



BG GROUP

BG Group

2008 Fourth Quarter and Full Year Results

5 February 2009

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Sir Robert Wilson, Chairman

Good afternoon ladies and gentlemen, I'm Robert Wilson, Chairman of BG Group and it's my pleasure to welcome you all here this afternoon for this Results and Strategy Presentation.

I think probably all of you here or nearly all of you know both Frank Chapman our Chief Executive and Ashley Almanza, CFO who will be making the presentations this afternoon.

In this rather depressing results season, I feel I'm very fortunate to be Chairman of one of the few companies that can stand in front of the investment community and look back with some pleasure on the achievements and performance of the company during the last year. And I'm in an even smaller group of company chairman when it comes to those who can look forward to the current year and beyond with confidence. And we can do that as well. So I'm a pretty lucky guy.

But you're going to hear some of the reasons why later. Actually it's not really the financial performance of the company last year, excellent though it was, it's not that that gives me the most satisfaction. Because the most important part of the company's achievements last year in my view were the achievements in terms of creating the building blocks, the strategic building blocks for the next generation. And I'm referring particularly, but not only, but particularly to the developments in both Australia and in Brazil.

It is key in the resources industry that you create long term value. And as a matter of fact, neither of those major projects are going to do a thing for shareholders in the next couple of years. But they will be the basic blocks of a major earnings contribution by the middle of the next decade and more importantly even than that, they're going to be major contributors for a generation beyond the middle of the next decade.

So that's why I think those were really very, very important parts of the BG story last year. And in one sense at least more important than just the financial figures for the year 2008.

Now I know that for a lot of investors at this time, in this sort of economic environment there is going to be a tendency to say, oh well it's great to hear about the long term

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story, but what we're really worried about is this year and the next year. And what we need to know as investors is not just - you've got these great assets for the future but what are they going to look like at much lower commodity prices than you might have assumed 12 months ago? What do they look like if prices stay low? And incidentally, what is your balance sheet going to look like if you're going to be proceeding with this major programme of investments in Australia, Brazil and elsewhere?

So I understand those concerns, which I think do loom quite large in the minds of some of our investors. And I think you'll get a lot of comfort from what you're going to hear in the course of this presentation.

So that's enough from me, over to you Frank.

Frank Chapman, Chief Executive

Good afternoon ladies and gentlemen, and welcome to today's fourth quarter results and strategy presentation.

I'm Frank Chapman, Chief Executive of BG Group, and with me is Ashley Almanza, our Chief Financial Officer.

We're here today to set out our results for 2008, and to tell you about our plans for the future.

First, I would like to draw your attention to the legal notice, contained in the handout, which I would ask you to read later.

So, what are our key messages today?

- First, another set of record results in 2008, with earnings per share up by 74% - extending a twelve-year trend that has seen operating profits rise to a record of £5.4 billion.
- And as you'll see in a moment, these profits are accompanied by very good levels of return on capital, strong cashflow and a sound balance sheet.
- Second, our Integrated Gas Major strategy remains as clear and as powerful today as when it was conceived over a decade ago.

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That strategy, clearly and consistently implemented, has established BG Group as a leading Global Gas Company.

We now own a geographically diverse set of long-lived, low-cost assets, in Exploration and Production and in LNG; assets that position our business strongly, in today's price environment;

- Third, 2008 was a year of immense strategic progress, through transformational success in Brazil and in Australia. We will showcase the huge potential in these new areas;
- Fourth, we have an industry-leading global LNG business with proven and sustainable competitive advantage. Today, we extend our profit outlook for the LNG business, and confirm our 20 million tonnes per annum goal for 2015;
- Fifth, our E&P performance continues to excel. We have increased our 2P reserves by 64%, to more than 5.8 billion barrels oil equivalent. And we've increased our total reserves and resources by 31%, to more than 13 billion barrels.
- BG Group has, therefore, by any measure, an immensely strong resource base, sufficient indeed to support production of up to 1.6 million barrels oil equivalent per day by 2020. An industry-leading growth profile – and for more than a decade to come.
- And, as a consequence of all of this progress, in 2008 we have added very materially to today's intrinsic value of BG Group.

This is how we'll structure today's presentation.

I'll set out our strategy and explain why we believe it remains robust despite the challenges in the current business environment.

Ashley will brief us on our 2008 performance and results, and our progress towards the 2009 and 2012 targets.

I'll then update you on the principal opportunities in our portfolio and provide projections of BG Group's medium and long-term potential.

We'll then conclude the presentation and take your questions.

So let's begin with our strategy and a brief assessment of its strength in the current business environment.

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Our strategy remains unchanged from the proposition I have outlined before. We focus on specific high-value markets, and then secure competitively-priced resources to connect to those markets.

We combine a deep understanding of global gas markets, with a proven track record in finding and then commercialising reserves.

We have the people, and we have the skills to capture value at any point in the gas value chain – from reservoir right through to burner tip.

And we aim to build enduring relationships with key stakeholders, by seeking to align our interests and their objectives and priorities.

We are today a truly global gas company, active in the world's key gas markets and delivering on our strategic intent established more than 10 years ago.

So, the strategy is clear – and it has served our shareholders well.

Over the last twelve years, our total operating profit has increased from £160 million, to this year's record of £5.4 billion; representing a 38% compound annual growth rate.

This growth has been matched by very good returns. In 2008, our return-on-average-capital employed stood at 29%.

Now, whilst our strategy has remained stable, the business context has seen a dramatic change over the last six to twelve months.

Financial markets, the world economy, hydrocarbon prices, industry costs – in all of these areas we see signs of a severe downturn.

Oil prices have fallen as a result of the actual and expected reduction in demand. Gas prices, due to both explicit linkage to oil and inter-fuel competition, have also fallen. But in general the fall in gas prices has been less than the fall in oil prices.

This means we expect our financial performance to be less sensitive to the fall in oil price. This is because of the gas emphasis in our portfolio; our markets, the nature of our gas contracts; and our integration through the gas value chain.

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Let me remind you too; BG Group's operations are inherently robust across a wide range of oil and gas prices, due to the low unit costs and the long producing lives of many of our assets; a subject we shall return to later.

Now, on the positive side, costs are beginning to respond to the downturn in activity.

Input costs of some raw materials have already fallen sharply, and we expect manufacturer and supplier margins to be compressed over the next twelve to eighteen months.

This brings to an end, a phase of spiralling costs; and for companies with a rich portfolio of new projects, falling costs is good news, and presents an opportunity to lock-in lower unit costs.

When it comes to resource-rich host nations, they are beginning to adjust to sharp falls in revenues and the effect of the global credit crisis.

Governments, the world over, now need investment more than ever. They know capital is in short supply; they know they compete with other nations for foreign direct investment; and they know the importance investors place on stability and sanctity of contract.

We have long emphasised our pursuit of alignment with governments and key stakeholders. Our notion of sustainability is built around long-term relationships, economic development, local content, and job creation – in short, built around a belief in shared benefits.

Today, recession is reducing demand for hydrocarbons. But economic growth will return, and we remain confident that gas demand growth will continue, driven by its abundance, cost efficiency, and cleaner, lower carbon emissions.

Of course, the underlying challenge faced by our industry – one that will persist long after the recession is past – remains resource replacement.

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BG Group has a proven track record in accessing prospective acreage, finding and then commercialising resources. In just the last three years, we have added more than 6 billion barrels oil equivalent, almost doubling our resource base.

And exploration success adds immediately to the value of the company. It also provides visibility as to how future shareholder value will be created, as those resources are converted into revenue streams – efficiently and economically.

Which brings us to the subject of capital discipline and investment focus.

The consistent application of strict capital discipline over the years, through a rigorous investment process, is why today we're a low cost operator; why our returns are good; and why our financial position is strong.

Our focus is on robust economic value creation and capital efficiency. Every investment is tested across a wide range of prices and costs, recognising the uncertainties in our long-term business.

Of course the greatest impediment to project implementation is often the misalignment of partner objectives, economic and political factors.

