



BG GROUP

BG Group

2009 First Quarter Results

30 April 2009

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Introduction: Chris Lloyd, Head of Investor Relations

Good afternoon ladies and gentlemen and welcome to BG Group's first quarter results.

During the course of this conference call, Frank Chapman, Chief Executive, will take you briefly through the quarter's key business highlights, and then Ashley Almanza, Chief Financial Officer, will look in more detail at the financial results. After this we will take questions.

During this presentation we'll be focusing on our Business Performance as highlighted in our results statement. We will also be making various forward-looking statements. Factors that could cause our actual results to differ materially from the results we currently expect are identified in detail in the statement issued today.

Thank you, and now over to Frank.

Frank Chapman, Chief Executive

Good afternoon, Ladies and Gentlemen.

You'll have seen the results statement, and I would now like to spend a few moments taking you through the main points before I pass over to Ashley to take us through the financials in more detail.

Total operating profit was £1.275 billion, down 9% on the first quarter of 2008. This distinctively resilient performance, in the face of challenging economic conditions, reflects the strength of BG Group's integrated gas business model.

These results again demonstrate that our operations are inherently robust across a wide range of oil and gas prices, due to low unit costs and the long producing lives of many of our assets.

I will move now to our business segments, beginning with Exploration and Production.

We have continued to make excellent progress with the development of our business, including in two of the key areas, Australia and Brazil.

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During the quarter, Australia was established as a new region within our organisation and Catherine Tanna joins the Group Executive Committee as Executive Vice President and Managing Director for Australia.

We also announced the acquisition of Pure Energy. The acquisition of Pure brings additional coal seam gas reserves and resources to BG Group at a low cost, located adjacent to QGC licences in the Surat Basin. In addition, the acquisition brings large tracts of prospective coal seam gas acreage in Queensland's Bowen Basin. In total, BG Group now owns interests in onshore concessions in Australia covering more than 130,000 square kilometres.

In Brazil, the Tupi field flowed oil on 25 April, as BG Group and partners began commissioning in preparation for the first commercial production, expected imminently. A second well, Tupi P1, will start drilling in June and will also be tied back to the FPSO. The extended well test is scheduled to last for 15 months and production is expected to peak at some 15,000 barrels per day.

We also had exploration successes with Iguaçu and Corcovado-1.

Iguaçu is a new discovery which has proven the presence of another accumulation of light oil, in the BM-S-9 concession area. This is our third discovery on BM-S-9 and further evaluation of the well continues. Drilling on BM-S-9 has now moved to the Abare West prospect.

In April, we reported that the exploration well Corcovado-1, in the BM-S-52 concession, encountered hydrocarbons in a pre-salt reservoir section. The well has since reached its target depth and logging operations are ongoing. We will move operations to Corcovado-2 on completion of the current well. BG Group is operator during the exploration phase and we have a 40 per cent interest in this concession, alongside partner Petrobras.

Turning now to LNG – and in February, we entered into an agreement with the Queensland Government to acquire a 270 hectare site at North China Bay on Curtis Island, the site of the proposed Queensland Curtis LNG project near Gladstone. Front End Engineering and Design is progressing, and the project remains on track for a final investment decision in 2010.

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And now over to Ashley for a more detailed look at the financials.

Ashley Almanza, Chief Financial Officer

Thank you Frank; good afternoon ladies and gentlemen.

The Group has posted a strong set of results for the first quarter with operating profit of £1.3 billion and operating cashflow of £1.4 billion. As Frank has mentioned, this highlights the distinctive resilience of BG's business model in an industry that has faced unprecedented volatility in recent months.

I'll take a few minutes to highlight the performance in each of the segments, starting with E&P.

Production volumes were 2.8 million barrels lower than last year. Half of this fall is due to the expected depletion of the short life Atlantic Cromarty field in the UK. We have also seen lower than expected local gas demand in Kazakhstan, Thailand and Brazil. We ended the quarter on a run rate of around 655 thousand barrels of oil equivalent per day and as we said in February, we expect production to build during the year with the Hasdrubal and Trinidad projects starting up around mid-year and with the benefit of investment on fields in Tunisia, Egypt, Kazakhstan and the UK. In addition, we have a number of opportunities to further de-bottleneck production and our target for the year remains 680 thousand barrels of oil equivalent per day.

