

# Strategy and Q3 results 2008



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## Key messages

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- Strong third quarter results
- Material exploration and appraisal success
- Strategic plan confirmed
- Acquisition of Queensland Gas Company

## Overview

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- Strategy update
- Business segments
- Portfolio for growth
- Q3 2008 results

## Strategy update I

- Excellent exploration & appraisal results, success in 8 countries
- Net share of reserves & resources in Brazil estimated at over 3 bn boe
- 2P reserves expected to rise by over 2 bn boe\* (+60%)
- Total reserves & resources expected to rise by ca. 3 bn boe\* (+30%)
- Increasing resource base underpins potential to sustain 6-8% volume CAGR to 2020\*\*
- E&P production targets\*\* confirmed:
  - 2009 - 680 000 boed
  - 6-8% CAGR from 2005 to 2012

\* With 100% of QGC

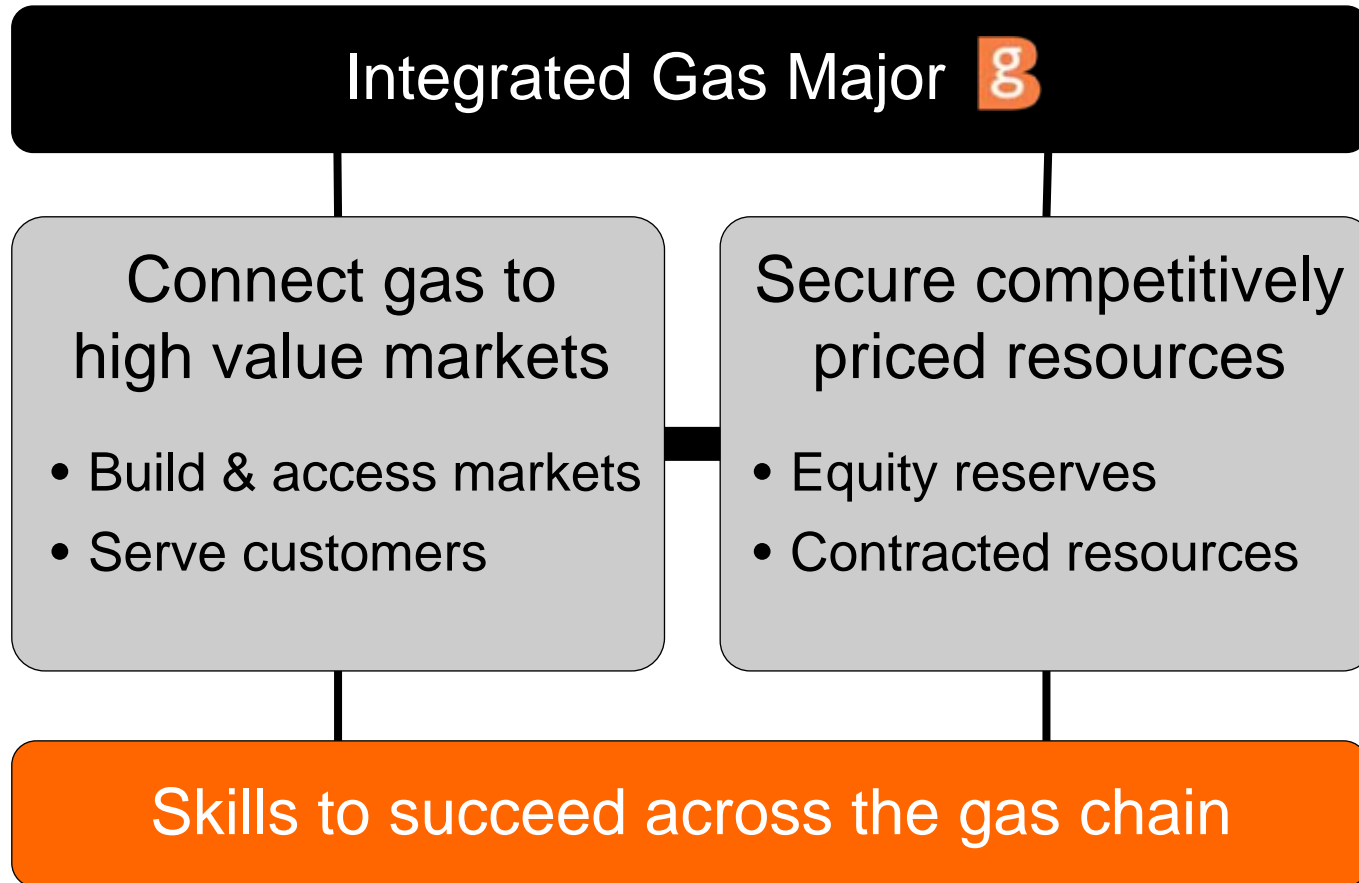
\*\*At reference conditions (see appendix)

## Strategy update II

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- Increased production expected in Brazil
- Expenditure re-phasing expected at Karachaganak Phase III
- Majority control of QGC now obtained
- LNG operating profit guidance raised
  - £1.4 bn in 2008
  - £1.3 bn in 2009
- BG Group remains strongly financed

