OFFERING MEMORANDUM

$1,000,000,000

BG Energy Capital plc

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

BG Energy Holdings Limited

(incorporated with limited liability in England and Wales, registered number 3763515)
as Guarantor
$350,000,000 2.500 % Guaranteed Notes Due 2015
$650,000,000 4.000% Guaranteed Notes Due 2020

The notes due 2015 (the "**2015 Notes**") will bear interest at a rate of 2.500% per year, and the notes due 2020 (the "**2020 Notes**," together with the 2015 notes, the "**Notes**") will bear interest at a rate of 4.000% per year. BG Energy Capital plc ("**BGEC**" or the "**Issuer**") will pay interest on the Notes on June 9 and December 9 of each year. The first such payment will be made on June 9, 2011. The Notes of each series will be issued in fully registered form and only in denominations of $100,000 and in integral multiples of $1,000 in excess thereof.

The Issuer may redeem in whole or in part the Notes on the terms set forth in this offering memorandum (the "**Offering Memorandum**") under "Description of the Notes and Guarantees." The Issuer may also redeem in whole but not in part the Notes of either series at any time at 100% of the principal amount thereof in the event of certain tax law changes requiring the payment of additional amounts as described in this Offering Memorandum. The Issuer will pay accrued and unpaid interest, if any, and any other amounts payable to the date of redemption. The Notes will not be subject to any sinking fund requirements. See "Description of the Notes and Guarantees."

The Notes will be unsecured and unsubordinated obligations of the Issuer, and will rank equally with each other and with all present and future unsecured and unsubordinated obligations of the Issuer. The Notes will be unconditionally and irrevocably guaranteed by BG Energy Holdings Limited ("**BGEH**" or the "**Guarantor**"). The Guarantor's guarantees of the Notes (the "**Guarantees**" and, together with the Notes, the "**Securities**") will be unsecured and will rank equally in right of payment with the Guarantor's other unsecured and unsubordinated obligations. The Guarantor is a direct wholly owned subsidiary of BG Group plc, a public limited company incorporated in England and Wales ("**BG Group plc**" and, together with its subsidiaries and subsidiary undertakings, "**BG Group**"). BG Group plc's shares are listed on the Official List of the U.K. Listing Authority (respectively, the "**Official List**" and the "**U.K. Listing Authority**"), and admitted to trading on the Regulated Market of the London Stock Exchange plc (the "**Market**"). The Guarantor is the penultimate holding company through which BG Group plc holds all of its other subsidiaries and subsidiary undertakings. The Guarantor, together with its subsidiaries and subsidiary undertakings, therefore undertakes all of BG Group's trading operations. The Notes are not guaranteed by BG Group plc. See "Description of the Notes and Guarantees."

The initial purchasers are offering the Securities in the United States to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). In addition, the initial purchasers are offering the Notes outside the United States in reliance on Regulation S ("**Regulation S**") under the Securities Act.

This Offering Memorandum comprises a prospectus prepared in accordance with the Prospectus Rules. Application has been made to the Financial Services Authority (in its capacity as competent authority pursuant to Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**")) for each series of the Notes to be admitted to the Official List and to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments. References in this Offering Memorandum to the Notes being listed (and all related references) shall mean that the Notes have been admitted to trading on the Market and have been admitted to the Official List.

It is expected that the Notes will be rated A by Standard & Poor's, A2 by Moody's and A+ by Fitch, subject to confirmation at the closing date of this offering. A credit rating is not a recommendation to buy or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

Investing in the Notes involves certain risks. See "Risk Factors" beginning on page 24 of this Offering Memorandum for a discussion of certain risks you should consider before buying the Notes.

Offering Price of the 2.500% Guaranteed Notes Due 2015 : 99.427%, plus accrued interest, if any, from December 9, 2010

Offering Price of the 4.000% Guaranteed Notes Due 2020 : 98.847%, plus accrued interest, if any, from December 9, 2010

The Securities have not been and will not be registered under the Securities Act and are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and in transactions outside the United States in reliance on Regulation S under the Securities Act. Prospective purchasers in the United States are hereby notified that the seller of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Securities are not transferable except in accordance with the restrictions described under "Notice to Investors."

The initial purchasers expect to deliver the Notes to purchasers in book-entry form only through the facilities of DTC for the benefit of its direct and indirect participants (including Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*) on or about December 9, 2010.

Joint Bookrunners

BofA Merrill Lynch **Goldman, Sachs & Co.** **J.P. Morgan**

The date of this Offering Memorandum is December 3, 2010.

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This Offering Memorandum comprises a prospectus for purposes of the Prospectus Directive (2003/71/EC) and has been filed with, and approved by, the Financial Services Authority and has been made available to the public in accordance with requirements of the Prospectus Directive as implemented in the United Kingdom.

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

This Offering Memorandum has been prepared solely for use in connection with the proposed offering of the Securities described in this Offering Memorandum. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Securities. The only persons authorized to use this Offering Memorandum in connection with an offer of the Securities are the persons named in this Offering Memorandum as Initial Purchasers (as defined below). You are authorized to use this Offering Memorandum solely for the purpose of considering the purchase of the Securities. Distribution of this Offering Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the Issuer's prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

You should assume that the information appearing in this Offering Memorandum is accurate only as of the date on the front cover of this Offering Memorandum. The Initial Purchasers expressly do not undertake to advise any investor in the Securities of any information coming to their attention other than as required by applicable law.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the Guarantor and the terms of the offering and the Notes, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal investment or similar laws or regulations.

The Issuer and the Guarantor have furnished the information in this Offering Memorandum. You acknowledge and agree that none of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., or J.P. Morgan Securities LLC (the "**Joint Bookrunners**" and "**Initial Purchasers**") make any representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers. This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

The distribution of this Offering Memorandum and the offering and sale of the Securities in certain jurisdictions may be restricted by law. The Issuer, the Guarantor and the Initial Purchasers require persons into whose possession this Offering Memorandum comes to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Securities in any jurisdiction in which such offer or sale would be unlawful.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Neither the U.S. Securities and Exchange Commission (the "**SEC**") nor any state securities commission has approved or disapproved of these securities or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or an exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this Offering Memorandum entitled "Notice to Investors" and "Plan of Distribution."

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

In the United Kingdom, this Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments who fall within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or (ii) are high net worth entities falling within article 49(2)(a)-(d) of the Order (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, this Offering Memorandum and any of its contents is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. In the United Kingdom, any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (THE "**STABILIZING MANAGER**") (OR ANY PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES 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 NOTES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER (OR PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH APPLICABLE LAWS AND RULES.

CERTAIN DEFINED TERMS

In this Offering Memorandum, references to the "**Issuer**" and "**BGEC**" refer to BG Energy Capital plc. References to the "**Guarantor**" and "**BGEH**" refer to BG Energy Holdings Limited. References to "**BGEH Group**" refer to BGEH and its subsidiaries and its subsidiary undertakings (including the Issuer). References to "**BG Group plc**" refer to BG Group plc. References to "**BG Group**" refer to BG Group plc and its subsidiaries and its subsidiary undertakings (including the Issuer and the Guarantor). References to "**$**" refer to U.S. Dollars, unless otherwise stated.

COMPANY STRUCTURE

The Notes will be issued by BGEC, as Issuer, and will be unconditionally and irrevocably guaranteed by BGEH, as Guarantor.

BGEC is a wholly owned finance subsidiary of BGEH. BGEH is a direct wholly owned subsidiary of BG Group plc and is the penultimate holding company through which BG Group plc holds all of its other subsidiaries and subsidiary undertakings, which in turn perform all of the trading operations of BG Group. As a result, BGEH holds substantially all of the business assets of BG Group.

BG Group plc is listed on the London Stock Exchange, and the reporting requirements associated with such listing mean that BG Group plc's periodic reports (as distinct from the periodic reports of BGEH, which is not listed and reports to a lower level of detail) are the principal source of detail for information regarding the operations of BGEH Group. In addition, BG Group plc publishes quarterly press releases including interim financial information, whereas BGEH does not publish any interim financial information.

Where appropriate we have included and incorporated by reference into this Offering Memorandum disclosure from BG Group plc's periodic reports.

WHERE YOU CAN FIND MORE INFORMATION

Neither the Issuer nor the Guarantor is required to file periodic reports under Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). For so long as any of the Securities remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and during any period in relation thereto during which the Guarantor is neither subject to Sections 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, the Guarantor will make available to each holder in connection with any resale thereof and to any prospective purchaser of such Securities from such holder, in each case upon request, the information specified in and meeting the requirements of Rule 144A(d)(4) under the Securities Act.

A copy of the Fiscal Agency Agreement is available to prospective investors in the Notes upon request, at no charge, from HSBC Bank USA, National Association, at 10 East 40th Street – 14th Floor, New York, NY 10016, United States.

INCORPORATION BY REFERENCE

This Offering Memorandum incorporates by reference, and should be read and construed in conjunction with, the following information:

For the Issuer

- the Annual Report and Financial Statements of the Issuer for the year ended December 31, 2009, including the audited financial statements of the Issuer for the year ended December 31, 2009 (together with the audit report and the notes thereto prepared in accordance with U.K. Generally Accepted Accounting Practice, the "**Issuer's 2009 Financial Statements**");

- the Annual Report and Financial Statements of the Issuer for the year ended December 31, 2008, including the audited financial statements of the Issuer for the year ended December 31, 2008 (together with the audit report thereon and the notes thereto prepared in accordance with U.K. Generally Accepted Accounting Practice, the "**Issuer's 2008 Financial Statements**," and together with the Issuer's 2009 Financial Statements, the "**Issuer's Financial Statements**");

For the Guarantor

- the following sections of the Annual Report and Accounts of the Guarantor for the year ended December 31, 2009:
  - Directors' report (pp. 2-4);
  - Independent Auditors' report to the members of BG Energy Holdings Limited (p. 5);
  - Principal accounting policies (pp. 6-9); and
  - Audited consolidated financial statements of the Guarantor as of and for the year ended December 31, 2009 (pp. 12-54) (prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), the "**Guarantor's 2009 Financial Statements**");
- the following sections of the Annual Report and Accounts of the Guarantor for the year ended December 31, 2008:
  - Directors' report (pp. 2-4);
  - Independent Auditors' report to the members of BG Energy Holdings Limited (p. 5);
  - Principal accounting policies (pp. 6-8); and
  - Audited consolidated financial statements of the Guarantor as of and for the year ended December 31, 2008 (pp. 10-52) (prepared in accordance with IFRS, the "**Guarantor's 2008 Financial Statements**" and, together with the Guarantor's 2009 Financial Statements, the "**Guarantor's Financial Statements**");

For BG Group plc

- the following sections of the Annual Report and Accounts of BG Group plc for the year ended December 31, 2009 ("**BG Group's 2009 Annual Report**"):
  - Directors' Report — Business Review — Operating review (pp. 16-23);
  - — Financial review (pp. 24-29);
  - — Board of Directors (pp. 38-39);
  - — Group Executive Committee and Company Secretary (pp. 40-41);
  - — Governance (pp. 42-49);
  - — Remuneration report (pp. 50-61);
  - — Other statutory information — Significant contracts — Change of control (p. 63);
  - — Other statutory information — Statement of directors' responsibilities for preparing the financial statements (p. 64);
  - Independent Auditors' report to the members of BG Group plc (p. 65);
  - Audited consolidated financial statements of BG Group plc as of and for the year ended December 31, 2009 (pp. 66-113) (prepared in accordance with IFRS, "**BG Group's 2009 Financial Statements**");
  - Explanation of transition to reporting in U.S. Dollars (pp. 114-117);
  - Supplementary information — gas and oil (unaudited) (pp. 118-125);

    - Presentation of non-GAAP measures (p. 129); and
    - Glossary of terms (p. 130);
- the following sections of the Annual Report and Accounts of BG Group plc for the year ended December 31, 2008 ("**BG Group's 2008 Annual Report**"):
    - Directors' Report — Business Review — Operating review (pp. 20-27);
    - — Financial review (pp. 28-34);
    - — Other statutory information — Statement of directors' responsibilities for preparing the financial statements (p. 53);
    - — Remuneration report (pp. 54-63);
    - Independent Auditors' report to the members of BG Group plc (p. 64); and
    - Audited consolidated financial statements of BG Group plc as of and for the year ended December 31, 2008 (pp. 65-114) (prepared in accordance with IFRS, "**BG Group's 2008 Financial Statements**," and together with BG Group's 2009 Financial Statements, "**BG Group's Financial Statements**");
- the unaudited consolidated interim financial information of BG Group plc as of and for the nine-month period ended September 30, 2010, including comparative figures for the nine-month period ended September 30, 2009, prepared in accordance with IFRS and included in the 2010 Third Quarter Results of BG Group plc ("**BG Group's Third Quarter 2010 Financial Information**"), except for the fourth and fifth sentences of the last paragraph and footnote ** on page 3 of BG Group's Third Quarter 2010 Financial Information.

The information contained in each document incorporated by reference herein is given as at the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Offering Memorandum, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

You may obtain a copy of any of the information incorporated by reference at no cost, by writing or telephoning or visiting our website:

BG Energy Holdings Limited
Investor Relations
100 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT
United Kingdom
Tel: +44 118 935 3222
www.bg-group.com

Other than the sections of the Annual Reports and Financial Statements of the Issuer and Annual Reports and Accounts of the Guarantor and BG Group plc for the year ended December 31, 2009 and the year ended December 31, 2008 and BG Group's Third Quarter 2010 Financial Information, specifically incorporated by reference in this Offering Memorandum, such documents do not form part of this Offering Memorandum and the contents of BG Group's internet website do not form part of this Offering Memorandum and, in each case should not be relied upon for the purposes of forming an investment decision with respect to the Notes.

EXPLANATORY NOTE RELATING TO GAS AND OIL RESERVES AND RESOURCES

Although BG Group plc ceased to be an SEC registrant in December 2007, BG Group continues voluntarily to use the SEC definition of proved reserves to report proved gas and oil reserves and, in 2009, BG Group also voluntarily adopted the SEC definition of probable reserves. BG Group utilizes the following definitions for its gas and oil reporting:

Proved reserves — BG Group utilizes the SEC definition of proved reserves. Proved reserves are those quantities of oil and gas, that, by analysis of geoscience and engineering data, can be estimated 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. Proved developed reserves are those reserves that can be expected to be recovered through existing wells and with existing equipment and operating methods. Proved undeveloped reserves comprise total proved reserves less total proved developed reserves.

Probable reserves — BG Group adopted the SEC definition of probable reserves in 2009. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. Probable developed reserves are those reserves that can be expected to be recovered through existing wells and with existing equipment and operating methods. Probable undeveloped reserves comprise total probable reserves less total probable developed reserves.

Probable reserves disclosed by BG Group for periods prior to 2009, and included or incorporated by reference in this Offering Memorandum, have not been calculated and presented in accordance with the SEC rules adopted in 2006 relating to the disclosure of probable reserves.

Discovered resources — Discovered resources are defined by BG Group as the best estimate of recoverable hydrocarbons where commercial and/or technical maturity is such that project sanction is not expected within the next three years. Disclosure of discovered resources would not be permitted in SEC filings.

Risked exploration — Risked exploration resources are defined by BG Group as the best estimate (mean value) of recoverable hydrocarbons in a prospect multiplied by the ‘chance of success.’ Disclosure of risked exploration would not be permitted in SEC filings.

PRESENTATION OF FINANCIAL INFORMATION

Guarantor Interim Financial Statements

The Guarantor publishes financial statements annually, but does not publish interim financial results. The Guarantor is a direct wholly owned subsidiary of BG Group plc and is the penultimate holding company through which BG Group plc holds all of its other subsidiaries and subsidiary undertakings, which in turn perform all of the trading operations of BG Group. As a result, BGEH holds substantially all of the business assets of BG Group. BG Group plc is listed on the London Stock Exchange, and as a result, publishes quarterly press releases including interim financial information.

The information set forth under "Selected Financial Information — Selected Financial Information of the Guarantor and BG Group plc as of and for the Nine-Month Period Ended September 30, 2010 and Summary of Principal Differences Between the Guarantor's and BG Group plc's Financial Information" has been prepared to illustrate the principal differences between the Guarantor's and BG Group plc's consolidated financial information as of and for the year ended December 31, 2009 and the nine-month period ended September 30, 2010. The Guarantor's unpublished consolidated interim financial information as of and for the nine-month period ended September 30, 2010, has been extracted without material adjustments from the Guarantor's unpublished, unaudited management accounts.

Change in Accounting Presentation Currency

Following a period of sustained international growth, BGEH Group's and BG Group's cash flows and economic returns are now principally denominated in U.S. Dollars. Accordingly, each of the Guarantor and BG Group plc has changed the currency in which it reports its financial results from Pound Sterling to U.S. Dollars effective January 1, 2010. As of the date of this Offering Memorandum, the Guarantor has not published any information in U.S. Dollars. The selected consolidated financial information for the Guarantor as of and for the years ended December 31, 2009, 2008 and 2007 set forth under the caption "Selected Financial Information — Selected Financial Information of the Guarantor as of and for the Years Ended December 31, 2009, 2008 and 2007" is presented in Pound Sterling. BG Group plc has published condensed consolidated financial information restated in U.S. Dollars in accordance with IAS 21 as of and for the years ended December 31, 2009, 2008 and 2007 (see pages 114 to 117 of BG Group's 2009 Annual Report, which are incorporated by reference in this Offering Memorandum).

Presentation of Non-IFRS Measures

Business Performance

Each of the Guarantor and BG Group plc presents certain financial information included in, or incorporated by reference into, this Offering Memorandum in a non-IFRS format. This is to provide an increased insight into the underlying performance of BGEH Group's and BG Group's businesses. Financial information that is presented in this format is designated by the words "Business Performance."