Although oil prices more than halved year-on-year our average gas price realisations rose by 32%. This reflects the increase in our UK contract prices, the resilience of our international contract portfolio and the strengthening of the US dollar. Our average UK gas price was 63.6 pence/therm reflecting seasonally strong demand and the phasing of our contract prices. Guidance for average UK contract prices remains at 55 pence/therm for the contract year.

As expected, we are beginning to see lower prices feeding through into lower costs. Unit opex was \$5.44 per boe. This compares with \$6.55 in the fourth quarter of 2008. Guidance for this year remains at \$5.90 per boe at an exchange rate of \$1.50 to the pound.

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The exploration charge increased by £80 million to £177 million due to the phasing of our programme and the effect of the stronger US dollar. As before, we expect full year exploration spend to be £1.1 billion with around £500 million expensed.

In our LNG segment operating profit increased by 46% to £578 million pounds.

Shipping and marketing benefitted from higher realisations in a seasonally stronger quarter and from the favourable \$/£ exchange rate.

Liquefaction profits more than doubled mainly due to a 13% increase in volumes and a stronger financial performance from Egyptian LNG.

The segment as a whole is performing in line with our expectations and at current market conditions our profit guidance for 2009 remains between £1.4 billion and £1.5 billion. Our guidance for 2010 is also unchanged, at £1.2 to £1.3 billion.

Total operating profit in Transmission and Distribution was up £49 million to £80 million. Comgas posted an operating profit of £70 million as the recovery of past gas costs and growth in residential demand more than offset the fall in industrial and power demand. For the remainder of the year, we expect the recovery of past gas costs to offset lower power and industrial demand and overall the outlook for the financial performance of Comgas is therefore unchanged.

In the Power segment, total operating profit was down £13 million, principally due to the phasing of gas costs in Italy. This is simply a timing difference which we expect to reverse within the year.

Net interest expense for the quarter was £47 million reflecting lower interest rates and lower cash balances following the acquisition of QGC and Pure in Australia. The run rate for the first quarter is a good indicator of what we expect for the rest of the year.

Our effective tax rate for the quarter was 42.5% and I expect our full year rate to be around this level.

Earnings per share fell by 13% to 20.5 pence per share.

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Cash generated from operations was £1.4 billion and capital investment during the quarter was £1.3 billion, including £464 million on the acquisition of Pure in Australia. We ended the quarter in a very strong financial position with gearing of 9% cent, cash of £701 million and net debt, mainly long-term, of £1.4 billion.

In summary then:

- The Group has delivered a strong financial performance and our financial position remains very strong
- The outlook for the year is in line with our plans and our previous market guidance.

That concludes my remarks and I'll now hand you back to Frank.

Q&A session:

Frank Chapman

Thank you Ashley and we are now happy to take your questions. Please could you state your name and company when asking a question. Thank you.

Dave Thomas,

Citigroup:

Good afternoon, a couple of questions please. In the upstream E&P you've obviously talked around the 680,000 barrels a day oil equivalent target for this year and given some indication of what's contributing to that. But could you also say what assumptions you're making for the economic outlook for this year and what that might mean for gas demand and therefore gas off take?

Secondly, in LNG could you just explain the sequential increase in the LNG earnings? Has the sequential increase been because of say a differential hedging programme compared with the fourth quarter. I know there is some FOREX influence which is beneficial, but what else is there that's contributed to what has been a remarkably strong LNG result?

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Frank Chapman: Okay Dave I'll let Ashley take the LNG question in a moment. On E&P we are indeed confirming today our guidance of 680,000 barrels for the rest of the year. Your question specifically was about assumptions on economic outlook that would underpin that target. Of course we have in all of our assets around the world a number of risks, such as demand risks, as well as a series of opportunities. And what we've been doing of course is to weigh in the balance all of these risks and opportunities to come to a conclusion about the scale of - or the achievability of our current guidance.

And whereas we have seen - demand reduction in three areas that we mentioned, Kazakhstan, Brazil and Thailand, we've also identified opportunities for improved performance actually in some of our higher margin areas. So put together these things approximately cancel one another out and therefore based upon an assessment of the demand picture, which reflects a view on the economic outlook in certain countries, we're happy to confirm.

We ought not to forget that we do have new production coming from Tupi, in Trinidad from NCMA phase 3D from the ECMA project. In Tunisia from Hasdrubal and the Miskar Infill Programme and of course in Egypt from West Delta Deep Marine Compression, that's phase 5 and the new Sequoia Development. So all these things together as they come on through the year will also be factored into the delivery of that 680,000 barrel target.

