Full Year 2015 Trading and Operational Update

BG Group will publish its preliminary, unaudited, 2015 Fourth Quarter and Full Year results on 5 February 2016.

Helge Lund, BG Group’s Chief Executive, commented:
“Our excellent operational performance in 2015 is expected to deliver results in line with, or ahead of, our guidance for the year. Ramp up of both LNG trains at our QCLNG project in Australia and the start-up of our sixth FPSO in Brazil drove a strong E&P operational performance while our LNG Shipping & Marketing business delivered 282 cargoes, an increase of 58% on 2014, in difficult market conditions.”

Currently, BG Group expects to report for the full year 2015:

- Average E&P production volumes of 704 thousand barrels of oil equivalent per day (kboed), ahead of guidance of 680-700 kboed;
- Upstream EBITDA\(^1\) of at least $4.1 billion;
- LNG Shipping & Marketing EBITDA\(^1\) of at least $1.4 billion, in line with guidance of around the middle of the $1.3-1.5 billion range;
- Business Performance\(^2\) earnings of around $1.7 billion;
- Total results earnings of at least $2.3 billion, which are expected to include a post-tax gain of at least $0.6 billion in respect of disposals, re-measurements and impairments;
- Net cash flow from operating activities of around $4.3 billion; and
- Capital investment on a cash basis of around $6.4 billion, lower than guidance of around $6.5 billion.

The post-tax gain of at least $0.6 billion in respect of disposals, re-measurements and impairments in the full year 2015 is expected to include a net charge of around $0.5 billion in the fourth quarter. The net charge in the fourth quarter is expected to include non-cash post-tax impairment charges of around $0.7 billion primarily reflecting the impact of further falls in commodity prices and reserve

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\(^1\) Including share of post-tax results from joint ventures and associates.

\(^2\) ‘Business Performance’ excludes disposals, certain re-measurements and impairments and certain other exceptional items as exclusion of these items provides a clear and consistent presentation of the underlying operating performance of BG Group’s ongoing business.
revisions on certain of BG Group’s E&P assets mainly in the North Sea and Tunisia, a net credit of around $0.3 billion in relation to exceptional one-off and prior year taxation, and a net charge of around $0.1 billion in relation to other re-measurements and exceptional items.

Full year E&P production volumes are expected to average 704 kboed in 2015, around 16% higher than 2014 reflecting growth primarily in Australia, Brazil and Norway. Volumes in Australia more than doubled to 88 kboed and in Brazil, almost doubled to 146 kboed. In Norway, Knarr came onstream in March and has produced an average of 12 kboed during 2015. This growth was partially offset by the expected decline in Egypt, down 18 kboed to 44 kboed, combined with lower volumes in Trinidad & Tobago, down 13 kboed to 52 kboed.

The LNG Shipping & Marketing segment delivered 282 cargoes (17.9 million tonnes) in 2015, 104 more cargoes than in 2014 (6.9 million additional tonnes). Increased supply was driven by 77 cargoes from QCLNG and 31 additional spot cargoes. Of the 282 cargoes (2014 178), 209 were supplied to Asian markets (2014 121). BG Group delivered its first ever cargoes to Egypt, Pakistan and Jordan during the year.

The financial information in this announcement is preliminary and subject to further internal and external review before the publication of BG Group’s 2015 Fourth Quarter and Full Year results.
Profit Estimates for the year ended 31 December 2015

General:

Each of the following statements set out in this Announcement (the “Profit Estimates”) constitutes a Profit Estimate for the year ended 31 December 2015 for the purposes of Rule 28 of the Takeover Code (the “Code”):

- Business Performance\(^3\) earnings of around $1.7 billion;
- Total results earnings of at least $2.3 billion; and
- Net cash flow from operating activities of around $4.3 billion.

Basis of preparation:

The Profit Estimates have been prepared on a basis consistent with the accounting policies adopted by BG Group plc for the unaudited interim financial results for the nine months ended 30 September 2015 and those that will be applicable for the year ended 31 December 2015. These policies are in accordance with IFRS as adopted in the EU and consistent with those used in the preparation of the BG Group 2014 Annual Report and Accounts.