BG Group's portfolio contains today a spectrum of projects, where there is powerful alignment with partners and governments who share our objectives; or where we have prevailing control.

This, taken together with the financial strength of the Group, means we can make progress with our growth programme, and at a time when we expect costs to be falling.

However, while the right strategy is critical, the acid test is results – so let me ask Ashley to take us now through our 2008 performance.

Ashley Almanza – Chief Financial Officer

Thank you Frank; good afternoon everyone.

Before we review the results in more detail let me summarise the Group highlights.

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The Group has delivered another year of very strong growth in profit and cash flow.

Earnings per share rose by 74% and cash conversion remained strong, with cash flow from operations rising by 70% to six and a quarter billion pounds.

The growth in earnings and cash flow was driven by the E&P and LNG segments and by the strength of the US dollar against sterling. At constant upstream prices and US dollar exchange rate, earnings per share rose by 28%.

We funded the acquisition of QGC from cash resources and ended the year in a very strong financial position with gearing of 7%, cash of £1 billion and committed credit lines of \$2.3 billion.

The Board has recommended a 20% increase in the full year dividend. This reflects the substantial increase in the sustainable level of earnings and cash flow and the Board's confidence in the Group's prospects.

Looking ahead, BG's profits are less volatile than some of our peers and, even in the current price environment, the outlook for BG's production, earnings and cash flow remains robust.

Those are the highlights; now let's look at the results in more detail.

The Group's total operating profit increased by 65% to £5.4 billion. This reflects volume growth and higher prices in E&P, an excellent performance in LNG and the effects of the stronger US Dollar. Partially offsetting this were lower profits in our T&D and Power segments.

Below the operating line, we had net finance income of £25 million in 2008, as we were in a net cash position for most of the year and we benefitted from one-off currency gains

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of £90 million - reflecting the depreciation of the pound against the \$ and other major currencies. You will I'm sure, wish to ignore these currency gains in modelling your interest charge for 2009.

Our effective tax rate in 2008 was 42.5%, and this is also our expected rate for 2009.

Now let's turn to E&P.

The full year financial performance in our E&P segment was very good with volume growth, record commodity prices and a stronger US dollar. Production volumes rose by 3% after absorbing the impact of the Grangemouth and Panna incidents and the effect of planned shutdowns which were necessary to tie in new facilities in Egypt, Kazakhstan and the UK. In all cases the fields concerned have now returned to production.

Full year unit opex increased by 23% to \$6.40 per boe. The increase reflects industry inflation and the effects of commodity prices on royalties and tariffs. As you will see in a minute, our cost performance remains very competitive and for 2009 we expect unit opex of around \$5.90 per barrel.

Exploration spend for 2008 was £923 million of which £451 million was expensed. Our exploration and appraisal programme continues to add material, new value and in 2009 we plan to invest around £1.1 billion, with approximately £500 million being expensed.

Good progress has also been made with reserves, both through the promotion of existing resources and the acquisition of QGC. This chart starts with the 150 mmboe positive revision to proved reserves. Then we have 79 mmboe from new sales arrangements and new sanctions, including a small contribution from the initial

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sanctioned phases of Tupi in Brazil. Revisions and new sanctions together comprise organic reserve replacement of 101%.

Next, we have 144 mmboe being proved reserves from the QGC acquisition. Of course, these are just the reserves associated with existing domestic contracts. The overall reserves and resource position in QGC is very much greater.

Total additions, at constant prices, therefore amount to 373 mmboe or 165% of production.

Finally, we have the year-end price effect. The Brent reference price at the end of 2008 was \$37/barrel, a fall of some \$60/bbl compared with the end of 2007. The net effect of this was to increase proved reserves by a further 273 mmboe mostly related to Karachaganak. This, in effect, is a reversal of the large price related reductions that we've seen in recent years.

Taking account of all of the proved reserves movements we have a total reserves replacement rate for 2008 of 285% and a three-year replacement rate of 141%.

This flows through to our unit finding & development costs.

This slide shows our top quartile F&D performance against the industry. This year our 3 year figure includes the QGC acquisition; with the investment occurring ahead of the substantial proved reserve bookings still to come. It is worth noting that on a full reserve and resource basis, the unit acquisition cost of QGC was \$2.16 per barrel, a highly competitive figure. Excluding the QGC effect, the 3 year F&D cost is \$13.20 per boe. And we expect to sustain a top quartile position given our significant reserve and

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resource base of over 13 billion boe of which 10 billion barrels is still be booked as proved reserves.

Turning now to unit opex.

BG has been a top quartile performer on this metric for some time. The recent, steep decline in commodity prices only serves to underline the competitive advantage of having a low cost base. As you can see from this chart, BG is in a very strong competitive position. Moreover, we believe that we have assembled a portfolio that will enable us to sustain this position for many years to come.

I'd like to turn now to the LNG segment.

Our LNG business posted excellent results in 2008, driven by our global LNG marketing and the strength of the US dollar.

Our LNG business has diversified into a truly global business delivering to a substantial portfolio of customers spread across 13 countries around the globe. This diversification meant that, whilst volumes increased only slightly, operating profit for the quarter and full year rose more than threefold and shipping and marketing posted a profit of just over £1.5 billion for the year. This result once again underlines the value that BG is able to create with its flexible, long term and low cost portfolio. These are enduring competitive advantages, which enable BG to maximise returns across a wide range of market conditions. And this will be evident when we return to the outlook in a few minutes.

Profits from liquefaction in the year rose 14% to £145 million as the impact of higher prices fed through Atlantic LNG and Egyptian LNG received higher income under its tolling contract.

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For the LNG segment as a whole, operating profits of £1.6 billion were up by 204%.

In Transmission and Distribution, total Operating Profit was £160 million, a full year decrease of 35%. However, as you can see from this slide, a stronger underlying performance is obscured by the significant impact of the Comgás Regulatory Current Account or RCA. The RCA acts to reduce volatility in the prices paid by customers of Comgás. During 2008, gas costs rose rapidly and the higher cost of gas incurred by Comgás will be passed through to customers during 2009 and 2010. Excluding this timing difference, operating profit rose by 34%, reflecting volume growth at Comgás of 6% and further good progress in our T&D businesses in India, which contributed £40 million in 2008.

I'll also deal with the Power segment here. Power results were down due to a turbine failure at Seabank in the UK and lower profits in our US business. Our US power plants are sensitive to demand conditions and in the near term weakness in the US economy will continue to limit the contribution from this part of our Power business.

I'd like to turn to the outlook for the business, starting with a reminder of the sensitivity of Group profit to changes in the oil and gas prices and the pound - dollar exchange rate.

For 2009 a change in the oil price of \$1 per barrel would change full year E&P profit by approximately £55 million pre-tax. This includes the impact of oil indexation in our gas sales contracts and assumes \$1.50 to the pound.

You will notice that no sensitivity is given for HH. Our hedging program has reduced but not eliminated our exposure to price volatility and we, therefore expect our guidance to

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also be valid at market prices for 2009 and 2010 which are below our reference conditions.

Although we are a sterling reporting company, our cashflows are overwhelmingly US dollar denominated. As the US dollar strengthens, our sterling operating cashflows, profits and asset values also strengthen. In the past few months the US dollar has strengthened by around 30% against the pound. The full effect of this is not always appreciated. To put this in context: a 10 cent movement in the US dollar changes our operating profits by up to £300 million in 2009. This is for one year and it is very important to remember that the dollar has a material impact on the sterling value of the Group's assets.

Turning now to the Production outlook.

As we announced in November our production target for this year is 680,000 barrels of oil equivalent per day. The key new projects this year are in Trinidad and Tunisia. In Trinidad, the Dolphin development on ECMA will be ready to deliver into the domestic market by mid year and in Tunisia the, Hasdrubal field will also be on stream by mid year. We also expect production to build during the year from existing assets in Tunisia, Egypt, Kazakhstan and the UK following investment in these assets during 2008.

