

BG GROUP



BG Energy Capital plc

(incorporated with limited liability in England and Wales, with registered number 4222391)

US\$500,000,000 Capital Securities due 2072

guaranteed on a subordinated basis by

BG Energy Holdings Limited

(incorporated with limited liability in England and Wales, with registered number 3763515)

Issue Price: 100 per cent.

The US\$500,000,000 capital securities due 2072 (the **Securities**) will be issued by BG Energy Capital plc (the **Issuer**) on 27 June 2012 (the **Issue Date**). The Securities will bear interest, payable semi-annually in arrear on 30 May and 30 November in each year, from (and including) the Issue Date to (but excluding) the First Call Date (as defined in the terms and conditions of the Securities (the **Conditions**)) at the rate of 6.50 per cent. per annum. The first payment of interest, to be made on 30 November 2012, will be in respect of the period from (and including) the Issue Date to (but excluding) 30 November 2012 and will amount to US\$27.63 per US\$1,000 in principal amount of the Securities. Unless previously redeemed or purchased and cancelled, the Securities will bear interest from (and including) the First Call Date to (but excluding) the First Step-Up Date (as defined in the Conditions) at a rate per annum which shall be the equivalent of 5.439 per cent. above the then prevailing US dollar 5 year Swap Rate (as defined in the Conditions), payable semi-annually in arrear on 30 May and 30 November in each year. From (and including) the First Step-Up Date to (but excluding) the Second Step-Up Date (as defined in the Conditions), the Securities will bear interest at a rate reset semi-annually of 5.689 per cent. above the London interbank offered rate for 6-month deposits in U.S. dollars, payable semi-annually in arrear on the Interest Payment Dates (as defined in the Conditions) falling in May and November in each year. From (and including) the Second Step-Up Date to (but excluding) the Maturity Date, the Securities will bear interest at a rate reset semi-annually of 6.439 per cent. above the London interbank offered rate for 6-month deposits in U.S. dollars, payable semi-annually in arrear on the Interest Payment Dates falling in May and November in each year, all as more particularly described in “*Terms and Conditions of the Securities — Interest Payments*”.

The Issuer may, at its discretion, elect to defer all or part of any payment of interest on the Securities, subject to limited exceptions, as more particularly described in “*Terms and Conditions of the Securities—Optional Interest Deferral*”. Any amounts so deferred, together with further interest accrued thereon (at the interest rate per annum prevailing from time to time), shall constitute Arrears of Interest (as defined in the Conditions). The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time in accordance with the Conditions. Notwithstanding this, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first Mandatory Settlement Date, all as more particularly described in “*Terms and Conditions of the Securities – Optional Interest Deferral – Mandatory Settlement*”.

Unless previously redeemed or purchased and cancelled, the Securities will be redeemed at their principal amount on the Interest Payment Date falling in November 2072 (the **Maturity Date**), together with any interest accrued up to (but excluding) such date and any outstanding Arrears of Interest. The Securities will be redeemable (at the option of the Issuer) in whole but not in part on the First Call Date, the First Step-Up Date or on any Interest Payment Date thereafter (as defined in the Conditions), at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest (as defined in the Conditions). In addition, upon the occurrence of a Capital Event, a Substantial Repurchase Event, a Tax Event or a Withholding Tax Event, the Securities will be redeemable (at the option of the Issuer) in whole but not in part at the prices set out in, and as more particularly described in “*Terms and Conditions of the Securities — Redemption*”, respectively).

The Securities will be unsecured securities of the Issuer and will constitute subordinated obligations of the Issuer and the Guarantor will constitute unsecured and subordinated obligations of the Guarantor, all as more particularly described in the Conditions. The Guarantor will irrevocably guarantee, on a subordinated basis, the due and punctual payment of all of the relevant Guaranteed Amounts, as described in the “*Terms and Conditions of the Securities — Guarantee, Status and Subordination of the Guarantee*”.

Payments in respect of the Securities shall be made free and clear of, and without withholding or deduction for, or on account of, taxes of the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described in “*Terms and Conditions of the Securities — Taxation*”.

The Securities are expected to be rated Baa1 by Moody’s Investors Service Ltd. (**Moody’s**), BBB+ by Standard & Poor’s Credit Market Services Europe Limited (**S&P**) and BBB+ by Fitch Polska S.A. (**Fitch**) (each a **Rating Agency**). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this prospectus (the **Prospectus**), each Rating Agency is a credit rating agency established in the European Union and is registered under Regulation (EC) No 1060/2009 (as amended). As such each Rating Agency is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” on page 9 of this Prospectus.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Securities to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for the Securities to be admitted to trading on the London Stock Exchange’s Regulated Market (the **Market**). References in this Prospectus to the Securities being “listed” (and all related references) shall mean that the Securities have been admitted to the Official List and admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The Securities will initially be represented by a temporary global security (the **Temporary Global Security**), without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) on or about the Closing Date. The Temporary Global Security will be exchangeable for interests in the permanent global security (the **Permanent Global Security** and together with the Temporary Global Security, the **Global Securities**), without interest coupons or talons, not earlier than 40 days after the Closing Date upon certification of non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable for definitive securities only in certain limited circumstances, as described under “*Summary of Provisions Relating to the Securities while in Global Form*”.

Joint Structuring Advisers and Joint Lead Managers

BNP PARIBAS

The Royal Bank of Scotland

Joint Lead Managers

Barclays

Deutsche Bank

This Prospectus comprises a prospectus for the purpose of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) and for the purpose of giving information with regard to the Issuer, the Guarantor and the Guarantor and its subsidiaries taken as a whole (the **Group**) and the Securities which, according to the particular nature of the Issuer, the Guarantor and the Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor and the rights attaching to the Securities.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of each of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

No person, other than the Issuer and the Guarantor, has verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus. No Joint Lead Manager or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus.

No person has been authorised by the Issuer, the Guarantor or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Joint Lead Managers or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the offering of the Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, any of the Joint Lead Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Securities should purchase any the Securities. Each investor contemplating purchasing any the Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Prospectus nor any other information supplied in connection with the offering of the Securities constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Securities shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantor or the Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the Securities or to advise any investor in the Securities of any information coming to their attention.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and the Securities are subject to U.S. tax law requirements. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Securities and on distribution of this document, see "*Subscription and Sale*".

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of the Securities may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor, the Joint Lead Managers and the Trustee represent that this Prospectus may be lawfully distributed, or that the Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, no

Securities may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Securities. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Securities in the United States and the United Kingdom, see “*Subscription and Sale*” below.

The Securities may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;
- (d) understand thoroughly the terms of the Securities and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the Securities; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments and such instruments may be purchased by potential investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor’s overall investment portfolio.

Prospective investors should also consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Securities.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

Unless otherwise specified or the context requires, references in this Prospectus to **£, sterling** or **Sterling** are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the **UK** or the **United Kingdom**) and those to **US\$** or **US dollar** are to the lawful currency of the United States of America

Certain figures included (or incorporated by reference in) in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of the Securities, BNP Paribas (the “Stabilising Manager”) (or persons acting on behalf of any Stabilising Manager) may over-allot the Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may be

ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as “*anticipate*”, “*believe*”, “*could*”, “*estimate*”, “*expect*”, “*intend*”, “*may*”, “*plan*”, “*predict*”, “*project*”, “*will*” and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Group’s business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer or the Guarantor (as applicable) makes to the best of their present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Group’s financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Group’s business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: “*Overview*”, “*Risk Factors*”, “*The Issuer*” and “*The Guarantor*”. These sections include more detailed descriptions of factors that might have an impact on the Group’s business and the markets in which it operates. In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur.

In addition, none of the Issuer, the Guarantor or the Joint Lead Managers assume any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

- (i) the audited annual financial statements of the Issuer prepared in accordance with United Kingdom Generally Accepted Accounting Practice (**UK GAAP**) and the audited consolidated financial statements of the Guarantor, prepared in accordance with International Financial Reporting Standards (**IFRS**), in each case for the financial years ended 31 December 2011 and 31 December 2010, together with, in each case, the audit reports thereon, which have been published and filed with the UK Listing Authority (the **Issuer's Financial Statements** and the **Guarantor's Financial Statements**, respectively);
- (ii) the following sections of the Annual Report and Accounts of BG Group plc for the year ended 31 December 2011 (**BG Group's 2011 Annual Report**) which have been published and filed with the UK Listing Authority:
- Directors' Report: Our strategy and business — graphs included under "Performance" section (p. 13);
 - Directors' Report: Business Review — Key business developments (pp. 18-21);
 - Directors' Report: Business Review — Business environment and outlook (pp. 16-17);
 - Directors' Report: Business Review — Operating review (pp. 22-33);
 - Directors' Report: Business Review — Financial review (pp. 40-44);
 - Directors' Report: Corporate Governance — Board of Directors (pp. 54-55);
 - Directors' Report: Corporate Governance — Group Executive Committee and Company Secretary (pp. 56-57);
 - Directors' Report: Corporate Governance — Corporate governance (pp. 58-65);
 - Directors' Report: Corporate Governance — Compliance with the UK Corporate Governance code (pp. 66-67);
 - Directors' Report: Corporate Governance — Remuneration report (pp. 68-81);
 - Directors' Report: Corporate Governance — Other statutory information — Significant contracts — Change of control (p. 84);
 - Directors' Report: Corporate Governance — Other statutory information — Statement of directors' responsibilities for preparing the financial statements (p. 85);
 - Financial Statements — Independent Auditors' report to the members of BG Group plc (p. 88);
 - Financial Statements — Audited consolidated financial statements of BG Group plc as of and for the year ended 31 December 2011 (pp. 89-135) prepared in accordance with IFRS (**BG Group's 2011 Financial Statements**);
 - Financial Statements — Five-year financial summary (unaudited) (p. 144-145);
 - Shareholder Information — Presentation of non-GAAP measures (p. 148); and
 - Shareholder Information — Glossary of terms (p. 149), including, without limitation, the reference conditions (2012) (the **Reference Conditions**);
- (iii) the following sections of the Annual Report and Accounts of BG Group plc for the year ended 31 December 2010 (**BG Group's 2010 Annual Report**) which have been published and filed with the UK Listing Authority:
- Directors' Report: Business Review — Operating review (pp. 20-26);
 - Directors' Report: Business Review — Financial review (pp. 27-33);

- Directors' Report: Corporate Governance — Other statutory information — Statement of directors' responsibilities for preparing the financial statements (p. 75);
 - Directors' Report: Corporate Governance — Remuneration report (pp. 57-71);
 - Financial Statements — Independent auditors' report to the members of BG Group plc (p. 78); and
 - Financial Statements — Audited consolidated financial statements of BG Group plc as at and for the year ended 31 December 2010 (pp. 79-131) prepared in accordance with IFRS (**BG Group's 2010 Financial Statements** and together with BG Group's 2011 Financial Statements, **BG Group's Financial Statements**); and
- (iv) the unaudited 2012 first quarter management statement of BG Group plc (pp. 1-31) which includes, among other things, the unaudited consolidated financial information of BG Group plc as at and for the three-month period ended 31 March 2012, prepared in accordance with IFRS.

Such documents shall be incorporated in, and form part of, this Prospectus *provided, however, that* any statement contained in this Prospectus or in any of the documents incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any documents or information that are themselves incorporated by reference into the documents incorporated by reference in this Prospectus do not form part of this Prospectus. Any non-incorporated parts of a document referred to herein do not form part of this Prospectus and are either not relevant for investors or are covered elsewhere in this Prospectus. Any information contained in any website referred to in any of the documents specified above does not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained, upon request, free of charge, from the specified office of each of the Paying Agents and from the registered office of the Issuer.

OVERVIEW

The following overview refers to certain provisions of the Terms and Conditions of the Securities and is qualified by the more detailed information contained elsewhere in this Prospectus. Capitalised terms used herein have the meaning given to them in “Terms and Conditions of the Securities”.

Issuer	BG Energy Capital plc.
Guarantor	BG Energy Holdings Limited.
Trustee	The Law Debenture Trust Corporation p.l.c..
Principal Paying Agent	Citibank, N.A., London Branch.
Size of issue	US\$500,000,000.
Issue Date	27 June 2012.
Maturity	Unless previously redeemed, or purchased and cancelled, the Securities will be redeemed at their principal amount the Interest Payment Date falling in November 2072, together with any interest accrued up to (but excluding) such date and any outstanding Arrears of Interest.
Ranking of Securities	The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank pari passu and without any preference among themselves. The rights and claims of the Holders and the Couponholders will be subordinated to the claims of holders of all Senior Obligations of the Issuer in that if at any time an order is made, or an effective resolution is passed, for the winding-up or liquidation of the Issuer (otherwise than for the purposes of a solvent winding-up or substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer), the rights and claims of the Holders and the Couponholders will be subordinated in accordance with Condition 2(b) thereof. Accordingly, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any liquidation, winding-up or analogous proceedings before the Holders may expect to obtain any recovery in respect of their Securities from the Issuer and prior thereto Holders will have only limited ability to influence the conduct of such liquidation, winding-up or analogous proceedings.
Subordinated Guarantee	The Guarantor will irrevocably guarantee the due and punctual payment of all of the Guaranteed Amounts. Under such guarantee the Guarantor shall (subject to the subordination provisions set out in Conditions 3(b) and 3(c)) pay any Guaranteed Amount which is (or is deemed to be) due and payable by the Issuer which the Issuer fails for any reason whatsoever to pay punctually. The payment obligations of the Guarantor under such Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor. The rights and claims of the Holders and the Couponholders will be subordinated to the claims of holders of all Senior Obligations of the Guarantor in that if at any time an order is made, or an effective resolution is passed, for the winding-up or liquidation of the Guarantor (otherwise than for the purposes of a solvent winding-up or substitution in place of the Guarantor of a “successor in business” (as defined in the Trust Deed) of the Guarantor), the rights and claims of the Holders and the Couponholders will be subordinated in accordance with Condition 3(c) thereof. Accordingly, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any liquidation, winding-up or analogous proceedings before the Holders

may expect to obtain any recovery in respect of their Securities from the Guarantor and prior thereto Holders will have only limited ability to influence the conduct of such liquidation, winding-up or analogous proceedings.

Interest

The Securities bear interest on their principal amount at the applicable Interest Rate from (and including) the Issue Date. Subject as described in “*Optional Interest Deferral*”, interest shall be payable on the Securities semi-annually in arrear on the Interest Payment Dates in each year, except that the first payment of interest, to be made on 30 November 2012, will be in respect of the period from (and including) the Issue Date to (but excluding) 30 November 2012 and will amount to US\$27.63 per Calculation Amount.

The Securities will bear interest from (and including) the First Call Date to (but excluding) the First Step-Up Date at a rate per annum which shall be the equivalent of 5.439 per cent. above the then prevailing US dollar 5 year Swap Rate, payable semi-annually in arrear on 30 May and 30 November in each year. From (and including) the First Step-Up Date to (but excluding) the Second Step-Up Date, the Securities will bear interest at a rate reset semi-annually of 5.689 per cent. above the London interbank offered rate for 6-month deposits in U.S. dollars, payable semi-annually in arrear on the Interest Payment Dates falling in May and November in each year. From (and including) the Second Step-Up Date to (but excluding) the Maturity Date, the Securities will bear interest at a rate reset semi-annually of 6.439 per cent. above the London interbank offered rate for 6-month deposits in U.S. dollars, payable semi-annually in arrear on the Interest Payment Dates falling in May and November in each year, all as more particularly described in “*Terms and Conditions of the Securities — Interest Payments*”.

Optional Interest Deferral

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (a “**Deferred Interest Payment**”) which is otherwise scheduled to be paid on an Interest Payment Date by giving a Deferral Notice of such election to the Holders. Subject as described in “*Mandatory Settlement*”, if the Issuer elects not to make all or part of any interest payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Event of Default of the Issuer or the Guarantor or any other breach of their respective obligations under the Securities or for any other purpose.

Arrears of Interest may be satisfied at the option of the Issuer in whole or in part at any time (the “**Optional Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the Holders informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

If any Interest Payment, or part thereof, is deferred then such Deferred Interest Payment (or part thereof) shall itself bear interest (such further interest together with the Deferred Interest Payment, being “**Arrears of Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which

such Deferred Interest Payment is paid in accordance with Condition 5(b), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Securities or for any other purpose, unless such payment is required in accordance with “*Mandatory Settlement*”.