Financial information designated as "Business Performance" is stated before disposals, certain re-measurements and impairments. Total operating profit is a Business Performance measure and includes the relevant share of pre-tax operating results of joint ventures and associates. For a further explanation of these items and other factors that distinguish financial information presented as "Business Performance" from financial information presented under IFRS, see page 129 of BG Group's 2009 Annual Report, which is incorporated by reference in this Offering Memorandum.

Statutory Accounts

The financial information included in this Offering Memorandum (other than the Issuer's Financial Statements, the Guarantor's Financial Statements and BG Group's Financial Statements, which are incorporated by reference in this Offering Memorandum) does not constitute the statutory accounts of the Issuer, the Guarantor and BG Group plc within the meaning of Section 240 of the U.K. Companies Act 1985 (the "**1985 Act**") and Section 435(1) and (2) of the Companies Act 2006 for any period presented. The auditors have made reports under Section 235 of the 1985 Act on the statutory accounts of the Issuer, the Guarantor and BG Group plc for the years ended December 31, 2008 and 2009, which were unqualified and did not contain any statement

as is described in Section 237(2) or (3) of the 1985 Act. The auditors have made reports under Chapter 3 of Part 16 of the Companies Act 2006 of the Issuer, the Guarantor and BG Group plc and for the year ended December 31, 2009, which were 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 each of the years ended December 31, 2008 and 2009.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer and the Guarantor are incorporated under the laws of England and Wales. All of the directors of the Issuer and all but one of the directors of the Guarantor live outside the United States. Most of the assets of the Issuer's and the Guarantor's directors and executive officers and most of the Issuer's and the Guarantor's assets are located outside the United States. As a result, although each of the Issuer and the Guarantor has appointed an agent for service of process under the instruments governing the Notes, it may be difficult for you to serve process on those persons or the Issuer or the Guarantor in the United States or to enforce judgments obtained in U.S. courts against them based on civil liability provisions of the securities laws of the United States.

There is doubt as to enforceability in England, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated upon U.S. federal securities laws. There is no treaty in effect between the United States and the United Kingdom providing for such enforcement and there are grounds upon which the English courts may choose not to enforce judgments of U.S. courts.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum, including information incorporated by reference herein, contains forward-looking statements regarding future events and the future results of BGEH Group and BG Group that are based on current expectations, estimates, forecasts, and projections about the industries in which BGEH Group and BG Group operate and the beliefs and assumptions of the management of BGEH Group and BG Group. BGEH Group and BG Group may also make forward-looking statements in other written materials. In particular, among other statements, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on capital, risk management and competition are forward-looking in nature. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. Therefore, BGEH Group's and BG Group's actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Offering Memorandum under the section entitled "Risk Factors" and elsewhere. These factors include but are not limited to:

- volatility of natural gas, crude oil and liquefied natural gas ("**LNG**") prices;
- exposure to exchange rates, credit, interest rate and liquidity risks;
- volatility arising from hedging activity;
- ability to find and acquire hydrocarbon resources;
- ability to develop discovered or acquired hydrocarbon resources;
- technical, commercial and economic risks associated with project evaluation and delivery;
- risks associated with drilling activities;
- possible downward adjustments of reserve and resource estimates;
- the impact of the current economic situation;
- unethical conduct and non-compliance with law and regulations;
- risks of regulatory investigations and other proceedings;
- ability to grow BGEH Group's and BG Group's LNG business successfully;

- risks arising from license and product sharing contract terms and conditions;
- substantial increases in capital expenditure;
- lack of transportation infrastructure;
- risks in joint ventures where a member of BGEH Group and BG Group is not the operator;
- ability to identify and successfully complete acquisitions and integrate those acquisitions into its business;
- management of performance in the areas of health, safety, security and the environment;
- management of risks related to unconventional gas resources;
- material disruptions arising from government intervention and political, social and economic instability;
- ability to attract and retain skilled personnel;
- consequences of the risks involved in BGEH Group's and BG Group's activities that cannot, or may not, be reasonably and economically insured; and
- external or internal crises.

Furthermore, any forward-looking statements made by or on behalf of BGEH Group and BG Group speak only as of the date they are made. Neither BGEH Group nor BG Group undertakes to update forward-looking statements to reflect any changes in BGEH Group's or BG Group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

EXCHANGE RATE INFORMATION

The following tables set forth, for the periods and dates indicated, certain information regarding the exchange rate between Pound Sterling and the U.S. Dollar, based on the noon buying rate quoted by the Federal Reserve Bank of New York. These rates differ from the actual rates used in the preparation of the financial statements and other financial information included or incorporated by reference in this Offering Memorandum. For details of the exchange rates used by BG Group plc in the preparation of its U.S. Dollar financial information, see "Financial Statements — Explanation of transition to reporting in US Dollars" on page 114 of BG Group's 2009 Annual Report. Inclusion of these exchange rates is not meant to suggest that the U.S. Dollar amounts actually represent such Pound Sterling amounts or that such amounts could have been converted into Pound Sterling at any particular rate, and vice versa. The following tables have been set out solely for the purpose of convenience.

Years ended 31 December	High	Low	Average[1]	Period End
	(U.S. Dollars per Pound Sterling)			
2009	1.6977	1.3658	1.5707	1.6167
2008	2.0311	1.4395	1.8424	1.4619
2007	2.1104	1.9235	2.0073	1.9843

Notes:

(1) The average of the exchange rates on the last business day of each month during the relevant period.

Months	High	Low
	(U.S. Dollars per Pound Sterling)	
November 2010 (to November 26, 2010)	1.6291	1.5616
October 2010	1.6027	1.5681
September 2010	1.5851	1.5315
August 2010	1.5979	1.5358
July 2010	1.5714	1.5016
June 2010	1.5098	1.4422
May 2010	1.5242	1.4344
April 2010	1.5484	1.5160
March 2010	1.5296	1.4884
February 2010	1.5968	1.5201
January 2010	1.6370	1.5912

OVERVIEW

This overview highlights some information from this Offering Memorandum. This overview does not contain all the information prospective investors should consider before deciding to purchase the Notes. You should read the following overview together with the more detailed information about the Issuer, the Guarantor, BG Group plc and the Notes being sold in this offering, the information incorporated by reference in this Offering Memorandum and the risks discussed in the section entitled "Risk Factors."

The financial information presented in this Overview is stated on a "Business Performance" basis, a non-IFRS measure. See "Presentation of Financial Information — Presentation of Non-IFRS Measures."

The Guarantor

The Guarantor, BG Energy Holdings Limited, is a direct wholly owned subsidiary of BG Group plc and is the penultimate holding company through which BG Group plc holds all of its other subsidiaries and subsidiary undertakings. The Guarantor, together with its subsidiaries and subsidiary undertakings, therefore undertakes all of BG Group's trading operations. In 2009, BGEH Group's total operating profit, on a Business Performance basis, was £4,223 million.

As the penultimate holding company, the Guarantor does not engage in any substantive business and, accordingly, is dependent on the other members of BG Group and revenues received from them.

The Guarantor is a private limited company. The Guarantor was registered in England and Wales on April 28, 1999, with registered number 3763515.

The Directors of the Guarantor are Ashley M. Almanza, Jørn A. Berget, Robert C. Booker, Frank J. Chapman, Christopher G. Finlayson, Sir John D. K. Grant, Martin. J. Houston and Sami M. A. Iskander. 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 business address of the Directors of the Guarantor is 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT, United Kingdom.

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

The Issuer

The primary function of the Issuer, BG Energy Capital plc, is to raise financing for BG Group, including (but not limited to) the issue of debentures, bonds, notes, loan stock, commercial paper or other debt securities on behalf of BG Group. The Issuer is not an operating company and, accordingly, is dependent on its parent company and other members of BG Group under intra-group financing arrangements in order to make payments on debt incurred by it.

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

The Directors of the Issuer are Carol E. Bolton, John P. O'Driscoll and John C. W. Stewart. 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. The business address of the Directors of the Issuer is 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT, United Kingdom.

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

BG Group

BG Group is an integrated and internationally diversified energy company. In 2009, BG Group's revenue and other operating income was £10,363 million and total operating profit was £4,211 million, both stated on a Business Performance basis. BG Group is engaged in the exploration, development, production, transmission, distribution and supply of natural gas and oil around the world.

History

In February 1997, the shareholders of British Gas plc (which was fully privatized in 1986) approved the demerger of British Gas plc into BG Group and Centrica plc (which would continue to own the British Gas marketing business in the United Kingdom).

In October 2000, Transco plc, the owner and operator of the U.K. gas transmission system was also demerged from BG Group. The group owning Transco plc merged with National Grid in 2002. BG Group plc, Centrica plc and National Grid plc are now all separately listed companies.

BG Group has its headquarters in the United Kingdom, although over 60 per cent of its employees are located outside the United Kingdom. BG Group's operations are segmented as described below under "— Business Segments."

BG Group plc is a public limited company with shares listed on the Official List and admitted to trading on the Market. BG Group plc's American depository receipts are also traded on the U.S. over-the-counter market known as "International OTCQX." BG Group plc is not a state-owned or state-controlled entity and, to its knowledge, no shareholder holds in excess of ten per cent of the issued share capital of BG Group plc or any form of government-owned shares giving preferential voting rights, or "golden shares." BG Group plc does not engage in any substantive business and, accordingly, is dependent on the other members of BG Group and revenues received from them.

Strategy

Overview

BG Group (of which BGEH is the penultimate holding company) is an integrated and internationally diversified energy company. BG Group aims to identify high-value markets that provide opportunities for growth, and to find competitively priced resources to supply those markets. BG Group believes it possesses the skills throughout the gas value chain to capture value-enhancing opportunities.

Markets

BG Group's business strategy is based on identifying markets with sustainable growth or supply restructuring potential. Once those markets have been identified, BG Group then aims to develop options to supply them with resources from within its own portfolio. BG Group's LNG businesses, which have an array of global customer relationships, play a key role in BG Group's market-focused global gas strategy. As of October 2010, BG Group had delivered LNG to 22 of the 23 LNG-importing countries. BG Group also leverages its downstream skills to capture value from its Transmission and Distribution businesses.

Resources

BG Group has material resource positions in both the developed world and developing economies. In recent years, BG Group has sought actively to strengthen and rebalance its resource portfolio. The new projects expected to make the largest contribution to BG Group's growth targets over the next decade are in stable and developed countries, including Australia, Brazil and the United States. BG Group also has significant resource businesses in Egypt, India, Kazakhstan, Trinidad and Tobago, and Tunisia, and is a leading operator in the U.K. North Sea.

Skills

BG Group believes it has extensive experience at all points of the gas value chain, from exploration through to delivery to the end user. BG Group believes it has the people, relationships and expertise to operate safely and sustainably in a wide variety of offshore and onshore environments and geological structures across five continents, combining a proven track record in finding and developing resources with commercial expertise.

Low Unit Operating Cost

BG Group has maintained low average per barrel of oil equivalent ("**boe**") exploration and production finding & development costs and operating costs, with per boe operating cost performance in the top quartile for the industry. BG Group seeks to maintain this competitive cost advantage as it develops its total reserves and resources in the years to come.

Business Segments

For the definitions of terms used in this section, see "Explanatory Note Relating to Gas and Oil Reserves and Resources" and the "Glossary of terms" on page 130 of BG Group's 2009 Annual Report.

BGEH Group does not publish interim results. As a result, for the nine months ended September 30, 2010, the contribution of the various business segments to total operating profit is presented for BG Group. For more information, see "Selected Financial Information — Selected Financial Information of the Guarantor and BG Group plc as of and for the Nine-Month Period Ended September 30, 2010 and Summary of Principal Differences Between the Guarantor's and BG Group plc's Financial Information."

BGEH Group has three business segments:

- Exploration and Production ("**E&P**");
- Liquefied Natural Gas ("**LNG**"); and
- Transmission and Distribution ("**T&D**").

BGEH Group's activities in each of these segments are summarized below.

Exploration & Production

The E&P segment explores for, develops, produces and markets gas and oil around the world. Since 2005, BGEH Group has doubled its total reserves and resources, translating to a compound growth rate of approximately 20% per annum. In 2009, Egypt, the United Kingdom, Kazakhstan, and Trinidad and Tobago accounted for 80% of BGEH Group's production. BGEH Group believes it has secured within its portfolio the discovered reserves and resources required to achieve a compound annual production growth rate of 6% between 2005 and 2020, with higher growth rates achievable from the risked exploration prospect inventory that BGEH Group already owns today.

In 2009, the E&P business contributed £2,087 million to BGEH Group's total operating profit of £4,223 million, stated on a Business Performance basis. During 2009, BGEH Group produced 1,010 billion cubic feet of gas and 66.5 million barrels of oil and liquids (net). As at December 31, 2009, BGEH Group reported proved reserves of 2,600 million barrels of oil equivalent ("**mmboe**").

BGEH Group does not publish interim results. In the nine months ended September 30, 2010, the E&P business contributed $2,699 million to BG Group's total operating profit of $5,123 million, stated on a Business Performance basis.

Liquefied Natural Gas

The LNG segment operates liquefaction and regasification facilities, and purchases, ships, markets and sells LNG. The total volume of LNG purchased under long-term contracts and delivered to customers increased from

1.9 million tonnes per annum ("**mtpa**") in 2003 to 12.7 mtpa in 2009, a 570% increase over a six-year period, which translates to a compound annual growth rate of around 37%. LNG volumes are measured against a 2003 reference point when the Atlantic LNG joint venture (Train 3), in which BGEH Group is a partner, commenced commercial production.

In 2009, the LNG business contributed £1,551 million to BGEH Group's total operating profit of £4,223 million, stated on a Business Performance basis. BGEH Group's total LNG production in 2009 was 7.0 million tonnes, and volumes of LNG managed by BGEH Group in 2009 were around 13.5 million tonnes.

BGEH Group does not publish interim results. In the nine months ended September 30, 2010, the LNG business contributed $1,899 million to BG Group's total operating profit of $5,123 million, stated on a Business Performance basis.

Transmission and Distribution

The T&D segment is focused on Brazil and India, developing both markets and infrastructure for the delivery of gas. The 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 2009, the T&D business contributed £426 million to BGEH Group's total operating profit of £4,223 million, stated on a Business Performance basis.

BGEH Group does not publish interim results. In the nine months ended September 30, 2010, the T&D business contributed $521 million to BG Group's total operating profit of $5,123 million, stated on a Business Performance basis.

Discontinuation of Power Generation Segment

The Power Generation segment involved the development, ownership and operation of mostly natural gas fired power and co-generation plants. In 2009, BGEH Group's Power Generation business contributed £158 million to BGEH Group's total operating profit of £4,223 million, stated on a Business Performance basis.

Following the disposal of BGEH Group's power stations in the United States and the United Kingdom earlier in the year, BG Group announced in September 2010 that it had agreed to sell its interests in the Santa Rita and San Lorenzo power stations in the Philippines. These power stations represented the majority of BGEH Group's Power Generation business segment and were considered to be a separate major line of business for BGEH Group. Since September 30, 2010, these power generation operations have been treated as discontinued operations. The power businesses remaining with BGEH Group were allocated to other business segments based on their activity and location.

Activities by Region

BGEH Group's operations are organized on a regional basis, with operations assigned to one of four regions: Americas and Global LNG; Europe and Central Asia; Africa, Middle East and Asia; and Australia. Examples of operations in each of these regions include:

- in the Americas and Global LNG — E&P activities in Trinidad and Tobago, Bolivia, the United States and Brazil; major discoveries and exploration and appraisal activity in Brazil; an alliance with EXCO Resources, Inc. to develop U.S. shale gas; global marketing of LNG; export of gas as LNG from Trinidad and Tobago; LNG regasification capacity in the United States and Chile; and control of Comgas, Brazil's largest gas distribution company;
- in Europe and Central Asia — E&P activities in the United Kingdom and Kazakhstan; major E&P operator in the U.K. North Sea; joint operator of the super-giant Karachaganak oil and gas condensate field in Kazakhstan; and LNG regasification and storage capacity in the United Kingdom;

- in Africa, Middle East and Asia — E&P activities in Egypt, India, Tunisia and Thailand; exporting gas as LNG from Egypt; and an LNG aggregator agreement to supply the Singapore market; and
- in Australia — extensive coal seam gas acreage position held through QGC Pty Limited, a BGEH Group business; and development of a two-train, 8.5 million tonnes per annum, LNG project on Curtis Island, near Gladstone, Queensland.

In addition, the BG Advance group supports the regions by providing technical expertise and building long-term competitive advantage, including through:

- managing BGEH Group's exploration, capital projects, health, safety, security and environment and asset integrity;
- longer-term planning, capability development and optimizing deployment of technical and commercial people across BGEH Group; and
- managing BGEH Group's technical and commercial governance and assurance processes.

Recent Developments

Exploration and Production

Brazil

In March 2010, BG Group announced the completion of a drill stem test on the Tupi North-East well in BM-S-11 (in which BGEH Group has a 25% interest) in the Santos Basin, offshore Brazil. Potential production from the well is estimated at around 30,000 barrels of oil per day. In June 2010, BG Group confirmed the success of another new well known as Tupi Alto in BM-S-11 (in which BGEH Group has a 25% interest) in the Santos Basin.

In October 2010, BGEH Group and partners completed two new successful appraisal wells known as Iracema Norte and Tupi SW in BM-S-11 in the Santos Basin. These are the eighth and ninth consecutive successful wells on the Tupi accumulation and confirm the extended presence of light oil.

