

Our strategy

Our strategy



BG Group has already secured within its portfolio the opportunities to deliver another decade of strong growth.

Frank Chapman
Chief Executive

BG Group is a major integrated gas company with a record of delivering strong growth by identifying and focusing on specific, high value markets and securing competitively priced resources to connect to those markets.

This strategy remains fundamentally unchanged because it has proven to be robust to developments in the business environment and it continues to deliver value.

BG Group combines a deep understanding of global gas markets with a track record of finding and commercialising reserves. The Group has the people and skills to capture value at any point in the gas value chain, from reservoir right through to burner-tip. We aim to build enduring relationships with key stakeholders by seeking to align the Group's interests with their objectives and priorities. This approach enables the Group to respond to market trends and to target opportunities where value can be created.

Portfolio for growth

BG Group's strong growth is underpinned by assets already onstream which can sustain a firm level of output over a long timeframe. This foundation enables new and existing opportunities to contribute directly to net new growth rather than simply offsetting the decline of legacy assets.

Exploration and Production (E&P) has assets that give the Group a strong base for future volume growth. Assets that were already onstream in 2006 are expected to decline by only around 1% per annum out to 2015. This profile includes firm plans for expansion, which present a significantly lower risk than developments in new settings. In the longer term, the Group aims to sustain strong organic growth through the successful exploration and development of its diverse hydrocarbon resource base.

BG Group has built a durable Liquefied Natural Gas (LNG) portfolio of supply and market access that benefits from longevity, a low cost structure and global flexibility. The Group's existing liquefaction facilities, regasification arrangements and long-term offtake agreements extend out beyond 2020. Additional value is delivered through a combination of flexible supply contracts,

1 Our strategy

INTEGRATED GAS MAJOR

CONNECTING TO HIGH VALUE MARKETS

- Build and access markets
- Serve customers

SECURING COMPETITIVELY PRICED RESOURCES

- Equity reserves
- Contracted resources

SKILLS TO SUCCEED ACROSS THE GAS CHAIN

BG Group has built a diversified portfolio that now includes eight core countries of operation: Brazil, Egypt, India, Kazakhstan, Trinidad and Tobago, Tunisia, the UK and the USA. Three further countries, Nigeria, Norway and Oman, have the potential to become core, whilst other countries, including those recently entered, such as Australia, offer potential for future growth.

1 Our strategy

With the skills to capture value at any point in the gas value chain, BG Group is well-positioned to identify high value markets and secure competitively priced resources to connect to those markets. This integrated approach has enabled the Group to deliver a decade of growth.

2 Future prospects

BG Group has a strategy that has proven to be robust to changes in the business environment. With its broad and deep skill base, the Group has built a diversified, distinctive, long-life portfolio and secured the opportunities to meet its ambition of delivering another decade of growth.

access to multiple markets around the world, control of shipping, low cost infrastructure and the Group's global marketing expertise.

In the downstream, BG Group continues to grow successful Transmission and Distribution (T&D) positions in the developing markets of Brazil and India which complement the development of upstream businesses in these countries. More recently, BG Group has expanded its Power Generation business into the USA. This is a focused move that strengthens the integrated gas strategy downstream of the LNG regasification terminals and is aimed at maximising the value captured from BG Group's LNG supplies flowing into the world's largest energy market.

Taken together, the Group's portfolio, encompassing all business segments, can sustain output over a long period purely on the basis of assets already onstream and their associated expansions. With the development of new opportunities, this portfolio will enable the Group to sustain growth over the next decade.

Business environment

With this strategy and portfolio, BG Group is positioned positively to respond to key trends in the business environment.

Oil and gas prices remain high and may well have moved to a level which represents a long-term structural shift. This enhances the Group's revenue streams and is accompanied by a high rate of conversion of price to operating cash flow. This enables the Group to grow and, at the same time, to continue to increase dividends.

However, high prices have also driven increases in costs and project cycle times. In the face of these trends, BG Group's existing low cost asset base is economically robust over a wide range of prices and costs.

Demand for LNG has continued to outpace the growth in supply, resulting in market tightness across the industry, and this has enhanced the value of the Group's large, low cost and flexible supply portfolio.

