

BG Group: Q1 2011 Results & Strategy

BG GROUP



May 2011



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Please note that this presentation represents only a summary of BG Group's First Quarter Results for the financial quarter ended 31 March 2011 and of its Full Year Results for the financial year ended 31 December 2010 and 2011 Strategy Presentation released on 8 February 2011 (the "Results"). It does not contain sufficient information to enable as full an understanding as would be provided by full versions of the Results and relevant accompanying speeches. This presentation should therefore be read in conjunction with those additional documents available from BG Group's website, www.bg-group.com

Q1 2011 key points

- Challenging quarter for E&P operations
- Higher UK North Sea tax reduces earnings by \$265m
- 2011 LNG operating profit expected towards upper end of \$1.9-2.2 billion
- Significant progress on long-term growth programme
- Positive appraisal results on the Guar and Iara discoveries
- LNG supply contracts signed with Tokyo Gas & Chubu Electric
- Third exploration success offshore Tanzania

Q1 2011 results

	Q1 2011	Q1 2010	% yoy
Total operating profit (\$m)	1 965	1 955	+1%
Earnings (\$m)	819	1 097	-25%
EPS (cents)	24.2	32.5	-26%

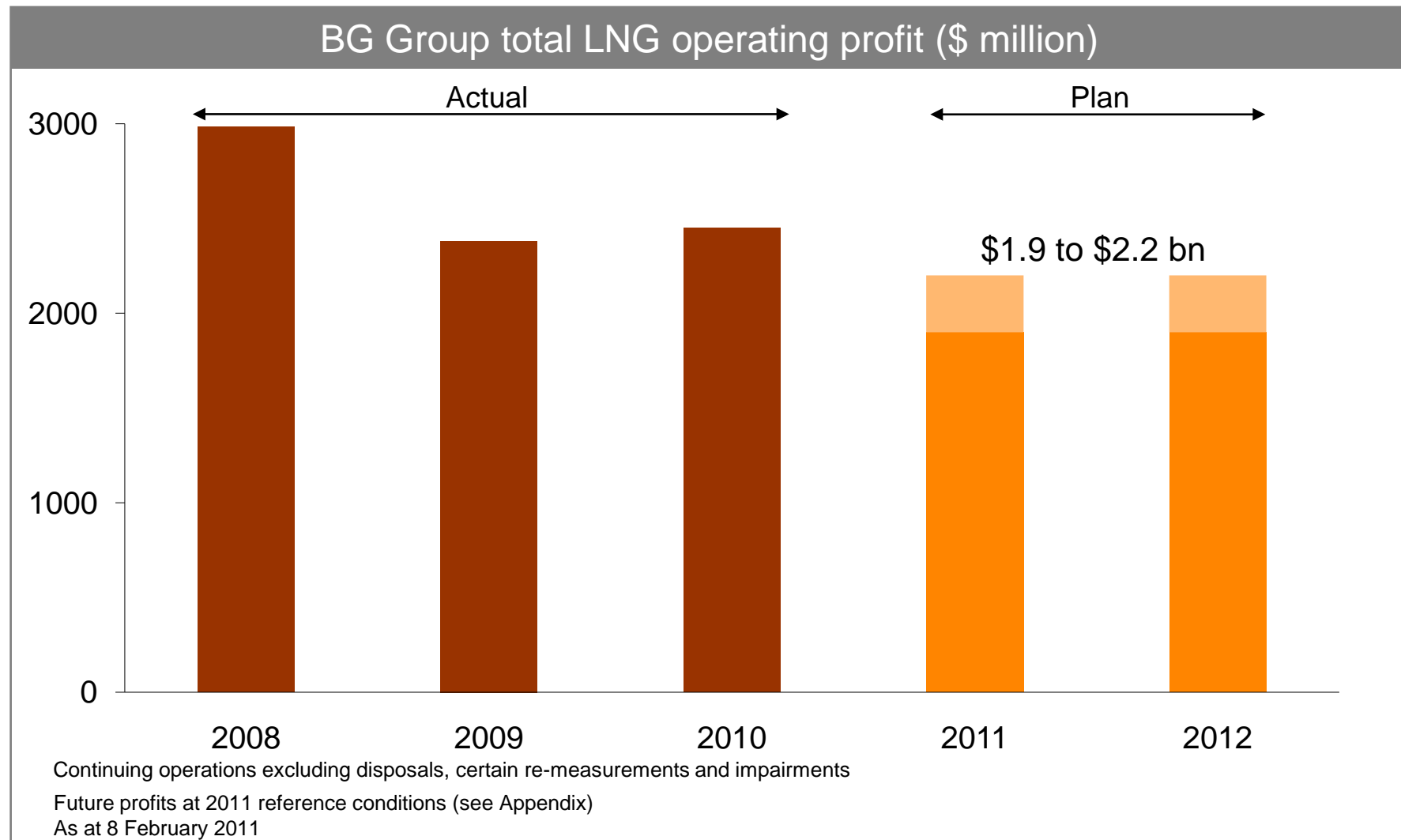
Continuing operations excluding disposals, certain re-measurements and impairments

Q1 2011 total operating profit

	Q1 2011 \$ million	Q1 2010 \$ million	% yoy
E&P	1 258	1 192	+6%
LNG	570	633	-10%
T&D	145	140	+4%
Other activities	-8	-10	-20%
Group total	1 965	1 955	+1%

Continuing operations excluding disposals, certain re-measurements and impairments

LNG



Expect 2011 to be towards upper end of guidance

Q1 2011 results

	Q1 2011
Cash generated by operations (\$m)	1 799
Capex (\$m)	2 296
Net debt (\$m)	8 510
Gearing (%)	23%

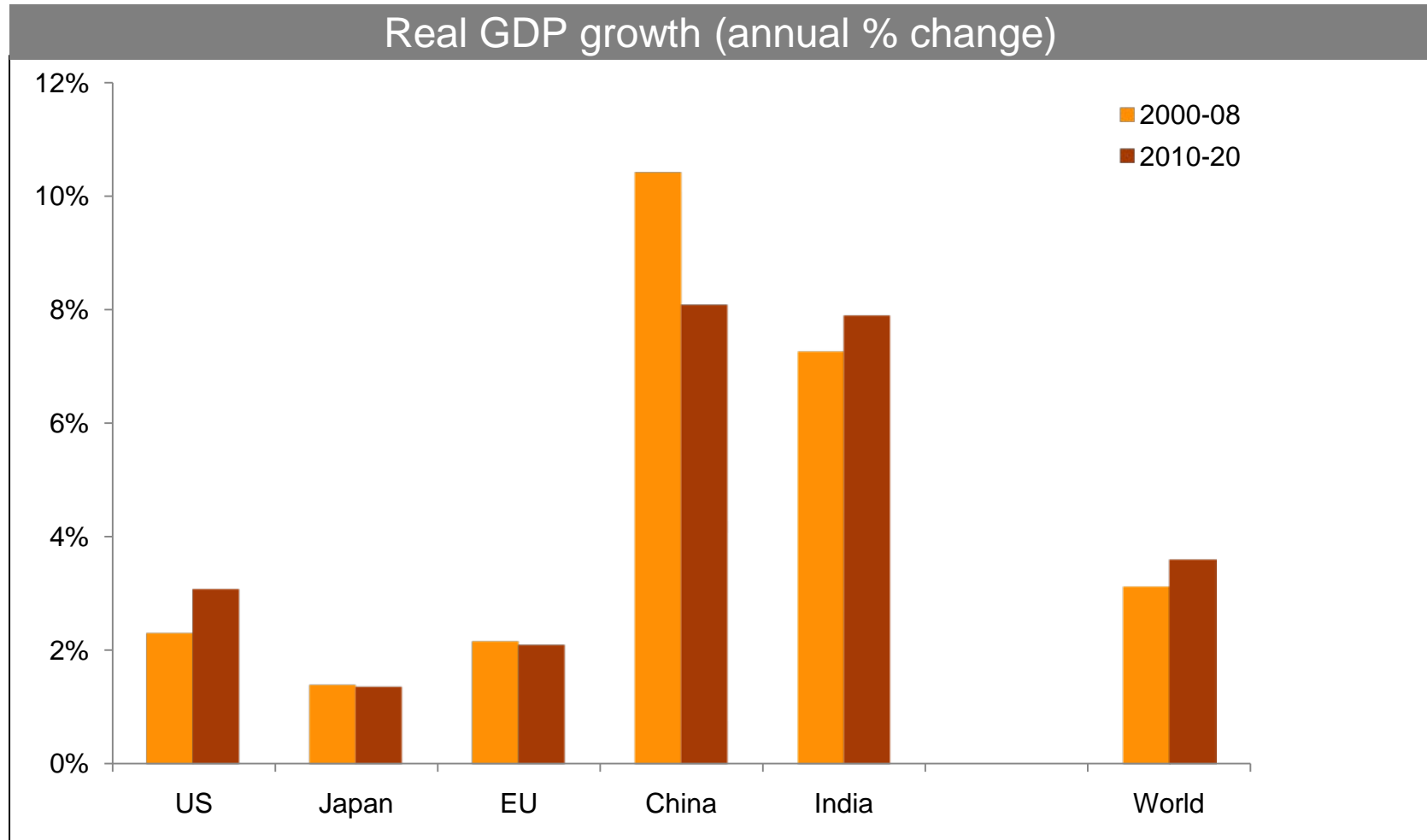
Capital investment & balance sheet

- 2011-2012
 - \$10.0 bn in 2011
 - \$11.0 bn in 2012
 - Brazil, Australia, US and UK focus
- Soundly financed
 - Full access to relevant capital markets
 - 9 year average net debt maturity
 - \$ 3.5 bn committed lines
 - Strong and growing operating cash flow
- Dividend policy in line with long-term earnings growth