In October 2010, BG Group also announced that production from the first permanent floating production, storage and offloading ("**FPSO**") vessel on the Tupi field in block BM-S-11 had commenced. The Cidade de Angra dos Reis FPSO, which is initially connected to well RJS-660 (known as Tupi-P1), is expected to produce up to 100,000 barrels of oil per day and up to 177 million standard cubic feet of gas per day.

In November 2010, BG Group announced a 2.7 billion boe upgrade to estimates of gross resources for the Tupi, Iracema, and Guará fields in the Santos Basin, offshore Brazil. BGEH Group's new aggregate best estimate of economically recoverable gross resources (defined by BGEH Group as the aggregate of proved and probable reserves and discovered resources) for these fields amounts to 10.8 billion boe, representing a 34% increase to the 8.1 billion boe mid-point of BGEH Group's previous indicative resource range. As a result of the upgrade, BGEH Group's aggregate best estimate of its economically recoverable net resources on Tupi, Iracema and Guará now stands at 2.8 billion boe.

In November 2010, BGEH Group and its partners awarded contracts for the construction of eight new FPSO hulls to the Brazilian company Engevix Engenharia S.A. Upon completion, the FPSO vessels are expected to be used in full field development in the Santos Basin. Each FPSO is expected to have a production capacity of approximately 150,000 barrels of oil per day and approximately 212 million cubic feet of gas per day. Net costs to the BGEH Group are approximately $911 million.

United States

In May 2010, BGEH Group closed an agreement to purchase Common Resources, L.L.C. ("**Common**") jointly with EXCO Resources, Inc. ("**EXCO**") for approximately $446 million ($223 million net to BGEH Group). Common owned producing assets, gathering lines and acreage in Shelby, San Augustine and Nacogdoches Counties, Texas. The assets acquired include seven producing wells and approximately 29,200 net acres prospective for the Haynesville and Bossier shales. BGEH Group and EXCO each acquired 50% of Common, and development of these assets is governed by joint venture arrangements between BGEH Group and EXCO put in place in 2009.

In May 2010, BG Group announced that it had entered into further joint venture agreements with EXCO focused on assets in the Appalachian Basin, located primarily in Pennsylvania and West Virginia. In June 2010, BGEH Group closed this transaction, acquiring a 50% interest in a total of 654,000 net acres in the Appalachian Basin, including approximately 5,900 producing wells and 2,100 miles of supporting infrastructure. BGEH Group paid a total consideration of $835 million, plus $150 million drilling carry, equating to an estimated unit resource cost of $0.40 per thousand cubic feet. The new joint venture extends BGEH Group's successful alliance with EXCO and further strengthens BGEH Group's unconventional gas portfolio, adding substantial resources adjacent to the premium gas markets of the U.S. eastern seaboard.

In June 2010, BGEH Group acquired additional properties prospective for the Haynesville and Bossier shales via its alliance with EXCO for a consideration of approximately $178 million. The properties include producing assets, gathering lines and acreage in Shelby, San Augustine and Nacogdoches Counties, Texas. Much of the interest acquired is incremental to the producing assets, gathering lines and acreage acquired by BGEH Group and EXCO through the acquisition of Common which closed in May 2010.

These transactions provide support to BGEH Group's U.S. upstream gas business established in 2009, with total reserves and resources presently estimated at over 1.4 billion boe.

United Kingdom and Norway

In June 2010, the Plan for Development and Operation for the Gaupe field (formerly the Pi field) was approved. Gaupe is an oil and gas field situated south of the Varg field and close to the Norway and U.K. median line in the North Sea. Gaupe will be a two-well subsea tie-back to the Armada field on the U.K. continental shelf. Gross recoverable reserves on Gaupe are estimated at around 30 mmboe. Gaupe will be the first BGEH Group field to come onstream in the Norwegian continental shelf and is expected to come onstream by 2012.

In October 2010, the U.K. Department of Energy and Climate Change (DECC) approved the first phase development of the Jasmine discovery (in which BG Group owns a 30.5% interest) in the central North Sea. Jasmine Phase 1 is expected to come onstream by the end of 2012. Jasmine will benefit from utilizing J-Block's existing infrastructure.

Oman

In June 2010, BGEH Group informed the government of the Sultanate of Oman of its decision to relinquish its 100% interest in Block 60, onshore Oman. Although BGEH Group maintained a collaborative relationship with the Omani government and delivered a successful appraisal program on Abu Butabul, the decision to end its activity in Oman was based upon the desire to focus on other commercial priorities within BGEH Group's global portfolio.

Tanzania

In June 2010, BGEH Group completed a farm-in to blocks 1, 3 and 4, offshore southern Tanzania. BGEH Group acquired 60% of Ophir Energy plc's interests in each of the offshore blocks. The three blocks cover more than 27,000 square kilometers of the Mafia Deep Offshore Basin and the northern portion of the Ruvuma Basin.

In October 2010, BG Group (60%) and partner Ophir Energy plc (40% and operator) announced that the Pweza-1 exploration well, located in Block 4 approximately 85 kilometers offshore southern Tanzania and in a water depth of 1,400 meters, had demonstrated the presence of a working hydrocarbon system with gas-bearing sands.

In December 2010, BG Group announced that its second Tanzanian exploration well, Chewa-1, has also discovered gas. The well, located in Block 4 approximately 80 kilometers offshore southern Tanzania in a water depth of around 1,300 meters, is some eight kilometers north-west of BG Group's Pweza-1 gas discovery announced in October 2010.

Pweza-1 and Chewa-1 are the first and second wells, respectively, of a three-well initial work program planned for Blocks 1, 3 and 4. The program also includes the acquisition of 4,000 square kilometers of 3D seismic data. BGEH Group has the option to assume operatorship of all three blocks upon completion of the initial work program.

Liquefied Natural Gas

Australia

In February 2010, BG Group announced that it had signed the plant Engineering, Procurement and Construction contracts with Bechtel companies for the Queensland Curtis LNG ("**QCLNG**") liquefaction plant in Queensland. Under the contracts, Bechtel has now been issued notices to proceed with all of the works.

In February 2010, BGEH Group and Australia Pacific LNG ("**APLNG**") agreed on a framework for the development of jointly owned coal seam gas tenements ATP 648P and ATP 620P. BGEH Group has also entered into conditional gas purchase agreements with APLNG under which BGEH Group will buy gas over a total period of 20 years.

In February 2010, BG Group announced that it expected its capital expenditure program to be $7.5 billion in 2010 and to average $8 billion per year over three years to 2012. Following the sanction of the QCLNG project in October 2010, BG Group increased its group capital expenditure guidance for 2011-12 from $16.5 billion to $18.5 billion. All of these numbers are presented on the basis of the exchange rate reference conditions set out in BG Group's 2009 Annual Report (page 130).

In March 2010, BGEH Group signed an LNG sales contract with the China National Offshore Oil Corporation ("**CNOOC**") concluding negotiations announced in May 2009 for the supply of 3.6 mtpa of LNG over a 20-year period. CNOOC will be supplied with LNG manufactured at the QCLNG facility, which is currently planned to come onstream by 2014. BGEH Group may also supply CNOOC from BGEH Group's global LNG portfolio. Additionally, CNOOC will acquire a 5% equity interest in the reserves and resources of certain BGEH Group tenements in the Walloons Fairway of the Surat Basin in Queensland. CNOOC will also become a 10% equity investor in the first of two liquefaction trains that will form the first phase of the QCLNG development. In addition, BGEH Group and CNOOC have agreed to form a joint consortium to construct two LNG ships in China that will be owned by the consortium.

In March 2010, BG Group announced that it had signed a Heads of Agreement with Tokyo Gas Co., Ltd. ("**Tokyo Gas**") for the supply of LNG from BGEH Group's QCLNG project. Tokyo Gas will buy 1.2 mtpa from 2015, which will be supplied from the QCLNG facility and also from BGEH Group's global LNG portfolio. Additionally, Tokyo Gas will acquire a 1.25% interest in the reserves and resources of certain BGEH Group tenements in the Walloons Fairway of the Surat Basin in Queensland. Tokyo Gas will also become a 2.5% equity investor in the second of the two liquefaction trains. BGEH Group and Tokyo Gas intend to execute final agreements by the end of 2010.

In October 2010, BG Group announced that it had taken the final investment decision approving implementation of the first phase of the QCLNG project following receipt of Australian Federal and State Government environmental approvals with acceptable conditions. The first phase of QCLNG encompasses the

development of a two-train 8.5 mtpa liquefaction plant together with the associated upstream and pipeline facilities. Over the next four years (2011-2014), BGEH Group plans to invest approximately $15 billion in developing the liquefaction plant and related wells, field facilities and pipelines.

First LNG exports are planned to commence from 2014, underpinned by agreements in Chile, China, Japan and Singapore for the purchase of up to 9.5 mtpa of LNG. Total gross discovered coal seam gas reserves and resources presently amount to an estimated 17.3 trillion cubic feet.

In October 2010, BGEH Group executed a Heads of Agreement with Chubu Electric Power Co. Inc (Chubu Electric) for the long-term supply of LNG from BGEH Group's global LNG portfolio, including from the QCLNG project. The Heads of Agreement sets out the basis for Chubu Electric's purchase of up to 120 cargoes over a 20-year term commencing in 2014. BGEH Group and Chubu Electric intend to complete negotiations and execute the fully termed agreement in the first half of 2011.

Singapore

In March 2010, BG Group announced that it had agreed to long-term contracts for the sale of a total of 1.5 mtpa of regasified LNG to six power generating companies in Singapore. This is the first tranche of contracts to be confirmed under the LNG aggregator agreement entered into by BGEH Group and the Energy Market Authority of Singapore in June 2009. BGEH Group has the sole right to supply up to 3 mtpa to the Singaporean market under gas sales agreements with a term of up to 20 years.

THE OFFERING

The following overview of the Offering contains basic information about the Securities and is not intended to be complete. It does not contain all the information that is important to you. For a more complete description of the Securities, please refer to the section of this Offering Memorandum entitled "Description of the Notes and Guarantees."

Issuer	BG Energy Capital plc.
Guarantor	BG Energy Holdings Limited.
Notes Offered	$350,000,000 in principal amount of 2.500% Notes Due 2015 (the "**2015 Notes**"). $650,000,000 in principal amount of 4.000% Notes Due 2020 (the "**2020 Notes**," together with the 2015 Notes, the "**Notes**"). The Notes are being offered in the United States to Qualified Institutional Buyers as defined in, and in reliance on, Rule 144A and outside the United States to non–U.S. persons in reliance on Regulation S.
Maturity Date	December 9, 2015 for the 2015 Notes and December 9, 2020 for the 2020 Notes.
Issue Price	2015 Notes: 99.427% of the principal amount, plus accrued interest from December 9, 2010 to the date the Notes are delivered to the purchasers, if any. 2020 Notes: 98.847% of the principal amount, plus accrued interest from December 9, 2010 to the date the Notes are delivered to the purchasers, if any.
Ranking	The Notes will be unsecured and unsubordinated obligations of the Issuer, and will rank equally with each other and with all present and future unsecured and unsubordinated debt obligations of the Issuer. The Guarantees will be unsecured and will rank equally in right of payment with the Guarantor's other unsecured unsubordinated indebtedness.
Interest	2015 Notes: 2.500% per annum, payable semi-annually in arrears. 2020 Notes: 4.000% per annum, payable semi-annually in arrears. Interest on the Notes will start accruing on December 9, 2010.
Interest Payment Dates	June 9 and December 9 of each year.
First Interest Payment Date	June 9, 2011.
Regular Record Dates for Interest	May 25 and November 24 of each year.
Payment of Additional Amounts	Subject to certain exceptions and limitations, the Issuer and the Guarantor will pay such additional amounts under the Notes as are necessary in order that the net amount received by the Holders after the withholding of, or deduction for, or on account of, present or future taxes, duties, assessments or governmental charges shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction. See "Description of the Notes and Guarantees — Payment of Additional Amounts."

Optional Make-Whole Redemption . .	The Notes will be redeemable, as a whole or in part, at the option of the Issuer at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of such Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus, in the case of the 2015 Notes, 15 basis points and, in the case of the 2020 Notes, 20 basis points, plus in each case accrued interest to the date of redemption. Notwithstanding the foregoing, installments of interest on Notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the Notes and the Fiscal Agency Agreement. See "Description of the Notes and Guarantees — Optional Make-Whole Redemption."
Optional Tax Redemption	Under certain circumstances, the Notes of each series may be redeemed at the option of the Issuer, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, together with interest thereon to the date fixed for redemption, if the Issuer or the Guarantor is required to pay certain additional amounts with respect to the Notes. See "Description of the Notes and Guarantees — Optional Tax Redemption."
Guarantees	BGEH will fully and unconditionally guarantee the payment of the principal of and interest on the Notes, including certain additional amounts which may be payable under the Notes. See "Description of the Notes and Guarantees — Guarantees."
Negative Pledge and Events of Default	The terms and conditions of the Notes provide for a limited negative pledge and for certain events of default. There are no covenants restricting the Issuer's or the Guarantor's ability to make payments, incur indebtedness, dispose of assets, enter into sale and leaseback transactions, issue and sell capital stock, enter into transactions with affiliates or engage in business other than their present business. For further information, see "Description of the Notes and Guarantees — Negative Pledge" and "Description of the Notes and Guarantees — Events of Default."
Discharge and Defeasance	The Issuer and the Guarantor may discharge their obligations to comply with any payment or other obligation under the Notes by depositing funds or obligations issued by the United States in an amount sufficient to provide for the timely payment of principal, interest and all other amounts due under the Notes with the principal Paying Agent, acting as trustee for such purposes and by satisfying certain other conditions. The right to discharge and defease the obligations is subject to certain conditions as set forth in the Fiscal Agency Agreement.
Substitution of Issuer; Consolidation, Merger and Sale of Assets	The Issuer or the Guarantor is permitted to consolidate with, or merge into, or sell, transfer, lease or convey all or substantially all of their respective assets to, any corporation and the Issuer is permitted to transfer the obligations of the Issuer to the Guarantor or any affiliate

	of the Guarantor so long as the obligations of any such affiliate of the Guarantor are guaranteed by the Guarantor and, in each case, so long as certain other conditions are met. It is possible that some of these events may result in a taxable exchange for U.S. federal income tax purposes of Notes for new securities by the Holders of the Notes, which could result in the recognition of taxable gain or loss for U.S. federal income tax purposes and possible other adverse tax consequences. See "Description of the Notes and Guarantees — Substitution of Issuer; Consolidation, Merger and Sale of Assets."
Book-Entry Issuance, Settlement and Clearance	The Issuer will issue the Notes in fully registered form in denominations of $100,000 and in multiples of $1,000 in excess thereof. The Notes will be represented by one or more global securities registered in the name of Cede & Co., as nominee of DTC. You will hold beneficial interests in the Notes through DTC and DTC and its direct and indirect participants will record your beneficial interest on their books. The Issuer will not issue certificated notes except in limited circumstances that are explained under "Description of the Notes and Guarantees." Settlement of the Notes will occur through DTC in same day funds. For information on DTC's book-entry system, see "Book-Entry Settlement and Clearance."
Further Issuances	The Issuer may, at its option, at any time and without the consent of the then existing holders issue additional Notes in one or more transactions subsequent to the date of this Offering Memorandum with terms (other than the issuance date, issue price and, possibly, the first interest payment date) identical to the Notes issued hereby. These additional Notes will be deemed to be part of the same series as the Notes offered hereby and will provide the holders of these additional Notes the same rights, including voting rights, as the Notes issued hereby. See "Description of the Notes and Guarantees — Additional Notes."
Fiscal Agent	HSBC Bank USA, National Association.
Governing Law	New York law.
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on resale or transfer. See "Notice to Investors."
Use of Proceeds	The Issuer intends to use the net proceeds from the issuance of the Notes to make intra-group loans to the Guarantor, who intends to use such proceeds for general corporate purposes. See "Use of Proceeds."
Ratings	It is expected that the Notes will be rated A by Standard & Poor's, A2 by Moody's and A+ by Fitch, subject to confirmation at closing. The Guarantor's long-term debt is rated A (stable) by Standard & Poor's, A2 (stable) by Moody's and A+ (stable) by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by

	the assigning rating agency. Neither the rating agency, nor the Issuer and the Guarantor are obligated to provide a holder of Notes with any notice of any suspension, change or withdrawal of any rating**.**		
Listing	Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List and to trading on the Market on or around December 9, 2010.		
Security Codes	**2015 Notes**	**CUSIP**	**ISIN**
	144A	05541V AC0	US05541VAC00
	Reg S	G1163H AX4	USG1163HAX47
	2020 Notes		
	144A	05541V AA4	US05541VAA44
	Reg S	G1163H AW6	USG1163HAW63
Timing and Delivery	The Issuer currently anticipates that delivery of the Notes will occur on or about December 9, 2010.		
Risk Factors	You should carefully consider all of the information in this Offering Memorandum. In particular, you should evaluate the specific factors under "Risk Factors" beginning on page 24 of this Offering Memorandum for risks involved with an investment in the Notes.		

SELECTED FINANCIAL INFORMATION

Selected Financial Information of the Guarantor as of and for the Years Ended December 31, 2009, 2008 and 2007

The selected consolidated financial information of the Guarantor presented below as of and for the years ended December 31, 2009, 2008 and 2007 has been extracted without material adjustments from the Guarantor's Financial Statements, which have been prepared in accordance with IFRS and audited by PricewaterhouseCoopers LLP, the Guarantor's independent accountants. See "Independent Accountants." This selected consolidated financial information should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated financial statements of the Guarantor and the accompanying notes.

