

# Sanford C. Bernstein Strategic Decisions Conference

BG GROUP



## Chris Finlayson, Chief Executive

1 October 2013



FPSO Cidade de São Paulo

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# Key messages

- BG committed to delivering industry leading growth in shareholder value
- Strategy is clear and being executed
- Delivery of growth projects is on track and on budget
  - Will deliver improved margins, cash flow and returns
  - Free cash flow generation begins in 2015
- Committed to capital discipline; value over volume

# Our strategy

## BG Group

High growth E&P and LNG company

**World class  
exploration &  
unique LNG  
business**

**Actively manage  
our portfolio to  
reinvest in growth**

**Prioritise value  
over production**

**Focused portfolio  
of 10-15 high  
quality assets**

**Focus on areas  
where we have  
competitive  
advantage**

**Lean & agile  
organisation**

# Strategy to deliver shareholder value

Strong growth in E&P and LNG volumes

Proportion of production with cash margins > \$50/boe to triple over next 5 years

Earnings to grow faster than production

Capital expenditure to fall to \$8-10bn pa from 2015

Monetise via production or sale up to 50% of discovered resources in 10 years

Positive free cash flow from 2015 & increasing return on capital employed

Return cash to shareholders in medium term

# Strong financial outlook: current programme\*

## 2015 volumes at current equity levels

- Group E&P production: 775-825 kboed
- Total LNG offtake: 17-20 mtpa

## Financial outlook

- Cash margins of > \$50/boe to triple to over two-thirds of total production
- High margins in Brazil & Australia
- Earnings to grow faster than production