Ashley Almanza: Dave, on the sequential LNG progression there are obviously two components. Liquefaction has also improved in sequential quarters and that's because as I mentioned we've seen good operating performances in both Trinidad and Egypt from our liquefaction business. And shipping and marketing - there's

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two factors, first of all we did through our hedging programme lock in some good margins for this quarter.

But also we have continued to access good margins in markets around the world. I think it's important to keep in view the fact that some of the volume that we've termed out is not hedged, but nevertheless we've continued to sell our LNG to the twenty odd countries around the world that are buying LNG and still find opportunity to sell at decent margins - you know on a bilateral basis, incremental supply.

Dave Thomas,

Citigroup:

Okay thanks, I have a quick question on T&D. I didn't quite get your point about the 2009 outlook. I may have misunderstood you, is it actually that earnings will be the same - guided the same as last year when you net things out?

Ashley Almanza:

What I'm saying is that when we look at the financial outlook for this year there are a number of factors and they more or less balance each other out. So on the one hand we've had good growth in domestic, residential demand - we are enjoying the benefit now of recovering past gas costs, so those are both on the plus side. And on the other side of the equation we've seen lower industrial demand and higher availability of hydro. So I'm really talking about how we see things progressing in 2009 rather than versus 2008. And I'm suggesting that the outlook for 2009 is pretty balanced.

Dave Thomas,

Citigroup:

Okay thanks very much.

Iain Reid,

Macquarie:

Hi gentlemen, two questions please, firstly on UK gas prices. As you said Ashley you've managed to achieve something which is well above both your contract price for the year and

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also spot prices. Can you maybe explain how this contract price works during the year; presumably it is going to fall off quite substantially in the second half of the year if that's the case?

And the second question is on E&P costs, you talked about Opex but it looks like DD&A has gone up quite substantially is that just a function of the exchange rate or is there a real underlying increase going on there as well?

Ashley Almanza: Taking your second question first it's both; the exchange rate will have had an effect, about a 20% impact. The underlying effect of course is that we're bringing on stream progressively new facilities and those have been constructed in an environment which is - you know a higher cost environment than some of our legacy assets. So it's both of those things.

On the UK gas price you're right the contract price is phased and it's not phased evenly, so we get a better contract price in the winter season and therefore you should expect to see a lower than average price in the summer quarters.

The first quarter we saw two effects, one was the phased contract price being above our average 55p/therm, but also the 30% or so that we sold in the short term market we did not sell in the spot market. So we very rarely sell a substantial volume in the spot market, we're always laying it in - you know progressively over weeks and months. And therefore when the gas price is falling we end up with a realisation which is above average spot prices in that quarter. And that's what we saw in the first quarter.

Iain Reid,
Macquarie:

I can just ask Ashley, how far ahead are you selling in terms of the short term market, what sort of duration?

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Ashley Almanza: You know for the floating components of our portfolio it can be anything from, a month ahead to two to three months.

Iain Reid,
Macquarie:

Okay, thanks very much.

Theepan Jothilingam,
Morgan Stanley:

Good afternoon gents, three questions actually. Firstly just on E&P and volumes, I was just wondering you've mentioned the opportunity set, or the potential opportunity set in the portfolio. I was wondering what you thought the sort of productive capacity of the portfolio is today as it stands?

The second question just on Brazil, I've seen your comments on the two discoveries in the last month or so. I was just wondering particularly on Corcovado whether you still believe it's a multi billion barrel prospect or whether you can comment on that?

And lastly Ashley just on Opex per barrel, clearly a very encouraging data point there. If you could perhaps give a little bit more flavour on how that's sort of been driven lower particularly given that the production base is sort of perhaps a bit lighter than where we anticipated?

Frank Chapman:

Yeah, Theepan on the volumes I'm glad you raised the question in this way because it gives me the opportunity to - it reminds me actually that probably it isn't well known and we've never discussed before what the productive capacity of BG's portfolio is. I'm not going to give you a precise number today, but I would think from memory that last year our best performance was something like 715,000 barrels a day. And that itself does not - did not reach by a margin the - the perfect day capability of the portfolio.