	Guarantor		
	Year Ended December 31,		
	2009	2008	2007
	£m (audited)	£m (audited)	£m (audited)
Income Statement Information			
Group revenue and other operating income	**10,468**	**12,759**	**8,158**
Operating costs	(6,470)	(7,481)	(5,318)
Profits and losses on disposal of non-current assets and impairments	(446)	(24)	19
Operating profit/(loss)	**3,552**	**5,254**	**2,859**
Finance income	67	276	152
Finance costs	(214)	(235)	(159)
Share of post-tax results from joint ventures and associates	204	158	163
Profit/(loss) before tax	**3,609**	**5,453**	**3,015**
Taxation	(1,538)	(2,311)	(1,233)
Profit/(loss) for the year	**2,071**	**3,142**	**1,782**
Profit attributable to:			
Shareholders (earnings)	1,975	3,119	1,728
Non-controlling interests	96	23	54
	2,071	**3,142**	**1,782**
Balance Sheet Information (at year end)			
Non-current assets	20,888	18,151	10,318
Current assets	5,256	6,894	5,063
Total assets	**26,144**	**25,045**	**15,381**
Current liabilities	(7,990)	(7,669)	(4,440)
Non-current liabilities	(6,736)	(5,624)	(4,149)
Total liabilities	**(14,726)**	**(13,293)**	**(8,589)**
Net assets	**11,418**	**11,752**	**6,792**
Equity			
Total shareholders' equity	11,219	11,626	6,660
Non-controlling interest in equity	199	126	132
Total equity	**11,418**	**11,752**	**6,792**

	Guarantor		
	Year Ended December 31,		
	2009	2008	2007
	£m (audited)	£m (audited)	£m (audited)
Cash Flow Information			
Cash generated by operations	**4,900**	**6,281**	**3,696**
Income taxes paid	(1,352)	(1,887)	(951)
Net cash inflow from operating activities	**3,548**	**4,394**	**2,745**
Cash flows from investing activities			
Dividends received	145	151	148
Proceeds from disposal of subsidiary undertakings and investments	—	15	461
Proceeds from disposal of property, plant and equipment and intangible assets	3	2	3
Purchase of property, plant and equipment and intangible assets	(4,328)	(2,796)	(1,718)
Loans to joint ventures and associates	(65)	(125)	(82)
Business combinations and investments	(736)	(2,061)	(497)
Net cash outflow from investing activities	**(4,981)**	**(4,814)**	**(1,685)**
Cash flows from financing activities			
Interest paid	(138)	(163)	(164)
Interest received	32	144	132
Dividends paid	(1,978)	(873)	(677)
Dividends paid to non-controlling interest	(36)	(35)	(37)
Net proceeds from issue and repayment of borrowings[(1)]	1,620	(71)	154
Funding movements with parent company	1,627	353	(61)
Net cash inflow/(outflow) from financing activities	**1,127**	**(645)**	**(653)**
Net (decrease)/increase in cash and cash equivalents	**(306)**	**(1,065)**	**407**

(1) Includes "Net proceeds from issue of new borrowings" and "Repayment of borrowings," see Guarantor's 2009 Financial Statements (page 16) and Guarantor's 2008 Financial Statements (page 13). The Guarantor's net proceeds from issue of new borrowing for the years ended December 31, 2009, 2008 and 2007 were £1,842 million, £300 million and £444 million, respectively. The Guarantor's repayment of borrowings for the years ended December 31, 2009, 2008 and 2007 were £222 million, £371 million and £290 million, respectively.

Selected Financial Information of the Guarantor and BG Group plc as of and for the Nine-Month Period Ended September 30, 2010 and Summary of Principal Differences Between the Guarantor's and BG Group plc's Financial Information

The Guarantor is a direct wholly owned subsidiary of BG Group plc and is the penultimate holding company through which BG Group plc holds all of its other subsidiaries and subsidiary undertakings. The Guarantor, together with its subsidiaries and subsidiary undertakings, therefore undertakes all of BG Group's trading operations. While the Guarantor publishes financial statements annually, it does not publish interim financial results. BG Group plc's shares are listed on the Official List and admitted to trading on the Market, and as a result, BG Group plc publishes quarterly press releases including interim financial information.

The information set forth below has been prepared to illustrate the principal differences between the Guarantor's and BG Group plc's consolidated financial information as of and for the year ended December 31, 2009 and the nine-month period ended September 30, 2010. The Guarantor's unpublished consolidated interim financial information as of and for the nine-month period ended September 30, 2010, has been extracted without material adjustments from the Guarantor's unpublished, unaudited management accounts.

Following a period of sustained international growth, BGEH Group's and BG Group's cash flows and economic returns are now principally denominated in U.S. Dollars. Accordingly, each of the Guarantor and BG Group plc has changed the currency in which it reports its financial results from Pound Sterling to U.S. Dollars

effective January 1, 2010. As a result, the selected financial information set forth below as of and for the nine months ended September 30, 2010 is presented in U.S. Dollars. For more information on the change of presentation currency, see "Presentation of Financial Information" elsewhere in this Offering Memorandum. For more information on BG Group plc's annual condensed consolidated financial information restated in U.S. Dollars pursuant to IAS 21 as of and for the years ended December 31, 2009, 2008 and 2007, see "Financial Statements — Explanation of transition to reporting in U.S. Dollars" on page 114 of BG Group's 2009 Annual Report.

Differences between the Guarantor's and BG Group plc's consolidated balance sheets are primarily due to amounts payable and receivable between the Guarantor and BG Group plc. At December 31, 2009, the Guarantor had a short-term creditor balance in respect of amounts owed to BG Group plc of £2,856 million ($3,898 million at September 30, 2010) and a short-term debtor balance in respect of amounts owed by BG Group plc of £48 million ($66 million at September 30, 2010). The short-term creditor balance in the Guarantor's consolidated financial statements resulted principally from dividends declared by the Guarantor to BG Group plc. It also reflected movements arising from the Guarantor funding the payment of BG Group plc's dividends to shareholders. The short-term debtor balance in the Guarantor's consolidated financial statements reflected recharges from the Guarantor to BG Group plc.

	Nine Months Ended September 30, 2010[1]		Year Ended December 31, 2009[1]	
	Guarantor	BG Group plc	Guarantor	BG Group plc
	$m (unaudited)	$m (unaudited)	£m (audited)	£m (audited)
Income Statement Information[2]				
Group revenue and other operating income	**12,751**	**12,751**	**10,468**	**10,468**
Operating costs	(8,183)	(8,199)	(6,470)	(6,482)
Profits and losses on disposal of non-current assets and impairments	(33)	(410)	(446)	(213)
Operating profit/(loss)	**4,535**	**4,142**	**3,552**	**3,773**
Finance income	147	147	67	67
Finance costs	(240)	(216)	(214)	(182)
Share of post-tax results from joint ventures and associates	205	205	204	204
Profit/(loss) before tax	**4,647**	**4,278**	**3,609**	**3,862**
Taxation	(1,802)	(1,692)	(1,538)	(1,598)
Profit/(loss) for the period from continuing operations	**2,845**	**2,586**	**2,071**	**2,264**
Profit/(loss) for the period from discontinued operations[2]	(67)	(67)	—	—
Profit attributable to:				
Shareholders (earnings)	2,670	2,411	1,975	2,168
Non-controlling interests	108	108	96	96
	2,778	**2,519**	**2,071**	**2,264**
Balance Sheet Information (at period end)				
Non-current assets	37,527	37,536	20,888	21,070
Current assets	7,457	7,400	5,256	5,212
Assets classified as held for sale	238	238	—	—
Total assets	**45,222**	**45,174**	**26,144**	**26,282**
Current liabilities	(11,970)	(8,096)	(7,990)	(5,148)
Non-current liabilities	(11,693)	(11,693)	(6,736)	(6,749)
Liabilities associated with assets classified as held for sale	(107)	(107)	—	—
Total liabilities	**(23,770)**	**(19,896)**	**(14,726)**	**(11,897)**
Net assets	**21,452**	**25,278**	**11,418**	**14,385**
Equity				
Total shareholders' equity	21,105	24,931	11,219	14,186
Non-controlling interest in equity	347	347	199	199
Total equity	**21,452**	**25,278**	**11,418**	**14,385**

	Nine Months Ended September 30, 2010[1]		Year Ended December 31, 2009[1]	
	Guarantor	BG Group plc	Guarantor	BG Group plc
	$m (unaudited)	$m (unaudited)	£m (audited)	£m (audited)
Cash Flow Information				
Cash generated by operations	**6,567**	**6,557**	**4,900**	**4,895**
Income taxes paid	(1,603)	(1,603)	(1,352)	(1,351)
Net cash inflow from operating activities	**4,964**	**4,954**	**3,548**	**3,544**
Cash flows from investing activities				
Dividends received	108	108	145	145
Proceeds from disposal of subsidiary undertakings and investments	468	468	—	—
Proceeds from disposal of property, plant and equipment and intangible assets	490	490	3	3
Purchase of property, plant and equipment and intangible assets	(6,047)	(6,047)	(4,328)	(4,328)
Loans to and repayments from joint ventures and associates	62	62	(65)	(65)
Business combinations and investments	(326)	(326)	(736)	(736)
Net cash outflow from investing activities	**(5,245)**	**(5,245)**	**(4,981)**	**(4,981)**
Cash flows from financing activities				
Interest paid	(157)	(157)	(138)	(138)
Interest received	—	—	32	32
Dividends paid	—	(674)	(1,978)	(407)
Dividends paid to non-controlling interest	(69)	(69)	(36)	(36)
Net proceeds from issue and repayment of borrowings	976	976	1,620	1,620
Issue of shares	—	66	—	63
Purchase of own shares	—	(2)	—	(3)
Funding movements with parent company	(625)	—	1,627	—
Net cash inflow from financing activities	**125**	**140**	**1,127**	**1,131**
Net decrease in cash and cash equivalents	**(156)**	**(151)**	**(306)**	**(306)**

(1) Subsequent to the signing of BG Group's 2009 Financial Statements, but prior to completion of the Guarantor's accounts for 2009, BG Group signed a sale and purchase agreement for the sale of its power plants in the United States and also committed to sell its Canadian E&P assets. These agreed sales provided additional information relevant for determining the appropriate carrying value of these assets as at the reporting date for the Guarantor. This resulted in a pre-tax impairment charge of £233 million (post-tax £163 million) against these assets. This impairment charge was reflected in the first quarter 2010 results of BG Group resulting in a pre-tax impairment charge of $377 million (post-tax $263 million).

(2) See "Overview — Business Segments — Discontinuation of Power Generation Segment." Financial information for the year ended December 31, 2009, has not been restated.

RISK FACTORS

Investing in the Notes involves risk. The Issuer and the Guarantor believe that the risks described below represent the principal risks inherent in investing in Notes issued under this Offering Memorandum and urge you to carefully review the risks described below, before you decide to buy any Notes. If any of these risks actually occur, BGEH Group's business, strategy, reputation, prospects, financial condition and results of operations could suffer, and the trading price and liquidity of the Notes could decline, in which case you may lose all or part of your investment. All of the risk factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. See "Forward-Looking Statements."

The order in which the risks are presented below is not indicative of their likelihood of occurrence, the potential magnitude of their financial consequences or their respective materiality.

The risks described below are not the only risks facing BGEH Group. Additional risks and uncertainties not presently known to BGEH Group or that BGEH Group currently deems immaterial could also materially harm its business, strategy, reputation, prospects, financial condition and results of operations. Prospective investors in the Notes should carefully consider the following information in conjunction with the other information contained, or incorporated by reference, in this Offering Memorandum, and reach their own views, based on their own judgment and upon advice from such financial, legal and tax advisers as they have deemed necessary, prior to making any investment decision.

Risks Related to the Business of BGEH Group

BGEH Group's results are sensitive to prevailing commodity prices

BGEH 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). These prices are volatile due to many factors over which BGEH Group has no control, including:

- global and regional economic and political developments in resource-producing regions;
- shifts in global, regional and local supply and demand;
- the ability of the Organization of Petroleum Exporting Countries ("**OPEC**") and other producing nations to influence global production levels and prices;
- prices of alternative fuels, which may affect realized prices under BGEH Group's long-term gas sales contracts;
- governmental regulations and actions;
- global economic and financial market conditions;
- war or other international conflicts;
- cost and availability of new technology;
- changes in demographics, including population growth rates and consumer preferences; and
- adverse weather conditions (such as hurricanes) that can disrupt supplies or interrupt operations of BGEH Group's facilities.

Rapid movements in commodity prices have led, at times, to sales prices becoming disconnected from capital and other costs in recent years. 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 BGEH Group's operating and capital costs, which could adversely affect its ongoing financial performance.

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

Increases in commodity prices may also improve the attractiveness of alternative forms of energy, which could adversely affect BGEH Group's business and financial performance.

LNG prices can vary significantly, potentially affecting the profitability of existing production and economic feasibility of development projects

Demand for LNG, both domestic and international, is dependent upon a number of macro-economic factors, and LNG prices can vary significantly depending upon the supply and demand balance in a market. Any change in the market dynamic could impact the profitability of BGEH Group's existing production and the feasibility of additional development and production.

BGEH Group is sensitive to fluctuations in exchange rates

BGEH Group faces significant financial risk from the substantial cross-border element of its operations, which exposes its business and financial position to fluctuations in foreign exchange rates. BGEH 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, associated with a particular project or asset. A large percentage of BGEH Group's revenues and cash receipts are denominated in U.S. Dollars, the international currency of gas and oil sales, while a significant portion of BGEH 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 BGEH Group, which as from January 1, 2010, are reported in U.S. Dollars in the consolidated accounts of BGEH Group.

BGEH Group is exposed to credit risk

BGEH Group's exposure to credit risk takes the form of a loss that would be recognized 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 surplus cash balances. BGEH Group is also exposed to political and economic risk events that exacerbate country risk, which may cause non-payment of foreign currency obligations to BGEH 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 companies in the sector, potentially including partners, contractors and suppliers. Any failure to determine adequately BGEH 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 BGEH Group. It could also affect BGEH Group's ability to raise capital to fund growth.

BGEH Group is exposed to interest rate and liquidity risk

BGEH Group's financing costs may be significantly affected by interest rate volatility. BGEH Group is also exposed to liquidity risks, including risks associated with refinancing borrowings as they mature, the risk that borrowing facilities are not available to meet cash requirements and the risk that financial assets cannot readily be converted to cash without loss of value. Failure to manage financing risks could have a material impact on BGEH Group's cashflow, financial position and growth prospects.

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

BGEH 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. Such losses could occur under various circumstances, including, without limitation, any circumstances in which a counterparty does not perform its obligations under the applicable hedging arrangement, the arrangement is imperfect or BGEH Group's internal hedging policies and procedures are not followed or do not work as planned. As a result of these factors, BGEH Group's hedging activities may not be as effective as intended in reducing the volatility of its cash flows, and in certain circumstances may increase the volatility of its cash flows. Any such losses or increases in volatility of its cash flows could materially and adversely affect BGEH Group's liquidity and financial position.

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

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

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

BGEH Group's ability to develop reserves could be affected by reservoir quality and performance, inaccurate interpretation of received data, unexpected drilling conditions or costs, rig availability or by 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 the most suitable development plans can expose BGEH Group's projects to additional risk and cost and may adversely affect BGEH Group's cash flows.

BGEH 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 BGEH Group's cashflows, business, prospects and reputation.

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

- cost (including capital and operating costs) and time overruns;
- political factors;
- differences among partners' objectives;
- local community opposition to the development;
- health, safety, security and environmental (HSSE) risks;
- technical, commercial, legal or regulatory compliance failures;
- equipment shortages;
- the availability, competence and capability of human resources and contractors;
- unscheduled outages;

- mechanical and technical difficulties; and
- gas pipeline system constraints.

BGEH Group's move into unconventional gas (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, Brazil and the United States is material for BGEH Group's future growth, and substantial delays to, or a failure to complete, these projects constitute significant risks to BGEH Group's growth prospects, reputation and financial position.

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

The cost of drilling and completing or operating wells is often uncertain. BGEH 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 BGEH Group's cash flow, financial position and growth prospects.

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

BGEH Group's reserves and resources figures are estimates reflecting applicable reporting regulations as they may evolve. BG Group plc (the immediate parent of BGEH Group), which ceased to be an SEC registrant in December 2007, currently reports proved reserves and, since 2009, probable reserves pursuant to the 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 reserves and resources that would not be permitted in SEC filings. See "Supplementary information — gas and oil (unaudited)" of BG Group's 2009 Annual Report.

"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 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 BG 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 BGEH Group's actual production to be lower than its currently reported proved and probable reserves and resources indicate. The main factors which may cause BGEH 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;
- an increase in the price of gas or oil, which may reduce the reserves that BGEH Group is entitled to under production sharing and buyback contracts;
- changes in tax rules and other government regulations that make reserves no longer economically viable to exploit;
- the quality and quantity of BGEH Group's geological, technical and economic data, which may prove to be inaccurate;

- the actual production performance of BGEH Group's reservoirs; and
- engineering judgments.

Many of the factors, assumptions and variables involved in estimating reserves and resources are beyond BGEH 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 BGEH Group's reserves and resources data. Any downward adjustment would indicate lower future production amounts and may adversely affect BGEH Group's results of operations, including profits, as well as BGEH Group's financial condition.

The current economic situation may have impacts on BGEH Group's liquidity and financial condition that BGEH 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 BGEH 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 BGEH 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 BGEH Group's future liquidity, results of operations and financial condition.

Unethical conduct and non-compliance with applicable laws and regulations could damage BGEH Group's reputation

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

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

The nature of BGEH Group's business subjects it to the risk of regulatory investigations, claims, lawsuits and other proceedings, which could adversely affect BGEH Group's business and financial performance. For more information see Note 23(E) to BG Group's 2009 Financial Statements, which are incorporated by reference herein.