Mandatory Settlement

The Issuer may give a notice as described in “*Optional Interest Deferral*” with regard to any amount which would otherwise be due on an Interest Payment Date in its sole discretion and for any reason.

Notwithstanding the above and the provisions of “*Optional Interest Deferral*”, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which an Interest Payment was deferred.

If a Mandatory Settlement Date does not occur prior to the calendar day which is the fifth anniversary of the Interest Payment Date on which the relevant Deferred Interest Payment first arose, it is the intention, though not an obligation, of the Issuer to pay all outstanding Arrears of Interest (in whole, but not in part) on the next following Interest Payment Date.

Issuer’s call option

The Issuer may, by giving not less than 30 nor more than 60 days’ notice redeem all, but not some only, of the Securities on the First Call Date, the First Step-Up Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

Redemption by reason of Special Event

If a Special Event has occurred and is continuing, then the Issuer may redeem all, but not some only, of the Securities at:

- in the case of a Capital Event or a Tax Event where the relevant date fixed for redemption falls prior to the First Step-Up Date, 101 per cent. of their principal amount;
- in the case of a Capital Event or a Tax Event where the relevant date fixed for redemption falls on or after the First Step-Up Date, their principal amount; or
- in the case of a Substantial Repurchase Event or a Withholding Tax Event where any such redemption occurs at any time, their principal amount,

in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

Substitution or variation

If a Capital Event, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to certain conditions set out in the Conditions (without any requirement for the consent or approval of the Holders) at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become, Qualifying Securities.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would itself give rise to a Special Event (other than a Substantial Repurchase Event) with respect to the Securities or the Qualifying Securities.

Events of Default

If either:

- a default is made by the Issuer for a period of 14 days or more in the payment of any principal (or premium) due on the Securities or 21 days or more in the payment of any interest due on the Securities or the Guarantor fails to pay any amount due under the Guarantee; or
- an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Issuer or the Guarantor,

then the Issuer and the Guarantor shall without notice from the Trustee be deemed to be in default. The Trustee may, institute steps, actions or proceedings for the winding-up of the Issuer and/or the Guarantor and/or prove in the winding-up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment and/or give notice to the Issuer and/or the Guarantor that the Securities are due and payable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Deferred Interest Payment or Arrears of Interest (as applicable in accordance with Condition 5(a)).

Gross up

The Issuer and the Guarantor will pay additional amounts to holders to gross up payments if there is imposition of UK withholding tax, subject to customary exceptions.

Form

The Securities will be in bearer form and will initially be represented by a Temporary Global Security, without Coupons or Talons, which will be deposited outside the United States with a common depository for Euroclear and Clearstream, Luxembourg on or about the Issue Date. The Temporary Global Security will be exchangeable for interests in a Permanent Global Security, without Coupons or Talons, on or after a date which is expected to be 7 August 2012 upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the Temporary Global Security. Interests in the Permanent Global Security will only be exchangeable for Securities in definitive bearer form with Coupons and a Talon attached on issue in the limited circumstances described in the Permanent Global Security.

Denominations

The Securities are in denominations of U\$200,000 and integral multiples of US\$1,000 in excess thereof.

Listing and Admission to Trading:

Applications have been made to the UK Listing Authority for the Securities to be admitted to the Official List and to the London Stock Exchange for the Securities to be admitted to trading on the EEA Regulated Market.

Governing Law:

English.

Rating:

The Securities are expected to be assigned on issue a rating of “Baa1” by Moody’s, “BBB+” by S&P and “BBB+” by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, each Rating Agency is a credit rating agency established in the European Union and is registered under Regulation (EC) No 1060/2009 (as amended). As such each Rating Agency is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

Replacement Intention:

Unless the rating assigned by S&P to the Issuer or the Guarantor is at least “A” (or such similar nomenclature then used by S&P) and the Issuer or the Guarantor (as applicable) is comfortable that such rating would not fall below this level as a result of such redemption or repurchase the Issuer intends (without thereby assuming a legal obligation), during the period from and including the issue date of the Securities to but excluding the Interest Payment Date falling in November 2037 (being the Second Step-Up Date), in the event of:

- (i) an early redemption of the Securities pursuant to (a) “Issuer’s call option” described above, or (b) a Capital Event, or*
- (ii) a repurchase of the Securities pursuant to Condition 9(a) of the Conditions of more than (a) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years,*

that it will redeem or repurchase the Securities only to the extent that such part of the aggregate principal amount to be redeemed or repurchased as was characterised as equity by S&P at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities) does not exceed such part of the net proceeds which is received by the Issuer, the Guarantor or any other Subsidiary during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or the Guarantor or any other Subsidiary to third party purchasers (other than group entities of BG Group plc, the Issuer and/or the Guarantor) of securities as is characterised by S&P, at the time of sale or issuance, as equity.

Use of Proceeds:

The net proceeds of the issue of the Securities will be on-lent by the Issuer to the Guarantor and will be applied by the Guarantor for general corporate purposes.

Selling Restrictions:

The United States, the United Kingdom, Hong Kong and Singapore. See “*Subscription and Sale*”.

Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.

Risk Factors:

Prospective investors should carefully consider the information under “*Risk Factors*” in conjunction with the other information contained or incorporated by reference in this document.

ISIN:

XS0798324306.

Common Code:

079832430.

RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under (in the case of the Issuer) the Securities and (in the case of the Guarantor) the Guarantee. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Factors which each of the Issuer and the Guarantor believes may be material for the purpose of assessing the market risks associated with the Securities are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Securities, but the Issuer and the Guarantor may be unable to pay interest, principal or other amounts on or in connection with any Securities for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Capitalised terms used herein have the meaning given to them in “Terms and Conditions of the Securities”.

Factors that may affect the Issuer’s or the Guarantor’s ability to fulfil its obligations in respect of the Securities

The following risk factor applies to the Issuer

The Issuer is a finance vehicle

The Issuer is not an operating company. The Issuer’s business is the issuance of both senior and subordinated debt on behalf of BG Group plc together with its subsidiaries and subsidiary undertakings (the “**BG Group**”). The Issuer is dependent on the Guarantor to make payments to it under intra-group financing arrangements in order to allow the Issuer to make payments on debt incurred by it. The terms of the Securities do not limit the amount of senior or subordinated liabilities that the Issuer may issue or incur.

The following risk factors apply to the Guarantor and the Guarantee

The Guarantor is a holding company

The Guarantor is, directly or indirectly, the intermediate holding company of all the operating companies of the BG Group and its assets are substantially comprised of shares in such companies. The Guarantor does not conduct any other substantive business and is accordingly dependent on its subsidiaries and subsidiary undertakings (together with the Guarantor, the “**Group**”) and revenues received from them.

Payments on the Securities are structurally subordinated to the liabilities and obligations of the Guarantor’s subsidiaries (other than the Issuer)

The Guarantee is solely an obligation of the Guarantor. The Guarantor’s ability to make payments to holders of the Securities pursuant to the Guarantee in respect of the Securities depends largely upon the receipt of dividends, distributions, interest or advances from its subsidiaries and subsidiary undertakings. Payments on the Securities are therefore structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor’s subsidiaries (other than the Issuer). Claims of the creditors of such subsidiaries will have priority as to the assets of such subsidiaries over the Guarantor and its creditors, including holders of the Securities seeking to enforce the Guarantee. The terms and conditions of the Securities do not limit the amount of liabilities that the Guarantor’s subsidiaries may incur. This is also discussed under “*Risks related to the structure of the Securities - The Securities and the Guarantee are subordinated obligations*”.

In addition, the Guarantor may not necessarily have access to the full amount of cash flows generated by its operating subsidiaries, due in particular to legal or tax constraints, contractual restrictions and the subsidiary’s financial requirements.

The Guarantor may be able to incur substantially more debt in the future

The Guarantor may be able to incur substantial additional indebtedness in the future, including in connection with future acquisitions, some of which may be secured by some or all of its assets. The terms of the Securities will not limit the amount of indebtedness the Guarantor may incur or restrict its ability to grant security. Any such incurrence of additional indebtedness could exacerbate the risks that holders of the Securities now face. Furthermore, the Securities do not contain financial covenants or a negative pledge, or other provisions designed to protect holders of the Securities against a reduction in the creditworthiness of the Guarantor.

The following risk factors apply to the business of the Group

The Group's results are sensitive to prevailing hydrocarbon and other commodity prices

The Group's results are sensitive to the prevailing prices (and related spreads) for natural gas, liquefied natural gas ("LNG"), crude oil and other liquids (for example condensate), (collectively referred to as "**Hydrocarbons**") with the Group's exposure to oil prices anticipated to increase as a result of expected higher oil-related revenue, notably from Brazil and oil -indexed LNG sales. Hydrocarbon and other commodity prices are volatile due to many factors over which the Group has no control, including:

- (i) global and regional economic and political developments in resource-producing regions;
- (ii) shifts in global, regional and local supply and demand;
- (iii) the ability of the Organization of Petroleum Exporting Countries and other producing nations to influence global production levels and prices;
- (iv) prices of alternative fuels, which may affect realised prices under the Group's long-term gas sales contracts;
- (v) governmental regulations and actions;
- (vi) global economic and financial market conditions;
- (vii) war or other international conflicts;
- (viii) cost and availability of new technology;
- (ix) changes in demographics, including population growth rates and consumer preferences; and
- (x) natural catastrophes such as extreme weather conditions that could disrupt industry supply chains and affect production levels.

Rapid movements in commodity prices have led, at times, to sales prices becoming disconnected from capital and other costs. As a result, a decline in industry costs (for materials, goods and services from industry suppliers and manufacturers) may lag behind a fall in commodity prices and lead to pressure on investments and project profitability.

In addition, commodity price increases can cause supply or capacity constraints in areas such as specialist staff, construction and operations. This could in turn create cost pressure on the Group's operating and capital costs, which could adversely affect its ongoing financial performance.

Hydrocarbon price increases may result in increased fiscal take, cost inflation and more onerous terms for access to resources. As a result, increased hydrocarbon prices may not lead to improved margin performance. On the other hand, in addition to the adverse effect on revenues, margins and profitability from any decline in hydrocarbon prices, a prolonged period of low prices or other indicators could result in an impairment charge on the Group's reserves. Rapid material and/or sustained changes in hydrocarbon prices can impact the validity of the assumptions on which strategic decisions are based and, as a result, the actions derived from those decisions may no longer be appropriate. A prolonged period of low natural gas and oil prices may impact the Group's operating results, financial condition and ability to maintain its project delivery and long-term investment and growth program with a consequent impact on the Group's growth rate.

The Group is sensitive to fluctuations in exchange rates

The Group faces financial risk from the substantial cross-border element of its operations, which exposes its business and financial position to fluctuations in foreign exchange rates. The Group's exposure to foreign exchange rates varies according to a number of factors, including the timing and currency denomination of revenues and costs, including capital investment. The Group's reporting currency is U.S. Dollars, and revenues and cash receipts are denominated in U.S. Dollars. However, a significant portion of the Group's capital expenditure, operating expenses and income taxes accrue in Brazilian Real, Australian Dollar, Pound Sterling and other currencies. Exchange rate fluctuations between U.S. Dollars and these currencies may have a material impact on the results and cash flows of the Group.

The Group is exposed to credit risk

The Group's exposure to credit risk takes the form of a loss that would be recognised if counterparties (including sovereign entities) failed, or were unable, to meet their payment or performance obligations. These risks may arise in all forms of commercial agreements and in certain agreements relating to amounts owed for physical product sales, the use of derivative instruments, and the investment of cash balances. The Group is also exposed to political and economic risk events that exacerbate country risk, which may disrupt payment of foreign currency obligations to the Group by governments or government-owned entities, or otherwise impact successful project delivery and implementation. The impact of credit issues could also lead to the failure of counterparties in the sector, potentially including partners, contractors and suppliers. Any failure to manage adequately the Group's credit exposure could lead to financial loss. A credit crisis affecting banks and other sectors of the economy could impact the ability of counterparties to meet their financial obligations to the Group. It could also affect the Group's ability to raise capital to fund growth.

The Group is exposed to increase in capital requirement, liquidity and interest rate risks

The Group's capital requirements depend on a broad range of factors, including, for example, commodity prices, currency exchange rates, acquisitions, and actual realisation of proceeds from disposals, some of which are outside the Group's control. These factors may cause capital requirements to vary materially from planned levels. Increases in the Group's capital requirements could adversely affect the Group's business and financial performance, including its gearing ratios.

The Group expects to finance its capital requirements primarily through cash flow generated from operations, debt capital, loan agreements, finance lease and commercial paper markets and planned disposals of non-core assets. The Group is therefore exposed to financing and liquidity risks, which include, for example, risks associated with refinancing borrowings as they mature, the risk that borrowing facilities are not available to meet cash requirements, the risk that financial assets cannot readily be converted to cash without loss of value, the risk that the Group may not be able to access the debt capital markets or the commercial paper markets on attractive terms or in sufficient amounts and the risk that disposals of assets may not be successful or may generate less proceeds than anticipated. Failure to manage financing and liquidity risks could have a material adverse impact on the Group's cashflow, financial position and growth prospects. A credit or other crisis affecting banks, financial markets and/or the economy more generally could further affect the Group's ability to raise capital. The Group's financing costs may also be significantly affected by interest rate volatility.

The Group's results of operations, cash flow and net income may be adversely affected by risks associated with hedging activities

The Group has entered into and may continue to enter into hedging transactions, including transactions to manage its exposure to fluctuations in commodity prices, currency exchange rates and interest rates. Hedging transactions can result in substantial losses, which can occur under various circumstances. For example, the Group does not as a matter of course hedge all commodity prices, but may hedge certain LNG contracts and other revenue streams from time to time by way of futures contracts, financial and physical, forward-based contracts and swap contracts. The stand-alone value of these hedges can change significantly, potentially increasing the volatility of cash required for margin calls and the accounting profit recognised within a particular period. In addition, losses may arise in any circumstances in which a counterparty does not perform its obligations under the applicable hedging arrangement, the arrangement is imperfect or the Group's internal hedging policies and procedures are not followed or do not work as planned. As a result of these factors, the Group's hedging activities may not be as effective as intended in reducing, and may in certain circumstances increase, the volatility of its cash flows and earnings. Any such losses or increases in volatility could materially and adversely affect the Group's liquidity and financial position.

The Group's cash flow is exposed to the risks associated with finding and acquiring hydrocarbon resources

The Group's future hydrocarbon production, and therefore cashflows, will depend to a significant extent upon the Group's ability to find and acquire reserves. In general, the rate of production from hydrocarbon reservoirs declines as reserves are depleted. The Group will need to replace these depleted reserves with new reserves on a cost-effective and consistent basis. Competition for exploration and development rights, and accessing gas and oil resources, is intense. The Group faces competition from both international gas and oil companies, some of which are much larger than the Group, and, increasingly, from state-owned companies. If, as a result of competitive pressures, the Group fails to obtain new exploration and development rights, to access natural resources and to replace reserves on a cost-effective and consistent basis, its results of operations and cashflows could be adversely affected.

The Group is exposed to the risks associated with developing discovered or acquired hydrocarbon resources

The Group's ability to develop reserves could be affected by reservoir quality and performance, inaccurate interpretation of received data, unexpected drilling conditions or costs, constraints on rig availability, inadequate human or technical resources. A failure to adequately understand the uncertainties associated with sub-surface data in the pre-sanction phase can lead to sub-optimal field development plans. Failure to select appropriate development plans can expose the Group's projects to additional risk and cost and may adversely affect the Group's cash flows.

The Group is exposed to the risks associated with project delivery

Projects are subject to a number of sub-surface, engineering, stakeholder, financial, macroeconomic commercial, legal and regulatory risks. Failure to deliver a significant project on time and within budget may have a material impact on the Group's cashflows, business, prospects and reputation.

Successful execution of a project may be affected by a number of factors, including, among other things:

- (i) cost (including capital and operating costs) and time overruns;
- (ii) political factors;
- (iii) differences among partners' objectives;
- (iv) local community opposition;
- (v) health, safety, security and environmental ("HSSE") events;
- (vi) technical, commercial, legal or regulatory compliance failures;
- (vii) equipment shortages;
- (viii) the availability, competence and capability of BG employees and contractors;
- (ix) unscheduled outages;
- (x) mechanical and technical difficulties; and
- (xi) gas pipeline system constraints.