# Integrated Gas Major

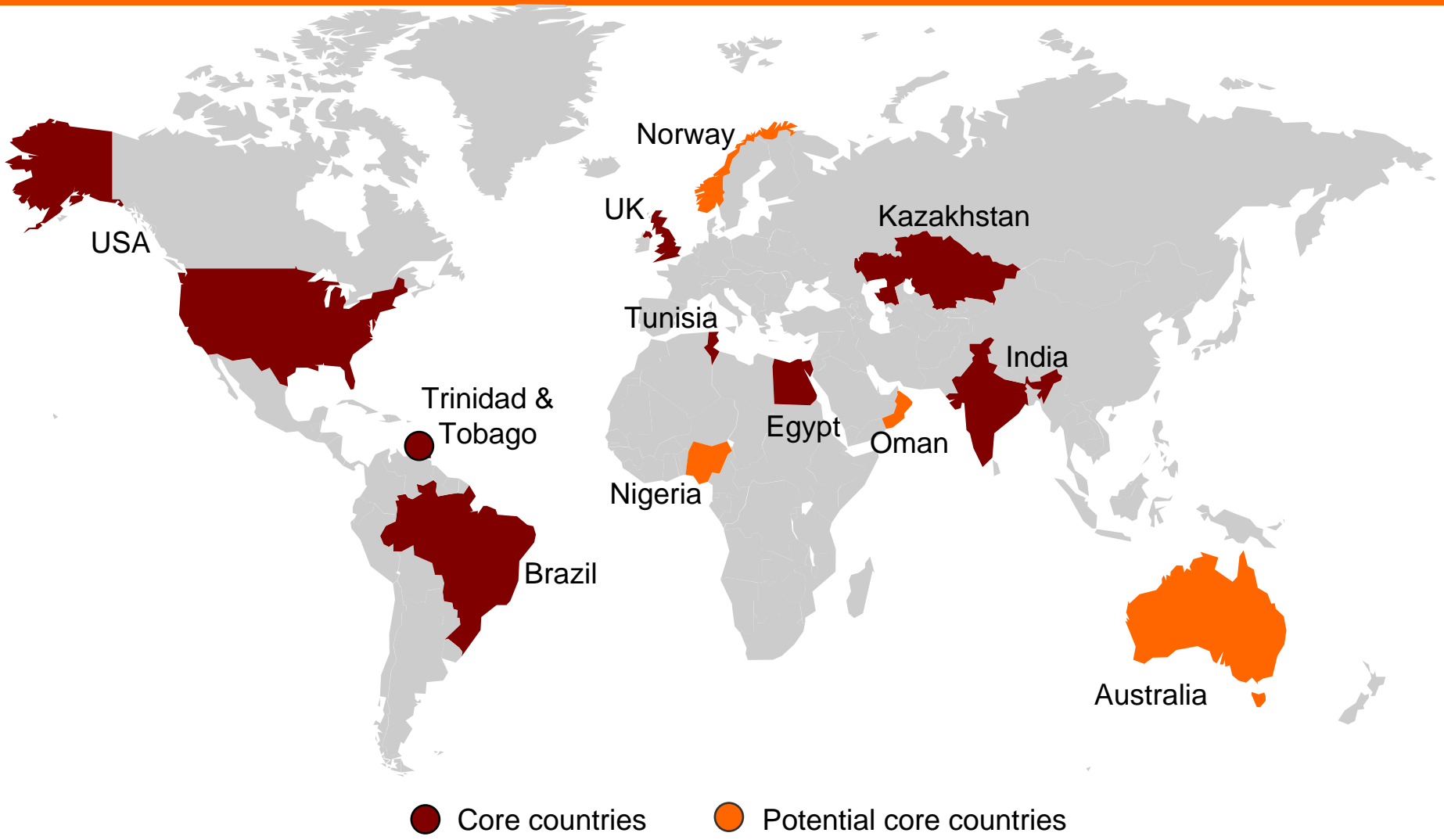


# Business model



Resources → Enabling → Markets

# Key country portfolio



Focusing on developing material countries

# Countries of current operation



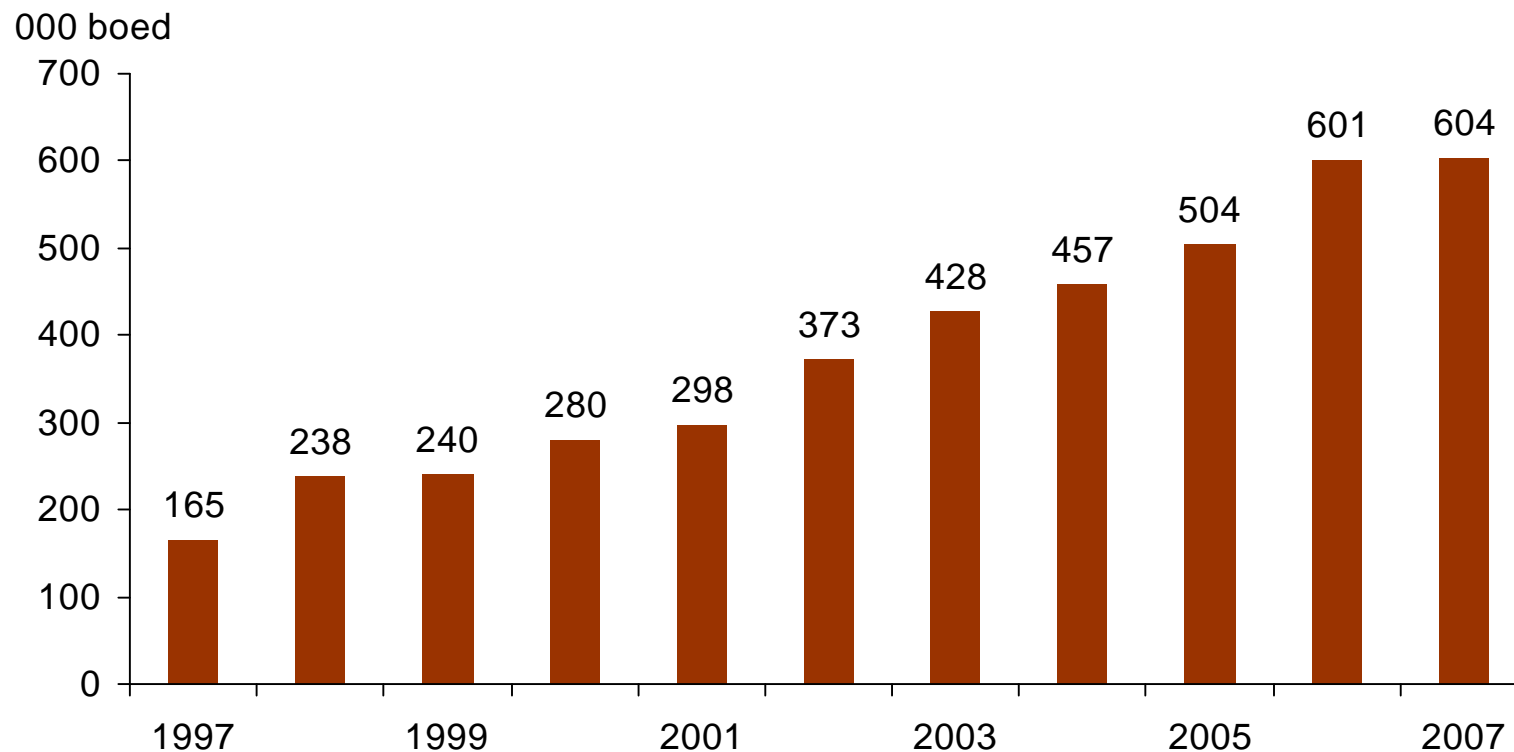
Active in 27 countries

# Business segments

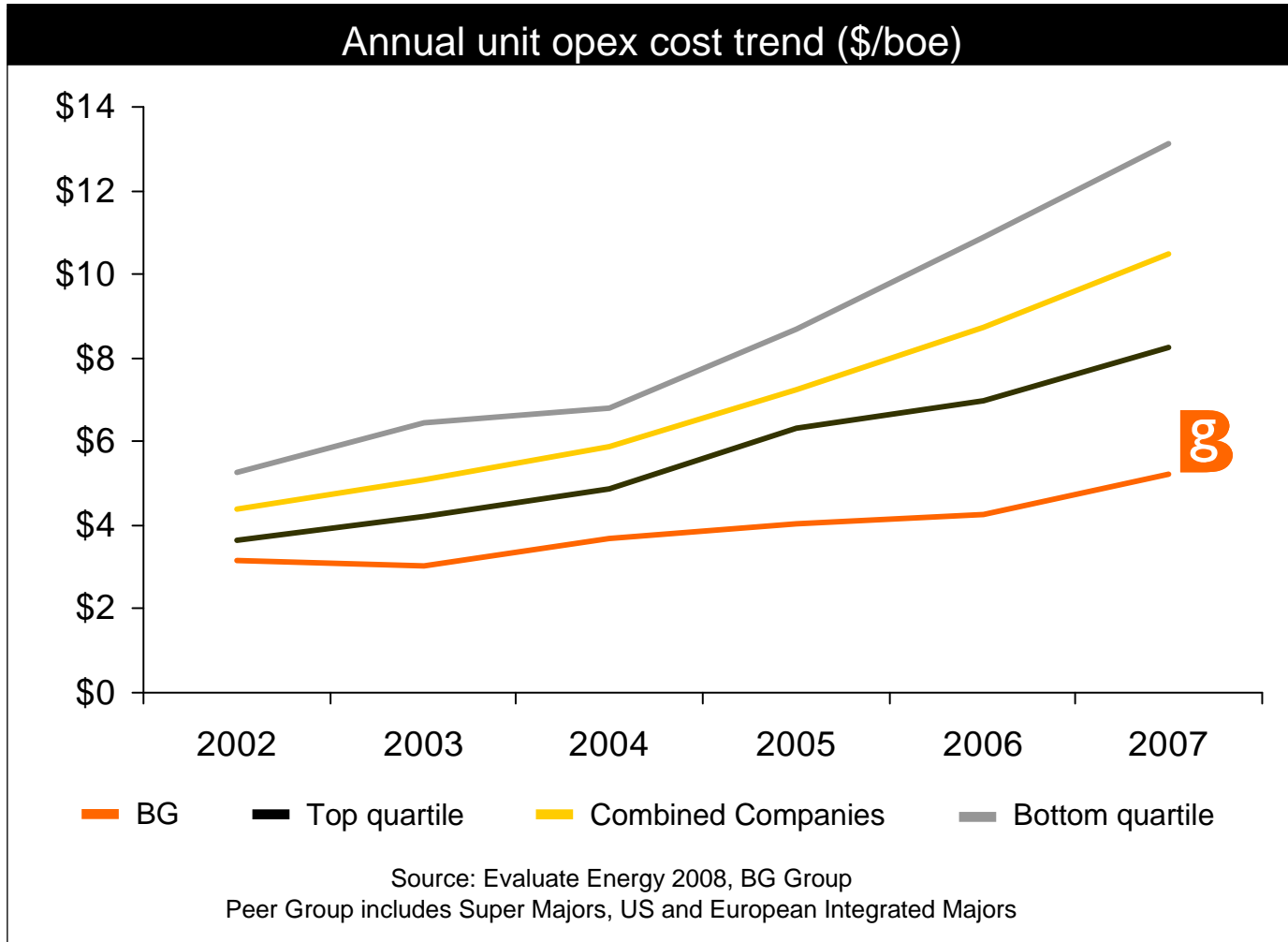


# E&P volumes

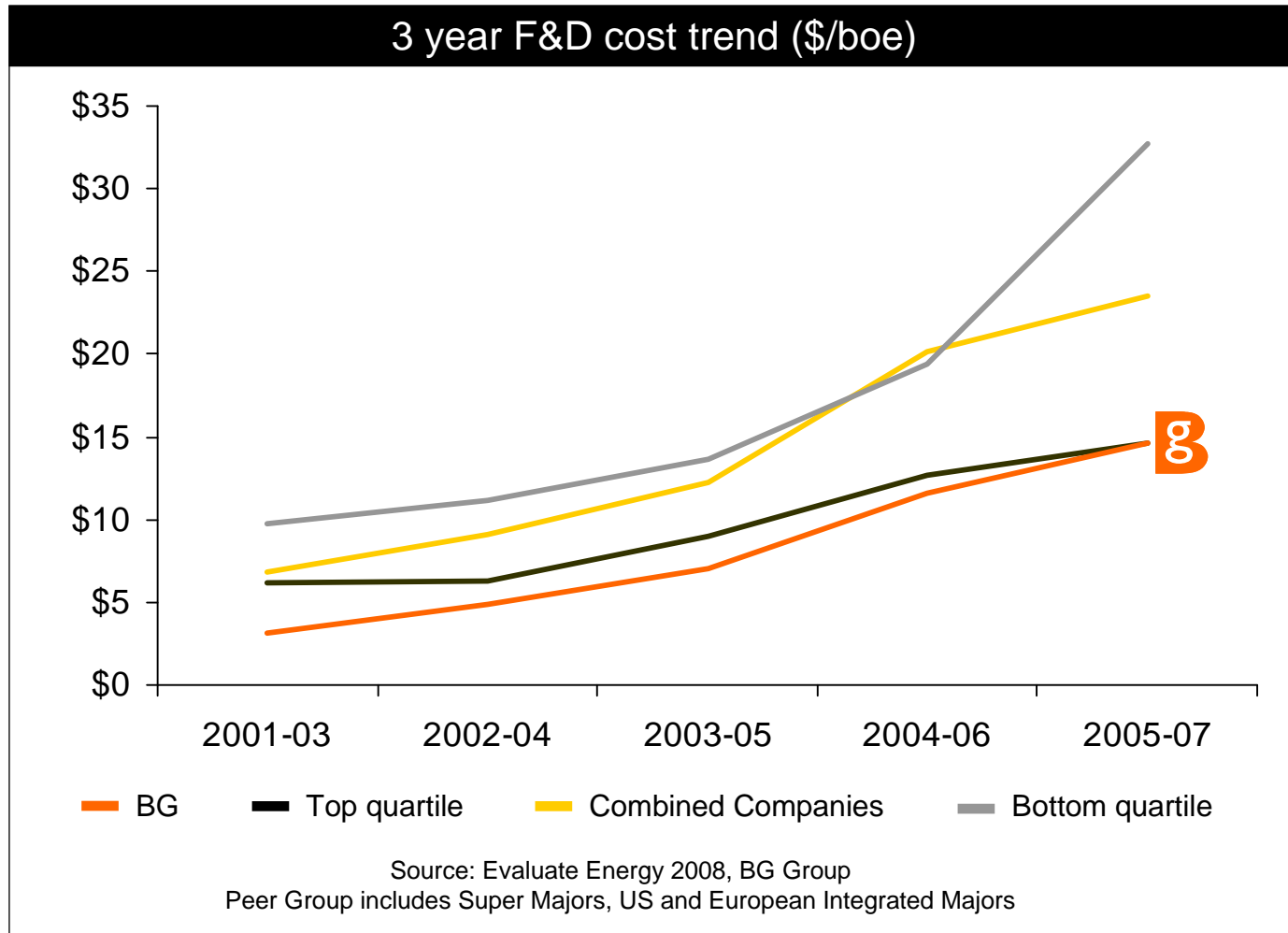
CAGR 14% 1997-2007



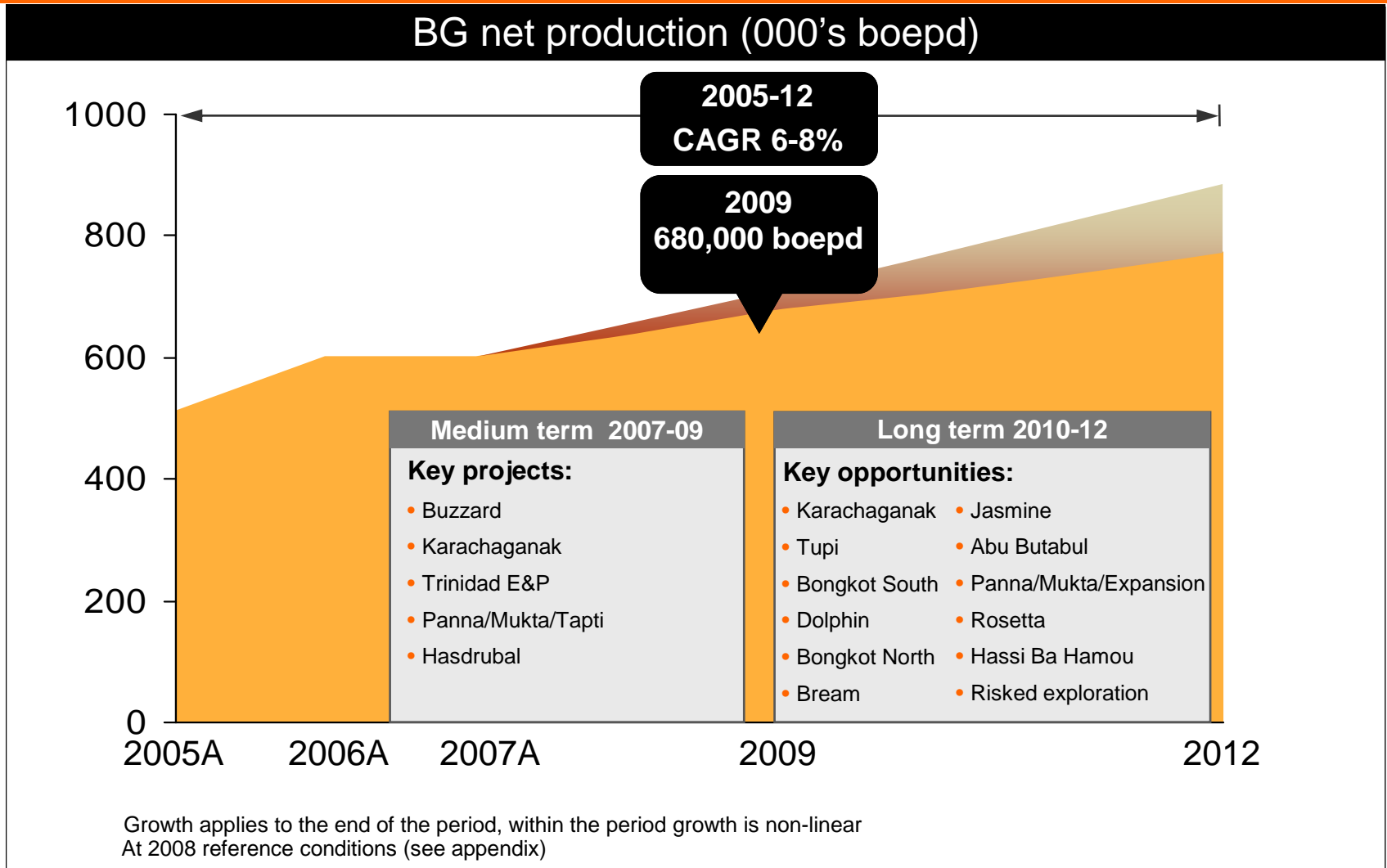
# E&P benchmarking



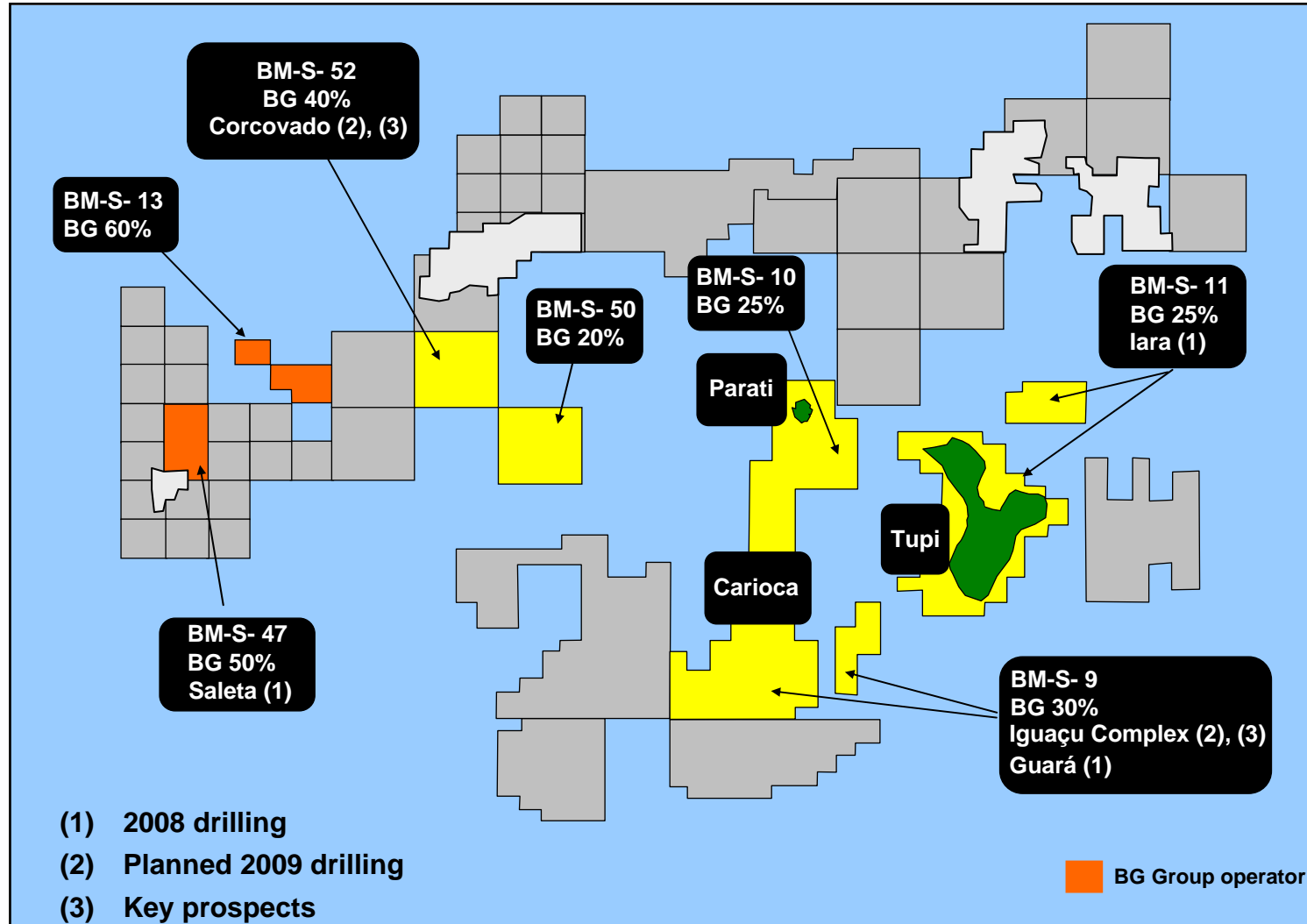