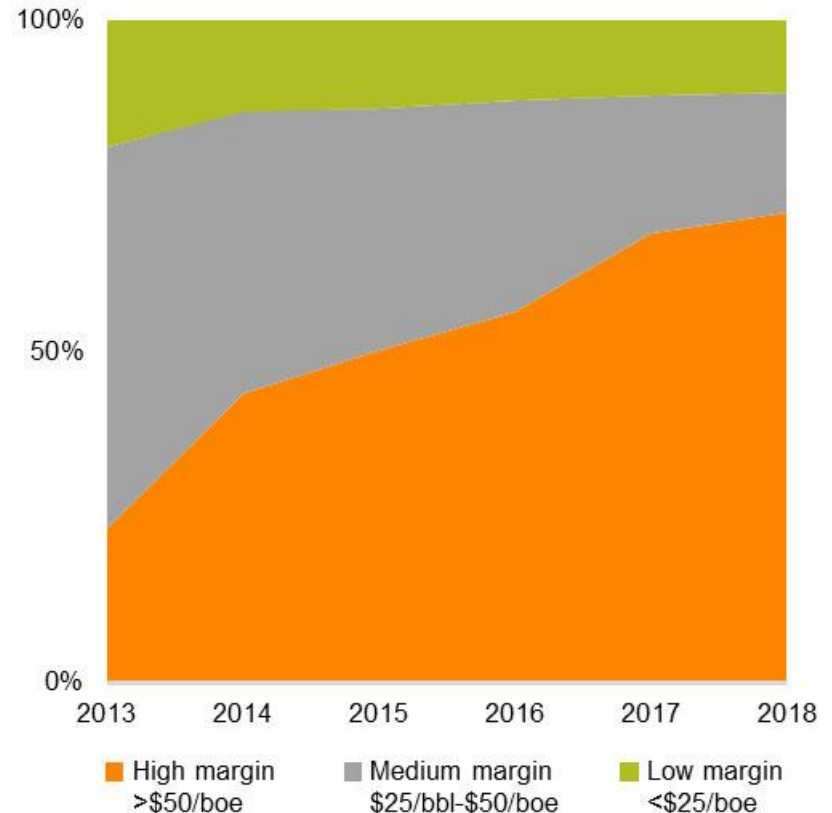
## Lower capex

- 2013-14: ~\$12 bn pa
- 2015-16: \$8-10 bn pa

## Increasing return on capital employed

- Higher % of capital in production

## % of production by EBITDA\*\*/boe

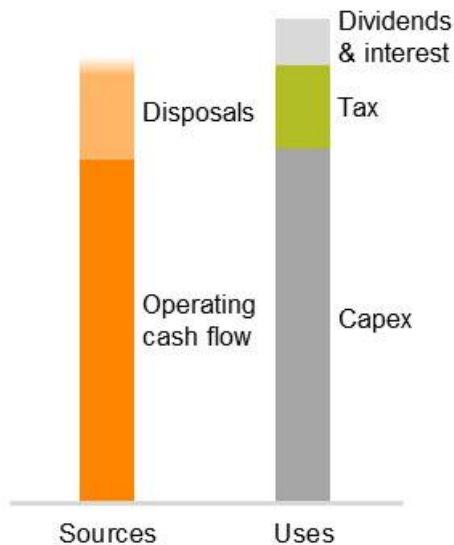


\* Includes Base assets, Brazil 15 FPSO programme, QCLNG T1/T2 and Sabine Pass.

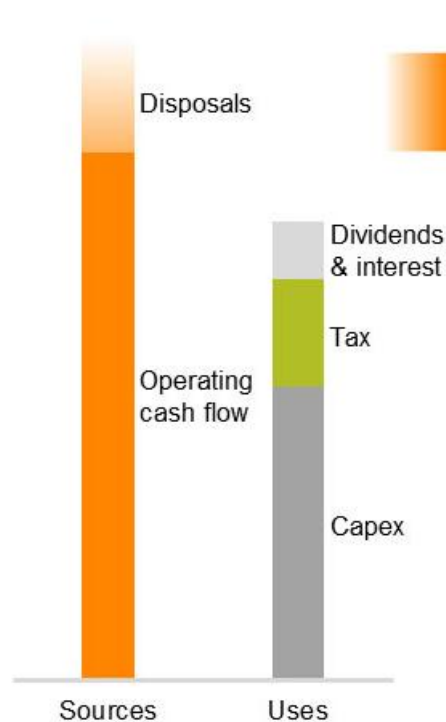
\*\* Current programme: Includes both Upstream & equity LNG marketing margins  
At 2013 reference conditions (see Appendix to 2013 Strategy Update presentation)

# Higher margins, lower capex lead to free cash flow

2012-2014 cash flow



2015-2017 cash flow



- Maintain strong balance sheet
- Invest in further growth
- Return cash to shareholders

# Strategy in action

- Delivery of milestones and key growth projects
- Exploration and LNG strategies – significant progress being made
- Committed to active portfolio management
  - Sell-down of QCLNG, Cotton Valley
- Capital discipline
  - Maintaining low US rig count