As previously announced, there are some changes in the make-up of our 6-8% growth out to 2012. We've reduced the contribution from Karachaganak as we rephase the investment plan on Phase 3.

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Balancing this we have planned production from the first phase of Tupi, a bigger contribution from QGC and enhanced production across a number of fields in the portfolio.

This slide summarises the profit outlook for the LNG segment as a whole.

In the shipping and marketing business, our understanding of markets has enabled us to position our portfolio to best advantage. With a large amount of new supply due to come onstream in the next two years, we have termed out about 80% of our supply in 2009 and 75% in 2010. And we have also locked in the margins on a substantial portion of these contracts.

This means that for both 2009 and 2010 we have good line of sight on our LNG profitability. Taking what we have locked in and using our reference conditions for the balance, we expect the LNG segment to deliver operating profit of £1.4 to £1.5 billion in 2009 and £1.2 to £1.3 billion in 2010.

Again, because of our hedging programme this guidance is valid at both the market prices for 2009 and 2010 and our reference conditions.

This chart shows how our LNG strategy, our low cost, flexible portfolio and global marketing capability have combined to produce a highly competitive and profitable business.

Although we are entering a more challenging period in the LNG market, the earnings outlook for this business confirms that our competitive advantages will continue to produce industry-leading performances.

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Turning now to our capital investment, our spend during 2008 was £5.4 billion. In line with expectations, this was made up of £3 billion of organic investment, combined with a total £2.4 billion on the QGC acquisition.

Looking ahead, we expect our capital investment programme over the next four years to average £4 billion per year. Our major development projects in Brazil and Australia are the main drivers of the step up in investment.

Our balance sheet remains very strong. At the year end, our gearing was 7%. Our gross debt was £2.2 billion of which £1.9 billion is longer term debt, mainly ship leases with a term of 15-20 years. Our cash holding at the year end was £1 billion and in addition we have committed credit facilities of \$2.3 billion.

Our lower exposure to oil, our low cost base and our strong cash conversion ensures that we can continue to grow dividends whilst funding our growth plans, even at prices substantially below current levels. In a prolonged \$30 price environment, we could fund our dividend and capital commitments without breaching our notional 25% gearing limit.

The Group's long-term financial position and strong prospects allow us to increase the dividend and the Board has recommended a 20% increase in the full year dividend.

Going forward, our policy will continue to be one of providing dividend growth in line with long-term underlying earnings growth.

So, to summarise and conclude:

- The Group delivered another year of strong profit and cash flow growth;
- EPS rose by 74% and by 28% on an underlying basis;

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- The competitive position of our E&P business has been significantly enhanced and we have re-confirmed our production growth plans out to 2012;

- We have extended and underpinned our strong LNG performance;

- The Group is in a very strong financial position capable of funding our dividend and growth programme and we have increased the 2008 full year dividend by 20%.

Thank you, Ladies and Gentlemen; that concludes my comments so I'll hand you back to Frank.

Frank Chapman, Chief Executive

Thank you Ashley.

I'd now like to turn to our prospects for future growth and update you on progress with key projects in our portfolio.

In recent years, we have significantly diversified and improved our portfolio. We now have nine core countries of operation, three potential core countries, and interests in many more. Embedded within these operations are a diverse set of growth opportunities.

It's a picture of largely organic growth, carefully targeted opportunities and enduring value creation.

We've also developed a diverse range of skill sets, across a spread of geographies and a range of plays. Onshore and offshore; conventional and deep water; carbonates and tertiary deltas; HPHT, tight gas and coal seam gas.

And we add to that the international deployment of legacy downstream skills, leveraged now into growing distribution businesses in developing economies, and our powerful global LNG business.

It's important to emphasise, up-front, that our future opportunities will build upon a sound base of existing low-cost, long-life producing assets.

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We expect assets producing 600 thousand barrels of oil equivalent in 2006 to produce around 510 thousand barrels right out to 2015.

That's a decline rate of less than 2% per year.

This profile includes firm plans for expansions, which present significantly lower risk than new developments in new settings.

And I believe that, in time, these legacy assets will yield further potential.

Our LNG business also exhibits the same long, firm foundation in contracted volumes and in liquefaction.

Here we can see that our existing contracted volumes of 12.6 million tonnes per annum are expected to continue for at least the next decade.

And our transmission and distribution businesses are characterised by long term solid growth.

So, sound foundations in existing assets, allowing new projects to contribute to net growth, rather than simply offsetting a decline in legacy assets.

So let's look now at some of the specific opportunities which will build on these strong foundations, starting with the LNG business.

We have shown you this picture of our supply and markets before; a growing array of complementary assets, that provide BG Group with real competitive advantage.

In 2008, we significantly enhanced this picture with the addition in Australia of material operated upstream resources and LNG supply, close to our Asia Pacific markets. This is a very significant development in our strategy, which I'll be talking about in a moment.

The LNG market is globalising, and BG is strongly positioned to create value from this evolution.

So how do we think the market will evolve?

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A number of long-awaited new liquefaction projects are due to start up, adding about 70 million tonnes per annum of new supply by 2011. At the same time the global recession is reducing energy demand. This means that the recent tightness in the LNG market will ease.

However, looking further forward, we still expect global demand to grow to at least 400 million tonnes per annum by 2020.

LNG remains an attractive energy source, providing cleaner, lower-carbon, cost-effective, flexible and secure supply from a diversity of sources.

Many new countries are looking to develop LNG import capacity in the next few years, for example Canada, Chile, the Netherlands, Singapore and Thailand. And there are many more such schemes being contemplated.

It is our view, that the combined effects of:

- a return to global economic growth;
- the emergence of new LNG markets;
- and a decline in existing production;

will require some 150 million tonnes per annum of new LNG supply by 2020, beginning to build from the 2013 and 2014 timeframe.

So where will this 150 million tonnes per annum of new supply come from?

Well, there are, in concept, enough projects. But progress with many, planned to come onstream beyond 2011, has been stalled for some time, and for a variety of reasons.

In 2008, only one LNG scheme received the go ahead. And in our view, the current global uncertainty is unlikely to improve progress.

So, against this backdrop:, how will BG Group fare in the near-years of relative LNG abundance?

And how will we compete for a share of the 150 million tonnes of new demand that we expect to follow?

First the near term.

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It's been quite clear for some time that new LNG supply is going to arrive. BG Group has anticipated this by terming-out a proportion of our flexible LNG volumes into premium markets to protect short term margins.

Ashley has reported the positive effects of this strategy on our 2009 and 2010 LNG profit outlook.

And, as this chart shows, we have, in fact, termed-out volumes further out into the future, capturing attractive terms, to underpin our LNG business performance.

The bottom segment on the chart shows sales into Henry Hub-indexed markets, and above that, sales into other markets. Then on top we have the volumes not committed, and available as future flexible supply, able to be diverted away from its US base destination.

All told, our terming-out plan, in train for the last two years, has shortened our long position, anticipating the new supply; has diversified market-mix; and has re-balanced Henry Hub and oil indexed exposure.

These actions form the latest variations in our evolving global LNG business. They show a new dimension of value creation, which will aid further understanding and quantification of the intrinsic value in BG Group's LNG business model.

Now what about capturing our share of new demand?

We have always maintained, that in this plain commodity business, the only sustainable competitive advantage is cost leadership, and BG Group's LNG portfolio is a cost leader – and throughout the LNG chain.

This chart shows our position in liquefaction. Our existing facilities in Trinidad and Egypt are both at the bottom of the cost curve and therefore have a locked-in, low-cost advantage, established before the recent period of spiralling costs.

Today, we believe these cost levels are unrepeatable for competitors attempting now to emulate BG Group's strategy.

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In their day, these BG Group projects were industry cost leaders, and our aim is to repeat that industry-leading performance next with QCLNG, taking advantage now of the turning cost cycle.

This advantaged cost structure in liquefaction is mirrored too in our US market access arrangements, as well as in our LNG shipping business.