# E&P benchmarking



# E&P: Production



# Brazil: 2008 drilling and key prospects



Good prospect inventory with two very significant prospects

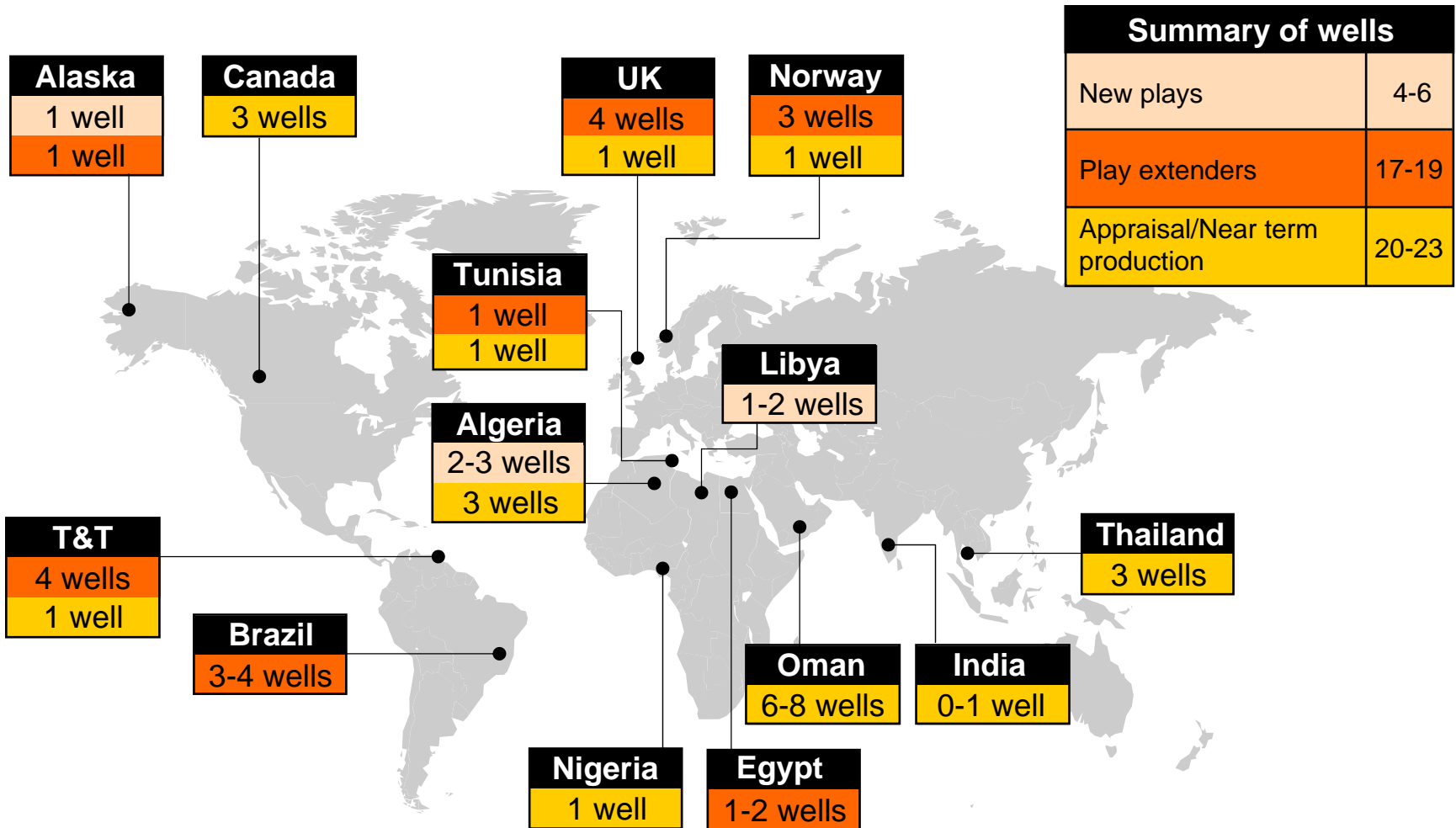
## Australia: QGC acquisition



- On-market cash offer for QGC at A\$5.75/share (circa A\$5.2bn)
- Value creation from combination of QGC and BG Group skills and assets
- Strategic Asia-Pacific resources & LNG supply for BG Group
- 3P reserves\* of 8 200 PJ & significant exploration potential
- Reserves cost US\$0.44/mmbtu
- Good progress on reserves maturation; 2P + 3P reserves\* > doubled since February
- Anticipate 2 trains (7.5mtpa) in the 1st phase

\* For details on QGC reserves categorisation, see appendix

# E&P: 2008 E&A preview



Over 40 E&A wells planned to complete in 2008

## LNG outlook

- 2008: raising LNG operating profit guidance to £1.4 bn
- 2009:
  - over 50% of Shipping & Marketing volumes contracted
  - margin fixed on material proportion of sales
- 2009: raising LNG operating profit guidance to £1.3 bn
- Goal of securing 20 mtpa of LNG supply by 2015