The Group's move into unconventional gas production (such as shale and coal seam gas), operating in deepwater carbonate reservoirs, and the inherent complexity of some projects, given their scale and the number and range of stakeholders, all present further challenges to successful project delivery. Successful delivery of major projects in Australia and Brazil is material for the Group's future growth, and substantial delays to, or a failure to complete, these projects constitute significant risks to the Group's growth prospects, reputation and financial position.

The Group may face delays in, or curtailment and cancellations of, drilling operations

The cost of drilling, completing and operating wells is often uncertain. The Group may be required to delay, curtail or cancel drilling operations because of a variety of factors, including unexpected drilling conditions,

pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental or regulatory requirements. Delays in, or curtailments and cancellations of, drilling operations may in turn have a material adverse impact on the Group's cash flow, financial position and growth prospects.

The Group's gas and oil reserves and resources data are only best estimates, and subsequent downward adjustments are possible. If actual production from such reserves and resources is lower than current estimates indicate, the Group's results of operations and financial condition would be negatively impacted

The Group's reserves and resources figures are estimates reflecting applicable reporting regulations as they may evolve. BG Group plc (the immediate parent of the Group), which ceased to be an SEC registrant in December 2007, currently reports proved reserves and, since 2009, probable reserves pursuant to definitions of the SEC on a voluntary basis. Reserves and resources data reported by BG Group plc also include additional information on gas and oil resources that would not be permitted in SEC filings.

"Proved reserves" are estimated by analysis of geoscience and engineering data with reasonable certainty to be economically producible — from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations — prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. "Probable reserves" are those additional reserves that are less certain to be recovered than proved reserves but that, together with proved reserves, are as likely as not to be recovered.

Estimates of proved and probable gas and oil reserves and resources involve making subjective judgments. Consequently, proved and probable reserves and resources are not exact measurements, may not align with the estimates of reserves and resources of the Group's joint venture partners (including operators), and may be subject to revisions. They may be negatively impacted by a variety of factors, which could cause estimates to be adjusted downward in the future, or cause the Group's actual production to be lower than its currently reported proved and probable reserves and resources indicate. The main factors which may cause the Group's proved and probable reserves and resources estimates to be adjusted downward, or actual production to be lower than the amounts implied by its currently reported proved and probable reserves and resources, include, among other things:

- a decline in the price of oil or gas, making reserves no longer economically viable to exploit and therefore not classifiable as proved or probable;
- changes in gas and oil prices in fields subject to production sharing contracts and buyback contracts which may result in changes to entitlements, and therefore reserves;
- changes in tax rules and other government regulations that make reserves no longer economically viable to exploit;
- the quality and quantity of the Group's geological, technical and economic data, which may prove to be inaccurate, and the Group's ability to interpret that data appropriately may be limited; and
- actual production performance from reservoirs may be lower than estimated.

Many of the factors, assumptions and variables involved in estimating reserves and resources are beyond the Group's control and may prove to be incorrect over time. Results of drilling, testing and production after the date of the estimates may require substantial downward revisions in the Group's reserves and resources data. Any downward adjustment would indicate lower future production amounts and may adversely affect the Group's results of operations, including profits, as well as the Group's financial condition.

The current economic situation may have impacts on the Group's liquidity and financial condition that the Group cannot currently predict

The current economic situation could lead to reduced demand for natural gas, LNG or oil or reductions in the prices of natural gas, LNG or oil, or both, which would have a negative impact on the Group's financial position, results of operations and cash flows. Governments are facing greater pressure on public finances, leading to a risk of increased taxation. These factors may also lead to intensified competition for market share and available

margin, with consequential potential adverse effects on volumes. The financial and economic situation may have a negative impact on third parties with whom the Group does, or may do, business. While the ultimate outcome and impact of the current economic situation cannot be predicted, it may have a material adverse effect on the Group's future liquidity, results of operations and financial condition.

Unethical conduct and non-compliance with applicable laws and regulations could damage the Group's reputation and lead to financial and other penalties

BG Group's Business Principles, which apply to all employees, define the Group's commitment to integrity, fairness and transparency, compliance with legal, regulatory and licence requirements, high ethical standards and the behaviours and actions the Group expects of businesses and people wherever it operates. Incidents of unethical behaviour, fraudulent activity or non-compliance with applicable laws and regulations could be damaging to the Group's operations and reputation. Multiple events of non-compliance could call into question the integrity of the Group's operations and have a material adverse impact on the Group's business and growth prospects. In addition, if the Group's employees violate laws and regulations of jurisdictions in which the Group operates, including U.S. or U.K. laws and regulations with extraterritorial applicability, the Group may be subject to significant penalties, including, among other things, fines or loss of operating licences.

The Group is subject to the risk of regulatory investigations and other proceedings

The nature of the Group's business subjects it to the risk of regulatory investigations, claims, lawsuits and other proceedings, which could adversely affect the Group's business and financial performance. For more information see Note 24(E) to the consolidated financial statements of the Guarantor for the year ended 31 December 2011, which are incorporated by reference herein.

In accordance with IFRS, a provision is only recorded if (i) an entity has a present obligation as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. Accordingly, actual losses may exceed any existing provisions. In addition to any existing provisions accrued as of the balance sheet date to account for ongoing proceedings, it is possible that in future years the Group may incur significant losses in addition to amounts already accrued in connection with pending legal proceedings due to (i) uncertainty regarding the final outcome of each proceeding; (ii) the occurrence of new developments that management could not foresee when assessing the likely outcome of each proceeding in order to accrue the risk provisions as of the date of the latest financial statements; (iii) the emergence of new evidence and information; and (iv) underestimation of probable future losses due to the circumstance that future events are often inherently difficult to estimate.

The Group's external reporting may fail to report data accurately

External reporting of financial and non-financial data is reliant on the integrity of internal control systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the Group's reputation.

Notwithstanding anything in this risk factor, this should not be taken as implying that the Issuer or the Guarantor will be unable to comply with their obligations as companies with securities admitted to the Official List.

Unplanned shutdowns, equipment failure and plant maintenance may affect the Group's results of operations and cashflows

The Group's production volumes, and therefore cashflows, are dependent on the continued operational performance of its producing assets. The Group's producing assets are subject to operational risks, including:

- (i) reduced availability of those assets due to planned activities such as maintenance or shutdowns;
- (i) unplanned outages which may, for example, be due to equipment or human failure;
- (ii) asset integrity and HSSE incidents;
- (iii) adverse reserves recovery from a field;
- (iv) the performance of joint venture partners;

- (v) the performance of contractors; and
- (vi) exposure to natural hazards, such as extreme weather events.

Each of these factors could adversely affect the Group's ability to deliver its products and services, its business and its financial performance.

The Group may fail to grow its LNG business successfully and faces risks in its delivery commitments

LNG is an increasingly important component of the Group's business. Volume growth in this area depends on the continued demand for and attractiveness of LNG as a product. It also depends on the Group's ability to access competitively priced gas, which may be affected by a number of factors, including, without limitation, (i) delays in the development of LNG export projects, which in turn may arise from the restriction of access to upstream resources by the Group's competitors, (ii) the unwillingness of host governments to permit the development of resources for export, (iii) barriers to the purchase or development of LNG export projects and (iv) environmental, permitting or other planning restrictions. There can be no guarantees that the Group will be able to grow volumes in its LNG business successfully, and failure to do so could adversely affect its business, financial position and long-term strategy.

Failure to manage effectively the global LNG chain may lead to market opportunities being missed, penalty payments or other factors adversely affecting the Group's business or financial performance. In addition, the long-term nature of many of the Group's contracts for the delivery of LNG to customers heightens the risk that the Group may not be able to deliver LNG consistently in accordance with such contracts. The Group is also exposed to risks in relation to the possible renegotiation of those contracts in the future.

The Group faces significant costs and risks under its licences and production sharing contracts

Exploration and production operations, or E&P operations, are typically conducted under licences granted to the Group and its partners (collectively, the "Licensees") by the state or national government or by entry into a production sharing contract ("PSC"), between the Licensees and the state or national government (generally represented by a state-owned company). The terms and conditions of the licences and PSCs vary from country to country.

Licences and PSCs generally give the Licensees the right to explore for, and exploit the discovery of, hydrocarbon resources whilst bearing the risk of, and providing funding for, the exploration, development and production activities. Licences and PSCs granted by a state frequently require Licensees to be jointly and severally liable, which means that the Group may be at risk for liabilities to host states if its partners fail to perform their contractual obligations or deliver their share of the E&P operations.

The Group is exposed to significant costs under its licences and PSCs without any guarantee that it will make discoveries that can be developed into successful commercial operations.

Capital expenditure increases may affect the Group's business and financial performance

The Group has made and plans to make substantial capital expenditures in its business and operations. For example, the Group has invested and plans to invest heavily in the development of a liquefaction plant and related wells, field facilities and pipelines in the first phase of the Queensland Curtis Liquefied Natural Gas project in Australia. The Group also has significant expenditure commitments for the development of its interests in the Santos Basin, offshore Brazil, and shale gas developments in the United States. Increases in capital expenditure in the past have raised the Group's net debt and gearing ratio. Any such increases in the future may further raise the Group's net debt and gearing ratio above expected levels and may adversely affect the Group's business, financial position and credit rating, which could impair its ability to access short term commercial paper markets and/or obtain funding on attractive terms. A credit crisis affecting banks, financial markets and/or the economy more generally could affect the Group's ability to raise capital.

The Group may not be able to produce some of its gas and oil economically due to the lack of necessary transportation infrastructure when a field is in a remote location

The Group's ability to exploit economically any discovered natural gas and oil resources beyond its proven reserves will be dependent, among other factors, on the availability of the necessary infrastructure to

transport gas and oil to potential buyers at a commercially acceptable price. The Group may not be successful in its efforts to secure transportation and markets for all of its potential production.

The Group faces significant risks in joint ventures where it is not the operator

The Group does not act as operator, or has a minority equity interest, in a number of joint ventures in which it participates. The Group's ability to influence the operations of those joint ventures may be limited. The Group faces the risk that the actions or omissions of the operators of those joint ventures expose the Group to reputational and legal risk, as well as financial liabilities in proportion to the Group's equity interest.

Acquisitions or divestments could result in operating difficulties, higher than expected integration or separation costs or other harmful consequences

The Group has completed a number of acquisitions and divestments in recent years as part of its portfolio management strategy and may undertake further such transactions in the future.

While the Group seeks to identify associated benefits prior to completing such transactions, these benefits may not be achieved owing to delays or difficulties in completing the integration of acquired companies or assets/separation of companies or assets disposed of, diversion of the attention and resources of the Group's management, higher than expected integration or separation costs, inability to retain key resources in acquired companies or assumption/retention of unexpected liabilities.

The Group's operations carry significant health, safety, security and environment risks

The Group's global operations present a number of HSSE risks and the inherent potential for major accidents or incidents. These include asset integrity failure, leading to a loss of containment of hydrocarbons and other hazardous materials; personal health and safety exposures; natural disasters and pandemics; and breaches of security.

The Group often operates in harsh and remote working environments. Exploration and production carry significant inherent risks, especially deep water drilling and operations in high pressure/high temperature wells. Accidents in the Group's upstream, midstream or downstream activities can lead to loss of life, environmental damage and, consequently, potential economic losses (arising from, among other things, fines and legal action, lost revenue from lost production and clean up and re-building costs) that could have a material and adverse effect on the business, results of operation and prospects of the Group.

Although the Group does not currently operate in the Gulf of Mexico, recent accidents in that region are likely to result in more stringent regulation of oil and gas activities in the United States and potentially elsewhere, particularly relating to environmental, health and safety protection controls and oversight of drilling operations, as well as access to new drilling areas. New regulations and legislation, as well as evolving practices, may increase the cost of compliance and may require changes or curtailment of the Group's drilling operations and exploration and development plans.

The Group is subject to stringent environmental, health and safety laws in numerous jurisdictions around the world, that may result in material compliance costs

The Group is exposed to risks regarding the safety and security of its operations. The Group's workforce and the public are exposed to risks inherent to the Group's operations that potentially could lead to injuries or loss of life and could result in regulatory action, legal liability and damage to its reputation.

The Group incurs, and expects to continue to incur, substantial capital and operating expenditures to comply with increasingly complex laws and regulations covering the protection of the natural environment and the promotion of worker health and safety, including:

- (i) costs to prevent, control, eliminate or reduce certain types of air and water emissions or contamination, including those costs incurred in connection with government actions to address concerns on climate change or regarding the development of unconventional resources, including risks associated with hydraulic fracturing;
- (ii) remedial measures related to environmental contamination or accidents at various sites, including those owned by third parties;

- (iii) compensation of persons claiming damages caused by its activities or accidents; and
- (iv) costs in connection with the decommissioning of drilling platforms and other facilities.

If the Group's established financial reserves prove not to be adequate, environmental costs could have a material adverse effect on the Group's results of operations and financial position. Furthermore, in the countries where the Group operates or expects to operate in the near future, new laws and regulations, the imposition of tougher licence requirements, increasingly strict enforcement or new interpretations of existing laws and regulations or the discovery of previously unknown contamination may also cause the Group to incur material costs resulting from actions taken to comply with such laws and regulations, including:

- (i) modifying operations;
- (ii) installing pollution control equipment;
- (iii) implementing additional safety measures; and
- (iv) performing site clean-ups.

As a further result of any new laws and regulations or other factors, the Group may also have to curtail or cease certain operations or implement temporary shutdowns of facilities, which could diminish its productivity and materially and adversely impact its results of operations, including profits.

Security breaches could severely disrupt the Group's operations

Security threats require continuous oversight and control. Acts of terrorism against the Group's plants and offices, pipelines, transportation or computer systems could severely disrupt its businesses and operations and could cause harm to people.

Information technology security breaches may also result in the loss of the Group's commercially sensitive data.

Environmental concerns and actions, such as initiatives to address climate change, may hamper the Group's operations

Policies and initiatives at national and international levels to address climate change, such as worldwide policy and regulatory actions aiming to reduce greenhouse gas, are likely to affect business conditions and demand for various types of energy in the medium to long term. Policy approaches that promote the usage of alternative energy sources, including renewables, biofuels, hydro-electric power and nuclear power, may have an adverse impact on the Group's ability to maintain its position in key markets. In addition, new regulatory regimes intended to establish emissions trading schemes could alter hydrocarbon production economics and adversely affect the Group's operations.

Measures to tackle loss of biodiversity and policies intended to protect local habitats may also limit access to gas and oil resources in areas deemed to be biologically sensitive, which in turn could impair the Group's access to resources, production and financial performance.

The Group may not be able to satisfactorily resolve environmental issues posed by the production of coal seam gas and shale gas

The Group expects that unconventional gas resources, including coal seam and shale gas, will play an increasingly important role in the Group's global portfolio.

In order for coal seam gas to be produced, water needs to be removed from the coals during a period of approximately six to 18 months to de-pressurize the reservoir. Significant volumes of water are produced daily during the de-watering period. The quality of this water is generally poor, and solutions for its disposal need to be developed as the Group's operations in coal seam gas expand.

Shale gas is a form of natural gas that is stored in organic-rich rocks, such as dark-colored shale, within continuous accumulations that extend across large areas. The Group's shale gas drilling and production operations rely on hydraulic fracturing, which involves the injection of water, sand and chemicals under pressure,

usually down casing that is cemented in the wellbore. These operations require the availability of adequate sources of water to facilitate the fracturing process, the disposal of that water when it flows back to the well-bore and the appropriate management of chemicals.

If the Group is unable to dispose of the water it uses or removes from the strata within applicable environmental rules and at a reasonable cost, its ability to produce gas commercially could be impaired. In addition, new environmental regulations governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells may increase operating costs and cause delays, interruptions or termination of operations, the extent of which cannot be predicted, all of which could have an adverse affect on the Group's operations and financial performance.

Additional concerns related to production of unconventional gas include the long-term impact upon the natural environment, including flora and fauna, and the possibility that unconventional operations may cause minor seismic events. In addition, local communities may raise concerns in relation to the impact on their land and their property rights.

The adoption of any future laws or implementing regulations limiting the hydraulic fracturing process or making it more expensive could have a material adverse effect on the results of the Group's business and results of operations

The Group's US shale gas drilling and production operations rely on hydraulic fracturing. In the United States, proposed legislation has been introduced based on assertions that the fracturing process could adversely affect drinking water supplies. In addition, governmental authorities in various other jurisdictions have imposed or are considering imposing regulations that may affect hydraulic fracturing operations. The adoption of any laws or regulations limiting the hydraulic fracturing process or making it more expensive could materially and adversely impact the Group's business and results of operations.