BG Group's cost advantages in the LNG value chain must be considered alongside our competitively-priced resource position. In addition to resources in Trinidad and Egypt, we have now acquired 11 trillion cubic feet of resources in QGC for an average cost of just 36 US cents per million btu.

But what about project realisation?

I referred earlier to the number of conceptual LNG projects, stalled for some time and for a variety of reasons.

This will not be the case with QCLNG, now controlled by BG Group; and where, unhampered by partner alignment issues and with excellent support from the Queensland Government, we can build momentum and progress the project to a 2014 schedule, meeting market needs.

So, low resource costs; low LNG costs; the ability to progress our projects; and the ability to use our flexible portfolio to guarantee first LNG date. These four factors, taken together, form our source of competitive advantage, as we compete for a share of new demand in the period ahead.

Our ability to supply that new demand is underpinned by our growing portfolio of LNG supply.

Starting from our contracted base of 12.6 million tonnes per annum, the proposed 2 train QCLNG scheme of 7.4 million tonnes will take us to our target of 20 million tonnes of supply by the middle of the next decade. And beyond that we have further opportunities.

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This chart shows the strength of our LNG competitive position. By 2015, it is estimated BG Group will be the third largest global player in liquefaction, and the second largest global player in contracted volumes.

So, in summary:

BG Group is now a leading LNG player, with a footprint of supply and markets across the globe.

Our portfolio has longevity and scale.

Our strategy is uniquely built around a highly flexible portfolio, the intrinsic value of which, has once again been demonstrated, as we have moved to lock-in value, in anticipation of new supplies.

The portfolio has strong growth potential – we have reiterated our target of 20 million tonnes per annum for 2015.

Our low cost base, contract position and range of assets give us a significant and sustainable competitive advantage.

In short, an industry-leading global LNG business with proven and sustainable competitive advantage.

Let me now provide you with an update on Australia.

Almost exactly a year ago, we made our initial investment in QGC.

Today, QGC is in the final stages of integration as a BG Group business.

Strategically, this is a transformational move with excellent cost metrics. QGC will play a central role in our long-term global gas strategy, and will become a major focus of growth and value creation over the next two decades.

The strategic rationale is clear, and compelling. The acquisition of QGC offers a new and substantial source of LNG supply, wholly-owned and BG-operated, in a stable and

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attractive investment setting, with access to BG Group's Asia Pacific customer base, in some of the highest-value markets in the world.

Our goal is to produce 225 thousand barrels oil equivalent per day of coal seam gas from some 2 thousand wells, for both domestic and LNG markets.

Compression facilities and a 380 kilometre trunkline will bring the bulk of the gas to Gladstone, where we plan to manufacture around 7.4 million tonnes per annum of LNG, beginning in 2014.

The last twelve months have seen rapid progress towards these goals.

In 2008, exploration and appraisal increased 2P reserves to 3.7 trillion cubic feet and total resources to over 11 trillion cubic feet. Work will continue at this pace in 2009, with the drilling of around another 200 appraisal and development wells.

Progress too has been made with studies on gas gathering and compression alternatives, as well as ramp-up and water management options.

And we have made significant progress with the design, routing and permitting of the trunkline to our QCLNG site on Curtis Island.

The QCLNG Project will be in the vanguard of new Queensland, coal seam gas supplied liquefaction plants. Progress here too has been rapid.

We have reached agreement to acquire the Curtis Island site;

Front End Engineering and Design work is well underway with Bechtel;

And we expect to file our Environmental Impact Assessment by the middle of the year.

This work, together with upstream appraisal, forms the critical activities leading to project sanction next year. And in this respect, it is worth emphasising that the selection of BG Group as LNG aggregator for Singapore, and our position in Chile, expected onstream in the middle of this year, underwrite the first train of QCLNG.

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QGC will be one of the major long-term E&P growth drivers for BG Group. We expect production to rise, to 225 thousand barrels of oil equivalent a day. And there will be opportunities to increase this production further.

The opportunity we entered into just 12 months ago, has now been turned into a material and valuable future business for BG Group, and represents a further example of substantial value creation from our Integrated Gas Major strategy.

Now from one major driver of BG Group's future to another – Brazil

For BG Group, our involvement in Brazil started 10 years ago with the acquisition of a majority stake in Comgás – Brazil's largest gas distribution company.

Since then we've created material value in Comgás, a business which continues to grow rapidly, and is a critical element of Brazil's energy infrastructure.

Comgás has already built the backbone of São Paulo's gas infrastructure and is now connecting the large and relatively high-margin residential and commercial market segments. Customers today total over 630 thousand, with potential to more than quadruple that number.

Gas supply has been constrained. But this will change, with new Brazilian domestic supply from the Santos Basin.

Comgás clearly has huge potential to continue its growth and value creation.

For BG Group's upstream business in Brazil, 2008 was a year of remarkable success, with world-class discoveries on Guar and Iara. We now have 5 discoveries in Brazil, with BG Group's share of resources amounting to more than 3 billion barrels oil equivalent.

This means that in just one year, we are already close to the top of the range of BG Group's net resources estimate of 2 to 3.5 billion barrels; set out at last year's presentation.

In 2009, we plan to drill 3 or 4 appraisal or development wells, and 5 exploration wells.

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Now of course, critical to our success in the Santos play is our relationship with Petrobras. And I am pleased to report, that as our common interests have grown, so has the depth of the relationship with Petrobras.

This has now evolved into a highly collaborative and productive partnership, where 'value add' is the key relationship driver. Perhaps the greatest indicator of the growing collaboration is Petrobras' agreement for BG Group to assume operatorship of the two Corcovado exploration wells.

Let's now have a closer look at Tupi, Guar and Iara.

Tupi was discovered in 2006, and right now we are re-completing the second well, Tupi Sul, to undertake an Extended Well Test.

There have been questions in the market about the feasibility of producing from Tupi.

Let me therefore remind you that production of up to 14 thousand barrels per day is, in fact, expected to commence within the next 12 weeks or so.

And, in parallel, the first 100 thousand barrels a day development phase has already been sanctioned. We expect first production by late 2010. Good progress is being made, with major contracts now awarded. We estimate capex at \$3.7 billion gross.

The current expectation is that there will be a new production module installed at Tupi every two years.

Full field development may involve up to 300 producer and injector wells and up to 10 modules, leading to gross oil production of up to 1 million barrels a day and gas production of up to 1 billion cubic feet per day.

By any standard we are making very rapid progress in this play, with just 4 years elapsing between discovery and production from the first phase of development.

Guar was discovered in June 2008 and we expect to re-enter the discovery well to conduct a drill-stem test this year.

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We are working with Petrobras to a goal of bringing on stream up to 100 thousand barrels per day of production in 2012. We expect to sanction this project in the coming months.

Estimated reserves and resources on Iara are already in the range of 3 to 4 billion barrels of oil equivalent.

BG Group and Petrobras are planning a development approach similar to Tupi.

The initial development phase, with production of up to 100 thousand barrels per day, is being targeted for 2013.

Further development phases are expected to lead to production of up to 500 thousand barrels per day.

Now, to increase field development flexibility, we're designing the first three FPSOs with the capability of being deployed across any of our Santos Basin discoveries.

So, three world-class discoveries on Tupi, Guará and Iara, and excellent progress to date with appraisal and development.

And through BG Group's excellent exposure to this play, there is still much more potential, from both within and underneath existing discoveries, and from new exploration.

We plan five further exploration wells in 2009. Two wells in BM-S-9 on the Iguaçu complex, which is a multi-billion barrel prospect. Two wells on Corcovado in BM-S-52, another multi-billion barrel prospect. And a well on Sagittario in BM-S-50.

BG Group's net production, shown here for the first three major developments, is planned to rise to over 400 thousand barrels a day by 2020. And I want to emphasise these are BG Group net figures.

We estimate Tupi, Guará and Iara meet our cost of capital at oil prices below \$40 per barrel. There is, of course, scope for further technical innovation and cost

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reduction to improve these economics still further, as we progress through the many stages of field development.

