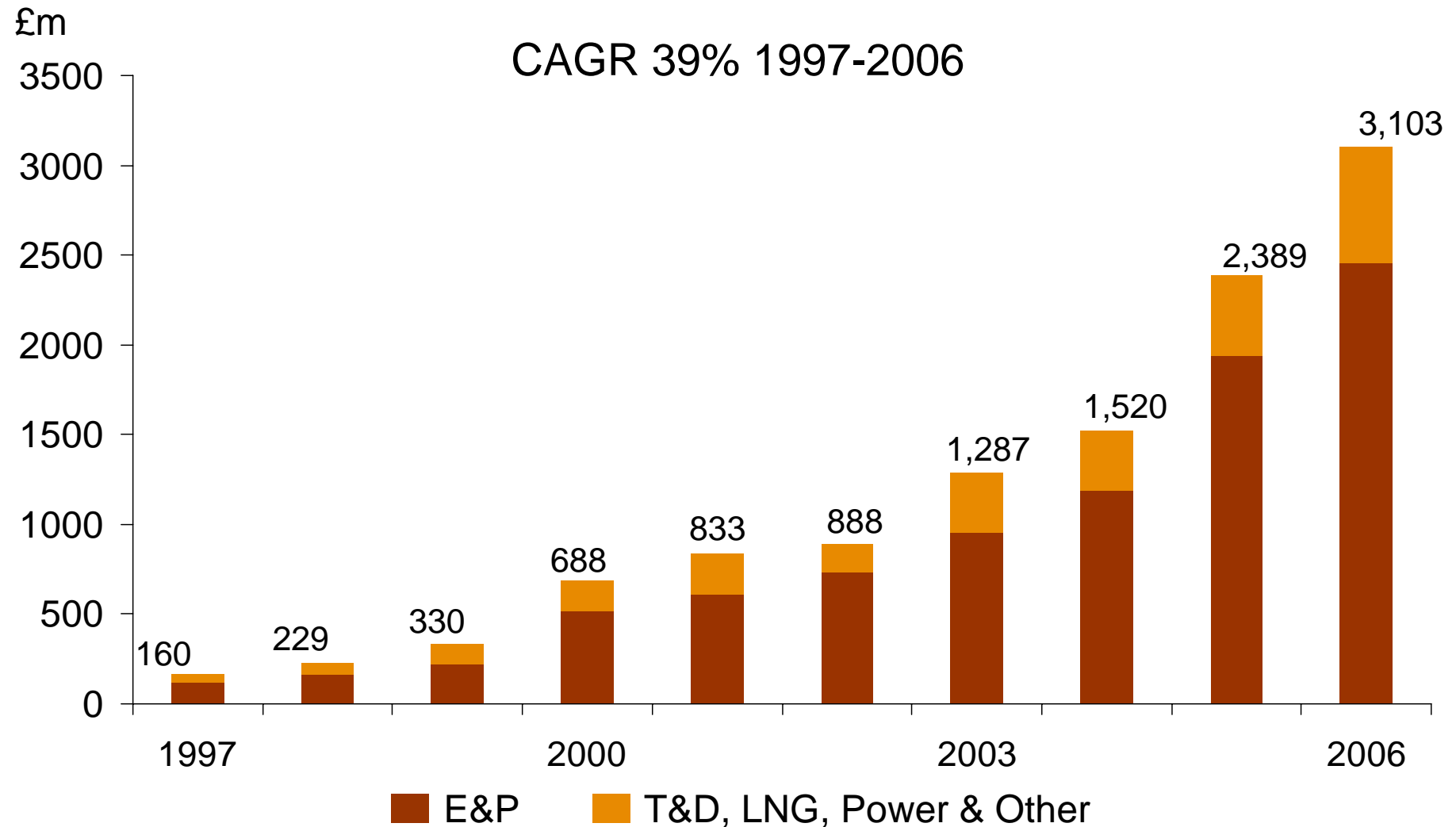


- High growth markets, India and Brazil
- Regulatory regimes focused on development
- Strong volume growth
- Long-term growth businesses



- Power drives growth in gas demand
- BG has the skills
- Existing portfolio of modern, contracted gas plants
- New US power plants
- In attractive US regions
- Integrated into BG's US gas business