Market background

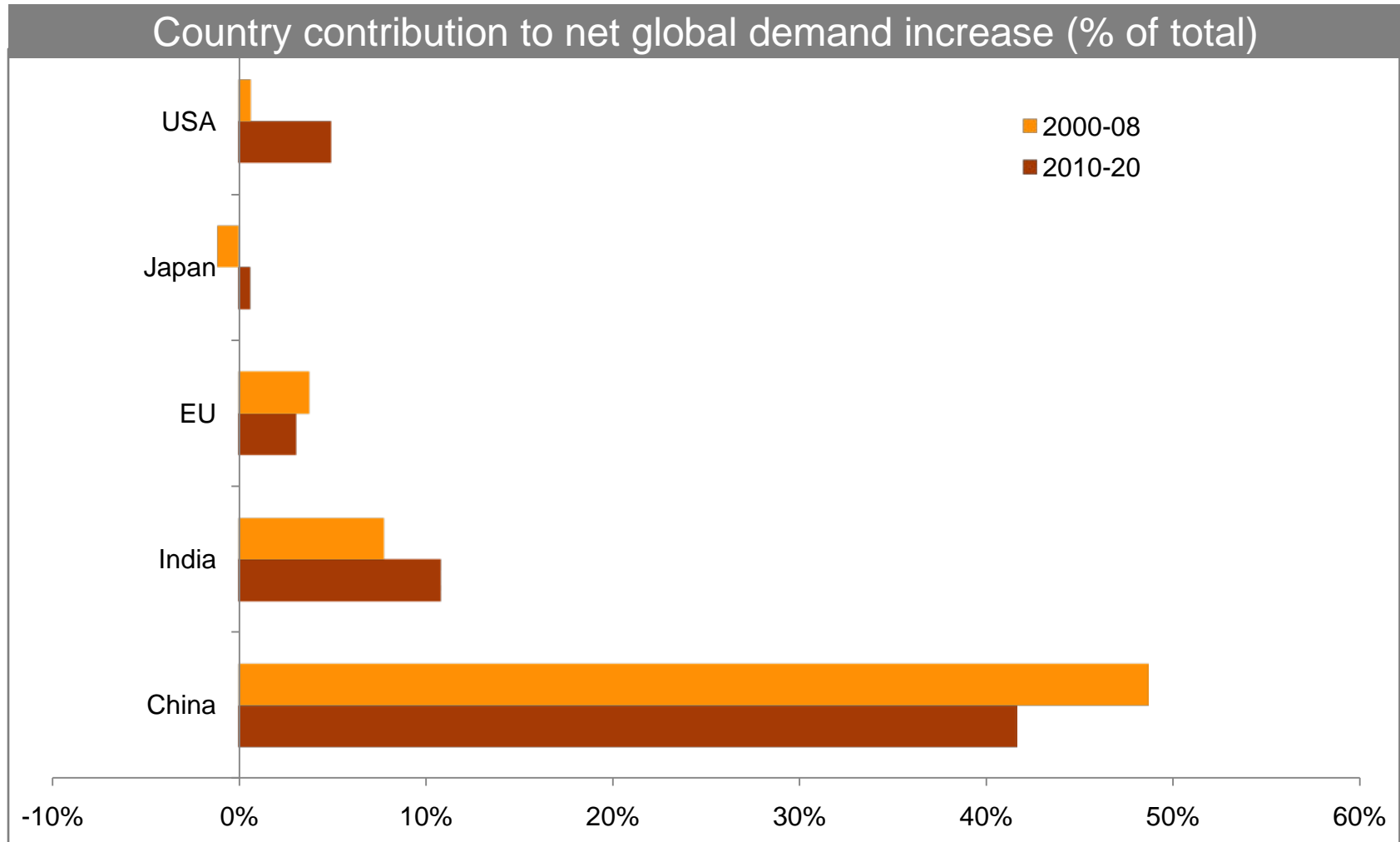


World GDP outlook



Source: Oxford Economics

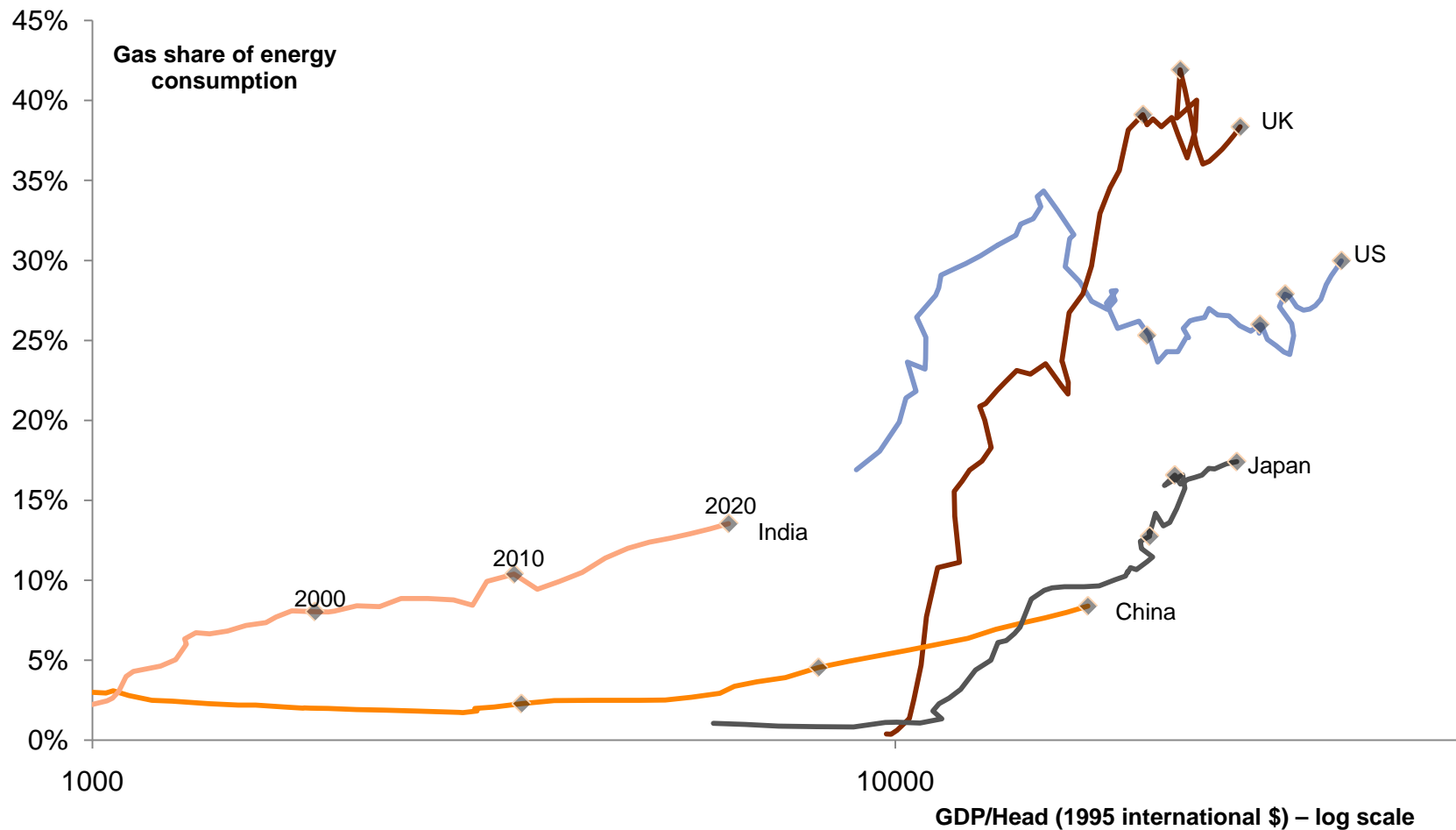
Contribution to world energy demand



Source: Wood Mackenzie Energy Markets Service

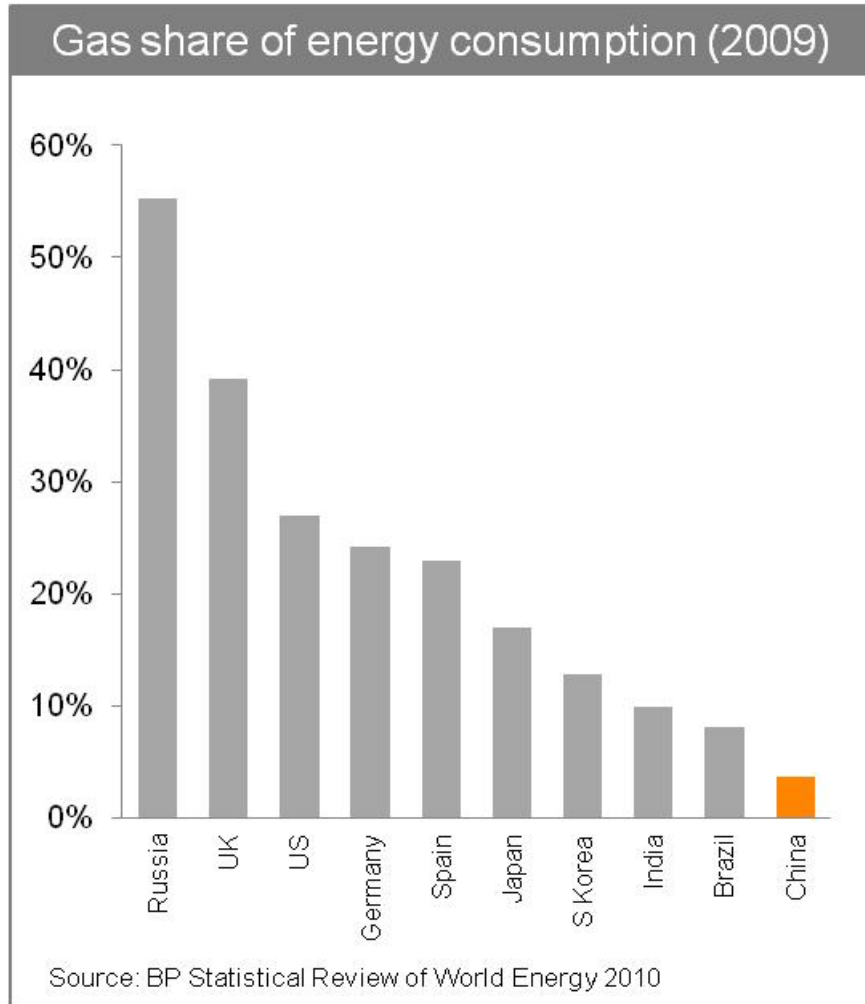
Significant upside for emerging market gas demand

Gas consumption vs GDP/head



Source: IMF; EIA; BG Group forecasts

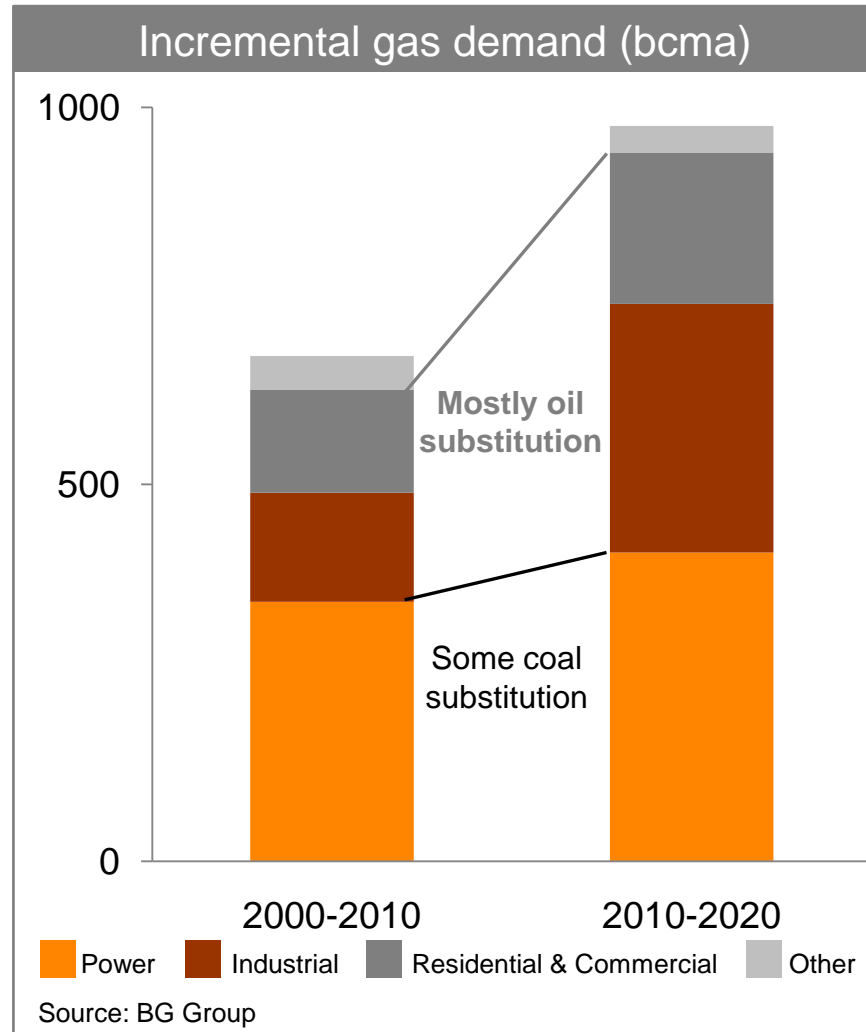
Gas penetration



- China is a key market
 - Gas < 4% of energy mix in 2009
 - Thermal Coal
- 1% gas increase in China energy mix
 - Around 25 bcma increase in demand
 - Equivalent to 4 QCLNG trains
- China gas penetration to India levels
 - ca 150 bcma increase in demand
 - Equivalent to ca 100 mtpa of LNG