In accordance with IFRS, a provision is only recorded if an entity has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and 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 BGEH 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.

BGEH 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 BGEH Group's reputation.

Notwithstanding anything in this risk factor, this risk factor 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 BGEH Group's results of operations and cashflows

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

- reduced availability of those assets due to planned activities such as maintenance or shutdowns;
- unplanned outages which may, for example, be due to equipment or human failure;
- asset integrity and health, safety, security and environmental (HSSE) incidents;
- adverse reserves recovery from a field;
- the performance of joint venture partners;
- the performance of contractors; and
- exposure to natural hazards, such as extreme weather events.

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

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

LNG is an increasingly important element of BGEH 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 BGEH 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 BGEH 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 BGEH 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 BGEH Group's business or financial performance. In addition, the long-term nature of many of BGEH Group's contracts for the delivery of LNG to customers heightens the risk that BGEH Group may not be able to deliver LNG consistently in accordance with such contracts. In addition, BGEH Group is exposed to risks in relation to the possible renegotiation of those contracts in the future.

BGEH Group faces significant costs and risks under its licenses and production sharing contracts

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

Licenses 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. Licenses and PSCs granted by a state generally require Licensees to be jointly and severally liable, which means that BGEH 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.

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

BGEH Group's capital requirements may vary from planned levels

BGEH Group makes substantial capital expenditures in its business and operations. For example, BGEH Group 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. BGEH Group has historically financed capital expenditure primarily through cash flow generated from operations and the debt capital, finance lease and commercial paper markets. BGEH Group's capital expenditure requirements however may depend on a broad range of factors (including, for example, commodity prices and exchange rate fluctuations or actual realization of proceeds of sale from planned and future disposals), some of which are outside BGEH Group's control, and may vary materially from planned levels. Increases in BGEH Group's capital requirements could adversely affect BGEH Group's business and financial performance and its ability to access finance on attractive terms.

BGEH 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

BGEH 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. BGEH Group may not be successful in its efforts to secure transportation and markets for all of its potential production.

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

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

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

BGEH Group has completed a number of acquisitions in recent years as part of its portfolio growth strategy and may make acquisitions in the future. While BGEH Group seeks to identify benefits which may include expected synergies, cost savings and growth opportunities prior to completing acquisitions, these benefits may not be achieved owing to delays or difficulties in completing the integration of acquired companies or assets, diversion of the attention and resources of BGEH Group's management, higher than expected integration costs, inability to retain key resources in acquired companies and assumption of liabilities unrecognized in due diligence.

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

BGEH Group's global operations present a number of health, safety, security and environmental (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; natural disasters and pandemics; and breaches of security.

BGEH 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 (HPHT) wells. Accidents in BGEH 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 BGEH Group.

Although BGEH Group does not 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, would increase the cost of compliance and may require changes or curtailment of BGEH Group's drilling operations and exploration and development plans.

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

BGEH Group is exposed to risks regarding the safety and security of its operations. BGEH Group's workforce and the public are exposed to risks inherent to BGEH 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.

BGEH 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:

- costs to prevent, control, eliminate or reduce certain types of air and water emissions, including those costs incurred in connection with government action to address concerns of climate change;
- remedial measures related to environmental contamination or accidents at various sites, including those owned by third parties;
- compensation of persons claiming damages caused by its activities or accidents; and
- costs in connection with the decommissioning of drilling platforms and other facilities.

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

- modifying operations;
- installing pollution control equipment;
- implementing additional safety measures; and
- performing site clean-ups.

As a further result of any new laws and regulations or other factors, BGEH 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 BGEH Group's operations

Security threats require continuous oversight and control. Acts of terrorism against BGEH 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 BGEH Group's commercially sensitive data.

Environmental concerns and actions, such as initiatives to address climate change, may hamper BGEH 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 BGEH 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 BGEH 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 BGEH Group's access to resources, production and financial performance.

BGEH Group may not be able to satisfactorily resolve water management issues posed by the production of coal seam gas and shale gas

BGEH Group expects that unconventional gas resources, including coal seam and shale gas, will play an increasingly important role in BGEH 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 BGEH 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. BGEH Group's shale gas drilling and production operations require adequate sources of water to facilitate the fracturing process and the disposal of that water when it flows back to the well-bore.

If BGEH 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 BGEH Group's operations and financial performance.

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

BGEH 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, BGEH 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. Similarly, BGEH 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. BGEH Group's operations will only be sustainable and successful over the long term if its local stakeholders see benefit from them and support BGEH 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:

- the award or denial of exploration and production interests;
- the imposition of specific drilling obligations;
- price and/or production quota controls;
- nationalization or expropriation of BGEH Group's assets;
- unilateral cancellation or modification of BGEH Group's license or contract rights;
- increases in taxes and royalties, including retroactive claims;
- the establishment of production and export limits;
- the renegotiation of contracts;

- payment delays; and
- currency exchange restrictions or currency devaluation.

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

In addition, BGEH Group has production, reserves and resources and is exploring for and developing new reserves and resources in politically, economically and socially unstable areas, where the likelihood of material disruption of BGEH 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 BGEH Group's production and operations.

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

BGEH Group's operations will only be sustainable and successful over the long term if its local stakeholders support BGEH Group's presence. BGEH Group's development projects and production operations may face opposition where local communities perceive BGEH 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 BGEH Group's local operations or by increased political pressure on BGEH Group, all of which can delay projects, disrupt production, increase costs and damage BGEH Group's reputation.

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

BGEH 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 BGEH 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 BGEH Group's business and financial position. In addition, compliance with such regulations may impose significant costs on BGEH Group's business and could potentially limit its flexibility with respect to its business practices.

BGEH Group's Transmission & Distribution operations may be subject to unfavorable tariff reviews

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

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

BGEH 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 BGEH Group's operations. Competition for talented and qualified employees is intense. If BGEH 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, BGEH 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 BGEH Group's business, when available, is subject to certain limits

Some of the major risks involved in BGEH Group's activities cannot, or may not, reasonably and economically be insured. BGEH Group's insurance program is subject to certain limits, deductibles, terms and conditions. Accordingly, BGEH Group may incur significant losses from different types of accidents that are not covered by insurance. In addition, insurance premium costs are 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.

BGEH 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 BGEH Group's operations. If BGEH 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.

Risks Related to the Notes

The consents of holders of the Notes may not be required for certain majority decisions, modifications of the terms and conditions of the Notes and the Fiscal Agency Agreement, waivers or substitution of the Issuer

The terms and conditions of the Notes 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 terms and conditions of the Notes also provide that the Fiscal Agent may, without the consent of holders, agree to (1) any modification of any provision of the terms and conditions of the Notes or the Fiscal Agency Agreement which is in the opinion of the Fiscal Agent of a formal, minor or technical nature or is made to correct a manifest error, (2) any other modification of any provision of the terms and conditions of the Notes or the Fiscal Agency Agreement which is in the opinion of the Fiscal Agent not materially prejudicial to the interests of the holders, (3) any waiver or authorization of any breach or proposed breach of any provision of the terms and conditions of the Notes or the Fiscal Agency Agreement insofar as in its opinion the interests of the holders shall not be materially prejudiced thereby or (4) the substitution in place of the Issuer as principal debtor under any Notes, in the circumstances described in "Description of the Notes and Guarantees — Substitution of the Issuer; Consolidation, Merger and Sale of Assets." In certain circumstances, substitution of the Issuer may be treated as a taxable exchange for U.S. federal income tax purposes. See "Taxation — United States Taxation — Substitution of the Issuer and Consolidation, Merger and Sale of Assets."

The Notes may be redeemed prior to maturity at their principal amount plus accrued interest in the case of certain tax events

In the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of the Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any taxing jurisdiction of the Issuer or Guarantor or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the terms and conditions of the Notes. See "Description of the Notes and Guarantees — Optional Tax Redemption." Holders of Notes that are redeemed under this provision may not be able to reinvest the proceeds thereof in an investment yielding the same or higher return.

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (and other similar income) paid by a person within its jurisdiction to an individual resident or certain other types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead (unless during that period they elect otherwise) operate a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) 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 have adopted similar measures.

If a payment on the Notes were to be made or collected through a Member State that has opted for a withholding system and an amount of tax were to be withheld from that payment, neither the Issuer nor the Guarantor nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. To the extent the Issuer and the Guarantor are required or determine it advisable to maintain a paying agent in a European city, the Issuer and the Guarantor

will maintain, to the extent reasonably possible as a matter of law, a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

On November 13, 2008, the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

The Notes lack a developed public market

The Notes have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Notice to Investors."

In addition, there can be no assurance regarding the development of markets for the Notes or, if when developed, whether such markets could be sustained, or the ability of holders of the Notes to sell their Notes or the price at which such holders may be able to sell their Notes. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial offering prices depending on many factors, including, among other things, prevailing interest rates, BGEH Group's operating results and the market for similar securities. The Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes as permitted by applicable laws and regulations; however, the Initial Purchasers are not obligated to do so, and any such market-making activities with respect to the Notes may be discontinued at any time without notice. Therefore, there can be no assurance as to the liquidity of any trading markets for the Notes or that an active public market for the Notes will develop or be sustained. See "Plan of Distribution."

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

The Guarantees are solely obligations of the Guarantor. The Guarantor's ability to make payments to holders of the Notes pursuant to the Guarantees in respect of the Notes depends largely upon the receipt of dividends, distributions, interest or advances from its subsidiaries and subsidiary undertakings. Payments on the Notes are 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 Notes seeking to enforce the Guarantees. The terms and conditions of the Notes do not limit the amount of liabilities that the Guarantor's subsidiaries may incur. 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.

BGEH Group may be able to incur substantially more debt in the future

BGEH Group 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 Notes will not limit the amount of indebtedness BGEH Group may incur. Any such incurrence of additional indebtedness could exacerbate the risks that holders of the Notes now face. Furthermore, the Notes do not contain financial covenants, or other provisions designed to protect holders of the Notes against a reduction in the creditworthiness of BGEH Group.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings 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 Notes. 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.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from this offering will be approximately $985,850,000 after payment of commissions to the Initial Purchasers and other estimated fees and expenses related to the offering. The Issuer intends to use the net proceeds from the issuance of the Notes to make intra-group loans to the Guarantor, who intends to use such proceeds for general corporate purposes.

CAPITALIZATION

The following table sets forth the Guarantor's actual long-term liabilities and total capitalization as of September 30, 2010, which have been extracted without material adjustments from the Guarantor's unpublished, unaudited management accounts. This table should be read in conjunction with the Guarantor's Financial Statements and BG Group's Third Quarter 2010 Financial Information that have been incorporated by reference in this Offering Memorandum. The figures in the table below have not been adjusted to give effect to the issuance of the Notes offered hereby and the application of the net proceeds thereof.

	As at September 30, 2010
	(in $ millions)
Non-current liabilities	
Borrowings[1]	6,132
Other non-current liabilities	5,561
Non-current liabilities associated with assets held for sale	99
Total non-current liabilities[1]	11,792
Shareholders' equity	
Non-controlling interest in equity	347
BG Energy Holdings Group shareholders' equity	21,105
Total shareholders' equity	21,452
Total non-current liabilities and shareholders' equity[1]	33,244

(1) In October 2010, the Issuer issued €250 million guaranteed bonds under its Euro medium term note program, guaranteed by the Guarantor, on identical payment terms as its existing €500 million guaranteed bonds due 2019. In November 2010, the Issuer issued £750 million guaranteed bonds due 2025 under its Euro medium term note program, guaranteed by the Guarantor.

DESCRIPTION OF THE NOTES AND GUARANTEES

Each of the 2.500% fixed rate notes due December 9, 2015 (the "**2015 Notes**") and the 4.000% fixed rate notes due December 9, 2020 (the "**2020 Notes**" and, together with the 2015 Notes, the "**Notes**") will be issued pursuant to a fiscal agency agreement (the "**Fiscal Agency Agreement**"), to be dated as of December 9, 2010, between the Issuer, the Guarantor and HSBC Bank USA, National Association, as fiscal agent and principal paying agent (the "**Fiscal Agent**," which expression shall, where the context so requires, include any successor for the time being as Fiscal Agent, or the "**Paying Agent**," where the context so requires, which term shall also include any substitute or additional paying agents from time to time under the Fiscal Agency Agreement). The Paying Agent is also acting as transfer agent (in such capacity, the "**Transfer Agent**") and registrar (the "**Registrar**") of the Notes.

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or Paying Agent and/or to appoint a successor Fiscal Agent and additional or other Paying Agents; *provided that* it will, so long as the Notes are outstanding, maintain a Paying Agent in New York City and, to the extent required by applicable law and regulation or the Issuer and the Guarantor determine it to be advisable, in a European city (which, so long as the Notes are listed on the Official List and admitted to trading on the Market, will be London). Notice of any change of Fiscal Agent or any change in or addition to the Paying Agents or any change in their respective specified offices will be published as set forth below under "— Notices."

Holders of the Notes (the "**Holders**") are deemed to have notice of all provisions of the Fiscal Agency Agreement. The summary information set forth herein does not purport to be complete and is subject to the detailed provisions of the Fiscal Agency Agreement. Copies of the Fiscal Agency Agreement, the Notes and the Guarantees are available for inspection at the office of the Fiscal Agent. A copy of the Fiscal Agency Agreement is also available upon request from the Issuer.

General

In this offering, the Issuer will issue the 2015 Notes in the aggregate principal amount of $350,000,000 and the 2020 Notes in the aggregate principal amount of $650,000,000. The Notes of each series will be issued in denominations of $100,000 and integral multiples of $1,000 in excess thereof.

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Additional Notes

The Notes will initially be issued in the aggregate principal amounts set forth above. The Issuer may, from time to time, and without the consent of the Holders of any series of Notes, create and issue additional Notes (the "**Additional Notes**") of such series ranking *pari passu* with Notes of such series in all respects (other than the issue price, issue date and, if applicable, the payment of interest accruing prior to the issue date and the amount and the date of the first payment of interest thereon), including having the same CUSIP and/or ISIN number, so that such Additional Notes shall be consolidated and form a single series with such series of Notes under the Fiscal Agency Agreement, *provided that* Additional Notes and outstanding Notes with the same CUSIP, ISIN or other identifying number must be fungible for U.S. federal income tax purposes. Any such Additional Notes will have the same terms as to status, redemption or otherwise as the Notes of such series. No Additional Notes may be issued if an Event of Default (which is described under "— Events of Default" below) has occurred and is continuing with respect to the Notes. Unless the context otherwise requires, in this "Description of the Notes and Guarantees," references to the "**Notes**" include the Notes and any Additional Notes that are issued. Additional Notes, if any, will be issued under a separate offering document to this Offering Memorandum.

Guarantees

The Guarantor has in the Fiscal Agency Agreement unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. These Guarantees of the Notes constitutes a direct, general and unconditional obligation of the Guarantor which will at all times

rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. Because the Guarantor is a holding company, its rights and the rights of its creditors, including the holders of the Notes, to participate in the assets of any subsidiary upon the latter's liquidation or recapitalization, will be subject to the prior claims of the subsidiary's creditors, except to the extent that the Guarantor itself is a creditor with recognized claims against the subsidiary.

Principal and Interest

The 2015 Notes will bear interest at 2.500% per annum and will mature on December 9, 2015 and the 2020 Notes will bear interest at 4.000% per annum and will mature on December 9, 2020. The Notes of each series will be payable at 100% of the face amount thereof upon redemption at maturity.

Interest on each series of Notes will be payable semi-annually in arrears on June 9 and December 9, commencing on June 9, 2011 to holders of record on May 25 and November 24 (each, a "**Record Date**") immediately preceding the related interest payment date. The first interest payment will be for interest accrued from and including December 9, 2010 up to, but excluding, June 9, 2011.

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the applicable redemption amount is improperly withheld or refused, in which case it will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the principal Paying Agent has notified the Holders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

If the due date for any payment in respect of any Note is not a Business Day (as defined below), the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months.

"**Business Day**" means any day which is not a Saturday, Sunday, or a day on which commercial banking institutions are authorized or obligated by law to close in New York City.

Book-Entry; Delivery and Form

The Notes offered and sold to qualified institutional buyers, or QIBs, in reliance on Rule 144A under the Securities Act initially will be issued in the form of one or more restricted global registered notes (together, the "**Rule 144A global notes**"). The Notes offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be issued in the form of one or more unrestricted global registered notes (together the "**Regulation S global notes**"). The Rule 144A global notes and the Regulation S global notes are referred to collectively as the "**Global Notes**."

The Global Notes will be deposited on the date of issuance with HSBC Bank USA, National Association, as custodian for, and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**") in each case for credit to an account of a direct or indirect participant in DTC (including Euroclear and Clearstream, Luxembourg) as described below. Beneficial interests in the Rule 144A global note may be exchanged for beneficial interests in the Regulation S global note at any time in the circumstances described under "Book Entry Settlement and Clearance — Summary of Provisions Relating to Notes in Global Form."

The Notes will be subject to certain restrictions on transfer and will bear restrictive legends as described in "Notice to Investors." In addition, transfer of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time.

Ownership of the Global Notes may not be transferred, in whole or in part, except in limited circumstances. Beneficial interests in the Global Notes may not be exchanged for notes in certificated form except in the limited

circumstances described herein under "Book-Entry Settlement and Clearance — Summary of Provisions Relating to Certificated Notes."

