



Rating: None  
 S&P 500: 1253

**BG Group plc**  
**More LNG and Offshore Brazil**

<i>Symbol</i>	BRGY	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$m)</i>	12,100
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	21.15	<i>Natural Gas and Oil Production/Ebitda (%)</i>	67
<i>Pricing Date</i>	7/24/08	<i>Adjusted Reserves/Production NTM</i>	7.5
<i>Shares (mm)</i>	3384	<i>EV/Ebitda</i>	6.6
<i>Market Capitalization (US\$m)</i>	71,600	<i>PV/Ebitda</i>	8.5
<i>Debt (US\$m)</i>	8,000	<i>Undeveloped Reserves (%)</i>	35
<i>Enterprise Value (EV) (US\$m)</i>	79,600	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	36.10
<i>Present Value (PV) (US\$m)</i>	102,800	<i>Present Value Proven Reserves(US\$/boe)</i>	29.63
<i>Net Present Value (US\$/share)</i>	28	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.94
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.78
<i>McDep Ratio - EV/PV</i>	0.77	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	1.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.21
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$14 a million btu.			

**Summary**

**BG Group plc (BRGXF)** offers unlevered appreciation potential of 23% to estimated net present value (NPV) of \$28 a share. Released on July 24, second quarter results displayed strength in production driven by higher crude oil and natural gas price along with continuing impressive cash flow from global liquefied natural gas (LNG). Projected volumes and current futures prices promise a high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table Functional Cash Flow and Present Value). Oil and gas discoveries offshore Brazil offer exceptional potential. The Guara discovery announced a few weeks ago is a better reservoir than the 5-8 billion barrel Tupi discovery under development according to Chief Executive Frank Chapman. Whether Guara along with Carioca, Iguacu, and so on are individual structures or connected is a matter for further appraisal according to Mr. Chapman. Meanwhile, the stock has dipped below its 200-day average suggesting a period of underperformance during which a long-term investor might accumulate the shares for future appreciation beyond currently estimated NPV.