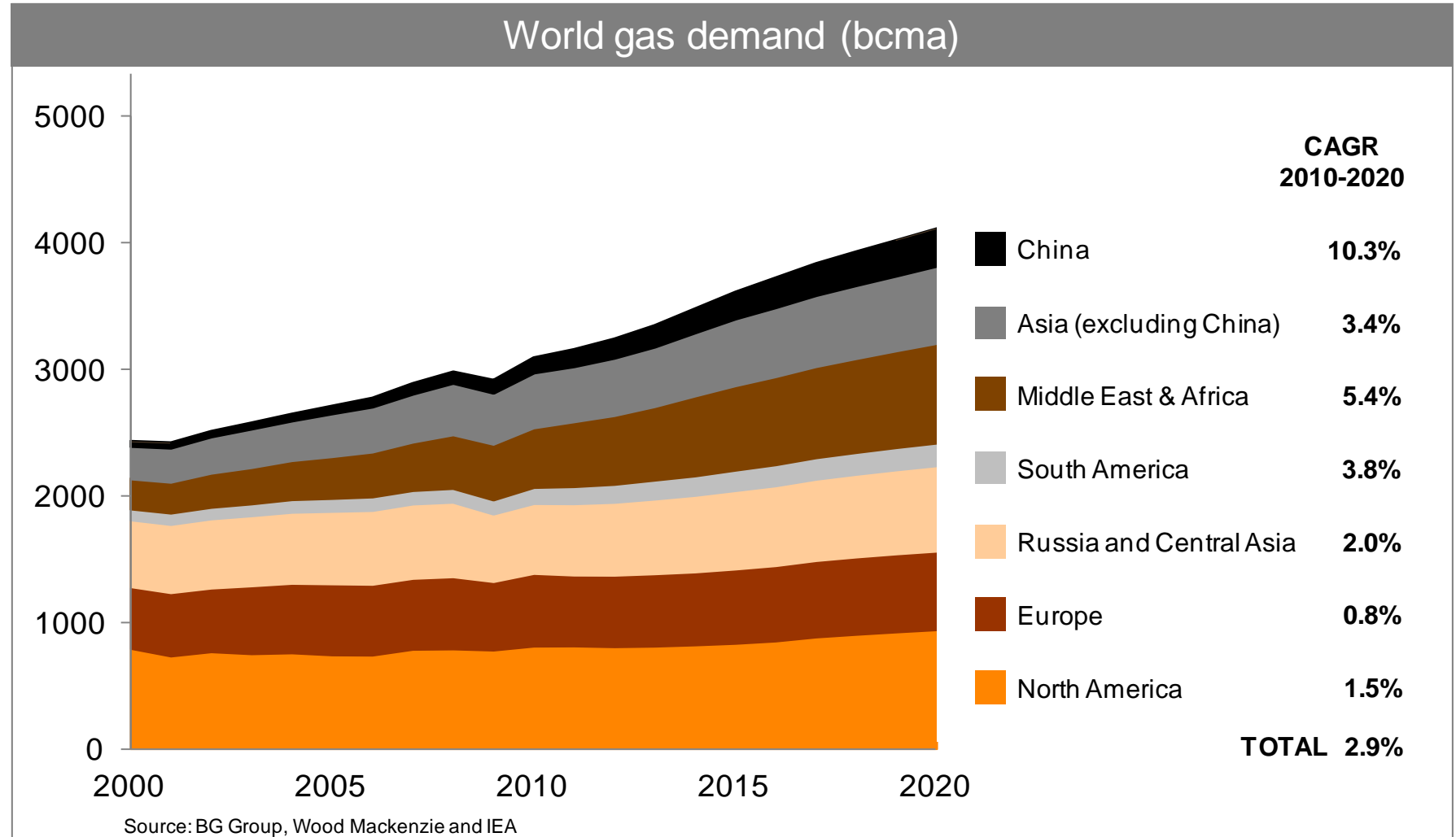
Chinese and Indian gas demand in 2020 (as shown on preceding slide) assumes gas penetration of 8% & 16% respectively

Drivers of gas growth

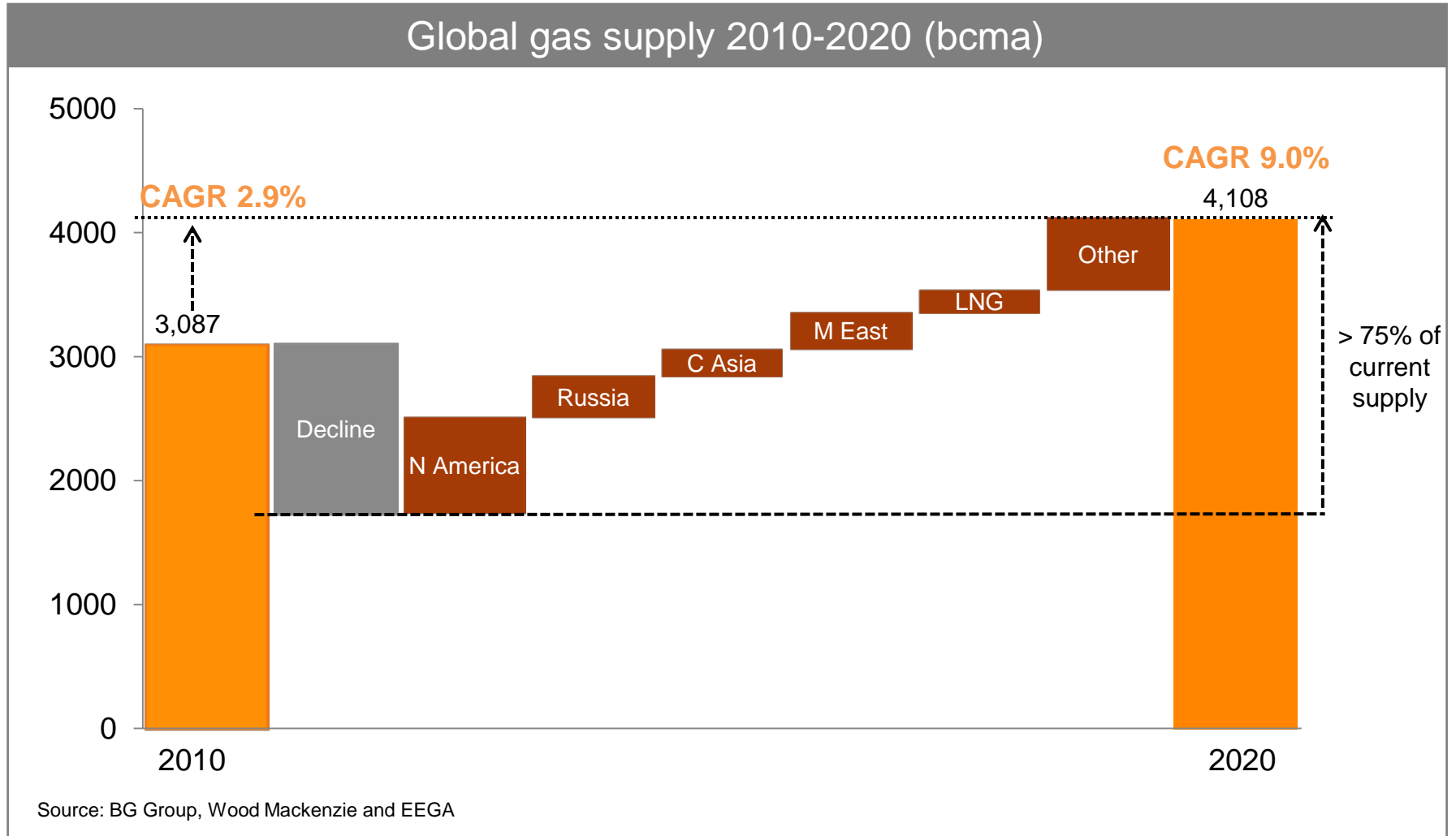


- Past demand growth
 - Driven by coal substitution in power
 - Mainly in developed economies
- Future demand growth
 - Driven by oil substitution
 - In emerging economies
 - Mainly industrial, commercial & residential
- Underpins gas as a premium fuel

Gas demand outlook

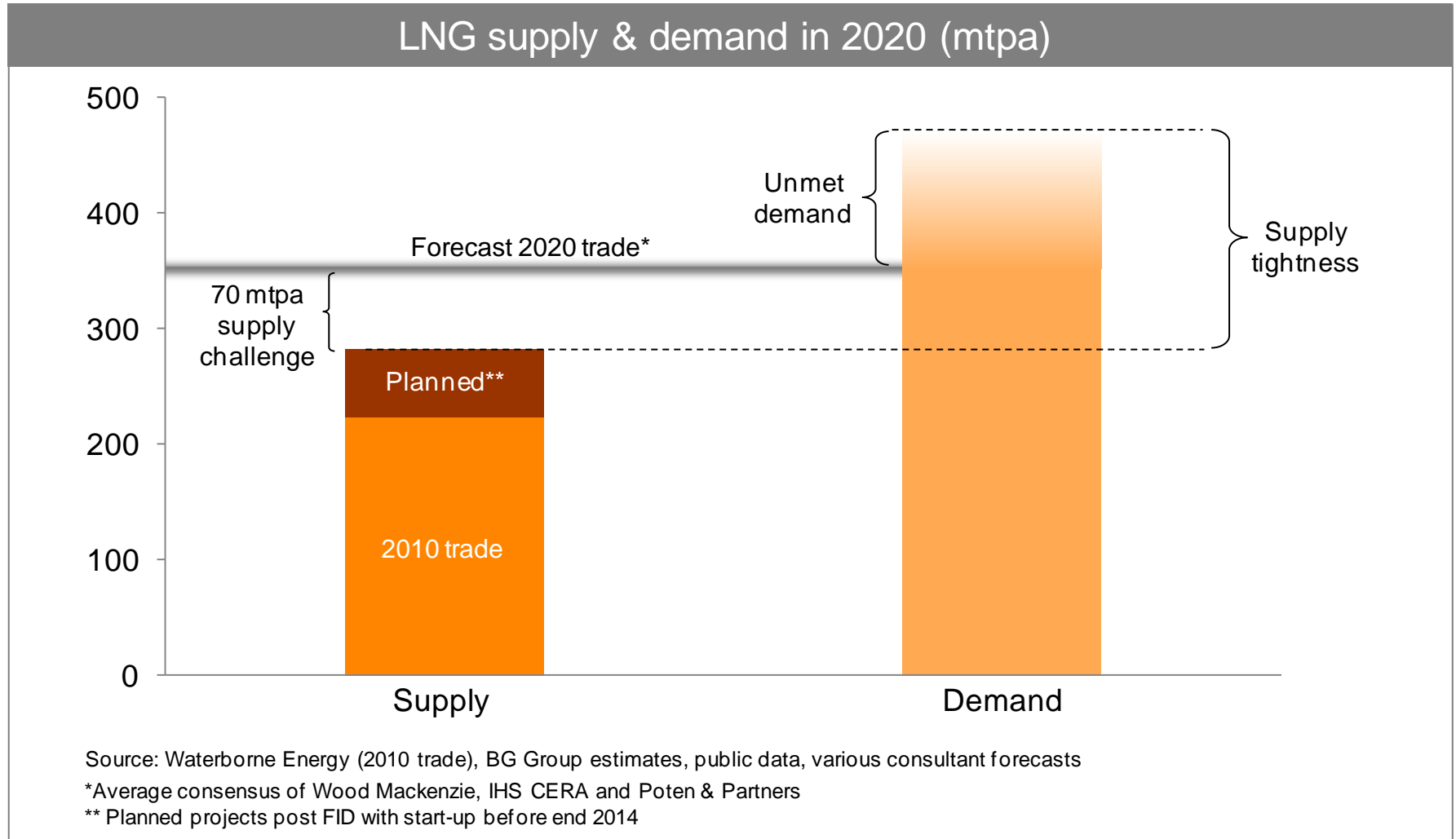


Global supply



New supplies required – more than 75% of current supply

LNG supply & demand (2020)