I mentioned earlier that 2008 was a year of immense strategic progress through transformational success in Brazil, and in Australia. I hope you now share our view of the scale and significance of these opportunities.

Later, I'll show you how these ventures contribute to our reserves and resources position, and how they will become major production growth drivers throughout the next decade.

Let's turn now to Kazakhstan.

In 2008, we achieved record gross production of 136 million barrels of oil equivalent from Karachaganak, as we continued to optimise plant performance.

There was also good progress with the Fourth Stabilisation Train, which will bring export capacity to Western markets to 10.3 million tonnes per annum in 2010.

And there was progress in safety, where Karachaganak received the industry-recognised Dupont Safety award for performance improvement, and also achieved 20 million man hours without a single Lost Time Incident – a really remarkable achievement.

As reported at the time of our 3rd quarter results, we have decided to take more time to look at the optimal development plan for Karachaganak.

Karachaganak is a world-class field, with gross reserves of 2.4 billion barrels of oil and condensate, and 16 tcf of gas.

To date, only around 6% of the in-place resource has been produced, and you can therefore anticipate many further stages of development in the future.

This first stage is expected to involve 20 new wells and increased gas injection and gas sales.

Further stages of development are anticipated, as illustrated here.

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Our current plans show that BG Group net production in 2009 will increase from 100 thousand barrels a day to 125 thousand barrels a day – and that Stage 1 will see that extended out to 2014.

The production profile beyond this point will depend on the options ultimately selected. The profile shown here will give you a feel for the anticipated phasing of future production.

Meanwhile, in the UK North Sea – our longest standing production arena – progress continues.

In December, we announced an asset swap with BP. This will lead to a step-change in BG Group's operational control of key producing assets. It also increases the potential in and around the Everest and Lomond hubs.

Operatorship will allow increased focus on value enhancement through cost and production optimisation, prospect exploration and development, and field life extension.

Recent years have seen our UK production plateau of over 50 million barrels oil equivalent per annum extended; with the decline, once anticipated in 2008, now put back to 2014.

This has been made possible by continued success in adding reserves; amounting in the last 5 years to some 300 million barrels oil equivalent net to BG Group.

This trend continued in 2008 with increases in reserves on Buzzard, Elgin and Jasmine; alongside the new discoveries of Moth and Columbus.

And there remains more potential to extend this plateau still further.

You know, the performance in the UK hasn't perhaps always attracted shareholder attention. However, the value created by our UKCS programme in recent years is very substantial; and derives from the combination of utilising existing infrastructure, shorter lead times and the delivery of gas into a premium market.

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There was good progress too in Egypt, which saw the delivery of the Rosetta Phase 3 and West Delta Deep Marine Phase 4 projects.

New daily production records were set in 2008 for those concessions, maintaining BG Group's position as the largest gas producer in Egypt.

We also agreed terms with the Egyptian government to increase Rosetta and Scarab Saffron prices.

In Tunisia, we made progress with in-fill drilling at Miskar and with the Hasdrubal project. We expect production to expand from 32 thousand barrels oil equivalent a day to 56 thousand barrels a day over the next two years.

India was another country where BG Group set daily production records in 2008. And here too we secured improved prices for gas from Panna and Tapti.

We continue work on medium-term production enhancement projects, and alongside this we begin our campaign to extend our resource base, with the drilling of our first east coast well expected in late 2009.

In Trinidad and Tobago, we progressed the Poinsettia development, which achieved first gas in January.

In exploration too it was a successful 2008, with three discoveries on block 5c, where BG Group will become operator this year.

In total, BG Group and partners now have gross uncommitted reserves and resources amounting to some 4 trillion cubic feet of gas, for which commercial options are under development.

The final country I want to feature is Norway, which is a potential future core country for BG Group.

Here, we are aiming to replicate some of our successful UK exploration strategies on the other side of the median line, and to utilise our existing infrastructure to bring Norwegian gas to the UK.

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BG Group's success with the drill-bit has resulted now in three potential developments on Pi North, Bream and Jordbaer.

The most recent, Jordbaer discovery is potentially an exciting new play-opener in the North Tampen area, which has the potential of some 1 billion barrel of gross reserves in blocks where BG Group has an interest.

We are planning to drill four wells in 2009, including spudding our highest potential prospect Mandarin, where we have a 96% equity stake.

We have a range of opportunities in other countries too; and we have appended some details in your presentation packs, for your consideration later.

I'd now like to summarise our progress in exploration and appraisal and update you on our total reserves and resources base.

In 2008, we drilled 43 wells, yielding 22 successes, with Guara and Iara in Brazil, block 5c in Trinidad, and Jordbaer in Norway of particular note.

And we acquired substantial new seismic data across seven countries.

This slide summarises our drilling plan for 2009. Again, this year emphasis is given to appraisal and project commercialisation.

This includes a large programme in Australia, aimed at proving-up reserves ahead of the QCLNG investment decision.

Finally, let's move on to reserves and resources, and the implications for the Group's future production profile.

At last year's presentation we referred to the dramatic changes in our resource inventory, where we added 3 billion barrels oil equivalent over two years. This trend has continued with the addition of a further 3 billion barrels in the past year.

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So in just three years, we have added 6 billion barrels; approximately doubling our reserves and resources, which now stand at some 13 billion barrels oil equivalent, providing 58 years reserves and resources life at 2008 production levels.

Last year we set the objective of moving un-booked resources and prospect inventory into the proved and probable reserves categories.

And, as this chart shows, we have had outstanding success in meeting that objective, with our 2P reserves up by 2.3 billion barrels of oil equivalent – an increase of some 64%.

Now, before I move on to show you how these reserves flow into production, let me pause to provide you with some information about the composition of our total discovered resource base – that is the 9.6 billion barrels contained within the proved, probable and unbooked categories.

On the left, this chart shows how our discovered reserves and resources are distributed: around 80% across 6 countries, and in places where we have either an established track record, or believe we can create real momentum.

On the right hand side, we show how around 40% of reserves and resources are in deep water, here classified as beyond 400 metres. This is balanced with around 40% onshore, and the remainder is conventional offshore. So a very well balanced portfolio.

Let's return now to examine how these discovered reserves and resources, alongside risked exploration potential, are expected to contribute to future production.

Ashley confirmed earlier our 2009 and 2012 targets, which amount to an average annual compound growth rate of some 6 to 8%.

Last year, we said that our resource base could support an extension of that 6 to 8% compound growth rate right out to 2020 – and still maintain the same proved reserves life, on the then much larger production base.

This year has seen our discovered reserves and resources increase by an amount, almost equivalent to the entire risked exploration potential presented last year.

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Think of that. It's like converting last year's entire risked exploration potential to discovered reserves in a single year.

Naturally this progress increases significantly our confidence that the long term growth goals, aired for the first time last year, can be delivered.

Growth at this rate sees BG Group reaching production levels of 1.2 to 1.6 million barrels oil equivalent by 2020.

Quite a journey in prospect.

Now to give some substance to this growth potential, we have prepared here a production scenario based on existing producing assets and their future expansions; together with new developments; production expected from Brazil and Australia; and exploration potential.

This chart shows clearly that we are able almost to meet the 1.2 million barrels a day level, from existing reserves and unbooked resources – that is to say, we can almost double today's production, and reach the 6% compound growth rate, without a single new exploration success.

To achieve the upper end of the range of 1.6 million barrels a day, we need a contribution from exploration, but this potential is amply covered already, by today's risked prospect inventory.

And to complete the picture, we have listed here for your later reference the medium and long term projects that form part of the growth programme as we see it today.

Our final key message today is that as a consequence of all of this progress, we have in 2008 added very materially to the intrinsic value of BG Group.

Here are some perspectives. Total resources, 2P reserves, earnings, cash-flow, dividend, ROACE – all substantially up in 2008.

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Set against this; the outlook for long-term prices is not so dramatically different from the picture of one year ago.

Long term oil prices are down, around 24%, but gas prices are actually mixed – and remember gas prices are more significant to BG Group's business, than perhaps they are to some of our peers.