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So what we have of course is a number of technical and commercial bottlenecks. And we have had going for the last two years a programme called 'Produce The Limit'. The aim of which is to de-bottleneck some of these technical and commercial constraints. And it's that programme now that's starting to come through with some opportunities to enhance the production. And that is what we refer to when we say other production opportunities in the portfolio.

Our assessment as I mentioned earlier on of the risks and opportunities right across the portfolio, the economic risks in some of these markets, together with the opportunities elsewhere, together with the new projects coming on, when we put that all together we are fairly comfortable that the guidance remains valid.

Ashley Almanza: Theepan, on Opex you'll have noticed that although we out turned at \$5.44 for the quarter, we're holding our full year guidance at \$5.90. So when we look at the components of the lower cost feeding through, clearly royalty and transportation tariff we're starting to benefit from straight away. But there is an element in here of phasing of operational expenditure, such as maintenance, which is why it's appropriate to hold it at \$5.90.

We are seeing costs right across the supply chain starting to respond to the general economic environment. And we would hope to see more of that. But mostly this is in the first quarter a combination of royalty, tariffs and phasing of expenditure.

Theepan Jothilingam,
Morgan Stanley: Great, and on Brazil.

Frank Chapman: Sorry, the Brazil question. I'm not going to comment on the scale of Corcovado at the moment because as we mentioned in the release the well is actually still operating and we haven't

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finished even the logging operations at the moment. So I'm unable to share with you Theepan any further information today on that. But we're going to complete this well quite soon now and we'll be moving the rig directly onto Corcovado 2. And once we've completed that well we'll have a much better sort of database with which to estimate reserves and we'll be happy to share that with you just as soon as we have the confidence to do that.

Theepan Jothilingam,
Morgan Stanley:

Okay, perfect thank you.

Marc Iannotti,
Bank of America:

Morning gentlemen, just a couple of quick questions. Frank first of all can you maybe just give us an update on where we are in the tendering process for phase 1 on Guara and lara? And then on LNG do you think you've now built the significant position in Australia with coal seam gas, do you think that now fulfils your ambitions to add an Asian leg to your LNG business? Or do you think you need to or would like to do more in that region from an LNG standpoint?

Frank Chapman:

Good afternoon Marc, the tendering process for Guara and lara is underway. We're expecting - speaking from memory in the course of June and July to receive proposals and I believe sometime in the early part of the third quarter we should be reaching a conclusion on the evaluation process. So as we said earlier this year, the target was to sanction Guara and lara this year in order to bring Guara on in 2012, lara in 2013, but again we're also trying to get lara on in 2012 as well. And for that we need to sanction these projects this year.

So I'm quite happy that we're pretty well aligned with Petrobras and the boys are working very hard to deliver those sanctions.

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LNG, yes we have built a significant position in Australia, our team of course is very keen to expand the footprint in Asia Pacific, but for the moment all of the energy is being focused firstly on the delivery of the projects that we've currently outlined. That requires quite a lot of appraisal, it requires a lot of development planning, engineering and all of that stuff, pipeline, way leaves, all of the things that go with that project. So the energy is really focused on that.

The next thing in line after that is to get going, get working - and this will be done by an entirely separate team with the appraisal of some of this huge area of concession that we have. I mean it is a stunning large portfolio of opportunities now. And in the Bowen Basin which you know is the source of reserves underpinning other people's LNG aspirations we haven't drilled a single well in that area yet.

So we need to get cracking there as the second priority and see really what this has got because within that rests the real potential to expand to a third train and maybe possibly even further than that.

So it's only after we are progressing these areas would I be prepared to start to contemplate further Asia Pacific sources of LNG.

Ashley Almanza: Just to add to that, based on what we know now we've got over 13 tcf and a lot of appraisal work still to do.

Frank Chapman: Yeah, I mean there is a lot of potential that needs to be assessed here.

Marc Iannotti,
Bank of America: Okay, thanks.

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Jon Rigby, UBS:

Thanks, hi guys, I've got a bit of a shopping list actually. The first is on the Corcovado well, I just want to understand in the terms of let's assume, let's hope it's positive where given all the constraints around - I guess your internal resources, the resources of Brazil, etc, how that would then get progressed to production or any other new discovery we get progressed to production and what development of production? And should we think of it as sort of being in that exploration add on bit that you gave in your production outlook to 2020?

The second question is just to come back to the liquefaction profits. It's a significant step up from what we've seen historically. I mean is it sustainable or is there something - some funny moving parts that will unwind again as we look forward?