Key messages

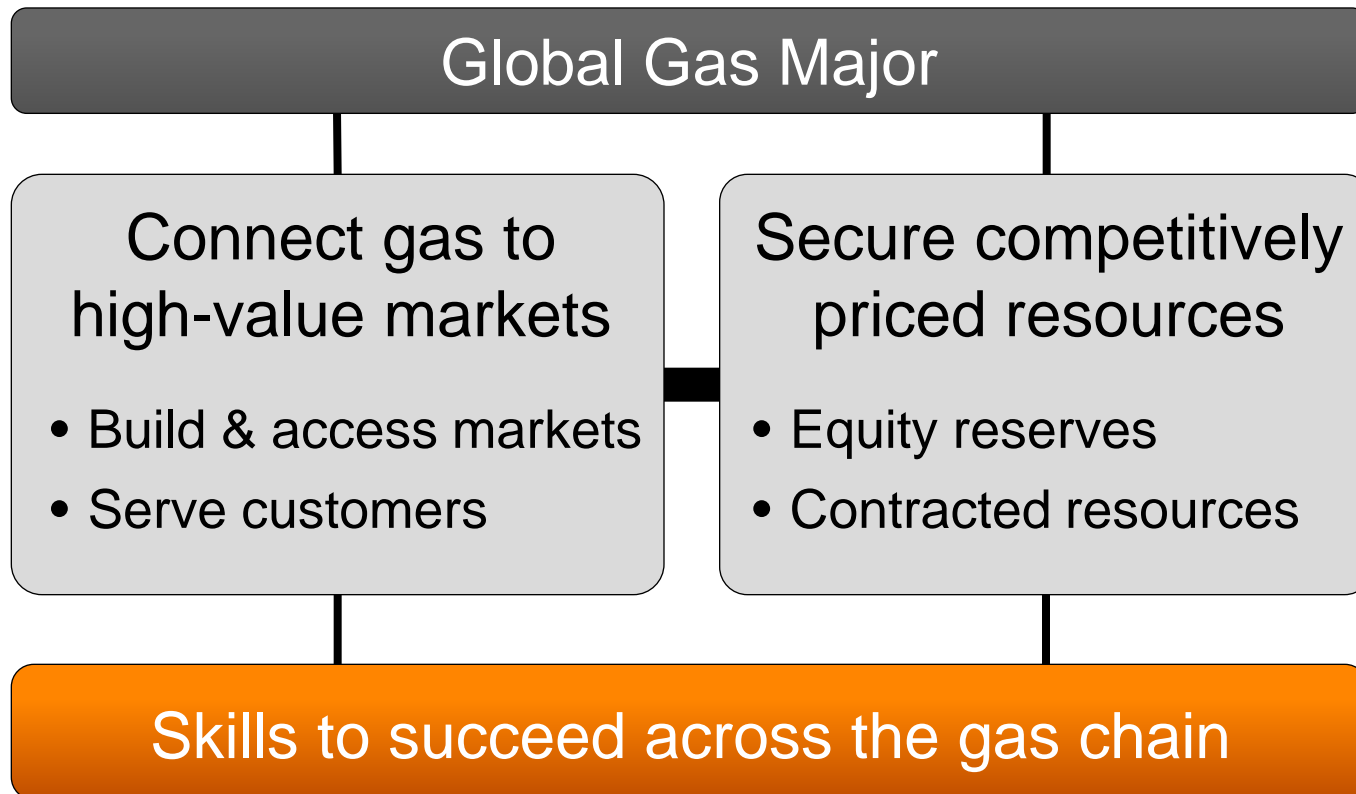
- Strong growth in global demand for energy through decade
- Low gas share of total energy consumption in emerging economies
- Both economic development and fuel substitution drive growth
- Global LNG to grow sharply; constrained by supply not demand
- BG well positioned to take advantage of these opportunities
- Increasing exposure to oil prices

Portfolio for growth

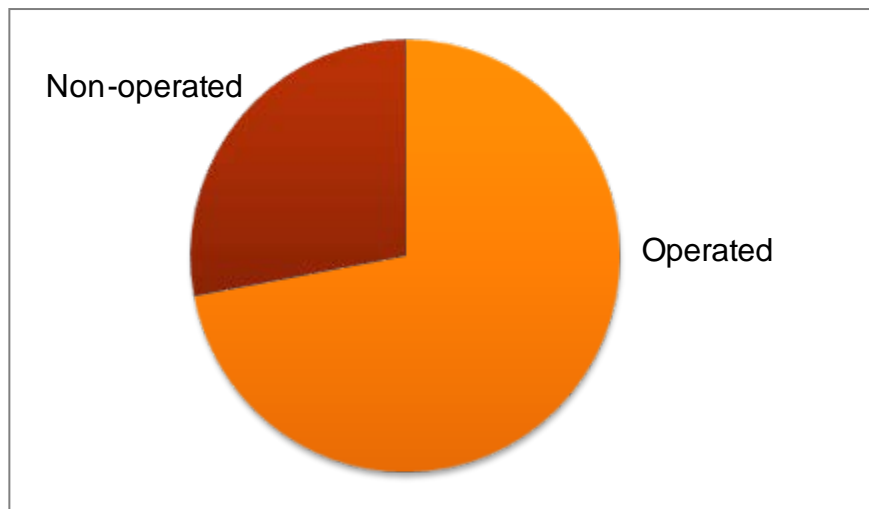
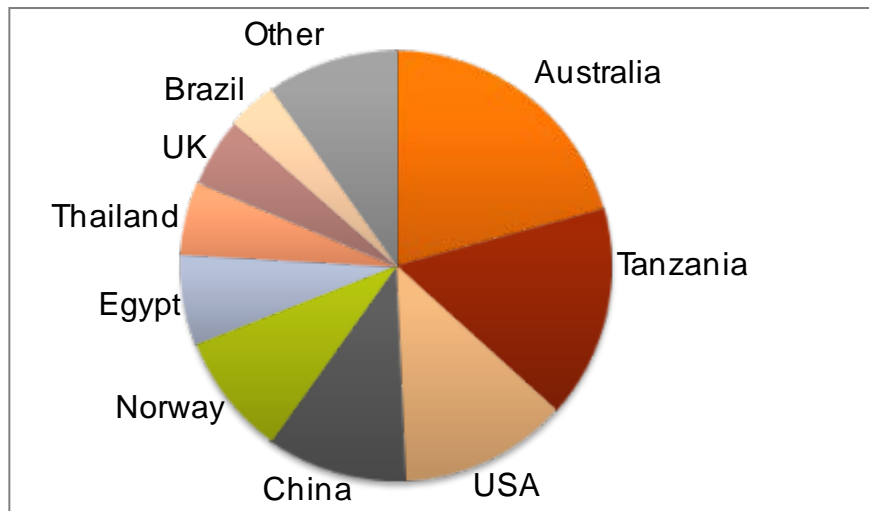
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Clear, effective and resilient strategy



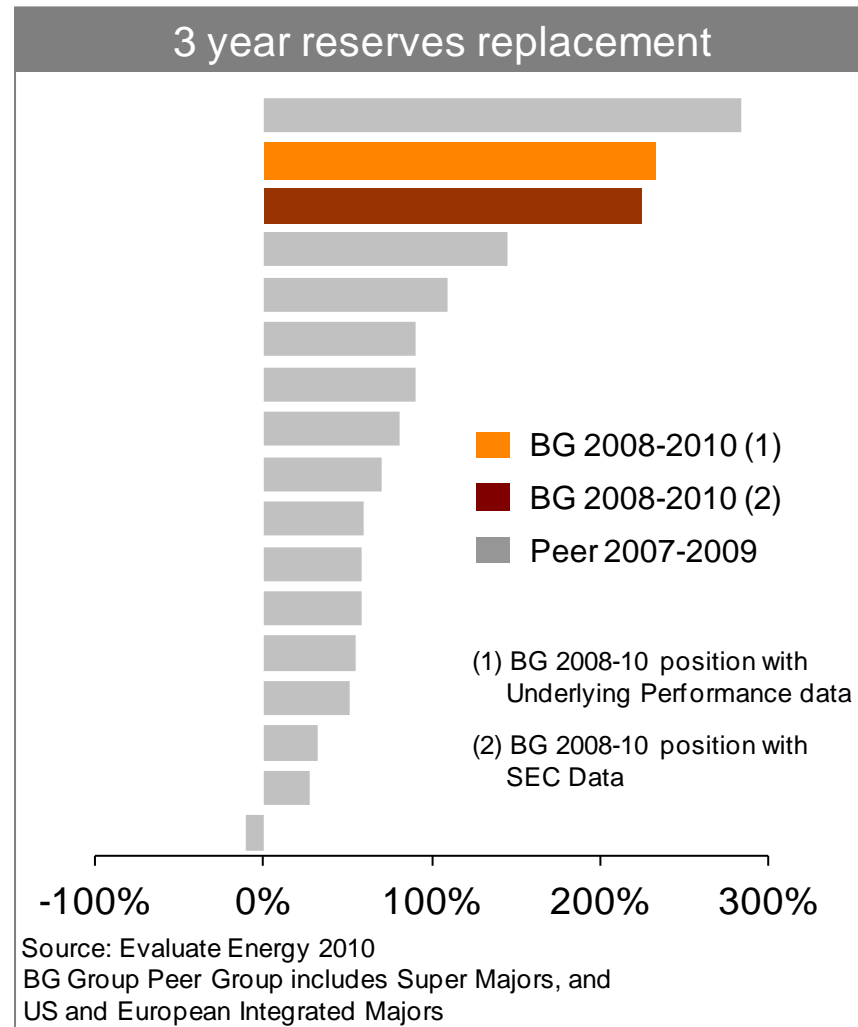
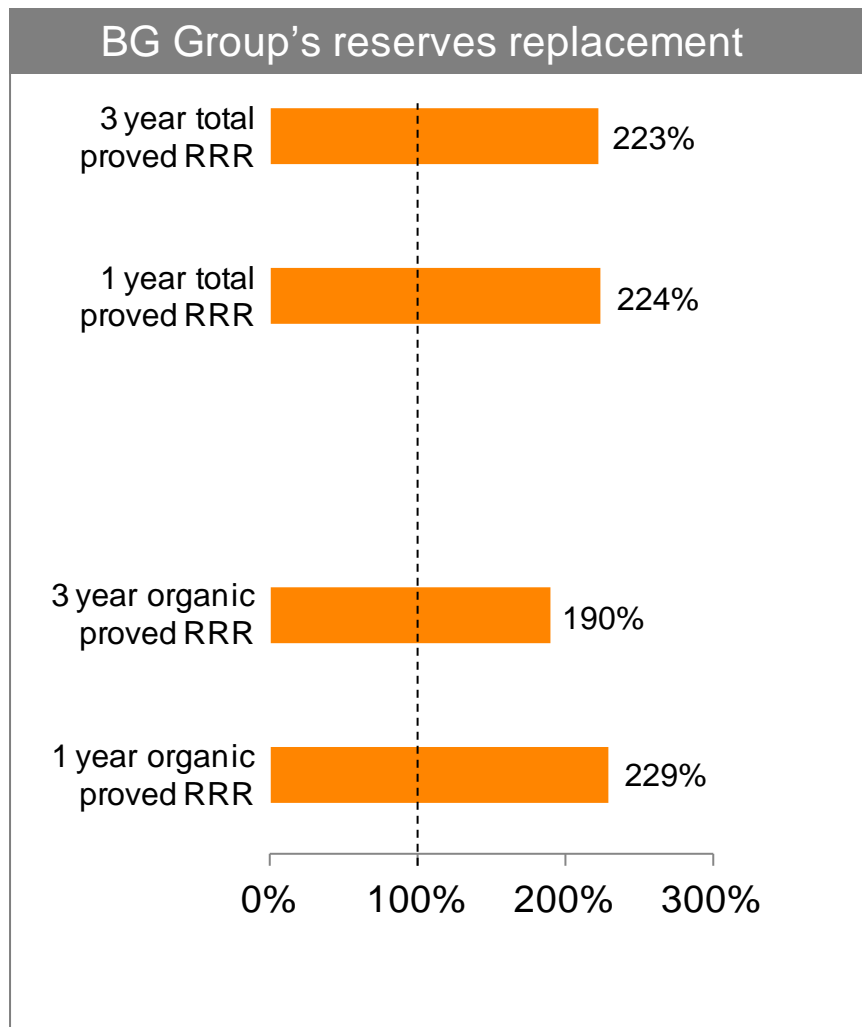
Prospect inventory of resources