# Total operating profit

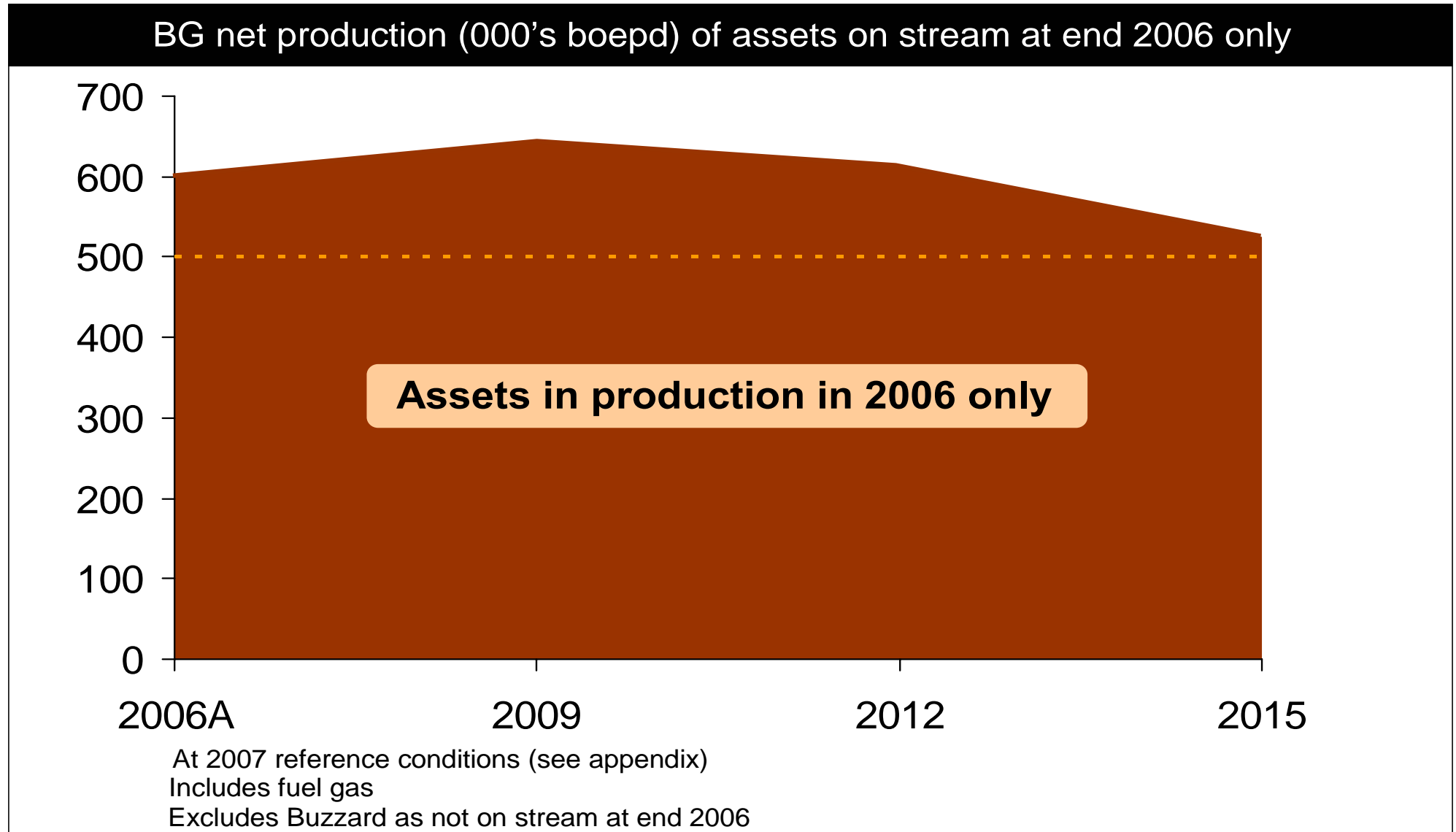


Continuing operations excluding disposals, certain re-measurements and impairments.  
Results prior to 2003 stated under UK GAAP. 2003, 2004 and 2005 results have been restated under IFRS for IFRIC 4.  
Total operating profit includes BG's share of pre-tax operating results from joint ventures and associates.