# BG Group's global LNG strategy & markets



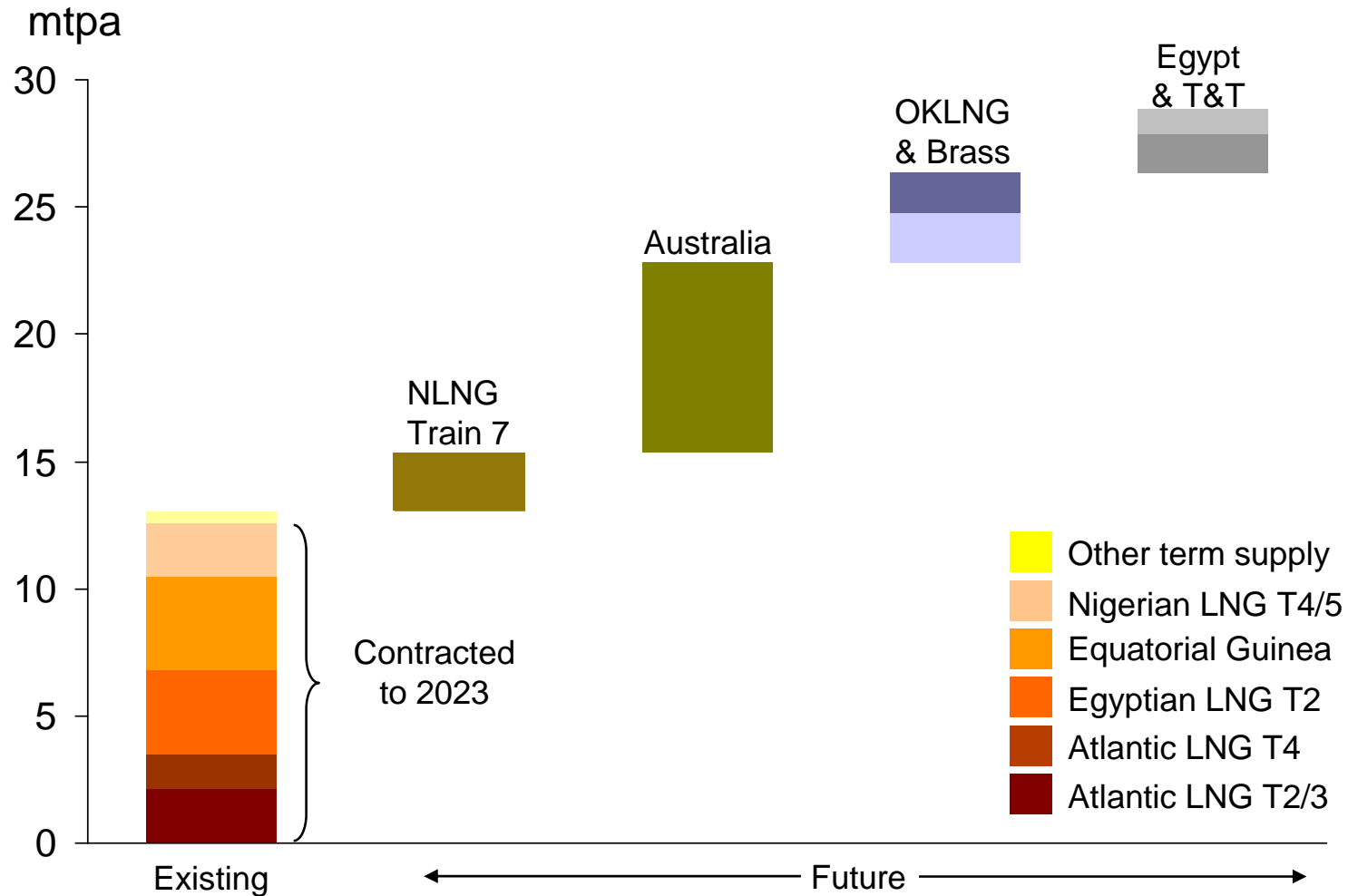
\*exclusive right to supply – awarded 18 April 2008

\*\*HoA to supply 1 mtpa to CAPCO (Hong Kong) for up to 20 years starting ca 2013

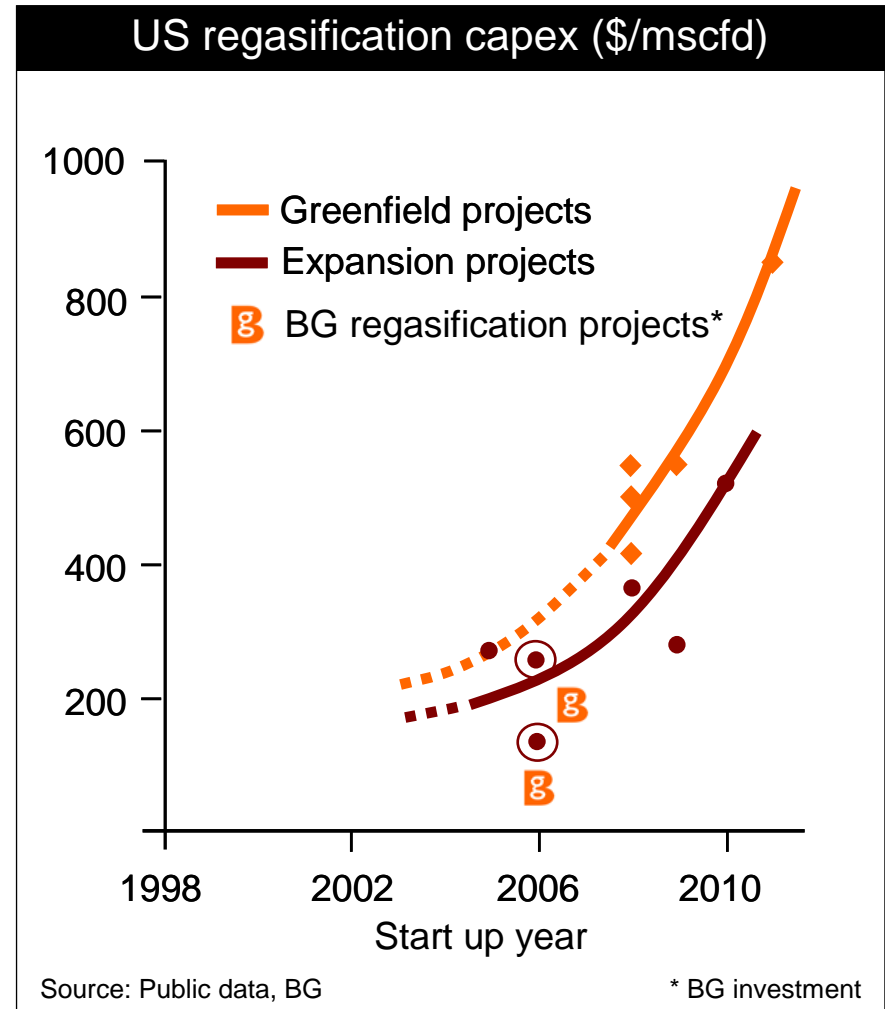
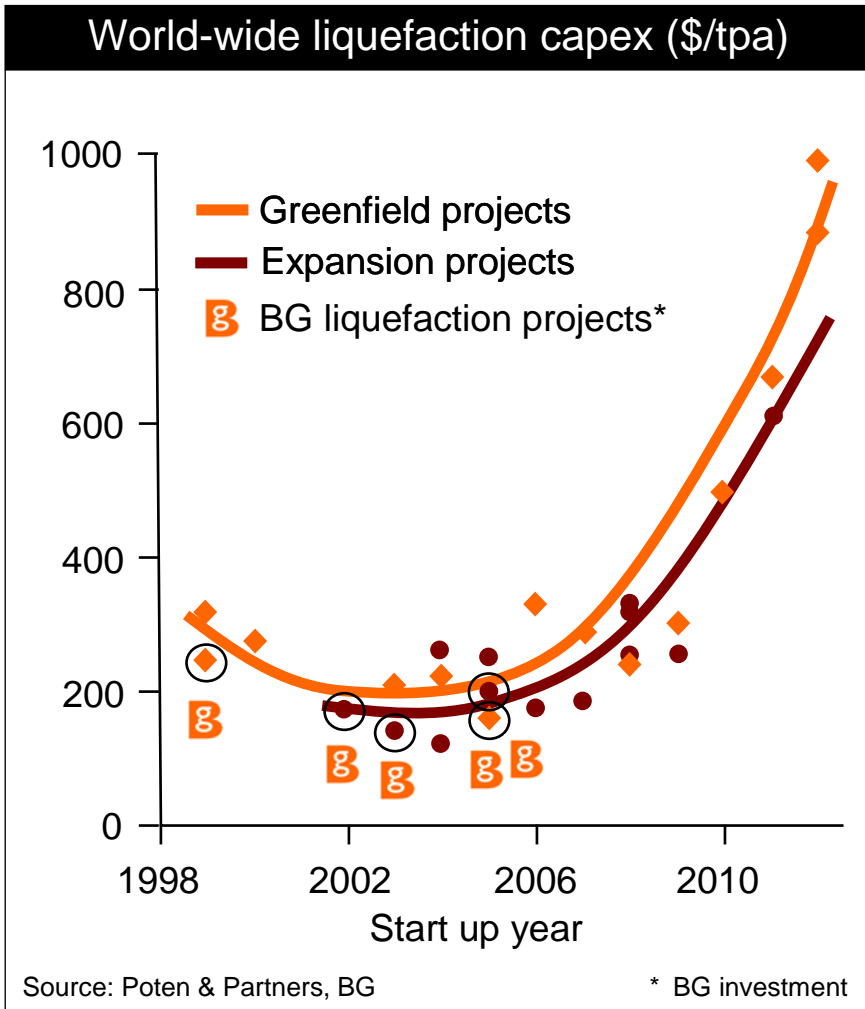
## Current and future equity positions