- Net risked resources of 3.7 bn boe
 - CAGR 12% 2000-2010
 - > 200 prospects & leads
 - 85% gas related
 - > 60% in established production assets
 - > 70% in investment grade countries
- Total gross unrisked resources 47 bn boe
 - BG net unrisked resources of 19 bn boe
- Operate over 70% of inventory

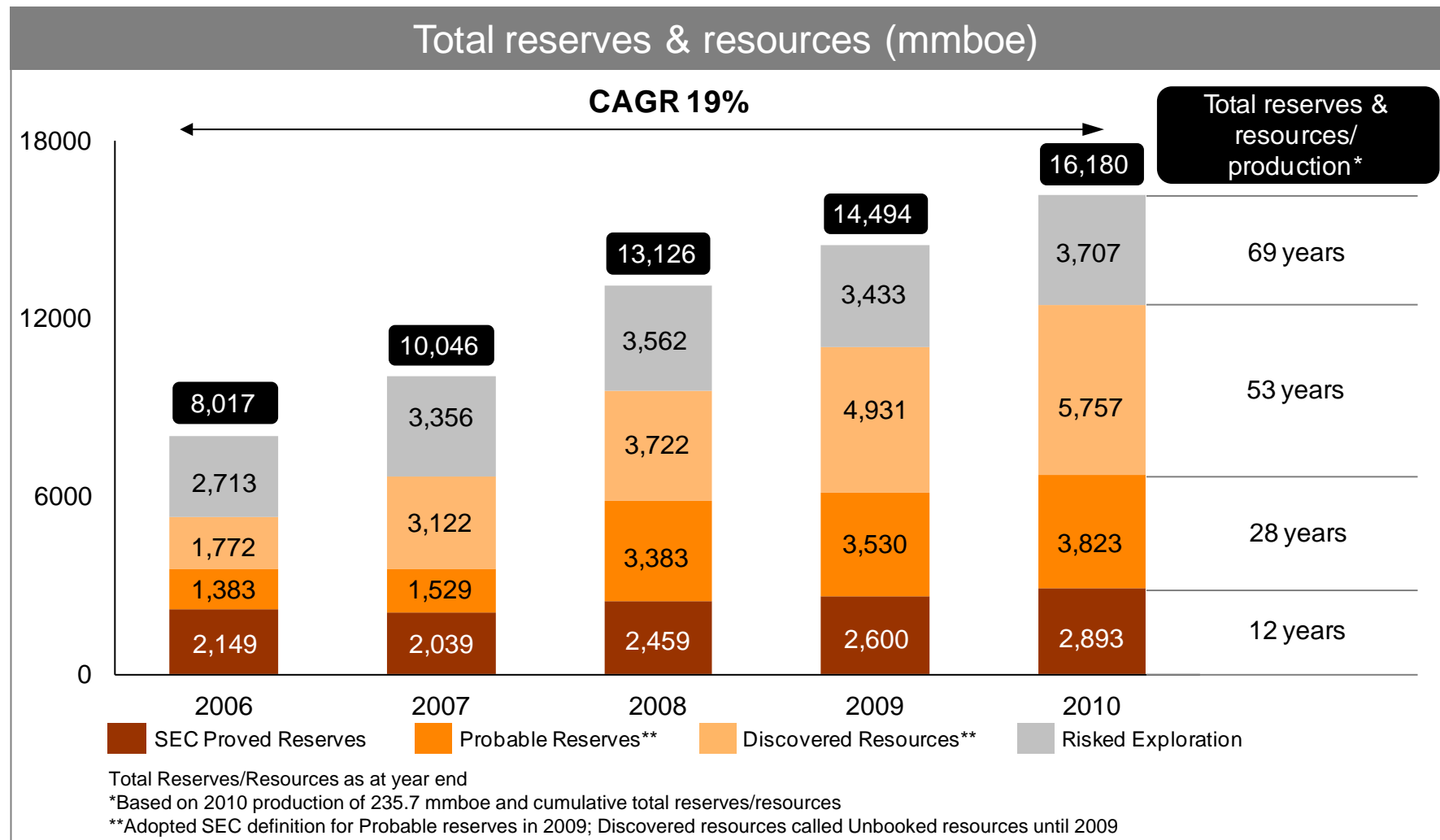
As at 8 February 2011

Proved reserves replacement 2010

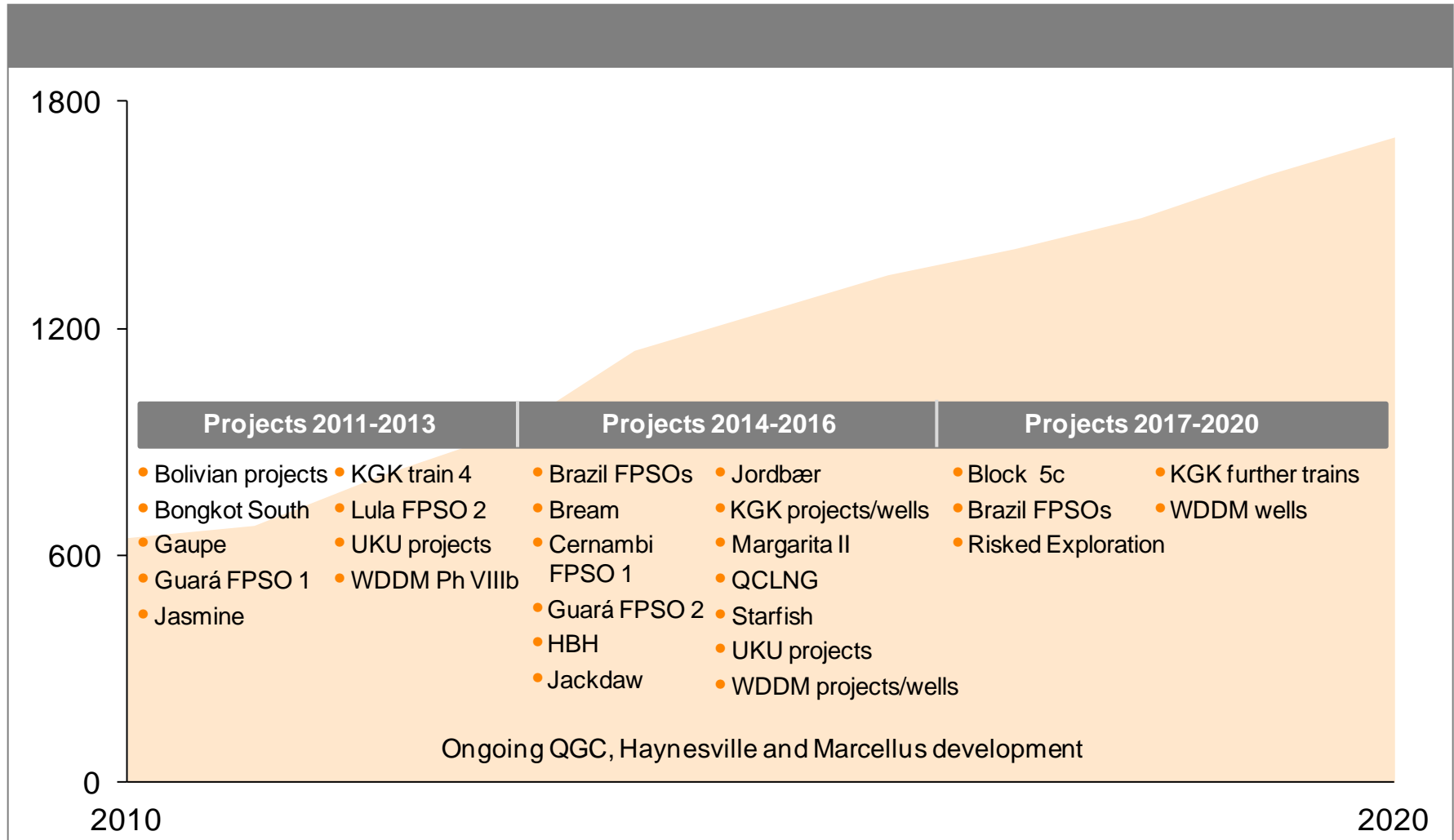


Source: Evaluate Energy 2010
 BG Group Peer Group includes Super Majors, and US and European Integrated Majors