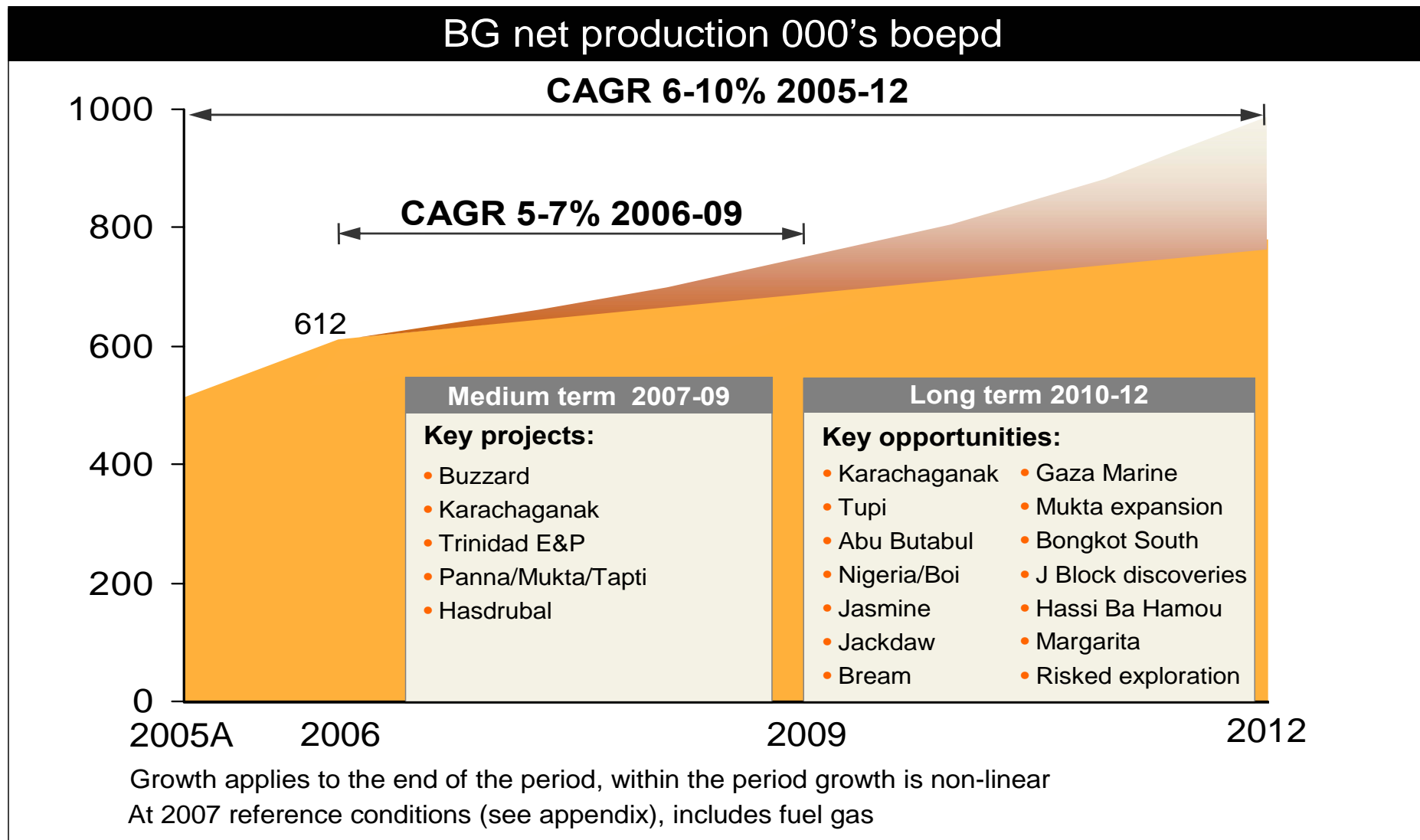
# Long-term growth



# Long term growth E&P asset base



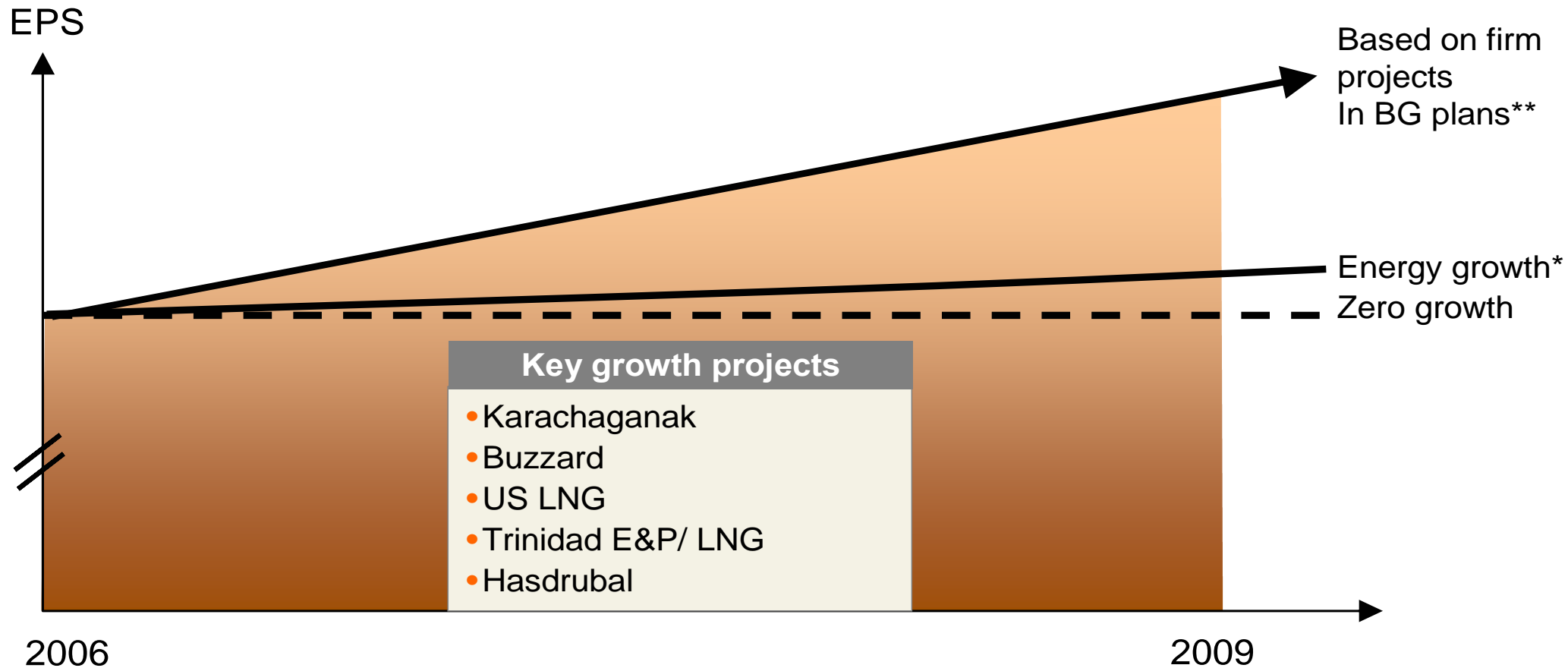
Existing assets provide a strong asset base





- Capex for 2007 £2.0 bn, including acquisitions £2.6 bn
- Substantial growth in opportunities
- Financial flexibility valuable
- Share buy-back £750m