Payments

So long as the Notes are in the form of Global Notes, all payments in respect of the Notes will be made by the Paying Agent to DTC as the registered holder. The Paying Agent will treat the persons in whose names Global Notes are registered as the owners thereof for the purpose of making such payments and for any and all other purposes whatsoever. None of the Issuer, the Guarantor, or any of their respective agents, has or will have any responsibility or liability for:

- any aspect of the records of the registered holder(s) or any participant's or indirect participant's records relating to, or payments made on account of, beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any of the records of the registered holder(s) or any participant's or indirect participant's records relating to the beneficial ownership interests in the Global Notes; or
- any other matter relating to the actions and practices of the registered holder(s) or any of its or their participants or indirect participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the Notes, is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Payments by the participants and the indirect participants to the beneficial owners of the Notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be the responsibility of DTC or the Issuer. The Issuer, the Guarantor and the Paying Agent may conclusively rely, and shall bear no responsibility or liability for any action taken in reliance, on instructions from DTC or its nominee for all purposes.

The Issuer expects that Euroclear or Clearstream, Luxembourg, upon receipt of any payment of principal or interest in respect of a global note will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of that global note as shown on the records of Euroclear or Clearstream, Luxembourg. The Issuer also expects that payments by participants to ultimate owners of beneficial interests in a global note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Certain Duties of the Fiscal Agent

As issuing and paying agent, the Fiscal Agent will act as agent of the Issuer and will not assume fiduciary obligations to holders of the Notes. The Fiscal Agency Agreement provides that the Fiscal Agent will be under no obligation to take any action or perform any duties other than those specifically set forth in the Fiscal Agency Agreement. The Fiscal Agency Agreement will not oblige the Fiscal Agent to exercise certain responsibilities that may be exercised by trustees with respect to other debt securities, including certain discretionary actions customarily taken by trustees in connection with events of default under debt securities.

The Issuer may appoint, at its discretion, additional Paying Agents for the payment of principal of and interest and other amounts on the Notes at such place or places as the Issuer may determine.

The Fiscal Agency Agreement provides that the Fiscal Agent may resign and that the Issuer may remove the Fiscal Agent or any other Paying Agent in respect of the Notes, but any such resignation or removal will take effect only upon the appointment by the Issuer of, and acceptance of such appointment by, a successor Fiscal Agent or other Paying Agent.

Optional Make-Whole Redemption

The Notes will be redeemable, as a whole or in part, at the option of the Issuer at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of such Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of

redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus, in the case of the 2015 Notes, 15 basis points and, in the case of the 2020 Notes, 20 basis points, plus in each case accrued interest to the date of redemption. Notwithstanding the foregoing, installments of interest on Notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the Notes and the Fiscal Agency Agreement.

"**Treasury Rate**" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"**Comparable Treasury Issue**" means the U.S. Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"**Comparable Treasury Price**" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Issuer.

"**Reference Treasury Dealer**" means (i) each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co. and J.P. Morgan Securities LLC or their applicable affiliates which are primary U.S. Government securities dealers, and their respective successors; *provided*, *however*, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a "**Primary Treasury Dealer**"), the Issuer shall substitute therefor another Primary Treasury Dealer; and (ii) two other Primary Treasury Dealers selected by the Issuer.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by the Reference Treasury Dealers at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed. Notice having been given, the Notes shall become due and payable on the date fixed for redemption and will be paid at the redemption price, together with accrued interest to the date fixed for redemption, at the place or places of payment and in the manner specified in the Notes.

Unless the Issuer defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes or portions thereof called for redemption, and the only right of the holders of the Notes shall be to receive payment of the redemption price and all unpaid interest accrued to the date of redemption.

Payment of Additional Amounts

All payments in respect of the Notes by a Paying Agent, the Issuer, the Guarantor, or any other person on behalf of the Issuer or the Guarantor, or any successor thereto (each, a "**Payor**") 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 (collectively, "**Taxes**") imposed, collected, withheld, assessed or levied by or on behalf of (1) the United Kingdom or any political subdivision or governmental authority thereof or therein having power to tax; and (2) any other jurisdiction in which the Payor is organized, tax resident or

engaged in business, or any political subdivision or governmental authority thereof or therein having the power to tax (collectively, (1) and (2), a "**Relevant Taxing Jurisdiction**"), unless the withholding or deduction of the Taxes is required by law.

Where the withholding or deduction of Taxes is required by law, the Payor will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no such Additional Amounts shall be payable in respect of any Note:

(a) to, or to a third party on behalf of, a Holder of Notes who is liable for such Taxes by reason of the existence of any present or former business or personal connection between the Holder and the Relevant Taxing Jurisdiction imposing such Taxes (other than the mere ownership or holding of such Notes);

(b) to, or to a third party on behalf of, a Holder of Notes to the extent that such Holder or third party would not have been liable or subject to the withholding or deduction had it made a declaration of non-residence or other similar claim for exemption to the relevant tax authority;

(c) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had presented such Note on the last day of such period of 30 days;

(d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

(e) presented for payment (where presentation is required) by or on behalf of a Holder of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(f) where such withholding or deduction is payable for any combination of (a) through (e) above.

For purposes of the foregoing, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the monies payable has not been received by the Fiscal Agent or, as the case may be, the Paying Agent, on or prior to such due date, this term means the first date on which, the full amount of such monies having been so received and being available for payment to Holders, notice to that effect has been duly given to the Holders of the Notes.

Whenever in the Fiscal Agency Agreement, the Notes, the Guarantees or in this Offering Memorandum there is mentioned, in any context, (1) the payment of principal or interest, (2) redemption prices or purchase prices in connection with the redemption or purchase of the Notes, or (3) any other amount payable under or with respect to any Note or Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Optional Tax Redemption

The Notes of any series may be redeemed, at the option of the Issuer, in whole but not in part, at any time, upon giving not less than 30 nor more than 60 days' notice to each Holder of the Notes of such series with a copy to the Fiscal Agent (which notice shall be irrevocable), at a price equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, if any, to (but excluding) the redemption date which otherwise would be payable, if either:

(a) immediately prior to the giving of the notice by the Issuer referred to above (1), the Issuer has or will become obliged to pay Additional Amounts (discussed above under "— Payment of Additional Amounts") as a result of any change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes

effective on or after the issue date (or, in the case of a jurisdiction that becomes a Relevant Taxing Jurisdiction as a result of a substitution or succession of the Issuer in accordance with "— Substitution of the Issuer; Consolidation, Merger and Sale of Assets" below, after the date of such substitution or succession) and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (including changing the jurisdiction of the Paying Agent where such change would be reasonable under the circumstances); or

(b) immediately prior to the giving of notice by the Issuer referred to above (1), the Guarantor has become or (if a demand has been made under the Guarantee of the Notes) would become obliged to pay Additional Amounts (discussed above under "— Payment of Additional Amounts") or the Guarantor has or will become obliged to make any withholding or deduction for or on account of tax from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the issue date and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it (including changing the jurisdiction of the Paying Agent where such change would be reasonable under the circumstances);

provided, however, that (a) no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made, and (b) at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

Prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer stating that the circumstances referred to in (a)(1) and (a)(2) prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two directors of the Guarantor stating that the circumstances referred to in (b)(1) and (b)(2) above prevail and setting out the details of such circumstances and (2) an opinion of independent legal advisers of recognized standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment. The Fiscal Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (a)(1) and (a)(2) above or (as the case may be) (b)(1) and (b)(2) above, in which event they shall be conclusive and binding on the Holders. Upon the expiry of any such notice as is referred to in this section "— Optional Tax Redemption," the Issuer shall be bound to redeem the Notes in accordance with this section.

Negative Pledge

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that no Material Subsidiary shall create or permit to subsist any Security Interest upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt, unless, at the same time or prior thereto, the Issuer's or, as the case may be, the Guarantor's obligations under the Notes, the Guarantees and all amounts payable under the Fiscal Agency Agreement (A) are secured equally and ratably therewith or (B) have the benefit of such other arrangement (whether or not comprising security) as shall be approved by Holders representing a majority in principal amount of the Notes of such series being outstanding, save that the foregoing shall not, in relation to a Material Subsidiary, include any Security Interest upon the whole or any part of such Material Subsidiary's undertaking, assets or revenues where such Security Interest (a "**Pre-existing Security Interest**") has been created or assumed by a company which becomes a Material Subsidiary after the date of this Offering Memorandum (provided such Pre-existing Security Interest existed at the time that company becomes a Material Subsidiary and was not created or granted in contemplation of or in connection with that company becoming a Material Subsidiary), *provided that* in any such case, the principal amount secured by the Pre-existing Security Interest at the time the relevant company becomes a Material Subsidiary is not subsequently increased and the original maturity of such Relevant Debt is not subsequently extended.

For purposes of the Notes, "**Security Interest**" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest.

For purposes of the Notes, "**Relevant Debt**" means any present or future indebtedness in the form of, or represented by notes, bonds, debentures, loan stock, or other securities that are capable of being quoted, listed or ordinarily dealt in on any stock exchange or other recognized securities market.

Events of Default

Each of the following events is defined as an "**Event of Default**" with respect to the Notes of each series:

(a) *Non-payment*: if default is made in the payment of principal or interest, including any Additional Amount, due in respect of the Notes or any of them and the default continues for a period of five Business Days; or

(b) *Breach of other obligations*: if the Issuer or the Guarantor fails to perform or observe any other covenant, agreement or warranty contained in the Notes or the Fiscal Agency Agreement, which default continues for a period of 60 days after the Issuer or the Guarantor (as the case may be) receives written notice requiring the same to be remedied from the Holder of any Notes; or

(c) *Winding up, etc.*: if a resolution is passed, or a final order of a court in the United Kingdom is made and, where possible, not discharged or stayed within a period of five London Business Days (as defined below under "— Certain Definitions"), that the Issuer, the Guarantor or any Material Subsidiary be wound up or dissolved; or

(d) *Insolvency*: if an encumbrancer takes possession or a liquidator or an administrative or other receiver or similar officer is appointed of over 50 per cent of the assets or undertaking of the Issuer or the Guarantor or over all or substantially all of the assets or undertaking of any Material Subsidiary or an administration or similar order is made in relation to the Issuer, the Guarantor or any Material Subsidiary and that taking of possession, appointment or order is not released, discharged or cancelled within 30 days; or

(e) *Cessation*: if the Issuer or the Guarantor ceases to carry on all or substantially all of its business or if the Issuer other than in connection with a merger, consolidation, sale, transfer or lien of assets or substitution of the Issuer permitted under the Notes, the Guarantor or any Material Subsidiary is unable to pay its debts as they fall due within the meaning of Section 123 of the U.K. Insolvency Act 1986; or

(f) *Cross-acceleration of Issuer, Guarantor or Material Subsidiary*:

(i) if any Borrowed Money Indebtedness (as defined below) of the Issuer, the Guarantor, any Material Subsidiary or any Wholly Owned Subsidiary is not paid at its maturity or within any originally applicable grace period (or, if no grace period applies, within five Business Days); or

(ii) if any Borrowed Money Indebtedness of the Issuer, the Guarantor, any Material Subsidiary or any Wholly Owned Subsidiary becomes prematurely due and payable as a result of a default under the document relating to that Borrowed Money Indebtedness;

and

1) the failure or default has not been waived by or on behalf of the relevant lender(s); and

2) in the case of (ii) above and for the avoidance of doubt, all applicable grace periods have expired; and

3) the amount of Borrowed Money Indebtedness which has not been so paid and/or which has become prematurely due and payable equals or exceeds $100,000,000 (or its equivalent in other currencies) in aggregate; or

(g) *Guarantee not in force*: if the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect.

If an Event of Default shall occur and be continuing with respect to the Notes of any series, the Holders, acting individually or jointly, of not less than 25% in principal amount of the Notes then outstanding may give

notice to the Issuer or Fiscal Agent that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Fiscal Agency Agreement. If an Event of Default specified in clauses (c) (*Winding up, etc.*), (d) (*Insolvency*) or (g) (*Guarantee not in force*) above with respect to the Issuer occurs and is continuing, then all unpaid principal and accrued and unpaid interest on all of the outstanding Notes shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of any Holder or the Fiscal Agent.

For purposes of these Notes, "**Borrowed Money Indebtedness**" means, without double counting, indebtedness in respect of:

(i) moneys borrowed;

(ii) any debenture, bond, note, loan stock or other debt security;

(iii) acceptance credit facilities to the extent drawn;

(iv) recourse for receivables sold or discounted on recourse terms;

(v) capitalized rental payments under leases treated as finance leases under applicable accounting principles; and

(vi) guarantees or similar assurances against financial loss in respect of any indebtedness of any Person of a type falling within paragraphs (i) to (v) above.

Discharge and Defeasance

The Issuer and the Guarantor may discharge their obligations to comply with any payment or other obligation under the Notes by depositing funds or obligations issued by the United States in an amount sufficient to provide for the timely payment of principal, interest and all other amounts due under the Notes with the principal Paying Agent, acting as trustee for such purposes and by satisfying certain other conditions. The right to discharge and defease the obligations shall be subject to certain conditions as set forth in the Fiscal Agency Agreement.

Amendments and Waivers

Subject to certain exceptions, the Fiscal Agency Agreement, the Notes of any series and the Guarantees affixed thereto may be amended or supplemented, and future compliance therewith or past default by the Issuer and the Guarantor may be waived, with the consent of the Holders of at least a majority in aggregate principal amount of the Notes of such series then outstanding, or of such lesser percentage as may act at a meeting of Holders held in accordance with the provisions of the Fiscal Agency Agreement, which contains provisions for convening meetings of Holders for such purposes and for considering other matters that may affect their interests.

However, without the consent of each Holder of an outstanding Note, no amendment may, among other things:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement, or waiver;

(2) reduce the stated rate, or extend the stated time for payment, of interest on any Note;

(3) reduce the principal, or extend the maturity date, of any Note;

(4) make any Notes payable in a currency other than U.S. Dollars;

(5) impair the right of any Holder to receive payment of principal or interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;

(6) make any change in the amendment or waiver provisions of the Fiscal Agency Agreement which require each Holder's consent;

(7) make any change in the provisions of the Notes or the Fiscal Agency Agreement relating to Additional Amounts that adversely affects the rights of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts, if any, in respect thereof; or

(8) change in any manner adverse to the interests of the Holders the terms and provisions of the Guarantees in respect of the due and punctual payment of principal amount of the Notes then outstanding plus accrued and unpaid interest (and all Additional Amounts, if any).

Without the consent of any Holder, the Issuer and the Fiscal Agent may amend the Fiscal Agency Agreement, the Notes of any series and the Guarantees affixed thereto to:

(1) cure any ambiguity, omission, defect or inconsistency or make any other change that does not adversely affect the rights of any Holder in any material respect;

(2) provide for the assumption by a successor corporation of the obligations of the Issuer or Guarantor under the Fiscal Agency Agreement and the Notes, in accordance with "— Substitution of the Issuer; Consolidation, Merger and Sale of Assets" below;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes;

(4) add to the covenants of the Issuer for the benefit of the Holders or surrender any right or power conferred upon the Issuer;

(5) conform the text of the Fiscal Agency Agreement to any provision of this "Description of the Notes and Guarantees";

(6) evidence and provide for the acceptance and appointment under the Fiscal Agency Agreement of a successor Fiscal Agent pursuant to the requirement thereof; or

(7) modify the restrictions on, and procedures for, resale and other transfers of the Notes and the Guarantees pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally.

The consent of the Holders is not necessary under the Fiscal Agency Agreement and the Notes to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment, supplement or waiver. A consent to any amendment, supplement or waiver under the Fiscal Agency Agreement by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

In determining whether the Holders of the requisite principal amount of Notes of any series have given any request, demand, authorization, consent, vote or waiver in connection with the Fiscal Agency Agreement and the Notes of such series, Notes owned by the Issuer or any Affiliate (as defined in the Fiscal Agency Agreement) of the Issuer shall be disregarded and deemed not to be outstanding for these purposes.

The Issuer will publish a notice of any material amendment, supplement or waiver in accordance with the provisions of the Fiscal Agency Agreement described under "— Notices."

Any modifications, amendments or waivers to the Fiscal Agency Agreement or to the terms and conditions of the Notes of any series or the Guarantees affixed thereto will be conclusive and binding on all Holders of Notes of such series, whether or not they have given such consent or were present at such meeting, and on all future holders of Notes of such series, whether or not notation of such modifications, amendments or waivers is made upon the Notes of such series or the Guarantees affixed thereto. Any instrument given by or on behalf of any Holder of a Note of any series in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note.

Substitution of the Issuer; Consolidation, Merger and Sale of Assets

The Issuer or the Guarantor, without the consent of the Holders of any of the Notes, may consolidate with, or merge into, or sell, transfer, lease or convey all or substantially all of their respective assets to, any corporation and the Issuer may at any time substitute for the Issuer either the Guarantor or any Subsidiary of the Guarantor as principal debtor under the Notes (a "**Substitute Issuer**"); *provided that*:

(1) the Substitute Issuer or any other successor company shall expressly assume the Issuer's or the Guarantor's respective obligations under the Notes or the Guarantees, as the case may be, and the Fiscal Agency Agreement;

(2) the Issuer is not in default of any payments due under the Notes and immediately before and after giving effect to such consolidation, merger, sale, transfer, lease or conveyance no Event of Default shall have occurred and be continuing;

(3) in the case of a Substitute Issuer the obligations of the Substitute Issuer other than the Guarantor arising under or in connection with the Notes and the Fiscal Agency Agreement are irrevocably and unconditionally guaranteed by the Guarantor on the same terms as existed immediately prior to such substitution under the Guarantees given by such Guarantor;

(4) when a Substitute Issuer is incorporated, tax resident or engaged in business in a jurisdiction other than the United Kingdom or any political subdivision thereof, it agrees to assume the Payors' obligations under the Notes to pay additional amounts as discussed under "— Payment of Additional Amounts" above, adding the name of its jurisdiction of incorporation, tax residence or place of business to the list of Relevant Taxing Jurisdictions; and

(5) written notice of such transaction shall be provided to the Holders as promptly as is reasonably practicable.