Reserves & resources

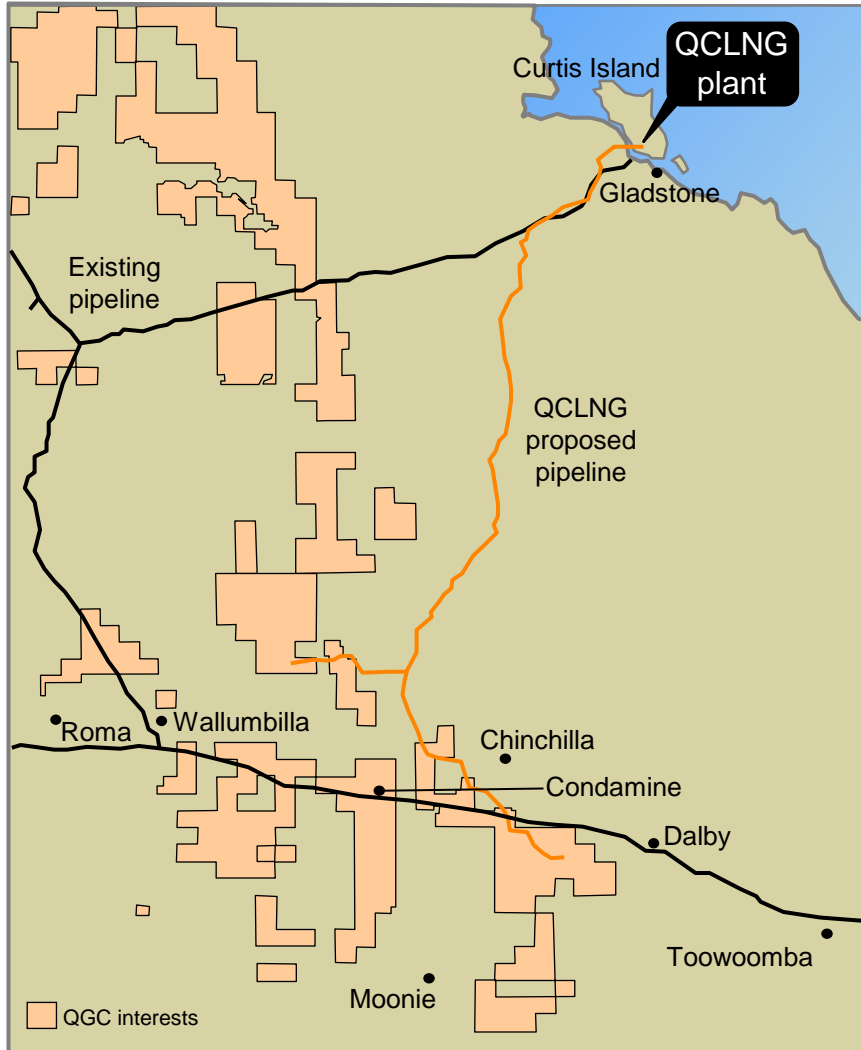


Key projects



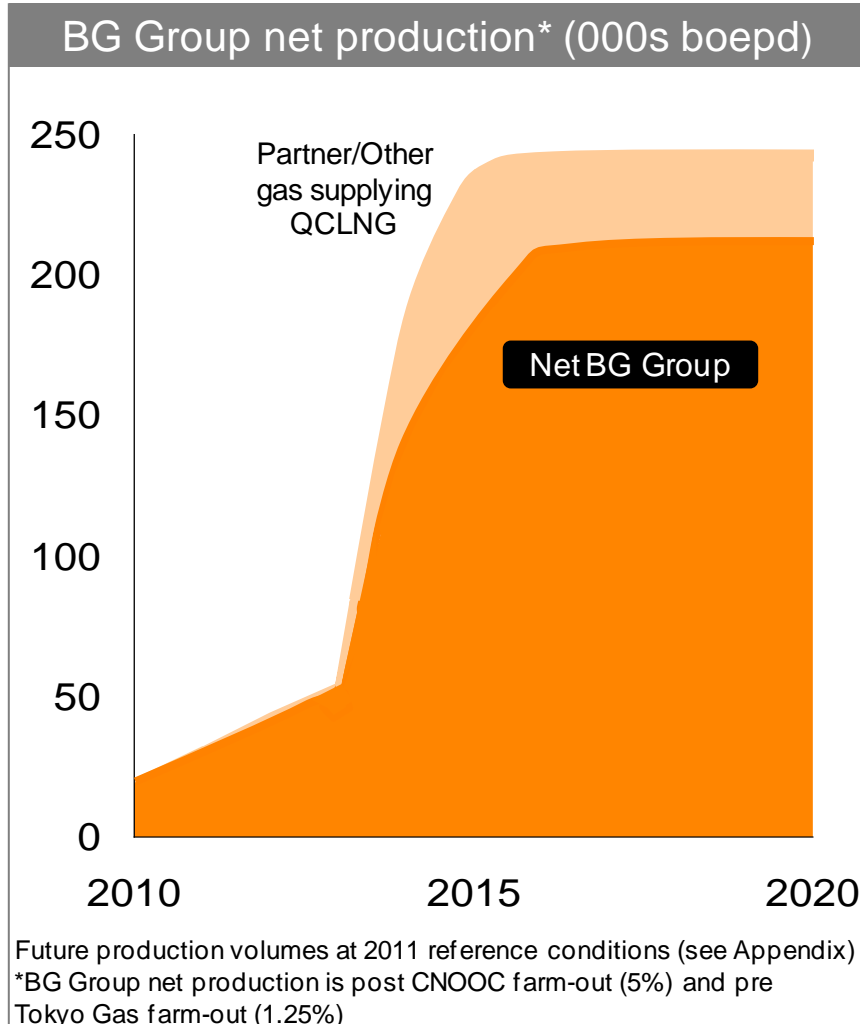
As at 8 February 2011

Australia: 2010 progress



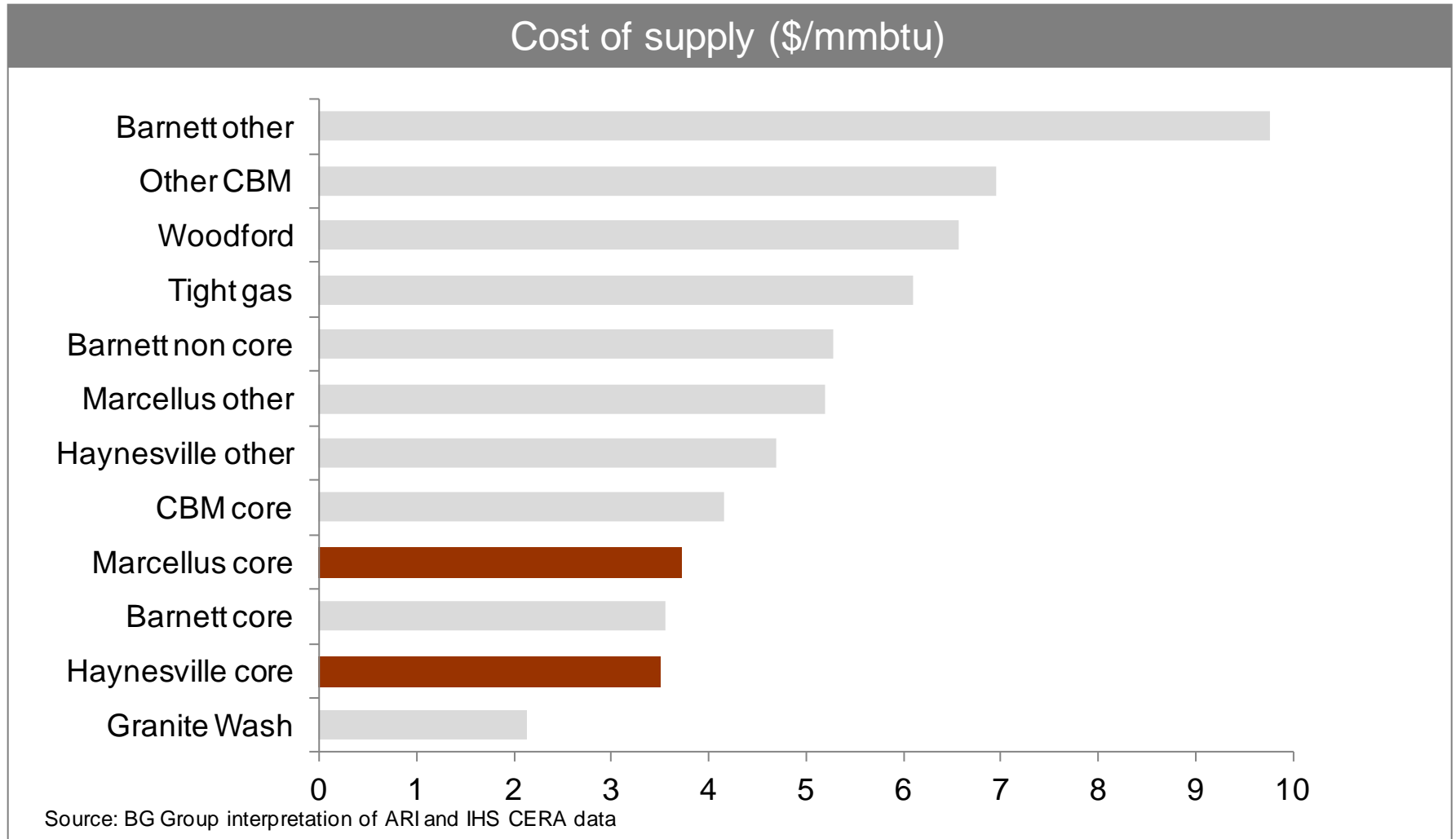
- QCLNG sanctioned October 2010
 - Two trains: 8.5 mtpa
 - Construction underway
 - BG's 7th & 8th LNG trains in 12 years
- \$15 billion investment
- Around 10 mtpa of customer agreements
- Over 2,000 wells by 2014
 - > 6,000 wells over life of project
- 540 km pipeline network

Australia: Production and options for expansion



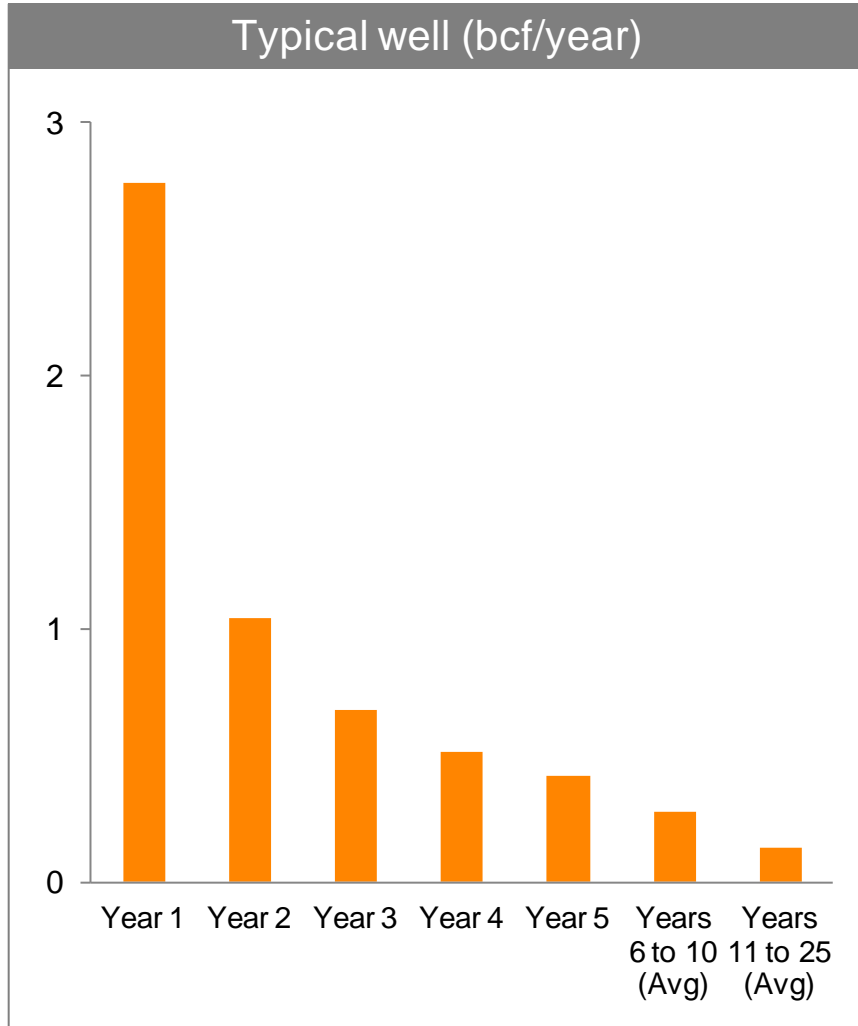
- Net plateau production ca 210 kboepd*
- Expansion potential beyond two trains
- Resources expanded and matured
 - Gross resources increased to 21 tcf
 - Gross 2P reserves increased to 8 tcf
- Midstream infrastructure
 - Scaled to support three trains
 - Permitted for three trains, space for five
- Train 3
 - Enhanced economics potential