## Delivering 2013 milestones: progress to date

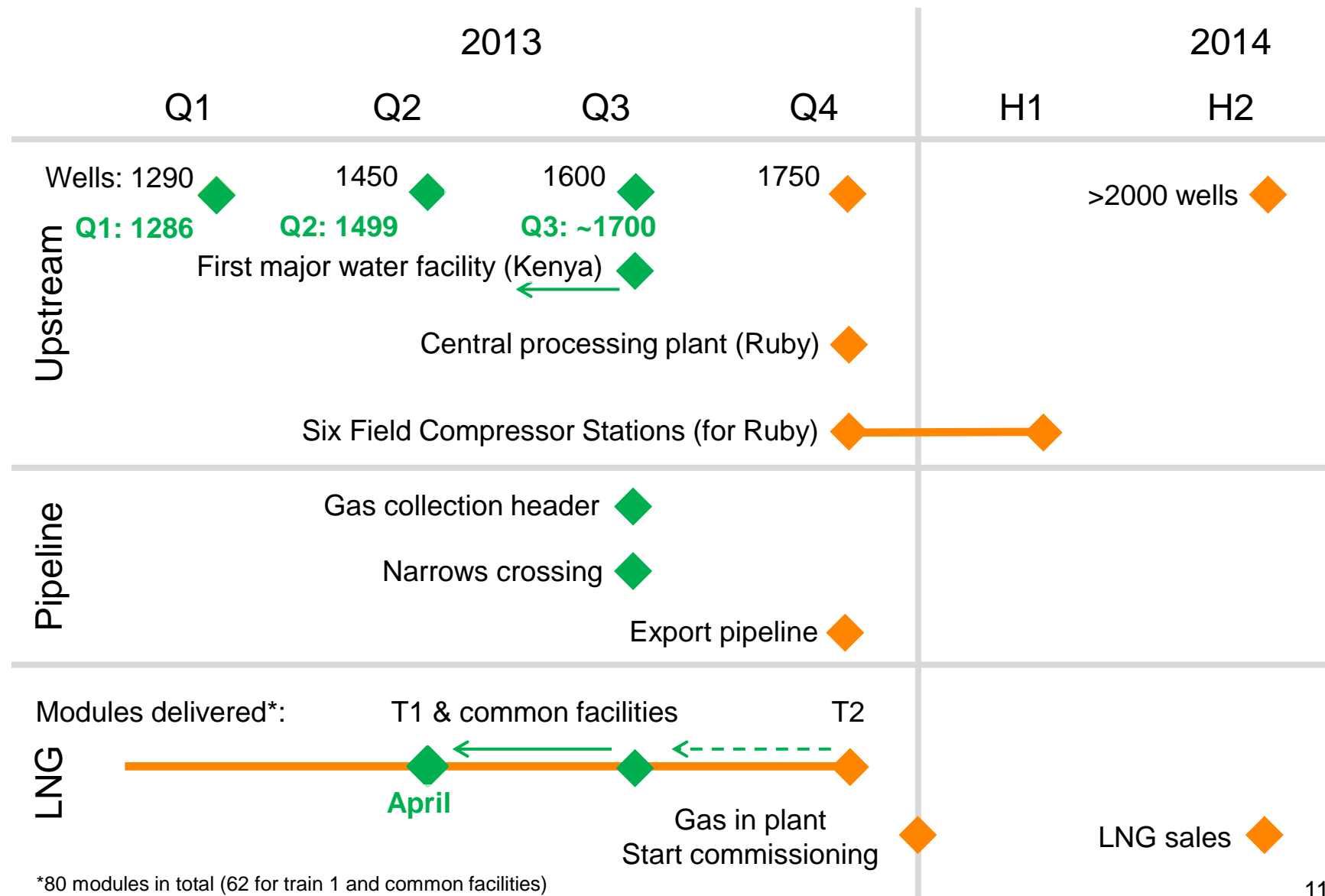
- Brazil FPSO 2 onstream ✓
- Everest East expansion onstream ✓
- Elgin/Franklin production re-start ✓
- Brazil FPSO 3 onstream ✓
- Karachaganak planned shutdown ✓
- Bongkot North Phase 3K onstream ✓
- Margarita Phase 2 onstream ahead of Q4 target ✓
- UK shutdowns, complete by end October
- Itaú Phase 2 onstream in Q4
- Jasmine onstream in Q4

# Australia: QCLNG Train 1 & LNG tanks

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# Australia: QCLNG milestones being delivered



\*80 modules in total (62 for train 1 and common facilities)

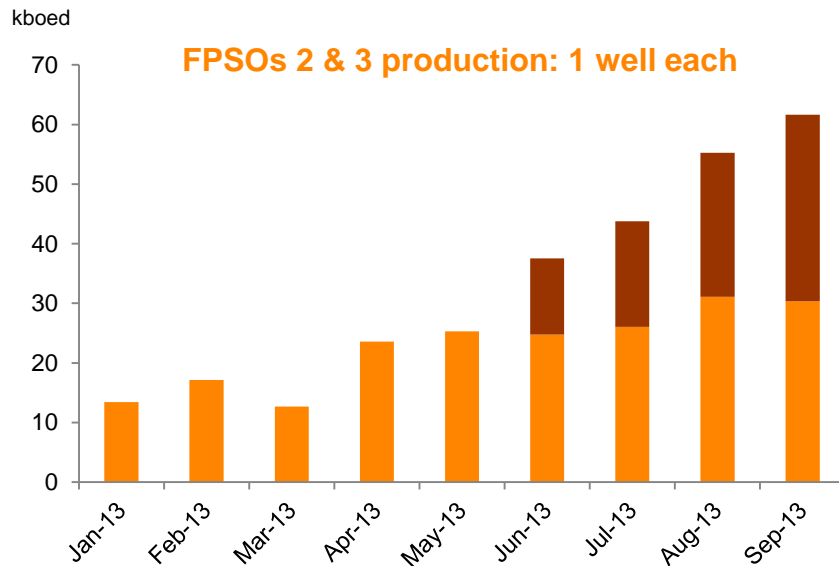
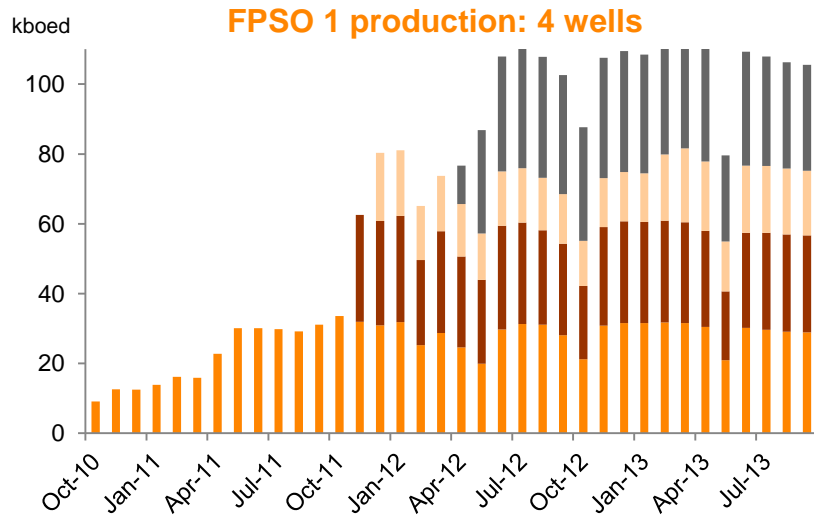
# Brazil: FPSOs on track