# Long term growth Framework for growth



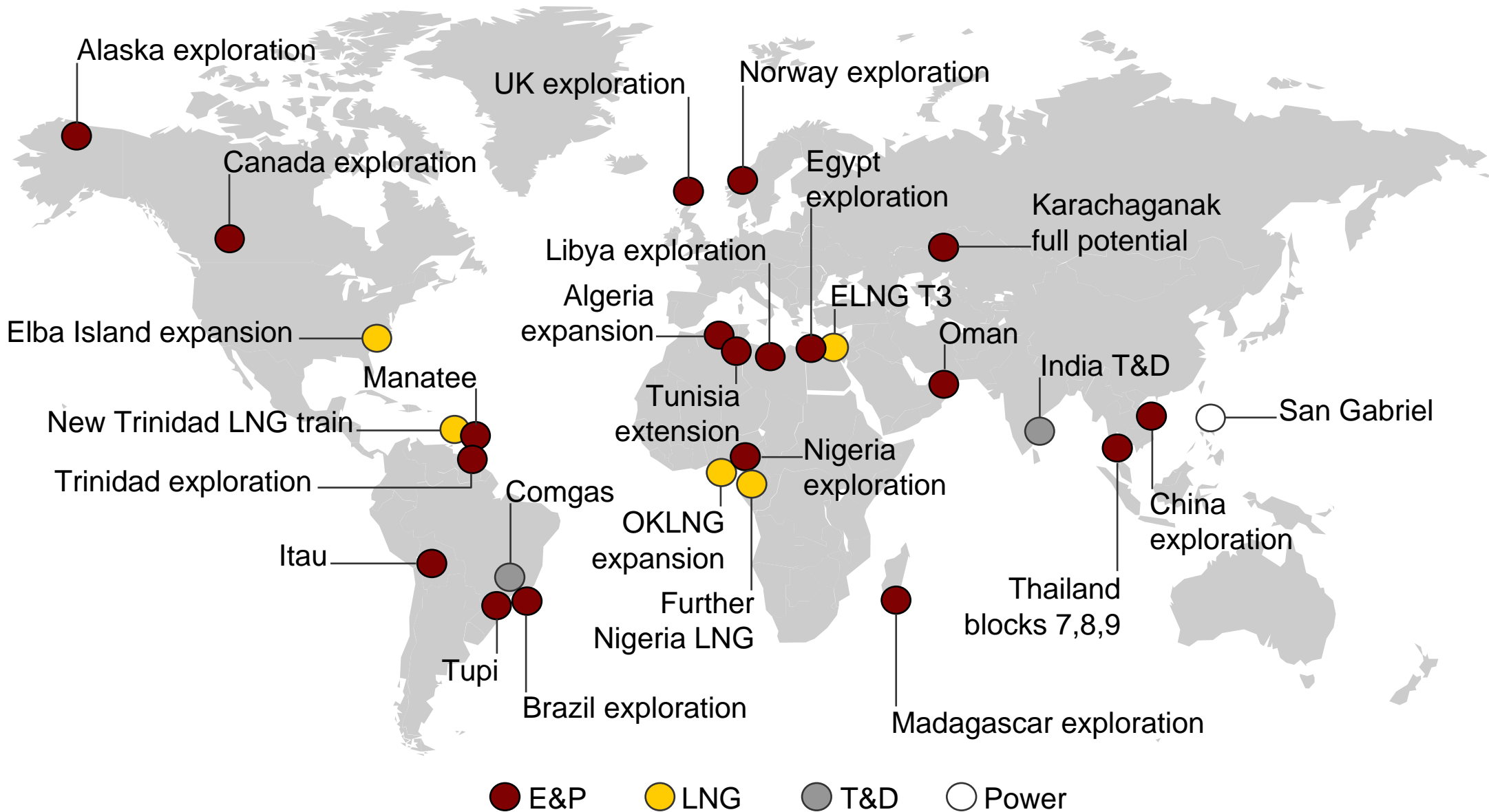
Schematic representation only

Growth applies to the end of the period, within the period growth is non-linear

\* World total energy consumption 2003-2030. Source: EIA 2006

\*\* At \$55 Brent conditions, \$7.25 Henry Hub

# Key opportunities beyond 2012



# Q3 2007 results





- Underlying total operating profit up 15%
- E&P volumes impacted by loss of CATS volumes
- Excellent LNG performance
- Strong cash conversion

# Financial performance

## Q3 2007



	Q3 2007 £ million	Q3 2006 £ million	% yoy
Total operating profit	672	633	+6%
Earnings	368	342	+8%
EPS	10.9p	10.0p	+9%
Operating cash flow	773	730	+6%

Results excluding disposals, certain re-measurements and impairments

Total operating profit includes pre-tax operating results of joint ventures and associates

Earnings are after prior period taxation

Underlying performance remains strong

## Q3 2007 operating profit



	Q3 2007 £ million	Q3 2006 £ million	% yoy
E & P	433	509	-15%
LNG	149	65	+129%
T & D	67	56	+20%
Power	29	16	+81%
Other activities	<u>(6)</u>	<u>(13)</u>	-
Group total	<u>672</u>	<u>633</u>	+6%

Results excluding disposals, certain re-measurements and impairments

Total operating profit includes pre-tax operating results of joint ventures and associates

## Q3 operating profit - LNG



	Q3 2007 £ million	Q3 2006 £ million
Shipping and marketing	130	58
Liquefaction	33	25
Business dev't and other	(14)	(18)
	<hr/>	<hr/>
Operating profit	<u>149</u>	<u>65</u>

Results excluding disposals, certain re-measurements and impairments

Total operating profit includes pre-tax operating results of joint ventures and associates

# Q3 operating profit – T&D



	Q3 2007 £ million	Q3 2006 £ million
Comgas	59	49
Other	8	7
	<hr/>	<hr/>
Operating profit	<u>67</u>	<u>56</u>

Results excluding disposals, certain re-measurements and impairments

Total operating profit includes pre-tax operating results of joint ventures and associates

## Q3 operating profit – Power



	Q3 2007 £ million	Q3 2006 £ million
Subsidiaries	5	(1)
JVs and associates	24	17
	_____	_____
Operating profit	<u>29</u>	<u>16</u>

Results excluding disposals, certain re-measurements and impairments



Operating cashflow	£773 m (up 6%)
Capex	£504 m
Shares bought back	£446 m
Net debt	£60 m