US E&P: Shale gas cost of supply



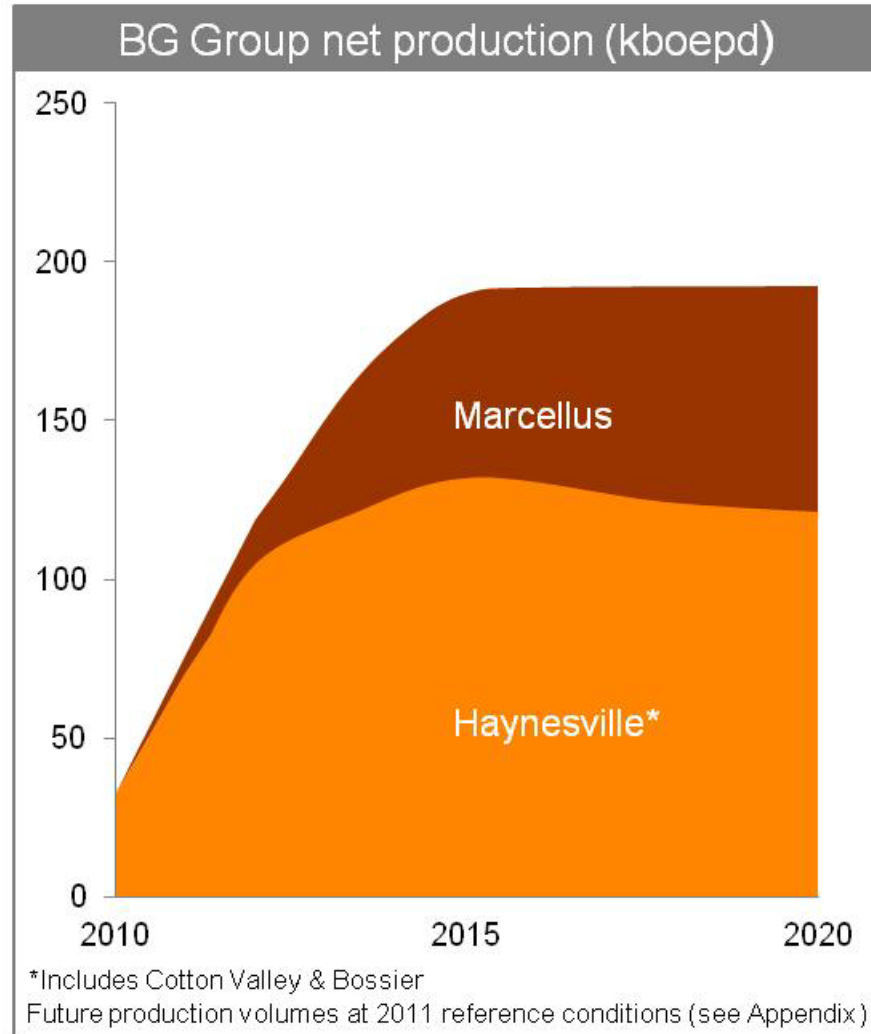
As at 8 February 2011

US E&P: Haynesville core economics



- Average well recovery: 9 bcf
- BG net wells: 275 (2011-15)
- Average well cost \$9m (\$1.0/mmbtu)
- Operating cost: \$1.4/mmbtu
- Unit technical cost: \$2.4/mmbtu
- Economic breakeven \$3.2/mmbtu
- 22 rigs operating during Q1 2011
- 20 mmcf/d avg IP rate (Haynesville core)
- BG net wells ca 675 (2011-20)

US E&P: Production



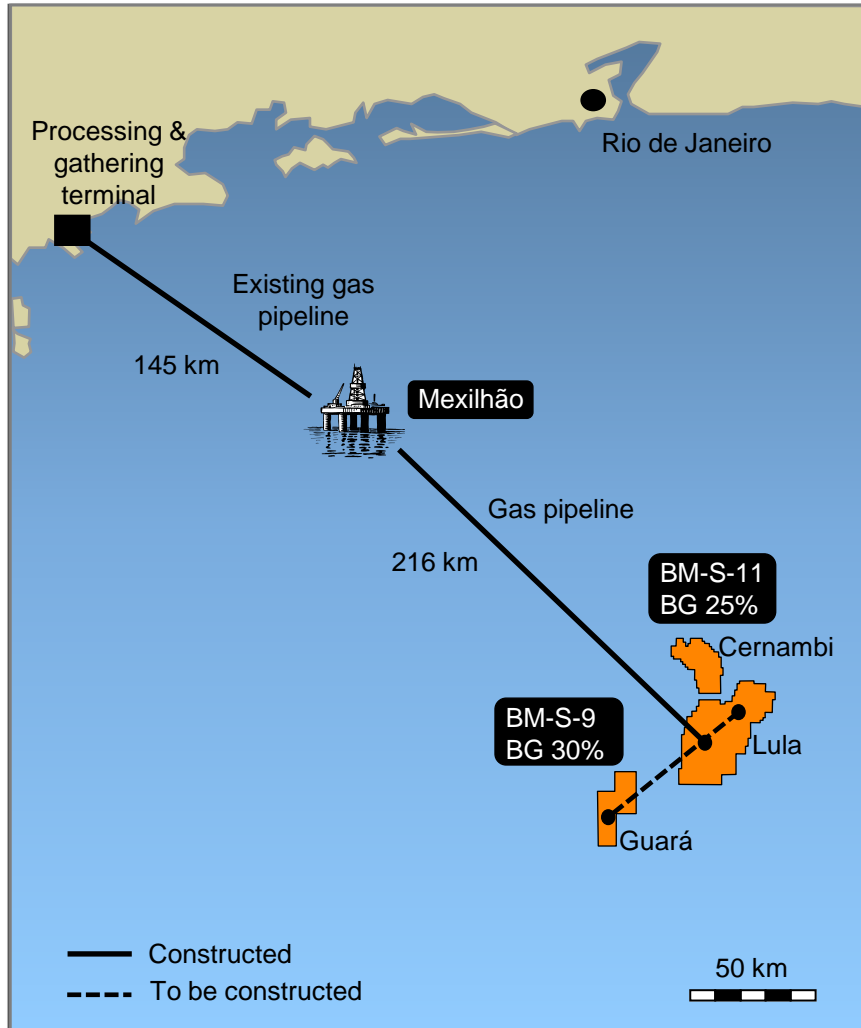
- Rapidly expanding & capital efficient
 - BG total resources 8.5 tcf
- Leveraging marketing capabilities
- Benefit from supply restructuring
- Highest quality areas in Haynesville
 - Core c.80% of production in next 5 years
- Marcellus core area economics
 - Potentially similar to Haynesville core

Brazil: Key developments in 2010



- Lula, Cernambi, Guar resources upgrade
- Low unit technical costs for first 3 FPSOs
- Start-up of first permanent Lula FPSO
- Thirteen FPSOs
 - 1 on stream
 - 10 committed & 2 being tendered
- Plans de-risked, enhanced visibility
- \$13 bn gross capex commitments in 2010
- Excellent operator & JV collaboration

Brazil: First three contracted FPSOs

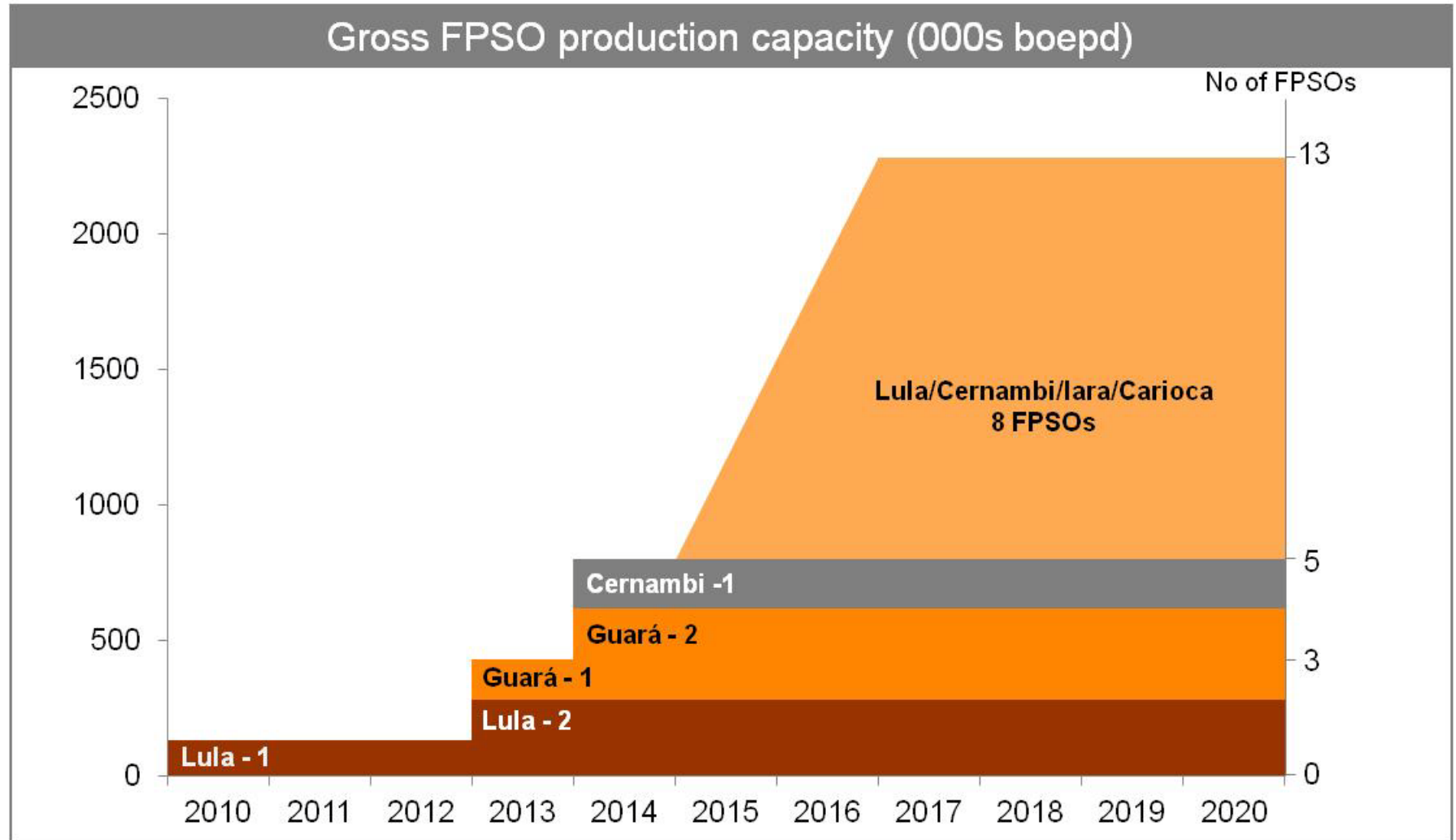


- Average recovery: 750 mmboe/module
 - Doubling original estimates
- Capex*: \$5/boe
- Opex*: \$9/boe
- Sweet crude – Brent parity prices
 - \$4/bbl transportation costs