The Profit Estimates are based on:

- the unaudited consolidated interim financial results of BG Group for the nine months ended 30 September 2015;
- the unaudited management accounts of BG Group for the two months ended 30 November 2015; and
- the BG Group plc Directors’ estimate of the financial results of BG Group for the month ended 31 December 2015.

In this Announcement, Total results earnings comprise estimated profit for the year excluding the impact of future transaction fees and other financial implications of the completion of the recommended cash and share offer for BG Group plc by Royal Dutch Shell plc.

Reports:

Ernst & Young LLP, as reporting accountants to BG Group plc, and Goldman Sachs International, Robey Warshaw LLP and N M Rothschild & Sons Limited, as financial advisors to BG Group plc, have each provided a report in accordance with the Code. Copies of these reports are set out below.

Each of Ernst & Young, Goldman Sachs, Robey Warshaw and Rothschild has given and not withdrawn its consent to the publication of its report in the form and context in which it is included.

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\(^3\)‘Business Performance’ excludes disposals, certain re-measurements and impairments and certain other exceptional items as exclusion of these items provides a clear and consistent presentation of the underlying operating performance of BG Group’s ongoing business.
Accountant’s Report on the Profit Estimates

The Board of Directors
BG Group plc
100 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT

Goldman Sachs International
Peterborough Court
133 Fleet Street
London
EC4A 2BB

Robey Warshaw LLP
31 St James’s Place
London
SW1A 1NR

N M Rothschild & Sons Limited
New Court
St Swithin’s Lane
London
EC4N 8AL

Dear Sirs

We report on the profit estimates comprising Business Performance earnings, Total results earnings and Net cash flow from operating activities of BG Group plc (“BG”) and its subsidiaries (together the “BG Group”) for the year ended 31 December 2015 (the “Profit Estimates”). The Profit Estimates and the basis on which they are prepared are set out on pages 1 and 3 of the Full Year 2015 Trading and Operational Update announcement (the “Announcement”) issued by BG dated 20 January 2016.

This report is required by Rule 28.1(a)(i) of The City Code on Takeovers and Mergers (the “City Code”) and is given for the purpose of complying with that rule and for no other purpose. Accordingly we assume no responsibility in respect of this report to Royal Dutch Shell plc (the “Offeror”) or any person connected to, or acting in concert with, the Offeror or to any other person who is seeking or may in future seek to acquire control of BG (an “Alternative Offeror”) or to any other person connected to, or acting in concert with, an Alternative Offeror.

Responsibilities

It is the responsibility of the Directors of BG to prepare the Profit Estimates in accordance with the requirements of the City Code.

It is our responsibility to form an opinion as required by the City Code as to the proper compilation of the Profit Estimates and to report that opinion to you.

Basis of preparation of the Profit Estimates

The Profit Estimates have been prepared on the basis stated on page 3 of the Announcement and are based on:

• the unaudited consolidated interim financial results of the BG Group for the nine months ended 30 September 2015;
• the unaudited management accounts of the BG Group for the two months ended 30 November 2015; and
• the BG Directors’ estimate of the financial results of the BG Group for the month ended 31 December 2015.
The Profit Estimates are required to be presented on a basis consistent with the accounting policies of BG.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the nine months to 30 September 2015 included in the Profit Estimates has been prepared and considering whether the Profit Estimates have been accurately computed using that information and whether the basis of accounting used is consistent with the accounting policies of BG.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Estimates have been properly compiled on the basis stated.

However, the Profit Estimates have not been audited. The actual results reported, therefore, may be affected by revisions required to accounting estimates due to changes in circumstances, the impact of unforeseen events and the correction of errors in the management accounts. Consequently, we can express no opinion as to whether the actual results achieved will correspond to those shown in the Profit Estimates and the difference may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the Profit Estimates have been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of BG.