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

# Global LNG & US: Supply



# Global LNG & US: Costs



Long-term, low cost advantage

## Global LNG

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- Strong competitive position
  - Large, long-life supply base
  - Low cost structure
  - Flexible portfolio, serving global markets
  - Integrated US portfolio
- Market-led strategy
- Capturing value globally

## Transmission and distribution

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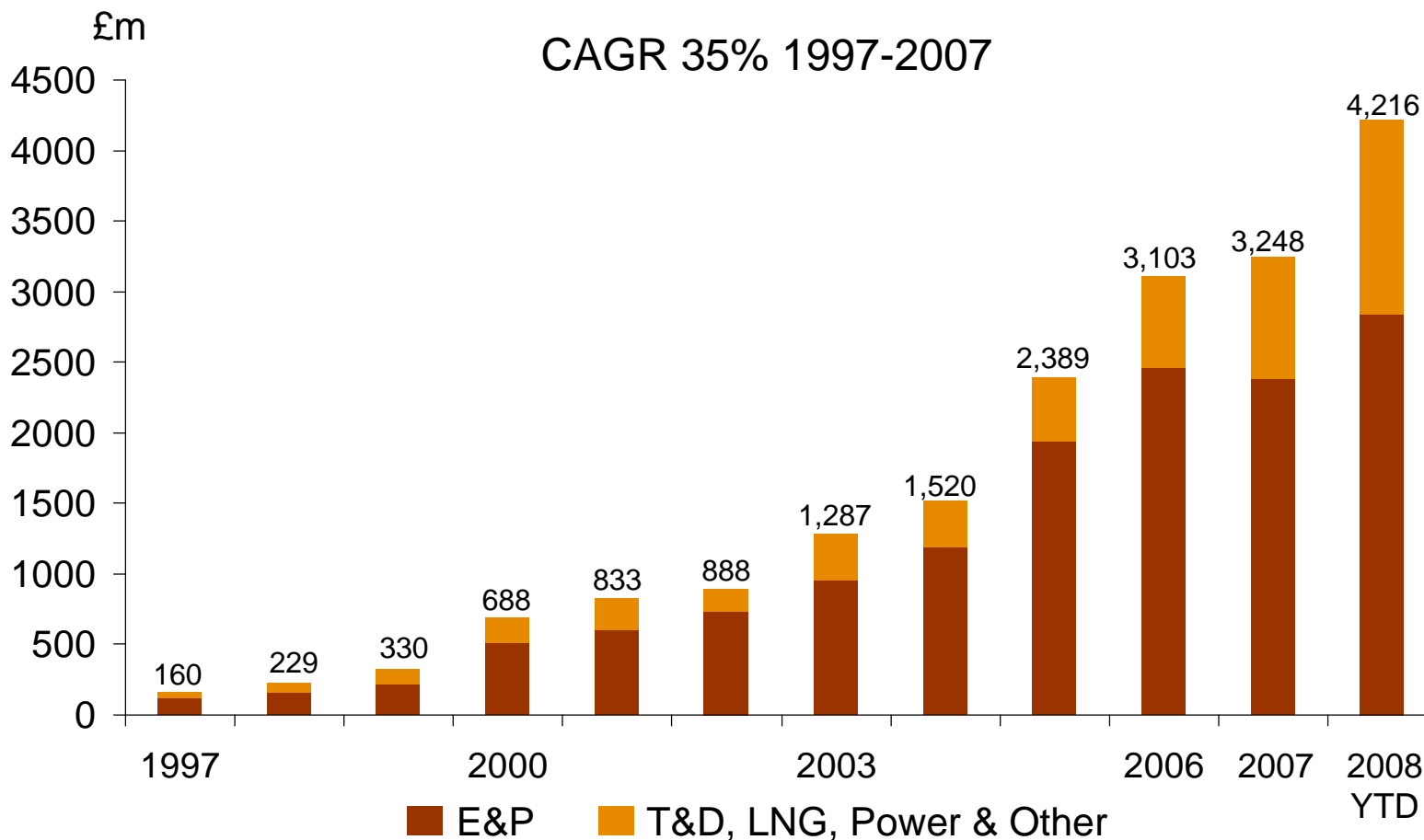
- High growth markets, India and Brazil
- Regulatory regimes focused on development
- Sustained volume growth
- Long-term growth businesses

## Power

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- Power drives growth in gas demand
- Existing portfolio of contracted gas plants
- US power plants in attractive north east region
- Integrated into BG Group's US gas business

# Total 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.

## Key messages

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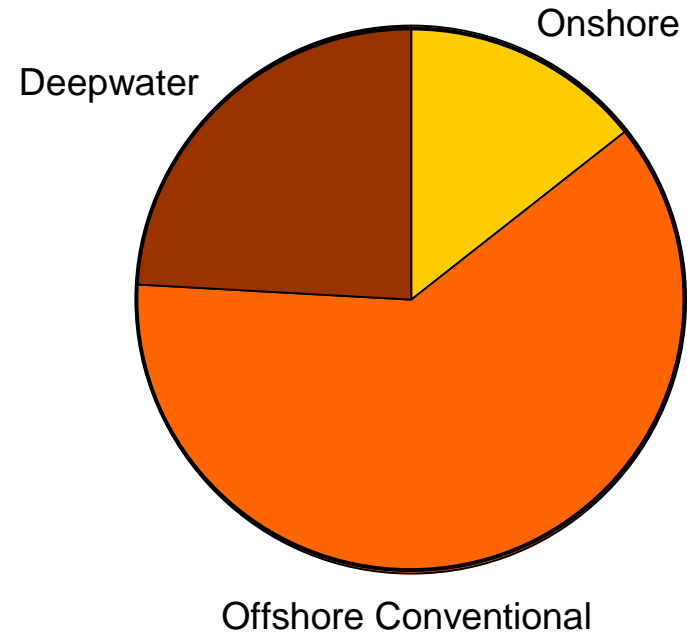
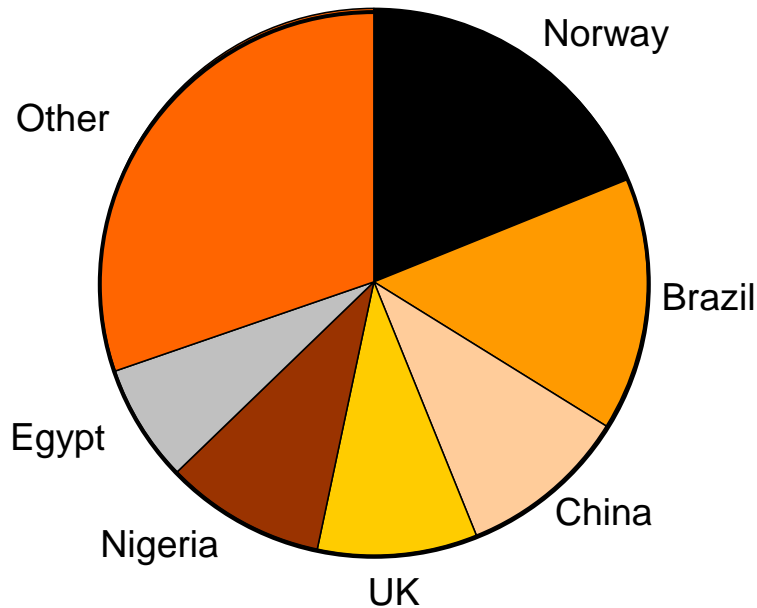
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# Portfolio for growth