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FPOS 2, Cidade de Sao Paulo  
& FPSO 3, Cidade de Paraty  
Brásfels shipyard, Brazil

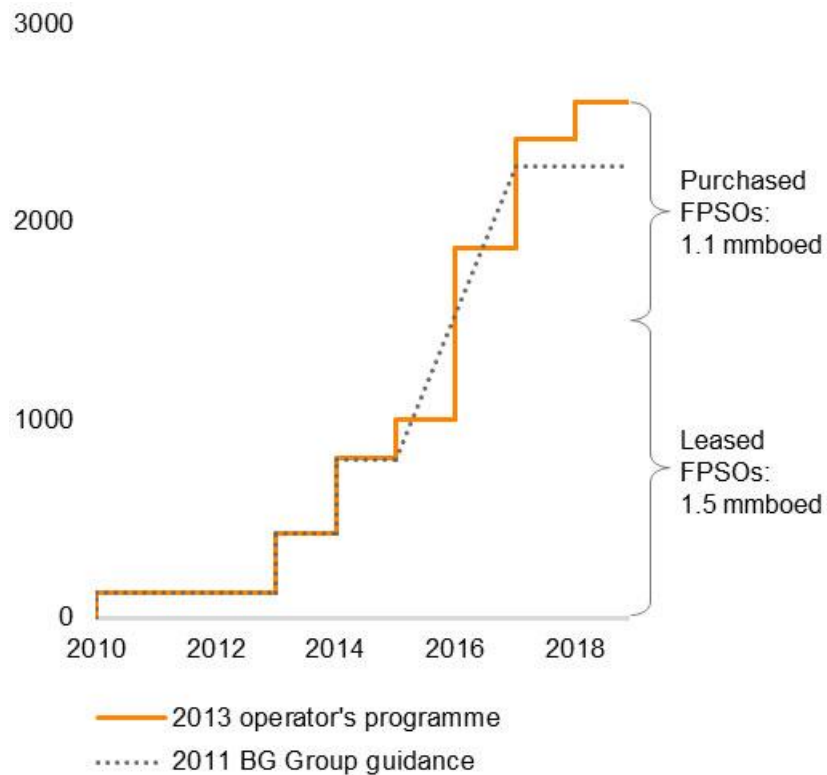
# Brazil: excellent flow rates on FPSOs 1-3



- FPSO 1 producing close to capacity
  - ~105 kboed from just 4 wells
- FPSOs 2 and 3:
  - 1 well producing on each FPSO
  - Flow rates of ~30 kboed
- Santos Basin gross production currently ~165 kboed
  - >40 kboed net to BG Group
- Low unit cost development
  - Excellent reservoir characteristics
  - High capital efficiencies