The Group's operations throughout both the developed and the developing world are subject to intervention by various governments, which could have an adverse effect on the Group's results of operations

The Group faces a range of political risks. For instance, governments may alter fiscal or other terms governing oil and gas industry operations, especially where they face financial pressures, or may act (or fail to act) in a way which delays project schedules or increases costs, thus destroying value. In addition, the Group needs to work together with governments and national oil companies in order to secure access to new resources and ensure the successful monetization of existing resources. In such cases, political considerations can influence decision-making. Previously disenfranchised or disengaged populations have also become more active and are able, using new channels like social media, to mobilise to pressurise governments in a way that was impossible in the past. These developments have increased the possibility of unforeseen regime, as well as legal or regulatory, changes as governments and authorities respond to public pressure. Similarly, the Group will be exposed to risk if it does not recognize, and take account of, the interests of the communities in the areas where it operates. The Group's operations will only be sustainable and successful over the long term if its local stakeholders see benefit from them and support the Group's presence.

In recent years, some governments and state-owned enterprises have exercised greater authority and imposed more stringent conditions on companies pursuing exploration and production activities in their respective countries, increasing the costs and uncertainties of business operations, and this trend may continue. Potential increasing intervention by governments in such countries can take a wide variety of forms, including:

- (i) the award or denial of exploration and production interests;
- (ii) the imposition of specific drilling obligations;
- (iii) price and/or production quota controls;
- (iv) nationalisation or expropriation of the Group's assets;
- (v) unilateral cancellation or modification of the Group's licence or contract rights;
- (vi) increases in taxes and royalties, including retroactive claims;

- (vii) the establishment of production and export limits;
- (viii) the renegotiation of contracts;
- (ix) payment delays; and
- (x) currency exchange restrictions or currency devaluation.

Imposition of any of these factors by a government in a host country where the Group has substantial operations, including exploration, could cause the Group to incur material costs or cause its production to decrease, potentially having a material adverse effect on the Group's results of operations, including profits.

In addition, the Group has production, reserves and resources and is exploring for and developing new reserves and resources in politically, economically and socially unstable areas, such as Egypt and Tunisia, where the likelihood of material disruption of the Group's operations is relatively high. The occurrence and magnitude of incidents related to economic, social and political instability are unpredictable and could have a material adverse impact on the Group's production and operations.

The Group's settlement of arbitration proceedings in Kazakhstan remains subject to certain conditions precedent

The Group and its partners (collectively, the "**KPO Partners**") within the Karachaganak Petroleum Operating B.V. ("**KPO**") had been involved in various arbitration proceedings concerning certain taxes, fines and penalties paid by KPO and the KPO Partners as well as certain unresolved items of expenditure incurred by KPO. These arbitration proceedings have now been settled by entering into a Settlement Agreement dated 14 December 2011, which is subject to a number of conditions precedent. A failure to satisfy such conditions precedent by 30 June 2012 (the longstop date) may have a material adverse impact on the Group's operations in Kazakhstan.

The Group's development projects and production operations may be adversely affected by the actions of local communities in areas where the Group operates or seeks to operate

The Group's operations will only be sustainable and successful over the long term if its local stakeholders support the Group's presence. The Group's development projects and production operations may face opposition where local communities perceive the Group's presence to be negative from an environmental, social or economic perspective. This opposition can manifest itself in the form of direct action by local people against the Group's local operations or by increased political pressure on the Group, all of which can delay projects, disrupt production, increase costs and damage the Group's reputation.

The Group is subject to a broad array of legislation and regulations in various jurisdictions

The Group's business activities are conducted in many different countries and are therefore subject to a broad range of legislation and regulations. Any non-compliance by the Group with applicable regulations could lead to legal or regulatory sanctions, as well as reputational damage. The need to comply with any new or revised regulations, or new or changed interpretations or enforcement of existing regulations, may have a material impact on the Group's business and financial position. In addition, compliance with such regulations may impose significant costs on the Group's business and could potentially restrict or prohibit its business operations and/or practices.

The Group's Transmission & Distribution operations may be subject to unfavourable tariff reviews

The Group's Transmission & Distribution ("**T&D**") operations mainly operate under a form of licence or concession agreement awarded by the state or national government. In some countries in which the Group operates, the tariff that gas customers are charged is determined by a regulator and reviewed periodically in line with licence terms and conditions. The Group may be at risk of unfavourable tariff reviews which may have an adverse impact on T&D income and growth.

The Group may not be able to attract or retain sufficient skilled employees

The Group's performance, operating results and future growth depend to a large extent on its continued ability to attract, retain, motivate and organize appropriately qualified personnel with the level of expertise and knowledge necessary to conduct the Group's operations. Competition for talented and qualified employees is intense. If the

Group is unable to attract and retain sufficient highly qualified management and employees with the right capabilities and experience, especially in the unconventional gas resources parts of its business, the Group may not be able to sustain or further develop its business, which would have a material adverse effect on its financial performance.

Insurance covering the Group's business, when available, is subject to certain limits

Some of the major risks involved in the Group's activities cannot, or may not, reasonably and economically be insured. The transfer of risks to the insurance market may be affected and influenced by constraints on the availability of cover, market appetite and capacity, pricing and the decisions of regulatory authorities. Accordingly, the Group may incur significant losses from different types of accidents that are not covered by insurance. The Group's insurance program is subject to certain limits, deductibles, terms and conditions. Significant losses may exceed the coverage provided by the Group's insurance program. In addition, insurance premium costs are also subject to changes based on the overall loss experience of the insurance markets accessed. Significant claims could lead to a significant increase in insurance premiums.

The Group's business may be disrupted by external or internal crises

Crisis management plans and capability are essential to deal with emergencies at every level of the Group's operations. If the Group does not respond or is perceived as not responding in an appropriate manner to either an external or internal crisis, its business and operations could be severely disrupted.

Factors which are material for the purpose of assessing the suitability of the Securities as an investment

No public market exists for the Securities and there are uncertainties regarding the existence of any trading market for the Securities

There is currently no active trading market in the Securities. Although application has been made to the London Stock Exchange for the listing of the Securities on the Official List of the London Stock Exchange and admission to trading on the London Stock Exchange's regulated market, there can be no guarantee that such applications will be accepted or that an active trading market in the Securities will develop. Accordingly, there can be no assurance as to the development or liquidity of any trading market for the Securities. Illiquidity may have a severely adverse effect on the market value of the Securities.

If the Securities are traded after their initial issuance, they may trade at a discount to their issue price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, fluctuations in the Guarantor's capital ratios and investors' general perception of the credit risk of the Guarantor. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

The market value of the Securities may be influenced by unpredictable factors

Many factors, most of which are beyond the Issuer's or the Guarantor's control, will influence the value of the Securities and the price, if any, at which securities dealers may be willing to purchase or sell the Securities in the secondary market, including:

- the creditworthiness of the Issuer and the Guarantor;
- supply and demand for the Securities; and
- economic, financial, political or regulatory events or judicial decisions that affect the Issuer and the Guarantor or the financial markets generally.

Accordingly, if a holder sells its Securities in the secondary market, it may not be able to obtain a price equal to the principal amount of the Securities or a price equal to the price that it paid for the Securities.

Risks related to the structure of the Securities

The Securities and the Guarantee are subordinated obligations

The Issuer's obligations under the Securities will be direct, unsecured and subordinated. The claims of the holders in respect of the Securities will, in the event of an order being made, or an effective resolution being passed, for the winding-up or liquidation of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a "successor in business"), and subject to and to the extent permitted by applicable law, rank (a) junior to all claims of holders of Senior Obligations of the Issuer and (b) *pari passu* with each other and with the claims of holders of all Parity Obligations of the Issuer and (c) ahead of the holders of the Ordinary Share capital of the Issuer and any other Junior Obligations of the Issuer.

The Guarantor's obligations under the Guarantee will be direct, unsecured and subordinated. The claims of the Holders against the Guarantor in respect of the Guarantee will, in the event of an order being made, or an effective resolution being passed, for the winding-up or liquidation of the Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Guarantor of a "successor in business"), and subject to and to the extent permitted by applicable law, rank (a) junior to all claims of holders of Senior Obligations of the Guarantor and (b) *pari passu* with each other and with the claims of holders of all Parity Obligations of the Guarantor and (c) ahead of the holders of the Ordinary Share capital of the Guarantor and any other Junior Obligations of the Guarantor. Any amount paid by the Issuer in respect of the Securities will discharge the obligations of the Guarantor pursuant to the Guarantee in respect thereof and to that extent and vice versa.

By virtue of such subordination, payments to a Holder will, in the events described in the Conditions, only be made after all obligations of the Issuer or the Guarantor (as applicable) resulting from higher ranking claims have been satisfied. A Holder may therefore recover less than the holders of unsubordinated liabilities of the Issuer and/or the Guarantor. Furthermore, the Conditions will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the Securities or the Guarantee, as the case may be, which may be incurred or assumed by the Issuer and/or the Guarantor from time to time, whether before or after the Issue Date. Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer and/or the Guarantor in respect of, or arising under or in connection with, the Securities and each Holder shall, by virtue of his holding, be deemed to have waived all such rights of set-off, compensation or retention.

Although the Securities may pay a higher rate of interest than comparable securities which are not subordinated, there is a real risk that an investor in the Securities will lose all or some of his investment should the Issuer and/or the Guarantor becomes insolvent.

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities or other liabilities which (a) the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities or (b) the Guarantor may issue or incur and which rank senior to, or *pari passu* with, the Guarantee. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer and/or may increase the likelihood of a deferral of interest payments under the Securities.

Deferral of Interest Payments

The Issuer may, at its discretion, elect to defer any interest payable on the Securities on any Interest Payment Date as provided in "*Terms and Conditions of the Securities – Optional Interest Deferral*". While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities and in such event, the Holders are not entitled to claim immediate payment of the interest so deferred.

Any such deferral of interest payment shall not constitute a default for any purpose unless such payment is required in accordance with Condition 5(b) of the Securities. Although the Issuer intends to pay all outstanding Arrears of Interest in respect of the Securities on the fifth anniversary of the Interest Payment Date on which the relevant deferral of interest first arose, this is only a current intention, not an obligation of the Issuer. Therefore, there can be no assurance that Arrears of Interest will be satisfied within such five year period.

Any deferral of interest payments will likely have an adverse effect on the market price of the Securities. In addition, as a result of the interest deferral provisions of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's and Guarantor's financial condition.

The Securities may not be redeemed, substituted or varied unless and until all outstanding Arrears of Interest are satisfied in full, on or prior to the date set for the relevant redemption, substitution or variation.

The Securities are long-term securities and holders have no right to call

Unless previously redeemed or purchased or cancelled, the Securities will be redeemed on the Interest Payment Date falling in November 2072, and the Issuer is under no obligation to redeem the Securities at any time prior to such date. Holders have no right to call the Securities for their redemption. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities effectively indefinitely.

Redemption risks

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Securities on the Interest Payment Date falling in November 2072 at their principal amount together with any accrued interest to such date and any outstanding Arrears of Interest. However, subject as provided in Condition 6, the Securities can be redeemed at the option of the Issuer on the First Call Date, the First Step-Up Date or any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest to the redemption date and any outstanding Arrears of Interest.

In addition, upon the occurrence of a Capital Event, a Tax Event, a Substantial Repurchase Event or a Withholding Tax Event (each as defined in the Conditions and as more fully described in Condition 6(c)), the Issuer shall have the option to redeem the Securities at the prices set out therein, in each case together with any accrued and unpaid interest to the redemption date and any outstanding Arrears of Interest.

Furthermore, if either a Capital Event, a Tax Event or a Withholding Tax Event occurs, then, subject to the provisions of Conditions 7 and 8, the Issuer may substitute at any time all of the Securities for, or vary the terms of the Securities so that they remain or become, Qualifying Securities.

During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the Securities being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments which may be available at that time.

The interest rate on the Securities will reset on the First Call Date, the First Step-Up Date and every Interest Payment Date thereafter, which can be expected to affect the interest payment on the Securities and the market value of the Securities

While the Securities will initially earn interest at a fixed rate until (but excluding) the First Call Date, the current market interest rate on the capital markets (the "market interest rate") typically changes on a daily basis. Since the initial fixed rate of interest for the Securities will be reset on the First Call Date, the First Step-Up Date and every Interest Payment Date thereafter (as set out in the Conditions), the interest payment on such Securities will also change. Holders should be aware that movements in these market interest rates can adversely affect the price of the Securities and can lead to losses for the Holders if they sell the Securities.

Holders of Securities are exposed to the risk of fluctuating interest rate levels and uncertain interest income as the reset rates could affect the market value of an investment in the Securities.

Limited Remedies

There is no obligation on the Issuer to repay principal prior to the Maturity Date. In addition, payments of interest on the Securities may be deferred in accordance with Condition 5(a) and interest will not therefore be due

other than in the limited circumstances described in Condition 5(b). The only events of default in the Conditions are (a) if a default is made by the Issuer for a period of 14 days or more in the payment of any principal (or premium) due on the Securities or 21 days or more in the payment of any interest due on the Securities or the Guarantor fails to pay any amount due under the Guarantee; or (b) if an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Issuer or the Guarantor. Therefore, it will only be possible for the Holders to enforce claims for payment of principal or interest of the Securities when the same are due.

Furthermore, the claims of holders of all Senior Obligations of the Issuer and/or the Senior Obligations of the Guarantor, as applicable, will first have to be satisfied in any winding-up, liquidation or analogous proceedings before the Holders may expect to obtain any recovery in respect of their Securities and prior thereto Holders will have only limited ability to influence the conduct of such winding-up, liquidation or analogous proceedings.

Modification, waivers and substitution

The Conditions of the Securities contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Conditions of the Securities also provide that the Trustee may, without the consent of the Holders of the Securities, agree to (i) any variation of the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, or (ii) the substitution of all, but not some only, of the Securities for Qualifying Securities, in each case in the circumstances described in Condition 7.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, the Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Security as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, the Directive.

Change of law

The Terms and Conditions of the Securities are based on English law, in effect as at the date of issue of the Securities. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Securities.

Integral multiples of less than the specified denomination

The Securities are issued in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof, up to and including US\$399,000. Therefore, it is possible that the Securities may be traded in amounts in excess of US\$200,000 that are not integral multiples of US\$200,000. In such a case, a Holder who, as a result of trading

such amounts, holds a principal amount of less than US\$200,000 will not receive a definitive Security in respect of such holding (should definitive Securities be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If definitive Securities are issued, Holders should be aware that definitive Securities which have a denomination that is not an integral multiple of US\$200,000 may be illiquid and difficult to trade. Except in circumstances set out in each Global Security, investors will not be entitled to receive definitive Securities.

Exchange rate risk and exchange controls

The Issuer will pay principal and interest on the Securities in US dollars. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the "**Investor's Currency**") other than the US dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollar would decrease (1) the Investor's Currency equivalent yield on the Securities, (2) the Investor's Currency equivalent value of the principal payable on the Securities and (3) the Investor's Currency equivalent market value of the Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Securities.

Credit ratings may not reflect all risks

The credit ratings assigned to the Securities may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the relevant Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). The list of registered and certified credit rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

The Securities are expected to be rated Baa1 by Moody's, BBB+ by S&P and BBB+ by Fitch (each a "**Rating Agency**"). As of the date of this Prospectus, each Rating Agency is a credit rating agency established in the European Union and is registered under the CRA Regulation. As such each Rating Agency is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

The clearing systems

Because the relevant Global Security will be held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The relevant Global Security will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the relevant Global Security. While the Securities are represented by one or more Global Securities, investors will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

While Securities are represented by one or more Global Securities, the Issuer will discharge its payment obligations under such Securities by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Securities. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, interests in the relevant Global Security.

Holders of interests in a Global Security will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear or Clearstream, Luxembourg.

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to alteration and except for paragraphs in italics, are the terms and conditions of the Securities which will be endorsed on each Security in definitive form (if issued).