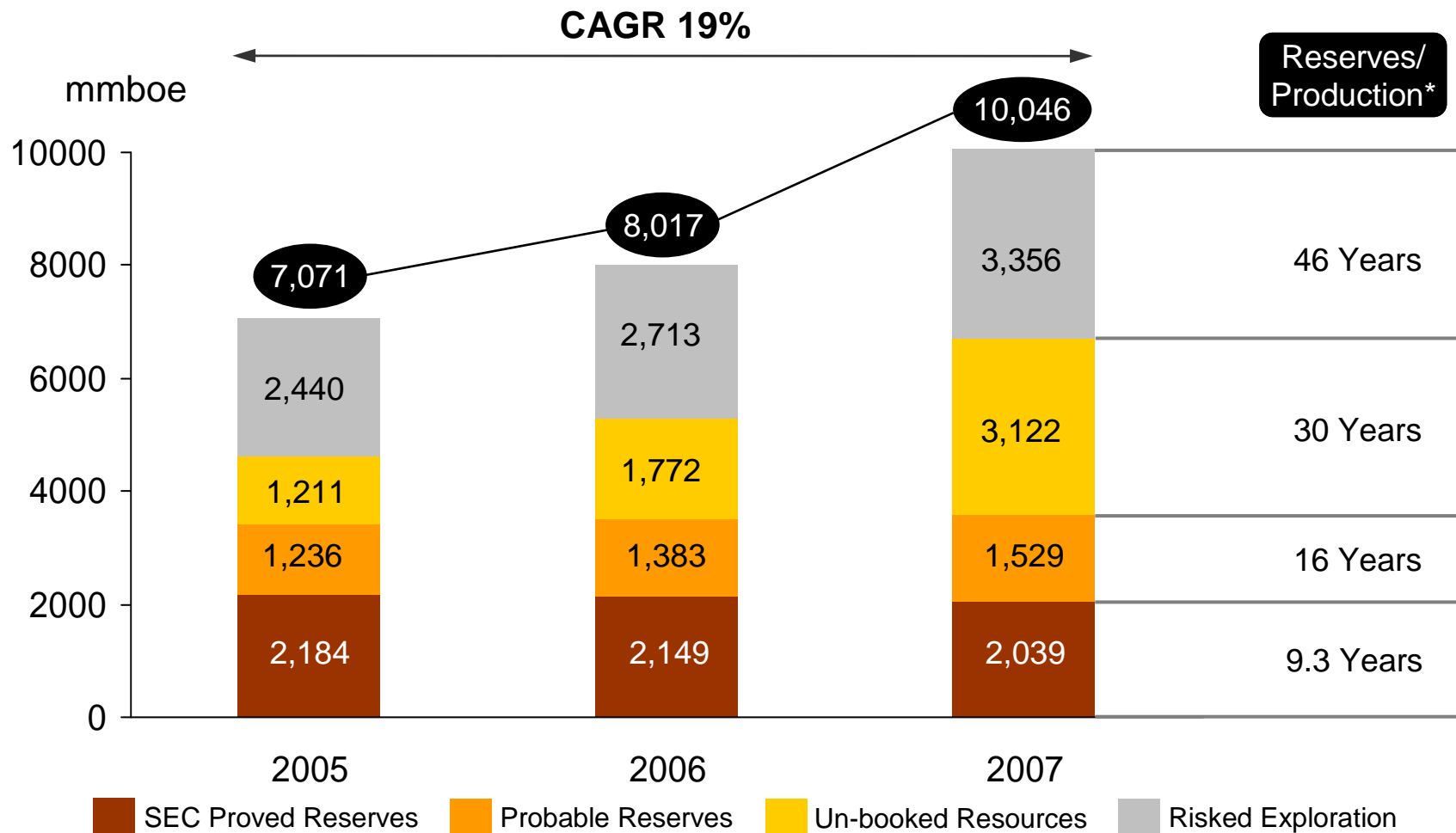
# E&P: Prospect inventory

Total risked exploration resources: 3,356 mmboe



Well balanced inventory, around 75% of resources are operated

# E&P: Reserves and resources

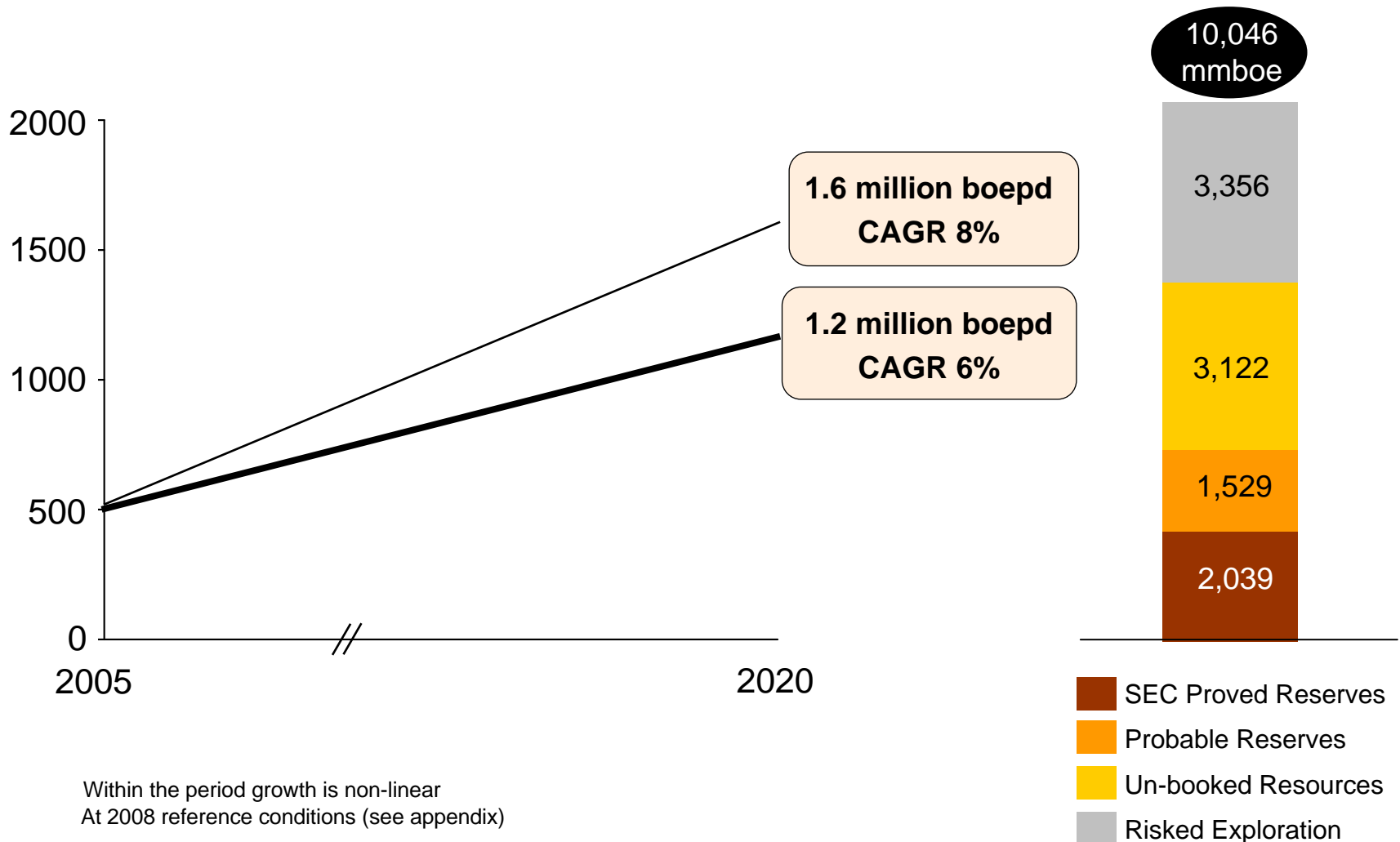


Reserves/Resources as at year end

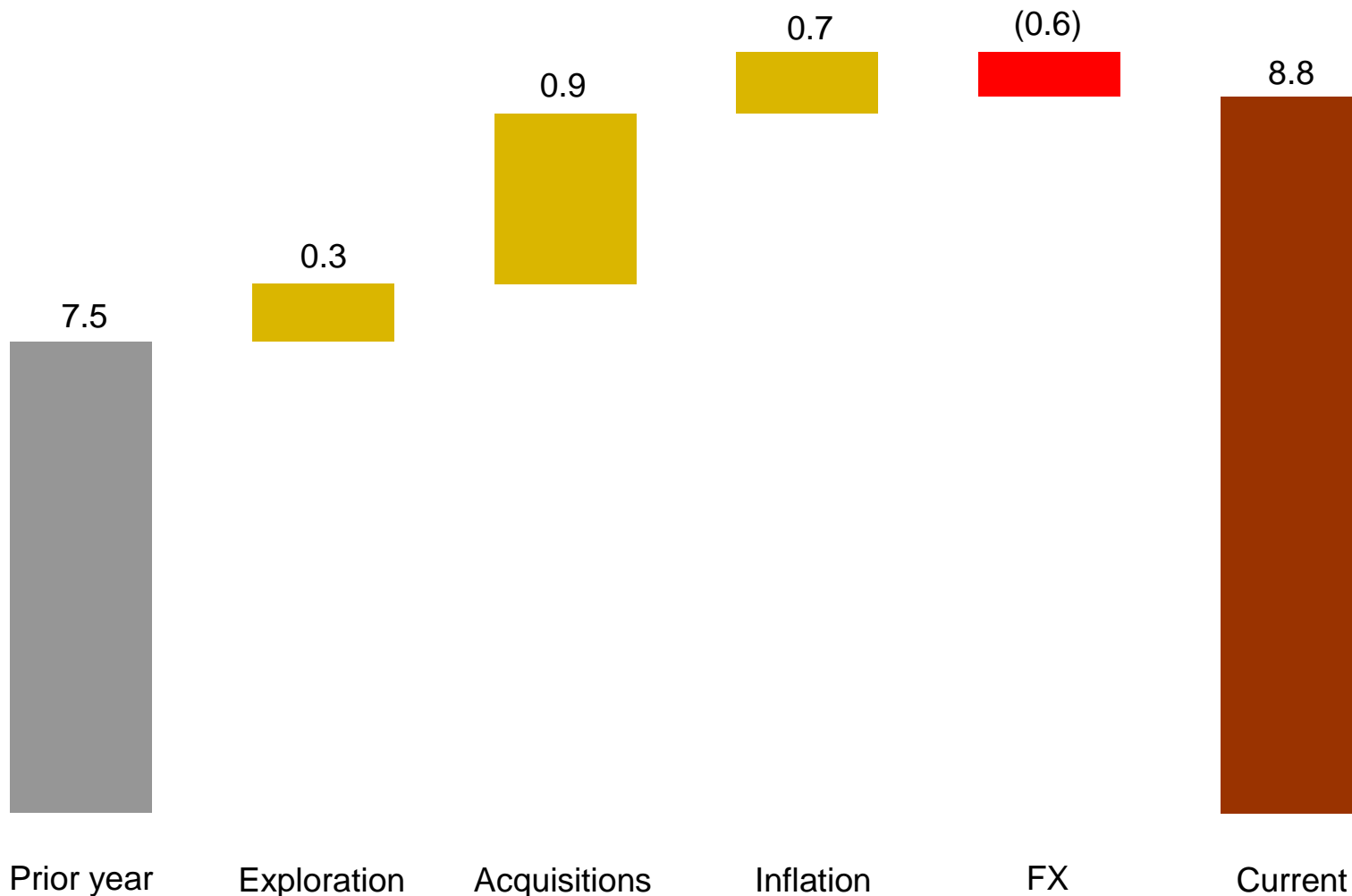
\*Based on 2007 production of 220.3 mmboe and cumulative reserves/resources