Meanwhile, governments in resource rich countries are increasingly focused on balancing their domestic priorities against the value

Success in E&P

BG Group's growth is driven in large part by sustained success in Exploration and Production. Excluding discoveries 100% operated by National Oil Companies (NOCs), over the last ten years, the Group has been involved in five of the 15 largest discoveries in the world.

2007 was no exception, with an extensive exploration programme of drilling and seismic activity. The Group completed 20 wells, yielding 12 successes, including Tupi Sul and Carioca in Brazil, Jasmine North Terrace in the UK, six wells in Thailand, and a well on Huacaya in Bolivia. Around 10 500 square kilometres of 3D seismic and 14 500 line kilometres of 2D



seismic were acquired, spread over surveys in ten countries.

In 2007, the Group added around 2 billion boe to its reserves and resources base^(a), a 25% increase through the year. The reserves and resources base^(a) has increased by 42% over the last two years, and now totals more than 10 billion boe.

In aggregate, BG Group now has 46 years of reserves and resources potential^(a) at 2007 production rates, spread across a variety of geographical areas and plays, within existing operations and in new frontiers.



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derived from exports. In response, BG Group continues to seek to understand governments' aims, and, where possible, to align the Group's objectives with theirs by bringing an integrated approach to realising governments' upstream and downstream ambitions.

Resource renewal has become strategically important to many in the industry. BG Group has continued to increase its E&P resource base and is firmly focused on actively exploiting this through the delivery of its exploration strategy.

(a) For an explanation of these terms, refer to page 125.

Our strategy continued

Success in LNG



BG Group is strongly positioned in LNG, having established a competitive portfolio of assets, largely ahead of the current inflationary cost cycle. The durability of this competitive, low cost position is supported by the longevity of the Group's assets, with commercial arrangements and supply agreements which extend to 2020 and beyond.

In addition, the Group has a goal to build a supply portfolio of at least 20 mtpa by the middle of the next decade and has already identified a number of expansion opportunities. The Group's deep understanding of global LNG markets and relationships with LNG producers should



help ensure third-party volumes continue to be attracted to its facilities under the right market conditions.

This business model enables the Group to serve customers in high value markets around the world. For example, in 2007, BG Group sold cargoes to nine countries and marketed about 50% of all Atlantic Basin cargoes sent to Asia. BG Group also supplied 55% of the LNG entering the USA during 2007.



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2 Future prospects

BG Group has built a portfolio of long-life assets able to sustain existing levels of performance well into the next decade. Development activity is focused on enhancing and building new value around these assets whilst also progressing new and existing growth opportunities.

Building core positions

Eight countries now form the core of BG Group's portfolio, namely Brazil, Egypt, India, Kazakhstan, Trinidad and Tobago, Tunisia, the UK and the USA. BG Group has built these significant operations largely through organic growth and by carefully targeting opportunities with enduring value creation in mind. The Group has also developed a diverse range of skills that enable it to compete in onshore and offshore developments, including conventional environments, deep water, carbonates and tertiary deltas, high pressure/high temperature (HPHT) and tight gas plays. Legacy downstream skills have been deployed into growing distribution businesses in developing economies, whilst its technical, commercial, marketing and shipping skills have been deployed to establish the Group's global LNG business.

The combination of this broad and deep skill base, and a portfolio which includes projects and opportunities at various stages of development, has the potential to support BG Group's growth ambitions well into the next decade.

For example, at Karachaganak, in Kazakhstan, the fourth stabilisation train is scheduled for start-up in 2009 and is designed to increase export capacity to 10.3 mtpa and gas sales to 9 bcma. Front-end engineering and design (FEED) on the significant Phase III project is more than 50% complete and sanction is planned for this year. The goal is to develop 2.4 billion barrels of additional reserves, targeting first production in 2012.

Brazil demonstrates how the Group's strategy of adding new assets in core countries can enhance growth potential. Here, the Comgas

distribution business continues to deliver strong growth at the heart of one of the fastest growing economies in the world. In the upstream, the appraisal success on the Tupi discovery in the pre-salt carbonate play, and exploration success on Carioca, offer the prospect of a material enhancement in the Group's future growth prospects.