The dollar has also strengthened considerably – an important factor for a dollar-based business like BG Group.

Finally, progress has increased our confidence that we can continue to grow production at a multiple of the industry average.

This means, at constant prices, we expect our earnings will grow at a multiple of the industry average.

And, as history tells us, there is a close correlation between earnings growth and growth in shareholder value.

So, all of this taken together, forms the basis for our view that we have added very materially to the intrinsic value of our business in 2008.

Now, to conclude our presentation, and before we take your questions, I'd like to summarise the key points from today.

- First, another set of record results in 2008, with earnings per share up by 74% - continuing a twelve year trend;
- Second, our Integrated Gas Major strategy remains as clear and as powerful today as when it was conceived over a decade ago;
- Third, 2008 was a year of immense strategic progress, through transformational success in Brazil and in Australia;
- Fourth, we have an industry-leading global LNG business with proven and sustainable competitive advantage;

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- Fifth, our exploration and appraisal performance continues to excel. We've increased our 2P reserves by 64%, to more than 5.8 billion barrels. And we've increased our total reserves and resources by 31%, to more than 13 billion barrels oil equivalent.

- BG Group has, therefore, by any measure, an immensely strong resource base, sufficient to support production of up to 1.6 million barrels per day by 2020. An industry-leading growth profile – and for more than a decade to come.

- And, as a consequence of all of this progress in 2008, we have added very materially to today's intrinsic value of BG Group – in dollar terms, and even more so, in sterling terms. Our strategy and performance have delivered, as intended, sustained high earnings growth and good financial returns.

We have assembled an unparalleled opportunity set, together with a group of people that have the ambition, skills and capabilities to exploit those opportunities.

And, amid all of the current economic gloom, BG Group has today the financial strength to realise a bright and a positive future.

Ladies and Gentlemen – thank you for your attention. Ashley and I would be happy now to take your questions.

Q&A session

Iain Reid,

Macquarie: Could I ask two questions, one on Brazil and another on your LNG margin hedging? Firstly, last year Frank you told us - I think you mentioned it before, you saw about two to three and a half billion barrels of resources in Brazil ...

Frank Chapman: I know what you're going to ask, go ahead.

Iain Reid,

Macquarie: Okay, well let's answer it then. Maybe you could look forward from today's position. You say you've discovered now over three billion barrels, where do you think the end of this journey is in terms of what you can see in terms of risked resources, etc? Presumably it's significantly higher than where we were last year?

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And secondly for Ashley, I'm curious as to exactly what mechanism you've actually pursued to actually lock in these margins? You say they're now pretty much independent of all oil and gas and exchange rates. Have you actually gone in and hedged the underlying drivers of the purchase and sales contracts and the exchange rate in order to do that? And what is the flexibility around that in terms of the variability there? And is there a cap or a floor or something which can drive this hedging?

Frank Chapman: Shall I do Brazil first? I think that, I'm not going to give you a number, because, well because I'm not going to give you a number. What I would say is that as I mentioned, there are two prospects which we have - two areas where we're going to explore with four wells in BM-S-52 and BM-S-9. This is the Iguaçu complex and Corcovado. Both of these prospects are multi billion barrel prospects.

Two wells, one on each of those have already spudded. I'll tell you, one of them is at 2477, we'll give you an update today, and one of them is just over 3000 metres. So these wells are drilling and when we get the results of those wells we'll have more to say. So that's why I wouldn't say any more today. These will be followed up by two further wells, one in BM-S-9 on a different structure and an appraisal well in Corcovado.

The thing I should point out though, is that don't underestimate the enormous potential that still exists in the existing discoveries for appreciation of reserves. We have not got underneath - down to basement, we have not got into some of the underlying structures, and we have not produced hydrocarbons from the underlying formations in these discoveries.

And therefore, there's potential as I mentioned in my remarks, not just from new exploration, but from appreciation of reserves potential in the existing discoveries and underneath the existing discoveries. So we have work to do there.

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Ashley Almanza: On the hedging question, we've got about 20 counter-parties here and there are different contracts with different pricing formulas. So each contract has been individually hedged.

If I go back to what I said in the presentation the guidance we're giving is valid at the reference conditions, \$55 a barrel and \$7.25 Henry Hub. And also if you look at the current strip for 2009 and 2010, it would also be valid.

We've not eliminated altogether price exposure in our LNG portfolio. You saw a chart that Frank put up showing that we've retained a flexible portion. So 80% of our volumes in 2009 have been termed out. And 75% in 2010 and a portion of that has been hedged.

So if you just stand back and look at the whole LNG segment, marketing, liquefaction, about 80% of the profit in 2009 is fixed and 60 to 65% is fixed in 2010. There's no cap or collar there's no variability around that. And the balance is floating.

And when you think about that the floating component, I'm afraid you're going to have to do some quite complex modelling because the variability on the floating component is driven by the relationship between Henry Hub on the one hand and the prices that we've achieved - over the course of several years, 18 different markets, with over 30 different customers. So it's the spread between those two that drives the variable component.

But I think you've just got to stand back and look at the whole segment, it's about 80%, 60 to 65%.

Frank Chapman: This is why we give you specific direct access to our ideas about what this business will generate in the years ahead. It is a complex equation, difficult for you to get a handle on this and that's why we've given over to giving you some more direct guidance on what we believe the upturn will be.

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Iain Reid,

Macquarie:

Can I just ask one quick follow up? The guidance you gave in the third quarter on LNG was a little bit shy of what you actually achieved. Was that just because of the movement in the underlying drivers? Or was that because you hadn't hedged it or you hadn't locked it in at the time, or was it moving in terms of the hedging you were doing at the time?

Ashley Almanza:

It was a combination of factors. Obviously when we gave guidance we were part way through the quarter so we knew what we'd banked, but there was a still a range as to what we would put away for the balance of the quarter. Forecast is not perfect basically.

And also the exchange rate, and this was commented on several times that if you look at the progression in our financial performance, we are sensitive to movements in the exchange rate between dollar and sterling. And when the dollar strengthens relative to sterling our operating cash flow profits, and indeed the underlying value of the assets in sterling terms also strengthens. So it's a bit of both.

Frank Chapman:

So it's not just due to exchange rate. Exchange rate changing is brilliant because it makes in sterling terms this business much more valuable, the whole business.

Hamish Clegg,

JP Morgan:

Good afternoon gents. Just one quick one, I just want to say thanks for the guidance in Brazil, 400 kbd by 2020, I appreciate that. I want to just follow on from that, clearly a ten year ramp up of production. I just wondered if you're able to share in your planning assumptions what types of peak production you aim for when doing the project economics of that and what sort of decline rates you're looking at?

And then just one quick second one is I wonder if you could remind of us of the capacity for more than two LNG trains on Curtis Island?

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Frank Chapman: Capacity on Curtis Island is 12 million tonnes around - so three trains. But we have more space there too for further expansion. At the moment, the plan is two trains and potentially a third.

With respect to the ramp up, what we've given you here today is a scenario. Because we know that this is a question that everyone asks, what does this all look like when you put it together? And so that's what we've tried to do. We've said, look just Australia and Brazil together can do 625,000 barrels a day. You know more or less what we produce today, not quite but more or less. Just on their own.

And when you look at our portfolio and you look at the numbers of projects that we've included in the attachments to your handout and in the other elements of the presentation, as well as our prospect inventory there's a lot more to our business than just Australia and Brazil.

Now decline rates, well you know that's a little bit of a difficult debate to have in this forum, overall it's not declining. Overall it's growing. In terms of existing assets as I said in my remarks, the base set of assets - we'll use 2006 as a sort of stable reference point, that's less than 2% per annum out to 2015. And that's what enables this growth in production profile in the future, building on that sound base to achieve such high aggregate growth rates.

It's a very positive aspect of our portfolio.