And then the third one is just on the LNG market as a whole, clearly there is an awful lot of moving parts in LNG and you were very brave to give guidance over a two year period. And since then a lot has happened. Could you sort of characterise how you see the market now as you would have seen the market at sort of the first of January, positives and negatives - the sort of trading market over the next couple of years.

Frank Chapman:

I mean Jon I don't really want to speculate on how we see it - how we would have seen it today had we not done what we chose to start two years ago. I mean that's not very easy for me to do. Suffice to say that we - as I said before it wasn't exactly rocket science, it was just basic work. We saw that there was a lot of new supply coming and we acted in a timely way to protect our margins from a point in time of a dislocation, a dislocation, a large wedge of new supply coming in. And you know that has turned out to be a prudent step, doubly so because it happens also to coincide with an economic dislocation which at the time we initiated this work had not been identified.

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Jon Rigby, UBS: Yeah - no sure and presumably that's got worse.

Frank Chapman: So the other thing I would say as well is that you know that we have to see these LNG businesses over a 30 year timeframe. That's the sort of - 20, 30 years is the sort of timeframe and there will be periods in this timeframe when you make more money and there'll be periods when you make less. And what we've said in February is that we believe the performance over these next years will be very robust. We've given guidance for this year and next year.

And we've also said that even after one accounts for all of the new supply coming on, much of which is already dedicated to specific customers, there still will need to be between now and 2020 about 150 million tonnes of supply, and we are trying to secure 5% of that to underpin our first two trains. In fact less than that because we've already underpinned one of the trains for Chile and Singapore.

And then we've got four sources of advantage too which I have described and I won't go through now in detail, which position BG favourably to secure its share of that demand. Now it's that sort of perspective which will inform the value of the business rather than sort of speculating now what it's going to be like in 2012.

So I think that's pretty much where we are. As we go forward, not for today but as we go forward we will of course consider how much out into the future we're actually prepared to give you an indication of operating profit. For the moment we're saying 2009 and 2010 is as far as we want to go.

Ashley Almanza: John on liquefaction there's obviously some FX benefit year on year but the underlying picture is as you rightly say there's a step up. The volumes are up 13%. And the business in Egypt

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now has been running for long enough for us to really start to get the benefits of efficient operation that we've established in Trinidad.

So the answer to the question is yes we do think it's sustainable. I think that certainly our objective is to sustain this level of performance. The only variable if you like that we can't fairly control is the FX and there's some benefit for that.

Frank Chapman: Then Corcovado. As I said a moment ago I'm not going to speculate on reserves or anything like that because it's too early. But the interesting thing about Corcovado is it's in 600 metres of water, not 2.3 kilometres and it's also much closer to the shore.

So one could easily see in a successful case that the economic drivers for advancing a development there would be clear I think. And yes you are right that Corcovado on a risk basis together with all of the other elements within the exploration portfolio on a risk basis make a contribution to that wedge of exploration add on as you referred to it. So that's correct.

Jon Rigby, UBS: Lovely thank you.

Lucy Haskins,
Barclays Capital: Afternoon. I wondered if I could ask about seasonality in terms of the LNG profitability. I mean obviously you've done a very good job in terms of the first quarter. Does that leave the balance of risk to the upside to your guidance for this year or will we move back to a slightly more seasonal sort of trend in terms of those earnings?

Ashley Almanza: Lucy I mean obviously the first quarter we've done substantially more than a quarter so in that sense I suppose it provides a degree of additional assurance over the full year guidance.

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The other point though that I would highlight is of course when we gave the guidance, the guidance was based on certain reference conditions which are substantially lower now. But the reference condition that I think quite sensibly most people look at is Henry Hub whereas we're selling to a variety of markets around the world and typically we're selling marginal supply for our floating component of our portfolio. And as I mentioned earlier we're still picking up good margins where we're bringing marginal supply to a buyer that needs it.

So that has offset the weaker market prices or reference prices. When we put all of that into the balance I think it's steady as it goes you know. It's just as - we're back to where we were several weeks ago in February. So I wouldn't characterise it as being either upside or downside, it's plum in the middle.

Lucy Haskins,

Barclays Capital: Okay so no balance of risk to the upside?

Ashley Almanza: No I think it's...

Frank Chapman: Steady as it goes. You're trying to get - some extra guidance - in terms of firming the guidance. It's worth a try.