# Brazil development programme

## 15 FPSO programme (BM-S-9 & 11) Schedule & gross capacity (kboed)



## Operator's 15 FPSO programme

- FPSOs 4 and 5 on track; onstream in 2014
  - 70% and 65% complete, respectively
  - FPSO 5 in Brazil for topsides integration
- FPSOs 6-8 contracted, FPSO 9 Lol signed 20 September
- FPSOs 10-15 (replicants) progressing well
- 2.6 mmboed gross capacity
- 500 kboed BG net production by 2020

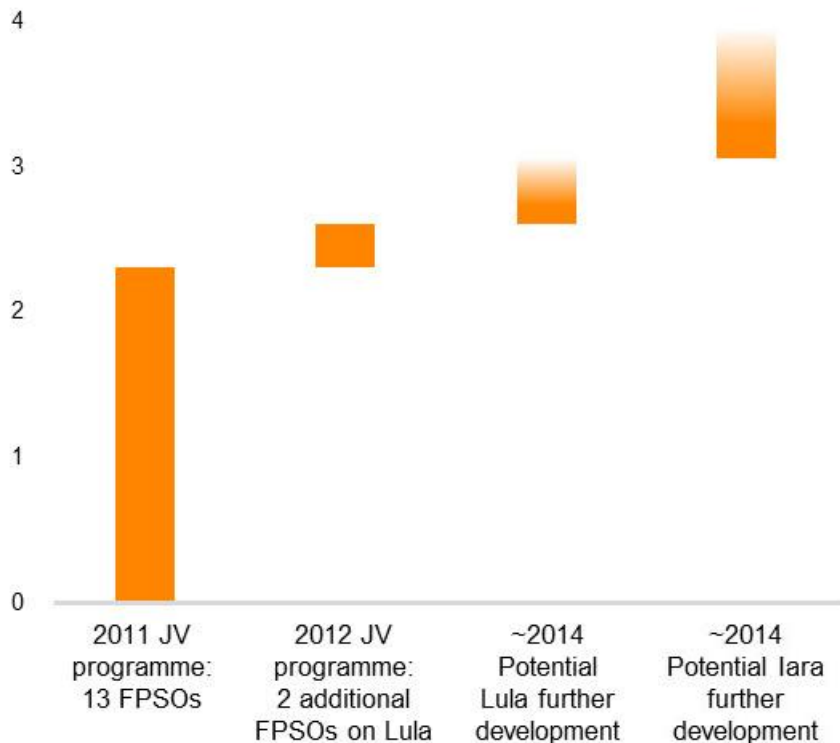
## Full development (BM-S-9 & 11)

- BG net production > 600\* kboed from full FPSO programme at current equity levels

\* BG Group view, not the Operator or relevant Consortium view

# Lula & lara development plan growth

FPSO capacity (mmboed)  
(BM-S-9 & 11)



## Lula: potential further development

- Studies on-going for additional FPSOs
- Northern & southern wells and EWT data in 2013/14

## lara: potential further development

- 2 FPSOs in current programme
- Recent lara-4 well – comparable to the best results in BG Group’s Santos Basin interests
- lara high-angle well currently drilling

## Full development (BM-S-9 & 11)

- Further development phases on all fields after FPSO deployment
  - Accelerate production
  - Increase recovery

# Exploration: levers for success

**Wide geological  
expertise**

**People  
& culture**

**Robust screening  
process**

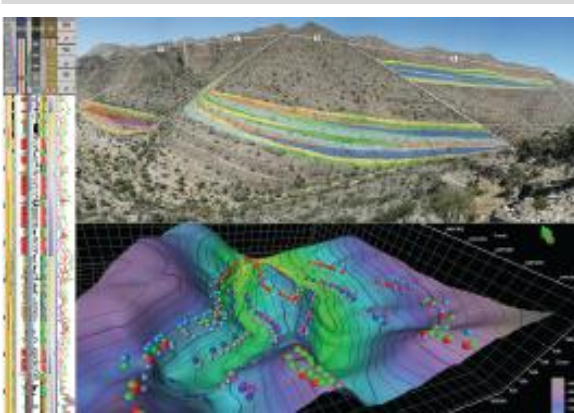
**Fast decision  
making;  
commercial agility**