The issue of the U.S.\$500,000,000 Capital Securities due 2072 (the “**Securities**”, which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 18 and forming a single series with the Securities) of BG Energy Capital plc (the “**Issuer**”) was authorised by a resolution of the board of directors of the Issuer passed on 8 June 2012 and 21 June 2012. The guarantee of the Securities was authorised by a resolution of BG Energy Holdings Limited (the “**Guarantor**”) passed on 8 June 2012 and 21 June 2012. The Securities are constituted by a trust deed (the “**Trust Deed**”) dated 27 June 2012 between the Issuer, the Guarantor and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Securities (the “**Holder**s”). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Securities and of the interest coupons (the “**Coupons**”, which expression includes, where the context so permits, talons for further Coupons (the “**Talons**”) and the Talons appertaining to Securities in definitive form. Copies of (i) the Trust Deed; and (ii) the paying agency agreement (the “**Paying Agency Agreement**”) dated 27 June 2012 relating to the Securities between the Issuer, the Guarantor, Citibank, N.A., London Branch as the initial principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto) and the other initial paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include the Paying Agents for the time being) and the Trustee are available for inspection during usual business hours at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of each of the Paying Agents. The Holders and the holders of the Coupons (whether or not attached to the relevant Securities) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement.

1. **Form, Denomination and Title**

(a) *Form and Denomination*

The Securities are serially numbered and in bearer form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof up to and including U.S.\$399,000, each with Coupons and one Talon attached on issue. No definitive Securities will be issued with a denomination above U.S.\$399,000. Securities of one denomination may not be exchanged for Securities of any other denomination.

(b) *Title*

Title to the Securities, Coupons and each Talon passes by delivery. The holder of any Security, Coupon or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2. **Status and Subordination of the Securities and the Coupons**

(a) *Status of the Securities and Coupons*

The Securities and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders and the Couponholders are subordinated as described in Condition 2(b).

(b) *General*

In the event of an order being made, or an effective resolution being passed, for the winding-up or liquidation of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a “successor in business” (as defined in the Trust Deed) of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the

Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions), there shall be payable by the Issuer in respect of each Security and Coupon (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security and Coupon if, on the day prior to the commencement of the winding-up or such liquidation, as the case may be, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (“**Issuer Notional Preference Shares**”) having an equal right to a return of assets in the winding-up or such liquidation, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up or liquidation over, and so rank ahead of, the holders of the Ordinary Share capital of the Issuer and any other Junior Obligations of the Issuer, but ranking junior to the claims of holders of all Senior Obligations of the Issuer (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such Holder was entitled to receive in respect of each Issuer Notional Preference Share on a return of assets in such winding-up or such liquidation, as the case may be, were an amount equal to the principal amount of the relevant Security and any accrued and unpaid interest and any Arrears of Interest.

Accordingly, the claims of holders of all Senior Obligations of the Issuer will first have to be satisfied in any liquidation, winding-up or analogous proceedings before the Holders may expect to obtain any recovery in respect of their Securities from the Issuer and prior thereto Holders will have only limited ability to influence the conduct of such liquidation, winding-up or analogous proceedings. See “Risk Factors – Risks related to the Securities generally – Limited Remedies”.

(c) ***Set-off***

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with (i) (in the case of the Issuer) the Securities, the Coupons or the Trust Deed or (ii) (in the case of the Guarantor) the Guarantee, and each Holder and Couponholder shall, by virtue of his holding of any Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention as against the Issuer and the Guarantor.

3. Guarantee, Status and Subordination of the Guarantee

(a) ***Status***

The Guarantor has (subject as provided in Conditions 3(b) and 3(c)) in the Trust Deed irrevocably guaranteed the due and punctual payment of all of the Guaranteed Amounts. Under such guarantee (the “**Guarantee**”), the Guarantor shall (subject as provided in Conditions 3(b) and 3(c)) pay any Guaranteed Amount which is (or is deemed under Condition 3(b) below to be) due and payable by the Issuer which the Issuer fails for any reason whatsoever to pay when due. The payment obligations of the Guarantor under such Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor.

(b) ***Obligations of the Guarantor***

(i) **Payments under the Guarantee**

In the event that any Guaranteed Amount is paid by the Guarantor under the Guarantee, such payment by the Guarantor shall be treated as satisfying the right of the Trustee, any Holder or Couponholder to payment of such amounts under the Trust Deed, the Securities and the Coupons.

(ii) **Winding-up of the Issuer**

In the event that any payment is made to the Trustee (other than payments made to the Trustee in its personal capacity under the Trust Deed), the Holders and/or Couponholders in respect of the claims arising under the terms of the Securities, the Coupons and the Trust Deed by the liquidator or other relevant insolvency practitioner appointed to the Issuer in relation to its

winding-up of the Issuer after the occurrence of a Relevant Issuer Event (any such amount paid, the “**Issuer Recovered Amount**”), any Issuer Recovered Amount shall reduce the amounts payable by the Guarantor under the Guarantee in the following manner:

- (A) the Issuer Interest Portion of an Issuer Recovered Amount shall reduce any obligation of the Guarantor to make payment in respect of accrued interest and any Arrears of Interest under the Guarantee by an amount equal to the Issuer Interest Portion with effect from (and including) the Issuer Recovered Amount Payment Date; and
- (B) the Issuer Non-Interest Portion of an Issuer Recovered Amount shall reduce any obligation of the Guarantor to make payment in respect of principal of the Securities under the Guarantee by an amount equal to the Issuer Non-Interest Portion with effect from the Issuer Recovered Amount Payment Date and accordingly interest shall only accrue on and be payable in respect of such reduced principal amount of the Securities from (and including) the Issuer Recovered Amount Payment Date.

For the purposes of this Condition 3(b)(ii), a “**Relevant Issuer Event**” means that an order has been made, or an effective resolution passed, or other analogous proceedings effected for the winding-up or liquidation of the Issuer, each in the circumstances set out in Condition 2(b).

(c) ***Subordination of the Guarantee***

In the event of an order being made, or an effective resolution being passed, for the winding-up or liquidation of the Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Guarantor of a “successor in business” (as defined in the Trust Deed) of the Guarantor, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions), there shall be payable by the Guarantor in respect of each Guaranteed Amount (in lieu of any other payment by the Guarantor), such amount, if any, as would have been payable to the Holder of such Security and Coupon if, on the day prior to the commencement of the winding-up or such liquidation, as the case may be, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Guarantor (“**Guarantor Notional Preference Shares**”) having an equal right to a return of assets in the winding-up or such liquidation, as the case may be, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) which have a preferential right to a return of assets in the winding-up or liquidation over, and so rank ahead of, the holders of the Ordinary Shares of the Guarantor and any other Junior Obligations of the Guarantor, but ranking junior to the claims of holders of all Senior Obligations of the Guarantor (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such Holder was entitled to receive in respect of each Guarantor Notional Preference Share on a return of assets in such winding-up or such liquidation, as the case may be, were an amount equal to the relevant Guaranteed Amount.

Accordingly, the claims of holders of all Senior Obligations of the Guarantor will first have to be satisfied in any liquidation, winding-up or analogous proceedings before the Holders may expect to obtain any recovery in respect of their Securities from the Guarantor and prior thereto Holders will have only limited ability to influence the conduct of such liquidation, winding-up or analogous proceedings. See “Risk Factors – Risks related to the Securities generally – Limited Remedies”.

In the event that any payment is made to the Trustee (other than payments made to the Trustee in its personal capacity under the Trust Deed), the Holders and/or Couponholders in respect of the claims arising under the terms of the Guarantee by the liquidator or other relevant insolvency practitioner appointed to the Guarantor in relation to its winding-up of the Guarantor at a time when a Relevant Issuer Event has not occurred (any such amount paid, the “**Guarantor Recovered Amount**”), any Guarantor Recovered Amount shall reduce the amounts payable by the Issuer under the terms of the Securities, the Coupons and the Trust Deed in the following manner:

- (A) the Guarantor Interest Portion of a Guarantor Recovered Amount shall reduce any obligation of the Issuer to make payment in respect of accrued interest and Arrears of Interest under the Securities, the Coupons and the Trust Deed by an amount equal to the Guarantor Interest Portion with effect from (and including) the Guarantor Recovered Amount Payment Date; and

- (B) the Guarantor Non-Interest Portion of an Guarantor Recovered Amount shall reduce any obligation of the Issuer to make payment in respect of principal of the Securities under the Guarantee by an amount equal to the Guarantor Non-Interest Portion with effect from the Guarantor Recovered Amount Payment Date and accordingly interest shall only accrue on and be payable in respect of such reduced principal amount of the Securities from (and including) the Guarantor Recovered Amount Payment Date.

4. **Interest Payments**

(a) ***Interest Rate***

The Securities bear interest on their principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Securities semi-annually in arrear on each Interest Payment Date as provided in this Condition 4, except that the first payment of interest, to be made on 30 November 2012, will be in respect of the period from (and including) 27 June 2012 to (but excluding) 30 November 2012.

(b) ***Interest Accrual***

The Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 or the date of substitution or variation thereof pursuant to Condition 7, as the case may be, unless, upon due presentation, payment of all amounts due in respect of the Securities is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Save as provided in Condition 4(c) below, where it is necessary to compute an amount of interest in respect of any Security during any Interest Period ending on or before the First Step-Up Date for a period which is less than a complete Interest Period, such interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

Where it is necessary to compute an amount of interest in respect of any Security during any Interest Period commencing on or after the First Step-Up Date, such interest shall be calculated on the basis of the actual number of days in the relevant Interest Period divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

Where it is necessary to compute an amount of interest in respect of any Security for a period of more than one year, such interest shall be the aggregate of the interest payable in respect of a full year plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Security shall be calculated per U.S.\$1,000 in principal amount thereof (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Security without any further rounding.

(c) ***First Fixed Interest Rate***

For each Interest Period ending on or before the First Call Date, the Securities bear interest at the rate of 6.50 per cent. per annum (the "**First Fixed Interest Rate**"), payable semi-annually in arrear in equal instalments of U.S.\$32.50 per Calculation Amount on the Interest Payment Dates in each year. The first payment of interest, to be made on 30 November 2012, will be in respect of the period from (and including) the Issue Date to (but excluding) 30 November 2012 and will amount to U.S.\$27.63 per Calculation Amount.

(d) ***Second Fixed Interest Rate***

For each Interest Period in the period commencing on (and including) the First Call Date and ending on (but excluding) the First Step-Up Date, the Securities bear interest at the 5 year Swap Rate plus the Margin (the “**Second Fixed Interest Rate**”) payable semi-annually in arrear on the Interest Payment Date in each year, all as determined by the Agent Bank and where:

“**5 year Swap Rate**” means the semi-annual mid-swap rate as displayed on Reuters screen “ISDAFIX3” as at 11:00 a.m. (London time) (the “**Reset Screen Page**”) on the day falling two Business Days prior to the First Call Date (the “**Reset Interest Determination Date**”).

In the event that the 5 year Swap Rate does not appear on the Reset Screen Page on the Reset Interest Determination Date, the 5 year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date. “**Reset Reference Bank Rate**” means the percentage rate determined on the basis of the 5 year Swap Rate Quotations provided by five leading swap dealers in the interbank market acting in each case through its principal London office (the “**Reset Reference Banks**”) to the Agent Bank at approximately 11:00 a.m. (London time), on the Reset Interest Determination Date. If at least three quotations are provided, the 5 year Swap Rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

The “**5 year Swap Rate Quotations**” means the arithmetic mean of the bid and offered rates for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating U.S. dollar interest rate swap which (i) has a term of 5 years commencing on the First Call Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis).

(e) ***Floating Interest Rate***

For each Interest Period in the period commencing on (and including) the First Step-Up Date, the Securities will bear interest at a floating rate of interest (the relevant “**Floating Interest Rate**”). The Floating Interest Rate in respect of each Interest Period commencing on or after the First Step-Up Date will be determined by the Agent Bank on the basis of the following provisions:

- (i) On each Interest Determination Date, the Agent Bank will determine the offered rate for 6-month deposits in U.S. dollars as at 11.00 a.m. (London time) on such Interest Determination Date, as displayed on the display designated as page “LIBOR01” on the Reuters Monitor Money Rates Service (or such other page or pages as may replace it for the purpose of displaying such information). The Floating Interest Rate for the relevant Interest Period shall be such offered rate as determined by the Agent Bank plus the Margin.
- (ii) If such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will, on such date, request the principal London office of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks in the London inter bank market for 6-month deposits in U.S. dollars as at 11.00 a.m. (London time) on the Interest Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Floating Interest Rate for the relevant Interest Period shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of such offered quotations plus the Margin.
- (iii) If on any Interest Determination Date to which the provisions of Condition 4(e)(ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Floating Interest Rate for the relevant Interest Period shall be the rate which the Agent Bank determines to be the aggregate of (A) the Margin and (B) the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the U.S. dollar lending rates which leading banks in New York City selected by the Agent Bank are quoting, on the relevant Interest Determination Date, to leading banks in London for a period of 6 months, except that, if the

banks so selected by the Agent Bank are not quoting as mentioned above, the Floating Interest Rate for such Interest Period shall be the Floating Interest Rate in effect for the last preceding Interest Period to which one of the preceding sub-paragraphs of this Condition 4(e) shall have applied.

(f) ***Determination of Floating Interest Rate and Calculation of Floating Interest Amounts***

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, determine the Floating Interest Rate in respect of the relevant Interest Period and calculate the amount of interest payable in respect of a Calculation Amount on the Interest Payment Date for that Interest Period (the “**Floating Interest Amount**”).

(g) ***Publication of Second Fixed Interest Rate, Floating Interest Rates and Floating Interest Amounts***

The Issuer shall cause notice of the Second Fixed Interest Rate and each Floating Interest Rate determined in accordance with this Condition 4 in respect of each relevant Interest Period, the Floating Interest Rate per Calculation Amount and the relevant date scheduled for payment to be given to the Trustee, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 17, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

Each Floating Interest Amount, each Floating Interest Rate and the date scheduled for payment so notified may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions.

(h) ***Maintenance of the Agent Bank***

With effect from the First Call Date, the Issuer will maintain an Agent Bank.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading financial institution in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Second Fixed Interest Rate or a Floating Interest Rate in respect of any Interest Period as provided in Condition 4(d) or 4(e), respectively, or calculate a Floating Interest Amount, the Issuer shall forthwith appoint another leading financial institution in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(i) ***Determinations of Agent Bank Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence as aforesaid) no liability to the Trustee, the Holders, the Couponholders, the Paying Agents, the Issuer or the Guarantor shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5. Optional Interest Deferral

(a) ***Deferral of Payments***

The Issuer may elect to defer all or part of any Interest Payment (a “**Deferred Interest Payment**”) which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a “**Deferral Notice**”) of such election to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 14 nor less than 7 Business Days prior to the relevant Interest Payment Date. Subject to Condition 5(b) below, if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Event of Default of the Issuer or the Guarantor or any other breach of their respective obligations under the Securities or for any other purpose.

Arrears of Interest (as defined below) may be satisfied at the option of the Issuer in whole or in part at any time (the “**Optional Deferred Interest Settlement Date**”) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 17, the Trustee and the Principal Paying Agent not more than 14 nor less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

If any Interest Payment, or part thereof, is deferred pursuant to this Condition 5(a) then such Deferred Interest Payment (or part thereof) shall itself bear interest (such further interest together with the Deferred Interest Payment, being “**Arrears of Interest**”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(b), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Securities or for any other purpose, unless such payment is required in accordance with Condition 5(b).

For the avoidance of doubt, if the Issuer defers payment of any amount in accordance with this Condition 5(a) such Deferred Interest Payment and any Arrears of Interest arising therefrom shall not become payable by the Guarantor under the Guarantee unless and until such Deferred Interest Payment and any Arrears of Interest have become due and payable by the Issuer in accordance with these Conditions.

(b) **Mandatory Settlement**

The Issuer may give a Deferral Notice under Condition 5(a) with regard to any amount which would otherwise be due on an Interest Payment Date pursuant to these Conditions in its sole discretion and for any reason.

Notwithstanding the above and the provisions of Condition 5(a) relating to the ability of the Issuer to defer Interest Payments, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which an Interest Payment was deferred.

If a Mandatory Settlement Date does not occur prior to the calendar day which is the fifth anniversary of the Interest Payment Date on which the relevant Deferred Interest Payment first arose, it is the intention, though not an obligation, of the Issuer to pay all outstanding Arrears of Interest (in whole, but not in part) on the next following Interest Payment Date.

6. Redemption

(a) **Final Redemption**

Unless previously redeemed, or purchased and cancelled, the Securities will be redeemed at their principal amount on the Interest Payment Date falling in November 2072 (the “**Maturity Date**”), together with any interest accrued up to (but excluding) the Maturity Date and any outstanding Arrears of Interest.