Lucy Haskins,

Barclays Capital: Okay thanks.

Lucas Herman,

Deutsche Bank: Yeah morning gents. Three if I might. First the extended well test, - just is there a point at which you'll - well there's obviously a point at which you'll share data, but whether you can give any indication as to when you're likely to start talking about some of the findings from the extended well test, and the extent to which that reaffirms your confidence and the economics around the project?

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Secondly, well the next two are on LNG. How aggressively are you marketing the second train at the moment and you know again should we be anticipating an announcement in the relatively near term?

And thirdly on costs of building the plant, there's clearly a huge amount on activity in Asian LNG at the moment, Gorgon, PNG, yourselves, you know all seeking to develop and build. And I just wondered whether you had any observations at this stage on well I guess costs is the simple comment, and whether you know you're confident that you're going to be able to see a material reduction in the level of spend that's been evident of late and to get an LNG facility up and running. Or whether the intensity of activity in the region is unhelpful.

Frank Chapman:

Yeah on the extended well test I just have to say at the moment that we're not yet in a position to indicate when we will share data on this. It's something that we're just getting going and we've got a large number of tests to carry out on different production intervals in two wells. So I wouldn't sit on the edge of your seat because we've got quite a lot of work to do before we begin to share data.

As I've said before there is a high level of confidence that we have here a robust and economic development because that is what has underpinned the decision to move ahead with the development. We're currently constructing a 100,000 barrel a day unit to install here next year.

This extended well test data is more to do with the optimisation of the field development plan and in particular the timing of water injection. So of course that has an economic effect but it is not a primary economic effect in the sense are the reserves there, do they flow and so on and so forth.

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We've had production out of this well at good rates I'm happy to tell you and therefore there are no surprises to date on the performance of Tupi which is of course as we all expected.

LNG, I'm not going to say anything to you today about the marketing activity for Train 2. We are marketing Train 2, that's about all I'm prepared to say. You wouldn't want me to say that I was being very aggressive would you; I mean that would not help our efforts commercially.

The cost of building a plant, we are in the FEED stage. As I've said to you earlier we regard one of our primary sources of competitive advantage as being our ability to build relatively low cost LNG. We are - in fact we define the lower boundary of the cost curve in the industry for the construction of LNG plants. And our aim, and we believe that we can deliver on this aim, is to remain at the lower boundary of unit costs for the delivery of LNG plants. But we won't give you an indication of costs until we are much further on with the FEED which will take us through the rest of this year. But we're making good progress.

Elsewhere let me tell you I believe I have mentioned before we expect there to be a sort of multi speed restructuring of costs. In some areas things will move more quickly so onshore rigs in North America, fabrication, are areas where it's going much more quickly. I mean we've recently had some data in which is showing, and again I'm not really prepared to discuss precise numbers, but very substantial reductions in fabrication costs. Whereas in certain specialist drilling activities obviously we all recognise there's much lower capacity available and there the costs are much stickier.

We have as I mentioned before in February, made an allowance in our 16 billion over four years capital budget, a conservative assumption for the purposes of financial projections of a 10% reduction in capital costs relative to the

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'08 cost level. And it's clear that in certain areas of capital cost the scale of cost reductions could be very, very substantially greater than that conservative assumption.

So we're working very hard on this area. We are a low cost operator and we continue to work hard in this area and we expect to see significant benefits from the current cost downturn.

Lucas Herman,
Deutsche Bank:

Okay thanks very much.

Oswald Clint
Sanford Bernstein:

Just a final one I guess on the Australian position. I wonder if there was anything you could say about flow rates at this stage per well. We're hearing obviously stuff from Arrow and in that Bowen basin as well. So I mean any indication you would have, obviously you should have drilled a number of wells by this stage in the year, would be interesting.

And also if there's anything of interest with your venture with Composite Energy in Scotland and your pilot test running in that region. Thank you.

Frank Chapman:

Yeah. I mean in Australia we have drilled a large number of wells. We will drill 185 wells in Australia this year. Flow rates for these wells are scattered over a wide range depending on where you're drilling. Maximum rates are probably up to 4 million standard cubic feet a day, that sort of order. And you get a scatter all the way from half a million standard cubic feet a day up to 4 million.

In Scotland we're still - moving quite slowly in Scotland. We have one well there on production - or I don't know if it's actually on production right at this moment but has produced

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200,000 standard cubic feet a day as a rate. And we're continuing with our evaluation of that play.