**Speed in execution  
of E&A programme**

**Active portfolio  
management**



# Wide geological technical expertise

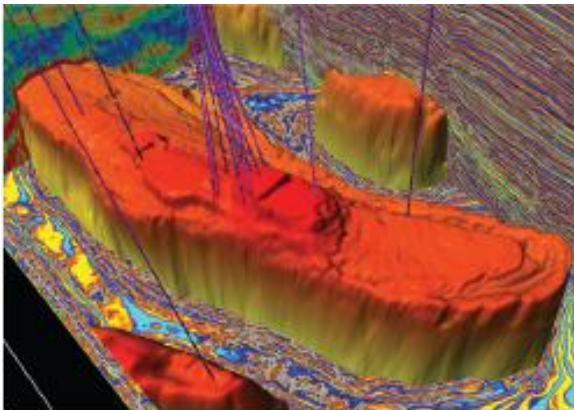


## Carbonates

- **Proven:** Brazil, Kazakhstan, Tunisia, India
- **New:** Kenya, Honduras

## Tertiary Deltas

- **Proven:** Trinidad and Tobago, Egypt, Thailand
- **New:** Tanzania



## HPHT

- **Proven:** UK, Kazakhstan
- **New:** China, Egypt, Norway

## Unconventionals

- **Proven:** Australia (Surat), USA (Marcellus shale)
- **New:** Australia (Bowen deep gas sands, Cooper shale)