The Securities may not be redeemed at the option of the Issuer otherwise than in accordance with this Condition 6.

(b) **Issuer’s Call Option**

The Issuer may, by giving not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Securities on the First Call Date, the First Step-Up Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

(c) ***Redemption by Reason of Special Event***

If, immediately prior to the giving of the notice referred to below, a Special Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) and subject to Condition 8, redeem in accordance with these Conditions at any time all, but not some only, of the Securities at:

- (i) in the case of a Capital Event or a Tax Event where the relevant date fixed for redemption falls prior to the First Step-Up Date, 101 per cent. of their principal amount;
- (ii) in the case of a Capital Event or a Tax Event where the relevant date fixed for redemption falls on or after the First Step-Up Date, their principal amount; or
- (iii) in the case of a Substantial Repurchase Event or a Withholding Tax Event where any such redemption occurs at any time, their principal amount,

in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

Upon the expiry of such notice, the Issuer shall redeem the Securities.

7. Substitution or Variation

If a Capital Event, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 8 (without any requirement for the consent or approval of the Holders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 7 and subject to the receipt by it of the certificate of the directors of the Issuer referred to in Condition 8 below) agree to such substitution or variation but without further liability or responsibility on the part of the Trustee.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 7, as the case may be.

The Trustee shall (at the cost of the Issuer) enter into a trust deed or supplemental trust deed in form and substance satisfactory to the Trustee in relation to any such substitution of the Securities for, or the variation of the terms of the Securities so that they remain, or as appropriate, become, Qualifying Securities, provided that such trust deed or supplemental trust deed shall not in any event impose additional duties, liabilities or more onerous obligations upon the Trustee. If the Trustee does not enter into such a trust deed or supplemental trust deed as provided above, the Issuer may redeem the Securities as provided in Condition 6.

In connection with any substitution or variation in accordance with this Condition 7, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event (other than a Substantial Repurchase Event) with respect to the Securities or the Qualifying Securities.

In these Conditions, "**Qualifying Securities**" means securities that:

- (a) are issued by (i) the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer or the Guarantor with a guarantee of such obligations by the Guarantor or by the Issuer and the Guarantor or (ii) the Guarantor;

- (b) rank and (save as set out above in (ii) in sub-paragraph (a) above) benefit from a guarantee that ranks (i) in relation to the obligations of the Issuer under such Qualifying Securities and/or such guarantee (as the case may be), equally with the Securities and pari passu in a winding-up or liquidation of the Issuer with any Parity Obligations of the Issuer and (ii) in relation to the obligations of the Guarantor under such Qualifying Securities and/or such guarantee (as the case may be), equally with the guarantee of the Securities and pari passu in a winding-up or liquidation of the Guarantor with any Parity Obligations of the Guarantor;
- (c) contain terms not materially less favourable to Holders than the terms of the Securities (as reasonably determined by the Issuer or (where the Special Event relates to the Guarantor) the Guarantor (in consultation with an independent investment bank or counsel of international standing)) and which:
 - (i) provide for the same or a more favourable Interest Rate from time to time as applied to the Securities immediately prior to such substitution or variation and preserve the same Interest Payment Dates;
 - (ii) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer and the Guarantor as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption;
 - (iii) preserve any existing rights under these Conditions to any accrued interest, any Deferred Interest Payments, any Arrears of Interest and any other amounts payable under the Securities which, in each case, has accrued to Holders and not been paid;
 - (iv) do not contain terms providing for the mandatory deferral of payments of interest and/or principal;
 - (v) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
 - (vi) are otherwise not materially less favourable to Holders;
- (d) would be awarded the same, or a higher, level of “equity credit” (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the Securities immediately prior to the relevant Special Event; and
- (e) are (i) listed on the Official List and admitted to trading on the London Stock Exchange plc’s Regulated Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved in writing by the Trustee.

For the purposes of the definition of Qualifying Securities:

“**Official List**” means the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000; and

“**Recognised Stock Exchange**” means a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time.

8. Preconditions to Special Event Redemption, Substitution and Variation

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)) or any notice of substitution or variation pursuant to Condition 7, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer (or, where the relevant Special Event relates to the Guarantor, two directors of the Guarantor) stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer (or the Guarantor, as applicable) to be taken, the relevant Special Event cannot be avoided by the Issuer (or the Guarantor, as

applicable) taking such measures. In relation to a substitution or variation pursuant to Condition 7, such certificate shall also include further certifications that the terms of the Qualifying Securities are not materially less favourable to Holders than the terms of the Securities, that such determination was reached by the Issuer or the Guarantor (as applicable) in consultation with an independent investment bank or counsel and that the criteria specified in paragraphs (a) to (e) of the definition of Qualifying Securities will be satisfied by the Qualifying Securities upon issue. The Trustee shall be entitled and without further liability or responsibility to accept such certificate from the Issuer or the Guarantor, as the case may be, without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Securities in accordance with Condition 6(b) or 6(c) shall be conditional on all outstanding Arrears of Interest being paid in full in accordance with the provisions of Condition 5 on or prior to the date thereof, together with any accrued and unpaid interest up to (but excluding) such redemption date.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

9. Purchases and Cancellation

(a) *Purchases*

The Issuer, the Guarantor, BG Group plc or any of their respective Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Securities in any manner and at any price. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto. The Securities so purchased, while held by or on behalf of the Issuer, the Guarantor or BG Group plc or any of their respective Subsidiaries shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 14.

(b) *Cancellation*

All Securities redeemed or substituted by the Issuer pursuant to Condition 6 or 7, as the case may be, (together with all unmatured Coupons and unexchanged Talons relating thereto) will forthwith be cancelled. All Securities purchased by the Issuer, the Guarantor, BG Group plc or any of their respective Subsidiaries may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation (together with all unmatured Coupons and all unexchanged Talons) to the Principal Paying Agent. Securities so surrendered, shall be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached). Any Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Securities shall be discharged.

10. Payments

(a) *Method of Payment*

- (i)** Payments of principal, premium and interest (or any other amount in the nature of interest, including any Arrears of Interest) will be made against presentation and surrender of Securities or the appropriate Coupon (as the case may be) at the specified office of any of the Paying Agents (subject to Condition 10(d) below) except that payments of interest in respect of any period not ending on a Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Securities. Such payments will be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.
- (ii)** Each Security should be presented for redemption together with all unmatured Coupons relating to it in respect of each Interest Period ending on or before the First Call Date, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being

made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than five years after the due date for the relevant payment of principal.

- (iii) Upon the due date for redemption of any Security, unmatured Coupons relating to such Security in respect of any Interest Period commencing on or after the First Call Date (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer and the Guarantor may require.
- (iv) On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13).

(b) ***Payments Subject to Fiscal Laws***

Without prejudice to the terms of Condition 12, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

(c) ***Payments on Business Days***

A Security or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a U.S. dollar account, in London and New York City). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition, “**business day**” means a day on which commercial banks and foreign exchange markets are open in the relevant city.

(d) ***Payments outside of the United States***

Notwithstanding any other provision of these Conditions, payments of interest or premium in respect of the Securities may only be made at the specified offices of Paying Agents outside the United States of America.

11. Events of Default

(a) ***Proceedings***

If either of the following events (each an “**Event of Default**”) occurs:

- (i) a default is made by the Issuer for a period of 14 days or more in the payment of any principal (or premium) due on the Securities or 21 days or more in the payment of any interest due on the Securities or the Guarantor fails to pay any amount due under the Guarantee; or
- (ii) an order is made or an effective resolution passed and, where possible, not discharged or stayed within a period of five Business Days for the winding-up, dissolution or liquidation of the Issuer or the Guarantor,

then the Issuer and the Guarantor shall without notice from the Trustee be deemed to be in default under the Trust Deed, the Securities and the Coupons and the Trustee at its sole discretion (notwithstanding the provisions of Condition 11(b) but subject to Condition 11(c)) may, or shall, if so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of such Securities, subject in each case to its being indemnified and/or secured and/or pre-funded to its satisfaction, institute steps, actions or proceedings for the winding-up of the Issuer and/

or the Guarantor and/or prove in the winding-up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment and/or give notice to the Issuer and/or the Guarantor that such Securities are, and they shall immediately thereby become, due and payable at their principal amount together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest.

(b) ***Enforcement***

The Trustee may at its discretion (subject to Condition 11(c)) and without further notice institute such steps, actions or proceedings against the Issuer and/or the Guarantor as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Securities or the Coupons or (as the case may be) the Guarantor under the Guarantee but in no event shall the Issuer or the Guarantor, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) ***Entitlement of Trustee***

The Trustee shall not be bound to take any of the actions referred to in Condition 11(a) or 11(b) above against the Issuer or the Guarantor to enforce the terms of the Trust Deed, the Securities, the Coupons or the Guarantee or any other action or step unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) ***Right of Holders***

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or the Guarantor or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer and the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 11.

(e) ***Extent of Holders' remedy***

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities, Coupons or under the Trust Deed.

12. Taxation

All payments of principal, premium and interest by the Issuer in respect of the Securities and the Coupons or (as the case may be) the Guarantor under the Guarantee shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Amounts**") as shall result in receipt by the Holders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Security or Coupon or (as the case may be) under the Guarantee:

- (a) **Other connection:** to, or to a third party on behalf of, a Holder or Couponholder who is liable to such Taxes in respect of such Security or Coupon by reason of his having some connection with the United Kingdom other than a mere holding of such Security or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder thereof would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth day; or

- (c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to or for an individual or a certain other person and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) **Payment by another Paying Agent:** presented for payment by or on behalf of a Holder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Security or Coupon to another Paying Agent in a Member State of the European Union or making any other claim or filing for exemption to which it is entitled to the relevant tax authority or Paying Agent.

References in these Conditions to principal, premium, Interest Payments, Deferred Interest Payments, Arrears of Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

13. Prescription

Claims in respect of principal and interest or any other amount will become void unless presented for payment within a period of 10 years in the case of principal (or any other amount in the nature of principal) and five years in the case of interest (or any other amount in the nature of interest, including any Deferred Interest Payment or Arrears of Interest) from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 or Condition 10(a)(iii).

14. Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Holders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders whatever the principal amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, any modification or cancellation of the Guarantee other than in accordance with Condition 7, the terms concerning currency and due dates for payment of principal, any applicable premium or Interest Payments in respect of the Securities and reducing or cancelling the principal amount of any Securities, any applicable premium or the Interest Rate) and certain other provisions of the Trust Deed, the quorum shall be two or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Securities for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions and/or the Trust Deed required to be made in the circumstances described in Condition 7 in connection with the substitution or variation of the terms of the Securities or the Guarantee so that they become or are substituted by Qualifying Securities, and to which the Trustee has agreed pursuant to the relevant provisions of Condition 7.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The Trustee may agree, without the consent of the Holders or Couponholders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor of any of these Conditions or of the provisions of the Trust Deed or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for the winding-up of the Issuer or the Guarantor which is more extensive than those set out in Condition 11). Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable.

The Trust Deed contains provisions permitting the Trustee to agree, subject to the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and to such amendment of the Trust Deed and such other conditions as the Trustee may require but without the consent of the Holders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 of certain other entities (any such entity, a “**Substituted Obligor**”) in place of the Issuer (or any previous Substituted Obligor under this Condition) as a new principal debtor under the Trust Deed, the Securities, the Coupons and the Talons.

In connection with any proposed substitution as aforesaid and in connection with the exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in this Condition 14), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to the consequences of such substitution or such exercise for individual Holders or Couponholders. In connection with any substitution or such exercise as aforesaid, no Holder or Couponholder shall be entitled to claim, whether from the Issuer, the Substituted Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or any such exercise upon any individual Holders or Couponholders except to the extent already provided in Condition 12 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 17 as soon as practicable thereafter.

15. Replacement of the Securities, Coupons and Talons

If any Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Security, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Securities, Coupons or further Coupons) and otherwise as the Issuer and the Guarantor may require. Mutilated or defaced Securities, Coupons or Talons must be surrendered before any replacement Securities, Coupons or Talons will be issued.

16. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of, and/or provision of security and/or pre-funding for, the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and/or the Guarantor and any entity related to the Issuer and/or the Guarantor without accounting for any profit. The Trustee may rely without liability to Holders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Holders.

17. Notices

Notices to Holders will be valid if published in a daily newspaper having general circulation in London (which is expected to be the Financial Times) or, if the Trustee is satisfied that such publication shall not be practicable, in another leading daily English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

18. Further Issues

The Issuer may from time to time without the consent of the Holders or the Couponholders create and issue further Securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Securities) and so that such further issue shall be consolidated and form a single series with the outstanding Securities. Any such Securities shall be constituted by a deed supplemental to the Trust Deed.

19. Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will:

- (a) at all times maintain a Principal Paying Agent;
- (b) at all times maintain Paying Agents having specified offices in at least two major European cities approved by the Trustee;
- (c) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank; and
- (d) at all times maintain a Paying Agent having a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 17. If any of the Agent Bank or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Paying Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank or the Principal Paying Agent in relation to the Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents, the Holders and the Couponholders.

20. Governing Law

The Trust Deed (including, without limitation, the Guarantee), the Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

21. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

22. Definitions

In these Conditions:

“**5 year Swap Rate**” has the meaning given to it in Condition 4(d);

“**5 year Swap Rate Quotations**” has the meaning given to it in Condition 4(d);

“**Additional Amounts**” has the meaning given to it in Condition 12;

“**Agent Bank**” means the agent bank to be appointed and maintained by the Issuer in accordance with Condition 4(h) and shall be the bank appointed by the Issuer as such agent bank from time to time;

“**Arrears of Interest**” has the meaning given to it in Condition 5(a);

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and (other than in relation to Condition 11(a)(ii)) New York City;

“**Calculation Amount**” has the meaning given to it in Condition 4(b);

a “**Capital Event**” shall be deemed to occur if the Issuer or the Guarantor has received, and confirmed in writing to the Trustee that it has so received, confirmation from any Rating Agency of a change in its assessment criteria such that the Securities will no longer be eligible for the same, or a higher amount, of “equity credit” (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the Securities at the Issue Date;

a “**Compulsory Arrears of Interest Settlement Event**” shall have occurred if:

- (i) a dividend (either interim or final), other distribution or payment was validly resolved on, declared, paid or made in respect of (a) Ordinary Shares of BG Group plc, (b) any obligations of BG Group plc which rank or are expressed to rank *pari passu* with the Ordinary Shares of BG Group plc or (c) any obligations of any other member of the Group benefiting from a guarantee or support agreement entered into by BG Group plc which rank, or are expressed to rank, *pari passu* with the Ordinary Shares of BG Group plc, except where (x) such dividend, other distribution or payment was required to be resolved on, declared, paid or made in respect of any stock option plans or employees’ share schemes of the Group or (y) BG Group plc is obliged under the terms of such securities to make such dividend, distribution or other payment; or
- (ii) a dividend (either interim or final), other distribution or payment was validly resolved on, declared, paid or made in respect of any Ordinary Shares of the Issuer or any equity accounted Junior Obligations of the Issuer or any Ordinary Shares of the Guarantor or any equity accounted Junior Obligations of the Guarantor, where, in each case, the term “equity accounted” shall not include any payment obligations that do not permit the Issuer or the Guarantor (as the case may be) to defer, pass or eliminate a dividend or other distribution or any other payment in accordance with the terms and conditions of such payment obligations; or
- (iii) a dividend (either interim or final), other distribution or payment was validly resolved on, declared, paid or made in respect of any Parity Obligations of the Issuer or any Parity Obligations of the Guarantor, except where such dividend, distribution or payment was required to be declared, paid or made under the terms of such Parity Obligations of the Issuer or Parity Obligations of the Guarantor; or
- (iv) BG Group plc has repurchased or otherwise acquired (a) any Ordinary Shares of BG Group plc, (b) any obligations of BG Group plc which rank or are expressed to rank *pari passu* with the Ordinary Shares of BG Group plc or (c) any obligations of any other member of the Group benefiting from a guarantee or support agreement entered into by BG Group plc which rank, or are expressed to rank, *pari passu* with the Ordinary Shares of BG Group plc, except where (x) such repurchase or acquisition was undertaken in respect of any stock option plans or employees’ share schemes of the Group or (y) BG Group plc is obliged under the terms of such securities to make such repurchase or acquisition; or