Mark Iannotti,

Merrill Lynch: Frank, one for you. Are you at all worried about Petrobras' ability to fund their share of even the initial phases of this Brazilian play, out to 2012? And then one for Ashley, you gave us an idea of the return - or the oil price you need in Brazil to meet your cost of capital. Can you do the same for Queensland LNG and give us an idea of the gas price or an equivalent oil price you need to meet

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your cost of capital there? And maybe if you've got time you can tell us what you think your cost of capital is?

Frank Chapman: Just on Australia, if I may. Did you ask what our cost of capital was? I thought that was your job [laughter]. But just quickly on Australia. I mean we're in the process of a FEED, so we're going to get some really good numbers on capex, that's why we haven't given capex guidance today.

But I can tell you absolutely, that BG has a very low cost of resource, I mean 36 US cents a million btu that's pretty good. You know it's much better than the other competitor project resource costs.

And we have, as I said, this low cost experience, track record. And that brings me to a firm conclusion that we comfortably, well below today's prices, make a good, sound, long term, economic venture there. I feel very confident saying that to you today.

I'm going to give you some much more specific data, so that you can do your calculations when we are sufficiently far through the FEED.

Ashley Almanza: So that's my question answered.

Frank Chapman: Petrobras funding. This is really for Petrobras and they've been quite busy explaining their situation I think over the last couple of weeks. They have a massive capex programme. And that's why it's really nice for us to be very confident that the projects that we share with them actually are number one on their priority list.

These things are vast, vast resources that are important not just to BG and the other partners and Petrobras themselves, but to the country. And therefore they have Petrobras support, they have all the partners' support and they have really strong support from the government.

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So these projects are going to happen. There is no doubt in my mind. If they have to manage their capex programme I think they will manage it somewhere but I don't think it will be in this area. These are number one on the priority list.

Ashley Almanza: Indeed they are happening.

Frank Chapman: They are happening, they are happening. I mean we are \$3.7 billion already committed to Tupi, two more phases in the process - we're doing tendering at the moment, in a tender process. And expecting more every two years. This is already the plan. So I think it's a very good story.

And I mentioned in my remarks, think of that - four years, four years from first exploration success to first production. That's cracking on. And by the way I hope you recognise that as a hallmark of BG. That's what we do.

Jon Rigby,

UBS: I've got three questions actually. The first on capex, you indicated 16 billion over four years and 4 billion this year. But if I kind of get a feel for what you're doing, it feels to me that it's not level loading, in fact your activity rates will rise through, '09, '10 and '11 particularly as Curtis kicks in as well as the Brazilian work. Is that because Curtis is not in your capex budget yet? Or can we expect in a years time for your indications of capex to rise?

The second is on Brazil, Guar, Carioca, I've seen reserve numbers for that part of the complex that suggest that 150 000 barrels, which I think you're indicating here, seems to be quite a small project in the context of ...

Frank Chapman: Everything gets small in the context of Tupi.

Jon Rigby,

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UBS: I don't want to gild the lily too much, but is Guar, Carioca potentially another lara in terms of the scale it could be, as you do a bit more work on it, i.e. are your partner's comments about the resource or reserve size potentially accurate?

And the third is about hedging. Of course when you get your hedging right you look like a hero and we all congratulate you for it. At what point - or what is the thinking and the thought process that makes you decide whether you hedge or don't hedge? Because I think obviously you sacrifice visibility by having a lot of hedging in place.

Frank Chapman: That's only three questions, not four?

Jon Rigby,

UBS: Well depending on how long your answer is I might give you a fourth.

Ashley Almanza: The hedging, you can continue to assume that our policy in general is not to hedge. We regard ourselves as price takers. We focus on cost performance and the market sets the price. And there's no change in that policy.

I think this is an exception where the company did take the view that we had a particularly strong insight, far enough in front of the rest of the market as to what was coming in LNG and it is an important revenue stream. And so by exception, we hedged and we protected that revenue stream. And I think you can continue to regard, as I say our policy of being one of not hedging.

On capex Jon, I think first of all Curtis is in our business plan. However, if you think about CSG to LNG there will be a period up front where we're obviously drilling lots of wells and Frank mentioned that we're drilling 200 wells this year. So the phasing of expenditure on a project like QCLNG will be upstream front-end

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loaded and back-end loaded with the plant expenditure. So I think that's partly why you see the profile as it is.

Frank Chapman: Sorry Jon, but on Guará we basically are going to re enter the discovery well later this year to conduct a DST. And there is a lot of work going on in Guará and until we're a bit further down the road Petrobras and BG have agreed that we won't disclose any resource numbers for this - it's part of the partnership that we've agreed that we won't disclose any figures for that.

I'm quite looking forward to the DST on Guará because it looks from logs and so on as if this is a terrific reservoir. And I think we'll get some big numbers from it. Some big production numbers that is, I'm not commenting on reserves.

Colin Smith,

Dresdner Kleinwort: I've got a couple of questions on QGC. I think you mentioned that with the Singapore position you had enough market to sanction one train. Could you just comment on whether you think you need to have a firm taker for the second train before you actually sanction it? One question.

Secondly, are you anticipating that the full seven and a half will be totally supplied by yourselves or is the idea to leave yourself potential - or indeed in the first seven and a half to actively seek out sources from other suppliers who may not have your facility for getting projects built as cheaply and quickly as you manage?

Frank Chapman: You know we never turn down the opportunity to have a negotiation. But the important thing to note is that we have enough resource. We're comfortable with our resources that underpin existing commitments to the domestic market because we shouldn't forget that we are today, all of the production out of QGC is going into domestic market and we are keen to continue our business there. And we have sufficient resource to support the two trains of LNG.

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Now of course you know there has been a lot said about the amount of resource that's available in this area and there will be all kinds of opportunities in my view. And that's why I put on the slide that there are opportunities for increasing this still further because I think that there will be possibilities to aggregate gas from much smaller players that are looking for a route to commercialisation. The important thing is we don't need that and therefore we will be giving priority to our own molecules, through the first two trains.

Now with respect to whether or not we need to secure the market, of course Singapore and Chile are great. This whole play that we've built there with this climatically counter cyclical market in the south is terrific. I think Chile is going to grow from its current capacity as we go forward as an LNG importer. And that provides a lot of security.

But because of the way we've constructed the whole portfolio, the cost effectiveness and the economics of this project that we have in Australia means that we can begin to move volumes in our portfolio pretty much where we want to move them. And that flexibility provides us with a good degree more optionality as to how we underpin sequence and so on.

There is of course also a significant commercial cost advantage to build these plants nine months apart. So all of this comes into the mix as we start to plot our way through this route. Of course, we continue to make efforts and are making progress with further marketing activity.

So I'm not going to say any more beyond that. We don't need to take a strategic or operating position and saying we're not doing this unless. In fact our base case is that we pour this into our portfolio and work it into our customer base as you've seen us do for some years now.

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So that's really what gives us huge advantage actually while the other guys are out there looking for a market, you know we've done that for the first train, finished. And we've got this great liquid portfolio into which we can absorb future volumes; should we choose to do that. So I feel very positive about QCLNG and the degree of control that we have over our own destiny there.

Colin Smith,

Dresdner Kleinwort: Okay, thanks for that. If I could ask just a follow up. On the Nigerian trains obviously they've all been very significantly delayed and I just wondered if you might comment on what sort of efforts you're putting into them and how realistic timing might be post 2015.

Frank Chapman: You know OKLNG is delayed, and it's one, of course in a global context, of a number of projects which are delayed. This is pretty much what's happening to projects around the world as the cost spiral developed. What we're doing of course is to continue the effort on the technical solution, on cost reduction, on underpinning the economics factoring in now changing cost dimension. Because ultimately Nigeria's got a lot of gas, far too much actually, far more than is needed for its own domestic requirements which are being prioritised by the government appropriately today. And within as I've said before terrific striking distance – equi-distant really Europe and the US.

It's a terrific play and in time this will come right in my view, and it will be a good investment for BG. At the moment, we don't need to progress any more quickly in this area than is prudent because we've got a lot of work to do and we've got elsewhere projects that can drive our growth programme that we have full control over.