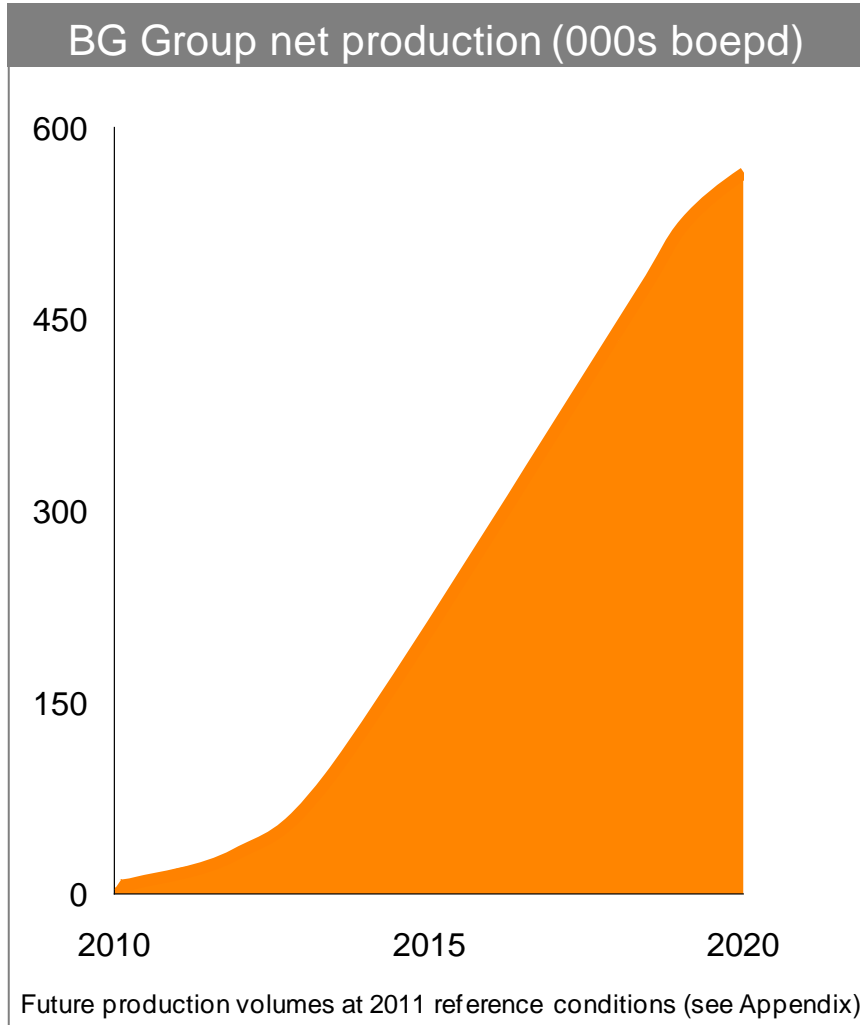
*See definitions in Appendix

As per evaluation and development plan submitted to ANP

Brazil: Gross FPSO capacity



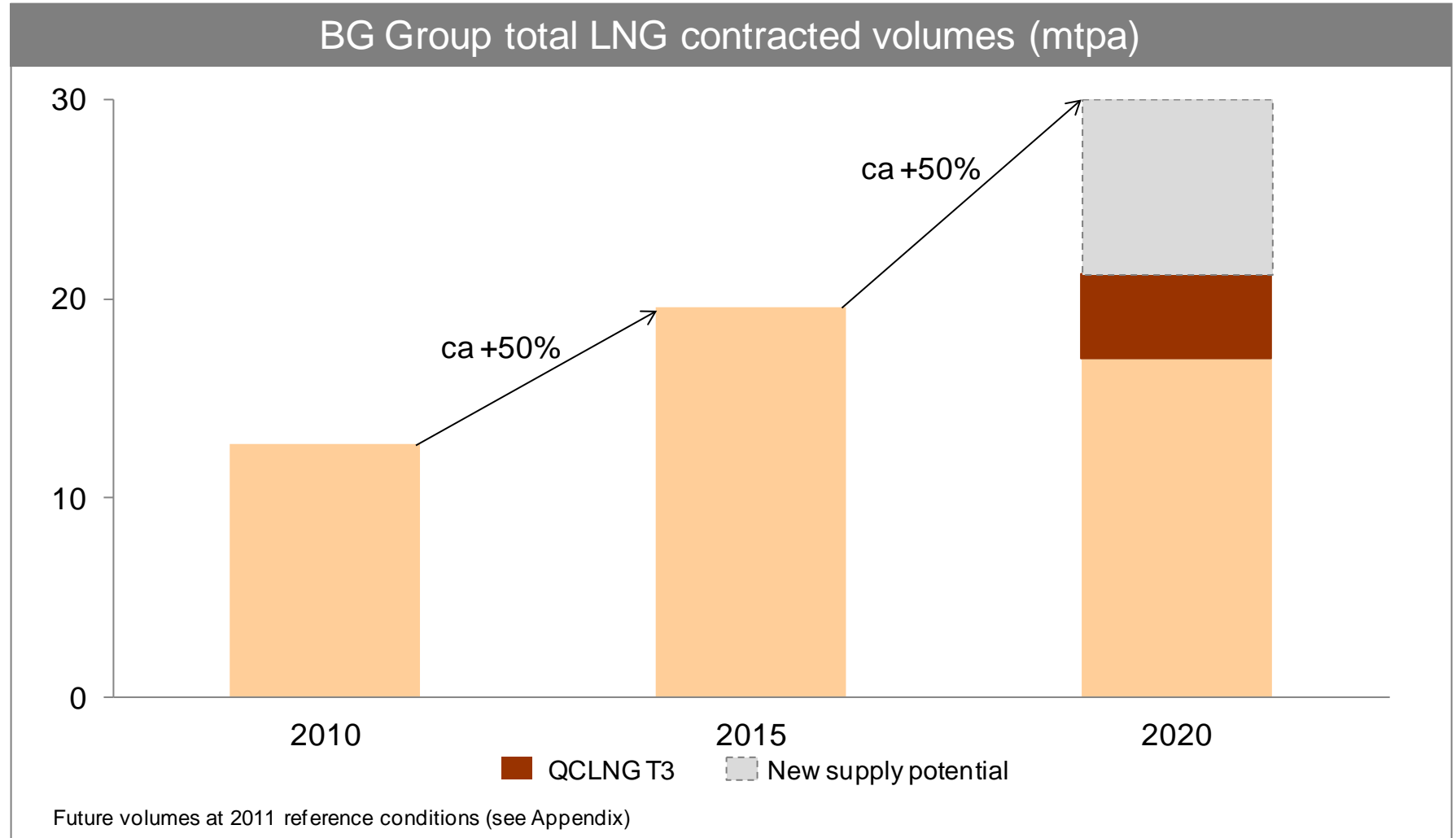
Brazil: Production



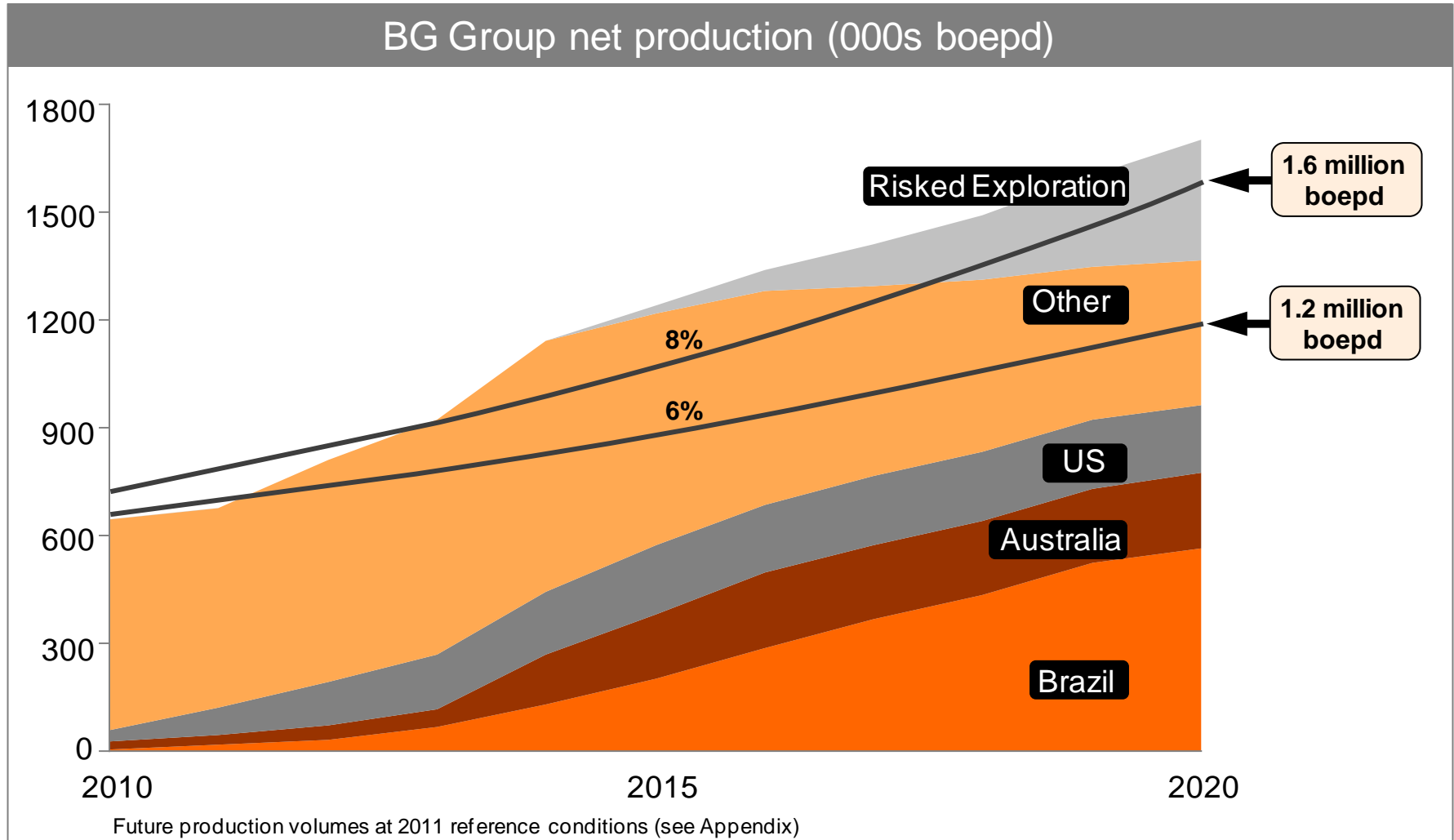
- Net production >550 kboepd by 2020*
- Lula and Cernambi potential upside
 - Enhanced recovery techniques
 - Infill drilling
- Guar Norte production potential of 50 kbopd
- Iara Horst appraisal well successful
- Carioca EWT in 2011
- Material gas resources, gross >14tcf
 - New Lula-Mexilho pipeline installed

*BG Group plan

LNG supply growth options



Long-term production volumes



As at 8 February 2011

Key messages

- E&P: upper end 6-8% to 2020, 7% from existing discoveries;
- LNG: 20 mtpa by 2015; potential 30 mtpa by 2020
- Brazil: > 550 kboepd by 2020
- QCLNG: construction underway
- EXCO JV: 190 kboepd by 2015
- LNG 2011: upper limit of \$1.9-2.2 billion
- Total reserves & resources: up 1.7 bn boe

BG Group: Q1 2011 Results & Strategy

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May 2011



Key assumptions

REFERENCE CONDITIONS

- Brent Oil price US \$70/bbl
- US Henry Hub \$5.5/mmbtu
- US/UK exchange rates of \$1.5:£1
- US/AUD exchange rates of \$1:\$A1.2
- Prepared under International Financial Reporting Standards
- All production includes fuel gas

PRINCIPAL RISKS AND UNCERTAINTIES

- Asset integrity, safety, health and security
- Capital requirements, liquidity and interest rates
- Climate change
- Commodity prices
- Credit
- Delivery of projects
- Environment
- Exchange rates
- Insurance
- Operational performance
- Organisational capacity
- Political context and stakeholder relationships
- Regulation and legislation
- Resources discovery, estimation and development

For a detailed discussion of these and other risk factors, please refer to the Principal risks and uncertainties included in BG Group's Annual Report and Accounts 2010.

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