# Conclusions



- Good results despite operational issues
- Progress made on growth programme
- Broad portfolio of long-term options
- Robust strategy delivering value to shareholders

# Appendix



# Legal Notice

## **Cautionary Note to US investors**

The United States Securities and Exchange Commission (SEC) permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this presentation such as “equity reserves”, “E&P resources”, “total resources”, “gross reserves”, “gross HIIP”, “unrisked potential”, “gross GIIP”, “probable reserves”, “un-booked resources” and “risked exploration” that the SEC's guidelines strictly prohibit us from including in filings with the SEC. US investors are urged to consider closely the disclosure in our Form 20-F, File No. 1-09337, available from us at BG Group, 100 Thames Valley Park Drive, Reading RG6 1PT, Attention: Company Secretary. You may read and copy this information at the SEC's public reference room, located at 100F Street N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. This filing is also available at the internet website maintained by SEC at <http://www.sec.gov>.

# Appendix

## Key assumptions



### REFERENCE CONDITIONS

- Brent Oil price US\$40/bbl
- US Henry Hub \$6/mmBtu
- US/UK exchange rates of \$1.80:£1
- UKCS upstream tax 40% 2003-05; 50% 2006 forward
- Prepared under International Financial Reporting Standards

### PRINCIPAL RISKS

- Major recession or significant political upheaval in the major markets in which we operate
- Failure to ensure the safe operation of our assets world-wide
- Implementation risk, being the challenges associated with delivering capital intensive projects on time and on budget, including the need to retain and motivate staff
- Commodity risk, being the risk of significant fluctuation in oil and/or gas prices from those assumed
- Foreign exchange risk, in particular the US\$:UK£ exchange rate being significantly different to that assumed
- Technical, commercial, economic, regulatory and country risk

For a detailed discussion of these and other risk factors, please refer to the Risk Factors included in BG Group's Annual Report and Accounts 2006.

**Actual performance could differ materially from that shown. Accordingly, no assurances can be given that such performance will be achieved.**

# Appendix

## Glossary



Δ	Increase or (decrease)	GAAP	Generally Accepted Accounting Principles
\$	United States dollar	GIIP	Gas Initially In Place
£	UK pounds sterling	HIIP	Hydrocarbons initially in place
£m	Million UK pounds sterling	HPHT	High pressure high temperature
'000	Thousand	IOC	International oil company
2P	Proved plus probable reserves	JV	Joint Venture
A	Actual	km	Kilometres
ALNG	Atlantic LNG	LNG	Liquefied Natural Gas
APA	Application for Predefined Areas	LPG	Liquid Petroleum Gas
API	American Petroleum Institute	mmboc	Million barrels of oil equivalent
bbl	Barrel of oil	mmbbl	Million barrels
Bcf	Billion cubic feet	mmbtu	Million British thermal units
bcm	Billion cubic metres	mmscfd	Million standard cubic feet per day
bcma	Billion cubic metres per annum	mtpa	Million tonnes per annum
BD	Business Development	NEPOOL	New England Power Pool
billion or bn	One thousand million	NGL	Natural Gas Liquids
boe	Barrels of oil equivalent	NLNG	Nigeria LNG
boepd	Barrels of oil equivalent per day	NNPC	Nigerian National Petroleum Corporation
bopd	Barrels of oil per day	NSKD	North Sidi Kerir Deep
ca	circa	OKLNG	Olokola LNG
CAGR	Compound Annual Growth Rate	OPL	Oil Prospecting Licence
Capex	Capital expenditure	PNG	Papua New Guinea
CATS	Central Area Transmission System	Opex	Unit operating costs
CPC	Caspian Pipeline Consortium	PRT	Petroleum Revenue Tax
E&A	Exploration and Appraisal	ROACE	Return on Average Capital Employed
E&P	Exploration and Production	SEC	Securities and Exchange Commission
EBITDA	Earnings Before Interest, Tax, Depreciation, Amortisation	SPA	Sale & Purchase Agreement
EIA	Energy Information Administration	sq km	Square kilometres
EG	Equatorial Guinea	T&D	Transmission and Distribution
ELNG	Egyptian LNG	tbtu	Trillion British thermal units
EPF	Early Production Facility	tcf	Trillion cubic feet
EPS	Earnings per share	UKCS	United Kingdom Continental Shelf
EPSA	Exploration & Production Sharing Agreement	WDDM	West Delta Deep Marine
F&D	Finding and Development costs	YOY	Year on Year
FEED	Front End Engineering and Design	Yr	Year