Of course the scale of operations that we have in Australia are very, very much larger than the relatively small exposure that we have in Scotland.

Oswald Clint,

Sanford Bernstein: Right thank you very much.

Irene Himona,

Exane BNP Paribas: Good afternoon. I had a question on the production guidance. I was wondering if you can give us some granularity on the two main moving parts, the planned maintenance shutdowns for the summer versus the impact of the new start ups? Thank you.

Frank Chapman:

There are lots and lots - Irene I'm not going to try to do this because there are a lot of moving parts in terms of specific fields with shutdown timing, the market demand situation, and the opportunities that we are developing in certain areas. I mean in summary what we're saying is that we expect to grow production this year by around 9%, getting us to 680,000 barrels a day.

Irene Himona,

Exane BNP Paribas: Okay. Thank you.

Neil Morton,

MF Global: Thank you. Good afternoon. Just wanted to go back to coalbed methane for a moment. I had sort of two questions there. I mean there are a number of projects now in Queensland all sort of vying to be the first coalbed methane to LNG scheme in the world. These are both sort of two established technologies. I just wondered from a sort of technical viewpoint whether there's anything particularly

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challenging in sort of bolting these together. I mean the way that everyone's talking it sounds like a walk in the park.

And then secondly I recall reading a story a while back that suggested that Japan was not prepared to accept LNG from coalbed methane due to the sort of lower calorific content. Could you firstly confirm that and perhaps say if that's a wider issue across Asia sort of wet gas versus dry gas? Thank you.

Frank Chapman:

Well I mean in terms of actually producing the LNG from the fence into the LNG plant there is no technical challenge. In fact this is so pure that it's technically unchallenging. I mean we don't have to remove a lot of CO₂, we don't have any sour components to deal with, we don't have a lot of nitrogen in the gas. So it's a very pure methane stream and actually therefore very clean feed stock to liquefy.

The issue about acceptance of gas from coal seam gas, or LNG manufactured from coal seam gas has two dimensions to it. One concern is from customers about the process of making LNG from coal seam gas simply because it's not been done before, that's there.

And secondly there is a calorific value issue and the solution to that is either spiking anything from ethane to butane into the stream and that is available of course on the world market to do, and it's not a cost element because you actually get the value of that product back in the sales gas value as you raise up the calorific value of the product.

Or you can segment the market and deliver cargoes to customers that can manage these lower calorific values. And in fact we're looking at both of these opportunities. They both offer absolutely viable means of selling coal seam gas as LNG. So I'm not concerned on that score.

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One of the most powerful I believe competitive advantages, I mentioned four competitive advantages earlier on, one of those competitive advantages that BG has is the fact that we will be selling to customers out of our portfolio. So whereas some of this gas will be coming from Queensland, it will be backed up by BG's global LNG portfolio. And therefore we'll provide a means of offering greater confidence to customers that they will get their LNG on time, in addition to the fact that that global portfolio will enable us to tailor precisely the gas delivery profile to customers' needs.

So we could start for example delivering earlier than the on stream date of Train 2, or we could deliver later and absorb the gas in our portfolio. We could have a build up over X years or X months. You know we're able, because of the global nature of this LNG business, to precisely tailor the supply to customers' needs.

Neil Morton,
MF Global:

Okay thanks. Could I just maybe have one quick follow up actually? Just on your international liquids realisation. You actually saw quite a sharp improvement versus the fourth quarter. I mean I guess Kazakhstan is an issue there with the removal of the export tax. Is that a reasonable baseline to use going forward or does Q1 include some sort of element of reimbursement?

Ashley Almanza:

No I think it's a reasonable basis for going forward. Yeah there's nothing special in there.

Neil Morton,
MF Global:

That's great thank you.

Frank Chapman

Okay well thank you very much for your questions.

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Finally, I'd like to recap the main highlights:

- The Group has shown a distinctively resilient financial performance in the current economic environment;
- This resilience flows directly from our integrated-gas business-model;
- We have continued to make excellent progress with the development of our business, including in two of our key areas, Australia and Brazil.
 - In Australia, we acquired Pure Energy;
 - And, in Brazil, we saw continued exploration success in the pre-salt Santos Basin, while at Tupi, first commercial production is imminent.

Thank you for taking part in the conference call today and I'd like to remind you that we'll be announcing our second quarter results on 29 July.