## Applied globally

# Substantial exploration progress in 2013

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## Tanzania

- Successful E & A programme
- Highly successful DSTs

## Honduras

- Honduras licence approved

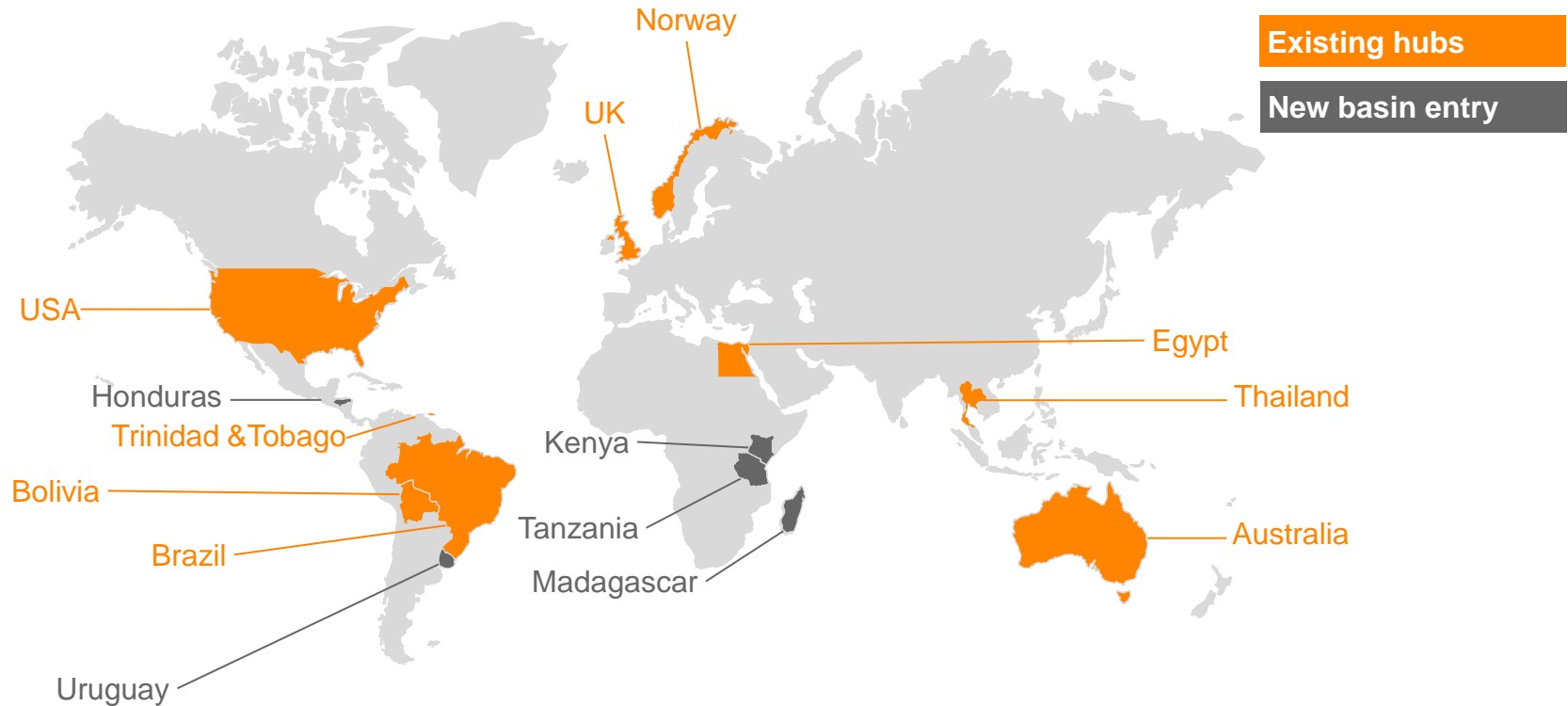
## Brazil

- Sagitário discovery
- Iara-4 appraisal well
- New basin entry – Barreirinhas

## Uruguay

- 80% seismic acquired

# Exploration 2013-15 activity



Exploration spend:  
\$1.6-1.8 bn pa

Drill 50-60 conventional  
E&A wells

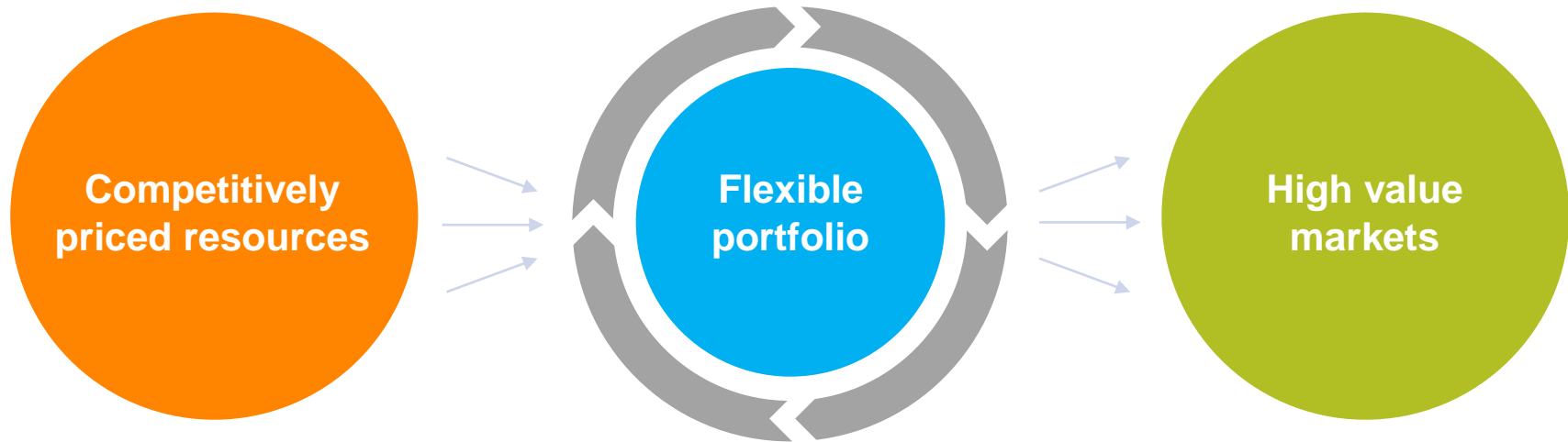
10-15 high impact wells

Access 3 new basins

Potential  
for >100 unconventional wells

Top quartile finding cost

# LNG strategy



- Deep knowledge & relationships in high value markets
- Portfolio of competitively priced resources
- Flexibility to supply markets from multiple sources
- Underpinned by safe, reliable fleet of 25\* LNG ships
- Differentiates BG in LNG industry

# Continued progress in LNG

Long-term sale to Gujarat State Petroleum Corporation

First commercial cargo delivered to Singapore

Now delivered to 25 of 27 LNG import markets

Sabine Pass progressing towards start-up

Non-FTA approval for Lake Charles terminal

Applied for Prince Rupert LNG export licence

Site selection for Tanzania to be submitted imminently

# Conclusions

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