Kurt H. Wulff, CFA



<b>BG Group plc</b>									
<b>Next Twelve Months Operating and Financial Estimates</b>									
<b>(British Pounds)</b>									
									<i>Next</i>
	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Twelve</i>
	<b>2007</b>	<b>3/31/08</b>	<b>6/30/08</b>	<b>9/30/08</b>	<b>12/31/08</b>	<b>2008E</b>	<b>3/31/09</b>	<b>6/30/09</b>	<b>Months</b>
									<b>6/30/09</b>
<b>Volume</b>									
Natural Gas (bcf)	<b>936</b>	261	230	232	232	<b>956</b>	258	235	<b>958</b>
Natural Gas (mmcf)	<b>2,564</b>	2,868	2,526	2,526	2,526	<b>2,618</b>	2,868	2,581	<b>2,624</b>
Days	<b>365</b>	91	91	92	92	<b>366</b>	90	91	<b>365</b>
Oil (mmb)	<b>64</b>	17	16	17	17	<b>67</b>	16	16	<b>66</b>
Oil (mbd)	<b>175</b>	189	180	180	180	<b>182</b>	180	180	<b>180</b>
Total gas & oil (mmb)	<b>220</b>	61	55	55	55	<b>226</b>	59	56	<b>225</b>
Total gas & oil (mbd)	<b>602</b>	667	601	601	601	<b>619</b>	658	610	<b>617</b>
<b>Price</b>									
U.S. Dollar/U.K. Pound	<b>2.01</b>	1.98	2.00	1.99	1.99	<b>1.99</b>	1.99	1.99	<b>1.99</b>
Natural gas (pence/therm)	<b>19.40</b>	23.87	22.94	22.94	22.94	<b>4.61</b>	22.94	22.94	<b>4.56</b>
Oil (\$/bbl)									
WTI Cushing	<b>72.28</b>	97.94	123.97	132.68	132.66	<b>121.82</b>	133.52	132.25	<b>132.78</b>
Company	<b>65.41</b>	89.24	107.89	115.47	115.45	<b>106.83</b>	116.20	115.10	<b>115.55</b>
Total gas & oil (\$/bbl)	<b>35.57</b>	45.63	51.55	53.74	53.74	<b>51.03</b>	51.65	53.23	<b>53.07</b>
NY Harbor 3-2-1 (\$/bbl)	<b>14.37</b>	7.57	14.94	11.34	9.63	<b>10.87</b>	11.32	15.94	<b>12.06</b>
<b>Revenue (million pounds)</b>									
Natural gas	<b>1,816</b>	623	527	533	533	<b>2,217</b>	592	539	<b>2,197</b>
Oil	<b>2,084</b>	774	886	962	962	<b>3,585</b>	947	949	<b>3,821</b>
Total production	<b>3,900</b>	1,397	1,413	1,495	1,495	<b>5,801</b>	1,539	1,488	<b>6,018</b>
Other	<b>4,430</b>	1,709	1,803	1,803	1,803	<b>7,118</b>	1,803	1,803	<b>7,212</b>
Total	<b>8,330</b>	3,106	3,216	3,298	3,298	<b>12,919</b>	3,342	3,291	<b>13,230</b>
<b>Expense</b>									
Production	<b>1,341</b>	363	345	387	387	<b>1,482</b>	404	378	<b>1,556</b>
Other	<b>3,433</b>	1,205	1,307	1,307	1,307	<b>5,127</b>	1,299	1,307	<b>5,221</b>
<b>Ebitda (million pounds)</b>									
Production	<b>2,559</b>	1,034	1,068	1,017	1,017	<b>4,136</b>	1,047	1,012	<b>4,092</b>
Other	<b>997</b>	504	496	496	496	<b>1,991</b>	504	496	<b>1,991</b>
Total Ebitda	<b>3,556</b>	1,538	1,563	1,513	1,513	<b>6,127</b>	1,550	1,507	<b>6,083</b>
Exploration	<b>104</b>	97	94	125	125	<b>441</b>	125	125	<b>500</b>
Deprec., Deplet., & Amort.	<b>681</b>	218	204	204	204	<b>830</b>	204	204	<b>816</b>
Excess tax and other	<b>477</b>	179	166						
<b>Operating Income</b>									
Upstream	<b>2,387</b>	942	976						
Downstream	<b>861</b>	460	455						
Excess tax and other	<b>(477)</b>	(179)	(166)						
<b>Ebit</b>	<b>2,771</b>	1,223	1,265	1,184	1,184	<b>4,856</b>	1,221	1,178	<b>4,767</b>
Interest	<b>27</b>	11	26	26	26	<b>90</b>	26	26	<b>105</b>
<b>Ebt</b>	<b>2,744</b>	1,212	1,239	1,157	1,157	<b>4,766</b>	1,195	1,152	<b>4,662</b>
Income Tax	<b>960</b>	424	434	405	405	<b>1,668</b>	418	403	<b>1,632</b>
<b>Net Income (million pounds)</b>	<b>1,784</b>	788	805	752	752	<b>3,098</b>	777	749	<b>3,030</b>
<b>Shares (millions)</b>	<b>3,417</b>	3,381	3,384	3,384	3,384	<b>3,383</b>	3,384	3,384	<b>3,384</b>
Per share (pence)	<b>52.2</b>	23.3	23.8	22.2	22.2	<b>91.6</b>	23.0	22.1	<b>89.5</b>
Ebitda Margin (E&P)	<b>66%</b>	74%	76%	68%	68%	<b>71%</b>	68%	68%	<b>68%</b>
Tax Rate	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>



<b>BG Group plc</b>					
<b>Functional Cash Flow and Present Value</b>					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
Rest of World Natural Gas	2,970	7.7	7.7	23,000	22%
Oil	5,170	6.8	7.0	36,000	35%
Downstream	3,960		5.1	20,000	19%
Offshore Brazil				24,000	23%
	12,100	7.5	8.5	103,000	100%
Debt (US\$mm)					8,000
Net Present Value (US\$mm)					95,000
Shares (mm)					3,384
Net Present Value - Standard Estimate (US\$/sh)					28
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					26

**Disclaimer:** This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**Research Methodology/Ratings Description:** McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.