- (v) the Issuer, the Guarantor, BG Group plc or any of their respective Subsidiaries has repurchased or otherwise acquired any Ordinary Shares of the Issuer, any Junior Obligations of the Issuer, any Ordinary Shares of the Guarantor or any Junior Obligations of the Guarantor; or
- (vi) the Issuer, the Guarantor, BG Group plc or any of their respective Subsidiaries has repurchased or otherwise acquired any Parity Obligations of the Issuer or any Parity Obligations of the Guarantor, except where such repurchase or acquisition is effected as a public cash tender offer or public exchange offer at a purchase price per security which is below its par value;

“**Conditions**” means these terms and conditions of the Securities, as amended from time to time;

“**Couponholders**” has the meaning given to it in the preamble to these Conditions;

“**Coupons**” has the meaning given to it in the preamble to these Conditions;

“**Deferral Notice**” has the meaning given to it in Condition 5(a);

“**Deferred Interest Payment**” means any Interest Payment which, pursuant to Condition 5, the Issuer has elected to defer and which has not been satisfied;

“**Event of Default**” has the meaning given to it in Condition 11;

“**First Call Date**” means 30 November 2017;

“**First Fixed Interest Rate**” has meaning given to it in Condition 4(c);

“**First Floating Rate Interest Period**” means, unless previously redeemed, the period from (and including) the First Step-Up Date to (but excluding) the Second Step-Up Date;

“**First Step-Up Date**” means 30 November 2022;

“**Floating Interest Amount**” has the meaning given to it in Condition 4(f);

“**Floating Interest Rate**” has the meaning given to it in Condition 4(e);

“**Group**” means the Issuer, the Guarantor and BG Group plc and each of their respective Subsidiaries;

“**Guarantee**” has the meaning given to it in Condition 3(a);

“**Guaranteed Amounts**” means principal, interest (including, without limitation, any Arrears of Interest) and other sums expressed or deemed to be payable by the Issuer in respect of the Securities and the Coupons and all other monies payable by the Issuer under or pursuant to the Trust Deed;

“**Guarantor**” means BG Energy Holdings Limited;

“**Guarantor Interest Portion**” means in respect of a Guarantor Recovered Amount, an amount equal to such Guarantor Recovered Amount multiplied by a fraction the numerator of which is the Total Guarantor Interest Amount and the denominator of which is the aggregate of the Total Guarantor Interest Amount and the principal amount of the Securities outstanding as at the date of the winding-up or liquidation of the Guarantor (as applicable);

“**Guarantor Non-Interest Portion**” means the Guarantor Recovered Amount less the Guarantor Interest Portion;

“**Guarantor Notional Preference Shares**” has the meaning given to it in Condition 3(c);

“**Guarantor Recovered Amount**” has the meaning given to it in Condition 3(c);

“**Guarantor Recovered Amount Payment Date**” means in respect of any Guarantor Recovered Amount, the date on which such Guarantor Recovered Amount is paid by the liquidator or administrator (as applicable) of the Guarantor;

“**Holder**” has the meaning given to it in the preamble to these Conditions;

“**Interest Determination Date**” means, in relation to each Interest Period from and including the Interest Period beginning on the First Step-Up Date, the date falling two Business Days prior to the first day of the relevant Interest Period;

“**Interest Payment**” means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable on the presentation and surrender of such Coupon for the relevant Interest Period in accordance with Condition 4;

“**Interest Payment Date**” means 30 May and 30 November in each year, commencing on (and including) 30 November 2012, provided that if any Interest Payment Date after the First Step-Up Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day, unless it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately preceding Business Day;

“**Interest Period**” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“**Interest Rate**” means the First Fixed Interest Rate and/or the Second Fixed Interest Rate and/or the relevant Floating Interest Rate, as the case may be;

“**Issue Date**” means 27 June 2012;

“**Issuer**” means BG Energy Capital plc;

“**Issuer Interest Portion**” means in respect of an Issuer Recovered Amount, an amount equal to such Issuer Recovered Amount multiplied by a fraction the numerator of which is the Total Issuer Interest Amount and the denominator of which is the aggregate of the Total Issuer Interest Amount and the principal amount of the Securities outstanding as at the date of the winding-up or liquidation of the Issuer (as applicable);

“**Issuer Non-Interest Portion**” means the Issuer Recovered Amount less the Issuer Interest Portion;

“**Issuer Notional Preference Shares**” has the meaning given to it in Condition 2(b);

“**Issuer Recovered Amount**” has the meaning given to it in Condition 3(b)(ii);

“**Issuer Recovered Amount Payment Date**” means in respect of any Issuer Recovered Amount, the date on which such Issuer Recovered Amount is paid by the liquidator or administrator (as applicable) of the Issuer;

“**Junior Obligations**” means the Junior Obligations of the Guarantor and the Junior Obligations of the Issuer;

“**Junior Obligations of the Guarantor**” means (i) all obligations of the Guarantor which rank or are expressed to rank *pari passu* with the Ordinary Shares of the Guarantor and (ii) any obligations of any other member of the Group benefiting from a guarantee or support agreement entered into by the Guarantor which rank, or are expressed to rank, *pari passu* with the Ordinary Shares of the Guarantor;

“**Junior Obligations of the Issuer**” means (i) all obligations of the Issuer which rank or are expressed to rank *pari passu* with the Ordinary Shares of the Issuer and (ii) any obligations of any other member of the Group benefiting from a guarantee or support agreement entered into by the Issuer which rank, or are expressed to rank, *pari passu* with the Ordinary Shares of the Issuer;

“**Mandatory Settlement Date**” means the earliest of:

- (i) the date on which a Compulsory Arrears of Interest Settlement Event occurs; or
- (ii) the date on which the Securities are redeemed (in whole, but not in part) or repaid in accordance with Condition 3, any paragraph of Condition 6 or Condition 11;

“**Margin**” means (i) in relation to the Second Fixed Interest Rate 5.439 per cent., (ii) in relation to the First Floating Rate Interest Period, 5.689 per cent. and (iii) in relation to the Second Floating Rate Interest Period, 6.439 per cent.;

“**Maturity Date**” means the Interest Payment Date falling in November 2072;

“**Notional Preference Shares**” means the Issuer Notional Preference Shares or the Guarantor Notional Preference Shares as the case may be;

“**Official List**” has the meaning given to it in Condition 7;

“**Optional Deferred Interest Settlement Date**” has the meaning given to it in Condition 5(a);

“**Ordinary Shares of BG Group plc**” means ordinary shares in the capital of BG Group plc, having at the Issue Date a nominal value of £0.10 each;

“**Ordinary Shares of the Guarantor**” means ordinary shares in the capital of the Guarantor, having at the Issue Date a nominal value of £1.00 each;

“**Ordinary Shares of the Issuer**” means ordinary shares in the capital of the Issuer, having on the Issue Date a nominal amount of £1.00 each;

“**Parity Obligations**” means the Parity Obligations of the Guarantor and the Parity Obligations of the Issuer;

“**Parity Obligations of the Guarantor**” means (i) the most junior class of preference share capital in the Guarantor and any other obligations of the Guarantor which rank, or are expressed to rank, *pari passu* with the Guarantee or such preference shares and (ii) any obligations of any other member of the Group benefiting from a guarantee or support agreement entered into by the Guarantor which ranks, or is expressed to rank, *pari passu* with the Guarantee;

“**Parity Obligations of the Issuer**” means (i) the most junior class of preference share capital in the Issuer and any other obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Securities or such preference shares and (ii) any obligations of any other member of the Group benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the Securities;

“**Paying Agency Agreement**” has the meaning given to it in the preamble to these Conditions;

“**Paying Agents**” has the meaning given to it in the preamble to these Conditions;

“**Principal Paying Agent**” has the meaning given to it in the preamble to these Conditions;

“**Qualifying Securities**” has the meaning given to it in Condition 7;

“**Rating Agency**” means Standard & Poor’s Credit Market Services Europe Limited or Moody’s Investors Service Ltd. or Fitch Polska S.A., or any of their respective subsidiaries and their successors or any reputable international rating agency substituted for any of them (or any permitted substitute of them) by the Issuer and/or the Guarantor from time to time with the prior written approval of the Trustee;

“**Recognised Stock Exchange**” has the meaning given to it in Condition 7;

“**Reference Banks**” means four major banks in the interbank market in London (acting in each case through its principal London office) as selected by the Agent Bank, after consultation with the Issuer and the Guarantor;

“**Relevant Date**” means (i) in respect of any payment other than a sum to be paid by the Issuer in a winding-up or liquidation of the Issuer or the Guarantor in a winding-up or liquidation of the Guarantor (as the case may be), the date on which such payment first becomes due and payable but, if the full

amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 17 and (ii) in respect of a sum to be paid by the Issuer in a winding-up or liquidation of the Issuer or by the Guarantor in a winding-up or liquidation of the Guarantor, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up or liquidation;

“**Relevant Issuer Event**” has the meaning given to it in Condition 3(b)(ii);

“**Reset Interest Determination Date**” has the meaning given to it in Condition 4(d);

“**Reset Reference Bank Rate**” has the meaning given to it in Condition 4(d);

“**Reset Reference Banks**” has the meaning given to it in Condition 4(d);

“**Reset Screen Page**” has the meaning given to it in Condition 4(d);

“**Second Fixed Interest Rate**” has the meaning given to it in Condition 4(d);

“**Second Floating Rate Interest Period**” means, unless previously redeemed, the period from (and including) the Second Step-Up Date to (but excluding) the final redemption date of the Securities;

“**Second Step-Up Date**” means the Interest Payment Date falling in November 2037;

“**Securities**” has the meaning given to it in the preamble to these Conditions;

“**Senior Obligations of the Guarantor**” means all obligations of the Guarantor, including (without limitation) subordinated obligations of the Guarantor other than Parity Obligations of the Guarantor and Junior Obligations of the Guarantor;

“**Senior Obligations of the Issuer**” means all obligations of the Issuer, including (without limitation) subordinated obligations of the Issuer other than Parity Obligations of the Issuer and Junior Obligations of the Issuer;

“**Special Event**” means any of a Capital Event, a Substantial Repurchase Event, a Tax Event or a Withholding Tax Event or any combination of the foregoing;

“**Subsidiary**” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006;

“**Substantial Repurchase Event**” shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer, the Guarantor, BG Group plc or any of their respective Subsidiaries purchases (and effects corresponding cancellations of) 90 per cent. or more of the principal amount of the Securities initially issued (which shall for this purpose include any further Securities issued pursuant to Condition 18);

“**Substituted Obligor**” has the meaning given to it in Condition 14;

“**Talons**” has the meaning given to it in the preamble to these Conditions;

a “**Tax Event**” shall be deemed to have occurred if as a result of a Tax Law Change:

- (i) in respect of the Issuer’s obligation to make any Interest Payment and/or the Guarantor’s obligation to make any payment of any Guaranteed Amount on the next following Interest Payment Date, the Issuer and/or the Guarantor would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; or
- (ii) in respect of the Issuer’s obligation to make any Interest Payment and/or the Guarantor’s obligation to make any payment of any Guaranteed Amount on the next following Interest Payment Date, the Issuer and/or the Guarantor would not to any material extent be entitled to

have such deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at 22 June 2012 or any similar system or systems having like effect as may from time to time exist);

and, in each case the Issuer or, as the case may be, the Guarantor cannot avoid the foregoing in connection with the Securities and/or the Guarantee (as applicable) by taking measures reasonably available to it;

“Tax Law Change” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change or amendment becomes, or would become, effective on or after 22 June 2012;

“Taxes” has the meaning given to it in Condition 12;

“Total Guarantor Interest Amount” means the aggregate of (i) interest accrued (but unpaid) on the Securities from the last Interest Payment Date preceding the winding-up or liquidation of the Guarantor (as applicable) to the date of the winding-up or liquidation of the Guarantor (as applicable) and (ii) any Arrears of Interest;

“Total Issuer Interest Amount” means the aggregate of (i) interest accrued (but unpaid) on the Securities from the last Interest Payment Date preceding the winding-up or liquidation of the Issuer (as applicable) to the date of the winding-up or liquidation of the Issuer (as applicable) and (ii) any Arrears of Interest;

“Trust Deed” has the meaning given to it in the preamble to these Conditions;

“Trustee” has the meaning given to it in the preamble to these Conditions;

“United Kingdom” means the United Kingdom of Great Britain and Northern Ireland; and

a **“Withholding Tax Event”** shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Securities or of Guaranteed Amounts (as applicable), the Issuer or the Guarantor (as the case may be) has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Securities or in relation to Guaranteed Amounts and the Issuer and/or the Guarantor (as the case may be) cannot avoid the foregoing in connection with the Securities and/or the Guarantee (as applicable) by taking measures reasonably available to it.

The following paragraphs in italics do not form part of the Conditions.

Restrictions regarding redemption and repurchase of the Securities

Unless the rating assigned by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (or any of its subsidiaries or successors) (for the purposes of this paragraph only, “S&P”) to the Issuer or the Guarantor is at least “A” (or such similar nomenclature then used by S&P) and the Issuer or the Guarantor (as applicable) is comfortable that such rating would not fall below this level as a result of such redemption or repurchase the Issuer intends (without thereby assuming a legal obligation), during the period from and including the issue date of the Securities to but excluding the Second Step-Up Date, in the event of: (i) an early redemption of the Securities pursuant to (a) Condition 6(b) of the Conditions or (b) a Capital Event, or (ii) a repurchase of the Securities pursuant to Condition 9(a) of the Conditions of more than (a) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years, that it will redeem or repurchase the Securities only to the extent that such part of the aggregate principal amount of the Securities to be redeemed or repurchased as was characterised as equity by

S&P at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities) does not exceed such part of the net proceeds which is received by the Issuer, the Guarantor or any other Subsidiary during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer, the Guarantor or any other Subsidiary to third party purchasers (other than group entities of BG Group plc, the Issuer and/or the Guarantor) of securities as is characterised by S&P, at the time of sale or issuance, as equity.

Terms used but not defined in the preceding sentence shall have the meaning set out in the Conditions.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

The Temporary Global Security and the Permanent Global Security will contain provisions which apply to the Securities while they are in global form, some of which modify the effect of the terms and conditions of the Securities as set out in this document. The following is a summary of certain of those provisions as they relate to the Securities:

1. Exchange

The Temporary Global Security is exchangeable in whole or in part for interests in the Permanent Global Security on or after a date which is expected to be 7 August 2012, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Security. The Permanent Global Security is exchangeable in whole but not in part (free of charge to the Holder) for the definitive Securities described below if the Permanent Global Security is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. Thereupon the Holder may give notice to the Trustee and the Principal Paying Agent of its intention to exchange the Permanent Global Security for definitive Securities on or after the Exchange Date specified in the notice.

On or after the Exchange Date (as defined below) the Holder of the Permanent Global Security may surrender the Permanent Global Security to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Security the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Securities (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Security and a Talon for further Coupons), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of the Permanent Global Security, the Issuer will, if the Holder so requests, procure that it is cancelled and returned to the holder together with any Definitive Securities.

“**Exchange Date**” means, in relation to the Permanent Global Security, a day falling not less than 60 days, after that day on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

2. Payments

No payment will be made on the Temporary Global Security unless exchange for an interest in the Permanent Global Security is improperly withheld or refused. Payments of principal, premium and interest in respect of Securities represented by a Global Security will be made (subject as provided in the Conditions) against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of such Global Security to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Holders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Security, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Securities. Condition 12(d) and Condition 19(d) will apply to definitive Securities only. For the purpose of any payments made in respect of a Global Security, Condition 10(c) shall not apply, and all such payments shall be made on a day on which commercial banks and foreign exchange markets are open in London and New York City.

4. Notices

So long as the Securities are represented by a Global Security and such Global Security is held on behalf of a clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions. Any such notice shall be deemed to have been given to the Holders on the second day after the day on which such notice is delivered to the clearing systems as aforesaid.

5. Prescription

Claims against the Issuer and the Guarantor in respect of principal, premium and interest on the Securities while the Securities are represented by the Permanent Global Security will become void unless it is presented for payment within a period of 10 years (in the case of principal and premium) and five years (in the case of interest) from the Relevant Date (as defined in the Conditions).

6. Purchase and Cancellation

Cancellation of any Security represented by the Permanent Global Security which is required by the Conditions to be cancelled (other than upon its redemption) will be effected by a reduction in the principal amount of the Permanent Global Security.

7. Trustee's Powers

In considering the interests of Holders while the Permanent Global Security is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Permanent Global Security and may consider such interests as if such accountholders were the holders of the Permanent Global Security.