2008: overall increase of ca. 3 billion boe expected

# E&P: Reserves and resources



## Capital investment 2007-2009 (£ billion)

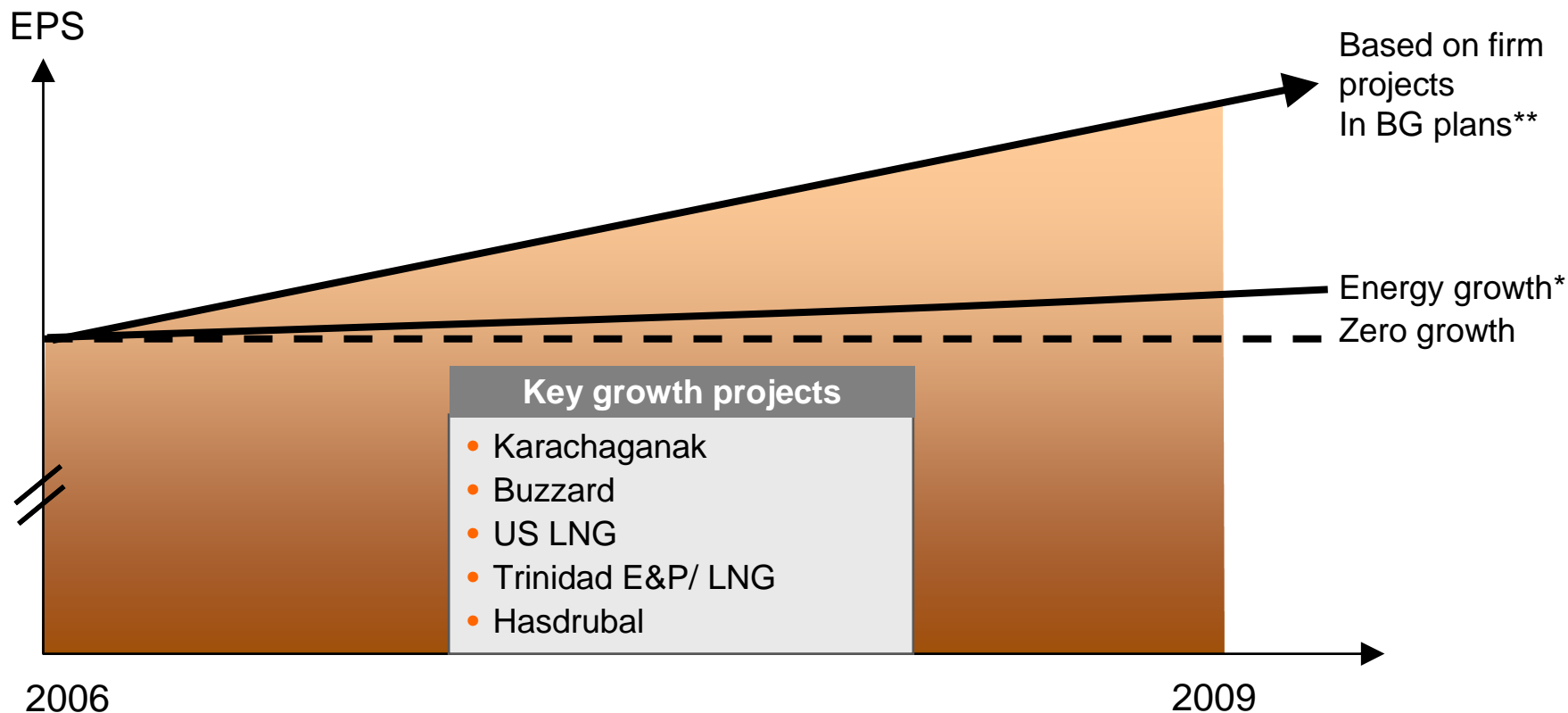


## Capital structure and dividend

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- Capital investment for 2008 – 2009 £6.3 bn
- Substantial growth in investment opportunities
- Dividend policy unchanged

# 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

# Q3 2008 results



## Q3 2008

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- Underlying total operating profit up 36%
- Good performance in E&P
- Excellent LNG performance

**Q3 2008**

	Q3 2008 £ million	Q3 2007 £ million	% yoy
Total operating profit	1 383	672	+106%
Earnings	777	368	+111%
EPS	23.2p	10.9p	+113%
Operating cash flow	1 198	773	+55%

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

**Q3 2008 operating profit**

	<b>Q3 2008 £ million</b>	<b>Q3 2007 £ million</b>	<b>% yoy</b>
E & P	917	433	+112%
LNG	367	149	+146%
T & D	80	67	+19%
Power	19	29	-34%
Other activities	-	(6)	-
<b>Group total</b>	<b>1 383</b>	<b>672</b>	<b>+106%</b>

Results excluding disposals, certain re-measurements and impairments

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

**Q3 2008 operating profit – E&P**

	<b>Q3 2008</b>	<b>Q3 2007</b>
Volume (mmboe)	54.0	48.7
Exploration charge (£m)	115	102
Operating profit (£m)	917	433

Results excluding disposals, certain re-measurements and impairments

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

**Q3 2008 operating profit – LNG**

	<b>Q3 2008</b> <b>£ million</b>	<b>Q3 2007</b> <b>£ million</b>
Shipping and marketing	351	130
Liquefaction	36	33
Business dev't and other	(20)	(14)
	<hr/>	<hr/>
Operating profit	367	149
	<hr/>	<hr/>

Results excluding disposals, certain re-measurements and impairments

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

**Q3 2008 operating profit – T&D**

	<b>Q3 2008</b> <b>£ million</b>	<b>Q3 2007</b> <b>£ million</b>
Comgas	69	59
Other	11	8
	<hr/>	<hr/>
Operating profit	80	67
	<hr/>	<hr/>

Results excluding disposals, certain re-measurements and impairments

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

**Q3 2008 operating profit – Power**

	<b>Q3 2008</b> <b>£ million</b>	<b>Q3 2007</b> <b>£ million</b>
Subsidiaries	2	5
JVs and associates	17	24
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Operating profit	19	29
	<hr/>	<hr/>

Results excluding disposals, certain re-measurements and impairments

## Q3 2008

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Operating cashflow	£1 198 m (up 55%)
Capex	£730 m
Net funds	£471 m

## Conclusions

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- Strong third quarter results
- Progress made on growth programme
- Broad portfolio of long-term options
- Robust strategy delivering value to shareholders

# Appendix



# Key assumptions

## REFERENCE CONDITIONS

- Brent Oil price US \$55/bbl
- US Henry Hub \$7.25/mmBtu
- US/UK exchange rates of \$2:£1
- Prepared under International Financial Reporting Standards
- All production includes fuel gas

## QGC RESERVES

- QGC categorises its reserves in accordance with the Society of Petroleum Engineers. For further information, please refer to BG Group's press release dated 28 October 2008

## 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 2007.

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