Upon the effectiveness of any substitution, all of the foregoing provisions will apply *mutatis mutandis*, and references elsewhere herein to the Issuer or the Guarantor will, where the context so requires, be deemed to be or include references, to any successor company.

Any of the events described in this section might result for U.S. federal income tax purposes in an exchange of the Notes for new securities by the Holders thereof, resulting in the recognition of gain or loss for such purposes and possibly certain other adverse tax consequences. Holders of Notes should consult their own tax advisors regarding the tax consequences of such an assumption.

Notices

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holder of such Notes, if any, maintained by the Fiscal Agent, as Registrar. For so long as any Notes are represented by Global Notes, the Issuer will publish notices to Holders on its website and all notices to holders of the Notes will be delivered to DTC, as the registered Holder, which will give such notices to the holders of Book-Entry Interests (as defined in "Book-Entry Settlement and Clearance — Summary of Provisions Relating to Notes in Global Form").

Each such notice shall be deemed to have been given on the date of such publication on the Issuer's website; *provided that*, if notices are mailed, such notice shall be deemed to have been given on the later of (a) such publication, and (b) the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed by first-class mail or other equivalent means and shall be deemed sufficiently given if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it shall be deemed duly given, whether or not the addressee receives it.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer and the Guarantor shall, to the fullest extent permitted by law, have any liability for any obligations of the Issuer or the Guarantor under the Notes, the Guarantees or the Fiscal Agency Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives, to the fullest extent permitted by law, any such claim and releases any such director, officer, employee, incorporator or shareholder of any such liability. The waiver and release are part of the consideration for issuance of the Notes and the Guarantees. The waiver and release may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the U.S. Securities and Exchange Commission that such a waiver is against public policy.

Prescription

Claims for payment of principal, interest and Additional Amounts, if any, on the Notes will become void unless presentment for payment is made (where so required herein) within, in the case of principal and Additional Amounts, if any, a period of ten years or, in the case of interest, a period of five years, in each case from the applicable original payment date therefor.

Governing Law and Submission to Jurisdiction

The Fiscal Agency Agreement and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. The Issuer and the Guarantor has submitted to the non-exclusive jurisdiction of

and venue in any federal or state court in the Borough of Manhattan in the City of New York, County and State of New York, United States of America, in any suit or proceeding based on or arising out of or under or in connection with the Notes, the Guarantees or the Fiscal Agency Agreement.

Certain Definitions

"**London Business Day**" means a day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law to close in London.

"**Material Subsidiary**" means a Subsidiary of the Guarantor (other than a Project Finance Company, as defined below) (A) at least 75 per cent of whose ordinary share capital is owned directly or indirectly by the Guarantor and (B) of which the Guarantor's group share of net assets represents (or, in the case of a Subsidiary acquired after the end of the financial period to which the Guarantor's then latest audited annual financial statements relate, are equal to) not less than 15 per cent of the consolidated net assets of the Guarantor, all as calculated respectively by reference to the then latest audited accounts of such Subsidiary and the Guarantor's then latest audited annual financial statements, *provided that*:

(i) in the case of a Subsidiary acquired after the end of the financial period to which the Guarantor's then latest audited annual financial statements relate, the reference to the Guarantor's then latest audited annual financial statements for the purposes of the calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such audited annual financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Guarantor's auditors by reference to generally accepted accounting principles; and

(ii) in the case of a Subsidiary (an "**Intermediate Subsidiary**") that itself has Subsidiaries ("**Further Subsidiaries**"), the net assets attributable to such Intermediate Subsidiary shall be calculated on the basis of the aggregation (in accordance with the Guarantor's then applicable internal accounting policies) of (1) the net assets of all such Further Subsidiaries (calculated in accordance with this proviso if any of such Further Subsidiaries in turn itself has Subsidiaries) and (2) the net assets of such Intermediate Subsidiary, all as more particularly defined in the Fiscal Agency Agreement.

"**Project Finance Company**" means any Subsidiary of the Guarantor all or substantially all of whose assets and business (and that of its Subsidiaries) are constituted by the ownership, acquisition, development and/or operation of assets in connection with a project and where the persons providing the financing of such ownership, acquisition, development and/or operation of assets have no recourse whatsoever for the repayment of or payment of any sum relating to such financing other than:

(i) recourse to the relevant Subsidiary for amounts limited to the aggregate cashflow or net cashflow (other than historic cashflow or historic net cashflow) from such asset; and/or

(ii) recourse to the relevant Subsidiary or any one or more of its Subsidiaries or any shareholder of such Subsidiary for the purpose only of enabling amounts to be claimed in respect of such financing in an enforcement of any encumbrance given by such Subsidiary over the assets comprised in the project (or given by any shareholder of such Subsidiary over its investment in such Subsidiary) or the income, cash flow or other proceeds deriving therefrom to secure such financing; *provided that* (A) the extent of such recourse to such Subsidiary or any one or more of its Subsidiaries or any shareholder of such Subsidiary is limited solely to the amount of any recoveries made on any such enforcement, and (B) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such financing, to commence proceedings for the winding up or dissolution of the shareholder of such Subsidiary or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of such shareholder or any of its assets (save for the assets the subject of such encumbrance);

"**Subsidiary**" means a Subsidiary within the meaning of Section 1159 of the U.K. Companies Act 2006; and

"**Wholly Owned Subsidiary**" means any wholly owned Subsidiary of the Guarantor other than any Project Finance Company.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Summary of Provisions Relating to Notes in Global Form

The certificates representing the Notes will be issued in fully registered form without interest coupons. The Notes will be represented by Book-Entry Interests (as defined below) and are being offered and sold only (i) to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A under the Securities Act (the "**Rule 144A Notes**") or (ii) to persons other than U.S. persons (within the meaning of Regulation S under the Securities Act) in offshore transactions in reliance on Regulation S (the "**Regulation S Notes**"). The Regulation S Notes will be represented by one or more permanent Regulation S global notes in definitive, fully registered form without interest coupons (the "**Regulation S Global Notes**"), and will be deposited with HSBC Bank USA, National Association as custodian for, and registered in the name of Cede & Co., as nominee for DTC, for the accounts of its participants, including Euroclear and Clearstream. Prior to the 40th day after the later of the commencement of the offering of the Notes and the date of the original issue of the Notes, any resale or other transfer of beneficial interests in a Regulation S Global Note ("**Regulation S Book-Entry Interests**") or a Rule 144A Global Note as defined below ("**Rule 144A Book-Entry Interests**" and, together with the Regulation S Book-Entry Interests, the "**Book-Entry Interests**") to U.S. persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S and in accordance with the certification requirements described below.

The Rule 144A Notes will initially be represented by one or more permanent Rule 144A global notes in definitive, fully registered form without interest coupons (the "**Rule 144A Global Notes**" and, together with the Regulation S Global Notes, the "**Global Notes**"), with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Fiscal Agency Agreement and such legends as may be applicable thereto, and will be deposited with HSBC Bank USA, National Association as custodian for, and registered in the name of Cede & Co., as nominee for DTC duly executed by the Issuer and authenticated by the Fiscal Agent, as Registrar, as provided in the Fiscal Agency Agreement. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests during the 40-day period commencing on the later of the closing date and the date of commencement of the distribution of the Notes (the "**distribution compliance period**") only if such transfer occurs in connection with a transfer of Notes pursuant to Rule 144A and only upon receipt by the Fiscal Agent, as Registrar, of written certifications (in the form or forms provided in the Fiscal Agency Agreement) to the effect that the Notes are being transferred to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the Securities Act, purchasing the Notes for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions. Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of Regulation S Book-Entry Interests only upon receipt by the Fiscal Agent, as Registrar, of written certifications from the transferor (in the form or forms provided in the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such first Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such an interest.

Each Global Note (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein described under "Notice to Investors." Except in the limited circumstances described below under "— Summary of Provisions Relating to Certificated Notes," owners of Book-Entry Interests will not be entitled to receive physical delivery of certificated Notes.

Ownership of Book-Entry Interests will be limited to persons who have accounts with DTC, or participants, or persons who hold interests through participants. Ownership of Book-Entry Interests will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified Institutional Buyers may hold their Rule 144A Book-Entry Interests directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Investors may hold their Regulation S Book-Entry Interests directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold Regulation S Book-Entry Interests on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Fiscal Agency Agreement and the Notes. No beneficial owner of a Book-Entry Interest will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Fiscal Agency Agreement and, if applicable, those of Euroclear and Clearstream.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of Book-Entry Interests will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The Fiscal Agent will send any notices in respect of the Notes held in book-entry form to DTC or its nominee.

Neither DTC nor its nominee will consent or vote with respect to the Notes unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns DTC's or its nominee's consenting or voting rights to those participants to whose account the Notes are credited on the record date.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Issuer nor the Fiscal Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

The Issuer expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective Book-Entry Interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of Book-Entry Interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the Notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the first day Euroclear or Clearstream, as the case may be,

is open for business following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the first day Euroclear or Clearstream, as the case may be, is open for business following settlement in DTC.

The Issuer expects that DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the Notes, DTC will exchange the applicable Global Note for certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading "Notice to Investors."

DTC

DTC advises that it is a limited purpose trust company organized under The New York Banking Law, a "banking organization" within the meaning of The New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of The New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly, or indirect participants.

Euroclear

Euroclear holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the Initial Purchasers, or other financial entities involved in this offering, may be Euroclear participants. Non-participants in the Euroclear system may hold and transfer book-entry interests in the Notes through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Investors electing to acquire Notes in the offering through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such intermediary with respect to the settlement of new issues of securities. Notes to be acquired against payment through an account with Euroclear will be credited to the securities clearance accounts of the respective Euroclear participants in the securities processing cycle for the first day Euroclear is open for business following the settlement date for value as of the settlement date.

Investors electing to acquire, hold or transfer Notes through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such intermediary with respect to the settlement of secondary market transactions in securities. Euroclear will not monitor or enforce any transfer restrictions with respect to the Notes. Investors that acquire, hold and transfer interests in the Notes by book-entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such intermediary and each other intermediary, if any, standing between themselves and the individual Notes.

Euroclear has advised that, under Belgian law, investors that are credited with securities on the records of Euroclear have a co-property right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on Euroclear's records, all participants having an amount of interests in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their pro rata share of the amount of interests in securities actually on deposit. Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interests in Notes on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records. Distributions with respect to the Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear terms and conditions.

Clearstream

Clearstream advises that it is incorporated under the laws of Luxembourg and licensed as a bank and professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream has established an electronic bridge with the Euroclear operator to facilitate the settlement of trades between Clearstream and Euroclear. As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream participants are limited to securities brokers and dealers and banks, and may include the Initial Purchasers, or other financial entities involved in, this offering. Other institutions that maintain a custodial relationship with a Clearstream participant may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC. Distributions with respect to Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a global note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their respective operations.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Summary of Provisions Relating to Certificated Notes

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by the Issuer within 90 days, or if there shall have occurred and be continuing an Event of Default with respect to the Notes, the Issuer will issue certificated Notes in exchange for the Global Notes. Certificated notes delivered in exchange for Book-Entry Interests will be registered in the names, and issued in denominations of $100,000 and integral multiples of $1,000 in excess thereof, requested by or on behalf of DTC or the successor depositary (in accordance with its customary procedures). Holders of Book-Entry Interests may receive certificated Notes, which may bear the legend referred to under "Notice to Investors," in accordance with DTC's rules and procedures in addition to those provided for under the Fiscal Agency Agreement.

Except in the limited circumstances described above, owners of Book-Entry Interests will not be entitled to receive physical delivery of individual definitive certificates. The Notes are not issuable in bearer form.

Transfers of interests in certificated Notes may be made only in accordance with the legend contained on the face of such Notes, and the Fiscal Agent will not be required to accept for registration of transfer any such Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the applicable Transfer Agent that such transfer is being made in compliance with such legend.

Payment of principal and interest in respect of the certificated Notes shall be payable at the agency of the Issuer in the City of New York which shall initially be at the corporate trust office of the Fiscal Agent, which is located at 10 East 40th Street – 14th Floor New York, NY 10016 United States.

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg (referred to herein as Clearstream) and their book-entry systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor or the Initial Purchasers take any responsibility for or make any representation or warranty with respect to the accuracy of this information. DTC, Euroclear and Clearstream are under no obligation to follow the procedures described herein to facilitate transfer of interest in Global Notes among participants and account holders of DTC, Euroclear and Clearstream, and such procedures may be discontinued or modified at any time. Neither the Issuer, the Guarantor nor the Fiscal Agent will have any responsibility for the performance of DTC, Euroclear and Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

TAXATION

U.K. Taxation

The summary below is of a general nature and describes certain U.K. tax implications of the payment of principal and interest in respect of the Notes issued by BG Energy Capital plc (the "**Issuer**") and also contains a summary of the material U.K. tax consequences of acquiring, holding or disposing of the Notes. It is not tax advice and is not intended to be exhaustive. The summary is based on current U.K. tax law and current U.K. H.M. Revenue and Customs ("**HMRC**") published practice, which are subject to change at any time, possibly with retrospective effect. The comments relate only to the position of persons who are the absolute beneficial owners of their Notes as capital investments and may not apply to certain classes of holders, such as dealers in securities and holders who are connected with the Issuer for U.K. tax purposes, and do not necessarily apply where the income in respect of the Notes is deemed for U.K. tax purposes to be the income of any person other than the holder of the Notes.

Please consult your own tax advisor concerning the consequences of acquiring, owning and disposing of the Notes under U.K. tax law and the laws of any other jurisdiction in which you may be subject to tax.

Interest Payments

References to "interest" in this section mean interest as understood in U.K. tax law. The statements below do not take account of any different definitions of interest which may prevail under any other law.

Payments of interest on Notes issued by the Issuer will not be subject to withholding or deduction for or on account of U.K. taxation because the Notes will be treated as "quoted Eurobonds" (within the meaning of section 987 of the Income Tax Act 2007 ("**ITA 2007**")), so long as the Notes are listed on a recognized stock exchange. Section 1005 ITA 2007 provides that securities will be treated as listed on a recognized stock exchange if (and only if) they are admitted to trading on that exchange, and either they are included in the U.K. official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognized stock exchange. The London Stock Exchange is a "recognized stock exchange" for these purposes.

Even if the Notes do not qualify as "quoted Eurobonds," the withholding obligation is disapplied (subject to contrary direction from HMRC) in respect of payments to a holder whom the Issuer reasonably believes is the beneficial owner of the interest payable on the Notes and is either a U.K. resident company or a non- U.K. resident company carrying on a trade or vocation in the United Kingdom through a U.K. permanent establishment where the payment is taken into account in calculating the corporation tax liability of that company, or falls within various categories enjoying a special tax status (including charities and certain pension funds), or is a partnership consisting of such persons.

In all other cases, subject to relief under an applicable double taxation treaty (including the U.S.- U.K. tax treaty, which generally exempts interest paid to U.S. person from U.K. tax, subject to certain exceptions), interest on the Notes will be paid under deduction of U.K. income tax at the basic rate (currently 20%).

The interest on Notes issued by the Issuer will have a U.K. source for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding. However, interest with a U.K. source received without deduction or withholding on account of U.K. tax will not be chargeable to U.K. tax in the hands of a person who is not resident for tax purposes in the United Kingdom unless that person carries on a trade, profession or vocation in the United Kingdom through a branch or agency (or, for holders who are companies, through a permanent establishment) in the United Kingdom in connection with which the interest is received or to which the Notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent, such as certain brokers and investment managers) U.K. tax may be levied on the U.K. branch, agency or permanent establishment.

Guarantee Payments

Any payments made by BG Energy Holdings Limited under the guarantee to holders of the Notes may have a U.K. source for U.K. tax purposes.

Although the point is not free from doubt, a payment under the guarantee in respect of interest should be treated as a payment of interest and a payment under the guarantee in respect of principal should be treated as principal. Consequently, only guarantee payments in respect of interest should be subject to the same withholding tax implications described above, and recipients may be assessed for U.K. tax on the receipt of these payments on the basis described in the fifth paragraph of the "Interest Payments" section above.

Disposal (including redemption)

A holder of Notes who is resident in a jurisdiction outside the United Kingdom and not resident or ordinarily resident in the United Kingdom should not generally be liable to U.K. taxation in respect of a disposal (including redemption) of a Note, unless at the time of the disposal, the holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency (or, for holders who are companies, through a permanent establishment in the United Kingdom to which the Note is attributable), in which case (subject to exemptions for gains realized by certain categories of agent, such as certain brokers and investment managers), U.K. tax may be levied on the U.K. branch, agency or permanent establishment.

In general, holders within the charge to U.K. corporation tax (other than authorized investment funds) will be treated for tax purposes as realizing profits, gains or losses in respect of the Notes on a basis which is broadly in accordance with their accounting treatment, so long as that accounting treatment is in accordance with generally accepted accounting practice (as that term is defined for U.K. tax purposes). Such profits, gains and losses (or, where the holder's presentation currency is not Pound Sterling, then the Pound Sterling equivalent of such profits, gains and losses as computed in the holder's presentation currency) will be taken into account in computing taxable income for corporation tax purposes. Foreign exchange gains and losses in respect of the Notes will be brought into account as income.

Other holders who are not subject to corporation tax, may have to account for capital gains tax in respect of any gains arising on a disposal of a Note. Any capital gains would be calculated by comparing the Pound Sterling spot values on purchase and disposal of the Notes, so a liability to tax could arise even where the U.S. Dollar amount received on a disposal was less than or the same as the U.S. Dollar amount paid for the Notes.