In the UK, the development of multiple opportunities, such as Jasmine, via the Group's existing infrastructure, aims to extend the Group's UK production plateau of 50 mmbob to 2012. With exploration and enhancement of existing assets, including the Buzzard field, there is potential to extend this plateau to 2015.

Production from the Panna/Mukta and Tapti fields in India has doubled since the Group took over technical operations five years ago. Panna has been a notable success with developments and an extensive infill drilling campaign increasing production by about 25% in 2007. With around 900 mmbob of hydrocarbons in place, the Mukta field also shows considerable upside potential, and in time, the Group hopes to repeat the Panna successes in this field.

In Tunisia, the development of the Miskar field continues and the Group's second development, Hasdrubal, is on schedule with first production planned for 2009.

In Global LNG, the Group believes the outlook will continue to be positive, with enhanced margins from global marketing in a supply constrained environment. In addition, the Group's US asset base, which was acquired at a low point in the cost cycle, together with its relationships with producers and its marketing skills, provide a sustainable competitive position to attract new supplies. For example, there is potential to add up to 4 mtpa from the Group's recently announced alliance with Queensland Gas Company Limited (QGC) in Australia, as well as further volumes from already identified Nigerian projects at various stages of development. Over time, new import terminals under

development in Europe and South America will also add to the Group's global market options.

Potential material growth areas

In Nigeria, BG Group is building an offshore exploration portfolio. The Group currently holds licences in two offshore blocks and has signed two separate farm-in agreements for which it is currently seeking government approval. In addition, work is currently underway to optimise the development of the four-train Olokola LNG (OKLNG) liquefaction project, in which BG Group owns a 14.25% shareholding.

Since entering Oman in 2006, progress has been made on Abu Butabul with the acquisition of 3D seismic and the commencement of appraisal drilling operations. The Group has drilled the first well in an appraisal programme that it expects to consist of at least eight wells.

In Norway, the Group has built a portfolio of 22 E&P licences, 14 of which are as operator. During 2008, a programme of five wells is planned, consisting of four exploration wells and an appraisal well on the Bream discovery.

Other countries in the portfolio offering potential for further growth range from established operations in countries such as Egypt, Thailand, Trinidad and Tobago and Tunisia to new countries where the Group is at an early stage of development, for example, Algeria and China.

BG Group now produces more than 40% of all gas supplied in Egypt, split broadly equally between domestic supply and LNG. The West Delta Deep Marine and Rosetta assets continue to be developed, and exploration drilling on the El Burg and El Manzala prospects is planned to start later this year.

A successful exploration campaign on Bongkot South in Thailand saw estimated gross reserves^(a) increase to 1.2 tcf, sufficient to underpin a stand-alone development, with sanction planned for this year, and first production planned for 2011.

In Australia, the Group also recently announced an alliance with QGC, a leading coal seam gas company with significant assets in the Surat Basin. This is a proven hydrocarbon province with substantial reserves potential. QGC and BG Group intend jointly to develop domestic market opportunities and a new LNG liquefaction plant on the east coast of Australia, and to co-operate in further upstream development.

A focus on exploration

Replacing production and accessing new opportunities remains a significant challenge for the industry. However, BG Group has experienced notable success in this area. The Group's exploration programme added over 2 billion boe to total reserves and resources^(a) in 2007. The most significant additions were to un-booked resources^(a) and to the Group's risked exploration^(a), which now stands at around 3.4 billion boe of risked exploration resources.

During 2007, seismic surveys were completed in Algeria, Brazil, Canada, China, Libya, Nigeria, Norway, Oman, Trinidad and Tobago and the UK. A key objective for the Group in 2008 will be to firm-up further proved and probable^(a) potential within the portfolio. As a consequence, the Group plans to drill more than 40 wells during 2008, with a strong emphasis on appraisal and near-term production.

In summary, the Group intends to deliver another decade of growth. It has already secured within its portfolio the opportunities to achieve this ambition and is now focused on delivering this potential.

(a) For an explanation of these terms, refer to page 125.