So I think it will happen. I think Nigeria's going to become a much, much larger exporter of gas in the future. I think we've got a lot of work to do on OKLNG today.

Gordon Gray,

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Collins Stewart: Couple of months ago when you announced that big increase in UK contract gas prices I think you mentioned that a large chunk of that was not so much due to just commodity linkage but due to falling away of old contracts. When we're thinking ahead to prices beyond this next year can you just give us a feel for some of the key moving parts, in terms of whether there's any more of that structural shift and in terms of maybe the dollar effect relative to the direct effect of lower commodities.

Ashley Almanza: Most of the legacy contracts have rolled off. We've got a couple of years to run on some of those. So I think over the next two to three years you'll see those gradually phase out of the portfolio altogether. And at that point actually the key driver of our gas realisations is likely to be prevailing market prices.

That is to say when we look to sell gas the complex formulas that we used to have to deal with, electricity prices, consumer inflation, are just not relevant anymore. People are looking at gas on gas competition and they are looking at the alternative supply.

So UK gas prices and in turn our view on that has not changed, increasingly linked to Europe. And we see the cost of supply, we're not predicting price but we see the cost of supply into Europe and the UK rising. That's the long term trend. What it will be from quarter to quarter we're not able to predict. I think you can expect to see that in our portfolio.

Theepan Jothilingam,

Morgan Stanley: Hi good afternoon. Just a couple of very quick questions actually. Just firstly on your volumes. You talked about the impact of tie-ins for Q4. I was just wondering whether you could give us an exit rate and perhaps sort of the profile you see in terms of volumes for 2009.

Secondly I think in November you talked very much about being able to talk more about Australia and you have done today. I was

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just wondering on the resource base. You've seen an increase in the resource base - ultimately though, where do you see that number of 11 tcf, moving to?

And lastly just a smaller question on Mandarin. It's quite a high interest that you're taking in Mandarin, sort of sounds like you're very confident or there is significant upside there so...

Frank Chapman: On Mandarin, of course our partner is the government. Because under their tax regime you get the year after expenditure, 78% of that expenditure refund. So we don't need a partner in Norway because we have a very good one.

We look forward to drilling Mandarin. What I said earlier on, was to try to carry over some of the HPHT plays that we're making in the Jurassic and Triassic in the central North Sea, over into Norway. Of course, it wasn't organised such that all the HPHT Jurassic and Triassic plays were all in the UK and none of them were in Norway. But there are very, very few HPHT plays today operating in Norway. This play is a long way behind the UK's play development. So that's - Mandarin's very interesting - very deep - 20 000 feet or thereabouts, very interesting, we'll see how that goes.

Resource base in Australia. Look it's gone from seven to eleven in the process of this year. In fact, it's gone from more than that, from the middle of last year to now, it's gone from seven to eleven. We're going to drill 175 - 200 wells next year. When we've done that, I'm going to try and answer that question. But it's made terrific progress and we're very, very positive about it. We need to drill a lot more wells and then we'll answer that question.

Ashley Almanza: On production if you want to get a normalised rate the tie-ins cost us about 2 million barrels. When you think about 2009, just to remind you, Tunisia and Trinidad come in at the half year, so you should expect to see a build up of production from the second quarter and progressively upwards.

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Theepan Jothilingam,

Morgan Stanley: And sorry I'll be greedy, but Frank you talked about the basement in Brazil. Can you just remind us with Lara did you actually hit the basement and was that part of the reason...

Frank Chapman: We've not drilled the basement. The closest we got was in Parati. Can you believe this; we drilled to 7,600 metres TD. It's a long way down. We got nowhere near the basement so far in the other prospects.

Lucas Herrmann,

Deutsche Bank: You've kind of taken the fun out of forecasting on LNG actually, but there we go. Two questions, the first is just tax and Australia. Have you been having discussions with the authorities on how exports of LNG will be taxed in Australia? And that's just on the basis that to date CSG is only liable for domestic tax at 30 rather than petroleum tax, and whether there's any change in that going forwards.

And secondly, just going back to the little bit that you have left me to forecast with on LNG, the sort of the 20% or so, I take it the potential of that can fluctuate depending on where things are. But in terms of hedging and 2010 numbers and the fact you've hedged 65% or covered 65% of the margin, would your intention be to push that up as time goes by? I mean simplistically should one expect you to look to lock in more of your commodity prices moving to levels which you think are probably not sustainable but give you a better margin, a better take?

Ashley Almanza: The exception rule still applies. I mean as I said we had a strong point of view on the market which we rarely do have but I think in the LNG market it's pretty imperfect at the moment, it's a developing market and it's possible to have a point of view. So same applies. By exception we'll consider it.

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On tax, whenever we arrive in a new country we present our calling card at the government offices including the Minister of Finance. No specific discussions going on on petroleum tax. You know in all the countries we operate today the great game is how much of the pie gets split between the operator and the government and I expect as a resource producing nation Australia will be no different.

Frank Chapman: I think that's right. I want to reiterate there are no discussions going on with the Australian government or local state government on fiscal arrangements. They are extremely keen to see the CSG developments go ahead and they're very, very keen to see a construction start as soon possible as well you might imagine in the current environment with employment issues and so on.

So this is where we are strongly aligned. I mean the history if Australia is pretty good in terms of providing a favourable investment climate and a secure environment. So it's not something I really worry about. As Ashley says, in a lot of countries around the world the great gain has always been, and will always be, how to share out the benefits of resource development and you know nothing's changed now and it's not going to change. That will remain you know the nature of our industry, the great game.

Neill Morton,
MF Global:

I had a couple of question actually on Kazakhstan. The head of BP was advocating alliances in the future between international oil companies and national oil companies. You've got one of your own with the Kazakh state company. I appreciate it's early days but could you perhaps talk about what kind of projects you're looking at both inside and outside the country.

And secondly, the share prices of Kazakh mining companies have been racing away in recent days on the devaluation of the currency. I won't embarrass myself by trying to pronounce it but you have about 20% of your group production from Kazakhstan, do you expect to see any benefit from lower costs in the local currency?

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Frank Chapman: Do you want to take the tenge question?

Ashley Almanza: With respect to Kazakhstan and Karachaganak, pretty simply it's a dollar asset and that's the way to think about it. So I wouldn't regard the tenge's movement as being hugely significant for us.

Frank Chapman: BG was awarded recently an award for best Kazakh investor. And although it may sound some sort of immaterial accolade here in the city of London, actually it's quite a prestigious award to receive. And I think it is testament to the fact that we have worked very hard and closely with the government seeking alignment over the years. And it's the self same collaboration and cooperative approach that we've taken with them that has led to a proposal which came from BG.

We recognise that KMG wants to accelerate through and become a national oil company in its own right capable of operating on the world stage. And partnering with a company like BG that they have actually great respect for. I mean look at what we've done on Karachaganak compared to some of the other projects in Kazakhstan; it has been a super performance. And that really has led to a partnership where we are trying to help them to move onto the international stage.

So the KMG JV basically has an element which is to do with operating jointly on a 50/50 basis ventures within Kazakhstan, and the joint venture will go through a series of evaluations looking at a range of possibilities. And also to partner in some equity split to be agreed in other international ventures, and there we're looking at a series which I won't clarify today, a series of possibilities and we'll probably - we almost certainly will flow from new licensing rounds where we partner up and bid together.

Neill Morton,

MF Global: Could you envisage that including LNG in the future?

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Frank Chapman: I doubt it really. It's KMG EP, let's walk before we run. The LNG business is very complex and very capital intensive and I think that what we're trying to do is to help KMG be a very successful resource company at this stage.

Sir Robert Wilson: Okay, thank you all for your time and your questions. I hope you find it's a pretty good story. Thank you very much.

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Brent Oil price US\$55/bbl

US Henry Hub \$7.25/mmbtu

US/UK exchange rates of \$1.5:£1

Prepared under International Financial Reporting Standards

All production includes fuel gas

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