The provisions of the "accrued income scheme" (contained in Part 12 ITA 2007) may apply to such other holders in relation to a transfer of the Notes. On a transfer of securities with accrued interest, the accrued income scheme usually applies to deem the transferor to receive an amount of income equal to the accrued interest and to treat the deemed or actual interest subsequently received by the transferee as reduced by a corresponding amount.

A holder who is an individual and who has ceased to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five years of assessment and who disposes of Notes during that period may be liable on return to the United Kingdom to U.K. taxation on chargeable gains arising during the period of absence, subject to any available exemption or relief.

Substitution of the Issuer, as contemplated by the Notes, is also likely to constitute a disposal for U.K. tax purposes.

Stamp Duty and Stamp Duty Reserve Tax

No U.K. stamp duty or SDRT should arise on the issue or transfer of a Note, or on its redemption.

Provision of Information by and/or to HM Revenue & Customs

Holders of Notes should 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 of a Note. Any such information obtained by HMRC may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the holder is resident for tax purposes.

European Union Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), a Member State is 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 an individual resident 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 end 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 agreed to adopt similar measures (a withholding system in the case of Switzerland). On November 13, 2008, the European Commission published a proposal for amendments to the EU Savings Directive and the European Parliament approved an amended version of this proposal on April 24, 2009. If implemented, the suggested changes would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

United States Taxation

United States Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Offering Memorandum or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

This section describes the material United States federal income tax consequences of owning the Notes we are offering. It applies to you only if you acquire Notes in this offering at the offering price and you hold your Notes as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- a person that owns Notes that are a hedge or that are hedged against interest rate risks;
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes; or
- a United States holder (as defined below) whose presentation currency for tax purposes is not the U.S. Dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the Notes, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Notes should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Notes.

Please consult your own tax advisor concerning the consequences of owning these Notes in your particular circumstances under the Internal Revenue Code and the laws of any other taxing jurisdiction.

United States Holders

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of a Note and you are for U.S. federal income tax purpose:

- an individual who is a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this subsection does not apply to you.

Payments of Interest. You will be taxed on interest on your Notes, including any Additional Amounts with respect thereto as described under "Description of the Notes and Guarantees — Payment of Additional Amounts," as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for U.S. federal income tax purposes.

Interest paid on the Notes is income from sources outside the United States for the purpose of the rules regarding the foreign tax credit and will, depending on your circumstances, be either "passive" or "general" income for purposes of computing your foreign tax credit limitation.

Purchase, Sale and Retirement of the Notes. You will generally recognize capital gain or loss on the sale or retirement of your Notes equal to the difference between the amount you realize on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest which will be taxable as interest, and your tax basis in your Notes. Your tax basis in your Notes generally will be their cost. Capital gain of a non-corporate United States holder is generally taxed at preferential rates where the property is held for more than one year.

Medicare Tax. For taxable years beginning after December 31, 2012, a United States holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the United States holder's "net investment income" (or undistributed net investment income for estate and trusts) for the relevant taxable year and (2) the excess of the United States holder's modified adjusted gross income (or adjusted gross income for estates and trusts) for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A holder's investment income will generally include its interest income and its net gains from the disposition of Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a United States holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the Notes.

United States Alien Holders

This subsection describes the tax consequences to a United States alien holder. You are a United States alien holder if you are a beneficial owner of a Note and you are, for United States federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation; or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note.

Under United States federal income tax law, and subject to the discussion of backup withholding below, if you are a United States alien holder of Notes, interest on Notes paid to you is generally exempt from United States federal income tax, including withholding tax, whether or not you are engaged in a trade or business in the United States, unless:

- you are an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Internal Revenue Code; or
- you both
  - have an office or other fixed place of business in the United States to which the interest is attributable; and
  - derive the interest in the active conduct of a banking, financing or similar business within the United States.

Purchase, Sale, Retirement and Other Disposition of the Notes. If you are a United States alien holder of Notes, you generally will not be subject to United States federal income tax on gain realized on the sale, exchange or retirement of Notes unless:

- the gain is effectively connected with your conduct of a trade or business in the United States; or
- you are an individual, you are present in the United States for 183 or more days during the taxable year in which the gain is realized and certain other conditions exist.

Substitution of the Issuer; Consolidation, Merger and Sale of Assets

The Guarantor or certain of its affiliates, subject to certain restrictions, may assume the obligations of the Issuer under the Notes without the consent of the holders of the Notes. Additionally, the Issuer or the Guarantor, subject to certain restrictions, may, without the consent of the holders of the Notes, consolidate with or merge into, or sell, transfer, lease or convey all or substantially all of their respective assets to, any corporation. The assumption of the Issuer's obligations under the Notes, and in certain circumstances some of the other transactions described above, may be treated as a taxable exchange for U.S. federal income tax purposes. Holders should consult their own tax advisors regarding the U.S. federal, state, and local tax consequences of such events.

Backup Withholding and Information Reporting

If you are a non-corporate United States holder, information reporting requirements, on Internal Revenue Service Form 1099, generally will apply to:

- payments of principal and interest on a Note within the United States, including payments made by wire transfer from outside the United States to an account you maintain in the United States; and
- the payment of the proceeds from the sale of a Note effected at a United States office of a broker.

Additionally, backup withholding will apply to such payments if you are a non-corporate United States holder that:

- fails to provide an accurate taxpayer identification number;
- is notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Pursuant to recently enacted legislation, certain payments in respect of Notes made to corporate United States holders after December 31, 2011 may be subject to information reporting and backup withholding.

If you are a United States alien holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

- payments of principal and interest made to you outside the United States by the Issuer or another non-United States payor; and

- other payments of principal and interest and the payment of the proceeds from the sale of a Note effected at a United States office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax; and:
    - if, in both cases, the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the payor or broker:
        - an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person; or
        - other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations; or
    - you otherwise establish an exemption.

Payment of the proceeds from the sale of a Note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a Note that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States;
- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of a Note effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person;
- a controlled foreign corporation for United States tax purposes;
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or
- a foreign partnership, if at any time during its tax year:
    - one or more of its partners are "United States persons," as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or
    - such foreign partnership is engaged in the conduct of a United States trade or business;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person. A holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed the holder's income tax liability by filing a refund claim with the Internal Revenue Service.

Recently Enacted Legislation. Under recently enacted legislation, individuals that own "specified foreign financial assets" with an aggregate value in excess of $50,000 in taxable years beginning after March 18, 2010 will generally be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include financial accounts maintained by foreign financial institutions (such as accounts through which the Notes may be held), as well as non-U.S. debt securities, but only if the debt securities are not held in accounts maintained by financial institutions. United States holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

PLAN OF DISTRIBUTION

Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative of each of the Initial Purchasers named below. Subject to the terms and conditions set forth in a purchase agreement among the Issuer, the Guarantor and the Initial Purchasers, the Issuer has agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from the Issuer, the principal amount of Notes set forth opposite its name below.

Initial Purchaser	Principal Amount of 2015 Notes	Principal Amount of 2020 Notes
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$136,112,000	$243,750,000
Goldman, Sachs & Co.	106,944,000	203,125,000
J.P. Morgan Securities LLC	106,944,000	203,125,000
Total	$350,000,000	$650,000,000

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the purchase agreement if any of these Notes are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting Initial Purchasers may be increased or, in certain cases, the purchase agreement may be terminated.

The Issuer and the Guarantor have agreed to indemnify the several Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representative has advised the Issuer and the Guarantor that the Initial Purchasers propose initially to offer the Notes at the price set forth on the cover page of this Offering Memorandum. After the initial offering, the public offering price, concession or any other term of the offering may be changed. The expenses of the offering, not including the discount to the Initial Purchasers, are estimated at $1,000,000 and are payable by the Issuer and the Guarantor. The Initial Purchasers have agreed to reimburse the Issuer and the Guarantor for certain documented expenses incurred in connection with the offering.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S under the Securities Act. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Notes

The Notes are a new issue of securities with no established trading market. The Issuer has made an application for the admission of each series of the Notes to listing on the Official List and to trading on the Market. However, there is no assurance that a liquid trading market in the Notes will develop. The Issuer has been advised by the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. The Issuer cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the operating performance and financial condition of the Issuer and the Guarantor, general economic conditions and other factors. See "Risk Factors — The Notes lack a developed public market."

No Sales of Similar Securities

The Company has agreed that it will not, for a period of five days after the closing date of this offering, without first obtaining the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities denominated in U.S. Dollars or securities exchangeable for or convertible into debt securities denominated in U.S. Dollars of the Company or the Guarantor, except for commercial paper or other short-term debt instruments of the Company or the Guarantor or as contemplated by the purchase agreement.

Settlement

We expect that delivery of the Notes will be made to investors on or about December 9, 2010, which will be the fifth Business Day following the date of this Offering Memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

Price Stabilization, Short Positions

In connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither the Issuer, the Guarantor nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer, the Guarantor nor any of the Initial Purchasers make any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The Initial Purchasers also may impose a penalty bid. This occurs when a particular Initial Purchaser repays to the Initial Purchasers a portion of the underwriting discount received by it because the representative has repurchased notes sold by or for the account of such Initial Purchaser in stabilizing or short covering transactions.

Other Relationships

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

United States

The Notes have not been and will not be registered under 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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act and (2) within the United States to QIBs in accordance with Rule 144A.

Each Initial Purchaser has represented and agreed with the Issuer that (1) it has not offered or sold, and will not offer or sell, any Notes except (A) to those it reasonably believes to be "qualified institutional buyers" (as defined in Rule 144A under the Act) or (B) in offshore transactions to non-U.S. persons in accordance with Rule 903 of Regulation S, (2) no general solicitation or general advertising (within the meaning of Rule 502 under the Securities Act) will be used in the United States in connection with the offering of the Notes, (3) neither it, nor any of its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes and that such Initial Purchaser, its affiliates and any persons acting on its or their behalf have complied and will comply with the offering restrictions of Regulation S, and (4) it is a "qualified institutional buyer" within the meaning of Rule 144A.

Terms used in the preceding two paragraphs have the meanings ascribed to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

United Kingdom

Each Initial Purchaser has represented 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 ("**FSMA**") received by it in connection with the issue or sale of the Notes 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 in relation to the Notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The Notes offered in this offering memorandum have not been registered under the Securities and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law, and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore.

Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, 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, in each case subject to compliance with conditions set forth in the SFA.

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

- 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
- 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, shares, debentures and units of shares and debentures 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 Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- where no consideration is or will be given for the transfer; or where the transfer is by operation of law.

NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Securities offered hereby.

The Securities have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Securities offered hereby are being offered and sold only (A) outside the United States in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act and (B) within the United States to QIBs in accordance with Rule 144A.

Each purchaser of Securities in the United States will be deemed to have acknowledged, represented to and agreed with the Issuer, the Guarantor and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Securities have not been registered under the Securities Act or any other applicable securities laws, are being offered for sale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and may not be offered, sold or otherwise transferred except in compliance with registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer or the Guarantor or acting on behalf of the Issuer or the Guarantor. It is a QIB and is aware that any sale of Securities to it will be made in reliance on Rule 144A under the Securities Act, and the purchase of the Securities will be for its own account or the account of another QIB.

(3) It understands that the Securities may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who it reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction in compliance with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iv) pursuant to an effective registration statement under the Securities Act, and (B) in accordance with all applicable securities laws of the states of the United States.

(4) It acknowledges that the Securities will bear a legend substantially to the following effect:

"THE NOTES AND THE GUARANTEES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "***SECURITIES ACT***") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (B) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

(5) It agrees that it will give to each person to whom it transfers the Securities notice of any restrictions on transfer of such Securities.

(6) It acknowledges that the Fiscal Agent will not be required to accept for registration of transfer any Securities except upon presentation of evidence satisfactory to the Issuer and the Fiscal Agent that the restrictions set forth therein have been complied with.

(7) It acknowledges that the Issuer, the Guarantor, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that if any of the acknowledgments, representations, warranties and agreements deemed to have been made by its purchase of the Securities are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.

Each purchaser of Securities outside of the United States pursuant to Regulation S will be deemed to have represented, acknowledged and agreed as follows:

(1) It understands and acknowledges that the sale of the Securities to it is being made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act and it is, or at the time such Securities are purchased, will be, the beneficial owner of such Securities and (A) it is not a U.S. Person and is located outside the United States (within the meaning of Regulation S), and (B) it is not an affiliate of the Issuer, the Guarantor or a person acting on behalf of such affiliates.

(2) It understands and acknowledges that the Securities have not been and will not be registered under the Securities Act and, during the Distribution Compliance Period (defined as 40 days after the later of the commencement of the offering and issuance of the Securities), may not be offered, sold, pledged or otherwise transferred except (A) (i) in an offshore transaction in compliance with Rule 903 or Rule 904 of Regulation S, (ii) to a person who it reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iv) pursuant to an effective registration statement under the Securities Act, and (B) in accordance with all applicable securities laws of the states of the United States.

(3) Each purchaser acknowledges that the Securities will bear a legend substantially to the following effect:

"THE NOTES AND THE GUARANTEES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "***SECURITIES ACT***"), AND, PRIOR TO THE EXPIRATION OF FORTY DAYS FROM THE LATER OF (1) THE DATE ON WHICH THESE SECURITIES WERE FIRST OFFERED AND (2) THE DATE OF ISSUANCE OF THESE SECURITIES, MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES EXCEPT (A) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE OTHER QUALIFIED INSTITUTIONAL BUYERS IN ACCORDANCE WITH RULE 144A, (B) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

(4) It agrees that it will give to each person to whom it transfers the Securities notice of any restrictions on transfer of such Securities.

(5) It acknowledges that the Fiscal Agent will not be required to accept for registration of transfer any Securities except upon presentation of evidence satisfactory to the Issuer and the Fiscal Agent that the restrictions set forth therein have been complied with.

(6) It acknowledges that the Issuer, the Guarantor, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Securities are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.

VALIDITY OF THE SECURITIES

The validity of the Notes and Guarantees under New York law will be passed upon for the Issuer and the Guarantor by Sullivan & Cromwell LLP, and for the Initial Purchasers by Davis Polk & Wardwell LLP.

INDEPENDENT ACCOUNTANTS

The auditors of the Issuer and the Guarantor are PricewaterhouseCoopers LLP, whose address is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP are Chartered Accountants and Registered Auditors with the Institute of Chartered Accountants in England and Wales and regulated by the Audit Inspection Unit of the Professional Oversight Board of the Financial Reporting Council in the United Kingdom, whose address is Eighth Floor, 1 Canada Square, Canary Wharf, London E14 5AG. The auditors of the Issuer and the Guarantor have no interest in the Issuer or the Guarantor.

The Issuer's Financial Statements, the Guarantor's Financial Statements and BG Group plc's Financial Statements, have each been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their reports included therein and incorporated herein by reference.

AUTHORIZATION

The issue of the Notes, or, in the case of the Guarantor, the giving of the Guarantees, has been duly authorized by the resolutions of the Board of Directors of the Issuer and of the Board of Directors of the Guarantor, each dated November 16, 2010.

FINANCIAL AND TRADING POSITION AND PROSPECTS

Save as disclosed in the sections entitled "Overview — Recent Developments" on pages 12-15 of this Offering Memorandum and "Selected Financial Information — Selected Financial Information of the Guarantor and BG Group as of and for the Nine-Month Period Ended September 30, 2010 and Summary of Principal Differences Between the Guarantor's and BG Group's Financial Information" on pages 21-23 of this Offering Memorandum and in footnote (1) to the section entitled "Capitalization" on page 37 of this Offering Memorandum, there has been no significant change in the financial or trading position of the Guarantor or BGEH Group since December 31, 2009 being the date of their last published audited financial statements; there has been no material adverse change in the prospects of the Guarantor since December 31, 2009 being the date of its last published audited financial statements and there has been no significant change in the financial or trading position of the Issuer and no material adverse change in the prospects of the Issuer since December 31, 2009 being the date of its last published audited financial statements.

LITIGATION

Neither the Issuer, nor the Guarantor is aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the 12 months prior to the date of this Offering Memorandum, which may have or have had a significant effect on the financial position or profitability of the Issuer, the Guarantor or BGEH Group.

YIELD

The projected yield of the 2015 Notes will be 2.623% and the projected yield of the 2020 Notes will be 4.142%. Such projection has been calculated on the basis of the offering prices as at the date of this Offering Memorandum and is not an indication of actual future returns for investors.

INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Initial Purchasers, so far as the Issuer and the Guarantor are aware, no person involved in the issue of the Notes has an interest material to the offer.

DOCUMENTS ON DISPLAY

For the period of 12 months following the date of this Offering Memorandum, copies of the following documents will be available for inspection during normal office hours (local time) on any weekday (Saturdays, Sundays and public holidays excluded) at the registered office of the Issuer and the Guarantor:

(a) this Offering Memorandum;

(b) the Memorandum and Articles of Association of the Issuer and the Guarantor; and

(c) the Issuer's Financial Statements, the Guarantor's Financial Statements, BG Group's Financial Statements and the BG Group's Third Quarter 2010 Financial Information.

REGISTERED OFFICE OF THE ISSUER AND THE GUARANTOR

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United States

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United States

$1,000,000,000

BG Energy Capital plc
as Issuer

BG Energy Holdings Limited
as Guarantor

$350,000,000 2.500% Guaranteed Notes Due 2015
$650,000,000 4.000% Guaranteed Notes Due 2020

OFFERING MEMORANDUM
December 3, 2010

Joint Bookrunners

BofA Merrill Lynch **Goldman, Sachs & Co.** **J.P. Morgan**

Printed by RR Donnelley 118600