8. Meetings

The Holder of the Permanent Global Security will (unless the Permanent Global Security represents only one Security), at a meeting of Holders be treated as being two persons for the purpose of any quorum requirement and as having one vote in respect of each US\$1,000 in principal amount of the Securities for which the Permanent Global Security may be exchanged.

USE OF PROCEEDS

The net proceeds of the issue of the Securities are expected to amount to approximately US\$496,863,250. The net proceeds from the issue of the Securities will be on-lent by the Issuer to the Guarantor and will be used for the general corporate purposes of the Guarantor.

THE GUARANTOR

The Guarantor is a limited company registered in England and Wales on 28 April 1999 with registered number 3763515. It is a wholly owned subsidiary of BG Group plc, a company listed on the London Stock Exchange and also on the US over-the-counter market known as “OTCQX International Premier” (together with its subsidiaries and its subsidiary undertakings, the “**BG Group**”). The Guarantor is the penultimate holding company of the BG Group and the entity through which BG Group plc holds all of its subsidiaries and subsidiary undertakings. The Guarantor together with its subsidiaries and subsidiary undertakings (together, the “**Group**”), undertakes all of the trading operations of the BG Group. In 2011, the Group’s total operating profit including share of pre-tax operating results from joint ventures and associates and before disposals, certain re-measurements and impairments was U.S.\$8,233 million. The Guarantor’s registered office is located at 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT, telephone +44 118 935 3222.

The Guarantor is, directly or indirectly, the intermediate holding company of all the operating companies in the BG Group and its assets are substantially comprised of shares in such companies. The Guarantor does not conduct any other substantive business and is accordingly dependent on the other members of the BG Group and revenues received from them.

The Group has operations in more than 20 countries in five continents and is organised via three principal business segments: Exploration and Production (“**E&P**”), Liquefied Natural Gas (“**LNG**”) and Transmission and Distribution (“**T&D**”).

A description of the business undertaken within each of these segments is summarised below.

Exploration and Production

The Group’s E&P business activities include gas and oil exploration, development, production and marketing. In 2011, the E&P business contributed U.S.\$5,149 million to the Group’s total operating profit.* During 2011, the Group produced 1,041.8 billion cubic feet of gas and 60.5 million barrels of oil and liquids (net). As at 31 December 2011, the Group had proved reserves of 3,247 million barrels of oil equivalent.

Liquefied Natural Gas

The Group’s LNG business combines the development and use of LNG import and export facilities with the business of purchasing, shipping and selling LNG. In 2011, the LNG business contributed U.S.\$2,573 million to the Group’s total operating profit.* The Group’s total LNG production in 2011 was 5.7 million tonnes, and volumes of LNG managed by the Group in 2011 were around 12.8 million tonnes.

Transmission and Distribution

The Group’s T&D business involves the development, ownership and operation of major pipelines and distribution networks, as well as the supply of gas through these pipelines and networks to the end customer. Generally, transmission pipelines and distribution companies are regulated businesses. In 2011, the T&D business contributed U.S.\$507 million to the Group’s total operating profit.* On 29 May 2012, BG Group announced that it had signed a definitive binding agreement for the sale of the Group’s interest in Comgás, subject to regulatory approval. In 2011, Comgás contributed the majority of the Group’s T&D total operating profit.*

The Directors of the Guarantor are as follows:

<u>Name</u>	<u>Title</u>
F de O Barbosa	Director
R C Booker	Director
Sir Frank Chapman	Director
C G Finlayson	Director
Sir John Grant	Director
M J Houston	Director
S M A Iskander	Director

* Including share of pre-tax operating results from joint ventures and associates and before disposals, certain re-measurements and impairments.

The business address of the Directors of the Guarantor is 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT.

None of the Directors of the Guarantor have any potential conflict of interest between their duties to the Guarantor and their private interests and/or other duties.

The figures in this section “Description of the Guarantor” for the financial year ended 31 December 2011 have been extracted from the consolidated financial statements of the Guarantor and BG Group plc for the year ended 31 December 2011 which were prepared in accordance with International Financial Reporting Standards.

Credit Ratings

The current long term credit rating assigned to the Guarantor is A by Standard & Poor’s Credit Market Services Europe Limited, A2 by Moody’s Investors Service Ltd. and A by Fitch Polska S.A.

As of the date of this Prospectus, each of the rating agencies mentioned in the paragraph above is a credit rating agency established in the European Union and is registered under Regulation (EC) No 1060/2009 (as amended). As such each of these rating agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

Significant 2012 Developments

The Group has made and plans to make significant capital investments which, following the announcement by BG Group in its 2012 first quarter results of increased capital expenditure estimates in Australia, are estimated at the Reference Conditions to be U.S.\$23.5 billion during 2012 and 2013 on a cash basis. This investment programme is mainly directed at development of the Group’s businesses in Australia and Brazil. The Group anticipates that its investment programme will increase the scale, and diversify the nature and geographic spread of its business, with unconventional gas resources playing an increasing role in its portfolio. In order to fund its growth programme, the Group proposes to meet its financing commitments from a range of sources including the operating cash flows of the business and existing cash and cash equivalent investments. Over the next one to two years, the Group intends to release approximately U.S.\$5 billion with the continuing execution of its portfolio rationalisation programme. Additional borrowings as required are expected to be obtained from the money, debt capital and government lending agency markets and existing committed lines of credit. Upward pressure on gearing levels caused by the capital expenditure programme detailed above is expected to be reduced by the offsetting effect of the Group’s planned portfolio rationalisation programme.

Strategic divestments already announced by the Group this year are expected to release approximately U.S.\$3.6 billion from BG Group’s balance sheet. This represents a significant portion of the U.S.\$5 billion target for the next two years.

On 27 April 2012, BG Group announced that it had reached agreements with Enagás S.A. of Spain for the sale of its 40 per cent. equity interest in GNL Quintero S.A. (“**GNLQ**”) for up to U.S.\$352 million.

The Stock Purchase Agreement (“**SPA**”) is structured in two tranches. The first tranche refers to the sale of 20 per cent. equity in GNLQ for a consideration of U.S.\$176 million and is subject to a standard regulatory consent and pre-emption. The second tranche refers to the sale of the remaining 20 per cent., for an additional U.S.\$176 million and is also subject to partner and lender consents. The transactions are expected to complete by the end of 2012. The SPA agreements do not impact upon the Group’s 21-year contract to supply up to 1.7 mtpa of LNG to the Chilean market out to 2030.

On 29 May 2012, BG Group announced that it had signed a definitive binding agreement with Cosan S.A. Indústria e Comércio for the sale of the Group’s entire 60.1 per cent. holding in Comgás, Brazil’s largest gas distribution company, for Brazilian reais 3.4 billion in cash, or approximately U.S.\$1.7 billion (at exchange rates at the time of signing). The divestment will additionally reduce debt on the BG Group balance sheet by approximately U.S.\$1.1 billion. The transaction, which is subject to regulatory approval, is likely to complete by the end of 2012.

On 30 May 2012, BG Group announced that it had reached agreement to sell its 40 per cent. equity interest in two gas-fired power generation plants in the Philippines to its partner in the facilities, First Gen Corporation, for net cash proceeds of U.S.\$360 million. The sale and purchase agreement, completed on signing, covers the 1,000 megawatt Santa Rita power plant and the 500 megawatt San Lorenzo power plant, both on the island of Luzon.

Other 2012 Developments

As detailed above, the Guarantor is the penultimate holding company of the BG Group and the entity through which BG Group plc holds all of its subsidiaries and subsidiary undertakings. The Guarantor, together with its subsidiaries and subsidiary undertakings, undertakes all of the trading operations of the BG Group.

The Guarantor publishes financial statements annually. BG Group plc publishes financial statements on a quarterly basis. This section has been prepared to illustrate developments in the financial position of the BG Group during 2012 and the principal differences between the audited consolidated position of the Guarantor and that of BG Group plc as at 31 December 2011. The summarised unaudited balance sheet of BG Group plc as at 31 March 2012 has also been provided.

Differences between the BG Group plc and Guarantor consolidated balance sheets are primarily due to amounts payable and receivable between the Guarantor and its parent company, BG Group plc. As at 31 December 2011, BG Group plc had a short-term debtor balance in respect of amounts owed by Group undertakings of U.S.\$4,381 million and a short-term creditor balance in respect of amounts owed to Group undertakings of U.S.\$50 million. As at 31 March 2012, there had been no material change in the net balance of amounts owed to BG Group plc by Group undertakings.

The summarised unaudited consolidated balance sheet of BG Group plc as at 31 March 2012, as shown below, includes net debt of U.S.\$11,551 million (31 December 2011: U.S.\$11,336 million).

	Guarantor Consolidated Balance Sheet as of 31 December 2011 (all figures in U.S.\$ million) (Audited)	BG Group plc Consolidated Balance Sheet as of 31 December 2011 (all figures in U.S.\$ million) (Audited)	BG Group plc Consolidated Balance Sheet as of 31 March 2012 (all figures in U.S.\$ million) (Unaudited)
Non current assets	48,912	48,921	51,353
Current assets	12,509	12,461	12,719
Borrowings	(15,137)	(15,137)	(15,433)
Trade and other liabilities	(13,193)	(8,792)	(9,514)
Provisions for liabilities and charges	(7,778)	(7,778)	(8,043)
Total equity	25,313	29,675	31,082

Further information regarding 2012 business developments can be found in the unaudited 2012 first quarter management statement of BG Group plc, which is incorporated by reference into this Prospectus.

THE ISSUER

The Issuer is a wholly-owned subsidiary of the Guarantor. The Issuer was incorporated on 23 May 2001, under the laws of England and Wales, as a public limited company with registered number 4222391.

The Issuer's registered office is located at 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT, telephone +44 118 935 3222.

The Issuer's primary function is to raise finance for the BG Group (as defined above) including (but not limited to) the issue of debentures, bonds, notes, loan stock, commercial paper or other debt securities on behalf of the BG Group. The Issuer is not an operating company and is accordingly dependent on the Guarantor and other members of the BG Group to make payments to it under intra-Group financing arrangements in order to allow the Issuer to make payments on debt incurred by it.

The Directors of the Issuer are as follows:

<u>Name</u>	<u>Title</u>
P Zinner	Director
J C W Stewart	Director
C E Bolton	Director

The business address of the Directors of the Issuer is 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT.

None of the Directors of the Issuer have any potential conflict of interest between their duties to the Issuer and their private interests and/or other duties.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Securities, concerns only certain withholding obligations and reporting requirements with respect to the Securities, is of a general nature based on current United Kingdom law and HM Revenue & Customs practice (both of which may be subject to change in the future) and is not intended to be exhaustive. Some aspects may not apply to certain classes of person (such as persons connected with the Issuer) to whom special rules may apply. The comments below do not deal with any other United Kingdom taxation implications of acquiring, holding, or disposing of the Securities. Any Holders who are in doubt as to their own tax position should seek their own professional advice.

Payments of interest on the Securities may be made without deduction of or withholding on account of United Kingdom income tax provided that the Securities continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Income Tax Act 2007 (the Act). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Securities remain so listed, interest on the Securities will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Securities may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Securities is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Securities is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue and Customs (HMRC) has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Securities on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Holder, HMRC can issue a notice to the Issuer to pay interest to the Holder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

If the Guarantor makes any payments in respect of interest on the Securities (or other amounts due under the Securities other than the repayment of amounts subscribed for the Securities), such payments may be subject to United Kingdom withholding tax at the basic rate, subject to the availability of the other reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double tax treaty.

Holders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Holder. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Holder is resident for tax purposes.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Barclays Bank PLC, BNP Paribas, Deutsche Bank AG, London Branch and The Royal Bank of Scotland plc (together the **Joint Lead Managers**) have, pursuant to a Subscription Agreement dated 22 June 2012 (the **Subscription Agreement**), jointly and severally agreed with each of the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe and pay for the Sterling Securities at 100 per cent. of their principal amount and the Euro Securities at 100 per cent. of their principal amount, plus accrued interest (if any) less (i) certain fees and commissions and (ii) any additional selling concession payable upon receipt thereof by the Joint Lead Managers to authorised distributors for placing or on-selling the Securities.

Each of the Issuer and the Guarantor has also agreed to reimburse the Joint Lead Managers for certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Securities.

The Joint Lead Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

United States

The Securities and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (**Regulation S**).

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement), within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells any Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of any such Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance

(Cap. 571) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional” investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (c) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (d) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

General

No action has been or will be taken in any country or jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would permit a public offering of the Securities, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Securities or have in their possession or distribute such offering material, in all cases at their own expense.

Each Joint Lead Manager has agreed that it shall comply to the best of its knowledge with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers the Securities or has in its possession or distributes this Prospectus or any other offering or publicity material, in all cases at its own expense.

GENERAL INFORMATION

Authorisation

1. The issue of the Securities was duly authorised by a resolution of the Board of Directors of the Issuer passed on 8 June and 21 June 2012. The entry into of the guarantee was duly authorised by a resolution of the Board of Directors of the Guarantor passed on 8 June and 21 June 2012.

Listing

2. The admission of the Securities to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that admission of the Securities to the Official List and to trading on the Market will be granted on or about 27 June 2012, subject only to the issue of the Temporary Global Security. If the Temporary Global Security is not issued, the issue of the Securities may be cancelled. Prior to listing, dealings in the Securities will be permitted by the London Stock Exchange in accordance with its rules. The total expenses related to the admission to trading of the Securities are estimated to be £4,200.

Clearing Systems

3. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue J.F. Kennedy, Luxembourg L-1855.

The ISIN for the Securities is XS0798324306 and the Common Code is 079832430.

No Significant or Material Adverse Change

4. Save as disclosed in this Prospectus at page 52 above under “*The Guarantor — Significant 2012 Developments*”, there has been no significant change in the financial or trading position of the Issuer, the Guarantor or of the Group since 31 December 2011. There has been no material adverse change in the prospects of the Issuer or of the Guarantor or of the Group since 31 December 2011.

Litigation

5. None of the Issuer, the Guarantor or the Group has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer, the Guarantor and/or the Group.

Statutory Accounts

6. The information in the column relating to 31 March 2012 figures in the summarised unaudited consolidated balance sheet of BG Group plc included in this Prospectus on page 53 does not constitute the statutory accounts of the Issuer, the Guarantor and BG Group plc within the meaning of Section 435(1) and (2) of the Companies Act 2006 for any period presented. PricewaterhouseCoopers LLP, chartered accountants and registered auditors of the Issuer situated at 1 Embankment Place, London, WC2N 6RH (members of the Institute of Chartered Accountants in England and Wales) have made a report under Chapter 3 of Part 16 of the Companies Act 2006 on the statutory accounts of the Issuer, the Guarantor and BG Group plc for the year ended 31 December 2011, which report was unqualified and did not contain any statement as is described in Sections 498 (2) or (3) of the Companies Act 2006. Statutory accounts of the Issuer, the Guarantor and BG Group plc have been delivered to the Registrar of Companies in England and Wales for the year ended 31 December 2011.

U.S. Tax

7. The Securities and (if issued) Coupons and Talons will contain the following legend: “ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE”.

Documents Available

8. For the period of 12 months following the date of this Prospectus, copies of the following documents will be available for inspection at the specified office of each of the Paying Agents during normal business hours, so long as any of the Securities remains outstanding:
- (a) the Memorandum and Articles of Association of the Issuer and the Guarantor;
 - (b) the published audited accounts of the Issuer for the two financial years ended 31 December 2011 and 31 December 2010;
 - (c) the published annual report and audited accounts of the Guarantor for the two financial years ended 31 December 2011 and 31 December 2010;
 - (d) the most recently published annual report and audited accounts of the Issuer and the Guarantor and the most recently published interim accounts (whether audited or unaudited) (if any) of the Issuer and the Guarantor; and
 - (e) the Subscription Agreement, the Trust Deed and the Agency Agreement relating to the Securities.

In addition, this Prospectus, and each document incorporated by reference, will also be available at the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Trustee's Reliance

9. The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains any limit on liability (monetary or otherwise) of the Auditors or such other expert.

Yield

10. During the period from (and including) the Closing Date to (but excluding) the First Call Date, the yield on the Securities will be 6.501 per cent. per annum. The yield is calculated at the Closing Date on the basis of the Issue Price. It is not an indication of future yield.

REGISTERED OFFICE OF THE ISSUER AND THE GUARANTOR

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