Yours faithfully,

Ernst & Young LLP

**Financial Advisors’ Report on the Profit Estimates**

The Directors  
BG Group plc  
100 Thames Valley Park Drive  
Reading  
Berkshire  
RG6 1PT  

20 January 2016  

Dear Sirs,

**Report by the financial advisors to BG Group plc (“BG”) in connection with the unaudited profit estimates for the year ended 31 December 2015**

We refer to the unaudited profit estimates comprising estimates of Business Performance earnings, Total results earnings and Net cash flow from operating activities of BG and its subsidiaries for the year ended 31 December 2015 set out in this announcement (the “Profit Estimates”). The Profit Estimates are set out in BG’s Full Year 2015 Trading and Operational Update announcement of today’s date, in which this report is included.
We have discussed the Profit Estimates and the bases on which they are prepared with duly authorised executive officers of BG (acting on behalf of BG) and with Ernst & Young LLP (“EY”), reporting accountants to BG. We have assumed with your consent that the Profit Estimates reflect the best currently available estimates and judgments of the management of BG as to the financial performance of BG for the period to which they relate. We have also discussed the accounting policies and bases of calculation for the Profit Estimates with BG and with EY. We have also considered EY’s report of today’s date addressed to you and us on this matter. You have confirmed to us that all information material to the Profit Estimates has been disclosed to us.

For purposes of rendering this report, we have, with your consent, relied upon and assumed the accuracy and completeness of all the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or review by, us, without assuming any responsibility for independent verification thereof.

On the basis of the foregoing, we consider that the Profit Estimates, for which you as Directors of BG are solely responsible, have been prepared with due care and consideration.

This report is provided to you solely in connection with Rule 28.1(a)(ii) of the City Code on Takeovers and Mergers (the “Code”). We are acting exclusively as financial advisors to BG and no one else in connection with the recommended offer for BG by Royal Dutch Shell plc (the “Combination”) and it was solely for the purpose of complying with Rule 28.1(a)(ii) of the Code that BG requested Goldman Sachs International, Robey Warshaw LLP and N M Rothschild & Sons Limited to prepare this report on the Profit Estimates. No person other than the Directors of BG can rely on the contents of this report and, to the fullest extent permitted by law, we exclude all liability to any other person other than the Directors of BG in respect of this report or work undertaken by us in connection with this report.

This report is not an opinion regarding, and we express no view as to, the reasonableness or achievability of the Profit Estimates. Instead, this report addresses solely the matters required to be addressed by Rule 28.1(a)(ii) of the Code and does not address any other matter; it does not address, among other things, the merits of the decision by BG to recommend the Combination or the price at which BG’s shares would trade at any time.

Furthermore, this report has been prepared independently of the publication of the Profit Estimates. This report is not intended to and does not constitute a recommendation to any shareholder as to how such shareholder should act with respect to the Combination or any matter related thereto.

Yours faithfully,

Goldman Sachs International    Robey Warshaw LLP    N M Rothschild & Sons Limited
Notes to Editors:

About BG Group:
BG Group plc (LSE: BG.L) is a world leader in natural gas, with a broad portfolio of business interests focused on exploration and production and liquefied natural gas. Active in more than 20 countries on five continents, BG Group combines a deep understanding of gas markets with a proven track record in finding and commercialising reserves.

BG Group trades in the US in the form of ADRs (American Depositary Receipts) on the OTCQX International Premier market under the symbol (OTCQX: BRGYY).

For further information visit: www.bg-group.com

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Legal notice:
Certain statements included in this Announcement contain forward-looking information concerning BG Group’s strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which BG Group operates, or the recommended cash and share offer by Royal Dutch Shell plc for BG Group announced on 8 April 2015. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within BG Group’s control or can be predicted by BG Group. Although BG Group believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. Actual results and market conditions could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the ‘Principal risks and uncertainties’ included in BG Group plc’s 2015 Second Quarter & Half Year Results and in BG Group plc’s Annual Report and Accounts 2014. No part of this Announcement constitutes, or shall be taken to constitute, an invitation or inducement to invest in BG Group plc or any other entity, and must not be relied upon in any way in connection with any investment decision. BG Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.